



A STUDY ON CUSTOMER'S PERCEPTION TOWARDS DEBIT CARD USERS IN PUBLIC AND PRIVATE SECTOR BANKS AT DHARMAPURI DISTRICT

C. Senthilkumar

Research Scholar & Assistant Professor, Department of Accounting & Finance, Guru Nanak College, Chennai, India.

ABSTRACT: Due to the technological revolution in financial sector, the payments in banking system have undergone a tremendous change. The Number of innovative products for making payment has developed after the privatization and globalization. Customers have showed their preference over the usage of the plastic money generally over a period of time in the banking process. Plastic money is an alternative to the cash or the standard money. Various types of plastic are cards provided by banks in India. Plastic money is referring to the Debit card use at the point of sale has grown dramatically in recent years in India and now exceeds the number of credit card transactions. The debit cards are used to withdraw cash from an ATM, purchase of goods and services at Point of Sale, E-commerce both domestically and internationally. However, it can be used only for domestic fund transfer from one person to another. This paper attempts to study about the customer perception of debit card usages in banking industry and satisfaction of debit card holders.

Keywords- ATM (Automatic Teller Machine), Bank Sector, Credit Card, Debit Card, Electronic Banking.

1.1 INTRODUCTION

The Debit card is a magnetically encoded plastic card issued by banks which has replaced cash and cheques. It allows the customer to pay for goods and services without carrying cash with them. In some cases, a debit card is multipurpose which can also be used as ATM for withdrawing cash and to check account balances. It is issued free of cost with the saving or current account. The Debit card is one of the best online e-payment tool through which the amount of purchase is immediately deducted from customer account and credited to merchant's account provided if that much amount is available in the customer's account. It has overcome the delayed payment process of cheques, due to which sometimes merchants have to suffer.

There are currently two ways that debit card transactions are processed

1. Online debit (also known as PIN)
2. Offline debit (also known as signature debit)

Debit card transaction involves the purchase of goods or service. In this case, the consumer presents a debit card to a merchant, and the consumer either enters a PIN online debit or signs a receipt offline debit to verify the consumer's identity. The merchant, in turn, sends information about the transaction across one or more debit card networks, and if the transaction is approved, the consumer receives the goods or service and the checking account is correspondingly debited. The merchant is reimbursed by a credit to its bank account.

In India, four types of Debit Cards are issued by banks – most of the banks, VISA, VISA Electron, SBI and city bank issue Master Card and Maestro. The debit card was mostly used for ATM transactions. RBI has announced such fee is not justified so the transaction has no processing fee. The debit card transactions are routed through visa or master card networks in India and overseas rather than directly via the issuing bank.

1.2 Basic Concepts

1.2.1 Customer Perception's

A marketing concept that encompasses a customer's impression, awareness and/or consciousness about a company or its offerings. Customer perception is typically affected by advertising, reviews, public relations, social media, personal experiences and other channels.

1.2.2 Plastic Money

Plastic money is referring to the Debit card; Money is always regarded as an important medium of exchange and payment tool. Initially barter system was used as the significant mode of payment. Over the years, money has changed its form from coins to paper cash and today it is available in formless form as electronic money or debit card. Debit cards are one of those types of innovations through which the customers can make use of banking services just by the owning the card issued by bank and that too without restricting himself in the official banking hours. However, the card – based usage has picked up only during the last five years. Payment by cards is now becoming a much preferred mode for making retail payments in the country (Report on RBI in 2006-07).

The role of various parties involved in debit cards payment

1. Customer or Cardholder: The authorized person holding the card and can use it for purchase of goods and services also.
2. Card issuing bank: The bank or institution which issues the card to its eligible customers.
3. Merchants: Entities which sell the goods and services to cardholder and duly agree to accept the card for payment.
4. Bank Card Association: The associations (VISA, Master Card, and American Express)

1.2.3 Electronic Banking

E-Banking refers to electronic banking, wherein the entire operations are done by the customer through his computer system by using code, which maintains secrecy of transactions. The customer will be instructing the banker through the computer with regard to transfer, investment and repayment of loans or appropriation of different payments. Off-shore banking become much more easy by e-Banking.

1.2.4 ATM Cards

HSBC-the Hong Kong and Shanghai Banking Corporation were the first bank to introduce the ATM concept in India in 1987. An ATM can be used for both ATM and debit card transactions, online and offline. These cards are typically used at automatic teller machines (ATMs) to withdraw cash, make deposits, or transfer funds between accounts. ATM card is used by inserting the card into an automatic teller machine and enter a personal identification number, or PIN, for security. The system checks the account for adequate funds before permitting any transaction. Wide acceptance of ATMs by consumers, the introduction of biometric ATMs, and increasing scope of value-added ATM services will maintain growth in the industry.

1.2.5 Debit Card

A debit card is also called as 'plastic money'. Physically, it resembles a credit card. It is a better alternative way of carrying cash or cheque book. It is an electronic card serving as a convenient payment mechanism. Debit card allows the customers to spend only up to the limit of balance available in their account.

1.2.6 Credit Card

Credit cards have become popular from the past few years in the Indian market as almost all the commercial banks came with the concept of credit cards. All the working employees and self-employed who have the regular monthly income are eligible to get a credit card. The Credit card is a plastic-card issued by a bank or non-banking financial company (NBFC) ready to lend money (give credit) to its customer. The Credit card is a suitable alternative for cash payment or credit payment or deferred (installment) payment. It is used to execute those transactions which are compiled through electronic devices like a card swapping machine, computer with internet facility, etc. Cardholder is someone to whom a card is issued and who has an obligation to remit all necessary financial borrowings made on his card. A credit card offers the customers with a lot of flexibility and saves time too. It is appropriate to study the card holders' perception towards the credit cards, since credit cards have offered more services. Hence, the present study was formulated with specific objectives to appraise and compare the card holders' perception scenario in the Public Sector Banks and Private Sector Banks.

1.3 Advantages of Using Debit Card

For starters, debit cards are safe as no one can access your account without your PIN plus they allow you to conduct your banking online and they give you 24 hour access to your money. Some of the other advantages of using a debit card are You don't need to find a bank to withdraw funds, You can use your debit card almost anywhere, No monthly interest charges on your spending, They allow you to have ATM access.

But you must keep an accurate record of your debit card use to avoid becoming overdrawn on your account. Also, if your account balance is not sufficient to cover the transaction your card will be denied at the point of purchase and this can be really inconvenient and sometimes embarrassing.

1.3.1. Easy to obtain. Once you open an account most institutions will issue you a debit card upon request.

1.3.2. Convenience. Purchases can be made by swiping the card rather than filling out a paper check.

1.3.3. Safety. You don't have to carry cash or a checkbook.

1.3.4. Readily accepted. When out of town (or out of the country), debit cards are usually widely accepted (make sure to tell your financial institution you're leaving your city; to not have an interruption in service).



1.3.5. Other benefits are a Prepaid card, Nominal fee is charged, Alternative mode for cash transactions, Immediate transfer of funds, Instant cash withdrawal of cash from ATM, Easy carry, Handle & manage, Earns bonus points for executing transactions, Gift on Redeeming accumulated points, Cash back offer, Free insurance coverage.

1.4 Disadvantages of Using Debit Card

There are some things you will still need cash for, like money for your children for a school expense or to pay the neighbor for picking something up at the shops for you and if you don't have any on hand it means locating an ATM to make a withdrawal which isn't always convenient. So it's a good idea to keep some cash on hand for those smaller expenses that require a cash payment.

Also, if your account is low on funds you can't use your debit card for a purchase if the purchase exceeds your balance. Unlike a credit card that allows you to borrow on your credit, your debit card requires the funds to be available in your account in order for you to use it. This can be a problem if the purchase is one you need to make.

1.4.1 No grace period. Unlike a credit card, a debit card uses funds directly from your checking account. A credit card allows you to borrow funds on credit, leaving disposable cash in your account.

1.4.2 Checkbook balancing. Balancing your account may be difficult unless you record every debit card transaction.

1.4.3 Less protection. Most financial institutions will try and protect their customers from debit card fraud. However, a customer could potentially be liable for up to \$500 on fraudulent debit card transactions compared with only \$0 on credit cards. Be sure to check with your financial institution to learn the details. Fees, using your debit card for ATM transactions may be costly if the ATM is not affiliated with your institution.

2. LITERATURE REVIEW

The literature relating to the topic as under:

Mandeep Kaur and Kamalpreet Kaur (2008), in their article, "Development of Debit Cards Market: Past, Present and Future Scenario in Indian Banks" conclude that Indian banking sector is accepting the challenge of information technology as all the groups of bankers have now recognized it as essential requirement for their survival and growth in future. Despite the strong advances in e-payments, an estimated 90 percent of personal consumption expenditure in India is still made with cash which indicates the tremendous growth potential of this business. So this can be considered as mere beginning which indicates the bright future prospects of plastic card market in India.

P Mani (2013) in his research paper "Debit card money a way for cash Less payment System" examined that Debit card Money i.e. usage of debit card was measured a luxury, and has become needed. These plastic money and electronic payment was used by only higher income group. This facility extended not only to customers in urban areas or cities, but also to customer residing in rural area. However, today, with development of banking and trading activity, the fixed income group or salaried classes are also start using the debit card money and electronic payment systems and particularly Debit card.

Sharma (2012) in her research paper "Debit card frauds and the countermeasures: towards a safer payment mechanism" have thrown light on the number of frauds increased considerably in usage of plastic cards as in case of debit card frauds the most affected parties are the merchants of goods and services as they have to bear the full liability for losses due to frauds, the banks also bears some cost especially the indirect cost whereas the cardholders are least affected because of limited consumer liability and concluded that all these losses can be dealt with by making the prudent use of the new technology and taking the respective counter measures.

Bansi Patel and Urvi Amin (2012) in their research paper "Debit card money : Road may Towards Cash Less Society" discussed that now days in any transaction Plastic money becomes inevitable part of transaction and with it life becomes more easy and development would take better place and along with the plastic money it becomes possible that control the money laundry and effective utilization of financial system would become possible which would also helpful for tax legislation.

In this research paper an attempt has been made to study an overview of the development of banking in debit card usage trends since these have been introduced in Indian banking sectors. The study also highlights the role these cards as electronic payment tool to be used by customer and know these cards in replacement of cash and paper money.

3. STATEMENT OF THE PROBLEM

Debit card use at the point of sale has grown dramatically in recent years in India and now exceeds the number of credit card transactions. The debit cards are used to withdraw cash from an ATM, purchase of goods and services at Point of Sale, E-commerce online purchase both domestically and internationally. However, it can be used only for domestic fund transfer from one person to another. This increased usage of debit cards in urban and rural areas suggests the need for which the debit cards are used by the card holders.

4. OBJECTIVES OF THE STUDY

1. To assess the level of awareness of consumer towards debit cards.
2. To examine the utilization of debit card by customers.
3. To evaluate the level of satisfaction of customers towards debit cards.
4. Identify the problems faced by consumers in using debit cards and
5. To offer suitable suggestions for best utilization of debit cards.

5. SCOPE OF THE STUDY

Debit card is a small plastic payment card that provides the cardholder electronic access to their bank account at a financial institution unlike credit and charge cards, payments using a debit card are immediately transferred from the cardholder's designated bank account, instead of them paying the money back at a later date. Debit cards usually also allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash. Merchants may also offer cash back facilities to customers, where a customer can withdraw cash along with their purchase. This study plans to take into account the insights of card user's attitude which prompts him to usage of debit cards for his benefit.

6. RESEARCH METHODOLOGY

A convenient sampling technique was adopted to select the respondents. The sample size is restricted to 80 Debit card users from the 110 questionnaires collected. The sample consisted of debit card users belonging to different educational qualifications, income with varying periods of debit card collected usage. Primary data were collected through a questionnaire from the respondents to identify the characteristics of the debit cards held and to study the satisfaction of debit card usage. Statistical methods such as percentage analysis, factor analysis to study the debit card characteristics influencing the debit card usage purpose have been used. 10 variables of debit card usage purpose and 10 variables of satisfaction have been measured using 5 point scale of 5 4 3 2 and 1 for responses always, often, sometimes, occasionally and rarely respectively.

7. DATA ANALYSIS AND FINDINGS

7.1. Debit Card Characteristics

- **The number of debit cards held:** Majority of the respondents (72.5%) has only one debit card.
- **Debit Card issuing bank:** Majority of the respondents (62.5%) has debit cards issued by private sector banks.
- **Debit Card usage duration:** Majority of the respondents has been using the debit cards for 1 to 5 years.
- **Debit card usage spread:** (37.6%) of the respondents uses the debit cards either daily or once a week.
- **Debit card usage restriction:** Majority of card holders has no restriction on usage of debit cards.
- **Debit card usage control:** Majority of the respondents (76%) claim that they have full control over the debit card usage.
- **Debit card holder's perception of debit card:** Majority of the respondents (72.5) state that they have perception on debit card usage.
- **Debit card usage problems:** Majority of the respondents (56%) says problems while using debit cards.
- **Debit card usage satisfaction:** Majority of respondent (75.5%) state they have satisfaction while using a debit card transaction.
- **Awareness of debit card usage:** Majority of respondents 60% has knowledge about debit cards.

7.2 Dimensions of Debit Card Usage Purpose

While analyzing the debit card usage purpose variables, the factor analysis has been applied to understand the underlying dimension in them.

Table1: Debit Card Usage Purpose Factors

Factors	Explained Variance (%)	Variables	Factors Loading	Communalities
Factors-1-Basic Needs	25.361	Y.3-Travel	0.769	0.605
		Y.5-Entertainment	0.765	0.599
		Y.1-Domestic purchases	0.694	0.728
		y.6-Hotel/Restaurants	0.596	0.404
Factors-2-Life Style	16.625	Y.7-Hospital bills	0.794	0.633
		Y.8-Consumer durables	0.647	0.499
Factors-3-Perennial	15.659	y.4-Clothing	0.785	0.638
		Y.2-Utility bills	0.713	0.562

With KMO measures of sampling adequacy of 0.551 and Chi-Square value of 76.831 at 28 degree freedom with p value of 0.0000, factors analysis is suitable for factorization of debit card usage purpose variable. Those variables numbering ten have been reduced to three factors, which together account for 57.645% of variance explained. The most dominant factor-1 contains four variables of debit card usage purposes of Travel, Entertainment, Domestic purchases and Hotel/Restaurants and has explained variance of 25.361%. Therefore, it has been appropriately named as Basic Needs factor. The next dominant factor-2 named as Life Style factor, contains two variables of debit card usage purposes for payment for Hospital bill and Consumer durable and has explained variance of 16.625% it is followed by factor-3 labeled as perennial factor is containing 2 variables of debit card usage purpose of payment for Clothing and Utility bills and explains variance of 15.659%. Thus, the 10 variables of debit card usage purpose have been reduced to three factors of Basic Need factor, Life Style factor and perennial factor in the order of their dominance.

8. CONCLUSION

To conclude, the majorities of the respondents have ONE debit card issued by a private Sector Bank, have control, restrict and plan on cards usage and have perception and awareness on debit cards. In debit card usage purpose, the dominant factor is a Basic Need factor, followed by Life Style and Perennial factors. The Debit Card usage purpose is significantly influenced by the control over debit cards and payment on various utility bills.

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