

CREDIT CARD: PLASTIC CURRENCY CARD AS A FINANCIAL TOOL FOR SETTLEMENT

Dr. Ritu Saxena*

ABSTRACT

The profile of the card industry is undergoing tremendous change both in the volume of business transacted through it and in the variety of products available for the customers to choose from. It is a fact that credit card as a channel for financial settlement would slowly eclipse the concept of cheque leaves as a payment channel which has ruled the financial industry world over for the last so many decades. The paper highlights the present scenario of plastic currency and credit card, present growth, types of card and its key benefits, new security measures to customers using credit cards.

KEYWORDS: *Plastic Currency, Types of Cards, Key Benefits, Credit Cards, Financial Settlement.*

Introduction

For evaluation of performance of Indian Credit cards with regard to growth and problems, we have mainly processed the statistical data and information from various sources like RBI, Nationalized banks, private banks. Appropriate methods and techniques are used in the analysis of information in relation to present growth of plastic money, types of cards, key benefits, new security measures of Credit Cards.

Objectives of the Study

The objectives of this paper are as under:

- To examine the current scenario of Credit Card in Indian banking system
- To highlight the types and Benefits of Credit Card
- To provide Initiatives taken by Banks
- To suggest various measures for Cards security.

Hypothesis

Following hypothesis is made for this study:

- The payment mechanism through credit card has assumed highest levels of security avoid fraudulent misuse of cards.
- Credit cards has increased sales and risk minimization.
- Payment through credit cards to an economy should provide lower transaction cost, boost to financial intermediation, improved financial transparency and ensure banking services.

Credit Card Overview

The concept of credit card as a payment mechanism originated in the year, 1965 in a very small way in USA and this financial product has huge utilization in present day, since people world over are

* PDF UGC Research Scholar, Department of Economic Administration & Financial Management (EAFM), Faculty of Commerce, University of Rajasthan, Jaipur, Rajasthan.

preferring to settle their payments through credit or debit cards and the usage of cash and cheques is reducing significantly. The Indian card industry is poised for a tremendous growth since the Indian payment and scope is more inclined towards payment through cards. The importance of payment through credit cards to an economy like ours is great in terms of lower transaction cost, boost to financial intermediation, improved financial transparency and ensure banking services for the unbanked. Presently there have about 28.8 millions credit cards and 818 millions debit cards in January, 2017. The payment mechanism through credit card has assumed highest levels of security, with card majors having adopted stringent measures of security to avoid fraudulent misuse of cards.

In this direction, the card Issuance have an upgraded technology with the issuance have an upgraded technology with the issuance of chip based cards ,bio-metric cards and even contactless cards,(which work on Radio Frequency Identification Mechanism(RFID)).Credit Card is a product of Electronic Payment Mechanism and it is a highly technology driven product with an electronic criss -cross of interfaces .seeing the growth of the credit cards as a payment and financial settlement tool, more and more Banks and Financial settlement tool ,more and more banks and financial institutions are coming forward to issue credit cards with so many attractive value additions and additional payment opportunities embedded in the card .Today ,customer can use credit card for payment for his purchase of goods and services ,book train and flight tickets on the internet, mail order magazine or jewellery ,withdraw cash from ATMs around the world and even transfer his/her money to anywhere in the world .The penetration level of card business has reached almost all the nooks and corners of payment locations ,in Tier1,Tier2, as well as Tier 3 centre's. Seeing the importance of the role played by credit cards in the Indian Financial system, the regulator of the banking industry, the RBI is now coming out with regulatory mechanisms to discipline the card Issuers as well as the card users. Overall, the payment systems growth during 2015-16, with volumes and value at 49.5 % and 9.1%.

Technology & Credit Card

Credit card basically is a product that works through advanced technology, with lesser human interface for its operations and transactions. Since the credit cards are issued under the banner of VISA International and Master Card International Inc, the card issuing bank has to necessarily establish an interface with the data hub of Master Card and Visa Card and in addition to this they also have to network themselves with the electronic data capturing machine providers (EDC).

New cards, which are being introduced, are embedded with chip, making the card more secure , as compared to the magnetic strip which was in vogue for more than three decades .Banks are introducing new technology such as Radio Frequency Identification(RFID)in their cards to enable the cardholder to use his card without the physical contact with EDC machines and these cards are known as contactless cards..The card issuers are also coming out with biometric cards which would do away with the requirement of signature by the cardholder and the settlement would take place through the EDC machines which would be enabled to read the thumb impressions, voice recognition and such biometric technologies.

Credit Card

A credit card may be defined as a secured financial payment tool which enables the cardholders to make payment, which hitherto he was settling by way of cash or cheque. The credit card is accepted by all the merchant locations in major cities and urban centre's. The customer is empowered with a credit limit through his credit card for managing his payment and financial position at any point of time. The high net worth customers are offered premium brand cards such as Gold, Platinum, Signature and Titanium Card. DEBIT CARD India is primarily a debt –averse, debit card driven economy .The debit cards were introduced in India in1999 and have seen phenomenal growth since then. ATM cards in India are being phased out slowly and are being replaced by the debit cards and this is another factor that has led to this growth.

Co-Branded Cards

Co-branded credit cards have arrived in a big way in India. Co-branding helps both the card issuer as well as the tie-up company. This gives both better mileage and also helps in their promotion and advertising, thus increasing usage.

ATM Cards / Bank Card

ATM card issued by a bank. Through the ATM card users can deposit, withdrawal, account information from anywhere any time. ATM requires personal identification number (PIN) .In other words, it cannot be used at merchants that only accept credit card.

Cards Turnover Annual

Items	Volume (million)	Volume (million)	Volume (million)	Value (billion)	Value (billion)	Value (billion)
	2013-14	2014-15	2015-16	2013-14	2014-15	2015-16
CREDIT CARD	509.1	615.1	785.7	1,540	1,899	2,407
DEBIT CARD	619.1	808.1	1,173.5	955	1,213	1,589
Prepaid Payment Instruments (PPIs)	133.6	314.5	748.0	81	212	488

Source: RBI Annual Report 2015-16

Most Popular Credit Cards in India for Shopping

- **Citibank Credit Card:** Citibank Rewards Credit Card, as the name suggests, is a credit card that is good at offering reward points that can be redeemed easily for exciting gift vouchers and other offers as available.
 - **Key Benefits:**
 - * Citibank Rewards Credit Card has No joining fee.
 - * Users annual spending \geq Rs.30000 then user can get the annual fee waiver as well. Annual fee is Rs.1000.Users also get reward points
- **S B I Simply Click Credit Card:** An ideal card for Online Shopping. It is mainly utilize for e-commerce and on-line shopping.
 - **Key Benefits:**
 - * Annual fee :The joining fee is Rs.499
 - * User get to enjoy 10X rewards on online spends with exclusive partners like Amazon, Book My Show, Clear trip, Food panda, Ola Cabs, Fab furnish. An additional benefit in the form of Amazon gift voucher worth Rs.500.
- **Standard Chartered Platinum Card:** This Card is majorly utilized by salaried people.
 - **Key Benefits:**
 - * No joining fees and annual fees charged for utilization of standard chartered card.
 - * User can also enjoy 20% cash back on Uber rides (maximum of Rs.600 per month).
- **Citibank Cash back Credit Card:** This is a good credit card for earning cash back rewards and paying utility bills online .Some benefits in store for movie freaks as well.
 - **Key Benefits:**
 - * Annual fee is Rs.500 only.
 - * Users get 5% cash back on utility bills payments.
- **American Express Make My Trip Credit Card:** American Express card has multiple benefits.
 - **Key Benefits:**
 - * The first year fee is Rs750.The annual fee second year onwards is Rs.1500 only.
 - * Users can earn 2 PAYBACK Points on every Rs.100 that user spend up to a total 5 PAYBACK Points for every Rs. 100 that user spend on Make My Trip.
 - * Users also enjoy multiple PAYBACK Points across more than 50 PAYBACK partners.
 - * Users also get 3% cash back at leading fuel stations through user AMEX card. Users can enjoy 5% cash back on the Make My Trip bookings that user do through user AMEX credit card.
 - * Users also get limited period offers like 70% cash back on user's hotel bookings till 30th September 2017.
- **Standard Chartered Manhattan Platinum Credit Card:** This card includes cash back offers and reward points. This credit card is good for Shopping/Dining out/grocery. The study shows that this card is very popular in customers.
 - **Key Benefits:**
 - * Annual fee: Its annual fee is Rs 499 and Rs 999 for two years. But, if users spend in excess of Rs.30000.

- * 5% cash back on shopping in supermarkets and departmental stores: We all need to spend a good amount on groceries every month. Here, is a major plus point, user get 5% cash back if you shop for groceries from stores like Reliance fresh, Big Bazaar, More ,Food Bazaar etc.
- * Reward Points: 5x Reward points when user spends on airline and tickets, dining, fuel bills etc. User can earn up to Rs.500 monthly cash back scheme not exceed 150 Rs. Per transaction. This might be a good option for salaried class, small traders, and housewives. It is generally used by Rs.1-2lakhs annual income group's people.
- **HDFC Bank Money back card:** This card is mainly design for earn money. The cash back and reward points also available.
 - **Key Benefits:**
 - * No annual fee for this card.
 - * Users also get to enjoy an interest free period of up to 50 days from the date of your purchase.
 - * User will get reward points. 2x reward points on other online spends.
 - * 100 rewards points = Rs.30. You can redeem reward points as cash back.
- **Yatra SBI Credit Card:** This card is generally used for travel and other utility bills payments.
 - **Key Benefits:**
 - * Annual fee: Rs 499.
 - * Finance charges or Interest of maximum 3.35% per month from transaction date this amounts to 40.2% per annum.
 - * Users also get 6x reward points at Yatra.com, departmental and grocery stores.
- **Citibank Premier Miles Card:** This is one credit card for the frequent flyers. Users earn miles on the amount you spend and redeem them for users flights, hotel stays and car rentals.
 - **Key Benefits:**
 - * Annual fee: The annual fee is Rs.3000 billed in the first month statement.
 - * Interest rate ranges between 37.20% to 42% per annum based on different parameters like amount spent, credit limit used and repayment patterns etc.
 - * User earn 10,000 miles with user first spend of Rs.1,000.
 - * 100 miles =Rs.45 with preferred partners like goibibo.com, yatra.com, Indigo.
 - * If user flies domestic or international, user can enjoy to participating premier Airport lounges across India. This suit the ones whose annual travel cost fromRs.2-3 lakhs.
- **SBI Gold Credit Card:** This is a good card for paying your electricity, mobile, telephone bills and insurance through the "Easy Bill Pay" facility.
 - **Key Benefits:**
 - * Annual fee: The joining fee is Rs.299 and the annual fee also amounts to Rs.299.
 - * Interest is charged @ 3.35% per month that amounts to 40.2% annualized.
 - * Flexi pay gives users the facility to make payments in installments on monthly basis. This is accepted worldwide. Easy booking of railway and airline tickets.

Credit Card Security Measures

The credit cards is most popular. For the prevention of theft and fraud and its protection RBI and other banks have issue guidelines time to time. Some important security measures are available for safety:

- **Chip-and-PIN technology:** This is now a standard feature on credit cards and most debit cards. The first part of this line of protection is the embedded chip found on the card and customer details are stored in this chip. It is difficult for misuse of customer information. The next safety measures are the use of PIN-verification for transactions. When you want to use credit card through the internet there are security available for example automatic logout etc. SMS code. For verification of transaction or internet banking account activity user may be sent an SMS with unique code that user must enter to authorize user transaction.

- **ATM Anti-skimming Devices** when someone illegally copies users credit card information and they can access customer account. Today, many ATMs have safeguards against this. Pin –pad covers so cameras can't be used to capture customer PIN. Internet anti-skimming devices which notify a bank when a card skimmer is installed on an ATM and block the skimmer from transmitting information.
- **Online shopping protection**-Master card and visa cards provides optional services. Master card provides unique secure code. When customer buy from store or retailer they must be enter secure code before the transaction is processed. This secure code can reduce the chance of criminal using customer details.
- **Verified by Visa Verified** by Visa works in a similar way to Master card Secure Code. Customer set up verification method and when customer shop at participating store online, customer will recognized and customer have verified transaction details before the payment can be processed.
- **Encryption Protection** Internet banking and shopping sites are protected by encryption. Encryption protocols such as secure sockets (SSL) technology. This basically protects user's data—including user credit card number, personal information from accessed by third parties.

Conclusion

This paper presents an overview of plastic money and its growth, advantage, types and key benefits of different cards provided by banks. Thus, the card industry in India has penetrated our financial and banking system in a major way and it is also geared up to penetrate further into various areas where settlement /transaction are carried out between persons, firms, companies and even in the government services. The Card industry changing day by day and this card would emerge as a major tool as a product for cross selling of other retail products from the financial sector.

Suggestions are Given for Protection

It's so important to safeguard user's credit card. Users can do this by following the suggestions given for protection as below:

- **Be selective with where user shops.** One of the first things users should do is being very careful about when and where user use credit card. If users using it in-person at restaurant, always keep it in sight, and if users are paying with plastic online, check the security of the website before entering user's details. Never use card if customer feel something is suspicious.
- **Customer will install firewall and antivirus protection on their computers and smart devices** to protect customer against hacking and identity theft. Use only secure internet connection. Never use a public computer or open Wi-Fi connection for on line shopping.
- **Customer must protect PIN number and card details.** PIN number not be shared with anyone. This is protecting against fraudulent transactions. Customer also activates the zero liability policy that helps customer against fraudulent transactions. When your card expires, cut it up before disposing of it so that no one can steal the details on it.
- **Don't share your card details.** Some criminals run scams where they call or email you asking for your card details.

References

- ✖ Afroza Parvinand Md. Shajahan Hossain(2010),"Satisfaction of debit card users in Bangladesh: A study on some private commercial banks".
- ✖ *Dickler, Jessica (31 July 2008). "Hidden credit card fees are costing you". CNN. Retrieved 30 April 2010.*
- ✖ Dr. P. W. Sudame (2011),"Customer perception of adoption of net banking services provided by Indian banks" International journal of advances in management, technology and engineering sciences ,vol. I, issue 3.
- ✖ *Jump up^ Carr, Ted (2 September 2010). "Minimizing Confusion over Minimums". Blog.visa.com. Archived from the original on 23 July 2011.*
- ✖ Yang,s. (2007),"Unrealistic optimism in consumer credit card adoption", Journal of economic psychology,28,170-185.