

A STUDY ON THE DEBIT CARD USAGE OF CUSTOMERS DURING PURCHASE

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Abstract

Debit card is considered as one of the most important electronic payment devices. The debit card usage has become popular and growing day by day. There are many factors like time saving, convenience, fast payment facility which encourages the customers to use debit cards. The debit card usage during shopping has increased drastically over the years. The customers find it easy and more convenient in using debit card to make payments rather than going for direct cash payment. Using of debit cards also reduces the burden of carrying huge amount of cash to every place the customer goes. Thus the view of customers towards debit card usage has changed to a large extent. In this context the researcher has undertaken a study on the debit card usage by customers during purchase.

Introduction

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have capital deficits to customers with capital surpluses. Due to their critical status within the financial system and the economy generally, banks are highly regulated in most countries. Most banks operate under a system known as fractional reserve banking where they hold only small reserve of the funds deposited and lend out the rest for profit. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Basel Accords.

Banks are large and complex organizations. Their clients range from individuals and institutions, all the way up to the governments and central banks of entire countries. Banks don't produce physical things. They are not in the manufacturing business. The work they do simply involves money – their money, their clients' money; The movement of capital handled by banks allows economies to grow and prosper. Businesses and governments cannot be completely self-sufficient. They need money to operate, and banks acts as intermediaries (like 'middlemen') between the suppliers of funds and users of funds.

Statement of the Problem

Debit card is considered as one of the most important electronic payment devices. The debit card usage has become popular and growing day by day. There are many factors like time saving, convenience, fast payment facility which encourages the customers to use debit cards. The debit card usage during shopping has increased drastically over the years. The customers find it easy and more convenient in using debit card to make payments rather than going for direct cash payment. Using of debit cards also reduces the burden of carrying huge amount of cash to every place the customer goes. Thus the view of customers towards debit card usage has changed to a large extent. In this context the researcher has undertaken a study on the debit card usage by customers during purchase.

Objectives of the study

- To study the awareness towards usage of debit card.
- To know the pattern of usage of debit card
- To know the factor influencing the usage of debit card for shopping
- To understand the level of satisfaction towards the usage of debit card while shopping.
- To identify the problems in the usage of debit card.

Methodology

Research Methodology is a way to systematically represent a research on any problem. It explains the steps taken by the researcher in explaining the research problem along with the logic behind them. It tends to define the methodology for the solution of the problem that has been undertaken for the purpose of the study. It focuses on the methodology of the techniques used for the collection, classification and tabulation of data.

Source of Data

Both the primary and secondary data have been considered for the study.

Primary Data

Primary data is that data which is collected for the first time and thus happens to be original in character. In the study, primary data will be collected from direct source of information like customers with help the various questions regarding the purpose of debit cards and the necessity of debit cards increasing relevance of debit cards among consumers while shopping, market leader among various companies issuing debit cards are studied.

Secondary data

Secondary data are those which have already been collected by someone. For this study there will be following secondary data.

- Websites
- Magazines
- Articles and Newspapers
- Books

Sampling technique

Convenience Sampling Method is used to collect data from the respondents.

Sample Size

A Sample of 100 respondents have been selected from Tirupur for the study.

Tools for analysis

The following are the important tools used in the study

- Simple Percentage Analysis
- Rank Analysis
- Average Score Analysis
- Chi-square Analysis

Limitation of the study

- The accuracy of the result is limited to the reliability of investigation, measurement and analysis of data.
- The present study is based on the data from Tirupur only and thus might not be true for all other areas.
- The number of respondents is limited to 100 only.

Review of Literature

- Jinkook Lee in his study "Debit card usage : an examination of its impact on household debt" has stated that how debit card users are different from non-users, and whether debit card usage influences household debt. He stated that the usage of debit card is negatively associated with household debt. He found that those with revolving debt tendencies are more likely to use debit cards than those without a revolving debt tendency. He concluded that debit card usage discourages the accumulation of household debt rather than that debit card users tend to be financially conscientious.
- Thomas Foscht in his article "International Journal of bank marketing has examined that the Austrian Market in relation to its choice and usage of debit cards versus credit cards and its impact on customer satisfaction for these two modes of electronic payment. Essentially, the

results indicate that a person's preference for a particular payment method is dependent on his/her personal characteristic.

- Hakan Yimazkuday in his study "Effects of credit and debit cards on the currency demand" has analysed the effects of credit and debit cards on the currency in circulation by using GMM estimation. He finds that an increase in the usage of credit and debit cards leads to a decrease in the currency demand. Moreover, the usage of the debit cards has a bigger effect on the money demand, compared to the usage of the credit cards. He also find that the effect of credit cards is mostly through purchases and the effect of debit card is mostly through withdrawals.

Findings of the study

Percentage Analysis

- Majority (65%) of the respondents are females.
- Majority (49%) of the respondents belong to the age group of 25-45 years.
- Majority (52%) of the respondents are post graduates.
- Most (42%) of the respondents are employed.
- Most (27%) of the respondents have income between Rs.1,00,000 – Rs.2,00,000
- Majority (51%) of the respondents are aware about debit cards through banks.
- Majority (58%) of the respondents possess only one debit card
- Most (46%) of the respondents use public sector debit cards.
- Most (49%) of the respondents use SBI debit card.
- Majority (64%) of the respondents use VISA debit card.
- Majority (52%) of the respondents use their debit cards less than three times a month.
- Majority (74%) of the respondents use debit cards for purchasing shopping goods.
- Most (42%) of the respondents make use of their debit cards frequently.
- Most (49%) of the respondents use their debit cards when they are with the family
- Majority (54%) of the respondents use debit cards because of convenience
- Majority (74%) of the respondents have paid no extra charges
- Majority (58%) of the respondents prefer debit cards while shopping.
- Majority (59%) of the respondents faced no problem while using the debit cards.
- Majority (51%) of the respondents faced the rejection of debit cards in certain shops as the major problem.

Rank Analysis

- Debit card was more used for money transaction followed by shopping, then online payment and at last for online shopping.

Average Score Analysis

- The respondents of 45-65 years (2.67) are highly satisfied with the factor time saving while using debit card.
- The respondent of 45-65 years (2.66) are highly satisfied with the convenience of using debit card.
- The respondents of 45-65 years (2.58) are highly satisfied with the usage of debit care while shopping.
- The respondents of 45-65 years (2.50) are highly satisfied with the usage factor while using the debit card.
- The respondents of 25-45 years (2.59) are highly satisfied with the factor withdrawal amount while using debit card.
- The respondents of 25-45 years (2.36) are highly satisfied with the security factor while using debit card.

Chi-square Analysis

- There is no significant influence of the persona factors on the source of awareness.

Suggestions

- Awareness program on debit cards

The usage of debit card is becoming more important in the daily life of the people so an effective awareness technique should be introduced to increase the usage of debit cards.

- Efforts to be taken by other banks

It is revealed from the study that more number of respondents are using the debit cards of SBI compared to the other bank debit cards. So it is essential for the other banks like ICICI, Indian Bank etc. to take sufficient steps in encouraging the people in making use of their bank debit cards. Adequate steps must be taken for the promotional activities.

- Extra charges on shops should be avoided

Though the shops are ready to accept debit cards, the burden of extra charge for accepting the debit card lies on the shops. This will ultimately reflect in the price of goods purchased by the customers. Hence these charges must be avoided for the benefit of everyone.

- Provision of accepting debit cards

The refusal of certain shops to accept debit cards seems to be the major problem regarding the debit card usage by the customers. Every shop must develop the facility of accepting debit cards in order to satisfy the customers and to have a growth in their business.

- Restriction on withdrawal amount must be avoided

Debit cards work only when there is sufficient balance available in the customer bank account. So hence restricting the amount of withdrawal should be avoided as it is necessary.

- Overdraft Facility

Debit cards must be issued with a certain provisioning of overdraw facility up to certain nominal limit without interest.

Conclusion

Banks provide security and convenience for managing the money and sometimes allow to make money by earning interest. Writing and depositing checks are perhaps the most fundamental ways to move money in and out of a checking account, but advancements in technology have added ATM and debit card transactions. All banks have rules about how long it takes to access the deposits, how many debit card transactions are allowed in a day and how much cash can be withdrawn from an ATM. Access to the balance in the checking account can also be limited by businesses that place holds on your funds. Debit cards provide easy access to the cash in the account, but can cause to rack up fees if not careful. While debit cards encourage more responsible spending than credit cards, they do not offer the same protection or perks to consumers. Spending pattern through debit cards has changed drastically over the years.

Customers were not only more open to the possibility of owing financial cards, but were also more than willing to use their cards to settle dues. The status symbol aspect of owing and using cards, too, played its part in bringing about such robust growth over the space of a single year. Debit cards, in particular, proved immensely popular. There are many ethical issues and challenges for debit cards issuing banks/companies. Security relating to card should be first priority for each bank/company.

Consumers are using these cards mostly for shopping. E-commerce has given a better way to use the debit card. At last it is concluded that debit card has a very bright future in the coming years of the increasing trend of e-commerce.

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