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## Editorial Team:

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# DRIVE

From Guest Editor...

**Grooming for Business  
Challenges...**



**Mr Graeme Ramsay, CEO, ELECON,  
Johannesburg, South Africa**

It has been a pleasure to be associated with SEMCOM and to have enjoyed the interactions with so many talented and enterprising students and academic staff, the combination of which must surely distinguish your esteemed College as one of the best and most efficient institutions of its kind in the region, and indeed in India. It has been impressive to see the active efforts to integrate the immense talent, enthusiasm and potential of tomorrow's business leaders into the practical business environment and to acquaint

them with the harsh realities of the current tough economic times.

I compliment the enterprising and innovative approach of your Principal, and the dedication of your Academic Staff who have succeeded in making SEMCOM a College which students find difficult to leave on the completion of their studies. This type of nurturing and mentoring is seldom seen in academic institutions, and it serves to set your institution apart as the College of Choice and of excellence for our young entrepreneurs and future business leaders.

Sadly, very often this great enthusiasm with which newly qualified students embark on their careers is not always received into business environments that are conducive to developing this raw talent even further and to ensure the continued unlocking of potential, thereby maximizing the contribution of human capital to the organization.

The bridge between the enthusiasm of youth and the established sound business practices is no doubt the experience and business insight that can only be acquired over time.

The question is, how does one compete successfully in the business world? What is it that distinguishes a champion racehorse from an average one in the competitive world? There are a number of aspects which are of great importance, no matter whether the competition is local, against foreign competitors, in the export market, or on business playing fields away from home.

Firstly, it is important for the individual to develop a strong sense of integrity, initiation and a firm resolution, *'always and in any situation to do what is right'*. This way,

confidence is built in the individual, who will then become sought after as a business partner, supplier, customer or client. No doubt about the fact that *business is built on relationships* and one has to cultivate the type of honest relationships that are attractive in business.

The effectiveness of business relationship is very much measurable. Service can be gauged from our responsiveness to the enquiries and requirements of our clients or customers. The speed with which we react to their enquiries, the submission of information and providing our quotations, the comfort which we give them to deal with us, all very often are the deciding factors which will swing an order in our favour. This relates to pre-sales service, which almost always is excellent, to the honest provision of technical information, reasonableness in our dealings, and a commitment to post-sales service and support, which very often is lacking.

A tendency which is often encountered in business is the insistence on promoting what we are able to provide, *while not paying sufficient attention to the actual requirements of our customers*. We should *listen* more than what we speak, and be sure always to *accurately and adequately identify the needs* of those to whom we seek to be of service.

It is important to note that *individuals make a difference*. Very often the most unlikely student develops into the most successful businessman.

It is pleasing to note the immense talent, acumen, success and increasing participation of women in the business world, and to experience the significant contribution of this incredible resource as they compete and contribute directly to the growth of the economy. Perhaps it is sad that the structure of

society is not always conducive and receptive to the full participation and contribution of this resource in the economy and to the betterment of our society.

There are clearly therefore some personal attributes which distinguish those who succeed from those who struggle in business. Surely there can be no adequate substitute for *sheer hard work, dedication to duty, perseverance, self-discipline and a determination to succeed.*

In conclusion it is important to stress some intangibles of business. God has blessed us all with different talents, to varying degrees, and *it is incumbent on us to develop those talents to the benefit of others.* We should *create opportunities for others to grow and develop,* and understand that *our own fortune places a responsibility on us to care for those who are less fortunate than ourselves.* If we want to be great in God's Kingdom, then we have to learn first to humble ourselves and to become the servant of others. Similarly the path we tread to attain the status of successful business tycoon *should never be at the expense of others,* but rather should be *characterized by clear vision, well defined objectives, strict financial control and discipline, balanced perspectives and a strong sense of responsibility to the wellbeing of those that we encounter along the way.*

### **Ingredient**

**May God grant you the grace to not only be great in his Kingdom, but also to have the wisdom to set an example in business that others will be proud to follow.**

## **From the Chief Editor's Desk**

### **Farewell: A perspective**

Farewell is a small but very significant and important college event as it serves as a retrospect for both, the teachers and the students. It's a strange day when graduating students feel the freedom and shed tears to leave behind the place where they have transformed from a boy to man and from girl to a lady.

Farewell is not only the time for bidding goodbye but it is also the time for letting go the bitter past, renewing bonds, building relationships and healing wounds. For years the teachers have cajoled and pampered the students like their own children. Farewell is also a time to celebrate because it is like cutting of the umbilical cord that denotes the end of the life of dependency and the beginning of the life of independence.

During their stay, the students and teachers develop a kind of rapport which establishes a huge network of information which further facilitates the progress and enhancement of students, teachers, institute and a society as a whole. It requires lots of painstaking efforts to build this network. Both, students and teachers need to show understanding and endurance.

On farewell day, students experience mixed feeling of happiness and sorrow. They seem very eager and well prepared to face the new world and at the same time it brings tears as their golden time 'The College Days', is over. On the threshold of their working life, they are also apprehensive of the future challenges they have to confront. If they get a feeling of missing while parting, that shows that the teachers and

the college have really contributed to their learning.

Teachers need to advise, guide, encourage and motivate these students because they are gearing up for their career and they feel proud to carry forward the lessons they have imbibed from their beloved teachers. If we listen to a speech of a graduating student, we come to know the metamorphosis he/she has undergone, the hope and purpose he/she has built up. Their face and tone exude the deep conviction that will survive the test of time.

**Dr Nikhil Zaveri**  
**Director & Principal, SEMCOM**

## SEMCOM Updates

### Students' Farewell

Farewell in a beautiful convergence of teaching and learning, the two that always goes hand in hand. Teachers and students are in a mystic circle benefiting from each other and the bond between them is sacred and goes very deep. Farewell is the time to admit that each has left indelible marks in the other and time when the gaps in the bridges are mended.

The morning of 14<sup>th</sup> March 2009 was a special and a memorable day in the history of SEMCOM. Students of the academic year 2008-09 were given a warm farewell. There was mixed feeling in everyone. The experience of the students was unique. When their hearts overflowed with gratitude for what the college had done for them and their lives, their hearts were also ripped apart by sadness, sadness at leaving the home that prepared them for flights of success.

It opened with a warm welcome note by Dr. Sunny Thomas, the coordinator of the event. This was followed by an inspirational and a motivational speech by Dr. Nikhil Zaveri, Principal and Director, SEMCOM wherein he exhorted the students to excel in all fields given that the path to success was well carved out through the education received at the college.

Many students went on to the stage and expressed their inexplicable feeling, and talked about their invaluable experiences. They were proud and happy to recount that they had found SEMCOM a nurturing home that nourished, prepared, equipped, strengthened and moulded its children for the tough life ahead. They were also happy to a part of the

college that has impacted a great change in education and learning.

When it came to an end there was not an iota of doubt that students of SEMCOM will be like trees planted by the rivers that spreads out their branches far and wide, that yields fruits in due season and whose roots go deep.

### **Satyanarayana Puja**

SEMCOM organizes *Styanarayana Katha* on the Farewell Day. It is offered on successful completion of an academic year. This tradition is followed in SEMCOM for years and this year also the *Puja* was held on 14<sup>th</sup> March. The *Puja* is offered when any auspicious work is to be started or completed with God's grace. It is also to invoke grace and prosperity.

Principal, all the faculty members and students were present for the *Puja*.

**Editorial Team, DRIVE**

### **My Voice:**

#### **King and Saint**

As a society, we idolize rich, successful and famous people. Since childhood, we teach stories about greatness of Kings and Emperors. But then we should understand that greatness is not in wars and killing people. A true idol should be one who can win hearts of people. Saints like Guru Nanak, Sai baba and many other saints served humankind. They won the faith and love of people. They taught that greatness is not in snatching but in giving. If we follow the path shown by them then we can surely conquer all evils prevailing in society. We need to include stories about greatness of saints in textbooks. Some body has rightly said that if god and guru are there, first one should bow to guru and then to god. Guru shows us the path of almighty god.

**Sunil V Chaudhary**  
Lecturer, SEMCOM

## SWARNIM GUJARAT

### A gesture of appreciation from Gujarat Government:

To celebrate the 50 years of the making of Gujarat, the state government has launched hoards of programs to be initiated for the further development of Gujarat. The Chief Minister **Shri Narendra Modi** hailed the diverse contributions from various institutes to take the state a step further.

In response to this call, SEMCOM planned and conducted several activities to keep the spirit of Vibrant Gujarat alive amongst the youth and to make the students aware of its rich heritage.

The activities organized under the theme 'Swarnim Gujarat' celebration at SEMCOM were: Vijay Diwas, Blood Donation Camp, Ratri Before Navratri, Khadi Day, Dayro, Swarnim Gujarat Management Conclave, E-ideas for better state governance etc.

*The state government has acknowledged the contribution of the college and as a token of appreciation the government has granted Rs. 60000/- to further the activities in the coming years.*

The college expresses gratitude towards the government for this benign gesture.

**Swarnim Gujarat Celebration Team**

## Tips for optimizing Viral Marketing Campaigns

Viral marketing, or "refer-a-friend," email campaigns have received a lot of attention in the media recently. These campaigns, which encourage recipients of promotional emails to forward the messages to their friends, have garnered both positive and negative reviews from consumers, privacy advocates, and industry pundits.

At the heart of the issue are concerns over sending unsolicited email, but by using viral marketing tactics carefully, marketers may avoid negative reactions and gain an excellent return on investment (ROI) as they increase the reach of a marketing message to a targeted group far beyond their original audience.

Listed below are five insights on how to execute a viral marketing campaign most effectively.

- 1. Offer an incentive.** Viral marketing works best when a valuable and tangible incentive is offered, encouraging individuals to forward an email message to their friends. However, marketers should cap the incentive to a specific quantity to avoid spam-like distribution of the message for example, offering an incentive of 20 percent off referrers' next purchase if they forward the message to five friends. Open-ended incentives, such as offering a \$5 credit for every five friends referred, can end up causing a marketer customer service, financial, and privacy-related problems.

A women's athletic clothing multi-

channel retailer recently offered a creative and socially aware incentive when it launched a viral marketing campaign that rewarded message recipients with a free T-shirt and a \$1 donation to the Susan G. Komen Breast Cancer Foundation when an individual sent the special email message to five friends and three of those friends opted in to the retailer's catalog or email list. The campaign was tremendously successful, driving a click-through rate three times higher than normal, an email newsletter sign-up rate of over 30 percent, and a catalog subscription rate of nearly 70 percent. Meanwhile, cost per sale decreased by 89 percent.

**2. Don't consider the referral an opt-in.**

When a customer refers a friend, the referral should not be considered an opt-in. A name and email address volunteered by a person's friend does not constitute an opt-in by the individual, so the data should be deleted immediately after the referral email is sent. Verbiage should be included in the referral email asking if the individual would like to receive future mailings, allowing her to opt in if she wishes.

**3. Personalize the referral email.**

Response rates increase dramatically when users can see that a message is coming from a friend, so it is best to personalize the email message to show that it's coming from a recognizable source. The subject line is the key component in a viral marketing email, because it can immediately identify the email as friendly. A good subject line

may read: "ADV: John Doe Thought You'd Like 20% Off at XYZ.com," thereby identifying that it is an advertisement, there's a special offer, and the message was sent from a friend.

**4. Track and analyze the results.**

As with any marketing campaign, tracking the results and optimizing performance over time is absolutely necessary. Thankfully, sophisticated email marketers can track insightful and actionable data that can be used to evaluate performance. Important metrics to analyze are pass-along, click-through, and conversion rates. Marketers should separate the click-through and conversion rates by original customers from referrals and evaluate their respective performances. These metrics will alert a marketer to which offers and customers drive the highest ROI.

**5. Continually promote friendly referrals.**

Marketers who want to have their messages frequently forwarded should place a viral marketing offer in every relevant outgoing email message. Viral marketing makes for a great one-time campaign, but it can also be a very effective tool for continuing to broaden the reach of your marketing messages over time.

Though no sure-fire way exists to prevent negative customer reactions, by following these five concepts, marketers should find their viral marketing campaigns to be most effective.

**Ankur Amin, Lecturer, SEMCOM**



## RESEARCH ARTICLE

### A study of the Debit cards as the mode of payment by Consumers with special reference to Anand and Vallabh Vidyanagar

Dr Sunny Thomas  
Ms Waheeda Thomas

#### Introduction:

Money derives its crucial importance from the fact that economics is basically a science of price. The necessity of money arose out of the difficulties of the barter system. Evolution of money can be divided into five stages. First stage many commodities and animals were used as money. Second stage was the development of the metallic money where gold, silver, and copper were used as money. The third stage was the discovery of coinage. Coinage is said to have been used by the Lydians in the 7<sup>th</sup> century B.C. the fourth stage was introduction of the paper money, first used in China in AD 800. The fifth stage in the evolution of money was credit money or near money. It is not the money proper but the close substitute of money. The ownership of such money is transferable by simple changing the book of account.<sup>1</sup>

Payment systems today are rapidly transforming from cash based to non-cash based electronic payment systems worldwide. A smooth running payment system is vital for economic prosperity and serves as an essential infrastructure for connecting millions of producers and buyers. Studies indicate that a reliable and economical payment system stimulates economic growth.<sup>2</sup> Electronic payments raise efficiency and eliminate the need to deal with cash, saving associated costs, such as running costs for a teller and paperwork costs. For customers, electronic payments protect from cash risk, provides opportunity to receive additional services, enabling them to manage their finance, time and money effectively. Electronic payments improve financial supervision; promote capital accumulation, increasing loan availability and investment. By banking the unbanked, electronic payments reduce the extent of the underground economy.

With the advent of ebusiness the electronic mode of payment has replaced the cash with the plastic cards. These cards are used by the actors in the society as a substitute for the money proper.<sup>3</sup> Plastic card, a non-cash payment instrument, was first introduced by Diners Club in 1950, followed by American Express in 1958, and Visa and MasterCard in 1966. However these cards were credit cards, which are usually not secured by bank accounts. These were issued to reputable and dependable customers. In the mid-1970s the companies, Visa and MasterCard, issued debit cards; however, these were not widely used until the 1990s. Debit card use increased from 1990s.

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<sup>1</sup> Ghosh B N & Ghosh R, (2000), "Fundamentals of monetary Economics," Himalaya Publishing House, Delhi, pp 9-13.

<sup>2</sup> Visa (2004), Payment Systems of Today.

<sup>3</sup> Padwal S.M, Godse V.T. (2004), "Transformation of Indian banks with Information Technology," Himalaya Publication, Mumbai.



Globally, cash based societies are quickly shifting to societies based on electronic payments. This research aims to explore this question by inquiring into the debit cards use of the public.

### **Research Methodology and scope of the study:**

#### **Objectives of the study:**

- To study the infrastructure architecture of debit cards in India,
- To study the trends in use of the debit cards in economy,
- To study the factors affecting the use of debit cards by the bank customer and outlets as a mode of epayment.

#### **Scope of the study:**

Present study is based on the primary data collected from the bank customers of Anand and Vallabh Vidyanagar using the debit cards. It also includes the data on selected outlets providing the epayment facility at Point of Sales at Anand and Vallabh Vidyanagar. The study also uses the macro level secondary data for Indian economy collected from various reports of Reserve bank of India and individual banks. The study period is 2004-05 to 2007-08. Both primary and secondary data are collected for fulfilling the objectives of the study.

Primary Data related to customers' use of debit cards as a mode of epayment is collected from the sample of bank customers and outlets using the facility. Data is collected using a purposive sample of outlets and customers residing Anand and Vallabh Vidyanagar using unstructured questionnaire through personal interview. For the bank customer survey total number of respondents was 168, of which 24 responses were found incomplete. Hence for the purpose of the analysis data of 144 respondents is used. The number of outlets respondents is 18.

#### **Data processing and analysis:**

The data were processed using the Microsoft Windows Excel and a mix of appropriate analytical tools and techniques including statistical tables, simple frequency tables, percentages, arithmetic mean, chi square etc to analysis the data and arrive at meaningful interpretation.

## Literature/document review:

Far reaching changes are taking place in the monetary instruments world over. Kaptan S S (2000) “there is a paradigm shift from merely being a profit centric to differentiating oneself as an identity conscious customer centric institution.”<sup>4</sup>

According to Jalan (2002) Innovation in technology and worldwide revolution in information and communication technology (ICT) have emerged as dynamic sources of productivity growth. The relationship between IT and banking is fundamentally symbiotic. In the banking sector, IT can reduce costs, increase

volumes, and facilitate customized products; similarly, IT requires banking and financial services to facilitate its growth.”<sup>5</sup>

Report of Committee on Banking sector Reforms (1998) says that technology has moved banking towards a whole paradigm shift. Not only have the services or products offered by banks moved way beyond conventional banking, but access to these services has become a round the clock round the week routine.<sup>6</sup>

Information technology has immense untapped potential in banking, trade and commercial activities.<sup>7</sup> The information technology has replaced currency notes with plastic cards embedded with micro chips. In a way the use of currency notes has come down tremendously. In developed countries only 7 to 10 per cent of M<sup>3</sup> has been effectively used for transactions, whereas in India it is 20 per cent. Therefore there is vast scope for increasing the use of near money instruments. Moreover the ones which are more economical like debit cards.

Expansion of the card market needs simultaneous efforts in attracting customers by informing the public about the benefits of card use, offering incentives and improving the infrastructure, including increase in the number of card reader devices. When the number of cardholders increases, banks’ card management costs for each customer decrease. Conversely, increase in card use needs efficient and reliable infrastructure, broad base of card acceptance.<sup>8</sup>

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<sup>4</sup> Kaptan S S, “New Concepts in Banking,” Sarup & Sons, New Delhi (2000), p-10.

<sup>5</sup> Jalan B., (2002), “Indian Banking and Finance: Managing New Challenges,” Banking Economists' Conference, Kolkata, on January .

<sup>6</sup> Government of India (1998), “Report of the Committee on Banking Sector Reforms,” (Chairman Shri Vasudevan A) April , p-6.

<sup>7</sup> Op cit.

<sup>8</sup> Khulan A, (2005), “Use of Plastic Cards in Mongolia, Monetary Policy and Research Department, Mongolia.

According to Narasimham Committee II (1998), “Technology Upgradation and effective use of the cards is rather slow for various reasons.” Further the report emphasizes on deepening of the automation facilitating monetary transactions using technology enabled modes.<sup>9</sup>

According to Report on Trend and Progress of Banking in India (2005-06) over the past few years, the banking sector has witnessed a large increase in the use of IT based delivery channels. The new facilities provided include utility bill payments and other regular periodical payment facilities and integration with e-commerce transactions such as for booking of tickets for rail and air.<sup>10</sup>

Government of India (1998), No area of commercial activity has been more influenced by the ongoing revolution in Information and communications technology in banking, trade and commerce.<sup>11</sup>

Essinger (1999) identifies certain objectives of use of technology like decrease in the proportion of routine transactions, increase the proportion of profitable sales, increase the customer satisfaction, increase the speed of response, increase the quality of marketing initiatives, increase the retention of customers and staff, and finally to reduce the overall operational cost.<sup>12</sup>

Kaptan (2000) studies that banks have been in a position to offer services with the help of information technology and at the same time kept their cost factor down. Technology in action has given rise to convenience banking.<sup>13</sup>

Lindquist (2001) studies the Effect of New Technology in Payment Services on Banks’ Intermediation. In many countries, payment services in banking have shifted from paper-based system and check payments to electronic system and debit card payments.<sup>14</sup>

Kamesam (2002) opines that adoption of Information Technology has led to product innovation and innovation in the way services are offered to the customers. It is an established fact that cost of servicing a transaction through electronic media is substantially lower. Since the society is moving away from cash based transaction to electronic transaction the Information Technology back bone provides an excellent opportunity for the customers and outlets to cut cost.<sup>15</sup>

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<sup>9</sup> Government of India (1998), “Report on committee on Banking Sector Reforms, (Chairman Shri M Narsimham), New Delhi.

<sup>10</sup> “Technological and Other Developments,” Report on Trend and Progress of Banking in India, 2005-06.

<sup>11</sup> Government of India (1998), “Report of the Committee on Banking Sector Reforms,” (Chairman Shri Vasudevan A) April , p-6.

<sup>12</sup> Essinger James, (1999) “Virtual Banking Revolution: The Customer angle and your own agenda,” International Thomson Business Press, London, pp1-34.

<sup>13</sup> Kaptan S S, “New Concepts in Banking,” Sarup & Sons, New Delhi (2000)

<sup>14</sup> Lindquist K, (2001), “The Effect of New Technology in Payment Services on Banks’ Intermediation,” Central Bank of Norway.

<sup>15</sup> Kamesam Vepa, (2002) “Indian Banking Paradigm Shift – Functional Aspect,” Bank Economists’ Conference (BECON).

Sreenivasan (2002) states that the influence of Information Technology has changed conventional payment to convenience payment. Consumers have adopted computer technology at a higher speed than any other technology in the history.<sup>16</sup>

The literature reviewed reveals that the consumers, shops, service providers are adopting the new technology with greater convenience. This mode is cost effective for all. Plastic cards are the most preferred mode of payment.

#### **Debit cards in India:**

A debit card is a logical extension of ATM card on the value chain. It replaces the need for a person to go to ATM and withdraw money and then spend it for goods and services. Therefore it becomes essential to look at the potential of a debit card from ATM cards perspective. Although credit cards have been in the market from 1981, there was always a felt need for a product, which can be issued to the credit averse customers of the Bank. The debit card fulfilled this need. It is a card which directly debits the amount spend from the bank account of card holder. Some of the advantage of a debit card over a credit card are:

- a) It can be issued to any customer irrespective of the creditworthiness of the customer.
- b) Little paperwork is required to get a card, which is a boon for both the consumer and the issuer.
- c) Most importantly, the money in the bank account earns interest till the time user spends it.
- d) The cardholder does not incur high interest charges on balances carried over.

With all these advantages in mind, debit cards were issued in India for the first time in 1998 when

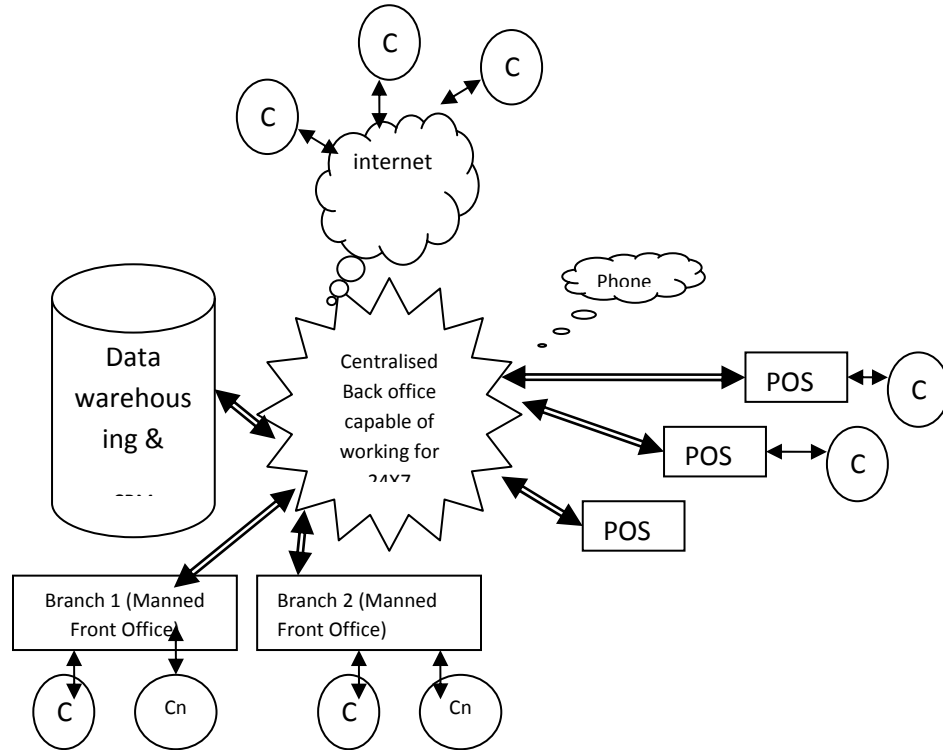
Citibank offered it debit cards free to all its customers through its immensely successful scheme called SUVIDHA. HDFC bank was quick to follow. And currently almost all the public sector and private banks are in the debit cards market. However, for debit cards to penetrate in rural markets, it was important to have widespread terminalization or the electronic acceptance infrastructure which can validate the balance in customers account before approving the transaction. Terminalization still has to reach a critical mass and hence the acceptance is limited in India.

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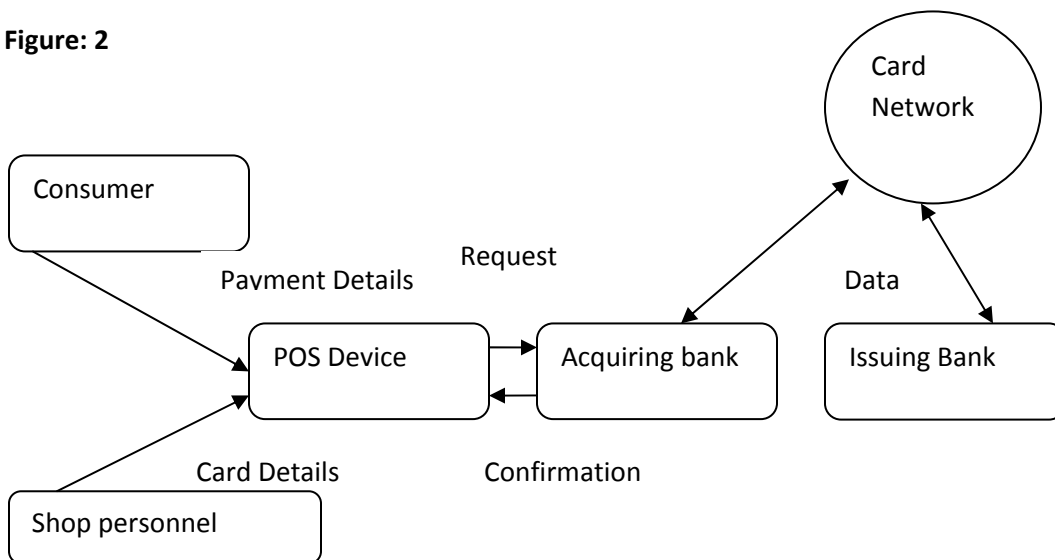
<sup>16</sup> Sreenivas N, "Core Banking Solutions their relevance for banks," IBA June 2002

**Architecture of debit card infrastructure:**

**Figure 1:**



**Figure 2:**



- In an offline debit card transaction the consumer presents debit card and the shop personnel swipes the card on the Point of Sale (POS) device.
- The POS device is capable of reading cards details, has facility to manually input details and then to transmit all this data across a dedicated dial up connection to the bank of the shop called the 'acquiring bank'. The acquiring bank of the shop have a pre-agreed arrangement to 'acquire' such debit card transactions.
- The acquiring bank then transmits this payment data over a secure, dedicated network provided by entities like Visa and MasterCard.
- The data is then received by the bank known as the 'issuing bank' that has issued the debit card to the consumer.
- The issuing bank then either authorizes or rejects the transaction depending upon the available amount of money in the customers account and send the appropriate message back to the shop.<sup>17</sup>

#### Debit cards usage:

The main reason for this increased use of plastic for payment is the spread of debit cards in India. Consumers find that debit cards relieve them from the additional chore of drawing cash from ATMs. Now they can spend from the money parked in their bank account directly at the store.<sup>18</sup> During the study period the debit card transactions increased from Rs 5361 Crores to Rs 12521 Crores. This is more than double within four years. Same is the case with the volume of transactions.

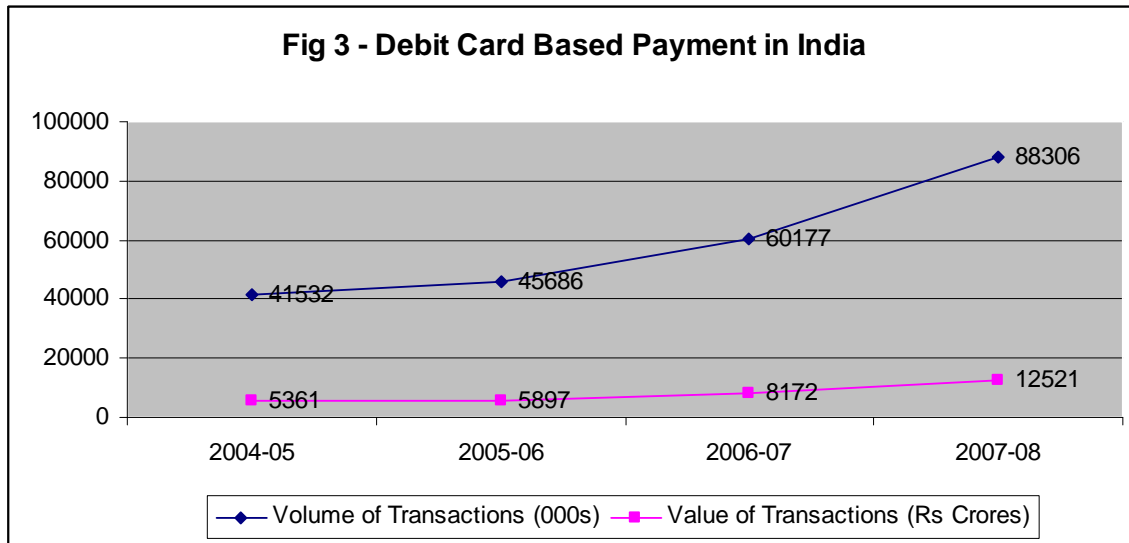
**Table 1: Debit Card based Payments in India**

Year	Volume of Transactions		Value of Transactions	
	(000s)	Percentage Growth	(Rs Crores)	Percentage Growth
2004-05	41532		5361	
2005-06	45686	10.0	5897	10.0
2006-07	60177	31.7	8172	38.6
2007-08	88306	46.7	12521	53.2

Source: Reserve Bank of India, Annual Report, 2008

<sup>17</sup> Bhasin T M, (2003), "E Commerce in Indian Banking," Authors Press, Delhi, pp 510-125.

<sup>18</sup> Debit cards in India to touch 169 million in 2 yrs, Financial Chronicle, Oct 19, 2008.



#### Determinants of Debit card use:

Several factors have combined to fuel the astonishing growth in the use of debit cards in India. Apart from the convenience offered by cards, these factors include the following:

**Rising consumerism** - The process of economic liberalisation that began in the 1990s has resulted in the availability of a huge variety of foreign and domestic consumer goods. Such goods have also become more affordable for upper- and middle-class Indians, who have benefited the most from economic reforms, high economic growth and globalisation. The rise in consumerism generated by these trends has sparked robust demand for financial cards.

**Improved payment infrastructure** - Demand for debit cards has also been fuelled by improvements in payment infrastructure across the country that have greatly enhanced their utility for cardholders. There were over 46,000 ATMs across the country in March 2007, more than fifteen times the figure seven years earlier in March 2001. Banks have also been installing increasing numbers of point of sale (POS) terminals (electronic data-capture swipe machines for accepting debit and credit card payments) at merchant establishments. In 2007 there were an estimated 400,000 merchant establishments with POS terminals.

**Competition and lower costs** - With so many banks offering credit and debit cards, the competition among them to attract potential customers to apply for new cards or to switch their loyalties has intensified. In fact, the Reserve Bank of India has had to intervene to protect customers from aggressive marketers. Competition has also produced a number of benefits for the customer. Most banks now offer free debit cards to customers that open personal banking accounts. These debit cards also double up as ATM cards.



**Co-branding** - Co-branded credit and debit cards, which involve tie-ups between the issuing banks and companies selling products and services, are becoming increasingly popular in the Indian market. In addition to the standard facilities conferred by a debit card, the specific advantages relating to the product or service of the partnering company have proved an attractive bait. Citibank's co-branded card with Jet Airways, India's leading airline, allows cardholders to accumulate air miles that can be redeemed in the form of free flights, discounts on tickets and seat upgrades. Similarly, ICICI Bank's co-branded card with Indiatimes, an internet retailer, entitles the cardholder to discounts and reward points for the purchase of various products and services through the site.

The number of debit cardholders in India has been growing rapidly because many Indians continue to harbour a value-based aversion to the lifestyle of credit-fuelled consumption. However, still most Indians use debit cards mainly to withdraw cash from ATMs rather than to make purchases. As personal incomes rise, many Indians will be less concerned with accumulating large savings for future contingencies. A growing emphasis on consumption will lead to much greater spending with debit cards, especially as Indians succumb to the panoply of temptations offered by the country's expanding retail sector.

Moreover, the penetration of financial cards is still low in India. Even after adjusting for age and income, the number of debit cards in India at present are 22 million, tiny for a country with a population exceeding 1.1bn. In fact, since many Indian cardholders have multiple cards, the number of cardholders is much smaller than the number of cards in circulation. Debit card issuers in India have plenty of room to expand their customer bases aggressively over the next few years.

### **Customer Survey and Findings:**

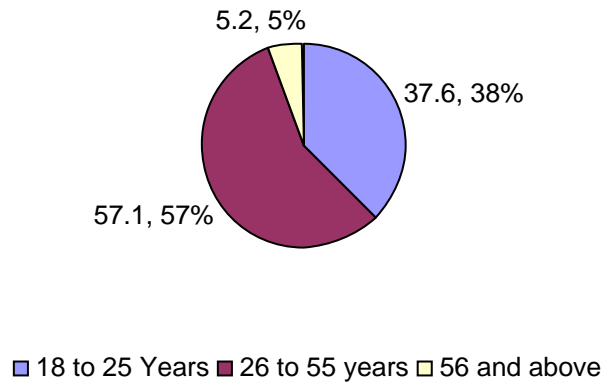
When paying for goods and services, consumers have many choices. Increasingly financial institutions are encouraging consumers to conduct their transactions electronically. There is a growing use of plastic cards (debit and credit), ATM machines, POS, phone and internet banking. To find the customers perception about the use of debit cards the researcher conducted a customer survey. This is a purposive sample of customers residing in Anand and Vallabh Vidyanagar. The data from the respondents is collected by using unstructured close ended questionnaire through personal interview. Total number of respondents was 168, of which 24 responses were found incomplete. Hence for the purpose of the analysis data of 144 respondents is used.

**Respondents' Profile:**

**A. Age and sex:**

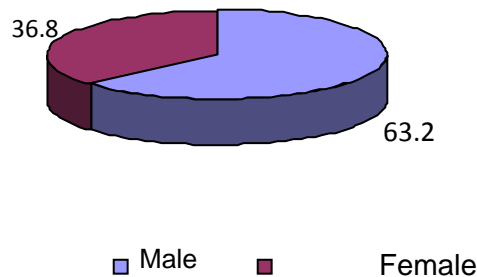
The age group has been categorized into 18 to 25, more than 26 to 55 and 56 and above. Figure 1 shows that the largest age group (between 26 to 55 years) is 57.1 per cent, 37.6 per cent are between 18 years to 25 years of age and rest 5.2 per cent of the respondents are 56 years or above.

**Figure 4- Age group profile of the customers**



63.2 per cent of the total is Male respondents and rest 36.8 per cent are females. Figure 5 shows the sex profile.

**Figure 5- Sex wise distribution of the Customers**



## B. Occupational Structure and annual income:

There is an emerging service class in India which believes in spending money. The occupational structure of the customers has been classified into four different categories:

1. Self employed are those individual who are having trade and commerce activity at very small level.
2. Service that is those who are employed in Public Sector firms or private sector,
3. Business means those who have their own manufacturing , trading or commercial establishment, and
4. Others mean farmers, artisans etc.

The occupational profile of the customers is given in figure 6. It shows that a largest number of the customers i.e. 60.4 per cent are occupied in services, 17 per cent are having their own business, 13.2 per cent are engaged in other activities and 9.3 per cent are self employed people. A large proportion of the respondents are service people. The service class is one of the most vibrant segments of our society. The income levels of the service class people are ever increasing. This class is educated, upward mobile and ambitious. This service class is significant and can be classified as the upwards mobile middle class of India.

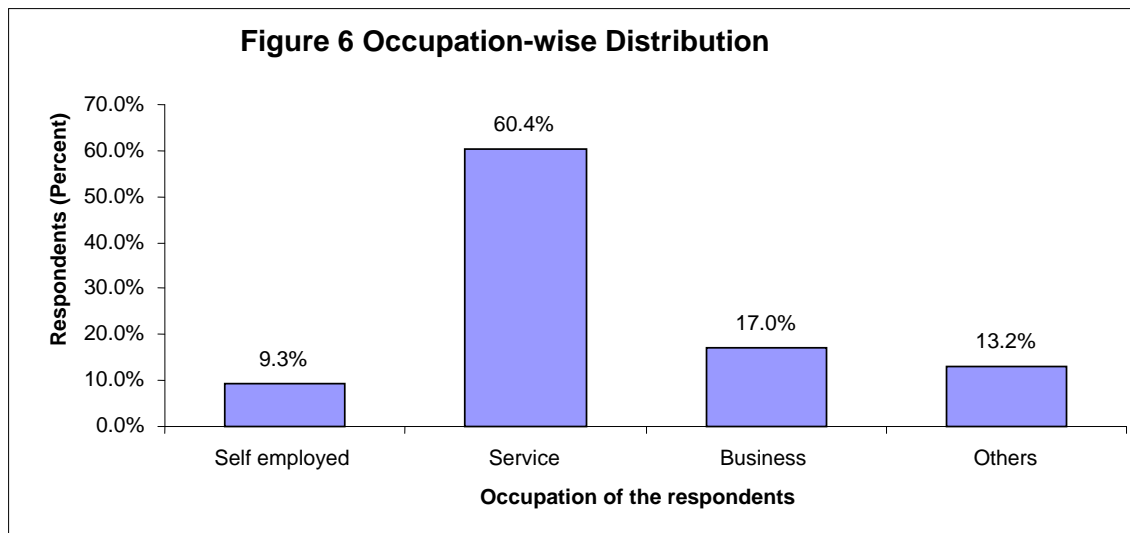
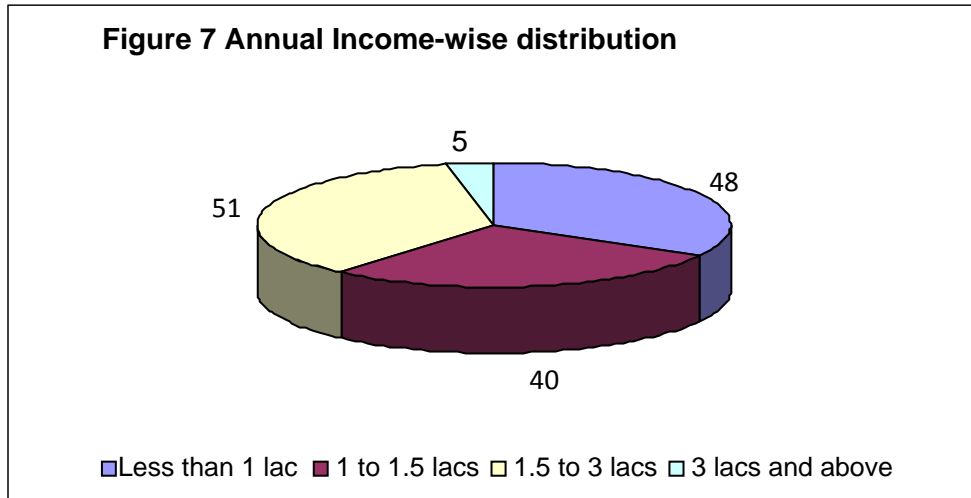


Figure 7 shows that the number of customers having annual income less than 1 lac is 33.33 per cent, 1 lac to 1.5 lac are 27.7 per cent. 35.4 per cent of the total respondents are earning 1.5 lacs to 3 lacs of income per annum. 3.4 per cent of the total respondents have more than 3 lac income per annum.



**Educational Qualification:**

Ninety one per cent of the respondents are graduate or post graduate. The educated customers are increasingly using the Information Technology enabled services.

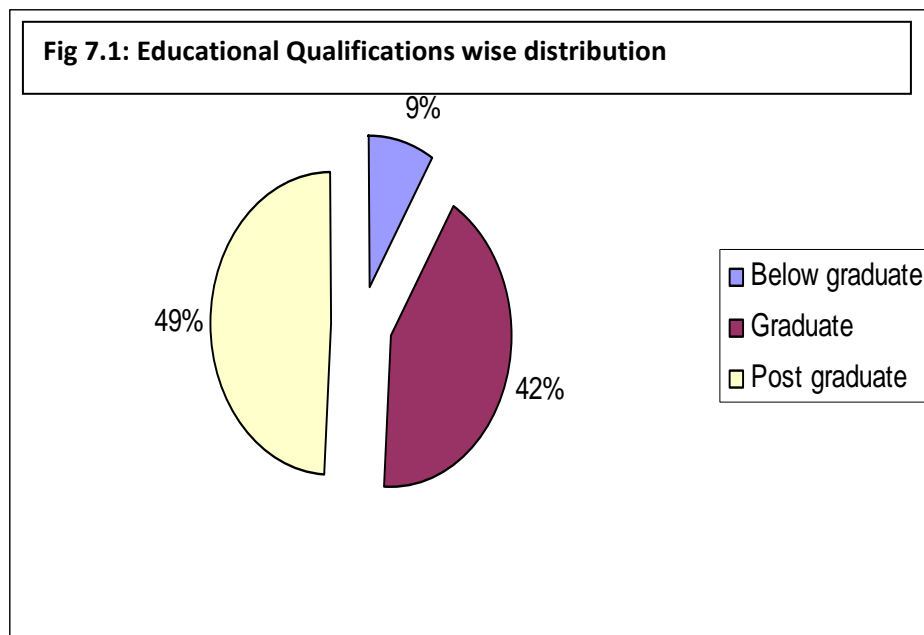
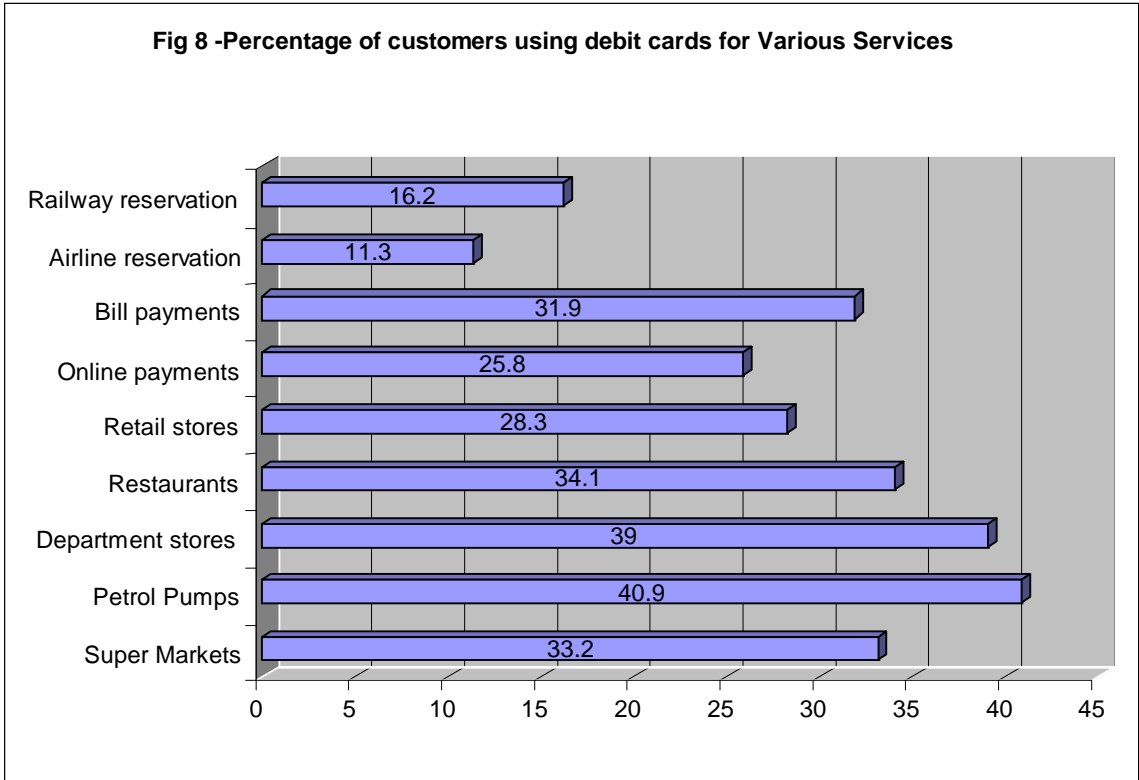


Figure 8 shows that the customers are using debit cards for the payments at super market, petrol pumps, department stores, restaurants, retail stores, payment for online purchase, bill payments, airline and railway reservation. However, 15.7 per cent people use cards at petrol pumps and 15 per cent use at the department stores. This is not an encouraging figure. In spite of convenience offered by this medium of banking, security is the main concern of the customers. With the increasing number of plastic card frauds customer does not feel comfortable in using these cards. If the development in technology addresses this issue then definitely the economy will become cash less economy. The survey shows that the age group 26 to 55 is using the plastic cards more extensively.

**Table 2: Uses of Debit cards by the customers at Anand and Vallabh Vidyanagar**

<b>Sr No</b>	<b>Purpose</b>	<b>Percentage of customers using</b>
1.	Super Market	33.2
2.	Petrol Pumps	40.9
3.	Department stores	39.0
4.	Restaurants	34.1
5.	Retail stores	28.3
6.	Online payments	25.8
7.	Bill payments	31.9
8.	Airline reservation	11.3
9.	Railway reservation	16.2



The largest use of debit cards is at petrol pumps followed by the department stores mainly garment stores.

**Relationship between use of debit cards and respondents profile**

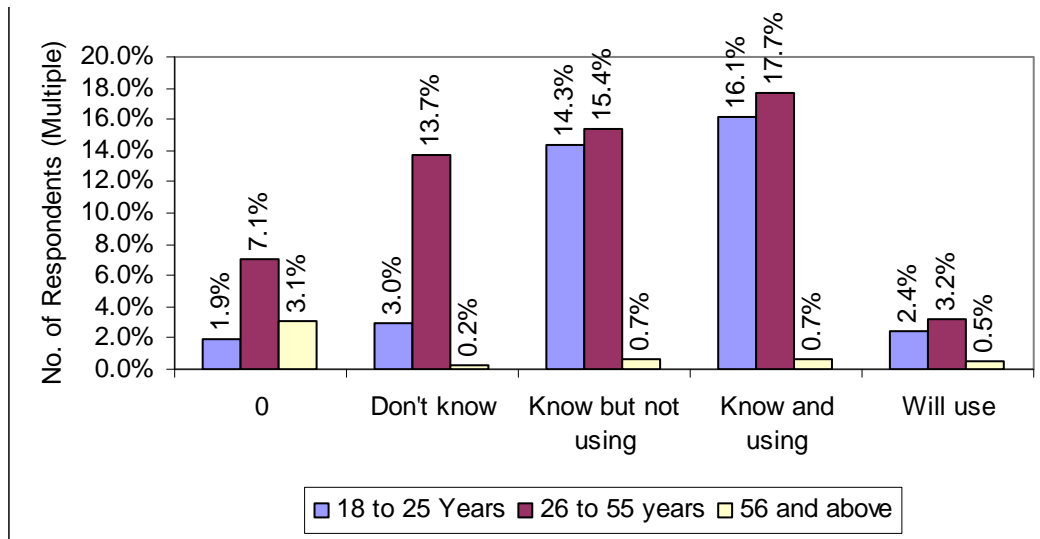
**Table 3: Chi Square (Pearson’s P Values) for use of debit cards  
and customers’ profile**

	Age	Annual Income	Educational Qualification
Number of debit Cards	0.000	0.000	0.000

The p value of for  $\chi^2$  test shows the dependence of a qualitative variable on the other. P value less than 0.05 depicts significant dependence. In Table 3 the Pearson’s chi square values show that the number of cards is highly dependent on age, Annual income and educational qualification.

The result of cross tabulation as shown in Figure 10 - between use of Debit Cards and age depicts that customer from 26 to 55 years of age are the largest users of the debit card services offered by the banks

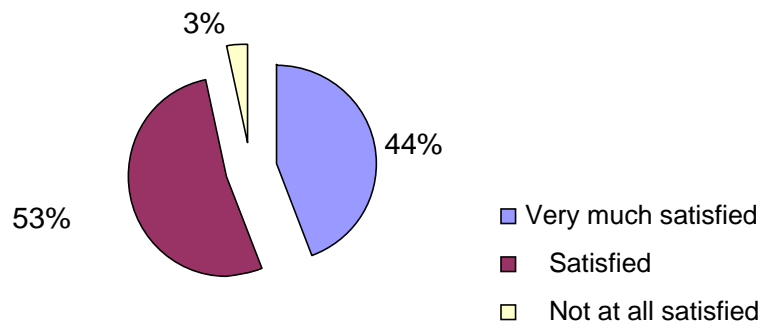
**Figure 9: Cross tabulation of use of debit cards and the age**



Further a large number of people are using the debit cards of the banks of which the largest group of debit card users is having income of 1.5 lacs to 3. lacs.

Graduates and post graduate customers are more at ease with the use of debit cards compared to the other categories. Hence we may conclude that younger generation is more Information Technology savvy and customer with higher income and higher educational qualification are using the mechanised services of the bank. This does not mean that others are lagging behind. 97 per cent of the total customers as shown in Fig 10, are satisfied with the services offered by the outlets and only 3 per cent of the respondents face difficulties in using the debit cards.

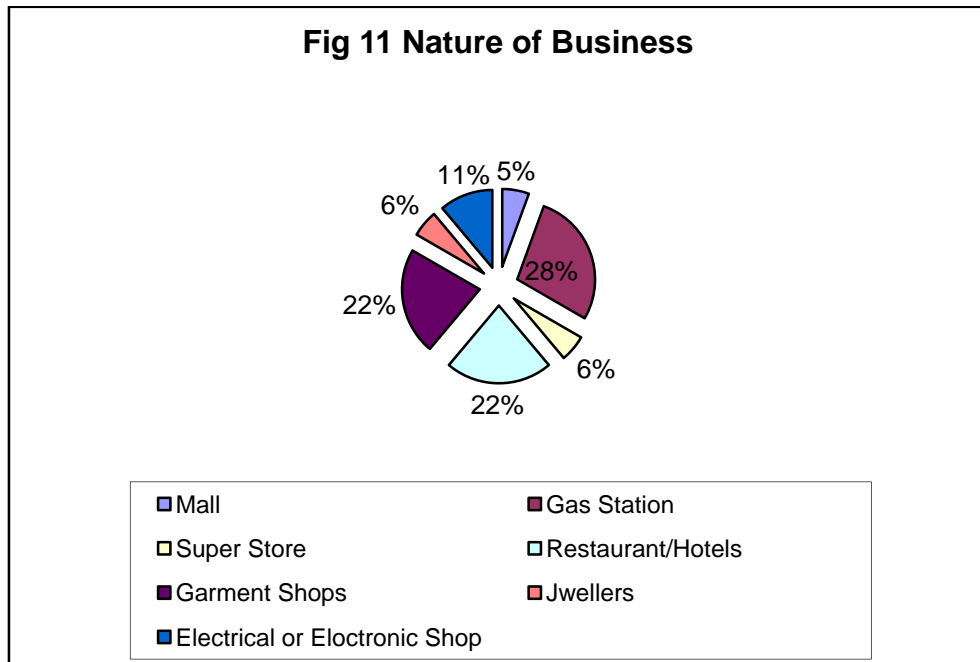
**Figure 10 Satisfaction of customers with the use of debit cards**





### Findings of Outlet Survey:

Out of the total 150 outlets using POS device at Anand and Vallabh Vidyanagar a sample of 18 outlets is selected for the study. Fig 11 shows the nature of business of the respondents.



- The largest number of transaction using debit cards reported in the gas station followed garment shops.
- Though the initial POS devices at Anand were installed in 2002, the largest percentage of outlets i.e. 56 per cent reported the installation of the POS device 2007 and 2008. It shows the greater acceptability of this mode of payment by the customers.
- The use of debit cards is more common if the bill amount is more than Rs 1000/-. If the bill amount is less than Rs 1000/- the use of debit card is negligible.
- Average transaction per day using POS is reported to be 5 time and above. This constitutes 50 per cent of the respondents. More than 50 per cent of the total transactions using POS is done through debit cards.
- The number of system failures experienced by outlets using POS is 30 per cent whereas 70 per cent of them reported no system failure.

**Conclusion and Summary:**

There has been a spurt in the use of debit cards by the Indian customers. However, this increase is not significant. After 2007 the growth rate has increased considerably. If proper security measures are incorporated to allay the fears of the customers the use of debit cards can gather momentum. The banks and various outlets have to cooperate so that no additional charge is levied on the cost conscious customers. The bank and outlets should encourage and reward the customers to use the debit cards.

**Suggestions:**

It is suggested by the customers that greater number of utilities be added to the debit cards. Government utility services such as tax, electricity, insurance and other bill payments be included in the electronic payment system.

The payment gateway should be made safe and secure. It is high time to address the technology gaps.

The use of debit cards in the economy will leave financial institutions with cash. This can be used for providing credit for the investment in augmentation of the productive capacity of the nation.

**Beneficiaries of the study:**

The findings of the study will help the financial institutions in designing their marketing and penetration strategies in future. Also the outlets will gain from the insight drawn. The customer also benefit from the study by the revelations regarding the advantages of using the debit cards.

**Limitations of the study:**

The study has left the rural areas from the ambit of analysis and data collection. Vallabh Vidyanagar and Anand have high rate of literacy and income levels. Therefore the finding may not hold good for the entire economy.

**Future Scope:**

The study can be taken up at state level and national level incorporating the sample of the customers drawn from various strata of the society.

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