

An study on customer payment behavior in organized retail outlets at coimbatore district

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ABSTRACT: The study puts torch about how consumers use cash or plastic money in the organized retail outlets for their purchases. The objective was to find out how easy consumers found plastic money use to be, whether they liked using it and in particular how they compared it to using cash. A qualitative survey of consumer use of plastic money, Debit cards, Credit cards and cash was undertaken. Attitudes, behavior and opinions of the customer during payment are analyzed and were collected using a structured questionnaire. The influence of factors like income, education, convenience, advantages and disadvantages over the payment modes were been studied. The study also analyzed the problems that were faced by consumers in relation to security and complexity of usage and preference of alternative payment modes. The research shows advantages in using plastic money in certain situations that offered a relative advantage for discerning consumers. The study had examined the customer payment behavior during purchase and their mode of payment opted.

Keywords: Debit cards, credit cards, Cash, payment mode and payment behavior, organized Retail.

INTRODUCTION

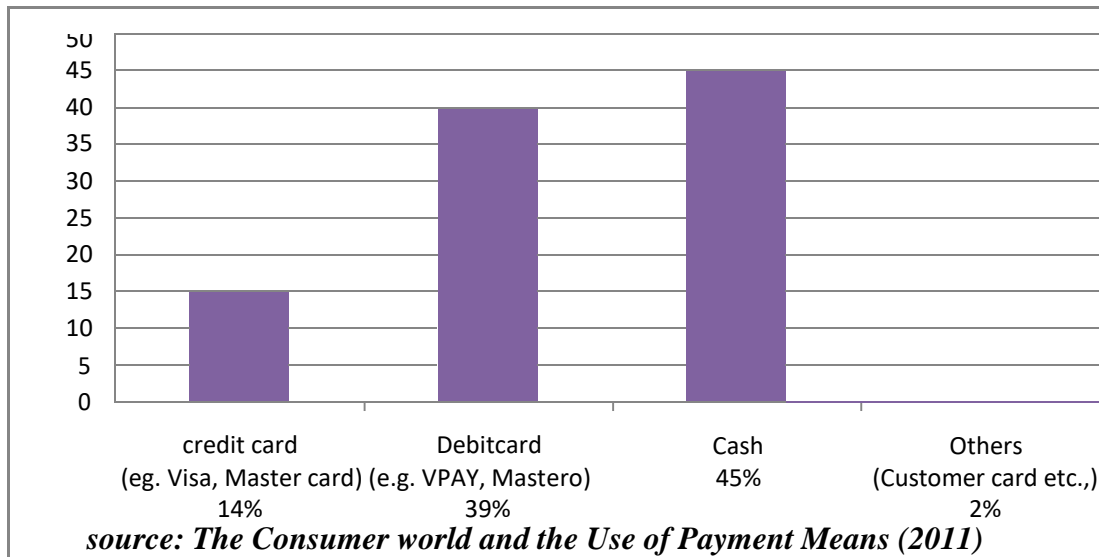
Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping a memorable experience.

The Indian retail sector is set to grow rapidly with a gradual shift toward organized retailing formats. Organized retail penetration is expected to increase from 7.5% in 2013 to 10% in 2018 at a robust CAGR of 19-20% during the same period. This will be driven by a combination of demand, supply and regulatory factors, which are expected to be the growth engines of the Indian consumer and retail market.

The introduction of advanced technology based systems in payment services world over resulted in great changes in terms of how retailers offer services to customers. Use of plastic money has come as a form of convenience to customers. This paper gives a brief overview of the organized retail growth and discusses the emerging payment mechanisms and related issues faced in Indian Retail.

RETAIL PAYMENT SYSTEMS

Payment systems in retail can be streamlined into cash and non-cash payments. Further, payments can be divided into retail and wholesale. Retail payments generally, have higher transaction volumes than wholesale payments. Consumers use retail payments to purchase goods and services.



By adopting and using plastic money clients will reduce the risk of losing hard earned cash and overcome change problems currently being faced on the retail market.

REVIEW OF LITERATURE

- **Forbes magazine (2013)**, stated that scientific studies have shown that people are more likely to complete a purchase if they intend to pay with a credit card than if they intend to pay with cash. Cash just seems more scarce, so people are more likely to try to conserve it.
- **Pallister and Isaacs (2002)**, reported that a debit allows a customer to pay for goods and services at various retail outlets by directly debiting their bank accounts. On the other hand, credit cards enable the holders to obtain credit and withdraw cash up to a pre-arranged ceiling.
- **Maganty (1996)**, “Changing Dimension.” the author discusses the emerging trend and importance of debit card in daily lives of Indian society. Debit cards are expected to be in use in places where most transactions are done by cash or cheque in supermarkets, petrol stations, convenience stores. These cards are designed for customers who like paying by plastic card but do not want credit. These cards not only keep the cardholder debt free but also provide a detailed account of spending. These types of cards are ideal for those who have a tight budget and want to keep within it. Study shows that there are two types of debit cards i.e. on line and

off line debit cards. With the computerization and modernization plastic money will become the status symbols in the 21st century of Indian traditional bound society.

- **Radhakrishan (1996)** study on “Debit Cards” shows that the debit cards also have found wide acceptability than credit cards because of assurance of payments to retailers, switching of cardholders to debit card because of using interest free period to avoid high interest cost, annual charges as compared to debit cards etc.
- **Worthington (1996)**, in their study “Smart Card and retailer-who stand to benefit?” described that the major current payment options which are open to consumers, and accepted by retailers with a review of the costs and benefits of each payment option. Retailers, as the merchant acceptors of payment by suffer from the introduction of the smart card. Article sets out to explore the pros and cons of the smart card for retailers.
- **Worthington (1995)**, in the paper “The cashless society” revealed the cashless society, where clumsy and expensive-to handle coins and notes are replaced by efficient electronic payments initiated by various types of plastic cards is a tantalizing prospect for the twenty-first century.
- **George (1995)**, in his paper “The card majors lead the way” stated that VISA and Master Card play a major role in any international payment system. Both VISA and Master Card act also as franchisers, lending their names to member banks’ card and acting as guarantor of payment to merchants willing to accept the cards
- **Torbet and Marshall (1995)**, in their paper “One in the eye to plastic card fraud.” Explored the potential use of behavioral and physiological biometric techniques in the battle against credit card fraud in the retail environment. It discusses different techniques such as automatic speaker, dynamic signature verification, fingerprint, facial recognition, retinal and iris scanning, hand and finger geometry. Author feels that while biometric technologies have the potential to reduce plastic card fraud there are several problems which must be addressed before they can be used in retail environments, like the recognition performance, speed of use, usability, customer acceptance, device cost are considered along with industry standards for biometric devices.
- **Barker (1992)**, in his study, Globalization of credit card usage: The case of a developing economy” investigated the attitude of Turkish consumers towards credit cards, and the approach of card issuers by surveying two samples of 200 card holders and non-holders. The better educated, middle aged members of the upper middle class seem to be the prime target;

the most important reasons for using a credit card were “case of payment”, followed by “risk of carrying cash”.

- **Vora and Gidwani (1993)**, “Plastic at a premium” showed the usage facilities and varieties of cards. The research shows that credit card is extremely useful to those people who use it as to increase their purchasing power through the plastic card.
- **Handelsman and Munson (1989)**, “Switching behaviors from credit card to cash payment among ethnically diverse retail customers” showed that the credit card sales constitute an important revenue source for many retailers. Their ever increasing use and evaluation into other forms, such as debit and electron cards, demands that retailers gain a more complete understanding of how they are used by diverse consumer segments.
- **Chorofas 1987; Livy, (1981)**, stated that several studies indicated that the use of debit/credit cards have been on the increase over the recent past world over. This rise can be attributed to the improvement in the information technology.

OBJECTIVES OF THE STUDY

- To evaluate the influence of socio- demographic factors on payment behavior.
- To study the customer preference towards using cash & other payment methods.
- To analyze the reasons for customers rejecting the use of plastic money.
- Suggesting ways of promoting the use of plastic money.
- To study the pros & cons of customer preference on paying bills.

Hypothesis:

Ho: There is no significant relationship between gender and type of payments

H1: There is significant relationship between gender and type of payments

Ho: There is no significant relationship between age and type of payments

H1: There is significant relationship between age and type of payments

RESEARCH METHODOLOGY

The objective of the study is to assess how people use plastic money in making payments for goods and services. Descriptive survey design was used in this study. A descriptive survey design is a scientific investigation that is used to study large and small population through selecting and studying large samples chosen from the largest population in order to discover the relative incidents or distribution of variables on a specific topic. Convenient sampling procedure was used for data collection.

Research design

The main aim of this study is to know the customer payment behavior at organized retail outlets and find out the key factors for the usage of particular payment methods. Therefore descriptive research is being adopted to find out the customer attitude and characteristics of consumers.

Area of the study

The survey is conducted among customers who make purchase at various organized retail outlets in Coimbatore.

Research approach

A structured questionnaire is used for collecting data from the respondents through survey method.

Sample Size

Sample size taken in this study is 250.

Period of Study

The study was conducted during the period July 2014 to October 2014.

Sampling Technique

Convenience sampling was employed in the study.

Research Instrument:

A standard questionnaire was prepared for the collection of data from various respondents. The questionnaire was designed in such a way that the aim of collecting essential information for the study would meet the set of objectives.

ANALYSIS AND INTERPRETATION

Demographic Characteristics of the Respondents and Customer Payment Behavior

Table1: Showing the frequency of monthly purchases made by consumers at retail outlets.

No. of purchases- monthly	Frequency	percentage
1-5	95	38
6-10	70	28
11-15	55	22
15 & above	30	12
Total	250	100

Findings: The above table shows that 38 % of respondents make a minimum purchase at organized retail outlets on a monthly basis.

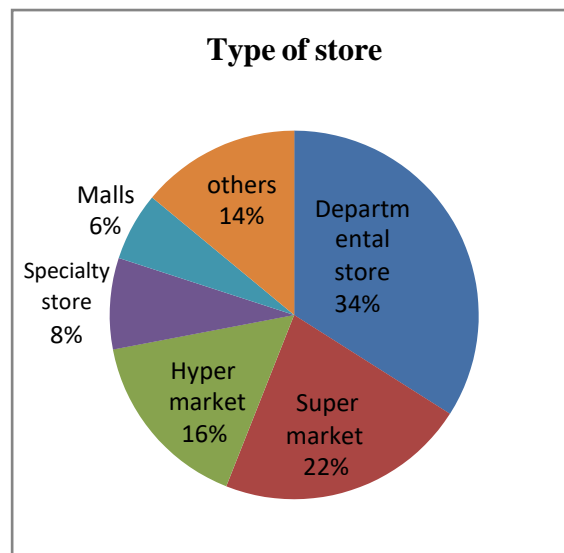
Table 2: Showing the quantity of monthly purchases (In rupees)

Qty. of purchases- monthly	FREQUENCY	percentage
Below 5000	115	46
5001-10000	70	28
10001-15000	45	18
15001 & above	20	8
Total	250	100

Findings: The above table shows that 46% of customers make a purchase for Rs.5000.

Table 3: Showing type of store you make the purchase

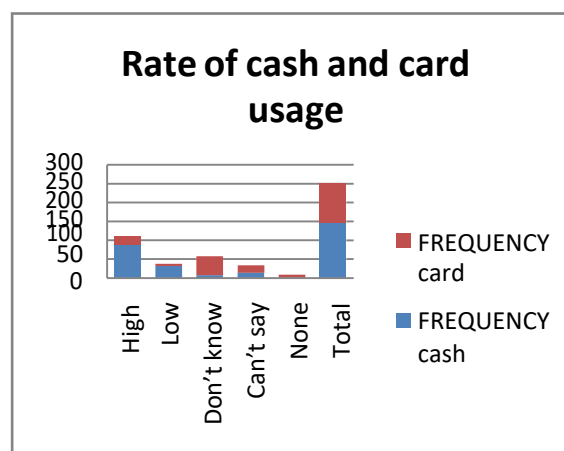
Type of store	FREQUENCY	percentage
Departmental store	85	34
Supermarket	55	22
Hypermarket	40	16
Specialty store	20	8
Malls	15	6
others	35	14
Total	250	100



Findings: The above table shows that majority of customers make their purchase at departmental store.

Table 4: Showing Rate of cash and card usage by respondents

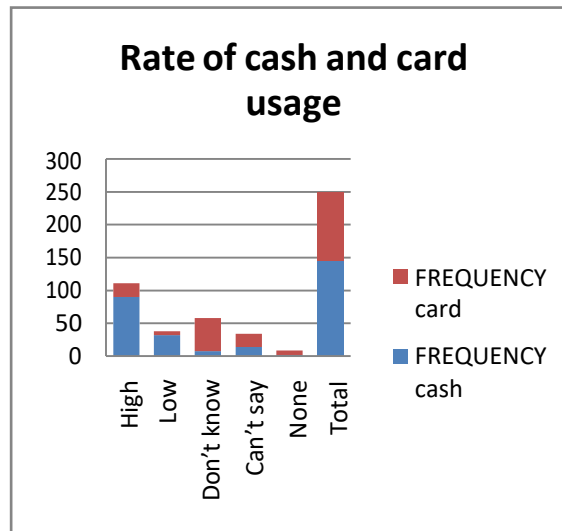
Rate of usage	FREQUENCY	
	cash	card
High	90	21
Low	32	6
Don't know	8	50
Can't say	14	20
None	2	7
Total	146	104



Findings: The above table shows that majority of customers make their purchase at departmental store.

Table 4: Showing Rate of cash and card usage by respondents

Rate of usage	FREQUENCY	
	cash	card
High	90	21
Low	32	6
Don't know	8	50
Can't say	14	20
None	2	7
Total	146	104



Findings: The above table shows that majority of customers use cash for the purchase.

Table 5: Showing types of payments used by respondents & occupation

Types of transactions	Frequency				
	Student	Employed	Business	professionals	Other category
Cash	11	33	15	14	6
Debit card	3	19	10	25	8
Credit card	0	7	37	15	5
others	5	8	20	4	7

Findings: The above table shows that credit card is majorly used by business person, followed by cash usage by employed persons.

Table 6: Showing Green/ plastic card access by respondents

Green card access	frequency	percentage
yes	180	72
no	70	28
Total	250	100

Findings: The above table shows that majority of customers have access to Green/ plastic card.

Table 7: Showing type of payments of respondents by gender

Chi-Square Analysis

Type of payments of respondents by gender

Null Hypothesis : There is no significant relationship between gender and type of payments

Chi-Square Test

SUMMARY		Alpha	0.05
<i>Count</i>	<i>Rows</i>	<i>Cols</i>	<i>df</i>
496	2	4	3

CHI-SQUARE

	<i>chi-sq</i>	<i>p-value</i>	<i>x-crit</i>	<i>s</i> <i>i</i> <i>g</i>	<i>Cramer</i> <i>V</i>
Pears	3.9976	0.2617	7.8147	n	0.0897
on's	43	19	28	o	76

From the above table it is found that p value is less than 0.05. Hence it is concluded that Null hypothesis is rejected. It shows that there is significant relationship between gender and type of payments.

Gender	Cash	ATM/debit card	Credit card	others
Male	160	60	34	60
Female	90	45	12	35

Findings: The above table shows that cash is used majorly used followed by other payment methods.

Table 8: Showing education level and usage of plastic money & cash

Education	Cash	Debit card	Credit card	others
School level	35	4	3	3
Diploma/ITI	20	15	8	12
Graduate	16	18	15	25
Post graduate	15	20	26	15
Total	86	57	52	55

Findings: The above table shows that plastic money is used by graduates and post graduates at the maximum level.

Table 9: Showing income level and usage of plastic money by respondents.

Family income	Cash	Credit card	Debit card	others
Below 10000	24	2	6	5
10001-20000	21	5	12	8
20001-30000	17	11	8	16
30001-40000	14	9	5	6
40001 -50000	8	21	12	5
50001& above	5	26	3	4

Findings: The above table shows that higher income category uses plastic money at a higher rate.

Table10: Showing benefits in using plastic money as stated by respondents.

Criteria	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Safety	25	8	8	2	6
Reduced risk	8	4	6	8	2
Easy access	9	10	2	5	1
No cash carrying around	15	16	5	7	8
convenience	18	11	2	5	5
Manage cash shortages	4	3	1	8	4
Easy access to money	10	8	15	4	2

Findings: The above table shows that majority of consumers feel that safety and convenience are the benefits in using plastic money.

Table 11: Showing challenges in using plastic money faced by respondents.

Challenges in using plastic money	frequency	percentage
Cards are not readable	30	12
No cash availability	45	18
Failed transactions	25	10
Unnecessary debts	30	12
Mishandling of cards	35	14
Non portability of cards/banks	25	10
High transaction/service charges	45	18
Others	15	6

Findings: The above table shows that major customers faced high transaction/service charges and no cash availability in using plastic money.

Table 12: Showing sources of promotion of usage of plastic money

Sources of promotion of plastic money	frequency	percentage
Media	40	16
Friend	25	10
Family member	10	4
Relative	20	8
Retailer	25	10
Bank personnel	60	24
Social network/internet	15	6
Combination of above	55	22

Findings: The above table shows that bank person is the main source of promotion for plastic money.

Table 13: Showing rank the easiness of payment process

Easiness of payment	Frequency	percentage
Cash	125	50
Debit card	55	22
Credit card	30	12
others	40	16

Findings: The above table shows that customer feel cash as the easy mode for payment.

Table 14: Showing most frequent payment option adopted above by age group

Null Hypothesis : There is no significant relationship between age and type of payments

Chi-Square Test

SUMMARY		Alpha	0.05
<i>Count</i>	<i>Rows</i>	<i>Cols</i>	<i>df</i>
188	3	5	8

	<i>chi-sq</i>	<i>p-value</i>	<i>x-crit</i>	<i>si</i> <i>g</i>	<i>Crame</i> <i>r V</i>
Pearson's	26.032 26	0.0010 37	15.507 31	yes s	0.2631 25

From the above table it is found that p value is higher than 0.05. Hence it is concluded that Null hypothesis is accepted. There is no significant relationship between age and type of payments.

Findings: The above table shows that customers use cash more frequently.

Table 15: Showing reason for the usage of plastic money

Reason for the usage	Frequency	percentage
Easiness	90	36
security	75	30
reduced risk	35	14
situational	50	20

Findings: The above table shows that major customers feel easiness in usage of plastic money.

Table 16: Showing satisfaction level obtained in payment methods opted at retail outlets

Factors	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied
Cash	58	32	15	1	3
Debit card	31	5	1	0	5
Credit card	22	8	7	15	4
others	12	18	4	3	8

Findings: The above table shows that 58% of the customers are satisfied with cash payment done at retail outlets.

RESULTS AND DISCUSSION

The results showed that majority of the customers make their purchases from departmental stores, majority of respondents feel cash payment to be easy and used more frequently. Educated and higher income people use plastic cards more often. There are certain challenges faced by consumers in using plastic cards but it can be overcome when used precautionary steps are adopted.

CONCLUSION

Payment behavior is heavily influenced by age, education and income. As age increases, the tendency to use cash also increases markedly. Respondents aged 30 and over effected the most transactions using cash. Irrespective of age, individuals with higher levels of educational attainment and those with higher incomes tend to make greater use of payment cards.

Respondents generally have a lower level of education and a lower level of income, whereas middle-aged respondents are generally better educated and enjoy higher levels of monthly net household income. Therefore socio-demographic factors had a significant influence on payment behavior.

Cash is used almost exclusively for payments to private individuals and transactions in cafes, bars, snack bars and fast-food restaurants. This is due to the fact that these payments are often for small amounts and it is not usually possible to use cashless payment instruments for transactions between private individuals. The majority of purchases at vending machines and restaurant transactions are also settled in cash due to the extremely high number of low-value payments

The study considers the state of our understanding of how and why consumers choose their payment methods and what is needed to make more advance in understanding consumer payment decisions. Today's interest in consumer payments is really an interest is called as "payment instruments. Cash, Credit cards, debit cards are the leading payment instruments today.

SUGGESTIONS AND RECOMMENDATIONS

Consumers must choose the payment method that fits their financial needs, offers convenience, and best protects the security of their money in each transaction.

Suggestions while using plastic cards

- The lost debit cards, credit cards must be informed to bank.
- The retailer must be informed about lost customer cards.
- PIN (personal identification number) must be kept secret.
- Online purchases can be made with credit cards.

- Account numbers should not be exposed to others.
- Avoid putting mail with checks or credit card numbers in your own mailbox.
- Statements must be read promptly and accounts should be checked frequently.

Pros and cons of using cash and plastic money

Benefits of Debit Card usage

- A form of convenience by replacing the need for cash for daily purchases and also save time.
- Effective debt management is possible.
- Act as form of record keeping by providing a record of all expenditures made with a debit card.

Cautions while using Debit Card

- Risk of card theft or compromise of account information.
- Lack of access to your funds during investigation.
- Less consumer protections than credit cards.
- Possibility of overdrawing your account.

Benefits of credit cards

- Act as a form Convenience by wide acceptance for a variety of purchases.
- Need not to carry large sums of cash.
- Flexibility in cash payments.
- Good consumer protection.
- Emergency access to cash.
- Monthly statements provide a record of all expenditures made with a credit card.

Cautions while using credit cards

- Uncontrolled expenses, build more debt for repayment.
- High interest rate and fees for delayed payments.
- Risk of card theft or compromise of account information.

Comparison between cash and card usages

Payment by cards	Payment by Cash
Worldwide access to cash	Large purchases are difficult
Exclusive privileges	Theft of money may be possible. Eg: robbery
No card fee	Selecting a payment method for flexibility and security

It usually serves as a ATM card for all your accounts at the issuing outlets.	Effective planning for purchases is possible
Money is electronically deducted directly from the account	Running of debts can be avoided

LIMITATIONS

The study is conducted only in Coimbatore district. Results may vary at other districts and states. Although, Coimbatore district is a two tier city and second major city in Tamil Nadu, the findings may not entirely reflect the views of customers of entire state in general.

FUTURE RESEARCH

Research in other cities and other customers is required to examine the validity and reliability of the identified customer behavior and retail payment influencing factors.

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