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Role of plastic money post covid

Shrikesh Poojari

poojarishrikesh@gmail.com

Pramod Ram Ujagar Tiwari Saket Institute of Management, Kalyan, Maharashtra

ABSTRACT

Credit cards were rolling ahead in terms of demand and usage, as of December 2019, a report by Crif High Mark showed. But since the covid-19 pandemic, people turn to mobile payments, and a recent S&P Global Market Intelligence report said that they have gained a lead over credit cards. As of December 2019, the credit card industry portfolio stood at ₹1,24,390 crore, a year-on-year growth of 44%. In September 2019, there were 3.25 crore active card borrowers, the number has grown at a compounded annual growth rate (CAGR) of 22% over four preceding years. The latest CRIF CreditScape report, released in May, stated that forecasts show that around one million credit cards will be sourced over the next five-six quarters. "Credit cards, once considered a product for the affluent, have expanded to consumers in tier II and III cities. Borrowers opting for a credit card for the first time have increased by three times in four years. Credit cards lead to increased purchasing capacity for consumers, especially millennials, and encourage usage by offering rewards and discounts on e-commerce portals." said Navin Chandani, managing director and chief executive office of CRIF High Mark.

Keywords: Credit Card, CAGR, CRIF

An emerging alternative

The S&P Global Market Intelligence report released earlier this week stated that mobile payments rose 163% to \$287 billion in 2019, whereas transactions through debit and credit cards increased by 24% to \$204 billion. According to the release, mobile payments are expected to gain a bigger lead over card payments, as the ongoing social distancing norms and concerns over the use of cash and plastic money will further boost their uptake. On how credit cards match up to alternatives such as mobile payments, Chandani said, "In the wake of covid-19, online transactions and contactless payments have leapfrogged. Banks have also initiated the facility of a virtual card to facilitate e-commerce transactions. Virtual cards can be used immediately until the physical card arrives through the courier." While there is a perceived rivalry between the different payment modes, according to Raj Khosla, founder and managing director, MyMoneyMantra, credit cards and mobile payments overlap only in the fact that they are both digital modes of payment, beyond that, they exist in different spaces.

"The demand for credit will always be there. With the government's push for UPI, mobile wallets have given way to payment systems that don't require preloading, and therefore, function just like debit cards. The digital push and covid-related circumstances mean growth in this area will accelerate. But credit cards exist in a different space, and I don't see the demand for them falling anytime soon," he said.

As for whether debit cards could be on their way out, Khosla said that most would prefer to retain both cards and mobile payments, as they provide different conveniences and benefits.

While the covid-19 pandemic has pushed many customers to opt for mobile payments, credit cards are likely to endure as an easy source of credit, as well as additional benefits like points and discounts.

As the COVID-19 pandemic spreads across the globe, cash-in-hand has become important again. This is because myriad investments across sectors now lie in uncertain terrain. Adding to everyday woes is the fact that many companies are considering layoffs or delayed salaries. Access to one's own savings has become a luxury



Indians are spending on their credit cards like before the coronavirus pandemic hit the country late 2020 as restrictions are eased on public movement and businesses, shows data released by the Reserve Bank of India (RBI).

How do Credit Cards Help your Finances in COVID Crisis?

Credit card usage comes with several benefits that further encourage users to put more expenses on credit cards. These benefits include:

EMI Conversion Facility- Since a number of people are facing cash flow issues, making purchases on EMIs could be a wise option as compared to paying in full and then making a partial payment. If you are unable to pay off your balances in full, you can get the same converted into EMIs too.

No-cost EMIs on select items- Despite the lockdown, online shopping websites are still offering no-cost EMI options on select items when you purchase using your credit card. This is also a good way to defer the payments on such big-ticket purchases without having to pay interest on EMI.

Reward Points and Cashback- On every purchase, most of the credit cards give you back in the form of rewards or cashback. If your card offers significant savings through cashback or rewards, it may be a good choice over cash payment.

Credit Score- Most important of all, smart usage of credit cards and timely payments let you build and maintain a good credit score. In such times, it is advised to maintain a good score as it will be helpful in securing a loan in the future if needed.

Must Read: Why You Must Always Pay Your Credit Card Balance in Full

What to Watch Out For?

There are certain things you must look out to save yourself from frauds in these times:

Travel Bookings

The lockdown restrictions have been eased for now and domestic flights have started. In time, even international travel will resume. However, you should not be too sure about the upcoming normalcy and be cautious with your finances. If you make travel bookings and cancel them later, the full amount may not be refunded. So, we suggest you hold on to such discretionary expenses and if necessary, make the bookings through the right channel- one that ensures full/partial refund.

Malicious sites email

You might get an email from fraudulent addresses talking about your credit card. While it may tempt you to open such links, you should never do so without confirming its source. Never provide your card details over emails or even on untrusted websites.

Callers asking for Credit Card Details

You might get calls asking for card details. Do not share the details with such callers. Banks and credit card providers don't ask for such details. Report such callers to the bank. Nowadays, banks are also warning users about fraudulent calls regarding moratorium. In no case, you should provide card details over phone, email, SMS or WhatsApp.

Bottom Line

The world was not ready for a pandemic of this scale. It has led to major disturbances around the world, the economic consequences being the most impactful. Credit cards may seem like a boon during these times but only if you use them cautiously and keep making regular payments.

Coming back to normalcy may still take some time. Meanwhile, we should be cautious with our finances and try not to deplete all our savings.

COVID-19 Credit Card Relief: Top 10 Card Issuers

Card Issuer	Temporary Payments Suspension of	Fee Waivers	Temporary Credit Limit Increases
American Express	No, but minimum monthly payments may be reduced	Yes, for late payment fees and annual membership fees while enrolled in the program	
Bank of America	Yes, by request and on a case-by-case basis	No, but late fees can be refunded	
Barclays	Yes, payment relief is available by request	Yes	Yes, on a case-by-case basis
Capital One	Contact Capital One for options	Contact Capital One for options	Contact Capital One for options
Chase	Yes, for personal and business credit cards	Late fees can be refunded	
Citi	Yes for two months and collection forbearance is available	Yes	
Discover	Contact Discover for options	Contact Discover for options	Contact Discover for options
HSBC	No, but payments may be reduced	Yes, late fees and interest charges can be waived	
U.S. Bank	Contact U.S. Bank for options	Contact U.S. Bank for options	
Wells Fargo	Contact Wells Fargo for options	Yes	

CONCLUSION

How to Use your Credit Cards Judiciously?

It is very important to use your card wisely during this time. Below we have mentioned a few tips to make sure that you do not end up paying for things that you do not require.

Manage your Memberships and Subscriptions

Cardholders usually tend to forget about their subscriptions. Sometimes they subscribe for a free trial and then forget to cancel it. Other times, they continue to pay for a subscription but never really use it. Such subscriptions can add up to form a hefty amount. So, we suggest that you check all your auto-debits and subscriptions and cancel those that are not being used.

Use the Right Credit Card

If you have a card that offers cashback or discount on certain purchases, you should make the most of its benefits. For example, Amazon Pay ICICI Credit Card offers 5% cashback on all your Amazon purchases if you are an Amazon Prime member and 3% cashback for non-prime members. You should use this card to order groceries and other items.

Avoid Unnecessary Purchases

Stocking up on essential goods to last a few weeks is a great idea. However, you should not get carried away and purchase a year's worth of sanitizer, groceries, toilet paper, etc. The government has lifted many restrictions and it will get easier to get access to these things. Moreover, this will add big amounts to your credit card balances. Hence, it is only wise to make as many purchases as you can afford to pay back.

Pay off your bills on time

We cannot emphasize more on how important it is to pay back your credit cards bills in full and on time. Credit cards, being one of the most expensive forms of debt, can easily turn your finances upside down, if not used wisely.

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