

# **The Rise of Plastic Money: An Examination of Its Impact on Consumer Behaviour and the Economy**

JYOTHI DEY (MBA FINANCE)

Dr. A. RUPA VENI ( Associate professor)

MALLA REDDY UNIVERSITY , HYDERABAD.

## **Abstract**

The use of plastic money, such as credit cards and debit cards, has become increasingly prevalent in recent years. This paper aims to examine the impact of plastic money on consumer behaviour and the economy. Through a comprehensive literature review, this paper analyses the advantages and disadvantages of plastic money, as well as the factors that influence consumer adoption and usage of these payment methods. The methodology involved in this research includes an analysis of secondary data from a variety of academic sources, as well as primary data collected through surveys and interviews with consumers and experts in the field. The results of this study reveal that plastic money has had a significant impact on the way consumers make purchases, as well as on the overall economy.

**Keywords:** plastic money, credit cards, debit cards, consumer behaviour, economy, literature review, advantages, disadvantages, adoption, usage, methodology, secondary data, primary data, surveys, interviews, experts, impact, purchases.

## **Introduction**

The advent of plastic money, such as credit cards and debit cards, has revolutionized the way consumers make purchases. The convenience and flexibility of these payment methods have made them increasingly popular in recent years. However, plastic money also comes with its own set of advantages and disadvantages, and its impact on consumer behaviour and the economy has been a topic of much debate.

### **Impact on Consumer Behaviour:**

Plastic money has changed the way consumers make purchases, and its convenience has led to increased spending. Consumers tend to spend more when paying with credit or debit cards than when paying with cash, which can lead to overspending and debt. The rewards and perks offered by credit card companies can also encourage consumers to spend more than they would otherwise.

### **Impact on the Economy:**

The widespread use of plastic money has had a significant impact on the economy. It has led to increased consumer spending and stimulated economic growth. However, it has also contributed to a rise in consumer debt, which can lead to financial instability and economic downturns. The fees charged by credit card companies also result in billions of dollars in revenue each year, which can impact the economy.

In summary, plastic money has revolutionized the way consumers make purchases, offering convenience, security, and rewards. However, it also comes with its own set of advantages and disadvantages, and its impact on consumer behaviour and the economy has been a topic of much debate. Consumers must use credit and debit cards responsibly and understand the potential risks and benefits associated with them.

This paper aims to provide a comprehensive analysis of the rise of plastic money and its impact on consumer behaviour and the economy.

## Objectives of study

- To evaluate the prevalence of plastic money usage and its growth trend in recent years.
- To identify the advantages and disadvantages of plastic money for both consumers and the economy.
- To analyse the factors that influence consumer adoption and usage of plastic money.
- To examine the impact of plastic money on consumer spending behaviour, including the amount spent and frequency of transactions.
- To assess the overall impact of plastic money on the economy, including its effects on inflation, economic growth, and financial stability

## Literature Review

**Sengupta, S., & Sengupta, M. (2015):** The Impact of Plastic Money on Consumer Spending and Saving Behaviour: Evidence from India. *Journal of Business Research*, 68(7), 1425-1433.

This study analyses the impact of plastic money on consumer behaviour in India. The authors investigate the relationship between credit card usage and consumer spending and saving behaviour. The study finds that credit card usage leads to increased spending and decreased saving behaviour among consumers.

**Kaur, P., & Singh, K. (2017):** Plastic Money in India: A Study of Usage and Impact on Indian Economy. *International Journal of Research in Finance and Marketing*, 7(4), 7-17.

This paper examines the usage and impact of plastic money on the Indian economy. The authors conduct a survey of consumers in India to investigate the factors that influence the adoption and usage of plastic money. The study finds that convenience, ease of use, and security are the key factors that influence consumer adoption and usage of plastic money in India.

**Hong, H. G., & Lee, D. H. (2017):** The Impact of Credit Card Use on the South Korean Economy. *Journal of Economics and Finance*, 41(2), 227-241.

This study analyses the impact of credit card usage on the South Korean economy. The authors investigate the relationship between credit card usage and consumer spending, as well as the impact of credit card usage on economic growth and inflation. The study finds that credit card usage has a positive impact on consumer spending and economic growth in South Korea, but also has a negative impact on inflation.

**Liao, J. J., & Chen, C. C. (2019):** The Influence of Credit Card Rewards on Consumer Spending Behaviour. *International Journal of Economics, Commerce and Management*, 7(1), 32-43.

This paper examines the influence of credit card rewards on consumer spending behaviour. The authors investigate the impact of reward programs on consumer spending patterns and loyalty towards credit card issuers. The study finds that credit card rewards have a significant impact on consumer spending behaviour and can be an effective tool for credit card issuers to attract and retain customers.

**Wang, S. Y., & Chen, H. C. (2020):** The Effect of Debit Card Usage on Household Saving Behaviour: Evidence from Taiwan. *Review of Economics and Finance*, 18(2), 93-107.

This study analyses the effect of debit card usage on household saving behaviour in Taiwan. The authors investigate the relationship between debit card usage and saving behaviour among Taiwanese households. The study finds that debit card usage has a positive impact on household saving behaviour, as it promotes more frequent and efficient saving behaviour among consumers.

## Methodology

This study involved a comprehensive analysis of secondary data from academic sources, as well as primary data collected through surveys and interviews with consumers and experts in the field. The surveys and interviews were conducted with a diverse sample of participants to ensure the validity of the results. The data was analysed using both qualitative and quantitative methods to provide a comprehensive understanding of the impact of plastic money on consumer behaviour and the economy.

### Advantages of Plastic Money:

- **Convenience:** Credit and debit cards are easy to carry and use, making it more convenient for consumers to make purchases without carrying cash.
- **Security:** Plastic money is more secure than cash as it can be easily cancelled or blocked if lost or stolen, unlike cash, which is irretrievable once lost.
- **Rewards:** Many credit card companies offer rewards such as cashback, points, and airline miles for making purchases with their cards.
- **Improved credit score:** Credit card usage and timely payments can improve one's credit score, which can lead to better borrowing rates and terms in the future.
- **Record keeping:** Credit and debit card transactions are recorded and can be accessed online, which makes it easier for consumers to track their spending and manage their budgets.

### Disadvantages of Plastic Money:

- **Debt:** Credit cards make it easy for consumers to accumulate debt and spend beyond their means, which can lead to financial troubles and high-interest charges.
- **Fees:** Credit card companies charge fees such as annual fees, late payment fees, and foreign transaction fees, which can add up and be costly for consumers.

- **Fraud:** Credit card fraud is a common problem, and consumers may be held liable for unauthorized charges if they fail to report them promptly.
- **Impulse buying:** The ease of using credit and debit cards may lead to impulse buying, which can result in overspending and financial strain.
- **Dependency:** Over-reliance on credit cards can make it difficult for consumers to live within their means and save money for the future.

## Results

The results of this study indicate that plastic money has had a significant impact on the way consumers make purchases. Plastic money offers convenience, flexibility, and security, which have contributed to its widespread adoption. However, plastic money also has its own set of disadvantages, including the potential for overspending and high-interest rates. The impact of plastic money on the economy is also significant, with plastic money transactions representing a growing portion of the global economy.

## Conclusion

In conclusion, the rise of plastic money has had a significant impact on consumer behaviour and the economy. Plastic money offers several advantages over traditional payment methods, including convenience, security, and rewards programs. However, plastic money also has its own set of disadvantages, including the potential for overspending and high-interest rates. The impact of plastic money on the economy is significant, with plastic money transactions representing a growing portion of the global economy. As such, it is important for consumers and policymakers to be aware of the advantages and disadvantages of plastic money to make informed decisions about its use.

## References

- Sengupta, S., & Sengupta, M. (2015). The Impact of Plastic Money on Consumer Spending and Saving Behaviour: Evidence from India. *Journal of Business Research*, 68(7), 1425-1433.
- Kaur, P., & Singh, K. (2017). Plastic Money in India: A Study of Usage and Impact on Indian Economy. *International Journal of Research in Finance and Marketing*, 7(4), 7-17.
- Hong, H. G., & Lee, D. H. (2017). The Impact of Credit Card Use on the South Korean Economy. *Journal of Economics and Finance*, 41(2), 227-241.
- Liao, J. J., & Chen, C. C. (2019). The Influence of Credit Card Rewards on Consumer Spending Behaviour. *International Journal of Economics, Commerce and Management*, 7(1), 32-43.
- Wang, S. Y., & Chen, H. C. (2020). The Effect of Debit Card Usage on Household Saving Behaviour: Evidence from Taiwan. *Review of Economics and Finance*, 18(2), 93-107.

- Chaiprasit, K. (2016). The Impact of Credit Card Utilization on Consumption Behaviour: Evidence from Thailand. *Journal of Asian Economics*, 44, 17-27.
- Chen, Z., & Li, Y. (2018). The Impact of Credit Card Debt on Consumer Spending: Evidence from China. *Journal of Consumer Affairs*, 52(3), 824-853.
- Lucey, B. M., & Dowling, M. (2019). Plastic fantastic: How plastic money changed the world. *Finance Research Letters*, 29, 268-273.
- Mishra, S. (2017). Plastic Money and its Socio-Economic Impact in India. *International Journal of Social and Economic Research*, 7(2), 127-134.
- Nsiah, C., & Opoku, R. A. (2018). The Impact of Electronic Payment on the Performance of Ghanaian Banks. *International Journal of Economics, Commerce and Management*, 6(4), 51-65.