



ORIGINAL RESEARCH PAPER

Management

THE IMPACT OF RISE IN CREDIT CARD POS TRANSACTIONS POST DEMONETISATION IN THE DEVELOPMENT OF MSME START-UPS

KEY WORDS: Credit cards, Too Big to Fail, POS, Digital Transactions, Start-ups, Gen – Y.

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ABSTRACT

Start-up is an entrepreneurial venture which is typically a newly emerged, fast-growing business that aims to meet a marketplace need by developing or offering an innovative product, process or service. An entity shall be considered as a 'startup' up to Seven years from the date of its incorporation/registration, If its turnover for any of the financial years has not exceeded Rupees 25 crore and is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. This paper focuses about the impact in the development of small and medium sized start-ups due to the Rise in the usage of plastic cards.

INTRODUCTION

Start-up is an entrepreneurial venture which is typically a newly emerged, fast-growing business that aims to meet a marketplace need by developing or offering an innovative product, process or service. The Government of India has announced 'Startup India' initiative for creating a conducive environment for start-ups in India. An entity shall be considered as a 'start-up' up to five years from the date of its incorporation/registration, If its turnover for any of the financial years has not exceeded Rupees 25 crore and it is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

Credit cards issued by the commercial banks are on the rise after the Demonetisation introduced during 2016 by the union government. The credit cards used in the POS transactions has seen a gradual increase till 2016 – 2017 financial year and has seen a huge increase in 2017-2018 fiscal year mainly due to the emergence of cashless economy. This huge variation is mainly due to the vast Gen - Y population and their quick adaptation to digital environment.

OVERVIEW OF POINT OF SALE TRANSACTIONS USING CREDIT CARDS

The credit card transactions of three Indian banks has been analysed in this paper. HDFC, ICICI, SBI has been chosen for this analysis because these three indian banks are categorized as Too Big to Fail by the Reserve Bank of India. The credit card POS transactions of these banks are chosen from the year 2011 and from the analysis it is inferred that the credit card POS transactions show gradual growth form year 2011 to 2016 and exponential growth in the year 2017 mainly due to Demonetisation. However, the exponential growth doesn't decay once the cash inflow has been stabilized by the government.

From the analysis of the three banks POS transactions, the ROC of SBI POS transactions shows significant change when compared to other two banks. The 2017 POS transaction data is collected up to August month when the cash inflow has been stabilized, and yet the POS transactions show significant growth.

Table 1: Credit card POS Transactions of TOO BIG TO FAIL banks in Millions

Year	HDFC	SBI	ICICI
2011	19994.15	5909.21	9598.16
2012	26767.65	8520	10389.72
2013	34870.11	12350.08	13217.7
2014	43783.13	16966.23	17116.43
2015	58977.48	21963.52	20004.08
2016	70801.47	30372.92	26852.8
2017	109484.2	67454.2	39561.97

Table 2: Rate of Change in Credit card POS Transactions

Rate of Change			
Year	ROC-HDFC	ROC-SBI	ROC-ICICI
2011-2012	33.87740914	44.18171	8.246997
2012-2013	30.26959782	44.95399	27.21902
2013-2014	25.56063058	37.37749	29.49628
2014-2015	34.70366326	29.45433	16.87063
2015-2016	20.04831336	38.28803	34.23662
2016-2017	54.63550404	122.0866	47.32903

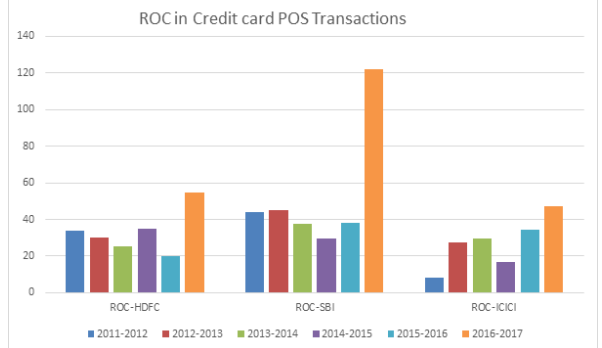


Figure 1: ROC in Credit card POS Transactions of HDFC, SBI, ICICI.

SIGNIFICANCE OF DIGITAL TRANSACTIONS IN THE DEVELOPMENT OF START-UPS

Innovation is occurring at a rapid rate, with payments-industry enhancements being developed and implemented at a faster pace than ever before, growth of any industry is possible only if it adapts to changing digital environment.

- Technology advancements have made it possible to effectively analyse and interpret vast, complex sets of data
- Effective data management allows Start-ups to create more effective, client-centric solutions that are more aligned to client behaviour and needs
- Mobile digital transactions are on the rise and usage of the same will boost the customer base of an organisation
- After the implementation of GST technology invocation is the only way to compete with the other organisations
- Since there is a constant rise in the population of GEN Y the need for the Start-Ups to adapt technology innovation is high
- Using Digital transactions over cash transactions will attract GEN Y customers and in turn it will boost the customer base.

IMPACT OF RISE IN POS TRANSACTIONS ON THE DEVELOPMENT OF START-UPS

The growth of the Start-Ups lies mainly in the way in which technology advances are being adopted. In today's truly globalised world where emerging markets have the ability to "leapfrog" their

more developed counterparts, and where the transfer of new information is both instantaneous and global the adoption and impact of new tools and solutions is more rapid and widespread than ever before.

The growth in the POS transactions can be utilized by the fintech Start-Ups and E market Start-Ups for their growth. The GEN Y consumer population will be a major boost to the development of all Start-Ups provided they adapt to the digital transformation rapidly. In this paper the analysis of the POS transaction over the past five years clearly shows majority of the consumer population slides towards the digital transactions even though the cash inflow has been stabilized after the Demonetisation.

CONCLUSION

In India, the growth of the Start-Ups lies mainly in the advancement of its steps towards the invocation of the Information technology and innovation. From the analysis of the credit card Transactions of the Too Big to Fail banks like HDFC, ICICI and SBI it is very clear that the country is stepping towards the cashless Economy and the Organisations that understands it will develop fast.

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