

DEVELOPMENT OF PLASTIC MONEY IN INDIA

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Abstract

This paper presents an overview of the development that took place in India from focusing on the trend of plastic cards usage since they are introduced in Indian banking sector. In India banks provide different types of cards like ATM cards, Debit Cards, Credit Cards and Smart cards which have been discussed here. The study is also focused on the role of these cards as electronic payment tool used by customers and also about the clearing and settlement process of these cards. Some future plans made by various banks and institutions are also summarized here which will depict the picture of its future growth and prospects in India. Money is always regarded as an important medium of exchange and payment tool. Initially barter system was used as the significant mode of payment. As the time passed by, money has changed its form from coins to paper cash and today it is available in the form of electronic money or plastic card. Hence, the major change in banks has been brought in by technology through the introduction of products which are alternative to cash or paper money. The plastic money in the form of cards has been actively introduced by banks in India in 1990's. But it was not very popular among Indian consumer at the time of its introduction. The change in demographic features of consumers in terms of their income, marital status, education level etc. and up gradation of technology and its awareness has brought the relevant changes in consumers' preferences.

Keywords: EFTs, Money, Banks, Plastic Money, Electronic Banking, Technology, Settlement Process.

Introduction

India has a long history of financial intermediation. Banking in India originated in the last decades of the 18th century. It is certain that the old banking system has been functioning for centuries. Indian Banking System has evolved from a small group of merchant banks to a huge network of commercial banks. In India, as in other countries around the world, an organized system of payment has emerged over time from the barter system to the more convenient forms of monetary systems. The prevalent mode of exchange across India in the 20th century has been coins, cash and cheques. As we move ahead into the 21st century, payment through cash and cheques has been transformed from a physical paper-based exchange of value to a virtual electronic one. Traditionally, banks were only concerned with acceptance of deposits from customers and lending surplus money to the suitable customer who want to borrow at some rate of interest. The most common products being offered by banks were savings account, current account, term deposit account and lending products being cash credit and term loans. Banker's main purpose was to manage the savings of people through the mobilization of funds. Over last one and a half decades the banking environment has changed progressively. After financial sector reforms during nineties, the banking industry in India has witnessed remarkable changes due to information technology and computer applications. The information technology has replaced the traditional banking with the wide range of e-banking products and services like ATM, Internet Banking, Credit Cards, EFTs, Debit Cards, Smart Cards etc. Indian banks have shifted their emphasis from traditional banking to banking for customers. To be successful in the long run, banking industry had to adapt to the changing needs of customers, their preferences and wants. However, Electronic banking also makes it easier for customers to compare banks' services and products with that of others competitors in the industry. With the effect of this changing

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