

STUDY OF FACTORS AFFECTING USE OF PLASTIC MONEY IN INDIA

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ABSTRACT

The technology in past two decades has changed in a big way and it has changed the way of living. With the advent of internet and mobile technologies and becoming available to all, we are moving towards the digital world. There is a big initiative even from government to promote digital India. Digital India has the power to empower the common man. It has become difficult to comprehend life today without the use of Mobile phone and plastic money. This has to do with the ease and convenience attached to the technology. Plastic money provides the comfort of availability of money 24X7. The virtual world is becoming real where one carries money without really carrying it. The increasing usage of debit and credit cards (plastic money) is challenging the traditional use of cash transactions. Plastic money has helped banks to reduce the expenses of serving the customers, who are just coming to bank to withdraw money. The usage of plastic money has increased in India during the last decade. Today with the help of technology banks have created sophisticated and secured channels to promote the usage of plastic money. Now a day's many a mobile phones act as plastic money. This study was conducted to know about the different types of plastic money and to evaluate relationship between the educational background and users of plastic money.

KEYWORDS: *Plastic Money, Banking, Commercial, Master Card, Mutual Fund, Debit Card, Credit Card.*

Introduction

Plastic cards or what is described as plastic money happen to be the best known method of payment in this day and age. Plastic money is very rapidly taking over the method of paying through cash. Most of us did not realize how quickly the little piece of plastic has made inroads in our lives. Credit and Debit cards will remain the preferred way of payment 'over the counter' and 'online' for the multiple advantages they offer us. Plastic money was introduced in the 50's and has now taken the form of available money which avoids or eliminates the need of carrying money. Plastic money has revolutionized the way the monetary transactions are being done and has made great impact on the economy. The term of plastic money has come into play as it uses the plastic cards to make the payment. There are various type of plastic money cards are available in the market. For Example: cash card, debit cards, credit cards, prepaid card, gift cards and store cards. These cards are widely used in today's world to make payments online or offline. It can be now be easily said that the plastic money has become more than just convenience, it has become our 'need'. With internet becoming available at affordable rates, with improvement in the speed of internet and with dirt cheap data plans on the mobile phones, common man has started using the various modes of online payment and the card payment tops the chart. Looking into the usage banks have started encouraging people to use plastic cards. The banks have all to gain and none to lose with people moving towards the plastic money. It helps bank reduce the cost of managing customer and gives the convenience to the end customer.

The History of Plastic Money

Charge card were the first to come out with concept of paying with card in the early 1900s. These cards were typically issued by companies to keep the customer loyal to the company. In today's

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parlance these can be compared to the reward cards. The Diner Club and American express were the early pioneers to introduce the world with the concept of plastic money. The eureka moment happened when 'Frank Mcnamara' forgot his wallet to dinner and later came out with idea of 'Diners Club Card'. The beauty of the card was that it can be used at multiple locations.

American Express came out with first of its kind credit card in the year 1958. The credit card issued by American Express was the first card recognized internationally. In the same year i.e. 1958, bank of America changed the game by introducing a card which can be used at all the participating merchant location. This brought in the revolution which eliminated the need to carry multiple cards for various needs. The Mag Strip (Magnetic Strip) introduction on the card made the card more secure and easy to use. Without the mag strip we cannot imagine the usage of cards as we are using today. One more reason the plastic money became this popular is the availability of ATMs (Automatic Teller Machine). The ATMs came out in use from the year 1960. The ease of taking out the money from ATM using the cards made the cards more popular.

In 1965, with the idea of bringing a card accepted by multiple banks and countries, Bank America created VISA card. The card had subscription of multiple banks and was acceptable at various international location because of multiple bank participation. VISA later on became to be one of the most recognized and successful brand. Master Card came and became a tough competitor for VISA card by mid 1980s. The decade of 1980's was made revolutionary in cards market decade by master card and discover card. Discover was the first card which gave the card holder the benefits like no annual fee, cash back and high credit limits. Discover card became a tough competitor to both VISA and Master cards. In 1990 the chip and pin technology was introduced to make the cards more secure. Because of the security reason the cards with chip and pin started becoming more popular over the magnetic strip. The chip and pin feature has now become standard with credit and debit cards.

Now the mobile technology is looking to remove even the wallet from the pocket of the consumer. The technology provide loading a virtual card which can be used in place of physical card and has the potential to remove the usage and carrying of separate plastic card. The usage of plastic money started in India in 1990's with the opening up of economy. With the increase in income and education level and the availability of technology in your pocket the card usage has really picked up in India. Reserve bank of india is taking important step to enhance plastic cards usage and popularity through like regulating card market to maintain the security level and build up confidence.

Types of Cards

- **Credit Cards:** Over the time credit cards have become the most popular form of payment method or form of plastic money. Credit cards allow the user a window in time before actually making the payment. This allows the user to make payments to the merchants and pay the bank later. With younger generation where time is money this feature of credit card gives them the money when they need it. With the exiting rewards and the concessions offered on usage of credit cards makes them more desirable in today's world. The limit of credit is set based on the capability to repay of an individual.
- **Charge Cards:** are similar to Credit Cards although having higher limit than the credit cards. The offset in higher limit is by the way of penalties levied in case of default in payment. American Express and Diners Club offers charge cards.
- **Debit Cards:** are offered against the bank account of an individual. The spend power is limited to the individual's asset in bank. However there are upper limits on daily transactions. The payment done through debit card is immediately reduced from the individual's bank account. There are two types of debit cards- Signature based and PIN based. The commonly used debit card in India is PIN based. Debit cards are same as ATM cards offered by Banks. The three offerings in debit cards - i) Online debit card, ii) Offline debit card and iii) prepaid debit card. The most popular among the three is 'Online debit card'. On usage of online card the amount paid is immediately deducted from the bank account. There is a delay in settlement in case of offline cards where it sometimes takes two or three days for the final settlement from the day of purchase. Prepaid card are more often used in case of foreign travels where the cards are preloaded in the currency of the country and is prepaid for.
- **Master Cards and Visa:** master card and visa are global nonprofit organization dedicated to promote the growth of the card business across the worlds. They have built a intensive network of merchants so that customer worldwide may use their respective credit cards to make various purchases . Master card is created by creating an association of many financial institution . Some of the institutions issues card, some are provide service to the merchants and some do both.

- **Smart Card:** is a card that can store information and can make card more secure. A smart card contains an electronic chip. This is a recent development in retail payment methodology/system. Smart card avoids the contact between the card and the machine. The usage of smart cards is becoming more popular for daily commute and an example is the card offered by Delhi Metro.
- **Global Cards:** As the name suggests, this card gives the customer the convenience to access their account from anywhere and anytime. These cards offers the benefit of both debit and credit cards and can work in any country.
- **Dinner Club Card:** Dinner club is branded charge card. There are a wide variety of special privileges offered to the dinner club cardholder. This card is typically meant for high income group categories dinner club world pay the restaurant and the card holder would repay dinner club. The role of various parties involved in plastic cards payment:
 - **Bank Card Associates:** The association master card, VISA, American Express .
 - **Customer or Card Holders:** An individual who is authorized to use the card and can use it for purchase of goods and services.
 - **Card Issuing Bank:** the bank or institution which issues the card to its eligible customers.
 - **Merchants:** entities which sell the goods and services to the card holder and duly agree to accept the card for payment.

Advantages of Plastic Money

- Easy of carrying as it easily fits in the wallet and is more durable than the currency notes.
- Cards provide the confidence and convenience of carrying the money all time.
- It decreases the crime rate as usually the stolen cards cannot be used as it comes with password and OTP protections. Also an individual can call the bank and stops all payments in case of lost or stolen cards.
- Provides you the money (Credit cards) when you do not actually have it and gives sufficient time to make the payment before the due date.
- Provides you with the ease of doing transaction sitting in the comfort of your home. With the internet available in hand (mobile phones) the distance between the buyer and seller is just a click away. With plastic money in hand the payment can be made online from home or when on move.
- Provides the benefit of doing the purchase when the time is opportune. Like planning a vacation when one is not sure on the time of travel. The individual can delay the selection of flight and hotel booking till the very last moment and make the payment using the cards.
- Is internationally acceptable : No need to carry the currency of the country one is visiting. Now a days many a cards can be used globally. Just carry the card which offers the minimum exchange rate charges.
- All the transactions done using plastic money are tracked and stored. User can review and find out the expenses instead of remembering the expenses. This helps in identifying if any unauthorized transaction is done using your card details
- In many countries the usage of Credit card identifies the risk a person carries in terms of repayment and thus helps you establish a good credit history. If the credit history is good, an individual can get loans at an very attractive rate.
- Plastic money is more durable than paper currency and can last up to ten years. There is no damage from water and dust.
- Some of the credit cards provide users with the reward points and the cash back options and thus results in huge savings.

Disadvantage of Plastic Money

- In the Indian economy and market, the plastic money is still evolving. Not all merchants are ready to accept the plastic money because of the charges they have to pay for each transactions ranging from 1-2 % of the transaction value.
- With the increase in online thefts and people getting cheated on online and by divulging the secure information, the plastic money is sometimes considered as less safer option.
- Many a times the merchants are asking for minimum payment for usage of payment through cards. It increases the expense of an individual to mee the convenience.

- Many a times the consumer does not realize the amount he/she has spent as the money spent is virtual.
- The terms and condition on the cards makes it immensely difficult to realize the discounts and rebates offered by merchants. Also now a days the points accumulated expires before an individual realize to use.
- The card holder is responsible for charges due to loss or theft of the card if the information is not shared in time.
- Huge interest rates are charged in case of default in payment of dues on credit card.

Conclusion

With the technology boom, 21st Century banking has taken a turn and the banks are reaching to the customer instead of customer reaching to the bank. Banks are trying best to reduce cost, increase efficiency and productivity of their employees and increase the customer convenience. With the world becoming one (internet) and increase in the availability of information (online social platforms), the apprehension towards the technology is reducing and everyone wants to try new things. Research suggests that there is a positive relationship between the education level and usage of the plastic money.

To sum up, increasing in the usage of plastic money has become a source of income to banks. Both the bank and the customer has benefitted from the usage of plastic money. The market is everyday bringing the new technology that is making the process of e-payment or payment through plastic money more and more convenient. With the technology advancement in last decade, the cost of IT investment has reduced. With the increase in awareness and the cards becoming more secure the traditional indian population which was using the paper money is now swiftly moving towards plastic money. The new mobile technologies can make even the plastic money virtual as now there are app based platforms through which a user can pay the money directly from the bank or the money available in the account of individual on the merchants platform. Though there is still a requirement to provide the benefits of credit card over mobile technologies

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