



Plastic Money a way for cash Less Payment System

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ABSTRACT

Number of innovative products for making payment has developed in topical year, taking advantage of swift technological steps forward and financial market development. Transactions refined using these innovative products are accounting for a mounting proportion of the dimensions and value of domestic and cross-border retail payments. This paper is been framed based on the concept of payments made through Plastic Money. Plastic money is the alternative to the cash or the standard 'money'. Plastic money is referring to the credit cards or the debit cards that we use to make purchases in our everyday life. Plastic money is much more convenient to carry around, as you do not have to carry a huge sum of money with you. Though this plastic money comprises different payment channels, this paper is focusing to bring the conceptual framework of Credit Card.

KEYWORDS: Plastic Money, Credit Card, Retail payments

Introduction

The system of trade through barter is as old as the human civilization. Barter system is a system in which people sell goods and services in order to obtain other goods and services through direct exchange. The functioning of a barter economy was however cumbersome and inconvenient due to double coincidence of wants.

Difficulties of barter led to the introduction and development of money. Money deserves to be ranked among the outstanding inventions of the entire history of humankind. The birth of money came as a multifold blessing to humankind. Money is been defined in various ways. Some say, 'Money is what money does' (Walker). In other words, anything that performs the functions of money is money. Economics makes it clear that money plays an important role in the economic system. Modern life is very complicated, and even a nonprofessional is aware that money plays an important role in modern life. It is impossible to carry on modern production and solve the problems of distribution without the intervention of money. In short, money facilitates the working of an economic system.

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Origin of Banking Activities

Banking originated in ancient Mesopotamia where the royal palaces and temples provided secure places for the safekeeping of grain and other commodities. As the civilization grew with the development of economic systems, the development in the banking was also inevitable. This paved the way for the development of paper money, Bills of exchange, cheques and other incidental transactional areas. Credit has considered as an important instrument of promoting and sustaining economic growth of modern economies. Money is the basis of credit creation by the banks in the economy, on account of the increasing importance of credit in modern times it is held by the many that man today's living in a credit money economy. Credit is characteristic of a system whereby exchanges normally affected. Others regard credit as a means of transferring capital. John Stuart Mill wrote that from the point of view of society credit merely transfers capital that is already in existence.

What is Plastic Money?

The plastic money generally a credit or debit card with a magnetic strip many people carry in their wallets or purses is the result of complex banking process. Holders of a valid card have the authorization to purchase goods and services up to a predetermined amount, called a credit limit.

In particular these are required to appear on a credit card are name of the customer, 16 digit card number, validity date, the name of the issuing bank, signature panel, magnetic strip and personal identification number.

Scope of the study

However, the concept plastic money has different instruments like Credit Card, Debit Card, Smart Card and Charge card etc, in this article only the Credit Card is taken for the discussion.

Credit Cards

The origin of credit card has been traced to John C. Biggins, a consumer credit specialist at the Flatbush National Bank of Brooklyn, New York. In 1946, Biggins launched a credit plan called 'Charge-it'. The programme featured a form of scrip that was accepted by local merchants for small purchases. The merchant deposited the scrip in their bank account after the sale was completed and the bank billed the customer for the total scrip in their bank account after the sale was completed and the bank billed the customer for the total scrip is issued.

In 1950, Diners Club and American Express launched their charge cards in USA, the first "Plastic Money". In 1951, Diners Club issued the first credit card to 200 customers who could use it at 27 specified restaurants in New York continued until the establishment of standards for the magnetic strip in 1970. The credit card became part of the information age.

The proliferation of credit card soon revealed a big drawback of the payment system. Cardholders could shop only in their geographic area. The merchants only with their bank were able to sign up. Bank of America overcame this difficulty. Bank of America began forming licensing agreement with a handful of bank outside California to issue the Bank Americard, later in 1976 changed its name to Visa. This arrangement worked well for banks that obtained the Bank Americard license. However, many banks were left out. In 1966, 16 banks were together in Buffalo, New York, to form their own network. This association was called as Inter Bank Card Association, which was the grandfather of Master Card International, as known today.

As the Visa and Master card organizations gained prominence, most banks no longer tried to enter the credit card field, but joined one of the two (Master and Visa) that were already in existence. The banks agreed to issue card displaying both the individual bank name and symbol signifying that the bank was part of a larger network of banks agreeing to interchange transactions.

In 1951, the Franklin National Bank in New York issued the first modern credit card. At the earlier stage the credit card was unsolicited. The cardholders were not subject to credit screening prior to issue of the card. Merchants signed agreements to accept the card. When a purchase was made, the cardholder presented the card to the merchant. The merchant will copy in information the card on the sales slip. The purchase was credited with the amount of purchase (fewer discounts) to the merchants account at Franklin Bank. The merchant will call the bank for approval, when the purchases exceeded the merchant's floor

limit. Franklin National Bank's credit card programme was copied by other banks in the late 1950's and 1960's.

Thirty years ago people paid for their purchases by cheque or cash. They did not have an alternative until payment cards entered the market. Payment cards have passed 3 decades and become an integral part of our life's and economy. The possibilities are amazing, it can be used for travel, food and commodities or simply cash. Today owning a payment card opens up new world of opportunities.

Credit card accesses a customer's financial resources. Credit card may also be categorized as general purpose or proprietary. General-purpose credit cards are used at any merchant. Proprietary or limited purpose, card are tied to the retailer and can be used only in the retailer's stores. Credit card area form of consumer loan, a revolving credit account that has a credit limit of a specific amount and that can be repaid in full or part of it. The available credit limit is restored and it can be used again, when once the outstanding balance is paid. Initially, the credit card was created to help the customers for their local small purchases to the

merchants. Later on credit card has become predominant, that means for consumers to obtain goods and services.

CONCLUSION

Plastic Money i.e. usage of Credit card was measured a luxury, and has become needed. These plastic money and electronic payments was and used by only higher income group. Among the various financial services rendered by commercial banks and other financial institutions, extending their credit card facility to customers is an important modern day function. This facility extended not only to customers in urban areas or cities, but also to customers residing in rural area. However, today, with development of banking and trading activity, the fixed income group or salaried classes are also start using the plastic money and electronic payment systems and particularly Credit cards. There may be the criticism that, it induces far more purchases or make people spendthrift. This may be so in the initial stage, but when once a customer gets used to the credit cards, they will know how to use the same in a discretionary manner.

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