



## A Progressive Transition : Plastic Money

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**ABSTRACT** Money is always considered as important medium of exchange and payment tool. Initially barter system was used, over the years, money has changed its form coins to paper cash and today it is available in formless form as electronic money or plastic card (Ramasamy et. al, 2006). Moving towards cashless society, plastic money is considered as a great tool. It has its own advantages and disadvantages. It is an important and valuable mean of transaction in the modern society. Government, banks, business organizations and other institutes are encouraging public to use plastic money for secure and safe payment.

**KEYWORDS** Money, Exchange, Barter system, Electronic money, Payment tools

**Introduction**

Plastic cards are one of the innovation in financial services through which the customers is given an opportunity of non-cash payment of goods and services and are designed to facilitate small value retail payment by offering a substitute for bank notes and coins.

Plastic money is an alternative to the cash or the standard money. It represents currency and near currency. The various plastic cards include Debit Card, Credit Card, Smart Card, Charge Card and so on. These cards also have plastic used in their making and that is where the name plastic money has originated from.

**Objectives of the study**

1. To study the types of plastic cards commonly used.
2. To study the impact of plastic money in the growth of financial sector in India
3. To study the future plans by various banks and Government of India for encouraging public to use plastic money.

**Literature review**

Mandeep Kaur and Kamalpreet Kaur (2008) in their article, "Development of Plastic Cards Market: Past, Present and Future Scenario in Indian Banking" conclude Despite the strong advances in e-payment, an estimated 90 percent of personal consumption expenditure in India is still made with cash which indicates tremendous growth potential of plastic cards.

Bansi Patel and Urvi Amin (2012) in their research paper "Plastic Money: Roadway Towards Cashless Society" discussed that life become more easy and it become possible to control money laundry and effective utilization of financial system. It is also helpful for tax legislation.

P Manivannan (2013) in his research paper "Plastic Money a way for cashless payment system" examined that Plastic money especially credit card is used by high income group. However fixed income group or salaried classes also start using it. The facility extended to both urban and rural area.

Sushma Patel (2014) in her article, "Impact of Plastic Money on Banking Trends in India" examined that Indian customers find it easier to make payment through Debit Card and Credit Card rather than carrying too much cash. Use of cards has enhanced because product offering at a lower cost and that too with lucrative deals delighted with rewards scheme,

bonus points etc.

**Types of plastic cards**

Credit cards and Debit cards are basically two types of plastic cards which represent monetary transactions. Apart from these are the Charge cards, In store cards, Smart cards, Add-on cards and Petro cards.

**Credit Card**

A credit card is the plastic money that is used to pay for products and services, just have to produce the card and sign a charge slip to pay for your purchases. The institution which issue the card makes the payment to the outlet on your behalf; you will pay this 'loan' back to the institution at a later date. Generally, a limit is set to the amount of money a card holder can spend.

**Debit Card**

The bank issues debit card only if the person has an account in the bank. When a debit card is used to make a payment, the total amount charged is instantly reduced from your bank balance.

**Charge Card**

A charge card carries all the features of the features of credit cards. But, after using the charge card, the entire payment of the bills has to be made by the due date. If you fail to do so, you are likely to be considered a defaulter and will usually have to pay up a steep late payment charge.

AMEX (American Express) and Diner Club card are well known and tie ups and do not depend on the network of Master Card or Visa. These cards are typically meant for the high income group categories and companies.

**In-Store Card**

It is issued by retailers or companies. It has currency only at the issuer's outlet for purchasing products of the issuer company. The payment can be on monthly or extended credit basis and for extended credit facility, interest is charged.

**Smart Card**

A smart card contains an electronic chip which is used to store cash. This is most useful to pay for small purchases for example in fairs, coffee shops, and the like. When a transaction is made using the card, the value is debited and the balance

comes down automatically. Smart cards serve as credit or ATM cards, fuel cards mobile phone SIMs, authorization cards for pay television, household utility pre-payment cards, high-security identification and access-control cards, and public transport and public phone payment cards.

Smart cards may also be used as electronic wallets. The smart card chip can be "loaded" with funds to pay parking meters, vending machines or merchants. Cryptographic protocols protect the exchange of money between the smart card and the machine. No connection to a bank is needed.

Smart cards can provide identity documentation, authentication, data storage, and application processing. Smart cards may provide strong security authentication for single sign-on (SSO) within large organizations.

### Petro Card

Some petroleum companies allow customers to pay for the fuel through electronic medium. It offers a scheme of gifting points to the customers when they pay for fuel using the petro card.

### Some innovations in financial sector

#### Contactless cards

**Contactless Cards** Often you have worried about security when the waiter at the restaurant took away your card for swiping. Contactless cards are a solution for such security risks. It initiates payments without swiping, with just a tap closer to the terminal or by bringing it closer to the terminal. Result? It never leaves your hand, giving an added layer of security and cutting transaction times. Contactless cards come with a chip and radio frequency antenna embedded in it for transferring payment details wirelessly. The payment is then processed through the issuer's acceptance network in the usual way. It can be used wherever a contactless payment PoS terminal is available. If not available, the card works in the usual swipe mode. Contactless cards have been introduced in India by ICICI Bank who are the only providers of this technology in the country at present. ICICI Bank's Contactless Cards come with a built-in MasterCard contactless technology. SBI had announced last year about their plans to launch contactless cards, but their product is still awaited.

#### Virtual credit cards

virtual credit cards, which can give you the convenience of a normal credit card without requiring you to actually carry it. All you have to do is to sign up for this facility and pre-load it with the amount you want. The next time you are making an online purchase, you can transact with the virtual card instead of the physical card. Mobile wallets or e-wallets are a variation of this product. Unlike mobile wallets, virtual cards are one-time-use-cards and it expires within 24-48 hours after use, leaving no chance of misuse by others. Most banks issue it as an add-on to the primary card. The details of your card like the card number, expiry date, etc. are visible online for transacting with it online. The main benefit of this card is that you don't have to lose your sleep over losing your card or having to carry it 'safely' while you are on the move. This helps when you are on short trips to other locations and expect to make significant purchases. The transactions using virtual credit cards are visible online in your primary credit card statement. Currently, virtual cards are offered by ICICI Bank, SBI and Kotak Bank.

#### RuPay debit card

India's own RuPay Card- a domestic card payment network that assists in electronic money transfers is a Government initiative to make banking accessible to every Indian household. RuPay card is expected to be a direct challenge for Visa and MasterCard in the coming years.

Recent developments saw Government passing on instructions to state owned banks to issue RuPay debit cards to their customers. This looks like a clear indication to promote these cards.

RuPay is a combination of two words – Rupee and Payment. RuPay Card is an Indian version of credit/debit card. It is very similar to international cards such as Visa/Master.

National Payments Corporation of India (NPCI) initiated the launch of RuPay card in India. It was done with the intention of integration of payment systems in the country. It has also tied up with Discover Financial Services firm for promoting this.

RuPay debit cards are similar any other debit cards that you might hold now. You can access them in the 1.45 lakh ATMs and 8.75 lakh POS terminals across the country. It will also be accepted on 10,000 e-commerce websites. All major public sector banks, including SBI, have started issuing these cards to all their customers. The card also comes with a high end technology chip named EMV (Europay, Master Card and Visa) especially for high end transactions. It also has an embedded micro processor circuit with information about the card holder.

#### Benefits of RuPay debit card

##### Lower cost and affordability:

Since the transaction processing will happen domestically, it would lead to lower cost of clearing and settlement for each transaction. This will make the transaction cost affordable and will drive usage of cards in the industry.

##### Customized product offering :

RuPay, being a domestic scheme is committed towards development of customized product and service offerings for Indian consumers.

##### Protection of information related to Indian consumers :

Transaction and customer data related to RuPay card transactions will reside in India.

##### Provide electronic product options to untapped/unexplored consumer segment :

There are under-penetrated/untapped consumers segments in rural areas that do not have access to banking and financial services. Right pricing of RuPay products would make the RuPay cards more economically feasible for banks to offer to their customers. In addition, relevant product variants would ensure that banks can target the hitherto untapped consumer segments.

##### Inter-operability between payment channels and products :

RuPay card is uniquely positioned to offer complete inter-operability between various payments channels and products. NPCI currently offers varied solutions across platforms including ATMs, mobile technology, cheques etc and is extremely well placed in nurturing RuPay cards across these platforms.

#### SMART RATION CARD

The database would be completely based on biometric data obtained under national population register and Aadhar. This will put an end to bogus/ghost ration cards. The shops will be automated device and the end server will manage all the transaction.

The existing database is mired in controversy due to anomalies. The audit found that the total number of persons (8.37 crore) included in the family cards in the previous year was more than the population of the state by 1.16 crore indicating large-scale existence of bogus cards.

#### Advantages

The main advantages of implementing the smart ration card are:-

- a) The ration items will be effectively delivered to the valid ration card holders who are below poverty line.
- b) Customers get their rightful entitlement in terms of quality. What is meant for them cannot be diverted to the open market because of maintaining the database correctly and

- generating bills properly.
- c) Ration shops do not open every day. Nor do they keep regular hours. So to avoid discomfort to the customers a system generated message will be delivered to their mobile when the stock is available and the shop is opened so that it does not cause any trouble to the customer.
- d) A common practice is adopted by most people that run ration shops i.e. they charge people more than the mandated rates and they often under-weigh the commodities. But using this technique they cannot do so because each and every item will be having its own code and the price will be generated from that code and hence no overcharge can be done.
- e) The Government services are reached to poor effectively and also the corruption in PDS and FPS can be reduced or avoided to a great extent.

#### **TAX BENEFIT on use of Debit Card and Credit Card**

Government of India proposed income tax benefits for people making payments through Credit or Debit cards and doing with transaction charges on purchase of petrol, gas and rail tickets with plastic money.

In a draft paper for moving towards cashless economy and reduce tax avoidance the Government also proposed to make it mandatory to settle high value transactions of more than Rs. one lakh through electronic mode.

In order to incentivise shopkeepers, it has proposed tax rebate to them provided they accept a significant value of sales through debit or credit cards.

Innovations are galore in the plastic money world, both in terms of technology and services, to embrace simplicity, security and mobility.

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