



ORIGINAL RESEARCH PAPER

Commerce

PLASTIC MONEY RISK AND BENEFITS

KEY WORDS: Plastic Money, Electronic Banking, Credit Card, Debit Card

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ABSTRACT

The term innovation means that „to create one thing new“ banks no longer restricted themselves to traditional banking activities, however explored newer avenues to extend business and capture new market. Today, we are having a reasonably well developed banking industry with totally different categories of banks. A number of them have engaged within the areas of consumer credit, master cards, merchant banking, net and phone banking, leasing, mutual funds etc. Some banks have already started subsidiaries for merchant banking; leasing and mutual funds are within the method of doing.

This study presents an outline of the event of banking in India from time to time specifically centered on the plastic cards usage trends since these are introduced in Indian banking sector. Varied types of plastic cards provided by banks in India like ATM cards, Debit Cards, Credit Cards and smart cards are mentioned. The study additionally highlights the role of those cards as electronic payment tool to be utilized by customers and discusses clearing and settlement method of those cards. Some future plans made by various banks and institutions are also summarized in a way that it depicts the image of its future growth and prospects in India.

INTRODUCTION:

Indian economy has flourished with the advent of liberalization, Privatization and globalization .Banking sector isn't an exception too. These reforms have presented a challenge before Indian banking sector to shake hands with the pace of latest technology. Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be problem free but it should be able to meet new challenges posed by the technology and the other external and internal factors but, mere technology up gradation or introduction of innovative products cannot improve the state of affairs till customers don't respond to it positively. Hence, it becomes very necessary for the banks to offer the services or products while taking into consideration the customers' wants, preferences, perceptions and convenience. The banks' services are not simply confined to their particular branch customers only. Customer is now treated as customer of banks as a whole, which implies that he is currently capable of enjoying facilities such as anywhere, anytime banking (Kamesam, 2003). This concept as enabled the bankers to ascertain long term connection with their customers. Hence, Electronic banking is the new trend significantly adopted by banking sector worldwide because of its wider scope for the customers as well as banks at large. Various sophisticated products have been launched by the banks which facilitate them to satisfy the basic necessities of their customers. With entry of tech savvy private sector banks and foreign banks, the competitive environment has started prevailing in banking sector too.

Objectives:

- To understand the impact of plastic money in the economy.
- To know the privileges enjoyed by the customers with the plastic money facility given by the banker.
- To show the result of plastic cash on day to day basis with a primary study of an unbiased sample.

TYPES OF PLASTIC CARD:

MasterCard and Visa:

MasterCard and Visa are international non-profit organizations dedicated to promote the growth of the card business across the globe. They have designed a vast network of merchant institutions so that customer's world- wide might use their respective credit cards to make various purchases.

Debit Cards

Debit card is a magnetically encoded plastic card issued by banks which has replaced money and cheques. It permits the customers to pay for goods and services without carrying cash with them. In some cases, debit card is multipurpose which can even be used as ATM for withdrawing money and to check account balances. It is issued free of cost with the savings or current account. Debit card is one of the best online-payment tool through which the amount purchase is immediately subtracted from customer account and credited to merchant's account provided if that much amount is

available in customers account. It has overcome the delayed payment process of cheques, due to which sometimes merchants have to suffer. There are presently 2 ways in which debit cards transactions are processed. 1.)Online debit (also known as PIN 2.) Offline debit (also known as signature debit)

ATM Cards:

These cards are typically used at ATM machines (ATMs) to withdraw money, make deposits, or transfer funds between accounts. ATM card is used by inserting the card into an ATM machine and enter a personal number, or PIN, for security. The system checks the account for adequate funds before allowing any transaction.

Charge Card:

A charge card carries all the features of credit cards. However, after using a charge card you'll need to pay off the whole amount billed, by the due date. If you fail to do so, you're possible to be considered a defaulter and can sometimes have to pay up a steep late payment charge.

BENEFITS OF PLASTIC MONEY:

- 1) Purchasing Power: Credit or Debit cards made it easier to buy things. Now we don't have any need to carry money in a large amount. Plastic money is accepted everywhere, anytime.
- 2) Time Saving: Through a credit card or debit card you can purchase anything from anyplace without spending money on fare or cash transition. Just provide your card details to seller store or corporations and settle your order. Now you don't have to worry about time wastes.
- 3) Extra Safety: While you are not carrying money, how can it be lost? But if your card has lost, simply contact to your bank or financial institution, which provide you cards. It will block the account and no-one can draw one coin without your permission. Therefore it's 100 percent safe without any tension.

RISK OF PLASTIC MONEY:

- 1) Shops using other Vendors: There are numerous shops that accept credit cards of a specific company only. In this situation the money is the only manner of payment for those who use a credit card of another company.
- 2) Less global Availability: There are numerous cases where various firms do not let their cards to be utilized in areas wherever they have a regional dispute with.
- 3) Worn out Magnetic Strip: The magnetic strip of a credit card can get worn out due to large use. If such a condition happens while travelling, and this is the only way of cash that the consumer has, then he or she must wait until the time they receive a new card, which can take a minimum of forty eighth.

4) Increased Debt and High Interest Rates: Credit Card from financial institutions and corporations charge high interest rates (May be 10% to 25%) on more money if you fail to pay off up to the fix date of the month. This interests their earning, for which they provide you additional shopping for limits then your money.

5) Fraud: Credit cards are often stolen. A thief may use them directly or to get their information (which is needed in cash exchange). In today's technical intelligence it is also possible to get a clone of any credit card or debit card, which works like original and they can give you a heavy loss.

Analysis Table 1: Type of card possessed by respondents

S.No . Parameters Percentage

S. No.	Types of card	Users %
1	Debit Card	59%
2	Credit Card	21%
3	Both	16%
4	None	04%

From table 1, it can be seen that majority of respondents use plastic money in the form of debit card. However, some use both debit and credit cards. The preference of the specified card makes a great amount of impact on the spending patterns of various consumers. The preference of debit cards over credit card marks a strong sense of favoritism among the respondents of India, which is far different as compared to other western countries where Credit card is a primary mode of payment.

Conclusion:

Theoretical Analysis From the data obtained, it is observed that More than 84% of the respondents belonged to the age group of 18-25 years who are career beginners and portrays that they have a higher interest towards usage of plastic money of all means. Followed by the age group of 25-35 years and 35-45 years amounting to about 10% of the respondents who are in their career growth and mid career? Finally a very small percentage of 5% belonged to 50 years and above who were at their career decline or retirement stage and are not very comfortable with usage of plastic money. Hence it is observed that there exists relation between career stage and usage of plastic money as it encompasses their earnings and job security for repayment. The female group of 51.5% is slightly more inclined towards usage of plastic money for all means followed by the male group of 48.5%.

According to the survey conducted it is inferred that the women are comfortable in using plastic money in comparison with the men. Also it can be inferred that banks and financial institutions are in a pace to capture the female population higher than the male population for avoidance of credit default which is observed to be less among the female population. (in case of credit cards only) 68.3% of the sample group prefers credit cards followed by ATM card and debit cards (31.7%).

By this result we inferred that most of them are flexible with the usage of credit cards to debit cards because of various reasons being ease of post-paid credit, immediate availability of purchasing power, increased credit limits and installment credit clearance facility. The crux of the survey i.e.; 48.5% of respondents are interested in using both cash and card for different kinds of payments as per the requirement and feasibility of purchase location and situation, followed by only card with 27.3% and only cash with 24.2%.

Hence, it is inferred that both the means are important for payment purposes. 78.8% of the respondents find that usage of plastic money is safer and secured where 21.2% of them find that usage of plastic money is unsecured for the reasons being primarily lack of trust in plastic money, malware and software issues in payment gateways and point of service mechanism, malpractices by payment gateways, banks negligence and retail outlets and lack of sufficient knowledge and literacy about usage of plastic money as portrayed in the response graph below.

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