

Plastic Money-The Future Currency

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Abstract: Banking has evolved a long way from the days of the medieval moneylenders counting coins on the bench to the present scenario, where it is hard to trace the trail of money from the beginning to the end. The trail starts right from the small saver leaving a few rupees in his local bank to the billions of rupee loans raised by a syndicate banks and financial institutions, capable of financing projects in any country in the world. Still, these banking majors are heavily dependent upon their retail home base of savers and borrowers. Most of the bankers began focusing on this retail market segment as global competition intensified in late seventies and early eighties. Credit cards, one of the banking products that cater to the needs of retail segment has seen its number grow in geometric progression in recent years. This growth has been strongly supported by the development in the field of technology, without which this could not have been possible.

I. INTRODUCTION

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.

II. CONCEPT OF CREDIT CARDS

Credit Cards - It's credit to you!

A Credit Card is referred to as 'plastic money'. Carrying a lot of cash on you can be cumbersome, risky and sometimes, you run short of it, just when you most need it. A Credit card is the smart solution to these problems. It is a convenient and safe alternative for cash.

Besides, it says things about you. Most people associate a credit card with a prestige, which it most certainly bestows on you, but more importantly, it says that you have taken the onus of being responsible - to be extended credit! So, when you get yourself a card, remember that, because your bank does!

Salient Features:

- All credit card issuers charge an annual fee which is payable at the start of the year. The start of the year, of

course, is your membership year, and not the calendar year. So, if you got yourself a card in March, you can expect to be billed the annual fee every March until you cancel your card. As a privilege, this fee is sometimes waived the first time. When the time comes for renewal of your card, you can even use the reward points you have accumulated from using the credit card over the year to settle your annual fee. Example: ICICI's & Citibank offers rewards points i.e. on every purchase you do from super market, some points will be accrued to your account which you can redeem against any of the durables or consumer goods. They also have petrocard on which if you use you will get 5% money back

- The most attractive feature of a credit card is that you need not pay off your dues in whole. You can option to pay 5% of the total amount on or before the due date, every month, the rest is carried forward. But there's a price to pay for this extended credit - interest! Normally, interest varies between 2.5% and 3% per month. The interest rate that reflects the yearly cost of the interest the outstanding on your card is called the annual percentage rate. This rate is charged to the cardholder on the amounts carried forward beyond the due date for the payment of balances. Most card issuers will tell you their monthly rate of interest. It might sound low at 3%, but when you look at the interest rate over the year, it turns out to be as high as 43%. Example: If your credit is 50000 you can option to pay 5 % of 50000 before due date ie 2500 before due date and the rest amount is carried forward with the interest charge of 2.5 % or 3%.

- An important feature - lets you withdraw cash from designated ATMs using your credit card. Use discretion when withdrawing cash on your credit card because the charges for this facility are high, around 2.5% to 3% per transaction!

Benefits:

- When you use a Credit card to pay for anything, you get an interest-free period of 45 days. Billing cycles are structured in such a way that you definitely get at least 30 days out of these as clean credit time, which is especially beneficial to salaried people. Better still, you can option to pay your bill in full when you receive it or you can carry forward your payments by paying as little

as 5% of the total amount on or before the due date, every month. You can spend now, pay later.

- With a credit card on you, you don't need to run the risk of carrying a lot of cash.
- Another advantage of a Credit card is that you can use it as an ATM card too! But, there's a fee to it. It typically starts with a flat fee going up to a percentage-based fee on the amount of the withdrawal.

III. TYPES OF CARDS

A. Charge card:

Charge Cards - Charged with a charm all their own!

The Charge card is similar to the Credit card in most of its features but unlike a credit card it requires you to make a full payment of the charge by the due date.

B. Debit cards:

Debit Cards - How never to be in debt! A Debit card is a card that has direct access to your bank account. Your bank issues the card.

Whenever you use your debit card, your bank account is debited immediately. Unlike credit cards, you don't enjoy any credit period and therefore the debit card does not have minimum income eligibility criteria.

Salient features:

- It is a combination of a Cheque an ATM card. Therefore, there are no fees for using the ATM for cash withdrawal, or as a debit card for purchase.
- A Debit card is more affordable than a credit card. You just use your bank account for all your transactions.
- Currently, there are only two issuers in India - Citibank and HDFC bank.
- No credit period. Your bank account is debited immediately.
- No credit check is required to get a Debit card.
- Spending is limited to your bank balance.

C. International Card:

International Credit Cards - Worldwide recognition!

If you've noticed, most cards have "Valid only in India and Nepal" printed on them. An International card is valid in India as well as anywhere in the world. Which means that you spend in foreign currency on the card but pay back in Indian Rupees on your return.

Salient features:

- As an Indian resident, you can buy foreign exchange using your International Credit card from an authorized dealer or moneychanger against your Basic Travel Quota (BTQ). To find out your entitlement to foreign exchange for business or other trips abroad, you should contact any bank authorized to deal in foreign exchange in India.
- You can incur expenses on your International Credit card mainly for personal spending. You cannot use your

card for expenditure that is not permissible by the Reserve Bank of India.

Example: If you have used your International Credit card to pay for downloading of a database, you have to submit details of the database downloaded and provide a declaration that you have received the data at the time of settling the bill.

D. Virtual Cards:

Realizing the Internet dream!

In a world that's turning to the net for all its needs, it is only natural that you should own a card that is for the internet alone. The virtual card from Citibank is just that. The answer to all your questions on the safety of transacting online.

Salient Features:

- The virtual card, or the Citibank e-Card is the first ever web card only in India. Now you don't need a Credit Card to shop online. Accepted wherever MasterCard is, the Citibank eCard offers you a safe and easy way to shop on the Internet. On approval, you get your card number, valid dates and a card verification number.

E. MasterCard's:

MasterCard started in the late 1940's when banks in US issued special paper that could be used like cash. In 1951 The Franklin National Bank in New York formalized the practice by introducing the first real credit card. Several franchisees evolved over the next decade. Interbank Card Association (ICA) to be renamed as MasterCard as it is known today was born on August 16th 1966. Member committees were established to run the association. These committees established rules for authorization, clearing and settlement, handled marketing, security and legal aspects of running the organization.

Association of Membership:

In 1968, the erstwhile ICA began what is a huge global network by forming an association with Banco Nacional in Mexico. They also formed an alliance in Europe with Eurocard. The first Japanese members also joined that year. The eighties saw the Africa, Australia, Asia, and Latin America joining the ICA. ICA was renamed MasterCard to reflect the global commitment.

F. VISA card:

The Leader:

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 over these 3 decades have become an integral part of our lives. The possibilities are amazing, you can use them for travel, food and commodities or simply cash. Today owning a payment card opens up a whole new world of opportunities.

Visa International has over 21,000 member financial institutions that have propelled it to the top.

Visa International is the world's leading full-service payment network. Visa has a range of cards namely Visa Classic, Visa Gold, Visa debit, Visa commercial cards and the Visa global ATM network in over 300 countries and territories that gives the consumer choice.

The way the world pays

Visa cards are the world's most widely used and accepted form of plastic payment. Nearly \$ 1.4 trillion in product and services are purchased using Visa Cards. Visa's market share, at 55% is greater than of all other major payment cards combined. There are 800 million Visa, Interlink, Plus and Visa Cash cards in the market today. Visa branded cards are accepted at more than 16 million locations in 300 countries and territories. This makes them the closest thing there is to a universal currency. Visa operates the largest and the most sophisticated consumer payments processing system. The Visa network, known as VisaNet processes over 2700 transactions every second in its peakseason and is capable of handling transactions denominated in 160 countries.

VISA vision:

Visa' vision is to continue to be the "The World's Best Way to Pay and Be Paid " for consumers and business.

Looking ahead:

Visa is working with and on behalf of its member institutions to leverage best-of-breed technology to enable members' cardholders to enjoy new levels of convenience, safety and flexibility. Visa is in working with more than 170 banks across the globe and has 23 million chip cards in the market today. Till date 38 countries have secure Internet shopping programs utilizing the SET co-developed by Visa. This covers about 150 Visa members

IV. OBJECTIVES OF STUDY

Objectives:

- a. To know the perception of people towards plastic money.
- b. To know the importance of plastic money in the daily life of consumers
- c. To study the benefits of debit card and credit cards.
- d. To know the problems faced by respondents using plastic money.
- e. To study the satisfaction level of consumers towards plastic money.
- f.

V. RESEARCH METHODOLOGY

Sample Unit

- a. Individuals who are salaried people and students of various colleges.

Sample Size

Total Sample size: 100

Sampling Technique:

The sampling method used will be Non probability convenience sampling because the respondents chosen for filling the questionnaire will be chosen conveniently from Bikaner.

Data sources:

1. Primary Sources:

This data include both qualitative and quantitative data. Data are generated through questionnaire as a research instrument.

2. Secondary Sources:

This data will be collected from journals, internet, reports and Industrial publications.

3. Research Approach: Survey Method

4. Research Instrument: Questionnaire

VI. GROWTH OF PLASTIC MONEY IN INDIA

The number of credit and debit card users in India is climbing fast, and rising affluence is likely to erode Indians' lingering reluctance to spend on credit. Indians have traditionally valued thrift and frugality. But the spread of affluence in the wake of rapid economic growth is challenging these values, at least for many middle-class and high-income families. One sign of this is the phenomenal growth in the number of credit and debit cards in India—in the past three years, the number of credit cards has more than doubled and the number of debit cards has almost quadrupled. However, despite these impressive rates of growth, the Indian market for financial cards is only beginning to show its enormous potential. Future growth will be driven by rising consumerism, intensifying competition among card issuers and an expanding financial architecture—although a culture of credit-based purchasing may take some time to develop.

VII. PLASTIC TRENDS

By January 2007 there were 22m credit cards in India. The number of debit cards was much larger, at 70m. However, the difference is potentially misleading, as it does not accurately reveal the relative importance of credit and debit cards as payment mechanisms. Although there are fewer credit than debit cards in circulation, the total volume and value of credit card transactions is much higher. During the first ten months of fiscal 2006/07, for instance, the value of credit card transactions reached Rs335bn (around US\$7.4bn)—nearly five times higher than for debit cards.

Along with growth in the number of cards issued, the value of credit card transactions has risen rapidly. The total value of such transactions almost doubled between 2003/04 and 2005/06, to around Rs339bn. In the case of debit cards, the number of cards has risen fourfold since 2003/04, but growth in the value of transactions has been much more modest, rising by 21% to reach Rs59bn in 2005/06. The

latest available data, which covers the first ten months of 2006/07, indicate continued robust growth, with the number of credit and debit cards rising by 28% and 41% respectively in year-on-year terms. Over the same period, the value of credit card transactions grew by 20% and that of debit card transactions increased by 38%.

VIII. FUTURE TRENDS

Spending pattern through plastic money will change drastically. Traveling, dining and jewellery are the top three purchases that Indians make through credit cards. Two years ago, it was jewellery and apparel purchases that formed the largest chunk of purchases through plastic money. Fuel accounts for a very small portion of credit card purchases as these are largely paid through debit cards.

The credit card companies say that consumers spend Rs 50,000 crore annually which is expected to grow at 50% over the next 4-5 years. Travel has definitely become much larger a segment than what it was two years ago. Airline tickets, both domestic and international, are now bought through credit cards making it the largest category for credit card purchases.

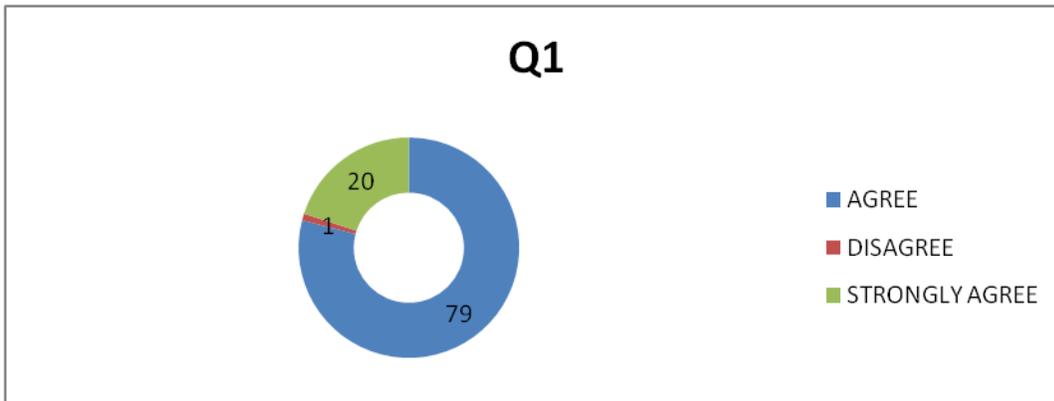
With air travel becoming affordable and eating out a regular feature in Indian households, the trend will only gain momentum in future feels experts. Travel and dining corner about one-fourth of the total credit card purchases which signifies the shift in Indian spending habits. Earlier, purchases of both consumer durables and jewellery items were larger than the hospitality segment. Going forward, this trend should continue.

Jewellery, consumer durables, fuel purchases, apparel are a much smaller segment than travel and dining which comprise the largest chunk of credit card purchases. Eating out has in fact become a big concept now. Experts say, while travel and hotel bills along with dining, account for about 25-35 % of the total value of purchases through credit cards, purchase of jewellery accounts for 10-11 % of the purchases . Apparel purchases account for 8-10 % and consumer durables like TV and mobile phones account for nearly 6-7 % of the purchases through plastic money. Two years ago, the figures were largely skewed in favour of jewellery and apparel purchases while travel and hospitality was a small component. With 87% of all transactions in plastic money happening through credit cards, debit cards in India continue to be used largely for cash withdrawals. There are about 65 million debit cards in India of which State Bank of India alone accounts for 25 million debit cards. ICICI Bank is said to have 11 million cards. This is largely in line with the fact that both the players are the biggest banks in India and will have the highest number of savings accounts.

Utility payments are another segment where more payments are being made through plastic money in the last two years. In the last two years, the number of customers paying their electricity and water bills through credit cards has risen though the overall customer base is still small. Credit card is one of the fastest growing businesses in financial services in India. There are currently 25 million credit cards in India and ICICI Bank is the largest player with 8.5 million cards issued. Citibank, SBI-GE Card and HDFC Bank are the other prominent players in the sector

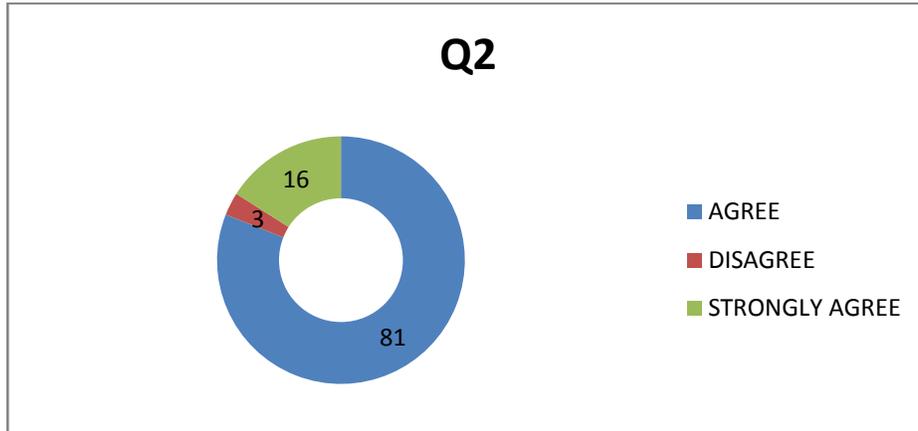
XI GRAPHICAL DATA ANALYSIS

Q1 Cards is the most convenient way of paying?



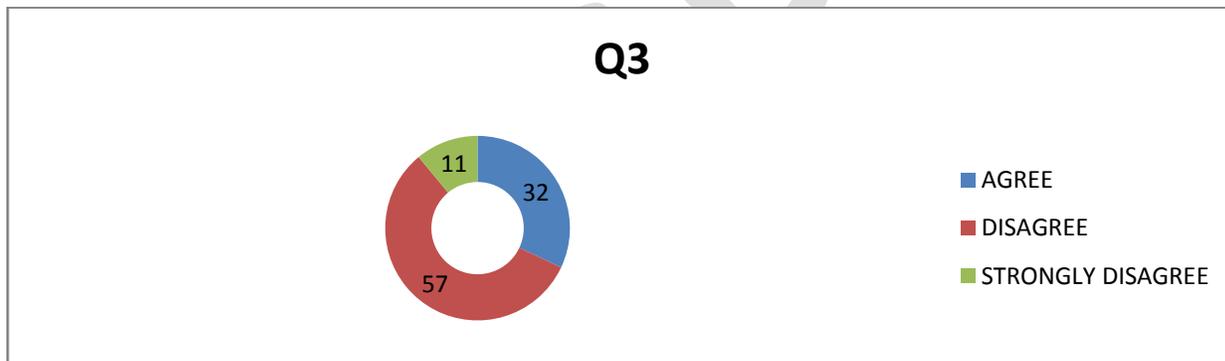
Interpretation: majority of the sample agrees with card as the most convenient way of paying. 20% of the sample strongly agrees that card is the most convenient way of paying.

Q2 Do you have any type of Card?



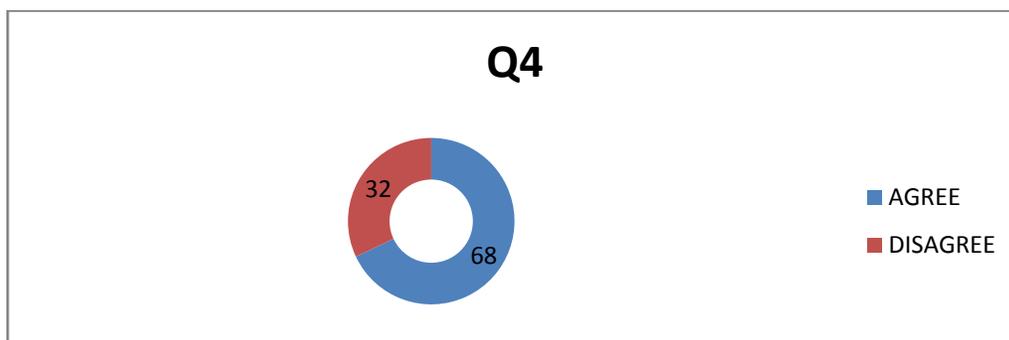
Interpretation: majority of the sample agrees that they are using plastic money. 16% of the sample strongly agrees that they are using plastic money. This sample states that majority of the sample are using plastic money and in future plastic money's consumption will rise.

Q3 Card is the most prefer way to pay your utility Bills?



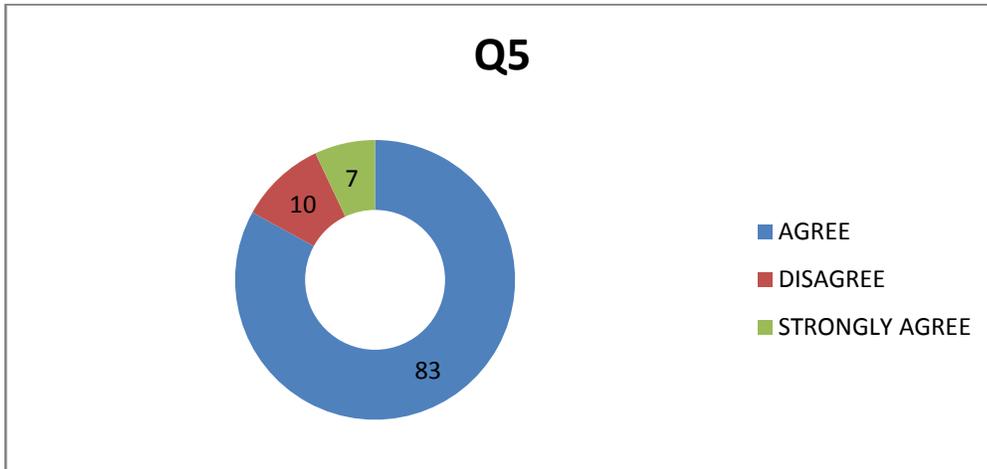
Interpretation: majority of the sample disagrees and feels that card is not the most prefer way to pay your utilities bills.57% of the sample disagrees that card is the most prefer way to pay your utilitiesBills.

Q4 Use of credit card/Plastic money is safest mode of transaction?



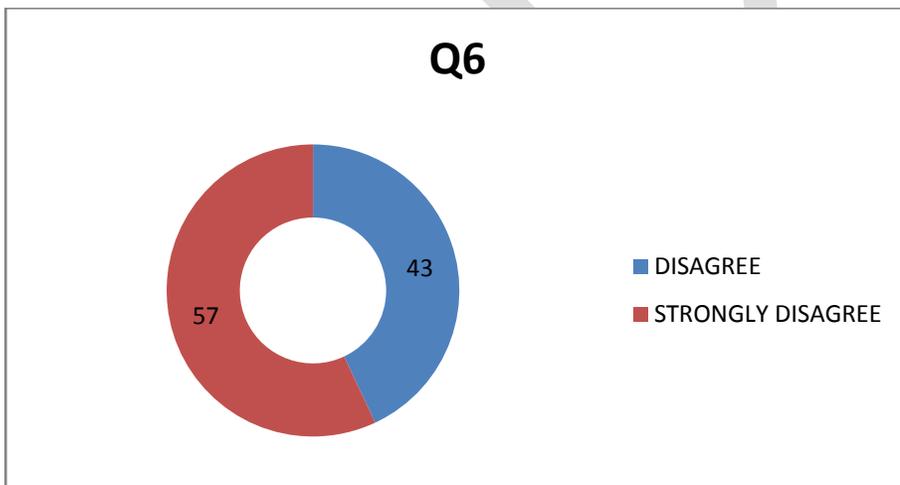
Interpretation: majority of the sample agrees and feels use of credit card/Plastic money is safest modes of transaction.68% of the sample agrees that use of credit card/Plastic money is safest mode of transaction.

Q5 Misuse of Cards is the reason you don't opt for plastic money?



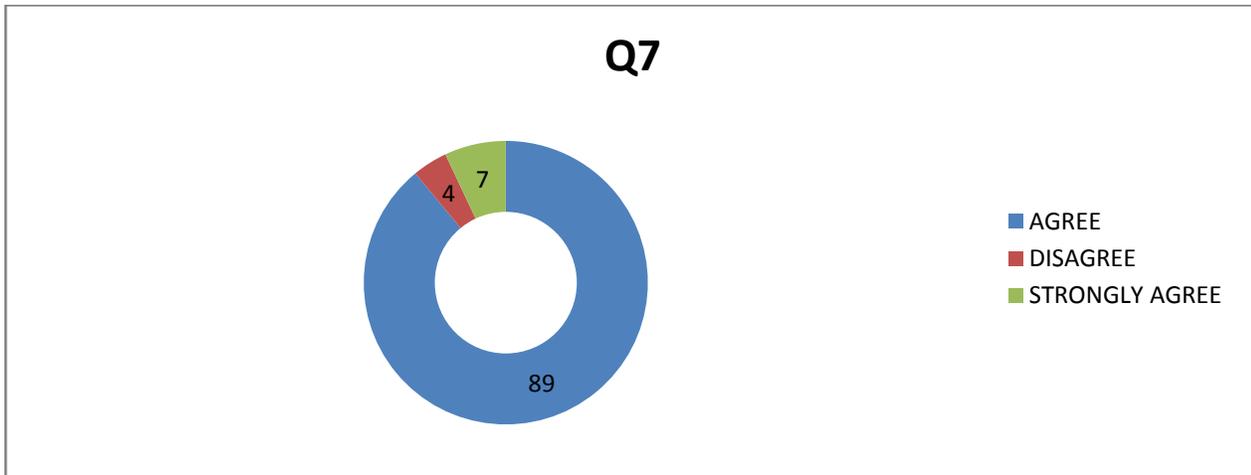
Interpretation: majority of the sample agrees and feels misuse of cards is the reason you don't opt for plastic money. 83% of the sample agrees that cards is the reason you don't opt for plastic money.

Q 6 Credit Card to be expensive as many other charges are charged on it?



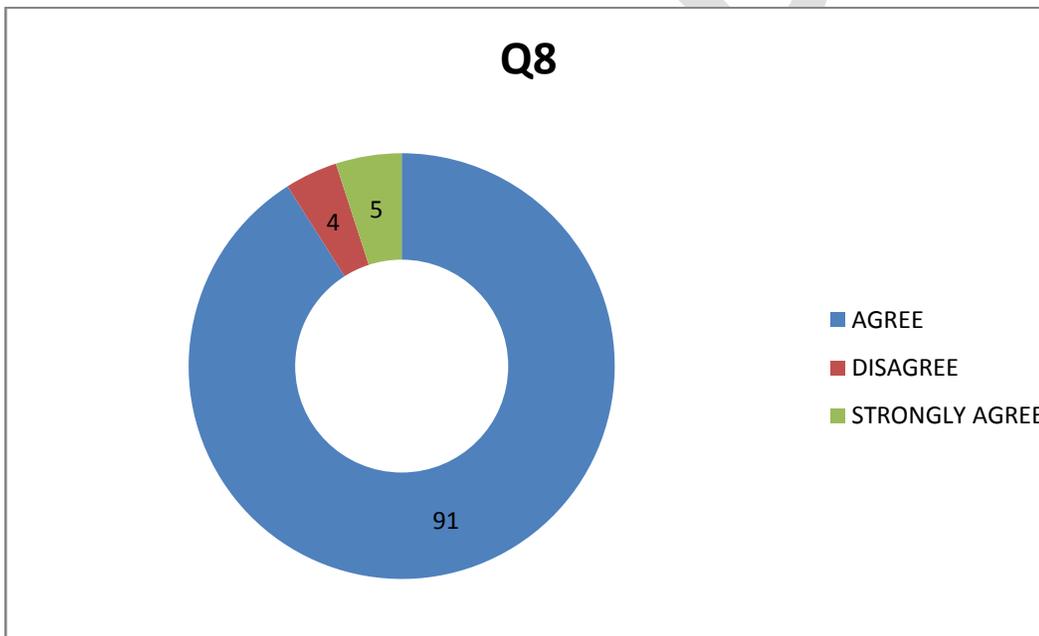
Interpretation: majority of the sample disagrees and feels Credit Card is expensive as many other charges are charged on it. 57% of the sample strongly disagrees that cards is the reason they don't opt for plastic money.

Q7 Do you find it cheaper and Beneficial?



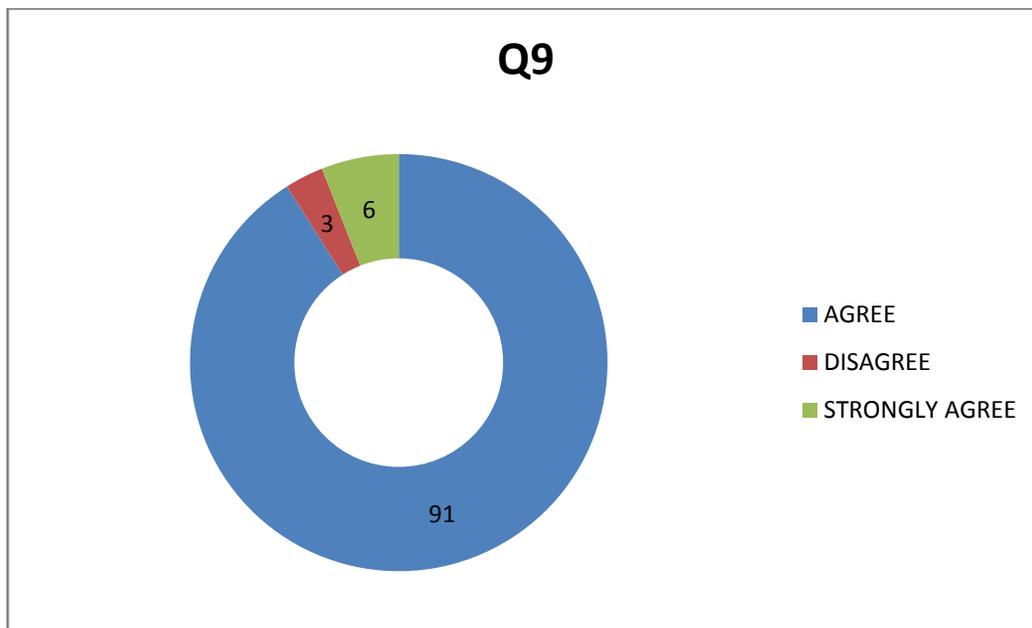
Interpretation: majority of the sample agrees and feels find it cheaper and beneficial. 89% of the sample agrees and find it cheaper and beneficial. This response can be computed as many of the respondents will later or future opt for plastic cards.

Q8 Card is consider as more reliable and secured?



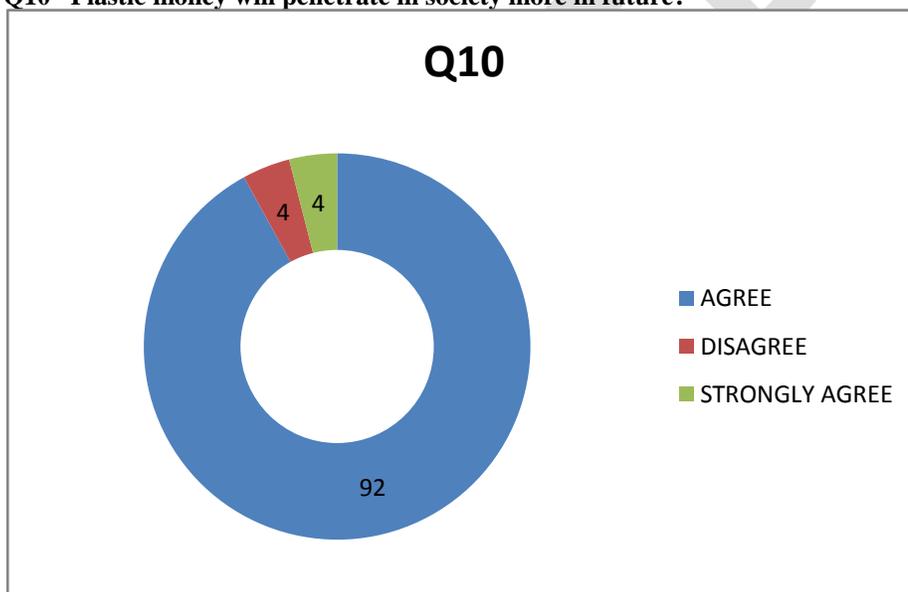
Interpretation: majority of the sample agrees and feels Card is more reliable and secured. 91% of the sample agrees and find it Card is more reliable and secured.

Q9 Due to Duplicity of Paper money are you shifting to Plastic money?



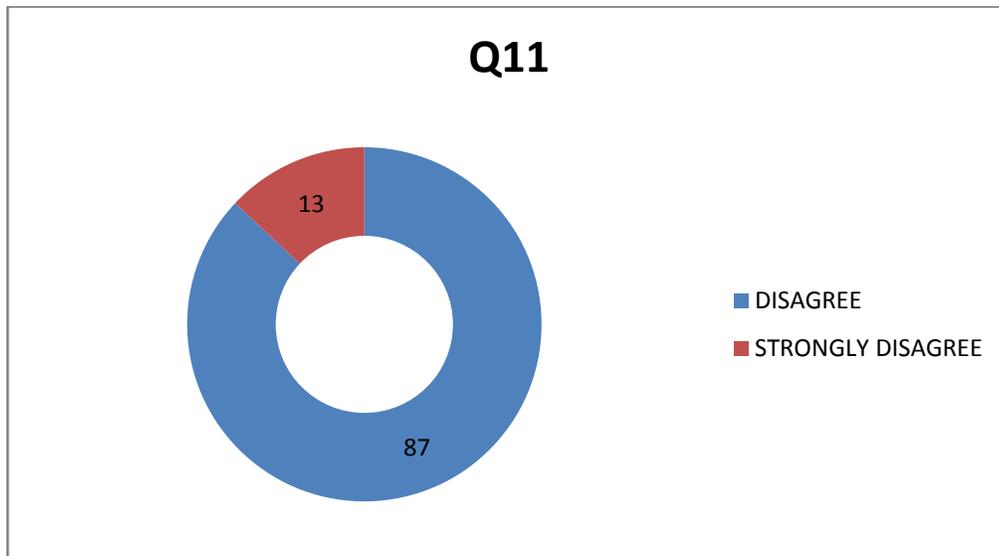
Interpretation: majority of the sample agrees Due to Duplicity of Paper money are you shifting to Plastic money. 91% of the sample agrees due to Duplicity of Paper money they shifting to Plastic money.

Q10 Plastic money will penetrate in society more in future?



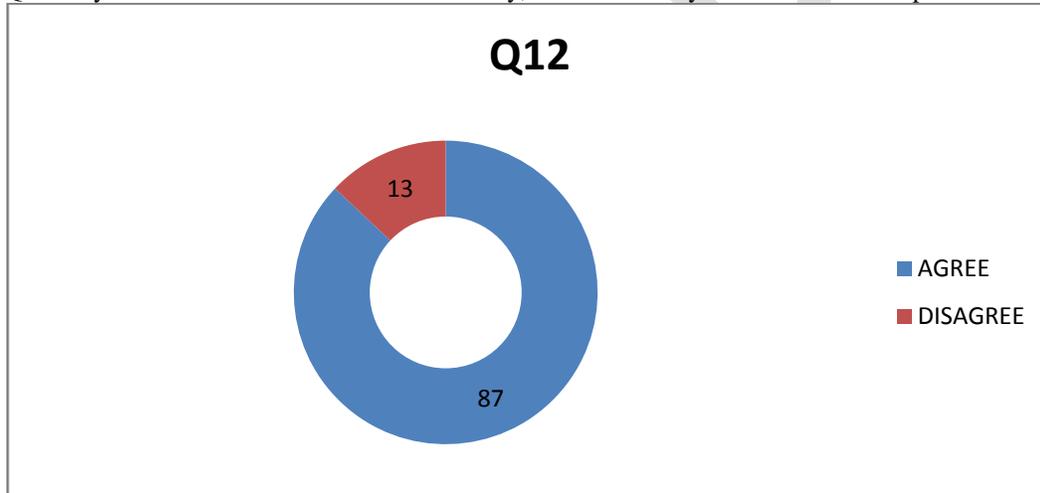
Interpretation: majority of the sample agrees Plastic money will penetrate in society more in future. 92% of the sample agrees that Plastic money will penetrate in society more in future.

Q11 Do you think that more credit card/Debit card transaction in country over cash transaction will help to crab black money circulation in economy?



Interpretation: majority of the sample disagrees that more credit card/Debit card transaction in country over cash transaction will help to curb black money circulation in economy. 87% of the sample disagrees that more credit card/Debit card transaction in country over cash transaction will help to curb black money circulation in economy.

Q12 If you are financial minister of the country, will the country see increase use of plastic money?



Interpretation: majority of the sample agrees that when they will be financial minister of the country, the country see increase use of plastic money. 87% of the sample agrees that majority of the sample agrees that when they will be financial minister of the country, the country see increase use of plastic money.

X. CONCLUSION

There is no doubt that the plastic money is rising up in the market. The day will come when all the transaction will be done through plastic money, yet there are more further technologies which have been implemented in Japan and US but India is still growing in its first phase. The day will come when all the train tickets would be purchased by credit cards. People will start keeping bunch of cards in their pockets instead of currencies. The day will come when the

cinema tickets will be purchased through credit cards. Thus in these growing phenomenon there doesn't seem any declination instead it growing at a higher rate..THIS END WILL ONLY INCREASE

In the last two years, spending pattern through plastic money has changed drastically. Travelling, dining and jewellery are the top three purchases that Indians make through credit cards. Two years ago, it was jewellery and apparel purchases that formed the largest chunk of purchases through plastic money. Fuel accounts for a very

small portion of credit card purchases as these are largely paid through debit cards. Consumers were not only more open to the possibility of owning a financial card, but were also more than willing to use their cards to settle dues. The status symbol aspect of owning and using cards, too, played its part in bringing about such robust growth over the space of a single year. Debit cards, in particular, proved immensely popular. According to projections for the 2003-2008 period, the number of financial cards in circulation will register a compounded annual growth rate of nearly 51 per cent so the satisfaction of consumers has also increased. There are many ethical issues and challenges for plastic money issuing banks/companies. Security relating to card should be first priority for Each bank/company.

Consumers are preferring these cards mostly for shopping online E-commerce has given a better way to use the plastic money. At last it is concluded that plastic money has a very bright future in the coming years because of the increasing trend of ecommerce. 21st Century banking has become wholly customer-driven & technology driven by challenges of competition, rising customer expectations & shrinking margins, banks have been using technology to reduce cost & enhance efficiency, productivity & customer convenience. Technology intensive delivery channels like net banking, mobile banking, etc have created a win-win situation by extending great convenience. & multiple options for customer. From educating customers about credit cards there is a need to educate them about the differentiating factors of the cards. Because visa and master card are advertising regularly and thereby increases awareness. The strategy should be to emphasize on its differentiating characteristics. They also need to identify potential customers and target those using mailers. As internet is growing at a fast rate the net users can be targeted by having interactive sites. The prospective company's card personality could also be used in the home page to solve customer queries in the 'Best Possible Manner'.

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