

## Plastic Money

The term "plastic money" describes payment techniques used with cards that are primarily composed of plastic with some metal. The finest kind of plastic money are credit and debit cards, which let users conduct electronic transactions while keeping their card information safe. Cash, which is tangible money, has been fairly replaced by the production or manufacture of these cards. Unlike actual currency, plastic money facilitates transactions and is also easier to use. When you use plastic money, you can stop going to your bank for transactions or if you run out of cash. The first credit card was issued by Barclays in London in 1967, marking the beginning of the era of plastic money. Chemical Banks in New York came next in 1969. These cards, which had unique numbers and information on them, let people access their bank accounts and make purchases without real cash securely. A major development in the field of safe payment methods came in 1973 with the invention of a hardware security module, which utilized microprocessor technology/magnetic stripe and personal identification numbers, subsequent to the debut of plastic money in 1967. As a result of this evolution, smart cards first appeared in the late 1970s and were widely used by people by the late 1980s. Plastics money keeps evolving as time goes on, adding new features and advantages without sacrificing security aspects.

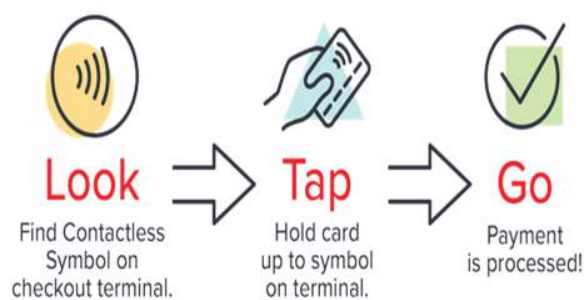
The main providers of plastic Money are banks. Another kind of financial entity that provides plastic money is a credit union. Owned by their members, credit unions are non-profit institutions. Compared to banks, they typically provide better interest rates on savings products and lower interest rates on loans. Banks, credit unions and other institutions that are card providers have different fees for each type of card. Banks and credit unions create their own debit cards under their own brands, which may have greater incentives and cheaper costs than those provided by other financial institutions who partner with the brands like Visa, Mastercard or UPI cards in order to provide the cards to their clients.



The emergence of plastic money has served as a major impetus for the economic expansion and digital revolution of numerous countries. Plastic money adoption—particularly that of debit and credit cards has accelerated quickly, changing the financial environment in a number of ways. For examples in many countries, even in rural locations with inadequate banking infrastructure, a large number of people who previously lacked access to traditional banking services can now conduct transactions and access funds

using Debit Cards. By increasing openness and lowering the frequency of unrecorded cash transactions, the widespread use of plastic money has aided in the formalisation of the economy. In multiple countries, this has enhanced tax compliance and raised government revenue. The fintech industry has seen innovation spurred by the acceptance of plastic money. With the advent of digital payment systems, contactless payment technology, and mobile wallet apps, transactions have become even more straightforward and user experiences have improved.

Another innovation in plastic money is contactless payment or touch & pay which gain popularity during COVID-19 pandemic. Paying with contactless technology eliminates the need for cash or even card swipes. To complete a transaction or make a payment, simply place your contactless card next to a compatible card reader by tapping or holding it there. Your bank account will be automatically connected to the terminal, and the purchase will be finished in a matter of seconds. To make safe payments, contactless payment systems use near-field communication or radio-frequency identification. Banks also provide a security feature for these type of transactions in order to reduce the risk associated with it by imposing a contactless payment limit, which is typically €50. This reduces the possibility of the contactless card ending up in the wrong hands. In the event that the card is lost or stolen, this helps avoid costly fraudulent transactions.



The different types plastic money come in a variety of forms as well, such gift cards, credit cards, debit cards and prepaid cards. They can be used to get cash out of ATMs and to make purchases in-person and online. The cards can also be available in gold, platinum, silver or classic cards which have their own specific features. For example, gold credit cards have a higher credit limit than classic credit cards and also the annual fees of the gold cards are higher. The cards costs differ based on the card issuer and the kind of card and majority of cards are internationally acceptable.

## Types of plastic money

### 1. Debit Card

A common form of plastic money that is directly connected to your bank account is the debit card. The unique feature of debit cards and ATM cards is their ability to be used for cash withdrawals. In addition, this card can be used to make online payments by only tapping or swiping it at retail establishments, dining establishments, shopping centres, and other locations with no additional fees. The cardholders can benefit from having a liquid bank account because when they use an ATM or debit card, money is

immediately taken out of their account following any purchases and the merchant account is credited right away. Furthermore, several banks provide reward schemes to clients who use their debit cards often. Fees may be applied by banks when using the debit card in other countries and in other bank ATM machines.

## **2. Credit Card**

Another form of plastic money that allows a person to make transactions and take advantage of credit card features without actually paying money is a credit card. Banks provide credit cards, which typically have a pre-approved amount and a payment period. Charge cards are another name for these credit cards. Credit cards can be used to get cash out of an ATM or to make purchases at a business. Credit cards typically have high interest rates, and even the minimal payment each month. One can profit from spending now and paying later while using credit cards. Going into specifics, the bank makes payments to a market or retail outlet on your behalf when you use a credit card. Credit cards give consumers the flexibility and ease of managing their finances by enabling them to obtain credit with an authorised spending limit and a predetermined repayment period.

## **3. Prepaid card**

It is one of the kinds of plastic money that lets you set spending limits and make sure you do not go over them. The greatest method to keep tabs on your spending and adhere to your monthly spending plan is to get a prepaid card. With these cards, all you have to do is load or recharge them with a certain amount and make your purchases from there. By connecting your bank account and going to the card issuer's website, you can quickly fill your card with the necessary amount of money in just a click. Prepaid card issuers frequently impose annual fees for maintaining the card in addition to transaction fees. Customers who do not have a bank account or who wish to avoid the costs connected with regular checking and savings accounts are the most interested about these cards.

## **4. Forex Cards**

Travelers who are going abroad typically use forex cards to make international payments. Forex cards allow you to put several currency funds onto the card, which has a five-year validity period. This enables you, particularly while traveling, to load your Forex card with the desired amount of currency and avoid the trouble of currency conversion. In addition to being hassle-free, having a Forex card can protect you against ongoing fluctuations in exchange rates because it will always reflect the rate that was in effect when you bought it. Forex card can be both multi-currency card or single currency card.

## **Advantages of plastic money**

### **1. Simple to use**

Debit and credit cards make it simple to do online banking, make cash payments, and conduct other transactions. Plastic money is incredibly user-friendly and may be used wherever to make purchases. Furthermore, a lot of retailers provide savings on debit and credit card transactions. Great convenience is provided by plastic money, which allows you to conduct transactions anywhere, at any time, and without being constrained by the quantity of cash you have on hand. This is very useful for traveling and internet shopping.

## **2. Rewards**

Businesses frequently utilise rewards to persuade clients to use their cards. Companies encourage customers to spend more money by providing different kinds of rewards. For example, taking part in promotions, freebies, prizes, and point accumulation. This goal has already been implemented with notable success in almost every country in an effort to persuade consumers to use plastic money to pay for goods and services. The marks (points) are equivalent to particular presents, gift cards, special store discounts or miles. Certain credit cards facilitate the conversion of points into airline miles or hotel loyalty schemes.

## **3. Security**

Transactions utilizing plastic money are safeguarded by authentication processes, reducing the possibility of theft and fraud, in contrast to cash, which is lost or stolen. One advantage of using credit or debit cards is the decrease in thefts and criminal activity. To hack a card's PIN, one must be skilled and persistent. Owners of credit and debit cards may therefore feel a little more confident about the security of their funds. The user has the option to report credit card theft, blocked the card by a phone call only and have transactions reversed if the card is taken. Also, the individual has the right to contest and have deleted bogus allegations. Contrarily, cash provides no such security and the person have no way of getting the money back if they have been victim of theft or fraud.

## **4. Record Keeping**

Using plastic money creates a digital trail for transactions, which makes it easier to keep track of all the spending and the cardholders can properly manage their finances. To assist cardholder in reviewing the transactions, a lot of financial institutions even provide online account management services which are easily accessible and user friendly.

## **5. Global Acceptance**

Geographical limitations no longer apply to plastic money, which is now widely recognised worldwide. This has enabled users to easily do transactions in foreign currencies, which has considerably facilitated online shopping and overseas travel.

## **Disadvantages of plastic money**

### **1. Credit card debt**

Credit cards in particular are a perfect example of plastic money's most obvious drawback, it grants the cardholder unwarranted freedom. For example, when the cardholder does continuous shopping and never give the repercussions a second thought, therefore, People accruing more debt than they can manage because to plastic money. Even though one might be feeling very happy following their recent shopping trip, be cautious as the expenses could become too much to bear. If a person does not pay back the entire amount of credit that was use each month, interest will continue to accrue and the person may find himself in a difficult situation. A cardholder may have to pay hefty interest fees if they are unable to pay off their balance in full each month.

### **2. Terms & conditions**

Despite the fact that debit and credit cards might have many advantages, the majority of them contain intricate terms and restrictions that you may not fully grasp at first. But by the time you understand the subtleties of these "dirty" terms and conditions, it may be too late.

### **3. Fraud**

The possibility of fraud and identity theft is yet another drawback to plastic money. Even while there is some fraud protection provided by these payment methods, it is still feasible for thieves to get their hands on cardholder data and use it for illegal purchases. Customers should keep a close eye on their accounts for any unusual behaviour and exercise caution when protecting their personal information. For example, the pin code should not be kept with the card in case it is stolen.

### **4. Hidden Fees**

The annual charge is among the most often encountered hidden costs. A lot of credit card issuers impose an annual fee simply for using their product. It is important to read the fine print when applying for a new card because this fee might range from a few to several hundred dollars. The late payment fee is another commonly overlooked expense. You will be assessed a late payment fee if you fail to make your bill payment on time. This charge is typically in the range of \$30 approximately, but if your balance is large, it may be greater. Lastly, using your card to withdraw cash from an ATM may result in additional fees from many cards. Although there are ways to withdraw cash from the ATM without incurring costs, you will often need to budget for 3% of the cash advance before doing so. You may prevent these unstated costs and ultimately save a significant amount of money by being aware of them.

Financial transactions are now conducted in a different way because to plastic money's flexibility, security, and ease. It has clear advantages like ease, security, and credit availability, but it also has disadvantages like fees, interest rates, and security hazards. Almost everyone carries both cash and plastic money in today's world. But in order to use plastic money wisely and to maximize the advantages of such devices, one must be aware of the benefits and disadvantages associated with them. It is true that plastic money can be very useful occasionally, but it does not mean it always is. One should use prudence when spending cash or virtual currency. Money is worth more than anything, thus we should not be the victims of theft whether it happens offline or online.

Finally, Plastic money is undoubtedly becoming more and more popular, and it may someday overtake cash as the primary method of payment in some regions, but it seems unlikely that it will displace cash entirely in the near future. Cash will always be needed, particularly for tiny purchases and for those without access to banking services. Additionally, some people might find it easier to manage and more practical to use cash, or they might prefer it for privacy-related reasons. Nevertheless, both payment methods each with pros and cons of their own will continue to coexist for the foreseeable future.