Use of Plastic Money in Modern India

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An introduction

Barter System

We have witnessed major changes in the money used for economic activities in the society from barter to coin, coin to paper and now from paper to plastic. A barter system is oldest method used by society for centuries before money was invented in which people exchanged goods or services for other goods and services like for food, tea, weapons, and spices etc. as per their requirement. A valuable item "Salt" was paid to the Roman soldiers’ as their salary.

Coins

In 600 B.C., Lydia's King Alyattes (Now part of Turkey) minted the first official currency in coins made from electrum, a mixture of silver and gold that occurs naturally, and stamped with pictures which helped the counter in increase of their trade making in one of the richest empires in Asia Minor. During 6th century BC, Ancient India was one of the earliest issuers of coins in the world, along with the Chinese wen and Lydian staters.

Paper Money

The ancient Chienese invented paper. First paper, then paper money, this is pure logic. China was the Country who invented the first paper money, which was light in weight and could be colorfully decorated. The first "rupee" is believed to have been introduced by Sher Shah Suri (1486–1545), based on a ratio of 40 copper pieces (paisa) per rupee.

Plastic Money

The Diners' Club in 1950 introduced a small cardboard card for general purpose through which different merchants were paid at various establishments. American express in 1958 introduced its charge card which was used for travel and entertaining purpose. [rewardscreditcards.com]. In 1980s, Citi Bank and HSBC were the pioneers in the India credit card market and number of players increased to more than ten in 2000. [icmrindia.org]

Types of Plastic Money

Credit Card, Charge Cards, Debit Card, Customer Card / Store Card, Prepaid/Gift Cards, Cash Card or Automated Teller Machine (ATM) Card are playing major role in the modern time.

Review of Literature

P. Manivannan [(2013), in a study has concluded that Plastic Money i.e. usage of Credit card was measured a luxury, and has become needed. These plastic money and electronic payments was 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 discretionery manner.

Sushma Patil [(2014), in her study made on the Plastic Money found that during the period of economic reforms began in 1990’s has also sparked robust demand for plastic cards and the arrival of malls, multiplexes, online shopping stores and shopping complexes encourage the customers to make use of plastic cards. It benefits the consumer through enhanced product offerings at a lower cost and that too with lucrative deals delighted with rewards scheme, loyalty bonus points, promotional campaigns
etc. Also pointed out that some customers are not able to utilize cards effectively due to its complex nature and they don’t actually know how to operate it for specific purpose. Thus, the banks should give them some training regarding its usage. The banks can also provide them facility to use plastic cards on trial basis so that they can become more confident while using their cards.

Dr. M. M. Satam [2015], in his study made on the subject “Impact of Plastic Money on Banking Trends in India” has found that Indian economy has flourished with the advent of Liberalization, Privatization and Globalization and the banking sector is not an exception too. These reforms have presented a challenge before Indian banking sector to shake hands with the pace of new technology and without a sound and effective banking system in India, it cannot have a healthy economy. He has pointed out that some customers are not able to utilize cards effectively due to its complex nature and they don’t actually know how to operate it for specific purpose. Thus, the banks should give them some training regarding its usage. The banks can also provide them facility to use plastic cards on trial basis so that they can become more confident while using their own cards.

Dr. Jaidev Lanjewar [2015], in a study concluded that more transactions take place in plastic money than paper notes because paper money is more risky than plastic money. People can also enjoy benefits of credit period. It has also been observed that there are frauds in plastic money some of them can be solved and some of them cannot be solved. Consumers prefer these cards mostly for online shopping. At last, it has been concluded that plastic money is a very bright future in the coming years because of the increasing trend of e-commerce.

Nirmala. R, Sonu [2015], in a study concluded that highlighted that convenience of not carrying cash and ease of transaction is one of the major psychologically influencing factors that encourage the use of plastic money instead of real money. Additionally, the results of the study have also stressed upon the convenience and ease of use while paying or shopping by plastic money. The saving of time and all the fact that the plastic money seems to be more portable also seems to further the cause of a possible change in the scenario of money usage in the economy. On the other hand, Security comes forward as a major cause for concern for the population using plastic money. Therefore, it is easy to conclude that the population is ready as ever to use plastic money at a greater level due to its high levels of ease and convenience.

P. Sathiya Bama1, Dr.K.Gunasundari [2016], in their study made on “Challenges and future Prospects of Plastic Money” has found that the population is ready to use plastic money at a greater level of ease and convenience.

Objective of the Study

The object of the study is to place the various measures taken by the Government of India to promote Plastic Money before the people along with conclusions of researches made on the made on the subject matter and encourage the people to use Plastic Money.

Government Policy

The Finance Minister in the present Government Arun Jaitely said "One way to curb the flow of black money is to discourage transactions in cash. Now that a majority of Indians has, or can have, a RUPAY debit card, I therefore, propose to introduce soon several measures that will incentivize credit or debit card transactions and disincentives cash transactions,” reports The Economic Times. The Minister of State for Finance Arjun Ram Meghwal said in written reply in Lok Sabha that, “it has been decided to print banknotes based on plastic or polymer substrate. The process of procurement has been initiated.”

Advantages of use of Plastic Money

There are several advantages of use of Plastic Money. The key benefits are given below:-

➢ Eliminates the need for carrying huge cash which is risky and inconvenient too,

➢ Minimized the risk of theft and loss of cash and in case of loss of debit/credit card we can report the matter to bank and block the card to avoid misuse immediately,
➢ Anywhere/anytime (24x7) Access, People have this unique advantage and convenience of using it anywhere in the country or even abroad,

➢ Credit Facility. People have the option of buying on credit or paying later which helps in case of emergencies and contingencies,

➢ Saving of time. People can save that time which used for drawing and carrying paper money by using Plastic Money,

➢ Online Payments. People can make through their cards online payments, fund transfers and other transactions.

Disadvantage of Plastic Money
➢ Cards/Plastic Money is not a complete replacement for cash
➢ Use of cards can also be risky in some cases
➢ Non acceptance at Small Retail Outlets
➢ Cannot be used for daily needs like milkman, servant, vegetables, newspaper etc.

Methodology
The present study is based on the collection of data from secondary sources. Secondary data has been obtained from various sources like published and unpublished records, books, magazines, journals, World Wide Web and orders/Press Note available on the website of Government of India.

Growth Prospects of Plastic Money in India
The Ministry of Finance, Government of India has announced Package for Promotion of Digital and Cashless Economy on 08.12.2016. These incentives/measures are following:
1. The Central Government Petroleum PSUs shall give incentive by offering a discount at the rate of 0.75% of the sale price to consumers on purchase of petrol/diesel if payment is made through digital means. Nearly 4.5 crore customers buy petrol or diesel at such petrol pumps per day who can take benefit of this incentive scheme. It is estimated that petrol/diesel worth Rs.1800 crore is sold per day to the customers out of which nearly 20% was being paid through digital means. In the month of November 2016 it has increased to 40% and the cash transaction of Rs.360 crore per day have got shifted to cashless transaction methods. The incentive scheme has the potential of shifting at least 30% more customer to digital means which will further reduce the cash requirement of nearly Rs. 2 lakh crore per year at the petrol pumps.

2. To expand digital payment infrastructure in rural areas, the Central Government through NABARD will extend financial support to eligible banks for deployment of 2 POS devices each in 1 Lakh villages with population of less than 10,000. These POS machines are intended to be deployed at primary cooperative societies/milk societies/agricultural input dealers to facilitate agri-related transactions through digital means. This will benefit farmers of one lakh village covering a total population of nearly 75 crore who will have facility to transact cashlessly in their villages for their agri needs.

3. The Central Government through NABARD will also support Rural Regional Banks and Cooperative Banks to issue “Rupay Kisan Cards” to 4.32 crore Kisan Credit Card holders to enable them to make digital transactions at POS machines/Micro ATMs/ATMs.

4. Railway through its sub urban railway network shall provide incentive by way of discount upto 0.5% to customers for monthly or seasonal tickets from January 1, 2017, if payment is made through digital means. Nearly 80 lakh passengers use seasonal or monthly ticket on suburban railways, largely in cash, spending worth nearly Rs.2,000 crore per year. As more and more passengers will shift to digital means the cash requirement may get reduced by Rs.1,000 crore per year in near future.

5. All railway passengers buying online ticket shall be given free accidental insurance cover of upto Rs. 10 lakh. Nearly 14 lakh railway passengers are buying tickets everyday out of which 58% tickets are bought online through digital means. It is expected that another 20% passengers may shift to digital
payment methods of buying railway tickets. Hence nearly 11 lakh passengers per day will be covered under the accidental insurance scheme.

6. For paid services e.g. catering, accommodation, retiring rooms etc. being offered by railways through its affiliated entities/corporations to the passengers, it will provide a discount of 5% for payment of these services through digital means. All the passengers travelling on railways availing these services may avail the benefit.

7. Public sector insurance companies will provide incentive, by way of discount or credit, upto 10% of the premium in general insurance policies and 8% in new life policies of Life Insurance Corporation sold through the customer portals, in case payment is made through digital means.

8. The Central Government Departments and Central Public Sector Undertakings will ensure that transactions fee/MDR charges associated with payment through digital means shall not be passed on to the consumers and all such expenses shall be borne by them. State Governments are being advised that the State Governments and its organizations should also consider to absorb the transaction fee/MDR charges related to digital payment to them and consumer should not be asked to bear it.

9. Public sector banks are advised that merchant should not be required to pay more than Rs. 100 per month as monthly rental for PoS terminals/Micro ATMs/mobile POS from the merchants to bring small merchant on board the digital payment eco system. Nearly 6.5 lakh machines by Public Sector Banks have been issued to merchants who will be benefitted by the lower rentals and promote digital transactions. With lower rentals, more merchants will install such machines and promote digital transactions.

10. No service tax will be charged on digital transaction charges/MDR for transactions upto Rs.2000 per transaction.

11. For the payment of toll at Toll Plazas on National Highways using RFID card/Fast Tags, a discount of 10% will be available to users in the year 2016-17.

   The Reserve Bank of India has decided and issued instructions on 16.12.2016 that all the participating banks and Prepaid Payment Instrument (PPI) issuers shall not levy any charges on customers for transactions upto ₹ 1000 settled on the Immediate Payment Service (IMPS), USSD-based *99# and Unified Payment Interface (UPI) systems. The above measures shall come into effect from January 1, 2017 and shall be applicable till March 31, 2017.

   The Reserve Bank of India on 16.12.2016 further decided and issued instructions that in order to facilitate wider acceptance of card payments, the following special measures for debit card transactions (including for payments made to Government), are being introduced for a temporary period:

   (i) For transactions upto ₹ 1000/-, MDR shall be capped at 0.25% of the transaction value.

   (ii) For transactions above ₹ 1000/- and upto ₹ 2000/-, MDR shall be capped at 0.5% of the transaction value.

   The above measures shall not apply to ATM transactions and shall come into effect from January 1, 2017 and shall be applicable till March 31, 2017.

   The Ministry of Finance, Government of India has also issued directions on dated 21.12.2016 that in line with the Central Government’s objective of promotion of payments through cards and digital means over payments in cash, the Reserve Bank of India (RBI) has recently rationalized customer charges for transactions up to Rs. 1000/- settled on Immediate Payment Service (IMPS), Unified Payments Interface (UPI) and Unstructured Supplementary Service Data (USSD) with effect from 01.01.2017 till 31.03.2017. RBI has also rationalized the Merchant Discount Rate (MDR) for debit card transactions up to Rs. 2000/- with effect from 01.01.2017 till 31.03.2017.

   The Department of Telecommunication, Government of India has issued instructions on 05.01.2017 to all Access Service Providers to allocate short Code 14444 as CASH MUKT BHARAT ABHIMAN HELPLINE.

   Bharat Interface for Money (BHIM) was launched by Hon’ble Prime Minister on 30th Dec 2016 and within 10 days, the BHIM app had 1 crore downloads from Android Play Store and over 2 million transactions across the UPI (Unified Payment Interface) and USSD (Unstructured Supplementary Service Data) platforms. BHIM is interoperable with other Unified Payment Interface (UPI) applications, and bank accounts. BHIM is developed by the National Payment Corporation of India.
BHIM, a not-for-profit company for providing retail payment systems in the country under guidance from Reserve Bank of India. BHIM has been designed for quick and secure user on-boarding, sports a best-in-class and intuitive user interface and makes digital transactions seamless. BHIM has been a huge boon for merchants who can now accept payments directly into their bank accounts. All users, including merchants, get a ready to use VPA (virtual payment address) and an exclusive, ready-to-print QR code upon sign-up.

Users on Android with internet can install BHIM via Play Store (https://play.google.com/store/apps/details?id=in.org.npci.upiapp). BHIM requires permission to your Phone Calls & SMS to verify your phone number. Users without access to internet/data services, can experience BHIM by dialling *99# on their phones.

As per Reserve Bank of India’s ATM Cards Statistics, the number of people, the total amount of transaction is increasing, the details of chart is given below:-

<table>
<thead>
<tr>
<th>Period/Month</th>
<th>Credit Cards Amount of Transaction (Rupees in Millions)</th>
<th>Debit Cards Amount of Transaction (Rupees in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ATM</td>
<td>POS</td>
</tr>
<tr>
<td>January’2017</td>
<td>1527.2</td>
<td>326913.3</td>
</tr>
<tr>
<td>December’2016</td>
<td>880.9</td>
<td>311491.2</td>
</tr>
<tr>
<td>November’2016</td>
<td>1393.0</td>
<td>265594.0</td>
</tr>
<tr>
<td>October’2016</td>
<td>2996.80</td>
<td>299424.01</td>
</tr>
<tr>
<td>September’2016</td>
<td>2852.51</td>
<td>241977.12</td>
</tr>
<tr>
<td>August’2016</td>
<td>3042.74</td>
<td>257485.55</td>
</tr>
<tr>
<td>July’2017</td>
<td>2922.41</td>
<td>243414.15</td>
</tr>
<tr>
<td>June’2016</td>
<td>2856.68</td>
<td>239555.13</td>
</tr>
<tr>
<td>May’2016</td>
<td>2843.58</td>
<td>49599.97</td>
</tr>
<tr>
<td>April’2016</td>
<td>2863.372</td>
<td>227246.3</td>
</tr>
</tbody>
</table>

I am glad that the Government of India has undertaken various measures to promote mobile and digital banking. The Finance Ministry of Government of India, said, “The developed world has moved substantially to plastic currency and payment gateways. I think there is need for India and our determination is there to gradually take steps to move in that direction.” Really, I am glad that Government of India has taken various measures to promote mobile and digital banking.

Reference

➢ Investopedia
➢ History of the rupee – Wikipedia
➢ rbbmuseum.be
➢ P. Sathiya Bama, Dr. K. Gunasundari [2016], ISSN 2249-7196, IJMMR/July 2016/Vol.6/Issue7/Article No. 8/942-949 study on “Challenges and future prospects of Plastic Money.”
➢ Ministry of Finance, Government of India’s Press Note dated 08.12.2016 issued for package for promotion of digital and cashless economy,
➢ Reserve Bank of India’s orders dated 16/12/2016 in order to facilitate wider acceptance of card payments,
➢ Ministry of Finance, Government India’s Press Note dated 20.12.2016 granting benefits of lower rate of Income Tax on digital turnover for small businesses,
➢ Ministry of Finance, Government of India’s Note dated 21.12.2016 rationalized customer charges and merchant discount rate