

Plastic Money

Many people increasingly prefer using plastic money, sometimes referred to as **credit and debit cards**, as a form of payment. The new payment method is plastic money. Payments can be made with a credit card, debit card, or even your phone. It's quite safe and a fantastic method to avoid carrying cash around. Almost anywhere you go, you may use this payment option, which makes it really easy.

Credit cards and debit cards are the two most common types of plastic money. Banks issue credit cards that let users borrow money up to a certain amount. Customers can use debit cards, which are connected to bank accounts, to make purchases with funds they already have.

History of Plastic Money

The **first card was introduced in the year 1967 by Barclays in London** followed by Chemical Banks in New York in the year 1969. The major significant event was the introduction of a magnetic stripe along with personal identification numbers.

Another significant event in the history of plastic money was the introduction of a hardware security module in order to make secure payments by using **microprocessor technology in the year 1973**. After this smart cards were introduced in the late 1970s and came in demand during the mid-1980s.

Various Types of Plastic Money

We may now conduct transactions in our daily lives more easily due to plastic money. As a required form of instant money, it has substituted cash payments all across the world.

The different types of cards on the basis of use are listed below:

- **Debit Card:** When a transaction is made from a debit card, the funds are withdrawn directly from the user's bank account. **Debit is the most common type of plastic money** used by people. The majority of transactions are made while online shopping and ATM cash withdrawal.

- **Credit Card:** While using a credit card users can withdraw money or borrow according to their limit. These cards are issued mostly by the bank but also by various **non-financial institutions**.
- **Charge Card:** Users with charges are required to clear their balance shown in their statement within the given time limit issued to them. It can be considered a short-term loan.
- **ATM Card:** These cards are used to withdraw money from the **Automated Teller Machine** or ATM. ATM cards can be separately issued or a debit card can also be used as an ATM card.

The above-mentioned are the major types of cards commonly used. Apart from these, other types are listed below:

- Stored Value Card
- Fleet Card
- Gift Card
- Digital Currency
- Store Cards issued by any particular company to make transactions at their places only.

The card can also be differentiated on the basis of technology some of which are listed below:

- **Magnetic Strip Card:** Magnetic strip was introduced on cards in the late 1970s. Magnetic strips contain data that can be read only through physical contact or swiping action. **Magnetic stripe cards have PINs** with them which have to be provided in order to authenticate the transaction.
- **Smart Card:** These cards contain a chip which is an integrated circuit. Smart cards also contain magnetic stripes.

Benefits of Plastic Money

Plastic money is becoming more and more common in a society where paper money is gradually becoming outdated. The advantages of plastic money are numerous, including:

- The problems associated with carrying cash have been reduced by the invention of plastic money, which has also made life easier. It favors a **cashless lifestyle**.

- Using plastic money has the benefit of reducing thefts and other crimes. Hacking a card's PIN is challenging and requires expertise in specific techniques. Thus it provides **better security**.
- A person can use a credit card to conduct a transaction and make a purchase even if they lack the necessary funds. Thus, achieving **financial freedom**.
- Online payments, money transfers, and other transactions can all be completed easily with the use of credit cards and debit cards. Plastic money may be used to make purchases anywhere and is incredibly simple to use.
- Without plastic money, traveling can be costly. These cards grant access to lounges and amazing discounts.

Drawbacks of Plastic Money

Modern society now requires plastic money. Thankfully, the advantages outweigh the disadvantages. There is no denying their accessibility and assistance.

However, there are some drawbacks to using plastic money, including:

- It is not applicable everywhere. There might be some places, sellers, and shops that only accept cash.
- While using plastic money, a person can easily exceed their budget and spend more than they can afford to pay back. They may incur debt as a result.

Use of Plastic Money in India

In India, the use of debit and credit cards was not much common. The majority of the transactions made through plastic money were only through ATMs. However, the use of plastic money increased rapidly in the 2010s with the introduction of online shopping.

The use of cards is said to have increased drastically in late 2016 after the demonetization of 1000 and 500 rupee notes and after the first wave of COVID-19. Because of these events, there was a sudden lack of cash and people tended to rely more on electronic payments like e-wallets for which card details were mandatory.

Future of Plastic Money in India

The use of plastic money as a form of payment is rising. India is one of the fastest-growing economies in the world, and **digital transactions have made e-commerce safer and more convenient** while also allowing for more relaxed and convenient authentication.

It is anticipated that India's payments industry will experience more growth, innovation, and infrastructure construction along with stronger uptake of cutting-edge technical advancements.

