**Plastic Money :** Plastic money may refer to the use of plastic cards like debit/credit cards in the form of electronic transactions keeping in mind the need of the customer while making the large transactions so that they don’t keep actual paper money with them. Various forms of plastic money include debit cards, credit cards, Money access cards, client cards, key cards, and Cash cards. The purpose of using these cards is only for the ease of customers so that they can make large transactions and also for their own safety.

## ****Various Types of Plastic Money****

* **Debit Card:** When a transaction is made from a debit card, the funds are withdrawn directly from the user’s bank account.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 from 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.

**Advantages of Plastic Money**

There are many advantages of carrying plastic money. The convenience, the quality of cards when compared to bank notes, difficulty to duplicate easily like notes etc are a few to name. You need to get a better idea of the advantages, isn't it? Let us learn in detail the advantages of using plastic money instead of cash.  
  
**Cards fit into the wallet easily**: It is essential that we need to have some sort of money in hand always as we never know when a need arises. But carrying a lot of cash in hand is not at all a wise idea. Also, who would want to carry a lot of cash in hand and make their wallet bulge out. In such situations, plastic money comes for help. Your wallet will remain perfect and your cash needs will also be sorted out. If required you can take cash using plastic cards. Also, it is safe when you have a card with you as even if it is lost, you can always call the bank and ask them to block it. This avoids misusing the card by any. But when it is cash, you are not left with that option and you will end up losing your money. Cards are waterproof hence you don't have to get panicked even if water spilled over your wallet. They are strong and durable.  
  
**Crime rates will decrease**: We are living in a world where thefts and crimes are on the increase. Keeping cash in hand is not a safe thing to do. It will not give you peaceful nights. So be practical and opt for plastic money. You do not have to worry when someone runs away with your wallet, as long as you only have plastic money in it. The guy needs, PIN number to use it hence he can't take the cash or swipe it. As soon as you know that you are pickpocketed, you can call the bank and ask them to block or cancel the card. If it was actual cash in its place, then it is easy for the thief. He can easily take the cash and throw the wallet somewhere. But with plastic money, his job has become a difficult one. He needs to know cracking techniques to find the PIN number to use the cards. Hence worries associated with theft will be less in case of plastic money. Another merit is that the fingerprints on a plastic card are more clear than that on bank notes.  
  
**Provides credit facility**: How about having a card that provides you a credit facility? That sounds good right? With the advent of credit cards you can purchase anything today and you are given sufficient time to pay for it. Only with plastic money, you avail this credit facility. The advantage of having this facility is that you need not go behind people to borrow money in case of emergencies, instead, you can use the card in your hand. Also, you get ample amount of time to repay the amount. It is like a best buddy who helps you in case of financial needs. Purchase today and pay later, isn't that a benefit you are getting? This factor is one of the main reasons why people are attracted towards credit cards.  
  
**Tracking transactions becomes easy**: Having a track of your daily or monthly transactions is always good. By using the plastic money you are automatically keeping a track of all your transactions. You can verify it later if required. When we are using bank notes, we might forget later for what we spend it, unless you have the habit of noting down every cash transaction you make. This is not the case with plastic cards. The banks normally send the statement of debit or credit card to its customers on a monthly basis which will have the list of all your transactions for that particular month. This transaction history might help us at times when we misplace a bill. We can show the transaction details to prove that we have made a purchase. Also, for us to have a check of our expenses or any particular transaction made in the past, these statements are useful.  
  
**0% Installment options**: Certain credit cards provide its customers the facility to convert their purchases from selected outlets to installment options of 3, 6 or 12 months at 0% interest rate. The customer is given the option to select the period of installment which cannot be changed later. If you have selected 6 months installment plan and paid it off within 5 months, then you will have to pay an extra fee. Therefore, be careful and pay only according to the installment period selected. It is an amazing facility offered by the banks as it helps you to purchase that thing you wish today and pay in equal installments within a period of specific time. Will you avail this facility if you are using cash? A big No is the answer. Therefore, this is indeed an advantage of plastic money.  
  
**Convenience of making payments from home**: In olden days when there was no plastic money, we need to go personally to each place to make a payment be it utility payments or booking tickets. But now you can pay at your own convenience sitting at home with the use of plastic money. For example, you need to go to the travel agency to pay cash for your ticket, instead, you can book your ticket online. Also when a travel agency is involved, they charge commission or fee but when you are booking the ticket directly from the airline's website, you are saving on it. Plastic cards can also be used for online purchases. We can see many online shops coming up these days. If you find something interesting on a website and would want to have it, you can always purchase it anytime using plastic money. Another advantage is that certain websites do not charge you the service fee if you are making payment through plastic money as the payment is done upfront. A service fee will be charged in cash on delivery option. Plastic money can be used 24 \* 7 for online purchases.  
  
**Is internationally acceptable**: One of the main advantages of plastic money is that the same card can be used locally as well as internationally. For example, you can get rid of the hassle of converting the cash into the currency of the country you are planning to travel. If you have an international debit or credit card, you can make your purchases with that card itself. So the problem of running out of cash will not happen even if you are abroad and that helps you to have a safe journey without worrying about the cash and budget. Sometimes we end up not buying something that we actually like due to insufficient cash but when you have a credit card with you, you can always purchase it and pay later. Especially from abroad as it is not practically possible to visit the country again to buy stuff.

Disadavanatges of Plastic Money

Like everything, plastic money also has its own merits and demerits. We should wisely use it keeping all the below points in mind. If you are clever, you can make use of the cards but not everyone can be clever. So for those who are not well aware of the cards and its disadvantages should always be careful to avoid themselves being in trouble. Many people play with cards and might not end up paying a single penny as interest. Never follow them as not everyone is smart with cards and we might end up losing money.  
  
**Just plastic money won't help always**: Plastic money is not a complete replacement for cash. In certain places, we need cash itself. While buying fish from the market or when paying to the newspaper boy, we need cash itself as they do not carry POS machine to swipe the plastic money. Similarly, we pay money at religious places for offerings, there also they do not take plastic money. Unless we have the facility to use plastic money everywhere, we cannot replace cash completely. Still, there are small retail shops which do not take plastic money. In villages, hardly we find any shops that accept plastic money. It makes us necessary to carry some cash always for our safety.  
  
**Plastic Money is also not 100% safe**: There is a certain amount of risk involved in transactions which involves plastic money as well. Especially when doing online shopping. We are exchanging the details relating to our card over the internet which is not always a safe place. Some websites are just set up to steal our financial information and loot money thereby. We should not fall in to such scams and hackers. One should be a [smart online shopper](https://www.indiastudychannel.com/resources/172867-Tips-to-be-a-smart-online-shopper.aspx) in this world.  
  
**Minimum purchase requirements**: One of the major disadvantages of using plastic money is that one needs to make a minimum purchase in order to swipe their card. For instance, if the minimum purchase is Rs. 50.00; and we have purchased items for only Rs. 40.00, you can't use your card for this transaction unless you purchase for Rs. 50.00. In this case, you will have to purchase something unnecessary to make it Rs. 50.00. If we had sufficient cash in hand, we could have avoided spending extra Rs. 10.00  
  
**Service charge in certain cases**: When we are using plastic money instead of cash, in certain cases the bank charges a service charge for the purchase of certain items. For instance, in some countries, the service charge is levied on card transactions when you purchase gold from jewelry. When paying cash, this additional charge will not be taken.  
  
**Card too can get damaged**: Imagine a situation wherein you have made a purchase and when at the counter you realize that your card is damaged or when trying to swipe, the transaction is not getting proceed due to some chip error or damage. You will definitely wish if you had some cash in hand. These cases occur only when plastic money is used. It might be a rare case but the possibility cannot be completely ignored.  
  
**Interest, for non payment**: A credit card allows you to purchase today and pay for at a later period of time. It gives you a credit period, but if we fail to make the payment within the due date, interest will be charged. When we are using cash, we are not taking any credit from the bank, hence non-payment does not occur.

**What are the different methods of digital payments?**

After the launch of Cashless India, we currently have ten methods of digital payment available in India. Some methods have been in use for more than a decade, some have become popular recently, and others are relatively new.

1: Banking Cards

Indians widely use Banking cards, or debit/credit cards, or prepaid cards, as an alternative to cash payments. Andhra Bank launched the first credit card in India in 1981. Cards are preferred because of multiple reasons, including, but not limited to, convenience, portability, safety, and security. This is the only mode of digital payment that is popular in online transactions and physical transactions alike. Nowadays, many apps are being launched with the sole purpose of managing card transactions like Cred, Square, etc.

2: Unstructured Supplementary Service Data(USSD)

USSD was launched for those sections of India’s population which don’t have access to proper banking and internet facilities. Under USSD, mobile banking transactions are possible without an internet connection by simply dialing \*99# on any essential feature phone. This number is operational across all Telecom Service Providers (TSPs) and allows customers to avail of services including interbank account to account fund transfer, balance inquiry, and availing mini statements. Around 51 leading banks offer USSD service in 12 different languages, including Hindi & English.

3: Aadhaar Enabled Payment System (AEPS)

AEPS is a bank-led model for digital payments that was initiated to leverage the presence and reach of Aadhar. Under this system, customers can use their Aadhaar-linked accounts to transfer money between two Aadhaar linked Bank Accounts. As of February 2020, AEPS had crossed more than 205 million as per NPCI data. AEPS doesn’t require any physical activity like visiting a branch, using debit or credit cards or making a signature on a document. This bank-led model allows digital payments at PoS (Point of Sale / Micro ATM) via a Business Correspondent(also known as Bank Mitra) using Aadhaar authentication. The AePS fees for Cash withdrawal at BC Points are around Rs.15.

4: Unified Payments Interface (UPI)

UPI is a payment system that culminates numerous bank accounts into a single application, allowing the transfer of money easily between any two parties. As compared to NEFT, RTGS, and IMPS, UPI is far more well-defined and standardized across banks. You can use UPI to initiate a bank transfer from anywhere in just a few clicks. The benefit of using UPI is that it allows you to pay directly from your bank account, without the need to type in the card or bank details. This method has become one of the most popular digital payment modes in 2020, with October witnessing over 2 billion transactions.

5: Mobile Wallets

Mobile Wallets, as the name suggests, are a type of wallet in which you can carry cash but in a digital format. Often customers link their bank accounts or banking cards to the wallet to facilitate secure digital transactions. Another way to use wallets is to add money to the Mobile Wallet and use the said balance to transfer money. Nowadays, many banks have launched their wallets. Additionally, notable private companies have also established their presence in the Mobile Wallet space. Some popularly used ones include Paytm, Freecharge, Mobikwik, mRupee, Vodafone M-Pesa, Airtel Money, Jio Money, SBI Buddy, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, etc.

6: Bank Prepaid Cards

A bank prepaid card is a pre-loaded debit card issued by a bank, usually single-use or reloadable for multiple uses. It is different from a standard debit card because the latter is always linked with your bank account and can be used numerous times. This may or may not apply to a prepaid bank card. A prepaid card can be created by any customer who has a KYC-complied account by merely visiting the bank’s website. Corporate gifts, reward cards, or single-use cards for gifting purposes are the most common uses of these cards.

7: PoS Terminals

PoS(Point of Sale) is known as the location or segment where a sale happens. For a long time, PoS terminals were considered to be the checkout counters in malls and stores where the payment was made. The most common type of PoS machine is for Debit and Credit cards, where customers can make payment by simply swiping the card and entering the PIN. With digitization and the increasing popularity of other online payment methods, new PoS methods have come into the picture. First is the contactless reader of a PoS machine, which can debit any amount up to Rs. 2000 by auto-authenticating it, without the need of a Card PIN.

8: Internet Banking

Internet Banking, also known as e-banking or online banking, allows the customers of a particular bank to make transactions and conduct other financial activities via the bank’s website. E-banking requires a steady internet connection to make or receive payments and access a bank’s website, which is called Internet Banking. Today, most Indian banks have launched their internet banking services. It has become one of the most popular means of online transactions. Every payment gateway in India has a virtual banking option available. NEFT, RTGS, or IMPS are some of the top ways to make transactions via internet banking.

9: Mobile Banking

Mobile banking refers to the act of conducting transactions and other banking activities via mobile devices, typically through the bank’s mobile app. Today, most banks have their mobile banking apps that can be used on handheld devices like mobile phones and tablets and sometimes on computers. Mobile banking is known as the future of banking, thanks to its ease, convenience, and speed. Digital payment methods, such as IMPS, NEFT, RTGS, IMPS, investments, bank statements, bill payments, etc., are available on a single platform in mobile banking apps. Banks themselves encourage customers to go digital as it makes processes easier for them too.

10: Micro ATMs

Micro ATM is a device for Business Correspondents (BC) to deliver essential banking services to customers. These Correspondents, who could even be a local store owner, will serve as a ‘micro ATM’ to conduct instant transactions. They will use a device that will let you transfer money via your Aadhaar linked bank account by merely authenticating your fingerprint.

**What are the benefits of digital payments?**

In a country like India, where disparities are sometimes poles apart, ensuring financial equality becomes an issue of prime importance. One of the reasons why our government started vocalizing Cashless Economy and Digital India was to improve access to financial resources. There are multiple benefits that digital payments bring to the table.

**1. Ease and convenience**

One of the most significant advantages of digital payment is the seamless experience they provide to customers. Reduced dependency on cash, fast transfer speed, and the ease of transacting make online payments a preferred option. Traditional payment methods like cash and cheques add to factors like risk, steps, and physical presence. With digital payment, you can send and receive funds from anywhere in the world at the click of a button.

**2. Economic progress**

Customers transact more online when they see the ease, convenience, and security of online payments. This means that more and more people feel comfortable buying online, investing digitally, and transferring funds via electronic mediums. The increase in money movement and online business contributes to the progress of the economy. This is why online ventures are being launched every day and even more are making profits daily.

**3. Safety and efficient tracking**

Handling and dealing in cash is a cumbersome and tedious task. Along with the risk of losing money, there is the hassle of carrying cash everywhere you go and keeping it safe. With digital payments, one can keep their funds secured in online format effortlessly. Nowadays, your mobile phone alone is enough to make and receive payments – thanks to UPI, netbanking, and mobile wallets. Additionally, most digital payment channels provide regular updates, notifications, and statements for a customer to track his funds.

**The benefits of credit cards are innumerable, and some prime ones are:**

**1. Buy on credit:**

What makes a credit card attractive is the credit limit allowed to the cardholder. You can buy anything within that limit and pay later. Your monthly budget will not affect, even if you buy items of high value on credit. One among the most important benefits of credit card is you can convert the total amount of your purchases into low-cost EMIs to enable you to repay it easily over a period of time. This has helped revolutionize the shopping experience.

**2. Most accepted method of payment:**

You can travel anywhere, without carrying much money if you have this card. Being the most accepted method of payment, you can use a credit card to pay anything.

**3. Interest-free cash withdrawals:**

There are a few credit cards that allow you to withdraw money up to a certain limit in case of emergency, with no interest charged up to 45 to 50 days. You can make use of it in times of financial emergency.

**4. Unlimited reward points:**

These cards come with reward points when you use them. For instance, IDFC FIRST Bank credit cards offer unlimited and never-expiring reward points, which are easily redeemable.

**5. Insurance coverage:**

You get personal accident average, as well as comprehensive travel insurance coverage and this is one of the significant benefits of credit cards, which make them attractive.

**6. Make travel easy:**

The uses of credit cards in travel make them important. When it comes to IDFC FIRST Bank credit cards, they give you a unique experience through complimentary lounge access at the airports and railway stations in India and priority check-in. Other than these, you can also enjoy discounts on food in more than 1500 restaurants.

**7. Discounts and cashbacks:**

The advantages of credit cards extend to discounts on movie tickets, online shopping and health and wellness outlets. You can also enjoy fuel surcharge waivers at petrol pumps across the country.

**8. Improve your credit score:**

The benefits of credit cards do not limit to shopping on credit; instead, it helps improve your credit score. If you know how to use a credit card and how to make use of the credit period, and repay the amount used on time, you can boost your CIBIL score. This will help you obtain loans, without any difficulty in future.

**9. Offers safety:**

You don’t have to carry much money if you have a credit card.

**10. Keep track of your expenses:**

The statements you get every month helps you check your expenses and plan the repayment without any delay.