INTRODUCTION

A bank is basically a financial institution whose primary function is to accept deposits and to use these deposits for lending purposes. It is basically a link between those who have surplus capital and those who are in need of capital. India has a long history of financial intermediation. Banking in India originated in the last decades of the 18th century. It is certain that the old banking system has been functioning for centuries. Indian Banking System has evolved from a small group of merchant banks to a huge network of commercial banks.

In India, as in other countries around the world, an organized system of payment has emerged over time from the barter system to the more convenient forms of monetary systems. The prevalent mode of exchange across India in the 20th century has been coins, cash and cheques. As we move ahead into the 21st century, payment through cash and cheques has been transformed from a physical paper-based exchange of value to a virtual electronic one.

In the early 1990s, the government focused on licensing a small number of private banks so as to promote liberalization. This move, along with the rapid growth in the economy of India, boomed the banking sector in India. By 2010, banking in India was quite mature in terms of supply, range of products and reach in the rural areas. For some private banks and foreign banks it was still a challenge to reach to the rural areas of the country. Till 2013 this challenge was met and the banks covered almost all the rural areas of the country making it a main focus as they expected more operations from the rural India.

Physical as well as virtual expansion of banking through mobile banking, internet banking, telebanking and mobile ATMs is taking place since last decade and has gained popularity in last few years. The development of information technology and emerging a number of new innovations have taken place in the area of retail payments known as electronic money (Al-Laham, 2009) or plastic money. The use of plastic money has been expanding quite rapidly, and its development is a prominent trend in the area of retail payments (BOJ, 2008).

In India, like other developing economies, a slow transformation from the use of paper-based payments medium to the electronics based medium has been witnessed (RBI, 2002). While the basic features of these new instruments are some how similar to those of old, paper-based instruments. In the Indian market, the development of plastic money is probably the most significant phenomenon of the modern banking era. Plastic money comes in various forms but the most predominant form that it takes is that of credit card and debit cards. Plastic money and other forms of electronic payments are nothing but newer and more convenient mode of payment. Even though today, cash is still the order of the day. In fact, in the western developed world, higher value purchases are increasingly being made through plastic and cash in relation to the world of low value purchases.
Origin of Plastic Money:

Money is the most important and useful inventions made by man. It comes in different forms. As we all know that earlier there was no monetary system in the economy, people used barter system for any kind of exchange. Barter system was a system in which people used to sell goods and services through direct exchange. Thus, it served the purpose of the self interest of every individual in society. It has been observed that the barter system of exchange was usually common among the uncivilized and economically backward communities and countries.

The functioning of barter system was, however, cumbersome and inconvenient in which people had to face the problems like:
- inconvenience of lack of double coincidence of wants
- common measure of value
- mean of sub division
- Store of value.

The inconvenience and difficulties of the barter system led to the evolution and growth of a common unit of account. The origin of money came as a blessing to the society as the barter system was an outmoded way of life for those people who were keen to grow and impatient to conduct their trade cheaply and efficiently in many commodities. Money deserves to be the best among man’s important inventions.

According to Kutty (1979), money was introduced by people to remove the inconvenience and difficulties faced in the barter system. From its very invention, money came in society in different forms. Money has been around in one form or the other with some or all of the features and functions, since about 5000 BC. It has evolved over thousands of years to get new characteristics and to perform new functions. Even today money is evolving. In fact, the 20th century has seen money change form like no other.

Today, plastic form of money is common in most of the developed countries and are gaining acceptance in many developing and underdeveloped countries too. Plastic money has certain advantages over traditional money just as paper money has certain advantages over coins.

Plastic money has all advantages of coins and paper money. It differs from other existing forms of money in various ways. In comparison with cash, which uses only physical security features, electronic or plastic money products use cryptography to authenticate transactions and to protect the confidentially of data (ECB, 1998). It has an extra function of identification. Like conventional money, plastic money acts as a medium of exchange, a unit of account and a store of value of money. It is meant to be used in place of coins and banknotes for the purpose of making payments. A major drawback of plastic money as payment mode is its heavy dependence on technology (satellites, phone lines, computer links, LANs, WANs etc). A disturbance in any one of these can cause a major disruption in acceptance procedures.