Plastic Money:

Plastic money is a term that is used predominantly in reference to the hard plastic cards we use everyday in place of actual bank notes. They can come in many different forms such as cash cards, credit cards, debit cards, pre-paid cash cards and store cards.

Types of Plastic Money:

There are three kinds of payment cards based on their payment method.
Those are :-
Credit card,
Debit card and
Charge card.

Credit Card : When you do a transaction using a credit card, you don't need to pay your hard money to merchant or to Credit Card Company instantly. That transaction amount will paid by credit card company to merchant and then you can pay it to credit card company in next month or during your billing period. And credit card company offer the facility of paying your payments during given period and in installments. To the installments Credit Card Company adds there monthly interests and then you have to pay your balance with their interest monthly. The previous month bill including the interest was the subject of the loan in the following month. A credit card has the provisions of the limit that applied to all the member depended on the card type (Silver, Gold and Platinum), minimum amount to pay from the total balance of the bill (like 5%, 10%) and if not paid that amount then fall due that was determined. And if not paid during the billing due date bill amount would subjected to the late payment fee as big as certain percentage from minimum amount and some times it will be a fixed amount for a month

.**2. Debit Card:** To use a debit card you may have a bank account with the credit card company or the bank, because this transaction proceed as like the cash transaction ,because of this only if this card holder had the enough available balance to cover the transaction amount can transaction could be only carried out, after the transaction, transaction amount directly credited from the card holders account and debited to merchant's account in the very same time If you use a debit card you can do card transactions if have the balance in your account for the transaction and when you did a sale transaction using the card itis a cash transaction by not using cash but the paying off or payment was carried out by means of reduce (debiting) from the balance of the account of the credit card holder and then increase (Crediting) the account of the merchant as much as the transaction to the manager of the bank.

3. Charge Card: When use a charge card, it could be used as the payment implement of a trade transaction of product or the service. Then the cardholder has to set off the entire outstanding amount fully at the end of that month or in the following month with or without the additional chargers and fees. Normally, the charge card don't have the provisions of the credit limit and cardholder has to do full payment of all the transactions before the next statement and without used percentage the interest, but card holder not paid full outstanding amount then he has to pay a additional charge called delay fine for his next statement.

Advantages of Debit Cards:

No debt: For many, the appeal of debit cards is that you don't go into debt when using them. They limit spending to what's available in your checking account. Your card will just stop working when you run out of money unless you sign up for optional overdraft protection, which is helpful if you have a hard time controlling your spending. There are a few situations where you can still get hit with insufficient funds charges, but those cases are relatively rare. There also won't be interest charges each month.

Costs you pay: Using debit cards is inexpensive as well. They don't charge the annual fees credit cards sometimes do. Some checking accounts (which you'll need for a standard debit card) charge maintenance fees if you don't qualify for a waiver, but a checking account is practically a necessity — a credit card is not. Plus, you can probably find free checking elsewhere. If you need cash from an ATM, you've got a good chance of getting it for free with your debit card, but credit card cash advances are notoriously expensive.

Costs merchants pay: Debit cards can also be inexpensive for retailers. Merchants pay fees to process your payments, and debit card swipe fees are typically much lower than credit card fees (although there are exceptions). As a result, some merchants require you to meet minimum purchase thresholdswhen you use a credit card (a $10 minimum, for example). Help your favorite businesses keep costs low when you pay with a debit card.

Simplicity: Your debit card comes with your checking account, and adding a credit card to the mix is just adding a layer of complexity to your finances. That's one more username and password, another card number that can get stolen, and an extra payment you need to stay on top of each month. Your debit card will work almost everywhere a credit card works.

No credit needed: Debit cards are easier to get if you have bad (or no) credit. If you can get a checking account, you can get a debit card. Whether you don't like the idea of debt or you can't get approved for debt products, debit cards let you steer clear of credit cards.

Advantages of Credit Cards

Less risk: When you use a debit card, the money comes out of your checking account immediately. With a credit card, you (or thieves with your card number) spend the bank's money, and you have a grace period before payment is due. That gives you more time to notice errors and dispute them — while keeping your checking account intact. Credit cards also offer better protection against fraud, although most debit cards with voluntary "zero liability" coverage are similar. With credit cards, you can't lose more than $50 to fraud, but with debit cards, your liability is potentially unlimited under federal law.

Additional protection: While zero liability policies make debit cards almost as safe as credit cards (ignoring the time it takes to get the money back in your checking account), credit cards offer additional benefits. It's easier to dispute charges if there's a problem, and some credit cards offer extended warranties on items you purchase as well as limited travel insurance.

Build and maintain credit: Keeping a credit card account open helps you build a strong credit history or keep your credit in good shape. Debit cards, for the most part, do not affect your credit. Some die-hard debit card users say they don't care about credit scores because they'll never need to borrow, but those scores are important. You might want to borrow *someday* (to buy a home or automobile, for example), and starting from scratch is hard. You won't pay any interest charges if you pay off your credit card balances in full every month, and some cards have no annual fees, so there's little to lose.

Rewards: If you're the type who wants a little extra, credit cards offer better rewards than debit cards (whether that means access to discounts, cash back, or travel points).

High limits: Credit cards often come with limits that are greater than the amount of cash you keep in checking. As a result, you don't have to worry about hitting your limit due to authorizations and holds. You'll have fewer problems using your card for rental cars, hotels, gas at the pump, and dining (where pre-authorization holds lock up funds for several days, whether or not you pay with the card).

Other benefits: Depending on your situation (and your card issuer), there may be other benefits to using credit cards. For example, at some rental car agencies, a credit card is the only acceptable form of payment.

Prepaid Debit Cards

If you just can't decide, prepaid debit cards offer some of the benefits of both credit cards and debit cards.

Like credit cards, they keep your primary checking account from being exposed to the world. If there's an error or somebody steals your card number, the only money available is money you've loaded on the card. However, you'll be unable to spend those funds (which you might need), and getting the funds replaced may be a slow and difficult process.

Like debit cards, prepaid cards prevent you from going into debt. You can only spend funds that you've loaded on the card. Once that money is used up, the card stops working.

Credit Card Transaction Participants:

Before you can understand the process of a credit card transaction, it's best first to familiarize yourself with the key players involved:

- Cardholder: While this is pretty self-explanatory, there are two types of cardholders: a "transactor" who repays the credit card balance in full and a "revolver" who repays only a portion of the balance while the rest accrues interest.
- Merchant: This is the store or vendor who sells goods or services to the cardholder. The merchant accepts credit card payments. It also sends card information to and requests payment authorization from the cardholder's issuing bank.
- Acquiring Bank/Merchant's Bank: The acquiring bank is responsible for receiving payment authorization requests from the merchant and sending them to the issuing bank through the appropriate channels. It then relays the issuing bank's response to the merchant.
- Acquiring Processor/Service Provider: This third-party entity is sometimes an arm of the acquiring bank. A processor provides a service or device that allows merchants to accept credit cards as well as send credit card payment details to the credit card network. It then forwards the payment authorization back to the acquiring bank.
- Credit Card Network/Association Member: These entities operate the networks that process credit card payments worldwide and govern interchange fees. Examples of credit card networks are Visa, MasterCard, Discover and American Express. In the transaction process, an credit card network receives the credit card payment details from the acquiring processor. It forwards the payment authorization request to the issuing bank and sends the issuing bank's response to the acquiring processor.
- Issuing Bank/Credit Card Issuer: This is the financial institution that issued the credit card involved in the transaction. It receives the payment authorization

request from the credit card network and either approves or declines the transaction.

Credit Card Transaction Process:

Credit card transactions are processed through a variety of platforms, including brick-and-mortar stores, e-commerce stores, wireless terminals, and phone or mobile devices. The entire cycle — from the time you slide your card through the card reader until a receipt is produced — takes place within two to three seconds. Using a brick-and-mortar store purchase as a model, we've broken down the transaction process into three stages (the "clearing" and "settlement" stages take place simultaneously):

Stage 1: Authorization

In the authorization stage, the merchant must obtain approval for payment from the issuing bank.

1. The cardholder presents their credit card for payment to the merchant at the point of sale.

2. After swiping their credit card on a point of sale (POS) terminal, the customer's credit card details are sent to the acquiring bank (or its acquiring processor) via an Internet connection or a phone line.

3. The acquiring bank or processor forwards the credit card details to the credit card network.

4. The credit card network clears the payment and requests payment authorization from the issuing bank. The authorization request includes the following:
    - Credit card number

    - Card expiration date

- Billing address — for Address Verification System (AVS) validation
- Card security code — CVV, for instance
- Payment amount.