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THE RISE OF E-FINANCING: PATHWAYS TO MODERNIZATION IN PAKISTAN'S FINANCIAL SECTOR

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Abstract: The usage of plastic money, such as debit cards and credit cards, has significantly increased in recent years, revolutionizing the way transactions are conducted. Unlike traditional paper money, plastic money is made from durable plastic material, providing enhanced security and convenience for customers. Plastic money includes various forms of cards, like debit cards, credit cards, ATM cards, and smart cards, each offering distinct benefits and features (Mutual E, 2001).

Plastic money has gained widespread acceptance due to its efficiency in facilitating quick and secure payments. Cards bearing the Visa and MasterCard logos are recognized and accepted worldwide, making them a convenient choice for consumers (Connie Prater, 2008). Credit cards enable individuals to make purchases using the bank's funds, while debit cards allow for transactions using the cardholder's own money.

Despite the growing popularity of plastic money, certain challenges persist, particularly in countries like Pakistan. Factors such as frequent electricity breakdowns, concerns about theft and fraud, and high levels of illiteracy, especially in smaller cities, have limited the widespread adoption of plastic money.

The financial sector, with increased competition among institutions, has recognized the growing demand for plastic money in countries like Pakistan. This paper explores the evolving landscape of plastic money usage, the challenges it faces, and its potential impact on the financial sector, with a focus on the Pakistani context.

Keywords: plastic money, debit cards, credit cards, financial sector, electronic payments.

I. Introduction

Plastic money made from plastic and easy to use. A customer can purchase goods and services by using plastic money. Plastic money ensures transaction safe and reduces risks because there is no need to carryout cash in pocket for payment. Plastic money includes debit card, credit card, ATM card, smart card (Mutual E, 2001). Plastic money is same as paper money but different is that, plastic money is made of plastic and it is more secured as compare paper money. Due to risks, plastic cards are introduced worldwide.

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The usage of plastic money has increased because huge payments are made in short time. Cards are accepted worldwide known as visa and master card. In credit card you spend bank money and in debit card you spend your own money. (Connie Prater, 2008).

In Pakistan, Plastic money is still being undermined because of various factors such as electricity breakdowns, theft and frauds, illiteracy level specifically in the small cities.

Consumer financing has become more popular in private Sector from last twenty years. Increase in number of banks and reforms in banking sector have created great need of plastic money. Competition among the financial institution

Manuscript submitted November 3, 2012. This work was supported in part by the Higher Education Commission, Pakistan. They have been kind enough to provide financial support for participating and presenting this paper at the conference. pushto use credit card and they offer similar rates on credit card and loan. Through offering the loan bank achieved revenue (Warrington, 2005).

II. Literature Review

Debit card is very good facility given by the bank to customer and also good mode of online payment. Through debit card payment is deducted from customer's account and added to merchant's account. It is very easy to use and has removed the delay in payments (Mishra, 2007).

The first credit card issued in United State known as diner's club card and it was issued two hundred us tamers. They were able to use it in New York. Bank of America issuedfirstcreditcardin1956andthenmany other companies launched credit card in 1960(Douglas Mudd, 2007).

According to a survey in Pakistan, 130, 200newunit of global ATM were installed during one year and the total number of ATM has crossalmost 2.4 million. Thisincrease indicates that people preferred to use Plastic ATM card than cash transaction (Economy Watch, 2010).

The reasons for low literacy rate includes poverty, population expansion, political instability and low allocation of budget for education. According to are pot only 2.2%of GDP was allocated for education but UNICCO recommend minimum five percent. In 2006, was decided to increase the budget for education sector (Bader Munir Khan, 2009). According to online fraud report2000 which is major source of credit card payment get way; hereisaverage3.6%lossof sale due to stolen or fraud of credit card. But this figure become down in 2007. Only 1.4% losses were recorded (Online fraud report, 2008).

In the early days, when Auto teller Machine was not introduced, accounts holder had no option accept they go to the bank and getcash.Abank ATM canholdalmost Rs3 million. It is enough in a normal day but in special day like Eid due to more usage, ATM it is not enough to meet the needs of customers (Shams ul Islam, 2011).

In2011, payments through debit and credit card were madestandardizedin America and average 4 cards werehold by one personin 2010 and some people have almostten cards of different institution. They can make transaction very quickly but worth technical problems (Hoffman & Brinker, 2011).

“Allah has cursed the one who consumes Riba (Interest), the one who gives it to other, the one who records it and he one who witness it (its transaction)”. He said “All of the mare Equalinsin (Muslim)”, so the Rib a is not allowed in Islam and should not be used. (Sh. Khaled Abdel Hamid Alazahri, 2010).

III. Hypothesis

H1: There is a significant relationship between electricity breakdown and usage of plastic money.

H2: There is a significant relationship usage of plastic money and Fraud.

H3: There is a significant relationship between usage of plastic money and religious aspects.

IV. Data and Methodology

Since this was the qualitative study, so judgment and convenient techniques was applied. Judgment sampling involves the choice of subjects who are most advantage ously placed ore in the best position to provide the

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information required. The convenience sampling refers to the collection of information from members of the population who are conveniently available to provide it.

V. Empirical Results and Analysis

In our country, English is mostly used in many documents. Illiterate people find it difficult to apply for credit or debit cards when it comes to the terms and conditions part because of their rigid views on religious grounds or fears such as insecurity of their money. Secondly, shortage of electricity has also limited the swapping machine facilities at various outlets especially in small cities and people find it difficult to use plastic money there.

People agreed that the outlets of credit card and ATMs cards are affected by the energy crises like shortage of electricity. But these days most banks have adopted generator system and in the absence of electricity, ATMs terminals have no effect.

Table I

OPTION	RESPONES	PERCENTAGE
StronglyAgreed	61	20
Agreed	92	31
Neither Agree	67	22
Disagreed	54	18
Strongly	26	9
Total	300	100

ATMs terminal and other credit card and debit card outlets need electricity and these all outlets of plastic money are affected by energy crises. At many times some merchant's don't accept the credit card and debit card due to unavailability of electricity. Some banks in small cities have no proper generate or system in case of unavailability of electricity.

50 percent respondents agreed that outlets of credit card and ATMs are affected by the shortage of electricity. But 22 percent neither agreed nor disagreed whereas, 27 percent respondent disagreed from this statement.

Fear of losing ATM and debit card is another hurdle and many people state these plastic cards. Some time they

face problem of robbery and some time in terms of fraud like stolen card.

The response was as follows:

Table II

OPTION	RESPONES	PERCENTAGE
StronglyAgreed	46	15
Agreed	105	35
Neither Agree Nor	58	21
Disagreed	65	22
StronglyDisagreed	30	8
Total	304	100

The simple for fraud is to steal card. The criminal has a card reader device which is able to read the card. When some time card could not get back out of the machine then the customer leaves the card inside the ATM and walks away. Then the criminal could use card to get cash from machine. Some people feel fear of losing this plastic card and avoid using it.

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Table III

Option	Responses (Frequency)	Percentage
Strongly Agreed	101	34
Agreed	77	26
Neither Agree Nor Disagree	69	23
Disagreed	33	11
Strongly Disagreed	20	7
Total	300	100

According to some people Islamic banking system is better than conventional banking system. Due interest issues some people use Islamic banking. In Islamic banking system there is no interest involved because debit card are issued in place of credit card in which the customer used their own money.

Islamic banking system is more reliable than the conventional banking system because in the conventional banking a facility of overdraft is provided by the banks. Credit card is best example of overdraft which is not provided by the Islamic banking. Due interest issue some people prefer Islamic banking. In Islamic banking system debit card is used for purchasing. Banks provided bit card to customer.

VI. Conclusions

State Bank of Pakistan should form a check system and take action against those banks which do not provide good banking facilities to all its customers.

During the national holidays, all banks should delegate their staff for visiting their ATM specially in small cities time to time tonsure frequent availability of cash.

For people who he state tousle creed it cards due the interest issue. Conventional banks should introduce such credit cards as well which hare not involved in interest.

If the user of credit card pays the bill in due time they can avoid to pay interest. Therefore, banks and financial institution should provide the training to user for use of plastic money and guide them properly, the use of plastic money can be increase.

There preventatives of the bank must inform the customer properly about the terms and conditions of the credit and debit card and pay more attention to the less educated people.

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