

**Challenges of Risk Management in Credit Card
Transactions in Sri Lanka**

By

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the Master of Philosophy in "Criminology" in Sri Lanka on 11.04.2013.

Declaration of the Researcher

This Research contains no material which has been accepted for the award of any other Degree or Diploma in any University of equivalent Institution, and that to the best of my knowledge and belief, contains no material previously submitted or written by any other person, except where due reference is made in the text of this dissertation/research paper.

I carried out the work described in this Research under the supervision of Mr. W.M. Dhanapala, Senior Lecturer, Department of Sociology and Anthropology of the University of Sri Jayewardenepura, Sri Lanka.

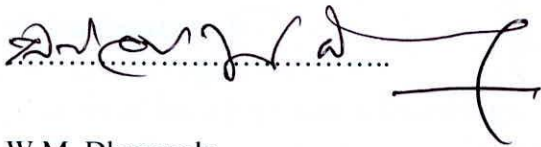
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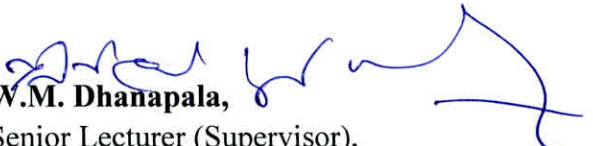
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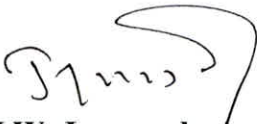
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in Sri Lanka

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ABSTRACT

The problem examine in this research is “Challenges of Risk Management in Credit Cards Transaction in Sri Lanka”. The concept of money has been generated and introduced to the human civilization owing to the trade and businesses conducted as a medium of exchange of value of the product, whether it’s goods or services. With the expansion of trade within the countries and offshore the country faced with numerous issues in exchanging money due to the volume, the nature and the security of physical money. Physical money begins with pieces of metal, coins and developed to paper money with lot of security features. With the advent of technology, the concept of paper money developed to plastics over-riding the fear of carrying huge volume of physical money and its security.

The concept of plastic money evolves with the technological advancement without any physical money. The value of currency of the particular trade will be transferred from the Credit of the buyer or the beneficiary through the cyber space. This operation is being facilitated by the credit card service providers such as VISA and Master cards. The Credit limit is encrypted in the magnetic script or the micro chip and the transactions are permitted according to the credit limit and facilitated by the technology over cyber space.

The transformation of money from metal to paper and paper to plastics created a new paradigm in the world of business. Along with the transformation the component of the risk also considerably increased due to certain vulnerabilities. Since the technology is the key in credit card business, less IT literate societies faced with numerous Challenges and monetary losses with higher degree of risk. It is mainly due to the arrival of the concept of credit cards without proper IT literacy, institutional framework, infrastructure and legal safeguards. It is worth to note the use of credit cards are very much popular in the West and expeditiously developed to the other jurisdictions mainly due to international trading and travel. Although adequate legal and institutional infrastructure backed with IT had overcome most of the Challenges prevailed in the West, the under-developed countries are being faced with numerous challenges of controlling the degree of risk.

Sri Lanka is one country where the operations of the Credit cards commenced in decade ago. According to the Annual Report of the Central Bank, issued in 2010 nearly 778,549 are circulating in Sri Lanka issued by the 11 Commercial Banks. There are only 58,771 are meant to local consumption and the balance 719,678 are being provided to use locally and internationally. Further it is worth to note that the volume of trade conducted utilizing the Credit cards are on the rise in Sri Lanka. With the accumulation the risk faced by the Banks merchants and the customers also gradually raises without adequate security networks.

With the development it has become necessary to manage the risk of Credit currency in the Sri Lankan way. It is need to be identified and gaps have to be filled and the problem should be solved to overcome these issues. The research work is based on with the

objective of identifying the Challenges and to forward recommendations to the authorities as a food for thought in their strategic planning.

The research objectives are based on four main areas such as:

01. To explain the role and the risk of the credit cards in the modern economy and the society.
2. To ascertain the credit cards related issues and Challenges including the credit cards related fraudulent acts and the investigations.
3. To explore the use of an expansion of credit cards in Sri Lanka.
4. To critically analyze the criminal justice system in Sri Lanka in respect of Credit cards.

Thus, the main concern of the study were focused to identify the role of the credits in modern economy it's nature and scope along with the risk factor emanates, to the economies of the respective countries especially in the, specially to Sri Lanka. It's analyze the judicial systems institutional safeguard remedies and prevention of abuse.

A literary survey was carried out examining and analyzing the international convention legislations of the other countries and anticipated future trends. Due to the fast development of IT, managing risk of Credit cards had become more convenient to the perpetrators. There are large organized groups are in existence in the world to siphon out money or tainted money. Thus, it is imperative to focus attention on the areas of international cooperation,

mutual assistance and the expeditious development of IT in critically analyzing the existing local legislation.

A significant revelation was surfaced in this study concerning the National Security of Sri Lanka. Certain case studies and in-depth analysis of the antecedents of suspects involved revealed that these groups are utilizing the funds to support and harness terrorism in Sri Lanka and abroad. Directly between the proscribed LTTE and the perpetrators had been revealed. This clearly indicates that the gaps in the business had been clearly identified by the terrorists has made use of it as a source of funding to terrorism. This may be the first ever research conducted in Sri Lanka and uncovered the National Security factor and the influence of the terrorism on the increased risk component of the Credit card management.

The study recommends measure to minimize the perceive challenges and to improve the effectiveness of the Credit card risk management in Sri Lanka. The bottom lines of these recommendations are aimed at achieving the total quality Credit cards risk management regime in Sri Lanka with zero crime and zero delay.

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