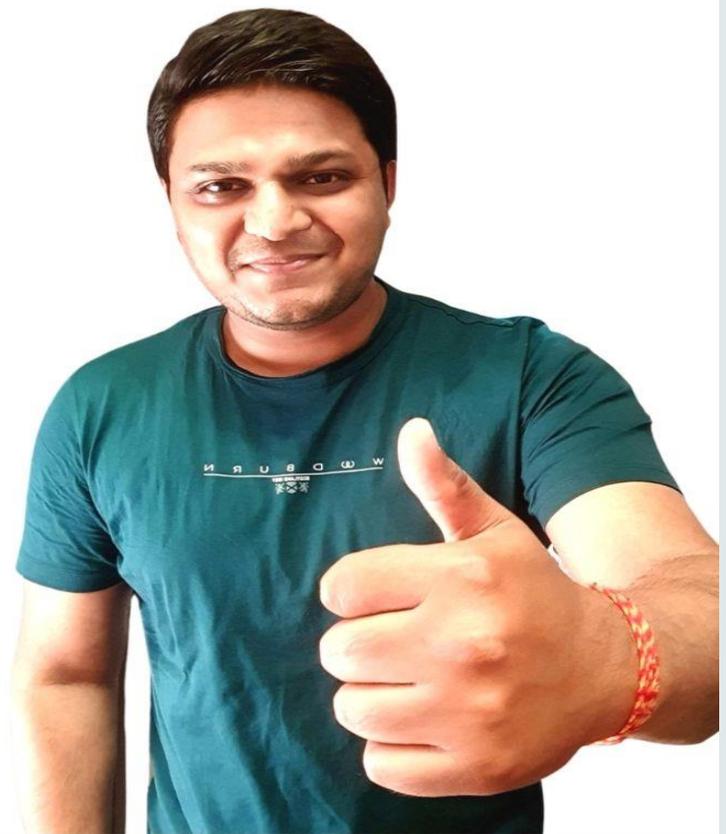


IIBF DIGITAL BANKING

NOTES PART-2



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Note: Though we had taken enough care to go through the notes, we advise everyone to update oneself with the latest information through RBI website and other authenticated sources.



LEARNING
SESSIONS

November 2021

DIGITAL BANKING IIBF NOTES:

CARDS: OVERVIEW AND BRIEF HISTORY

The Cards in Theory:

The mention of transactional cards was first found in history back in 1890 in novel **‘Looking Backward’** by **Edward Bellamy**. The term credit card was mentioned 11 times in there citing it as a card that can be used for purchasing goods by spending a citizen’s dividend from the government, instead of borrowing.

Card by businesses for their individual store:

Charga-Plates: They were considered to be the first stepping stone in of transactional cards history. They first came into existence **in US in year 1928** & were offered by merchants to their regular customers. The plates were specific to the individual stores & could only be used in those specific stores. Whenever a user made purchase, manual entries were made to maintain the data.

First card by a bank: It was National Bank of Brooklyn in New York that issued a charge card **in 1946**. It released a **“Charge-It” program** between bank customers & local businesses. The businesses were required to deposit their sales slips to the bank, which in turn were used to bill their customers.

Card across multiple business stores: **In 1950**, Diners Club introduced the Diners Charge Card providing the option to shop at several different stores by using the same card. Customers were sent a monthly statement of their expenses, that they were then required to pay. **A service charge** to the credit card issuer was charged in the range of **3% to 5% of the T. Sales Value**.

Interbank card: In 1958, Bank of America issued the **Bank Americard credit card** that was renamed to **‘Visa’** in 1976 when Bank of America collaborated with other banks who also wanted to offer card services but without having to build the entire system by themselves.

MasterCard: In 1979 came the Mastercard brand that was formerly called the Interbank Card Association and Master Charge.

International cards: Both VISA and MasterCard set up ground rules and policies on world level around the issuing, usage, payments, etc on cards of different banks.

These cards are now facilitating the merchants to accept payments not just from the same city or state or even country but also internationally! Today, **MasterCard controls 25% of the global payments while Visa controls 61.5% of the payments market share.**

CREDIT CARDS IN INDIA:

In 1980, the Central Bank of India (CBI) launched the first bank credit card & in the same year Andhra Bank followed its footsteps (**Visa brand**).

In 1988, Vijaya Bank introduced MasterCard **with the key differentiation that Vijaya Bank allowed its customers to withdraw cash from their branches.** The eligibility for credit card was entirely based upon the income of the consumers.

Between 1988 to 1993, a lot of other **PSU banks also started issuing credit cards to their customers.** It was the time when ATMs also started increasing.

Grabbing this opportunity, Indian banks started issuing **DEBIT CARDS** to their customers. This provided convenience to the customers to withdraw money from their bank accounts whenever they wanted to from an ATM machine.

This industry **gained popularity with its wider acceptability** at shops & better product offerings in a competitive landscape. Now a days, banks offer bundled insurance benefits, reward point systems, zero liability in terms of frauds, etc.

A significant number of Indians were **aware of credit and debit card products by late 1990s.** Then, the time came for the trend of online payments but that was limited by internet penetration and availability of cards. After IRCTC (2002), MakeMyTrip (2005), and Flipkart (2007) came into the market, people started availing online services by using internet banking services & cards.

By 2010, credit & debit cardholders had started making online payments frequently. But it was in the next decade that became a key turning point for the Indian digital payment systems with the launch of **Rupay by the National Payment Council of India (NPCI)** in 2012.

Rupay came with the vision of **starting Indian brand** for debit, credit and prepaid cards. Rupay gained traction in tier 2 and tier 3 cities by 2018, and **today, Rupay Debit Cards have higher penetration in India than Visa and MasterCard.**

VARIOUS TYPES OF CARDS

Cards can be classified on the basis of their issuance, usage and payment by the card holders. There are 4 types of cards offered by the banks:

1. **Debit Card:** These cards are linked to a bank account.
2. **Credit Card:** These are generally issued by banks & some of non-banks, but can also be issued by other approved entities.
3. **Prepaid Card:** These cards are issued by banks as well as non-banks against the advance paid by the cardholder and the value stored in such cards can be issued in the form of cards or wallets.
4. **Electronic Cards.**

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