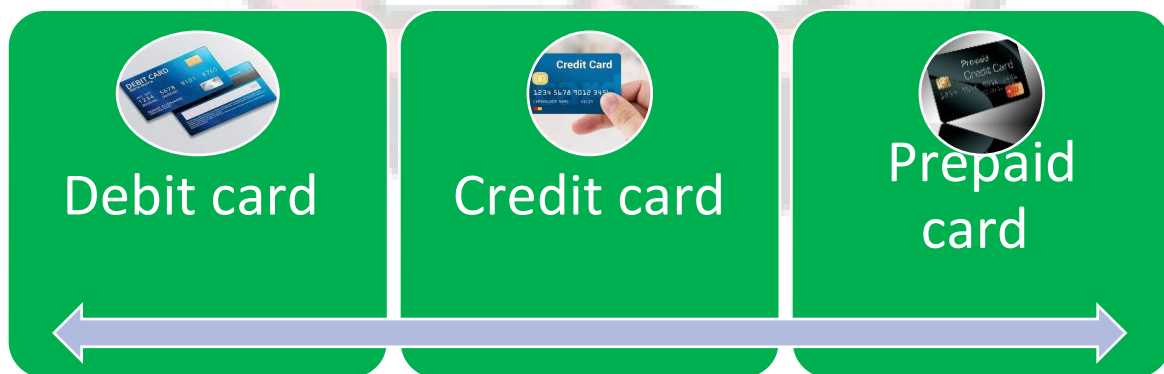


CREDIT CARDS AND DEBIT CARDS

PLASTIC MONEY

- It refers to payment cards—such as **credit cards, debit cards, and prepaid cards**—that are made primarily of plastic.
- These cards have become a **central part of modern financial transactions**, offering a convenient alternative to carrying cash.
- It is a **form of payment** that enables consumers to make **transactions without spending cash**.



CREDIT CARDS

- It is a type of **credit facility**, provided by banks that **allow customers to borrow funds within a pre-approved credit limit**.
- It enables customers to make **purchase transactions on goods and services**. The concept behind Credit cards is "**Buy Now, Pay Later**."
- The **credit card limit** is determined by the credit card issuer based on factors such as **income and credit score**.

SALIENT FEATURES OF CREDIT CARDS

- Credit Cards are **accepted globally through their affiliation with Visa and Master Card**.
- Credit Cards are issued with **limits of usage called "Card Limit"** which fixes the upper limit up to which the cards can be used.
- To induce usage of cards, **reward points are awarded** based on the amount and type of usage. Reward points vary for different classes like Silver, Gold, Platinum, Titanium, etc.

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- The concept of "**Cash Back Offer**" was introduced in credit cards to promote more usage by incentivizing usage.
- The payment **can be made in full on or before the due date**. Alternatively, a **minimum of 10%** of the outstanding amount can be paid every month on the due date.
- **Charges for late payment** beyond the due date is collected as late fees and vary from **₹200 to <500 across banks**.

PARTIES INVOLVED IN CREDIT CARD TRANSACTION

The Customer (Cardholder)

It is an individual who **possesses a credit card issued by a financial institution**.

The Issuing Banks

It is a financial institution that **provides credit cards to customers**.

The Retailer

The retailer, also known as the merchant, **is a business entity that sells goods or services to customers**. They accept credit card payments as one of the methods of payment.

The Acquiring Banks

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It is a **financial institution** that **establishes and maintains relationships with merchants** to enable them to accept credit card payments

The Clearing Network

The clearing network, also known as the **payment processor or payment gateway**, is an **intermediary system** that handles the secure transfer of transaction **data between the acquiring banks and the issuing banks.**

PROCESS OF CREDIT CARD TRANSACTION

Step	Entity	Description
1	Customer (Cardholder)	Presents credit card for payment
2	Retailer	Accepts credit card and initiates transaction
3	Acquiring Banks	Once the retailer receives the credit card information from the customer, they need send data to Acquiring Banks.
4	Clearing	The acquiring bank sends the credit card

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	Network	transaction information, to a clearing network
5	Issuing Banks	The clearing network then forwards the credit card transaction details to the cardholder's issuing bank.
6	Transaction Authorization	The issuing bank, upon receiving the transaction request, assesses the available credit and checks for any suspicious activity. If the transaction is approved, the issuing bank sends an authorization code back to the clearing network, which is then forwarded to the acquiring bank
7	Transaction Settlement	With the authorization code received, the acquiring bank informs the retailer that the transaction is approved. The retailer completes the purchase, and the acquiring bank transfers the funds from the cardholder's account (minus any applicable fees) to the retailer's account.

TYPES OF CREDIT CARDS

Proprietary Credit Cards

- These are issued by financial institutions, such as **banks or credit card companies, under their own brand name.**

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- These cards are not affiliated with any specific retailer or brand. The **financial institution creates and manages the credit card program, sets the terms and conditions, and handles customer service.**



Co-branded Credit Cards

- These credit cards are created through a partnership between a financial institution and a specific retailer, **airline, or organization.**
- These cards bear the logo or name of both the financial institution and the partner brand.
- Examples of co-branded credit cards include the **Amazon Prime Rewards Visa Signature Card.**



CREDIT CARD ISSUING PROCESS

Step	Description	Activities
1	Obtaining an application from the prospect.	Prospective cardholder fills out a credit card application form. Submits required documents (proof of identity, income, etc.).
2	Processing the application.	Verification of the applicant's identity and documents. Review of the application for completeness.
3	Analysing and arriving at the Credit Score.	The creditworthiness of the applicant is assessed. Credit bureaus may be contacted to obtain the applicant's credit history and credit score.
4	Decision on the type of card to be issued.	Based on the credit score and the applicant's financial standing , the card issuer decides on the credit limit and type

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		of card to be issued (e.g., rewards card, cashback card, etc.).
5	Issue of Card & PIN Mailer.	If the application is approved, the credit card is generated. A PIN (Personal Identification Number) is assigned to the card.
6	Dispatch of Card & Acknowledgement of Receipt.	The physical credit card is sent to the cardholder's registered address . The cardholder receives the card and acknowledges receipt, either online or through phone activation.
7	Card Operations.	The cardholder can activate the card by following the provided instructions. The cardholder can start using the credit card for transactions.

DOCUMENTS REQUIRED FOR CREDIT CARD APPLICATION

- **Identity Proof** which can be a copy of Passport, PAN Card, UID, Driving License or Voter's ID Card.
- **Income Proof** which can be the latest IT Return, Form 16, Salary Slip for Government or PSU Employees.
- **Address Proof** which can be a copy of Passport, Electricity, Telephone Bill, UID, Bank Passbook of any PSU Bank.

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- **Colour Photograph and PAN Card copy.**
- **Last 3 months' bank statement.**

ELIGIBILITY FOR CREDIT CARD

- At least 18 years of age
- Compliance of KYC norms
- A good credit history
- A regular source of income to repay one's credit card bills whether salaried or self-employee

IMPORTANT TERMS USED IN THE CREDIT CARD

Joining Fees & Annual Fees

- Joining and Annual Fees are charged **at the time of issue and at the end of every year** respectively and vary with the type of card.
- While **standard cards are issued 'lifetime free'** by most of the card issuers as a marketing strategy.

Finance Charges

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These are fees that credit cardholders need to pay **when they carry a balance on their credit card, rather than paying it off in full** by the due date. These charges are **levied on the outstanding balance on the card.**

Minimum Amount Due

- It is the **minimum payment** that a credit **cardholder** is **required to make on their credit card balance each month** to remain in good standing with the card issuer.
- It represents the **lowest amount that the cardholder needs to pay to avoid being considered delinquent or in default** on their credit card account.
- It is calculated by **adding New Debits for the month, previously unpaid payments, and other charges.**

Interest-Free Period

- It is essentially a **window of time provided by the credit card issuer** where the cardholder has the opportunity to repay the outstanding balance in full without incurring any additional interest charges.

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- The period depends on the type of card and may **vary from 20 days to 50 days** depending on the card issuer.

Annualised Percentage Rate (APR)

- The interest rate was expressed as a **monthly percentage rate** previously to reduce the impact of high rates when **calculated on an annualized basis**.
- But regulatory prescription had resulted in **credit card issuers clearly mentioning the interest rate on an annualized percentage rate**.

Other Charges & Penalties

S.NO	Type of facility/Penalty	Charges
1	Cash Advance Transaction Fee	2.5% of the cash amount
2	Card Replacement (lost/stolen/re-issue/any other)	100/250 depending on the card
3	Overdue penalty/ Late payment fee	15% of the Total Amount Due (Min. 350, Max. 750)
4	Over Limit Penalty	600/-

PREPAID PAYMENT INSTRUMENT (PPI)

- It is a **financial product** that **allows users to load and store funds in advance** to make various transactions, including **purchases, bill payments, and money transfers.**
- Users can **load money onto the instrument** beforehand and **then use it at various merchant outlets** or online platforms where PPIs are accepted.

TYPES OF PREPAID PAYMENT INSTRUMENT (PPI)

CLOSED SYSTEM PPIS

- These PPIs are issued by companies for **use only at their own outlets or designated merchants.**
- They **cannot be used for transactions outside of the issuer's network.** These types of PPIs are typically used for specific purposes, such as **gift cards, meal vouchers, or transit cards.**

SEMI-CLOSED SYSTEM PPIS

They can be used at **multiple merchant establishments that have a contract with the PPI issuer.** However, they **cannot be used to withdraw cash or receive cashbacks,** and the funds loaded on the PPI cannot be withdrawn.

OPEN SYSTEM PPIS

- Open system PPIs are **issued by banks and are often associated with major payment networks such as Visa, Mastercard, or RuPay.**
- These PPIs can be used at any merchant **accepting cards from the payment network.** Additionally, some open system PPIs may allow users to withdraw cash from ATMs.

ISSUANCE, LOADING, AND RELOADING OF PPIS

- PPI issuers shall have a **clearly laid down policy, duly approved by their Board,** for the issuance of various types/categories of PPIs and all activities related thereto.
- PPI issuers shall ensure that **no interest is payable on PPI balances.**
- PPIs shall be permitted to **be loaded/re-loaded by cash, by debit to a bank account, by credit and debit cards,** and other PPIs (as permitted from time to time).
- **Cash loading to PPIs shall be limited to ₹50,000/- per month** subject to the overall limit of the PPI.

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- The PPIs may be issued as **cards, wallets, and any such form/instrument** which can be used to access the PPI and to use the amount therein.

PPIS FOR CROSS-BORDER OUTWARD TRANSACTIONS

- **KYC-compliant re-loadable semi-closed and open system PPIs issued by banks having AD-I license permissible current account only** for transactions under FEMA, viz., **purchase of goods and services**), subject to adherence to extant norms governing such transactions.
- PPIs shall not be used for **any cross-border outward fund transfer and/or for making remittances** under the **Liberalised Remittance Scheme**.
- Issuers shall enable the facility of cross-border outward transactions only on **explicit request of the PPI holders and shall apply a per transaction limit not exceeding ₹10,000/-**, while per **month limit shall not exceed ₹50,000/-** for such cross-border transactions.

SMART CARDS

A smart card is a **small sized card** which has a **programmable microprocessor chip** and is used for **making payments and storing relevant information.**

TYPES OF SMART CARD

Stored Value Cards

It is also known as **prepaid cards or value-added cards**. These cards either have a **magnetic stripe** or a computer chip in which the **value is stored.**

Re-loadable Card

Reloadable cards are those, in which once the **stored value is depleted the value** can be **replenished by the consumer** through a special terminal/ATM.

Disposable Card

These cards generally come for specific value and **once the value is exhausted the card has to be discarded.**

Contactless Smart Cards

- The contactless smart card **contains an antenna embedded** with the plastic body of the card.
- When the card is brought into the **electromagnetic field of the reader**, the chip in the card is **powered on and starts communicating with the reader.**

DEBIT CARD

- It is a card that **allows access to a cardholder to funds in his/her bank account.** It can be used to make **purchases and withdraw cash from ATMs.**
- It offers consumers a **facility to pay with their own/ existing funds, subject to the balance available in the account** while providing all the security and convenience that comes with a plastic card.

MODE OF ISSUE DEBIT CARD

- At the time of issue, a **generic debit card without embossing the name** is issued for **immediate operations.**

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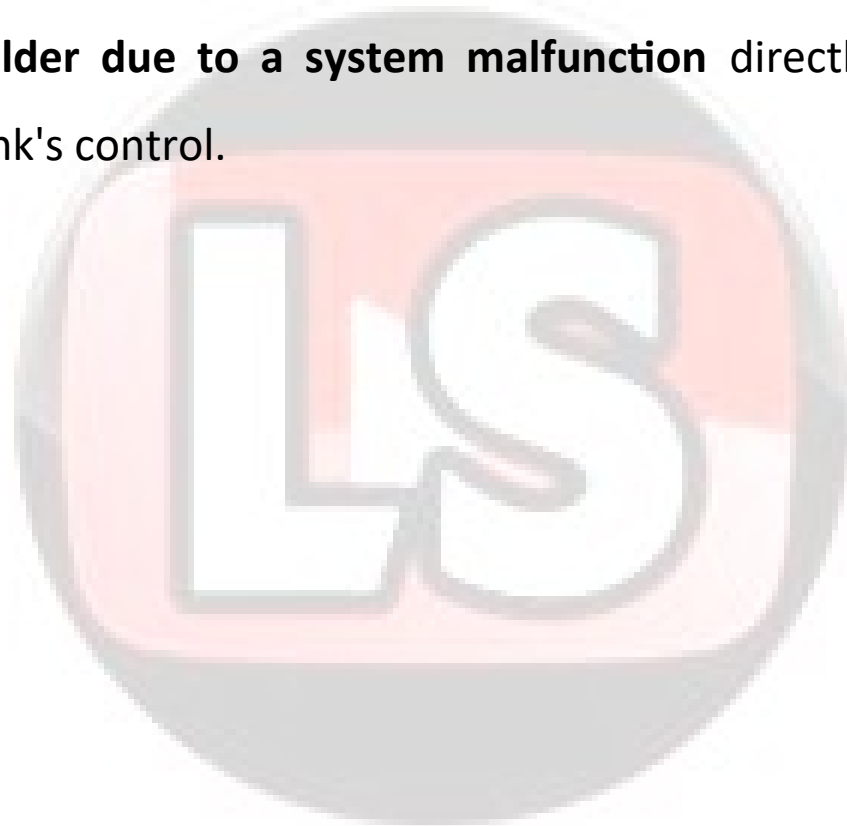
- The second way is, after opening an account, the **account details are incorporated and embossed/loaded in the debit card** and issued within **two/three weeks from the opening of the account.**


RBI GUIDELINES ON THE ISSUANCE OF DEBIT CARDS

- **Comprehensive Board approved debit card issuance policy** including co-branded debit card. should be put in place.
- Debit cards shall be **issued to customers having Saving Bank/Current Accounts** but **not cash credit/loan account, holders.**
- Banks should ensure compliance with **Know Your Customer (KYC) Norms/Anti-Money Laundering (AML) Standards/Combating of Financing of Terrorism (CFT)/Obligation of Banks under PMLA, 2002** as advised by RBI from time to time.
- No bank shall dispatch a card to a **customer unsolicited, except in the case where the card is a replacement** for a card already held by the customer.

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- The relationship between the **bank and the cardholder shall be contractual.**
- Bank shall exercise care when **issuing PINs or codes** and shall be under an obligation **not to disclose the cardholder's PIN or code, except to the cardholders.**
- Bank shall be responsible for **direct losses incurred by a cardholder due to a system malfunction** directly within the bank's control.



CREDIT CARD	VS.	DEBIT CARD
		
<ul style="list-style-type: none">● You borrow money from a lender in order to make purchases with credit.● You are responsible for paying back purchases made with this card.● Your credit limit determines how much money you can use.● You can access a cash advance from an ATM, but additional fees may apply.● Using this form of card can impact your credit score.		<ul style="list-style-type: none">● You use the money in your bank account to make purchases.● Payment is withdrawn from your account once the merchant approves your transaction.● Your bank account balance determines how much money you can use.● You can withdraw money from an ATM.● This form of card does not impact your credit score.

NATIONAL PAYMENTS CORPORATION OF INDIA (NPCI)

- It is a **Non-profit organisation** set up for **providing infrastructure to the entire Banking system in India.**
- It provides infrastructure for **physical as well as electronic payment and settlement systems.**

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- It is **set up** by of Reserve Bank of India (RBI) and Indian Banks' Association (IBA).
- **Payment and Settlement Systems Act, 2007** was for establishment of NPCI

CARD NETWORK

A card network is an organization that **facilitates payment card transactions.** It regulates who, where, and how cards are used.

Examples

VISA, Mastercard, Rupay

ROLES OF A CARD NETWORK

Transaction Processing: Ensures payments made using credit or debit cards are approved, settled, and completed smoothly.

Authorization & Security: Verifies whether the cardholder has sufficient funds or credit and prevents fraud.

Connecting Banks & Merchants: Acts as a bridge between the issuing bank (cardholder's bank) and the acquiring bank (merchant's bank).

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Standardization: Sets global rules and standards for card usage, fees, security, and dispute resolution.

Cross-Border Transactions: Enables international payments and currency conversions.

RUPAY CARDS

- RuPay is an **Indian domestic card scheme** conceived and **launched** by the **National Payments Corporation of India (NPCI)**.
- RuPay **payment service** system **launched in 26 March 2012**.
- As of March 2021, the **market share** of RuPay in India by **volumes of transaction is at 34% and by value 30%**.

PRODUCTS

Debit Cards

RuPay issues **debit cards** in **three variants** - RuPay Classic, RuPay Platinum and RuPay Select.

RuPay Classic

- It is the standard **basic RuPay-branded card** which **offers minimum features** such as various merchant offers **travel,**

pharmacy, lifestyle, cosmetics, retails, shopping, and jewellery.

- It **does not** offer benefits such as **airport lounge access**.

RuPay Platinum

It provides **all the features of Rupay Classic, plus more offers and benefits** such as **airport lounge access, comprehensive insurance coverage of up to ₹2,00,000.**

RuPay Select card

- It is the **most premium debit card** offering from RuPay.
- In Rupay Select, **all benefits are curated under one package**, independent of bank.

Credit Cards

RuPay credit cards are **available in three variants** - **RuPay Classic, RuPay Platinum and RuPay Select.**

Combo Cards

- The Union Bank of India launched the RuPay **Combo Debit Cum Credit Card in November 2018.**
- This card facilitates **both debit and credit transactions** through a **single card.**

Internationalization

To make ease of payment, NPCI International Payments Limited (NIPL) **signed a memorandum of understanding (MoU) with UK based PPRO Financial on 17 November 2021** to expand the **acceptance of RuPay into foreign markets**, especially in **China and United States** which accounts for half of all international transaction coming from India.

RuPay Contactless

- RuPay contactless is a contactless technology feature that allows cardholders to **wave their card in front of contactless payment terminals** **without the need** to physically swipe or insert the card into a point-of-sale device.

RuPay Global

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- The NPCI started **issuing global cards in 2014**. Singapore **has offered assistance** to promote India's digital payment network RuPay card overseas by **becoming its first international partner**.
- On **7 March 2012**, NPCI entered into a **strategic partnership with Discover Financial Services (DFS)** for RuPay, enabling the acceptance of RuPay Global Cards to **utilise the Discover, Diners Club International and PULSE networks for international purchases and cash access outside of India**.

Bharat E-commerce Payment Gateway (BEPG)

- The **Bharat E-commerce Payment Gateway (BEPG)** is a **domestic payment gateway** developed by the **National Payments Corporation of India (NPCI)**. It is designed to provide a secure, efficient, and cost-effective solution for online transactions in India.
- BEPG is the new e-commerce system to **enhance the current e-commerce experience for RuPay Cardholders**.

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RuPay card aims to deliver a convenient and easy e-commerce experience **without compromising on security and risk.**

Bharat QR

- A QR code consists of **black squares arranged in a square on a white background**, which can be read by an imaging device such as camera, **QR contains information about the Merchant.**
- It is developed by **NPCI in collaboration with Mastercard, and Visa** as an integrated interoperable QR code-based payment system and was **launched in September 2016.**
- It facilitates users to **transfer their money from one source to another(P2M)** without the need of a physical card and POS terminal.