



Features of Credit Card

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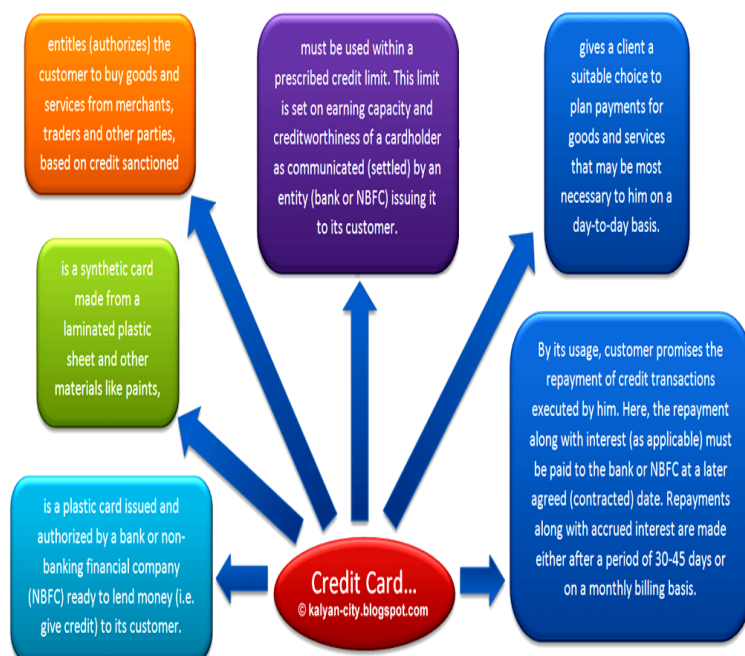
Abstract:

A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user. Here via this article the author wants to express the basic features of Credit Card.

Keywords: Cash, Credit, Credit card, Merchant, Users

1. Meaning of Credit Card

A credit card is different from a charge card: a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged. A credit card also differs from a cash card, which can be used like currency by the owner of the card. A credit card differs from a charge card also in that a credit card typically involves a third-party entity that pays the seller and is reimbursed by the buyer, whereas a charge card simply defers payment by the buyer until a later date.



1. Credit means to borrow something from someone, for example, to borrow money from a bank.
2. Card is a small flat object made of a laminated plastic sheet and other materials.
3. Cardholder is someone to whom a card gets issued and who has an obligation to remit all necessary financial borrowings made on his card. The cardholder may be an individual or organization. Here,
 - a-Issued to someone means
 - b-Obligation means a moral or legal liability to do something.
 - c-Remit implies to pay back the money.

4. ISO is an abbreviation of International Organization for Standardization.
5. IEC is an abbreviation of International Electro Technical Commission.
6. NBFC is a short-form of Non-Banking Financial Company.
7. ISO/IEC 7810 is an international standard that specifies (sets or defines) physical characteristics like size, thickness, etc. for identification cards.

8. ISO/IEC 7811 is a set of nine standards ranging from 7811-1 to 7811-9. It specifies traditional data recording techniques being used on the magnetic stripe of ID-1 format identification cards.
9. ISO/IEC 7812-1 is an international standard that defines a card numbering system for identification cards. It is used to identify a card issuing entity, like a bank or NBFC.
10. ISO/IEC 7813 is also an international standard that specifies the data structure and data content of Track 1 and Track 2. These tracks are present on the magnetic stripe of an identification card and are used to start (begin or initiate) financial transactions.
11. Embossing is a process in which raised numbers, letters, figures, etc., gets embossed (meaning molded or being craved) on an identification card.
12. Checksum is a single-digit added to the end of a credit card number to check (validate) the authenticity (genuineness) of it.
13. Credit Limit is the maximum amount up to which a lending entity such as a bank or NBFC can give money to its customers. It is of two main types, viz., cash withdrawal limit and credit transaction limit.
14. Cash's withdrawal limit is the maximum amount of money that can be taken out with the help of a credit card.
15. Credit-transaction limit is the highest limit set on credit transactions (of purchases) made through a credit card.
16. Usually, cash's withdrawal limit is less than the credit transaction limit.

2. The eleven important features of credit card

Features of Credit Card



The main **characteristics** or features of credit card are listed as follows:

1. Alternative to cash.
2. Credit limit.
3. Aids payment in domestic and foreign currency.
4. Record keeping of all transactions.
5. Regular charges.
6. Grace period or grace days.
7. Higher fees on cash withdrawals.
8. Additional charges for delay in payment.
9. Service tax.
10. Bonus points.
11. Gifts and other offers.

Now let's discuss each feature of credit card one by one.

1. Alternative to cash

Credit card is a better alternative to cash. It removes the worry of carrying various currency denominations to pay at the trade

counters. It is quite easy and way fast to use a credit card rather than waiting for completion of cash transactions. As an alternative, credit card helps a cardholder to travel anywhere in the world without

a need to carry an ample amount of cash. It also reduces the possible risk of money theft and gives its user a complete peace of mind.

2. Credit limit

The credit cardholder enjoys the facility of a credit limit set on his card. This limit of credit is determined by the credit card issuing entity (bank or NBFC) only after analyzing the credit worthiness of the cardholder.

The credit limit is of two types, viz.,

1. Normal credit limit, and
2. Revolving credit limit.

Normal credit limit is usual credit given by the bank or NBFC at the time of issuing a credit card.

Revolving credit limit varies with the financial exposure of the credit cardholder.

3. Aids payment in domestic and foreign currency

Credit card aids its cardholder to make payments in any currency of choice. In other words, it gives its holder a unique facility to make payments either in domestic (native) currency or if necessary, also in foreign (non-native) currency, that too as and when required.

Credit card reduces the cumbersome process of currency conversion. That is, it removes the financial complexities often encountered in converting a domestic currency into a foreign currency. It is because of this feature, a credit cardholder can possibly make payments to merchants present in any corner of the world.

4. Record keeping of all transactions

Credit card issuing entities like banks or NBFCs keeps a complete record of all transactions made by their credit cardholders. Such a record helps these entities to raise appropriate billing amounts payable by their cardholders, either on a monthly or some periodic basis.

5. Regular charges

Regular charges are basic routine charges charged by the credit card issuing entity on the usage of credit card by its cardholder. These charges are nominal in nature.

The regular charges are primarily classified into two types, viz.,

1. Annual charges, and
2. Additional charges.

Annual charges are collected on per annum or yearly basis.

Additional charges are collected for other supplementary services provided by the credit card issuing entity. Such services include, add-on-card (an additional credit card), issue of a new credit card, etc.

6. Grace period

The grace period is referred to those minimum numbers of additional days within which a credit cardholder has to pay his credit card bill without any incurring interest or financial charges.

7. Higher fees on cash withdrawals

Credit-card issuer makes charges on cash withdrawals made through credit card at the ATM outlets and other desks. Generally, cash withdrawal fees are quite higher than fees charged by the bank or NBFC for the other regular credit transactions. On cash withdrawn done through a credit card, interest is charged from the same day. That is, interest is charged since the day on which cash is withdrawn. Usually, no grace period is provided for cash transactions.

8. Additional charges for delay in payment

The credit card payment is supposed to be made within a due date as mentioned on the bill of a credit card. If payment is not paid on time, then a credit-card issuer charges some additional costs, which are

resulted due to delay in payment. These charges are charged to compensate (recover) the interest cost, administration cost and any other related costs bared by the credit card issuing entity.

9. Service tax

Service tax is included in the total amount charged to the credit cardholder. This mandatory service tax imposed by the government also increases the final end cost bared by a credit cardholder. Many credit card providers (issuing entities) have policies of reversing the service tax charged on the purchase of gas, fuel and other similar goods.

10. Bonus points

The competition among the credit card providers is unbending (adamant). Offering various incentives is usually a trendy (fashionable) way to improve the sale of the products in the ordinary course of business. Following this trend, credit card providers also give bonus points on the financial value of the transactions compiled by their customers.

11. Gifts and other offers

At a later stage (i.e. after crossing pre-determined number of bonus points) accumulated bonus points are redeemed either by converting them into gifts, cash back offers, or any other similar compelling offers. To collect many bonus points, the credit cardholder has to carry out a considerable number of transactions through his credit card.

3. Conclusion on Credit Card

Based on discussion made above, we can conclude that, Credit card is the outcome of comprehensive banking functions. Credit card is very convenient financial short-term lending facility available to a credit cardholder. However, the safety and security of the credit card are also of prime importance. These depend on the physical protection of the credit card as well as in the isolation (confidentiality) of the credit card number, card value number (CVV), personal identification number (PIN) and other sensitive credentials of the credit cardholder.

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