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# Product handbook

TRAINING HANDBOOK  
CREDIT CARD

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## What is Credit Card?

When you make a purchase using your credit card, you are essentially taking out a short-term loan. The interest that is applicable on this loan will depend on when you pay it back. If you are able to make a payback before the due date, there will be no applicable interest. Credit cards also have a small grace period before the payment is due in any billing cycle, which can be something around 30-45 days. Paying before the end of the grace period will help you avoid any interest, while paying less than the total balance will accrue interest on the average daily balance.

## Why get a credit card?

With a number of benefits supporting credit cards, the most important one is that it can help you build your credit score. Good credit, in turn, will help you obtain loans much more easily in the future, at very favourable rates. It also helps in getting lower insurance premiums. Apart from this, there are a number of credit cards with rewards programs that can offer card holders with a number of extra benefits like reward points, shopping benefits, etc.

## The Grace Period

Say that you have a credit card billing cycle of 5th January through 4th January, and the due date is 1st March, then any purchases that are made within the period will remain interest free until the due date. This is the grace period that is offered for credit cards in India, after which the balance will be subject to interest. Any cash advances that are taken on your credit card do not enjoy the benefit of a grace period.

## Interest Rate

If the cardholder does not pay the full credit card bill before the due date, the entire outstanding balance will attract the applicable rate of interest for credit cards. Not just the balance, any new spending on the card will also have these interest rates applicable, until the entire balance has been paid off. As in the case of a cash advance, unless the card holder pays off the entire bill balance each month, there will be no grace period for them. Low interest credit cards are available, and should always be looked into whenever you compare credit cards. When the credit card holder does not pay the credit card bills on time, then interest is applied on it which leads to accumulation of credit card debt. Being late on paying credit card bills is referred to as default. Late penalty fee can also be applied on the accumulated credit card debt.

## Features of a Credit Card

- You can own a credit card and enjoy a host of the benefits, such as short-term, zero-interest loan for every purchase, removes the worry of carrying various currency denominations by providing a useful alternative to cash.
- It helps in building the cardholder's credit history.
- Credit card issuing entities and institutions keep a complete record of the transactions that are made by their credit card holders.
- Basic routine charges are charged by the issuing entity on the usage of the credit card
- Some common charges on credit cards include credit card fees or joining fees, annual fee, late payment charge, duplicate statement fee, cash withdrawal, service tax, ECS or cheque return charge, foreign currency transactions and over limit fee.
- A grace period, or a minimum number of additional days within which a cardholder can make his credit card bill payments without incurring any interest or financial charges is offered.

- If payment is not made within the grace period, then a credit- card issuer charges additional fees.
- Cash withdrawal fees are charged higher than the fees that may be charged for regular credit transactions.

## Advantages of a Credit Card

- **Alternative to cash:** Having a credit card is a very safe and convenient to carry alternative to carrying a bundle of cash. It can help you do some hassle free shopping and will also ensure the safety of money.
- **Emergencies:** Whether there is a medical emergency or some other kind of urgent cash requirement, credit cards can provide help by making available immediate credit under such circumstances.
- **Making big purchases:** The whole concept of buy now, pay later, does tend to make it rather easier for people to make some big purchases, and setting up an EMI pay back method with their banks. You can also pay bills using credit cards.
- **Welcome Offers:** Most credit card issuers offer the card holder different credit card schemes or rewards in the form of gifts, discounts or free rewards points just for activating the bank credit card within a stipulated time period termed as welcome rewards.
- **Reward Points or Cash Back:** Every time you make a purchase on your credit card, you receive a few reward points or a cash back reward credited to your account. The reward points can be accumulated to avail various free gifts, while cash back rewards are directly applied to your card account

## Choosing the right card

- With numerous types of credit cards available, offering a variety of benefits, which credit card is best for you depends mainly on where your major spending pattern lies. It also depends on how you would want to make your credit card bill payments. There are however, a few features that you should take into account before you compare credit cards and decide which one is the best for you.
- **Cash back:** Cash back is an option available with a number of credit cards. Under this scheme, your purchases will also give you back some credit on your account. Checking which cards have a cash back option is beneficial in the long run.
- **Reward schemes:** Reward schemes are a prevalent benefit of credit cards and different cards offer points or benefits at particular vendors. So choose credit cards with rewards programs that suit your needs and match your spending patterns.
- **Interest rates:** It is very important to check the applicable interest rates of different credit cards. Even though one might have the best intentions, delayed payments are not that uncommon
- **Discounts**

## Credit Card - Eligibility Criteria

- You should be at least 18 years old.
- Whether salaried or self-employed, you must have a regular source of income to pay back your credit card bills (minimum income bracket differs from one card to another).
- You should have a savings account in your name.
- You must not have a bad credit history

## Credit Card - Documents Required

- The documentation requirement also varies from issuer to issuer, some of the key documents required to apply for a credit card are as follows:
- Identity and signature proof-Passport, PAN card, Driving License, Voter ID card, Aadhaar card, employee identity card in case of government employees.
- Address Proof-Bank statement, Rent Agreement, Voter ID card, Ration card, Passport, Driving License, telephone/ electricity/ water/ credit card bill or Property tax.
- Age Proof-Voter ID card, Secondary School Certificate (class 10), birth certificate, Passport, Aadhaar Card, pension payment order or receipt of LIC policy.

## Credit Card Interest Rates

There are various factors that can affect the credit card interest rates and interest is applied on any balance you owe on your credit card. Credit card interest rates are the highest among various debt instruments available to the customer. In most cases, credit card interest rates start at 18% and may increase based on various factors such as your payment history, the type of card and various other factors.

## Credit Card Charges

- **Joining fee:** This is a one off payment that is made at the time of purchasing a credit card
- **Annual fee :** This is a pre specified amount that is to be paid annually by the card holder for using the credit card
- **Duplicate statement fee:** Another fixed sum charge that is applicable if the customer asks to receive a duplicate statement in physical form
- **Late payment charge :** This amount is a penalty that is to be paid over and above the interest charges applicable. This fee is payable if the card holder does not make timely payments.

## **Top Banks Providing Credit Cards**

- Standard Chartered Bank.
- HDFC Bank,
- Axis Bank
- Ratnakar Bank,
- SBI Cards
- ICICI Bank and many others