

Group Assignment

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Debit Card

Financial Management

1. Executive Summary

Debit card is a simply a plastic card that transfers money from a user's bank account when request has been made. Debit card is simple and easy to use. It's very good environment friendly alternative of paper currency notes. Different institutions provide different types of debit cards, namely master, Rupay, contactless, maestro, visa, and visa electron debit card. Working process of debit is easy from both the consumer end and the receiver end, if using in an offline store, merchant need to enter amount & consumer just need to enter his card details and pin, this way transaction is done easily. Similarly, the transaction process done via atm to collect money is also simpler.

When one look at the debit card, he/she can observe some sixteen digit number which is our debit card number, below it there expiry date is present and backside of card you can find 3 digit CVV(card verification value) number, which is a necessary value to be used to complete the online transaction. There are many perks of using debit: its compatibility and easy-to-use process and design. Using debit helps in limiting our budget. And as money comes from the customer's own account, there won't be any chance of running into debt. There are many advantages of using a debit card still there are some disadvantages of using it. As the amount is removed directly from a bank, hence you can only use what's present in your account.

Some people make this common mistake that credit cards and debit cards are same but they're different. The major difference between the debit cards and credit cards is that one has on spot payment and other has after usage payment. If someone wants to use his/her own money and make the things buy on same price with less interest than its Debit Card is useful. Credit card is type of loan, you can use the card to buy goods now and pay the money with interest later. If someone wants to have benefits from the card than its credit card. Both have their own benefits.

2. Introduction

Your bank issues debit cards, which work as a hybrid ATM/credit card. A debit card is linked with your personal bank account and uses the money in the bank account to make transactions or digital ATM withdrawals.

you can get a debit card when you create a checking account with your bank or credit union in is some cases it is possible to use debit card for free but you have to pay some charges as a fee debit card functions similarly to a credit card unlike credit card funds are sent straight from the cardholders bank account to cover the purchase.

When used as an ATM card, debit cards allow quick cash withdrawal. Merchants may give cashback to customers, allowing them to withdraw cash while making a transaction. The maximum amount of money that can be spent is constrained on daily basis

3. History of Debit card

Debit cards have developed drastically over time, according to customer demand and technical advancements. The three key milestones in debit card history are listed below.

1966 : The Bank of Delaware initiates a test programme for debit cards as an alternative to carrying cash or a chequebook. Because there is no technology connecting retailers to banks outside their province, adoption of this new debit card system is gradual.

1969 : The first ATM (Automatic Teller Machine) in the United States is installed at Chemical Bank in Rockville, New York. Customers can withdraw cash by filling out a form and entering their PIN number. In the 1970s, debit cards made the procedure more user-friendly. The usage of debit card became very popular that by 1990, they were used in about 300 million transactions.

2017 : Approximately 66% of American customers prefer debit card payments over credit card payments because they provide them greater control over their finances by reducing overspending and interest costs.

Following the current government's demonetization in December 2016, there has been a spike in cashless transactions, and one can now find card acceptance in most of the businesses. The debit card was largely utilised for ATM withdrawals. The RBI has stated that costs are not warranted, hence there are no processing fees for transactions. Rupay card is used by over half of all Indian debit and credit card users. Some Indian banks provide Visa debit cards, whereas others (such as SBI and Citibank India) issue Maestro cards. Debit card transactions are handled through the Rupay (primarily), Visa, or MasterCard networks in India and abroad rather than through the issuing bank directly.

While debit cards were first issued by well-known high street banks, we are now seeing an increasing number of fintech start-ups, as well as Big Techs, develop their own debit card programmes to compete with the ones of old. These schemes address issues that have long hampered incumbent providers' products, such as credit evaluations, credit development, and paycheck access.

4. Types of Debit card

• MasterCard debit cards

MasterCard debit cards are one of the most popular types of debit cards. MasterCard is one of the world's most frequently utilised electronic payment systems. You may use your MasterCard to access your savings or current account using the SecureCode payment network. The World Debit MasterCard, ordinary debit card, and enhanced debit card are three of the most prevalent types of MasterCard debit cards. These debit cards are quite popular due to their excellent service and customer care. MasterCard also offers a rewards programme and a plethora of other useful features.

• RuPay debit cards

The National Payments Corporation of India (NPCI) has introduced the RuPay card. It is identical to NETS in Singapore and UnionPay in Mainland China. The NPCI issued these types of debit cards as a part of a domestic debit card scheme. The RuPay debit card is accepted for a wide range of domestic transactions, including online and retail purchases, as

well as utility bill payments. These debit cards were designed particularly for people of remote towns and villages to have electronic access to their bank accounts. RuPay debit cards are issued by all major public and private sector banks. MasterCard and Visa are both great RuPay alternatives. RuPay is popular due to its low transaction fees and ubiquitous availability, particularly in distant areas.

- **Contactless debit cards**

With contactless debit cards, payments can be made without swiping the card. To make a payment, we need to simply wave this card over the machine. Here, the transactions are carried out automatically. These debit cards enable faster cashless transactions. These debit cards employ the NFC (Near Field Communications) or RFID (Radio Frequency Identification) concepts. These technologies are used to link the card to the PoS terminal. This sort of debit card is a relatively safe method to make online transactions. You are not obligated to hand over your credit card to the cashier. This prevents the cashier from duplicating or storing your debit card information. Major Indian banks, such as State Bank of India, Axis Bank, and HDFC Bank, provide contactless cards.

- **Visa Electron debit cards**

The Visa Electron debit card functions similarly to Visa debit cards, with the distinction that cardholders do not have access to an overdraft facility. These debit cards help you avoid overspending. These debit cards can be used to withdraw cash from ATMs in the United States as well as overseas. There are no interest charges while using a Visa Electron debit card to withdraw cash. Payments made via point-of-sale terminals are also authorised for a range of transactions. However, Visa Electron debit cards are not accepted in Australia, Canada, the United States of America, or Ireland. The lack of a PoS terminal to confirm if funds are sent in real time prevents you from using a Visa Electron debit card to make offline payments on flights, trains, and other forms of transportation. The majority of Indian banks, including Syndicate Bank, Bank of India, and Bank of Maharashtra issue these cards.

- **Maestro debit cards**

MasterCard debit cards and Maestro debit cards are quite similar. These cards are widely accepted all around the world. This card can be used to withdraw cash from ATMs

worldwide. They are used to make online purchases as well as domestic and foreign point-of-sale transactions. Except for ICICI Bank, most banks provide this card, including State Bank of India, Oriental Bank of Commerce, Bank of Rajasthan, and Syndicate Bank. Compare the numerous types of debit cards available before making your decision. This will help you understand what each card has to offer, including fees, services, a rewards programme, and minimum balance requirements. However, make a selection depending on your needs. Do not be misled merely by the benefits. It is equally crucial to ensure security while using a debit card for any transaction. Check that you're utilising a safe payment platform. It is quite simple to fall into a trap that leads to fraudulent debit card activity.

- **Visa debit cards**

Visa provides the Verified by Visa platform for increased security during online transactions, making it India's most popular debit card.

5. How does a Debit card works

Debit card can be used in 3 ways:

1. To withdraw money from A.T.M.
2. To pay at stores directly from bank account using card machine.
3. Online Transactions.

Payments made using a debit card improve the efficiency and convenience of our transactions. Once the merchant has entered the amount, all we have to do is enter our pin to finish the transaction, and we will receive notification from our bank that the transaction has been completed.

Today, when there are various modes of payment like E-Wallet, UPI, Credit Cards, etc, debit card is still a preferred mode of payment. In September 2020, there were over 860 million active debit cards in India. This number was much higher than the number of credit cards, which amounted to around 60 million that same month.

With consumers so often choosing debit cards over credit cards, understanding how debit card processing works can help us make an informed decision about whether or not our business should accept card-based payments.

Following steps are followed behind the scenes in Debit Card Processing.

- The customer pays with a Debit Card.
- The customer purchases goods/services from a merchant and swipes or taps his debit on the card machine. In case of online transaction, the customer enters his card details and proceeds for the transaction.
- From this exchange, your Point Of Sale (POS system) reads the card information and transmits the data to the customer's card processing network like visa, Mastercard etc.
- The processing network authenticates the account information.
- The processing network sends the data to the issuing bank
- The bank approves the transaction by verifying the available fund in the customer's account.
- The amount is transferred from the customer's account to the merchant's account.

Although these steps look complicated, the whole transaction done through debit card takes only seconds to be processed.

Debit Card has various things written on it. Let us see what are these things.

Card Network: A card network (sometimes called a card association) is an organization that facilitates payment card transactions. These entities define the issuance and acceptance framework. Some well-known card networks are Mastercard, Visa, Rupay, etc.

1. Cardholder Name

- It denotes the name of account holder to which the Debit Card is issued.

2. Debit Card Number:

- The 16-digit number written on the card is called debit card number.
- The first six digits of the Debit Card number are the Issuer Identification Number, also referred to as the Bank Identification Number. These digits tell you the name of the company, i.e., Mastercard or Visa, which issued the card.
- The next digits, i.e., Digits 7-16 are an indicator of your bank account details, i.e., the name of the bank who issued the card, the type of card issued and other unique identifies that point to your specific bank account.

3. Expiry Date:

- The expiration date can be found on the card, written as XX/XX (month and year). Generally, a card can be used through the last day of the month in which it expires. For example, a card with an expiration date of 12/20 is good through December 31, 2020.

4.CVV

- CVV is an abbreviation for Card Verification Value. This number is required for online transactions and should never be shared with anyone. Debit card companies generate the CVV number (banks or other financial institutions).

- The CVV number is made up of two parts.

- The first section is protected by a magnetic strip with a striped pattern. It contains critical, one-of-a-kind information about your debit card. When the card is swiped through a magnetic reader machine, this information is recovered. The second part consists of digits that must be entered when conducting an online or telephone transaction. One of the many benefits of a debit card is the security number.

• Which one is better?

1. If you have spending issues: Debit card

It goes without saying that if you can't manage how much you spend, utilise a debit card. Because the money is coming from your savings or checking account, you are less likely to overspend and incur credit card debt.

2. Withdraw cash: Debit card

When you use your debit card to withdraw money, you are obtaining access to your own funds, thus there is no cost associated. However, if you withdraw money with your credit card, you are withdrawing money that you do not have. The bank will view this as a form of loan that you must repay at a high interest rate.

3. Shopping or making transactions online: Credit card

When shopping online, credit cards are the most secure option. If you suspect fraud, you can always contact your bank and have your card blocked. Furthermore, reversing a charge to a credit card is significantly easier than reversing a charge to a debit card.

4. To make a big-ticket purchase: Credit card

Credit cards allow you to split transactions into EMIs, which is a convenience. This makes it an ideal time to buy big-ticket items because they become more cheap.

5. For a vacation: Credit card

The majority of credit cards are widely accepted. As a result, you can use a credit card when travelling abroad without having to worry about having foreign cash on hand. Keep in mind, however, that when you swipe your card abroad, you will be charged a foreign currency mark-up fee.

6. Debit card vs Credit card

Debit Card	Credit Card
Deducts money directly from your saving's bank account or your current account	It allows you to borrow funds to pay for goods and services.
Source of Funds: Your savings bank account or current account.	Source of Funds : Credit extended to you by your card issuer. It gives you access to money you otherwise do not have (like a very short-term loan).
Spending Limit: You can spend only as much money as you have in your account.	Spending Limit: You can spend more than what you have.
In debit card, you pay for your purchase	The credit card company pays the vendor for your purchase and you pay the credit card company.
There is no bill in debit card as the payment is done instantaneously from the customer's account.	In credit card, monthly bill is to be paid along with some interest.
Fees: There are annual fees as well as PIN regeneration fees.	Fees: There are a variety of fees associated with credit cards. These include, among other things, joining fees, annual fees, late payment fees, and bounced cheque fees.
No interest is charged on debit cards	In credit card, interest is charged on the outstanding amount if it hasn't been paid by the due date.
The debit card doesn't come with many privileges	Credit Card has various rewards and privileges.
Security: The card is only partially protected against theft or loss.	Security: The majority of credit cards provide complete liability protection. As a result, you are not liable for any unauthorised transactions.

7. Perks & Cons of Debit card

Following below are some perks of using debit card

7.1. Perks

1. Convenient to Use

Debit card are extremely easy to use because all the payments that occurs are directly from your bank account, where all the money already exist. Also due to which the transfer speed of money is very fast.

2. Easily accepted :

Debit cards are widely recognized across India and at overseas locations. Make sure you call your bank to permit worldwide transactions. These debit cards can also be used to extract cash from worldwide ATMs. As a result, you won't need to bring cash with you when you travel.

3. Never run to debt.

Unlike the case of credit card where you can spent money beyond what amount of that you have in your saving account, debit card can only give money till the limit of what you have in your bank account

4. Easy to obtain.

Unlike the procedure to obtain credit card, the procedure to obtain debit card is easy. Because to have debit card one need to have just a bank account. And opening a new account now a days is pretty easy.

5. Works as an emergency fund

It can also help in emergency as emergency fund because we can use it to collect cash from nearby ATM machine or also can be used for Payment.

6. Earn rewards:

Offers aren't limited to credit cards. You may also get rewards and cashbacindia offers by using your debit card. Several online and retail shops provide cashback bonuses for debit card purchases. The points may be spent at any time to buy things from the bank's online catalogue or to earn shopping vouchers from various companies.

7. Budgeting

One of the major benefits of using debit card is that it can help you to maintain your budget. As you can't spent more money that what you have in your bank account.

8. Tracking expense

Every time we use debit card for transection the amount of money is deducted from bank account and hence we can keep the track of expense of what and where are we spending and manage accordingly.

9. No fees

Unlike credit cards, which frequently come with yearly fees, late penalties, significant international transaction fees of up to 3%, and other expensive extras, debit cards normally have few or no costs.

10. Offline and online remote access

If you're buying items or groceries on Amazon, a debit card can help you finish the transaction. This financial tool can be used without being present at a physical location. You can make a purchase remotely if the retailer has access to the number on the front of your card, the expiration date, and the security code on the front or back.

11. Safety

Anyone can steal cash from your wallet, but stealing money from a debit card is far more difficult. The burglar would need to know your pin, and if you report your card missing quickly enough, the bank will cancel it, preventing anyone from using it.

12. Eliminate Cheque

Writing cheques takes time and is fast becoming obsolete as a means of payment. Many shops no longer accept personal cheques, and even if they do, the purchase takes a long time to show up in your bank account. It just takes a few seconds to make a purchase with a debit card, and your available amount is virtually instantly reflected in your account — it's a win-win situation.

13. Eliminate Cash

If you use a debit card frequently, you won't need to carry cash with you. If you run out of money, you can always go to an ATM and withdraw as much as you need, or you can earn cash back when you make a purchase at most establishments.

7.2. Cons

Debit Card comes with comparatively less number of cons. Here are some of them listed.

1. No credit allowed

Your bank account is linked to your debit card. There isn't any way to make a transaction on credit. All withdrawals and transactions are restricted to the balance in your account. In other words, you can only spend what you have. If you need to make a large

transaction in an emergency, you may not be able to do so with a Debit Card because it is directly linked to your bank account.

2. Additional ATM withdrawal fees

Each bank allows you a certain number of free ATM payments as well as other non-financial transactions per month at other banks' branches. Fees are charged whenever you reach the limit of free withdrawals/on-financial transactions.

2. Daily Limit

Many debit cards have a daily withdrawal limit, so if you're making a large purchase or going on a shopping spree, you might not be able to pay for everything using your debit card.

3. Security

Because debit cards are a direct connection to your money, they can be less secure while shopping online.

4. Perks

Apart from that, credit cards offer plenty of benefits that debit card holders are unable to take advantage of Annual Maintenance Cost: Every bank charges an annual maintenance fee. This is true regardless of how the card is used.

5. Difficult to prevent fraudulent use

It is simpler to use your debit card maliciously. If someone takes your card's data, particularly the PIN and CVV, the odds of a fraudulent transaction are really high. Such transactions are difficult to refute with the bank.

8. Future of Debit card

Debit cards will undoubtedly continue to be a popular method of payment. What the future holds for the debit card, on the other hand, is mainly dependent on how future cardholders like to conduct purchases. Let's look at these ways in which debit cards are already adjusting to the changing tastes of their cardholders.

8.1.Taking control

Because debit cards have direct access to a cardholder's bank account, keeping track of cash is critical. EMV (EuroPay, MasterCard, Visa) has reduced in-store fraud, but it hasn't stopped fraud in online transactions or other card-not-present scenarios. Card restrictions,

which provide cardholders a better capacity to trace card use and monitor their spending, have proven to be useful in combating this form of fraud.

Cardholders can manage their cards immediately from their mobile device using advanced card control apps like MobiMoney. Cardholders can choose to get real-time transaction updates, which will notify them of every transaction done with their debit card. Allowing cardholders to set spending limits, specify use places and geographical boundaries, and even requiring mobile device proximity can reduce their exposure to both card-present and card-not-present fraud.

Cardholders, on the other hand, have immediate, uninterrupted access to "switch off" their card if their card is compromised, preventing additional damage to their account balance as well as the impact on their financial institution.

8.2.Going card-less

It may appear that eliminating the actual card from the payment equation spells the death of debit cards. However, integrating smartphone technologies with debit card functions could be the next step in its progression.

We've seen a gradual transition toward NFC technology that facilitates the use of mobile wallets in recent years. Cardholders are transforming their spending process and changing how shops take payments by using mobile wallets. Consumers are getting more comfortable coupling modern payment technology with sensitive personal information as they begin to use mobile wallets for convenience — as long as they believe their information is kept secure.

Mobile wallets are really more secure than EMV chip cards, contrary to popular belief. Built-in security features verify the user's identity, preventing fraudulent transactions before the mobile wallet is ever launched. In addition to the traditional PIN and signature components of debit card usage, cellphones offer tight user safeguards by combining the extra security of a fingerprint touch ID, six-digit passcode, and the device chip itself.

Debit cards linked to mobile wallets like Apple Pay, Samsung Pay, and Google Wallet are advancing the convenience of retail checkout in addition to the advanced security features of mobile payments. Mobile wallets facilitate quick and easy payments by requiring only a close proximity to a merchant's NFC-enabled point of sale terminal — a transaction that is faster than exchanging cash. Payment receipts can also be automatically emailed and stored

to the device, eliminating the need for and inconvenience of generating multiple customer receipts.

8.3.Current situation with payment cards

These days, online transactions are acquiring even more clout, and apps like Apple Pay, Google Pay, Stripe, Klarna, and Amazon Pay make our lives easier and cashless. This miracle has been made possible in part by Near Field Communication (NFC), which successfully combines the payment function with the storage and protection of personal data. As a result, we're able to communicate the required information with the merchant's point of sale terminal right away. Despite the widespread opposition, this viral banking method is safer than regular chip cards such as EuroPay, MasterCard, and Visa (EMV). Virtual cards, for example, are frequently equipped with an in-built authentication mechanism that requires far more than the standard PIN required for debit card use: you can also strengthen access to your banking system by using a fingerprint touch ID, a 6-digit passcode, a device chip, or strictly defined user log-in requirements. As you can see, mobile banking is thriving right now, and we're a part of it!

Furthermore, because clients' proximity to their mobile phone is less than 33 inches, banking providers are increasingly more concerned with phone centricity. That is why, not only do the majority of payment transactions take place through apps, digital wallets, and personal online accounts, but it is also the foundation for all marketing strategies. All special offers and other sorts of advertisements must be mobile-friendly; otherwise, they will not appeal to a large number of modern clients. Consider whether marketing is an important aspect of your brand's storey!

Apart from that, today's credit and debit card holders want to get greater personal control over their financial management. This demand is partially addressed by the option to set spending restrictions, change the PIN, block the card/account in the event of a 'report a loss' emergency, and other services available at your fingertips. In turn, depending on the user behaviour analysis, card issuers are continuously coming up with new useful features to try. Isn't it no surprise that online banking is so popular?

8.4.Ready for the future

Cardholders are finding inventive methods to improve the payment process, benefiting not only themselves, but also merchants and financial institutions, by connecting debit card information to mobile wallet applications on their mobile devices and using apps that monitor

debit card usage. But don't be tricked into thinking that physical debit card payments would be phased out totally just because cardholders are switching to newer electronic modes of payment. Debit cards will continue to have a place in future purchases as long as consumers value the convenience and flexibility of a debit payment option - whether in the form of a physical card or a mobile wallet.

9. Conclusion

- Following this presentation, we discovered that there are numerous advantages to using a debit card; despite certain drawbacks, debit cards are advantageous and user-friendly.
- We can use our own money from our own account at any time by scratching a card, but the only condition is that the money is ours and we have a certain amount of money we can use from our account.
- We can also use a credit card instead of a debit card and gain perks, but we must pay interest.
- We can conclude that there are numerous benefits and drawbacks to using a debit card, but overall, debit cards benefit everyone when they want to use money directly from their account rather than using cash.
- With the most widespread use of debit cards, we can say that we can become cashless and transactions will run smoothly, and we can also stop the black market that is currently in operation.
- As long as consumers value the immediacy and flexibility of a debit payment option – whether in the form of physical card or mobile wallet – debit cards will continue to have a place in future transactions.

10. References

[Summary of debit card](#)

[Introduction of debit card](#)

[History of debit card](#)

[Types of debit card](#)

[Perks of debit card 1](#)

Perks of debit card 2

Perks of debit card 3

Perks of debit card 4

Perks of debit card 5

Cons of debit card 1

Cons of debit card 2

credit card vs debit card 1

credit card vs debit card 2

Future of the debit card