

# BHARAT SCHOOL OF BANKING

## CARDS - DEBIT, CREDIT, PREPAID CARDS

Instead of carrying and using **cash**, you can use **cards** for all your **financial transactions**. Hence, these are known as **Plastic Money**.

According to the **issuance, usage and payments**, **Cards** can be classified into **3 types** -

1. **Debit Cards** - These are issued by **banks**, which are **linked** to a **bank account** (meaning you need a **bank account** (savings, current, etc.) before having a **Debit card**). Debit cards are also known as **ATM cards**.

Note that you need to have **balance** in your **account**, before you make any **financial transaction**. These can be used for several purposes like -

- **withdraw cash** from an **ATM**
- **purchase** goods and services at **Point of Sale (POS) / E-commerce** (online - domestic & international; however for international transaction, it needs to be enabled by bank)
- **fund transfer / remittances** (only domestic), etc.

2. **Credit Cards** - These are issued by **banks** or **other institutes** approved by **RBI**. There is a **credit limit** on transactions. These **may** or **may not be linked** to a **bank account**.

Note that you can make **transactions**, even if you don't have **balance** in your **account** (if linked with **bank account**), subject to a **credit limit** approved by the **issuer** of the **credit card**. This can be thought as a **loan / advance** from the **issuer**, which you need to **pay back** after a **certain period** of time. Use of **Credit cards** are same as that of the **Debit cards**.

3. **Prepaid Cards** - These are issued by **banks** or **non-banks**, where **value** is paid in **advance**. There are several forms of **prepaid cards**, like **Smart cards** or **Chip cards**, **Internet wallets**, **Mobile wallets**, etc.

**Prepaid cards** can be further classified into **two types** -

- **Issued by banks** - also known as **Open System Prepaid Cards**, which are issued by **banks**. These are similar to **Debit cards** in usage, but you don't need a **bank account** to get this type of card. You just need to **pay in advance**, with a **maximum limit** of **Rs. 1 lakh** (previous limit Rs. 50,000)

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- **Issued by authorized non-bank entities** - also known as **Semi-Closed System Prepaid Cards**, which are issued by authorized **non-bank** entities. There are some **restrictions** on the usage of these cards - can be used **only** for **purchase** of goods and services at **POS / E-commerce** (online) and for **domestic remittances**, but **cannot withdraw** money from ATMs. Also, you don't need a **bank account**, but need to **pay in advance** to the non-bank entity, with a **max. limit** of **Rs. 1 lakh**.

## # Reader's Question

### *Can Credit Card be issued without bank account?*

(Now after reading the article, you already know the answer)

**Credit cards** may or may not be **linked** with a **bank account**, meaning you don't need to have a **bank account**, to be issued with a **Credit Card**. However, before issuing you a **Credit card**, the issuing **bank** or other **RBI approved** institutions (e.g. **NBFCs**) will verify your **credibility**.