



# 23BAE701 - BANKING AND FINANCIAL SERVICES

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# Understanding the Operational Procedures and Advantages of Credit Card Mechanisms



# Introduction to Credit Cards

Credit cards are essential financial tools that allow consumers to make **purchases** without immediate cash. They provide a **convenient** way to manage expenses and often come with various **benefits** such as rewards and cashback. Understanding their operational procedures is vital for effective financial management.





# How Credit Card Systems Work

Credit card transactions involve several **parties**: the cardholder, the merchant, and the bank. When a purchase is made, the merchant's system communicates with the bank to **authorize** the transaction. This process ensures that funds are available and protects against **fraudulent** activities.

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Unit-V Banking And Financial



# Key Operational Procedures

The operational procedures of credit cards include **application**, approval, and usage. After applying, the bank assesses creditworthiness before issuing a card. Users must understand **billing cycles**, payment due dates, and the impact of **interest rates** on outstanding balances.





## Advantages of Using Credit Cards

Credit cards offer numerous advantages such as building credit history, earning rewards, and providing purchase protection. They also allow for emergency funds availability, making them a valuable financial resource in times of need.



# Risks and Considerations

While credit cards provide many benefits, they also carry **risks** such as debt accumulation and high-interest rates. Users should be aware of their spending habits and **manage** their finances responsibly to avoid falling into financial difficulties.



THANK YOU

