

## Quadrant II - Notes

**Paper Code:** UCOD 104

**Module Name:** Special Electromagnetic Cards: Add-on Cards, Charge Cards, Smart Cards, Green Card and Kissan Cards; MICR Cheques

**Module No:** 18

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### Special Electromagnetic Cards:

#### Add-On Cards

- Add-on Credit cards are the additional credit cards issued under a primary or original credit card.
- These are the supplementary cards that could be applied for family members like spouse, children above 18 years of age or parents.
- Depending on the issuing bank, 1 to 5 Add-on cards could be availed.
- Normally, Add-on cards come free of cost, however, depending on the bank, there might be some charges also.
- In some cases certain number of add-on cards are free and beyond that it is chargeable.
- All add-on cards are linked to the primary card.
- The total credit limit on the primary card is divided among all primary and add-on cards.
- Transaction details of each of the add-on cards will be reflected in the primary account.
- So, all the transactions made by each of the add-on credit card holders could be tracked in the primary account statement.

#### Charge Card

- A charge card is a card that enables the cardholder to make purchases which are paid for by the card issuer.
- The cardholder is obligated to repay the debt to the card issuer in full by the due date, usually on a monthly basis, or be subject to late fees and restrictions on further card use.
- Charge cards are typically issued without spending limits, whereas credit cards usually have a specified credit limit that the cardholder may not exceed.
- Most charge cards are business and corporate charge cards, not personal charge cards.
- Charge cards are issued to customers with good or excellent credit score.

#### Smart Cards

- The Smart Card looks exactly like any other plastic card or an ATM card with an integrated circuit (IC Chip) installed.
- The IC chip contains memory, may contain a processor and communicates with the external world through contacts on the surface of the card.
- The size, position and utility of the contacts are specified by an international standard (ISO 7816), so that cards can interact with a variety of equipment.

### **Green Remit Card**

- State Bank Of India (SBI) offers Green Remit Card which is used by customers (remitters), particularly non-account holders, who want to remit money to an SBI bank account at regular intervals, mentioned country's largest lender on its official website.
- Green Remit Card facilitates non-home cash deposit transactions routed through Green Channel Counter (GCC) or Cash Deposit Machine (CDM).
- It is a simple magstripe based card without PIN.
- People willing to avail services of the Green Remit Card can get it at an SBI branch which issues pre-printed cards instantly to the remitter.
- This card can be used by even non-account holders wanting to remit money at regular intervals to a beneficiary SBI bank account

### **Kissan Credit Card**

- Kisan Credit Card is a Government of India scheme which aims to save farmers from high-interest rates usually charged by money lenders in the unorganised sector.
- The interest rate can be as low as 2.00% under this scheme.
- The repayment period is based on the harvesting or marketing period of the crop for which the loan amount was taken.
- Loan amount up to Rs. 3.00 lakh can be taken out by the card holder
- Collateral is not required on loans up to Rs. 1.60 lakh
- Farmers get high interest rate on the savings in their Kisan Credit Card Account.
- Crop insurance scheme is also provided to farmers
- Following Insurance coverage is provided:  
Up to Rs. 50,000 against Permanent Disability and Death  
Up to Rs. 25,000 is provided against other risks

### **MICR CHEQUES**

- Traditional cheque clearing process is time consuming and lengthy. It affects value of transaction of settlement.
- To enhance speed of cheques clearing, the RBI has started MICR cheque and MICR Clearing system.
- Magnetic Ink Character Recognition (MICR) is a character recognition technology adopted mainly by the banking industry to facilitate the faster processing of cheques.

- MICR technology uses magnetically chargeable ink or toner to print the number and special characters on the bottom of cheques.
- MICR code is usually a nine digit code comprising of some important information about the transaction and the bank:
- The 1st 3 digits in MICR code represents the city code.
- The next 3 digits stand for the bank code.
- While the last 3 digits represents the bank branch code.
- Every bank branch is given a unique MICR code and this helps the RBI to identify the bank branch and speed up the clearing process.
- The MICR characters, which are printed using magnetic ink, are passed before a MICR reader.
- Initially the ink gets magnetized and when it is read, each character produces a unique waveform which can be easily identified.
- The MICR code allows the characters to be read reliably even if they are over printed or concealed by stamps and signatures.
- This makes the system very efficient.

## **REFERENCES**

- Indian Institute of Banking and Finance: Principles & Practices of Banking, New Delhi, Macmillan.