

A young professional's guide to getting a credit card

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From paying your Netflix subscription fees to monthly grocery bills, credit cards have become a necessity for a large part of society. Credit cards make payments easier, provide many offers and discounts and enable you to not carry cash everywhere without worrying, among a myriad of other benefits.

But oftentimes people forget some basics like paying the bills on time, not understanding how interest is calculated and so on.

So if you're thinking of venturing out to the world of cashless journeys with credit cards, this guide is for you.

What is a credit card

A credit card is a payment card that lets you pay for goods or services or borrow money for a specific period up to a specific limit if you promise to pay back within the pre-agreed time.

In simpler words, with a credit card, you can pay for your restaurant bills or subscription fees, or shopping expenses and the bank will pay for all of these. After a specific time, usually 1 month, you will have to pay back the bank.

Two important things to remember here are you will be able to pay with credit cards up to a specific limit only and failure to pay back the bank within the stipulated time will result in interest and late fees.

Difference between a credit and a debit card

Suppose you want to bake a cake. You take flour from your pantry, but then realise that you don't have enough eggs. So, you borrow some from your neighbour and promise to pay him for it the next day.

Taking flour from your own pantry is like using a debit card and borrowing from your neighbour is like using a credit card.

With a debit card, you pay from the balance of your bank account and with a credit card, you borrow from the bank to pay for something. At the end of the specific time, you will have to pay back the bank for the credit card. But debit cards do not require any repayments as the money will be directly deducted from your bank account.

Types of credit cards

Credit cards can be broadly categorised into general-purpose cards and private label cards. You can use general-purpose cards at shopping malls, restaurants, e-commerce platforms, etc. and withdraw up to 50% of your limit from ATM booths.

However, private label cards are only



accepted by special retailers. General-purpose cards are further categorised into platinum, gold, classic etc. cards to differentiate the benefits and services based on income or repayment eligibility criteria. Different credit card associations like VISA, Master Card, JCB, and AMEX facilitate the transaction process.

There are other credit cards as well. Corporate credit cards are issued to the employees of corporate customers of

banks. Foreign and dual currency cards are issued for global usages. Supplementary credit cards are additional cards issued with the main card.

For example, you can apply for a supplementary card for your spouse while applying for the main card. Both of you can use it as you may please, but the main cardholder will be billed for the total amount.

How to apply for a credit card

Any citizen or resident of Bangladesh above the age of 18 with a valid e-TIN and sufficient and independent financial ability can apply for a credit card.

Non-resident or foreign nationals can apply for credit cards as well with other required documents and prescribed procedures.

Required documents to apply for a credit card

Mandatory for everyone:

Signed and completed application form, copy of NID, e-TIN certificate, Passport size photos (signed by the applicant) of the applicant, the nominee, and the supplementary applicant if any, bank statement

For salaried executives: Copy of employee ID/business card, recent pay slip/salary certificate

For self-employed: Trade license, bank statement of the company, partnership deed/certificate of incorporation and MoA, copy of business card

For professionals: Professional certificate and business card

Further documents like FDR receipt, authorisation of encashment of securities, letter of lien, fundholding instructions are required for secured credit cards. The required documents may change from bank to bank depending on the profession.

After you submit all the required documents, the bank determines whether the applicant is eligible for a credit card. If the applicant qualifies for the card, a credit card is issued with validity not exceeding 5 years from the date of insurance/renewal.

A maximum limit and information regarding billing dates are also informed

to the applicant. The maximum limit for credit cards is 25 lacs in Bangladesh, out of which a maximum of 10 lacs can be unsecured and a maximum of 20 lacs can be secured.

The limit and benefits depend on the financial ability of the applicant and the type of card.

Payment process and late payments

All cardholders are sent a statement of accounts with the amount of bill due at the end of each month. The cardholder will have at least 14 days to make the payment.

Failure to do so will result in interest and late payment fees. If an individual pays the minimum amount due, s/he will still be charged interest on the rest of the amount.

Failure to pay the minimum amount due will result in treating your account as overdue and the bank will report your account to Credit Information Bureau (CIB).

How interest on credit card is calculated

The maximum interest rate for credit cards is 20% in Bangladesh and the interest is calculated on a daily basis.

This means if you have 1 lac taka due, the amount due tomorrow will be $100,000 + (100,000 \cdot 2/365)$ or 100,055 takas and the interest will be calculated on 100,055 takas the following day.

One thing very important to remember is that interest is calculated for cash withdrawals from ATMs from the day of the withdrawal. This means, if you withdraw cash from an ATM on the 1st date of a month, the amount will be compounded on a daily basis for 30 days before you receive the bill.

Final words

There is no doubt that credit cards make our lives easier and more comfortable, but if you are to get a credit card, don't just pay the minimum amount due, don't be wary of the payment dates, and most importantly don't withdraw cash unless it is absolutely necessary.



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