



# How to effectively manage credit cards

Dr Priya S

Professor

St Josephs evening college

## Introduction

Often unexpected expenses occur in our life for which one does not have sources or resources to meet the liability. Nor some may have reserve funds or savings to fall back on; at times the funds required may be more than the savings.

Usage of credit cards during such times can be handy to manage the sudden cash flow necessities arising during emergencies. It could be a sudden hospital emergency or a deadline based payment. Or could be purchase of a consumer durable wherein to get loan approval may need plenty of documentation and time delay in loan sanction.

This article tries to suggest how to choose right credit card from options available and guide on efficient usage and management of credit through the credit cards.

Moreover the article offers guidelines on how to prevent misuse of credit cards by fraudulent people. Steps on how to prevent interest burden and cost overrun are explained too.

## Statement of Problem

Many of us are not aware of methods of how to manage our fund flow to manage our monthly income and expense. When situations arise out of exigencies, one has to borrow at high interest cost. There are quite a few who take loans at very high rates falling into debt trap.

Apart from these major expenses, we do have bills to pay and with digital payments on the surge, bills can be paid with credit cards to effectively utilize the free revolving credit offered by credit card issuers. Upon study of various secondary materials and articles on the internet an attempt has been made to analyze ways to manage a home budget with credit cards so that credit available can be used effectively and utilized to

manage one's resources in efficient manner.

## Research Methodology

Descriptive analysis based on study of available secondary literature

There is fear when one hears someone say the word credit. Once they are exposed to financial literacy, they will realize that credit is nothing to be afraid of but can be used wisely, in responsible ways.

A credit card company usually offers a credit cycle of 30 to 45 days. If one can time this along with their incomes, this can be an efficient way of managing household budget.

### A. Choice of cards and managing cash flows

There are certain rules and methods of how to manage one credit card.

#### 1. One should never cross the maximum credit limit

When one exhausts the maximum credit limit, there will not be any fund left for emergency and not only that, but one may incur penalty and charges for crossing allowed limit. If the payment due date is missed, there will be further late fee and interest charges.

#### 2. Choice of credit cards based on annual charges

Choose a card that does not levy annual charges for using the card. Some card companies may give very tempting offers to buy such cards at annual charges. One should remember that such rewards come with cost of maintenance of the particular card.

#### 3. Better to choose a secure credit card

There are many credit card companies that issue at fancy discounts, but however they make one spend much more than the income, incurring debts. Hence it is wiser to opt for a credit card that is secured against collateral, usually a safety fixed deposit. This way one knows the maximum secure limit so that he or she will not get into a debt trap by overspending. Once the bank observes that credit is used responsibly, they may authorize additional credit limit, thus improving one's credit score also.

#### 4. Paying at least the minimum monthly amount due

One should try to pay at least the minimum amount due monthly on all the credit cards. If even this minimum monthly amount due is not paid, the bank may levy very high penalty and also affecting one's credit rating.

Great way to keep revolving credit card payments within sustainable means is to look for credit

cards that offer least interest rates. By seeking lower interest rates with credit card issuing bank, one can save on cost of credit.

5. Make secure online purchases

Make sure one makes online purchases on secure servers and use third party payment interfaces like UPI, Google pay that are safe, without risking fraud.

**B. Responsible use of cards for financial safety.**

Though credit cards are essential in today's living, one must be careful before accepting a credit card. It is also very crucial to use the credit cards responsibly.

1. Paying credit cards on time will improve credit rating, late card payments affect credit score.
2. One must read the fine print and understand the terms and conditions before accepting a credit card. Verify if there are any hidden charges.
3. One must always retain credit card expenses vouchers/ receipts or charge note advices and check then against monthly credit card statements. If there are discrepancies, must be immediately reported to the bank and sorted out. This can prevent fraud and provide protection from penalty due to human errors.
4. Ensure that one is aware of the interest rate and annual interest rate on revolving credit and late payment interest charges, so as to save high interest costs.
5. One must sign with credit card companies that send statements and alerts periodically, at least by SMS and email. These will alert regarding misuse by third party. They also alert regarding due dates for payments. Once payments are made on due dates, better credit history can be maintained.

**Conclusion**

Credit is something one must not be scared of and use the credit to manage monthly budget efficiently for better cash flow and expense management. We have explained methods of choice of credit cards and the most sensible and efficient modes of usage and management to enjoy a fruitful financial freedom. An effective usage of credit cards can assist in finance management and use resources wisely.

An efficient use of credit card is the best way to boost one's credit score

**Citations/References**

Secondary literature was studied in general. The following are cited as reference materials used in this article.

1. <https://www.1fcps.com/blog>
2. <https://www.financialnirvana.in>
3. <https://www.tadasumo1979.typepad.com/blog>
4. <https://pacgomagbu1985.typepad.com>
5. <https://diffperscryproug1982.typepad..com/blog>
6. <https://promoteabhi.hpage.com>
7. <https://wagnergoncabral.blogspot.com>

