

# IS CREDIT CARDS HAVE COME TO DOMINATE THE MODERN BANKING LANDSCAPE?

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In a terribly short amount of your time, credit cards have come back to dominate the fashionable banking landscape. They're nowadays one in all the foremost widespread merchandise offered by banks. An American has anyplace between ten to thirteen credit cards. Also, the concept of credit cards is quick spreading to developing countries. during this article, are going to perceive the explanation why credit cards became thus widespread similarly as list down the parties that are concerned in an exceedingly dealings.

## Rationale behind Credit Cards

For dealings to be processed with success on the MasterCard, a minimum of four to five parties ought to be concerned McCall and Belmont (1996). Every of those parties charge a fee so as to supply a service. As a result, transactions conducted on credit cards square measure on the average a pair of to three costlier than identical transactions being conducted in money. This extra expense has got to be borne by someone. Typically this expense is borne by the merchandiser. Therefore, by acceptive credit cards, the merchandiser is virtually reducing his profits by a pair of to three proportion points. This raises the question on why would any merchandiser wish to simply accept payment via an upscale MasterCard network as hostile acceptive money. The solution lies in human behavior. Those that pay on credit cards tend to pay quite those that pay. Therefore, by acceptive credit cards stores find you increasing their sales considerably. Hence, albeit a particular quantity of fees is charged, they are doing not mind paying the extra fee (Banker et al., 2021). The consumer so gets free credit, the bank gets a fee and also the merchandiser gets raised sales making a win-win-win scenario. This has created MasterCard the darling of bankers and also the growth engine for the matured and stable banking system. Any MasterCard dealings involve multiple parties. Except for the cardholder and also the vendor i.e. the merchandiser, a minimum of four differing types of party's square measure concerned within the method. Their roles are listed below.

## Merchant Bank

A banking concern is that the bank with that the vendor i.e. the merchandiser has Associate in Nursing account. This bank is additionally referred to as the receiving bank since it receives the payment at the top of the settlement method. Also, it's referred to as the effort bank. This can be as a result of merchandiser banks ought to go and build sales to the merchants. They need to convert the merchandiser to put in a degree of sale device at their search and begin acceptive MasterCard payments. Issuing Bank the supply bank is that the bank that's concerned within the dealings from the customer's aspect. This can be the bank that's providing the credit for the dealings. Also, this can be the bank that keeps a record of the customer's transactions, bills it and receives cash from the client. This bank maintains details of the customer's account and authorizes payments as long as credit is offered within the customer's charge account. Also, this bank is accountable of grouping payments from customers in conjunction with any interest if due Feinberg (1986).

## Networks

Any MasterCard dealings needs transmission of many messages amongst many parties in an exceedingly matter of seconds. First Associate in nursing inquiry must be sent to the supply bank, then the authorization must be received from the bank, additionally merchants got to send their daily sales for settlement within the kind of a batch at the top of the day. This consistent process needs high finish technological networks to be in situ. Hence, there square measure network corporations that are concerned within the MasterCard business. These corporations essentially loan their infrastructure on every occasion a dealings is formed and charge a fee for doing this (Thomas et al., 2011).

## Associations

Lastly, there square measure associations like Visa, MasterCard, American Express categorical and see. These associations have totally different banks as their members. They facilitate the payments between the member banks. Thus, these networks facilitate the supply bank and also the effort bank to settle their records. These two banks then ought to upset customers and merchants on their own severally. The MasterCard mechanism could be a technological marvel. It provides instant credit to its users and provides the convenience to trace their defrayment patterns with none effort. However, credit cards have landed into vital disputation thanks to the outrageous interest rates that square measure charged on outstanding balances similarly because the robust measures that square measure taken to gather dues from customers. If ethical problems square measure left aside, credit cards have so been the foremost vital innovation within the retail banking system within the past century around. However, once ethical problems square measure thought of, things modified completely.

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