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From Charge Plates to Digital Wallets: A Journey through the Evolution of Credit Cards

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Abstract*: Although credit systems have existed since ancient times, the credit cards we use today are a modern American invention. Western Union began issuing metal plates in 1918 that were similar to modern credit cards and allowed customers to postpone payments. However, these plates have drawbacks. While the Diner's Club, established in 1949 by Frank McNamara and Ralph Schneider, introduced a broader concept of credit cards, the 1946 "Charg-It card" rendered them outdated.*
The Interbank Card Association (ITC) introduced Mastercard in 1966, and Bank of America issued its first bank credit cards in 1958. American Express first offered plastic credit cards in 1959, and in the 2010s, EMV chip cards improved security.

Keywords: Credit cards, Plastic money, Charge plates, Digital payments.

I. INTRODUCTION

Although credit systems have existed for as long as there have been civilized humans, the credit cards we use today are an American invention. Nearly all economic transactions took place throughout the Bronze Age using what modern people would refer to as a line of credit. Because the time between planting a crop and harvesting it was stretched out over months, this system of credit was possible. Our forefathers frequently accrued debt while their crops were growing, which they would then settle when harvest time arrived, claims American economist Michael Hudson.

The idea of a contemporary credit card system underwent additional development around the start of the 20th century. When Western Union started issuing metal plates, often known as "Metal Money," to a restricted number of its clients in 1918.

The consumer was able to postpone making payments on their products because to these metal plates. Though conceptually similar to modern credit cards, Western Union's metal plates had many limitations compared to their modern equivalents and could only be used for certain types of transactions by a restricted number of clients.

Fast-forward to 1946, when a new form of payment known as the "Charg-It card" rendered these metal plates obsolete. Biggins's bank served as a middleman for transactions with Charg-It Card.

Many people credit Frank McNamara and Ralph Schneider, who founded the "Diner's Club" in 1949, as the inventors of the credit card as we know it today. Select males could utilize cardboard cards from The Diner's Club at 27 participating eateries at first.

The first bank to enter the market was Bank of America, which in 1958 sent a few of its California clients the first bank credit cards.The Interbank Card Association (ITC) was established in 1966 by a collection of banks in California. Together, they introduced Mastercard, which is still Visa's main rival. Master Charge was the original name before being altered in 1979.

In 1959, American Express issued the first plastic credit card. Bank of America, Carte Blanche, Diner's Club, and other recently founded credit card firms swiftly followed.EMV, which stands for Europay, Mastercard, and Visa, is a type of credit card that employs a chip and pin in place of a magnetic strip to complete transactions. By creating a different encrypted code each time you use your credit card in a transaction, the chips that are built into credit cards make them more secure. Several years after EMV cards were widely used in Europe, the U.S. adopted them in the 2010s.

The history of the credit system is significantly older than that of plastic cards, which were first created in the late 20th century. It includes verbal agreements, clay tablets, and metal charge plates.Although the credit card industry is much more regulated and fair than it was in the past, it is continually expanding and changing. Physical credit cards are

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evolving, and it appears that a younger generation of customers prefers just digital banking options. Virtual credit cards are also becoming more and more common as the trend toward digital-only choices continues. Your actual card is tied to virtual cards, which have a different number and can be used for online purchases. The fate of the credit card is still up in the air as time goes on. However, if history is any guide, credit cards in some shape or form will continue to exist. **(Bankrate)**

Objectives:

- To learn the evolution of credit cards, from their earliest forms such as charge plates and charge coins through the current generation of digital payment options.
- To study the key milestones, developments, and significant events that affected the evolution of credit cards, including the introduction of magnetic stripes, EMV chips, and contactless technologies.

II. LITERATURE REVIEW

A compulsive buying behavior measure created by Valence et al. (1988) is examined by the author for its application to Indian consumers. Money is often associated by compulsive shoppers with success, status, and power. Purchases are seen as a means for compulsive shoppers to combat low self-esteem and worry. It was investigated by author that how credit card use, demographics, and consumer attitudes about credit cards affected compulsive purchasing. The results indicate that the compulsive behavior scale has to be changed for the Indian setting. Age, wealth, level of education, and marital status all affect compulsive purchasing. The way that consumers felt about credit cards had little impact on compulsive purchasing.(Khare, 2013)

The results show that using credit cards as a payment method would be favored by greater deposit interest rates, higher trade values, and reduced transaction costs. Electronic money does not now function as a payment method because so few businesses accept it. In order to address the problem, there must be a large number of businesses willing to set up card readers to permit the use of electronic money for purchases. This would encourage customers to use electronic money for purchases, supporting the efficiency of such a payment system. However, if transaction costs are too high, electronic money will not function.(Jau-horng Pan, 2013)

This study examines the function of credit card financing in UK small and medium-sized businesses (SMEs) and how it differs by geographic area and industry focus. The findings of a regression-based analysis using a large data set of UK SMEs reveal that businesses located in peripheral geographic areas use credit cards more frequently than counterparts located in 'core' locations. SMEs that are focused on innovation, expansion, and exporting are likewise more likely to use credit card financing.(Ross Brown, 2018)

The author investigates the relationship between customized store credit cards and the use of direct marketing by merchants to promote the idea of the "privileged customer" with cardholders and increase sales. The development of credit cards and direct marketing are both investigated, and their interdependence is addressed, using Debenhams as an example.(Worthington, 2010)

The Turkish credit card market's indicators of customer satisfaction were identified by the author. Financial literacy is a key predictor of happiness after accounting for consumer and card factors. People who are more knowledgeable about money issues and who use that knowledge to their financial activities make better judgments and experience fewer financial issues, which in turn increases their level of pleasure. Additionally, we discover that consumers who have a history of credit card delinquency and who frequently use their cards for irrational purchases are less satisfied.(G. Gulsun Akin, 2014)

In this paper, author want to distinguish between people who have bank credit cards and use them and people who have them but don't use them. An examination of discrimination is performed on a sample of 825 owners of bank credit cards. The most significant discriminating factors were a cardholder's residence, age, income, number of years they had an account with the bank that issued the card, time spent at their current address, and residential status. The findings point to certain market categories that a bank may choose to focus its marketing, price, and product strategies on whether it wants to draw users or non-users, or convert the latter into the former.(J. N. Crook, 2006)

The authors of this research analyze credit card remittance and transaction behavior. Authors specifically discuss the evolution of Markov chain models for late repayment, study the existence of several classes of behavior patterns, and examine the predictive power of various behaviors. Authors also create general models for the distributions of transaction times. These models can be used to forecast probable future behavior once they have been developed to summarize the data. They can also be used as the foundation for forecasts of what one might anticipate as economic conditions change.(Hand, 2010)

According to authors, Argentina's population with a bank account increased from less than 41.6% in 2003 to 89.6% in 2016. As a result, credit and debit card payments made online significantly increased. The authors demonstrate using time series regression that, from 2002 to 2015, increases in the value-added tax (VAT) to GDP were connected with increased banking population and card growth. According to the authors, one explanation for these relationships is that as card use increased and cash use decreased, some consumption is moving from informal (harder to tax) to formal (easier to tax) markets. Additionally, the improvement in VAT compliance is partly explained by an increase in electronic payments. Between 2006 and 2010, the Argentine VAT noncompliance rate decreased from an average of 36.4% to 20.5%.(III, 2018)

III. METHODOLOGY

The Study used secondary data collection which includes academic journals, industry reports, online review platforms, social media, and databases related credit card.

IV. FURTHER RESEARCH SCOPE

The research makes a passing reference to the development of credit cards but doesn't go into great detail on how these changes have affected the economy, society, or culture. The evolution of credit cards and its effects on consumer behavior, financial markets, and businesses across time could be the subject of further study.

Although the report acknowledges the introduction of plastic cards and EMV chip cards, it doesn't examine how users felt and what consumers thought of these changes. It could be interesting to look into how users responded to and viewed these modifications in credit card technology. Investigating how technology influences credit card features, security precautions, and usability may be lacking in study.

V. FINDINGS

The Bronze Age civilizations are where the idea of credit first emerged. A precursor to credit cards was the 1918 release of metal plates by Western Union, which allowed customers to put off payments. The "Charg-It card" replaced metal plates and streamlined transactions in 1946. The "Diner's Club" was founded in 1949 by Frank McNamara and Ralph Schneider. In 1958, Bank of America released the first bank credit cards. In California, the Interbank Card Association (ITC) was founded in 1966. The first plastic credit card was created by American Express in 1959. In the 2010s, EMV chip cards, which use chip and pin technology for increased security, were first introduced in Europe. Later, in the United States.

VI. CONCLUSION

The development of financial transactions and human inventiveness can be seen in the history of credit cards. The journey has been characterized by invention and adaptation, starting with the early agricultural credit systems and ending with the modern plastic and digital cards. Early metal plates and Charg-It cards provided the framework, but Diner's Club, Bank of America, and the founding of organizations like the ITC fundamentally changed the landscape.

Security was greatly enhanced by the advent of plastic cards and the subsequent adoption of EMV technology. The credit card business is now a more controlled and fair structure. However, it is undergoing constant change as virtual cards and digital banking gain popularity.

Although the future of credit cards is still uncertain, history shows that they will continue to change in order to accommodate consumers' shifting demands and preferences. Credit cards will probably continue to be a crucial tool for financial transactions, whether they are used physically or digitally.

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