

The Evolution of Credit Cards

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Life without credit cards is unimaginable. Its a payment system that has revolutionized the way the consumers and the service providers such as the hospitality and the retail industry communicate. As the name suggests, this plastic card provides with funds on credit for stuff that you may want to buy.

Way back in 1887, an American author and socialist, Edward Bellamy spoke about buying commodities with a card in his novel, Looking Backward.

In 1914, US-based Western Union introduced a metal card for select customers with an interest-free period. General Petroleum Corporation followed in 1924. This system of payment became so popular that during the 1920s and 1930s, it spread to other companies such as railroad, hotel chains, airline, oil companies and department stores.

The 1930s saw the launch of the Bell System credit card by the American Telephone and Telegraph (AT&T) Company.

One card that changed the face of credit card and gave it the global avatar was the Diners card. The credit card, launched in 1950 could be used for avail of general services, unlike its predecessors.

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This Diners Club Inc card could be used in restaurants, for general travel as well as entertainment. Most merchants began to accept it because it meant more expenditure on the part of the consumers.

In 1951, New-York based Franklin National Bank introduced Charge-It cards. The applicants had to submit a loan application and the approved customers were given the card.

Year 1958, the American Express Company entered the credit card business with their version of the universal credit card, having the marketing tagline as Dont leave home without it.

1959, the Bank of America in California launched the BankAmericard, which was a significant event because it brought in the concept of revolving credit.

By 1967, the Master Charge or as it is known today, the MasterCard International (renamed in 1979) came into existence. This company was a group of four California banks that had come together to form this new entity.

Visa (earlier known as BankAmericard) came in 1977. These new bankcard processing associations expanded their services and increased income potential, and formed mutual relationships with large national or international banks.

In 1966, Barclaycard in the UK introduced the first credit card outside of the US.

This is not to mean that credit cards were popular worldwide. Even though credit cards gained popularity in countries such as the US, Canada and the UK, there were countries where transactions were much more cash-oriented. Or, alternative forms of cashless payments evolved. Carte bleue or the EC-card was introduced in countries such as Germany, France, Switzerland, among many others.

In these places, the take-up of credit cards was initially much slower. It took until the 1990s to reach anything like the percentage market-penetration levels achieved in the US, Canada or UK. In many countries acceptance still remains poor as the use of a credit card system depends on the banking system being perceived as reliable.

Today, credit cards are popular. But, it was only post the 1990s that making such a statement was possible. Regulatory issues and presence of poor countries are some of the reasons why this plastic currency took a while to make a niche among the consumers.

About the Author:

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