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**ABSTRACT OF DIPLOMA THESIS**

**Utilization of payment cards in a chosen market**

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## **SUMMARY**

Diploma thesis deals with current development of payment card market, providing information about the largest publishers' associations of payment cards and payment devices. Selected chapters are also devoted to the basic characteristics of payment cards, advantages and disadvantages of their use and safety. Also, a comparison was made with use of payment cards on the side of the cardholder and the card recipient. Furthermore, an analysis of the current situation in the cards market and describes the different payment methods. The aim is to make prediction of future development in the payment card market in the Czech Republic.

**KEYWORDS:** payment cards, debit card, credit card, VISA, Mastercard, payment methods, contactless payments

## **OBJECTIVES**

The aim of this thesis is to evaluate market shares of individual payment cards companies and their prospects in the future. Also reasons for the use of credit and debit cards will also be evaluated and related to possible growth or decline. The aim is to give an overview of the means of payment, to chart the financial market – particularly in the Czech Republic – and outline the development of means of payment. Defining payment cards position in today's world, their development, and based on the information answer the questions. Where will the development of payment cards in future directed? Are the payment cards and payments made by cards grow, stagnate or payment cards will cease to exist? How this trend will contribute to the technological development in the field of payment cards, which has benefits for users? Finally, the question of whether the money in physical form disappear from the Czech market or whether their use persist?

## **METHODOLOGY**

A prerequisite for the diploma thesis is to introduce the theoretical bases of the issue. Different methods will be used to evaluate the literature, including synthesis, induction, deduction and extraction. Processing literature review will be used method of studying scientific literature and legislative standards. Information will be gather from foreign literature, but also from Czech materials. First of all attention will be focused on

explaining the fundamental aspects, which in turn determines the framework of discussed topic. Current information will be drawn from journals, internet sources and internal documents of the leading companies in the field. Utilizing the methods of description, comparative analysis methods and regression methods.

## **CONCLUSION**

The development of means of payment is a visible indication of the efforts to reduce the need for cash payments. The reduction is being caused by an increase in the use of payment cards. From cash payments to paying by payment cards becomes increasingly larger percentage of people. The advantage for cardholders is mainly time and cost savings. It is no longer necessary to withdraw cash from an ATM before a purchase. The use of developers aims to further digitize money. Some people even see one possible fate of digitization of cash. The justification is that money for millennia drift towards ever higher levels of abstraction, therefore becoming a purely symbolic expression isolated from material value.

Even if paying cash is on the decline, it will not be as rapid as we thought. As a supporter of modern electronic technology I have to admit that cash were and still is an important payment instrument and cash will exist in future. Development and rise of contactless payment and online payments is large and the Czech Republic belong in this direction for the fastest growing market in Europe. When Greece closed their banks, did not have cash on hand, was completely without financial resources. Cash is generally accepted means of payment which ensure acceptability in most countries laws. The recipient of cash can ensure that a payment of cash was made and the issuer can be sure the date and amount of the sale without the threat of additional charges and the uncertainties of the future settlement of the transaction. Other means of payment such strong certainty do not provide, because they are usually the commitment of private companies. The cash payment system represents resources that provide a very good control over personal spending and anonymity. Moreover, the use of electronic payment leads to more debts, unlike the use of cash. The importance of the role of cash is explicit and plays a vital role in the national economy as well as stores a value. Finally, cash is a very important tool in criminal activity.

When using a payment card, it is necessary to divide cards into two groups – debit and credit cards. As cited above, usage of credit cards decline, people become afraid of debts and usage of debit cards increases. The future trend will be growth because Czech people are more and more educated in the problematic nature of payment cards.

Technological advances are changing how we use and view money. Electronic forms of payment have become a routine part of spending. Their use have due to the development and technological innovation still growing trend. Every year there is an increase in the number and volume of transactions that take place through payment cards in the several tens of percent. The number of places where you can pay by payment cards has more than doubled in the past 6 years. This thereby increases the utilization of payment cards and due to the fact that there is sufficient space for growth of cashless transactions at the expense of cash payments, it is likely that this trend will continue in the future.

As a future trend in the use of new technologies, it is possible to introduce Pay by touch. This method uses biometric payment authentication in the form of fingerprinting. It is one of the safest technologies. It used mostly in the USA but slowly expanding to other countries. The absolute novelty for 2015 available on Czech market will payment using technology HCE (host emulation card). It is a possible to use contactless payment on contactless payment terminals without owning a SIM card of a particular operator.

Regarding the latest technologies such as mobile and contactless payments, it is difficult to predict with certainty their development in the coming years. There is no doubt that it will become standard in some segments, for example, public transport. Thanks to a growing number of eshops and places where people can shopping comfortably will lead associations and companies engaged in developing payment technology to the need for finding new systems to facilitate purchases for the buyer and for the seller. It can be expected that in time they will actually develop these technologies as a major means in certain markets. In looking to the future, contactless payments and mobile payments have strong potential and will be one of the many trends in the payment industry. These trends estimate mainly from the perspective of the market in the Czech Republic. In the last few years, the trend of cashless payments and extensive development of cashless technology is

growing. Still, it is true that the Czechs are conservative people and the introduction of a modern means of payments will take awhile to develop the market.

The shifting boundaries of the market will be at the end of 2016, when the applicable European Union regulations regulate the fees from card transactions and POS terminals will be accessible to whole new segments of traders who work with minimal margins.

### **SELECTED RESOURCES**

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