

Mode of payments essay



**ASSIGN
BUSTER**

According to Wikipedia, a payment system on the other hand is regarded as a “ system” because it employs methods to substitute physical money for items such as cheques and letters of credits. In recent years, the electronic information age has led to the development of a vast number of new electronic payment methods that include electronic banking cards, electronic fund transfer systems and direct transfers, and internet / mobile payment systems. How did we get here? Payments and resulting Payment Systems have evolved through the history of the human race, starting out at the most primitive level of a simple exchange of goods, or barter.

The BarterBartering is thought to date back over 100, 000 years, and was seen across practically every culture. Farmers might trade livestock for clothing, or someone skilled in weaving might trade one of his baskets so he'll have something to put in one of his other baskets. The transactions were usually completed by two people and the amounts were determined almost solely on what each party agreed would be a fair exchange. But bartering presented the issue of the size of items - it was not exactly an easy job of putting a cow or two in your rucksack for exchange for wheat from your neighbour a couple of days' worth of travel away. There was a strong need for an easier way to purchase items.

Early Commodity MoneyCommodity money evolved out of bartering, and is based around the idea that the commodity itself has a specific value to it. The earliest examples of commodity money include dyes, strung beads, and shell jewellery. In fact, the term Shekel, which is still used today, originally referred to a specific mass of barley and dates in Mesopotamia right around 3000 BC. Probably the most famous form of commodity money is gold, which

was swapped by the Egyptians in bar-form and has frequently taken on monetary functions throughout history.

One can only assume this is because gold is just so pretty. Coin Money Modern scholars estimate the first gold and silver coins were introduced by the Lydians somewhere around 650 BC. Obviously, having a relatively light weight and fixed-value form of payment made buying things considerably easier. However, since having only one standard coin is likely to leave everyone stuck overpaying or buying in bulk, lower denominations of coinage were quickly developed. Bank Notes As a logical stepping stone from commodity money, paper money initially came about as a form of representative money. Banks would issue a receipt, or note, to the depositor that was redeemable for whatever gold or silver they had stored.

Since these notes were basically the same as gold, they eventually began to be traded. The first widely accepted paper money appeared in China right around 960 AD, when the Song Dynasty issued what were essentially promissory notes because the country was suffering a shortage of the copper necessary to make coins. Bank Credit The increasing use of bank notes and paper money as currency allowed banks to take up the practice of fractional reserve banking and begin loaning out money while trusting that not everyone would want all their money back at the exact same time. With banks beginning to lend out more notes than they could back with actual reserves, credit became available to people who could assure banks they were going to be able to provide a timely repayment of the loan...with interest, of course. Goldsmiths were some of the first to embrace this idea,

using a portion of the reserves they were holding in order to become creditors and make money off of investments.

Credit CardsThe first mention of credit cards comes from the 1887 novel *Looking Backward*, although the description is more on par with what would be considered a debit card. Although there were some early forms of payment that could definitely be thought of as a precursor, the modern day credit card didn't really appear until the 1950s. Diners Club was the first general purpose charge card, but it required that people pay the entire balance at the end of each statement period. The idea of credit cards as revolving debt didn't really start to take off until the launch of the cards that would eventually become Visa and MasterCard in the mid to late 1960s.

Internet PaymentsOver the past couple of decades, new technologies have changed the way people purchase things.

Payments can be scheduled and made online. These payments not only involve accepting credit cards, but enable the use of PayPal, Google Checkout and a slew of other payment portals. This digital payment allows you to shop on your own terms so you can avoid long lines cranky clerks and creepy customers. **Mobile Banking**Taking these purchases a step further, advancements now allow you to manage bank accounts and transactions directly from your mobile device, be it a smartphone or tablet. Different applications allow you to make and receive payments; manage your banking and, most recently, turn your device into a mobile wallet and virtual Credit Card using NFC technology.

The Future of Payments We have come a long way in 100, 000 years, and with the pace of how technology is currently improving and reinventing itself, we should soon see payments that are initiated by simply swiping your hand past a sensor at any location globally for instant and secure transactions. Currently there are more ways to pay for items than at any other time in history. Of course, that's assuming you have the money, credit, or random valuable commodities to back it up.