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## PARTICIPATION OF BANKS IN THE CARD PAYMENT SYSTEM: EVALUATION COSTS AND INCOMES

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*Summary. In modern conditions card payment systems have an important place in the retail business of Ukrainian banks. Participation in card payment systems is associated with considerable costs. Therefore, the optimal choice of payment system and its development strategy is an important precondition for the profitability of this activity.*

*Therefore, the optimal choice, in terms of opportunities for bank payment system and its development strategy remains an important*

*precondition for ensuring profitability of this business area.*

*In the article are analyzed key costs associated with implementation of card payment systems in banks as well as sources of income from participation in card payment systems.*

*In addition, the article provided an example of calculating the financial result of the bank's participation in NSMEP, Visa and MasterCard.*

**Key words:** *card payment system, payment card emission, NSMEP, Visa, MasterCard.*

In modern conditions card payment systems have an important place in the retail business of Ukrainian banks, because they can increase fee income, improve service quality, and diversify activities of the bank. Furthermore participation in the card payment systems allows access to previously inaccessible markets like salary projects, retirement accounts, acquiring of payments and withdrawals.

Despite these advantages, participation in card payment systems is associated with considerable costs. Therefore, the optimal choice of payment system and its development strategy is an important precondition for the profitability of this business area.

Payment card business of Ukrainian banks mainly based on domestic payment system National System of Mass Electronic Payments (NSMEP), international payment systems Visa and MasterCard.

Based on the implemented cost-benefit analysis can be concluded that NSMEP has lowest cost among these payment systems that making it most reason-

able option for small banks. Yet NSMEP also has lowest interchange fees which generate a significant part of income. Generally this reduces economies of scale and appeal of this payment system for larger banks.

On other hand international payment system has better economies of scale because of must larger interchange fees and flexible payment system fees that depend on volume of card emission. Moreover Visa and MasterCard is most popular in Ukraine because of brand awareness and acceptance of their payment cards in most shops and ATMs that makes it easier to achieve high volumes of issue of this payment cards compared to NSMEP cards.

Simultaneous participation in two payment systems can increase revenues from acquiring but at the same time significantly increases the cost that making it reasonable choice only for largest banks who want to develop the direction of acquiring payments and withdrawals.

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