

# Embracing the Future: The Economic Impact and Opportunities of Digital Payments

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**Abstract:-** This paper reviews some logical and statistical data on how widely the use of digital payments will impact our economy. At this point, an argument has arisen regarding which (cash and digital money) is more convenient for the future economy. The paper aims to explore economic opportunities in terms of security, efficiency, and transparency. This study will not only reflect the economic benefits of being a cashless economy but also demonstrate the rationale that money management can be simplified through digital payment systems. The paper will talk about some of the shortcomings of the digital payment system and how we can solve them. The research findings confirm that the widespread use of digital money will accelerate our economic growth and also benefit daily life. Using digital payments also has some dangers like adoption and privacy. This paper clearly shows how to handle such problems. This study provides a quantitative argument for positioning digital payments as the beginning of a new economic revolution.

**Keywords:-** E-payment, Digital money, Economic growth, Privacy and Security, financial inclusion, Future Economy.

## I. INTRODUCTION

Having too much physical cash is harming the global economy (Ragoff, 2017). This claim illustrates the drawbacks of paper money in the modern day. On the other hand, A cashless payment system offers a better substitute. To achieve a cashless society, electronic payment methods like credit/debit cards, mobile payments, and cryptocurrencies must be widely used. These electronic payment methods have the capacity to completely transform financial transactions and speed up economic growth.

Moreover, digital payments are essential to drive sustainable economic growth in the digital age. It allows instant payments, reduces transaction times, and provides greater security and transparency than cash. Additionally, it leaves a digital trail that makes it easier to trace down and stop fraud or disputes. Robust security measures, such as PINs, passwords, biometrics, and encryption, can be implemented to safeguard transactions.

Furthermore, digital money makes monitoring transactions simpler and defends against corruption and other illegal activity. Considering these facts, it is clear the transition to a cashless society is a necessary and inevitable step for the future of the world economy, as it promises enhanced efficiency, security, and transparency in financial transactions, while also fostering innovation and economic growth.

### ➤ Background

A cashless society entails relying on digital payment methods, such as bank transfers, mobile money, QR codes, and cards, for electronic transactions. Despite living in a digital era, a significant portion of Americans, about three-fifths, still use physical cash (vise, 2023). However, paper money is becoming less practical in today's technologically advanced world. Rogoff (2017) reveals that even developed countries like America have approximately 1.4 trillion dollars in paper money circulation, which can facilitate various illegal activities such as tax fraud, corruption, terrorism, drug dealing, and human trafficking.

In contrast, underdeveloped countries like Bangladesh face corruption issues, with bribes often being exchanged in cash due to the lack of transaction records. To combat such corruption, adopting digital payment systems emerges as a highly effective solution, enabling the government to monitor payment histories more efficiently than cash. This article critically examines reliable data to explore the potential impacts of digital payments on our economy, aiming to ensure enhanced security, transparency, and efficiency in financial transactions.

## II. FINANCIAL TRANSACTIONS

### ➤ Security

Digital payments are more secure than paper-based transactions because they use various security measures to protect sensitive financial data. There are better options than paper cash to use in this digital era. First, there are some security issues with traveling with a lot of paper money because it may cause street crimes like robbery. Not only may get robbed in this way and also there is a high chance of being a victim of physical harm. Moreover, paper cash can be harmed by any incident. Klapper and Singer (2017) found that "digitalization in the payment system can increase security resulting in a decrease in associated crime" (p. 213). Paper-based transactions are more susceptible to theft, counterfeiting, and fraud. Digital payments, on the other hand, use encryption,

authentication, fraud detection systems, and regulation to protect sensitive financial data. These measures reduce fraud risk and protect users from financial loss. As a result, by using a variety of security measures, digital payments can be made more secure than paper-based transactions and also protects users from fraud and financial loss.

#### ➤ *Efficiency*

In terms of speed, cost, and accuracy, digital currency is more effective than cash. Transaction of digital money is faster than cash because it is processed electronically also, there is no need for human movement to transfer. Moreover, digital money doesn't need any physical infrastructure such as banks and ATMs which might cost a lot of money. And also, digital money transaction reduces the risk of human error which ensures accuracy over payment. Nasr, Farrag & Nasr( p.21, 2020) state that using an e-payment program, money transfers can be made in just a few minutes, eliminating the need to wait in queues at banks and post offices. E-payment programs offer speed, convenience, time-saving, accessibility, and cost savings for money transfers. They eliminate physical visits to banks or post offices. It is less time-consuming and reinforces the benefit of the digital era.

#### ➤ *Transparency*

Digital payment systems further promote financial transaction transparency by offering thorough records, real-time transaction monitoring, and enhanced visibility. The economy faces a severe threat from a lack of transparency. For a government, keeping track of all the payments made in the entire nation is a difficult task. It is almost impossible if cash is used as the method of payment. However, if governments only permit digital payment methods, they can easily keep track of all payment information and ensure that everyone is paying taxes as required. Additionally, it lessens the likelihood of sending money to the incorrect account. Digital payments eliminate in-person interactions, which reduces the black market, criminal, and corrupt activity, according to Setor, Senyo, and Addo (p.3, 2021). According to the claim, the absence of physical face-to-face interactions made possible by digital payments can help cut down on illegal activities like corruption, criminal activity, and black market trade. This is because digital transactions leave a digital trail, which makes it harder for illegal activities to remain undetected or hidden and serves as a deterrent for potential offenders. Baghla (2018) surveyed 100 people and found that "94 out of 100 people said digital payments can reduce or eliminate black money from India" (p. 88). People frequently reserve using paper money for tax amnesty, which is very bad for the economy. Therefore, digital payment systems can revolutionize financial transactions by guaranteeing transparency and establishing a more secure and responsible financial ecosystem.

### III. ECONOMIC BENEFITS AND CHALLENGES

#### ➤ *Financial Inclusion:*

Digital payments can help to make financial services more accessible to people who do not have traditional banking accounts. Digital payments enable convenient online and mobile account opening, eliminating long-distance bank visits in many countries, and reducing travel time and convenience. It also allows to make payments and save money in an account without visiting the bank. According to Vodafone (2023), M-PESA handles \$1.55 billion in remittances annually through partnerships with top money transfer operators, including 60% in Kenya and 20% in Tanzania. M-PESA is a digital banking platform that allows many underdeveloped countries to make payments and transfer money online. Moreover, In passenger transportation, particularly in urban areas, the prevalence of digitalization is a significant trend, and electronic ticketing is the most visible feature (Urbanek, 2019). Online ticketing is part and parcel of human life, only digital payment system allows us to take advantage of online ticketing. So, without digital money financial inclusion cannot be gained.

#### ➤ *Challenges*

There are some limitations to digital payment, including adoption and privacy. Digital payment systems collect and store financial and personal information, which raises questions about how it may be used without users' agreement. According to, Akanfe, Valecha, & Rao (2020) Data breaches and tracking and profiling can lead to identity theft, fraud, and financial loss. Even yet, it can be quickly resolved by taking the required actions, such as requiring openness from digital payment service providers and protecting customer data. By putting these protections in place, digital payment systems can increase user privacy, stimulate widespread adoption, and address privacy and adoption issues while securing user data.

### IV. CONCLUSION

The transition to a cashless society is crucial for the future of the global economy because it has the potential to boost economic growth while enhancing the security, effectiveness, and transparency of financial transactions. Systems of cashless payments have the power to revolutionize the financial sector, reduce corruption, tax evasion, and illegal activity, and increase financial inclusion. However, it is imperative to address some issues related to a cashless payment system, such as adoption and privacy. The development of strong and inclusive cashless payment ecosystems requires cooperation between governments, financial institutions, and technology companies. The transition to a cashless society is already well underway, and the world is witnessing the advancements and implementation of these systems.

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