

DIGITAL PAYMENT SYSTEMS: A FUTURE OUTLOOK

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ABSTRACT

Purpose- This study examines the development of digital payment systems with the evolution of communication technologies, financial institutions and fintech companies. Also, this study analyzes the expected effects of developing payment systems and fintech applications.

Methodology- The study defines different types of digital payment systems, compares general characteristics of digital payments, provides a timeline of developments for digital payment systems and compares most used digital payment applications.

Findings- The payments market is changing in line with consumer behavior.

Cashless economies, mobile banking, instant payments, digital commerce, and the growing impact of regulatory agencies are a few trends affecting the payments market. Contactless payments also make the payment process easier and more convenient for consumers who benefit from shorter lines, cash-on-hand issue elimination, and faster moving queues. The Asia-Pacific region is anticipated to witness significant growth in the market such as China and India. Digital and mobile wallets account for 58% of regional e-commerce payments in the region and are expected to reach 68.2% by 2023. The e-commerce sector is witnessing a spike in demand as consumers order essential items such as food and clothes through e-commerce websites, where most consumers prefer the digital mode of payment. Transition towards the cashless economy, emergence of new online financial institutions, a decentralized monetary governance with the adoption of blockchain and cryptocurrencies are envisioned. Advancements in payment technologies as well as digital payment systems adoption will create momentum and create further investments towards digitalization of monetary exchange.

Conclusion- It is concluded that evolution of digital payment systems will extend convenience, return, convergence, cross-border and time-limitless transaction. Inclusion of the unbanked is expected to drive growth and create new opportunities. There is a clear transition towards a cashless economy with the increasing adoption of digital payment systems by all spenders. Speed, privacy, convenience, security and decentralization will mean a wider inclusion for all global citizens; even including some unbanked population. Decentralization and blockchain will mean a blur in distribution of wealth, some money leaving the traditional banking systems. Digital payment systems provide a wide range of transaction options to its users; swiped credit cards, electronic checks, mobile wallets and contactless payment. By 2050s, the circulation of physical money is expected to vanish, leaving its place to virtual currencies changed on digital platforms.

Keywords: Digital payments, online transactions, digital wallets, e-payment, cashless economy

JEL Codes: M21, O33, O42

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