

Center Digital Payment Systems and Their Impact on Global Economic Trends

Yuchen Zhang *

Shijiazhuang No.24 high School, Shijiazhuang, Hebei Province., 075700, China

* Corresponding Author Email: huoxunxiao@ldy.edu.rs

Abstract. The global economy has faced a significant slowdown or even stagnation due to multiple factors, including the spread of infectious diseases, natural disasters, intensified local conflicts, and wars. To address this decline and stimulate economic growth, countries worldwide have increasingly turned to digital payments. These technologies support economic development, enhance consumer spending, and enable economies to adapt to the rapidly changing global landscape. Digital payments have proven to be a crucial component in overcoming the prevailing weak economic growth. Cross-border e-commerce has expanded, allowing consumers to access the global marketplace, while digital payment systems have streamlined international transactions, facilitating easier participation in global trade. Moreover, the rise of digital currencies, particularly central bank digital currencies (CBDCs), presents a promising future where these currencies may dominate the global economy. As such, digital payments are poised to become a key trend, driving the next phase of global economic transformation.

Keywords: Economy, Digital Payments, Alipay.

1. Introduction

1.1. Research Background

The term "digital payment technologies" encompasses those that utilize hardware, such as smart devices, in conjunction with digital technologies, including artificial intelligence and communication security. These technologies can be broadly classified into the following categories: mobile payment, internet payment, e-wallet, QR code payment, contactless payment (NFC), and cryptocurrency systems [1].

As shown in Figure 1, the rapid expansion of digital payments on a global scale, particularly in emerging market economies such as those in the Asia-Pacific region, is evidenced by a compound annual growth rate of 24.1% and a growth rate of 24.7%. In developed regions like North America, the growth rate is only 5.6%, and the compound annual growth rate is only 5.6%. Europe's growth rate is 12.2%, but its compound annual growth rate is only 11.3%, indicating that it is another developing continent [2].

The global financial services industry, including the application of big data, blockchain, cloud computing, and artificial intelligence, is undergoing a period of sustained innovation as a result of the emergence of fintech. A noteworthy aspect of this phenomenon is the advent of digital payment technology. Furthermore, the advent of fintech has catalyzed the development of digital payment technologies. The expansion of digital payment technology is enabled by the advancement of fintech across all its constituent areas [3].

A notable shift has been observed in consumer payment habits, with a notable decline in the use of traditional payment methods and a corresponding increase in the use of digital alternatives. This transition has led to a reduction in the time and effort required for in-person payments, while also offering enhanced security through the use of encryption technology and double verification [4].

1.2. Research Objectives

The objective of this research is to examine the impact of digital payment technology on consumer behavior, financial services innovation and operations, and potential implications for national monetary policy [5-7].

1.3. Research Questions

- What behavioral changes do digital payments bring about for consumers?
- What alterations to financial services have digital payments brought about?
- What is the impact of digital payment technologies on monetary policy?

1.4. Research Methods

This study employs a mixed-methods approach, integrating qualitative and quantitative methodologies, to conduct a comprehensive analysis of representative cases in the domain of digital payments through the case study method. By utilizing specialized case analyses, we can enhance our understanding of the diverse applications of digital payment technology, its impact on financial services, monetary policy, and consumer behavior. The case study technique, which allows for in-depth description and examination of objects within a specific context, is particularly well-suited to investigating complex phenomena [8].

The following represents a comprehensive list of the primary components of data sources:

Industry publications constitute an additional source of data. To obtain the most recent information regarding the development of digital payments and related data, it is recommended to consult reputable industry reports in the financial technology sector. Examples of such reports include the Accenture Financial Services Technology Report and the McKinsey Global Payments Report.

Academic Literature: To provide a theoretical framework for the study, it is essential to compile the existing academic research on the subject, with particular attention paid to theoretical discussions on financial technology, digital payments, and their effects on consumer behavior, financial services, and monetary policy [9].

Financial Data: For a horizontal comparison analysis, it is necessary to gather pertinent information from public financial databases, payment system data, and central bank statistics about digital payment applications and currency circulation in various nations [10].

2. Case Description

2.1. The acceptance of mobile payments and their effects in China

In 2004, Jack Ma initiated the development of Alipay, an electronic payment platform that emerged as a subsidiary of the Alibaba Group. Alipay's objective is to facilitate seamless business transactions across diverse contexts through the use of digital currencies. As evidenced by its extensive reach, Alipay has become a pivotal entity in numerous domains of Chinese e-commerce, including virtual gaming, online payments, online retail, online wholesale, telecommunications, financial services, and even utility fees.

In August 2013, WeChat Pay was introduced to the market. That was eleven years ago. In China, it has achieved complete popularity. The available payment options include transportation codes, red envelopes, zero-money passes, transfers, and others. In October 2019, the number of Alipay users surpassed 1.2 billion, and in 2023, the WeChat Pay user base surpassed 1 billion. The vast majority of payments in China are conducted via Alipay and WeChat Pay, largely due to the user-friendly nature of their respective payment processes. The proliferation of digital payment methods has led to a notable shift in consumer behavior, with many Chinese individuals now relying on their mobile phones for transactions rather than carrying significant amounts of cash. This trend has considerably enhanced the convenience and security of financial transactions, while also improving the overall quality of life for many Chinese citizens. Moreover, the advancement of online purchasing and e-commerce has been significantly facilitated by the transformation in payment methods, which has also somewhat alleviated the burden on employment. In 2022, Alibaba and JD.com generated 8.3 trillion yuan and 3.47 trillion yuan, respectively, contributing significantly to China's economic growth. Concurrently, as e-commerce has expanded rapidly, numerous traditional businesses have established online stores, and the corporate sector has begun to transition towards digitization. The

advent of e-commerce has facilitated global commerce, enabling the launch of services in multiple countries.

2.2. The use and effects of M-Pesa, the mobile payment system from Africa

In 2007, Safaricom and Vodacom, two telecommunications companies based in Africa and subsidiaries of the multinational Vodafone Group, launched M-Pesa, a mobile payment service. The introduction of the Vodafone M-Pesa service commenced in November 2011 and was formally launched in April 2013. Despite the considerable potential of the Indian market for M-Pesa, the number of monthly active users in India has remained relatively low, at approximately 2 million, as of 2024. This figure is particularly striking when one considers the size of India's population, which stands at 1.417 billion. This suggests that M-Pesa has not been as effective in India as it might have been, due to a combination of factors.

3. Problem Analysis

3.1. Impact on consumer behavior

The prevalence of cash transactions has diminished as a consequence of the advent of digital payment technology, with consumers now demonstrating a proclivity for digital payments. This shift has also precipitated an increase in the frequency of payments made by individuals. The enhanced convenience of digital payments has contributed to this trend, with a notable growth in digital small payments, as numerous transactions of a modest value can be conducted through digital means. Furthermore, users of digital payment platforms frequently encounter tailored advertisements, which are tailored to modify and personalize their consumption patterns.

Nevertheless, during the nascent stages of digital payments, network fraud was a prevalent phenomenon due to the lack of robust network security and the deployment of antiquated network protection technologies. This resulted in a pervasive sense of distrust and unease among customers. However, in light of the rapid advancements in science and technology, network protection technology is becoming increasingly sophisticated. Concurrently, numerous governments have enacted a multitude of statutes and directives pertaining to network security, including the "Cybersecurity Law" in China, the "Computer Fraud and Abuse Act, CFAA" in the United States, and the "Computer Misuse Act 1990" in the United Kingdom. Over time, individuals have exhibited a growing confidence in digital payments, accompanied by an enhanced sense of security.

3.2. Impact on financial services

The advent of digital payment technologies has spurred financial institutions to pursue innovative services. Online banking has gained considerable traction as a consequence of these developments. Most digital payment services permit users to transfer funds directly from their bank cards via their mobile phones, enhancing convenience. Moreover, these digital banks serve clients on a global scale, free from the constraints of regional markets, and thus experience low customer attrition and minimal competition. Major banks are making investments to digitize their offerings. Obtaining credit online is a relatively expeditious and straightforward process. To complete the online credit application, the applicant is required to navigate a streamlined application process, provide relevant financial and identity information, and pass an automatic evaluation. Those residing in rural areas or lacking access to traditional banking institutions may find this to be a valuable resource. It has the potential to stimulate economic growth and consumer spending. Financial services enabled by blockchain technology can enhance transaction efficiency while reducing costs and delays associated with international payments. Blockchain technology provides a digital identity management system that offers users privacy and control over their personal data.

The advent of digital payments has also facilitated financial inclusion by expanding the number of individuals who can access and utilize financial services. The barrier to entry is significantly reduced by digital payments, which require only cellphones and the Internet to function. This has led to a

decline in the necessity of traditional financial institutions. Furthermore, digital payments have had a profound impact on underdeveloped nations and rural locations, fostering economic growth.

4. Suggestions

4.1. Recommendations for governments and policymakers

In light of the rapid advancement of digital payment technology, it is imperative that governments and legislators take the initiative to establish and reinforce pertinent laws and regulations, invest in the research and development of digital payment protection, strengthen the supervision of digital payments, guarantee consumer payment security, and safeguard their rights and interests. Furthermore, it is essential to provide financial support for the development of cutting-edge digital payment technology and encourage the construction of digital payment infrastructure.

4.2. Recommendations for Financial Institutions

It is imperative to align with the prevailing trajectory of development, accelerate the pace of digitization, promote the digitalization of business operations, and digitize credit and payment services. It is essential to expand the user base, globalize the firm, and extend the range of services beyond the limitations imposed by geographical boundaries. Concurrently, it is vital to cultivate robust collaborations with digital enterprises, vigorously promote technological advancement, capitalize on their expertise and technology to enrich service capabilities, and remain responsive to client needs. To protect consumer data and ensure transaction security, it is imperative to reinforce security measures and employ a multitude of authentication techniques.

4.3. Advice to consumers

It is recommended that consumers obtain fundamental financial information and enhance their comprehension of digital payment security. To mitigate the risk of fraud and financial loss, it is imperative to utilize multi-factor authentication and more complex passwords. The security of financial data and privacy must be enhanced. It is of paramount importance to exercise caution and make well-informed decisions when selecting digital payment methods, such as bank cards and QR codes. Instead of blindly following the trend and assuming the associated risks, individuals must possess the ability to discern which method aligns most effectively with their payment patterns in the figure 1.

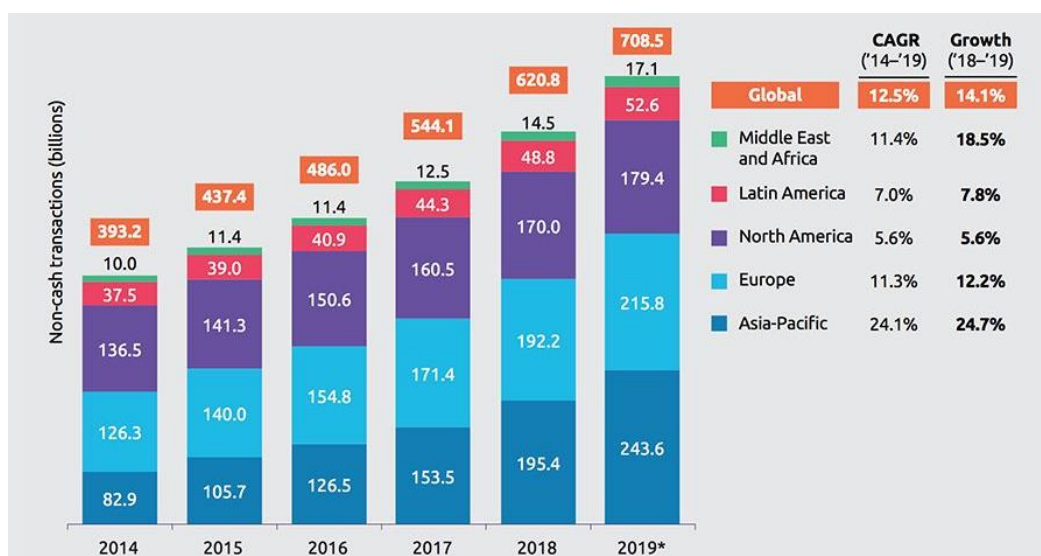


Figure 1. Asia-Pacific leads the global non-cash transactions growth driven by the soaring internet economy (billions), 2014-2019

5. Conclusion

The advent of digital payment technology has fundamentally transformed the financial services sector, providing unprecedented opportunities for growth, efficiency, and inclusivity. The widespread adoption of these technologies has not only streamlined transactions and reduced operational costs but also facilitated access to financial services for underserved populations, thus promoting financial inclusion. Furthermore, the integration of digital advancements into monetary policy has created new dynamics, enabling central banks to implement more effective and responsive policies. Central bank digital currencies (CBDCs), for example, represent a significant shift in how monetary systems can be designed, offering the potential for more transparent, secure, and efficient monetary governance. This evolution is reshaping traditional monetary frameworks, which will need to adapt to these digital trends. Customers, businesses, and governments alike are reaping the benefits of this transformation, from increased convenience and security to more efficient financial ecosystems. As digital payments continue to advance and become more deeply embedded in global financial systems, they are expected to drive further economic and social innovation, ensuring that the digital economy remains a key pillar of future global growth. This trend is not merely a technological shift but a profound reconfiguration of how we engage with the economy, promising a more connected, inclusive, and dynamic financial future.

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