

The Impact of Digital Payments on the Financial Services Industry

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Abstract: Against the backdrop of the rise of digital payments, more and more people are choosing to use virtual currencies for their transactions. Thus, in this paper, the reasons for the global rise of digital currencies, the characteristics of digital payments, and the possible global impact are presented, and the possible risks and challenges of digital payments are analyzed, as well as how to protect customers' privacy and data and how to improve payment methods based on users' experiences. The focus of this paper is on discussing the impact that digital payments will have on the financial industry, comparing and analyzing the advantages and disadvantages, and exploring the indirect or direct impact it will have on financial services and money. Furthermore, it analyzes the habits of consumers using digital payments and whether digital payments will quietly change their habits.

Keyword: Digital Payments, Financial Services, Monetary Policy, Consumer Habits

1. Introduction

In modern society, more and more people are choosing to make digital payments in their daily lives. People use digital payments rather than traditional cash payments. This is due to the plethora of emerging digital technologies that are said to be developing, of which digital payments are now a globally recognized means of payment. The rise of digital payments has brought tremendous changes and opportunities to the global consumers, financial institutions and economy [1]. Among other things, consumers will also leave behind a corresponding habit of using digital payments over time. This paper explores the global rise of digital payments, examines the impact of digital payments on the economy, consumers and financial institutions, as well as how consumer usage habits can be leveraged to make digital payments more efficient. As things stand, different studies have explored the pros and cons of digital payment systems, but have not covered every topic in detail. Therefore, the primary objective of this study is to comprehensively capture and analyze the available information on the methods, means and stages of digital payments. To examine current issues and speculate on potential future developments in digital payment-related finance and their impact on finance. The issues related to digital payments are examined by describing the relevant payment methods using a literature research method, then comparing the corresponding payment methods, speculating on the future of digital payments, and making recommendations.

2. Global Rise of Digital Payments

Digital payments are those that are made with currencies similar to those used in digital media. They can be used to purchase goods and services, or to make financial investments and a range of related financial products and services. Due to their security, convenience, immediacy and traceability, digital payments are slowly replacing traditional cash payments [2]. Digital payments allow users to make payments using digital channels such as digital wallets, banks and credit cards, mobile software on mobile phones and cryptocurrencies. Digital payments are emerging globally as people start to use them more and more, and because they give users the ability to transact globally without the limitations of geographic space or time.

The development of finance also promotes the process of digital payment development, because the development of finance requires investors to carry out a large amount of money for transactions, but the traditional transaction methods are too cumbersome, so the emerging digital payment system solves this problem to a large extent. The need for payments in relation to finance has also contributed to the rise of digital payments. Because more and more people need to pay, people will choose more convenient and fast payment methods, so digital payment will follow people's demand and start to be popular. In addition, since the consumer finance market in China is still quite small, the financial industry still has a lot of room for development. The growth of market demand also indirectly promotes the development of digital payments.

3. Risks and Challenges of Digital Payments

The security of digital payments is a key factor in the financial sector's ability to continue to grow. Any user of digital payments will be concerned about security, as no user will want to make any payment through an insecure transaction [3]. A secure transaction protects the user's privacy or secrets about the business from being compromised, thus protecting the user's interests. There is also the flexibility of the payment software; for example, in China, certain software cannot use Wechat to make payments, but others cannot use Alipay to know. This situation requires users to make different means of payment, which can lead to a decline in users' interest in digital payments, thus affecting the rise of digital payments. On the other hand, banknotes are easier to understand in terms of quantity held than numbers since virtual currency—which is essentially just a series of numbers—is used for digital payments. Nonetheless, customers form a strong opinion about the use of paper money when they use it. Since utilizing digital currencies only takes a short while to complete a transaction, using them may lead to excessive transaction behavior on the part of the user, which could cause the money to disappear without their knowledge.

3.1. Security Risks to User Privacy

Financial transactions should include the following minimum security [4]: First, user data is protected. When using digital payments, the user's information and the content of the transaction should be kept confidential and not allowed to be accessed by unrelated parties. Even if the data is maliciously intercepted by other technical means, the data cannot be found useful. Second, the security of data transmission is ensured. Payment or transaction data must be complete and accurate to facilitate the user experience. If data transmission is corrupted, it can be recovered by relevant means. It is also important to ensure that the data is secure during transmission and will not be easily accessed or modified by illegal means. Construct a strictly confidential database, so that when users need to make data inquiries, they can inquire about information related to individuals through their personal accounts. Finally, technologies for countering illicit means can be vigorously developed. The risk of data leakage always exists, and there is a need to reduce this risk and enhance users' confidence and trust in digital payment.

3.2. Challenges of Digital Payments for Multiple Uses

Digital payments can be used in a variety of situations, both online and offline, as well as in everyday payments and financial services. Users only need to download the relevant digital software and authenticate their identity when making payments, and then they can make payments at any time and in any space. Users only need to download a corresponding software to use digital payment software, and digital software contains different functions to meet the needs of customers in different situations. Users compare digital payments with traditional payments and conclude that digital payments are better than traditional payments in many ways [5]. Digital payments are characterized by the portability of payments, the security of payments and the precision and accuracy of data related to the payment or the user, and the ability to customize the software to meet their own payment habits of personalized consumption. With the continuous development of technology, digital payment according to the customer's experience of use as the basis for continuous improvement of digital payment, so that more and more users can get a better payment experience.

4. Impact of Digital Payments on the Financial Sector

On the one hand: the development and rise of digital payments have accelerated the circulation of money globally. Compared to traditional currencies that are limited in some aspects, digital payments are free from these troubles, and numerical payments also save time by processing the relevant monetary calculations in a very short period of time. Digital payments, driven by financial developments, are much more efficient and cost-effective, and the cost savings realized through digital payments are not only beneficial to the financial industry, but also to the users. On the other hand: numerical payments also have a certain positive effect on finance-related risks. Whereas in the early days of digital payments, there was a risk that paper money payments could be improperly stored or have counterfeit currency, digital payment currencies do not have these risks. Digital payments also bring the financial industry an accumulation of relevant databases and information, which facilitates data processing and analysis. It can enable the financial market to better understand consumer spending habits, preferences and trends, providing financial institutions and enterprises with more valuable information that can be used for decision-making. In addition, digital payments have quietly changed consumer spending habits. When people's consumption increases, their demand for other things increases, which drives the financial industry and promotes more consumer behavior. Digital payments have also given rise to more spending patterns, and consumers have more convenient options when using digital payments.

4.1. Impact for Financial Services

As more people begin to use digital payments, the shift in payments from paper to virtual currencies is forcing financial services organizations and businesses to find a new way to meet the needs of their customers [6]. The development of digital technology has broadened the reach of the financial services industry, which is often limited by geography and resources to provide financial services to people in remote geographic locations. Therefore, as more and more people use digital payments, users can enjoy the convenience of financial services, including those who previously had difficulty accessing financial services due to geographic, cultural or economic factors.

Through the use of digital payments, the financial services industry has reduced the time needed to make transactions, eliminating the need for cumbersome processes compared to traditional methods, reducing operational costs through the use of digital software, and reducing the reliance on paper documents and currency. Customers are able to quickly access the financial services they have purchased once the payment has been made in a short period of time, which is more efficient for the customer or the financial service provider.

4.2. Implications for Monetary Policy

Digital currencies can reduce the cost of currency issuance [7]. Compared with traditional paper currency, the issuance of digital currency will save a lot of raw materials, typesetting costs, printing costs, transportation costs, etc. Digital currencies can also save a lot of storage space, realizing the storage of currencies without spatial limitations, the circulation and transaction of numerical currencies, only need to exchange data on the network, which saves a lot of human, material and financial resources. Digital payments can have an impact on a global scale, effectively improve the convenience of cross-border payments, settlement and clearing [8]. Digital payment is the key research and breakthrough direction of each country in the future, because in the future, the competition between countries may be the competition in the capital market and the financial field, and the digital currency shows a variety of characteristics, indicating that digital currencies are likely to replace traditional currencies as the dominant means of payment.

5. Consumer Habits in Using Digital Payments

Money is connected to consumption at one end and business at the other, which serves as an important part of the economic cycle. And digital currency will reshape the consumer payment system [9].

The first is a convenient and fast consumption experience. The rise of digital payment provides people with a more convenient way of consuming. Whether it is an online or offline payment, you can use digital currency to make payments, reducing the time required for cash transactions and the trouble involved. Consumers are increasingly favoring digital currencies for payment. The second is that digital payments can be made offline. Digital payments can support both parties in the offline state of payment status. As long as both parties have the same digital wallet installed, the act of trading between digital currencies can be realized by the two devices touching each other, even in the absence of an internet environment. Real-time transfers, on the other hand, are designed for remote areas where there is temporarily no signal or poor signal and still be able to carry out the transaction behavior that the user wants.

6. Conclusion

The rise of digital currencies has increased global money circulation, and digital payment data can be used for significant analysis and decision-making in the financial industry. Furthermore, the fact that digital currencies are difficult to copy or steal ensures their security. Digital payments broaden the reach of the financial industry while also lowering expenses, giving financial institutions and enterprises a more favourable environment for growth. The next trend in digital payments is for countries to compete in the financial sector, which can significantly increase the efficiency and clearing and settlement of cross-border payments.

Of course, this essay has its shortcomings. This essay is based on the development trend of digital payment. In general, it only analyses the reasons for the rise of digital payments, its characteristics and the global impact it will bring to the future. There is no detailed survey data to support whether the development of digital payment is moving in a positive direction, because digital payment has risks and impacts, and a lot of survey data is needed to further confirm whether the trend of digital payment is really emerging globally and the feedback from customers who use digital currency for digital currency. The impact of digital currencies on the financial industry is explained and justified, and the habits of consumers using digital payments are analyzed, as well as whether digital payments will quietly change consumer habits. Future research will begin with the collection of data from various websites or questionnaires, followed by the preparation of data on the use of digital currencies, followed by the organisation and categorisation of the data and the search for a model to validate the data and prove the rise of digital payments globally and to speculate on the potential future growth of

digital payments related to the financial sector and its impact on the financial sector. Impact. Detailed data will be used to calculate and prove that digital payments accelerate the circulation of money globally, which is not limited by time and space, and that users can use digital currencies to conduct transactions at any time according to their needs. It also provides more detailed answers to questions that were not clearly explained in this paper and explores the impact of digital payments on people's lives in different ways.

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