

Chapter 7

Mobile Payment and Its Social Impact

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ABSTRACT

This chapter describes mobile payment, a mobile financial activity born of digital revolution, which is the combination of electronic money and mobile technology. The underlying technologies of mobile payment, its big players, and its status quo and future trend are discussed. In addition, this chapter discusses how mobile payment is related to social equality and social inclusion. Through presenting the historical, technical, economic, and social aspects of mobile payment, this chapter intends to provide readers with a holistic view of one of the fast-evolving financial activities that are transforming business, individuals, and the society.

INTRODUCTION

If you stand in the checkout area of a shopping center and observe how customers make payments for their purchases. You probably could notice that some are using cash, some are using checks, and most are using a plastic debit or credit bankcard, and very few are using their mobile phones. That is the case in the United States and most European countries. However, if you visit some big cities in China, you will find more people are using their smartphones to make payments. Because this kind of payment is made through mobile phones, it is called mobile payment. Although

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mobile payment is relatively a new payment method, as one of the outcomes of digital revolution, it could have huge impact on our life and society (Haig, 2002).

Currency, as the standard exchange medium between sellers and buyers, was first utilized about 500 BC (Ferguson, 2008). The original forms of currency are coins made of precious metal, such as gold or silver. The usage of banknote (paper currency) began about 700 AD in China. Because paper currency has many advantages over metal currencies, it was gradually adopted nationally in China around 1100 AD (Friedman, 1994). Then, nearly 1000 years later, electronic money (e-currency) was introduced within the modern banking systems (Weatherford, 2009). Examples of e-currency include bank deposits, money transfers, and electronic payments with checks, credit cards, or debit cards. E-currency, money in its digital form, is stored in a computer system that can be accessed through bank tellers, ATM machines, POS (Point of Sale) terminals, landline telephones, or computer network (Gup, 2003). The apparent advantage of e-currency over paper currency is convenience. Therefore by 2000, e-currency became the major payment method in developed countries, such as Europe, North America, and Japan. However, at that time, paper currency was still the major payment method in developing countries, including China.

Mobile payment is the offspring of electronic money and mobile technology. With the increasing usage of smartphones, mobile payment gradually enters into our life. It is a new form of e-currency and is replacing bankcards as the new digital payment method (Deloitte, 2015). It is estimated that worldwide, there are about 4.6 billion mobile phone users by the end of 2016, of which about 2.1 billion are smartphone users. This number is increasing dramatically. It is predicted that by 2020, there will be 6.1 billion smartphone users worldwide. As other business activities are moving online (Cunningham & Fröschl, 2013) and to mobile devices, payment is more of an electronic transaction instead of an exchange of paper currency. Electronic payments, especially mobile payments, represent a new dimension of digital evolution, which might shape our spending habits and social relations.

This chapter describes one area of mobile financial services: mobile payment. The objective of this chapter is to provide users with the latest development in this field, including mobile payment technologies, major institutional players, status quo, potential growth, and economic and social impact. The remaining of this chapter is organized as follows. First, the underlying technologies of mobile payment are described. Second, the major financial institutions and technology giants that support and promote mobile payment are introduced. Finally, the status, social impact, and future trend of mobile payment are discussed.

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