Chapter 11
Towards an Ultimate Cashless Society and Potential Collaboration Between Blockchain and E-Payments

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ABSTRACT
There are many different ways by which a user can make cashless payments—online banking, credit and debit cards, e-wallets, and QR codes just to name a few. The adoption of the methods of payment is largely determined by government rules as well as regulations in the respective countries. Hence, this study provides an in-depth discussion regarding the trends of e-payment adoption in selected countries. To strengthen the case for the digitalisation of transactions, the authors also consider the advantages of moving towards a cashless society. In addition, major issues that hinder the growth in the global adoption of e-payments found in cross-border transactions will be discussed. Furthermore, this chapter also explores the potential adaptation of blockchain technology on e-payment systems to solve the instant cross-border payment issue.

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INTRODUCTION

Experts have been predicting the possibility of a cashless society since the twentieth century. The idea remained ambitious until the first credit card was introduced in the United States by John Biggins in the 1950s (Garcia-Swartz et al., 2006). One of the main features of money is that it acts as a medium of exchange. As a medium of exchange, money is widely accepted for the purpose of transactions, and thus it reduces transaction costs incurred, such as time spent searching for double coincidence of wants. Consumers move towards e-payments thus evolving into a cashless society as they seek convenience and paperless transactions in a secure environment for exchange. Today, more and more consumers prefer not to carry any physical money. In parallel, online payments, e-wallets and credit cards are gradually displacing traditional cash in transactions.

At the same time, governments are also shifting towards digital transformation due to the transparency of digital transactions - digital transactions are easy to trace, thus helping to curb money laundering, tax evasion and simultaneously boosting competition in financial service industries (Fabris, 2019). With the push coming from both consumers and government institutions, several countries are making moves to eliminate cash. As such, this chapter will examine the evolution of the cashless society in cashless pioneers such as Sweden and China. Meanwhile, the current cashless trend in Malaysia will also be evaluated.

In addition, this chapter will examine few advantages of going cashless such as cost saving, governance and crime as well as financial inclusion, and the flaws in the current cross-border payment system which relies heavily on intermediaries, resulting in a delay in transaction. With the world ever-increasing pace and speed of communication, instant cross-border settlements will be the game changer of cross-border payments in the future. The authors observe that currently various efforts are being undertaken by various parties, in particular Payment System Providers (PSP) through regional collaboration to promote real-time cross-border payments. While there is plenty of effort by the PSPs to reduce transaction times in cross-border payments, the number of participating countries is limited coupled with many other restrictions/limitations in place. Thus, a single ubiquitous global payment system is proven to be elusive.

As such, in this chapter, the authors seek to explore the possibility of adopting blockchain technology as a potential solution to realise instant cross-border payments. Blockchain eliminates the need of intermediaries essential in processing cross-border payments, particularly in verifying transactions and user identity. Thus, an instant cross-border payment based on blockchain technology not only reduces the time required to complete the transaction but could reduce the need to spread reserves across multiple exchanges, optimizing capital utilisation and most importantly reducing transaction costs.

CURRENT PRACTICES IN SELECTED COUNTRIES

The Case of Sweden

Sweden is competing with China to become the world’s first cashless society. Cash is becoming increasingly unpopular in Swedish society, while at the same time, instant mobile payments and other new technologies such as a robust card payment system have gained prominence throughout the years (Arvidsson, 2019). The cashless payments have rapidly increased with retail merchandisers no longer accepting cash payments. In addition, the majority of Swedish banks have stopped allowing customers to make cash transactions over the counter. Anyone wishes to deposit or withdraw cash from the bank...
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