

Cashless payments are now commonplace. Is this and other development in FinTech, fundamentally changing the provision of traditional financial services?

Imagine a day in the life of a young female adult like myself, on my way to sixth form hoping for a productive day of learning. I leave my house to get to a Tesco Express and buy my lunch, when I reach the till I look and search for my purse until coming to the frustrating realisation I have left it at home. It's now 8:15 and I don't have enough time to return home, so I pull out my iPhone and use Apple Pay to pay for my food. Now I just about catch my bus, after a lengthy run to the bus stop, I take out my phone again and use it again to pay for my bus fare. On the bus I meet my friend who I owe money to for getting me a new calculator, I use my online banking to transfer her the money. Let's take a look at a different outcome for this situation, one in a society where cashless payments are absent. I would be an annoyed student, late to school and hungry throughout the day with no calculator which would ultimately lead to a non-productive day. Cashless payments have literally transformed our lives, have they also transformed the provision of financial services as a whole?

A cashless payment is a purchase where no form of physical money is needed and has made spending money much easier in the average person's life. Cashless payments have had a huge impact on our society, giving many of us more practical daily lives. Companies such as Apple have developed programs enabling people to go as far as using their smartphones to complete payments in-store and online. Google created a similar program for android users to put into practise. Cashless payments are not necessarily exclusive to smartphone owners, major banks have also produced both credit and debit cards which are "contactless" leaving a customer able to simply tap their card against a card reader rather than enter their 4 digit pin. These methods have simplified the use of a credit card massively and overall had a lasting effect on the way we buy things. Not only does apple pay support the purchase of goods in store but you can also use it for online shopping and essentially pay with the your fingerprint. Adding to this, with apple's recent release of the iPhone X, featuring face recognition, soon could we be able to use our faces as a unique payment method. The evident advance in technology has obviously made a big difference in how we purchase goods and due to this it is a clear indication that the traditional financial services we are common with will soon be the less favoured payment method.

Traditional banking systems involved going to the bank to deposit, withdraw and check balances. Alongside the portable credit and debit cards that allowed their users to pay for goods and services with their 'virtual' money. However since then the system has improved, particularly in saving its customers time. For example by advancing to online services allowing a customer to check any banking services from the comfort of their homes or whilst away. Despite this a clear disadvantage is that a significant amount of people are not online, especially in developing countries. These services have been seen to be more secure as they usually require more than two or three steps when logging into your account. You also need to input your pin when using a credit or debit card without contactless, this means a lower risk in fraud and it is less likely for a thief to successfully purchase goods in store without your pin. Whereas with contactless payments a thief is able to use your card in store and online. Overall this shows that cards without contactless are generally safer and in

turn should be used more in our society, yet this is not the case as contactless dominate the rise in new financial technology.

In contrast to this the cashless transactions provide a more effective way of purchasing goods and service. In the UK alone there are an estimated 108.4 million contactless cards issued and in April 2017 there was 416.3 million contactless transactions were made. The UK is full of people who value their time and these transactions are much faster and easier for an individual. Regardless of the simplicity of these payments, they do have disadvantages such as reducing the interaction between a consumer and workers. It limits the extent of the relationship between the company and the consumer. Furthermore, fraudulent activity is more likely to occur due to the absence of security measure such as a 4-digit pin. Even more concerning people can withdraw money from cash machines using contactless, despite the daily cap of £100 and cap of £30 per transaction, people are at risk of fraud from simply losing their card or it being stolen. Theoretically this should deter people from using the contactless system and reduce the impact technology has had on our society but in reality statistics show otherwise. The risks show why and how contactless payments can have a negative input on banking however they continue to change the way we purchase goods.

PayPal, a cashless business using technology to facilitate the ever changing demands our society requires. One of the largest internet payment companies founded and developed in 1998, originally used solely for eBay creating an easier way for people to pay for their online goods without the hassle of inputting card details each transaction. It offers an electronic alternative where a user simply logs into their account linked with their banking details. The company was created on the basis of creating a programme enabling people to pay for goods and services, primarily for eBay, but later expanded to other shops and simplified the process. In addition to this PayPal processes around \$315.3 million in payments per day making it a valuable asset and also illustrates the vast amount of people that use it. Moreover it supports the argument that financial technology is growing and is becoming the more popular payment method.

As previously stated, countries less developed than the UK and Us have also developed an easier way of sending money through technology. mPesa is a mobile based money transfer service. Launched in 2007 by Vodafone, it allows a user to deposit, withdraw, transfer money and pay for goods and services via your mobile phone. Primarily based in Kenya and Tanzania it gained 17 million users by 2016 and has now become one of the most successful mobile phone based financial services in the developing world.

Bitcoin is another example of how the combination of finance and technology results in new business opportunities. The company is a worldwide cryptocurrency and the world's first decentralized digital currency. It opened its software in 2009 and to this day there are up to 10 million bitcoin account holders. Despite its large following there are some disadvantages for the service. Unlike PayPal, Bitcoin uses virtual "coins" meaning the value of this currency can fluctuate in relation to more common currencies. Similar to a computer's battery these e-wallets are not flawless and can crash meaning users can "lose" bitcoins due to faults and essentially lose money. In relation to the topic these individual businesses use the concept of a cashless

society and demonstrate how much our financial services are changing. The amount of people who use them is an indication to what the future of financial programmes will be like. Not only have these services improved our financial services in the West but also in the developing world enabling those less fortunate to use technology to earn, send and spend money. This suggests that this cashless society is changing and further away from our traditional services than we thought.

To conclude I think it is quite clear the large impact technology has had on our financial services. The world is changing and everyone is online. There are approximately 7.6 billion on this Earth and more than half of them own a mobile phone and therefore have access to these services. Using methods such as advertising in order to entice us into using programmes. Advances such as individual businesses, i.e. PayPal and mPesa also demonstrate how cash is not needed at all. It is beneficial to our ever-changing society, reducing the amount of money that is printed thus helping our environment whilst saving many users time, giving them an easier alternative to how they manage their money. Due to this I believe traditional financial services will soon be a method of the past as technology enables us to reach the rapid demands our society needs.