

Blockchain in Cashless Economies

Name

Institutional Affiliation

Date

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In emerging cashless economies, the demand for efficiency is so high that consumers express concerns about the current international payment methods (Maxmudjanovna et al., 2020). Given the high costs of transactions and other challenges like long turnaround time, consumers have demanded the innovation of more efficient ways of accessing financial services. Thus, providing opportunities for new ways of international transactions has become double-edged, given the aspects of cross-border finance (Nguyen, 2016). The emergence of Blockchain has provided near-instantaneous money transfers across the globe while reducing the cost of transactions (Maxmudjanovna et al., 2020).

Studies indicate that in current money transfer methods, users must convert the currency on both sides of transactions (Maxmudjanovna et al., 2020). This process is manual, and one must have a physical business location. In this case, small and medium businesses operating with lower cash volumes incur higher transaction fees and wait longer. That is why developed economies embrace methods like Blockchain that eliminate intermediaries. Doing away with intermediaries allows Blockchain users to benefit from high transaction speed, lower costs of transactions, and secure transactions (Maxmudjanovna et al., 2020). Rather than exchanging currencies on both ends of transactions, Blockchain will provide users in one country with a way to buy tokens and send them to users in the next country in a matter of seconds (Maxmudjanovna et al., 2020). The recipient of the tokens can then easily exchange the tokens into their currency. Blockchain transactions are based on stablecoins, so the recipient country determines the price.

Another role that Blockchain transactions will play in cashless economies is the enhancement of transparency and visibility (Stokes, 2021). In Blockchain transactions, a transaction cannot be altered or deleted once payment has been made. Therefore, this

international transaction process will promote vigilance among payment partners. Furthermore, given the transparency nature, Blockchain transactions reduce possible errors or potential theft; thus, one can track the transaction and hold the other against the law (Nguyen, 2016).

Notwithstanding, Blockchain allows speedy transactions on the distributed ledger through digital records on computer networks across the globe (World Economic Forum, 2021). Blockchain will continue to allow users to access digital money and crypto like Bitcoins. Such digital money transfer platforms act as payment methods, giving users access to goods and services or business shares (World Economic Forum, 2021). Blockchain will also be used by individuals sending funds to relatives and family members in their home countries. People working abroad will no longer incur high transfer rates while sending money home, and transactions will happen faster. Remittances happen securely, given that there are no middlemen (Nguyen, 2016).

Another element that revolutionizes Blockchain in the cashless economy is enhancing support for crypto and other payment methods and monitoring the entire transaction process through smart contracts (Nguyen, 2016). Since it is a digital ledger platform, Blockchain cannot be altered, providing consumers with traceability without having to depend on intermediaries. Blockchain use will expand all sectors of the economy, from manufacturing, retailing, healthcare, finance, gaming, chain distribution, and property management. Furthermore, Blockchain will prompt central banks in developed economies to develop their digital currencies (Nguyen, 2016). This way, banks will enjoy advantages since Blockchain will be used for micropayments of a few cents, such as buying music or paying to watch or listen to videos and audio online.

Blockchain transactions will also open up new opportunities in developed and developing economies. Introducing digital cash and the technologies accompanying cashless

markets will encourage service providers and countries to invest in digital infrastructures (Nguyen, 2016). Many developed countries are adopting unique digital currencies, mostly Central Bank Digital Currencies (Zwitter & Hazenberg, 2020). Such initiatives will provide users with equal access to financial services. Also, an increase in cross-border economic activities will allow business people in various economies to establish more significant revenues, helping to improve their economies (Nguyen, 2016). Blockchain transactions will also allow users to be part of international supply chains, as they will manage to get goods, technology, and services, diversify their product portfolio and do business overseas (Stokes, 2021). Regarding security, the decentralization of Blockchain transactions disrupts the entire network, allowing the public to be in charge and retain control. This way, users have assured security, as no one can interfere with the ongoing transactions.

The world expects Blockchain to offer huge potential for radical change within various industries, business models, and other operational processes like accounting payment settlement and loyalty cards (Nguyen, 2016). While it is expected to catch up and deliver gradually, it is only a matter of time; hence no doubt about whether Blockchain will ground itself. Blockchain will likely overtake other technological tools like the Internet of Things, data analytics, and cloud computing regarding venture capital and artificial intelligence activities.

Risk

While Blockchain is a promising platform with various benefits to cashless economies, it is accompanied by various challenges related to scalability (Zwitter & Hazenberg, 2020).

While transactions are secure, traceability can only be possible by storing full details at each phase of the transaction. This aspect influences the size of every block and the period needed for a transaction to be validated. Meanwhile, the number of storage nodes increases; hence it

becomes difficult to synchronize. Therefore, as many people continue to use Blockchain platforms globally, the lead time for validating transactions will increase. Ultimately, server and power costs will rise sharply and negatively influence direct ledger transactions' ecological footprint.

References

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