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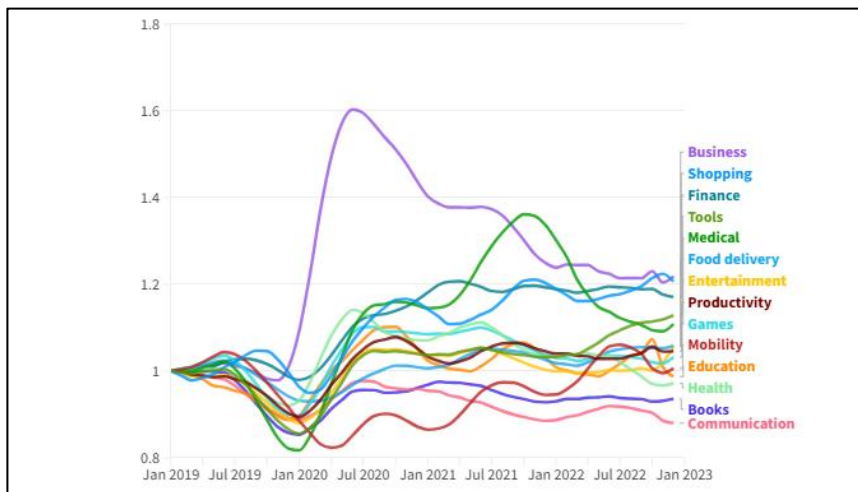
The Benefits and Drawbacks of a Cashless Society

The Digital Ecosystem of Pakistan

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The ‘New Normal World’ version of the globe has shaped the entire globe and economies in an altogether new description, the new world is being powered by digitalization and influx of technology is still on dominating conduit with countless revamps not only at organizational level but also at the economies level. This epiphany time is leading each of us to strive to piece together with a sense of purpose and right direction. The enthusiasm and excitement around AI is on a constant rise and in spite of the urgency in the said domain, it seems that Pakistan is only trailing the pack with an undermined approach. Our financial world is also at the crossroad of the present cash-based and cash-less economy leading us to navigate through the uncharted waters as a result of constant changes and uncertainties in economic, political, and business trajectories. These changes are causing seismic swings in our business payment system and so do in payment modes.

Status of World Sectorial Digitalization:

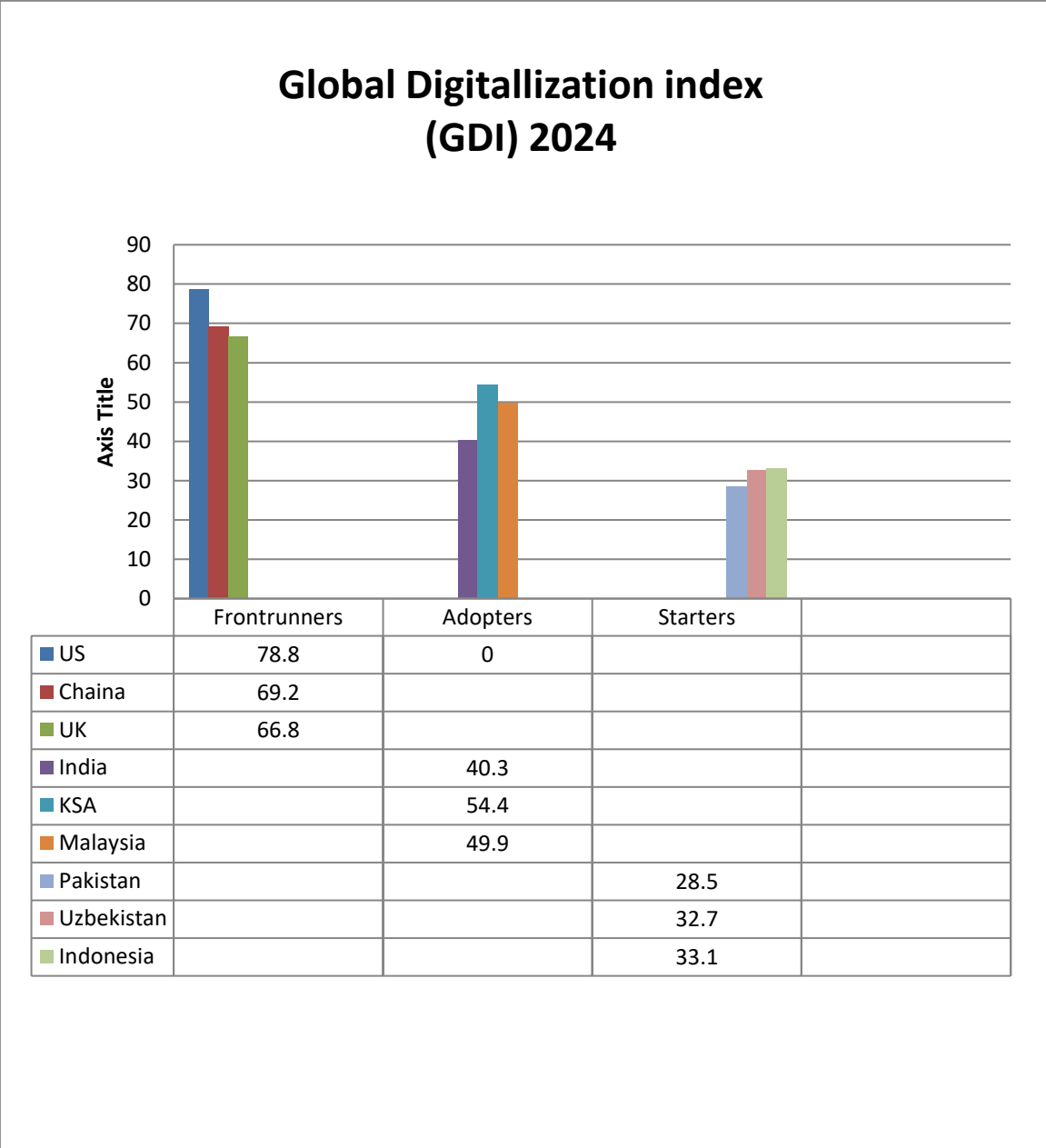


Source: World Bank Report 2024: ‘Global Digitalization in 10 Charts’, Original calculations for this publication using Apptopia data for all active apps in Google Play and Apple Store globally. • Note: Values for time spent in January 2019 are normalized to 1, and values are smoothed over six months.

As evident from the above picture a visible surge was observed in digital transactions during Pandemic years across all economic sectors that accelerated digital payments and online shopping globally, creating a major shift in the finance and commerce sectors. A persistent behavior can be seen even in post-pandemic times.

Nations’ Progress Report on Cashless Society 2024:

Huawei is leading world digital transformation along with few other global leaders. It published Global Digital Index (GDI) 2024 of 77 countries and categorized these countries in three clusters: Frontrunners, Adopters, and Starters - according to their level of ICT maturity and economic development. GDI is calculated on the basis of four crucial pillars i.e. Universal connectivity, Digital Foundation, Country’s Policy & Ecosystem on digitalisation and Green Energy. Unfortunately Pakistan falls in the third category of ‘starters’ which is evident that Pakistan is on an emergent situation but at the same time is in dire need of uncompromising government support and resources to navigate through digitalisation successfully. The status of 10/77 countries are shown below:



As evident from the above graph three countries are placed in the category of ‘Frontrunners’, US ranks first with a score of 78.8, China second highest with 69.2 followed by UK with 66.8. These three countries(only three countries are chosen for analysis from the total list) are the ones who stood highest in terms of initiation, adoption and delivery of digitalization in their respective countries.

Next is the category of ‘Adopters’ those who are showing promising signs of adaptability, preparation and implementation of digitalization in their countries i.e. Saudi Arabia First with 54.4, Malaysia second with 49.9 and India third with 40.3. Pakistan is falling in the third category of ‘Starters’ with 28.5 while Indonesia and Uzbekistan are at higher GDI rating with 33.1 and 32.7 respectively.

Pakistan’s Cashless Ecosystem:

The present government is not only concerned but also on an active note to introduce and get implemented cashless modes of payment. State Bank is confident that in near future we will experience a big increase in e-payments and says that a shift towards cashless ecosystems would also help bringing down the financial impact of printing currency, risks associated with physical cash handling and the size of Pakistan’s undocumented economy.

The excitement concerning AI and cashless economy is constantly hampering on the minds across the government of Pakistan, intellectuals, Professionals and households arousing a big question that are we really interested and ready to enter into a real transformation of cashless society? To answer this question, the present article is a conclusion of the analysis of the data collected through a primary research.

Research Population and Data Collection:

Data was collected with a sample size of 210 from Education: Public Sector University and Commeccs College (research sample is 42 faculty members, an opinion poll was created to gather the required data), Bank and Business sector. The data was collected through a closed-ended questionnaire distributed across the city and informal interview/ comment collection in the above-mentioned sectors and creating a poll where students, bankers and entrepreneurs shared their responses.

Despite high levels of optimism and excitement for the new move of cashless society a majority of respondent especially the households say they are not ready to implement cashless payment yet. Many of the household’s females and few working too responded that they aren’t maintaining any bank account and can’t find them able to deal with e-payments.

Research Findings:

The overall survey polled 210, education, banking, business, and public sector respondents, providing a comprehensive overview of how they and their organisations (most of the students are from MBA Executive- those who are professionals) are navigating the adoption and implementation of digital payments. The study explores: general sentiment around cashless society; the adoption curve; their fears & security concerns, benefits, gaps and strategies for success; and its role in digital transformation of Pakistan. High enthusiasm was observed among younger respondents while older ones showed reluctance- few with a loud one- towards this upcoming change.

Results show that almost 88 percent of those surveyed retorted with an overwhelmed response for digital payment priority, 91 percent confident that digitalization would not only bring ease to our life but also a great march towards a safe & secure society, only 67 percent are fully prepared to begin with a digital life now, However, 86 percent of business leaders say they expect to flip the number with a ripple effect by 2025 and are preparing themselves to enter into 100% digital era within next five years while bankers emphasising upon the need to begin with high pitch government support to embark on this digital revolution. Awareness campaigns and regulatory framework are first to begin with in order to establish regulations to ensure the security and efficiency of cashless society.

All research respondents highlighted the importance of providing technology education to consumers so to consolidate their footprints on the land of a cashless society with dignity. Business leaders advocated cashless society so to reduce operational cost, saying that they want to land on digitalisation as soon as possible so to drive ‘operational efficiencies’. 92% of the respondents opined that cybercrime rate and lack of security in the city are the major donors to the dissupport to a digital and cashless society.

Here we share the specific findings:

- During the research, 69% of the business and banking respondents reflected that digitalization is a key strategic priority for their organisation, and the remaining 31% at least accepted that its important.
- The opinion poll created for Commecs' Faculty reported 87% people who are excited to continue/begin with cashless transaction sharing that this is surely a tool to bring ease and safety to their lives. 7% of the respondents were neutral and the remaining 6% showed their reluctance to join for any such shift. Upon queries and discussion, it was found that this reluctance is mostly on the basis of their fears and concerns for cybersecurity or they are not fully aware of the dynamics of a cashless system.
- 95% of the respondents from the total population were confident that cashless society would prove to be a rescuer during the time of lawlessness.
- 59 percent shared that general sentiment in their organisation is positive, 37 percent neutral and only 4 percent sceptical.
- Generation gap was also observed during the data collection: Gen Z was the most enthusiastic lot (67 percent), next were the Millennials (26 percent), and lastly Gen X (7 percent).
- The research also suggests that most organisations have moved past the stages of assessing and experimenting with AI - and today, 65 percent are accelerating their strategies with growing investment in infrastructure and talent; and another 23 percent are in the final transformative stage where the tech is fully integrated into their business processes.

Conclusion and Recommendations:

Hey dear readers, here is the time for some final words! We are going by an exponential age where the most appropriate is to look different from the traditional one, drive through innovation and off course with a clear sense of purpose and right direction. We need into the world of innovation to find and deliver the best to consumer along with a wholehearted support of our government. Here we list few recommendations for a better start of the said digitalization and cashless society:

- Ideally government' support has to be hand in hand to introduce new infrastructure for the required system.
- Principles-based system to deal with security and gain consumer trust. A model in the name of FEAT being practiced in Singapore is a Model.
- Well-articulated legislation and regulatory framework is needed to deal with data ethics and data privacy and introduce a loop-free model.
- Bankers to introduce new Digital Payment Platforms like Easypaisa and JazzCash.
- Technology upgradation to deal with network outages and technical failures.
- Awareness Campaigns to educate the public about digitalization and financial literacy.

The whole article above signifies the urgency of the call for digitalization and Pakistan. We live at a time of constant disruption accelerating so many external threats of financial stability and financial crisis, pandemic, climate change etc. Our role as a leader is to arouse thrive with a clearer and greater vision duly supported by our dedication as a nation. Jumping around without a clear sense of purpose and direction would be a gamble. The present government of Pakistan is working with a passionate zeal to enter into the world of digitalization and a cashless society as soon as possible and we as a nation are expected to be actual donors to this great cause with our personal thrust for value-driven cashless society.

Embracing Ease: The Shift Towards a Cashless Society

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A cashless society refers to an economic system where financial transactions are conducted without the use of physical currency, such as paper notes and coins. Individuals rely on digital payment methods like credit and debit cards, mobile payment apps, and cryptocurrencies, for their purchases. Man has always wanted ease in their lives plus carrying cash called for many security and safety issues. As such a transition is seen where a cashless environment is fueled by technological advancements. Many countries are at the forefront of adopting cashless societies, each utilizing a range of digital payment systems and technologies. Some prominent examples include:

Sweden: Often cited as a frontrunner, Sweden has seen a dramatic decline in cash usage, with many retailers no longer accepting cash.

Denmark: Similar to Sweden, Denmark promotes digital payments, and many people use mobile payment apps for everyday transactions.

Norway: The Norwegian government encourages cashless payments, and cash transactions have decreased significantly in recent years.

Finland: Finland has a high rate of digital payment adoption, with contactless payments becoming the norm.

China: With platforms like Alipay and WeChat Pay, China has embraced a cashless economy, especially in urban areas.

South Korea: The country has invested heavily in digital payment infrastructure, making cashless transactions widely accepted.

India: Following the 2016 demonetization initiative, India has seen a rapid increase in digital payments through various apps and services.

United States: While cash is still in circulation, digital payments have grown significantly, particularly with the rise of mobile wallets and contactless cards.

Pakistan and the Cashless Convenience:

Pakistan is no way behind as many vendors cashless payments are found. Fatima, a tech-savvy entrepreneur in Lahore, embraced the shift to a cashless society with enthusiasm. Her mornings began with a quick scan of her smartphone at her favorite chai dhaba. Gone were the days of searching for coins or waiting in long lines - just a tap, and her morning tea was paid for. The convenience of digital payments seamlessly integrated into her busy lifestyle, allowing her to handle everything from grocery shopping to booking public transport with ease.

Public services flourished as well. In cities across Pakistan, bills were automatically deducted from bank accounts, eliminating late fees and simplifying payments. Emergency services could be reached with a simple click, and donating to local charities became effortless, enabling Fatima to contribute more than she ever could with cash. The transition not only streamlined transactions but also fostered a sense of community engagement and support.

The Dark Side of Digital Advancements:

While the transition to a cashless society in Pakistan brought significant convenience, it also unveiled several troubling issues that could not be ignored. For many, reliance on digital payments led to a feeling of exclusion, especially among those without access to smartphones or reliable internet. Rural areas faced significant challenges, with many residents still dependent on cash due to inadequate technological infrastructure, preventing them from fully participating in the

economy. Moreover, the shift raised serious concerns about privacy and security. As more transactions moved online, the risk of data breaches and cyber fraud increased. Individuals became targets for hackers, and the fear of identity theft loomed large. Stories of people losing their life savings to online scams spread quickly, leading to a growing distrust of digital payment systems.

Additionally, the cashless movement highlighted social inequalities. Low-income families, who might struggle to afford smartphones or maintain internet access, found them at a disadvantage. Small businesses, particularly those in less urbanized areas, often lacked the resources to adopt digital payment methods, risking their livelihoods as consumers increasingly preferred cashless transactions. The government's push for a cashless economy also raised questions about surveillance and control. With every transaction tracked, there was a growing concern over personal privacy and the potential for misuse of data.

A Story of Cyber Vulnerability in Pakistan:

In the busy streets of Karachi, where technology and tradition often collided, Amir, a young software engineer, felt confident in his digital skills. He had recently transitioned to a cashless lifestyle, using mobile payment apps for everything - from street food to utility bills. The convenience was undeniable, and he reveled in the ease it brought to his daily routine.

One evening, while scrolling through social media, Amir received a message from what appeared to be his bank. The message informed him of a "limited-time offer" to upgrade his account for enhanced security features. Intrigued, he clicked the link, which led him to a seemingly legitimate login page. Unbeknownst to him, this was a phishing site created by hackers.

Within moments of entering his details, Amir's phone buzzed with alerts. He watched in horror as notifications flooded in and his bank account was being drained. Despite his attempts to log back in and change his password, it was too late. The hackers had already transferred off a significant portion of his savings.

As news of Amir's ordeal spread among his friends and family, it became clear that he was not alone. In the following weeks, several others fell victim to similar scams. Sana, a small business owner in Lahore, lost her life savings after falling for a fraudulent investment opportunity advertised through social media. Muhammad, an elderly man from Peshawar, found his account emptied after clicking on a fake bank alert.

The rise in cybercrime worried authorities, leading to talks about the need for better online security and efforts to educate the public. Yet, for many individuals in Pakistan, the damage was already done. Trust in digital transactions waned, leaving some to revert back to cash, fearing the dangers of online. Amir decided to take action. He started a local community initiative, organizing workshops to educate people about online security. He shared his experience, urging others to be cautious of suspicious messages and to verify links before clicking. As people learned to recognize the signs of cyber threats, a sense of empowerment emerged. Sana, inspired by Amir's initiative, began promoting safe online practices among her customers, turning her shop into a hub for community learning. Muhammad, with newfound knowledge, shared tips with his neighbors on how to safeguard their accounts. Together, they began to rebuild their trust in digital transactions, advocating for better cybersecurity practices and demanding accountability from financial institutions.

Final Thoughts: Navigating the Cashless Transition:

The move towards a cashless society, while convenient and efficient, has important downsides that we must consider. Many people feel left out, especially those without access to smartphones or reliable internet. This shift also increases the risk of cybercrime, with individuals facing threats like identity theft and financial loss. Moreover, the digital divide means that low-income communities are often unable to keep up, widening the gap between different social groups. It's essential for governments, businesses, and communities to work together to tackle these issues. This includes promoting digital literacy, improving online security, and making sure everyone can participate in a cashless world. By addressing these challenges, we can enjoy the benefits of a cashless society while protecting everyone's well-being.

Strengthening Economies: The Dominance of Going Cashless

Danish Feroz
Lecturer

Cashless Societies Are Reshaping Economies:

A cashless society is a financial system where all money transactions are handled electronically, which means a society without physical cash. All transactions are made using digital means such as credit/debit cards, mobile payments, digital wallets or online transfers. In a cashless society, all financial transactions are recorded in digital form, which means there is no need for paper currency or coins. As digital payment mechanism gaining popularity and many countries are experiencing several benefits which includes increased efficiency, enhanced security, financial inclusion, increase in tax revenues, proper check and balance of all transactions, innovation and growth. Digital payment mechanism is consistently bringing economic prosperity in various countries.

Among the foremost benefits of a cashless society would be a reduction in criminal offenses and the elimination of cash transactions would remove the incentive for many types of crime. Digital transactions are automatically recorded, which means that businesses and governments can more easily track financial activity. This can help to reduce fraud, money laundering, and other financial crimes. Another benefit of cash society is that all digital transactions are recorded wherever they are conducted, so businesses and governments can more easily trace the flow of money. This could slash the level of fraud, money laundering and other financial crimes and play an important role towards documented economy. A cashless society could bring down the average costs for businesses and its creates ease of doing business in a country and also attract investors level of business confidence are also at its peak. Digital payments are easier to monitor, which can help reduce tax evasion and increase government revenue.

Maximizing Market Potential:

Digital payments can help increase financial access for the unbanked and underbanked. If a person uses their mobile phone to pay bills, for example, what happens is that they will quickly have no need of either a cheque book or even real money in his pocket.

Certainly, a cashless society has the potential to make things safer, more convenient and more efficient. It can save time for populations and businesses alike. Digital wallets, mobile banking and central bank digital currencies are the examples of digital payments and saves lot of time and resources. Some of the famous digital wallet apps which are gaining popularity day by day in Pakistan are Easypaisa, JazzCash, SadaPay, UPaisa etc which makes transaction more convenient, safer and convenient. Moreover, popular digital wallets are PayPal, Apple Pay, Google Pay, Samsung Pay etc as it enables users to make payments across the globe.

Scandinavian Countries Experiencing the Cashless Transaction:

All the Scandinavian countries particularly Sweden, Norway, Denmark and Finland are considered as cashless societies. Cashless transactions have been embraced as part of people's everyday lives. It's not uncommon to see signs that say, "No Cash Accepted" in Swedish shops. According to a Statista survey, less than 10% of people in Sweden reported using cash for a recent purchase, and the share of cash transactions in the country has been steadily declining over the past decade. Here is a typical experience from a native Sweden.

Anna starts her day by visiting her favorite café. Not using cash, she takes out her mobile and swipes the Swish app - a popular payment solution on Sweden's markets. Her order comes and she scans the restaurant's QR code. Within seconds, the sweepstakes are drawn, she gets an email receipt immediately. Anna later goes shopping for groceries. Reflecting a shift in the country toward digital payments and away from cash transactions, stores she goes to accept only credit cards and beam payments through the bank. Tapped on the pay terminal, she slides her smart credit card instead over the counter when it comes time for checkout. In this moment transaction charges quickly go through and she is gone.

Norway has seen a sharp decline in cash usage, with many citizens preferring card and digital payments. Contactless payments and mobile apps are widely accepted in stores, public transport, and online.

In 2016, the Indian government withdrew 500 and 1,000 rupee notes in a bid to flush out economical criminals. The move was controversial in part because these notes made up 86 per cent of the currency in circulation, but even more so because criminals who hoarded untraceable cash weren't prosecuted, which had been the intention of the exercise. Hindustan Times, 34 In that same report from the Economic Times on January 19th (101), the Reserve Bank of India blamed 2016's demonetisation drive for causing trade to shrivel up and go into the doldrums and reported that so far all electronic transactions increased somewhat but still only made 14 per cent of their total value by volume at close in 2017, whereas cash reached pre-demonetization levels again seasonally adjusted over the month ending 31 December 2017 and locally for any given city or town from which relevant data is available by.

Cashless societies mark the way to a future:

As the world is consistently moving toward the artificial intelligence and the cashless societies becomes inevitable due to technological advancement. With the many technological and societal moves towards digital and virtual financial transactions, cash currency is becoming less and less common. Handling cash is also expensive, so moving to cashless payments will also save businesses money and make transactions easier to track and many digitals have enhanced their securities feature which makes mandatory for everyone to register their devices by taking their biometric and taking steps to make it more secure and convenient.

Cashless societies mark the way to a future that offers both new opportunities and challenges at every turn. The convenience and efficiency of electronic transactions could promote economic growth, make financial services available to more people. However, issues like privacy, cyber security and reaching the poor have to be solved. As a result, the future of paperless currency will rest on how well we can resolve these problems fairly to strike a balance between innovation and the protection of individual rights. In the course of future development, governments, companies and consumers must also join hands to offer a financial environment that is secure yet open to all. Embracing this change with restraint can lead to a more connected and efficient economy and this move towards cashless societies will also educate the people and government role is to provide all kind of facilities particularly to I.T sector and create concept of ease of doing business for them. Although cash may be the fallback solution, investment in digital infrastructure and literacy essential to keeping financial access open for those who are currently excluded from digital channels , particularly people living in rural and remote areas.

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