

Research on the impact of digital currency on traditional payment services

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Abstract: The development of blockchain, encryption, distributed accounting and other technologies has given rise to the digitization of currency, and the popularization and application of digital currency is ready to take off. As a new payment method, how to integrate digital currency into the existing payment ecosystem and give full play to its comparative advantages, promote the expansion of payment scale, and improve payment efficiency is the core proposition of digital currency research and development. This article starts from the perspective of traditional payment methods and explores the impact of digital currency on traditional payment services. It can not only provide theoretical support for exploring the substitution of digital currency for other payment methods, but also enrich the theoretical connotation of digital currency. At the same time, it also provides theoretical guidance on how digital currency can join the existing financial symbiotic payment ecosystem and leverage its own advantages.

Keywords: Digital Currency; Payment Method; Finance

1. Introduction

Payment is the core of economic activities. Helping disadvantaged groups in the economy bridge the digital payment gap is not only a problem in the payment field, but also a major issue in unleashing domestic demand potential, expanding consumption, and smoothing the domestic cycle. With the rapid development of digital technology, new models and new business formats of the digital economy are emerging one after another. Since the outbreak of the COVID-19 epidemic, digital work and life forms such as online shopping, online education, online office work, and online medical care have become more prominent. The coverage of the digital economy continues to expand, and the global society's demand for electronic payments continues to increase. Although the rapid development of electronic payment, especially third-party payment, has not only satisfied the public's demand for high-quality payment, but also enabled the public to develop the habit of electronic payment, this model based on "account tight coupling" is highly dependent on bank accounts. There is still huge potential in improving infrastructure coverage, inclusive finance, payment efficiency, user privacy protection and anonymous payment needs. On the other hand, although the supply of cash has maintained a certain growth, its share in the retail sales of consumer goods has shown a downward trend, indicating that the payment capability of China's legal currency in the retail sector also needs to be improved. Payment is the basic element of the national financial system. Payment institutions, account systems, payment methods, payment infrastructure, payment supervision and other elements together constitute the operating framework of the modern payment system. Among them, every upgrade of payment methods will definitely have a huge impact on the payment system. Digital currency enables cash to upgrade from physical form to digital form, which undoubtedly gives new connotations to payment methods. Therefore, it is necessary to start with digital currency, a new payment method, and sort out traditional payment methods to provide new research perspectives and theoretical frameworks.

2. The impact mechanism of digital currency on traditional payment business

First, although the emergence of digital currency has a substitute effect on bank deposits, the scale of bank assets and liabilities has increased to varying degrees. Therefore, banks should actively introduce digital currency as a new payment method and cooperate with the central bank in various aspects; secondly, during economic prosperity, the role of digital currency in replacing bank deposits is more obvious. This is because during periods of economic prosperity, the public will be more willing to consume. At this time, digital currency can better meet the public's payment needs with its outstanding payment advantages; thirdly, the issuance of digital currency will have a crowding out effect on bank deposits in the initial stage, but as time passes, As the technological dividends of digital currency disappear, the crowding-out

effect on banks is also weakening. At the same time, banks can develop their own payment business well with the help of digital technology without relying on third-party payment institutions; fourth, due to the issuance of digital currencies, cooperation between payment institutions can be strengthened and their cooperation efficiency can be improved, creating a basis for further A more coordinated payment symbiosis system provides the possibility; fifth, the expanding scale of electronic money spurred by the development of electronic payment methods hinders the implementation of government monetary policy, and the emergence of digital currency can correct this phenomenon. By adjusting digital currency interest rates, the government can more effectively transmit interest rates to the interest rate corridor, thus strengthening the government's macro-control capabilities.

3. Suggestions for promoting the development of digital currency

3.1 Strengthen cooperation between digital currencies and third-party payment institutions

Strengthen cooperation between digital currency and third-party payment institutions and expand digital currency application scenarios. In recent years, third-party payment has rapidly occupied the payment market and formed an oligopoly development pattern by virtue of its technological advantages and customer stickiness. Compared with third-party payment, digital currency is more secure, pays attention to customer privacy, and can meet customers' anonymous payment needs. Therefore, digital currencies should take advantage of the customer stickiness of third-party payments, actively cooperate with them to give full play to their comparative advantages, and develop new payment scenarios. This will not only help break the monopoly in the payment market, but also help digital currencies actively integrate into the "financial symbiosis ecosystem" in the payment field, and jointly provide better services for retail payments.

3.2 Expand the scope of digital currency pilots

Continue to expand the scope of digital currency pilots and accelerate the pace of digital currencies. At present, the pilot work of digital currency is in full swing, and various regions are actively responding, and the number of pilot areas continues to increase. In order to better promote digital currency pilots, we need to do the following work: First, the central bank and the government must do a good job in connecting digital currencies. Pay attention to the public's acceptance and use of digital currencies, and summarize the experiences and lessons learned during the pilot process to prepare for the further promotion of digital currencies. Secondly, be good at using news media to increase the publicity of digital currency. At present, the public's understanding of digital currency is still insufficient, so the power of media, especially short videos, should be used to increase the popularization and education of digital currency and digital financial knowledge. At the same time, attention should be paid to differentiated publicity. It is necessary to design publicity programs that are more easily accepted and understood for vulnerable groups such as middle-aged and elderly people. Finally, we should steadily expand the pilot scope of digital currency, increase the coverage of digital technology smart terminals, form an industrial layout with points leading to lines, and lines forming areas, and strive to make digital renminbi available to everyone as soon as possible.

3.3 Accelerate digital transformation

Banks should accelerate the pace of digital transformation and expand bank profit channels. The issuance of digital currency will have a crowding-out effect on the scale of bank deposits and loans to a certain extent, thus causing a certain degree of "financial disintermediation", which will inevitably affect banks' profitability. Therefore, banks should accelerate digital transformation and explore new financial markets. On the one hand, banks must strengthen data governance capabilities, and on the other hand, they must improve product differentiation and innovation capabilities. Data is the first element for banks to achieve digital transformation. Only by truly possessing data governance capabilities can existing businesses be empowered and transformed to achieve digital transformation. Product differentiation is the magic weapon for banks to stand out. Currently, most of banks' financial products tend to be homogeneous. Only innovation can break the homogeneity barriers and achieve true digital transformation. This requires banks to vigorously attract innovative talents and at the same time provide high-quality life guarantees for innovative talents. Only in this way can the innovation capabilities of banks be continuously enhanced, heterogeneous products can be continuously developed, and enterprises can expand their presence in the industry. competitiveness.

3.4 Build a digital currency regulatory system

Build a digital currency supervision system and improve the digital currency supervision system. Digital currency relies on modern Internet technology and cryptography technology, and there are certain technical and credit risks. Therefore, it is necessary to supervise the transaction settlement process of digital currency. Links with high-tech companies can be strengthened and regulatory technical capabilities improved. At the same time, computer technology should be used in a timely manner to supervise the issuance, circulation, transaction and storage process of digital currency to prevent the occurrence of unknown risks. In addition, a big data early warning system should be built to prevent systemic risks. The issuance of digital currency is bound to have a certain impact on the monetary system, and the extent of the impact is still unknown. Therefore, a big data early warning system needs to be built to supervise the impact of the issuance of digital renminbi on the scale of money supply, so that emergencies can be responded to in a timely manner. response.

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