

CURRENT INTERNATIONAL ECONOMIC RELATIONS IN SOCIAL RESPONSIBILITY CONTEXT

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SOCIAL IMPACT OF THE DIGITALIZATION OF RETAIL PAYMENTS

Current time is associating with significant changes in economic and social life. Pandemic of the COVID-19 since 2020 have generated multiple shocks – medical, business, financial, communication, psychological, social. Pandemic have caused domestic lockdowns, international movement barriers, economy and foreign trade contractions, pandemic social depression – a cluster of serious challenges for the global economy and each country. They have generated systemic effects to the economic and social life, people behavior. Therefore, social needs coincided with economic demand for developing of electronic communications, online commerce and digital financial transactions.

Pandemic have pushed innovations in response to the shocks and restrictions to generate an increase of demand for Internet communication use, electronic trade and digital payments.

Such processes have speed up the digitalization in economic, financial and social areas. Digital technologies and customers' demand have caused shift from a traditional cash handling banking towards electronic money services such as cards, online and mobile payments. This evolution should be studies with respect of its role in the evolution of the financial and banking systems, social processes.

Economic, social, behavioral and technological factors have influenced the development of electronic and digital technologies enabling to increase non-cash payments. Such processes are playing important role in the evolution of banking and financial systems. Big technology companies are dominating in the digital payments, but international and domestic competitions becomes increasingly intensive.

Digitalization of payment services are including a growing range of technologies and instruments: payment cards based, mobile applications based, Internet banking, fintech companies payment services, electronic trading platforms payment services, cloud computing payment services, virtual assets payment services, digital currencies payment services. Digital payment technologies could be national and international by origin and penetration.

Driving forces of current demand and supply for online payment services are pushing the digitalization and related changes.

Macroeconomic factors of demand for payment services evolution could be described with result of a data cluster: economy growth, employment, disposable personal income, inflation, housing prices, consumer goods prices and others. Such factors are influencing on the markets value turnover and therefore a payments differentiation in the EU countries despite of anticipated convergence effect of economic and monetary integration. For example, when to take an average level of consumer goods prices in the EU as 100%, then for Norway consumer price level is 139%, Sweden – 138 and EU-associated Switzerland – 170, but much lower consumer price levels are in Romania – 55%, Bulgaria – 56 and Poland 58% [1]. Respectively higher price levels would require to use relatively larger value of payment services.

Consumers demand factors for use of digital retail payments could be considered such as follows:

- to use payment cards to conduct conveniently the online commerce;
- to use contactless payment/credit cards as better and safer then cash store of value and payment instrument;

- to manage money spending with notice of each withdrawal and transactions history;
- to use different banking services online;
- to acquire goods and services with access to payment network.

The supply factors of digital payment services are resulting from the new technologies and instruments available to customers:

- contactless payment/credit cards became competitive as a safer and convenient payment instrument;
- mobile applications payments bring an advantages of safety and easy access to individual accounts;
- Internet banking provide a range of options to combine payment service with other financial and market possibilities;
- fintech companies payment services provide cheaper and convenient payments internationally demanded by migrant workers, travelers and private entrepreneurs.

Digitalization at the same time is associating with specific risks such as cybercrime, fake schemes and privacy interruption.

Social and economic behavior during pandemic is changing to use of cashless payments such as cards, Internet and digital payment services. European Central Bank survey of payment attitudes of consumers in the euro area (SPACE) shows that payment trends in the euro area are demonstrating a change of cash payments ratio from 32% of all payments in 2016 to 25% in July 2020 as to ECB survey [2] and respective increase of non-cash transactions. But individuals in some countries are keeping good amounts of cash mainly due to the prevailing payment traditions, instant reserves in pandemic times and concerns as for electronic payment risks.

Cashless retail payments during the pandemic are rapidly growing especially in sales of electronics, food, daily supplies. E-commerce are accomplishing mainly with cards and Internet banking. As for SPACE survey, in the euro area the online purchases value is settling in the following ways: cards – 48%, E-payments via Internet – 24%, credit – 14%, others – 11%, cash – 3% [2].

Cards and Internet payments have good combination of convenience, accessibility and security to customers, therefore their trend is expecting to continue during post-pandemic recovery.

Contactless cards and Internet payments are products of digital technologies applications and constantly progressing. European countries are experiencing a differentiation of degree of contactless cards application by number of transactions ranging between 77% Slovakia, 73% in Greece, 64% in Spain, 62 % in Netherlands and to 28% in France, 16% in Belgium of all card retail payments transactions [2, p. 30]. The next advanced payment technologies demanded by customers are QR-code and biometrics with additional competitive advantages as safer and easy to use.

Economic results of digital technologies are better overall cost of payments transactions combined with convenience for customers. Financial result would be considered as better money velocity and their more rational use, which would benefit the banking and financial stability. Technology development is pushing to increase international competition between “big tech” companies and fintech payment services providers.

Digitalization of retail payments directly influence on customers behavior and satisfaction therefore would have a social impact especially under conditions of online work, education and communication.

Social impact of the current digitalization of retail payments could be such as:

- change of population preferences towards cashless payments and wider use of digital payment instruments;
- improve a social communication and downsize social stress of pandemic;
- social adaptation to the pandemic conditions and rules;
- improving confidence of online payments and electronic commerce;
- social mobility with access to digital payment services regardless of nationality, income level etc.;

- developing of social inclusion with access to payment systems and instruments;
- softening income and social inequality, opportunities for disadvantaged individuals;
- improving social communication with support of access to payment services;
- reasonable confidence to banks, cards and mobile payments services as a part of trust to public and social institutions;
- softening of risk of social unrest under conditions of pandemic stress and cases of social, economic and financial depressions.

Social value of digitalization of payment systems is concentrating in social inclusion, better equality, public confidence, public trust to financial institutions and payment networks. Dissemination of information regarding payments digitalization and financial literacy would be additional benefit to the social impact of payment services.

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