

Cashless Payment Systems

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As society evolves, everyone is looking for more convenient and efficient payment systems. Cashless payments are a hot topic because of the war on cash, and that's actually been brewing for a few years now, but what we've seen over the last few years is the proliferation of new technologies that have accelerated the penetration of cashless systems.

There are two factors driving cashless systems today: millennial adoption and wider merchant acceptance. First, we're seeing a demographic shift that's leading technology providers to provide more convenient and seamless payment options for consumers today. The millennial generation is much more open to adopting these newer technologies and that is driving cashless payments today.

Secondly, merchants find it much easier to get up and running to accept cashless payments. Traditionally, if you were a small business that wanted to accept electronic payments, you would have to go to your bank, go through an arduous credit check, and weeks later find out if you were approved. During that period, your business would have stalled. Today almost anyone can get up and running accepting cashless payments in a matter of hours whether it's online or through a physical process.



In terms of a global focus, cashless payment systems exist both domestically and internationally. Many of the major ones that we know of today and we think that are US-based actually have very strong global presences, and their brand and trust travels internationally as well as domestically.

However, there are certain markets that are much more restrictive. For example China, China is a very closed off system and non-Chinese firms can participate in certain segments such as cross border transactions, but they are effectively shut out of domestic transactions. At Alger, we are monitoring the progress of these Chinese firms to see how they evolve outside of their home markets and see if they can penetrate non-Chinese markets.

What excites me most about the current platforms is the opportunity to move beyond just a payment mechanism and more into introducing the full financial services vertical to millions of people today who don't have full access or any access to the traditional banking suite. These new cashless payment systems are in effect democratizing financial services.

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