

**CASHLESS CONVENIENCE IN CHINA:
DEVELOPMENT AND
POLITICAL ECONOMICS**

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Executive Summary

1. China made the transition to a cashless society with ease, bypassing the credit card phase. Unlike developed economies, credit card did not take off in China as the domestic banking system was relatively less developed.
2. QR code has been adapted by China's cashless mobile payment systems for electronic transactions. Convenience is also enhanced by the ease in making payment on the move (mobile payments).
3. Electronic cash also means that the state is able to track monetary flows and stop transactions if necessary. This will make it difficult for money laundering or unaccountability of cash inflows to occur.
4. The cashless mobile payment platforms have become de facto banks, giving out small loans and providing microfinancing to small and medium-sized enterprises and individuals.
5. In this cashless payment economy, Alibaba and Tencent are the two tech giants that are earning interests charged on electronic transactions and accumulating incredible amounts of data.
6. Cashless payment mechanisms have the potential of weakening the hold on currency movements of the People's Bank of China (PBOC, Chinese equivalent of the central bank).
7. The PBOC instituted a new payment platform that makes smartphone payments more transparent and for the state to have a better grip on transaction data known as the Nets Union Clearing Corp.
8. The Chinese cashless payment system is expanding regionally, with usability in Bangkok and the cabs of Singapore and in developmental phases (especially in the

area of microfinancing and microloans) in India, Pakistan and some European countries.

9. US Mastercard and Visa have combined strengths and resources with China's Union Pay (whose business has been affected by Tencent WeChat Pay and Alipay) to enhance electronic payment transactions between credit card firms and banks.
10. The politics of control, when resolved, may even facilitate the state's acceptance of crypto currencies or Initial Coin Offerings eventually. The PBOC has already formed a research institute to look into the workings of crypto currencies, which may signal as a preview of things to come.