

The Economic and Societal Impact of Digital Banks and Wallets on the Global Banking Sector and the Transition Toward a Cashless Society

Abstract

This paper aims to explore how digital banks and digital wallets are redefining the global financial ecosystem while contributing to the gradual transition toward cashless societies. It explores the cultural, economic, and regulatory aspects of this shift using data from six open-access scholarly research. The results show that although digitalization encourages efficiency, financial inclusion, and transparency, several obstacles—including a lack of trust, insufficient regulation, and disparities in digital literacy—still remain.

Keywords: Digital Banks, Digital Wallets, Cashless Society, Financial Inclusion, Economic Transformation, FinTech

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1. Introduction

Over the past decade, the global banking industry has been undergoing a remarkable transformation fueled by technological advancement and changing consumer expectations. Digital banks and wallets have increasingly emerged as alternatives to conventional financial systems, offering faster, more secure, and user-friendly services. This development has not only reshaped how individuals and businesses handle money but also redefined how financial institutions operate. From promoting financial inclusion to supporting broader economic growth, these innovations have transformed both the consumer experience and the operational models of banks worldwide. Despite this progress, the transition to a fully digital banking ecosystem remains uneven, prompting deeper analysis of its economic and social implications....

2. Research Problem, Objectives, and Questions

Although the growth of digital banking and payment solutions has been substantial, many regions across the world remain heavily dependent on cash. This gap reveals a deeper issue involving infrastructure, regulation, and behavioral acceptance. The primary research problem examined in this study is the impact of digital banks and wallets on the global financial system, both economically and socially, as well as their role in facilitating the transition to cashless economies.

Objectives:

- To analyze the economic impact of digital banks and wallets on traditional banking institutions.
- To investigate the social aspect that affects how people use and adopt digital finance.
- To assess regulatory frameworks that support or prevent the transition to cashless economies.

Research Questions:

1. How do digital banks and wallets change the way the global banking system works?
2. What social and behavioral factors affect the adoption of digital financial tools?
3. How do regulation and governance help the transition toward a cashless economy?

Author(s)	Year	Country/Region	Methodology	Key Findings	Limitations
Srouji, S.	2020	UAE (Global)	Mixed methods; policy and data review	Digital payments boost inclusion but are slowed by cultural habits and limited trust.	Limited behavioral data; UAE-specific context.
Al Ghunaimi, H.	2025	Oman (Global)	Quantitative survey; SME analysis	Mobile payments drive SME growth and support diversification.	Small sample; minimal cross-regional analysis.
Sarika & Vasantha	2022	India	Descriptive study; surveys	Wallets improve convenience and transparency but depend on education and access.	Urban bias; lacks rural insights.
Anonymous	2023	India	Quantitative; macroeconomic data	Mobile wallet growth correlates with GDP and cash reduction.	Focuses on India only; lacks qualitative context.
Koont, C.	2024	USA	Econometric modeling	Digitalization enhances competition but introduces stability risks.	Limited to mature markets; lacks emerging economies.
Janamolla, K.R.	2024	Global	Qualitative synthesis	Neobanks extend inclusion but face regulation and profitability issues.	Lacks primary data; conceptual focus.

3. Literature Review

Table 1: Summary of Reviewed Papers

3.1 Economic Impact of Digital Banks and Wallets

Digital financial technologies have wide-ranging and complex economic effects. According to Srouji (2020), digital payments enhance financial inclusion and operational efficiency, particularly by improving liquidity and reducing transaction costs. In Oman, Al Ghunaimi (2025) demonstrated that mobile payment systems among small and medium enterprises not only enhance business agility but also align with national economic diversification agendas. Similarly, a 2023 study from India revealed that rapid mobile-wallet adoption correlates with national GDP growth and a reduction in informal cash transactions. Together, these studies illustrate that digital finance drives not only operational efficiency but also macroeconomic expansion through increased transparency, tax compliance, and consumer spending. Nonetheless, differences in infrastructure and regulatory readiness still limit the full realization of these benefits.

3.2 Societal and Behavioral Impacts

From a social standpoint, Sarika and Vasantha (2022) emphasized that mobile wallets enhance user satisfaction by simplifying daily transactions, although obstacles remain for low-income and less educated groups. Cultural perceptions of security and trust play a significant role in determining user behavior, as indicated by Srouji (2020). Janamolla (2024) further highlighted that neobanks contribute to greater inclusion by extending digital banking services to previously underserved populations. Nonetheless, persistent issues such as limited digital trust, cybersecurity fears, and varying levels of financial literacy continue to impede universal adoption. These societal barriers highlight the need for sustained awareness campaigns and user-centric policies to ensure that technological innovation translates into equitable financial inclusion.

3.3 Regulatory and Structural Effects on Banking

The regulatory implications of digital transformation are notably highlighted in the research conducted by Koont (2024) and Janamolla (2024). Digital banks, while improving efficiency and competition, create challenges for regulatory oversight and financial stability. Koont's econometric analysis revealed that digital banks often rely more on uninsured deposits and algorithmic lending, which complicates risk management. On a broader scale, Janamolla (2024) pointed out that global regulators are still adapting to new models of digital intermediation. The convergence of technology and finance demands flexible yet robust oversight frameworks capable of protecting consumers while promoting innovation. Ultimately, effective governance will determine whether digital banking evolves into a stable foundation for cashless economies or introduces new forms of systemic risk.

4. Synthesis and Discussion

When reviewing these works collectively, three central themes emerge. First, digitalization serves as a powerful economic driver, promoting inclusion and innovation across different economies. Second, societal readiness remains uneven, shaped by education, culture, and access to digital infrastructure. Finally, regulation plays a decisive role in determining how stable and inclusive this transformation will be. Taken together, the literature indicates that the path toward a cashless society is not uniform across nations. Success depends on the interplay of technology adoption, regulatory maturity, and cultural acceptance. Countries that combine innovation with inclusive education and consumer protection are most likely to achieve sustainable digital transformation.

5. Conclusion

Overall, the review confirms that digital banks and wallets have become essential tools in the evolution of modern finance. They support growth, transparency, and inclusion, yet they also expose vulnerabilities in regulation and public trust. Moving forward, sustainable adoption requires education, transparency, and coordinated policymaking across regions. Future research could beneficially focus on comparative analyses across regions to better understand how local policies and cultural norms influence digital financial adoption and sustainability.

6. References

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