

The Emergence of Cashless Societies and Its Psychological Implications

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ABSTRACT

The aim of this study is to use qualitative secondary research by analysing peer-reviewed journals, surveys, statistical databases and secondary behavioural reports to assess and identify developments and adoption of cashless payment methods in societies. It also includes the benefits, negative aspects, delving into the BNPL schemes, and psychological drivers revolving around such a banking system. A delve into the UAE is additionally studied, being an ideal example of a stable developed technological-driven economy.

Keywords: Cashless Payments, BNPL, Psychological Drivers, Banking System

Introduction

With the advent of recent digitalization and the rapid progress of technology, cashless payments have become a popular and preferred medium in the financial sector, leading to a potentially cashless society. Digitalization has facilitated the transition from manual to online transactions. Such a system involves the use of electronic methods to conduct transactions such as cryptocurrencies, debit and credit cards, BNPL (Buy Now Pay Later), E-Wallet, and Mobile Wallet Applications. In order to create a truly cashless society, it involves the contribution of various generations. It can be logically noted how the adoption of cashless payments can be more prominent in developed rather than developing countries, due to the facilities of technology. However, more than technological factors, psychological and social factors can play a considerable role as they are directly connected to consumer behaviour.

The barrier in this adoption process is more significantly the customer behaviour than the technological advancement, such as traditional barriers or unfounded fear of inconvenience. Though by appealing to the human societies, for example, Sweden is one of the developed countries that is predicted to become the world's first cashless society in 2023 (Fourtane, 2019) by embracing their society to digitalize their banking systems. There are many

benefits associated with cashless payments, such as easing the issues related to cash handling and even making global distance transactions possible. For example, it has had an impact on e-commerce in Indonesia with the advent of the Internet, as the number of e-commerce users have increased from 34% in 2015 to 53% in 2020. Another example is the rise of e-money transactions in the Indonesian retail market by 173% in January 2020 leading to a cashless environment.

Methodology

This study mainly uses qualitative secondary research, collating data, findings and reports from peer-reviewed journals, statistical databases, behavioural assessments and experiments, and surveys. English only sources were identified through academic databases mainly ResearchGate, MDPI, and Dubai or Gulf online articles on online blogs and news websites. Keyword combinations of cashless payments, impulsive buying, inflation, BNPL, COVID-19, global economies, e-payments, mobile payments, consumer psychology, and with special attention to the Dubai economy. These studies were identified and analysed to explore benefits, negative aspects, psychological implications, Dubai based evidence case-studies and consumer behaviour.

Literature Review

**Drivers and Triggers of Cashless Adoption
COVID-19 as a Special Triggering Event**

One of the main factors that has triggered the rise of cashless

payments is the advent of pandemics such as the COVID-19, which has urged people to maintain social distance and hygiene measures, thus discouraging the use of physical cash leading to the further adoption of electronic methods of transaction. Countries such as Malaysia and Indonesia have seen a drastic increase of E-wallet systems since the pandemic (Aji et al., 2020; Teng & Khong, 2021).[pmc.ncbi.nlm.nih] . According to a survey by RTi Research, about 30% of the respondents in the US have begun to utilize contactless payments since the pandemic occurred[<https://pdfs.semanticscholar.org/2e91/60171997f4a0562f844531da07c2644fed60.pdf>] . Moreover, around 70% of those users are likely to continue using contactless payments post-COVID-19. In Germany, contactless payments grew from 35% to more than 50% because of the pandemic. Ever since the pandemic, the world has witnessed a digital shift and requires individuals to have sufficient awareness and knowledge about navigating increasingly and efficiently through cashless markets safely. The global digital shift, recently accelerated by the COVID-19 pandemic, requires that consumers have knowledge allowing them to navigate increasingly cashless markets safely and effectively.

Factors Involved in Adoption of Cashless Payments

E-wallet service providers should consider factors such as network externalities by collaborating with various actors to gather customers. The price factor, such as cash-back, loyalty points, or direct discounts can also result in greater adoption of cashless payments. To move towards a cashless society, factors such as perceived usefulness, perceived security, trust and social influence all play a crucial role. Moreover, existing resources, technical infrastructure and aid should be considered in spreading awareness to consumers about the convenience of mobile banking to transact cash electronically which can positively encourage customers to perform such actions in a cashless manner. Such awareness can also be spread among the younger generation through relevant implementation in education to adopt the new technological innovations in the banking sector .

Benefits of Cashless Payments

Cashless payments offer many benefits as discussed before, such as the convenience of saving time and efficiency. It prevents the circulation or the mishandling of physical, tangible cash. According to a study conducted by Kamnar (2014) in European countries, it is suggested that e-money transactions can lead to a greater number of transactions and the speed of money due to their comparatively cheaper intent . For instance, in the state of Tamil Nadu in India, the customers demanded efficient, fast and convenient services, and a bank to offer services which will meet their needs and business goals (Mathiraj & Subramanian, 2020). The Central Bank of India introduced the cashless policy which makes electronic banking possible (Mathiraj & Subramanian, 2020). The cashless policy was also introduced by the Reserve Bank of India (Mathiraj & Subramanian, 2020). The data from the Central Bureau of Statistics, Republic of Indonesia and Bank Indonesia over 2019 and 2020, suggests results that indicate that electronic money decreases inflation (Titalessy, 2020).studylib+1. Cashless transactions also provide benefits such as the recording and controlling of all cash transactions,

including black money which damages economies (Mathiraj & Subramanian, 2020). It even increases the tax income of governments due to correct readings of cash transactions and figures (Mathiraj & Subramanian, 2020). It is a much more secure, legalized form of transaction. Portability, convenience for e-commerce, on the go payments, and the elimination of printing currency notes which removes burdens such as transportation and expenditures are also highlighted as advantages (Mathiraj & Subramanian, 2020).[studylib] Concerns – data management, security, dependency on technology and internet Incentives – discounts, gifts, promotions, offers – to use cashless payments.

As mentioned before, illegal activities and digital corruption has been curbed through cashless payments to foster economic growth (Aldaas, 2020). With advances in technology, the finance sector has witnessed tech advancements with numerous benefits and making access to financial products easier. According to World Payment Report (2021), the size of cashless transactions increased by 8% in 2020 (World Payments Report, 2021). It implies that the world is moving towards a cashless society. [capgemini].

Negative Aspects of Cashless Payments

Keeping in mind the Sustainable Development Goal 12 (United Nations, 2015) about potential overconsumption issues, increasing cashless payments is becoming an issue in this area (United Nations, 2015).This calls to pay greater attention to study consumer behaviour and implement solutions in order to control impulsive buying and overconsumption issues to foster financial responsibility and mindful consumption. Cashless payment methods such as credit/debit cards also have certain drawbacks such as increasing consumer spending. Research has shown that more money is spent using card versus cash payments . It increases the willingness to spend money, and creates misunderstandings in the need to repay these debts. We look into the psychology of money wherein people experience lesser loss of money or pain, due to an intangible form of monetary system, as it is less concrete or real so it removes the psychological concept of diminishing one's money (Hafalir & Loewenstein, 2009). This also causes increased impulsive buying and overall shopping expenditure, according to research (Hirschman, 1979).[thedecisionlab] . A recent study from the University of Adelaide, led by PhD student Lachlan Schomburgk, emphasizes on the similar point about greater spending tendencies using cashless payments rather than cash. Tangible cash forces one to be wary about controlling how much money is physically being handed over or received, making it a greater cautious process for humans. Cashless payments strip one away from this physical exchange. This in turn leads to more hedonic shopping tendencies, by purging shopping with cashless payments. Monetary payments usage elicits a negative arousal once it is being spent and creates a greater sense of caution and attention during financial decision-making. Cashless payments reduce this very caution and increase risky consumption behaviour. Frauds, misuse, high dependence on tech needs to be considered by corporates, policymakers.

Buy Now Pay Later (BNPL) Schemes

BNPL – Buy Now Pay Later schemes seem like a straightforward, accessible and a feasible method of payment, however it is

increasing financial debt and stress. Financial responsibility refers to managing one's assets and resources in the most productive way, and being able to provide for one's needs and wants.

Klarna – pay in 30 days, is another scheme that alludes and creates a way to temporarily avoid financial responsibility. All these payment methods can have an impact on an adult's financial responsibility.

Impulsive Buying and Psychological Drivers

Instant gratification is essentially the phenomenon of feeling immediate satisfaction and contentment without such delay or instantaneously. However, in terms of managing one's finances, it can appear to have a negative impact by encouraging impulsive spending tendencies and degrades one's financial stability and can have an overall negative impact on one's long term financial security or health. Hedonic motivation refers to emotional drive that arises from use of technology, and is the main driver of consumer interest in adopting e-commerce platforms. The BNPL option offered more in fashion goods than groceries has a connection to impulsive buying tendencies being more in such goods, followed by consequent regret. It is noted how paying with COD helped improve self-control and reduce negative feelings. The differences millennials have in shopping behaviours with their greater preference for physical stores due to store aesthetics, need for touch, reality experiences and physical interaction can be explored. These factors help one study further the psychology of consumer shopping experiences and calls for greater creation of online interfaces and experiences for a boom in online shopping. As discussed, Pay Later creates impulsive buying tendencies and when combined with incentives such as sales promotions, non-monetary promotions and the psychological sentiment of FOMO, has a significant influence on impulsive buying. PayLater method is superior to the e-wallet method in influencing impulsive buying. Marketers and policymakers should be aware of the potential risks of impulsive buying, even though impulsive buying, purchases made spontaneously without any intention prior to the purchase is profitable for sellers. Such marketers encourage this behaviour through comprehensive marketing strategies by reinforcing sales promotion as it the most researched marketing tactic to influence purchase decisions. Such sales promotions subsequently evoke FOMO, and around 60% of millennial consumers make an immediate purchase within 24 hours of experiencing FOMO (Hott, 2025). Although marketers and sellers can encourage impulsive buying, it is harmful and can lead to adverse financial outcomes and debt burdens on the consumer front.[bestcolorfulsocks]

Phrases such as “limited time”, “limited quantity”, are effective in driving FOMO tendencies and demand for products. This research determines consumer behaviour patterns in cashless payments, and the relationship of impulsive purchasing in e-commerce.. It is said that the convenience of cashless-payments has accelerated a person's financial decision making in shopping and has increased impulsive buying .. Benefits in transaction and also encouragement of convenience and psychological satisfaction through promotion offers influences consumers in the digital era. Giving rewards to cashless users also affects

the user's psychology, and is on the same lines as the ease with which people can shop online. Efficiency, comfort, accessibility are basic key pillars. Cashless society increases transparency and saves transaction costs. E-commerce satisfies shopping experience, for instance, the results of the Populix survey in July 2023 show that 82% of Indonesian people prefer to use e-commerce to buy electronic products, household necessities and health, compared to only 13% who choose social media, and 6% who choose offline method (Populix, 2023). There also exists flexibility of cashless payments in splitting bills, recurring payments and international transactions.

Impulsive buying releases almost an endorphin, makes people feel good and is further related to income level, mood, and discounts or promotions. A new growth of a new habit pattern called “Night Owl Shopper” has emerged. Availability of discounts, promos, and rewards via e-commerce during key time from 6 to 9 pm is effectively utilized by entrepreneurs and marketers to weaken consumer control and increase hedonic impulsive tendencies. The various factors highlighted is performance expectancy which is the amount of confidence a consumer gains by using a certain system, such as the improvement of benefits through cashless payments. Saving time and quick decision-making is being blindsided by the real fact about how they are trapped in purchasing goods without necessary planning. Effort expectancy is the amount of associated ease with a system, such as the ease of implementation and integration of cashless payments with e-commerce, and are received positively.

A Brief Insight into Dubai and the UAE

The UAE is at the forefront of digital payments, the overall reliance on cash continues to remain low (Visa, 2025). For 61% of respondents, only 1–2 out of their last 10 transactions were in cash (Visa, 2025). Only 3% of respondents claimed that all 10 out of their last 10 transactions were made with cash (Visa, 2025).

Initiatives such as Dubai's Cashless Strategy aiming for 90% digital transactions by 2026 and enabling local business in creating a better payment experience for everyone is supported by constant commitments to UAE government's cashless agenda (Visa, 2025; Said et al., 2021). Further drive financial inclusion and digitalize commerce, by Visa (Visa, 2025).

The UAE Mobile Market was valued USD 4.18 Billion in 2024 and is expected to nearly double, reaching USD 8.28 Billion by 2030, exhibiting a CAGR rate of 12.12% during the forecast period, according to stats (TechSci Research, 2024). Some of the trends observed include the rise of integrated super apps, such as Careem Pay, e-money and Noon Pay that combine such payments with services such as transportation, e-commerce and financial services (TechSci Research, 2024). Government initiatives like the Vision 2031 strategy promotes a cashless economy, and new platforms like Aani (TechSci Research, 2024). Telecom operations such as Etisalat are bundling mobile wallets with other digital services, such as data packages and microfinance, to drive broader adoption (TechSci Research, 2024). Dubai is the fastest growing region because of its innovative-friendly and digital infrastructure and environment (Said et al., 2021). Smart Dubai initiatives (Said et al., 2021).

The city boasts over 99% internet access and acceptance of mobile wallet payments in over 90% of its retail outlets (TechSci Research, 2024). Its large volume of tourists, business travelers, and expatriates further boosts adoption of both local (Careem Pay, e& money) and global (Apple Pay, Google Pay) platforms (TechSci Research, 2024). Significant opportunities exist in expanding e-commerce integration, fueling smart city initiatives, and addressing the demand for contactless transactions (TechSci Research, 2024). The market also has untapped potential in underserved segments, including SMEs, blue-collar workers, and rural merchants, with further growth expected through strategic partnerships between fintech companies, banks, and telecom providers (TechSci Research, 2024).techsciresearch+1

Some of the key players in the UAE Mobile Market are:

Emirates Telecommunications Corporation (Etisalat Wallet) (TechSci Research,2024)[techsciresearch] Emirates Digital Wallet LLC (Klip) (TechSci Research, 2024)[techsciresearch] First Abu Dhabi Bank (Pay it) (TechSci Research, 2024)[techsciresearch] Emirates Integrated Telecommunications Company (Du) (TechSci Research, 2024)[techsciresearch] Alphabet Inc. (Google Pay) (TechSci Research, 2024)[techsciresearch] Samsung Electronics Co. Ltd. (Samsung Pay) (TechSci Research, 2024)[techsciresearch] Apple Inc. (Apple Pay) (TechSci Research, 2024)[techsciresearch] Careem Networks FZ LLC (TechSci Research, 2024)[techsciresearch] Ant Group (Alipay) (TechSci Research, 2024)[techsciresearch] WePay Inc. (TechSci Research, 2024)[techsciresearch] The BNPL model is also growing in this region. For instance, providers such as PostPay,

Cashew and Spotii are great contenders of this method and compete with Saudi Arabia's Tamara (TechSci Research, 2024). The UAE is expected to become cashless by 2030 (TechSci Research, 2024). Klip is another e-wallet that is expected to grow in the UAE, to replace physical cash and is rolled out by the Central Bank and the UAE Banks Federation (TechSci Research, 2024).[techsciresearch]

Discussion

Cashless societies can be seen as an indicator of economic growth and fin-tech development in economies. However, its negative implications of the rise of patterns of overconsumption by consumers, as well as reckless spending behaviours can create financial stresses and burdens, increasing the debts of households in general. Greater consumption can be linked by a growing economy due to an overall increase in aggregate demand, however it can create inflationary pressures around prices and embed hedonic behaviours, especially among the youth demographic, being the most active with cashless payments. These issues can be tackled through restraining and awareness centered policies or schemes addressing financial responsibility and mindfulness.

Conclusion

COVID-19 has triggered various economic changes, one of them being the immediate adoption of cashless payments, BNPL payments, debit cards and credit cards in societies. This has been predominantly prominent in developed/well-developing stable economies which have the necessary technological infrastructure

to support such a shift .This has led to greater control, record, monitoring and global interconnectedness of the finances of economies. However, cashless payments has also penetrated into various psychological behaviours within individuals such as impulsive purchasing, herding, and a reduction in the sense of responsibility and accountability associated with dealing with cashless money. This calls for greater intervention by such financial institutions and government policies to roll out schemes and restraints in order to monitor such behaviours, and encourage to cultivate a healthy consumption monetary culture [1-25].

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