Contactless payments and the Internet of Things have changed how people interact today in modern times. But these have gained popularity only recently. Contactless payments involve ways that allow consumers and merchants to make important transactions without any sort of physical contact. For instance, users can bring their contactless device or card close to a Point-of-Sale terminal instead of swiping a credit card, and process the transaction. This makes contactless payments more convenient and swifter as compared to cash or traditional transactions.

These two technologies, although different, are growing simultaneously. Contactless payments have made the money transfer process simple whereas IoT has made it convenient and easy to make smart decisions by automating devices and processes. Both technologies, when used together, can help innovate business models. Some examples include watches that use the bearer’s pulse instead of signature or PIN code, clothes with credit card details, or car key fobs paying for takeaway food. This simply implies that IoT devices with [contactless](http://www.cardzgroup.com/ContactLessSmartCard.html) payment functionality help process payments faster and provide convenience to customers and merchants.

**Making Contactless Payments with IoT Devices**

Consumers do not need to swipe their cards anymore, sign receipts, or enter PIN codes while making a payment. Not only is this hassle-free for customers, it is also very helpful to the merchants who can swiftly process transactions and increase their sales volume as it can reduce the time customers spend at Point-of-Sale terminals. With littler requirement to handle cash, merchants can operate more efficiently along with incurring reduced costs.

Furthermore, transactions that are IoT enabled provide more transparency, allowing governments to easily track transactions and identify tax evaders. It will also decrease the frequency of money-based crimes, since cashless transactions are traceable. Moreover, with more people moving around without cash, frequency of mugging incidents will also decline.

**Contactless Payments and IoT Today**

The continuous growth of IoT-enabled contactless payments is attributed to the increased adoption of wearable devices and high bandwidth wireless communications. A Contactless Payment Market report published by Markets and Markets shows that the market size of contactless payments is anticipated to be 18 billion US dollar by 2025.

Contactless transactions are anticipated to be more than 6 trillion dollars by 2024, which indicates a 53 percent increase since the year 2019. With increased usage of smart devices like phones and wearables, cashless payments are more convenient and faster. Though we may not see a totally cashless society in the imminent future, cashless payments are bound to dominate the payment card industry.

Assuming that the customer is able to authorize their IoT devices for making a payment, there can be three payment models that could materialize.

1. **Instant Credit Transfer**

Instant credit transfer uses encrypted communication to allow customers to make transactions within a few seconds from one location to another. In simple words, it means that two users in different parts of the world can send and receive money to each other in seconds. By integrating instant payments with open APIs, we can enable many IoT payment opportunities.

1. **Card Tokenization**

Tokenization has allowed many international payments card systems to successfully implement non-card payments. One of these is Near Field Communication (NFC), which has replaced Primary Account Number (PAN). Moreover, an application inside a smartphone generates unique value every time for each transaction to verify the card. This tokenization can help turn any IoT device into one that can also make payments.

1. **Digital Currency**

Distributed ledger technology supports IoT environment, allowing IoT devices to make direct transactions without relying on any third parties. Although the idea is still in infancy due to regulatory issues, it can create endless opportunities once a regulated system is articulated for payments involving digital currency.

**Conclusion**

As contactless payments and IoT technologies are growing steadily, it is also important to ensure the security of customer data apart from providing them convenience. However, the future of IoT and cashless transactions is anticipated to provide consumers with safety, convenience, efficiency, and hence, more time.