

Cash vs. Digital (With Reference to India)

Dr. Bharti Harnal

Abstract--- *There has been a long journey of receipt and payment transactions. Beginning from Barter system by primitive/traditional/ modern man from coin to currency notes (Cash) and now to Digital transactions and may be further with some other way. Coins and paper currency has a long history and there has been ups and downs in currency also. With advance in technology, now payments have been started making through technology. Cash is used in its physical form while digital transactions are done on internet through on line. There is no doubt that digital payments are moving fast, as it has made transactions easy and convenient to handle, technology advancement, high levels of security, less expensive, monetary benefits in the form of discount on payments/ cash back facility.*

But at the same time, digital is not free from many shortcomings. There will always be some people who will find themselves in difficulties with transition. Digital transactions do not suit the under privileged and marginalized groups such as people below poverty line and people staying in rural areas and the elder people. In spite of increase in digital transactions, demand for cash is also increasing. In this paper, an attempt has been made on cash and digital transactions. How the demonetization has affected India's monetary transactions. Does cash hold an important position in India? Does cash still holds an important position and can technology replace it fully?.

Keywords--- *Cash, Digital, India, Technology, Banking. Financial Institutions, RBI, Currency, Frauds, Online.*

I. INTRODUCTION

With passage of time, almost everything around has changed and taken a new shape. Sending messages through letters, Telegraphs have been replaced by emails and Watsup and telephone calls into video calls. And the latest transition is of cash currency into digital currency.

Slowly over time, payment mode has changed from Barter system to introduction of money (Cash Payments) and then cash slowly added Banking along with it. Traditional banking further is being replaced with digital transactions since 1990, making way for debit and credit card payments. ATMs dispensing cash, mobile payments such as Paytm, Mobikwik, UPI, Visa, Master Card and Rupay, Pos Machines, Bitcoin and other virtual currencies which are appreciated by many people but many may not like to bring them in their life.

Life of a human being has entered into a new era with the introduction of Digital currency. Will this increasing use of digital currency make the cash extinct from this world?

There is not much difference between cash and digital, cash is in physical form while in digital there is electronics mode of payment. In both the cases, payment is made.

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Prior to introduction of digital payments, we all were dependent on cash for our financial transactions.

It was after Global Financial crisis that made people to go more for use of digital transactions as an alternative of cash. When an economy passes through such situations, availability of cash shrinks, which makes people to go for alternative ways of transacting such as Digital transactions.

II. DIGITAL TRANSACTIONS

No doubt, digital payments are reducing our burden by providing useful services. After digital payments, one does not have to carry bundles of cash. Making payments through digital does not require obtaining a receipt as the transaction itself is a proof of the payment. This also reduces the chances of theft of money. Moreover, it becomes quite easy and convenient to operate anywhere, anytime; one can make transactions, such as in case of booking of tickets whether it's for movie or flight tickets. All these have a happy experience with the customer.

Digital transactions have higher accuracy and speed along with low handling cost. One can use digital method any time as these are available for 24 hours. One has various alternatives for cash for example Debit/Credit cards, Paypal, Mobile payments, visa and Paytms.

Moreover, in digital, one has to simply swipe a card and payment is over, while in case of cash one has to count and then make the payment and of course problem of chillar (Coins) is there. Digital transaction is less time consuming.

One can easily track down one's Spending.

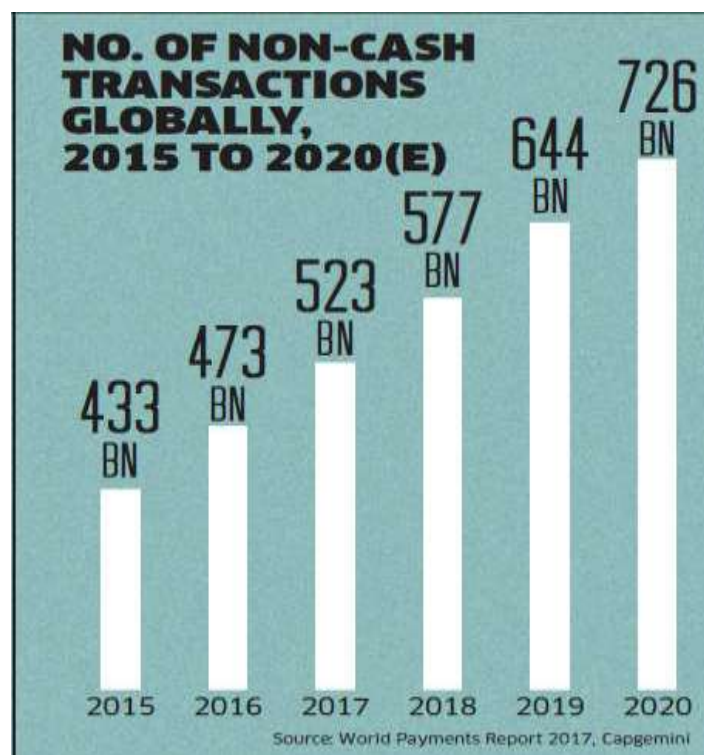
There is always an intermediary who all the time keeps an eye on all the transactions made through digital method. As such, banks can easily trace one's sources and expenditures through digital transactions. It increases tax revenue as Government will levy tax on all the digital transactions, becomes difficult for people to avoid tax.

Not only, it increases revenue of the government but it also helps in solving the criminal cases as cops can easily trace out the location through the transactions made through digital ways.

Sometimes card issuing company gives discount on purchase of certain items to a customer which provides a further benefit to the customers. And then there is a scheme of cash back also in which case on using a specified card, a particular amount is refunded back to the used of the card.

Digital will make transaction more regulated without many loopholes, which will make an economy more strong.

It is beyond doubts that the numbers of digital transactions are increasing. A December 2017 report from the Bank of International Settlement found that the number of cashless transactions around the globe has "at least doubled over the last 10 years across all countries."



The use of digital payments continues to rise globally. By 2019, 2.1 billion consumers will have used a digital wallet- up 30% from 2017, according to Braintree’s 2018 Global Payment Report.

In South Korea, just 20% of consumers’ transactions take place in cash while the same is 29% in Canada. In US it is roughly 50%. As per GSMA Mobile Economy Report 2018, the number of unique mobile users will reach 5.9 Billion by 2025 which is as much as 71% of world population.

III. CASH IN CIRCULATION

Surprisingly, while people are using digital frequently, but the actual amount of cash in circulation has increased. Presently there are more physical dollars and other most paper currencies in the world today ever before.

“YES”, still a number of people all over the world go for cash transactions today also.

According to the Federal Reserve, 65% of Americans regularly carry cash. According to 2018, World Cash Report, overall 17 out of 24 countries reported over 50% of transactions in cash. This number is up to 78.8 % in Europe in terms of volume and 53.8% in terms of value. Cash in circulation as a percentage to GDP has increased to 9.6% all over the continents up from 8.1% in 2011. In Asia, although purchases on line have increased but more than 75% of such payments are paid in cash at the time of delivery.

According to a report by Capgemini “World Payment Report, 2019”, over 30% of countries analyzed in the report recorded higher cash-in-circulation growth when compared to that of non-cash transactions volume.

In the UK, the amount of physical cash present in the economy is actually increasing year-on-year according to Bank of England. Bank notes in circulation in the country have actually increased from around 56 Billion Pounds in

2014 to 69 Billion Pounds in 2019. In Japan, cash is still 40% of the economy. Federal regulation requires that all banks have a certain amount of cash available same day, while they do not do that with Crypto currency. (CNBC 06-08-18).

WHY SO? Why Cash is so important in our life while Primitive/Traditional man was happy with Barter system?

Technology carries hidden cost. The growth road of Digital payments system is blocked with strong Infrastructure facilities, high internet speed, Poverty, data protection issues, frauds, scams and well awareness about using of Mobile Net Work, sound financial system and there should be high intensity among people to go for digital transactions. There may be times when networks are down or there are power cuts, it will stop the customers from entering into their even day-to-day transactions such as buying petrol or groceries as cash system is not prevalent there. Since all transactions are recorded, it erodes the privacy of the person doing the transactions through digital and sometimes this information is analyzed and resold for making profits at the cost of the customer.

Breaching data information can damage the financial reputation of the customer, which is immeasurable. According to a recent study, the Global average cost of a data breach is \$3.86 Million. In US the average cost for each lost or stolen record for a Financial Institution is \$206. Sometimes back, UK fintech company Revolute appeared on the first page of the newspaper when it allegedly used customer details for a controversial as campaign.

About 55 percent consumers were more concerned about privacy in 2017 than 2016, according to Global survey from the Centre for International Governance Innovation (CIGI) and Ipsos. Now we have to face digital thieves who have shifted to On-Line Fraud and identity theft. For maintaining trust of customers in digital, one needs to keep payments safe and secured.

There are people who are financially unable to afford smart phones and also are not in a position to pay for the services charges on the card. At the same time, there is no dearth of cybercrime and fraud at financial services institutions,. Recently, in a co-operative Bank in India, hackers executed 12,000 transactions and stole \$13.5 Million from the Bank/s account via ATMs in Canada, Hongkong and India. In 2017 RBI reported over 2000 cyber frauds amounting to Rupees 100 Crore in India. Even cards can be cloned to get details of its holder.

For cashless system, there must be a strong Financial System. An individual must have a bank account to undertake a digital transaction. Even in present day world, there are large numbers of people who do not operate a bank account and prefer to deal in cash only. It is also because huge population of the world who are leading a life below the poverty line. How can they think of opening bank account while it is a big problem for them to meet their both ends? Can such people afford to have debit and credit cards? Not at all. These are generally those people who are paid on daily basis and since they have to buy their needs daily, so they feel happy if their services are paid in cash. They might not even know how to use these plastic cards and service charges on these cards will be an extra burden for them.

Cash provides useful services. Besides its inherent qualities such as Medium of exchange, Store of value, Unit of account and Standard of deferred payment, it has other features also such as 100% availability, reliability, anonymity and direct settlement without the need for a technical infrastructure.

It offers settlement and cash in hand gives happiness/ satisfaction to individual. (A bird in hand is better than two in the bush). Cash transactions are immediate. Cash makes one's spending stick to one's budget. One makes purchases only up to the amount lying in his pocket, one does not over spend. But in case of digital one spends freely, no constraint of budget.

With cash you can pay actual amount and can prevent a fee attached to swiping a bank card. Cash transaction does not need a third-party involvement. People have faith in cash as it is readily available for receipt/payment purposes. Mostly, cash transactions are anonymous as transactions are not recorded anywhere. Cash is used as and when required without any formalities or procedure especially when one is in urgent need of buying anything. Cash does not require any technology while using it.

One can hold cash, feel it and recognize its transaction when cash is gone from one's hands. It's a preferred choice of making payment for small transactions. Digital may cheat us by not working at the right time of making the payment due to some technical faults.

Currency is a symbol of prestigious of a country. It will work irrespective of what happens to technology or bank or any infrastructure. It carries value equivalent to the amount written on it.

Cash note is attractive also. One finds beautiful pictures of great people in different colors on different notes.

When we buy and pay through cards, it's a sort of taking loan from the merchant for which the payment is to be paid later and of course, with service charges. Sometimes one of the reasons for NPA is that card holders do not make payment in time. Government of course, would not welcome cash transactions as it is neither transparent nor it's easy to trace the transactions for taxing purposes.

Even today, small traders in rural India depend on cash for carrying on their businesses. They often have to approach money lenders who charge exorbitant interest rates, simply because banks have not reached out to that segment of the society.

In almost every country, there are people who have physical disabilities, due to which they may not be able to use technology. They carry their purchases with cash only. And as such, without cash, how will they carry their day-to-day activities. They will have to take help from others for making their payments.

"Sweden", a poster country for cashless, whose use of cash has fallen to \$4.18 billion in the first six months of 2019, a 10% decrease on 2018, has also faced opposition from some of its people. In Sweden, there is constellation named "Kontantupproret" (the access to cash Campaign) whose aim is to keep cash services in Sweden and also provide services related to protection and handling cash. Their plea is that the shift to cashless is a problem for people with mental disabilities and the elderly and also people who are living in rural Sweden.

As a result a new Law has come in force on January 1st which force banks to continue to offer cash services. .

Digital may create problems for Immigrants as it will be difficult for them to obtain card without proper identification proof. For example, one needs to have 'Aadhar Card' for opening a bank account or for getting a credit card in India. One cannot open a bank account without proper identification card.

Digital will be a big problem for beggars also as people generally donate through cash only.

Digital involves Social costs. Shopping on line and making payment through cards will restrict the movements of people especially old people. Going out and shopping with cash creates a happy social atmosphere. People meet, talk to each other, face to face interaction, share about their shopping and products. It makes them happy. Digital shopping, a lonely shopping will make people restricted to homes only; make them feel isolated from rest of the world. This is certainly a social cost due to Digital.

IV. INDIA

The central bank of India RBI, data shows that the public held 20.49 LAKH Crore in cash as of September 2019 which is 13.3% more than the corresponding month of 2018.

Since the day barter system closed its eyes and cash came into existence, India has been a Cash Economy. Till Demonetization, nearly 95% of transactions were in cash.

It was only after 8th November 2016, people of India realized the value of digital transactions when all of a sudden, old currency notes disappeared and new notes were not enough in supply. During that time, digital transactions surged by 56%. After demonetization, households prefer to keep cash for their day-to-day transactions.

We, Indians have emotional attachment with cash. We consider it as our Goddess Laxmi; we even worship on our festivals. We never throw it rather hands it over with full respect.

Even, from the individual and merchant's perspective physical cash is more comforting in our day-to-day life. In India, major portion of consumers make their purchases of food, groceries and other amenities from local Kirana shops, Hawkers, street vendors, mobile vendors and road side small shops and for travelling short distances on Rickshaws. These unorganized retailers do not make many profits. Merchants are unable to provide expensive acceptances infrastructure, transaction failure and facing illiterate customers who are unaware of digital transactions. As such they are unable to provide POS (Point Of Sales), smart phones devices. That's why they deal in cash only. Moreover, they pay to their workers in cash only as their workers also do not maintain bank accounts.

In India, such unorganized informal workforce ranges from 85% to 93% (According to Economic Survey of 2018-19). As such, they have to do a little with digital debits, may be once in a month whenever they need to withdraw from their bank their subsidies which they get from Government.

Besides this MSMEs also undertake majority of their transactions in cash. Increase in transactions means increase in output, income and employment in MSMEs sector.

Micro Finance industry is given loan by transferring the amount to their bank account but they handle their transactions in cash only. They make their purchases, sales and meet their expenditure in cash only. 10% of them deal in digital.

Other key factors hindrance to the digital payments are the higher costs of acceptance infrastructure, lack of financial literacy among unorganized sectors.

Besides above, there are certain transactions which take place in cash only such as Movie tickets, Wedding

expenses, Payments at Restaurant, sale of second hand cars and buying of vegetables in the market.

Language is another problem. All local languages are not on all Mobile phones; as such people from rural areas are unable to use phones.

Although cash transactions are expensive for Government due to tax evasion, Money Laundering, Corruption and expenses incurred on maintaining good currency notes, but digital is expensive for people of India.

Moreover, currency is controlled by our Reserve Bank of India (RBI), against which a minimum reserve in the form of Gold and Foreign currency is maintained which strengthens our currency. It creates trust for the currency.

Cash is a symbol of National Sovereignty and culture. Last but not the least, it the first step in the financial inclusion in the economy.

According to RBI, between 2014 to 2018, 54% to 80% of population of India had bank accounts but being a country consisting of 1.3 Billion people- still a long way to achieve full digital system. Moreover, having bank account does not imply that they are digitally connected.

V. SUGGESTIONS

We feel that before deciding on the issue of use of cash/digital, a Committee should be constituted which should comprise of Economists, Finance Analysts, Historians, Psychologists who should make a survey on the implications of being cashless economy. Each country should have its own commission. The members must take into consideration the specific issue of their country as each country has some specific issues for example in India, people donate to Priests in Temples, donate to beggars (most of the time small amount), Tips at Restaurants etc. Different countries have different rites and rituals that also must be taken into consideration.

VI. CONCLUSION

Global Economy to work without cash is not a feasible option yet. There is no doubt that digital transactions are growing fast due to its merits such as ease of use, technology advancement, high levels of security and low cost but it also carries some limitations also.

UK's 47% population believe that it would be problematic for them if there were no cash in society while 17% are either not sure of how they would cope or would not cope at all. An independent report in UK "Access to Cash Review" issued a stark warning, saying that if the current trend of mobile payment continued, more than 8 Million people or 17% of the population would struggle to cope with lack of cash availability. It goes further to say that many working classes rural and low income families as well as residents of more rural areas are being under serviced by a financial industry that is rapidly embarrassing digital payments".

Using cash is more than just a choice-it's a necessity, requires that we should find out a solution to deal with it.

Cash cannot be ignored completely. Both cash and digital should be used together. Up to a certain level of expenditure, cash should be used and above that digital payment system should be used. For achieving this, there is a need to make understand the rural, illiterate people to make them aware of the benefits of Digital.

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