



# CREDIT MATTERS

Your Cash Flows Defence Against Profit Robbers

# ***A Conversation About Digital Money And The Cashless Society***



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*Disclaimer:* Please note, I am not against the use of digital money as there are many valid benefits of its use. For example, even I use digital money from time to time, when it's appropriate. As a risk manager however, I see the many limitations when/if relying only on digital money for payments. Likewise, I approach the use of cash from both perspectives, good and bad.

## **BACKGROUND**

For some years, there's been argument for the elimination of cash as a transaction medium. There continues to be a rightful fightback against the principle of a digital, cashless society.

Both sides of the argument have their share of highly derogatory detractors using false or misleading information. This discussion is about presenting their respective cases in a clear manner, devoid of prejudices.

As an example, digital money advocates often argue that cash aids black market operations and the "hidden" economy. They also argue, cash allows criminals to operate without leaving a footprint of their operations. The truth is, black markets, the "hidden economy" and criminals have always existed and always will. If anything, criminals use technology far better for their objectives than many of their targeted financial institutions and customers. These situations are demonstrated by the phishing attacks, hacking of bank accounts and holding corporations to ransom by taking over and freezing their computer networks and websites.



Another example these cash detractors will use, are the buying practices statistics during the COVID19 period. The fact is that many people were forced to use digital money or their credit and debit cards by government desire and vendors advising they can no longer accept cash under the circumstances. It is anticipated that people will go back to using cash after this current crisis is over, because they will then have choice again. Alternatively, they will lack the means to pay digitally in the future.

Furthermore, people rightfully worry about further reductions of their civil liberties and ability to protect themselves against government authorities, or to reduce their costs of banking. Consequently, it is not surprising to see that they invent different transaction schemes, i.e. cryptocurrencies, or company gift cards, etc.

The digital money advocates also do their cause little good by falsely claiming a discredited fact that a major method of passing on the COVID-19 virus, was by handling cash. Resorting to this discredited claim, highlights their zealotry to promote their argument for swaying public opinion towards their digital money only society.

We also see the agendas of Governments, accounting and marketing organisations involved in this practice of peddling messages with less than truthful examples to support their agendas. For example, digital money advocates often use derogatory buying examples, or show how a normal purchase becomes a fraud because the customer did not have the cash and the advertisers had not realised this fact properly in their advertisements. Naturally, these examples further alienate the opponents to the digital money proposal.

Turning to the other side of the argument, the anti-digital money advocates do themselves little favour in arguing “conspiracy theories” of government control. In reality, by-one-way-or-another, governments always take control, no matter how loud public opinion opposes their cause. Furthermore, the anti-digital money advocates believe the hidden agendas include further reduction in public civil liberties, with the government monitoring EVERY transaction.

In addition, bank bashing is another example which needs to be carefully thought through. From a public perception standpoint, the banks do themselves few favours by closing branches and reducing the number of customer service employees. These actions support and fuel the anti-digital money opponents’ arguments. They already believe it is just another ploy by the banks to make more money by charging fees and closing branches.

Whilst there is an element of truth in the above arguments, the reason for this conversation is to review the information from a risk management perspective. After all, for many people, cash is their preferred, simplest and cheapest transaction medium. It is a sobering thought, that as the current recession deepens post COVID19, cash may be some peoples’ only affordable form of payment transaction medium.

## ***SUMMARY OF DIGITAL MONEY AND THE CASHLESS SOCIETY PROPOSITIONS?***

A review of the main advantages of digital money and cash show the following.

### The Advantages of Digital Money

Digital money is best when larger amounts of cash may cause problems with banking, security and potential theft by employees.

The use of digital money is an aid to fraud investigations as there is usually evidence of the behaviour.

Assists in the maintenance of records of sales, expenses, dispute handling and preparation of accounting reports.

Helps buyers pay for their purchases quickly and efficiently if security management is maintained properly.

If you can access digital money, you can buy those essential needs when you run out of cash by accident.

Digital money enables the purchase of that much needed item when you finally find it, if you don’t have enough cash on you.

You can take advantage of unexpected specials whenever you see them, online or in person.

Payments are guaranteed for sellers from anywhere in the world.

Customers can buy products and services from anywhere in the world from wherever they are,



from the comfort of their home or whilst travelling.

Customers do not have to carry cash with them, which may help them avoid being robbed.

Accountants, tax authorities and governments believe digital money helps avoid tax losses and reduces crime.

### The Disadvantages of Digital Money



If there is no power, you cannot access your digital money.

If your phone or tablet is stolen, you cannot access your money. Perhaps the finder or the thief can however.

Many a digital wallet has been taken with the thieves gaining access to your home computer. This can also happen when it was discarded at its use-by-date.

If there is denial of service by your financial provider, you cannot access your digital money, i.e. when storms, bushfires or floods occur and infrastructure is destroyed. Additionally, many denial of service incidents

occur at the most inconvenient of times, when you need cash for the weekend or buying groceries.

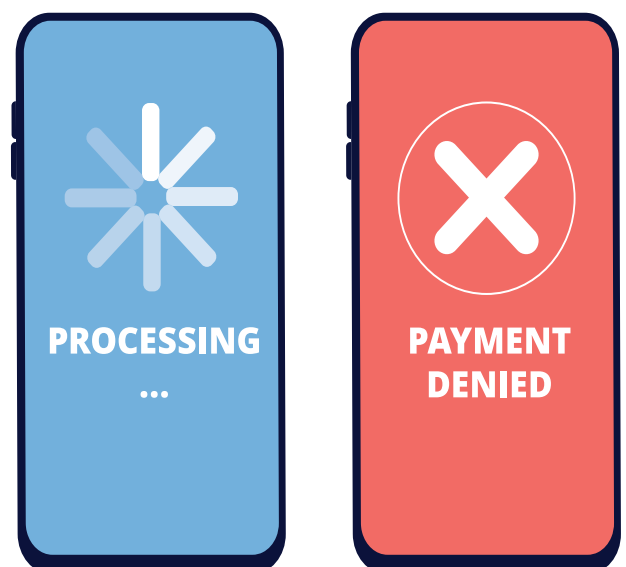
If your accounts are all linked, and you get hacked, you lose everything.

A seller of products with a short shelf-life, fresh produce and food, a baker for example, may have problems in maximising their profitable sales. If customers cannot access their digital money and have no cash, this means lost sales. Even if the product can be sold the next day for a heavy discount, valuable profit has been lost.

Meanwhile, if the customer only has cash and your business is limited to digital payments only, you lose a sale.

If potential customers are prejudicial of your business statement of “no cash”, even if they have digital money, they may not buy from your business. People are already using social media to voice their opposition against buying from a business which promotes a “no cash” policy.

A “no cash” policy” discriminates against disadvantaged people, or those with limited funds and/or unable to obtain a credit card or control their use of credit cards. In the US for example, a business can be prosecuted for a “no cash” policy.



A sales vendor does not escape additional costs either; as they are charged a fee for every sale.

Essentially, even now, you don't control your own digital money. The government and your financial provider do. In a totally digital money system, they would oversee EVERY transaction and could easily deny access, or ownership, at any time of their choosing.



In Sweden where the majority of citizens were strong advocates of digital money and a cashless society, many are now having second thoughts. They have come to realise the negative aspects of a cashless society and are starting to push back against the concept.

### The Advantages of Cash



For an array of genuine reasons, cash is the desired payment method for many people. These reasons vary from a security perspective, or the person lacks knowledge and/or trust and/or the technological means to pay otherwise.

Alternatively, people may live on a tight budget and cash helps them manage their limited finances and reduces the regret of impulsive purchases. These people may also want to save on bank fees and other costs, and that objective is not to sneered at either.

Paying cash may be the preferred historical or cultural payment medium of certain businesses and marketplaces, also for many genuine reasons.

Cash can be stolen. However, you can only lose the amount of cash you have with you at any one time. If you are scammed, or your accounts hacked, you can lose everything. This loss includes up to the limits on your credit card(s) and all your money in any linked accounts.

### The Disadvantages of Cash

Without a written receipt of a transaction, there is no evidence of the transaction. This requires that you keep all of your paper receipts and evidence of sales for safe keeping.

Cash needs to be managed, i.e. security concerns. It is often difficult to prove ownership, for example when employees steal it etc. if they're not caught in the act.

Cash payments also facilitate fraud in business settings and where favour is sought with government officials, as there is rarely any evidence of these payments.

A large amount of cash is difficult to handle and is a target for thieves.

Cash needs to be deposited into a bank or other financial institution. These situations can put your employees in danger as they take the cash to your financial institution. It also means, somebody has to take time away from the business. Alternatively, there is always the cost of a professional and secured transport company to deliver, or take the money to your financial institution.

Stolen cash is hard to identify and easily used as a result.



## **CONCLUSION**

There has been an ongoing discussion for some years now about the need to eliminate the use of cash as a payment medium. There has been, and continues to be, a fightback against the principle of a digital money only society.

Both sides of the discussion have their share of highly derogatory detractors. This discussion is about trying to put their respective cases in a more balanced and clearly understood perspective.

If you view the above points without prejudice, you will realise that both digital money and cash are not without negative and positive issues.

The reason for this conversation is to review the information from a risk management perspective. After all, for many people, cash is their only and cheapest transaction medium. It is a sobering thought, that as the current recession deepens post COVID19, cash may be some peoples' only affordable form of payment transaction medium.

If you would like to discuss this article in more detail, please contact Credit Matters Pty. Ltd.