

## Cashless society - closing remarks

As a governor Softic mentioned following global financial crisis some expects disappearance of cash. The future of cash has become an ongoing debate, but mostly among economists. For the average person, it's a moot point—since we have access to a variety of forms of payment, there's no conflict. For some, cash is still something they use every day. For younger generations, cash is becoming more and more obsolete. But there's no question there are forces at play that may result in a cashless society, but not in the near future. Cashless societies have existed from the time when human society came into existence, based on barter and other methods of exchange, but real cashless society should be understood in the sense of a move towards a society where cash is replaced by its digital equivalent - in other words, legal tender (money) exists, is recorded, and is exchanged only in electronic digital form.

Some governments encourage a shift toward digital services because they see it as a way to address money-laundering, tax evasion and also to boost competition in financial services. Others argue that digital payments protect consumers from being robbed or losing money, as well as sparing them the hassle of constantly carrying a wallet. India is looking to step away from traditional cash transactions. The government withdrew some high denomination bank notes from circulation over a year ago. India created dozens of cashless townships where notes and coins are discouraged.

Sweden heads the vanguard. According to the financial times at the last count only 19% of Sweden's payments were made using cash, compared with a European average of nearly 80%. The Riksbank, Sweden's central bank, is a little more cautious on timing but still believes a cashless society is imaginable in little more than a decade. "If you extrapolate current trends," says deputy governor Cecilia Skingsley, "the last note will have been handed back to the Riksbank by 2030." ). In South Korea the central bank has set a 2020 target to phase out coins. The ECB decided that there will be no new issue of 500 euro note.

Despite these enthusiastic adopters of electronic payments, cash is very much alive and well in many parts of the world. As Mr. Jorg Decressin mentioned money is very resilient. "Cash is vital in supporting financial inclusion," said Victoria Cleland, the Bank of England's chief cashier, in a recent speech. In the UK, the number who rely almost entirely on cash has jumped by 500,000 to 2.7 million over the past two years, according to analysis by Payments UK and the Bank of England. The volume in the economy has also increased, with a record level of more than £73bn now in circulation, according to the BoE.

Increasingly, central banks insist that cash will also play a role. We do not foresee a totally cashless society," said Ewald Nowotny, governor of the Austrian National Bank, at a recent conference in Brussels. "If there is for instance an energy blackout, cash is the only surviving way of payment."

There are also data that clearly shows that the money in circulation is increasing globally. You can see evidences on the presentation of the Mr. Stix from Bank of Austria. Today there are 500 billion banknotes and trillions of coins in circulation. According to a recent report from G4S,

which manages cash distribution systems, physical money now accounts for 9.6 per cent of global gross domestic product, up from 8.1 per cent in 2011. It can be explained partly by some specific factors like very low interest rates, banking crises and measures of central bank in combating global financial crises. But, partly it is obviously result of increasing world GDP which demand increasing of cash.

Appearance of crypto currencies open a new chapter in this discussion. I believe that there are no true forms of money. "They are an asset, or a security or better to say a speculative asset and so it should be treated that way. They do not have the functions of money. Bank of Japan Governor Haruhiko Kuroda said in December last year regarding bitcoin that "if it's a question of whether it's functioning like currencies as a form of payment or means of settlement, I don't think it is." Bitcoin "is being traded for investing or for speculation," he said. President of bundesbank Jens Weidmann in December last year described bitcoin's move as having a "speculative character. . Vice President of ECB Vitor Constancio said that bitcoin isn't a currency, but a "tulip" -- alluding to the 17th-century bubble in the Netherlands. Bank of France Governor Francois Villeroy de Galhau said in June that French officials "advise great caution with respect to bitcoin because there is no public institution behind it to provide confidence. In history all examples of private currencies ended badly." I do not believe that private digital currency will become important payment instrument.

On other side distributed-ledger technology can be promising in making the financial system more efficient. Private digital currencies are prohibited in some countries (India, China, Russia), some central banks are in the process of thinking of introduction their own. It can be a step toward cashless society and madam Christine Lagarde on Singapore FinTech Festival recommended central banks to consider issuing their own digital currencies.

It is obviously that there are arguments that support that we are moving to the cashless society and those that argue opposite. So let consider both arguments and I will start with the arguments in the favour of cashless society:

1. First, The elimination of cash may seriously impair criminal activity, especially those connected with drugs and money laundering.
2. Not only there are credit and debit cards, but there are also bank transfers, direct deposit, and online payments. It's simply too convenient to make payments electronically, particularly with the Internet, as well as the fact that merchants and vendors can now be hundreds or thousands of miles away. The survey from FED showed that total noncash payments increased at an annual rate of 5.3 percent from 2012 to 2015.
3. It will decrease gray economy, that will result in increase of public revenue with final outcome strengthening fiscal stability.

4. Fast development of IT technology, smart phones and electronic application supports e-payment.

5 It is matter of personal safety, because if you caring or holding a large amount of money can make you a target.

6. Then we have cost saving argument -The elimination of cash would enable banks, credit unions, and other financial institutions to reduce staff. It will be also decreased the costs associated with handling of the money.

Though many believe a cashless society is inevitable, there are a few significant reasons why that may not be the case.

1. The poor and older population still remain disproportionately dependent on cash. There are in the all countries significant part of the population that do not have access to banking accounts.

2. The low level of financial literacy can prevent some part of population for using cashless means of payment.

3. Then the certain part of population do not have access to internet and do not have IT literacy. The data from USA showed that 11% of population do not use internet.

4. Then the next problem can be cyber criminal. There are many studies that showed that that this type of criminal has increasing trend. One study indentified that this is the fastest growing crime in USA.

5. Privacy - some persons wants privacy in their financial transactions. Electronic payments provide possibilities for tracking all financial transactions.

6. Tradition - Paying with cash is a traditional mean of payment. Sometimes people are reluctant for all big novelties..

7. IT risk - As Mr. Kumar mentioned managing IT risk is central to an organisation sustainability. "If we move to a wholly cashless society and something disturbs this digitalised system, what happens?" An outage of visa services in June— caused by a system failure — gave a small taste of the risk. Customers across the EU were left unable to pay for goods and services. The only people who could eat were those with cash. Also Mr Skreb gave a nice example of hurricane and lack of electricity.

Ultimately, cash may in fact disappear. I believe that cashless society has many advantages. But it's mostly a question of where and when. While it may disappear in some countries, it might remain in others.. According to my opinion a completely cashless economy is hard to imagine any time soon. But, until then there are long journey in which should be on the first placed adopted the set of new regulations, then it's important to deepen our knowledge about them, improved security of IT technology, increased IT and financial literacy, etc.

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