



GUEST COLUMN

ANUSH RAGHAVAN

Inclusive and trusted: Cash has no substitute

When we published the *India Cash Vibrancy Report* in May this year, I was often asked: "How does cash usage continue to grow?" Let me explain. We launched the CMS Cash Index in 2016 to track the infusion of cash back into the economy. Since then, it has shown that cash co-exists with digital payments.

This holds true in many countries.

One key reason why Germans prefer cash is their concern for privacy and having control over spending. High installation costs for digital payment apps and processing fees resulted in a preference for cash in Japan. Even in Europe, where there is high penetration of digital payments, many countries are strengthening consumers' right to use cash to solidify the commitment to a complete-payment choice. Since October 2022, banks in Norway have been given stricter requirements to offer better cash services as part of the Financial Enterprises Act. These efforts highlight the essential contribution of cash to a stable economy and inclusive payments. Even in large and developed economies, people still prefer cash due to these reasons:

- **Risk of digital apps:** even the most educated consumer risks falling into phishing traps
- **Overspending:** the pain of parting with money is felt more acutely if one uses a physical currency, leading to a desire to retain control over spending habits
- **Inclusion:** vulnerable groups like the elderly



It gives freedom of choice to consumers, cuts across economic status, geographies. It remains a critical resource across the world

or low-income households may be neglected by the digital payment ecosystem

Out here, the question remains: despite the rapid scale-up of the Unified Payments Interface (UPI), how

does cash grow robustly?

The key to resolving this paradox lies in the nuance that as a cash-logistics company, our report captures the usage of cash within the formalised economy. As this formal economy continues to witness rapid growth it will act as a powerful tide lifting all payment mechanisms, including cash. Our analysis illustrates the strong demand for cash transactions in India from ATM cash withdrawal patterns across metropolitan, semi-metropolitan, semi-urban, and rural centres to the sector-level analysis of business activity through retail cash-management data. With a 10.1 per cent growth in monthly average cash replenishment at ATMs and a strong 1.3 times increase in average cash collection per point with e-commerce companies in FY23, Indian consumers have demonstrated the importance of cash.

Cash is not just a payment mechanism and takes many avatars. Its 'store of value' was strongly demonstrated across the world during Covid-19. It bridges trust in a transaction, demonstrated by cash-on-delivery trends of more than 60 per cent contribution to payments. The doubling of digital frauds in the last one year has exposed the complexities one has to deal with in reclaiming lost money.

Especially in the case of low-income groups, transaction failures can result in a large proportion of their money being debited from bank accounts. Reversing it can take days. As we look into the future of cash, it's important to reflect on our behaviour in the physical world. With banks expanding their branches to establish customer connections, digitally native companies opening physical branches to build trust, organised retail expanding its footprint in towns and cities for access, it demonstrates the behaviour of Indian consumers and their belief in physical transactions. The preference for cash payments is linked to consumers' traits and attitudes toward buying behaviour.

An original instant payment, cash cuts across generations, economic status, digital literacy, and geographies. Most importantly, it provides freedom of choice and a right to consumers. Cash will continue to play a unique role in our society, not only as public money (and a universal means of payment) but also as a very inclusive instrument.

There's no substitute for this critical resource across all key parameters that completely meets the needs of consumers.

The writer is president (Cash Logistics Solutions), CMS Info Systems

