

A whole WAD OF REASONS why we should support e-payment

Google the cost of printing banknotes and the clearest response comes from the US central bank. Among over 200,000 results, the Federal Reserve Board clearly states that in 2016 it set a budget of US\$737.4 million (about Bt26 billion) for the printing of notes in six denominations.

Most expensive to print is the \$100 note, at 14.3 cents per bill. Least expensive to produce are the \$1 and \$2 denominations, at 5.5 cents each. That is huge given that the total money in circulation at the end of 2015 was about \$1.5 trillion, about 80 per cent of which by value was \$100 bills.

The Bank for International Settlements reports that cash (notes and coin) is still a widely used payment medium for many types of transactions in the US, particularly small-value transactions. Yet, it is difficult to gauge the exact value of cash transactions given that a sizeable portion of currency in circulation is held outside the US.

The printing cost comes on top of the expenses for cash operations, which last year rose above \$500 million.

Wikipedia reports that Note Printing Australia (NPA)'s printing costs in 2012 were 34 cent per note.

Other interesting results include the news that India's one-rupee note (worth half a baht), reintroduced after a 20-year hiatus, costs 1.14 rupee more than its value.

For Thailand, printing about 2 billion new notes each year, to replace old notes at the end of their two-year life span, also carries a cost. Unfortunately, it's difficult to find the exact figure.

More clear is that all this expense would be zero if e-payment were employed 100 per cent in these countries.

In Thailand, this would also reduce the cost associated with cash operations at commercial banks. The cost to banks of armoured vans and other expenses to replenish ATMs hit for a total annual Bt7 trillion, is over Bt10 billion.



STREETWISE

ACHARA DEBOONME
achara_d@nationgroup.com
Twitter@Biz_TheNation

The related costs of cash-related transactions are set to be significantly cut when the national e-payment system comes into force in 2018.

Thai authorities are also considering the next step – a central settlement house to oversee cross-bank transactions through ATM cards, the Internet and debit cards. The central system is aimed at building a financial super-highway – a single gateway for all banks and state agencies. Soon there will be no need to write a cheque, for which the nominal cost is Bt15 but the actual transaction cost is a lot higher. In Malaysia, the actual cost of a cheque is 3 ringgit, or about Bt26, compared with 20-50 sen (Bt1.72-Bt4.30) for an inter-bank transaction.

Further facilitating the move to a cashless society will be the Any ID e-payment module – a collaboration between the Finance Ministry and the central bank. It will allow anyone to transfer money by using their ID card, mobile number or e-mail address.

In the final reckoning, all transactions will be accounted for, making tax-avoidance more difficult.

In fact, the whole world is moving towards a cashless society thanks to new technology.

In Bangkok, John Shipman, Pricewaterhouse-Coopers' fin-tech leader in Asia, proudly announced that he spent three days in the capital without a single banknote in his wallet. As

his mission was to sell new financial technology to Thai companies, he said he didn't carry a credit card either. His American Express card is in his cell-phone, allowing him to use it at hotels – the same way he uses it for train travel in Australia.

E-payment is also expected to reduce criminal activities globally.

The electronic system requires clear identification of senders and receivers. Imagine a world where all the senders and receivers are in the database. How many will dare to hand Bt1 million illicitly to a civil servant? How many will pay \$100 million for weapons from an unofficial organisation and thereby risk exposing themselves to the authorities?

In a February 2015 report, Reuters quoted sources as saying that at least \$1 billion in cash had been smuggled into Iran in a matter of months as it sought to avoid Western sanctions.

In 2013, US officials seized more than \$106 million in smuggled cash heading to Mexico – the bulk of it laundered drug money.

In 2014, a Briton travelling to Syria was caught attempting to smuggle 38 notes of 500-euro denomination (19,000 euros) in her underwear.

The smuggling of high-value notes is now a serious matter in the developed world, in light of increasing terrorism threats. The concern has sparked debate over whether to abolish the 500-euro notes, a small quantity of which carry a high value and can be easily smuggled.

Scrapping them sounds reasonable given that a European Central Bank survey found that a full 56 per cent of Europeans have never seen a 50-euro note since they were first printed in December 2001.

Well, if the whole world adopted e-payment, the European Central Bank and financial authorities elsewhere could immediately halt the debate on the pros and cons of scrapping high-value notes.