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Strengths and Weaknesses of Using Electronic Money as a Substitute for Cash

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A B S T R A C T

Economic activities that utilize the sophistication of information technology that helps make it easier for people to make buying and selling transactions. The use of electronic money as an alternative to non-cash payment instruments shows considerable potential to suppress the growth rate of cash use. This study aims to determine the advantages and disadvantages of using electronic money as a substitute for cash. The results of this study are that people like the advantages of electronic money, such as how to transact with electronic money which is known to be relatively easy, just by bringing the electronic money card closer to the reader or just by scanning the chip, people can make payment transactions. Meanwhile, the drawback is that it cannot be used in all places for financial transactions such as cash, because it can only be used at merchants who have collaborated with electronic money issuers and are usually widely available in big cities. Not guaranteed by deposit insurance institutions, and the safety factor.

INTRODUCTION

Today the world has a sophisticated technological system. Many scientists are creating new innovations in the field of technology. It is hoped that this discovery will facilitate human work. With the development of technology will make human work more efficient (Darmawan, 2018).

The sophistication of this technology is related to the development of internet users who are increasing day by day. Today's world community uses internet-based technology for their daily activities. This of course will change people's habits (Sinambela & Putra, 2021). With internet-based technology, people are starting to change their old habits, for example shopping. In the past, people shopped by coming to the market or shop, but now people can use e-commerce to get daily necessities.

This change also occurs in the way of making payments. Before people bought and sold using cash. For buying and selling in large quantities, people do this by using bank transfers. Currently, many people use non-cash to make buying and selling transactions, even though the amount is small. Non-cash payments are nothing new in today's technological era. This cashless payment system has been widely used in several countries. Examples of non-cash payments are credit cards and debit cards used for purchases at large stores or supermarkets. However, as technology develops, non-cash payments can be made not only with the card but also for purposes other than shopping. In addition to credit cards and debit cards, now has appeared electronic money or what is often called e-money.

The use of electronic money is currently starting to be developed in Indonesia. Some payments have been made using electronic money, such as parking fees and toll road access. Several places in Indonesia have implemented parking payments using electronic money. Furthermore, for toll road access in Indonesia, electronic money has been used.

Today's non-cash payments are growing again with the emergence of digital payments using QR Codes. QR Code is a matrix code (two-dimensional code) that was first created by the Japanese company Denso-Wave in 1994. The QR Code payment system is here so that transactions can run faster, more efficiently, and don't need to carry a lot of money. To be able to transact with the QR Code,

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people only need to use a smartphone and an internet connection, which is simpler than other non-cash payment systems that require an additional card. QR Code payment transactions use sources of funds in the form of savings or payment instruments in the form of debit cards, credit cards, or electronic money using server-based storage media.

The use of electronic money has many advantages for the community. The convenience obtained by using electronic money will facilitate people's mobility (Mardikaningsih, 2017). However, in practice, the use of electronic money has several weaknesses. This weakness makes people more comfortable using electronic money than cash. This study was conducted to determine the advantages and disadvantages of using electronic money as a substitute for cash.

RESEARCH METHOD

This research design uses a literature review. The review in this paper is about a critical study of the delivery of ideas that is oriented towards scientific studies and provides theoretical contributions. The presentation is in the form of a descriptive narrative to analyze ideas and knowledge that will provide a good explanation for the reader. The results to be achieved from this study are to provide an explanation of the advantages and disadvantages of using electronic money as a substitute for cash.

RESULT AND DISCUSSION

Cash and Electronic Money

Before getting to know money, humans have made transactions using barter practices, namely, the exchange of goods or services for desired goods or services (Schumpeter, 2014). Finally, the barter system was replaced with commodity currency, they still use goods, but the goods must be generally accepted as a medium of exchange and as a standard of value used in exchanging goods by the public (Zelizer, 1994). As a result of increasing human needs and the inefficient use of barter and commodity money, society has developed a more efficient and measurable medium of exchange, namely money (Qin, 2017).

According to Gurley and Shaw (1960), money from economic perception is an asset that can be used in economic transactions. Money is created in the economy with the aim of facilitating exchange and trade activities. Based on Robertson (1992) money is considered as everything that is generally accepted in the payment of goods and services in society. So, money is defined as objects that are approved by the community as an intermediary tool to exchange. Money was created to facilitate exchange intermediaries in overcoming barter system problems or difficulties in credit transactions (Halm, 1942). So that the function of money is said to be an intermediary for the exchange of goods for goods, as well as to avoid trade by barter. According to Keynes's theory of finance, there are 3 purposes for people to use or hold money, namely the motive for transactions, the motive for precaution, and the motive for speculation (Hansen, 1953).

The form of money has continued to evolve since its inception. The first is currency, the form of currency that we know there are two kinds, namely coins and paper money, currency we usually call cash. With the development of technology, the current form of money emerged, namely electronic money (Huber & Robertson, 2000).

Electronic money is an electronic payment instrument obtained by first depositing a certain amount of money to the issuer, either directly or through issuing agents, or by debiting an account at a bank, and the value of the money is entered into the value of money in money media. electronic money, which is expressed in Rupiah, which is used to make payment transactions by directly reducing the value of money in the electronic money media. The use of electronic money is different from the use of a debit card or credit card. The use of some electronic money does not require authorization at the time of making a transaction (Retnowati & Mardikaningsih, 2021). Electronic payments are intended as a means of payment that utilizes information and communication technologies such as integrated circuits (IC), cryptography and communication networks (Berentsen & Schär, 2018).

Electronic money emerged as an answer to the need for micro payment instruments which are expected to be able to process payments quickly with relatively low costs because in general the value of money stored in these instruments is placed in a certain place that can be accessed quickly online., safe and cheap. Electronic money whose value is not only recorded in electronic media managed by the issuer, but also recorded on electronic media managed by the holder. Electronic media managed by the holder can be in the form of card-based in the form of a chip stored on the card or in the form of software-based stored on the hard disk contained in the holder's personal computer. With a recording system like this, payment transactions using electronic money can be carried out offline by directly reducing the value of electronic money on electronic media managed by the holder. Electronic money itself has a type that can be refilled and a tone that cannot be refilled.

The working principle of electronic money can be likened to a prepaid telephone credit card, namely that the product can only be used if it has been filled with "pulse" or a certain deposit of funds. Consumers can top up electronic money via ATM, via cellular phone (mobile phone), or top up in cash via a sales agent appointed by the issuer (bank or telecommunications company). Furthermore, if the money on the card runs out, it can be refilled again.

How to transact with electronic money is also quite easy, just by bringing the electronic money card closer to the reader or just scanning the chip, people can make payment transactions. In addition, the public also does not need to be bothered with changing money in small denominations which are sometimes ignored by business actors. So that usually to reduce the amount of change in small denominations in large quantities, business actors replace their change using candy. By making transactions with e-money electronics then things like that will be avoided (Mardikaningsih, 2017).

Strengths and Weaknesses of Electronic Money

In 2014 in Indonesia, there was a program called the National Non-Cash Movement (GNNT) so that the Indonesian people use non-cash instruments more like other countries that have had success with a less cash society. The existence of the National Non-Cash Movement will later contribute to economic growth in Indonesia. Data from the development of non-cash payment instruments, especially those based on cards and electronics in Indonesia, is increasing from year to year. In terms of circulation and the large number of card-based and electronic non-cash payment instruments, it is easier for the public to access and take advantage of the advantages of non-cash transactions compared to cash.

The use of electronic money is felt to be more efficient when compared to cash. When transacting with electronic money, people do not need to prepare money that fits the results of the transactions made. The use of electronic money is also considered capable of reducing barriers to accessing the financial industry in the future. The use of electronic money as an alternative to non-cash payment instruments shows that there is considerable potential to reduce the growth rate of cash use. Electronic money also offers transactions that are faster and more convenient than cash, especially for transactions of small value. The security and speed of this transaction is certainly a necessary and quite effective commodity for the creation of a cash less society, namely a society that uses minimal cash payment transactions, this is indicated by the increasing number of trading centers and various types of companies that accept payments. - non-cash payments.

Currently, transactions with electronic money can be widely used in various places, from buying credit, shopping at malls to paying electricity bills to other bills. In addition, with the rise of e-commerce or electronic commerce, non-cash transactions will also increase, the volume and value of transactions with electronic money will also increase (Darmawan, 2012). However, the use of electronic money also has obstacles for the community (Durgun & Timur, 2015).

The problem with using electronic money is the lack of knowledge about electronic money. The lower middle class or those who live far from the city are less aware of the existence of electronic money. They still do not know the advantages of using electronics. people also tend to believe more in using cash in various transactions. In addition, some shops or markets do not use a payment system using electronic money. These shops do not cooperate with banks and do not have equipment such as EDC machines or barcode scanning machines. Thus, the public also needs to prepare cash and electronic money. Another obstacle when using electronic money is the limited amount of money available. So that some large transactions cannot be done. The use of electronic money is an internet-based technology. If there is no internet, electronic money cannot be used. The limitations of the internet network make people unable to make transactions using electronic money. Electronic use is considered safer than carrying cash when making electronic money. But in reality, electronic money can be hacked. Some electronic money does not have a security code for transactions, so that if the electronic money card is lost it will be easy for other people to use the money. Electronic money that uses a security code is also not free from the possibility of being hacked. Online hackers can hack electronic money so that it will pass to someone else. Thus, electronic money also has a risk of loss. There are 6 main factors that become challenges and obstacles in non-cash transactions. These factors are user acceptance, security, infrastructure availability, social and cultural factors, user convenience and user preferences.

A dynamic lifestyle, the implementation of electronic money has become a must. Moreover, the characteristic of shopping transactions that usually applies to the consumption character of the middle class in developed countries is impulsive buying, which relies on unplanned shopping transactions. Therefore, the use of large amounts of balance is a must to support these consumptive needs. In the end, electronic money has become a habit of the people, which is not only used for shopping, but also to access public services comprehensively. These conditions indicate that technology is the compound of the fast-paced life of developed countries.

With this obstacle, people do not use electronic money to transact in all their activities. This obstacle makes people also prepare cash when they are going to make transactions.

Impact of e-Money on Entrepreneurs

Entrepreneurs in this electronic money system are entrepreneurs or traders who provide the use of payment service facilities with electronic money in their payment transactions. Entrepreneurs in this case are trying to prepare for this to increase the effectiveness and efficiency of the business. From the entrepreneur's perspective, increased consumption followed by transaction cost efficiency will increase profits for entrepreneurs which then has the potential to encourage business activities and business expansion (Djaelani & Putra, 2021). The more efficient the transaction costs obtained from the use of non-cash payment instruments, the greater the potential for increased output. This will encourage increased production in the real sector which can encourage economic growth. Technically operational, by using electronic money services, entrepreneurs can minimize errors that occur in each transaction and can save time required in one transaction. The advantage that the entrepreneur gets from each transaction is the security of the money in the transaction because the funds can go directly to the entrepreneur's account (Issalillah & Kurniawan, 2021).

Entrepreneurs expect that with the presence of electronic money, business effectiveness and efficiency can occur (Sinambela & Djaelani, 2022). The expected effectiveness is that the time for payment transactions can be faster or shorter because with the use of an electronic money card, entrepreneurs do not need to provide change and do not need to count money again (Mardikaningsih & Arifin, 2021). These entrepreneurs do not need to provide cash in their business to serve small payments (Mardikaningsih et al., 2022). Efficiency that occurs from the use of electronic money for entrepreneurs is security in each transaction, where entrepreneurs do not need to worry about counterfeit money and when the transaction is complete, the money from the payment will enter the account of the entrepreneur connected to the transaction (Sudja'i & Ernawati, 2021).

From a macroeconomic perspective, the use of electronic money will encourage consumption and public demand for goods and services, which in turn has the potential to encourage real sector activity, especially in the goods and services trade sector. Today, many people are reluctant to carry large amounts of money in their pockets because apart from being seen as unsafe, they are also impractical. The amount of money brought in making payments can be considered as a constraint to efficiency in payments. The presence of non-cash payment instruments such as electronic money in the form of cards reduces these obstacles and has the potential to encourage an increase in the level of trade. In addition, the convenience in shopping provided for electronic money users who have non-cash payment instruments can encourage an increase in the consumption level of these users.

CONCLUSION

The use of electronic money has been known by the world community. In Indonesia, electronic money has also been applied to several payments, such as payments for parking, water, electricity, and the use of toll roads. In addition, many shops have accepted a transaction system using electronic money.

The use of electronics provides convenience for its users. Electronic money is more practical than using cash. The form of cash in the form of cards or in the form of applications on gadgets makes users not need a large money storage area. The use of electronic money can also save time because users do not need to prepare exact money for transactions that occur. In addition, the seller also does not need to provide change. So that the use of electronic money will be more efficient. The use of electronic money can also provide proof of transactions so that electronic money users can know the expenses that have been made.

In addition to providing advantages, electronic money also has obstacles in its use. Electronic money depends on the internet network. so that if there is a problem with the internet on one of the sellers or buyers, the transaction will not be able to occur. Because of this, many shops, especially in areas far from the city, do not use electronic money as a payment system. In addition, electronic money is also easy to hack. So, the amount of electronic money in the card or application is not much.

These results indicate the advantages and disadvantages of using electronic money.

Therefore, people must be wise in using their electronic money. To minimize the obstacles that can occur when making transactions, the public also needs to provide cash. Business actors must also participate in campaigning for the use of electronic money by providing tools and instruments of electronic money. In using electronic money, users are asked to be careful in guarding electronic money, because when electronic money falls into the hands of irresponsible people, the nominal in electronic money will be stolen because electronic money does not require online authority and PIN. Electronic money is one of the Indonesian government's programs to reduce the use of cash. Electronic money is one of the non-cash financial facilities provided on the Internet, which is used for online financial transactions across countries. In using electronic money, users are asked to be wise and be very careful in using electronic money, because on the Internet there are lots of websites that commit fraud against the use of virtual money in a hidden way through fake virtual money applications. The use of electronic money has not been able to completely replace the role and use of cash. Thus, it can be said that electronic money cannot replace cash completely. People still need cash in their daily activities.

The use of e-money in trading goods and services that promise the convenience and speed offered is expected to increase among the public. The higher the use of electronic money, the higher the increase in trade in goods and services.

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