Chapter V

The Spreading Use of Digital Cash and Its Problems

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Abstract

It has been several years since the words “digital cash” and other related terms were introduced. Although e-commerce has been growing, digital cash has not been a focus of much attention. Digital cash has some problems associated with it that need to be solved before its use can continue to grow. There are two points the author emphasizes in this chapter. The first is that the essential characteristics of digital cash, its advantages and disadvantages, should be carefully examined. The second point is since financial institutions cannot stop this trend, it would be prudent for them to view it as a business opportunity. Monetary authorities should pay careful heed to the trend as well, guiding the “sound” market to maturity, taking care not to exercise excessive intervention.
Introduction

It has been several years since the words “digital cash,” “e-money,” “e-cash,” and other related terms were introduced to the modern lexicon. Needless to say, the progress made in communication and information technology has been very rapid, and the area of digital cash is no exception. The volume of such transactions is rising, yet there has been little analysis of this revolution in payment, particularly in academic fields. Investigating the influence and problems of this trend is an inevitable and important task, not only from a practical standpoint but from a theoretical one as well.

Although e-commerce has been growing rapidly and attracting much attention, digital cash has not been a focus of such attention. Digital cash has some problems associated with it that need to be solved before its use can continue to grow, and the rate of growth is slowing at present. We can say that digital cash is not used in practice. The logic behind replacing cash, checks and magnetic credit cards with digital cash is bound to prevail in the end but there are many barriers that need to be overcome.

In the past, I have classified digital cash into an electronic wallet type and an online type.\(^1\) I then proposed that material cost reduction and service price cutting\(^2\) were the resultant factors of the demand for electronic wallet transactions and the means by which digital cash could spread, the technology of IC card reformation could develop, and price cutting on the supply side could occur. The popularization of the personal computer and the Internet has also prevailed, as well as the stabilization in demand of Internet-based commercial dealings as a key factor of development for online transactions on the demand side. General price decline for media equipment, typically computers, has been ongoing as well, helping to promote the online-type transaction at the supply side.

It is said that electronic commerce in the United States more than tripled from 1997 to 1999. Moreover, it seems that the spread of mobile telecommunications such as cellular phones contributed to the development of digital cash. In the near future, television, etc., will be used to make transactions. IT (information technology) has undergone a global revolution in many fields. Ubiquitous instruments in IT fields appeared recently, allowing for digital cash to develop much further.

The purpose of this chapter is to analyze the inter-relational characteristics of digital cash, financial institutions, and financial authorities. Section 2 specifies the definition of digital cash, including a new payment instrument, the debit card. Section 3 investigates the advantages and the disadvantages of digital cash. Here I will address the problematic aspects of digital cash that have been clarified through our ongoing experiments and that are observable in society at large. Section 4 considers the connection between digital cash and the financial institution. In section 5, I analyze the relationship of digital cash to monetary policy and the decision making of the policy authorities. Finally, section 6 is a brief conclusion.
The Macroeconomic Benefits of Intelligent Enterprise
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A New Educational Mobile Devices Platform for Social Inclusion in Tanzania
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