

Credit cards vs. paying cash essay sample

[Sociology](#), [Shopping](#)



It has become a very pertinent question whether to use credit card or pay by cash. On one side you have traditionalist who want to pay by cash. And on the other hand are people of new generation who prefer carrying credit. We will look at this issue objectively, and compare and contrast the pros and cons of both to reach a conclusion. The thought process will be to look at both of them from standpoint of convenience and long term financial situation of household.

People are using credit card more often these days for purchasing everyday items like groceries and gas. It also offers them convenience of internet shopping, or promising to pay in later like in car rental. It also offers them a great convenience when making a large payment conveniently. Also, it brings in added security of not having to carry cash. Also, it is very risky to carry cash. Once stolen, it is near impossible to retrieve. Like cash, you credit card too can be stolen, but there ways in which you can circumvent this problem. You can ring up your credit card company in time before it is misused upon being lost. Also, credit card companies allow you to reclaim any fraudulent purchases.

It is also a fast and convenient way for doing your shopping. Carrying cash can be cumbersome if the amount is high. It will take greater amount for transaction at the counter. Typically it takes less time in the queue if transaction is electronic.

You can also keep track of your spending bills by accessing your monthly statement. And can receive the summary either electronically or in mail. You can also set up preauthorized statement to pay your bills. It gives great convenience as you do not have to worry about missing the due date.

Further you can also set up your credit card payment such that your credit card monthly balance is automatically deducted from your bank account.

Done this way, you can pay for things you really need to buy with the convenience of credit card, and without having to fall in debt like cash.

Credit card by default, also offers something like 30 day interest loan.

Whenever your credit card bill is generated, you are expected to pay that in about 3-4 weeks. If you pay your bills within the 30 days of generation on invoice, you are not charged interest. And if you exceed that time, the interest rate varies from 18-29% depending on the credit card. This also helps build your credit profile. A good credit profile shows how careful you are with regards to repaying your debt. It conveys to the financial institutions that you are a responsible citizen. If you built it carefully and consistently, it gets you loans for cars or house at a better rate.

Credit cards have their negative sides as well. You are typically tempted to spend more if you in possession of a credit card. It is this very temptation that has led many to accumulate debt.

Also, one has to accept that shopping in cash discourages you to spend. If you have a credit card, you are more likely to spend. The reason is that you are less likely to resist temptation if you have access to credit card. Also, you are more likely to weigh your priority while buying non-essential items, and help you stick to the budget. Unlike cash, when you are paying with credit card, you don't feel you are parting with your money. The habit of using cash instead of credit has a profound impact on one's debt. Unlike credit cards, there are no fees such as interest, late fees, etc with cash.

Also, with case you are unlikely to be attracted towards special offers or

rewards that prompt you to spend even more. These rewards may look attractive, but over time you realize that they are not worth paying interest on. If tracking your purchases is what you like about using credit card, then you might as well consider using debit card. Just like a credit card, you can access an itemized list of your spending in debit card. Also, data can be downloaded and tracked via Quicken or other online budget applications. So, in a way they have the convenience of credit card, while preventing you from falling into debt trap.

If you were only comparing cash as a better option to credit cards, everybody will agree. Unlike cash, in case of debit card it is hard to tell how much of your money you are spending.

Also, cash can come handy when you are making a purchase at places that don't accept credit cards. These could be family owned businesses like corner stores, farmer's market or even food trucks. Also, at places like flea market or craft show, it is much easier to bargain if you have cash in hand.

There are times when it is beneficial to have cash for other person's sake. One such common example would be giving tip at a restaurant. Although it is now possible to pay tip using credit card or debit card machine, it is much better for the waiter to get it in cash right away. Cash also comes in very convenient as emergency money, where one is in a situation where credit card and debit card are not accepted, and there is not ATM nearby.

In conclusion, I would recommend a balanced approach. One should keep credit, debit and cash. Credit card should be used with discretion to pay utility bills or to purchase things online. Typically, use credit card to purchase things one "needs". This will help build ones credit profile and also avoid

unnecessary expenditure. I would recommend using debit card for most of the purchases. It has safety of credit card and as with cash; it does not amount to one's debt. I would also recommend keeping some amount of cash handy for situations where credit and debit are accessible.

The use of plastic, which is a credit or debit cards offers greater security as compared to cash. For large purchases, carrying cash is often not an option as it is too cumbersome and risky. The option of writing a check or getting a bank draft made may be so time consuming that it might deter spending. Debit card, if used responsibly, is an ideal replacement for cash. A credit card can also be a convenient way to pay only if you are in a position to pay the balance by the due date.

If you have a problem of overspending, then shopping with cash or debit card is the way to go. As it helps limit your budget and impulsive spending.