

# [Six advantages and disadvantages of using cash as a form of payment](https://assignbuster.com/six-advantages-and-disadvantages-of-using-cash-as-a-form-of-payment/)

Q: Name six advantages and six disadvantages of using cash as a form of payment A: Six advantages of using cash as a form of payment include: cash is the most common way of payment around the globe when compared to all other types of payment. As cash does not involve third-party action for its immediate conversion into other forms value.

Cash requires no authorization for the person who carries it, thus it is convenient for those who desires small payment amounts to be used.

The use of cash does not involve any transaction fees for both ends, that is, the person who uses cash and the merchant does not have to worry about paying any fees when buying and selling goods and services.

Cash is 'easy-to-carry' form of payment, neither ends are required to special hardware to complete a transaction.

Cash payment can stay ' under the radar '. Cash payment can be hard to identify and leaves no paper trail or digital evidence (Kenneth and Carol, 2011).

Cash payment does not require additional knowledge when a transaction occurs, whereas credit card payment may need the users to be taught before hand in order to properly use it.

Six disadvantages of using cash as a form of payment: Cash payment is not suitable for larger purchases, such as car, or house, etc. As it becomes impossible when stacks of notes are used to make purchases.

Cash can be easily purloined and anybody can claim its ownership, thus, It is insecure when compared to other forms of payment.

Cash purchases is instant and have the tendency to be final and irreversible, unless seller agreed otherwise.

Cash purchases for goods and services that priced such as $4. 64 could be troublesome, as changes could be given wrong and customers were unnoticed, and it is hard to manage and organise all the coins and makes it less obvious than other forms of payment (e. g. online payment system)

Cash can be forged, merchants without proper tool in aid could have a difficult time finding out, and with the small transaction with cash, sellers usually won't be bothered to verify its genuineness.

Cash sometimes could get damaged easily, and when making cash payments in exchange for goods or services, damaged cash can easily go unnoticed. It exposes both payee and payer the risks of loss.

Q: Briefly discuss the disadvantages of credit cards as the standard for online payments. How does requiring a credit card for payment discriminate against some consumers? (i): The disadvantages are as follow:

merchants faces greater risks when dispute arises, as the transaction can be reversed by payee, even though merchant has already shipped the goods or services (Kenneth and Carol, 2011).

the existing credit card payment system over the internet has many security concerns, the merchant can be a online thief who solely purpose is to collect credit card numbers; the consumers could be using a stolen credit card number for purchasing.

Merchant also faces considerably high costs, average transaction for a purchase would involve 3. 5% commission fee plus 20-30 cents each transaction made (Kenneth and Carol, 2011).

Credit card are not very common in some developing countries, as there are large number of people who cannot afford credit card.

(ii): How does requiring a credit card for payment dsicriminate against some consumers

A: Some online payment system can only accept credit card as the only method of paying for the goods or services. Thus, leaves with buyers no choice. Furthermore, not everyone has credit card, credit card issuers such as merchant banks will need check one's credit history before credit card can be given to him, those with low credit score cannot be issued with a credit card. (e. g. Housewives). In addition, people that are underaged are not qualified for applying for a credit card, even a supplymentary card cannot be received.

Lastly, high interests costs and extra costs for purchasing are the reasons that kept many consumers from getting credit cards. People with low income just simply cannot afford a credit card. Yet, many online stores accepts credit card only.

Q: Describe the relationship between credit card associations and issuing banks

A: Credit card associations such as Vsia or Mastercard are non-profit organizations that sets the standards for issuing banks, and these asscociations provide clearing channel. For example, if a person wishes to withdrawn cash from his credit card while he's overseas, credit card associations will provide channel for clearence, but there are also third parties called clearinghouse or processing centres handle verification of accounts and balances (Kenneth and Carol, 2011).

In addition, credit card issuing banks credit merchant account once the transaction has been approved by clearinghouse and buyers. And, at the end of each month, it bills to the buyers for the use.

Credit card associations do not exist if there is no demand for credit card transaction. Issuing banks comply with the credit card associations standards in order for a credit card transaction to occur.