The Evolution of Cash:
From the Tangible to the Intangible

By MINDY TAN

The way we interact with money and the experiences we purchase with it have changed dramatically in the course of the history of money. What will money look like in the future, and what experiences could be bought?

Money as a means of exchange has not changed over time. Yet, our experiences relative to it have markedly changed over the decades.

For some of us, our first experience with money might have been in the form of coins. For others, perhaps notes. For most, our first experiences bought with money were probably tangible, a sweet drink on a hot day or a savoury snack to quell a craving.

But over our lives, the way we interact with money and the experiences gleaned from it have changed considerably. When was the last time you actually handled physical money?

Technology is the backbone of many conveniences we now take for granted.

The advent of PayNow in Singapore in 2017 greatly impacted ease-of-use amongst

consumers. We can now send and receive money almost instantly through real-time, secure bank transfers with just the other party's mobile number or national registration identity card number.

A year later, SGQR, a standard for a unified payment QR code was introduced, making it easier to make cashless payments regardless of platform affiliation.

And now, we are at the next frontier.

The concept of money is morphing radically with digital currencies. According to the 2022 PwC *CBDC Global Index*, over 80 per cent of central banks are considering launching a central bank digital currency (CBDC) or have already done so.

To be clear, most central banks are focused on developing blockchain technology capacity and not cryptocurrencies such as Bitcoin. Specifically, they are keen to see how blockchain can shape the future of money through, amongst other things, CBDC. Central banks issue these currencies, and the value is equivalent to a country's fiat currency.

The most promising benefit of CBDCs is their ability to promote financial inclusion, allowing individuals and small businesses, especially those in developing countries, to get safer and easier access to money.

A March 2023 working paper by the International Monetary Fund (IMF) notes that CBDC issuance can encourage consumers to save more and save better by incentivising them to open bank accounts to access CBDC wallets. It also found that CBDCs are valuable to households as a means of payment or for credit-building.

A seismic shift

This is not the first time money has undergone a radical transformation. Today, we may take for granted the ability to walk out of the house with nothing but our smartphone or smartwatch as our only means of payment.

Yet, in the past, people were often laden with physical items they had to use as a means of exchange. Barter trading was, perhaps unsurprisingly, a lengthy process as parties had to find someone (or a group of people) who could exactly match their wants and needs, and vice versa.

Over the centuries, the process was simplified, and people turned to more easily tradeable items. It is believed that some 2,600 years ago, official currencies made their debut as a means of exchange – in 2021, archaeologists in China found what they say is the world's oldest known coin manufacturing site.

Underlying these physical changes, there were also attempts to standardise the value of money. Particularly with the proliferation of different currencies, countries started using gold, silver, or some bimetallic standard. Initially, only the UK and some of its colonies were on a gold standard. But after Germany adopted it in the 1870s, the two economic powerhouses sped up the adoption of the gold standard. By the end of the first World War in 1918, most countries had adopted some of the tenets of the gold standard.

However, interference from central banks forced deflation and unemployment across much of the world economy. In 1944, a monetary system devised by Great Britain and the US was agreed upon at Bretton Woods. The agreement that resulted from the conference led to the creation of the IMF.

While the IMF still promotes global macroeconomic and financial stability for its member countries, the Bretton Woods system ended in 1973. Countries now either float their currency or choose to retain some influence over domestic monetary conditions.

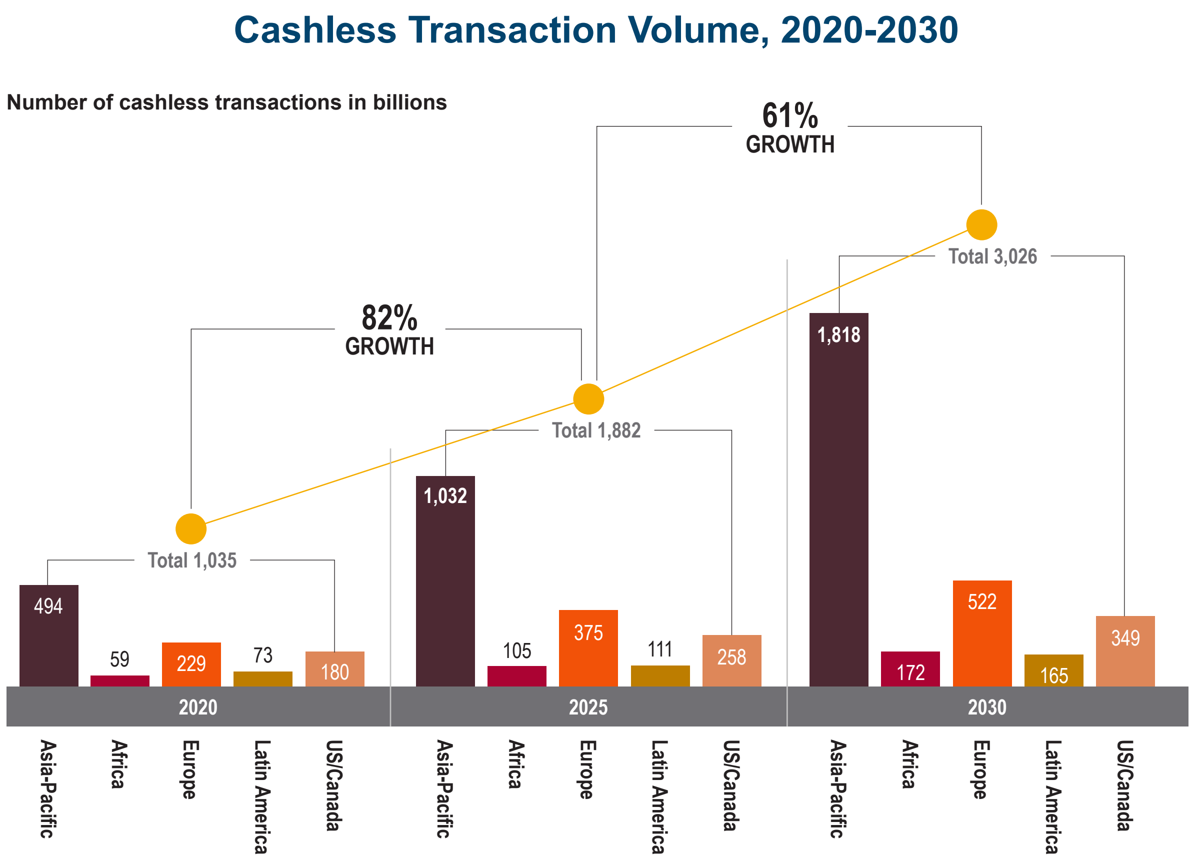
A truly cashless society?

What, then, is the future of money, and will physical cash still exist?

There is growing evidence that our reliance on physical currency will continue to decrease. According to the 2021 PwC report *Payments 2025 & Beyond*, users in Asia Pacific are aggressively jumping on the cashless transaction bandwagon. Cashless transaction volume is set to more than double from 2020 to 2025 and continue to outpace other regions (see box, "Cashless Transaction Volume, 2020-2030").

Significantly, it is not just digital natives who are more comfortable with electronic money. Almost gone are the days when people felt the need to store physical cash under their beds. When a group of friends split a dining bill, they trust that when the group affirms that they have "transferred" their share, the money is in their account.

Digital banks, like GXS, are a testament to changing attitudes toward money. Digital banking customers transfer money into their accounts



Source: PwC Strategy& global payments model, 2021

digitally, and there is no need for physical cash dispensation in transactions. As the population of digital natives grows, this will increasingly be a new normal for most of society.

The way society views cashless transactions in the future could be vastly different from the way we view money today. Generations from now, will we think of money transfers in terms of phone numbers or perhaps even biometric authentication?

The concept of non-fungible tokens (NFT) is still relatively novel. Yet, these tokens have been legitimised by auction houses such as Christie's. Artist Beeple's *Everydays: The First 5000 Days* fetched US$69.3 million (then-S$92.4 million) in March 2021. The fact that they exist on the blockchain and cannot be replicated is reassurance to some, but a concept that is difficult to grasp for many.

Money has undergone a profound transformation and will likely continue transforming through the ages. The ripples from this knock-on effect will no doubt be felt far and wide. A new payment infrastructure could afford convenience and personalisation for the masses. Or it could empower more with greater financial inclusion, especially for those who may have fallen through the cracks.

The possibilities are endless as we leverage technology to make banking better for all. ■

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