Cash vs Credit

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Financial transactions exist for a long time in human history when Homo started the use of seashell for exchange with other goods when the barter system was not working fine and well. The activity evolved with time until people invented cash to make financial transactions and cash became the main medium of purchasing commodities and services. However, with the globalization and advancement in technology, cash has been replaced by credit facilities and these facilities have been preferred by people over the use of cash in transactions. There are many similarities and differences between cash and credit especially in terms of payment. The major and crucial similarities and differences are elaborated below.

In comparison and contrast of Cash and Credit, a number of individuals prefers to have cash in their pockets while others prefer to put their financial resources (money) in their bank accounts. Payment of cash means a direct purchasing of things where buyer and cashier are involved. Credit stores a huge amount of money that makes many things easier and convenient for several numbers of people instead of carrying cash (Carow, & Staten, 1999). Although both cash and credit play the same role, hence number of notable similarities and differences exist.

**Similarities**

Both, the payment of cash and using credit for a transaction are the ways of payment. Both cash and credit are the modern ways of making payments when we or someone wants to purchase something which may be goods or services. As the barter system has several disadvantages for both parties involved in the transaction, both cash and credit allow us to obtain something immediately when the purchase decision about the thing has been made. Just guess that what would occur if we had not cash and credit facilities for payments. Despite it, both cash and credit are becoming crucial methods for dealings in businesses (StudyHippo, 2018). In brief, cash and credit are the tools for payment through which individuals make transaction and avail or purchase what they want.

Another and one of the crucial similarities of cash and credit is; both eliminate delays and waiting in any transaction we usually make. They are very crucial in this sense when compared with the old barter system. For instance, if we see and like something of our interest, we directly go for purchasing it using cash or credit without having any problem (StudyHippo, 2018). In another way, if a company launches a new product then customer visit and purchase the product using direct cash and credit where the customer does not face any difficulty. So, isn't it highly convenient?

**Differences**

One of the major differences between cash and credit is payment time. Cash payment is the transection where cash is paid on the spot of any purchase made by the buyer. In this case, the buyer knows the actual and total amount that will be spent on the transaction he/she is going to make. So the buyer will be fully prepared for the amount he/she will pay and will be careful and alert before making any other transaction. It is the most credible advantage of cash that allows an individual to escape wastage of money on unimportant things. Though, credit is the type of transaction where the actual payment gets settled at a future date and time. So using credit for transactions does not realize the actual spent amount to the spender or purchaser (Acharya, Davydenko, & Strebulaev, 2012). In this case, people spend more than they have planned or estimated. The extra amount goes spent because of numerous charges like transaction fee etc.

On the other side, credit and credit cards allow people to carry out huge amounts of money with themselves with having very less amount of threat. For example, if someone travel by airplane to another region or even the country where he/she would require an infinitive amount of money. So he/she would not be allowed to a huge amount of money in cash because of several security reasons. Hence, here credit has a huge credibleness, which is that credit card would not be restricted even if millions of dollars have been put in the card (Bank, 2019). So looking to this convenience, the huge difference exists between credit or credit card and cash.

In terms of security, cash and credit have very far ways from each other. In online payments, credit and credit cards have been found highly in pure of sellers while it is better for people than cash during travels (Bank, 2019). In online payments, deduction from the credit card is safe because fake money cannot be sent by the purchaser in this situation while keeping a huge amount of cash instead of card (as mentioned above) create threats of theft, etc. for the person who holds cash. While there would be no such threat if you have your money in bank account(s).

**Conclusion**

In conclusion, payment of cash and using credit have numerous similarities as well as have differences. On one side, both cash and credit are the ways and methods of payment for any purchase or financial transaction. Beyond that, both cash and credit are convenient methods for people in making transaction especially when it is compared with the barter system. While the timing of the transaction is considered as the difference between cash and credit where cash payment is made on-time while using credit or credit card involves some process. As well as, safety and security is the reason for one of the main differences between cash and credit. Hence, the choice of selecting cash and credit over each other in a financial transaction depends on the involved parties and situation at hand.

**References**

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