

Cash-out in trade and service networks: advantages and prospects in Russia

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Abstract — It is no secret that banks incur serious costs for maintaining cash flow. Several bank services are involved in this at once: cash desk, collection, bookkeeping. Some Russian banks have already begun testing a new service. In Russia, a new Cash-out service (purchase with cash) has appeared, which allows you to receive cash directly at the cash desk at trade and service enterprises. There are several stakeholders in the development of this project: banks, trade and service enterprises (TSE), as well as customers. The article discusses the advantages of this project for each of its participants, the problems of its introduction from a technological and legal point of view. The economic effect of introducing a pilot project for trade and service enterprises and banks is substantiated. The whole system of banking acquiring, the charging of all operations is considered.

Keywords — *trade and service enterprises; cashless payments; "cash purchase", payment system; acquiring interchange; ATM network*

I. INTRODUCTION

In 2018, a large project became widespread in the banking system of Russia - withdrawing cash through the store's cash desk. When buying goods in a store, a customer can request cash at the checkout. The maximum withdrawal amount is 5,000 rubles. The project itself originally belongs to the Mastercard payment system and is called a "cash purchase". Then, the VISA payment system officially announced its participation in this project and joined this program. The Visa system at the beginning of 2019 recommended that Russian banks by April provide the ability to withdraw cash by cards at the cash desks of stores [8]. For the first time in Russia, the non-cash turnover of individuals exceeded cash and amounted to 54% of the total turnover [6]. Cash withdrawals are declining as consumers pay more and more with cards. Therefore, it has become less profitable for banks to maintain ATMs.

II. RESEARCH METHODOLOGY

As a research methodology, we consider the experience of Russian banks that first introduced this experience, based on the experience of foreign banks, and also analyze the financial

benefits of all participants in this process: banks, TSP, customers – buyers.

Large credit organizations Sberbank, Raiffeisenbank, Russian Standard Bank are testing this service. It is assumed that the client, paying for a product or service with his bank card, will be able to simultaneously request at the cash desk the necessary amount of cash within the limit established by the bank of 5,000 rubles. The bank that issued the card, in this case, will approve the purchase and issue of cash by contacting the card-issuing bank. However, many experts believe that this service will be in demand only in small towns. They say that, in particular, if a fee is charged to cardholders, citizens will prefer to use ATMs. However, the answer to the question of who will pay for the new service is still ambiguous

However, cash disbursements can only be made together with the purchase if there is a sales receipt.

The service for withdrawing cash in stores has long appeared and abroad in the United States, Germany, France, the UK. You can withdraw cash there at those retail points where they are accepted for payment.

In the USA, for example, you can cash out money where you accept cash — in shops, pharmacies, gas stations. The issuing bank establishes its commission at each retail point. For example, with a purchase of 5 US dollars, you can request a cash withdrawal of another 20 US dollars — a total of 25 US dollars will be debited from the card. Some stores set a fixed commission — in the amount of 1–3 US dollars. Each store sets its own cash withdrawal limit. The limit can be different for debit cards and for credit and averages about 100 US dollars.

In France the new service, like in Russia, is new: it was launched only in January 2018. The maximum amount for withdrawal is 60 euros, just as in Russia it has not yet received wide popularity.

In some large retail chains, this service was launched in Germany 5 years ago. Operations are available only for Maestro system cards. Due to restrictions, the service has not gained wide popularity.

In the UK, there is also the opportunity to withdraw money at the box office. The service was launched recently, and banks have every prospect to significantly reduce the cost of maintaining an ATM network.

However, this service has not yet become widespread in the West, most likely due to the almost complete absence of cash settlements.

In sparsely populated areas of Russia, an experiment is being conducted with the withdrawal of cash from bank cards at the box office. It is possible that this practice may spread throughout the country.

Sberbank launched this service in July 2018. So it will be possible to withdraw up to 5,000 rubles when paying for a purchase. Initially, the service was available in one store in Moscow and in remote areas as part of the Central Bank project. The service appeared in retail points of small and medium-sized businesses.

Sberbank service will be provided to Visa and Mastercard holders issued by both Sberbank and other banks. By August 2019, Sberbank entered into 700 agreements with the TSEs participating in the project. It will be possible to withdraw cash only when paying for any purchase on the card. Large stores were able to connect such a service in September 2019. Sberbank tested the service in rural stores as part of the Central Bank's requirement to provide financial services in small as well as in remote settlements [4]. Sberbank is not the first in the market to launch such a service: the service began to be provided by Mastercard, but pointwise — in the only Moscow Fasol store (Metro Cash & Carry franchise). There, holders of Mastercard cards issued by Russian Standard Bank can withdraw cash (the project was launched in September 2018). Raiffeisenbank also launched Mastercard service in the Billa retail chain. For the first time in the operating mode, the service of withdrawing cash from a card at the cash desk of a store was launched by Russian Standard Bank together with the Mastercard payment system and the Fasol chain of stores (Metro franchise).

Initially, in September 2018, the service was launched only in one store in Moscow (at Molodogvardeiskaya Street, 29). The project began work in test mode, and subsequently was going to distribute it throughout the chain.

The next bank to connect to the system was Raiffeisenbank in conjunction with the Billa retail chain. You can receive cash along with the purchase of goods in all stores of the chain.

The conditions for buyers are as follows:

- you can withdraw from 100 to 5,000 rubles at once (this does not include the price of the purchased goods);
- you can only get an amount that is a multiple of 100 rubles;
- a PIN code is needed;
- withdrawal fee is the same as when withdrawing from an ATM.

The main drawback of the new service is its limited availability. So, in Fasol stores you can withdraw money only from the Mastercard system of the Russian Standard Bank. In the Billa chain — only with Raiffeisenbank cards. VISA announced its participation in the project much later, so not all customers were able to use this service. Cash withdrawal by VISA cards is introduced by the Rosselkhoz Bank in only one chain of stores: Russian Parmesan. The withdrawal limit is more interesting here: the equivalent of 100 US dollars or about 6,500 rubles.

Given the scale of all projects, there is no need to talk about the widespread introduction of a new service, its use is too limited, especially throughout the country. In the prospects of Sberbank, connecting to this service representatives of small and medium-sized businesses, and then large businesses.

Many banks do not yet answer a few questions:

- 1) how can a bank split purchase and cash withdrawals
- 2) how the cashier will conduct payment through the terminal: only the payment or the amount of the purchase and cash withdrawal at once

The new service will help strengthen the habit of paying more often with a card, without withdrawing money from an ATM “just in case”, as is traditionally the case at ATMs. This will unambiguously lead to the preservation of account balances on demand of individuals.

III. RESULTS OF THE RESEARCH

As a result of the study, the advantages and disadvantages of cash withdrawal operations in stores were systematized for each of its participants (Figures 1, 2).

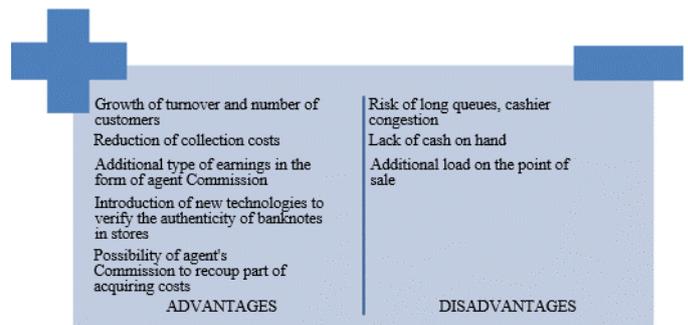


Fig. 1 Advantages and disadvantages of the system "Cash withdrawal at cash desks of stores" for retail chains

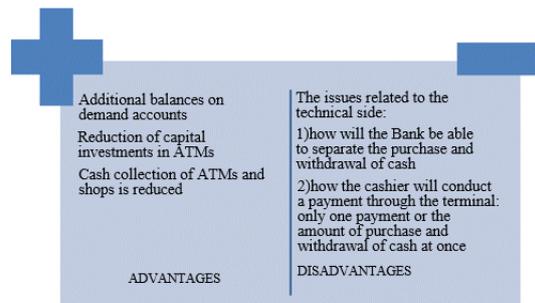


Fig. 2 Advantages and disadvantages of the system "Cash withdrawal at cash desks of stores" for banks

Let us consider in detail the benefits for all participants in this project.

- The more banks connect to the services of both payment systems, and the more stores can issue cash, the less you will have to spend on maintaining an ATM network.
- This scheme is quite attractive from the point of view of banks. Now the money from the stores is collected in the bank, where the counting, checking, and then loading the ATMs with banknotes, is carried out.
- The store receives an additional cash withdrawal fee, the so-called agency commission;
- Residents of the regions will have free access to cash where there are no ATMs nearby. The client can receive cash directly in the store near the house.

Representatives of small and medium-sized retail businesses can get additional benefits from introducing the service, since its launch will lead to increased traffic, especially in those regions where there is a shortage of ATMs.

The most important drawback of this project, which can be identified as a stop factor, is the occurrence of queues in stores, which, however, is not fatal. If the store serves a large flow of customers, there may be some difficulties at the box office, delays, and the store runs the risk of losing customers for whom this service is not relevant. When introducing a service, it is important to assess its relevance at each specific point. You need to understand on what commercial terms the cash withdrawal will be carried out for the outlet and whether this will lead to delays in servicing customers and, as a result, to queues at the box office.

Bearing in mind the obvious advantages, as well as the disadvantages of the project for each of the project participants, we will try to determine the economic effect, based on the well-known tariffs of payment systems and indicative data characteristic of small retail chains that are representatives of small businesses.

The turnover of small business representatives is 800,000,000 rubles per year, 66 666 666 rubles per month.

It is assumed that with the introduction of this service, the store exempts 10% of its turnover from collection. Market rates for collection services are averaged by 0.4%.

The turnover itself as a result of attracting new customers will grow by at least 5%.

The procedure for charging acquiring operations and the scheme of settlements between participants is as follows (Figure 3).

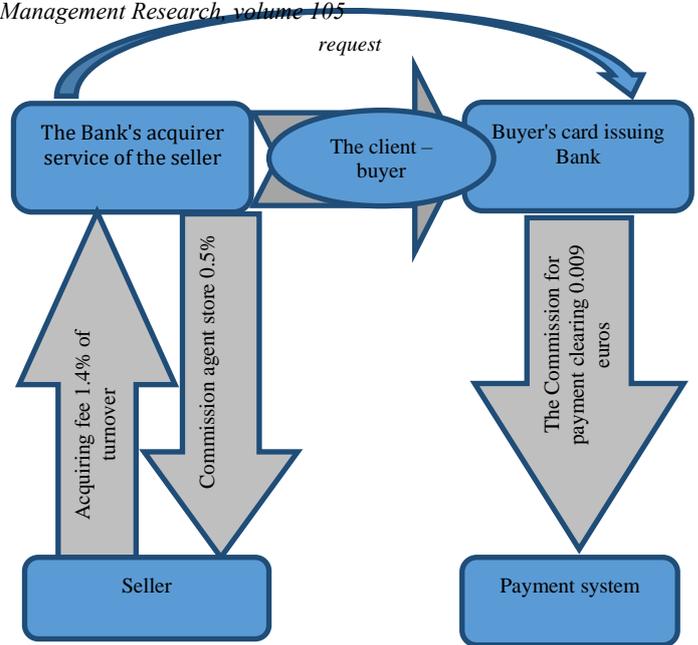


Fig. 3. Settlement scheme and tariffs for acquiring operations [9,10]

TABLE I. APPROXIMATE CALCULATION OF THE ECONOMIC EFFECT OF THE IMPLEMENTATION OF THE PROJECT "CASH WITHDRAWAL AT THE CASH DESKS OF STORES" FOR THE BANK, RUB PER MONTH*

Benefit for the bank servicing the seller	Revenue, RUB	
ATM cost (Capital investment)		85,000
Balances on demand accounts,% annual	7%	38,889
Acquiring commission from the store	1.4%	93,333
	Expenses, RUB	
Commission interchange to the issuing bank	1.50%	50,000
Commission to the store as a cash withdrawal agent	0.50%	33,333
Effect of implementation		48,889

* Compiled by the authors

TABLE II. APPROXIMATE CALCULATION OF THE ECONOMIC EFFECT OF THE IMPLEMENTATION OF THE PROJECT "CASH WITHDRAWAL AT THE CASH DESKS OF STORES" FOR THE TRADE CHAIN, RUB PER MONTH*

Benefits of the trade chain	Revenue, RUB	
Agent commission to the store paid by the bank	0.5%	33,333
Savings on collection	0.4%	26,667
Turnover growth by attracting new customers	5%	333,333
	Expenses, RUB	
Acquiring Commission	1.40%	93,333
Effect of implementation		240,000

* Compiled by the authors

We see that the effect of the introduction of this service is received by all participants in the settlements, especially retail chains. The benefit of the Retail chain consists of three components: commission as an agent, savings on collection

and, to a greater extent, revenue growth due to the expected increase in turnover and attracting new customers

If the service works fully, there will be a flow of cash from one customer to another. Stores will be able to accept money from some customers and give them to others. Instead of cash collection fees (about 0.4%-0.7% of the amount), stores, on the contrary, will be able to earn. It is assumed that banks will transfer part of the received commission for cash withdrawal to stores in the form of an agent commission of about 0.5%.

- Will there be a store in the countryside without cash on the day the pension is paid?
- How to improve cash verification for authenticity (now this is done at the bank)?

However, in the Russian legislation, there are some contradictions that may be an obstacle to the implementation of a new project.

- The first problem is the Law on the Protection of Consumer Rights. Abroad, a customer can easily withdraw cash only after purchase. In Russia, the 16th article of the Law of February 2, 1992, on the Protection of Consumer Rights, is in force. [1].
- The second problem of cashing in at the store's cash desk is compliance with Federal Law dated 08/07/2001 No. 115-FZ "On Counteracting the Legalization (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism" [2]. Here there is a risk of the emergence of new schemes of cashing money through cash desks of trading points, and there is a risk of new schemes of illegal withdrawal of money that will not be disclosed and recognized and will be missed that will not be immediately disclosed by state regulators [12].

IV. CONCLUSION

In conclusion, it should be noted that the successful implementation of the project is impossible without a constructive solution of the following issues, both legal and technical in nature:

- How exactly will the bank separate payment for goods and cash withdrawals in one payment?
- How long will the entire payment + withdrawal operation take?

- Does the store have the right to refuse customers if there is not enough cash at the checkout?
- After several cash withdrawals on the card at the TSE cash desk, there will be no exchange money

The next stage of the implementation of the cash-out project in trade and service networks, in our opinion, is impossible while these issues remain unsolved.

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