

Old habits die hard? Relooking the need for physical hongbao, new notes

Despite the loud call of environmental consciousness, it's not easy to resist the silent stickiness of paper packets with hard cash

Lawrence Loh

With yet another Chinese New Year just around the corner, it's that time of the year again when queues snake around ATMs and bank branches as people seek out new notes for red packets (hongbao).

Slipping hard cash into paper packets as gifts has been a time-honoured tradition for the Chinese during this annual festive season. But this ritual is common among other cultural groups too. Muslims give out green packets containing cash during Hari Raya Puasa, and likewise, Hindus hand out purple packets for Deepavali.

The underlying thinking that straddles these practices is good wishes for a fresh start, evident in the use of crisp, new notes. Beyond the sound or smell of these notes rubbing against the auspicious red packets, the joy of newness in the gifting process adds splendidly to the meaning of ushering in a celebratory milestone.

Yet there is a big, grand liability accompanying this preference for newness that often goes unnoticed or is brushed aside by many.

THE CARBON EMISSIONS PROBLEM

What exactly is the nature of the problem? First, the carbon emissions involved in printing new notes contribute to climate change by retaining atmospheric heat through a greenhouse effect.

The printing of new notes for Chinese New Year alone makes up 8 per cent of the Monetary Authority of Singapore's (MAS) total emissions, which makes it a prime target in Singapore's pursuit of sustainability.

For the coming Chinese New Year, MAS has therefore declared that it will stop issuing "good-as-new" \$2 notes. Instead, it is encouraging the use of "fit-for-gifting" notes, or better still, e-hongbao.

Good-as-new notes, even if these are technically recycled, entail notable increases in carbon emissions owing to the additional processing needed to pick out good-quality notes for the following year, MAS says. While e-hongbao are obviously the most sustainable solution bypassing the entire need to process cash, using fit-for-gifting notes is a fair compromise that preserves the tradition of dishing out hard cash while fulfilling our commitment to save the environment.

Second, the practice of using physical hongbao and notes is just as much an issue of waste generation as waste management.

Red packets, with many tailored



An ATM with a notice giving the times and dates during which customers can use it to withdraw banknotes for Chinese New Year. The Monetary Authority of Singapore will not issue "good as new" notes for this upcoming festive season, but is encouraging the use of "fit-for-gifting" notes, which is more environmentally friendly, or better still, e-hongbao. ST PHOTO: KEVIN LIM

may struggle with navigating the bells and whistles of digital devices. But giving out e-hongbao involves mechanics similar to paying someone instantly via PayNow, without the hassle of preparing red packets beforehand.

Naturally, making e-hongbao apps easy to use will help, but to be fair, they already are. Local banks such as UOB have promoted the use of e-hongbao through their regular PayNow function for years. DBS Bank and POSB also offer DBS QR Gift Cards that people can slot into their physical hongbao – "phygital" alternatives to cash for those insisting on giving red packets. Although DBS' QR code hongbao are refunded if recipients don't collect them in time, givers can set a longer expiry date of eight weeks.

The paradox involving technology is apparent in the case of lotteries. Many seniors used to check the 4-D and Toto results from Singapore Pools in the evening print newspapers. Suddenly, during the pandemic, even the less tech-savvy became most adroit at inspecting lottery results using the latest smartphone apps, with many carrying out transactions electronically through the Singapore Pools app.

NEED AND PRACTICALITY

The clarion call to fight climate change in Singapore has been loud. The country has just promulgated a national goal to achieve net-zero emissions by 2050. Earlier, it laid out a comprehensive Singapore Green Plan 2030.

The reduction of physical currency usage, particularly during festive periods, will be a core aspect of Singapore's strategy to shift mindsets and realise our sustainability aspirations.

Yet, the ultimate effectiveness of any intention boils down to what all this means for the individual. People change their habits only by choice and for ease. Permanent change in human behaviour will come only if the need is accepted and internalised.

To entice e-hongbao adoption, banks are already providing incentives such as lucky draws. To make an even greater quantum leap, short of imposing surcharges to draw new notes, how about giving e-hongbao discounts next?

• Lawrence Loh is director of the Centre for Governance and Sustainability at the National University of Singapore Business School, where he is also a professor in practice of strategy and policy.

to the zodiac sign of each year, are hard to reuse. Those with gold printing, glitter or other textured designs cannot be recycled.

Though there are no Singapore-specific numbers, almost 320 million new red packets are produced in Hong Kong every year, according to a 2017 study by Cathay Pacific. This translates to an estimated 16,300 trees cut down to make them. It makes green sense to do away with the use of physical hongbao altogether.

And with Singapore as a Smart Nation pushing a digitalisation drive that has seen huge success in e-commerce take-up, do we really need all these cash notes? About 100 million new notes are issued annually for Chinese New Year and other festive seasons. A large majority are used only once and returned to MAS. Even if excess notes can be recirculated, many are destroyed before the end of their useful life as supply far exceeds replacement demand.

Indeed, the energy consumed in producing excess new notes can power 430 four-room Housing Board flats annually, which requires the planting of about 10,000 new trees to offset the corresponding carbon emissions.

Also putting the matter in perspective is that the making of Singapore's banknotes is outsourced to overseas printers like Note Printing Australia. The production, processing and transport of notes reportedly generated 5,459 tonnes of carbon dioxide in the previous financial

year – this amounts to a whopping 55 per cent of MAS' total emissions and is the equivalent of driving 1,200 petrol-powered cars for a year.

Third, and beyond the sustainability imperative, there are economic costs of hard currencies.

The cost of printing different denominations of notes increases with the currency value. For example, in the United States, the printing cost of the US\$1 and US\$2 denominations is 7.5 US cents per note; but for the US\$100 denomination, at 17 US cents per note, it is 2¼ times the cost of printing the smaller denominations, according to the US Federal Reserve.

The cost of minting coins may exceed their face value. In the US, a one-cent coin costs 2.1 US cents to make, while a five-cent coin incurs a cost of 8.52 US cents, the US Department of the Treasury disclosed. But the cost of making a 25-cent coin is 9.63 US cents.

TECHNOLOGY CAN HELP WITH TRADITIONS AND TENSIONS

The compelling sustainability and economic cases make the giving of physical notes seem baffling, but it is also somewhat understandable why people do this during festive seasons.

The first source of tension relates to tradition.

Ditching the cultural norm of paper packets can become a game of "prisoner's dilemma", a famed economic paradox where two

individuals working in their self-interest fail to reach the collectively optimal outcome because they fear getting played out by the other. Wouldn't you stand out awkwardly being the only person to do so among your family and friends?

The practice has become so entrenched, especially with seniors, that it may seem unimaginable to switch to digital means. What is even more challenging is that such gifts can seem intangible in electronic form and can feel like every other monetary transaction – missing the human touch in what should be a special and otherwise rare annual custom.

But the origins of the tradition of giving red packets can help us embrace the transition to digital. An old legend from China has it that parents gave their children red packets with coins during Chinese New Year in the hope that rays of light reflected by the coins would ward off a demon known as Sui. Over the years, the contents of the red packet have evolved from metallic coins to paper notes, which also means that there isn't anything stopping us from moving these red packets from the physical to the digital realm.

There is also nothing in folklore that requires the money to be brand-new. Even if we truly believe that the light reflected by coins can frighten off demons, e-hongbao transmitted via brightly lit smartphones will probably do a better job than

paper notes.

The second source of tension may be inertia. Old habits die hard. Mindsets are difficult to break.

Maybe necessity will move the needle. The current promotion of fit-for-gifting notes and the removal of good-as-new notes may well be a definitive step to combat the sluggishness. The Community Development Council Vouchers Scheme, which began in 2021, has seen many Singaporeans, including seniors, logging in online using their Singpass accounts to claim the digital vouchers. As at July 2022, more than \$163 million out of the allocated \$250 million had been spent, showing that where the call is compelling, people will beat a path to it and, in the process, change old ways of doing things.

Beyond gifting, many cultural practices, including those of a religious nature, have broken the mould to embrace modernity, suggesting that customs and traditions are not veto factors in tech adoption. For example, services for various faiths in Singapore went online during the pandemic, despite most of these faiths placing a premium on communal gatherings and being physically present in the house of worship before Covid-19 struck.

The third source of tension pertains to technology. But technology is not an obstacle once people see its relevance and utility.

Those who are less tech-savvy