



Too big to die?: Debating the future of cash



I've just returned from the Bank Customer Experience Summit in Chicago, where I was privileged to be on the winning team in this annual event's great debate on the question, "Is it time to kill cash?"

Despite the arrival of digital shopping and digital banking, which are to be warmly welcomed by all due to the new levels of convenience, customer experience and choice they offer consumers, especially on the mobile web, the facts demonstrate overwhelmingly that cash is both too big and too important to remove from society.

Cash is just too big to die because:

- it is used for 83.7 percent of global retail transactions;
- the world's 2 billion unbanked people — including 38 percent of adults and 28 percent of households in the United States — depend on cash to live;
- the world's two largest countries, India and China, with a combined population of 2.6 billion people, are cash-loving, cash-intensive societies;
- advanced and major economies like Germany, Japan and Italy are also cash-preferring and cash-intensive (79 percent of payments in Germany, for example, are made in cash, according to the Bundesbank);
- the informal sector, which makes up 18.3 percent of the GDP in the European Union alone, is totally cash dependent; and
- there are 360 billion banknotes in circulation, with 150 billion new ones printed each year, as well as \$400,000 in cash pumped out of 3 million ATMs every second.

Cash is just too important to eliminate because:

- cash is humanity's favorite and most trusted form of money;
- cash is vital to the money supply of every nation, and is classified by governments as a safe asset, forming a critical part of monetary policy and stability;
- cash, which always works and is the most ubiquitous form of money, is the number one back-up payment method when electronic systems go down or don't work;
- use of cash is a proven method in households across the nations of learning how to budget and how to fight debt by staying within budget;
- most merchants worldwide accept cash as the most common type of payment and cash drives sales for countless small businesses and entrepreneurs;
- both baby boomers and millennials include cash as part of their weekly payments portfolio;
- international aid agencies and donors are calling for an increase in the provision of cash, rather than physical aid, to victims of natural disasters and wars; their experience has shown that cash can help displaced people get back on their feet; and
- the U.S. dollar is the world's reserve currency and it plays a very important role as a store of value and investment, and for backing up currencies hit by changing exchange rates.

In our closing statement in Chicago, the pro-cash team argued that there simply is no business case for restricting freedom of choice in payments for millions of consumers and merchants through the eradication of cash.

If you want to diminish human freedom — whether for citizens or businesses — you need a darn good reason. But we could find no commensurate rationale for taking away the option to use cash when the vast majority of cash transactions are perfectly legitimate and made in good faith.

Some argue that the justification for the abolition of cash is its use in criminal activity. But let's look at the figures.

Card fraud is increasing at a faster annual rate than card sales. A Nilson report showed that sales of cards grew 15 percent in 2015, compared with a 19 percent rise in card fraud for the same period.

Meanwhile, e-crime has become a huge business. Some **estimates** put the cost of cybercrime to the global economy at more than \$445 billion. Compared with the scale of card data fraud and e-crime, crimes involving cash can be counted as peanuts. Cash, in fact, is a bulwark against e-crime and identity theft.

Not only is there an absence of a proper rationale for restricting freedom of choice to use cash, but also, a cashless state would almost certainly deepen already fragile social divisions between rich and poor, haves and have-nots; between the banked and unbanked, and along the digital divide.

The abolition of cash could seriously endanger social cohesion and set back any upward mobility between the informal sector and formal economy.

Both sides of the great Chicago debate ended up agreeing on this point: Cash is not broken. So the idea of the cashless society becomes a solution desperately seeking a problem.

And, oh, yes, besides all this, cash doesn't have batteries that can explode or run down; it requires no power at all to work. And yet a cash payment is a super-fast transaction with immediate settlement.

Cash is so liquid and so easy. It also enables an anonymous transaction, which provides a welcome slice of privacy for individuals in today's high-surveillance societies. On top of all this, cash is absolutely fee-free for citizens to use.

These are some of the main reasons why any freedom-loving human being would cherish the choice of using cash — along with all the innovative digital and plastic forms of money we can use to buy what we need to live our lives well.

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