



# Cash Is Here to Stay

JULY 2020

A Cashmaster Group White Paper

## Foreword

In the months following the outbreak of the 2019 coronavirus, consumer behaviour has changed dramatically, including worldwide preferences for payment methods which have become increasingly electronic. Since March 2020, the global pandemic that has transformed many aspects of daily life has seen cash usage drop dramatically - once again broaching the delicate subject of where cash fits in, within an ever-growing digital and cashless economy.

There is no doubt that COVID-19 has sent cash usage on a downward spiral - but this is largely due to misinformation and advice not to use cash, when the misinformation being spread could be true for other payment methods as well.

At Cashmaster, we believe that the important issue here is not just around retaining cash as a payment option for the consumer, but also putting in place more efficient and hygienic means for businesses to accept and handle cash.

In this white paper, we discuss the impact COVID-19 has had on cash as a payment option, and why we are now in danger of sleepwalking into a cashless society that we just aren't ready for – necessitating urgent action.

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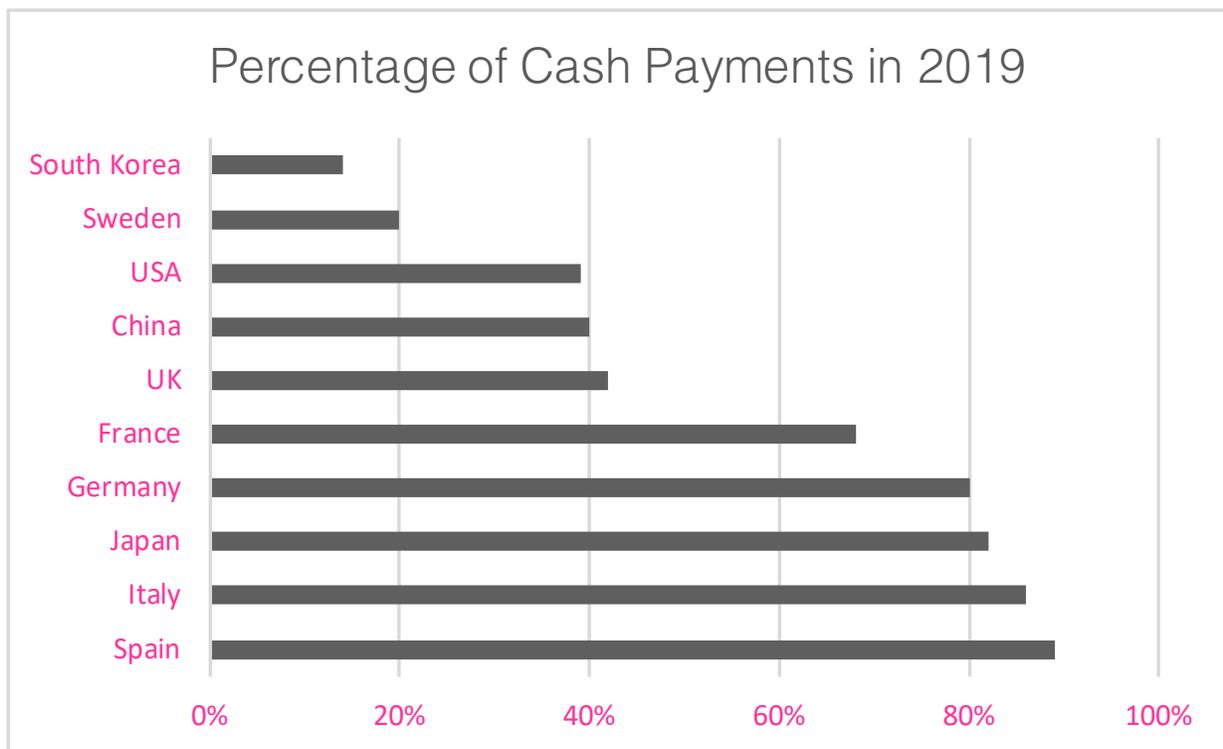
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## Global Cash Usage

Cash usage varies hugely across different countries, and there is also a wide variety of alternative digital and other payment methods that are used, often involving a card, and ranging from Apple Pay to more conventional credit cards. The popularity of cash as a payment method is still very dominant within many territories, especially for lower value transactions and amongst older people. For example, in Austria and Germany, cash remains the preferred payment method, with over half of payments in these two countries being made with cash. However, other countries such as Sweden have become an almost cashless society, although not without many concerns.

**“The limited availability of cash in Sweden has caused difficulties for smaller boutiques, shops, and convenience stores which depend on cash, as they can no longer deposit their daily takings or obtain any change. Non-profit organizations, which are very common in Sweden, have also experienced an out-sized impact.”**

- Source: Wikipedia (Cashless Society)



The recent push for consumers to use digital payments and not cash, not only pushes our economy into an age we just aren't ready for, but also isolates millions of people across the world. A digital world might seem straightforward for some, but for millions of others, life without cash would be almost impossible. Vulnerable consumers and smaller businesses are at risk of being badly affected if cash disappears or significantly reduces as a payment option.

## The Impact of COVID-19 on Cash

In March 2020 as 'lockdown' or 'stay-at-home' orders were put in place for most countries around the world, the World Health Organisation (WHO) commented...

"We know that money changes hands frequently and can pick up all sorts of bacteria and viruses".

This quote was quickly picked up by the world's media which in turn triggered global fears about the poor hygiene and associated risk in using cash. Card payment companies quickly launched their own PR campaigns around this message, utilising it to attract users to their platforms.

Since then, the WHO has released a statement which confirmed cash is not a carrier for spreading the COVID virus - and that their comments were intended for the public to be more aware of the importance of personal hygiene levels. The release of the new statement did little to calm consumers' nerves and the world's media, suffice to say there followed a plethora of marketing materials and PR for increased use of digital payment methods, ostensibly on the back of cash not being safe to use.

In turn, this forced businesses to resist the use of cash as a payment option and instead asked customers to use contactless where possible. Since then, many companies have increased the payment limits associated with contactless or digital payments to further increase utilisation and reduce cash handling.

## Are card payments actually safer?

A card machine keypad or self-service checkout equipment potentially carries even greater risk than using cash as a payment method. Although businesses will endeavour to ensure regularly scheduled cleaning intervals, a large number of people could still be touching the keypads or touch screens in between those rotations.

Even although cash spends a lot of time securely stored in wallets and purses – a conservative approach is for it to be considered as one of the many communal surfaces we could encounter during a visit to a store, just like payment terminals, door handles, and touch screen surfaces in stores. This view was firmly endorsed by the Bank of England:

**“Like any other surface that large numbers of people come into contact with, notes can carry bacteria or viruses. However, the risk posed by handling a polymer note is no greater than touching any other common surface, such as handrails, doorknobs or credit cards.”**

- Source: Bank of England

When considering the transmission of coronavirus through contact with contaminated surfaces, the rate at which it is spreading ultimately reflects our behaviour towards hygiene. Although we can't control which surfaces the virus spreads to, we can control our actions after handling cash, using payment terminals, or touching a door handle or handrail. Droplets that contain the virus merely being present on hands, or the surface of the skin, doesn't cause infection in itself. Continuing to maintain cleanliness through hand washing, using hand sanitiser, and avoiding contact with the face, mouth, nose, or eyes after coming in to contact with surfaces, will greatly help to prevent the spread.

A study carried out by Neeltje van Doremalen, a virologist at the US National Institutes of Health (NIH) found that the Sars-CoV-2 virus survives on cardboard up to 24 hours – and up to 2-3 days on plastic. The findings suggest the virus might last this long on door handles, plastic-coated objects or laminated worktops, and other hard surfaces. The researchers did find, however, that copper surfaces tend to kill the virus in about four hours.

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## Why We still Need Cash

For a variety of reasons, cash plays an important role in the economy and it just cannot be abolished overnight. Throughout time, in different crises, from economic to natural disasters, and the Coronavirus pandemic that we face in 2020, cash has been the go-to payment method, and one that can always be relied on. Cash transactions can take place even when technology or financial institutions have failed, ensuring that we can still buy essential goods.

Even in these times, cash remains efficient, available, reliable, and safe - and it is particularly important to vulnerable groups.

### **Vulnerable Groups**

Cash is a convenient payment method for everyone, and fundamental to financial inclusion. It's a simple and straightforward payment method. It doesn't require simultaneous access to a bank account, which more than 2 billion global consumers don't have access to, and there are no requirements for a specialist device or cloud-based service for a transaction to be completed.

It can help more vulnerable groups of consumers manage their budget – you have what you have to spend, directly in front of you, and consumers can easily keep track of what remains, and the impact on each purchase you are spending. Card or other electronic / contactless payment methods reduce the visibility of the remaining funds and create an easy way to spend – which may be over and above your means.

The [Access to Cash Review](#) highlighted that while cash usage is declining and will continue to do so, it's an 'economic necessity' for around 25 million people in the UK alone (45% of the UK population), with some 8 million persons saying they would find life 'near impossible' without it. These statistics are eye-opening and cut across demographics.

With unemployment rates soaring in many countries, in some cases to the highest it's been since the great depression, the need for cash within these groups has never been higher.

## **Privacy**

Unlike digital payment methods such as credit cards or Apple Pay, cash does not leave a digital footprint, maintaining consumers' rights for anonymity. Even although banks and governments prefer traceability, data, and analytics - privacy is often valued much higher by customers when making their day-to-day purchases.

A credit or debit card payment not only provides the card receiver with the customers' information but also others who are may be intent on identity theft.

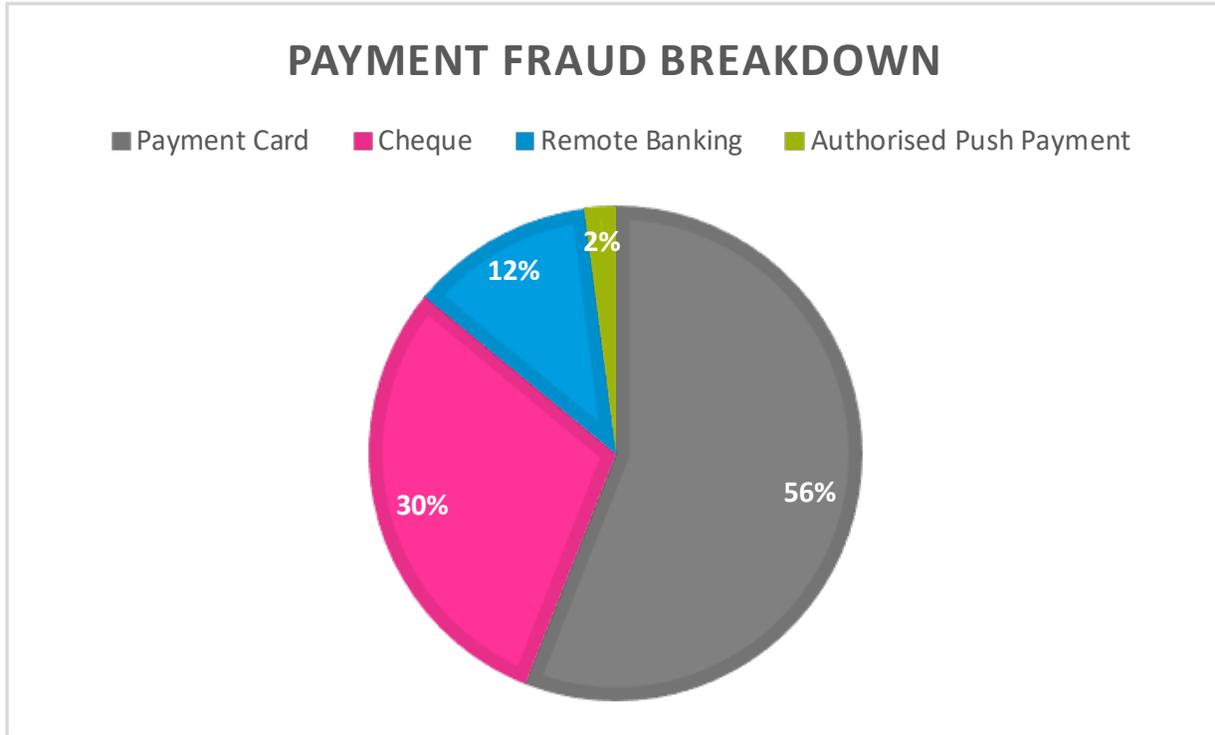
## **Security and Protection against Fraud**

Although cash can be counterfeited, modern banknotes are both clean and highly secure, and many technological solutions minimise the counterfeit risk for retailers. Most consumers will never experience handling counterfeit notes due to the low statistical probability.

In fact, they are much less likely to be a victim of a counterfeit note than to a cyber security attack or fraudulent cash transactions. With 627 million global data breaches last year, 3.2 million financial fraud cases in the US, and £1.2 billion stolen in 2019 in the UK from cyber-attacks alone, it is evident that these events confirm that consumers are at a much higher risk.

These fraudulent activities represent a 19% increase on the previous year – and the cost of such attacks are unfortunately funded in large parts by the processing fees charged by card companies that ultimately get passed onto the consumer.

Cash offers the anonymity and privacy that consumers seek, and especially when they are wary of identity theft which can happen when using digital payment technologies.



[Source - Fraud Facts](#)

#### **Small value transactions/Fee associated costs**

According to the Access for Cash Review, cash is and will remain a highly convenient and simple form of payment for small value transactions, with 97% of consumers still carrying cash for day-to-day purchases. The use of cash for smaller purchases is also beneficial for businesses, as the fee rates associated with the use of cards will very often exceed the profit margin on the transaction.

There are a number of fees businesses must carefully consider when overtly promoting the use of digital payment methods:

- Terminal hire
- Authorisations fees
- Management fees
- Minimum monthly charges
- Merchant service charges
- Chargeback fees

"Sometimes interested parties use disaster to push through solutions that they already had in their drawer," Eubanks said. "I suspect one of the reasons cashless transfers are so popular is there's so many ways to make money on them. It's the perfect way to pop people in small and often unnoticeable ways — one percent there, three percent there, a fine here, a fee there — and make literally billions of dollars because of the scale that we're talking about."

- Source: Virginia Eubanks, Associate Professor of Political Science University at Albany, NY

## Conclusion

In conclusion, there has been widespread misreporting that cash handling adds to the risks of contracting COVID-19 and it has undoubtedly had an impact using cash as a payment option.

In reality, however, there is no real correlation between cash handling and COVID-19 and too many consumers rely upon and prefer to use cash as a payment method.

The prospect of a fully cashless economy is not something our economy is prepared for and the risk of increased fraud, the potential for personal overspending, restricted access to money for those unable to participate in online and digital banking, and loss of complete anonymity are sufficient reasons to ensure that cash remains an acceptable payment method.

Additional challenges will also be created for smaller businesses that rely on small purchases and rely on slim profit margins that simply cannot cope with high transaction fees associated with cards.

In the current economic climate, rebuilding revenue is of critical importance and businesses need to be willing to accept all forms of payment options and not chasing away customers who will continue to exercise a preference for making cash payments.

**“Retailers should use common sense when it comes to cash.  
Businesses are not obliged to accept cash but declining it may end in  
disadvantaging people who rely on its use.”**

- Source: According to Christian Hawkesby, Assistant Governor and  
GM Economics, Financial Markets & Banking at the Reserve  
Bank of New Zealand,

There are so many positives for both consumers and businesses alike when using cash including no interest on payments, the simplicity of using cash (and not having to wait for the card machine), no credit card charges from banks, anonymity, and inclusivity.

With all this in mind, businesses should embrace the need to rebuild confidence in using cash and thereby ensure that the consumer is able to exercise as many payment options as possible.



## Call us now

Call us now to find out more or to arrange for your free trial.

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