

QUARTZ MEMBERSHIP

What to expect in a cash-free future

Member exclusive by



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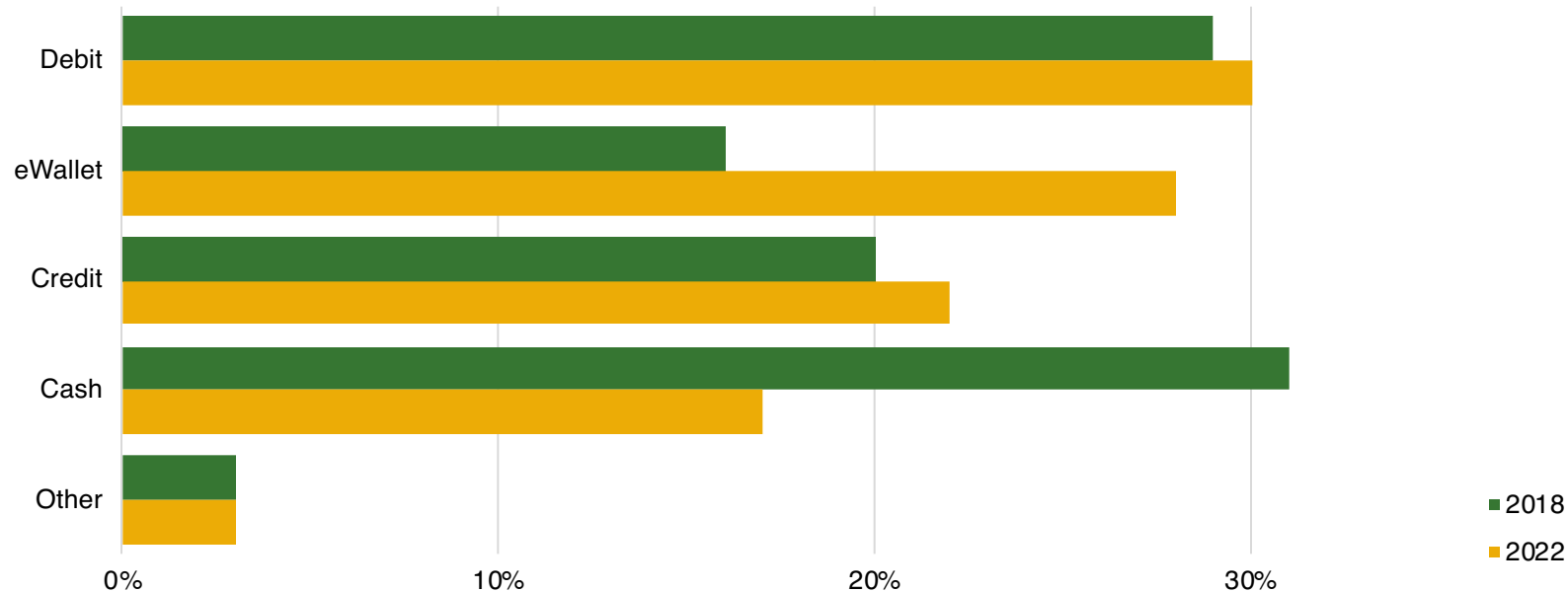


The future of cash

For the first time since paper money was invented some 1,000 years ago, a future where cash is no longer king seems possible. Card payments are on the rise around the world, and the proliferation of digital payment platforms is only accelerating the move away from cash. How did we get here? And is a near-cashless future even desirable?

Payment methods by share of global point-of-sale transactions, 2018 and 2022

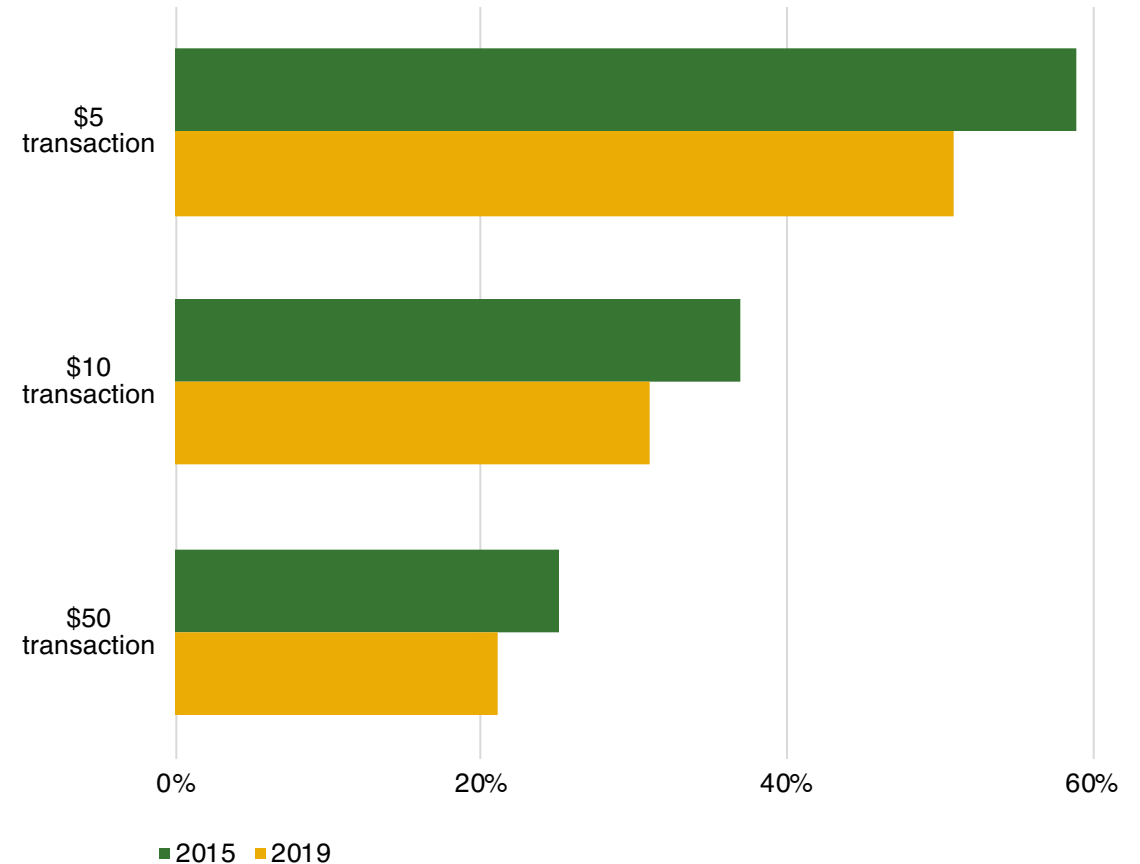
Worldpay estimates for 2018 and forecasts for 2022.



The payments revolution

The advent of credit and debit cards in the mid-20th century was the first step in chipping away at the need for cash. More contemporary payment options—mobile wallets, mobile payment apps, and cryptocurrencies—have rapidly expanded the range of transactions that can be completed without cash. For example, mobile payment apps allow friends to instantly repay one another or split shared expenses without cash. According to Square, a card payments platform for small businesses, expanded payment options have been especially effective at transforming how people complete their smallest transactions. Where cash dominated payments under \$8 in 2015, half of consumers in 2019 used a card for payments that totaled \$4.50

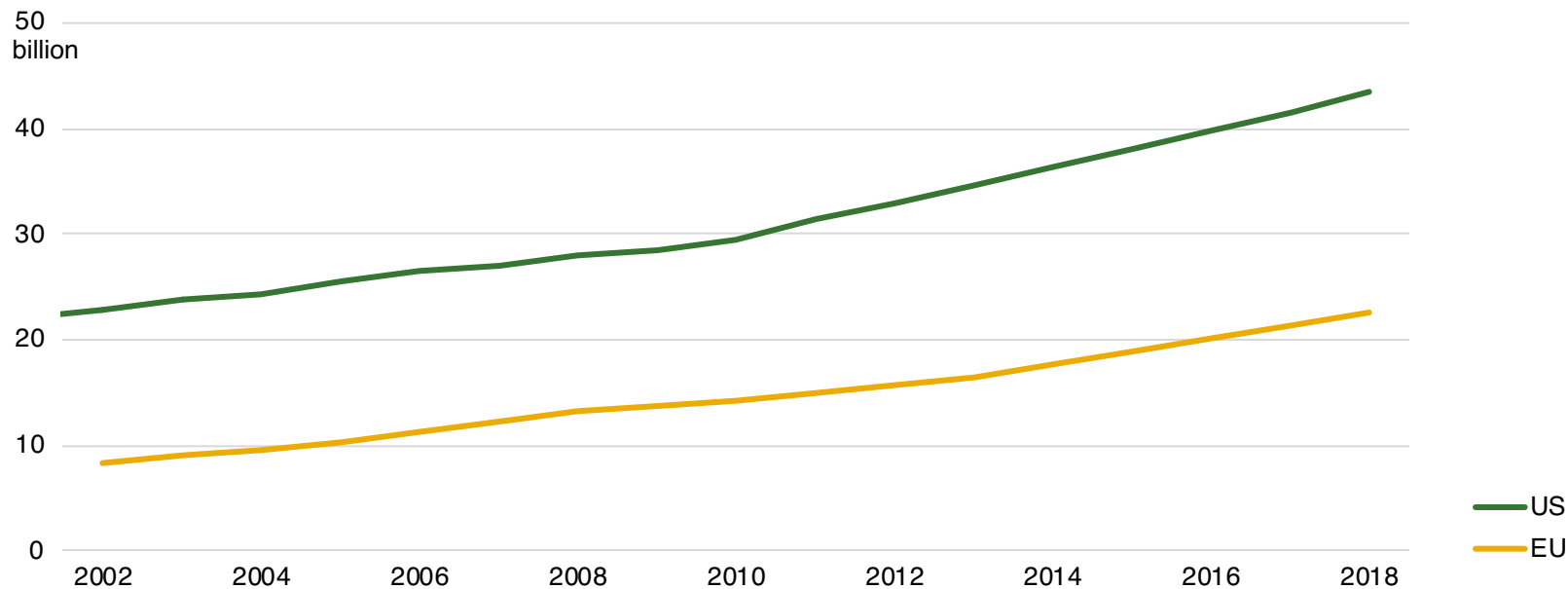
Percentage of purchases made with cash, by transaction total
Based on research by Square comparing cash and card usage.



The state of cash printing

It's not just demand for cash that is increasing. Thanks to central banks, supply is going up, too. Major central banks are printing more cash than ever at a time when consumers' actual need for cash is steadily dropping. Much of that cash likely ends up being used for money laundering and other illicit activities. As Harvard economist Kenneth Rogoff told Quartz, "[The central banks] take clean money and it ends up being dirty money."

Total banknotes in circulation, EU and US
End-of-year circulation volume

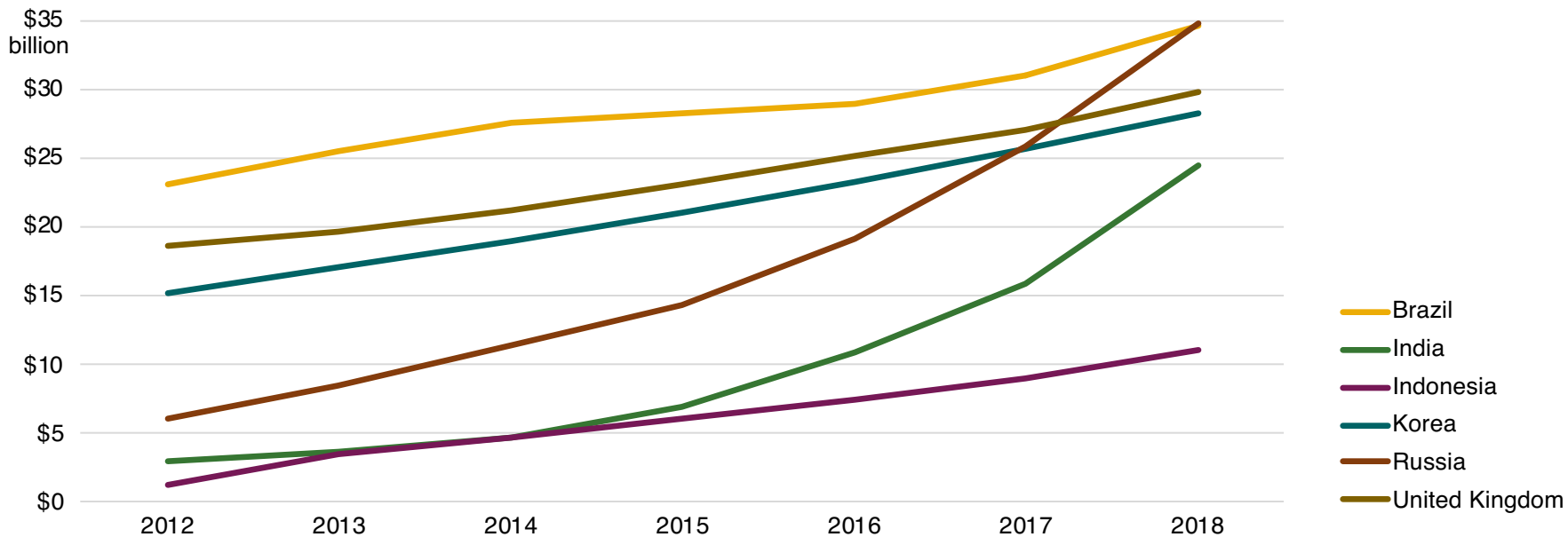


The state of cashless payments

Supply and demand for cash might be increasing, but digital payments are growing even more rapidly in most markets—aided by growth in smartphones, online shopping, and increasingly diverse payment options. Across the 23 countries tracked by the BIS, the volume of cashless payments increased 88% between 2012 and 2017. This trend holds true for both wealthy and emerging economies.

The annual volume of cashless payments has increased sharply

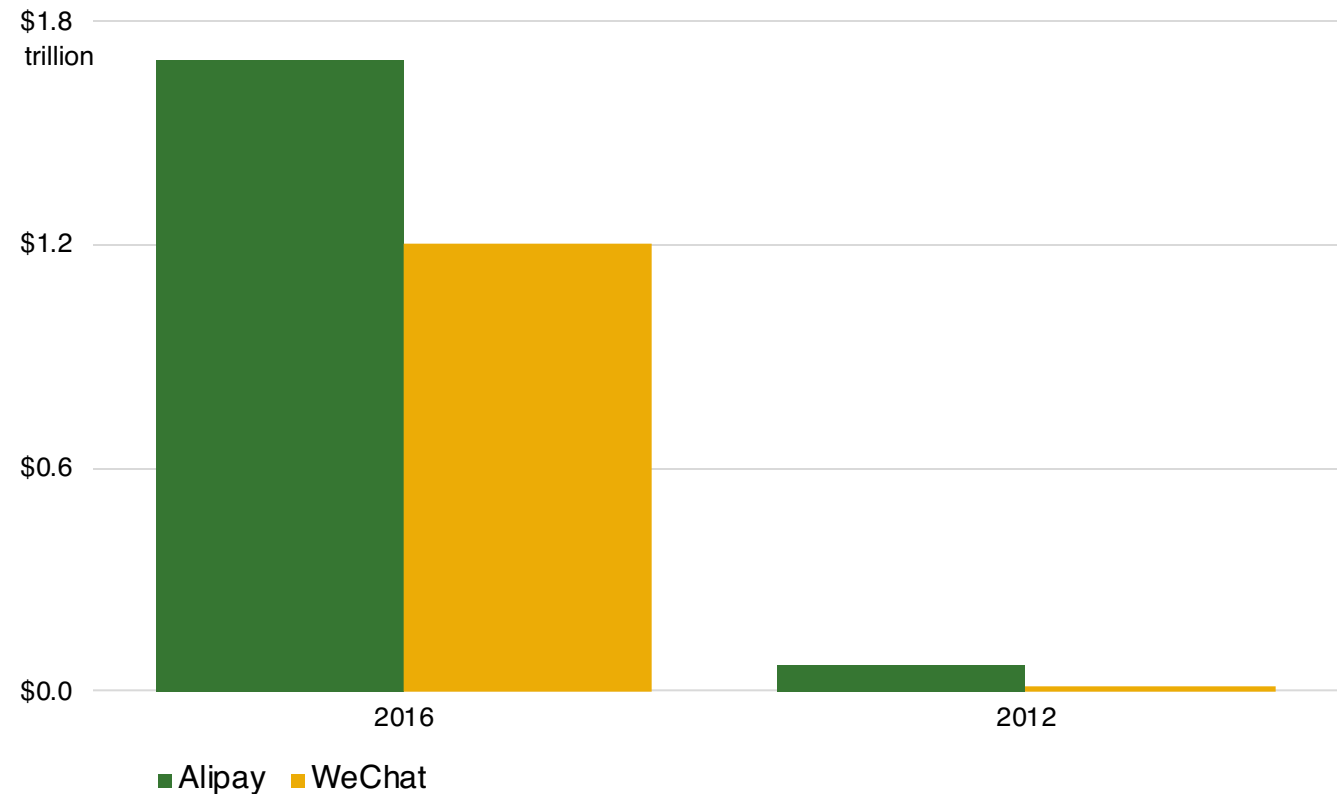
Data shown for select countries tracked by the BIS.



China leads the world in mobile payments

Nowhere is the tug-of-war between demand for cash and the boom in mobile payments more evident than in China. The Chinese government set limits on ATM withdrawals in 2018 to battle corruption, money laundering, and tax evasion amid increasing demand for cash from ATMs. But China is also the world's leader when it comes to mobile payments. Its Alipay and WeChat platforms far outpace global equivalents, and their growth has been astronomical.

Alipay and WeChat annual payment volume

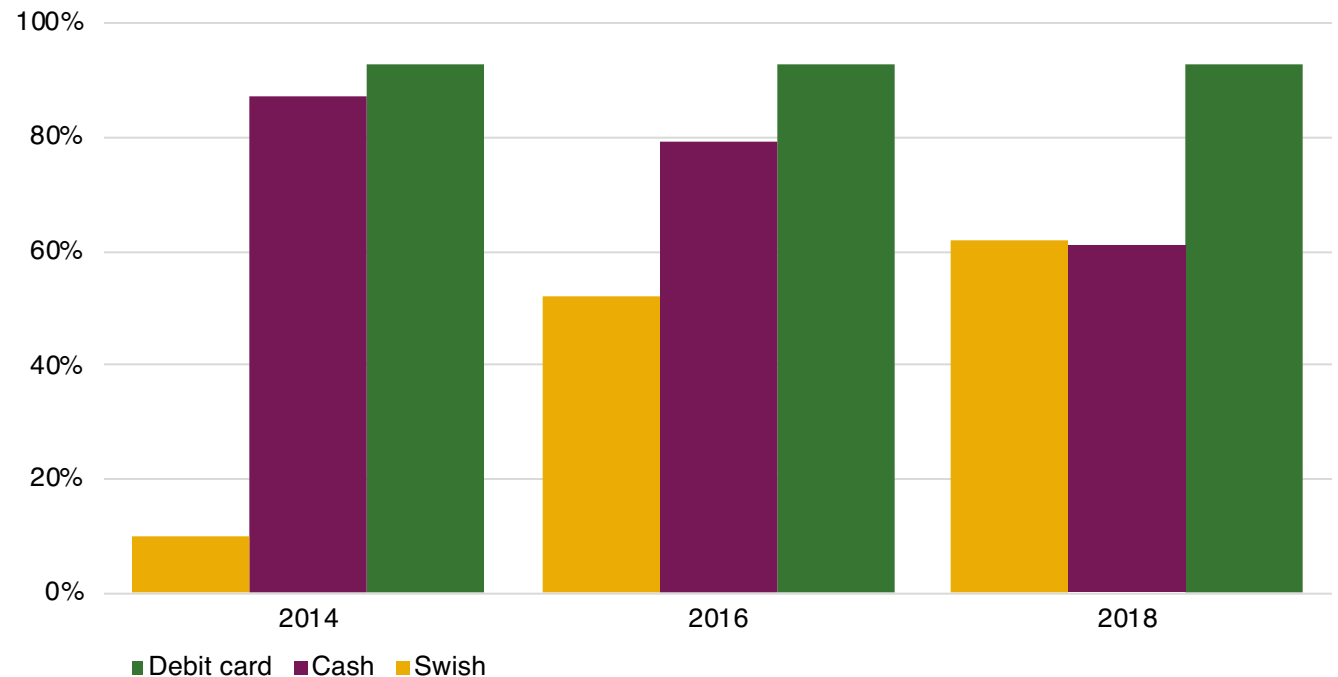


Sweden leads in ditching cash

Sweden is one of the least cash-dependent countries in the world. Some researchers predict that cash will disappear entirely from the country by 2030. Sweden is one example of how the cashless payments landscape is changing as well as expanding. Swedes have relied on their debit cards more than on cash since at least 2014, when mobile payments were still relatively unheard of. By 2018, mobile payments app Swish had overtaken cash.

Means of payment in Sweden

Which means of payment have you used in the past month?

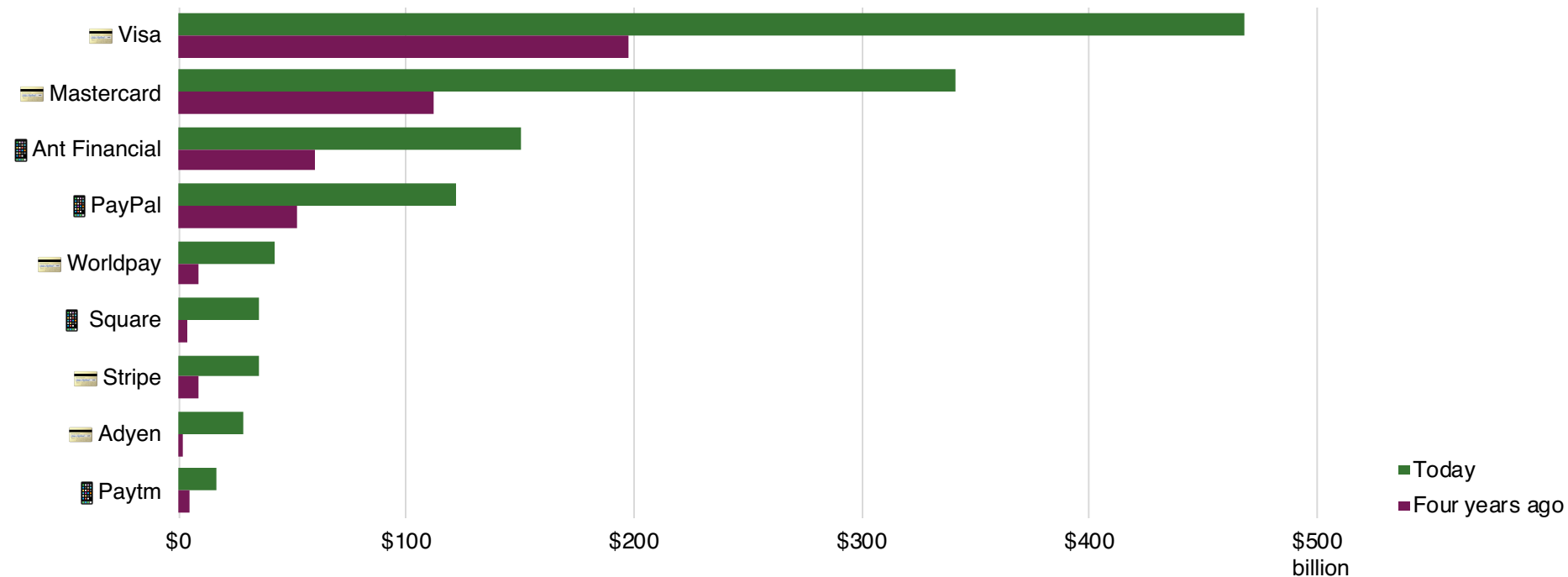


Making money off of money

Macro trends like internet connectivity and online shopping made cashless payments a natural and necessary development. But the transition away from cash has been helped along by fintech startups and established payments companies that make big money off of handling people's money.

Both public and private payments companies have seen their valuations soar

Valuations for card and mobile payments companies, 2016 and Feb. 2020.



Big Tech is getting into fintech

Not to be left out of the fintech boom, Big Tech players from Google to Alibaba have invested heavily in building payments businesses. Many of their bets are paying off. Alibaba owns a stake in Ant Financial, whose Alipay digital wallet has 1 billion monthly active users. Apple CEO Tim Cook says 3 billion people completed transactions using Apple Pay in 2019—double the number of transactions in 2018. Cook also claims that Apple Pay's 2019 transaction value surpassed that of PayPal, which launched 15 years earlier.

67 million

Google Pay's monthly active users as of September 2019. Google Pay was founded in 2017

\$10 billion

The amount Goldman Sachs loaned to Apple Card users within the first month of Apple Card's launch

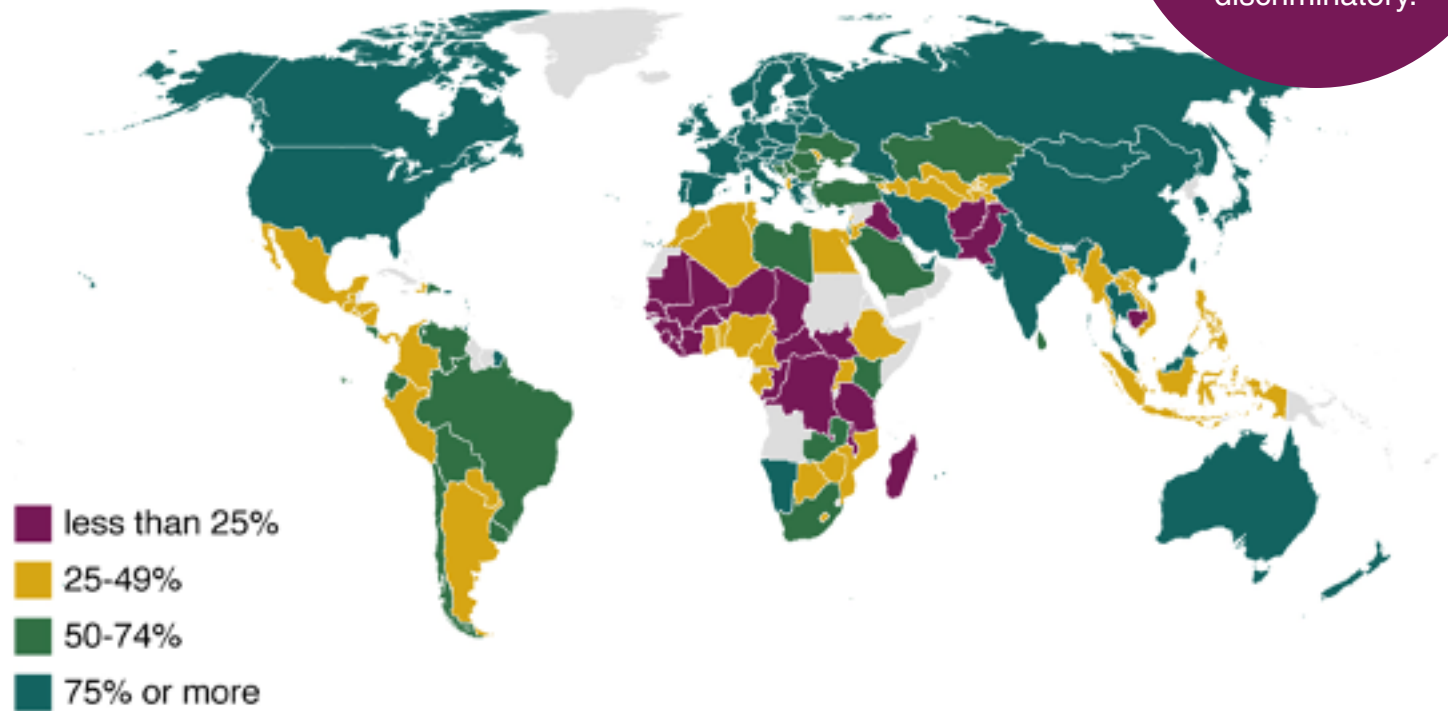
\$1 billion

The reserve Facebook said it wanted to raise before launching its planned digital currency, libra.

The inclusive future / The elitist future

Many fintech startups in emerging economies pitch their platforms as tools of financial inclusion for the unbanked and underbanked. But in wealthy countries, there is concern that cutting out cash altogether will hurt that same population. Distrust of financial institutions, immigration status, and prohibitive fees at traditional banks are just a few factors that push some to rely on cash.

Share of population aged 15+ with a bank account



Multiple US cities have pursued bans on cashless stores, saying they are discriminatory.

Quartz | qz.com | Data: Global Findex

Cash still pays

Consumers' desire to abandon cash and adopt digital payments will likely remain the biggest barrier to a cashless economy. Even in places where technology is advanced and regulation is well-developed, consumers still choose to use cash. In Germany, for example, cash is used for nearly three-quarters of transactions. That's likely because cash still has a few undeniable advantages for consumers:

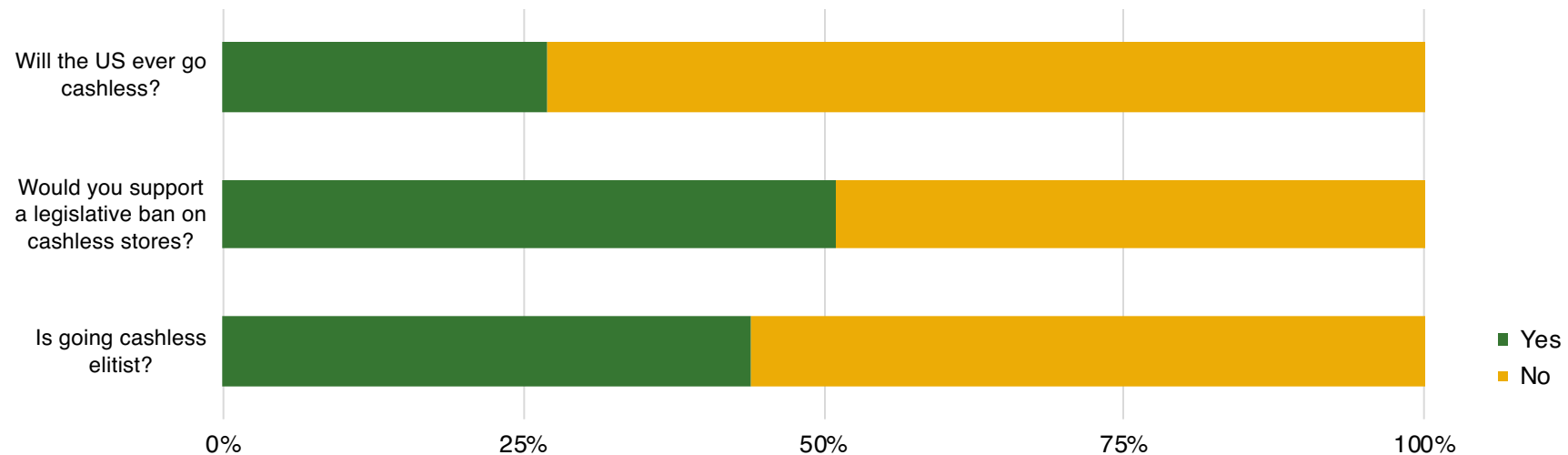
- **Privacy.** Cash is as close as it comes to being untraceable. Of course, this is an advantage for people engaging in illegal transactions, but privacy can matter to anyone. The prospect of an app or collection of apps knowing your every move is unappealing to some, and the possibility of hackers getting that information is even scarier.
- **Guaranteed access.** As long as you don't lose your cash, you're guaranteed to be able to use it. No tech malfunctions or dead smartphones can stop you from spending.
- **Restraint.** There is evidence to suggest it's harder to hand over physical money than swipe plastic or scan a phone. Many people use cash for budgeting purposes.

Cashless or less cash?

Cashless payments are undoubtedly on the rise, and for good reason. For all its strengths, paper money still has significant drawbacks—it can be lost easily, is difficult to convert into global currencies, and fuels illegal transactions and tax evasion. But a totally cashless future is unlikely, and perhaps undesirable. A large percentage of the world still relies on cash, and cashless solutions that fully include that population have yet to emerge. But if the future cannot or should not be cashless, can it simply have less cash? Reducing cash circulation—especially large bills—can combat illicit use of cash while still providing consumers with flexibility for their everyday transactions.

US small business owners' views on getting rid of cash

Based on survey of businesses that work with Square.



Want to know more? Read Quartz coverage of cash and payments from John Detrixhe, who contributed to this presentation.

- [Fintech has finally cracked the US banking sector](#) – For more on how fintech is taking over banking.
- [Apple Pay is on pace to account for 10% of all global card transactions](#) – And more on how Big Tech (and Apple in particular) is taking over fintech.
- [Cashless payments are growing faster in India than just about anywhere else](#) – If you're curious about an emerging leader in the transition away from cash.
- [Banning cashless stores in New York won't fix the city's deeper problem](#) – If you want one take on the debate over banning cashless stores.

You'll also enjoy our member-exclusive field guide, [The future of cash](#), and our Obsession, [The future of finance](#).

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