

# Washington embraces cash-free living—but at what cost?

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Washington's bus operator is exploring the cash-free concept as a means of slashing passenger boarding times

As the US capital traded stifling summer heat for cool autumn breezes, signs began appearing at bus stops, asking Washington commuters: what

do you think about buses going cash-free?

Salad lunch spot Sweetgreen doesn't take greenbacks. Neither do certain vendors at Nationals Park like Ben's Chili Bowl, a local eatery popular with baseball fans.

Slowly, DC businesses are ditching paper money for plastic, embracing a trend gaining traction nationwide.

"I'm all for the cash-free system" on buses, Rogers Ferguson, a 52-year-old Washington native and Navy veteran, told AFP.

"I do a lot of travelling abroad so I'm very acclimated to not carrying cash."

The 2018 World Payments Report, released this month by consultancy Capgemini and banking giant BNP Paribas, indicates a global cash-free boom.

In 2015-2016, 483 billion transactions were cashless. That number is expected to rise at a 13 percent compound annual rate through 2021, according to the report.

Though the United States has often been a laggard in terms of payments innovations, businesses in Washington are adopting the cash-free model.

Bus operator WMATA told AFP it is exploring the concept for efficiency reasons: accepting cash can waste lots of time when customers are boarding.

But cost and security are also key factors, says James Angel, a professor at Georgetown University's McDonough School of Business.

Cash is "expensive to transport, you've got to count it, you've got to worry about it disappearing and you also have to worry about the safety of your employees," he explained.



Signs around Washington asked commuters: what do you think about buses going cash-free?

## 'Kind of wrong'

There is no federal law forcing businesses to accept cash. Some states such as Massachusetts have statutes on the books, but they do not appear to be widely enforced.

But while businesses can reap the benefits of ditching real dollars, is there a hidden cost for consumers?

"There's no free lunch here," Angel says.

Of course, consumers absorb the literal expenses, such as processing fees and technology infrastructure. Angel also warns of ethical considerations about leaving people behind in a cash-free world.

Tony Boomer, a 33-year-old laborer in the capital, says he is wary of cash-free businesses due to security concerns, and argues that some people just like paying in cash.

"It's kind of wrong," Boomer told AFP. "It's like you're separating the people that don't have credit cards."

## **The 'underbanked'**

In a country of more than 325 million people, 13 million Americans don't have a bank account, according to Federal Reserve figures.

Another 18 percent are what is known as "underbanked"—meaning they have an account, but still use alternative financial services such as check cashers and money orders.

In Washington, that translates to 37,000 unbanked and 72,000 underbanked households, officials say—meaning a whole segment of the population could be cut out of the new retail economy.



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"Unfortunately a lot of the unbanked are primarily poor people, or people of color," says Stephen Taylor, commissioner of Washington's city Department of Insurance, Securities and Banking.

A lack of education, distrust of institutions and high banking fees all play a role, explains Taylor, who manages Bank on DC, a program connecting financial institutions and underserved communities.

Ferguson says a cash-free Washington could leave behind longtime residents who are senior citizens, as well as young teens and people who struggle to set budgets.

"Folks don't really know how to manage money," argued Ferguson, the father of a 13-year-old son.

"The businesses who don't accept cash really hinder their lifestyle because they can't manage it unless they physically see it."

## **Bumps in the road**

Joseph Leitmann-Santa Cruz, an associate director at financial education non-profit Capital Area Asset Builders, said he doubts cash-free businesses deliberately exclude certain consumers.

But he notes: "Those policies are pretty much saying, 'If you are low-income and don't have a bank account or credit card, then we don't want your business.'"

For Land of Kush, a vegan soul food restaurant in nearby Baltimore, going cash-free proved a mistake for that exact reason.

Earlier this year, owners Naijha Wright-Brown and her husband Gregory Brown won \$10,000 in a "Cashless Challenge" set by VISA.

They were motivated to enter and pledge to go cash-free after an armed robbery last Thanksgiving.





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But the experiment barely lasted a week.

"We're a black business, so we serve a diverse customer base... including people who just don't have bank accounts," Wright-Brown explained.

"So there was a population that was very upset with this and we couldn't really afford to lose that third of transactions that we get."

## Getting people into banks

In Washington, several city council members in June introduced a bill seeking to require retail food establishments to accept cash.

But for Taylor, the solution is not putting a stop to cash-free.

"Say you force them to take cash—that doesn't solve the problem of the unbanked," he said.

"The best thing that we can actually do is really work hard to redouble our efforts ... and actually get people into [bank accounts](#)."

Angel suggests extending cashless payment options, such as mobile transfer systems, to the unbanked could work—if the US, where chip-and-pin card payments only recently became the norm, can get up to speed.

"Other countries have managed to do it—places like China, places like Sweden. Other places have figured it out," Angel said.

"But our country is really backwards in payments."

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