

# The end of cash

## Why when and how to flick the switch

Global non-cash payment volumes reached **482.6 bn in 2016** and are expected to grow at a **compounded annual growth rate of 12.7%** from 2016 to 2021.<sup>1</sup> Will the mainstreaming of digital transactions and the rise of digital currencies lead to the dawn of a cashless society? The end of cash could bring many benefits, but issues remain around global infrastructure, digital identity, and exclusion.

An infographic by



## 01 Why

### Safety and profitability

Physical money stands at a greater risk of being counterfeited or used as a means for corruption. **Digital payments are increasingly fast and safe**, and give banks and payment processors greater insights into their customers' lifestyle. This should lead to more accurate and competitive product offerings for banking clients.

**87m**

people used Apple's iPhone mobile wallet worldwide in 2018<sup>2</sup>

### Policy efficiency and law enforcement

Cash circulating in the black economy is not taxed or monitored. For central banks, **digital money could mean more insight into how money flows through the economy**, with early warning signs possibly helping monetary policy function more efficiently. The question is whether a central bank should compete with banks by offering full e-money accounts or simply remain an electronic store of value.

**US\$800bn to US\$2trn**

is laundered globally every year supporting crime, human trafficking and terrorism<sup>3</sup>

### Financial inclusion

Unbanked, cash-dependent people have no access to the banking credit necessary to improve their lives or businesses. The development of **mobile money operators and payment fintechs have boosted transactions and remittances in emerging economies**, where the number of bank accounts and credit cards remains low.

**1.7bn**

unbanked people worldwide<sup>4</sup>

## 02 When

### Tackling cash dependency

At 16%, Latin America has the highest cash dependency relative to its GDP, but **the payment landscape is evolving thanks to financial inclusion efforts and new fintech initiatives**. In Africa, mobile money operators (MMOs) are widespread but problems remain about fragmentation and interoperability. Surprisingly, several Western European economies, such as Germany, still rely heavily on cash.

According to The European Central Bank, household cash payments were **€1.7trn in 2016, against €1.1trn for cards**<sup>5</sup>

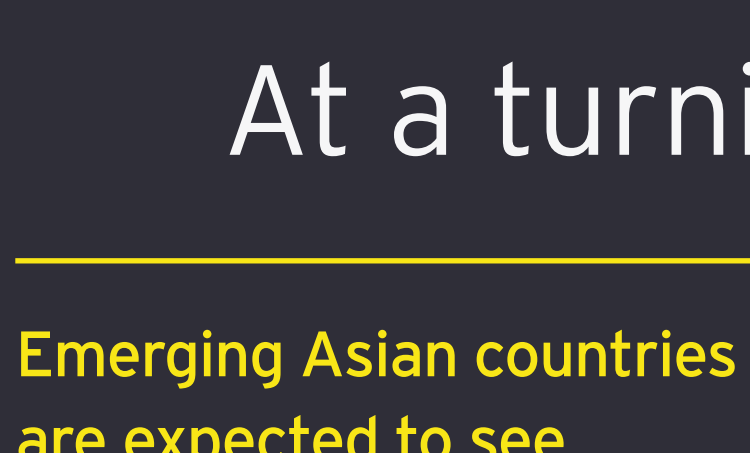


Global cash in circulation relative to GDP increased<sup>6</sup>



While the US topped global non-cash transaction volumes in 2016 with 148bn, **China is predicted to take the lead by 2021**.<sup>7</sup> In North America, cash is still used for more than half of small-value (<\$25) transactions and business payments rely heavily on checks. Only 53.5% of card transactions used modern EMV chip and pin authentication in 2018. Further to the Indian government's 2016 demonetization programme, non-cash transactions grew by 32% and mobile wallet payments by 75% that year.

Emerging Asian countries are expected to see **non-cash transactions grow by nearly 29% between 2016 and 2021**<sup>8</sup>



In South Korea, a government initiative to reduce coin circulation has resulted in the lowest use of cash worldwide (14% of transactions). Sweden is also slowly going cashless, but the withdrawal of cash from bank branches has led to widespread political debate about its **risk to rural, older and disabled populations**.

**Electronic payments make up 80% of transactions in Sweden**<sup>9</sup>



## 03 How

### Developing secure digital IDs

The need for a safely stored, recognizable identity has led some governments to provide universal digital IDs, such as Singapore's MyInfo or India's Aadhaar. In other countries, **identities can be verified by sourcing information from the private and public sectors**. In April 2019, the Web Payment Security Interest Group was launched to work on enhancing the security and interoperability of online payments.

**1.2bn**

people in India have an electronic Aadhaar identity<sup>10</sup>

### Connecting infrastructure

Mobile money operators are working on new systems which **replace inefficient one-to-one connections to banks with one-to-many**. Card networks are investing in domestic automated clearinghouse (ACH) but a worldwide account-to-account ACH will take many years to build. Crypto-currencies are global by essence, but few locations accept them as payment, and their appeal may wane as volatility persists and regulators crack down on their anonymous feature.

**33m**

people across 10 countries used Vodafone's M-Pesa in 2018<sup>11</sup>

### Educating stakeholders

Transitioning to a cashless society will require **tact, time and, most importantly, education**. Regulators will need to consider the people's aging populations and the requirements of low-value transaction businesses in their strategy, which should include suitable payment options for the digitally excluded. Targeted educational campaigns could brief stakeholders on the advantages of switching to digital transactions and on how to keep their personal information safe.

Some French town halls pay

**€1,500**

per month to retain ATMs, even though few people use them<sup>12</sup>

[ey.com/endofcash](http://ey.com/endofcash)

1 <https://worldpaymentsreport.com/resources/world-payments-report-2018/>  
2 <https://www.paymentscardsandmobile.com/mobile-wallet-global-usage-statistic/>  
3 <https://www.unodc.org/unodc/en/money-laundering/globalization.html>  
4 <https://www.worldbank.org/en/news/press-release/2018/04/19/financial-inclusion-on-the-rise-but-gaps-remain-global-findex-database-shows>  
5 <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op201.en.pdf>  
6 <https://www.g4scashreport.com/>  
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8 <https://worldpaymentsreport.com/non-cash-payments-volume/#breaking-down-the-numbers-forecast-growth-rates-by-region-2016-2021>  
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12 <https://casshessentials.org/news/will-french-towns-pay-for-their-atms/>

