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Tom Ivory, the founder of the Baker Street Bread Co. in Philadelphia's Chestnut Hill section, fought a valiant effort for years to rein in bank fees by imposing a minimum credit card purchase of \$10. But more customers wanted to go cashless, and Ivory eventually relented and accepted plastic for any transaction, no matter how small.

About 78% of the purchases at the cafe and store are now paid through credit cards or other electronic transfer — up from 10% just five years ago.

“You have to keep up with technology,” Ivory said. “To operate as just a cash business today is a suicide mission. You’re just not going to succeed.”

The coronavirus pandemic has accelerated the trend toward a cashless economy, financial experts say, buoyed by the growth of e-commerce and the fear of handling

paper money contaminated with COVID-19. During the lock down, when Baker

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consumer-driven trend and expects it will continue as the nation adapts to living with the pandemic. About 27% of business owners reported an increase in contactless payments in late March, according to a survey by the Electronic Transactions Association, a payment technology trade group, and the Strawhecker Group, a consulting firm for the payments industry.

“It’s clear that the ‘new normal’ for businesses of all sizes is defined in part by a shift in consumer preference for e-commerce and contactless payments, which can help limit consumer exposure and promote social distancing during the pandemic,” Jodie Kelley, the chief executive of the Electronics Transactions Association, said in a statement. The ETA represents more than 500 payment and technology companies.

But not everyone is sanguine about the rise of electronic payments, which include not only credit and debit cards, but non-bank financial services and mobile apps such as PayPal or Venmo, which allow users to exchange funds directly with other individuals.

Ivory is wistful about Baker Street’s growing dependence on the modern electronic banking system, which collects about 3.4% in bank fees on every credit card transaction, a significant expense for a small business. The electronic transactions provide the bakery with some convenience and security, but in Ivory’s view, they mostly generate profits for the banking sector.

“Big Finance is the key driver moving us to a cashless society,” he said. “You’ll notice banks have been slowly closing branches and ATMs and they’re doing so in an effort to nudge us more toward their digital platforms. This saves them labor, it saves them a lot of real estate costs, and it improves their bottom line.”

The banking industry has provided a powerful incentive for customers to use credit cards that reward them with cash-back bonuses or loyalty points. That means the

retail price markup that merchants charge to recover the bank fees is borne unequally

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The champions of paper money say the demise of cash is exaggerated. They say currency is trusted, secure, and private, and remains the payment medium of choice for much of the world's population, including many participants in the informal economy with limited access to financial institutions.

Philadelphia last year pumped the brakes on the cashless juggernaut when it became the first major U.S. city to force merchants and restaurants to accept cash after some stores moved to accept only cards or mobile payments. Advocates said the cashless stores would exclude low-income customers who do not carry bank cards.

The volume of physical cash in circulation in the United States actually increased early in the pandemic crisis, when financial markets crashed and some panicked depositors withdrew large sums of currency, clearing several banks out of \$100 bills.

But cash withdrawals from ATMs plunged by as much as 90% in tourist destinations such as Spain, according to the ATM Industry Association, the trade group for equipment manufacturers and processes. Many ATMs in such shuttered locations as stores or casinos were simply cut off from customers because of the lock down.

"April was the nadir when transactions were at their lowest and public fear was at its highest," Michael Lee, chief executive of the ATM Industry Association, said in an e-mail. "By May, we were seeing increases in ATM transaction levels and we expect them to get back close to pre-COVID levels, on average, when the pandemic is over."

Although the number of ATM transactions declined, the average amount of cash withdrawn at each transaction increased, said Dominic C. Canuso, chief financial officer of WSFS Financial Corp., the parent company of WSFS Bank, which operates about 600 ATMs in the region.

"The total dollars that were being withdrawn was actually flat, if not up," said Canuso, who oversees the Wilmington bank's Cash Connect business, the nation's

second-largest provider of ATM cash management services for more than 31,000

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and is not coincidental with cash going away,” said Canuso. “Cash continues to be a significant portion of the economy.”

Although there may be a place for cash for some years to come, its declining market share as a payment medium seems unrelenting, propelled by a younger generation that is more comfortable carrying no currency and paying for everything with digital wallets on their smart phones or watches.

Consumers of all ages used cash in 26% of transactions in 2018, down from 30% the previous year, according to an annual survey published by Federal Reserve System’s Cash Product Office. The decline was even more pronounced among Americans aged 35 to 44, whose use of cash dropped from 32% to 19% between 2016 and 2018.

Even the Pennsylvania Turnpike, which had planned to convert to all-electronic tolling by the end of 2021, accelerated the switch to a cashless system amid the coronavirus lock down and announced June 2 immediate plans to lay off toll collectors. Travelers without an E-ZPass, identified by license-plate numbers, are sent an invoice by mail.

Casinos, one of the last bulwarks of the cash economy, last month launched a campaign to persuade regulators to allow digital payments on the casino floor. The Nevada Gaming Commission approved rule changes that clear the way for wider use of cashless wagering, and the American Gaming Association, an industry trade group, issued a list of priorities for gaming regulators to modernize payment systems.

Penn National Gaming Inc., which operates 41 gambling properties in 19 states and is headquartered near Reading, said it wants to test phone-based cashless systems in two Pennsylvania casinos and two satellite casinos it plans to open next year. The change would require approval of the Pennsylvania Gaming Control Board.

“The casino industry has been behind frankly in its adopting new technology,

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But the industry believes that privacy concerns about using a mobile payment system would not deter many gamblers because about 65% to 70% of wagers are already tracked on cards that allow customers to earn points in a casino's loyalty program. Most customers are comfortable with casinos tracking their activity.

The adoption of electronic payment systems may also help casinos appeal to a younger audience. “It can lead to greater visitation and revenues because you can cater to different generations of casino customers or people that normally wouldn't come in because they don't want to have to deal with cash,” he said.

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