Is cash an endangered species?

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After the fifth robbery at gunpoint of Park Cafe & Coffee Bar in a few months, owner David Hart decided something had to change. He was trying to keep his young coffee shop afloat in one of the few economically thriving Baltimore neighborhoods, Bolton Hill. It was a welcoming café, with delicious espressos, minimalist white counters, exposed brick walls, and a restored garage door that opened onto a porch on the street. The proximity to the street created an easy getaway for thieves.

Primarily worried about the safety of his employees, Hart switched to cash-free transactions earlier this year. The move, and arrest of a repeat robber, ended the string of robberies. The café stayed busy, but Hart was conflicted about his decision.

He didn't want to exclude from his shop people without bank accounts or cards, like the children at the school across the street who sometimes came in with cash only to have a barista gently turn them away. Hart addressed this issue on a person-to-person basis, figuring out gift cards or reimbursing the fee for a credit gift card at a drug store. (Hart decided in July to close the Park Cafe for "personal reasons." The cafe, he said, was doing well business-wise but he told Baltimore station 11 News that the series of robberies in recent months "rejiggered my priorities.")

Like Hart, the world is moving away from cash, and for some of the same reasons he abandoned it. Removing cash reduces theft and violent crimes. Cash is expensive to produce, maintain, transport, and secure, and it's often the lifeblood for illicit transactions like government corruption, sex trafficking, and drug deals.

But some people without extra financial margins rely on cash, and it is unlikely to disappear completely (see sidebar on negative interest rates). A laborer earning only a few dollars a day might not have enough income to open a bank account. Those living on day-to-day expenses might not have the ability to wait for a check to clear, so they go to a payday lender or check cashing place to make their payments in time. And in some cultures, people don't trust financial institutions—banks might have a history of being discriminatory or unreliable.

The ubiquitous fruit vendors on the street corners in New York City conduct only cash transactions, mainly because their transactions are so small (five bananas for one dollar!) that the hassle of electronic payment isn't worth it. Small-business owners can't always pay the swipe fees associated with cards or mobile payments.

But the trend away from cash is happening rapidly. In November 2016, India eliminated its large denominations of currency in an effort to move its economy away from cash. Just in the last few years Nigeria, Kenya, and China have begun to rely more and more on mobile electronic payments. Sweetgreen, a booming salad restaurant chain in the United States, recently decided it would no longer accept cash.

China now has 770 million users on 4G networks, according to government data. Mobile payments on apps like WeChat and Alipay are increasingly common there, and the strong mobile infrastructure enables those even in rural areas to make payments without cash.

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Kenya–until recently a highly un-banked country–has similarly seen success with Vodafone's M-Pesa system, where users can make payments using their mobile phones. M-Pesa transactions now add up to almost half of the country's GDP, and it is expanding to other countries.

Christian community development experts think the move away from cash is a good trend overall. HOPE International, a Christian financial services group, began its savings and loan groups in Ukraine 20 years ago and recently began disbursing all of its Ukraine loans electronically. Dave Wasik, vice president of operations for HOPE, said it's cost prohibitive to offer small cash loans (like $50) in rural areas—a loan officer can't travel out and meet with clients. Mobile technology will allow them to reach places they haven't before.

The key, development experts say, is how countries go about the move to digital financing. A top-down edict to eliminate cash, as happened in India, will create more problems than an organic move away from cash as electronic infrastructure improves for everyone. "The risk for poor families is … where merchants adopt cashless policies, or the government mandates the limitation of the use of cash before the poor families have the ability to participate in the mobile economy," said Wasik.

HOPE uses curriculum from the Chalmers Center, a Christian community development group, for its savings and loan programs. Mark Bowers, the curriculum specialist at the Chalmers Center, understands what India is trying to do from "a mechanical perspective," but he said "there's a human side of it."

"Everyone's just going to get banked all the sudden in a month?" said Bowers, about India's sudden move away from cash. "It's unrealistic and really does punish people on the lower end of the spectrum."

The Indian farming sector, which tends to rely on cash, felt the shift painfully. After the Indian government's ban on larger denominations last fall, the head of a farmers' federation, K.V. Illengeeran, reported dozens of suicides because farmers couldn't withdraw money. One farmer, Kandukuri Vinoda, thought her cash savings in those denominations were now worthless and hung herself. Another, Madhukar Bahale, waited hours in line at a bank to withdraw money to pay his workers, but the bank had run out of cash by the time he got to the counter. That night he died of a stroke, which the son blamed on his father's stress over the government's policy. U.S. Awasthi, managing director of the Indian Farmers Fertilizer Cooperative, said farmers would benefit from the policy "in the long run."

In Nigeria, cash used to be king. Bank transfers used to take several days, so people paid all their bills in cash, even if that meant walking around with plastic bags filled with it. The cash-based economy also helped hide extensive government corruption. In February, a raid of a building owned by a former government official in Kaduna, Nigeria, uncovered a safe filled with $9.8 million in cash. The official, Andrew Yakubu, told investigators the money was a gift from unnamed sources.

The move to electronic transactions was happening organically in Nigeria, as mobile infrastructure improved and people used their phones for purchases. But in 2012, the central bank hastened this trend by charging a percentage fee for large cash withdrawals in certain areas of the country, part of an effort to crack down on corruption.

Now there are other infrastructure improvements: Nigerian bank transfers don't take more than 24 hours, and mobile payments can happen instantly with a good network connection. A customer asks the seller for his account number (the transaction requires trust) and then plugs in a code from her bank into her phone to transfer directly to the seller, and the seller immediately gets confirmation. The transaction has no fees unless the seller uses a different bank from the buyer, in which case a transaction costs about 16 cents.

At a supermarket on the bustling outskirts of Abuja, the capital, about half the customers typically use credit or debit cards to pay, according to cashier Mohammed Abdul. That's much higher than in past years. The store only began using an electronic payment system in 2012.

"It saves time and it's much safer than carrying cash," explained Abdul, as he restocked items on the shelves.

In central Abuja, clothing boutique Jaytees caters to the working class. The cashier Winifred Amaechi said almost no one pays with cash anymore. "Nobody wants to carry cash around," said Amaechi.

Moving away from cash does decrease crime. In the late 1990s Missouri slowly switched all of its welfare payments from checks to EBT cards. Criminologists found a 9.8 percent decrease in crime in Missouri attributed to that switch, according to a 2014 study by the National Bureau of Economic Research. Carriers of EBT cards can generally use them at any bank or for most transactions, like a debit card. Most states now use EBT cards for welfare payments.

Those who tend to carry cash after payday, like Hispanic immigrants in the United States, are often targets of crime. Bowers has noticed this in his largely Hispanic neighborhood in Chattanooga. Illegal immigrants are also unlikely to report crimes against them for fear of questioning about their immigration status.

In the United States, Christian financial advisers like Dave Ramsey have often counseled people to use cash as a way to avoid overspending and credit card fees. But Bowers said that means you must "live in a safe community where you aren't going to get mugged. … The reality for a lot of people is they don't have a choice." Ramsey Solutions declined to comment.

Neither Chalmers nor HOPE sees electronic transactions as an ultimate solution to black markets or government corruption or poverty. The internet has encrypted marketplaces where illicit transactions happen electronically (like the drug market Silk Road that the FBI shut down in 2013), often using state-less currency like bitcoin.

The concern for HOPE's Wasik is that as HOPE clients move to digital transactions, they might lose motivation to attend face-to-face savings group meetings, a critical part of the group's work. Christian community development groups often focus on in-person savings and loan group meetings where clients build trust and engage in gospel-based financial training together. The Chalmers Center too evaluates success based on savings groups: where people learn to work together, pray together, be honest, and escape vulnerability.

"We don't just want people to move from being poor to middle class," said Bowers. "The ultimate goal is people seeing their money as part of God's work in this world, … that reconciled communities of hope are forming as a part of local churches."

—*with reporting by Onize Ohikere in Abuja, Nigeria*

Cash and freedom

In 2015, the Bank of England's chief economist, Andy Haldane, gave a controversial speech in which he suggested switching from cash to an entirely digital currency. Haldane sees this as a way for central banks like his to impose negative interest rates, a radical fiscal policy that is not easily feasible when cash exists. The Cato Institute's Daniel Mitchell, like other free-market economists, has decried the "war on cash" as an effort from central governments to have greater control over people.

When central bankers set the interest rate below zero, investors generally pay for money in a deposit, rather than earning money on a deposit. The idea is to push people to spend money instead of holding it in a bank account. Cash allows people a way to escape a negative rate, which is why negative rates are rare. Central banks in Sweden and Denmark recently resorted to negative interest rates, but they are among the few.

"In a system without cash, we can basically set negative interest rates without any problems at all," said the Swedish central bank Riksbank in a 2015 report. But the report acknowledged that it didn't know how to get rid of cash.

For now, talk of negative interest rates is mostly theoretical. As Haldane admitted, economists like him face a "significant behavioral constraint," meaning regular people don't want to get rid of cash. The places that have experimented with it, like Sweden, are seeing some concerning results. The danger for consumers in Sweden is that, as they begin to experience the effect of negative interest rates, they might take on more debt. So a bank might pay a mortgage holder interest on a mortgage. When rates rise, consumers might find that debt difficult to repay. Sweden now has one of the highest ratios of debt to disposable income in the world. —*E.B.*