


## The rise of the cashless city: 'There is this real danger of exclusion'

Cities from Sweden to India are pushing for a totally cash-free society. But as more shops and transport networks insist on electronic payments, where does this leave the smallest traders and poorest inhabitants?

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**S**crolling through my online bank statements at Christmas, I was surprised to find I had not removed cash from an ATM for well over four months. Thanks to the ubiquity of electronic payment systems, it has become increasingly easy to glide around London to a chorus of approving bleeps.

As more shops and transport networks adapt to contactless card and touch-and-go mobile technology, many major cities around the world are in the process of relegating cash to second-class status. Some London shops and cafes are now, like the capital's buses, simply refusing to handle notes or coins.

Could we see a whole city go cash-free? From Seoul to Bergamo, cities big and small are at the forefront of a global drive to go digital. Many of us are happy to tap cards or phones to hop on a bus, buy a coffee or pay for groceries, but it raises the prospect of a time we no longer carry any cash at all.

No spare change for the busker at the station, the person sleeping rough in need of a hot drink, the market trader, the donation box. Although even on-street charity fundraisers are now broaching the world of contactless payments, what might the rise of the cashless city mean for street vendors, small merchants and the poorest inhabitants?

Some experts now fear a two-tier urban realm in which those on the lowest incomes become disconnected from mainstream commercial life by their dependence on traditional forms of currency.

“The beauty of cash is that it’s a direct and simple transaction between all kinds of different people, no matter how rich or poor,” explains financial writer Dominic Frisby. “If you begin to insist on cashlessness, it does put pressure on you to be banked and signed up to financial system, and many of the poorest are likely to remain outside of that system. So there is this real danger of exclusion.”

Ajay Banga, Mastercard’s CEO, has spoken about the growing global risk of “creating islands, where the unbanked transact

[only] with each other”.

In India, the question of how the poorest might connect with the digitised world of the middle-class consumer is now of central importance. In November, the prime minister Narendra Modi announced the removal of 500 and 1000 rupee notes from circulation. Part of a wider attempt to jolt the nation into joining the cashless revolution, Modi’s government believes restricting currency and pushing the take-up of electronic payment will help tackle corruption and regulate India’s untaxed, “black” economy.

‘It has become increasingly easy to glide around London to a chorus of approving bleeps.’

Photograph: Bloomberg/Getty Images

Saurabh Shukla, the Delhi-based editor in chief at NewsMobile Asia, says he has seen many small “mom and pop” store owners introduce card readers and learn how to use Paytm, a mobile payment platform, over the past two months.

“They realise a big change is here and they are trying to adjust to electronic payment,” he explains. “But they still want to convert back to cash at the end of the working day or the working week. It will be a gradual adjustment. We might not be able to create a completely cashless India, but we can aim to create a low cash economy.”

Modi is encouraging state government to create “smart” cities by connecting their public services with the latest online technology. Officials are aiming to make the Chandigarh - famously designed by modernist architect Le Corbusier - India’s first cashless city by insisting all bills are paid electronically at government offices. And the government of Goa is attempting to turn its capital Panjim cash-free by offering discounts in digitally bought services like train tickets, and by setting up classrooms to teach small traders e-payment technology.

Yet huge queues remain outside banks as many Indians continue to demand cash. Some of the poorest street vendors cannot afford card readers, and have struggled to operate Paytm payment transfers on their mobile phones.

Aires Rodrigues, a human rights lawyer in Goa, says traders in Panjim are suffering. Rickshaw drivers and fish market sellers have been left with no way of accepting payment from middle-class customers now inclined to do everything digitally. “It’s senseless to try to make everyone go cashless,” says Rodrigues. “The government seems to have lost sight of the plight of the common man.”

If India’s urbanites are being forced to undergo digital shock therapy, city dwellers in much of Europe have been moving steadily away from cash. Consumers like convenience. Governments like the idea of tax transparency. And retailers like cutting down on the costs of cash handling.

People queue to withdraw cash at a bank in Lucknow, India, after prime minister Narendra Modi announced the elimination of the 500 and 1,000 rupee bills. Photograph: Pawan Kumar/Reuters

According to a recent report by Fung Global Retail & Technology, nine of the top 15 “most digital-ready” countries are in

Europe. It predicts Sweden could become the world's first completely cashless society. Niklas Arvidsson at Stockholm's KTH Royal Institute of Technology thinks it could happen by 2030.

Yet even Sweden has seen an enthusiasm gap emerge, mostly along demographic lines. Older people in the rural north, tending to be the least tech-savvy, resent the economic power of Stockholm and Gothenburg, now almost entirely cash-free urban zones. The National Pensioners Organisation is a key player in the "Cash Uprising" coalition now campaigning to make sure older Swedes can still deposit and remove cash from banks.

Wealth, however, remains the key factor in determining who might be entirely left behind by the evolving digital economy. Some of the poorest people in Europe's richest cities have found themselves pushed aside.

In Amsterdam, homeless people selling street magazine Z!, the Dutch equivalent of The Big Issue, now struggle to find customers still using cash. Z! trialled card payments by giving a dozen of the city's vendors iZettle readers back in 2013, but the method was deemed too cumbersome.

"After a few weeks, our vendors said, 'Look, this is too complicated'," says editor Hans van Daltsen. "It became too clunky and time-consuming for the vendor to juggle their magazines, the card reader and their own mobile phone connected to Bluetooth - all that stuff was needed to carry out the transaction."

Van Daltsen says he is now talking to a major telecoms company to try to find a simpler way for homeless vendors to accept payment using only their mobile phones, perhaps with help of unique QR code on their ID badge.

The M-Pesa banking service in Kenya allows people without bank accounts to transfer funds using mobile phones. Photograph: Bloomberg/Getty Images

"Like Scandinavia, we are close to being cashless in Amsterdam," he says. "I'm an optimist, but we really need bright people in the tech companies to come up with simple, convenient solutions that work for everyone. We cannot let people become cut off from the life of the city"

Like many of the world's poorest people, much of Amsterdam's homeless population remain without a bank account. So even if they own a mobile phone, most fall back to cash.

Kenya may offer a guiding light here, having found a way to allow unbanked citizens access into the cashless society using cheap mobiles. Launched in 2007, M-Pesa has become the world's leading mobile money platform, allowing millions of users to transfer money to each other by sending text messages and store their funds digitally without opening a conventional bank account.

In Zimbabwe, last year's cash liquidity crisis led to renewed distrust in the banks and helped mobile money platforms take off as an alternative way of doing business, first in the capital city Harare, then in rural areas. The country's most popular text-based service EcoCash now has more than six million users.

"There has been a huge explosion in cashless payments, down to the very poorest street traders using mobile money solutions," says Nigel Gambanga, a Harare-based technology analyst. "Everyone has begun to realise, 'If I don't figure this out, I might not be in business tomorrow? People are adaptable."

Dave Birch, director of innovation at UK firm Consult Hyperion, thinks it would be foolish to insist on clinging on to cash on behalf of the poor. "If you keep people trapped in a cash economy, you leave them to pay higher prices for everything, you leave them struggling to access credit, and more vulnerable to theft," he says.

"We're going to replace cash with electronic platforms," Birch adds. "I don't think poverty or being unbanked is necessarily a barrier, because everyone has a phone. Given the technology we have, we can develop new ways of moving digital cash around, even on the most basic of phones."

The challenge for banks, regulators, tech innovators and officials keen to push forward "smart city" initiatives, is to make sure evolving platforms are accessible and keep everyone interconnected.

If we cannot find a common payment ecosystem, we may find ourselves wandering through divided cities, separated by the sound of beeps and the shuffling of cold, hard cash.

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