



Making Change

Payments, Politics, and Perspectives



Introduction

Business owners and consumers across America are caught in a fast-changing payments landscape that's evolved well beyond the traditional lens of cash versus card.

Depending on where you live, the concept of “cashless” is either a heated debate, the wave of the future, or a term you’ve never heard of. New Square data shows American consumers have grown less reliant on cash in the last four years, and the trend is spreading from coastal coffee shops to rural restaurants. Yet according to business owners across the country, it seems unlikely we’re casting cash aside any time soon.

In this report, we share Square data on the current state of payments, new research into small business owners’ thoughts about going cashless, and divided opinions on whether government should regulate the register.

Report Highlights:

- 10% of Square sellers across the U.S. are “cashless.”
- Consumers at Square businesses paid with cash for only 37% of transactions under \$20 in 2019.
- 83% of U.S. small business owners say they will never stop accepting cash.
- 2 in 3 small business owners say their customers would react negatively if they went to a cashless business model.
- 56% of small business owners agree that the decision to go cashless is simply strategic.

Table of Contents

A Cashless Society?	3
Payments	7
Perspectives	14
Politics	24
Conclusion	31
Methodology	32



A Cashless Society?

As more and more consumers use credit cards and mobile payment technology—and more businesses accept them—there's increasing chatter about America's future as a cashless society.

Sweden is the global poster child for a cashless society. For years, we've read story after story about the country hurling itself toward a future sans cash. Now about half of the country's retailers predict that they will stop accepting bills by 2025, according to [*The New York Times*](#). Thirteen percent of Swedes reported using cash for a recent purchase, according to a [nationwide survey](#) in 2018, down from around 40% in 2010.

In comparison, a study by the [Pew Research Center](#) found that 70% of Americans still use cash on a weekly basis. The U.S. isn't going totally cashless any time soon.

Businesses Take the Plunge and Cause Concern

Still, there are plenty of businesses that are experimenting with the idea of forgoing cash. Most visibly, Amazon tested cashless stores. So has Starbucks. Even your local lunch spot or favorite food truck may have stopped taking cash recently.

Businesses stop accepting cash in favor of card and digital payments (or never start) for a multitude of reasons—the [safety and security](#) of their employees, the need to speed up register lines, or a desire to reduce time and effort spent to count, sort, and deposit cash. Not mention the cost to secure cash is high: In the U.S., retail businesses lose about \$40 billion annually due to the theft of cash, according to [Harvard Business Review](#).

“To take cash, you need extra security cameras; you have to purchase a safe; deal with more spreadsheets and reporting; determine when to get rolls of pennies, quarters, and dimes; set up a courier for large cash deposits. The general risk of having cash on the premises — for safety reasons — it all makes me want to be cashless,” said Laura Leester, the owner of Pieces, a bar and restaurant in St. Louis, MO.

(Of course, taking credit cards and mobile payments comes with its own costs, such as processing fees, hardware costs, and costs associated with compliance and security.)

But as more businesses consider going cashless, many worry that an economy without cash is an economy that doesn't allow for equal participation. Those without a bank account, or who have an account but still use financial services outside the banking system, would be excluded from cash-free establishments.

Large Businesses Lean into (and out of) Cashless

A number of large businesses have made national news by opting out of cash, while others have gone back to it.

Union Square Hospitality Group

In June 2018, Union Square Hospitality CEO Danny Meyer [announced](#) that the brand would stop accepting cash at its locations.

“In the old days, the controversy was that restaurants only took cash and wouldn’t let you use your credit card because they didn’t want to pay the fee,” he said. “And so the irony is that now restaurants are willing to pay more of a credit card fee, often for the safety of their staff. It is a very dangerous thing to have cash around a restaurant. That’s been the primary [motive for us](#).”

Sweetgreen

In 2016, the salad chain announced a [switch to cashless](#) payments in an effort to provide a safer, more efficient experience for its staff and customers. Three years later, in April 2019, the company reversed its policy.

“Ultimately, we have realized that while being cashless has advantages, today, it is not the right solution to fulfill our mission. To accomplish our mission, everyone in the community needs to have access to real food,” the company wrote in a [blog post](#).



Mercedes Benz Stadium

In March 2019, the home of the Atlanta Falcons announced its [transition](#) to a fully cashless operation, lowering transaction times, wait times, and concession [prices](#) for fans. Customers without a credit or debit card can load money onto a prepaid debit card using kiosks (“reverse ATMs”) stationed around the stadium. Leftover money can be used outside of the stadium, anywhere debit and credit cards are accepted.

Amazon

Amazon’s convenience brick-and-mortar locations, Amazon Go, were touted as the cashierless stores of the future. After testing locations in three different cities, Amazon altered its business model in early 2019 to [accept cash](#) at every location, at the request of customers.

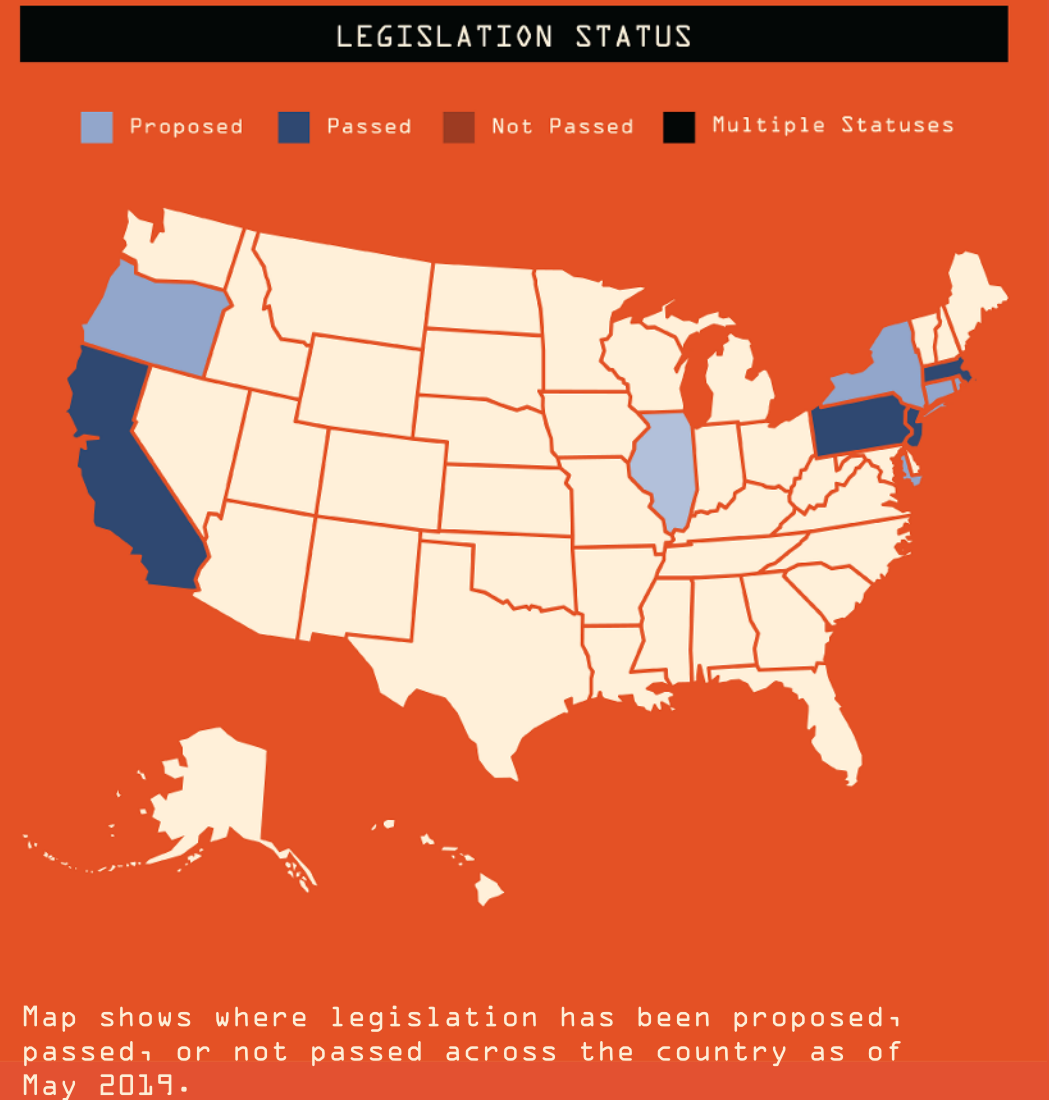
Cashless Bans Spring Up Across the Country

Over the last year, various cashless-business bans have spread from New Jersey to Washington, D.C., to San Francisco, with fines that range from \$500 to \$5,000 for small business owners who don't comply. Local legislation is evolving each month. Now businesses in New Jersey and Massachusetts, and the cities of San Francisco and Philadelphia, must accept cash.

On a federal level, [two bills have been introduced](#) to Congress that aim to ensure that consumers can pay with cash for goods and services bought in physical retail stores.

Federal, state, and local legislation has divided business owners almost down the middle, according to our own research.

"I would say that the legislation being proposed right now is a temporary Band-Aid as opposed to a turning point," said Professor Shelle Santana of Harvard Business School. "It's in response to the concern of having some people crowded out of the marketplace... It's not good for society if 25% of consumers are marginalized and not able to consume. But the answer isn't necessarily legislation that says you have to accept cash. The answer is legislation plus these other, more structural changes that allow more people to participate in different ways in the economy."





Meet the Professor

Shelle Santana, an assistant professor of business administration at Harvard Business School, researches behavioral pricing and how consumers respond to prices in the marketplace as well as the psychology of money (how consumers perceive, spend, and save money in all its different forms across society).

We partnered with Professor Santana to contextualize our data.

“Oftentimes, people refer to [Sweden](#) as the most cashless place on earth, although there are many Asian markets that are equally as cashless. Their credit transactions are roughly around 85 to 90% of all transactions. When you compare that to the U.S., we are moving closer to that as a benchmark and as a standard, but we aren’t where Sweden is just yet,” she said. “So when you look at the underlying data and the distribution of how people tend to pay, relative to, say, 2015, in 2018, fewer people were using cash solely as their means of transactions, and more people were using credit and debit cards as their primary means of transactions.”

Professor Santana added, “I’m not sure that we are ever going to converge on zero cash being circulated in the economy but in terms of getting to maybe 50% or 60% or 70%, we are already there in a number of markets around the country, as you guys all know. But I would say it’s probably another five to seven years before we see sort of a large structural shift in the economy toward a cashless society.”

PAYMENTS

Is the “Cashless Society” All Hype?

While only 10% of Square sellers across the U.S. are currently cashless, we are seeing a significant decrease in consumers choosing cash as their preferred payment method in the last four years.

“It used to be that credit cards were for emergencies, big-ticket items, or big spending, then as the credit card companies pushed consumers into thinking about using it for everyday spending, it lifted the stigma of using a credit card for a small-dollar purchase,” said Professor Santana.

Consumers paid with cash for 46% of transactions under \$20 in 2015, according to Square data. In 2019, consumers paid with cash for only 37% of transactions under \$20. That's a 9% decrease in the number of people nationwide using cash at Square businesses.

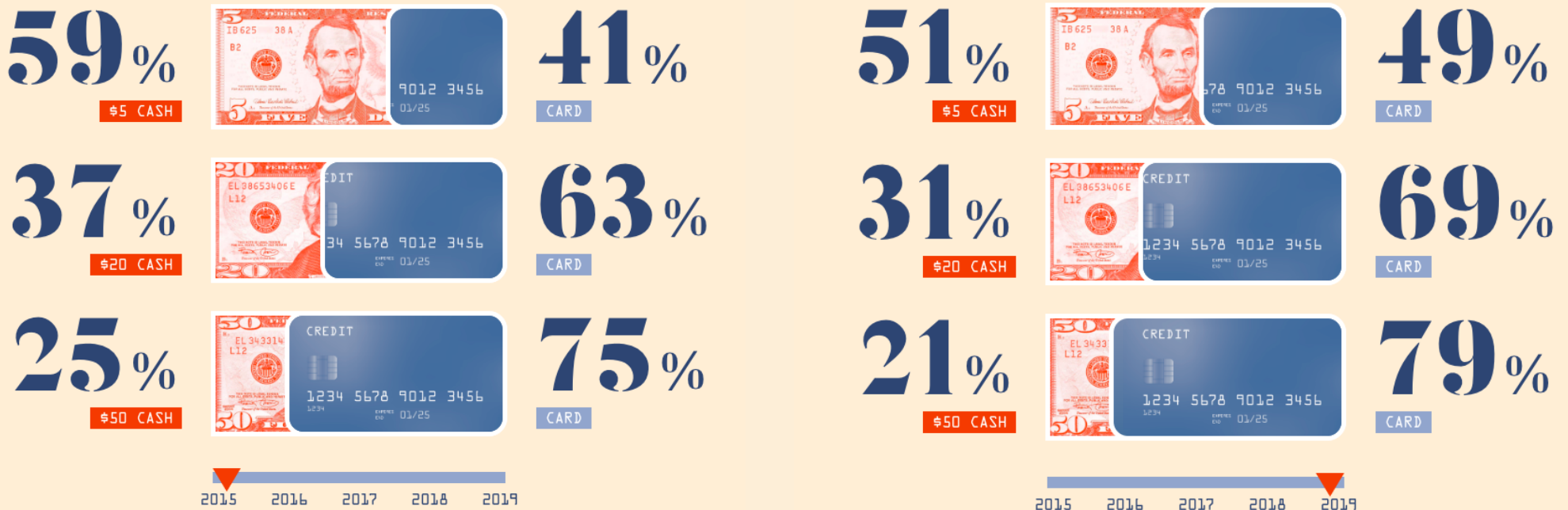


The New Norm: Plastic over Paper

Consumers are using cards for increasingly smaller purchases, with the dollar value at which consumers prefer paying with a card to cash dropping dramatically since 2015.

In 2015, half of consumers used their credit card for a transaction as low as \$8. Just four years later, in 2019, the transaction size has been cut nearly in half. Now half of consumers use their credit card for as little as a \$4.50 purchase.

The biggest shift in behavior, the point at which consumers now reach for their cards more and more, is happening with transactions between \$10 and \$20. In the past four years, we've seen a nearly 10% increase in credit card usage for transactions within that range.



Graphics show the change in cash and card usage from 2015 to 2019 when consumers are paying for \$5, \$10, and \$20 transactions.



After noticing 80% of his transactions were made with a card, Travas Clifton, owner of ModCup Coffee Co. in Jersey City, NJ, decided to shift his business to cashless. But New Jersey's cashless ban in April has forced him to start accepting cash.

Cashless Is No Longer Just an Urban Trend

Gone are the days when mobile wallets and cashless businesses only appeared in urban, coastal environments. The payments trend that started in tech-friendly cities has slowly made its way to suburbs and rural areas across the U.S.

In the last four years, the transaction amount at which consumers prefer their cards to cash dropped from \$8 to \$5.50 outside of the top 25 metropolitan markets, according to Square data. The decline isn't quite as steep inside the top 25 metros; the transaction amount at which consumers used their cards only dropped from \$5 to \$4 over those four years.

"What this says to me is two things," said Professor Santana. "The trend is consistent whether you're in a top market or a secondary market. The trend is in the same direction in both of those markets. And there's just a time lag that is occurring. Right now those next 25 markets are basically where the top 25 markets were three to five years ago. So I can see, if the data holds, if this trend holds, there's a wave occurring that will move across the country."

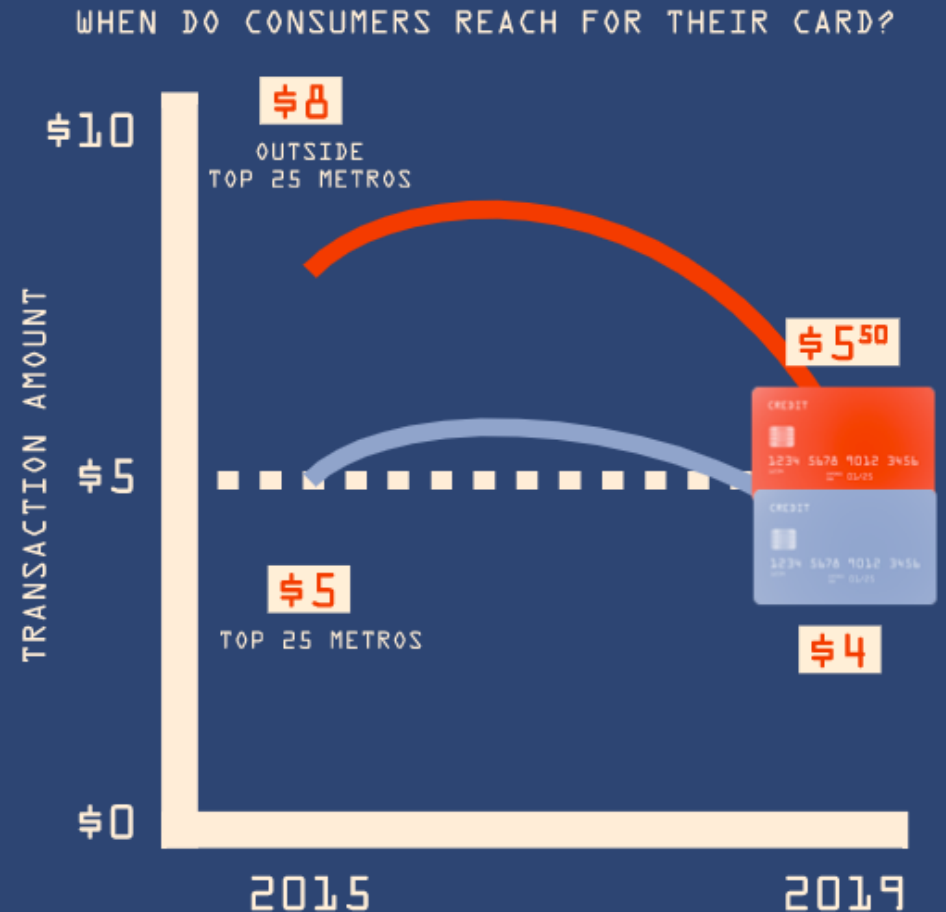


Chart at which point consumers switch from cash to card in 2015 and 2019, both within and without the top 25 metropolitan markets.

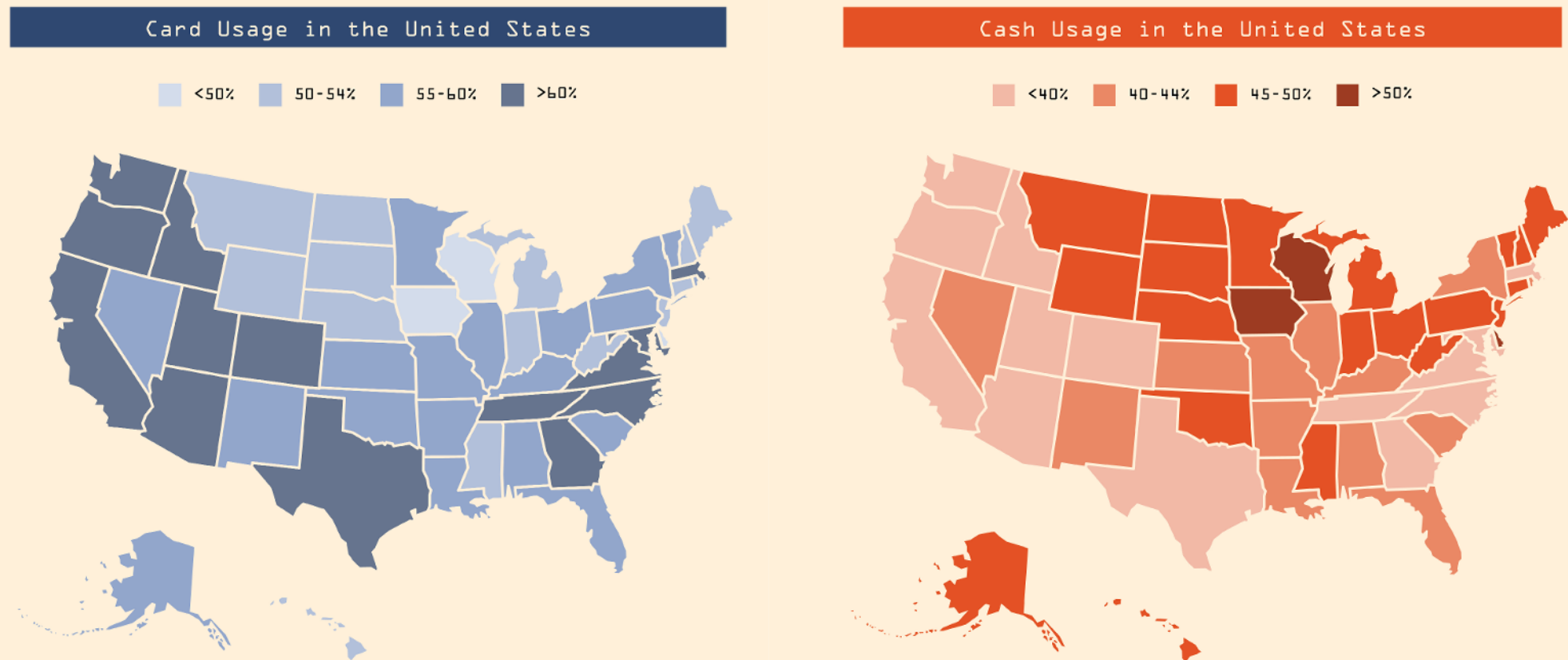


Laura Leester, owner of board game bar and restaurant Pieces in St. Louis, MO, launched her business with a cashless payment model, but ultimately switched to accepting cash after backlash from frustrated customers.

State by State: Where Card Is King or Cash Still Reigns

We looked at Square transactions across the U.S. to gauge which states still rely heavily on cash, and which favor card payments. Utah, Virginia, Colorado, Washington, and California are the states that favor credit cards transactions; At least 66% of transactions used a credit card in these states. Wisconsin, Delaware, Iowa, West Virginia, and Hawaii rely more on cash than any other states.

While states that favor credit cards see quite a big discrepancy between cash and card payments (67% card versus 33% cash in Utah), cash reliant states like Wisconsin see a much more even split between payments types (52% cash versus 48% card).



Maps show the percentage of credit card transactions by state (left) and percentage of cash transactions by state (right).



Candice Cox, who owns CanDid Art Accessories in Oakland, CA, says while 95% of her sales are on credit cards, most of her senior customers still prefer paying with cash, and she will always accept it for her handmade jewelry.

Talking Tender with America's Business Owners

From Kenosha, WI, to Kappa, HI, no two businesses are exactly alike, nor are their perspectives on what type of payment is best to accept at their business. We spoke with small business owners across the country to uncover their thoughts, concerns, and frustrations with a changing payments landscape. Each business owner's preferred payment method is tied to unique motivators: business efficiency, safety, technology, and appeal to both digital and traditional consumers.

We also wanted to better understand how small business owners across the U.S. feel about recent legislation in New Jersey, Philadelphia, and San Francisco that bans cashless businesses. Would they support something similar in their own hometown?

Overall, business owners are divided on the fine line between making autonomous decisions and protecting consumers.





In that forward-looking, sci-fi world, I do think that society is going to go cashless. It seems safer, or more convenient, or whatever. But I don't want to head that way before I have to, because cash is free."

ANNI
Small Town Coffee
Kapa, HI



When you look at what is happening in the marketplace, business owners shouldn't fight the inevitable. They should embrace the change, because it's only going to help them grow their business... I think our smart phone transaction rate tripled last year...and even though it's a small percentage, it shows that the consumer is deciding how they want to do business. We shouldn't fight that."

GARY
Keva Juice
Reno, NV



We have never heard of the idea of a cashless society, period. Maybe that might be something my six-year-old son will have to think about when he is running a business, but I don't think it is something I am going to see in Wisconsin in my lifetime."

KELLY
Elsie Mae's Pies and Cannery
Kenosha, WI



I think it's overreach personally. I think it's rather un-American that you can tell a small business how they have to accept payment for their goods."

TRAVAS
ModCup Coffee
Jersey City, NJ



I don't think it's fair for someone to not be able to purchase something because they don't have a bank account. When I think of the elder generation, some of them do have bank accounts but they prefer to pay with cash. So I feel like that should be the way it is—if you want to pay in cash, pay in cash. If you want to pay in credit, pay in credit."

CANDICE
CandidArt Accessories
Oakland, CA



We'll go where customers want to go. If they want to use cash or a credit card or some new payment system—like if bitcoin really catches on—then we will accept it—because it is a means to an end for us."

NICHOLAS
Foster Coffee
Flint, MI



“When I opened my business there were so many balls rolling and things in play that I didn’t really reflect on how I could be isolating a group of people in my community by not accepting cash. So as a responsible business owner and an individual who wants to share my goods and services with all socioeconomic levels, I felt it was my duty to start accepting cash.”

LAURA
Pieces
St. Louis, MO



“We are surrounded by legislative nonsense for small businesses—it seems we get hit most with legislative changes. The government has no business telling us how to take payments—I mean, what’s next, we have to barter? If we want to do tax returns someone comes in and trades us a few chickens—that has to be the law?”

CARLOS
Lopex Tax Service
Salinas, CA



“Austin is already a place that has implemented a lot of cashless systems, and it’s a really, tech-friendly city, so it’s kind of natural for that to be here and if something were to disrupt that it would cause some issues. I actually had no idea there has been legislation to ban cashless places—that just sounds crazy to me.”

MONIQUE
ATX Eats and Treats
Austin, TX



Anni Caporuscio, owner of Small Town Coffee Co., estimates that shifting to a cashless business model in her town of Kappa, HI, would leave behind roughly half of her customers. She can't fathom making such a drastic decision. Caporuscio says most of her fellow business owners in Kappa take that same approach.

Going Cashless Is the Exception, Not the Norm

Eighty-three percent of small business owners across the U.S. say they will never stop accepting cash, according to new third-party research of 1,000 small business owners across the U.S., conducted by Wakefield Research and commissioned by Square.

The majority of small business owners are skeptical of a cashless future, with 73% of small business owners saying that America will never go fully cashless. Why? Customer satisfaction: Two out of three small business owners say their customers would react negatively if they went to a cashless business model.

These numbers are consistent across geographies (cities, suburbs, and rural areas) as well as age groups, with only baby boomer business owners (54–72 years old) trending slightly higher toward expecting a negative customer reaction.

(Only five percent of Square sellers say they plan to go cashless in the next five years, citing business efficiency and avoiding risks like employee theft.)

Some business owners view being cash-only as a part of their legacy.

“We’ve had this restaurant for 54 years, since 1966. We’re cash-only because we haven’t changed anything in this place. We aren’t trying to keep up with the whole internet and millennial thing. We’re trying to keep it where it’s at,” said Fadi Shawa, owner of Sam’s Pizza and Burgers, San Francisco, CA.



2 out of 3 business owners say they will
never become cashless.



Sam's Pizza and Burgers in San Francisco, CA, has been a cash-only establishment since 1966. Owner Fadi Shawa has no plans to change, despite being inundated by tech-friendly consumers.

Is Going Cashless Elitist?

While the majority of small business owners support accepting cash, they also support their fellow business owners' decision to do what's best for their unique business—with the majority of small business owners agreeing that the decision to go cashless is a strategic one rather than elitist.

For Kelly Kim, cofounder and executive chef at Yellow Fever in Los Angeles, CA, going cashless was an easy decision. In 2013 she received 40% of payments in cash, which dropped to fewer than 20% by 2015. Once her bank started charging for cash deposits, it put the nail in the cash coffin.

“From a practical standpoint as a business owner, not having cash simplifies my life 100%. All three of our locations are cashless. Different communities are more sensitive to it than others. At two of our locations, it's a non-event. But at the third, we have a number of customers who are not happy. And it goes both ways. We also have people say, ‘That's so smart.’ But for the vast majority of customers, they simply don't care,” said Kelly.

Age and Gender Denotes Cash(less) Preferences

A business owner's age significantly influences whether they are more likely to consider cash critical or obsolete. Millennial business owners (21%) are twice as likely as baby boomer business owners (9%) to plan to go cashless in the next two years.

Male and female business owners both consider going cashless, but for different reasons. Female business owners are more likely than men to consider going cashless to increase time efficiency. Male business owners are more likely than women to consider going cashless to eliminate risks to employee safety.

56%

STRATEGIC

44%

ELITIST



Gary Thomas, owner of Keva Juice in Reno, NV, believes that cash will one day be obsolete. But for now, he's meeting his customers on their terms.



Kelly (not pictured), the owner of Elsie Mae's Cannery and Pies in Kenosha, WI, says most of her customers are heavily reliant on cash and often surprised that she accepts credit cards at all. She believes that the U.S. will never be a fully cashless society.



POLITICS

The Cashless (R)evolution

From New York to San Francisco, the cashless conversation is controversial, particularly when it comes to unbanked or underbanked (those without a bank account, or who have an account but still use financial services outside the banking system) individuals who may be excluded from cash-free establishments.

“As we progress through this cashless evolution, I think we need to consider how it impacts two distinct groups: people who get left out, meaning they want to be cashless but are unable to due to lack of access to credit cards and mainstream financial institutions, and the segment of people who simply opt out—meaning they simply prefer to use cash for whatever reason. How do we ensure we account for each group,” said Professor Santana.

According to the 2017 FDIC National Survey of Unbanked and Underbanked Households, 6.5% of Americans are unbanked and 18.7% are underbanked. In short, this means they would be excluded from a cashless society, since they rely heavily on cash, either by choice or force.



Nicholas Pidek, owner of Foster Coffee in Flint, MI, wants to best serve his socioeconomically diverse community, and that means accepting any kind of payment that comes across the counter. He believes Michigan is far away from embracing a cashless economy.



Meet the Council Member

In early 2019, NYC Council Member Ritchie Torres, who represents the Central Bronx, formally introduced legislation that would require every restaurant and retail establishment in New York City to accept cash.

According to the FDIC, nearly 8.4 million U.S. households do not have a bank account, presumably relying on cash for daily purchases. In New York City, 25% of residents are underbanked; in the Bronx, that number rises to 30%.

As Council Member Torres sees it, “Even if a cashless business model appears to be neutral on paper, it has a real-world exclusionary effect.”

“The strongest argument for a ban on cashless business is consumer choice. I am not advocating the elimination of credit or debit. I am suggesting that credit or debit should be one option among many, not the sole option. Consumers should have the power to choose their preferred method of payment,” said Torres.

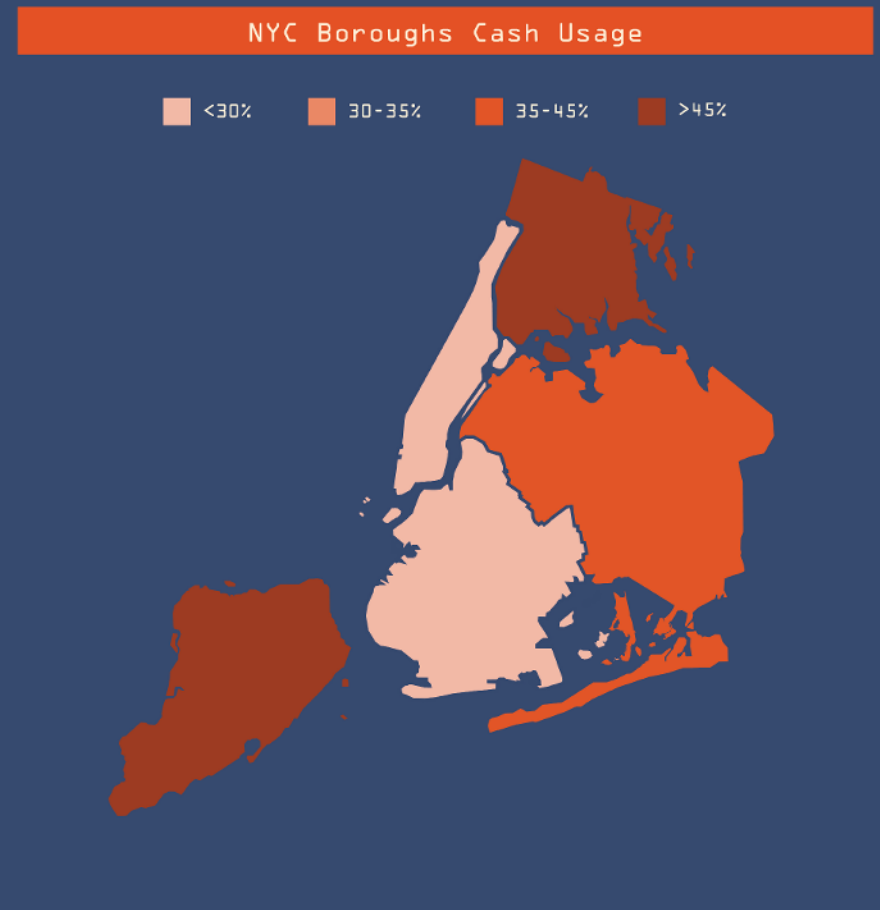
A Tale of Five Boroughs

We took a closer look at how income level, based on U.S. Census data, correlates with cash and card usage at Square businesses across five New York City boroughs, where proposed legislation to protect the underbanked is being debated.

New York City transaction data reveals a correlation between median household income and reliance on cash. For the most part, lower median income translates to increased cash usage. The one outlier? Staten Island. This is the only borough that bucks the trend, which we attribute to the unique geography (isolated from the rest of New York) and demographic makeup (slightly older median age) of the borough.

When we shared this data with NYC Council Member Ritchie Torres, he said it highlights the extreme disparity that exists amongst New Yorkers.

“I guarantee if we had neighborhood-level data on each of these boroughs, the disparities would be even more striking. Even in Manhattan, where the median income is \$142,000, a quarter of the residents there continue to use cash. In the Bronx, 48% use cash but that’s in the aggregate. If you were to view neighborhood-level data in a neighborhood like Fordham or Belmont or Monthaven, I would suspect you have an overwhelming majority who continue to use cash,” said Council Member Torres. “There continue to be deeply entrenched barriers to accessing debit and credit. And the trend toward a cashless business model is racing ahead of most consumers in New York City.”



Map examines percentage of transactions where cash is used across NYC boroughs.

Local Regulation Leaves (Small) Business Divided

According to new third-party data by Wakefield Research, commissioned by Square, small business owners across the country are split on the idea of local leaders banning cashless businesses.

Fifty-one percent of small business owners would support a regulatory requirement that they accept cash, and 49% would oppose it.

The research also revealed that small business owners on the West Coast are the most likely region to oppose government regulation, whereas more business owners in the Northeast would approve of the legislation, compared to the rest of the country.

Hispanic business owners were also 10% more likely to approve of the legislation compared to non-Hispanic business owners. And urban business owners were 12% more likely to approve the legislation, compared to those in the suburbs.

51%

SUPPORT
LEGISLATION

49%

OPPOSE
LEGISLATION



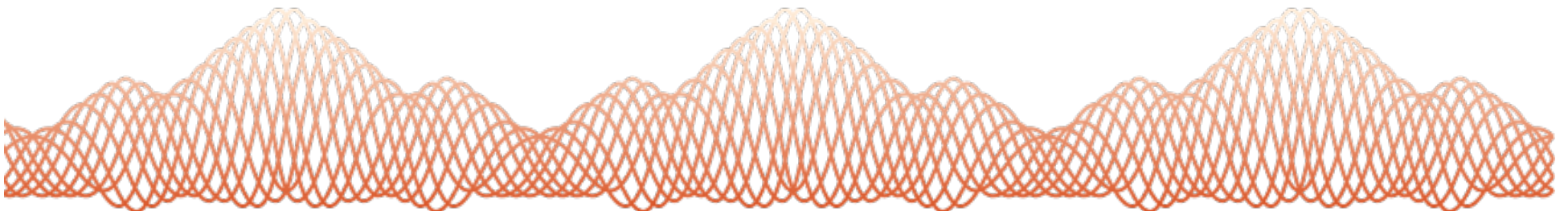
Carlos Lopez, who owns Lopez Tax Service in Salinas, CA, says it's important that he continue to collect cash for the 40% of his customers who are classified as low income and prefer to pay with cash.

Conclusion

As the company that made it easy to accept credit cards, one would think Square would be the loudest advocate for a cashless economy. We're not.

The first integration we ever launched for our point of sale was connectivity with a physical cash drawer, because we want business owners to be able to accept whatever form of payment comes across the counter. A Square seller should never miss a sale, which is why we've made it easy for sellers to accept cards, swipes, chips, taps, mobile payments, and, yes, cash.

We learned a lot in our exploration of how business owners view the changing payments landscape, and one thing stood out above all: Today, a decade after Square started, cash is still an integral part of a small business owner's income, and an overwhelming majority of small business owners will continue to accept cash, despite the fact that fewer customers are using it.



Methodology

The data for this analysis includes millions of transactions from January 2014 to March 2019 from nearly 100,000 Square sellers across the U.S. who have accepted a minimum threshold of cash and card payments. We supplemented Square transaction data with self-reported survey data from a random sample of 2,400 sellers in March 2019.

In addition to Square seller metrics, Square commissioned a survey in March 2019 of 1,000 U.S. small business owners (excluding franchise owners), conducted by Wakefield Research. Quotas have been set for ~80% urban respondents. The small business owners surveyed represent a payment-processor-agnostic cohort, not limited to Square.

About Square

Square has all the tools you need to start, run, and grow a business, whether you're selling in person, online, or both. And we've made all our tools work together as one system, saving you time, money, and effort. So you can get back to doing the work you love and focusing on whatever's next.

[Learn more](#)



