Will the coronavirus hasten the end of cash?

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In January, New York lawmakers banned merchants from banning cash. Last year, San Francisco mandated that merchants accept cash. They may rue the day.

COVID-19 is hammering vulnerable populations and the economy. It's also making consumers and merchants increasingly leery of transacting in dirty, potentially contaminated cash. On Visa's April 30 earnings call, CEO Al Kelly warned, "Currency is a germ-carrying mechanism." While the coronavirus will be vanquished, diminished cash use will be a lasting legacy of the coronavirus pandemic.

The payments industry has battled cash since the inception of Diners Club in 1950. In 2018, 15.1 percent and 24.6 percent of U.S. consumer payment volume and transactions, respectively, were in cash, excluding mortgage payments. In most countries, cash is still the leading retail-payment system.

To fight the coronavirus, France's storied Louvre museum stopped accepting cash in March. In the United States, Amazon's Whole Foods has started restricting cash payments.

ATM withdrawals in the United Kingdom fell 60 percent in the month that ended April 27. Short-term demand for cash in some markets, however, has surged — not for transacting but as a hedge. In Russia, about 1 trillion rubles ($13.6 billion) was withdrawn from ATMs and bank branches since the beginning of March, more than during 2019.

Fear of COVID-19 will spur greater interest in digital currencies.

Facebook and the Libra Association scaled back ambitious plans announced last year to launch a global digital currency and payment system, which provoked a din of hostility from regulators and politicians. Their rethink will keep Libra’s transaction ledger permissioned, making it less likely bad actors will get access. And Libra stablecoins will be backed by each jurisdiction’s national currency — dollars, pounds, euros, et al., rendering them akin to electronic banknotes. That won’t threaten government monopolies creating money. The coronavirus has created a signal opportunity for the social media giant’s ambitions in payments.

Signature Bank and Chase already have digital dollars for business-to-business payments. Wells Fargo Digital Cash will launch this year. Banks could repurpose their digital dollars to replace physical cash at grocery stores, restaurants and barbershops.

Fear of touching will change the familiar experience of swiping or inserting credit cards and signing to pay for goods and services.

For a quarter of a century, the U.S. payments industry half-heartedly tried to spur contactless payments. In 1996, Mastercard in Manhattan and Visa at the Atlanta Olympics ran pilots. The experience wasn’t compelling for consumers or merchants. Swiping cards was habit and nearly frictionless.

Google Wallet, Apple Pay and Samsung Pay launched in 2011, 2014 and 2015, respectively. Mobile-wallet evangelists enthused they would usher in an era of contactless payments at NFC-enabled merchants. Joe Cardholder and Jose Merchant, however, didn’t bite.

COVID-19 is more persuasive. Cardholders and merchants don’t want physical contact. Banks are rushing to put contactless credit and debit cards in consumers’ leather wallets and purses. Mastercard’s contactless payments increased 40 percent in the first quarter.

Time-honored signatures at the physical point of sale will disappear.

In the lockdown, online retailers such as Amazon are booming. In April, 2020 e-commerce surged to 50 percent of Mastercard’s transaction volume. While vaccinated Americans will return to bars and restaurants, fly to Europe for business and holidays and again take cruises, e-commerce will continue its multidecade trajectory, taking share from in-person commerce.

The COVID-19 pandemic will pass, having put a damper on consumers’ and merchants’ appetites to handle cash and changed the experience of paying face-to-face.

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