

The Value of Cash and ATMs



Summary

ATMs do not just dispense cash; they dispense **value** way beyond that of the banknotes they distribute. These machines play a pivotal role in disaster recovery, poverty alleviation and social protection. ATMs are the unsung heroes of certain social classes and provide the only access to the financial system for certain groups.



In September 2019, the US Automated Teller Machine (ATM) enjoyed its 50th birthday. Two years earlier, its British forerunner, the cash dispenser, did the same. On both occasions, celebrations were surprisingly muted, with the media on both sides of the Atlantic scarcely mentioning this milestone in financial technology. This was, however, a great cause of celebration for all of us that have served in the ATM and cash industry and we gave the ATM its proper merit during many events across all continents.



***THE WORLD'S FIRST ATM WAS UNVEILED
ON JUNE 27, 1967, AT BARCLAYS BANK IN
ENFIELD, NORTH LONDON***

Overall though it was strange that most of the media ignored this important milestone given that the ATM was not just the original 'fintech' solution but also has a social value far beyond that of the cash it dispenses. After all, the arrival of the world's first automated cash dispenser in 1967 changed the way we bank, the way we pay for goods and services, and our relationship with money forever. It transformed our lives by ushering in a post-war world of self-service where consumers had to trust and interface with a machine for the first time. In its way, the ATM was just as disruptive as the introduction of the iPhone.

Why is the ATM Undervalued?

So, why is such an iconic and transformative machine so undervalued? Perhaps it is because of the way it looks? A grey, metallic utilitarianism might ooze solid dependability, but it does not exactly inspire. In a way, it is kind of the Volvo of the payments industry, dependable but not "sexy." Conceivably a great part of the reason may have to do with our evolving attitudes towards cash in an increasingly digital world. With the advent of new payment choices such as mobile and contactless payments, perhaps some see the ATM as a fountainpen in a touchscreen world - the quaint legacy of a bygone era? In certain high-income societies this may be understandable. Where the point-of-sale infrastructure is robust, the electricity supply reliable and security guaranteed, there is a convenience and cost case to be made for going digital.

Cash is Reliable & Always Works

From a first world mentality, it's easy to conclude that cash must be losing its place in the payments mix. However, cash is always kept as a reliable back up, even in so called "first world countries" as all these systems eventually fail, but cash is always ready to be used.

In fact, not only does the [World Bank](#) estimate that nearly one quarter of global GDP (24%) involves cash, but a recent study by the security firm [G4S](#) concluded that cash use in Europe is rising, not falling. The facts are even more startling from the other side of the world. While ATMs may have hit a plateau in growth in the US and Europe (as far as net new deployments), figures from [Retail Banking Research](#), a London-based analytics company, show that ATM growth in the Asia-Pacific region and Latin America is growing by nearly 10-12% per year.

What seems to get lost in the 'fintech' scramble for our digital dollar is that significant sections of society wish to retain the option of paying for goods and services with cash. The 'digiterati' also seem to

SIGNIFICANT SECTIONS OF SOCIETY WISH TO RETAIN THE OPTION OF PAYING FOR GOODS AND SERVICES WITH CASH



Who Uses ATMs?

- *Men use ATMs more often than women*
- *Men get cash from an ATM 4.7 times a month*
- *Women use an ATM 3.8 times per month*
- *Consumers ages 18-34 get cash 5.8 times a month*
- *27% of US consumers use ATMs to pay bills and 28% view statements at the ATM*



THE ATM DOESN'T JUST DISPENSE CASH, IT DISPENSES VALUE. IT HAS A SOCIETAL BENEFIT WAY BEYOND THE FACE VALUE OF THE BANKNOTES IT DISTRIBUTES.

forget that the ATM is itself a core part of the digital revolution and that cash and digital channels are complementary and need to co-exist. In high and low-income societies alike, the ATM is a critical digital channel. For debit-card holders and mobile phone users from Kentucky to Kenya it is not a case of cash or digital, but of cash AND digital.

The ATM Dispenses Value to Society

But it's about more than that. The ATM doesn't just dispense cash, it dispenses **value**. It has a societal benefit way beyond the face value of the banknotes it distributes. And nowhere is this more evident than in the poorer parts of the world or among societies coping with conflict or natural disaster.

The social utility of an ATM in such places is based on a simple fundamental truth: Cash is trusted. It always works and is not reliant on mobile phone networks, a complex payments infrastructure or algorithms.

Remarkably, the ATM also plays a central role in reducing disaster risk by fostering resilience among at-risk populations, accelerating economic recovery in the wake of disaster, promoting social inclusion and alleviating poverty. That such a simple machine can do all this without anyone apparently noticing goes some way to explaining why it is so under appreciated.

THE ATM'S ROLE IN A DISASTER OR CONFLICT

The ATM builds resilience among populations facing imminent disaster in three main ways: In the case of a hurricane or flood it allows people to stock up on low-denomination banknotes prior to the hazard arriving and, in certain cases, buy an insurance policy. Covering the surge in cash demand for three days prior to onset and for up to six months or more following a natural disaster - much longer in times of conflict - is now a key disaster risk mitigation responsibility of Central Banks. Where



Preparing for a Hurricane? Don't Skip the ATM

Cash Always Works

Especially when there is no electricity or wireless communications knocked out by a severe storm

Source: [Life Hacker](#), August 2019

identity documents have been lost, ATMs allow humanitarian cash transfers from aid agencies and remittances from abroad to be cashed out using biometric authentication and without having to pay extortionate foreign exchange fees and intermediary commissions, or run the risk of fraud.

The ATM accelerates economic recovery following a disaster. Cash recycling, deposit-accepting ATMs do this by maintaining liquidity of the money supply - providing assurance to merchants their money is secure and can therefore be used to extend credit and by stimulating local multiplier effects that, according to the [Overseas Development Institute](#), a British think tank, provide up to 2.7 times the purchasing power of other forms of aid disbursement. Recent examples of how ATMs played an integral roll in post-disaster recovery can be found in New Orleans and Puerto Rico after Hurricanes Katrina and Maria decimated each of those communities. ATMs provided the economic engine that allowed the population to have access to cash as all other payment systems failed, which in turn allowed residents to have access to the goods and services they needed to survive.

In terms of social inclusion and cohesion, access to an ATM provides freedom of choice, a sense of dignity, autonomy, and self-worth that the distribution of in-kind donations cannot. Pre-paid debit cards, the preferred channel for humanitarian assistance nowadays, offers the opportunity to seamlessly integrate short-term cash handouts with longer-term social protection mechanisms targeted at the most vulnerable. Having the option to use cash protects beneficiaries from

political interference and provides a measure of confidence that their identity will not be compromised. These political constraints are very real if you are a Syrian refugee in Turkey or a Rohingya Muslim in Myanmar right now.

Furthermore, the ability to access cash via an ATM empowers women by allowing them to take on a role traditionally undertaken by men. ATMs can even provide early warning of disease outbreaks by using the movement of banknotes out of known hot spots as a proxy for predicting the spread of potentially infected people.

THE ATM'S ROLE IN COMBATting POVERTY

The ATM is also playing a pivotal role in the global effort to combat poverty. Across Africa, India, China, Latin America, certain parts of the US and Europe and much of South-East Asia, the ATM is the primary channel for promoting financial inclusion - a strategy for bringing the un-banked and

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COVID-19 is having a devastating impact around the world. A new report by the United Nations says access to cash could help fight the pandemic in developing countries.

UN Says Cash Could Help Fight COVID in Developing Countries

Source: [Temporary Basic Income: Protecting Poor and Vulnerable People in Developing Countries](#)

financially under-served into the formal financial ecosystem. The ATM and the use of cash allows them to play an active role in reducing their vulnerability and exposure to natural hazards through, for example, the purchase of insurance products and the taking out of micro-loans. In the case of loans, the ATM is increasingly acting as a safeguard against the tsunami of indebtedness incurred by gambling and loan apps which make credit easily available over mobile channels.

THE ATM'S ROLE AS AN EDUCATIONAL TOOL

Where ATMs are linked to remote video-tellers or have second screens they can also be used as educational tools. In Kathmandu following Nepal's devastating earthquake in 2015, ATMs were used by the government to explain how to build back better after an earthquake. In India they are used to promote financial literacy by explaining the costs and benefits of a financial product or service.

ATMs in the United States

On September 2, 1969, America's ATM makes its public debut, dispensing cash to customers at Chemical Bank in Rockville Center, New York. ATMs went on to revolutionize the banking industry, eliminating the need to visit a bank to conduct basic financial transactions. By the 1980s, these money machines had become widely popular and handled many of the functions previously performed by human tellers, such as check deposits and money transfers between accounts.

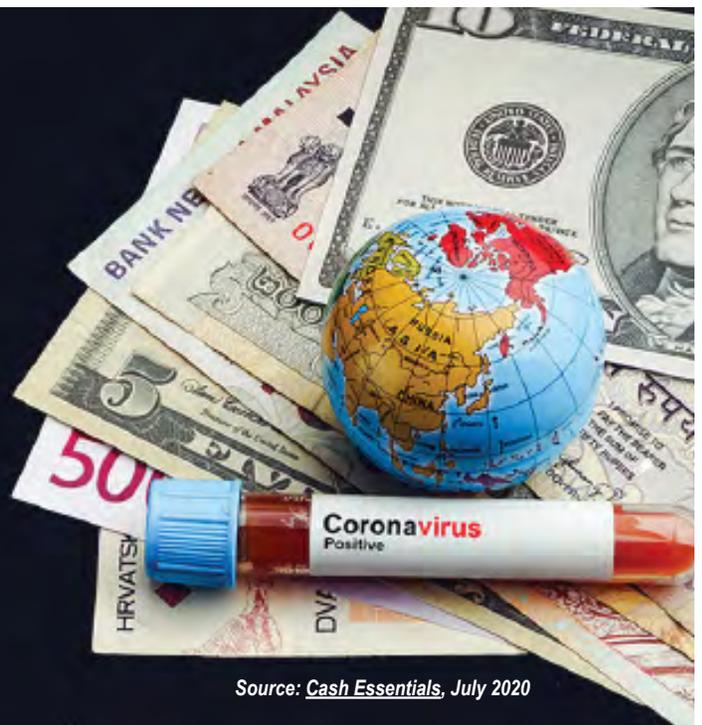
Today, there are approximately 450,000 ATMs throughout the US. Of the total ATMs in the US, 65% are owned and operated by Independent ATM Deployers, who typically install these machines at safe and convenient locations for cardholders to have access to their cash. These ATMs charge the user a fee, commonly known as a "surcharge fee" and are operated for profit. ATMs today are as indispensable to most people as cell phones and e-mail.



TODAY, THERE ARE APPROXIMATELY 450,000 ATMS THROUGHOUT THE US...THEY ARE AS INDISPENSABLE TO MOST PEOPLE AS CELL PHONES AND E-MAIL.

Cash = Comfort during COVID-19

“Just like the period before a natural disaster, there has been a spike in cash withdrawals in the US”



Source: [Cash Essentials](#), July 2020

Impact of COVID on Cash and ATM Usage

As of the writing of this document in July 2020, the worldwide crisis caused by COVID-19 is still evolving. The information that follows is accurate as of that date.

Information regarding the concern about the “safety of cash” has been proven to be false. The theory that cash is a virus carrier have been debunked by organizations such as the [World Health Organization](#) (WHO), the Central Banks in [England](#), [France](#), [Spain](#), [Germany](#), [New Zealand](#), [Australia](#), [South Africa](#), Switzerland, Sweden, [Canada](#) and even the CDC in the US. These esteemed organizations have said in essence that cash does not have any bigger risk of carrying viruses than plastic cards or a cell phone.

False information about the possible lack of safety in using cash was propagated by pundits in alternative payments industries who took the opportunity presented by COVID to [spread false rumors](#) about cash. Given the support of cash as a safe method of payment by all the previously mentioned organizations, we are starting to see less of those rumors being propagated.

Regarding the use of cash as a form of payment, the industry experienced a downturn in April and early May 2020, during the height of the lock-down. However plastic payments took a bigger hit than cash with debit and credit card payments down as much as 90% in late April, when a great number of people were quarantined and some shops were closed.

The reality is that the ATM industry is now experiencing a resurgence in the amount of cash being dispensed. For example, [Paramount](#)'s average daily dispensed amounts, as compared to the same time the previous year, have rebounded and the cash dispense volume is either at-par or even higher in some areas. Because Paramount's ATM base is very diversified with machines installed at a variety of different types of locations such as convenience stores, gas stations, supermarkets, and delis, that never closed, these machines continued to serve consumer cash needs. Even during the height of the pandemic, Paramount served a great number of consumers that received their benefits—either government or unemployment via pre-paid cards—and those consumers always have a need for cash.

The Truth Behind the “Cashless Movement”

Cash is the second oldest form of payment, preceded only by bartering. Over the last few years, we have seen some “cashless” movements that has been promulgated by a small group of people that wish to have cash eliminated as a payment choice.

AS MARK TWAIN ONCE STATED, “THE NEWS OF MY DEATH HAS BEEN GREATLY EXAGGERATED.” CASH SIMILARLY CHUCKLES EVERY TIME SOMEONE FORECASTS ITS DEMISE.

Cash has proven to be the most resilient of payment choices. It is less expensive to process, it is anonymous, it is instant and is accepted everywhere... even at shops that post signage reading “card payments only.” If you try paying for your purchase in cash at a store with a “card payments only” sign in the window, chances are the cashier will look around and accept your payment anyway. It is rather hypocritical, not to mention illegal in many places, to not accept a country's “legal tender.” Many store owners are bowing to political pressure from vociferous groups. Cash is and will remain to be the payment of choice for a huge part of the world's population.

Despite an increase in options by consumers in their forms of payments, cash has remained the most popular form of payment worldwide, preferred by approximately 37% of consumers. That figure greatly increases in certain under-developed countries to approximately 80%. In a recent



Life without Cash? US Consumers Hate the Idea

Over half of mobile users said they 'Hate the Idea of Life without Cash' and 76% said they carry cash, according to a survey by Origin. Almost half (45%) surveyed said there's 'No Reason to Use Mobile Payments.'

Source: Cashless Culture, the Marketer's Guide to the Emerging Cashless Consumer, April 2019

survey, 82% of consumers indicated they want merchants to accept cash. There is a great amount of empirical data to show that cash, regardless of its detractors remains the payment of choice for a great part of the world and ranks second to none in most of the world. This data is readily available through any online research of Central Banks around the world.

According to the Federal Reserve, 6% of Americans are unbanked, meaning they don't have a checking or savings account, and 16% of Americans are underbanked, which means they rely on a variety alternative financial services, such as money orders to pay for goods and services. Unbanked and underbanked consumers are more likely to have lower incomes, less education, or be a member of a racial or ethnic minority group.

Cash represents up to 30% of all transactions and 55% of transactions under \$10. With more than 35 million Americans having lost their jobs in recent months, many could lose access to financial services and be forced to rely on cash for everyday expenses.

While some countries such as India and certain Nordic markets tried to go "cashless," the experiments

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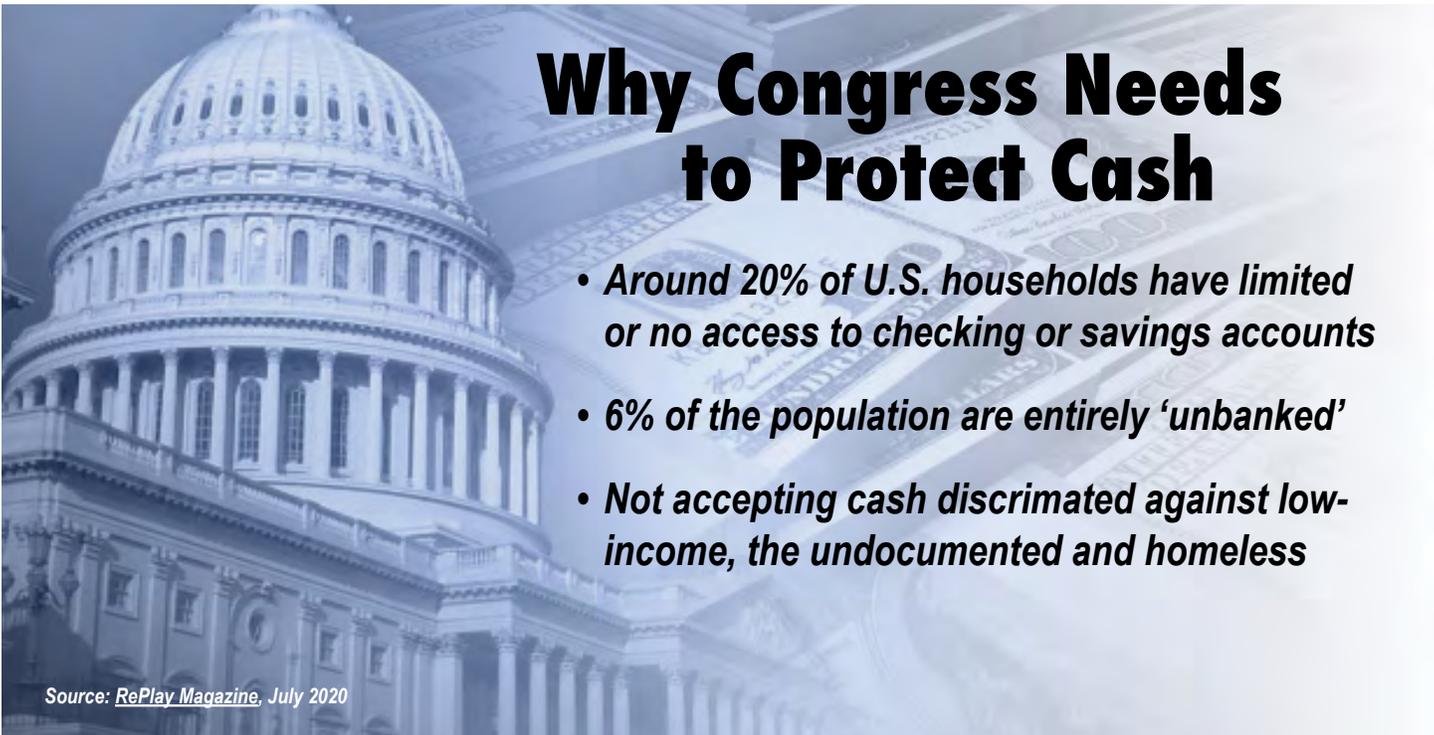
were an epic failure as consumers demanded cash as an option of payment and all such initiatives have quietly disappeared. While there will continue to be an ever growing option of choices for consumers to pay for goods and services, including old fashion bartering, cardless and even crypto currency, there will always be a need for cash to serve certain segments of the population.

IT IS SAFE TO SAY THAT MARK TWAIN AND CASH HAVE A LOT IN COMMON.

In 1995, some “futurist experts” declared checks would soon die, 25 years later, there are two large publicly traded companies in the check printing business and hundreds of other companies in that business that allow you to print checks from home. Case in point, many older consumers still write checks. Around the world, especially in tourism heavy regions, virtually all small retail shops accept cash only. In the US, there is a certain segment of the population that only transacts in cash.

Legislation to Protect Cash Acceptance

U.S. Senators Kevin Cramer (R-ND) and Bob Menendez (D-NJ), Senate Banking Committee members,



Why Congress Needs to Protect Cash

- ***Around 20% of U.S. households have limited or no access to checking or savings accounts***
- ***6% of the population are entirely ‘unbanked’***
- ***Not accepting cash discriminated against low-income, the undocumented and homeless***

Source: [RePlay Magazine](#), July 2020



CASH IS ONE OF THE MOST POPULAR OPTIONS TO PAY FOR GOODS AND SERVICES AROUND THE WORLD.

introduced the “[Payment Choice Act](#)” on July 7, 2020. This bipartisan bill provides customers the freedom to choose how to pay for goods or services by prohibiting businesses from refusing to accept cash, posting signs that cash is not accepted or charging a higher price for using cash.

While many State laws to protect cash acceptance have already been passed in [Massachusetts](#), [New Jersey](#), [New York City](#), [San Francisco](#) and [Philadelphia](#), this Bill aims to prohibit retailers from going cashless at a Federal level.

Key Points about Cash

- Cash is one of the most popular options to pay for goods and services around the world. Cash continues to provide consumers with a convenient, low cost, safe and universally accepted way of paying for virtually any good or service – at any time, under any conditions and is not dependent on any external technology for the payment to be processed.
- Cash provides the only payment alternative for the poor, un-banked and under-banked communities around the world.
- [Cash is safe](#) and the majority of leading Central Banks around the world, including the World Health Organization and the CDC in the US have certified that cash does not represent any higher degree of risk from any other form of payment or even your cellular phone.
- Since 1967, ATMs have provided millions of consumers around the world with a resilient, safe and secure channel to obtain cash from cardholders’ bank accounts or pre-paid government benefits programs

Given the ATM’s social utility in areas such as these, excluding them from the payments mix will only serve to increase disaster risk and deepen poverty.

As long as signs like the ones below are prevalent in retail shops across the world and until other forms of payments become as convenient, safe and widely accepted as cash, its utility as the most preferred form of payment around the world is secured.



REFERENCES

Unless otherwise sourced, references are from the following:

1. [Dispensing Value – The Social Utility of The ATM](#)
2. [Javelin Health of Cash study, February 2020](#)
3. [ATM Industry Association](#)
4. [Cash Essentials](#)

About Paramount Management Group, LLC

A national leader in implementing solutions incorporating technology allowing consumers, retailers and financial institutions to interact with each other, Paramount's services include the placement and operation of ATMs, digital media solutions and meeting consumer needs by providing bill pay, money remittance, gift card dispensing and crypto-currency solutions among other services at the ATM. The company's Sharenet division specializes in providing ATM outsourcing solutions to financial institutions. Visit www.paramountmgp.com to learn more.