



The Pandemic, Cashless Payments & The Unbanked

payments pandemic

Summary: As purchases become largely cashless due to COVID-19, the unbanked suffers. Ways you can help.

Pandemics are not new. There have actually been five in the past 100Ys, the Spanish Flu, Asian Flu (H2N2), Avian Flu (H3N2), H1N1, and now COVID-19. Still, this one has caused a lot of suffering, physically, emotionally, and financially. One group that is especially vulnerable financially is the unbanked.

COVID-19 has encouraged more online purchasing, a catalyst for more cashless payments. Many stores have become cashless too, to keep their employees and customers safe by eliminating currency as a possible transmission source. Yet, the unbanked mainly use currency for purchases and so this shift has limited their purchasing opportunities.

According to the Federal Reserve Board, 6% of US adults were unbanked in 2019. They did not have a checking, savings, or money market account. They were more likely to have low income, lower education attainment, or be in an ethnic minority group. Moreover, many unbanked households do not have home internet access, making it harder to purchase online, according to the Kansas City Federal Reserve.

Unbanked individuals are squeezed by the reduction in cash acceptance at many retailers during this pandemic, brought on by the fear of infection transmission through currency. On March 1st, 8% of US Square sellers were effectively cashless (accepting 95% or greater of transactions through debit or credit card); 54 days later, on April 23rd, [the number of cashless businesses had skyrocketed](#) to 31%, before leveling off at 20% in mid-June. Sixty percent of Square's small business customers say the ongoing pandemic will likely accelerate the adoption of cashless transactions.

According to a National Law Review article, [states are working to protect these citizens by enacting cashless retail bans](#). MA, RI, and NJ already have bans in place, while 10 states are expected to have bans in place soon.

One cashless alternative for the unbanked is prepaid cards. They are easily accessible and have no qualification requirements. But, there can be fees to activate and reload. It also may be more difficult to confirm balances at the time of purchase.

The road to a cashless society may be inevitable, but community financial institutions (CFIs) can help shepherd this transition - especially now when it could mean all the difference to people in need. Some options for CFIs that want to support these potential customers:

1. Develop checking accounts with sliding scale fees, based on income.
2. Review the accounts of people who have had checking accounts closed in the past to see if it is viable to reopen them, with some limitations.
3. Reach out through coalitions or community groups that provide financial literacy. One example of this is Bank On Atlanta that encourages unbanked people to open checking accounts and provides financial literacy education to foster understanding and trust in the financial system.

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