

As big banks push for cashless society, neobanks take a different approach

Article

The news: While big banks close their branches, neobanks are stepping in to serve cash-only customers.

Cash is disappearing: The move to digital banking, fast-tracked by the pandemic, created an upheaval regarding the availability of cash—or rather, the lack thereof.

- Before the pandemic, the percentage of cashless businesses was low. The US was at 8% and the UK notched 10%. Those percentages jumped to 31% and 60% respectively, as of March 2021, per [Square](#).
- [Cash](#) made up **18% of point-of-sale transactions globally in 2021**, according to FIS' Global Payments Report. And FIS expects global cash transactions to **decline to 10% by 2025**.
- Many banks have moved [away](#) from using ATMs and instead direct customers toward [mobile banking](#), credit and debit cards, and [real-time payments](#).

Banks are also cutting costs where they can to enhance their tech budgets. And digitizing means shuttering [physical](#) locations.

- On average, US branches cost **between \$200,000 and \$400,000 per year to run**, according to Mercator Advisory Group figures cited by Reuters.
- More than **200 UK bank branches have closed this year, with another 272 scheduled to close** by December, [per](#) FinExtra.
- And between 2012 and 2021, the number of US bank and credit union branches **shrank by 16.1% to 76,964**, according to **Federal Deposit Insurance Corporation (FDIC)** data.

Neobanks fill the gap: But as cash becomes less accessible through traditional means, neobanks see an opportunity to step in.

- Most neobanks offer access to ATMs to [withdraw](#) cash from their accounts.
- Some neobanks, like **Current**, **Chime**, and **Varo Bank**, also let customers [deposit](#) cash into their accounts by visiting locations like **CVS** and **Walmart**.

And while ATMs might become harder to find over time, it wouldn't be surprising if more neobanks let customers make withdrawals at similar locations.

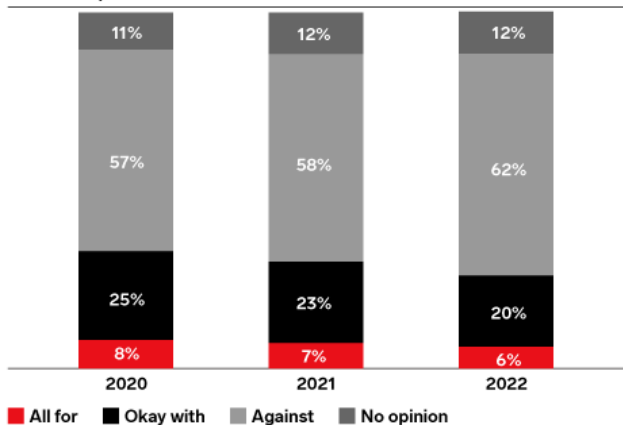
The big takeaway: Banks are pushing for a [cashless society](#), mostly because they would benefit from having full control over consumers' financial lives. But a cashless society won't happen overnight—if ever.

- **More than 5 million adults in the UK** rely on cash as their primary payment method, per the Bank of England.
- A slew of trades, like bartending, food service, and contracting, earn a portion of their income as cash.
- In the US, **6.2% of rural households are unbanked**, according to a report by the FDIC, and banks continue to shutter in those areas.

Rather than alienating these customers from the economy, neobanks are seizing the opportunity to connect with them—and may be the very thing that keeps them afloat. That seems like an effective way to gain customer loyalty.

US Adults' Sentiment Towards a Cashless Society, 2020-2022*

% of respondents



Note: n=11,246 ages 18+; numbers may not add up to 100% due to rounding; *as of February 1, 2022

Source: CivicScience as cited in company blog, Feb 2022

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