



## Memorandum

TO: Kevin J. Jackson, Village Manger  
FROM: Dr. Danielle Walker, Chief Diversity, Equity, and Inclusion Officer  
Cameron Davis, Assistant Director of Development Customer Service  
FOR: Village President and Board of Trustees  
DATE: September 14, 2023  
SUBJECT: Cashless Businesses

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### **Purpose**

This memorandum provides an overview of a diversity, equity, and inclusion (DEI) impact analysis on cashless businesses. There are many factors to consider in understanding why some businesses go cashless, the impact it has on the most vulnerable populations, and how to respond to these many dynamics.

### **Background**

In early 2023, Trustee Taglia brought forth a motion, which was seconded by Trustee Robinson, to ban cashless businesses in Oak Park due to concerns around equity. Staff immediately began to investigate and engage with the business community to understand the landscape of the cashless community in Oak Park. Going cashless for many businesses has become a rising trend in most area's including Oak Park. Since this upward trajectory of businesses moving towards cashless transactions, there has been a myriad of opinions for and against going cashless. One of the concerns has been regarding if this movement has an impact on equity. The task assigned to staff was to analyze, from a DEI lens, the effects of businesses going cashless. In this memo, the pros and cons are discussed to determine the equitable or adverse impacts that may arise from this transition. Additionally, staff explores in this memorandum if our findings reveal there is indeed a greater benefit to the community when businesses go cashless.

### **Analysis of Cashless Business Culture**

#### *Shifting to Cashless*

Consumers have been showing a growing preference for contactless payments, which is pushing many businesses toward a cashless economy. There are many individuals who utilize nontraditional financial services apps like Venmo, Cash App and Zelle (which is backed by most

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major U.S. banks.)<sup>1</sup> Some of the services provided by the aforementioned apps don't require a credit or debit account, but that doesn't cause obstacles in their user's ability to access these financial systems.

A study conducted through Pew Research Center shows that 4 in 10 Americans (41%) have stopped using physical cash for weekly purchases. This is nearly double the number in 2015. As further confirmation that the world is shifting to a digital payment culture, global mobile wallet installed base is expected to increase by 2 billion by 2027, climbing to a total of 5.6 billion installed bases<sup>2</sup>.

There are many retailers and other establishments that wish to take full advantage of the digital economy as well. Amazon Go stores in Seattle, Chicago and San Francisco, the Mercedes-Benz Stadium in Atlanta, and a few retailers in Philadelphia are among those who have fully embrace a cashless system. There are many other businesses that may aim to follow suit<sup>3</sup>.

#### *COVID-19 Influence on Contactless Payments*

Over the last 10 years, contactless payments have been ascending steadily. Individuals desire for cashless payments have increased, which include alternative payment solutions like biometrics, wearables, and cryptocurrency<sup>4</sup>. This trend was exacerbated during the COVID-19 pandemic, giving way to a surge in contactless payments, notably mobile wallets.

When the pandemic reached the US, declining cash payments became a practical public health decision. This was partially due to a fear that cash could spread COVID-19 during the first few months of the pandemic. If businesses were fortunate to remain open at this time, refusing cash and adopting new payment technologies was a safety precaution<sup>5</sup>. According to a 2021 survey conducted by Visa, 74% of consumers stated that they preferred contactless payments. Consumers changing attitude has played a part in the preface of a cashless culture and could foreseeably produce a ripple effect across the entire payments market, affecting businesses, merchants, banks, mobile wallet providers and more<sup>6</sup>.

#### *Preconceived Fears of Cashless Economies*

There were concerns posed surrounding the millions of Americans without a bank account, stating "it could be a problem." The Federal Deposit Insurance Corporation released a report that revealed more than 5% (about 7.1 million) of American households do not have access to any checking or credit accounts. The demographics of this finding includes about 14% of Black

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<sup>1</sup> Kramer, *the pandemic is helping kill cash, and that could leave many Americans behind*, (para. 12)

<sup>2</sup> Gazeley, *Are There Any Benefits to a Cashless Economy?*, (para. 1)

<sup>3</sup> Kramer, *The pandemic is helping kill cash, and that could leave many Americans behind*, (para. 6)

<sup>4</sup> Gazeley, *Are There Any Benefits to a Cashless Economy?*, (para. 3)

<sup>5</sup> Kramer, *The pandemic is helping kill cash, and that could leave many Americans behind*, (para. 1)

<sup>6</sup> Gazeley, *Are There Any Benefits to a Cashless Economy?*, (para. 4)

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households and 12% of Hispanic/Latinx ones in comparison to their white Americans counterparts which is under 3%<sup>7</sup>.

Data gathered from previous years show that these households tend to rely on cash, and when many people believed that cash could carry the COVID 19 virus during the early part of the pandemic, it created a problem for unbanked Americans. This same issue is a concern for these populations if there is a continuous movement towards a cashless society.

### *Marginalized Populations Impacted by Cashless*

It is understood that those who may be impacted the most in a cashless society are our immigrant communities, senior citizens, unbanked and/or unhoused persons, and others who are likely to depend on cash. Older individuals can sometimes experience more difficulty adapting to technologies such as app- and phone-based payments. One constituency that is often overlooked are young people who may not be able to get a bank account but need to be able to transact in cash. As our economy continues to navigate and recover from the COVID-19 pandemic, it is critical to ensure that every person can fully participate in our economy. Cashless systems often prevent this, impacting economic recovery and hindering healthy communities and businesses<sup>8</sup>.

Using cash as the primary method of payment is ubiquitous for many Americans, disproportionately affecting communities of colors, unhoused persons, the underbanked and unbanked, elderly persons, youth, and immigrants without documentation, among others. Many businesses, such as tech companies, restaurants, and stores, are moving towards going cashless, and in some communities, such as low-income or migrant populations, many stores are cash-only<sup>9</sup>. Businesses moving towards a cashless system could pose potential for economic segregation amongst these populations where consumers are economically shut out of making purchases in certain communities, or possibly affecting where they live and/or work.

### *Privacy*

For many, not being able to use cash impedes on their preference of privacy for their transactions. Cash leaves hardly any traces, opposed to cashless funds and digital payments. Information associated with electronic transactions are generally used to facilitate payment executions. However, the data industry allows interested parties to gain insight into an individual's personal and financial situation. Additionally, that data can be enriched with additional information that allows for the collection of information specific to an identifiable

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<sup>7</sup> Kramer, *The pandemic is helping kill cash, and that could leave many Americans behind*, (para. 4)

<sup>8</sup> Zywicki, *Cashed Out: How a Cashless Economy Impacts Disadvantaged Communities and Peoples*, Page 11

<sup>9</sup> Zywicki, *Cashed Out: How a Cashless Economy Impacts Disadvantaged Communities and Peoples*, Page 13

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user, which enables the data receiver to approach an individual with offerings and information tailored to his “perceived” needs<sup>10</sup>.

Individuals may also find this requiring digital payment to be an infringement upon their right to preserve their personal privacy. The advantage of physical cash is that it works without registering the cash holders and their transactions, only the buyer and the seller are aware of the transaction. Cash reduces an individual’s digital footprint in contrast to electronic payments, and a cash transaction does not generate any digital data nor third party sharing<sup>11</sup>. Depriving citizens of a simple option to guard their privacy in financial matters can ultimately prove to be counterproductive.

### *Advantages of Being Cashless*

The most noticeable benefit of a cashless culture is convenience. Worrying about the possibility of losing physical cash or going to the ATM will become a thing of the past. Additionally, the checkout process at stores will become faster and easier. Apart from the convenience factor<sup>12</sup>, a cashless society will also experience less fraud and fewer cash transfer security issues. By removing physical money, stealing and robbing from someone becomes much more difficult. In the event that a smartphone or wearable device is lost or stolen, the mobile payment data is typically encrypted. Furthermore, Multi-Factor Authentication (MFA) and biometrics make it impossible for anyone other than the correct individual to utilize the mobile wallet.

### ***Local and State Responses to Cashless***

Oak Park’s nearby community of Evanston also attempted to implement a cashless ban ordinance for many of the aforementioned concerns. The city council voted on whether to adopt an ordinance that would force all retail merchants in the city to accept payments in cash. This ordinance was proposed by Council Member Devon Reid this past July and ran into strong opposition from members of the Evanston business community. The ordinance would have imposed penalties starting with a \$1,000 fine for a first offense and up to \$1,500 for each subsequent violation<sup>13</sup>.

This is in comparison to the \$50 fine proposed in a proposed bill in the Illinois General Assembly, SB 1979, which would have imposed a cashless ban in Illinois and was initially approved by the State Senate on a 40-16 vote. However, SB 1979 was referred back to the House Rules Committee at the end of the spring 2023 legislative session. Additionally, in the State’s proposed ban, an exception was carved out for restaurants/ food businesses, gas stations and grocery stores from

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<sup>10</sup> Mai, *Cash empowers the individual through data protection*, (para. 1)

<sup>11</sup> Mai, *Cash empowers the individual through data protection*, (para. 3)

<sup>12</sup> Gazeley, *Are There Any Benefits to a Cashless Economy?*, (para. 6)

<sup>13</sup> Seidenberg, *Council will wait until next year to consider ban on cashless businesses*, (para. 8)

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11 p.m. to 6 a.m. in an effort to protect against robbery. This is a component that Evanston's proposal did not incorporate<sup>14</sup>.

Ultimately, the Evanston did not pass the proposed ordinance. In order to come up with a solution that will not inflict harm on some of Evanston's small businesses and address access issues across the board, Council Member Reid proposed tabling the ordinance to allow the city more time to explore alternatives and bring back the issue after its budget season at the start of the 2024 year. Council members voted 5-3 in support of postponing a vote on the ordinance<sup>15</sup>.

### **Oak Park's Businesses Engagement**

Development Customer Service Assistant Director Cameron Davis and Dr. Danielle Walker, Chief Diversity, Equity, and Inclusion Officer, began exploring the rationale for businesses going cashless. They spoke with a few small independently owned businesses and one franchise establishment. For smaller owned businesses, many cited cost effectiveness and financial necessity as their primary reasons to go cashless and safety being a close second. Whereas the singular franchise establishment was following corporate policy, also related to employee safety concerns. After these initial interviews, Village staff then developed a survey with the Communications Department to gain perspective from more local business owners. Below is a snapshot of key takeaways from the survey:

#### *Key Takeaways*

- Over 100 businesses participated.
- Diverse representation in business establishment type.
- Almost 30% that participated were minority owned.
- 56% of participants were a female owned business.
- 54% of respondents have been in business longer than ten years
- 76% of respondents' self-reported that less than 50% of clientele uses cash.
- 80% of respondents have not gone cashless.
- For the businesses that have gone cashless, cost effectiveness and employee safety were the primary reasons.
- 62% of respondents stated they would not consider going cashless in the future.
- The most frequent communicated reasons businesses would consider going cashless in the future were cost effectiveness, safety, and health.

### **Staff Recommendation:**

*Educate, Engage, and Observe*

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<sup>14</sup> Smith, *Council set to vote on cashless ban*, (para. 5)

<sup>15</sup> Seidenberg, *Council will wait until next year to consider ban on cashless businesses*, (para. 23)

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Staff recommends that the Village does not adopt a ban on cashless businesses due to the impact it could have on smaller independently owned businesses due to several factors. COVID-19 exposed smaller independently owned businesses' vulnerability, and caused many businesses to think of how to prevent devastating impacts from occurring in the future. As discussed earlier, going cashless was the reason why some businesses were able to remain open during the height of the COVID-19 pandemic. Similar to the conclusion that Evanston reached, there is a need for more engagement with the business community to think through what support is needed for smaller independently owned businesses to continue to thrive. Additionally, there is not a noticeable proliferation of Oak Park businesses going cashless at this time. This might be, in part, due to respondents from the business owner engagement assessment being very adamant about having no desire to go cashless as they respect customers right to choose their method of payment. However, this should continue to be monitored. Therefore, taking more time to engage and educate on the impact of going cashless is a good first step before imposing a ban, and community driven solutions can be implemented during the engagement process. Oak Park has an amazing and very large small independently owned business community that are a part of what makes Oak Park so charming. However, like many smaller independently owned businesses, they are still recovering from the impact of the COVID-19 global pandemic.

**Next Steps:**

*Business Engagement*

As mentioned above, smaller independently owned businesses are using several strategies to recover from the impact of COVID-19 global pandemic. One of these strategies was to go cashless. However, the changing economic landscape may present new opportunities and/or challenges for the business community. Additionally, there needs to be more education on the equity impact of going cashless as some businesses may not be aware of the extent of the impact a decision like this could have. In late September, the external engagement phase will begin for the racial equity assessment. One of the external engagements will be a focus group for businesses owned by people of color and smaller independently owned entities. This will be a great opportunity to further discuss their thoughts around going cashless and gain insight on their current experiences to better understand what support they may need that going cashless cannot solve.

*Legislative Watch*

Staff will continue to monitor the status SB 1979. A similar measure introduced in the Illinois House of Representatives, HB 5255, died at the end of the 2020 legislative session. Evanston, has also tabled its vote on its cashless ban ordinance until 2024.

In conclusion, this DEI analysis sought to understand the impact of going cashless, the various arguments for and against going cashless, and to center the voices of Oak Park's smaller business

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community. Equity is rooted in ensuring that those from marginalized communities get what they need to thrive. Going cashless presents a unique equity situation that requires consideration of many different aspects, viewpoints, and overall impacts.

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