

# PAYMENTS Why Germany is so slow on the global road toward a cashless society



*The German way.*

In the US, you can shop in Amazon stores without ever putting your hand on your wallet. In Sweden, you can stay in a cashless hotel — run by former members of Abba, no less. And in China last year, about 80 percent of people used their smartphones to settle up.

Meanwhile, in Germany, digital payments are proceeding at what might be politely called a more conservative pace. According to Germany's central bank, the Bundesbank, 74 percent of all domestic transactions in 2017 happened with cash, especially for purchases under €20 (\$23). Germans use bank debit cards for around 18 percent of transactions and credit cards for just 2 percent.

“Clearly cash transactions are seen as a secure and simple way to pay,” said Burkhard Balz, a member of the Bundesbank executive board.

# Historical fears

It's also clear that Germany is way behind its cashless contemporaries. The country desperately needs to catch up, said Oliver Hommel, a transactions expert with consultancy Accenture.

Germans have some historic reasons for wanting money they can touch. The fear could come from the hyperinflation Germany experienced in the 1920s, or the collapse of the Reichsmark after World War II — but there's no doubt that mistrust of financial systems is deeply ingrained in German culture, even today.

"At the beginning of the 20th century, the use of bank checks was less developed than in, for example, Great Britain," Werner Plumpe, a professor in economic history at the University of Frankfurt, said. Only a minority had bank accounts, and many preferred to hoard their cash at home, he said.

A recent survey by the EHI Retail Institute found that 64 percent of Germans are skeptical about paying by smartphone. They're worried about their data and security and don't see any advantages to cashless purchases. Even Visa CEO Alfred Kelly acknowledged German unease about electronic transactions. "I know the Germans are very sensitive about their data," he told Handelsblatt. "Perhaps even more than in other parts of the world."

## The dark side

In some ways, the Germans are right to fret about a future cashless society where you pay simply by smiling at a camera, and facial recognition software deducts the amount from your bank account. "Cash is the last refuge of individual freedom," argued Friedrich Schneider, an economist at the University of Linz. "If you only pay electronically, you become fully transparent." And who knows where all that data about your purchases will end up, he said. Everyone from retailers to your bank manager could see everything you buy.

For example, in China, which already has heavy state surveillance, authorities can easily access your financial details to see what you've been shopping for. That is far less likely in Europe, where data privacy is a top concern and the subject of much regulation. Nonetheless, every time you buy something with a card, it reveals a lot of valuable information about you: your purchasing habits, your lifestyle, your creditworthiness.

On the other hand, Germany's love of cash might be one reason it's a haven for [money laundering](#).

## Consumer evolution

There is also a fear that cashless systems will potentially marginalize older people who can't wrap their head around the technology. That goes for lower-income people, who are more likely to be unbanked, as well. Germans who earn less than €1,500 a month tend to use cash a lot more than those who earn €3,000 or more, Bundesbank numbers show.

"Consumers should be able to decide for themselves how they pay," Bundesbank chief Balz concluded. "For us, it is important to have a broad mix of options and that efficient methods for payment are available." Although the number of cashless transactions has increased every year, Balz does not think Germany is any closer to becoming a cashless society, neither in the medium or the long term.

Of course, despite conservative German attitudes towards cash and the world of digital commerce in general, things are changing. "Consumer attitudes change through evolution, not from today to tomorrow," Markus Braun, board chair of leading fintech firm [Wirecard](#), said. "With a lot of technologies, there is often a short initial period of hype, then they're demonized. But in the end, the majority picks them up."

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