

OUTLOOK

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MONEY

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# Italy, India, and the bumpy road to cashless payments

by Amy Kazmin

**C**onfession time: I am one of those infuriating customers — apparently despised by Italian small business owners — who pays by card even for my €1.70 morning cappuccino. As a result, I was glum about Italian prime minister Giorgia Meloni's proposal to permit the country's businesses to demand cash for any transaction below €60 — a threshold well above Italy's €47 average digital transaction size.

In the end, Meloni has abandoned the idea after a reproach from the European Commission, which called it counter to Italy's to pledge to fight tax evasion. So Italian consumers and I will retain our freedom to make cashless payments for everything from a gelato to a tomato and mozzarella panino. Having moved to Italy from India a year ago, I am intimately familiar with the mechanics of cash-based economies. In Delhi I was constantly queuing at my local ATM to withdraw the cash required for nearly every purchase — from fresh fruit and vegetables to taxis and so on up the value chain even, for my first apartments there, house rent.

Judging by the throngs at ATMs, I wasn't the only one. I often waited behind people making multiple withdrawals from several different cards in a single visit. India's prime minister Narendra Modi did try to break his country's cash addiction with shock therapy: invalidating 86 per cent of India's currency in circulation one night in 2016. The eccentric experiment — which had Indians queuing for weeks at banks

to exchange their useless old notes for newly printed ones — was justified as a strike against black money and a leap into the digital era.

Yet plenty of Indian merchants still levied a 2 per cent surcharge on customers who paid with cards, or even wanted a receipt of their transaction. Today, India's cash-to-GDP ratio is around 14 per cent, the same as it was before the economic gut-punch of demonetisation.

After spending so much time on cash management in the past, I've quickly got hooked on the ease of digital payments here in Rome, where bars, groceries and restaurants accept my card without question. There are exceptions: a friend from the US arrived from the airport in a taxi that angrily refused her credit card, sending me scrambling to find enough cash to pay for the journey.

Plenty of Italians are discovering the convenience of digital payments too. Across Europe, cash use is falling: a new European Central Bank study found cash payments now account for 59 per cent of all in person purchases, down from 79 per cent in 2016.

Italians still use cash more often than the eurozone average — for around 69 per cent of in-person transactions, but that too is down 13 per cent since 2019. The ECB found 58 per cent of Italian consumers preferred cashless payments, compared to just 18 per cent that strongly prefer physical money. But consumers' growing enthusiasm for digital payments is not shared by Italy's small business owners. They complain bitterly about the high bank

fees for processing card payments. And cash sales are also far more easily hidden from tax collectors.

Since mid-2022, Italian businesses have been nudged to accept card payments by the spectre of a modest penalty — €30 plus 4 per cent of the transaction value — if they refuse, though analysts say it is more a signal of official priorities than a real threat.

But when Meloni proposed scrapping the penalty altogether for so-called "low value" transactions, I got an unsettling glimpse of the future. In the town of Bressanone, an upmarket café put a sign in the window mandating "cash only" under €60. The owner told a local newspaper that clients without sufficient money in their pocket shouldn't bother coming in. Many business owners cheered. I get that Meloni — never a fan of big banks — wanted to side with small business owners raging against big capital. Yet Italy, with its precarious public finances, cannot afford to drive economic activity underground, beyond the taxman's reach. In the end, Meloni has been pragmatic. I too am trying to be more thoughtful about the pressures on my neighbourhood businesses. Now when I buy my morning coffee, I fish around in my bag for a €2 coin, and drop it in the barista's hand.

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