

NETMANAGEMENT®

Whitepaper

Opportunities and Challenges of Cashless Payments at the Point of Sale (POS) – A Neutral Analysis in the Context of Mandatory Card Acceptance in Germany

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English

Introduction

The coalition agreement of the German government includes a clear intention to modernize the country's payment ecosystem. One significant aspect of this modernization is the gradual introduction of a legal obligation for merchants, service providers, and the hospitality sector to offer at least one form of digital payment—whether debit card, credit card, or contactless method—in addition to cash. While this initiative aims to enhance consumer choice and promote the modernization of retail infrastructure, it simultaneously raises complex questions around economic implications, technical feasibility, and operational readiness. This whitepaper offers a comprehensive and balanced examination of these issues and outlines the opportunities that lie in embracing future-proof, cashless payment systems.

Market Dynamics and Pricing Structures under Mandated Acceptance

A central concern among merchants and industry observers is that a statutory obligation to accept card payments may partially restrict free market competition among payment service providers. If all merchants are legally required to offer card payments, the competitive pressure that currently drives innovation and price differentiation could diminish. In such a scenario, providers may have little incentive to offer lower transaction fees or enhanced services. Instead, pricing could increase gradually once the regulation takes full effect, as vendors become aware that merchants no longer have the option to opt out.

In anticipation of this shift, many providers are deploying aggressive acquisition strategies—offering short-term discounts, low introductory rates, or even zero-fee packages. However, once the mandatory period matures and the initial contract terms expire, merchants often face significant price hikes. This creates a lock-in effect, particularly if the contract spans several years or if proprietary hardware and software components are involved. Given the absence of a comprehensive comparison platform for POS providers—unlike in the insurance or travel sectors—transparent consultation and careful contract review become essential.

The Hidden Costs and Risks of Cash Handling

Despite frequent arguments in favor of cash by segments of the retail community, cash is far from being a cost-free medium. Cash management involves multiple logistical steps: securing float money, daily reconciliation, manual counting, storage, transport, and bank deposits. According to the German Bundesbank, average cash handling costs in retail amount to approximately €0.24 per transaction—a figure that many still underestimate. Additionally, physical cash increases the risk of theft, fraud, and human error. The German tax code (§ 146 AO) requires accurate daily bookkeeping for cash-based income, making secure storage and documentation not just good practice but a legal obligation.

From a compliance perspective, cash transactions are often viewed with suspicion in matters related to money laundering and tax evasion. Tax consultants frequently flag heavy cash operations as risk-prone, leading to more frequent audits and in-depth inspections by the tax authorities. By contrast, card payments offer a transparent, traceable alternative that simplifies accounting and provides better protection for merchants during audits.

Availability vs. Usability – Reassessing Immediate Access to Cash

The claim that cash is available “immediately” is often cited in its favor. While technically accurate, the practical value of immediate cash access is increasingly limited. Most business expenses—such as rent, supplier invoices, or taxes—are paid via bank transfer. Therefore, the cash must be re-deposited into the bank system, creating an additional step. Moreover, German fiscal law mandates daily booking of cash transactions, further adding to the administrative workload. In contrast, card-based payments can be settled with flexible payout schedules—daily, weekly, or monthly—offering bookkeeping relief and greater planning reliability. If a business depends on daily inflows to remain solvent, this raises broader questions about liquidity management rather than the payment method itself. Considering that most corporate bank accounts do not offer interest, the slight delay in fund availability should be seen in proportion to the overall operational benefits of digital payments.

System Integration, Modularity, and Interoperability

Today's point-of-sale infrastructure is more than just a payment terminal. It encompasses fiscal compliance (GoBD, TSE), receipt generation (digital or printed), integration with accounting systems, ERP, and tax advisory interfaces. Modern SmartPOS and SoftPOS solutions support standardized communication protocols such as ZVT, OPI, or ISO20022, making them compatible with a wide range of external systems. Merchants are advised to ensure their POS setup supports these protocols and that services like numeric terminal IDs or software updates are included free of charge. Turnkey solutions—often marketed as "all-in-one systems"—may appear convenient but can become a liability if one component fails or if technical support ceases. Flexibility through modularity enables merchants to select, maintain, and upgrade individual components as needed, often more cost-effectively and with longer-term control.

One Size Doesn't Fit All – Recognizing Unique Business Needs

Every business has unique requirements. A handheld device with a mobile printer may be ideal for a waiter serving guests on a patio, while a supermarket requires sturdy terminals with high transaction throughput. Meanwhile, a children's carousel operator might need mobility, robustness, and intuitive handling. Similarly, acceptance of specific payment methods should be tailored to the merchant's clientele: a shoemaker in northern Germany may not require Twint, whereas a bakery near the French or Polish border may benefit from accepting Carte Bancaire or BLIK.

Visibility of accepted payment options—even if rarely used—instills trust in consumers. Much like the historic "American Express Traveller Cheques Welcome" signage, a modern display of acceptance logos signals reliability and customer orientation.

Contract Transparency and Payment Method Portfolios

Each payment method requires a separate contract, complete with its own terms and conditions. Reputable payment providers openly disclose pricing models, cancellation clauses, and compatibility information. Their consultative approach may even result in advising merchants to stay with their current provider if their needs are already well met. Especially in a market lacking standard comparison tools, transparency is crucial.

Merchants should beware of teaser rates and inflexible contracts that seem attractive upfront but carry hidden costs. Today, solutions like lidX allow for card acceptance via SoftPOS apps with zero monthly fees—running on affordable Android smartphones. Such setups are ideal for smaller retailers or mobile operations and avoid the burdens of hardware leasing.

National Cards and International Acceptance – Strategic Inclusion

Local card schemes like Germany's girocard, Denmark's Dankort, or France's Carte Bancaire offer low fees, strong security, and wide consumer acceptance. They are often more affordable and reliable than international credit cards. However, international cards like AMEX or Discover are no longer prohibitively expensive. They are preferred by frequent travelers, business professionals, and affluent consumers. Their acceptance serves as a quality signal, suggesting that the merchant caters to global clientele and values long-term relationships over quick, one-time gains. Ignoring such customer groups may inadvertently convey exclusion.

Modernizing Through APMs – The Global Landscape

Alternative Payment Methods (APMs) are increasingly vital worldwide. From PayPal (International), iDEAL in the Netherlands and Swish in Sweden, to Bizum in Spain, Twint in Switzerland, Bluecode in Austria, GCash in the Philippines, and WeChat Pay in China—these methods offer low transaction fees, immediate settlement, and high convenience. They also allow for fixed fees regardless of transaction size, making them suitable even for micropayments. Merchants aiming to appeal to international customers or younger audiences should not overlook these growing channels.

Tipping, Cashback, and Value-Added POS Services

Tipping via card payments offers advantages in transparency, tax compliance, and ease of distribution. Employees benefit from clear allocation, while employers avoid suspicion or audit risks. Similarly, cashback services (cash disbursement at the POS) not only offer convenience to consumers but also help merchants reduce in-store cash holdings—minimizing both physical and administrative risks. These services build customer loyalty and offer a low-cost alternative to traditional loyalty programs.

Advantages and Disadvantages – A Balanced Perspective

For Merchants:

- ✓ Streamlined accounting and fewer audit risks
- ✓ Lower cash-handling expenses and theft exposure
- ✓ Flexible system configurations and vendor choice
- ✗ Possible cost escalation with poorly structured contracts
- ✗ Initial adjustments to internal processes

For Consumers:

- ✓ Increased flexibility and convenience
- ✓ Transaction transparency and receipt tracking
- ✗ Concerns about data privacy (often mitigated by GDPR compliance)

For Acquirers and PSPs:

- ✓ Broader transaction volume and client base
- ✓ Potential for value-added services and analytics
- ✗ Heightened pressure to offer real added value and transparency

Conclusion

The obligation to accept digital payments is not a threat to cash but a necessary evolution toward a more inclusive and modern payment landscape. It provides consumers with real choices and encourages merchants to adopt solutions that are both efficient and future-ready. When implemented thoughtfully—with attention to transparency, modularity, and technological openness—cashless payments can enhance business performance, customer satisfaction, and regulatory compliance alike. Those who embrace the change with discernment and adaptability will not only process payments more smoothly but also position themselves for long-term success in an increasingly digital economy.

Executive Summary

This whitepaper examines the implications—both challenges and opportunities—of Germany's planned legislative mandate requiring merchants to accept at least one form of cashless payment. While the objective is to enhance consumer choice and foster digital modernization in retail transactions, the practical impact on merchants, service providers, and the broader payment ecosystem warrants careful consideration.

The document highlights the following key aspects:

- **Market distortion through mandatory acceptance:** When card acceptance becomes legally required, competition among payment service providers may diminish. This could lead to higher transaction fees over time—particularly once initial promotional periods end.
- **Hidden costs and risks of cash:** Managing cash entails operational burdens such as safekeeping, transport, insurance, and time-consuming bookkeeping. Moreover, it increases exposure to risks such as theft, tax scrutiny, and money laundering suspicions.
- **System modularity and flexibility:** Merchants can avoid technological lock-in by adopting modern SmartPOS or SoftPOS systems. These support standard protocols (e.g., ZVT, OPI, ISO 20022), enabling seamless integration with cash registers and back-office systems while ensuring future scalability.
- **Caution against misleading offers:** Long-term contracts with opaque pricing can result in hidden costs. As no universal POS comparison platform currently exists, merchants must rely on due diligence and tailored needs assessments.
- **Relevance of international cards and APMs:** Accepting cards such as girocard, Carte Bancaire, AMEX, or Dankort fosters customer trust and expands access to valuable, loyal client segments. Alternative payment methods (APMs)—such as PayPal, iDEAL, Swish, Bizum, Alipay, or WeChat Pay—are gaining ground globally and offer low-cost, mobile-first solutions.
- **Customer loyalty through additional POS services:** Features like digital tipping, cashback options, and flexible payout schedules enhance both customer experience and operational efficiency.

Rather than signaling the end of cash, the whitepaper advocates for a deliberate and future-oriented integration of digital payment processes into everyday retail operations. Merchants who adopt transparent, cost-efficient, and interoperable systems stand to gain from reduced administrative effort, increased customer satisfaction, and better adaptability in an increasingly digital economy.