Chapter 6

Equity in Electronic Funds Transfer

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Chapter Summary

The concept of equity includes the principles that individuals, groups, and organizations within our society should be afforded access to necessary activities and services under rational and consistent rules and procedures; that there should be no arbitrary imposition of disadvantage on some groups or the unearned enrichment of others. Implicitly, this may be taken to mean that the range of choice, rights, and benefits that consumers now enjoy should not be arbitrarily reduced. In modern society, it is essential for individuals, households, and businesses to have a mechanism for carrying out basic economic transactions (such as paying for necessary goods and services). Therefore, it is important that no segment of society —especially those already disadvantaged, such as the low-income groups or the physically handicapped–is deprived of a reliable means of making and collecting payments. In general, consumers want to preserve or enlarge their options for managing their resources in terms of using credit, scheduling payments, and shifting funds, and EFT-based financial services can and do serve these ends for some consumers.

As long as electronic funds transfer (EFT) is one of an array of alternative payment systems or sets of financial services, it does not appear that its use will result in a necessary or significant loss of equity to any group in society, nor does it appear that any group is denied access to the services and systems, except inasmuch as low income limits its participation in (or need for) all financial processes. However, there may be some increased risk to individuals from undetected errors or from being less able to evaluate alternatives in choosing the most appropriate set of financial services to fit their needs. Adequate attention to consumer education, consumer advisory assistance, and designing of customer-oriented EFT devices would help to minimize these risks.

The significant benefit consumers derive from EFT could be increased if technology designers and financial service managers were attentive to diverse human needs, For example, dispersed EFT devices could be tailored to the needs of the handicapped and located to meet the needs of those whose mobility is limited. EFT offers important and obvious benefits in terms of customer convenience, reduced costs and increased productivity for financial institutions (and presumably for customers as well), and perhaps greater personal security for the user against crimes of violence and some kinds of privacy abuse.

However, if some forms of participation in EFT become mandatory or if EFT significantly displaces, reduces, or raises the costs of alternatives, this situation could change. People who do not choose to deal with banks and other financial institutions could be forced to do so, and would thus lose a degree of individual freedom. People who for various reasons are poorly equipped to use EFT systems would have their access to financial services reduced. Some communities or neighborhoods could suffer a reduction in available financial services, If this occurs, consumers would be denied the option of avoiding risks they may perceive in using EFT, and concerns about privacy, security, and accuracy of accounts would increase.

Explicit public policies to preserve some level of conventional financial services may need to be considered if market and other forces move EFT to a dominant role. Several situations could, in fact, make the use of EFT much less voluntary in the foreseeable future. Large employers could insist on direct deposit of payrolls to employees' accounts through automated clearinghouses. Large-scale providers of services, such as utilities or mortgageholders, could pressure consumers to agree to automatic withdrawal and payment. Government agencies at all levels could move decisively toward delivery of social security and welfare checks, intergovernmental transfers, employment checks, tax refunds, and contractor payments through EFT.

What Is Equity?

The idea of equity is both cherished and elusive. It covers a multitude of different yet overlapping standards of behavior. Its content varies from society to society, and from time to time in the same society. As discussed here, equity implies:

- that there must be a generally acceptable degree of approximate equality of opportunity and access to necessary activities and services under rational and uniform rules and procedures; and
- that there must be no arbitrary imposition of disadvantage on some individuals, or unearned enrichment of others.

This working definition does not eliminate all ambiguities and contradictions, but it seems to embody the main ideas expressed in most discussions of equity.

What constitutes "necessary" activities and services is a function of social organization and changes with time. In this discussion, the term "necessary" refers to those basic economic activities for which there is no equally accessible and convenient alternative. Rules and procedures can be neither perfectly rational nor absolutely uniform, and they cannot be both at the same time.

However, using these terms it can be agreed that a license to drive an automobile (that was once important to only a few people) is now so nearly a necessity that it is denied only for overriding reasons of public safety. It can also be agreed that denial of a driver's license to someone for reasons unrelated to driving ability (e.g., physical appearance or ethnic origin) would be an arbitrary imposition of disadvantage and a denial of equity; whereas to deny a driver's license to those who are under some minimum age or who are blind is neither arbitrary nor a denial of equity. Such a denial is rational because it is based on a consideration appropriate to the activity in relation to the public interest, i.e., safety. The former categories are irrational because there is no logical or necessary connection between such characteristics and driving an automobile.

In many definitions of equity there is a third and somewhat more controversial element that may best be stated negatively:

- a reduction of equity is perceived when the range of existing, well-established choices or options is significantly reduced to certain population subgroups.

The differential reduction or elimination of options is often perceived as an inequity whether it results from a Government order or the working of market forces. For example, when the wide availability of automobiles led to the demise of urban transit systems and rail passenger services, a serious disadvantage was imposed on those who are too poor, old, young, or handicapped to drive. This may well be termed a loss of equity and, recognizing this, governments have sometimes intervened to preserve these services as alternatives to automobile use.

A government fiat, rather than market forces, may bring about the elimination of existing options. For example, the banning of residential air-conditioning—for instance, in a region suffering a severe and prolonged shortfall in electricity generation—might be perceived as a loss of equity even by those who have been unable, or have not chosen, to exercise the option of buying air-conditioning.

The present discussion focuses on the way in which EFT might narrow consumer options for carrying out financial transactions, although this might better be called a potential social disbenefit rather than a loss of equity, Gross disparity in income may or may not be defined as inequity, but in any case it is not substantially affected by EFT and therefore is not pertinent to the present discussion. However, the extent to which services are accessible to all who seek to use them under rational and relatively uniform rules and procedures is important. Equitable access to EFT services may be a relatively insignificant issue at present. However, its importance would increase greatly should EFT services displace other payment systems to any major extent, thus making conventional payment systems less acceptable, more costly, or less readily available.

Equity in Payment Systems

EFT technology and services can change the relationships between providers and consumers of financial services, and the relationships among the providers as well. It has the potential for changing the relative acceptability of various forms of payment. Such social changes may inadvertently impose disadvantages or inequities on some segments of the population, on the general public, or on some institutional participants in the financial exchange system.

Special segments of the population whose status with regard to EFT should be examined carefully are those who are or often have been placed at a disadvantage in other social processes and institutions—racial and ethnic minorities, the poor, females, the aged, the handicapped, and those without acknowledged and established economic status.

In terms of the mainstream consumers of financial services, there have been concerns about equity with regard to the effect of EFT on:

- the acceptability of alternative methods of payment, and hence the preservation of a full range of choice between payment systems and financial serices;
- the ability of the consumer to manage financial affairs, control the timing of purchases and payments, and have access to credit;
- allocation of the costs of financial services; and
- the ability of the consumer to guard against errors.

EFT Equity and the Socially Disadvantaged

The question at issue here is whether EFT technologies and services would increase or decrease the social disadvantages already suffered by some segments of society. It arises because social institutions and processes designed to meet the needs and wishes of mainstream, dominant population groups all too often are unsuited to the needs of peripheral groups, and thereby unnecessarily add to their problems in carrying out basic human and social functions.

It is possible that some EFT systems and services that are dispersed or decentralized can be tailored to the needs of special groups or communities, thus alleviating some of their problems with standardized service delivery systems. Also, since EFT services are depersonalized they may eliminate some of the subtle, deeply embedded forms of discrimination to which such groups are subjected. It is important to keep in mind that potential sources of inequity for special groups may be balanced to *some* extent by beneficial effects, especially if the providers of EFT services are alert to the possibilities of using EFT capabilities to meet social needs, For example, automated teller machines (ATMs) and point-of-sale (POS) terminals in nursing homes and communities for retired people can allow some people to retain a degree of independence in managing their affair; that they-might otherwise rose.

The Poor

Based on the results of one 1977 survey, it is estimated that 81 percent of U.S. adults have checking accounts (l). Most of those who do not are people with very low incomes. The best evidence is that 35 percent of those who do not have checking accounts are poor, i.e., they earn less than $5,000 annually or live on social security benefits or welfare. Another 58 percent are skilled or semiskilled workers earning $7,000 to $15,000 annually (2). It is not entirely clear whether these people do not choose to have accounts, or whether they are somehow denied access to checking accounts.

Those who do not deal with depository institutions must rely on currency and money orders, one of the most costly ways of effecting payment. Supermarkets, taverns, and check-cashing booths will convert payroll or social security checks to cash, often for a relatively large fee, and money orders can be used to send payments safely through the mail. These appear to meet the needs of many people. However, changes taking place in the financial services industry make it impossible to assume a priori that currency and money orders will continue to constitute a minimally acceptable set of payment services.

The Department of the Treasury is encouraging recipients of transfer payments to accept direct deposit of benefits (3). While there may be many advantages to recipients in doing so (such as reduced threat of mailbox robbery and reduced transaction costs), certain disadvantages may be perceived. Some transfer payment recipients may believe their privacy is threatened, or may be intimidated by having to deal with impersonal institutions or systems. Mobility may be a problem. At any rate, a forced "choice" can be considered an inequity if imposed on some but not all population subgroups. People may also suffer a loss in equity if they are encouraged or pressured to become users of noncash payment systems or EFT systems, but are given little assistance in becoming familiar with the systems, with the various choices of services, and with mechanisms for correcting errors or detecting fraud.

A related question is whether ATMs and other dispersed forms of EFT systems will be placed in low income neighborhoods, which are also often high crime areas. In some locations, it may be impractical or impossible to assure the security of the devices or of the customers using them. A diminution of traditional neighborhood banks in favor of EFT services, coupled with a reluctance to locate EFT services in high crime areas, could place a severe hardship on some low income population subgroups.

The Elderly

Elderly people often derive their income from a variety of sources—one or more pensions, social security, savings, family contributions, or part-time work. They may, therefore, have need of a variety of financial services and exercise them frequently. The convenience of EFT systems can be beneficial to the elderly, especially if the need to travel to banks outside the immediate neighborhood is reduced. It has been suggested that EFT systems are popular in some communities that have a large population of retired people. At the same time, many of the elderly are also poor and suffer some of the disadvantages already described. They may be intimidated by their unfamiliarity with complex systems or living in neighborhoods where such services are not available. Progressive failure of short-term memory, a fairly common disability of the elderly, may make it difficult for them to become familiar with new systems. Asking strangers for help with the devices is likely to expose them to fraud and victimization. For these reasons, it is important that alternative services and/or human support continue to be available.

Women

Women attempting to establish a personal credit record after some years of marriage and subsequent divorce (or widowhood) often have trouble doing so, but this does not appear to be exacerbated by EFT systems. In fact, EFT services might eliminate some of the opportunities for personal discrimination against women in obtaining financial services. Positive verification services can enhance the acceptability of noncash payments and implicitly create a positive record of fiscal responsibility.

Government regulations allow Federal administrative agencies (e.g., Internal Revenue Service and Social Security Administration) to use automated data systems to locate parents who are avoiding child support responsibilities (4). If EFT data banks could be used for this purpose, EFT could potentially confer a benefit on women insofar as husbands are most typically the missing parent and wives most typically the victimized parent. However, the social costs of such Government surveillance could be substantial.

There appear to be no significant inequities to women from a shift to EFT,

Racial/Ethnic Groups

Since EFT systems are depersonalized, they may eliminate situations where traditional financial service delivery systems may have discriminated against individuals because of race, color, ethnicity, or accent, An inadequate command of written English may present a problem, but this might be accommodated by multilingual instructions, graphics, or supplementary human support systems. Multilingual systems have already been implemented in some areas. There appear to be no important additional inequities in EFT systems for racial and ethnic minorities other than those they already experience.

The Handicapped or Disabled

The handicapped may experience a number of unavoidable difficulties with dispersed customer-oriented and customer-operated EFT systems. These are different in kind rather than in magnitude from the problems the handicapped may have with alternative systems. The visually impaired or dyslexic may have difficulty operating systems that depend on reading instructions; on the other hand, the deaf may find dealing with such systems more congenial than with human tellers. Operating ATMs or POS terminals probably takes no more muscular coordination than writing checks, and perhaps less. As long as alternative payment systems are available, EFT should impose no new disadvantage on these groups. However, should EFT displace alternative systems, some of the handicapped may be subjected to unacceptable disadvantages unless compensatory mechanisms (e.g., special human assistance) are provided.

Transitional Groups Without Recognized Financial Status

This somewhat anomalous group includes various special groups that are in transition from one socioeconomic status to another, or whose social-economic credentials are not yet established. For example, first-time workers and young professionals; students; recent retirees; immigrants; recent widows never employed; women recentering the work force after some years as housewives; former mental patients; and former prisoners might all fall within this group. Because some EFT services require an extension of credit, and credit approval depends heavily on credentials and long-term credit ratings, such people are at a disadvantage in procuring credit-based financial services. This disadvantage may be less significant in small, stable communities where personal knowledge of applicants overrides the lack of credentials.

The General Public as Consumers of Financial Services

The Knowledge To Choose

Money functions as a store of value and as a medium. of exchange. As a store of value it is expected to retain its buying power (aside from the effects of inflation). As a medium of exchange it must be readily acceptable as a form of payment and convey value from one party to another easily and reliably. However, the acceptability of noncash payment instruments cannot always be assumed. Losses from credit card and check fraud are substantial. Many businesses will no longer accept personal checks unless the customer is known (or "looks reliable, " which introduces many forms of discrimination). Others require two items of identification and often require that at least one of them be a major credit card. Alternatively, some merchants require personal identification to back up a credit card.

However, vendors know that customers are prone to buying on impulse, which is encouraged when checks and cards are accepted. The vendor also wants funds to be available as soon as possible because financing receivables represents a considerable expense. While vendors prefer to be paid at par (face value), they are willing to pay fees to organizations that authorize or guarantee checks, and to take discounts from credit card and debit card processors in order to assure payment and to speed it up.

Customers want payment instruments to be readily accepted at face value, and minimal embarrassment if a payment is refused. It has become more convenient for many people to pay by credit card than by check, especially if they are out of their local trading area. In addition, procedures may be less complex for a credit refund than for a cash refund. To the extent that merchants accept credit cards more readily than personal checks, those who have no credit cards are disadvantaged. When a check is an unacceptable instrument, it can no longer fulfill the customer's expectations of money.

However, check authorization and guarantee services are now helping to remonetize the check. The development of the debit card is providing another means of drawing upon transaction balances that should be readily acceptable to vendors. Thus, various EFT services are helping to increase the ability of transaction balances to meet the need for payment instruments that have the functional characteristics of money.

Financial management is a very personal activity. Some rely on cash almost exclusively, while others select a variety of financial services that best meet individual economic and emotional needs. Some adopt strategies that maximize the use of "free" credit and minimize the funds kept in accounts that do not earn interest, and some make payments at the last moment to obtain greatest benefit from the available funds. Financial institutions compete, therefore, by varying the structure and prices of the services they offer. The Depository Institutions Deregulation and Monetary Control Act of 1980 (5) has put banks, savings and loan associations, and credit unions on an equal footing in many regards. Nonfinancial institutions are becoming more aggressive in selling financial services. New services have been made available by the increase in EFT offerings. Many providers of financial services are offering packages that are closely tailored to consumer needs, which may be dictated by wealth, lifestyle, and personal preference.

As a result, consumers are faced with a number of alternatives for acquiring payment services, and the number is increasing rapidly because of EFT. In order to make choices to the best advantage, the consumer must have the ability to evaluate alternatives. Not all individuals, particularly those lacking in formal education and experience in financial management, are prepared to do this. Consumer education is required, and many providers of financial services and other agencies are beginning to furnish it.

Consumers need to become familiar with five aspects of financial services:

1. costs;
2. the mechanics of using such services;
3. the benefits that are offered;
4. the obligations and responsibilities that are accepted when participating in each service, such as the ways to safeguard one's own account (e. g., discretion in use of personal identification number); and
5. their rights as consumers, and especially the methods for identifying, challenging, and correcting errors,

The sophistication required to select a set of financial services most appropriate for one's needs is therefore growing, and is probably outpacing the consumer education that has been made available. If the industry is trying to tailor services to the needs of most of its customers, the level of skills required to select an optimal mix of services may be unrealistically high for some population subgroups.

The Preservation of Options

There is also concern that in the future there may be an implicit but real compulsion to use EFT. All people require a means for effecting payment, Currency meets these needs for face-to-face exchanges, and money orders provide a reasonably convenient (though relatively expensive) means for safely sending payments through the mails. Together, cash and money orders meet all of the needs for executing the most basic minimum set of transactions, and access is virtually universal. More sophisticated payment services are generally available to those who require them.

The law does not allow creditors to require the use of EFT in making payments. However, some mortgagees, for example, strongly encourage applicants to agree to automatic deduction of payments from their accounts. At present, there is no legal prohibition against an employer requiring employees to accept payment of wages by direct deposit, although the employer may not insist on deposit in a specific depository institution. Government agencies are encouraging social security recipients to accept direct deposit. In the future, it is possible that Government payrolls and social security benefits may all be subjected to direct deposit in the interests of reducing Government costs and protecting recipients against theft. The Treasury Department has considered requiring distillers to submit taxes on alcoholic beverages by EFT and is considering delivering tax refunds by this method (6). Several major industrial firms already require employees to accept pay by direct deposit. Thus, for significant numbers of people there is very real pressure to use EFT at least for receiving funds. This in turn creates the need to establish an account with a service provider.

A second way in which EFT services may become more compulsory is by simple market displacement of alternative systems. Because of their inherent advantages to financial institutions, EFT systems could discourage the maintenance of older services. Under some conditions, banks might not be built in new communities and neighborhoods and older banks may not be replaced as buildings become obsolete. Dispersed ATMs and POS terminals would be much less costly. Credit cards could be withdrawn or priced to be noncompetitive in favor of debit cards. A cascading series of such effects, driven only by mass market forces, is conceivable. In the same way, the automobile displaced local mass transit and the airplane replaced rail passenger service. Even though some, and possibly many, people may prefer conventional alternatives, there is no guarantee that those alternatives will be maintained.

For example, service providers may shorten lobby hours when sufficient ATMs are available, or may reduce significantly the number of tellers in the lobby. Check-handling charges may go up to compensate for lost economies of scale. This kind of evolution is precisely the hallmark and advantage of a relatively free market, but each such change causes perceived disadvantages to some people who do not or cannot go along with the preferences of the majority. However, it must be recognized that in a free market, services will disappear as they replaced by those that are preferable to the majority. To the extent that EFT displaces alternatives, equal access to EFT services becomes more important, as do other concerns such as privacy and security. As long as consumers have a practical choice, they cannot be subjected unwillingly to perceived risks. In addition, financial institutions will take consumer concerns seriously and devise corrective measures (if needed) to avoid losing customers.

The Economics of Payment Systems

Concerns about privacy and security are stimulated by the nature of EFT technology. Concerns about social equity are much less closely tied to technology and tend to derive from the way in which managerial decisions are made by providers of financial services. EFT technology creates new options for the institutions, but the decision criteria are business-oriented and technology-structured.

The location and timing of services are decided by geographic, economic, and demographic factors, but not necessarily on the basis of whether alternative services and institutions are available to consumers in those areas. Price schedules are established with management deciding whether a service will be subsidized and for how long. Loss leaders are widely used in business for good economic reasons. Managerial decisions to use technology to supplement or replace human resources in delivery of services are driven by cost and competitive considerations. Since prices to consumers should reflect the cost of providing services, it is reasonable to expect that fee structures will develop that reflect the lower costs of EFT services. However, this differential may be increased where providers subsidize EFT ventures with revenues from existing services.

Customers then may be expected to tolerate some inconvenience or additional costs in the relatively rare cases when a transaction requires a human teller; this will become a specialized rather than a mass-market service. But those who must rely on human tellers for some transactions—e.g., the blind—may find that the times and places where tellers are available have been markedly decreased. Alternatively, they may find that telephone transfers and ATMs with Braille keys and voice response may be available to meet their needs.

Some critics point out that the market for financial services does not meet the assumptions of a purely competitive market in which all economic and social costs are recognized and services are allocated in a way that is responsive to societal needs. Highly efficient markets are not necessarily equitable providers of goods and services. Some consumers may be out of the mainstream and, if few in number and/or expensive to provide for, may be left out for all practical purposes if the market works efficiently. With a social activity that is so essential to adequate functioning in our society as is the performance of financial transactions, relative deprivation of access can become a serious social issue.

There is evidence that EFT can substantially reduce the time and money that both consumers and businesses spend paying bills, handling checks, and collecting payments. A State of California study noted in 1979: "The savings which EFT can bring in consumers' time and in processing costs for depository institutions have been projected to be more than $1 billion per year nationwide . . ." (7). It also concluded that EFT could reduce by substantial amounts the total expenses for credit card operations (which in 1979 were running as high as 10 to 15 percent of outstanding amounts). EFT can also reduce the loss of revenues suffered by merchants due to the float between receipt of a customer's check and payment by a bank. There is also concern as to whether the savings from use of EFT will be passed on to consumers in the form of lower checking account service charges and credit card interest charges, or whether the users of these alternative systems are involuntarily paying the costs of adding EFT systems that they themselves do not choose to use.

A more specific but less obvious issue involves those potential situations (discussed above) in which people who by choice have no depository relationship might be forced to establish one in order to receive social program benefits (or payroll checks). These accounts could quickly become zero balance accounts from which the customer withdraws all funds as quickly as available. Arguments can be made that

- the (involuntary) customer should pay the costs of the account since he or she is the beneficiary, enjoying less danger of theft and possibly higher social status thereby;
- the financial institution should absorb the costs because it can, over time, sell the customer additional services with minimum effort; and
- the employer/agency should pay the cost because it is the party that initiated the requirement, presumably to reduce its own costs.

There may be alternative methods for making funds paid by direct deposit available to the recipient; for example, an employee or welfare recipient could be provided drawing rights against a common account to which salaries of all employees, or benefits to all recipients, are credited. Specialized institutions could be established through which payments could be funneled.

Personal Money Management

Individuals use a variety of strategies to extract the maximum benefit from personal and household funds, or, more commonly, to stretch limited incomes to cover their family's needs. Dependence on daily, weekly, or monthly wages (or benefits checks) allows only limited flexibility. Many people increase this small margin of maneuverability by using retail credit, which allows them to make a large purchase and pay over a long period, or to lump together many small purchases and pay varying amounts on a more or less regular schedule. One of the bargaining points of any commercial transaction is, in fact, the timing and method of payment.

A credit card is a convenient method of credit for a wide range of goods, services, vendors, and locations, and is acceptable in many places and situations where personal checks are not. Other forms of credit are also used as a bargaining chip on both sides of a transaction. Discounts are given for payment on delivery or within a specified time; interest or payments may be deferred ("Buy in time for Christmas—no payments due until February! "). People also use less formal forms of credit, e.g., writing a check against a zero balance on Friday, knowing that a paycheck will be deposited on Monday to cover it.

The cost of supporting lines of credit and servicing credit accounts and usury limits may cause financial institutions to emphasize the debit card over the credit card. Credit cards permit the consumer to control the timing of disbursements, but the cost of credit to the consumer is likely to increase.

Debit cards, on the other hand, reduce people's control over the timing of payments. They also limit the ability to withhold payment if the purchase is unsatisfactory. The question of reversibility, or the right to stop payment, is a serious concern for consumers. Some argue that the use of a card is the functional equivalent of cash and is not reversible; others claim that it is the functional equivalent of a check and that stop payment orders should be permitted. Reversibility is especially important with preauthorized payments. The Electronic Funds Transfer Act of 1978 provides that customers can place a stop on preauthorized payments, but only up to 3 business days before the transaction is due. Some States (Wisconsin, Michigan, New Mexico) provide more extensive reversibility rights.

Liability

According to the Electronic Funds Transfer Act of 1978, financial institutions are liable for damages caused by their failure to transfer funds as instructed by the customer, unless the failure was caused by an "act of God" beyond the institution's control. This does not directly answer the question of whether an electrical blackout is such an "act of God" or whether the institution should provide sufficient backup to prevent such failures. It also does not address the liability of third parties (e.g., a merchant with a POS terminal). If the card is used fraudulently, consumer liability varies with the degree to which his/her actions contributed to the loss.

Customer Vulnerability to Errors

EFT customers bear somewhat greater responsibility for detecting and correcting errors than with payment systems relying on paper instruments and a full panoply of human support services. At the same time, the various statements and printouts provided to the customer are more complicated and less familiar than a batch of returned checks in one's own handwriting. Procedures for reconciling errors may appear formidable. At least in the early stages of developing familiarity with EFT systems (which in any case vary widely and are constantly changing), customers may tend to be intimidated by the devices and believe themselves more likely to be in error than the system; they may hesitate to challenge the accuracy of any printout statement and fear embarrassment if caught in a failure to understand it. Attention to consumer education would probably cause these problems to diminish as experience with EFT increases.

In Conclusion

There appear to be few reductions in equity inherent in EFT systems for socially disadvantaged groups, as long as a full range of alternative payment systems and financial service delivery systems continue. In this situation, EFT expands the range of services from which special groups may choose, and thus increases the possibility of finding delivery mechanisms that better accommodate their needs. In a few cases, designing EFT systems to meet specialized requirements would be relatively simple and would deliver significant benefits to groups that are disadvantaged at present. However, in the future, if EFT displaces conventional alternatives in certain neighborhoods, communities, or regions (or replaces them completely), socially disadvantaged groups may suffer significant additional restrictions on their ability to function in society. The largest socially disadvantaged group, the poor (which includes many with other disadvantages as well), could be maneuvered into accepting new payment mechanisms that they would not choose voluntarily.

EFT and equity raise important questions for consumers and the public at large, Will consumers be given sufficient information, in terms they can readily understand, to choose the optimum mix of services? Will the costs of alternative financial services and payment systems rise or fall because of EFT? Will their ability and maneuverability to manage personal finances through formal and informal means increase or diminish? Will they become more or less vulnerable to bank errors and system failures that they may be unable to detect or prove? Will they retain, both in principle and in practice, full freedom to use or not to use EFT systems and services?

The importance of these questions and issues increases as EFT becomes more widespread. It is possible, even likely, that the lower cost of EFT services may lead to their replacing older forms of financial services, at least sufficiently to make the traditional services and systems less readily available or more costly. Because access to basic economic activities and functions is essential to life in modern society, any reduction in equity for any group within society would be a matter of public interest and concern,

Chapter 6 References

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