Industry Position Paper on Cash in the Digital Age

Position
ATMIA believes that in the digital age it is critical for cash and electronic payments to co-exist to optimise convenience and choice for all consumers and businesses in their daily transaction cycles. In addition, it is important for all societies to enjoy the benefits of public, centrally regulated[1] money, in addition to payment technologies developed and deployed in the private sector, to achieve the right balance for governance.

Background Facts

According to the Reserve Bank, cash remains an essential component of the payment system, being the largest retail payment category by number of transaction for transactions under $10.[2] The median size of cash payments has remained stable at $12 since 2013 and, as of 2016, cash reportedly powered more than 60 percent of transactions valued at $10 or less.[3] The use of cash for small-value transactions is particularly high among smaller businesses in both rural and urban areas.

It is important to understand the underlying drivers of cash's continued popularity in the digital age.

Underlying Advantages of Cash

In the face of anti-cash media coverage, it is imperative to remind ourselves of the reasons why cash continues to be competitive vis-à-vis electronic payment methods and technologies.

[1] Reserve Bank of Australia (2017). *Reserve Bank Bulletin*. Sydney: Reserve Bank, p. 59.
[2] Ibid.
[3] Ibid, p. 60.

- The relatively high costs of using cards makes cash, which is free to use for consumers, a more affordable option; the average cost of using a card is approximately 1.4%, either the merchant will absorb this amount or will pass it on to the cardholders. Looking ahead, it is possible that in the short-term to mid-term card fees will increase due to on-going fraud losses, increases which will be passed on to the merchants who, in turn, will, once again, pass them on to the increasingly frustrated consumers.

- There is fraud, identity theft and data and card compromises on a massive scale in the electronic world, in addition to the current privacy issues online, making cash a more attractive payment method for those seeking the privacy of a cash transaction.

- Cash is regarded as a very successful budgeting tool for households and individuals and is an essential tool for reducing debt levels in society.

- Payment technologies depend on live power sources and systems as well as on a number of interconnected components all working together; these interconnected components, all of which can fail, cost money to run, whereas a cash transaction is independent of electrical power and elaborate electronic systems, providing instant settlement.

Central Bank Support

As a result of recent changes in central bank policy, accessing cash at ATMs is now free, increasing the accessibility of cash for consumers and businesses. In addition, the RBA's investment in a new banknote design to combat counterfeiting indicates that the central bank see cash as a significant payment form for the foreseeable future. To this end, the Bank is issuing an upgraded series of banknotes, starting with the $5 and followed by the new $10 note. At the end of June 2017, there were 1.5 billion banknotes, worth $73.6 billion, in circulation.

Conclusions

Cash is highly relevant in the digital age and its popularity is founded on strong underlying, unique drivers of usage.

Cash and electronic payments must coexist to provide maximum convenience and choice to the consumers of today and tomorrow.

Whilst Australia is collectively moving towards greater use of digital payments, cash continues to be popular among consumers. Even among younger millennials, it is still used to pay for nearly one-third of their transactions, according to the RBA.[4]

It is time for the true picture of cash use to be fairly represented in the media, in place of the current counterproductive and absurd anti-cash bias.

[4] Reserve Bank of Australia (2017). *Reserve Bank Bulletin*. Sydney: Reserve Bank, p. 60.