

# Banking Automation **BULLETIN**

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## Is cash really ‘costly and inefficient’?

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Global ATM shipments tumble in 2009

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Revolutionising the cash cycle

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ATM usage and strategies showcased at *European ATMs 2010* conference

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Towards private cash recycling and cross-border CIT

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**Country profile:  
Austria**

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## Cash: perceptions versus reality

There is a widely held view that cash is expensive – for banks, retailers and even consumers.

Intuitively this makes sense – in the same way it is more costly to process a letter than an email,

surely it is more expensive to deal with physical banknotes and coins than electronic payments?

Recent research from RBR (see page 2) has examined the evolving payments landscape and analysed the costs of different payment methods. The findings of this study will be surprising to some people.

The research shows that while cash represents a falling share of retail payments, it remains clearly the predominant payment method, well ahead of its nearest competitor, payment cards.

Perhaps the more controversial finding is that based on current volumes, the cost of a cash payment is substantially lower than that of other payment methods. This finding is consistent with studies performed by, or on behalf of, various central banks over the past decade.

The simple explanation for this startling result is that cash and cashless payments both incur considerable costs, but because of the huge volume advantage that cash currently holds, it is relatively inexpensive on a per transaction basis.

While this analysis may cheer those with a vested interest in cash, there is a possible sting in the tail, as a result of a combination of the above findings. If the decline in the share of cash continues, and particularly if this results not just in losing share but declining numbers of cash payments, then the current cost advantage enjoyed by cash will be eroded.

Dominic Hirsch, Editor

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**Editor** Dominic Hirsch

**Managing Editor** Morten Jorgensen

**Assistant Editors** Tomomi Kimura, Rob Walker

**Contributors** Robert Chaundy, Richard Cummings, Tom Hutchings, Uwe Krause, Felix Kronabetter, Katie MacShane, Gareth Thomas

**Subscriptions Manager** Susie Lens

**Advertising Manager** Felix Kronabetter

For all editorial and advertising enquiries:

Telephone: +44 20 8940 1398

Fax: +44 20 8940 1527

Email: [bulletin@rbrlondon.com](mailto:bulletin@rbrlondon.com)

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Retail Banking Research Ltd  
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