

VOCALINK PERSPECTIVE

Cash is still king

Consumers expect to use cash still in 10 years' time

By Sara Parker, Product Director, VocaLink Card Transaction Services

With the rise of digital payments technology, many have speculated on the future of cash. Countries such as Denmark, Sweden and Finland are already mostly cashless societies, with Finland having the highest amount of non-cash transactions in the world per head. According to Sweden's central bank, Sveriges Riksbank, only 20% of retail payments were made using cash in 2014, down from 39% in 2010.

In contrast to what is happening in the Nordic countries, cash usage is actually growing globally, partly as a result of fast growth in many developing markets. For example, cash withdrawals in China between 2010 and 2014 increased 64% to 13.7 billion, and similarly, growth in India was 67% and in Russia, 60%.

But where does the UK stand on the use of cash?

In the UK, cash remains the predominant payment method, although it no longer exceeds all other payment methods combined. According to Payments UK (formerly the Payments Council), cash payments as a proportion of the total volume of payments made by consumers, businesses and financial organisations fell from 52% in 2013 to 48% in 2014.

Consumers value reliability of cash

Given these changes, VocaLink recently surveyed over 2,000 consumers to understand people's changing attitudes towards cash. This research revealed that there are still many instances where cash remains king, with four in five consumers still expecting to be using cash in 10 years' time.

Nearly everyone surveyed (97%) were found to carry cash on them, with the average amount standing at £36. Men were also revealed to be more likely to carry cash than women – as were the over 45s. It appears that consumers want to ensure that they are prepared for situations in which cash is the only payment option, which happens around three times a week. When asked in which situations they would use cash, paying at vending machines, market stalls and public toilets came out on top, accounting for 85% of cases. It is interesting to note that two thirds of people said that the increase

in the contactless card limit to £30 had no impact on their use of cash.

Unsurprisingly, 81% said that ATMs are their preferred way of accessing cash, with 86% also saying that they have access to a convenient ATM. VocaLink is focused on ensuring that people can transact quickly, easily and securely via ATMs and has recently signed the UK's largest ever ATM processing deal with the LINK ATM network. This is expected to process over 16 billion transactions during the five year contract.

Paying with cash offers consumers a number of benefits: transactions are immediate, do not expose the payer to risks beyond the value of the transaction, are an active decision by the person making the payment, are accepted in 'bricks-and-mortar' merchants and do not require people to make longer term commitments to a payment method. Generally, people prefer to be active participants in the payment process, and don't like other people knowing their bank details.

Innovations abound but cash will endure

There is no doubt that the number of payment innovations will continue to increase in the coming years. VocaLink is committed to being at the heart of these developments and to implementing new payments technologies around the world. To this end, it has signed a transaction processing contract with UnionPay, the world's largest card scheme, to ensure Chinese cards can be used in cash machines across the UK. VocaLink's international expertise also stretches to the USA, where it has begun work with The Clearing House to design the most comprehensive real-time payment system ever developed to service the entire country.

New developments continue to challenge cash and card payments, such as biometric payments, where using thumbprints or eyeball scans to verify identities may soon be widely available for making payments. As consumers become increasingly comfortable using advanced technology in everyday life, cards are being steadily replaced by other technology. While these innovations are occurring, cash still seems to have a firm place in people's wallets – it is the one payment method that people are not ready to leave behind. ■



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