

Banking Automation **BULLETIN**



Self-service more important than ever in challenging times

Cards and contactless curtail cash usage in CEE

Could cashback make a comeback?

Egyptian banking and payments making headway

Central bank digital currencies – can cash go virtual?

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Could cashback make a comeback?

Cashback may have originated in the UK in the 1980s, but its popularity has been falling in the country since 2012. Could it make a comeback?

I am not talking here about the rebates that some issuers give cardholders when they spend on their cards (although that type of cashback is also on the decline as a result of reduced interchange fees), but the type of cashback where a customer makes a purchase with a card in a store and obtains cash at the checkout which is then added to the purchase amount.

I should also emphasise that the falling popularity of cashback is more due to retailers having decreasing interest in off-loading excess cash, than of waning interest from customers. There are multiple reasons for this, as detailed in our cashback feature on page 5, but ultimately the result is that most retailers no longer proactively offer cashback and volumes have fallen accordingly.

There has been renewed discussion of cashback recently, on the back of falling numbers of bank branches and ATMs. In the UK, the recently created Joint Authorities Cash Strategy Group, which includes representatives from the country's regulators, central bank and finance ministry, has been tasked with creating a response to the removal of ATMs and has made reference to cashback in some of its pronouncements. The international card schemes have also become further involved; cashback already operates on scheme rails, but both Mastercard and Visa have announced incentives to encourage cashback in certain locations.

The logic for retailers playing a greater role in local cash recycling is strong, and if alternative places to obtain cash become scarcer or more expensive, it is realistic to think cashback could have a resurgence.

Whether this would be in the form of traditional cashback is less clear. Other solutions are emerging which directly connect retailers and customers in the cash cycle. For example, there are fintechs such as soCash, which is based out of Singapore, and Sonect from Switzerland, which offer apps where users can book cash pickups from local retailers.

ATMs could play a role too. There are still a large number of merchant-fill ATMs in the USA, and in countries such as South Africa, there are so called 'cashless ATMs' located in retailers, which look and feel like an ATM but which issue receipts which are exchanged for cash by the merchant.

One way or another, retailers are likely to play a key role in cash distribution in the future – if market forces don't create sufficient interest, then expect governments to intervene.

Dominic Hirsch, Editor

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ISSN 1748-5304

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393 Richmond Road
London TW1 2EF, United Kingdom

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