

Consumer Payment Behaviour in Australia

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Photo: Carolyn Hebbard – Getty Images

Abstract

The Reserve Bank's 2019 Consumer Payments Survey has provided further evidence that Australian consumers are increasingly preferring to use electronic payment methods. Many people now tap their cards, or sometimes phones, for small purchases rather than paying in cash. Consumers also have an increasing range of options available for making everyday payments. Despite this, cash still accounts for a significant share of lower-value payments and a material proportion of the population continues to make many of their payments in cash.

Introduction

The Bank undertook its fifth comprehensive survey of consumer payments in October and November 2019.^[1] Participants in the Consumer Payments Survey (CPS) recorded details about every transaction they made in a week and provided extra information on their payment preferences and attitudes in a post-survey questionnaire.^[2] The way in which Australians are making payments is changing and new payment methods are emerging, often enabled by mobile technology. Accordingly, the 2019 CPS asked participants to report more information than previously on their

use of newer electronic payment methods and channels, as well as in-depth information on their use of and attitudes towards cash. Around 1,100 people participated in the survey, recording around 13,500 consumer payments (see Box A: Details of the CPS).

The CPS showed that Australians are continuing to switch to electronic payment methods in preference to cash and confirmed that personal cheques are seldom used for consumer payments (see Box B: The Decline of Cheques). In 2019, debit cards were the most commonly used means of payment, overtaking cash as the single most

Table 1: Consumer Payment Methods^(a)

Share of number of payments, per cent

	2007	2010	2013	2016	2019
Cash	69	62	47	37	27
Cards	26	31	43	52	63
– Debit	15	22	24	30	44
– Credit and charge cards	11	9	19	22	19
BPAY	2	3	3	2	2
Internet/phone banking	n/a	2	2	1	3
PayPal	n/a	1	3	3	2
Cheque	1	1	0.4	0.2	0.2
Other ^(b)	1	1	2	4	2

(a) Excluding payments over \$9,999

(b) 'Other' methods include prepaid, gift and welfare cards, bank cheques, money orders, 'buy now, pay later' and Cabcharge

Sources: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research

frequently used payment method (Table 1).^[3] Although the share of payments made in cash continued to fall, cash was still used for over one quarter of consumer payments and some people continue to rely heavily on cash in their daily lives.

This article sets out the main findings of the 2019 CPS, focussing on consumers' use of cash, cards and other electronic payment methods and channels.^[4]

Cash

The 2019 CPS provided further evidence of the decline in the transactional use of cash – 27 per cent of all consumer payments were made with cash in 2019, compared with 37 per cent in 2016 and 69 per cent in 2007 (Graph 1, left panel).^[5]

When measured by the value of consumer payments (rather than the number), the share of cash payments fell to around 10 per cent, from just under 40 per cent in 2007 (Graph 1, right panel).

While consumers in all broad demographic groups are using cash less frequently than they did in the past, the shift to electronic payment methods has been most pronounced among younger Australians (Graph 2, left panel). Survey respondents aged under 40 used cash for less than 15 per cent of their payments in 2019, roughly half the share reported by participants in this age group in 2016.

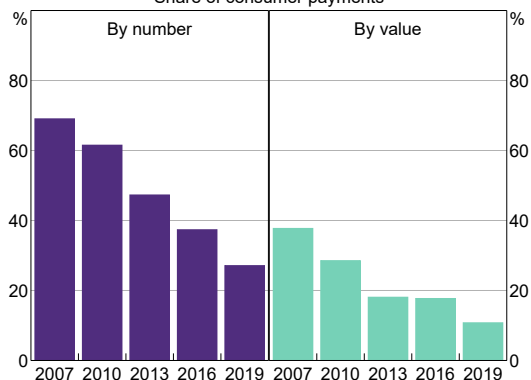
Despite these changing payment preferences, some members of the community continue to make a material share of their payments in cash. While participants aged 65 and over use cash less frequently than they used to, consumers in this demographic still made over half of their payments in cash in 2019. Lower-income households also tend to pay in cash more often than households in higher income groups (Graph 2, right panel).

Among all survey participants, around 15 per cent of respondents used cash for over 80 per cent of their in-person payments in 2019 and about 10 per cent used cash for *all* of their in-person transactions over the week (compared with

Graph 1

Cash Payments

Share of consumer payments



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research

12½ per cent of all respondents in 2013 and 2016) (Graph 3). At the other end of the scale, the CPS indicates that an increasing share of Australian consumers do not use cash at all in a typical week; around a third of consumers did not record *any* cash payments in the 2019 survey, compared with 18 per cent in 2016.

The shift away from cash has occurred for transactions of all sizes, including for lower-value payments as consumers increasingly prefer to use contactless cards to ‘tap and go’ for these purchases (see below). This trend continued in the latest survey, with the share of transactions of \$10 or less made in cash falling by 18 percentage points since 2016. Cards are now used more often than cash for all payments over \$5. Nonetheless, cash still accounts for a significant share of small transactions:

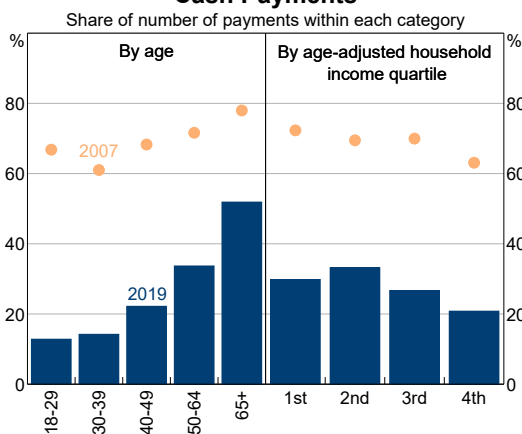
about 45 per cent of payments of \$10 or less (Graph 4).

People continue to use cash for two broad reasons: personal preference and merchant acceptance. When asked about the most important reason for paying in cash, around a third of respondents in 2019 cited factors relating to merchant acceptance, fees and pricing (Graph 5). Some respondents also indicated a preference for using cash for small transactions (around 20 per cent), as well as to assist in budgeting or as a means to spend using their own (rather than borrowed) funds (around 15 per cent). Not surprisingly, respondents who used cash relatively frequently (for more than 80 per cent of their in-person payments) tended to cite factors relating to a preference for using cash over other payment methods. For example, nearly half of frequent cash users reported that budgeting and a preference for using their own funds were their most important reasons for using cash. In contrast, people who used cash less often commonly cited merchant acceptance as the most important reason they used cash, which could suggest that they paid in cash only when other payment options were unavailable.

As the transactional use of cash has continued to decline, so too has the value of cash that respondents held in their wallets or purses. The median value of such holdings was \$45 in 2019, which was \$10 less than in 2013. In the 2019 survey, around a quarter of people held no cash at all in their wallet; the equivalent figure was 8 per cent in

Graph 2

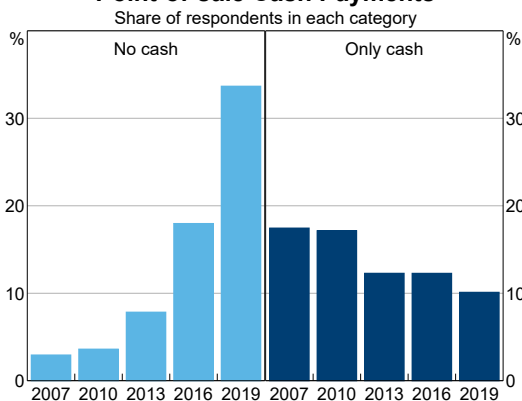
Cash Payments



Source: RBA calculations, based on data from Roy Morgan Research

Graph 3

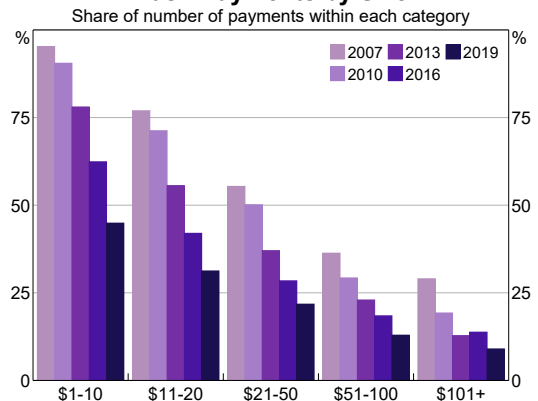
Point-of-sale Cash Payments



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research

Graph 4

Cash Payments by Size



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research

2013. Respondents were also asked if they held cash outside their wallet, with nearly 40 per cent reporting that they did so. Aside from making everyday payments, the most common reason cited for holding cash was for precautionary purposes (Graph 6). People also cited budgeting and issues relating to the convenience and accessibility of cash as important reasons for holding it.

Payment Cards

As Australian consumers pay in cash less frequently, they are often instead using cards for their purchases. This trend continued in the latest CPS, with the share of payments made using credit and debit cards combined increasing by around

10 percentage points between 2016 and 2019, to 63 per cent of consumer payments (Table 1).

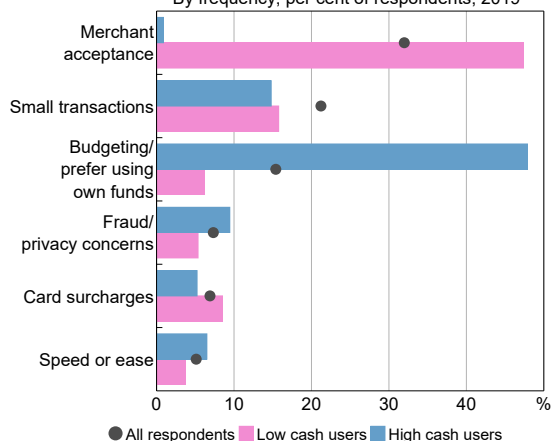
The recent increase in the frequency of card payments relative to other payment methods has been largely because cards are being used more often to make payments in-person at the point-of-sale.^[6] While consumers are using cards more frequently for payments of all sizes, growth in the use of cards – particularly debit cards – was strongest for lower-value transactions (Graph 7). This ongoing shift to cards for relatively small purchases has been facilitated by the adoption of contactless functionality by consumers and merchants; around half of all in-person payments were made by ‘tapping’ a debit or credit card on a card terminal in 2019 (Graph 8, left panel). A further 5 per cent of in-person payments were made by tapping or waving a smartphone or other payment-enabled mobile device (e.g. watch) in front of a card terminal rather than using a physical (plastic) card. Overall, 83 per cent of point-of-sale card transactions were contactless, initiated by tapping a card or mobile device (Graph 8, right panel).

While mobile device ‘tap and go’ payments still account for a relatively small share of consumer payments, the use of mobile payments has grown over the past three years. In 2019, around 10 per cent of respondents made at least one mobile payment during the week of the survey, which is over twice the share of respondents that made at least one such payment in 2016.^[7] The

Graph 5

Most Important Reason for Using Cash

By frequency, per cent of respondents, 2019*

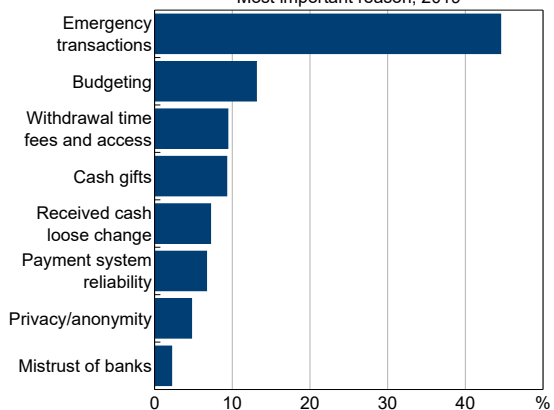


* Frequency based on share of point-of-sale payments in cash (low: <20 per cent, high ≥80 per cent)
Source: RBA calculations, based on data from Roy Morgan Research

Graph 6

Why Hold Cash Outside of Wallet?

Most important reason, 2019

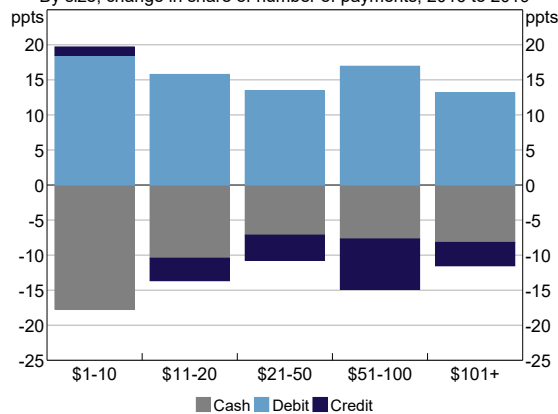


Source: RBA calculations, based on data from Roy Morgan Research

Graph 7

Change in Point-of-sale Payments

By size, change in share of number of payments, 2016 to 2019



Source: RBA calculations, based on data from Ipsos and Roy Morgan Research

adoption of mobile payments is consistent with the increased availability of this payment option and with consumers' greater awareness of the ability to make mobile payments. At the time of the 2016 survey, the ability to make mobile payments was still a relatively new feature of the retail payment system whereas it is now a more common product offering across card issuers. The growth in contactless mobile device payments has been driven by increased use among consumers aged under 40; almost one in five people in this age group recorded at least one contactless mobile payment during the week of the 2019 survey (Graph 9).

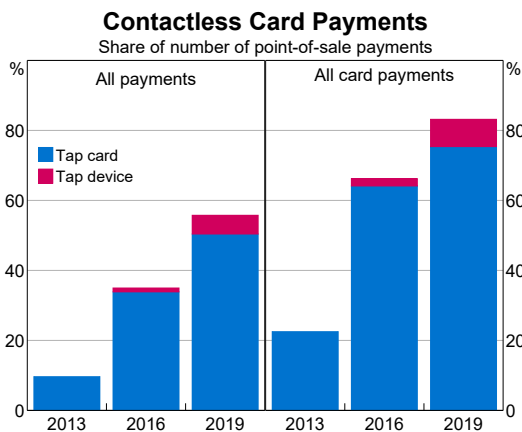
Cards are being used more frequently at all broad types of businesses, including in sectors where cash has traditionally been used for a high share of

transactions. For example, participants in the 2019 CPS used cards for around 60 per cent of purchases at (non-supermarket) food retailers – which includes small food stores, cafes, restaurants and pubs/bars – displacing cash as the most common means of payment at these businesses for the first time.^[8]

When choosing to pay with a card, Australian consumers are increasingly using debit cards – which allow people to make payments from funds in their deposit account – rather than credit cards. Debit cards were used for nearly 45 per cent of consumer payments (by number) in 2019, an increase of around 15 percentage points from three years earlier. Credit cards accounted for 19 per cent of consumer payments in 2019, which was a slightly lower share than in the 2016 survey (Table 1).^[9]

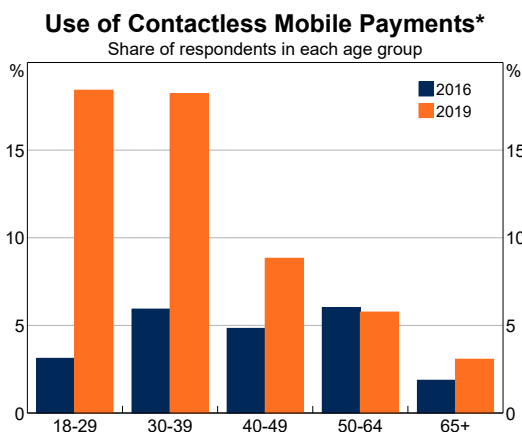
The use of debit cards grew among survey participants of all ages between 2016 and 2019, although younger people tend to use debit cards the most intensively; respondents aged under 40 made around two thirds of their in-person payments with a debit card, compared with 36 per cent for consumers in older age groups (Graph 10). Debit cards are also becoming an increasingly popular way of making online purchases, accounting for around 30 per cent of these payments in 2019, compared with 23 per cent in 2016 (see below).

Graph 8



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research

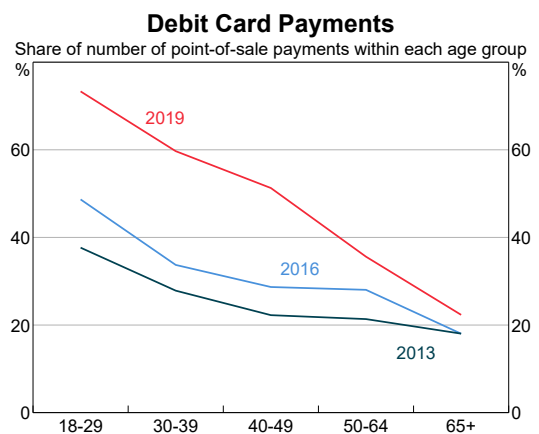
Graph 9



* Used at least once in the diary week

Source: RBA calculations, based on data from Ipsos and Roy Morgan Research

Graph 10



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research

Table 2: Online Payments
Share of number of consumer payments, per cent

	2007	2010	2013	2016	2019
Debit card	0.3	1	2	3	4
Credit card	1	1	3	3	2
BPAY/Internet banking	2	4	5	4	4
Other ^(a)	0.4	1	3	4	2
Total	3	7	13	13	13
<i>Mobile/app share of online</i>	n/a	n/a	6	20	40

(a) 'Other' methods include Paypal, prepaid, gift and welfare cards and 'buy now, pay later' services

Sources: RBA calculations based on data from Colmar Brunton, Ipsos and Roy Morgan Research

Online Payments

A long-run trend in retail payments is an increase in the share of transactions that occur online rather than in-person, consistent with growth in e-commerce. As in previous surveys, participants in the 2019 CPS were asked to record the details of every consumer payment that they initiated online during the week of the survey.

Around 55 per cent of respondents made at least one online payment in 2019, which was about the same as in 2016 but double the share of people surveyed in 2007. When measured by the number of transactions, the share of payments made online was 13 per cent, which was a similar share as in the previous two surveys but roughly four times the online share recorded in 2007 (Table 2). It has become increasingly common for these payments to be made using mobile apps, with 40 per cent of online payments initiated through apps rather than 'traditional' web browsers (e.g. Chrome or Safari) in 2019.

Many respondents also reported that they had used debit or credit card details that had previously been stored on a computer, device or within an app to make an online payment (as opposed to filling in their card details at the checkout stage of the transaction). This includes, among other things, choosing to auto fill stored payment credentials when shopping online, and payments made via apps in which the payment is embedded and occurs in the background at the time of a transaction (e.g. transport ride-sharing apps).

Around 45 per cent of survey participants had used

stored payment details for an online payment in the past year. This is consistent with a trend towards payments becoming more seamless from the perspective of consumers.

While the online share of payments shown in Table 2 has been fairly stable in recent years, these figures do not include participants' automatic payment arrangements, such as household bills (e.g. electricity or subscription services) paid by direct debit, and recurring 'pay anyone' transactions via online banking. These arrangements are set up ahead of the payment occurring and are recorded separately in a post-diary questionnaire. This allows participants to review their bank statements when recording information on these payments. The share of total weekly spending made automatically – rather than initiated during the week of the CPS – has been steadily increasing over recent years, to 9 per cent of the number of total transactions (Graph 11, left panel). When measured by the value of weekly spending, around one fifth of all payments were made automatically in 2019 (Graph 11, right panel). The growth in automatic payments largely reflects the changing way people pay their bills and, to a lesser extent, make debt repayments. Around half of all household bill payments in 2019 were made automatically, which is more than double the share in 2013. This shift towards automatic payments for certain transactions is another way in which payments are becoming more seamless.

New Payment Methods

The way in which Australian consumers make payments is being shaped by a number of related influences. Among other things, these include the emergence of different payment channels, the use of mobile technology and the introduction of innovative products and services.^[10]

Over the past few years, a number of alternative means of payment have emerged or attracted greater attention. These include (among others): buy now, pay later (BNPL) services that enable consumers to obtain goods and services immediately and make subsequent payments in a series of interest-free instalments; the ability to make in-app payments using stored card details; ‘cryptocurrencies’; and the ability to make real-time account-to-account bank transfers using PayIDs via the New Payments Platform. To gauge awareness and use of these methods, the CPS asked respondents whether they had heard of a number of ‘alternative’ ways of making payments and also whether they had used them at least once in the past 12 months (Graph 12).

In terms of awareness, a majority of respondents had heard of several of the newer means of payment, with awareness highest for BNPL services and the ability to make tap and go payments using devices such as mobile phones and various types of ‘wearables’. Although many respondents had heard of ‘cryptocurrencies’, very few had used a cryptocurrency such as Bitcoin to actually make a consumer payment over the past year (indeed, less

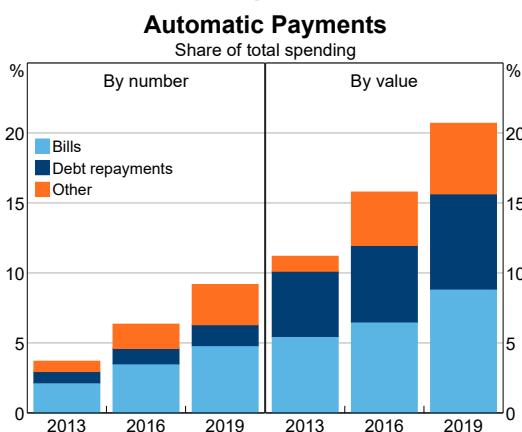
than one per cent had done so). In contrast, around one third of consumers reported that they had made an in-app mobile payment, with tap-and-go mobile device payments and BNPL the next most frequently used ‘alternative’ payment methods. While consumers have a broader range of options with which to make their payments, it is worth noting that many of these newer services ultimately use existing card networks to facilitate the payment (e.g. via stored card details).

Conclusion

The way in which Australian consumers make their everyday payments is continuing to change. The Bank’s 2019 CPS showed a continuation of the trend decline in the use of cash for consumer payments as many people now prefer to use electronic payment methods, such as cards, for even small purchases. The majority of in-person payments are now initiated by tapping a card with contactless functionality on a terminal, and consumers are also using mobile phones and other devices to make ‘tap and go’ payments more often than they were three years ago. People are also making more of their online payments using mobile devices and using stored payment credentials.

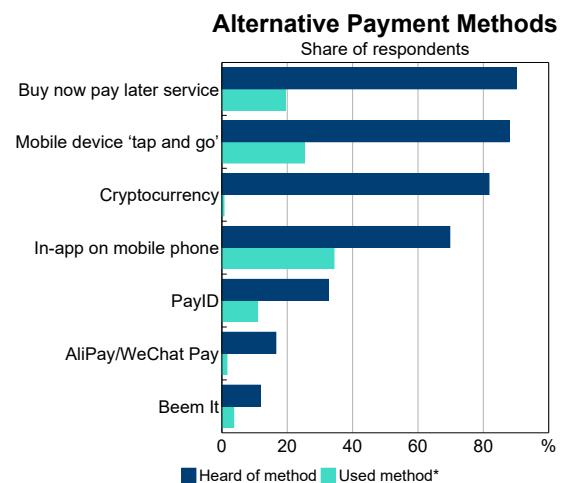
The growing importance of electronic payments highlights the need to make sure that electronic payments are low-cost, secure and resilient to operational disruptions. In this regard, the Bank is conducting a review of retail payments regulation

Graph 11



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research

Graph 12



* In the last 12 months

Source: RBA calculations, based on data from Roy Morgan Research

in 2020 which will consider a range of issues relating to competition, efficiency and the safety of retail payments.^[11] The CPS is an important source of information on a number of aspects of this review.

The CPS is also one of the main sources of information on the use of cash and cheques in the economy. While cash is used less frequently than in the past, it is still widely held for precautionary purposes and some members of the community

continue to rely very heavily on it in their daily lives. Older Australians, for example, continue to make a significant share of their payments in cash, although survey participants in this demographic are also making increasing use of electronic payment methods over time. It will be important to consider the needs of people who prefer to pay in cash or continue to write cheques, and/or who do not have access to electronic payment options in the broader transition to electronic payments. ✎

Box A: Details of the Survey

The fieldwork for the 2019 Consumer Payments Survey was conducted by the research firm Roy Morgan Research on behalf of the Bank in October and November 2019. The survey consisted of three parts: a pre-diary questionnaire about the demographic characteristics of respondents; a seven-day payments diary; and a post-survey questionnaire focussing on respondents' payment preferences and attitudes. To encourage participation and engagement with the survey, respondents received a gift card on completion of the three components.

The survey was delivered online for most respondents but to ensure the sample was broadly representative of the Australian population, participants without internet access were recruited by telephone to complete a paper-based survey. The overall response rate was good, resulting in a final sample of just over 1,100 respondents. These participants made a total of around 13,500 consumer payments and around 1,500 automatic payments in their seven-day diary periods.

In addition to internet access, recruitment targets for age, sex, household income, credit card ownership and location (i.e. capital city or regional area) were set so that the sample would be reasonably representative of the Australian population. To account for different response rates across the various demographic categories, the Bank weighted the responses so that the final sample aligned with Australian Bureau of Statistics and HILDA population benchmarks.^[12]

Footnotes

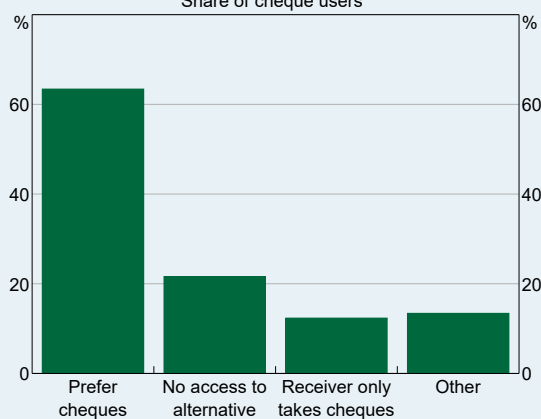
- [*] James Caddy, Luc Delaney and Chay Fisher are from Payments Policy Department; Clare Noone is from International Department, having worked on the survey when she was in Payments Policy Department. Cameron Dark and Ed Tellez from Payments Policy Department also made significant contributions to the survey.
- [1] The Bank has conducted Consumer Payments Surveys every three years since 2007. For information on previous surveys see Emery, West and Massey (2008); Bagnall, Chong and Smith (2011); Ossolinski, Lam and Emery (2014); Doyle, Fisher, Tellez and Yadav (2017a and 2017b).
- [2] Roy Morgan Research conducted the 2019 CPS on behalf of the Bank.
- [3] In the 2016 CPS, debit and credit cards combined were used more frequently than cash.
- [4] A detailed report and additional data will be published later in 2020.
- [5] For previous discussions of the use of cash in the economy see, for example, Davies, Doyle, Fisher and Nightingale (2016) and Meredith, Kenney and Hatzvi (2014).
- [6] As discussed below, the share of online payments was stable in 2019 and cards were used for a similar proportion of these payments as in the 2016 survey.
- [7] People who had made one or more contactless mobile device payments over the week of the survey made 45 per cent of their in-person payments using this method.
- [8] In 2007, cash was used for almost 90 per cent of purchases at (non-supermarket) food retailers.
- [9] Growth in the use of debit cards relative to credit cards is consistent with aggregate data from the Bank's Retail Payments Statistics, which show that growth in debit card transactions has outpaced that in credit cards since the mid 2000s.
- [10] See, for example, Bullock (2018).
- [11] See Reserve Bank of Australia (2019).
- [12] This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the author and should not be attributed to either DSS or the Melbourne Institute.
- [13] See, for example, Lowe (2019).

Box B: The Decline of Cheques

The 2019 Consumer Payments Survey provided further evidence of the long-term decline in the cheque system, with personal cheques seldom used for consumer payments. Cheques accounted for only 0.2 per cent of the payments made during the week of the survey, a similar rate to that recorded in 2016. As in previous surveys, cheque use was concentrated among older Australians; all of the cheque payments made in the 2019 survey were made by respondents over 50, with 80 per cent of these made by those aged over 65. Personal cheques were often used for relatively large consumer expenditures such as household bills and services.

Because cheques are used so infrequently, it will be appropriate at some point to wind up the cheque system.^[13] In this context, it is important that alternative payment methods are available and accessible for those who rely on cheques. For people who continue to use cheques, the majority indicated that this reflected a preference to use cheques for some payments, although smaller shares reported that they had no access to an alternative means of payment or that the receiver only took cheques (Graph B1).

Graph B1
Reasons for Cheque Use
Share of cheque users*



* Made a personal cheque payment in the last 12 months; respondent could choose more than one response
Source: RBA calculations, based on data from Roy Morgan Research

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