

# How Australians Withdraw Cash

Cash continues to be an important means of payment in Australia, despite an increasing array of payment instruments, including credit cards, debit cards and electronic transfers. However, while cash has retained its central role, what has changed over recent years is the way that people obtain their cash.<sup>1</sup> This article discusses this change and provides some details on the importance of the various channels through which cash is currently obtained. Changes to *Bulletin* Table C.2, commencing in this issue, provide detail on cash withdrawals through EFTPOS.

## Use of Cash

There have been many predictions that cash would decline in importance as a payment instrument in the face of technological innovations. That this has not occurred is suggested by the fact that the ratio of the value of currency outstanding to GDP has increased over recent years (Graph 1). This ratio currently stands at around 4 per cent, up from an average of around 3½ per cent over previous decades.

**Graph 1**



There are no aggregate data on the number, or value, of payments made by cash, as there are for non-cash payment methods, such as credit cards and EFTPOS. However, survey data provide some guide as to the use of cash. In particular, in July 2001, a survey conducted by the Australian Retailers Association found that cash payments accounted for around 40 per cent of the value of all payments made at the surveyed retailers.<sup>2</sup> There were, however, significant differences across types of stores.

1. The oldest known coins date to Lydia in the 7<sup>th</sup> century BC. The oldest widespread use of paper money comes from the Tang Dynasty in China (618–907 AD).
2. Australian Retailers Association, *Credit Card Schemes in Australia*, Submission to the Reserve Bank of Australia, July 2001, p 19.

In food and convenience stores, for example, cash sales accounted for 56 per cent of sales, perhaps reflecting the large number of small transactions. In contrast, cash sales in department stores and women's clothing stores were a relatively small share of total sales (13 per cent and 9 per cent respectively), with credit and charge card transactions being the dominant form of payment.

## Access to Cash

Absent a steady cash income, individuals need to withdraw cash from their bank or financial institution. Traditionally, this was only possible over the counter at a branch or by cashing a cheque. Today, however, many more options are available. In addition to the traditional methods, consumers can make a withdrawal at an Australia Post office (using giroPost); they can use an ATM, either their own institution's or one belonging to another institution; or they can withdraw cash at a merchant using an EFTPOS terminal.<sup>3</sup>

While data on cash withdrawals over the counter are not available, data on cash withdrawals from ATMs and through EFTPOS are collected by the Reserve Bank (Table 1). The Reserve Bank also collects data on cash withdrawn by way of credit card cash advances (generally via an ATM).

The data show that a withdrawal from a deposit account, via an ATM, is the most important source of cash for consumers. Over the year to March 2004, around 40 per cent of these withdrawals occurred at an ATM owned by an institution other than the customer's financial institution (a so-called 'foreign ATM') and would almost always attract a fee. The average size of an ATM withdrawal was \$169 with the average amount withdrawn from a foreign ATM considerably smaller than the average withdrawal from an ATM owned by the customer's financial institution. One explanation for this is a tendency for people to use 'foreign ATMs' for smaller, convenience cash withdrawals.

While the EFTPOS system is also used to withdraw cash, there were four times as many cash withdrawals from ATMs as from EFTPOS terminals in the year to

**Table 1: Cash Withdrawals**  
Year to March 2004

	<b>Number</b> Million	<b>Value</b> \$ million	<b>Average value</b> \$
ATMs	728	122 732	169
Own institution	384	74 820	195
'Foreign'	344	47 911	139
EFTPOS	167	9 283	56
Cash-out only	15	1 063	71
Cash-out combined with purchase	152	8 220	54
Credit & charge card cash advances	36	10 520	292
<b>Total</b>	<b>931</b>	<b>142 534</b>	<b>153</b>

Source: RBA

3. Cash-out with EFTPOS is not available at all merchants. Of those that do offer it, some offer it only in conjunction with a purchase. Sometimes, minimum transaction sizes are specified before cash-out is made available. Cheque-cashing facilities have virtually disappeared.

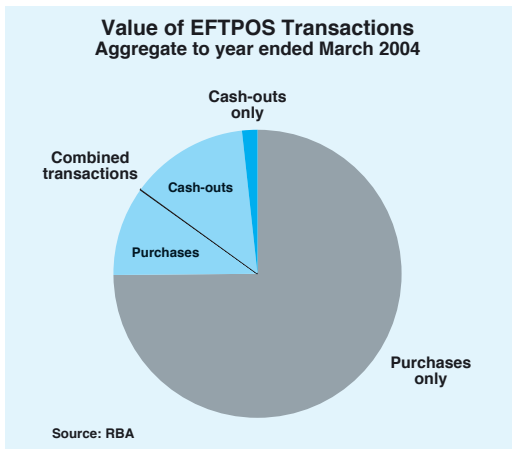
March 2004. Moreover, the average cash withdrawal from an ATM was much larger than the average withdrawal using EFTPOS (\$169 versus \$56). Given the greater number and larger size of withdrawals using ATMs, the total value of cash withdrawn from ATMs was 13 times that withdrawn using EFTPOS. The value of cash advances on credit cards was also greater than the value of cash-out transactions over the EFTPOS network. This is despite there being around five times as many cash-out transactions over the EFTPOS network as there are cash advances on credit and charge cards.

One interpretation of these data is that consumers use EFTPOS mainly to make purchases of goods and services but that they sometimes obtain relatively small amounts of ‘supplementary’ cash when paying for these purchases (Graph 2). Around 75 per cent of the value of total EFTPOS transactions is accounted for by purchases without a cash withdrawal. A further 23 per cent is accounted for by purchases with a cash withdrawal, with the average amount of cash withdrawn being around \$54. Only 1.7 per cent of the value of all EFTPOS transactions represents purely cash-out transactions, with the average amount of cash withdrawn being \$71.

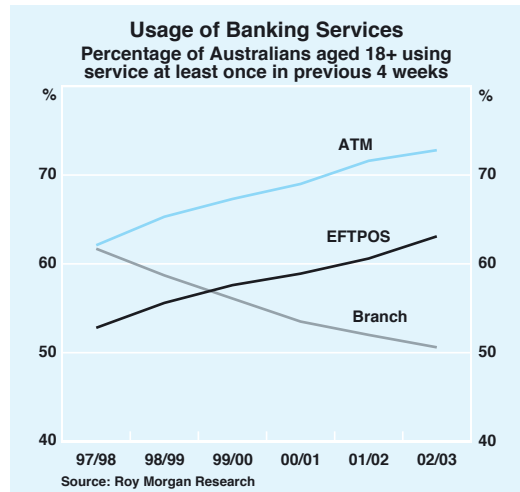
There are a number of possible reasons why many cardholders use ATMs as their primary source of cash and EFTPOS as a secondary source. One is that customers using EFTPOS to withdraw cash have typically already made a purchase and hence require less cash. Another is that merchants often place a limit on the size of cash withdrawals and/or are unable, on occasion, to meet requests for large withdrawals. A third is that withdrawing cash through an ATM can afford more privacy than withdrawing at a retail store.

Given that the Reserve Bank’s data collection is relatively new, commencing in 2002, it is difficult to provide historical growth rates for the various means of withdrawing cash. However, survey data are again useful here. A Roy Morgan Research survey in 1997/98 showed that approximately the same number of people used an ATM as visited a bank branch in the previous four weeks (Graph 3), and many of those branch visits would not have involved withdrawing cash.<sup>4</sup> Since then, the survey data indicate that the proportion of the population visiting a bank branch has declined, while use of ATMs has increased. In 2002/03, almost <sup>3</sup>/<sub>4</sub> of respondents indicated that they had used an ATM at least once over the previous four

**Graph 2**



**Graph 3**

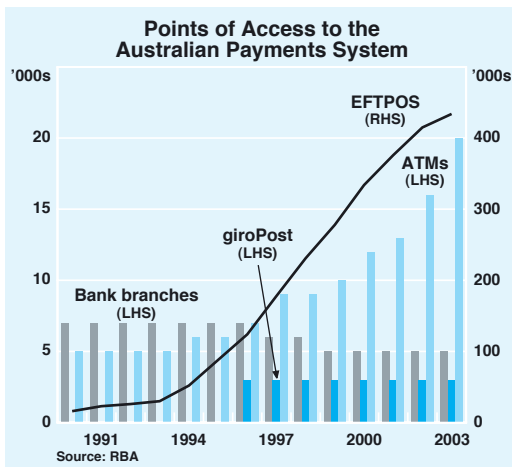


4. While the survey data do not specify the type of transaction conducted when visiting a branch, it is clear that over-the-counter transactions (cash or otherwise) have declined in importance while electronic transactions have grown.

weeks, while only half of respondents reported visiting a bank branch. The survey does not separately identify those who used EFTPOS to withdraw cash.

One reason for the growth of withdrawals through electronic channels is the wider availability of ATMs and EFTPOS terminals and a reduction in the number of bank branches (Graph 4). The number of ATMs in Australia has increased from around 5 000 in the early 1990s to around 20 000 in 2003. The increase in the number of EFTPOS terminals has been even more marked.

**Graph 4**



A related reason for this growth is the difference in costs faced by consumers in withdrawing cash through different channels. Table 2 illustrates the fee structure for the main transaction accounts at the four major banks. Branch withdrawals (which are more costly for banks to provide) are on average four to five times more expensive for consumers than those conducted at an ATM owned by the customer's bank, or at an EFTPOS terminal.<sup>5</sup>

**Table 2: Main Transaction Accounts at Major Banks**  
As at 28 June 2004

	Range	Average
Excess transaction fees (\$) <sup>(a)</sup>		
ATM – own	0.50 – 0.65	0.60
ATM – foreign	1.50	1.50
Branch	2.00 – 3.00	2.50
EFTPOS	0.30 – 0.60	0.45

(a) All accounts that charge a monthly account-servicing fee allow at least some fee-free transactions. Some accounts now offer unlimited free transactions for certain transaction types, in which case excess transaction fees will not apply.

Sources: Bank websites

## Conclusion

Cash remains an important payment instrument despite technological innovations that have led to new forms of payment. Nonetheless, technological innovations have changed the way most consumers access their money. In the past, over-the-counter withdrawals at bank branches or cheque cashing were the only options available. Today, the widespread deployment of ATMs and EFTPOS terminals provides more options to consumers wishing to access their cash. By far the most popular choice is the ATM with over 85 per cent of the cash obtained by electronic means sourced in this way. While EFTPOS clearly provides a convenient alternative for consumers, for many consumers it seems mainly to be a way of obtaining smaller amounts of supplementary cash rather than being the primary cash withdrawal method. ∞

5. Fees for credit and charge card cash advances from ATMs are more complex, but are usually the higher of a fixed dollar amount and a percentage of the cash advance. This makes cash advances a relatively expensive method of obtaining cash. The fees can amount to several dollars per transaction given the relatively large average value of cash advances.