Cash Use and Attitudes in Australia

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Abstract

The 2022 Consumer Payments Survey reveals that the ongoing decline in cash use in Australia has accelerated since the COVID-19 pandemic. The share of in-person transactions made with cash halved, from 32 per cent to 16 per cent, over the three years to 2022. The decline in cash use was particularly pronounced for smaller payments; cash is now used less than electronic methods for all transaction sizes. The demographic groups that traditionally used cash more frequently for payments – such as the elderly, those on lower incomes and those in regional areas – saw the largest declines in cash use. Privacy and security concerns with electronic payment methods continued to be the main reason for needing cash, while barriers to using electronic payment methods have become less important since 2019.

Introduction

The Reserve Bank undertook its sixth triennial Consumer Payments Survey (CPS) in November 2022. Survey participants recorded details about every transaction they made over a week; they also completed a questionnaire on payment preferences, cash holdings and perceptions of cash access. Around 1,000 individuals completed the survey, recording about 13,000 transactions, around 9,000 of which were made in person.[1]

This article summarises the results of the CPS as they relate to cash use in Australia, focusing on in-person payments where consumers tend to have the option to use cash.[2] Nguyen and Watson (2023) provide an overview of the CPS results focused on non-cash payments, including use of online payments and newer payment methods.

Cash payments

The CPS suggests that, over the three years to 2022, Australians halved their share of cash payments by number, from 32 per cent to 16 per cent of in-person transactions (Graph 1). In value terms, the cash share of in-person payments declined more modestly, from 19 per cent in 2019 to 13 per cent in 2022. If one considers all payments, including online payments, cash payments made up 13 per cent by number and around 8 per cent by value in 2022. The decline in cash use between 2019 and 2022 partly reflects the impact of the COVID-19 pandemic on people's payment behaviour, which accelerated the decline that had been underway since at least the first CPS in 2007.

While cash was used less across payments of all sizes, the decline was particularly pronounced for smaller sized payments (Graph 2). Indeed, the share of payments under $10 made with cash nearly halved over the three years to 2022, from around one in every two payments to around one in four payments – the largest decline in this category since the CPS began in 2007. Cash use for higher value transactions also continued to decline, although at a slower pace, with around one in 10 in-person payments over $50 being made with cash. Consistent with these declines, cash is now used less than electronic payment methods for all transaction values (Graph 3). Consumers have tended to switch to using cards for low-value payments because of the convenience of contactless cards and 'tap-and-go' device payments (Nguyen and Watson 2023).

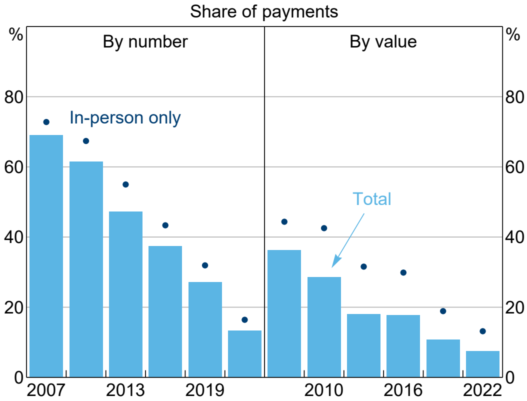
The decline in Australians' use of cash was evident in almost all areas of household expenditure over the three years to 2022, consistent with pre-pandemic trends (Graph 4). The share of transport payments (e.g. parking, public transport and taxis) that were made with cash declined the most, followed by leisure purchases (e.g. music, sports and gambling) and bills. Several factors contributed to these recent declines, including the increased popularity of contactless card payments, the rise of ride-share services, and that most public transport services no longer accept cash. In 2022, cash continued to be used most intensively for leisure and services purchases (e.g. plumbing, hairdressing and baby-sitting) and least intensively for transport.

The sharp decline in the cash share of transactions reflects that most Australians now use cash infrequently. Indeed, 72 per cent of Australians were classed as 'low cash users' in 2022, using cash for 20 per cent or less of their in-person transactions, compared with 50 per cent in 2019 (Graph 5). By contrast, 'high cash users', who use cash for

Graph 1

Cash Payments

Share of payments

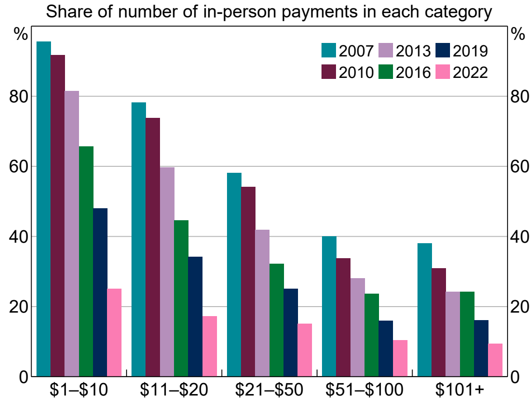


Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 2

Cash Payments by Size

Share of number of in-person payments in each category

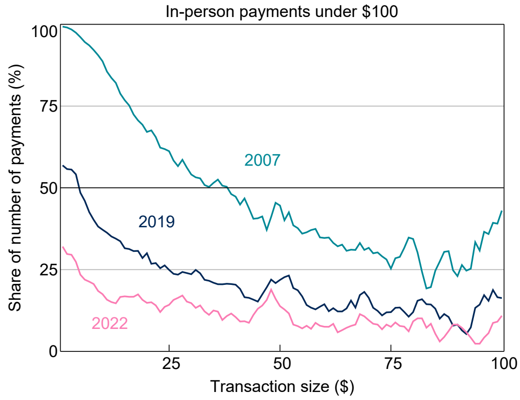


Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 3

Cash Payments by Transaction Size

In-person payments under $100



* $5-centred moving average; for example, the $6 share is an average of the payment method share at $4, $5, $6, $7 and $8.

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

80 per cent or more of their in-person transactions, now represent only about 7 per cent of Australians – a number that halved between 2019 and 2022. Also, just over half of respondents did not use cash at all during the 2022 survey week, compared with around one-third in 2019. One in 20 participants used cash for all in-person transactions in the 2022 survey, compared with one in 10 in 2019.

Demographics of cash use

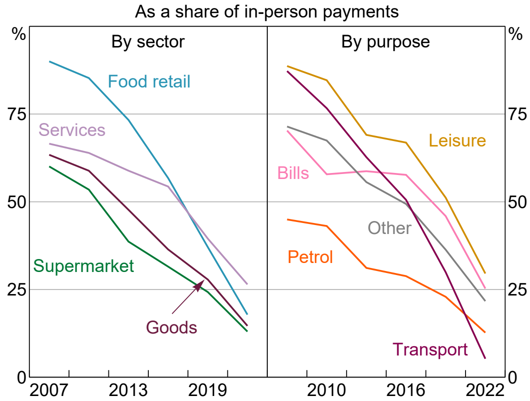
The decline in cash use in the 2022 survey was broadly based across demographic groups. Groups that have traditionally had the highest cash users tended to see the largest declines in cash use over this period (Graph 6). In particular, the oldest age bracket – those aged 65 and above – experienced the largest percentage point decline in the share of high cash users. Similarly, the share of high cash users in regional and remote areas decreased by more than in major cities, such that there is now little difference between these locations – in 2022, a little under 10 per cent of people in both major cities and regional or remote areas were high cash users. The lowest household income quartiles recorded the largest decline in the share of high cash users. As a result, cash use is now more similar across age, location and household income than at any time since the CPS began in 2007.

However, differences remain across some demographic groups, particularly by age and income. By age, older survey participants were the highest cash users, with 18 per cent of respondents aged 65 and above classified as high cash users (Graph 7). By contrast, only 3 per cent of those under the age of 50 were high cash users – in fact, around 82 per cent were low cash users. By income, lower household income continued to be associated with more intensive cash usage – for example, 17 per cent of people in the first household income quartile were high cash users, compared with only 2 per cent in the fourth household income quartile.

Graph 4

Cash Payments

As a share of in-person payments

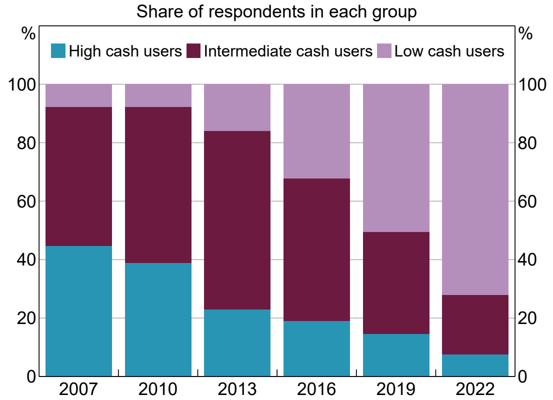


Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 5

Cash Use Intensity

Share of respondents in each group



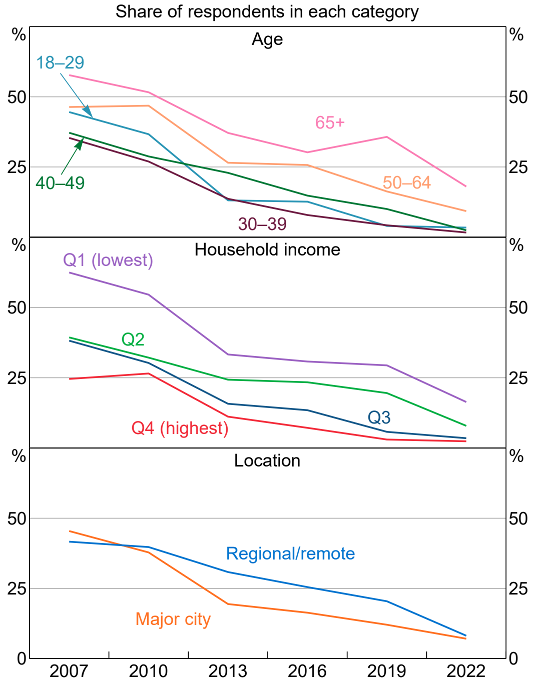
* Frequency based on share of in-person payments in cash (low: ≤ 20 per cent, high: ≥ 80 per cent).

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

Graph 6

High Cash Users*

Share of respondents in each category



* High cash users are those who use cash for at least 80 per cent of their in-person transactions.

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

Attitudes towards cash

Consistent with previous surveys, the 2022 CPS indicated that some Australians would be negatively affected if cash was difficult to access or if shops stopped accepting it as a payment method. Overall, just over one-quarter of respondents – regardless of how intensively they used cash – reported that they would experience a 'major inconvenience' or 'genuine hardship' if cash was hard to access or use (Graph 8). Notably, this number is unchanged since the 2019 survey. Around 60 per cent of high cash users indicated they would experience a major inconvenience or genuine hardship if cash was no longer available or usable – this group made up about 4.5 per cent of the adult Australian population in 2022, which is about half its share in 2019. This suggests that cash remains essential in the lives of some Australians, albeit a shrinking proportion.

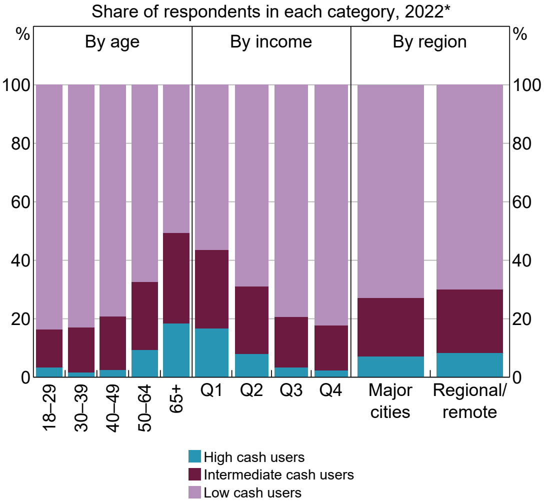
To understand the reasons why cash is important to some people, those participants who indicated that they would experience a 'major inconvenience' or 'genuine hardship' if cash were hard to access or use were asked why they needed to use cash rather than other payment methods. Privacy and security concerns was cited as the top reason, followed by some merchants only accepting cash and using cash for budgeting purposes (Graph 9). There was a notable increase in the share of respondents citing privacy and security concerns as their most important reason for using cash in the 2022 survey, perhaps reflecting high-profile cyber incidents in the past few years. Reasons associated with barriers to using alternative payment methods (i.e. poor internet access, some merchants only accepting cash, or having no other way to pay) have decreased in relative importance since the 2019 survey. Indeed, having no other way to pay was the least cited reason to need to use cash in 2022, a notable shift from 2019.

One factor that may have assisted people to use payment methods other than cash or to view cash as less important is the increase in internet access

Graph 7

Cash User Groups

Share of respondents in each category, 2022*



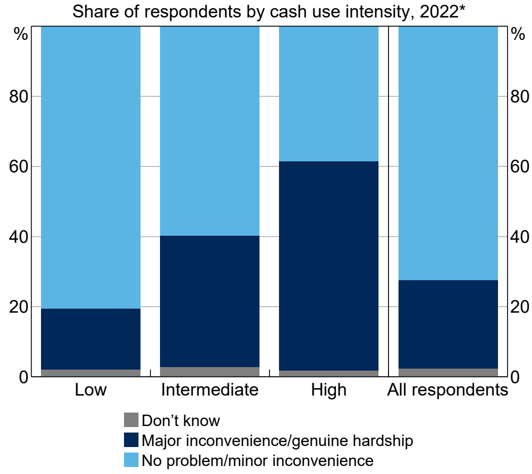
* Frequency based on share of in-person payments in cash (low: ≤ 20 per cent, high: ≥ 80 per cent).

Source: ABS; RBA calculations, based on data from Ipsos.

Graph 8

Effects of No Cash

Share of respondents by cash use intensity, 2022*



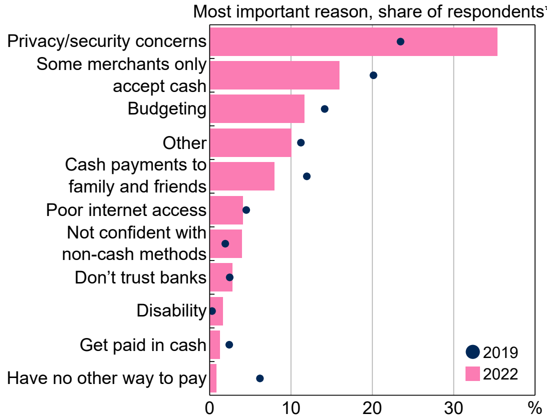
* Frequency based on share of in-person payments in cash (low: ≤ 20 per cent, high: ≥ 80 per cent).

Source: RBA calculations, based on data from Ipsos.

Graph 9

Why Do You Need to Use Cash?

Most important reason, share of respondents*



* Of the 211 (in 2022) and 277 (in 2019) respondents who indicated it would be difficult if shops stopped accepting cash or they could no longer withdraw cash.

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

on mobile phones. Although the CPS indicates that a lower share of high cash users had access to an internet-compatible mobile phone than other consumers, ownership of such devices has nearly doubled since 2019, narrowing the gap markedly (Graph 10). This, coupled with barriers to other payment methods being a relatively less important reason for needing cash, suggests that access to (and presumably comfort with) technology may be less of a barrier to using digital payments for groups that were traditionally reliant on cash.

Accessing cash

Convenience

The CPS includes questions about consumers' perceptions of access to cash services. This complements other data sources on the number, type and distance to cash access points (Guttmann, Livermore and Zhang 2023). The 2022 CPS suggests that almost all people use cash withdrawal services, and that access to these services is generally convenient (Graph 11). By comparison, fewer people use cash deposit services than withdrawal services, and people generally find accessing deposit services less convenient. There was little change in these shares between the 2019 and 2022 surveys.

Focusing only on high cash users who *use* withdrawal and deposit services, about 80 per cent indicated that their access to cash withdrawal services was convenient; however, this was a decline from about 95 per cent in 2019. By contrast, perceived convenience of cash deposit services was little changed from 2019, with about 75 per cent of high cash users rating it as convenient.

Cash top-ups

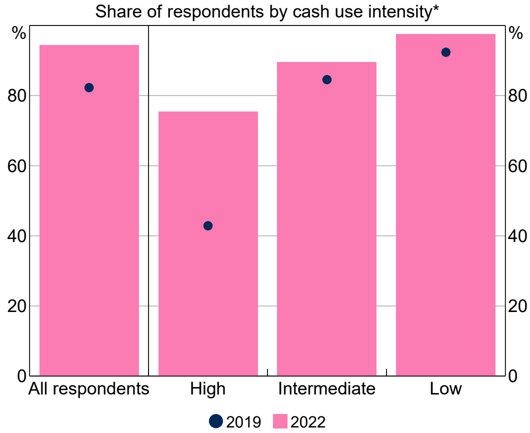
Consistent with the decline in the use of cash for transactions, the share of respondents making cash top-ups (i.e. receiving or withdrawing cash) during the survey week decreased compared with previous surveys: 29 per cent of respondents in the 2022 survey made at least one top-up, compared with 48 per cent in 2019 and 86 per cent in 2007. Similarly, the average number of top-ups halved – from around three top-ups per month in 2019 to around two per month in 2022. On the other hand, the median value of cash top-ups returned to $100 in 2022, from $80 in 2019, to be the same as reported in most surveys since 2007. Together, these results suggest that as consumers use cash less, they are choosing to withdraw around the same amount of cash as in the past – just less frequently. That said, the real value of cash top-ups has clearly fallen since 2007 given that inflation has occurred over that time.

Consistent with previous CPS findings, data on respondents' transactions during the survey week suggested that these top-ups tended to occur either via ATMs or via other non-bank sources (e.g. wages, transfers from friends etc), rather than at a

Graph 10

Has Mobile Internet Access

Share of respondents by cash use intensity*



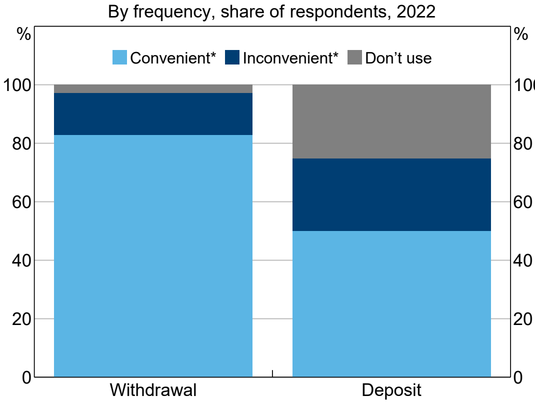
* Frequency based on share of in-person payments in cash (low: ≤ 20 per cent, high: ≥ 80 per cent).

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

Graph 11

Access to Cash Services

By frequency, share of respondents, 2022



* Share of respondents who answer very (in)convenient or (in)convenient.

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

bank branch or via cash out at the point-of-sale. Like with top-ups overall, the CPS indicates that the number of ATM withdrawals per person halved between 2019 and 2022 to be about eight per year (roughly one withdrawal every six weeks).

In the 2022 CPS, respondents were asked to reflect on where they *usually*, and where they *most prefer* to, access their cash even if they did not do so during the survey week. (The declining frequency of cash top-ups has reduced the CPS's visibility of the access points that respondents use and so these questions were asked to address this gap.) Across all cash-user groups, people usually access cash from ATMs or cash out at the point-of-sale; these were also cited as the two most preferred ways to access cash (Graph 12). By cash use intensity, high cash users were more likely to state that they *usually*, and *most prefer* to, access cash at a bank branch or Bank@Post, compared with low cash users.

The preference of high cash users for access points with a person-to-person element may be related to a decline in their perceived convenience of cash withdrawal services. Access to bank branches has declined in recent years (Guttmann *et al* 2023). While most high cash users still perceive withdrawal services to be convenient, this highlights that these users may be vulnerable to deteriorations in their cash access. With the falling number of high cash users over the past three years, it may also be that this group increasingly represents those for whom access points with a person-to-person element are particularly important or whose cash needs are only met by bank branches (i.e. no withdrawal limits).

Cash holdings

Survey participants were asked to record the number and value of banknotes held in their wallets. There was a sizeable increase in the share of people who had no cash in their wallet, up from 23 per cent in 2019 to 29 per cent in 2022 (Graph 13). The share of respondents holding more than $100 in their wallet did not change over this period.

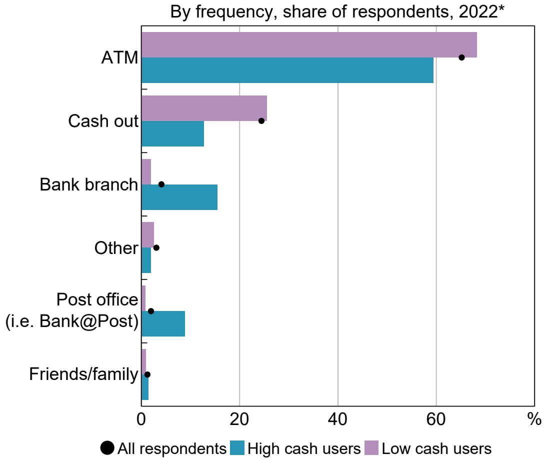
Higher denomination banknotes constituted a larger share of wallet holdings compared with previous years (Graph 14). Even though cash use is declining, most people held some amount of cash in their wallet in 2022; however, this was more likely to be a $50 banknote than in previous years, possibly reflecting precautionary motives, inflation or the prominence of ATMs for accessing cash (which typically dispense $50 or $20 banknotes). The low-denomination ($5 and $10) banknotes were less prevalent in people's wallets in 2022 compared with previous years, consistent with lower transactional cash use and weak demand for these denominations since the start of the COVID-19 pandemic (Guttmann *et al* 2023).

Around 40 per cent of respondents indicated that they typically held cash somewhere other than their wallet in 2022 (unchanged since 2019). Most

Graph 12

Most Preferred Cash Access Point

By frequency, share of respondents, 2022*



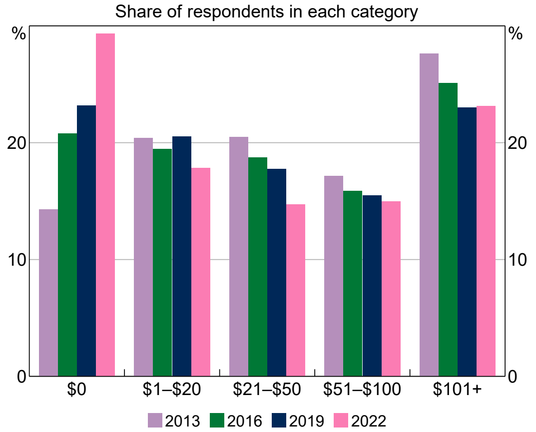
* Frequency based on share of in-person payments in cash (low: ≤ 20 per cent, high: ≥ 80 per cent).

Source: RBA calculations, based on data from Ipsos.

Graph 13

Wallet Cash Holdings

Share of respondents in each category



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

respondents held between $101 and $1,000, and few reported more than $1,000 (Graph 15). This is nonetheless likely to be an underestimate, as people who hold a large amount of cash may not be willing to disclose this in a survey or may not be captured by the sample (Finlay, Staib and Wakefield 2018).

The CPS suggests that many consumers perceive cash to be important as a back-up payment method. Of the people who held cash in their wallet in 2022, the most important reason for doing so – other than for day-to-day purchases – was for emergency transactions (20 per cent of respondents), followed by concerns about payments system reliability (Graph 16). Emergency transactions was also cited as the most important reason for holding cash outside the wallet, followed by giving cash gifts.

Conclusion

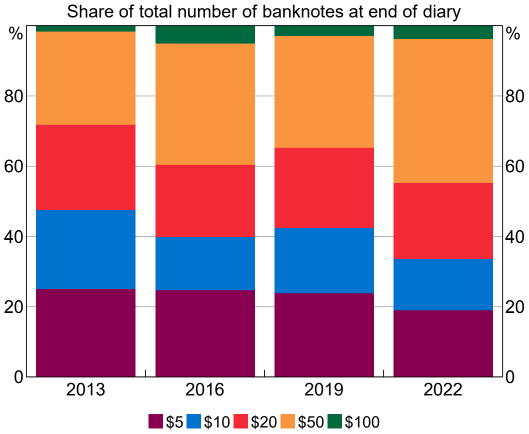
The 2022 CPS suggests that the decline in cash use accelerated in recent years. Australian consumers halved their share of cash payments by number over the three years to 2022, and cash is now used less than electronic methods for all transaction sizes. The decline in cash use has been broadly based; while attributes such as being older and having a lower household income remain associated with more intensive cash use, the 2022 CPS suggests that cash use is now more similar across demographics than at any time since the CPS began in 2007. In particular, cash use has converged for people living in major cities compared with those living in regional or remote locations. Consistent with the decline in the use of cash for transactions, the share of respondents making cash top-ups has also decreased.

These results are a continuation of the long-run decline in cash use observed since the first CPS in 2007, which likely reflects interrelated structural factors. One factor is that consumer preferences have shifted over this time towards electronic payment methods as new technologies have made these more convenient. Another factor is that the number of cash access points has declined considerably in recent years, although the distance

Graph 14

Banknotes in Wallet

Share of total number of banknotes at end of diary

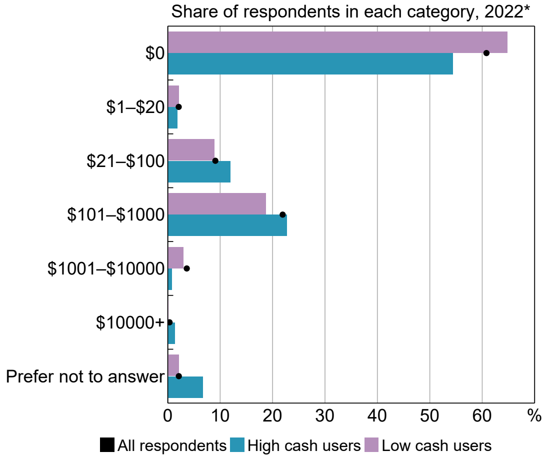


Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 15

Value of Cash Outside Wallet

Share of respondents in each category, 2022*



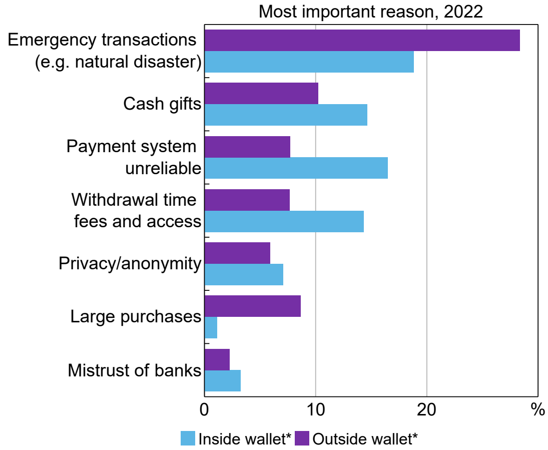
* Frequency based on share of in-person payments in cash (low: ≤ 20 per cent, high: ≥ 80 per cent).

Source: RBA calculations, based on data from Ipsos.

Graph 16

Why Hold Cash?

Most important reason, 2022



* Share of respondents who hold cash inside and/or outside their wallet.

Source: RBA calculations, based on data from Ipsos.

to the nearest cash access point has remained relatively unchanged. The 2022 CPS raises important questions about how these factors might continue to affect the long-run decline in cash use, and how policy should respond.

Of particular importance is the implications of these long-run declines for the cash distribution system. The Reserve Bank's 'Review of Banknote Distribution Arrangements: Conclusions Paper' confirmed that the declining volumes of banknotes being transported and processed has put financial pressure on private participants and contributed to significant excess capacity within the cash distribution network (RBA 2022). Despite declining cash use, its flow-on effects to cash access and cash acceptance have been modest to date (Guttmann *et al* 2023). That said, there are vulnerabilities to cash access in some communities, particularly in non-metropolitan areas, and a substantial share of merchants have indicated plans to discourage cash payments at some point in the future. The Bank will continue to monitor these trends.

Endnotes

[*] The authors are from Note Issue Department. The authors are appreciative of the assistance provided by others in Note Issue Department and Payments Policy Department, in particular Troy Gill, Ben Watson and Thuong Nguyen.

[1] For further details on the CPS methodology, see Nguyen and Watson (2023).

[2] Cash might not be an option for some in-person transactions, such as if the merchant does not accept it as payment. However, merchant acceptance of cash remains high, and so considering in-person transactions represents a good proxy of when cash is an option (Guttmann, Livermore and Zhang 2023).

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