

# Trends in Retail Payments

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The Payments System Board monitors trends in the use of retail payment methods in line with its responsibilities to promote efficiency and competition in the Australian payments system. Developments during 2012/13 largely continued the trends observed in recent years. There is some evidence that consumers are making less use of cash over time, while the use of electronic payment methods, particularly debit cards, continues to increase. The average value of card transactions continued to fall in 2012/13, perhaps reflecting card payments replacing cash for low-value transactions. One possible driver of this substitution is the adoption of contactless payments, which facilitate faster transaction times. Consistent with long-term trends, cheque use continued to fall, while the use of BPAY for bill payments continued to grow strongly, by value.

## Cash Payments

The use of cash as a payment method remains widespread, though trends are difficult to measure because most cash transactions typically take place directly between payers and payees, without financial institutions being involved in each payment. This is in contrast to cheques, cards and most types of electronic payments, for which data can be obtained from financial institutions or payment system operators. One of the most comprehensive sources of data on individual cash payments is the Reserve Bank's consumer payments use diary study. This survey was first undertaken in 2007 and was repeated in 2010; a third study is currently underway. The earlier studies indicated that consumers used cash for most of their low-value transactions, with 80 per cent of the number of payments under \$25 made using cash in both studies. Overall, cash payments accounted for 62 per cent of the number and 23 per cent of the value of all payments made by individuals in the 2010 study, with some substitution away from cash use, and towards electronic methods, observed over the three years between the 2007 and 2010 studies.<sup>1</sup>

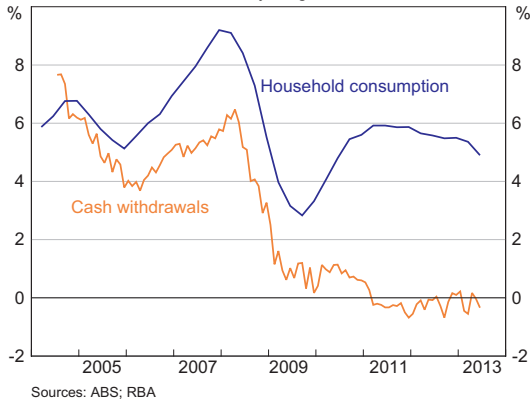
An alternative – indirect but more readily available – measure of cash use is data on cash withdrawals reported by financial institutions. The value of cash withdrawals (from automated teller machines (ATMs), through eftpos terminals and over the counter at branches) was largely unchanged in 2012/13, falling 0.3 per cent to a total of \$243 billion. This compares with 5 per cent growth in nominal household consumption expenditure over the same period (Graph 1). Broadly, the cash withdrawal data over the past few years suggest that the declining reliance on cash observed between 2007 and 2010 in the Bank's consumer use surveys is likely to have continued since 2010. In particular, the subdued growth in cash withdrawals appears to reflect consumers further embracing card payment methods as an alternative to cash. This might in part reflect contactless payments, which provide faster tender times than traditional card payments, where the card must be inserted or swiped at a terminal and authorised via PIN or signature.

The most common way individuals withdraw cash is through ATMs, which accounted for 60 per cent of the total value of cash withdrawals and 71 per cent of the total number of cash withdrawals in 2012/13.

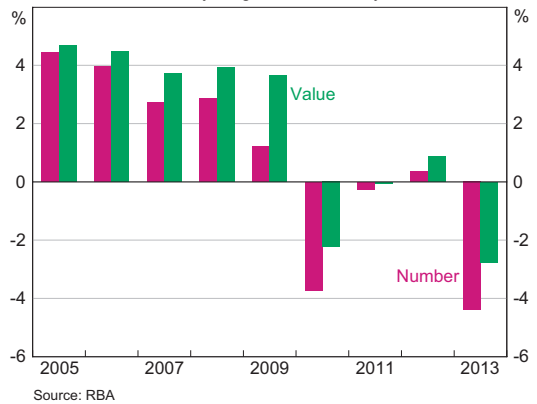
1 Bagnall J, S Chong and K Smith (2011), *Strategic Review of Innovation in the Payments System: Results of the Reserve Bank of Australia's 2010 Consumer Use Study*, RBA, June.

However, the value and number of ATM withdrawals fell in 2012/13 by around 3 per cent and 4 per cent, respectively (Graph 2).

**Graph 1**  
**Value of Cash Withdrawals and Household Consumption**  
 Year-on-year growth



**Graph 2**  
**ATM Withdrawals**  
 Year-on-year growth, financial year

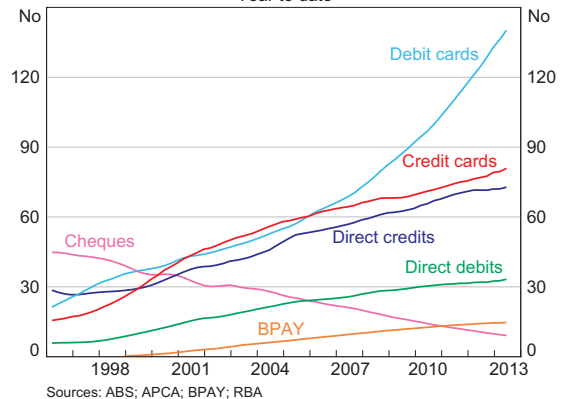


After ATM withdrawals, cash acquired through eftpos cash-out facilities is the next most common means of withdrawing cash. In 2012/13, eftpos cash-outs (either with or without a related purchase) accounted for around a quarter of the total number of cash withdrawals, but only 7 per cent by value; the average value of eftpos cash-outs was \$63, compared with \$185 for ATM withdrawals. In contrast to the fall in ATM withdrawals in 2012/13, use of eftpos cash-outs continued to grow strongly, with the number of cash-outs 4 per cent higher and the value 8 per cent higher in 2012/13. The value of over-the-counter (e.g. branch) cash withdrawals increased by around 4 per cent in 2012/13, with these withdrawals accounting for 29 per cent of the value of withdrawals, but only 2 per cent by number (branch withdrawals are typically for larger amounts than ATM withdrawals and eftpos cash-outs).

## Non-cash Payments

Overall, trends in non-cash retail payments use have been broadly consistent over a number of years (Graph 3). The total number of non-cash payments increased by around 8 per cent in 2012/13, with this annual growth slightly stronger than for the past five years; however, the value of non-cash payments was largely unchanged (Table 1). This suggests a fall in the average transaction size, a trend that has been evident across several categories of non-cash payments. Debit cards experienced the strongest growth in usage in 2012/13 of the various non-cash payment methods; credit card use also grew moderately, though average credit card balances have fallen

**Graph 3**  
**Non-cash Payments per Capita**  
 Year to date



over the year. The use of BPAY to make bill payments grew strongly. In contrast, consumers and businesses continue to reduce their reliance on cheques. On average there were around 350 non-cash payments per person in 2012/13 (about one non-cash payment per person per day), compared with 330 non-cash payments per person in 2011/12.

**Table 1: Australian Non-cash Retail Payments**

	2012/13						Average annual growth 2007/08 – 2012/13	
	Per cent of total		Average value	Growth, per cent		Per cent		
	Number	Value	\$	Number	Value	Number	Value	
Debit cards	39.9	1.2	56	14.4	11.1	14.6	12.7	
Credit cards	22.9	1.7	139	7.1	3.5	5.8	5.0	
Cheques	2.6	8.0	5 718	-13.1	-3.6	-11.9	-7.6	
BPAY	4.2	1.8	785	5.3	10.5	8.5	10.7	
Direct debits	9.5	38.4	7 473	5.8	-4.5	5.4	3.1	
Direct credits	20.9	48.9	4 353	3.6	3.3	5.7	1.7	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>1 859</b>	<b>8.2</b>	<b>-0.2</b>	<b>7.9</b>	<b>1.5</b>	

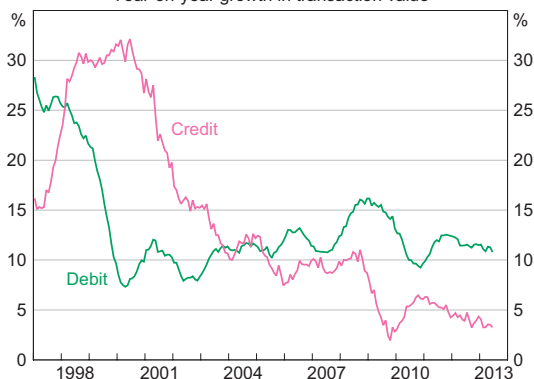
Sources: BPAY; RBA

## Debit and credit card payments

Looking at the various types of non-cash payment methods in more detail, in 2012/13 Australian personal and business cardholders made around five billion card payments, with a total value of \$434 billion. Together, debit and credit/charge card payments grew strongly, increasing 12 per cent by number and 7 per cent by value, mainly reflecting the continued strong growth in the use of debit cards as a means of payment. The value of debit card payments grew by 11 per cent, while credit card payments increased by 4 per cent (Graph 4). Although the use of credit cards as a payment method continued to grow, the average value of balances outstanding per account fell by around 4 per cent over the year – the largest fall recorded in the 19-year history of the series – consistent with the broader trend of relatively conservative behaviour of households with respect to their finances. Cards, and in particular debit cards, are increasingly being used for lower-value payments, with the average value of a debit card payment falling from \$62 in 2008/09 to \$56 in 2012/13 (the average value of credit/charge card transactions has fallen from \$145 to \$139 over that time). The increasing importance of online payments in Australia has also contributed to the growth of card transactions (see ‘Box A: Online Payments’). Debit and credit cards play an important role in the non-cash payment system, accounting for over 60 per cent of the number of non-cash payments, though only around 3 per cent of the value.

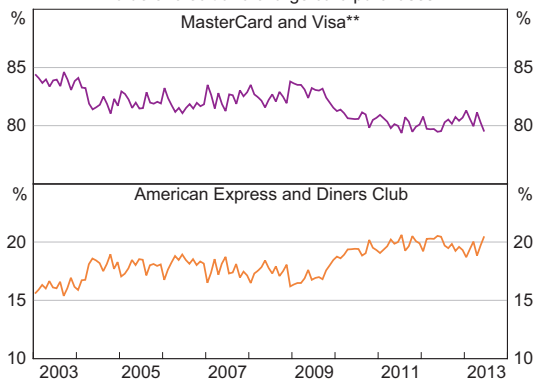
Within credit/charge cards, the shares of the four-party schemes (MasterCard and Visa) and three-party card schemes (American Express and Diners Club) were largely unchanged in 2012/13. The combined market share of the three-party schemes remained around 20 per cent of the value of credit and charge card spending in 2012/13 (Graph 5). Within debit cards, the MasterCard and Visa debit systems continued to increase market share relative to eftpos.

**Graph 4**  
**Payment Card Transactions\***  
 Year-on-year growth in transaction value



\* Includes debit card cash-outs and credit card advances; RBA credit card data prior to March 2008 adjusted to remove BPAY transactions  
 Sources: BPAY; RBA

**Graph 5**  
**Market Shares of Card Schemes\***  
 Value of credit and charge card purchases



\* Excludes scheme debit from March 2008; back data adjusted for break  
 \*\* Includes Bankcard before 2007  
 Source: RBA

### Cheque, BPAY and Direct Entry payments

The use of cheques, the oldest form of non-cash payment still in regular use, continues to decline, with the number of cheque payments falling by around 13 per cent in 2012/13 to be 64 per cent lower than a decade ago. In 2012/13 around nine personal and business cheques were written per person in Australia, down from 30 cheques per person 10 years earlier. A significant share of cheque use is related to commercial payments, and financial institution ('bank') cheques for certain transactions such as property settlements; this trend can be seen in the average value of cheque payments which rose by 11 per cent to around \$5 700 in 2012/13 (a decade ago the average value of a cheque was around \$4 500, in today's dollars). Notwithstanding the decline in use, cheques still play an important role in the payments system: while now accounting for only 3 per cent of the total number of non-cash payments, they still account for 8 per cent of the value of non-cash payments – more than debit cards, credit cards and BPAY combined.

Consumers and businesses have continued to adopt BPAY as a method of making bill payments, with the number of BPAY transactions increasing by 5 per cent and the value by 11 per cent in 2012/13. In fact, in 2012/13 the value of payments processed through BPAY exceeded the value of credit/charge card payments for the first time, in part reflecting the high average value of bill payments (almost \$800) for services such as utilities, education fees and investments.

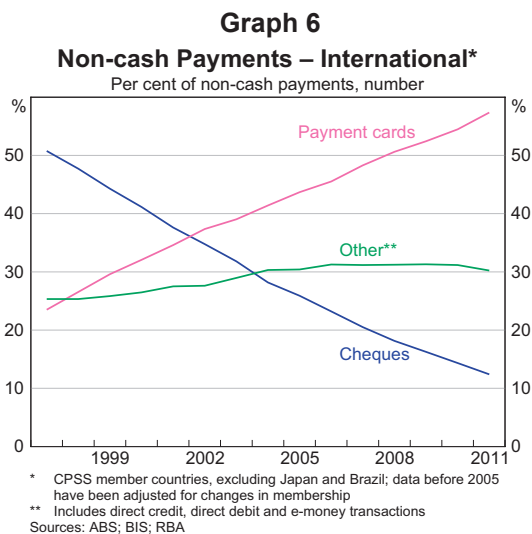
Direct Entry (DE) payments are an important part of the payments landscape. A DE payment is an instruction from a bank account holder to his or her bank to pay (or collect) an amount directly to (from) another bank account. These are used extensively by businesses, corporates and governments for payments such as wages and bill collection. These payments continue to account for the bulk of the value of non-cash payments (87 per cent in 2012/13). This reflects the fact that the DE system facilitates a range of payment types, in addition to consumer-initiated pay-anyone transactions and the direct debit arrangements consumers establish with billers. For example, almost half of the value of non-cash payments are made by what are broadly termed 'direct credits' – these transactions include payments for goods and services where a consumer transfers funds to the seller's account via internet banking and also transactions initiated by corporations, for example to pay staff wages. Because of the range of payment types facilitated by the DE system, average values (e.g. for direct debits) do not correspond to levels typically associated with 'consumer' payments.

Use of the DE system continued to grow in 2012/13, with the number of direct debits increasing by around 6 per cent, a slightly faster pace of growth than has occurred over the past five years. The number of direct credits grew by around 4 per cent, a little slower than the recent average.

## International Payment Trends

The international payment trends observed in 2011 (the latest year for which comprehensive data are available) have been largely consistent with the trends observed in earlier years (Graph 6). The use of card payment methods continued to grow, representing 57 per cent of the number of non-cash payments in 2011 in the group of countries for which data are published by the Committee on Payment and Settlements Systems (CPSS). Cheque use continued to decline as a proportion of the number of non-cash payments, falling from over 50 per cent in 1997 to 12 per cent in 2011. The share of other electronic payment methods (direct debit, direct credit and e-money transactions) remained at around 30 per cent of the number of non-cash payments, similar to previous years.

While the trend in non-cash payment use has been broadly similar across countries, the size and composition of non-cash payments varies significantly (Table 2). Non-cash payments usage tends to be greater in higher-income economies (notably the United States, the Netherlands, Sweden and Australia) compared with economies such as China, India and Mexico, which had fewer than 30 non-cash payments per person in 2011. Within card-based payments, more transactions were typically made with debit cards than credit cards, except in Brazil, Hong Kong, Japan, Korea and Turkey. Cheque usage is quite low in most countries, with Canada, France and the United States being notable exceptions.



**Table 2: Non-cash Retail Payments in Selected Countries**  
Number per capita, 2011

	Cheques	Direct debits	Direct credits	Debit card	Credit card <sup>(a)</sup>	Total
Australia	11	31	71 <sup>(b)</sup>	117	74	304
Belgium	1	24	93	93	12	223
Brazil	8	21	43	19	20	111
Canada	25	20	30	120	90	285
China	1	na	1		5 <sup>(c)</sup>	na
France	46	54	46		121 <sup>(c)</sup>	267
Germany	<1	106	74	29	7	216
Hong Kong	na	na	na	15	55	na
India	1	<1	<1	5	<1	6
Italy	5	10	21	16	10	62
Japan <sup>(d)</sup>	1	na	11	<1	64	na
Korea	12	30	58	38	130	268
Mexico	4	<1	9	7	5	25
Netherlands	0 <sup>(e)</sup>	80	101	140	7	327
Russia	<1	1	19	11	1	32
Saudi Arabia	<1	<1	<1	51	1	52
Singapore	15	11	7		43 <sup>(c)</sup>	na
South Africa	1	12	11		22 <sup>(c)</sup>	46
Sweden	<1	31	88	170	36	325
Switzerland	<1	6	95	53	24	178
Turkey	na	na	na	4	29	na
United Kingdom	15	53	57	120	33	278
United States	68	38	25	157	78	366

(a) Includes charge debit

(b) Includes BPAY

(c) Split between debit and credit cards not available

(d) Figures for Japan are for 2009

(e) Cheques have been abolished in the Netherlands since 2001

Sources: ABS; BIS; RBA

## Box A

# Online Payments

There are four main ways Australian individuals and businesses can make payments via the internet. First, consumers can use credit cards and certain debit cards to *purchase* goods and services on the internet, by entering their card details directly into the merchant website.

Second, financial institutions enable their personal and business customers to initiate credit transfers (commonly referred to as ‘pay-anyone’ transfers) via internet banking software. These transactions can reflect both purchases of goods and services (e.g. paying a seller by transferring funds directly into their deposit account) but also *funds transfers* (e.g. transferring funds to repay family/friends for a share of an earlier purchase/loan). Further, some businesses use internet banking initiated credit transfers to pay for invoices and staff wages.

Third, the BPAY system facilitates *bill payments*, with the customer initiating the transaction through the internet banking service provided by their financial institution.

Finally, in more recent years a number of specialised online payments providers have emerged; these systems facilitate online purchases by individuals, either by funding the transaction through the established card schemes (with the details stored with the online payments provider), or by accessing stored-value balances held with the payments provider. These systems can also be used to initiate Direct Entry payments to top up stored-value balances.

Overall, the number and value of domestic online payments made by Australians (using these various methods described above) increased by approximately 10 per cent in 2012/13, to account for around 18 per cent of total non-cash payments. Growth in 2012/13 was strongest for online payments made using cards or through specialised payments providers (e.g. by accessing stored-value balances). The number of these transactions grew by 21 per cent reflecting the continued take-up of online shopping by Australian consumers and businesses (Table A1).<sup>1</sup>

**Table A1: Online Payment Methods**  
Australians’ domestic payments

	2012/13 Per cent of total		2012/13 Growth, per cent		Average annual growth, 2010/11 –2012/13 Per cent	
	Number	Value	Number	Value	Number	Value
Internet banking-initiated credit transfers	47.8	87.8	8.0	9.2	9.8	10.6
BPAY	22.1	10.2	6.9	11.6	8.0	12.4
Credit cards, debit cards, and specialised payments providers	30.2	2.0	20.8	13.2	24.2	16.0
<b>Total online payments</b>	<b>100.0</b>	<b>100.0</b>	<b>11.3</b>	<b>9.5</b>	<b>13.2</b>	<b>10.9</b>

Sources: BPAY; RBA; specialised payments providers

<sup>1</sup> More broadly, card-not-present (CNP) transactions acquired in Australia (which include transactions made over the telephone, by mail or via the internet) accounted for 566 million transactions totalling \$87 billion in 2012/13 (12 per cent of the total number and 21 per cent of the value of debit and credit card purchases acquired). Within CNP transactions, internet transactions grew faster than mail and telephone transactions in 2012/13, possibly reflecting some substitution between the two methods, though mail and telephone transactions still account for a sizeable amount of CNP transactions.

