Consumer Payment Behaviour in Australia

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Abstract

The results of the Reserve Bank's 2022 Consumer Payments Survey show that consumers continue to shift from using cash to electronic payment methods – a trend that was accelerated by the COVID-19 pandemic and consumers' preference towards using debit and credit cards and making payments online. Consumers are also increasingly using more convenient payment methods, particularly contactless card payments, by tapping their card or phone. Cards are now used for most in-person payments, even for small transactions that used to be made mostly with cash.

Introduction

The Reserve Bank conducted its sixth Consumer Payments Survey (CPS) in October to early December 2022. This article considers the results of the survey, with a particular focus on electronic payment methods. Livermore and Mulqueeney (2023) summarise the results on cash usage, including the drivers of declining cash use and the accessibility of cash services for Australians.

Survey methodology

Participants recorded every transaction they made for seven days in a payments diary and provided extra information on their payment preferences and attitudes in a post-survey questionnaire. The CPS provides unique insights into Australian consumers' payments behaviour and their changing preferences via both qualitative questions and quantitative analysis of the payments diaries. For the 2022 CPS, around 1,000 people completed the survey and recorded around 13,000 transactions.

Table 1: Consumer Payment Methods[a]

Share of number of payments, per cent

	2007	2010	2013	2016	2019	2022
Cash	69	62	47	37	27	13
Cards	26	31	43	52	63	76
– Debit cards	15	22	24	30	44	51
– Credit and charge cards	11	9	19	22	19	26
BPAY	2	3	3	2	2	2
Internet/phone banking[b]	–	2	2	1	3	3
PayPal	–	1	3	3	2	2
Cheque	1	1	0.4	0.2	0.2	0.1
Other[c]	1	1	2	4	2	2

(a) Excludes payments over $9,999, transfers (payments to family and friends), transport cards and automatic payments. Totals may not sum to 100 due to rounding.

(b) Payments made using banks' internet or telephone facilities; does not include other payments made using the internet.

(c) 'Other' methods include prepaid, gift and welfare cards, bank cheques, money orders, BNPL and Cabcharge.

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

The seven-day payments diary captured detailed information on every transaction that a consumer made in a week. The information included:

- *the payment method* – for example, debit card, credit card, cash or bank transfer
- *the payment location* – whether in-person or online
- *the execution of the payment method* – for example, by inserting a card into the terminal, or tapping a physical card or mobile device
- *the payment purpose* – for example, supermarket, household bills, leisure or transport.

The sample was collected to ensure it was representative of the Australian population across a range of demographics, including respondent age, sex, geographical location and household income.

Results overview

The results show that Australians continue to change the way they make payments, with the longer run shift to electronic payment methods accelerated by the COVID-19 pandemic. Australians are using cash less frequently; only around 13 per cent of payments were made using cash in 2022, which is half the share reported in 2019 (Table 1). Card payments made up the bulk of consumer payments, with debit cards accounting for half of all payments and credit cards another quarter. Other payment methods such as 'buy now, pay later' (BNPL) services made up only a small share of consumer payments. Cheque usage declined further in the 2022 CPS.

Cash usage

Australians continue to shift away from using cash for day-to-day transactions. Since the CPS was first conducted in 2007, the share of payments made using cash has declined in every subsequent survey – cash made up around 70 per cent of payments in 2007 and only 13 per cent in 2022. The pandemic accelerated the shift away from cash as consumers complied with social distancing requirements by making more payments remotely and because of hygiene concerns with handling cash. Cash has historically been used more frequently for low-value in-person purchases; however, card payments have now overtaken cash usage even for these small purchases.

Card payments

The 2022 CPS showed a further shift to electronic payments by Australians. This trend has been driven in recent years by the development of more convenient and seamless payment technology as well as changes in consumer payment behaviour brought on by the COVID-19 pandemic. Card payments now offer convenient contactless payments that speed up transactions; they have reduced the need for consumers to top up cash, have wide merchant acceptance facilitated by new payment providers, and have allowed for innovation in the payments space (such as storing cards in mobile wallets). As a result, three-quarters of payments were made with cards in 2022 – an increase of 13 percentage points from 2019 and three times the share in 2007 (Graph 1). The increase in card usage mirrors the decline in cash usage.

The increase in card usage since 2007 has involved both debit and credit cards. Since the CPS was first conducted in 2007, consumers have continuously increased their usage of debit cards; the share of payments made with debit cards is now around half of all payments – more than three times higher than in 2007. The increase over the past 15 years has been driven by the introduction of debit cards that provide much of the same payment functionality as credit cards, such as the ability to make contactless and online payments and to store them in mobile wallets (see below). By contrast, the increase in credit card usage since 2007 has been more moderate, rising 14 percentage points to be around one-quarter of all payments. The stronger uptake of debit cards partly reflects consumers preferring to use their own funds from a bank account, rather than borrowed funds from a credit card. In addition, the perceived attractiveness of credit card reward schemes has fallen in recent years and higher surcharges for using credit cards at some merchants may be driving consumers to use debit cards instead.[1]

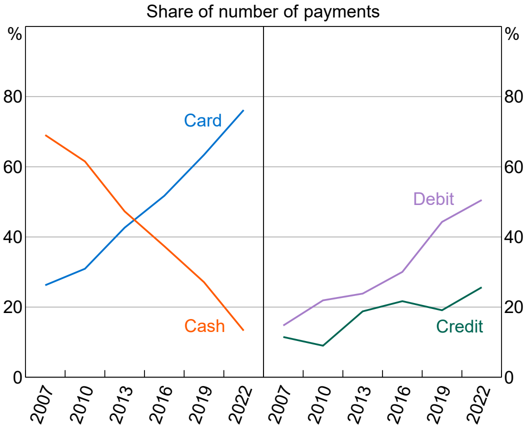
Cards are the dominant payment method for Australians of all age groups. Younger people use cards most intensively, with consumers aged 18–29 years using cards for around 85 per cent of their payments (Graph 2, left panel). Consumers aged 65 and above have historically been high cash users; however, they now use cards for nearly two-thirds of their payments. Compared with 2019, the share of transactions made using cards rose most strongly for those 40 years and older, with little change for those under 40, narrowing the difference between younger and older people. The increase in the use of cards for older consumers was strongest for low-value transactions; for those under 40, the share of low-value payments made using cards had already reached a high level in 2019.

The rise in the share of card payments between 2019 and 2022 was seen across all income groups (Graph 2, right panel). The rise in card usage was strongest in the middle-income groups (i.e. the second and third income quartiles). Higher income households have the greatest propensity to use cards, with cards accounting for 82 per cent of their

Graph 1

Cash and Card Payments

Share of number of payments

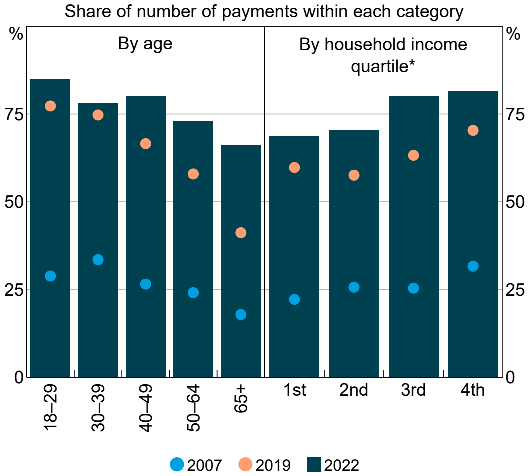


Source: RBA calculations, based on Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 2

Card Payments

Share of number of payments within each category



* Because of the overlap between age and income groups, the figures for income quartiles are adjusted for respondents' age.

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

payments, compared with 69 per cent for those in the lowest income quartile.

Lower income households use debit cards and cash more frequently than higher income households (Graph 3, left panel). Consumers in the lowest income quartile made 55 per cent of their transactions with debit cards, compared with 45 per cent for those in the highest income quartile. However, in value terms, middle-income households use debit cards for a slightly larger share of their spending than other income groups (Graph 3, right panel).

Conversely, higher income households use credit cards more intensively than other households (Graph 3). Consumers in the highest income quartile use credit cards for around one-third of their payments, which is three times the share for lowest income households. This may reflect higher income households being more likely to meet the lending standards for a credit card, as well as debit cards and cash being used as budgeting tools for lower income households.

The 2022 CPS shows that cards are the dominant payment method at almost all types of business (Graph 4, top panel). Cards account for more than 80 per cent of payments at supermarkets, food retailers, transport, and petrol and service stations. The high share of card payments at supermarkets may reflect the convenience of using a card at these businesses – for instance, supermarkets were among the first businesses to introduce contactless card terminals in Australia, and more recently have introduced self-service checkouts that do not accept cash. Also, many supermarkets do not surcharge card payments, making this payment method a more attractive choice than at businesses that directly recoup the cost of card payments. Card payments are used least for household bills, with consumers tending to use lower cost methods such as bank transfers and BPAY for these payments.

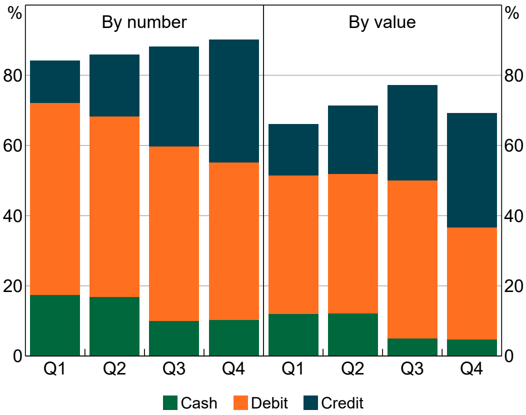
Since 2019, the increase in card use has been broadly based across types of business. There has been a significant shift away from cash at small food retailers, such as cafés, pubs and takeaway food outlets, with the share of payments made by card increasing by 18 percentage points (Graph 4, bottom panel). In addition to consumer preference to use cards, this trend could reflect wider card acceptance, enabled by plans offered by new payments providers catering to smaller merchants, as well as more convenient technology such as simpler point-of-sale terminals and portable payment terminals that connect to mobile phones. The decrease in the share of payments made using cards in the holiday category reflects increased use of other non-cash methods such as bank transfers, which can be used to avoid card surcharges.

Australian consumers are increasingly using cards for transactions of all sizes, from low-value transactions of less than $10 to larger transactions

Graph 3

Debit, Credit Card and Cash Payments by Income

Share of total payments in each category



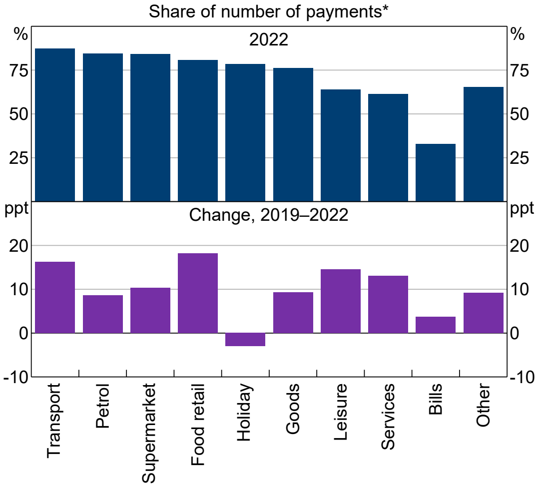
* Because of the overlap between age and income groups, the figures for income quartiles are adjusted for respondents' age.

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

Graph 4

Card Payments by Sector

Share of number of payments*



* Excludes transport cards.

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

over $100 (Graph 5). Around 80 per cent of payments over $10 are made using cards. Historically, low-value payments of $10 or less were made mostly in cash; however, in 2022 more than 70 per cent of these payments were made using cards – up from around 50 per cent in 2019. The widespread acceptance of card payments, adoption of contactless functionality and changes in payment preferences in response to the COVID-19 pandemic have supported the sharp increase in the use of cards for low-value transactions over the past decade (Bullock 2020).

The use of contactless card payments, such as tapping a card or waving a mobile device at the payment terminal, increased further in 2022. Contactless card payments are used near universally by Australian consumers, making up 95 per cent of in-person card transactions in 2022, up from around 85 per cent in 2019 (Graph 6). By contrast, when the CPS was first conducted in 2007, almost all in-person card transactions were made by inserting the card into a terminal and providing a signature or personal identification number (PIN) for verification. The increase in contactless payments since 2019 was driven by a significant increase in the usage of mobile devices such as phones, watches and rings, to account for 30 per cent of all in-person card payments. Tapping a physical card, rather than a mobile device, is still the most common way of making an in-person card payment, despite its decline since 2019 as consumers switch to mobile payments.

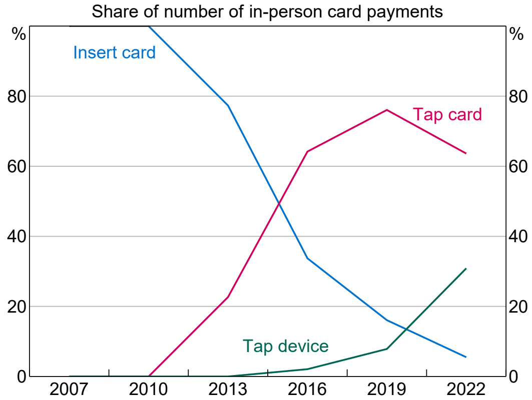
In the 2022 CPS, more than one-third of consumers used a mobile device to make a contactless payment in the diary week – an increase of 25 percentage points from 2019. Adoption of payment-enabled mobile devices has increased substantially across all age groups over the past three years, particularly for younger consumers (Graph 7). Mobile payments were used by nearly two-thirds of Australians aged between 18 and 29 in 2022, up from less than 20 per cent in 2019. For consumers aged 65 and over, only 9 per cent made a mobile payment during the diary week – however, this was triple the share in 2019.

Mobile payments are facilitated by mobile wallets – that is, applications on mobile devices, like smartphones, that store card details. As well as in-person payments, mobile wallets can be used to

Graph 6

Card Payments by Channel

Share of number of in-person card payments

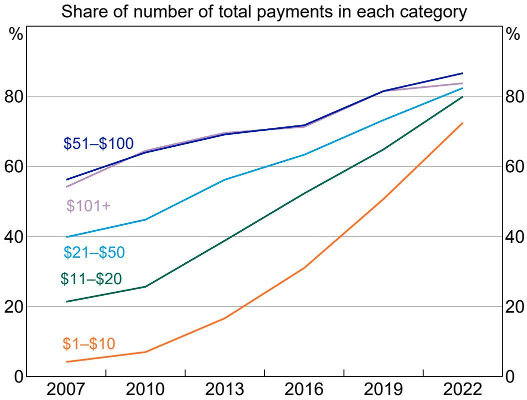


Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 5

Card Payments by Size

Share of number of total payments in each category

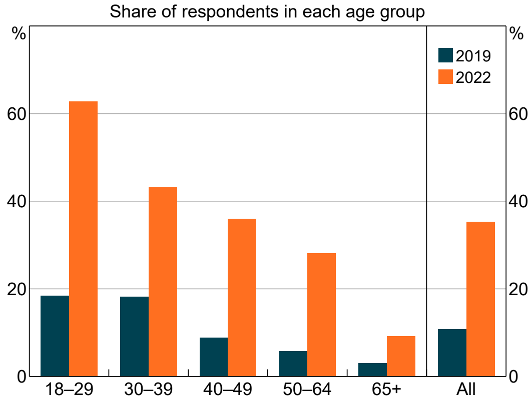


Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 7

Use of Mobile Devices for Card Payments*

Share of respondents in each age group



* Used at least once in the diary week of the Consumer Payments Survey.

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

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

	2007	2010	2013	2016	2019	2022
BPAY/internet banking	2	4	5	4	4	5
Credit cards	1	1	3	3	2	4
Debit cards	0.3	1	2	3	4	6
Other[(a)]	0.4	1	3	4	2	3
Total	4	7	13	14	12	18
Mobile/app as a share of online payments[(b)]	–	–	6	20	40	37

(a) 'Other' methods include Paypal, prepaid, gift and welfare cards and BNPL services.

(b) 'Mobile phone' was recorded as a separate category of online payments only in 2013 and 2016, while in 2019 this was recorded as 'App'.

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

make online payments. In the 2022 CPS, respondents were asked if they stored each of their payment cards in a mobile wallet, such as Apple Wallet, Google Wallet, Samsung Wallet or Alipay etc. Around half of respondents stated they had a card stored in a mobile wallet in 2022, with mobile wallet usage higher among younger people (Graph 8, top panel). Mobile wallets have become more popular for consumers of all age groups since 2019 (Graph 8, bottom panel). Having a single card stored in a mobile wallet is more common than having multiple cards stored.

Online payments

Online payments made up a higher share of retail payments in 2022 than in 2019, with consumers shifting away from in-person transactions. When measured by the number of transactions, the share of payments made online was 18 per cent – up from 12 per cent in 2019 and just 4 per cent in 2007. This reflects the long-term rise in e-commerce, spurred on more recently by lockdowns and social distancing during the pandemic.

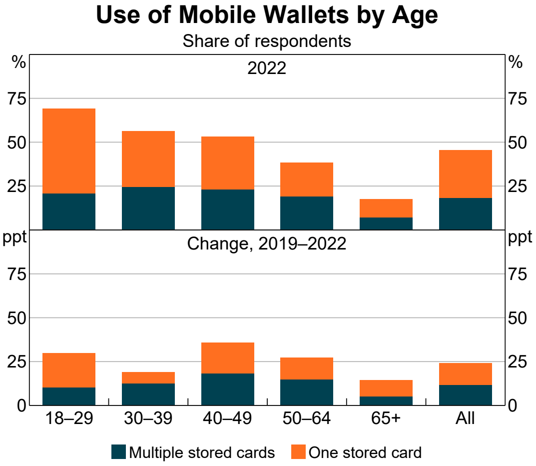
Around two-thirds of respondents made at least one online payment in 2022, up from around 55 per cent in 2019 and more than double the share of people surveyed in 2007. Some goods or services are more difficult or more expensive to purchase online – including petrol, supermarket items and food retail – and so only a small share of these purchases are made online (Graph 9). For other types of services – such as leisure, bills and holidays – a high share of purchases are made online. More than half of leisure purchases – such as music, movies and sports tickets – were made online in 2022.

Consumers are increasingly using their debit cards to make online payments, in addition to BPAY and bank transfers, which have historically accounted for the largest share of online payments (Table 2). In 2022, the share of online payments made using mobile apps was little changed from 2019 at just under 40 per cent, with the remainder initiated through other means such as web browsers (e.g. Chrome or Safari).

The figures in Table 2 refer to online payments where participants initiated and made the payment during the diary week. The CPS also collects

Graph 8

Use of Mobile Wallets by Age



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

information on participants' automatic payment arrangements, such as household bills (e.g. rent or electricity) 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 (participants review their bank statements when recording information on these payments). The share of payments made automatically during the week of the CPS has been steadily increasing over recent years, to 12 per cent of the total number of transactions (Graph 10, left panel). By value, nearly one-third of weekly spending was made automatically in 2022 (Graph 10, right panel). The growth in automatic payments reflects the changing way people pay their bills as well as the increasing use of subscription services, such as video streaming and meal services. Two-thirds of all household bill payments in 2022 were made automatically, which is around triple the share in 2013. This shift towards automatic payments for certain transactions is another way in which payments are becoming more convenient for consumers.

Other payment methods

In recent years, several other ways to make payments – besides cash, cards or cheques – have emerged in Australia. Some of these newer ways to pay use the same 'payment rails' as existing payment methods, but they are faster, more convenient or more secure.

The CPS gathered respondents' knowledge and usage of a number of these other ways to make payments (Graph 11). PayPal and BNPL had near universal consumer awareness, while Beem (previously called 'Beem It') and Alipay/WeChat Pay had little awareness or usage in Australia. Many people were aware of cryptocurrencies, but only a very small share had used them to make a payment in the past year.

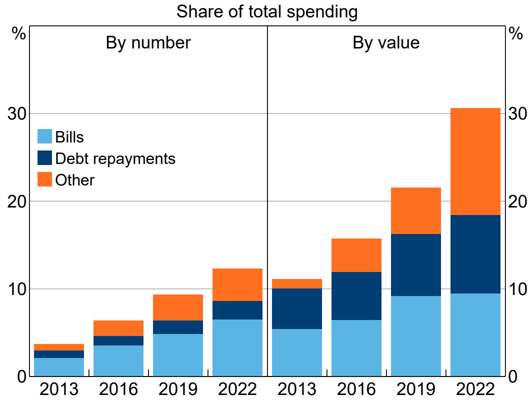
QR codes

The 2022 CPS asked respondents for the first time about their awareness of using quick-response (QR) codes for making payments. Some merchants now

Graph 10

Automatic Payments

Share of total spending

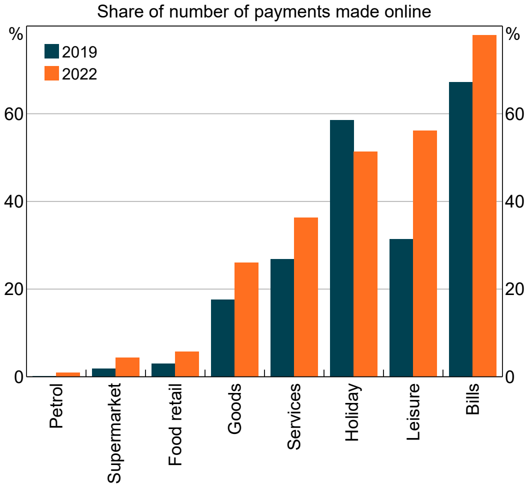


Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 9

Online Payments

Share of number of payments made online

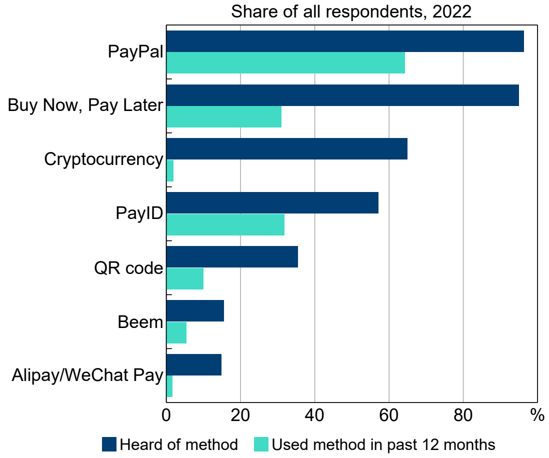


Source: RBA calculations, based on data from Ipsos and Roy Morgan Research.

Graph 11

Alternative Payment Methods

Share of all respondents, 2022



Source: RBA calculations, based on data from Ipsos.

offer QR codes that direct consumers to a mobile wallet, typically funded by the consumer's debit or credit card, to complete a payment at the terminal. About one-third of respondents had heard of this payment method and around 10 per cent reported using it to make a payment in Australia in the past year. In some other countries, merchants are providing QR codes that allow their customers to pay by transferring funds directly from their bank account through fast payment systems. Adoption of this payment method in Australia could provide consumers with a low-cost alternative to card payments.

PayID

PayID is a way of using a mobile number, email address or Australian Business Number to address an account-to-account bank transfer, with the funds available to the recipient almost instantly. In 2022, around half of Australians had heard of PayID and 30 per cent had used it in the past year. PayID is more convenient than using the traditional Bank-State-Branch (BSB) and account number, which require consumers to correctly key in 15 digits. Another benefit of PayID is that the payer receives confirmation of the name of the person or business being paid, reducing the risk of fraud. PayID was introduced in 2018 as part of the New Payments Platform (NPP). Consumer uptake of PayID has been slower than initially expected, and currently not all Australian bank accounts are connected to make or receive a payment using PayID (Connolly 2022). The Payments System Board continues to encourage financial institutions to roll out PayIDs for all bank accounts, which will be necessary to achieve their full potential. In the diary, payments using PayID made up around 10 per cent of bank transfers, with the remainder addressed using BSB and account numbers (Graph 12). Consumers under the age of 50 had the highest share of bank transfers addressed using PayID.

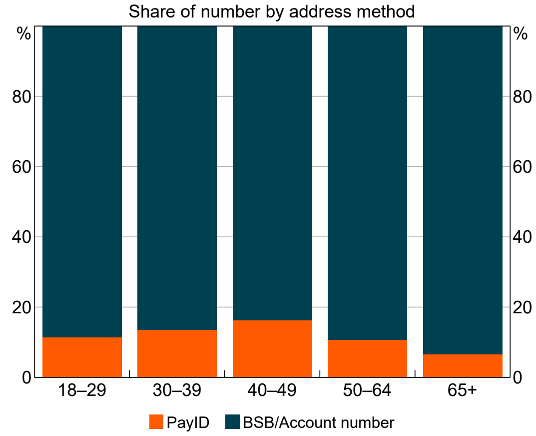
Buy now, pay later

BNPL services allow customers to purchase goods on credit and make interest-free instalment repayments. While offering benefits for consumers, BNPL services are typically an expensive way for merchants to accept payments, costing on average around 4 per cent of the value of the transaction, compared with 0.5–1.5 per cent for traditional card payments. Almost one-third of Australians had used a BNPL service in the past year, up around 8 percentage points from 2019. Usage was highest among younger Australians: over 40 per cent of 18–39 year olds had used a BNPL service in the past year, compared with only 10 per cent for those aged 65 and over (Graph 13). However, usage increased across all age groups from 2019. While a large share of Australians had used BNPL in the past year, BNPL payments made up just 0.7 per cent of the number of payments in 2022 up from 0.5 per cent in 2019.

Graph 12

Bank Transfers*

Share of number by address method



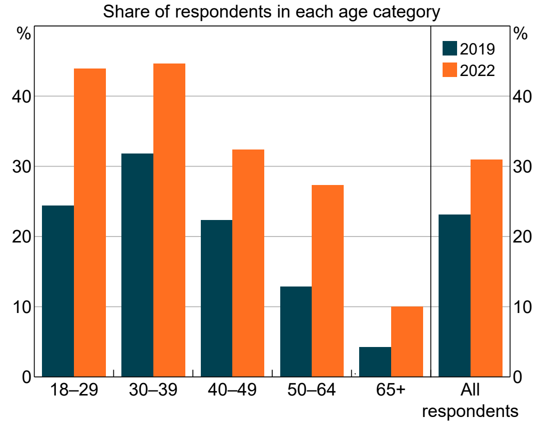
* Excludes transfers to family and friends, and transfers within own accounts.

Source: RBA calculations, based on data from Ipsos.

Graph 13

BNPL Use by Age*

Share of respondents in each age category



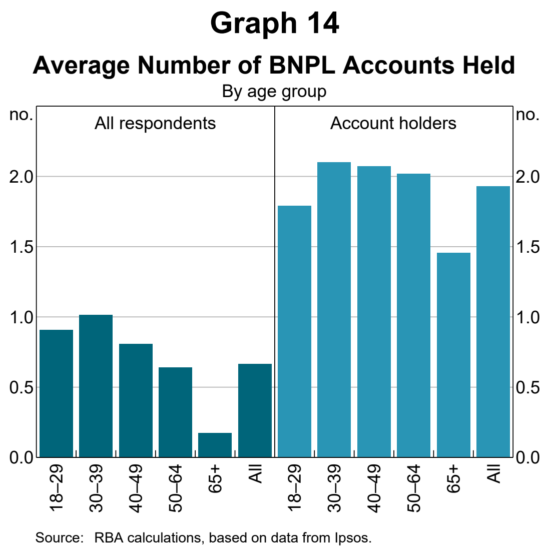
* Used a Buy Now, Pay Later services in the past 12 months.

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

For the first time, the 2022 CPS also collected data on the number of BNPL accounts consumers had with different BNPL providers. On average, Australians had 0.7 BNPL accounts per person, with people aged 18–39 having nearly one account on average (Graph 14, left panel). Those aged 65 and over were the least likely to hold a BNPL account. Of those consumers with a BNPL account, BNPL users held two accounts on average (Graph 14, right panel). Consumers with access to multiple accounts may encourage competition in the BNPL market, as providers compete to entice consumers to use their service. However, BNPL firms typically do not allow merchants to pass on the high cost of accepting their service directly to BNPL users through a surcharge. So, the benefits of competition in the BNPL market may accrue to BNPL users, subsidised by non-users as merchants recoup the cost by raising the price of goods and services generally.

Conclusion

The 2022 CPS showed a further increase in the use of electronic payment methods, with consumers further reducing their use of cash. This partly reflects both a continuation of existing trends and changes induced by the pandemic. Australians mostly use cards to make payments, even for smaller transactions that used to be made with cash, with debit cards alone accounting for half of all payments. At the same time, consumers are continuing to embrace a range of more convenient ways to pay, such as contactless payments using mobile phones and automatic payments, although such methods often use the existing payments infrastructure (such as the card networks). ✠



Endnotes

[*] The authors are from Payments Policy Department. The authors are grateful for the assistance provided by others in Payments Policy Department and Note Issue Department, in particular Troy Gill, Tanya Livermore and Jack Mulqueeney.

[1] A surcharge is a fee merchants charge consumers for accepting a particular payment method.

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