



Cash versus cards

Suerf/Liberales Institut/University of Zürich conference

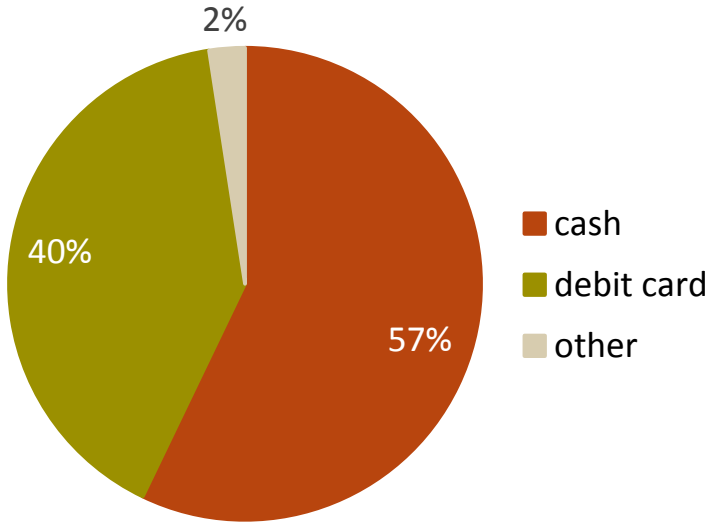
“Cash on Trial”, Zürich, 4 – 5 November 2015

Nicole Jonker, De Nederlandsche Bank



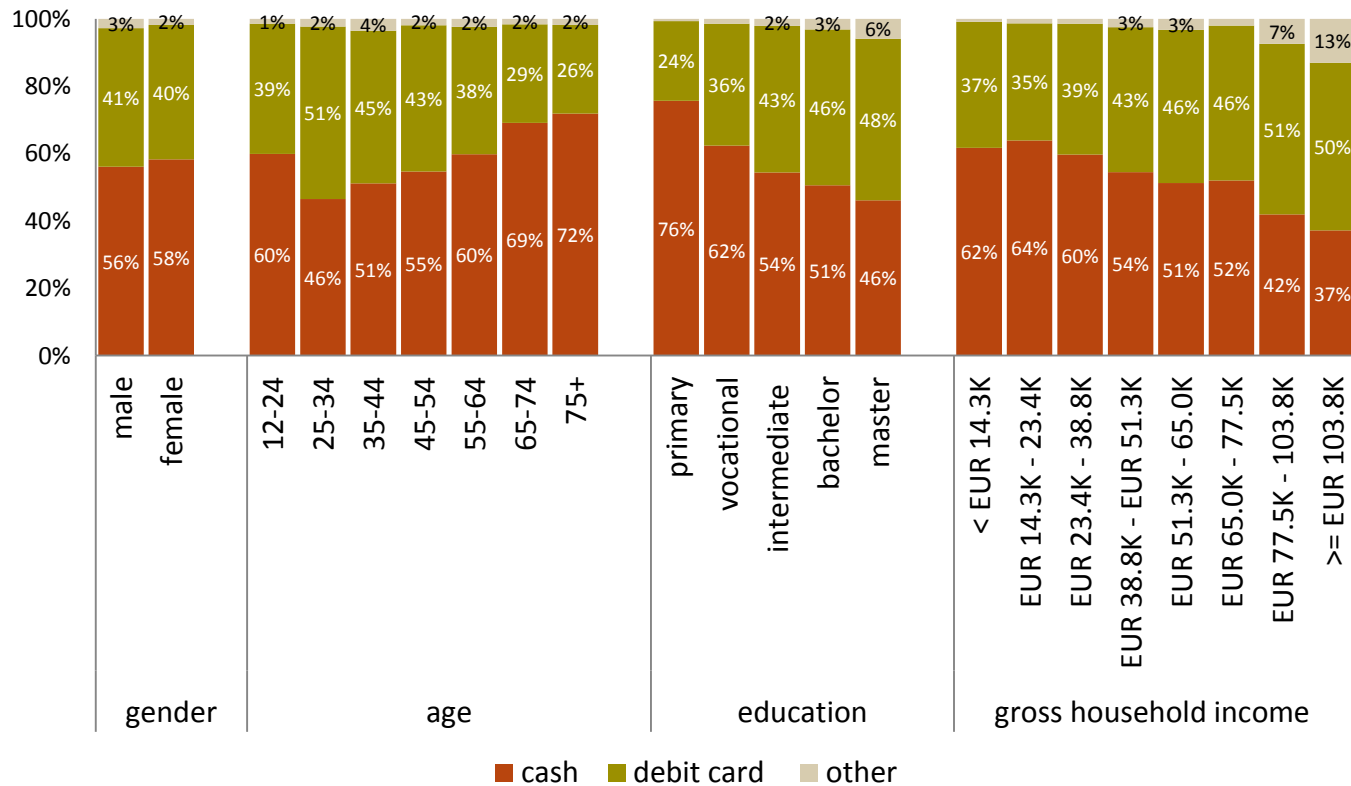
Cash usage in NL is still high

NL: 2013 (volume)



- Cash is the dominant payment instrument at the POS.

Who pays cash?



- Young and Elderly
- Low educated
- Low income earners

And why? Top 3 reasons mentioned

2004

1. Fastest means of payment
2. Monitoring expenses
3. Only accepted means of payment

Source: Jonker (2007), De Economist.

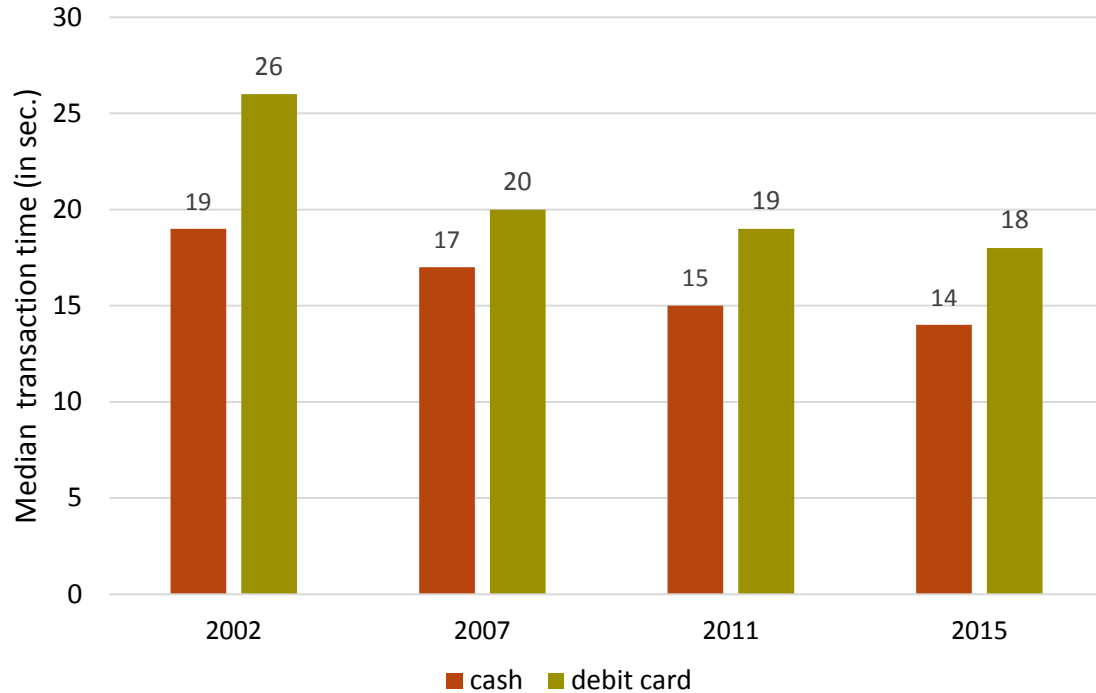
2014

1. Monitoring expenses
2. Habit
3. Cut expenses

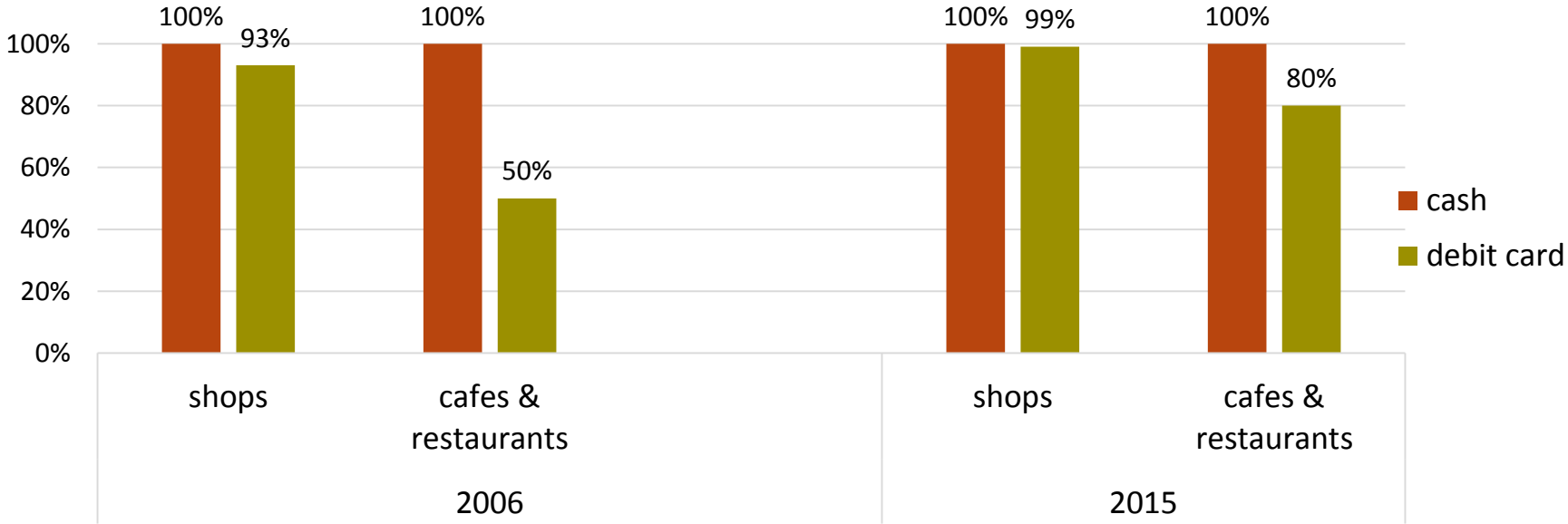
Anonymity of cash mentioned by 35% of cash users (6th place)

Source DNB/DPA (2015)

Cash still beats the debit card wrt speed



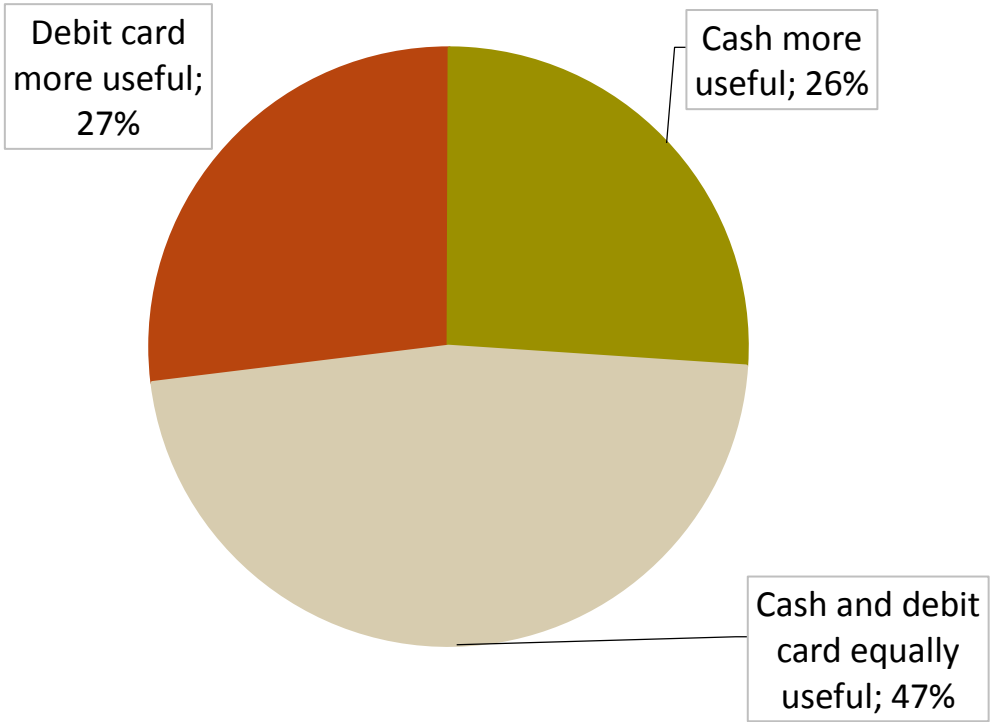
Debit card acceptance not universal yet in '15



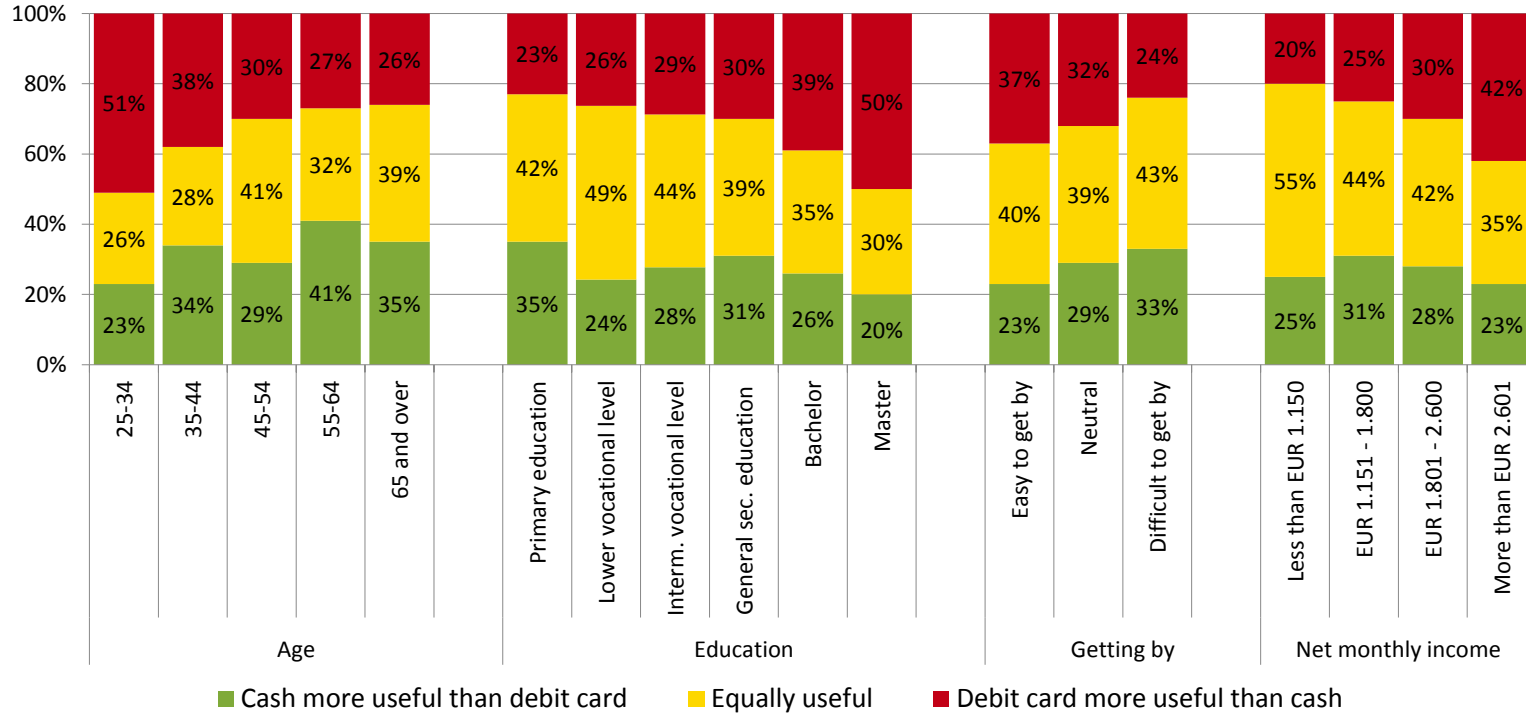
Overview of distinctive budgeting features of cash and debit card

Self-control mechanism		Cash	Debit card
Behaviour monitoring	Monitoring budget left to spend	Immediate (wallet)	Delayed (paper, PC) Immediate only via smartphone Needs calculation/memory
Setting clear constraints	Setting pre-defined budgets	Physically set Low freedom to exceed	Mentally set High freedom to exceed

26% of consumers find cash more helpful than the debit card wrt monitoring budget left to spend

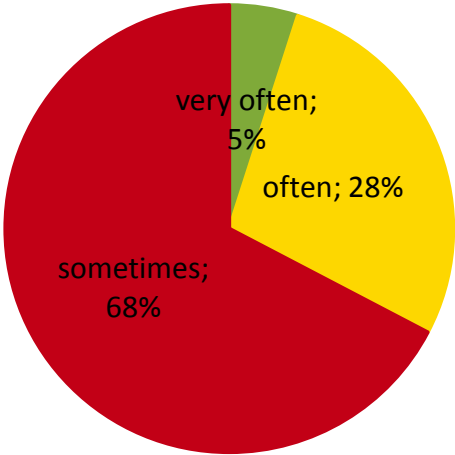


.... so consumers differ in preferences

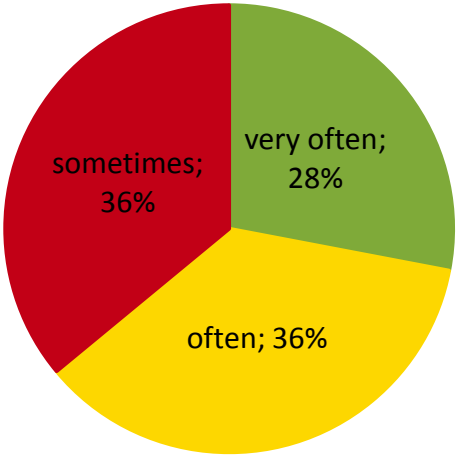


Impact of budget control on cash usage

Debit card more helpful



Cash more helpful



Importance of budget control on cash usage

- Cash is still the dominant means of payment.
- Cash usage is still high, because of consumers' need for budgeting.
-
- There is an unmet "gap" in terms of payment innovations as cash still brings benefits wrt budget control to vulnerable groups which electronic alternatives have been unable to match.
- Conclusion: for the next decade(s), cash will still be needed!

DeNederlandscheBank

EUROSYSTEEM

Data

Survey: 1,700 people in DNB Household survey, aged 18+

- March 2012.
- Respondent: responsible for financial matters within the hh.
- General survey on financial behaviour households, incl. psychological traits.
- Online survey with questions on payment behaviour and budget control.

Data

Key explanatory variables:

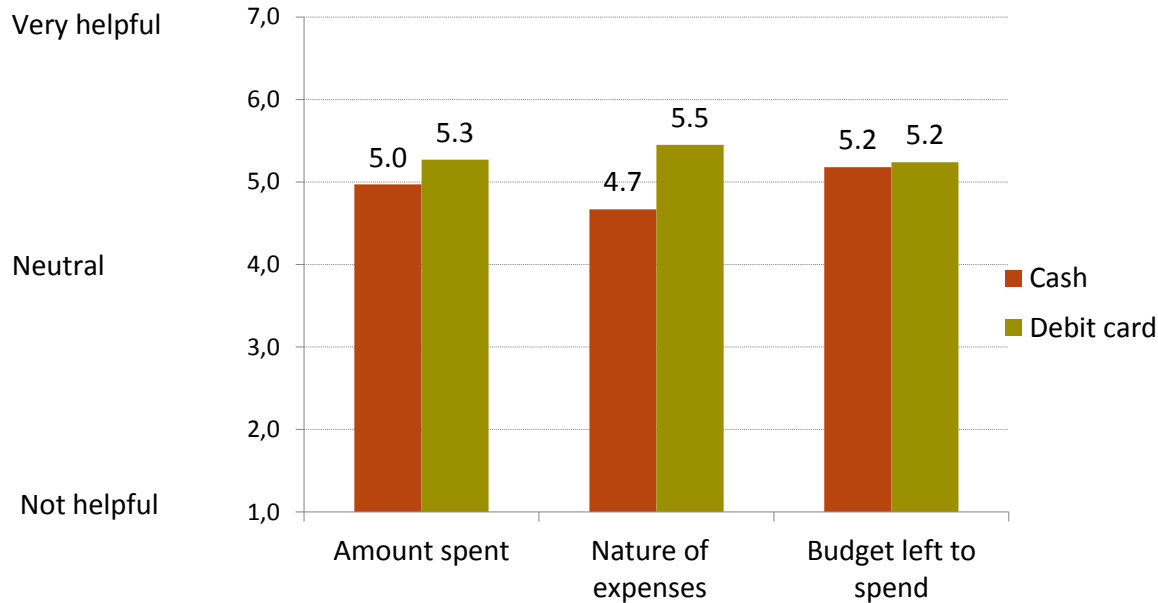
1. Financial situation

- Gross monthly hh income.
- Getting by: extent to which monthly hh income is sufficient to cover expenses
Scale: 1 (very difficult to get by) to 5 (very easy to get by).

2. Self-control in spending

- Planning: consumer's self-reported ability to plan/control expenses
Scale: 1 (very easy to control) to 7 (very difficult to control).
- Spending: what does the respondent usually do with remaining budget after paying for food, rent and other necessities
Scale: 1 (spend it immediately) to 7 (save as much as possible).

Budget control: consumer perceptions



On average, consumers perceive cash as less/equally helpful as the debit card wrt budget control....

DHS, 2012

Results: Helpfulness cash and debit card

Qb: Does the consumer's **financial situation** influence the importance attached to having insight into each budgeting need?

Qc: Does the degree of consumer's **self-control** influence the importance attached to having insight into his budgeting need?

Rel. helpfulness of cash: 1(cash<debit), 2(cash=debit), 3 (cash>debit)

Ordered probit regression results

Financial situation:

(very) easy to come by (-), (very) hard to come by (+), income (-)

=> Qb:yes

Self-control:

planning easy(+), planning difficult (0), spender(0), saver (0)

=> Qc:yes,but

Demographics: male (-), married (+), age (+), education (-)

Results: Debit card usage

Qd: Do consumers' views on the budgeting characteristics of cash and debit cards affect their debit card usage?

Results ordered probit analysis DEBITUSE
(1: not/sometimes to 3: very often)

Perception dummies Cash most useful (-)
Debit card most useful (+)



=> Qd: yes

Other significant variables: Education (-), Income (-)

People who prefer cash are

- 9 pp more likely to never/sometimes use the debit card
- 15 pp less likely to be very frequent debit card users.