

# Cash is still king in the age of plastic, BoC report says

By Barrie McKenna

November 16, 2017 – *The Globe and Mail*

Canadians are still using cash for more than half of their retail transactions despite the growing popularity of credit cards, debit cards and digital wallets, the Bank of Canada says.

But the central bank acknowledged in a research report by staff economists released on Thursday that new payment methods are continuing to erode the dominance of cash in the retail economy.

“As merchant acceptance of contactless payments increases, consumers may use their debit and credit cards more frequently, accelerating the decline in the use of cash,” according to the report, which is based on recent surveys of retailers and consumers.

The report pointed out that increasing use of Interac e-transfers are also diminishing the importance of cash.

And yet for now, cash is king, even at large retail businesses.

“We find that cash is still widely used, especially for small-value transactions, even at large businesses that accept cash and cards,” the bank said.

Forty-eight per cent of transactions at large businesses are in cash, compared with 54 per cent at small and medium-sized businesses. Over all, 51 per cent of transactions are still done with bills and coins. Based on value, 42

per cent of transactions are with credit, compared with 34 per cent for debit and 24 per cent for cash.

The median value of cash transactions is \$8.04, versus \$28.33 for debit purchases and \$43.85 for credit cards.

While nearly 100 per cent of large vendors take credit and debit cards, only two-thirds of smaller ones do.

Across the country, consumers in Atlantic Canada are least likely to use debit and credit cards. British Columbians are the most avid users of plastic.

The report also found that retailers spent \$10-billion in 2014 to handle various kinds of payments, including transaction fees and handling costs by employees. Of that, \$6.2-billion was for credit cards, \$2.4-billion for cash and \$1.5-billion for debit cards.

The preponderance of cash versus plastic in transactions is a result of both consumer choice and what payment methods retailers choose to offer.

“Merchants’ perceptions and the costs they incur from accepting payment methods are not the only factors that determine which methods they accept,” the report said. “Merchants also consider which payment methods consumers are likely to carry and prefer.”