Chapter 3
Cash Payments: An International Comparison

A global trend in retail payments is that noncash transactions grow steadily but that cash transactions still are important—especially when it comes to low-value payments—and even increasing in some countries. The World Payments Report (2017) shows that cash in circulation in relation to GDP decreases in a small number of countries—Sweden, Denmark, the UK, Canada, and South Africa—while overall trend is that this ratio is stable or increasing. The trend is continuing globally where noncash transaction grew globally with 10.1% in 2016 (World Payments Report, 2018).

These report show that noncash transactions grow steadily where debit and credit cards are the dominating services in this growth, while check usage is decreasing. This implies that electronic services are growing steadily even if cash is still an important payment service in many countries. It is also interesting to note that contactless cards have become a standard for cards in many European countries but more importantly that the highest growth rates for noncash transactions are seen in Asia, Eastern Europe, the Middle East, and Africa (World Payments Report, 2017, p. 6).

If we study the patterns in Europe more closely, we see that Sweden is different from other European countries. The use of cash is significantly lower than in other European countries when studying the share of transactions at point of sales (POS), i.e., of transactions done in stores. The share in Sweden is less than 20% where most other countries show number above 50% (Table 3.1). These numbers confirm results from earlier studies such as the one made by the Riksbank[1] showing that Sweden has an extremely low number of cash in circulation in relation to GDP and a relatively high number when it comes to card payments per person and year.

[1] https://www.riksbank.se/sv/press-och-publicerat/publikationer/om-finansiell-stabilitet/den-svenska-finansmarknaden/?_t_id=1B2M2Y8AsgTpgAmY7PhCfg%3d%3d&_t_q=svenska+finansiella+marknaden&_t_tags=language%3asv%2csiteid%3af3366ed3-598f-4166-aa5a-45d5751e940b&_t_ip=130.237.51.192&_t_hit.id=Riksbanken_Core_Models_Pages_ArticlePage/_9dda93fb-bb0c-4416-b259-0de7471c3c43_sv&_t_hit.pos=2

N. Arvidsson, *Building a Cashless Society*, SpringerBriefs in Economics,
https://doi.org/10.1007/978-3-030-10689-8_3

Table 3.1 The share of transactions (point of sales) of cash (in terms of value) in Europe 2017[a]

Country	Share of POS transactions cash (%)
Sweden	18
Netherlands	27
France	28
Luxembourg	30
Estonia	31
Belgium	32
Finland	33
Ireland	49
Latvia	54
Germany	55
Lithuania	62
Slovakia	66
Austria	67
Spain	68
Italy	68
Slovenia	68
Cyprus	72
Malta	74
Greece	75

Sources: Arvidsson, Hedman, and Segendorf (2018) and Esselink and Hernández (2017)

[a]The data on Sweden is based on Arvidsson et al. (2018) who did a survey with Swedish merchants, and the data on all other countries in the table is based on Esselink and Hernández (2017) who did a diary-based study with consumers in different countries in the Euro zone

This short international comparison shows that the low use of cash in Sweden is atypical. There are other countries showing similar patterns—like Denmark and the UK—but even compared to these, Sweden has a stronger and faster decline in the use of cash. One critical explanation is most likely the legal situation in Sweden. It is perfectly ok for a merchant to say no to cash in Sweden. The system for cash handling services in Sweden has also been subjugated to outsourcing and privatization which in essence means that vital activities like printing, transportation, protection, equipment supply, and other services are provided by private companies like banks, cash-in-transit service companies, depot holders, cash printing companies, and guard service providers. All of these factors have led to a supply and demand-driven development of the use of cash in Sweden.

I am not saying this is a perfect market in the conventional sense because traditions in Sweden in combination with the importance of well-functioning multi-sided platforms have led to a situation where providers do not charge consumers for using cash. At least not directly. There are no consumer fees for cash services that influence consumers' choice of which payment service to use. Instead consumers pay the fees for cash indirectly via annual card fees and—most likely—other less transparent fees in the banking system. All in all, the decrease in the use of cash happens because it is legally possible and because merchants and consumers tend to prefer other solutions.

References

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Esselink, H., & Hernández, L. (2017). *The use of cash by households in the euro area*.
World Payments Report 2017 by CapGemini and BNP Paribas.
World Payments Report 2018 by CapGemini and BNP Paribas.