

Payment habits in Norway

Methods to assess habits at point of sale

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Purpose of presentation

- Show methods to estimate the use of cash, based on:
 - Macro statistics (National accounts and Banking statistics)
 - Other statistics available to Norges Bank
 - Norges Bank surveys on users and merchants
 - Surveys done by other Norwegian institutions
- Discuss weaknesses
- Compare studies from other Nordic countries
- Invite to comments and hope for supplementary information

Main results

- Value of notes and coins continues to fall as percentage of GDP
- Use of cash is low in Norway
 - 2001: 60 % of POS sales paid by cash
 - 2007 central result:
 - Settles 23 % of transactions, value 14 %
 - 2007 high and low:
 - 38 % and 14 % of POS sales

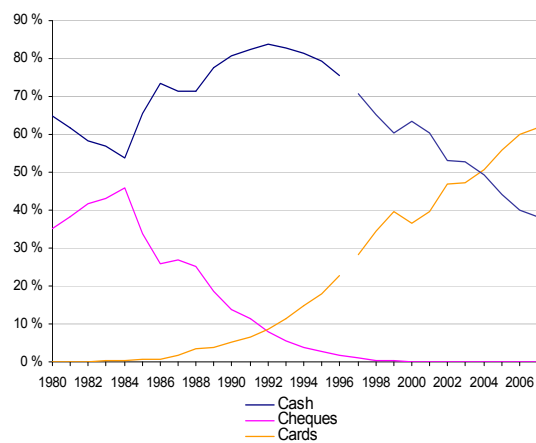
1 Maximum use – calculation

- Method: Use information from national statistics on household consumption
- Consumption paid by giro (bills), cards and cheques is deducted
- The rest is paid by cash
- The method was developed by Humphrey et al.

1 Maximum use – calculation

- Advantage:
 - Simple
- Weaknesses
 - Underestimate the size of the economy (grey / illegal/unregistered activities)
 - Not possible to calculate number of transactions
 - Consumption is at the end of the value chain
 - we leave out some usage of cash
 - E-money payments and possible giro payments of POS sales are excluded.

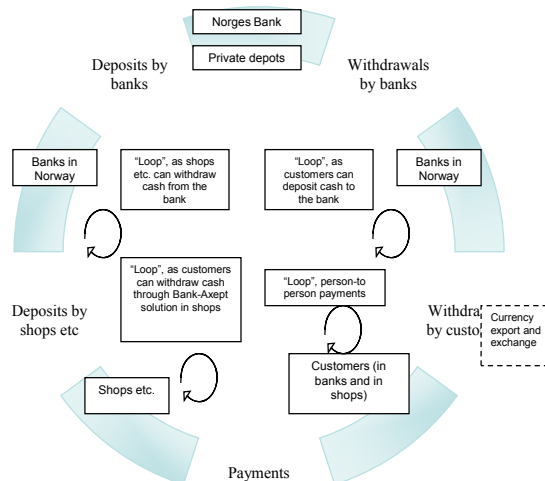
Use of different payment instruments and means of payments.
Value in per cent.



2 Minimum use – calculation

- Method:
 - The “Cash circle”
 - Norges Bank-banks-customers-shops-banks-Norges Bank
 - Statistical information from our Cashier’s Department and from operators of private cash depots
 - One straightforward circulation without loops represent the minimum value cash can generate
 - Assumption: the banks will not return cash to the central bank before cash has circulated at least once

Cash circle in Norway



2 Minimum use – calculation

- Advantages and weaknesses
 - valid only for all transactions in **the society**, not only **point of sale** transactions
 - "loops" disturb the picture
 - grey / illegal economy
 - value chain is not a problem
 - financial transactions (currency exchange)
 - currency smuggling

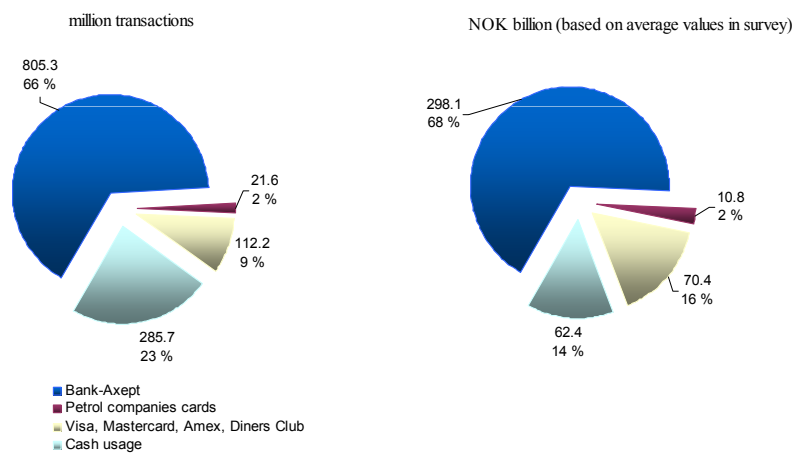
3 Surveys – 1. The public

- The survey:
- Survey of the "general public"
- 1201 answered all 9 questions by phone, while 2608 answered all but one question
- The questions were inspired by a similar study in Norges Bank in 1993 and the Dutch and the Belgian surveys
- The survey was considered representative for the whole population

3 Surveys – 1. The public

- Advantages and weaknesses
 - The survey is statistically representative
 - What about businesses? Tourists?
 - Are all payments actually covered?
 - Does the respondents remember everything?
 - Consumers under the age 16 are excluded
 - Private and business purse?
- Problem: Using median or mean values
 - Median value for payments is lower than the mean value

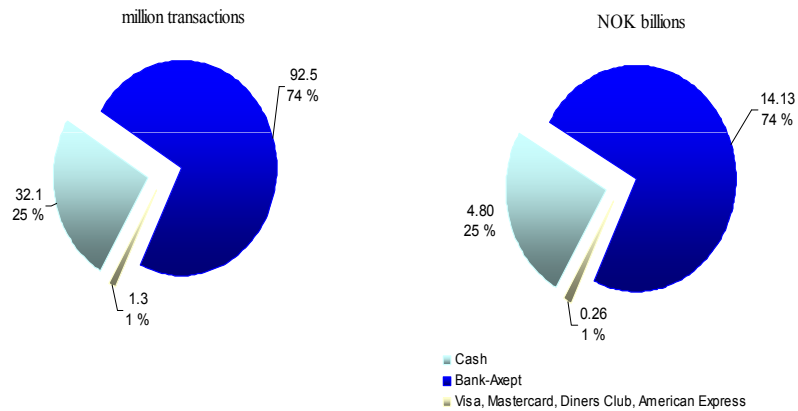
Payments by cash and cards at point of sale in Norway 2007



3 Surveys – 2. Merchants

- General survey attempted
 - Very few answers
 - A letter of recommendation from the businesses professional organisations followed the survey
 - Not interesting to merchants?
 - One reason might be that the questions were rather “complicated”, not of the “yes/no” kind
 - We had limited direct contact with the respondents
- 25 % of value at point of sale, 25% of transactions

Payments by cash and cards at point of sale in Norway 2007



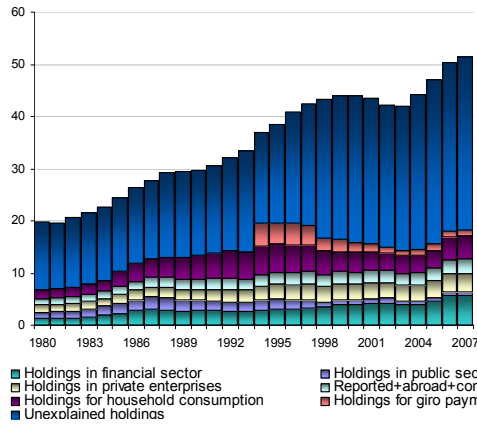
The results of cash usage summed up

	Transactions	Value
The maximum method	-	38 %
The minimum method	-	(35 %)
Survey customers	23 %	14 %
Survey merchants	25 %	25 %
BBS survey	-	23 %
Saving banks survey	-	approx 20 %

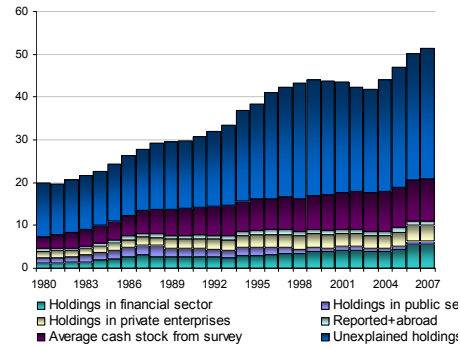
4 Stock of cash assignment

- 36 % and 41 % is used for purposes explainable (depending on method of calculation)
 - The rest is used for unregistered payments or hoarding
 - Large-value notes for criminal purposes?

Cash holdings by sector and for different types of transactions. In billions of NOK.



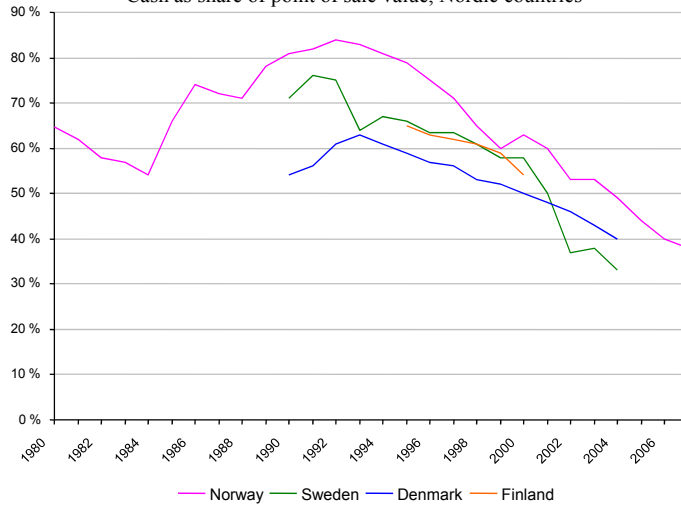
Cash holdings by sector and for different types of transactions. In billions of NOK.



Nordic studies – a cross country comparison

- An update for comparing our results
- Maybe some countries have analyses we are not aware of
- Nordic countries are very similar: is the rest of the world very different?
- Will cash disappear from the modern economy?

Cash as share of point of sale value, Nordic countries



Cash stock, "explained" share, Nordic countries

