



## What's The Future For Cash Payments?

With so many payment options available today, from online banking to contactless and mobile payments, there are genuine questions swirling right now about the future of good old-fashioned cash.

But suggestions of its demise seem to be exaggerated, to say the least.

According to data from UK Finance, the total number of cash payments rose from £6 billion to £6.4 billion in 2022 – the first increase in a decade.

And while cash usage has declined significantly in recent years, it's still the second most frequently used way to pay for goods and services.

So why is cash remaining so popular when so many alternatives are available?

The cost-of-living crisis has to be a factor, as many struggling households will find it easier to manage their budgets by spending the notes and coins that are in their pockets.

Spending physical cash can feel more real, for want of a better word, than using digital payment options, so it can encourage restraint if you're under financial pressure.

Even if inflation does fall significantly in the coming months, we can expect many people to continue with this approach, and for cash to remain an important payment option for a good while yet.

But it's not just with budgeting that cash comes into its own. After all, it's fast and convenient to use, so people can be sure it will be widely accepted wherever they go.

Another benefit for many will be the fact that it can be used entirely anonymously, so you can make a payment without leaving a digital footprint and having it listed on your bank statement.

Nevertheless, the increase in cash usage that we've seen over the last year doesn't take away from the fact that its use has declined in recent years.

UK Finance data shows that ten years ago, cash accounted for 54 per cent of all payments, whereas this figure now stands at just 14 per cent.

By contrast, debit cards are far and away the most popular payment method for Brits, as they now account for half of all payments made in the UK.

In 2022, payment volumes with debit cards rose to just over 23 billion, up from 19.5 billion a year earlier.

Similarly, the number of credit card payments rose from 3.4 billion to 4.1 billion during this period, while contactless payments have risen by 30 per cent to 17 billion.

It's likely that this trend will continue and that in the longer term, the number of cash payments will fall once again, particularly once inflation returns to more manageable levels and people don't feel as hard-pressed as they do right now.

But that doesn't mean there's no role for cash at all in the future. Indeed, UK Finance estimates that in 2032, cash will make up about eight per cent of all payments.

That's still a significant proportion by any measure, given the number of alternatives that are available, and new options that will inevitably take off over the next few years.

While cash won't dominate, we can expect it to remain a crucial part of the mix for a good while yet.

So, if cash is one of your favourite payment options and you want to continue using it, there's no need to worry.