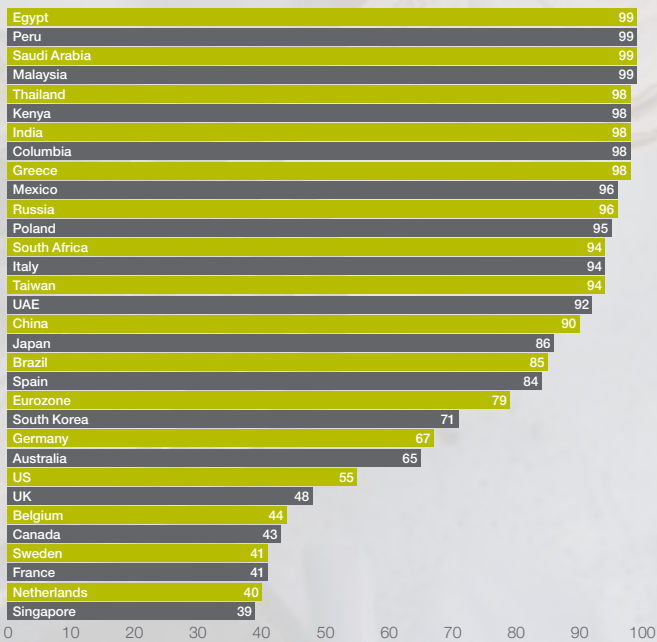


## 01

**Martin Sutherland**

Our Chief Executive Officer clears up some misconceptions about cash.

**Cash to total payment transactions %**

Source: McKinsey/Mastercard Advisers

# THE FUTURE OF CASH



Cash accounts for eight and a half out of every ten transactions worldwide. It remains by far the predominant method of payment.

**Q:** Everywhere you look, people are paying electronically. Isn't it a fact that cash is dead?

**A:** Absolutely and unarguably no. Have a peek outside the bubble of middle-class western democracies and you'll find that cash is still king. Seventy five per cent of the world's population live in countries where 95% of all transactions are cash based. Cash accounts for eight and a half out of every ten transactions worldwide. It remains by far the predominant method of payment.

Even in the developed world, cash plays a vital role in the payment ecosystem. Sixty per cent of European citizens don't have a credit card. Even in the UK, 7% of us don't have a bank account. Check out the queues at ATMs on any Saturday afternoon. You'll quickly understand why even in the UK and Europe cash in circulation is rising by about 5% a year. The most popular payment method in the world isn't about to curl up its toes.

**Q:** But why not? What's the attraction of cash in a digital world?

**A:** Firstly, some people don't have the choice. Thirty eight per cent of the world's population don't have a bank account. If you aren't able to open a bank account – for whatever reason – cash is your only option. It's the most universal, classless and socially inclusive payment method.

Cash is instantaneous and free to use. It's also a store of wealth that people turn to in times of trouble. One other important point: there's no hidden agenda with cash. You know that nobody is tracking your whereabouts or picking through your personal data. This is an increasingly big issue.

This isn't about cash versus the rest of the payment methods. This is about inclusivity, availability and security, but above all, freedom of choice. Cash has played an irreplaceable role in the payment ecosystem in the past and will continue to do so for many years to come.

**Q:** Could cryptocurrency replace cash eventually?

**A:** A number of central banks are exploring the possibility of creating their own cryptocurrencies. However I can envisage a number of hurdles that will need overcoming.

First of all, money needs to be a medium of exchange, a unit of account and a store of value. Cryptocurrency in its current form simply doesn't meet all the criteria. Secondly, in order for people to transact cryptocurrency requires the extensive availability of technology and infrastructure. With more than 50% of the world's population still not being connected to internet, this is a big ask. There are also questions about security. How secure can the system be under increasingly sophisticated cyber attacks? How well are your crypto assets protected from fraud and theft?

So, still early days for cryptocurrency. But one thing we can be sure about is that cash will continue to exist.

**Q:** How about mobile money systems such as M-Pesa?

**A:** M-Pesa promotes financial inclusion – and that's closely aligned with our own purpose at De La Rue and we welcome it. M-Pesa, in effect, acts as a mobile bank account and a mobile ATM. It allows users to deposit and withdraw money from a network of agents. It encourages greater usage of cash because money transfer becomes easier and faster. While the number of M-Pesa-registered users in Kenya increased from zero to 24m in the decade to 2017, Kenya's currency in circulation increased around 10% per year over the same period\*. M-Pesa is in fact a great example of how cash and digital finance can co-exist to promote social and financial inclusion.

\* Source: Central Bank of Kenya.

