

Cleviston Haynes: Cash will remain a part of the mix

Speech by Mr Cleviston Haynes, Governor of the Central Bank of Barbados, Bridgetown, 4 June 2019.

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Just over a decade ago the Bank hosted its first currency exhibition, as ensuring a steady supply of money in circulation is a natural extension of one of our core functions.

Thirteen years later, much has changed. For some, the assertion that “cash is king” has been replaced by the question “is cash dead?”

In many ways this is not surprising. Alternatives to cash are increasingly popular. Credit cards, debit cards, mobile wallets, etc., appear to be displacing traditional payment instruments such as cheques and cash. Globally, smartphone apps and other technological advances seem poised to transform payment systems as we know them.

Now, for the younger persons here today, the idea of paying for something using your phone probably doesn't seem extraordinary, but this is something I certainly did not imagine when we were your age.

Nevertheless, the Bank understands the need to adapt in general. More specifically, we have to adapt to the requirements of the new digital age. Being able to collect and make payments more efficiently is a key part of the digital transformation that the economy will undergo. It has the potential to enhance productivity and overall competitiveness. We are committed to working with Government to improve the payments infrastructure, including through the reduced use of cheques and cash. This should contribute to speedier, secure settlement of transactions.

So why an exhibition celebrating cash?

While we aim to decrease significantly the use of cash, we cannot ignore that at present it accounts for a significant percentage of the transactions made in Barbados. Currency in circulation is about 7% of GDP. However, there is already increasing usage of credit and debit cards the transactions through the Automated Clearing House.

While cash remains relevant now, it is facing increased competition as an instrument for payments.

But we believe that there will remain a place for cash. A wholesale shift to digital payments or even debit and credit cards has implications for financial inclusion. For the traditionally unbanked, access to cash allows participation in the economy. The same is true of many older persons and other vulnerable members of society.

Cash also serves as a backup in the event that the networks that power other forms of payment go down during and after a natural disaster or due to technological glitches or security breaches.

The importance of retaining some level of cash is widely acknowledged, even by countries like Sweden, which is leading the world in the adoption of alternative forms of payment. Indeed, in his presentation at our Domestic Financial Institutions Conference earlier this year, Sweden's Deputy Central Bank Governor, Henry Ohlsson, discussed the merits of cash, citing both the need to protect the financially marginalised and the privacy that paying with cash affords.

Deputy Governor Ohlsson is not alone recognising the benefits of cash even while supporting the development and adoption of electronic payments.

A 2019 study by the UK government found that despite debit cards replacing cash as the most

popular payment method in that country, there is still substantial support for retaining some level of physical currency.

It is clear then, that there is a degree of consensus internationally on this issue.

In the decade or so since the Bank hosted its first currency exhibition, we've seen increased use of credit and debit cards, a significant reduction in the use of cheques, and the introduction of digital and cryptocurrencies.

So we acknowledge and encourage the changes to the payments landscape. But at the same time, it would be premature to write cash's obituary. In the future, as we seek to increase efficiency through the use of electronic payments, cash may no longer be king, but it will remain a part of the mix.

I thank you.