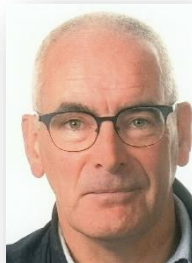


## The payments divide: a challenge for the future



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### ABSTRACT

This article uses selected results of the Digital Payment Barometer – an annual, nationally representative survey among more than 1,100 Belgians – to document that there is a ‘payments divide’. We use this term to refer to a situation where the majority of Belgian consumers are comfortable with – and increasingly use – electronic payment instruments at the Point of Sale but where, at the same time, there is a non-negligible minority who still prefer cash. These consumers also exhibit a strong resistance against the advent of a cashless society. Worryingly, over the period 2020-2023 this divide has only become bigger. We also show that there is a regional dimension to the divide.

### Introduction

Access to cash by consumers is a hotly debated topic in several developed countries. In Austria, chancellor Karl Nehammer recently even proposed to enshrine a right to cash in the country’s constitution. The chancellor was reported as saying that “everyone should have the opportunity to decide freely how and with what he wants to pay. That can be by card, by transfer, perhaps in future also with the digital euro, but also with cash. This freedom to choose must and will remain”<sup>1</sup>. The chancellor’s vision would involve securing a “basic supply” of cash in cooperation with the local central bank.

Surveys indeed show that, in spite of the increased availability and ease of use of electronic payment instruments, some consumers hang on to good old cash. The present article shows that this is no different in Belgium and that the problem has not become smaller over the period 2020-2023 – quite on the contrary.

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<sup>1</sup> Source: ‘Austrian leader proposes enshrining the use of cash in his country’s constitution’, *The Washington Post*, August 4, 2023, available at: [https://www.washingtonpost.com/business/2023/08/04/austria-cash-constitution-proposal/776542e8-3299-11ee-85dd-5c3c97d6acda\\_story.html](https://www.washingtonpost.com/business/2023/08/04/austria-cash-constitution-proposal/776542e8-3299-11ee-85dd-5c3c97d6acda_story.html) (accessed 11th August 2023).

In what follows, we first briefly describe the set-up of the Digital Payment Barometer, our data source. Subsequently, we show that, apart from during the COVID-19 crisis, the increased use of (contactless) payment cards and, to a lesser extent, mobile payment instruments has not been matched by a drop in the use of, and preference for, cash. The next section then demonstrates that the absence of a clear substitution effect on the aggregate level is due to there being two distinct groups of consumers – in other words, to a ‘payments divide’. Finally, Section 5 highlights that Wallonia lags Flanders when it comes to the use of electronic payment instruments and Section 6 concludes.

## The Digital Payment Barometer

The Digital Payment Barometer (DPB) is a barometer in the true sense of the word. Every year, IPSOS is commissioned to conduct a nationally representative survey that maps the payment behaviour of Belgians – in a consistent way from one year to the next. The DPB is sponsored by Febelfin – the federation of the Belgian financial sector – as well as by the major payment companies active in Belgium: Bancontact Payconiq Company <sup>2</sup>, Mastercard, Visa, and Worldline <sup>3</sup>.

We were invited to provide academic support. The survey that we put together, in close consultation with the sponsors, was conducted a first time in March 2020 and since then every year in the same month. Over the four editions so far, sample size ranged from 1,115 to 1,187. The bulk of the observations (1,014-1,085) were always collected online, via computer-assisted web interviewing (CAWI) among respondents aged between 16 and 65. An additional 100-102 observations were obtained by means of computer-assisted telephone interviewing (CATI) among the 65+. Use was made of quota on age, gender, and region. The final samples are slightly skewed towards higher-income households.

By a stroke of luck, the 2020 edition of the DPB was completed just prior to the first national lockdown <sup>4</sup> and, in this way, provided us with a ‘zero measurement’ of Belgians’ *pre*-COVID payment behaviour. The 2021 edition was administered *during* the COVID crisis <sup>5</sup>. A comparison with the 2020 results thus allowed us to gauge the impact of the pandemic; see Van Droogenbroeck and Van Hove (2021, 2022). The present article takes a longer view, and also exploits the 2022 and 2023 *post*-COVID results. Both 2022 and 2023 were indeed ‘normal’ years, barring one notable change in the payments landscape: since July 1, 2022, all Belgian merchants, regardless of size, are obliged by law to accept at least one electronic payment instrument <sup>6</sup>. To be clear: this need not be payment cards or mobile payments; credit transfers also qualify.

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<sup>2</sup> Bancontact Payconiq Company is the payment service provider behind the Bancontact debit card and the ‘Payconiq by Bancontact’ mobile app.

<sup>3</sup> Worldline is an acquirer, terminal provider and transaction processor.

<sup>4</sup> See Van Droogenbroeck and Van Hove (2021, p. 68) for details.

<sup>5</sup> Although takeaway was possible, cafes and restaurants were closed throughout the data collection period; so was the cultural sector, and shopping was on appointment.

<sup>6</sup> FOD Economie, ‘Verplichting om een elektronisch betaalmiddel aan te bieden’, s.a., available at: <https://economie.fgov.be/nl/themas/verkoop/prijsbeleid/betalingen/verplichting-om-een> (accessed 17th September 2023).

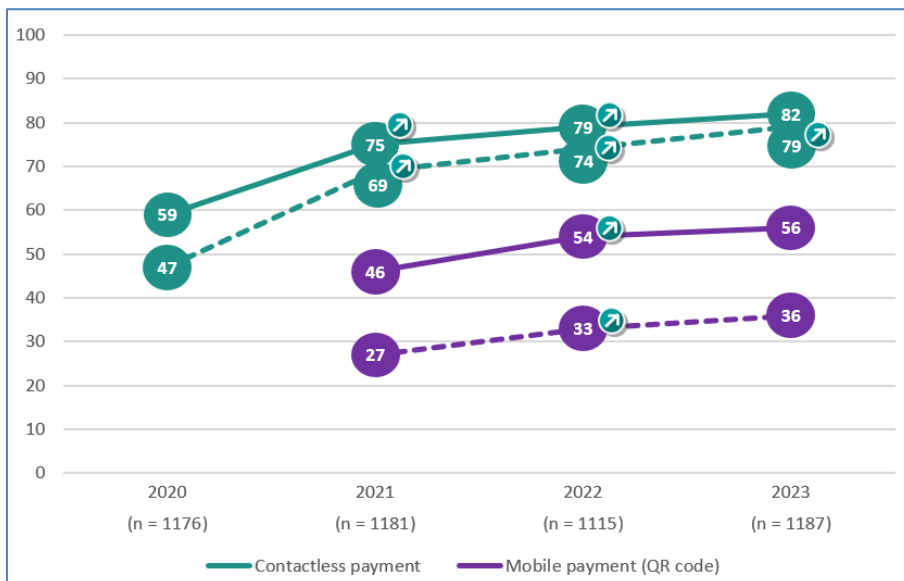
### Electronic up, cash not down

As mentioned, the present article takes a longer view than our earlier efforts. The main goal was to ascertain whether the impact of the COVID-19 crisis, which triggered a surge in the use of especially contactless payment cards (Van Droogenbroeck and Van Hove, 2022), turned out to be lasting. In Van Droogenbroeck and Van Hove (2021) we even surmised that the pandemic might prove to be an “inflection point” for the use of cash in retail payments.

In this section, we first present a number of indicators, for the period 2020-2023, concerning ownership and use of payment cards as well as mobile payment instruments, and subsequently turn our attention to cash. The somewhat surprising key finding will be a (larger than expected) return to popularity of cash – at least in certain subsets of society.

Before we discuss the first graph, let us stress that we focus on payments at the Point of Sale (POS) and will not cover online payments. Also, ‘mobile’ refers to payments where the consumer has to scan a QR code; in Belgium, this *de facto* boils down to Payconiq by Bancontact. We do not explicitly discuss mobile payments where the consumer has to hold a mobile device (a smartphone, a smartwatch or another wearable) against a terminal. To be clear: this category thus also captures schemes such as Apple Pay, Google Pay, etc. Unless mentioned otherwise, numbers are percentages of the total sample, and changes are in percentage points (pp). Significant year-on-year changes (at 5%) are indicated by green or red arrows – depending on whether there is, respectively, an increase or a decrease. Significant trends over the entire period are indicated by green or red triangles.

**Figure 1 – Ownership (full line) and adoption (dashed line) of contactless payment cards and mobile payment instruments (% of sample)**



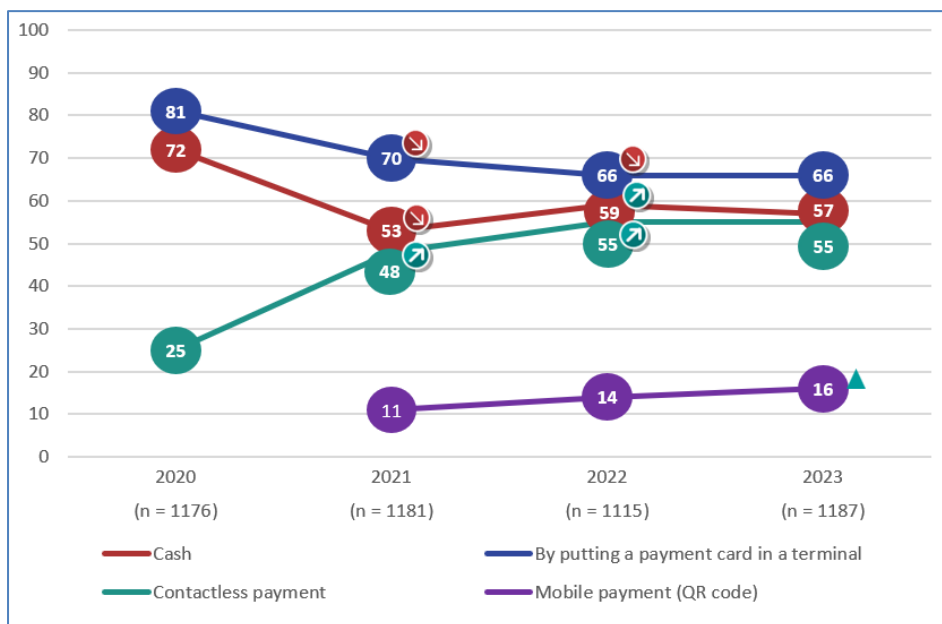
To start with electronic payment instruments, as we show in Van Droogenbroeck and Van Hove (2022), the most salient result of the 2021 Barometer was a major shift to contactless payment cards, across all age groups and across all metrics (awareness, adoption, usage, and even preferences). Figure 1 shows, first of all, that whereas prior to the pandemic many Belgians were not even aware that they had a contactless-enabled card – in the 2020 Barometer perceived ownership stood at 59% whereas the real number was 72% – in the 2021 edition awareness jumped to 75%. As can be seen, in the following years this number continued to increase, but understandably at a slower pace.

Where mobile is concerned, the absence of observations for 2020 is due to the fact that the Barometer started making a distinction between QR code and NFC payments only in 2021. But here too we see a gradual increase in ownership over 2021-2023.

The (dashed) curves for adoption – measured by the percentage of respondents who answered that they had used a given instrument at least once at the POS – yield a largely similar picture as those for ownership, albeit at a lower level. The difference is more salient for mobile because many consumers use Payconiq by Bancontact for person-to-person payments but not in a retail setting. Where contactless payment cards are concerned, it can also be seen that the pandemic-induced jump is bigger for adoption than for ownership (22 vs. 16 pp).

Figure 2 reports the answers to the question on whether respondents had used a specific payment instrument in the past week. We use this as a (rough) measure of an instrument’s popularity among consumers. Understandably, all levels are lower compared to Figure 1.

**Figure 2 – Payment instrument(s) used in the past week (% of sample)**



For contactless, one again sees a major jump between 2020 and 2021. There is also a significant increase between 2021 and 2022, but no longer between 2022 and 2023. The increased use of contactless cards clearly comes at the expense of contact-based card payments: the two curves are almost exact mirror images – especially over 2021-2023. Mobile payments by means of a QR code, for their part, are only slowly catching on at the POS.

Finally, for cash, there was a drop of almost 20 pp during the COVID pandemic. Although the Barometer only measures and does not ask respondents about reasons for any change in their payment behaviour, the explanations are fairly obvious<sup>7</sup>: a number of cash-intensive sectors were closed, there was an increased desire among consumers to pay without touching anything, and some merchants actively discouraged payment in cash. Also, the increase, from 25 to 50 euro of the threshold below which one does not have to enter a PIN made contactless payments more attractive.

Once the pandemic was over, there was a significant resurgence in the use of cash – albeit by no means back to pre-COVID levels. This is confirmed by the evolution in the average number of cash payments that respondents reported making in the week prior to the survey (not shown in the graph). This number dropped by an estimated 39% between 2020 and 2021 but increased by some 18% between 2021 and 2022 (and then stabilised at that level).

In view of the re-opening of the economy, such a rebound was to be expected<sup>8</sup>. Also, as can be seen in Figure 2, the rebound in the use of cash did not come at the expense of electronic payment instruments. However, Figures 3 and 4 do show unexpected evolutions and provide a first glimpse of the phenomenon that we want to examine more in depth in the remainder of the article.

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<sup>7</sup> The 2020 IMPACT survey conducted by the European Central Bank (2020, p. 22) provides underpinning for the reasons cited.

<sup>8</sup> Cf. what we wrote in our 2021 article: “We expect to see a [...] rebound [in the use of cash] in our 2022 DPB results – if only because in March 2021 cafes and restaurants were still closed” (Van Droogenbroeck and Van Hove, 2021, p. 73).

**Figure 3 – Preferred payment instrument at the POS (% of respondents), 2020-2023 <sup>9</sup>**

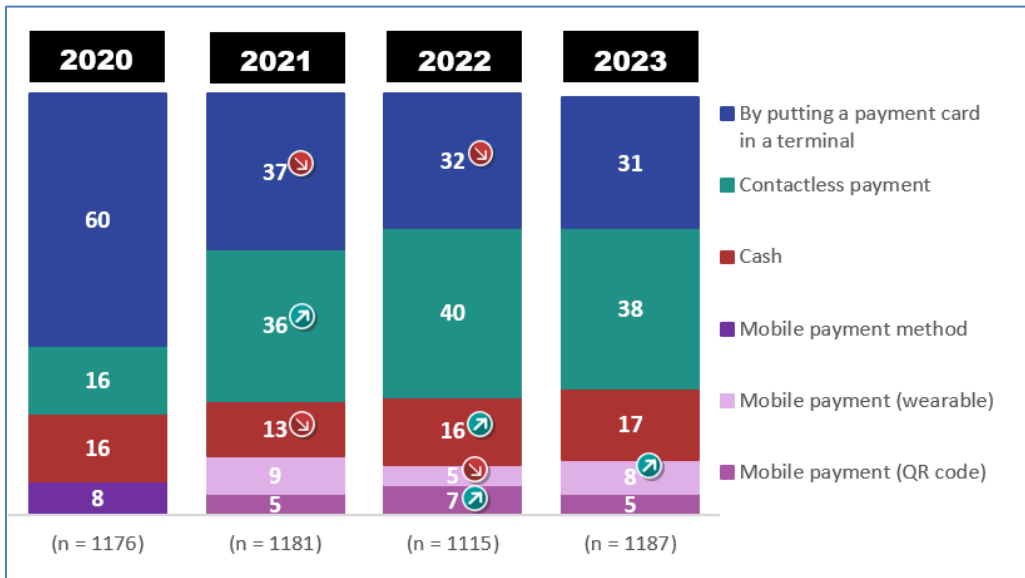


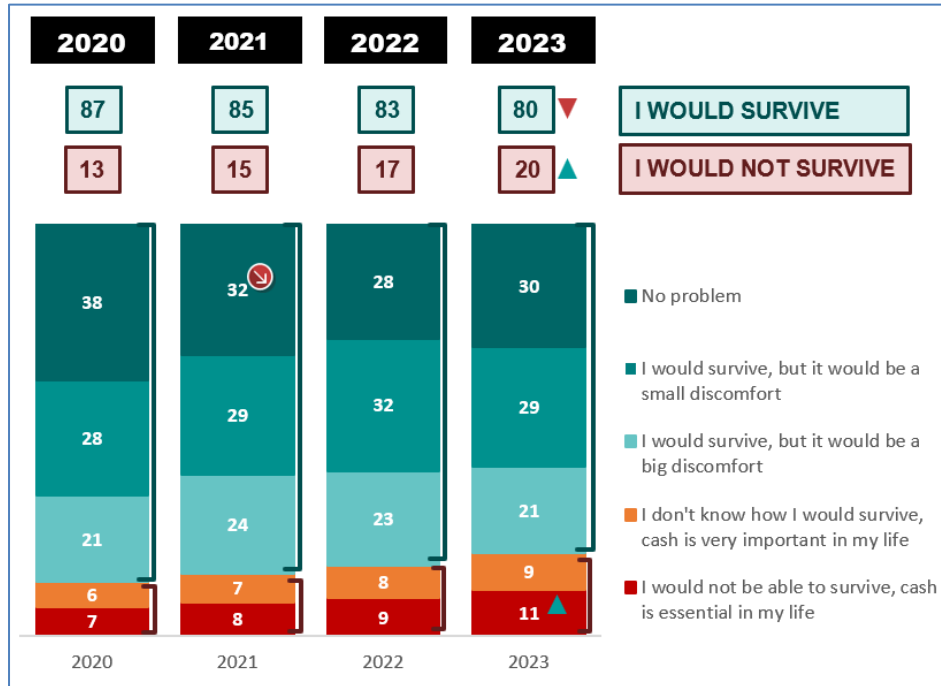
Figure 3 reports on Belgians’ payment preferences at the POS. Specifically, the Barometer asks the following question: ‘Suppose merchants and service providers accept all possible payment instruments, how would you prefer to pay?’. In line with actual payment behaviour documented in Figure 2, a first observation is the increased preference for contactless at the expense of contact-based card payments – an evolution that was clearly speeded up by the pandemic. However, whereas in 2021 cash was the payment instrument of choice for only 13% of the sample (down from 16% in 2020), in 2022 the preference for cash went back to the pre-pandemic level and was stable in 2023. In other words, against expectations our observation, in our 2021 article, that “there are fewer and fewer ‘cash lovers’” (Van Droogenbroeck and Van Hove, 2021, p. 72) needs to be corrected.

Our Barometer also includes a question about people’s attitude towards a cashless society <sup>10</sup>. This question reads: “Suppose – hypothetically – that there was no cash in society as we know it today. To what extent would this be a problem for you?”. The answer options range from “No problem” and “I would survive, but it would be a small discomfort” to “I would not be able to survive, cash is essential in my life”; see Figure 4.

<sup>9</sup> ‘Wearable’ refers to payments where the consumer has to hold a mobile device (a smartphone, a smartwatch or another wearable) against a terminal.

<sup>10</sup> The question is largely copied from the official Access to Cash survey that was conducted in the UK in November 2018 (Access to Cash Review, 2019).

**Figure 4 – Attitude towards a cashless society (% of respondents), 2020-2023**



Overall, a large majority of Belgians (80% in 2023) continue to believe they would manage if there were no cash anymore. However, surprisingly, over the years this share did go down – rather than up. A closer inspection of the results shows that the share of respondents who answer ‘no problem’ is now lower than before the pandemic (30% vs. 38%). At the other end of the scale, the proportion of respondents who ‘would not survive’ (the two bottom categories) gradually increased from 13% to 20%.

### The payments divide

The analysis in the previous section yielded a number of surprising results concerning the use of, and preference for, cash. This obviously raises the question how these can be explained.

If we return to Figure 2 (on the payment instruments used in the past week), the simultaneous increase in the incidence of contactless *and* cash could, in principle, simply be due to the re-opening of the economy causing pretty much all individuals to use both payment instruments more frequently. However, while this is undoubtedly part of the explanation, there are indications – even though we do not have panel data – that there are two distinct subsets of consumers at work. That is, in line with expectations, the majority increase their use of electronic payment instruments, but, at the same time, there is a non-negligible minority that hangs on to cash.

To demonstrate the existence of these two groups, we exploit two Barometer questions where respondents could give only one answer; that is, where, unlike in Figure 2, the responses simply cannot come from the same individuals. In so doing, we concentrate on changes between 2021 and 2022, as this is where the difference in behaviour between the two groups is most salient.

First off, Figure 5 reports the answers to the question where we ask respondents about the payment instrument they used the last time they bought something at the POS. When comparing 2022 and 2021, it stands out that the use of both contactless *and* cash increased (albeit the former not significantly)<sup>11</sup>. To repeat, given the nature of the question, this cannot be due to the same individuals; this must be different subsets of respondents<sup>12</sup>.

**Figure 5 – Payment instrument last used at the POS (% of sample), 2020-2023**

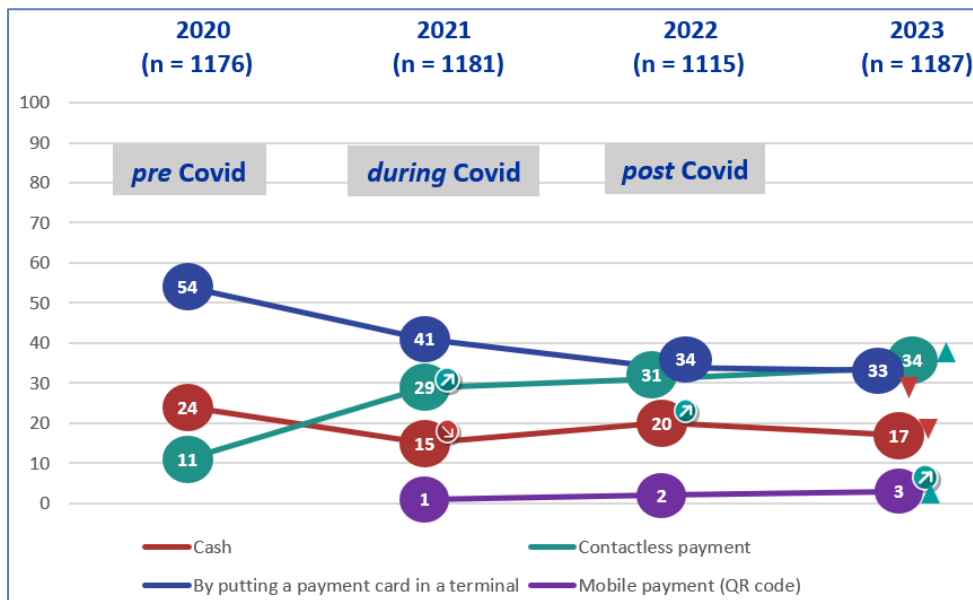


Figure 6 breaks down the results of Figure 5 by age, at least for contactless and cash. As can be seen, the joint increase, between 2021 and 2022, in the incidence of contactless *and* cash is there in all but two age categories (namely, 16-24 and 65-74<sup>13</sup>). This is a first indication that the post-COVID resurgence of cash is not solely due to the elderly. This said, the incidence of cash did increase most

<sup>11</sup> The incidence of cash does decrease from 20% to 17% between 2022 and 2023, but this decrease is not statistically significant.

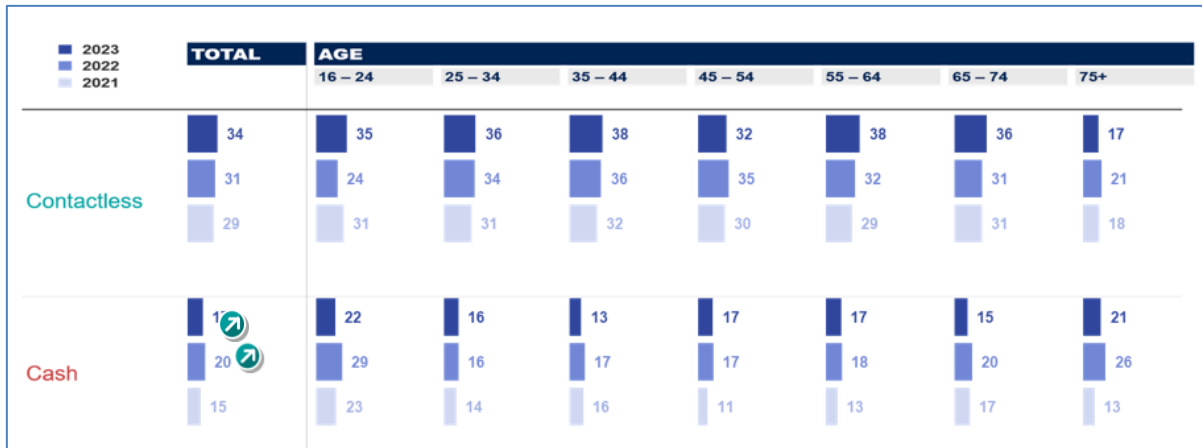
<sup>12</sup> Let us stress again that our data are *not* panel data, so some caution is warranted.

<sup>13</sup> In the first, the incidence of contactless dropped; in the second, it remained stable.



strongly among the 75+ (+13 pp vs. +5 pp overall). In short, age plays a role but does not explain everything.

**Figure 6 – Payment instrument last used at the POS, per age category**

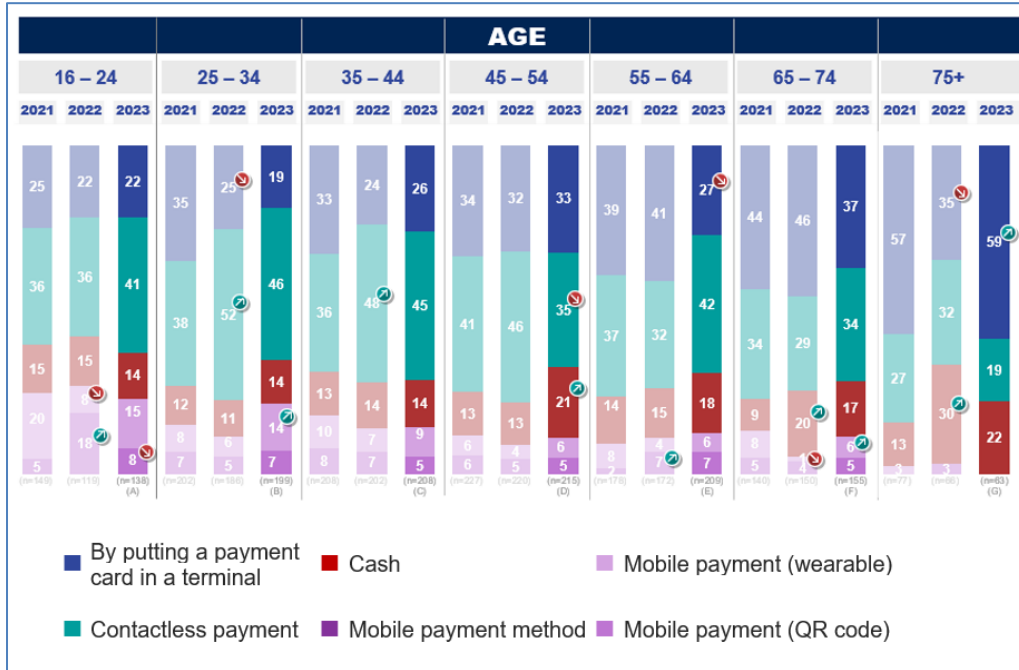


A second Barometer question where respondents were allowed only one answer is the question about their preferred payment instrument; see Figure 3 above. Figure 7 presents a breakdown of Figure 3 by age. Two observations stand out. First, if we focus on changes between 2021 and 2022, the significant increases in the preference for contactless are for the 25-34 and 35-44 categories, whereas the significant increases in the preference for cash appear in the 65-74 and 75+ categories<sup>14</sup>. Age thus plays a role. But again the story is not solely about the elderly. Indeed, and this is the second key observation, in 2023 there is also an above-average preference for cash – that is, above 17% (see Figure 3) – in the 45-54 and 55-64 age categories<sup>15</sup>. As a matter of fact, there are no statistically significant differences in this indicator between the four categories above 45.

<sup>14</sup> As can be seen, the results for the 75+ category are not very stable. This may be due to the lower number of observations for this category.

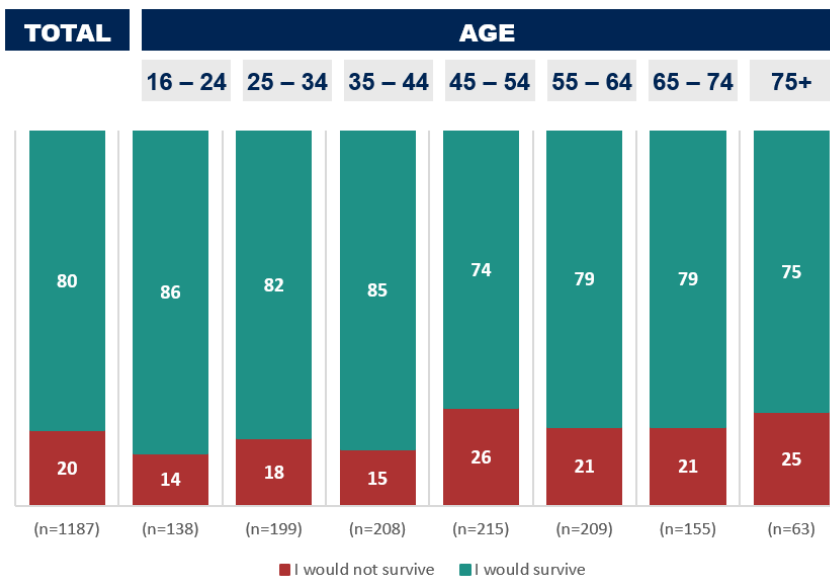
<sup>15</sup> In the 45-54 category, the preference for cash increased significantly between 2022 and 2023.

**Figure 7 – Preferred payment instrument at the POS, per age category**



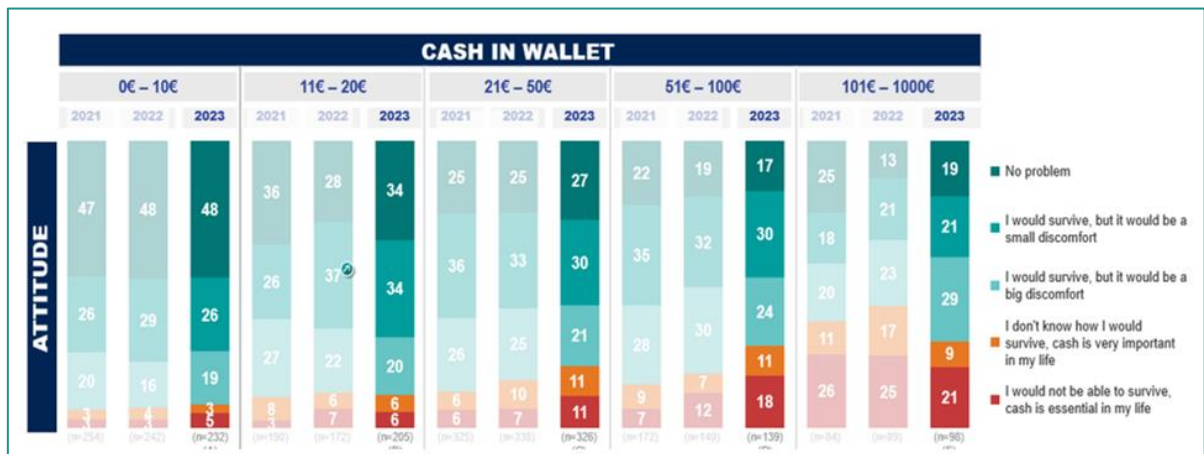
The latter is also the case in Figure 8, which breaks down Figure 4 by age (and for the year 2023). Clearly, when it comes to resistance against the cashless society, one should not solely look at the 65+. If we were to perform a sample split, the cut-off would rather be at 45.

**Figure 8 – Attitude towards a cashless society (% of respondents), 2023**



The final graph for this Section – Figure 9 – crosses respondents’ attitude towards a possible cashless society with the amount of cash in their wallet. As expected, there is a link: those who typically walk around with more than 51 euro are significantly more likely to answer that they would not manage in a cashless society (the two bottom categories in the Figure).

**Figure 9 – Attitude towards a cashless society (% of respondents) as a function of amount of cash in wallet, 2021-2023**



### A regional divide

Interestingly, there is also a regional dimension to the payments divide. Table 1 presents indicators on ownership and use of electronic payment instruments for Flanders, Brussels and Wallonia separately, and this for the year 2023. The main numbers in the Table are percentages of the respective subsample. The numbers between brackets are changes compared to 2022, in percentage points. If these numbers appear in grey, the changes are not significant; if there is no number at all, there was no change.

If we first focus on contactless payment cards, it can be seen that, across all indicators, Wallonia always scores substantially lower than Flanders, with Brussels typically occupying a middle position. Worryingly, the numbers between brackets indicate that this gap has only widened between 2022 and 2023. Indeed, for Flanders the changes are invariably positive (albeit not always significantly so), whereas for Wallonia they are zero or even negative. The picture for mobile payments is even more dramatic. For the usage indicators ‘ever used’ and ‘used in the past week’, Wallonia’s score is only half that of Flanders. As an aside, note that for mobile Brussels scores as well as Flanders, if not better.

**Table 1 – Ownership and use of electronic payment instruments, per region, 2023**

% of respective subsample (pp)	Flanders	Brussels	Wallonia
<i>Ownership</i>			
contactless	85 (+5)	85 (-4)	74 (-1)
mobile	60 (+1)	66 (+16)	45
wearables	38 (+2)	43 (+3)	26 (+3)
<i>Comfortable using</i>			
contactless	77 (+4)	72 (-3)	69 (-2)
mobile	47 (+2)	48 (+12)	38
wearables	24 (+4)	30 (+4)	18
<i>Ever used</i>			
contactless	83 (+7)	81 (+3)	70
mobile	42 (+1)	41 (+10)	22 (+2)
wearables	24 (+1)	36 (+5)	18 (+3)
<i>Used in past week</i>			
contactless	60 (+4)	56 (-2)	48 (-2)
mobile	19 (+2)	17 (+4)	10 (+3)
wearables	10 (+4)	13 (+1)	6 (+3)
<i>Last used</i>			
contactless	37 (+2)	31 (+7)	28
mobile	3	6 (+1)	3 (+2)
wearables	3 (+2)	4 (-1)	2

Finally, Table 2 documents respondents' current preferences for and envisaged future use of payment instruments, again per region. The Table follows the same conventions as Table 1. A first observation is that in Wallonia the preference for cash is more than double that in Flanders. It has also increased significantly between 2022 and 2023, perhaps on account of the debate concerning access to cash. The second message is that, judging from the reported intentions to use, the gap between Flanders and Wallonia observed in Table 1 concerning contactless and mobile is unlikely to disappear automatically anytime soon: here too Wallonia scores substantially lower, with no sign of improvement.

**Table 2 – Preferences and intention to use, per region, 2023**

% of respective subsample (pp)	Flanders	Brussels	Wallonia
<i>Preferences</i>			
contactless	42 (-1)	37 (-3)	32 (-3)
mobile	7	6 (-3)	3 (-3)
wearables	7 (+2)	15 (+11)	8 (+4)
cash	12 (-3)	15 (-4)	26 (+8)
<i>Consider in future</i>			
contactless	77 (+3)	68 (-3)	66
mobile	42 (-1)	41 (+15)	26 (-4)
wearables	34 (+3)	47 (+12)	25 (+3)

## Conclusion

This article has used data from the 2020-2023 editions of the so-called Digital Payment Barometer to document changes in Belgians' payment behaviour at the POS, with a focus on the post-COVID period. The main goal was to establish whether the impact of the pandemic, which accelerated the uptake of electronic payment instruments in general – and contactless cards in particular – proved lasting or not.

In an earlier article of ours, written in 2021, we made the following prediction: “Th[e] strong preference for cashless, already in 2019, makes it unlikely that many Belgians will go back to their old ways of paying once the pandemic is over” (Van Droogenbroek and Van Hove, 2021, p. 73). If one takes into account the qualification “many”, this prediction has come true, in that all indicators for contactless and mobile have continued to improve – albeit at a much slower pace than in the heady COVID period.

However, our other conjecture, in the same article, that the pandemic might prove to be an “inflection point” for the use of cash in retail payments fared less well. Indeed, a surprise finding in the present article is that in 2022 the preference for cash went back to the pre-pandemic level (and stabilised at that level afterwards). Also, the resistance against a possible cashless society increased over the period 2020-2023.

In the core of the article, we provide indications that this dichotomy is due to a ‘payments divide’, where the majority of Belgian consumers are comfortable with – and increasingly use – electronic payment instruments at the POS but where, at the same time, there is a non-negligible minority of die-hard cash users. We also show that there is a regional dimension to this divide, with Wallonia

lagging Flanders in terms of the use of electronic payment instruments and exhibiting a higher preference for cash.

Obviously, as already pointed out earlier, our Barometer measures but does not explain (much). We are aware that, as a result, the present article perhaps raises more questions than it answers. Why do some consumers have such a persistent preference for cash? What is the profile of these die-hard cash users?, Where does the divide between Flanders and Wallonia come from?, etc. In short, we have a full research agenda for the years ahead.

### Acknowledgements

We would like to thank Eric Spapens of Worldline for coming up with the initial idea for the DPB and all the representatives of the sponsors (Bancontact Payconiq Company, Febelfin, Mastercard, Visa and Worldline) for their input into the development of the survey questionnaire. Thanks also go to the people at IPSOS for the data collection.

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