



# Electronic money and the future

Supriya Singh, *The Use of Electronic Money in the Home*, CIRCIT Policy Research Paper No.41, September 1996

**W**e hear a lot about the new technologies of electronic banking, on-line transactions and other emerging payment systems, but what do we know about how people use these technologies? Should we expect that these new payments technologies will ultimately sweep all others aside, as some claim? These and other questions are the subject of an insightful research paper from the Centre for International Research on Communication and Information Technologies (CIRCIT) in Melbourne.

The research paper aims to fill a void in research about how people use information and communication technologies as methods of payments. As its author Supriya Singh argues, most of the research on these issues comes from one of two angles. On the one hand, industry research is focussed on the industry's perspective of supply issues and specific technologies, and tells us little about how people actually use the technologies. On the other hand, social science research has examined the social and cultural meanings of information and communication technologies but this research is rarely useful for improving the industry's understanding of demand patterns or for developing regulatory policy.

The paper examines how consumers mix and match different forms of money. It examines a range of factors which influence the choices people make about their payment methods, including age, sex, marital status, income level, cultural background and other demographics. The paper also focuses on the differing individual circumstances of consum-

ers by looking at case studies of individuals and their use of payment systems. Its findings are based on open-ended interviews and the author's doctoral study on money, marriage and information flows.

We frequently hear about how the use of a particular payments technology such as EFTPOS has grown, and how other payments systems are relatively less significant than in the past. Commentators sometimes extrapolate from these trends that some payments are on the way in, and others on the way out. Singh's research casts doubt on this conclusion.

Singh paints a scenario in which people are becoming increasingly sophisticated in their use of information and communication technologies. Often they use different forms of money as a way of separating different kinds of payments from each other. Different forms of money are often used for particular bills. For example, people tend to pay utility bills by phone, travel by credit cards and groceries by cash or EFTPOS. New technologies lead to combinations of payments systems, not substitution.

The important implication from Singh's research is that if we look at how consumers organise their transactions, we reach conclusions which differ from the normal technology-centred industry studies. It suggests that more traditional transaction methods such as cash, cheque and branch banking still have a major role to play in the future. The paper quotes research suggesting that 90% of transactions are still in cash, and the cheque is still the most popular form of non-

cash payment in Australia - 38% of all non-cash payments. Electronic money has increased consumers' options in how they organise their finances, but it is not necessarily replacing physical money.

There are a number reasons why the older methods of payment are likely to endure. People feel more 'in control' of their money when they write a cheque or pay cash; they often want a tangible record of a transaction; and prefer the physical and even personal interaction involved in more traditional transactions such as branch banking. A particular obstacle to the acceptance of internet payments systems and phone and electronic banking is concerns about lack of security. For example, banks have been largely unsuccessful in persuading customers to use Automatic Teller Machines for deposits.

Singh suggests that a better awareness of the social and cultural dimensions of money would help regulators and the financial services industry to adopt more effective strategies. On-line money must be secure; cultural distinctives need to be taken into account; and institutions need to continue providing for multiple forms of money. Policy and strategy makers need to 'radically shift their focus...instead of preparing for a wholly on-line payments environment, they have to position their organisations to deliver in multiple ways via transformed physical and electronic networks'. □

**Tim Dixon, Director, Australian Privacy Foundation**