

# DANMARKS NATIONALBANK

28 SEPTEMBER 2018 — NO. 5

The Danish Payments Council's series on costs of payments in Denmark

## The costs of payments have fallen

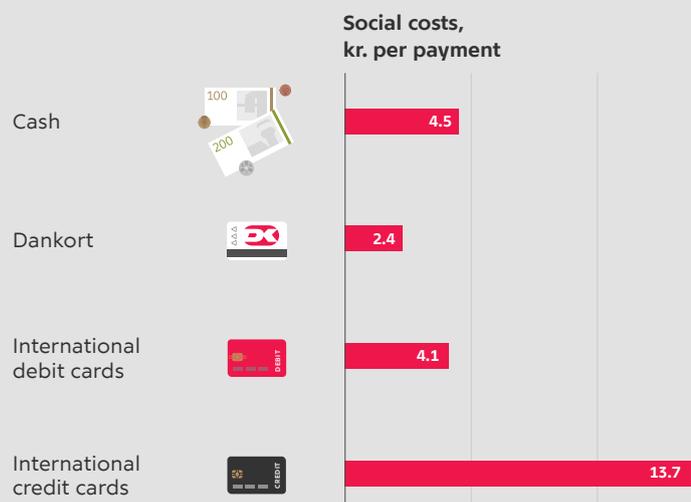
The social costs of consumer-to-business, C2B, payments, totalled around kr. 11 billion in 2016, or 0.5 per cent of Denmark's gross domestic product. This means that the social costs have almost halved in seven years, and the reduction has been achieved despite a 16 per cent increase in the number of C2B payments in the same period.

This is the result of the first analyses based on the Danish Payments Council's survey of the costs of payments in Denmark. The survey covers C2B payments as well as business-to-business, B2B, payments, and person-to-person, P2P, transfers. The first analyses cover the aggregate social costs of payments and the social costs of C2B payments.

The aggregate social costs of payments amounted to kr. 15.6 billion in 2016. C2B payments accounted for the largest share of these costs, but also for the majority of payments.

As regards C2B payments in physical trade, the national card scheme, Dankort, accounted for the lowest social cost, at kr. 2.4 per payment, while international credit cards accounted for the highest social cost, at kr. 13.7 per payment. The social costs of cash and international debit cards have also been calculated in the analysis, and these social costs are largely similar at kr. 4.5 and kr. 4.1, respectively, per payment.

### Several payment methods with low social costs in physical trade



A social cost of kr. 2.4 per payment does not reflect the costs for the individual consumer or retailer, as they will, for example, include fees. Rather, it reflects the total use of resources of the parties involved in a payment.

Payments are associated with large fixed costs. Therefore, the number of payments influences the average cost. In physical transactions, 6 out of 10 payments were Dankort payments in 2016, equivalent to more than 1 billion payments. This widespread use contributes to reducing the average social cost.

For payments that do not take place in physical trade, but on a website or via online and mobile banking, credit transfers account for the lowest social costs relative to the value of payments.

Social costs are a measure of the aggregate amount of resources society puts into a payment transaction. The aim of the survey is to provide insight into the amount of resources and costs associated with payments on a social level.

Social costs cover the aggregate use of resources by the parties involved in a payment transaction. This applies to payment intermediaries, payers and payees alike. Payment intermediaries are typically banks and card companies, which have payroll costs, IT costs and costs related to fraud. For the payer, the cost is primarily the time spent on payments. Payees, typically retailers, also have payroll costs, IT costs and costs related to fraud.

The reduction of the social costs of C2B payments since 2009 reflects lower resource consumption for payment intermediaries, households and retailers and businesses alike.

In 2012, Danmarks Nationalbank established the Danish Payments Council as a forum for collaboration on retail payments in Denmark. The aim of the Council is to promote the efficiency and safety of payments for all parties involved, i.e. consumers, merchants, banks, etc.

Read the Danish Payments Council's series of analyses on the costs of payments here ([link](#)).

## ABOUT NEWS



News are news articles based on analyses, working papers or other longer texts from Danmarks Nationalbank. News primarily

address journalists, politicians, government officials, specialists and others who want to be updated on current topics.

DANMARKS NATIONALBANK  
HAVNEGADE 5  
DK-1093 COPENHAGEN K  
WWW.NATIONALBANKEN.DK



DANMARKS  
NATIONALBANK

## CONTACT

**Ole Mikkelsen**  
Communications  
and press officer

[omi@nationalbanken.dk](mailto:omi@nationalbanken.dk)  
+45 3363 6027

SECRETARIAT AND  
COMMUNICATIONS



*In 2018, Danmarks Nationalbank celebrates its 200th anniversary. Danmarks Nationalbank was established in 1818 with the aim of rebuilding the monetary system after fiscal policy ran wild during the Napoleonic wars. Soaring inflation created the need for an extensive currency reform.*

*Hence, one of Danmarks Nationalbank's objectives is to promote safe payments. Danmarks Nationalbank issued its first banknotes in 1819, and cash in the form of coins and banknotes was the preferred means of payment for households' daily consumption well into the 20th century.*

# Danmarks Nationalbank contributes to safe payments

One of Danmarks Nationalbank's key tasks is to contribute to safe settlement of payments. This is done by issuing banknotes and coins with a high level of security. Danmarks Nationalbank is also behind the systems ensuring that payments can be settled between banks.

Banknotes and coins were the dominant means of payment when Danmarks Nationalbank was established 200 years ago to rebuild the monetary system. The background was the huge government budget deficits during the Napoleonic wars, which were financed by printing money.

An independent central bank with the exclusive right to issue coins and banknotes was to restore trust, which is crucial for payments. Today, cash represents a smaller part of Danes' payments, as most people use payment cards, mobile payments or online banking.

Denmark is one of the most digitised countries in the world, and we have a well-functioning and modern payments market. Payments are settled quickly and safely, and payments can be made between all bank accounts in Denmark via Danmarks Nationalbank.

Although the development has pushed cash to the background, Danmarks Nationalbank's task remains the same. A payment is a payment – whether it is made in cash or using more modern methods, and trust remains crucial.

A good method of payment is characterised by at least three important features: It must be trusted and it must be both stable and efficient. Once these are established, consumers will use the payment method as a natural part of their everyday lives.

## Danes are quicker to embrace new technology

*How long it has taken for new payment instruments to be adopted by 3 million users*

