

# DANMARKS NATIONALBANK

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The Danish Payments Council's series on the costs of payments in Denmark 2016

## The mobile phone has contributed to reducing the costs of person-to-person payments

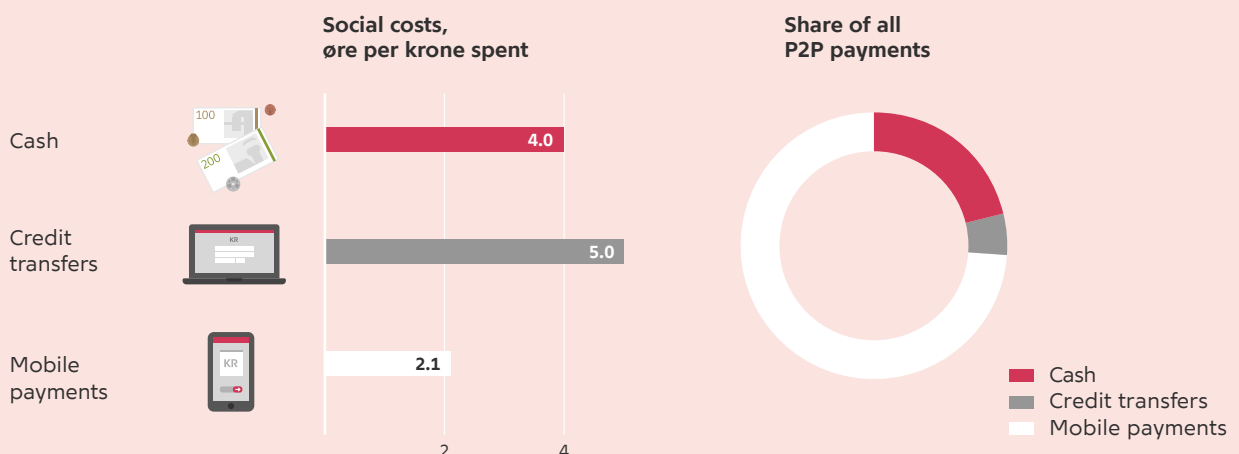
For person-to-person, P2P, payments, mobile payment is the method that entails the lowest social costs. One of the reasons is that payment by mobile phone has become very popular for settling P2P accounts.

That is the conclusion in an analysis from the Danish Payments Council based on a survey of costs of payments in Denmark.

The analysis focuses on the social costs of payments. Social costs comprise the aggregate use of resources by the parties involved in a payment transaction. For individuals, it is in particular the value of the time spent making payments, which could have been used for other purposes, such as work.

For payment intermediaries, the social costs include e.g. payroll costs for employees, as well as costs for

### Mobile payments are the most inexpensive P2P payment method for society



operation and maintenance of equipment, such as IT systems.

Social costs do not comprise the parties' transfers to each other, so e.g. the fees payable by businesses to card acquirers for receiving card payments are not included. Overall, such transfers cancel out each other, as they are expenses for one party and income for the other and hence they are not social costs. Consequently, social costs do *not* reflect the private costs of the individual parties.

The average social costs of mobile payments amounted to kr. 2.1 per payment in 2016. A cash P2P payment cost kr. 4, while the social costs of a P2P credit transfer via online or mobile banking were kr. 5. The aggregate social costs of P2P payments amounted to almost kr. 500 million in 2016.

There are substantial fixed costs related to making payments, so ultimately the number of payments has a large impact on the average costs. Three out of four P2P payments are made by mobile phone, which is one of the reasons why mobile payment is the most inexpensive method for P2P payments.

Although some methods of payment entail higher social costs per payment than others, there may still be good reasons for using them. For example, some people prefer the tangibility of cash. Like-

wise, the various types of payment card also have different characteristics that are preferred in some situations. If competing private sector payment methods can promote efficiency and innovation, that is also good for society. So from society's perspective it is fine to have a selection of payment methods that meet the requirements in different payment situations.

The Danish Payments Council has also surveyed the social costs of business-to-business, B2B, payments. They amounted to kr. 4.2 billion in 2016. At a price of 0.03 øre per krone spent, a credit transfer between businesses was the most inexpensive solution. Direct debits and inpayment forms were slightly more expensive. The degree of digitalisation varies considerably across the businesses. It is assessed that the social costs can be reduced if smaller businesses in particular become more digitalised.

The Danish Payments Council was established by Danmarks Nationalbank in 2012 as a forum for collaboration on retail payments in Denmark. The object of the Council is to promote the efficiency and security of payments for all parties involved, i.e. consumers, firms, banks, etc.

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

### ! The term social costs

covers the total use of resources by all parties involved in a payment transaction. It does not include fees and transfers between the parties.

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### ! The term private costs

is not included in the recent Danish Payments Council analyses. Private costs cover the social costs plus fees and transfers between the parties.

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## 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.

The news article consists of a Danish and an English version. In case of doubt regarding the correctness of the translation the Danish version is considered to be binding.

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