



BOX I.1:

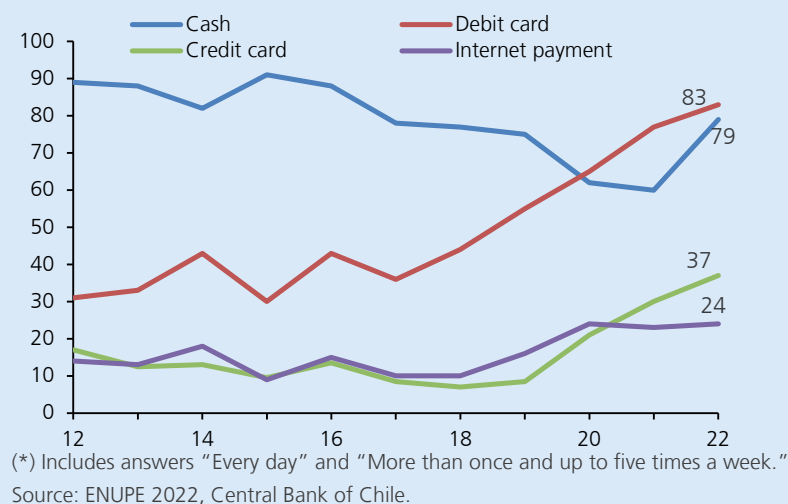
Trends in the use of cash in Chile

This Box presents the main recent trends in the use of cash in the country, as well as some of the frictions people face in obtaining it. As in other countries, in the past few years Chile has seen an increase in the possession and use of digital means of payment, against a reduction in the use of other instruments, such as cash and checks ([Cabezas and Jara, 2021](#)).

Recent trends

In line with the increased digitization of the economy, the frequency of use of cash had been declining since 2015, giving way to payment with cards and digital means, but a recovery was seen in 2022. According to information from the National Survey of Cash Use and Preferences (ENUPE), from 2012 to 2016 cash concentrated between 80% and 90% of the population's use, then declined to 75% to 78% in the years prior to the Covid-19 pandemic, reaching a minimum of 60% during 2021. Although in 2022 cash usage rebounded to its 79% level of 2017, it remains to be seen whether this obeyed to a reversal of the previous trend or was a transitory phenomenon. Alongside this, card utilization has risen steadily since 2017, especially debit cards, and in 2020 surpassed cash for the first time (Figure I.9)^{1/}.

FIGURE I.9 ¿HOW OFTEN WOULD YOU SAY YOU USE THESE MEANS OF PAYMENT? (*)
(percent)



^{1/} It is important to bear in mind that the ENUPE measures people's preferences, in particular the percentage of people answering that they use a given means of payment every day and between one and five times a week, but it does not reflect administrative data.



Based on the survey, it is possible to identify the specific segments of the population and business lines where cash is preferred. In sociodemographic terms, preferences for cash payments are expressed by people over 60 years of age, of low socioeconomic level, and from the northern and central zones of the country (table I.3). Also, for payments up to CLP\$10,000, cash is the preferred means of payment; and it is also the preferred means of payment at farmers' market and on public transportation, preferably in regions outside the capital (Table I.4). More recently, the number of people who report using cash in retail trade and, to a lesser extent, to pay for home utilities has risen (Figure I.10). This preference for cash can be partly explained by the perception that individuals have of the low cost, convenience and user friendliness of this means of payment (ENUPE). These sociodemographic preference factors, along with the fact that cash is key to maintaining the payment chain in situations of natural disasters, make it convenient to maintain the cash supply chain in the country, alleviating the existing cash-related frictions.

TABLE I.3 SOCIOFEMOGRAPHIC COMPARISON BY PREFERRED MEANS OF PAYMENT

Items	Debit Card	Cash	Electronic funds transfer	Credit Card
Preferred	42,9%	42,5%	8,9%	4,7%
Age (*)	52,5% (18-29)	67,9% (+ 60)	13,3% (30-35) 10,1% (18-29)	-
NSE (**)	High	Low	-	-
Zones (***)	48,2% (Santiago)	56,4% (North)	-	7,6% (Central)
	46,3% (South)	53,9% (Central)	-	5,0% (Santiago)

(*) In parentheses, age associated with the preferences of use.

(**) NSE= Socio-economic level.

(***) In parentheses, the zones of preference of means of payment use. Note that the country is broken down into the zones North, Center, Santiago (Metropolitan Region), and South.

Source: ENUPE 2022, Central Bank of Chile.

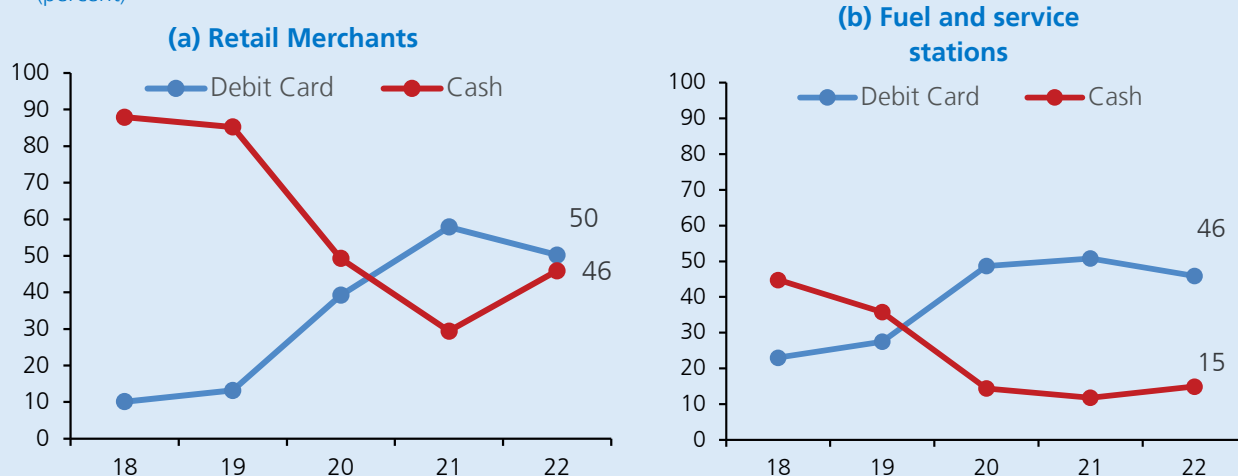
TABLE I.4 PREFERRED PAYMENT METHODS BY INDUSTRY
(percent, year 2022)

Industry	Credit Card	Debit Card	Cash
Retail/Department stores	14	69	15
Retail merchants	50	50	46
Farmes' market	0,4	4	86
Fuel stations	6	46	15
Payment of basic services	2,2	30	33
Public Transport	0,8	8	56

Source: ENUPE 2022, Central Bank of Chile.



FIGURE I.10 CASH UTILIZATION PREFERENCES BY TYPE OF ESTABLISHMENT
(percent)



Source: ENUPE 2022, Central Bank of Chile.

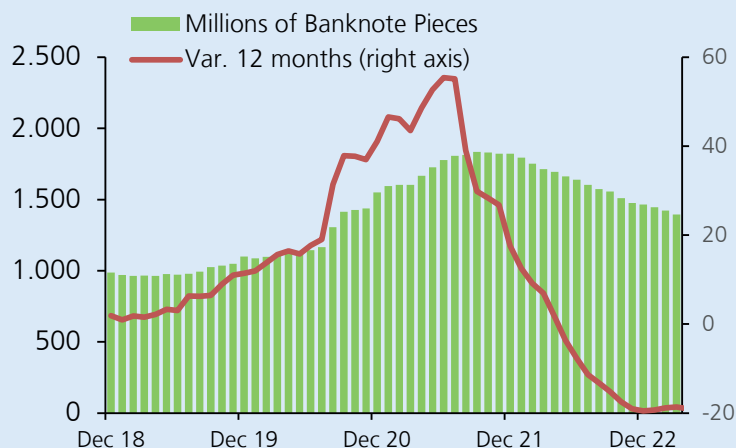
Meanwhile, the public stock of banknotes, reflecting cash needs, increased significantly during the pandemic, as in other countries, but it was not accompanied by an increase in payment transactions during the period. Demand for cash, reflected in the average annual growth rate of the public stock of banknotes, increased significantly from the last quarter of 2019 and peaked in mid-2021, which coincides with periods of high uncertainty and the authorization of pension savings withdrawals and government subsidies^{2/}. More recently, the annual variation has declined by around 20%, but the stock of banknotes is still greater than it was before the pandemic (Figure I.11). However, this increase in the stock of banknotes was not necessarily associated with an increase in face-to-face cash payments, but rather with the function of money as store of value. This is so because the public stock of banknotes in value terms increased 93% between October 2019 and December 2021, equivalent to an increase from 5% to 7.8% as a percent of GDP. Relatively similar trends were reported in other countries, including Australia, Canada, the United States and Mexico, to name a few^{3/}.

^{2/} At that time, the stock of banknotes in circulation exceeded 1.8 billion banknotes in circulation, for a total amount of CLP\$18.125 trillion.

^{3/} See [Guttman et al. \(2021\)](#), [Chen et al. \(2022\)](#); [Foster and Greene \(2021\)](#) and [Banco de México \(2021\)](#).



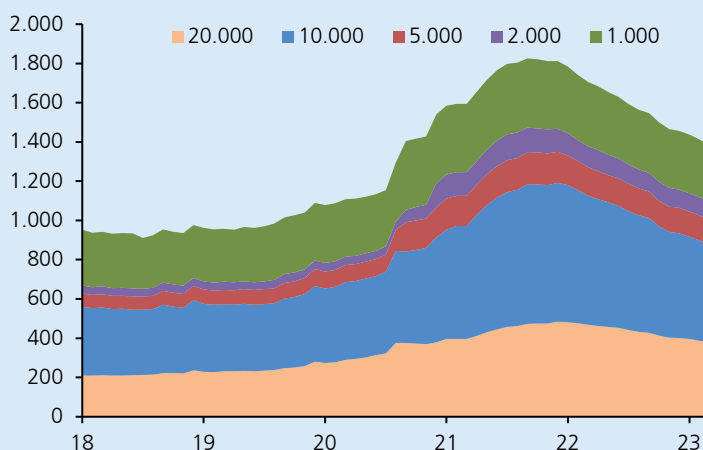
FIGURE I.11 STOCK OF BANK NOTES IN CIRCULATION
(millions of pieces, percent variation)



Source: Central Bank of Chile.

The composition of the different denominations in the banknote stock has remained relatively stable, while the number of banknotes has been decreasing since the end of 2021. In March of this year, CLP\$1,000 banknotes accounted for 21% of the public stock, a figure that contrasts with 30% in January 2018. In turn, CLP\$20,000 bills went from representing 22% to 27% of the stock in the same period. For the other denominations the changes have been smaller (Figure I.12).

FIGURE I.12 BANKNOTES IN CIRCULATION BY DENOMINATION.
(millions, monthly)



Source: Central Bank of Chile.



Access to cash

The preferred way for individuals to obtain cash is through ATM withdrawals. The 2022 ENUPE shows that 80% of people access cash through ATMs, another option being correspondent banking such as BancoEstado's Caja Vecina, although in recent years the number of ATMs has been relatively stable at around 7,500, in 2013 there were more than 9,000 (Figure I.13). This decrease is partly explained by criminal acts that affected ATMs ([Alarcón and Yáñez, 2015](#)), which subsequently led to the reinforcement of security measures and amendments to the minimum physical infrastructure requirements for equipment, as well as greater regulation of the requirements for the transfer of securities. Thus, from an ATM access perspective, usually used as a measure of financial inclusion, Chile has 30% fewer ATMs per 100,000 inhabitants than OECD countries (48.8 and 63.4, respectively), while the ratios were equivalent in 2013.

FIGURE I.13 ATMS IN THE NATIONAL TERRITORY
(number, annual)

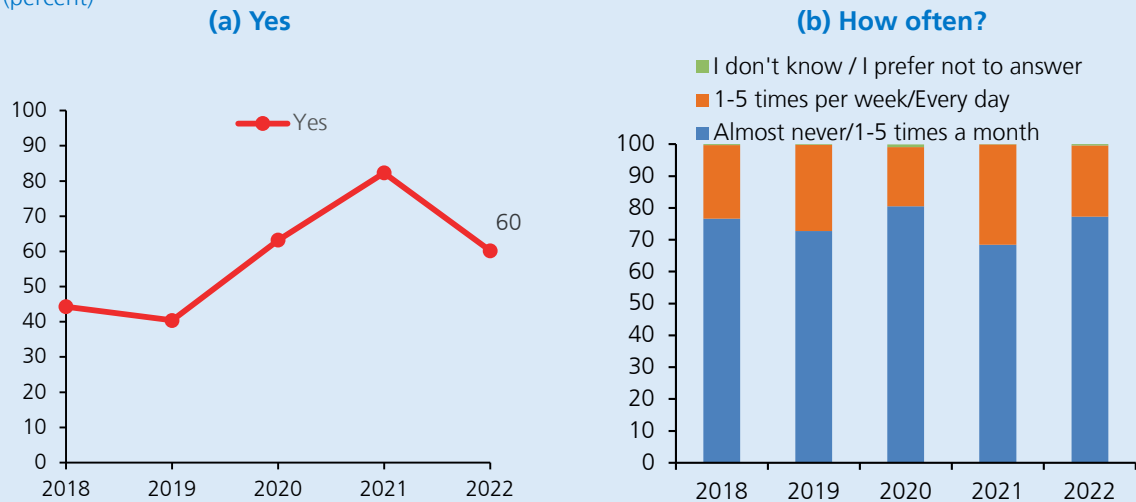


Source: Central Bank of Chile based on CMF data.

Increased demand for safety conditions, the rising cost of transporting valuables and availability requirements may explain that ATMs tend to be stocked with higher denomination bills, which generates friction in cash access and usage. Currently, high denomination bills account for the highest proportion of the drawers that feed the ATMs. Accordingly, as previously mentioned, cash is mainly used for transactions of less than CLP\$10,000, and this situation produces frictions that are visible in, for example, difficulties for retailers to give change to their customers, and especially affect low-income people and those who continue to depend on cash as a means of payment. Along these lines, 60% of the people surveyed in the last ENUPE reported having had problems receiving change due to a lack of bills or coins once to five times a month, which results in higher degrees of dissatisfaction with the denominations of bills obtained from ATMs than before the pandemic (Figure I.14 (a),(b)).



FIGURE 1.14 IN THE PAST SIX MONTHS, HAVE YOU EXPERIENCED SITUATIONS WHERE THERE WERE NO COINS OR BANKNOTES AVAILABLE TO GIVE YOU CHANGE WHEN MAKING A PURCHASE IN A RETAILER (percent)



Source: ENUPE 2022, Central Bank of Chile.

Given their importance of ATMs as a channel for access to cash, it is crucial that they meet the needs of users, which includes distributing more lower denomination banknotes. The supply of banknotes in their different denominations is carried out by the BCCh according to the demand of commercial banks, which finally use different distribution channels until they reach end customers and stores. Therefore, modifying the distribution of bill denominations in ATMs requires modifying the balance of the aforementioned elements that have an impact on the current situation. In particular, regulators and the private sector should look for alternatives that appropriately reconcile the availability of ATMs (and/or alternative distributors of cash to end-customers) with the costs of supplying them, without affecting safety standards.