



The Cash Conundrum

Notes and coins are used less than they were, but the UK is far from being a cashless society. Fortunately, options exist for businesses that want to optimise their cash-handling processes.

Although most businesses today are looking to reduce the amount of cash that they handle, notes and coins are still a popular method of transacting. This is especially true in sectors such as betting and gaming, leisure, and, of course, retail. In these sectors, businesses are trying to encourage customers to move away from cash – for example, contactless card machines are increasingly seen on pub counters – but they are all at different stages of the journey. For now, then, cash remains a core means of exchange.

Yet handling cash poses a host of challenges for businesses. The challenges range from finding ways to keep cash safe onsite and minimise the risk of fraud, through to preventing operational inefficiency and protecting the safety of staff members who make deposits with banks. These challenges are often exacerbated by out-of-date cash-handling policies that do not reflect current customer behaviours and trading conditions. For example, they might require staff members to bank money on a daily basis, even if the amount of cash being held onsite is far less than it was a decade ago.

Fortunately, there are practical ways to address the challenges associated with holding cash, which we explore in this article.

Background

In general, the use of cash is declining due to the multitude of payment options that exist today – from debit and credit cards through to direct debit, online banking platforms and convenient mobile apps.

According to trade association UK Finance, cash was used for 40% of all payments in 2016, down from 62% a decade earlier. Nevertheless, the UK is still some way off being a cashless society since UK Finance also estimates that more than a fifth (21%) of payments will still be made in cash by 2026. For the foreseeable future, consumers will want to pay in cash because it offers them a practical way to manage their budgets.

- **Value and volume**

Typically the amount that a business would pay a bank branch for the provision of cash will depend on the value and volume of the cash provided. So businesses need to be efficient at estimating their cash requirements so that they don't hold too much cash or fall short. Otherwise, they may pay more in bank charges than they need to or end up asking staff members to make several trips to the bank each day.



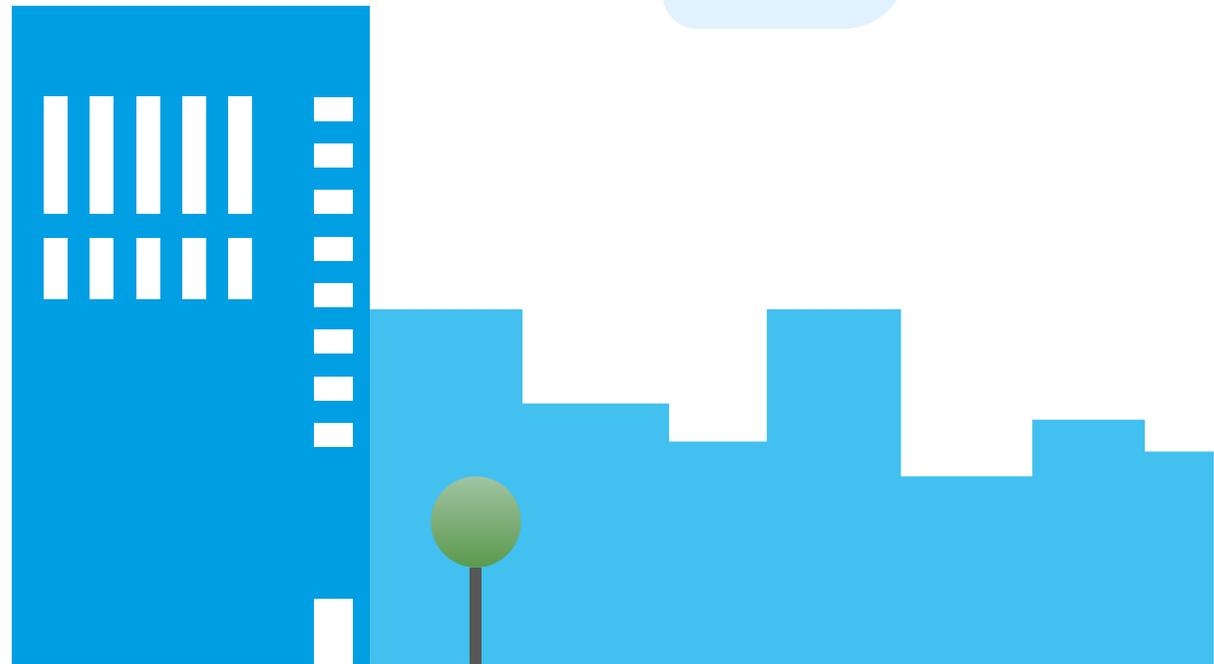
While customers use cash, they will expect the businesses that they spend their money with to be able to transact using coins and notes. So businesses need to meet their customers' expectations while managing the different challenges associated with managing cash. These are:

- **Cost and risk**

Holding cash onsite can be expensive and risky for businesses. Not only do they need to have sufficient space to store the cash, they need to be able to secure it securely. Furthermore, they have to pay insurance premiums to protect against the risk that the cash is lost or stolen. Safety is a concern for those staff members who bank deposits, which may lead to some individuals feeling uncomfortable about taking on this role. The process of sending a staff member to the bank can also be costly in terms of parking and transport expenses and there is an opportunity cost associated with a key person being out of the business for a period of time. Another important consideration is the working capital cost that arises when a business is inefficient at banking its cash.

- **Customer service**

To manage costs and improve efficiency, many businesses operate with fewer staff members than they did a decade ago. So if one staff member is visiting the bank, there could be very few staff members remaining in the business to serve clients. In some cases, a shortage of staff might mean that the business needs to close down altogether while the bank visit takes place. If customers are not properly served, businesses could lose out on valuable sales.



Opportunities for efficiency

Although use of cash is falling, it will still be a popular way of making payments for many years to come. So businesses that handle cash, particularly in high volumes, should review their cash-handling processes now to identify opportunities to be more efficient in future. The options available to businesses include:

1. Updating cash-handling policies

Some businesses have not reviewed their cash-handling policies for several years, which means the policies may not be suitable for the current trading environment. For example, a policy may insist on cash being banked on a daily basis even when the volume of cash taken is not sufficient to justify daily deposits. Or the policy might only allow sums as small as £1,000 to £2,000 to be stored onsite. If a business revises its policy to permit banking on alternate days, or to raise the limit for the amount of cash that it can hold on its premises, it could reduce the number of trips that staff members make to the bank. The business might also be able to make use of a direct service (see below). Businesses would need to review their fraud controls and check the impact of holding additional cash on their insurance premiums as part of their policy reviews.



2. Using in-branch devices

In-branch devices can be used for a wide range of banking processes, from taking deposits through to processing cheques and providing notes and cash. There is normally no additional fee for these services. Sometimes staff members can be reluctant to make use of them, however, if business policies specify that cash should be deposited with a cashier. So it is incumbent on the business to review policies and procedures so that staff can make more use of efficient banking methods.

3. Signing up to a direct service with the bank

With a direct service, the bank effectively removes the whole burden of managing the cash-handling process from the business. It organises for a courier to visit the business's sites, combining cash delivery with cash collection in a single trip. Businesses sometimes assume that a direct service will not be cost-efficient for them, but an organisation that deposits £5,000 or more on a daily basis will probably find that using a direct service is cheaper than using a branch in terms of bank charges and operational costs, as well as being more convenient overall.

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Find out more

To find out more about how Barclays can help you with your cash-handling processes, contact your Relationship Team.

You can get this in Braille, large print or audio by calling 0800 400 100** (via Text Relay or Next Generation Text Relay if appropriate). Barclays also welcomes calls via SignVideo for BSL users. Visit barclays.co.uk/signvideo

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