Working Papers on Economics - Merchants´ costs of processing payments in Colombia

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Publication Date: Wednesday, 11 of November 2020 Abstract
Although Colombia has made significant progress in the access to transactional products offered by the financial system, their use by the public is still low, and merchants and consumers continue to use cash intensively. One of the reasons why Colombians prefer cash to make their daily payments is the limited acceptance of electronic payments by merchants. This can be partly explained by the merchants' perception of the high relative costs of operating with electronic payments versus operating with cash. To have a complete measure of merchants' private costs of acceptance and use of different payment instruments, the Banco de la República conducted a survey in 2018 of merchants who accept both cash and payment cards. This paper presents the main results of the survey. Estimates show that cash is significantly less expensive than debit and credit cards when merchants receive payments. This cost structure is replicated for payments that merchants make for their operating expenses, for which the costs of making electronic payments more than double those of cash payments. Altogether, for merchants, operating with cash results much cheaper than with electronic payment systems.

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