Electronic payments crowd out checks in US: Fed

December 8 2010

A man uses a laptop computer at a wireless cafe. Electronic payments have surged in the United States to more than 75 percent of all noncash payments as check usage continues to fall by the wayside, a Federal Reserve report showed Wednesday.

Electronic payments have surged in the United States to more than 75 percent of all noncash payments as check usage continues to fall by the wayside, a Federal Reserve report showed Wednesday.

All types of US electronic payments grew in the 2006-2009 period studied, with the exception of credit cards, the Fed said.

Wire transfers were not included in the triannual study, whose latest edition spans the worst US recession since the Great Depression and a global financial meltdown after the Lehman Brothers bankruptcy in
2008.

Noncash payments increased 4.6 percent per year in the period, to 108.9 billion dollars in 2009.

Electronic payments "now collectively exceed three-quarters of all noncash payments while payments by check are now less than one-quarter," the central bank reported.

Revealing the swift rise of electronic trade in the world's largest economy, the study found the number of electronic payments leaped 9.3 percent in 2009 from 2006, to 84.5 billion. The value of e-payments totaled 40.7 trillion dollars.

In the Fed's prior study on the 2003-2006 period, roughly two-thirds of the payments were made electronically in 2006.

Check payments were the biggest decliner in the latest study, dropping 7.2 percent to 24.4 billion and totaling 31.6 trillion dollars.

Credit card usage also faded, falling 0.2 percent, and were eclipsed by debit cards as the most used noncash instrument, the Fed said.

Debit cards jumped 14.8 percent to 37.9 billion payments totaling 1.5 trillion dollars.

"The results of the study clearly underscore this nation's efforts to move toward a more efficient electronic clearing system for all types of retail payments," said Richard Oliver, vice president of the Federal Reserve Bank of Atlanta, which sponsored the study.

"It is also likely that the results reflect changing consumer behavior during difficult economic times," he added.