



## Painful Analysis Of Cash & Digital Payments

by [Steve Brown](#) Topics: [payments](#), [ATM](#)

**Summary:** A US Bank survey shows 47% of consumers prefer to make payments using digital apps vs. 45% who use cash. What are the key takeaways for community banks on the declining use of cash.

Parents used to tell us as kids that it was impolite to spit, while older siblings would give it a whirl when mom and dad weren't looking. Now it seems Penn State College of Medicine researchers want all kids to spit. You see, the researchers found a saliva test can surface five small molecules that could identify concussive symptoms in children, teens and young adults with 85% accuracy. That is amazing and sports teams, coaches, parents, and kids everywhere are celebrating.

It just goes to show that things keep changing and mostly improving over time. That is why we focus today on cash usage. After all, it could go away and that could impact community banks. So let's take a look.

A US Bank survey shows 47% of consumers say they prefer to make payments using digital apps vs. 45% who still view cash as their preferred method of payment. Takeaway: Cash seems to still be holding on.

Not surprisingly, the use of digital payments is highest among younger generations. While 32% of boomers say digital apps are their favored payment method, the number rises to 44% for Gen X and 49% for millennials. Takeaway: The younger you are the less you use cash.

Still, it appears that all payments are not viewed as equal. While consumers now tend to gravitate toward electronic payments for monthly bills and expenses; cash still remains the preferred method of payment when eating out. Takeaway: It depends what you are doing as to when you use cash.

Of course, when it comes to the cash that most people carry, it is significantly less than generations past. Here, the survey found more than 50% of people carry cash less than 50% of the time. Further, when they do keep cash on hand, roughly 50% of people keep less than \$20. Finally, 46% of people say they use cash less than 8 days per month and 5% say they never use cash at all. Takeaway: Fewer people carry cash, they have less on hand and some don't use cash much at all.

One of the biggest barriers to overall consumer acceptance of electronic payments is the perception that these services may not be totally secure. An American Express digital payments survey finds 37% of respondents said they cancelled an online purchase because of security fears. Takeaway: Digital payments are still seen as risky by some so complete adoption will take a long time.

This fear factor could possibly slow the transition away from cash. After the recent hacking of Equifax, the reality of major online security lapses no doubt rattled many digital consumers. If similar breaches continue, people could perhaps become more skeptical of electronic payments and turn to other forms of payment, such as good old cash. Takeaway: Most feel cash is safe because they can touch it.

Despite the impressive growth of digital payments due to the upward trajectory of the world's population and an overall increase in spending, there is still more cash actually being spent on the whole. Takeaway: Keep stocking those ATMs.

The security concerns of digital payments and how they are addressed will definitely affect the momentum of this trend. For bankers, it remains important to watch the trends as you are careful not to spit into the wind. Be prepared, as digital payments are here to stay and will likely only grow. After all, just thinking about all of this can make your brain hurt.

# ECONOMY & RATES

## Yesterday

Yields dipped 1bp as investors weighed unimpressive economic data.

Rates As Of: 12/07/2017 12:12PM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	1.28	0.02	0.78
6M	1.46	0.02	0.85
1Y	1.67	0.06	0.86
2Y	1.80	0.02	0.61
5Y	2.14	0.00	0.21
10Y	2.37	-0.04	-0.08
30Y	2.77	-0.06	-0.30
FF Market	FF Target	Fed Disc	
1.16	1.25	1.75	
Prime	Unemployment	Oil	
4.25	4.10	\$57	

[More Market Rates](#)

## BANK NEWS

### Low Borrowing

Despite a strong economy, the 12 month loan growth rate at US banks as of the end of Q3 slipped to its lowest level in 4Ys. This year is on track to be the worst year for business loan growth since 2010 and analysts blame low market rates that allow larger companies to issue bonds and pay off loans, the impact of hurricanes, a lack of clarity from Washington DC politicians on taxes and health care and other factors.

### Selection

Research by experience design agency Adrenaline around branches finds consumers say the main reasons they selected their primary bank were: main checking (85%), branches near home/work (55%), friendly employees (46%), online everyday banking (45%), and easy everyday transactions (43%).

### Global Effect

JPMorgan predicts the US will be the main driver behind higher global rates in 2018. JP projects US rates will rise 25bp more this year, 100bp in 2018 and the Fed will reduce its balance sheet by \$400B.

## OUTSOURCED ALM SERVICE FOR COMMUNITY BANKS

Managing [interest rate risk](#) is both art and science. Regulators have raised the bar and community bankers have more to do than there are hours in a day. To see how easy it is to outsource & get expert help, contact us today.

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.