

# Making cash easier for consumers and small businesses

BY MICKI SEAGER AND LOUIS LAYTON

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*Banks that expand their cash options provide a valuable service to the unbanked and underbanked—and attract new business.*



*It's expensive to be unbanked and underbanked. These consumers must turn to alternative outlets and pay outrageous fees for everyday services. Banks can turn these cash consumers into loyal customers with fast, convenient access to cash and flexible cash payment options.*

Cash is the original real-time payment. In fact, more than [27 percent of all payments](#) are still made in cash, according to the most recent study from the Federal Reserve. That stat may surprise digital enthusiasts but for millions of consumers and small businesses, cash is critical to their day-to-day life.

#### WHO USES CASH THESE DAYS?

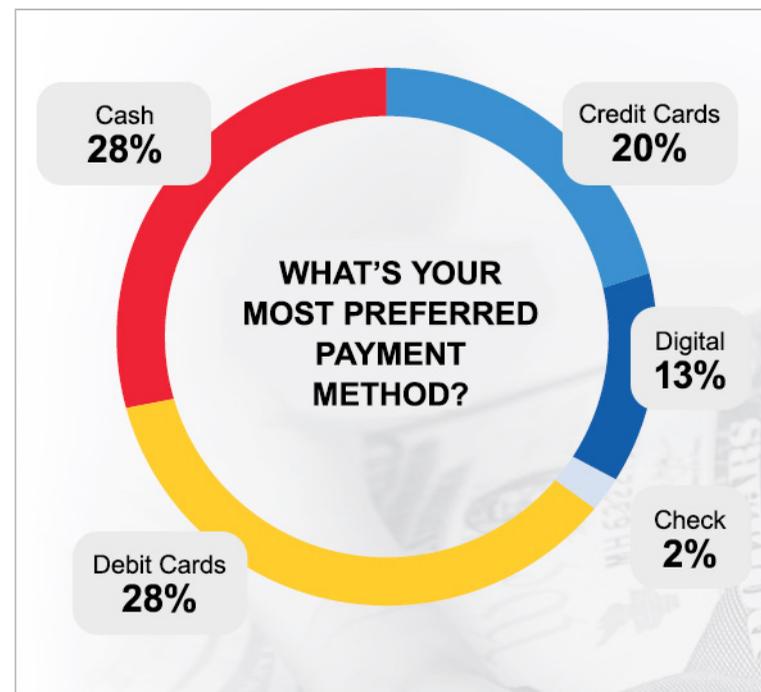
More people than you think. Even as digital and mobile payment technologies evolve, cash hasn't gone the way of the dinosaur and remains very much healthy: [56 percent of consumers choose cash for purchases](#) of

less than \$30, based on a Health of Cash 2018 Study. And when it comes to speed and convenience, cash is the most cited payment method over credit, debit and digital at fast food restaurants, convenience stores, and small and local businesses.

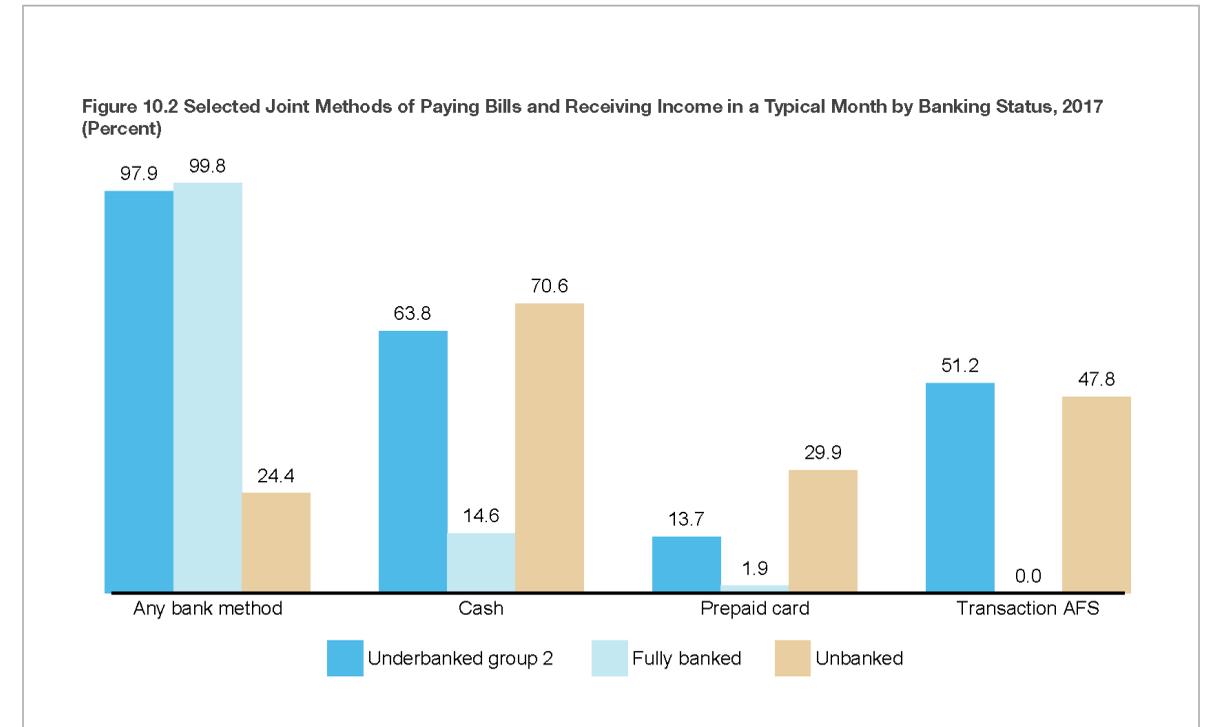
Even as the highest adopters of mobile payments, millennials use cash at retail stores just as frequently as other U.S. consumers at 89 percent, the Health of Cash Study reveals.

#### SERVING THE UNDERSERVED

Some cash users belong to the 8.4 million unbanked households without a checking or savings account. They represent about 6.5 percent of the U.S. population, according to the [2017 FDIC National Survey of Unbanked and Underbanked Households](#). Another 18.7 percent of U.S. households



Source: 2018 Health of Cash Study



Source: 2017 FDIC National Survey of Unbanked and Underbanked Households

(24.2 million) were underbanked, meaning that the household had a checking or savings account but also obtained financial products and services outside the banking system.

Yet these unbanked and underbanked consumers clearly spend. This group represents more than \$1 trillion annually in U.S. purchases, the FDIC survey found. They also spend more than 10 percent of their income on service fees, late fees and money orders to pay their financial obligations.

Cash is also used to pay bills and remains the most common way to pay friends and family. Approximately two-thirds of unbanked households, one in four underbanked households and nearly 10 percent of

fully banked households pay bills with cash monthly, according to the FDIC survey. Cash dominated person-to-person payments at 71 percent, compared to bank apps at 28 percent, non-bank apps at 40 percent and checks at 35 percent, according to the Health of Cash Study.

It's expensive to be unbanked and underbanked. These consumers must turn to alternative outlets and pay outrageous fees for everyday services. Banks can turn these cash consumers into loyal customers with fast, convenient access to cash and flexible cash payment options for car and mortgage loans.

Consider adding bulk cash deposits, bill pay and check cashing options that use advance self-service

devices or kiosks, These will allow customers to pay auto and mortgage loans by cash at your branch or ATM. Consumers are embracing self-service banking for the convenience and extended hours it offers; banks should too. Banks can leverage self-service capabilities to meet the needs of cash-friendly consumers and modernize the user experience.

And let's not forget businesses. Small businesses, fast food restaurants, fast casual grocery stores, and convenience stores that take in cash spend hours counting, prepping and walking cash deposits to the bank. Remote cash capture solutions such as smart safes provide small business owners with automated cash handling, better cash flow and provisional credit for cash deposited in the safe. With already thin margins, these small businesses will jump at saving on staff time and getting funds faster.

#### **BENEFITS FOR THE BANK**

With this new self-service technology, banks can provide a flexible and innovative customer experience. They can also add a revenue stream while offering lower fees than consumers would get at alternative providers. Even with many different devices on the market, a fully integrated solution gives banks greater operational efficiency. Shifting low-value cash transactions out of the teller line allows staff more time to educate and service customers.

On the commercial side, banks can attract new merchant deposits outside their traditional footprint and introduce new commercial lending opportunities.

*Banks can leverage self-service capabilities to meet the needs of cash-friendly consumers.*

Offering vault cash services also diverts large commercial cash deposits out of the teller line and branch.

Cash remains a societal mainstay and as long as consumers value choice in payments, cash will play a significant role in financial services. Financial institutions need to think beyond digital to expand services and reach a large underserved population.

When banks meet the needs of millions of cash consumers and small businesses, they can ensure financial inclusion with innovative services and create new customers for life. While the tired cliché calls it cold and hard, cash carries tremendous potential for banks that warm up to it. 

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