

CASH:

Where does it fit in a digital world?

Agenda

- 1 Introductions
- 2 Cash is evolving
- 3 Financial inclusion
- 4 Use it – or lose it
- 5 Emergence of the Super ATM
- 6 Summary/Questions

CASH: Where does it fit in a digital world?:

A global trade association of over 3,000 members

Representing the interests of 500 ATM industry organizations across the globe



- An extensive library of Best Practice manuals
- Compliance monitoring services
- ATMIA Academy; e-training and certification
- Leading supporter of cash and consumer payment choice



- Industry advocacy
- Recently launched a new ATM crime intelligence system
- Working committees focused on security and compliance
- Managing the NextGen ATM initiative – involving over 400 companies in 55 countries



- Broad industry constituency
 - Financial institutions
 - ISO/IAD
 - Manufacturers
 - EFT networks
 - Payment processors
 - And many others . . .

Cash is evolving

Like every other method of payment

We all know
people like this



Some claim they never use it.

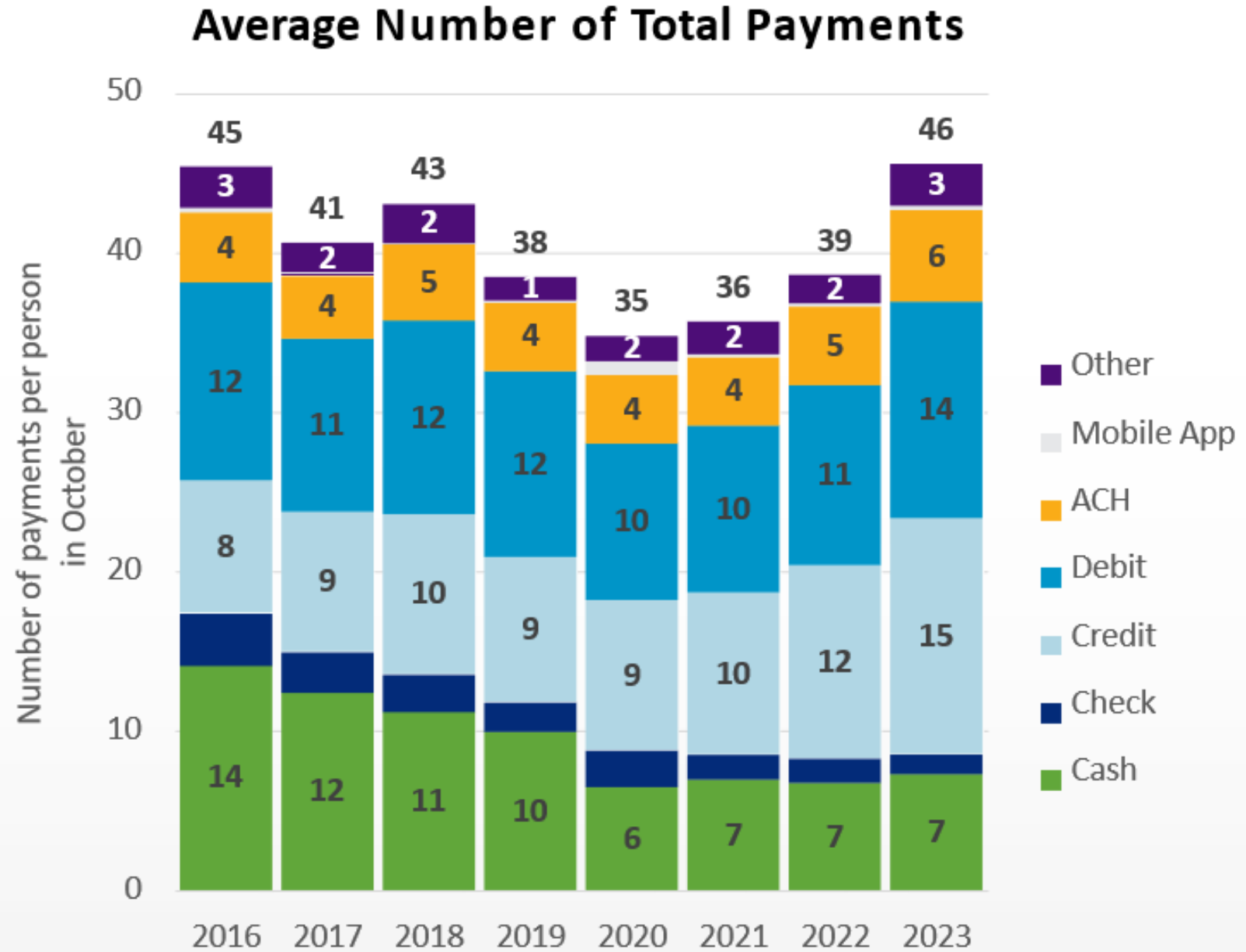
Some think that only old people use it.

Many digital options – no need for cash.

Cash is too expensive to handle.

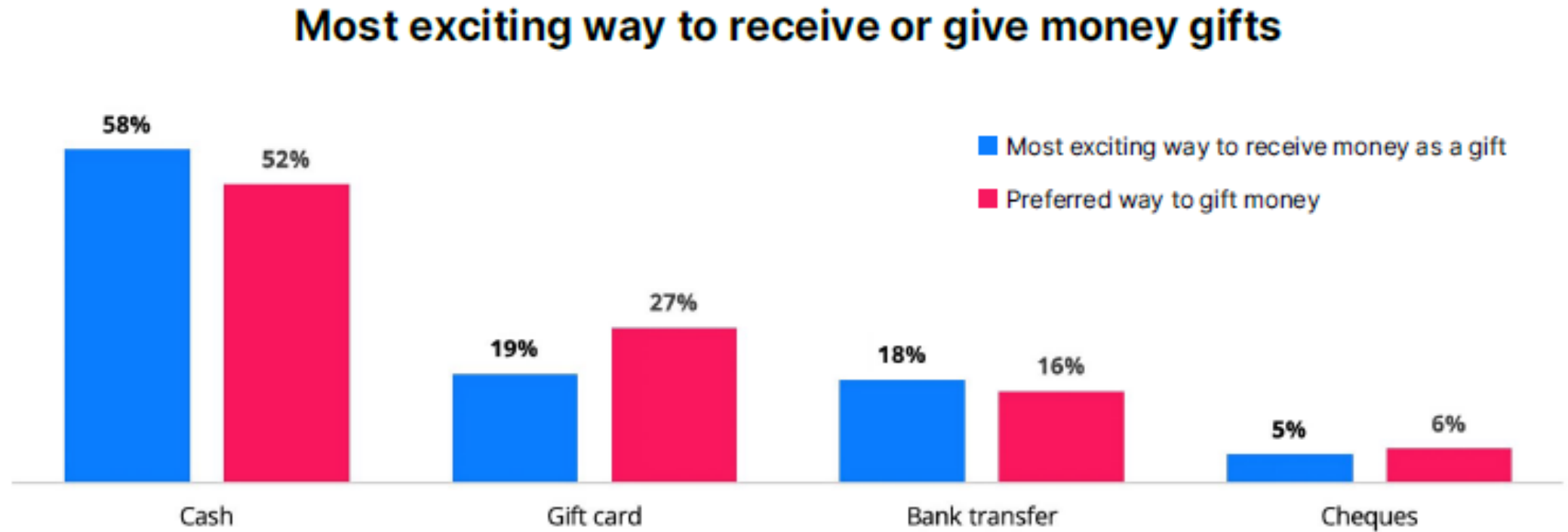


Cash payments remain consistent amid a growing payments pie





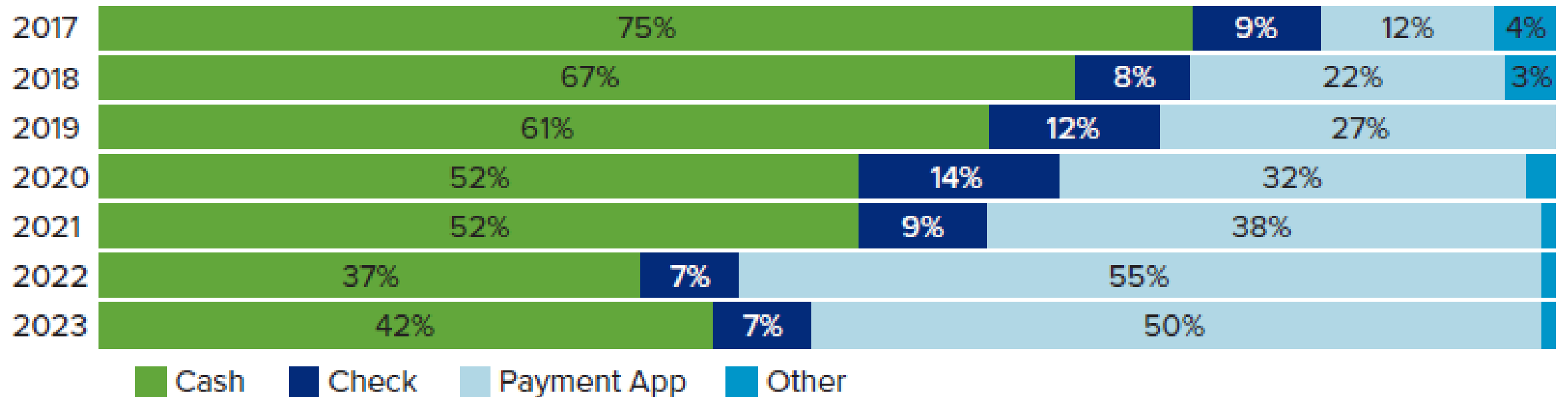
Most exciting way to receive or give money gifts



PayComplete research report, 2024

How we pay often depends on who we pay

Figure 16: Share of P2P payments by payment instrument



Cash is financial inclusion

For about 20% of Americans

Cash still facilitates financial inclusion

According to this July, 2024 FDIC report, about 20% of U.S. households are still primarily dependent on cash.

- 14.1% underbanked (18.7 mln households)
- 6% unbanked (2022 Fed report)

Many have a low income, do not trust government, do not trust banks – or all of the above.

Consumer Research *Perspectives*

July 2024

A CLOSER LOOK AT THE UNBANKED:

Cash-Only Households Versus Those That Use Prepaid Cards or Nonbank Payment Apps

Ryan Goodstein, PhD
Senior Economist
Division of Depositor and
Consumer Protection | FDIC

Consumer Research Perspectives are short research briefs that use data to explore questions related to economic inclusion. One focus is the participation of U.S. households in the mainstream banking system. Briefs often use data collected by the FDIC National Survey of Unbanked and Underbanked Households to address questions with greater depth than in the biennial report.

Disclaimer: The views expressed are those of the authors and not necessarily those of the Federal Deposit Insurance Corporation or the United States.

#unbanked, #cash,
#FDICHouseholdSurvey

PERSPECTIVE

Most unbanked households in the United States are “cash only,” meaning they use neither prepaid cards nor nonbank payment apps. These households must rely primarily on in-person cash transactions and thus are at risk of theft or loss when handling their day-to-day finances. Going forward, the cash-only unbanked may find it increasingly difficult to participate in the formal economy as the U.S. financial system evolves toward a more digital infrastructure. Economic inclusion strategies targeted toward the cash-only unbanked should focus on building trust in banks and demonstrating the value of a bank account, as this population appears to be especially disconnected from the mainstream banking system.

KEY FINDINGS

- About six in ten unbanked households are cash only. These households are disproportionately older, more likely to be Hispanic, and less likely to be Black compared to other unbanked households.
- Cash-only unbanked households also are less likely to have previously had a bank account or to express interest in having a bank account. They are more likely to cite “don’t trust banks” as the main reason for not having an account.
- The remaining (four in ten) unbanked households use prepaid cards or nonbank payment apps. Many such households use these products to substitute for the core services traditionally provided by a bank account, including paying bills and receiving income.

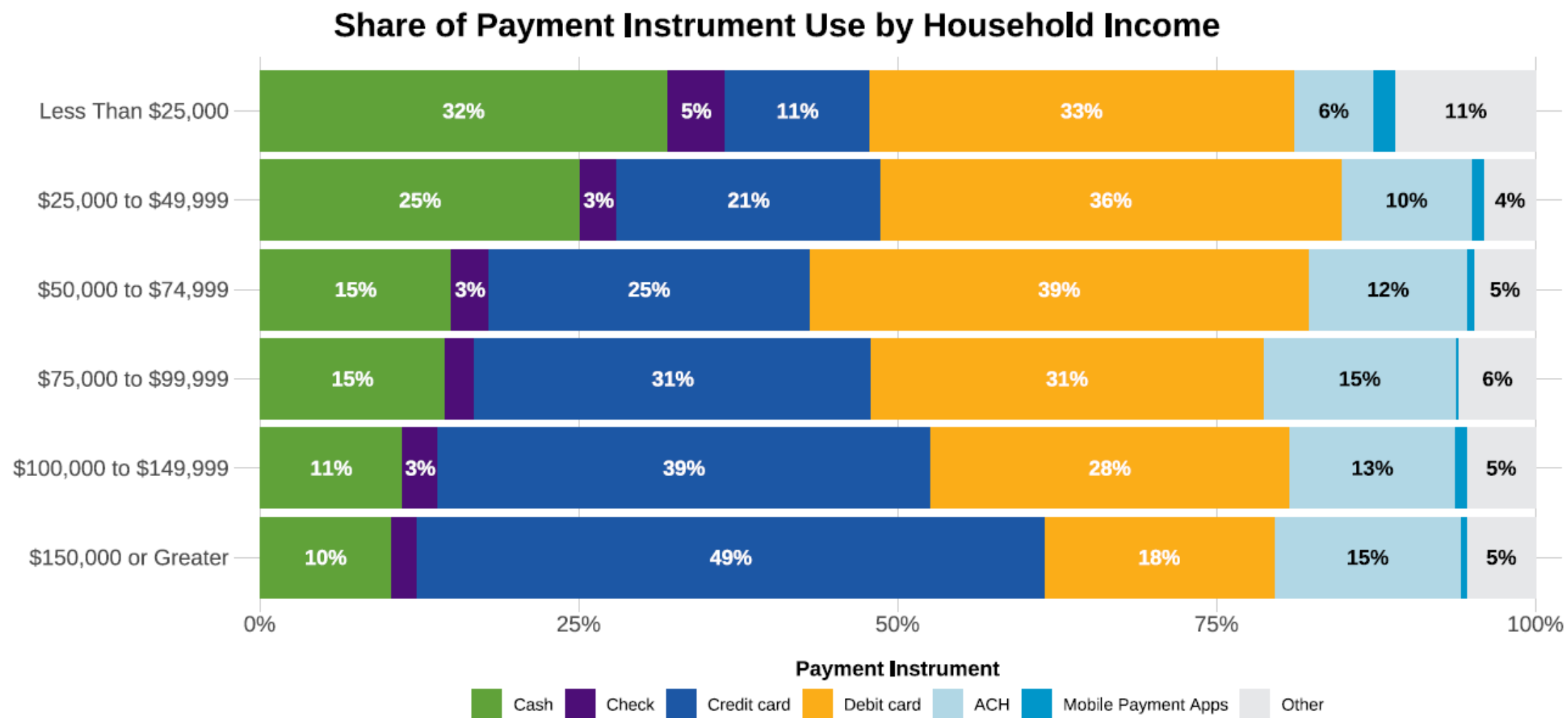
Cash still facilitates financial inclusion

Those are the consumers that are disenfranchised every time they go into a retail location that does not accept cash.

That is one reason that ATMIA supports the “Payment Choice Act”, which would require all retail establishments to accept cash for in-person transactions.

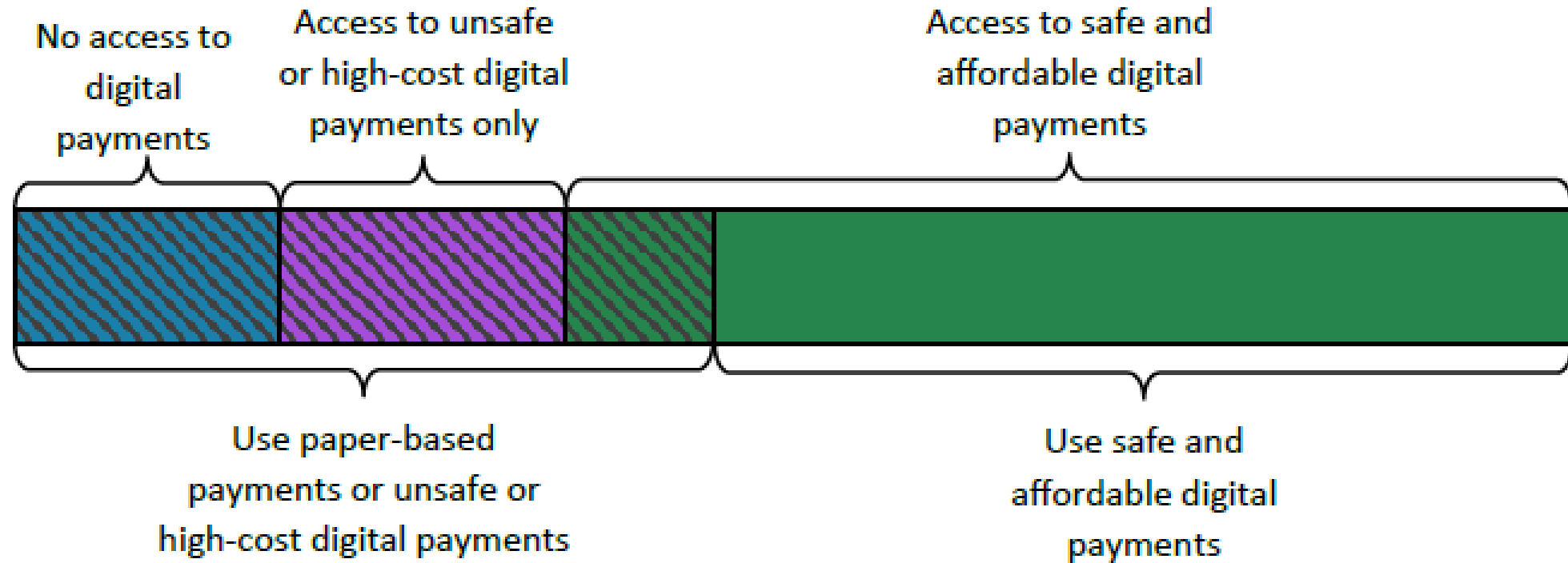


Cash is used more intensely by those in lower income households, credit cards by those in higher income households



Cash is available to all – safe digital payment options are not

Figure 1. The access and use of digital payments by a household



Defining Households That Are Underserved in Digital Payments Services
Kansas City Federal Reserve, September 2024

Privacy is a major concern

About half of all electronic payment users have concerns about privacy

- Who has access to data
- Is the government tracking it
- What data do they have access to
- How is it shared
- How long is it stored



Use it – or lose it

Sometimes, cash is the only option

Payment systems can fail for many different reasons

- California alone had 39 major power outages in 2022
- Natural disasters
 - Hurricanes, floods
 - Tornados, fires
- System failures
 - CrowdStrike, June 19, 2024



The screenshot shows the FOX 11 Los Angeles website. The top navigation bar includes links for Live, News, Good Day LA, Contests, TV Links, and FOX LOCAL. The main headline reads: "Los Angeles power outages: Thousands without electricity amid SoCal heat wave". Below the headline, it says "By FOX 11 Digital Team | Updated September 9, 2024 10:52pm PDT | Heat wave | FOX 11 |". At the bottom, there is a blue banner for "CALIFORNIA FIRE AID" with the text "List of FEMA, Red Cross and other resources for fire victims" and a small image of people looking at a document.

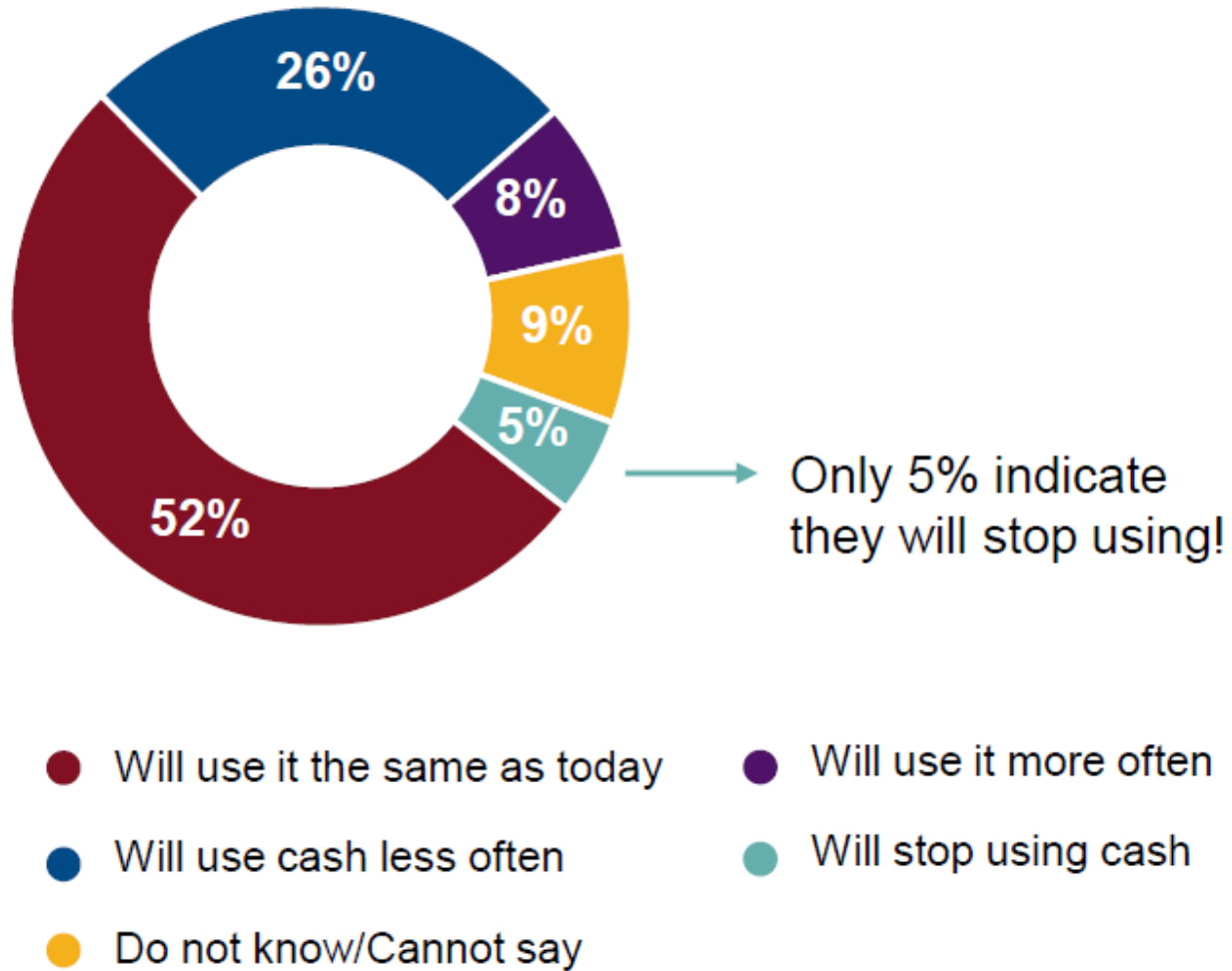
The digital world is getting more expensive

- Swipe fees are often a merchants' largest expense, after labor
- Annual cost to the average household is \$1,100, up from \$900 in 2021 (NRF data)
- Since the pandemic, consumer prices up about 20%
- Swipe fees increased by 50% and hit a record of \$172 billion in 2023

USA Today article, December 9, 2024



Do you expect to stop using cash within the next two years?





The U.S. dollar is not only our fiat currency – but the world's currency.

It is of critical importance to the security of our country and the stability of its economy.

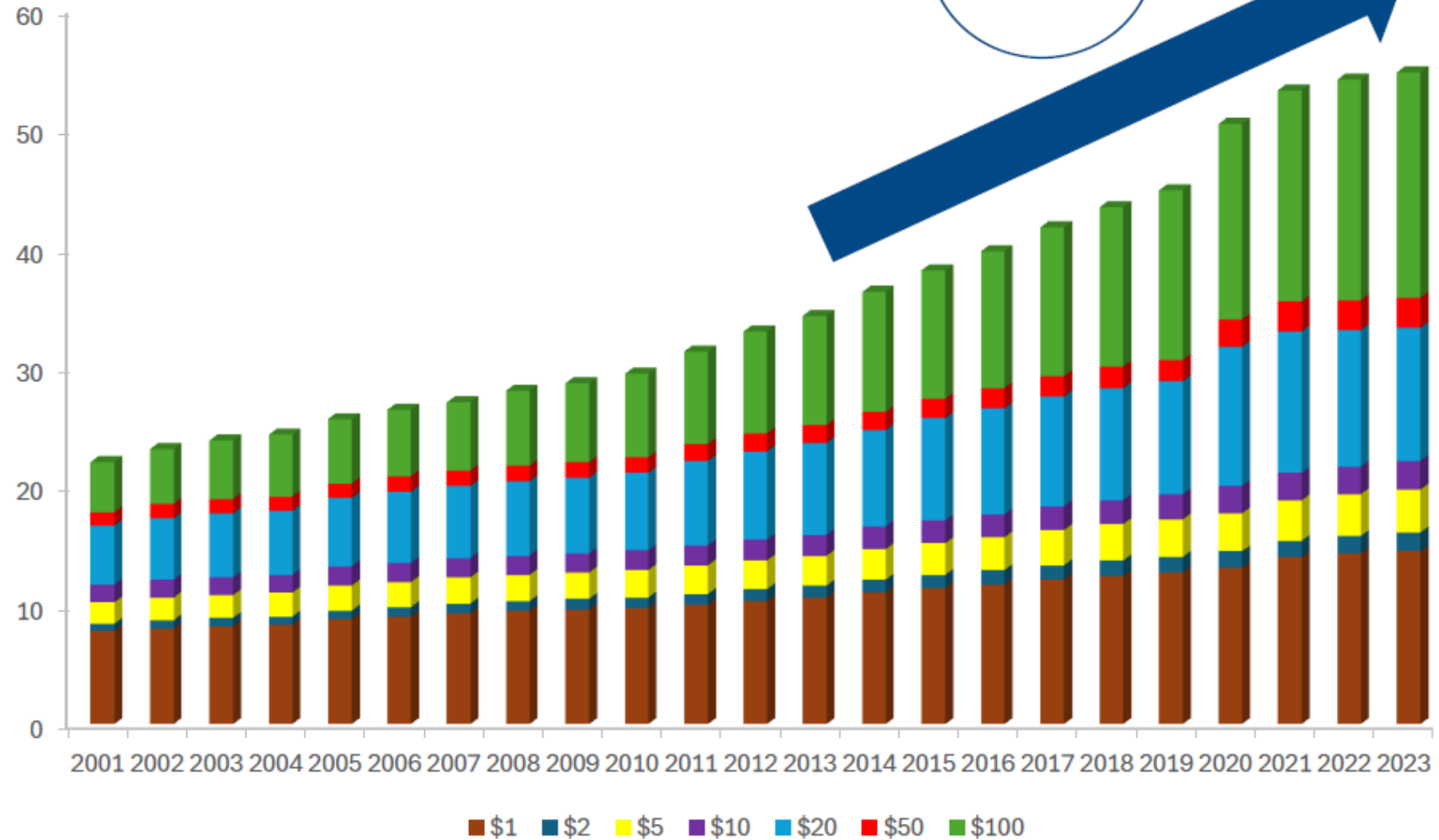


Cash in circulation

The volume of currency in circulation has grown 55% since 2014.

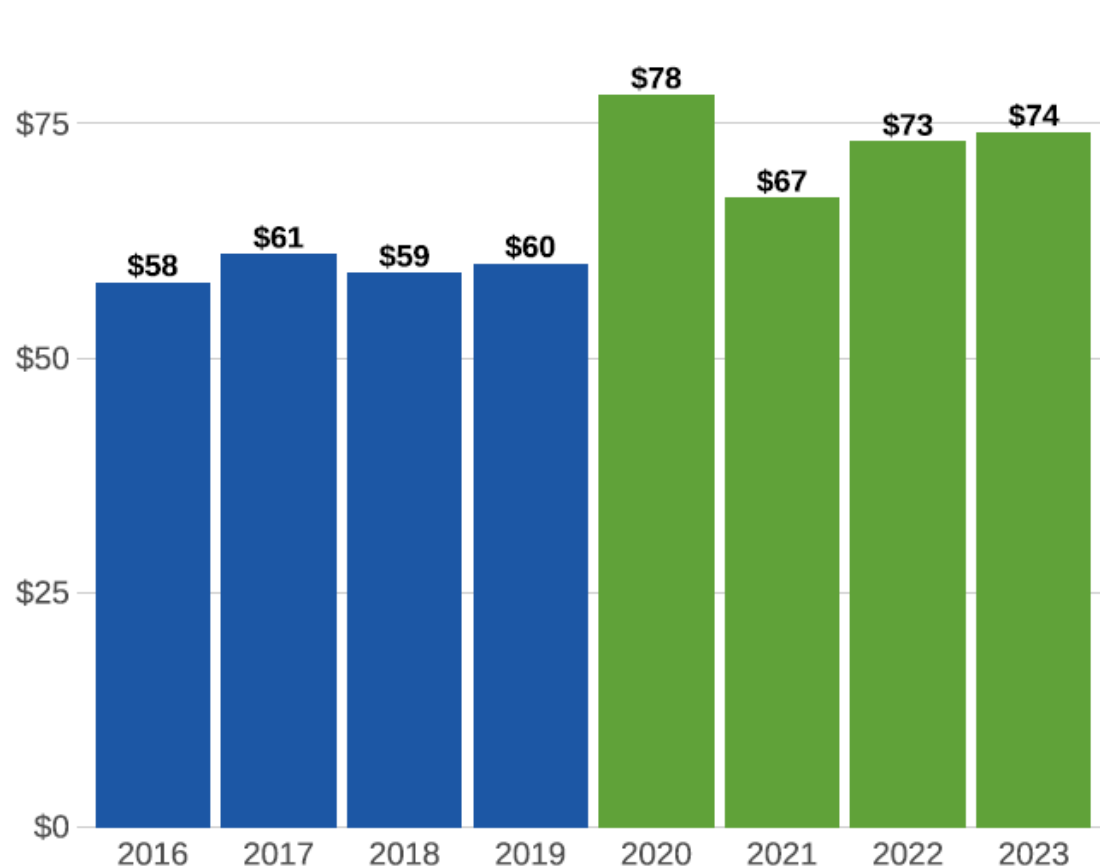
The volume of digital payments has grown only about 30%

Volume of Currency in Circulation*
Billions of Notes as of December 31 of Each Year

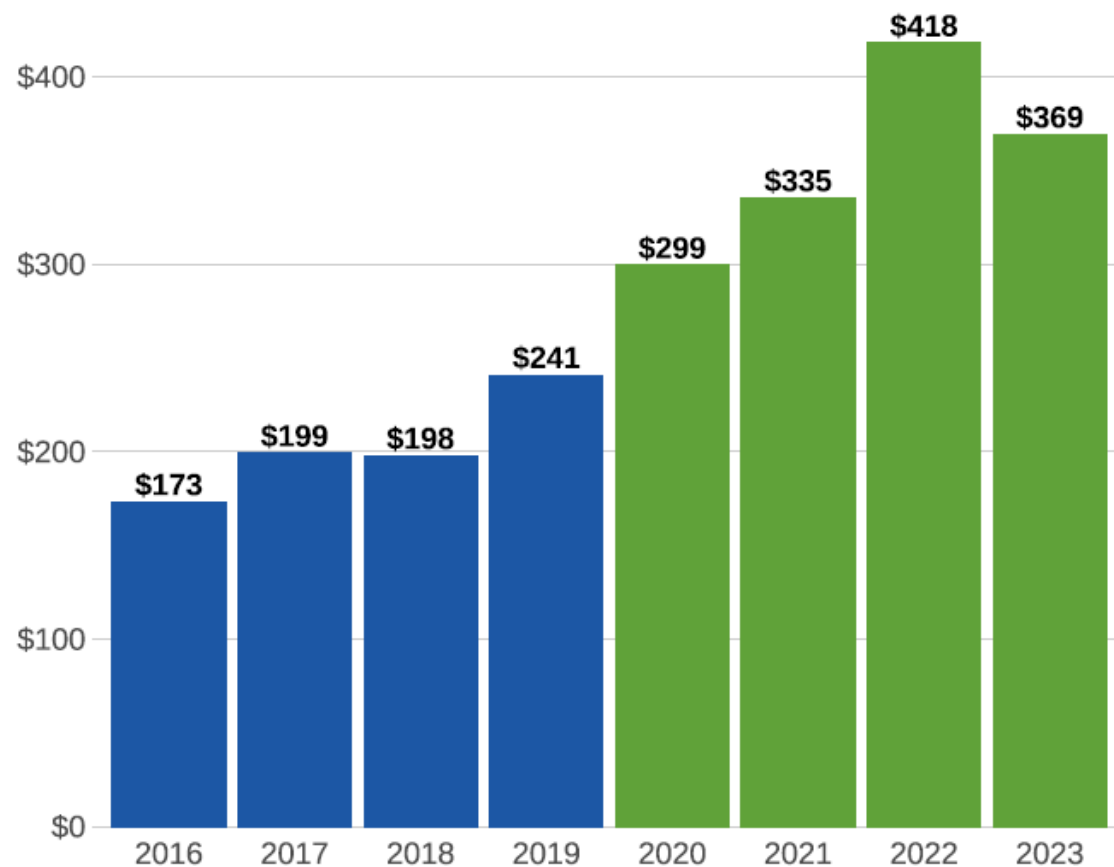


Cash holdings remain elevated compared to pre-pandemic levels, but down from pandemic highs

Average On-Person Holdings



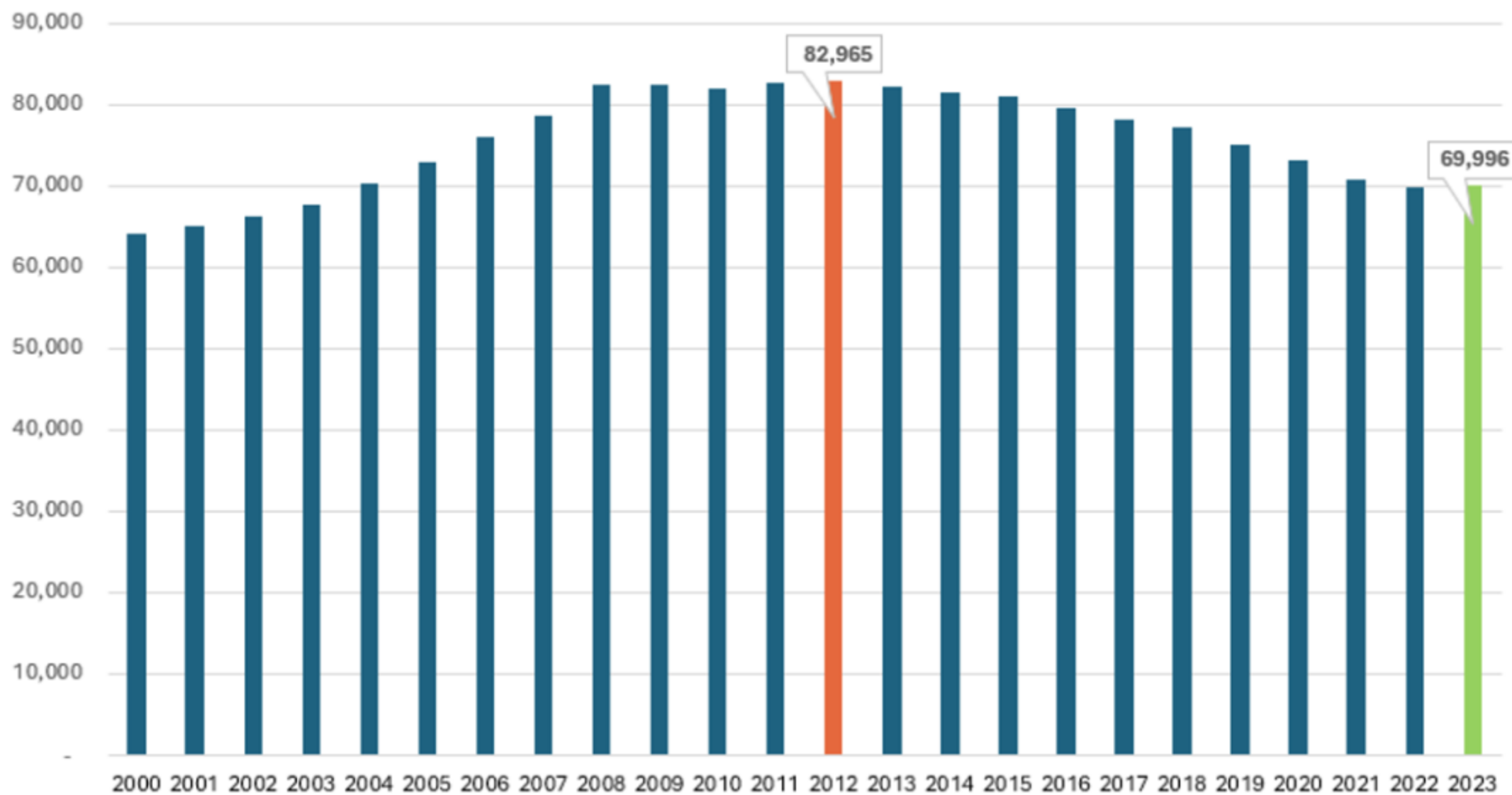
Average Store of Value Holdings



Emergence of the Super ATM

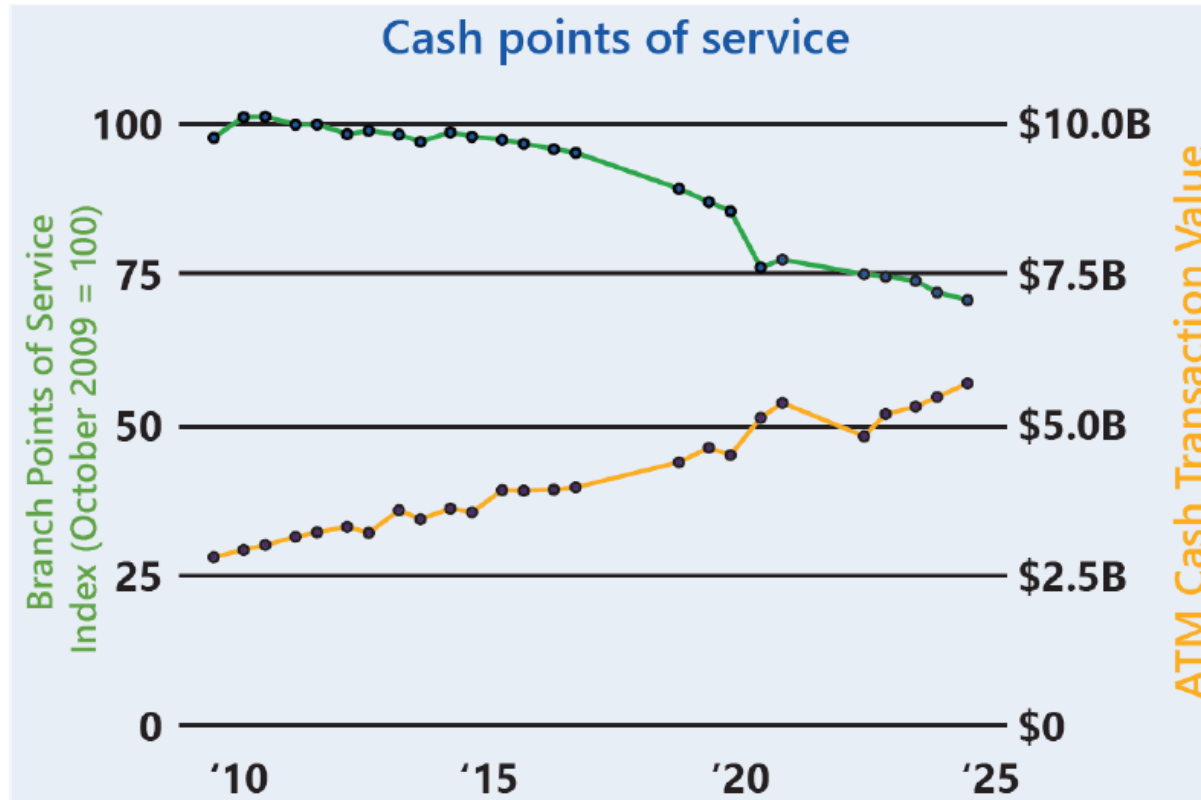
Are deposits, payments, and money transfers
coming to your favorite convenience store?

Number of Bank Branches



Branch closures are reducing access to financial services

Access is changing



- Bank branch locations are decreasing, and consumers are turning to ATMs for cash access
- The value of consumers cash withdrawals at ATMs is increasing
- Banks are investing in deposit taking ATMs that can perform more advanced transactions
- This increased reliance on ATMs affects how cash is distributed and could also put additional pressures on the armored carriers who service them

“Over in that store . . . it’s a recycler, it’s a payment terminal . . . it’s Super ATM!!”

September 30, 2024

Super ATMs: A Game-Changer Amid Branch Closures

As access to traditional bank branches declines, innovations like [super ATMs](#) are emerging to help meet the need for accessible financial services. Some banks in the UK are testing super ATMs that provide capabilities beyond what we typically think of as those available at the ATM. The super ATMs provide advanced functionality that’s useful for not only consumers but also for small businesses.

Super ATMs could also be useful in the US. In the US, the number of commercial bank branches peaked at 82,965 in 2012, and by 2023 had dropped to 69,996, according to [Statista Research](#). This decline, driven by the rise of online and mobile banking, led to the spread of “[banking deserts](#)”—regions where access to physical banking services is scarce. Rural and low-income urban areas are disproportionately affected. The closures have created barriers to accessing basic financial services, such as deposits, withdrawals, and loans, leaving millions of people [underserved](#). In 2019, an estimated 11.5 million Americans were living in banking deserts. By 2023, that number had risen to 12.3 million.



Super ATM pilot programs are already underway

One of the three major ATM manufacturers announced a pilot program last November

- A new recycling ATM for deployment in retail locations
- Will accept deposits and other cash-in transactions
- Consumers can make payments
- Initiate money transfers

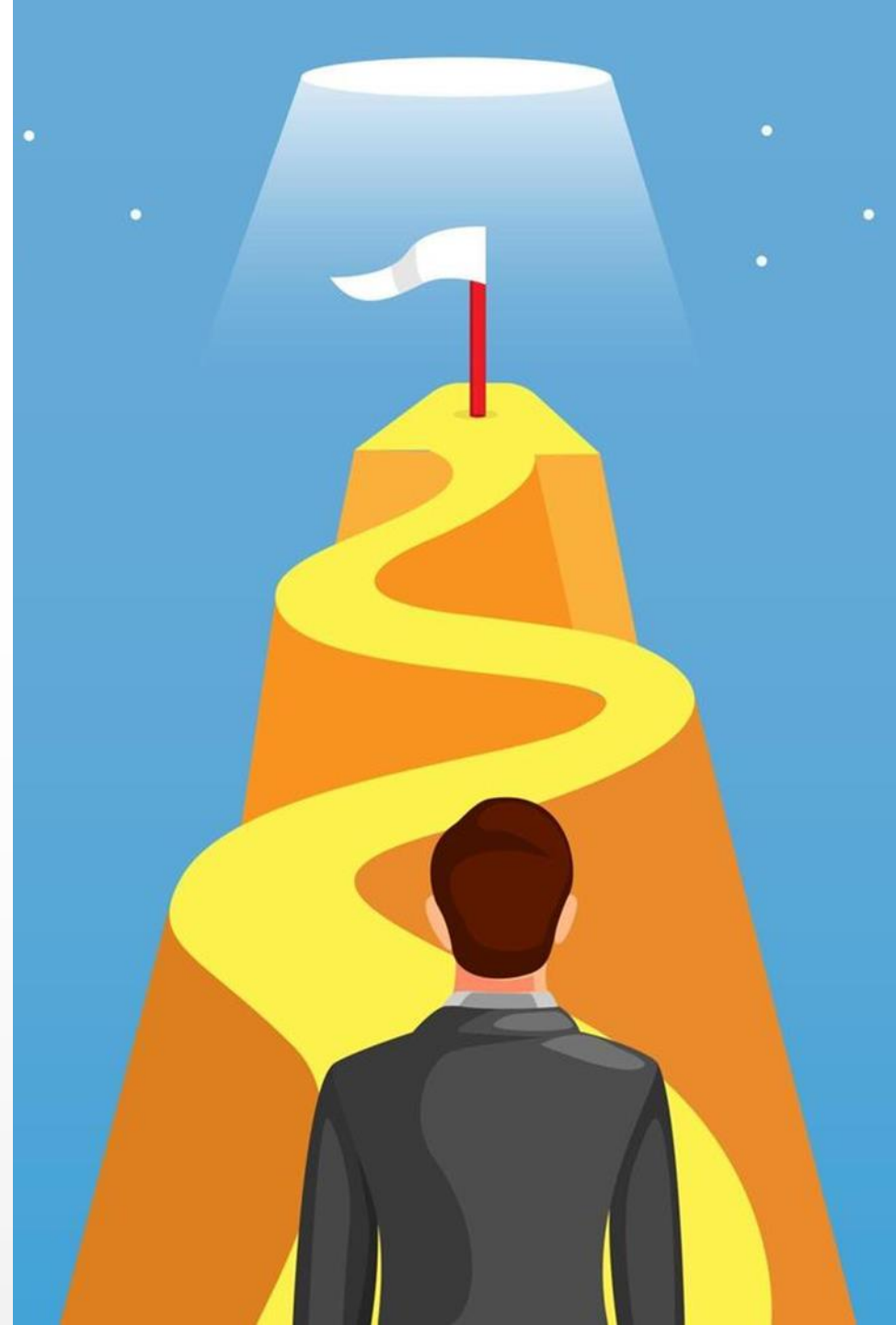
Also expected to reduce cash handling costs for merchants



Other future trends and objectives for access to cash

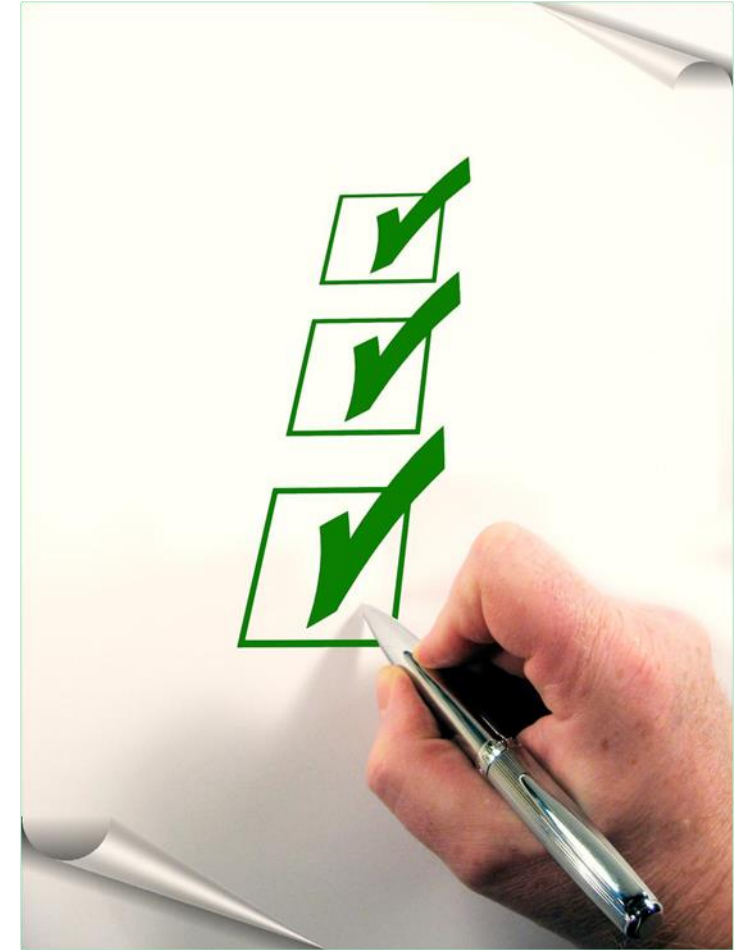
As reported by ATMIA technology leaders

- The integration of ATMs with mobile and online banking platforms is reshaping the role of ATMs
- An engaging customer experience will be achieved by those willing to invest in tech
- Seamless authentication methods, including cell phone NFC technology and QR codes, are replacing PINs and cards.
- Banks will keep exploring AI for ATMs, but progress may be slow



Summary

- Like every other payment option, cash is evolving
- The cash percentage of the payments pie is decreasing, but the value of those transactions continues to increase
- How the consumer pays, often depends on who they pay
- Cash is still the primary means of financial inclusion for 20% of U.S. households
- When payment systems fail or natural disasters occur, cash may be the only option
- The continuing decline in bank branches has spurred the emergence of the Super ATM
- Cash and the digital world coexist quite well and will continue to do so for the foreseeable future.



QUESTIONS?

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