



# THE HEALTH OF CASH AND ITS ROLE EXPANDING THE DIGITAL ECONOMY

APRIL 2021



PART OF THE ESCALENT FAMILY

# FOREWORD

This report, sponsored by Cardtronics, explores how the digital economy benefits from cash usage and consumer preferences for safe and easy commerce. Consumers who prefer to use cash are digitally savvy but are unable to access the digital economy to the fullest extent. This study looks at consumer's views and usage of cash in a digital world and the need to modernize the cash infrastructure of the United States to be more accessible and inclusive.

This research report was independently produced by Javelin Strategy & Research. Javelin Strategy & Research maintains independence in data collection, findings, and analysis.

# OVERVIEW

The payments landscape has gone through rapid transformation in the past year as many consumers used digital channels in unprecedented numbers, bringing new questions to the relevance of cash. However, consumer usage and views of cash remained resilient, begging a different question: what role does cash play in a digital economy? The value of cash in the digital economy is largely underrepresented because digital platforms make assumptions that consumers have access to and want to use card channels. Consumers who want to use cash or have limited access to card channels want to be part of the digital economy but are limited not through any fault of their own but because digital strategies purposefully leave them behind.

For digital commerce to expand and flourish, financial services providers need to expand cash accessibility and integration through multiple channels. An extensive payment technology network enabling cash is widely available in the United States yet sits disconnected from the mobile platforms consumers want to use. Automated teller machines (ATMs) have been seen as an access point to withdraw cash 24 hours a day. ATMs can integrate or connect to cloud-native software to deliver extensive services to consumers. The market challenge is that many ATMs are under-utilized. This report provides a comprehensive picture of how cash and digital economies benefit from being part of the same ecosystem.

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# EXECUTIVE SUMMARY

**The resiliency of cash during the pandemic indicates that many consumers strongly prefer to have a choice of payment options.** Overall spending in the United States is down; however, Americans use cash for everyday purchases, making it a critical component of the economy.

**Cash rebounded faster than other payment methods and remained the top way to make a purchase throughout 2020.** Among underbanked consumers, cash usage was significantly higher and steadier than the average consumer, remaining at 78% usage throughout 2020, significantly higher than the credit card (59%) and debit card (53%) usage seen in October 2020.

**The benefits of cash have remained apparent to consumers throughout the pandemic.** Cash's standing has remained strong with the majority of consumers agreeing with the following statements:

- Cash protects my privacy and financial security (66%)
- Allowing people to pay in cash is important for society (63%)
- Cash is safe to use (58%)
- Cash is as important today as it ever was (54%)
- Cash is often the easiest way to pay (44%)

**Digital commerce often does not have cash as a payment option; however, consumer preference for having cash as a choice indicates that it should be.** For buying online and picking up in store (19%), order-ahead food (28%), and personal services (31%), cash is seen as a preferred payment method, but digital platforms do not have a way to receive cash for services.

**Consumers find cash easier, faster, and more convenient than debit cards while identifying cash as the most protective of their identities and most accepted payment method.** Only credit cards were seen as faster and easier to use. Without cash options for digital platforms, consumers are not able to maximize their payment options.

# RECOMMENDATIONS

**ATM modernization needs to rapidly escalate to enable the convergence between cash and the digital economy.**

1. Cash deposit capabilities need to expand to more ATMs.
2. Connectivity to apps to connect cash to digital platforms.
3. Real-time cash credits to bank and non-bank accounts.
4. NFC taps, QR codes, and one-time passwords enabled to link sender and receiver.

**Financial institutions need to extend non-branch location footprints to expand essential cash services to underbanked**

**consumers.** Having bank branded ATMs increases the confidence of consumers to use cash deposit and withdrawal services, thus reducing reliance on in-person financial services.

**Merchants and app providers need to extend ATM cash deposits to enable loads to non-financial-services accounts.** Using virtual card technology to link to the merchant account enables the consumer to complete a purchase when the cash is deposited or to pre-fund a purchase. Merchants who host ATMs can benefit from improved ATM functionality by driving more foot traffic and reasons to visit stores.



# CASH RETAINS RELEVANCE IN A DIGITAL ECONOMY

Some find it tempting to view the recent increases in digital payments as a statement on cash's viability going forward. In reality, all payment usage was lower in 2020 relative to 2019 because of the pandemic and lower in-store spending, which still makes up nearly 86% of all retail sales.<sup>1</sup> In fact, cash has rebounded faster than other payment methods and actually remained the top way to make a purchase throughout 2020. As seen in Figure 1, pre-pandemic cash usage by the average consumer was at 83%, higher than credit card (72%) and debit card (49%) usage. Unsurprisingly, cash usage in the early days of the pandemic lockdowns (April 2020),

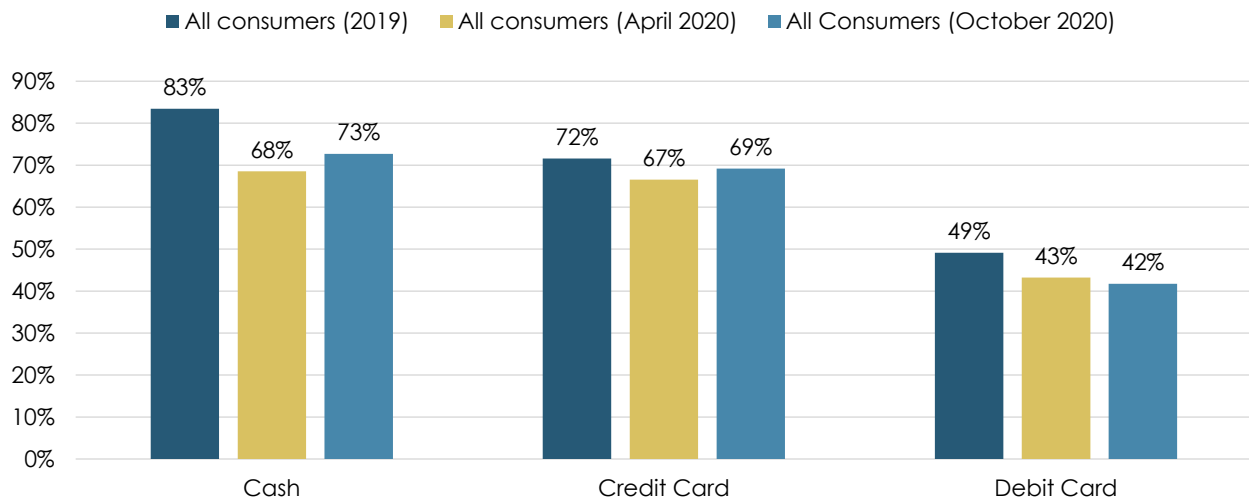
## Defining Underbanked

Households that have a checking and/or savings account but rely on alternative financial services (AFS).

Specifically, underbanked households have used non-bank money orders, non-bank check-cashing services, non-bank remittances, payday loans, rent-to-own services, pawnshop loans, refund anticipation loans, or auto title loans at least once in the past 12 months. Javelin data shows that approximately 22% of US consumers were underbanked in 2020.

## Cash is Widely Used During the Pandemic

Figure 1. Payment Methods Used for Any Type of Purchase, Past 30 Days, All Consumers



Source: Javelin Strategy & Research, 2021

was more severely impacted than credit and debit. However, as consumers adjusted to a new normal, by October 2020, cash had rebounded to 73% usage, widening its lead over other payment methods.

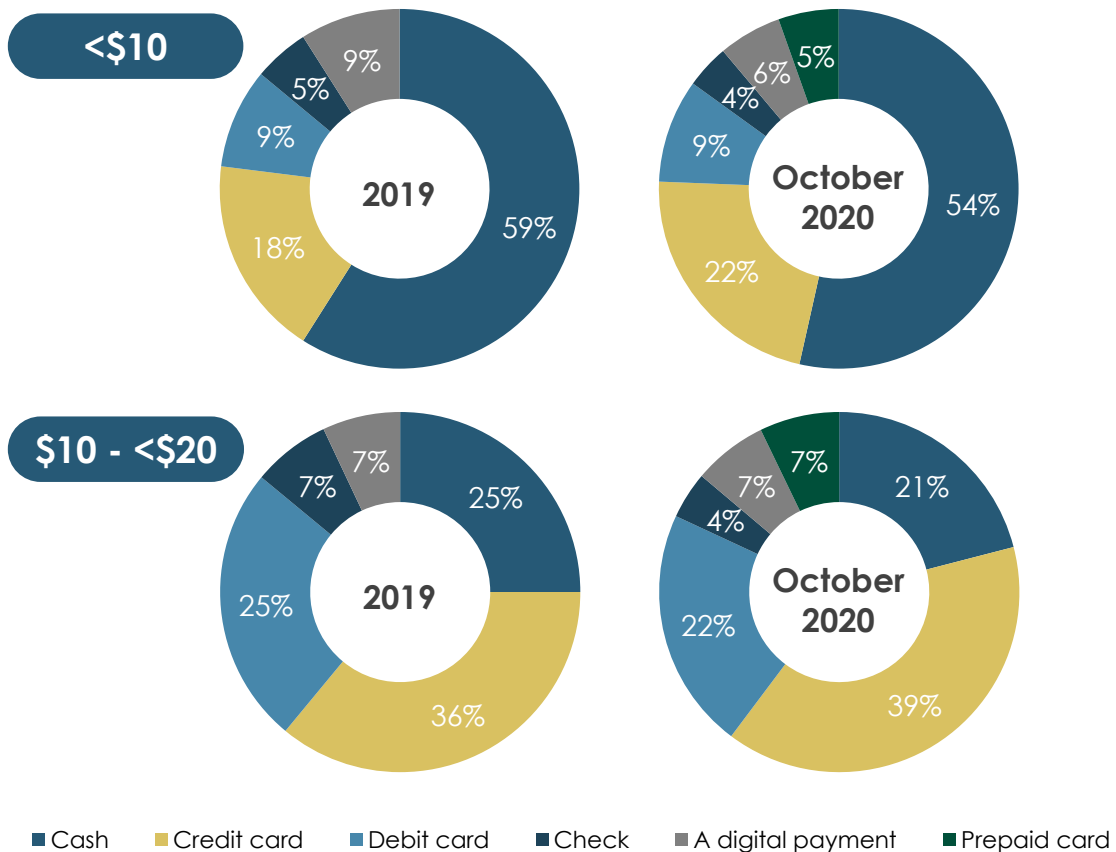
Among underbanked consumers, a group that often relies even more heavily on non-digital payments than the average consumer, cash usage was significantly higher and steadier than the average consumer, remaining at 78% usage throughout 2020 (versus 87% pre-

pandemic), significantly higher than the credit card (59%) and debit card (53%) usage seen in October 2020.

At the onset of the pandemic, a fear of transmission combined with a lack of understanding called cash into question from a health and safety perspective, with contactless options being promoted as a safer way to pay. However, Javelin found that the original contact concerns about the virus soon abated as more information became available and disproved earlier claims.

**Cash Still Most Preferred for Transactions Under \$10**

Figure 2. Preferred Method of Payment, by Dollar Amount 2019 vs. 2020, All Consumers



\*Note: Prepaid card was not an option in 2019 survey

Source: Javelin Strategy & Research, 2021

The benefits of cash also remained apparent to consumers relative to other payment options and many of cash's traditionally strong use cases remained intact. For example, cash continues to be the most preferred way to pay for purchases under \$10 with 54% of consumers saying they preferred it, down only slightly from 2019 (59%). (Figure 2) Similarly, cash remains the top way consumers would prefer to receive money from a friend or family member (35%), higher than digital P2P services (32%), checks (16%), and gift cards (6%) (see Appendix).

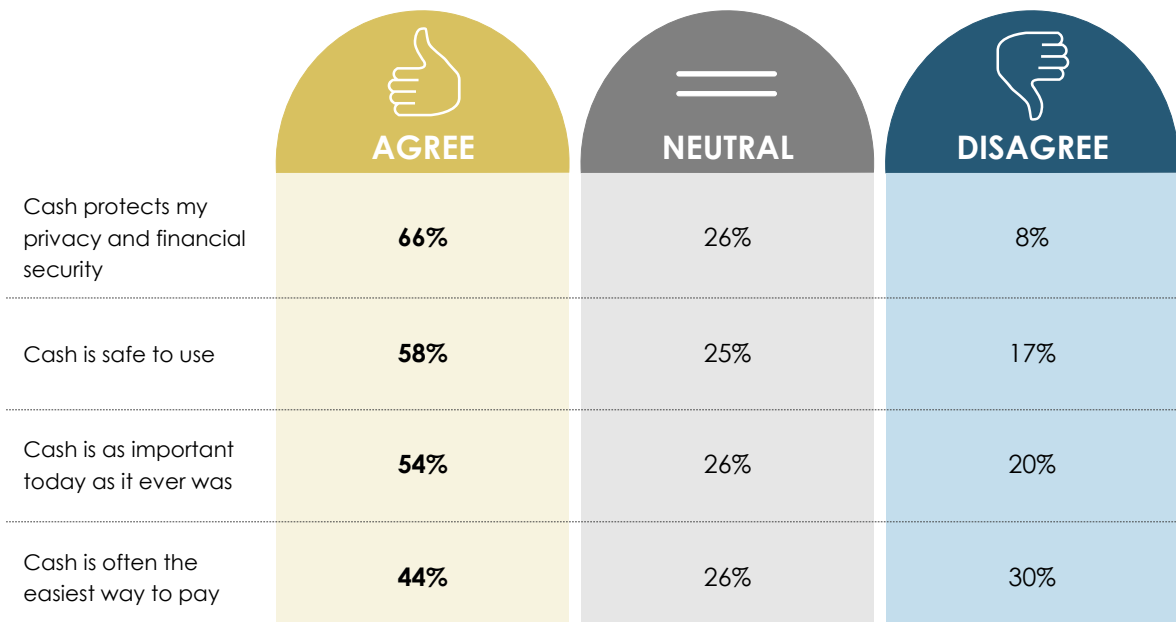
Underpinning these preferences and continued usage of cash is the attributes consumers attach to cash. When asked how much they agreed with certain

statements about cash, nearly 7 in 10 consumers (66%) agreed that cash protected their privacy and financial security (Figure 3). Similarly, consumers were more apt to agree that cash is safe to use (58%), is important today as it ever was (54%), and is often the easiest way to pay (44%).

While consumers see the benefits of cash when considering cash independently, it is also revealing to look at how they view cash's attributes relative to other payment methods. Survey respondents were asked to choose one payment method that most clearly aligned with each of a series of payment attributes (see Appendix). Some of the key takeaways from that comparison include:

### Cash Provides Considerable Value for Consumers

Figure 3. Agreement with Statements, on a Five-Point Scale, All Consumers



Source: Javelin Strategy & Research, 2021



- Cash is considered the best payment method for protecting user's identities, overall acceptance, always being available, and for giving money to others
- Cash is considered easier and more convenient than debit cards, behind only credit cards
- Cash surpasses debit cards for everyday purchases, behind only credit cards

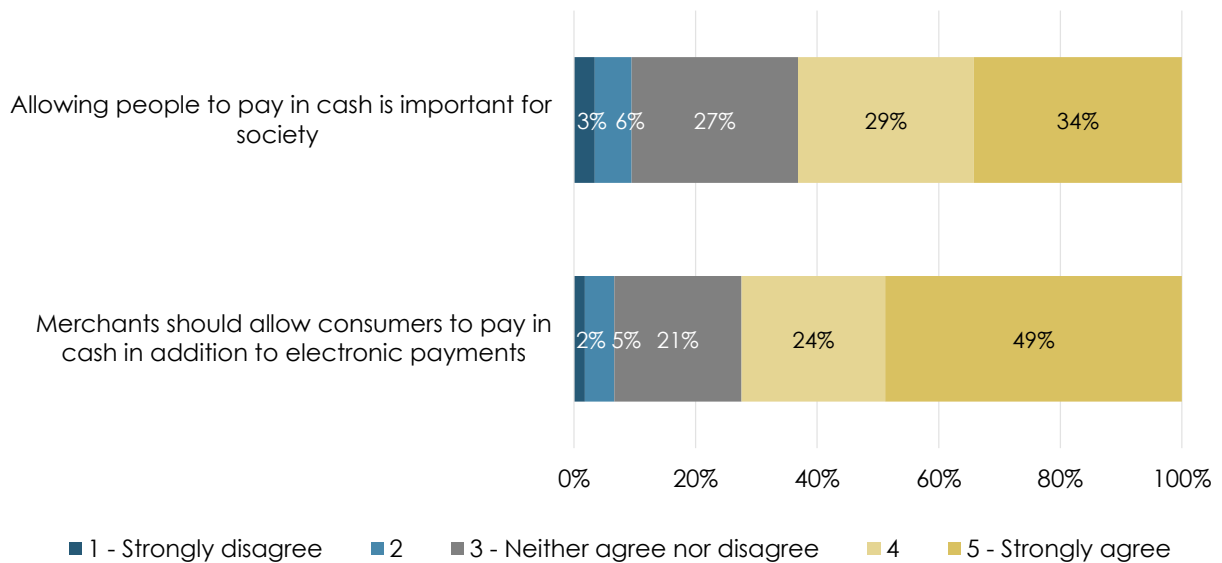
Importantly, cash is also viewed as a societal necessity and consumers expect cash to be a payment choice (Figure 4). When asked how much they agreed with the statement "Allowing people to pay in cash is important for society," only 9%

disagreed while 63% agreed with 27% neutral. Similarly, consumers were asked how much they agreed that businesses should allow consumers to pay in cash in addition to electronic payment methods. Nearly three-quarters (72%) agreed that businesses should keep the option to pay in cash with only 7% disagreeing that cash payment should be included in the ways to pay.

This is all not to say that digital payments will not continue to grow – they will. Rather, it's about recognizing the importance cash still holds for the majority of consumers. As new ways to pay and shop continue to accelerate, the need to merge the digital and physical worlds is more apparent than ever.

### Cash Provides Considerable Value for Consumers

Figure 4. Agreement with Statements, on a Five-Point Scale, All Consumers



Source: Javelin Strategy & Research, 2021

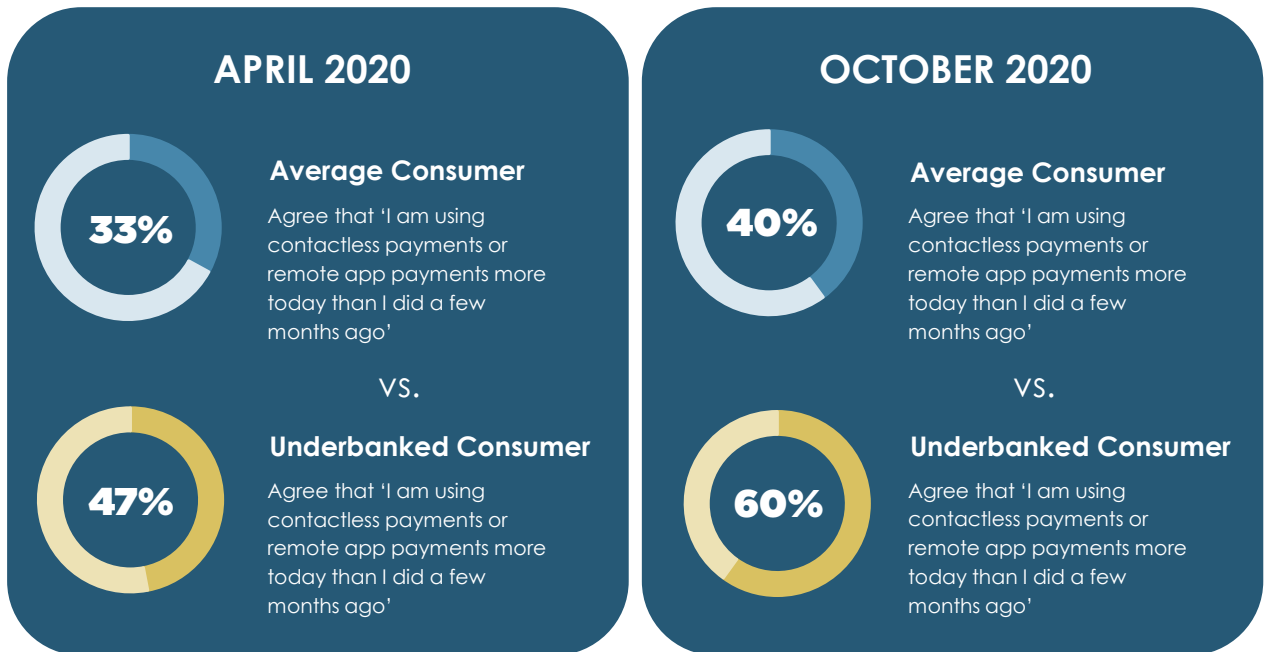
# CONSUMER CHOICE OF CASH EXPANDS DIGITAL ECONOMIES

The overall importance of cash to the U.S. economy can make it a strong partner for the digital economy, but there is a lack of technical integration to maximize the benefits. Consumers who rely on cash are also increasingly digital for convenience and safety. Within a six-month period, underbanked consumers increased their use of digital contactless and digital apps, largely driven by the COVID pandemic. The use of contactless payments does not exclude consumers' desire to use cash. What it demonstrates is a clear need to bring cash into the digital economy to enable all consumers to participate using their preferred payment method.

Cash is currently outside of the digital economy and needs to become an option, enabling consumer choice. Given multiple scenarios, consumers stated their interest in using cash, but digital apps are not readily providing options and are driving consumers to use cash in person or through checks. Examples are not limited to food and grocery delivery, although these spending categories are very important. With commerce changing to multichannel, the initiating of purchases online and picking up in person is a critical new way that Americans are finding beneficial to their lives. Almost 20% of Americans would prefer to use cash in pick-up situations at a

## Consumers Who Use Cash Also Maximize Digital Channels

Figure 5. Consumers Using Contactless or App Payments More, April 2020 vs. October 2020



Source: Javelin Strategy & Research, 2021

store, and 28% percent would prefer it for take-home food (Figure 13). The desire to use cash goes beyond food and essential goods. In many cases, essential services—including home and car repair—are now done via mobile app or online.

Offering options for cash payments for regular car maintenance, plumbers, lawn care, and home cleaning are important to have more digital commerce. This not only helps the consumer use the payment options of choice but also provides the merchants a way to quickly receive payment instead of waiting for a check to clear. Guaranteed funds, with no chargebacks or fraud costs, are very attractive, yet they are elusive to small businesses and larger merchants because of the lack of options in the market to convert cash to digital.

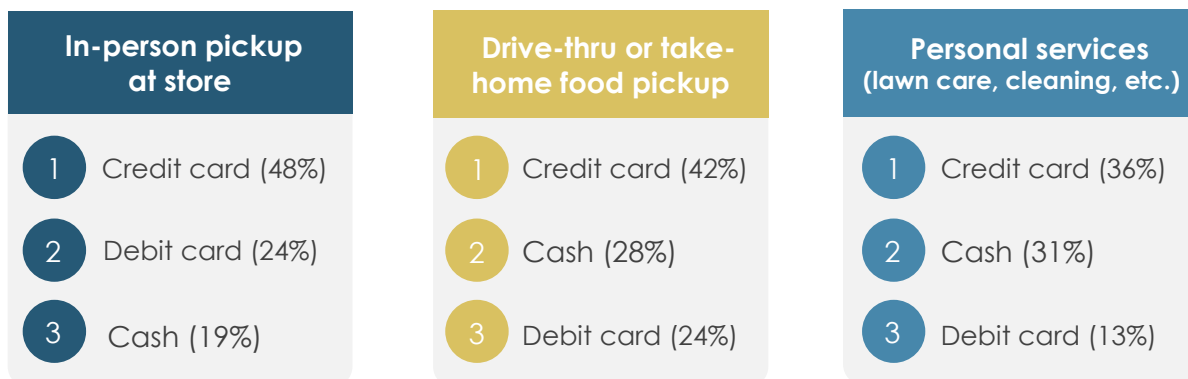
Technological advancements enable cash-to-digital platforms to continue advancing. The future of cash is for consumers to walk to an ATM to make a deposit, with the person or business on the receiving end having immediate access to the funds, with no bank account required on either end of the transaction. Although this scenario seemed

foreign five years ago when cardless ATM usage first started to make its way into the United States, the ability to use cash digitally will enhance the economy in the next two years.

As the digital economy rapidly accelerates, it is incumbent on those offering payment strategies to include cash as a key option for commerce. Consumers continue to believe in cash's unique value propositions: safety, privacy, easy to use and value its availability as a payment option. Even through a pandemic, cash remained the top way for consumers to make purchases, underlying its resiliency as a payment method. Cash and digital can support each other by enabling the free flow of money into and out of the physical and digital economies, allowing consumers of all backgrounds and means to pay how and when they want, anywhere they want, for anything they want whether around the corner or around the globe. Modernizing today's ATM infrastructure to enable consumer choice in the digital economy will enable the ATM to become the portal that unites digital and physical and leads to more robust use of both to the benefit of all.

### Consumers Want the Choice of Cash in Digital Platforms

Figure 6. Consumers Who Were Asked to Choose the Payment Method They Would Prefer to Use

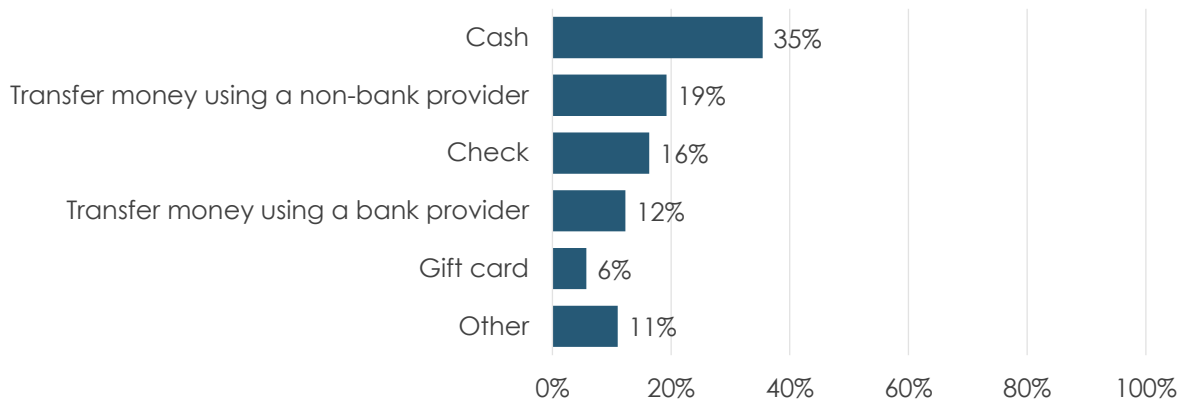


Source: Javelin Strategy & Research, 2021

# APPENDIX

## Cash Remains Most Preferred Way to Receive P2P Payments

Figure 7. Preferred Way of Receiving a P2P Payment, All Consumers



Source: Javelin Strategy & Research, 2021

## Cash Viewed Positively Relative to Other Payment Methods

Figure 8. Payment Method Which Best Describes a Specific Statement

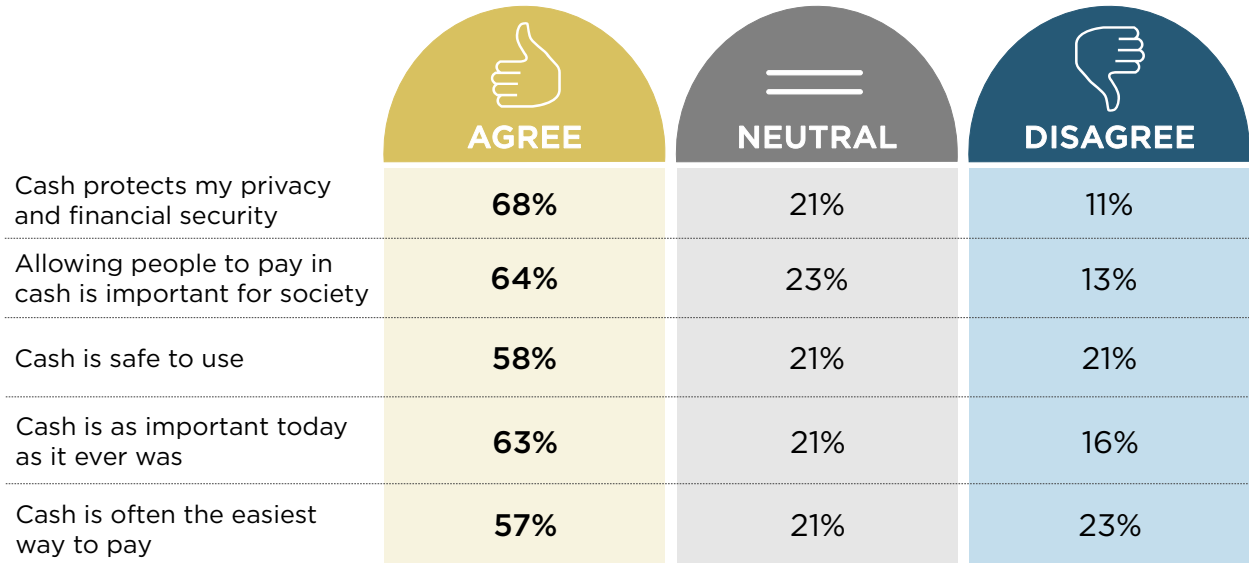
### TOP PAYMENT METHODS

	#1	#2	#3
Easy and convenient to use	Credit card (41%)	Cash (26%)	Debit card (19%)
Fast to use	Credit card (41%)	Cash (29%)	Debit card (18%)
Protects my identity	Cash (54%)	Credit card (24%)	Debit card (11%)
Accepted everywhere	Cash (40%)	Credit card (35%)	Debit card (13%)
Best for everyday purchases	Credit card (42%)	Cash (25%)	Debit card (23%)
Keeps my money safe	Credit card (41%)	Cash (26%)	Debit card (19%)
Always available to use	Cash (36%)	Credit card (35%)	Debit card (18%)
Best for giving money to others	Cash (51%)	Credit card (15%)	P2P (13%)

Source: Javelin Strategy & Research, 2021

**Cash Holds Even More Value for Underbanked Consumers**

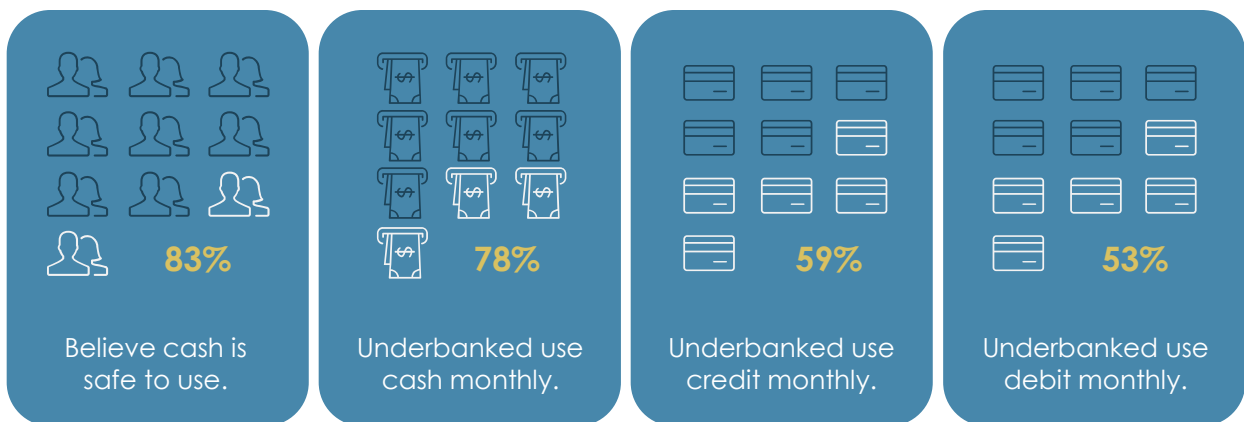
Figure 9. Agreement with Statement, on a Five Point Scale, Underbanked Consumers



Source: Javelin Strategy & Research, 2021

**Underbanked Consumers Continue to Rely on Cash**

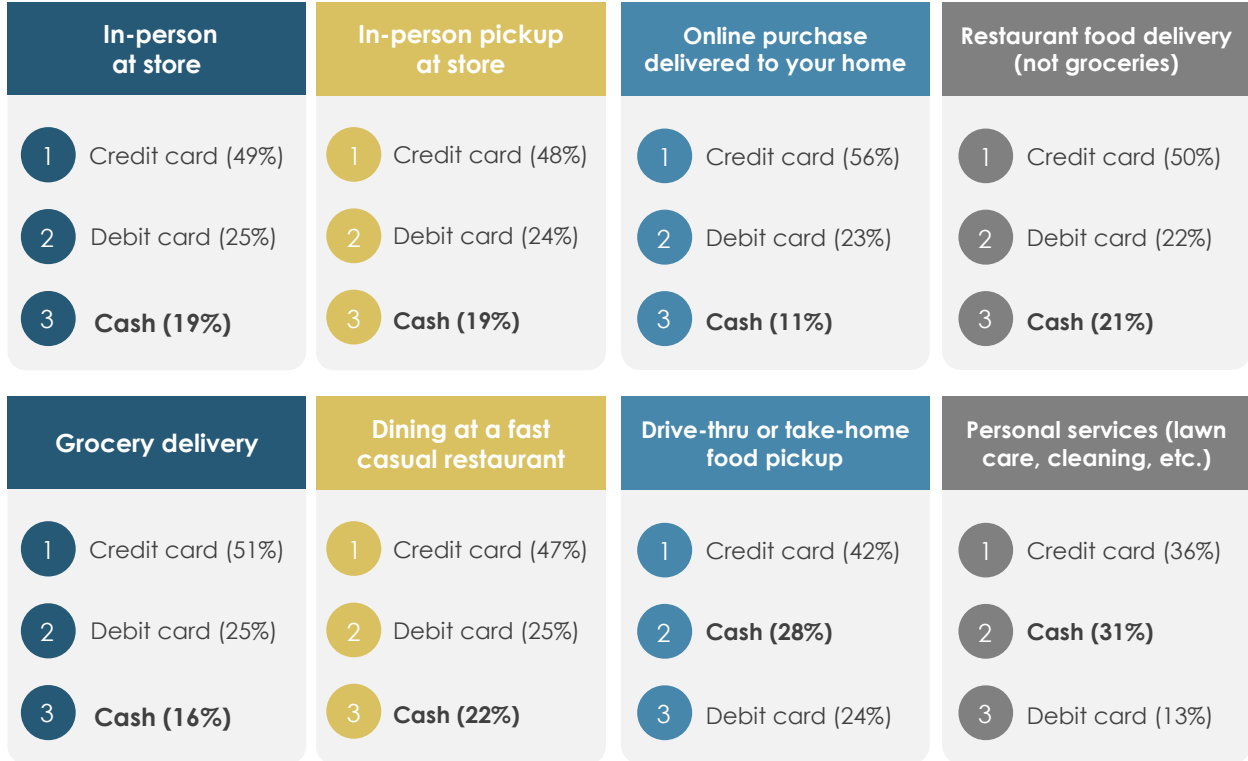
Figure 10. Attitude and Usage of Various Payment Methods, Underbanked Consumers



Source: Javelin Strategy & Research, 2021

### Consumers Want the Option to Use Cash in Digital Commerce

Figure 11. For Each Type of Purchase Scenario, Choose the Payment Method You Would Prefer to Use



Source: Javelin Strategy & Research, 2021



## ENDNOTES

1. [https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf), Accessed February 4, 2021.
2. <https://economicinclusion.gov/glossary.html>, Definition of underbanked, Accessed December 18, 2020.
3. <https://www.bloomberg.com/news/articles/2020-10-08/bofa-debuts-small-dollar-loans-in-threat-to-payday-lenders>, Accessed December 21, 2020.
4. <https://bankiful.com/banking/early-direct-deposit-banks/>, Accessed December 21, 2020.

## METHODOLOGY

To determine the underbanked population of consumers to compare against all consumers, the following definition of underbanked was used:

Households that have a checking and/or savings account but rely on alternative financial services (AFS). Specifically, underbanked households have used non-bank money orders, non-bank check-cashing services, non-bank remittances, payday loans, rent-to-own services, pawnshop loans, refund anticipation loans, or auto title loans at least once in the past 12 months.

The consumer data in this report was collected from a 12-minute online survey of 1,200 respondents in April and October 2020. Respondents in the study were representative of the U.S. population over the age of 18 in terms of various demographics such as age, gender, and household income. The overall margin of error is +/- 2% at the 95% confidence level for questions answered by all respondents.



## ABOUT JAVELIN

Javelin Strategy & Research helps its clients make informed decisions in a digital financial world. It provides strategic insights for financial institutions, government, payments companies, merchants, fintechs and technology providers. Javelin's independent insights result from a rigorous research process that assesses consumers, businesses, providers, and the transactions ecosystem. It conducts in-depth primary research studies to pinpoint dynamic risks and opportunities in digital banking, payments, fraud & security, lending and wealth management.

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## ABOUT CARDTRONICS

Cardtronics is the trusted leader in financial self-service, enabling cash transactions at over 285,000 ATMs across 10 countries in North America, Europe, Asia-Pacific, and Africa. Leveraging our unmatched scale, expertise and innovation, top-tier merchants and businesses of all sizes use our ATM solutions to drive growth, in-store traffic, and retail transactions. Financial services providers rely on Cardtronics to deliver superior service at their own ATMs, on Cardtronics ATMs where they place their brand, and through Cardtronics' Allpoint Network, the world's largest retail based surcharge-free ATM network, with over 55,000 locations. As champions of cash, Cardtronics converts digital currency into physical cash, driving payments choice for businesses and consumers alike. Learn more about Cardtronics by visiting [www.cardtronics.com](http://www.cardtronics.com) and by following us on LinkedIn and Twitter.

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