Plastic Finally Surpasses Paper Checks

By THE ASSOCIATED PRESS

WASHINGTON (AP) -- For the first time, Americans' use of credit cards, debit cards and other electronic bill paying has eclipsed paper checks.

The number of electronic payment transactions last year totaled 44.5 billion -- exceeding the number of checks paid, 36.7 billion -- according to Federal Reserve studies released Monday.

That's a first, the Fed said.

``The balance has shifted from check writing to electronic payments, and we expect this trend to continue,'' said Richard Oliver, senior vice president of the Federal Reserve Bank of Atlanta and the Federal Reserve banks' product manager for retail payments.

In the Fed's previous research, the number of consumer and business checks paid in 2000 came to 41.9 billion, while the number of credit cards, debt cards and other electronic payments totaled 30.6 billion.

The shift seen in 2003 toward more electronic payments reflects the expanding role of technology in the retail, financial and banking businesses, private economists said. It also reflects industry's efforts to make electronic payments more convenient for customers, economists said.

``It's all about convenience. No longer do consumers want to write checks with two forms of identification. It's just too cumbersome,'' said Richard Yamarone, economist at Argus Research. ``It's so much easier to swipe and sign.''

Yamarone also believed that incentives linked to credit cards and some other electronic payments is a factor behind their increasing use. ``You don't get any air miles for writing checks,'' he said.

The studies' results aren't surprising, Yamarone said. He confesses he has written only two checks this year, both to cover the costs of dry cleaning.

Federal Reserve Chairman Alan Greenspan has said the number of checks written in this country began to decline in the mid-1990s, while electronic payments have grown substantially.

The Fed study said the 36.7 billion checks paid in 2003 had a value of about $39.3 trillion. The figures are based on the number of checks paid during the period, not written, the Fed said. The studies didn't provide a figure for the number of checks written.

The 44.5 billion electronic payments in 2003 had a dollar value of $27.4 trillion.

Other findings of the Fed surveys:
The number of credit card payments totaled 19 billion in 2003, with a value of $1.7 trillion. The number of debt card transactions totaled 15.6 billion, with a dollar value of $600 billion.

There were 6.1 billion ATM withdrawals in 2003, with a total value of $520 billion. Commercial bank customers accounted for 64.7 percent of ATM withdrawals.

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Federal Reserve: http://www.federalreserve.gov/