

**Fact Sheet on the Federal Reserve's Studies of the U.S. Retail Payments System
November 2001**

In early 2001, the Federal Reserve System commissioned three separate surveys of the U.S. retail payments system.

- These were the first comprehensive studies of the retail payments market in more than 20 years.
- More than 1,300 financial institutions and 89 electronic payment processors responded to the surveys.
- Findings indicate a strong migration toward electronic payments, with paper checks occupying a smaller share of the payments market compared with 20 years ago.
- The data from this research shows that remittance and point-of-sale payments written by consumers offer the most significant opportunities for substitution with electronic payments, as these are the largest categories of checks written today.

Study #1 - The Depository Financial Institution Check Study – This study, done for the Federal Reserve by Global Concepts, had three purposes: 1) establish the total volume and value of the U.S. noncash retail payments over a 12-month period; 2) identify emerging payment types; and 3) provide data to help the industry and the Fed identify opportunities for improving the efficiency of the nation's payment system.

Findings -

- 49.1 billion checks written annually in the U.S. (compared with 32 billion checks in 1979).
- \$47.4 trillion in check payments conducted annually (compared with \$24 trillion in 1979).
- Average check value is \$965 (compared with \$757 in 1979).
- Returned checks: 300 million items, with an average return item value \$656.
- 80 billion noncash payments conducted (compared with 37 billion in 1979).
- 30 billion payments made electronically.
- Checks are 60% of the payments market (compared with 85% share in 1979).
- 30% of checks presented are on-us deposits.
- 35% of checks are presented by the Federal Reserve.
- On-us deposits represent the greater share of value of checks presented.

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Study #2 - The Check Sample Study – This study, also conducted by Global Concepts, gathered information on the composition of the check market, namely, who (consumers, businesses or government) writes checks to whom (consumers, businesses or government) and why (remittance, point-of-sale, income or casual payment).

Findings:

Volume -

- Consumers write the majority of checks (51%).
- Businesses receive the largest share of checks (50%).

Value -

- Businesses are by far the dominant writers (62%) and receivers (56%) of checks by value.

Purpose -

- No single purpose dominates check volume.
- Remittances are the largest single category (25.7%).

Potential for substitution –

- Bill payment is the largest single category of consumer payment.
- 11% of consumer payments are to other consumers.
- Nearly half of the checks written by businesses or governments are income payments to consumers (payroll, pension, expense reimbursement, dividends, etc.)

Study #3 – The Electronic Payments Instrument Study – Dove Consulting conducted this study to develop a reliable measure of the transaction volume and value of electronic payments in the United States during the year 2000.

- 75% of the primary organizations surveyed participated, accounting for 94% of electronic payment volume in 2000.
- 29.5 billion electronic payments were originated in the U.S. with a value of \$7.3 trillion.
- Automated Clearing House payments represent 19% (5.6 billion) of the total volume of electronic payments but 78% (\$5.67 trillion) of the total value of all such payments.

Additional details on the research studies are available on the Federal Reserve System's web site, www.frbervices.org.