

Paper or Plastic?

By Bodé Adeboyejo

If the prediction made a few years ago, of a “Checkless Society,” were to be taken seriously, that prediction is no ways near fruition. Not with the recent spate of identity theft!

In the past months, more than two million customers have been exposed to identity theft or had their personal records compromised. Some of the companies or institutions where people’s personal records have been compromised include, ChoicePoint, The University of California at Berkeley and Boston College. Others include George Mason University, LexisNexis, Chico State in California and Bank of America.

Identity theft has been the fastest growing crime in America for the past three years. According to the Federal Trade Commission, there were 10 million victims, costing \$53 million in losses, last year alone!

As a result of identity theft, or for fear of becoming victims of identity theft, many people are doing whatever they can to protect themselves of becoming victims, making sure they shred documents with their personal information on them, periodically obtaining their credit reports, avoiding giving personal information over the phone, careful where and how they use their credit cards, especially online.

As much as credit card companies, banks, e-retailers, etc. are aggressively advertising credit card usage, online bill payments and online transactions, not many people shop online or pay bills online, compared to people who use checks as a form of payment. And rightfully so! I mean who will blame them, with the increasing rate of identity theft.

According to a *2004 Federal Reserve Payments Study*, checks remain the largest single non-cash payment type in the United States. That is, about 45 percent of non-cash payments, followed by credit cards at 23 percent. Therefore, contrary to what credit card companies, banks and e-retailers are trying to do, trying to convince us that checks are no longer relevant to our culture, the opposite is the truth.

The Federal Reserve report based on 2003 transactions, showed that there were 36.7 billion check transactions, compared to 19 billion credit card transactions.

Commenting on the *2004 Federal Reserve Payment Study*, Wade Delk, director of Check Payment Systems Association (CPSA), in a press release said, “Although other options exist, the check remains a resilient and effective form of payment that consumers continue to support.”

Tyrone Jones, CEO of Contribucheck.com, a check printing company, agreed. He said, “If the volume of checks printed in the last 10 years is any indication, then I must say that we are far from a “Checkless Society.” Jones said checks not only help to keep a paper trail, but they are environmentally friendly and have some social benefits. Contribucheck uses recycled paper with soy-based ink to print checks, and a percentage of all the proceeds from Contribucheck are given to non-profit charitable organizations that support good causes like AIDS, Hunger, Drugs & Violence, Homelessness, Racism, Rape, Drunk Driving, Peace, Education and Wildlife. “You’re paying your bills, helping the environment and helping people,” Jones added.

Security measures, record keeping purposes, and more spending habits control, are some of the reasons why check writing remains the most preferred method of payment by Americans. Majority of Americans use checks to pay their bills, in spite of the availability of technology based payment options such as online bill payment. That is because with checks you leave a paper trail; therefore, making it safer than credit card or other forms of payment.

In fact, when AT&T, one of the nation’s largest bill senders and collectors, made online bill payment available to its customers about four years ago, only 2 percent of its customers used the service. That is, only a million people used online bill payment of its 50 million customers! This means that 49 million customers sent their bills by checks.

Another reason why checks are still a convenient form of payment is that there are more generally literate people than there are computer savvy people. Even among the computer savvy people who make online transactions, very few use online bill payments. Very many of these people still pay their bills the traditional way – checks!

So, in light of the ongoing battle between checks and credit cards, “Who will win the battle? “Paper or Plastic?” Based on the facts, I’d have to say Paper – for now!