

Cash Bill Pay Services and Payment Inclusion in the United States

By Franklin Noll

Cash bill pay, a service that allows consumers to pay bills with cash at participating retailers, may be one way to promote payment inclusion in the increasingly digitized U.S. economy. With this service, consumers who prefer to use cash, or those without a transaction account, can have in-person, tangible experiences paying bills.

In an increasingly digitized economy, payment inclusion—access to safe and low-cost payments for all consumers—tends to mean access to digital payments. For at least a decade, the quest for payment inclusion in the United States has involved a struggle to provide access to transaction accounts for consumers who prefer to use cash, allowing them to make digital payments (such as automated clearinghouse transfers or debit, prepaid, or credit card payments). But some consumers cannot or will not leave cash behind. Indeed, cash has proven more enduring than expected not only with “cash-preferred” consumers, but even with consumers who prefer to make payments digitally.

An alternative path to payment inclusion for cash-preferred consumers in the United States is developing ramps that can connect the cash and digital worlds. One such ramp developed by the private sector is cash bill pay, a third-party payment service offered through billers and other types of businesses, including toll companies, court systems, and government entities. Cash bill pay allows these billers’ customers to pay bills with cash at local retailers in lieu of paying the biller directly through an electronic transaction. This *Payments System Research Briefing* looks at how cash bill pay services may address the persistence of cash payments for some consumers and further the goal of payment inclusion.

Challenges for digital payment inclusion

Many have argued that the way to achieve payment inclusion is to transition cash-preferred consumers from cash to digital payment services by helping them acquire transaction accounts. Proponents reason that everyone will then have access to low-cost, speedy, and efficient digital payment services. Following this reasoning, the private sector has developed cash-in/cash-out networks “that enable consumers to convert their physical cash into digital money” to fund transaction accounts (Bostic and others 2020; SCOPI 2023). However, achieving payment inclusion this way has proved an elusive goal, as some consumers still prefer to use only cash.

Consumers have persistently used cash as a payment method and will surely continue to do so in the foreseeable future. A recent survey by the Federal Reserve Bank of Atlanta found that cash was still the most used payment technology after credit and debit cards. In fact, cash was not only popular with cash-preferred consumers, but also digital-preferred consumers, who used cash as their second most-used payment method. Correspondingly, a vast majority of consumers reported carrying cash to make purchases. Overall, cash holding and usage has remained steady since 2021, and over 90 percent of consumers intend to keep using cash in the future (Bayeh, Cubides, and O’Brien 2024).

People use cash for various reasons, allowing it to persist as a payment technology. Cash payments are instant, anonymous, straightforward, low cost, and do not require a bank account. The physicality of cash can help consumers budget and manage money, as seen in the current trend of “cash stuffing,” where people budget their monthly expenses by filling designated envelopes with cash (Higham 2024). Other reasons are more socioeconomic than purely economic and can be deep-seated. As suggested by elderly consumers, who tend to prefer cash, the choice of a payment technology also concerns social, cultural, and technological factors as well as physical and cognitive challenges (Shy 2023; Dai 2023; Sutton-Lalani 2023). Cash is a payment system that, among other things, stresses personal interactions, the visibility of transactions, and technological simplicity, as acquiring a device, mastering an app, or maintaining an internet connection is not necessary.

The costs and other impediments involved in moving to digital payments are another reason a consumer might stick with cash. The most obvious costs are the fees and minimum balances involved in opening and maintaining a transaction account. Using prepaid or reloadable cards is no less costly in terms of fees and may cost more than a bank account. Getting a transaction account at a financial institution has its own obstacles for some consumers, such as distrust of banks, lack of needed identification, former credit or banking problems, and the desire for privacy (Toh 2021a).

Beyond the psychological discomfort associated with leaving a well-understood payment system for a new, more complex one, some have argued that the process of moving cash-preferred consumers to digital platforms causes a fundamental change in how these consumers make financial decisions and payments—and not necessarily for the better. Besides experiencing welfare losses, consumers may suddenly be exposed to the risks inherent in the digital world, such as fraud and transaction errors caused by the complexity of payment apps, without sufficient training and education (Shy 2023; Ozili 2020).

The myriad impediments to transitioning cash-preferred consumers to transaction accounts or digital platforms and the persistence of cash have obstructed the path to digital payment inclusion. Cash bill pay services, which offer a bridge between the consumer’s paying with cash and the biller’s electronically receiving the fund transfer from the agent that received the cash payment, may be a way to promote an inclusive payment system. Instead of promoting digital payment inclusion, these services allow cash-preferred consumers to have in-person, tangible payment experiences with cash and avoid maintaining a digital transaction account, which may be costly and not intuitive to them.

The customer experience

For customers, cash bill pay services take two basic forms, “walk-up” and “barcode.” Walk-up cash bill pay involves the customer interacting with a store employee at the customer service desk of a retailer, such as Walmart. The customer wishing to pay a bill in cash presents the biller’s name and customer’s billing account number (and sometimes photo identification). The customer service representative enters this information into the appropriate cash bill pay provider software and accepts the cash to make the transaction. The customer receives a receipt as proof of payment.

A customer using a barcode cash bill pay service needs a barcode either on a document or on their smartphone. In the case of utilities, for example, a payment barcode usually appears on the physical statement the customer receives in the mail. Otherwise, the customer will have to obtain a barcode by contacting the biller or using the app of a barcode cash bill pay provider. The app will look up the biller and, using the customer's billing account number, generate a barcode that will direct the payment to the customer's account at the biller. This barcode will then reside on the customer's smartphone or can be emailed or texted to the customer for printing. The customer can then proceed to a participating retailer and present the barcode and cash to a cashier. The cashier scans the barcode with a POS device and produces a receipt as proof of payment. Barcode cash bill pay is the service most often used at CVS and Walgreens.

The industry

Charging for in-store cash bill payments appears to have already been underway in the early 2000s, when businesses—especially utilities—began outsourcing to third parties to enable them to accept bill payments in cash. This outsourcing led to the founding of several cash bill pay providers, including CheckFreePay and PayNearMe. The industry grew during the 2010s, adding retailers to providers' networks and processing millions of transactions. The COVID-19 pandemic appeared to accelerate the adoption of cash bill pay by billers and retailers. Some providers had “record growth” during this period, and new providers entered the field (PayNearMe 2022; Walk-Morris 2023).

The cash bill pay industry today has providers specializing in either walk-up or barcode services. Walk-up cash bill pay providers include CheckFreePay and Western Union, while barcode cash bill pay providers include VanillaDirect, PayNearMe, and KUBRA EZ-PAY. These companies contract with billers to provide cash payment services for their customers. The biller pays the cash bill pay provider a fee for every cash payment received on its behalf through the provider's network of retailers, which is the provider's main source of income. Providers charge billers a variable fee per transaction—a percentage of the value transacted plus a flat fee. Sometimes the biller absorbs this fee, but if the biller wishes to pass it on to the customer, the fee is presented as a fixed charge. The retailer, in turn, receives a commission per transaction from the cash bill pay provider, which it may supplement by charging the customer its own fee. Many retailers that offer cash bill pay services work with more than one cash bill pay provider and may provide both walk-up and barcode cash bill pay services.

Unfortunately, the data do not exist to present a detailed picture of the cash bill pay industry. However, an estimated 10 or so major providers each have a retailer network of around 30,000 to 70,000 stores. (These networks overlap, as one retailer may be working with multiple cash bill pay providers.) Estimates of the number of billers currently represented by individual providers range from 1,700 to 7,000. Information on the amount and number of cash transactions are extremely rare. PayNearMe reports that it processed \$4 billion in cash payments in 2023, while CheckFreePay reports that it processed 57 million transactions in 2023 (Adedoyin 2024; Fiserv 2024). The total revenue created by these operations is undisclosed and not calculable from the available data.

Industry sources often argue that current growth is being driven by the unbanked and underbanked as well as “plenty of cash-preferred customers” seeking cash bill pay services, such as workers in cash-heavy industries and members of Generation Z practicing “cash stuffing” (PYMNTS 2023; Mullen 2023). Another cause for the growth of their industry is less discussed by cash bill pay representatives: the decline of businesses accepting in-house cash payments. At times, the industry does point to the growth of “financial deserts” where cash payments are not accepted and the “[u]ntethering [of] cash payments from the customer service counter” of individual businesses (PYMNTS 2023; Walk-Morris 2023).

A possible path to payment inclusion—but not without costs

Is cash bill pay a way to promote payment inclusion for cash-preferred consumers? Payment choice, convenience, and cost may make the difference for cash-preferred consumers. Cash bill pay certainly gives consumers the choice to pay their bills in cash, providing a bridge between a consumer paying a bill with cash and the biller receiving the funds electronically. These consumers get all the benefits of using cash, such as face-to-face transactions and simplicity, while making their bill payments. Further, no transaction account or smartphone is needed, which serves both the unbanked and those avoiding the digital world.

The cash bill pay industry touts the convenience of its service. Consumers can pay their bills at a popular local retailer, which they probably already visit on a regular basis. Plus, cash-preferred consumers can pay multiple bills in one location rather than visiting various individual billers. However, although cash bill pay providers represent a lot of billers, they do not represent all. A consumer may still end up travelling to a particular biller to pay in cash, which can add to their overall costs.

Both walk-up and barcode cash bill pay services charge customer fees, which appear to vary between \$1 and \$4 per transaction. The amount of the fee probably depends on several factors. The receiving biller sets its own criteria, which can include a desired flat fee per transaction to cover its cost of using the cash bill pay service provider (Marek 2021; Adedoyin 2024). The retailer processing the transaction may also require a fee to offset its costs. The speed of payment may introduce extra costs. Common transaction speeds for walk-up cash bill pay are same day, next day, and within two to three business days. No doubt, the use of faster rails results in higher fees, and in some cases, the biller will demand a certain transaction speed.

However, the speed of payment does not appear to be a factor in fees for barcode cash bill pay. Transactions are usually posted to the biller in minutes. Presumably, this speed is the result of the barcode cash bill pay provider using a proprietary faster payment network such as the Instant Payment Network of Paymentus (Green Dot Bank 2023). The scan, pay, and go nature of barcode cash bill pay provides for faster transactions for both the consumer and the retailer, reducing costs for the latter. However, this characteristic of barcode cash bill pay does not appear to translate into lower fees for the service.

Travel results in costs in lost time and transportation for the consumer. Therefore, if the cash bill pay retailer is not nearby or infrequently visited, costs can increase (Toh 2021b). Also, if that retailer will not process the particular bill needing to be paid, this will entail further travel to a biller. Add these costs to the fees charged and a cash bill pay transaction can get expensive. Assuming an average fee of \$2 and an average one-way bus fare of \$1.55, an everyday cash bill pay transaction could cost \$5.10 (Dickens and Kahana 2023). Therefore, except in the case of zero transportation costs, payments via cash bill pay are not the least expensive option for cash-preferred customers (Toh 2021b).

In sum, cash bill pay may promote payment inclusion for cash-preferred consumers by providing a convenient bridge between the cash and digital worlds, but it comes at a cost to the customer. Cash-preferred individuals will have to do the math to determine if cash bill pay is the best option, factoring in the cost of travel and the cost of alternatives such as money orders or prepaid cards.

Conclusion

Historically, achieving digital payment inclusion for cash-preferred consumers has proven difficult. Pathways to inclusion such as the establishment of transaction accounts or the use of prepaid cards have not solved the problem of how to allow consumers who prefer cash to make digital payments. The myriad costs of digital payments, a distrust of banks, a preference for tangible and personal transactions, and other reasons have kept many cash-preferred consumers from adopting these solutions.

Cash bill pay avoids the need for a transaction account, while allowing consumers to pay with cash in the increasingly digitized economy. Through walk-up or barcode cash bill pay services, cash-preferred consumers can visit a local retailer and use cash to make a bill payment (as long as the biller participates in the service). This bridge between cash and the digitized economy allows for a degree of payment choice in a largely convenient way. However, these services come at a cost. Fees and travel expenses may make the service prohibitively expensive in some cases.

If the combination of choice, convenience, and cost makes sense for a consumer wishing to remain based in cash, cash bill pay may be a better alternative to money orders or prepaid cards. Further adoption has the potential to promote payment inclusion and keep cash as a viable payment option for bill payments in the United States.

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