



## Why Businesses Still Use Paper Checks

small business payments industry update

**Summary:** Understanding why paper checks are still a popular way of paying business invoices can help CFIs assist their customers in making the transition to electronic payments. We discuss the reasons businesses still use paper checks for B2B payments and the benefits of switching to EFT.

Paper road maps were once a must-have for every driver, and rest stops along expressways had racks full of maps for the surrounding states. Nowadays, cars have built-in GPS and smartphones come equipped with maps. Even if your car doesn't come with navigation, most new vehicles allow smartphones to connect to the vehicles so the GPS screen appears on the car's infotainment display. As a result, paper maps are now (mostly) obsolete.

Speaking of paper items that are getting much less use than in decades past — when was the last time you wrote a check? If you're like a lot of Americans, the answer is "not lately." Many consumers use the bill-pay services that community financial institutions (CFIs) have helped make popular, as well as ACH, PayPal, Venmo, and other electronic fund transfer (EFT) methods to settle their monthly expenses.

But if you were a business vendor, you'd frequently see checks. Business-to-business (B2B) transactions are the last bastion of paper checks, with 42% of B2B invoices paid that way. As faster payments come to the market with FedNow and other platforms, businesses will find it more challenging to keep using paper checks. Understanding why paper checks are still a popular way of paying business invoices can help CFIs assist their customers in making the transition to electronic payments.

### Why B2B Transactions Involve Paper Checks

One reason that so many businesses use an old-fashioned method of moving money is that changing that method is much harder for a company than it is for an individual. Companies that are bigger than a sole proprietorship have employees working in procurement, accounting, and billing. All of them need to work with whatever bill-payment method the business chooses. Businesses need that method to work for vendors, and in this respect, checks are the lowest common denominator. Virtually any business will take a check.

**Business payment processes are also more complex.** A B2B transaction involves purchase orders, invoices, an accounts payable system, receipts, and a disbursement process, as well as people whose job it is to create that system and check all its parts. If personal transactions are a moped, nimbly weaving through traffic, then B2B payments are the HMS Queen Mary. These systems do not quickly or easily change direction.

In addition, some businesses like checks because checks leave an easily verified paper trail for audits, without the need to create a new system. Checks also have a standard format for remittance advice, something electronic fund transfers lack.

Some businesses like checks because slower payments mean that companies hang on to their money for just a little longer. That can help a firm manage cash flow.

## Banks Should Nudge Commercial Companies Toward EFT

Some CFIs have also passively or actively encouraged their commercial customers to continue using checks. The float also benefits them, as does the tendency for recipients to leave their money in deposit accounts.

However, both CFIs and their business customers can benefit from the faster, more exact settlement that electronic payments can offer. Faster payment processing lets businesses know when settlement will take place, so they can pay bills on the day that they're due without incurring a late fee, plus the businesses can take advantage of discounts for early payment. Firms can plan better with a more exact idea of how much money they have on hand at any given time.

Paper checks are also a huge target for fraud. According to a report by Advanced Fraud Solutions, [check fraud accounts for 60% of attempted fraud against financial institutions](#). Electronic payment both helps eliminate this risk and makes processing payments cheaper. [Digital invoice processing costs an estimated 90% less than paper check payments](#), plus it helps reduce a business' environmental impact.

Although business customers may feel inclined to stick with the tried-and-true method of paper checks for B2B payments, the risks of fraud and potential late fees make checks less reliable. On the other hand, there are many reasons for CFIs to encourage their business customers to move away from paying bills with paper checks and toward adopting more efficient, real-time EFT payment practices.

## IMPROVED EFFICIENCY WITH CHECK IMAGING FOR CANADIAN CASH LETTERS

PCBB's enhanced cash letter service for Canadian checks can help your institution minimize its credit exposure, increase operational efficiency, and deliver faster fraud notification. Learn more about our [check imaging for Canadian cash letters](#).

## ECONOMY & RATES

Rates As Of: 11/08/2022 06:52AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	4.29	0.07	4.23
6M	4.62	0.05	4.43
1Y	4.75	0.13	4.37
2Y	4.70	0.22	3.96
5Y	4.36	0.13	3.10
10Y	4.19	0.14	2.68
30Y	4.30	0.13	2.39
FF Market	FF Disc	LOBB	
3.83	4.00	3.90	
SOFR	Prime	ORER	
3.78	7.00	3.82	

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.