

Executive summary

For three consecutive years, businesses have reported that managing cash flows is among the most impactful issues facing their organization (62%), followed by maintaining an effective workforce (51%) and managing operations (50%). The combination of supply chain complexity, tight labor markets and rising costs has prompted businesses to focus on greater flexibility, more options, and increased speed and control when sending and receiving payments.

Businesses report looking for new, faster payment options to meet growing demand for digital and online delivery of goods and services. Eighty-three percent of businesses already use faster payments, and nearly 6 in 10 (57%) used faster payments to pay employees. Most gig workers (75%) indicate wanting to be paid by their employer more often than bimonthly. Sixty percent of businesses indicate they would use faster payments for end-of-shift payroll “often” or “frequently” (at least once per month) if it was available.

Ninety-four percent of businesses report needing manual intervention to process payments, highlighting the need for greater payment automation. Other payment features that businesses note as most important were consistent with previous years, including getting immediate notifications when payments arrive and when funds are available (79%); receiving remittance information along with the payment to explain its purpose (78%); and having immediate access to received funds (77%).

83%
of businesses
use faster
payments

Three-quarters of gig workers
want to be paid more than bimonthly

Nearly 6 in 10 businesses use
faster payments for payroll

DEFINITIONS

For this report, “faster payments” encompass electronic payment services that provide funds to the payee within seconds or up to a few hours of initiation by the payer:

Instant payment services credit the payee’s deposit account within a matter of seconds of initiation; some instant payment services are designed to enable transmission of rich data, like extended remittance details, with the payment.

Same Day ACH credits the payee’s deposit account by end of day if payment is initiated by the midday cut-off.

Push to card credits the payee’s debit card account within minutes of payment initiation.

Digital wallet apps credit the payee’s digital wallet within minutes of payment initiation, but funds must be transferred to a bank account for use outside the app’s network.

In the second half of 2022, the Federal Reserve Banks¹ commissioned a survey of over 2,000 businesses to understand their payment needs, as well as their interest in and readiness for “faster and instant payments.”² Key findings from the study include:

Changing business environment illustrates the need for flexible options

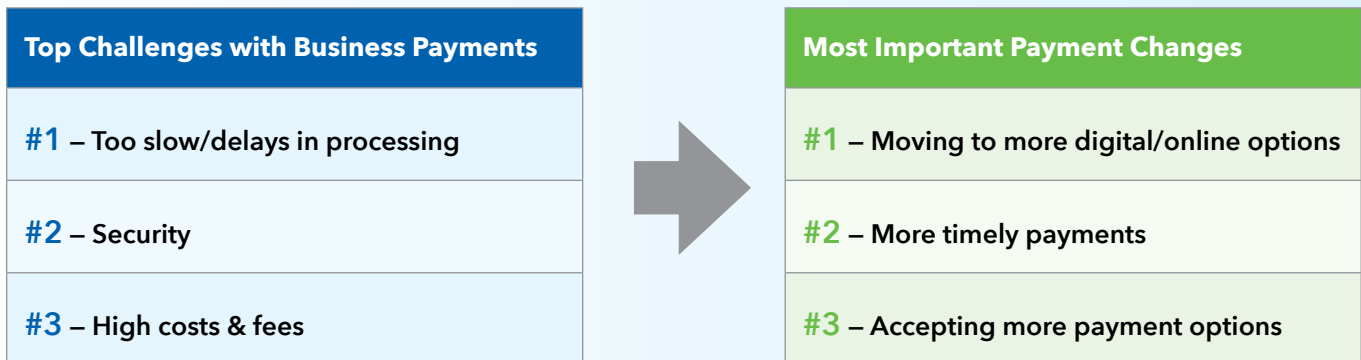
- The most important changes to payments that businesses identify as needs include: more digital/online payment options (21%), faster or more timely payments (20%), and the ability to accept more payment options (13%). Top gig economy businesses particularly note the importance of accepting more payment options as being critical to their success (24%).
- Payments being too slow (causing delays in processing) was the top challenge identified by businesses (28%), highlighting the need for improved cash flow. Improved security (15%) and high costs and fees (13%) were the second- and third-most mentioned challenges, respectively.

Many businesses are already leveraging the power of faster payments

- Most businesses (83%) have already used faster payments such as Same Day ACH, mobile payment apps or digital wallets, and 66% say they are likely to use faster payments more often in the future.
- Bill payments and payroll are cited most frequently (36% and 32%, respectively) as use cases where businesses expect to leverage faster payments.
- Nearly half of businesses (45%) believe faster payments will lower their costs, mainly through more efficient processing with remittance data attached.
- Seventy-four percent note that receiving information in a format that can be automated is either somewhat or very important.

Most would prefer to access payment services through their financial institution

- Three-quarters of businesses indicate it is important that their financial institution offers faster payments, especially true among larger businesses (86%-90%).
- Seventy percent of businesses would use their primary bank as their preferred faster payment service provider, and 45% report some level of engagement from their financial institution.
- Ninety percent of businesses indicate they will be ready for 24/7 support of faster/instant payment services within three years, with an equal number indicating it would take them 12 months or less to implement.



1 The survey was conducted by Federal Reserve Financial Services, a collaboration of the 12 Federal Reserve Banks. Federal Reserve Financial Services markets the FedNow Service, an instant payment service, and ACH services including Same Day ACH.

2 In this article the term “faster payments” will be used inclusively to cover all the various services noted in the Definitions sidebar; the specific types listed, such as “instant payments,” will be used to refer to that payment type specifically.

Businesses³ want faster, more efficient payment options with key features

Speaking to challenges faced in 2022, microbusinesses and 60% or more of all other businesses cited cash flow management and working capital among their top concerns in the business climate they face.

The payments changes that business professionals note as being key to success include more digital/online options, offering timely payment options and accepting more payment options.

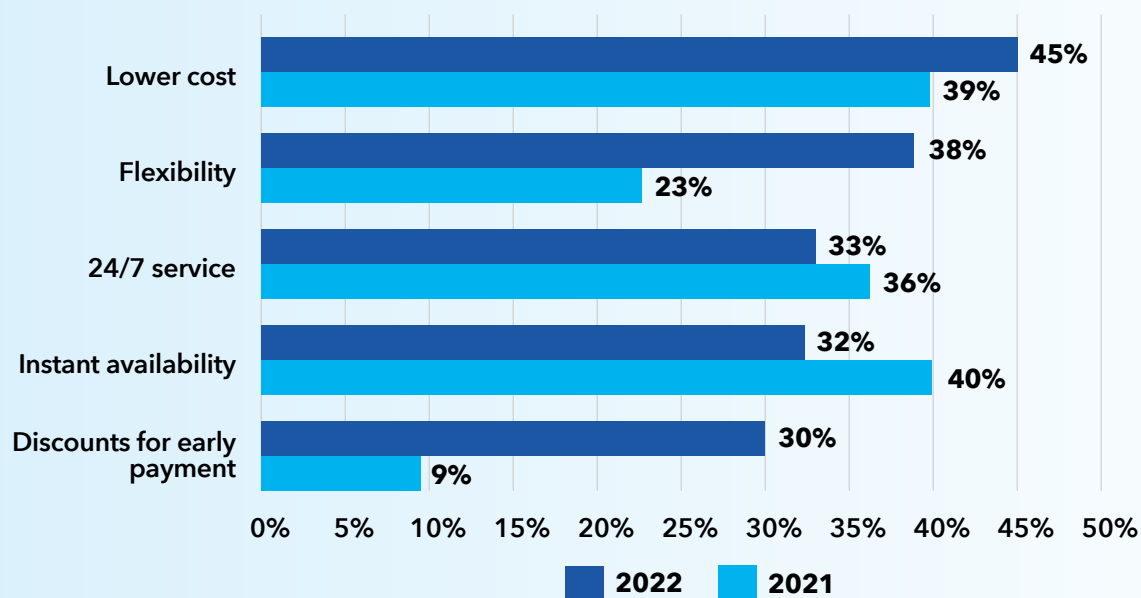
As one large retailer put it, “It is becoming an instant world as far as payment systems are concerned and not having [access to faster payments] would put us at a competitive disadvantage.”

Consistent with the importance they place on faster payments, two-thirds of medium-size and three-fourths of larger businesses indicate they are accelerating plans to move forward with adoption.

PROFILE: “Typical” Large/Very Large Durable Goods Manufacturer*

- \$2.2 billion annual revenue
- 2,400 employees
- 5,500 outgoing and incoming payments per month
- Important features: rich remittance details, e-invoicing, immediate funds availability
- Key use cases: major supplier payments, payroll
- Timeline for adoption: 2022-23
- Motivators: “We want to improve financial efficiency and accelerate liquidity”
- Key concerns: “Trying to integrate multiple sources into our system,” “Ensuring companies take our preferred form of payment”

TOP MOTIVATIONS FOR USING FASTER PAYMENTS



³ The profiles provided in this report help illustrate how different types and sizes of firms might think about payments. For each profile, average values for the specific segment’s quantifiable characteristics are used, and the more frequently cited features and use cases are presented, along with a few verbatim comments from members of the profiled group, where available.

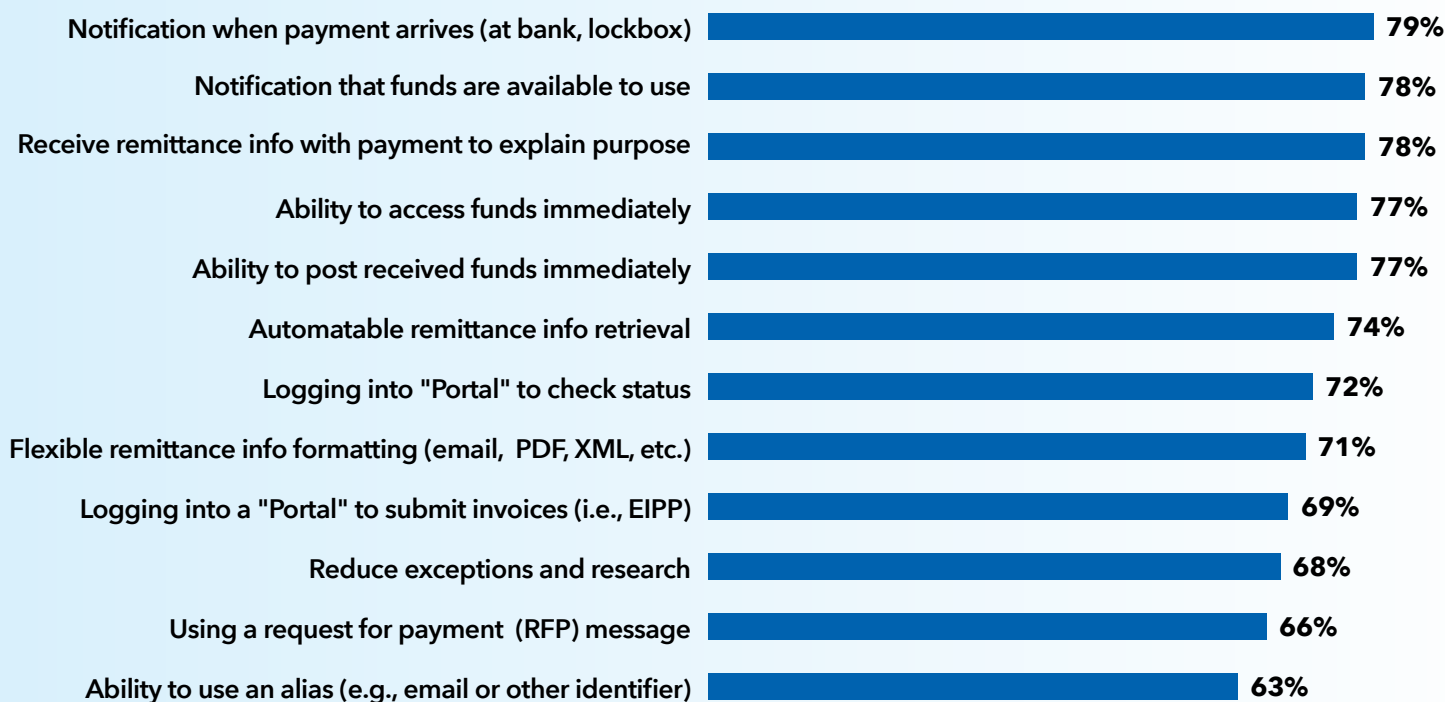
Several key benefits of faster payments are driving businesses toward adoption. In terms of **payment operations efficiency**, businesses want to leverage faster payments to improve invoicing automation and remittance processing, which has the potential to greatly reduce payment errors and exceptions.⁴

As such, a majority of the survey participants rated the following data and messaging capabilities as important:

- Remittance information with the payment, including the purpose of payment and maximum flexibility in terms of the additional information that could be included.
- Information to post and reconcile the payments received immediately.
- Payment and remittance information in an automatable format.
- Data and tools to reduce exceptions and simplify research.

While more than 90% of large firms, as expected, rated these capabilities as important, it is notable that at least 80% of small- to medium-sized businesses and 60% of microbusinesses also rated each of the above capabilities as important. For some of these capabilities, smaller businesses rated them important nearly as often as their larger counterparts.

PAYMENT FEATURE IMPORTANCE (Top-3 Box Percent)



Businesses also want **notifications**, both as payers (when payment has been received) and as payees (when funds are available). Seventy-two percent of all surveyed businesses consider notifications important, and more than half of the very large businesses consider notifications very important. One survey participant emphasized the need for immediate status notifications:

"We have an online, B2B wholesale trade business and ship all over the U.S. and Canada. With the varying time zones, we want to be able to see confirmed payments ASAP so we can allocate the inventory for that given client."

⁴ Automating invoicing, payments and remittance processing is a key objective of the Business Payments Coalition, "A volunteer group of organizations and individuals working together ... to make B2B electronic payments more efficient across the end-to-end process, that is, to achieve straight-through-processing across both the procure-to-pay and order-to-cash cycles." For more information on the role an instant payment service can play in this effort, see also "[ISO 20022: the standard at the heart of payment system modernization.](#)"

From a **security standpoint**, 86% of surveyed businesses consider having a built-in account validation tool a key fraud-prevention feature. This feature enables users to validate the identity of payers and payees, with about 6 in 10 large businesses and over half of small and medium businesses rating it very important. They also want the ability to use an alias in lieu of account information, with nearly three-fourths rating this alias feature as important.

Businesses expect faster payment features to support key use cases

When asked to choose their top five payment scenarios or use cases for faster payments, surveyed businesses indicated interest in those that could directly benefit from the capabilities and features noted above. As shown in the chart below, these use cases, categorized by type, include:

PROFILE: "Typical" Mid-size Regional Health Services Provider

- \$40 million annual revenue
- 860 employees
- 3,575 outgoing and incoming payments per month
- Important features: ability to automate remittances and reconciliation
- Key use cases: major supplier payments, large disbursements, payroll
- Timeline for adoption: 2023-24
- Motivators: "Enhanced ability to track invalid payments and other potential efficiencies and cost savings"
- Key concerns: "The potential for payment fraud," "Faster payments don't help if they're difficult to use"

INSTANT/FASTER USE CASES

		Gig	Small	Medium	Large/XL
B2B	Recurring bills and invoice payments	45%	37%	38%	30%
	Non-recurring bills and invoice payments	26%	24%	24%	30%
	Just-in-time payments	27%	16%	21%	23%
	Merchant settlement	14%	21%	23%	24%
	Request for payment	24%	13%	10%	7%
P2B	Urgent same-day immediate payment	35%	29%	24%	27%
	Regular or routine payment receipt (e.g. bills and invoices)	44%	27%	21%	18%
	E-commerce (consumables and digital goods)	21%	23%	22%	21%
	Mobile order pickup in store/delivery	17%	15%	17%	15%
	Consumer retail purchases (point of sale) commerce	13%	7%	6%	7%
B2P	Payroll	36%	34%	33%	28%
	Customer large disbursements (i.e., over \$10,000)	8%	17%	19%	32%
	Expedited payroll - gig economy	14%	16%	17%	17%
	Customer smaller disbursements (i.e., under \$10,000)	8%	15%	10%	10%
A2A	Internal transfers	29%	24%	19%	18%
	Cash pooling/concentration and sweep accounts	5%	8%	11%	11%
	Adding or using funds from a prepaid card account	9%	4%	2%	2%
Govt	Government - tax and fee payments (B2B)	17%	21%	24%	26%
	Government - tax and fee payments (P2B)	10%	10%	8%	12%

- **Business to business (B2B): Recurring and non-recurring bills, invoice payments.**

Businesses indicated a desire to automate accounting and reconciliation processes for large B2B payments, utilizing faster payments features like automatable request for payment (RFP) messages. Additionally, businesses indicated interest in faster/instant payments' speed for just-in-time payments and the ability to send complete remittance information along with a payment.

- **Consumer to business (C2B): Recurring bill pay, e-commerce and urgent same-day customer payments.**

The speed and finality of faster payments make them attractive in use cases where businesses and their customers are concerned about payment timeliness and reducing the incidence of returned payments due to insufficient funds.

- **Business to consumer (B2C): Large disbursements and payroll.**

Faster payments' ability to help manage cash flow is attractive for businesses, given that they enable businesses to wait until payday to release the funds. There is also evidence to suggest an increasing number of employers offering immediate payroll as a benefit for recruiting and retaining high-turnover staff.⁵ Customer large disbursements (\$10,000 or greater in value) are the most critical and fastest-growing use cases of interest among large businesses for faster/instant payments.

- **Account to account (A2A): Internal transfers and cash concentration.**

Faster payments offer cash flow advantages for near-immediate transfers among a firm's accounts, reducing delays experienced via third-party payment settlement.

Businesses already utilizing faster payments cite convenience and efficiency as satisfaction drivers

When asked to list the payment options used to make and receive payments in the prior 12 months, a majority of surveyed businesses included at least some form of faster payment in their list (83%). Digital wallets/mobile pay apps and Same Day ACH were the most frequently cited types across a variety of scenarios (B2B, C2B and B2C), followed by push to card and interbank account-to-account networks.

Businesses are generally satisfied with their payments, with only 2% indicating they are dissatisfied overall. The most satisfied cite similar reasons regardless of the specific service, including ease of use, convenience and quickness/efficiency. Those who are less satisfied with current payment services mention processing delays, difficulty of use, limited reach, and unexpected high costs and fees.

PROFILE: "Typical" Small Specialty Trades Contractor

- \$4.3 million annual revenue
- 180 employees
- 650 outgoing and incoming payments per month
- Important features: invoice submission portal, request for payment and immediate access to funds
- Key use cases: payroll, supplier payments and internal transfers
- Timeline for adoption: 2022-23
- Motivators: "Fast funds transfer is key to the tradesman business," "We want to see confirmation of payments ASAP"
- Key concerns: "Cost and security"

5 "Fintech is the next frontier for HR Tech," Forbes, April 22, 2021.

Factors affecting faster/instant payments adoption

While a large majority of the surveyed businesses saw potential benefits from using faster payments, business size influences how they weigh different factors in determining whether to adopt a given option, or even whether to use one they're already using more extensively.

For micro and small businesses, cost was the most frequently cited factor. Notably, more than three-fourths (78%) of microbusinesses and more than half (54%) of small businesses are unlikely to adopt if faster payments cost them more than what they currently pay in bank fees. They are also relatively satisfied with their existing payment services; Half of microbusinesses and one-third of small-size businesses indicated "current systems sufficient."

One participant captured these sentiments: "It would depend on the cost. If a cost is involved and there is a no-cost option that only takes one day longer ... we would choose the free version. A small fee on every transaction adds up to real money over time."

Larger businesses are more motivated to use faster payments for process efficiency gains, most notably improved reconciliation processes and 24/7 service availability. A large wholesaler stressed the importance of supplier relationships this way: "We gross approximately \$325 million per year in ... revenue and clearing payments as quickly as possible is imperative to our global business capability to in turn pay our suppliers."

Larger businesses also cite greater data access and being able to use a standardized flexible global format more frequently than their smaller counterparts.

PROFILE: "Average" Micro-size Retail Store

- \$250,000 annual revenue
- 200 employees
- 1,080 outgoing and incoming payments per month
- Important features: remittance information, immediate access to funds
- Key use cases: supplier payments, point of sale, expedited customer payments
- Timeline for adoption: 2022-23
- Motivators: "My top concern is how quick I get the money"
- Key concerns: "It all depends on the cost of the service and the fees," "I need an integrated solution"

Large businesses poised to move forward with faster payments

Weighing the potential benefits and use cases for faster payments against the possible cost, security and network reach concerns, the majority of businesses surveyed indicated they will be ready to use faster payments soon, with 90% of businesses indicating they are likely to use faster payments within three years.

While plans and priorities of individual businesses can shift, it is significant that a third of the businesses indicated they were already engaging with vendors, preparing project plans and setting aside a project budget at the time of the survey. This suggests that the pace of adoption could accelerate in coming years, particularly as financial institutions and other providers recognize the opportunity to leverage faster payment rails to offer their business customers value-added services.

Conclusion and implications

Businesses are looking strategically at payments and expecting them to do more to help them solve the challenges they face. They want payments capabilities to provide extended data with each transaction to automate invoicing, payments, account posting and reconciliation; reduce errors and exceptions; improve cash flow; and enhance supplier and customer relationships. And they remain particularly interested in digital payments capabilities that can modernize key use cases, including recurring bill pay, supplier payments and payroll.

Businesses are trying out the many new faster payment options that have appeared on the scene in the past several years, focusing on those they are already using in a more traditional context (e.g., same-day ACH, push to card or traditional debit card networks). For many, these faster payment options meet their current needs. However, as businesses contemplate the use cases noted earlier, it is likely that they will find the capabilities offered by instant payment options increasingly attractive.

Because the surveyed businesses view faster payments as essential to moving to a more digitally oriented payments platform, nearly all expect to be using them within the next three years. As financial institutions and other providers turn their focus to delivering the desired features, value-added services and expected benefits at an acceptable cost, the payments landscape is likely to look very different in the not-too-distant future.

About the survey

The primary objectives of this survey were to assess businesses' current payment practices, pain points, awareness of the potential benefits of faster payments, and readiness for integrating faster payments into their operations. Through an online questionnaire fielded in late 2020, 2021 and 2022, senior decision-makers involved in their organization's financial operations (e.g., chief financial officers, treasurers, accounts receivable/accounts payable administrators, etc.) provided information on their business priorities, particularly with respect to payments; their familiarity with and usage of different types of faster payments; and their views on the benefits they expect from using faster payments. They also identified factors affecting their willingness to adopt faster payments, whether they plan to adopt, and their anticipated timeline for adoption.

A total of 2,003 surveys were completed in 2022, covering a mix of segments stratified by revenue size and industry, ranging from less than \$1 million in annual revenue to more than \$250 million.⁶

Manufacturers were concentrated in the large and very large segments, while financial and business services were more prevalent in the medium and small segments. Construction/trades, real estate and nonprofits were more heavily concentrated in the micro and small segments. Retail stores and professional services were more evenly split across size categories, although retailers were less concentrated in the medium segment.

Business Size (revenue)	Year			Business Category	Year		
	2020	2021	2022		2020	2021	2022
Very Small (<\$1 million)	24%	24%	25%	Retail	18%	17%	19%
Small (\$1-10 million)	22%	23%	23%	Wholesale	5%	5%	3%
Medium (\$10-100 million)	23%	23%	23%	Manufacturing	18%	18%	18%
Large (\$100-250 million)	10%	8%	11%	Services	44%	44%	44%
Very Large (>\$250 million)	22%	22%	20%	Other	16%	16%	16%
Sample Size	2,010	1,995	2,003	Sample Size	2,010	1,995	2,003

⁶ The online survey was conducted on behalf of Federal Reserve Financial Services by Escalent, a market research company, with the panel-based sample provided by Dynata and Schlesinger Group. The sample was stratified by revenue size and industry sector, covering a broad mix of businesses including health care, real estate, professional services, construction, advertising, communications, nonprofit and government. The 2022 sample of 2,003 allows for a sampling margin of error of +/- 4% at a 95% confidence level.