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Seamless Fund Transfers Could Unlock \$10 Trillion In Digital Payments

The Money Mobility Tracker® Series

PYMNTS



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PYMNTS



Acknowledgment

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Need To Know

Digital payments have become table stakes in the United States and around the world. More than \$6.6 trillion in digital payments **changed hands** last year, a 40% increase from the two years prior. This sum is projected to hit \$10.5 trillion within the next four years, and consumers and businesses are expected to become more demanding accordingly.

Customers prioritize seamlessness, and they will switch brands to attain it.



45%

of consumers say that onboarding should take less than 30 seconds.



64%

say that verification via their phone is more convenient than using passwords.



51%

say they would switch brands if their identity verification was too slow.

Need To Know

Businesses are scrambling to provide seamlessness but must contend with the realities of cybersecurity.

- **Striking a balance between the need for ironclad security and customer seamlessness will be a key priority for businesses moving forward.** Becoming lax on customer authentication is a surefire way to introduce digital fraud.
- **Many organizations have outsourced their money mobility capabilities by offering P2P payment methods at the point of sale.** Ninety-two percent of them report satisfaction with this choice, as user verification takes place on the app rather than with the cashier.



54%
of peer-to-peer (P2P) platforms say they have run into false identities created through their authentication systems.



11%
of consumers experienced some form of debit or credit card fraud last year.



Banks often find themselves on the hook for unauthorized transactions.

Why SMB Owners Demand Alacrity In Fund Transfers

An interview with Lilac Bar David, founder and CEO of FinTech **Lili**, on how FIs and FinTechs can ensure smooth money transfers

“**Small business owners are highly busy making sure they are getting paid for their products and services, so from their point of view, prioritizing fast payments is the number one key aspect.**”

LILAC BAR DAVID
Founder and CEO

Small to mid-sized business (SMB) owners are the backbone of the modern economy, contending with the same challenges as their larger counterparts without nearly as many resources. One of their top priorities is ensuring that funds move quickly and seamlessly between accounts, whether that be for B2B payments or allowing customers to instantly pay for their purchases.

“Small business owners are highly busy making sure they are getting paid for their products and services, so from their point of view, prioritizing fast payments is the number one key aspect. It’s also about making sure that they are managing the payments correctly, ensuring they know who got paid and who is still pending and so on.”

Ensuring that payments are fast and seamless is easier said than done, as many legacy payment systems are much slower than SMB owners demand. Automated clearing house (ACH) or direct deposit systems take a day or two to clear. This is a huge drawback for the lightning-fast, modern economy in which customers demand instant satisfaction.

“If you’re using the traditional rails, whether it’s ACH or direct deposit, it’s not a real-time thing. So we are facing the challenges of the traditional industry dilemma: How do you get access to funds faster?”

Why SMB Owners Demand Alacrity In Fund Transfers

Enabling early access to payments is crucial to counteract the inherent delays of traditional payment rails.

Even if a payment is not transferred right away, Lili ensures early access to funds as well as transparency to be certain that all payments are accounted for. This two-pronged approach eliminates much of the guesswork involved in fund transfers, offering SMB owners peace of mind.

“One means is the facilitation of early access to payments, so we make sure that you get your funds faster, whether it’s real-time using Visa money transfer or up to two days early using direct deposit or ACH transfers. The number one goal is making sure that the payment is available for you as soon as we can. And second, we want to make sure that you’re updated in real time through notifications and alerts, making sure that you’re aware of any funds that have been accepted by the account.”

These measures are a stopgap until instant money movement is table stakes worldwide, however. Developing a global real-time payments system should be a top priority to ensure that SMB owners can succeed in an increasingly competitive landscape.



Phone-To-Phone Payments: The Next Frontier

Money mobility trends

85% of consumers in MENA have used digital payment methods in the past year

Digital payments are surging in popularity worldwide and have become a normal part of everyday life for billions of consumers. In the Middle East and North Africa (MENA) region, 85% of individuals have leveraged digital payments at least once in the past year, including tappable smartphone payments, buy now, pay later (BNPL) and smart watches. Sixty-four percent of these users said they increased their use of these payments in the last year, and 19% said these digital payments had resulted in their using less cash.

MENA consumers are interested in exploring digital payment use cases beyond traditional retail purchases as well. Two-thirds of these individuals said they would be interested in flexible digital bill pay, including BNPL and automatic payments.

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Phone-To-Phone Payments: The Next Frontier

Zelle transaction volume surpasses checks for first time

P2P payment apps are one of the most popular payment channels in recent years, in some cases becoming even more widespread than paper checks. Bank of America (BoA) recently reported that its P2P payment app Zelle's transaction volume hit 239 million, a 26% increase from the 189 million payments reported last year. The second quarter of 2022 saw 156 million Zelle transactions compared to 123 million checks, a sea change in the traditional dynamic. BoA attributes this shift to increased Zelle usage among small businesses, which now comprise more than 1.2 million of Zelle's 17 million active users.

The total value of Zelle payments hit \$73 billion, a quickly growing sum that still falls short of more entrenched payment systems. BoA reported \$221 billion spent through debit and credit cards, up 10% year over year.

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Fraud threatens FinTechs' and banks' check depositing systems

Fraud has been a problem for banks and other financial institutions (FIs) since their inception, but bad actors have grown increasingly creative with their techniques as payments become more digital. Experts have found a 41% increase in attempted fraud year over year across the board, with the highest increase occurring in mobile channels at 61%. Some of the more popular techniques include opening online mule accounts and double-depositing checks, both of which leave FIs holding the bag when their customers notice the missing funds. Many FIs are instituting 10-day holds before customers can access their funds. However, according to Ingo Money CEO Drew Edwards, this is not very effective. Many check returns happen after this 10-day waiting period, meaning that businesses are still vulnerable to fraudsters.

Phone-To-Phone Payments: The Next Frontier

New money mobility developments

ING pilots phone-to-phone payments project

Banks are developing new digital payment systems every day, with the most recent coming from ING, a Netherlands-based FI. The new system leverages ultra-wideband technology that allows smartphones to wire money directly to and from one another without the need for internet connection. It also removes the need for users to share personal details with each other, leveraging precise location capabilities to ensure that payments are directed to the correct recipient. The program is also receiving development assistance from Samsung and chipmaker, NXP Semiconductors.

These new technologies are fueling record growth in the digital payments industry, with \$12 trillion expected to flow through digital channels by 2026. This is a 60% increase over 2022, when just \$7.5 trillion is expected to be transacted.

CFPB plans to tighten regulations to prevent money transfer scams

One of the drawbacks of many digital payment systems is that transfers are instant and the money is irrecoverable if sent to the wrong recipient. The Consumer Financial Protection Bureau (CFPB) is planning to tighten its rules around money transfers in an attempt to combat this as customers are losing record amounts of money to scams. The new regulations require banks to repay customers who fall victim to these scams, a change from the old rules in which banks were liable only if customers did not authorize these transfers. The CFPB plans to include these scams in the “unauthorized” category, even if the customer technically gave their consent.

“[Scammers are] attracted to these apps like moths to a flame because there’s just so much money flowing through them and because transfers happen so quickly,” said Matt Schulz, chief credit analyst at LendingTree, to CNBC. “This isn’t like credit card fraud where the problem can often be handled with a quick phone call. With P2P fraud, real money is often taken from a real account and oftentimes is gone for good.”

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Convenience Is King In The Money Mobility

Frictionless money-out capabilities and seamless authentication are top priorities for consumers.

Payments have grown more digital than ever in recent years. Customers have switched from cash and checks to online banking, contactless payments and P2P payment apps in record numbers, with the latter proving especially popular among younger generations. Ninety-one percent of millennials and Generation Z consumers say they have used apps such as CashApp, Venmo and Zelle to pay friends and businesses, with 44% saying they do so at least once a week.

Seamlessness and convenience are the top priorities for customers when it comes to these digital payments. Instant payments are now table stakes, and customers are looking for services that offer scheduling, customization and a lack of obtrusive authentication requirements when making their payment decisions. While FinTechs and banks are eager to provide this, they are challenged by the need for payments verification and fraud prevention.

This month, PYMNTS examines what customers are looking for in money mobility and how banks, FinTechs and other companies can effectively meet these demands.

Convenience Is King In The Money Mobility

What customers look for in money mobility



The rise of digital wallets and P2P apps has made customers prioritize convenience in money mobility more than ever before. Nowhere is this more evident than during user authentication, a necessary step that many consumers find exasperating. More than half of Americans **said** they would switch brands if their identity verification was too slow, and more than two-thirds would go to a different provider altogether if they were not satisfied with the authentication experience. Their standards are quite exacting: 45% of respondents said that onboarding should take less than 30 seconds, and 64% said that verification via their phone is more convenient than typing in a password.

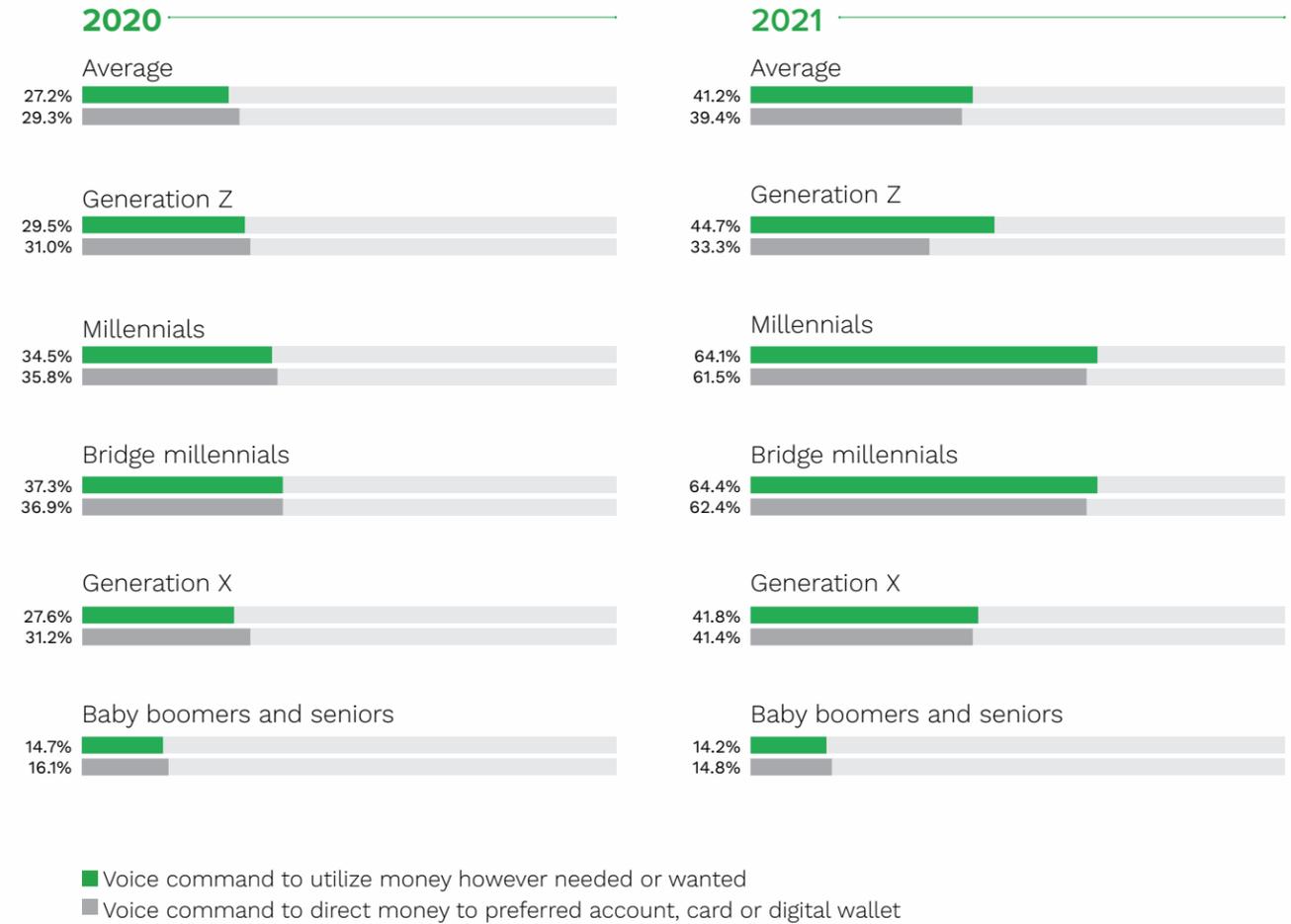


Customers also desire innovative technology to aid them in their money mobility. Voice technology to control financial accounts is an excellent example of this technological demand, especially among younger generations. Almost two-thirds of millennials said they wanted to use voice commands to move money whenever they wanted — up from 35% in 2020 — along with 64% of bridge millennials and 45% of Generation Z.

FIGURE 1:

Interest in voice technology to control financial accounts

Share of consumers who are somewhat or much more likely to continue a client relationship if a sender offered voice commands for various purposes, by generation



Source: PYMNTS
 Money Mobility: Delivering Money-Out Mobility At Scale, June 2022
 2020 N = 5,145: Complete responses, fielded April 16, 2020 – April 20, 2020;
 2021 N = 2,951: Complete responses, fielded July 13, 2021 – Aug. 2, 2021

Convenience Is King In The Money Mobility



FinTechs and banks looking to provide this lightning-fast verification must cope with the realities of cybercrime, however. Fifty-four percent of P2P platforms have dealt with false identities created through their authentication systems, according to PYMNTS' research. Striking a balance between the need for iron-clad security and customer seamlessness will be a key priority for businesses moving forward. Many companies are deploying biometrics or behavioral analytics to authenticate customers behind the scenes with minimal active input that affects the customer experience.



P2P payments' compatibility has proven a valuable tool for many retailers to improve their customers' money mobility without added verification friction. Eighty-two percent of SMBs in the U.S. say they accept at least one P2P payment option at the point of sale, according to a recent survey, and 92% of them report satisfaction with the payment experience. This is likely due to the user verification occurring on the app rather than at the point of sale, driving a seamless customer interaction uninterrupted by entering a password or PIN.

82%

of SMBs in the U.S. say they accept at least one P2P payment option at the point of sale, according to a recent survey.

92%

of them report satisfaction with the payment experience.

P2P payments are one of many tools satisfying customers' demands for seamless money mobility. FIs, FinTechs and other businesses will need to deploy all those at their disposal to ensure customer satisfaction.

Companies On The Move

MoneyGram

Digital P2P payments provider MoneyGram International Inc. recently **partnered** with Al Dar For Exchange Works, a remittance service provider located in Qatar, to enable customers to transfer funds from Al Dar For Exchange Works retail locations around the world. MoneyGram has serviced more than 150 million customers over the past five years and is currently working on a blockchain-enabled payments settlement.

Canadian Imperial Bank of Commerce

The Canadian Imperial Bank of Commerce (CIBC) also recently **partnered** with MoneyGram on a new system that enabled same-day, no-fee payments to more than 40 countries around the world. Customers can transfer up to \$2,000 per transaction and up to \$2,999.99 within 24 hours, a particular benefit for remittances from Canada to workers' home countries. CIBC currently has more than 13 million personal banking and business clients.

Tonik

The Philippines' first neo-bank, Tonik, recently **integrated** InstaPay services on its mobile app. This allows customers to access real-time transactions between banks and participating electronic money issuers. These payments are free of charge and are verified by users' account numbers to prevent digital fraud.



150M
customers



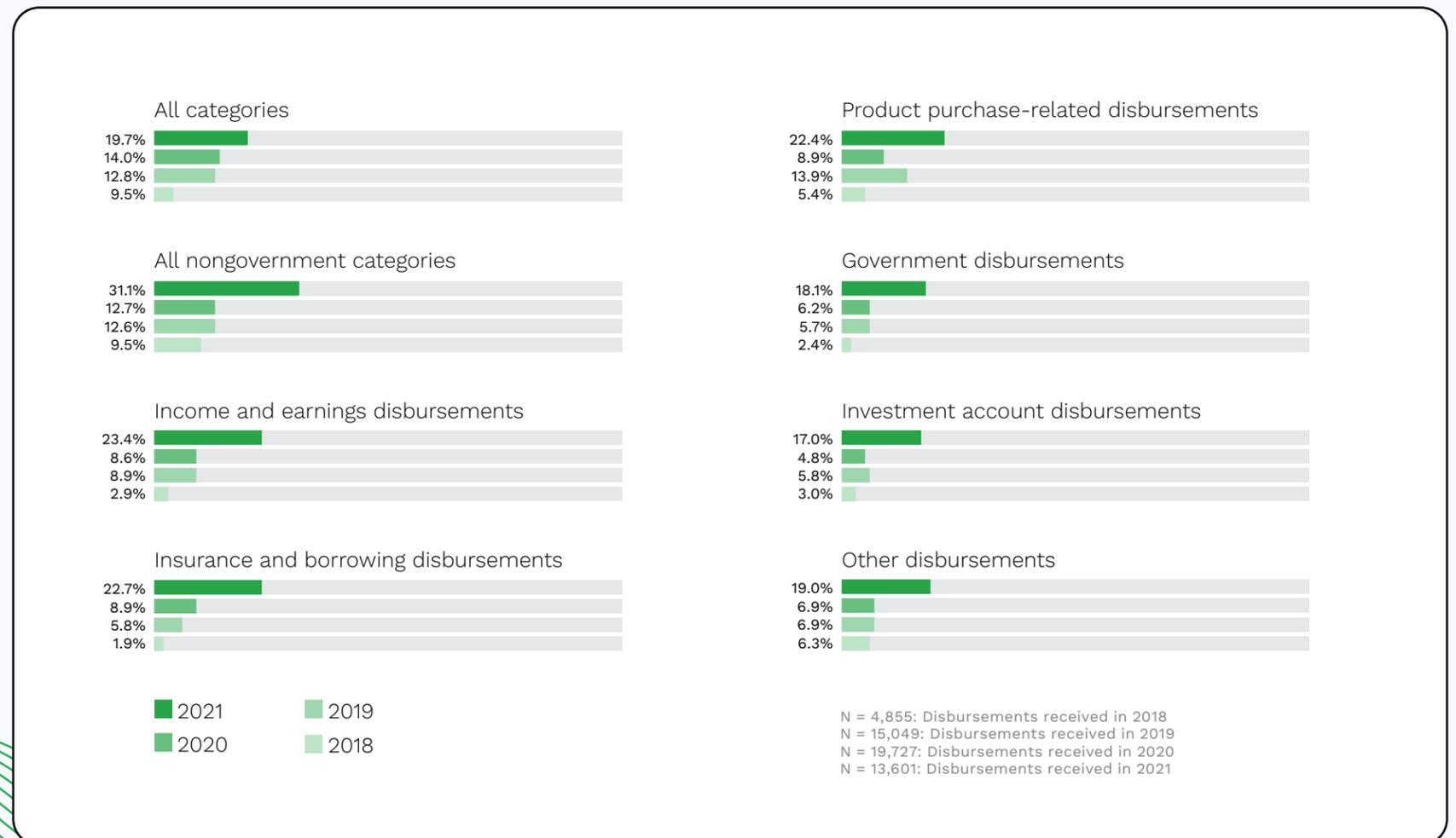
13M
clients

tonik
Philippines'
first neobank

Customers In A Variety Of Fields Adopt Instant Payments For Improved Money Mobility

Instant payments are growing in popularity for a wide variety of use cases, with 19.7% of consumers on the whole leveraging them. The top use case when it came to instant payments was income and earnings disbursements at 23.4%. Insurance and borrowing disbursements took second place at 22.7%.

FIGURE 2:
Money mobility instant disbursements
 Share of consumers who have adopted instant payments, by disbursement category



Source: PYMNTS
 Money Mobility: Navigating The Challenges Of Money-In-Mobility, April 2022
 N varies based on year and number of disbursements received, fielded July 13, 2021 – Aug. 2, 2021

What's Next?

“There’s a lot of work to be done [in money mobility], both from a technology point of view and also from a risk point of view.

“When you offer a service that is real-time access to funds, you immediately embed a lot of risk: Who is the customer? Are the funds secure? So we need to embed a lot of different real-time machine learning and [artificial intelligence] and use a lot of different data sources to make sure that the person who is actually paying is the person who was actually accepting the service or the product, and that their funds are legit and so on.



LILAC BAR DAVID
Founder and CEO

lili

“I think there’s a lot more to work on, but we are moving in the right direction, and today you can actually access funds in real time via so many different methods of payments, which we didn’t have a few years ago.”

About

PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



Ingo Money is the money mobility company. Founded in 2001, it provides technology platforms and expert risk management to FinTechs, banks and businesses that enable safe and instant money movement, from any source to any destination. Ingo’s solutions power deposits and transfers for inbound and outbound money flows, cross-platform P2P and digital payouts, with network reach to more than 4.5 billion bank accounts, cards, digital wallets and cash-out locations. This transformation of traditional payments helps businesses reduce cost and delays while dramatically improving the consumer experience. Headquartered in Alpharetta, Georgia, Ingo employs more than 200 professionals and serves some of the largest brands in North America.

This edition of the Money Mobility Tracker®, a PYMNTS and Ingo Money collaboration, examines what individuals and businesses are looking for when it comes to seamless fund transfers for purchases, business-to-business (B2B) payments and more. It also explores how businesses are attempting to meet these demands, why customers will jump ship if they are unsatisfied and how the lingering shadow of digital fraud can potentially hamper these efforts.

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.

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