

# Time is money.

Small business moves fast. Payments should too.

## The problem:

In today's economy, efficient cash flow and access to capital are critical for small- and medium-sized businesses (SMBs). The current payments system creates obstacles for small businesses. Lengthy processing times and high transaction costs inhibit growth and create cash flow gaps.

## The solution:

Policymakers can grant trusted third-party payment processors direct access to federal payment rails to help minimize payment settlement times, reduce transaction fees, and foster innovative solutions tailored to small business needs.

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## CURRENT PROCESS

# Slow, costly, complex payments

Digital payments may seem instant, but the reality is often different. For ACH transactions, here's what happens:

### Payment initiated

A business (or consumer) initiates a payment.



### PSP passes transaction details to intermediary

A payment service provider (PSP) facilitates the transaction, packages the payment details, and sends them to an intermediary. This is necessary because the PSP doesn't have direct access to federal payment rails.



### Routing via intermediary

The intermediary routes transaction details to the central bank or clearing house. The intermediary often charges a fee for this access, adding to the overall cost of the transaction.



### Batching delay

The central bank or clearing house then batches transactions together according to a set schedule. This is a key reason why ACH payments can take 1-3 days to process.



### Funds settle

After this multistep journey of costs and delays, the funds are settled and become available in the recipient's account.



## Why it matters

This multistep process, with its reliance on intermediaries and batch processing, adds unnecessary delays and fees, costing small businesses time and money.

## EVOLVING TRANSACTIONS

# Faster, better, cheaper payments

Modernizing our payments system can help small businesses optimize cash flow.

### Payment initiated

A business (or consumer) initiates a payment.



### PSP direct connect

Instead of routing through an intermediary, the payment service provider (PSP) sends the payment information directly to the central bank.



### Instant account-to-account settlement

The central bank processes and routes the payment instructions instantly. Funds settle almost immediately in accounts.



## Why it matters

This streamlined process eliminates unnecessary intermediaries, reduces fees, and eliminates delays, providing businesses faster access to their money and greater control over their cash flow.

## PAYMENTS MODERNIZATION

# Why it matters

Businesses are demanding faster, more efficient payment options.



## 90%

More than 90% of consumers report using digital payments,<sup>1</sup> accounting for 50% of e-commerce spending<sup>2</sup> in 2023.



## 50%

Nearly 50% of US businesses are already initiating instant payments.<sup>3</sup>

Faster payments help drive financial stability.



## 92%

92% of businesses use faster payments to improve cash flow by accelerating the receipt of funds and having more time to realize discounts.<sup>4</sup>



## 2/3

2/3 of SMBs are more likely to continue doing business with companies offering instant payments.<sup>5</sup>

The current system creates unnecessary costs and delays.



## \$172 billion

US businesses paid \$172 billion in processing fees to accept payments in 2023.<sup>6</sup>



## 1/3

Nearly 1/3 of US businesses cite speed as a top challenge they experience with business payments.<sup>7</sup>

<sup>1</sup> McKinsey & Company. 'State of Consumer Digital Payments in 2024.' 2024.

<sup>2</sup> Worldpay. 'Worldpay Global Payments Report 2024: Digital Wallet Maturity Ushers in Golden Age of Payments.' 2024.

<sup>3</sup> Finastra. 'Instant Payments in the U.S.: How to Seize the Opportunity.' 2024.

<sup>4</sup> Federal Reserve Financial Services. '2024 Federal Reserve Payments Insights Business Study.' 2024.

<sup>5</sup> PYMNTS. 'Need For Speed: Faster Payments Are Key To Businesses' Financial Health.' 2024.

<sup>6</sup> Nilson Report. 'Merchant Processing Fees in the United States—2023.' March 2024.

<sup>7</sup> Federal Reserve Financial Services. '2024 Federal Reserve Payments Insights Business Study.' 2024.

Hear from SMBs:

