

Definitions

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, such as extended remittance details, with the payment.

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, including, **instant payment services, same day ACH, push-to-card, and digital wallet.**

Digital wallet apps fund the payee's digital wallet within minutes of payment initiation, where funds are used within the app or transferred to a bank account.

Embedded payments refer to the payment tools on e-commerce websites, where consumers choose their payment method and pay directly through an embedded link, providing single, one-click payment experience on apps and websites.

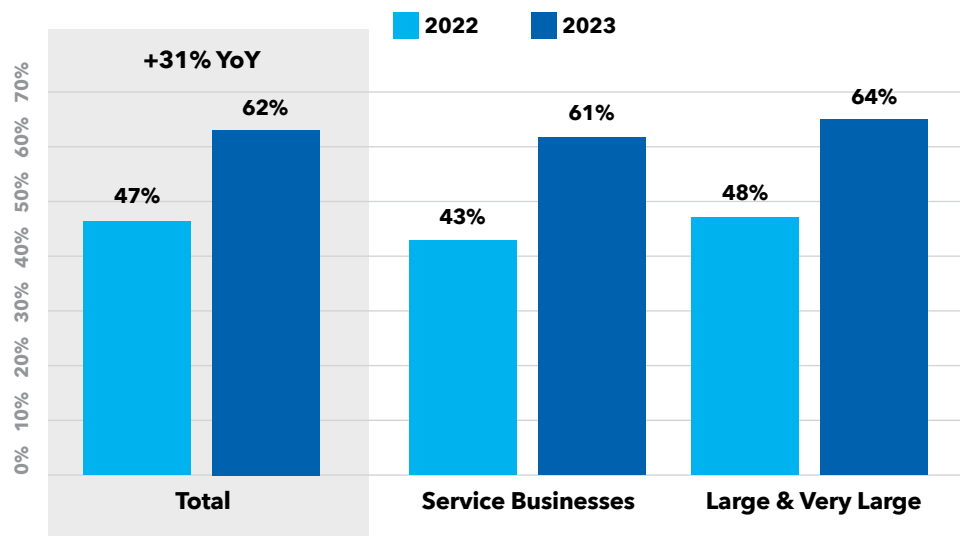
Same-day ACH credits the payee's deposit account by end of day if payment is initiated by the midday cutoff.

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

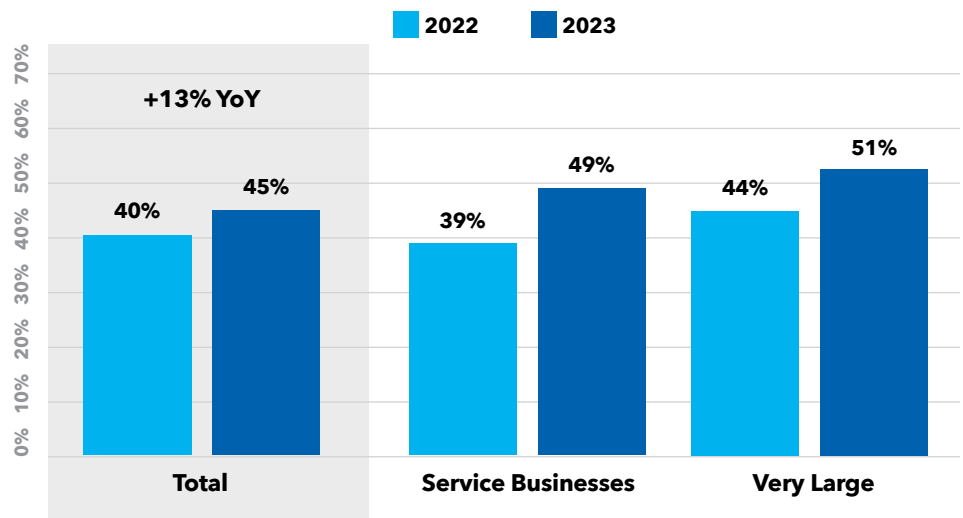
Executive summary

U.S. businesses are rapidly adopting digital, faster and instant payment services to improve customer experience and engagement, as well as their own efficiency, according to a recent survey by Federal Reserve Financial Services (FRFS). In 2023, use of digital wallets, many leveraging embedded payment platforms, grew 31% year over year to 62%, driven by large businesses and the service industry.

PERCENT USED DIGITAL WALLET PAST 12 MONTHS

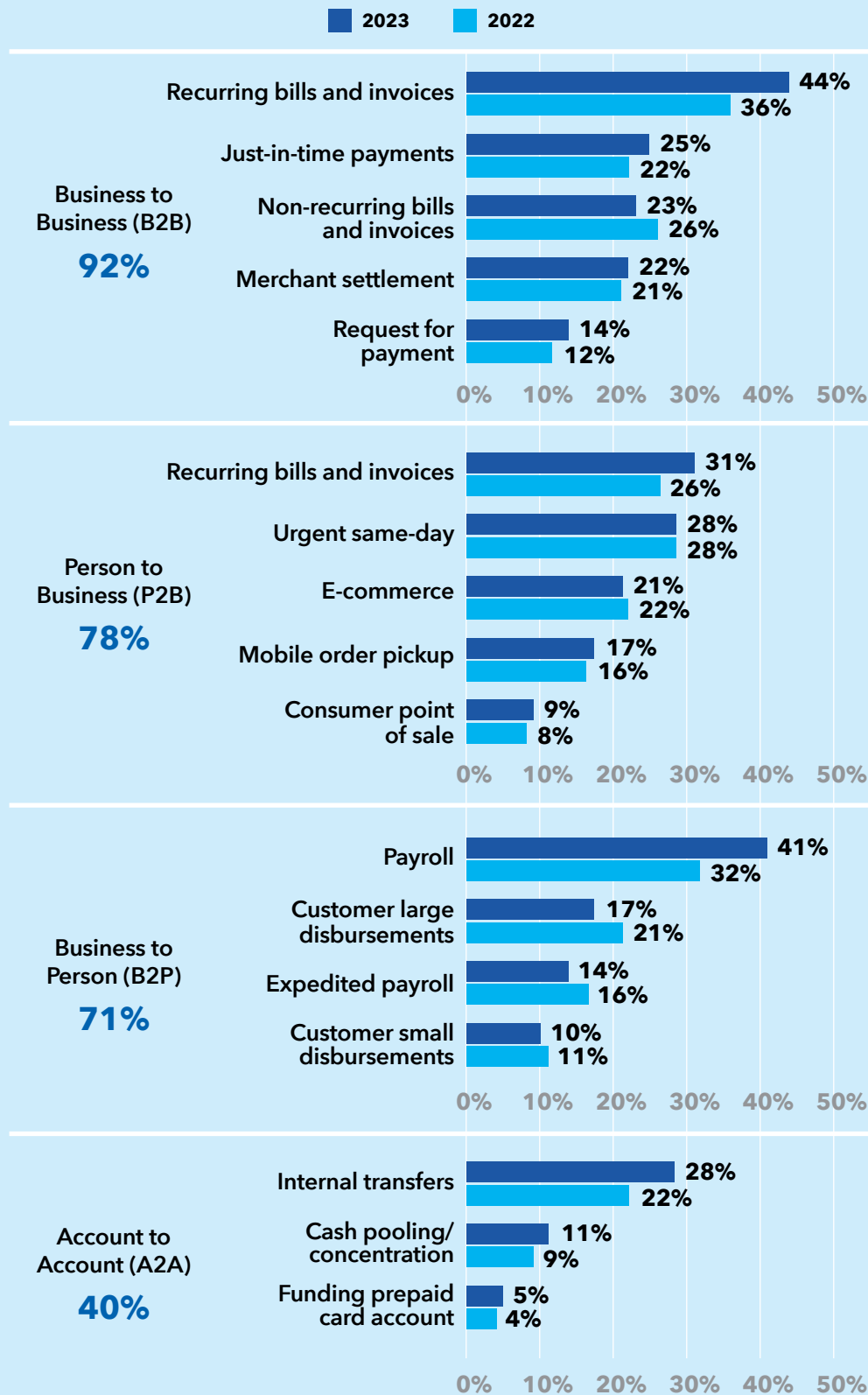


PERCENT USED SAME DAY ACH PAST 12 MONTHS



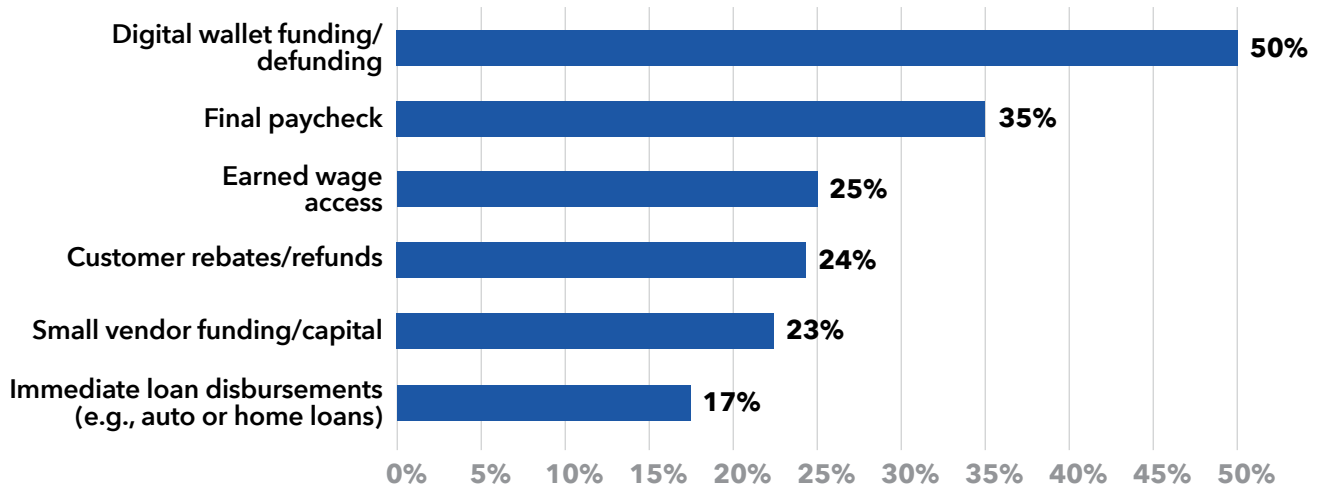
Please indicate all the ways your business has made or received payments using [payment method] in the past 12 months. (Select all that apply.)

TOP USE CASES TO BENEFIT FROM FASTER/INSTANT PAYMENTS



Please select the five most important business payment use cases that you think would benefit from faster or instant payments. (Select up to 5.)

ADDITIONAL USE CASES TO BENEFIT FROM FASTER/ INSTANT PAYMENTS

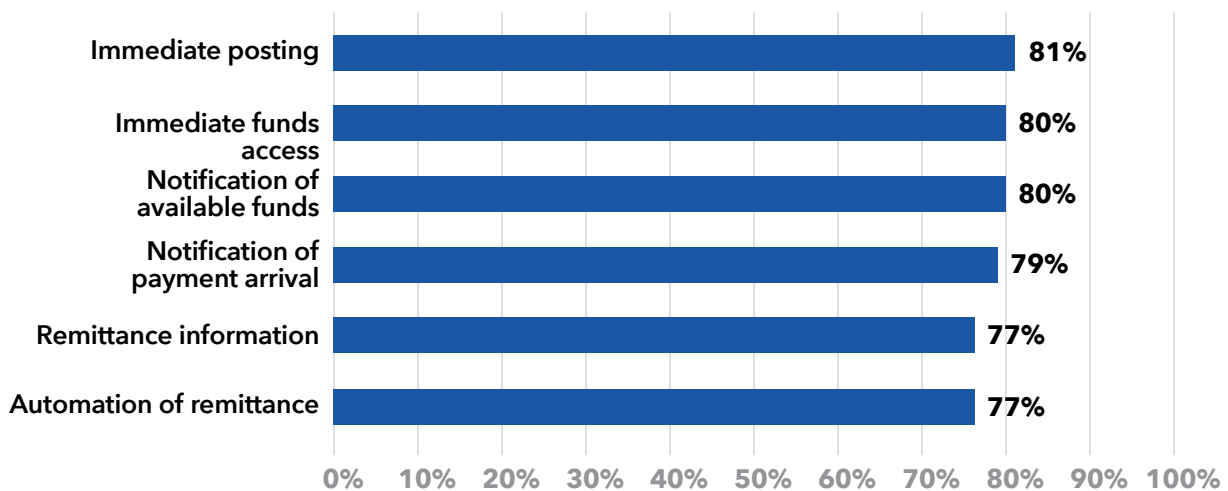


Please select from the provided list the three most important business payment uses that you think would benefit from faster or instant payments. (Select up to 3.)

Businesses move to digital, mobile and instant payments to follow their customers

Businesses reported greater overall operational efficiency and customer satisfaction when they offer digital payment options that include faster/instant payment services. The main advantages to offering faster/instant payment service have consistently included immediate access to funds received, which is the key driver of improved cash flow and working capital management. In addition, businesses like the ability to receive instant notifications, have funds post to their bank account immediately, and the opportunity to leverage enhanced remittance information to facilitate payment processing.

IMPORTANT FEATURES FOR FASTER/INSTANT PAYMENTS (TOP-3 BOX PERCENT)



When it comes to receiving payments for your business, how important are each of the following? (For each item, select the response that best describes its importance, with 1="not at all important" and 10="very important.")

About the survey respondents

The objective of this survey was to assess businesses' current payment practices, pain points, benefits and changing behaviors across payment types. Through an online questionnaire, 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 with respect to payments and their views on the benefits they expect from using enhanced payment options. The survey was conducted by Federal Reserve Financial Services (FRFS), a collaboration of the 12 Federal Reserve Banks. FRFS provides payment services to financial institutions, and thus the survey, and the statements and findings contained in this summary, are not independent academic research.

The survey sample included 2,005 businesses stratified by revenue size and industry.

RESPONSE SUMMARY

TABLE 1: Summary of Industry Sector	Sample Size
Manufacturing	347
Retail	371
Wholesale	93
Services	865
Other	329
Total	2,005
TABLE 2: Summary of Business Sizes	Sample Size
Very large (>\$250 million)	395
Large (\$100 million - \$250 million)	210
Medium (\$10 million - \$100 million)	453
Small (\$1 million - \$10 million)	452
Very small (<\$1 million)	495
Total	2,005

APPENDIX 1

Select data by business size

	Group	Total	Very Small	Small	Medium	Large	Very Large
Payment Usage ¹	Cash	54%	64%	56%	51%	50%	46%
	Check	68%	79%	73%	61%	55%	62%
	Digital wallets	62%	60%	57%	65%	66%	63%
	Credit card	54%	65%	60%	45%	46%	47%
	Next-day ACH	48%	38%	50%	53%	44%	54%
	Debit card	47%	49%	46%	46%	40%	48%
	Same-day ACH	45%	37%	44%	50%	40%	51%
	Wire	44%	28%	46%	50%	43%	57%
	Instant payments	46%	9%	27%	37%	45%	43%
	Digital currency	14%	6%	13%	17%	13%	21%
Other Statistics	Use 1 financial institution primarily	47%	66%	50%	36%	40%	39%
	Use 2+ financial institutions	49%	31%	47%	60%	58%	56%
	Changed bank within past year	4%	7%	3%	3%	3%	4%
	Importance of faster/instant	76%	56%	78%	80%	90%	87%
	Ready within three years	92%	87%	95%	93%	93%	92%
	Prefer primary financial institution for instant service	74%	76%	76%	75%	72%	71%

¹ Percentage of businesses reporting payment method used (“How has your business made or received payments for collections and disbursements in the last 12 months?”)