



COMPANIES ARE WIDELY ADOPTING INSTANT PAYMENTS AND TURNING TO BANKS TO HELP COMBAT FRAUD

MID-SIZE COMPANY LEADERS ARE POISED FOR AN ALL-DIGITAL FUTURE

Digital payments continue to transform the payment functions of mid-size U.S. companies. With the variety of existing and emerging options, it can be hard to know if businesses are maximizing opportunities to streamline and update their accounts payable and accounts receivable functions.

Corporate financial leaders have to try to balance reliance on methods that optimize their working capital — typically cash and checks are the most efficient — with methods that vendors, suppliers, customers and employees demand for their convenience. While it's not feasible for companies to adopt every new experimental payment type, they risk missing out on potential relationships if they don't factor in payee preferences.

A new survey of 202 C-suite executives at mid-size companies (those with an annual revenue between \$50 million and \$1 billion) explores what payment types are gaining ground and how organizations continue to adapt to the shifting payment technology landscape.

Key insights

- Mid-size company payment methods remain varied, with most companies using at least four types.
- Most companies are open to using both Real-Time Payments (RTP) and FedNow as instant payment adoption grows.
- Companies are increasingly relying on banks for certain services, such as payment fraud prevention and security.
- The vast majority agree digital payments help their financial processes and think a move away from checks to digital-only will happen within five years.

Continued reliance on a mix of digital payment methods

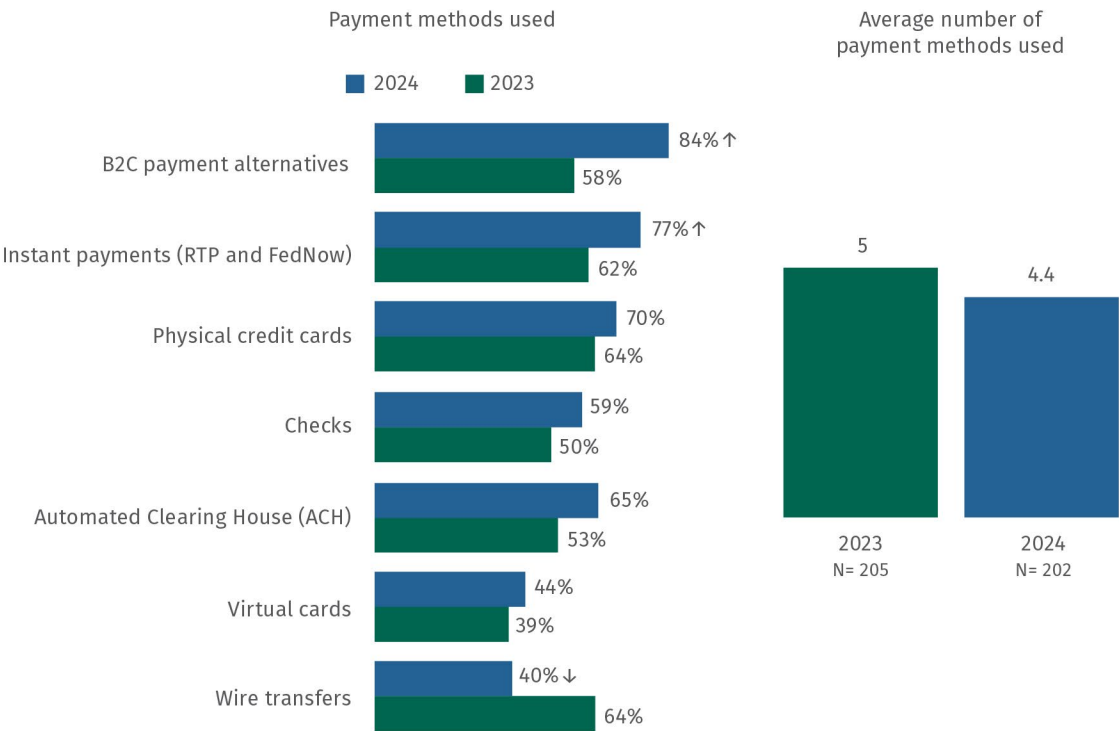
Consistent with the results of the [2023 Payment Trends Survey](#), the companies surveyed in 2024 have several digital payment methods in their mix and don't show a clear preference for one over others.

Most companies use four main payment methods: Automated Clearing House (ACH), credit cards, instant payments (RTP and FedNow) and business-to-consumer (B2C) alternatives like Venmo, Zelle and PayPal.

Year over year, adoption of nearly all digital payment methods mentioned in the survey increased among those surveyed. B2C payment methods have the most significant rise, with 84% of respondents listing it among the options in use, up from 58% a year ago. The only payment method with a decline in use is wire transfers, with just 40% of respondents including it as a payment method, down from 64% a year ago.

COMPANIES ARE SEEING AN UPTICK IN ALMOST ALL DIGITAL PAYMENT METHODS

On average, companies use four different digital payment methods with B2C payment alternatives and instant payments being the most common.



SURVEY QUESTION: Which of the following payment methods does your company currently use? Base: Total (2023 N=205, 2024 N=202)
↑↓ indicates significant difference from 2023 at 95% confidence interval (CI)

RTP and FedNow coexist as instant payments for now

B2C alternative payments and ACH involve fast transactions, but they aren't instantaneous. Only two payment methods currently allow transactions to settle in seconds with 24/7 uptime: RTP from The Clearing House and FedNow from the Federal Reserve.

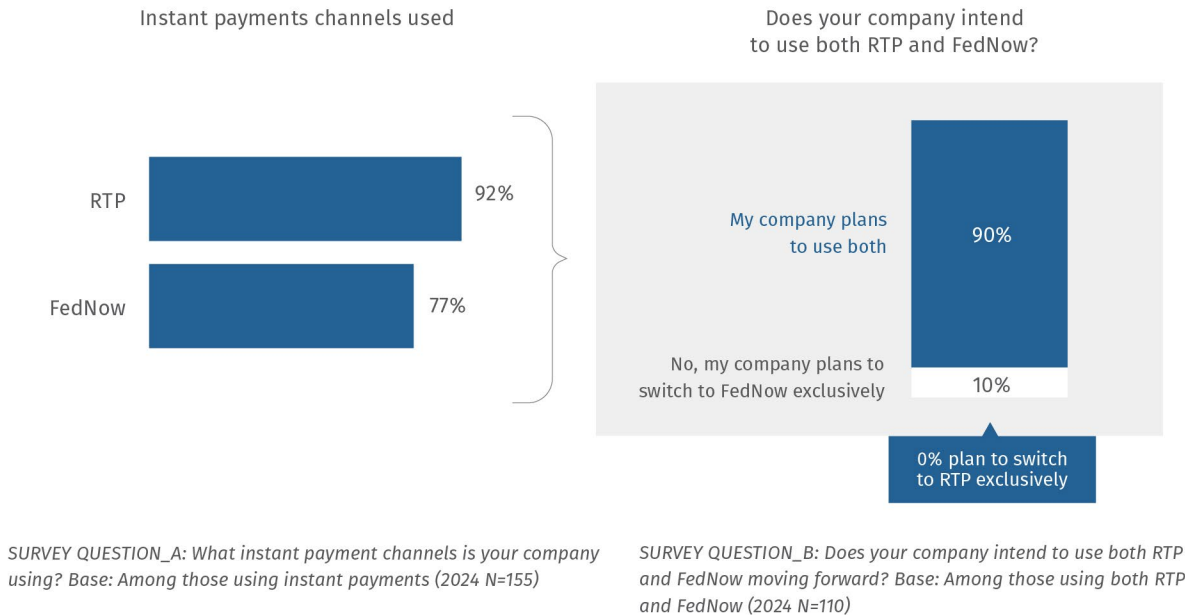
RTP launched in 2017, and FedNow was just released in July 2023. Nevertheless, most of the companies surveyed are already using both, with 92% using RTP and 77% using FedNow. Nine out of 10 respondents said they are open to using both in the future.

It's important to note RTP and FedNow are different, so it's not surprising companies are using both based on convenience and availability. A few factors differentiate these instant payments:

- RTP has been in the market since 2017 and was the first system of truly instant payments for corporate treasury departments.
- RTP's per-transaction limit is \$1 million while FedNow has a default limit of \$100,000 (although financial institutions can ask for an increase to \$500,000).
- RTP uses tokenization to ensure information is secure while FedNow, via the Federal Reserve, facilitates account-to-account transactions.

COMPANIES ARE ADOPTING BOTH RTP AND FEDNOW

Among companies using instant payments, RTP edges out FedNow, but the majority of companies are using both.



“Certain industries, like gaming, already accept a wide range of instant payment channels. As pay choice becomes increasingly relevant across other business areas, companies must continue to make thoughtful shifts to adopt more B2C alternatives and instant methods like RTP.”

— **Michael Cummins**, EVP and Head of Treasury Solutions at Citizens

More reliance on banks for payment-related transactional needs

Compared to last year, a higher proportion of the companies surveyed are relying on banks for support with services related to payment transactions, such as batch payment processing, short-term funding and streamlining foreign and domestic payments.

Across most of the financial services tied to payments — such as fraud protection and forecasting cash flow — more companies said they were looking to banks for help over fintechs.

One factor that's likely driving trust in banks is concern about fraud. In the survey, 63% of respondents said they relied on a bank for fraud protection, up from 56% a year ago. Although less than one-third of respondents said they were impacted by fraud in 2023, more than 90% of companies said they were concerned about it, and 27% said they were "extremely" concerned.

In the past several years, banks have been building out product suites that reinforce their long-held reputation of consumer trust. Companies need payment-related functions that prioritize security and are finding that financial institutions increasingly have options ready to meet their needs. Banks have been developing and improving receivables automation, integrated payables and other domestic and international payment capabilities that provide reliable performance and protection. These services are helping to reignite and strengthen corporate leaders' relationships with their bankers.

"Companies are turning to banks amid a more challenging macro-economic environment where fraud and trust are concerning customers on a wide scale. Banks have an established track record for security and have been building up a suite of robust, reliable advanced payment capabilities."

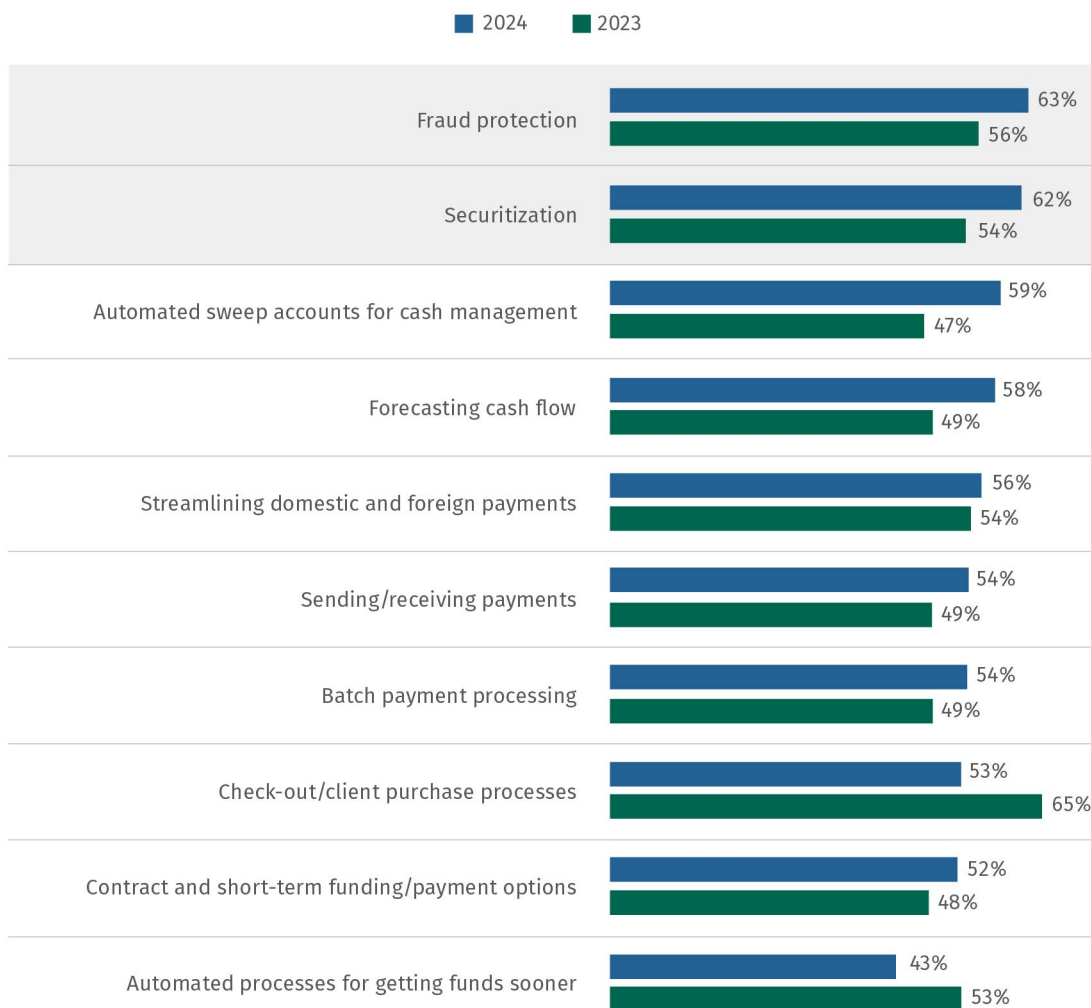
— **Taira Hall**, EVP and Head of Enterprise Payments for Citizens



COMPANIES INCREASINGLY TURNING TO BANKS FOR FRAUD PROTECTION AND SECURITIZATION

Confidence in banks appears to be restored in 2024 as companies are using banks at a higher proportion than in 2023 across 8 out of 10 transactional needs.

Proportion of transactional needs done through a bank



SURVEY QUESTION: When thinking about the variety of transactional needs your business has – which of the following transactions does your bank help your company with vs. a third-party provider? Base: Total (2023 N=205, 2024 N=202)

Preparing for digital payments to dominate the future

Financial leaders at mid-size companies find distinct advantages in using digital payments. Almost all survey respondents agree digitization has helped with cash flow forecasting and provided better visibility and control of their finances.

Despite these advantages, about 4 in 5 people surveyed think the move to digital payments and away from paper currency and checks will create system integration challenges that will have to be overcome.

Even so, 94% of the executives say their company expects to transition away from checks to become all-digital within the next five years.

Companies may need to adopt digitization much faster for that to be the case. Among the surveyed companies, an average of only 44% of their transactions are currently digital. But the landscape does seem to be shifting as fewer companies say they think cash and checks are necessary. In 2023, 73% of

respondents considered cash and checks important or critical; this year, just 56% said cash and 53% said checks were important or critical.

The survey results show the top factor holding companies back from payments digitization is perceived fraud and security risks. Another potential impediment was having employees or vendors who prefer physical payment methods. Mitigating these factors will need to be a focus for businesses that want to switch to all-digital payments.

“Companies are rightfully concerned about fraud, but some of the worries are misplaced. Digital payments have robust fraud controls and are more secure than checks.”

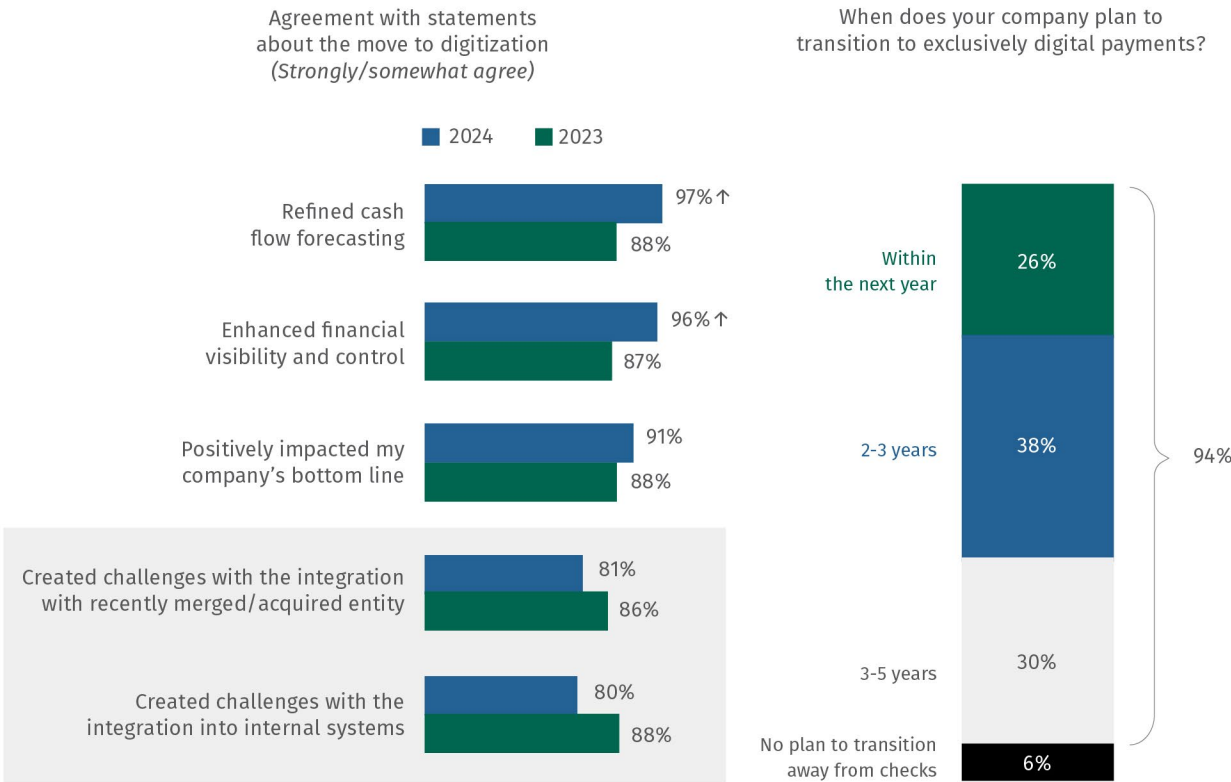
— Matt Richardson, Head of Treasury Product Solutions for Citizens



Mid-size companies appear to be embracing digital payments for their efficiency and security and have a willingness to adapt to consumer preferences. As payment technology continues to evolve, it will be crucial for businesses to stay on top of industry trends and leverage new payment solutions to stay competitive.

POSITIVE SENTIMENT FOR DIGITIZATION HAS INCREASED OVERALL

Significantly more survey respondents agree that the move to digitization has refined cash flow forecasting and enhanced visibility/control while fewer agree that it has created challenges. Overall, 94% indicate that their company intends to transition to exclusively digital payments within the next 5 years.



SURVEY QUESTION: When thinking about the move away from paper to the digitization of treasury processes, to what extent do you agree or disagree with the following statements? Base: Total (2023 N=205, 2024 N=202)
↑ ↓ indicates significant difference from 2023 at 95% confidence interval (CI)

SURVEY QUESTION: If/when does your company plan to transition away from checks to exclusively digital payments? Base: Among those who's company's use checks (2024 N=186)

Explanation of methodology

Citizens worked with an independent research firm to conduct the online survey Feb. 16–26, 2024. The 202 survey participants were:

- CFOs, treasurers, VPs of finance, heads of accounts payables or controllers
- Decision-makers for their company's accounting or treasury functions
- At U.S. mid-size companies with an annual revenue between \$50 million and \$1 billion who operate in non-banking sectors

Actions to consider

Assess your payment partnerships.

Companies can review their banking and payment partnerships to ensure their services include robust fraud protection and integrate seamlessly with existing internal systems.

Evaluate the use of physical payments.

Educating stakeholders about the benefits of digital payments, including developments in fraud protection, may ease resistance to change and help companies move forward with a shift to all-digital payments.

Stay agile and adapt.

The digital landscape is evolving with new technologies and regulations. To keep ahead of the curve, companies will need to stay on top of industry trends and continually review and adjust their payment strategies.

See how we can help improve how your business reaches its goals.
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