



## Helping SMBs Ramp Up Digital Disbursements

payments profitability business customers digital banking

**Summary:** Digital disbursements give businesses a smooth and immediate payment process. With global digital payments expected to hit \$7.64T by 2024, opportunities for businesses to seamlessly make payments is ramping up. Community financial institutions can help them while finding benefits, such as reducing expenses, increasing transparency, generating fee income, and assisting with customer profitability.

Interestingly, 5K year-old tablets show that workers in Mesopotamia were paid in rations of beer. Even back then they had pay stubs! Yet, payment with beer is no longer common practice and payments overall have advanced light years since ancient Mesopotamia.

Still, for companies that provide services to small- and mid-sized businesses (SMB), getting paid has sometimes taken longer than desired. But, as payments and financial services have become more electronic, digital disbursements are changing the game.

Digital disbursements give businesses a smooth and immediate payment process to and from vendors and customers. Consumers have already expressed high interest in digital payments through record growth of apps such as Zelle and Venmo. In 2020, digital distribution payment provider [Zelle handled \\$307B](#) across 1.2B transactions. The [global digital payments market is predicted to hit \\$7.64T by 2024](#), and SMBs will be an increasing part of that.

As SMBs ramp up their use of digital disbursements, community financial institutions (CFIs) will want to support them. Digital disbursements offer a variety of upsides for you:

**Reducing expenses.** By making disbursement payments completely electronic, CFIs can reduce the cost of making these payments to roughly one-fifth of the paper-payment — from an average of \$1.70 per item to \$.37 per item. Much of the cost savings comes from not having to manage or process paper checks, as well as reducing the management of escheatment. That said, taking on the full rollout of digital payments can cost roughly \$70K. So, you may want to use a phased approach.

**Increasing transparency.** The digital disbursement process promises to provide better accuracy and a more detailed accounting trail, in addition to more speed. A high level of transparency is especially important as Paycheck Provider Program (PPP) funds and other stimulus funds flow through the accounts of your business customers. Interestingly, SMBs are also looking for a higher level of transparency. According to a Mastercard SMB study from August 2020, 87% stated that transparency is an important aspect in their conversion to digital payments.

**Generating fee income.** As SMBs look to CFIs for more features and functionality in digital disbursements, they may even be willing to pay a fee for them. If that is the case, not only would you satisfy your SMBs' needs, but you would also generate additional revenue. In today's low-interest rate environment, that is especially welcomed. An example of this is sending a payment faster with a 0.5% or even 1% fee.

**Assisting with customer profitability.** By having a detailed digital footprint, CFIs can better view payees' activity and potentially adjust their messaging and offers for increased customer profitability. The more data you have the better and the more quickly you can understand what drives your business customers. If you notice transaction volumes are way up, you may want to offer them a service for a set number of transactions a month. Thus, you can provide them with the services they need while understanding how it affects their overall customer profitability and your institution's performance.

Digital disbursements are in ramp-up mode, so CFIs will want to be sure they can provide a certain level of service to their SMBs. While there are several options out there, an important one is [FedNow<sup>SM</sup>](#). We will be working on this pilot program shortly with the Fed and are keeping in mind these and other benefits for you and your end customers. Stay tuned!

## PCBB SELECTED FOR FEDNOW PILOT

PCBB has been selected as a pilot bank for the Federal Reserve's FedNow<sup>SM</sup> instant payments service. We're honored to assist in the development of the functionality and user experience, with our community financial institution customers in mind. Read [the press release](#) for more information.

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