

Real-Time Payments – Disruption or Opportunity?

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Real-time payments are the most consequential development in the payments industry since the advent of debit cards in the mid-1970s. Anticipating the benefits of and demand for faster payments, a significant number of fintechs and bigtechs have strategically focused on modernizing and expediting consumer and commercial payments. Their success is evolving the industry one payment service at a time and each emerging service disrupts the industry and disenfranchises financial institutions.

Banks and credit unions without faster payment solutions can no longer meet expectations or compete with the industry innovators. Financial institutions must offer modern payment and money management services to successfully attract, grow, and retain consumer and commercial accounts and deposits.

It is also important to consider that the prolonged pandemic environment has intensified the focus on expediting funds availability and improving cash flow with clean payments. According to ACI Worldwide, **real-time payments in the U.S. are expected to grow at a 42.1% annual rate through 2024¹.** That means the volume of real-time payments will increase from \$734 million in 2019 to \$4.2 billion by 2024.

Level consulting interviewed 270 financial professionals for its 2021 *Real-Time Payments Market Insight Report*.² Their responses showed that:

- 76% believe real-time payments will provide a competitive advantage
- 66% will likely offer real-time payments in the next two years
- Only 5% do not anticipate offering real-time payments.

According to the Level report, one of the biggest challenges to offering real-time payments is the lack of education:

- 35% that do not plan to adopt real-time payments cited lack of understanding and knowledge as the largest barrier
- 47% that plan to adopt real-time payments or that have already implemented them cited lack of understanding and knowledge as a top challenge

- 52% that plan to adopt real-time payments or that have already implemented them cited system complexity as a top challenge.

While most banks and credit unions are recognizing the overwhelming need to offer real-time payments, many of them need more than the supporting technology. Most need a true payments partner that can provide the **expertise and strategic guidance** to help them maximize the potential of real-time payments.

A majority of those interviewed in the Levvel report (76%) plan to use third-party providers to offer real-time payments. If you are developing your near- and long-term faster payments strategy, start by finding the strategic partner that has the proven experience to provide:

- Seamless connections to existing real-time payments networks and plans to support all future networks that emerge
- Network-specific certification and onboarding support
- A technology platform that generates all network-required data feeds
- Seamless network-specific settlement, clearing, and dispute management
- Ongoing access to real-time transaction dashboards and reporting
- A sophisticated, high availability technology infrastructure.

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Payments are the most common “money moments” for consumers and businesses, and payments innovations are evolving money movement and the user experience at unprecedented rates. Providing money in the exact moment of need has evolved from a competitive distinction into a competitive necessity. But financial institutions must **leverage this transformative opportunity now.**

Despite the innovations driven by fintechs and bigtechs, there is currently greater trust in banks and credit unions than most of these emerging payment providers. So financial institutions must capitalize on that trust before it erodes – and it will. Now is the time to offer modern solutions that enable consumers and businesses to rely on their financial institutions to support their evolving payment needs. If not, a tech company’s app in the palm of their hand could become the primary payments choice.

Payments reinvention is impacting every bank and credit union. Is it time to rethink your payments strategy to ensure your technology can meet evolving expectations? Is it time to reinvent payments as a mission-critical component of your digital reinvention? If so, it's time to learn more about [Jack Henry Payments](#).

Visit jackhenry.com/payments, or contact us at payments@jackhenry.com for more information or to schedule a demonstration of our payment solutions.

SOURCES

1. [Digital Transactions](#), December 2020
2. [Levvel](#), October 2020