

ISSUERS REPORT 2023

The Issuers Report 2023: FinTechs' Instant Payments Mismatch, a PYMNTS and Ingo Money collaboration, provides a snapshot of the current state of services FinTechs offer consumers in the United States. The report is based on two surveys: a census-balanced survey of 2,292 U.S. consumers conducted between Jan. 6 and Jan. 10 that investigated consumers' adoption and overall usage of instant payments, and a survey of 150 FinTech issuers conducted between March 13 and May 16 that examined the services issuers offer and their customers' satisfaction with the money mobility capabilities they provide. These FinTechs generate revenues of \$5 million or more and are in the areas of payment products or services for consumers and/or finance or financial operations.

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The Issuers Report 2023: FinTechs' Instant Payments Mismatch was produced in collaboration with Ingo Money, and PYMNTS is grateful for the company's support and insight. **PYMNTS** retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

The consumers powering today's economy are increasingly digital-first, meaning money mobility is a top requirement for any financial services provider — especially burgeoning FinTechs set on winning consumers away from traditional banks. It may be no surprise, then, that PYMNTS' research finds that peer-to-peer (P2P) transfers are the top services consumers expect when using a FinTech provider. While supply has not always met demand, FinTech account issuers are closing this gap, increasingly offering P2P transfers to their account holders.

As a result, FinTech issuers also reported increased customer satisfaction for the completion of both money-in and money-out transactions. Consumer satisfaction is measured by our Money Mobility Index (MMI), which calculates issuers' ease of signing and retaining customers via a unique formula based on the range and types of payment options they provide. On average, issuers were 5.5% more likely to offer satisfactory experiences to customers this period than in Q3 2022, our data finds.

Despite their efforts to meet consumer demand for P2P transfers, our data suggests that that FinTech issuers need to better understand their customers' needs. For instance, consumers were most likely to use FinTech providers because they offer a wide array of fund transfer options and fast transactions, but FinTechs tout convenience and customer experience as their top features. Additionally, FinTechs recognize that their customers have issues moving funds to or from their accounts yet fail to fully grasp that prompt availability of good funds is their customers' biggest concern.

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This is what we learned.

UNDERSTANDING THE MMI

The MMI measures issuers' ease of signing and retaining customers. Each issuer is given a unique MMI score based on the range and types of payments options it provides. The higher the MMI, the higher the chance an issuer has of earning new customers and providing those customers the money mobility experience they expect. The greater their money mobility, the more likely those customers are to use their accounts.

Each issuer has three different MMI scores: an overall MMI score, an MMI score for moving money into accounts and an MMI score for moving money out of accounts.



Making the grade

Some FinTech account issuers perform better on the MMI than others, and our research correlates their performance with three tiers of issuers.

TOP PERFORMERS

These are the 30 issuers with the highest Index scores in our study. They have the highest chance of retaining their account holders, earning an average score of 75.4. These are the overachievers that serve as examples from which other issuers can learn.

MIDDLE PERFORMERS

These issuers are the average students — they are neither the best nor the worst at signing and retaining customers. Their average Index score is roughly the sample average: 56.3.

BOTTOM PERFORMERS

These are the 30 issuers with the lowest scores in our study. Their average Index score is just 36.9, meaning that our metrics determine they are the least likely to offer customers a satisfactory experience. Some of their tendencies may be best to avoid.

01

MORE FINTECH ISSUERS NOW OFFER P2P SERVICES, WHICH HAS IMPROVED THEIR CUSTOMERS' OVERALL LEVEL OF SATISFACTION WITH THEIR SERVICES.

P2P transfers for money-in and money-out transactions are the most popular services among consumers, used by 51% and 44%, respectively. We found that 47% of FinTech respondents reported they allow consumers to send P2P transfers and 41% allow consumers to receive these transfers, representing increases of 10 percentage points for sending and 9 percentage points for receiving since Q3 2022. At the same time, these issuers were 5.5% more likely, on average, to offer satisfactory experiences to customers this quarter than in Q3 2022 for money-in and money-out transactions.

02

FINTECH ISSUERS SELL CONVENIENCE AND CUSTOMER EXPERIENCE, BUT CONSUMERS BUY AVAILABLE PAYMENT OPTIONS AND SPEED.

Consumer account holders gravitate to FinTech providers that offer an expanded array of fund transfer options and fast transactions. Transfer speed is the leading reason why consumers use FinTech providers — 27% hold this view. This is followed by the availability of a wide variety of payment and fund transfer options, which was cited by 26% of consumers. Yet 27% of FinTechs erroneously believe that convenience is the top reason why consumers use these accounts. Customer experience also ranks as a perceived top reason, with 21% of FinTechs believing it to be a priority, even though only 4.8% of consumers actually cited customer experience as the top reason they use FinTech providers.

03 FINTECH ISSUERS RECOGNIZE THAT THEIR CUSTOMERS EXPERIENCE MONEY MOBILITY ISSUES, YET THEY UNDERESTIMATE THE IMPORTANCE CONSUMERS PLACE ON INSTANT ACCESS TO GOOD FUNDS.

Nearly all FinTech issuers — 93% — believe that their customers encounter issues when depositing or transferring funds, yet they fail to properly identify where consumers have trouble when doing so. Among consumers who reported issues when depositing money into their accounts, 41% said that the guarantee of good funds/speed was the issue they faced most often, while 28% cited the guarantee of good funds/speed as their most experienced issue when moving funds out of their accounts. Yet FinTechs were more likely to report that consumers were more concerned about customer experience and limited options when moving funds: 37% believe that customer experience was account holders' most frequent issue when depositing funds, while 32% said limited availability of payment methods was customers' most frequent issue when moving funds out.

04 LARGE FINTECH ISSUERS STRUGGLE MOST TO BALANCE THE INCREASING COST OF FRAUD WITH DELIVERING INSTANT ACCESS TO GOOD FUNDS TO THEIR CUSTOMERS.

Less than half of FinTechs reported that their customers do not experience security issues when depositing (45%) or receiving funds (48%), representing only a 1 percentage point improvement since Q3 2022. Meanwhile, 68% of top-performing firms — those with the highest level of customer satisfaction — reported no security issues when using money-out features, a far greater share than the corresponding 46% and 21% of firms in the middle and lower performance tiers. For half of all firms surveyed, managing the cost of fraud was the primary issue faced when combating it, and the share of larger FinTechs reporting fraud costs as their top challenge has risen from 35% in Q3 2022 to 43% in Q2 2023.

Meeting the growing demand for instant pay

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While the supply of P2P transfers has not always met demand, PYMNTS' most recent survey of FinTech CFOs finds that FinTech account issuers are increasingly offering P2P transfers to their account holders. This is good news, as P2P money-in and money-out transactions are the most used services among consumers; usage rates are 51% and 44%, respectively.

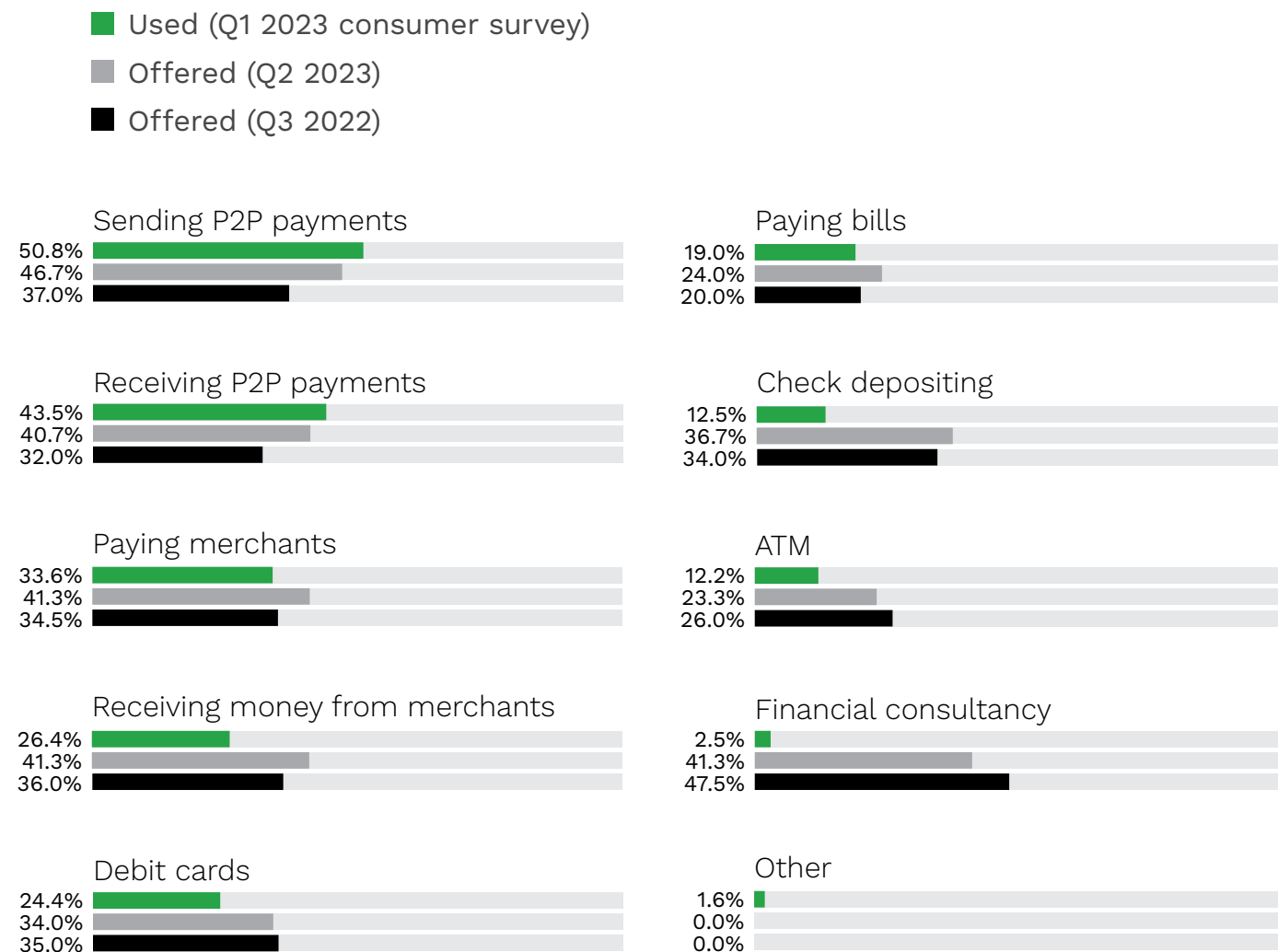
Currently, 47% of FinTechs allow consumers to send P2P transfers and 41% allow consumers to receive these transfers. This represents an increase of 10 percentage points for sending and 9 percentage points for receiving since Q3 2022. In contrast, FinTechs are less likely to offer services with lower consumer usage. For example, financial consultancy offerings decreased from 48% to 41% since Q3 2022, and it is a service that only 2.5% of consumers use.

Since Q3 2022, FinTechs have also reduced instant deposit availability for cryptocurrency, even as they have expanded other deposit and withdrawal options. In fact, the share of issuers offering or planning to add instant capabilities has diminished the most for cryptocurrency deposits: from 53% to 29% this quarter. Meanwhile, digital wallet support has increased to 85% from 83% in Q3 2022 for instant deposits and to 73% from 68% for withdrawals.

The result of providing more instant payment options is reflected in the MMI: In Q2 2023, FinTechs averaged a 5.5% higher MMI score than in Q3 2022. Although it may appear slight, an increase in the overall score from 53.5 to 56.5 indicates that FinTech issuers were more likely to offer satisfactory experiences to customers this quarter than in Q3 2022.

FIGURE 1:
Consumers' interest in financial services

Share of issuers that offer select services or products and share of consumers who used them



Source: PYMNTS

Issuers Report 2023: FinTechs' Instant Payments Mismatch, July 2023
N = 150: Whole sample, fielded March 13, 2023 – May 16, 2023

Disbursements Satisfaction Report 2023, April 2023
N = 2,292: Complete responses, fielded Jan. 6, 2023 – Jan. 10, 2023

Issuers Report: Q3 2022: The FinTech Fraud Ripple Effect, November 2022
N = 200: Whole sample, fielded Aug. 3, 2022 – Aug. 25, 2022

FIGURE 2:
Changes in MMI scores

MMI scores over time



Source: PYMNTS

Issuers Report 2023: FinTechs' Instant Payments Mismatch, July 2023
N = 150: Whole sample, fielded March 13, 2023 – May 16, 2023

Issuers Report: Q3 2022: The FinTech Fraud Ripple Effect, November 2022
N = 200: Whole sample, fielded Aug. 3, 2022 – Aug. 25, 2022

What FinTech customers really want

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There seems to be a mismatch between FinTech issuers and account holders as to what features customers deem important when using a FinTech account. According to the FinTech CFOs surveyed for this study, convenience and customer experience were customers' most important reasons to use such accounts, while our consumer survey finds instead that account holders want a wide array of fund transfer options and speedy transactions.

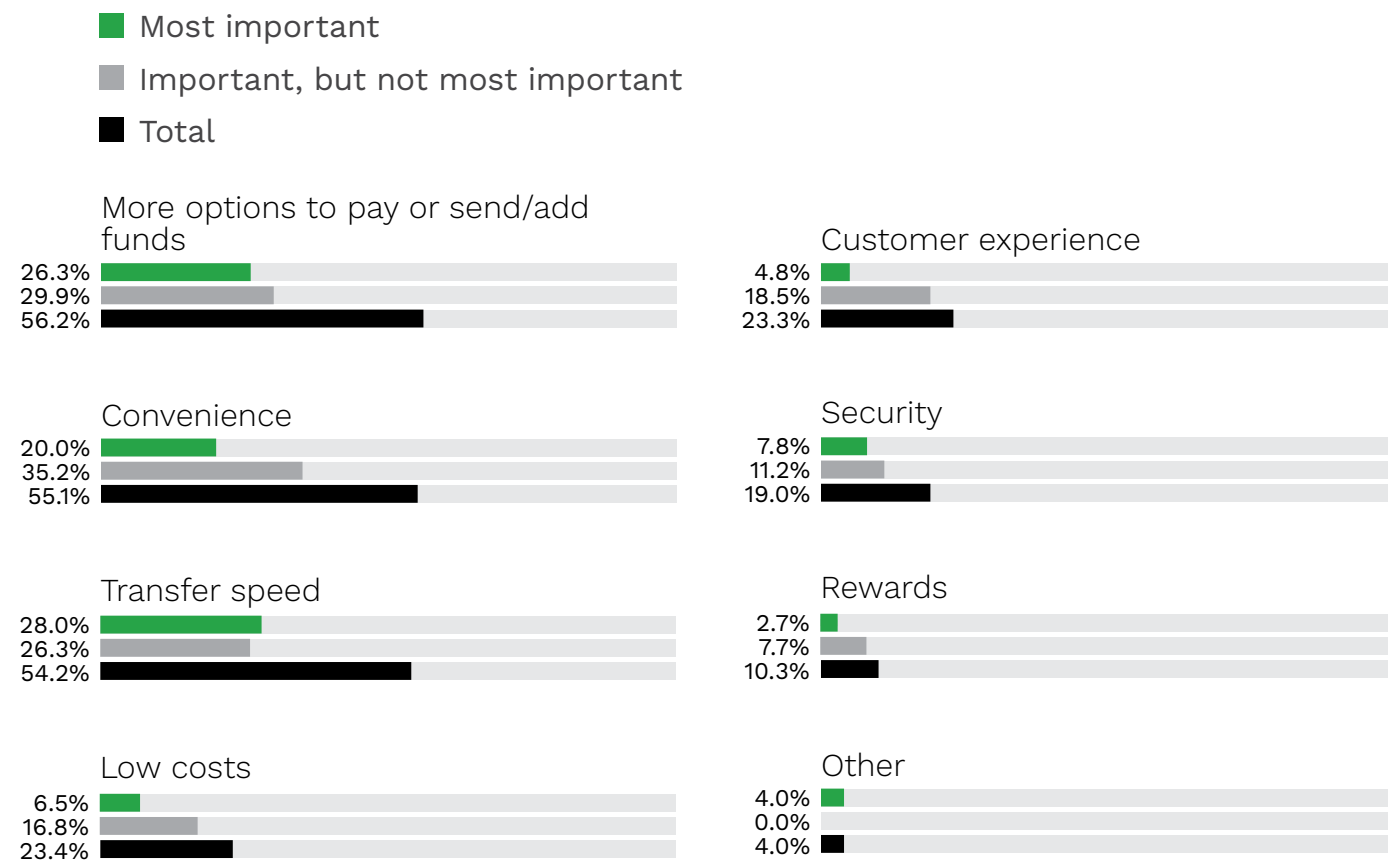
Our data shows that the availability of multiple payment and fund transfer options was consumers' most cited reason for using a FinTech, with 56% naming it as important and 26% citing it as most important. For 28% of consumers, transfer speed was their most important reason for using a FinTech provider. In comparison, only 19% and 12% of FinTech CFOs cited transfer options and speed, respectively, as their customers' most important reasons for using a FinTech — lower rates that suggest a disconnect between their perceptions and reality.

This happens in reverse as well, with more CFOs believing that convenience is customers' top reason for using a FinTech provider (27%) than the actual measure of consumers citing convenience as their most important reason for doing so (20%). CFO respondents think that customer experience is a top consideration: Although 21% of CFOs believe this, only 4.8% of consumers actually use the accounts primarily for customer experience.

FIGURE 3A:

Reasons for using a FinTech service provider

Share of consumers citing select reasons for using FinTech providers



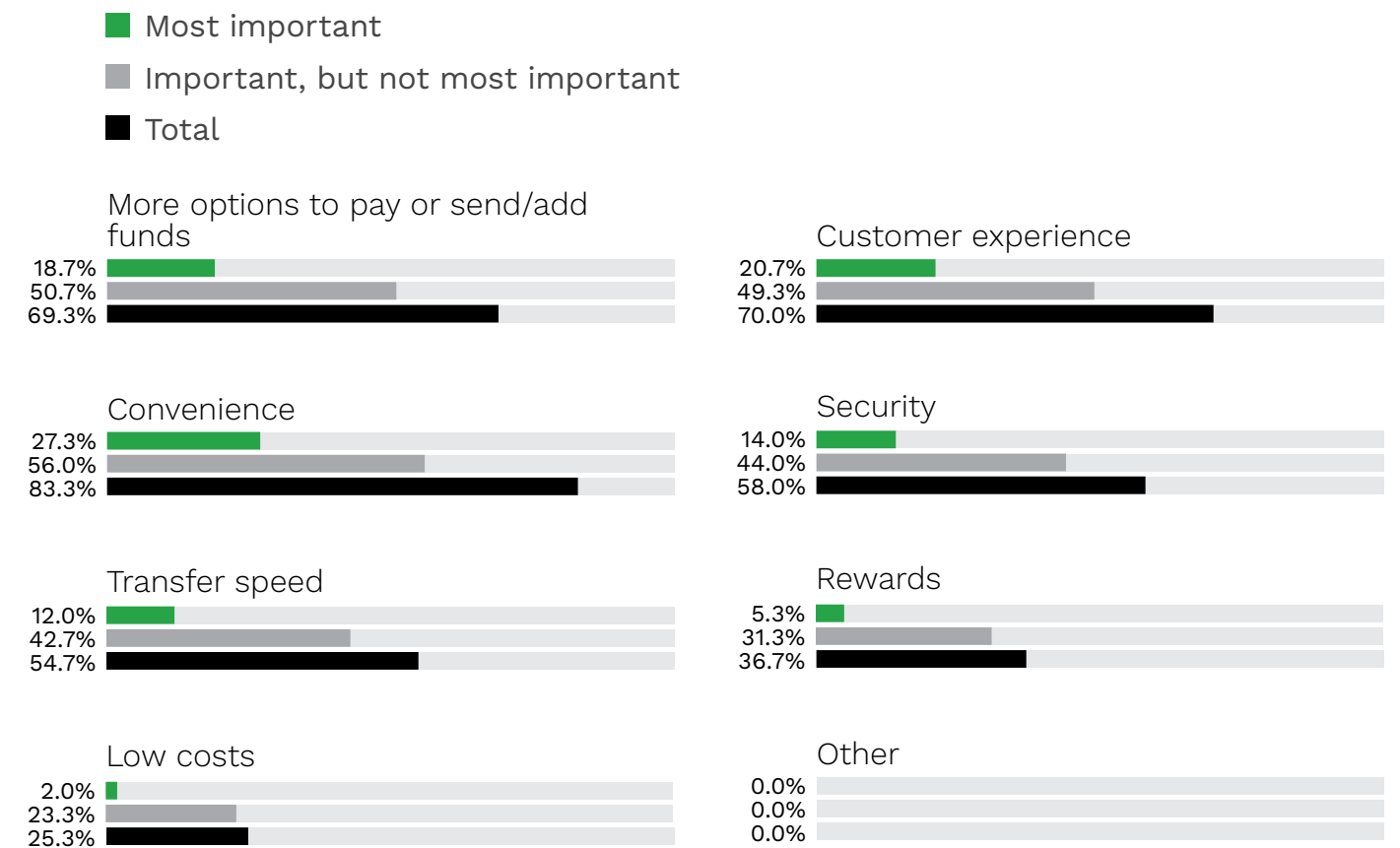
Source: PYMNTS

Disbursements Satisfaction Report 2023, April 2023
 N = 761: FinTech users, fielded Jan. 6, 2023 – Jan. 10, 2023

FIGURE 3B:

Reasons for using a FinTech service provider

Share of issuers citing select reasons they believe consumers use FinTech providers

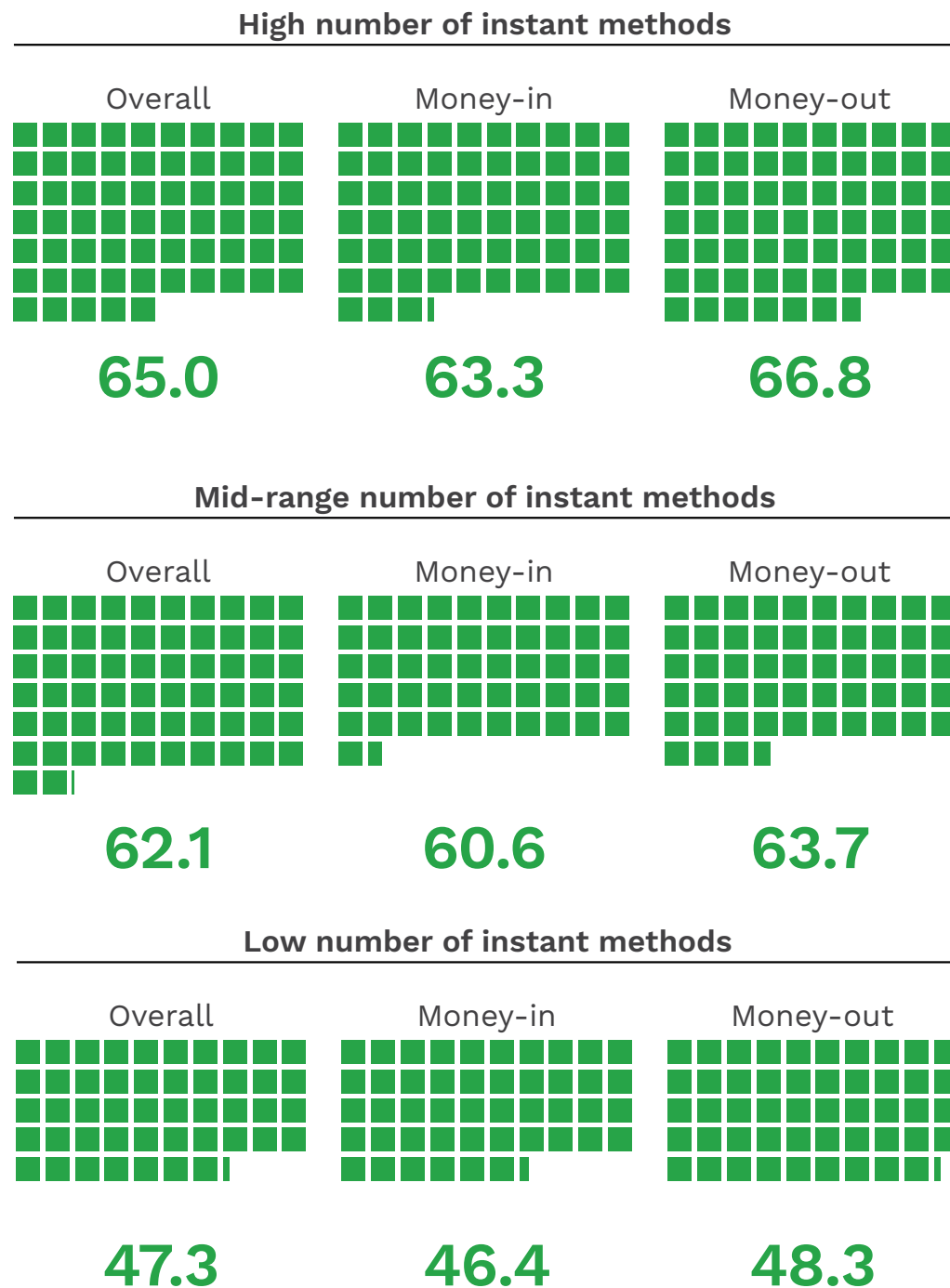


Source: PYMNTS

Issuers Report 2023: FinTechs' Instant Payments Mismatch, July 2023
 N = 150: Whole sample, fielded March 13, 2023 – May 16, 2023



FIGURE 4:
Number of instant methods and customer satisfaction
 Index score Q2 2023, by number of instant methods and type of transaction



Source: PYMNTS

Issuers Report 2023: FinTechs' Instant Payments Mismatch, July 2023

N = 150: Whole sample, fielded March 13, 2023 – May 16, 2023

Instant method availability and customer satisfaction

PYMNTS' research finds a direct correlation between the number of instant payment methods FinTechs provide and higher customer satisfaction, indicating that customers experience fewer payment frictions when depositing or transferring funds. Firms providing a high number of instant payment options average an overall MMI score of 65; the average score is 62.1 among those with a mid-range number and 47.3 among those with a low number of payment options.

It seems, however, that FinTech customers faced more issues and reported being less satisfied when moving funds in than when moving funds out, regardless of the number of instant payment methods they offered. For instance, FinTechs providing a high and a mid-range number of instant payment options average an Index score that is three points higher for money-out transactions than for money-in ones, while those with a low number of payment options average an Index score that is two points higher for money-out transactions than for money-in ones.

How FinTechs misread customer needs

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If PYMNTS' data is any indication, nearly all FinTechs recognize that their customers encounter issues when depositing or transferring funds, with 93% saying so. Yet again, the data seems to find a disconnect between what FinTechs consider their customers' top issues and what consumers report are their biggest concerns. In other words, FinTechs are failing to correctly identify where consumers have trouble when depositing or transferring funds. In fact, the prompt availability of good funds remains consumers' most common issue when moving money to or from accounts. Yet, according to the FinTechs surveyed, customer experience issues and limited transfer options are consumers' leading concerns.

Our consumer study finds that 41% of consumers who reported issues when depositing money into their accounts said that a guarantee of good funds/speed was the issue they faced most often, while 28% of consumers who reported issues when moving funds out of their accounts identified the guarantee of good funds/speed as their biggest concern. In comparison, only 20% and 12%, respectively, of FinTechs reported the same regarding their account holders.

Meanwhile, 37% of FinTech CFOs cited customer experience as their account holders' most frequent issue when depositing funds, compared to just 19% of consumers surveyed. At 32%, FinTech CFOs were most likely to cite having limited options to move funds as their account holders' most experienced problem when moving money out, while only 19% of consumers surveyed reported the same.

FIGURE 5A:

Consumers' biggest payment issues

Share of consumers citing the issue most often experienced when depositing funds into accounts compared to the share of issuers citing issues as those customers experience most



Source: PYMNTS

Disbursements Satisfaction Report 2023, April 2023

N = 230: Respondents who reported issues when moving funds into accounts, fielded Jan. 6, 2023 – Jan. 10, 2023

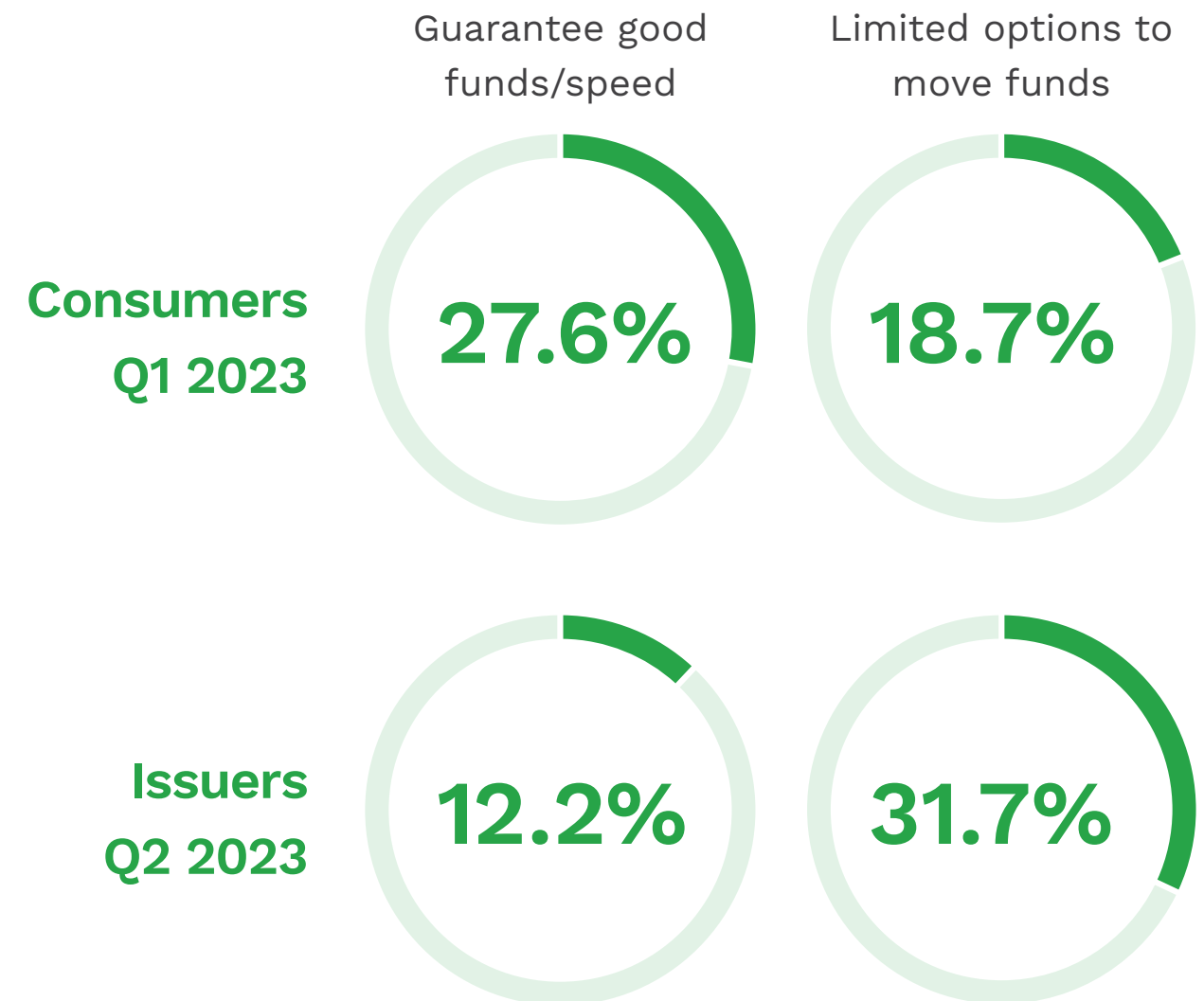
Issuers Report 2023: FinTechs' Instant Payments Mismatch, July 2023

N = 139: Respondents who reported issues when moving funds into accounts, fielded March 13, 2023 – May 16, 2023

FIGURE 5B:

Consumers' biggest payment issues

Share of consumers citing the issue most often experienced when moving funds out of accounts compared to the share of issuers citing issues as those consumers experience most



Source: PYMNTS

Disbursements Satisfaction Report 2023, April 2023

N = 216: Respondents who reported issues when moving funds out of accounts, fielded Jan. 6, 2023 – Jan. 10, 2023

Issuers Report 2023: FinTechs' Instant Payments Mismatch, July 2023

N = 139: Respondents who reported issues when moving funds out of accounts, fielded March 13, 2023 – May 16, 2023

How security drives customer satisfaction

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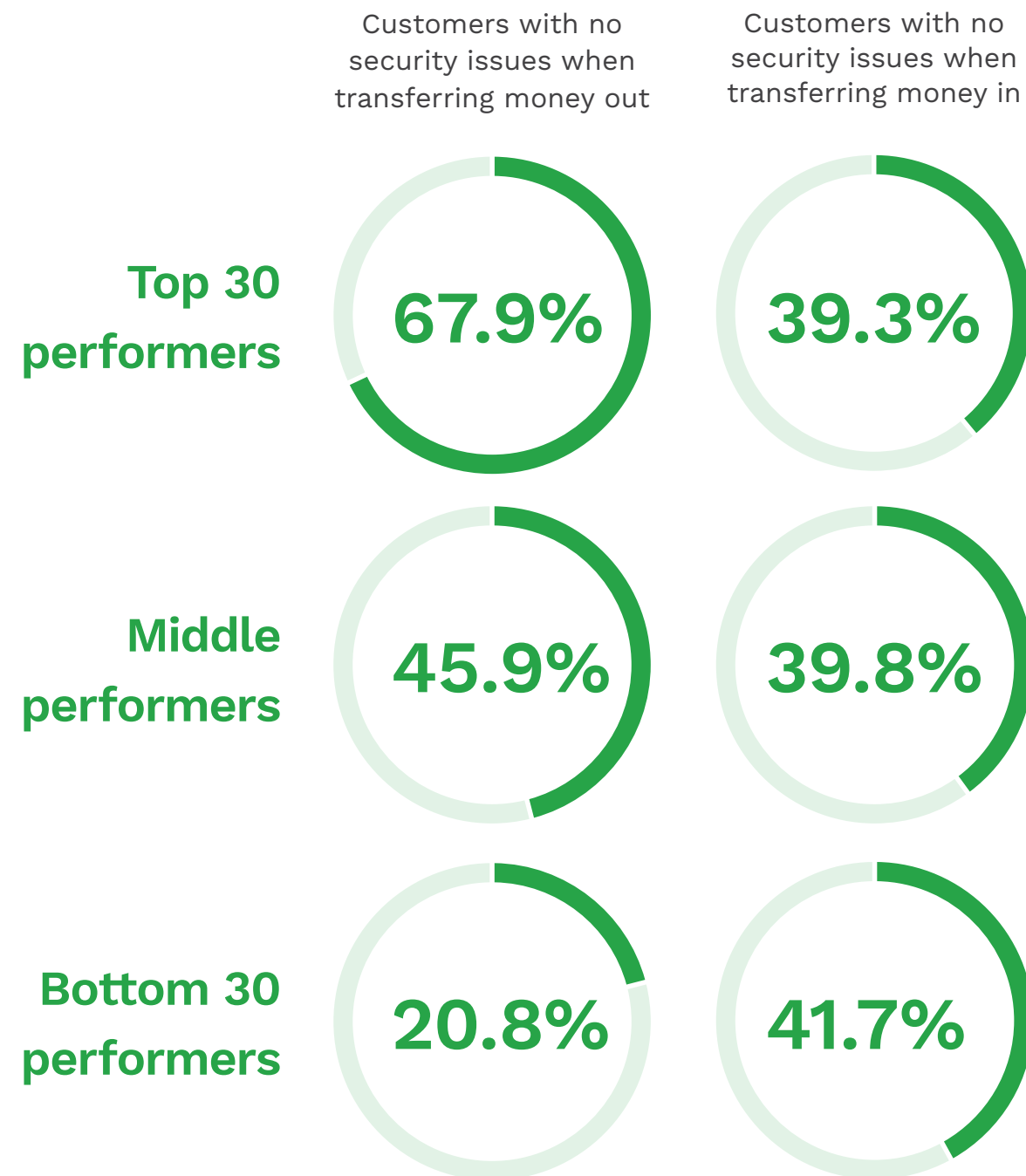
While offering more instant payment options can help firms rank higher on the customer satisfaction scale, it can also mean an increased probability of fraud. Security concerns remain an impediment to providing consumers with instant access to good funds. Mitigating these challenges can thus result in higher levels of customer satisfaction.

Our data finds that less than half of FinTechs surveyed reported that their customers have not experienced security issues when depositing (45%) or receiving funds (48%), representing only a 1 percentage point improvement since Q3 2022. Yet among top-performing firms, 68% have no security issues when using money-out features — a far greater share than the corresponding 46% and 21% of firms in the middle and bottom performance tiers, respectively. Approximately 40% of FinTechs in all performance tiers said their customers reported no issues using money-in features, suggesting that depositing funds can present more security challenges for all types of firms.

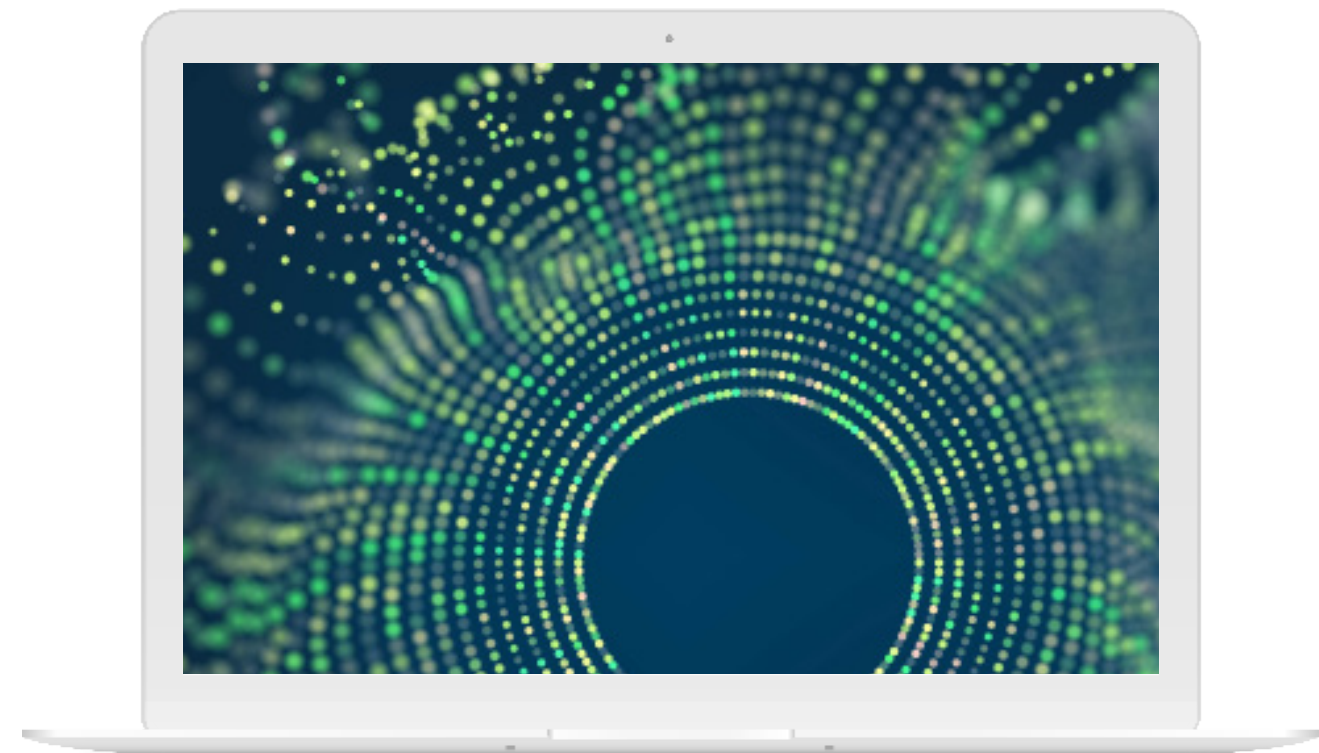
68%

Share of top-performing firms that have no security issues when using money-out features

FIGURE 6:
Security issues' impact on customer satisfaction
 Share of FinTech issuers in Q2 2023 that said customers have no security issues transferring money in and out, by issuer performance tier



Almost all FinTechs surveyed highlighted managing fraud's cost as a challenge when combating fraud, with 50% citing it as their primary issue. Medium-size firms generating between \$10 million and \$100 million in revenue were the most likely to struggle when managing the cost of fraud, at 58%. Larger firms generating more than \$100 million in revenue are increasingly struggling to manage the cost of fraud: The share reporting that the cost of fraud was their top challenge increased significantly, jumping from 35% in Q3 2022 to 43% in Q2 2023.



Source: PYMNTS

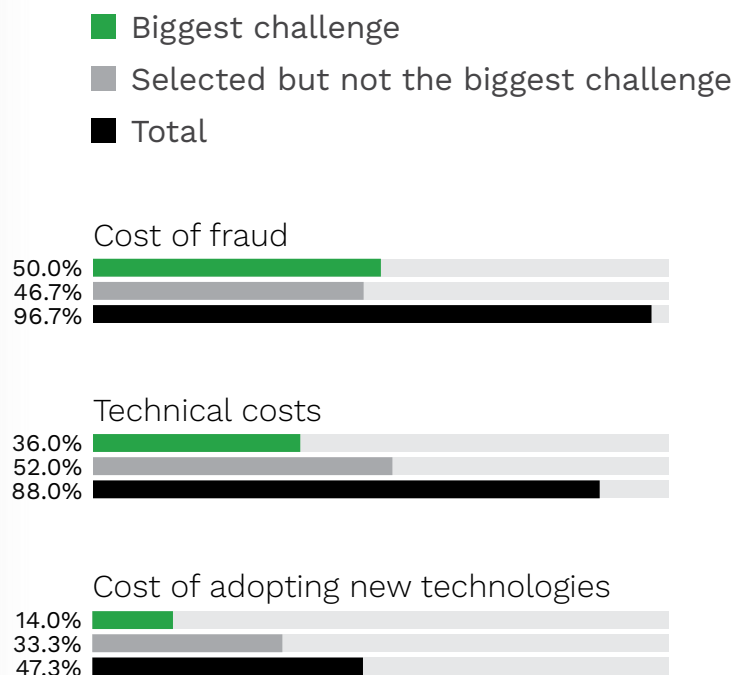
Issuers Report 2023: FinTechs' Instant Payments Mismatch, July 2023
 N = 150: Whole sample, fielded March 13, 2023 – May 16, 2023



FIGURE 7A:

Fraud management challenges

Share of firms stating challenges they faced when combating fraud

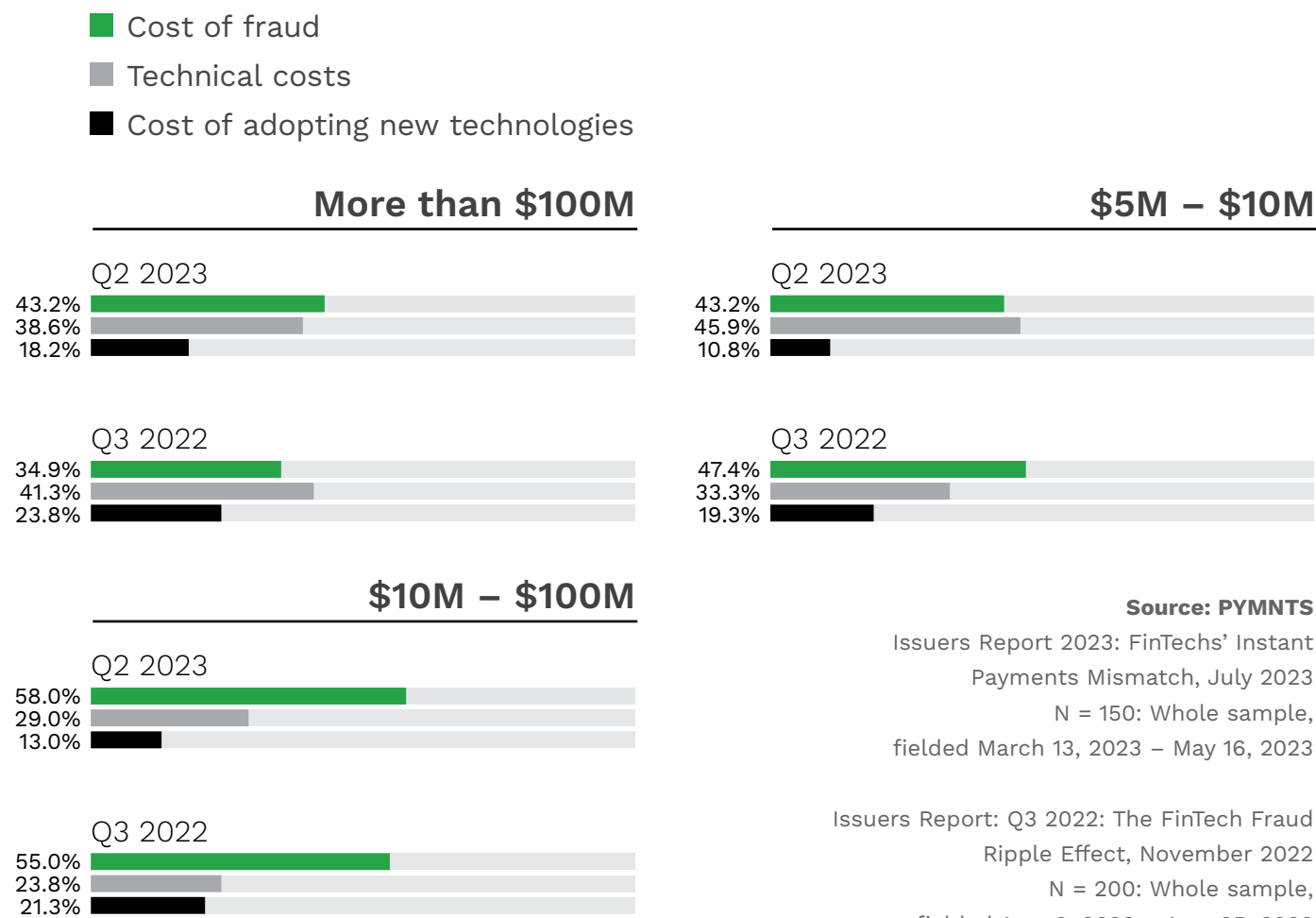


Source: PYMNTS
 Issuers Report 2023: FinTechs' Instant Payments Mismatch, July 2023
 N = 150: Whole sample, fielded March 13, 2023 – May 16, 2023

FIGURE 7B:

Fraud management challenges

Share of firms citing the top challenge faced when combating fraud, by revenue



Source: PYMNTS
 Issuers Report 2023: FinTechs' Instant Payments Mismatch, July 2023
 N = 150: Whole sample, fielded March 13, 2023 – May 16, 2023
 Issuers Report: Q3 2022: The FinTech Fraud Ripple Effect, November 2022
 N = 200: Whole sample, fielded Aug. 3, 2023 – Aug. 25, 2023

CONCLUSION

FinTechs provide a number of instant payment services, and P2P options are the most popular. As P2P transfers continue to make inroads in the United States, consumers have increasingly high expectations for their availability. FinTech issuers appear to be meeting this consumer demand, and our Money Mobility Index finds that firms that provide a larger number of payment methods in a secure and frictionless fashion score higher in customer satisfaction. Despite these advances, however, there seems to be a shortfall in understanding what FinTechs believe is important to their customers and what consumers rank as top priorities. Not only do consumers want access to a wide variety of payment options but they also expect prompt availability of good funds. FinTechs issuers, meanwhile, tout convenience and customer experience as their top features, even as they recognize that their customers have issues moving funds to or from accounts. By correcting such missteps and better aligning with their customers, issuers can continue to up their game in customer satisfaction.

Methodology

The Issuers Report 2023: FinTechs’ Instant Payments Mismatch, a PYMNTS and Ingo Money collaboration, is based on two surveys: a census-balanced survey of 2,292 U.S. consumers conducted between Jan. 6 and Jan. 10 that investigated consumers’ adoption and overall usage of instant payments, and a survey of 150 FinTech issuers conducted between March 13 and May 16 that examined the services issuers offer and their customers’ satisfaction with the money mobility capabilities they provide. These FinTechs generated revenues of \$5 million or more and were in the areas of payment products or services for consumers and/or finance or financial operations.

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PYMNTS is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



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