



Visa Consulting & Analytics (VCA)

# Payments and banking for SMBs: Transforming how businesses pay and get paid



Each month, the experts at Visa Consulting & Analytics (VCA), Visa's advisory arm, deep-dive into one of [10 key priorities for payments-industry stakeholders in 2024](#) using anonymized VisaNet data.

**This month, our experts outline for financial institutions (FIs) how the evolution in commercial banking and payments processes for small- to medium-sized businesses (SMBs) is presenting opportunities to help them improve client acquisition, engagement, and retention.**

The world of banking and payments for SMBs is experiencing rapid, profound change. The evolving landscape is being driven mostly by new technologies; demand for faster and more convenient ways to be paid, to move money, and to pay suppliers; and an ever-expanding range of industry participants bringing innovation and competition. Though the nuances may vary significantly across country lines, SMBs around the globe are experiencing a scene of dynamism and disruption in their payments-and-banking processes.

In the paper, VCA provides an overview of how key SMB payments trends are playing out globally and how FIs, fintechs, and enablers in the space can tap into the implications and opportunities presented by the changing landscape.



# Dynamism, disruption, and a renewed focus on SMBs' payments-related needs

The B2B commercial payments market is vast, representing a \$145 trillion (USD) opportunity for participants globally, within the broader \$200 trillion (USD) opportunity for both commercial and money movement transactions.<sup>1</sup> Commercial payments are massively diverse, with variations in payments procedures regionally typically prompted by several factors, including local regulations, competitive environments, and market economics. But overall, the expectations of SMBs (and their customers) are rapidly changing.

When it comes to their in-house payments and banking processes, SMBs are generally looking for simpler technology onboarding, faster settlements, and lower transaction costs. So, in several markets, SMBs are adopting technologies to support real-time payments (RTPs), which are projected to represent nearly one-third of all electronic payments by 2028.<sup>2</sup>

In 2023, the RTP volume growth exceeded 42 percent globally. In Brazil, the central bank launched an instant-payments system, which now accounts for 39 percent of all electronic payments in the regional market.<sup>3</sup> In China, digital wallets and application-owned ecosystems dominate. India's digital-payments market is led by a domestic RTP. In the United States, RTPs are the most common payments type in the market, accounting for nearly half of business-to-business (B2B) purchasing spend in 2024.<sup>4</sup> B2B payments transactions in the U.S. outpace consumer payments five-to-one, with businesses expecting their enablers—FIs, independent software vendors (ISVs), payments facilitators (PayFacs), and other stakeholders—to offer all market payments options to pay and be paid, whether the options are used or not.<sup>5</sup>



SMBs are generally looking for:



**Simpler technology onboarding**



**Faster settlements**



**Lower transaction costs**



1. McKinsey Global Payments Map 2022, 2022 EY Visa Direct Global Market Sizing Study, Visa analysis

2. ACI Worldwide, Prime time for real-time, 2024: <https://www.aciworldwide.com/prime-time-for-real-time-report>

3. Banco Central do Brasil, Issuer Reported Data | Brazilian Payments Report – Jun'24

4. eMarketer, US B2B Payments Forecast 2024, 2024: <https://www.emarketer.com/content/us-b2b-payments-forecast-2024>

5. Datos, Datos Insights: Real-Time Payments: Navigating Complexity, Unlocking Value, May 14, 2024: <https://datos-insights.com/reports/real-time-payments-navigating-complexity-unlocking-value/>



Various technologies are also being used at the point-of-sale (POS). Many SMB owners and operators have adopted quick response (QR) codes to streamline payments (often prevalent at hawker stands and across the restaurant sector). In addition, many street vendors have rapidly adopted contactless, tap-to-pay acceptance methods, often using a new generation of Tap to Phone or softPOS solutions.<sup>6</sup>

The emergence of embedded payment solutions, such as in-app and online platform-integrated payment processes, is significant. Increasingly, merchants and ISVs, such as software-as-a-service accounting solutions, are enabling digital payments in their respective platforms and checkouts, which can have a significant impact on payment flows.

Additionally, economics plays a crucial role in the take-up of different payment types. High onboarding and processing costs can be a disincentive for merchants. Conversely, banks and other players can be reluctant to support a particular payment type if profit potential is limited.

Equally important is the way is the way payments players are working to understand and to meet the needs of SMBs. In Europe, for example, smaller businesses are actively looking for one-stop-shop propositions to serve their combined needs across both payables and receivables. And, in response, several acquirers are actively moving into the issuing space, enabling them to better meet SMB customer needs and diversify their revenue streams. SMBs are also increasingly exploring blockchain based payments for their efficiency. In 2022, over 44 percent of worldwide blockchain revenues were generated from payments.<sup>7</sup>



**In Europe, for example, smaller businesses are actively looking for one-stop-shop propositions to serve their combined needs across both payables and receivables.**

6. Financial Accountant, What you need to know about SoftPOS, 2023: <https://www.financialaccountant.co.uk/features/what-you-need-to-know-about-softpos>

7. Global Payments, March 2, 2023: <https://www.globalpayments.com/en-ca/insights/2023/03/02/blockchain-technology-is-revolutionizing-payments>





# SMB payments and banking poised for significant growth

At the same time, banks and payments players are eyeing the SMB sector as an attractive growth opportunity. After all, the sector has significant scale, is rapidly digitizing, and has not traditionally had its needs met by the banking community.

Traditional banks continue to dominate the market share for SMB accounts at 75 percent globally, yet digital banks already have a more-than-20-percent market share.<sup>8</sup> Many of the best-known and most-respected challengers have a clear SMB-focus. Several payments enablers have developed programs focused on lending to small businesses, a key role in their commercial success. The SMB ecosystem is also evolving with payments enablers like ISVs and PayFacs offering innovative, vertical-focused, omni-channel solutions; as a result, traditional acquiring banks are not usually the first point-of-entry for SMBs. However, we see traditional acquiring banks partnering with ISVs and PayFacs to reach new verticals and, in some cases, use mergers or acquisitions as an approach.

Examining this trend in the U.S. reveals that

# 85%

of acceptance in the U.S. is driven by

## payments enablers

versus only 15 percent driven by banks. This split is similar in the U.K. and in the rest of Europe.<sup>9</sup>

8. McKinsey & Well, Small Medium Enterprises (SMB) Banking - Thematic Intelligence, 2022: <https://mckinseywell.com/products/small-medium-enterprises-sme-banking-thematic-intelligence>

9. The Paypers Integrated payments and ISV/SaaS distribution in merchant payments Thursday 25 August 2022, <https://thepappers.com/expert-opinion/integrated-payments-and-isvsaa-distribution-in-merchant-payments--1258102>





We observe challengers innovating and making headway in six key areas: lending automation, data visualization and insights, SMB growth, embedded finance, card-based innovation, and acceptance innovation.



## Key area #1

### Lending automation

Digital technologies enable new lenders to process massive volumes quickly and to restructure loans at minimal marginal cost. Entirely touch-free processes, from customer acquisition to underwriting, surfaced during the global pandemic and have since been refined (e.g., quick application and instant approval). Open banking technologies also provide new ways to accelerate credit line scoring and to improve onboarding. Meanwhile, digitalized lending means providers can access additional data points using tools like internet-browser cookies to conduct targeted marketing and direct outreach, to take better control over information outflow, and to simplify ways to monitor and optimize performance (e.g., using A/B testing).



## Key area #2

### Data visualization & insights

Rich performance-level insights are increasingly made available to SMBs to help them manage their businesses more effectively. Dashboards that integrate with SMB accounting packages provide insights across areas like spending, cashflow, outstanding invoices, tax return filings, eligibility for funding, and, increasingly, AI-driven suggestions and recommendations.

Fintechs, such as accountancy software providers, are delivering dashboards to give SMBs a more holistic view of key performance metrics to help track cashflow and working capital positions. Meanwhile, challenger banks commonly use "SMB like me"-type data to assess credit risk, such as what might be the best location in which to open a new retail outlet.





## Key area #3

### Helping SMBs to grow

Beyond financial and operational insights, many players entering the SMB space actively look to help SMBs pursue their growth ambitions and overcome their challenges – perhaps by helping them extend their online presence, enhance their working capital capabilities, increase their purchasing power, or improve their efficiencies.

For instance, a ride-hailing service provides SMBs with access to its commerce platform, which includes options for banner advertising and guidelines for online selling. Fulfillment solution providers and challenger banks are helping SMBs in launching and scaling their ecommerce businesses. Fintech companies are developing integrated platforms that offers SMBs products, such as digital banking, loans, cashback cards, online sales, digital wallets, and payment terminals. And some banks are now offering innovative products targeted at small businesses to effectively manage cashflow, staffing, and revenue growth.

In addition, Visa Direct, Visa’s push-to-account money movement solution, offers several use cases such as payouts for SMBs, account-to-account transfers, and payouts to consumers. As these online platforms expand, banks may use them for more effective screening, monitoring, and assessment in credit underwriting.



## Key area #4

### Embedded finance

Rapid growth is predicted for B2B embedded finance payments. In the U.S. market alone, these payments are expected to surpass \$2.6 trillion (USD) by 2026—a three-fold increase since 2022.<sup>10</sup> And, given this growth trajectory, several new collaborations are emerging. For example, Visa recently partnered with Taulia, a fintech provider of working capital solutions, to enable the use of payment credentials for enterprise payments made through SAP’s ERP platform.<sup>11</sup>

Following developments in consumer banking, SMB banking activity has been moving from the branch to digital channels and now from proprietary digital channels to embedded finance (and embedded lending), such as end-to-end lending APIs for merchants or debit and credit facilities to drivers in ridesharing.

Time-pressed SMB owners can spend their time on a variety of sites, but often they rely on large ecommerce platforms, where it makes sense to be able to access all financial information, accounting, and access to funding in one place. Where orders are placed with suppliers, the option to apply for funding increases from their bank through a lending API, or indeed through any other credit provider offering better terms. Invoice financing on marketplaces is a popular use case, so if payment term is 90 days, an SMB can receive the amount owed, minus the fee from the lender, the day the item is sold.

10. Bain & Company, Embedded finance transaction value to more than double, 2022: [https://www.bain.com/about/media-center/press-releases/2022/embedded-finance-transaction-value-to-more-than-double-to-\\$7-trillion-in-us-by-2026-but-financial-institutions-must-move-quickly-to-keep-upbain--company-and-bain-capital-report/](https://www.bain.com/about/media-center/press-releases/2022/embedded-finance-transaction-value-to-more-than-double-to-$7-trillion-in-us-by-2026-but-financial-institutions-must-move-quickly-to-keep-upbain--company-and-bain-capital-report/)

11. Visa, Visa and Taulia / SAP Partner to Drive Global Availability of Embedded Finance, 2024: <https://usa.visa.com/about-visa/newsroom/press-releases.releaseld.20476.html>





## Key area #5

### Card-based innovation

Cards remain a popular method of payment that continue to evolve with innovation. Virtual cards, or the digital issuance of cards, are seeing continued growth driven by B2B transactions. This spending is expected to grow more than fourfold to reach \$13.8 trillion (USD) between 2023 and 2028.<sup>12</sup> New security and fraud-detection features, improving user experience, and enhanced features like ease of reporting and the ability to add business cards to digital wallets are driving its growth. Innovations in spend management, improved integrations, real-time analytics, and AI-powered forecasting are being provided by Visa and fintechs.

Payments enablers in North America have developed an all-in-one software-as-a-service platform, helping restaurants operate payroll, lending, analytics, gift cards, and loyalty programs holistically.



## Key area #6

### Acceptance innovation

In emerging markets, cost of acceptance devices can be materially high for SMBs. By 2027, global contactless transactions are expected to exceed \$10 trillion (USD), and 94 percent of all smartphones globally are NFC-enabled.<sup>13</sup> Solutions such as Tap to Phone present a low-cost alternative for SMBs to drive acceptance growth.

Another low-cost form factor, contactless QR codes are prevalent in markets across Asia Pacific and Latin America. QR code payment acceptance works well in the markets in which a small percentage of smartphones has NFC capability (due to the additional costs of this feature). The QR codes payment market size is anticipated to grow from \$11.2 billion (USD) in 2022 to nearly \$51.6 billion (USD) in 10 years.<sup>14</sup>

12. Juniper Research. <https://www.juniperresearch.com/press/virtual-card-spend-to-reach-13-8tn/#>

13. NFC Contactless Payment Statistics: <https://fit-small-business.com/contactless-payment-statistics/>

14. Fintech future, Global QR Codes Payment Market Size, October 12, 2023, <https://www.fintechfutures.com/techwire/global-qr-codes-payment-market-size-to-surpass-usd-51-58-billion-growth-by-2032-surge-in-adoption-of-contactless-payments/>





# Four key recommendations for financial institutions and fintechs

Here are four key recommendations—applicable equally to both traditional FIs and Fintechs and payment enablers—to secure growth in the SMB segment:



**Have a clear focus on a specific and well-defined customer segment**

There are a variety of ways that traditional banks and fintechs can define their target markets and customer prioritization. These can include several criteria, including balance sheet metrics (e.g., total assets outstanding), P&L metrics (e.g., annual turnover), company size (e.g., number of employees), geographic footprint, vertical industry, sales channels, and legal entity type. This segmentation can be expanded further to target specific payment flows in a value chain, such as the payment of customs duties in the freight and logistics sectors.

Propositions are increasingly developed to target a particular customer segment, vertical or payment flow. These propositions are evolving to include value-added services that apply to either side of the transaction (i.e., procure-to-pay and/or order-to-cash) delivering process efficiency, simplification, and other benefits, such as access to data insights through an SMB's cloud accounting or enterprise resource planning (ERP) platform. In addition, several payment enablers are offering SMBs innovative value-added services to grow their business beyond omnichannel payment acceptance, which includes credit lines, transaction security, bill payments / top-ups, loyalty programs, selling on installments, auto-calculated tips and liquidity management tools.



**Develop capabilities required by your target segments**

Understanding customer needs requires a combined approach that should include qualitative research and ideally direct customer testimonial. For example, an FI focusing on medical professionals will have to meet a very different set of customer needs than would an FI serving the agricultural sector. Similarly, on the acceptance side, consumer needs and transaction types are very different in the medical and agriculture sectors, and PayFacs are leaning into these niches. In the case of a proposition for medical professionals, articulating how 55 days to pay on its business credit card can free up cashflow (that could be used, for example, to buy a new dental chair) is a different narrative than a proposition that caters to a farmers' varying cashflow cycles and needs driven by harvesting or planting seasons and timescales.





### Focus on optimizing the customer portfolios you have

Many FIs have an acquisition focus to drive business growth. While acquisition is important, there is often significant opportunity in their existing portfolio to drive greater usage and engagement and do a better job in protecting the business they have:

- Understanding current activation and usage levels across the portfolio. How engaged are my customers today, and which ones can I focus on to drive usage in key areas?
- How well do we retain our customers? What are the existing attrition rates, and do we understand how many of the customers that are closing accounts are valuable to us? How might we look to proactively monitor these high value customers in future and develop interventions (e.g., product upgrade, credit line extension, value-added services, and/or additional benefits) to retain them?
- In addition to new-to-bank acquisition, FIs should pay attention to their existing clients and drive cross-sell opportunities to increase penetration of their existing customer base.



### Develop an innovation roadmap and seek partnerships to differentiate propositions

Some FIs might choose to begin with a minimum viable product, which, based on its performance, may evolve over time.

An innovation roadmap should provide details that outline what additions will be made to an offering over time. It should specify strategic priorities, the technology and resourcing investments required, and other considerations relating to partnerships (e.g., risk assessments, management, and governance).

The roadmap should be built around key customer segments and needs, which are likely to require frequent review and validation. It may also, at times, require changes in strategic direction in line with the wider business, regulatory, or macro-economic environment.





# How Visa can help?

VCA can help in several ways, connecting our strategy, portfolio optimization, digital, risk, marketing, SMB, and data science experts with your internal teams. Also, a range of data-driven, customer-focused solutions are available to help you optimize your approach to the SMB sector:

**Pinpointing the most promising and profitable market**

– using our data and market insights to analyze the size and dynamics of the market, your competitive strengths and vulnerabilities within it, the headroom within the SMB space, and your opportunities for growth. Assisting with a comprehensive Small Business Assessment to guide future strategy, financial growth, and customer targeting. This includes not just quantitative VisaNet data analysis but also considers the viewpoints of small business customers, extensive market research, and competitive landscape analysis.

**Delivering a best-in-class onboarding process** –

conducting a current state review and gap analysis, designing a new digital onboarding journey, mocking up screens and interfaces, identifying vendors, and providing implementation support and analysis.

**Creating a differentiated value proposition** – co-creating

additional value propositions – such as Tap to Phone – including strategic planning, proposition development, user experience design, customer service model, and implementation support. Identifying for you the best Visa and third-party products to solve for an SMB’s pain points.

**Toolkits to support SMB acceptance growth** – sharing research and insights on SMB needs across markets, approach to segment and support SMBs, and narratives supporting the SMB opportunity.

**Providing a clear hit-list of ongoing growth opportunities** – using our data to assess your performance against the wider market and identify verticals where you can broaden or deepen your growth.

**Supporting the execution and implementation of recommendations with VCA Managed Services (VMS)** – mobilizing teams on-site and partnering with clients to enhance competitive advantage and ensure success in the digital era.

Drawing on our own Visa-branded solutions, those available through the Visa Ready partner program, [acceptance fast track program](#) and our knowledge of the wider ecosystem, VCA can also work with you to select and assemble the components for new SMB-relevant propositions.





# About VCA

VCA is a team of 1,300+ payments consultants, digital marketing specialists, data scientists, and economists across six continents.

The combination of our deep payments consulting expertise, our economic intelligence, and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics, and machine learning, with exclusive access to insights from VisaNet, one of the largest payments networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

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