What people want 2020/2021

GLOBAL STATE OF PAY

OCTOBER 2020

Contents

Foreword

"There are many insights detailed in this report of which the industry should take heed."

Making payments safe, simple, smart and more accessible for everyone.

If there's one thing that we have learnt from the COVID-19 pandemic is that the financial system has been too rigid for too long globally. People are no longer working 9–5 jobs or receiving a consistent salary payment every month. Governments are increasingly required to provide support to their citizens, and financial crime is ever present. Payments technology and processes must therefore be more empathetic to customer needs in a constantly changing environment.

We're also seeing a market acceleration of the trend to digital. Paper based payment methods are becoming less dominant, with even the most reluctant consumers and businesses trying digital banking and payment technologies for the first time.

And they're realising greater value in personalised products. With the evolution of open banking, people and business owners are increasingly willing to share access to their data in exchange for something they value. They want convenience, but they also need to be reassured around security.

There are many insights detailed in this report of which the industry should take heed. Our findings show us financial institutions remain best positioned to meet these needs, but there are opportunities for newer and alternative service providers too. To stand-out in the new normal and deliver true value to the end user, they must provide payment tools that improve customer satisfaction and retention, and fuel the pipeline of innovation for many years to come.

At Mastercard, and within the New Payment Platforms team, we're proud to be collaborating across the industry in over 100 markets, to enable and secure the movement of money and data between people, businesses, governments and other organisations however they choose to transact. We're making all payments safe, simple, smart and accessible — for everyone.

Paul Stoddart
President of New Payment Platforms, Mastercard

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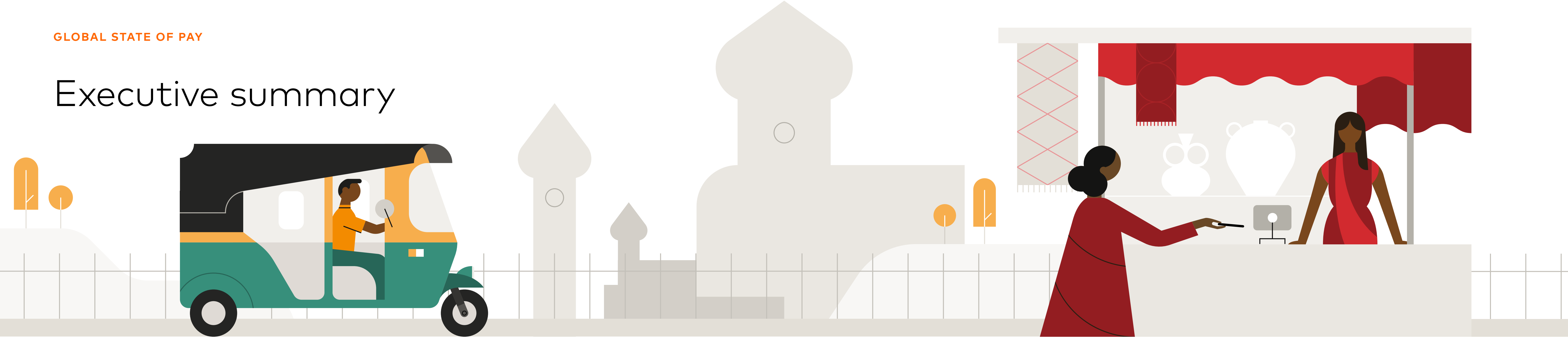
Executive summary



For the past seven years, Vocalink, a Mastercard company, has conducted research into UK people's payment and banking behaviours. This year, as Mastercard, we expanded our study to key markets around the world.

From July–August 2020, amidst the coronavirus pandemic, we remotely surveyed 14,000 consumers who had access to a smartphone and a bank account in 14 countries: Australia, Brazil, Canada, China, India, Italy, South Africa, the UK, the US, Poland, Spain, Philippines, Peru, and Thailand. We also surveyed 2,800 small to medium-sized business owners, whose responses are detailed in a supplementary report on what SMEs want in 2020/21.

We asked respondents to share their general banking and payment preferences, and tell us how COVID-19 had impacted or altered their behaviours. Their responses indicate an acceleration of trends towards increased use of digital and contactless banking and payment technologies, and provide insights into their changing financial needs. They give us reason to believe these behaviours will stick.

We found that online banking is now the standard for personal banking. People in developing markets have embraced mobile banking apps more readily than those in developed countries, and use them more than all other methods we asked about. However, the security of mobile banking apps remains a concern for a third of those who do not use them.

The impact of COVID-19 has led people across the world to rely on banking apps even more, and it seems they're here to stay: The majority (87%) of those who had not used banking apps previously said they would continue to use them after the pandemic. Having had such a positive experience, most (66%) people we surveyed said they'd consider using other types of digital payments in future.

The coronavirus has likewise had an impact on people's in-store payment behaviours. Previous research showed a steady increase in usage of contactless card and mobile payments in markets around the world over the past few years, but recent events have accelerated adoption of contactless card and mobile payments beyond the existing trend.

Respondents are generally in favour of contactless payments, with most agreeing contactless payments are a convenient and safe way to pay. Most said they would make more contactless payments if the value per-transaction limit was increased.

Meanwhile, use of mobile payments is growing. Seventy percent of respondents currently use their smartphone to make payments, but the types of services people use differs significantly between markets: usage of digital wallets fluctuates in no obvious pattern, but there's generally higher use of smartphone contactless payments in western and developed markets and higher use of QR-code payments in Asian and developing ones.

People's likelihood of using mobile payments increases if the service is provided by their own bank, but other fintechs and well-known IT companies are also trusted. Social media companies divide opinions, with some respondents reporting that they'd be much less likely to use a payment service that was provided by one of these companies than any other provider we asked about. Nevertheless, most respondents in developing markets said they found it appealing to be able to send funds to family and friends via a chat app.

The majority of respondents feel that payment options have been changing quickly, but this isn't strictly seen as negative — they also believe it is good to have as much choice as possible. Still, two thirds of respondents said they felt they would benefit from more education about new payment options, and many said they'd have to be assured about the security of new solutions before trying them.

While respondents seem excited by the prospect of new payment options, a significant proportion still want access to cash. But just because people use cash doesn't mean they favour it. In fact, paying in cash has active disadvantages: most (53%) agree it's not as convenient (fast/hassle free) to use cash as other payment methods. Still, this tells us the industry must continue to offer cash as a payment choice.

Most respondents aren't happy about the frequency they receive their main source of income, and generally want to get paid more often. They agree that receiving their income more frequently would help them manage their finances better.

Respondents tend to keep a close eye on their budgets, which can be a cause of stress. At the moment, the majority of people are struggling to make ends meet. Meeting their financial commitments has forced many to borrow funds. Thankfully, technology can, and is, helping people manage their finances more effectively, conveniently, and with more control. Request to pay-based bill payment solutions, for example, can help to alleviate many of the pain points respondents report. Four fifths (82%) of them said using a banking app during the pandemic ensured they continued to pay all their bills on time.

Other technologies, and new initiatives like open banking, also proved desirable. When we asked respondents to imagine a series of features and benefits were available to them through a single financial solution or account, 70 percent said they'd be likely to use them. The majority were willing to share their personal data to access open banking-enabled solutions, though respondents in developed and European economies were warier.

The biggest concerns of the people we surveyed centred around financial and data risk, and a lack of transparency over who would be liable in the event of a breach. Most respondents said they'd feel most comfortable if a bank was responsible for protecting their personal data, but they need more information and structure around open banking security and dispute resolution procedures.

Respondents expressed a broad fear of falling foul of financial crime — 16 percent already have — and their experiences prove there's more than money to lose. Victims said it had negatively impacted their feelings about making financial transactions, and 40 percent said it had had a negative impact on their relationship with family or friends.

To alleviate people's concerns about fraud and data security, financial service providers must prove themselves transparent, secure and responsible. The industry should heed these insights when designing, developing and bringing solutions to market. Understanding consumer perspectives and differences among different demographics can help service providers market their solutions effectively to grow adoption and secure user trust in the payment ecosystem.

Financial service providers — take note.

Banking goes mobile

Online banking is now the standard for personal banking among those that own both a smartphone and a bank account.

Ninety-six percent of respondents said they perform personal banking activities online – rising to 99 percent in both India and China.

Popular banking activities they said they were performing online include checking their bank balance (94% online compared to 12% via the telephone or in branch); transferring money to or from friends or family within their country (84% online versus 11% via phone or in branch) and transferring money between their bank accounts (84% online versus 11% via phone or in branch). Fifty-seven percent of people we surveyed said they'd transferred money to other people in another country using an online banking website or app.

Seventy-three percent of all respondents said they typically used a mobile banking app to perform some sort of personal banking activity. People in developing markets have embraced mobile banking apps more readily than those in developed countries, and use them more than all other methods we asked about.[1] The UK is an exception, where a high 61 percent of respondents said they performed personal banking activities using a mobile banking app on their smartphone – more than the 54 percent that said they did so using a desktop or laptop computer.

However, the security of mobile banking apps remains a concern for a third of those who do not use them. The number of those who do not feel it is secure to use a banking app is particularly high in the Philippines (43%), USA (38%) and Australia (38%) – significantly different from respondents in Italy (21%), South Africa (21%) and Thailand (21%). Respondents' concern over what would happen if they lost their smartphone is high in developing markets like the Philippines (44%) and Peru (44%), and low across Europe including Poland (23%) and Italy (22%). Despite these concerns, only 5 percent of respondents who are not currently using a mobile banking app but had tried using one previously said they didn't find it useful.

Many of these people trust other internet banking apps: over two in five (43%) respondents who said they don't use mobile banking apps said they did their personal banking on their desktop instead.

The coronavirus pandemic has led people across the world to rely on banking apps even more.

Across all markets we surveyed, 93 percent of respondents said they had used a banking app at least once before the coronavirus pandemic – a practice that's fairly consistent across markets, with the highest proportion in Thailand (97%) and lowest in Peru (89%).

More than half (53%) of respondents said they were using their banking app more than they had before. This was highest in the UK, where 61 percent of respondents reported to be using mobile banking apps about as often as they did before. This should be caveated by the fact that usage of mobile banking apps was already high in the UK. When we conducted this research among UK consumers in 2019 we found that 46 percent of respondents were regularly using a mobile banking app on their smartphone to check their account balances, and 35 percent were using one to transfer money between their accounts. This marked a significant increase on the two years before. We attributed it to the rise of fintechs and challenger banks, whose innovative services and improved user experience were enticing more people to try banking online.[2] Thailand, Brazil and India also over-index, where just over half of respondents agreed they were using mobile banking apps more than they were before.

Responses from people in South Africa reveal another interesting nuance. Despite the fact that 41 percent of respondents claimed to be using banking apps more during the pandemic, over a quarter of respondents (27%) said they were using them less. This proportion is as high as 44 percent among unemployed respondents in South Africa, and includes 34 percent of gig workers. According to the IMF, South Africa's economic activity is projected to contract by 7.2 percent in 2020, and Covid-19 has already brought many challenges: there was a decline of about 18 percent in employment between February and April; every third income earner in February did not earn income in April.[3] Are these people unwilling to view their balances or perform other types of bank account activities because they have less money to spend?

96%

performed personal banking activities online

53%

said they were using banking apps more than before the coronavirus pandemic

87%

who hadn't used banking apps before agreed they would continue to use them

66%

of people we surveyed agreed they'd consider using other types of digital payments due to their experience

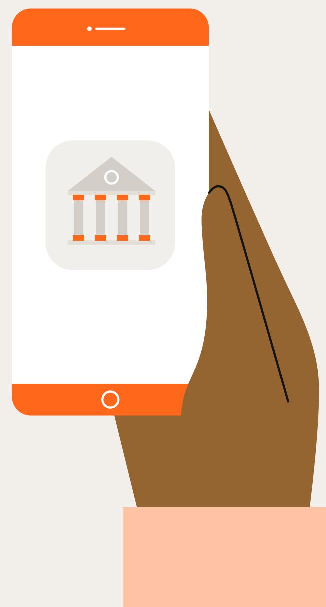
Mobile banking apps are here to stay.

The majority (87%) of those who had not used banking apps previously said they would continue to use them after the pandemic. Most people in all markets agreed, ranging from 52 percent of respondents in Australia (where only 7% disagreed) to 94 percent of those in the US. Why? Eighty-four percent of all respondents (including 96% of those in Thailand) said they'd found it easier than they thought it would be. Sixty-five percent said they were more confident using banking apps than they were before.

Mobile banking apps are increasingly becoming a hub for people to manage their personal finances. In addition to being able to check their balances and make bank transfers, a growing number of payment service providers are integrating artificially-intelligent budgeting solutions, request to pay-based bill payment solutions, and open banking-enabled services such as account aggregation to their banking apps to give people improved control of their finances and service a wider range of needs.

As exemplified by Alipay and WeChat Pay in Asia, payment services are increasingly becoming a platform play, facilitated by the burgeoning API economy. The battle for the customer is no longer about providing the best service, but about providing the best user experience through which to access that service – all in the palm of their hands.

Having had such a positive experience of banking apps, two thirds (66%) of people we surveyed said they'd consider using other types of digital payments after the coronavirus pandemic. More than average proportions in Poland (70%) and Brazil (75%), where respondents had otherwise been less enthusiastic about new payment types, said the same.



1. Definitions of 'developed' and 'developing' were identified using the 2019's United Nations' World Economic Situation prospects report. Developed markets are: Australia, Canada, Italy, UK, USA, Poland and Spain. Developing markets are: Brazil, China, India, South Africa, the Philippines, Peru and Thailand.
2. Source: 'UK state of pay 2019', Mastercard, September 2019.
3. Source: 'South Africa looks toward inclusive recovery', International Monetary Fund, 3 August 2020.

Contactless payments are on the rise

61%

of respondents said they were making more contactless payments than before

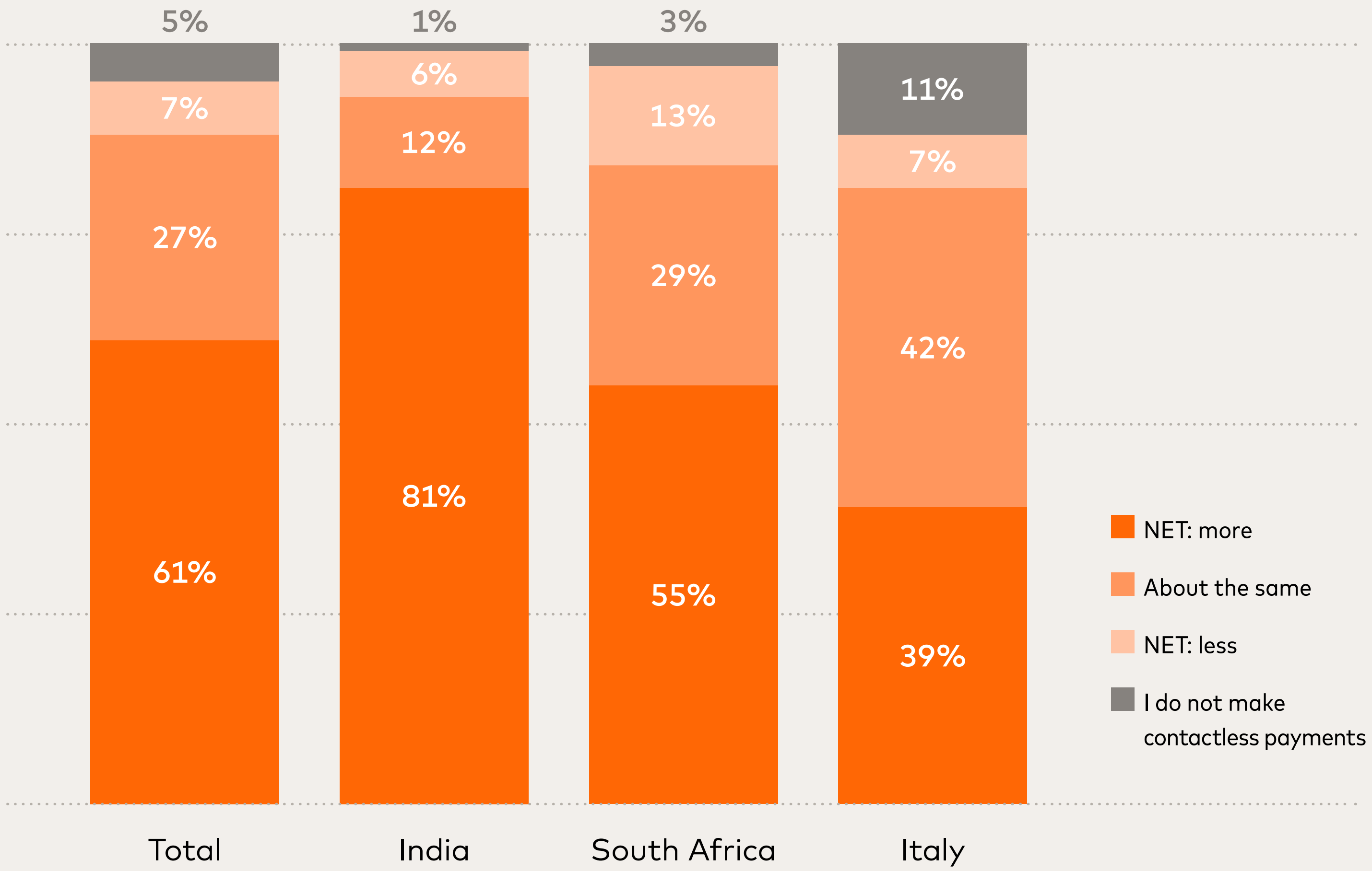
86%

agreed contactless payments are a convenient way to pay

56%

would make more contactless payments if there was no limit per transaction

During the coronavirus outbreak, have you made more, less, or the same amount of contactless payments (using credit, debit, smart cards or smartphone) as before?



1. Source: 'UK state of pay 2019', Mastercard, September 2019.
2. Source: 'Mastercard recovery insights: The shift to digital', Mastercard, July 2020.
3. Source: Consumer polling data; online interviews of 17,000 consumers in 19 countries worldwide conducted April 10-12, 2020; Growth calculated as the percentage increase in contactless transactions compared to the percentage increase in non-contactless transactions, comparing March 2020 to February 2020, at Grocery and Pharmacy categories. Source: Mastercard Data Warehouse ©2020 Mastercard. All rights reserved.
4. In March 2020, Mastercard and industry peers announced an increase to the contactless payment limit in 29 countries, from £30 to £45 per transaction. Reports indicate this served as an inflection point for increased use of contactless card and mobile payments.

An inflection point for contactless

The impact of COVID-19 has accelerated adoption of contactless payments beyond the previous trend.

Previous research revealed a steady increase in usage of contactless card and mobile payments in markets around the world over the past few years. In 2019, our UK research showed usage of contactless card payments had nearly doubled from 34 percent of daily transactions in 2017 to 64 percent in 2019. In fact, contactless cards were then the most used method of payment for small, daily purchases under £30.[1]

But the social and economic fall-out of the coronavirus have had a profound impact on people's payment behaviours. In many ways, it has accelerated adoption of contactless card and mobile payments beyond the existing trend.

Early on in the pandemic, Mastercard began tracking the impact of COVID-19 on consumers and their spending behaviours. Our research showed that consumers were increasingly turning to contactless for everyday purchases and indicated a wider shift to digital.[2] Between February and March 2020, contactless transactions grew twice as fast as non-contactless transactions in grocery and convenience stores worldwide. In April 2020, 79 percent of respondents in 19 countries worldwide said they were now using contactless payments. Why? Because contactless offers a touch-free payment experience.[3] And there are perceived benefits beyond that, such as speed and convenience.

Realising this, 74 percent of consumers we polled said they would continue to use contactless payments post-pandemic.

In this survey, which ran from the end of July to the beginning of August 2020, we found that increased usage of contactless payments was significant and sustained. When we asked our sample whether they had made more, less, or the same amount of contactless payments (using a card or smartphone) during the coronavirus outbreak than before, 61 percent said more. In India (81%), Thailand (79%) and the Philippines (79%), around four fifths of respondents concurred. Thirteen percent of respondents in South Africa said they'd made less contactless payments. This might be a result from altered shopping habits, such as choosing stores that don't accept contactless payments, or simply because they have less money to spend.

Generally, respondents are in favour of contactless payments.

Eighty-six percent of people we asked agreed contactless payments are a convenient way to pay, and three fifths (60%) agreed contactless payments are a safer way to pay than with cash. Sixty-three percent said when they first heard about contactless payments they worried they wouldn't be secure to use, but 17 percent disagreed. For the majority of people, the benefits outweigh the concerns: 54 percent of respondents said they worry about how secure contactless payments are but they use them anyway.

If there were no limits on the amount per transaction for contactless payments, the majority (56%) of respondents said they would use this type of payment more. Seventy-nine percent of those in India and 76 percent of those in Peru agreed.[4] Fewer respondents in Australia said they were more likely to make more contactless payments if the limit was increased (39%), and they generally (56%) thought their behaviour would be the same. Only in Brazil (15%) and in South Africa (8%) did a notable proportion of respondents said they'd make them less. We might posit this is because the user experience of making a contactless payment in Peru involved entering a PIN, which rather negates the benefits of being able to 'tap and go'.

Last year, when we asked this question of people in the UK, respondents were largely content with what was at the time a £30 limit. Since then, Mastercard and partners have increased the UK contactless limit to £45, partly in response to consumer and business demand for convenient, 'touch-free' ways to pay for larger purchases. This year (after that increase came into effect) half (50%) of respondents in the UK said they'd make more contactless payments if the limit was increased. The impact of the coronavirus pandemic, then, seems to have had a profound effect.

Mobile payments are on the rise

People have used a mobile payment:

87%

to buy a product online

63%

in a supermarket

43%

in a bar or restaurant

Seventy percent of respondents currently use their smartphone to make payments.

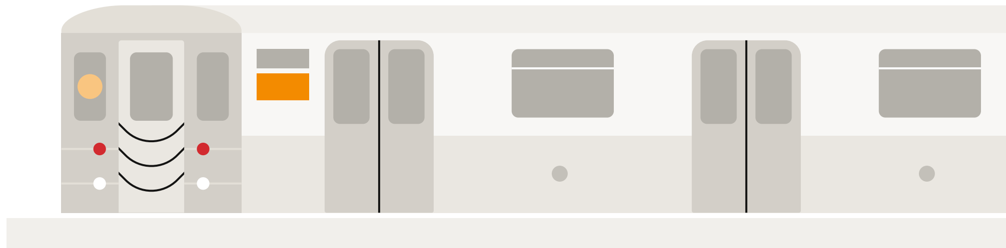
There are many different interpretations of mobile payments, but for the purposes of this research we have defined a mobile payment as any payment made from or through a smartphone. This could include smartphone-based contactless payment applications ('digital wallets') such as Samsung Pay or Apple Pay, even though these usually work as proxies for credit or debit cards. Mobile payments can also refer to online payments that are made via a smartphone app or mobile internet browser. This includes in-app purchases, such as add-ons to games, Uber car bookings or car parking. For our purposes, a payment made on a tablet would not be deemed a mobile payment.

People we surveyed who currently or who have previously used a smartphone to make a payment told us they'd most commonly done so to buy a product online. Eighty-seven percent claimed to have done so in the past six months. The next most common uses included paying in a supermarket (63%), paying in a bar or restaurant (43%) and paying to use public transport (25%).

Respondents in developing markets are generally more likely to make mobile payments, and Chinese consumers lead the way. A staggering 98 percent of respondents in China claimed to have made a mobile payment in the past six months, as did 94 percent of those in India. By contrast, less than half (45%) of respondents in Canada said they'd done the same.

Poland is the only developed market where use of mobile payment compares to usage in developing markets. Eighty-four percent of respondents in Poland that were using or had used a smartphone to make a payment said they'd done so in a supermarket, 63 percent said they'd used a mobile payment when dining out, and 43 percent said they'd done so when travelling. It's likely this is because Poland has high levels of contactless acceptance. In February last year, GlobalData reported that more than nine out of 10 of the country's point of sale terminals were equipped with contactless payment capability, with major Polish cities having enabled contactless payments for public transport.[1] Having these opportunities to use mobile payments every day creates a habit.

1. Source: Payments landscape in Poland: Opportunities and risks to 2022. GlobalData, February 2019.



Different types of mobile payments are preferred:

47%

use contactless mobile payments

42%

make in-app payments

38%

make QR code payments

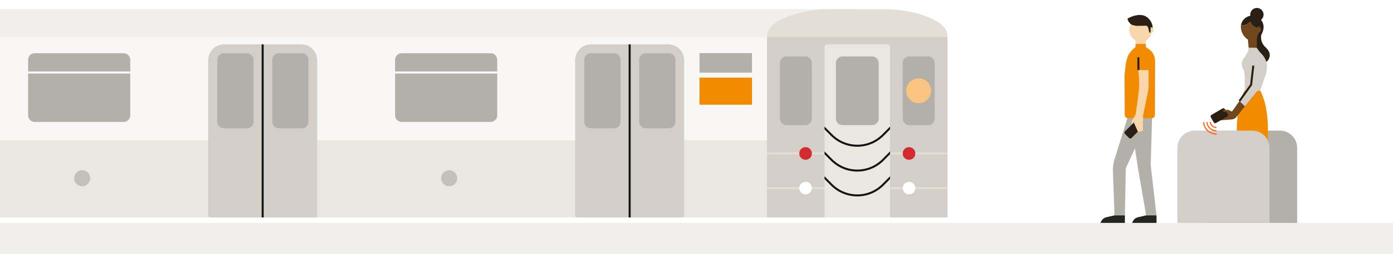
While usage of various mobile payment technologies and apps is high across the world, every market has its winners.

When we asked people which methods they typically used when paying for items using their smartphone, half (50%) of respondents who currently or had previously used payment apps said they'd used a digital wallet. Digital wallets are used most by respondents in India and the Philippines (both 81%), and lowest among these respondents in Spain, where just 28 percent of respondents said they used them. Incidentally, awareness of digital wallets is also lowest among respondents who currently or had previously used payment apps in Spain, but there's no other obvious pattern of awareness and/or usage across the markets we surveyed.

Respondents' reported usage of contactless smartphone payments averages 47 percent overall, and usage is highest in Peru (66%). Forty-two percent of all respondents typically make in-app payments, including 66 percent of respondents in Poland, but this type of payment is less popular among respondents in Asian and developing markets — they're used by just 23 percent of respondents in Peru. Just over a third (36%) of respondents tend to pay in a smartphone browser using a card.

Thirty-eight percent of people we surveyed say they typically make QR payments, but this average belies a significant disparity across markets. At the higher end are 90 percent of respondents in China and 64 percent of respondents in India and the Philippines, where QR is becoming an increasingly popular low-cost acceptance solution for the countries' micro-merchants and in payment on delivery scenarios. Adoption of QR payments in these countries is being promoted and facilitated by their respective governments as a way to displace cash in favour of a more digital economy.

At the lower end of the spectrum are the UK and Canada, where just 6 and 7 percent of respondents respectively claim to use QR payments. It's not necessarily a lack of awareness that prevents them from making QR payments — 36 percent of UK respondents and 26 percent of Canadian respondents claim to have heard of them — so is it a lack of QR acceptance that results in these reported figures being so low? Perhaps, but there are fewer use cases for QR code payments in these markets because there is a wider availability of alternatives.



People's likelihood of using mobile payments increases if the service is provided by their own bank, but other fintechs and well-known IT companies are also trusted.

Eighty-one percent of survey respondents who were currently using or who had previously used a smartphone app to make a payment said they'd be more likely to pay for items with their smartphone if the service was provided by their own bank. Only three percent said they'd be less likely to use a service provided by their bank.

Other fintechs and well-known IT companies are also trusted by respondents in Asia's developing markets. Ninety-five percent of those in the Philippines and 93 percent in India said they'd trust a digital wallet provider, and most respondents (89%) in India said they'd trust a payments technology company. Eighty-three percent of respondents in Thailand said they'd trust another service provider as long as it was recommended by their bank.

But social media companies divide opinions. A third of respondents (33%) said they would use mobile payments if the service was provided by a social media company — fewer than any other provider we asked about. Thailand respondents were most in favour, with an encouraging 71 percent saying they'd use the service, while UK respondents were least in favour, with just nine percent in agreement.

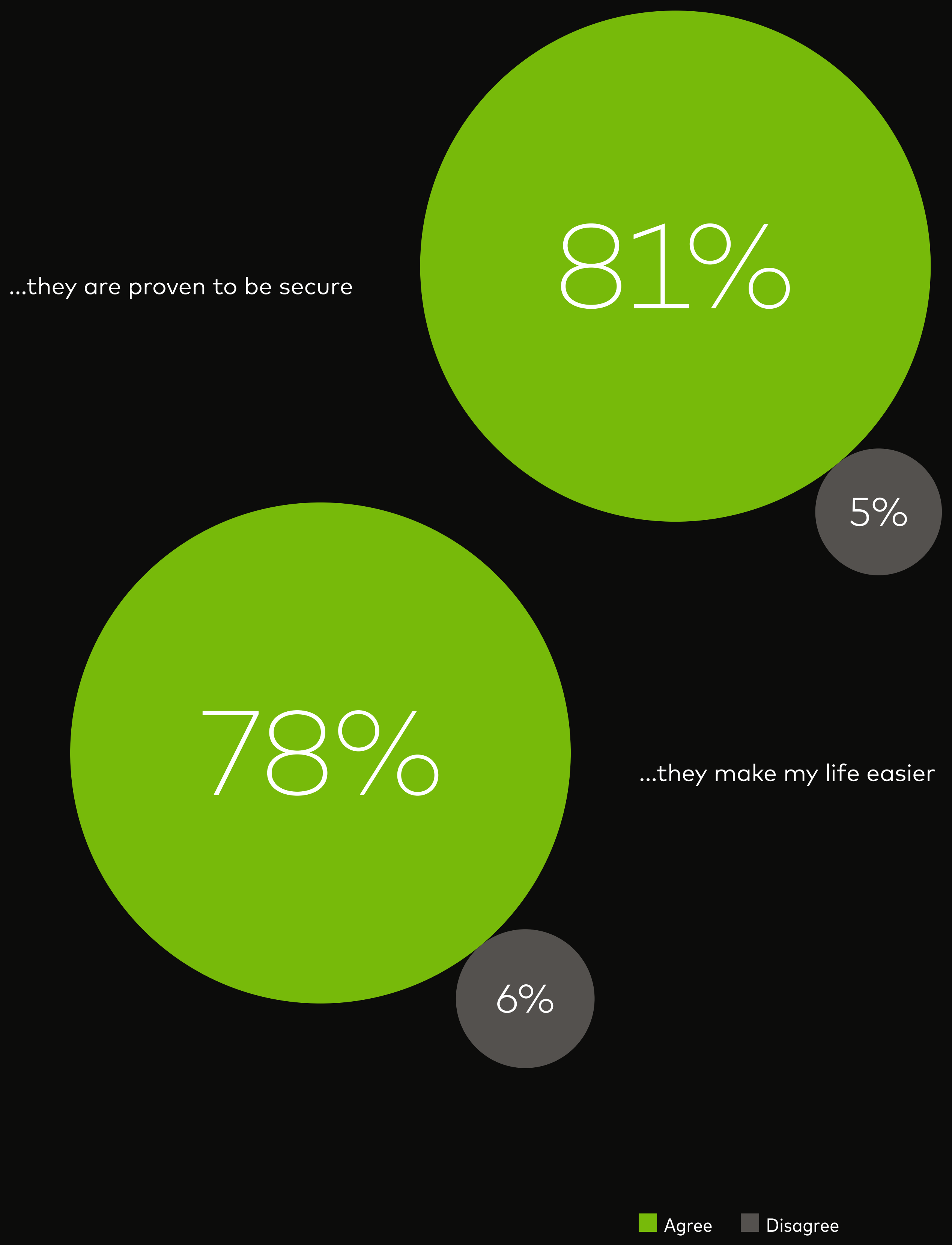
Comparing similar providers, 59 percent of respondents who were currently using or who had previously used a smartphone payment app said they would be more likely to use one provided by a well-known IT company, and 40 percent would be more likely to use one provided by a new technology or financial company. In fact, a high 40 percent said they'd be 'much less likely to use' a mobile payment service if it was provided by a company like Facebook.

Nevertheless, most respondents (52%) said they found it appealing to be able to send funds to family and friends via a chat app. We know, from our ethnographic research in these markets, that people commonly use chat apps to confirm their payments to other people have been recieved. Eighty-nine percent of those in Peru agreed with the statement, as did 81 percent of respondents in Thailand. Eight percent of respondents in China claimed to already do this — likely referring to payments via WeChat pay. The proportion of favourable respondents in Australia (27%) and Canada (26%) were below average (56%) — perhaps unsurprising given 29 percent of people who responded to our survey in these markets claimed not to use chat apps at all.

UK people were least interested in being able to pay a friend or family member via a chat app. Just 23 percent of respondents from the UK, less than half the average, found the idea 'appealing' and 56 percent asserted it was 'not appealing'. We asked a similar question to a UK sample in 2019. Then, 38 percent of respondents said they were 'much less likely' to use a mobile payment service provided by a social media company than any other type of provider we asked about.[1] Perhaps this is because UK people already have many alternatives: the Paym service, for example, allows people to make domestic transfers from their banking app to other people using their phone number. A similar solution is available to people in Thailand, called PromptPay.[2]

1. Source: 'UK state of pay 2019', Mastercard, September 2019.
2. Vocalink, a Mastercard company, designed and implemented both these solutions: Paym in the UK in 2015, and PromptPay in Thailand in 2017.

To what extent do you agree or disagree with the statement "I'm interested in new services banks and payments companies offers, so long as…"?



Growing interest in new payment technologies

People like the choice afforded by new payment technologies, but they want more education and reassurance.

76%

like to have as much payment choice as possible

56%

try new payment options as soon as they become available

66%

would like more advice about new payment services

Seventy-seven percent of people we surveyed said that payment options had been changing quickly, but they don't necessarily see it as a bad thing: 76 percent agreed they like to have as much choice as possible.

Over half (56%) of all respondents agree that they like to try new payment options as soon as they become available, yet many felt they would benefit from more education about new payment options: two thirds (66%) said they'd like to get more advice on which new payment service is the best to use, and 44 percent agreed that having too many forms of payment to choose from makes it difficult to tell which service is best. However, 28 percent actively disagreed with the statement, suggesting they feel confident making their own decisions relating to new payment options.

People also need reassurance about the safety of new payment options: four fifths (81%) of respondents said they would be interested in new services banks and payment companies offered that made their lives easier as long as they were proven to be secure.

New payment technologies must be dependable — both trustworthy and reliable — for people to use and value them. Earlier this year we put a short survey to people who are currently using real-time payment services to pay businesses, governments and other people in six markets to understand their attitudes and behaviours towards these services.[1] We learned that people's biggest frustrations when transacting digitally included concern over the use of their personal details and data, when transactions take too long to complete, and when the digital payments service they use goes down. We also concluded that growing awareness of real-time payments is certain to improve people's confidence in digital transactions, and would make them likely to perform more of them.

1. Source: 'The importance of dependability in real-time payments', Mastercard, June 2020

Still lingering use of cash

While respondents seem excited by the prospect of new payment options, a significant proportion of respondents still want access to cash.

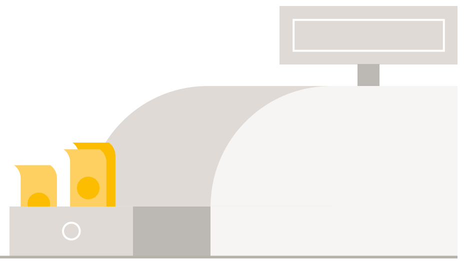
Sixty-four percent on average and 84 percent of those in the Philippines agreed with the statement: 'I like to have the option to pay using cash whenever I want to'. Lowest interest in cash was recorded by respondents in China, where just 35 percent agreed. Noting that China is much further along in its journey to digitisation, perhaps these people are more used to and satisfied with cash alternatives.

According to the ninth report of Mastercard's proprietary COVID-19 consumer impact study, which covers the period from 10–23 August 2020, inklings of 'normalcy' are returning.[1] Consumers say they're still using less cash and making more contactless payments, however they're cutting back less on cash and may be more open to considering using it going forward.

But just because people use cash doesn't mean they favour it. The majority (59%) of respondents agree that paying with cash is now only appropriate when paying for small amounts, and most (53%) agree it's not as convenient (fast/hassle free) to use cash as other payment methods.

In fact, paying in cash has active disadvantages. Thirty-five percent of the people we surveyed said they sometimes feel unsafe paying with cash, while a quarter (25%) said using cash makes them feel less in control of their money, but 48 percent of respondents said they pay using cash because the merchant or business owner they're paying prefers it.

This tell us the industry must continue to offer cash as a payment choice.



Usage of cash is lingering, but not preferred

1. Source: Mastercard proprietary study conducted between 10–23 August 2020

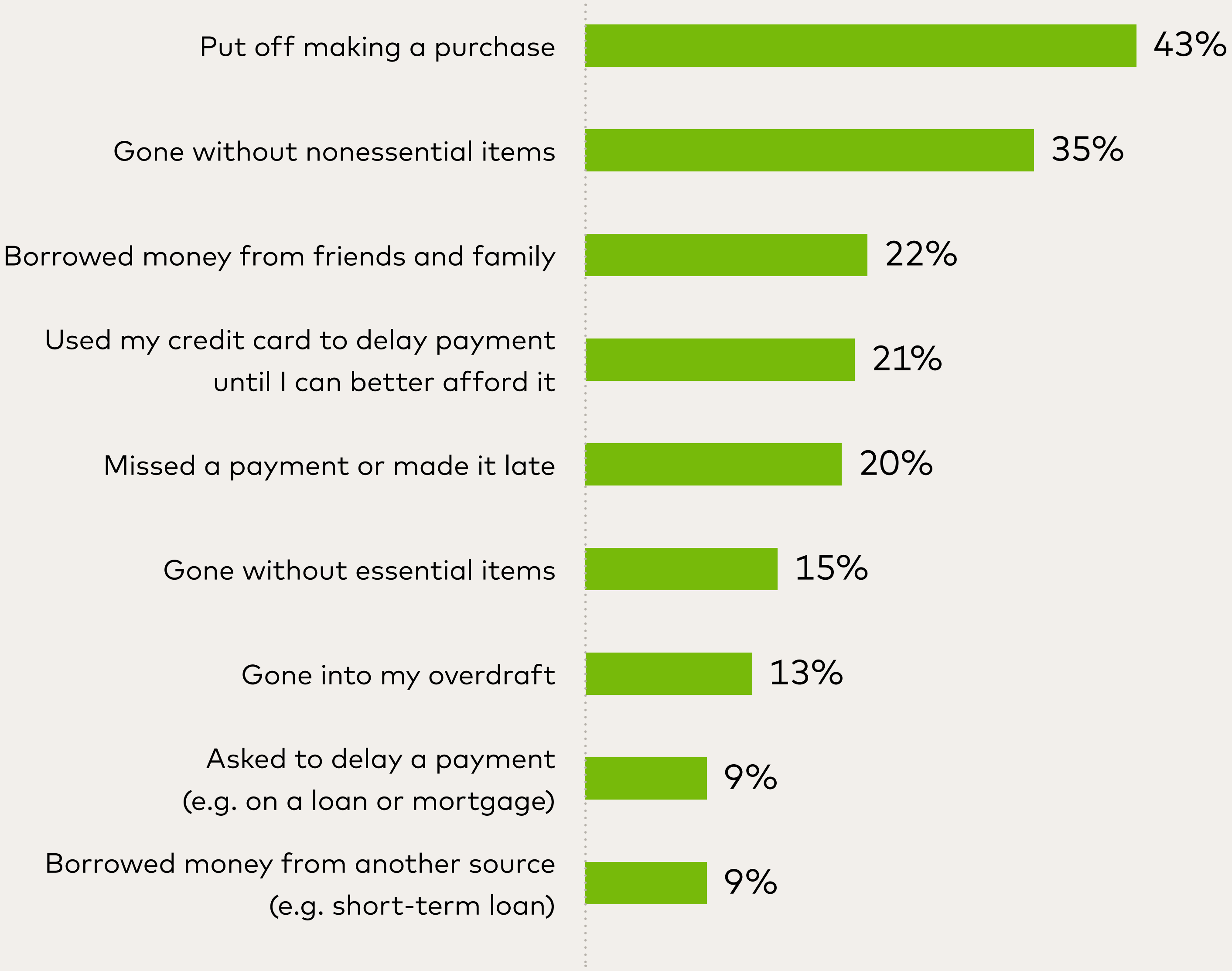
People want to get paid faster and more often

17% of respondents prefer to get paid as frequently as they do now

59% agreed that worrying about running out of money between paydays is stressful

52% said receiving their salary more frequently would help them manage their finances more effectively

Which of the folowing, if any, have you personally ever done between pay days?



People demand a change to getting paid

Most respondents aren't happy about the frequency they receive their main source of income, and generally want to get paid more often.

Nearly two thirds (64%) of respondents get paid their main salary or wage every month (ranging from 14% of those in Canada to 91% of those in China), but only half (32%) prefer to get paid that often. Indeed, 19 percent of respondents would like to be paid every two weeks and 19 percent would like to be paid weekly. Over a third of respondents in Australia (38%) and the US (34%) would prefer to get paid weekly — countries where most people already get paid every two weeks (47% and 40% respectively). Only 17 percent of respondents would prefer to get paid with the same frequency as they do now.

Respondents said receiving their income more frequently would help them manage their finances better, and gig workers agree more strongly.

Over half (52%) agreed that receiving their salary or wages at more frequent intervals would help them manage their finances more effectively, including 78 percent of gig workers in the Philippines, 77 percent of gig workers in India, and 77 percent of gig workers in Thailand who agree.

At the moment, people are struggling to make ends meet

43% have put off making a purchase between paydays

35% have gone without non-essential items

44% have borrowed money to cover their costs

20% have missed a payment or made it late

Technology can help with budgeting and paying bills

Most respondents said managing their budget is a cause of stress, and some are struggling to make ends meet.

Over two thirds (68%) of respondents said they find it easy to budget and manage their money between paydays, but 59 percent said worrying about running out of money between paydays is stressful; while 46 percent say they usually run low on money in the days leading up to their next payday, 34 percent (a surprisingly small number) disagree.

Fifty-eight percent of survey respondents said keeping up with credit commitments is a burden at the moment, including 83 percent of respondents in Peru. Globally, 43 percent of respondents have put off making a purchase between paydays because of cash constraints. More than a third (35%) of people that responded to our survey said they'd gone without non-essential items, and a fifth (20%) said they'd missed a payment or made it late.

A concerning 15 percent of respondents said they've gone without essential items between paydays, rising to 22 percent in the US and 28 percent in South Africa. The South African economy has been especially hard-hit by the impact of coronavirus, resulting in a decline of about 18 percent in employment between February and April; every third income earner in February did not earn income in April.[1]

Forty-four percent of our respondents said they had borrowed money to cover their costs between paydays. This includes 22 percent who borrowed from friends and family, 21 percent who used a credit card to delay payment on a purchase until another time when they can better afford it, and 17 percent who had gone into their overdraft.

Nine percent of respondents said they'd borrowed money from another source, such as a short-term loan, during the pandemic. These short-term (or pay-day) loans often have high interest rates and demanding terms that further punish those that can least afford it.

In our latest COVID-19 tracker, fewer consumers are reporting an impact on income and there are fewer who say they need to carefully consider their spend.[2] Still, they generally say they haven't increased their spending on non-essential items.

"I get paid every day… it's still a let down that it's not real-time; that you still have to wait 24 hours."

US gig worker, Mastercard ethnography research 2020

Technology is helping people manage their finances more effectively, conveniently, and with more control.

44%

have borrowed money between paydays

82%

said using a banking app ensured they continued to pay all their bills

Four fifths (82%) of respondents said using a banking app during the pandemic ensured they continued to pay all their bills, including 94 percent of those in Thailand.

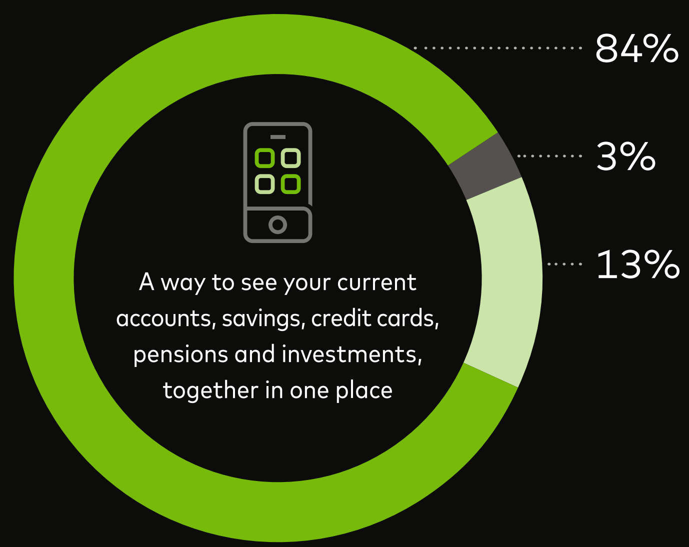
Using a banking app to pay their bills can help to overcome respondents most significant bill payment challenges: 51 percent agreed having to use different logins is the most prevalent pain point when paying bills, 28 percent of respondents said they often don't feel in control of their outgoings, and the same number said they sometimes forget about the bills they need to pay, which often results in them making late payments.

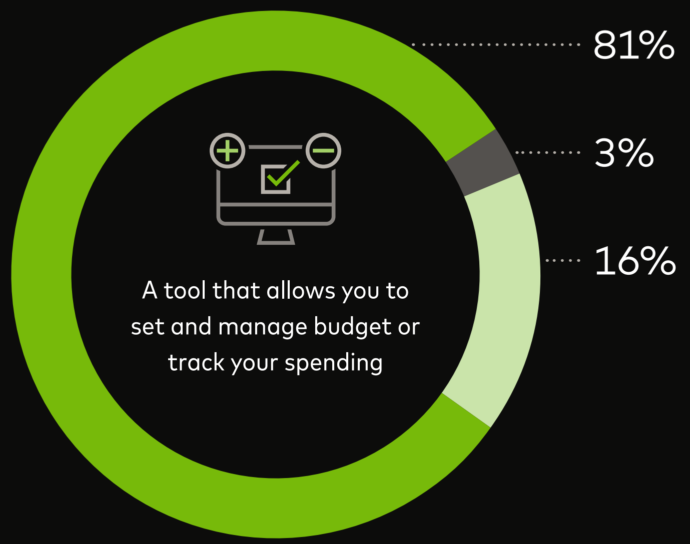
Bill payment solutions that are integrated within banking apps, like Mastercard Bill Pay, allow people to pay all their bills in one place using a single log-in, allow them to choose when, how much and how to pay, and alert people to upcoming bills (or can be set to pay them automatically) to help them pay on time.

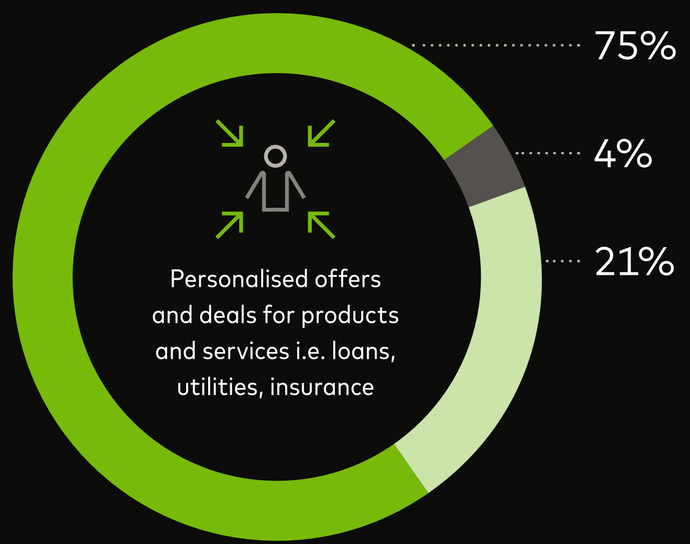
Just over a third (34%) of respondents said they worry that the payment method they use for paying bills may be too slow for the recipient to receive the money in time. Paying bills via a banking app can enable instant receipt of payments via a real-time bank account-to-account infrastructure.

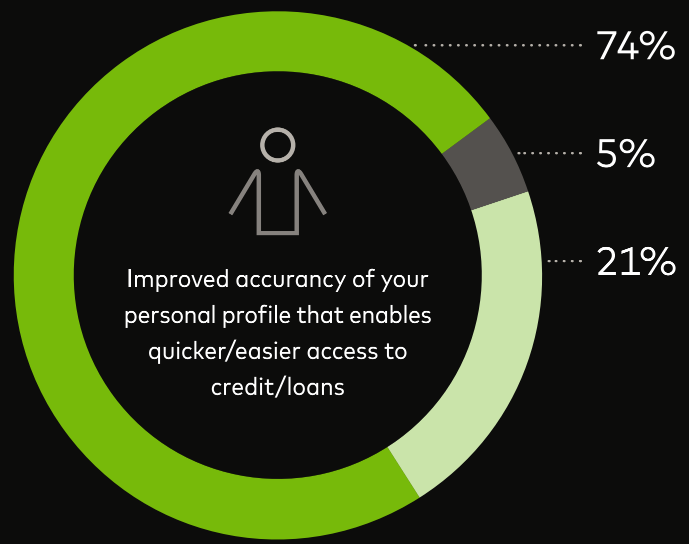
1. Source: International Monetary Fund, 'South Africa looks toward inclusive recovery to stabilize debt boost growth'. Accessed 11 September 2020
2. Source: Mastercard proprietary study conducted between 10–23 August 2020 among adults 18+. 2,227 interviews were conducted across 15 countries: Australia, Brazil, China, Colombia, France, Germany, India, Italy, Spain, Japan, Mexico, Russia, United Arab Emirates, United Kingdom, and The United States of America

How appealing or not, you find each of the following features and benefits of a single financial solution/account (enabled by open banking)?









NET: appealing NET: not appealing Don't know

1. Source: 'UK state of pay 2019', Mastercard, September 2019

There's piqued interest in open banking

Respondents were in favour of the idea of open banking — but first we had to explain how it worked.

Open banking is a relatively new concept in which people and businesses can choose to securely share their bank account data with approved third-party providers and other financial institutions in order to access a range of financial services, some of which provide new or different ways to initiate payments, and others that are based on a person's account information. Initiatives can be regulatory-driven, as in the UK and Europe, or industry-led, like in the US and India. Objectives and the exact parameters of open banking — sometimes termed open finance or open data — differ between markets.

People, unsurprisingly, aren't typically that familiar with the term 'open banking', so first we had to bring our survey respondents up to speed.

We first asked respondents to imagine a series of features and benefits were available to them through a single financial solution or account, and asked how likely or unlikely they would be to use this single financial solution or account to manage their personal or their business' financial affairs. Seventy percent of respondents said they would. Those in developing markets were far more in favour than those in developed markets, but even at the lower end, respondents were still favourable: 44 percent of respondents in the UK and Australia said they'd likely use an open banking-enabled solution.

We then explained to respondents that they'd have to securely share access to their personal data with a financial institution or third party provider in order to access these personalised features. The majority (62%) of respondents were willing to securely share their personal data to access open banking-enabled solutions, though respondents in developed and European economies were warier.

Eighty-eight percent of those in Thailand and 83 percent in India were willing, as were 68 percent in South Africa, where there had been reticence to new payment options. But fewer respondents in the UK and Canada were willing to securely share their personal data — just 36 percent agreed.

Nevertheless, compared to last year's UK state of pay research, this represents increased interest: then, up to just over a third of respondents said they'd be willing to share access to their personal data in return for a range of open banking products and services. We concluded that UK respondents were cautiously curious about open banking.[1] This year, they lean more toward 'curious', provided the service they receive in exchange for access to their data improves their customer experience and helps them take control over their finances, and if its safety is guaranteed.

Those who are unlikely to use open banking solutions are most hesitant about sharing their data with a third-party provider, but respondents in different countries had different concerns.

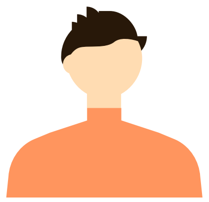
Seventy-three percent agreed they didn't want their personal data to be shared with a third-party provider. Why? Nearly two thirds (63%) worried about there being a greater risk to their personal finances if there was a data breach, and 62 percent thought it was unclear who would have access to their personal data. Fifty-four percent said it was unclear who would be liable if there was a data breach. About half (51%) of respondents thought the risks of using an open banking-enabled product outweighed the benefits — but that leaves 49 percent of respondents who don't.

So what would alleviate people's concerns? Sixty-eight percent of respondents said they'd feel most comfortable if a bank was responsible for protecting their personal data, and 26 percent of respondents in Italy and a quarter (25%) of respondents in India and China said they'd be comfortable if it was a payments company such as Mastercard.

There are opportunities, then, for partnerships that deliver innovative solutions with an improved customer experience, whether under the guise of open banking or an expanded remit such as open finance or open data. But whichever of these providers step up to the plate, they must communicate and follow structured security procedures and processes for enquiries and disputes in order to secure user trust.

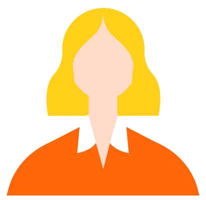
People are concerned about security

Incidences of financial fraud have risen during the pandemic:



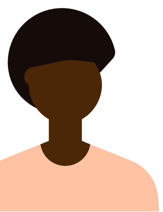
16%

of respondents have been a victim of fraud in the past 12 months



74%

are worried about falling victim to financial fraud



37%

have been receiving more fraudulent texts and emails than before

People fear falling foul of financial crime. The experiences of those that already have has proven there's more than money to lose.

Since the beginning of the pandemic, news outlets around the world have reported a significant increase in the number of phishing emails, in which criminals try to trick people and businesses into revealing personal and/or financial data. Criminals have been effective at preying on people's anxieties: of the more than 100 million phishing emails Google said it was blocking a day, almost a fifth were scam emails related to coronavirus.

Our respondents are among those being phished: 43 percent said they had been receiving more fraudulent texts compared to before the pandemic, rising to 59 percent in India and 55 percent in Peru, while 37 percent said they had received more fraudulent emails — again 59 percent in India and 55 percent in Peru.

It's no wonder, then, that three quarters (74%) of respondents said they were worried about becoming victims of financial fraud — even more so those in developing countries. Proportions range from 95 percent of those in Peru to just 54 percent of those in Australia. Their fears are not unfounded: 16 percent of all respondents said they had been a victim of financial fraud in the past 12 months.

More than a quarter (26%) of victims said they didn't get their money back, including 55 percent of respondents in South Africa.

Being a victim of financial fraud has an overwhelming impact a person's mental health. Seventy-two percent of respondents said it increased their levels of anxiety; 72 percent said it led to them feeling more stressed, and 70 percent said it made them less confident when making transactions. More than half (56%) of respondents said they subsequently decreased the amount of digital financial transactions they made.

There are more than just financial implications: a worrying 40 percent of respondents said being a victim of financial crime had had a negative impact on their relationship with family or friends. If the resulting impacts of falling victim to financial crime are this significant and wide-ranging, it's no wonder people can be reluctant to try new digital payment technologies before they're tried and tested.

When we asked what was most important in ensuring trust in a financial provider...

said 'Being open, honest and transparent about how it does business'

said 'Investing significantly in data and privacy security'

said 'Behaves responsibly'

Financial service providers must prove themselves transparent, secure and responsible.

Earlier in this report we revealed that banks were the best-regarded providers of mobile payment technologies, and most trusted to protect people's data, which suggests they are better placed to alleviate people concerns relating to financial crime than other providers. Other findings offer a simple recipe for how they can grow further trust in new payment technologies.

When we asked respondents what was most important in ensuring trust in a financial provider, we learned that transparency, data security, and responsible behaviour are most important to foster consumer trust in a financial provider.

Beyond these, some respondents demanded solutions that we had posited as open banking-enabled solutions: 29 percent said 'Products that are personalised to my current situation and needs, and 27 percent said 'recognises loyalty'. These findings should be considered in the context of related findings from a Mastercard sponsored Pulse survey by the Harvard Business Review on what businesses and consumers value in the digital economy. Our joint report, entitled 'The Great Data Exchange', reveals that while 37 percent of businesses think consumers most value personalised experiences and recommendations, only 10 percent of consumers rank that as the top reason to share access to their bank account data. In fact, the majority of consumers (22%) value general loyalty rewards most.[1]

These findings expose a disconnect between what executives think people value in exchange for their data and what people actually value. The industry should heed these insights when designing, developing and bringing solutions to market. Understanding consumer perspectives and differences among different demographics can help service providers market their solutions effectively to grow adoption and secure user trust in the payment ecosystem.

Financial service providers — take note.

1. 'Source: The Great Data Exchange', Mastercard and Harvard Business Review, 2020

Afterword

For seven years, we've tracked the growing adoption of contactless and mobile payments and banking in the UK. This year, we took our study global.

"This research serves a dual purpose of informing thinking across our industry and driving our own innovation in payments and beyond."

Vocalink, now a Mastercard company, began researching people's attitudes and behaviours to payment and banking technologies in 2013 to help us better understand the needs of the consumers and business owners that participate in the UK's economy. We repeated our study in 2015 and again in 2017 to chart the change over time. Our most recent UK study, conducted in 2019, explored those same topics while unearthing additional insights into newer trends, such as the rise of digital-only banks and the advent of Open Banking. We also delved deeper into financial literacy and education — something we believe is vital to ensure the sustainable growth of the global economy.

Following the success of our most recent UK state of pay research in 2019, we made the decision to conduct a world-wide study. This global state of pay research provides broader insights for Mastercard New Payment Platforms and Mastercard's core products, applications and services across key markets.

The impact of COVID-19 disrupted our typical qualitative research process and methodology, so we pivoted to conduct this research virtually. Respondents were each asked to complete a 20-minute quantitative research questionnaire online via a web browser from their home or other remote location.

This research serves a dual purpose of informing thinking across our industry and driving our own innovation in payments and beyond. We invite you to engage in the discussion on the state of pay around the world, and share your hopes and expectations for how the global payments landscape continues to evolve.

Mark Colleran and Anelya Krasnova
Research and insights at Mastercard New Payment Platforms

Join the conversation
#StateofPay
mastercard.com/startwithpeople

Technical note

This study was commissioned by Mastercard New Payment Platforms in 2020. Fieldwork was conducted by Yonder Consulting, a market research company while analysis was conducted in-house. The questionnaire was designed collaboratively.

The 20 minute quantitative survey of consumers ran in Australia (n=1000), Brazil (n=1000), Canada(n=1000), China (n=1000), India (n=1000), Italy (n=1000), South Africa (n=1000), UK (n=1000), USA (n=1000), Poland (n=1000), Spain (n=1000), the Philippines (n=1000), Peru (n=1000), Thailand (n=1000).

We also surveyed 200 micro-businesses in each of these markets. All respondents in our business sample represented a business with less than 50 employees, of which 71 percent had less than 10 employees. All frequently (80%) or occasionally (20%) use banking or payment services on behalf of their business or the company they work for. Their responses are detailed in a supplementary report on what SMEs want in 2020/21.

All respondents were required to have a smartphone and a bank account. In total we surveyed 14,000 consumers and 2,800 microbusinesses. Data has been weighted the data to ensure each market was equally represented.

Fieldwork ran from 24 July 2020 until 11 August 2020.

We refer to findings in other proprietary Mastercard and non-proprietary studies, which are referenced where relevant throughout this report. Please see the technical notes in those reports for more information about their methodologies.

Definitions

Mobile payments
A mobile payment is any payment made from or through a mobile phone. This could include phone-based contactless payment applications such as Samsung Pay or Apple Pay, even though these usually work as proxies for credit or debit cards.

Mobile payments also include buying anything via an app or internet browser. This could be in-app purchases – such as add-ons to games, Uber car bookings or car parking – or shopping through a web browser on a mobile phone.

For the purposes of this paper, a payment made on a tablet would not be deemed a mobile payment.

Mobile banking
This means accessing and managing your bank accounts via a mobile phone via app or browser. For the purposes of this paper, if a person accesses their account via a tablet or laptop while out and about that would count as online banking rather than mobile banking.

Open Banking
Banks allowing customers (with their approval) to securely share their transaction data with approved third parties.

Fintech/digital-only bank
A bank that provides all its banking facilities online and through app platforms on smartphones and tablets, with no physical branches. 'Fintech' refers to providers offering innovations in both financial services and technology. In this report, we are specifically referring to the new wave of fintech banks such as Monzo, Revolut and Starling, to name a few. These providers are frequently also digital-only.

Gig worker
The gig economy is a labour market characterised by short-term contracts or freelance work as opposed to permanent jobs. For the purposes of this research, we have defined a gig worker as anyone that works on a casual or zero-hour contract, freelancers and self-employed workers that source work via a gig platform such as Uber or Task Rabbit. Please note that there were only 160 respondents in this group.

About Mastercard

Mastercard is a global technology company in the payments industry. Our mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart and accessible. Using secure data and networks, partnerships and passion, our innovations and solutions help individuals, financial institutions, governments and businesses realise their greatest potential. Our decency quotient, or DQ, drives our culture and everything we do inside and outside of our company. With connections across more than 210 countries and territories, we are building a sustainable world that unlocks priceless possibilities for all.
mastercard.com

About Yonder Consulting

Yonder is a consultancy that helps blends insight, strategy and imagination to unlock opportunity and deliver business impact.
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