



.YONDER

What small businesses want in 2020/2021

GLOBAL STATE OF PAY

OCTOBER 2020



Contents

- 3 Foreword
- 4 Executive summary
- 7 What small businesses want in 2020/2021
- 14 Technical note
- 15 Definitions

Foreword



“Business owners are people, too... a human-centric approach is therefore essential when designing a product or solution”

Helping micro and small businesses weather the storm.

Micro and small businesses have suffered disproportionately as a result of the coronavirus pandemic. Whether forced to shutter their doors or change their business models to sell online, these enterprises around the world have exhibited tremendous strength and resilience.

The entrepreneurial spirit sees opportunity in every day to reimagine, refresh and reinvent. And we believe in those who take risks, chase dreams and put it all on the line for their business.

But what do they need from payments and banking technologies to weather the storm?

While this research reveals nuances that are specific to micro and small businesses, they mimic consumer findings in almost every instance. It proves something we know: that business owners are people, too, and that a human-centric approach is therefore essential when designing a product or solution and bringing it to market.

Bearing these insights in mind, we've created solutions to unlock potential and keep them moving forward. We're connecting business owners to tools and training so they can get paid, get capital and get digital wherever they are. We're leveraging our insights to guide ideas and our innovation to fuel momentum. And when we work together it means we're a team, driving economic equality and empowering every business, everywhere.

We're dedicated to enabling businesses to survive and thrive, stronger than before. And that is empowering every business.

Andrea Gilman

Senior vice president, global SME segment lead at Mastercard

Join the conversation

#StateofPay

mastercard.com/startwithpeople

Executive summary

Our research among small businesses details what they want from payments and financial services in 2020/21.

From July–August 2020, amid the coronavirus pandemic, we remotely surveyed 2,800 small business owners or employees who are involved in bank or business payment services for their business and have a smartphone for work in 14 countries: Australia, Brazil, Canada, China, India, Italy, South Africa, the UK, the US, Poland, Spain, Philippines, Peru, and Thailand. This formed part of our global state of pay research – a survey that also included 14,000 consumers. Our findings relating to consumer attitudes and behaviours toward payment and banking technologies are detailed in a longer report entitled: [‘What people want 2020/21’](#).

All small business representatives were from an enterprise with less than 50 employees (a ‘small business’), of which 71 percent had less than 10 employees (a ‘micro-business’). We refer to these as our ‘small business sample’ or ‘our sample’.

Like consumers, our small business sample was trending toward digital banking and payment solutions, but the impact of COVID-19 has accelerated this shift. In fact, banking and payments services play a crucial role for small businesses as they navigate the challenges the pandemic

has brought to them. These challenges largely stem from poor cash flow – three quarters of our sample said their liquidity had been negatively affected. The knock-on effects have stunted business growth, forced employee redundancies, and had negative impacts on respondents’ mental health.

As they seek to overcome these challenges, online banking is now the standard for business banking, and two thirds of our sample do this using a smartphone banking app. Still, fewer small businesses use banking apps than our consumer sample, preferring to bank using a desktop or laptop computer, or via telephone or in a bank branch instead.

The majority of our sample agree that although payment options have been changing quickly, it is good to have as much choice as possible. But there are challenges to digitising their business payments, not least the cost and expertise required to do so, and many want to retain the option to pay in cash.

Small businesses are more interested in the features and benefits of open banking-enabled services than our

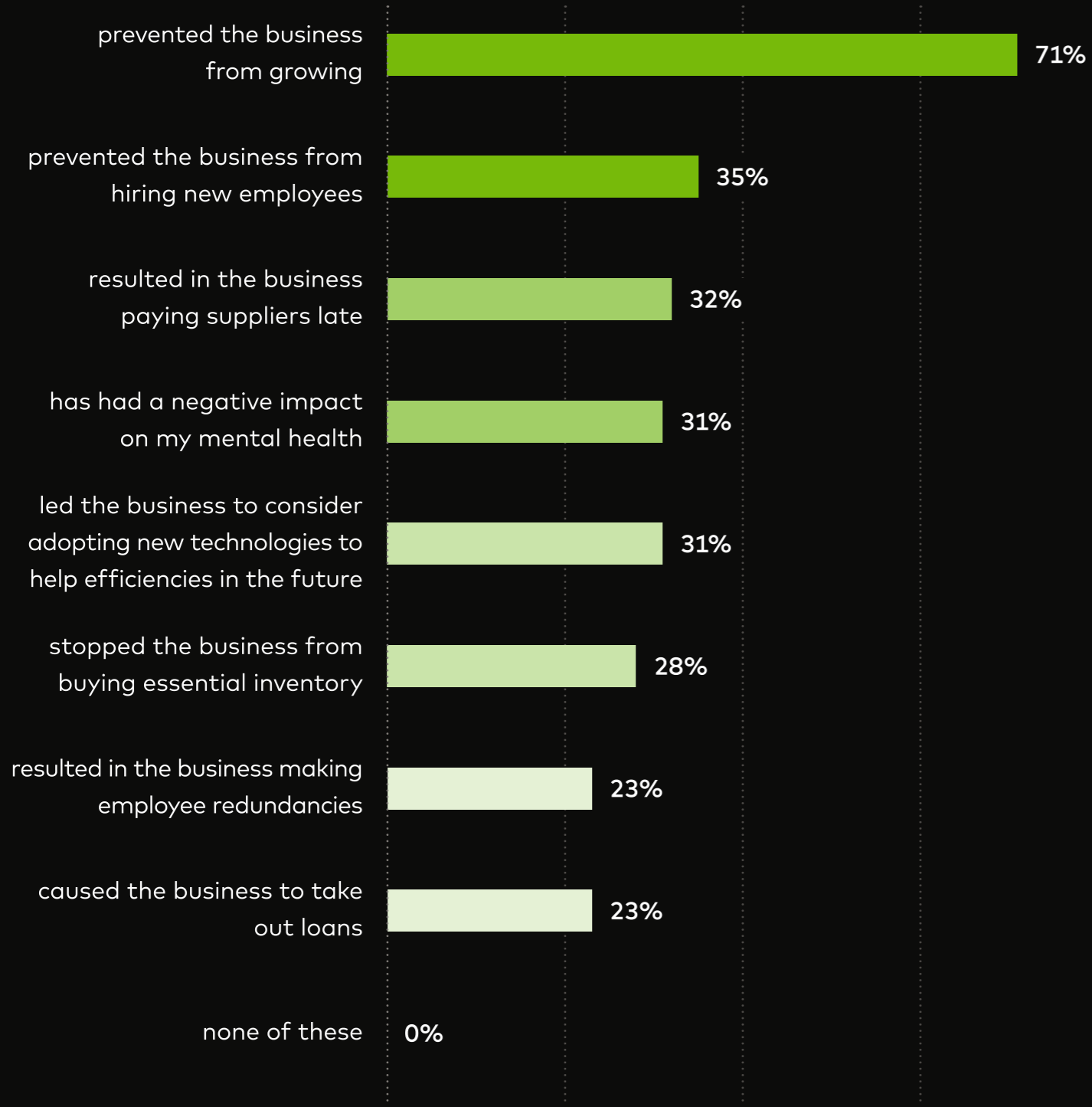
consumer sample, suggesting the business payment market is a ripe opportunity for open banking providers.

And small businesses are worried about being victims of financial fraud – many have already fallen foul. But there’s good news: nearly half of those that had lost money to financial fraud said they’d received some or all of their money back.

These findings that are specific to our small business sample are largely consistent with the findings of our consumer sample. They tell us three things: that the coronavirus has had a negative impact on people and businesses’ finances, piqued interest in new payment technologies and open banking, and that what people and small businesses want in 2020/21 are greater choice, flexibility and control.



Cash flow issues caused by coronavirus have...



What small businesses want in 2020/2021

75%

of small businesses have suffered poor cash flow as a result of the coronavirus pandemic

31%

said cash flow issues during the pandemic had a negative impact on their mental health

31%

said cash flow issues led them to consider adopting new technologies

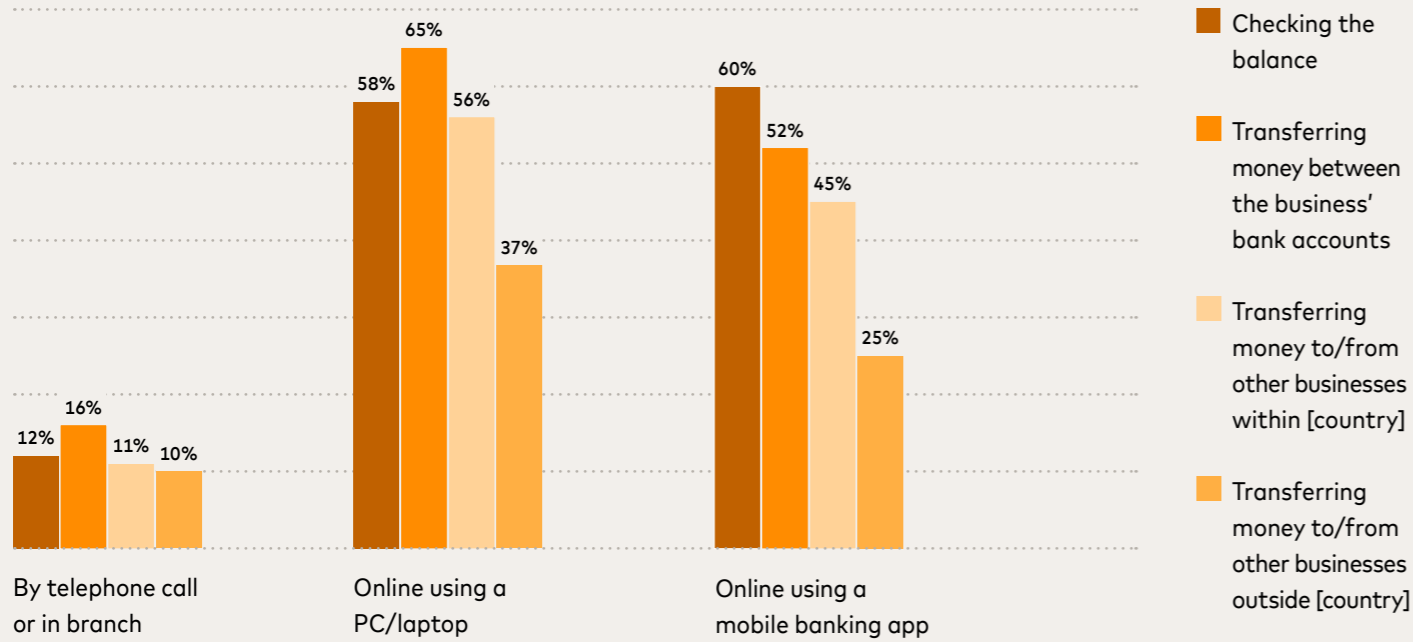
The coronavirus pandemic has negatively impacted small businesses.

What with the far-reaching impacts of COVID-19 on societies and economies around the world, it's unsurprising that three quarters (75%) of small businesses claim to have suffered poor cash flow. Reports range from 45 percent of those in Poland to a high 91 percent in the Philippines.

Our sample said they'd been affected in a number of different ways, with a majority 71 percent agreeing that the impact of the pandemic had prevented the business from growing. Three tenths (31%) of respondents said it had had a negative impact on their mental health.

There's one silver lining, if you look closely for it: 31 percent of our sample said cash flow issues had led the business to consider adopting new technologies to help efficiencies in the future. Doing so can help enable their future sustainability and growth.

When it comes to your business banking, in which of the following ways, if any, do you perform each of the following activities?



Online banking is the standard for small businesses.

Ninety-eight percent of our small business sample said they perform business banking activities online, including using a desktop computer or laptop (77%), using a tablet browser (16%) or a tablet app (22%). Two thirds (67%) said they perform business banking activities using a smartphone app.

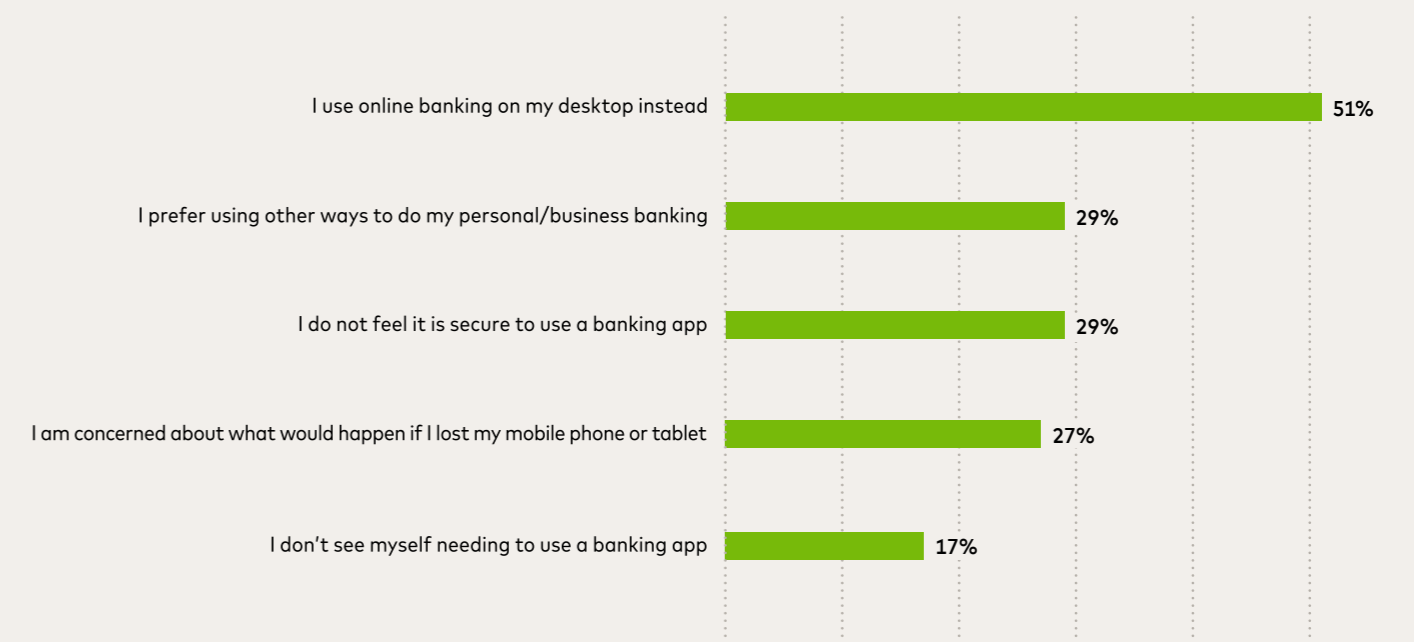
Ninety-six percent of our sample said they check their business' bank account balances online, 89 percent transfer money between their business' bank accounts online, and 85 percent transfer money to or from other businesses within the same country online.

A lower proportion of our sample use mobile banking apps (67%) than our consumer sample (73%). In fact, 93 percent of consumer respondents said they had used a banking app before the coronavirus pandemic, and the majority (87%) of those who had not used banking apps before it said they would continue to use them afterwards.

When we asked those in our small business sample who didn't use a banking app on their smartphone or tablet why they didn't, 29 percent agreed they 'do not feel it is secure to use a banking app', and 27 percent said 'I am concerned about what would happen if I lost my mobile phone tablet', likely fearing doing so could lead to unauthorised access to their business' accounts.

Perceptions aren't necessarily the reality, but this proves providers must do more to reassure small businesses about the security of banking apps.

Which of the following reasons, if any, describe why you do not use a banking app on your smartphone or tablet to conduct your business banking?



67%
of small businesses use mobile banking apps

51%
of small businesses that don't use mobile banking apps bank on their computer instead

The same was true when we conducted this research in among UK micro-businesses in 2019. We spoke to 300 users of banking or payment services in a UK enterprise with 0 to 9 employees, and their responses led us to question whether they were labouring behind the times. Then, 67 percent said they didn't use business banking apps, likewise citing security concerns (38%) as their biggest barrier.¹ Though we can't make a direct comparison, it's nevertheless reassuring to see that this year's business sample is less concerned about the security of banking apps.

Only 4 percent of our 2020 small business sample agreed they tried using a business banking app on their smartphone or tablet and didn't find it useful.

Twenty-four percent of our sample that frequently use banking or payment services on behalf of their business or the company they work for said they do their business banking by telephone call or in branch, ranging from 11 percent in the UK to 46 percent in India. Our survey didn't ask why, but we might assume this is because it's typically necessary to visit a branch to pay in cash or cheques.

1. Source: 'UK state of pay 2019' research report. Mastercard, 2019. P26



79%

of small businesses say it's good to have as much payment choice as possible

82%

of small businesses are interested in increasing the amount of digital payments they make

Small businesses are interested in new payment choices.

The majority (74%) of our small business sample agree that although payments options have been changing quickly, it is good to have as much choice as possible (79%). While two fifths (59%) like to try new payment options as soon as they become available, the same proportion of our sample (61%) said they'd like to get more advice about which new payment service is the best to use.

Small businesses can be stuck in their ways: 40 percent agreed 'it takes a lot to make me/the businesses change how I pay for things'. When we asked why, our sample agreed they faced the following challenges:

11 percent said 'The business does not have the right financial infrastructure in place to support a digital payment system'; 10 percent said 'It would be too expensive to set up a digital payment system', and six percent said 'The business does not have the right skills set to conduct digital payments'.

Yet, the majority (82%) of our small business sample said they were interested in increasing the amount of payments they made digitally in the next 12 months.

Together, these findings indicate demand and opportunity to provide small businesses with low-cost digital payment and acceptance solutions that are simple to install and easy to use.

To what extent do you agree or disagree with the following statements when thinking about (business) payments?



% NET: agree

Open banking-enabled services are appealing to small businesses.

We asked our small business sample to imagine a series of features and benefits that could be enabled by open banking were available to them through a single financial solution or account. These included 'a way to see your current accounts, savings, credit cards, pensions and investments, together in one place', or 'a tool that allows you to set and manage a budget or track your spending'.

Seventy-two percent of small business respondents said they'd use this single solution to manage their business' financial affairs, ranging from 41 percent in Australia to 93 percent in Thailand.¹

Does this suggest the business payment market is a ripe opportunity for open banking service providers?

Read our global state of pay research report, '[What people want 2020/21](#)' for more details on what's required to grow adoption and trust in open banking among consumers and small business owners.



Small businesses are worried about being victims of financial fraud.

We also asked our small business sample the same questions as our consumer sample relating to fraud and financial crime. Three quarters (74%) of all respondents said they were worried about becoming victims of financial fraud, of which 66 percent constituted our business sample. It's lower than average, but — as we saw overall — those in developing markets are much more fearful: 90 percent of small business owners in Peru said they were worried about becoming victims of financial fraud.

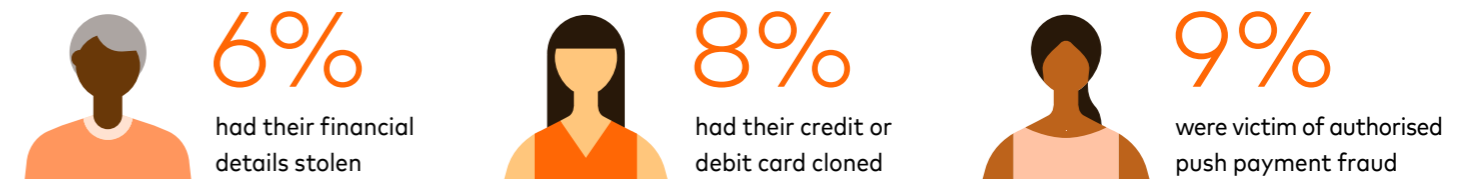
The proportion of respondents in our small business sample that have been victim of financial fraud in the past twelve months is consistent with the average across all respondents at 16percent. Of these, in our business sample, 6 percent said they'd had their financial details stolen, 8 percent said they'd had their credit or debit card cloned, and 9 percent said they'd fallen foul of authorised push payment fraud — where a fraudster tricks a victim into sending funds to an account they control.

Our main global state of pay report details the negative impact falling victim to financial fraud can have on a person's mental health. More than half (56%) percent of respondents said they subsequently decreased the amount of financial transactions they made, and 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.

This far exceeds the findings of our previous research among small, medium and large business owners in the UK, US and Australia. In our 2019 business fraud reports, we revealed that 17 percent of bosses and entrepreneurs who have had to deal with the fall-out from crippling payments fraud cited problems with their relationships with family and friends as a result.¹

Of course, losses to businesses translate to losses and liability for financial institutions. Thankfully, an increasing number of sophisticated solutions are being introduced to combat fraud and financial crime, and aid banks' efforts to trace and repatriate stolen funds.

Of those that were victim to financial fraud...



1. Source: '[Business fraud report: global](#)', Vocalink, a Mastercard company, 2019

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). Consumers were required to have a smartphone and a bank account.

We also surveyed 200 small business owners or employees in each of these markets, who frequently (80%) or occasionally (20%) use banking or payment services on behalf of their business or the company they work for, and have a smartphone for work.

All respondents in our business sample represented a business with less than 50 employees, of which 71 percent had less than 10 employees. They covered a range of industries, from education to hospitality, and mining and agriculture to media, transport and investments.

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 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 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 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 smartphone 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

Open banking refers to the growing number regulatory-led or industry-driven initiatives in which financial institutions allow their customer to securely share their bank account information, or other financial data (depending on the scope) with approved third parties in exchange for value-added products and services. It is often conflated with 'open finance' and 'open data'.

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](https://www.mastercard.com)

About Yonder Consulting

Yonder is a consultancy that helps blend insight, strategy and imagination to unlock opportunity and deliver business impact.
[yonderconsulting.com](https://www.yonderconsulting.com)

Press and enquiries

james.thorpe@mastercard.com

mark.collieran@mastercard.com

UK head office

1 Angel Lane
London
EC4R 3AB
United Kingdom

Registered No. 6119036