# Financial institutions slow to adopt real-time payment systems amid growing concerns



Many financial institutions in the United States are grappling with the slow adoption of real-time payment systems, as highlighted by recent findings from a PYMNTS Intelligence report in collaboration with The Clearing House. The report indicates a 7% increase in real-time payment volume on the RTP® network in the second quarter of 2024, yet significant reservations persist among banks regarding the integration of these systems into their existing frameworks.

Concerns surrounding the costs of updating legacy infrastructures are central to the slow uptake of real-time payments. The report notes that 34% of financial institutions express doubts about their core systems, which in some cases date back to the 1970s, being capable of handling the speed and volume demands posed by real-time transactions. Furthermore, a similar percentage of banks are apprehensive about 24/7 system availability, fearing that periods of downtime could lead to dissatisfaction among customers.

Fraud risk is another key factor inhibiting the shift towards real-time payment solutions. A notable 36% of banks surveyed remain uncertain about how to manage refund requests for fraudulently authorised transactions, as real-time payments are typically irreversible. While experts identify push payments — which require account-holder authorisation and are employed only on instant payment networks — as more secure, there is an advocacy for the application of artificial intelligence to enhance fraud detection and prevention methods.

Given the complexities associated with implementing these systems, many financial institutions are increasingly turning towards third-party payment providers for assistance. The report reveals that 44% of banks intend to develop their real-time payment capabilities outside of their current systems, with smaller institutions being particularly inclined towards such partnerships. A case study illustrating this trend is Frost Bank, which has teamed up with Finzly to incorporate RTP and FedNow® Service capabilities into its existing infrastructure. This partnership has enabled Frost Bank to effectively implement real-time payments, catering to the needs of both corporate and retail customers.

Moreover, the report suggests that many financial institutions may be underestimating consumer interest in real-time payment services. A study conducted jointly by Finzly and the U.S. Faster Payments Council found that while 90% of financial institutions believe that customers would benefit from instant payments, only 65% are confident that customers would embrace these options if made available. Despite this belief, many institutions still do not provide access to payment platforms such as RTP or FedNow Service, even as 64% of corporate bankers report a demand for these functionalities.

The reluctance to adopt real-time payments may stem from concerns that these services could undermine traditional revenue streams. 32% of bank executives indicated apprehension that instant payment options might cannibalise existing profits. However, some industry experts argue that this assumption is largely unfounded, suggesting that while customers may be attracted to banks that offer real-time payment solutions, they are unlikely to switch their banking affiliations solely on that basis. Notably, the absence of such offerings could prompt customers to consider switching to competitors who do provide these services.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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