



From paper checks to digital disbursements: Empowering businesses with competitive, agile payment solutions

Drew Edwards, CEO, Ingo Payments, September 2024

KeyBank and Ingo Payments help our clients seize an opportunity with digital disbursements. Ingo Payments is a payments orchestrator that ensures secure and reliable payouts across any industry and use case. The company is committed to bridging the gap between old payment methods and new ones to deliver modern, bespoke payment experiences.

My journey as the founder of Ingo began with the establishment of an Hispanic bank in 2001, where the majority of customers I worked with were individuals who were either unbanked or underbanked. They would bring in a paycheck and rely on us to not only to cash that check but use the funds to help them pay bills and distribute some of the money to friends and family around the world. The mission of Ingo Payments — to give people and businesses instant, digital, and secure access to their money — started with our bank tellers facing consumers across a counter and providing them with the money mobility (often originating in check form) they needed.

Fast forward a couple of decades and the landscape of money mobility has been transformed. Technologies that were still relatively new back in 2001, like the internet, e-mail, and text messaging, have matured and become part of the fabric of everyday life. More recently, mobile apps have been a game-changer, greatly reducing the cost, effort, and time required for companies and their customers to conduct business.

With the increase of mobile use comes the decrease of paper check usage, and for good reason. Check fraud has skyrocketed by 385%¹ since the COVID-19 pandemic.

Pairing that risk with changing consumer preferences and the increasing availability of online payment options, companies are being compelled to modernize their payments ecosystems. Many of them are turning to digital disbursements, online financial transactions that distribute funds from one party to another quickly and securely. Features like electronic delivery, real-time transactions, enhanced security measures, and integration with mobile technology are making digital disbursements a no-brainer alternative to paper checks.

In this article, I explore some of the benefits of digital disbursement solutions and take a look at new advances that should finally make paper checks — and their many flaws as a payment instrument — a thing of the past.

Creating competitive advantages with disbursement solutions

Digital disbursements use existing payment “rails,” like the Automated Clearing House (ACH) network, the RTP Network, FedNow, PayPal, and Visa/MC push-to-card options, giving the sender and recipient options in how they execute the transaction. Aside from offering greatly enhanced security, electronic distribution is quicker and cheaper than issuing paper checks. It’s also the preferred payment type for consumers, with 67% of respondents to a recent survey stating that they prefer senders offering instant disbursements.²

Flexibility, reduced costs, security, increased efficiency, and letting customers choose from a variety of options are all essential to achieving and maintaining a competitive advantage. So is the ability to adapt quickly to changing market and macroeconomic conditions, another area where I believe that digital disbursements give organizations an edge over old-school payouts.

Boosting business agility through real-time disbursements

I strongly believe companies that are better able to learn and adapt will thrive in this environment and will prevail in the long run. Real-time digital disbursements can play an important role in supporting this business agility and responsiveness. For example, banks and other payments partners specialize in staying on top of emerging technologies so businesses can offer those cutting-edge solutions to their customers without having to develop or source them in-house.

Transforming payout processes for businesses with digital disbursements

In the age of email, I can’t imagine a responsible businessperson choosing to make snail mail their primary

mode of correspondence with customers. The time, effort, and cost of materials and processing needed to send an actual letter is not only prohibitive, it’s incompatible with the modern preference for instant communication. Yet, I see many businesses emulate that analog process and use paper checks for their disbursements.

The secret to the longevity of paper checks is their ubiquity; any individual or organization can issue a check to any other entity with full confidence that the recipient will be able to deposit or cash that check. But ubiquity isn’t the same thing as convenience, and with the emergence of electronic delivery options, most people would prefer to be paid using a different payment instrument.

The magic of digital disbursement is that it combines ubiquity with convenience — every consumer has a payment method they prefer, and digital disbursement allows organizations to satisfy that preference by offering a broad array of choices in a digital setting. In short, digital disbursements give businesses the option to pay anyone, without having to use paper checks. And when you can pay anyone, you can pay everyone.

Empowering businesses with seamless payment solutions

Another drawback of paper checks is their inefficiency and vulnerabilities related to errors and fraud. Paper checks can be lost, damaged, or processed incorrectly. They’re also easy to steal, forge, and alter, leading to financial losses for businesses and the administrative burden of having to mitigate the situation with their bank, law enforcement, and the customer.

Digital disbursements streamline payout processes by allowing payments to be processed electronically in batches or real time application programming interfaces (APIs), decreasing the need for manual interventions. This automated handling also reduces the risk of errors in the records pertaining to payouts and the payments themselves. Automated digital disbursements also enable swift fund transfers, empowering businesses to meet their financial obligations more quickly and easily. Finally, digital disbursements eliminate the operational costs associated with manual disbursement processes.

Digital disbursements are not only quicker than paper checks, they’re cheaper. The cost of digital disbursements is a fraction of what it costs to issue, distribute, and process paper checks. While costs will vary based on volume and operational efficiency, estimates for administering check refunds can range from \$4 to \$20 per check. This does not include the additional cost of complying with state abandoned property escheatment laws, which govern the disposition of unclaimed property. Uncashed checks are considered unclaimed property, and companies must keep

meticulous records of the status of paper checks they have issued and submit reports regularly to the departments of revenue in the states in which they operate. This process requires a substantial amount of time, effort, and money on the part of businesses.

Prioritizing customer experience

Companies should scramble to transition away from checks, especially considering their customers are demanding it. According to a recent study on consumer payment choice, paper checks were the preferred method of payment for 18- to 24-year-olds less than 1% of the time.³ Even the cohort of individuals 65 years old or older, who have been relying on paper checks for most of their lives, use checks for only 13% of their payments.³

With so few consumers making payments via check, it's safe to assume a similarly low percentage of consumers expect to receive disbursements via check. Whether for claims payments, marketplace payouts, or healthcare refunds, companies can improve the customer experience by digitizing their disbursements.

Bridging the offline recipient gap

Historically, one of the advantages of a "check in the mail" was that you could pay anyone without even having a digital connection with them. All you needed was a name, postal

address, and the amount you wanted to pay, and off the snails went. Digital disbursements are so much better, faster, and safer, but you must be connected to someone in a digital experience to make that experience possible. This is a major gap for many businesses when it comes to payouts. The KeyBank solution bridges this gap with outbound communications to recipients using email or text messaging to draw them into a digital payments center, where they can authenticate and choose a modern payment method: "How would you like to be paid right now?"

The future of digital disbursements

KeyBank now offers digital disbursements capabilities leveraging our technology and network connectivity to optimize consumer payments. This capability is underpinned by a solution KeyBank developed in-house that allows clients to take advantage of the benefits of digital disbursement without having to change the way they currently trigger those payments. This means that business clients can still send batch files and KeyBank will translate them into real-time digital disbursements that let the recipients choose how they want to receive the funds, including a check if so desired.



Drew Edwards
CEO, Ingo Payments

¹ <https://home.treasury.gov/news/press-releases/jv2134>

² <https://www.pymnts.com/study/disbursements-satisfaction-instant-payments-consumer-finance/>

³ <https://www.frbsf.org/research-and-insights/publications/fed-notes/2021/05/2021-findings-from-the-diary-of-consumer-payment-choice/#:-:text=Cash>

To learn more about digital payment solutions, connect with an expert:
key.com/businesses-institutions/solutions/payments/payments-advisor-contact.html

