



WHITE PAPER

# TACKLING THE COVID-19 LIQUIDITY CRISIS: THREE POWERFUL BENEFITS OF PREPAID CARDS

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Prepaid business cards provide businesses and government agencies with a fast, low cost, secure, proven way to make same-day digital payments.



U.S. businesses, workers and consumers are being buffeted like never before. The COVID-19 pandemic has created massive unemployment and a liquidity crunch that has escalated faster than either the Great Recession or the Great Depression. Companies of all sizes are fighting for survival in a business climate that is both punishing and uncertain.

Even before COVID-19, the average small business in the U.S. had less than 27 days of cash on hand.<sup>1</sup> Now, most of these businesses have experienced a significant decrease in demand due to guidelines or state-mandated stay-at-home orders. Similarly, employees and consumers have witnessed a precipitous plunge in their cash flow. More than 33.5 million Americans had filed for unemployment by the period ending May 2, 2020, due to the COVID-19 crisis<sup>2</sup>, and those numbers are sure to grow until the economy is able to stabilize.

State and federal agencies offer unemployment and other coronavirus relief program payouts that are designed to help the nation's businesses and workers stay afloat in the current economic crisis. Although these benefits are helping many, and even increasing the earnings of up to half of American workers,<sup>3</sup> the other half of the workforce is experiencing diminished wages. The challenge is that many American employees are ill-prepared to weather financial storms: Some 40 percent of workers don't have \$1,000 for an emergency expense and would experience economic hardship if they missed just one paycheck.<sup>4</sup> That, of course, is happening right now across the country.

## Who's hardest hit by the economic impact of COVID-19

Presence-based industries such as retail and hospitality businesses, restaurants, bars, and hair and beauty salons have been among the hardest hit by COVID-19. Although stay-at-home orders should ease in many states, consumers may be slow to return due to fears of illness, forcing these businesses to rely on skeleton workforces and federally guaranteed loans to continue operations. Because consumption accounted for 70 percent of the U.S. gross domestic product (GDP) of \$21.73 trillion in 2019,<sup>5</sup> it's likely that the nation's economic challenges will continue for some time.

## Using digital payments to solve real challenges

Amid all the challenges associated with COVID-19, the liquidity crisis is one that can be addressed with a solution already in operation: prepaid cards. A prepaid business platform can help businesses and government agencies to quickly stand up a digital payments system that:

- Increases liquidity with reliable, same-day payments
- Helps businesses and individuals improve cash flow
- Provides infinite scale, enabling nationwide deployment
- Creates transparency, with end-to-end digital workflow
- Ends inquiries about missing or delayed checks
- Eliminates check exceptions, which increase check processing costs
- Reduces the risk of identity theft and check fraud
- Simplifies financial processes and operations
- Provides integrated risk and fraud management, which are key in regulated industries

<sup>1</sup>Justin Lahart, "U.S. Workers, Businesses Lack Funds to Tide Them Over Until Help Comes," Wall Street Journal, March 24, 2020, <https://www.wsj.com/articles/u-s-workers-businesses-lack-funds-to-tide-them-over-until-help-comes-11585051200>

<sup>2</sup>U.S. Department of Labor, "Unemployment Insurance Weekly Claims," News Release, May 7, 2020, <https://www.dol.gov/ui/data.pdf>

<sup>3</sup>Eric Morath, "Coronavirus Relief Often Pays Workers More Than Work," Wall Street Journal, April 28, 2020, <https://www.wsj.com/articles/coronavirus-relief-often-pays-workers-more-than-work-11588066200>

<sup>4</sup>Annie Nova, "A \$1,000 Emergency Would Push Many Americans into Debt," CNBC, January 23, 2019, <https://www.cnbc.com/2019/01/23/most-americans-dont-have-the-savings-to-cover-a-1000-emergency.html>

<sup>5</sup>Kai Ryssdal and Maria Hollenhorst, "COVID-19: What's Gonna Happen to the Consumer Economy?" Marketplace.org, April 6, 2020, <https://www.marketplace.org/2020/04/06/whats-gonna-happen-to-the-consumer-economy/>

## Prepaid business cards can help the U.S. weather the cash flow crunch

The nation's liquidity crisis has been worsened by existing antiquated payment processes. Both checks and cash increase fraud risks, and checks don't provide the speed to market and traceability that both businesses and recipients need now.

With current market and business conditions, prepaid platforms provide the best way to distribute digital funds that recipients can tap and use instantly, such as earned wages and COVID-19 relief.

Prepaid business solutions provide a host of benefits that leverage an existing, proven infrastructure, so solutions can be deployed in about two weeks. They also provide full transparency and predictability with end-to-end digital workflow and same-day digital payments.

Prepaid business platforms are flexible enough to meet all of an organization's needs, from 100 percent digital payroll to special one-time payments. And they don't require that the recipient have a bank account, allowing universal deployment to workers and recipients.

Prepaid cards provide greater protection for both issuers and recipients with integrated ID verification and other risk and fraud checks – only designated recipients can access funds. Cards carry no value until activated, so businesses incur no financial loss if they are stolen or lost. Prepaid cards also carry all network liability – meaning zero liability for lost/stolen cards or disputed card transactions.

With their speed to market, proven infrastructure, versatility, security and scalability, it's easy to see why businesses and organizations are turning to prepaid business platforms to aid them in distributing time-sensitive monies. Government agencies, in particular, are harnessing these platforms to distribute COVID-19 relief, knowing that businesses and recipients need them urgently.

## Prepaid cards have a wide array of uses

Available as single-use or reloadable products, prepaid cards are used by businesses and government agencies to provide:

- COVID-19 relief payments
- Tax refunds
- Insurance payouts
- Social security benefits
- Unemployment and Temporary Assistance for Needy Families (TANF) payments
- Vendor and supplier payments
- Weekly payroll
- Same-day earned wages for gig and other workers
- Commissions
- Travel and other employee reimbursements
- Employee incentives
- Gift cards

## Three benefits of using prepaid business cards to address the liquidity crunch

Whether your organization is a government agency, a business or another type of organization, you can use a prepaid business platform to keep cash moving. Here are three powerful benefits you get with prepaid cards.

### Benefit #1: Prepaid cards improve both the payer and the payee experience

Check payments are an analog process in a digital world. While Europe has adopted digital payments to enable business and streamline cross-border transactions that occur in multiple languages and currencies, the U.S. lags behind due to a lack of similar motivating pressure.

COVID-19 is now providing that pressure, speeding up the world of business and reducing the ongoing friction that occurs during analog payment processes.

For business recipients and individuals, the advantages are incalculable. Same-day payments could potentially mean the difference between a business closing its doors and being able to weather the disruption of COVID-19. They also create an experience that recipients covet, as it brings predictability to payments, stabilizing cash flow and enabling accurate decision-making.

For example, when vendors and suppliers invoice their customers, they often wait between 30 and 90 days for payments to be made. Then it can take up to five days for ACH payments to clear or multiple days for checks to be mailed, deposited and credited to accounts. And employees and benefit recipients who still receive paper checks must wait for them to arrive, sometimes relying on expensive payday loans or dealing with overdrawn checks and high bank fees. Those who don't have a bank account face payment delays and fees associated with visiting a check-cashing establishment.

With prepaid cards, individuals and businesses gain the ability to access funds the same day they are paid. Because financial stresses are a large reason that one in four Americans say they are at the breaking point due to COVID-19,<sup>6</sup> transparent payment processes would increase their peace of mind, along with their ability to pay bills and plan for the future.

On the payer side, checks don't provide any transparency, leading to high call center volumes as vendors, suppliers and benefit recipients call to inquire when payments will be made. This harms the recipient experience, straining business operations.

A prepaid business platform provides end-to-end digital workflow, enabling businesses and agencies to make same-day payments to their suppliers, vendors, employees and benefit recipients. For key leaders and teams:

- CFOs and controllers gain transparency into the organization's cash position, enabling them to make highly accurate financial decisions.
- HR and payroll teams benefit from the ability to provide same-day payments to anyone, delivering an exceptional experience that helps position their organization as the client of choice and attract and build a top-tier workforce.
- Risk managers improve controls and gain digital reporting capabilities, which are critical at a time when the risk of theft and fraud is increasing.

## Benefit #2: Prepaid cards simplify your business and streamline finances

Businesses and individuals are navigating through a new normal, with ongoing disruption and uncertainty. For many organizations, it is all hands-on deck, as leaders constantly confer about how to respond to market changes while continually demanding digital transformation and customer experience programs.

A prepaid business platform simplifies financial processes and operations for organizations, bringing clarity to key leaders and teams.

- CFOs and controllers benefit by trading paper-based processes for digital workflows. They gain a turnkey solution that includes implementation, regulatory oversight and compliance capabilities, risk and fraud management, and other key services that can be implemented fast, providing speed to market.
- HR and payroll teams benefit by simplifying all disbursements with 100 percent electronic payroll, standardized accounting processes and lower processing costs.
- Risk managers can streamline compliance processes, which is especially critical in regulated industries, while making sure that the prepaid program meets business, financial and technology objectives.

The right platform can help organizations reduce costs, such as check processing and mail, stop payments, check reissues, and fraud losses by moving payments online. They also gain the opportunity to redeploy call center staff on higher-level customer service duties.

## Benefit #3: Prepaid cards reduce financial and business risk

The C-suite knows that paper check payments are fraught with risk, including business and financial risks, fraud and identity theft.

A prepaid business platform helps reduce risk across multiple business functions. CFOs and controllers want to improve financial stability and cash flow. With a prepaid business platform, they can monitor their cash position at all times; accelerate cash flow with daily, rather than monthly, accruals; and speed reconciliations with digital payment flows. Another added benefit is the ability to identify payment issues in days, rather than months, reducing credit risk that could harm their business.

## Get cash moving again with the FIS Prepaid Business Platform

When it comes to same-day payments, FIS provides the platform and scale you need. Count on us to help you deliver your prepaid card program by leveraging our extensive prepaid business experience:

- \$100 billion processed annually
- 20+ years of successful conversions and migrations
- 3.5 billion transactions processed every year
- 300+ million active cards on prepaid platforms
- \$8 billion processed in a single day
- 20+ card types supported
- 200+ clients, including government agencies, banks, fintechs and small businesses
- Operating in 36 countries

The FIS Prepaid Business Platform has highly secure payment processes, with integrated, automated ID verification and Office of Foreign Assets Control (OFAC) checks, which mitigate check fraud and identity theft. The platform provides strong security and fraud-fighting technology, and demonstrates compliance with all appropriate regulations.

And implementation is fast. Because the FIS Prepaid Business Platform is built on existing FIS infrastructure, businesses and organizations of all sizes can implement it in a matter of weeks and start getting cash into the hands of those who need it most.

## Prepare for the future now

COVID-19 has changed the game for U.S. businesses, workers and consumers. Current payment processes, such as checks and cash, no longer meet the need for speed, transparency and safety.

A prepaid business platform can address these imperatives while meeting business expectations for a better experience, streamlined operations and lower risk.

At FIS, we work with you to understand your needs and goals for prepaid solutions. As a leading partner to business, financial institutions and government agencies, we bring proven processes, best practices and a world-class infrastructure to bear on your challenges.

Organizations like yours need a partner who can help them stand up a digital payment solution quickly, gaining speed to market while meeting your unique needs. Count on FIS to help you implement an end-to-end prepaid program; meet the needs of your suppliers, vendors, workers and other recipients; and build your business reputation and future by making same-day payments.

Contact us now for a no-cost consultation. We'll work with you to understand your current processes, challenges and goals with digital payments. Ask us about a business case on how prepaid cards drive value for organizations like yours, with digital processes, lower costs and risks, and the opportunity to create new revenue streams.

Learn more at:

<https://empower1.fisglobal.com/prepaid-cards.html>

## About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our more than 55,000 people are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index.

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