

June 2025

How Electronic Payments Drive Small Business Success



June 2025

Dear Industry Professional,

How often do any of us put any real thought into making a payment? When we tap, dip or swipe a card or our phone, we have confidence that we will walk away with our purchase, and the vendor will get paid. With consumers making an average of 45 digital payments per month, it's no wonder electronic payments are taken for granted.

That number will continue to rise because the industry has made it so easy. Electronic payments are ubiquitous, secure, and simple to use—all by design. And they are getting more secure, and more innovative, every day.

But the real power of digital payments becomes apparent when we look at their impact. With a projected total transaction value of \$11.53 trillion in 2024, the payments industry underpins the nation's 21st-century economy. For consumers, electronic payments provide benefits including no-fault fraud protection, rewards and cash back programs that they rely on.

Critically, electronic payments also play an important role in driving the huge economic engine that is small business. Digital payments enable small businesses to open, to expand, and to efficiently manage their business. The corner store that would have had to close during the pandemic but for the ability to accept digital payments now can make sales to customers around the globe. With digital payments, small businesses can offer their customers a myriad of ways to pay, attracting more customers and increasing average ticket size. This whitepaper highlights some of the many ways electronic payments truly enable small business success.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jodie L. Kelley', with a stylized, cursive script.

Jodie L. Kelley
CEO
eta | Electronic Transactions Association

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EXECUTIVE SUMMARY

ELECTRONIC PAYMENTS DRIVE SMALL BUSINESS SUCCESS

Small businesses are an economic engine. In the U.S. small businesses makes up 99.9% of all commercial enterprises and contribute 43.5% to GDP.¹ However, these businesses often face challenges such as growing and expanding, dealing with administrative challenges, limited access to capital, and vulnerability to fraud. Electronic payments have emerged as a powerful enabler of small business success, providing a mechanism to drive growth, enhance efficiency, manage risk, and improve customer experience.

This whitepaper details the many ways electronic payments help small business succeed.

- **Electronic Payments Helps Small Businesses Launch**

In the digital age, electronic payments have become a prerequisite for launching a business. Modern payment platforms make it easier than ever to start a business with low-cost, accessible options that improve cash flow and reduce start-up costs.

- **Electronic Payments Support Growth**

Electronic payments support online expansion², omnichannel sales, and customer loyalty. Contactless and mobile payments enhance the customer experience, while features like card-linked rewards, and embedded financing boost spending and sales.

The electronic payments industry also provides critical access to capital for small business through many traditional and fintech financing options as well as business credit cards. These options enable quick, data-driven lending decisions and, with a variety of repayment options, allow business owners greater control.

- **The Electronic Transactions Industry Helps Small Businesses Manage Risk**

Behind every electronic payment transaction are billions of dollars of investment in advanced fraud protection technologies—such as encryption, tokenization, and real-time monitoring. These fraud protections not only fuel consumer confidence but also protect small businesses.

- **Electronic Transactions Allow Small Businesses to Work Smarter**

Integration with accounting, customer relationship management (CRM), and point-of-sale software streamlines workflows, speeds up payments, and reduces administrative burdens. Better data empowers small businesses with the insights they need to improve operations.

As the payment ecosystem continues to evolve to meet customer demands, the **Electronic Transactions Association** and its members remain committed to supporting small businesses with innovative technologies that ensure secure and efficient solutions. By embracing electronic payments, small businesses are better equipped to satisfy customers, compete in the digital economy, and fuel sustainable growth.



INTRODUCTION

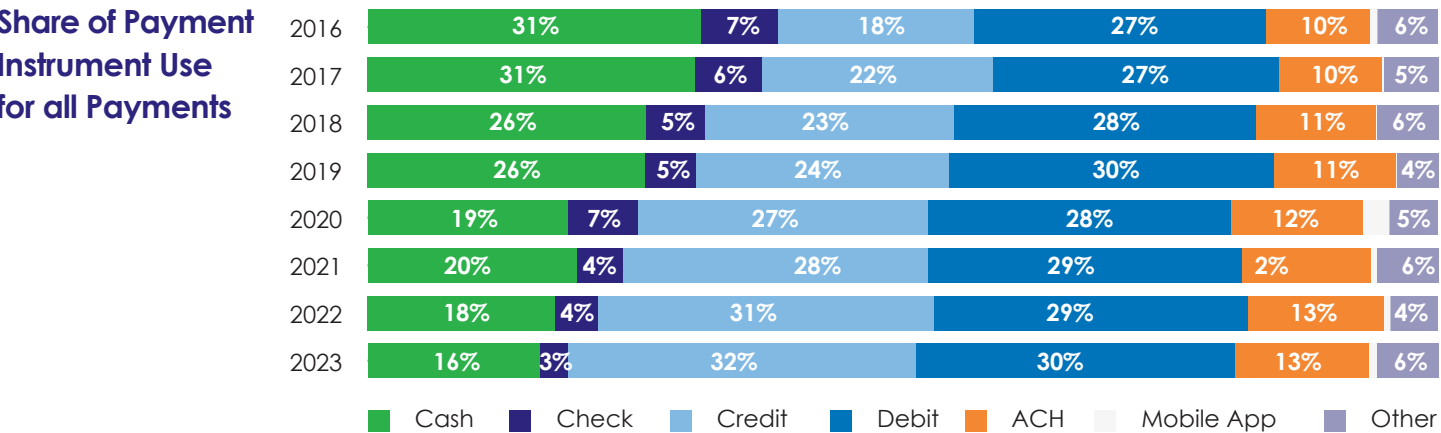
There is nothing small about the impact of small businesses. Together, the mom-and-pop retailers, solopreneurs, wholesalers, manufacturers, professional service firms, and other businesses with fewer than 500 employees—drive the economy. They represent 99.9% of all businesses in the U.S., account for 43.5% of GDP¹ and employ approximately 59 million people.³ And despite the fact that 20.4% of new businesses will fail in their first year, the small business sector continues to innovate, adapt, and grow.⁴

But running a small business is no easy task, especially in the face of rising costs for labor, materials, and supplies, supply chain disruptions, and a shortage of funding. A 2024 U.S. Bank study⁵ found that nearly half (49%) of owners say their top stressors are delaying their ability to grow their businesses at the rate they had hoped.⁵ **“The digital economy is expanding,”** says Jodie Kelley, CEO of the Electronic Transactions Association. **“With many small businesses lacking access to capital and resources, it’s more critical than ever for the electronic transactions industry to provide the tools needed to launch, grow, manage risk, and operate more efficiently.”**

ELECTRONIC PAYMENTS HELP SMALL BUSINESSES GET STARTED

Consumers have a growing preference for electronic payments, and with the development of online payment gateways and processors, e-commerce platforms, integration with existing business systems, and mobile payment apps, it's never been easier to start and scale a business.

Acceptance of digital payments is no longer an option. It's expected. Consumers have made it known they want the added security of digital payment systems as well as the convenience of fast checkouts. Cash is no longer king, clearly. According to The Federal Reserve, cash payments, as a share of all payments, have fallen from 31% in 2016 to 16% in 2023, while debit and credit card payments have grown from 45% in 2016 to 62% in 2023.⁶



Source: 2024 Findings from the Diary of Consumer Payment Choice, The Federal Reserve

Fortunately, the simplicity and flexibility of modern payment systems make it easy for small businesses to accept payments from any location, website, or platform. Payment transfer providers help small business owners reach their customers and accept a wide range of payment methods.

"I've been using Zelle for about seven years. I find it's pretty seamless—easier than some of the other services out there. It's just really easy to set up. Payments go right into my bank account," says Michael B., who owns a dog walking service in New York, New York.

"Payments technology, like Clover, has made my life easier."

- Brad Schweig, VP of Operations
Sunnyland Outdoor Living,
North Dallas, Texas

Digital payments can increase sales, accelerate cash flow for new businesses, improve efficiency, and reduce labor and administrative costs. In contrast, cash-based businesses require physical locations, security, and additional labor to process in-person transactions.

The increasing use of digital payment platforms by small businesses reflects a broader digital shift as entrepreneurs seek payment tools that are more flexible and immediate. For example, according to Zelle, the number of small businesses enrolled in its platform has tripled over the past three years to more than seven million users.

ELECTRONIC PAYMENTS DRIVE GROWTH FOR SMALL BUSINESSES

Electronic Payments Enable Small Businesses to Grow Online

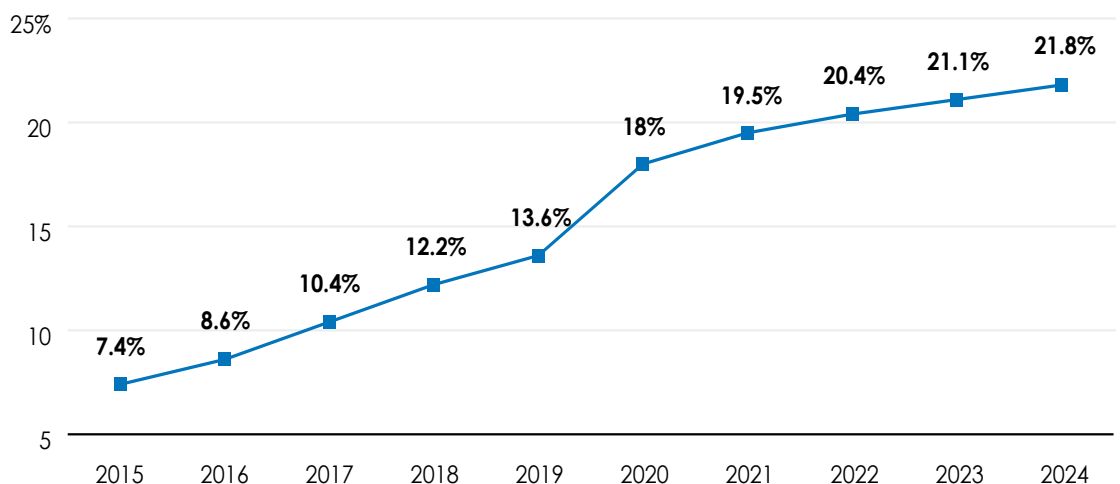
By empowering small businesses to accept a wide range of payment methods—from traditional credit and debit cards to mobile wallets, contactless payments, and online payment platforms—the electronic transaction industry facilitates growth. A wide range of payment options allows small businesses to expand their customer base and enable sales across multiple channels. By removing payment friction, small businesses can attract new customers and increase the size and frequency of conversions.

Never was this more important than during the COVID-19 pandemic. Consumers turned to digital channels for shopping as lockdowns and social distancing measures took effect. Electronic payments allowed small businesses to pivot with them, opening up new market opportunities and revenue streams.

According to the U.S. Department of Commerce, International Trade Association, global e-commerce sales surged 32% between 2019 and 2020, rising from 13.6% of global retail sales to 18% of global retail sales.⁷ The Small Business Majority Digital Transformation Report confirms that the dramatic increase in e-commerce sales was similar for small businesses. Ten percent of small business respondents reported a doubling of e-commerce sales, while another 44% reported an increase between 25% and 100%.⁸ In 2024, e-commerce continued to be an essential component for small businesses, with six in 10 small businesses utilizing some kind of e-commerce platform.⁸

E-Commerce Shows Steady Climb in Retail Market Share

E-Commerce Share of Total Global Retail Sales (2015-2024)



Source: U.S. Department of Commerce, International Trade Association

The Security of Electronic Payments Drives Consumer Confidence and Sales

Secure payment methods foster trust between a business and its customers. This can drive sales by reducing cart abandonment, worry about fraud or regrets over a purchase. "With electronic payments, consumers can shop with confidence knowing that security and fraud protections are built-in," says Kelley. Standard setting for all payment platforms, like the Payment Card Industry Data Security Standards (PCI-DSS), ensure that sensitive data is protected throughout the payment process.

Another tool is encryption, which protects sensitive data such as credit card numbers and personal identification numbers (PINs) and ensures security during transmission or storage. Tokenization also helps protect sensitive card information by replacing sensitive card details with a unique digital identifier or "token" that is useless if intercepted. Two-factor and biometric authentication is another strategy to keep accounts secure.

Consumers don't see it but take comfort in knowing that payment platforms employ advanced algorithms and continuous monitoring to help detect and prevent fraudulent transactions. Zero-liability protection against fraud is another benefit that instills confidence in cardholders. This means cardholders don't have to pay for any unauthorized purchases.

94% of merchants considering payments a strategic priority.⁹

Source: Discover Global Network, 2024 Payments State of the Union

Electronic Payments Enhance the Customer Experience Which Further Drives Business Growth

Along with a choice of payment methods, consumers want easier and faster checkouts and they're getting them through advancements in digital payments such as digital wallets and contactless payments. To realize growth, small business owners understand a fast and easy payment process is essential. Nearly six in 10 merchants believe payments are critical to the success of customer experience and business performance. They also know consumers are less likely to interact with a business due to a poor payment experience.⁹

Card-Linked Loyalty Programs Drive Growth

Unlike cash payments, electronic payments drive small business success by enabling targeted promotions, integration with loyalty programs, discounts, and rewards based on actual customer shopping habits and preferences. Card-linked programs encourage repeat business and boost customer loyalty by making it easy to earn rewards and discounts. Many loyalty programs are also integrated into mobile wallets. Payment processors help link loyalty programs with mobile wallets, allowing customers to track points and redeem rewards through their smartphones.

Small business owners appreciate the direct impact of their advertising investment because every dollar spent is directly attributable to a sale. For businesses on a tight budget, paying only when a sale occurs fosters growth while conserving resources. Consumers benefit because offers are more relevant and personalized, and they don't have to worry about carrying multiple loyalty cards wherever they go.

Customers Spend More Using Electronic Payments

Digital wallet users spend 31% more than non-wallet users.

When all costs and parties involved in a transaction are considered, electronic payments (debit cards, credit cards, and mobile payments) are more cost-effective to process than cash for most transactions. The biggest reason is that electronic payments allow consumers to spend more than they have in their wallet, resulting in “ticket lift” for merchants.

Source: Tracking the Digital Payments Takeover: Can New Use Cases Drive Consumer Use of Digital Wallets?¹¹

When Atlanta's Mercedes-Benz Stadium switched to a fully cashless payment system in 2018, per capita food and beverage sales rose by 16% in the first year, while wait times fell by 20 to 30 seconds and operational costs dropped by more than \$350,000.¹⁰ A recent consumer survey demonstrates the magnitude of ticket lift—digital wallet users spent 31% more than non-users across a range of categories.¹¹

Fueling Small Business Growth with Access to Capital

A lack of capital can slow growth for small businesses. A 2024 *Goldman Sachs 10,000 Small Businesses Voices* survey¹² found that 77% of small businesses were concerned about their ability to access capital. Nearly seven in 10 small businesses¹³ have less than two months of operating cash on hand.

For many small businesses, obtaining business loans through traditional outlets can be challenging. Embedded financing from platforms such as Amazon, Block, Intuit (QuickBooks) and PayPal offer a financing alternative for small business owners. Using sophisticated, data-driven algorithms to assess the creditworthiness of potential borrowers, embedded financing enables small businesses to get an answer to their funding requests quickly and efficiently.

Business credit cards are another important source of capital for small businesses. These cards typically come with easier qualification and higher credit limits than bank loans. Perks such as cashback and travel bonuses can fund investment. Using a business credit card responsibly can also help a new business develop a credit profile that will enable

access to other sources of financing. Unlike borrowing from private investors, business credit cards allow entrepreneurs to maximize their control of the company. Small businesses have a wide range of choices from business card providers such as American Express, Bank of America, Mastercard, Stripe and Visa Direct.

Electronic payments also offer small businesses tighter controls over spending and real-time transaction visibility. Approval workflows can be set up so that multiple levels of authorization are required for large or specific types of payments, reducing the risk of unauthorized spending. With immediate access to payment status, financial metrics, and audit trails, payment systems help smaller businesses better control expenses.

ELECTRONIC PAYMENTS HELP SMALL BUSINESSES MANAGE RISK

The same fraud protections that fuel consumer confidence similarly protect small businesses. The 2024 AFP Payments Fraud and Control Survey Report found that 74% of organizations with less than \$1 billion in revenue were victims of fraud attacks in 2023.¹⁴ The median loss due to fraud for organizations with fewer than 100 employees was \$141,000, compared to \$200,000 for those with more than 10,000 employees.¹⁵ Compared to other payment methods, checks are most vulnerable to fraud, as they are easier to forge, alter, and steal. Sixty-five percent of organizations responding to the AFP study¹⁴ faced fraud attacks of this type. In contrast, electronic payments utilize advanced security measures like encryption, tokenization, multi-factor authentication, Address Verification Service (AVS) and Card Verification Value (CVV) to protect against unauthorized access and fraud. Some payment processors offer chargeback protection services that reimburse businesses for losses due to fraudulent chargebacks, helping businesses further mitigate financial risks.

ETA members invest billions of dollars in advanced technologies like artificial intelligence and real-time fraud detection. In 2023 alone, the payments industry successfully prevented an estimated \$40 billion in fraudulent transactions.¹⁶

Helping Small Business with Data Protection

The number of data breaches in the U.S. has significantly increased over the past few years, from 447 in 2012 to more than 3,158 in 2024.¹⁷ (An increase of approximately 607%.) You may recognize some of the big names that have fallen victim, such as AT&T or Ticketmaster, but in actuality, small businesses are more vulnerable because they typically have fewer security provisions in place.

During a phishing, malware, or ransomware attack, critical customer data can be stolen resulting in a loss of system downtime, a loss of customers and reputation damage. Post-breach costs can include call centers, credit monitoring services and regulatory fines. In 2023, 41% of small businesses experienced a cyberattack, up from 38% in 2022.¹⁸ The average cost of a data breach rose to \$4.88 million in 2024.¹⁹

Payment processing plays a critical role in reducing the risk of data breaches by employing measures to protect sensitive financial information during online transactions.

Electronic Payments Help Small Businesses Operate More Efficiently

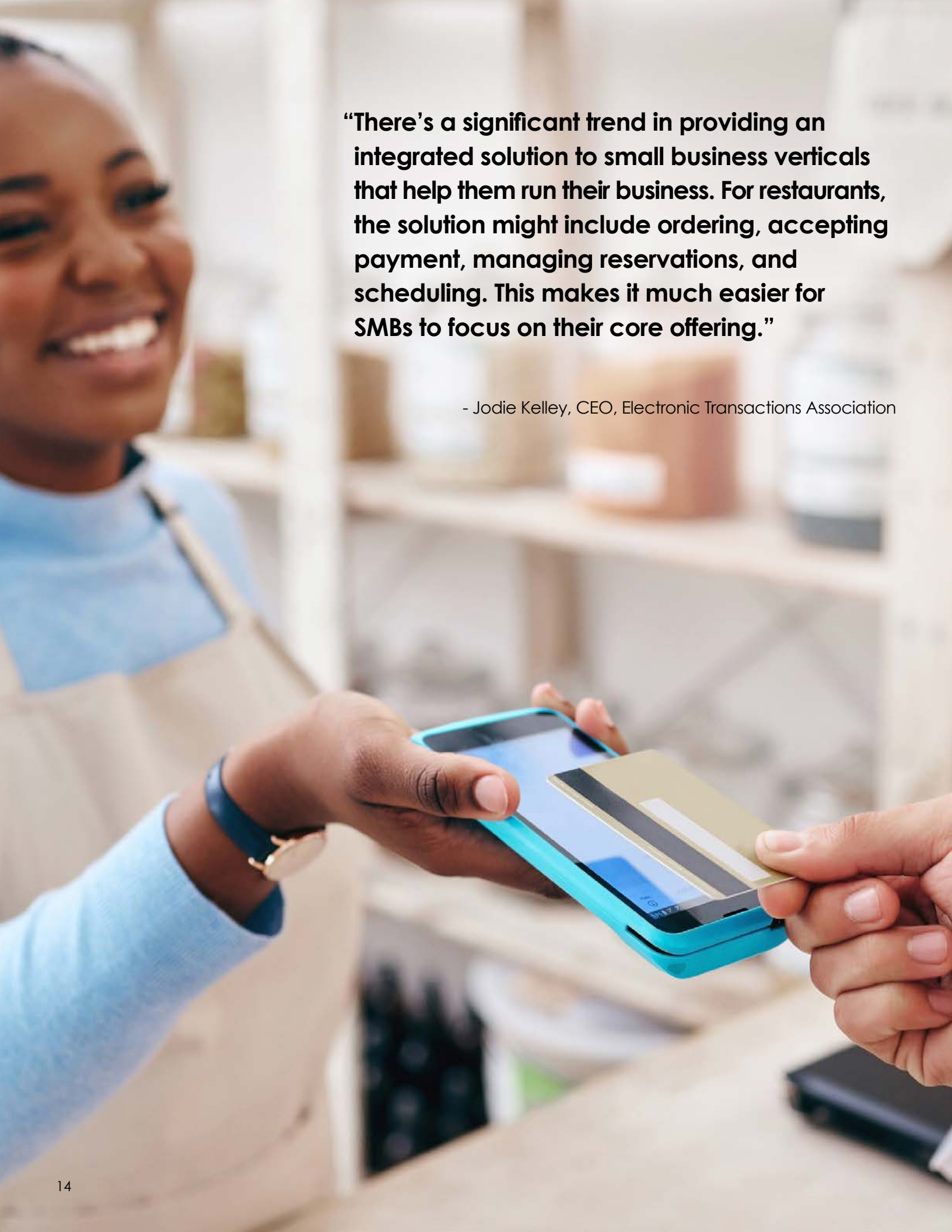
The electronic payments industry supports integration across business functions with a wide variety of software to help small businesses more effectively manage their operations, including various HR, inventory, accounting, CRM systems and loyalty programs.

Integration Drives Efficiency

When electronic payments are integrated with small business accounting software, business owners can eliminate redundant entry tasks and close the gap between customer transactions and receiving payments. Using software for automatic digital invoicing and chasing late invoices saves both time and money.

When electronic payments are integrated with CRM systems and loyalty programs, businesses can capture customer purchase data that can be used to personalize marketing and rewards.

"There's a significant trend in providing an integrated solution to small business verticals that help them run their business," says Kelley. "For restaurants, the solution might include ordering, accepting payment, managing reservations, and scheduling. This makes it much easier for SMBs to focus on their core offering."

A smiling woman with dark hair, wearing a light blue long-sleeved shirt and a beige apron, is holding a teal smartphone. A hand from the right is holding a gold credit card over the phone's screen, suggesting a contactless payment. The background is a blurred interior of a shop or restaurant with shelves.

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- Jodie Kelley, CEO, Electronic Transactions Association

For example, Square helps small and medium-sized businesses (SMBs) with an all-in-one solution encompassing payment processing, point-of-sale (POS) software, payroll, and e-commerce capabilities. This comprehensive approach streamlines various aspects of running a business, from accepting payments to managing inventory and staff, and provides tools for growing online and offline. Recently, Square announced these solutions would also be available to small businesses via a handheld POS system, as well as the traditional method. This solution offers small businesses to enable efficiency through a handheld device.

In addition to offering seamless check out with Google Pay, Google provides small businesses with various tools and platforms to enhance their online presence, reach potential customers, and manage their operations. Free business profiles on Google Search and Maps, improve visibility and customer trust. Google Ads offer targeted advertising options to reach the right audience, and tools like Think with Google and Google Trends provide market insights.

Intuit provides small businesses with financial management software but also access to capital and tools for managing inventory, sales, and customer relationships. AI integrations help automate tasks, generate reports, and provide personalized recommendations for business owners.

Member company Fiserv is working with ADP to provide an integrated solution for small business. Fiserv's Clover small business platform is being integrated with ADP's small business payroll and HR solution.

In addition, CashFlow Central, an integrated accounts payables and receivables management platform, will be available to ADP and Clover users.

For online sellers, integration of electronic payments and CRM software means better conversion rates. The checkout conversion rate measures the percentage of shoppers who complete a purchase out of all those who have items in their cart. A study from the Baymard Institute found that 10% of cart abandonments occur due to a lack of payment methods.²⁰ CRM payment integration creates a smoother payment experience.

Stand Up To Cancer, a nonprofit that raises funds for cancer research, required a payment system that would not block legitimate donors during periods of high-volume processing. Through an integrated system with Stripe and Fundraise Up, the non-profit achieved a 30% increase in recurring donors and a 250% increase in donors who transitioned from single donations to monthly donations.²¹

The Hidden Costs of Cash

While there are costs to electronic payments, business owners rarely think of the hidden and overt costs associated with cash payments. The National Association of Convenience Stores found that an average convenience store pays between \$11,177 and \$14,903 per year for employees simply to count cash.²² Electronic payments save businesses the time and cost of counting, handling, and securing cash, in addition to reducing the potential for theft.



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CONCLUSION

Working Together to Support Small Business

Electronic Transactions Association members are committed to supporting the small businesses that drive the economy. They continue to innovate with new payment technologies that help merchants build loyalty among their customers and allow consumers to use their preferred payment options, including contactless payments, and digital wallets.

By integrating payments with business software, small businesses can better leverage data analytics tools and technologies to optimize pricing strategies, personalize marketing campaigns, and identify new revenue streams. Data-driven insights can also improve risk management practices, helping small businesses detect fraud and reduce losses.

But the payment industry's support includes more than just tools and technologies. ETA member companies provide advice, guidance and opportunity. For example, Bank of America has a dedicated team of small business specialists who help connect small business owners with Community Development Financial Institutions Fund to access capital and other resources.

Visa Direct offers a free educational platform to help small business owners gain practical business skills. In addition, a small business hub provides tools, resources and advice to help entrepreneurs run and grow their business in person and online.

Another member company, J.P. Morgan Chase, offers one-on-one coaching with senior business consultants, as well as educational events and workshops. Through dedicated small business bankers, they facilitate connections and networking.

Mastercard's Digital Doors program is designed to empower small businesses to thrive in the digital economy. By providing a suite of tools, resources, and partnerships, the program addresses key challenges faced by small businesses, particularly in digital marketing, e-commerce, and operational efficiency.

Fiserv's Clover is partnering with Sony Pictures Television, which co-produces the critically acclaimed, multi-E Emmy Award-winning "Shark Tank," in an effort to combat the small business failure rate—50%, according to the U.S. Chamber of Commerce. The two will partner on the first ever Clover x Shark Tank Summit, a multi-day conference designed to give entrepreneurs the inspiration, access, and support they need to shift the odds in their favor.

The success of small businesses and the payments industry is deeply interconnected. Every electronic transaction processed by a small business relies on a vast ecosystem of partners—payment networks, financial institutions, processors, mobile payment providers, and technology developers—working behind the scenes to ensure secure and seamless execution.

For small businesses, this ecosystem isn't just support—it's a strategic partner. The payments industry delivers the tools, expertise, and innovation needed to launch, scale, manage risk, and operate more efficiently in an increasingly complex environment.

At a time when running a small business has never been more demanding, the Electronic Transactions Association remains steadfast in its commitment to empower small business success. Because when small businesses thrive, communities grow stronger—and we all move forward together.



Small Business Saturday, founded by American Express in 2010 and co-sponsored by the SBA since 2011, is one of the most successful small business promotions on record, generating an estimated \$17 billion in sales in 2023. For every purchase made on an eligible American Express card at qualifying businesses, American Express donates \$1 to the U.S. Chamber of Commerce Foundation.

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The Electronic Transactions Association (ETA) is the world's leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S. and in more than a dozen countries around the world.

ETA's membership includes independent sales organizations (ISOs), payments networks, financial institutions, transaction processors, mobile payments products and services, payments technologies, software providers (ISV) and hardware suppliers.

**Accelerate your business, amplify your brand,
and expand your reach with ETA.**

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