Person-to-business instant payments: Could they work in Colombia?

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More than 60 countries have already implemented instant payment systems. However, in many cases they have been limited to person-to-person transactions. This study looks at the challenges that instant payment systems may face in developing economies like Colombia as they advance further into the person-to-business (P2B) transaction space. Using a survey of Colombian merchants, the study explores the factors associated with merchants' propensity to adopt instant payments and identifies those associated with the adoption of electronic payment alternatives. The study finds that instant payment systems will require a broad strategy if they are to penetrate the P2B space, as they will have to compete with the low marginal costs and immediacy offered by cash and the high levels of informality in the commerce sector, especially for micro businesses. Furthermore, instant payment systems will have to meet merchants' high expectations with respect to enabling access to other financial services, enhancing competitiveness and increasing their bottom line.