



The Top Global Payment Methods Compared



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The Current State of Supplier Payments

There are numerous ways to pay international suppliers, ranging from ACH and global ACH to PayPal, wire transfers, and more. Each payment method has its benefits and drawbacks that can directly impact supplier satisfaction, in addition to adding more work for your finance team to accommodate them.

Optimal payment methods are dependent on the supplier, their geographical location, and their payment expectations. Managing multiple payment options while ensuring security, availability, and reliability can be challenging.

There are over 26,000 global payment rules for paying international suppliers. Knowing which payment method to use is crucial for successful international expansion.



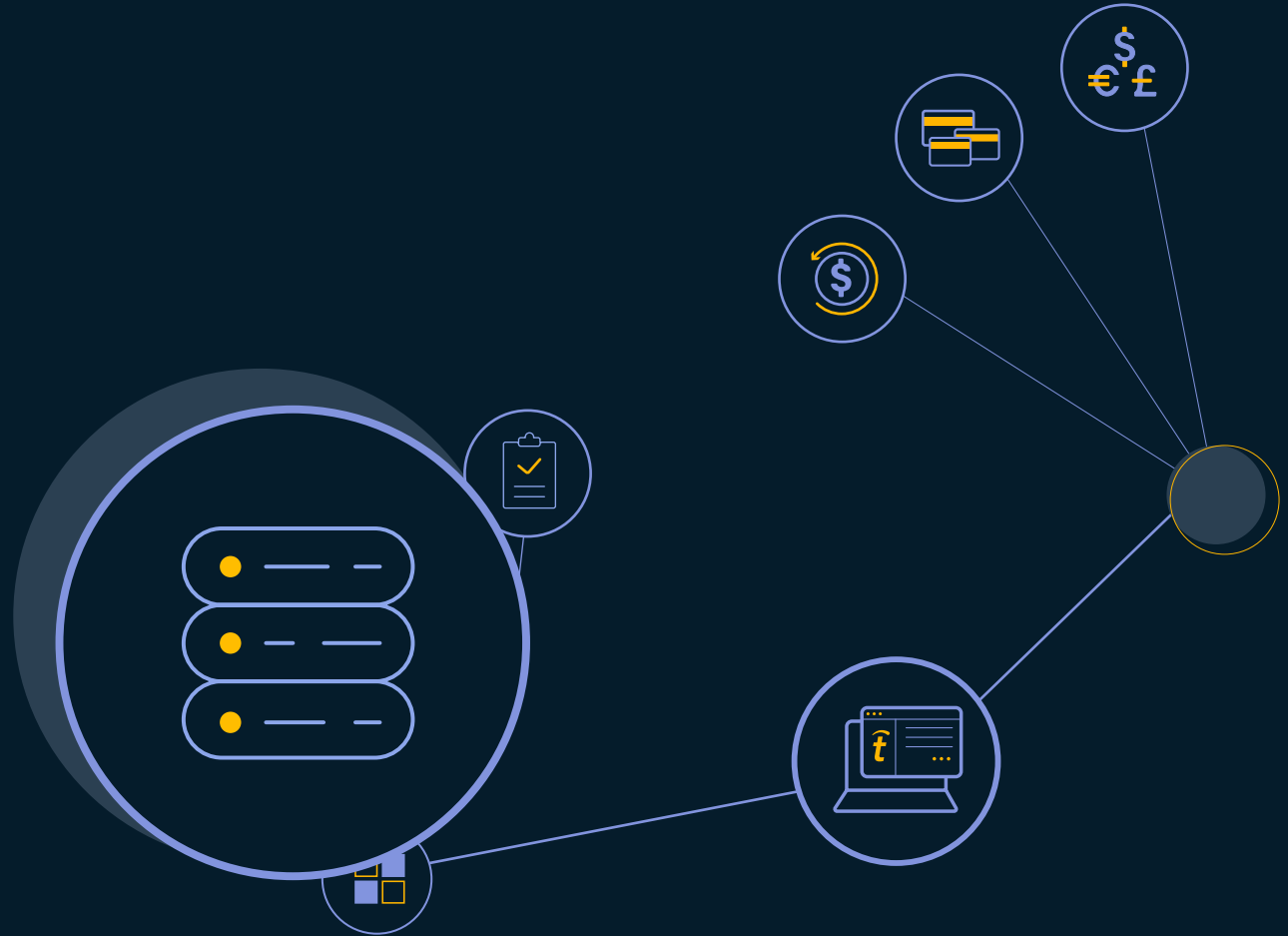


The Top Global Payment Methods





Wire Transfer



Wire Transfers

Credit Transfer, SWIFT, Fedwire

Wire transfers are an interbank payment method.

Highly favored for their reliability and speed, **wire transfers directly connect one bank account to another.**

Wire transfers are fully capable of handling the constant logistical and regulatory changes related to cross-border payments. However, wire transfers are the most costly electronic method for transferring funds overseas.

Typically, wire transfers involve transaction fees for both the sender and receiver, in addition to possible intermediary bank fees. In the case of failed payments, wire transfers can be more expensive to identify and flag, often involving manual investigations and additional resubmissions, and related fees.



Wire Transfers

Credit Transfer, SWIFT, Fedwire

When to Use Wire Transfers

- If a payee requires an immediate payment or is receiving a large payment.
- Wire transfer fees can range from \$20 to \$100. The payment amount should be large enough to justify and accommodate the transfer fees.

When Not to Use Wire Transfers

- When the payee does not require funds immediately or when related transfer fees are too high when compared to the payment amount.



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ACH (US)



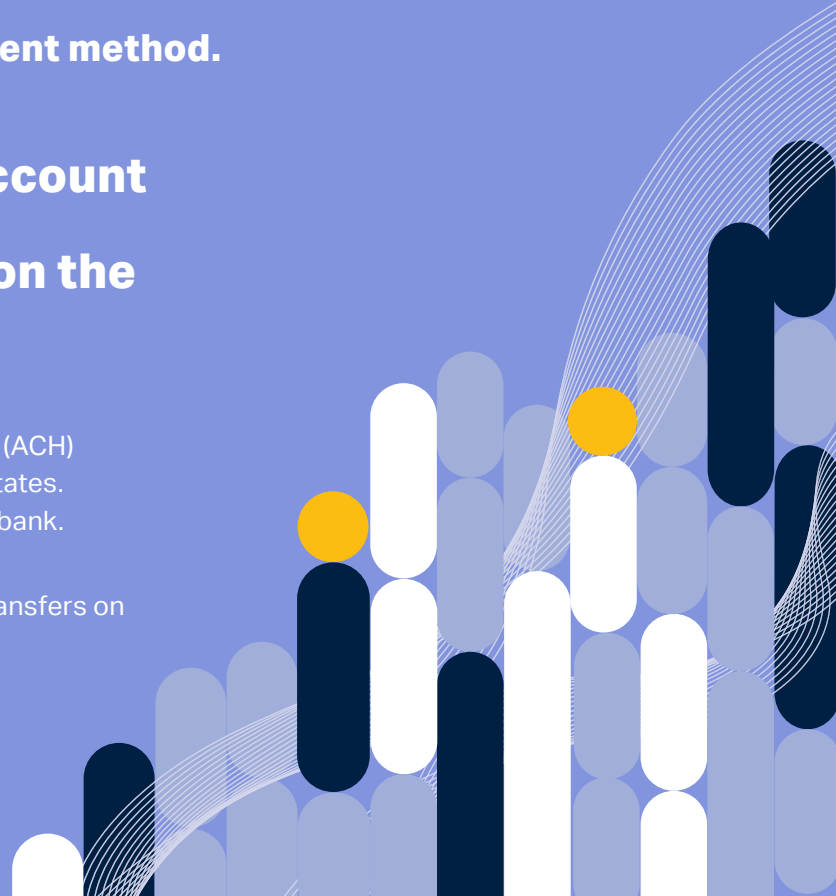
ACH (US) Automated Clearing House, Direct Deposit, EFT, Electronic Funds Transfer

ACH transfers are a convenient, reliable, inexpensive payment method.

They require knowledge of the payee's bank account and ABA routing transit number (ABA RTN)—customarily available as the first set of digits on the bottom of paper checks and deposit slips.

The second set of digits on the check is the account number. Automated Clearing House (ACH) provides a cross-bank transfer network to clear and settle payments within the United States. Transfers are completed in batches, resulting in several days for payments to clear each bank.

NACHA (National Automated Clearing House Association) can support same-day ACH transfers on specific transactions which meet certain requirements.



ACH (US) Automated Clearing House, Direct Deposit, EFT, Electronic Funds Transfer

To manually execute mass ACH payments, batched instructions need to be sent to the transmitting bank.

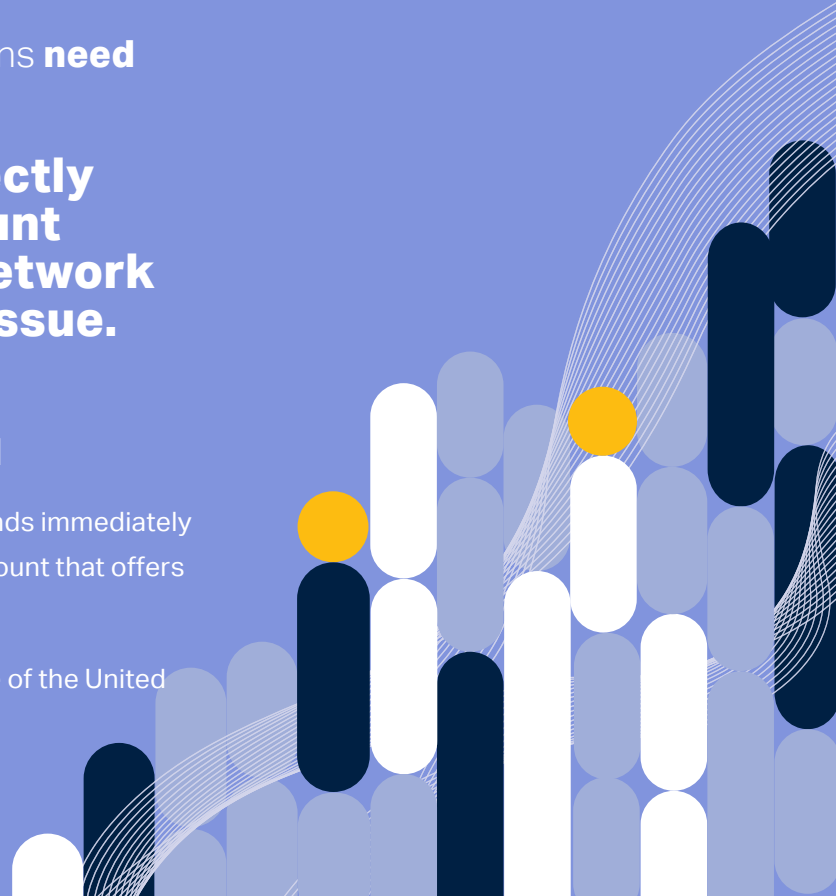
This can involve a programmatic interface directly with the bank or an uploaded file with all account information. In the case of an error, the ACH network sends a series of return codes to identify the issue.

When to Use ACH

- When the payee is based in the US and doesn't require immediate access to the funds.
- Clearing can take several days, so it is ideal for smaller and more frequent payments.

When Not to Use ACH

- When the payee requires funds immediately or does not have a bank account that offers direct deposit.
- The payee is located outside of the United States.





Global ACH



Global ACH

Local Bank Transfer, eCheck, SEPA (Europe), BACS (UK)

Global ACH is complex as there is no single ACH standard across multiple regions.

Global ACH leverages the existing ACH capabilities of a country's banking system outside of that country to execute cross-border payments efficiently and cost-effectively.

Global ACH can be a convenient, reliable, and inexpensive international payment method if you are aware of the unique banking requirements of the recipient's country.

It requires knowledge of the payee's bank account and ABA routing transit number (ABA RTN) equivalents—customarily available as the first set of digits on the bottom of paper checks and deposit slips.



Global ACH

Local Bank Transfer, eCheck, SEPA (Europe), BACS (UK)

To manually execute mass global ACH payments, batched instructions should be sent to the transmitting bank, which may or may not interface with specific countries and regions.

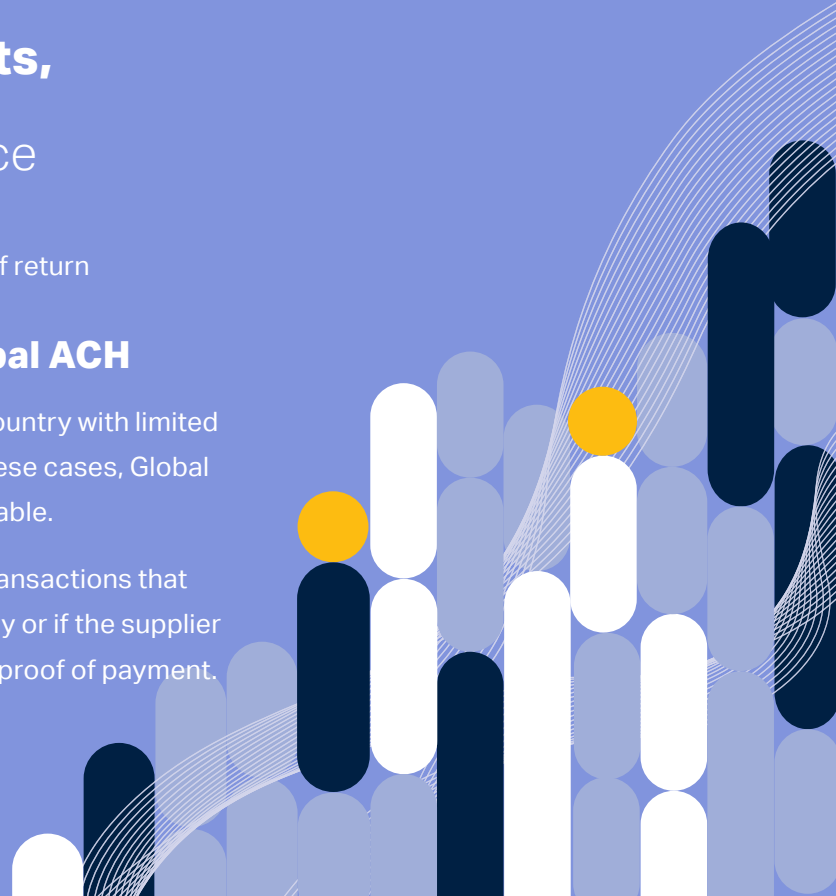
Additionally, in case of a processing error, the local banking network sends out a series of return codes to identify the issue.

When to Use Global ACH

- When a payee is outside the United States, and there isn't an immediate need to access funds.
- Ideal for smaller and more frequent payments since clearing can take several days to complete.
- Global ACH is convenient for receiving funds in local currencies if the destination country has supporting banking rules.

When Not to Use Global ACH

- When a payee resides in a country with limited banking infrastructure. In these cases, Global ACH methods are not applicable.
- Global ACH is not ideal for transactions that need to be completed quickly or if the supplier requires physical checks as proof of payment.





Paper Checks



Paper Checks

Paper Cheques, Bank Draft

Paper checks are physical documents instructing a bank to transfer a specific amount from the payer's bank account directly to the payee's.

The payee can then either cash the check or deposit it into their bank account. Funds are not withdrawn until the payer's bank receives the check, determines they have adequate funds in their account, and releases the money to the payee.

Typically, a central entity acts as a medium for the various banks to process paper checks. In the United States, the Automated Clearing House (ACH) provides a cross-bank transfer network to clear and settle paper checks. It does so in batches, resulting in several days for payments to clear each bank.

The payer must have the funds available in their account for the bank to release payment. Due to the nature of postal services and traditional mail, paper check transactions take substantially longer than electronic methods.

Also, payments cannot be readily traced **without the whereabouts of the physical check being known.**



Paper Checks

Paper Cheques, Bank Draft

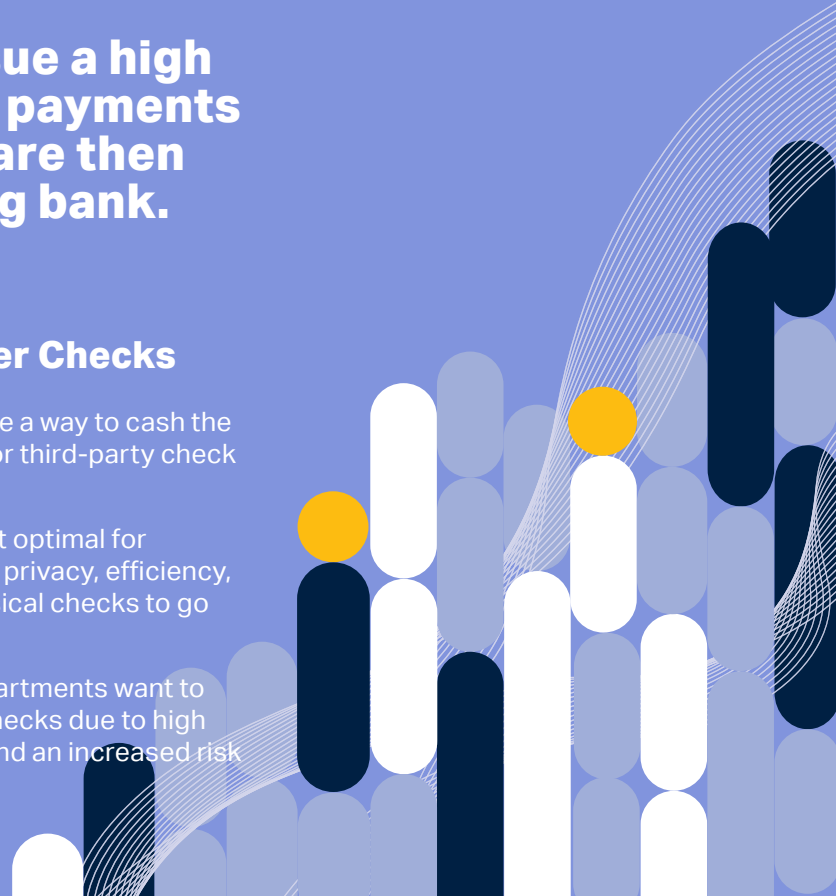
Banks may offer check printing services to issue a high volume of paper checks. The payer can upload payments via a banking interface, and the paper checks are then mailed directly to payees from the transmitting bank.

When to Use Paper Checks

- When a payee cannot provide bank routing information or other means of payment, only providing a mailing address.
- Paper checks are ideal for payees that do not require funds immediately or if electronic forms of payment are not accepted in the payee's region.

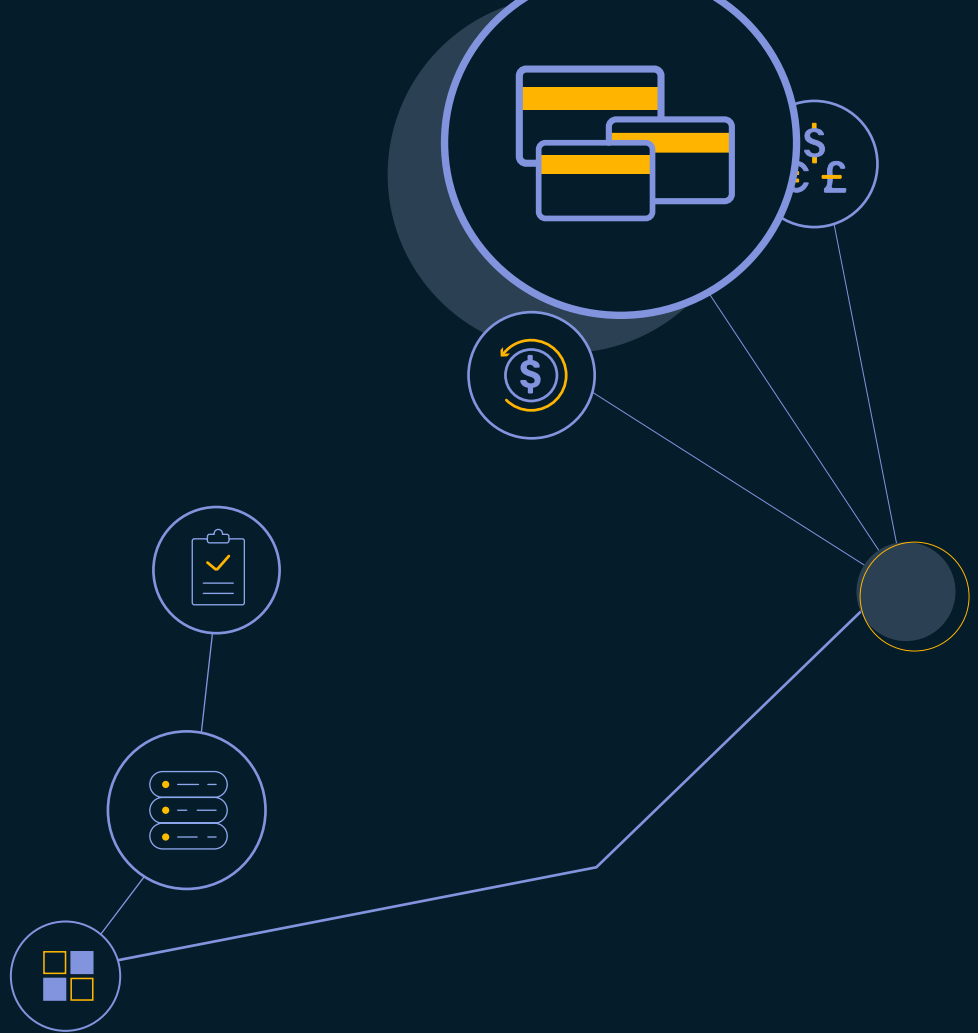
When Not to Use Paper Checks

- When the payee doesn't have a way to cash the check (e.g., a bank account or third-party check cashing service).
- Paying via paper checks isn't optimal for countries where local postal privacy, efficiency, and security can cause physical checks to go missing or stolen.
- Most corporate finance departments want to reduce or eliminate paper checks due to high labor costs, inefficiencies, and an increased risk of check fraud.





Prepaid Debit Card



Prepaid Debit Card

Cash Card, Debit Card, Loadable Debit Card, Prepaid Card

The loading of prepaid debit cards are transactions conducted over a debit card provider network.

Funds are drawn from the payer's managed account and loaded onto the payee's debit card account. The payee can then use those funds directly to pay for goods and services that accept the debit card (usually in a partnership with a credit card company).

Funds are typically received immediately but may be held by the debit card provider for further review if issues arise.

In exchange for this service, debit card providers may charge payees an annual fee plus a percentage if payees withdraw funds via ATMs (automated teller machines).



Prepaid Debit Card

Cash Card, Debit Card, Loadable Debit Card, Prepaid Card

When to Use Prepaid Debit Cards

- When the payee is in a country with limited or unfavorable banking infrastructures.
- When an individual payee is active in digital communities, such as online market places, ad and affiliate networks, and crowdsourcing networks, and already has an existing card account.

When Not to Use Prepaid Debit Cards

- When larger, more established partners are involved. In this case, those partners would need to create separate accounts with the provider and might be subject to additional fees.
- In a business-to-business environment, prepaid debit cards create an additional point of management for payees.



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PayPal



PayPal

PP, PYPL, PayPal Wire Transfer

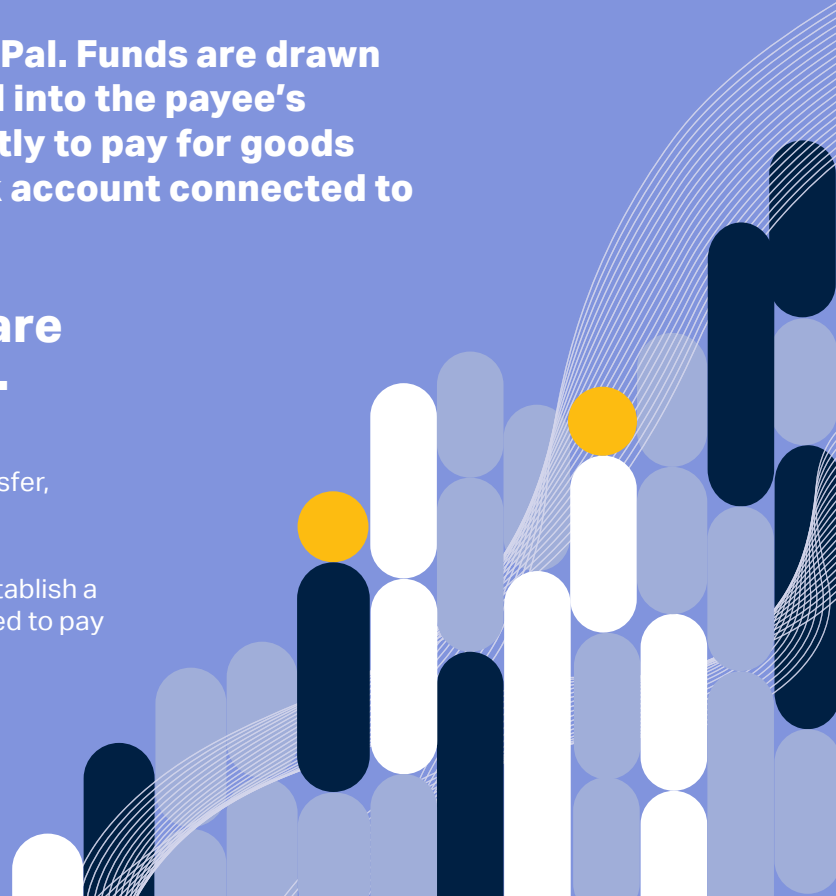
In this process, both parties need to be registered with PayPal. Funds are drawn from the payer's bank account (usually via ACH) and loaded into the payee's PayPal account. The payee can then access the funds directly to pay for goods and services that accept PayPal or transfer funds to a bank account connected to their PayPal account.

PayPal acts as a clearinghouse, ensuring funds are transferred to suitable users in good standing.

Funds are usually sent and received immediately. However, if issues arise during the transfer, funds may be withheld by PayPal for further review.

To manually execute a high volume of payments, PayPal has complex requirements to establish a fully capable payer account. Payers that need to send out mass payments might also need to pay a transaction fee (plus a percentage of the transaction for international payments).

International payees may also be asked to pay currency conversion and withdrawal fees.



PayPal

PP, PYPL, PayPal Wire Transfer

When to Use PayPal

- When a payee is active in digital communities, including online marketplaces, crowdsourcing, and other on-demand and sharing economies.
- Most of these payees already have PayPal accounts, so transactions are usually low friction.
- Most established and regulated countries support PayPal as a payment method.

When Not to Use PayPal

- When a recipient's country has local banking or regulatory issues regarding PayPal.
- When the transaction fees are too high to justify the transfer.





Comparing Different Payment Methods



Wire Transfers

Requirements

Requires bank account and ABA routing information, including IBAN, BIC, or other localized information.

Benefits

- Immediate exchange and acknowledgment of transfer
- Global coverage
- Reliable

Problems

- Expensive and inconsistent transaction fees
- Different routing rules for each country
- Manual banking interface
- Cannot pay a large number of payees at once
- Limited traceability
- Limited access to bank information

ACH (US)

Requirements

Requires bank account and ABA routing information.

Benefits

- Cost-effective
- Convenient

Problems

- Cannot be used to pay payees outside of the United States
- Requires at least one day to clear funds
- Manual banking interface
- Cannot pay a large number of payees at once
- Limited access to bank information

Global ACH

Requirements

Requires bank account and ABA routing information, including IBAN, BIC, or other local banking account information.

Benefits

- Inexpensive
- Convenient

Problems

- Different routing rules for each country
- Requires several days to clear funds
- Manual banking interface
- Cannot pay a large number of payees at once
- Too complicated for countries with limited banking infrastructures
- Limited access to bank information

Paper Checks

Requirements

Requires the payee's mailing address with various formats depending on the destination country.

Benefits

- Familiar process and documentation
- No delays with clearance
- No direct transaction fees

Problems

- Local and international postal services are inefficient
- Increased cost and workload to print out and mail physical checks
- Lack of traceability
- Challenging reconciliation process
- Increased risk of check fraud

Prepaid Debit Card

Requirements

Requires the payer and payee to set up an account via a prepaid card issuer.

Benefits

- Strong adoption in countries with limited banking infrastructures
- Convenient for payees as funds can be used in daily transactions

Problems

- Requires payer and payee to set up accounts with the card issuer
- Potentially high annual fee for the cardholder/payee
- Potential fees for ATM withdrawals
- Uncertainty as to how funds are managed
- Challenging reconciliation processes
- Exempt from federal consumer protection regulations associated to debit cards issued through a bank
- Limits on high transaction amounts

PayPal

Requirements

Requires the payer and payee set up a PayPal account using an email address and banking details.

Benefits

- Recognized brand and market leader
- Large global adoption
- Offers multiple ways to extract funds

Problems

- High percentage-based transaction fees
- Unclear policies regarding holding and misdirection of funds
- Few controls for when funds are sent incorrectly
- Not all countries recognize PayPal as a payment method
- Challenging reconciliation process

How Tipalti Enables Multiple Payment Methods

When a payee selects their preferred payment method during the onboarding process, Tipalti prompts them to enter their account number and any related unique requirements for their country and payment method of choice.

Tipalti verifies all form fields to ensure entries have the correct character count, format, and structure required by that country and its regulatory bodies. This virtually reduces the likelihood of payments being rejected due to incorrect information or human error.

Tipalti allows payees to receive their funds in their preferred choice of currency (if available).

Tipalti also allows payees to set certain payment thresholds to decide when a wire transfer is most cost-effective. Payers can also determine how much fees—if any—are passed on to the payee.

How Tipalti Enables Multiple Payment Methods

To streamline bank communications, Tipalti directs all payments through various payment method interfaces simultaneously.

The payer does not have to communicate directly with the bank or access any banking portals. Funds are automatically pushed to the payee's designated bank account.

Should issues arise (like a wrongfully entered account number or a frozen bank account), Tipalti halts the payment, interprets the problem, and notifies relevant stakeholders with easy-to-understand error messages and notifications.

If the payee can correct these issues, an automated branded email is sent out on behalf of the payer with detailed instructions on what happened, how to fix it, and what information needs to be updated.



Is your business ready to manage multiple payment methods?

Tipalti's self-serve onboarding portal guides suppliers through choosing their preferred payment method and accurately entering their banking details. Our global payments system can issue payments to 196 countries in 120 local currencies with support for six international payment methods, including wire transfers, ACH, global ACH, paper checks, prepaid debit cards, and PayPal. Leveraging over 26,000 global banking rules, Tipalti automatically validates supplier data in real-time, virtually eliminating payment errors and substantially reducing finance workloads.

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