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the guide / 2025 edition

COMPLETE GUIDE TO PAYMENT RECONCILIATIONS

How to easily match your data with Payment Service Providers (PSPs)

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INTRODUCTION

According to McKinsey's 2021 Global Payments Report, payments revenue reached $1.9 trillion globally. The rise of e-commerce, the global effects of the Covid-19 pandemic, and fintech solutions and innovations have all contributed to the growing usage of payment service providers. While this marks a silver lining for retailers and vendors, it can signify an overwhelming storm for financial departments and accounting teams. That is, if their technology doesn't match the rate of acceleration that the front-office implements.

This eBook will uncover what changes are occurring in business that are spurring the demand for payment reconciliations. We will see what makes payment reconciliations so challenging, how to overcome such hurdles, and how the use of automation solutions can dramatically transform your financial department's way of working.

It will become clear that the digitization of all industries has not left finance teams in the dust. In fact, finance functions are ripe for automation and digitization (and often have the most to gain). You'll soon understand why.

An overview

Why now? The influx of payment service providers (PSPs)

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You've done it before – chosen an item and checked out with the tap of your credit card, digital wallet, or the simple click of a button that says "Purchase Now." The technology of PSPs has enabled consumers to do what they do best; consume (quickly and securely).

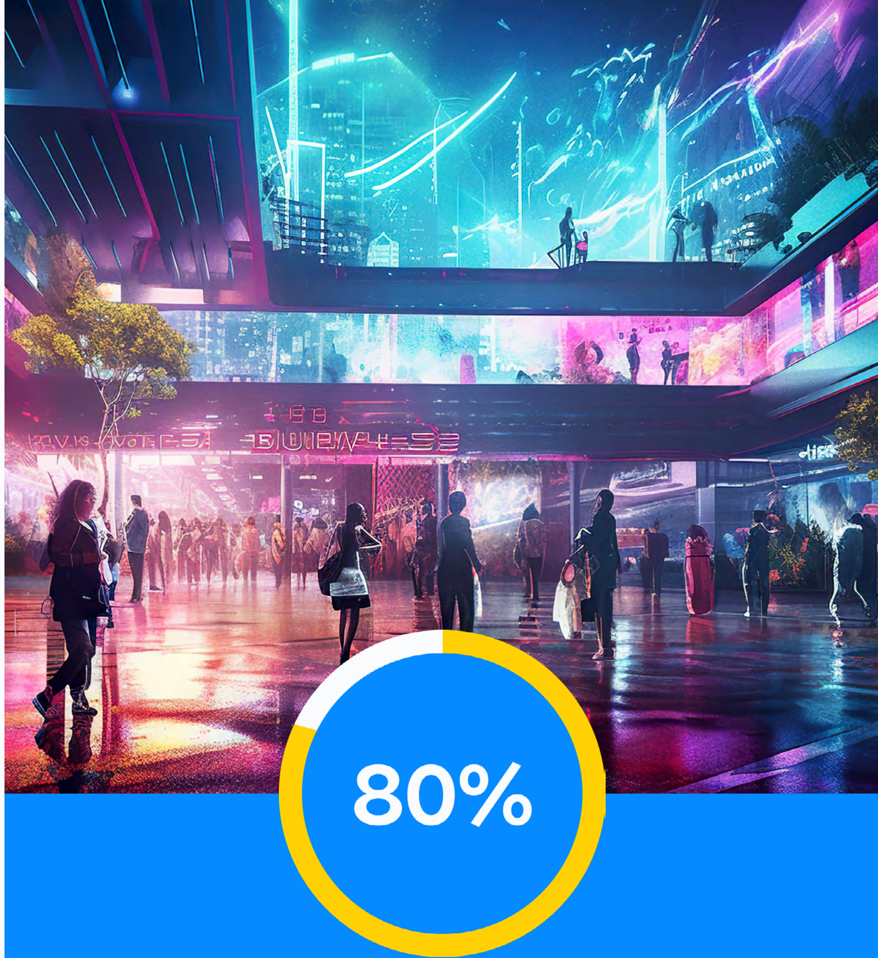
Financial technology companies and startups have focused on making the conversion process from shopping to buying as seamless as possible, and PSPs are behind this magic. PSP technology exists on the cardholder side; it connects an issuing bank with the fintech solution, the relevant credit card, and the card bureau to approve transactions so that a cardholder can continue on their shopping spree without interruptions. PSPs also enable retailers to maximize their bottom line while reducing overall costs.

Why now? The influx of payment service providers (PSPs)

The combination of innovative technology and fintech's need to be fast and agile has led to a revolution in PSPs. This is mostly attributed to the fact that economies of scale (at the hands of acceleration) allows for rapid advances (because of economies of scale)– a cycle that has empowered innovation and customization. Thus, fintech companies have been able to build their own payment processing capabilities, which are leading the way for companies who would otherwise remain stuck in the past.

Combined with technological innovation is global market changes due to the Covid-19 pandemic. You'll likely remember that not too long ago, people feared that Covid-19 spread through the exchange of cash, as the World Health Organization (WHO) once claimed was the case. As such, cashless payments increased globally. For example, in Q1 2020, Mastercard reported a 40% boost. During the same time period, 51% of Americans tried out digital wallets like Apple Pay for the first time.

And, this level of domination of PSPs is just the beginning. According to a report by PWC, global cashless payment volumes are expected to increase by over 80% between 2020 and 2025, reaching $1.9 trillion in volume, and tripling by 2030. By percentage, the growth is expected to happen the fastest in Asia-Pacific, followed by Africa, Europe, Latin America, the U.S., and Canada, in order.



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Behind the payment screens

Payment reconciliations

Behind the payment screens. Payment reconciliations.

While offering many payment methods and distribution channels enables revenue generation and enhances the customer experience, they complicate the reconciliation process. For example, in Europe, Amazon alone has multiple websites, meaning retailers may need to reconcile and consolidate across various entities. Financial departments must ensure that business expenses and income are accurately reflected to procure and protect financial statements.

As the use of your PSPs increases, so does the need for payment reconciliations. Payment reconciliation is an accounting process that compares internally recorded financial records with third-party statements. For example, it's necessary to cross-check accounting systems with the amount in the payment gateway and commercial transactions statement. In practice, most businesses leverage multiple platforms and payment systems such as an ERP or core entry system, e-commerce and loyalty platforms, files passing between the bank and the merchant, the bank and the general ledger, and a merchant gateway, to name a few.

Payment reconciliation is, in theory, a straightforward process. Yet, complications can arise, especially as the transaction volume increases (which, as we just shared, is the global trend). Additionally, the various points of entry for data and communication between systems can result in multiple failure points, unless they are properly reviewed.

Struggling with your reconciliations?

Download our data sheet to see how you can streamline and standardize your reconciliations.

Download data sheet

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Behind the payment screens. Payment reconciliations.

For merchants, large transaction volume results in invoices and a portal replete with online and offline payments. Along with the sheer amount of financial data to compare, the balance can run over different financial close periods over time, depending on the payment gateway. Timing differences can create a lot of unnecessary noise – the variance they cause makes it such that transactions on statements and in the ledger don’t always match up.

For example, you may invoice early or need to credit later, verify receipt, or handle discounts differently if rebates or volume changes. Furthermore, if there’s any change that affects commissions for specific salespeople, records may no longer match up within the right financial period. The transaction could end up resolving itself in due time, but by the time that happens, your team members have already wasted countless hours trying to figure out the issue.

When manually managed, timing differences also mean that the person responsible for reconciliation must continuously return to the process. They must remember timing rules and standards, which can create chaos if they make a mistake or someone else picks up the spreadsheet on another day. This subjective manner of dealing with payment reconciliations can wreak havoc on a business that is reconciling accounts to meet deadlines. Instead, payment reconciliation automation software will perform verifications and checks in a timely manner.

Make manual processing a relic of the past

As alluded to above, manual reconciliation is rife with challenges. On the other hand, financial automation solutions can streamline the entire reconciliation process. Regardless of the type of reconciliation you wish to perform, software can manage the heavy lifting by collecting data from disparate sources, executing transaction matching, and notifying you of any anomalies that require human intervention to rectify.

Reconciliation automation removes the need for manual reconciliation, which inherently reduces the risk of human error. By leveraging robotic process automation, artificial intelligence, and APIs, the software frees up your team's time to focus on high-level tasks.

The benefits of using such a tool are plenty, including error reduction, cost savings, time savings, and audit and compliance risk reduction, to name a few.

Book a demo to see automated reconciliation in action

Request demo

Best practices
Your team + payment reconciliations

Once you choose to harness the power of automation solutions for your reconciliation function needs, there are recommendations worthwhile to consider.

Let's take a look at some best practices so that you can reap the most from your system of choice:

01 Error Correction

Once you've implemented reconciliation automation, you may want to remove any human interference from the process. While it's true that you will be able to execute the reconciliation without much interference, you still need to maintain processes for error correction, so it is standardized. When discrepancies occur, and the system notifies your team members, ensure that every person knows the plan of attack to remedy the issue.

02 Documentation

Automation tools make it clear what the status of the reconciliation process is at any point in time. Relevant stakeholders can receive customized reports to review and approve the reconciliation once it's finished running its course. Automation solutions also ensure that documentation is properly and securely stored for easy reference or audits, should it be required.

03 Internal Control

Since reconciliation is an aspect of internal control, it's of utmost importance to oversee that everything is running according to plan. When deploying an automation solution, list your goals and expectations and define what your team members will be responsible for so that everyone properly contributes, stores, and shares the financial data needed to carry out the reconciliation process accordingly.

How to choose the right financial automation solution

Just like there are many PSP options in the market, there are countless financial automation solutions capable of handling your payment reconciliations. Once you've decided to automate this process, you'll have to find the tool that is best suited for your business' needs.

There's a lot to consider in the selection process, which is why we've created the following checklist to help you on your journey.

Be sure to look out for the following attributes and aspects:

Data Capabilities

The solution should be able to perform data enrichment, timing and matching rules. This means it can pull, blend and persist data for timing differences, and manage the complex matching rules you need.

Workflow Automation

Workflow capabilities include the ability to fulfill investigations, send alerts to those who need to be involved, and capture any remedied information for audit purposes. Financial automation solutions that provide you with the option to build your own workflows and define your own rules can provide the maximum benefits.

Reporting

Seek a tool that allows for customized reporting and can produce file-based outputs like CSV, Excel, and PDF. Most tools also offer dashboard views and the option to post finalized information to journals.

Interface

Some tools require coding and tech-savvy assistance, and others offer low code or no-code, out-of-the-box solutions with drag-and-drop features for business professionals to make the most out of the solution.

Issue Management

Choose a tool that can identify exceptions and roll the problems into subsequent financial periods should more time be needed to resolve the discrepancy.

Value

When focused on resolving the issue of reconciliation, you may tailor your search for reconciliation tools only. However, financial automation solutions can handle multiple finance functions, so to get the most bang for your buck, you can find a tool that can offer various services (including reconciliation).

Data Classification

To ensure that information is processed properly, find a tool that can classify and attribute data to its type classes during the matching process.

Cost

Cost is an obvious consideration, so don't forget to calculate the set-up and maintenance costs (and determine whether or not IT personnel will be a necessary part of the equation).

Meet your match: Solvexia, a robust financial automation solution

Solvexia is a human analytical financial automation software that helps finance and accounting teams trace and reconcile order and payment transactions to create a single source of truth.

The solution eliminates manual and time-consuming payment reconciliations to increase visibility for cash, payment, and revenue transactions. Once implemented, Solvexia will execute the entire reconciliation process for your team, including automatically matching and reconciling transactions across systems (i.e. order systems, PSPs, account payable applications, bank accounts, spreadsheets, etc.).

Beyond execution, Solvexia takes your team a step further and empowers you with embedded and advanced analytics to drive deep insights that support decisions to maximize revenue growth, improved client relations, and cost management.

Want to see what automation can do for your payment reconciliation?

Request demo

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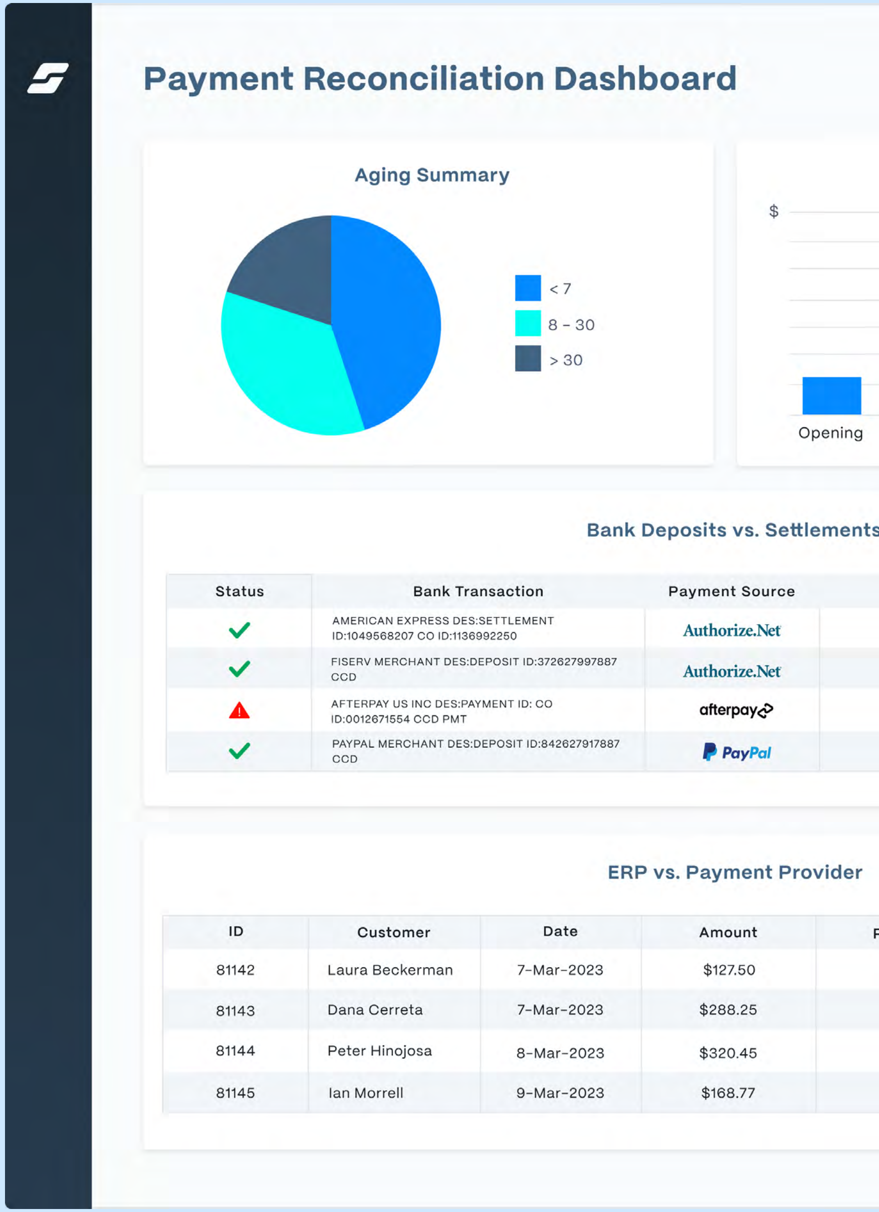

CUSTOMER STORY

7-Eleven needed a change and, thus, chose to deploy Solvexia's reconciliation automation solution. According to 7-Eleven, the decision to use Solvexia was driven by their team's ability to get involved in the mamaintenance of the automated processes and by positive references from other customers.

Key results and outcomes

- Process cut down from days to minutes (up to 100x faster).
- Reconciliation of over 500,000 daily transactions.
- Staff can divert more time to high-value tasks such as analysis.
- Scalability is ensured as transaction volumes and payment gateways increase.

7-Eleven

7-Eleven Philippines offers a diverse range of products, along with an array of e-services, including bill payments and e-wallet top-ups. Staff in the Data Processing Centre at 7-Eleven must complete a daily reconciliation between 4 sources, namely, (1) data captured in the dashboard, (2) settlement reports from e-money providers, (3) sales reports by store, and (4) 7-Eleven bank accounts.

Before Solvexia, the team relied on manual and Excel-based processes. However, manual execution was no longer an option because its staff were spending half a day on initial matching and up to 2 days to generate a single report. Due to the time-consuming nature of the reconciliation, it was not guaranteed that the reconciliation would be complete before the transfer of funds from 7-Eleven to the e-money providers each day, introducing a control risk.

Automated reconciliations will lead the way

As PSPs spike in their use, finance teams will be left to deal with the consequence of having to reconcile more transactions in shorter amounts of time. Luckily, as the use of PSPs proliferates, so do the advances in automation, artificial intelligence, and machine learning.

In turn, finance departments are digitizing their functions and automating them to relieve the manual burden of cumbersome and data-heavy duties. When it comes to reconciliation, the use of solutions like Solvexia can cut your processes from weeks and months to minutes.

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Solvexia is a low-code platform that automates spreadsheet-driven data preparation and manual processes.

It enables finance to free up their time by running processes 100x faster with 98% fewer errors, allowing businesses to reallocate essential resources to value-added work.

Finance and accounting teams choose Solvexia to unify data from systems and spreadsheets and automate their processes without involvement from IT. Its drag-and-drop interface makes it fast to deploy and easy to learn.

Solvexia combines and manipulates data, performs calculations and creates interactive reports, analytics and smart dashboards for richer insights for your stakeholders.

You can leverage Solvexia to automate hundreds of processes for your company, including reconciliations, revenue and expense reporting, regulatory compliance, rebate management and much more.

100x faster processes

Positive ROI within 6-12 months

Modern cloud architecture

Works with existing systems and spreadsheets

Full **financial control** over your processes

98% fewer errors

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Ready to automate your reconciliation and other critical finance processes?

See what Solvexia can do for your business.

Book a demo today