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# @bankintds focus on global payments growth techno

ember, 2014 Written by David Bannister

Growth is returning to the payments industry and new market entrants are poised to take a share of that growth away from banks, according to a clutch of payments-focused white papers released at Sibos today.

Now in its tenth year, World Payments Report (WPR) was published by Capgemini and Royal Bank of Scotland (RBS). It says global, non-cash payments volumes are expected to have grown 9.4 per cent to 366 billion transactions in 2013 (the most recent year for which full figures are available).

The growth is being fuelled by a number of factors: developing markets are recording strong increases in non-cash payments and volumes of electronic and mobile payments are accelerating.

William Higgins, managing director of payments, RBS, said: "Developing markets have continued their growth story, recording an impressive 18.3 per cent rise compared with 4.5 per cent across more mature markets in 2012. These significant growth levels, and even higher predictions for next year, represent a huge opportunity for the industry."

It is no surprise that China was singled out by Higgins; it is a market to watch over the coming years if growth rates remain at their current high levels. "China could become the largest market for non-cash transactions within just five years." Soaring growth rates in non-cash payments in key markets are putting pressure on global payment services providers to innovate to meet rapidly increasing consumer demand.

Overall, WPR found that more than 50 per cent of global non-cash payment growth came from developing countries despite them making up only 25.5 per cent of the market size at 93 billion transactions. China remains a relatively underdeveloped market for non-cash transactions but its population and growth rate suggest that it could outstrip the US and euro zone within the next five years. For example, one in five people in the world that use mobile banking lives in China.

Increased use of tablets and smart phones is posing new challenges for payments services providers. In 2015, m-payments are projected to grow at 60.8 per cent while e-payments growth is forecast to decelerate to 15.9 per cent annually over the next year, as more people use mobile devices to make payments. This trend is adding to the pressure on providers to modernise their payments processing infrastructures to support the wide range of customer-facing innovations.

"This year's World Payments Report found the majority of traditional payments providers have made the transformation of payments processing a priority in the short-term," said Jean Lassignardie, chief sales and marketing officer for Cappemini Financial Services. "However, the pressure is on from both competition and new regulatory initiatives to provide next generation innovations like Square, iZettle, and Swift for tangible customer value. This requires providers to develop a long-term vision for payments processing."

McKinsey's Global Payments 2014 highlights the growth in payments revenues. The fallow period following the financial crisis has been replaced with "robust growth" and the firm is forecasting 8 per cent yearly revenue growth to 2018. At this point annual revenues should reach \$2.3 trillion and account for 43 per cent of all banking services revenues (compared to 34 per cent in 2009).

"The return to growth is being fuelled primarily by sustainable volume increases, rather than less sustainable improvements in revenue margins," said the report. "This holds true for both liquidity revenues (net interest income on liquid assets and deposits) as well as transactional revenues (fee and float income on payments transactions)."

Margin improvement will barely contribute to the \$410 billion increase in liquidity revenues between 2013 and 2018. Transactional revenues will also increase \$340 billion by 2018, due to higher transaction volumes, despite the dampening effects of more regulation and competition.

Asia Pacific, which accounts for the largest share of payments revenues (40 per cent) will continue to be the engine of growth, contributing 56 per cent to the global increase in revenues over the next five years.

Again, China is singled out for mention, accounting as it does for 40 per cent of growth. In Western Europe and the more developed Asian countries, growth rates are expected to rebound.

Cross-border payments and trade finance will benefit in the coming years as well, driven by the expected strong recovery in trade flows, which McKinsey forecasts at 8 per cent annually from 2013-2018.

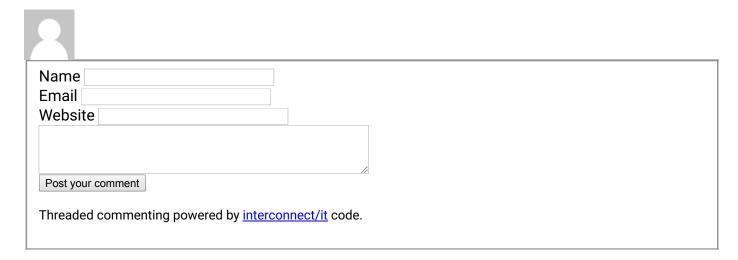
The report singles out a number of trends that indicate that payments industry incumbents will need this strong growth "at their back". The strong growth is attracting non-banks, which are making forays into the payments space and sparking transformation. "The emergence of digital technology is leading to faster and more convenient payments solutions and a subsequent rise in the expectations of both retail consumer and commercial clients," said the report.

Finally, CGI has issued a report, Future Payments, which focuses on the drive by payment regulators and authorities to bring change to the payments industry. Banks must respond to competition from new entrants and also foot the bill for modernising the underlying payments infrastructure, CGI said. "The conundrum for a bank is clear, how do you continue to be relevant to your customer and maintain your payments franchise against those challengers and at the same time create new infrastructure which the authorities are designing to aid the very same challengers," said the report.

CGI maintains that banks always have been at the forefront of payments innovation and while it may now be easier for non-banks to participate in the payments market, there is still "unprecedented" opportunity for banks. Two fundamental approaches exist – the introduction of new infrastructure and the deployment of new customer technology. These not only create significant roles for banks but will also allow them to redefine the competitive space, said the report.

Tags; RBS, World Payment Report, SIBOS Daily News

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Job-cutting spree continues at the Royal Bank of Scotland (RBS) – 443 jobs are to go from its business loans department. Many of these will be moved to India.

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San-Francisco based RocketSpace, with the support of Royal Bank of Scotland (RBS) and NatWest, has opened its campus in London for fintech and tech start-ups. Housed in NatWest's (a subsidiary of RBS) Regents House in London, the campus is the "first of its kind" in the capital and RocketSpace's only international location. The campus occupies [...]

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Royal Bank of Scotland (RBS) is cutting nearly 250 jobs as part of a back-office ops shake-up – with claims that some roles will end up in India. The bank says 92 full-time staff will be affected, while 154 contractor roles will go later this year. Most of these positions are technology-related and are based [...]

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New York-based LivePerson has rolled out the "first financial industry hybrid bots in the world" at the Royal Bank of Scotland (RBS), offering a service where humans and bots can team up in one conversation. With RBS continuing with branch closures and job cuts, and seeking a digital redress to a financial mess; the idea [...]

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