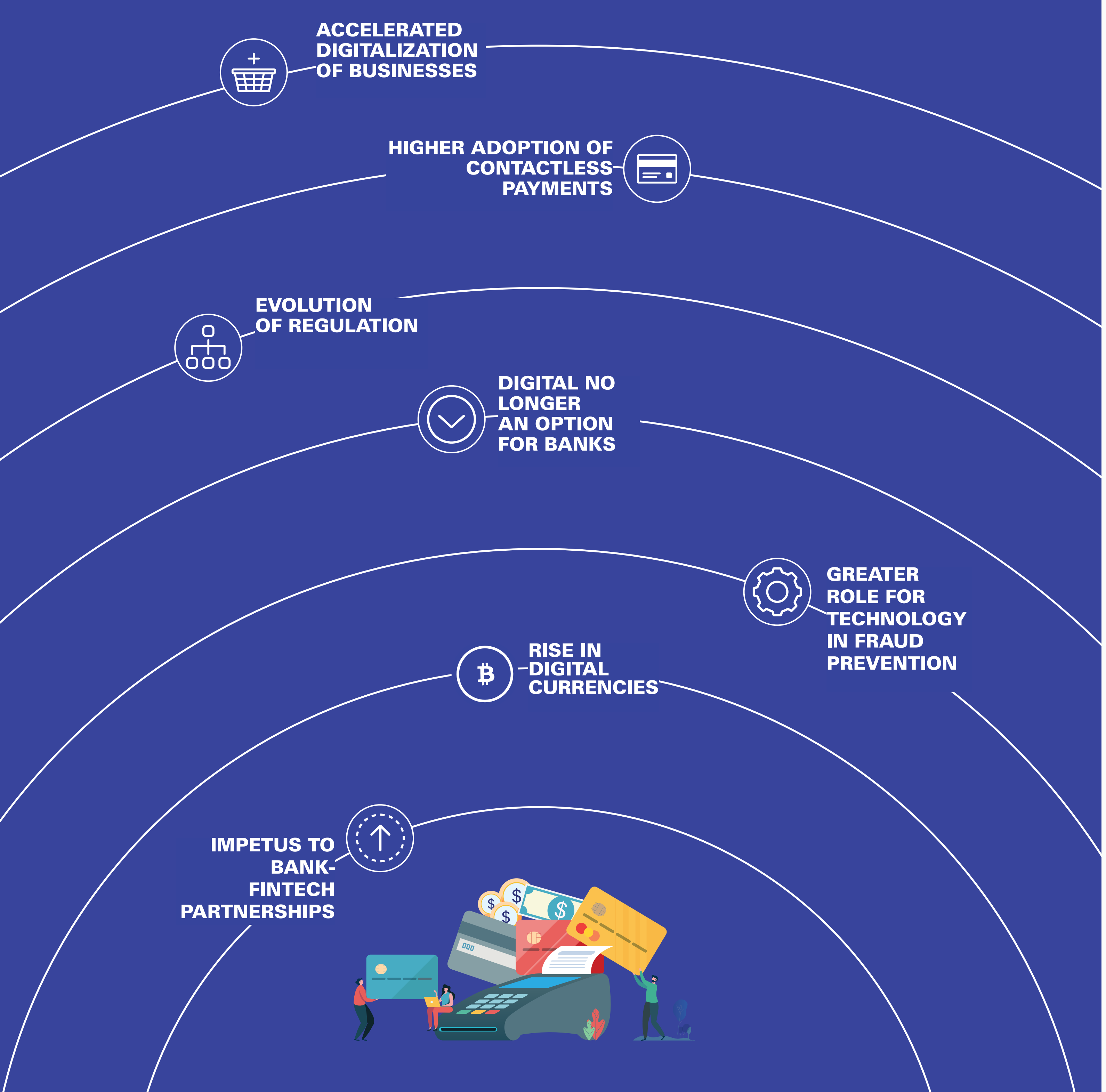
# Emerging trends in Payment industry




## Higher adoption of contactless payments

- Amid concerns of the possibility of **COVID-19 transmission through banknotes**, adoption of contactless payments is expected to grow.
- To encourage contactless payments, the Central Bank of Kuwait (CBK) **increased** the **limit for contactless payments** by 150% from KWD 10 to KWD 25 and suspended POS and PG charges for merchants for a period of 3 months from March 2020.
- The CBK also launched **3edeti**, in partnership with KNET, to enable residents of Kuwait to send Eidia* digitally to any registered mobile number in the country during Eid al-Fitr

*is a gift that is usually given to children by elder relatives and family friends as part of the celebration of Eid

Source(s): KPMG analysis

## Accelerated digitalization of businesses

- Lockdown measures to control the spread of COVID-19 have caused enormous strain to the legacy offline businesses, especially the small and medium enterprises (SMEs).
- Since COVID-19, legacy businesses have accelerated digitalization to reach their customers. Hosted e-commerce solution providers such as **Shopify** and Magento. are aiding the digitalization of businesses through limited-period free subscriptions.
- A long tail of offline businesses, which weren't focused on digital channels in the past, is now available for PSPs and banks to expand their merchant base.

Source(s): KPMG analysis

The COVID-19 situation is pushing the e-commerce/digital payments adoption forward, and many retailers have also embraced e-commerce technology immediately.

We have witnessed more than 200% growth in the digital payments' services request from partners during April and May 2020 compared to the same period last year. E-commerce transactions also recorded growth as the market was either partially or fully closed recently.

**Hisham Al-Nusif, Deputy General Manager of Consumer Banking Group, National Bank of Kuwait**

"The pandemic has accelerated business digitization by a few years.

Fintechs will have to continue adding value through technology and innovation to help the shift towards digital economy". -

**Ali Alhabshi - Founder & Chief Operating Officer, UPayments**

Source(s): KPMG analysis

## Digital is no longer an option for banks

- **Digitalization on a war footing** has become a priority for banks to sustain business and reduce overheads.
- **Studies** by select financial institutions indicate **that digital banking can positively impact** attributes such as the **lifetime value of a customer through** higher revenue generation, increased product holdings, lower customer attrition and higher transaction activity.

## Rise of digital currencies

- In April 2020, **China's central bank** introduced the 'digital yuan' in a **pilot program** across four cities, becoming the world's first major economy to issue a national digital currency.
- In the GCC, **Bahrain's Central Bank** plans to **pilot** a new toolkit developed by the World Economic Forum to evaluate the impact of digital currencies on the economy.

"The path to customer centricity in financial services is inextricably linked to an organization's digital capabilities, and its very survival will depend on its ability to pivot in lockstep with constantly shifting consumer behaviors in today's digital world."

**Ali Al Sharikh, Senior Manager – Innovation & Partnerships, Strategy & Digital Group, Warba Bank**



## Greater role for technology in fraud prevention

- As many first-time users start to adopt digital payments, the threat of fraud also increases, with a lot of out-of-pattern activity.
- There is also a threat of false positives and false negatives, which can dampen the experience for both consumers and merchants.
- Financial institutions (banks and PSPs) will need to strengthen their **fraud-prevention and-detection infrastructure** in line with the changing market patterns. Artificial Intelligence can play a significant role.

## Evolution of regulation

- Regulations concerning fintechs, banking and digital payments can witness acceleration post COVID-19 to foster product/service innovation. Framework may also be needed to regulate potential bank–fintech partnerships.
- The CBK is currently preparing an **e-KYC** framework that can make it easier and faster for individuals to open bank accounts online. Initiatives such as mobile ID by the Public Authority for Civil Information (PACI) and CBK's proactive **3edeti** should be seen as an encouraging signs for future regulations.

## Impetus to bank-fintech partnerships

- **To improve their speed to market** in the face of disruption due to COVID-19, banks may increasingly look to partner with PSPs and fintech players with innovative digital solutions.
- PSPs could also benefit from such partnerships through the **capital, distribution reach and infrastructure of the banks.**

"Banks and fintech should interact closely to proactively identify solutions for the future.

There should be a new way to envision the future of financial services. Regulator should play the role of an incubator with the banks playing the role of startups while the fintechs acting as the accelerators".

**Mohammed Sh. Al-Rashidi, Founder & Executive Chairman, One Global**