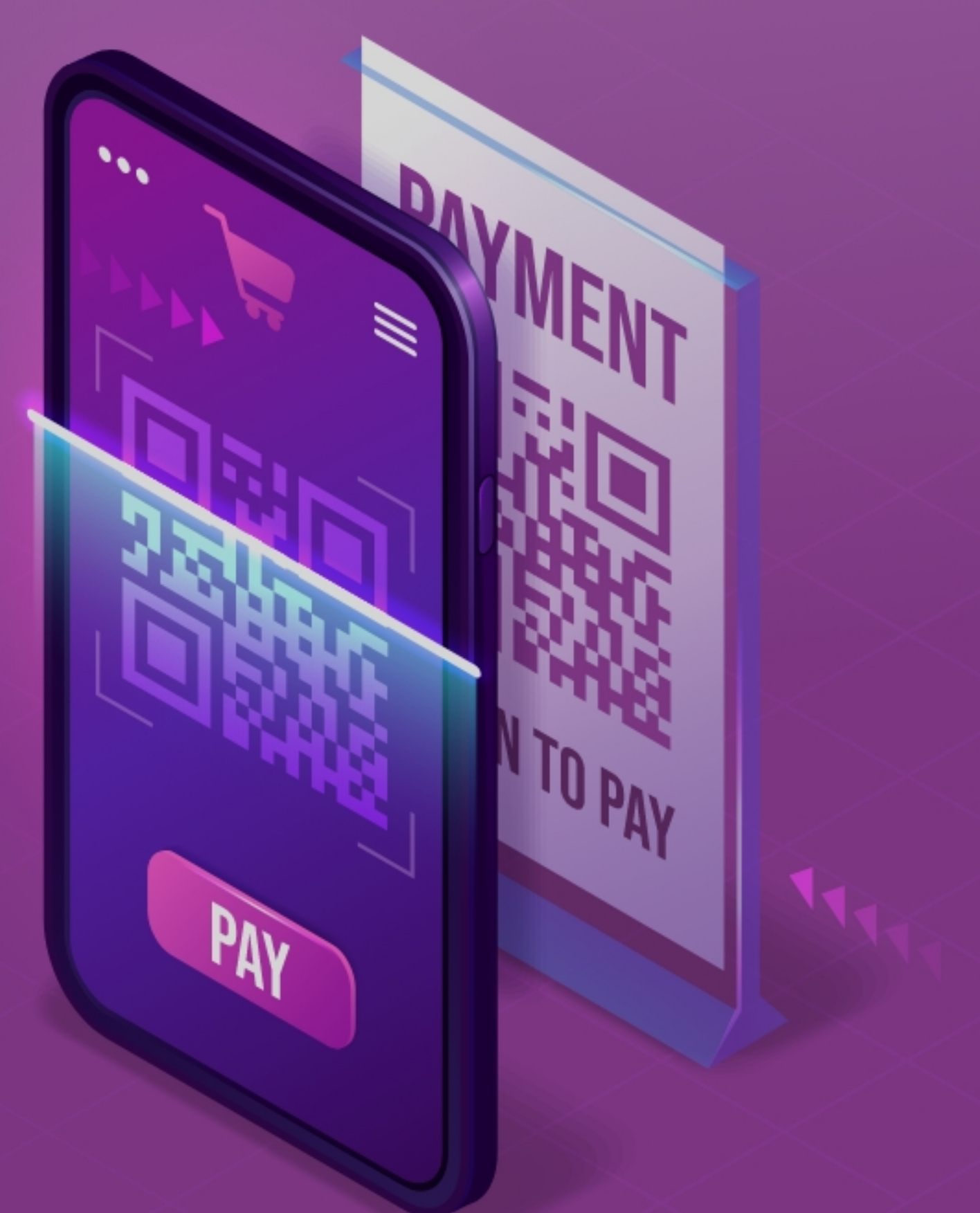


Going Contactless – The Next Stage of Banking Evolution

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The earliest form of contactless payments was introduced in the 1920s in the form of Western Union's charge cards. Since then, the banking sector has been working on different contactless and cashless payment models such as the Diner's Club Cards in the 1950s and the Bank of America card that later became the VISA card in the '70s. Then as new technologies emerged, there came innovations like payments via videotext in the 80s. With the advent of the Internet and the increasing penetration of mobile networks, banking moved online and on mobile apps. And as the world socially distanced in a bid to combat COVID-19, contactless banking became more important than ever before. Will the future of banking be truly contactless and what exactly does this involve?

What is Contactless Banking?

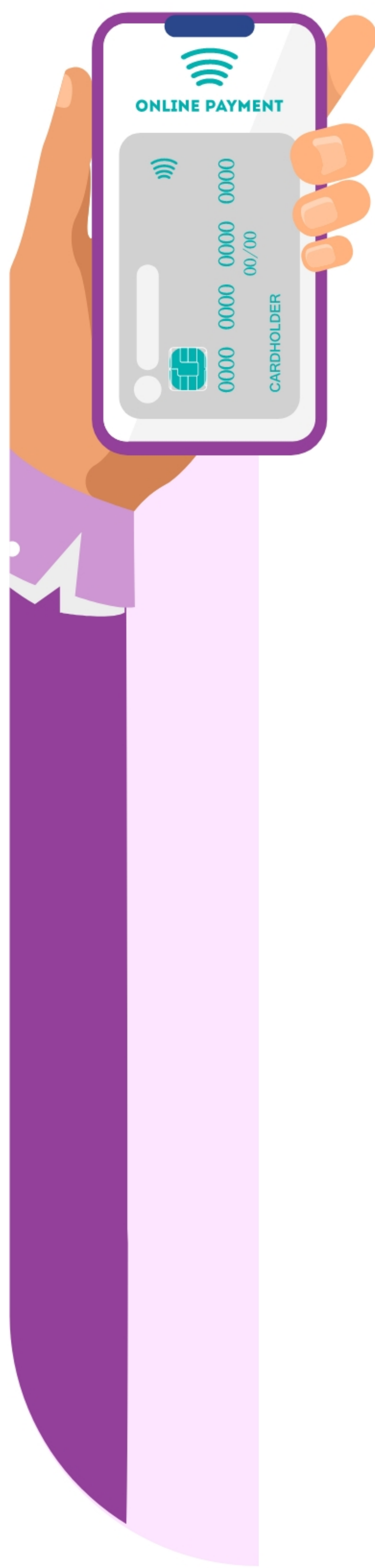
Contactless banking goes beyond mere payments to encompass every single touchpoint in a customer's journey. This includes account opening, transactions like payments, customers support, and digitally enabled solutions that ensure seamless customer experience across every engagement. As digital transformation picks up pace in the banking sector, the focus is on driving the transition to a comprehensive virtual and distanced mode of engagement even in the remotest regions. Mobile and internet banking are well established operational models and some banks have even tried offering banking services via messaging apps, and text messages. Chatbots and video banking options are witnessing some traction and they allow customers to even open accounts without ever setting foot in a bank branch. Banks are now taking the contactless narrative a notch higher with virtual relationship managers, video-based customer identification process (VCIP) and more. As customers get increasingly comfortable with these new engagement formats, they will become more pervasive. In fact, analysts predict that cash in circulation across the world will reduce by 2024. And payments via mobile proximity methods will go up to more than 2 billion by 2024, a significant increase from less than 1 billion in 2019.



Mobile and internet banking



Video-based customer identification process (VCIP)



The Technology Powering Contactless Banking

Most contactless payment systems are based on RFID (radio frequency identification) or NFC (Near Field Communication) technologies. Not only do they guarantee quick effortless payments, but they also eliminate the need for PINs or signatures. The payments they power are twice as fast as normal cards and their many in built security features eliminate the possibility of duplicate payments and ensure end-to-end encrypted security. It is likely that dual interface cards, with chip and NFC, will become the standard in the near future.

The payment space has seen the most innovation with concepts like QR code-based payments, tap and pay POS terminals and card less ATMs. As COVID 19 continues to rage, countries are raising the contactless transactions limits to help keep customers and employees safe. Entities like Bank of America, Wells Fargo, Citibank, Bank Capital One and Chase have ramped up the issuing of EMV cards. Credit card giant Mastercard saw a 40 percent jump in contactless payments in the first quarter of last year. This includes tap to pay and mobile pay options. Even point of sales banking is going through a significant transformation with financing platforms allowing retailers to get pre-approved offers from multiple lenders for the customer to choose from without paperwork. These platforms are slowly becoming industry standards in the contactless lending area. The mobile payments space is also evolving rapidly, with many big brands like Google Pay, Apple Pay, Venmo, MasterCard, and PayTm leveraging new technologies to offer innovative seamless smartphone-based payment options. Tokenization makes mobile wallets a very secure medium for payments.



Symbiotic Partnerships to Build a Robust Contactless Ecosystem

The emergence of open banking has helped both fintechs and banks to leverage APIs to offer better products and services. And today the industry is witnessing many interesting partnerships between fintechs and traditional banks to develop innovative applications that can support a contactless economy. Blockchains and cryptocurrency are also gathering momentum in the mobile payment segment. Organizations like Movile are realizing the potential of bitcoins for in-game micro payments as well as an alternate mobile payment currency across developing economies like Brazil. This space is witnessing some exciting innovations right now. For example, Google's Hands-Free mobile payment app allows customers to make payments even as the phone remains in their wallets or pockets clearXchange a joint venture by JPMorgan Chase & Co., Bank of America Corp., Wells Fargo & Co. and U.S. Bancorp, allows customers to instantly transfer funds to other accounts through their phones. And then there are fintechs like Venmo processing more than \$1 billion in one month in mobile P2P payments and Square processing billions more on mobile devices.

While contactless modes of banking were increasingly making their presence felt, the pandemic accelerated the pace of adoption with increasing acceptance by both customers as well as businesses. The space is set for significant growth over the next few years spurred by the speed, convenience and security offered by these payment models. And it will see some interesting innovations like o touch payment models for public transport, video-based banking, virtual assistants to tap-to-pay cards and more. Banking will go contactless across all touchpoints as banks innovate and evolve their business and customer engagement models to make it more customer friendly, embedded, and safe.