

# Retail Banker International

## Banking and payments experts share sector forecasts for 2024

Douglas Blakey canvasses over 120 industry leaders to get their expert opinions on prospects for the banking and payments sectors in 2024

Douglas Blakey | December 17, 2023



2024 retail banking forecasts image credit: shutterstock

### **Pritesh Kotecha, Regional Director MEA, SmartStream**

With mobile phone penetration set to surpass 100%, the incentive for MEA (Middle East and Africa) banks to amplify their digital offerings has never been greater. There are three primary models – offering digital services within the umbrella of the current bank, having a separate digital brand, whilst utilising the parent banks IT & operational infrastructure or the creation of a newly licensed NEO bank.

All three models have their benefits and challenges – the security of the parent banks reputation and client base vs a fresh brand and being able to build greenfield, without legacy. What seems to be universally true is the holistic acceptance of digital banking services by a tech-savvy and entrepreneurial population.

This is most evident in the payments landscape. Rapid acceptance of new standards such as ISO20022 have led to the birth and rapid acceptance of SWIFT payment-rail alternatives such as BUNA, NPSS and UPI. Local country rails are quickly forming alliances with each other to create credible regional payment corridors. The reinvention of players such as MasterCard is providing credible competition to the traditional remittance providers. The name of the game is greater speed and personalisation. Those providers that use data to provide context vs mere content along with seamless convenience are seeing immediate benefits. The pot of gold is large, with the ME – South Asia remittance corridor being one of the largest and most lucrative in the world.

But it's no longer enough to just innovate at the front-end and bolt on shiny digital products to creaking legacy operations. Those banks that are challenging their digital DNA in a true front to back way will be the winners. They will be able to embrace new technologies and offer new services such as open banking, tokenisation, and digital currencies at a much faster pace and in a more automated way, than the competition. With the huge year-on-year increase in the volume, velocity and variability of transactions, the previous mantra of Straight Through Processing is no longer enough – the visionary players are already utilising AI and Machine learning to achieve No Touch Processing (NTP). With the worrying rise in online fraud and the increase in regulation, the leaders have also realised that it is no longer enough to just Know Your Client (KYC), you must be granular enough to Know Your Transaction (KYT).

The regional banks that can bring together data driven decision making along with true upstream/downstream digital capabilities will not only be able to advance their value regionally, but also take market share globally. A

number of regional banks are already executing a digital only global expansion strategy- being able to open in-country digital banks much cheaper and much quicker than incumbents. This results in lower customer acquisition costs and a positive impact on the cost-to-income ratio of the bank – ME banks have the lowest cost to income ratios in the world. They have realised that when you truly embrace the digital opportunity, the only scale is global.