



Imagining an open future for payments: Imperatives for a recovery

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Insights

- Payments and methods of moving money are evolving, in an attempt to keep pace with ever-changing consumer expectations.
- Global, interoperable, open-loop payment networks connect billions of people, millions of merchants, and tens of thousands of financial institutions.
- Trust, security, and reliability are fundamental to payments, which are the plumbing for the world economy.

The digital transformation of commerce

The ways people and businesses make and receive payments are rapidly evolving in step with the changing nature of commerce. In the post-pandemic world, innovators, entrepreneurs, and policymakers have a generational opportunity to make digital financial services a force for equity and empowerment.

Consumer expectations and commercial experiences are evolving

Today's consumers expect immediacy in all their interactions, especially when making a purchase. As more options emerge and life becomes increasingly instantaneous, consumers have less and less patience for additional steps. Removing frictions has been the hallmark of the most successful product, service, and payments innovations in recent years. From requesting and paying for a ride via an app to using a mobile phone at the retail point of sale, making life easier, more efficient, and more pleasant has transformed virtually every industry in the recent past. Whether in ride-sharing or e-commerce, frictionless payment experiences are the new normal.

Payments are evolving to meet expectations

Methods of moving money are also evolving, in an attempt to keep pace with evolving consumer expectations. Global, interoperable, open-loop payment networks connect billions of people, millions of merchants, and tens of thousands of financial institutions. These interconnected networks enable consumers to send and receive payments to merchants around the world without sacrificing safety or convenience. The public sector is also modernizing payments infrastructure. Around 75 countries have either implemented faster payment systems (FPS) or have active projects underway to do so.¹ Over 50 countries are investigating retail versions of central bank digital currencies.² And more than 40 countries fall into both camps—implementing faster “bank account to bank account” capabilities and investigating digital forms of cash.³ Policymakers will be spending considerable effort thinking about these ecosystems and what use cases would be best served by these and existing capabilities in the public and private sectors. They are also engaging with private-sector payment firms and other stakeholders on improving how digital payments function across borders. An international roadmap for improving cross-border payments was released in October 2020.

Along comes a pandemic

The COVID-19 pandemic accelerated these transformative trends. Not only do consumers expect less friction, but they are wary of handling physical cash. Sellers and marketplaces are even more focused on security as face-to-face transactions go online. Governments, having taken extraordinary fiscal measures to keep small businesses afloat, must now help these newly digital companies thrive in an increasingly competitive global e-commerce marketplace. Public authorities have also been working to get relief funding into the hands of individuals and empower their citizens with digital alternatives to physical cash.

Payment imperatives for the recovery

Trust, security, and reliability are fundamental to payments, which are the plumbing for the world economy. Payments stakeholders must help maintain the global ecosystem and continually improve capabilities that enable individuals, businesses, and economies to thrive. A view has emerged in some policymaking circles that central banks should develop payment networks within which private-sector actors can innovate, particularly at the user experience level. The private sector can certainly do this, but it can (and does today) do more; the VEEI considers it vital for the private sector to continue to innovate with regard to payment rails. Visa has more than six decades of experience innovating at the network and user experience levels, driving improvements in security and resilience along the way, in over 200 geographies.

As an example, Visa has invested nearly \$9 billion over the last five years in enhancing and securing its core technology platforms and launching new products and capabilities for its clients, partners, and employees. This global scale offers capabilities that are difficult to achieve with a collection of local platforms alone. These network investments are significant, but they are necessary to maintain trust and protect consumers while facilitating over 500 million transactions a day, or about \$12 trillion a year, in global retail payments. With the capabilities of global networks in mind, the VEEI believes there are significant opportunities for the public and private sectors to work together to solve problems in such areas as financial inclusion, faster disbursements, cross-border payments, and new ecosystem activation.

¹ VEEI analysis and tracking, supplemented by the FIS [Flavors of Fast 2020](#) report, October 2020.

² BIS, [“Rise of the central bank digital currencies: drivers, approaches and technologies,”](#) August 2020.

³ VEEI analysis.

About the Visa Economic Empowerment Institute

The VEEI is a non-partisan center of excellence for research and public-private dialogue established by Visa.

The VEEI's overarching mission is to promote public policies that empower individuals, small businesses, and economies. It produces research and insights that inform long-term policy within the global payments ecosystem. Visa established the VEEI as the next step in its ongoing work to remove barriers to economic empowerment and to create more inclusive, equitable economic opportunities for everyone, everywhere.

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