



What Does the Future Hold for Payments?

payments faster payments

Summary: Fueled by innovation, emerging technologies, and customers' changing expectations, the payments space is evolving at a rapid pace. We look at some of the top payments trends and suggest ways in which CFIs can ensure they make the most of these opportunities.

Did you know that dolphin teeth are sometimes still used as a form of currency across many of the Solomon Islands? They can also be used to pay for brides — the current rate for a bride is around [1K teeth, the equivalent of 10 dolphins](#). Given the vast number of dolphins killed each year for their teeth, there are understandable conservation and environmental concerns about this practice. Luckily, making payments tends to be more environmentally friendly, easier, and more convenient in most other parts of the world.

The payments space is evolving rapidly — fueled by innovation and emerging technologies such as artificial intelligence (AI), machine learning (ML), blockchain, cloud solutions, and wearable technology. Of course, the pandemic also massively accelerated the shift towards online transactions and digital payments, and consumers now have more choices than ever before. [Global cashless transactions are expected to double](#), and possibly even triple, their current volume by 2030.

Top five payments trends for 2023

From buy now, pay later (BNPL) to online payment options and virtual wallets, the world is increasingly moving toward 'payments as an experience' (PaaS). Here are five of the **key themes influencing the future of the payments landscape**.

- 1. Digital currencies.** Cryptocurrencies and Central Bank Digital Currencies — an electronic representation of a nation's currency — are likely to play an increasingly important role in the future of payments. Built on blockchain technology, their ability to enable fast, efficient, transparent, and cost-effective transactions (including cross-border transactions) means they should not be ignored. However, these currencies still face several challenges, including a lack of understanding among the wider public, cybersecurity risks, the potential for misuse, regulatory status, and scalability. The recent fall and scandal surrounding FTX is a sober reminder of some of these risks.
- 2. Digital identities.** A unique digital identity can be a powerful tool for customers, providing seamless access to a variety of services and facilitating digital payments. Aside from helping CFIs provide customers with hyper-personalized services, incorporating digital identity technologies into an institution's payments processes can also help to open up new revenue streams, increase security, reduce risk, and build trust in transactions. Despite various implementation challenges, it's likely that the use of this technology is set to increase.
- 3. Digital wallets.** Enabling consumers to load their card details onto their phones and other electronic devices to make secure payments, digital wallets remove some of the friction from the traditional payment processes. By 2023, more than half of global e-commerce payments are expected to be made using a digital wallet. As digital wallets provide a convenient, secure, and fast all-in-one payments solution, they offer CFIs the potential to increase customer loyalty, encourage sales, and improve consumer engagement.

4. **Real-time payments.** With [global volumes up 40% in 2022](#), it's impossible to ignore the rise of real-time payments (RTP). Meeting the payment needs of consumers and businesses by providing more speed, financial control, visibility, and improved two-way communication, RTPs also play an important role in facilitating financial inclusion among the unbanked. As the likes of Walmart and Amazon are increasingly accepting payments through peer-to-peer platforms such as Venmo and PayPal, CFIs would do well to keep abreast of the fast-evolving RTP landscape.
5. **Business-to-business digital payments.** Given the explosion in business-to-consumer (B2C) digital payment solutions, it's likely that the business-to-business (B2B) sector will experience similar growth over the coming months, particularly as vendors' and suppliers' expectations change. In fact, almost 60% of small businesses taking part in a study by Visa indicated that they are [already using digital payments exclusively or are planning to](#) do so within the next 2Ys. Digitizing elements of their payments processes — including using RTPs and digital wallets — can help businesses to improve the ease and convenience of transacting, optimize cash flows, reduce errors, make savings, and mitigate fraud.

Strategic considerations for CFIs

Understanding and anticipating these and other payments trends is crucial for those CFIs who want to successfully navigate this evolving space. Here are **three imperatives for your payments strategy**.

1. **Embrace the right technology.** As technology is fundamental to the future of payments, CFIs must ensure they have the necessary infrastructure and capabilities to offer payments services that meet their customers' needs.
2. **Focus on security.** The move away from traditional payment channels and toward digital payments brings with it multifaceted challenges. Digital payments increase the threat of cybercrime, and CFIs must continue to ensure they're collecting, using, and storing data safely and securely. However, various solutions — such as multi-factor authentication, text message confirmations, tokenization, and end-to-end encryption — can help make payments more secure, while also increasing the consumers' roles in managing some of these risks.
3. **Think about partnerships.** By entering into the right partnerships with fintechs or other non-traditional banking services providers, CFIs might be better placed to capitalize on regulatory changes in the payments space, and more easily expand their service offerings to incorporate some of these key payments trends.

CFIs have a crucial role to play in the fast-evolving world of payments. Not only are they well placed to create solutions that best meet the needs of their communities, but they can also help develop and promote services that support financial inclusion and access to financial services.

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ECONOMY & RATES

Rates As Of: 01/12/2023 06:38AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	4.72	0.30	0.30
6M	4.84	0.08	0.08
1Y	4.69	-0.02	-0.02

2Y	4.20	-0.23	-0.23
5Y	3.63	-0.37	-0.37
10Y	3.51	-0.37	-0.37
30Y	3.63	-0.33	-0.33
FF Market	FF Disc	LOBB	
4.33	4.50	4.40	
SOFR	Prime	QBER	
4.30	7.50	4.32	

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