

Payments 'will switch from cards to mobile phones'

The use of debit and credit cards would reduce over time as more consumers used cellphones to make payments using new technology that eliminated the need to swipe a card, Deloitte said on Wednesday, 25 July 2012.

"It is obviously farfetched to think that the use of debt and credit cards will be completely eliminated, but a time will come when you open a bank account, you will be asked to choose between having a card or a phone (as a means) to pay," said Jonathan Houston, digital marketing lead executive in the Deloitte consulting technology division.

Houston said the rapid convergence of mobile and banking technology which started with such simple functions as money transfer was increasingly making the cellphone a virtual bank in itself.

Bankers say SA's high mobile penetration rate made it the perfect market to launch banking technology and products using cellphone to reach an under-banked and unbanked population estimated at more than 11-million.

One such technology was Near Field Communications (NFC), which provided the ability to carry out banking transactions with a simple swipe of a cellphone, said Houston. The other was the MXit cellphone-based geo payment system called Gust, which was launched in May.

These rival technologies were beginning to compete to make cellphones the next passport to making transactions, said Houston, adding this could result in the retail payment systems becoming redundant, with bank-issued cards being made obsolete.

"Essentially the difference between the two is that with NFC, a mobile phone has to be enabled with an NFC chip and mated with an NFC reader to facilitate payments. The paying party, however, does not require a credit card to make a payment (but) only a bank account that has eWallet functionality," he said.

Michael Jordaan, the CEO of First National Bank, said cashless payments would become the norm over time.

In May, FNB launched a person-to-person payment option called Geo Payments, using its banking app which allows users within close range of each other to make payments to one another without using their bank account details.

"We see our Geo Payment solution being used more frequently as banking app penetration grows," said Jordaan.

He said that there was an increasing convergence of financial services and mobile technology, and the latest mobile handsets would allow banks to launch a raft of mobile payment solutions.

"It is important (however) to differentiate between NFC as an eco system and Geo Payments in its current form as a person-to-person payment solution.

"NFC has a number of shortcomings before mainstream application whereas the Geo Payment solution is here and (is already working) for FNB and non-FNB clients," said Jordaan.

Source: *Business Day*

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