

# International banking trends and their impact on South Africa

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The continuous evolution of technology is disrupting business on a global scale. Not only are countless new ways to interact and transact being developed every day, but the spaces typically reserved for traditional players who conform to a specific criterion are opening up to new, innovative and atypical players.



This is especially evident in the banking sector, where technology trends are impacting traditional banking methods, redefining who the financial service providers are, and leading us towards an era of entirely virtual banking.

Virtual banking is not a new concept. In fact, we've been transacting virtually since ATMs were introduced. Nevertheless, the idea of being able to do anything banking related, securely from the comfort of your home in as little time as it takes to update your Facebook status, means that banking, as we know it, is fundamentally changing. This is shaping the way money is transferred, property is bought and sold, and it even affects how the stock exchange is explored. Furthermore, it simplifies the transaction processes by reducing them, improving efficiencies both locally and globally.

The use of mobile devices to open bank accounts, transfer funds and validate transactions is seeing steady growth in South Africa, particularly as we see a surge in smartphone use. To cater to this, banks are looking at innovative security tools such as biometrics so as to enable maximum security in instances where they have less physical control. There are many digital banking trends sweeping the globe that are making themselves felt within our borders that could heavily impact the way we bank and conduct business in general.

## The players

There have always been multiple intermediaries in the background when one conducts a financial transaction. However, many technology giants such as Facebook have recently emerged with the desire to remove most – if not all – of these intermediaries in a bid to establish real-time transactions and to enable users to not leave their platform to conduct those transactions.

In many parts of the world, such as the United States of America, the demand for banking services to be offered by tech giants is quite high. Although there are time constraints for transferring funds in this way as most such transactions go via the automated clearing house – a process that takes at least three to five working days and, sometimes, longer.

In South Africa, though, banks have already adopted a fast transaction approach, with many enabling immediate fund transfers across multiple accounts and banks. As a result, the appeal of using the facilities provided by tech giants is less apparent and the uptake may be more muted than in the States. Nevertheless, a change in the key players is on the cards, and people can look out for financial services on offer from unexpected players.

## **Blockchain**

Blockchain has the potential to revolutionise the financial sector on both a local and global scale with, possibly, the same impact as the introduction of the internet in the 90s. A blockchain comprises a series of ‘current’ blocks, each being able to securely record and time stamp some or all recent transactions, ensuring each transaction’s permanence and validating its authenticity.

Currently, companies that transact require a host of people such as accountants and validation processes in order to maintain their ledgers, but with the blockchain, none of these things are required. It’s all online, available and accessible from a centralised database. What’s more, it’s secure and not erasable. And, because transacting using the blockchain doesn’t require physical currency, it is a system that could also render banks obsolete in the process, reducing, if not entirely removing, their functionality.

While blockchain is still being explored and may take a good five years to be felt in South Africa, it will eventually land here and there will undoubtedly be a large impact on our banking sector. We will probably be looking at several regulatory changes, not to mention changes within how the banks themselves conduct business, as they strive to remain relevant and valuable.

## **The data**

Terms like “big data” and “internet of things” are still big trends across the globe and, on a local scale, we’re definitely seeing the same. South African banks are at varying levels of development in terms of harnessing their data and there are many who are already ahead, utilising user data to determine customer trends and sensor data for monitoring purposes.

For many banks, though, the challenge lies in restructuring legacy processes within their organisations in order to effectively manage and use the data they mine. On top of this, large investments in entrenched IT processes and systems can hinder innovation, particularly as speed is of paramount importance to quick adaption and adoption of data driven tools. Many banks are faced with the need to rethink their entire organisational structure and culture so that they are able to fully benefit from the possibilities that data presents.

## **The challenges**

While the internet has opened the door to multiple means of banking from virtually anywhere, the method still remains the

same, whether banking at a branch, at an ATM or from your mobile phone. South African banks would benefit from focusing more on customer-centric innovation, promoting ease of use and looking at the next generation of users.

The banking sector needs to adjust its way of thinking, shifting from traditional thinking to innovative, agile thinking. Banks can put the reams of information they are able to access about their customers – both current and potential – to good use, developing new services and products, holding emerging players and threatening technologies at bay to secure their positions.

While banking itself seems to remain unchanged, with users still needing to conduct the same business and transactions, the platforms and players available are evolving very quickly, in line with technological development. Banks will need to adapt quickly in order to keep apace of the market and remain ahead of their game.

## ABOUT THE AUTHOR

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