



Payments Innovation

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INTRODUCTION:

Few years before we are using the cash for payments. When a digitalization occurs the way of payments gets changed. It helps our country to move next level of development. It creates more awareness to people about the payment innovation.

TRADITIONAL PAYMENT:

Pay is based on the mastery of a series of skill blocks are competence that makes the person more valuable to the establishment. Features of skill based pay different skill level can be identified vertical skill or horizontal skill. Monetary pay differential associated with each skill level above base rate.

It is a mobile wallet which enables consumers to make payments via their mobile phones. A new or significantly improved instrument solution or scheme that has achieved a significant share of the relevant retail payment market or at least has potential to take one.

It is often impossible to get a clear and consistent view of how payments are evolving worldwide. The Global Payments Innovation Jury has provided a consistent view on this evolution every two years since 2008 when innovation was much less of a hot topic. The 2017 Jury, comprising 70 successful payments executives from 37 countries, has looked at many aspects of the worldwide industry and given its considered views on how innovation is occurring and bringing about change.

FAST MOVING MOBILE WORLD:

People worldwide have adopted smart phones, mobile devices and a variety of e-commerce and m-commerce solutions at record rates. The adoption curve for electricity, telephones, televisions and personal computers stretched out over years. Not so with mobile devices. The speed at which people have engrained these devices in their lives has sent banks, retailers and other organizations scrambling to develop new digital offerings. Whilst this general idea seems accurate and is absolutely essential for growth there is a risk that the assumptions organizations have made in their innovation processes are flawed. To be truly successful, gaining adoption in this new digital world requires “customer delight and advocacy” which can only be achieved by understanding precisely what customers need and nailing the execution of solutions to meet those needs.

Today, more than half of the world’s population owns a mobile device.* So it’s no surprise that mobile is fast becoming the only channel for customer engagement and interaction. In the financial industry, global mobile banking users are predicted to more than double from nearly 0.8 billion in 2014 to nearly 1.8 billion in 2019.

As a survival mechanism, most banks now offer mobile solutions to attract customers who want to check balances, make payments, transfer money and dispute transactions whilst on the go. Mobile also brings significant operational benefits for banks reducing transaction costs, operational costs and resource needs as well as the number of ATMs and bank branches to maintain. But how do banks do more

and deliver solutions that really “Wow” their customers?

In this extremely competitive environment, it isn't easy for established banks and card issuers to abruptly turn the ship. Traditional banks are under threat like never before from challenger banking sources like PayPal and nimble start-ups who can more easily introduce new digital innovations quickly. To paraphrase Bill Gates: People need banking, but not necessarily banks.

Many of the latest mobile solutions are focused on meeting the needs of “digital natives” those Generation Y consumers that have never known a world devoid of digital. But that approach is short sighted. Nearly one-third of customers over the age of 65 today do some banking on their smart phones.

TRENDS IN PAYMENT INNOVATIONS:

Banks becoming platform players to aid collaboration retain payments role:

Feedback loops between producers and clients, known as network effects, are central to the success of a banks collaborative platform model. Infrastructure rationalization is likely as payments intermediaries come together or evolve:

Globally payments infrastructure is being transformed to become faster and more inclusive to new players that will launch valuable offerings for retail and businesses.

Payment vendors and banks are expected to consolidate their operations to form larger groups: As banks benefit from TPP partnerships, TPP's gain access to seasoned banking expertise and large client bases, which are likely to fuel convergence across all players?

Banks and Fin Techs explore distributed ledger technology to transform cross-border payments: Banks and Fin Tech are exploring block chain technology for cross border payments to provide faster, inexpensive and efficient service.

Instant payment processing likely to become the ‘new normal’ for corporate treasures, industry at large: With wide adoption, instant payments have the potential to emerge as an alternative to checks and cash for retail and corporate customer.

BENEFITS OF PAYMENT INNOVATION:

The Electronic Payments System: Consumer Benefits

The use of electronic payments provides myriad benefits to consumers. While consumers do not directly pay interchange fees, they derive significant value from them.

Participation in the Global Economy:

MasterCard's global electronic payment system facilitates commerce worldwide, allowing consumers to make purchases in more than 210 countries around the world. A consumer with a card issued by a credit union in Baltimore, for example, can make an online purchase from a merchant in Hong Kong without ever leaving home. That cardholder can use the same card to purchase an airline ticket, fly to Hong Kong, and make the purchase in person without any cash in his or her pocket. Payment cards have rendered cash and travelers checks – and the uncertainty that come with them unnecessary for millions of travelers.

Convenience and Safety:

Consumers across the economic spectrum can use payment cards to access their money at ATMs and make purchases at any time in fractions of a second at more than 30 million merchant locations across the globe. Electronic payments are more convenient and more secure than cash. MasterCard offers cardholders zero liability for unauthorized use – consumers are not financially responsible for purchases made if their card is lost or stolen. Additionally, consumers benefit from the security, efficiency and convenience of electronic payments, including cutting-edge technologies like MasterCard's tap-and-go Pay Pass™ technology and mobile payments.

Innovation and Choice:

Thousands of financial institutions worldwide are part of the global electronic payments system, with intense issuer competition prompting innovation and allowing consumers the ability to choose between thousands of debit, credit and prepaid payment products that best fit their needs. Because interchange balances the benefits and costs of the electronic payments system, it encourages the participants in the system to innovate and invest in the future from tap and go products such as MasterCard Pay Pass™ enabled cards and other devices to payment via mobile phones, product innovations are making payments

faster, easier and more secure to meet the needs of today's consumers.

Rewards:

By using electronic payment cards to make purchases, many consumers receive additional value through rewards or incentives programs – such as cash back, college savings or frequent flier miles – offered by the card issuer. Card-issuing banks offer these programs to consumers to enhance the benefits associated with electronic payments and compete for business.

The Electronic Payments System: Merchant Benefits

By participating in the MasterCard system, merchants receive extraordinary benefits including guaranteed payment, increased sales, fraud protection, and the ability to attract customers to a speedy, efficient purchasing experience.

Security and Fraud Prevention:

Paying the relatively small interchange fee allows merchants to accept payment cards and consequently hold much less cash than before electronic payment cards, lowering the merchant's risk of being targeted for theft. Interchange also offers incentives for the innovations that provide for new payment options, broader ranges of card products, and investments in cutting-edge security and fraud prevention measures.

Increased Sales:

Being a part of the global electronic payments system drives increased revenues for merchants because many consumers prefer making payments with cards over cash or check, and the average payment card transaction is larger than the average cash transaction. Innovations such as MasterCard's PayPass™ speed up checkout lines, especially useful during peak shopping periods — and particularly important for merchant segments where speed is critical, such as quick-service restaurants, gas stations, concession stands and transit.

Global Access:

Electronic payments are increasingly accepted around the world, augmenting sales, shortening lines, and allowing internet retailers to do business with cardholders worldwide. Consumers can make purchases even when they do not have sufficient cash on hand. This is particularly useful in emergency situations or for unplanned purchases. Open payment

systems such as MasterCard enable, and are the primary means of, online payments around the world.

Avoiding Credit Losses:

In late 2010 and early 2011, according to the Federal Reserve, extremely delinquent accounts that are not likely to be paid (known as credit card charge-offs) represent approximately seven percent of outstanding balances. If merchants ran their own card programs, they would have to bear this cost on their own. Instead, interchange helps compensate issuing banks for bearing the risk of those credit losses, so merchants are guaranteed payment regardless of whether the cardholder ever pays their credit card balance.

Data Processing:

Card issuers must handle the costs of processing data to handle payment authorization, clearing and settlement, maintenance of cardholder account histories, billings, payments and many other functions. Interchange contributes to designing, operating and upgrading these important capabilities. Without interchange, merchants would bear no portion of these costs but would reap the benefits of card acceptance.

Reduced Processing Costs:

Merchants who accept MasterCard payment products also benefit by reducing costs associated with handling other forms of payment, including bounced checks, check verification and guarantee services, and check processing; and collecting, counting and transporting cash.

The Electronic Payments System: Societal Benefits

MasterCard is the technology at the heart of commerce. We provide the critical links between people, governments and business that make commerce happen. Our technology powers 23 billion electronic transactions each year, worth more than \$2.7 trillion, spanning 210 countries – and each transaction is faster than the blink of an eye. In addition to benefitting individual consumers and merchants, interchange affords significant benefits to society as a whole.



CONCLUSION:

Technological developments necessary, but not sufficient. Technological developments are the basis for new or improved services in payments. The innovation to be relevant for sustainable businesses, it has to be meaningful.

Service



Financial inclusion: Payment cards, including payroll cards and other prepaid cards, are often the point of entry for new consumers to the —formall financial system. By incentivizing issuers to create innovative prepaid and debit programs, interchange helps open the financial system to consumers who may not otherwise participate.

Government efficiency:

The United States federal government now distributes Social Security benefits via prepaid cards, targeting the nearly four million Social Security recipients who have no bank account, and saving the government millions of dollars. A Government Accountability Office (GAO) study estimated that card acceptance costs could be as little as approximately half the cost of processing cash or checks.