LOOKING BACKWARD, MOVING FORWARD

BERNARDO BÁTIZ-LAZO and LEONIDAS EFTHYMIOU invited academics and industry experts to consider the past, present and future of retail payments. The resulting conversations, published in *The Book of Payments* (Palgrave), suggest the rise of digital banking has compelled strategists to look back – as well as forward.

The past, present and future of retail payments, technological change and, more specifically, the role of computer applications in retail financial intermediation, were explored when 44 individuals – academics and industry experts from across the globe – debated the challenges posed today by the rise of digital banking.

The illustration below depicts the contributors' top 100 concerns, which mostly revolved around the central role depositary financial institutions (such as commercial banks, savings banks, co-operative banks, credit unions, microfinance institutions, etc) have played – and will continue to play – in the cashless economy.

SOURCE: AUTHORS' OWN DESIGN

FRAMES OF REFERENCE

Central to the illustration are financial institutions, and, as contributors explained, the long-term process through which banks inserted themselves in the exchange of value to become (and remain) the centre of the retail payments ecosystem. Looking forward, our contributors aimed to clarify how competition between mobile payments, digital currencies and payment cards will shape the future of the retail financial system in different countries and the role of banks in that process.

Understanding the changing nature of payment "rails" led us to explain the interaction between the institutional underlining and technological innovation in retail finance. This required analysis of the problems and challenges for consumers in, say, adopting and using payment cards (whether in urban centres or in rural locations) as much as the sources of credit for merchants. For instance, we learn how similar today's marketing of digital solutions by banks and payment card companies is to the launch of the first credit and debit cards in the 1960s and the 1990s respectively.

The entrepreneurial challenges of payment systems faced by both established participants and new entrants were also a key concern. This was relevant given that today's FinTech attention focuses on the potential of individual start ups. For instance, when documenting the case of Mondex in the 1990s, we were reminded that innovation is also driven by established participants in financial services. Hence, contrary to general perception and when looking at developments in the long-run, we find that financial institutions have been active in finding new forms of payment while investing in untested technologies and devices.

The pivotal role that the government, regulators and regulation play in the financial system runs throughout the book. These are not only important in managing the process (and sometimes the timing) of change in retail payments, but also frame the social processes around it. Many (if not most) of our contributions focused on stories of success and cost control.

FROM CONCEPT TO CRITICAL MASS

While some contributors openly defended the use of banknotes in everyday life, others were veteran pro-cashless soldiers of the "war on cash". The latter made plainly obvious the degree to which a cashless economy emerged around "traditional" banking from the 1950s and 1960s until today. Sometimes this resulted in new ways of payment and new customer groups, while others (and especially more recent developments) have cannibalised banks' space within retail payments. The extent to which the cashless economy has been claiming its own place within domestic and globalised technological environments is evidenced by the likes of direct payment of wages, direct debits, "tap and go" (i.e. EMV compliance) and PayPal. Meanwhile the likes of distributed ledger technology, digital currencies, crowdfunding platforms, person-to-person loans, e-wallets and online barter, amongst others, point to a potential transformative phase that is, in its majority, unregulated. While many of these new applications hold great promise, they also need to go beyond the "proof of concept" stage and achieve "critical mass" to be credible players.

The research revealed a payment ecosystem full of contradictions. Paradoxically, the increase of retail cashless payments goes hand in hand with the increase in the demand for cash; the development of a Single European Payment Area is tested in an economic union of sovereign countries growing and developing at different speeds; and cashless technologies driving financial inclusion clash with strong preferences to use banknotes. Regarding the latter, our contributors explained that digital initiatives

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seeking greater financial inclusion are also seen with doubt and reluctance from people working and living in the cash economy because they mistrust initiatives that could increase their fiscal burden while feeling there is "little value for money" in paying taxes in countries where corruption is rampant.

FOCUS ON INFRASTRUCTURE

On balance, the research led us to believe that there is still scope to better understand how and why there is so much failure to contest retail payments. Future research could be approached from different perspectives such as:

- explaining the lack of adoption by consumers
- how consumers find new ways to use new technology (i.e. domestication)
- the challenges to abandon investments in long-established technologies (i.e. path dependence)
- how can we develop more effective management of innovation within organisations (including querying organisational memory)
- the role of security, industrial and technological networks as much as trends in the globalisation of retail payments.

"In the midst of a dynamic, non-linear and ever-changing environment, people's payment choices are driven not by a cash(less) antagonism, but simply by preference, taste, trust, accessibility, convenience and transaction patterns."

History has taught us that the uses of new technologies are uncertain and we need to know more of how regulation and regulators influence this process. So, the role of regulators, regulation and supervision are in particular need of detailed research as they are frequently criticised as the "bad hombres" that stifle innovation in financial services but these claims are often made with little empirical support.

If there was one central idea running from cover to cover, this would be that the future of money is an illusion because in the midst of a dynamic, non-linear and ever-changing environment, people's payment choices are driven not by a cash(less) antagonism, but simply by preference, taste, trust, accessibility, convenience, social norms and transaction patterns. In short, there is no "oracle" able to successfully forecast innovation – at least, not in retail payments.

At the same time, there is a dearth of contributions considering the large and substantial investments in making things work. In other words, we ought to stop our enthrallment with the "white heat" of innovation, our obsession with "firsts", the heroic stories of the lone-wolf entrepreneur, and start paying more attention to maintenance and the general process of preserving and keeping in good condition the retail payments infrastructure. CB

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