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DOI: <https://doi.org/10.30525/978-9934-26-028-5-6>

INTERNATIONAL RETAIL PAYMENTS IN THE TIME OF DIGITALIZATION

Economic recession in 2020 and continuing uncertainty have raised an importance of resilience and stability in the world and national economies. Financial stability of countries, sectors, enterprises and monetary institutions has different dimensions and depends on multiple factors. It is relying on money stability, monetary policy and economic agents' behavior. Stability is important for a public trust to the money as mean of economic exchange. Financial and money stability are influencing on economic development, investment decisions and country competitiveness.

Money stability and retail payments are servicing balancing of individual and aggregate demand and supply, economic behavior of individual customers, private entrepreneurs and small businesses.

Historically retail payments were managed by local commerce and domestic banks in cash. Global economic and financial integration,

comprehensive market infrastructure and communications are making possible of customers direct access to domestic and foreign markets, suppliers and services providers. Such processes are enforcing a use and completion of domestic and foreign payment services providers.

Internationalization of retail payments is progressing due to increasing participation of individuals in international trade, diversification of cross-border e-commerce, international payment cards systems applications, global and regional electronic trading platforms, broader use of the international payment systems and internet banking, technological advancement and harmonization of domestic and international payment systems.

Retail payments current and upcoming developments are driving by the number of factors including: current economic and social conditions worldwide and in each country, customers demand, saving behavior, trust to banks and other payments providers, access to payment infrastructure, security reasons, cultural stereotypes.

Pandemic of COVID-19 now is a major cause of economic shocks and depression. Financial instability of businesses, households and countries is influencing on consumer behavior changes and retail payments transformation.

Unexpected pandemic rapid spillover around the globe have generated psychological and wide economic shocks. Restrictions and lockdowns imposed by the authorities have forced businesses contractions and closures, freezing international travel and tourism, depression. Those were followed by the social distancing, relocation to online work, losing personal incomes, changing of employment. Individual and public reaction to pandemic, lockdowns, restrictions and uncertainty have changed social environment and consumption.

Closures of schools and universities, youth unemployment, sport and concerts freezing have depressed consumption of young age. Limitations for people gathering at homes and public places; restrictions for shops and shopping malls, restaurants, hotels and other services, switch to online deliveries have changes a consumers behavior and demand for retail payments.

Economic depression and financial instability are influencing individual lifestyles, rationalize demand and consumption. Retail trade in the EU in November 2020 comparing with November 2019 have decreased for 2% and substantial structural changes^ automotive fuels dropped for 15,3%, non-food – 3,3%, including textile, clothing, footwear down for 26%, but only food and drinks increased for 2,4% [3]. France, Belgium and Spain have relatively larger trade contractions. At the same time non-food retail sales with mail orders and Internet have increased for 32,9%. [3]. The virus second wave in the fall 2020 put stress of retail trade down for 5,9% in the EU and 6,1% in the Euro area in November 2020 comparing to October 2020 [3].

Pandemic shock have accelerated retail payments transformation including: change of consumers preferences to different payment methods, structure and dynamics of retail payment means, international payment systems competition, digital technologies international spillover, international harmonization and sophistication of payment infrastructure.

Consumer's attitude in the time of pandemic is changing towards use of cashless payment methods such as cards, Internet and digital payment services including fintech. European Central Bank survey of payment attitudes of consumers in the euro area (SPACE) shows that overall payment trend in the euro area is a decrease of cash payments from 32% in 2016 to 25% in July 2020 [2]. At the same time individual customers continue to hold good amounts of cash as reserves and bank deposits.

Cashless retail payments during the pandemic are rapidly growing especially in sales of fashion, electronics, food, daily supplies. E-commerce are accomplishing mainly with cards and Internet. As for SPACE survey, in the euro area the online purchases value is settling in the following ways: cards – 48%, E-payments via Internet – 24%, credit – 14%, others – 11%, cash – 3% [2].

Cards and Internet payments have good combination of convenience, accessibility and security to customers, therefore their trend is expecting to continue during post-pandemic recovery.

Contactless cards and payments are a product of digital technologies applications and are instantly progressing. As to SPACE survey, it as wide differentiation of degree of contactless cards application in the euro area countries ranging between 68% Sweden and 12% in Belgium of all cashless retail payments transactions [2].

Competition in retail payments is developing globally in two major aspects.

First aspect – international competition of payment systems with global dominance of the US providers Visa International and Master Card. Different attempts to set up local and regional card systems were not too much successful. But last few years international brands are developing with respect of local conditions and features like co-branding cards (supermarkets and shops chains, airlines etc), local incentives (cash back, local brands and services discounts etc), cards for targeted customers (women, children etc).

Most aggressive competitor for two dominants now is becoming Chinese payment card system UnionPay International. This is in line of China's policy of renminbe internationalization, improving its status as reserve, investments and international payments currency. In countries entry strategy the UnionPay apply strategies of teaming with local systems and competitive conditions for customers.

Second aspect – technological competition from the innovative financial solutions and digitally based fintech companies. For example, US payment system PayPal is focusing on the individual and small business payments worldwide, it does not apply credit, co-branding or other services. PayPal now has around 200 million accounts and developing in direction of more competitive services for shops and supermarket chains customers. Applications for non-cards contactless mobile phones and Internet payments, including those using client recognition by face or eyes) are getting more customers despite of security concerns.

Introduction of real digital currencies are due to customers demand, competition and need for inclusion of people with no access to existing banking and payment facilities. Digital technologies development now are marking in the projects in introduction of real

digital currencies for payments besides from cryptocurrencies like Bitcoin and similar. First is digital currency Diem (previously called Libra) initiated by the Facebook, developing by the international consortia and would be based on the Internet platform. Second are the central bank digital currencies (CBDC) in progress in some countries and digital euro project of the European Central Bank. Such digital currencies would not be substitutes for existing money and would be usable for wholesale and retail payments.

International transformation of retail payments is moving in favor of better services to customers and requires international harmonization of regulatory conditions and technological applications for better effects.

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