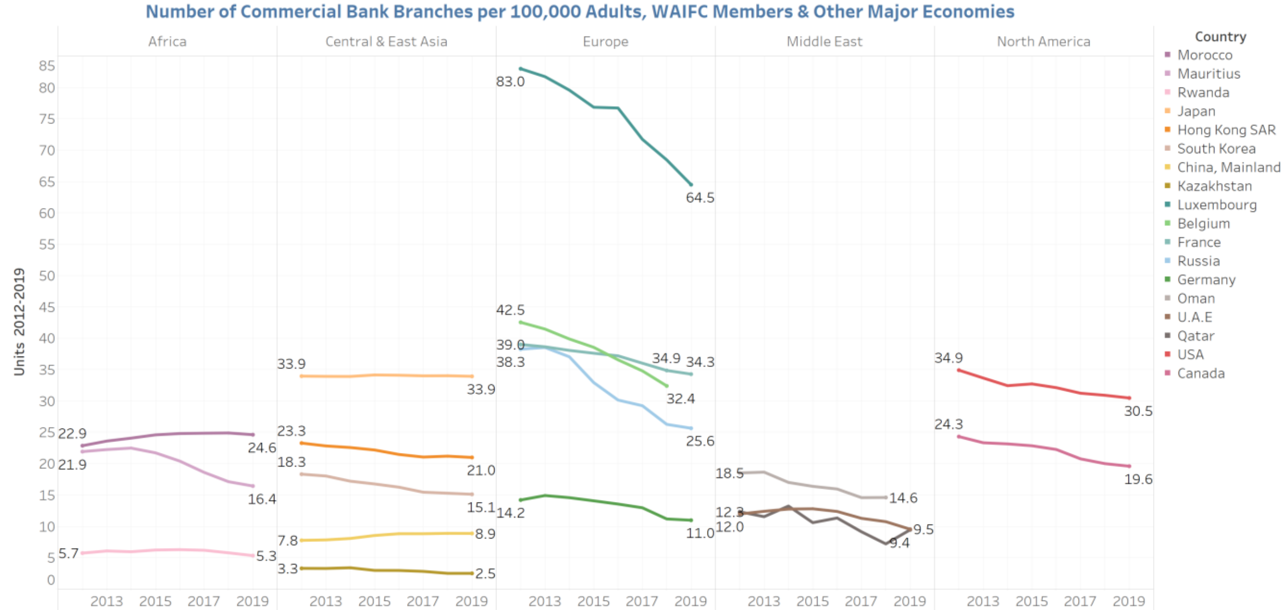
Transformation in Retail Banking Infrastructure

Brief Outlook on Global Financial Center Development in 2021

The banking reforms post-2008 financial crisis are being put to the test amidst a global pandemic. The industry's transformation in many aspects has hailed the banks as part of the solution of COVID-19, which also undoubtedly catalyzed change in return. It may also be seen that the acceleration of digital adoption in financial services was fermented even before the pandemic in 2020 with accessible data from the last few years.

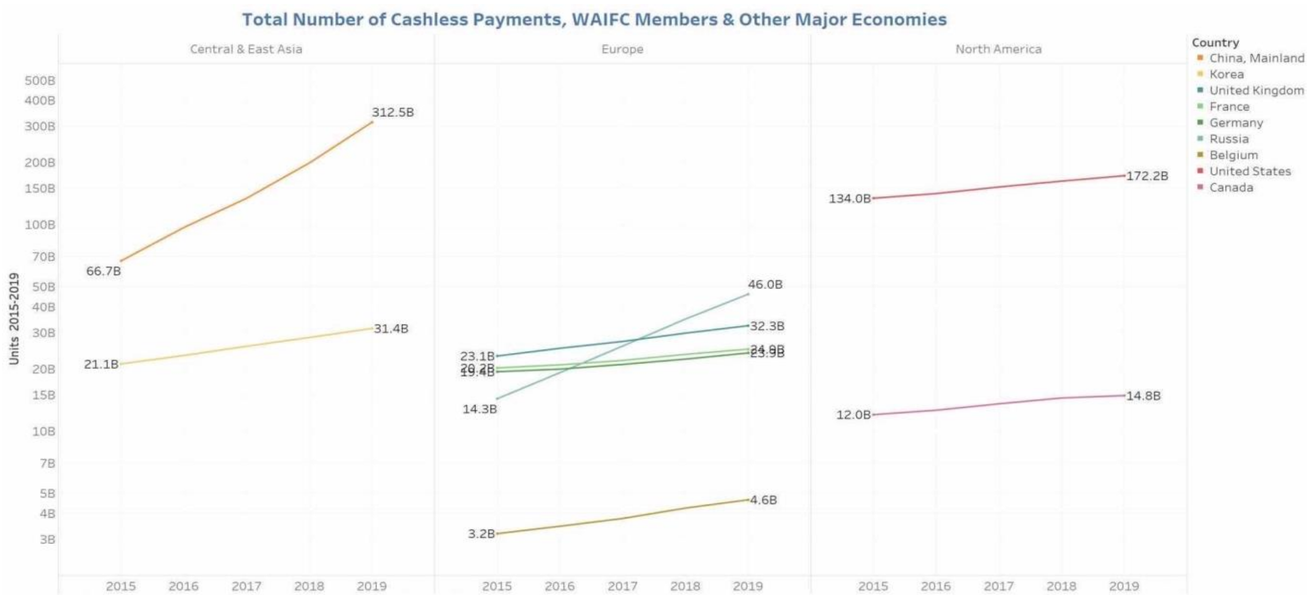
Number of Commercial Bank Branches per 100,000 Adults, WAIFC Members & Other Major Economies



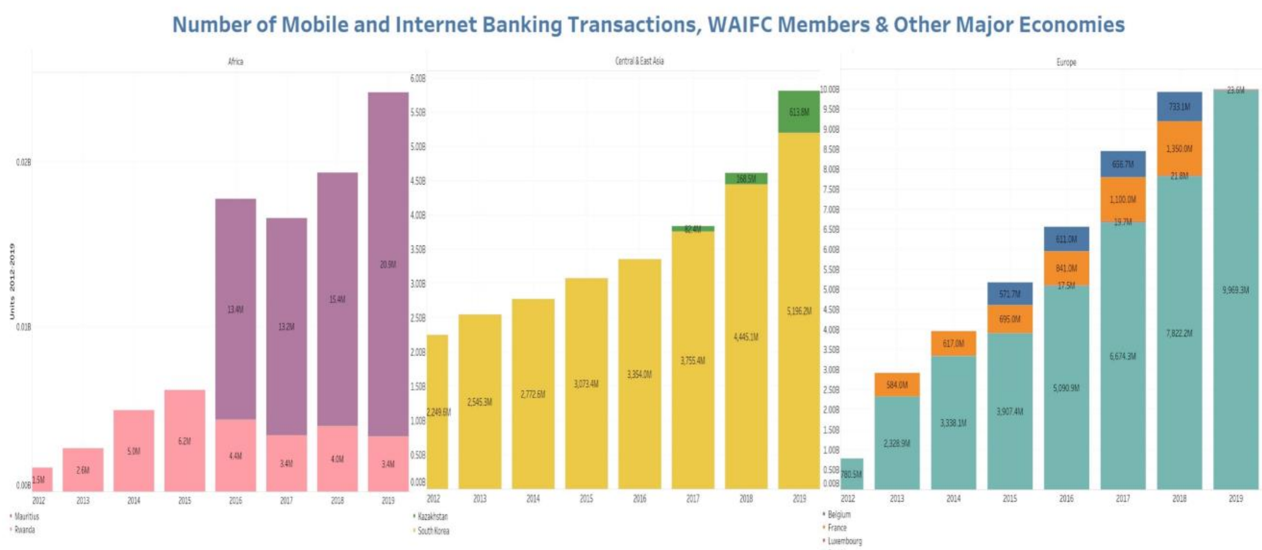
16 out of 17 WAIFC member countries available except UK; Source :IMF Financial Access Survey (FAS) ©WAIFC

The IMF Financial Access Survey demonstrated the inevitable decline in commercial bank branches from 2012 to 2019. The drop was the sharpest for a few countries in Europe. According to the European Central Bank, the average number is 39.6 branches per 100, 000 inhabitants. One of many reasons why the number of bank branches has been falling may be a structural shift. There has been substantial consolidation in the banking sector in several developed economies over the past two decades. Recently published research also reaffirmed the consolidation process in the German banking sector continued in 2019.

Most recently, changing consumer preferences and improvements in financial technology have further spurred the reduction in branches. Customers increasingly use ATMs, online banking, and mobile apps to conduct routine banking business, meaning banks can close less profitable branches without sacrificing market share.



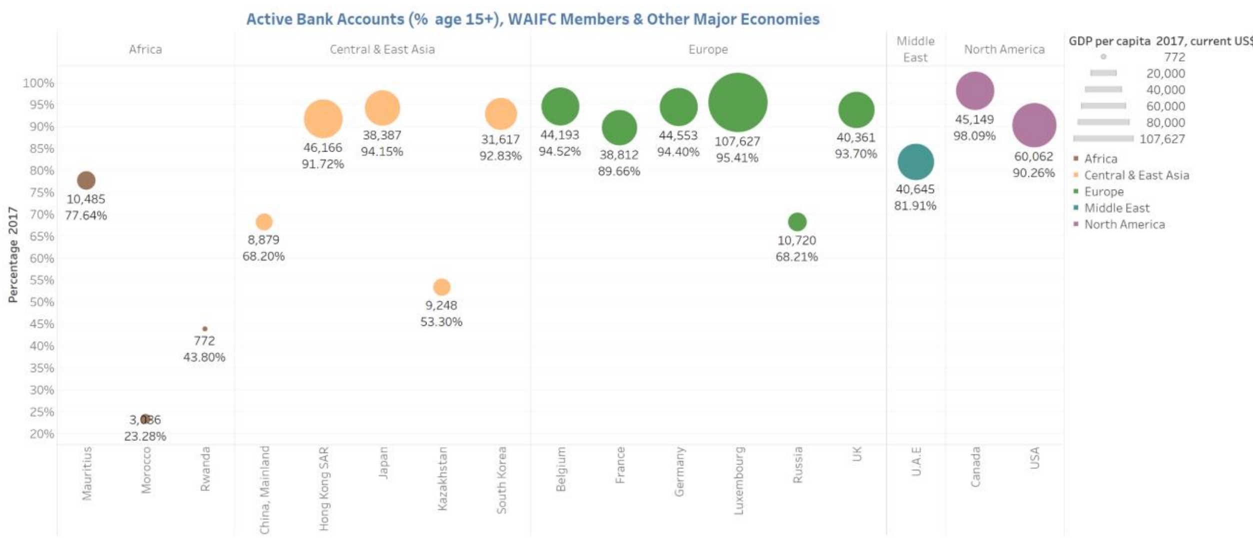
8 out 17 WAIFC member countries available; Source: Bank of International Settlement (BIS) Payment & financial market infrastructures ©WAIFC



8 out of 17 WAIFC member countries available; Source :IMF Financial Access Survey (FAS), Bank of Korea Economic Statistics System (ECOS) ©WAIFC

data from multiple international organizations also proved the new changing habits of consumers for available countries last several years. With high-speed fintech developments, China saw the sharpest increase in the volume of cashless payments from 2015 to 2019. According to data from the Bank of Korea, mobile and internet banking transactions in South Korea continued climbing to new highs in recent years. The number of mobile and internet banking transactions raised tremendously in some developing economies, trying to reach a larger scale in financial inclusion by developing Fintech, for example, Rwanda and Kazakhstan.

However, data from the BIS & IMF may not sufficiently represent several WAIFC member countries' development. Our database team performed research on the newest available data for our members. According to a recent report from Centre Monétique Interbancaire (CMI), Morocco saw 57.1 million transactions in cashless payment until the end of September in 2020. The Central Bank of the U.A.E. stated 47.9 million transactions in 2019.



15 out 17 WAIFC member countries available except Qatar & Oman; Source: World Bank Group(WBG) G20 Financial Inclusion Indicators, WBG Databank ©WAIFC

Another interesting observation may be discovered by the three-dimensional graph above, with the size of each circle demonstrating GDP per capita of 2017 in US$ and vertical height explaining financial inclusion in the same year by the percentage of active bank accounts. GDP per capita may have a weak positive correlation with active bank accounts percentage in the population. We may see the countries positioned higher vertically are associated with larger sizes.

However, these data in 2017 from WBG may not sufficiently represent some WAIFC members' recent developments. For example, the number of deposit accounts increased by 4.2% in 2019 to 24.36 million accounts in Morocco, which was indicated in this first report on National Financial Inclusion Strategy (SNIF). It continues to seek solutions beyond the paradigms of classic models and investigate alternative solutions that have fostered multiple dives in the penetration and use of financial services internationally.

It seems inevitable that this long-term trend in branch closings will continue as consumer preferences evolve. Developing countries seek alternative ways to increase financial inclusion, such as further ingraining financial technologies in credit and payment services. Banks must embrace these changes while also bearing in mind people who are "vulnerable" – not merely in a physical sense, but instead regarding the ability to cope with new technology.

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