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What Italy can learn from the rise in digital payments

Liliana Fratini Passi | 26/05/2020 9:01 am

With the Covid-19 lockdown driving greater online activity, the financial sector should ensure it builds on this acceleration by supporting businesses' digital infrastructure, says Liliana Fratini Passi of Italian payments consortium CBI.



Liliana Fratini Passi

Covid-19 is dramatically changing our lives and affecting the global economic and financial system. In Europe, Italy knows this all too well. But among the tragic consequences of the pandemic, there is also a glimmer of hope.

European institutions are working decisively and urgently to support output with significant financial measures. In Italy, important steps are being taken to contain the impact of the new coronavirus and protect the national economy, for which the International Monetary Fund (IMF) has recently cut growth estimates for 2020 to -9.1% from the previous 0.5%. The IMF's eurozone growth forecast has also dropped, from 1.3% to -7.5%.

In this context, because of forced lockdowns and severe social distancing measures, digital payments are in the spotlight. Online purchases continue to grow as people change their habits, while concerns over the potential spread of the virus via banknotes is further encouraging digital payments.

Digital activity up

On March 1, 2020, e-commerce activity grew by 82.3% compared to the previous seven days, led by groceries, personal care and digital entertainment sales, according to data analytics company Nielsen.

On the banking side, there has been a 50% monthly drop in physical activity compared to an increase in digital activity of more than 30% in March, according to the Polytechnic University of Milan.

This trend is confirmed by the Bank for International Settlements. It revealed in a recent paper, **Covid-19, cash, and the future of payments**, that in the medium term there will be a consistent increase in online payments via cards or mobile banking, with a different trend between countries.

The Polytechnic University of Milan also estimates that in March 2020, 8 million people worked remotely in Italy during the first phase of the pandemic, compared to 570,000 registered for the entire 2019.

Supporting SMEs

Over the next few months, it will be crucial to support small and medium-sized enterprises (SMEs), which are a strong source of employment and are responsible for 41% of Italian gross domestic product, as they undergo a radical reorganisation of their information systems and sales processes to adapt to the new conditions.

Should they fail in this attempt, their presence in the market will inevitably be wiped out by large, international players already equipped with the necessary infrastructure: Amazon is a prime example. Many SMEs will have to reinvent their business models entirely to incorporate digital channels, and here the world of payments can help.

While the growth of online purchases will benefit digital payments providers, those companies can also be of service to entrepreneurs seeking to launch e-commerce platforms, by sharing their own experience on infrastructure and processes. Closer collaboration between sectors should be encouraged and extended to the wider economy, including public services.

Timely transformation

At CBI, we are registering an increase in users of our own online channels, requesting information on e-billing services.

CBI has long supported and encouraged the development of a digital economy that extends to a digital interaction with government bodies in Italy. We want to improve synergies between the financial system and public administration, and ensure the wider provision of digital services to citizens, including services provided by the public sector.

This is particularly important in a time of crisis. In turn, because of the current emergency, there is an unprecedented incentive to push ahead with a wide and comprehensive digitalisation plan, both at a microeconomic and a macroeconomic level.

The coronavirus pandemic is a global tragedy. It has brought enormous pain to Italy. But it is also transforming the structure of our economy at a speed never before thought possible. What previously would have taken years to accomplish now feels within reach. This change will help businesses keep afloat and citizens to receive better and more timely services. We should all embrace that change.

Liliana Fratini Passi is CEO of CBI, a payments consortium supported by the Italian Banking Association.

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