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Banks must step up payment services to support small and medium businesses as the backbone of the economy

Capgemini's 2022 World Payments Report finds that 89% of small and medium businesses (SMBs) are considering switching to challenger banks and alternative PayTech providers.

Paris, October 6, 2022 – New payment methods (instant payments, e-money, mobile and digital wallets, account-to-account, QR codes) are leading the charge with consumers, but the looming threat of recession and growing inflation rates coupled with continuing geopolitical issues, is posing a whole host of new challenges.

In spite of these global headwinds, the Capgemini Research Institute's [World Payments Report 2022](#), published today, found that new payment methods are still expected to increase from around 17% of total non-cash transactions in 2021 to around 24% by 2026. However, while B2C payments have flourished, the B2B value chain has too often been neglected.

The payments industry has remained resilient through recent unprecedented market volatility, accelerated by the adoption of innovative new digital payment methods for consumers. However, many banks are failing to provide the same support for small to medium businesses.

According to the [report](#), despite promising post-pandemic recovery levels, SMBs are continuing to struggle with cash flow issues and conversion cycles, stunting the next phase of growth for many. This has led to rising demands for payment service providers to step up, realign their priorities and assemble the right tools to help SMBs to explore new market opportunities.

"Small and medium businesses are the backbone of global economic growth, contributing to half of global GDP and global employment. And yet, they are some of the most affected by the recent market volatility," said Jeroen Hölscher, Global Head of the Payments and Cards segment at Capgemini. "Banks and payment service providers must realign their priorities to capture this untapped value through innovative and experiential payment services."

Assemble the right building blocks to enhance SMB journeys

While the SMB market segment is now worth upwards of USD850 billion worldwide, cites the report, SMBs are still often overlooked in favor of larger corporate accounts and the bigger retail market by the legacy banking industry.



As a result, SMBs commonly struggle with cash flow issues, cybersecurity risks, poor liquidity and operational inefficiencies that are fueling the existing discontent with incumbent payment service providers. In fact, 89% of SMBs surveyed feel underserved by their primary banks and are considering a shift to a more accommodating alternative PayTech challenger.

A shift towards a digital payment provider would allow SMBs to reflect the trend that is already underway in consumer markets. For example, the report found that worldwide B2B non-cash transactions are expected to increase at a CAGR of ~10% during 2021-2026.

To win back SMB loyalty, banks will have to amplify platform value which can only be unlocked through tackling restrictive legacy systems currently stifling growth.

The report found that more than a quarter of banks struggle with monolithic and inflexible infrastructures, with 75% of the executives prioritizing costs towards keeping current systems running over innovating new value propositions – a clear barrier to needed investments in innovation and flexibility that SMBs crave.

Instead, payment firms should embrace composability which lets them select and assemble building blocks in various combinations to satisfy customer requirements. In doing so, firms can configure their offerings to best align with SME needs, powered by harmonized data, to deliver a unified value proposition by enabling payment firms to build B2B marketplaces for SMBs.

Explore new payment possibilities through Distributed Ledger Technology¹ solutions

Within the wealth of innovative technologies being adopted by banks to stay in the game, Distributed Ledger Technology (DLT) is emerging as a pivotal advantage for thriving in the age of seamless value exchange. While many banks and payment service providers (PSPs) agree on its potential to transform the industry, adoption will remain cautiously steady as stretched resources continue to limit investment opportunities. As the market evolves and PSPs begin exploring this new technology, the report depicts multiple potential routes forward.

64% of SMBs believe DLT could emerge as a viable complimentary option to existing payment networks, as B2B cross-border transactions on the blockchain continue to grow alongside cryptocurrency traction. As a result, DLT can be considered as a part of a multi-rail foundation strategy to better support these global and regional payment networks.

Similarly, the rapid rise of more unregulated crypto assets has led many banks to explore the opportunities deriving from central bank digital currency (CBDC). Finally, the report highlights that those looking to become industry frontrunners are already scaling DLT use cases for the next wave of growth opportunities.

Report Methodology

The World Payments Report 2022 draws on insights from two primary sources – the Global Small and Medium Business Survey 2022, which included 150 respondents, and the Global Banking and Payments Executive Surveys and Interviews 2022, which included 125 senior executives of leading banks. These primary research sources cover insights from 17 markets: Australia, Canada, France, Germany, Hong Kong, India, Italy, Japan, Malaysia, Netherlands, Singapore, Spain, Sweden, Switzerland, the UAE, the UK, and the United States.

¹ A distributed ledger is a decentralized, shared, immutable distributed database of transactions. The technological infrastructure and set of protocols that allow access, validation, and record updating in an immutable manner across a network of distributed ledgers is called Distributed Ledger Technology (or DLT).



About the Capgemini Research Institute

The Capgemini Research Institute is Capgemini's in-house think-tank on all things digital and their impact across industries. It is the publisher of Capgemini's flagship World Report Series for over 25 years with dedicated focus for Financial Services and publishes thought leadership on digitalization, innovation, technology and business trends that affect banks, wealth management firms, and insurers across the globe. Independent agency rated a recent World Retail Banking Report, published by the Institute, as one of the top 10 publications among consultancy and technology firms globally.

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