

GCC must form digital banking eco-system

Resources allocated to adapt business models to FinTech revolution



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DOHA — The internet of Things (IoT) is based on the fact that everything will be connected to each other i.e. multiple objects and devices working in tandem to seamlessly deliver solutions and services. According to the International Data Corporation (IDC), IoT spending in the Middle East to reach \$1.8 billion in 2016 and rise to \$3.2 billion in 2019.

The Internet of Things is expected to have an impact on the payments sector which will see many IoT-based innovations. T

The financial sector is usually at the heart of national innovation strategies; it is considered an innovation-priority sector, as well as an innovation-enabling sector. With smart cities becoming a focal point of national strategy centred on development and more and more e-services being introduced or in development by governments across the GCC region, it is expected that IoT-related spending will increase in the years to come.

Innovation within the sector can have many benefits from cybersecurity and predictive intelligence capabilities to protect the economy from acts of financial fraud, to innovative payments mechanisms such as e-payment, m-payment to spur and drive economic activity.

A challenge that the IoT industry is likely to face is in the area of security and privacy. With the explosion of devices, cybersecurity takes on a whole new dimension both for institutions and also for consumers. Digital vulnerabilities are likely to expand exponentially both for institutions and consumers.

In the GCC, the larger banks and telecom companies are investing in cloud partnerships as well as their own private technologies. The key benefits of cloud computing are cost savings, business con-

tinuity, business agility and green IT. Cloud computing also provides a high level of redundancy and back-up at lower price than traditional managed solutions. Cloud computing also allows businesses to move non-critical services to the cloud, including software patches, maintenance and other computing issues.

The unique nature of cloud computing allows financial institutions to pick and choose the services required on a pay-as-you-go basis.

Financial firms can gain a higher level of data protection, fault tolerance and disaster recovery. Organisations can use cloud computing to transfer their services to a virtual environment that reduces the energy consumption and carbon footprint that comes from setting up a physical infrastructure.

FinTech investment

There has been little investment in the GCC FinTech industry, but this is expected to change in the coming years. GCC governments can play the role of a facilitator in terms of policy and regulation, and in providing the right environment for innovation to flourish to enable the private sector to come up with solutions.

Cash has always reigned supreme in the Middle East, even after the advent of plastic, net banking and other alternative payment systems. But with the increase in Internet and smartphone penetra-

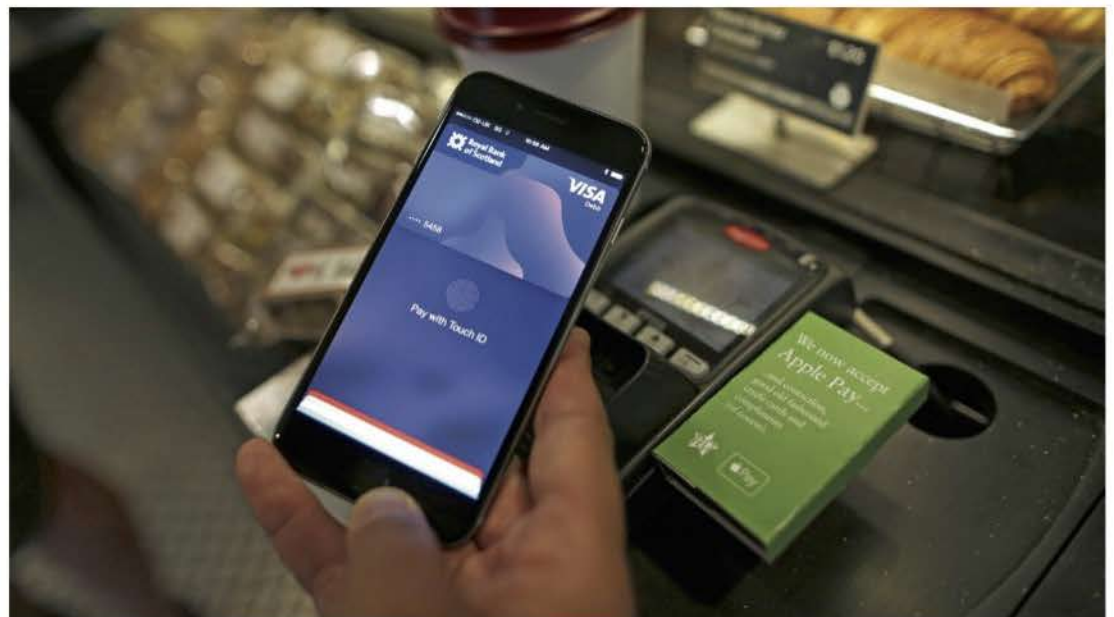
tion, digital payment systems are gaining prominence in the region.

GCC banks are allocating resources to adapt their business models to the FinTech revolution as they run the risk of losing market shares to technology innovators. Exploring and uncovering multiple channels of communication with customers and other banking partners will be critical for GCC banking industry growth. GCC banks should invest wisely to understand customer analytics as this can help derive efficient channels. As digitisation of all industries continues, consumers will expect banking experiences to replicate those in other industries.

With significantly fewer visits to a local branch office or even a phone call to a customer service representative, conveying a consistent brand experience will be more challenging.

The writer is the Group CEO of Doha Bank. Views expressed are his own and do not reflect the newspaper's policies.

\$3.2^b
is the estimated IoT spending in the Middle East in 2019



With the increase in Internet and smartphone penetration, digital payment systems are gaining prominence in the region. — Bloomberg