

CASE STUDY

**GERMANY**

**BUILDING ON  
SUCCESS**



## MARKET BACKGROUND

Europe's economic powerhouse and a global leader in banking, Germany's payments market is distinguished by its relatively high (44%) use of cash – a fact which, by itself, suggests continued room for development. In January 2020, there were 153 million cards held by a population of 84 million people, or just under two cards per person. These cards were used for 6.29 billion payments with a total value of €350 billion via 1.15 million POS terminals and over the internet.

**“The relatively high use of cash in Germany suggests there are ongoing opportunities for issuers.”**

Germany is also Europe's second largest market for e-commerce, accounting for 10% of all online business across the continent. Digital transactions are expected to grow at a compound annual growth rate (CAGR) of around 11 percent in the next few years, confirming Germany as a European online leader. Debit cards are most commonly used to pay online, and low digital wallet use (7%) again suggests an openness to new solutions other than wallets.

## CURRENT TRENDS

Open Banking - Germany has embraced the EU's PSD2 regulations and created a common standard for open Application Programming Interfaces (APIs) through the Berlin Group. The country is also second only to the UK in terms of the number of permissioned intermediaries able to deliver payments services under PSD2. This is certain to be good news for Germany's smaller companies which were previously forced to accept payments through more expensive third-party players.

**“Germany is second only to the UK in terms of the number of intermediaries permissioned to deliver Open Banking payments services.”**



Instant Payments - Aside from the post-COVID trends to contactless card payments and e-commerce that have altered every European payments market, plans are afoot to bring together Germany's various instant peer-to-peer and person-to-business payments schemes. While currently a small part of the overall landscape, with around one in five banks offering them, instant payments are experiencing very rapid growth, and the plan for "PayX" – a merger between schemes like Geldkart, Paydirekt and Kwitt – is something to watch.

FinTech to the Fore - Germany's relatively advanced status in PSD2 readiness is creating opportunities for partnership between banks and FinTechs via service delivery through shared APIs. We expect this trend to continue for the next few years.

## THE TRANSACT PAYMENTS TAKE: OPPORTUNITIES

As Open Banking becomes a reality, banks are now working with FinTechs such as Moss, a platform that integrates all corporate spending on one card, and Pliant, a business-to-business payments platform, to enable new payment services. As trust in FinTechs as payments players grows, we expect opportunities to grow. At Transact Payments, we've partnered with FinTechs to deliver Germany's first premium card scheme branded credit products for all scale companies – and we look forward to more of this business in the future.

**"We expect to see a wide range of opportunities for issuers in corporate credit products."**

More broadly, we expect to see a number of opportunities for issuers in corporate credit products, as in Spain - and for the same reason. Historically, SMEs have struggled to gain access to credit and flexible banking services in Germany, and new specialist lenders are using Open Banking to prove the creditworthiness of smaller companies are taking hold in the market.



## GERMANY FAST FACTS

CARDS

**153**

million

DEBIT

**115.63**

million

CARD PAYMENTS

**6.29**

billion

CREDIT

**5.73**

million

VALUE

**€350.3**

billion

ATMs

**66,152**

POS TERMINALS

**871,184**



## ABOUT TRANSACT PAYMENTS LIMITED

Transact Payments Limited (TPL) have built a reputation as the go-to experts for payment and card solutions. We provide innovative and flexible European BIN sponsorship and modular payment, debit and prepaid services. We are a licensed European e-money institution and a Principal Member of both Mastercard and Visa. Our licenses have been successfully passported into EU and EEA member states, allowing us to issue prepaid card programs across Europe. We are regulated by the Gibraltar Financial Services Commission.

[www.transactpaymentsltd.com](http://www.transactpaymentsltd.com)