

Lipa Payments secures R10m for contactless payments platform

Lipa Payments, a South African-based fintech startup, is bringing the "Tap to Pay" experience to Africa's informal sectors with its software solution that enables merchants to accept contactless payments directly from a mobile phone.



Lipa Payments, Thando Hlongwane and Roger Bukuru

Lipa (pronounced Lee-puh) partners with banks and fintechs to enable affordable, accessible, and fast payments for merchants, even if they have low-end mobile phones. It's also safer and more hygienic than dealing in cash.

Developed in 2019 by fintech entrepreneurs Thando Hlongwane and Roger Bukuru, the Lipa Payments solution has secured an R10m investment from Empowerment Capital's Imvelo Ventures, which is backed by Capitec Bank. Lipa Payments was one of the finalists in Capitec Bank's Life 2.0 Hackathon in 2020.

"A key part of our digital strategy is to partner with FinTech companies to accelerate the delivery of our offer and to create unique opportunities through partnerships. Lipa Payments was selected as one such investment through our Imvelo venture capital fund. They are a young, dynamic, and agile team of tech entrepreneurs who have an intuitive grasp of the unique operating environments in Africa and how to apply technology to enable people to live better", said Francois Dempers, manager of innovation and digital strategy at Capitec Bank.

Owning just a low-end smartphone, even if it does not have near-field communication (NFC) capabilities means that merchants can accept either phone-to-phone payments (using Bluetooth technology) or a bank-card payment directly on their smartphones (using NFC technology).

Solving everyday challenges

“We see tech as a scalable tool to solve everyday challenges. Lipa Payments solves two. First, we give small-scale merchants low-cost technology to accept digital payments at the point of sale and secondly, we allow buyers of goods and services to pay digitally without having to worry about cash or network coverage,” said CEO and cofounder of Lipa Payments, Thando Hlongwane.

To date, there is limited infrastructure to support digital payments at local spaza shops, hair salons or fast-food stores and most micro-merchants can't afford to purchase Point of Sale (POS) devices. For banks and fintechs, the distribution and maintenance of POS devices can be costly.

“Informal sector merchants have traditionally relied on customers having cash on hand to transact, but Lipa Payments is changing that. There are obvious constraints to trading with cash and it is only getting more difficult in a digital, cashless global economy,” said Roger Bukuru, co-CEO and cofounder of Lipa Payments.

Research carried out as part of Mastercard's 2020 State of Pay report, conducted across 14 different countries, found that people are moving away from using cash. The last two years have been fertile years for fintech start-ups in South Africa with the move to a digital economy accelerating at the start of the pandemic.

However, few fintech startups are focused on the potential at the bottom of the income pyramid, but for Hlongwane and Bukuru, returning to their roots and driving financial inclusion for the lower-income market was a no-brainer.

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