The convergence of credit card and cash in Africa

According to a recent study conducted by Mastercard, over 50% of the South African population still transact using cash on a daily basis. This is despite the number of banked adults rising to 77% in 2015.

By Simeon Tassev 1 Aug 2017

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Conversely, financial service providers now look to promote the use of cards in South Africa and throughout the African continent. Banks have begun to incentivise customers and retailers through the likes of rewards programmes, reduced transaction costs and improved access to card transaction facilities. Even with these incentives and despite the greater ris and costs associated with cash transactions, many consumers are still reluctant to switch to card.

Yet, Africa and South Africa, specifically, are poised for digital change in the financial industry, and there is a slow progression away from cash towards cards or electronic banking.

A recent article in *Finextra* stated, “Despite Africa’s status as the largest unserved market that has been excluded from the international financial system, it is considered to hold all the prerequisites for a rapid transition into widespread adoption a usage of payment products.”

So, how do we bring forward this change, and bring South African consumers into more modern payment methods?

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The cash vs card misconception

There is a common misconception that cards are unsafe or, at least, less safe than cash. There is some risk associated w cards: pin numbers can be scanned and used by fraudsters, cards can be swapped or copied, and online purchasing oft warns of phishing and other scams. However, is cash truly a better option?

Carrying cash, particularly for people who use public transport – as many South Africans do – is risky business. With car transactions, many banks are willing to reimburse lost funds due to fraud, provided the customer follows the recommended safety precautions. With cash, once a person’s money is stolen, there is no recovering it without confronting the thief.

ATMs are also high-risk targets for fraud, with more and more ATMs being fitted with card-skimming devices by criminals. fact, defrauding a person withdrawing cash from an ATM is much easier for a criminal than doing so using a card skimme on a credit card machine. This method is far less traceable.

The onus usually sits with a retailer to reimburse their customers' lost funds when a fraudulent transaction occurs, so they tend to spend more time and money investigating a fraudulent transaction than would be done at an ATM. This increases t risk of a criminal being caught. ATM skimming also offers a higher return, as the traffic for withdrawal from an ATM is considerably higher than that of a retailer.

Finally, cash transactions cost more, for both the consumer and the retailer. Consumers typically pay hefty fees to withdra cash, and even higher fees to deposit it, whereas card transactions carry significantly lower fees and charges.

Bridging the gap

There is a slow shift towards cards, thanks to the advent of a digital economy and easier access to online shopping channels, which typically don't accept cash. However, infrastructure to facilitate card transactions is still a problem in som more rural areas. For the most part, the rise of mobile payments and clip-on card readers has eliminated much of the problem around infrastructure accessibility. These easy-to-use devices and mobile payment applications have enabled ev small business owners to accept card payments from virtually anywhere.

Changing the mindset of cash users, however, poses the biggest challenge. People need to be educated on the risks and rewards of both cash and card transacting in order to fully understand the benefits – and dangers – associated with both. Practicing safe online shopping habits, adopting an awareness of suspect behaviour and simply being cautious when entering personal information such as a pin number or credit card details can go a long way to mitigating much of the risk with card payments. Whereas with cash payments, preventing theft is far harder to achieve.

Making card and online transacting more secure

Most financial institutions and payment portals are continually updating their security protocols, working towards minimisin fraud and card scams. There are also governances and regulations in place which seek to protect consumers, retailers ar financial institutions alike. Security standards such as the Payment Card Industry Data Security Standard (PCI-DSS), an information security standard for organizations that handle branded credit cards from the major card schemes, exist to provide payment peace of mind for the consumer.

Additional security measures such as transactions based text notifications, fraud prevention systems, application alerts, once-off payment authorisation codes and even biometrics are all being incorporated into card and online transacting to make it more secure.

Today, retailers and service providers simply cannot afford to operate on a cash-only basis and many are finding it far mo cost effective to accept cards only. Even the likes of airports and shopping centres have now implemented credit card facilities when customers need to pay for parking. This a very convenient option for the credit card user – as we have all struggled to find change at the bottom of our wallets and hand bags.

Consumers will need to start adapting to this shift, and embrace digital payment methods – for better safety, to save on co and to reap the rewards that financial institutions are punting.

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