

# Domestic payment scheme a potential game-changer, with the right tech embedded

According to Murray Gardiner, managing director of Bluecode Africa, implemented correctly and with the right empowering technology baked in, a domestic payment scheme could be a game-changer for South Africa. He noted this following the South African Reserve Bank's (Sarb) [recent request for comment](#) on whether a domestic card scheme could work in SA and how it should be structured.



Murray Gardiner, managing director of Bluecode Africa

While nothing about the domestic card scheme, including the ownership and technical structure, has been decided, Gardiner believes it's a step in the right direction. We should celebrate any merchant payment system that removes the dependency on foreign card schemes and accelerates South Africa's transition to the digital economy while aligning the country with the global trend to digital mobile payments.

## Limitations of foreign card tech, dependency

"More people and more businesses need to be brought out of the shadow economy and included in the formal economy with affordable and valuable financial services," says Gardiner.

"But this will not happen on the back of a card scheme with off-shore rules and all of the associated costs of foreign card technology and dependency. Frankly, it makes no sense to pay a commission in dollars on a rand-based transaction. Properly implemented, a domestic payment scheme could tick all of those boxes."

At present, South African banks issue credit and debit cards under the Visa and Mastercard brands. The value of the ubiquity of merchant acceptance of these brands is undisputed, but this is mostly for people travelling internationally or offshore e-commerce. The costs and security requirements of foreign cards and virtual cards tied to foreign schemes limit their reach and have even fostered a shadow industry in the shape of screen scraping instant EFT.



Digital payments holds the power to Africa's development

Murray Gardiner 22 Oct 2020



## Slow transaction processes, high costs

"Current card-based services, especially from an e-commerce perspective, require interactions that slow the transaction process down and increase costs and points of failure in transaction processing," Gardiner points out.

"The costs and limitations of card-based payments place a burden on retail businesses and limit who can have a card and who can accept card payments. A far more progressive, less expensive and more efficient solution would be a digital mobile open-loop merchant payment on bank account rails, with bank support and buy-in, rather than a card or a siloed bank QR payment."

According to Gardiner, whatever system the reserve bank settles on, it should be built on a domestic account rail, and be mobile.

“A low-fee, instant, secure, anonymous, account-based payment, operated either in partnership with the banks or as a cooperative venture, could be an ideal alternative when it comes to empowering merchants and consumers,” he says.

“The small shop, the artisan, the small farmer or trader, who can accept a digital payment and provide a bank or an aggregator sufficient digital transparency to build out much needed affordable and relevant financial products and services, will open the economy to the unserved and underbanked informal productive economy.”

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