

The future of payments in SA and Africa will be based on pragmatism

By [Peter Harvey](#)

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African merchants should support payment methods that suit their customers, rather than following global trends just for the sake of it.



Peter Harvey

Cash is here to stay – for now

Despite common perceptions, South Africa still has more than 11-million unbanked individuals and cash remains the preferred payment method for these and many other customers.

As we enter 2020, we can expect a host of new digital payment technologies that sound like excellent options – and they may well be for some – but merchants need to carefully monitor their customer behaviour before they rush to try the latest gadget or fad.

The banks and card companies like Visa and Mastercard will be placing a large focus on enticing consumers to move from cash to card-based payments in the coming years.

Overcoming the reliance on cash will take a fair amount of time and effort. For merchants trading in a cash-based community, depositing money into a bank that tracks your spending, charges you to store your money, and then charges you again to withdraw it can seem unattractive. At the end of the day consumers will make their decision based on convenience, cost and risk.

Card payments are expected to morph over the coming years. In South Africa the tap and pay method is becoming more commonplace. This and other near field communication (NFC) methods of card payments will continue to grow in use as shoppers become more trusting of the technology and retailers see the efficiency benefits of moving customers through their purchase cycle more quickly and easily.

Mobile is still king

There is no doubt that the means to facilitate most digital payments in Africa will depend on mobile technology.

According to South African communications regulator, ICASA, South Africa has a smartphone penetration of 80%. In sub-Saharan Africa meanwhile, the mobile phone penetration is 50% and the GSMA expects smartphone penetration to grow from around 40% to 66% in 2025.

Smartphone technology and wearable technology will allow for the growth in some of the newer payment tech, like Apple Pay and Samsung Pay, but these payment methods will remain in the hands of the top LSMs and have little effect on the bottom of the pyramid customer base.

For the moment USSD technology will still underpin the majority of mobile payment methods. Until smartphones increase in penetration, payments like m-Pesa will continue to dominate. Customers know and trust the solution and its these types of offerings that will need to be beaten by any new entrant over the next two to three years at least.

New decade, new banks

The local markets are ready for a new digital banking, judging by the interest in Tyme Bank, Bank Zero and Discovery Bank. These banks stand a good chance of making an impact and making headway towards financial inclusion in the country.

To boost the number of people using digital payments, the banking institutions, merchants and payment service providers need to start incentivising consumers to make the switch. Loyalty and rewards will start playing an even bigger role in the near future.

New services for the payment ecosystem

Based on demand, forward thinking payment service providers will work closely with their banking partners to focus on providing their mutual merchants with a 'fully managed service'. This service includes: instant sign-up; a full suite of payment products; risk screening; account reconciliation; anti money laundering checks; access to shopping cart plugins; and a variety of other value-added services in the online digital payment space.

These services will enable digital retailers to quickly and easily start selling their services online, while protecting them from the associated risks.

The service benefits the banks as well as the broader digital ecosystem, as the payment service provider actively monitors and manages merchants and transactions, removing risk from the process and facilitating 'good' transactions.

Identity technology takes centre stage

Looking at newer technologies, biometrics will continue to be the key focus. Voice and facial recognition are set to take off

in South Africa in 2020 and 2021 and he believes the key driver in this regard is the increasing use by the government.

Banks and Home Affairs teaming up for the renewal of ID documents and passports is a major win for the average citizen. This falls neatly into the 'convenience' motivator and as people use and trust the biometrics used by the banks for this service, they will become less afraid to try it for payments.

As technology rapidly improves, the payments ecosystem can expect some exciting advancements over the coming decade. Chat commerce and even augmented and virtual reality developments will almost all come with payment features.

Make sure you cater for what your customer actually wants, not what you think they should want. If working closely with African merchants, banks and customers has shown us anything, it's that the fastest way to drive away business, is to dictate how customers pay. Provide the options and let them choose.

ABOUT THE AUTHOR

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