

# SA's year for digital payments?

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Could 2020 be the year in which South Africans finally dethrone cash as king and trust in the ease of electronic payments in the local payments market? The growing regulatory trends towards a fintech-friendly payments environment show that the country is certainly moving in a digital direction, with the local payments landscape expanding rapidly to include fintechs, telecoms companies and even retailers.



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In the European market, the European Union's (EU's) revised Payment Services Directive (PSD2) - also known as open banking - has been the buzzword in the payments sphere. The directive is set to modernise payments through landmark changes to the manner in which banks engage with non-banking institutions. A notable change is the requirement for banks to provide third-party providers with secure access to client accounts in order to improve service offerings to clients. The regulatory helping hand provided to fintechs in the EU is sure to elevate the credibility of fintechs operating in the EU payments sphere and enhance the products and services they offer to consumers.

## Drive towards standards and regulations

Locally, we're making progress towards a broader competitive payments industry in a similar manner as the EU. The most significant trend we're seeing at the moment is the increased engagement of the South African Reserve Bank and the Payments Association of SA (Pasa) with non-banking fintechs to develop standards and regulations around the digital payments industry. As this continues through 2020 and beyond, it's going to drive strong growth in the sector, and ultimately create a platform for increased financial inclusion.

Unfortunately, the reality is that many consumers prefer to use cash, in spite of the security risks and costs associated with it due to its ease of access. The key to driving more widespread use of digital payment products is to understand and meet customers' needs and offer them a superior experience. It's been proven over and over again: the easier you make it for your customers to pay for your products and services, the more they'll buy from you. And in South Africa, where millions of people don't have a debit or credit card, giving them another payment option opens up entire new markets.

The central bank is already on board with this. Its Vision 2025 aims to open up the competitive payments landscape dramatically by allowing fintechs to engage more openly with traditional payment providers, like banks. The advent of open banking will be a huge step forward, by giving non-bank institutions a secure channel to the banks, as it were which, in keeping with the benefits of PSD2 across the pond, will assist fintechs in improving the quality of their payment services to consumers, and increase consumer acceptability of fintech offerings in the South African market.

In the field of automated electronic fund transfers (EFTs), Pasa is working closely with the industry service providers to create standards around processing payments securely, and to work rogue elements out of the industry. The levels of collaboration we're seeing right now are extremely encouraging for the industry as a whole.

## **Financial inclusion**

But perhaps the biggest promise of fintechs and digital payment platforms is the role they can play in bringing financial services to the underserved. Financial inclusion is one of the main priorities of the SARB's Vision 2025 – and this doesn't mean giving people bank accounts, it means drawing them into the mainstream economy.

Digital payment platforms offer people who do not have debit or credit cards the opportunity to transact digitally. This allows them to send and receive money, and even buy and sell goods online, as simply as sending an SMS. This is the space where fintechs are really innovating and driving inclusion – and ultimately, that's good for all of us.

## **ABOUT THE AUTHOR**

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