The role of affordable payment solutions in promoting financial inclusion

To enable higher levels of financial inclusion across Africa, banks and payments companies must drive solutions allowing small and informal merchants to accept digital payments at a lower cost. These solutions must be scalable, quick to implement, secure, and able to support legacy features and smartphone deployments.

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This is according to Gabriel Swanepoel, vice-president of product development and innovation at Mastercard South Africa, speaking at the PASA International Payments Conference, hosted this week at the Sandon Convention Centre by the Payments Association of South Africa.

He told delegates that 95% of retail transactions in Africa and the Middle East are still executed using cash, locking merchants and consumers into unnecessary risks and high transaction costs. To change this picture, payments companies should help merchants take advantage of the 84% mobile penetration across the region by offering them access to simple solutions for accepting card and digital payments using mobile technology.

"Traditional payments solutions are not a good fit for many African merchants, particularly in the informal market," he said.

Removing cost and complexity barriers

"Our vision is to offer solutions that remove cost and complexity barriers from payments acceptance, including high monthly rentals and transaction costs, and the need for dedicated card payment terminals. These solutions enable greater acceptance of cashless payments, allowing merchants to support payment types from QR codes and plastic to legacy USSD interfaces," he added.

Enabling more merchants to accept digital payments supports consumer choice and offers customers a more convenient, secure and frictionless payments experience. At the same time, it opens up new markets for small and medium businesses, provides data that could be used for credit scoring for smaller businesses, and reduces operational costs for businesses with thin margins.

This is why Mastercard has focused on enhancing and scaling its omnichannel acceptance solutions, enabling the smallest businesses to accept digital payments. Mastercard offers solutions for small businesses to accept card and digital payments at physical retail points or on the go, through technologies like Masterpass and in partnership with innovators like iKhokha.

"In addition to focusing on the end-customer, financial inclusion must centre on the needs of small and informal businesses currently excluded from mainstream digital payments tools and technology infrastructure. It should also expand to focus on enabling person-to-person payments, bill payments, and airtime top-ups that make it easier for people to pay for what they want, when they want, using their preferred device or channel," Swanepoel said.

Cash payments still rule informal trade
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Real-time payments

Paul Stoddart, CEO of Vocalink, a Mastercard company, addressed the conference about how real-time payments are being used globally to provide a more seamless banking experience for the financially excluded, offering a level of trust that was previously only available through physical cash.

"Real-time payment is the foundation of a new digital payments ecosystem and supports the move towards interoperability across the global payments landscape. Real-time payment schemes will enable new innovative services in the banking and retail sectors, and further disrupt the current global payments ecosystem," he said.

"It benefits consumers with 24x7x365 convenience and 'zero' friction payments, while reducing crime, fraud and security issues related to cash handling, increasing velocity of money in the economy, and improving market efficiency."