



Value of Acceptance

Understanding the Digital Payment Landscape in Nigeria





Table of Content

Executive Summary	3
1. Understanding the SME Landscape in Nigeria	4
1.1 A Strong Foundation For Growth	4
1.2 Digital Payments: A Key Enabler	5
1.3 Addressing Barriers to Adoption	6
2. The Value of Acceptance: Driving Digital Progress	7
3. Partnering with Visa to Accelerate Digital Payment Acceptance	8
About the Report	9

Executive Summary

Nigeria is experiencing strong momentum in digital payment adoption, presenting a significant opportunity to empower Small and Medium-sized Enterprises (SMEs) and drive economic progress.

Within this dynamic landscape, a growing number of cash-only SMEs are recognizing the potential of digital payments and expressing interest in adopting these solutions. Nigerian SMEs that accept digital payments are already experiencing tangible benefits, including improved sales, enhanced security, and increased convenience. Looking ahead, a strong majority of digitally enabled SMEs see digital payments as crucial for future growth and plan to further invest in these technologies.

This report explores the evolving digital payments landscape in Nigeria, examining the benefits, barriers, and opportunities for growth. It proposes a multi-pronged approach, emphasizing targeted interventions to address merchant and consumer concerns, improve infrastructure, and promote the security of digital payments. By leveraging Visa's expertise and innovative solutions while also fostering collaboration between government and the private sector, Nigeria can unlock the full potential of digital payments, driving economic growth and fostering a more inclusive financial ecosystem.



1 Understanding The SME Landscape in Nigeria



Small and Medium Enterprises (SMEs) are the backbone of the Nigerian economy. A thriving digital payments ecosystem is emerging, fueled by increasing merchant interest in digital acceptance and the demonstrable benefits digital payments offer to business growth.

This section explores the evolving landscape of digital payment adoption among SMEs, examining the key trends, perceived benefits, and potential barriers to wider acceptance. Understanding the dynamics of this evolving payments landscape is crucial for developing effective strategies to support and accelerate the transition towards digital transactions.



1.1 A Strong Foundation For Growth

The digital payments landscape in Nigeria is ripe for development, with strong indicators signaling a growing shift toward digital transactions. A significant majority (83%) of merchants believe digital payments are an important investment for growth, and a substantial portion of cash-only SMEs recognize the need to invest in digital solutions. While cash payments remain prevalent, over half of merchants have a preference for digital payment methods, highlighting a strong foundation for expanding digital payment adoption.

The potential for digital payments among SMEs is therefore significant, with many SMEs incorporating digital adoption in their future plans. This ongoing shift is driven in part by reported lost opportunities when customers do not have cash on hand, leading to abandoned sales as reported by 44% of cash-only SMEs. This is additionally bolstered by Nigerian SMEs showing greater confidence in card payments, with

only 22% expressing fraud concerns related to cards compared to 62% for cash.

Furthermore, a majority of merchants also recognize the positive impact of digital payments on their business growth—a recognition crucial for driving sustained adoption. This widespread interest translates into concrete action: 76% of cash-only SMEs intend to acquire POS systems, demonstrating the potential for rapid expansion of digital transactions.

However, despite cost not being the primary concern for SMEs planning to go digital, overcoming barriers such as perceived technical issues and fraud concerns is critical to sustaining this growth trajectory, while propagating success stories and testimonials can build confidence among merchants to adopt card payments, further enabling the digital economy to thrive.



1.2 Digital Payments: A Key Enabler

Digital payments are crucial for SME digitalization, offering numerous advantages for Nigeria's businesses. These include increased revenue through access to a wider, increasingly cashless customer base; improved customer satisfaction due to faster, more convenient payment options; and reduced operational risks by minimizing cash handling and associated risks. Furthermore, digital transaction records provide valuable data that can facilitate access to financing, empowering growth¹.

Understanding merchant motivations is key to accelerating adoption. In Nigeria, merchants find cash to be a convenient payment mode with a low risk of payment errors and an easy refund process. On the other hand, cards are valued for their speed, with around 90% of those SMEs accepting digital payments believing card payments have a positive impact on their revenues and footfall.

Moreover, digital payments are a gateway to broader financial inclusion. For the unbanked, they often represent the first step into the formal financial system, enabling access to services like remittances and government assistance. Transaction accounts increase the likelihood of utilizing

other financial services, such as savings, credit, and insurance, empowering individuals and businesses.

Finally, digital payments are a powerful engine for economic growth. Research shows that transitioning from cash to digital payments can generate annual GDP gains of 1% to 2%. Globally, increased payment card usage (debit, credit, and prepaid) added \$245 billion to real GDP between 2015 and 2019; across 70 countries and territories studied, each 1% increase in card usage correlated with an average annual increase of approximately \$67 billion in consumption². In addition, a mere 5% increase in digital payments per year for five consecutive years could reduce the informal economy by 11–13% and boost tax revenue.³

¹ Visa & Kearney. Digital enablement of SMBs. Accessed at: Digital enablement of small and medium-sized businesses

² Moody's, 2021. Accessed at: <https://usa.visa.com/content/dam/VCOM/regional/na/us/visa-everywhere/documents/the-impact-of-payment-cards-on-economic-growth.pdf>

³ Visa & Kearney. Digital enablement of SMBs. Accessed at: Digital enablement of small and medium-sized businesses

1.3 Addressing Barriers to Adoption

Despite the evident benefits, several barriers hinder digital payment adoption among Nigerian SMEs. While confidence in card payments is relatively high, challenges such as payment failures - cited by 42% of SMEs - and a strong customer preference for cash present significant hurdles. Additionally, limited awareness about the advantages of digital payments and inadequate infrastructure further complicate the transition.

Addressing these challenges requires a multi-pronged approach:



Bridging the Customer Gap:

While merchants are ready to accept digital payments, customers still prefer cash. Increasing awareness, enhancing financial literacy, and offering incentives can encourage customers to transition to digital payments.



Addressing Fraud Concerns:

Fraud worries are a major barrier. Informational campaigns focusing on security features, particularly the lower fraud risk associated with card payments (22% compared to 62% for cash), can bolster awareness around secure payments and help shift perceptions to promote adoption.



Facilitating POS Adoption:

With 76% of cash-only SMEs planning to adopt POS systems, it's critical to focus on perceptions around the costs of acceptance, ensuring transparency, and simplifying procurement to accelerate the process and drive faster adoption.



Enhancing Infrastructure:

To address 42% of businesses that are concerned about payment failures, investing in robust and reliable infrastructure is crucial. Upgrading to modern technology and equipment can significantly enhance the reliability of digital transactions, thereby increasing trust and confidence among users.

2 The Value of Acceptance: Driving Digital Progress



The payment acceptance ecosystem encompasses all forms of commerce, from in-person transactions to unattended kiosks, mobile payments, and e-commerce. Merchants are the cornerstone, and their willingness to accept electronic payments is crucial for growth.

As the merchant landscape evolves, so do their needs, requiring tailored solutions for different business sizes, from sophisticated integrated solutions for enterprises to simplified, affordable options for SMEs. While traditionally, merchants connected to networks like Visa through acquirers, the ecosystem now includes various intermediaries catering to the diverse needs of the modern marketplace.

Payment acceptance typically follows a lifecycle: consumers are introduced to card payments (often via ATMs), acceptance expands across merchant segments (from travel and entertainment to everyday spending), electronic payment volume rises, and card payments become preferred, reducing cash usage. While variations exist, this lifecycle provides a framework for understanding card payment growth.

Increased acceptance maturity drives economic growth. Card-based payments create a virtuous cycle: increased consumption fuels production, leading to job creation, higher incomes, and stronger economic growth. Studies show a direct correlation between card usage and GDP growth

This positive economic impact is driven by several factors:

- **Reduced Friction:** Streamlined transactions eliminate the need for exact cash and reduce cash handling risks.
- **Standardized Spending:** Global acceptance standards simplify international transactions and cross-border commerce.
- **Encouraged Innovation:** A standardized ecosystem fosters competition and innovation among payment providers.
- **Enhanced Security:** Secure card payments build trust, essential for driving consumption.

A balanced approach that combines these elements can effectively drive the digitalization of the SME sector and stimulate broader economic growth.⁴

⁴ Visa. The New Acceptance Landscape. April 2023. Accessible at: 208295bd-644e-475b-a513-885e31c77ed0.pdf

3 Partnering with Visa to Accelerate Digital Payment Acceptance



Many countries are actively seeking to expand their acceptance of card and digital payments. Visa is uniquely positioned to support Nigeria's transition to a more robust digital economy.

As a trusted advisor and partner, Visa offers a range of capabilities to help governments, financial institutions, businesses, and technology providers enhance their digital payment acceptance maturity.



Understanding the Evolving Landscape:

Visa provides insights into the dynamic acceptance landscape, including emerging trends, technological advancements, and best practices from around the world. This knowledge helps stakeholders make informed decisions and develop effective strategies.



Implementing Proactive Solutions:

Visa's suite of solutions includes programs for specific merchant segments, innovations like Tap to Phone, Contactless Payments and Click to Pay, and resources educating businesses about the benefits of digital payments.



Assessing Ecosystem Maturity:

Visa can help assess the current state of a country's acceptance ecosystem, identifying strengths, weaknesses, and areas for improvement. This assessment provides a foundation for developing targeted interventions and prioritizing key initiatives.

By partnering with Visa, governments and businesses can leverage a wealth of experience, resources, and innovative solutions to accelerate digital payment adoption, drive economic growth, and foster a more inclusive financial ecosystem.^[1]

^[1] Visa. The New Acceptance Landscape. April 2023. Accessible at: 208295bd-644e-475b-a513-885e31c77ed0.pdf



About the Report



This report, commissioned by Visa and conducted by 4Sight Research & Analytics (October 2024), examines the current payment acceptance landscape in Nigeria, focusing on how digital payments can empower SMEs and providing actionable recommendations for government support.

Investing in SME digitalization through digital payment promotion is a strategic imperative for governments seeking to drive economic growth, enhance competitiveness, and foster financial inclusion. Implementing the recommendations outlined in this report will empower SMEs to thrive in the digital age, contributing to a more prosperous and resilient economy.

Research Methodology

This study employed a face-to-face methodology, interviewing 250 owners/store managers who are key decision-makers in their respective businesses across Nigeria.

The sample comprised nano businesses (30%), micro businesses (57%), and small businesses (13%) across diverse sectors, with a mix of retailers accepting cash only (40%) and digital payments (60%).

Research Objectives

The research aimed to:

- Understand the triggers and barriers to using digital payment methods and cash.
- Understand the impact of accepting digital payments on small businesses.
- Gauge the level of openness to digital payment options among those currently accepting cash-only payments.

