



Value of Acceptance

Understanding the Digital Payment Landscape in South Africa





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Executive Summary

Digital payments are poised to transform South Africa's SME landscape, with a marked preference for card payments among both merchants and consumers. This Visa-commissioned study reveals a significant opportunity to accelerate economic growth and financial inclusion by addressing key barriers to digital payment adoption.

While cash remains a factor, the perceived benefits of digital payments—enhanced business image, increased revenue, and improved security—are driving a shift in merchant and consumer behavior. However, perceived costs, security concerns, and a complex onboarding process hinder wider adoption.

This report proposes a multi-pronged approach, emphasizing public-private partnerships to streamline onboarding, promote security best practices, and develop tailored educational initiatives for SMEs. Leveraging Visa's expertise and innovative solutions, such as Tap to Phone and the Visa Acceptance Cloud, can unlock the full potential of digital payments, driving economic growth and fostering a more inclusive financial ecosystem.



1 Understanding The SME Landscape in South Africa



SMEs are vital to the South African economy, driving a significant portion of businesses and employment. Within this landscape, a thriving digital payments ecosystem is emerging, fuelled by growing merchant and consumer preference for digital transactions due to lower risks associated with handling of cash, amongst other factors.

Key to this digital transformation is understanding merchant perceptions of payment methods. While cash is still associated with convenience – in terms of easy refunds and wide acceptance, as examples - digital payments enhance a merchant's image as innovative, and potentially encourage higher spending.

This nuanced understanding is crucial, especially given the revealed preferences: both merchants (66%) and customers (59%) strongly prefer card payments. This alignment underscores the potential for growth in card acceptance and usage. While cash remains a factor (27% merchant preference, 33% customer preference), the shift towards digital is clear. Mobile/digital wallets, preferred by a smaller but growing segment (7% merchants, 8% customers), also hold future potential.



1.1 A Strong Foundation For Growth

South Africa's SMEs demonstrate a positive outlook on digital payment investment, with 75% of digital payment acceptors believing it will support future growth. This optimism is underpinned by high satisfaction rates: 80% of card-accepting SMEs are satisfied with the process, and nearly two-thirds report a positive impact on revenue and footfall.

Among digitally enabled SMEs, cards are the most prevalent digital payment method, comprising 48% of transaction volume. While cash still accounts for 40%, the significant card payment share (84% acceptance rate, including contactless

and Tap to Phone) highlights the growing trajectory of digital transactions. Mobile/digital wallets, while currently representing a smaller portion (11% of transactions and 28% acceptance rate), show promising growth and represent a key opportunity for future expansion.

This widespread card acceptance, coupled with high merchant and customer preference, reinforces the value and relevance of card payments in driving growth and sustainability for South African SMEs, particularly in the face of unique challenges.



1.2 Digital Payments: A Key Enabler

Digital payments are crucial for SME digitalization, offering numerous advantages for South African 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 growth.¹

The digital payments landscape in South Africa is primed for rapid expansion with 65% of cash-only SMEs intending to acquire POS systems within two years, and 78% of e-commerce merchants already accepting online payments, signaling a strong shift towards digitalization.

Understanding merchant motivations is key to accelerating adoption. While cash is still perceived as the quickest and most convenient payment method, cards are recognized for enabling expense tracking, encouraging spending, and enhancing security. Mobile/digital wallets are viewed as innovative and offer a potential competitive edge. This reinforces the importance of tailored strategies that

promote preferred methods, particularly card payments, which are attractive to both merchants and customers.

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 obvious benefits, several barriers hinder digital payment adoption among South African SMEs. Perceived costs, including transaction fees and POS equipment investment, can deter smaller businesses, with security concerns - particularly regarding card fraud (cited by 65% of card-accepting merchants) - providing another layer of uncertainty. Additionally, lack of awareness about digital payment benefits and limited access to reliable digital infrastructure, especially in underserved areas, complicate the transition.

Addressing these challenges requires a multi-pronged approach:



Accessible Digital Solutions:

Mobile POS and tap-to-phone technologies offer cost-effective entry points for businesses, leveraging South Africa's high mobile penetration, while omnichannel platforms streamline both in-store and online digital experiences for MSMEs.



Promoting Security and Highlighting Lost Sales:

For cash-only SMEs, emphasizing the security of digital payments—backed by Visa's network of networks, robust cybersecurity capabilities, and value-added services—and highlighting the 29% who report lost sales due to customers not carrying cash can encourage adoption through bolstering trust.



Streamlined Onboarding, Powered by Partnership:

Improving the POS onboarding experience is crucial, as 40% of merchants find the process difficult. This is especially important given

the high intent to acquire POS systems. Visa, through its Fintech partnerships, can help scale innovative solutions and streamline acceptance, making onboarding faster and easier for merchants.



Fostering a Supportive Regulatory Environment:

Key regulatory adjustments can further accelerate digital payment adoption. These include tiered and risk-based KYB requirements for greater financial inclusion, facilitating the entry of new and innovative players, and advancing technical interoperability through open-loop standards.



Implementing Supportive Government Policies:

Government-backed initiatives, such as favorable tax benefits or programs that reduce cost barriers for SMEs investing in POS infrastructure, can significantly incentivize digital payment adoption.

Given the strong preference for card payments, addressing card fraud and transaction fee concerns is critical. Streamlining POS onboarding and promoting the benefits of the increasingly popular mobile/digital wallets are also key to broader digital payment adoption.

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 government stakeholders, international organizations, financial institutions, private industry, technology providers, and businesses in enhancing their acceptance maturity.

As a trusted advisor and partner, Visa offers a range of capabilities to assist in this transformative journey:



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.



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.



Implementing Proactive Solutions:

Visa offers a suite of solutions, tools, and strategies to expand digital payment acceptance. These include programs designed to support specific merchant segments, technological innovations like Tap to Phone and Visa Acceptance Platform, and resources for educating businesses and consumers about the benefits of digital payments.

Visa actively collaborates with various entities to realize the benefits of digital acceptance. This includes enabling market-relevant economics and commercials, developing tailored product offerings and technology stacks, and establishing new distribution channels to reach a wider range of merchants. Visa's expertise can help stakeholders select and implement the most relevant solutions for their specific needs.



Visa's deep payments expertise, economic intelligence, and breadth of data enable informed decision-making. By leveraging these resources, governments and businesses can develop effective strategies for navigating the evolving acceptance landscape and driving digital payment adoption.

Visa's suite of solutions includes:



Tap to Phone: Empowering micro-merchants and expanding payment acceptance options for larger sellers.



Visa Acceptance Cloud (VAC): Providing a flexible and scalable platform for payment processing and business management.



Merchant-in-a-Box Solutions: Simplifying e-commerce setup and operations for SMEs, including onboarding, payment acceptance, digital store management, and delivery fulfilment.



Cybersource: Offering comprehensive commerce solutions with robust security, scalability, and support for businesses of all sizes.

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.⁵

⁵ 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 South Africa, 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 270 owners/store managers who are key decision-makers in their respective businesses across South Africa.

The sample comprised Nano businesses (7%), Micro businesses (26%), and Small businesses (67%) across diverse sectors, with a mix of retailers accepting cash only (41%) and digital payments (59%).

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.

