



Value of Acceptance

Understanding the Digital Payment Landscape in Ukraine





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Executive Summary

Ukraine's small and medium-sized enterprises (SME) landscape is undergoing rapid transformation through digital payments, driven by a growing preference for card transactions that cater to evolving customer needs while positioning businesses as modern and innovative. This Visa-commissioned study reveals a significant opportunity to accelerate economic growth and financial inclusion by addressing key challenges to digital payment adoption.

With a vibrant e-commerce presence and increasing trust in digital transactions, SMEs are embracing the benefits of digital payments. Many SMEs report improved revenue and customer footfall, while a significant number are planning further investment in payment technologies. However, untapped potential remains, particularly among cash-only businesses expressing strong intent to adopt digital solutions in the future.

This report proposes a multi-pronged approach, emphasizing investment in infrastructure and incentives for merchants and customers to drive adoption. Leveraging Visa's expertise and innovative solutions, such as contactless payments and Tap to Phone, can unlock the full potential of digital payments, driving economic growth and fostering a more inclusive financial ecosystem.



1 Understanding The SME Landscape in Ukraine



SMEs are vital to Ukraine's economy. Within this landscape, a thriving digital payments ecosystem is emerging, fueled by a growing recognition of the benefits of digital payments and the reduced risks associated with handling less cash. Key to this digital transformation is addressing merchant concerns related to POS onboarding, fraud risk, and payment failures.

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 these dynamics is crucial for developing effective strategies to accelerate the transition towards digital transactions.



1.1 A Strong Foundation For Growth

Digital payments, particularly card payments, are becoming the preferred method for both merchants and customers in Ukraine, catering to evolving customer needs and enhancing the image of businesses as innovative and modern. This trend is reflected in the rapid growth of digital payment adoption, with 58% of SMEs embracing these methods within the past two years.

This swift market evolution is driven by increasing demand for convenient and modern payment options, creating a strong foundation for further expansion. Ukrainian SMEs are demonstrating confidence in this trend, with a majority of merchants already accepting digital payments and over half (53%) planning further investments in new payment technologies.

The vibrant eCommerce landscape is further bolstering this positive momentum: over 70% of SMEs surveyed have a presence on eCommerce platforms, and a remarkable 90% of those already accept digital payments, demonstrating a robust digital ecosystem conducive to online business growth.

This strong online presence and the clear benefits of digital payments are encouraging a significant shift among cash-only businesses with over 80% intending to acquire POS terminals, primarily within the next two years. This positive outlook, combined with the high adoption rate and planned investments, creates a fertile ground for continued expansion and innovation in the digital payments space.



1.2 Digital Payments: A Key Enabler

Digital payments are crucial for SME digitalization, offering numerous advantages for Ukrainian 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.

The rapid growth of digital payments in Ukraine is transforming the SME landscape. With 58% of SMEs adopting digital payments within the last two years and 75% of cash-only SMEs planning to transition to digital payments, the market is experiencing a significant shift towards digital-first operations.

This transition is driven by the tangible benefits experienced by SMEs, with about two-thirds reporting growth in revenue and footfall since adopting digital payments. This positive impact reinforces the value proposition of digital payments and encourages further adoption.

Card payments, in particular, are becoming increasingly popular, catering to evolving customer preferences for

modern and innovative payment methods - positioning businesses as forward-thinking and enhancing their brand image, which in turn contributes to increased customer trust and loyalty.

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 consumption. 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.¹

¹ [https://navigate.visa.com/\\$/v/2/m/x/Digital_payments_and_the_global-informal-economy-report.pdf](https://navigate.visa.com/$/v/2/m/x/Digital_payments_and_the_global-informal-economy-report.pdf)

1.3 Addressing Barriers to Adoption

The outlook is positive for Ukraine, yet barriers to digital payment adoption among Ukrainian SMEs persist. Technical issues and Point of Sale system onboarding are cited by over 40% of SMEs as deterrents.

To address these barriers, a multi-pronged approach is required:



Supporting SMEs in the Digital Transition:

With 75% of cash-only SMEs planning to adopt digital payments, there is significant potential for growth. Government support, through targeted initiatives and resources, can expedite this transition by addressing common pain points and encouraging adoption across the sector.



Improving Infrastructure to Enhance Reliability:

Payment failures and technical issues remain a concern for 43% of SMEs. Developing a more reliable and efficient digital payment infrastructure can help minimize disruptions and build trust in digital systems.



Streamlining Onboarding to Drive Adoption:

Over 40% of SMEs report challenges with the POS onboarding process, with negative experiences acting as a barrier to adoption. Simplifying and improving the onboarding journey can enhance perceptions and encourage more businesses to embrace digital payments.



Strengthening Security to Promote Digital Payments:

Cash-related risks, such as the frequent occurrence of fake currency - as reported by 30% of SMEs - highlight the need for secure digital alternatives. Promoting the safety and reliability of digital payments can build trust and encourage more SMEs to make the shift.

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 gradually develops over time, with the number of acceptance points steadily increasing across various market and merchant segments: from travel and entertainment purchases to everyday spending. This expansion typically sparks a corresponding rise in the volume of electronic payments within those segments. As acceptance matures, card payments gradually become the nearly ubiquitous first-choice payment option.

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. Greater usage of payment cards contributed \$245 billion to real GDP in 70 countries between 2015 and 2019². On average, card usage increased consumption by 0.14%, resulting in an additional 0.08% growth in GDP. Without greater card usage, global GDP would have grown by only 2.9% annually, instead of 3%. This growth supported the creation of about 2.1 million jobs per year, or 0.3% of total employment in these countries.

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.

² <https://usa.visa.com/content/dam/VCOM/regional/na/us/visa-everywhere/documents/the-impact-of-payment-cards-on-economic-growth.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 Ukraine transition to a more 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.

provides a foundation for developing targeted interventions and prioritizing key initiatives.



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

By partnering with Visa, Ukraine can leverage extensive expertise and innovative solutions to accelerate digital payment adoption, drive economic growth, and foster a more inclusive financial ecosystem. This collaboration will enhance financial infrastructure, promote financial inclusion, and strengthen cybersecurity, thereby building resilience against economic shocks and cyber threats. Supporting SMEs, expanding e-commerce, streamlining government operations, and empowering individuals with financial tools will further drive economic growth. Bridging the urban-rural divide and working with local financial institutions ensure these benefits are accessible to all, helping Ukraine build a robust and inclusive financial system essential for sustainable development.



About the Report



This report, commissioned by Visa and conducted by 4Sight Research & Analytics (October 2024), examines the current payment acceptance landscape in Ukraine, 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 an online methodology, interviewing 302 owners/store managers who are key decision-makers in their respective businesses across Ukraine.

The sample comprised nano businesses (25%), micro businesses (53%), and small businesses (22%) 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.

