

Payments International

Speaker Interview



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Q: 1. How do you see payments evolving in Africa in the next 5 years?

A: SAfrica is a hotbed of innovation, particularly in the digital and payment space. Every day, this is demonstrated through the introduction of new and better solutions that truly make a difference in people's lives. By 2050, the population of Africa is expected to grow to 2 billion, while the rest of the world experiences flat or declining population curves. Digital payments transparency addresses the heart of the endemic economic challenges of emerging markets, touching everything from facilitating government grants and catalysing the growth of microenterprises and small business.

Real-time payments and digital wallets are ripe with potential, particularly the ability to create new overlay products, such as instant P2P services or instant bill payments, on real-time rails.

I believe, this trend is particularly strong in markets such as Nigeria and South Africa where there is a real-time infrastructure in place. Contactless payments such as QR Code payments promise to open new services for Africa's SMEs. We have seen Ghana announce its EMVCo QR Standard for universal QR customer push payment which simplifies things tremendously. I expect many other nations will follow this example.

Another area that presents a significant opportunity is low cost payment acceptance aimed at nano, micro to small merchants. Merchants are making tangible steps in improving the number of payment types that they accept, and we are also seeing handset manufacturers making inroads into this space, as they seek to cater for this underserved market in Africa.

Q2: What technological innovations do you see as the game changers?

A: • Real-time payment switches – these provide the bases for the interoperability glue between multiple mobile money schemes and banks. The push for more cashless transactions has driven the adoption of instant, electronic payments. As this push continues, on a global scale we have seen instant payments take on the characteristics of cash such as immediate settlement. This has also created scope for innovation in fraud prevention, security and payment analytics.

- Cross border remittances running on card rails – this provides for fast and affordable payments to an expanding network of banks.
- The combination of open platform banking and open APIs (API Platforms) will change the entire banking ecosystem as we know it, from the products and services offered, to the delivery channels used and underlying partnerships that will shape innovation and customer experiences in the future. With public APIs, customers will have more options to interact with their bank.

Q3: What role do you see for banks in payments in the future?

A: As mobile payments continue to grow in leaps and bounds on the continent, the ultimate size of the market across Africa could be as high as 850 million customers, supporting about \$2.5 trillion to \$3 trillion in transaction volume and \$25 billion to \$30 billion in yearly revenue from the financial transactions alone.

If banks step up to this opportunity, they will open new significant revenue streams. Mobile transactions are unlikely to be a winner-take-all business, dominated by one or two companies with a digital firewall around their offerings, because regulators in most African countries have mandated mobile wallet interoperability.

More likely, banks will compete against telecoms, fintech companies, and other banks. In many markets, leading retail banks could capture 20% or more of the mobile wallet market if they make the right investments and design their offerings strategically.

In countries where non-banks dominate the payment space, banks can concentrate on building more advanced payment and financial products to facilitate processes like granting loans, cross border transactions and card issuing. Admittedly this is not an easy space as it is far more cost effective for the mobile money operators to roll out new services given their larger client bases.

This is compounded by the frequent lack of integration between the different banks that has let mobile money dominate the payments ecosystems. Where this is the case, banks have to partner with mobile money operators where they can bring interoperability and more advanced payment option to the table.