

Nedbank's Chipo Mushwana on a cashless society in SA

By [Katja Hamilton](#)

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Imagine a world where financial technology can make our lives easier, a world without cash, where every cent is swiped and money is intangible, no longer made up of paper and coins.



Source: Supplied. Nedbank's Neo Mushwana.

Imagine the kind of South African society where bank notes have pretty much less value and you transact with a virtual card in your phone.

These are the conversations that were held at *BusinessTech's* inaugural online fintech conference - an exclusive event for high-level banking, ICT, and fintech executives and professionals.

Top speakers were Bank Zero cofounder, Michael Jordaan; 10X Investments chief executive officer, Tobie van Heerden; managing director at Synthesis, Michael Shapiro; head of research at Monocle, Guy Wilding and FNB Connect chief executive officer, Bradwin Roper, among others.

Nedbank joined the conference as an event partner. Executive of emerging innovation at Nedbank, Chipo Mushwana was a featured speaker at the event.

Here in conversation with respected business personality Michael Avery, she speaks to whether digitisation is a solution for

Africa's economic development:

Michael Avery: Are we destined to just dream about a cashless society or can it become a reality?

Chipo Mushwana: Digitisation is the answer to a lot of issues we have, particularly on the African continent. We've got issues of financial inclusion: under-banked populations across the African continent, so we desperately need to digitise our payment systems to be able to include a lot more people.

I read an interesting article by the International Monetary Fund, which cited that 85% of all South Africans hold a bank account. That's exciting and interesting because it means we've made strides in terms of getting people to be banked, but there are still many people in Africa who are underbanked.

When we talk about digitisation of payments, we always think about the cool, sexy stuff such as Snapscan and Zapper, but we forget that digitisation needs to happen across the entire value chain.

So it's not just that I have the ability to have a virtual card, in order to perform a digital payment, but merchants should be able to receive that digital payment, particularly in communities in low-income markets - that is where the hard work and heavy lifting needs to be done.

Avery: What are the trends in technologies that are driving digitisation in the African economy?

Mushwana: There are quite a few trends that we can chat about. A big trend that we're seeing is embedded finance. A lot of people refer to it as payments 4.X, which was accelerated by Covid. As a next-generation payment method, it's akin to an 'invisible' payment.

A classic example is Uber. When you order an Uber, you don't think about payment - you don't need your card to do anything. That's typically an invisible debit payment. You don't think about it so long as it's automated.

- These next-generation payments are also quite important from a Nedbank perspective. Nedbank came out with Tap-on-phone and it was a first-in-Africa invention that basically says you and I can do digital business using the mobile handset that you have in your pocket right now. Effectively the phone you have becomes a digital payment-acceptance mechanism.
- We've also had other things such as Money Message which effectively allows you and me to perform transactions using WhatsApp without having to leave the WhatsApp platform. We've worked with a team, and it's safe, encrypted and secure.

All these payment capabilities - next-generation payments - are effectively low cost and they allow you and I to transact seamlessly and easily through channels and methods that we understand.

- Another thing that makes all of this possible is digital ID. Let me give you a basic example: Think about your Apple ID: it opens up this ecosystem where you can buy music and subscribe to AppleTV among other things. That is the function of a digital ID.

We need to have a functional digital ID on a national- and continent-level to enable us to have these seamless, fully digitised, fully KYC payments running through our cross borders and between individuals.



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- Other things we're seeing, are payments as a service. So when we think about open banking and the advantages that that brings particularly in the finance space, we're seeing the ability for you and I to exchange data across organisations, so payments can be settled real time.

In other markets regulators are on the ball with that, and we need to begin to have open-data conversations and parameters for these things to be able to happen.

- The final trend that becomes important for all of us, is cybersecurity. Payments involve people's money and we cannot take that for granted so cybersecurity is at the forefront of all our innovation as is machine learning and artificial intelligence. All these things are paramount and are anchors for us to be able to deliver these great payment capabilities and fully digitise the experience for everybody.

Avery: I was reading a World Bank report where in East Africa a merchant sending money from Tanzania to neighbouring Uganda pays almost a quarter of his or her income every month in remittances to send that money. There is huge potential for open data to reduce remittance costs. How do you see this trend playing out?

Mushwana: Cost is driven by a couple of parties within the value chain, but most importantly regulation has to play an important role. I say our regulators must do what they should do to regulate it. Because if costs are prohibitive for either the provider of the service or the receiver of the funds, in this instance cross border, then we see that all these payment capabilities don't see the light of day.

A classic example I use in the SA context is QR codes. When you go to Asia, QR codes are prolific there everywhere, so why don't we have them here in SA? These are conversations we need to begin to unpack with our regulator and all the other regulators in the value chain: card associations and other banks, so that we can lower the costs of some of these payment capabilities in these payment methods. Cross-border remittance is a huge bugbear on the African continent.

Migrants cannot afford to part with even a dollar of whatever it is that they get. We really need to be conscious around what we offer, and cater to the lower end of the market, because that is where a lot of economic activity and socio-economic development is going to happen even within the South African context.

Avery: I've always been a big fan of SA's financial services industry - it's very well developed and held in high regard by the World Economic Forum. It's holding up rather well, but when looking at payment trends, would you say we're a country on our way?

Mushwana: We're actually doing extremely well. So when I think about things like a central-bank digital currency which we see making a lot of headway globally we're doing very well from that perspective.

When I think about real-time payments that we spoke about, there's a big industry project that's happening - the rapid payments settlement system, modelled on markets such as Asia and Thailand, where payments are settled within five and 10 seconds. We're doing extremely well, even with open finance. Nedbank was the first bank to pioneer open banking - that is key and significant.



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Now regulators are informing a lot of the conversations and way forward, so that is exciting because we're seeing other banks come on board - we're seeing fintech businesses, we're seeing tech giants, retailers, telcos and everybody: we're doing very well in our financial services system.

Avery: What are some of the insights that you can share around shifts towards contactless payments that were seen accelerated during Covid?

Mushwana: From a business perspective, we saw a lot of take-up from the contactless perspective. I think people all wanted to be extremely safe. We saw about 40 to 50% uptake in terms of our contactless payments. That's important and encouraging in itself.

The evolution of contactless payments is not a one-man show - it's a couple of people coming together and deciding to do something great and awesome and those great and awesome people are the fintechs, banks, telcos and regulators. You want those people to come together because that is the only way you can make payments meaningful and accessible. The collaboration is extremely important when deciding on standards.

What we're beginning to see is a consolidation within all the markets because fintechs and banks need to co-exist - and that ability to learn when and how to co-exist is essentially what's going to contribute to the success of the system.

Avery: When you look at the likes of using Zapper and SnapScan, what I'm finding a little bit clumsy as a user is I need to go into a different app to use it dependent on which merchant is using which service. There clearly are some barriers associated with digital payments and challenges - what do you see as some of the big ones?

Mushwana: So the one you've mentioned is probably the biggest and we call it interoperability. Interoperability says you are able to transact from any device any time, anywhere and you're able to complete your transactions successfully.

One of the things we have right now, particularly in the QR code space, is that there's a fragmentation around service providers and there are a lot of conversations that have been happening over the last 12 months to bring that all together so that you don't have this clumsy experience. Also if you're a Nedbank client we've got Scan to Pay, which allows you to scan any QR code so you don't have to move between different apps.

Interoperability is probably the biggest thing that any industry globally has to solve for, and it's no small task because everybody wants to own the customer.



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At the heart of it, in terms of the customer experience, interoperability becomes key because once financial-service providers solve for things like interoperability, conversations around real-time payment settlement become easier because then you've standardised systems, processes, protocols and reporting system mechanisms.

And it's banks, card associations and regulators that need to come together to be able to define what those priorities are and maybe everybody else can fit in.

Avery: In the SA market we speak about "my personal" experience, but my personal experience might be very different to someone who lives in the iKasi economy and takes a taxi to and from work every day and has different needs and different approaches to payments. What do you see as the specific dynamics around payments in our rather challenging market given this broad spectrum of market segments?

Mushwana: The SA market is so exciting but it's really quite nuanced. In the very beginning I spoke about

ensuring digitising our value chain, but all these great digital payment capabilities fall flat if go to Soweto today with the capabilities on my phone but the merchant or the township trader is not able to receive those.

When we talk about digitising the entire value chain it's a lot of hard work because there's financial education we need to do. The focus is not just around the technology but how to use it and what it means, because unless we are able to mimic how cash operates, then digital payments are not going to be as enticing or exciting for the guy that catches taxis all the time.

So when I give you R5, you know it's R5, you will not question that I've given you R5, but if I'm in a taxi and I say I've paid you my R5, the driver is sitting there thinking 'I don't trust you; I might not see you again. What if I check on my app and I don't have the R5?'"

Unless we're able to mimic how cash operates, I think we're a long way away from solving some of these nuances we have within the SA market; especially around making sure that digital payments are accessible, are found everywhere and are serving the people who actually need them.

Eighty-five percent of SA's people have got bank accounts, but do they use them? Most of these people have got debit cards, but they don't use them. So why don't they use them?



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These are the things we need to unpack in the economy and make sure to solve for that because you want to pay a gardener, or you want to be able to pay casual workers cash when they come to your house to fix something. You want to pay the car guard,

We have all these issues around us but we cannot seem to progress.

Nevertheless, we need these digital payment capabilities to be made available, the education to go out and the regulators to drive it so that they're in the hands of anyone who needs them and so we can boost the economy.

Avery: Looking forward, what do you see when you gaze into your crystal ball? What are some of those future trends in payments coming in five years' time? Obviously, technology is one angle, and you've mentioned the changing regulatory environments and regulator innovation, but what do you see as the big trends?

Mushwana: If I look at the next five to 10 years, the vision of consumers, businesses or institutions will be one of being able to receive and send either domestic and cross-border payments instantly, 24/7 365. It has to come with full transparency, but we need to make it a reality.

The destination is clear but the 'how' like we've been unpacking is really something we need to solve for. We've got all these new initiatives, all these new technologies emerging - whether it's real-time payments or blockchain digital currencies, I think it's important for us at Nedbank, and all banks, to stay abreast of these emerging technologies,

Collaboration and financial service providers being able to come together to provide a comprehensive suite of payment solutions - both new and old - is really going to be key in driving the socio-economic growth of this country. It's going to be a mixture of things; some lag and lead technology coming together.

There's a lot of stuff that's happening out there. We need to understand what we need to do from a SA

perspective. What do we need to drive for socio-economic development? How do we need to support entrepreneurs? How do we need to support the gig economy. How do we need to support and create this economy?

These are all the things that are happening around us. It's such an amazing time to be alive because there are not only challenges but opportunities exist. I'm excited that Nedbank is at the forefront of all these trends that we're see coming through and emerging.

ABOUT KATJA HAMILTON

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