

# Fintech solutions helping informal traders grow and reduce risks

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Trading in South Africa's informal markets brings real risks to merchants and their suppliers.





In this highly cash-based economy, the risk of holding and moving cash is significant – the loss of a day's takings is difficult to bounce back from for most informal merchants. Fortunately, with the digitalisation trend firmly in place in informal markets, fintech solutions can greatly reduce these risks.

Supplier payments is an important area where fintechs are delivering real value in the informal ecosystem. The challenge for FMCG manufacturers and distributors is collections from the network of spazas and spazarettas that they service in South Africa's townships. These merchants primarily operate on a cash on delivery basis requiring that drivers are paid in cash from merchants on their route, creating an opportunity for criminals to target drivers.

Kazang's supplier payments platform has been a game changer in terms of helping merchants and suppliers overcome these challenges. With over 600 suppliers loaded onto the Kazang platform, merchants have the ability to settle their purchases electronically through their digital wallets. With the likes of Coke, Clover, Blue Ribbon and British American Tobacco, all the way down to smaller local suppliers on the platform, a Kazang merchant has the ability to settle the majority of suppliers immediately, removing the need for an exchange of cash.

For the supplier, the reduction in financial and personal risk is significant.

Another key benefit is the savings in administration. As an example, Coke has a number of distribution centres, each with approved representatives and drivers delivering product. The back-end reconciliation work to control this system is extensive.

Jonathan Thomson, head of supplier payments at Kazang, part of JSE-listed [Lesaka Technologies](#), reveals that the company is able to do reconciliations at a driver level and at a distribution centre level as well as facilitate immediate settlement. "It's a real win-win relationship and with way more benefits than an EFT," he says.

Prior to partnering with Kazang, one of the major FMCG company's drivers in the Cape Town township of Langa used to

collect up to R30,000 cash a day. Within a week of partnering with Kazang, the amount of cash being collected had reduced to R2,000 or R3,000 and a handful of receipts a day, significantly reducing their risks.

Based on the most recent quarter results, Kazang's supplier payment platform has grown over seven-fold in the past two years. This growth is being supported by the rapid digitalisation of informal economies, with merchants taking an increasingly large percentage of sales through card payments, and having this available to settle suppliers through electronic means. Much of Kazang's growth has been driven by major FMCG suppliers insisting that their customers utilise the supplier payments platform in order to adequately manage the risks. It currently has approximately 40,000 informal economy merchants using its platform.

Unique in the breadth of its merchant solutions, accessed through a single point of sale device and digital wallet, merchants using Kazang can also offer a wide range of value-added services products to attract customers to their stores. The solution also allows merchants the ability to accept electronic payments using debit or credit cards, which Kazang settles immediately into the merchants' digital wallets, as opposed to waiting a day or two if they had gone through traditional banking networks. Larger merchants also have the option of using Kazang's secure cash vault solution. This wide offering allows Kazang to build deep relationships with its merchants as they use these solutions to grow and de-risk their businesses.

"While we have numerous competitors on an individual product basis, the holistic nature of this solution is proving to be both a durable and effective differentiator," says Steven Heilbron, CEO of the Merchant division of Lesaka Technologies, owner of Kazang.

Lesaka Technologies, one of the largest technology focused companies in South Africa, has leveraged disruptive technologies to establish infrastructure, products and services to build a unique dual-sided ecosystem which meets the needs of both merchants and consumers operating in informal markets. Its merchant strategy focuses on both cash and digital.

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