

# Acquainting township trade with the potential of digital payments

The majority of the country's urban population resides in townships according to the [World Bank](#). With an 18% contribution to South Africa's GDP, the informal sector is one of the most important parts of the economy, both as a means of employment and how millions of people obtain goods and services.



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Amid this significant amount of trade where cash still dominates, Zunaid Miya, MD of local fintech company Hello Pay, says digital payments have the potential to drive a flourish of new businesses and solutions in the kasi economy.

“Townships, and the many informal traders and businesses within them, make up a crucial, vibrant and entrepreneurial part of the broader economy. The trends, challenges and opportunities with respect to payments in this sector serve as a useful economic barometer,” says Miya.

Financial inclusion is named as one of the main priorities of the South African Reserve Bank's (Sarb) Vision 2025. Electronic, digital and mobile payments are highlighted as critical elements of financial services in the coming years.

## Education needed

Miya says it is abundantly clear that the financial inclusion challenge is far from being solved as financial service providers look for ways to make inroads into the [11 million unbanked](#) and underbanked population in South Africa according to World Bank estimates.

“Kasi traders and consumers are looking for digital payment solutions that are as cost-effective and convenient as they are seamless. The roadblocks to digital adoption need to be well-understood before the reliance on cash comes to an end.”



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The common perception that card machines are expensive and difficult to operate and maintain suggests that there is much to be done to educate township merchants about the risks of cash and the benefits of electronic payments.

“Digital alternatives to cash need to be able to offer the same features and benefits to gain traction in the informal economy. There is ample opportunity for mobile transactions to become completely trusted, simple to use, easily understood as well as immediate, and affordable with no hidden fees,” says Miya.

“Spaza shops, hawkers, pavement sellers, street vendors and various other micro-enterprises erroneously believe their business simply won’t qualify for a bank account or that using card machines or mPOS (mobile point-of-sale) comes with high fees and requires high levels of digital literacy,” Miya adds.



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## Township business opportunities abound

While there are numerous challenges facing township communities, a number of fledgling businesses are making their mark such as local fashion brands, food delivery alternatives, together with entrepreneurial barbers, beauticians and even services like internet cafes and laundromats.

“The township market represents substantial spending power. As the number of smartphones in this market rises, so too will familiarity and comfort with digital payments which has the potential to unlock a host of exciting opportunities for informal sector businesses and their customers,” notes Miya.

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