The evolution of money: Why push payments are the future of inclusive payment transactions

By Andrew Marsh

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As the world becomes increasingly digital, faster and more efficient so payment methods that are accessible to all sectors of society need to become a priority.

Source: Andrew Marsh, managing director of Efficacy Payments.

Push payments are South Africa's newest available transaction type and they have a massive role to play, especially in unlocking the informal markets where traditional payment methods, other than cash, have not been successfully adopted.

But what exactly is a push payment?

A push payment is an electronic payment that offers a digital solution as a close alternative to cash.

Normal card payments have several limitations with the most challenging being that the merchant only receives their settlement for the goods or service sold several days after the transaction has taken place.

This is not necessarily a major issue in the formal sector where cash flow can be managed in various ways but is problematic in the informal sector where cash flow is a challenge.

Push payments put the payer in control of the transaction and the recipient receives the value immediately making it a comparable alternative to cash. Currently there are two forms of push payments in the South African market – one being CCPI (Card Credit Push Instruction) and the second being the recently launched PayShap. CCPI has been in the market since 2019 while PayShap launched this year.

5 key benefits of automated cash management for retailers

21 Jun 2023

Both types of ‘rails’ provide non-disputable transactions, which means that the transaction can’t be charged back by the sender or receiver once approved – unlike when one uses your card at a POS to pay for goods and services. This brings push payment transactions in line with cash which is also non-recoverable after one has paid the cash over to the receiver.

The big differentiator is that CCPI leverages existing Visa and MasterCard payment rails to underpin transactions and, as a result, there is already full interoperability in the market with all banks being able to receive the transaction. PayShap is only starting their market roll out and is currently limited to four of the big banks, with more banks to be enabled over time.

The societal benefits of push payments

Andrew Marsh, managing director of payment enablement fintech Efficacy Payments, says that push payments offer numerous benefits over traditional payment methods:

- Push payments are a secure payment method that can reduce the risk of fraud. With push payments, users can send funds directly from their card-linked bank account to the recipient's card-linked bank account or mobile wallet, without needing to share any personal information. By making use of proxies – a payment method that doesn't directly disclose sensitive payment information –, the transaction is secure and direct, minimising the risk of fraud.

> *There can be close to 400 cash-in-transit incidents a year and the loss of many millions of Rands occurs from this. CITASA aims to curb CIT robberies. Help us fight crime by reporting any information you have anonymously to the CITASA HOTLINE 083 462 7909. #CITRobbery pic.twitter.com/wnByrb9qR9— CITASA (@CITASAofficial) July 3, 2023*

- They are faster than other alternatives. The transaction is processed instantly, which means that the recipient receives the funds immediately. This is a significant improvement over traditional payment methods like EFT's, wire transfers or even traditional card transactions which can take several days to be received by the recipient.

- They are more convenient for both the payer and the recipient. The payer no longer needs to carry cash or remember banking details. They can initiate the payment using the recipient's mobile number or card number via a proxy. Similarly, the recipient doesn't need to visit a bank or ATM to withdraw the funds. They can receive payment directly into their mobile wallet or bank account allowing for onward utility thereafter.

- Push payments are usually cheaper to both sender and recipient than alternative payment methods due to the reduced risk of fraud and immediate availability of funds for the recipient, thereby allowing payment service providers to pass on the savings to the consumer.

Marsh says that another important advantage of push payments is their advancement of financial inclusion. "With push payments, users can utilise their mobile phone to make digital payments without needing to use a physical bank card or POS device.

This will begin to displace cash from the South African economy, which is still extremely prevalent, despite our sophisticated banking sector. So much so that almost 90% of transactions in South Africa are still cash-based, according to BankservAfrica."

The decline of cash dominance

Marsh says that the benefits of push payments and displacing cash are numerous and include stimulating and uplifting economies while providing a service as quick as cash.

> *Chinese city of Jinan accepts CBDC payments for bus rideshttps://t.co/DRfluSJlxX*
>
> *The Chinese city of Jinan is making a push for CBDC adoption by implementing digital yuan payments across its entire bus network.*
> *Tue, 04 Jul 2023 10:15:31 +0100— Real Live 3 TV (@reallive3tv) July 4, 2023*

"Mastercard research indicates that the indirect cost of cash is typically between 0.5 to 1.5 percent of GDP and in South Africa's case, this costs consumers R23bn per year. An example of the indirect cost would be someone who needs to make a lay-by payment at their local store. This would involve having to pay for transport to get to the store, pay to withdraw the money from a bank, and pay to return home.

At the same time, push payment systems free South Africans from high transaction fees, waiting in long bank queues at month-end, and waiting days to receive payments.

Push payments are also superior from a safety perspective, as consumers cannot be mugged for their digital wallets, and digital funds cannot be stolen from vandalised ATMs or cash-in-transit heists. Plus, this means that banks can reduce costly infrastructure and related operations required to support coins and notes. Displacing cash benefits everyone at the end of the day," concludes Marsh.

ABOUT THE AUTHOR

Andrew Marsh is the managing director of payment enablement fintech, Efficacy Payments.