



SOUTH AFRICAN RESERVE BANK

South African Reserve Bank's Payments Study Report Launch

5 September 2024

Speaking notes for Deputy Governor Rashad Cassim

Speaking duration: 15 mins

Good afternoon, all.

Thank you for joining us today as we launch the South African Reserve Bank's (SARB) inaugural *Payments Study Report*.

This study is one of our initiatives to better understand the payment system landscape in South Africa. It supports our current strategy, Vision 2025, which identified a need for the SARB to collect more payments information.

In pursuing that goal, we knew we already had extensive information about the supply side of payments. We get this from operating SAMOS,¹ the core interbank payment, real-time gross settlement system. We also receive data from other payment service providers.

The *Payments Study Report* we are launching today, by contrast, is about the demand side of the payment system – the users thereof and their choice of payment methods, including their preferences, level of awareness, usage, reasons for adoption and barriers to entry.

The study has two parts. One is a survey of about 45 minutes that just over 3 000 people completed. We call this the Survey of Consumer Payment Choice (SCPC).

¹ South African Multiple Options System

In the second part of the study, about 4 600 respondents tracked their payment behaviour and payment method usage over a three-month period, using actual payments in a set period of days. This we call the Diary of Consumer Payment Choice (DCPC). Here people documented, among other things, their preferred payment methods, the amounts paid and what the payments were for.

The two surveys were conducted nationwide between April and December last year. They were designed to complement each other. Indeed, this two-survey approach has also been adopted by other central banks, for instance in Australia, Poland, Sweden and the United States (US).² And the results make for interesting reading.

I do not want to steal the thunder of our next presenter, who will be walking us through the high-level results, but I was struck by several points.

For instance, even though the usage of cash is not growing any more, it remains the most popular payment method. Debit card usage is second and credit cards a distant third.

Furthermore, while credit cards are mostly used by richer households, which you would expect, there is a gap between reported usage in the two surveys. The consumer diaries show that credit card usage are much more frequent, relative to the consumer payment choice survey. This seems to be explained by people using a family member's credit card. Perhaps you too are familiar with this phenomenon of family members using your credit card.

It is also interesting to see the detail of *when* people spend and *what* they buy. By number of transactions, the top-three payment groups are groceries, transport and data. I'm not sure I expected data to be so far up on the list. The busiest payment days are Fridays and Saturdays; the slowest are Tuesdays. This sort of information really reminds me that it is in payments where central banks are most involved in people's

² The US survey is conducted by the Federal Reserve Bank of Atlanta

everyday lives, even though monetary policy and financial stability are the topics that grab the headlines.

Let me now say a bit about how economists and payments specialists can use the information from this study in South Africa.

Firstly, given the SARB's role in payment systems, understanding consumer preferences for different payment methods will help us meet these diverse needs. Specifically, the study will help guide our implementation of our Payments Ecosystem Modernisation programme and Digital Payments Roadmap initiative.

Secondly, the SARB and other regulatory authorities should be able to identify the possible misconceptions about some of the products. For instance, we see in the survey that the main reason people do not use debit cards is, they say, that they don't make enough money to qualify for a card. It seems that they think the qualifying criteria are more stringent than they really are. Given this sort of information, we can help educate people so they can make more optimal choices, which supports our financial inclusion work.

Thirdly, we hope external researchers will be able to make creative use of this information. To give a taste of what can be done with this data, let me just give one example from a US paper that is based on survey data.³ The authors estimated the costs of adoption and usage of different payment instruments. They further estimated counterfactuals: what would happen, for instance, if banks were to impose a new fee on the use of debit cards, because of regulations that make debit cards more expensive to use?

That question is difficult to answer, but armed with the survey data, the authors found answers. In this case, they determined that in the US, people would use more cash and cheques, in both the long and short run. Credit cards were not affected as much. It is surprising that such a change would lead to an increased use of paper instruments.

³ Koulayev, S., Rysman, M., Schuh, S. and Stavins, J. (2016). [Explaining adoption and use of payment instruments by US consumers](#). *RAND Journal of Economics*, 47:293–325.

The researchers also found that the burden of this change would fall much more on low-income consumers, a useful policy insight.

I hope we will also get some good papers and some good insights out of this survey.

To conclude, I would like to congratulate the cross-functional team, led by the National Payment System Department, that dedicated long hours to this study. I'm sure the team is relieved to at last launch the results – but this information is so important, their job is not done. We will be repeating these surveys in future.

Thank you all.