

QR codes gain banks' favour as South Africans embrace the payment option

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Jonathan van der Merwe, Entersekt payments product manager, takes a look at the growth of the humble QR code and how it's popularity amongst merchants and shoppers alike is forcing banks and regulators to pay it more attention.



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Scanning a QR code to quickly pay for their morning coffee was already a common experience for most South Africans. Now, the 2D codes can be seen all over, with people opting to use the cashless, contactless payment method for everything from their mall parking to filling up with petrol. And, as local banks like Capitec and Nedbank have added the payment method to their apps, we can expect it to continue its steep growth trajectory.

QR codes have evolved over decades

The quick response code was invented way back in 1994 and first used as a means of tracking in the automotive industry. The two-dimensional barcode allows storage of numeric, alphanumeric, bytes and Kanji (a Japanese writing system). When smartphones became able to read and action the codes, their popularity grew rapidly.

It's no surprise then that the QR code as part of mobile payments in general is taking off in a big way.

Capgemini's [most recent](#) World Payments Report shows that the number of non-cash transactions (or digital payments), soared worldwide last year, to more than 700 billion – accounting for a whopping 100 digital transactions (on average) for each person on earth. More than a billion of those non-cash payments were made over a mobile phone and the consulting group has said it expects QR codes to be one of the big drivers of mobile payments - which it expects to reach 11% compound annual growth between 2019 and 2023.

While South Africa remains underbanked, it has a high mobile penetration which makes the use of QR codes an ideal solution with a local market very willing to adopt mobile technologies. A 2019 study conducted by Deloitte showed that 73%

of South African consumers say they are ready to pay with their mobile phones, and merchants said that by accepting QR payments they typically increased their revenue by 10%.

The beauty of this technology, especially for smaller merchants, is that anyone can generate and display their own QR codes for others to scan and use via one of several paid-for or free QR code-generating sites or apps. Apps for scanning QR codes such as SnapScan or Zapper, meanwhile, are available for download to nearly all smartphone devices.

Banks use in-app scan-to-pay as a means to drive digitalisation

Given the general acceptance of QR codes, it became important for local banks to find a way to allow their customers to make use of the technology. What they were looking for, however, was a low-friction solution that made their customers feel safe and required little further action on their part.

Based on this, Entersekt designed a QR payment solution that allows banks to offer their cardholders a single platform from which to make QR payments natively in their app. When it comes to user experience, without any additional action on their part, customers will simply open their banking app, find the scanning tool on their app's homepage and, bypassing the whole login process, can immediately scan to make payments at over 360,000 merchants. This lack of friction is a big win for QR code payments and this should be no different for the banks' offering.

By keeping the scan-to-pay solution in-app, banks are able to use this as a further means to drive customers to download and use their app - a key part of their digitalisation drive.

Also, since the solution can scan codes universally, it means users aren't forced to download multiple QR apps, handing over their card and personal details each time. In an environment where consumers are becoming increasingly wary of sharing their details, this is a clear win for the banks and their customers.

Since Entersekt clients are able to scan Zapper QR codes, they are also able to use their apps to pay for their parking at a quickly growing list of mall parking centres - skipping the queues being a particular pleasure at this time of year.

Looking forward, the Nedbank integration has performed well and the Capitec offering has quickly caught the attention of their customers. Based on this significant early response, we are expecting more banks to join the opportunity in the coming months.

The future is fluid

As use of QR codes grow and the number of scan-to-pay offerings increase, the industry will need to address interoperability. Frustrating the public with too many options doesn't work for the industry or consumers.

However, there is no silver bullet for reaching industry consensus and we are pleased this complex issue is receiving the full attention of the major player, the integrators (such as ourselves) and of course the banks and regulators.

Part of the industry standard conversation is how the QR codes are processed. The argument of push versus pull payments and which payment rails are being used for QR codes is one that the industry and the regulator will still have to settle. But, for now, it's good to see banks get behind contactless mobile payments that answer their customers' needs. This can only help facilitate trade, and that works for everyone.

About Entersekt

Entersekt is a leading provider of strong device identity and customer authentication software. Financial institutions and other large enterprises in countries across the globe rely on its multi-patented technology to communicate with their clients securely, protect them from fraud, and serve them convenient new experiences irrespective of the channel or device in use. They have repeatedly credited the Entersekt Secure Platform with helping to drive adoption, deepen engagement, and open opportunities for growth, all while meeting their compliance obligations with confidence. For more information please visit <https://www.entersekt.com>

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