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The accessibility of innovative payment solutions for low to middle market clients in South Africa.

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ABSTRACT

This study examines the accessibility of innovative payment solutions and services for individuals in the low to middle market segment in South Africa. Recognising that financial inclusion as a crucial element of socio-economic growth, the study aims to understand the problems and opportunities encountered by this demographic in adopting new payment technologies. This research investigates the perspectives, experiences, and desires related to innovative payment solutions through semi-structured interviews with 10 individuals from various backgrounds and areas in South Africa.

The findings provide detailed insights into the accessibility of payment solutions for clients in the low to middle market. Firstly, participants emphasised the importance of affordability and simplicity in promoting adoption. Participants showed hesitation towards solutions that involved significant initial expenses or intricate fee systems, citing affordability as a crucial factor. Simplicity in user experience and interface design is vital for overcoming hurdles linked to digital literacy and technology fear.

Secondly, the study highlights infrastructure limits and connectivity concerns as significant obstacles to accessibility. Participants stressed the significance of dependable network coverage and concerns about data security and privacy have arisen as major obstacles, highlighting the importance of strong legal frameworks and actions to safeguard consumers.

Moreover, the research explains how cultural and societal influences influence payment behaviours and preferences. Participants emphasised that trust, familiarity, and social networks play a significant role in influencing the adoption of payment systems. Traditional norms and behaviours, such as informal savings clubs and community-based financial mechanisms, were observed to exist alongside new payment methods, highlighting the significance of tailored approaches to innovation.

This research enhances the comprehension of the accessibility environment of innovative payment options for low to middle market consumers in South Africa. The findings provide useful insights for financial institutions and development practitioners aiming to enhance financial inclusion and promote inclusive growth in the region by emphasising the obstacles, possibilities, and complex dynamics influencing adoption.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Wits Business School. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Signed: Tshepo Faith Motloung
Date: 29 February 2024

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CHAPTER 1: INTRODUCTION

1.1 Introduction

In South Africa, the development of solutions for payment and withdrawal of cash has seen significant growth over the past two decades. The inclusion of lower South African LSM (Living Standards Measure) classes in payment solutions is crucial for a number of reasons. Financial inclusion is essential for promoting economic growth and reducing poverty, and it is closely related to a variety of socioeconomic factors, including education, health, and gender equality (World Bank, 2018).

Although there is a variety of payment options available for all markets, the requirements of the low to middle market segments are not fully accounted for in the ideation and subsequent rollout of offerings (Njuguna & Muturi 2020). Due of this, individuals in these segments of the economy are either unaware, uneducated, or have limited resources available to them (Njuguna & Muturi 2020), thus making it difficult for them to access services, facilities, and digital platforms. For the purpose of this research, low to middle market segment refers to people whose Socio-Economic Measurement (SEM) scores vary from 0% to 30%, earn a monthly salary of R3 500 to R15 000 and includes people of all ages and races who live within the borders of South Africa, residing in the Gauteng region.

A report conducted in 2014 by The World Bank (2018) acknowledges that "financial inclusion requires that consumers have access to financial services that fit their needs." Furthermore, a survey compiled by the World Bank estimates that close to 11 million people in South Africa are unbanked. This status indicates that these individuals do not have access to any formal financial services. This acknowledgement highlights the need for consideration at ideation level - where banks are expected to know where their clients are to ensure that they can access platforms, and among other things, cash withdrawals at local supermarkets.

The growth of any economy is strongly dependent on the levels of engagement across all role players, which in this scenario would be the entire South Africa population. However, there are accessibility difficulties that need to be solved for low to medium markets to maintain overall efficiency and that the objective of savings and investments is realized by 2023. Banks have catered to the demands of individuals and enterprises in the higher SEM levels.

1.2 Research Problem

The primary factors of financial inclusion are payment transactions, savings and investments. Mhlanga, Dunga, and Moloi (2021) highlight the importance of education as a tool that can help the government and banks achieve their aim of increasing investments for the economic well-being of the country by the year 2030. This paves the way for the dimensions of usage, access, and quality, which are a prerequisite for those who wish to engage in the digital economy when taking into consideration the financial services that are available. This project aims to investigate and assess the access that low to middle market consumers have to innovative payment solutions; as well as drive and improve financial inclusion to facilitate economic participation via savings and investments for overall economic welfare and stability.

The significance of financial services to clients has diminished as a result of a low usage of available options, which can be linked to little to no education as well as limited functionality of financial services (Mhlanga et al., 2021). Subsequently, presenting a need to investigate why this is the case and thus, this project aims to identify the gaps where there is little to no participation in payment transactions by low to middle market consumer segments and if more education is required or if systems should be customised to accommodate market segments.

“About 20 to 22 million individuals in South Africa use a smartphone, which is roughly equivalent to one third of the population of the country” (Taylor, 2023). Additionally, this research report will investigate research, and position findings and recommendations through the lenses of entry level markets. One of the priorities mentioned in the report on financial inclusion is the creation of a “payment ecosystem that is accessible and serves all users.”; an example of a system that is currently thriving in this space is MPESA which is “a mobile money service that can be used to make payments throughout the continent both for the banked and the unbanked due to its safety and unmatched ease,” according to Vodacom (n.d.) MPESA offers safety and convenience that is unparalleled. The ease of payments through MPESA and growth of the low to middle market financial inclusion in Kenya has formed part of creating a need for the South African market to be studied.

1.3. Research Objectives

The primary purpose of this research is to get an understanding of, and assess, how payment systems and offerings might be adapted to better suit the needs of low- to middle-market segments in South Africa, and to:

a) To determine the level of accessibility clients have to savings and investment products offered by their current banks.
b) To determine how the use of innovative payment systems improved access to financial products and services.
c) To explore the challenges clients experience in the use of innovative payment systems.

1.4. Justification of the Study

PWC (2018) found that 30% of African transactions are cash-based. Cash payments cost businesses, individuals, and the economy. This gives an opportunity to help low-to-middle market segments move to digital and for banks to continue linking digital and old payment systems. If they employ driving accessibility and education, clients are more likely to make investment decisions that help the South African economy achieve welfare.

The research considers the clients perspectives in terms of their access to banking, channels used and if they make use of savings and investment products offered by their banks..

Simplifying the user interface, channel requirements and offerings pave the way for accessible financial products, and giving financial education as well as support can help clients navigate the digital banking ecosystem. The World Bank (2017) found that digital financial services can considerably boost financial inclusion among low-income households in emerging nations. Another study by the Center for Global Development (2019) stressed the necessity of establishing digital banking products for lower LSM groups, such as flexible repayment choices, savings and insurance products.

In conclusion, digital banking innovation can promote financial inclusion and reduce poverty, but it must involve lower LSM populations to be effective. Banks and policymakers must make digital banking innovation accessible and reasonably priced.

1.5. Delimitations of the Study

The research project does not investigate the races or gender of clients in low to middle segments in SA or developments that are occurring in international banking. It however, looks at transaction fees and include the five largest banks in South Africa, including Standard Bank, Absa, First National Bank, Nedbank, and Capitec, as well as the common access to channels that clients have to ensure equal participation.

1.6. Operational definitions

1.7.1 Low to middle market segments

The target population for this study are South African consumers with low to middle incomes ranging from R3 500 to R15 000 per month. These are individuals who belong within the stated income bracket as defined by the National Treasury of South Africa (National Treasury, 2021).

CHAPTER 2: THEORETICAL FRAMEWORK OF LITERATURE

2.1 Theoretical Foundations: Financial Inclusion, Innovation Diffusion Theory and Payment Enhancements

Traditional financial institutions have historically underserved the low to middle market consumer segment in South Africa, due to restricted access to credit, banking services, and payment solutions. However, the development of cutting-edge methods of payment has the potential to considerably improve financial inclusion and expand this consumer segment's access to financial services. Understanding the impact of payment improvements on financial mobility in South Africa requires theoretical foundations. The following framework will examine the function of digital technologies in enhancing economic mobility in South Africa.

2.1.1 Financial Inclusion – the importance of inclusivity

Financial inclusion in payments is essential for reducing poverty, boosting economic growth, and fostering social welfare, according to research. Particularly, the widespread utilization of innovative methods of payment has the potential to considerably enhance financial inclusion and expand access to financial services for consumers with low to moderate incomes. Financial inclusion is the provision of accessible and affordable financial services to all individuals and households, particularly those who are precluded from traditional financial services. It is a crucial element of economic growth and poverty reduction (Demirguc-Kunt & Klapper, 2012). The World Bank defines financial inclusion as "access to useful and affordable financial products and services that meet the needs of individuals and businesses, transactions, payments, savings, credit, and insurance, delivered in a responsible and sustainable way" (World Bank, 2021).

According to Wang and Wang (2017), digital wallets may significantly lower transaction costs associated with traditional banking services, thereby making financial services more affordable and accessible to those with low incomes. Prepaid debit cards and virtual cards are innovative payment options that can provide low- and middle-income consumers with a more affordable alternative to conventional payment cards. The use of prepaid cards has resulted in major advances in managing money and decreased transaction expenses for low-income consumers, according to research (Mzukwa & Tengeh, 2018). According to the GSMA (2021), mobile money has acquired significant traction in numerous African nations, with over 480 million

mobile money accounts registered by 2020. The adoption of mobile money has significantly increased financial inclusion, particularly among women and low-income populations (Jack & Suri, 2014).

Using mobile money has allowed individuals without traditional bank accounts to access fundamental financial services, such as sending and receiving money, paying bills, and purchasing goods. In addition, the literature demonstrates that relatability and solutions tailored to the socioeconomic status of consumers – in a simplified manner – facilitate overall participation.

Financial inclusion initiatives have been criticized by academics who argue that they may not always result in economic growth or poverty reduction. Duvendack et al. (2016), for instance, conducted a comprehensive assessment of 41 studies on the impact of lending on poverty reduction and concluded that the evidence was equivocal. In a similar vein, Mader (2015) argues that financial inclusion efforts may not address the underlying causes of poverty and exclusion, but instead reinforce current systems of power and inequalities. In addition, some researchers have asserted that financial inclusion initiatives may have unintended negative outcomes. For instance, van der Windt and Kleine (2019) indicate that mobile money may have an adverse impact on informal savings practices and interactions with others, which are crucial sources of resilience for low-income households. In a similar vein, Bhattacharya and Chandrasekhar (2017) contend that the adoption of digital financial services may result in increased debt and financial marginalization for some low-income consumers.

2.1.2 Innovation Diffusion Theory:

The theory of innovation diffusion explains how new concepts, goods, and technologies proliferate throughout society. The innovation adoption process, according to Rogers (2003), identifies five significant variables which impact the widespread use of innovations namely, (i) relative advantage: which relates to convenience, reduced transaction costs and education about other products; (ii) compatibility: with the requirements and needs of consumers; (iii) complexity: there should be minimum complexity on the interface of digital channels such as apps, cell phone banking and online banking platforms; (iv) trialability: where features are rolled out to a small group of clients to assess ease of usage before going out to a

larger audience; and (v) observability: testimonials are a great way to get buy-in from other clients and banks should focus on creating feedback loops.

While the theory of innovation diffusion has been extensively utilized to explain the widespread use of new innovations in a variety of contexts, there have been differing opinions among researchers regarding its applicability to South Africa.

- Cultural Barriers:

One of the opposing views regarding the theory of innovation diffusion in South Africa is that cultural barriers can considerably hinder the adoption of new innovations. According to Lekoko and Letshwiti (2018), the adoption of new innovations in South Africa can be significantly influenced by cultural values, beliefs, and norms. Some cultural beliefs, for instance, may be incompatible with certain innovations, making it challenging for individuals to adopt them. In addition, some cultural norms may place a higher priority on social relationships than on the adoption of new technologies.

- Institutional Factors:

Institutional Factors Institutional factors, such as laws and policies, can also have a significant impact on the mainstreaming of new developments in South Africa. Regulatory and policy structures may help or hinder the adoption of new innovations, according to Ojo et al. (2017). For instance, regulations and policies that prioritize the needs of existing market participants may impede the adoption of new innovations by erecting entry barriers for new market participants.

- Socio-Economic Factors:

Socio-Economic Factors Socio-economic factors, including income, education, and access to resources, can also have a significant impact on the adoption of new innovations in South Africa. According to Kaur and Jaitly (2017), low-income people and those with restricted access to resources may be less likely to implement new innovations due to financial constraints and restricted information access. In addition, low levels of education may hinder the adoption of new innovations by limiting individuals' comprehension of the advantages and applications of new technologies.

While the theory of innovation diffusion has been extensively used to explain the adoption of new innovations in various contexts, its applicability in South Africa has been questioned by a number of researchers. South Africa's adoption of new innovations can be substantially impacted by cultural, institutional, and socioeconomic factors. Addressing these factors can increase the adoption of new innovations and promote the diffusion of innovation throughout the nation.

2.1.3 The Digital Divide

The digital divide is the disparity between those with access to technological innovations and those without. The digital divide is an important obstacle to financial inclusion in the context of remittances, according to research. In the context of payments, the digital divide can restrict access to digital financial services, such as mobile money and digital wallets, that can substantially improve financial inclusion for formerly underserved populations.

The digital divide is notably pronounced in Sub-Saharan Africa, where only 22 percent of the population has access to the internet, according to the World Bank (2020). This dearth of access to digital technologies restricts the ability of individuals with low incomes to access digital financial services and diminishes the potential impact of these offerings on financial inclusion. Consequently, women, rural populations, and individuals with a lack of education and income are disproportionately affected by the divide (Njuguna & Muturi, 2020). These groups are more likely to not have access to digital technologies and, consequently, to be excluded from digital financial solutions.

While there is an agreement among researchers regarding the negative impact of the digital divide on financial inclusion in South Africa, there are different views regarding its causes and potential solutions. This section will examine the contradictory perspectives of researchers regarding the digital divide and financial inclusion in South Africa, citing pertinent sources within the text.

2.1.3.1 Technological Infrastructure

One opposing perspective holds that South Africa's inadequate technological infrastructure is the primary cause of the digital divide. According to this perspective, the absence of access to

digital technologies is a result of the limited availability of digital infrastructure, such as Internet access, mobile phones, and computers (Punch, 2015). This view suggests that an increase in digital infrastructure investment is required to bridge the digital divide and promote financial inclusion in South Africa.

2.1.3.2 Socioeconomic Factors

The digital divide is primarily caused by socioeconomic factors, such as income, education, and social standing, according to an opposing viewpoint. According to this perspective, the lack of access to digital technologies is not solely a technological problem, but also a consequence of broader social and economic inequalities in South Africa (Kanyane, 2020). This perspective suggests that addressing economic factors, such as poverty and inequality, is required to bridge the digital divide and promote financial inclusion in South Africa.

Despite there being a consensus among researchers regarding the negative impact of the digital divide on financial inclusion in South Africa, there are divergent opinions regarding its causes and potential solutions. One view contends that inadequate technological infrastructure is the primary cause of the digital divide, whereas another contends that socioeconomic factors are the primary causes. Both perspectives acknowledge the significance of addressing the digital divide in order to enhance financial inclusion in South Africa. When devising policies and strategies to bridge the digital divide as well as promote financial inclusion in South Africa, it is imperative to consider both technological and socioeconomic factors. To address the digital divide in the context of remittances, it is essential to increase underserved populations' access to digital technologies. Initiatives such as the provision of free or subsidized smartphones and internet access can assist in bridging the digital divide (GSMA, 2020). In addition, distributors of digital financial services can design products and services that are accessible and user-friendly for low-income and underserved populations.

The digital gap is a major obstacle to financial inclusion in the context of payments, notably in Sub-Saharan Africa, according to the findings of the research - addressing the digital divide through initiatives such as expanding access to digital technologies and creating user-friendly digital financial services can improve financial inclusion for formerly underserved populations.

2.1.4 Theoretical framework for financial inclusion of low to middle markets

In South Africa, the adoption of digital financial services has the potential to significantly improve financial inclusion. Several constructs and variables may be pertinent to comprehending financial inclusion in payment solutions in South Africa. These concepts and parameters can serve as a framework for unpacking the elements affecting financial inclusion and the uptake of innovative payment solutions in South Africa. The constructs and variables include the following:

Access to Digital technology:

Financial inclusion in payment solutions depends on having access to digital technology including smartphones, computers, and internet connectivity (Punch, 2015). Indicators like the proportion of the population with access to digital technology and the caliber of the digital infrastructure can be used to gauge this variable.

Knowledge and Awareness:

Key elements of financial inclusion include knowledge and awareness of digital financial services and payment options. Low levels of awareness and understanding, particularly among low-income consumers, may prevent the adoption of these solutions (Morawczynski & Ngwenyama, 2007). Indicators like the proportion of the public that is aware of digital financial services and their level of understanding can be used to gauge this variable.

Affordability:

For low-income users in particular, the cost of using digital financial services, such as transaction fees and data prices, can be a substantial barrier to adoption (Donovan & Schloemer, 2014). Indicators such as the average cost of using digital financial services and the proportion of the population that can afford these services can be used to gauge this variable.

Trust and Security:

When it comes to the uptake of digital financial services and payment solutions, trust and security are key determinants. When using these services, clients must have faith that their financial information and transactions are secure (Mas & Radcliffe, 2011). Indicators like the proportion of the public that feel secure using digital financial services and the degree of trust in digital financial service providers can be used to quantify this variable.

User Experience:

Financial inclusion in payment solutions depends on a number of factors, including how simple, convenient, and reliable digital financial services are to use. Consumers are less likely to use these services if the user experience is subpar (Morawczynski & Ngwenyama, 2007). Indicators like client satisfaction with digital financial services and the proportion of consumers who keep using these services can be used to quantify this variable.

Access to digital technologies, awareness and knowledge, cost, trust and security, and user experience are just a few of the constructions and variables that may be pertinent to financial inclusion in payment solutions in South Africa. These concepts and parameters will serve as a framework for the exploration of the elements affecting financial inclusion and the uptake of innovative payment solutions by low to middle market segments. By addressing these issues, low- to middle-income South African consumers will have greater access to digital financial services and can become more financially included.

CHAPTER 2.2: SYSTEMATIC REVIEW OF LITERATURE

2.2 Introduction

This literature review covers financial inclusion for low-to-medium market clients in South Africa, focusing on innovative payment solutions. Nearly 11 million South Africans are unbanked, according to a World Bank report. No formal financial services are available to these people. Low-to-middle market consumers sometimes lack collateral and creditworthiness to receive traditional banking services, widening this financial inclusion gap. Financial inclusion is much lower for low- to middle-income clients (Khumalo et al., 2019). The empirical evaluation identified research gaps that helped formulate how payment systems might be modified to promote increased and optimal usage by low to middle market segments in South Africa.

New payment systems like mobile money and digital wallets offer an appealing alternative to traditional banking services. These technologies give low- and middle-income consumers a cheaper, simpler, and safer way to obtain basic financial services. According to Vosloo and colleagues (2019), mobile money has improved financial inclusion for low-income households in South Africa. These households can store, transfer, and pay with mobile money. According to a 2021 PwC South Africa report, digital banking use in South Africa increased during the

COVID-19 epidemic. The study indicated that the outbreak accelerated electronic banking channel use, particularly among low- to middle-income sectors. A 2020 Banking Association South Africa (BASA) study found that low- to middle-income South Africans prefer mobile banking over internet banking.

2.2.1 Benefits and challenges of digital payment solutions in South Africa:

In South Africa, digital payment systems, such as mobile money, digital wallets, and card payment platforms, have emerged as potentially useful substitutes for conventional banking services. These solutions present a number of opportunities for improvement, but in order to fully exploit their potential, it is necessary to overcome a number of obstacles first.

Benefits:

1. Accessibility: According to a study conducted by FinMark Trust (2021) the lack of access to digital devices, poor network availability, and restricted digital skills are among the most significant obstacles low-income segments in South Africa face. In addition, the study revealed that some low-income segments lack confidence in digital banking because they consider it as less safe than conventional banking channels.
2. Affordability: digital payment solutions typically have lower transaction fees and don't charge any monthly account maintenance fees, making them more inexpensive alternatives to traditional banking services. Because of this, it is now much simpler for clients with lower incomes to take part in the formal sector.
3. Convenience: There is a greater degree of efficiency than traditional banking services. Clients no longer have to travel to a physical bank branch in order to complete financial transactions; they may do so whenever they want, from wherever they are.

Adoption of innovative payment solutions in South Africa has been fraught with obstacles. In rural areas, the dearth of infrastructure, such as electricity and internet connectivity, has hindered the adoption of digital payment solutions (Khumalo et al., 2019). Additionally, low levels of financial literacy and a lack of trust in digital payment systems have slowed adoption rates among some consumers (Dlamini et al., 2020).

Challenges:

1. Infrastructure: In order to function properly, digital payment systems need to have suitable infrastructure, which includes things like dependable electricity and internet connectivity. Unfortunately, a significant portion of South Africa, particularly rural areas, is lacking in the amenities necessary for basic infrastructure, which makes the implementation of these solutions more difficult.
2. Financial literacy: A significant number of clients in South Africa's low to medium market have a lack of financial literacy, which makes it difficult for them to understand and trust digital payment systems. It is necessary to have programs for financial education in order to develop financial literacy and encourage the implementation of these solutions.
3. Regulatory framework: The South African regulatory framework for digital payment systems is still in the process of being developed (South African Reserve Bank, 2022). Rules and policies need to be established in order to guarantee the health and safety of consumers, stop fraudulent activity, and defend against the laundering of funds and the funding of terrorist organizations
4. Competition: Traditional banking services, which continue to hold the majority of the market share in the financial services industry in South Africa, present a challenge for digital payment solutions. In order to acquire a larger portion of the market, these solutions need to differentiate themselves by providing distinctive value propositions and building brand awareness.

To address these issues, the South African government along with financial institutions must collaborate to expand access to fundamental infrastructure and promote consumer financial literacy. According to Khumalo et al. (2019), initiatives such as the availability of reasonably priced smartphones and mobile data packages and the implementation of financial literacy courses for low to middle market consumers can encourage the use of innovative payment solutions and increase financial inclusion.

2.2.2 Empirical Review of Literature

Prior research indicates that South Africa has a variety of digital payment systems that are believed to foster growth and give the country a competitive edge in the global payments market. There is, however, a market segment that is marginalized in terms of economic participation, and despite the fact that it is understood that not all solutions are inclusive, there

is still insufficient inclusion given the size of the South African population. This literature review seeks to answer the question of how payment solutions can be tailored to encourage greater and optimal usage by low to middle market segments in South Africa by examining the current landscape and challenges, contributing factors, and initiatives that can drive enablement and overall usage. Following is a table that summarizes the themes and gaps that informed the purpose of this study.

South Africa's low- to middle-market consumers have a promising opportunity to increase their financial inclusion through the use of innovative payment solutions. Usage of these options has the potential to empower consumers, enable small businesses to participate in the formal economy, and foster economic expansion. To maximize the potential of these solutions, however, concerted efforts must be made to surmount the obstacles of infrastructure, financial literacy, and consumer trust. In developing nations like South Africa, financial inclusion is essential for promoting economic development and reducing poverty. South Africa, with a population of over 59 million, is one of the biggest and most varied countries in Africa, and a significant portion of its population lives in poverty. According to a World Bank report, approximately 11 million South Africans do not have access to fundamental financial products such as savings, credit, and insurance. This financial inclusion gap is widened for low- to middle-income consumers, who frequently have restricted access to banking due to their low income and absence of collateral.

2.2.3 The importance of including lower LSM South African groups digital payments?

South Africa has a large unbanked and underbanked population, and financial inclusion is viewed as a crucial instrument for reducing poverty and fostering economic growth (McKinsey & Company, 2018).

The involvement of lower-level LSM groups in digital payment solutions has the potential to bring about a number of benefits, including the following:

a. Making financial transactions more affordable for people in lower-income LSM brackets
b. Expanding access to financial services for low-income and middle-income people
c. Enhancing lower-level LSM groups' access to education and empowerment in financial matters

d. Facilitating stable financial conditions and expanding the economy

The significance of financial inclusion for groups with low incomes and marginalization has been the subject of a number of studies in recent years. As an illustration, Demirguc-Kunt and Klapper (2013) conducted a study in which they discovered that improved access to financial services has a favourable impact on the elimination of poverty as well as economic growth in low-income nations. In a separate piece of research, Mwangi and Gichinga (2018) found that women in Kenya who participated in financial inclusion programs experienced greater economic autonomy as a result. Therefore, making the inclusion of South African lower LSM groups in payment solutions is important for reducing poverty, promoting economic growth, and improving financial stability.

To customize payment solutions for low to middle market segments in South Africa, several factors must be considered, such as accessibility, affordability, and convenience. Some strategies that can be used are:

1. Mobile Payments: With over 90% of South Africans owning a mobile phone, mobile payment solutions can be an effective way to reach low to middle market segments. These solutions can range from basic mobile banking services to more advanced mobile payment platforms such as M-Pesa and SnapScan.
2. Digital Wallets: Digital wallets such as PayPal and PayFast are gaining popularity in South Africa. These wallets enable clients to store their card and bank details securely in one place and make payments online without the need to enter their details repeatedly.
3. Payment Plans: Offering payment plans can be an effective way to make products and services more affordable to low to middle market segments. Payment plans can be customized to suit the client's budget, and they can be structured to ensure that payments are made at regular intervals.
4. Cashback and Reward Programs: Offering cashback and reward programs can incentivize clients to use payment solutions more frequently. These programs can be designed to reward clients for making purchases, paying bills, or using a particular payment platform.

5. Financial Education: Providing financial education to low to middle market segments can help them better understand payment solutions and how to use them effectively. This can help to reduce the barriers to adoption and increase usage.

According to a report by McKinsey & Company, South Africa has a large underbanked and unbanked population, and increasing financial inclusion is critical to promoting economic growth and reducing poverty.

2.2.4 Factors contributing to the financial exclusion of lower LSM groups in payments solutions?

In South Africa, lower LSM (Living Standards Measure) groups are more likely to be financially excluded from participating in payment solutions as a result of a number of issues. These factors are as follows:

1. Restricted Access to Financial Services 1. 11 million people in South Africa do not have access to formal banking services, and 55 percent of adults in the country are financially excluded, according to a poll that was conducted by FinScope (FinMark Trust, 2019).
2. The Exorbitant Cost of Financial Services The exorbitant cost of financial services, including transaction fees and interest rates, can be a substantial barrier to financial inclusion for lower-level LSM groups. As a result of the high costs that many financial institutions in South Africa charge for even the most fundamental banking services, it can be difficult for those with lower incomes to afford these services.
3. A Lack of Financial Literacy: Many people with lower levels of financial sophistication have a general lack of financial literacy, which can make it challenging for them to understand and manage the complicated financial system. This lack of information about finances can lead to poor decision-making regarding finances as well as limited access to financial assistance.
4. The Limited Availability of Payment Solutions A large number of people who fall into lower LSM categories do not have access to payment solutions such as mobile banking and digital wallets, which can make it challenging for them to make payments and have access to financial services.
5. Discrimination and Bias: Are two factors that can play a role in the exclusion of lower-status groups from the financial system. For instance, in order to access specific

financial services, some financial organizations may need a certain minimum income or credit score, which can prevent people with lower incomes from gaining access. These factors contribute to a vicious cycle of financial exclusion, which can have significant economic and social consequences for lower LSM groups in South Africa.

2.2.5 Initiatives that promote the financial inclusion of lower LSM groups in South Africa through innovative payments:

In South Africa, the government as well as a variety of non-profit organizations have made it a goal to increase the financial inclusion of poorer LSM (Living Standards Measure) groups. The following is a list of organizations and references that are working to promote financial inclusion through innovative payment methods:

1. M-Pesa: M-Pesa is a cell phone money transfer and microlending service that was first introduced in Kenya in 2007. Since then, it has spread to a number of different nations, one of which being South Africa. Through the use of their mobile phones, clients of M-Pesa are able to send and receive money, pay bills, and access other financial services.
2. SnapScan: SnapScan is a mobile payments app that enables users to make payments by scanning a QR code. Users can download SnapScan from the App Store or Google Play. It is particularly helpful for small businesses in South Africa that do not have the infrastructure to take traditional payment methods. It is widely utilized in South Africa, especially in metropolitan regions, and it is especially prevalent in urban areas.
3. Hello Paisa: Hello Paisa is a digital wallet that was developed exclusively for people living in South Africa who are unable to make use of the conventional banking services that are available to them. Users will be able to use their mobile phones to send and receive money, pay bills, and access other financial services thanks to this feature.
4. South African Social Security Agency (SASSA): SASSA is a government body that is in charge of delivering social subsidies to individuals and families who are struggling financially. In recent years, the Social Assistance and Child Support Agency (SASSA) has adopted a variety of new payment mechanisms, including mobile payment choices, to improve the delivery of social grants.

2.2.6 Digital banking challenges and limitations

The provision of access to financial services in underserved communities can be increased through the use of digital banking, which has the potential to boost financial inclusion. In South Africa, however, lower LSM (Living Standards Measure) groups have hurdles and limits when it comes to digital banking.

1. Limited access to technology and connectivity: Lower-level LSM groups may not have access to cell phones or computers, and they may not have access to internet connectivity that is consistent. This is the first barrier to limited access to technology and connectivity. Because of this, utilizing digital banking services is made more difficult for them. Just 44% of residents in South Africa possessed a smartphone in 2019, according to a research conducted by the World Bank, and only 19% of adults had access to the internet.
2. A Lack of Digital Literacy: Several lower LSM groups may not be accustomed to utilizing digital devices and may lack the requisite digital literacy skills to use digital banking services. This could be a barrier for these groups to use digital banking services. Because of this, people may have trouble understanding how to use digital banking systems, which may deter them from making use of these services.
3. Trust and Security Issues: People in lower LSM categories may be hesitant to use digital banking services because of their worries about the safety of their private and financial information. This can be a substantial obstacle to adoption, especially in situations where there have been incidents of fraud or data breaches that have received a lot of public attention.
4. Restricted Product Offerings: There is a possibility that lower LSM groups will not be able to use some digital banking products. For instance, in order to purchase some products, lower LSM groups may not have the necessary assets, such as a minimum account balance or a credit history.

Standard Bank is an example of a South African financial institution that has made efforts to address these concerns. The financial institution has introduced a mobile banking application for cell phones known as SnapScan, which enables clients to make payments using only their mobile devices. Another illustration of this may be seen with Capitec Bank, which offers a streamlined digital banking platform that is user-friendly and intended to be accessible to lower-level LSM groups. Also, the financial institution provides a variety of programs for

financial education with the goals of enhancing the level of financial literacy as well as increasing the use of digital banking services.

2.2.7 Driving digital banking adoption, enablement and usage:

Digital banking is a crucial aspect of financial inclusion, and it can significantly improve the lives of lower LSM groups in South Africa (Banking Association South Africa 2020). Here are some recommendations for driving digital banking for lower LSM groups in SA:

1. Improve digital literacy: Lower LSM groups may not be familiar with digital banking, so it's essential to provide them with the necessary digital literacy skills. Financial institutions can offer training programs that teach people how to use digital banking platforms and educate them on online security and privacy.
2. Create user-friendly platforms: Banks should design digital banking platforms that are easy to use, even for people who are not tech-savvy. User-friendly platforms can be achieved through intuitive designs, simplified navigation, and clear instructions.
3. Offer affordable products: Many lower LSM groups are unable to afford traditional banking services due to high fees and charges. Financial institutions should design digital banking products that are affordable, accessible, and meet the specific needs of lower LSM groups.
4. Increase access to digital banking: Banks should aim to increase access to digital banking by making it available in areas where lower LSM groups reside. This could be achieved by setting up mobile branches or partnering with retail outlets to provide digital banking services.
5. Provide support: It's essential to provide support for lower LSM groups who are new to digital banking. Banks can provide dedicated support teams, hotline numbers, or chatbots to answer questions and provide assistance.

2.2.8 Is cash still king in South African banking?

Cash remains an important payment instrument in South Africa, but there has been a gradual shift towards electronic payments over the past few years. According to a report by the South African Reserve Bank (SARB) (SARB, 2020), the value of cash withdrawn from ATMs has declined by 9.4% in 2020, while electronic payments have increased by 11.2% in the same year. However, cash is still the preferred payment method for many South Africans,

particularly those in rural areas and low-income households who may not have access to electronic payment systems. According to a study by the Payments Association of South Africa (PASA), cash accounted for 57% of all consumer transactions in South Africa in 2019.

Mwangi and Gichinga (2018) believe that although digital banking has already been getting popular in many parts of the globe, cash has still been widely used and preferred by many individuals, especially in low-income communities. The authors propose that digital banking providers should think about the significance of cash in their offerings and devise strategies to meet the needs of those who prefer cash.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The qualitative methodology used in this study aims to improve access to banking channels and product options for South African clients in the low to middle market segments. Understanding the current payment ecosystem, identifying its shortcomings and potential, and developing actions that enable consumers to find out more about how they can contribute towards the development of the economy through savings and investments. The qualitative approach through interviewing is ideal because it comprises of semi structured questions that allow customers to express themselves freely and provide in depth response thus, allowing for a clearer outline for recommendations. The research design, research population, research sample, data collection techniques and instruments, and data analysis procedures are all covered in detail in this chapter.

3.2 Research Design Approach

This study employs qualitative research design that incorporates semi-structured interviews. Interviews are conducted via scheduled recorded telephonic or Zoom calls where a sample size of 10 people who would have opted in and provided consent; are asked questions in line with their accessibility to financial products, savings and investments.

The interview includes semi structured questions to provide a broad recommendations based on preferences and experiences of those who earn below R15 000 monthly and reside in Gauteng; how many of them have current savings and investments with their banks and if they receive marketing communications educating them about interest rates and the benefits of saving, the preferred ways in which communications and systems can be developed for these segments and seek to understand whether current rates and offerings are affordable and if indeed payment options are flexible enough. Once responses are collected, the statistical results are studied and explore participants' perspectives, experiences and opinions in greater depth.

3.2.1 Qualitative Studies

A qualitative approach is employed to investigate the individual experiences and perceptions of the current payments market. This section consists of conducting interviews and is intended

to provide insights into the why and how behind the initial statistical results, thereby enhancing the depth and context of the collected data.

3.3 Data Source Analysis

The primary data source were connections and mutual friends on social media platforms, namely: Facebook, LinkedIn and Twitter. Where the intention of the interview was be stated in a post, along with a link to the opt-in and provide consent, and state terms and conditions pertaining to anonymity and data usage. Respondents were asked to provide contact details and were contacted to confirm time and day of the interview. All responses were recorded via a telephonic call or Zoom call and stored via cloud storage.

A method known as theme analysis was be utilized to examine the qualitative data. This is helpful in understanding the consumers' subjective experiences as well as their impressions of the products their current banks offer them and ascertain affordability.

3.4 Research Population and Sampling Approach

3.4.1 Research Population

The target population for this study are South African consumers with low to middle incomes ranging from R3 500 to R15 000 per month. These are individuals who belong within the stated income bracket as defined by the National Treasury of South Africa (National Treasury, 2021). The population was identified and qualified by means on the interview invite post that was shared via a Facebook, LinkedIn and Twitter post. Only participants whose income levels match the outlined income ranges qualified to be part of the study. This demographic represents a significant market for payment solutions as it includes the majority of South African consumers.

3.4.2 Technique

To ensure that the sample is representative comprising of stratified random sampling. This method permits an accurate representation of the various population strata, including age, geographical location, and income levels. To minimize selection bias, individuals were selected at random within each stratum (Etikan et al., 2016). Furthermore, a word cloud

analysis tool was used to further determine themes and patterns emanating from the responses and provide a basis for recommendations.

3.4.3 Sample Size

The sample size for the interview was 10 people, determined by the principle of data saturation where only those whose income ranges between R3 500 and R15 000 were considered. This principle states that data collection should continue until no new information or themes emerge from the collected data (Saunders et al., 2018).

3.5 Data Collection Ethics

In any research study, ethical considerations are of paramount importance. This study is committed to conforming to the ethical guidelines for research involving human beings established by the American Psychological Association (APA, 2017) and the National Health Research Ethics Council of South Africa (NHREC, 2020).

3.5.1 Consent

Before participating in the study, informed consent forms were provided to all respondents. This form detailed the purpose of the study, the nature of their participation, the anticipated length of their participation, and their right to withdraw from the study at any time without penalty. Participants were required to sign a consent form, indicating their comprehension and willingness to participate (APA, 2017).

3.5.2 Confidentiality

All collected data was anonymized to protect the participants' privacy. Identifying information was removed or altered prior to data reporting. Data is stored on a secure server to which only the research team has access. In accordance with the NHREC's guidelines (NHREC, 2020), all hardcopy documents are stored in a secure location and disposed of after a specified period.

3.5.3 Usage and Management of Data

The data has been used exclusively for research purposes. No data has been sold or shared with third parties without the participants' explicit consent. The data has been managed and stored

in conformance with the Protection of Personal Information Act (POPIA, 2013) of South Africa.

3.6 Validity, Triangulation and Reliability

This research's validity and reliability was maintained as the respondents provided individual experiences over a call that has clear audio to reduce ambiguity. This methodology promotes authenticity and ensures that the findings accurately reflect the participants' perceptions and experiences.

Regarding qualitative data, the interview protocol has been rigorously adhered to guarantee consistency across interviews. To assure inter-coder reliability, the thematic analysis was coded by two independent coders, with discrepancies resolved through discussions (Neuendorf, 2002).

3.7 Chapter Summary

The qualitative research method through interviews offers a thorough method for exploring options for financial inclusion in the South African digital divide. The findings from the study seek to assess the level of access clients have to innovative payment and transacting solutions, savings and investments and education provided by their financial institutions to encourage financial inclusion and bridge the digital gap in South Africa.

CHAPTER 4: ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This study reveals the various obstacles and possibilities related to the accessibility and acceptance of new payment methods across low to middle market sectors in South Africa. This chapter examines the detailed viewpoints and experiences that influence the financial actions and preferences of a certain population, based on replies from ten participants. Key themes were identified regarding accessibility, cost, trust and security, and user experience, as well as digital literacy. These observations highlight the difficulties experienced by persons in these groups and emphasise the significance of customised financial education, infrastructure enhancement, and the introduction of inclusive financial products. The upcoming sections will elaborate on the primary themes and subthemes recognised, offering a thorough comprehension of the environment for inventive payment solutions and their impact on promoting economic involvement and expansion among South Africa's low to middle income groups.

4.2 Demographic Data

Table 1: Gender Distribution

Gender	Number of Respondents	Percentage
Male	6	60%
Female	4	40%

The gender distribution among the respondents shows a slight male dominance. This mix provides a balanced perspective on the accessibility of innovative payment solutions across different genders, which is crucial for identifying any gender-specific barriers or preferences in financial inclusion efforts.

Table 2: Level of Education

Level of Education	Number of Respondents	Percentage
High School	2	20%
Diploma/Certificate	3	30%
Bachelor's Degree	4	40%
Postgraduate Degree	1	10%

The level of education among participants varies, with a higher concentration of respondents having completed tertiary education. This suggests that the study's findings could be influenced by a relatively educated cohort, which might have a better understanding and potentially higher adoption rates of innovative payment solutions compared to the general population.

Table 3: Age Distribution

Age Range	Number of Respondents	Percentage
18-25	2	20%
26-35	4	40%
36-45	3	30%
46-55	1	10%

The age distribution indicates many of the respondents fall within the 26-35 age range, reflecting the views of younger to middle-aged adults who are likely to be more familiar with digital technologies. This demographic represents a significant segment of the working population and potential digital banking customers.

Table 4: Employment Status

Employment Status	Number of Respondents	Percentage
Employed	7	70%
Self-employed	2	20%
Unemployed	1	10%

The majority of respondents are employed, with a small segment being self-employed. This is indicative of the study's focus on individuals who are actively engaged in the economy and potentially more likely to require and use various payment solutions. The employment status helps to contextualise the financial behaviours and needs of the participants.

Table 5: Monthly Income

Monthly Income Range (ZAR)	Number of Respondents	Percentage
R3 500 - R7 000	3	30%
R7 001 - R10 500	4	40%
R10 501 - R15 000	3	30%

The income distribution spans the entire low to middle income range defined for this study. This diversity ensures that the findings consider the financial inclusion and accessibility of payment solutions across different income levels within the target market.

The demographic profile of the respondents provides a comprehensive overview of the participants, encompassing a range of genders, education levels, ages, employment statuses, and income brackets. Understanding these demographic variables is crucial for tailoring financial products and services that meet the specific needs and preferences of this varied group.

4.3 Findings

4.3.1 Main Theme 1: Accessibility to Innovative Payment Solutions

4.3.1.1 Subtheme 1.1: Awareness and Education

In exploring the subtheme of awareness and education, the survey found that many respondents were unaware of the entire range of innovative payment methods accessible to them. This knowledge gap highlights a larger issue in South Africa's low to middle market segments, where digital financial innovation has outpaced education and information efforts. This gap restricts the adoption of these solutions and limits their economic benefits. The respondents'

experiences might be summed up as a lack of information and a need for specialised financial education.

Participants' stories showed a demographic eager in using current financial instruments for personal and corporate needs but hampered by a lack of accessible, intelligible information. One respondent said, "I've heard of mobile banking and online payments, but I'm not sure what's available specifically for someone like me, with my income and lifestyle." One respondent said, "There are so many apps and services out there, but figuring out which one works for me, how to use them safely, and what the fees are like is overwhelming." These observations highlight a major flaw in the market's approach to introducing novel payment solutions: assuming availability alone will drive acceptance. These innovations are less likely to succeed without sufficient information on how they fit into low- to middle-market consumers' financial lives.

Discussion of financial education initiatives highlights an important part of financial inclusion. According to respondents, novel payment systems need extensive education programmes to demystify the technology and explain its practical benefits. Respondent 7's observation captures this need: "If there were some sort of class or even online tutorials that could show me step-by-step how to get started, what to watch out for, and how to make the most of these services, I'd be much more likely to give them a try." Respondent 2 said, "Banks and tech companies should do more than just market these products; they need to educate us on how to integrate them into our financial lives." These observations highlight a major error in the implementation of financial technologies: a concentration on tools rather than training users.

Financial education is considerably more than just using new payment platforms; it's about comprehending their financial repercussions. This includes charge knowledge, financial transaction security, and financial management and growth possibilities. Respondent 9 said, "Paying with your phone isn't everything. Understanding how this affects money management, saving, and investing." Participants' input shows a deep awareness of financial education hurdles. Information is scarce, but accessibility and relevancy are also issues. Respondent 4 said "Even when there is information out there, it's filled with jargon, or it's not tailored to someone in my financial situation." This emphasises that financial education should be accessible and contextually relevant to the target audience's needs.

This subtheme emphasises the importance of focused, relevant, and accessible financial education to close the information gap in financial inclusion. The respondents' narratives reveal a need for knowledge that may boost the acceptance and use of innovative payment options. Such activities could ease low-to-middle market transfers to digital financial platforms and open new economic participation and growth options. Financial services stakeholders can create a more inclusive financial ecosystem that uses technology to benefit more South Africans by addressing awareness and education.

4.3.1.2 Subtheme 1.2: Digital Infrastructure

Digital infrastructure in South Africa's innovative payment solutions is a complex issue that includes both digital finance's technological foundations and the physical banking infrastructure that supports financial transactions. This issue hinges on internet and mobile access and banking infrastructure, such as ATMs and bank offices, to support and integrate digital financial services. Respondents described a complex landscape where infrastructural constraints limit the promise of digital finance, preventing the adoption and use of novel payment methods.

The lack of stable internet and affordable smartphones hinders digital financial inclusion. Respondents worried about internet service reliability, which affects their ability to use digital payment platforms. Respondent 1 noted, "Even simple transactions are difficult without a consistent internet connection. Days when the internet is down prevent me from doing anything." Several participants agreed, emphasising the importance of reliable internet access in digital finance. Respondent 8 also raised affordability concerns, saying, "Even if the internet were stable, data and smartphone prices would deter many. A decent phone is needed to operate most apps, which is expensive." These findings show that technological access and cost limit digital financial services' spread.

4.3.2 Main Theme 2: Affordability and Financial Inclusion

4.3.2.1 Subtheme 2.1: Cost Barriers

Cost barriers to adopting new payment systems in South Africa reveal financial costs that may prevent low- to middle-income earners from using digital finance. Participants raised two major concerns: excessive transaction costs and prohibitive account maintenance fees. These

financial restrictions discourage digital payment methods and highlight the issue of financial accessibility in a fast digitising economy.

The study's participants said transaction fees hinder the enthusiastic adoption of novel payment alternatives. Respondent 2's dissatisfaction reflects many's: "Fees prevent me from using digital payment services. Like being punished for using your own money." This comment reflects a broader disenchantment with digital transaction costs, which many believe hinders ease and efficiency. Respondent 4 eloquently noted, "Transaction fees can add up when budgeting to the last rand. Paying cash sometimes feels cheaper." These narratives illustrate a paradox in digital finance: technology supposed to increase access and financial inclusion may exclude those most in need due to cost.

Transaction fees are compounded by digital wallet and bank account maintenance fees. Many respondents find these ongoing charges prohibitive to using digital banking services. Respondent 6 describes this dilemma: "I opened a digital wallet to better manage my money, but the monthly maintenance fees ate into my funds. I had to close." This story demonstrates how maintenance costs hinder financial management and savings, especially for frugal families.

Participants' tales show a nuanced grasp of cost obstacles and financial behaviour. Digital payment solutions' adoption depends on cost-benefit analysis. Respondent 5 said, "I consider digital payment convenience versus cost. I usually decide it's not worth it." Low- to middle-income people use digital financial services based on this cost-benefit analysis, which is significantly influenced by fee structure and transparency. Several respondents noted the difficulty of understanding charge structures and anticipating transaction costs, making transparency a key concern. Respondent 7 noted, "Fees aren't always disclosed until charged. It renders these services untrustworthy." .

4.3.2.2 Subtheme 2.2: Inclusive Financial Products

Inclusive financial products in South Africa, particularly for low-to-middle market sectors, reveal important financial demands and preferences. Many respondents expressed a need for accessible financial products tailored to the unique difficulties and opportunities of individuals and enterprises in these income levels. This demand ranges from customised financial products

that represent these sectors' unique financial realities to micro-financing and credit solutions that support entrepreneurship and personal financial success.

Due to the fact that low-to-middle-income earners often confront different financial situations than higher-income earners, such services are needed. Respondent 1 indicated that, "We need products that understand our day-to-day struggles, like fluctuating income levels and the need to stretch every rand." Respondent 3 said, "Banks offer complicated products with features we don't need. We need something simpler, direct." These reflections show that participants want financial solutions that relate to their lives and help them manage their finances.

Calls for micro-financing and credit solutions illuminate another aspect of financial inclusiveness. South African SMEs, which make up a large component of the economy, typically struggle to grow and survive due to financial constraints. Respondent 5, a SME owner, noted: "Bank loans are terrible. Smallness makes us unviable. How can we grow without that support?" This emphasises the need of microfinancing in bridging standard banking criteria and SME reality.

The discussions about inclusive financial goods also emphasise financial industry innovation and responsiveness. Product development must anticipate and react to changing financial needs in low to middle market segments. Respondent 2 said, "Our financial demands change with the world. Banks must adapt and create products that reflect those developments." This emphasises the need for financial institutions to continuously communicate with customers and use their feedback to improve their products.

4.3.3 Main Theme 3: Trust and Security

4.3.3.1 Subtheme 3.1: Data Privacy Concerns

Many research participants worried about the security of their financial and personal data when transacting online. Respondent 1 expressed a frequent concern, "The convenience of digital payments is great, but I'm always worried about who else might be accessing my personal information." This sentence captures the paradox of digital money, where ease and accessibility are balanced by data privacy issues. Respondent 3 said, "I've read about data breaches and hacks, and it makes me think twice before using any digital payment service." Many respondents worried about the financial dangers of digital transactions due to fraud and scams,

compounding data privacy concerns. Response 5 illustrates this fear: "A buddy of mine was a victim of a digital payment platform phishing scam, which was a nightmare. It's made me cautious." Digital payment systems are viewed as unsafe due to personal or vicarious fraud experiences, which deters adoption. Respondent 7 added, "I worry about scams when I'm asked to update my payment info. Finding trustworthy people is difficult." These sentiments reflect a larger concern about fraudster sophistication and the apparent inadequacy of present protections against such scams.

The combination of personal data security concerns and fraud fears hinders digital payment options. Data privacy concerns harm digital finance adoption and financial system trust. This appeal for education emphasises the significance of informed consumer behaviour in increasing personal data security and may mitigate data privacy and fraud problems.

4.3.3.2 Subtheme 3.2: Trust in Financial Institutions

Trust is crucial between financial service providers and their clients in an age of digital transactions. This trust covers transaction security, cost transparency, data usage, and the practical benefits of modern payment methods. The interaction with respondents showed the varied problems and expectations of this relationship, revealing ways financial institutions might build confidence and promote digital financial services.

Respondent 4 emphasised that empathy and engagement are crucial, "Banks must demonstrate that they care about our well-being, not simply profits. You must first listen and comprehend our requirements.". These reflections suggest a bigger desire for client-centered financial services that focus on low- to middle-income earners' real-world needs.

Additionally, data usage discussions reflect increased privacy and ethical concerns about personal information. Common worry from respondent 7: "I want to know how my data is used. It's hard to trust them with my money if they're not upfront.". This request for clarity goes beyond marketing and requires financial firms to explain and demonstrate their services' financial health and mobility benefits.

Financial institutions must work to demystify their operations and offerings so clients may make educated financial decisions. This requires simplifying communication and aggressively

educating clients about digital finance's costs, risks, and rewards. Creating platforms or places where customers can vent issues, ask questions, and get simple responses helps boost trust.

4.3.4 Main Theme 4: User Experience and Digital Literacy

Digital payment platforms have revolutionised financial transactions with several advantages and improvements. The switch from traditional to digital financial services has not been smooth for everyone. A major worry is the usability of these digital platforms, notably their simplicity of use and language and localisation options. This issue is especially strong among elderly people and those with low digital literacy, who struggle to navigate digital money. The request for platforms to offer local language and context services emphasises a larger issue of digital banking accessibility and diversity.

Respondents repeatedly cited ease of use as a major obstacle to digital payment solution uptake and use. Respondent 2 complained, "I couldn't use one of those payment apps. There was no one to aid with the complexity." This emotion highlights the frustration and alienation people who struggle with digital platforms feel, frequently leading to reluctance or unwillingness to use them. Respondent 6, an older user, said, "These apps aren't for us. Buttons are too small, directions are vague, and mistakes are simple." These experiences reveal a major design flaw: digital payment platforms often neglect the usability demands of a large section of their potential users in their pursuit of innovation.

Digital literacy complicates usability. Digital platform navigation is difficult for many people, especially those who were not raised in the digital age. Respondent 4 said, "I'm not tech-savvy. Something simple and understandable please. I'm better off with cash otherwise." This perspective highlights the need for digital finance solutions to be simple and intuitive so that consumers of all digital literacy levels can utilise them.

Digital payment platforms need user-centered design and inclusive methods to address ease of use, language, and localization issues. This method entails including consumers from varied backgrounds and digital literacy levels in design and development to represent their requirements and preferences. Investing in user education and support services can also improve digital platform usability, giving consumers the tools they need to effectively navigate the digital banking ecosystem. Adjustable text sizes, intuitive navigation pathways, interactive

tutorials, language support, and culturally relevant information are included. These principles can help financial institutions and digital payment providers remove usability and accessibility barriers, creating a more inclusive digital finance environment.

4.5 Chapter Summary

This chapter discussed the necessity of digital literacy training and community engagement in bridging the digital divide and ensuring safe, effective adoption of innovative payment systems. According to respondents, a large knowledge gap prevents the wider adoption of digital financial services, especially among older and less digitally literate people. The chapter stressed the need for accessible, comprehensive digital literacy programmes that teach digital payment system mechanics and increase understanding of the digital financial ecosystem, emphasising security, privacy, and fraud prevention. The significance of community participation in improving the relevance and effectiveness of these training programmes showed the benefits of hands-on, individualised educational activities that meet the needs and situations of varied populations. By combining digital literacy training with community participation, financial institutions and digital payment providers may promote trust, inclusivity, and enable all members of society to navigate the digital financial landscape safely.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

As we culminate our exploration of the digital financial landscape and its implications for low to middle income segments in South Africa, this conclusion chapter seeks to encapsulate the pivotal findings, discussions, and recommendations that have emerged from our study. Through a comprehensive analysis that spanned across diverse themes such as trust in financial institutions, digital literacy, usability of digital platforms, and inclusive financial products, this research has illuminated the complex interplay between technology and financial inclusion. It has underscored the critical need for enhanced digital literacy, user-friendly digital payment solutions, and the cultivation of trust between financial service providers and their clientele. As we delve into the concluding insights, it is imperative to reflect on the ways in which these findings not only shed light on current challenges but also pave the way for actionable strategies to foster a more inclusive, secure, and empowering digital financial ecosystem for all South Africans.

5.2 Summary of the Findings

a) To determine the level of accessibility clients have to savings and investment products offered by their current banks

The study's examination of clients' access to bank savings and investment products highlights numerous key financial inclusion issues in South Africa. The literature review highlights restricted access to credit, banking services, and payment solutions as a major barrier to financial inclusion, making this inquiry particularly relevant. Traditional financial institutions have historically underserved low- to middle-market consumer segments. The literature discusses how innovative payment methods and financial products can dramatically improve access to financial services for these segments, aligning with the World Bank's (2021) definition of financial inclusion as access to useful and affordable financial products and services.

The study found a complex accessibility landscape, with several respondents unaware of their entire savings and investment options. This information and understanding gap hinders financial services acceptance and use. According to the research, financial education and

awareness are essential to financial inclusion. Wang and Wang (2017) and GSMA (2021) note that digital wallets and mobile money reduce transaction costs and make financial services more accessible to low-income people. The effectiveness of these innovations depends on users' awareness and comprehension of how to use them for economic benefit, highlighting a major gap between financial services' availability and targeted consumer segments' uptake.

As part of the digital divide literature, the study's findings on the difficulties of accessing new payment capabilities and savings products through banks, whether in-person or online, are relevant. The World Bank (2020) reports that just 22% of Sub-Saharan Africa's population has internet connectivity, which limits access to digital financial services for low-income people. This constraint is not just technological but also reflects socio-economic and infrastructural gaps, suggesting that introducing digital financial services without addressing the underlying barriers to access is insufficient.

Respondents' comments on payment alternatives and savings products emphasise the importance of providing financial services that are technologically innovative, inexpensive, and suited to low- to middle-income earners. Prepaid cards and mobile money are cheaper than traditional banking services for low- and middle-income users, reflecting this need for affordability and customisation (Mzukwa & Tengeh, 2018; Jack & Suri, 2014). The study's findings support the literature's need for affordable, understandable financial solutions.

Respondents were concerned about bank security and privacy, especially online. Studies show that data privacy and security are crucial to confidence in digital financial services (Mas & Radcliffe, 2011). Data security and fraud concerns greatly reduce consumers' willingness to use digital financial platforms, making it vital for banks to promote savings and investment products.

Interestingly, the study's conclusions on the need for more educational resources and tools to assist clients understand and choose the correct products match the literature's focus on financial literacy as a vital component of financial inclusion. As a repeating subject, banks must supply not only financial goods but also the knowledge and skills to use them efficiently. Education is key to bridging the gap between service availability and actual use.

b) To determine how the use of innovative payment systems improved access to financial products and services.

Studying the impact of new payment systems on enhancing access to financial products and services shows a complex situation with notable progress and ongoing obstacles. The incorporation of digital technologies into the financial industry has expanded the range of financial services available to the general population, especially for low to middle market segments in South Africa, as shown in the literature review and findings of this study. Mobile money, digital wallets, and online banking platforms are important technologies that help bridge the financial inclusion gap by providing a more convenient, efficient, and cost-effective way to perform financial transactions.

The literature review highlights the significant impact of digital payment solutions in reducing transaction costs, improving service accessibility, and promoting economic participation in marginalised communities (Wang & Wang, 2017; Mzukwa & Tengeh, 2018; GSMA, 2021). Respondents reported a significant enhancement in their ability to obtain financial services as a result of the introduction of digital payment methods, consistent with the study's results. Several participants emphasised the simplicity and user-friendly nature of mobile banking apps and digital wallets, which have significantly increased the accessibility of financial services. Accessing financial services from home has decreased physical and logistical constraints that previously hindered transactions, account monitoring, and credit product availability.

The results also reflect issues discussed in the literature about the digital divide and its influence on financial inclusion (World Bank, 2020; Njuguna & Muturi, 2020). Although digital finance has progressed, inequalities in accessing essential technological infrastructure, such dependable internet connection and cost-effective smart gadgets, nevertheless hinder the extent and impact of these advancements. Individuals in rural or economically deprived regions face challenges in utilising digital payment systems, indicating a significant area where the potential of financial technology has not been completely achieved.

c) To explore the challenges clients experience in the use of innovative payment systems.

Exploring customer difficulties with novel payment methods helps understand the barriers to digital financial inclusion. This study and the literature review show that digital payment

systems can improve financial services access, although significant problems remain. These obstacles slow technology uptake and lower user experience, limiting the socio-economic benefits of such breakthroughs.

The literature research highlighted the digital divide, which is the gap in digital technology access across different groups (World Bank, 2020; Njuguna & Muturi, 2020). Rural and low-income people are particularly affected by this technical and socioeconomic difference. The survey found that dependable internet connectivity and smart device affordability remain major hurdles despite broad mobile phone usage. This technology divide limits the access of a large segment of the population to innovative payment systems, perpetuating financial inequality.

Digital literacy among potential users is another issue. Digital financial services acceptance and use depend on knowledge and awareness, according to the literature study (Morawczynski & Ngwenyama, 2007; Donovan & Schloemer, 2014). The study found that respondents wanted more thorough and accessible financial education programmes. Digital payment platforms are daunting or too complicated for many users, highlighting a gap between their capabilities and their intended users' competencies. Lack of digital literacy limits the uptake of digital payment solutions and increases worries about online transaction security and privacy, which the research highlights as crucial to user trust in digital financial services (Mas & Radcliffe, 2011).

Digital payment platforms face usability and design issues. Despite advances, many digital financial services are difficult to use, especially for older people or those with little computer literacy. The study and literature emphasise the necessity for platforms to deliver services in local languages and settings to increase usability and accessibility (Jack & Suri, 2014). This highlights a bigger issue of how digital banking solutions are conceptualised and executed, calling for a more user-centered approach that considers varied user demands and preferences.

Creating a more inclusive and equitable digital financial ecosystem requires bridging the digital gap, developing digital literacy, assuring the affordability and security of digital financial services, and improving digital payment platforms' usability and accessibility.

5.3 Conclusion of the Study

This study concludes that payment system innovation and financial inclusion, particularly in South Africa, are interconnected. This research examined the accessibility of banking services, the transformative potential of innovative payment solutions, and the challenges of adopting these digital platforms to reveal both the progress made and the challenges still ahead in creating a more inclusive financial ecosystem.

The study revealed several major obstacles to the widespread adoption and successful usage of novel payment systems. The digital gap continue to plague rural and economically disadvantaged populations, limiting access to technology and the internet. This technical gap highlights the need to expand digital infrastructure and provide connectivity to all South Africans. Additionally, digital literacy is vital to using digital financial services properly. The findings highlight the need for comprehensive educational programmes to equip consumers with the knowledge and skills to confidently navigate the digital financial ecosystem. Such programmes are crucial for promoting digital payment solutions and assuring user safety and security.

Trust and security in digital transactions are also major concerns for users. Digital payment methods are convenient, but data privacy and fraud concerns have reduced interest. Financial institutions must communicate openly, deploy strong security measures, and educate people about safe online practices to address these issues. According to the interviews conducted, pricing is a major issue in digital financial services' accessibility and appeal. High transaction fees and account maintenance charges can prevent customers, especially low-income ones, from using digital payment alternatives. This suggests that financial organisations should rethink their pricing structures to meet quality and security standards at lower costs. The problems revealed in this study are not insurmountable, but they show where focused efforts might boost financial inclusion. Payment system innovations have shown they can change finance. Addressing systemic impediments to access and involvement is necessary to maximise this potential.

5.4 Limitations

When discussing the limitations of a study, it's crucial to address the factors that may have influenced the results or the interpretation of those results. For a study on innovative payment systems and financial inclusion, limitations might include:

a. **Sample Size and Diversity**: The study may have been limited by the size and demographic diversity of the participant pool. If the sample was too small or not sufficiently diverse, the findings might not be generalizable to the broader population.
b. **Geographical Scope**: Limitations related to the geographical focus of the study can affect the applicability of findings to other regions. Financial inclusion and the use of innovative payment systems can vary significantly across different areas due to cultural, economic, and regulatory differences.
c. **Temporal Constraints**: The study's findings are contextual to the time when the research was conducted. In rapidly evolving fields like digital finance, new developments could quickly make the results less relevant.
d. **Methodological Constraints**: The research methods used (e.g., surveys, interviews) might have limitations in capturing the full complexity of individuals' experiences with innovative payment systems. For example, self-reported data can be subject to bias.
e. **Technological Developments**: The fast pace of technological innovation in payment systems means that new solutions could emerge, addressing some of the challenges identified in the study. Thus, the study's conclusions might be limited by the current state of technology.

5.5 Recommendations

Based on the findings and limitations of the study, recommendations can be formulated to address the identified challenges and to guide future efforts in improving financial inclusion through innovative payment systems:

1. **Enhance Digital Literacy**: Develop and implement widespread digital literacy programs, focusing on rural and underserved communities to ensure that more individuals can safely and effectively use digital payment systems.
2. **Improve Infrastructure**: Advocate for investments in digital infrastructure, including internet access and mobile network coverage, especially in remote areas, to remove technological barriers to financial inclusion.
3. **Regulatory Frameworks**: Recommend that policymakers and regulators create supportive frameworks that encourage innovation in financial services while protecting consumers from fraud and ensuring the privacy and security of their data.

4. **Affordability of Services**: Encourage financial institutions and service providers to review their fee structures to make digital financial services more affordable, particularly for low-income users.
5. **User-Centric Design**: Suggest that service providers adopt a user-centric approach in designing and developing payment systems, ensuring they are accessible, intuitive, and meet the diverse needs of the population.
6. **Foster Partnerships**: Promote collaborations between governments, financial institutions, technology companies, and non-profits to develop integrated solutions that address the multifaceted challenges of financial inclusion.
7. **Ongoing Research**: Call for further research to continually assess the impact of innovative payment systems on financial inclusion, considering emerging technologies and changing socio-economic conditions.

5.6 Future Studies

Future research on cutting-edge payment systems and financial inclusion should build on the fundamental findings of this study by investigating a broader range of demographic factors and geographic areas to improve the applicability of results. It is essential to study the enduring effects of digital financial services on economic empowerment and poverty reduction by monitoring shifts in financial behaviours over an extended period. Comparative research analysing various regions in South Africa and other nations could provide insights into how cultural, legislative, and economic issues impact the adoption of novel payment methods. Studying the possibilities of new technologies like blockchain and cryptocurrencies to enhance financial inclusion offers a promising direction for future research. By focusing on these areas, future studies can help develop a more detailed knowledge of how digital finance can be used to promote inclusive economic growth and resilience in marginalised communities.

5.7 Chapter Summary

This chapter has delved into the critical examination of innovative payment systems and their role in advancing financial inclusion in South Africa, highlighting both the progress achieved and the challenges that persist. Through the analysis of accessibility to banking services, the impact of digital payment innovations, and the various obstacles encountered by users, the study has painted a comprehensive picture of the current financial inclusion landscape. The

limitations section acknowledged potential biases and gaps within the study, suggesting areas for methodological improvement and further research. Recommendations were proposed to address the identified challenges, emphasizing the importance of digital literacy, infrastructure development, regulatory support, affordability, user-centric design, and collaborative efforts between key stakeholders. Future studies were outlined to suggest directions for continued exploration, aiming to build on the knowledge base established by this research. Overall, the chapter encapsulates the study's contributions to understanding financial inclusion through innovative payment systems, offering insights for financial institutions and service providers in their efforts to create a more inclusive financial ecosystem.

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