

What Will It Take to Scale Merchant Payments? Harnessing the Digital Opportunity



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M4D





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This activity includes advancing policy, tackling today's biggest societal challenges, underpinning the technology and interoperability that make mobile work, and providing the world's largest platform to convene the mobile ecosystem at the MWC and M360 series of events.

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GSMA Mobile Money

The GSMA's Mobile Money programme works to accelerate the development of the mobile money ecosystem for the underserved.

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Introduction

Mobile money continues to drive financial inclusion across low- and middle-income countries (LMICs). At the end of 2024, there were more than half a billion active accounts transacting \$4.6 billion a day¹. In Sub-Saharan Africa, adults with a mobile money account surged from 27% in 2021 to 40% in 2024, and for a third of adults with a formal account, mobile money is the only financial account they have².

Digital merchant payments are emerging as one of the most competitive and fast-growing digital financial services (DFS). They are instant, convenient and safe, and while they can be made using a bank card, much of the increase has been driven by the growth in mobile-enabled payments and mobile money. In 2024, 42% of adults in LMICs made a digital merchant payment³, which translates to 2 billion people.

From September 2023 to June 2024, the average number of merchant accounts registered with mobile money providers grew by 40%⁴, vastly increasing the number of locations where customers can pay digitally. With more than \$100 billion transacted in 2024, merchant payments, or person-to-business (P2B), are now the highest value transaction type after person-to-person (P2P) transfers⁵.

Beyond convenience, digital merchant payments benefit both merchants and customers by building a digital data trail that can be used to access credit and other DFS. For micro- and small- merchants, as well as customers who are otherwise excluded

from the formal financial system, this robust data on transactions can boost creditworthiness, lowering the risk for lenders and costs to consumers. This provides an additional incentive to adopt digital payments.

With an estimated \$26 trillion in payments still made in cash globally in 2024⁶, the opportunity for digitalisation is immense. Digital public infrastructure (DPI) is providing the foundation for instant payments, including via QR codes, which are driving rapid growth in markets such as India, Indonesia and Brazil. In maturing mobile money markets, there is huge potential to build on the trust and familiarity of P2P transfers to digitalise a greater share of merchant payments.

Yet, there are key barriers that must be addressed for merchant payments to scale. These include the affordability of smartphones, financial and digital literacy, safety and security, and connectivity challenges, particularly in rural areas. Success will depend on digital payment mechanisms that are instant, interoperable and as convenient and widely accepted as cash by both merchants and customers.

¹ GSMA. (2025). *The State of the Industry Report on Mobile Money 2025*.

² World Bank. (2025). *The Global Findex Database 2025*.

³ Ibid.

⁴ GSMA. (2025). *The State of the Industry Report on Mobile Money 2025*.

⁵ According to the GSMA (2025), P2P transactions are still six times larger than P2B.

⁶ McKinsey & Company. (2024). *Global payments in 2024: Simpler interfaces, complex realities*.

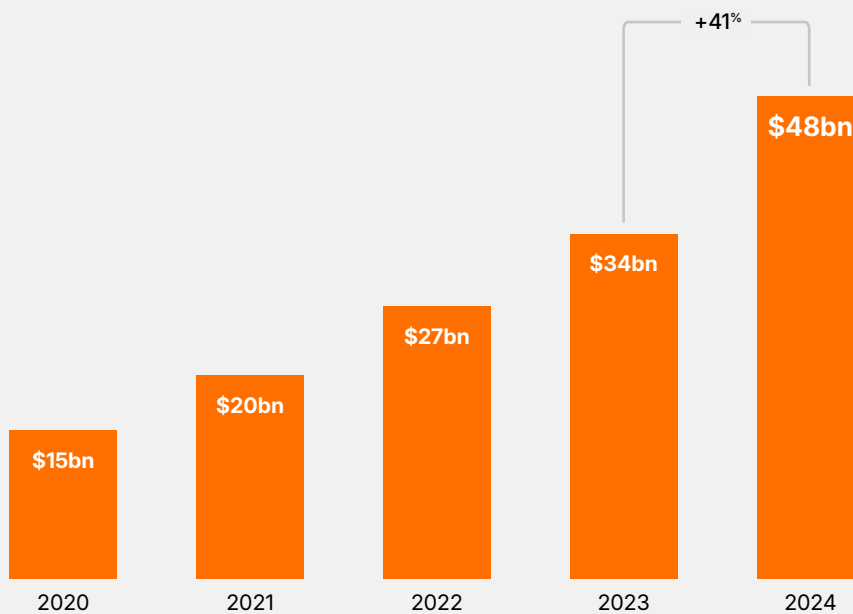
The state of merchant payments in Africa

Merchant payments have accelerated over the past few years, driven in part by the COVID-19 pandemic. In 2024, half a billion merchant payments were processed monthly in Sub-Saharan Africa, amounting to \$5.8 billion a month, on average.⁷

Regionally, East Africa dominates this growth, which is driven mostly by Kenya. The region processed \$48 billion in merchant payments in 2024, an increase of 41% year on year, and accounts for almost half of all merchant payment values worldwide.⁸

Figure 1

Growth of merchant payment values in East Africa, 2020–2024



Source: GSMA. (2025). *The State of the Industry Report on Mobile Money 2025*.

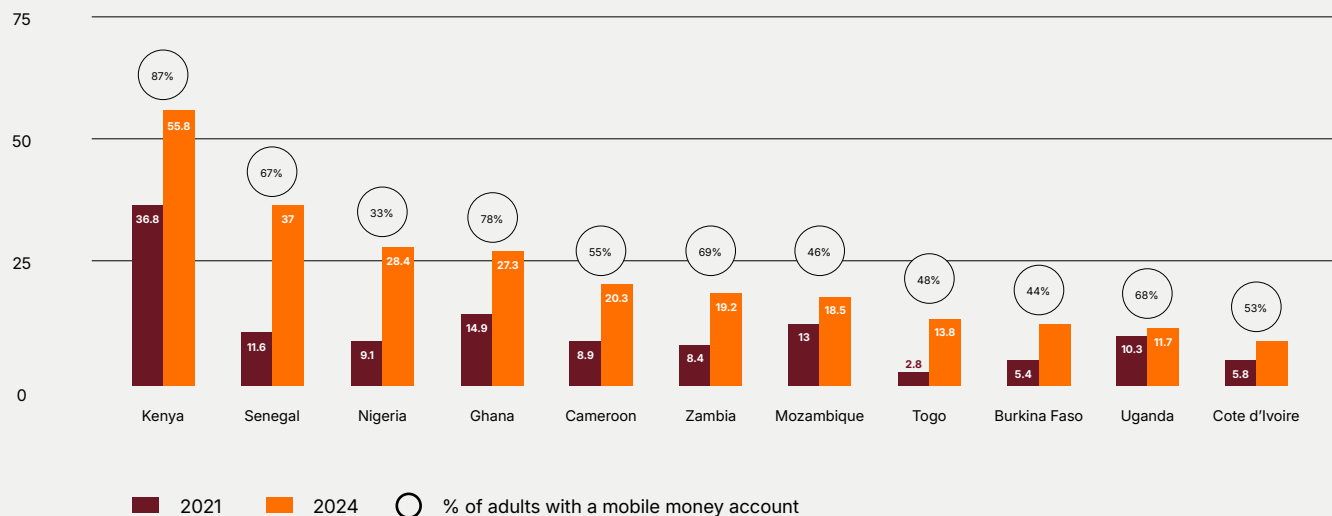
⁷ GSMA. (2025). *The State of the Industry Report on Mobile Money 2025: Sub-Saharan Africa, East Africa & Asia*.

⁸ Ibid.

Figure 2

Proportion of adults who made a digital merchant payment

Percent of total adult population (aged 15+)



Source: World Bank Global Findex Database 2025.

Kenya continues to lead on merchant payments in the region.

More than half of adults made a merchant payment in 2024 (56%).⁹ The almost ubiquitous uptake and usage of mobile money means that merchant payments can build on the P2P habit, convenience and trust in the market. In addition, key players, notably Safaricom, can offer payment products designed for small- and micro-merchants, enabled by Kenya's regulatory environment. Tanzania and Uganda, while having high rates of mobile money account ownership, have substantially lower rates of adults making digital merchant payments (4% and 12% respectively, see Figure 2).¹⁰

West Africa has also seen significant growth in adults making merchant payments.

While the percentage of 30-day active accounts in the region has only increased by four percentage points since 2021,¹¹ the proportion of adults making

a digital merchant payment has more than doubled in Nigeria and Senegal, with other smaller markets such as Cameroon, Burkina Faso and Togo growing at a faster rate (Figure 2). However, merchant payments lag in Côte d'Ivoire, where only 9% of adults made a digital merchant payment in 2024, despite more than half of adults having a mobile money account.

Southern Africa Zambia stands out for growth in merchant payments.

The proportion of adults who made a digital merchant payment has more than doubled since 2021, increasing from 8% to 19% (Figure 2).

Outside Kenya cash is still dominant.

In 2024, 20% of adults in Sub-Saharan Africa paid a merchant digitally at least once. This means that 80% of the adult population in Sub-Saharan Africa relied solely on cash for all their merchant payments.

⁹ World Bank. (2025). *The Global Findex Database 2025*.

¹⁰ While paying merchants via P2P may be common, it is not reflected in this data. It is also important to note that the World Bank's Global Findex Database counts adults who have made at least one in-person digital merchant payment in the last year, so it does not reflect active use.

¹¹ GSMA. (2025). *The State of the Industry Report on Mobile Money 2025: Sub-Saharan Africa, East Africa & Asia*.

The potential impact of merchant payments



Digitalising merchant payments can drive economic growth.

It is estimated there are 12.7 million firms in Sub-Saharan Africa, most of which are micro, small, and medium enterprises (MSMEs) and more than 230 million “own-account businesses”,¹² which mostly operate informally.¹³ Micro and small enterprises (MSEs) are the backbone of the economy, representing around 80% of employment on the continent.¹⁴ Digitalising merchant payments for this segment is therefore key to the digitalisation of the overall economy. A one percentage point increase in digital payments is associated with a 0.1% increase in GDP per capita.¹⁵ This is due to fewer informal businesses (and the creation of a data trail), greater financial inclusion and credit access, increased efficiency, cost reductions and the expansion of e-commerce.¹⁶ The growth in mobile money also has a greater impact on GDP growth as its share of ecosystem transactions increases, including merchant payments.¹⁷



For merchants, digitalising payments offers security and efficiency, and is a gateway to greater financial inclusion.

Keeping funds digital can avoid the risks of holding cash, such as theft and travelling with larger sums of money. Well-designed merchant

payment solutions provide operational efficiencies as merchants are able to separate business and personal finances, keep accurate records of receipts and payments, and make digital payments to staff and suppliers. Digitalising payments also enables merchants to build a digital financial profile that can be used to demonstrate creditworthiness and access loans. Given the scale of the MSME financing gap¹⁸ and new developments in AI and analytics, leveraging digital data for tailored credit provision has significant potential. However, in most markets, the value proposition for merchants to switch to digital payments is still insufficient (see next section).



For consumers, digital payments provide convenience, greater security and a way to build a digital credit profile.

Mobile money has been a catalyst for financial inclusion, especially for underserved customers like women, rural populations and young people, who are often excluded from formal financial services. Digital payments provide a way to build a robust economic profile to access financial services via their mobile phone, including credit and insurance.

¹² This International Finance Corporation (IFC) definition refers to firms with more than one worker and uses “own-account business” where the proprietor is the sole employee.

¹³ Cruz, M. et al. (2025). *Estimating the Number of Firms in Africa*. Policy Research Working Paper 11032. International Finance Corporation (IFC).

¹⁴ Amoussou, O., Karagueuzian, C. and Bah, M. (2021). “*African SMEs through COVID-19: Challenges, Policy Responses and Recommendations*”. Africa Economic Brief, Volume 12, Issue 5. African Development Bank.

¹⁵ Aguilar, A. et al. (2024). *Digital payments, informality and economic growth*. BIS Working Papers No 1196. Bank for International Settlements (BIS).

¹⁶ Ibid.

¹⁷ GSMA. (2023). *How digital payments have impacted economic growth*.

¹⁸ The IFC estimates the MSME financing gap at \$5.7 trillion in 2025, rising to \$8 trillion when informal enterprises are included. IFC. (2025). *MSME Finance Gap: An updated Estimation and Evolution of the Micro, Small and Medium Enterprises (MSME) Gap in Emerging and Developing markets*.

Barriers to scaling merchant payments

Box 1



Why don't more micro-merchants go digital?

01 Fees

Merchant discount rates (MDR) of even 0.5–3% for micro-merchants operating on the thinnest margins are too costly to be worth it.¹⁹

02 Preference for cash

This remains the greatest barrier to mobile money account ownership.²⁰ Cash is tangible, immediate and free, and the costs associated with it (storage, theft risk, travel time) are known and normalised in business.²¹

03 Non-digitalised supply chains

Suppliers and wholesalers may require cash payment or cash-out fees to be added to a P2P transfer, adding costs for merchants.

04 Hardware costs

Certain merchant payment solutions may require a point of sale (POS), a particular type of smartphone, plus a data connection and electricity.

05 Customer friction

A sale may be lost if customers cannot pay easily and quickly or if the confirmation is not received immediately. Customers may not have a smartphone for QR code payments or may simply prefer to use cash.

06 Ill-suited products

Digital payment products may not be designed for the realities, needs and challenges of micro-merchants.

07 Fear of formality

Digital trails create visibility, which has positive benefits, but may also create a deterrent for informal merchants who may be concerned about tax implications and compliance, or the introduction of government levies.

¹⁹ Pillai, R., Baatjies, N. and Faz, X. (26 September 2025). "Why merchants still choose cash in Sub-Saharan Africa". CGAP Blog.

²⁰ GSMA. (2025). *The State of the Industry Report on Mobile Money 2025*.

²¹ Pillai, R., Baatjies, N. and Faz, X. (26 September 2025). "Why merchants still choose cash in Sub-Saharan Africa". CGAP Blog.

Barriers to scaling merchant payments

Box 2



Why don't more customers pay digitally?

01 Costs

Where digital payment solutions cost the customer, even a small amount, they are unlikely to pay digitally.

02 Device or access gaps

Customers may not have a smartphone to pay via QR code (or a data bundle if an app is required to validate a payment). Women and those living in rural areas in particular are less likely to own a smartphone.²²

03 Cash habit

Cash is well understood and universally accepted. Changing behaviour requires additional mental effort and a strong perceived benefit to switch.

04 Complex process

If payments require multi-stage USSD menus or user interfaces are not intuitive, transactions waste time and add unnecessary complexity, especially for customers with lower literacy or digital skills.

05 Low trust or confidence

Customers with limited literacy or digital skills may fear making mistakes, such as sending money to the wrong person or falling victim to fraud or cybersecurity threats.

06 Lack of customer support

Where grievance redress mechanisms, especially refunds, are slow or cost the customer time and money, they may default to cash.

07 Patchy or unreliable network

Delays in payment acceptance and confirmation messages create friction for customers wishing to make digital payments.

²² GSMA. (2025). *The State of Mobile Internet Connectivity 2025*.

What's working?

Despite these challenges, digital merchant payments are growing. QR codes and payment products designed specifically for micro- and small merchants are facilitating greater uptake.

Spotlight 1

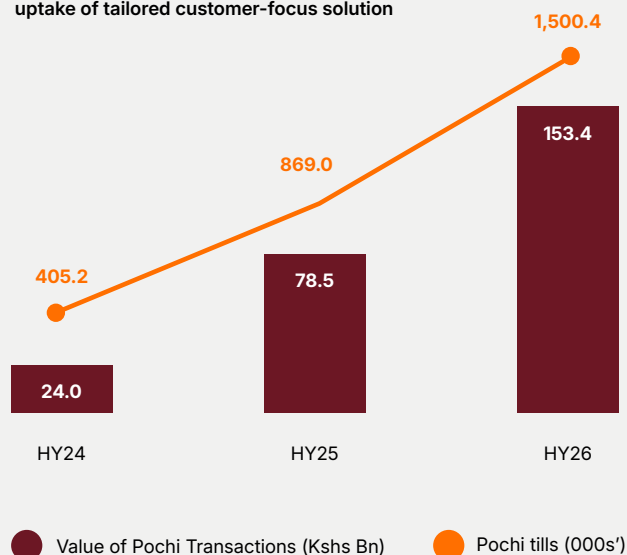
Pochi la Biachara, Safaricom Kenya

Pochi la Biachara or “business pocket” is a digital merchant payment product designed for small or micro-merchants, such as food vendors, small kiosks and boda boda (motorcycle taxi) operators. It enables M-Pesa account owners to make and receive payments while keeping their business and personal funds separate. By October 2025, 1.5 million merchants were using Pochi la Biachara, a growth of 72% year-over-year (YoY).²³

Figure 3

Growth in Pochi La Biashara

Growing Pochi La Biashara tills and value reflect strong uptake of tailored customer-focus solution



Source: Safaricom PLC Results Booklet 2025



²³ Safaricom PLC. (2025). *Results Booklet: Unaudited accounts for the six months ended 30th September 2025*.

Key success factors

01 Simplified KYC and onboarding

No paperwork is required as merchants can join via the M-Pesa USSD menu.

02 No new hardware

Existing SIMs can be used and no POS or other device are needed.

03 Secure

Transactions cannot be reversed by the customer without the business owner's approval.

04 Cash conversion

Merchants can withdraw from their Pochi account without moving funds to their personal M-Pesa account first.

05 Separation of funds

Pochi funds are kept separate from personal M-Pesa funds. This includes protecting business funds from personal loan deductions – a key benefit.

06 Commission earnings

Merchants can sell airtime from their Pochi wallet, earning a 5% commission.

07 Business-to-business

Merchants can pay other businesses directly from Pochi, for example, PayBill and Buy Goods Tills.

08 Privacy

The customer's mobile number is not displayed to the business owner, enhancing customer privacy.

09 Low fees

Free for transactions under KSh 100 (\$0.75).

10 Added value

In May 2025, Safaricom launched Taasi Pochi, which offers instant loans to merchants. Loans of up to \$1,100 are available to merchants that have used Pochi for at least six months. This created a strong incentive for merchants to opt-in to Pochi.

5.1

Beyond fees: creating value from data

Even small fees can be a barrier for micro-merchants, but how can mobile money providers create commercially viable payment systems without fees? One option is using transaction data to offer value-added services.

Offering low fees to merchants and making payments free for customers can drive uptake. This can help make paying digitally a habit, even for low-value items. Providers that design with low-income customers and micro-/informal merchants in mind can build a broad customer base.

This, in turn, can unlock commercial value through other services, including:

- Data bundles and airtime promotions
- Credit products for regular customers, using transaction history for credit scoring
- Pay-for-use digital tools designed for micro-merchants
- Bill payment services
- Business insurance

5.2

The QR code opportunity

QR codes are pivotal to the digital payments landscape. Globally, 46% of mobile money providers use them (37% in Africa).²⁴ QR codes have driven uptake of digital payments across Asia and Latin America and, although nascent, are picking up in Africa. For example, QR codes are backed by national banks in Ghana and offered by mobile money providers in Kenya and Senegal, with other providers and national bodies following suit.

Key benefits:

Easy to use

Customers scan the QR code, making it fast and intuitive and requiring minimal customer education or literacy to use.

Low infrastructure cost

Merchants need to only print and display the QR code, eliminating expensive hardware and data connections.

Financial inclusion

Small and informal merchants can accept digital payments easily.

The use of QR codes for merchant payments relies on smartphone penetration, interoperable payment infrastructure and digital financial service accounts, including mobile money. Despite widespread ownership of mobile phones, smartphone penetration is lower in certain countries and for certain segments. Across LMICs, people living in rural areas are 29% less likely to own a smartphone than their urban counterparts, and women are 14% less likely to own one compared to men.²⁵ The expansion of QR codes for merchant payments, particularly in rural areas and informal markets, will depend on access to affordable smartphones or financing solutions.

²⁴ GSMA. (2025). *The State of the Industry Report on Mobile Money 2025*.

²⁵ GSMA. (2025). *The State of Mobile Internet Connectivity 2025: Affordability of Internet-enabled Handsets and Data*.

Spotlight 2

Wave Mobile Money and QR codes

Launched in Senegal in 2018, Wave Mobile Money has built on its successful P2P service, which offered radical affordability for underserved customers (1% flat fee), with a merchant payment service via its easy-to-use app and QR codes.

By focusing first on informal traders and providing a low cost, interoperable payment system, Wave has since expanded to formal merchants, including e-commerce sites through its API. Wave's strategic

focus on merchant payments, combined with its commitment to simplicity, interoperability and partnerships with agent networks and banks, have been key to its success.

It offers merchants the first **20,000 CFA (\$35)**  in payments for free and a 1% feethereafter. It is always free to customers.



What will it take to increase uptake of digital merchant payments?

For mobile money providers, a strategic focus on serving MSMEs and informal merchants is crucial. This will require working across relevant business units to provide a compelling value proposition, simplified onboarding and best-in-class customer service to build trust and long-term customer loyalty.

01 Simplify design and processes

Design interfaces that are quick and intuitive to use with as few steps as possible, such as QR codes. Create a one-step payment solution designed with informal micro-merchants and underserved customers in mind.

02 Make onboarding easy

Make it easy for merchants to opt in via their mobile phone, without requiring documentation, and allow them to start accepting digital payments immediately up to a certain value.

03 Keep fees minimal

Reduce costs for merchants by offering zero-rated fees for low-value transactions and remove or minimise fees to pay suppliers digitally. Waive fees for customer payments as well.

04 Provide instant and reliable payments

Build payment systems with minimal failure rates, an instant confirmation message and immediate transfer of funds.

06 Ensure safety and privacy

Keep customer and merchant numbers hidden to protect privacy and ensure customer and merchant data are secure.

07 Build trust through customer service

Ensure grievance and redress mechanisms as easy to find, free to use, effective and efficient. Resolve issues quickly and process refunds instantly.

08 Promote merchant-to-merchant payments

Offer low-cost B2B payments to keep money circulating digitally and make it valuable to have digital funds available.

09 Offer productive loans

Leverage transaction data and incentivise digital payments so that customers can build a digital data trail to access loans.

10 Leverage customer education channels

Provide financial education or prompts at the point of need and actively promote paying digitally as the new way to pay for everything.

Building a digital financial ecosystem to scale merchant payments

There are broad enablers that can help merchant payments to scale, including:

01 Digital payment infrastructure

that is robust, secure and interoperable.

02 More digital payment use cases

to build trust in digital systems, for example, digital bill payments and transport payments. Deepen the digital financial ecosystem by facilitating multiple, relevant use cases for people to make digital payments for all their day-to-day needs, including in rural areas.

03 Digital data trails

are used by financial service providers to offer merchants affordable digital credit.

04 Digitalised supply chains keep funds digital

as merchants are more likely to accept digital payments if they need to pay their suppliers, utilities or taxes digitally.

05 Improved access to affordable smartphones

including via asset financing or subsidies to provide access for underserved customers and merchants, especially women, youth and those living in rural areas.

06 Enabling regulation

with simplified know-your-customer (KYC) processes for micro-/informal merchants and minimal costs and compliance.cvcv

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