



Value of Acceptance

Understanding the Digital Payment Landscape in Egypt





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Executive Summary

Digital payments are poised to revolutionize Egypt's Small and Medium Enterprise (SME) landscape, offering substantial opportunities for economic growth and modernization. A Visa-commissioned study reveals rapid adoption, with over half of SMEs surveyed integrating digital payments in the last two years.

This shift is driven by increasing consumer demand for convenient payment options and SMEs' desire for enhanced efficiency. Furthermore, nearly eight out of ten of SMEs accepting digital payments believe these technologies will support future business growth, citing benefits like increased sales and improved customer retention. However, barriers such as perceived costs, security concerns, and misconceptions about digital payments hinder wider adoption.

This report explores Egypt's evolving digital payments landscape, examining its benefits, barriers, and growth opportunities. It proposes a multi-pronged approach emphasizing public-private partnerships to streamline onboarding, promote security best practices, and develop tailored educational initiatives for SMEs. By leveraging Visa's expertise and innovative solutions while also fostering collaboration between government and the private sector, Egypt can unlock the full potential of digital payments, driving economic growth and fostering a more inclusive financial ecosystem.



1 Understanding The SME Landscape in Egypt



Small and Medium Enterprises (SMEs) are the backbone of the Egyptian economy, driving substantial business activity and employment. Within this landscape, a thriving digital payments ecosystem is continuing to emerge, fueled by a growing preference for digital payments due to infrastructure improvements, amongst other factors.

This section explores the evolving landscape of digital payment adoption among SMEs, examining the key trends, perceived benefits, and potential barriers to wider acceptance. Understanding the dynamics of this evolving payments landscape is crucial for developing effective strategies to support and accelerate the transition towards digital transactions.



1.1 A Strong Foundation For Growth

Egypt's digital payments landscape is thriving, evidenced by the rapid growth in digital payment adoption with 53% of businesses surveyed having adopted digital payments within the last two years. This demonstrates a swift market evolution driven by increasing consumer demand for convenient payment options and the desire among businesses to enhance efficiency. Furthermore, a noticeable shift towards digital payment adoption is reflected in the fact that 59% of surveyed merchants recently started accepting online payments, and 53% now accept payments via social media.

SMEs are recognizing the value of digital ways to pay and be paid, with 77% of digital payment acceptors agreeing that investments in digital payments will support future business growth, citing benefits such as customer convenience (46%), increased sales (37%), and improved customer retention (32%). This optimism is further supported by SMEs using financial

technology experiencing positive results, with 80% reporting satisfaction, particularly appreciating faster networks (38%) and quicker payment processing (31%).

The increasing acceptance of online and social media payments highlights the adaptability of Egyptian SMEs. Further reinforcing the positive digital trend, 61% of SMEs already accepting digital payments plan to invest further in new digital payment technologies, with card payments (45%) and mobile/digital wallets (36%) being the most popular options. This, coupled with the high number of cash-only SMEs planning to acquire POS systems, indicates significant growth potential. Beyond basic transactions, there's also significant potential for integrated solutions incorporating value-added features. While cash is still valued for its perceived convenience, speed, security, and ease of refunds, cards are increasingly seen as catering to these evolving needs and enhancing a merchant's modern brand image.



1.2 Digital Payments: A Key Enabler

Digital payments are crucial for SME digitalization, offering numerous advantages for Egypt's businesses. These include increased revenue through access to a wider, increasingly cashless customer base; improved customer satisfaction due to faster, more convenient payment options; and reduced operational risks by minimizing cash handling and associated security risks. Furthermore, digital transaction records provide valuable data that can facilitate access to financing, empowering growth¹.

Understanding merchant motivations is key to accelerating broader adoption. While cash is still perceived as the most convenient payment method by some, digital payments are increasingly recognized for their ability to enhance security and provide competitive advantages. Tailored strategies that promote these security and brand benefits, along with introducing simple, user-friendly solutions that mirror the convenience of cash can further ease the transition, can further encourage the transition to digital payments. This is particularly important given that 55% of cash-only SMEs plan to adopt digital payment technologies.

Moreover, digital payments are a gateway to broader financial inclusion. For the unbanked, they often represent the first

step into the formal financial system, enabling access to services like remittances and government assistance. Transaction accounts increase the likelihood of utilizing other financial services, such as savings, credit, and insurance, empowering individuals and businesses. This is especially relevant considering that only 26% of SMEs currently utilize financial technology, highlighting the need for broader digital inclusion.

Finally, digital payments are a powerful engine for economic growth. Research shows that transitioning from cash to digital payments can generate annual GDP gains of 1% to 2%. Globally, increased payment card usage (debit, credit, and prepaid) added \$245 billion to real GDP between 2015 and 2019; across 70 countries and territories studied, each 1% increase in card usage correlated with an average annual increase of approximately \$67 billion in consumption². In addition, a mere 5% increase in digital payments per year for five consecutive years could reduce the informal economy by 11–13% and boost tax revenue.³

¹ Visa & Kearney. Digital enablement of SMBs. Accessed at: Digital enablement of small and medium-sized businesses

² Moody's, 2021. Accessed at: <https://usa.visa.com/content/dam/VCOM/regional/na/us/visa-everywhere/documents/the-impact-of-payment-cards-on-economic-growth.pdf>

³ Visa & Kearney. Digital enablement of SMBs. Accessed at: Digital enablement of small and medium-sized businesses

1.3 Addressing Barriers to Adoption

Despite the promising outlook for digital payments in Egypt, several barriers hinder widespread adoption among SMEs. Common misconceptions about digital payments and concerns about payment failures can be addressed with a combination of educational programs, investment in reliable infrastructure and targeted government support.

Addressing these challenges requires a multi-pronged approach:



Unlocking Growth Through Education:

Currently, only 26% of SMEs use digital payment technologies, a significant opportunity to boost adoption through education and training. Such initiatives can showcase the benefits of digital payments, equipping SMEs to transition smoothly and stimulate economic growth, whilst clearly demonstrate the digital payments value proposition.



Improving Infrastructure:

Investing in reliable digital infrastructure is crucial to minimizing technical issues and increasing confidence in digital payments. Addressing the concerns of the 41% of SMEs who report payment failures as a barrier requires a commitment to ensuring seamless and consistent payment processing, ultimately encouraging more SMEs to adopt digital solutions and contribute to a more robust digital economy.



Reducing Cost Barriers:

Perceptual barriers relating to the cost of accepting digital payments can be addressed by through incentives or subsidies tailored to can make these solutions more accessible, encouraging further adoption and leveling the playing field for smaller businesses.



Enhancing Security Measures:

Security concerns, particularly related to cash handling, remain a significant obstacle. With 41% of businesses reporting robbery as a concern, promoting secure digital payment options and emphasizing robust cybersecurity features can build trust among SMEs and encourage digitization. Highlighting the lower risk of theft and fraud associated with digital payments compared to cash can be a powerful motivator.

2 The Value of Acceptance: Driving Digital Progress



The payment acceptance ecosystem encompasses all forms of commerce, from in-person transactions to unattended kiosks, mobile payments, and e-commerce. Merchants are the cornerstone, and their willingness to accept electronic payments is crucial for growth.

As the merchant landscape evolves, so do their needs, requiring tailored solutions for different business sizes – from sophisticated integrated solutions for enterprises to simplified, affordable options for SMEs. While traditionally, merchants connected to networks like Visa through acquirers, the ecosystem now includes various intermediaries catering to the diverse needs of the modern marketplace.

Payment acceptance typically follows a lifecycle: consumers are introduced to card payments (often via ATMs), acceptance expands across merchant segments (from travel and entertainment to everyday spending), electronic payment volume rises, and card payments become preferred, reducing cash usage. While variations exist, this lifecycle provides a framework for understanding card payment growth.

Increased acceptance maturity drives economic growth. Card-based payments create a virtuous cycle: increased consumption fuels production, leading to job creation, higher incomes, and stronger economic growth. Studies show a direct correlation between card usage and GDP growth.

This positive economic impact is driven by several factors:

- **Reduced Friction:** Streamlined transactions eliminate the need for exact cash and reduce cash handling risks.
- **Standardized Spending:** Global acceptance standards simplify international transactions and cross-border commerce.
- **Encouraged Innovation:** A standardized ecosystem fosters competition and innovation among payment providers.
- **Enhanced Security:** Secure card payments build trust, essential for driving consumption.

A balanced approach that combines these elements can effectively drive the digitalization of the SME sector and stimulate broader economic growth.⁴

⁴ Visa. The New Acceptance Landscape. April 2023. Accessible at: 208295bd-644e-475b-a513-885e31c77ed0.pdf

3 Partnering with Visa to Accelerate Digital Payment Acceptance



Many countries are actively seeking to expand their acceptance of card and digital payments. Visa is uniquely positioned to support Egypt's transition to a more digital economy.

As a trusted advisor and partner, Visa offers a range of capabilities to help governments, financial institutions, businesses, and technology providers enhance their digital payment acceptance maturity.



Understanding the Evolving Landscape:

Visa provides insights into the dynamic acceptance landscape, including emerging trends, technological advancements, and best practices from around the world. This knowledge helps stakeholders make informed decisions and develop effective strategies.



Implementing Proactive Solutions:

Visa's suite of solutions includes programs for specific merchant segments, innovations like Tap to Phone, Contactless Payments and Click to Pay, and resources educating businesses about the benefits of digital payments.



Assessing Ecosystem Maturity:

Visa can help assess the current state of a country's acceptance ecosystem, identifying strengths, weaknesses, and areas for improvement. This assessment provides a foundation for developing targeted interventions and prioritizing key initiatives.

By partnering with Visa, governments and businesses can leverage a wealth of experience, resources, and innovative solutions to accelerate digital payment adoption, drive economic growth, and foster a more inclusive financial ecosystem.^[1]

^[1] Visa. The New Acceptance Landscape. April 2023. Accessible at: 208295bd-644e-475b-a513-885e31c77ed0.pdf



About the Report



This report, commissioned by Visa and conducted by 4Sight Research & Analytics (October 2024), examines the current payment acceptance landscape in Egypt, focusing on how digital payments can empower SMEs and providing actionable recommendations for government support.

Investing in SME digitalization through digital payment promotion is a strategic imperative for governments seeking to drive economic growth, enhance competitiveness, and foster financial inclusion. Implementing the recommendations outlined in this report will empower SMEs to thrive in the digital age, contributing to a more prosperous and resilient economy.

Research Methodology

This study employed a face-to-face methodology, interviewing 250 owners/store managers who are key decision-makers in their respective businesses across Egypt.

The sample comprised nano businesses (25%), micro businesses (53%), and small businesses (22%) across diverse sectors, with a mix of retailers accepting cash only (40%) and digital payments (60%).

Research Objectives

The research aimed to:

- Understand the triggers and barriers to using digital payment methods and cash.
- Understand the impact of accepting digital payments on small businesses.
- Gauge the level of openness to digital payment options among those currently accepting cash-only payments.

