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# ELECTRONIC PAYMENTS ACCEPTANCE (EPA) PACKAGE - AN OVERVIEW

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[payment systems remittances](#)



1. Electronic Payment Acceptance Package
2. EPA Assessment Components and Approach
3. Menu of Policy Reform Options to Promote Acceptance/  
adoption of Electronic Payments
4. Discussion and Q&A



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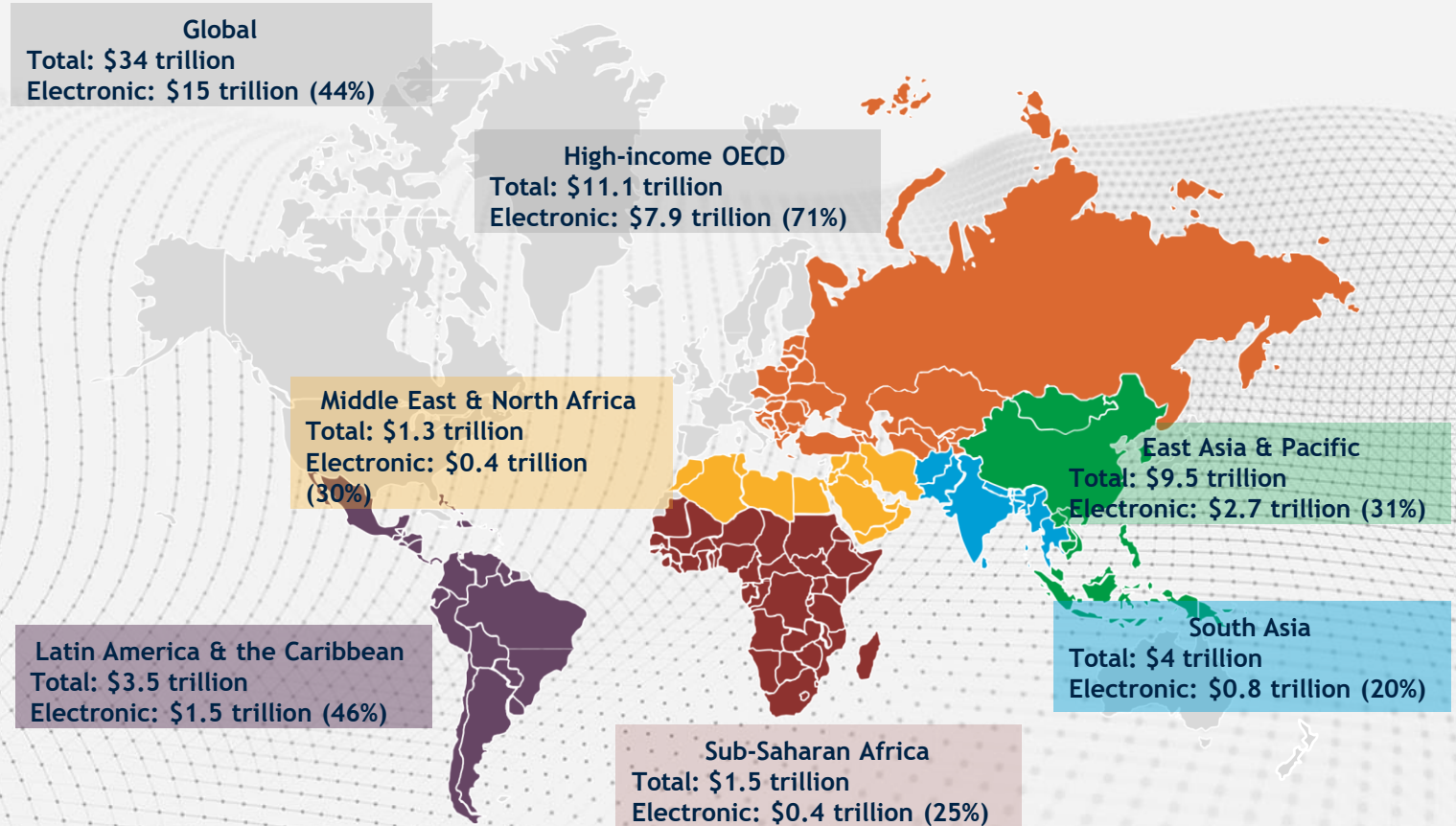
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**ELECTRONIC  
PAYMENTS  
ACCEPTANCE  
PACKAGE**



# ELECTRONIC PAYMENT ACCEPTANCE PACKAGE

A \$19 trillion opportunity: paper-based P2B, B2B\* and B2P payments accepted and made by micro, small and medium retailers



\* B2B payments include only those from the retailers to immediate suppliers

Source: World Bank Group and World Economic Forum (2016)

# ELECTRONIC PAYMENT ACCEPTANCE PACKAGE

Six main obstacles hold back adoption of e-payment solutions by merchants





## Findings of the Gap Analysis

Based on an analysis of the literature and a review of country cases, the following conclusion on electronic payments acceptance incentives arise:

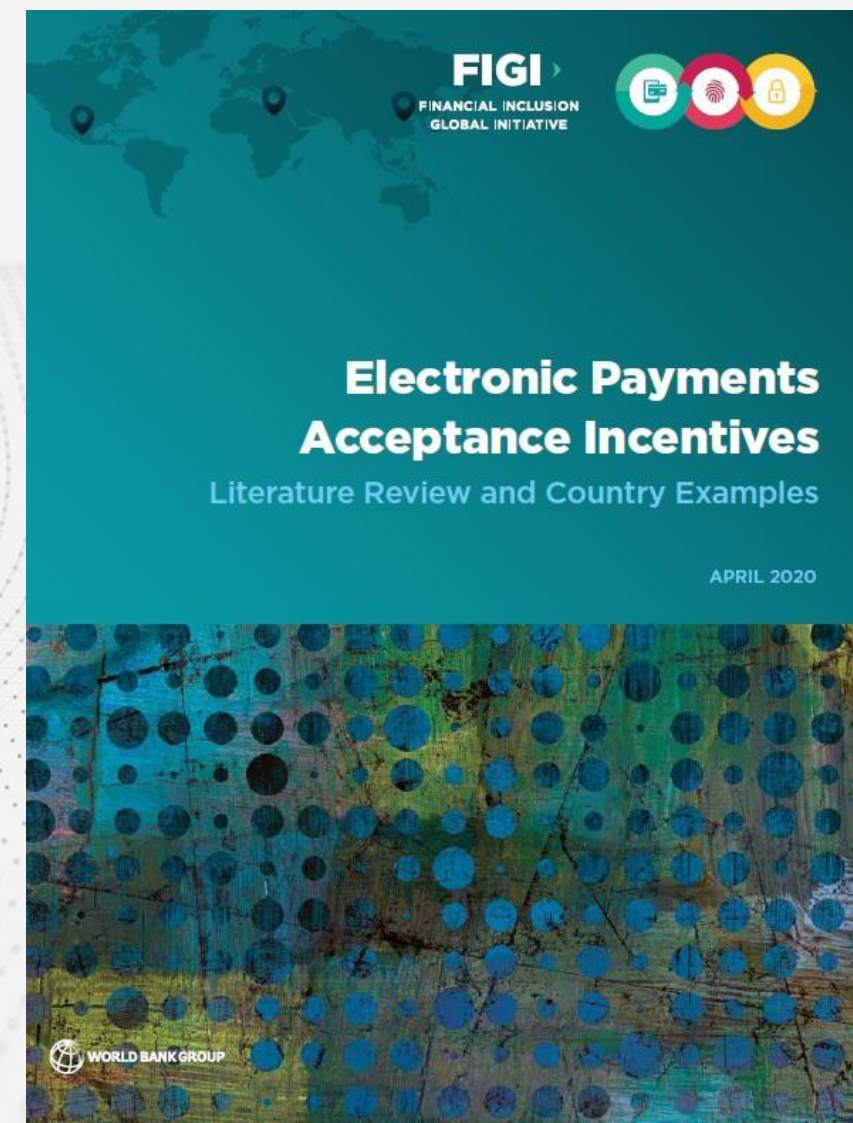
There is no single ideal incentive, but rather countries seem to implement a set of incentives.

The best set of incentives could be correlated to the level of development in the market.

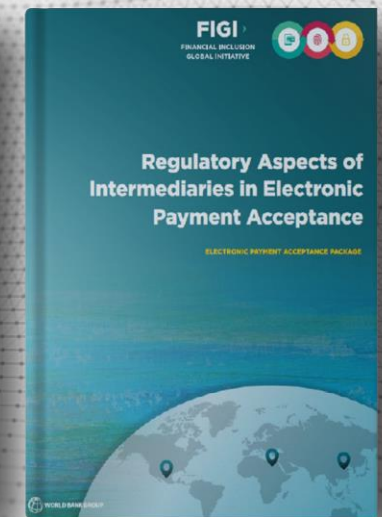
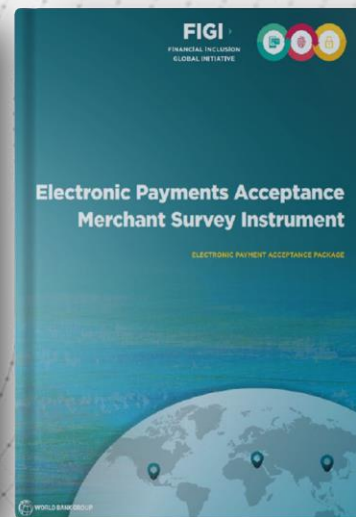
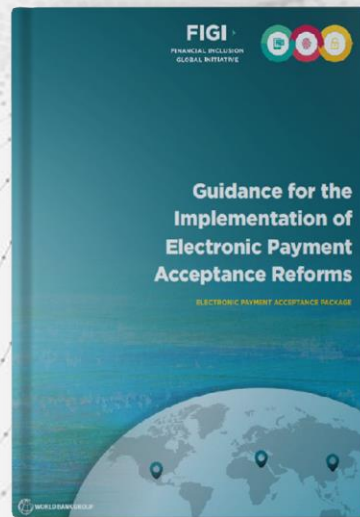
Incentives have different effects in different countries; the implementation process is crucial.

Public sector incentives mostly focus on fiscal incentives, merchant subsidies and regulations discouraging cash use.

Private sector incentives are mostly focused on product innovation including added-value services



## The EPA Package





# GUIDING PRINCIPLES

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Increase financial inclusion.

Promote the overall use of electronic payments through an appropriate enabling environment.

Maintain a level playing field between various types of payment service providers and payment systems.

Maintain technology and product neutrality.

Be transparent and fair to all participants in the value chain regarding the economics of acceptance.

Recognize and address the effects of two-sided markets (and externalities).

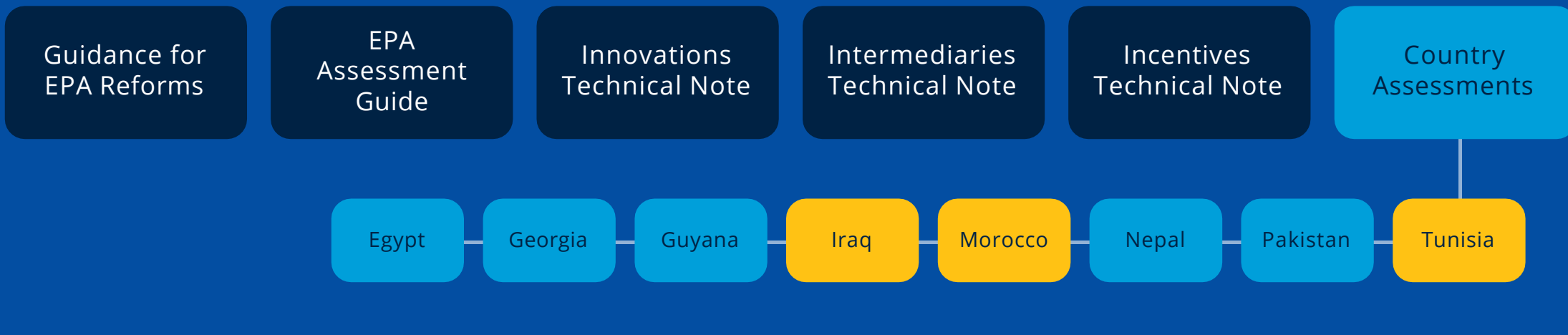
Maintain safety, and efficiency as guiding policy objectives.



## EPA Reform Development Stages



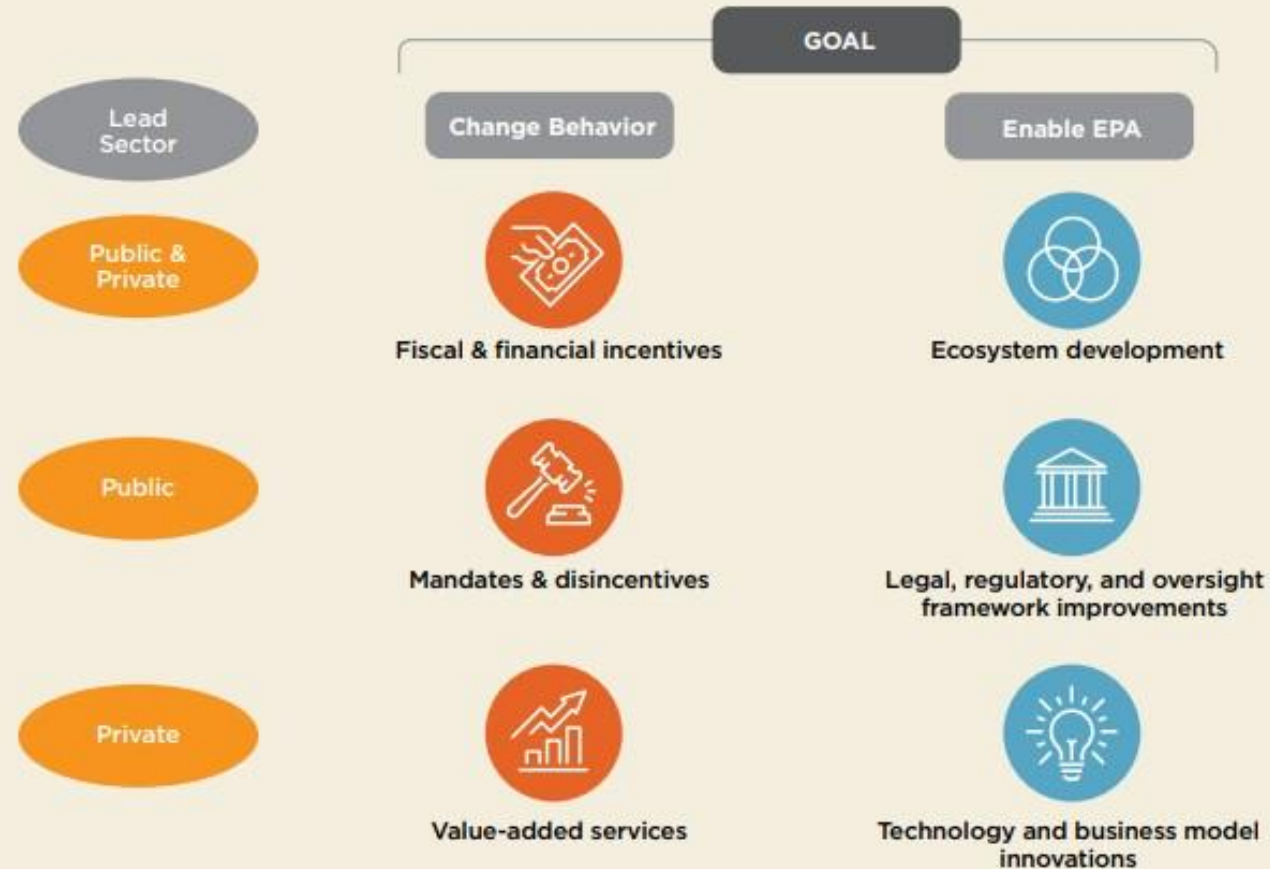
## EPA Package Contents



- Assessment and/or other implementation in progress
- Assessment complete

# ELECTRONIC PAYMENT ACCEPTANCE PACKAGE

## Types of Electronic Payment Acceptance Reforms, Primary Goals and Lead Sectors





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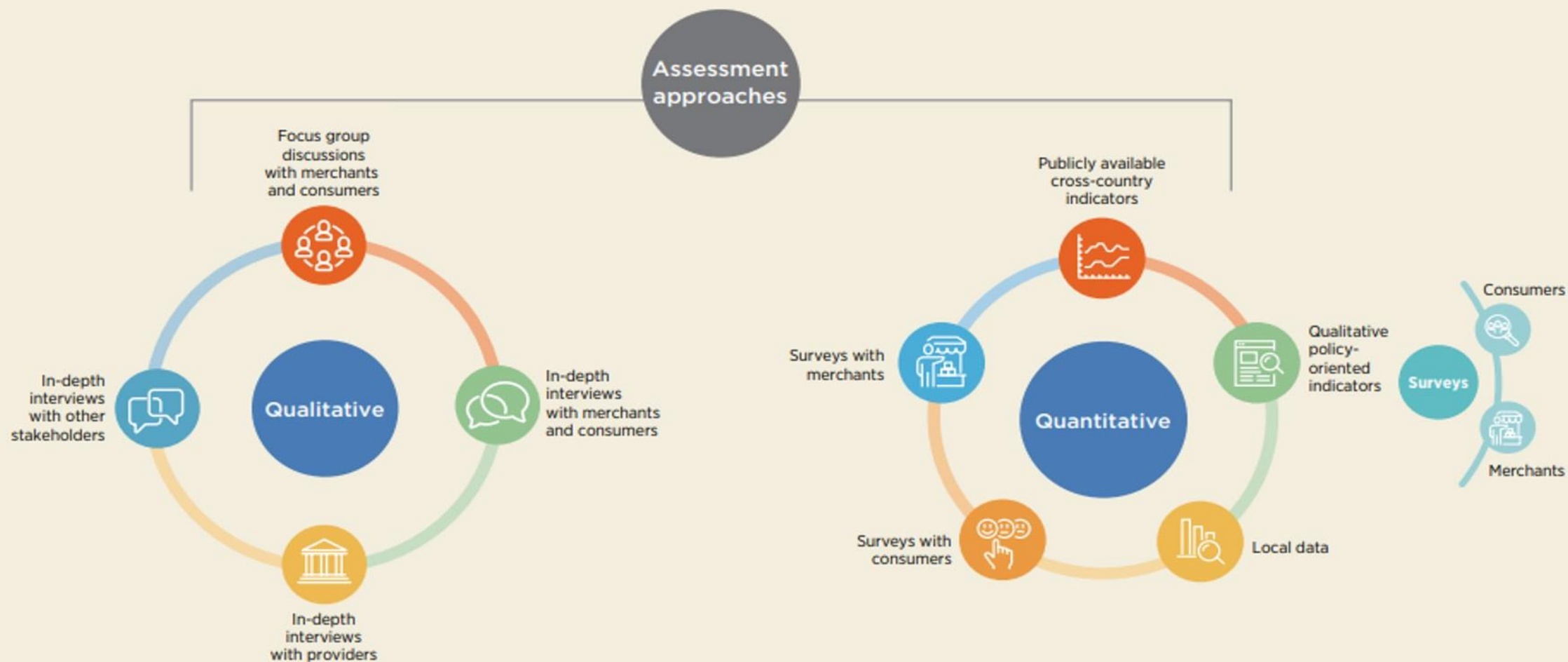


# 2

## EPA ASSESSMENT COMPONENTS AND APPROACH



# OVERVIEW OF ASSESSMENT APPROACHES



# EPA ASSESSMENT GUIDE: PURPOSE AND ORGANIZATION

Indicator Type	Indicator Description
<b>TYPE 1: Publicly available cross-country metrics</b>	These indicators can be obtained from publicly available cross-country databases maintained by international organizations, such as the World Bank and the International Monetary Fund (IMF). The World Bank will make available an excel-based database containing the most recent publicly available data on a country-by-country basis for Type 1 indicators.
<b>TYPE 2: Qualitative policy-oriented indicators</b>	For a number of qualitative policy-oriented topics that do not have associated publicly available indicators, the Assessment Guide proposes some basic scoring approaches, which are derived from questions contained in the World Bank Global Payment Systems Survey (GPSS) and Financial Inclusion and Consumer Protection (FICP) survey. Even if data from these surveys are not available or local authorities have not responded to these surveys, EPA stakeholders can leverage the questions to construct indicators that capture a wide range of EPA-relevant national payment system characteristics and regulatory approaches.
<b>TYPE 3: Local data</b>	The majority of proposed indicators will need to be collected locally, either through existing national data or through survey approaches, primarily with merchants and payment service providers.

The Assessment Guide assists EPA stakeholders in comprehensively evaluating EPA development and identifying barriers that are stifling EPA uptake. It provides approaches for evaluating a range of ecosystem, economic, and legal and regulatory issues that affect EPA.

Categories	Sub-categories
<b>Retail Payments Ecosystem</b>	Financial access Market development Payment infrastructures Other financial and ICT infrastructures Education and perceptions
<b>Economics of EPA</b>	Acceptance benefits and costs Provider costs and risks Consumer behavior
<b>Legal, Regulatory, and Oversight</b>	Legal and regulatory (general) Legal and regulatory (financial) Payment system oversight



# EPA ASSESSMENT GUIDE: ORGANIZATION

**TABLE 3. Retail payments ecosystem assessment elements**

Policy sub-category	Assessment elements
<b>Financial access</b>	Instruments and acceptance channels Merchant financial access Consumer financial access Financial inclusion commitment
<b>Market development</b>	Scale Structure
<b>Payment infrastructures</b>	Interoperability and standardization Fast payment system Real time gross settlement Automated clearing house
<b>Other financial and ICT infrastructures</b>	Telecommunications Identification systems Credit reporting systems Access points E-commerce readiness
<b>Education and perceptions</b>	Financial capability Cash culture

**TABLE 7. Economics of EPA assessment elements**

Policy sub-category	Assessment element
<b>Acceptance benefits and costs</b>	Revenue gains from EPA adoption Relative costs of EPA and cash acceptance Tax liability
<b>Provider costs and risks</b>	Customer acquisition and service costs Subsidization Customer loss, fraud, and cybersecurity Incentives and innovation
<b>Consumer behavior</b>	Digital usage Ticket value

**TABLE 9. Legal, regulatory and oversight assessment elements**

Policy sub-category	Assessment element
<b>Legal and regulatory (general)</b>	Soundness and predictability Contractual relations and enforceability
<b>Legal and regulatory (financial)</b>	Neutrality and proportionality Financial consumer protection System integrity
<b>Payment system oversight</b>	Central bank legal powers Organizational arrangements Payment system oversight objectives Scope of payment system oversight Cooperation with relevant authorities Cooperation with other stakeholders Risk-based approach to oversight



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# 3

MENU OF POLICY  
REFORM OPTIONS TO  
PROMOTE ACCEPTANCE/  
ADOPTION OF  
ELECTRONIC PAYMENTS

# MEASURES TAKEN IN A BALANCED WAY TO ADDRESS THE TWO-SIDED MARKET FOR RETAIL PAYMENTS

- Market for digital financial services is two-sided where consumers or other users of financial services (buyers) and merchants, businesses or government (sellers) meet to exchange a product or service.
- From a market development perspective, both sides must be in a balance for the market to operate optimally
- Historically, development of payment services have focused more on developing the consumer side and paying less attention to the merchant side. But this has yielded less than optimal results in market development as incentives are skewed against merchant adoption of electronic payments.
- Consumers of non-cash instruments must have factors like ease of access, convenience, low transaction cost and potentially rewards/incentives to drive usage of non-cash instruments.
- Merchant adoption is driven by factors like low cost, timely settlement, value add services (credit facility, data analytics, etc.).
- Reform agenda should focus on developing both sides of the market



# MAPPING OF REFORM MEASURES TO EPA POLICY SUB-CATEGORIES (1/2)

Reform category	Reform measure:	EPA policy sub-category:										
		Financial access	Market development	Payment Infrastructures	Financial and ICT infrastructures	Education and perceptions	Acceptance benefits and costs	Provider costs and risks	Consumer behavior	Legal and regulatory (general)	Legal and regulatory (financial)	Payment system oversight
Fiscal & Financial Incentives	Early-stage cost subsidization	■					■					
	Merchant fiscal incentives						■					
	Consumer fiscal incentives		■			■			■			
	PSP fiscal incentives	■						■				
	Tax simplification						■			■		
	Acceptance lotteries		■			■						
	Usage lotteries		■			■			■			
	Loyalty rewards		■			■			■			
Mandates & Disincentives	Mandated acceptance of electronic payments		■			■						
	Mandated electronic disbursement of wages		■			■			■			
	Disincentives for cash payments		■			■			■			
Value-Added Services	Credit	■					■					
	Productivity solutions						■					
	Revenue generating services						■		■			
	Client relationship management						■					

# LIST OF INCENTIVES AND LEVEL OF IMPACT ON EPA GROWTH (1/2)

TYPE OF INCENTIVE	INCENTIVE CATEGORY	INSTITUTION IMPLEMENTING	IMPACT ON EPA GROWTH (BASED ON EPA REPORT AND COUNTRY EXAMPLES)
Fiscal and Financial Incentives	<ul style="list-style-type: none"><li>• Merchant fiscal incentives</li><li>• Subsidized POS terminals</li><li>• Consumer fiscal incentives (VAT reductions, income tax reductions)</li><li>• Lotteries</li></ul>	Government	<ul style="list-style-type: none"><li>• High Impact</li><li>• Low-medium impact</li><li>• High impact</li> <li>• Medium impact</li></ul>
Regulatory Measures and Use of Disincentives	<ul style="list-style-type: none"><li>• Encourage merchant formalization</li><li>• Disincentives for cash usage transaction limits</li><li>• Interchange fees and MDRs</li><li>• Mandated acceptance of electronic payments</li><li>• Mandated cash registers</li><li>• Mandated disbursement of wages and salaries by electronic payments</li><li>• Use of electronic payments for government payments</li></ul>	Financial Regulator and Government	<ul style="list-style-type: none"><li>• Limited evidence</li><li>• Medium impact</li> <li>• Low impact</li><li>• High impact</li> <li>• High impact</li><li>• Medium impact</li> <li>• Medium impact</li></ul>

# LIST OF INCENTIVES AND LEVEL OF IMPACT ON EPA GROWTH (2/2)

TYPE OF INCENTIVE	INCENTIVE CATEGORY	INSTITUTION IMPLEMENTING	IMPACT ON EPA GROWTH (BASED ON EPA REPORT AND COUNTRY EXAMPLES)
Mixed	<ul style="list-style-type: none"><li>• Awareness Campaigns</li><li>• Acceptance development funds</li><li>• Market development initiatives / Ecosystem development</li></ul>	Public and private sector coordinated activities	<ul style="list-style-type: none"><li>• High impact</li><li>• Limited evidence</li><li>• High impact</li></ul>
Private sector	<ul style="list-style-type: none"><li>• Value-add services and credit facility</li><li>• Technology innovations and new business models</li></ul>	Banks and non-banks	<ul style="list-style-type: none"><li>• Medium impact in some markets but high desirability among merchants</li><li>• High impact but dependent on regulatory environment</li></ul>



## Types of EPA Intermediaries

Payment / Merchant  
Facilitators/  
Aggregators

Third Party Processors

Bill payment  
Aggregators

Payment Gateways

# REASONS FOR REGULATING INTERMEDIARIES

- Payment Facilitators
- 3rd Party Processor
- Payment Gateways
- Bill Payment Aggregators

Access to Merchants' Funds

Access to Customers' Financial Information

Consumer and Merchant Protection

Management of Risks

Compliance

Outsourcing

Safety & Efficiency

Trust in NPS

Financial Inclusion

Interoperability

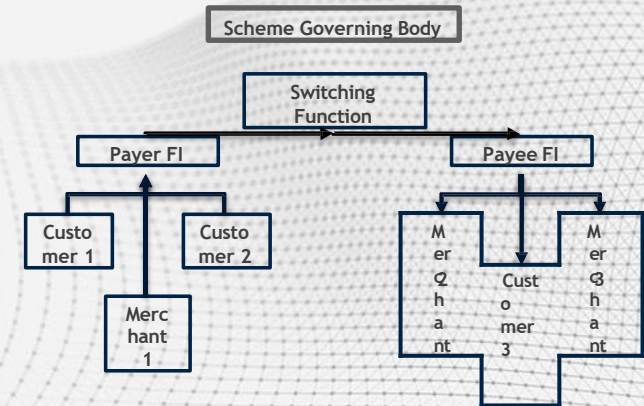
# THREE DIFFERENT APPROACHES FOR REGULATING INTERMEDIARIES



1- Direct Regulation



2- Regulating the acquirer bank and its outsourced services



3- Regulating the payment schemes or systems



# WORLD BANK'S WORK ON EPA

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Regulatory reforms to allow intermediaries (Pakistan, Bangladesh, Western Balkans, etc.)

Development fund – including as part of lending operations in Sierra Leone, Liberia (TBD for Bangladesh and Nepal).

Some initial plans to channel WB credit lines to be disbursed through intermediaries to small retailers.

QR code standardization, FPS, etc.

Comprehensive technical assistance – for example, Morocco, Tunisia, Egypt, Georgia

# EGYPT: REMITTANCES/EPA PILOT

## PROJECT PILLARS

- Financial Literacy & Marketing Campaigns:
  - \*Products fliers & Posters
  - \*Training materials
  - \*Marketing campaigns
- Products: \*Prepaid cards
- Financial Incentives:
  - \*Cash
  - \*Points & Rewards (Local context)

## PROJECT ENABLERS

- Electronic Access Points / Acceptance: \*ATMs \*POSS
- Access points: Bank's Branches & Agent Banking (incl. mobile branch)

## PROJECT SCOPE & PARTICIPATION

- Target: Women using digital payments, Receiving \$500 & below per transaction.
- Location: Two governorates (remote, mostly rural)
- Duration: 1 year
- Focus on send/receive corridors in GCC countries.

## PRELIMINARY RESULTS

- 146K prepaid cards to women, 97K pre-paid cards to men; 28% increase in women remittance receivers; 48% increase in # remittances received by women; 41% increase in the value of remittances received by women (all via pre-paid card)
- 122 new merchants; 13% increase in POS transactions; 49% increase in ATM transactions
- Cash back incentive for digital payments – very popular



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DISCUSSION  
&  
Q&A





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THANK YOU!