



The Great Unbundling

South Africa's Payments Revolution and the New Race for Value

A Deloitte Perspective

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Introduction

Imagine a Tier-1 South African bank waking up to discover that 20% to 40% of their payment's revenue has quietly evaporated. Not because customers churned, not because volumes declined, but because access to the national payments infrastructure invited fierce competition. Fintechs, retailers, telcos and platform players now transact directly on the same rails that banks once controlled, opening the floor to new, authorised competitors and inciting a race to zero.

This is no longer a hypothetical. As South Africa moves to open its national payments system to non-banks, billions of rand in profit pools are set to migrate across the ecosystem. The strategic question facing incumbents and challengers alike is no longer whether change is coming, but who will reshape how value is created, captured and defended in an open payments ecosystem.

The winners will not be those with privileged access to infrastructure, but those that pivot to new business models with speed while mastering ecosystem orchestration.

In this article, we unpack:

- Why the traditional payments model is being unbundled
- Where value is migrating in open payment ecosystems
- How global leaders have responded
- What strategic choices South African players can make now.

1. The end of access as a competitive moat

For decades, South African banks have controlled the country's payment rails, capturing the majority of transaction economics and shaping the pace of innovation. This dominance emerged not by deliberate exclusion, but because the national payment system historically limited direct participation to well capitalised banks capable of managing settlement and systemic risk.

Non-bank players: fintechs, mobile network operators (MNOs), and retailers, were confined to the application layer, dependent on banks for access, clearing, settlement, and compliance.

That model is now being dismantled, with regulatory reform in South Africa poised to allow authorised non-banks to participate in activities previously reserved for banks, easing longstanding constraints to enable broader participation.

1.1 Regulatory change: What is shifting?

Several regulatory developments signal a structural shift of the payments landscape from an entity-based payments regime to an activity based, multi-tiered system:



Draft National Payment System Bill (Who can participate)

Aims to modernise the payments landscape by enabling non-bank participation in clearing and settlement, reducing reliance on bank sponsorship.



Draft Authorisation Framework (How entities will be licensed)

Enables fintechs to obtain direct licensing for payment services, including e-money and card issuance, reducing reliance on bank sponsorship and aims to regulate banks and non-bank payment providers. Non-Bank's will now be licensed on what they do, not who they are.



Draft Payment Activities Exemption Notice (What does not require a banking license)

Proposes exempting specified payment activities from the statutory definition of the "business of a bank", enabling authorised non-bank entities to pool customer funds into a store of value or payment account for the purposes of conducting payment activities (non deposit-taking classification) this aligns SA with global e-money norms.



Draft Directive on Specific Payment Activities (How non-Banks are supervised)

Builds on the 'Draft Payment Activities Exemption Notice' and establishes a formal authorisation and supervisory framework for non-bank payment institutions to operate alongside banks within clearly defined parameters, following many other African countries that already have a multi-tiered licensing approach.

The proposed reforms fundamentally reframe how participation, risk and economic privilege are allocated across the payments value chain. At a practical level, four structural shifts are underway:

From institution-based to activity-based regulation: Authorisation and oversight now focus on specific payment actions, such as clearing or payment initiation, instead of only requiring a banking licence.

Separation of access from balance-sheet risk: While banks retain exclusive responsibility for deposit-taking and prudential capital management, a wider set of non-bank entities may gain direct access to payments infrastructure without carrying full-balance-sheet risk.

Contestability of previously protected value pools: Activities historically bundled within banks, such as transaction processing, payment initiation and customer facing payment services become open to authorised non-banks, eroding access as a competitive moat.

Strategic choices in participation models: Organisations need to decide whether to seek direct authorisation, use sponsored access, or serve as ecosystem specialists within major platforms. Each approach involves different risks, speeds and economic considerations.



1.2 Lessons from Global Markets: What happens next?

South Africa's reforms align closely with global deregulation trends and the South African Reserve Bank's Vision 2025 for a more inclusive, innovative, and efficient payments ecosystem. International experience offers a clear preview of what follows when payment systems are opened.

Global Markets	
Economic Maturity	<p>United Kingdom & European Union Open banking and PSD2 forced banks to open rails and data, triggering a wave of fintech-led innovation and margin compression.</p>
	<p>Brazil Pix enabled digital-first players such as NuBank to layer credit and value-added services atop open rails, rapidly reshaping competitive dynamics.</p>
	<p>India Post UPI-introduction the Indian Government enforced the prohibition of merchant discount rates, sharply compressing bank margins while catalysing scale, digital adoption, and new revenue streams in lending, insurance, and merchant services.</p>
	<p>Kenya Regulatory reform enabled mobile money and super app ecosystems, accelerating financial inclusion and platform-led growth.</p>
	<p>Nigeria NIBSS Instant Payment (NIP) enforced interoperability, opened access, drove margins compression and intensified competition as fintechs gained regulated pathways to operate alongside banks.</p>
	<p>Ghana World-leading domestic interoperability (GhIPSS) has digital adoption and financial inclusion, while open banking and national QR rollout are expanding third-party access, compressing fees and shifting value toward data-rich, multi-provider ecosystems.</p>

Across markets the outcomes are consistent: Opening payment infrastructure compresses incumbent margins, accelerates innovation, and shifts value creation away from rails ownership toward customer experience, data monetisation and business ecosystems.

1.3 What's at stake: The strategic implications

The implications for South African players are material:

- **Revenue compression:**

In India, zero-MDR models significantly reduced interchange and transfer fees, forcing banks to diversify revenue sources

- **Margin migration:**

In Brazil, Pix (an instant payment system created by the Central Bank of Brazil) allowed digital-first players to capture value by bundling payments with adjacent value-added services (such as credit, savings, insurance and merchant tools), often monetised through data-driven targeting rather than per-transaction fees

- **Rapid market share shifts:**

In Nigeria, PalmPay grew at a 583% CAGR (2020–2023), reaching over 35 million users following regulatory liberalisation.

In South Africa, the implications are likely to be amplified by the historical reliance of banks on payments-related fee income, particularly interchange and transaction-based revenues. As access opens and pricing pressure intensifies, incumbents face a familiar but uncomfortable dynamic: volumes may grow, but the traditional unit economics will deteriorate.

Tier-1 banks, with scale and regulatory sophistication, may be best positioned to absorb margin compression, but only if they pivot from defending legacy revenue streams to monetising adjacent capabilities such as data, and embedded financial services.

Tier-2 banks face a sharper trade-off: partner aggressively to extend reach or risk being disintermediated by better-capitalised ecosystem players.

For non-banks, the opportunity is asymmetric. Payments alone are unlikely to be profitable at scale; value is realised by using payments as the engagement layer through which lending, insurance, merchant services, and platform economics are unlocked. The strategic risk, therefore, is not loss of access but failure to reposition before value pools fully migrate.

1.4 Three strategic questions now define the agenda

As banks and non-banks converge, every business leader must confront three unavoidable questions:

1. **Business model evolution:** How do we compete when access to payment rails is no longer a differentiator?
2. **New competitive economics:** Where will value migrate in an open system, and how can we capture it?
3. **Participation model:** Should we pursue direct regulatory authorisation or leverage sponsored access? Likewise for banks, should we continue to sponsor other players and how should our sponsorship model evolve?



2. Business model evolution: evidence from the front lines

What got the payments industry here will not get it to the next stage. To thrive, payments firms must leverage their unique assets, data, trust, and infrastructure, to deliver differentiated value-added services beyond their core transaction-based business model. The future belongs to those who can elevate payments from a utility to a strategic enabler of growth and loyalty.

Across markets, this convergence has followed a consistent pattern, illustrated by the evolution of leading global players below.

Players	Payment			Banking			Lending		Savings & Investment		Insurance
	Digital Wallet Solutions	Mobile Payment Solutions	Payment Gateway Services	Digital Banking Platforms	Compliance and Risk Management	Core Banking Solutions	Lean Origination Systems	Peer-To-Peer Lending Platforms	Robo-Advisory Services	Savings Products	Insurtech Solutions
Banks	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Neobanks	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Telcos	✓	✓	✓	✓	✓		✓			✓	✓
Retailers	✓	✓	✓		✓		✓			✓	✓
Other Fintechs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ Offer ✓ Offer through partnerships Mature capabilities Developing capabilities Non-existent capabilities

Table 1: Global payment players and the evolution of their offering

Players	Then	Now
Banks	Focused on core banking, payments processing and regulatory compliance.	Expanding into embedded finance, Banking-as-a-Service (BaaS) and digital identity and trust services, exploiting their remaining regulatory, infrastructure and capital holdings advantage.
Neobanks	Digital-first challengers reliant on sponsor banks.	Full-service financial platforms (with or without a banking license, depending on the geography's regulatory nuances) spanning payments, lending, investment and insurance.
Telcos	Providers of basic mobile wallets, P2P payments and value-added services.	Ecosystem platform orchestrators embedding lending, insurance, merchant services and business tools, operating under payment provider or payment bank licenses and partner-led financial models.
Retailers	Payments as an adjunct to loyalty and store credit.	Financial services and value-added services as a core engagement and monetisation lever.
Other Fintechs	Narrow, point-solution innovators.	Full-stack platforms leveraging embedded finance and BaaS models.

Table 2: Global payment players and the evolution of their offering

3. **Competitive dynamics:** ecosystem orchestration as the new source of value

In an open payments environment, advantage shifts from owning infrastructure to orchestrating ecosystems. Ecosystem orchestration refers to the ability to design, integrate and manage networks of partners (payments, credit, insurance, data, identity, and commerce) into seamless, end-to-end customer journeys.

The players that orchestrate the ecosystem own the relationship with the customer and must ensure that the ecosystem they orchestrate satisfies an ever-broadening number of customer needs, beyond pure traditional financial services or telecommunications offerings to include both and more. The changing competitive dynamic requires players to rethink key parts of their strategy and operations.

For South African players, four imperatives stand out:

1. **Pivot revenue models:** Move beyond interchange toward data monetisation, Banking-as-a-Service (BaaS), Payments-as-a-Service (PaaS), lending and merchant services
2. **Accelerate ecosystem scale:** Integrate payments with credit, insurance and value-added services
3. **Compete on experience, not access:** Differentiation now lies in personalisation and minimising friction
4. **Invest in data, compliance, and partnerships:** Trust, resilience and collaboration become core capabilities.

Each shift requires coordinated change across strategy, operating models, technology and partnerships.

3.1 Organisational implications: What must change?

- **Strategy** must shift from product centric propositions and transaction led revenue models to ecosystem-led value creation, with clear role definition as an orchestrator, platform enabler or specialist; prioritise role clarity by market maturity and monetise distribution, identity or loyalty assets rather than pure per transaction fees
- **Operating models** must evolve to enable faster decision-making, cross-functional product teams, effective external collaboration, and breaking down traditional silos between product based functional areas (payments, lending, risk and IT). This evolution must also be between channel owners (telco distribution & agents; retailer stores & Point of Sale (POS), commercial teams (loyalty, promotions, airtime, Fast-moving consumer goods (FMCG), and regulatory/compliance functions to ship compliant propositions quickly across store, app, Unstructured Supplementary Service Data (USSD) and agent journeys
- **Technology architectures** need to transition toward modular, API-driven platforms that prioritise interoperability and support rapid partner integration, scalability, real-time data sharing and the development of data assets while maintaining regulatory compliance
- **Partnership models** must mature from transactional vendor arrangements to long-term, value sharing alliances that balance innovation, risk management and compliance.

Organisations that succeed recognise this tension explicitly and redesign governance, incentives and funding models accordingly. Those that do not often discover that ecosystem ambition alone is insufficient without the corresponding organisational and operating model change.

3.2 From Ambition to Execution: An Ecosystem Readiness Checklist

To move from strategic intent to competitive advantage in an open payments environment, leadership teams should pressure-test readiness across four dimensions. Weakness in any one area will constrain scale and value capture.

Strategy: Clarity of Role and Economic Logic

Key question: What role will we play in the ecosystem, and how will we make money?

- ✓ Have we explicitly defined our intended role (orchestrator, platform enabler and specialist provider)?
- ✓ Do we understand where value pools are migrating and which we are realistically positioned to capture?
- ✓ Have we moved beyond defending legacy margins toward designing new revenue engines (e.g. PaaS, BaaS, data, lending, merchant services)?
- ✓ Is ecosystem participation embedded in corporate strategy, not treated as an adjacent innovation initiative?

Common failure: Trying to be everything at once, resulting in strategic dilution.

Operating Model: Speed, Accountability, and Collaboration

Key question: Can we execute at ecosystem speed without breaking governance or control?

- ✓ Are decision rights clear across product, risk, compliance and technology?
- ✓ Do cross-functional teams own end-to-end customer journeys rather than siloed products?
- ✓ Are incentives aligned to ecosystem outcomes (usage, engagement, lifetime value) rather than legacy KPIs?
- ✓ Can we onboard partners, launch propositions and iterate at pace?

Common failure: Ecosystem strategy constrained by legacy approval cycles and organisational silos.

Technology: Modularity, Data democratisation, and Resilience

Key question: Is our technology stack an enabler or a bottleneck?

- ✓ Is the architecture modular, API-driven and cloud-ready?
- ✓ Can we integrate partners quickly while maintaining security and regulatory resilience?
- ✓ Do we have real-time data capabilities to personalise experiences and manage risk dynamically?
- ✓ Are legacy core systems a known constraint with a clear modernisation path?

Common failure: Ecosystem ambition layered on top of inflexible legacy infrastructure.

Partnerships: From Value Transfer to Value Creation.

Key question: Do our partnerships scale value or simply outsource complexity?

- ✓ Are partnerships structured around shared economics and long-term value creation?
- ✓ Do we have clear governance models for risk, data sharing, and customer ownership?
- ✓ Can we manage multi-party ecosystems rather than one-to-one vendor relationships?
- ✓ Are we viewed as a partner of choice by fintechs, platforms and innovators?

Common failure mode: Treating partners as suppliers rather than co-creators.



3.3 The Strategic Imperative: The Danger of Ignoring the Ecosystem

Ecosystems are more than a branding layer, they are a competitive structure. As payments become increasingly multi-party, platforms that “get both sides on board” (consumers, merchants, partners) benefit from indirect network effects that reinforce scale and shape where value accrues.

Over time, **ecosystems create lock-in** through rising switching costs, deeper integration, and compatibility choices. This doesn't eliminate switching entirely, but it reduces its sensitivity to incremental price or feature moves; making late challengers pay a growing “catch-up tax” in incentives, partnerships, and migration friction.

The result is a more provocative truth: **competition shifts from “best product wins” to “best ecosystem wins.”** Partnership battles intensify because competitors decide which ecosystem to prioritise - and those choices can tip markets toward a small number of dominant coordination hubs.

For telcos, retailers, banks and non-bank financial institutions, the risk of moving slowly is not immediate irrelevance; it is structural relegation - becoming a commoditised provider of reach or balance sheet while others own the customer relationship, data exhaust, and the economics of the journey.

Conclusion: The Race Is On, Which Participation Model Wins?

South Africa's payments deregulation will trigger a rapid migration of value, potentially billions of rand, from infrastructure owners to ecosystem orchestrators. There is no universal answer to whether direct authorisation or sponsored access is superior.

- Direct authorisation favours players with scale, capital and ambition to orchestrate ecosystems end-to-end.
- Sponsored models remain compelling for focused innovators seeking speed, flexibility and lower regulatory burden.

The decisive factor is strategic intent. Organisations that act now, redefining their role in the ecosystem, investing in the right operating models enabled by the right technology stack, implementing compliance and regulatory oversight and forming the right partnerships will shape the next phase of South African payments.

In an open system, standing still is the riskiest strategy of all.

4. Appendix:

Global players that have successfully adapted to changes in the payments landscape

Case Study Examples

<p>Banks</p>	<p>HDFC Bank (India) Following UPI-driven margin compression, HDFC accelerated growth in non-interest revenues, particularly insurance (c.40% CAGR) and merchant services, partnering with over 50 fintechs and modernising its core architecture.</p>
<p>Neobanks</p>	<p>NuBank (Brazil) Leveraged Pix rails to expand beyond payments, serving over 80-million customers across credit, insurance, and investment products.</p> <hr/> <p>PalmPay (Nigeria) Evolved into a super-app integrating payments, credits, savings, insurance, and lifestyle services.</p>
<p>Telcos</p>	<p>Safaricom M-Pesa (Kenya) Evolved from P2P mobile money into platform enabling third-party via open APIs and super-app style mini apps, with added savings and credit products, driven by merchant acquisitions.</p> <hr/> <p>Airtel Payments Bank (India) Expanded from wallet and payments into a payments bank platform offering merchant services, business accounts and embedded partner-led lending and financial products.</p>
<p>Retailers</p>	<p>MercadoLibre Mercado Pago now operates as a digital bank, offering payments, credit, savings and insurance to millions of customers and SMEs.</p>
<p>Other Fintechs</p>	<p>Flutterwave (Africa) Built cross-border payment infrastructure and API-driven services for merchants and financial institutions.</p>



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