



Submission

Inquiry into Schemes, Digital Wallets and Innovation in the
Payments Sector

Follow-up questions from public hearing on 25 February 2026

For

the Hon Ed Husic MP
Committee Chair

SBAA

Organisation: Small Business Association of Australia

Representative: Anne Nalder

Title: Founder/CEO

Contact: Email [REDACTED]

Witnesses: Linda Shave, Policy, Small Business Association of Australia & Anne Nalder, Founder/CEO Small Business Association of Australia

For the attention: Committee Chair, the Hon Ed Husic MP

Date: 9 March 2026

Introduction

The Small Business Association of Australia (SBAA) welcomes the opportunity to provide additional information to assist the inquiry into merchant card payment costs and fee transparency.

Small businesses represent the overwhelming majority of Australian enterprises and play a critical role in employment, innovation and local economic activity. According to data from the Australian Bureau of Statistics, more than 97 per cent of Australian businesses are micro or small enterprises. However, these businesses frequently operate with limited bargaining power when negotiating payment processing arrangements with financial institutions and payment networks.

The SBAA's engagement with small business operators across multiple sectors indicates that merchant service fees remain complex, opaque and difficult to compare on a like-for-like basis. This lack of transparency can make it challenging for small operators to assess acquiring offers, manage operating costs and maintain competitive pricing for consumers.

In particular, the increasing adoption of digital payment technologies, including mobile and digital wallets operating on networks such as Visa Inc. and Mastercard, has improved customer convenience but may also contribute to rising payment acceptance costs for small businesses.

The following responses outline the SBAA's observations regarding fee transparency, the impact of payment innovations on merchant costs, and the structural challenges faced by small operators when negotiating merchant service fee arrangements

Question 1- How does the current level of fee transparency affect a small business's ability to compare acquiring offers on a like-for-like basis?

Current fee transparency obstacles for traders and micro, small and medium size enterprises (MSMEs) centre around complex, opaque and often high-cost card payment processing fees that hinder MSME profitability and margins while also obscuring customer pricing models.

Based on statistics provided by the Australian Competition and Consumer Commission for 2024–2025, Australian merchant card processing fees for small businesses generally range between 0.85% and 2% for debit/Eftpos transactions and 1% to 2% for credit cards.

According to the Australian Small Business and Family Enterprise Ombudsman *Merchant Card Payment Costs and Surcharging Issues Paper* (October 2024), small businesses, including sole traders, face significant disadvantages due to limited bargaining power and often pay three times the average per-transaction fee compared with large merchants, which can exceed 2 per cent of the transaction value.

The ability for MSMEs to compare acquiring offers on a like-for-like (LFL) basis remains complicated, particularly in the absence of a consistent definition or measurement framework. As highlighted above, sole traders face structural disadvantages due to a lack of bargaining power and higher average per-transaction fees relative to large merchants.

It could be argued that the current level of fee transparency, or lack thereof, disproportionately benefits large businesses. According to 2024 figures from the Australian Bureau of Statistics, large businesses employing more than 200 employees represent only 0.2% of all businesses in Australia.

Currently, LFL is widely used as an indicator for measuring sales growth and trading performance. It is particularly common within the retail sector as a way of assessing performance over a set period while attempting to strip out the effects of expansion or closures. However, further qualitative research may be required to determine whether the disadvantages faced by MSMEs—such as higher transaction fees and limited bargaining power—have contributed to the 362,893 small businesses that have closed, particularly given that traditional LFL measurements may exclude the “closure” category.

The ABS has reported a significant number of small businesses exiting the market, with 362,893 businesses closing, representing a 14% exit rate. This trend highlights the economic pressures currently faced by the small business sector, particularly among SMEs.

ABS figures from June 2024 indicate there were 2,662,998 businesses operating in Australia, of which:

- 97.2% were self-employed, micro or small businesses
- 2.6% were medium-sized businesses
- 0.2% were large businesses employing over 200 employees

These figures illustrate the structural imbalance in bargaining power between the vast majority of businesses and large merchants when negotiating payment processing arrangements.

Question 2 - Some payment innovations that improve customer experience have increased costs for small businesses. Which payment methods or features have had the most significant cost impact?

The SBAA has not conducted a formal survey specifically addressing this question. However, the association has consulted widely with individual small business owners, business associations, stakeholders and external parties. The views presented here are consistent with feedback observed across these sectors.

While some payment innovations have improved the online customer experience, they have also increased costs for MSMEs due to complex and often opaque card payment processing fee structures.

Key drivers contributing to increased costs include:

- the growing adoption of digital wallets
- the expansion of real-time payment infrastructure
- ongoing technological innovation in payment systems
- evolving regulatory settings within payment networks

Digital wallets have increased transaction costs because they often rely on network intermediaries such as Visa Inc. and Mastercard, which can result in additional processing layers and higher transaction fees for small businesses.

Similarly, mobile wallet platforms such as Apple Pay, Google Pay and Samsung Pay have contributed to increased transaction costs. Small businesses must absorb the additional costs associated with processing these payment methods while still maintaining competitive pricing for consumers.

Question 3 - Given that transaction volume influences pricing, how does lower turnover for a single-venue business affect the rate it is offered compared with a large multi-venue chain?

In general, lower turnover for a single-venue business typically results in higher processing rates compared with those offered to large multi-venue chains.

This is largely because single-venue businesses process a smaller volume of transactions on a monthly basis. For payment processors, lower transaction volumes may reduce the predictability and scale of revenue generated from the account.

Higher-volume merchants, by contrast, distribute the fixed costs of payment processing across a larger number of transactions. This reduces the effective servicing cost per transaction and makes these merchants more commercially attractive to payment processors and networks such as Visa Inc. and Mastercard.

As a result, larger merchants are often able to negotiate more favourable pricing arrangements, while smaller single-venue operators may face comparatively higher transaction costs.

Question 4 - Can most small operators readily identify how much of their merchant service fee is interchange, scheme fees and the acquirer's margin?

In Australia, small operators such as MSMEs may find it challenging to identify the detailed breakdown of their merchant service fee.

Merchant service fees generally comprise three key components:

- Interchange fees, which flow from the acquiring bank to the issuing bank
- Scheme fees, charged by payment networks
- Acquirer margin, added by payment service providers

The acquirer margin represents an additional fee levied on merchants and can vary depending on factors such as the transaction network used, the size of the business and overall transaction volumes. These fees represent the payment provider's charge for facilitating the transaction.

Given this layered fee structure, the overall merchant fee is complex and can vary significantly between providers. The lack of standardisation means that charges are not uniform across businesses of different sizes or turnover levels.

Looking ahead, it may become even more difficult for small businesses to identify the breakdown of their merchant service fees. Currently, surcharges are typically listed on consumer receipts. However, if card surcharges are abolished for consumers, these costs may instead be incorporated into the overall price of goods and services.

Industry forecasts within the hospitality sector suggest this could increase consumer prices by 5–7 per cent.

While some sectors of the small business economy continue to perform well, the hospitality and retail sectors remain particularly vulnerable due to their relatively low profit margins, which are currently estimated at approximately 3–5 per cent.

The compounding impact of opaque fee structures and high payment processing costs places additional pressure on MSMEs profitability and their ability to absorb rising operating costs. While this may not appear immediately alarming, it occurs within a broader environment in which businesses are already exiting the market at a rate of approximately one in ten.