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CGAP G2P Research Project

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Executive Summary

Because of its interest in answering three recurring questions about the payment of social transfer grants, CGAP commissioned a study of four countries which have large, well-established social welfare programs. Their purpose was to develop information that coincidentally addressed the three primary constituencies involved in these payments: payment service providers, governments, and beneficiaries. In particular, they asked the following questions:

1. Provider bank proposition: Can financial institutions offer financially inclusive services to recipients on a profitable basis?
2. Government proposition: Is building in inclusive financial services prohibitively expensive?
3. Client proposition: Will poor recipients use financial services if they are offered to them?

Four countries were considered: Mexico, Colombia, Brazil, and South Africa. **Table 1** identifies the respective programs and banks that participated in the study.

Table 1: Research countries, programs and financial institution

Country	G2P Program	Bank
Brazil	Bolsa Família	Caixa Econômica
Mexico	Oportunidades	Bansefi
South Africa	Child Care, Old Age	ABSA/All Pay and Standard Bank
Colombia	Familias en Accion	Banco Agrario

CGAP designed the study to answer the above questions by exploring three areas of inquiry: (a) use of accounts by recipients, through analysis of transactional data; (b) costs to banks and governments; and (c) perceptions of recipients about ease of access, challenges posed by the payment process, and value placed on having access to the account.

This report covers the South Africa study in which interviews were conducted and information gathered from three government agencies, two banks, and 10 focus groups of clients. Those three government agencies are the Treasury (Ministry of Finance), which authorizes and supplies the funds; the Department for Social Development (DSD), which has overall authority for the social welfare system in South Africa; and the South Africa Social Service Administration (SASSA), which is overseen by DSD and is charged with implementing transfer payments.

Though there are some differences in the perceived values and costs of financial inclusion among these three agencies, which are charged with the administration of South Africa's social welfare payments, and though the policies and procedures of these agencies aren't fully harmonious, there is broad agreement that financial inclusion is a good goal for those payments. This is motivated in part by a conviction that financial inclusion is good for the future of the beneficiaries and the country and partly by the potential for substantially reduced cost. The fees currently paid to the private service providers would drop by half with the use of direct electronic transfers of payments to bank accounts versus what SASSA calls "cash" payments. These latter are made using a store of value but (except in one case) without the opportunity for additional financial services.

Unfortunately, that bias toward financial inclusion is not clearly reflected in the evaluation criteria by which bids in the current, on-going tender process will be judged.

While there is some apparent resistance among recipients to having the benefit paid into a bank account, more than half of the current 9 million recipients already have the benefits deposited into bank accounts that they have chosen as their preferred payment means.

The one bank currently paying benefits, ABSA (through its subsidiary, AllPay), is primarily motivated by the fees it receives from the government, though it has an extensive and growing business strategy to draw lower income clients to the bank. It currently determines low-income clients to be people with less than R.3000/month income (~US$440/month[1]), and it currently has over 4 million clients, more than any other bank in the country, in this category.

While the second bank interviewed for this report, Standard Bank of South Africa, is not currently contracted as a payment provider for social welfare payment distribution, it does have within its large inclusive banking client base a sizable number of recipients. It has submitted a bid in the current tender process and also has a strategy to attract lower income people as customers, using a mobile telephone-based account that will be available for social transfer recipients as well as other clients. Standard Bank's definition of lower income is R.8000/month (~US$1160) and R.335/day (~US$50), considerably higher than ABSA's standard. While Standard Bank is lobbying for a subsidy for opening accounts with social transfer recipients, its stated goal is not primarily to gain further, profitable government fee income but to grow this lower income segment of clients into a profitable market on the basis of income generated by the use of the accounts and the sale of other financial products.

Despite the confusion among government agencies over the common objective of promoting inclusion, and the unknown outcome of the current tender process, which will have a material effect in the future, South Africa has nonetheless made considerable progress toward greater financial inclusion in the past decade with 58 percent of recipients being paid electronically into a bank account. This is largely because the incentives (primarily convenience) existed for sufficient customers to opt out of cash receipt and to opt for basic bank account offerings that were being rolled out at the same time.

Based on the information collected for this study, South Africa's experience provides some tentative answers to CGAP's three questions:

1. Provider bank proposition: Can financial institutions offer financially inclusive services to recipients on a profitable basis? Assuming this question excludes the revenue from government service fees, the evidence gathered does not confirm the full cost business proposition as viable. However, the strategic plans of both ABSA/AllPay and Standard Bank imply an intention to expand their client base by banking social transfer recipients along with other lower income customers.

[1] Exchange rate used: 1US$=ZAR6.90

2. Government proposition: Is building in inclusive financial services prohibitively expensive? Here too, there is insufficient full cost data to confirm the cost savings via electronic payments. However, it appears that SASSA is planning to reduce fees paid for “cash” payments by at least 50 percent. The fee level prescribed by the current tender matches quite closely the current cost of electronic payments in the one province where that payment mechanism has been piloted.
3. Client proposition: Will poor recipients use financial services if they are offered to them? The fact that 58 percent of current recipients receive their benefits in bank accounts, and that they do so voluntarily, means that recipients are willing, they may even prefer, to receive payments electronically. This appears to be motivated primarily by convenience and cost rather than the opportunity to use other financial services.

1 Overview of Social Grants in South Africa

1.1 Social Grants and their administration

The landscape of social grants in South Africa is complicated not only by the number of different programs but by the history of grant administration. Though dominated by the Child Support grant, which accounts for more the 10 million of the nearly 15 million beneficiaries,[2] there are six other programs, all of which have monthly distributions, some to the same recipient. Though the administration of these programs was consolidated under one national agency in 2005, the precedent of separate provincial grant administrations and the varying payment conditions across provinces has translated into payment contracts being let by province even in the latest tender process.

The seven specific grant programs currently operating in South Africa are child support grant, disability grant, care dependency grant, older persons grant, foster care grant, war veteran's grant, and grant-in-aid. These grants are not universal, and each one of them has different eligibility criteria (see **Table 2**).

Social grants in South Africa are administered under the Social Assistance Act, Act 13 of 2004. This act is meant to streamline and improve service to social grant recipients. The National Treasury funds social assistance. The National Department of Social Development (DSD) is responsible for policy development in respect to social assistance. And the South African Social Security Agency (SASSA) is the implementing agency responsible for administering the disbursement of 15 million social grants. SASSA contracts payment service providers to deliver these payments. Eligibility conditions and grant amounts for the different grant programs are as follows:

Table 2: South Africa's Social Grants

(see **Appendix 6** for a more complete description of each program)

Grant program	**Old Persons**	**War veterans**	**Disability**	**Foster Care**	**Care Depend-ency**	**Child Support**	**Grant-in-aid**
Target	Elderly over 60	WWII or Korean war veterans over 60	Disabled people between 18 and 59	Legal foster parents of children under 19	Severely disable child under 18	Child under 18	Older persons, veterans, disabled grantees
Eligibility	Means test	Means test	Means test	None	Means test	Means test	Unable to care for selves
Value (US$1=R.7)	R.1140 ($163)	R.1160 ($166)	R.1140 ($163)	R.740 ($106)	R.1140 ($163)	R.260 ($37)	R.260 ($37)

[2] These beneficiaries are distinguished from the 9.2 million recipients who actually receive the payments. The implication is that more than one beneficiary may be receiving their benefit through a single recipient.

Grant program	Old Persons	War veterans	Disability	Foster Care	Care Depend-ency	Child Support	Grant-in-aid
Payment interval	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
Conditional	No	No	No	No	No	School attend-ance	No

As **Table 3** shows, the total number of beneficiaries receiving grants has increased almost four-fold in the past decade. The fastest growth has happened in the largest program, child support grants, although the numbers have also doubled or more in other categories, such as disability, foster care, and care dependency. The rapid growth, and the extent of the programs, such that one in five South African adults in 2010 reported government grants as their major source of income, has placed great pressure on the systems for paying out the grants.

Table 3: Total numbers and growth rates of grant beneficiaries, by grant type

YEARS	Older Persons Grant	War Veterans Grant	Disability Grant	Foster Care Grant	Care Dependency Grant	Child Support Grant	Total	Growth rate (%)
1996/97	1,637,934	13,473	711,629	42,999	2,707		2,408,742	
1997/98	1,697,725	10,525	660,528	43,520	8,172		2,420,470	0.5
1998/99	1,812,695	9,197	633,778	46,496	16,835	21,997	2,540,998	5.0
1999/00	1,848,726	7,908	607,537	49,843	22,789	150,366	2,687,169	5.8
2000/01	1,900,406	5,617	655,822	66,967	33,574	1,111,612	3,773,998	40.4
2001/02	1,903,042	5,336	694,232	67,817	34,978	1,277,396	3,982,801	5.5
2002/03	1,943,348	4,638	840,424	83,574	42,355	1,998,936	4,913,275	23.4
2003/04	2,050,572	3,996	1,228,231	120,571	76,494	2,996,723	6,476,587	31.8
2004/05	2,124,984	2,963	1,293,280	195,454	86,917	4,165,545	7,869,143	21.5
2005/06	2,146,344	2,817	1,315,143	317,434	90,112	7,075,266	10,947,116	39.1
2006/07	2,195,018	2,340	1,422,808	400,503	98,631	7,863,841	11,983,141	9.5
2007/08	2,229,550	1,924	1,408,456	454,199	102,292	8,189,975	12,386,396	3.4
2008/09	2,390,543	1,500	1,286,883	474,759	107,065	8,765,354	13,026,104	5.2
2009/10	2,547,657	1216	1,264,477	510,760	110,731	9,562,667	13,997,508	7.5
2010/11	2,678,553	958	1,200,898	512,891	112,153	10,373,613	14,937,479	6.7

Note: Grant-in-aid not specified as it is given to those already in receipt of the disability, older persons, and war veterans grants. Source: Department for Social Development. These figures refer to financial years that end on 31 March.

1.1.1 Impact study of social grants in South Africa

In 2004 the Economic Policy Research Institute (EPRI) published a report commissioned by DSD to evaluate the role of social assistance in reducing poverty and promoting household development, examining effects on health, education, housing, and vital services. The year studied was 2000. In addition, the study assessed the impact of social grants on labor market participation and labor productivity, providing an analysis of both the supply and demand sides of the labor market. The study also quantified the macroeconomic impact of social assistance grants, evaluating their impact on savings, consumption, and the composition of aggregate demand. Most of the statistical analysis focused on the State Old Age Pensions, Disability Grants, and Child Support Grants because sample sizes were sufficiently large to support significant inferences.

The conclusions of the study, though now dated, were that “South Africa’s system of social security successfully reduces poverty” and furthermore “substantially reduces deprivation, and the progressive extension of the magnitude, scope and reach of social grants holds the potential to dramatically diminish the prevalence of poverty in South Africa.” “The results of this study provide evidence that the household impacts of South Africa’s social grants are developmental in nature.” In line with international experience, these grants “yield positive impacts in terms of reducing poverty, promoting job search and increasing school attendance.” “Both the State Old Age Pension and the Child Support Grant are statistically significantly associated with improvements in school attendance, and the magnitudes of these impacts are substantial.” “Social grants are effective in addressing this problem of hunger, as well as basic needs in general. Spending in households that receive social grants focuses more on basics like food, fuel, housing and household operations, and less is spent on tobacco and debt.” “People in households receiving social grants have increased both their labour force participation and employment rates faster than those who live in households that do not receive social grants.”

1.1.2 Financial inclusion and social grants

Interviews with the three arms of government involved with social grants, namely National Treasury (funding), DSD (policy) and SASSA (implementation), revealed very limited coordination on how to apply the goal of greater financial inclusion to social grants. DSD and SASSA said that all financial inclusion questions should be referred to Treasury as this was its area of responsibility. Although the most recent SASSA tender (see 2.2.1.4 SASSA’s 2011 Tender) includes financial inclusion as an explicit objective, it does not include a mechanism for rewarding tenders that address this objective compared to other more fundamental aspects of the cash delivery systems (see Section 2.2.1.4). Though Treasury has a mandate for financial inclusion, it is unknown whether it was briefed or consulted in the drafting of this latest tender. SASSA has the stated strategic aim to migrate beneficiaries from cash payments to electronic payments, but this objective is motivated primarily by the desire to reduce delivery costs rather than a strong financial inclusion agenda. This is supported by the strong belief within both SASSA and DSD that electronic delivery of social grants is cheaper for government than cash payments.

Table 4 lists possible program objectives in the order of priority noted by the SASSA officials interviewed. Note that cost savings is rated only a fifth priority, with beneficiary experience (time, cost, and dignity) rated the most important. This prioritization is not uncommon in government agencies whose function relates to delivery.

Table 4: General Objectives of Social Transfer Agency
(1=top priority, 2=second, etc)

Objective
1. Minimize time and cost taken by beneficiary to collect transfer each cycle
2. Promote the dignity of the recipient
3. Minimize leakage (due to fraud, misappropriation, payment process failure)
4. Maximize additional development benefits for recipients
5. Minimize total delivery cost to government
6. Minimize time to scale up a new or expanding program

Table 5 defines the levels of financial inclusion inherent in SASSA's payment arrangements. It shows the three basic types of payment instruments and which are used by SASSA. Several years ago, financial inclusion was defined at a basic level by the limited-purpose instrument; but in more recent experience, the objectives for achieving financial inclusion have increased such that the general-purpose instrument is now a better gauge of a program's intention and achievement.

Table 5: Current payments methods

Payment Instrument	***Cash***	***Limited-Purpose Instrument***	***General-Purpose Instrument***
Definition	Payment instrument includes no store of value	Payment instrument includes a store of value with the ability to withdraw at will, but provides limited time for benefit storage, prohibits additional deposits, and does not provide access to general-purpose financial infrastructure.	Bank account with functionality equivalent to nearest equivalent bank account (multiple channel access).
Form of Social Grant Payment in South Africa		Cash-based services (**CBS** payments): recipients access a card-based electronic store of value at pay points to receive their cash payment (provided by Net1, All Pay, and Empilweni).	Direct deposit to existing bank accounts (**ACB**[3] payments). This includes AllPay's Sekulula account.

SASSA's drive to encourage recipients to switch to direct deposit to a bank account (known as ACB payments because of the payment instrument used to effect the transfer) has been very challenging. The change to direct deposit in a bank account is voluntary; hence the decision to change really depends on recipients' perception of the value of their time spent queuing for cash payments; their perception of the risk of holding cash; the proximity of alternative cash-out points, such as bank branches and ATMs; and their ability to secure a low-cost account, such as the Mzansi account.[4] Whereas the direct financial cost of access to benefit funds is fully subsidized in "cash-based" payments (the fee to the payment providers is paid by the government), it is only partially or not at all subsidized in ACB delivery to bank accounts, depending on the type of account chosen. Therefore, in many cases the rational choice is for recipients to maximize the value of their social grant by avoiding bank charges and access costs by continuing to receive cash payments. Last year there was a strong backlash against direct-deposit payments after a rumor spread that recipients who did not make the switch would lose their payments. Complaints about direct-deposit payments noted by SASSA focused on the following concerns (not all of which came from the recipients themselves):

1. Cost of access for recipients (such as transportation costs)
2. Cost of bank charges for recipients
3. Senior citizens no longer have social gathering at cash pay points
4. Providers of informal markets at cash pay points lost revenue
5. No training on use of ATMS at banks
6. Fear of leakage (security guards at ATMs assist in carrying out transaction for a charge)

In view of these apparent inhibitors to ACB payments, it is noteworthy that, according to SASSA's latest published Statistical Report (April 2011), more than half (51 percent) of all South African

3 Payments are made via the Automatic Clearing Bureau (ACB) and hence are referred to as ACB payments.

4 FinScope South Africa 2010 reported that the incidence of people claiming to open an Mzansi account to receive social grants has increased from 22 percent in 2009 to 29 percent in 2010.

beneficiaries receive their payments in their bank accounts.[5] Not only do the related recipients presumably already have the means to afford a bank account, but their acceptance of the characteristics and charges associated with bank accounts means the factors above, which can inhibit electronic payments, are not decisive for them. Accurate measurement of how payment methods used to pay South Africa's expanding social transfer schemes have changed over time is frustrated by differences in terminology and methodology. In its first Statistical Report, SASSA reported that 23 percent of *recipients* as at December 2007 were paid electronically.[6] As noted above, SASSA reported in April 2011 that 51 percent of *beneficiaries* accessed their grants electronically. This suggests that the proportion has more than doubled. Part of the increase may be due to a difference in the counting: SASSA has consolidated payments to multiple beneficiaries via the same recipient in the past few years, which may have had the effect of increasing the proportion of beneficiaries paid via banked recipients. And this increase undoubtedly also reflects the strong push on the part of SASSA to increase electronic payments during the past three years.

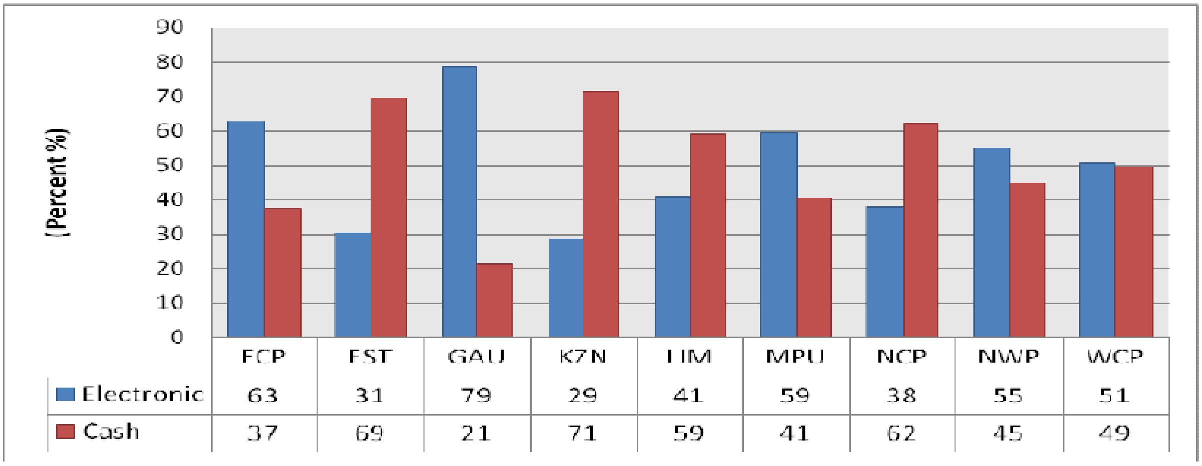
A third factor is the inclusion of AllPay's Sekulula account in the calculation of "cash-based" payments. Though it is available only to grant recipients, the account allows holders to make partial withdrawals and make personal deposits, thus more properly resembling a normal bank account. Including the nearly 1 million Sekulula recipient accounts, the proportion of 9.2 million total recipients who receive their payments in bank accounts jumps from 48 percent to 58 percent.

The proportion of electronic versus the alternative (SASSA-defined "cash-based") varies considerably across provinces as shown in **Table 6**. It is striking that two of the nine provinces with the highest percentage of electronic payments—namely Gauteng (79 percent) and Eastern Cape (63 percent)—are very different in general characteristics: Gauteng is almost entirely urban and the wealthiest province per capita; while Eastern Cape is predominantly rural and poor. However, they are similar in one respect: in both, there has been active bank (Allpay/ABSA) involvement in the payment process. (Focus groups of recipients for the demand side convened in Gauteng and Eastern Cape for this reason.)

[5] http://www.sassa.gov.za/Portals/1/Documents/87e97049-94c6-47d0-a3dd-b679b2db22d1.pdf

[6] Statistical report No.1, 31 December 2007, http://www.sassa.gov.za/Portals/1/Documents/b097d026-738c-4524-a6e4-d2b95472491b.pdf

__Table 6: Payment method by province__



Service Provider	AllPay	AllPay	AllPay	Net1	Net1	Empil-weni	Net1	Net1	AllPay

Another measure of the increase in electronic payments and financial inclusion is the annual nationally representative FinScope surveys of the South African population. Among those adults who indicated that their primary source of income was grants, **Table 7** shows the proportion that had bank accounts. These adults include grant recipients who receive a child care grant on behalf of the beneficiary.

__Table 7: Proportion of Adults with Grant Income who are Banked__

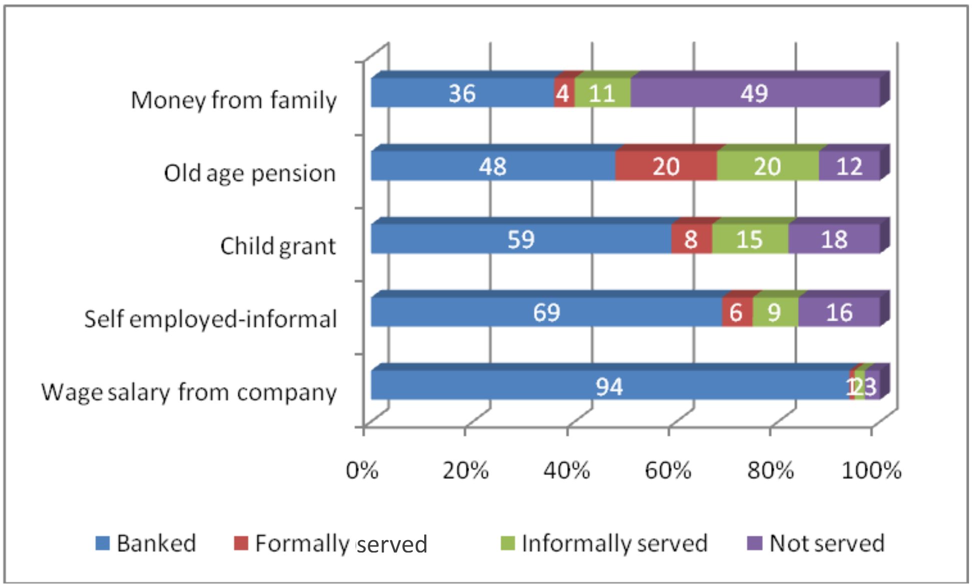
	2005	**2007**	**2010**
Currently banked	36%	55%	57%
Of which: have Mzansi accounts	5.4%	22.4%	
With cell phone (“you own your own”)	7.3%	47%	

Source: FinScope 2005, 2007, 2010

These data sustain the view that the majority of grant recipients in South Africa are in fact banked. It is striking that the big increase in the percentage of recipients banked happened between 2005 and 2007, and there has been limited growth overall since then. This period corresponds to the early years of the Mzansi bank account rollout, which accounted for a small fraction of total recipients in 2005, but 12 percent of all recipients (55 percent X 22 percent) by 2007. Mzansi continues to be offered in 2011. FinScope 2010 notes that 29 percent of people who opened a new Mzansi account in that year said that they did so to receive grants (compared with 22 percent the year before).

While having a bank account is an essential indicator of financial inclusion, it is not the only dimension of financial inclusion. **Table 8** from FinScope 2010 shows the proportions of people with financial services according to their source of income. Note the high proportion of old age pensioners (20 percent—the highest number across the sources of income—versus 9 percent national average) who are informally served, i.e., use no formal product (receive their pension in cash) but rather use other informal services, such as savings groups or burial societies. This is consistent with the demand-side findings from focus groups. The result is that a small proportion (12 percent compared to 23 percent nationally) of old age pensioners is considered totally excluded from financial services altogether. Similarly, 15 percent of child grant recipients use informal services that is also coincidental with a lower than average level of exclusion (18 percent vs. 23 percent).

Table 8: Inclusion by source of income



Source: FinScope 2010 Brochure, http://www.finscope.co.za/new/scriptlibrary/getfile.aspx?filename=Brochure%20_FinScope%20consumerSA%202010%20FNL.pdf&file=../module_data/abb94be2-c25b-4e2b-8fea-b4cb8cf019ab/downloads/52b0bd1a-af81-4deb-a013-64a0009a59bf.file

During his 2011 budget speech, Minister of Finance Gordhan announced a new Treasury policy paper that promised to transform the financial sector. "A Safer Financial Sector to Serve South Africa Better" (23 February 2011) highlights four policy priorities, among which increasing financial inclusion is explicitly stated;

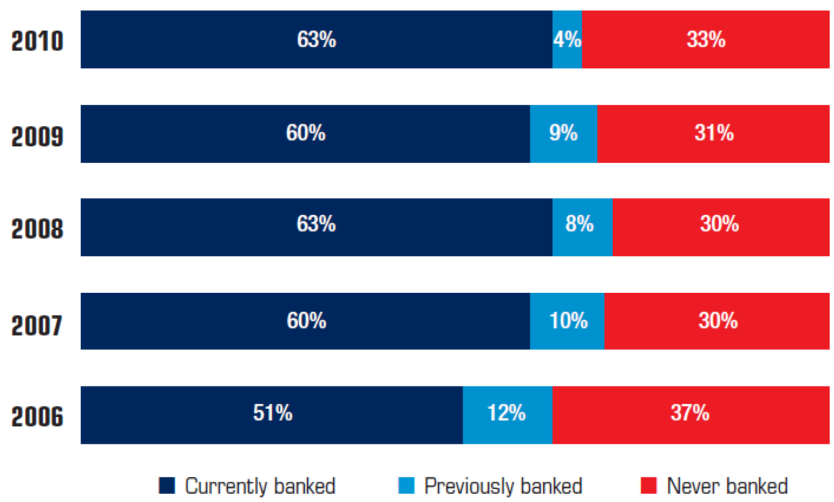
- Policy priority 1—Financial stability
- Policy priority 2—Consumer protection and market conduct
- **Policy priority 3—Expanding access through financial inclusion**
- Policy priority 4—Combating financial crime

This paper defines financial inclusion as "ensuring that all South Africans have access to financial services that encourage them to manage their money, save for the future, obtain credit and insure against unforeseen events." However, no specific mention of social grants is made in this paper.

Before the release of this policy paper, the 2004 Financial Sector Charter had promoted financial inclusion by committing major financial institutions to work more closely with government, labor, and the wider community to transform the financial sector to better serve the poor and vulnerable. At the time, the big four banks (Standard Bank, ABSA Bank, Nedbank, and First National Bank) were already engaged in extending their customer base to low-income customers. But this accelerated in 2006/2007 as a result of the Financial Charter. The creation of the low-cost Mzansi account was one of the most applauded outcomes of this initiative. Over 60 percent of Mzansi accounts were opened by adults who had never been banked before. However, dormancy has been very high, and the banks claim that Mzansi accounts are not profitable. The Charter expired in 2008, and the Treasury is now working on turning this Sector Charter into a Code that will become binding on all reporting financial institutions. The government is also working on fulfilling its commitment to implement the G-20 Principles for Innovative Financial Inclusion. Other initiatives include developing the role of co-operative and dedicated banks, strengthening the Postbank, and introducing a microinsurance framework.

Finscope South Africa 2010 has shown that financial inclusion in South Africa is once again improving moderately following a dip during the worldwide economic downturn in 2009 (see **Table 9**). Currently, 63 percent of adults are banked while the National Treasury target is for this figure to grow to 70 percent over the next three years.

Table 9: Financial Access figures over the past five years



Source: Finmark Trust, FinScope South Africa 2010.

The National Treasury's "A Safer Financial Sector to Serve South Africa Better" (2011) includes a section titled "financial inclusion scorecard," which cites the Finscope survey's landscape of access (including both formal and informal financial sectors of the economy) as noting that 68 percent of adult South Africans use transaction products, 35 percent use savings products, 50 percent use insurance products, and 33 percent use credit products. It also uses several indicators to compare results across a number of countries (see **Table 10**). South Africa has varying results in comparison to other economies. The number of bank branches per 100,000 adults is the lowest among the countries noted. Compared to two similar middle-income countries, the numbers of both ATMs and point-of-sale terminals per 100,000 people are much higher than those in India but much lower than those in Brazil. While these facts give some relative indication of financial inclusion, there is no simple explanation.

Table 10: International comparison of selected financial inclusion indicators

	Australia	Brazil	India	Mexico	South Africa	United Kingdom	United States
Deposit value (% of GDP)	75.18	35.55	55.03	15.08[1]	92.92[2]	61.32	43.91
Loan value (% of GDP)	115.67	78.61	40.93	13.36	95.96	80.64	44.81
Bank branches per 100 000 adults	32	13	10	15	8	21	36
ATMs per 100 000 adults	157	112	7	45	52	1`23	176
POS per 100 000 adults	4 040	2 247	67	592	1 068	2 331	-
Value of SME loans (% of GDP)	15.33	3.77	4.34	-	10.71	-	4.93
Source: C Gap Financial Access 2010 and SARB National Payment System Division							
1. Red shading indicates the lowest value 2. Green shading indicates the highest value							

Against this background, **Table 11** shows responses by several SASSA staffpersons and one Treasury staffperson to a list of statements about financial inclusion, painting a picture of a complicated policy environment.

Table 11: Statements about Financial Inclusion

(1=fully agree; 5=fully disagree)

Statement	SASSA	National Treasury
(i) The recipients of cash transfers in our country can and do save.	3	2
(ii) Considering all categories of cost, electronic payments of transfers are cheaper for government than cash payments.	1	1
(iii) Introducing financial inclusion to social transfers increases complexity for scheme managers.	3	4
(iv) Introducing financial inclusion objectives for social transfers increases cost to government without clear compensating benefits.	3	4
(v) The benefits of financial inclusion for social transfer recipients have been proven and are widely accepted in our ministry.	1	1
(vi) The biggest obstacle to full financial inclusion is on the demand side: clients don't necessarily see the benefit.	3	3
(vii) The biggest obstacle to full financial inclusion is on the supply side: banks are unwilling to provide full services because they cannot do so profitably.	1	4
(viii) Within 10 years, all recipients will be paid into their bank accounts.	1	Vision
(ix) The case for governments to require all social transfers to be paid directly into bank accounts is strong.	3	1

To the extent that these responses accurately reflect SASSA and the Treasury, there appears to be both important agreement and significant differences of opinion. SASSA and Treasury agree that (1) electronic payments are cheaper than cash payments, and (2) financial inclusion is beneficial for recipients (though Treasury is not convinced that bank accounts are beneficial given that recipients tend to use them only for benefit withdrawal). However, they disagree on (3) the degree to which banks are the biggest obstacle to effecting financial inclusion (SASSA sees bank unwillingness as a big obstacle, Treasury disagrees) and (4) the strength of the case for governments to pay social transfers into bank accounts (Treasury strongly supports as long as the accounts are affordable, whereas SASSA is not fully persuaded). Treasury is also slightly less concerned than SASSA about the additional cost and complexity introduced by electronic and financially inclusive processes (iii and iv).

Individually, SASSA makes some statements that could use further explanation. First, electronic payments are cheaper than cash payments for government (ii), but financial inclusion increases costs to government to some extent without compensating benefits (iv). Second, despite citing a number of substantial recipient objections to using bank accounts (see page 9), and noting that, to some extent, recipients don't necessarily see the benefit of financial inclusion (vi), and stating that the case for governments to require payments into bank accounts is not particularly strong (ix), they state that the benefits of financial inclusion for recipients have been proven and accepted by the ministry (v).

These various policy positions suggest that policy makers and managers of the South African social transfer programs are working in the midst of much uncertainty. They believe that financially inclusive payments will be good for both government and recipients, but do not have experience to support this belief. They are also unsure about the incentives and willingness of banks to open fully functional accounts for the payments.

1.2 Payment Scheme Operations Review

1.2.1 SASSA

SASSA was established as an independent government agency by the South African Social Security Agency Act in 2004 and came into effect in 2006 as a part of an effort to streamline operations by centralizing payments. Previously all nine provincial social welfare departments were responsible for grant payments (see 2.2.1.3 for further details). Unlike other government agencies, SASSA does not have an independent board. Though SASSA is overseen by DSD, the CEO has considerable operational independence. A new CEO, Mrs. Pettersen, has been recently been appointed (May 2011). She previously worked in the DSD's Appeals Tribunal Service. SASSA has a staff of 7,500. SASSA's mandate, vision, mission, and slogan are as follows:[7]

> **Mandate**. The mandate of the Agency is to ensure effective and efficient administration, management, and payment of social assistance to provide for the prospective administration and payment of social security, including the provision of services related thereto, and to provide for matters connected therewith.
>
> **Vision**. A leader in the delivery of social security services.
>
> **Mission**. To administer quality customer-centric social security services to eligible and potential beneficiaries.

[7] 2011-2012 SASSA Strategic Plan (as quoted by SASSA management)

Values. SASSA, as a public entity, subscribes to values that promote democracy and a culture of respect for human rights. In addition, in building social cohesion, the following values are paramount:

Transparency: As a public institution, SASSA will keep stakeholders informed of its decisions and operations. SASSA therefore provides for the right of stakeholders and public to know what is taking place with regard to governance matters pertaining to them, and it also allows diverse views and multiple perspectives to influence its policy decisions.

Equity: SASSA is committed to the fair and impartial treatment of all its stakeholders and business partners. "Equity" encompasses the justness of actions that are free of favoritism, self-interest, bias, or deception.

Integrity: SASSA is committed to basing its action on an internally consistent framework of principles. It will be honest, as well as fair in dealing with its operations, finances, and other businesses.

Confidentiality: SASSA will promote confidentiality through ensuring that information is accessible only to those authorized to have access to it. Confidentiality is based on the principle that certain information is privileged and may not be discussed with or divulged to third parties.

Customer Care–Centered Approach: In its customer care-centered approach to service delivery, SASSA will take the needs of its customers into consideration by developing user-friendly and quality products and services.

Slogan. Paying the right social grant, to the right person, at the right time and place. NJALO![8]

1.2.1.1 Relationship with DSD

DSD's Policy Implementation Support Department oversees SASSA. This formal oversight comes in part from the fact that SASSA's accounting officer is the director general of DSD (overseeing spending). Regulations and program elements are amended as necessary. The feasibility of any changes is reviewed by legal services, office of the minister, office of the CEO, and regional managers. For example, when the grant value increased on 1 April 2011, it meant an increase in the means test level and beneficiary eligibility, which required sign-off by the Ministry of Finance.

Over the last couple of years there has been confusion surrounding the supervision of SASSA, especially about who is responsible for what parts of its work. DSD, in the form of the Chief Operating Officer's Entity and Oversight Management Department, reviews the functional performance of SASSA against its mandate norms and standards; the Ministry of Finance is meant to monitor expenditure. Since March 2011, there has been some greater clarity in roles, especially as DSD now also engages with the Treasury on SASSA's budget.

Meetings between DSD and SASSA are held quarterly to discuss policy-related issues and any other issues within SASSA. However, these meetings stopped some months ago. The appointment of a new CEO to SASSA is expected to help resolve coordination issues. A memorandum of understanding (MOU) is due to be signed by the new SASSA CEO and DSD, and the CEO will sign a Performance Agreement with the Minister of Social Development. The MOU between SASSA and DSD should

[8] NJALO is Zulu for always or continually.

promote and strengthen operational coordination between these two governmental organizations at the heart of the delivery of social transfers.

1.2.1.2 SASSA budget

The Treasury finances SASSA through a weekly flow of funds via DSD. **Table 12** shows that in financial year 2011–2012, R 97.5 billion is to be paid in social assistance grants and over R 6 billion for SASSA's operations (6 percent of the social welfare budget).

Table 12: DSD's current and expected Budget allocation to SASSA and other activities

	2011/12	2012/13	2013/14
	R'000	R'000	R'000
South African Social Security Agency (SASSA): New payment model for social grants and integrated grants administration model	120,000	200,000	215,000
SASSA: Deficit reduction	-	20,000	250,000
Information systems for the Department	5,000	5,200	5,500
National Development Agency	161,360	169,263	178,527
Social Workers Bursaries	244,000	256,000	270,000
Lovelife	43,360	45,600	48,100
Social Assistance Transfers	97,560,213	106,255,616	114,409,341
South African Social Security Agency	6,143,657	6,200,270	6,539,688
Appeals Tribunal	10,000	10,000	10,000
Prevention and mitigation of disaster risks	2,300	2,300	2,400
TOTAL	**104,289,890**	**113,164,249**	**121,928,556**

Source: DSD strategic plan, earmarked allocations. NOTE: Lovelife is an HIV prevention initiative.

It the 2009–2010 financial year, the auditor general issued a qualified audit opinion, as he was unable to obtain sufficient, appropriate audit evidence to verify some of the agency's transactions.[9] The agency has developed and is implementing a fraud management strategy with prevention, detection, and response elements in an effort to address some of these long-running concerns.

Table 13 identifies the components of SASSA's operating budget though there is presumably some line item of ~R.500million that is included in the budget allocation of **Table 12** that is not in this budget. The Finance program line, under which payments to payment contractors and bank fees are paid, at R 2.5 billion constitutes the largest single SASSA expenditure, making up almost half of its budget. Also note that the Finance line item is being reduced substantially in real terms over the three-year budget cycle, reflecting the determination to bring down the cost of paying transfers.

[9] 28 March 2011, "Summary of the South African Social Security Agency (SASSA) Strategic Plan 2011/2012–2013/2014 and Issues for Consideration by Members of the Portfolio Committee on Social Development"

Table 13: SASSA's Budget

Program	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2010/11-2011/12**		**2010/11-2011/12**	
Executive Management	204.5	214.7	225.5	237.9	10.2	0.4	4.99	0.18
Corporate Services	725.3	761.6	799.7	843.7	36.3	1.4	5.00	0.20
Finance	2 519.5	2 428.2	2 358.7	2 271.6	- 91.3	- 202.5	-3.62	-8.04
Information Technology	363.7	381.9	295.6	302.6	18.2	0.7	5.00	0.19
Grants Administration and Computer Services	1 260.8	1 720.9	2 036.9	2 338.0	460.1	381.3	36.49	30.24
Other Objectives	140.0	147.0	127.0	180.9	7.0	0.3	5.00	0.19
TOTAL	**5 213.8**	**5 654.3**	**5 843.4**	**6 174.7**	**440.5**	**181.5**	**8.45**	**3.48**

Source: Summary of the South African Social Security Agency (SASSA) Strategic Plan 2011/2012–2013/2014 and Issues for Consideration by Members of the Portfolio Committee on Social Development. These figures refer to financial years, which end on 31 March.

1.2.1.3 Payment contracts

The payment contracts that SASSA inherited in 2006 from the nine provincial authorities were all slightly different from each other. SASSA therefore sought to consolidate and rationalize payment arrangements by holding a new tender in 2007 for delivery of social grants in all nine provinces. Unfortunately this process was tainted with allegations of incompetency and corruption and was then delayed by legal action.

In October 2008, several months after receiving bids in that tender process, SASSA cancelled the tender citing irregularities in the process.[10] In 2009, SASSA entered into an agreement with South African Post Offices Ltd without a tender process being followed. One of the bidders in the original tender, Net1, sued SASSA. SASSA lost the case and had to set aside the Post Office contract. The case was referred to the Supreme Court of Appeals, which reversed the lower court's findings, deciding in favor of SASSA'S right to contract with the Post Office. The Appeals Court judges thought it probable that the motivation for the Net1's court action was to perpetuate an "expensive cash payments system." SASSA's agreement with the Post Office was that new beneficiaries applying for grants to SASSA would be asked whether they had a bank account and whether they wanted one. If they wanted one, they would be offered a Postbank account, which SASSA would open for them. SASSA would pay a one-off fee of R 13.68 for every beneficiary account opened and then a monthly fee of R 14.59 per beneficiary. "The financial benefit for SASSA is substantial because the average handling

[10] Source: Geo Quinot, October to December 2009 (4), JQR Public Procurement 2009 (4). http://sun025.sun.ac.za/portal/page/portal/law/index.english/public_proc/resources/Tab2/JQR%20Public%20Procurement%202009%204.pdf

charge of contractors amounts to R32.11 per transaction, more than double the SAPO [South African Post Office] fee, which means that the cash payment system costs, for 9m recipients, was an estimated R3.6bn," the judgment read. Close to half a million beneficiaries had opened Postbank accounts within eight months of the scheme starting up.[11] Net1 asked the Constitutional Court to hear the case—an appeal that was declined in June 2011.

These lengthy court cases have driven policy changes and have, in some cases, undermined efficiency drives within SASSA. Also as a result, SASSA has had to continue to manage existing payment contracts with different terms. However, these contracts have been renegotiated since SASSA took responsibility to account for inflation, new numbers of recipients, adjustment of fees, and changes in billing method. Some of the changes to these contracts have reduced costs. For example, in 2009 billing was changed from a fee per grant to a fee per recipient. Since many recipients receive multiple grants, this led to a cost saving for SASSA. Current contracts terminate on the 30 September 2011. However, since it seems unlikely the tender process will be concluded by then, another extension of these contracts is likely (see2.2.1.4).

Table 14 notes the current contractors for cash payments by province. Direct deposits to recipient bank accounts are made by the treasury through the national switch.

Table 14: Payment contracts for cash delivery

Province	**Cash-Based Services**
Eastern Cape	AllPay (urban); Net 1 (rural)
Free State	AllPay
Gauteng	AllPay
KwaZulu-Natal	Net1
Limpopo	Net1
Mpumalanga	Empilweni
North West	Net1
Northern Cape	Net1
Western Cape	All Pay

1.2.1.4 SASSA's 2011 tender

SASSA launched a new bid for the provision of payment services for social grants in May 2011 to consolidate and harmonize the nine separate provincial payment arrangements that had previously been renegotiated and extended. Although bids are still invited on the provincial level (bids are to be made for any one or more of the nine provinces), there is a single set of bidding documents, briefings, and decision makers. The bid deadline was at the end of June 2011 at which time over 20 proposals had been received by SASSA. (Note that the previous failed bid for which nine proposals

[11] Pat Sidley, "Constitutional Court dismisses Net 1's leave to appea," Moneyweb, Johannesburg, 14 June 2011, http://www.moneyweb.co.za/mw/view/mw/en/page295023?oid=545126&sn=2009+Detail

were received took four months to assess. Because it is expected that this new assessment will take longer, a revised timetable is being drafted.)

The bidding document (which is 86 pages long) is divided into the following sections:

- SASSA invitation to bid
- Particulars of bidders
- Definitions
- Section A: Background and intent
- Section B: Special conditions for submitting proposal
- Section C: Scope of work
- Section D: Technical/Functionality; Evaluation criteria
- Section E: Financial costing
- Section F: Contract price adjustment
- Annexure

Section A, Background and intent, is three pages long and contains (1) an overview of SASSA, (2) purpose and objective of the bid, (3) general intent of the RFP, and (4) current payment challenges. Subsection 2 on purpose and objective is particularly interesting, the substantive clauses of which are quoted below.

> "2.4 The overall intent is to <u>shift from the current largely *[so called]* cash-based payment model to more electronic-based payment model</u>[12] relying on the existing infrastructure available in the country and developing areas where there is a lack of access to payment facilities
>
> 2.5 The <u>proposal should cater for financial inclusiveness</u> by allowing Beneficiaries to interact through the regulated National Payments System as well as enable them access to funds in the most remote parts of the country
>
> 2.6 The proposed solution should not burden Beneficiaries with transaction cost and should be able to accommodate a subsidisation for transaction costs, which costs should be included in the Bidder's Firm price."

In Section E, financial costing, there is again reference made to moving toward electronic payments, although the wording is a little confusing.

> "2.4 Bidders should note that <u>SASSA's strategic intent is to migrate Beneficiaries to electronic payment systems</u> to allow for their integration into the mainstream economy of the country. Such migration shall achieve at least a maximum of 20% cash payment Beneficiaries after four years from commencement of the contract. The successful Bidder should demonstrate how they will assist SASSA to achieve this Strategic intent."

[12] "Cash-based" in SASSA terminology includes cash payments that are made to beneficiaries through electronic stores-of-value. It is distinct from an electronic payment into a bank account, which we understand would be the intended direction described in this paragraph.

During the May 2011 briefing given to bidders before the deadline for tenders closed, SASSA again reinforced its desire to migrate recipients from cash payments to electronic payments.

> "The SASSA strategic objective is to move away from paying people in primitive ways. SASSA prefers to pay people in more safe and convenient ways. Bidders should thus consider other innovative methods. Bidders do not have to do this from Year 1 but they need to show how much time it would take them to move to the new SASSA recommendations. 70–80% people are being paid cash. SASSA moved away from this and moved to banks and speed points etc. These are the channels SASSA would like bidders to come up with." "Bidders will need to look at how to implement alternative ways of payment over time. If not bidders will still need to cart money in trucks across the country. Bidders must also consider alternative payment methods in the rural and peri-urban areas." [13]

The objective to move beneficiaries away from more expensive cash delivery toward electronic delivery was reinforced by many SASSA staff and those within DSD who were interviewed for this study. Their primary purpose for advocating electronic delivery was to reduce costs under strong pressure from National Treasury.

However, although sections A and E of the tender documents include encouraging statements about moving toward electronic payments and financial inclusion, Section C, Scope of Work, and Section D, Evaluation Criteria[14] (see **Table 15**), do not seem to follow through on these objectives. Furthermore, there is a requirement that biometric authentication be used, and there are points awarded for cash in transit security and for pay point facilities. These seem to be more relevant to the world of cash payments than to electronic delivery and to the more financially inclusive payment approaches in the mainstream banking sector, where two-factor authentication is the standard in national and international payments. Standard ATMs and POS devices linked to the national payments system in South Africa do not generally accept biometric authentication.

So, it remains unclear exactly what SASSA's intentions are regarding financial inclusion. Perhaps, the principled commitment to financial inclusion has not (yet) caught up with and been invested into a tender process that, for the moment, is governed by traditional thinking.

Table 15: Summary of Section D: Technical/Functionality Evaluation Criteria

Criteria	**Functionality area**	**Weighting**
Enrollment Solution	Bulk and on-going enrollment (including biometrics)	5 **25%**
	Accessibility of enrollment venues	5
	Mobile support team	5
	Enrollment data	5
	Issuance of beneficiary payment card	5

[13] Source: SASSA, "Payment Tender Briefing Session Minutes," 12 May 2011.

[14] The tender requires a separate financial (cost) proposal, which has distinct criteria but which requires a maximum fee per payment of R. 16.50.

Criteria	Functionality area	Weighting
Payment Solution	Payment process Capacity to deliver on the proposed payment solution Payment infrastructure: equipment facilities at pay points Rural areas	10 **40%** 10 10 10
Security Management	Security infrastructure Financial security	5 **15%** 10
Phase-in Phase-out	Transition period	10 **10%**
Risk Mitigation	Contingency and risk	10 **10%**

1.2.1.5 Other challenges faced by SASSA

In the midst of the challenging tender process currently underway, SASSA must also engage in a review of the current Strategic Plan 2011/12–2013/14, which was published in March 2011 for consideration by members of the Portfolio Committee on Social Development and which identified some key risks confronting the agency:

- "Increased pressure on financial resources because of increased demand for social assistance;
- Ineffective monitoring and evaluation;
- Inappropriate organisational culture;
- Poor strategic planning;
- Inappropriate organisational design;
- Lack of appropriate systems; and
- Fraud and corruption."

1.2.2 Payments

1.2.2.1 How payments are made

SASSA, as the implementing agency, has contracts with independent payment service providers who actually deliver payments to social grant recipients. Under the current arrangements payments are made under two modalities, the so-called Cash-Based Services (CBS payments) and direct deposits to banks (ACB payments). The majority of CBS payments are handled by Net1 (two-thirds). AllPay handles about a quarter of the payments, and Empilweni works in just one province (see **Table 14**).

Table 16 describes the different payment modalities and the percentage of recipients receiving their payments through each. As noted in **Table 5**, AllPay's Sekulula account is included by SASSA in its "cash-based" payments, although the only distinction between it and a full-purpose bank account is that it is availability only to social transfer recipients. Because Sekulula accounts can be justifiably categorized as bank accounts, **Table 16** includes them in the ACB category.

Table 16: Description of payment modalities

	CBS Payments	*ACB Payments*
Recipients	42% of recipients	58% of recipients

	CBS Payments	***ACB Payments***		
Description	Credit to prepaid cards not linked to the national payment system. Physical cash delivery to a pay point within 5 km of a recipient's home.	Direct deposit to nominated bank account.		
Contractors	Net1, AllPay, Empilweni	Any bank		
Cost to SASSA per recipient	R 35.92/month The cost of cash delivery is fully subsidized by SASSA to within 5 km of a recipient's home.	R 0.65 Recipients are responsible for paying all bank charges and fees.	R 13.50/payment In Eastern Cape Province where payment is made into accounts at First National Bank and Standard Bank.	R 35.92/payment Sekulula account only. Contract with AllPay includes these payments under the "cash-based" category
Service to SASSA	Funds Monitoring Report. If recipient does not collect or withdraw funds, after three months automatic suspension of account. Uncollected funds are returned to SASSA.	Non-Sekulula: Transfers ownership of funds to recipient hence no recovery of funds. No monitoring of funds. No life certification. No management information to track customer behavior. Accounts can be closed, and then SASSA can't credit funds. Sekulula: Funds cannot be recovered as long as a part of the benefit is withdrawn within three months.		

1.2.2.2 History of cash payments versus payments to bank accounts

The current emphasis on paying into bank accounts has evolved over the years. The previous emphasis on cash delivery as opposed to direct deposit to accounts is seen as a legacy from the Apartheid years when most black South Africans did not have a bank account: their social grant payments were made in cash while whites received bank payments. In the post-Apartheid period, provincial government offices made payments on the basis of recipients presenting a letter of entitlement and their national ID. Recipients travelled long distances with no guarantee that the government office would have sufficient cash on hand to pay out their grant. There were significant problems of inefficiency and leakage with this system. In 1990 the government outsourced social grant payments in KZN. In 1997, that was extended to the Free State with 5,400 recipients. This led to all nine provincial authorities eventually outsourcing payments by contracting with payment service providers. These payment contracts perpetuated this bias toward cash payments.

In 2006 SASSA inherited payment contracts from the nine provincial authorities. These contracts had a strong focus on using biometrics to identify recipients and hence reduce leakage. However, delivery did not need to entail inclusion in the national payments system.

SASSA's current strategic plan aims to review its payment method and implement a modern electronic system with less reliance on cash delivery. SASSA's 2011 tender reinforces this desire to reduce costs by shifting from cash delivery to electronic delivery, although it is not clear if this will be successfully implemented.

Staff in the inclusive finance departments of the banks who were interviewed have strong opinions about cash disbursements. They state that cash undermines dignity and cash reduces recipients to the status of children. Cash adds costs to the economy, and risks to both individuals and communities are higher when a store-of-value is not provided. They believe that social transfer recipients should be treated in the same way as salary recipients instead of being treated like beggars waiting in a queue with their hands out. The focus on closed-loop payment systems using biometrics perpetuates recipients' exclusion from the mainstream economy. There are costs associated with transacting in cash instead of electronically such that social grant recipients transacting with cash pay a poverty premium. For example, the purchasing R 10.00 of airtime electronically costs just R9.20, but a paper voucher in a remote area can cost up to R 12.00, a premium of 30 percent. Financial inclusion means access to e-commerce, which allows the poor to access better prices.

1.2.2.3 Costs of payments

The annual cost of payments is currently R 2.5 billion. SASSA believes that this cost is exorbitantly high, and draws on scarce fiscal resources from the expenditure on beneficiaries. To cut costs SASSA wants to transition beneficiaries from cash delivery to electronic delivery methods. As seen in **Table 16**, the average cost of cash payments is R 35.92, whereas the cost of electronic delivery has been R 13.50. Thus, there is an obvious financial reason for the government to prefer electronic delivery. However, the question remains as to whether such subsidies are of sufficient economic value to banks to convince those banks to provide accounts with features attractive to the 42 percent of recipients who do not yet have bank accounts.

SASSA aims to review its payment method and implement a modern electronic system to take advantage of this cost differential. SASSA's 2011 tender sets R 16.50 as the maximum fee that SASSA is willing to pay for all services, inclusive of VAT. This should lead to a reduction in costs but may in fact reduce the number of acceptable bids, particularly in remote areas with little existing infrastructure. According to media reports, the head of one of the big four banks said that it "couldn't make the business case fly" on numbers like that so it chose not to tender.[15]

Approximately 53 percent of the total SASSA budget has been spent on payment to cash contractors. SASSA expects a significant reduction in projected expenditure in 2012–2013 mainly due to the new payment tender to be implemented as well as to the implementation of the new payment model.

[15] Theobald, Stuart, "No easy tender for grant distribution," BusinessDay, 11 July 2011. http://www.businessday.co.za/articles/Content.aspx?id=148021

2 Supply-Side Findings

2.1 Standard Bank

The big four banks in South Africa (Standard Bank, Nedbank, ABSA, and FNB) all have products and services aimed at the low-income segment as do several of the smaller banks. Some of their products are specifically aimed at or suitable for social grant recipients. In 2010, Standard Bank South Africa established an Inclusive Banking Division, which services customers earning less than R 8,000 per month and account for 73 percent of the bank's customers.

Standard Bank has a strong corporate commitment to financial inclusion. This is exemplified by its position in the low-income market and senior management's engagement with the issue. "Standard Bank South Africa strives to increase the number of historically disadvantaged South Africans who have convenient access to financial services through physical access, products affordable to low-income earners, consumer education and the extension of finance solutions such as loans, revolving credit and overdrafts to persons or businesses that are defined as affordable housing candidates, Black small and medium sized enterprises and black agricultural entities."[16]

Standard Bank is not involved in the delivery of cash for SASSA. Its relationship with social grant recipients is only through ACB payments that are nominated by individual recipients and subsidized payment of grants in the Eastern Cape. Currently most recipients empty their accounts in one transaction following the SASSA deposit.

Standard Bank hopes that by introducing a new branchless banking model of service delivery, it will reduce the cost of opening and maintaining accounts and hence increase use by low-income customers, including social grant recipients. Standard Bank management believes that with the right business model, it can make social grant customers profitable in their own right. It acknowledges that ACB payments make sense only in urban and periurban areas. However, if the bank is already committed to rolling out or maintaining infrastructure, such as agents in an area, recruiting social grant recipients as additional clients contributes to fixed overheads (via marginal pricing) and provides the ability to cross-sell other products, such as funeral policies. One senior executive suggested that if the government were to incentivize banks to increase their rural outreach by paying a R 15 monthly fee per social grant recipient account in new rural areas, they could bank all social grant recipients within three to five years. Yet in their opinion, the approach of the latest tender from SASSA seems to emphasize the continuation of cash distributions.

Table 17 shows that Standard Bank's priority in serving social transfer recipients is on building client business rather than gaining government fee revenue.

[16] https://sustainability.standardbank.com/socioeconomic-development/inclusive-banking/

Table 17: General Objectives of Serving Social Transfer Recipients—Standard Bank

Objective	**Priority**
Gaining new clients	1
Making a profit on each recipient account	2
Other: financial inclusion	3
Earning fee revenue from government	4
Winning other profitable business from government	5
Government pressure/mandate	6
Corporate responsibility	7

Standard Bank has three products aimed at the low-income segment: the Mzansi Account, E-Plan, and the Mobile Banking Account. However, it aims to transition the 4.6 million existing Mzansi and E-Plan account holders into its new flag ship product, the Mobile Banking Account (see **Table 18**). It also intends to use this product in bidding for the SASSA tender. The Mobile Banking account uses a branchless banking strategy that combines cell phone banking, community retailers, and community bankers. The business involves contracting small community retailers, such as spaza shops and butchers, as the bank's agents. Customers can then go to these agents to open bank accounts, access basic account information, and perform transactions, such as withdrawing and depositing cash, paying utility bills, and buying airtime. The agent's POS can be used to make money transfers without the need for a bank account. New accounts are opened in a paperless process, using a mobile phone, that takes less than 10 minutes, and new customers are immediately issued a Mastercard-branded debit card enabling them to transact using their cellphone or at POS devices at community retailers. Community banking customers also have full access to other transactional infrastructure, such as ATMs.

Table 18: Standard Bank's Low-Income Banking Product Numbers

	2008	**2009**	**2010**
Number of Mzansi accounts	733,938	941,375	1,116,357
Number of E-Plan accounts	4,020,289	3,766,977	3,488,478
Number of Mobile Banking accounts	-	-	210,000

Source: https://sustainability.standardbank.com/socioeconomic-development/inclusive:banking/accessible-banking-products/

Standard Bank has recruited 7,500 shops across the country to service this model, covering the largest townships in all provinces of the country. For the Mobile Banking account, the bank pays commissions to agents as follows: R 10 for opening an account, and R 30 if three transactions are made in the account during the first month. (There have been some problems with agents encouraging new customers to make three balance checks in the first month, which only cost R 0.50 each as opposed to other operations that are charged at 1 percent of the value of the transaction.)

Table 19 compares the features of the two low-income accounts that Standard Bank is phasing out with the new mobile banking account. The R 4.90 ATM withdrawal fee on the new mobile banking account (which is intended for social transfer payments among other uses) is 1.9 percent of a monthly child grant payment and 0.4 percent of a monthly older person grant payment.

Table 19: Standard bank's low-income segment accounts

(See **Appendix 6** for a detailed description of these accounts)

Name of product	***Mzansi Account***	***E-Plan***	***Mobile Banking Account***
Minimum opening balance: local	None	R 50.00	None
Minimum balance to maintain: local	R 20.00	R 50.00	None
Docs required to open an account	Account opening simply requires an ID document	ID and proof of residence	Account opening simply requires an ID document
ATM/debit card provided? **Checks provided?**	ATM/debit card provided No check cards or books	ATM/debit card provided No check cards or books	ATM/debit card provided No check cards or books
Restrictions on balance or transaction size	Limit of R 25,000 monthly balance, R 5,000 daily deposit, R 5,000 daily cash withdrawal	There are no restrictions on balances and transactions.	There are no restrictions on balances and transactions
Interest rate paid	Interest is paid on credit balances in the account.	Interest is paid at 0.3% on savings balances greater than R 250.00.	Interest is not paid on credit balances.
Fees	-There is no monthly fee. - Transactions are Pay As You Transact (PAYT). There is no bundled pricing. Transaction fees double after 5 cash withdrawals and 5 deposits per month. ATM Cash withdrawals and deposits – R 4.90; (Other fees noted in Appendix 6.	-Customers pay a R 0.10 monthly management fee -Transactions are PAYT. There is no bundled pricing option. Pricing is a combination of flat fee and ad valorem: ATM Cash Deposit – R 2.50 + 1.15%, ATM Cash withdrawal R 2.80+1.15%, (Other fees noted in Appendix 6)	-There is no monthly management fee. -Transactions are PAYT: ATM Cash withdrawals and deposits – R 4.90; (Other fees noted in Appendix 6)
Channels for origination of new accounts	Accounts are originated at the branch and also via mobile sales agents.	Branches, mobile sales agent	Accounts are originated by sales agents and acquisition retailers in field.
Where can an account holder receive and deposit cash:	Branches and ATMs, post office, big chain supermarket retailers, e.g., PicknPay, Shoprite (cashback).	ATMs, POS machines	Branches and ATMs, post office, supermarket chain retailers, e.g., PicknPay, Shoprite (cashback), Retailers with a business relationship with a bank.

Name of product	*Mzansi Account*	*E-Plan*	*Mobile Banking Account*
What is the main segment targeted with this product?	Customers earning less than R 2,000 a month including social grant recipients.	Those earning less than R 8,000 a month, but who earn a consistent monthly income.	Low-income customers including social grant recipients.

Standard Bank's stated intention to grow their business through the addition of social transfer recipient clients is supported in its responses to the questions in **Table 20**. Consistent with the desire to grow its client banking business, it treats social transfer clients just as it treats other customers (g). It expects small accounts to grow larger and be profitable (b), but it is not completely sure how that will happen (h); that is, what really makes that business case work. It is expecting to cross-sell other products (d, j), although the business case does not rest on this (c).

It apparently has some ambivalence about the place that government fees for social transfer payments have in its business model. It expresses a moderate interest in government as a client (i), and, as mentioned earlier, it has proposed a R 15.00 monthly government subsidy as an incentive for opening low-end retail accounts in rural areas.

Table 20: Strategic Value of Low-Value/Volume Accounts: Standard Bank

(1 = completely agree; 5 = completely disagree)

Statement	Response
a. The accounts of social transfer recipients are simply not profitable to us considered on their own (i.e., Level 1).	2
b. The accounts of small-balance savers, such as transfer recipients, can become profitable over time if customers grow their balances.	2
c. Our business case for small- balance savings rests on cross-selling other services to customers.	3
d. We actively cross-sell other products to holders of transactional/savings accounts.	2
e. The internal transfer rate used by our Treasury on retail savings balances reflects adequately the market conditions for the bank to raise funding of this type.	2
f. The business case for our taking small-balance savings is not based on the financial return of the customer or the account at all.	4
g. Our social transfer recipients receive similar range and quality of services as those offered to other retail clients of their income.	1
h. We understand well the business case of G2P accounts.	4
i. We consider the government to be our primary client and not the end beneficiaries.	3
j. We understand how to cross-sell other products to this customer base.	2

2.2 ABSA Bank and AllPay

Over the past 10 years, ABSA, a subsidiary of the UK Barclays Bank group, has launched a number of initiatives targeting low-income segments in the country. ABSA defines "low income" as adults earning R 3,000 a month or less, which comprises more than 70 percent of the adult population in South Africa. Clients matching this threshold appear in ABSA's ELIB (Entry Level Inclusive Banking) segment and include social grant recipients. In addition to being the largest retail bank in South Africa by customers, ABSA also has the largest low-income customer base, with close to 7 million low-income clients in ELIB. ABSA also has the largest channel footprint in South Africa, with almost a quarter of its branches located in areas where low-income clients predominate.

ABSA's success in low-income segments is the direct consequence of top management commitment to inclusive banking initiatives. Without this commitment, it would have been impossible to standardize systems and procedures across a bank with over 40,000 staff. Challenges in offering services to this segment include (1) ABSA's internal compliance rules, which are frequently stricter than those of the government regulator in order to reduce the risk of a breach, and (2) certain Visa and Mastercard association rules that increase the cost of servicing this group because those rules do not permit a differentiated model in which banks incentivize shop keepers with POS devices to service this segment.

ABSA has a wholly owned subsidiary named AllPay Consolidated Investment Holdings (popularly known as AllPay), which specializes in making social grant payments to 2.2 million recipients in four provinces: Gauteng, Western Cape, southern half of Eastern Cape, and Free State. AllPay makes these payments in two ways: (1) cash at pay points and merchants or (2) credit to a Sekulula transactional debit account. For the purpose of fee payment, both methods are regarded as cash-based services by SASSA, even though both involve the creation of a store-of-value for the beneficiary. The difference between the credit to a Sekulula account and an ACB credit to any other bank account is that Sekulula is designed exclusively for the social grant environment. According to ABSA, it is the only bank in the country with such an exclusive product for social grant recipients. Through its account dormancy rules, AllPay alerts SASSA if the recipient does not withdraw any of the funds during the month after payment (meaning that any partial withdrawal eliminates the possibility of returning funds to SASSA), and after three months of inactivity there is an automatic suspension of the account.

ABSA's reasons for servicing social transfer recipients are revealed in its ranking of a list of possible objectives in **Table 21**. This is according to the bank's key internal adviser on inclusive banking. In contrast to Standard Bank, ABSA lists government fee revenue as top objective and new clients as a bottom objective. The latter, in combination with its expectation to make a profit from recipient accounts at scale, may reflect its consideration that existing cash benefit recipients who shift to an account are not really new clients.

Table 21: General Objectives of Serving Social Transfer Recipients—ABSA/AllPay

Objective	Priority
Earning fee revenue from government	1
Making a profit on each recipient account (at scale)	2

Objective	Priority
Other: financial inclusion	3
Government pressure/mandate	4
Corporate responsibility	5
Gaining new clients	6
Winning other profitable business from government	n/a

The Entry Level Inclusive Banking (ELIB) division was created in 2009, and ABSA has a new branchless banking strategy aimed at ELIB clients that will be implemented over the next three years (2011–2013). Delivering payments to social grant beneficiaries is considered to be a low-margin business, but the division is one of 13 high-priority streams within the bank, in part because ELIB social transfer recipients are only a (small) portion of the ELIB market. The new strategy will entail reducing the clients cost of access as well as the banks cost of service. ABSA's primary reasons for embracing this strategy are to grasp a perceived business opportunity and to ensure the long-term sustainability of its business, but also to fulfill its corporate social responsibility mandate.

Table 22 outlines the features of the Sekulula account in comparison to the Mzansi account, which ABSA offers to lower income clients. In addition to the accounts shown, ABSA's mainstream entry-level account is Flexisave, equivalent to Standard Bank's E-Plan account in basic fee structure but offering free funeral, medical, and legal assistance with R 50.00 minimum balance.

Table 22: ABSA Bank's low-income segment accounts

(See **Appendix 7** for full description of bank account features)

	Product for transfer recipients	**Nearest equivalent account**
Name of product	**Sekulula Transactional Account**	**Mzansi Account**
Minimum opening balance: local	R 0.00	R 10.00
Minimum balance to maintain: local	R 0.00	R 0.00
Documents required to open an account	A valid South African identification document and SASSA authorization letter.	A valid South African identification document or a valid passport.
ATM/debit card provided? **Checks provided?**	ATM Debit card No	ATM Debit card provided No
Restrictions if any on balance or transaction size in account	Customer may not withdraw or transfer or make payments exceeding R 5,000 per day. Customer may not withdraw or transfer or make payments exceeding R 25,000 in a monthly cycle.	Maximum pay out amount per day per individual: R 5,000 Maximum transfer amount per month per individual: R 25,000 Maximum pay out amount per month

	The account balance may not exceed R 25,000 at any time.	per individual: R 25,000
Interest rate paid	None	Paid monthly
Fees: **Monthly and Transactional**	No monthly administration fee. SASSA is subsidizing the cost. No transaction fees charged for first two ABSA ATM or POS transactions per month. Thereafter, a fee per transaction	No monthly administration fees or initial card issuing fees. -Up to 5 debit or credit transactions/month: ATM withdrawal—R 4.50 ABSA ATM deposit—first one free per month, R 4.50 after that ATM balance inquiry—first two free/ month; R 4.50 after that Note: a full chart of Mzansi account charges can be found in Appendix 3.
Channels for origination of new accounts	ABSA Branch/AllPay Offices and AllPay service points where remote opening devices are used	ABSA branch
Channels for cash in/out	ATM/counter withdrawals	ATM/counter withdrawals
What are the measures of success for this product?	Over 1 million active accounts	23.78% market share

Table 23, which was also provided by the bank's key internal financial inclusion adviser, provides insight into ABSA's intentions in servicing social transfer recipients with these accounts. In contrast to its stated objectives, ABSA considers recipients its primary client and route to profitability rather than government (i) and supports that with the assertion that G2P recipient accounts can become and even are profitable (a and b), even without cross-selling other products (c). This is in contrast with Standard Bank, which questioned the profitability at account level. It says it understands very well the business case for G2P accounts (h) (in stark contrast to Standard Bank but this may be because of the direct experience of AllPay, which Standard Bank has not had) and apparently segregates them from other accounts, offering different products (presumably the Sekulula account). That business case apparently includes small-balance savings accounts on which it expects to make a profit (f).

Table 23: Opinions about Low-Value/Volume Accounts—ABSA Bank

(1 = completely agree; 5 = completely disagree)

Statement	Response
a. The accounts of social transfer recipients are simply not profitable to us considered on their own (i.e., Level 1).	4
b. The accounts of small-balance savers, such as transfer recipients can become profitable over time if customers grow their balances.	1 (via branchless

	banking; if not, 5)
c. Our business case for small-balance savings rests on cross-selling other services to customers.	4
d. We actively cross-sell other products to holders of transactional/savings accounts.	2
e. The internal transfer rate used by our Treasury on retail savings balances reflects adequately the market conditions for the bank to raise funding of this type.	1
f. The business case for our taking small balance savings is not based on the financial return of the customer or the account at all.	4
g. Our social transfer recipients receive similar range and quality of services to those offered to other retail clients of their income.	4
h. We understand well the business case of G2P accounts.	1
i. We consider the government to be our primary client and not the end beneficiaries.	4
j. We understand how to cross-sell other products to this customer base.	3

ABSA/AllPay seems to be aggressively engaging the low-end retail market and has chosen to be in the social transfer payment business, which obviously has low-end retail recipients. But given its distinct products, it's not clear that it sees those two as completely coincidental.

3.3 Net 1

Though not a bank and not a part of this study, Net 1 is a major payment service provider and deserves mention. Comparable to AllPay's card-based payment, Net1's payments are accomplished by the use of a biometrically enabled smart card. Beneficiaries/recipients use the card to access their store-of-value, receiving cash at unique, single-purpose cash-dispensing machines. These machines are mounted in vehicles that arrive at designated pay points at the scheduled time of payment. Though this method uses an electronic store-of-value, the payment is considered/categorized by SASSA as "cash-based."

3 Demand-Side Findings

3.1 Methodology

To enable cross-country comparisons, we developed a basic discussion guide, which was modified to fit the specific circumstances of each country (see discussion guide in **Appendix 4**). A local research partner translated the interview guide, facilitated the focus group discussions, and transcribed and translated the proceedings of each discussion.

Our analysis draws on three sources of data:

1. New primary data collected in May 2011 from 10 focus group discussions, each with 10 recipients of child, old age, and disability grants who collect their payments in a range of ways, including those receiving funds into a bank account, those collecting in cash from pay points, and those receiving the grant via a supermarket (for example, Shoprite, Checkers). Participants were selected from three urban areas of Gauteng (Diepsloot, Tembisa, Soweto) and five rural communities around Lugangeni in the Eastern Cape.

2. Existing quantitative financial diaries data pulled on child grant and old age grant recipients from 2004 and 2009.

3. Additional qualitative data collected through interviews in Eastern Cape in 2009 among financial diaries grant recipients who were discussing preferences in terms of grant payment options.

Table 24 summarizes the focus group participant characteristics. Each focus group discussion lasted about 60 minutes.

Table 24: Means of Payment and Other Characteristics for Focus Group Participants

Area	Urban	Rural	Cash Recipients	Bank Recipients	Shop/ Super Market Recipients	Total Recipients
Diepsloot—1	X		0	8	2	10
Diepsloot—2	X		10	0	0	10
Tembisa—1	X		0	8	2	10
Tembisa—2	X		4	4	2	10
Soweto	X		0	8	2	10
Lugangeni—1		X	4	4	2	10
Lugangeni—2		X	0	8	2	10
Lugangeni—3		X	4	4	2	10
Lugangeni—4		X	4	4	2	10

Area	Urban	Rural	Cash Recipients	Bank Recipients	Shop/ Super Market Recipients	Total Recipients
Lugangeni—5		X	8	0	2	10
TOTAL	**5**	**5**	**34**	**48**	**18**	**100**

3.2 Summary of Findings

Grants are not only a large source of income for old age and disability grant recipients, but for all beneficiaries; the grant is the most reliable income source. Child grant recipients tend to earn their core incomes through casual labor, small businesses, and irregular working contracts. Urban child grant recipients tend to earn about three to five times the grant value from their other income sources, but the grant money is a much more reliable source of income than their other work. These mothers often live in larger households, where a main breadwinner is covering substantial household costs. Beneficiaries are expected to cover supplemental foods (like daily bread), children's pocket money, preschool fees, and other smaller expenses. Rural child grant recipients tend to be poorer and are less likely to live with other household income earners with large, stable incomes. For these mothers, the grant represents a larger share of income, and the women are expected to contribute more toward basic household needs.

By contrast, those receiving the old age and disability grants receive a higher proportion of their income from government benefits, which are usually the main or only source of income. They also cover a greater share of household expenses and often plan to cover longer term lumpy financial costs, like grandchildren's education or family funeral expenses.

When asked how long beneficiaries of child support grants can make money last, answers were 7–10 days.

> "You spend your money like peanuts. You have kids asking for ice cream and sweets and you cannot ignore them for the whole day."

Instead of stretching grants over the course of the month, beneficiaries explain that they make extensive use of credit in the second half of the month, buying things on credit from local shops, borrowing from friends, neighbors, and loan sharks. As soon as they receive the grant, they repay these debts.

> "The social transfer only takes a few days before it's finished. It is always the same pattern. You get paid, you pay your debts, borrow again to survive until the next payment."

Grant recipients have mixed impressions about whether they had a choice over payment method or which bank to be paid into. When we revisited financial diaries households in Lugangeni in the Eastern Cape in 2009, we found a large increase in the number of households with bank accounts. Further probing revealed that this was in part driven by the change in grant payment system.

Beneficiaries were being asked to provide bank details so their grants could be deposited directly into their accounts. Given that two-thirds of the households received at least one grant, this was a significant portion of the sample. We saw that this change had already prompted a large number of bank account openings—38 percent of all the new bank accounts opened by the sample households were opened in the three months before the financial diaries revisits.[17] Our previous experience in the 2004 financial diaries was that only three households (5 percent of the sample at the time) received their grant via a bank account. In November 2009, 29 percent of all grant recipient households received their grants via bank accounts.

Focus group participants said that they had a choice about whether or not to shift from cash receipt to the bank or to collect their funds at a supermarket. Generally, participants said that SASSA officials came to pay points to explain their payment options and introduce them to bank staff (usually ABSA, but sometimes also Standard Bank) if they wanted to open a bank account for payments. Respondents generally understood that they could choose how to receive their funds and which bank to use.

> "We changed because we thought we were supposed to get our grants in town. The security officers were telling us about the new ways of getting the grant and it was upon us to change, we were not forced. Others chose to go to the banks."

This aligns with SASSA policy, but it seems the message of choice was not universally conveyed. One rural woman explained:

> "SASSA personnel told us on a payday that on such a date there will be no payments made in cash; everyone will be paid into an account. Most people opened an account thinking that their grant would be closed if they did not comply."

And, an even larger number of focus group participants felt pressured to join a particular bank as a result of bank sales techniques. For example, one rural community recalled that Standard Bank recruited new clients from the pay points, and that respondents felt they had to choose that bank. In urban areas of Gauteng, beneficiaries felt pushed toward ABSA.

> "We were instructed by Social Development officials to open accounts at Standard Bank. They visited our pay point and told us that we will not stand in long lines in the bank." (Lugangeni)

> "If you apply for a grant these days you are not given a choice, SASSA people give you ABSA bank forms to fill in. It is a procedure." (Gauteng)

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[17] We noted that few of these new account openings were Mzansi accounts. To find out what options a grant recipient might find from the various banks in Mount Frere, we sent a field worker to inquire. Some banks have introduced different products so rarely are people encouraged into Mzansi accounts. FNB, for example, has a special social grant account, which was, our field worker was told, less expensive than an Mzansi account. The Post Office has a social grant debit card that allows a certain number of free withdrawals. Both ABSA and Standard Bank suggested that grant recipients open other accounts than Mzansi.

> "It depends on which bank is at the pay point or SASSA offices at that particular time. You cannot choose the bank you like." (Gauteng)

Those who receive their grant in cash like this method because they save money on transport and bank fees, but they dislike having to be at the cash point at a particular time and express concerns about the security of cash collection. Some grant recipients, particularly the elderly and rural beneficiaries, believe that the cash-based option is more convenient. Payment points are near the village, so they don't spend any money on transportation. They also appreciate that the grant is then paid in full with no withdrawal charges, which come with bank-based payments. One rural recipient explained why she prefers to collect her money at a cash pay point instead of the bank:

> "It's advantageous to get your money as cash, because you won't pay for transport to town, which goes up every now and again. It has gone up to R 13.00 and a few months back it was R 10.00."

Some also complained that the process of switching to bank-based transfers is cumbersome.

> "There is a lot of information that is needed from you when you open a bank account. That alone can cause you to postpone the process until you forget about it."

But, receiving payments in cash can be inflexible. Beneficiaries must arrive at their designated pay points on a particular date and time. They must wait their turns often in long queues.

> "The problem with cash recipients is that you have to wake up early to catch the line and wait for about three hours before the money truck comes. But if the money truck is already there, it takes only 10 minutes to get your money."

Several respondents said that the pay points are less secure than banks. Thugs target the trucks carrying the cash or the pay points themselves. In rural Lugangeni, respondents recalled that this was part of Standard Bank's pitch when trying to get beneficiaries to convert to account-based payments.

> "Pay points are not safe, because thugs know the security guards are carrying a lot of money. Many stations have been robbed and people killed when they take the money."

> "[Standard Bank] told us we would be safe from thugs who always try to rob these money trucks with big guns."

Instead, receiving the funds through the bank provides greater flexibility. But, bank-paid beneficiaries complain about fees. When paid through the bank, beneficiaries can collect their payments at any time that fits their schedule. One of the financial diaries respondents, Majali, likes to use the bank because it is convenient. She takes out what she needs and goes back to the bank to withdraw more if she needs to. She does not have to wait in a long queue on pay day like she used to before. Another, Nozipho, likes to get her grant from the bank because she is not always available on the grant payment day to be at the cash point. To receive money from the bank one could collect one's money when one is available. Many focus group respondents, particularly in urban areas, agreed:

> "There's nothing as pleasing as knowing that you will get your money wherever you are. When receiving from the bank you do not have to come back home to get your money."

Bank-paid beneficiaries told us that they receive a text message when their funds arrive in their accounts, and they have no problem then withdrawing the funds—usually in full—from ATMs. Unlike other countries where we have conducted similar research (including Colombia, Brazil, and Pakistan), only a few older, rural beneficiaries expressed any concerns about using the ATM. Most were familiar and comfortable operating the technology.

Beneficiaries explained that banks provide a high level of support on site. Beneficiaries sometimes complained of long lines to get help inside a bank branch, but generally felt that bank staff were courteous and helpful resolving problems.

> "If you have a problem with your money, you go inside the bank and speak to the consultants. If you receive your money as cash and have a problem, you wait for many days for it to be solved."

And banks are cognizant of security concerns. Beneficiaries feel that collecting their grant at a bank is a safer way to access grant funds.

> "There is tight security system in place. You don't worry much about someone stealing your money from the bank."

> "I have since changed to the bank because I wanted to be safe from thugs who often take money at gunpoint from the pay points."

But, many beneficiaries are disgruntled over the fees charged by the banks available for government transfers. Withdrawal fees ranged from R 2 at Capitec to a reported R 20 at Standard Bank.

> "There's no way you can leave money in the account because it is swallowed by bank fees every time. I tried leaving R 10 every month when withdrawing, but I would not find it when I check afterwards. That was ABSA bank. I have heard so many stories of money disappearing from the bank."

A financial diaries respondent told us that she regrets opening a bank account to receive her grant because it charges her R 30 as a fee. Instead of getting R 240 she only receives R 210. In October, Mambongo went to the bank the same day as the grant was paid into her account. She went there as early as six o'clock in the morning and she was in the queue for four hours. She thinks that bank is not safe because she does not know everyone in the queue, and thugs are waiting in town to take people's groceries. She does not think that SASSA will take away the grant but the bank could take money away for charges if you leave money behind.

In every focus group with bank recipients, we heard complaints about withdrawal fees. But, these frustrations were particularly strong among beneficiaries that have experienced variable fees. Respondents did not understand why the withdrawal fee might change from month to month.[18]

> "Every time I go to withdraw, there is 10 rand missing, sometimes 20 rand…. They do not deduct the same amount every time you withdraw. No one explains to you why they deduct that much."

Bank payments also entail transportation costs. Some beneficiaries don't mind. They plan their banking visits around other trips to town for shopping.

> "Banks are in town and next to the shops, so when you collect money you buy food from the shops without paying for transport. It becomes one trip."

Others, particularly in the rural areas, find the transport costs a major drawback.

> "The trouble with the banks is that they are far away from the village and transport to town is becoming more expensive every day."

Those who receive money at the shop like being the first to get their grant and the flexibility, but dislike feeling pressured to spend money within the shop. Shop-based recipients can withdraw their funds on the first day of the month. But, in every focus group that included shop-based recipients, we heard that beneficiaries are expected to spend 30 percent of the grant in the shop where they collect.

> "It is a good idea because we are the first to get the grant."

> "In the shops you are forced to buy for R 300 if you are getting a thousand rand. It is not fair."

> "The shopkeepers expect you to spend 30 percent of the money in their shop."

> "If you want all of your cash, you won't get it, and you end up taking loans to cover your costs. I can say that shop owners are not honest, because someone told me that we are not forced to spend 30 percent of our cash in their shops."

Few respondents are using their accounts to save. They display a widespread fear that saving in the account will cause the grant to stop. One of the financial diaries respondents has used her grant payment to increase bank savings. Busisiwe received both an old age grant and a child grant via a Mzansi account at the bank. She had another bank account, also with Standard Bank, which she didn't really use, but then she opened this one in 2006 and uses it a lot more—nine times over the

[18] Note that most ATM withdrawals in South Africa are priced at an ad Valorem rate, i.e., as fixed + % of the value over a threshold hence the confusion.

month compared to two times during the same period in 2004. She saves about 20 percent of monthly income in the bank, the balance of which is now 20 percent of her total financial assets. At the same time she is saving much less in the house—from 59 percent to 7 percent of financial assets.

Table 25 shows that Busisiwe is unusual in *how much* her savings patterns have changed but not *the direction* in which they changed. In general, households that received grant money into the bank used the bank more than they might have before (for those who had a bank account before) and more (an average 6.3 times a month) than those who received their grant in cash. Regression results suggest that this is statistically significant at the 10 percent level. However, they did not accumulate more in the bank nor increase their balances than those who received their grant in cash.

Table 25: Changes in financial behavior—receiving grants via the bank versus receiving grants in cash

	Bank accounts						Saving in the house		Savings clubs	
	Use (Number of transactions)		Accumulation over month (Divided by income)		Balance at end of period (Divided by financial assets)		Balance at end of period (Divided by financial assets)		Accumulation over month (Divided by income)	
	2004	2009	2004	2009	2004	2009	2004	2009	2004	2009
Receipt in cash (19 individuals)	1.6	4.9	11%	25%	19%	65%	35%	25%	21%	13%
Receipt in bank (12 individuals)	3.2	6.3	5%	8%	28%	38%	37%	31%	14%	6%

The rural focus group participants say that they don't save in the bank because they just don't have enough—if anything—to save to justify the high transportation costs and fees.

> "The problem is I never have a surplus. I spend it as it comes."
>
> "If you have a large amount of money, that's when you can keep it in the bank."
>
> "Withdrawing everything at once saves you from the bank fees. If you withdraw bit by bit, you are charged for every transaction."

The urban respondents indicated that the main reason they do not save in their grant-linked accounts is that they are afraid doing so will threaten their program eligibility.

> "You have to withdraw everything and leave your account empty because if they check your banking and see that there are funds, they terminate the grant payment."
>
> "We cannot keep money in our accounts. There is a constant check by SASSA office, checking if you have extra money in your account. If there is money saved in your account, the grant

is stopped and you are investigated. This can mean you have not passed the means test and you do not qualify to get the grant."

"You have to withdraw everything at once because if you leave money in your account, it is taken away and replaced on the third month. This means you get double the payment on the third month."

A woman with an old age grant likes the privacy that the bank brings, but is still nervous that if she leaves savings there, SASSA will stop the grant.

"There is one thing I like with the banks, if you have your money there and do not want to use it, no one can know that you have money. You can keep your money there for a long time. But now what's different with the grant is that it is taken away if you leave it longer."

Several focus group participants in fact have nongrant linked accounts, which they do use for savings. It isn't that they don't trust or want to save in the bank. Rather, they appear to be driven by the fear of losing benefits.

"I receive foster care for two children. When I get paid I take 40 percent of the money to the Postbank account where I'm saving for their education because when they are above 18 they won't qualify for the grant. The social workers constantly check if we are saving this money."

However, there are exceptions; some recipients have leveraged the bank account to save for longer terms.

"I made an arrangement with ABSA bank where it takes R 100 every month. I'm saving for children's education."

"I leave money always in my account. I do not withdraw everything at once. [When I go back to check] it is always there, and growing."

Instead of focusing on bank savings, respondents mention using a wide variety of informal financial instruments, especially burial societies. Almost everyone in the focus groups mentioned paying into a burial society, even those receiving the substantially smaller child support grant. Paying burial societies seems to be a priority over even buying food, because you can borrow, or get on credit, or have food from gardens, or go without. Many discussed doing quite a bit of one-on-one borrowing and credit at the local store, paying back when the grant comes. They also discussed quite a bit of saving in the house or on the person. They carry money on them because of concerns about safety (many mention that their own children will steal from them!). Some respondents talked about using money guards, particularly while traveling.

"My husband works in Gauteng and sends remittances once in a while. I cannot rely on that money because sometimes it comes and sometimes you get stories and no money. So, it is best you keep a good credit record with the shop keeper to be considered in future."

> "There are things that are important in our lives, like burial societies. Our money goes to these things, because we need to be buried with dignity when we die."
>
> "I make sure that I pay for the burial societies, because they are very important to me."
>
> "The only way to save here is in the savings groups. We save money for the whole year and get it back in December. When the money comes, it is distributed to cover many household expenses."

The financial diaries research found that about half of all child grant recipients were using some form of savings group, making a median contribution of R 200 every month. Indeed, they are finding a way to save about 80 percent of the value of their grant value each month.

These informal financial services are hyper accessible compared to banks. And, they are certainly fulfilling important purposes in beneficiaries' lives. But, they are not the epitome of reliable, secure financial services. Many beneficiaries recounted stories highlighting where these instruments often fall short.

> "A stranger can some and search for money in your house while you are away and find it. There's high unemployment here, so even our children can be tempted to take the money. They know we keep it under the mattress or under the steel trunk…. You can tell when someone has been in the house looking for money as clothes and bed linens will be thrown on the floor and the money gone."
>
> "If I could save, I would save up and use it for my emergencies instead of borrowing from my neighbors, because they are killing me with interest."
>
> "We were putting together R 100 each and every month. Money was collected and put into a deep hole dug in one of the members' houses. We were supposed to get R 1200 for saving the whole year, including interest, because we were giving out loans. When it was time to divide money, thugs came looking for that money pointing at her with a gun. They took everything, and we lost all our savings. We suspect that it was one of the members who sent those thugs. We had to borrow money from loan sharks to pay our debts, because we did not plan on that robbery."

3.3 Demand-Side Conclusions

Increased use of the financially inclusive payment option in South Africa—unlike the other three focus countries of Mexico, Brazil, and Colombia—appears to have been driven truly by demand. Most recipients are making a conscious choice about how to receive their payments. The major factors in this decision have been convenience and cost and not the attractiveness of using savings, payment, or other financial services through their grant-linked accounts. What we hear from grant recipients is that the financially inclusive payment option is not yet universally attractive against the highest rank attribute of convenience. Those using the bank accounts to receive their payments tend not to use the accounts to save, either because they claim their savings are too small or because they are afraid that doing so will put their savings at risk of being retraced by SASSA or jeopardizing their eligibility for future grant payments.

4 Strategic Financial Inclusion Policy Insights from South Africa

Given that 58 percent of South African recipients already receive their social transfer benefits in a bank account, it is not surprising that demand-side research reveals a fairly high level of understanding and appreciation for the benefits of such electronic payment. There are clearly some background concerns about inconvenience, costs, and fear of loss of benefits if any of the grant is saved. And rural recipients are particularly aware of the inconvenience of travel to a bank. However, both Standard Bank and ABSA have plans to extend their branchless banking services, so that even the rural problem is addressed. The concern about high and uncertain bank fees charged to recipients for withdrawals should be minimized by ABSA's policy of allowing two free withdrawals on its Sekulula account, and Standard's flat charge of R 4.90 fee for ATM withdrawals on its new mobile banking account. That charge, which is 1.9 percent of a monthly child grant payment and 0.4 percent of a monthly older person grant payment, would appear to be reasonable in contrast to the demand survey respondents' complaints of R 10–20 fees.

Of the triumvirate of government departments and agencies involved in social grants in South Africa, the Treasury (funding), DSD (policy), and SASSA (implementation), the Treasury takes the lead on financial inclusion. However, the benefits of financial inclusion for grant recipients have not yet been widely accepted within the Treasury. This is exemplified by the complete absence of mention of social grant recipients in the Treasury's flagship paper "A Safer Financial Sector to Serve South Africa Better," even though one of the four policy priority areas was "expanding access through financial inclusion." The Treasury does not have a direct relationship with SASSA, as funding is made available via DSD, and may not therefore be the best placed entity to promote a financial inclusion agenda at SASSA.

Financial inclusion is not directly referred to in SASSA's latest 2011–2014 strategic plan. In contrast, the latest tender from SASSA does mention financial inclusion as an objective, but their entrenched cash delivery mindset shows through in the evaluation criteria that will be used to select successful bids. SASSA may want to move away from physical cash delivery of social grants toward electronic delivery to save money, but they do not seem to know how to do this.

DSD has not successfully overseen SASSA to date, but there seem to be positive signs in the appointment of a new CEO for SASSA from DSD. Hopefully this will lead to stronger ties and oversight. That linkage may become more meaningful as DSD's new emphasis on trying to link recipients with economic activity and employment opportunities through the Employment Assistance Department may lead to increased interest in financial inclusion issues on DSD's part in contrast to its previously benign position. This department convened a workshop with banks in August 2011 to discuss plans to introduce a savings-linked pilot under a project supported by the Ford Foundation. However, the details of this program have not yet been clarified.

As noted in the opening of this report, South Africa's experience provides some tentative answers to CGAP's three questions:

1. Provider bank proposition—Can financial institutions offer financially inclusive services to recipients on a profitable basis?

While the evidence gathered does not confirm the full cost business proposition (without government fees) as viable, both ABSA/AllPay and Standard Bank have strategic plans for expanding their client base by banking recipients along with other lower income customers. This suggests they are convinced that recipients can provide at least marginal profitability when blended into their bank's business with the customers who have (higher) monthly incomes of R 3,000 and R 8,000, respectively, though that conclusion requires confirmation.

2. Government proposition—Is building in inclusive financial services prohibitively expensive?

Here, too, there is insufficient full cost data to confirm the cost savings via electronic payments. However, it appears that SASSA is planning on a reduction of at least 50 percent in the fees paid for "cash" payments. The fee level prescribed by the current tender matches quite closely the current cost of electronic payments in the one province where that payment mechanism has been piloted. Therefore, it appears that a shift to electronic transfers into accounts is cheaper for the government of South Africa.

3. Client proposition—Will poor recipients use financial services if they are offered to them?

The fact that 58 percent of current recipients already voluntarily choose to receive their benefits in bank accounts means that there is a substantial willingness, even a preference, to receive payments electronically.

At the moment, there is as much uncertainty as certainty about progress toward a financially inclusive social transfer payment system in South Africa. On the one hand, the coincidence of Treasury's, DSD's, and SASSA's advocacy of financial inclusion, the moment of change inherent in SASSA's current tender, ABSA Bank's and Standard Bank's commercial interest in low-income accounts, and the relatively high current use and openness to bank accounts by recipients provide an opportunity to make a significant step forward. On the other hand, SASSA's ability to take the leadership necessary to pull these pieces together is not yet established. But no matter what the outcome of the current tender, there is a grassroots movement toward electronic payments, in part spurred by SASSA, which is a force that may continue to advance financial inclusion through social transfer payments.

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Appendix 2: Contact List

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Appendix 3: Mzansi Account Cost Structure Based on Transaction Volume

When client does not exceed five debit or credit transactions

FSC Affordability Calculation	Recommended FSC Txn Volume	Fees Calculation 2009	Absa Mzansi 2009
ATM Cash Withdrawal	2	2 x R 4.50	R 9.00
Absa ATM Cash Deposit*	2	1 x R 4.50 (First one free per month)	R 4.50
ATM Balance Enquiry	1	1 x R 1.00 (First two free per month at Absa ATM)	R 0.00
Debit Order External	1	1 x R 5.00	R 5.00
Rejected Debit Order	1	1 x R 5.00 (First one free per month)	R 0.00
Total Fees			**R 18.50**

When client exceeds five debit or credit transactions

FSC Affordability Calculation	Recommended FSC Txn Volume	Fees Calculation 2009	Absa Mzansi 2009
ATM Cash Withdrawal**	6	(6 x R 4.50) + (1 x R 12.00)	R 39.00
Absa ATM Cash Deposit*	2	2 x R 4.50 (First one free per month)	R 4.50
ATM Balance Enquiry	1	1 x R 1.00 (First two free per month at Absa ATM)	R 0.00
Debit Order External	1	1 x R 5.00	R 5.00
Rejected Debit Order	1	1 x R 5.00 (First one free per month)	R 0.00
Total Fees			**R 48.50**

Appendix 4: Focus Group Discussion Guide—SOUTH AFRICA

This general discussion guide outlines the key lines of questioning we will explore in the new qualitative research for this project. But, these questions must be adapted for each country, particularly in Colombia where existing research (baseline study of savings promotion pilot) already addresses many of the questions we would like to understand.

<table>
<tr><td rowspan="2">Income sources
(8–10 minutes)</td><td>Purpose: To understand the role of the cash transfer program in their livelihoods and get a basic understanding of nontransfer cash inflows.</td></tr>
<tr><td>Questions
[Before starting, collect table of basic information on each participant: gender, age, type of grant receiving, household size, number of income earners in household—table provided below]
What are the main ways that your households generate income? [Probe for all types of sources and come up with a fairly comprehensive list.] Which sources are most important? Which ones bring in the most money? Which are most reliable?
Focusing on the top five income sources for the group, how often do you get money this way? [Probe for frequency and regularity of cash inflows.]
Where does the G2P transfer rank in terms of size and reliability?</td></tr>
<tr><td rowspan="2">Portfolios
(20 minutes)</td><td>Purpose: To get a bit of an understanding of financial instruments being used by participants and see what types of products and features are already attractive.</td></tr>
<tr><td>What are some of the key financial needs of your family that you contribute to? [Probe for everyday household expenditures, such as food, soap, etc.; education; household assets, such as like animals, appliances; emergencies—and which types; capital inputs for farming/business; special events/social occasions.]
Where do you get the money for these contributions? [Probe for savings, borrowing, and other instruments in play. Particularly in Brazil, probe against a list of instruments to explore which ones are actually in play.]
If you had an emergency and needed to come up with twice your monthly income today, where could you get the money?
When you need to put aside money for a week or so for small purchases, where do you store it? Why?
What about when you need to build up money for a month? Why?
If you won a very large sum of money? Where would you store it to keep it safe? [Any current or past trust problems with financial institutions?]
What is the easiest way to save? What is the safest way to save?
Let's retrace your steps in what you normally do with your social transfer payment when you receive it. So, you get the total payment (in cash/card/account), what is the first thing you do with it? What do you do with the rest while you are waiting to spend it? [Continue tracing the money and probe for places where it is stored, invested, lent, or otherwise set aside for the future.]
How long can you make your social transfer money last? How do you get money between when you run out of cash and the next payment? [Probe for lending out part of the payment to get new inflows later in the cycle or for intermediate borrowing—is it easier to borrow because people know they have a regular cash flow?]
(Before getting a bank account through the social transfer program) How many of you have ever had your own bank accounts? How many have a family member</td></tr>
</table>

	with a bank account? ○ Why/why not open your own bank account? [Probe for the key barriers to use of formal financial services in the past, including requirements, fees, distance/convenience, attitudes/shame, trust, etc.; which barriers seem strongest?] • What is a bank account good for? Who can benefit from a bank account?
Knowledge and attitude toward account as a payment mechanism (15 minutes)	**Purpose**: Understand attitudes toward inclusive account as a means of receiving social transfer and extent to which storing funds is valued.
	• How many of you receive or have ever received your grants in cash? ○ What are the advantages of receiving your payment in cash? What are the disadvantages? • How many of you receive or have ever received your grant into a bank account? ○ Did you decide you wanted to receive your grant into a bank account? ○ What are the advantages of receiving your payment into a bank account? What are the disadvantages? • Which way do you prefer to receive your social transfer payment? Why? [Listen for the importance of traits, such as convenience, flexibility, quality of communications from the program in each method, predictability, reliability, feedback, feelings of control, cost, etc.] • How did you decide which bank to use? • Where do you normally withdraw your money: ATM, branch, agent, supermarkets as debits or cash back, etc.? How long does it take to get there? How long do you spend waiting in line? • What is the best thing about receiving your money through the financially inclusive account? • How does your account work? [To assess knowledge of how the account works.] ○ How do you know when a payment has been deposited? ○ When do you have to withdraw? ○ Where can you withdraw? ○ Do you have to withdraw everything at once? What happens if you do not? ○ Can you make deposits? Where? ○ How much does it cost to withdraw? How much does it cost to make purchases with your card? ○ If you have a problem withdrawing from an ATM, branch, or agent, how can you get help? What about if your balance is lower than you expected or a payment does not arrive? • Have you had any problems accessing your money through this account? ○ What types of problems? ○ Have you ever been pressured to pay extra fees or tips, make purchases of one type or another because of the way you are receiving your payment? ○ Have you had any problems actually using the technology (phone, card, ATM, POS)? ○ Have you been able to resolve any/all these problems? ○ Where can you get help when you have problems? [Probe for both family/friends and formal program or bank-linked support.] How helpful/reliable are support services from the bank/program?
Use of account in transfer program	**Purpose**: Improve our understanding of how and why beneficiaries are using the inclusive account in different ways.

(20 minutes)	• Are you able to safely keep money in your account? Why/why not? • Are you comfortable receiving the money into your account? • How often do you withdraw money from this account? [Probe for all at once or a few times per transfer.] Who leaves some money in the account? Why? Why do some people prefer to withdraw everything at once? • How important is it to you (or would it be) to be able to leave some of the transfer value in the account? Why? [Probe for whether they would like to withdraw the transfer little by little, would like to build up savings there, etc., and why.] • Does anyone use the account to save/build up money for the future? • Has anyone ever deposited extra money into their account? What are they saving for? What kinds of deposit patterns? Why is the bank account an attractive place to save? • Who chooses a bank account for payment when they have a choice (Brazil) and why? What drives choice of preferred bank (South Africa)?

Appendix 5: South Africa's Social Grant Programs

Child Support grant

- Child must be under 18 years old.
- Payment of the grant is to the primary care giver of the child.
- Value of the grant in 2011 is R 260 and is paid monthly.
- Primary care giver has the responsibility to ensure that the child enrolls and attends school regularly.
- Means-tested:
  - income threshold of R 31,200 for a single care giver
  - income threshold of R 62,400 for a married care giver

Disability grant

- This is for people with disability between the ages of 18 and 59.
- The value of the grant is R 1,140 in 2011 and is paid monthly.
- The grant is paid to individuals who cannot provide for their daily needs due to their disability.
- Means-tested:
  - Asset threshold:
    - for single person is R 752,400
    - for married person is R 1,504,800
  - Income threshold
    - for single person is R 44,880
    - for married person is R 89,760

Care dependency grant

- This is paid for a severely disabled child who is in need of special care.
- This is given to children under the age of 18 subsequent to which the disability grant kicks in.
- The grant amount is R 1,140 in 2011 and is paid monthly.
- Means-tested:
  - income threshold of R 136,800 for a single parent/primary care giver
  - income threshold of R 273,600 for a married parent/primary care giver

Older persons grant

- Grant is targeted at the elderly from age 60.
- Grant amount is R 1,140 and is paid monthly.
- Means-tested:
  - Asset threshold:
    - for single person is R 752,400
    - for married person is R 1,504,800
  - Income threshold
    - for single person is R 44,880
    - for married person is R 89,760

Foster care grant

- Grant is paid to foster parents who have received a court order granting them foster parents status.
- Grant is paid for children up to age 18.
- Value of the grant is R 740 paid monthly
- It is the only grant not means-tested

War veterans' grant

- Targeted at individuals age 60 or older and/or disabled, who fought in the Second World War or the Korean War.
- Similar to older persons grant in value, although an additional nominal amount is paid in recognition for participation in the war.
- The grant value is R 1,160 (i.e., R 20 more than the older persons grant) paid monthly
- Means-tested:
    - Asset threshold
        - for single person is R 752,400
        - for married person is R 1,504,800
    - Income threshold
        - for single person is R 44,880
        - for married person is R 89,760

Grant-in-aid

This is an additional grant provided to persons who are in receipt of the older persons, disability, or war veterans' grant who are unable to care for themselves.

- The grant amount is R 260 and is paid monthly.

Appendix 6: Standard Bank's low-income segment accounts

Name of product	*Mzansi Account*	*E-Plan*	*Mobile Banking Account*
Minimum opening balance: local	None	R 50.00	None
Minimum balance to maintain: local	R 20.00	R 50.00	None
Docs required to open an account	This account can be opened as an E17* account, which simply requires an ID document.	ID and proof of residence	This account can be opened as an E17* account, which simply requires an ID document.
ATM/debit card provided? **Checks provided?**	ATM/debit card provided No check cards or books	ATM/debit card provided None	ATM/debit card provided No check cards or books
Restrictions on balance or transaction size	On Exemption 17 account, limit of R 25,000 monthly balance, R 5000 daily deposit, R 5000 daily cash withdrawal	None	None
Interest rate paid	Interest is paid on credit balances in the account.	Interest is paid at 0.3% on savings balances greater than R 250.00.	Interest is not paid on credit balances.
Fees	-No monthly fee. - Transactions are Pay As You Transact (PAYT). There is no bundled pricing. Customers are allowed to make 5 cash withdrawals and 5 deposits per month; after this limit, customers pay double the cash withdrawal and deposit fees. ATM cash withdrawals and deposits —R 4.90; branch cash withdrawals and deposits—R 10.00; Debit orders – R 4.90; POS purchases —R 2.00; purchase and cash back—R 3.50; dishonored —R 5.00; airtime—free; ATM balance enquiries—free	-Customers pay a R 10 monthly management fee. -Transactions are PAYT. There is no bundled pricing option. Pricing is a combination of flat fee and ad valorem: ATM cash deposit—R 2.50 + 1.15%; ATM cash withdrawal—R 2.80+1.15%; other banks ATM cash withdrawals—R 9.50+1.15%; other banks airtime purchase—R 6.70; internal debit order—R 5.00; external debit order—R 6.35; electronic interaccount transfers—R 5.00; electronic account payment—R 6.35; POS purchases—R 2.00; debit card purchase and cash back—R 5.00; ATM airtime purchases—free; unpaid dishonor fees—R 15 capped at R 5	-No monthly management fee -Transactions are PAYT: ATM cash withdrawals and deposits—R 4.90; branch cash withdrawals and deposits—R 10.00; debit orders—R 4.90; POS purchases—R 2.00; purchase and cash back—R 3.50; dishonored—R 5.00; airtime—free; ATM display balance enquiries—free; pay money into another Standard Bank account (by cell phone)—1% of the amount with minimum 50c

Name of product	*Mzansi Account*	*E-Plan*	*Mobile Banking Account*
Special incentives, e.g., lottery, prizes, etc.	No special incentives for Mzansi customers	Customers who maintain a balance greater than R 250.00 for 6 months or more will receive double interest paid on their balance.	No special incentives for mobile banking account customers.
Channels for origination of new accounts	Accounts are originated at the branch and also via mobile sales agents.	Branches, mobile sales agent	Accounts are originated at sales agents and acquisition retailers in field. (Sales agents are nonpermanent staff who work on a commission after training and meeting regulatory requirements.)
Where can an account holder receive cash: **Channels for cash in/out**	Branches and ATMs, post office, big chain supermarket retailers, e.g., PicknPay, Shoprite (cash back).	ATMs, POS machines	Branches and ATMs, post office, supermarket chain retailers, e.g., PicknPay, Shoprite (cashback), bank shops (retailers that have a business relationship with a bank by having, e.g., banking devices, i.e., POS devices, bank cell phone)
What is the main segment targeted with this product?	Customers who earn less than R 2,000 a month. Target segment is primarily the unbanked, underbanked, social grant recipients, seasonal workers, the unemployed.	Those who earn less than R 8,000 a month, but who earn a consistent monthly income.	Low-income customers, unbanked and under-banked customers, social grant recipients, seasonal workers.

* In 2004, the Minister of Finance issued Exemption 17, which reduced the documentary evidence needed to open an account (provided that the account would be subject to balance and transaction limits). Two years later, the South African Reserve Bank (SARB) issued Circular 6, which enabled nonface-to-face account openings for accounts meeting the requirements of Exemption 17, but subject to an even lower (perhaps exceedingly low) transaction limit. These exemptions established South Africa as a model for addressing financial security concerns while allowing low-income individuals greater access to financial services, including savings. The Exemption 17 rule may be applied only to an individual who is a South African citizen or permanent resident in South Africa. An E17 customer may not withdraw, transfer, or make payments of more than R 5,000 per day or R 25,000 per month.

Appendix 7: ABSA Bank's low-income segment accounts

	Product for transfer recipients	**Nearest equivalent account**
Name of product	***Sekulula Transactional Account***	***Mzansi Account***
Minimum opening balance: local	R 0.00	R 10.00
Minimum balance to maintain: local	R 0.00	R 0.00
Documents required to open an account	A valid bar-coded South African identification document; a letter from SASSA to prove that you are a social grant recipient	A valid bar-coded South African identification document. A passport with a valid ID number may be used only to open the account.
ATM/debit card provided? **Checks provided?**	ATM debit card No	ATM debit card provided No
Restrictions, if any, on balance or transaction size in account	Customer may not withdraw or transfer or make payments exceeding R 5,000 per day. Customer may not withdraw or transfer or make payments exceeding R 25,000 in a monthly cycle. The account balance may not exceed R 25,000 at any time.	Maximum pay out amount per day per individual: R 5,000 Maximum transfer amount per month per individual: R 25,000 Maximum pay out amount per month per individual: R 25,000
Interest rate paid	No interest is earned on a credit balance	Interest is paid monthly on positive (credit) balances and is calculated on the daily balance on the account.
Fees—Monthly and Transactional	No monthly admin fee. SASSA is subsidizing the cost. No transaction fees charged for first two ABSA ATM or POS transactions per month. Thereafter, a fee per transaction	No monthly administration fees or initial card issuing fees. -Up to five debit or credit transactions/month: ATM withdrawal—R 4.50; ABSA ATM deposit—first one free per month, R 4.50 after that; ATM balance inquiry—first two free/month, R 4.50 after that; debit order—R 5.00; rejected debit order—first one free per month, after that R 5.00 -More than five debit or credit transactions per month: ATM withdrawal—R 12.00 for sixth and successive transactions; other fees are the same. Note: a full chart of Mzansi account charges can be found in Appendix 3.
Special incentives, e.g., lottery, prizes, etc.	N/A	N/A

	Product for transfer recipients	Nearest equivalent account
Channels for origination of new accounts	ABSA branch/AllPay offices and AllPay service points where remote opening devices are used	ABSA branch
Channels for cash in/out	ATM/counter withdrawals	ATM/counter withdrawals
What is the main segment targeted with this product?	Social security grant beneficiaries target market.	Entry-level banking (banking the unbanked)
What are the measures of success for this product?	Over 1 million active accounts	23.78% market share
Other notes on products	Enables beneficiaries to pay for goods and services with funds drawn electronically from their account. The card can be used for transactions at POS terminals, ATMs, cell phones, and on Internet. All transactions are PIN based. Plastic card branded with the Visa electron logo. Debit card has a magnetic stripe and signature panel. Absa Stop Card and AllPay help desk telephone numbers display on the card. Cannot be linked to any other product type, e.g., Flexi Account. Procurator (person receiving grant on behalf of someone else) receives his/her own debit card linked to the beneficiary's account, and will select his/her own PIN. Card can be used nationally (in South Africa) and internationally (outside South African borders). Can be used to buy prepaid services (mobile airtime, electricity).	Prepaid airtime may be purchased from service providers (Cell-C, MTN, Telkom, and/or Vodacom) via Absa ATMs. • You may obtain an account statement by requesting a full statement at any Absa branch; requesting a mini statement at an ABSA branch or ABSA ATM. • A unique Telephone Enquiry Service (0860 MZANSI/0860 692674) exists to obtain an account balance and/or statement enquiry; to obtain ABSA Mzansi account information; to obtain help finding the nearest ABSA ATM or branch. - Secure method by using a six-digit electronic PIN authentication process. • Stop Card facilities are available for lost or stolen cards immediately via 0800 11 11 55 or the nearest Absa branch.