

# SHOULDN'T THE SA POST OFFICE BE USING #FINTECH TO REDUCE THE COST OF PAYING SASSA GRANTS?

Category: Commercial Law

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The South African Social Security Agency (SASSA) provides grants to the elderly, disabled and certain children. Grant beneficiaries receive money through a bank or cash payment.<sup>[1]</sup>

Beneficiaries are compelled to receive their grant payments in these archaic and inconvenient ways. These methods involve beneficiaries having to travel to a physical location. This means time, effort, expense and potential loss by vulnerable members of society.<sup>[2]</sup>

SASSA currently processes payments through a service provider: inefficiently and at exorbitant cost. Grant payments will be handled by the SA Post Office (SAPO) from April 2018. SAPO will undertake this at a cost that is 49% higher per recipient than the current cost because, *"it wants to fund capital expenditure on pay points and ATMs."*<sup>[3]</sup>

It is perplexing that at a time when using fintech, could reduce costs and provide an even better customer experience, SAPO seems to be reinventing the wheel, by spending on infrastructure such as ATMs and pay points. This is particularly pertinent given that to *"achieve an ROE of 12%, the top 200 global banks need to increase their revenues by 15% and reduce costs by 13.7%"*.<sup>[4]</sup> (my underlining)

Organisations such as SAPO, which are new entrants to the banking market, can leapfrog lethargic incumbents. They can disrupt the payments market and still get good returns on their investment. As EY says *"The most successful banks will be those that improve agility and reduce cost by using collaboration to bring various components together and build the strongest ecosystem."*<sup>[5]</sup>

SAPO should be thinking of e-wallets and all the other payment products that fintech offers. It would not be unreasonable to argue that, through using fintech, paying grants could cost substantially less.

**[1] WWW.SASSA.GOV.ZA, media release 13/12/2017. SASSA paydays normalise from January after December early payment [online]. Available at: HTTP://WWW.SASSA.GOV.ZA/ [Accessed 19/12/2017]**

**[2] WWW.SASSA.GOV.ZA, media release 2 March**

**2017. SASSA paypoint robbery attempt [online]. Available at: [HTTP://WWW.SASSA.GOV.ZA/INDEX.PHP/NEWSROOM/245-SASSA-PAYPOINT-ROBBERY](http://www.sassa.gov.za/index.php/newsroom/245-sassa-paypoint-robbery). [Accessed 19/12/2017]**

**[3] Fin24Tech, 26/11/2017. Sapo's Sassa admin costs [online]. Available at: [HTTPS://WWW.FIN24.COM/TECH/NEWS/SAPOS-SASSA-ADMIN-COSTS-20171124](https://www.fin24.com/tech/news/sapos-sassa-admin-costs-20171124) [Accessed 19/12/2017]**

**[4] WWW.EY.COM, 2017. Unleashing the potential of FinTech in banking [online], page 4. Available at: [HTTP://WWW.EY.COM/PUBLICATION/VWLUASSETS/EY-UNLEASHING-THE-POTENTIAL-OF-FIN-TECH-IN-BANKING/\\$FILE/EY-UNLEASHING-THE-POTENTIAL-OF-FIN-TECH-IN-BANKING.PDF](http://www.ey.com/publication/vwluasets/ey-unleashing-the-potential-of-fin-tech-in-banking/$FILE/EY-UNLEASHING-THE-POTENTIAL-OF-FIN-TECH-IN-BANKING.PDF) [accessed 19/12/2017]**

**[5] See footnote 9 at page 20.**