

# More cash during Covid signals need for greater digital payments inclusion

Despite popular belief otherwise, South Africans have become more dependent on cash during the Covid-19 pandemic.

“In South Africa, cash has proven to be a resilient medium of payment in uncertain times, but its increased use also indicates a need for greater inclusion in the digital payments landscape,” says Ghita Erling, CEO of the Payments Association of South Africa (PASA).

## Why do many South Africans prefer cash?

So far, digital payment systems have mainly benefited the country’s higher-income and financially astute earners, who appreciate the convenience of cashless transactions and have ready access to the country’s digital payments infrastructure.

According to FinMark Trust research, about one in five South African do not have bank accounts, and a further one-third prefer to withdraw all their money in cash than keep it in the bank account. This trend is more prevalent among social grant recipients.

Sassa statistics indicate that 95% of beneficiary funds are withdrawn within seven days of being deposited. Another Sassa report suggests that the reasons for this behaviour include fear that the funds would be repossessed by Sassa if left too long; distrust in digital services and cards; the uncertainty of how to use cards; and opportunity costs, like taxi fares if travelling frequently to ATMs.



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Yet another factor driving continued dependency on cash is that many South Africans live in areas where the digital payments infrastructure does not yet reach or where digital payment is simply not accepted by local vendors.

Lack of acceptance among these retailers may be due to the costs involved but more likely because the use of cash by their patrons is so prevalent, they see little value in implementing services for which they perceive no demand.

According to research conducted, between two and five million micro and survivalist businesses operate on a cash-only basis since a convenient digital acceptance solution is not available to them.

Therefore, during the pandemic and subsequent lockdowns, the use of cash among those with limited transport or access to digital payment systems has increased measurably.

## Inclusive access

Offering those communities localised access to low-cost digital payment services would certainly help South Africa reduce the cost of producing, storing and circulating cash, which amounted to some R88 billion per annum even before the pandemic struck.

However, building awareness, educating these users and developing trust in the benefits of cashless transactions is as critical as providing a good technical solution and a reliable infrastructure.

So there needs to be a collaborative effort between digital payment providers, stakeholders and communities to ensure progress is made.

“While cash has its place in the National Payment System, speedy and ubiquitous digital payments promise financial inclusion to all South Africans,” says Erling. **SR**



“ We would love to see greater collaboration and coordination between government and private entities to decrease the reliance of poor communities on cash. ”

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