

villages
neighbours
rural
communities
businesses
people
families
cities
homes
Africa.Connected
neighbours
rural
communities
businesses
people



How telcoms can deliver digital services to SA's unbanked and under banked

Mariam Cassim – Chief Officer at Vodacom Financial and Digital Services

Financial inclusion is a right, not a privilege. Despite great progress made to broaden financial inclusion in South Africa, the country is still ranked 149th out of 162 in its ability to convert wealth into wellbeing, according to a study by Boston Consulting Group.

While high bank account penetration may tell a story of tremendous progress over the past few years, the promise and potential of financial inclusion to reduce poverty and boost prosperity in South Africa remains unfulfilled.

At Vodacom Financial Services, we believe that we have a responsibility to connect everyone and make a positive difference in the lives of all South Africans. This is why we are focused on developing solutions that foster financial inclusion and economic growth while creating meaningful opportunities for all.

Why South Africans aren't big on banks

There is no shortage of reasons why financial inclusion is important.

Empowering individuals and businesses with access to affordable financial products and services that meet their needs not only raises the standard of living but, for a country such as South Africa - which has its share of economic challenges - it also reduces inequality and boosts GDP growth.

However, achieving financial inclusion in South Africa is a challenge, especially when it comes to banking.

For example, although 80% of South Africans have a bank account, most transactions are still cash-based. Current efforts to improve trust in and use of digital financial services have not led to a reduction in cash usage. In fact, the use of cash is growing at a rate of 6% to 10% per annum, ahead of inflation.

Many people are reluctant to transact because South African banks charge higher fees. Others cite fraud as their number one reason for using cash. And according to the World Economic Forum, there is also a general sense of mistrust in the formal financial sector.

The global COVID-19 pandemic has highlighted these challenges, which is why in the last year we have made significant advances in our product offerings to both consumers and businesses in order to provide cost-effective digital finance solutions to more South Africans than ever before.

Many consumers and businesses are already benefitting from the solutions we have introduced to the market.

For example, when it comes to the payment environment, VodaPay is driving the evolution of cash to digital payments in a cost-effective manner. These innovative mobile payment solutions empower businesses to manage their inventories and receive payments wherever they are.

Our recent partnership with Alipay will also see two big tech companies joining forces to develop an app that will allow consumers who do not have credit cards or bank accounts to transact using a digital wallet.



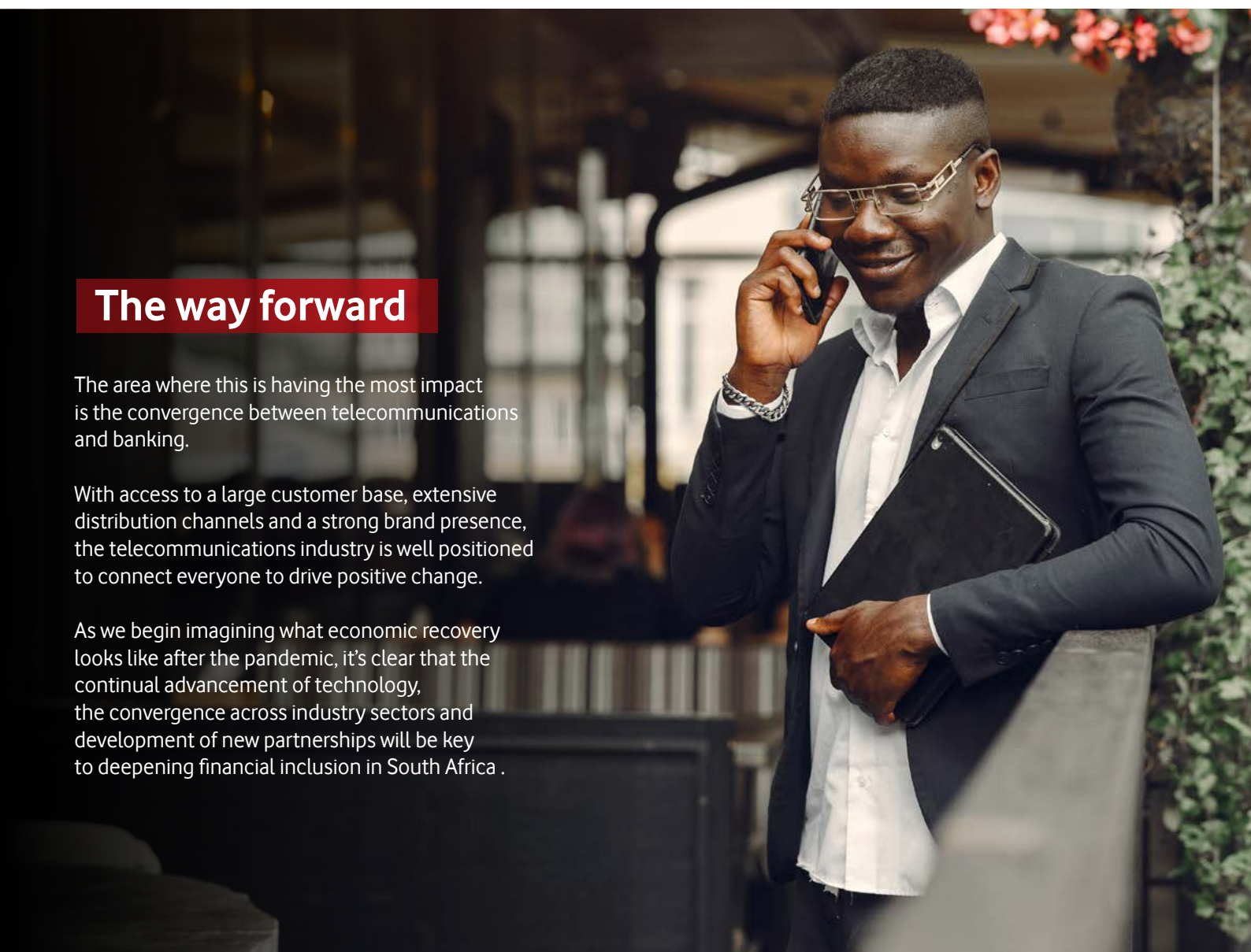
Financial inclusion in South Africa is experiencing a shift - from being an access issue to a digital adoption and usage issue

At the same time, we know that many people are hesitant to use banks and struggle to access certain products such as loans because they lack the required paperwork. Response times are sometimes a deterrent for people with lower incomes because they often need money on the same day.

To help address this, we have developed the Vodaland model, which is an entirely digital channel that provides small and medium-sized businesses with finance up to R1.5 million. With this product, we aim to provide feedback to applications within 24 hours.

Financial inclusion in South Africa is experiencing a shift - from being an access issue to a digital adoption and usage issue. This not only suggests that we still have a long road ahead in educating South Africans about the risks of cash and the benefits of digital payments, but it also highlights how a more innovative approach can benefit more people when it comes to financial inclusion.

It's an approach that welcomes new and adjacent players, disrupts traditional business models, and blurs the lines between previously disconnected sectors.



The way forward

The area where this is having the most impact is the convergence between telecommunications and banking.

With access to a large customer base, extensive distribution channels and a strong brand presence, the telecommunications industry is well positioned to connect everyone to drive positive change.

As we begin imagining what economic recovery looks like after the pandemic, it's clear that the continual advancement of technology, the convergence across industry sectors and development of new partnerships will be key to deepening financial inclusion in South Africa.