



GradStar Summit

Student Information Pack

December 2023

Reducing South Africa's cash dependency

The Background

South Africa has a high proportion of banked adults, but cash still accounts for over 50% of the total value of all consumer transactions. This is exemplified by data from Pepkor, South Africa's largest retailer by footprint, which indicated that 90% of its sales are still made in cash.

Numerous studies have demonstrated that cash usages incurs both direct and indirect social economic costs. Direct costs includes costs such as ATM, branch costs, and cashback at point of sales. Indirect costs of cash include the costs of travelling to cash points, the time forgone, the interest forgone by holding cash, and the risk or loss of theft, amongst others. One study found that cash cost consumers in South Africa about R23 billion per year, or 0,52% of GDP.

It is the lowest income earners that show the highest incidence of cash usage and therefore bear the burden of hidden and unhidden costs more frequently. Heavy cash usage represents a major barrier to financial inclusion.

The Problem

At Absa, we are constantly innovating, not only to provide a world class service to our customers, but also to offer the best products and solutions that caters to our customers' needs. Financial inclusion is imperative to sustained, inclusive growth in South Africa.

Although 70% of the population has access to a transactional bank account, usage is low with 27% of people withdrawing their money immediately from their accounts. One of the reasons for this is a high level of suspicion. There is a deep mistrust of the existing system and a perception that charges are high.

Banks also incur significant costs distributing cash across South Africa, having to maintain an extensive branch and ATM network. Cash-in-transit also represents a significant risk given the prevalence of cash-in-transit heists.

We care about the people on the African continent, and we are committed to contributing to the growth and development of the Pan-African economy, so this is a crucial problem for us to solve.





Your Task



Prepare a presentation for your CEO, proposing a response to the following challenge:

How would you use Digital Technology to design a cashless product that decreases South Africa's cash dependence to boost the township and rural economies?

In your response, be sure to:

- Outline the antecedent factors that perpetuate South Africa's cash dependence
- Define how this product can be utilised using existing technology that is prevalent in townships and rural economies
- Outline the market strategy you would use to address some of the concerns around cashless products and increase utilisation rates
- Reference case studies to indicate viability and success of your product

