

The Payment Experience of Social Grant Beneficiaries

Launch of the findings



Making financial markets work for the poor

Dr Penelope Hawkins

6 June 2012

Presentation outline

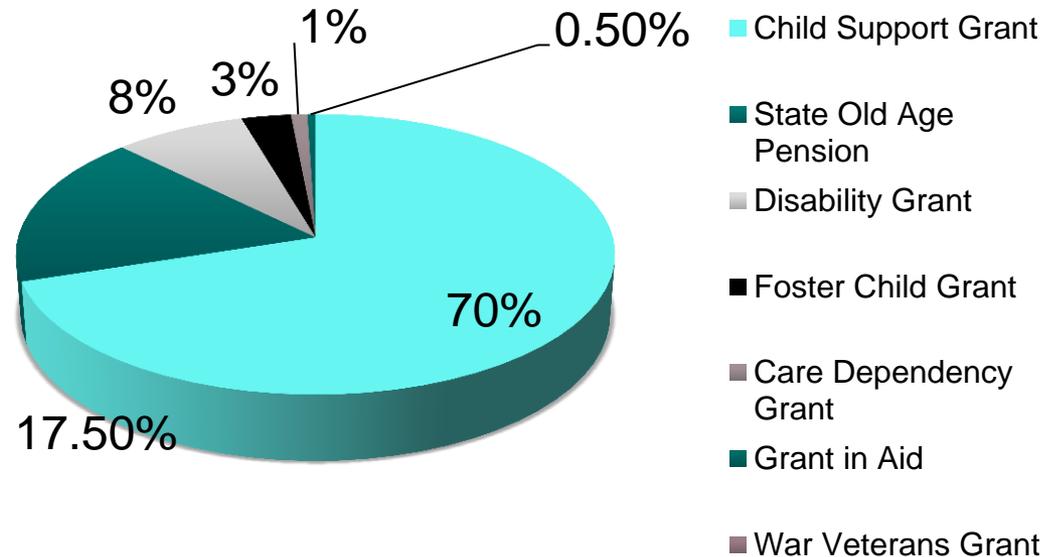
1.0 Introduction and Method

2.0 Profile of grant recipients

3.0 Key findings

4.0 Strategic recommendations

Grant type as a share of total number of grants

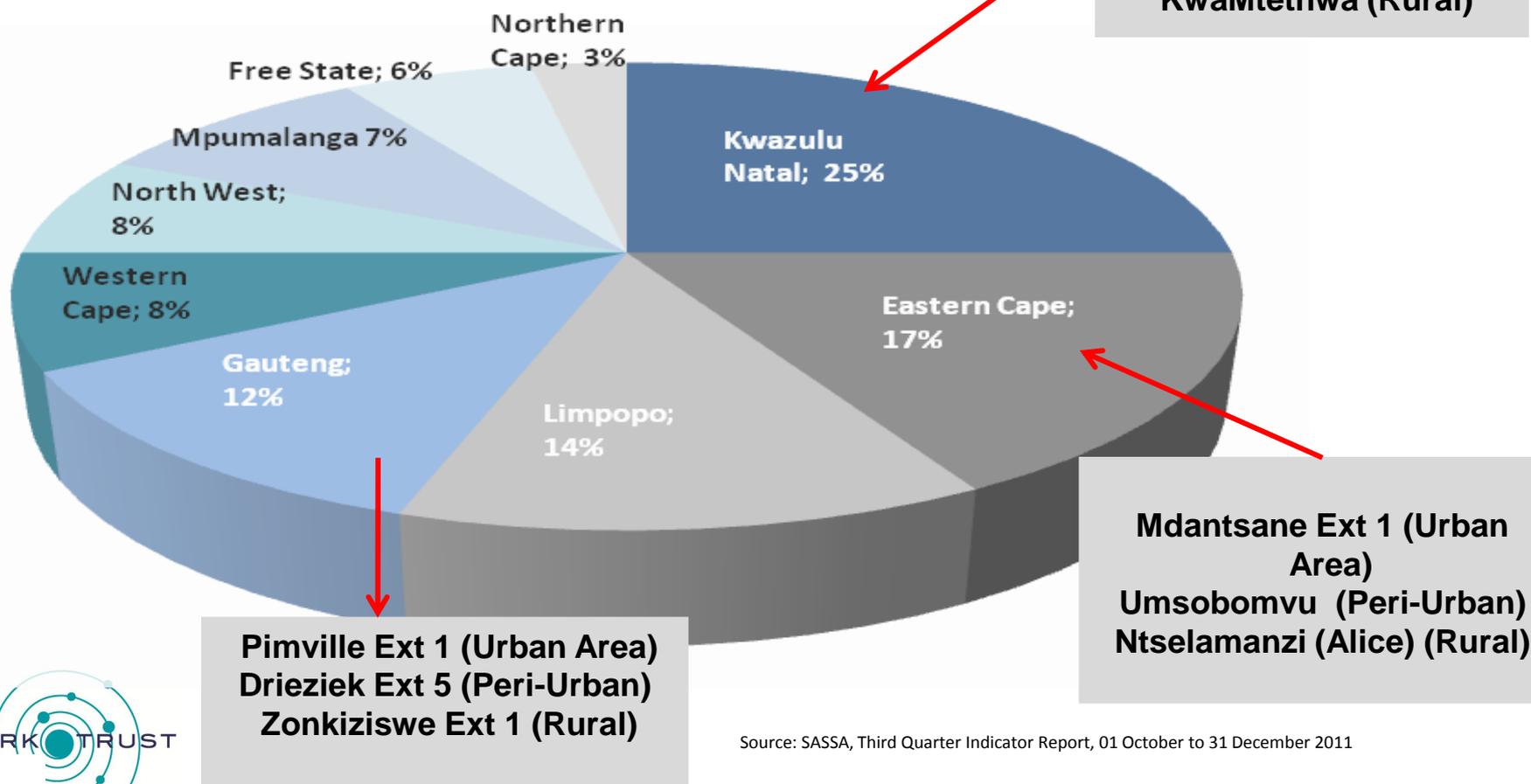


Introduction and Method

- FinMark Trust commissioned Progressus Research Development to document the experience of recipients (cash & electronic grants) to provide insights into:
 - ✦ appropriate design features
 - ✦ how the payment methods operate (in terms of efficiency, effectiveness and cost)
 - ✦ how the payment method impacts on and enhances the beneficiaries' ability to connect to financial services.
- Reference group established to evaluate the research at key milestones:
 - ✦ DSD – Mr Selwyn Jehoma ✦ PASA - Mr Walter Volke
 - ✦ SASSA - Mr John Tsalamandris ✦ UWC - Mr David Neves
 - ✦ NT - Mr Roelof Goosen
- Research included status quo review, field work and analysis
 - ✦ Primary research in 9 locations (rural, urban and peri-urban) in three Provinces
 - ✦ Within each location the following was undertaken:
 - ✦ On-site visits at “payday” to evaluate the pay point
 - ✦ Interviews with beneficiaries conducted at the pay point (257 interviews)
 - ✦ A community based survey within the vicinity of the pay point (1025 interviews)
 - ✦ Two focus groups per location (120 participants)



Provincial selection: Share of number of beneficiaries



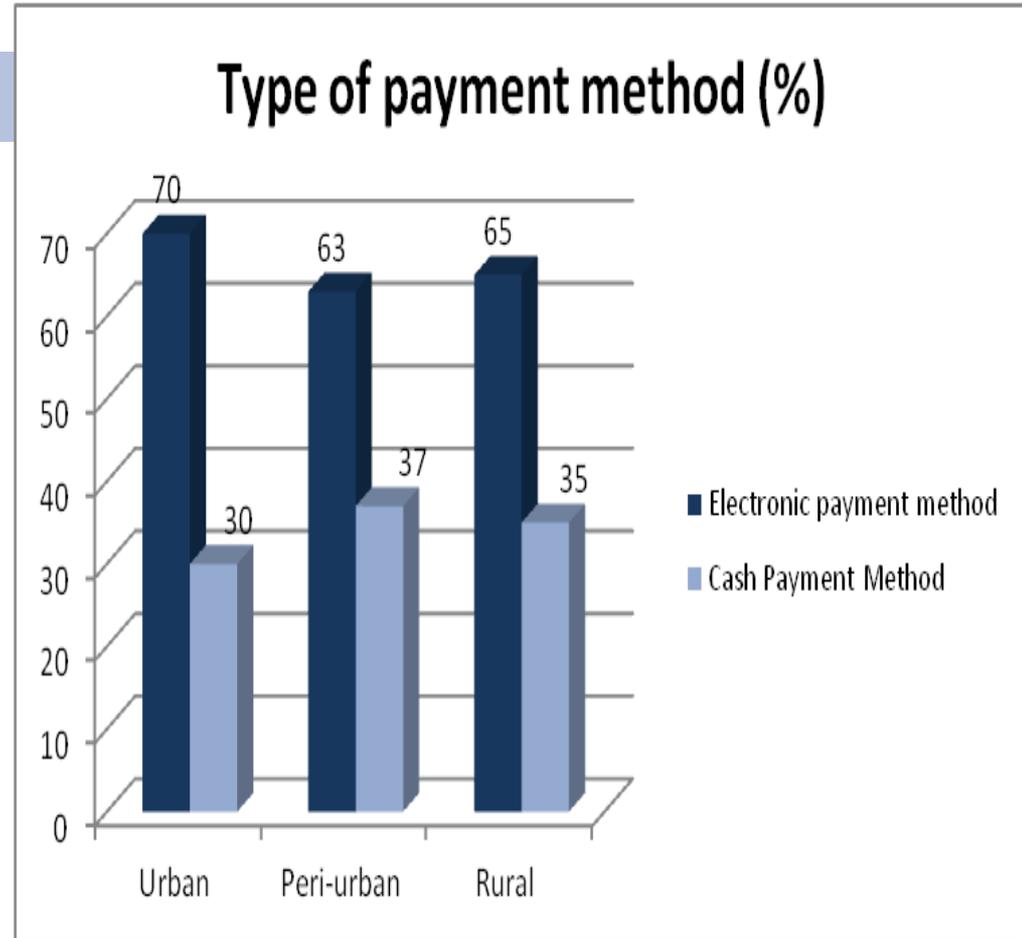
Presentation outline

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2.0 Profile of grant recipients

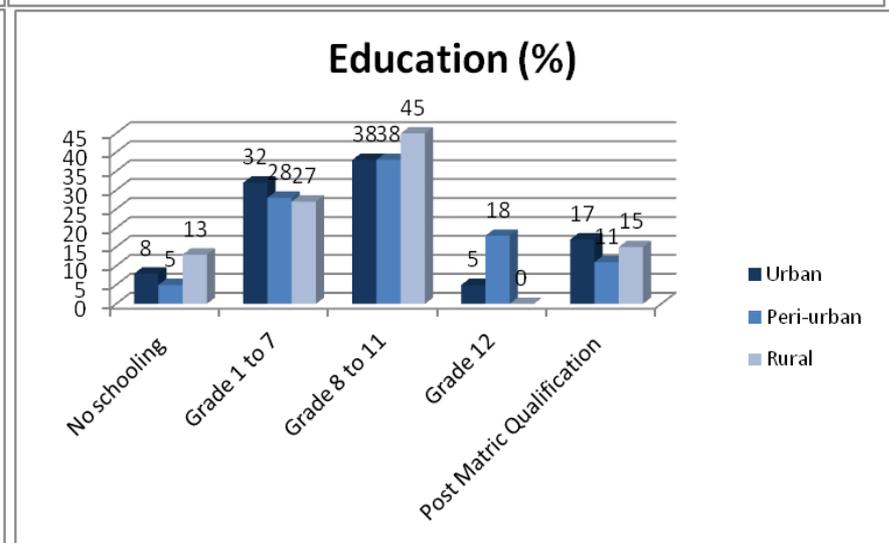
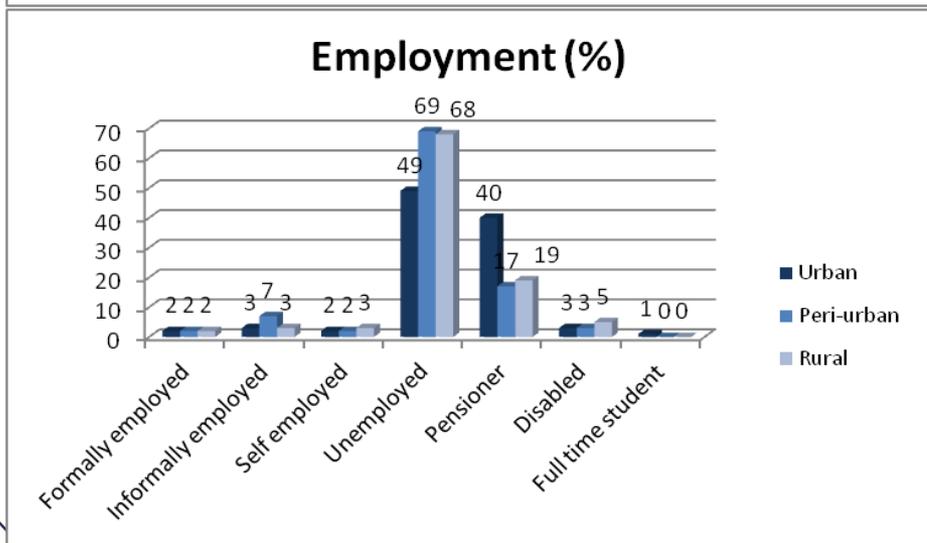
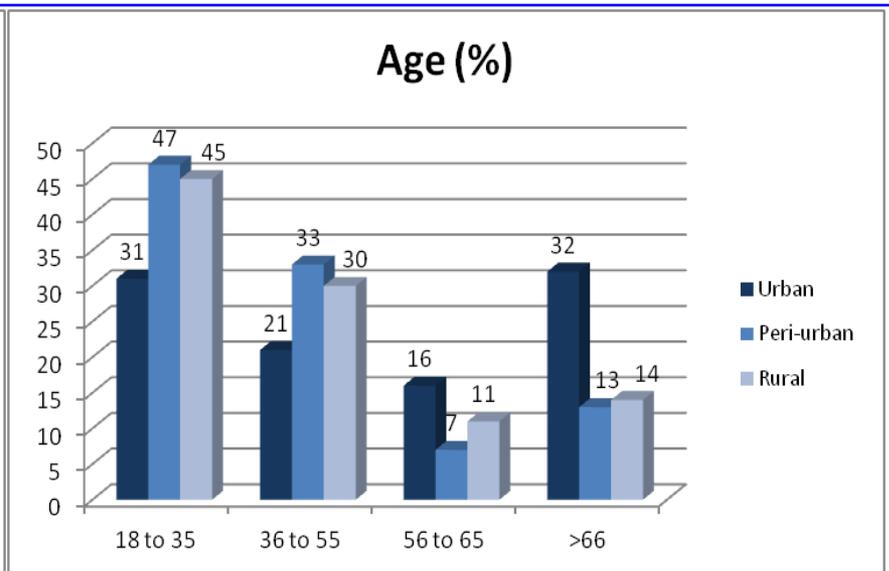
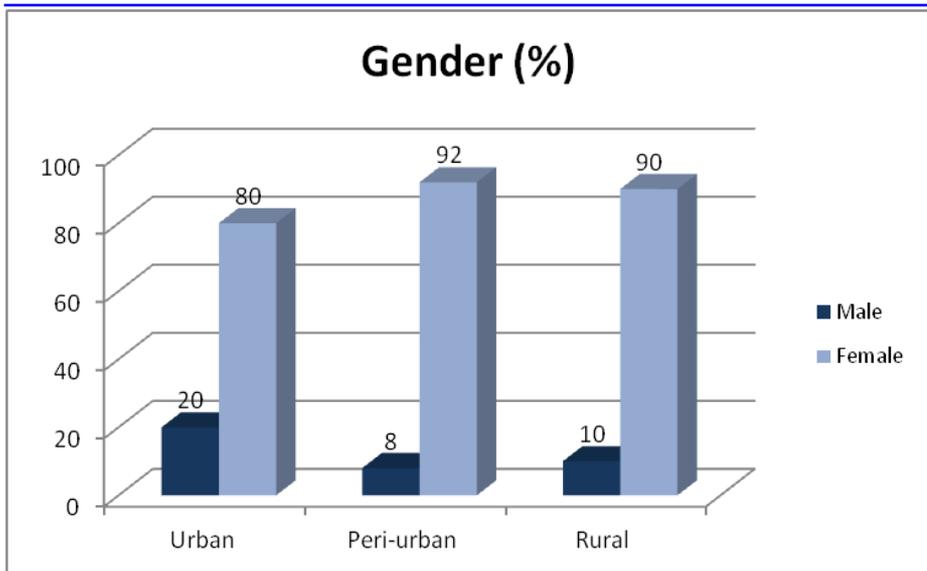
3.0 Key findings

4.0 Strategic recommendations



Characteristics of grant recipients

Weighted sample size :
 Rural: 1870
 Peri-Urban: 1856
 Urban: Pimville : 2255



Profile of a child grant recipient

Gender:	Female (99%)
Age :	Average age - 34
Education:	Most (68%) have Grade 11 or below 21% have above Grade 12 or above
Employment status:	Unemployed (86%)
Payment method used:	69% use the electronic payment method



From Focus Group:

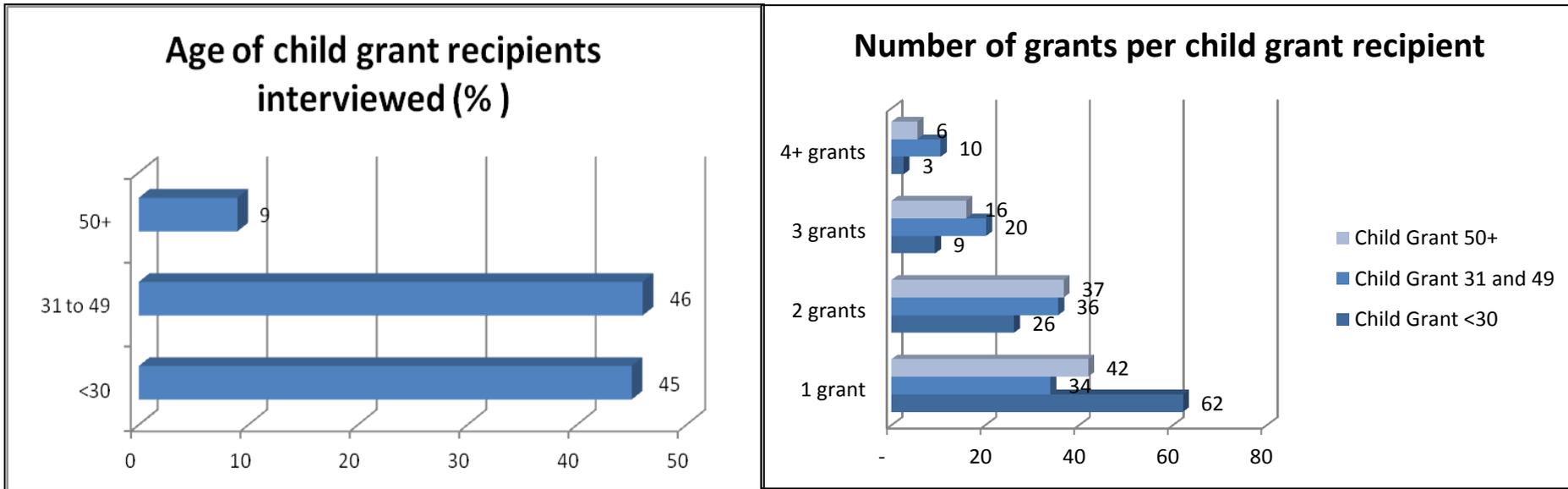
“In her mind she only wants the money for her hair.... But I don't agree with that - some don't plan the pregnancy and you get some boys who promise to take care of them and when he finds out she is pregnant he will run away and the grant money helps in that case...” (GP)

“There is no such thing, because the grant money is R 250 so what is the use because that money is too little” (EC)

“I agree with them (referring to statement that girls get pregnant only to get a child grant), but sometimes it's a mistake because the milk is expensive these days and what will happen if the government stops the grant” (KZN)

Falling pregnant to obtain a grant?

- *Just under half of child grant recipients are below 30 years of age or between 31 and 49 years of age. Very few (9%) are over the age of 50*
- *Two thirds of child grant recipients who are younger than 30 receive 1 grant, a third of recipients between 31 and 49 receive 1 grant and 42% of recipients older than 50*



Profile of an old age grant recipient

Gender:	Two thirds female (71%) One third male (29%)
Age :	Average age - 70
Education:	97% have Grade 11 or below
Employment status:	Pensioners (93%)
Payment method used:	52% use the electronic payment method and 48% use the cash payment method



From focus group:

“When I wake up I bath my grandfather because he needs to wake up very early at 3am because he is thinking of the queue at the Pay Point. We go out of the house at about 5am. We walk or take a taxi. When we get there we find at least 20 people already queued with blankets. We wait until 8am so they can open the gates for us but they start paying at around 09h30am. So if you are number 20 you will go home at around 11h00.”(GP)

“The other thing is we (older people) are welcome here (Pay Point) when we come to the Pay-Point, we don't queue they welcome us nicely. I usually go with my husband and that is the other reason why we don't want to go to the bank, because of the treatment we get here (EC) From Focus Group:

“The ATM can also be a tricky thing and when it tricks you, you never know who you can trust to help you. At the Pay Point it is easier for older people”

Profile of a disability grant recipient

Gender:	51% male 49% female
Age :	Average age - 47
Education:	98% have Grade 11 or below
Employment status:	Unemployed (92%)
Payment method used:	63% use the electronic payment method 31% ask someone else to collect their grant for them



From Focus Group:

“There is a disadvantage for men in wheelchairs in public – it is not good because they are alone. No one to accompany them even when they are going to take a taxi. Taxi drivers are rude. Our community does not treat people with disabilities well. In Taxis, disabled people pay twice the price – for the wheel chair as well. When they get out of the taxi, the drivers tell them to make it quick because they are working. There are no ramps...”(GP)

“The one who is pushing the wheelchair goes and borrow money from Mashonisa and expects the one on the wheelchair to pay when he gets paid”(KZN)

“The problem with the disabled people they only know them, when they are about to get paid. They wash and iron for him if it’s close to pay day.” (KZN)

“People abuse the disabled people, they will take their money and they don’t care for them until pay day.” (KZN)

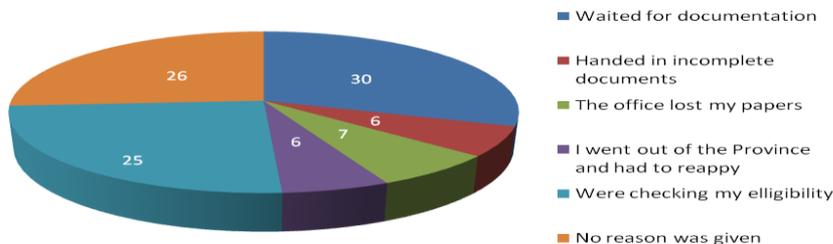
Findings

- **Application for the grant**
- **Collection of grant**
- Electronic payment method
- Cash payment method
- Satisfied and dissatisfied recipients
- Use of grant, financial services and cell phones

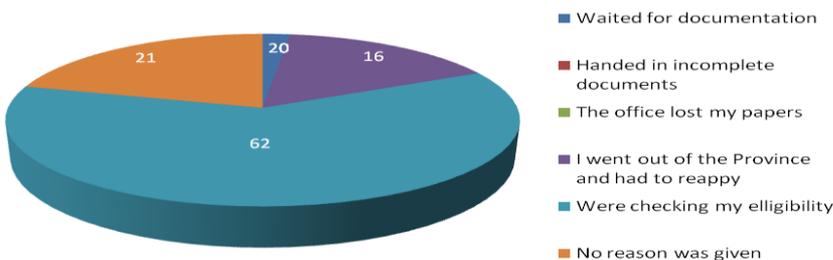
Application process

- The average number of days waited between applying and hearing the application was approved is highest in urban areas (73 days) and similar in peri-urban and rural areas (65 and 64 days respectively)
- More than one third of recipients (34%) waited longer than 60 days in peri-urban and rural areas and 40% in urban areas.
- In all settlement types this is significantly longer than the 21 day turnaround time specified by SASSA
- The reasons for waiting longer than 60 days differs by settlement type but is mostly due to checking for eligibility and waiting for documentation.
- **Comparison of Grant Type: Disability Grant recipients waited the longest of all grant types (110 days), followed by Pension Grant type (71 days) and least Child Grant recipients (57 days).**
- **The reason why people waited more than 60 days for approval was more commonly 'waiting for their own documentation' for Disability and Child Grants than Old Age Grants ($p=.000$). It was also more common for Disability Grants to give the reason for the long wait for the results as having handed in incomplete documentation ($p=.000$)**

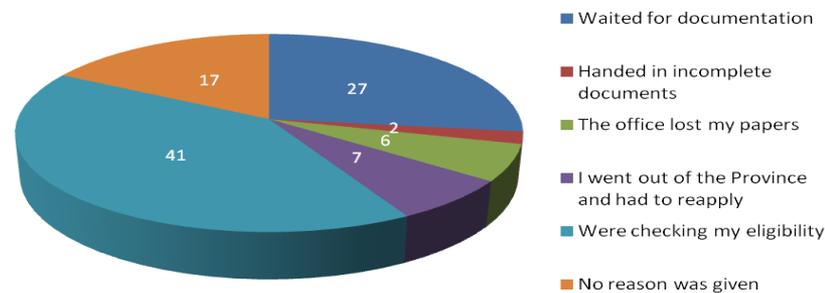
Reasons for waiting longer than 60 days: Urban Areas (%)



Reasons for waiting longer than 60 days: Peri-urban Areas (%)



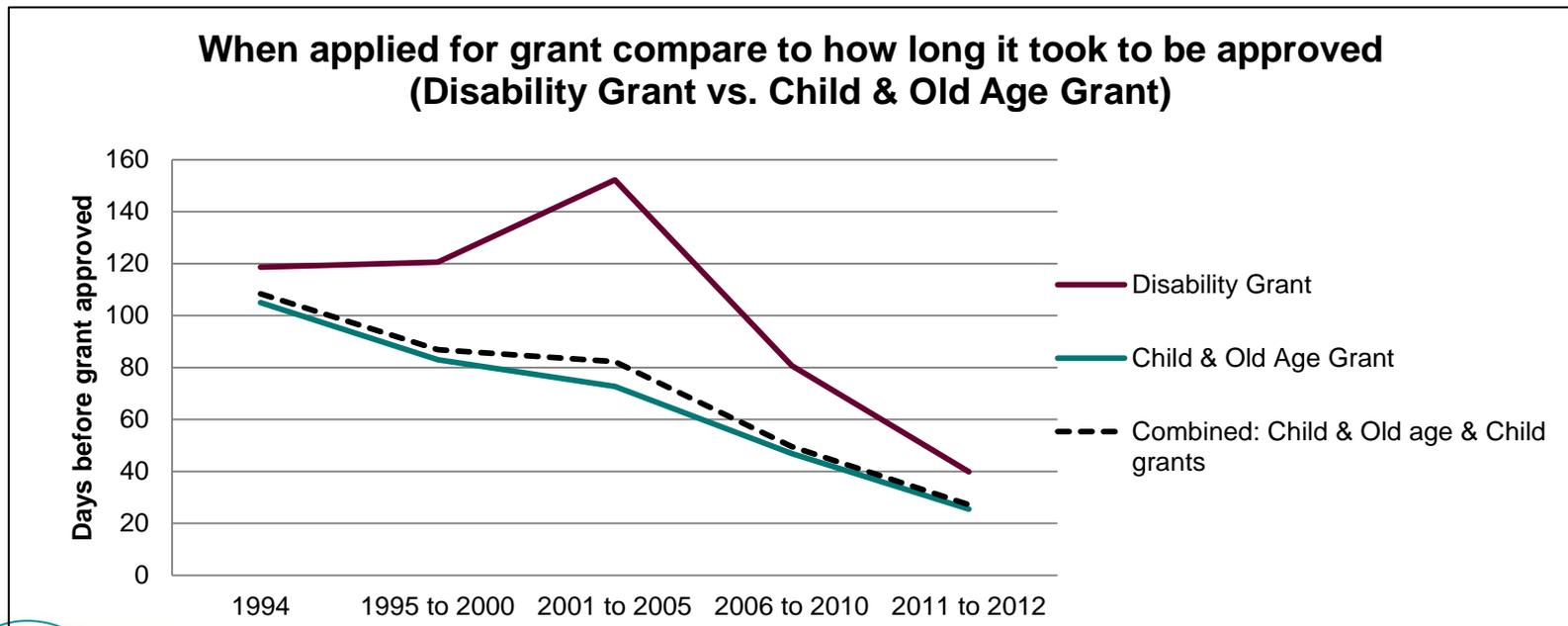
Reasons for waiting longer than 60 days: Rural Areas



	Urban	Peri-urban	Rural
Average number of days waited between applying and hearing the application was approved	73	65	64
% who waited more than 60 days	41	34	34

Application process

- A cross tabulation of the time taken between application and approval for beneficiaries, based on how long they have had a grant, indicates a significant improvement in approval times since 1994. The same trend is observed for all provinces.
- The average waiting time between in 2011/2012 is still marginally above 21 days in all provinces (23 in Gauteng, 24 in KZN and 32 in EC)



Preference for collection method

From Focus Groups:

“At the bank you can even apply for a funeral policy and they deduct from your account” (EC)

“Pay Points are good for old people because they get assistance... It (Pay Point) is not the same as the bank because you find that the security guard is inside the branch, not outside” (GP)

“When I get a piece job it is convenient to go to the bank on weekends, and with the Pay Point you have to go on your pay day.” (GP)

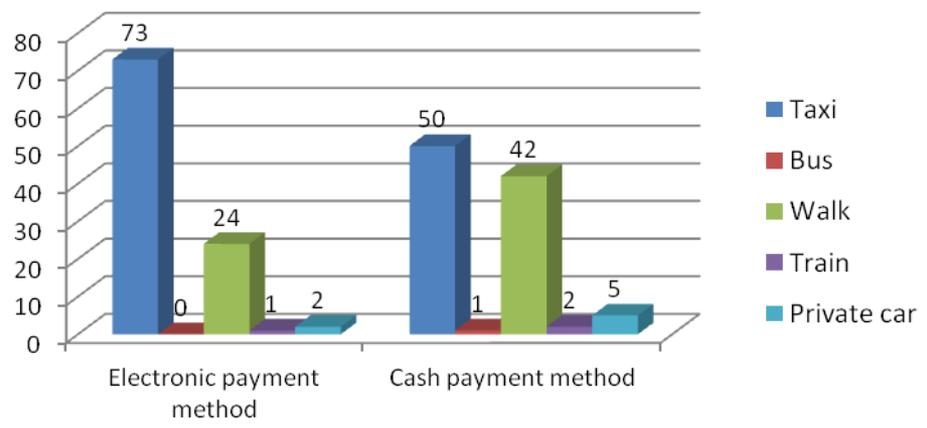
“I think the bank is better because sometimes you become sick you can't go there yourself, you can send your children to withdraw for you unlike the Pay Point where they need only you” (EC)

I prefer the pay point, because you get all your money, and if you get paid at the shops you are forced to buy something, you cannot get all the money due to you”(KZN)

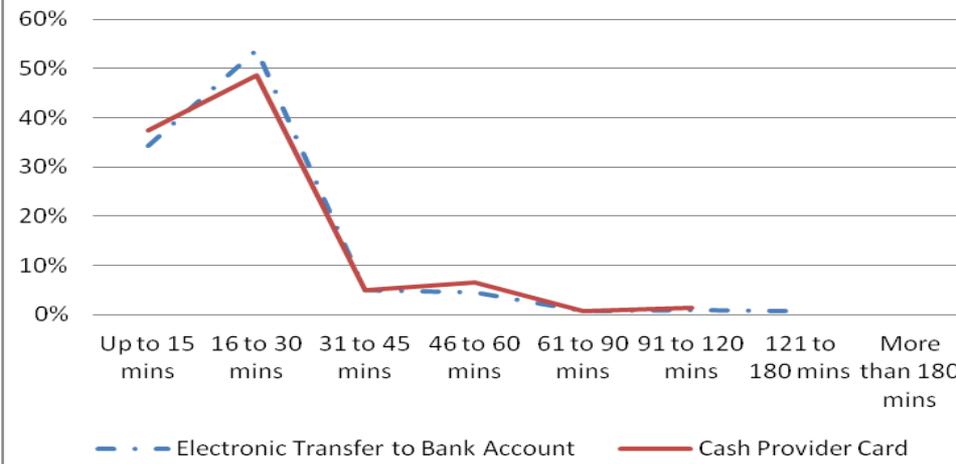
“I don't support the bank, because here at Alice we don't have a main branch we just use ATM's in the streets, which is not safe, because when your card is retained by the ATM you need to go to town which is far. I prefer the All-Pay method because after getting your money you sit down in the chair and sort out your money. This is something you cannot do in town because the thugs will take your money. At the bank it is not safe compared to the Pay-Point there are security guards you go inside alone and also no Mashonisa go with you at All Pay” (EC)

Transport used to collect grant

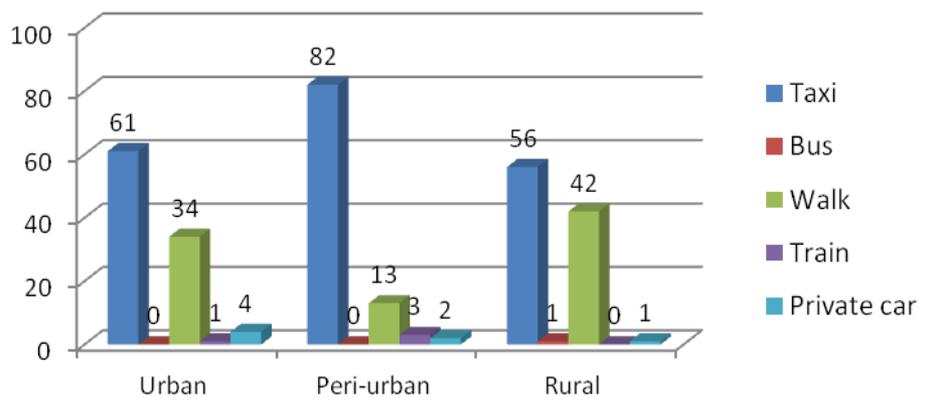
Form of transport used to collect grant by payment method (%)



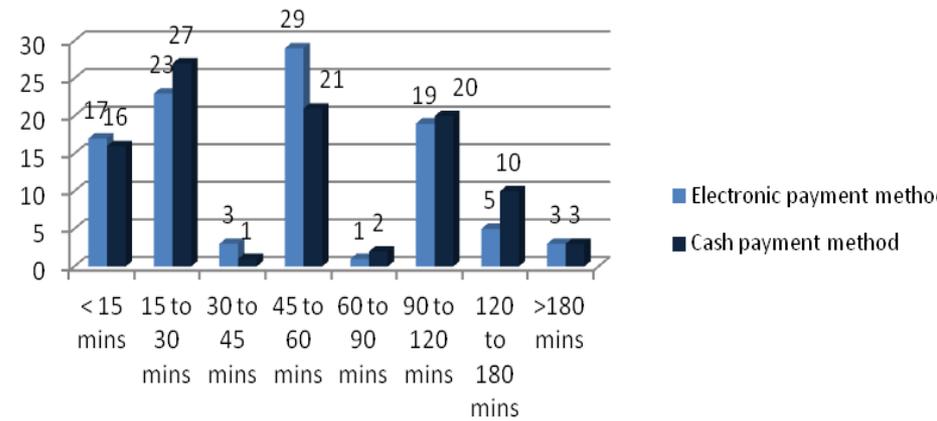
Time it takes to travel to Bank/ Pay Point



Form of transport used to collect grant by settlement type (%)



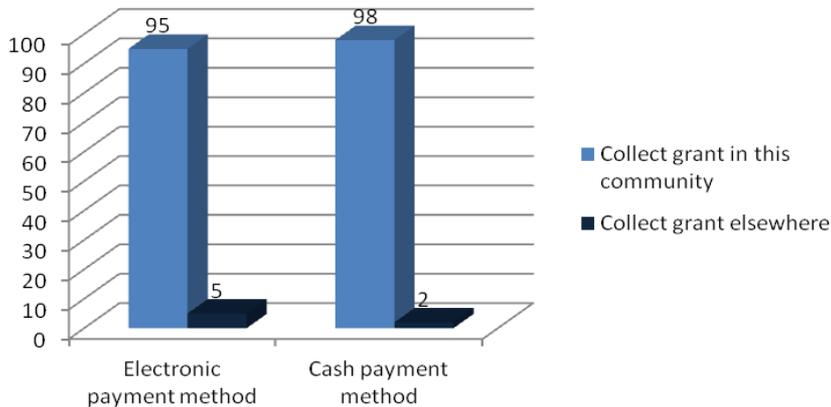
Time waited in queue to collect grant by type of payment (%)



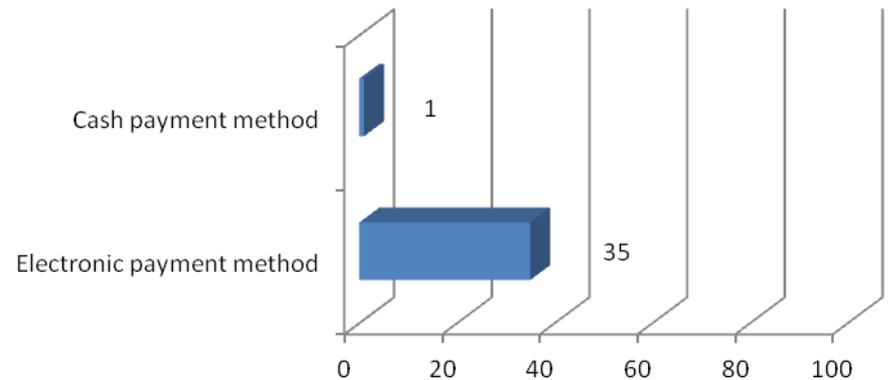
Where grant is collected

- *Almost all recipients collect their grant in the area in which they reside regardless of the type of payment method*
- *The reason why recipients would collect the grant elsewhere is in respect of the electronic payment method that they lived elsewhere and in respect of the cash payment method that they were allocated to the pay area*
- *Only a very few recipients (2%) using the electronic payment method collect their grant elsewhere for convenience i.e. they work there*
- ***Comparison of grant type: Old Age grant recipients are most likely to collect the grant in the same community, followed by Disability grant recipients and least by Child Grant Recipients***

Whether recipient collects grant in their area or elsewhere



Recipient used someone else to collect the social grant (%)

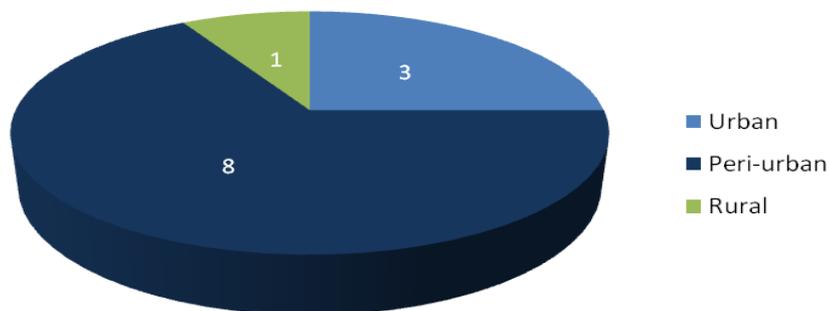


Being robbed of grant money

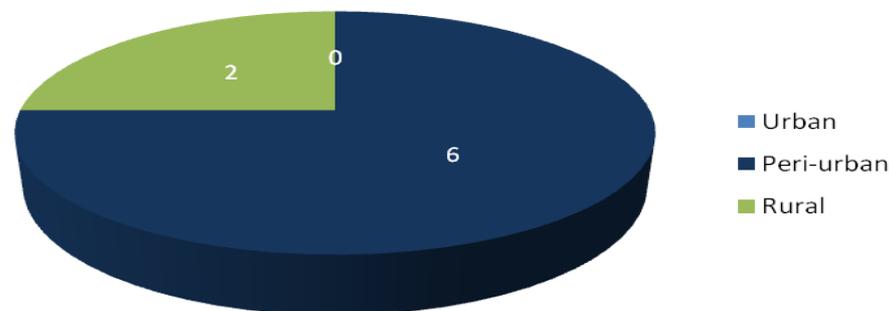
Weighted sample size :
 Rural: 1870
 Peri-Urban: 1856
 Urban: Pimville : 2255

- Only 3% of recipients (57 in number) using the cash payment method and 4% (154 in number) using the electronic method have ever experienced a security incident (mugging/theft) of their grant money over an average period of 7 years or 84 payments
- The extent of a security incident occurring is higher in peri-urban areas than urban and rural areas; Gauteng had most incidents

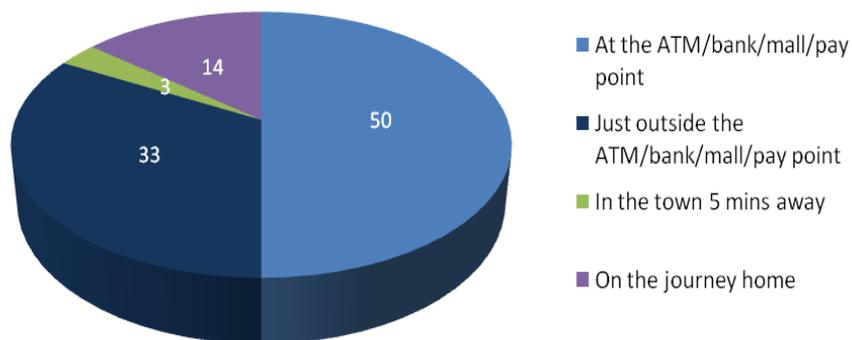
Electronic payment method: Security incident by type of settlement (%)



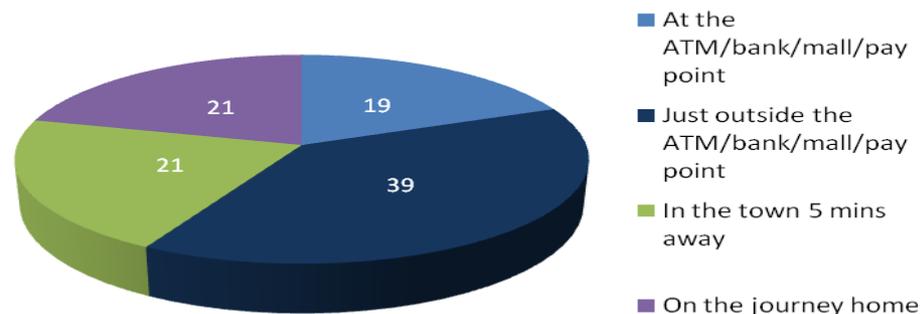
Cash payment method: Security incident by type of settlement (%)



Electronic payment method: Location of security incident (%)



Cash payment method: Location of security incident (%)



Findings

- Application for the grant
- Collection of grant
- **Electronic payment method**
- Cash payment method
- Satisfied and dissatisfied recipients
- Use of grant, financial services and cell phone

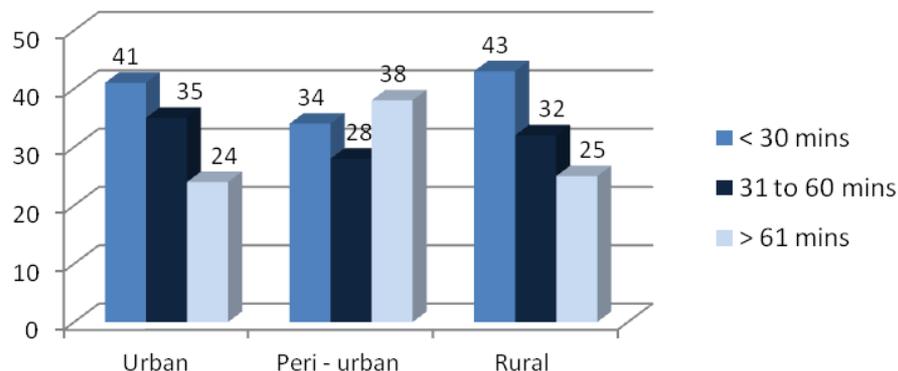


Electronic Payment Method: Queue conditions

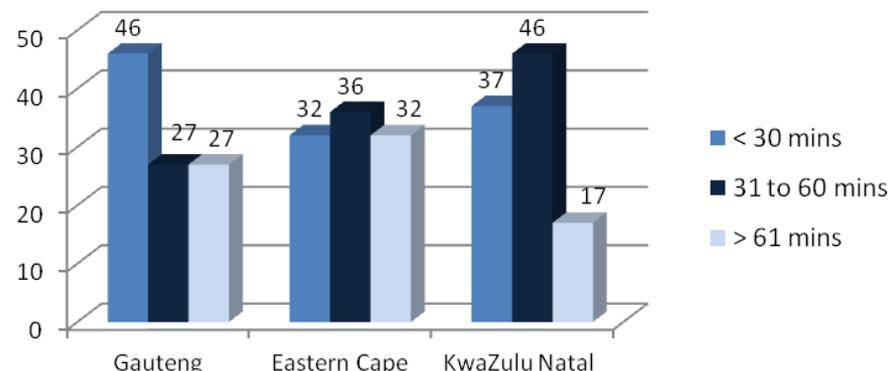
Weighted sample size :
 Rural: 1218
 Peri-Urban: 1169
 Urban: Pimville : 1582

- Overall queue times are longer in peri-urban areas than other settlement types
- Overall queue times are longer in the Eastern Cape than other provinces
- In most cases, banks do not provide extra ATM machines, but inside the bank a special queue for old age and disabled is reported by just under one half of recipients in all settlement types. The provision of these services is worst in KwaZulu Natal
- **Comparison of Grant type: Waiting time at the bank is shortest for Disability grant recipients (49 mins), followed by Old age grant recipients (66 mins) and longest for Child grant recipients (70 mins).**

Time in queue to withdraw grant by settlement type (%)



Time in queue to withdraw grant by province (%)



Provisions Made by Banks for Grant Recipients

% of recipients who said that the bank provides extra ATM machines at the beginning of the month

% of recipients who said there is a separate queue at the bank for old age and disabled social grant recipients

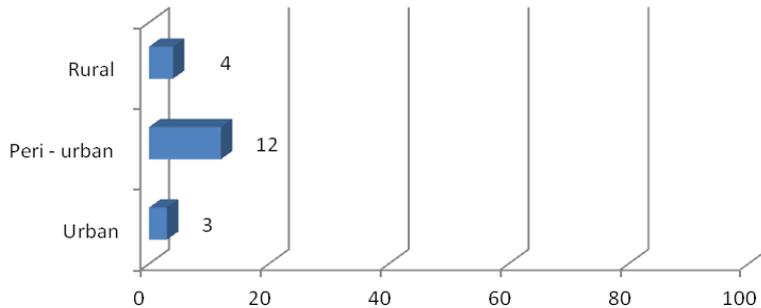
	Urban	Peri-urban	Rural	Gauteng	Eastern Cape	KwaZulu Natal
% of recipients who said that the bank provides extra ATM machines at the beginning of the month	6	6	6	10	3	0
% of recipients who said there is a separate queue at the bank for old age and disabled social grant recipients	40	37	45	49	33	26



Electronic Payment Method: Running out of cash?

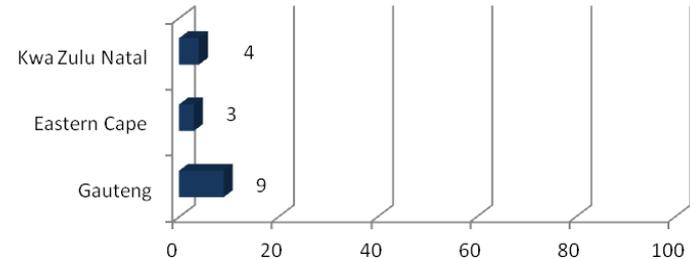
By settlement area:

Recipients who tried to withdraw grant from ATM but were unable to (%)

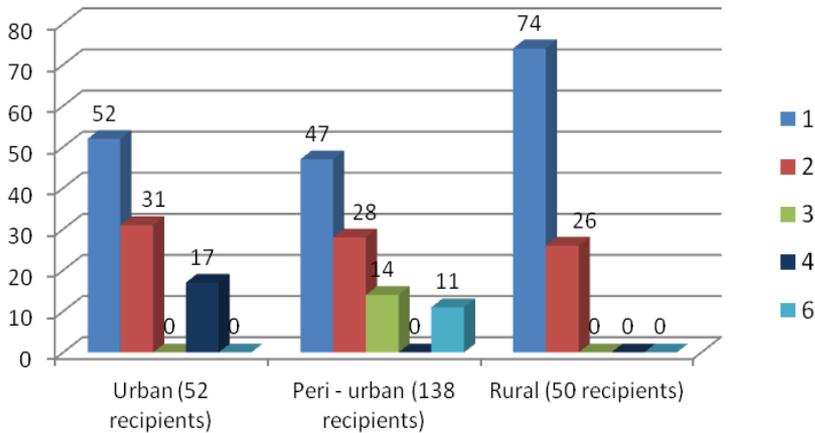


By province:

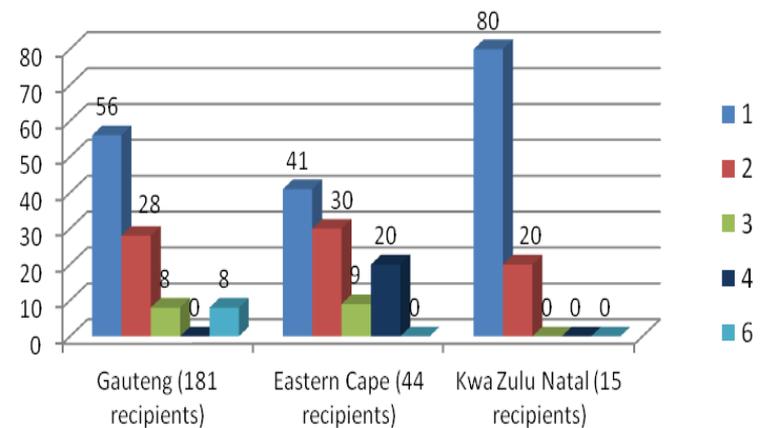
Recipients who tried to withdraw grant from ATM but were unable to by province (%)



Number of times ATM ran out of money in the last 12 months (%)



Number of times ATM ran out of money in the last 12 months (%)



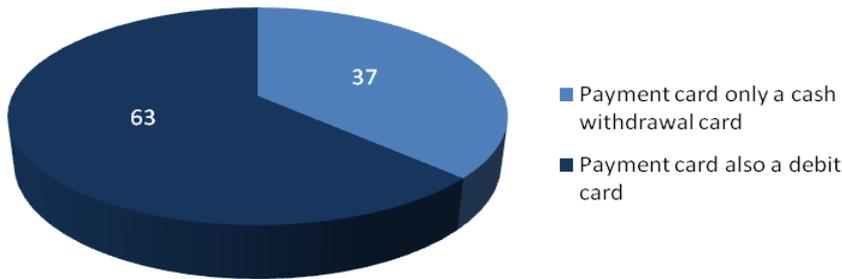
Electronic Payment Method: Using the payment card

Weighted sample size :
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 Peri-Urban: 1169
 Urban: Pimville : 1582

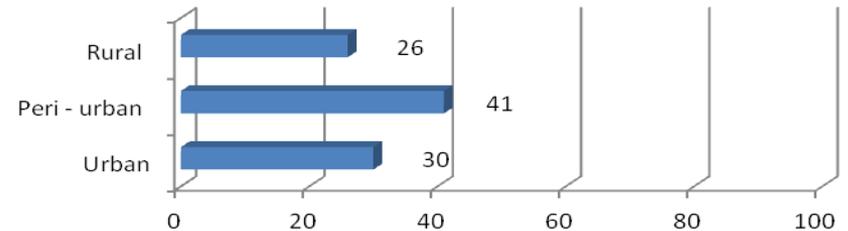
Impact of Education:

- Lower educated people are more likely to use their bank cards for withdrawals only, whilst higher educated people are more likely to use the card as a debit card as well ($p=.000$)
- Higher educated people are more likely to use their bank card to withdraw money inside a shop unlike their lower educated counterparts ($p=.000$).
- Lower educated people are more likely to have replaced their bank card in the last 12 months when compared to better educated people ($p=.000$).

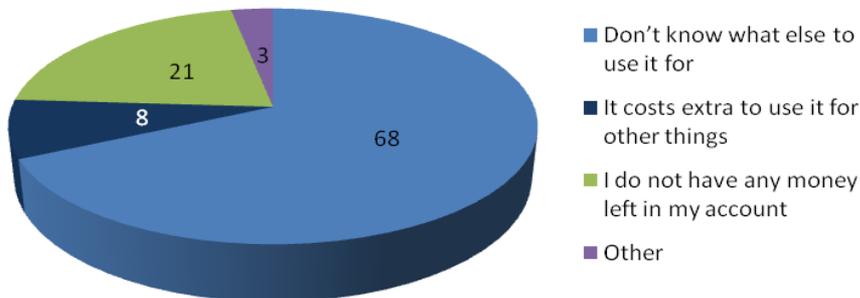
Whether recipient thinks that grant payment card can be used as a debit card (%)



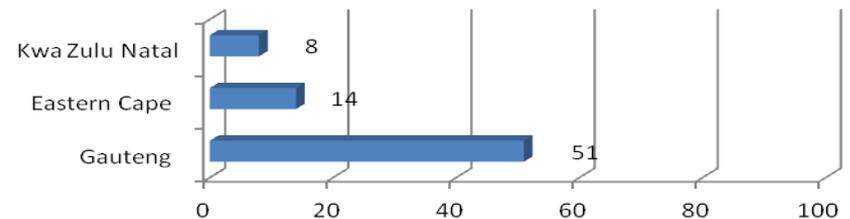
Percentage of recipients who use their grant payment card for other things in addition to withdrawing their grant by settlement type (%)



Reasons for not using the card for anything else (%)



Percentage of recipients who use their grant payment card for other things in addition to withdrawing their grant by province (%)



Electronic payment method : Withdrawing grant money from a shop

	Urban	Peri-urban	Rural	Gauteng	Eastern Cape	KwaZulu Natal
% of recipients who use electronic payment method who withdraw grant from a shop	18	27	11	29	8	8
% who always use the same shop	59	77	74	76	45	29
Of those who withdraw grant at shop % obliged to buy from the shop	42	57	52	46	79	11

Electronic payment method :

Withdrawing grant money from a shop (Cont.)

From Focus Group about Shops :

“(I go to) Standard Bank, I would be lying if I say I never experience any problems if it’s full at the bank I go to Shoprite or Boxer and take out my ID and card and they assist me” (EC)

“With the bank system you have an advantage you can swipe as well” (EC)

“At the Pay Point you get all your money, but when you go to the Shoprite they want you to buy first and after you buy, they take R10”

“Now I have to buy from their shop so they deduct as well. It is not good for me.” (GP)

“I take out R900 (at bank) to pay for my needs, and I leave the rest of the money for swiping” (GP)

“...I wish the government can hire a government official to be in the shops to help us Because the cashiers they want bribes – they take R10.00 to be paid” (KZN)

Findings

- Application for the grant
- Collection of grant
- Electronic payment method
- **Cash payment method**
- Satisfaction among recipients
- Use of grant, financial services and c



Traders at Pay Points

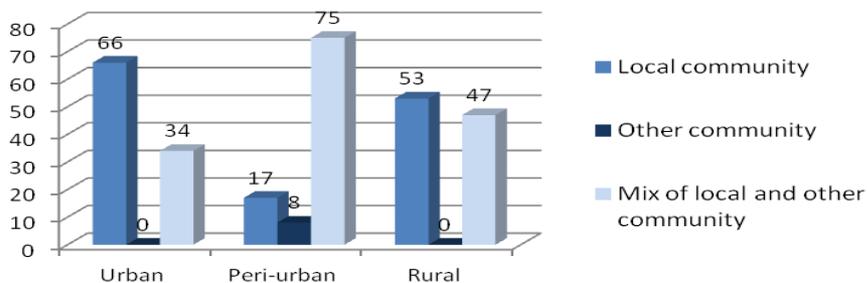


Cash Payment Method: Traders at the pay point cont

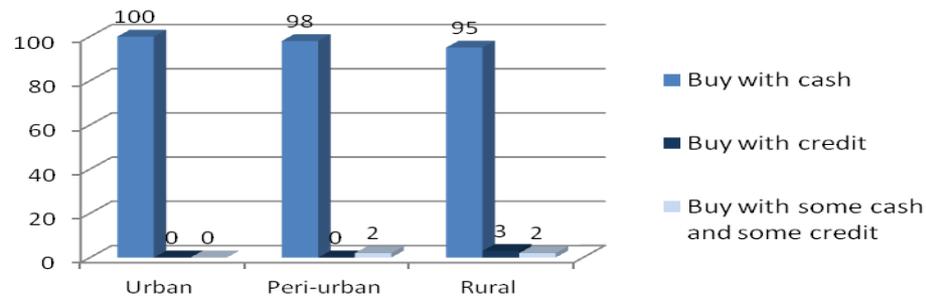
Weighted sample size :
 Rural: 652
 Peri-Urban: 686
 Urban: 672

- 66% of recipients in urban areas believe that traders are from the local community. In peri-urban areas 75% believe that the traders are a mix of local and other community members. In rural areas 53% believe that the traders are from the local community and 47% that they are a mix of local and other community members.
- Most traders are paid in cash in all settlement types. 5% and 3% of traders in rural and peri-urban areas respectively provide credit
- 91% of recipients in rural areas, 78% and 75% in peri-urban and urban areas respectively feel that traders are a good idea.

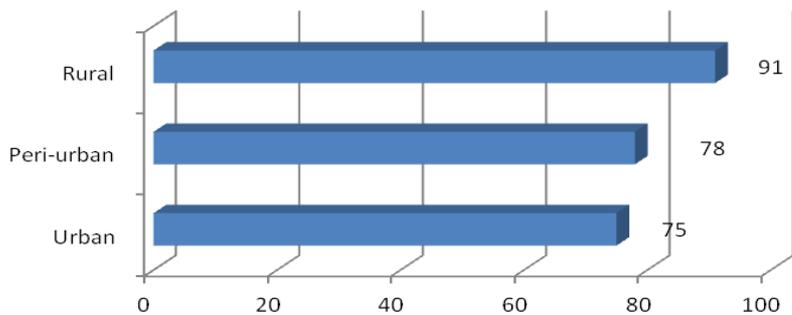
Whether traders at pay point are from the local community (%)



How recipients pay traders at pay point (%)



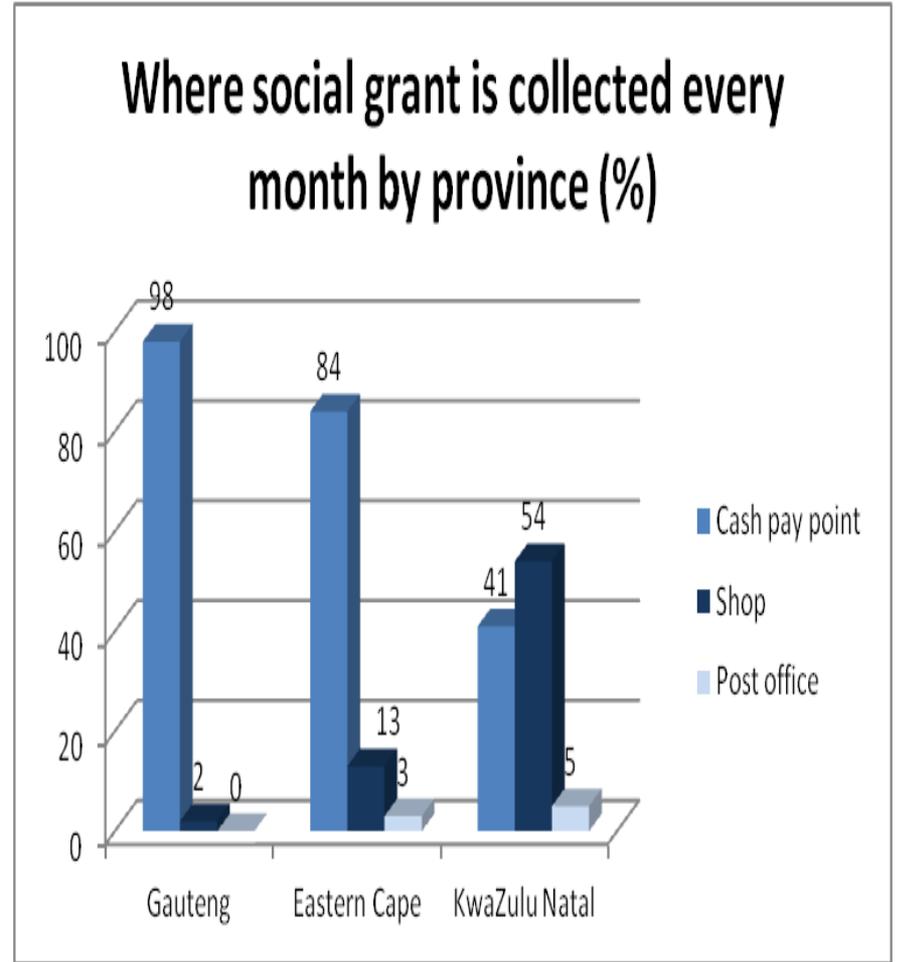
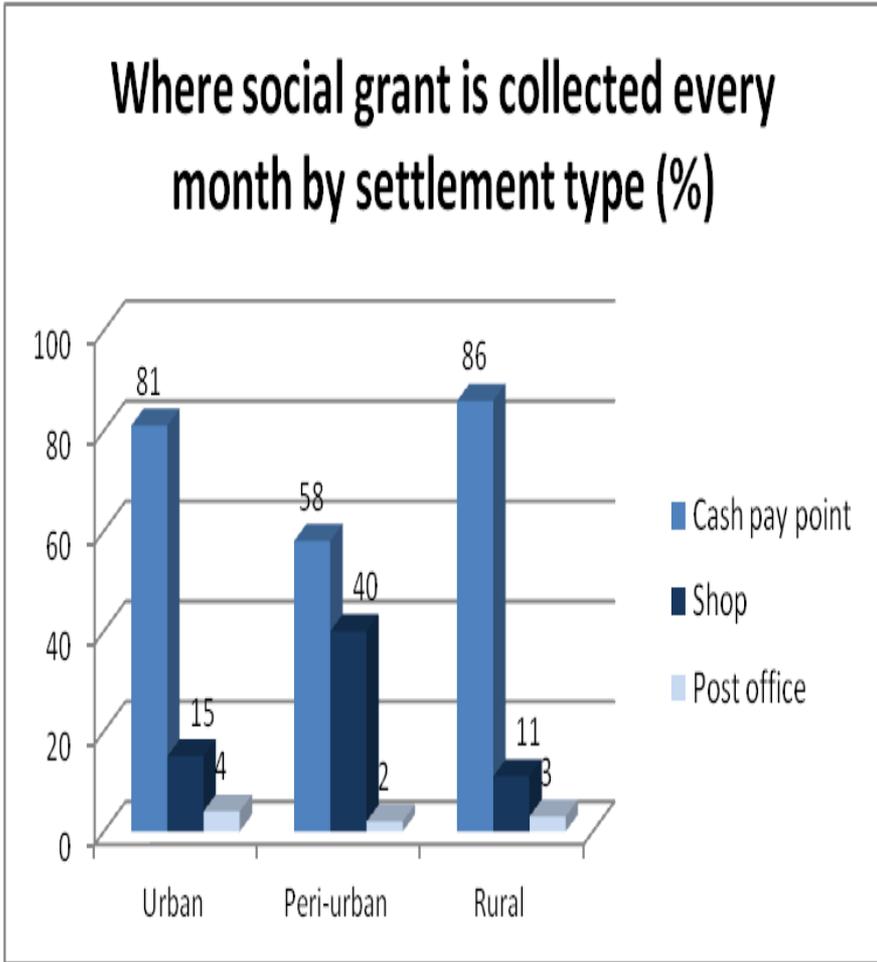
Recipients who feel that traders at the pay point are a good idea (%)



Types of pay points



Cash Payment Method: Where grant is withdrawn



Cash payment method: Withdrawing grant money from a shop

	Urban	Peri-urban	Rural	Gauteng	Eastern Cape	KwaZulu Natal
% of recipients who use cash payment method who withdraw grant from a shop	15	40	12	0	13	54
Of those who withdraw grant at shop % obliged to buy from the shop	89	0	0	0	0	80

“At the Pay Point you get all your money, but when you go to the Shoprite they want you to buy first and after you buy, they take R10” (GP)

“At the shop you cannot owe them , but they will owe you like for instance you went there and they say there is no money they will give you for bus fare and come back collect the balance the next day... They are very rude and they swear, because they know you won't hit them” (KZN)

“At Spar you queue after a long time, while you are in a queue there someone will come to you and say there are 5 people in front of you which means they have already paid R20 bribes” (KZN)

“I prefer the pay point because you get all the money, because if you get paid at the shops you are forced to buy something, you cannot get all the money that is due to you. Depending on the store you are using at that time, they charge different amounts and depending on the number of people you are withdrawing for” (KZN)

“I was getting paid at the pay point, but now am using the shop Jabulani I don't have any problems I pay R25 for each child meaning you need to buy something before you get the other money” (KZN)

Findings

- Application for the grant
- Collection of grant
- Electronic payment method
- Cash payment method
- **Satisfaction among recipients**
- Use of grant, financial services and cell phones

Levels of satisfaction

- *The majority of recipients regardless of the payment method are satisfied with the grant payment method, including cost, distance required to travel and safety*

Measure	Electronic payment method	Cash payment method
% of recipients happy with the payment method	98	93
% of recipients who think it is a cheap way to collect the money	90	91
% of recipients who think that they have to travel an inconvenient distance	13	11
% of recipients who feel safe collecting their grant	97	97

Measure	Urban	Peri-urban	Rural	Gauteng	Eastern Cape	KwaZulu Natal
% of recipients happy with the payment method	95	93	97	93	96	98
% of recipients who think it is an affordable way to collect the money	93	84	92	82	97	98
% of recipients who think that they have to travel an inconvenient distance	4	24	11	22	3	4
% of recipients who feel safe collecting their grant	99	94	98	94	100	99

Irritations

Electronic Transfer:

- Lack of assistance at bank/ ATMs
- Lack of security at ATMs
- Daily withdrawal limit on account
- Limited denominations in which grant can be withdrawn (availability of R20)
- Long queuing times due to insufficient number of working ATMs
- Apparent fraud at shops where recipients pay for withdrawing grant money, or are forced to buy from shop

Cash Provider Card:

- Long queuing times at Pay Point
- Bribery of officials to get ahead in the queue (At Pay Points and Shops)
- Limited shelter and chairs at Pay Point
- Unpredictable arrival times of payment vehicle (times from one month to the next can differ with up to 5 hours)
- Children not allowed at Pay Point in KZN
- Apparent fraud at shops where recipients pay for withdrawing grant money, or are forced to buy from shop

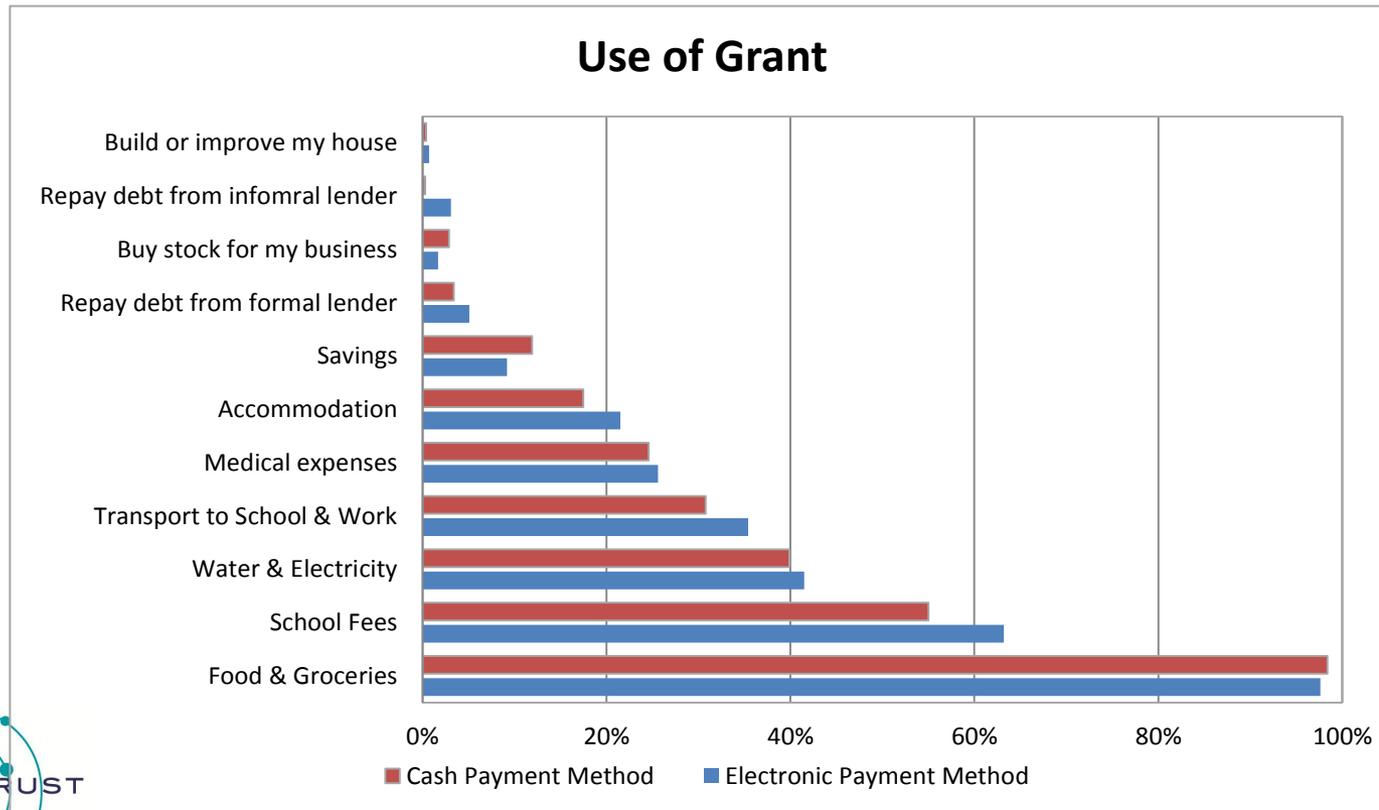


Findings

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- **Use of grant, financial services and cell phones**

Use of grant

- *Uses of the social grant are varied but it is predominantly used to buy food, pay for school costs services, transport, medical costs and accommodation.*
- *It is acknowledged that the data reported by recipients might be skewed because they feel that government expect them to be responsible spenders*

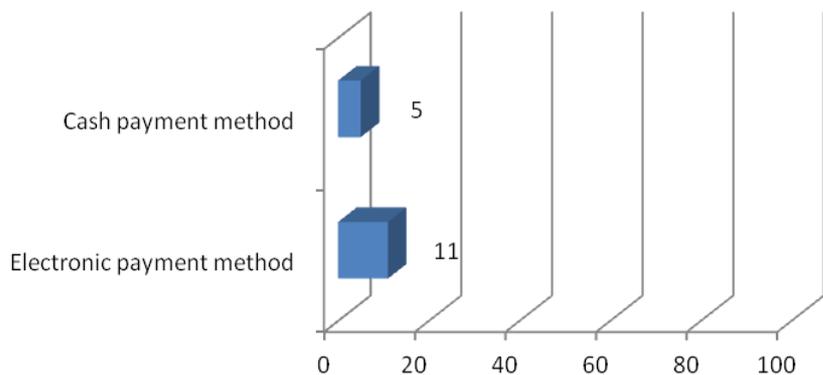


Financial Services

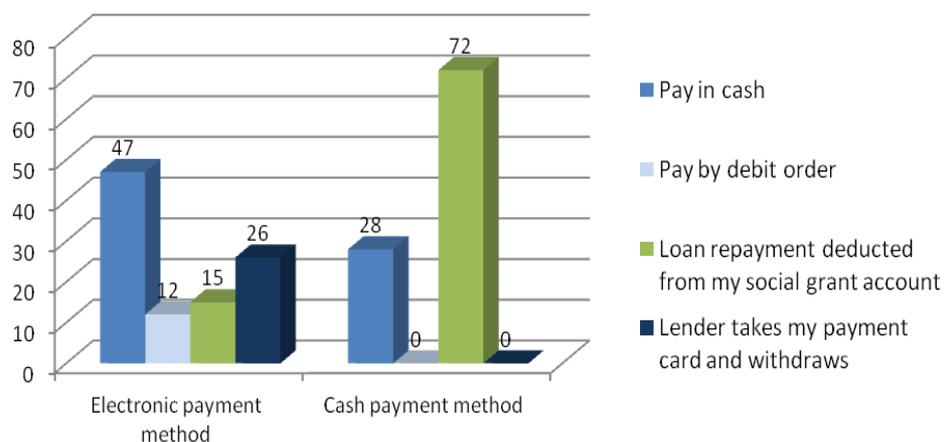
Weighted sample size :
 Rural: 1870
 Peri-Urban: 1856
 Urban: Pimville : 2255

- Very few recipients indicate that their social grant helped them to obtain a loan
- Of those who said that it did, the loan was a micro loan from a registered or unregistered lender.
- The method of paying the lender varied but included cash, debit order, deduction from the social grant account and the lender taking the payment card to make the withdrawal. The latter only occurred in respect of the electronic payment method.

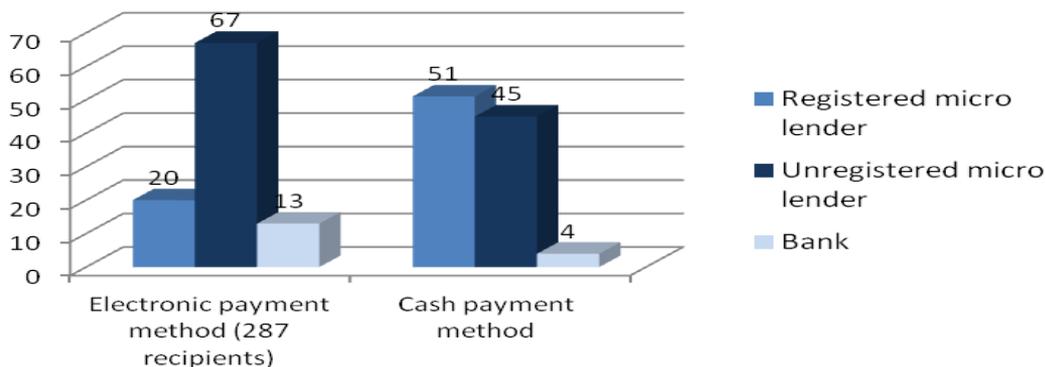
Social grant helped recipient to obtain a loan (%)



Method of paying lender (%)



Type of lender (%)



- Access by recipients to financial services is limited but appears to be better for those recipients using the electronic payment method as opposed to those using the cash payment method.
- Financial services most used by recipients include savings account, debit card and burial society savings plan.

Impact of Education:

- Higher educated people are more likely to have a savings account; more likely to have a Mzansi account; and more likely to have a debit card than lower educated recipients ($p=.000$ each).

Comparison of Grant Type:

- Child Grant recipients are more likely to have a savings and Mzansi account compared to other Grant recipients ($p=.000$).
- Old Age Grant and Disability Grant recipients are also more likely to have a funeral policy than other Grant recipients ($p=.000$).

Type of service	% of recipients who have service	
	Electronic payment method	Cash payment method
Savings account	50	25
Mzansi account	7	3
Debit card	23	8
Burial Society savings plan	23	23
Funeral policy	25	18
Stokvel savings plan	3	3

Financial Services

From Focus Groups about SAVING

“There is no savings with the social grant money because it is government money and you cannot ask them to take maybe R40 from the money to save. They will tell you it is for your kids not for investing... but you can do it if they are not aware...”

“If for example you get a piece job and you give your employer your ABSA grant account number to receive your salary from your employer, you will receive a call from the social grant offices wanting to know why there are deposits on that account”

Technological capacity : Cell phones

Weighted sample size :
Rural: 1870
Peri-Urban: 1856
Urban: Pimville : 2255

	% of recipients who have service	
	Electronic payment method	Cash payment method
% of recipients who use cell phone banking	17	8
% of recipient who would be interested in using cell phone banking	43	29
% of recipients who send sms's	57	46
% of recipients who have more than 1 cell phone number	27	17
% of recipients who share a cell phone	16	10

Presentation outline

1.0 Introduction and Method

2.0 Profile of grant recipients

3.0 Key findings

4.0 Strategic recommendations

Strategic Recommendations

- **Longer term implications of migration to the electronic payment method:** The research shows that the migration to the electronic payment method being undertaken by SASSA appears to be effective and accepted. However, as the ease of disbursement improves, attention should be given to:
 - ✦ Concerns of the recipients relating to security, lack of trust of the banks, lack of assistance for the elderly, and the sense of being “unassisted”.
 - ✦ Attitudes and service of “other stakeholders” - bankers and merchants
 - ✦ Ways in which the sense of connectedness can be encouraged
- **Education of recipients:** Recipients are vulnerable and fearful that their grant may be forfeited should they complain or speak up. Education programmes for recipients in terms of their rights (in dealing with the service provider or bank), and the flexibility of the electronic payment method should be introduced.
- **Grant landscape reflects gaps:** Grant recipients are poor and dependent on the grant for survival. This does not reflect a “culture of dependency” but rather the gaps in the education system, the market and even in policy. The notion of changing this landscape is a long term vision. Meanwhile, South African tax payers should take pride in how we are able to contribute to improve the lives of recipients

Strategic recommendations

- ★ **Education regarding the additional uses of electronic payment method:**

High levels of similarity between the processes applied in respect of the electronic payment method and the cash payment method both in respect of the service provided by SASSA and the payment service providers and how the recipients are using their cards. Any benefits from the electronic payment method for example being used as a debit card are not being realised or encouraged. A programme of education needs to be considered, both at uptake and on-going and innovation needs to be encouraged.

- ★ **Access to financial services:** Access and use of financial services by social grant recipients is extremely low both in respect of formal and informal services. A key reason given for this is that recipients do not have any surplus money over and above that needed to meet their daily needs; they also harbour misunderstandings about being able to save using their grant accounts and may not be aware of the benefits of appropriate services. This suggests the need for further investigation into providing access to a range of services to recipients linked to their grant including access to finance, funeral policies etc. The implications of this in respect of SASSA's restriction on deductions from grant monies needs to be carefully considered. Innovation by suppliers also important

- **Cell phone communication** : Widespread acceptance and use of cellular telephony suggests that consideration should be given to using cell phones to community with recipients, both in respect of education and life verification processes

Thank you!



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