Moving to digital payments makes a lot of sense for public sector institutions and their customers

07 July 2021 – Public sector organisations handle a massive amount of customer transactions every day. For some of these institutions, like public schools, these transactions can involve relatively small amounts of money, while larger organisations like municipalities, public hospitals and licencing departments can do thousands of transactions, worth hundreds of thousands of rand daily. And when a large portion of those transactions are paid in cash, the risks to both the institutions concerned and the customers they serve can be significant.

That’s according to Sipho Silinda, CEO of Public Sector Banking, who explains that, while the demise of cheques in South Africa at the end of 2020 resulted in a steady increase in the use of digital payment channels by most private sector businesses, FNB has not seen a decline in cash transactions across much of the public sector. He points out that this is not only cause for concern, but it also means that many public sector institutions are missing out on excellent risk management and savings opportunities.

“ Apart from the obvious risks of having a lot of cash on your premises, cash handling is an expensive process, especially when having to secure and manage large sums,” Silinda explains, “and excessive cash management expenses can significantly increase any organisation’s cost of doing business.”

Anrie Spangenberg, Provincial Head: FNB Commercial Public Sector Banking, concurs and explains that this cost of cash management doesn’t only apply to the staff and security needed to do cash transactions and protect the money once it is collected from the customers, but also when transporting that cash to the bank every day.

“Transporting cash is fraught with dangers, not least the growing incidence of cash in transit heists taking place across the country,” she explains, “and as these specialist transport companies have to invest more money into increasing their own security, those costs are passed on to their customers. And when you add bank handling and cash deposit fees to this equation, it becomes clear that accepting cash is simply not a financially prudent way of doing business anymore – especially for
public sector institutions that need to maximise their revenues in order to maintain the levels of service expected of them.”

And Spangenberg points out that it’s not just risks and costs that make cash an unappealing payment choice, there are also the challenges associated with keeping track of payments made in cash. “It’s essential for organisations and customers to have a record of all payments they make or receive, and a cash payment adds significant administration and risk to this record keeping requirement,” she says, “with complex capturing, filing, allocating and reconciling processes not only adding to the administrative burden, but also increasing the potential for human error along the way.”

Given this extensive array of risks and challenges for all parties involved in even a small, basic cash transaction, Silinda says that the case for any public sector institution to create a digital payments ecosystem becomes very compelling. “Not only do digital channels carry little, if any, cost for both the organisation and its customers, but they make record keeping easy and efficient for all parties involved,” he explains, “and a more efficient payments system creates a solid platform for better service delivery and a positive customer experience.”

He emphasises that the benefits of reducing cash transactions are not limited to large public sector organisations that do thousands of transactions a day. “Irrespective of the type or size of the public sector institution, reducing the amount of cash-based day-to-day transactions makes a lot of sense,” he explains, “so even a small rural school can unlock value for itself by adding digital payment options, and at the same time, it will be lowering the risk exposure of its parent body, and the learners who are very often the ones carrying the cash with them to school.”

And Spangenberg says that it’s not only important for public sector institutions to understand and embrace these benefits of moving from cash-based to digital transactions, they also need to help to educate their customers about the benefits that digital payments offer them. “Beyond merely digitising their own transactional processes, institutions have a responsibility to educate their customers about the risks of carrying, and paying with, cash,” he says, “and at the same time inform them about the many benefits of choosing to do their transactions and payments on the many digital banking channels that are now available to them.”

For FNB public sector banking clients, there’s a vast range of these convenient and secure digital payment channels that they can encourage their customers to use, ranging from the award-winning FNB app or online and cellphone banking, to cash-accepting FNB ATMs and even contactless and cashless tap to pay card or mobile phone payments. Alternatively, one of the easiest ways to pay is
still by means of a monthly debit order, which can be set up quickly and easily, and automates the payment process so there’s no risk of forgetting to pay and ending up with an overdue account.

In the end, digital payments aren’t only safer, more convenient and more secure than cash transactions,” Silinda concludes, “they just make good business sense in every respect.”

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