

# Smart IDs: From government grants to payment cards? The deal that's raising eyebrows



By [Katja Hamilton](#)

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Postbank, positioning itself to [undertake the role](#) of a state bank, has collaborated with the Tembo Investment Group (TIG) to streamline the process of collecting Sassa Social Relief of Distress (SRD) grants.



Source: Postbank/Facebook

Through this strategic alliance, Postbank leverages the distribution network facilitated by Tembo, with Flash serving as one of the key channels in this initiative.

A Flash shop is a one-stop spaza shop in informal settlements where one can buy electricity, airtime and data, and Rica sim starter packs.

A press release distributed by Flash on Wednesday, 7 February 2024, announced the novel payment service for SRD grants and confirmed that more than 200,000 TIG merchants are collaborating with Flash nationally in this endeavour.

The process involves beneficiaries presenting their Smart IDs - containing a microchip embedded with biometric security features, including the applicants' fingerprints, photo and personal information - at participating Flash spaza shops and approving the transaction on their mobile phone to access their SRD grants.

Moreover, The Tembo Payment Gateway is connected to a Flash Point of Sale (POS) Device, enabling customers to withdraw cash free of charge.

"Over the last few months, there has been a remarkable uptake in the service, with beneficiaries nation-wide having convenient and quick access to this government grant service, allowing commuters to spend less time and money on travel, as well as driving customers and business into merchant's stores," Flash's managing director, Paul Potter, said in the press release.

Furthermore, the utilisation of Smart IDs to access social relief grants aligns with the [overarching vision](#) of Home Affairs, seeded in 2013, which aimed to phase out approximately 38 million outdated green-book IDs within five years in favour of this new form of identification.

Flash's informal retail network, which is one of the largest in Africa, is key to the success of this offering, Potter said.

## Evolving banking dynamics

That spaza shops are highlighted as key players in distributing social relief distress grants, signals a significant shift in the banking model in South Africa. By aligning with financial institutions like Postbank, spaza shop owners are becoming essential stakeholders in facilitating access to funds for their communities.

However, the news of the novel payment system for Sassa Social Relief of Distress grants raises questions around transparency. The public messaging comes seven months on from its official launch in June 2023, and five months from when technical problems related to software [affected grant payments](#) to thousands of recipients.



Goodbye magstripe; hello EMV mobile... and paying for your coffee in crypto and gold

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In December 2023 Postbank [announced](#) that social grant beneficiaries would no longer be able to withdraw their social grants at post offices or cash pay points as of April 2024 - and [said](#) the rollout of a national payment system would see grant money paid directly into recipients' personal bank accounts or Sassa Gold/Postbank accounts.

It did not include information on its partnership with Tembo Investment Group in its public broadcasting at the time.

## Implications for financial inclusion

Postbank's collaboration with TIG raises questions about how Smart IDs could potentially evolve into payment cards in their own right in the future, given Smart IDs are already being used to access government grants and the coherence of Postbank's public messaging regarding the future of all grant payments - not just the R350 SRD grant. This is of particular importance given that so many South Africans rely on grants for their livelihood.

According to the latest General Household Survey for 2022 conducted by Stats SA, grants emerged as the second significant source of income for 50.2% of households in South Africa, trailing behind salaries which accounted for 59.75%.

- Footage from 11 years ago shows Department of Home Affairs' chief information officer Sello Mmakau demonstrating - in a pilot project - how the new Smart ID card will work.

Remarkably, grants served as [the primary income source](#) for 23.5% of households nationwide. Notably, in the Eastern Cape, Mpumalanga, Limpopo, and Free State provinces, grants were received by more households than salaries.

The SRD grant - introduced in May 2020 in response to the Covid-19 pandemic - bolstered the number of households benefiting from grants, rising from 30.9% in 2019 to 37.0% in 2022.

Clarity is also needed around the prospective [launch of the two-pot retirement system](#) this year, which impacts the Government Employees Pension Fund (GEPF).

## Postbank's path forward

As far back as January 2023, [Postbank indicated](#) that it looks set to continue paying out social grants once it gains its banking license.

The challenges faced by social-grant beneficiaries in September and October, however, serve as a stark reminder of the importance of reliable and effective communication in financial services, particularly given the impact such disruptions can have on thousands of social-grant recipients and pensioners.



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Therefore, alongside regulatory and technical considerations, Postbank must prioritise clear and consistent public messaging to ensure trust and confidence in its services, particularly in light of its partnership with the TIG and the trend of leveraging retail locations for banking services.

Within this framework, Postbank's collaboration with the TIG demonstrates a broader shift towards integrating financial services into everyday commerce.

Extending such services to the informal sector and independent traders further solidifies the role of retail locations as crucial nodes in the banking ecosystem, marking a transition towards a more inclusive and accessible banking model in South Africa.

- Tembo Investment Group is a pan-African digital financial solution specialist that drives inclusion in payments and personal security for mass markets.

*This article was published on 7 February 2024 and updated on 22 February 2024 and 29 February 2024, as requested by Flash to clarify that there is no direct contractual relationship between Flash and Postbank. Postbank has an*

*agreement with the Tembo Investment Group (Pty) for the distribution of the Sassa Social Relief of Distress grants, and Flash acts as a distribution channel of Tembo in this initiative*

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