



Postbank (South Africa) has recently been granted a banking licence, which will enable it to offer a wider range of banking products in addition to the savings and transactional accounts it currently provides. Considering the persistent financial woes of the South African Post Office, which reported R1.49 billion in losses in the 2015 financial year, will Postbank's new activities be a step towards recovery or exacerbate the losses?

The primary argument for the existence of post banks is that they can leverage the distribution and market presence provided by post office branches. But does a post office network hollowed out by declining volumes of postal business as users switch to email, really offer this advantage?

In most countries, post offices have become increasingly loss-making, and have less and less cash in their tills to support banking services. And if there is no cash in the postal network, can a post bank offer an advantage when it comes to the distribution of cash, which is critical to serving the low-income market?

Are South Africa's 1 500 post office branches actually located in areas not already served by the banks' 5 144 branches or 28 000 ATMs, not to mention the supermarkets that provide cash-back services?

In Kenya banks created **25,000 agents**

Many countries are moving away from offering banking services through the postal network, with the state significantly reducing its exposure to post banks. The Federal Government of Germany has, for instance, sold its stake in the Deutsche Postbank to Deutsche Bank, which itself has recently announced plans to sell off this stake. In the UK, financial services offered through the postal system have been outsourced to the Bank of Ireland.

With 77% of the adult population in South Africa already holding bank accounts there may be little room for a new player in this segment. This is especially true if it cannot achieve volumes or if it relies on highly risky - and not obviously developmental - lending practices.

Given the mounting financial and operational challenges faced by the Post Office, in a contested banking market, the introduction of a full post bank is unlikely to be the panacea the Post Office is hoping for. Encouraging banks to roll out agency banking services is a much better strategy which would involve no risk to the fiscus. In Kenya, a country with a similar population to South Africa, the banking sector has created over 25,000 bank agents in less than five years. Now that's distribution.

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