INSTITUTIONAL FINANCIAL SUPPORT TO THE BANKING PUBLIC

Vuyokazi Mpondo

A research report submitted to the
Faculty of Management
University of Witwatersrand
in partial fulfilment of the requirements for the degree of
Master of Management

(in the field of Public and Development Management).

February 2010

Abstract

Individuals of varying ages and backgrounds encounter difficulties in managing their finances. This is visible through various races due to the income disparity that exists. The economic crisis that the world suffered through from 2008 further exacerbated an existing problem.

South Africans who hold banking accounts ("the banking public") did not know how to effectively manage their finances. Even if a member of the banking public were to take steps to actively do so, financial institutions do not provide adequate support. The regulatory framework has started making inroads in addressing this.

Learning to budget and save; financial literacy, borrowing responsibly while servicing the debt, and seeking advice from professionals such as certified financial planners all fall within the ambit of effective management of finances. Steps taken can help alleviate poverty. Financial institutions should work through the value chain to assist the banking public that contributes to their bottom line.

Declaration

I declare that this report is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Management (in the field of Public and Development Management) in the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at any other University.

Vuyokazi Mpondo

February 2010

Dedication

To my pillars through the journey taken to complete this degree; this is for you; near and far.

Table of contents

List of tables

Glossary of terms

ABSA- Amalgamated Banks of South Africa

ATM - Automatic Teller Machine

AMPS - All Media Products Survey

BMR - Bureau of Market Research

BOP - Bottom of the Pyramid

CCMA - Council for Conciliation, Mediation and Arbitration

CFP - Certified Financial Planner

CI – Consumers International

COBP- Code of Banking Practice

DBSA - Development Bank of South Africa

FNB- First National Bank

FSB -Financial Services Board

GDP - Gross Domestic Product

ICBC - Industrial and Commercial Bank of China

ICICI - Industrial Credit and Investment Corporation of India

ICT- Information Communication Technologies

IDC - Industrial and Development Corporation

MFRC- Micro Finance Regulatory Council

NLR - National Loans Register

NSFAS - National Student Financial Aid Scheme

NDMA- National Debt Mediation Association

NCA- National Credit Act

NCR- National Credit Regulator

NHFC -National Housing Finance Corporation

NSF - National Skills Fund

OECD- Organisation for economic co-operation and development

SA - South Africa

SARB - South African Reserve Bank

SARS -South African Revenue Service

SBSA - Standard Bank of South Africa

SETA - Sectoral Education and Training Authorities

SMMEs - Small, medium and micro enterprises

UIF - Unemployment Insurance Fund

VAT - Value Added Tax

XDS – Xpert Decision Systems

List of abbreviations

BP- Banking public

FI - Financial Institution

FIs – Financial Institutions

FIS - Financial Institutional support

FS - Financial Services

CHAPTER 1. INTRODUCTION TO THE RESEARCH

1.1. Introduction

This research paper examines the banking public[1] and its relation to financial institutional support in South Africa. Individuals of varying ages and backgrounds encounter difficulties in managing their finances. The following three stories serve as an illustration to the income disparity that exists. The disparity represents the income strata from Convenience to Priority banking.

A sixty year old man decided to open a bank account. As a young man he had earned a salary but never believed that someone else should keep his money. It was *his* hard-earned money. Moreover, banks and the post office always "stole" from their customers - every month the money ended up as less than the previous month. "Administration charges" were what was used to explain this. However, the man had made up his mind. He would prefer his monthly grant provided by the government to go into a bank.

Further impetus came from the fact that recently more tellers[2] spoke his home language - IsiZulu. He awoke early one morning and put on his Sunday best, took his hat and headed to town. He stood in a queue and waited for his turn. When the time came he walked up to the teller and explained the reason for his visit. He received assistance filling out the form and handed R100 over. It all seemed to be going well. He was shocked however, to see that as soon as his back was turned the teller took *his* money and *gave* it to the person that was behind him in the queue! He instantly rushed back to the teller and demanded his money back. It

[1] The banking public is defined as the portion of the public that holds a bank account with a South African institution. It is stratified by income.
[2] A staff member of a financial institution that works at a branch, behind the counter. Their role is to process financial transactions such as deposits and withdrawals.

was through patient explanation that he eventually understood that his money was safe. The young man that stood behind him in the queue was not a *tsotsi*[3]scheming with the teller; he also banked with that bank. [4]

In a different situation, a 28-year old woman had qualified for a degree in engineering and started work in a large corporate company in South Africa. However, she struggled to make ends meet at the end of the month. From her monthly income she battled to allocate enough money to pay for her trendy apartment and her new car that had replaced the one her parents had bought her when she started university. As a result she had to move from her trendy apartment to a less fashionable address and share with roommates. Furthermore, she had to be seen at the trendy places that her friends from university frequented at weekends. During the week, she went for drinks with her new friends from work. There was entertainment and clothes to pay for; never mind food.[5]

Another example is a 42-year old personal trainer at a gym in a high-end suburb in South Africa. He drives a BMW 3-series that is financed through a bank. He has a wife who is employed, and two children that attend a public high school. He is paying off a mortgage. He buys his children the odd Nintendo WII/ Sony Playstation game, bought Ipods for the children, and for his wife a glittering watch. As a treat, he buys himself various expensive colognes which he purchases from one of the gym members on credit. He pays for these fragrances at the end of the week or at the end of the month, depending on when his clients pay him. The first day of the month has arrived and he needs to pay the rent at his work place - the gym. Unfortunately, he has run out of cash this month and

[3] South African slang for thief.
[4] Non-fictitious observation that took place in Port St. Johns, Eastern Cape, South Africa. Second hand source, 2004. This represents the Convenience income stratum.
[5] Non-fictitious observation that took place in Johannesburg, Gauteng, South Africa. First hand source, 2006. This represents the Affinity income stratum.

cannot meet his financial obligations. Occasionally he asks his clients for a loan or an advance to assist him to meet an urgent debt payment.[6]

These stories are typical of many in South African society. The backgrounds of these individuals may vary. A common thread is that skilled and unskilled individuals face challenges. The examples above demonstrate that many people do not know how to access financial institutional support in South Africa. These stories raise many questions - how do citizens manage their finances? Do financial institutions play a supporting role for the citizens? How much does the South African public know about financial institutional support?

1.2. Background

This study reviews the financial institutional support (FIS) offered to the banking public. It will provide an overview of the relationship between the banking public and financial institutional support in South Africa.

Citizens who hold a banking account with a South African financial institution are termed the banking public (BP). The unbanked members therefore do not hold a banking account.

This study will make recommendations about improved financial support to the banking public. In this context, growth is achieved when individuals within the banking public attain and practice the following skills; learning to budget and save; becoming savvy with financial terms; learning to borrow responsibly while servicing debt, and seeking advice from financial institutions that employ professionals such as certified financial planners.

---

[6] Non-fictitious observation that took place in Johannesburg, Gauteng, South Africa. First hand source, 2009. This represents the Affinity income stratum.

Through the acquisition and use of these finance-related skills the individuals will be able to break the cycle of poverty. An example of how to achieve this is by having enough funds to acquire a tertiary qualification. Research conducted for this study indicates that individuals who hold a post-matric qualification earn a higher income and have a better standard of living (Finmark TNS, 2009).

According to Prahalad (2006), poverty alleviation will be achieved when the masses of individuals who are found at the bottom of the pyramid (BOP) migrate towards the middle class. The poorest of the poor are "converted to customers and empowered at the same time" (Prahalad, 2006:115). This was the approach taken by ICICI Bank in India. "In 2008, almost 63% of adult South Africans were banked while 30% had no experience of the banking sector" (Finmark, 2009).

The economy will also react favourably when debt held by individuals is serviced. Indicators in the economy that will reflect good debt service are the *household debt-to-disposable income ratio*[7] and the *inflation rate*[8], examined in conjunction with data published by the National Credit Regulator (NCR).
The debt-to-income ratio was selected because it represents the level of debt that households need to service in relation to their disposable income; particularly since disposable income started to slow substantially as households experienced financial strain (SARB, 2010).

According to the SARB the broadening of access to banking products and services has allowed increasing numbers of households to borrow and increase their debt levels over time. Servicing such debt is a burden on a major part of household disposable income (SARB, 2008). Further to this “difficult economic conditions

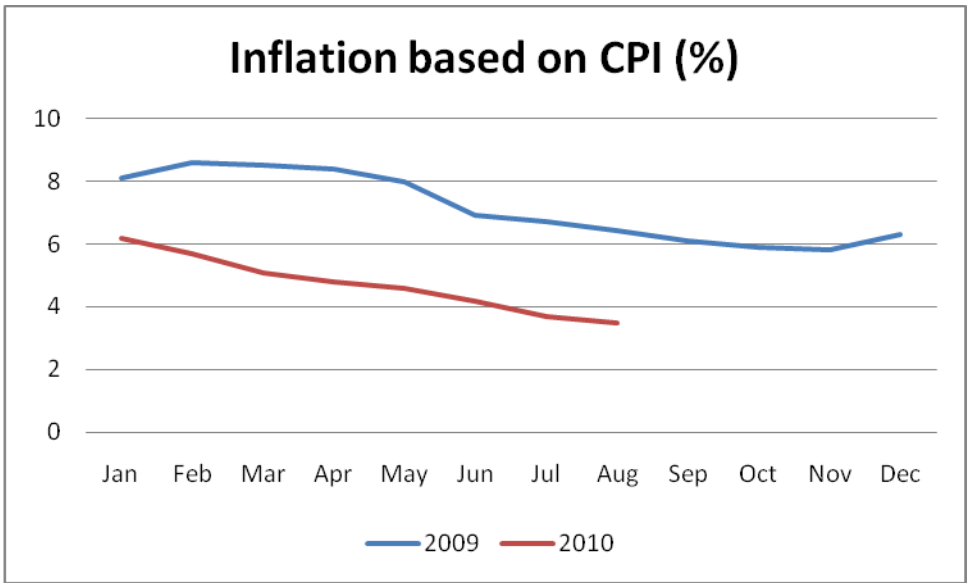
[7] Represents debt in proportion to the income received by households.
[8] The inflation rate is the annual rate of change of the average price of goods

arose from the adverse global economic developments and continuous job losses in the domestic economy. The introduction of relevant provisions of the National Credit Act in June 2007 also affected growth in household debt during this period. Large-scale job shedding during 2009 probably constrained the household sector's appetite for debt" (South African Reserve Bank Quarterly Report, 2010: 71).

South Africa's household debt-to-disposable income ratio has had a steady increase over the last five years. In Quarter 4 2005 it was at 67.4%; at its peak in Quarter 1 2007 it was at 82.5%. Despite these high levels; it still compares favourably with similar ratios of countries such as the United States, the United Kingdom and Australia. Australia has one of the highest ratios of household debt to disposable income in the world at 155.3% which may be compared with South Africa's ratio of 80.2% in Quarter 4 2009 (SARB, 2010).

Inflation in December 2009 was at 6.3%, based on the Consumer Price Index (CPI). Inflation has been selected because it reflects the rate of change of the average price of goods and services (Begg, Fisher, & Dornbusch, 2003). Meaning that the households buying power (in terms of what they can afford) will be affected by the change in inflation. CPI has been the focus because it represents the standard of living by looking at a basket of goods. The calculation on the CPI is undertaken by Statistics South Africa and focuses on the rates of change of prices. When calculating CPI, emphasis is on metropolitan areas and other urban areas; (Monetary Policy Review 2006) placing a higher weighting on goods such as housing, food and transport (Consumer Price Index Headline, 2006). South Africa employs inflation targeting to balance inflation. This has been measured since 2003 (Monetary Policy Review, 2006). The inflation target is between three and six percent; meaning the ideal percentage would be within this range. Inflation is also affected by exogenous factors such as the oil prices in the world.

Figure 1.1 Inflation based on the Consumer Price Index (%)



Source: www.statssa.gov.za

CPI has been above 8% in 2009 but has decreased within its target range of three to six percent since September 2009.

The resolution on the economic policy makes use of levers and tools to ensure that the economy functions in a way that will help achieve goals. As much as the inflation target is a nominal anchor for monetary policy; the interest rate is the principal instrument that is used as one of the levers to attain the economy policy objectives. Therefore, the interest rate is used to reach inflation targets.

Interest rates[9] (in particular the prime lending rate of 10.50% as at February 2010) directly impacts interest accumulated on debt. Interest on debt and the

[9] The prime lending interest rate is the rate at which commercial banks lend to the consumers.

original debt amount are what need to be serviced. Interest rates also affect interest earned on savings and investments. Indicators of the state of the economy such as interest rates, inflation and the debt-to-income ratio, are sourced from the South African Reserve Bank (SARB), which is the central bank of SA. This economic outlook, together with the global economic downturn, has had an impact on the finances and social outlook of the banking public.

The focus is on individuals who hold bank accounts because they are visibly financially active in the country's economy. This financial activity is easier to track than that of individuals who hold their funds in the informal economy such as storing money under the mattress or holding it in an informal savings club. The initial assumption is that South Africans do not know that there are resources in place that will assist them in managing money.

1.2.1 Legislation

Firstly, there is legislation that has been promulgated to allow the consumer to have more rights and to protect them. There are also codes, which are not legislated but provide guidance to financial institutions.

Two examples of are the National Credit Act (NCA) of 2005 and the Code of Banking Practice (COBP). The NCA aimed to achieve a number of objectives, some of which regulate consumer credit. It seeks to ensure "fair and non-discriminatory access to consumer credit and improved standards of consumer information." (NCA, 2006, para 1). The requirement is that lenders are transparent in their dealings with the consumer. An example is the repayments that a client needs to make on a loan. It also seeks to promote responsible granting of credit and provides for debt re-organisation in cases of over-indebtedness. Those credit providers who provide credit recklessly can find their agreements with consumers suspended. Some agreements may be unlawful in terms of the NCA and therefore not enforceable (NCA, 2006).

The Code of Banking Practice (COBP) is not statutory; it a code that banks adhere to voluntarily as members of the Banking Council. It outlines standards that banks must work within when dealing with a consumer (COBP, Introduction section). An example of a requirement is that the lender's documentation should be easy to understand and written in plain language as opposed to using complicated legal and financial jargon.

1.2.2 Competition Commission

Secondly, there are bodies in place that review existing practices with the interests of the consumer in mind; the Competition Commission's bank inquiry is an example of this.

With the work that has been performed by institutions through legislation and inquiries by the Competition Commission, the rules and regulations have been defined and monitoring is taking place. However, a further step would be a resource that is interactive and gives the consumer the power and autonomy to deal with finances at an individual level. It is a worthwhile exercise to have a repository that will offer consumers tools to review the state of their financial health. This resource need not only be used by individuals that need to undergo debt counselling.[10] It would be beneficial to anyone who wants to manage money better than what they have been currently doing.

The objective is to provide a practical approach of helping individuals in South Africa manage their finances. This will assist in poverty alleviation, and provide growth for the economy in South Africa as a whole. Financial institutions have a role to play by providing financial support. Government should "promote domestic growth through greater domestic investment and consumption" (African

[10] Debt counselling was introduced with the promulgation of the NCA where individuals that cannot meet their financial commitments are allocated a counsellor that will assist in structuring their debt so that they are able to manage repayments or instalments.

Economic Outlook, 2009:2). The African Economic Outlook suggests that governments employ strategies such as the adoption of sustainable fiscal policies; this has been done in SA, examples of which have been highlighted above.

1.2.3 Using ICT

Another strategy is to "eliminate bottlenecks for the domestic private sector" (African Economic Outlook, 2009:2). According to the Organisation for Economic Co-operation and Development (OECD), "Information and Communication Technologies (ICT) can play a powerful role by overcoming traditional infrastructure constraints and reducing business costs" (African Economic Outlook, 2009:2).
The aforementioned repository would have to be hosted using technology on the internet, or even accessed through cellular phones. Cellular phones have made great inroads in taking banking to individuals who are far removed from urban areas, even for those people who did not consider it possible to hold banking accounts (World Bank Information and Communications for Development, 2009).

1.3. Problem statement

Financial institutional support (FIS) is not strong enough to adequately support the banking public.

FIS includes the information that the FI makes available to the banking public. Examples are the qualifying criteria that a member of the banking public would need to meet in order to access a product such as a loan. These lending criteria would be made available to the borrower by credit providers such as banks and other financial institutions that grant credit in South Africa.

Customer contact information such as email and SMS are used by the FIs to punt special offers on new and existing products. This means of communication is not used to help an existing member of the banking public to maintain their financial health. This maintenance could be achieved by allowing access to check whether they still have a clear credit record.[11] A clear credit record is one of the requirements to be able to take up the special offer.

Information relating to a customer's specific account record can be accessed by physically going to a bank branch; calling a customer contact centre, using an ATM, accessing the internet or using cell phone banking. However, financial health information, such as budgeting and savings tools, is accessible through repositories such as the internet but not on cellular phones, despite the footprint of cellular phones being greater than that of the internet in Africa (World Bank Information and Communications for Development, 2009).

FIS includes building a relationship between the banking public and the institution. Assistance given to the communities in which the banks and insurance companies conduct business helps the communities to thrive and better themselves. CSI initiatives currently provide help. However, plans focused on providing financial literacy to schools and community organisations would be invaluable.

Financial institutional support can encompass information required from the banking public. When applying for certain products such as loans, proof of residential address is required. If an individual happens to live in an informal or rural settlement where standard house addresses are not used, this is documentation they cannot provide. This will be cause for the application for the loan to be rejected. This proof of residential address applies particularly to banking institutions. Other FIs such as micro lenders accept proof of work address (as indicated on the payslip) as sufficient.

[11] A clear credit record is when the individual is not blacklisted; i.e. they are not listed with a credit bureau such as Experian or Transunion. Being listed would mean no access to credit because of a history of a poor payment record of an existing debt.

Information required from clients when applying for a loan includes disclosure of existing debt. The NCA has this requirement to reduce over-indebtedness. A lender needs a portion of their income to service the debt. The real disposable income for households (after tax) has had a decline of 4.5% first quarter of 2009. There is less available income for the household to spend and that includes money to repay debt. The household debt-to- disposable income ratio has been high since 2002. A decrease has only been noted for the first time in September 2009 (Standard Bank, 2009). This may reflect that households have less of a demand for credit and that debt repayments are more than new credit granted (Botha & Darmalingam, 2009). This means that greater repayments and less debt being taken on for the first time in seven years. Further impetus for a reduced appetite for credit is seen in the adverse economic conditions that arose from the global economic crisis and continuous job losses in the domestic economy. The implementation of the National Credit Act (NCA) provisions in June 2007 also affected growth in household debt during this period. Large-scale job shedding during 2009 probably led to the natural aversion to credit by the household sector (South African Reserve Bank Quarterly Report, 2010: 71).

Despite indications that the appetite for credit has decreased, 390 000 more consumers have experienced a deterioration of their credit records (Botha & Darmalingam, 2009) in the period June 2008 to June 2009. These statistics released by the National Credit Regulator (NCR) show that consumers are still finding it difficult to cope. It is little wonder that the psyche of the nation seems despondent (Finmark, 2009).

1.4. Purpose of research

The purpose of this research is to conduct a study on the reasons why there is weak financial support for the banking public in South Africa. The aim is to review financial awareness and the resources South Africans can access in order to proactively manage their financial situation. Circumstances may be dire or wonderful for some.

The reality is that not everyone has been adversely economically affected by the global financial crisis. Even where prosperity continues, there is room for individuals to act as opposed to drifting on, and sitting on their laurels while the world changes around them.

Insight that emerges when reviewing the literature and analysing the data will be used to make recommendations that the banking public and institutions can employ. By actively managing their finances, the banking public will fare well both in times of economic hardship and affluence.

1.5. Research questions

The study will investigate the support provided by FIs to the banking public. The unit of analysis will be the individual. The following questions will help define the orientation of the research:

- What is the nature of financial institutional support in SA for the banking public?
- Is the public banking sufficiently informed about the financial institutional support?
- Is the financial institutional regulatory environment conducive to financial institutional support?

The objective is to provide a practical approach to helping individuals in South Africa manage their finances.

CHAPTER 2. LITERATURE REVIEW

2.1. Introduction

The study will focus on the view of South Africans with respect to the institutions that manage money.

When conceptualising these views, consideration has been given to Reilly and Brown's (2000) description of an institution as a type of body which collects funds from the public and places them in financial assets. Examples of these assets are deposits, loans and bonds - these are referred to as tangible property.

Therefore, when demarcating the field of study (Mouton, 2002) the view is that financial private institutions such as banks are the ones which have previously housed repositories that the general public can access. An example is the use of TV and radio personalities to market products. If a well known individual is seen to use a certain FI for banking services, the banking public is drawn to that particular institution. The perception is one of accessibility.

To seem even more accessible FIs have also re-designed their websites to address the needs of the individual. Previously, websites showcased the banks' product offerings rather than dealing with the needs of the customer. Recently, as from 2004, personal banking websites of the four major banks in South Africa[12] have used headings such as Transact, Borrow, Invest, and Insure to lead customers to the products that may be utilised to fulfil their banking needs.

[12] According to the Strategic and Emerging Issues in South African Banking Report 2007 and 2009; the "Big Four Banks" in SA are ABSA, First National Bank, Nedbank and Standard Bank.

The belief is that this move has been inspired by the banks' need to be more customer-centric in their product offerings. If an individual has an option to source their financial needs from any institution; what differentiates the bank is the service provided to the customer. Exceptional service and easier access to fulfilling the customers' needs are imperative. The cost paid by the customer to receive the service is also important; particularly since the credit crunch. Fewer people have money to spare for saving and investing, and many struggle to repay their loans (Finmark, 2009).

While FIs may have recently made financial information readily available, consumers may have found it difficult to understand this information. Whitfield (2009) states in the bank charges investigation that, "no single source of information is sufficient for consumers to make an accurate choice". Researchers found that, "they needed branch interaction and call centre help to obtain definitive answers" (FinWeek, 2009).

2.2. The financial state of affairs in South Africa

The world has been suffering through an economic crisis. South Africa too has been affected by this credit crisis. Before 2004 emerging economies, including South Africa, were booming[13]. "Then without warning the country plummeted into a recession[14] (Turner, 2008:xi). This, together with the decrease of foreign capital being invested in SA, caused inferences to be made on the economic policy employed by the ruling party - the African National Congress.

[13] An economic boom is one where GDP grows faster than the trend rate of economic growth.
[14] An economic recession occurs when the country's GDP sustains negative growth.

There is angst over continuing, local unemployment. Other concerns are poverty and the increasing crime rate. The rate of consumption among the emerging black middle class as well as the whites has been great. Rapid borrowing is the source of the consumption and in recent years it has led to the decline of the economy (Turner, 2008).

According to Turner (2008: xi), SA was one of the numerous countries to suffer this fate; "Globalisation was meant to provide a leg-up for rapidly industrialising economies". The expectation was that jobs would be created for many, living standards would improve, and there would be access to more lucrative markets. This did not happen for the masses; in truth the developing world suffered. Private sector borrowing more than doubled with the advent of the world economy, almost collapsing in September 2008.

The borrowings were the cause of the boom; the debt levels soared and imports increased. The current account - the measure of any country's trade performance- reflects a trade deficit of 8.0% of GDP in 2008. To fuel the need for more imports South Africa borrowed from abroad. The bleak picture is further impacted by the fact that foreign investment was mostly in shares and to a lesser extent in plant and machinery. Liquid money, or shares, means it is easier for the foreign investors to quickly pull their money out of the SA economy.

South African banks have been tightly regulated and government may have money reserved for unexpected changes in the business environment. However, the SA government and the Reserve Bank (SARB) cannot shield the economy from the effects of the global recession now that the country is linked through free trade. Furthermore, its top four trading partners, i.e. Japan, Germany, the United Kingdom and the Unites States of America, were set for a catastrophe in terms of economic decline (Turner, 2008).

2.3. The South African banking public - the individual within

With the country expecting a calamity economically, and with much of the population not having profited from free trade as they had anticipated; there is little money to circulate within the economy (Turner, 2008).

The study of the economy is called economics; it comprises "how society decides what, how and for whom to produce" (Begg, Fisher, & Dornbusch, 2003:3). Society is made up of various individuals and it defines the situation in which individuals or members of a community live and interact together. Thus, the chosen definition to describe an individual within South Africa will include a financially inclined description for the group that characterises the individual.
When looking at the general public the focus is on individuals who hold accounts[15] with FIs (Research Surveys, 2004) as financial activity is easier to track than those individuals who hold their funds in the informal economy. Research published by Finscope in January 2009 states that, "informal savings have increased over the past three years. In 2007 13% had an informal savings mechanism, as opposed to 15% in 2008".

This increase is mostly attributed to stokvels; which are used by black people. The savings distribution for 2008 is as follows:

[15] An account is considered to be a group savings/savings/cheque/credit card/investments at a bank or other financial institution.

Table 2-1 Distribution of informal saving mechanisms 2008

	Black %	Coloured %	Asian %	White %
Stokvel/ umgalelo/ savings club	11	0	0	0
Giving money to someone else for safe keeping	1	1	0	1
Keep cash or savings at home	8	7	4	8

Source: Finmark, 2009.

According to this research, the white segment keeps cash at home when they save informally, while black people prefer stokvels as informal savings products because of their community orientation. Community relies on the principle of trust; people within the savings group have relationships with each other. The stokvel system has traditionally worked on an honour system, completely informally, and is traditionally managed by women (National Debt Mediation Association, 2009).

Informal savings, as highlighted in the table above, will not be the focus of this paper. This merely shows the other side of the spectrum. As mentioned above; the "individual" is the focus of this study and it is based on a person who holds an account with a FI. However, the increase in the use of stokvels shows that people still believe in each other more than they believe in an FI when it comes to savings.

The Research Surveys (2004) data demarcates people by income. Individuals who had a monthly gross income[16] of up to R3 500 are grouped as "Convenience". The 60-year old man in the introduction story belongs to this stratum.

Those earning from R3 500.01 to R33 000 are considered to be "Affinity". The 28-year old woman and the 42-year old man also depicted in the stories in the introduction belong to this segment.

Consumers earning R33 000.01 and above are termed the "Priority" market. The teen market; i.e. those individuals below 18 years were not included in the study. The findings are depicted in the following table:

[16] The monthly income before taxation.

Table 2-2 The Banked Population of South Africa

Year	1999	2000	2001	2002	2003	2004
‘000s	n=3713	n=3715	n=3710	n=3713	n=3711	n=1985
Convenience Banking	9320	9798	10087	10301	10761	10658
Affinity Banking	1206	1250	1478	1781	1839	1942
Priority Banking	70	101	132	163	194	194
Total	10 600	11 149	11 697	12 246	12 794	12 794

Source: Research Surveys, 2004.

According to the Project Outlook research (Research Surveys, 2004), the total number of the banked population steadily increased over the years from 1999 to 2004. The banked population was skewed towards lower income groups, with the Convenience market making up four out of every five customers. White and coloured customers showed the most improvement in income over time. There was also an increase in the percentage of black customers earning over R3 500 per month, showing growth in the black middle class (Research Surveys, 2004).

The choice is to focus on the banking public because these people will already have access to FIs by holding banking accounts (Research Surveys, 2004). Thus they have a greater inclination to seek help from FIs. The data displayed in the previous table showing figures from 1999 is to demonstrate a trend.

A portion of this banked SA population has "bankers" who manage their finances. Managing this money is done by an organisation's employee to assist the client. Various services are further offered to maintain a clients' wealth. A "banker" offers convenience and can be telephoned or emailed to perform daily functions that one would find at a branch. For example, the client need not go to an ATM or branch to obtain a bank statement. More advanced services, such as offshore banking and investment advice, can also be obtained through this channel (ABSA, 2009).

According to ABSA; individuals that are entitled to have bankers would have to at least hold a Gold account (ABSA, 2009). This means falling within the Affinity group. Extrapolating the Outlook Project data (Research Surveys, 2004) an estimated 2% to 3% of the banked population may qualify for this option. This means less than 1% of the entire South African population, bearing in mind that some people out of the 2 to 3% that qualify for this facility may choose not use it. What medium would an institution then use to help its clients manage their finances?

From the different ways that institutions have made interventions, the internet is a relatively easy way of doing so when compared with providing "bankers" to each and every client. Knowledge management through this resource is a cost-effective way that the bulk of the SA population can access large amounts of information remotely. Internet usage in SA is not very prevalent; however, it has increased since 2000. The internet users as a percentage of the population are reported to be at 11% in 2008. This is a growth of 5% over eight years; from 2000 to 2008 (Minniwatts Marketing Group, 2008). Further discussion on the use of technology in creating a more favourable environment for the banking public can be found in the recommendations chapter.

Therefore, the pros of using this medium would be the convenience to the customer through accessibility. The cost to the FI would also be good when comparing the cost of allocating a "banker" to service clients within the Convenience, Affinity and Priority banking spaces. A disadvantage, however, is the reach that the internet has on the individuals within the banking public in South Africa. Internet usage is estimated at 11% as at 2008 (Minniwatts Marketing Group, 2008), while Finscope estimated the banked portion of the South African population to be 63% (Finmark, 2009).

2.4. Financial literacy

There is a view that capitalism is evil and that "people often look at what we do and think…greed is good. But that is not what money is about". These are the words of the president of Ariel Capital, a Chicago based investment firm (BizEd, 2005). These words, however, can easily be uttered by an employee of a South African based investment institution, primarily because both countries employ free trade, and secondly because the entire world has been affected by the credit crunch.

Investment services have been historically viewed to be for the wealthy. However, the message that is being articulated now is that saving and investing are for everyone at all socio-economic levels. Before recommending ways that these concepts may be accessible to all South Africans; it is useful to look at indicators of the banking publics' relationship with money.

- Firstly, is there a correlation between education and wealth?
- Secondly, does a formal education mean a higher financial literacy?
- Thirdly, what do South Africans spend their money on?
- Fourthly, where do South Africans keep their money when they are not spending it?

2.4.1 The correlation between education and wealth

When viewing the wide spectrum of individuals that comprise the South African public, a person may think that because an individual holds a certain qualification or skill set they are better inclined to manage their money. One may also be forgiven for assuming that higher income earners have a greater financial education or literacy.

The converse may also be viewed as true. Because there is little education one is inclined to assume that there is a lack of knowledge about managing money or understanding of financial terms. "It was John Kenneth Galbraith, the hyper literate economic sage, who coined the phrase conventional wisdom. We associate truth with convenience" (Levitt & Dubner, 2005:79). Galbraith's view is that this principle is not considered a compliment. Conventional wisdom must be, "simple, convenient, comfortable and comforting - though not necessarily true. It would be silly to argue that conventional wisdom is never true" (Levitt & Dubner, 2005:80).

2.4.2 The correlation between education and financial literacy

When pondering the concept of financial literacy, one wonders whether there is a correlation [17](Levitt & Dubner, 2005:8) between individuals who are more educated and their

[17] According to Levitt and Dubner (2005:8) a correlation simply means that a relationship exists between two factors-X and Y but it tells you nothing about the direction of that relationship. It is possible that X causes Y; it's also possible that Y causes X, and it may be that X and Y are both being caused by some other factor, i.e. Z.

understanding of financial terms and meaning. In other words, are more educated people more financially literate? The surveys and samples will assist in looking at the banked South African population.

Reference is made to the January 2009 press release, "South Africa in black and white", by Finscope. This research shows that formal education is a contributing factor to economic upliftment. The race distribution in the South African banking public looking at education first and the income second; will help to draw inferences.

Figure 2.1 Levels of formal education 2007

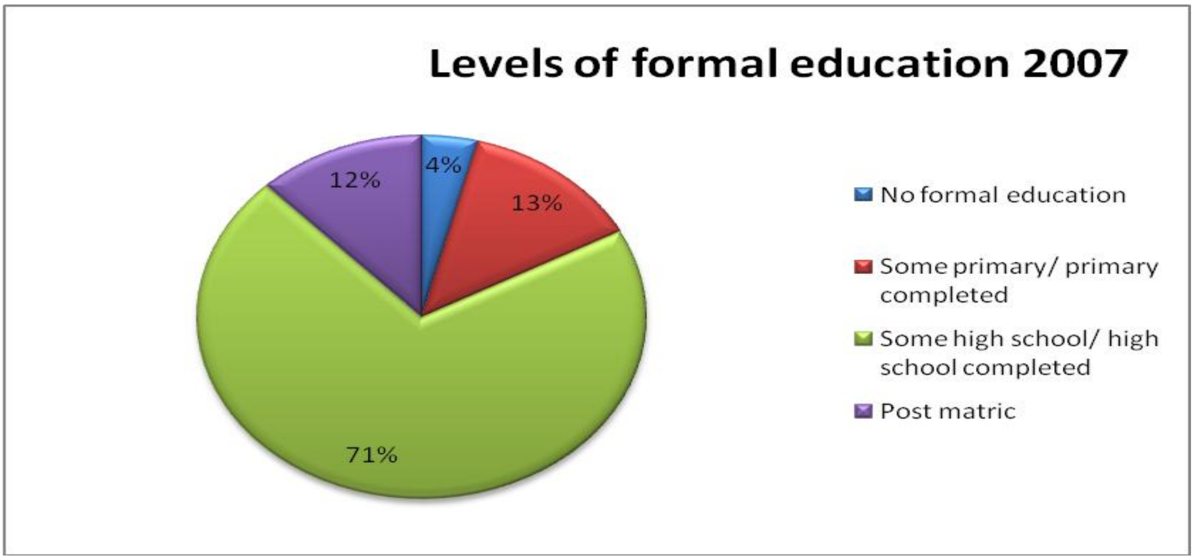
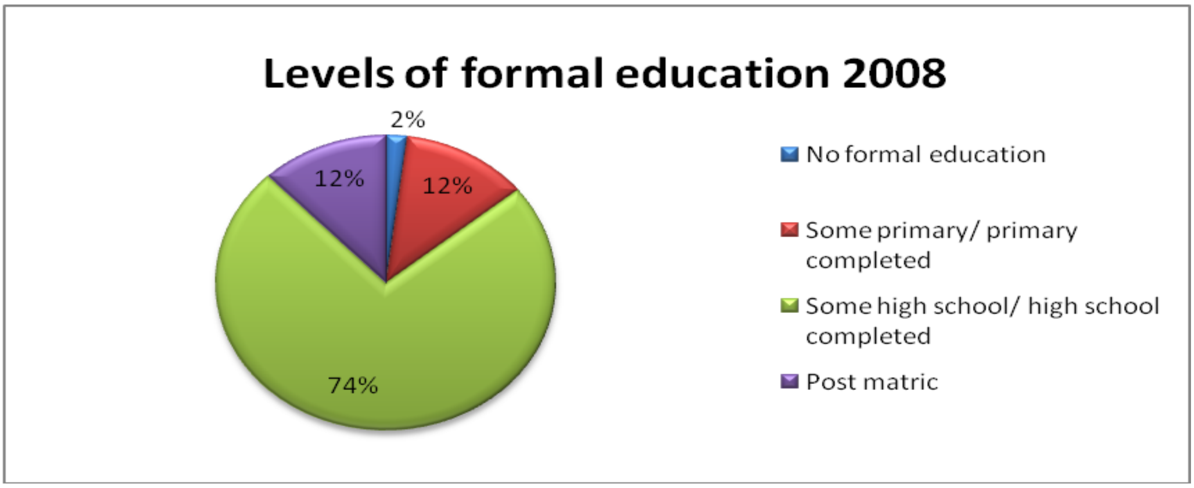


Figure 2.2 Levels of formal education 2008



Source: Finscope, 2009

As the pie charts show, there are more people with high school education and post matric in 2008 than there were in 2007. There are also less people with "no formal education". The levels of education in 2008, as shown in the figure above, are racially distributed as follows:

Table 2-3 Levels of formal education in South Africa

	2008			
	Black%	**White%**	**Coloured%**	**Asian%**
No formal education	2	0	2	0
Some primary/ primary completed	14	1	15	5
Some high school/ high school completed	74	60	73	75
Post matric	10	39	10	20

Source: Adapted from Finscope, 2009.

Data at the household level is indicative of living standards; therefore it has been linked to the data above. This will assist in examining whether the trend of Asians and Whites being more formally educated translates to these races earning more. It is useful in giving an understanding of the living conditions of the South African population.

Table 2-4 Average monthly household income

	Black	**White**	**Coloured**	**Asian**
Average monthly household income 2007	R3750	R16400	R4800	R11700
Average monthly household income 2008	R4050	R19600	R5350	R13650

Source: Finscope 2009

The highest earners are the Whites, followed by the Asians. Similarly, this was the trend in terms of education levels. The deduction is that the more educated segments of the population earn more.

When answering the second question relating to the correlation between education and financial literacy, reference is made to the January 2009 press release by Finscope, "SA needs more financial education". The race distribution will also assist to draw inferences. "The latest data from the annual study of South African financial habits and attitudes, Finscope 2008, conducted in the last quarter of 2008, shows that there are still high levels of misunderstanding - or no knowledge at all - of key financial terms" (Finscope, 2009:1). The following table gives a distribution by race to the response to the question, "Have you heard about this financial term and do you know what it means?"

Table 2-5 Financial terms and their meaning

	2008			
	Black %	**White%**	**Coloured%**	**Asian%**
Bad debt	34	83	55	77
Personal credit record	27	80	46	66
National Credit Act	19	68	28	61
Counselling about debt	17	65	34	47
Debt administration	14	58	27	45
Debt rescheduling	10	47	17	36

Source: Finscope, 2009

The trend of "Understanding of key financial terms" is the same as the ones seen in "Levels of formal education" and "Average monthly household income". The leaders in terms of racial segments are the whites, followed by Asians, coloureds and blacks in descending order. In this case those who hold higher levels of formal education have higher household earnings and have the highest level of financial literacy.

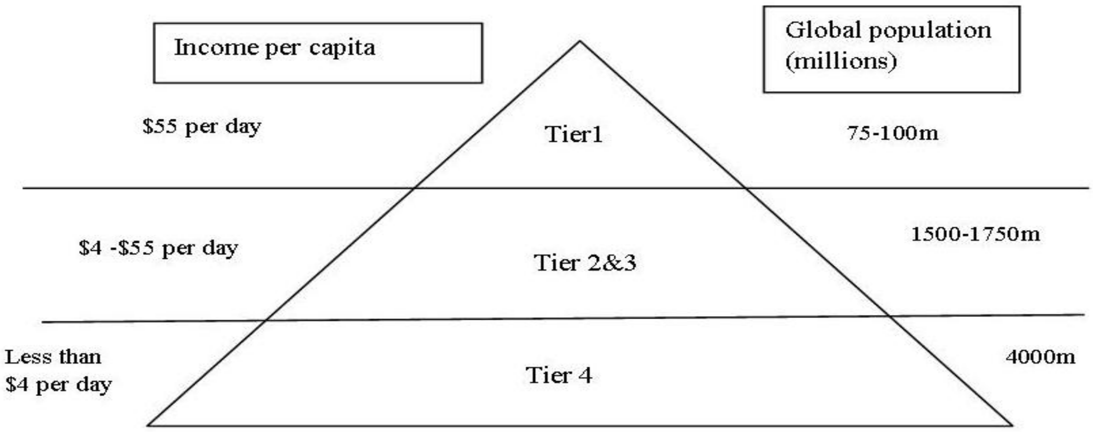
The conventional wisdom seems to be true; there is a positive correlation between formally educated people and financial literacy. This leaves one to ponder whether a financially literate individual manages their finances better than those who do not have levels of high financial literacy. To partly address this, publicly available secondary research by Eighty20 will also be reviewed.

2.4.3 What do South Africans spent their money on?

Thirdly, when looking at what South Africans spend their money on, so far blacks and coloureds as segments, seem to have the lower levels of education and earn less than whites and Asians. "It is a sad fact of South African life that wealth and race are strongly linked. This is not to say that the poorer people are less astute with their money but that their exposure to the formal banking system and its processes is more limited" (Finmark, 2009:2).

It would appear that the key to greater wealth is gaining more formal education. To gain more formal education, for example at a post-matric level, one needs access to resources. Therefore, saving towards tuition for post-matric studies is one option. Do South Africans in general have money at their disposal to save? Do poorer people spend money more recklessly? In an attempt to answer these questions, research based on Prahalad and Hart's (2002) concept of "The bottom of the pyramid" has been introduced. The research was conducted by Eighty20, examining a South African example.

Figure 2.3 Bottom of the pyramid - those who live on less than $4 per day



Source: Prahalad and Hart, 2002.

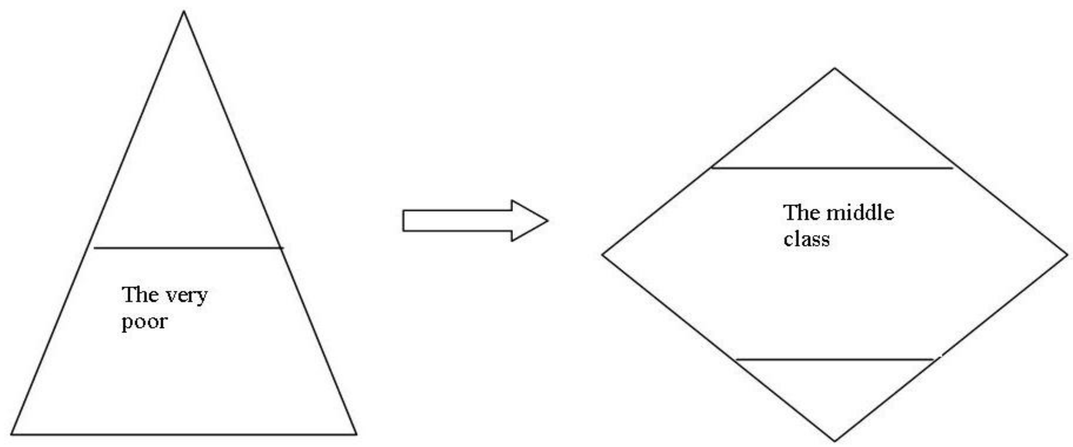
Prahalad and Hart (2002) identify those who live on less than $4 per day as at "The Bottom of the Pyramid" (BOP). When the figure above is translated to SA standards, "almost three million South Africans live on less than R5 per day. 18 million live on less than R20 per day" (Eighty20, 2009). This is based on AMPS 2008 data.

The top of the pyramid consists of 34% black, coloureds, Asian and whites are 66%. This would be Tier 1 where the income per capita[18] is approximately R280 per day. Tier 4, where the income is less than R20 per day comprises only blacks, coloureds and Asians. Food accounts for on average 35% of total expenditure in BOP households. This is followed by housing, water and electricity (11%) and transport (10%) as well clothing (10%). Communication accounts for 3%, while education is 2%.

[18] Per capita income is calculated using the midpoint of the household income bands provided by AMPS. Household size is adjusted for the number of children – children under 10 count as half an adult.

In order to determine the progress of poverty alleviation the illustrative pyramid should be converted into a diamond. The rich will always exist in society; however, the masses in the BOP should migrate towards the middle class (Prahalad, 2006).

Figure 2.4 The morphing of the pyramid into a diamond



Source: Prahalad, 2006

This morphing of the triangle into a diamond is possible when the "very poor" are able to access finance in order to be alleviated from poverty and are then able to migrate to the "middle class". Without access to finance the poor are doomed to remain that way because they do not have money to begin with. A lesson learnt from India through the ICICI Bank that is, "…beginning to convert the poorest of the poor to customers and thus at the same time empower them" (Prahalad, 2006:115). The approach has been to use Self Help Groups that teach the habit of saving first and then being able to access to credit later. The members are taught the following essential steps:

- Learn to save (by opening a joint savings account with other members).
- Learn to lend what you have saved.
- Learn to borrow responsibly.

ICICI has already made an impact by lending to the poor in an innovative manner thereby allowing "Banking to the poor not to be seen as a mere social obligation. It is financially viable as well" (Prahalad, 2006:129).

The Mexican example of success came through the use of *tandas* which is a way for the low-income families to save money. This involves the pooling of money, especially by the women in this society. CEMEX performed a cultural innovation by converting *tandas* into a way of saving money so that the communities could then have access to financing quality homes (Prahalad, 2006).

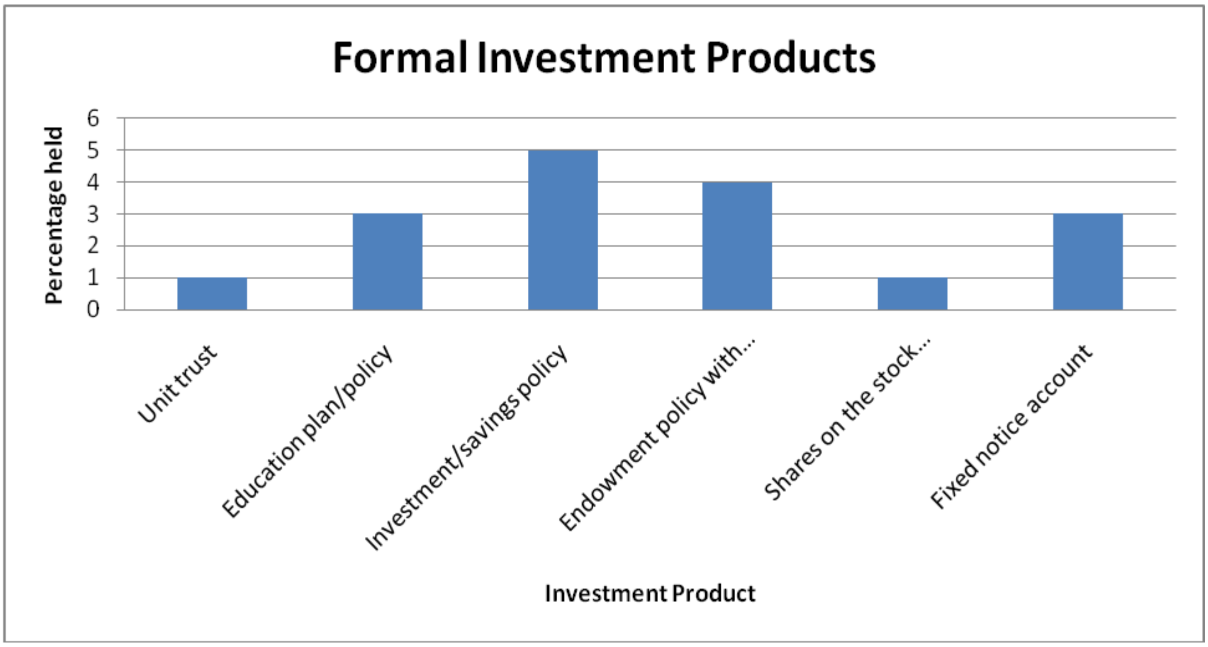
The morphing of the diamond can also be found in South Africa where there is a trend of an emergent black middle class. Historically black people have been at the BOP but recently the AMPS figures show that there has been a 91% increase (84 000 new entrants) in the number of black adults with personal incomes of R12 000 or more a month (Financial Mail, 2007). There may be a slight morphing taking place in South Africa but more needs to happen. Based on the successes from ICICI and CEMEX in other developing countries, the institution is a key player in these success stories.

2.4.4 Where do South Africans keep their money?

Fourthly, the investigation deals with where the SA population keep their money when they are not spending it. Research by the Finmark Trust and TNS Research Surveys entitled "Saving against the storm" has proven invaluable in this regard. Results indicate that most South Africans who have a retirement or pension plan are white (25%) as opposed to 4% for blacks who hold a Retirement Annuity (Finmark, 2009).

"Amongst people who do not have savings or investments, the main reasons are that they do not have a job (50%), have no money to invest (14%), or have never thought about it (10%)" (Finmark, 2009:2). Formal investments have increased by 2% from 2007 (8%) to 2008 (10%). Of those who do have a formal investment product the distribution is as follows:

Figure 2.5 Formal Investment Products held by South Africans



Source: Finmark Trust and TNS Research Surveys

The racial distribution of the bar graph above is as follows:

Table 2-6 Racial representation of formal investment products

Formal Investment Products	Black %	Coloured%	Asian %	White %
Unit trust	0	1	6	8
Education plan/policy	2	2	4	7
Investment/savings policy	3	2	10	17
Endowment policy with death/disability cover	2	4	11	14
Shares on the stock exchange	0	0	3	2
Fixed notice account	2	3	7	9

Source: Finmark Trust and TNS Research Surveys

Thus far, institutions have been defined as bodies which collect funds from the public and place them in financial assets. Examples of these assets are deposits, loans and bonds (Reilly & Brown, 2000). However, government has means in which institutions or bodies can be influenced.

2.5. Financial and regulatory institutions

2.5.1 Financial institutions -banks

FIs deal with money. Money is a medium of exchange, i.e. a generally accepted means of payment for the delivery of goods or settlement of debt. This is unlike a barter economy where goods are swapped for goods (Begg, Fischer, & Dornbusch, 2003). Money is also the unit in which prices are quoted and accounts are kept. It is also a store of value because it can be used to make future purchases (Begg *et al.,* 2003). "When you deposit your coat in the theatre cloak room, you don't expect the theatre to rent your coat out during the performance. Banks lend out some coats in their cloakroom. A theatre would have to get your particular coat back on time, which might be a bit tricky. A bank finds it easier because one piece of money just like another. Unlike other FIs, such as pension funds, the key aspect of banks is that some of their liabilities are used as a medium of exchange: cheques allow their deposits to be used as money" (Begg *et al.*, 2003: 314, 315).

Other financial intermediaries or institutions are "pension funds, insurance companies and building societies" (Begg *et al*, 2003: 316). A bank is in the business of making profits by lending and borrowing. To get money in, the bank offers attractive interest rates to depositors. Banks have to find ways to lend what has been borrowed" (Begg *et al*, 2003:16). Further to this, a large component of the profit that banks make is made up of transactional fees. “South Africa’s banks have passed on the biggest fee increases in five years to their clients to make up the shortfall in earnings from other sources. SA’s banks have upped their fees by an average 16% over the past year. That’s more than twice the official inflation rate and comes in the midst of the first recession in SA in 17 years” (Finweek, 2009: 19).

Banks lend money as advances of overdrafts to households and firms (the interest rate is usually high when repaying these loans). A portion is used to buy securities such as government bonds. Some of the money is held in liquid assets; the most liquid asset is cash (Begg *et al.,* 2003:316). "A financial intermediary specialises in bringing lenders and borrowers together. Commercial banks are financial intermediaries licensed to make loans, issue deposits, including deposits against which cheques can be written" (Begg *et al*, 2003:316).

Commercial banks are mainly engaged in retail (individual) services but the emphasis is gradually shifting towards wholesale (corporate) services. Modern banking has become competitive (van Zyl, Botha & Skerrit, 2002). "Banks compete with one another both in the interest rates they offer to attract deposits and in the interest rates they charge borrowers for loans" (Begg *et al*, 2003: 321). The competition has broadened to include:

- Other countries - Barclays is a foreign bank investing in ABSA (a South African bank). The ABSA-Barclays deal was finalised in July 2005 at a cost of approximately R30 billion (ABSA-Barclay deal, 2007). China's largest bank, the Industrial and Commercial Bank of China (ICBC), purchased a 20% stake in Standard Bank, South Africa's largest bank by assets and earnings for US $5.5-billion (South Africa Info, 2007). There has also been sub-Saharan banking expansion since 2007 (Metcalfe & Winterboer, 2009).

- Growth in alternative offerings for retailers, including MTN Money, Virgin money and Wizzit (Metcalfe & Winterboer, 2009).

Commercial banks have to contend with environmental factors such as the change in competition and consumer appetite. Other challenges are related to the role government institutions play. A crucial example is the South African Reserve Bank (SARB). Interest rates are a vital tool to the functioning of a modern day bank. The SARB "relies extensively upon various instruments to influence interest rates. The operational control framework used by the SARB involves reliance on the accommodation instrument known as the repurchase (repo)[19] rate" (Van Zyl *et al.*, 2002:56). Consumers in turn borrow money from the commercial banks at a rate higher than the repo rate, known as the interest rate applicable to the type of loan and lender.

In order to provide an overview of the offerings available in South Africa the focus has been on the four major banks. An analysis has been presented as a matrix of the offerings and support to the banking public. The (Y) indicates that the service is offered to the banking public. (N) shows that this service is not offered by the bank. "OFFICIAL" means that there is an official presence created or managed by the institution itself.

[19] The repo rate is the rate at which commercial banks borrow money from the SARB.

Table 2-7 Big four offerings and financial support matrix

	ABSA	FNB	Nedbank	SBSA
CORE SERVICES				
Access to financial planner	Y	Y	Y	Y
Bank Internet Service Provider/Link	Y	Y	N	Y
Black listing check	N	N	N	N
Budgeting tool	Y	Y	N	N
Cellphone banking	Y	Y	Y	Y
Community banking/Microfinance	Y	Y	Y	Y
Debt assistance/ Debt remedy plan	Y	Y	Y	Y
Extended working hours	Y	Y	Y	N
Financial Literacy	Y	Y	N	Y
Internet banking	Y	Y	Y	Y
Online Share trading	Y	Y	Y	Y
More than one language on ATM	Y	N	Y	Y
Savings plan	Y	N	N	N
Send money to individuals with no bank account	Y	Y	Y	Y
Cost	Y	Free until May 2010	Y	Y
Does receiver need a bank card	N	N	N	N
Send via ATM, Cellphone, Internet banking	Y	Y	Y	N
ATM Withdrawal option	N	Y	N	N
SMS Information on account activity	Y	Y	Y	Y
Social networking (presence)	Y	Y	Y	Y
Facebook	Y (OFFICIAL)	Y	Y	Y
Twitter	Y	Y	Y (OFFICIAL)	Y
Stokvel	Y	Y	Y	Y
Student loans	Y	Y	Y	Y
Telephone banking	Y	Y	Y	Y
User-needs/Customer centric website	Y	Y	Y	Y
Bank	Y	Y	Y	Y
Borrow	Y	Y	Y	Y
Insurance/estate protection	Y	Y	Y	Y
Lifestyle	Y	Y	Y	Y
Rewards	Y	Y	Y	Y
Save and invest	Y	Y	Y	Y
View all promotions	Y	Y	Y	N
OTHER:				
Corporate Social Investment	Y	Y	Y	Y

Source: Compiled from information published by the banks' official websites, 2010

2.5.2 Financial institutions - micro lending

A micro lender is a close corporation, company cooperative, trust, mutual bank or bank that as part of its business advances loans. These micro loans were exempted under the Usury Act Exemption notice (van Zyl *et al.*, 2002). This industry "has experienced a tremendous growth phase in its life cycle based on the financial need, especially the need for credit or personal loans, of millions of micro borrowers. South Africa's deprived communities had no access in the past to any form of credit because of the lack of creditworthiness"(van Zyl *et al*., 2002:103).

As a result this market was flooded by uncontrolled money lenders who charged exorbitant interest rates on personal loans. Laws to protect borrowers were insufficient (van Zyl *et al., 2002*: 103). To make matters worse, "many borrowers were and some still are financially illiterate (van Zyl *et al.*, 2002:103).

The MFRC- Micro Finance Regulatory Council was a body instituted by the government to regulate micro lenders and protect borrowers. Between 01 May 2000 and 31 July 2001 registered micro lenders provided "more than R12 billion worth of loans" (van Zyl *et al.*, 2002:105). With the promulgation of the NCA in 2005; the National Credit Regulator (NCR) is responsible for "the regulation of the South African credit industry. It is tasked with carrying out education, research, policy development, registration of industry participants, investigation of complaints, and ensuring the enforcement of the Act" (NCR, 2009: x). Therefore, micro loans fall within the ambit of the NCR.

"Micro lenders charge much higher interest rates than those charged by commercial banks because of the higher risk involved in making micro loans, due mainly to the inability of borrowers to provide security or collateral" (van Zyl *et al.*, 2002:104). However, commercial banks are also involved in micro finance; the "Strategic and emerging issues in South African banking" report shows that banks were moderately confident performers in this sector in 2007. The picture portrayed in 2009 shows that micro lending performance is on a par with credit cards and short term insurance (Metcalfe & Winterboer, 2009:45).

A company that has performed a great deal of work in this sector all over the world is Grameen Bank (Yunus, 2009). This company has made its way to South Africa. Muhammad

Yunus, the founder of the Grameen Bank and the initial guarantor of the loans, chose to focus on women. This choice of focus was because women spend money on the family differently than men. This caused an uproar in Bangladesh in the 1970s. In this culture women were not supposed to have money. In response to this Yunus said, "Keep your culture, I am creating a counter culture" (Yunus, 2009). This going against the grain has resulted in over "eight million borrowers of Grameen bank, 97% of them women" (Yunus, 2009, para 18).

These women put their children through primary and high school. Grameen Bank encouraged them by providing scholarships so they could attend university. Another means to give these children a chance at university was by providing student loans. A further culture enshrined by Yunus is the one of entrepreneurship; "Grameen Bank kids" become educated to create jobs. They are job givers and can employ other job seekers. There is no reliance on the government; rather the system is to use the deposits made by others as loans to others.

Muhummad Yunus sees the institutions as a hindrance to poverty alleviation because they will not lend to the poor. An additional factor to blame is policies that give rise to charity. Charity "freezes poverty, imprisons people. It takes away a sense of responsibility from people. The state's responsibility is to create opportunities for people, [and] support them so they can stand up for themselves" (Yunus, 2009, para 38).

In order not to alienate other citizens, those in business should not focus solely on profit. Business should be further involved in social business where dividends are not paid out. When the returns are ploughed back into the business employment is created. As the business grows the social cause is helped. As a result, a service will be offered to the people of that community. In his speech at the 7th annual Nelson Mandela lecture in July 2009 that took place Gauteng, South Africa; Yunus ended by challenging South Africa to bring an end to poverty in the same way apartheid was annihilated. The time frame is within 20 years; he maintains it is not impossible.

Using the Yunus model in South Africa may prove to be a challenge though. One reason is that when reviewing what the BOP spends their money on a large proportion of money goes on food, housing, water and electricity. Collectively 36% is spent on these essentials. They are necessary. Two percent is dedicated to education which will help improve their futures, while no money is spent on enterprise development which would also help future prospects. In Bangladesh the Grameen bank has lent money for a range of uses from education, housing, basic loans as well as for the development of micro enterprises. The money for enterprise loans is greater than that for education to date - education is at 0.07% of enterprise loans (Grameen, 2010).

Yunus is also against state welfare as that makes people dependant on the government. People should rather stand up and do things for themselves (Yunus, 2009, para 38). Firstly, according to Grameen SA Small Enterprise Foundation, "the poorest of the community are too intimidated to ask for loans" (2010: para 6). So much so that those with no business experience have been lent smaller amounts and are monitored closely. Secondly, there is general non-documented speculation within the BP that both the culture of entrepreneurship and that of non-dependence on grants do not seem very strong is South Africa.

2.5.3 Regulatory institutions

Regulatory institutions in South Africa play a huge role in the economy. This includes providing legislation as well as a monitoring function. According to the authors of the Price Waterhouse Coopers publication (Metcalfe & Winterboer, 2009) regulatory bodies dealt with the financial crises in a competent manner. One hundred percent of the respondents representing 23 banks in South Africa stated the reasons for this are that the registrar is performing well, the early adoption of Basel II, and the implementation of the NCA.

This means the SA regulatory bodies are relevant and have foresight; proof is in the legislation that has been promulgated. Some of the functions performed by the 50 regulatory bodies will are highlighted below (Financial Institutions of South Africa, n.d.).

"The FSB (Financial Services Board) is responsible for the non-banking financial regulation in South Africa. It is an independent agency established by statute (FSB Act No. 97 of 1990). It became operational in 1991 and is financed by the financial industry itself; it receives no contribution from government" (van Zyl *et al.*, 2002:117). The FSB currently supervises insurance and retirement institutions as well as investment institutions; both of which are separate from banking and credit granting services (van Zyl *et al.*, 2002).

The government as a whole has had a role to play in FIs being viewed with a favourable eye. The institutions themselves have had to comply with legislation that makes life easier for the consumer.

The NCA of 2005 requires that:

- Calculations of how instalments are derived are shown to the consumer.
- Marketing indicators asking the consumer whether they would like to receive marketing information need to be completed. That way the individual cannot be bombarded by special offers they are not interested in receiving.
- Documentation must be made available in the various South African languages; English and Afrikaans should not be the only means of communicating to the consumer (Polity, 2009).

The Banks Act made compliance with international standards such Basel II a requirement (Metcalfe & Winterboer, 2007). Basel II needed to be implemented because it is a "Risk Adjusted Performance Measurement approach. It is an integrated approach to transform a company to focus on value creation throughout the organisation." (Accenture, 2007). It requires that adequate capital be held by an institution in order to cater for the risk that it holds.

There have also been investigations by the Competition Commission on banks. "The Competition Commission is a statutory body constituted in terms of the Competition Act, No 89 of 1998 by the Government of South Africa empowered to investigate, control and evaluate restrictive business practices, abuse of dominant positions and mergers in order to achieve equity and efficiency in the South African economy" (Competition Commission, n.d.).

The bank-specific investigation was started in 2006 and completed in 2008. The commission made “28 recommendations on remedial action for banks to take on charges” (FinWeek, 2009: 21). To date only one recommendation has been met. Whitfield (2009) suggests that one of the problems is that there were "no specific timeframes for changes demanded by this investigation”. This gives the perception that this body cannot enforce corrective behaviour.

An avenue that an individual may utilise to tackle issues is the Banking Ombudsman. The ombudsman addresses issues that have been incorrectly applied by the FI; he/she does not deal with charges and interest rates.

There is also a website that deals with complaints relating to customer service in general; service levels relating to charges, and any other issue may be logged on www.hellopeter.co.za. It is an independent website.

Even though members of the public have the option to raise issues that arise with the banks, these institutions may still be viewed as untrustworthy. Dealing with them can result in harrowing experiences. Publications such as FinWeek that carry out special investigation (like the bank charges report) are proof of this. According to Whitfield (2009), "SA's banks have passed on the biggest fee increases in five years to their clients to make up the shortfall in earnings from other sources". To conclude, strategies that can be employed by FIs to bolster the view that the South African public has of them will be in the recommendations.

An initiative that has given FIs kudos is Corporate Social Investment. CSI is a business imperative thanks to the sector charters that were introduced by government legislation. The Financial Sector Charter "…aims to advance transformation and equitable growth in the South African financial sector, and provide a catalyst for the transformation of the broader South African economy" (Financial sector charter, n.d.). The targets in this charter are what financial services have been working towards since 2004. Compliance with the FSC is mandatory and FIs have to complete a scorecard to report their compliance in terms of Employment Equity, Corporate Social Investment and Skills Development (Financial Sector Charter, n.d.).

A further example of the government's role is when the leaders of institutions were called by the South African president, Jacob Zuma, to assist in compiling a framework response to the financial crisis that has bitten deep in South Africa. The leadership group (that is still overseeing the framework) consists of representatives of labour, business, government and the community (Polity, 2009). "The framework has been commended internationally for bringing together social partners in forging a common response, and has been held up as an example of how countries can respond in a sustainable manner to the current financial crisis" (Polity, 2009, para 3).

Key to this significant framework is the timely implementation of the procedures and actions outlined from the engagement by the social partners. The partners include:

- The National Skills Fund (NSF) and Unemployment Insurance Fund (UIF) resources will be combined into one fund. This fund (R2.4 billion) will be used to pay a training allowance to workers who are part of a layoff scheme. Sectoral Education and Training Authorities (SETA) have been requested to set aside funds for the training course.

- The CCMA (Council for Conciliation, Mediation and Arbitration) will assist trade unions and employers in structuring and standardising employment contracts for retrenched workers to access training facilities so that they can be re-employed elsewhere.

- "Agreement has been reached on a number of steps necessary to strengthen the ability and capacity of the South African Revenue Service (SARS) to address customs fraud that has led to many job losses" (Polity, 2009, para 11).

- Support for distressed companies in various sectors has been linked to SA's infrastructure and development programme as well as payments to SMMEs (small, medium and micro enterprises) and other businesses within 30 days.

- The Industrial and Development Corporation (IDC) has made R6 billion available over the next two years to respond directly to the crisis. The IDC is a development agency, as are the Development Bank of South Africa (DBSA) and the National Housing Finance Corporation (NHFC). These serve as "intermediaries between ultimate lenders and institutions who take up the securities of the development finance intermediaries on the one hand. On the other hand [they are] mainly domestic ultimate borrowers. The domestic ultimate borrowers are made up of the household sector (mainly housing loans and small business loans) and the corporate sector (in the form of loans and shares)" (van Zyl *et al.*, 2002:12).

After the framework group was approved on 19 February 2009, the researcher has noticed a website that deals with financial literacy and managing one's finances; i.e. www.ndma.org.za. Topics dealt with include Savings, Credit, Being Listed and When things go wrong.

The National Debt Mediation Association (NDMA) was launched in May 2009. The website has a link to the Financial Planning Institute. This is available to encourage individuals to obtain advice from a certified and registered financial planner. There is also a budget tool to assist in savings.

The NCA (2005) introduced debt counselling. This also came into effect when the NCA went live in 2007 whereby debt counsellors are now accredited by the NCR. In Denmark a similar programme was introduced in 2009 and was specially funded by the government. The lobbying done by consumer groups in Denmark applied pressure on the government for this service to be introduced. The impetus was the global financial crisis (CI, 2009). This goes to show that SA is ahead of first world countries in certain practices.

2.6. The role of technology

As noted in the following table, the use of the internet has gradually increased over the past eight years (2000 to 2008). The offerings provided by FIs through this medium have also improved. Basic financial services as well as financial advice have been included.

With the advent of internet banking, FIs had the opportunity to allow some of their clients to access their accounts remotely, i.e. banking without going into a branch. This meant banking is available 24 hours a day. As an added advantage to the banks, it meant if more clients were prompted to use this medium, less bank tellers would need to be employed. "Internet banking relationships appear to be stable, with this distribution channel seen as moderately, rather that intensively, competitive" (Metcalfe & Winterboer, 2007:20). This is a finding based on responses from eight banks where 62% of the respondents found the internet moderately competitive and 38% viewed it as intensive in 2007.

In 2005 two out of the eight banks questioned viewed the internet as light competition (Metcalfe & Winterboer, 2007). The 2009 study shows that 11% of the respondents found this medium intensive, 89% found it moderately intensive, and none found the internet lightly competitive. Financial Services (FS) are increasingly finding this medium more competitive over the years (2005-2009). When the top four retail banks (ABSA, FNB, Nedbank and SBSA) were questioned on their level of success of "e-banking" in the retail sector (services to individuals); this section scored highly in 2007. The internet seems available to more and more people in South Africa, moving from 6% to 11% having access in 2008. This growth is significant, although it means 89% of the population did not have access by 2008.

Table 2-8 Internet usage in South Africa

Year	Users	Population	Users as a percentage of the Population
2000	2,400,000	43,690,000	6%
2001	2,750,000	44,409,700	6%
2002	3,100,000	45,129,400	7%
2003	3,283,000	45,919,200	7%
2004	3,523,000	47,556,900	7%
2005	3,600,000	48,861,805	7%
2008	4,590,000	43,786,115	11%

Source: www.internetworldstats.com/af/za.htm., 2009

Prior to internet banking a great innovation in banking for South Africa was the introduction of the ATM (Automatic Teller Machine). "The first two ATMs in South Africa were installed by United - a forerunner of Absa - at its Johannesburg branch in 1977. The terminals, called ‘Help U Auto Tellers’, enabled customers to make deposits, withdrawals and certain account enquiries with the use of a transaction card and PIN" (MyMoney, 2007, para 1).

The functionality of these machines has also improved substantially; withdrawals of funds, depositing of funds, checking of balances and account transfers are now available. Furthermore, all banks have ATMs and if a client banks with one bank they can still withdraw funds from another bank's ATM. These ATMs that dispense money have been modified to start offering information. The screens are seen as marketing tools showing the latest special offers from the FI.

Moreover, urban areas have kiosks and internet booths within a branch. An individual may use this facility to transfer funds without having to speak to a teller. This also improves customer service in instances where there are large queues in a bank.

"ICT is the foundation of this knowledge-based world. It allows economies to acquire and share ideas, expertise, services and technologies locally, regionally and across the world. It also contributes to making the global economy more integrated than ever before" (Khalil, Dongier & Zhen-Wei Qiang, 2009:3). Mobile networks now make up the world's largest distribution platform and allow room for major development to take place. They are evolving from simply voice services and text messages. Mobile banking services that are currently available in South Africa, Kenya and the Philippines are reducing transaction costs (Khalil, Dongier & Zhen-Wei Qiang, 2009). Nonetheless, the FS sector is lagging behind many other industries, both in terms of customer care and basic access. For example, there will soon be 1.7 billion people in the world with mobile phones but no bank account (CGAP, 2009).

CHAPTER 3. RESEARCH METHOD AND DATA COLLECTION

3.1. Introduction

Emphasis is placed on the literature reviews and theory building. The literature reviews have shown the approach that some of the research already conducted has taken. For the empirical studies existing numeric data will be analysed. Trend analyses have been used to track previous occurrences thereby allowing valid inferences to be drawn. Primary data will be used through interviews (Mouton, 2002: 57).

3.2. Primary data collection

3.2.1.1 Interviews

Interviews were conducted with industry professionals from financial institutional backgrounds. Four FI managers were interviewed as part of the primary data gathering. Two of these professionals are based in South Africa, in particular banking and micro lending. One banking professional is in Australia and other is in Kuwait.

A combination of individual cultural and individual topical interviews were used (Rubin & Rubin, 1995:31). According to Rubin and Rubin (1995) in practice both interview styles can be used in the same interview. The researcher may alternate between listening for nuanced cultural meanings and asking about events.

Topical and cultural interviews can be mixed because they "share the underlying assumptions that guide all qualitative interviewing". Cultural interviews are about learning how people see, understand and interpret their world. In cultural interviews, the researcher spends most of the time listening to what people say rather than posing detailed focused questions. Most of the thinking about what to follow up on is done between rather than during interviews Rubin and Rubin (1995).

By contrast, topical interviews are focused on subjects that the interviewer has chosen, involve more active questioning and rapid exchanges, and are more concerned with matters of fact and less concerned with eliciting shades of meaning than cultural interviews are. Most of the follow-ups are done within, rather than between, the interviews" (Rubin & Rubin, 1995).

The interviews were recorded, and the voice recordings analysed. To gain an international perspective a list of questions was sent to bank managers in Australia and Kuwait. The same questions were posed to the South African professionals. The list of seven questions has been included in the appendix. Responses were received from the Middle East and Australia. The interviews provided the qualitative aspect of the primary data.

3.3. Secondary data collection

In this section the use of research conducted by other bodies (such as institutions and research houses) was utilised. Methods and tools that were employed by these bodies are highlighted in the research methodology.

3.3.1 Surveys

A review of a few surveys has taken place. Secondary data has been utilised when reviewing these surveys. The source of the secondary data is publicly available information from research that has already been conducted by research houses, individuals and institutions. Secondary data was selected because the methods employed (such as sampling) and the collation of data has been performed in a systematic manner by research professionals. The level of involvement to conduct such research throughout South Africa would have been laborious and costly. Therefore it would not have been feasible for the researcher.

The segment dealing with the attitudes of South Africans with respect to institutions managing money (found in Chapter 2 of this paper); is descriptive as well as quantitative (Mouton, 2002). The Finmark Trust and TNS Research surveys presented their findings to the public. Questionnaires and the methodology employed during this research were not published and are not available to the public. Information made available through the other surveys reviewed is as follows.

3.3.1.1 Consumers International research methodology

As secondary data and a further examination of international practices, findings of surveys conducted by Consumers International (CI) in 2009 were reviewed. CI is an independent global campaign voice for consumers that has representation in 115 countries. The sample size for the survey includes the 220 member organisations in these countries. All members' activities during August and September 2009 in preparation for World Consumer Rights Day 2010 were undertaken. The questionnaire utilised by CI is not available for public usage.

The CI methodology is not explicitly reflected. A survey of member countries was undertaken. The responses received from across all regions of the globe indicate that in private sector FS the focus is on retail banking, consumer credit, mortgage loans and insurance. Many CI members also work in public sector FS such as pensions and social security as well as third sectors providers, such as mutuals and cooperatives. The diversity of work includes capital markets (India and Spain); pensions in the Netherlands and informal money lending in poor and rich countries (Fiji and UK).

3.3.1.2 Price Waterhouse Coopers research methodology

The data was sourced from Price Waterhouse Coopers and is thus secondary data to the researcher. The methodology applied in the research (Metcalfe & Winterboer, 2007; 2009) was the interview. Findings of the research are what were made available to the researcher. The questionnaire utilised by this company is not made available to the public. "Personal interviews with senior bankers using a standard questionnaire offered the best research approach. The questionnaire contained approximately 50 questions and was completed during interviews of approximately one hour" (Metcalfe & Winterboer, 2007:71). "At times, individual banks declined to answer particular questions or were unable to provide sufficiently accurate data. This was noted where applicable" (Metcalfe & Winterboer, 2007:71). In the South African aspect of the research ten captains of industry were interviewed from banks such as ABSA, African Bank, Firstrand, Investec, Mercantile, Nedbank, Sasfin and SBSA.

3.3.1.3 Project Outlook research methodology

To assist in defining the sample of the population Project Outlook findings have been utilised. Therefore for empirical studies, existing numerical data has been utilised (Mouton: 56). The Project Outlook research was conducted by Research Surveys in 2004 and was used by the researcher as secondary data. It was performed by utilising the weighting structure of a population profile based on the 1999 estimates provided by AMPS and BMR population estimates as well as SA Focus data. This resulted in the need to update the population estimates because the 1999 estimates no longer accurately reflected the current banked population of South Africa in 2004. Thus, new population estimates were derived.

These used a random sample methodology, with fields for race, area and income, but with no quotas placed on income. The outcome is that out of the individuals questioned many refused to answer personal income questions; particularly at the top end of the income scale. To overcome this, the Project Outlook sample is quota controlled on income, population estimates broken down by personal income where required (Research Surveys: 2004). Population estimates for 1999 are based on 1999 BMR, AMPS and SA Focus data[20]. Only the data for 2003 was based on 2003 Finmark data. Thus for the intervening years (2000, 2001 and 2002), the population estimates have been extrapolated using weights based on a matrix of race, area and income band levels (Research Surveys, 2004).

3.4. Methodology

The procedures employed when conducting research have been as an unbiased as possible. For example when reviewing how user-friendly the banks' websites are, websites for four banks were reviewed as opposed to favouring one. Although the finding on one bank may be reported, that finding would be the most significant pertaining to the issue in question. When

[20] AMPS is the All Media and Products Survey. It is one of the products offered by the South African Advertising Research Foundation. BMR is Unisa's Bureau of Market Research.

nothing significant was noted when reviewing a certain matter on the websites of other banks, it has not been mentioned.

CHAPTER 4. PRESENTATION OF RESEARCH RESULTS AND ANALYSIS

4.1. Introduction

During the research process it became apparent that learning to budget and save; financial literacy, borrowing responsibly while servicing the debt, and seeking advice from professionals such as CFPs are good financial management practices for an individual. However, FIs do not adequately support individuals of the banking public to be able to carry these actions through. Some of the components of financial institutional support (FIS) that were highlighted in the problem statement of this document are expanded upon next.

4.2. Information that the FI makes available to the BP

Information such as pricing on various products and the monthly repayments that a customer has to make is explicit in South Africa. Fees are published per product offering. In fact, the monthly repayment and interest applicable are made available to potential customers at the application stage. This was a stipulation given by the NCA (2005).

In comparison internationally, countries such as Australia, Britain and Malaysia have strong consumer protection, such as the consumer umbrella organisation, Consumer International. The countries mentioned above are a few of an extensive list of member countries. Some countries do not fare as well as SA when it comes to financial consumer protection. According to a Kuwaiti bank manager "…there is no consumer protection to speak of" in their environment (Price, personal communication, 2010). In South Africa a member of the banking public is able to contact the Ombudsman if they feel aggrieved. In Kuwait complaints go to the Kuwait Central Bank (the equivalent of SARB). The Kuwait central bank does not put adequate pressure on the banks to respond. In the event that a bank takes too long it is fined.

A bank that has dealt well with complaints’ resolution is Nedbank with its "Ask Once" policy. When a customer has a gripe it only has to be reported once. The viewpoint in

Australia is that consumers are not adequately protected. The latest policy regarding this is the Unfair Contracting Legislation. This is from a country where legislation similar to the NCA was promulgated and effected before SA (van Schalkwyk, personal communication 2010).

When it comes to the pricing, a Kuwaiti banking professional finds that there is a "modicum of transparency" (Price, personal communication 2010). All the relevant information is posted on an A3 sheet in the branch but the information takes a long time to read and is very confusing. Bank branch employees are contacted more than they should because of this. Information leaflets like the ones found in South African bank branches would be of great use here, even though Whitfield (2009) in his "Bank is a four letter word" study found that there is no comprehensive source of information about SA banks. A consumer has to contact more than one source to get clarity. When contacting banks and asking for assistance in budgeting, none provided a resource to do this. Instead Call Centres referred the researcher to branches. The branches told a member of the banking public that such functionality does not exist on the system. Therefore they could not assist. This occurred with two of the big four banking institutions.

The transparency of pricing and products in Australia is being honed in even further. Examples are the overdraft fees which have been reduced by up to 90% and in some cases completely abolished. There has also been an introduction of direct ATM charging where the ATM will display the fee to be levied for the transaction to the customer before processing the transaction. This is to allow the customer to cancel the transaction should they not wish to pay the fee (van Schalkwyk, personal communication 2010).

When the NCA came into effect in July 2007, FIs had to be transparent on the pricing and products. The transparency required that quotations or pre-agreements for products be discussed with the applicant. When questioning the various FI professionals as to whether this supply of information was adequate, the feedback varied. One viewpoint was that the legislation stipulating the transparency, i.e. NCA, is adequate. There is no need for further policies; adjusting the NCA policy to close such gaps would be enough. The NCR welcomes feedback and ideas; and the gaps that have been identified are being discussed at a strategic level. Those ideas that are found to be useful are being implemented.

Transparency was found not to be an issue. The amounts that need to be paid are what they are. However, capping the interest rates is not particularly useful in the current environment. It was imperative prior to the NCA because some micro lenders abused clients and charged up to 240% interest while the maximum amount is now at 35% (due to the NCA). However, because of this cap, lenders cannot compete on price, and most of them charge the maximum. Furthermore, borrowers are not found to be overly concerned about price in this market, they would rather have access to the loans. The option available to the lenders is to make their profits by driving high volumes. The other option is to charge monthly administration fees - these are profitable for credit providers and the government because they include VAT (Bebula, personal communication 2010).

The other viewpoint was that the NCA has its gaps and legislation should be drafted to close these further. One such example is the "negative option marketing" which allows the BP to be able to decline telemarketing or to be part of the customer list that may be sold or distributed to by the credit provider. However, it still happens that members of the BP are contacted, even when they have chosen the negative option marketing. Hlekane (personal communication, 2010) contends that further legislation like the Consumer Protection Bill will close this gap.

Another issue raised was that the discussion of the pre-agreement with the customer is not sufficient; there was consensus on this point.

At its promulgation the NCA had stipulated "the right to information in the official language". This allows for the consumer to receive any documentation that they may request in the language that they read or understand. The use of the other ten official languages besides English when communicating with the BP is encouraged. Effects have been noted with the introduction of Call Centre agents that are able to speak to a member of the BP in the requested language.

ATMs of certain banks have also introduced languages such as Afrikaans and Zulu to the menu. Yet documentation does not seem to have been translated. As an example, the researcher did not find information leaflets at branches in any other language besides English and Afrikaans. This casts doubt as to whether application forms, let alone contracts, are readily available. Perhaps one has to order these documents and the request has to be found to be within reason. The Act does stipulate that there should be "reasonable usage, expense and regional circumstance" (NCA, 2005: 63).

4.3. The means of accessing of this information

In SA transactional information such as "amounts outstanding" can easily be accessed through various media. These include walking into a bank branch, phoning a customer contact centre, ATMs, internet or cell phone banking. Accessing a tool that will assist with budgeting is more difficult. Calculators as tools can only be found on internet sites and ABSA's was the only one found to include a "Saving" component.

With micro lending however, Mazwe Financial Services (Pty) Ltd seems to be one of the few (if not the only) FI that gives the basic transactional information and takes borrower education seriously. With this organisation, the BP’s repayments of loans are handled through the Human Resources department of the employee’s company via the payroll. Mazwe also deals with employee assistance programmes to release the lenders during working hours so that they may be able to attend a financial management workshop. The organisation does not charge the employer for this course (Bebula, personal communication 2010). This is achieved because relationships are established with Mazwe and employers. The accessing of monthly repayments via the employee’s salary is evidence of this.

In Australia the means of accessing information and financial advice is handled by financial planners. CFPs are popular, and as a secondary source of information family and friends are consulted. There are many finance education programmes on television. In fact one of the popular morning talk show hosts used to be a banker and spends time almost everyday commenting on banking. There is also an independent product rating agency (www.cannex.com.au) that provides information to the BP allowing them to compare the FIs products and chose the one that best suits their needs (van Schalkwyk, personal communication 2010). This site also rates the products and chooses the best based on their methodology.

4.4. Utilisation of customer contact information (e-mail and SMS) to maintain financial health

In many instances this type of information is used to punt special offers. FIs have links with credit bureaux but existing customers are not encouraged to check if they have a clean credit record by using e-mail or SMS. This despite Experian, Transunion and XDS offering a free basic credit check once in 12 months (Transunion, 2010; Experian, 2010, XDS, 2010).

In some instances, however, the products that are punted may assist in saving. An example is Bank Your Change by FNB. It is a new feature available on a Personal Cheque Account which uses the linked Savings Pocket. Whenever a purchase is made at Point-of-Sale using an FNB Card, the purchase amount is rounded up to the nearest Rand. This rounded-up amount is then transferred into a linked Savings Pocket at no cost to the customer.

Even in cases where a good service is offered, there is a bit of a letdown. A good service offered by banks is "InContact" where an SMS is sent to an account holder each time money enters or leaves their account. It was pioneered by FNB. However Hlekane confirmed in a personal communication (2010) that cell phone information is not always up to date. Two years ago it was about 67% correct.

This is a disadvantage to the organisation and the individual. Members of the BP derive benefit from knowing the activities in their account and the FI would have the most updated information which could also be used to punt promotions.

4.5. Building relationships between the BP and the institution

Business is in existence to make a profit; the bottom line[21] is important. However, firms do not function in a vacuum; they affect or are affected by the external environment, and thus, while profits should be reported, the traditional reporting framework needs to be expanded. In its broadest sense, the triple bottom line captures the values that organizations must embrace - economic, ecological and social performance. In this spectrum, business should be responsible for those who are affected directly or indirectly. The concept of the triple bottom line ties in with that of Ubuntu[22]. This concept of African humanism can be applied in macro, organisational and individual contexts (Khoza, 2005).

CSI is a stipulation of the FSC. Financial institutions contribute to the social upliftment in communities that they interact with. In turn, the institution can report on its FSC legislative requirement. The challenge is to have CSI initiatives that are strategic and have a sustainable impact. Typically business units collect dolls and toys for Christmas; this is in the spirit of giving. If the funds were used for schooling (as other business units do) communities would be helped in a greater sense. As much as the business units in FI should choose their own projects, perhaps the type of project involved needs to be stipulated at the executive level.

4.6. Informal savings systems

The literature review highlighted the use of informal savings systems which include family and friends as well as stokvels. "In SA, the black population has employed sensible savings plans out of necessity. Previously denied access to the formal banking sector, they invented the stokvel [as an] alternative to savings mediums" (NDMA, 2009). These savings mechanisms work on a basis of trust. Savers trust their friends, families and members of their communities.

---

[21] The net income in company's income statement is informally known as the bottom line. Net income is found when the total revenue has costs and expenses deducted from it.

[22] This is the African spirit of humanism; i.e. *umuntu ngubuntu ngabantu*. Translated this mean, I am a person, because you are.

According to Hlekane (personal communication, 2010) the element of trust is also why financial advice is sought from friends and family. FIs are viewed as daunting because approaching a bank for a loan displays a lack of financial management from the individual. Had they saved and budgeted there would be no need to do so. Banks also expect the loan to be repaid and are not as forgiving as family or friends.
Price (personal communication, 2010) also had similar observations from a Kuwaiti perspective. There advice is sought from Diwayani, male elders in the communities. Since these people are not trained bank officials, information that is imparted may be fictitious.

In South Africa, Wizzit has countered this by recruiting typically unemployed members of communities to be Wizzkids. The Wizzkids are trained on the bank's offering and are mandated to open accounts on the bank's behalf (The Wizzit Way, 2009). Wizzit is a cellphone-based banking facility whose target market is unbanked or under-banked South Africans. Wizzit is compatible with early generation cell phones popular in low-income communities. The facility also works with customers who use pay-as-you-go cellphones. In addition to being able to conduct cellphone-to-cellphone transactions, Wizzit account holders are issued Maestro debit cards that can be used at any ATM or retailer. Wizzit does not charge a monthly fee nor require a minimum balance. There are no transaction limitations - the service is purely pay-as-you-go, and Wizzit does not rely on branches to open accounts and facilitate transactions (The Wizzit Way, 2009).

In this way familiar people that the community trusts are empowered with the banks' product knowledge. The Wizzkids earn a commission on certain transactions that the new account holder may perform. This also assists in poverty alleviation because an income is earned by an unemployed person. Wizzit benefits through market penetration.

FIs also need to build relationships with the BP. Hlekane (personal communication, 2010) admitted that more time is spent communicating with delinquent customers than those who conduct their accounts well.

4.7. Information that is requested from the BP

When a potential customer applies for a transactional account or a loan, part of the required documentation is proof of a residential address. In instances where someone lives in a rural or informal settlement there may be no formal address. Their residence may be known as "next to the Telkom pylon". In such cases Wizzit Bank has made inroads by allowing such people to become part of the BP provided they apply for a savings account. This savings account has the same functionality as any other except that R25 000 is the maximum amount that can be kept in it in a 30 day cycle. This is made possible through SARB Exemption 17 (The Wizzit Way, 2009).

At its core, FIS comprises services and products offered to the BP. Customers of banks are attracted to an FI because it provides a service or product that will address their needs. The matrix of core products in the literature review section of this paper shows that the service offered by the four major banks in South Africa is relatively on par.

However, this does not mean that what is offered to the South African public is adequate. One such issue is the opening hours of the big four banks. These have standard working hours of 9 am to 3.30 pm on weekdays. Saturday working hours are 8.30 am to 11 am and they do not open on Sundays. These hours are standard for all branches of SBSA. The other three banks have variations depending on time of the month, for example opening earlier when it is month end. For ABSA and FNB some branches, depending on their location, open at 8 am.

ABSA ran a pilot project where their branches used to open on Sundays in 2005 but not all those branches operate on Sundays now (2010). This model is different from Capitec bank which operates from 8.00 am to 6 pm on weekdays and 8.00 am until 3 pm on Saturdays. Although Capitec is not "conveniently located for upmarket suburban households" (Whitfield, 2009: 23); it has representation in shopping areas. Their banking model focuses on a simple offering. CEO Riaan Stassen says, "We want clients to know exactly what they're getting and feel in control of their banking" (Whitfield, 2009:23). As a result of Capitec not having a plethora of products, it was found to have the lowest bank charges in SA in 2009. The study of bank charges was conducted by ThinkMoney.co.za (FinWeek, 2009).

According to Hlekane (personal communication, 2010), a banking professional in SA, the BP has a general lack of understanding about bank products. The tabled Protection of Information Bill (2008) will partly address this. Hlekane (personal communication, 2010) feels that banks can assist the consumer to be more aware by making information simple and easier to understand. Disclosure of pertinent information such as the capital amount outstanding, loan amount, as well as interest payable, as required by the NCA, are being adhered to. However, a loophole is that when a potential client receives a quotation of a loan from the bank and signs it; they're agreeing to terms and conditions, even though in certain instances the *discussion* surrounding the quotation has not taken place. This means that the opportunity for the member of the BP to gain clarity has been lost. When promulgated, the Information Protection Act will also address the issue of the parties gaining access to customer contact information without consent.

Prior to the NCA members of the BP were not required to disclose the amount of outstanding debt that they hold. When applying for a product a percentage of the monthly income (30%) was deemed adequate to service debt, despite existing commitments. When the NCA took effect in 2007 existing commitments were required. The information the customer supplied was not taken at face value. With the construction of the National Loans Register (NLR), FIs such as microfinance institutions are able to view accurate current disposable income (Bebula, personal communication 2010). The NLR data is combined with the credit bureau information to help vet an application.

Education is encouraged in order to help better a child's future. It is seen as important in poverty alleviation. The Fundisa Fund (Fundisa, 2010) has been launched by the government in conjunction with NSFAS (National Student Financial Aid Scheme) as well as 13 banks and investment organisations as sponsors. The fund is aimed at educating any South African child at tertiary level as long as the person who contributes towards the fund is a permanent resident of SA or is a South African. The government contributes 25% (up to R600 annually) of the amount that was saved towards the child's education. The funds may only be used towards a tertiary education.

4.8. Conclusion

Some good work is being done in South African financial services, in particular institutional support to the BP. Some of these have been highlighted above. However, there is room for improvement. Some ways in which improvements can be achieved are presented in the Conclusions and Recommendations section of this paper.

CHAPTER 5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

To conclude, recommendations on how FIs can be seen to offer stronger support have been made. Perceptions from the BP show that the individuals do not often revert to the institution for financial support. These consumers do not save or invest adequately, and the level of financial literacy varies and is dependant on the background. In fact, the BP would like to have this information available to them so that they may be better able to manage their finances.

Other institutions which are not financial intermediaries also have repositories that the BP should access. The challenge is to compile the relevant information and make it accessible to the banking public, meaning that it would appeal to the man opening his first bank account when he is in his sixties; at the same time not alienating a professional in her twenties, and also accommodating a forty-something year old, despite their different backgrounds.

5.2. Recommendations

5.2.1 Cell phones

Cell phones can be used to maintain existing relationships with the BP. The technology allows for an interface to perform a myriad of functions including banking, buying air time, access to the LOTTO[23], sending money, electricity, soccer tickets and paying traffic fines.
Why not allow the BP to use mobile phones as a means of maintaining or attaining financial health? This can be achieved when a link to "Check credit record" is added to the existing menu. This could link onto the Experian, XDS or Transunion interface. These companies currently allow members of the public to check their credit records for free once in 12 months, through their websites. This would be a free service that portrays the banks as

[23] The South African lottery.

someone who cares. Further queries would be taken up with Experian, XDS or Transunion if there is a dispute, as is the current practice.

5.2.2 Single repository of information

FIs should work in conjunction with the NDMA and Savings Institute to create a single source of information to assist in budgeting and saving. The NDMA currently houses such a repository but banks could add some of their products that assist in this regard.
FIs could create an internet link to NDMA, and NDMA could produce a list of savings products. Further information on these products would be accessed via a link from NDMA. FIs would maintain their respective content and as a result would be able to refer their customers to the NDMA and Savings Institute. Currently the BP is not easily helped by the FIs when looking for an avenue to budget and save. In personal communication with two banks, the FI's employees said they could not assist because their systems do not house such functionality.

Provision for this probably has not been made by FIs because they do not see it as directly affecting the bottom line. Ensuring compliance and mobilising various institutions to work together may be challenging and cumbersome. One way to guarantee that the FIs and other organisations work together would be through government intervention. The government could oppose stringent rules and regulations through legislation. This legislation would enforce the use of registers to be part of the process that a member of the BP goes through when seeking information. Similar to how the NLR is contacted as part of the application process for a loan for banks and other credit providers. This too faced opposition when it was first introduced; now it is a standard practice.

5.2.3 Use the internet to monitor the brand presence of the organisation

This will allow the FI to have an idea of what the BP and the population in SA in general thinks about them. Websites such as www.hellopeter.co.za should be monitored and the public's complaints and compliments responded to. This is an independent consumer website where members of the public share their positive and negative experiences.

5.2.4 Use of social networking such as Facebook and Twitter

The FIs should build profiles using these media instead of allowing them only to be platforms where the BP can air their views. With their own profiles built and an "official" presence, social media can augment existing marketing drives.

FI communication can be sent via "network friends" on Facebook or "tweets" on Twitter. There are brand monitoring and communications employees in the FIs; these should be used to track the conversations that the banking public has. This is excellent feedback and is a way of demonstrating brand loyalty.

5.2.5 Convert unbanked to banked

The currently unbanked SA population (29%) and previously banked (8% of the SA population) need to be part of the banking public (Finmark, 2009).

Some of those that were previously unbanked have migrated to the BP due to the government, as government grants need to be deposited into the beneficiary's bank account.

5.2.6 Using technology for those without formal addresses or are blacklisted

The use of technology such as cellphone banking in areas where people could not typically access banks has allowed access to a safe place to store and access money as well as obtain loans. People stopped being alienated.

This is reason enough to include individuals who are blacklisted and those who live in informal and rural settlements in the BP. FIs should use the SARB exemption 17 in the same way that Wizzit has done. If the applicant's address is not formalised by a street name there can be no proof of residential address. Such applicants and those who are blacklisted can have a maximum of R25 000 in their accounts in each calendar month. This is a lower limit than the usual transactional accounts but a client still has the means to perform transactions.

In the same vein, people who do not have a formal residential address do not qualify for loans because they cannot provide proof of residence. This makes them susceptible to loan sharks/*mashonisa*. Loan sharks charge a very high interest rate on the capital amount and in some instances confiscate ID documents. This is illegal but such informal systems exist despite regulation. To counter this, the applicant could be granted a savings account under the conditions mentioned above. The savings account could be monitored while the client builds up a track record by conducting the account well for approximately six months. After this time a small personal loan can be applied for. If that is repaid well, an even bigger loan could be granted in future. Wizzit Bank uses a similar model.

5.2.7 Debt counselling and rehabilitation

When a client defaults on a loan or is struggling to repay the loan, they may apply for debt counselling and work towards rehabilitation. This would mean that the creditors are alerted of the difficulty that the consumer is having. They may have to accept lower amounts than would have otherwise been scheduled.

Despite the difficulty, the consumer will ultimately have to repay the outstanding debt. FIs will not lend to someone who is undergoing debt counselling. Justifiably, if a member of the BP cannot meet their current obligations they should not take on more debt (Hlekane, personal communication, 2010).

FIs should give clarity to the BP as to how soon after they have been rehabilitated they will be allowed to take on more debt. How soon will a member of the BP allowed to have a loan? To safeguard themselves, FIs could advise the BP that as a start they would be able to apply for a loan up to R1 000. This is to ensure that the client builds up a new record and proves able to maintain an account that is in good standing.[24] This should not be too difficult because the client undergoes three years of rehabilitation and financial management education (Bebula, personal communication 2010).

Also within the ambit of debt counselling, members of the BP should get clarity on the difference between debt administration and debt counselling. When approaching a debt

[24] A good standing account is one which is current or on which the client has not missed a repayments, has no adverse listings, and has no judgments.

counsellor or a lawyer, clients may have it in their minds that they cannot afford to pay their obligations and that they should declare themselves insolvent. This is essentially what debt administration is. Debt counselling allows for the member of the BP to be rehabilitated. After the rehabilitation period they will be eligible to take on more debt.

5.2.8 Ease of sending money

A more convenient way of sending money to loved ones has to be rolled out. Currently all the big four banks have created Mzansi accounts as per the FSC requirements to bank the unbanked. Mzansi accounts require R50 to open and are generally aimed the “Convenience” stratum.

When enquiring about a way of sending money to someone who does not have a bank account, the researcher was told she needs to use the Mzansi account at one FI. Another FI said she could use a Mzansi account to send money to a Shoprite store, then the beneficiary will be charged R20 to access it. In both instances the impression that was given was that “Convenience” customers are the only ones that will need to send money to someone who does not hold a bank account. Furthermore, the functionality is not available on an ordinary cheque or savings account.

When observing[25] the length of the queues at Shoprite when people go to collect money sent through this method, the researcher felt despondent. The queues are quite long and the cost of sending money is high (R20) when compared with an ordinary bank internet transfer of R5. FNB and ABSA are the two FIs that allow an account holder to send money to an unbanked person and the beneficiary can access money via the ATM. In a personal communication a spokesperson for FNB (2010) confirmed that the beneficiary requires a cell phone. The convenience of accessing an ATM 24 hours a day in comparison with Shoprite

[25] First hand observations took place in Durban , Kwazulu-Natal July 2009 and King Williams Town, Eastern Cape October 2009 as well as Tembisa, Gauteng November 2009.

working hours is amazing. Furthermore, the unbanked beneficiary will be familiarised with an ATM, showing that banking is not so daunting. Other FIs should also have this facility.

5.2.9 Education

Financial literacy should be continued at structured environments such as schools and community organisations. Liberty Life (an SA FI) runs such an initiative relating the stock market as a game. Scholars ranging from private, former model-C and township schools are eligible to enter. Standard Bank also has an initiative in their Community Banking division. So far these initiatives are good for the younger members of the public. People out of high school are not really exposed to financial literacy. FIs ran workshops with the "convenience" stratum individuals when they bought homes in 2004/2005, but this was not extended to the other two strata. Before the loan was registered in the applicant's name; the applicants had to attend a course. Applicants found this cumbersome and prejudiced, because people who earned more were not mandated to do this. Financial literacy may be better introduced as a segment in a magazine or newsletter that the bank publishes quarterly. That way a person may read it at their leisure and refer back to it in need. It could also be included in the school curriculum as part of "Life skills".

Consumer education, so that the BP may have financial literacy, should be pursued on different avenues such as television in SA, as done in Australia (van Schalkwyk, personal communication, 2010). Consumers International (2009) mentions the use of slots on TV and local radio, town hall meetings, and distributing leaflets as some of the means used to disseminate information in countries such as Kenya and Zambia. In Malaysia the Citi Foundation produces a financial education project; the content is light-hearted information presented on TV spots aimed at a mass audience (CI, 2009).

5.2.10 Student loans

There should be a focus on student loans. In his speech at Wits University Yunus (2009) mentioned Grameen kids. These are children educated by mothers using the Grameen Bank, and the funding received is used to obtain a tertiary qualification from Grameen. Through the study process they have been educated to be entrepreneurs so that they can employ other people.

It has been confirmed (through personal communication with Hlekane, 2010) that study loans were given without prejudice for certain degrees. If the applicant had surety and met the criteria (for example 18-26 years) the loan was granted. This however, did not include people who do not have surety[26] no matter how brilliant the Matric qualifications were.

FIs would greatly assist the SA population if they worked in conjunction with organisations such as NSFAS to obtain government guarantees for students from poverty-stricken backgrounds. The same lending rules that apply to ordinary student loans would be applicable for these applicants, including the requirement that the student repay the loan when they have completed the degree. FIs have good tracking mechanisms to ensure that students repay the loans. Students could study towards degrees and diplomas that focus on entrepreneurship and then would also be able to employ other SA citizens.

5.2.11 Offer information services in remote locations

Information services that most of the population can access, even in remote locations, should be offered. The aim is not to offer a "banker" to every client. This does not make business sense nor is it financially viable. However, ATMs that are used to draw money have been modified to start offering information too. Moreover, urban areas have kiosks and internet

[26] Surety is when there is guarantor for the loan amount in the event that the student fails the academic year. The amount borrowed by the student will become due and the guarantor will be liable for the debt.

booths within a financial institution such as a bank. The internet as a repository is invaluable for the client and organisation, and therefore it would be sensible for financial institutions to make this facility as accessible to most of its client base as possible. The booths are a good start.

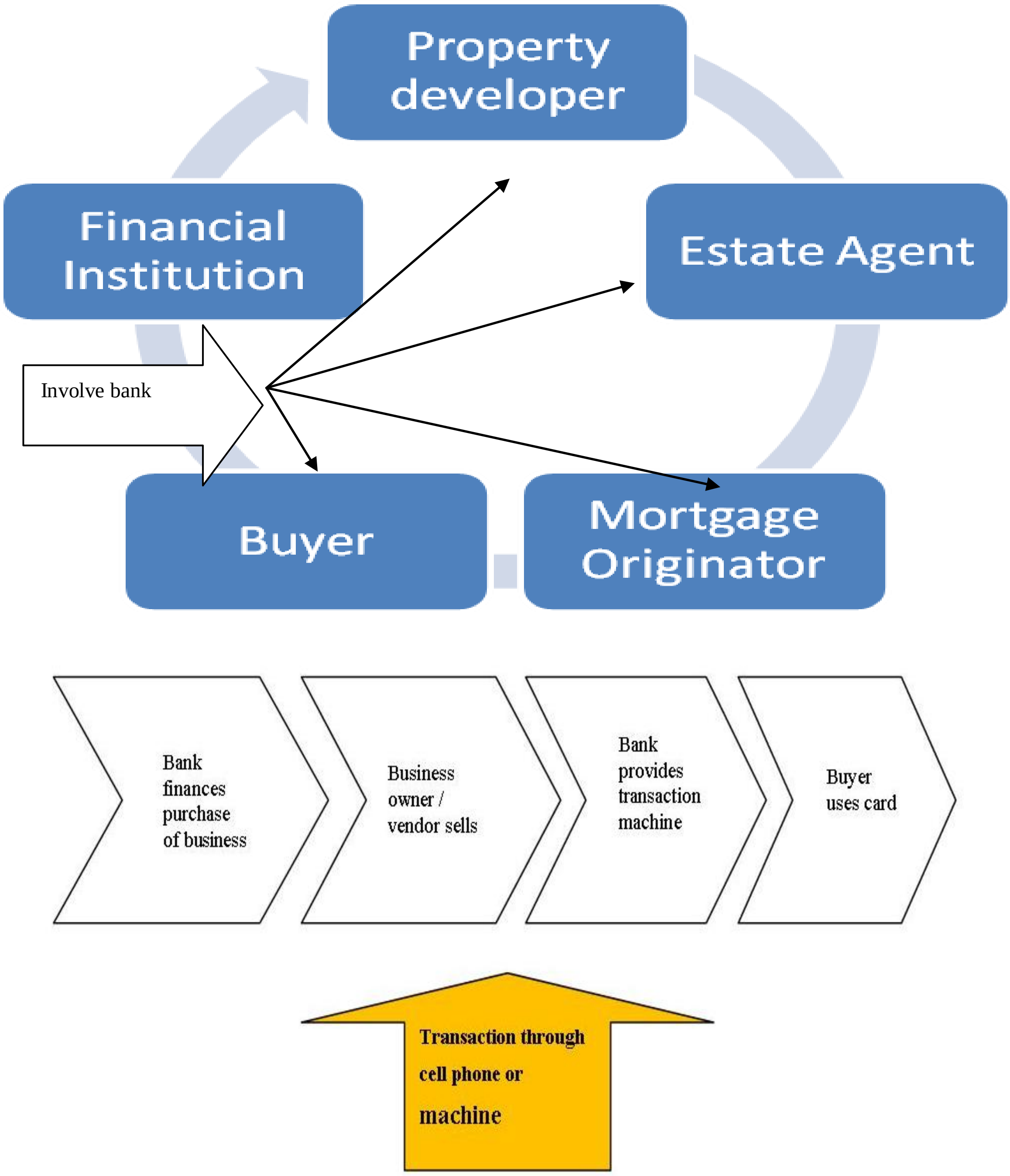
An even bigger intervention that could make organisations look good in the public's eye could be taking technology to communities. A sponsorship of computers that have internet access could be added to libraries. If a member of the public wanted to access the internet they will have to pay for the access time as they would in an internet cafe. These computers would also have programmes such as MS Word, Excel and PowerPoint. Libraries already have security systems to protect their current hardware; perhaps these would need to be tweaked a bit.

5.2.12 Earlier involvement in the value chain

FIs should be involved earlier in the cycle or value chain to offer support. Instead of financing the business that sells goods, the FIs should also create platforms for the business owner to be able to take payments. If the business owner only uses cash as a means of payment in his business he exposes himself to potential robbery. If his clients need to buy from him they are also required to draw money and carry it around.

Debit cards have been created by FIs for convenience and safety. However, if the store owner does not have the debit card swiping machine s/he may even lose sales. The business owner or vendor should be able to use a cellphone as a transaction machine. In a housing example, the bank may finance a property developer to build townhouses. When those individual housing units are sold; part of the finance for the individual applicants should be financed through that bank. In fact the FI should work with estate agents and mortgage originators during the buying process. This is to ensure that they provide correct application and product information as they have direct access to the customer. When FIs work with developers more houses will be available for the BP to buy, illustrated next:

Figure 5.1 The cycle or value chain



Source: Author's own. A diagrammatic representation of the involvement in the value chain.

5.3. Conclusion

The recommendations listed in this section will help bridge the gap between the good work that has already been undertaken in South Africa and the encumbrances that hinder this work from being outstanding.

Consumers in developing and developed countries suffer similar problems. Examples are access to consumer advice and education, or unfair pricing regarding products. Access to finance has historically been a factor in SA that developed countries do not encounter. The consumers in richer countries have been typically faced with a myriad of options from which to choose. This lack of access was the reason the BP was taken advantage of by micro lenders who charged exorbitant interest rates and retained the borrower's identity documents.

Furthermore, the language used in FIs financial contracts was not easily understandable to the consumers, whether the members of the BP were at the BOP or higher; although financial literacy is better in more affluent strata. Legislation has addressed some of these issues with the introduction of the NCA and Code of Banking Practice as examples. Further action is needed to make information that is required from the BP to be reasonable.

In the same vein the BP needs easier access to the information provided by the FIs and regulatory institutions. The BOP requires access to finance to better their lives through education and enterprise development as opposed to pure consumption. The less affluent members of the BP may earn less and have a poorer understanding of financial terms but they have room to step out of poverty.

Financial sophistication among poor consumers has been under-appreciated. The sheer complexity of transactions involving stokvels, banks, formal and informal institutions, credit and savings, dismisses any idea that the poor are financially ignorant. The difference is that they work with smaller amounts and are thus exposed to fewer products (Collins, Murdoch, Rutherford & Ruthven, 2009). All strata of the South African BP could derive benefit from better financial support from the financial institutions.

References

ABSA (n.d.). [Online] Available from www.absa.co.za. Retrieved January 23, 2009.

Accenture (2007). Risk Adjusted Performance Management Presentation for Standard Bank, 15 March 2007.

Begg, D; Fischer, S., Dornbusch, R .(2003). Economics**.** Seventh edition. London: McGraw-Hill.

Bisoux, T. (2005), Speaking money. BizEd publication.

Bisseker, C. (2007) Black Middle Class: Who are we? Financial Mail, July 2006, p 35-37.

Botha, J., Darmalingam, S. (2009). Demand remains lacklustre. Standard Bank Economics Publication, October.

CGAP - Consultative Group to Assist the Poor (2009,). The Economist, September 24. [Online] Available from http://www.consumersinternational.org. Retrieved February, 15, 2010.

CI - Consumers International (2009). Our money our right: How the global consumer movement is fighting for fair financial services. [Online] Available from http://www.consumersinternational.org. Retrieved February, 15, 2010.

Code of Banking Practice. (n.d.) [Online] Available from http://www.banking.org.za/our_industry/code_of_banking_practice/language_version/code_of_banking_practice_english.htm. Retrieved October, 30, 2009.

Collins, D; Murdoch, J; Rutherford, S.; Ruthven, O. (2009) Portfolios of the poor: How the world's poor live on $2 a day. Financial Access Initiative. [Online] Available from www.portfoliosofthepoor.com. Retrieved February, 15, 2010.

Competition Commission (n.d.). [Online] Available from http://www.compcom.co.za/banking. Retrieved November, 18, 2009.

Consumer Price Index Headline (2006). [Online] Available from www.statssa.gov.za. Retrieved August, 26, 2006.

Eighty20 (2009). The Bottom of the Pyramid South Africa. [Online] Available from www.eighty20.co.za. Retrieved October, 28, 2009.

Experian (n.d.) Credit check. [Online] Available from http://www.experian.co.za/. Retrieved February, 04, 2010.

Financial Institutions Services South Africa (n.d.). [Online] Available from http://finforum.co.za/financial_institutions.htm#banks. Retrieved November, 18, 2009.

Financial Sector Charter (n.d.) [Online] Available from http://www.fscharter.co.za/page.php?p_id=1. Retrieved 18 November 2009.

Financial Sector Charter (n.d.) [Online] Available from https://sustainability.standardbank.com/?page_id=13. Retrieved October, 30, 2009.

FinMark Trust & TNS Research Surveys (2009). Saving against the storm. Joint press release, issued January.

FinMark Trust & TNS Research Surveys (2009). South Africa in Black and White. Joint press release, issued January.

FinMark Trust & TNS Research Surveys. (2009). Banking comes to more people. Joint press release, issued January.

FNB (n.d.). [Online] Available from www.fnb.co.za. Retrieved January 23, 2009.

Fundisa Fund (n.d.) [Online] Available from http://www.stanlib.com/SBIC/Frontdoor_02_07/0,2354,20204040_28877177_0,00.html. Retrieved February, 15, 2010.

Grameen Bank (2010). [Online] Available from http://www.grameen-info.org/index.php?option=com_content&task=view&id=452&Itemid=526 and http://www.grameen.com/dialogue/dialogue35/SAfrica.html. Retrieved February, 19, 2010.

Khalil, M., Dongier, P., Zhen-Wei Qian, C. (2009) Information and Communications for Development. World Bank. [Online] Available from http://siteresources.worldbank.org/EXTIC4D/Images/IC4D_2009.jpg. Retrieved September, 09, 2009.

Khoza, R. J. (2005). Let Africa Lead: African Transformational leadership for 21st century business. Johannesburg: Vezubuntu Publishing.

Levitt, S.D., Dubner, S.J. (2005). Freakonomics. London: Penguin Books.

Metcalfe, B., Winterboer, T. (2007 and 2009). Strategic and Emerging Issues in South African Banking. Johannesburg: Price Waterhouse Coopers.

Minniwatts Marketing Group, (2008). Internet Growth in South Africa. [Online] Available from http://www.internetworldstats.com/af/za.htm. Retrieved June, 19, 2009.

Monetary Policy Review (2006, May). Monetary Pricing Commitee. [Online] Available from www.reservebank.co.za. Retrieved August, 25, 2006.

Mouton, J. (2002). How to succeed in your Master's & Doctoral Studies. A South African Guide and Resource Book. Pretoria: Van Schaik Publishers.

MyMoney (2007). The 40 years of the ATM. [Online] Available from http://mymoney.iafrica.com/banking/164885.htm. Retrieved November, 17, 2009.

Nedbank (n.d.). [Online] Available from www.nedbank.co.za. Retrieved January 23, 2009.

National Credit Act. (2006). [Online] Available from www.polity.org.za/article/national-credit-act-no-34-of-2005-2006-03-29. Retrieved from October, 30, 2009.

National Debt Mediation Association (NDMA). (n.d.) [Online] Available from http://www.ndma.org.za/Standardcontent.aspx?pid=57. Retrieved 09 September 2009.

Polity (2009) Economic crisis response task team briefs the President. [Online] Available from www.polity.co.za. Retrieved 09 September 2009.

Prahalad, C.K (2006). The fortune at the bottom of the pyramid. Upper Saddle River: Wharton School Publishing.

Prahalad, C.K., Hart, S.L (2002). The Fortune at the Bottom of the Pyramid. Strategy and Business, Issue 26.

Research Surveys (2004). Project Outlook: Strategic presentation prepared for Market Insights Unit, Standard Bank, September 2004. Presentation slides 3, 6, 7, and 16.

Reilly, A., Brown, H. (2000). Investment Analysis and Portfolio Management. Mason: Thomson South-Western.

Rubin, H., Rubin, I. (1995). Qualitative Interviewing: The art of hearing data. London: Sage.

SAOUG (2007). ABSA-Barclay deal. [Online] Available from www.saougpresentations.co.za/.../Muneer%20Jassat%20%20Daily%20Business%20Intelligence%20WP.doc. Retrieved November, 16, 2009.

SBSA (n.d.) [Online] Available from www.standardbank.co.za. Retrieved January 23, 2009.

South African Reserve Bank (SARB) (September 2009 data) [Online] Available from www.sarb.co.za . Retrieved 16 November 2009.

South African Reserve Bank Quarterly Bulletin September (2008), [Online] Available from www.reservebank.co.za/.../QuarterlyBulletins6AF7920302C489BB42256B440046F4F2_.pdf. Retrieved October, 26, 2010.

South African Reserve Bank Quarterly Bulletin September (2010), [Online] Available from http://www.reservebank.co.za/internet/Publication.nsf/LADV/6E85FA3BED84CF52422577A40054F919/$File/NOTEa092010.pdf. Retrieved October, 26, 2010.

South African Info. (2007). South Africa's population by province, 2007. [Online] Available from http://www.southafrica.info/about/people/popprov.htm. Retrieved November, 16, 2009.

Transunion. (n.d.). Credit Record or Credit check [Online] Available from .http://www.transunion.co.za/home.html. Retrieved February, 04, 2010.

Turner, G. (2009) The Credit Crunch. London: Pluto Press.

Van Zyl, C.; Botha, Z.; Skerrit, P. (2002). Understanding South African Financial Markets**.** Pretoria**:** Van Schaik.

Whitfield, B. (2009). BANK is a four letter word: When the banking environment turns hostile, banks turn to their clients. FinWeek pp. 18-23.

Wizzit 2009. The Wizzit way: Wizzkid Training Manual (2009). Provided at Wizzkid training session October 15, 2009, Johannesburg.

XDS (n.d.) Credit check. [Online] Available from www.online.**xds**.co.za/**xds**enquiry .Retrieved February, 04, 2010.

Yunus, M. (2009). 7th Nelson Mandela Annual Lecture, presented in Johannesburg.

Appendix

As part of the primary data gathering the following questions were posed to four FI managers. Two of these were based in South Africa; one working in micro-lending and the other in banking. The other two banking professionals were in Australia and Kuwait.

Questionnaire

1. Do you think there will be further consumer protection legislation?
2. Do you anticipate further demands for more transparency on pricing and products?
3. Where do you see the future of cell or mobile phones in financial services?
4. Do you maintain a relationship with your existing customers? How?
5. Where do you think bank/micro loan customers go for financial advice?
6. Do you ever mention blacklisting to your existing customers?
7. If yes, when an existing customer is listed, whom do you refer them to for further investigation?