



## **SOUTH AFRICAN TRANSFORMATION MONITOR (SAT MONITOR)**

TRANSFORMATION IN THE BANKING SECTOR: OWNERSHIP OF BANK ACCOUNTS, CREDIT CARDS, ATM CARDS, DEBIT CARDS AND MZANSI ACCOUNTS IN SOUTH AFRICA

(1994-2009)



## Contents

1	<b>Introduction</b>	<b>3</b>
1.1	South African Transformation Monitor	4
1.2	South African Transformation Index	4
1.3	The use of terminology	4
1.4	Data collection methodology – The Financial Sector	5
1.5	South Africa's population racial analysis	6
<b>2</b>	<b>Transformation in the banking sector in South Africa</b>	<b>6</b>
2.1	The South African retail banking sector as at 2008	6
2.2	Percentage of South African adult population banked, (1994 – 2007)	7
2.3	Ownership of bank accounts by race (1994 -2008)	8
2.4	Mzansi accounts by race (2005-2009)	8
2.5	Ownership of, debit cards, ATM cards, Savings/Transaction accounts, Post Bank accounts by race	10
2.6	Conclusion	11
3	<b>References</b>	<b>13</b>
	<b>Appendix</b>	<b>14</b>

## SOUTH AFRICAN TRANSFORMATION MONITOR

### 1. Introduction

Since South Africa's transition to democracy, black economic empowerment (BEE) has been one of the main priorities of government. In 1994, South Africa was characterised by a black<sup>1</sup> population that was, as a rule, poverty stricken and economically marginalised. In order to rectify the skewed economical profile of black South Africans, a vast body of legislation, policies and charters in various sectors of the economy have been introduced since 1994. Instrumental in ensuring black advancement<sup>2</sup> are the Employment Equity Act 55 of 1998 and the Broad-Based Black Empowerment Act 53 of 2003 as well as numerous other acts that are listed in Appendix A.<sup>3</sup>

Solidarity acknowledges the need for a strong black middle class as such a middle class is crucial for the creation of a politically and socially stable society. South Africa has entered its sixteenth year of democracy. Along with a number of other difficult questions and challenges that confront the nation, the trade union recognises the importance of determining how far South Africa has come with BEE. Why is this important? On the one hand there are those who say that BEE has had little effect on the economical and social development of blacks. They want government to implement more stringent BEE measures and they want to see government ensuring that BEE is implemented more aggressively. On the other hand there are those who proclaim that BEE measures have succeeded far better than what is commonly acknowledged. They call for an urgent stocktaking regarding the progress and success of BEE. They also call for a responsible debate on the application and future of BEE measures. The core ingredients for the true realisation of human potential, so they say, are economic freedom and the development of a strong legal framework, a robust infrastructure and human security.

Central to this question stands Solidarity's realisation that BEE, achieved through special measures, should not continue longer than is necessary and rational. It is therefore important that black advancement is measured in a responsible and factual manner in order to constantly deal with the question of when special measures should be phased out or stopped.

Unfortunately, there is no authoritative instrument for measuring black advancement in South Africa. Solidarity has therefore taken the initiative to conduct research on transformation and black advancement in a number of identified sectors. This study is called the South African Transformation Monitor (SAT Monitor) and we will announce the findings of the SAT Monitor on a monthly basis until February 2011.

Commencing in March 2010, each month will see the publication of Solidarity's findings in a specific sector. This project will culminate in the publication of Solidarity's South African Transformation Index (SATI) that will be updated annually in order to monitor black advancement and transformation.

---

<sup>1</sup> The broad definition of blacks includes Indians and Coloureds.

<sup>2</sup> This term includes economic, social and political advancement.

<sup>3</sup> Based on research by Prof. JJ Malan at the Department of Public Law, University of Pretoria.

This study documents the actual progress made by the different racial groups in the areas identified since the transition to democracy. It also considers the impact of these changes on the broader political economy. Solidarity's findings in the first phase of the project were that blacks have advanced rapidly from an economic point of view since 1994. We say this with the knowledge that we have been careful to measure black advancement and transformation in South Africa in an accurate, comprehensive and objective manner. Given the sensitive nature of a project such as this one, we take a very conservative approach in reaching our conclusions.

## 1.1 **SAT Monitor**

The SAT Monitor will provide statistical evidence of the progress black South Africans have made alongside other racial groups since 1994. Research will be broken down into several phases, with each phase concentrating on a certain sector of the economy. The sectors covered are as follows:

- 1.1.1 Black ownership of the Johannesburg Stock Exchange (JSE) and ownership of insurance policies;
- 1.1.2 the public sector;
- 1.1.3 bank accounts, savings accounts and credit cards;
- 1.1.4 company registrations and directorships;
- 1.1.5 education enrolment and levels (primary, secondary, tertiary, public and private);
- 1.1.6 income;
- 1.1.7 land ownership, land holding and mortgages (private and government);
- 1.1.8 management (private sector);
- 1.1.9 occupations (skilled employment);
- 1.1.10 professions (IT, accountants, engineers, doctors, lawyers etc);
- 1.1.11 access to healthcare; and
- 1.1.12 tertiary education.

## 1.2 **SATI**

As previously stated, the SATI will be constructed using the research in each sector as cornerstone. The SATI will also be updated annually, using the research done in the sectors for a specific year.

## 1.3 **The use of terminology**

The study uses data spanning 1994 to 2009. The meaning of given terminology, with specific reference to the use of Indian/Asian and African/black, changed over this period. An explanation of this terminology is important for the interpretation of this report.

Before the implementation of the Employment Equity Act in 1998 and the introduction of new reporting structures by government, most government departments generally used the word black when referring to black (skin colour) South Africans and Asian when referring to South Africans of Asian descent. After 1998 the reporting structure changed, with the designation African referring to black (skin colour) South Africans, Indians and Coloureds.

These three classifications make up what is now called the broad definition of black in South Africa today. White refers to South Africans with a white skin colour.

Throughout this study, the broad definition of black (which includes African, Indian and Coloured) is used.

## 1.4 **Data collection methodology**

### **The financial sector**

According to the FinMark Trust, since the end of the apartheid era in 1994, the South African retail-banking sector has been dominated by four privately owned banks (FNB, ABSA, Standard Bank and Nedbank) that serve various market segments with a variety of banking products. These four banks constitute 84% of the total banking sector assets and will be the focus of our analysis. Other banks include the state-owned Post Bank, Capitec Bank and Teba Bank.

According to the Financial Service Charter, all financial institutions must commit to measurable goals with respect to access provision, whereby these banks commit to provide accessible, affordable financial services for the wider population (Blacks, Coloureds, Indians and Whites). The financial sector has acknowledged that access to first-order retail financial services is fundamental for black advancement and for the development of the economy as a whole. The sector has also committed itself to increasing access to transaction and bank savings products for all racial groups. This report will aggregate and analyse data on financial services access by different racial groups in South Africa since 1993 to 2009.

The Charter's access commitments and definition brought about the creation of Mzansi accounts in October 2004. This product was rolled out to satisfy the access commitment for lower income groups of all races in South Africa. This was a sole initiative of the private banks; the government-owned Post Bank was not a signatory to this. An analysis of access to Mzansi accounts by all racial groups since its inception to 2009 will therefore also be analysed in this study.

### **Data for the study**

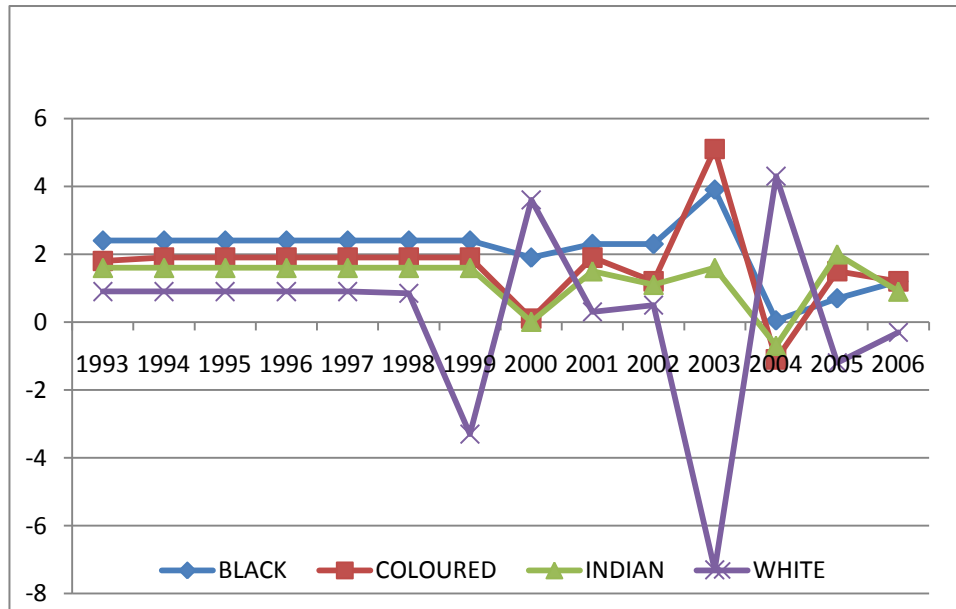
The data for this study has been obtained from various sources since no single organisation/institution has comprehensive documented information on access to financial services in South Africa. Data used for this study has been obtained from the Financial Services Seta, FinScope, FinMark Trust, Bankable Frontier Associates and AMPS. The graphs in the report are drawn to illustrate the racial transformation in access to various banking products.

Two levels of analysis are presented. The first is of Black representation as a percentage of the total population that has access to savings and transaction accounts compared to Whites. The second examines access to Mzansi accounts by race.

## 1.5 South Africa's population racial analysis

Figure 1 shows that since 1993 there has been growth in the SA population in all racial groups. The Black population increased by 2.3%, the Coloured population by 1.68%, the Indian population by 1.19%, and the White population by .01%.

Figure 1: SA percentage population increases from 1993-2006



Source: South African survey 2008 Stats SA

## 2 TRANSFORMATION IN THE BANKING SECTOR IN SOUTH AFRICA

### 2.1 The South African retail banking sector as at 2008

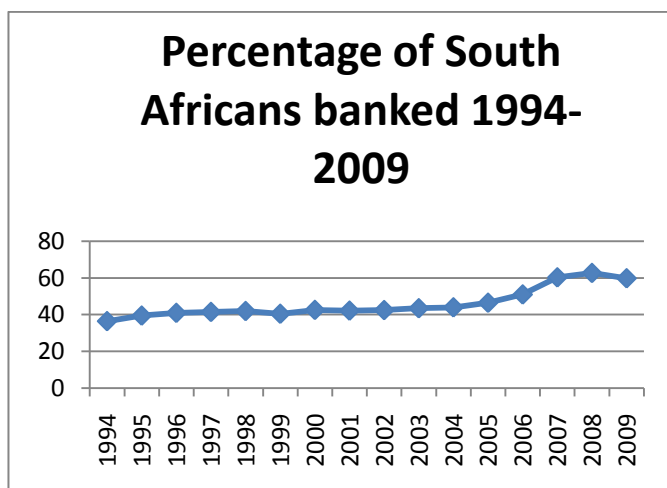
According to FinScope™ South Africa 2007, the percentage of South Africans over the age of 16 who use banks has increased to 60% from approximately 36.2% in 1994. The analysis done during this study has shown that the increase in access to bank accounts has been greater than the growth in population over the same period. The South African retail banking sector has long been dominated by four large, privately owned, commercial banks. These banks, ABSA, FNB, Standard Bank and Nedbank, own 84% of banking products in South Africa. This is illustrated below.

**Table 1: The Banking Sector in South Africa**

Bank	Ownership	Total Assets	Total Clients
ABSA	Majority owned by Barclays, listed on the JSE	\$70 billion	10.0 million
Nedbank	Old Mutual Group, listed on the JSE	\$50 billion	4.0 million
Standard Bank	Standard Bank group listed on the JSE	\$85 billion	8.6 million
FNB	First Rand Group, listed on the JSE	\$61 billion	7.5 million
<b>Big Four Total</b>		<b>84% of total banking sector</b>	<b>30.1 million</b>
Post Bank	State-owned	N/A	6.0 million
Capitec Bank	Widely held, listed on the JSE	\$455million	1.6 million
Teba Bank	Private Trust Controlled by mining industry	\$312 million	0.5 million
African Bank	Widely held, listed on the JSE	\$1.7 billion	0.4 million loans (not necessarily client based)

Sources: Bankable Frontier Associates' Report on the Mzansi account in South Africa, 2009,

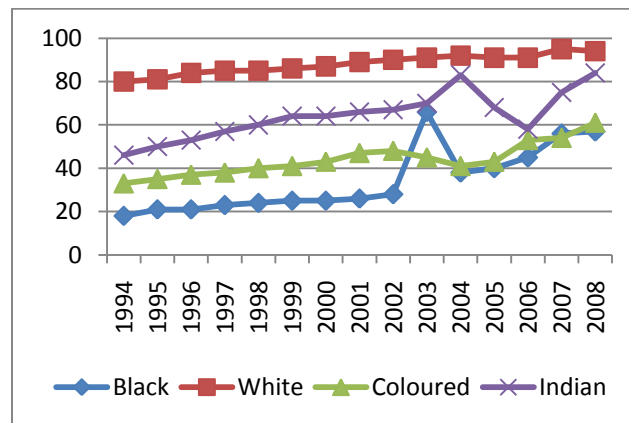
**2.2 Figure 2: Percentage of South African population banked, 1994-2009**



Source: All Media and Product Surveys (AMPS), as presented in fig 2.1 in Porteous, D., Banking on change and TNS Research/FinMark Trust press release March 2008 FinMark Trust 2009.

Figure 2 shows that the number of people banked in South Africa increased from about 36.5% in 1994 to over 60% in 2009. But, these aggregate figures may be misleading as they do not indicate the racial composition of bank account owners. In the following section, bank account ownership will be decomposed by race to highlight the changes that have taken place.

**2.3. Figure 3: Ownership of bank accounts by race (1994-2008)**



Source: Various (TNS Research Survey press release March 2007, FinScope 2009)

Figure 3 shows that between 1994 and 2008, there has been an increase in ownership of bank accounts for all racial groups in South Africa. White ownership of bank accounts increased from 80% in 1994 to 94% in 2008, Coloured ownership from 33% in 1994 to 61% in 2008, Indian ownership from 46% to 84%, and Black ownership increased from 20% in 1994 to 57% in 2008.

Blacks, Indians and Coloureds have been the clear winners in terms of gaining greater access to bank accounts since the transition to democracy. The average percentage increase in ownership of bank accounts for Blacks is 37%, while it is 14% for Whites. Therefore, there has been significant transformation in ownership of bank accounts since the transition to democracy in 1994 to the present day.

Nonetheless, a significant portion of the black population is still unbanked. This problem was the reason why the commercial banking sector launched Mzansi accounts in 2004. The Mzansi initiative is analysed below.

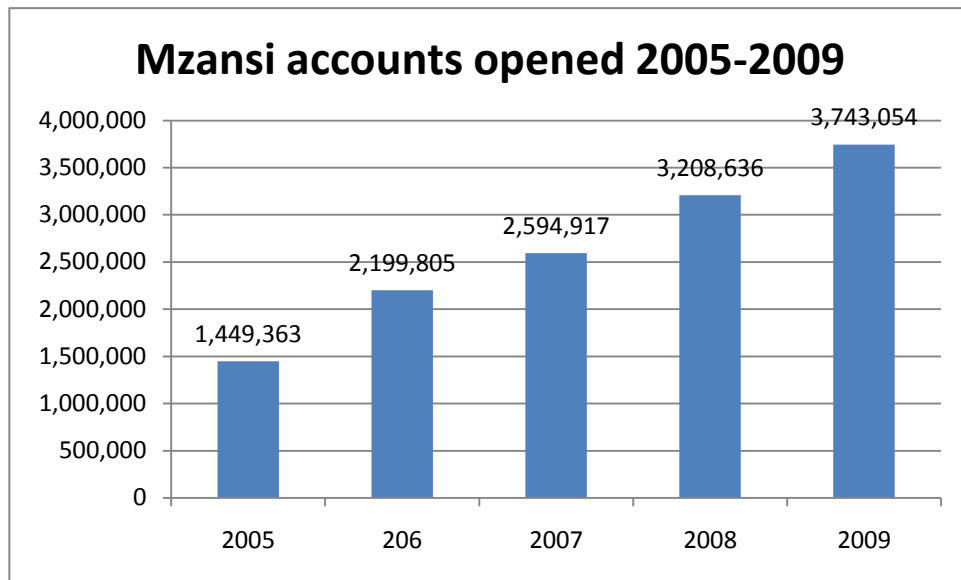
## 2.4 Mzansi Accounts

The Mzansi initiative was launched by the commercial banking sector in 2004 to provide affordable banking to the bankable but unbanked portion of the population as part of the Financial Sector Charter commitment. Prior to the introduction of the Mzansi initiative, it was estimated that about 17.8 million individuals of banking age had no access to basic financial services and were mostly from previously disadvantaged population groups.

Mzansi is a savings account. Although its pricing structure differs from bank to bank, it includes such free services as electronic deposits, two ATM withdrawals, two cash deposits, one balance enquiry, one debit order, one rejected debit order, and has no minimum monthly fee. The pricing of this bundle of services should be less than or equal to 1.7% of the average presumable monthly income of R1000 (CPIX adjusted annually).

The aim of Mzansi was to ensure that those individuals falling into the lower income group could have first-order retail banking products that would provide them with entry-level banking services. According to the Financial Sector Charter, access meant that banking services should be available to all South Africans within 20 kilometres from their place of residence.

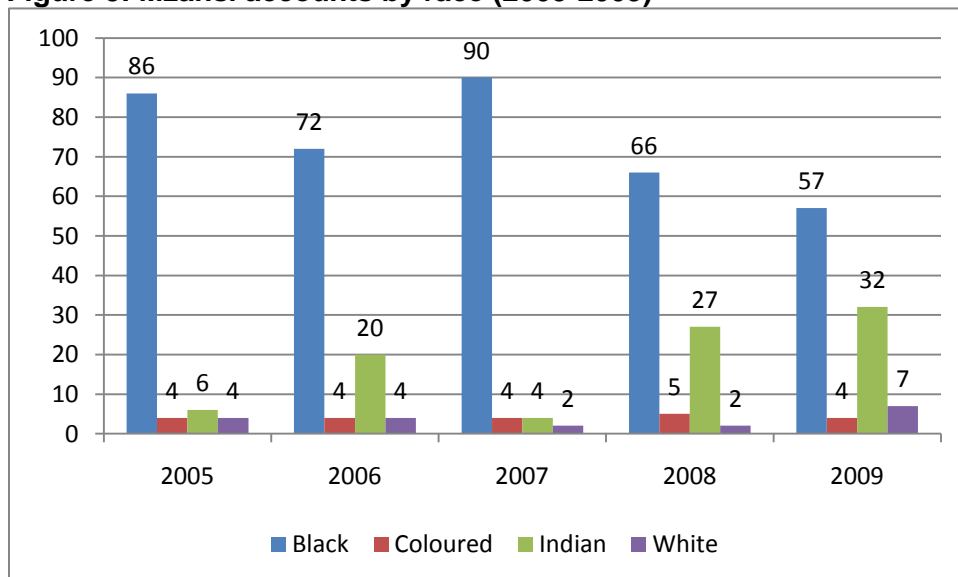
**Figure 4: Mzansi Accounts Opened (2005-2009)**



Source: FinScope South Africa 2009.

Figure 4 shows that the number of Mzansi accounts opened more than doubled (a 158% increase) between 2005 and 2009. This shows that the banks are committed to ensuring access to banking services to the greater population of South Africa. In figure 5, the number of Mzansi accounts are decomposed to highlight the racial distribution of their ownership.

**Figure 5: Mzansi accounts by race (2005-2009)**



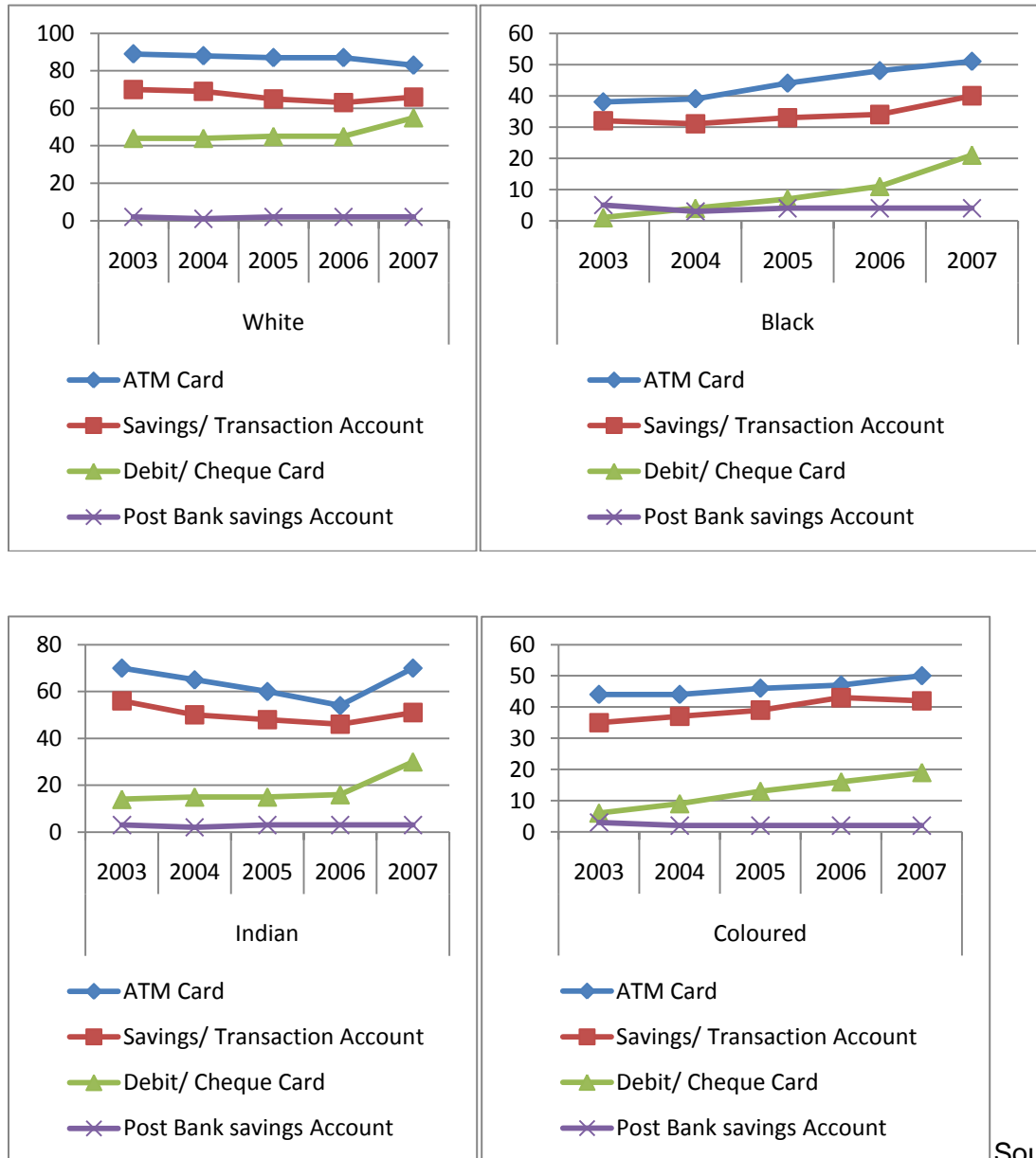
Source: FinScope South Africa 2009

From figure 5, it can be seen that all racial groups have benefited from the Mzansi account initiative. Although the figure above shows a decrease in the ratio of Black

account holders between 2008 and 2009 (from 90% to 57%), it must be noted that Blacks still represent the majority of account holders in each year. White account holders increased from 2% in 2007 to 7% in 2009.

2.5

**Figure 6: Ownership of debit cards, ATM cards, savings/ transaction accounts, Post Bank accounts by race**



Source:

FinScope South Africa 2003, 2006, 2007

Figure 6, illustrates that there is a significant increase in the penetration of banking products such as ATM cards, savings/transaction accounts, debit/cheque cards, and Post Bank savings accounts by all racial groups in South Africa.

Between 2003 and 2007, ownership of ATM cards increased from 42% to 51% for Blacks; from 47% to 50% for Coloureds, and from 54% to 70% for Indians, while for Whites there was a decrease from 87% to 83%.

Between 2006 and 2007, ownership of savings/transaction accounts increased from 34% to 40% for Blacks, from 63% to 66 % for Whites, from 46% to 51% for Indians, but decreased for Coloureds from 43% to 42%. Debit and cheque card ownership increased from 11% to 21% for Blacks, from 45% to 55% for Whites, from 16% to 19% for Coloureds, and from 16% to 30% for Indians.

Ownership of credit cards showed an overall increase from 7% in 2006 to 9% in 2007. For Blacks the increase was from 2% to 4%, 27% to 42% for Whites, 11% to 20% for Indians, but a decrease from 8% to 5% for Coloureds.

The ownership ratio of Post Bank accounts remained almost static for all racial groups within this period.

## **2.6 Conclusion**

Between 1993 and 2009 the number of banked South Africans increased remarkably, especially in the Black population. This has largely been due to easier access to banking services being provided to people living in informal urban areas and those earning less than R2000 a month. Undoubtedly, the products and services offered, such as Mzansi accounts, ATM cards, debit/cheque cards, credit cards, savings and transaction accounts, as well as cell phone banking have been the driving force behind the substantial increase in bank account owners.

It can only be concluded, therefore, that a remarkable transformation took place in the banking sector in South Africa between 1994 and 2009. Since the transition to democracy, and the access commitment signed by commercial banks in the Financial Sector Charter, all South Africans now enjoy equal access to banking services. Generally, out of a total adult population of 31,589,440, the number of bank account owners in South Africa has increased from 9 million in 1994 to about 20 million in 2008.

## References

1. South Africa 2007. Press release (FinScope, TNS research surveys, FinMark Trust)
2. Banking Frontier Associates (2009): The Mzansi bank accounts in South Africa: Final report.
3. FinScope Surveys 2009
4. The South African Advertising Research Foundation: AMPs
5. David Porteous (2005): The access frontier as an approach and tool in making markets work for the poor. DFID policy division.
6. Summary Report: Findings of the FinScope study into financial access and behaviour of the South African population 2003.

## APPENDIX A

The National Youth Commission (section 4(2) of the National Youth Commission Act 19 of 1996); cultural councils (section 5(3) of the Cultural Institutions Act 119 of 1998); the South African Geographical Names Council (section 3(2)(b) of the South African Geographical Names Council Act 118 of 1998), the National Environmental Advisory Board (section 4(2) of the National Environmental Management Act 107 of 1998), the National Empowerment Fund (section 6(1)(b) of the National Empowerment Fund Act 105 of 1998), appointments made in terms of the Employment of Educators Act 76 of 1998 (section 7(1)(b) of the Act); the State Information Technology Agency (section 14(4) of the State Information Technology Agency Act, 88 of 1998); the Competition Tribunal (section 28(1)(a) of the Competition Act, 89 of 1998); the National Home Builders Registration Council (section 4(2) of the Housing Consumers Protection Measurements 95 of 1998); the Municipal Demarcation Board (section 6(3)(a) of the Local Government Municipal Demarcation Act 27 of 1998); the National Film and Video Foundation (section 7(1)(c) of the National Film and Video Foundation Act, 73 of 1997); the Small Enterprise Development Agency (section 11(4) of the National Small Business Act 102 of 1996); the Board of the South African Broadcasting Corporation (Section 13 (4)(c) of the Broadcasting Act 4 of 1999); the National Heritage Council (section 5(2) and (3) of the National Heritage Council Act 11 of 1999); the South African Heritage Resources Agency (section 14(2) and 23 of the National Heritage Resources Act, 25 of 1999); the Council of the Independent Communications Authority and the staff of the Council (section 5(3)(b) and 14(2) of the Independent Communications Authority of South Africa Act 13 of 2000); the Council for Educators (section 6(1) of the South African Council for Educators Act 31 of 2000); the Board of the National Health Laboratory Service (section 7 of the National Health Laboratory Service Act 37 of 2000); the Council for the Built Environment (section 5 of the Council for the Built Environment Act 43 of 2000); the Council for the Architectural Profession (section 3 of the Architectural Profession Act 44 of 2000); the Council for the Landscape Architectural Profession (section 3 of the Landscape Architectural Profession Act 45 of 2000); the Engineering Council of South Africa (section 3 of the Engineering Profession Act 46 of 2000); the Council for the Property Valuers Profession (section 3 of the Property Valuers Profession Act 47 of 2000); the Council for the Project and Construction Management Professions (section 3 of the Project and Construction Management Professions Act 48 of 2000); the Council for the Quantity Surveying Profession (section 3 of the Quantity Surveying Profession Act 49 of 2000); public centres (section 11(4) of the Adult Basic Education and Training Act 52 of 2000); the Appeal Board established in terms of the Firearms Control Act (section 128 (2) of the Firearms Control Act 60 of 2000); the Advisory Board on Social Development (section 5(2) of the Advisory Board on Social Development

Act 3 of 2001); the National Council for Library and Information Services (section 8(2) of the National Council for Library and Information Services Act 6 of 2001); the Board of the Weather Service (section 5(3)(c) of the South African Weather Service Act 8 of 2001); the Council of the Private Security Industry Regulatory Authority (section 14(4)(b) of the Private Security Industry Regulation Act 56 of 2001); the Council for General and Further Education and Training Quality Assurance (section 6(c) of the General and Further Education and Training Quality Assurance Act 58 of 2001); the Council of the Africa Institute (section 4(3) of the Africa Institute of South Africa Act 68 of 2001); the Board of the Media Development and Diversity Agency (section 4(4)(b)(i) of the Media Development and Diversity Agency Act 14 of 2002); the Board of the Land and Agricultural Development Bank (section 8(6)(a) of the Land and Agricultural Development Bank Act 15 of 2002); the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (section 9(3) of the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities Act 19 of 2002); the Domain Name Authority Board (section 62(3)(a) of the Electronic Communications and Transactions Act, 25 of 2002); the Minerals and Mining Development Board (section 9(2) Mineral and Petroleum Resources Development Act 28 of 2002); the Appeal Board (section 24(5) of the Planning Profession Act 36 of 2002); the staff composition of the Electronic Communications Security (Pty) Ltd (section 14(2) of the Electronic Communications Security (Pty) Ltd Act 68 of 2002); the Commission (section 8(1)(c) of the International Trade and Administration Act 71 of 2002); the Council for the Natural Scientific Professions (section 3(2) Natural Scientific Profession Act 27 of 2003); the Local Valuation Appeals Boards (section 58(2) of the Local Government: Municipal Property Rates Act 6 of 2004); the Financial Services Ombud Schemes Council (section 3(2)(a)(ii) of the Financial Services Ombud Schemes Act 37 of 2004); the Energy Regulator, section 6(2)(b) of the National Energy Regulator Act 40 of 2004); the Independent Regulatory Board for Auditors and its committees (section 11(3)(a) and 20(3)(b) respectively of the Auditing Profession Act 26 of 2005); the National Consumer Tribunal (section 28(1)(a) of the National Credit Act 34 of 2005); the councils of public colleges as well as the appointment of lecturers and support staff of such colleges (section 10(7)(e) and 20(7) of the Further Education and Training Colleges Act 16 of 2006); the Board of the National Metrology Institute (section 10(2)(a) of the Measurement Units and Measurement Standards Act 18 of 2006); the Board of the South African National Accreditation System (SANAS) (section 8(2)(a) of the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act 19 of 2006).