

**FINANCIAL
INCLUSION**
INDABA & EXHIBITION
2012



KEY HIGHLIGHTS of the
Financial Inclusion Indaba and Exhibition

Theme: “*The State of Financial Inclusion in South Africa*”

Johannesburg Stock Exchange (JSE), Sandown
South Africa

21 September 2012



INAUGURAL FINANCIAL INCLUSION INDABA AND EXHIBITION of The Banking Association South Africa - JSE on 21 September 2012

The inaugural Financial Inclusion Indaba and Exhibition 2012 took place on 21 September 2012 at the Johannesburg Stock Exchange (JSE). Its aim was to provide a platform for the member banks in the Financial Inclusion space to come together with other stakeholders in the continuum of institutional players in the Financial Inclusion space, to learn from each other and to share information in our quest to embed Financial Inclusion. Beyond being a precursor for future reference and inclusive growth of the sector and broader economy the Indaba must deliver outcomes that will influence policy direction and inform regulatory reforms.

Financial Inclusion is broadly about universal access and usage of financial services. Its main goal is to improve the range, quality and availability of financial services and products to the unserved, under-served and financially excluded. As the banking industry our working definition of Financial Inclusion is underpinned by eight principles:

- Access
- Affordability
- Appropriateness
- Usage
- Quality
- Consumer Financial Education
- Innovation and Diversification
- Simplicity

In the South African context; the Financial Inclusion journey began with the Financial Sector Charter signed in 2003, by various constituencies including the banking industry. Delegates at the Indaba included executives and representatives from the member banks of The Banking Association South Africa, regulators, policy-makers, Government and its' agencies, development financing institutions, micro-finance institutions, multi-lateral organisations, researchers, other financial intermediaries, the media and select stakeholders both from the demand and supply-side of the Financial Inclusion spectrum.

Also to help us draw on South-to-South learnings of inclusive banking were representatives from the SADC Banking Association, in particular the Zambia, Lesotho, Zimbabwe and Malawi Bankers Associations; the Kenya Bankers Association, UNCDF, CGAP, Alliance for Financial Inclusion (AFI), researchers and the media.

The programme was made up of 3 panel discussions:

- The first panel on the role of the banking sector in Financial Inclusion (Standard Bank, Wizzit, African Bank, Ithala, ABSA, FNB EasyPlan, Ubank, Nedbank and Postbank)

- The second panel on South-to-South learnings on inclusive banking approaches (CGAP, Colombia Program of the Presidency, Kenya Bankers Association, UNCDF, Standard Bank Africa and Genesis Analytics)
- The third panel explored the role of financial sector regulators in promoting Financial Inclusion and trade-offs in maintaining the integrity and stability of the financial system (Alliance for Financial Inclusion, National Treasury, Financial Services Board, FinMark Trust, Financial Intelligence Centre, National Consumer Tribunal and Cooperative Banks Development Agency)

Each panel discussion was followed by a dialogue session, all in the spirit of being an Indaba – a dialogue session. The exhibition hosted Capitec, Postbank, Standard Bank, ABSA, FinMark Trust, UNCDF, The Banking Association South Africa, National Credit Regulator and SABRIC.

KEY HIGHLIGHTS

- 27% of adult South Africans remain financially excluded, that is about 9.1 million people.
- The banking sector is the crown jewel of the SA economy and has to play a catalytic role in facilitating financial inclusion.
- South Africans twice as likely to have access to financial services beyond neighbouring Botswana and Namibia.
- SA's financial depth may therefore be optimal – what is more critical at this stage, is it Access or Usage?
- Progressive regulation in South Africa thus a stable and resilient financial sector.
- Unsecured lending an issue, but unsecured lending market is necessary for inclusion. High indebtedness – 76% of households' disposal income is debt.
- National Development Plan sets South Africa on a high growth path – with a target of 90% inclusion by 2030. Minister of Finance has challenged the financial sector to attain 70% inclusion by 2013.
- What role can the financial sector in particular banking do to facilitate inclusion?
- Financial Sector Charter soon to be Financial Sector Code – to embed financial inclusion
- 106 finance sector cooperatives and 2 registered cooperative banks
- National Payment System to facilitate inclusion
- Twin Peaks introduced – 1 of the 4 policy priority areas is financial inclusion – Treasury commended for having financial inclusion incorporated in the draft policy document.
- Promoting financial inclusion is a continuous process and partnerships essential
- G20 Partnership for Financial Inclusion and Alliance for Financial Inclusion (AFI) Global Policy Forum (in Cape Town 26 to 28 September 2012) and forum such as the Banking Association's Financial Inclusion Indaba are to further advance financial inclusion. AFI has 88 members including Treasury. AFI is a network of policy-makers and regulators with a common goal of increasing access to financial services.
- Consumer financial education in the collaborative space necessary – as financial literacy is the core platform for financial inclusion.
- Financial literacy is part of the school curriculum's Economic Management Science learning area and as of 2013- EMS comprises of 40% financial literacy, 30% the economy and 30% entrepreneurship.

- Teach Children to Save South Africa™ - a collaborative and generic financial literacy programme of the banking industry and financial sector. Industry needs to talk more about such initiatives and use them as building blocks for entrenching appropriate financial capability.
- Financial inclusion through mobile technology. Financial inclusion is an incredibly complex field – usage is a challenge. To meet the needs of the market and earn the trust. The role of telcos.
- Accessibility, appropriateness, simplicity, affordability, quality and relevance critical.
- Alternative delivery channels and innovation for depth in financial inclusion.
- Banks to introspect on product offerings and client interface.
- Financial inclusion to extend beyond individuals to include MSMEs – micro, small and medium enterprises.
- Regulation to be progressive and outcome-based. Fragmented, uncoordinated regulation impedes on financial inclusion.
- M-Pesa in Kenya thrived because regulation was enabling. M-Pesa would not have been possible without the Central Bank of Kenya role. CBK allowed flexibility and innovation.
- Regulation not to be self-imposed by the banks at the detriment of financial inclusion.
- Policy-makers and regulators to consider ‘rein fencing or carving’ out financial inclusion regulation.
- How do we promote financial inclusion in a country and environment with a world-class banking system (2nd in soundness of banking after Canada) whilst being amongst the most unequal societies in the world?
- To incentivise players in the financial inclusion space.
- Role of the Government and state-owned institutions such as Postbank to broaden access. Postbank may play better role in leveraging off the existing infrastructure of banks and rather be a partner than a competitor to facilitate meaningful financial inclusion.
- Diversification of the financial sector encouraged e.g. cooperative banks and micro-finance institutions. Dedicated Banks Bill has not been forthcoming.
- Language can be exclusionary.
- To have a Champion of financial inclusion in SA at the topmost level – e.g. in Colombia it is driven by the Presidency.
- To establish such forum for such continuous dialogues and information-sharing.
- To institutionalize the South-to-South learnings drawn from panel 2.
- Explore how to make feed outcomes of the Indaba into the AFI GPF 2012 in Cape Town.
- Business models to incorporate financial inclusion.
- Financial inclusion is key element for financial stability and integrity of the financial system.
- For financial inclusion to thrive, economic inclusion is a necessity.

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