

"Personal Savings and the Banking Sector : a survey of the confidence in the banking sector amongst rural and urban Black people in South Africa - a case study."

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In South Africa net saving is regarded as being low compared to its investment needs. The savings ratio of households (taken to be "savings at deposit-taking institutions"; see J.W.Prinsloo(1994): Private Sector Saving in South Africa. South African Reserve Bank Quarterly Bulletin, December 1994, pp.25 - 35.) was estimated at 5.15% between 1990 - 1993. This assumption on the nature of private saving excludes savings made in informal savings organisations in South Africa. It is therefore alleged that savings exist outside the formally measured savings of households in South Africa. The purpose of this paper is to establish the relationship between the banking sector in South Africa and the rural and urban Black community in an attempt to investigate the flow of savings from that community to the banking sector or to other destinations. Recent criticism has been launched against the banking sector for a lack of credit to the Black community. This paper will analyse the importance of savings flows to the formal financial sector as a prerequisite for lending. A lack of savings flows to the

formal banking sector would exclude such savings from the financial intermediary function of the formal financial sector and thus inhibit optimum functioning in that respect from the formal banking sector. This paper will also address the phenomenon of low savings ratios in developing countries in comparison with savings ratios in South Africa. It will be important to establish how the overall South African household savings performance compares with savings ratios of households in developing countries. The overall savings propensity of households in South Africa must differentiate between formal and informal savings. This is not adequately addressed by official statistics. The second part of the paper will then address the question why people save via informal savings organisations and thus not allowing the formal banking sector to perform its financial intermediary role optimally. An analysis will be made of the reasons for the extensive network of informal savings organisations in South Africa. In this section the authors will reflect on the comparative position in other developing countries as a terms of reference for the Black community in South Africa. The third part of the paper will interpret questionnaires distributed amongst rural and urban Black communities (both in townships and informal settlements) on the nature and location of their savings. The questionnaires will establish the ratio of savings to income, where savings is kept/placed, why savings is kept there in an attempt to establish the relationship between savings in the Black community and the formal banking sector. The questionnaires will also focus on the reasons why Black communities save in informal financial organisations and thus forfeit interest earnings through the formal banking sector. Simultaneously the questionnaires will establish the sources of credit utilised by the interviewees in order to establish the credit flows between the Black community and the formal banking sector. Finally the paper will attempt to address the shortcomings in the current formal financial sector in South Africa in attracting optimal savings from the Black community. The authors will attempt to analyse the allegation of a lack of credit to the Black community by the formal financial sector on the basis of the case studies undertaken. The case studies will be undertaken in Mpumalanga (eg. Malelane) Northern Province (eg. Bushbuckridge) and Gauteng (eg. Diepsloot, Etwatwa, Soweto and Berea / Yeoville / Hillbrow) during May - July 2001.

