BANK SETA

Inclusive Banking Sector Skills Plan

2013-14

"Our research and benchmarking focus facilitates the sector's growth and global competitiveness through knowledge provision."

ENABLING SKILLS DEVELOPMENT IN THE BANKING AND MICROFINANCE SECTOR

INVESTORS IN PEOPLE

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AFI	Alliance for Financial Inclusion
ATR	Annual Training Report
BANKSETA	Banking Sector Education and Training Authority
BASA	Banking Association of South Africa
CBDA	Cooperative Banks Development Agency
CFF	Central Finance Facility
CFI	Co-operaive financial institution
CGAP	Consultative Group to Assist the Poor
CIBA	Centre for Inclusive Banking in Africa
COP17	The 17^{th} Conference of the Parties
CSFI	Centre for the Study of Financial Innovation (United Kingdom)
DHET	Department of Higher Education and Training
EMIS	Education Management Information System
EMLAS	Equitable Mutual Life Assurance Society
FAIS	Financial Advisory and Intermediary Services
FET	Further Education and Training
FETI	Further education and training institution
FICA	Financial Intelligence Centre Act
FSB	Financial Services Board
GDP	Gross Domestic Product
HEI	Higher education institutions
HEMIS	Higher Education Management Information System
HET	Higher Education and Training
IB	Inclusive banking
ICT	Information and communication technology
ILO	International Labour Organisation
IT	Information technology
MBA	Masters in Business Administration
ME	Micro-enterprise
MFI	Microfinance institution
MFSA	Microfinance South Africa
MTEF	Medium-term Expenditure Framework
MTSF	Medium-term Strategic Framework
NCA	National Credit Act
NCR	National Credit Regulator
NCV	National Certificate (Vocational)
NDP	National Development Plan
NEET	Not in employment, education or training
NEHAWU	National Education, Health and Allied Workers' Union

NGO	Non-governmental organisation
NQF	National Qualification Framework
NSBC	National Small Business Chamber
NSC	National Senior Certificate
NSDS III	National Skills Development Strategy III
NSF	National Skills Fund
PESTEL	Political, Economic, Social, Technological, Environmental and Legislation
PIVOTAL	Professional, vocational, technical and academic learning
QM	Quality Management
RPL	Recognition of Prior Learning
SACCOL	Savings and Credit Cooperative League
SAMWU	South African Municipal Workers' Union
SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SEF	Small Enterprise Foundation
SEFA	Small Enterprise Finance Agency
SET	Science, engineering and technology
SETA	Sector education and training authority
SME	Small and Medium enterprises
SMME	Small, Medium and Micro-enterprises
SSP	Sector Skills Plan
UP	University of Pretoria
WSP	Workplace Skills Plan


RESEARCH
SSP
High-level strategy
Drivers of change
Supply & demand for skills
EQUITY TARGETS
STRATEGY
Transformation targets
LEARNERSHI
CAREERS IN
SMME

This is an updated version of the 2013–2014 Inclusive Banking[1] (IB) Sector Skills Plan (SSP), which outlines the skills development needs of the IB sector for 2014–2015. The update is based on the inaugural IB SSP that was developed in 2012 to highlight the skills needs of the microfinance sector. The document consists of five chapters. The first chapter discusses the policy and macro-context in which the IB sector operates and the development that drives change through a PESTEL analysis. Chapter 2 details the sector profile in terms of size, value and industry players, while chapters 3 and 4 discuss the demand and supply of skills respectively. Finally, the document presents recommended strategic skills development interventions for the IB sector based on the SSP findings.

The 2014–2015 IB SSP retains the structure and approach of the 2013–2014 IB SSP. This entailed updating all the sections of the SSP with current information derived from the research and statistical reports of the Workplace Skills Plans (WSPs), annual training reports (ATRs), and stakeholder consultations. The **difference** in this SSP update was the undertaking of a qualitative validation of scarce and critical skills through interviews and PESTEL focus group sessions, together with provincial analyses in the supply chapter detailing the location of different roleplayers in the sector, eg the location of the Further Education and Training (FET) colleges and different financial institutions.

The skills development initiatives of BANKSETA in the IB sector occur within the context of the goal of the National Skills Development Strategy (NSDS) III to develop a skilled and capable workforce to support an inclusive growth path. NSDS III encourages the linking of skills development to career paths, career development and the promotion of sustainable employment. An emphasis is placed on training to enable trainees to enter the formal workforce or create livelihoods for themselves.

PESTEL ANALYSES

The supreme driver of change in the IB sector is the rigorous and dynamic legislative and regulatory environment, as evidenced by the impending review of the National Credit Act (NCA) intended to address a range of challenges, namely affordability assessment, reckless lending, legislative misinterpretation and enhancing consumer education, amongst others. This is reinforced at a political level because government is committed to ameliorate the circumstances of over-indebted consumers by instilling a culture of responsible lending among credit providers and proposing a credit amnesty for borrowers with impaired credit records. The implications on skills derived from these policy and legislative shifts will be profound because IB staff, particularly Loan Officers, will need to display an enhanced practical understanding of the changing legislative milieu. Credit Officers will need to possess robust risk, credit granting and management skills as an antecedent to assess the spectre of enlarged defaults associated with the looming credit amnesty. Furthermore, the credit amnesty could have a debilitating impact on the IB sector due to increased defaulting in loan repayments.

Although South Africa has experienced growth from a macroeconomic perspective, this does not necessarily translate into a bullish scenario at the microeconomic level. The corollary of an intense competitive environment imposed on the IB sector by the global and domestic economic landscape has been consolidation among smaller players. In addition, rising inflation and petrol prices could result in increased incidences of defaulting on loan repayments. The implications of this are stark – potential job losses, and consequently a diminishing demand for skills.

Socially, the IB sector faces the challenges of unemployment, crime and HIV/AIDS. Unemployment as of June 2013 was 25.2% and remains high compared to other developing countries. Crime, and particularly fraud, remains a huge concern for the IB sector, while HIV/AIDS has been addressed through risk mitigation methodologies. In terms of crime, IB staff need to be conversant with fraud detection and prevention skills.

Technology is a key driver of change in the IB sector, driven by advances in mobile banking offerings that are reducing the number of branches. Despite these advances, cellphone banking in South Africa stands at 13%, relative to a cellphone penetration rate of 93%. Key skills required are training to keep abreast of technological changes and different technologies relevant to the financial sector.

SECTOR PROFILE

The IB sector, traditionally known as microfinance, comprises a wide range of service providers, who largely serve the middle- to low-income groups in the country. The sector is not homogenous and is classified according to six major categories, as follows:

- Second-tier or alternative banks that serve the middle-income and salaried individuals
- Medium and large micro-lenders who mainly provide microloans
- Small micro-lenders who mainly provide 30-day loans
- Micro-enterprise lenders who provide development finance, largely to the poor and to micro-enterprise businesses
- Cooperative Financial Institutions (CFIs), which are mainly community-based savings and credit unions

1. Defined as the provision of a wide range of financial services not just to some segments of society, but to all segments.

- Housing financiers who provide low-cost housing
- Debt Counsellors who provide debt review for overindebted consumers.

Their operations in the sector are summarised in the subsector analysis below.

PROFILE OF THE LABOUR FORCE

An assessment of the IB workforce of 2012 and 2013 – as represented by institutions that submitted WSPs – showed that the sector employs 21 191 people. The workforce is dominated by female workers (61%), while male employees make up 39% of the workforce. An analysis of the workforce according to population group showed that 66% is made up of Africans, 15% of whites, 13% of coloureds and 5% of Indians. The sector has a youthful age distribution, with 79% of the labour force being younger than 35 years old and 30% being in the 36–55 age groups. Only 2% is over 56 years old. Replacement demand issues due to retirement are not currently of major concern.

The majority of the employees (54%) are clerical and administrative staff, largely absorbed by second-tier banks, as most small lenders and microenterprise lenders run flat-structured organisations. As the sector expands by recruiting more clients from the unbanked segment of the population and welcoming them into the banked fold, the majority of staff members required are frontline clerical and administrative personnel.

To supervise administrative workers, the next level of workers in demand is that of managers (17%), followed by technicians and trades workers, who provide solid back-office support (12%), and professionals (8%). Sales workers (7%) are also essential. A trend analysis indicates a general increase in technicians and trade workers, as well as clerical staff.

DEMAND FOR SKILLS

IB is under pressure from banks and retailers that are making inroads into the unsecured lending space. This has seen part of the sector consolidating due to the increased competition and most of the consumer base increasingly becoming overindebted. To ensure profitability and sustained operations, the sector needs to diversify its services and product offerings, including developmental finance. This requires of the sector to retool and reskill its workforce to mitigate exposure when dealing with non-salaried loan applicants. Skills challenges touch on the need to increase the availability of current skills as IB expands its current product offering to new markets in the unbanked segment.

Expertise in new areas of IB service provision – such as the provision of low-income housing finance, microinsurance, remittances and savings that cater for the needs of the broader unbanked segment of the population – is generally low. Significant investment in skills development in these areas for the IB sector is critical. Unlike large and more established players, small IB players are resource-challenged and do not have the funds to invest in skills development at a local level. As such, they are entirely dependent on the availability of skilled labour in the market.

SUBSECTOR ANALYSIS

Second-tier banks: The current employment profile shows that second-tier banks account for 70% of the sector's workforce, of whom 77% are below the age of 35. As such, replacement due to retirement is not a major concern. The bulk of the staff comprises clerical and administrative workers, which constitute 66% of the workforce. For this sector, systems developers, credit and research analysts, as well as credit-card specialists are scarce skills. The subsector is on a growth trajectory and offers technology-driven products, but is increasingly facing competitive pressures from commercial banks that have taken an active interest in approaching the hitherto unbanked segment of the market. Technological innovations, as well as client-driven and cost-effective product offerings, are increasingly becoming key drivers of success.

Medium and large micro-lenders: Medium and large micro-lenders largely offer term loans to consumers and make up 20% of the sector's workforce. These lenders have a youthful workforce, 54% being under 35 years of age. The staff complement is almost evenly spread over clerical support workers (29%), technicians and trade workers (20%) and managers and sales workers (16%). Risk assessment and credit management skills, identified as scarce skills in this segment, are critical to minimise exposure.

Small Business micro-lenders: Small Business micro-lenders mainly comprise 30-day cash loan lenders and make up only 3% of the sector's total workforce. This is also a relatively youthful subsector, with 50% of its employees being under the age of 55. Most of these workers are employed in the clerical and administrative staff and managers categories. Interestingly, small lenders identified Loans and Credit Officers as scarce skills. Small lenders face sustainability challenges, as well as challenges related to access to funding, compliance, and the ability to attract and retain skilled workers. Skills development initiatives are aimed at developing their managerial competencies, which were highlighted as a key critical skill in this area.

Micro-enterprise lenders: Micro-enterprise lenders are dominated by non-profit non-governmental organisations (NGOs) and small micro-enterprise lenders that provide loans to Small and Medium Enterprises (SMEs). They make up 2.7% of the subsector's workforce, with most of its workers (66%) being under 35 years of age. Given the significant role played by SMEs in job creation in South Africa, it is critical to invest in developing the capacity of institutions that provide support services to SMEs. Scarce skills for this segment included Chartered Accountants, outreach workers and Risk Managers.

Financial cooperatives: Financial cooperatives contribute 0.8% of the sector's workforce, with 52% of their staff being under 35 years of age. Financial cooperatives have various challenges, including running their businesses using manual systems, the inability to recruit, train and retain quality staff, and weak governance structures and competences. Key skills development issues revolve around building the managerial capacity of key personnel, investing in information technology (IT) training and developing board governance issues.

Housing financiers: Housing financiers provide affordable housing to the low-income sector. This represents a big market opportunity in South Africa and Africa as a whole. Affordable housing financiers in South Africa constitute 0.8% of the IB sector's labour force, of whom 61% are under 35 years of age. Management development (finance and credit), product development and risk assessment skills are key critical skills that are needed to better service the market.

Skills in the IB sector are mainly supplied by relevantly qualified graduates from the country's tertiary institutions. The National Senior Certificate (NSC) feeds students into the system who are ready to undertake studies in financial services-related and other disciplines. The pass rate in mathematics and accounting in the NSC is very low, with few learners writing mathematics and science, thus further constraining this throughput into higher education and training (HET) and the labour market. The Higher Education Management Information System (HEMIS) data of 2010 shows that blacks have the lowest HET pass rate, despite being the dominant population group demographically. Due to a lack of funds, black students tend to lack the academic support that their counterparts in the other population groups have, which enhances the academic performance of students in the other population groups.

The Centre for Inclusive Banking at the University of Pretoria contributes to skills development in the IB sector. This centre runs several courses in inclusive banking, including Master's in Business Administration (MBA) degree with electives in microfinance. There are also other accredited private service providers in the market that provide various capacity-building services to the sector. The FET study conducted indicates that few colleges provide microfinance training. However, there is a willingness by FET colleges to partner with BANKSETA to offer microfinance offerings, thus extending the reach to address the scarce and critical skills of the sector. Currently, BANKSETA has partnered with Motheo FET and also works indirectly with other FET institutions through a private provider to implement training.

RECOMMENDED INTERVENTIONS

The following are key proposals with which BANKSETA should assist the IB sector:

- Work with public FET colleges to increase BANKSETA's footprint and improve training delivery in remote and rural areas, and meet the sector's scarce and critical skills needs.
- Develop clear career path courses, starting with certificate-level courses for entry occupations through to Post-Graduate programmes, rolled out through FET colleges, in collaboration with HET institutions and private training providers.
- Undertake Recognition of Prior Learning (RPL) for employees who have the requisite experience to attain the relevant qualifications.
- Improve career awareness among the youth to enter the IB sector.

In conclusion, this sector has shown positive signs in transformation (66% Africans) and the transformation efforts need to be sustained to ensure a true reflection of the county's demographic make-up. The sector, however, needs to accelerate its throughput of disabled employees by enrolling more people with disabilities into programmes.


“EURIBOR”

In terms of the Skills Development Act, BANKSETA is required to prepare an IBSSP every five years within the framework of NSDS III. The 2014–15 update builds on the five-year microfinance SSP prepared by RUDO Consulting in 2011 and the 2012–13 update. It tackles the broader issue of inclusive finance. Apart from credit, it also involves the provision of other financial services, such as savings, remittances and microinsurance.

The SSP seeks to identify the following:

- The demand for skills in the IB sector through an analysis of the drivers of change and occupational demand.
- The supply of skills through an analysis of the supply and stock of skills in the IB sector.
- The skills gaps/shortages in the IB sector achieved through an analyses of the above.

The approach towards SSP research was systematic and followed a multipronged research methodology to gather and analyse data. This included an extensive literature review, data from documents such as guidelines of the Department of Higher Education and Training (DHET), NSDS III, government's Medium-term Strategic Framework (MTSF), government policies, as well as a variety of research reports and secondary data. The recommendations of the National Planning Commission, as well as the National Development Plan (NDP): Vision 2030, formed part of the literature review source guidelines in terms of the country's strategic direction, which includes economic growth, job creation and skills requirements. Primary data was mainly collected through qualitative methods, which included in-house mini-focus groups and in-depth interviews with industry stakeholders and experts. A key area in the development of an SSP is to understand as much as possible of the sector as a whole. Valuable input was gained from qualitative engagement with the sector, but the question that always needs to be considered is how issues being discussed extend throughout the sector as a whole, and other large-scale factors that need to be considered. The optimal approach, therefore, was to examine a number of sources of data and to examine the results holistically. The primary source of data in the development of an SSP is the set of WSP/ATR returns (mandatory grant funding information). While there are limitations to the data, it is usually the only dataset that is specifically targeted at skills development within the defined sectorial parameters of the SETA. Therefore, it took prominence in the analysis and yielded valuable information.

As useful as the WSP/ATR data can be, it is of critical importance to understand the limitations inherent within the data. These limitations include sample bias, as well as a risk of reporting bias. Therefore, as many other data sources as are available were examined. These include the South African Revenue Service (SARS) database of levy-paying firms, third-party macroeconomic datasets (Quantec), Statistics South Africa, HEMIS and EMIS data, as well as other academic and commercial studies. Furthermore, the engagements with the sector through focus groups, interviews and meetings were an important source of information that either validated the findings from the quantitative data or provided substance to potentially surprising results. See Annexure A for the list of the sample details. The combination of examining all of the above provided the best picture possible of the skills-related issues within the sector, and subsequently allowed for the most effective plan possible.

National Skills Development Strategy III

NSDS III seeks to increase access to high-quality and relevant education and training by aligning the supply and demand of labour. NSDS III recognises the misalignment between the quality demanded by employers and the quality and skills sets produced by the educational system. It encourages the linking of skills development to career paths, career development, the promotion of sustainable employment and work progression, with an emphasis on training to enable trainees to enter the formal workforce or create livelihoods for themselves. The strategy seeks to establish and promote closer links between employers, training institutions and the SETAs.

NSDS III thus provides a framework to align the work done by the SETAs and the National Skills Fund (NSF). It positions the workplace as a visible complement to institutional learning. It complements the work of public HET institutions, FET institutions, universities of technology and research-orientated universities. Its initiatives and interventions are designed to respond to the following pressing challenges:

Inadequate skills levels and work-readiness of graduates entering the workforce.	Lack of literacy and numeracy in the long-term employed.
Failure of business to equip the workforce to adapt to changes in the economy as it becomes more knowledge-based.	Overemphasis on NQF levels 1–3 without sufficient progression to more intermediate and higher-level skills.
Skills shortages in the artisan, technical and professional fields.	Systemic blockages in the provision of skills.
Absence of coherent strategies in industries.	Urban bias of our development.

The NSDS III is informed by seven transformational variables:

- **Race:** Racial inequality and concomitant skills profiles persist, even since the advent of democracy. Access to skills opportunities will be focused on Africans in particular.
- **Class:** South Africa is considered to be one of the most unequal societies in the world. Skills provision to the working class and poor can ameliorate this social inequality.
- **Gender:** Acute gender disparities exist in the labour market, which need to be addressed by including women, specifically black women, in all training interventions.
- **Geography:** The historical bias towards urban development has been recognised by the current government. Therefore, rural development and its requisite skills need to be a key priority for government.
- **Age:** Youth unemployment is a malaise that needs urgent attention. NSDS III will augment the training of the youth to bolster their employability.
- **Disability:** Discrimination directed to disabled people is entrenched in society and targets for training this cohort of people have not been attained. Skills training should significantly accommodate disabled people.
- **HIV and AIDS pandemic:** This scourge poses a colossal threat to future growth and should be viewed in serious light. All skills development programmes should encompass the fight against the disease and management of HIV and AIDS in the workplace.

This strategy represents an explicit commitment to encouraging the linking of skills development to career paths, career development and promoting sustainable employment and work progression."

Blade Nzimande, Minister of Higher Education and Training

NSDS III GOALS

NSDS III has eight strategic goals. It emphasises the relevance, quality and sustainability of skills training programmes. The goals are presented in the table below, mirrored against BANKSETA's programming and strategic objectives.

BANKSETA'S STRATEGIC OBJECTIVES ALIGNED WITH THE NSDS III GOAL

NSDS III Goal	BANKSETA strategic objectives
Goal 4.1: Establish a credible institutional mechanism for skills planning will ensure that the national need in relation to skills development is researched, documented and communicated to enable effective planning across all economic sectors.	• Improve the quality of sector skills planning. • Improve the level of participation of skills planning in the sector.

NSDS III Goal	BANKSETA strategic objectives
Goal 4.2: Increase access to occupationally-directed programmes. Both intermediate level and higher level professional qualifications speak to the PIVOTAL initiative.	Provide learnerships to unemployed learners, focusing on scarce and critical skills. Provide work-readiness programmes to unemployed learners (at post-matric and graduate level), focusing on scarce and critical skills. Provide internships to unemployed learners (at post-matric and graduate level), focusing on scarce and critical skills. Provide bridging programmes for learners with disabilities to acquire the skills needed to enter the sector. Increase access to occupationally directed programmes by providing workplace exposure and sponsorship for actuarial students in their honours year. Build career and vocational guidance to youths by funding the development and dissemination of a career guide for life orientation teachers. Provide learnerships to employees in the sector. Provide skills programmes in Financial Advisory and Intermediary Services (FAIS) to employees in the sector. Increase access to occupationally directed programmes by providing bursaries to the University of Zululand (Unizulu) in chartered accounting. Increase access to occupationally directed programmes by providing bursaries to the University of Fort Hare in financial markets (honours) qualifications.
Goal 3: Promote the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities.	Build capacity in FET colleges in an effort to collaborate by assisting with accreditation to deliver BANKSETA-specific qualifications, as well as to assist FET learners to gain experience in the workplace through work-integrated learning interventions. Provide for the development of an articulation programme between the FET colleges and the universities in the Eastern Cape that will lead to a learner being able to enter a qualification at a second-year level at a university.
Goal 4: Address the low level of youth and adult language and numeracy skills to enable additional training.	Provide targeted development programmes to improve mathematics, economics, business communications skills and accounting scores for learners in Grade 11 and Grade 12 (this intervention is to improve the quality of learners recruited for BANKSETA's post-matric and graduate learnerships).
Goal 5: Encourage better use of workplace-based skills development.	Provide management and leadership programmes to employees in the sector. Provide skills programmes in FAIS to employees in the sector. Provide programmes in scarce and critical skills to employees in the sector.

NSDS III Goal	BANKSETA strategic objectives
Goal 6: Encourage and support cooperatives, small enterprises, worker-initiated NGOs and community training initiatives.	Increase BANKSETA–registered SME participation in BANKSETA SME support interventions. Support development finance organisations through BANKSETA interventions. Support cooperative banks through BANKSETA interventions.
Goal 7: Build career and vocational guidance.	Build career and vocational guidance for youths by funding the development and dissemination of a career guide for life orientation teachers.

National Development Plan

The NDP is the overarching blueprint for government. The elimination of poverty and a reduction in inequality by 2030 are the lynchpins of the plan. These imperatives can be achieved by harnessing the energies of people, growing an inclusive economy, building capabilities, strengthening the state's capacity and promoting leadership and partnerships through society. The NDP articulates three focal areas: raising employment through faster economic growth, improving the quality of education, skills development and innovation, and building the capability of the state to play the binary role of development and transformation.

To effectively execute a developmental mandate, acute local government capacity challenges need to be addressed. The NDP lucidly captures the problem as a lack of specialist skills, particularly at municipal level, result in tardy and at times negligible service delivery. These specialist skills range from nurses, doctors, planners, artisans and engineers. To cite an example, the lack of artisanal skills undermines the speed and quality of low-cost housing delivery at municipal level. The ramifications for housing lenders as a segment of the IB sector are profound because potential financing opportunities for low-cost housing could be jettisoned.

The salient milestones to be achieved by 2030 are as follows:

- Eliminate income poverty by reducing the proportion of households with a monthly income below R419 from 39% (2009 prices) to 0%.
- Reduce inequality by decreasing the Gini coefficient from 0.69 to 0.6.
- Bring about substantial drop in the unemployment rate from 24.9% in June 2102 to 6% in 2030. Therefore, employment should rise exponentially from 13 million to 24 million.

The SETA grant regulations

The new SETA grant regulations that were gazetted on 2 December 2012 have effected fundamental changes to the mandatory and discretionary grants administered by a SETA. The following are significant:

- Reduction in the mandatory grant claim from 50% to 20% to a levy-paying employer who submits an approved WSP/ATR.
- A total of 80% of discretionary funds are to be allocated for PIVOTAL programmes that address scarce and critical skills in the sector.
- A SETA is expected to spend at least 95% of its discretionary funds by 31 March of each year.
- Unspent discretionary grants will be allocated to the NSF by 1 October of each year.
- A SETA should assign only 10.5% of the levies paid by employers to administration costs.

National Skills Accord

With the aim of upskilling young South Africans, government signed the National Skills Accord in July 2011. This accord is a partnership of government, business, labour and civil society. The accord "binds the social partners to the objectives in the areas of artisan training and training in other scarce skills, as well as the promotion of internships and the placement of graduates of FET colleges, training colleges and universities of technology"[2]. According to government, the framework for all sector skills should be aligned to the New Growth Path and Industrial Policy Action Plan II.

2. Source: Sabinet, 2011.

PESTEL ANALYSIS

The Political, Economic, Social, Technological, Environmental and Legislation (PESTEL) analysis framework was undertaken to inform our understanding of the sector skills landscape and to determine the factors driving change. However, the environmental analysis is not detailed in this section, as environmental issues were not found to have a direct impact on the operations of the sector. However, the sector subscribes to the resolutions of the 17th Coference of the Parties (COP 17), which seek to get agreement from countries on a treaty on climate change. The November 2011 COP 17 meeting resulted in the development of a roadmap for a global legal agreement on climate change applicable to all parties. BANKSETA's skills development initiatives will seek to incorporate these as a cross-cutting issue.

The PESTEL analysis was conducted by reviewing the South African Reserve Bank (SARB) and National Treasury's economic data, Statistics South Africa's Quarterly Employment Survey, the Presidency's MTSF for 2011, the consolidation of BANKSETA's available research data and other secondary resources. Information from these secondary sources were augmented by information collected from stakeholder focus group discussions, and in-depth interviews with industry players and experts.

Political issues

The South African government is fully committed to achieving financial inclusion and hence transformation – defined as encompassing and improving the range, quality and availability to the underserved and financially excluded (Stein:2004) – as evidenced in 2004 with the adoption of the Financial Sector Charter (FSC), which is a unique multistakeholder forum that sets targets with financial inclusion in mind. The charter committed banks and insurance companies to partner with government and civil society to increase access to financial services by people from the low-income segments of the population, to increase the number of black workers, managers and owners in the financial industry, and to increase products designed to benefit people with a low income. The banking sector achieved or exceeded most of the targets set in the five year purview from 2004–2008. From 2009, the undertaking has been to align components of the charter to the Department of Trade and Industry (dti) codes. Protracted negotiations, principally on the ownership elements, heralded the gazetting of the financial sector code in November 2012 with implementation thereof in January 2013. The aim of the code is to enlarge access and measure progress towards transformation in the financial sector. The code advances two fundamental elements, empowerment financing and access to financial services, both of which focus on making financial services accessible to the previously unbanked and underserved.

The commitment to financial inclusion is reinforced by the Maya Declaration, which the Alliance for Financial Inclusion (AFI) member countries (including South Africa) committed to in 2011. AFI member countries committed to measurable progress within the four pillars of financial inclusion: creating an enabling environment to harness new technology that increases access to and lowers the cost of financial services, implementing a proportional regulatory framework that advances synergies in financial inclusion, integrity and stability, integrating consumer protection and empowerment as a key pillar of financial inclusion, and utilising data for informed policy-making and tracking results. Policymakers have a mandate in spearheading the development of appropriate regulatory responses, spawned by the technological and infrastructral innovations that have hastened financial inclusion.

The National Treasury statement (discussed below) expounding on responsible lending to effect a propitious credit environment for the consumer, coupled with the prohibition of debit orders from the South African Social Security Agency (SASSA) pensioner cards and credit bureau amnesty leading to loan defaults and increased risk of lending to people whose credit history will be expunged, has been construed by stakeholders as political pressure brought to bear by government on regulators in order to win votes ahead of the 2014 national elections[3]. The credit amnesty proposes that any judgments granted against consumers between 2006 and 2011 equal to or below R10 000 be removed from their records, irrespective of non-payment, but not written off, and judgments above R10 000 granted between 2006 and 2011 be removed from all credit records on submission of evidence of settlement. The proposed credit amnesty has not been adopted by Cabinet, but expectations are that this might happen in October 2013. The implications for the IB sector are that it will intensify the complexity of assessing risk. The ramifications of not being able to definitively assess risk are twofold: micro-lenders will increase the interest rate on loans and consumers will, consequently, default as mentioned above. The net effect will possibly be the implosion of smaller companies, in particular. Research should be undertaken to solicit the views of micro-finance concerns regarding these developments and the implications on the functioning of their business to corroborate the aforementioned implications.

The Medium-term Expenditure Framework (MTEF) for 2012–2015 outlines key priorities for government expenditure. The framework highlights a shift in expenditure by government towards focusing resources on growth and job creation, and supporting stronger private-sector investment in pursuit of new opportunities in a changing international environment.

3. 2013 PESTEL focus groups

The MTEF has 12 outcomes, as presented below:

1. Improved quality of basic education.	2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.	4. Decent employment through inclusive growth.
5. A skilled and capable workforce to support an inclusive growth path.	6. An efficient, competitive and responsive economic infrastructure network.
7. Vibrant, equitable and sustainable rural communities with food security for all.	8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.	10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Create a better South Africa and contribute to a better and safer Africa and world.	12. An efficient, effective and development-oriented public service, and an empowered, fair and inclusive citizenship

There is, thus, political will to support the inclusion of low-income people in accessing financial services. This political will should be extended to youth empowerment and adopted by banks because it is an exigency variable that requires addressing as per the NSDS III. In this regard, Ithala ran a careers exhibition that was attended by 10 000 youths. The youth requested loans to start entrepreneurial ventures, such as farming chickens and growing sugar, but did not have any concept of a business plan. Moreover, they were ignorant about balance sheets, financial management and the bank's requirements.

The significance of the youth under the NSDS III has propelled BANKSETA to offer programmes that are oriented to improving the quality of mathematics and physical science pass rates among school students as a means to enhance readiness for tertiary level studies. The overall objective is to empower the youth to enter into scarce skills fields in the IB sector.

Implications for skills

Financial institutions require a number of skills to contribute to the drive for employment creation and economic growth. BANKSETA, together with the IB sector, should therefore develop and facilitate the following:

- Training material and specific training packages for housing lending to encourage new product development in this area. These should include screening and debt collection methodologies, risk management and a paradigm shift "that will support the developmental agenda of the government".
- Entrepreneurial skills development strategies for financial institutions to appreciate the business of lending and to identify and support entrepreneurship among their potential clients. Support the youth on how to develop business plans and to be conversant with the banks' requirements to access loans for entrepreneurship.
- Training for microfinance institutions to develop products for low-income persons, such as developmental finance, remittances and other payment services. This will entail the development of relevant training packages.
- Linkages between financing and the provision of business start-up and growth capacity-building programmes to enable the financial institutions to identify trained clients for financing.
- IB service providers participating in the distribution of social grants, need to be biometric technology-compliant, thereby necessitating the need to upskill staff.
- As part of BANKSETA's contribution to rural development, in collaboration with the Cooperative Banks Development Agency (CBDA), it is undertaking a programme among CFIs to increase awareness among its members on the operation and governance of these institutions and to develop sustainable community development initiatives.

Economic issues

South Africa has experienced macroeconomic stability since the onset of democracy. Table 1 illustrates that the seasonally adjusted real GDP at market prices for the first quarter of 2013 increased by an annualised rate of 0.9%, compared with an increase of 2.1% during the fourth quarter of 2012 and the unadjusted real GDP at market prices for the first quarter of 2013 increased by 1.9% compared with the first quarter of 2012. Moreover, the growth projection for 2013 is not encouraging. According to the President: "Our GDP growth is expected to average at 2.5%, down from 3.1% in the previous year. We need growth rates in excess of 5% to create more jobs."

South Africa's economy is largely industrialised and productive, exhibiting many characteristics associated with developing countries: the division of labour between formal and informal sectors and an uneven distribution of wealth and income. Key sectors driving the economy are manufacturing, services, mining and agriculture, and these are well developed.

Table 1: Seasonally adjusted GDP growth: Year-on-year and quarter-to-quarter

	Q 3 2010	Q 4 2010	Q 1 2011	Q 2 2011	Q 3 2011	Q 4 2011	Q 1 2012	Q 2 2012	Q 3 2012	Q 4 2012	Q 1 2013
Year-on-year (%)	3.3	3.4	3.7	3.6	3.2	3.4	2.4	3.1	2.3	2.5	1.9
Quarter-to-quarter (%)	3.6	4.4	4.8	1.9	1.9	3.3	2.5	3.4	1.2	2.1	0.9

Source: Statistics South Africa (1st Quarter 2013)

The combined effect of solid capital markets, development funding support and sound financial market regulation (strengthened by the adoption of Basel II international standards in 2008) played a key role in enhancing the economy's capacity to weather the negative effects of the 2009 global recession. While South Africa was spared the direct effects of the global financial crisis, the resultant recession led to substantial job losses. For the microfinance industry, this has resulted in increased defaults, judgments and increased repayment delinquency. The crisis is still having a negative effect on the viability of small microfinance businesses, resulting in business closure in a few instances due to high operating costs. In the same vein, PESTEL stakeholder consultations in 2013 covered the issue of microfinance entities either closing or consolidating due to rigorous competition. Smaller business entities are beset with intense competitive challenges from mainstream banks and larger microfinance entities. Despite this, isolated examples of microfinance players bucking the trend are evident. Ithala is introducing vehicle and taxi finance to respond to the competitive milieu imposed by the big four banks. According to Ithala, the challenge that will be faced is more internal as staff might resist this change. These trends need to be further researched by the National Credit Regulator (NCR), particularly the vicissitudes of the microfinance sector and issues such as the burgeoning trend in unsecured lending and how it is affecting the smaller players in the sector.

The issue of unsecured lending purportedly was one of the contributory factors that led to wildcat strikes in Marikana in August 2012. The role played, if any, by the mashonisa (unregistered lender) in the current social and labour instability in the area needs to be thoroughly investigated. Stakeholders also expressed their concern that wildcat strikes have a harmful impact on the profitability of businesses and could ultimately lead to job losses and a higher probability of loan defaultment.

The 2013 stakeholder consultations also revealed that issues such as the increase in the petrol price have an injurious effect in the sector due to the ripple effect in terms of inflation (increased prices for food and transport) that whittles down the disposable income of people, ultimately leading to defaulting on loan repayments. In relation to monetary policy, stakeholders mentioned that they do not anticipate it decreasing in November 2013. An increase would have a similar effect as the petrol price, but a decrease would present a lucrative opportunity for lenders, such as Lendcor, which offers loans for building material.

Analyses of the IB sector landscape in this SSP features first-tier banks, second-tier banks, large and medium lenders, small lenders, micro-enterprise lenders and Debt Counsellors. Small lenders are facing stiff competition from aggressive second-tier banks, such as African Bank and Capitec. Their survival in the sector will depend on their ability to keep their eyes on the ground, identifying niches and meeting their needs efficiently and effectively by taking advantage of their small size to accelerate turnaround.

At the lower end of the financial services provision continuum are numerous mashonisas, the quantum of whose participation in the sector is still to be documented. Sentiment gathered among small service providers is that the activities of unregistered lenders in the market impact negatively on the operations of registered lenders by taking a bite out of part of the target market. As long as shortages (supply failing to meet demand), inefficiencies and unevenness in distribution exist in the IB services market, unregistered informal lenders will always be there. Albeit rather exploitative in most cases, their existence and ability to thrive points to failures by players in the sector to adequately satisfy the needs of the market.

Due to the growth of unsecured credit (consumption lending), it is important to promote enterprise lending linked to productivity instead of consumption. Banks and a few large lenders are moving downstream to the unbanked, which is a positive gesture, but without up-to-date information on appropriate products and impact at client level, efforts are not likely to result in poverty reduction and employment creation.

Implications for skills

The following skills are required, in particular:

- Credit-granting skills (screening techniques and technologies to reduce bad loans, as well as staff screening to be able to identify staff with potential).

- Risk analysis skills to identify good lending decisions in relation to the current issues in the environment and information on the viability of the company where the consumer is employed. In addition, staff members need skills to interpret credit records and ratings.
- Management skills to provide good leadership, risk management and future planning for senior management. These critical skills are fundamental and have been identified in the 2013/14 critical skills list.
- Basic management skills for back-office staff and Credit Officers, including credit management and financial management. Financial management was reported as critical in the current critical skills list.
- Building and managing client relationships are key skills for Credit Officers, Front-Office Staff and all levels of management. Customer service is a cross-cutting critical skill evident in all IB subsegments, and also appears in the 2013/14 critical skills list.
- Credit Officer skills in providing credit education to clients to ensure clients are not overindebted and to improve loan management. Client training should include an understanding of what interest rates are and other costs of borrowing, the importance of repaying instalments and budgeting.
- Product development skills to ensure the development of innovative products in the IB sector, as well as skills for the costing of housing financing products.
- Developing the ability of frontline staff to engage clients and actively listen with a view to identifying product development opportunities.
- Due to the vagaries of the microfinance sector, potential entrepreneurs need to undergo three levels (front desk, back office and management leadership) of accredited training commencing at Level 1 and progressing to levels 2 and 3.

Social issues

South Africa has a number of social issues, including high unemployment and high crime levels, coupled with the HIV/AIDS epidemic. Unemployment remains a social anathema in South Africa, as evidenced in Table 2. The official unemployment rate in June 2013 was 25.2% and has remained at this percentage since March 2012. Government interventions, such as infrastructure development, to alleviate unemployment have thus far not made a difference. Furthermore, it should be noted that SETAs are not job-creation bodies, but conduits to bolster the job creation prospects of people through training interventions.

Approximately 3.5 million (33.5%) of the 10,4 million youth aged 15 to 24 were not in employment, education or training (NEET) in the first quarter of 2013. This is an increase of 222 000 since the third quarter of 2012, which was the first time that the NEET category was measured. The 2013 budget underscores the importance of providing financial assistance to this cohort of youth by increasing the transfers to higher education institutions from R20,4 billion in 2012/13 to R24,6 billion in 2015/16[4] . The issue is further accentuated by the President who entreats private-sector companies to absorb 11 000 FET graduates who are awaiting placements and for state-owned companies to increase their provision of apprenticeships and learnerships.

Table 2: Labour Market Statistics

Year	**2012**			**2013**	
Quarter	**January to March**	**June**	**September**	**March**	**June**
	(000's)	(000's)	(000's)	(000's)	(000's)
Total employment	13 422	13 447	13 645	13 577	13 621
Total unemployment	4 526	4 470	4 667	4 501	4 601
Total economically active	17 948	17 916	18 313	18 078	18 222
Total not economically active	14 838	14 987	14 705	15 050	15 017
Total aged 15–64 years	32 786	32 903	33 018	33 128	33 240
Official unemployment	25.2%	24.9%	25.5%	24.9%	25.2%

Source: South African Reserve Bank June 2013 Quarterly Labour Bulletin

While HIV/AIDS has been an issue in the past, stakeholders indicated that they had managed to design a number of innovative risk mitigation methodologies to deal with the effect of HIV/AIDS on their loan books and collections.

Stakeholders appreciated the work done by government in fighting the spread of HIV/AIDS.

4. 2013 Budget speech

However, stakeholders in Gauteng (which include micro-finance and micro-enterprise lenders) acknowledged the effect of HIV/AIDS on productivity and bad debt. HIV/AIDS still has an adverse effect on institutional productivity, as it results in increased absenteeism and a loss of the critical skills that the industry needs. This also impacts on recruitment costs and the costs of on-the-job training.

South Africa's HIV/AIDS prevalence rate is approximately 10.5%, while 5,24 million people are estimated to be living with HIV. Approximately 18% of the 15–49 age group is estimated to be HIV-positive. Analysis of HIV statistics by gender shows that almost one in three women aged between 25 and 29, and over a quarter of the men aged between 30 and 34, are living with HIV. Micro-enterprises, therefore, identified a need for product development skills to mitigate the effects of HIV/AIDS, for example, through the provision of credit life insurance schemes.

Crime has had an impact on the microfinance sector, prompting shifts in service provision approaches and investment in security systems. Stakeholders highlighted that crime, fraud and pressure from crime syndicates negatively impact on their businesses. There are challenges in staff's understanding of fraud and its mitigation strategies, resulting in the need for staff training on fraud and the identification of fraudulent documents, as well as the identification of potentially fraudulent situations. As part of government's fight against money laundering, the Financial Intelligence Centre Act (FICA) of 2001 was promulgated and came into full effect on 30 June 2003. FICA provides for the establishment of an anti-money laundering regulatory body and introduces mechanisms aimed at preventing money laundering.

The Financial Services Board (FSB) is an independent institution established by statute to oversee the South African non-banking financial services industry in the public interest. The FSB, with its consumer education initiative, has been conducting community outreach and awareness workshops, as well as television, radio and road shows aimed at promoting financial literacy among South Africans.

The results of a study on the status of financial education in Africa[5] indicate that South Africans exhibit moderate to low levels of financial literacy on many indicators across four domains (knowledge and understanding, managing money, financial planning and choosing financial products). The study found that, in terms of financial knowledge, many respondents had problems answering questions about interest rates and risk diversification, while in terms of financial behaviour, many South Africans appear to have a responsible approach to financial management. However, awareness and the use of financial products were low, and long-term planning was made difficult by the scarcity of resources to draw upon in case of emergency (Roberts and Struwig, 2011).

Allied to the findings above, research[6] found that consumer behaviour is a source of concern as consumers lack price sensitivity and are disinclined to engage in acquiring cheaper quotes from credit providers. One of the objectives of the National Credit Act was to improve consumer understanding of the credit they seek to access in terms of disclosure of information and encouraging competition. However, in reality, some consumers' interest resides in the affordability of the instalments, as opposed to the cost of credit, (interest rate, initiation fees, service fees and credit life insurance), which consequently informs their decisions. This issue is compounded by the lack of understanding by Loan Officers of the nexus between unsecured lending and indebtedness on the poor and the broader economy.

The country's social grants distribution system, which targets older persons, people with disabilities and caregivers of children with disabilities (care dependency grant), caregivers of children up to 14 years of age (child support grant), children in foster care (foster child grant), war veterans (war veterans grant) and those in need of social relief, disburses R10,5 million in grants to more than 15 million beneficiaries every month. The system is effective in relieving the poverty of members of vulnerable groups. Measures that are currently underway by the South African Social Security Agency (SASSA) to re-register programme beneficiaries through the use of biometric-driven technology is meant to eliminate shortcomings in the identification of beneficiaries, as well as other fraudulent practices. IB service providers participate as distribution channels.

The recent move by government to stop the provision of financial and other services to social grant recipients by social grant distribution agents will negatively impact on the growth of small lenders. A significant part of these lenders' product offering was structured around the provision of services to beneficiaries of social grants.

Finally, the dearth of knowledge and understanding of the microfinance sector displayed by financial journalists has resulted in them reporting negatively on the sector. A suite of training interventions should be directed at this cohort of professionals so that the image of the microfinance sector can be ameliorated.

5. Messy, F and Monticone, C 2012.OECD Working Papers on Finance, Insurance and Private Pensions, No 25.The status of financial literacy in Africa, July 2012.
6. Compliance Risk and Resources. Research on the increase of unsecured personal loans in South Africa's credit market.6 August2012.

Implications for skills

Stakeholders highlighted the need to develop standard training programmes that are offered by FET institutions in flexible programmes, such as part-time and evening classes. Other programmes should include internships and skills placement programmes. Specific skills needed to deal with the social issues that affect the financial services sector include the following:

- Auditing skills, including the development of policies to manage fraud.
- Staff training on fraud and the identification of fraudulent documents.
- Training for Loan Officers on socioeconomic issues to enhance understanding of the deleterious effects of unsecured lending.
- Product development skills for mitigating the effects of HIV/AIDS, for example, group insurance schemes, group lending methodologies and multiskilling for staff.
- The identification of clients' financing needs through market research and developing relevant products.
- The identification of clients' preferences.
- The development of staff's understanding of the debt review process and issues of reckless lending to provide debt counselling, as well as client training on managing debt.
- Basic financial literacy training for both clients and staff (including basic arithmetic and accounting) is paramount. The training for clients should include understanding of all the cost components of credit. Training to credit provider staff in terms of enhancing disclosure of credit life insurance costs as a dimension of the cost of credit should be undertaken.
- The skills needs of staff necessitate accredited training (certificates in microfinance) for staff upon entry, coupled with further entry-level training during the probationary period.
- The training of financial journalists should focus on skilling financial journalists on how to ask relevant questions and be able to paint a positive picture about the industry, as well as removing the current perception about microfinance. *It should include the following:*
    - Understanding the NCA
    - Understanding the payment system
    - Understanding the Magistrates' Act
    - Appropriate consumer education.

Technological issues

Technological advances are a key driver of change in the financial services sector. Advances in technology are revolutionising the IB sector, as they bring efficiency and cost-effectiveness through various forms of branchless banking mechanisms. The Global Network of Mobile Operators, GMNA, counted 30 million active mobile money customers who undertook 224 million transactions totalling USD 4,6 billion in transaction value in June 2012[7]. At the end of 2012, there were 150 mobile money services for the unbanked in 72 countries.

One example of a mobile money service is Wizzit[8], which offers a secure and efficient payment mechanism to unbanked and underbanked South Africans by providing a low-cost, transactional bank account that uses cellphones for making person-to-person payment transfers. It also offers prepaid services and a maestro debit card for making payments for purchases in the formal retail environment. The company already has five million customers in five countries, including South Africa.

In addition, most commercial banks in South Africa have adopted the concept of branchless banking. For example, Absa uses merchants such as spaza shop owners, employer organisations and retailers as agents equipped with Absa smartphones to allow them to sign up new customers instantly (within 10 minutes). Capitec and African Bank already have a foothold in the technology-driven mass market, making handsome returns, which have whet the appetite of big banks to grow their market share in the same segment. Conversely, technology has the potential effect to displace labour and increase the incidence of fraudulent activities as expressed by stakeholders.

The impact of advances in technology in enhancing access to a wide range of financial services by rural people, particularly in developing countries, is gathering momentum. Over the next few years, unbanked South Africans in rural areas will increasingly obtain access to technology-driven financial services. Banks such as Capitec and African Bank are pushing the boundaries in terms of enhancing client access and shortening turnaround. This sanguine outlook needs to be tempered with the fact that the penetration rate of cellphone banking stands at a meagre 13%, whereas overall cellphone penetration is at 93%[9] and the banked population at 67%. Most adult South Africans display an

7. Microfinance barometer 2013
8. Source: www.wizzit.co.za.
9. Finscope Survey highlights South Africa 2012

aversion to using technology because 51% of respondents have advanced the view that using a cellphone for financial services is too complicated.

Stakeholders who were consulted felt that microfinance institutions are lagging behind in technological uptake and the technical skills that are required to apply various technologies. This has limited their outreach and the range of services that can be provided to their clients. Ithala is debunking this perception as it is overhauling its archaic IT system to accommodate its new product offerings and paperless banking as a means to compete favourably with the bigger banks. Similarly, Lendcor is migrating to an environment of paperless banking. The 2013 stakeholder discussions expressed the sentiment for computer training, reinforcing the needs of stakeholders in Cape Town, who also requested technology-related training and information services for owners of financial institutions.

In contrast, the technological appetite and uptake among the youth in the form of social media is phenomenal. The demographic orientation of stokvel members leans toward the youth (78.2%). The youthful outlook of stokvels presents an opportunity for industry to target them as a collective through social media. Conversely, social media also presents opportunities for stokvels to recruit members and market their services.

Implications for skills

Stakeholders indicated that financial service providers need to take advantage of technology to improve loan processing and collection, as well as client relations. The technologies identified include the use of social media (Facebook, Mxit, Twitter etc), tablets, cellphones, the Equitable Mutual Life Assurance Society (EMLAS), craft silicon and internet banking, which will result in a new skills set in the industry. Stakeholders also identified a need to invest in the development of technology to improve credit checks and screening technology, scoring and other information collection on clients and markets. In addition, microfinance institutions emphasised the need to develop skills to apply the technology, technology research skills for key personnel, and upgrading the skills of IT staff to design innovative technologies for the IB financial services sector.

Most stakeholders in the microfinance industry highlighted the fact that they now have dedicated staff members to manage communication with clients on social media platforms to receive feedback on products, services and new product ideas. Social media, therefore, poses a new skills requirement that will enable financial services providers to identify consumer needs. It can also inform their marketing strategies.

There is a need to capacitate staff on web-based programmes, social media and cellphone banking (cooperatives).
Other skills include the following:

- Training to keep business owners and staff abreast of technological changes
- Training in different technologies that are relevant for the financial services sector
- Upgrading IT staff to design innovative technologies for the finance sector
- Technology research skills for key personnel in the financial services sector

The above should be part of IT learnerships offered by BANKSETA. Training should take place online as it is cost-effective and accessible anywhere.

Legislation

The overarching piece of legislation pertaining to the IB sector is the NCA, Act No 34 of 2005, which came in to effect on 1 June 2006. The primary driver of the NCA is to foster financial inclusion by extending credit to all South Africans in a responsible and protective manner.

To realise this goal, the NCA provides for various institutions that are mandated to implement and ensure compliance with the act. These are the NCR and the National Consumer Tribunal. The NCR is responsible for the regulation of the credit industry in South Africa and for promoting financial inclusion to disadvantaged and low-income groups.

The Minister of Trade and Industry recently published the draft NCA Policy Review Framework and the draft National Credit Amendment Bill[10]. The intention of the review is to identify remedial actions that have impeded the achievement of the outcomes of the NCA. The key challenges that need addressing as per the review concern legislative failures and include drafting irregularities, issues with interpretation of legislation and reckless lending.
The other important piece of legislation is the Financial Services Laws Amendment Bill published by National Treasury in 2012 to promote financial stability by means of the following:

- Create a sturdier regulatory milieu for financial services
- Improve the supervision of regulators
- Enhance the powers of the Minister and SARB in risk mitigation.

10.http://www.polity.org.za/article/the-national-credit-act-revised-policy-framework-and-the-national-credit-amendment-bill-2013-2013-06-20, accessed 14 August 2013

The Dedicated Banks Bill is aimed at creating a regulatory platform for second- and third-tier banks to accept deposits, thus increasing access to rural and low-income South Africans. However, as indicated by the FinMark Trust, the main challenge for lenders is meeting the minimal capital requirements (set at $7,5 million) and proving that these lenders have been operating their businesses profitably.

The Cooperatives Bank Act was enacted to bridge the divide between the banked and the unbanked masses of South Africa. It provides a sound legislative framework within which cooperatives and cooperative banks can provide financial services to their members, thereby enhancing the accessibility of financial services to all South Africans. This act set prudential minimum requirements for the registration of financial cooperative banks. Supervision of banks has been transferred from the CBDA to the SARB in accordance with section 41 of the Financial Services Laws Amendment Bill.

The two institutions that are entrusted with the current regulatory framework vis-ŕ-vis financial cooperatives are the CBDA and the SARB.

Currently, Postbank operates in terms of an exemption under the Banks Act, but the broader range of activities that involves more risk requires it to be licensed and registered as a banking institution under the act. The South African Postbank Limited Act was promulgated in December 2010 with implementation effective as of July 2011. The act provides for the establishment of the Postbank as a subsidiary of the South African Post Office (SAPO) and to operate as a retail bank. As part of the process of corporatisation, the Postbank needs to acquire a licence. The delay in acquiring a licence is attributed to the meagre financing granted by National Treasury, but moreover there is an urgent need to align the Postbank Act with the Banks Act, which will necessitate amendments to the aforementioned act, as well compliance with the licensing process[11].

Other daunting challenges confronting Postbank ahead of operation are a more efficient IT system and the recruitment of skilled personnel in IT and risk. The impediments facing Postbank are that senior risk and Compliance Officers are expensive and hence at the moment are difficult to attract. SAPO is currently looking into addressing this so it can offer market-related compensation.

Postbank is well positioned to serve rural communities because it operates through the infrastructure of SAPO, which has a ubiquitous branch network. Postbank, therefore, has an advantage over mainstream banks in terms of outreach. BANKSETA will need to start an inter-SETA transfer to acquire Postbank from the Services SETA, where it is currently registered as a levy-paying stakeholder.

In October 2012, an agreement was concluded between representatives of the main retail banks, the Banking Association of South Africa (BASA), National Treasury and the FSB to embolden responsible lending practices so as to obviate household debt immersion (National Treasury, 2012). The parties agreed to do the following:

- Review the approach to affordability of assessments and develop minimum standards to measure affordability.
- Reduce debt instalments as a relief mechanism to qualifying distressed borrowers.
- Develop standards linked to credit practices associated with lending and a framework considering consumer interests and the impact of charges on affordability.
- Not use garnishee orders against credit defaulters and support enforcement against pre-signed orders.
- Ensure that minimum norms and standards for debit orders are accepted by banks and debit order users, and develop a regulatory framework.
- Improve client education on secured and unsecured credit and develop a consumer education fund oriented to the household lending sphere.

Despite the unwavering commitment in the quest for universalism in financial inclusion, coupled with creating a robust regulatory framework, unsecured credit increased year-on-year by 49.4% in 2012[12] as both first- and second-tier banks became active in the personal unsecured loans segment with increased maximum unsecured loan amounts.[13] The country's debt-to-income ratio, which stood at 74.7% in the first quarter of 2012, is relatively high compared to pre-2004 levels, but reflects an improving trend in recent years after peaking in 2008. The need for the close and effective monitoring of players to ensure responsible lending and improve regulatory efficacy in relation to compliance is highlighted.

In addition to the above, there are several pieces of legislation with which practitioners in the inclusive banking industry have to comply. The ability to fully comply with the requirements of the many pieces of legislation is a challenge, particularly for the many small players. Stakeholders have expressed the fact that they need to close down or sell their businesses partly because of over-regulation and compliance issues. A stakeholder lamented: "We hope we are

11. Progress report on Postbank's corporatisation process, Report delivered to NCOP: Labour and Public Enterprises, May 2013.
12. Compliance Risk and Resources, Research on the increase of unsecured personal loans in South Africa's credit market, 6 August2012.
13. R230 000 over a maximum period of 84 months.

done with the legislative changes.” Legislative changes are also affecting employees negatively because they are not FAIS-compliant as they cannot pass the FAIS examination, leading to job losses. One of the reasons people are failing the examination is that it includes an insurance element that is not germane to banking and in which they have no experience.

While ensuring that the effectiveness of regulatory instruments in terms of promoting an enabling environment for players is not compromised, there is a need to harmonise the plethora of legislative instruments to ease the compliance burden on sector players.

A 2010 global study among microfinance industry stakeholders found that credit risk (the risk of loan default) constitutes the biggest threat to the industry. Credit risk reflects the fast-growing problem of overindebtedness among millions of microfinance customers: poor people who have accumulated larger debts than they are able to repay, often as a result of pressure from business-hungry microfinance institutions (MFIs).[14]

An auxiliary piece of legislation that might impact on the IB sector is the recent promulgation of the Spatial Planning and Land Use Management Act in August 2013. The act does not make provision for security of tenure on communal land, which will be addressed in a forthcoming policy.[15] The implication of this for the microfinance industry is that people will not be in a position to use communal land as collateral if they want to access finance for entrepreneurship purposes, ie farming.

Section 24, subsection 1 of the Spatial Planning and Land Use Management Act provides for the adoption of a land use scheme by a municipality after public consultation. Furthermore, in accordance with subsection 2, the land use scheme must include provisions for the inclusion of affordable housing in residential land development.[16] This provision should be a precursor of opportunities for housing lenders to capitalise on in future.

Implications for skills

It is also apparent from the analysis that the legislative instruments mainly address the area of the responsible granting of credit by players in the industry. As such, the area of credit provision in South Africa’s IB sector is generally more developed (albeit still with limited outreach, particularly among the low-income and SME sectors) than other areas, such as remittances, microinsurance and savings for low-income clients. These remain areas that need further scrutiny from a regulatory point of view to promote the availability of a wide range of products and services for the excluded sectors of the population.

Stakeholders highlighted the fact that a basic understanding of most of these pieces of legislation was adequate. However, it is recommended that easy-to-understand information to summarise each piece of legislation should be packaged in a booklet and put on an information portal, together with training on the implications of the NCA court judgments in the areas of debt collection and debt review. Lenders are still burdened with the compliance and accreditation requirements of the major acts and policies, like the NCA, the FICA and the Financial Advisory and Intermediary Services (FAIS) Act. This is evident by the fact that legislation implementation skills feature in the 2013/14 IB critical skills list.

Although stakeholders felt that the enactment of the NCA in 2006 resulted in an improved quality of consumer credit and reduced excessive lending, the legislation was perceived to limit the number and range of products that could be provided by microfinance institutions. There is thus a need to look at the implications of the legislation on enabling providers to offer inclusive financial services.

Furthermore, the efficacy of the NCR supervisory and compliance role with respect to credit provider governance frameworks can be emboldened only by the recruitment of more skilled staff members. This should augment responsible business practices of credit providers substantially to safeguard consumers. Furthermore, stakeholders have expressed a need for the NCR to be capacitated on governance, leadership and enforcement.

There is an urgent need for training and upskilling current Postbank and SAPO staff and new entrants to occupy forthcoming positions once Postbank is fully operational. The main skills areas are IT, risk management and legislative compliance. BANKSETA should not miss this opportunity because it will demonstrate that it is contributing to rural development, which is one of the central priorities of government. To improve the FAIS exam pass rate, BANKSETA, according to stakeholders, should extend the training offered to learners to employees as well, include the examination in the learnership programme, increase the frequency and prolong the duration (from two days to a week) of workshops, and increase the timeframe of learnerships to 18 months.

14. Centre for the Study of Financial Innovation (CSFI). 2011. Microfinance Banana Skins. The CSFI survey of microfinance risk
15. http://www.thoughtleader.co.za/christivanderwesthuizen/2013/04/09/you-have-no-right-to-own-land-if-youre-black-and-rural/, accessed 24 August 2013
16. http://www.sacplan.org.za/documents/SpatialPlanningandLandUseManagementAct2013Act16of2013.pdf, accessed 24 August 2013.

CONCLUSION

The top five drivers of change identified through the PESTEL analysis are the political policy environment, the stringent legislative and regulatory landscape, the increase in unsecured lending and resultant overindebtedness, the competitive landscape among sector players and advances in technology (mobile banking).The 2013 PESTEL discussions reveal that the microfinance sector is facing a precarious future with policy and legislative changes that have the potential to debilitate the industry and particularly the smaller players. This, coupled with the robust and intense competitive milieu these players face relative to first- and second-tier banks, has left them teetering on the verge of implosion. On the positive side, social media is increasingly gaining momentum as a source of invaluable customer information that can be tapped into to inform corporate decision-making. This has given birth to a new career for people with skills to interrogate social media and distil key issues of significance to corporate strategy formulation.

The PESTEL analysis provided useful insights into the skills and capacity-building needs of the sector. However, these findings are generic to all the segments, and segment-specific skills development details are provided further on in this report.

Youth skills development needs identified

Key skills required by prospective IB entry-level staff include computer literacy skills (also the ability to engage social media), numeracy skills (particularly in mathematics and science subjects), entrepreneurship and client interface skills. Generally, the PESTEL analysis indicated the following:

- High youth unemployment, indicating that young people are not acquiring the skills or experience needed to drive the economy forward. This also implies a heightened burden on the social assistance provided by the state. This magnified the need to promote entrepreneurial innovation and encourage work-readiness programmes that build youth skills for employability.
- Consumer education needs to be massified. Education needs to reflect on what interest rates are, the costs of borrowing, budgeting and understanding the importance of loan repayments to obviate indebtedness.
- The industry is moving towards a customer relations-centred paradigm that requires retail skills and thus a big move towards relationship building.
- Social media has an impact on the industry in terms of consumer needs. A second-tier bank must have a dedicated person to analyse social media information.
- To improve the image of the industry, financial journalists need to be sensitised about the dynamics of the IB sector.

Key skills development needs among IB sector employees

The following five skills were identified as key skills among IB sector employees: management/leadership skills, risk management, research skills, financial literacy skills and IT skills. These skills should be developed by way of the following interventions:

- The identification of clients' financing needs through market research and by developing relevant products.
- The identification of clients' preferences.
- Basic financial literacy training for staff, including basic arithmetic and accounting. This is to ensure increased product knowledge, the ability to identify and lend to clients who are not overindebted, and the ability to improve loan management. This training should include an understanding of interest rates and other costs of borrowing. Furthermore, training needs to explore the socioeconomic impact of overindebtedness.
- The development of entrepreneurial skills and strategies for finance institutions for them to appreciate the business of lending.
- Training in housing finance, product development and access to finance.
- Consumer education on basic financial literacy, indebtedness, and an understanding of consumer and credit legislation.
- Management and leadership skills for senior and key personnel to provide good leadership, risk management and future planning.
- Specialised credit management skills.
- Client screening techniques and technologies that reduce bad loans.
- Basic management skills for back-office staff and Credit Officers, including credit and financial management.
- Building and managing client relationships.
- RPL to allow those with experience to attain the relevant qualifications.

The need for a multipronged collaborative approach to skills development and employment creation is apparent. This includes BANKSETA's partnering with FET institutions and universities to ensure credible and standardised qualifications for the industry.

Inclusive banking is defined as the provision of a broad range of financial services, including transactional, savings, credit and insurance services, to the low-income and poor segment of the population by a range of financial institutions, including banks, to enhance access to financial services and to support economic development and poverty reduction. Key issues regarding the provision of inclusive financial services in the developing world and South Africa include the following:

- Reduce the gap in access and the use of financial services between the banked and unbanked sectors of society
- Enhance SMEs' access to finance, as well as building their institutional capacity in view of their pivotal role in job creation in the emerging markets
- Reduce poverty and income inequality to enhance growth
- Expand the scope of financial inclusion beyond credit to include, inter alia, safe and secure savings, remittances and insurance
- Ensure that financial inclusion leverages all financial services providers.

Many poor South Africans still do not have access to financial services, thereby inhibiting economic growth and perpetuating poverty. However, FinScope 2012 indicates that there has been a rise of 1,3 million consumers in the banked population, amounting to 22,5 million people. This is primarily attributable to the introduction and rollout of the SASSA Mastercard to social grant beneficiaries. There are currently 7,4 million social grant users utilising the SASSA Mastercard. Irrespective of this increase in the banked population, 26% (9 million) of the South African adult population over the age of 16 years is still financially excluded. This means that these people do not have access to formal and informal financial services. A closer look at the unbanked population reveals that the challenge is more pronounced among young black adults between the ages of 18 and 29, of whom 44% have never been banked.

In terms of product usage, the South African financial landscape is largely driven by transactional (67%) and insurance products (44%). Actually a number of South Africans (9,8 million) have only transactional bank accounts and no other formal financial product.

Only 24% have formal savings accounts, while 67% are not saving, even though they recognise the importance of saving. Of those who save, 6% utilise informal means that include stokvels and savings clubs. The South African government has made significant strides in incorporating financial inclusion and advancing the drive towards universal access into the national mandate. It has mobilised the public and private sector to design products and interventions that serve as the entry-level point to include a larger percentage of the unbanked in formal financial services (for example, Mzansi accounts with no monthly fees and no minimum balance). Besides the Mzansi account, banks in South Africa have been innovative with low-cost entry-level products that are targeted at increasing financial access to the country's unbanked. FNB introduced the EasyPlan account, a simple no-frills bank account. Nedbank has since introduced the KeYona account, while Absa introduced the Transact account, and Standard Bank is poised to introduce the Access account, a paperless electronic origination bank account. These products are all targeted at the unbanked in South Africa.[17]

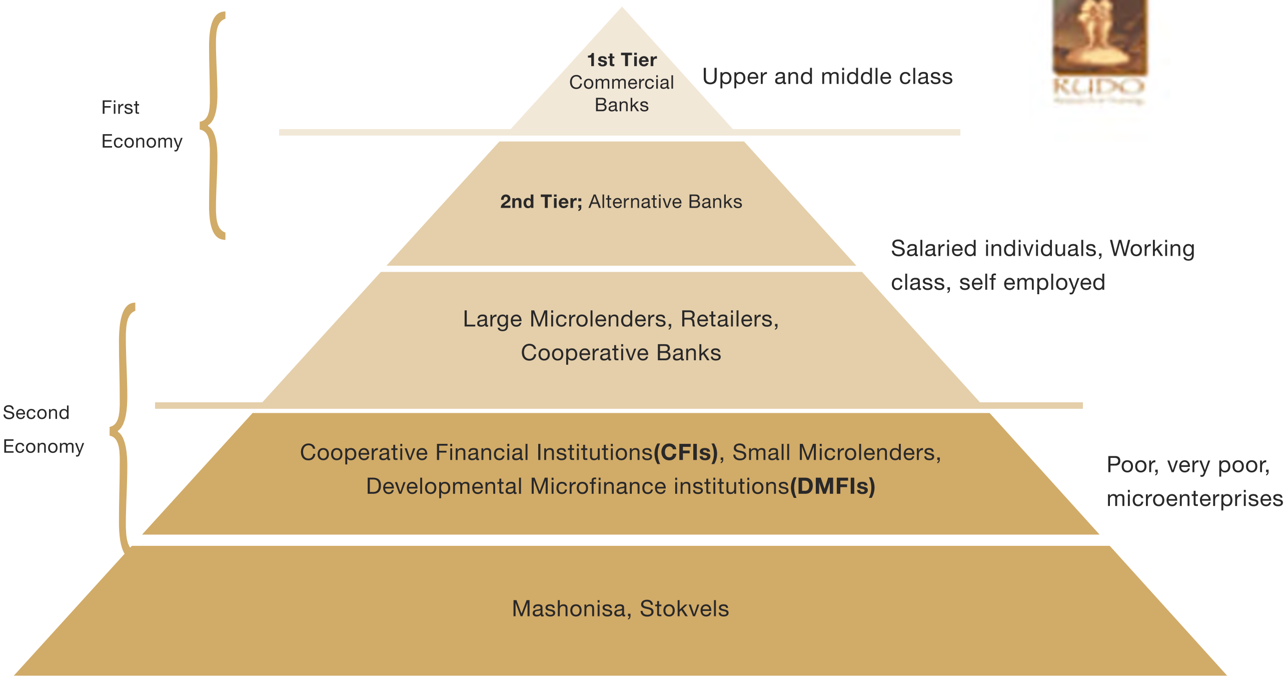
FinScope 2012 further indicates that 35% of South Africans utilise credit products. Credit product usage is linked to borrowers' socioeconomic status, with the upper-middle class inclined to use home loans and vehicle finance, while the middle-low income tends to use retail and short-term credit. Other non-credit products and services, such as remittances and microinsurance, still need appropriate legislation to be put in place.

THE PROFILE OF THE INDUSTRY

The NCA of 2005 has fostered sound credit-granting practices among industry players, resulting in a dynamic and robust credit industry. The NCR's March 2013 credit report indicates that the South African credit market has a debt book of R1,4 trillion, generated through 69,5 million credit agreements and serviced by approximately 20 million borrowers. Of these 20 million borrowers, 47% have impaired credit records (are three or more months in arrears, have administration orders and court judgments), 15% are one to two months in arrears, and only 38% are in good standing.

17. Fisher-French, M. 2012.Mzansi accounts reach dead end. Mail & Guardian, 17 February.

Figure 1: South Africa's inclusive banking landscape – interventions



Industry players in South Africa are varied in nature and target different segments of the market, as illustrated in *Figure 1*. The segments include first-tier banks, second-tier banks, micro-lenders, development micro-financiers/micro-enterprise lenders, financial cooperatives and cooperative banks, retailers and low-income housing lenders. The role of all these entities is to innovate and develop cost-effective financial products that meet the needs of the financially excluded in a responsible manner. First-tier banks have become quite active in the low-income segment, although this is not their primary focus. Besides first-tier banks, second-tier banks like Capitec and African Bank primarily target the middle- and low-income sectors and have been diversifying their product offerings. The sector also has big and small micro-lenders, developmental micro-financiers/micro-enterprise entities, cooperatives and cooperative banks, as well as other informal sector players such as Mashonisas and Stokvels.

A bird's-eye-view of the industry, using the NCR's March 2013 register as a reference, indicates that there are 4 415 registered credit providers in the country. Of these, four providers are classified as first-tier banks - FNB, Absa, Standard Bank and Nedbank. They provide a variety of financial products that are tailored for low-income people, including transactional, savings and loan products. For the big banks, making inroads into the low-income bracket is also a survival tactic, as increased competitive pressure in the middle- to upper-income market segment puts a squeeze on their margins. They are coming up with a variety of innovative low-cost products and models for reaching the mass market to meet their financial services' access needs.

Postbank is envisaged to be a major player within the retail bank market. A division of the SAPO, Postbank, which hitherto has provided low-income people with access to secure and reliable savings accounts at competitive interest rates and flexible terms, is poised to transform itself into a retail bank that is wholly owned by SAPO following the approval of the South African Postbank Limited Bill by Parliament. Postbank's main thrust will be the mass mobilisation of savings and investment from a broad community, particularly to communities that have little or no access to commercial banking services and facilities. It will seek to provide financial services to wide segments of society, particularly the rural community. With a strong balance sheet, huge customer base (6,2 million) and wide distribution network (2 400 branches countrywide), Postbank is well placed to compete with the top four retail banks in the country.

There are also second-tier banks - African Bank, Capitec, Ubank and Ithala Bank. The focus of these banks is mainly unsecured credit, although Capitec and Ithala take deposits and offer other products like savings. However, companies like African Bank remain monolithic and concentrate only on credit products. These four banks account for approximately 70% of the microfinance industry's market share.

The NCR's 2013 registration statistics indicate that there are approximately 390 large micro-lenders who operate nationally. They offer mainly unsecured credit to salaried individuals and have an estimated loan book of R6,5 billion.

These lenders include providers such as Real People, Onecor and Bayport. The lending product is a term loan that ranges from three to 12 months with "monthly loans charging fairly close to the maximum allowed interest rate on the big portion of their book".[18] Lenders like Real People and Atlas Finance have diversified portfolios that include low-end mortgages of up to R400 000 and educational loans.

The next layer of lenders comprises the approximately 2 550 small micro-lenders that mainly concentrate on 30-day cash loans and have an average of one branch. The branch is managed by a Branch Manager who is responsible for the general management of staff and operations, as well as authorising loans. The average cash loan is R3 000, with a maximum of R30 000 reported in some cases. These lenders are estimated to be serving at least 50% of the number of clients in that segment and have a combined book value of approximately R6 billion. The analysis indicates that most small lenders' challenges are mainly sustainability, accessing funding and the burden of compliance, attracting skilled workers and marketing their businesses.

Large furniture groups and non-bank motor financiers also provide loans for the purchase of furniture and cars for low-income persons. The low-income furniture book value in South Africa is estimated to be R45 billion. While there is not much information available to shed light on vehicle finance for the low-income sector, the loan book value is estimated to be between R2 and R6 billion.[19]

The local microfinance sector, driven by the recession and a high level of consumer overindebtedness, has experienced substantial consolidation. Microfinance South Africa (MFSA) has reported an 11% reduction in its membership base as some of the smaller companies were taken over by larger and stronger companies, while others have gone under. The unsecured lending bubble has had a negative impact on major players like African Bank, who are reporting a substantial bad debt book.

Micro-enterprise lenders provide loans to SMEs and poorer South Africans. Most register and operate as non-profit organisations. They are small organisations with one or two branches, although large micro-enterprises like the Small Enterprise Foundation (SEF) have branches countrywide. The average loan size is R3 000, although large micro-enterprises offer loans of up to R10 000 and predominantly use group-lending methodologies. The money is mostly disbursed as cash, although other micro-enterprises prefer paying the clients' suppliers directly to ensure that the money is utilised for its intended purpose. The beginning of 2013 has seen the demise of two large micro-enterprises – Marang and Women Business Development – largely due to leadership and governance issues. There are currently 19 micro-enterprise lenders countrywide, with SEF being the oldest and largest institution in the country. Most of the players are concentrated in Limpopo, followed by Mpumalanga and the Western Cape. The biggest challenge for micro-enterprise lenders is the high operational costs of servicing their clients. This sector's lending is labour-intensive and the loan application process seems long and intense. Most micro-enterprises operate under strenuous conditions and seem to conduct their businesses manually with few systems to alleviate their operational burden.

Credit cooperatives are divided into two categories as a result of the Exemption Notice of 2012:

- Credit cooperatives with more than 200 members and that have deposits of between R1 million and R20 million are required to register as cooperative banks with the CBDA housed at National Treasury. There are approximately 16 cooperative financial institutions that mainly offer savings and credit products to the very poor, serving a total outreach of 26 164 members. This member base's loan book[20] is about R90 million and the savings book is R118 million.
- Cooperative banks with deposits exceeding R20 million must register with the SARB's Cooperative Banks Supervision Department. There are currently only two licensed cooperative banks (Ditsobotha Primary Savings and Credit Cooperative, and OSK Koöperatiewe Bank Beperk).The CBDA plays the role of regulator and provides capacity building.

CFIs are plagued by low skills levels and governance issues, and most cannot reach the capital adequacy needed. The service offering is still too traditional, due to lack of automation. Most CFIs can't grow their membership as a result. The CBDA is doing a good job in professionalising the industry through strong partnerships with the Small Enterprise Finance Agency (SEFA), BANKSETA and other training providers. This partnership has resulted in the design and development of bespoke training programmes aimed at addressing the specific and unique needs of this sector. This is a paradox of a sector that is still very traditional and manual in a world gone digital, and the biggest challenge is to graduate CFIs to a digital mode.

18. RUDO Consulting, 2011
19. RUDO Consulting, 2011.
20. SACCOL annual report, 2010

Stokvels

Stokvels are both formal and informal platforms that provide mostly black South Africans from rural and urban areas with an opportunity to save, borrow and invest money. They operate on a more structured basis, but are exempted from compliance and registration under the NCA. A recent study[21] indicates that there are approximately 811 830 stokvels with 11,4 million members and an estimated savings book value of about R4 billion. *The profile of stokvels in South Africa is as follows:*

- Number of individuals: 11 400 000
- Number of stokvels in South Africa: 811 830
- Estimated savings book: R4 billion
- Provincial distribution: Gauteng (24%), Limpopo (20%), North West (11%), KwaZulu-Natal (14%), Free State (8%), Eastern Cape (8%), Mpumalanga (7%) and Western Cape (6%)
- Average monthly contribution: R220

The study further shows that most stokvels deposit their savings into a bank account, including Postbank, with Nedbank having 22% of the accounts, followed by Absa (13%), FNB (12%), Standard Bank and Postbank (11%). Stokvels provide an opportunity for rural and poor people to access finance and save. For banks they create a platform to serve the 'traditionally excluded market'. There is huge potential for BANKSETA with regard to consumer education in this sector.

Peer-to-peer lending

Peer-to-peer lending is defined as the practice of lending money to unrelated individuals, or 'peers', without going through a traditional financial intermediary such as a bank or other traditional financial institution. This lending takes place online on peer-to-peer lending companies' websites using various lending platforms and credit-checking tools[22].

Most peer-to-peer loans are unsecured personal loans made to individuals who do not provide any collateral to the lender in case of default. Investors are not protected by any government guarantee. Lenders mitigate this risk by choosing who to lend to and by diversifying their investments among different borrowers. The success of the peer-to-peer lending model is that consumers are trusting one another more in terms of online transactions. Another attractive feature is that borrowers do not need to pay high interest rates and lenders earn higher returns because the service is automated.

The peer-to-peer model is reliant on lending intermediaries that link borrowers with lenders. These are for-profit businesses. They generate revenue by collecting a one-time fee on funded loans from borrowers and assessing a loan servicing fee to investors, either a fixed amount annually or a percentage of the loan amount. In South Africa, Rainfin, an online social lending marketplace, links borrowers directly with lenders.

Table 3: Tabular presentation of the South African IB sector

Type of service provider	Number of players	Names of players	Products and services
First-tier banks	4	Standard Bank	Typical loans of up to 48 months.
		Absa	
		FNB	
		Nedbank	
Second-tier banks	3	Capitec	Microloans and personal loans, deposits, transactions and savings. African Bank only offers loans.
		African Bank	
		Ubank, Ithala	

21. *Stokvels: A hidden economy, Zinzile Ntoyiwa, May 2012*
22. *http://en.wikipedia.org/wiki/Peer-to-peer_lending*

Medium and large micro-lenders: book value in excess of R10 million	390	Real People	Loans of up to 12 months: will charge close to maximum allowed interest and fees with some concessions for repeat customers and maximum allowed rates.
		Bayport	
		One Core	
		Thuthukani	
		Barko Financial Services	
		Net 1Group	
Small micro-lenders	2 550		Loans of up to three months, but mostly one month (would typically charge maximum allowed fees and interest).
Micro-enterprise lenders	19	SEF	Loans to SMEs and micro-enterprises.
		Akanani Financial Services	
		Kuyasa Fund	
Financial cooperatives and cooperative banks	18	Orania	Savings and credit to members.
		Alrode	
		Boikago	
		National Education, Health and Allied Workers' Union (Nehawu)	
		Sibanye	
		Central Finance Facility (CFF)	
		Kraaipan Village	
		Flash	
		South African Municipal Workers' Union (Samwu)	
		Lotlhakane	
		Mayibuye	
		Orenjekas	
Debt Counsellors	2 300	Octogen	Debt review/restructuring for borrowers in distress.
		Consumer Assist	
Retailers			
Housing financiers	22	Lendcor	Provide housing finance to low-income clients.
		Kuyasa	

Source: RUDO Consulting: 2013

The sector is mostly technology-driven and calls for skilled personnel to be continuously trained to keep abreast of the fast pace of technological changes. Most second-tier banks and large lenders have made inroads into housing and Small, Medium and Micro-enterprise (SMME) finance, while small lenders remain monolithic. This has exacerbated the sustainability challenges small lenders face.

CONCLUSION

South Africa still has 11,3 million adults who are unbanked, comprising mostly of black and young adults between 18 and 29 years. Microfinance has a role to play to increase financial inclusion through innovation, and creative and sustainable practices and products. Although the South African microfinance sector has slowed down and consolidated due to the current unsecured lending repayment crisis, most responsible borrowers have been assisted to improve their lives and circumstances. The encroachment of first-tier banks into the low-income segment is bringing a significant measure of dynamism and competitive pressure to the sector, which will benefit clients in terms of cost-effective service offerings, and variety of choice in products and service providers. It is also important to note the level of divergence that exists in the sector. There are institutions that use top-of-the-range innovation and take full advantage of technological developments that offer cost-effective, easy-to-access products and services (most second-tier banks), as well as those at the very low end of the continuum, which use manual operating systems and are inefficient and face a wide range of challenges (financial cooperatives and many small lenders).

Lack of skills and capacity has been identified as the key barrier to improvement, innovation and professionalisation of this industry. The skills needed include risk management, IT skills and management skills to ensure product diversification and digitising the sector. Each subsector is different and customised interventions are needed to address the uniqueness of skills needs in these subsectors. BANKSETA should continue to form partnerships with local and international organisations to professionalise the country's entire microfinance industry by conducting segmentation studies for in-depth understanding of each subsector's capacity building needs and develop bespoke training interventions.

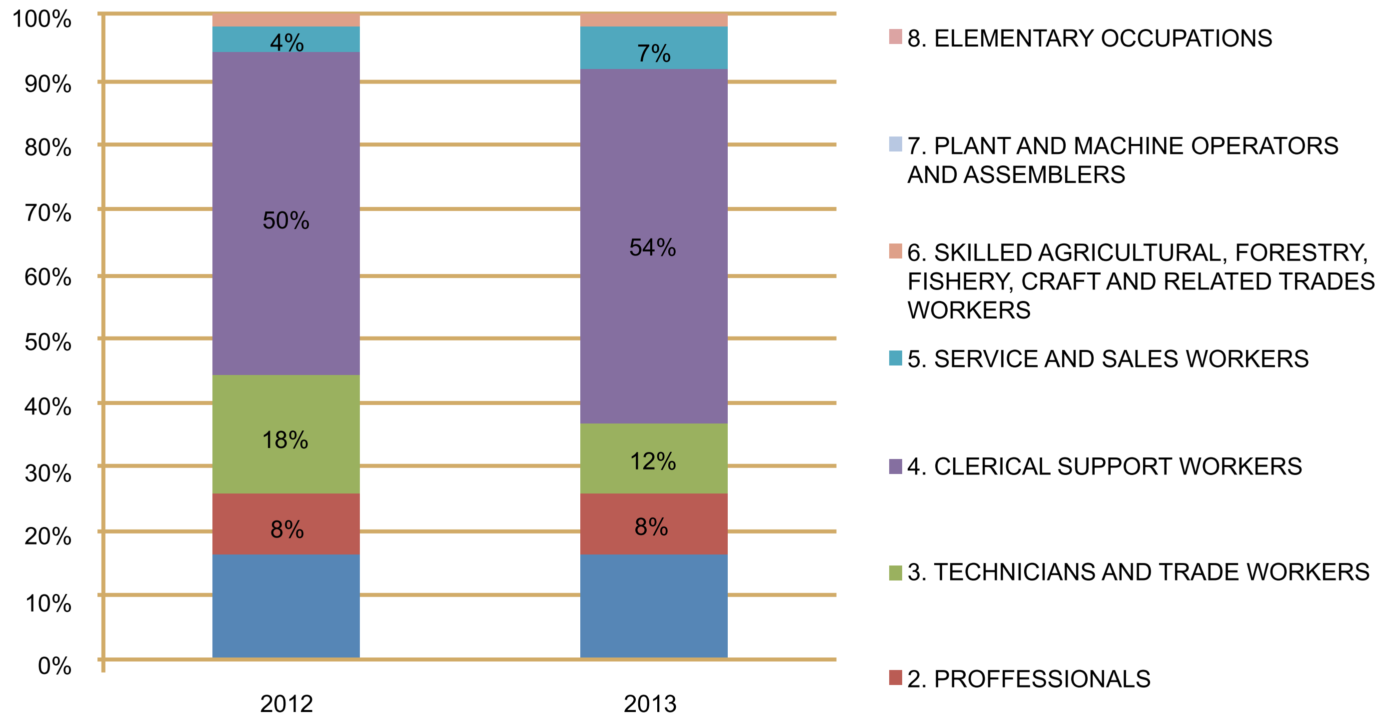
This chapter details the profile of the industry in terms of race, gender, education and the employment of persons with disabilities according to occupation category. It also analyses the skills demand for each subsector in the banking industry. The analysis in this chapter is largely informed by data from the Workplace Skills Plans (WSPs) of 2012/13, which were submitted by sector players, as well as qualitative information gathered through focus group and in-depth interviews with sector players and key informants. The information was further triangulated using the Centre for Inclusive Banking's Microfinance Review 2013 and registration data of the NCR and MFSA. The submitted 2012 and 2013 WSPs indicate that the sector has created jobs irrespective of reports that the sector has been consolidating. In 2012, the sector had 23 453 employees and this decreased to 21 191 in 2013. This employment trend indicates that the sector is not expanding and creating jobs. However, this downward trend mirrors the current consolidation in the sector. The most affected are technicians and trade workers, with a decrease from 18% in 2012 to 12% in 2013.

ANALYSIS OF SKILLS DEMAND

Figure 2 below shows that while the sector needs workers with a wide range of skills, the majority of the employees (54%) are clerical and administrative-level staff. As more clients are recruited and welcomed into the banked fold, players in the sector open more retail outlets and the majority of the staff required are frontline clerical and administrative personnel. To supervise administrative workers, the next layer of workers demanded is that of managers (17%), followed by technicians (12%) and professionals (8%), who provide solid back-office support.

A trend analysis by occupation category over the two years shows that there have been some variations in employment patterns per occupation category from 2012, especially among technicians and clerical staff. Technicians have decreased by 6% from 2012, while clerical staff increased by 4%. Sales workers have also increased by 3% since 2012. Over the two years, numbers of managers have not increased, although numbers of professionals have increased. These variations will be further analysed at subsector level. Employment dynamics per occupation category will be unpacked to reveal the occupational variations at subsector level.

Figure 2: IB skills demand by occupation



Source: IB WSP, 2012/13

In terms of replacement demand due to retirement, only 2% of the workforce is over 55 years of age and is spread fairly evenly across the occupations. Only 4% of all managers and 2% of professionals are in the 56+ age group, while community workers, and plant and machine operators, as well as elementary occupations, have between 16% and 11% of employees nearing retirement age. Replacement issues in key occupation categories, such as managers and professionals, are not a major challenge in the sector for the foreseeable future.

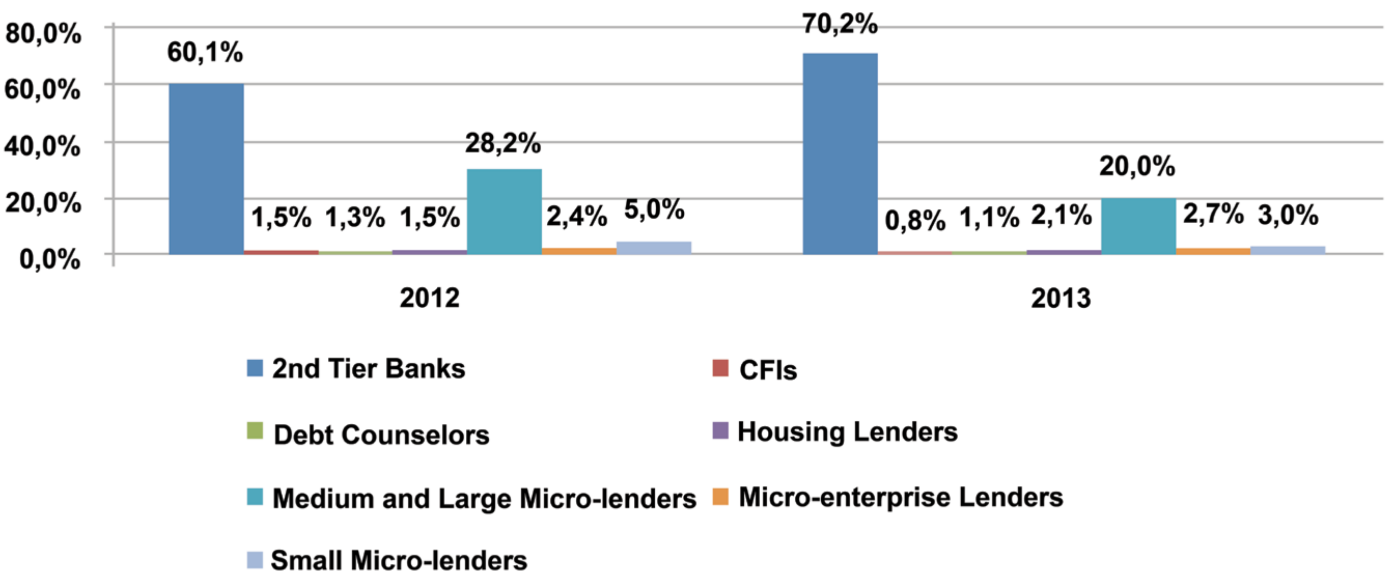
Table 4: Replacement demand for the sector

	2012 56+	2013% 56+
1. Managers	4%	4%
2. Professionals	2%	2%
3. Technicians and trade workers	2%	2%
4. Clerical support workers	1%	1%
5. Service and sales workers	2%	2%
6. Skilled agricultural, forestry, fishery, craft and related trades workers	6%	3%
7. Plant and machine operators and assemblers	9%	16%
8. Elementary occupations	9%	11%
Grand total	**2%**	**2%**

Source: IB WSP, 2012/13

The sector is serviced by approximately 21 188 employees, with second-tier banks and large lenders accounting for 90% of the workforce (WSP 2013). Figure 3 shows the trend in the sector's workforce from 2012 to 2013 according to segment. Second-tier banks increased the number of employees from 2012 to 2013**.** Their contribution to the sector's workforce is 70%, while medium and large micro-lenders shed 8.2%% of their workforce in 2013. Their contribution stands at 20%. Small lenders and micro-enterprise lenders respectively account for 3% and 2.7% of the sector's workforce (WSP 2013), both having marginally reduced their numbers of employees during the same year. The balance is shared by housing financiers (0.8%), financial cooperatives (0.8%) and Debt Counsellors (1%).

Figure 3: Employment trend by segment



Source: 2012/13 WSP analysis

Sector gender profile

Table 5 shows the gender trend analysis of the IB employee profile by occupation category for the period 2009 to 2011, based on the WSP data submitted by participant IB financial services providers. Overall, females dominated the sector at 61% (2010), while men made up 39%. Further analysis of the 2011 WSP data shows that female employees dominated the elementary workers (78%), clerical and administrative workers (68%) and sales workers categories (65%). Male employees, on the other hand, dominated the other categories with machinery operators and drivers (98%), and technicians and trade workers (88%) being almost exclusively male domains, and increasingly so when analysed over the past three years.

Table 5: IB gender profile by occupation category

	2012		2013	
	Male	Female	Male	Female
1. Managers	49%	51%	48%	52%
2. Professionals	54%	46%	56%	44%
3. Technicians and trade workers	31%	69%	31%	69%
4. Clerical support workers	30%	70%	31%	69%
5. Service and sales workers	33%	67%	33%	67%
6. Skilled agricultural, forestry, fishery, craft and related trades workers	95%	5%	93%	7%
7. Plant and machine operators and assemblers	97%	3%	96%	4%
8. Elementary occupations	48%	52%	40%	60%

Source: WSP, 2012/13

Analyses of the managers and professionals categories show upward trends in favour of female employees in both categories, although males still dominated these categories. Female manager numbers increased from 51% in 2012 to 52% by 2013, while female professionals numbers decreased from 46% in 2012 to 44% in 2013.

Racial profile by occupation category

Table 6 indicates that, overall, 66% of the sector comprises Africans, followed by whites (15%), coloureds (13%) and Indians (5%).A trend analysis of WSP 2012/13 data in terms of racial composition shows that the sector is dominated by Africans across most occupational categories, with the exception of the professional category, where whites have an edge. Evidently, the participation of Africans in high-skilled occupations (managers, professionals, and technicians and trades workers) is relatively low when mirrored against the country's demographics, pointing to a need to enhance skills among this racial group.

Table 6: IB racial profile by occupation category (2009–2011)

	African	Coloured	Indian	White	African	Coloured	Indian	White
1. Managers	48%	11%	8%	33%	51%	12%	8%	29%
2. Professionals	38%	11%	8%	43%	38%	13%	7%	42%
3. Technicians and trade workers	73%	8%	5%	14%	63%	13%	6%	17%
4. Clerical support workers	73%	14%	5%	8%	74%	14%	4%	8%
5. Service and sales workers	76%	12%	3%	9%	82%	9%	3%	6%
6. Skilled agricultural, forestry, fishery, craft and related trades workers	57%	15%	4%	24%	41%	21%	4%	34%
7. Plant and machine operators and assemblers	88%	0%	3%	9%	80%	4%	4%	12%
8. Elementary occupations	94%	4%	1%	1%	95%	3%	1%	1%
Grand total	**66%**	**12%**	**6%**	**16%**	**66%**	**13%**	**5%**	**15%**

Source: 2012/13 WSPs

Sector age profile by occupation category

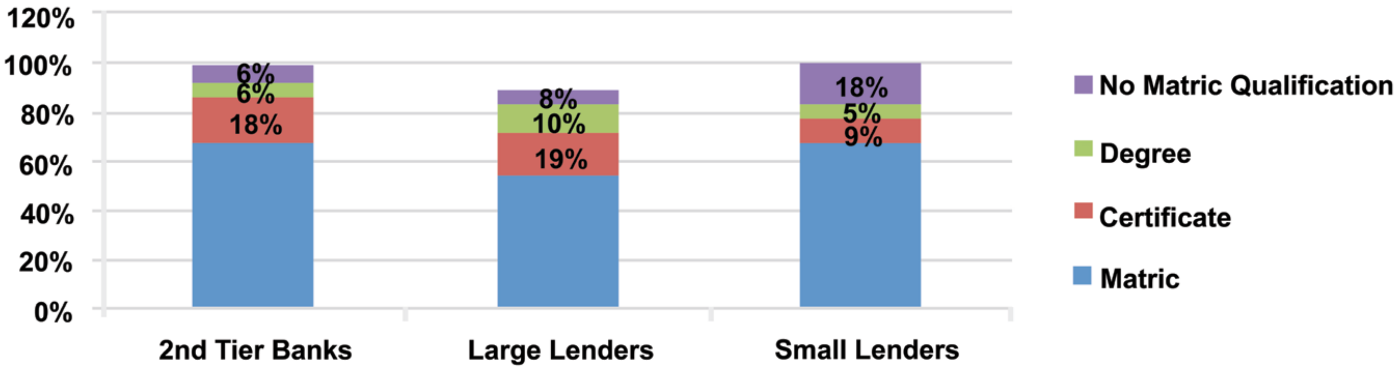
The sector has a youthful age distribution, with 71% of the workforce being younger than 35 years old, 27% being in the 36–55 age group and only 2% being over 56 years. This picture has not changed much since 2012. The younger category (35 years and below), as expected, is mainly clerical and administrative workers (83%), professionals (65%), and technicians and trades workers (64%).

Table7: Age profile by occupation

	<35	36-55	56+	Total	<35	36-55	56+	Total
1. Managers	52%	45%	4%	100%	47%	49%	4%	100%
2. Professionals	68%	31%	2%	100%	65%	32%	2%	100%
3. Technicians and trade workers	67%	31%	2%	100%	64%	34%	2%	100%
4. Clerical support workers	81%	18%	1%	100%	83%	16%	1%	100%
5. Service and sales workers	67%	31%	2%	100%	66%	32%	2%	100%
6. Skilled agricultural, forestry, fishery, craft and related trades workers	53%	41%	6%	100%	64%	33%	3%	100%
7. Plant and machine operators and assemblers	35%	56%	9%	100%	36%	48%	16%	100%
8. Elementary occupations	27%	64%	9%	100%	23%	67%	11%	100%
Grand total	**71%**	**27%**	**2%**	**100%**	**71%**	**27%**	**2%**	**100%**

Source WSP,2012/13

Educational Profile of the Sector



Source: 2012/13 WSP analysis

The educational analysis of the industry indicates that:

- Some 68% of the staff of second-tier banks have matric, 18% have a certificate/diploma, 6% have a degree and another 6% have no matric qualification.
- The staff complement of large lenders comprises 53% people with matric, 19% with a certificate/diploma, 10% with a degree and 8% with no matric qualification.
- The CFIs and micro-enterprise lenders' educational profile mimicked that of the entire sector, with most employees having matric as their primary qualification.
- The CFIs and micro-enterprise lenders' educational profile mimicked that of the entire sector, with most employees having matric as their primary qualification.
- The staff of small lenders comprises 68% people with matric, 9% with a certificate/diploma, 5% with a degree and 18% with no matric qualification.
- The sector thus sources most employees at secondary education level. Therefore, the quality of matriculants is important.

People with disabilities by occupation

Table 8 shows that there is a growing trend towards employing people with disabilities in the sector, although the representation is miniscule, with the total number of people with disabilities employed in the sector increasing from 29 in 2012 to 45 in 2013. They feature across all occupation categories, with most of them being clerical and administrative workers (15) and managers (12). Although the trend of employing people with disabilities has been on the rise, the percentage representation is way below 1% of total employment and more needs to be done to reach the target of 4%.

Table8: People with disabilities by occupational category

	2012					2013				
	African	**Coloured**	**Indian**	**White**	**Total**	**African**	**Coloured**	**Indian**	**White**	**Total**
1. Managers	6	1		21	30	7	-	1	4	12
2. Professionals	1	-	-	4	5	-	-	1	1	2
3. Technicians and trade workers	12	-	-	-	12	5	-	1	2	8
4. Clerical support workers	9	4	-	5	18	12	-	-	3	15
5. Service and sales workers	1	1	-	1	3	8	-	-	-	8
Grand total	**29**	**6**	**1**	**31**	**68**	**32**	**0**	**3**	**10**	**45**

Source: WSP,2012/13

SKILLS DEMAND: SUBSECTOR ANALYSIS

This section discusses the skills demanded by each subsegment of the IB sector.

Second-tier banks: Second-tier banks comprise institutions such as Capitec, African Bank, Ubank and Ithala, which have been pursuing aggressive growth strategies on the back of technology-driven product offerings. Table 9 below illustrates that second-tier banks have been employing clerical and administrative workers increasingly from 67% in 2012 to 66% by 2012. Manager numbers have decreased marginally from 16% in 2012 to 16% in 2013, while sales worker numbers increased to 3% in 2013.

Table 9: IB employment for second-tier banks by occupational category

	Employment	%	Employment	%
1. Managers	2 371	17%	2 440	16%
2. Professionals	1 085	8%	1 235	8%
3. Technicians and trade workers	1 096	8%	822	6%
4. Clerical support workers	9 493	67%	9 791	66%
5. Service and sales workers	9	0%	484	3%
6. Skilled agricultural, forestry, fishery, craft and related trades workers	48	0%	50	0%
7. Plant and machine operators and assemblers	1	0%	3	0%
8. Elementary occupations	52	0%	58	0%
Total	**14 155**	**100%**	**14 883**	**100%**

Source: WSP,2012/13

Replacement demand analysis of the second-tier banks' workforce shows that 99% of the entire workforce is below the age of 55, which reduces replacement demand pressure due to retirement. The largest proportion of employees approaching retirement age (due to retire in the next five to nine years) is management (50%), and machine operators[23] and drivers (20.4%). This will create pockets for replacement in the sector within the next four years.

Table 10: Replacement demand of second-tier banks

	2012	2013
	%	%
1. Managers	2%	2%
2. Professionals	1%	1%
3. Technicians and trade workers	1%	2%
4. Clerical support workers	1%	1%
5. Service and sales workers	0%	2%
6. Skilled agricultural, forestry, fishery, craft and related trades workers	2%	0%
7. Plant and machine operators and assemblers	0%	33%
8. Elementary occupations	12%	10%
Grand total	**1%**	**1%**

Source WSP,2012/13

Medium and large micro-lenders: The medium and large micro-lenders subsector comprises large furniture shops and players such as Real People and Blue Finance, which largely offer loans to consumers. Clerical and administrative workers stood at 29% in 2013, having increased slightly from 28% in 2012. Table 11 indicates that the subsector reduced numbers of technicians from 31% in 2012 to 20% in 2013. The number of professionals increased from 10% in 2012 to 12% by 2013, while the number of managers increased from 14% to 16%.

Table 11: IB employment for medium and large micro-lenders by occupational category

		2012	2013	
1. Managers	903	14%	694	16%
2. Professionals	689	10%	496	12%
3. Technicians and trade workers	2 054	31%	857	20%
4. Clerical support workers	1 847	28%	1 229	29%
5. Service and sales workers	832	13%	694	16%
6. Skilled agricultural, forestry, fishery, craft and related trades workers	55	1%	23	1%
7. Plant and machine operators and assemblers	24	0%	20	0%
8. Elementary occupations	232	3%	216	5%
Total	**6 636**	**100%**	**4 229**	**100%**

Source WSP,2012

An analysis of the replacement demand of the medium and large micro-lenders' workforce in Table 12 shows that 96% of the entire workforce is below the age of 45. The highest proportion of employees approaching retirement age (56+) are technicians (59%) clerical support workers (35) and elementary workers (20). This suggests that there is a progression towards a more skills-intensive environment due to advances in technology and increased competition in the sector. Career-pathing to ensure that opportunities exist for administrative and clerical occupants through dedicated internal skills development provision and progression plans enables support for the emerging demand for higher professional and managerial staff.

Table 12: Replacement demand of medium and large micro-lenders by occupational category

	2012	2013
1. Managers	4%	5%
2. Professionals	2%	5%
3. Technicians and trade workers	3%	5%
4. Clerical support workers	2%	2%
5. Service and sales workers	2%	1%
6. Skilled agricultural, forestry, fishery, craft and related trades workers	9%	9%
7. Plant and machine operators and assemblers	13%	10%
8. Elementary occupations	9%	11%
Grand total	**3%**	**4%**

Source: WSP,2012/13

Small business micro-lenders: Table 13 shows that two major occupation categories for this sector are entry-level clerical workers and technicians (35%), and managers (31%), as their institutions tend to be very flat in structure. Interestingly, the analysis indicates an increasing number of sales workers entering the market.

Table 13: IB employment for small micro-lenders by occupational category

	2012		2013	
1. Managers	321	27%	201	31%
2. Professionals	49	4%	9	1%
3. Technicians and trade workers	424	36%	222	35%
4. Clerical support workers	236	20%	135	21%
5. Service and sales workers	122	10%	56	9%
8. Elementary occupations	10	1%	15	2%
Total	**575**	**100%**	**569**	**100%**

Source: WSP,2012/13

Table 14 shows an analysis of the replacement demand of the small lenders' workforce. Up to 91% of the entire workforce is below the age of 55, meaning that replacement demand is not a major challenge for the foreseeable future. There are, however, significant pools of upcoming young people within the ranks that should replace the retiring team once they are adequately prepared.

Table 14: Replacement demand of small micro-lenders by occupational category

	2012	2013
1. Managers	14%	18%
2. Professionals	4%	0%
3. Technicians and trade workers	1%	0%
4. Clerical support workers	3%	12%
5. Service and sales workers	2%	5%
7. Plant and machine operators and assemblers	0%	100%
8. Elementary occupations	10%	7%
Grand total	**5%**	**9%**

Source: WSP,2012/13

Micro-enterprise lenders: This subsegment is dominated by non-profit NGOs and SME lenders that provide loans to SMEs. Some players in this subsector have access to international donor funding. In terms of their configuration, they comprise small institutions with one or two branches. It is only the SEF that can be classified as a large micro-enterprise lender with countrywide branch coverage. Two major occupation categories for this sector, as illustrated in Table 15, are technicians (73%) and managers (16%), as their institutions tend to be very flat in structure.

Table 15: IB employment for micro-enterprise lenders by occupational category

	2012		2013	
1. Managers	103	18%	91	16%
2. Professionals	50	9%	23	4%
3. Technicians and trade workers	360	63%	418	73%
4. Clerical support workers	55	10%	35	6%
7. Plant and machine operators and assemblers	3	1%	1	0%
8. Elementary occupations	4	1%	1	0%
Total	**575**	**100%**	**569**	**100%**

Source: BANKSETA 2012/13 WSPs

A demand replacement analysis of the micro-enterprise lenders' workforce, as indicated in Table 16, shows that 99% of the entire workforce is below the age of 55. Replacement demand is thus not a major issue of concern for this sector.

Table 16: Replacement demand of micro-enterprise lenders by occupational category

	2012	2013
1. Managers	6%	5%
2. Professionals	6%	0%
3. Technicians and trade workers	1%	0%
4. Clerical support workers	5%	3%
7. Plant and machine operators and assemblers	0%	0%
8. Elementary occupations	0%	0%
Grand total	**3%**	**1%**

Source: BANKSETA 2012/13 WSPs

Financial cooperatives

The subsector can be divided into two categories according to the South African credit cooperation legislation: credit cooperatives with more than 200 members whose deposits average between R1 million and R20 million that are required to register as cooperative banks with the CBDA of National Treasury, and cooperative banks with deposits exceeding R20 million that are required to register with the SARB's Cooperative Banks Supervision Department. Clerical and administrative workers (35%) and managers (47%) are the two main occupational categories for financial cooperatives. Together they contribute 82% of the subsector's workforce (Table 17).

Table 17: IB employment for financial cooperatives by occupational category

	2012		**2013**	
1. Managers	205	58%	85	47%
2. Professionals	30	8%	7	4%
3. Technicians and trade workers	62	18%	24	13%
4. Clerical support workers	45	13%	62	35%
5. Service and sales workers	1	0%		0%
8. Elementary occupations	10	3%	1	1%
Total	**353**	**100%**	**179**	**100%**

Source: WSP,2012/13

Previous research has shown that financial cooperatives experience various challenges, which include running their businesses using manual systems, the inability to recruit, train and retain quality staff, and weak governance structures and competencies. Investment in skills development among financial cooperatives would need to cover a broad spectrum of issues, ranging from the institutional strengthening of management, front-office staff, as well as governance issues at board level. Over time, the institution's capacity to embrace technology for better service delivery would need to be developed through investment in IT skills. An analysis of the replacement demand of financial cooperatives' workforce shows that 96% of the entire workforce is below the age of 55. Replacement demand is again not an issue in this sector.

Table 18: Replacement demand of financial cooperatives by occupational category

	2012	**2013**
1. Managers	2%	7%
2. Professionals	3%	14%
3. Technicians and trade workers	0%	0%
4. Clerical support workers	2%	2%
5. Service and sales workers	0%	
8. Elementary occupations	0%	0%
Grand total	**2%**	**4%**

Source: BANKSETA 2012/13 WSPs

SCARCE AND CRITICAL SKILLS

This section of the report largely draws from a scarce and critical skills survey undertaken by RUDO Consulting in June 2013, with the main aim to validate the scarce skills identified in 2012. The survey covered five of the country's nine provinces: Gauteng, KwaZulu-Natal, the Western Cape, Mpumalanga and Limpopo. The analysis was enriched and triangulated through BANKSETA's 2012 and 2013 WSP analysis. Scarce and critical skills indicate areas where the labour market fails to adequately match the supply and demand for skills. These shortages take two forms. According to the Department of Labour, 'scarce skills' refer to suitably qualified people who are not available in the labour market. 'Critical skills' refer to particular capabilities needed within an occupation. It is important to understand the drivers of scarce and critical skills in the sector, so that the most appropriate interventions can be undertaken to overcome the scarcity.

SCARCE SKILLS RESULTS

The term 'scarce skill' applies when employers are unable to find suitably qualified and experienced people to fill occupational vacancies either at an 'absolute' level of scarcity (no suitable people available) or at a 'relative' level of scarcity (no suitable equity candidates available, among other criteria).

Table 19: List of IB scarce skills 2012–2013

System Developers
Credit Managers
Research Analysts
Financial Managers
Business Development Officers
Risk Managers
IT Managers
Credit Card Specialists
Chartered Accountants
Outreach workers

Source: Scarce and Critical Skills Survey Validation Exercise

Table 19 summarises scarce skills identified by participant MFIs. Most lenders indicated that they struggled to fill some positions. For second-tier banks, these included system developers, research analysts and Risk Managers, as well as credit specialists. Most large lenders seem to look for Credit Managers and IT Officers. Similar to second-tier banks, large lenders also struggled to find risk and Credit Managers. India is the archetypal country to visit due to the much vaunted investment in information and communications technology (ICT) education. The results of this investment are an unbridled amount of ICT graduates sought after internationally because of their exceptional competence and quality. The IB sector is well entrenched in Asian countries (India and Bangladesh) and fact-finding missions to these countries by BANKSETA have taken place to gain an understanding of the educational approach to ICT in their respective IB sectors.

Most small lenders struggled to find loans due to the prescripts of the NCA, and, to a lesser extent, because of Credit Managers. Loan Officers are responsible for completing and processing loan applications, and screening and assessing clients. This pool of staff comprises matriculants who enter the sector directly from school. The PESTEL analysis indicated that most of these learners lack the necessary numeracy skills required by the industry. The small lenders' organogram requires junior staff who are allrounders with knowledge of the industry and the legislation, and who also have marketing and selling skills.

Research was conducted by the CBDA to establish the status of CFIs in the sector. Together with the benchmarking workshops that were held around the country, the following findings emerged:

- Low levels of awareness among members of their ownership and right to participate in and shape the cooperative
- Limited understanding of the ownership structure of cooperatives
- Lack of knowledge and practice of sound governance, which in some cases has resulted in the formation or control of CFIs by external groups
- Limited education and training of members
- Insufficient knowledge of how to manage the CFIs

Micro-enterprise lenders indicated that they were struggling to recruit credit and Risk Managers as most of these candidates needed higher salaries than they could afford. The validation process still indicates the need for outreach workers who are unique to the micro-enterprise industry. These are traditionally called ‘fieldworkers’. The micro-enterprise lending methodology includes making site visits to the borrower’s employer to assess the viability of its enterprises, and home visits to assess and evaluate the borrower’s assets so as to make an informed and calculated decision on whether to advance credit or not. This is a labour-intensive process and requires professional people with good analytical skills.

Housing lenders, on the other hand, expressed a need for product development skills, management development (finance and credit) and risk management skills.

The 2012 scarce and critical skills survey indicated the following:

- KwaZulu-Natal mostly needed managers in human resources, finance management and credit management, and employees with knowledge of the NCA.
- The Western Cape struggled to find Chartered Accountants and Risk Managers for second-tier banks and large lenders, and outreach workers for micro-enterprise lenders.
- The Eastern Cape needed Market Analysts and Assistant Branch Managers for second-tier banks.
- It was difficult to find Loan Officers and clerks with knowledge of the NCA in Limpopo. It was also difficult to find Branch Managers in Limpopo.

SCARCE SKILLS FOR 2014–2017

Table 20 details scarce skills positions that IB service providers envisage filling during the next four years. Debt Counsellors envisage recruiting more Debt Counsellors, while second-tier banks are looking at recruiting system developers and IT Officers. Large lenders envisage recruiting Credit Managers, IT Officers and Marketing Managers, while small lenders are looking at recruiting managers and cashiers. Microenterprise lenders are looking at recruiting managers, while cooperatives are looking at recruiting Finance Managers.

Table 20: Scarce skills 2014-2017

Credit Managers
Risk Managers
Financial Services staff
IT Officers
Junior Managers
Finance Managers
Assistant Branch Managers
Marketing Managers
Loan Administrators
Marketing staff

Source: Scarce and Critical Skills Survey Validation Exercise

Drivers of scarcity

The drivers of skills scarcity in the IB sector vary per subsegment. These include the changing environment, which is increasingly technology-driven and therefore calls for quick adaptation. The changing legislative landscape presents a demand for skills sets that may not be easily available in the market and is quite acute among clerks. Industry players identified several variables that drive scarcity in this sector. The survey indicates the following:
Scarcity at manager level was driven mostly by the lack of available skilled candidates with the requisite experience and knowledge of the industry. This is compounded by several factors, including the following:

- Low mathematics and physical science results on NSC-level impacting negatively on HET throughput.
- Lack of career guidance with regard to subject choice at NSC (more township and rural learners are inclined to take mathematical literacy) and learners are unable to follow the commerce stream at HEIs.
- Low graduation rates at HEIs impact negatively on the pool available to industry.
- Industry trends indicate that after graduation, black graduates are less likely to find employment compared to their white counterparts.
- At this level, most second-tier and large lenders have to compete with banks and other financial institutions who can pay the ‘optimum’ price for these skills needs.
- The above becomes acute in outlying areas, especially in poorer and rural provinces, like Limpopo and the Eastern Cape.

- Staff are poached by banks and other financial institutions.
- Although Loan Officers are junior occupations in the sector, most individuals recruited at this level are expected to have a suite of expertise that includes selling, numeracy, and knowledge of the industry and the necessary legislation. The analysis indicates that these positions are mainly needed by small lenders who do not have the capacity and the time to upskill, and would prefer to find experienced individuals at this level, which is hardly the case. Most matriculants have numeracy issues, and need capacity and training.
- The poor image of the industry hampers recruitment and retaining the required skills. The repositioning of the industry as 'inclusive banking' was perceived to be a positive step that would enable a positive positioning of the sector with positive spin-offs in the recruitment of quality candidates.
- Poor-quality matriculants and graduates lack the basic arithmetic, mathematics and accounting skills that are needed by the industry.
- Lack of career-pathing in the microfinance industry results in a minimal supply pool of entrants to the sector.
- Small lenders are mainly family-owned businesses and more emphasis is put on the survival of the business than on skills development.
- Qualified and experienced staff are constantly poached by commercial banks.

Critical Skills

Table 21 lists critical skills, and has not changed since the last review. The results show that critical skills are immediately needed at entry level, where skills gaps exist in customer service, bookkeeping, computer literacy, the ability to understand and apply regulatory instruments (NCA, FAIS), marketing and debt collection. Small lenders also have owner/manager challenges where gaps were identified at the level of handling finance and reporting skills. Overall, most lenders reported a need for general management skills, including risk management.

Table 21: The IB critical skills list 2014/15

Customer service
Legislation (FAIS, NCA)
Bookkeeping
Computer literacy
IT skills
Computer skills
Management skills
Business management skills
Auditing
Microfinance management
Risk management
Debt collection
Financial management

Source: Scarce and Critical Skills Survey Validation Exercise

For second-tier banks (Table 22), two main occupations (Credit Officers and Loan/Financial Consultants) were identified as being in need of training. For consultants, this was around FAIS and customer service, and selling and marketing financial products. These are in line with the continued growth of the industry and the continued competition from retail banks that have since taken an active interest in the low-income unbanked market. Key drivers for growth will be the ability to embrace technology and the ability to develop and offer cost-effective technology-driven products that are customised to suit the needs of the market. Second-tier banks will increasingly find themselves having to innovate in product offerings that appeal to the target market and the ability to sell these products.

Table 22: Critical skills required by second-tier banks

Occupation	Critical skills
Credit Officers	NCA knowledge and keeping up with legislative changes
Loan Consultants	Customer service
Consultants	• Business administration • Customer relations • FAIS
Financial Consultants	Marketing of financial products

Source: Scarce and Critical Skills Survey Validation Exercise

Besides large furniture shops, players in this space (Real People and Blue Finance) largely offer consumers loans. Clerical and administrative workers (Loan Officers/Consultants) comprise the majority of the workforce in this subsegment. They operate in a highly competitive lending landscape and strict adherence to legislative provisions is key to survival and winning judgments in any eventuality. Encouraging the need for legislative training was thus highlighted for this segment. Key skills identified (Table 7) included debt collection, marketing, customer service and the ability to understand and operate within the provisions of legislation, particularly the NCA. Professional staff (Marketing Officers) reported a need for leadership training.

Table 23: Critical skills required by medium and large micro-lenders

Occupation	Critical skills
Credit Officers	• Customer service • NCA knowledge and keeping up with legislative changes • Bookkeeping • Debt collection
Loan Officers	Customer service
Financial Consultants	Marketing of financial products
Loan Officers	• Customer service • Marketing • Debt collection
Marketing Officers	Leadership skills

Source: Scarce and Critical Skills Survey Validation Exercise

The viability challenges that negatively affect many small business micro-lenders have their roots in the limited skills of their proprietors. A package of key skills development needs, focusing on developing the managerial competencies of managers in the various functions of management, is required. It was thus encouraging that most owners and managers of small lenders reported the need for finance training, reporting skills, IT and management skills (Table 24). This is in addition to investing in developing the capacity of the subsector's key occupational categories, namely clerical and administrative workers, sales workers and, to a lesser extent, the other support occupation categories.

The need for loan officers in this segment was similar to those in second-tier and large lenders and included legislative training, customer service, debt collection and computer literacy. Previous research has shown that most small lenders are affected by sustainability, accessing funding, compliance, the ability to attract and retain skilled workers, and the challenges of marketing their businesses. A cocktail of skills, including risk management and the ability to understand and comply with obtaining legislation, is needed in this subsegment.

Table 24: Critical skills required by small lenders

Occupation	Critical skills
Credit Officers	• NCA knowledge and keeping up with legislative changes • Bookkeeping • Servicing loans • Debt collection
Loan Consultants	• Business administration • Customer service • Computer literacy • NCA knowledge and keeping up with legislative changes
Owners/Managers	• Finance • Reporting skills • IT • Management • Risk management
Consultants	• Business administration • Customer relations • Computer literacy
Financial Consultants	Marketing of financial products
Loan Officers	Finance
Administration Officers	Administration
Clerks	Business administration

Source: Scarce and Critical Skills Survey Validation Exercise

Given the significant job creation role played by SMEs in South Africa, investing in developing the capacity of institutions that provide support services to SMEs is critical. Micro-enterprises are generally known to be labour-intensive – hence the huge contingent of clerical and administrative workers in the subsector. The sector needs to innovate around technology-driven, efficient service delivery mechanisms that enable it to offer competitive products to the target market. Key skills needed *(Table 25)* include customer service, administration, marketing, management and legislative training.

Table 25: Critical skills required by micro-enterprise lenders

Occupation	Critical skills
Loan Consultants	• Business administration • Customer service • NCA knowledge and keeping up with legislative changes • Assessment of clients
Loan Officers	• Customer service • Marketing
Customer Relations Managers	• Telephone skills • Management
Receptionists	• Administration
Marketing Officers	• Marketing and advertising

Source: Scarce and Critical Skills Survey Validation Exercise

Critical skills required by credit cooperatives: Skills identified by credit cooperatives included computer literacy, basic accounting and board governance skills. Previous research indicated that skills development challenges related to building the capacity of financial cooperatives vary and revolve around building the managerial capacity of key personnel, investing in IT training and developing board governance issues.

Critical skills required by Debt Counsellors: Debt counselling represents a new area of skills need in the industry. Most Debt Counsellors are entrepreneurs with matric who saw an opportunity and took advantage of it. The remainder of the subsector consists of legal professionals, including Lawyers and Paralegals. Entry requirements into this profession are matric and a minimum of two years' working experience. Registration requirements include attending a 10-day training session with an accredited provider. Most Debt Counsellors lack the entrepreneurial and management skills needed to build a sustainable enterprise. As with the previous research findings, skills needed include in-depth knowledge of credit legislation.

Critical skills 2014–2017: A summary of critical skills gaps envisaged by IB service providers over the next four years includes key skills around customer service, compliance issues to do with the NCA, bookkeeping, business administration, computer literacy, business management skills and auditing. It is apparent from the foregoing scarce and critical skills survey results that scarce skills are mainly at junior and management level, while critical skills are generic across all levels.

Training interventions: In terms of training interventions to mitigate identified critical skills gaps, microfinanciers suggested a combination of approaches: administering short courses, mentoring, on-the-job training, workshops, enrolling in distance learning programmes and running refresher courses. It is notable that financial cooperatives registered critical skills areas in board governance, computer literacy and IT skills. Credit cooperatives are known to have perennial capacity issues and need to computerise their manual systems, as well as strengthen governance issues. In light of the growing demand to capacitate entry-level staff, particularly Loan Officers and Consultants, there is a need for BANKSETA to invest in skills development initiatives initially focused at the entry level to enhance the work-readiness of clerical staff.

These form a huge pool of potential talent that could be groomed through structured career paths in the sector and emerge as experienced and informed managers of these institutions. Mentorship programmes should be encouraged and supported, as well as partnerships with FET colleges to tailor entry-level qualifications for the sector's entry-level employees. Getting low-quality employees on board en masse has the risk of damaging institutional reputation and the reputation of the sector at large when it is already rebranding itself (from microfinance to IB) to sanitise the poor image that has affected the microfinance sector in the country. RPL should also be considered across the sector to ensure that employees with experience have the opportunity to attain relevant qualifications.

CONCLUSION

The IB sector is serviced by diverse players, catering to the needs of different segments of the market. Challenges faced by service providers are equally diverse. Upper-end players are more technology-driven, while lower-end players operate manual systems and are resources-constrained. Focused skills development initiatives will be more effective, although there are generic skills in occupation categories, such as management, clerical and administrative workers, and professionals (Accountants and Auditors). These are sector-wide challenges and should be addressed in their general context. The availability of skilled labour is low, particularly among small inclusive banking service providers. This is largely due to limited resources and not investing in human resources development. Moreover, expertise in new areas of service provision, such as the provision of low-income housing finance, microinsurance, remittances and savings catering to the needs of the broader unbanked segment of the population, is generally low. As financial services players expand their outreach into the hitherto unbanked segment, there is a need to retool and reskill to mitigate exposure when dealing with non-salaried loan applicants – a domain in which most players do not have experience.

Various innovations on security, client selection mechanisms and contract enforcement dynamics come into play, including what service providers need to know and when to apply what lending techniques. It is important to note that the sector draws most of its entry-level workforce from matriculants. NSC results show that the pass rate in mathematics, accounting and economics is low and the quality of matriculants is quite poor. Those who do well tend to further their studies at tertiary institutions. BANKSETA should work with FET colleges to ensure capacity and standardisation of learning material and qualifications for the IB sector. Working with the FET colleges, BANKSETA should progress towards the standardisation of minimum entry-level requirements in inclusive banking. In collaboration with HET institutions, BANKSETA would then work on developing a career path that would result in the professionalisation of the industry. In the short to medium term, BANKSETA should consider instituting a Letsema IB learnership programme to address the skills challenges in the sector.

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The optimal operation of the microfinance sector demands the combination of skills as discussed in the previous chapter. These skills are drawn from a pool of labour, which is, in turn, fed by the nation's education institutions. This section of the report aims to analyse the flow of those skills into the labour market and to identify and understand the nature of any blockages in this flow.

While the skills profile of the inclusive banking sector, as detailed in the previous chapter, shows that the sector demands a higher than average skill level when compared to the overall economy, employees are drawn from all skills levels. Therefore, when one considers the pipeline of skills into the labour market, the results of secondary and higher education institutions will have an impact on the overall supply of skills. Furthermore, the overall skills in the labour market are supplemented by 'ongoing' training initiatives conducted by industry. All of these will be examined in more detail to fully appreciate the overall supply of skills.

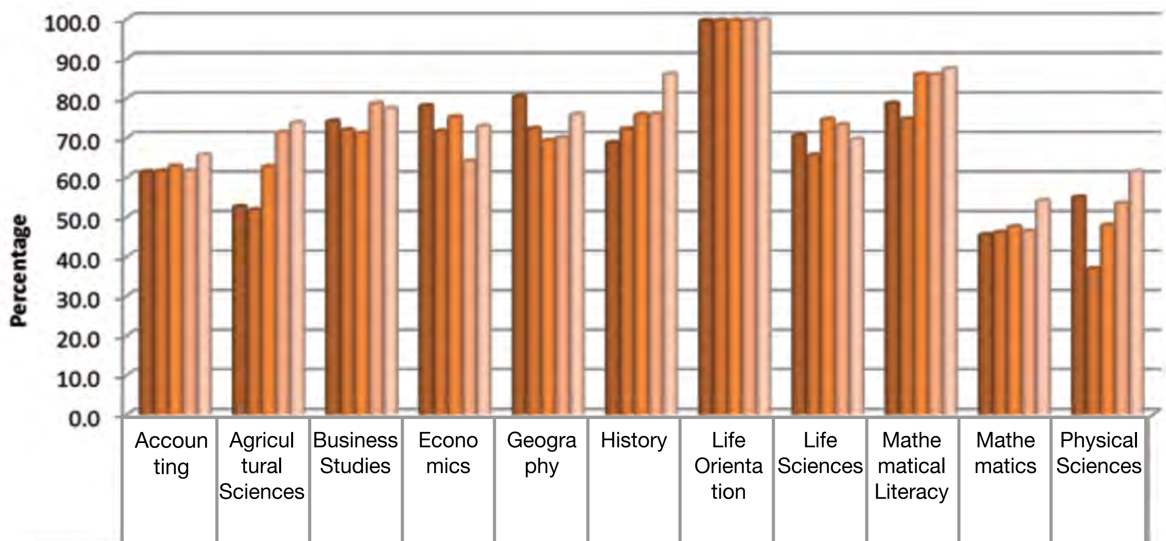
BASIC EDUCATION

The skills required by the IB sector draws from commerce subjects and demand proficiency in numeracy. The production centre at the core of developing such skills is the country's education system, starting from primary school, ranging to secondary school and subsequently across the full spectrum of tertiary institutions. It is also important to assess supply trends from the schooling system, the higher education system and learnerships. The outcome of the NSC (matric/Grade 12) exams is used as an indicator not only of the flow of skills from the schooling system into the labour market, but also the flow into the tertiary education system and, thus, future HEI graduates.

The 2012 matric results were lauded as a success, with 73.9% of the 511 152 pupils who wrote the exams attaining a pass mark. Since the banking sector has a relatively high reliance on numerical and other technical skills, the mathematics and physical science, as well as the accounting and business studies pass rates are of more interest.

Figure 4 shows that with a 30% pass mark, accounting, mathematics and physical science have the lowest pass rates of 65.6%, 54.0% and 61.3% respectively. Business studies, on the other hand, had a much stronger pass rate of 77.4%. Furthermore, a positive trend in the results shows a steady increase in all subjects since 2008.

Figure 4: Candidates' performance in selected subjects 2008–2012 (at 30% level)



	Accounting	Agricultural Sciences	Business Studies	Economics	Geography	History	Life Orientation	Life Sciences	Mathematical Literacy	Mathematics	Physical Sciences
2008	61.3	52.5	74.1	78.0	80.4	68.7	99.5	70.5	78.6	45.4	54.9
2009	61.5	51.7	71.9	71.6	72.3	72.2	99.6	65.5	74.7	46.0	36.8
2010	62.8	62.6	71.1	75.2	69.2	75.8	99.6	74.6	86	47.4	47.8
2011	61.6	71.3	78.6	64.0	70.0	75.9	99.6	73.2	85.9	46.3	53.4
2012	65.6	73.7	77.4	72.8	75.8	86.0	99.7	69.5	87.4	54.0	61.3

Source: DBE 2013

Of concern, however, is the diminishing number of students who wrote the exams in these key subjects. Table 26 below shows trends in mathematics and physical science since 2008. As can be seen, over 300 000 students sat for the 2008 Grade 12 mathematics exam as compared to just under 226 000 students in 2012. This means that even though the pass rate has increased from 45% to 54%, the absolute number of students who attained a mathematics pass has decreased. Similarly, the increase in the pass rate in physical science from 55% to 61% has yielded fewer passes in absolute numbers.

Table 26: Matriculants passing Mathematics and Physical Science

	Mathematics			Physical Science		
	Wrote	**Passed**	**%**	**Wrote**	**Passed**	**%**
2008	300 008	136 184	45%	217 300	119 206	55%
2009	290 407	133 505	46%	220 882	81 356	37%
2010	263 034	124 749	47%	205 364	98 260	48%
2011	224 635	104 033	46%	180 585	96 441	53%
2012	225 874	121 970	54%	179 194	109 918	61%

Source: Report on the National Senior Certificate Exams, 2012

Therefore, while there are positive trends in the results of the NSC exams, the extent to which graduates are adequately prepared for tertiary education, as well as the labour market, remains a challenge. Based on the Department of Basic Education's presentation to the Portfolio Committee, the main concerns with regard to mathematics and physical science are as follows:

- Poor understanding of the basics and foundational competencies taught in earlier grades, such as algebraic manipulations, factorisation, solutions of equations and inequalities.
- Overdependence and focus on previous papers without proper grounding and understanding of the concepts. Candidates, therefore, regurgitate answers to similar questions from previous papers.
- Poor mathematical skills relating to reading and interpretation of graphs, handling of calculators.

Other challenges include making the wrong subject choice in Grade, 10 with rural and township learners taking mathematics literacy and thus being unable to access science, engineering and technology (SET) courses at tertiary level, lack of teacher capacity with regard to mathematics and physical science, especially in rural and peri-urban areas, and career guidance provided late in Grade 12 when major subjects could not be changed. The role of special schools needs to highlighted, as there is a constrained pipeline of learners with disabilities. It is crucial to understand and analyse special schools in terms of how they develop disabled learners and build a base of disabled throughput and a skills pipeline for the banking sector.

If the focus of candidates is to pass the exams as opposed to actually understanding the underlying concepts, the ability of the overall class of graduates to function in the workplace will be compromised. This is supported by reports that indicate that students from the secondary education system are inadequately prepared to cope with tertiary education or the workplace. This leads to higher dropout and low graduation rates (CHET, 2009).This is supported by the 2011 RUDO Landscape Report, which noted that various researchers have raised their concerns about the issue of the low quality of education. For example, 60% of students who passed mathematics in matric failed to cope, with mathematics and physical Science at university level, and 82% of students who are accepted into South African tertiary institutions are functionally illiterate.[24]It is further evidenced by the seemingly incongruent phenomenon of having unemployed graduates on the one hand and unfilled posts in the market on the other. With 64% of the workforce in the sector possessing a matric as the highest qualification, it is clear that matriculants are the largest supply line of labour in the sector. Given the challenges discussed in this chapter, the skills gaps experienced by employers are not surprising.

The solutions to the aforementioned challenges are by no means simple. However, an opportunity exists for BANKSETA to begin plugging the gap. The Microfinance Management Level 3 learnership programme could be an entry-level IB qualification that would introduce a smooth transition from matriculation to an entry-level job. Entry requirements, therefore, need to be properly scoped and researched to ensure the professionalisation of the sector, as well as to enhance quality service delivery to customers. BANKSETA should also take advantage of the high business studies pass rate and offer entrepreneurial skills, especially for NEETs, so that they can venture into opening their own businesses, for example, micro-enterprise lending.

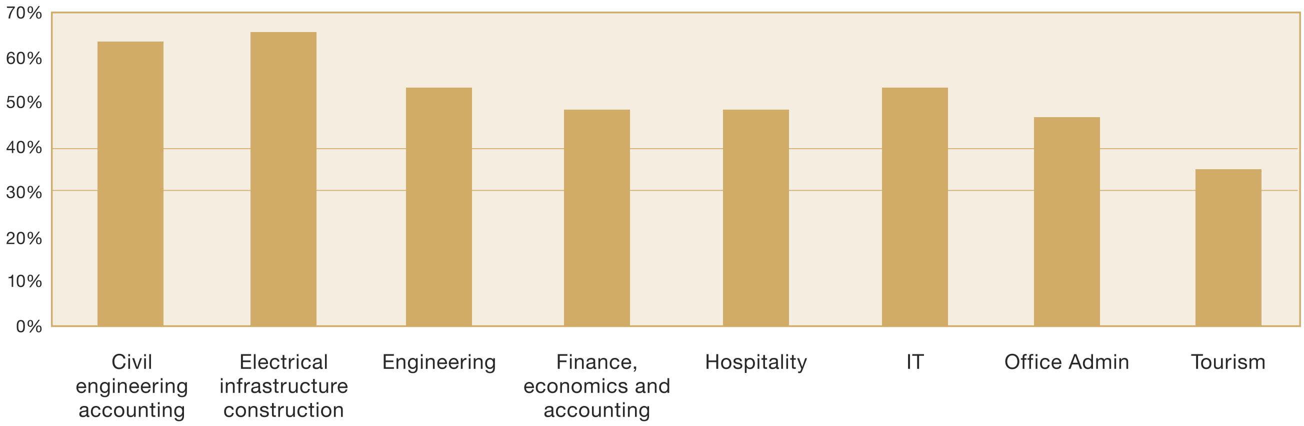
FET INSTITUTIONS

The higher education policy shift has seen FET colleges positioned "to provide the intermediate-level and artisanal skills to mitigate the shortage of people to fill positions available in the technicians and associated professionals occupational category and thereby massively alleviate unemployment".[25] The DHET has acknowledged the challenges that blight FETs, including high dropout rates and attention to NCV – National Certificate (Vocational) courses as outlined in the Green Paper.

24. Bhorat, H. 2004. Research into unemployment of graduates. University of Cape Town
25. Michael Cosser, chief research specialist, Education and Skills Development Programme, HSRC, 2013

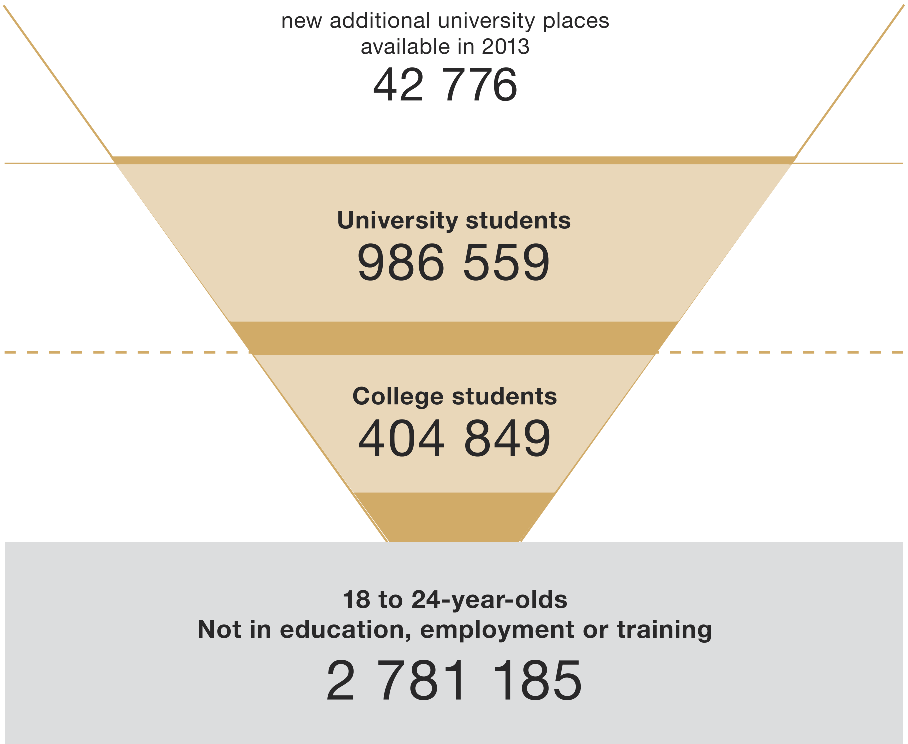
Figure 5 shows graduates from FET institutions in 2010 who fed into the skills supply line across various sectors. The banking sector is likely to draw on graduates from finance, IT and office administration. The pass rates in these fields are fairly low, at 48%, 54% and 47% respectively. This has an obvious impact on the level of skills available in the labour market.

Figure 5: Graduates from FET institutions



Source: FET inclusive growth path report, Anton Gewer, 2010

Figure 6: Higher Education Pipeline



The Minister of Higher Education and Training, Dr Blade Nzimande, has acknowledged the challenge posed by the large number of school leavers each year and the subsequent high levels of competition for jobs. According to the Centre for Higher Education Transformation, there are approximately 2,7 million 18 to 24 year old NEETs. A million of these NEETs have Grade 10 or higher and lower than Grade 12. A total of 500 000 have secondary schooling, but lower than Grade 10. This is the group that does not shift in terms of employment and there is thus a need for massive collaborations to retrain and reskill them in portable skills to increase their employability not only for the microfinance and banking sector, but for other industries as well. Those with an entrepreneurial flair should be put into entrepreneurship programmes.

Banking and microfinance companies are not as attractive to this age group as companies that are perceived as being ‘hip and cool’, like Vodacom and MTN. BANKSETA should, therefore, design interventions at school and post-school level that would make the banking and microfinance industry attractive.

Figure 6 shows graduates from FET institutions in 2010, who feed into the skills supply line across various sectors. Notably, only 48% of learners in the finance, economics and accounting sector made it through their exams.

Anecdotal evidence suggests that FET institutions concentrate on engineering and artisan courses, and there are few finance and economics courses, hence, graduates (the academic streams that feed skills into the IB sector). The low pass rates impact on the availability of the requisite skills in the IB sector. In future, it will be critical to ensure that FET colleges are positioned to provide learning programmes for the IB sector.

Notwithstanding the above, DHET has undertaken to expand enrolment in FET colleges significantly, projecting to reach 800 000 learners by 2014, with the expectation that SETAs will work closely with FET colleges to expand their capacity to deliver relevant training. There is a need for a similar investment at NSC level to enhance the quality of output that feeds into FET colleges, coupled with a similar investment at FET level to ensure that learners are availed with qualified and able tutors. With a trajectory towards innovation and the digitalisation of operations in the sector, it is a challenge that most FETs and universities do not offer any basic computer courses.

2012 FET SURVEY

A small survey of FET colleges was undertaken in July 2012 among eight FET colleges in KwaZulu-Natal, Mpumalanga, the Free State and the Eastern Cape. Almost all the FET colleges interviewed during the survey did not offer any microfinance courses, except for one college in KwaZulu-Natal that offered cooperative training in finance and entrepreneurship. The FET course offerings were limited to generic training in marketing and management. Most of these FET colleges had not done any microfinance needs analyses, although some mentioned that they were already working with several banks to place business and management students.

FET colleges reported that they were willing to partner with BANKSETA to offer microfinance courses and learnerships. Most already had partnerships with other SETAs and local professional bodies, especially in the engineering and technical fields. However, none was reported for business or management faculties. All FET colleges indicated the need for assistance by and partnering with BANKSETA. The top three areas of assistance by priority included the following:
Development of lecturers/facilitators (linking to a skills programme): Given that microfinance is a new discipline for FET, there is a need to come up with a capacity-building programme that facilitates the development of lecturers who will offer these courses at the FET colleges.

Delivery of SETA-specific and accredited skills programmes: It will lead to the development of BANKSETA-specific accredited courses offered in a targeted manner.

Support for curriculum development: A partnership with BANKSETA will ensure the development of appropriate curricula for the IB sector.

Other areas of assistance identified included the following:
Facilitate collaboration between colleges and training providers: This will ensure a coordinated approach offering standardised training packages to the sector.
Develop professional qualifications between college and university: Partnerships with BANKSETA will ensure the trajectory of a clear career path in microfinance defining entry-level training packages offered at FET college level, progressing all the way to institutions of higher learning.
Support learner guidance in scarce and critical skills: The additional benefit is that interested learners can pick courses where service providers are experiencing scarcities and pursue careers that have a higher likelihood of acquiring employment.
Identify relevant programmes and establish partnerships: Partnership with BANKSETA will enable the identification of relevant programmes offered in the region and internationally – for example by the Consultative Group to Assist the Poor (CGAP) and International Labour Organisation (ILO) Social Finance Unit – and facilitate the establishment of capacity development partnerships with local FET colleges and institutions of higher learning.

With the move towards establishing partnerships with FET colleges and as the lead SETA in the Free State, BANKSETA has established a physical presence at the Motheo FET College based in Bloemfontein. Currently, BANKSETA works directly with FETs and indirectly through private service providers to implement its learnerships and other programmes.[26] In the long term, BANKSETA should consider introducing entry-level inclusive banking qualifications to be built into the curriculum that can be offered by selected FET colleges. These qualifications can be linked via a well-mapped career path to higher qualifications that can be obtained either on a full-time or a part-time basis by employees in the industry who wish to advance their careers.

However, BANKSETA needs to be aware of the ability of the local market to absorb graduates. Examining the number of employers (and their size) in the feeder area of an FET college will contribute greatly towards the overall feasibility of

26. Computer literacy courses are also run for Letsema learnerships through the following FET colleges: Central Johannesburg (CJC, Ellis Park and Parktown), College of Cape Town (CrawforCampus), Ethekwini College (Durban),Centec Campus and the Port Elizabeth Public FET College.

BANKSETA's interventions. Currently the BANKSETA is in a process to finalise signing of memoranda of understanding (MoUs) with the identified FETs.

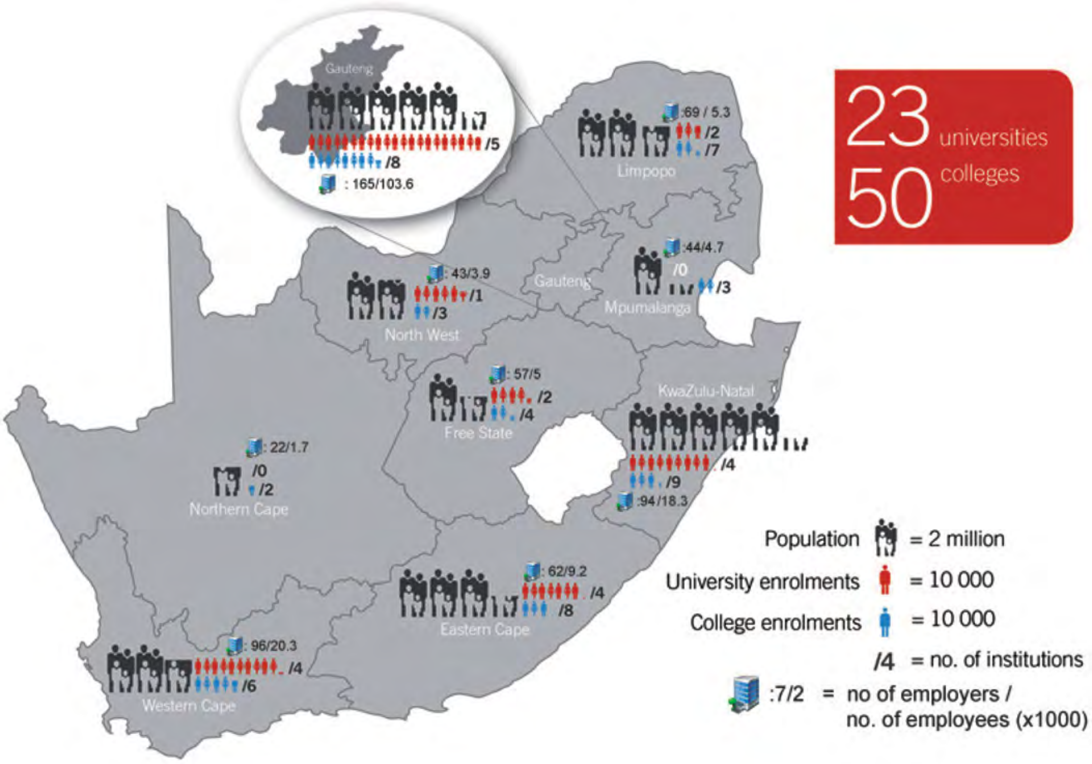
Table 27: Provincial spread of FET colleges vs location of IB service providers

Provincial distribution of IB service providers				
Province	**No of FET colleges**	**NCR geoprofile of branches**	**NCR geoprofile of registered lenders**	**Financial Cooperatives (no of surviving coops per dti 2009 study)**
KwaZulu-Natal	9	2 820	458	1 044
Eastern Cape	8	2 253	384	287
Gauteng	8	17 106	1 398	394
Limpopo	7	1 656	295	405
Western Cape	6	3 913	579	69
Free State	4	1 791	359	71
Mpumalanga	3	1 723	393	187
North West	3	1 687	265	167
Northern Cape	2	742	163	20
Total	**50**	**33 697**	**4 298**	**2 644**

Source: MFI Landscape Report, RUDO 2010

FET colleges are spread across all the country's nine provinces, as summarised in Table 27 above. The top three provinces in terms of the number of FET colleges are KwaZulu-Natal, followed by the Eastern Cape and Gauteng. In terms of the geographical spread of microfinanciers in the country, Gauteng has the highest concentration, at 33%, followed by the Western Cape and KwaZulu-Natal with 13% and 11% respectively. The concentration of population, education institutions and employment opportunities is shown graphically in Figure 7 below.

Figure 7: Population, HEIs and employment opportunities



Source: CHET and WSP 2013 data

It is recommended that BANKSETA undertake a more detailed analysis of the geographic concentration of the population (municipal level) relative to educational institutions and employers (and thus the ability to absorb graduates). However, for the purposes of this report, a provincial analysis will be suitable to demonstrate the following:

- KwaZulu-Natal and Gauteng have similar populations and also similar educational infrastructure. However, there are 165 employers, representing 103 600 employees in Gauteng, whereas KwaZulu-Natal has only 94 employers staffed by 18 300 employees. Similarly, the Eastern Cape has a large population (6,5 million) and substantial enrolments in 12 educational institutions, but it has a small economic sector with only 9 200 employees. This implies that, in terms of the banking sector, it will be more difficult to place graduates in KwaZulu-Natal and the Eastern Cape than in the other provinces, especially Gauteng.

- The Western Cape, on the other hand, has a much higher concentration of educational institutions in relation to its population size. There are 5,8 million people and 10 educational institutions. There is also more economic activity, with 96 companies employing 20 300 people.
- Limpopo, North West and the Free State all have similar concentrations of people to universities and colleges with a fair-sized banking sector.
- The Northern Cape and Mpumalanga do not have any universities, but have five FET colleges between them. The size of the banking sector is commensurate with their low population sizes, employing only 6 400 people between them.

CURRENT BANKSETA COLLABORATION WITH FET COLLEGES

Currently, BANKSETA works indirectly with FET colleges through a private service provider, Milpark Business School, which registered approximately 850 learners for Letsema learnerships in the 2011 academic year, of whom 91% completed the programme and 72% of those were employed. Computer literacy courses are run for the Letsema learnership through the following FET colleges: Central Johannesburg (CJC, Ellis Park and Parktown), College of Cape Town (Crawford Campus), Thekwini College (Durban), Centec Campus and Port Elizabeth Public FET College.

In the 2013/14 financial year, BANKSETA intends to fund the capacity-building of public FET colleges to deliver programmes required by the broader banking and microfinance sector. The DHET's position in the Post-school Green Paper is for SETAs to use the infrastructure and capabilities of the public FET colleges to deliver national programmes to provide learners with workplace opportunities.

This approach will be three-pronged, in that it will address requirements of the retail banking environment and the IB segment, and also resonates with the need to improve access to learners through the rural footprint of the respective colleges. The focus will be primarily on the post-school value chain or pipeline based on the German dual education system.

UNIVERSITIES

The HEMIS data shows a breakdown of graduates from certificate level through to doctoral studies. There is a positive trend across all qualification levels for 2008 through to 2011. The analysis indicates that 80.4% of students that were enrolled in HET institutions in 2011 were black, which is up from 77.4% in 2008. More significantly, the number of students enrolled increased by 17% over the period. This means that the number of black students enrolled in HEIs since 2008 has increased by a massive 22%. The proportion of enrolments by major field of study, on the other hand, has changed little. There has been a slight growth in business enrolments at the expense of the humanities, while science, engineering and technology programmes have grown organically with the student population, remaining constant at 28%.

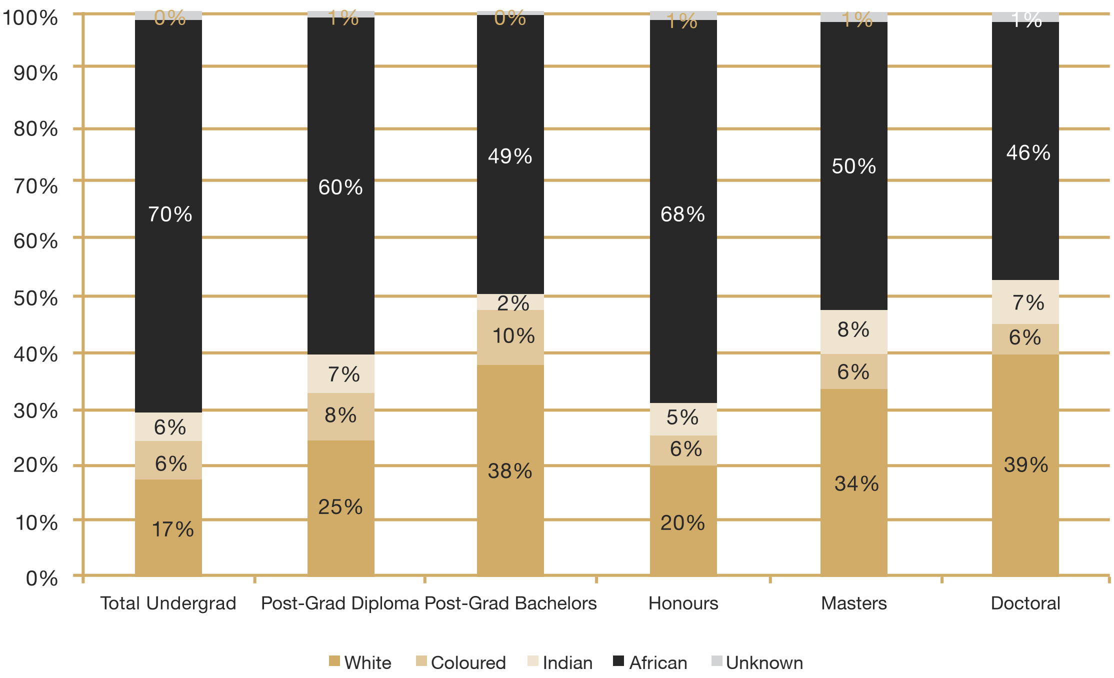
Table 28: Enrolment and completion at HET institutions

Year	Headcount enrolment	[1]Black students as a proportion of the head count (%)	Female students as a proportion of the head count (%)	Proportion of head count enrolments in major fields of study (%)		
				[2]SET	[3]Business	[4]Humanities
2008	799 387	77.4	56.4	28	29	43
2009	837 779	78.6	57.1	28	28	43
2010	892 936	80.0	57.4	28	31	40
2011	938 201	80.4	57.8	28	31	41

Source: HEMIS 2008–2011

It is interesting to note that the proportion of black students (African students in particular) decreases in the more advanced degrees. Figure 23 shows that whites represent only 17% of undergraduate enrolments, but they represent 38%, 34% and 39% of Post-Graduate bachelors, master's and doctoral degrees. Encouragingly, African students are very well represented in honours programmes, at 68% of all enrolments. To effect transformation in the highest levels of management in the economy, it is important for the proportion of black students to remain high in all academic levels.

Figure 8: Tertiary qualifications according to race



An analysis of the undergraduate success rate in HET institutions by population group shows blacks trailing behind all other races, despite being the dominant population group. A literature review shows that the dropout is paramount among black learners due to the inability to pay fees and inadequate academic support programmes.

SELECTED UNIVERSITY QUALIFICATIONS RELEVANT TO THE IB SECTOR

The Centre for Inclusive Banking (CIBA) at the University of Pretoria is the only tertiary institution with certificate programmes in microfinance management. The centre offers a variety of courses to various interest groups in South Africa and the rest of Africa, covering a broad range of needs. Training is offered at both formal and informal level to managers, as well as staff members of microfinance institutions. Specific courses offered include the following:

- Certificate in Individual Micro-enterprise Lending
- Certificate Programme for Micro-finance Management
- MBA Microfinance electives
- Post-graduate Course in Rural and Micro-finance
- Certificate in Individual Micro-enterprise Lending

PRIVATE TRAINING PROVIDERS

A survey of private training providers was also undertaken in July 2012. Most providers who participated were from Gauteng, followed by the Western Cape and KwaZulu-Natal. BANKSETA's private provider list has 43 training companies, 42% of which are based in Johannesburg and 14% in Pretoria. The Western Cape, Eastern Cape and KwaZulu-Natal each had 7%, and Mpumalanga and Limpopo had 6% each. This distribution of training providers almost mirrors the representation of microfinanciers per province. However, very few providers confirmed that they had microfinance-specific offerings, while others had. Table 29 illustrates the courses offered by private trainers to MFI personnel, most of which are at levels 2 to 4.

Table 29: Training courses offered by private training providers to MFI personnel

African language skills	Financial management
Basic accounting	General management
Communication	IT skills
Computer literacy	Legislation
Conflict management	Marketing
Credit management, including debt counselling implications	People management
Business writing	Personal finance

Customer service	Product development
Debt recovery/collection	Risk management
Performance skills	Safety, health and environment
Core electives from microfinance	Sales revenue
Executive management	Team leadership
	Telephone skills
Effective performance review	Unsecured lending

Source: IB Scarce and Critical Skills Survey 2012

Private training providers' rating of their capacity to offer current and future courses for the IB sector: Private training providers rated their capacity to offer current and new courses for the IB sector at 4.57 on a five-point scale where one represented very inadequate capacity and five represented very adequate institutional capacity. The mean score of 4.57 indicates that most training service providers believe that they are well-equipped to offer training programmes to the IB sector. Few providers who indicated areas where additional capacity is needed mentioned the area of finances, courses relating to IT, or marketing their training programmes to the public.

Partnerships in the sector: The duration of most partnerships of private training providers with BANKSETA varied between a month and five years only. The main objective mentioned for a partnership was the capacity-building of SMEs in the microfinance sector.

TRAINING BY EMPLOYERS

Various employers in the IB sector offer in-house training programmes as part of on-the-job training to enhance productivity and job satisfaction. Some of these programmes have not been accredited. Second-tier banks, such as Capitec and African Bank, offer such unaccredited in-house[27] training programmes that serve their institutional skills requirements. As a whole, this represents a significant contribution to the supply of skills with the 2012 ATRs showing that 19 564 employees received training. As indicated in Table 30, the focus of training tends to be directed at the clerical and administrative workers, who received 63% of all training in 2012. Next in line are managers, who represent 17% of training beneficiaries. It seems that much can still be done for the professional sector, especially when one considers the stated training priorities.

Table 30: Training by employers

	Second-tier bank	Coopera-tive financial institutions	Debt Counsellors	Housing lenders	Medium and large micro-lenders	Small micro-lenders	Micro-enterprise lenders
Managers	2 435	4	3	7	705	120	55
Professionals	546	1		1	444	5	14
Technicians and associate professionals	410	3		103	1 146	137	101
Clerical and administrative workers	10 244	4	129	49	1 779	74	9
Service and sales workers	296		37		406	12	
Skilled craft and related trades workers	47				102		

Plant and machine operators and assemblers	1				3		1
Elementary workers	45			1	83	1	1
Grand total	**14 024**	**12**	**169**	**161**	**4 668**	**349**	**181**

Source: BANKSETA 2012/13 WSPs

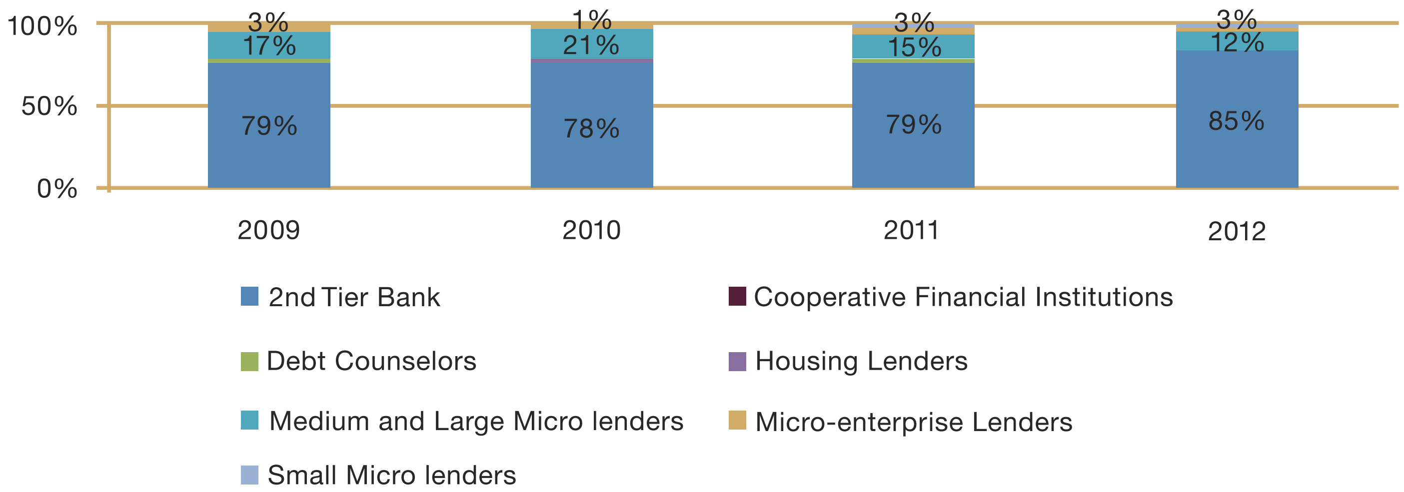
Anecdotal evidence suggests that the effect of the NCA on the microfinance sector has taken time to be realised. Reasons contributing to this are mainly related to the enforcement of the Act. Nevertheless, the stated skills priorities are reflecting a refocusing of the sector. Legislation implementation and skills development was identified as the field receiving the most attention from companies and management, and leadership skills development came in third. As the sector continues to consolidate in a very competitive environment, there will be a growing need for increased competencies in technical skills. Therefore, one should expect increased training in professional and technician occupations in the future. Signals of this can be seen by IT skills and specialist financial skills being identified as the fourth and fifth most cited skills training priority.

Table 31: Training according to skills

2012											
	Level 1	**Further 2**	**Further 3**	**Further 4**	**Higher 5**	**Higher 6**	**Higher 7**	**Higher 8**	**Higher 9**	**Higher 10**	**Total**
Legislation implementation skills develop-ment	15	5	4	108	464	0	4	3	0	1	**604**
Customer interface-related skills development	20	45	8	36	301	21	0	0	0	0	**431**
Management and leadership skills Development	49	43	4	14	80	117	22	9	14	3	**355**
Information technology skills development	25	6	2	140	81	21	3	2	0	0	**280**
Specialist financial skills development	8	0	3	5	162	6	7	0	1	0	**192**
Microfinance	7	25	7	22	64	11	0	0	0	0	**136**
Grand total	**124**	**124**	**28**	**325**	**1152**	**176**	**36**	**14**	**15**	**4**	**1 998**

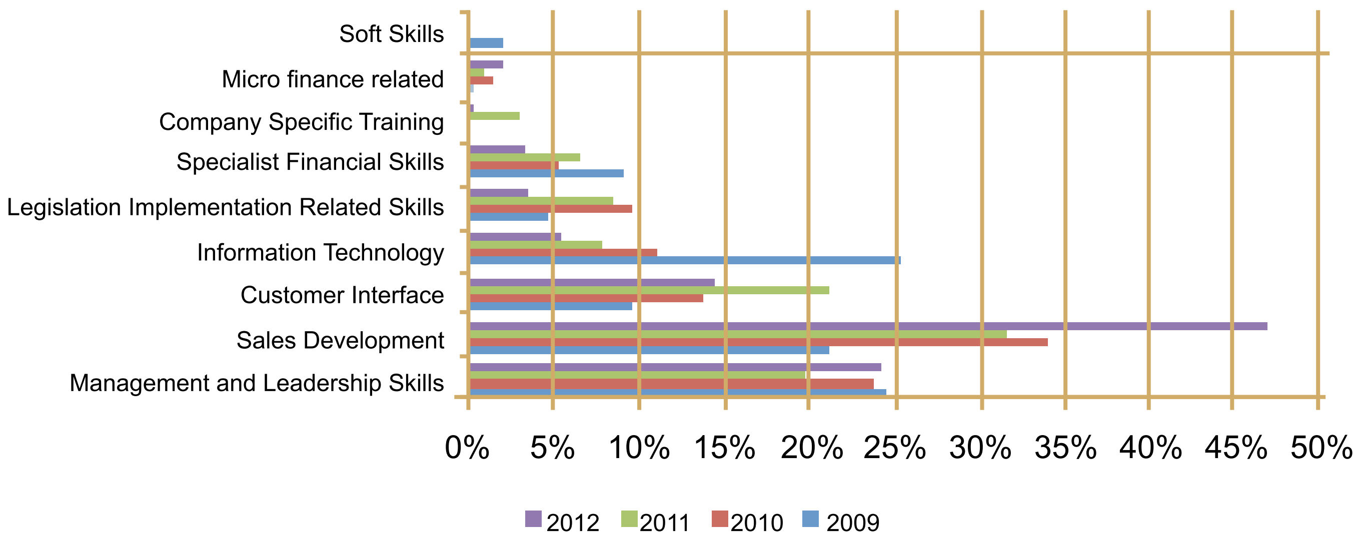
Second-tier banks have traditionally contributed the lion's share of the training spend within the IB sector. However, this contribution is increasing, in both absolute rand value and as a percentage of total spend. A total of R92,5 million was spent on training by second-tier banks in 2012, representing 85% of all training spend. This is up from R64,2 million (79%) in 2009.

Figure 9: Training spend according to subsector



In terms of where the money is spent, there has been a general movement away from a focus on IT skills in 2009 to sales development training in 2012. Other than that there has been relatively consistent spend on management and leadership skills, and customer interface skills.

Figure 10: Areas of skills training spend



Source: WSP, 2009–2012

CONCLUSION

It is clear from the analysis in this SSP that demand for entry-level administration and clerical staff is high and that it is the main area of scarcity. Currently the sector just draws from matriculants who do not have any post-matric qualifications to service entry-level labour requirements. The recommendations made in this SSP is for defining career-pathing in the IB sector, starting with a Certificate in Microfinance Management offered by FET colleges at levels 3 and 4.

Through the Quality Management (QM) division, BANKSETA should source best-practice IB training programmes, engage the expertise of qualified and certified service providers, and add to the menu of skills development programmes targeted at various levels of the IB skills development continuum.

A number of products and services in the IB sector are technology-driven, for example, remittances. Skills development in the area of ICT-driven product development is paramount.

An information portal should be developed that summarises key relevant regulatory instruments and how they impact on IB players. Course material should also be developed that provides summaries of key issues in each legislative instrument, and detailed modules on the five most relevant regulatory instruments to assist IB players to comply with the requisite provisions.
Management and leadership capabilities should be developed through targeted management development programmes, mentorship programmes for IB personnel and internship programmes.

Participation in the review of the NCV and the N-courses with a view to improving coverage of inclusive banking content.


56784
ACCOUNT NUMBER
PATIENT NAME
Billed Charges
Total Adjustments
Total Insurance Payments
Total Patient Payments
Account Balance
Estimated Insurance Liability
Patient Responsibility
ADMIT DATE
DISCHARGE DATE
PATIENT TYPE
WARRANTY
Medical Service
LABORATORY
Attending Physician
RETAIN FOR YOUR RECORDS

Drawing from the analyses in previous chapters, as well as from the Microfinance SSP (2012), this chapter discusses key BANKSETA skills development interventions in the IB sector for 2014/15. Primarily, BANKSETA plays an 'enabling' role, facilitating and encouraging skills development in the banking and microfinance sector. In close consultation with key stakeholders, BANKSETA aims to create a culture of high-quality lifelong learning and to foster skills development in the formal economy for productivity and employment growth. BANKSETA's activities are guided by two major objectives of enabling skills development and the implementation of NSDS III in the broader banking and microfinance sector. The successful implementation of this plan will enable the industry to secure and develop the minimum required number of people to meet industry's needs during the planning period and beyond[28].

The desktop and primary research, as well as the IB WSPs (2012–2013), identify the skills demanded in the sector. An effective sector skills strategy will enable microfinanciers to access a wide range of local skills across all occupation categories. Before detailing the proposed plan, it is important to reflect on BANKSETA'S current interventions and achievement so as to contextualise the recommended interventions.

In terms of the 2014-15 Strategic Plan, BANKSETA needs to enhance cross-sectoral collaboration, particularly with analogous SETAs, so as to maximise the impact of interventions within the ambit of available resources. The nascent cluster approach should be an ideal platform for BANKSETA to broaden the purview of engagements beyond SSP compilation to encompass broader SETA functions and activities.FET colleges are better positioned to meet the needs of the IB sector, because the educational profile of the IB sector gravitates primarily to NQF Level 4 personnel (matric level), suggesting that it is not a skills-intensive sector. If FET colleges can offer IB-specific and accredited qualifications at NQF Level 4 and lower, they have the potential to become the preferred delivery mechanism for the supply of skills in the sector. Notwithstanding the educational profile of the sector, the nascent competitive milieu provides opportunities for HEIs to play a role as well in the professionalisation of the sector. Therefore, partnerships between FETs and HEIs, facilitated by BANKSETA, should be developed.

2014–15 proposed strategic interventions for the BANKSETA Inclusive Banking SSP, based on the SSP findings

NSDS III	BANKSETA strategic focus area	Needs established	Proposed interventions based on findings
Goal 1: Establishing a credible institutional mechanism for skills planning will ensure that the national need in relation to skills development is researched, documented and communicated to enable effective planning across all economic sectors.	Research and benchmarking	The quality of WSPs submitted Discerning the impact of training interventions	A validation model will be used to ensure the quality of WSP and ATR data collection. The validation model could encompass monitoring visits to employers to determine the credibility of the WSP information and employer surveys to confirm/reject the information in the WSPs/ATRs. Improving the WSP template to ensure quality collection of skills planning data. Continuing with programmes to capacitate skills development facilitators (SDFs) and increase participation of WSP submissions through information sessions targeting new companies. This suggests a greater footprint in the regions. Annual IB/Microfinance SSP update. Engagement with cluster SETAs to determine best practice in SSP and scarce and critical skills research. The recently developed impact assessment model will need to be employed to assess the impact of training interventions in the banking sector.

28. BANKSETA Business Plan 2011–2016.

		Lack of a credible repository for microfinance data, data archiving and dissemination of data from the sector's professional bodies (MFSA, SEFA, AMFISA).	Capacitate industry bodies in research and data archiving methodologies.
Goal 2: Increasing access to occupationally directed programmes. Both intermediate level and higher level professional qualifications speak to the PIVOTAL initiative.	Skills development for the employed	Need for scarce and critical skills	Continuing interventions leading to full qualifications that will address the following scarce and critical skills: Management and leadership skills Micro-finance risk management FAIS training (include the RE 1 exam in the training) for second-tier banks Regulatory requirements ICT-driven product development IT skills RPL to assist employees with the requisite skills, knowledge and experience to attain relevant qualifications Legislation implementation skills
		Lack of specialised credit skills	Professionalising credit management by developing accredited programmes.
		Lack of operational capacity and management skills	Accelerating the pace of management development programmes specific to subsectors.
		Lack of innovation and digital migration	Fact-finding mission to countries with developed ICT sectors. India is the archetypal country to visit due to the investment in ICT education.
		Fraud and overselling to overindebted clients	Developing programmes on ethics in micro-finance.

NSDS III	BANKSETA Strategic Focus Area	Needs Established	Proposed Interventions based on findings
Goal 3: Promoting the growth of a public FET college system that is responsive to sector, local regional and national skills needs and priorities	Capacity-building for public FETs	Lack of training delivery to rural and remote areas and across all employment levels	Promoting partnerships with FETs to increase the footprint of the BANKSETA, especially in rural and peri-urban areas.
		Lack of capacity of public FETs to deliver micro-finance specific programmes	Intensifying lecturer and leadership capacity-building programmes.
		Reluctance of sector to employ FET graduates	Facilitating partnerships to promote and increase workplace-integrated learning and workplace experience opportunities for learners from FET institutions.
		Lack of tailor-made interventions geared towards micro-finance	Support FET colleges and SME providers to deliver BANKSETA-(sector) specific and accredited registered qualifications and learnerships that meet the needs of the sector.
Goal 4: Addressing the low level of youth and adult language and numeracy skills to enable additional training.	To enhance the employability of the youth through effective education and training development initiatives	Constraint in pipeline for youth and people with disabilities	Creating targeted occupations and interventions to attract people with disabilities (call centre for blind people).
		High youth unemployment rate, lack of employment opportunities for rural youth	Continuing with interventions to create a pipeline that will meet the entry requirements of the IB sector. Offering more opportunities for the NEET category through partnerships with FETIs and HEIs. Developing and implementing entrepreneurial programmes for NEETs and other young people, especially those in rural areas.

NSDS III	BANKSETA Strategic Focus Area	Needs Established	Proposed Interventions based on findings
		Low mathematics, science, accounting and English pass rates	Digital education programmes for rural schools to level the playing field. Collaboration with stakeholders to increase the stock of mathematics and science teachers. Providing programmes and/or related bursaries to develop qualifications to address scarce and critical skills, including mathematical finance modelling, financial economics, risk and insurance, in collaboration with HET institutions. It is suggested that all offerings at HET level must have a compulsory work-readiness component. Providing programmes and/or related bursaries targeted at NSC level to improve Mathematics, Science, Accounting and Business Communication as a means to enter banking.
		Inadequate work-readiness	Continuing with work-readiness initiatives. Partnering with other stakeholders to ensure maximum reach.

NSDS III	BANKSETA strategic focus area	Needs established	Proposed interventions based on findings
Goal 5: Encouraging better use of workplace-based skills development.	The goal of skills development for the employed seeks to address the training of employed workers to improve productivity and the overall growth and development of our economy. Provide short-term interventions such as skills programmes, and management and executive development programmes. Support FET colleges and SME providers to deliver BANKSETA-registered qualifications and learnerships through an accreditation process.	Sector not professionalised	Developing and accrediting entry-level qualifications to accredit and register start-up entrepreneurs in micro-finance, as in debt counselling. Developing career path courses starting at certificate level (at entry level) through to Post-Graduate programmes (advanced level) for the microfinance sector and rolled out through tertiary institutions (FET colleges and universities) in collaboration with employers across the microfinance sector. Developing bespoke qualifications at subsector level.
		Need for product diversification (migration towards development finance)	Programme on product development and innovation specific to development finance.
		Development of non-registered lenders	Partnership with regulators and industry bodies on issues of compliance training.
Goal 6: Encouraging and supporting cooperatives, small enterprises, worker-initiated NGOs and community training initiatives.	SME development, including support for cooperative banks	Weak governance in micro-enterprise and CFIs	Development of targeted governance training programmes aimed at micro-enterprise lenders and cooperatives.

NSDS III	BANKSETA Strategic Focus Area	Needs Established	Proposed Interventions based on findings
		Lack of institutional capacity to sustain the organisation	Business management skills. Strengthening partnerships with SEFA, CBDA and AMFISA Management development programmes specific to subsectors
		Weak accounting and credit skills	Developing interventions to address the accounting and credit skills of this sector. Programme design to accommodate the manual nature of CFIs.
		Lack of automation stunting growth and development within the sector	Fact-finding mission to countries with developed ICT sectors. India is the archetypal country to visit due to the investment in ICT education.
Goal 8: Building career and vocational guidance		Lack of awareness of careers in micro-finance	Continuing with career guidance at schools and attracting the youth to the sector through clear career-pathing. Stakeholders could also assist by sponsoring career fairs.
Transformation		Pace of transformation to be sustained and black females to be capacitated for senior management roles	All interventions should meet the minimum equity requirements of 85% black, 54% female and 4% disabled. Targeted mentorship programmes for EE management candidates.

ANNEXURE A: A SAMPLE OF MICROFINANCE INSTITUTIONS THAT PARTICIPATED IN THE INCLUSIVE BANKING SSP RESEARCH

1.	Cooperative Banks Development Agency (CBDA)
2.	Micro-finance South Africa (MFSA)
3.	Centre for Inclusive Banking (CIBA)
4.	Capitec Bank
5.	African Bank
6.	Ithala Bank
7.	SEF
8.	Akanani Finance
9.	Get Ready Investment Holdings
10.	Tiisha Enterprise Finance
11.	Kuyasa Fund
12.	Mafori Finance
13.	Challenor Finance
14.	Lencor
15.	TC Financial Services

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