



## **Changing Mind-sets the key to financial freedom: Launch of National Savings Month, July 2012**

*Johannesburg 04 July 2012* - "South Africans need to take charge of their lives by saving," said South African Savings Institute's (SASI) Chairperson, Prem Govender, at the launch of National Savings Month in Sandton today.

"We need to remind South Africans that the power is in their hands to either strive for financial freedom by saving or to remain vulnerable to personal and family crises, or the effects of economic downturns," said Govender.

"SASI's mission is to encourage South Africans to increase their savings as the path to personal freedom and because it improves our country's financial strength," Govender said. "After over 10 years of advocating for a culture of saving, many South Africans still battle to manage their finances, counting on the State or a neighbour to bail them out of their financial woes. This is why the theme for this year's National Savings Month is 'Changing Mind-sets Towards Financial Freedom: Save Now.' Reliance on others for one's financial well-being has led many South Africans to play a passive role in our nation's growth"

"What is not commonly understood is that savings are the primary vehicle for resource mobilisation. Nations that save enjoy a certain degree of self-reliance, excellent economic growth and citizen well-being. So, developing a strong savings culture and hence a high savings rate will boost the economic growth of the country," said Govender.

When compared to its peers, South Africa's national savings rate is still dismal. The World Economic Forums' 2011/12 Global Competitiveness Report, ranks South Africa 72nd in the world for its gross national savings rate equivalent to 20% of GDP. This is well behind BRICS country peers like China, ranked 2<sup>nd</sup> with savings equal to 54% of GDP, India at 15<sup>th</sup> with 34.7%, and Russia at 44<sup>th</sup> with 24.7%; however South Africa fairs marginally better than Brazil which at 90<sup>th</sup> with savings equivalent to 17% of GDP. In Africa, 13 countries have

higher gross national savings rates than South Africa including 3<sup>rd</sup> placed Algeria, Morocco (25<sup>th</sup>), Nigeria (27<sup>th</sup>), and neighbours Zambia (32<sup>nd</sup>), Namibia (34<sup>th</sup>), Botswana (42<sup>nd</sup>) and Lesotho (62<sup>nd</sup>).

According to Govender, “the current domestic economic situation with slow growth and inflation at the top of its band, has exposed South Africans’ vulnerabilities in terms of their income, expenditure, savings and debt servicing. In recent years as a country our gross domestic savings have fluctuated between 14% and 16%, while household savings have been between 2.7% (1991) and -0.2% (2012:Q1) of their disposable income, with debt servicing hitting as high as 81% (2008).”

Govender maintains that increasing our national savings rate and extending financial security to the majority of South Africans can only be achieved by dramatically increasing financial inclusion. “Every South Africa should be able to access affordable financial services, such as bank accounts and insurance.”

To drive transformation of the industry and its services South Africa adopted the Financial Sector Charter (FSC), a unique forum consisting of the financial services sector, government, organized labour and community representatives, which sets agreed targets on several financial issues including financial inclusion.

Key successes include the low-cost Mzansi basic bank account launched collaboratively by the big four banks in 2004 and which is now used by 3.7 million previously unbanked South Africans. Other targets include expanding the physical footprint of financial institutions so there are transaction points within walking distance of the vast majority of South Africans as well as the inter-operability afforded by the National Payment System.

However, despite the new willingness by banks to target previously excluded communities, it is likely that it will be new low cost technology platforms such as mobile phone banking which will accelerate financial inclusion. Leading technology research consultancy Gartner

research suggests that South Africa is likely to have a smartphone penetration of 80% by 2014, which will improve the ease, range and accessibility of financial services. According to the draft National Development Plan, the proportion of the population with access to financial services should rise from the current 63% to 90% by 2030.

Internationally, South Africa was part of the G20 leaders' summit in Los Cabos, Mexico which accepted the call to put financial inclusion at the core of an inclusive growth agenda to ensure the poor participate in their economies. Likewise, South Africa supports the Financial Inclusion Peer Learning programme, and in September 2012 Cape Town will host The Alliance for Financial Inclusion's (AFI) annual landmark forum under the overall theme of 'Making financial inclusion real'.

"Without greater levels of personal financial literacy many consumers may not be able to manage the financial products they purchase. An over-reliance on supposedly easy credit without a firm grasp of its true 'costs' is a danger faced by many unwary citizens" warned Govender. "Financial literacy thus forms the backbone of ones' financial wellbeing."

"Highlighting the need for greater financial literacy was our poor score in Visa's 2012 International Financial Literacy Barometer which ranked South Africa 25<sup>th</sup> out of 28 countries, behind Egypt, India and Morocco. We are also the third worst of all the countries surveyed when it comes to speaking to our children about money, doing so on an average of just 16.6 days a year" said Govender.

"This is what makes campaigns like our nationwide Teach Children to Save (TCTS) campaign which targets Pupils in Grades 4-7, so important. Highlights of National Savings Month's nation-wide road-show of financial literacy workshops in schools, universities and communities are the women's financial wellness seminars and the community stokvels financial literacy programmes. It is heartening to see various tiers of government prioritising financial literacy. For example the Financial Education Conference underway in Kwa-Zulu Natal and the education road-shows by National Treasury during this Savings Month."

There are also many existing partnerships between the public and private sector which enhance financial literacy. A prime example is the JSE, which has agreed with several provincial education departments, to provide financial literacy courses to schools. These teach both learners and teachers about banks, savings, investment and related topics thus effectively making financial literacy part of the syllabus.

Other innovative partnerships abound. The Radio Financial Literacy Project by the South African Insurance Association (SAIA) and funded by the Financial Education Fund delivered a 52 episodes radio “soap” drama programme followed by expert phone-ins aired on four SABC radio stations targeting rural and peri-urban audiences and reached 1 829 000 listeners. Post-broadcast research revealed an increase in bank accounts of 49% across all types of accounts, while the desire to have short term insurance products was up by 38%. After listening to the programmes 61% of listeners said they had opened a savings account, while 59% said they had started saving with a stokvel.

Govender said South Africans needed to “change our mindsets about savings and financial health in general.” She drew attention to initiatives announced by minister of finance Pravin Gordhan in his 2012 budget speech. These include a strategy to introduce tax-exempt short and medium term savings products, to encourage more consumers to manage their levels of debt and develop a strong culture of savings. “SASI welcomes this strategy and is encouraged to pursue its mandate even more aggressively,” said Govender.

According to the Reserve Bank’s June Quarterly Bulletin, the current account deficit widened to 4,9% of GDP in the first quarter due to increased domestic expenditure and import volumes coupled with reduced export earnings as a result of lower commodities prices. However this was financed by “net foreign direct investment, portfolio and other investment-related foreign capital inflows.”

To finance the shortfall in South Africa's revenue collection over spending in 2011, government issued " bonds amounting to R149 billion and Treasury bills worth R26 billion in the domestic market, and by taking up loans amounting to R9 billion. The bulk of the issued government paper was absorbed by non-bank financial intermediaries while the Treasury bills were predominantly acquired by banks. Non-residents also acquired a sizeable part of the long-term government bonds to an amount of R31 billion in 2011."

Govender said that to finance our national deficit and the planned infrastructure programme would require even greater access to capital in the future. "The more South Africans save as a nation, the more we can finance our own debt, thus decreasing our reliance on fickle foreign investment and increasing the resilience of our economy."

The Institute unveiled the first Savings and Investment Expo South Africa™ intended to bring all financial sector stakeholders together under one roof.

Govender said: "There is so much out there but often not known or misunderstood by the target audience of financial services providers. So to reduce this information asymmetry, we invite the country to join us in the week of 29 October – 05 November 2012 when we host what will become an annual Expo during the month of July, drawing participants from South Africa, the rest of Africa and beyond. Here we will provide consumers with a platform where they can receive first-hand experience of active participation in the savings and investments arena. It will be a one-stop platform allowing consumers, practitioners, regulators and policy-makers to interact on all important and relevant elements of our financial sector. We hope that this exposition will improve the participation of our population in the financial sector, in a more meaningful and productive manner"

[The Savings and Investment Expo South Africa will take place at Gallagher Convention Centre in Midrand, Gauteng. To register as an exhibitor/ participant or to attend as a member of the public you can go to [www.savingsandinvestmentexpo.co.za](http://www.savingsandinvestmentexpo.co.za) ]

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Issued on behalf of The South African Savings Institute

By Meropa Communications

Sarah Anderson

(011) 506 7300 / [saraha@meropa.co.za](mailto:saraha@meropa.co.za)

The South African Savings Institute

Elizabeth Lwanga-Nanziri, Chief Executive Officer

(011) 269 3789