

Banking on change?

Public attitudes towards banking and banking transactions

South Africa's banking sector is dominated by five large companies (i.e., Standard Bank, FirstRand, Absa, Nedbank and Investec) who together control over eighty percent of the country's total banking sector assets. Banks are increasingly investing in digital technology and focusing on product customisation to retain and attract customers. As the banking sector changes, the Financial Sector Conduct Authority (FSCA) is increasingly interested in how ordinary consumers view the sector and whether they have embraced new digital forms of banking.

Public attitudes towards, and participation in, the South African banking system will be explored in this brief. Insight into

■ OVERVIEW OF THE STUDY

Continuing a tradition of funding informative research into key topics of consumer interest, the FSCA commissioned a survey which included a module of questions on the banking sector. This module was part of a larger FSCA funded survey on financial literacy in South Africa and was designed in collaboration with representatives from the banking sector. This

how the general public view the banking sector will be provided by a unique nationally representative dataset funded by the FSCA. The brief will evaluate the popularity of different banking methods as well as customer opinions on banking charges. A special focus will be on digital finance, which has become easier and cheaper due to the rapid expansion and popularity of the internet in the country. There is particular interest in this topic given emerging evidence on the growth in public demand for, and transition to, digital banking during the Covid-19 pandemic. The brief will explore the reputation of online banking and examine the attractiveness of cryptocurrencies.

survey was fielded as part of the South African Social Attitudes Survey (SASAS), which uses large nationally representative samples in its surveys. The sample was restricted to persons aged 16 years and older living in private residences. Overall, 2693 interviews were completed, providing the FSCA with detailed data on the attitudes and behaviours of adults.

■ TOWARDS A CASHLESS SOCIETY

Most South Africans are aware of different formal banking products (such as cheque or savings accounts), but a large proportion of the adult population remain unbanked and rely on cash for all transactions. One of the reasons for the reliance on cash is that many adults live in areas without digital payment infrastructure or where digital payment is simply not accepted by local vendors. Many vendors

do not offer digital payments due to high transactional costs and prefer their customers to use cash. A significant proportion of South Africans therefore often pay with cash, and very little is known about the public preferences for cashless payments.

To better understand public attitudes towards cash transactions, respondents

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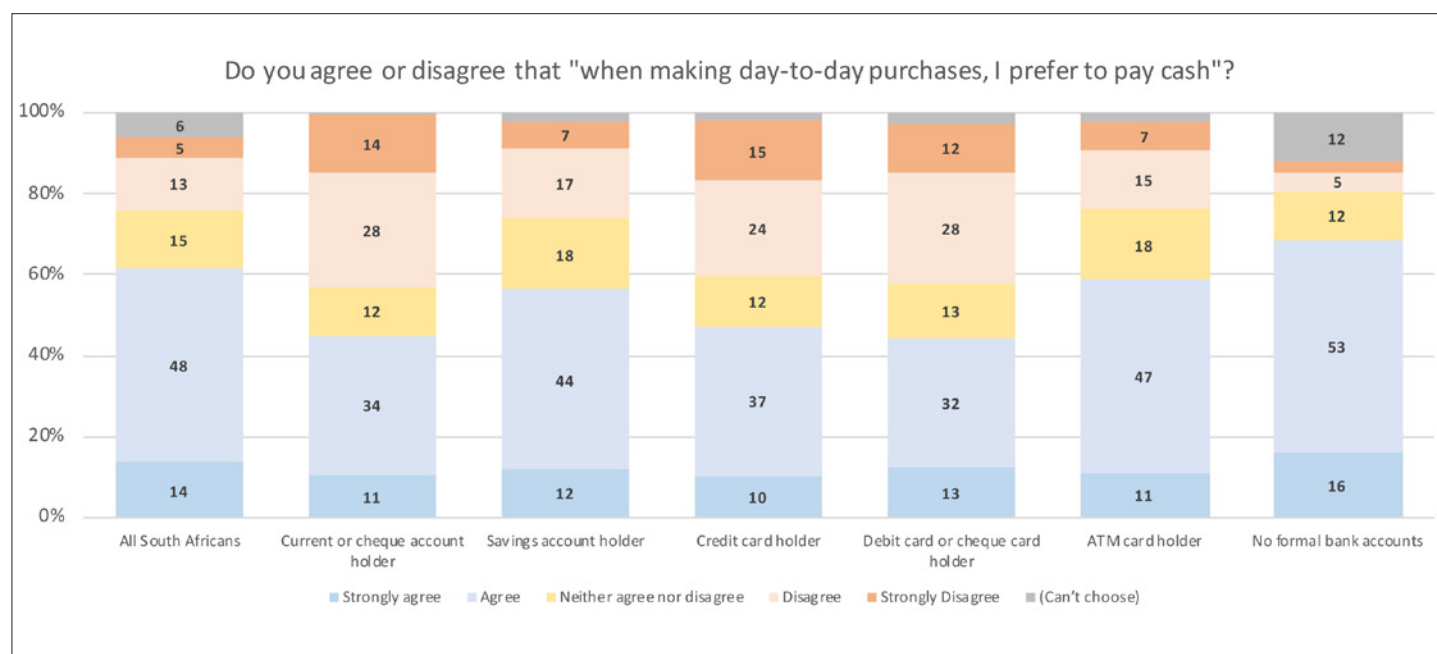


were asked if they agreed or disagreed with the following statement: “[w]hen making day-to-day purchases, I prefer to pay cash.” Approximately three-fifths (62%) of the adult population agreed with the statement, while only 18% disagreed.

Reviewing the data, it was clear that the tendency to agree was higher amongst those who held no formal banking products (**Figure 1**). Those that held formal bank accounts tended be more in favour of a cashless society. Consider, for exam-

ple, that approximately two-fifths (39% - 42%) of those who held either a credit card, cheque account or a debit card disagreed with the statement. Overall, it seems that there is limited support for a cashless society in South Africa.

Figure 1: Public preferences for using cash for making day-to-day purchases by different types of formal banking product ownership



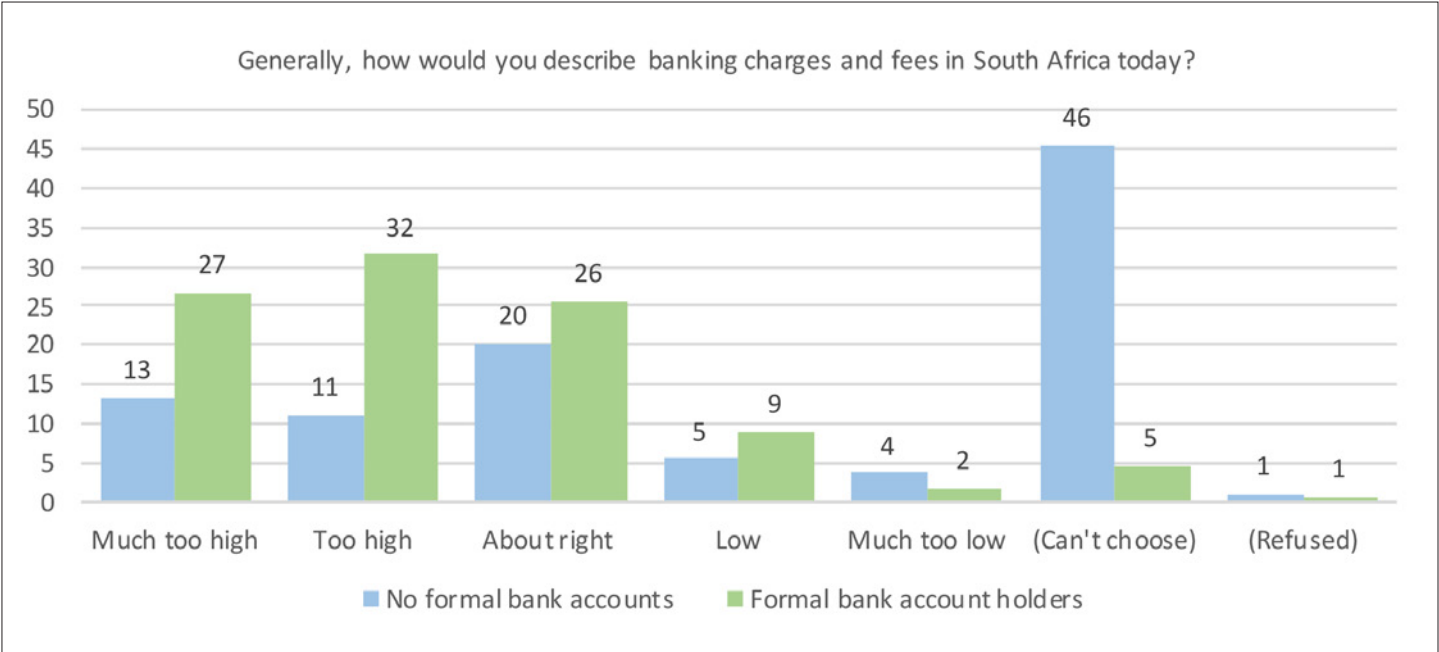
BANK FEES AND CHARGES

Bank charges have long been a source of controversy in the South African banking sector, and the government have repeatedly called on banks to reduce their fees. Most adult consumers share this concern. Nearly a quarter (24%) of the general pub-

lic agreed that banking charges and fees in South Africa today are ‘much too high’, and 27% said that they were simply ‘too high’. Only a tenth (10%) of the adult public described the banking sector’s fees as low. If a consumer held an account with a

bank (such as a savings account or fixed deposit account) then they were much more likely to think the industry’s pricing structures were too exorbitant (**Figure 2**).

Figure 2: Public perceptions of the pricing structures of banking charges and fees by formal banking account holding



The evidence suggests that the experience of having a formal bank account increases the likelihood that an individual will have a negative view of how banking products are priced. Concern about pricing structure can motivate consumers to change their banking practices. When survey participants were asked: “[i]n the last five years, have you changed your bank because your banking charges and fees were too high?” Quite a large percentage (21%) of the adult populace said yes. This tendency to change banks as a

response to pricing structure was particularly evident amongst the middle class.

■ ASKING ADVICE

People are often forced to make difficult financial decisions, and professional financial advisors can help them make informed and profitable decisions with regard to their finances. Using the SASAS dataset, advice-seeking behaviours were mapped, showing which institutions/entities consumers normally sourced financial

guidance from. Less than a seventh (14%) of the general public said that they normally ask the bank for help when they needed financial advice. The most popular choices of financial advice used habitually by the general public were friends and family, with 52% of the adult public selecting family and 25% choosing friends. Survey participants were required to indicate whether they trusted banks and bankers to provide good financial advice. About half (47%) of the general public said





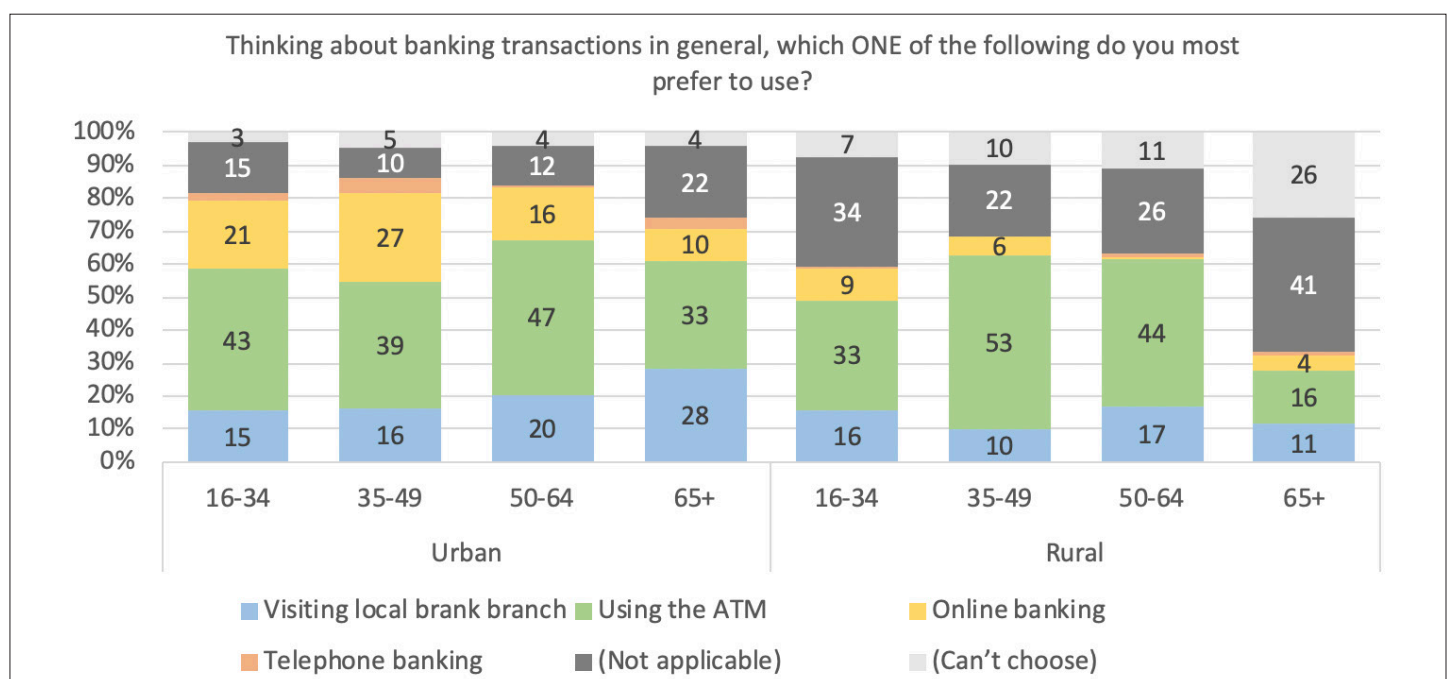
that they trusted this institution to provide good financial advice and 14% told fieldworkers that they distrusted advice from banks. Experience of formal banking was associated with this kind of trust, those who held a formal banking product were twice as likely to trust financial advice from banks than those without a formal product. Even when taking formal product ownership into account, educational attainment was positively associated with this kind of trust.

DIFFERENT WAYS TO BANK

There are various ways of conducting banking transactions in South Africa, and the FSCA was interested in determining which methods were most popular among the public. In order to provide clarity on this issue, SASAS respondents were requested to think about their history of banking experience and then asked to indicate their preferred method of making

such transactions. The ATM was the most popular method, with about two-fifths (41%) reporting that they preferred to use the bank ATM. Visiting the local branch to make a transaction was less popular than expected, with only 16% of the general public favouring this method. About seventeen percent stated that they favoured online banking and a small minority (2%) claimed that they like to do banking over the phone.

Figure 3: Public preferences for different methods of banking transactions by geographic location and age group



Older consumers differed in how they thought about banking, being much less likely than the youth to prefer online banking. But there was a distinct geographic location disparity noted on this trend

■ GOING ONLINE

Online banking will become more common as technological advances increase, and it is important to determine how consumers perceive the role of online banking in their lives and whether they believe it makes fiscal transactions safer and more effective. A majority (65%) of the adult public with internet access agreed that online banking had made managing finances easier and more effective. Almost half of those adults with internet access said that online banking was cheaper than regular banking. On the other hand, a similar proportion of this group thought that online banking introduced greater levels of fraud into the financial

(**Figure 3**). The elderly, especially those in urban areas, preferred to conduct their business at their local banking branch. Urbanites in the 16-34 and 35-49 age groups, in particular, were more likely to

system. When compared to those with internet access, those without access were much more likely to be unable to answer these questions.

In order to adequately analyse digital financial behaviour in South Africa, the public was categorised by internet usage. Roughly two-fifths (39%) of the adult public can be classified as non-users. Users can be sub-divided into 'inactive' and 'active' categories with low and high usage. Low inactive users are online less than a few times a week, while high inactive users are online a few times a week. More than a quarter of the general public

report a preference for using the internet for banking. ATM banking was quite popular in the rural areas and was found to be especially popular amongst the 35-49 age cohort in those areas.

are either low (17%) or high (12%) inactive users. Low active users spend less than six hours per day using the internet, while high active users utilise the internet for six or more hours on a typical day. About a third of all consumers are either low (23%) or high (9%) active users.

SASAS respondents were asked "[h]ow often do you use the internet to do your banking and handle your financial accounts?" This question was restricted to internet users. A third (33%) of internet users said that they never utilised online platforms to manage their finances (**Figure 4**), implying that the majority of



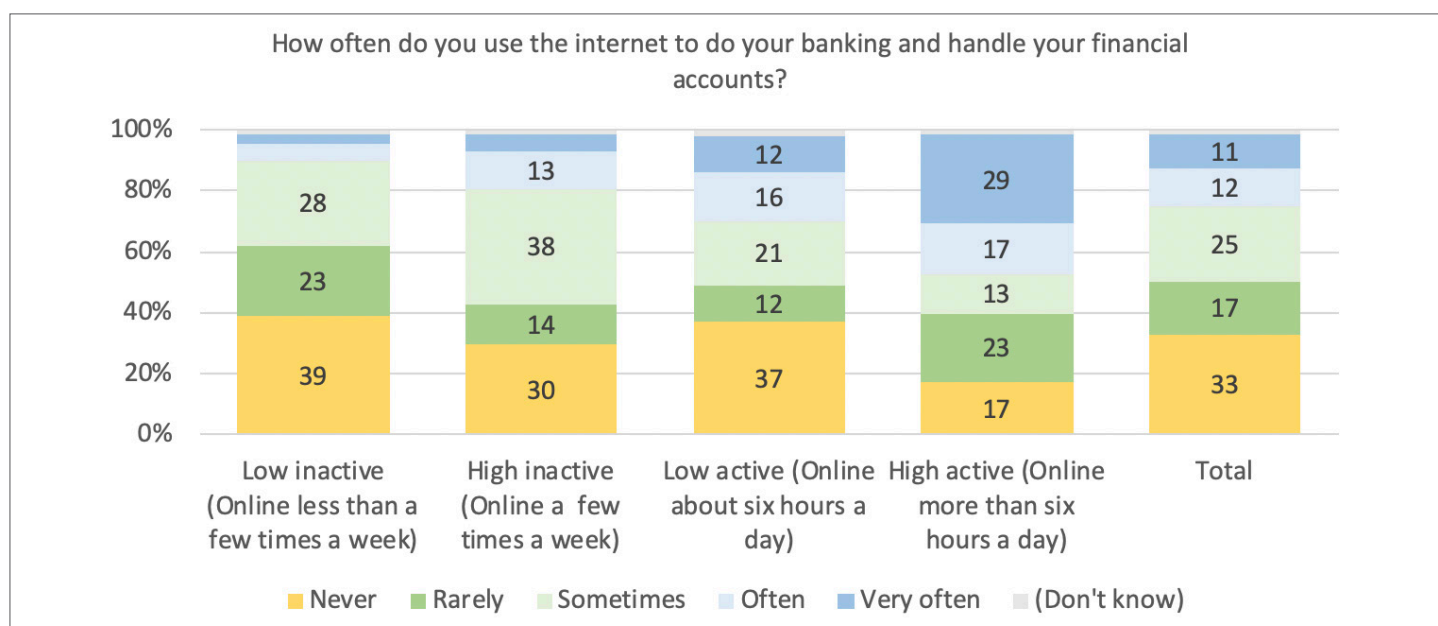


users engaged in this kind of online behaviour. Almost a quarter (22%) of users stated that they participated in this type of behaviour often or very often. Nearly

a fifth (17%) told fieldworkers that they used the internet for banking and other financial matters rarely, while 25% of users said that they did this sometimes. Online

money management was, perhaps unsurprisingly, more common amongst active internet users.

Figure 4: Frequency of public use of the internet to do banking and handling financial accounts by level of user activity



Note: Data restricted to internet users.

SEEKING CRYPTOCURRENCY

Consumers may seek to circumnavigate traditional banking systems by investing in cryptocurrencies. South Africa has seen increasing activity in cryptocurrency markets in recent years. Although cryptocurrency investments are not explicitly regulated, the FSCA had previously issued a warning to the public to be “cautious and vigilant” when dealing with these types of products. At the time of writing this report, however, not much was understood about mass opinion on this new form of currency.

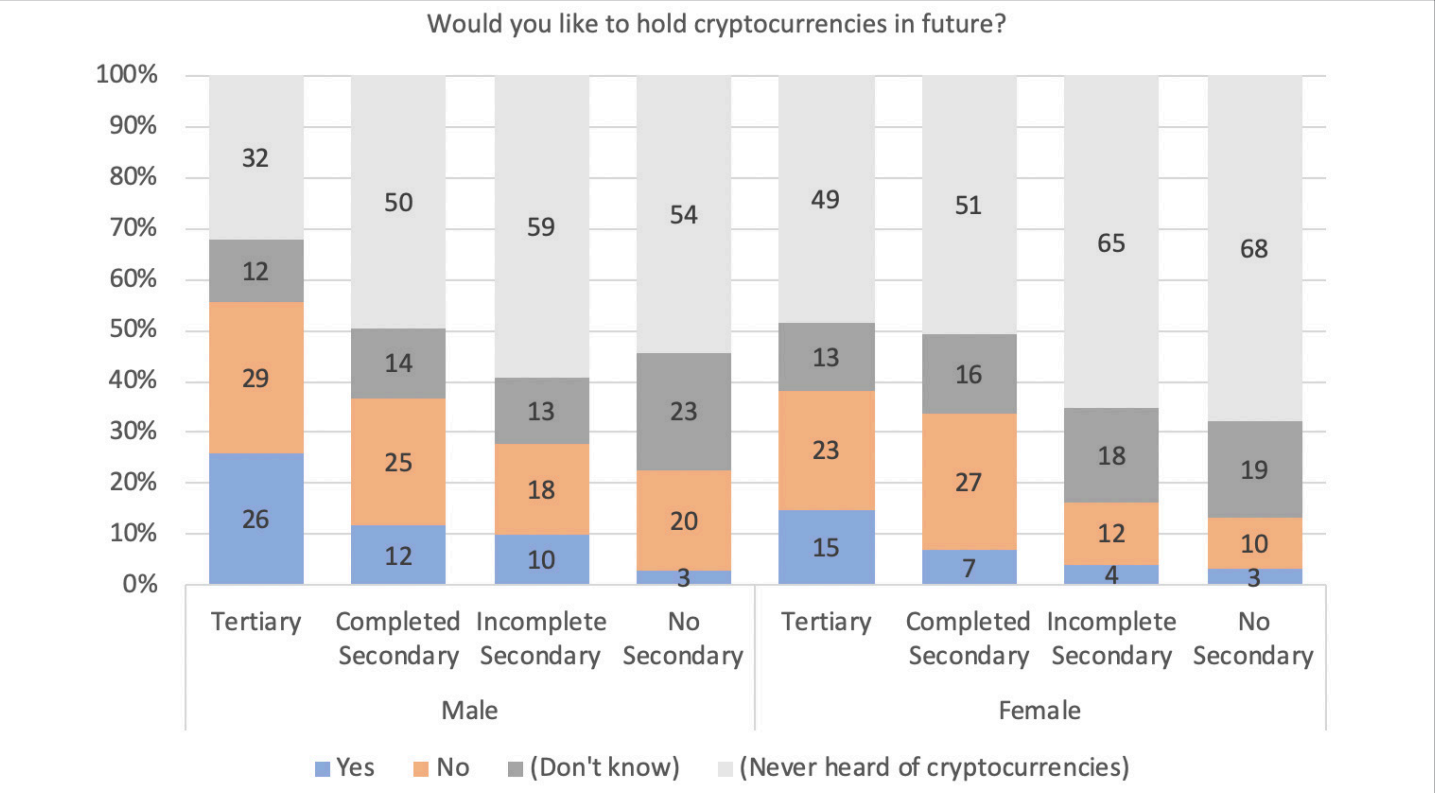
During the SASAS interview, the following question was put to respondents: “[t]o what extent are you aware of crypto-

currencies?” More or less half (55%) of the general public told fieldworkers that they had not heard anything about this topic before. Furthermore, more than an eighth (16%) were uncertain of how to answer the question. This suggests a basic lack of knowledge about cryptocurrency amongst a majority of South Africans. The level of public awareness of cryptocurrency was robustly correlated with a consumer’s level of internet usage. The more active the user, the greater the level of awareness.

A small proportion (3%) of the adult population claimed to own cryptocurrency. A much larger percentage (9%)

of adult consumers in South Africa said that they would like to own this product. Educational attainment was associated with a demand for cryptocurrency with the better educated demonstrating a desire to own this kind of currency (Figure 5). Interestingly, there was a distinct gender inequality discovered on this trend. Tertiary-educated males were more likely to report a desire to hold cryptocurrency than their female peers.

Figure 5: General demand for owning cryptocurrencies in the future, by educational attainment and gendery



The background of the entire page is a soft-focus photograph of a piggy bank. The piggy bank is light-colored, possibly white or light grey, and is tilted. A large number of coins, in various denominations and colors (gold, silver, copper), are spilling out from the top of the piggy bank, creating a sense of abundance and financial activity. The coins are scattered across the surface in front of the piggy bank.

■ CONCLUSION

The data presented in this brief confirms that a large proportion of South African consumers remain outside of the formal banking system. Many are disincentivised to become part of the sector given high banking charges and fees. Digital banking is popular amongst internet users, especially those who are active online. Digital substitutes to the traditional banking system such as cryptocurrencies remain unpopular with only a small segment of the public interested in these alternatives. The reader is encouraged to download the full FSCA report for more in-depth analysis, available at www.fsca.co.za and www.fscamymoney.co.za