Considering the steps that could be taken by formal financial service providers to ensure increased access, by low-income individuals, to bank accounts, and to extended financial services, products and initiatives.

A Dissertation

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by

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Declaration

I, Ulrich von Willingh, hereby declare that the work presented in this thesis, is my own, except where acknowledged and that this thesis or any part of it, has not been previously submitted for the award of a degree at any university.

Signed ....Signed by candidate..........   Date ....

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Abstract

Financial inclusion in the world is improving, as many countries and financial institutions are focusing on including lower-income individuals and households.

This research discusses a number of tools, mechanisms and the intricacies related to pertinent conceptual frameworks to support the promotion of financial inclusion at the various stakeholder levels, and many opportunities to promote financial inclusion. One such tool in South Africa; Co-operative banks (CB's), proactively focuses on inclusive innovation opportunities and the inclusion of mixed-income communities. This is done through continuous review in order to continuously align with its initial objectives of social development and lower-income community participation promotion.

Capturing women and young individuals, among other marginalised groups, by; creating accounts for them at a young age, via educational literacy initiatives, and supported by various internal capability support measures, and further reinforced by government and financial institutional inclusion policy and framework promotion (including co-operative banking institutions), holds a lot of promise and opens up a world of opportunities to investigate and explore to progress the financial inclusion agenda.

Other literature and themes discussed, include definitions of what financial inclusion is, why many individuals remain unbanked, pre-conditions for successful financial inclusion, alternate financial service providers being used by lower-income individuals and households successfully which we can learn from, and a few measurement tools and mechanisms which exist in order for governments and financial institutions to identify, implement, drive, and track progress.

Aforementioned is discussed, and the theory, borrowed from, in order to promote sustainable financial inclusion.

*The creation of bank accounts for individuals is seen as a facilitator of, as well as a measure of the level of, financial inclusion.

Key words: Financial Inclusion (FI), Low-income individuals, Low-income households, Financial Service Providers (FSPs), Co-operative Banking, Co-operative Banking Institutions (CBI), Saving(s).

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Abbreviations, Acronyms and Definitions

FI – Financial Inclusion

CFI – Center for Financial Inclusion

CB – Co-operative Bank / CFI – Co-operative Financial Institution

CSA – Child Savings Account / CDA – Child Development Account

AFSP – Alternative Financial Services Provider

FSP – Financial Service Provider

AEDI - Assets and Education Initiative

SARB – South African Reserve Bank

ICT – Information and Communication Technology

AfDB – African Development Bank

GNI – Gross National Income (GNI per Capita)

HMDA – Home Mortgage Disclosure Act

LMI – Low- and Moderate-Income

CPI – Consumer Price Index

FDIC – Federal Deposit Insurance Company

ATM – Automated Teller Machine

TFSA – Tax Free Savings Account (TFSI – Tax Free Savings Instrument)

FDIC - Federal Deposit Insurance Company

SME – Small and Medium Enterprises

BPL – Below the Poverty Line

ASPIRE – American Saving for Personal Investment, retirement, and Education (ASPIRE) Act

Banked – Individuals who have a bank account (refer below for definition of bank account)

Unbanked – Individuals who are not banked, or were banked, but are no longer banked

Financial Literacy – The ability to understand and use various financial skills, including personal financial management, budgeting, and investing.

Regulatory Framework – Regulatory frameworks are legal mechanisms that exist on national and international levels. They can be mandatory and coercive or voluntary.

Non-exploitative – Not tending to take unfair advantage of another person or group.

Institutionalisation – The action of establishing something as a convention or norm in an organization or culture.

Digital Technology – Electronic tools, systems, devices and resources that generate, store or process data.

Bank Account – An account (deposit-, checking-, and savings-accounts) held with a formal financial institution, as per banking regulations of the particular country.

Child Savings Account (Child Developmental Account) – A type of savings accounts in the United States, usually specifically designed for higher education savings.

Exclusion / Excluded – The process of excluding or the state of being excluded.

Marginalised (of a person, group, or concept) – Treated as insignificant or peripheral.

Treasury – Usually a government department related to finance and taxation (Treasury is usually responsible for; revenue collection, government budget, economic policy, etc.).

South African Reserve Bank (SARB) – Central Bank of South Africa

Gross National Income (GNI) – Is the total amount of money earned by a nation's people and businesses.

Financial Inclusion (FI) – "a state in which everyone who can use them has access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, with respect and dignity". Figart (2013)

Co-operative Bank (CB) – A Co-operative Financial Institution (CFI) is the umbrella term for member-based deposit taking financial co-operatives, owned and controlled by their members who have a common bond and whose members choose to call themselves either a Credit Union, Savings and Credit Co-operative (SACCO), Financial Services Co-operative (FSC) and Financial Co-operative (FC). These terms are often used interchangeably in the CFI sector.

Co-operative Financial Institution (CFI) – refer above for definition of a Co-operative Financial Institution

Consumer Price Index (CPI) – The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.

Spatial Void Hypothesis – The spatial void hypothesis posits that AFSP's move into geographic areas as mainstream banks and financial institutions move out

Federal Deposit Insurance Company / Corporation (FDIC) – The Federal Deposit Insurance Corporation is one of two agencies that supply deposit insurance to depositors in American depository institutions, the other being the National Credit Union Administration, which regulates and insures credit unions.

Below the Poverty Line – Individuals, groups and communities who live below the defined and acceptable poverty line

Chapter 1: Introduction and Context

1.1 Introduction

This dissertation will consider several Financial Inclusion (FI) artefacts, aspects and elements in order to contribute to the academic process and discourse around FI.

The Center for Financial Inclusion (CFI) was founded by Accion[1] in 2008, as an independent think tank on inclusive finance. The CFI makes use of rigorous research and advocacy to promote financially inclusive systems for low-income individuals globally (*https://www.centerforfinancialinclusion.org/*, 2022). The CFI defines Financial Inclusion (FI) as "a state in which everyone who can use them has access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, with respect and dignity" (Figart, 2013). A number of definitions as proffered by authors, including; Morgan (2014), Dasgupta (2009), Iyer (2015), and Raskin (2011) and the Centre for Financial Inclusion as cited by Figart (2013), are considered in this dissertation in order to recommend a more complete and comprehensive definition.

In the following section, framework prerequisites are considered as discussed by prior authors (see Sherraden (2010), Raskin (2011), Figart 2013 and Bansal (2014)) averring that financial participation and inclusion is promoted by a number of prerequisites such as a robust financial regulatory framework, expanded public literacy and education programmes and being offered an opportunity to access non-exploitative free market banking conditions. This study considers these and other prerequisites and offer a more inclusive framework with which to approach the FI discussion and initiatives.

Banking the unbanked is an important financial inclusion theme, seeing as this forms the basis of many FI definitions and practical approaches[2]. Building on prior contributions from authors and institutions, this dissertation expands on their research and thinking in an attempt to add to

[1] Accion is a community development initiative NPO, founded in 1961, with a vision of building a financially inclusive world with access to economic opportunity for all. Accion's mission is to empower people by giving them tools to improve their lives. (*https://www.accion.org/*, 2022)

[2] See Loke and Sherraden (2009), Friedline, Terri and Rauktis (2014), Aina and Luyombo (2014), Arun and Kamath (2015), Allen et al. (2016), Van Heerden (2017) and the African Development Bank (2019).

the subject matter discourse, specifically focusing on how these banking initiatives can be encouraged and supported by the FI elements considered.

FI in the world has increased tremendously over the past years, in general, resulting in 69% of all adults (individuals 15 years old+) having accounts globally and therefore being defined as financially included. (Demirgüç-Kunt *et al.*, 2017). Financial Inclusion remains a predominantly third world challenge, however, and consequently the research considers several elements that could assist with understanding the status quo and what initiatives would further promote and facilitate FI in such countries. Authors and Reports (including surveys / questionnaires) such as Bansal (2014), the Global Findex Database (2017), Demirguc-Kunt et al. (2017) and the Little Data Book on Financial Inclusion (2018) are included in the theories reviewed to get an understanding of current themes to consider in this discussion. Benchmarking mechanisms that exist to measure financial inclusion, offer deep insights into which dimensions of FI, compared across various geographies in the world, are improving and which need more focus. The study considers the Global Findex Database 2017 and the Global Microscope 2019, to gain insight into what focus areas have recently been added and what emerging patterns indicate.

This study include literature from various sources, such as the South African Reserve Bank, Kruger (2020), the Co-operative Banks (CB) Development Agency (2021) and the CB Sector Development Strategy Document (2021) in order to better understand the Co-operative Banking sector in South Africa and its strategic direction. CBs are a FI-appropriate vehicle, striving to include lower-income individuals and households in the financial services sector, and this research will interrogate and consider this structure and the changes being considered in the sector, and what else could be done, to facilitate progress and promotion of financial inclusion in general.

Next this dissertation focuses on the factors discouraging provision of financial services by financial service providers (FSP's) to the lower-income, unbanked, segment of the market. The most prominent barriers to account ownership by individuals and households, include lack of money and accounts being perceived as too expensive. This research consults literature from authors and surveys such as Irving (2005), the Federal Deposit Insurance Company (FDIC) (2012), Allen et al. (2016), the Global Findex Database (2017), and various other authors in order to better understand the barriers discouraging account creation and promotion and how to break these barriers down potentially. Additional themes that will be explored along with the above mentioned, are the risks, costs as well as the potential benefits, including the possible practical innovations and focus areas, involved for FSP's related to engaging the lower-income segment.

Considering prior research done by; Temkin and Sawyer (2004), Mashigo (2006), Smith, Smith and Wackes (2008), the FDIC (2012), Figart (2013) and Bansal (2014), this thesis will discuss what has been done regarding research into the alternatives to mainstream banks and financial service providers, why the alternatives are considered to be predatory, how the alternative financial service provider (AFSP) landscape looks at the moment and whether opportunities exist to employ AFSP's, in the low-income and the low financial inclusion segment of the market, in a more innovative and practical manner.

This study takes a view on the above-mentioned theories and literature, as well as certain thought-leaders in the FI industry, in order to offer a current view on financial inclusion and the FI landscape in the world. Furthermore, the study takes a critical view on the themes elicited and considers whether an opportunity exists for further developing these themes and possibly expanding on the thinking in this area.

1.2 Background: A History of Exclusion, Marginalisation and Inequality

The World Bank maintains that the high inequality, in which area they state South Africa is worse off than its peers, is perpetuated through a legacy of exclusion, and as a result of the nature of the economic growth that has been taking place in South Africa in recent years. The current economic growth in South Africa is said to be working against the poor and vulnerable; resulting in inadequate job creation. The intergenerational mobility of the poor is low, which means that the inequalities are perpetuated through generations.

In their Retirement Fund Reform Discussion Paper, the National Treasury of South Africa (2004, Pg. 4), confirms that even though there is a big and established "private contractual savings sector" in South Africa, roughly three quarters of the South African population enter retirement without a funded pension benefit (understood to mean some form of private contractual savings earmarked for retirement) and will subsequently have to rely on government's social assistance grant programme. This symptom, National Treasury maintains, is as a result of a lack in cost-effective vehicles which are appropriate in meeting the retirement funding needs and requirements of lower- and middle-income people, and those individuals whose lifetime earnings are mainly informal and irregular. Socio-economically appropriate vehicles are therefore required, to assist lower-income individuals to save, and manage their financial affairs more effectively, and to grow long-term wealth creation (wealth creation that can assist in economic participation, financial shock absorption and in preparing for retirement).

According to the UNDP (2018) the Old-age pension recipients in South Africa, as a percentage of the statutory pension age population (which was 60 years at the time of submission), is 92.6% (Source: http://hdr.undp.org/en/countries/profiles/ZAF, Pg. 1, retrieved on 08.11.2019). 92.6% of people in retirement are therefore understood to be on the Social Old Age Grant assistance provided by the South African Social Security Agency (SASSA), meaning that these individuals are unable to provide for themselves in their old age (and retirement).

Pieterse (2008, Pg. 1) sums the South African reality up as existing with two economies; “The first is an advanced, sophisticated economy, based on skilled labour, which is becoming more globally competitive. The second is a mainly informal, marginalised, unskilled economy, populated by the unemployed and those unemployable in the formal sector.” This second economy needs to be empowered and mobilised to economic participation and eventually financially proficiency.

1.3 Significance of the Study

Through a qualitative literature-based research strategy, a conventional integration review, focus will be placed on low-income individuals by considering which elements make up and contribute to the financial inclusion discussion, complemented by a focus on the global inclusion progress and challenges, as well as on the local (South African) and developing world situation. Financial services institutions and organisations will form a big focus area with research trying to elicit sufficient evidence of current practices and of structural requirements, as well as the sectoral landscape setting and themes, in order to make recommendations to promote financial inclusion.

This study proposes to gain insights into; financial inclusion (definitions, frameworks and benchmarks); the manner in which individuals participate in the financial services sector, which barriers they face in order to access institutional accounts, savings products, and financial services; the investment instrument landscape; Alternative Financial Service Providers and the intricacies related to this sector; and what the current thinking and themes are related to financial inclusion today. Thereby, this financial inclusion research, attempts to identify gaps and making recommendations to assist with the practical resolution of these gaps.

Furthermore, the study intends adding value to various audiences and stakeholders by;

- understanding the salient features which characterise; financial inclusion theory, emerging pertinent policies, frameworks and benchmarking mechanisms, which could facilitate and promote account creation, and support public and private policy and framework reform, regarding this low-income group and financial inclusion, in a more practical and inclusively innovative manner.
- offering financial service, product and policy designers, practical insights into what low-income individuals' reasons are for not opening accounts and making use of financial service providers, and the perceptions driving these behaviours. Furthermore, why low-income individuals rather use alternative financial service providers in many instances, as opposed to financial service providers, and how aforementioned could inform more cost-effective and requirement-appropriate product design and product delivery.
- informing financial inclusion theory, in general, thereby adding insights which could inspire further research and investigation into this area of study. Theory which academics, governments and private institutions could employ to improve and promote financial inclusion.

The remainder of this dissertation is set out as follows: Chapter 2 considers the literature, and what theories, policies, frameworks-, and benchmarking-mechanisms exist, on the subject matter in focus.

Chapter 3 considers the research methodology used and how it views and supports the current literature, how it helps expand on the insights gained through the research process and builds on the emerging research themes and outcomes.

Chapter 4 - focuses on financial inclusion definitions, the current frameworks being used to view financial inclusion from a sustainability and financial inclusion prerequisite point of view (what the prerequisites are for an efficient and comprehensive framework, to apply to financial inclusion thinking and approaches).

Furthermore, it considers the benchmarks used against which to measure financial inclusion effectiveness and efficiencies, as well as considering the connection between banked individuals and promoting financial inclusion, how that looks in the world, and what the South African context offers within the context of promoting banking progress and how this essentially relates to financial inclusion.

Chapter 4 further concentrates on the factors which discourage bank account adoption within the context of individuals and households, eliciting insights related to the risks and benefits of entering the lower-income segment, from a financial services point of view, along with taking a view on the costs associated with traditional investment instruments. Co-operative banks is a focus point, within the South African context, gaining insights into current practices and themes in this mixed community focused development initiative, and which themes and patterns emerge from this model to potentially borrow from and employ in broader financial inclusion policies and initiatives, in order to improve outcomes.

Lastly, chapter 4 investigates the alternatives to mainstream banks and financial service providers; Alternative Financial Service Providers (AFSP's), focusing specifically on how this industry looks, why these AFSP's are seen as predatory, and whether an opportunity exists to better employ AFSP's with regards to promoting financial inclusion. Chapter 5 also attempts to highlight the financial inclusion themes which exist in the world currently, eliciting a number of emerging characteristics which outline the roadmap for financial inclusion focus-areas at the moment.

Finally, Chapter 5 contextualises the findings and conclusions flowing from cited research and insights and concludes with constraints experienced while exploring the subject matter, and possible recommendations for future scholars to focus on within ambit of topic under discussion.

Chapter 2: Literature Review

2.1 What is Financial Inclusion?

2.1.1 Definitions

Morgan and Pontines (2014), when contemplating the definition of financial inclusion, quote Hanning and Jansen (2010) as follows; “Financial inclusion aims at drawing the “unbanked” population into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance.”

Dasgupta (2009) defines financial inclusion, the remedy to financial exclusion, as the process which makes formal financial services accessible as well as affordable to all.

Financial inclusion is also broadly defined as; the affordable access to financial services by poor and disadvantage people, by the Rangarajan Committee (2008) as mentioned by Iyer (2015).

The Centre for Financial Inclusion (CFI), defines financial inclusion in the following way; “a state in which everyone who can use them has access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, with respect and dignity.” The CFI goes on to mention that; “Financial services are delivered by a range of providers, in a stable, competitive market to financially capable clients”. This is a comprehensive view of what financial inclusion should entail and include (Figart, 2013).

Figart (2013) quotes Raskin (2011), the Federal Reserve Board Governor, discussing the “twin problems of economic and financial exclusion”. Raskin argues that;

1. The unemployed that are without stable or decently paying jobs, are economically excluded, and furthermore that,
2. Economic inclusion also implies a sort of belonging and membership in the economy that extends beyond employment.

Next the study considers, in more detail, how the insights attained previously can be leveraged to build on the financial inclusion discussion, specifically looking at pre-conditions for financial inclusion.

2.1.2 Pre-conditions for a Sustainable Financial Inclusion Framework

Building on the financial inclusion insights gained above, this research continues to explore deeper aspects and elements of financial inclusion as proffered by prior authors, below, in order to further understand what is required for successful financial inclusion.

Raskin (2011) offers further insights into effective financial inclusion, and how she recommends it be approached.

"This effective inclusion in the financial marketplace depends upon a strong regulatory framework, active market participation, and an expansion in public financial literacy … Imagine what it would be like, even with a job, if you had no access to banking or credit; if you did not understand how mortgages or credit cards work; or if you had no way of saving a portion of your earnings." (Raskin 2011, Pg. 2, as quoted by Figart (2013))

This view of a suitable approach to financial inclusion has multiple touch points with previous definitions, and further builds on this train of thought as follows.

Raskin (2011) alludes to three elements for effective financial inclusion above, including;

1. A strong financial regulatory framework,
2. Efforts to expand on public financial literacy and levels of education, and
3. Active participation in the existing banking and financial institution arena.

Figart (2013) criticises Raskin's third element for effective financial inclusion; active market participation, as not being effective enough in the sense that it implies that all persons should be making use of mainstream banking and mainstream financial institutions while not necessarily addressing the question of whether these persons have the capacity and capability to do so. Figart (2013) goes on to point out, in the American context, that the banking industry adheres to regulatory obligations related to low-to-moderate income communities by largely circulating and focusing on educational content, as opposed to focusing on removing the institutional barriers that exist to financial inclusion.

Margaret Sherraden (2010, 3), Figart (2013) highlights, suggests a more comprehensive definition to enhancing people's financial capabilities and a useful framework which includes two prerequisites or pre-conditions;

1. Increasing peoples' internal capabilities through financial literacy efforts, and
2. The facilitation of the external conditions which permit them to employ the internal capabilities that they have acquired.

Figart (2013) further expands on her two pre-conditions by recommending five institutional prerequisites, or pre-conditions as she calls them, flowing from Sherraden's financial capability approach framework, for financial inclusion, namely;

1. Individuals should have access to non-exploitative institutional products and services which allow them to do the transactions, necessary, to provide for themselves and their households in a free market economy.
2. Secondly, individuals should be enabled by these non-exploitative institutions to save in a protected manner and have access to credit.
3. The institutionalisation of cultural and social norms, as an enabler to effectively utilise all the institutional products and services at their disposal.
4. The fourth prerequisite maintains that institutions should consider human diversity and varying societal priorities and values – thereby establishing a financial services capability which is more effective.
5. Lastly, Figart mentions that; "financial institutions and practices should be encouraged to support community development", thereby aligning the goals of both individuals and households with those of institutions as well as their shareholders'/owners' who traditionally have sort profitability as their main goal.

No mention is made of digital and technological (innovation) infrastructure (Bansal, 2014) to assist in financial inclusion facilitation, in above mentioned framework proffered by Figart

(2013). An opportunity exists to build technology into the approach and framework, ensuring that approaches and solutions are aligned with a technology capability. Heeks *et al.* (2013) refers to the use of mobile phones, for example, with regards to ICT innovation being employed from a financial inclusion promotion point of view.

Focus on women, is a huge theme in financial inclusion in the world currently, as there is a gross disparity between male and female inclusion in most parts of the world. In developing countries females are lagging behind males with regards to financial inclusion by 9 percentage points (African Development Bank (AfDB) *et al.*, 2019), (Demirgüç-Kunt *et al.*, 2017). This warrants mention from a framework point of view and should be included as a sub-point if not as a framework item.

Lastly, the impact of focusing on young people and children can have on financial inclusion, generally, could also be considered along with gender challenges above. Many countries are creating policies focused on young people and children, with the intention of starting the financial inclusion process earlier. (Demirgüç-Kunt *et al.*, 2017).

Above mentioned inputs are insightful critique of the various prerequisites and pre-conditions offered, which could lead to expanded approaches, and profound outcomes, should they be further considered and researched.

Next, we consider ways and methods of measuring financial inclusion, further embedding our understanding of financial inclusion, by hopefully gauging the extent and magnitude of FI more fully, to further contribute to the discussion.

2.1.3 Measuring Financial Inclusion

Financial inclusion is said to be increasing across the globe. (Demirgüç-Kunt *et al.*, 2017) Being able to measure it and compare countries along specific benchmarks and standards adds value and allows countries to have an effective tool with which to plan and measure progress related to financial inclusion.

Considering financial inclusion and current methods of measuring and comparing levels and maturity of financial inclusion, there are two standards that stand out, namely;

1. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. (Demirgüç-Kunt *et al.*, 2017), and
2. Global Microscope 2019: The Enabling Environment for Financial Inclusion and the Expansion of Digital Financial Services. (African Development Bank (AfDB) *et al.*, 2019), and

The Global Findex Database 2017 is a comprehensive dataset which outlines how adults save, borrow, make payments, and manage risk (Demirgüç-Kunt *et al.*, 2017). The database is published in a 3-yearly cycle, since 2011, and collects data through surveys from more than 150,000 adults across more than 140 economies, world-wide. The 2017 edition of the surveys includes additional indicators including access to formal and informal financial services, as well as financial technology, considering how mobile phones and the internet are employed to engage financial transactions.

Global Microscope 2019: The Enabling Environment for Financial Inclusion and the Expansion of Digital Financial Services (African Development Bank (AfDB) *et al.*, 2019), analyses practices employed by various governments and regulators around the world in an attempt to increase financial inclusion of their populations. This index emphasises the regulatory and policy environments exclusively and does not focus on financial inclusion outcomes. Even though overall access to financial systems have improved across the world, the World Bank's Global Microscope illustrates how the gender gap has also widened in Microscope countries (55 developing countries across the world[3]) over the last decade, on average. In 2018 the Economic Intelligence Unit (EIU) selected a revised list of 55 emerging market countries, where the countries have had; "interesting or unexpected financial inclusion outcomes". Eleven additional gender-based indicators have been included in the 2019 Global Microscope. The 2019 Global Microscope survey and the 2017 Global Findex surveys are closely aligned with regards to the importance of gender -gap analysis.

The Global Microscope (2014) on Financial Inclusion assesses the policy environment, for 55 countries, within the context of financial inclusion. The Global Microscope interprets twelve

[3] Refer to Table 6: Overall Results, for a list of the 55 Microscope countries which form part of the survey.

policy dimensions which are critical for creating a fundamental regulatory and institutional framework which is conducive to financial inclusion development. Together, these twelve policy dimensions offer a holistic financial inclusion approach, offering access to previously marginalised financial products. From a financial inclusion perspective this range of financial products can then remain safe, affordable, and convenient. (Arun and Kamath, 2015)

#	The 2019 Global Microscope's 11 Gender-Based Indicators
1	Government collection of sex-disaggregated financial inclusion data
2	Inclusion of a gender approach in national financial inclusion strategies
3	Inclusion of a gender approach in financial literacy strategies and programmes
4	Inclusion of a gender approach in digital literacy strategies and programmes
5	Women's participation in decision-making at financial regulators
6	Non-discrimination in account opening
7	Diversity programmes for non-banking or correspondent agents
8	Gender gap in access to national identification (ID)
9	Non-discrimination in access to national ID
10	Gender gap in Internet access
11	Gender gap in access to a mobile phone

Table 1: The 2019 Global Microscope's 11 Gender-Based Indicators. Source: *(Demirgüç-Kunt* et al., *2017)*

The above-mentioned table contains the 11 newly included gender-based indicators. These offer further insights into how inclusion is skewed down gender lines. These indicators are concentrated in the Government and Policy Support domain and in the Infrastructure domain (refer below).

#	The 2019 Global Microscope's 5 Domains
1	Government and Policy Support
2	Stability and Integrity
3	Products and Outlet
4	Consumer Protection
5	Infrastructure

Table 2: The 2019 Global Microscope's 5 Domains. Source: *(Demirgüç-Kunt* et al., *2017)*

The above-mentioned are the five domains that the Global Microscope covers. Informed by the CFI, the Microscope maintains that financial inclusion should be defined as; "access to a full suite of quality financial services for customers who possess financial capability, provided via a diverse and competitive marketplace."

These five domains are comprehensive lenses through which the Global Microscope survey evaluates how the various countries', governments and regulators, employ policies and regulations to increase financial inclusion among their populations. In this manner countries are empowered to gain visibility on, measure and improve financial inclusion through FI-appropriate metrics.

The government and policy support dimension measures the level of coordination and what governments do in order to incentivise favourable circumstances to promote financial inclusion. Stability and integrity is the domain focused on ensuring financial integrity and prudential stability. Additionally, this dimension employs a risk-based approach in order to evaluate the regulation, supervision and monitoring of FSP's in the low- and middle-income individuals.

The products and outlets domain assesses regulations related to specified outlets and products, and which reach and / or focus on low-income groups. The consumer protection dimension focuses and gauges consumer protection and privacy regulations and the effectiveness of their enforcement capabilities.

The infrastructure domain evaluates the infrastructure that enables financial inclusion, as well as the policy and regulatory steps taken by governments to advance financial inclusion infrastructure.

Financial inclusion is said to be increasing across the globe. The 2017 Global Findex database indicates that more than 1.2 billion adults have opened accounts since 2011. The Global Findex database includes all formal financial institutions which offer deposit-, checking-, and savings-accounts. 515 million of these accounts were created since 2014. Bank accounts being held with a financial institution, or through a mobile money service, increased from 62% to 69% across the globe, between 2014 and 2017. Over the same period developing economies experienced an increase in bank accounts from 54% to 63%. Women lag men, remaining 9%

less likely than men to own a bank account in developing countries. Recent progress with regards to financial inclusion has been facilitated by digital payments, government policy and a new wave of financial services that individuals access using their mobile phones and the internet.

21% of adults in Sub-Saharan Africa had a mobile money account in 2014, embracing financial technology, and making it the highest share of mobile money accounts in the world. Mobile money was found to be prevalent in East Africa, with it spreading to West Africa in 2017, and beyond.

The primary research themes, in the Global Findex Dataset, include;

1. Account Ownership (around the world, gender gaps, gaps between richer and poorer, & differences in account ownership by individual characteristics),
2. The Unbanked (who the unbanked are, & why people remain unbanked),
3. Payments (payments from government to people, payments from businesses to people – private sector wages, other payments for work, payment from people to businesses – utility payments, payments between people – domestic remittances),
4. Use of accounts (use of accounts for digital payments, use of accounts for saving & accounts that remain inactive),
5. Saving, credit and financial resilience (how and why people save, how and why people borrow & financial resilience),
6. Opportunities for expanding financial inclusion through digital technology (the landscape for digital payments, opportunities for expanding account ownership among the unbanked, opportunities for increasing the use of accounts among the banked).

The above-mentioned offers insights into how account ownership looks, unbanked individuals and households, how payments look and flow, how accounts are used, savings, credit and financial resilience, and it considers opportunities for expanding financial inclusion through digital technology.

The 2019 Global Microscope's Overall Results based on the 5 Domains

Rank			Score	
1	↔	Colombia	82	+1
2	↔	Peru	80	+2
3	↔	Uruguay	76	+1
4	▲ 2	Mexico	74	+4
=5	▼ 1	India	71	-1
=5	▼ 1	Philippines	71	-1
=7	▲ 2	Argentina	70	+6
=7	↔	Indonesia	70	+1
9	↔	Brazil	69	+5
10	▲ 1	Rwanda	68	+6
=11	▼ 3	Chile	65	-1
=11	▲ 2	China	65	+4
=13	▲ 10	El Salvador	63	+9
=13	▼ 2	South Africa	63	+1
15	▼ 1	Tanzania	62	+2
16	▼ 2	Paraguay	61	+1
17	▲ 13	Costa Rica	58	+7
18	↔	Bolivia	57	0
=19	▼ 3	Panama	56	-3
=19	▲ 8	Russia	56	+4
21	↔	Pakistan	55	0
=22	▲ 15	Dominican Republic	54	+10
=22	▼ 1	Honduras	54	-1
=22	▲ 1	Kenya	54	0
=22	▼ 6	Thailand	54	-5
=26	▼ 7	Ecuador	53	-3
=26	▲ 1	Mozambique	53	+1
28	▲ 3	Jordan	52	+2
=29	▲ 11	Cameroon	51	+8
=29	▲ 7	Egypt	51	+6
=29	▲ 2	Morocco	51	+1
32	▲ 2	Trinidad and Tobago	50	+1
=33	▲ 2	Turkey	49	+1
=33	▲ 4	Vietnam	49	+5
=35	▼ 4	Ghana	48	-2
=35	▼ 12	Jamaica	48	-6
37	▼ 10	Senegal	47	-5
38	▼ 1	Nicaragua	45	+1
39	▲ 2	Nepal	44	+4
=40	▲ 7	Madagascar	43	+7
=40	▼ 21	Nigeria	43	-13
42	▼ 16	Sri Lanka	42	-11
43	▲ 1	Guatemala	41	+2
44	▲ 6	Lebanon	40	+7
45	▼ 1	Ethiopia	39	0
46	▼ 5	Bangladesh	38	-2
=47	▼ 3	Cambodia	37	-2
=47	▲ 1	Uganda	37	+3
49	▲ 3	Haiti	34	+8
=50	n/a	Côte d'Ivoire	33	n/a
=50	▲ 1	Myanmar	33	+2
52	▼ 4	Venezuela	32	-2
53	▼ 12	Tunisia	30	-10
54	▼ 1	Sierra Leone	28	+6
55	▼ 2	DRC	21	-1

Table 3: Overall Results. Source: (African Development Bank (AfDB) *et al.*, 2019)

The above-mentioned table outlines the outcomes, of the 55 participating countries, as measured against the 12 policy dimensions and the additional 11 gender-based indicators. Each country is scored on an equal weighting basis for each of the categories, as one category has not been identified as more important than the other. As political risk can be a barrier to financially inclusive financial services, overall scores are adjusted to take the particular country's political landscape into account. The higher the score, the better a country is doing regarding the survey. South Africa is 14th out of 55 countries, down from 12th, with a score of 63%. Colombia [1 – 82%], Peru [2 – 80%] and Uruguay [3 – 76%] make up the top 3, with countries like; Mexico [4 – 74%], India [5 – 71%], Philippines [6 – 71%], Argentina [7 – 70%], Indonesia [8 – 70%], Brazil [9 – 69%] and Rwanda [10 – 68%] making up the rest of the 10 most financially inclusive countries out of the 55 participating countries, according to the 2019 Global Microscope.

Interesting to note, besides the top 10 list, Nigeria and the Dominican Republic are the biggest ‘fallers’ and biggest ‘risers’ on the list. Nigeria has dropped 21 places and is currently in position number 41, with a score of 43%. Nigeria decreased in the Government Policy and Support, Consumer Protection and the Products and Outlets domains (3 out of 5 domains decreased). The reason for this seems to be that Nigeria does not include a gender approach to FI or financial literacy plans or initiatives, nor does it have a digital literacy strategy. Nigeria doesn’t collect data related to financial services associated with low-income groups either. Nigeria can do better by focusing on the results of the Global Microscope dataset more closely.

The Dominican Republic is the biggest ‘riser’, jumping 15 places, to number 22 on the list with 54%. Besides incorporating multiple financial literacy topics into the national curricula teaching students and monitoring results, they also adjust approaches in subsequent iterations expanding on students’ financial capabilities. A few of the focus areas for the Dominican Republic during 2019 were;

- The Central Bank of the Dominican Republic; the Banco Central de la República Dominicana (BCDR), launched a “virtual classroom” in order to develop the knowledge of financial concepts and the payments systems of the country,
- Cyber security regulations were enacted,
- While Fintech regulations are also being drafted in an attempt to promote digital payments, and
- Expansive monetary policy measures are promoting credit growth, extending subsidised loans, in various industries as well as low-income housing and consumers.

The Dominican Republic is heavily focused on financial inclusion.

The following chapter takes a view on how the banked look, and the unbanked, and why the unbanked remain unbanked.

2.1.4 Banked versus Unbanked Households and Individuals

Allen *et al.* (2016) go on to mention that they've found that; "greater financial inclusion is associated with lower account costs *(i.e. implying that individuals have a bank account and are therefore banked)*, greater proximity to financial intermediaries *(i.e. accepting that there is assistance from financial institutions such as banks)*, stronger legal rights *(i.e. that individuals are protected, legally, considering the relationship with financial institutions)*, and more politically stable environments (*referring to the political landscape in the country, and by extension the governments' roles in developing financial inclusion and in deploying accounts*)." Allen et al. (2016)

Aina and Oluyombo (2014) suggest that more bank branches being located where there is an absence of banks, will result in an increase in financial inclusion due to new accounts being created resulting in unbanked individuals becoming banked. Aina and Oluyombo (2014) further assert that banking is about the services rendered, and that the focus of financial inclusion is about the increase in the volume of new accounts opened for the previously unbanked.

Arun and Kamath (2015) discuss the Global Microscope on Financial Inclusion, 2014, and highlight the 12 policy dimensions employed to create a foundational regulatory and institutional framework on which sustainable financial inclusion can be established and expanded on. They go on to mention that these dimensions approach financial inclusion holistically, from a viewpoint of extending access to the previously marginalised, or the excluded as they term it, with the aim of offering them a variety of financial products that the previously excluded can use conveniently, affordably and safely.

Arun and Kamath (2015) go a step further and consider mobile payments, affirming the aforementioned holistic approach, by maintaining that financial inclusion is not just about mobile payments or about banking the unbanked, but that it also includes; access to credit, insurance products, savings and they meet the requirements of low-income individuals.

The Global Microscope 2019 focuses on the enabling environment for financial inclusion as well as the expansion of digital financial inclusion. The basic enablers for digital financial inclusion, as identified by the Consultative Group to Assist the Poor, include;

- Allowing non-banks to issue e-money,
- The presence of financial service agents,
- Proportionate customer due diligence, and
- Effective financial consumer protection.

(African Development Bank (AfDB) *et al.*, 2019)

Friedline, Terri; Rauktis (2014) discuss Child Savings Accounts (CSA's), and position young peoples' savings as a primary strategy for financial inclusion, thereby not only averting unbanked and underbanked adults later in life, but also possibly establishing a whole generation acquainted with savings accounts and who through access to CSA's may acquire financial knowledge to interact with such accounts and related services.

Loke and Sherraden (2009), as quoted by Friedline, Terri; Rauktis (2014), note that a number of countries seem to be employing CSA's as a strategy to promote financial inclusion, including; Singapore, the United Kingdom, South Korea and Canada, among other countries. These CSA's are also referred to as Child Development Accounts (CDA's) and have been proposed as a mechanism to provide savings accounts to young people, with a direct focus on lower-income households.

The United States has employed various policies and legislative initiatives, to this end, of which under mentioned are perhaps the best known; the Assets and Education Initiative (AEDI) that was established in 2013 and the American Saving for Personal Investment, retirement, and Education (ASPIRE) Act. Friedline, Terri; Rauktis (2014) mention that the ASPIRE Act proposes to open and assign CSA's to children, universally, at birth. In addition, the government proposes to subsidise each child's CSA with a $500 deposit, initially, and further subsidising young peoples' CSA's whose households' incomes are below a certain minimum threshold.

Banking status of South African adults[a] (proportions), 2007-15

Year	*Currently banked*	*Unbanked*	*Previously banked*	*Never banked*
2007	60.3%	39.7%	9.6%	30.1%
2008	62.7%	37.3%	7.5%	29.8%
2009	59.8%	40.2%	8.9%	31.2%
2010	62.7%	37.3%	4.2%	33.1%
2011	62.8%	37.2%	4.2%	33.0%
2012	67.2%	32.8%	5.0%	27.8%
2013	75.0%	25.0%	3.6%	21.5%
2014	74.6%	25.4%	5.5%	19.9%
2015	77.2%	22.8%	5.3%	17.6%
2007-15	**28.0%**	**-44.8%**	**-41.7%**	**-42.5%**

Source: FinMark Trust, *Finscope South Africa 2011*, September 2012, p9; FinMark Trust, *Finscope South Africa 2015*, November 2015, p8

a Adults are defined as persons over the age of 16.

Table 4: Banking Status of South African Adults (Proportions), 2007 – 2015. Source: Van Heerden (2017)

From the above table, the banked adults in South Africa from 2007 to 2015 has increased substantially, increasing almost 17% over this period. Conversely, the unbanked adults have decreased significantly by almost 17% between 2007 and 2015. This reflects the work being done by public policy and strategy and the private institutional sector as well. (Van Heerden , 2017)

Banking status of South African adults by income category, 2015

Monthly income category	*Number of adults*	*Number banked*	*Proportion banked*	*Number unbanked*	*Proportion unbanked*
No personal income	10 918 918	4 736 280	43.4%	6 182 638	56.6%
Up to R799	3 882 129	1 879 015	48.4%	2 003 114	51.6%
R800–R1 399	4 154 361	1 924 469	46.3%	2 229 892	53.7%
R1 400–R2 499	4 067 265	2 422 174	59.6%	1 645 091	40.4%
R2 500–R4 999	5 050 879	4 316 951	85.5%	733 928	14.5%
R5 000–R7 999	3 122 781	2 906 657	93.1%	216 124	6.9%
R8 000–R10 999	2 054 713	1 955 952	95.2%	98 761	4.8%
R11 000–R19 999	2 379 670	2 311 549	97.1%	68 121	2.9%
R20 000 +	1 670 085	1 634 759	97.9%	35 326	2.1%
Refused	958 105	846 289	88.3%	111 816	11.7%
Total	**38 258 908**	**24 934 095**	**65.2%**	**13 324 811**	**34.8%**

Source: Eighty20, *XtracT* based on *AMPS 2015, Individual January-December 2015* data

Table 5: Banking Status of South African Adults by Income Category, 2015. Source: Van Heerden (2017)

The banking status of adult individuals, by income category in 2015, illustrates that the categories for "No personal income" (non-income earners) and lower income earners (including individuals that earned up to R2 499 per month), included more than 40% of the entire adult population in the country.

See a table summary of the lower income adults in South Africa, during 2015, below:

Total	**12,103,755.00**	**5,878,097.00**	**Average Proportion: 48.6%**
Monthly Income Category	**Number of Adults**	**Number of Adults Unbanked**	**Proportion Unbanked**
Up to R799	3,882,129.00	2,003,114.00	**51.60%**
R800 - 1,399	4,154,361.00	2,229,892.00	**53.70%**
R1400 - R1,499	4,067,265.00	1,645,091.00	**40.40%**

Table 6: Illustration adapted from figures as sourced from Van Heerden (2017) Source: Van Heerden (2017)

Proportion of each race with bank accounts, 2007-15

Race	*2007*	*2008*	*2009*	*2010*	*2012*	*2013*	*2014*	*2015*	*Change 2007-15*
African	56.0%	57.0%	54.0%	57.0%	62.0%	72.0%	72.0%	75.0%	33.9%
Coloured	54.0%	61.0%	61.0%	68.0%	70.0%	76.0%	73.0%	73.0%	35.2%
Indian/Asian	75.0%	84.0%	81.0%	85.0%	77.0%	89.0%	87.0%	86.0%	14.7%
White	95.0%	94.0%	92.0%	91.0%	91.0%	95.0%	95.0%	95.0%	0.0%

Source: FinMark Trust, *Finscope South Africa 2010*, November 2010, p13; *Finscope South Africa 2012*, February 2013, p9; Finmark Trust, *Finscope South Africa 2015*, p7

Table 7: Proportion of Each Race with Bank Accounts, 2007 – 2015. Source: Van Heerden (2017)

The lowest proportion of banking, by race, was among Coloured and African individuals during 2015. Coloured people are defined as people of mixed European and African or Asian descent, as formerly defined by the South African government between 1950 and 1991 (Paul, 2016). This included a 35.2% and 33.9% change (increase in proportional bank accounts) between 2007 and 2015. This is a pronounced change and shows that a lot of work has been done to this end (Van Heerden, 2017).

The following section considers the state of financial inclusion in the world, currently.

2.1.5 Financial Inclusion in the World

Section 2.1.5 offers insights into the world of financial inclusion, and how it looks, today.

Refer to Appendix A. Financial Inclusion: World View (& by Country) for further context of the state of financial inclusion in the world.

Link between Annual Income and Bank Accounts by Occupation Group

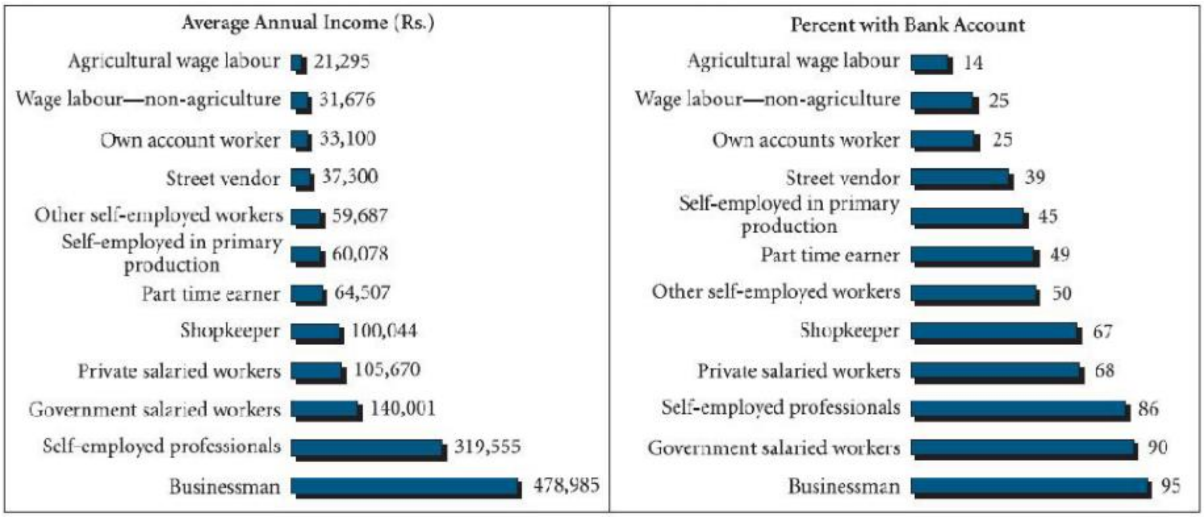

Figure 1: Link between Annual Income and Bank Accounts by Occupation Group. Source: *(Bansal, 2014)*

Figure 2 outlines a range of occupations, from modest lower paying jobs, to more professional higher paying jobs. From the above figure it can be seen that there is a positive correlation between an increasing income and increasing bank account penetration. This confirms that more work needs to be done at the lower-income levels so that the impact on financial inclusion is seen in these metrics.

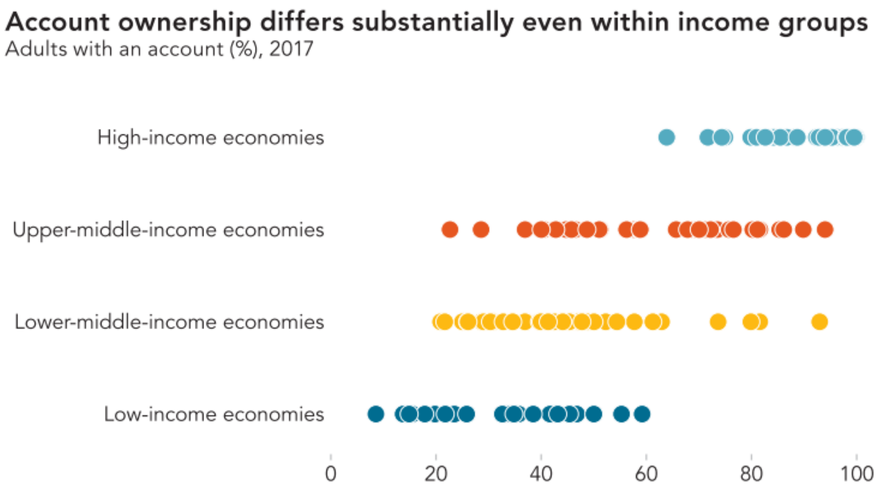

Figure 2: Account Ownership Differs Substantially even within Income Groups. Source: (Demirgüç-Kunt *et al.*, 2017)

Figure 3 above, confirms that account ownership is indeed a low-income, and by extension a developing world economy, challenge. Even though it can be seen that account ownership differs substantially within income groups, the trend and theme are clearly supportive of the fact that lower-income individuals have lower bank account penetration and higher-income individuals have higher bank account penetration, and therefore, enjoy higher financial inclusion. First world countries and economies are ahead of third world, developing, countries and third world economies are also lagging in financial inclusion.

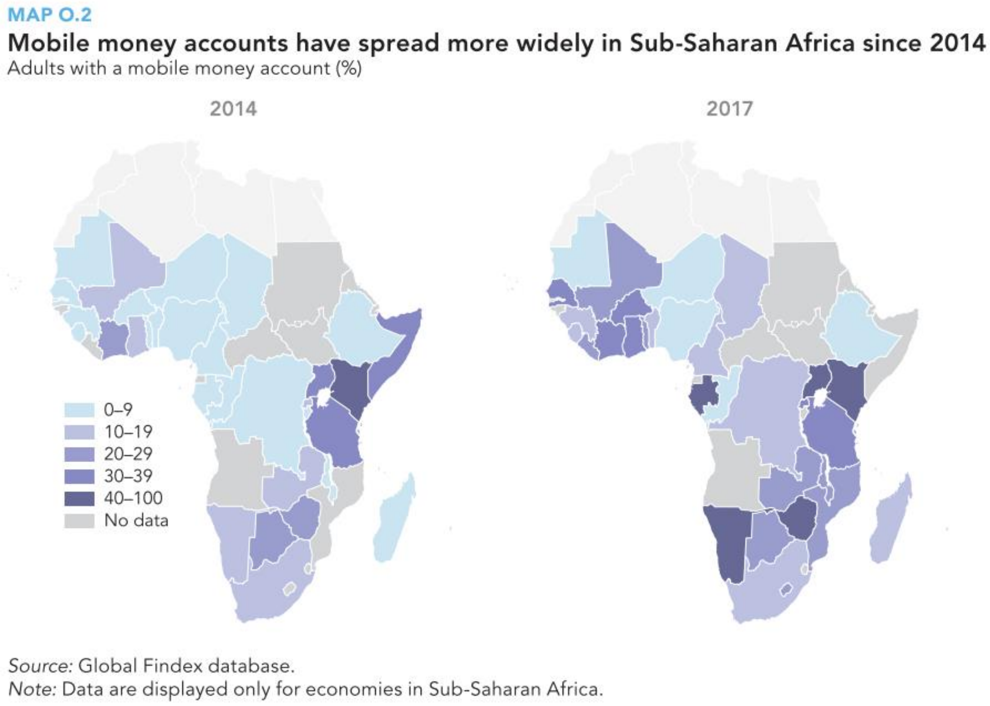

Figure 3: Heatmap – Adults with a Mobile Money Account (%). Source: Demirgüç-Kunt *et al.* (2017)

From Figure 4 it can be seen that mobile money accounts have increased in both Africa, at large, but also specifically in Sub-Saharan Africa. The South African situation has remained unchanged at the same level that it was at 2014. (Demirgüç-Kunt *et al.,* 2017)

Vodacom first introduced its mobile money initiative; M-Pesa, in South Africa in 2010. While more than 1 million people signed up initially, it never experienced the uptake as it did in Kenya and Tanzania. (BusinessTech, 2020)

Mobile accounts are understood to; play an important role in “fragile and conflict-affected” economies, narrow the gender-gap in financial inclusion in certain economies, and reduce the gap in financial inclusion between poorer and richer individuals in some economies. (Demirgüç-Kunt *et al.*, 2017)

The Managing Executive for M-Pesa at Vodacom mentions that the main reason for M-Pesa failing in South Africa is the regulatory environment, with mobile competition and the developed financial services industry playing a small role as well.

Given the importance of mobile money in facilitating financial inclusion, in certain parts of the world, South Africa would do well to get another mobile money provider, to help facilitate financial inclusion.

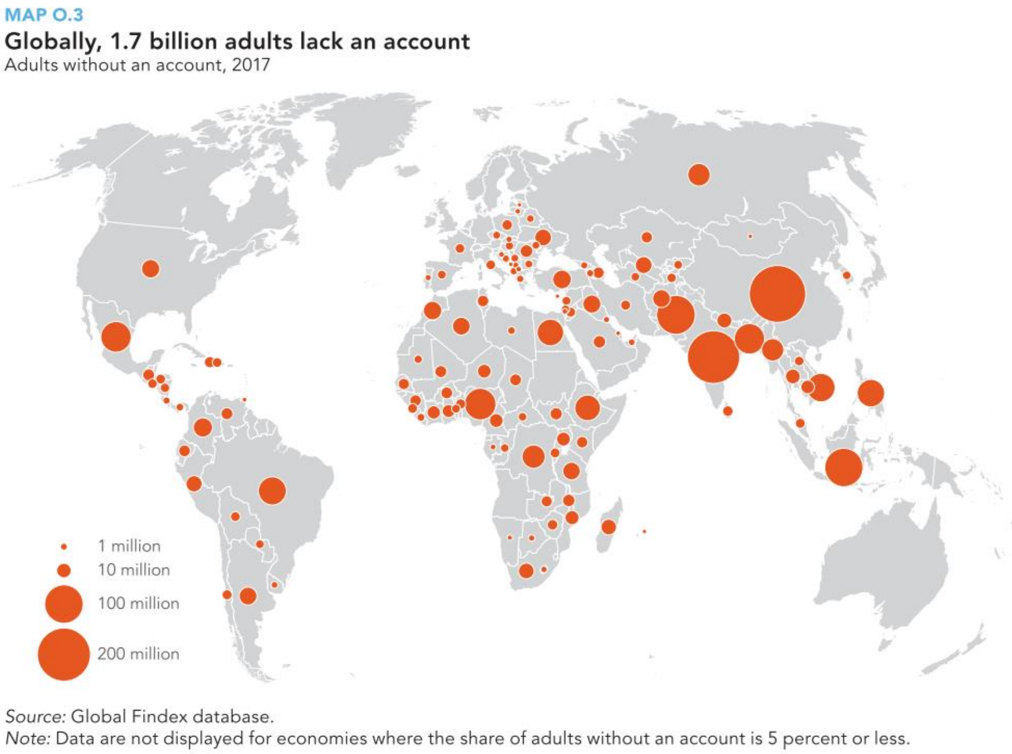

Figure 4: Heatmap – Adults without an Account (%). Source: Demirgüç-Kunt *et al.* (2017)

From the heatmap it can be seen that there is still a large portion of world adults without accounts, 1,7 billion as recorded in 2017. The largest areas which require focus seem to be Central America, South America, large parts of Asia and Africa, again, with Sub-Saharan Africa being less of a focus and South Africa still needing attention as mentioned earlier. Source: Demirgüç-Kunt *et al.* (2017)

2.1.6 The South African Context: Co-operative Banking

Co-operative Banks were promulgated in South Africa in 2007 with the introduction of the Cooperative Banks Act 2007. The purpose of Cooperative Banks; "… is to allow for some measure of financial inclusivity for poorer communities who would otherwise not have access to this."

The goals of Cooperative Banks, the reasons that they were introduced, are said to include;

- Co-operative Banks are financial institutions which are controlled and owned by its members. The members have a common financial need referred to as a "common bond", as opposed to a profit maximising aim as held by commercial banks (Co-operative Banks have a legal minimum of 200 members in order for it to be legally constituted),
- Co-operative Banks can be organised in a number of manners, by; a workplace, by a community in a specifically defined geographic area or location, or by an association (e.g. a trade union),
- A 'membership share' is the amount that each member is expected to contribute to the co-operative bank, which would give each member an ownership share in the bank, and to elect a board of directors and to take part in a share of the bank's revenue. This revenue is called a "surplus",
- The primary aim is for member's savings to be safe and to offer low cost financial assistance and support (e.g. loans to members), and
- Co-operative banks are designed in such a manner that it provides banking services, specifically credit facilities, to lower-income communities (e.g. individuals, small traders, and start-ups).

(Kruger, 2020)

The Reserve Bank lists 7 principles which should govern the formation and purpose of Co-operative Banks;

1. Voluntary and open membership,
2. Democratic member control,
3. Member's economic participation,
4. Autonomy and independence,
5. Education,
6. Information and training, cooperation between co-operatives and

7. Concern for community.

Source: SA Reserve Bank

As can be seen from the Reserve Bank's 7 principles above, the formation and purpose of Co-operative Banks are aimed at the financial and economic inclusion of members, through independent and democratic participation, with active education, information sharing and training, and cooperation between co-operatives and with a social concern for community.

To outline the characteristics of Co-operative Banking Institutions, the following table is employed, which gives insights into what the technical requirements are for CBI's.

	Co-operative Banking Institution	**Mutual Bank**
Primary Legislation	Co-operative Banks Act no 40 of 2007, as amended	Mutual Banks Act no 124 of 1993, as amended
Founding Document	Constitution	Articles of Association
Common Bond	Required	Not required
Minimum Share Capital	R 100,000 (plus min R5 million in deposits for a Co-operative Bank)	Minimum of R10 million
Number of Members to Register	Minimum 200	Minimum 7
Provides Services To	Members-only (both natural and juristic persons)	Members and clients (both natural and juristic persons)

Table 8: Key Differences Between a CBI and Mutual Bank. Source: *(*CBDA, *2021)*

The above table shows that CBI's are less onerous, and more accessible to mixed low-income communities (working class individuals), than Mutual Banks. Taking the SARB's 7 Principles and the Purpose of CBI's into account, it can be accepted that CBI's are the most appropriate banking and financial services structures and mechanisms available to working class individuals and households, in South Africa, at the moment. Co-operative Banks are not without their own set of challenges, but this study will consider the strategies being employed to remedy these challenges.

These are the co-operative banks currently registered in South Africa:

- Ditsobotla Primary Savings and Credit Cooperative Bank
- OSK Koöperatiewe Bank Beperk
- Ziphakamise Savings and Credit Co-operative Bank
- Webbers Employees Savings and Credit Cooperative Bank
- KSK Koöperatiewe Bank Beperk

Recently, flowing from the Co-operative Banking Institutions' (CBI) Indaba during March 2021, there were various recommendations that came from the Indaba breakaway sessions for sector improvements. These recommendations were taken forward, by the Indaba Groups and David Grace (World Bank Group consultant), who met and deliberated about the recommendations, and which resulted in a final draft of a Sector Development Strategy in SA. Undermentioned figure (6) and table (13) reflect the Sector outputs from a development strategy point of view.

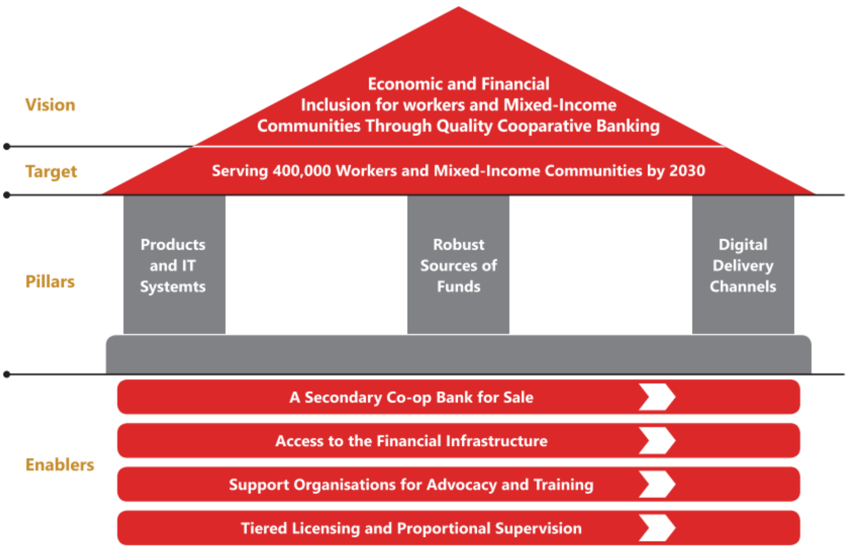

Figure 5: Overview of Sector Development Strategy. Source: *(*CBDA, *2021)*

From the figure above it can be seen that there is a clear focus on both economic and financial inclusion for workers of mixed-income communities, and also a focus on quality co-operative banking. Furthermore, the working group has set a target of reaching and "serving" 400,000 workers and mixed-income communities by the year 2030. The working group has settled on 3 pillars (Products and IT systems, Robust sources of Funds, & Digital Delivery Channels) and 4 enablers (A secondary Co-op Bank for Scale, Access to the Financial Infrastructure, Support

Organisations for Advocacy and Training, & Tiered Licensing and Proportional Supervision), in support of this strategy vision and target.

This is evidence of not only a continued focus on CBI's, but also of a focus to ensure that the structures and mechanisms at the disposal of the sector remain relevant and innovate, to change with the times and the communities that are meant to be served through these structures and mechanisms.

Under mentioned table gives a tabular view of above-mentioned sector development strategy.

Component	Element	Description
Vision	Economic and Financial Inclusion for Workers and mixed-income Communities Through Quality Cooperative Banking	Niche approach toward inclusion for workers and mixed- income communities and active promotion of co-operative banking, rather than stepping-stone to become commercial banks.
Target	Serving 400,000 workers and mixed-income communities by 2030	A target based on members (i.e., greater inclusion of people) served, not assets, savings or number of CFIs/CBs. Achieving this will require products, systems, funds and channels.
Pillars	Value Added Products and IT Systems	The core savings and loans need to become more attractive offering. Most CFI/CBs need to make more good loans and make savings more accessible so people feel comfortable placing larger balance with CFIs/CBs and knowing they can get to the money quickly if needed. IT systems are needed to support these products.
	Robust Source of Funding	Key to mobilizing deposits from members is having deposit products that are attractive to a mix of income groups.
	Digital Delivery Channels	People want to be able to access their funds/information easily through smartphones, mobile money, ATMs, etc.
Enablers	A secondary coop bank for scale	To facilitate technology services, access to the financial infrastructure and intermediate funds among CFIs/CBs.
	Access to the financial infrastructure	To compete with banks CFIs/CBs need to have direct access to the financial infrastructure as opposed to paying competitors from access through them.

	Support organisations for advocacy and training	Committee identified the need for: 1) a strong representative body, 2) a Second-Tier Co-operative Bank (as discussed above), and 3) Support Organization(s) for training and to facilitate access to grant funding.
	Tiered licensing and proportional supervision	Lighter touch regulation and supervision for small entities would help the sector focus more on provision of service/ systems for members as opposed to compliance the regulator.

Table 9: Overview of Co-operative Banks Structural Characteristics to Achieve the Vision. Source: *(*CBDA*, 2021)*

The vision of the Sector Development Strategy to promote financial inclusion for workers from mixed-income communities, through quality co-operative banking, will be underpinned by a niche approach which promotes financial inclusion of workers from mixed-income communities. The sector strategy maintains that above mentioned approach will promote co-operative banking as opposed to be a steppingstone to becoming a commercial bank.

The target of the Sector Development Strategy to serve 400,000 workers from mixed-income communities by 2030 is said to be supported by a focus on members served, i.e. a focus on greater inclusion of people and therefore financial inclusion. The sector strategy does qualify this by maintaining that this will require appropriate products, systems, funds and channels to drive this target of 400,000 worker members by 2030.

The pillars' Value-added products and IT systems, robust sources of funding and digital delivery channels, will be supported by a number of mechanisms and structural tools. These mechanisms and tools will include;

- more appropriate and attractive core loans and savings, which are easily accessible and make people more comfortable with applying for larger amounts when their circumstances require it. IT systems will be needed to support these initiatives and products,
- The sector strategy maintains that the way in which to promote deposits from members, is to have deposit products that are attractive to the mixed-income communities they are targeting,
- The final pillar mentions that members want to have easy access to their funds through; smartphones, mobile money, ATM's and other easy and appropriate mechanisms.

The enablers of the sector development strategy include; a secondary co-operative (co-op) bank for; scale, access to the financial infrastructure, support organisations for advocacy and training, and tiered licensing and proportional supervision, and will be supported by several mechanisms and structural tools. These mechanisms and tools will include;

- A secondary co-op bank will be created in order to enable technology services, to facilitate financial infrastructure access and intermediate funds among Co-operative Financial Institutions and Co-operative Banks,
- A big enabler, for the CFI/CB services vehicles, is access to financial infrastructure. The idea, here, is to be competitive in the mainstream banking sector and have direct access to their own financial infrastructure as opposed to paying competitors to access their infrastructure and platforms in order to do their administration and offer their banking services.
- A need was identified by the Indaba Committee for a support organisation(s) for advocacy and training. These support organisations are intended to; 1.) be a strong representative body, 2.) establish a second-tier Co-operative Bank (as discussed above), and 3.) to support training and to enable and facilitate member access to grant funding.
- The final enabler refers to tiered licensing and proportional supervision. The concept of tiered licencing and proportional supervision refers to the idea that there should be, what the Indaba Committee refers to as; “lighter touch regulation and supervision for small entities”. This model is said to focus on the facilitation and provision of services and systems to members, as opposed to complying with the regulator.

Next, we consider the factors which discourage the provision of financial services to the poor and why this is the case.

2.2 Factors Discouraging the Provision of Financial Services (Bank Accounts & Transactional Services) to Poorer Communities

2.2.1 Background

Next the study considers what the reasons are that individuals and households that were previously banked and are now unbanked, and those that have always been unbanked, remain unbanked, and what their perceptions are with regard to formal financial service providers.

The main reasons households are unbanked, from a demand side, are as follows;

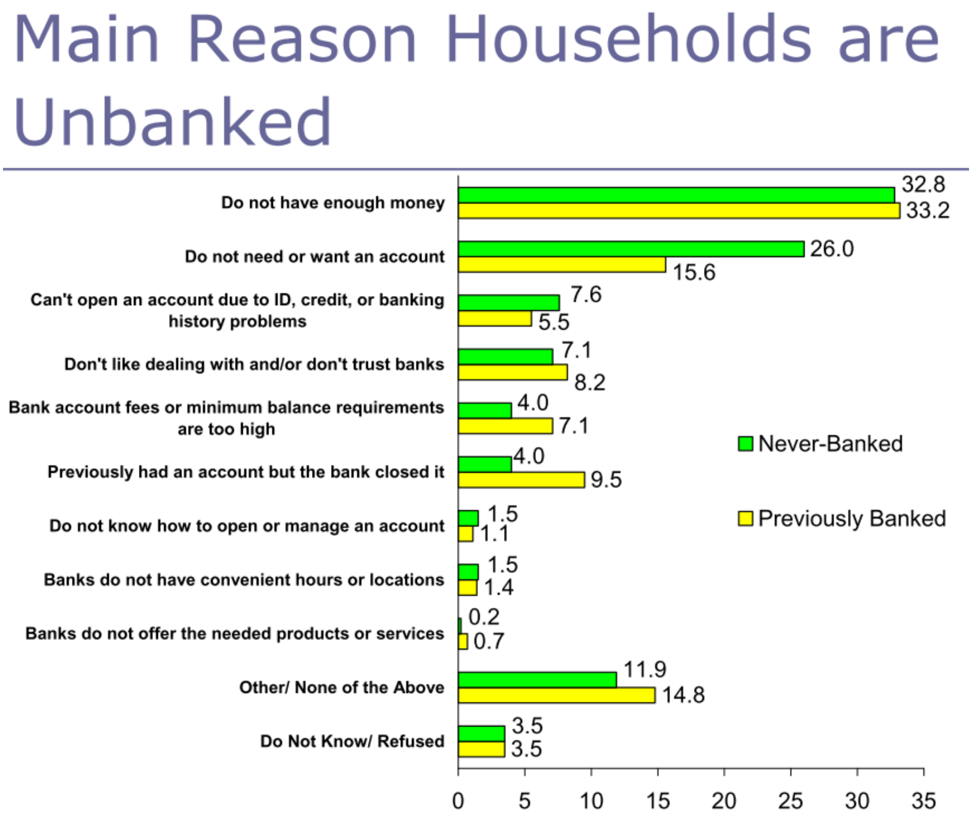

Figure 6: Main Reason Households are Unbanked. Source: Federal Deposit Insurance Company (2012)

Refer to above mentioned table outlining reasons and associated statistics, below.

Households, and by extension their individual members, offer the following reasons for remaining unbanked (in this order of priority / rounded off):

#	% of Respondents	% of Respondents	Reason for Remaining Unbanked
	Previously Banked	**Never-Banked**	
1	33.2	33%	Do not have enough money
2	15.6	26%	Do not need or want an account
3	5.5	8%	Can't open an account due to ID, credit or banking history problems
4	8.2	7%	Don't like dealing with and / or don't trust the banks
5	7.1	4%	Bank account fees or minimum balance requirements are too high
6	9.5	4%	Previously had a bank but the bank closed it
7	1.1	2%	Do not know how to open or mange an account
8	1.4	2%	Banks do not have convenient hours or locations
9	0.7	0.2	Banks do not offer the needed products or services
10	18.3	15%	Other / None of the Above / Do Not Know / Refused

Table 10: Summary of Main Reason Households are Unbanked. Source: Federal Deposit Insurance Company (2012)

Roughly a 3rd of the never-been-banked-before respondents felt that they do not have enough money to justify a bank account, while a quarter of the never-been-banked-before respondents felt that they didn't need a bank account. What is interesting is the fact that aforementioned reasons are the top two reasons for not being banked, for currently unbanked individuals, as well as previously banked (and currently unbanked), respondents as well.

Another point worth noting is that previously banked respondents have the reasons #3 (5.5%), #4 (8.2%), #5 (7.1%), and #6 (9.5%) as material (above 5% coverage) reasons that respondents, that have the experience of previously being banked, do not have bank accounts now. Particularly noteworthy are points #4, #5 and #6. *#4 - Don't like dealing with and / or don't trust the banks*, confirming a dislike or distrust by 8.2% of previously banked respondents as a reason for not having a bank account anymore. This may mean that the respondents possibly had a bad experience and therefore don't trust or like the banking experience anymore, or that they just feel that way, generally, after their banking experience. *#5 - Bank account fees or minimum balance requirements are too high* was also a reason to not reopen a bank account.

Whether this is a perception or an actual reason for the bank accounts being closed is unclear but offers good insight into a barrier that carries a material respondent coverage at 7.1%.

It is unclear what the symptoms are that caused *#6 - Previously had a bank but the bank closed it*, were. This is something that banks should consider to potentially save costs from losing individual bank account holders, as well as saving on; administrative overheads and potential costs to re-engage individuals.

The under-mentioned table highlights some of the perceived barriers to bank account ownership;

Perceived barriers to account ownership and country characteristics.

Variable	(1) Too expensive	(2) Lack of necessary documentation	(3) Too far away	(4) No trust	(5) Not enough money	(6) Not enough money only reason
Controlled for log of GDP per capita	Yes	Yes	Yes	Yes	Yes	Yes

Table 11: Perceived Barriers to Account Ownership and Country Characteristics. Source: Allen *et al.* (2016)

Allen *et al.* (2016) considered the most prominent perceived barriers to owning a bank account, and found that individuals thought that; bank accounts are too expensive, that they lack the necessary documentation to open and own an account, that financial service providers that offer accounts are too far away, that they don't trust financial service providers enough, that they don't have enough money in order to justify opening an account, and that they didn't have a combination of perceived barriers, but only had not enough money as a barrier.

Allen *et al.* (2016) also consider the perceived barriers to account ownership and discuss some of the possible reasons supporting the perceived barriers.

Banking costs are likely to feature as a perceived barrier in countries where the maintenance fees associated with bank accounts are higher. In countries where the share of government-controlled banks is higher, it is less likely that bank account costs will be perceived as a barrier to owning an account, as these types of financial institutions may be perceived to offer increased rural penetration and more simple and more inexpensive account and financial services options.

A lack of required documents is more readily perceived as a barrier to account ownership among less educated and rural-based respondents, and by younger and single adult respondents.

Documentation is perceived to be more of a challenge in countries with less government-owned banks and more foreign-owned banks. Financially excluded individuals seem to perceive the documentation requirements of foreign banks as more stringent. Countries with lower branch penetration reported distance as more likely to be a perceived barrier to opening and owning an account. The aforementioned reason is also more prolific among financially marginalised individuals where government-owned banks have lower numbers and foreign-owned banks have higher numbers.

Lower branch penetration and a bigger share of foreign-controlled and -owned banks results in trust being a perceived barrier. This association suggests that there is a possible link between familiarity with banks and trust, and therefore the potential importance of financial education and literacy programmes in areas where there is lower bank penetration.

Lastly, financially marginalised and excluded individuals are more prone to perceive not having enough money as a barrier in countries where bank costs are higher. The use of accounts by governments to make government payments and employ tax incentive schemes in order to encourage savings is associated with less unbanked individuals perceiving “not enough money” as a barrier. The authors aver that this suggests that inclusionary policies that are promoted by governments are likely to have the effect that individuals perceive financial services to be a realistic goal. (Allen *et al.*, 2016)

From a South African point of view, the reluctance of black savers to make use of banking instruments available in the formal sector, as offered by Irving (2005), included the following in the past:

1. Racist attitudes, towards people of colour, which were experienced from the side of mainly white management under the apartheid regime
2. The appearance of austerity which was exuded by the formal institutions
3. The inability or unwillingness of banks to offer services in African languages and dialects (SA has 11 official languages)
4. There is evidence that informal savings groups are perceived to have more value to the participants than being mere savings vehicles. By implication this then means that

formal sector banking instruments, being savings instruments exclusively, have fundamental shortcomings in that there is no social benefit to participating in general.

5. For the purchase of indivisible durable goods through these groups, where Credit Market inaccessibility is the reality when individuals approach the traditional asset acquisition structures (P19)
6. Avoidance of steep interest rates related to hire purchase (P19)
7. Mistrust in banks due to high charges which aren't seen or understood (P19)

It must be noted that Irving (2005) views the first three items on the list above as being inadequate reasons as to why the poorer black contingent of savers still prefer to save collectively in informal savings groups as opposed to making use of banking instruments, so many years into South Africa's democracy.

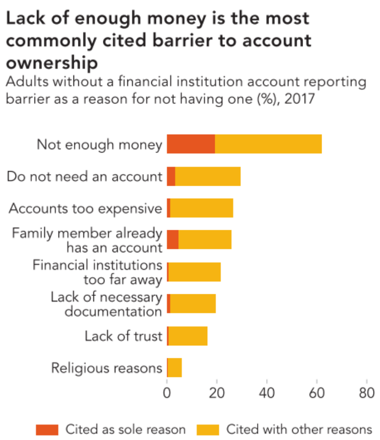

Figure 7: Adults without a Financial Institution Account Reporting Barrier as a Reason for not having one. Source: (Demirgüç-Kunt *et al.*, 2017)

2.2.2 Risks Associated with Lending to the Poorer Segment (including lack of collateral / 2008 Crisis)

Financial Services columnist for Forbes.com, Vishal Marria (2018), attributes excessive risk-taking by banks for the 2008 financial crisis. Figart (2013) contends that another version of the financial crisis of 2008 attributes the cause of the "faulty decision making and even character flaws” to the borrowers who assumed excessive amounts of debt. Another version, still, Figart (2013) promotes is the predatory lending strategies and plans that both mainstream banks and the alternative financial service providers (AFSP) participated in.

Professor Roubini (2008), another columnist for Forbes.com, mentions that the Fed was privy to this process of, [excessive risk-taking], accepting toxic collateral for Term Securities Lending – and Primary Dealer Credit – Facilities.

These risks, mentioned above, and sustained bad behaviour on the part of banks and borrowers, over years, resulted in the 2008 market crash. Subsequent to the 2008 market crash many banks started over-compensating for risks by decreasing their exposure to consumers with compromised or no credit records, and borrowers who may have sound credit records but could potentially take on excessive debt. This has led to the lower-income individuals not being able to finance mortgages and get the credit and financial services they need. The extract from Bhutta et al. (2017) below confirms that there has been a reduction, on the part of many of the large banks, in mortgage lending to low- and moderate-income individuals and households.

“Data collected under the Home Mortgage Disclosure Act (HMDA) reveal that the largest banks have significantly reduced their share of mortgage lending to low- and moderate-income (LMI) households in recent years.” (Bhutta, Laufer and Ringo, 2017)

The combination of banks taking excessive risk, predatory lending strategies that banks and AFSP’s employed, and excessive debt which borrowers assumed seem to have played a role in the 2008 financial crisis. In addition to playing a role in the 2008 financial market crisis, the aforementioned elements have led to a situation where lower-income individuals and households can’t access financial services and products, including credit for loans and mortgages and also the proliferation of going to seek credit and financial services at alternative financial service providers who are generally more expensive and exploitative, as will be seen in the next section.

Credit Risk (2015) is defined as; “the risk of loss from a loan default” (i.e. when a party is unable to maintain the terms and conditions of a contract and fails to make the required repayments). Financial Services Providers (FSP's) employ various factors to assess credit risk, such as the following;

- The financial position of the borrower is assessed – past financial performance,
- The borrower's financial position, and
- The quality of the borrower's payment record and financial conservatism, including frequent (annual) credit ratings review.

(*Corporate Finance Institute: Credit Risk*, 2015)

Bank for International Settlements' (2006) section B, principle 4– Operating under a sound credit granting process maintains that; "Banks must operate within sound, well-defined credit-granting criteria. These criteria should include a clear indication of the bank's target market and a thorough understanding of the borrower or counterparty, as well as the purpose and structure of the credit, and its source of repayment."

Micro-finance Institutions (MFI) gained importance in Kenya as a result of the formal banking sector regarding the informal sector (low-income households) as risky and not commercially viable (Kisaka and Mwewa, 2014).

Amidzic, Massara and Mialou (2017) maintain that certain individuals or groups may be excluded from the financial systems involuntarily, either because of a lack of income or, within the context of credit markets, as a result of having an excessive lending risk profile.

Kamath (2007) mentions that the formal credit sector will have to be sensitised to the financial needs of its potential borrowers below the poverty line (BPL). Kamath goes on to discuss how BPL borrowers require credit for income and consumption smoothing. Credit is also needed for; health and other emergencies, purchasing of small live-stock and life cycle event financing (deaths, marriages, births, etc.). The same author mentions that the credit to individuals will have to be small as their risk bearing ability is low.

2.2.3 Cost of Traditional Investment Instruments

Next insights are gained into financial systems and investment instruments, and the financial factors that influence individuals and their financial inclusion or exclusion.

The Federal Reserve Bank of San Francisco offers the following definition of equity markets, as formulated by Mishkin in 1998; "the equity market (often referred to as the stock market) is the market for trading equity instruments. Stocks are securities that are a claim on the earnings and assets of a corporation." (FRBSF, 2005)

Asset managers, also known as investment managers, play a very important part in this equity market, as they bring together individuals and institutions with money to invest with governments and companies who are looking for capital. (FCA, 2016). These asset managers then exercise oversight and stewardship over these investments, in an attempt to ensure that they grow in value, while remaining safe and intact.

Maidanevych, Romanishina and Rysakova (2018) note Mittra and Gassen (1981) definition of investments as "the ability of a certain amount of money to get a larger amount in the future". Indicating that the investment markets are an organic method of growing wealth.

Important factors to consider when contemplating the cost of investing and the preservation of savings, are the implicit or tacit costs; the costs that are hidden or not always that apparent or clear.

Improvements, to the asset management industry, in order to enhance the value realisation for the consumers of asset management services and products, as suggested by the FCA – Asset Management Market Study, 2016 (Young, 2016). 1.55 – 1.62, include:

- Greater transparency with respect to:
  - Fund objectives
  - Identifying constant underperformance (Reporting)
  - Costs and charges (as well as standardisation related to afore mentioned)
- Easier movement for investors between value share classes
- Clearer communication of fund charges
- Exploring potential benefits of pooling pension scheme assets, with government

The FCA's suggestions are aimed at; bringing more affordability to the industry, facilitating mobility for consumers relating to what asset management products are consumed and how, transparency to improve understanding of products and insight into fee structures and performance, and more collaboration between private sector asset managers and governments.

The FCA maintains that feedback from the asset management industry emphasised ineffective pockets of competition in the asset management value chain. As can be deduced from above mentioned there are numerous challenges flowing from this lack in competition, and a bigger client-centric focus is required.

Subsequently this study considers the impact that the Consumer Price Index (CPI) and inflation have on the purchasing power of money (particularly the South African Rand between 1970 and 2015).

Year	Consumer Price Index (CPI)	Purchasing Power of 1970's R 1000	
1970	100	R	1,000.00
1975	157	R	637.00
1980	277	R	361.00
1985	533	R	188.00
1990	1086	R	92.00
1995	1854	R	54.00
2000	2560	R	39.00
2010	3860	R	26.00
2012	4280	R	23.00
2015	5569	R	18.00

Table 12: CPI from 1970 – 2015: The Consequence of Inflation Source: Roux (2017)

A factor worth mentioning, besides investment instrument fees and costs, which could erode financial wealth, is inflation. The impact that the Consumer Price Index (CPI) has on the purchasing power of money is illustrated in the table above. If one were to take R 1,000 in 1970 and put it in a place which neither attracted costs, nor interest, that R 1,000 would've been worth R 18 in 2015 and worth even less today. Therefore, it is important that savings and retirement savings, and retirement savings for the vulnerable in particular, be inflation-proofed through positive real growth after taking CPI into account.

According to the Risk Primer on the SaveTaxFree website, a sister resource of Intellidex, individuals should separate their risk tolerance (i.e. how much risk an individual is comfortable with assuming), from their risk ability (i.e. how much risk an individual can take given their own financial situation).

The ideal strategy is said to consist of as much volatility as an individual is comfortable with, given the individual's ability based on his/her financial situation. This is a complicated topic, given the history of South Africa as a country and whether it is reasonable and fair to expect low-income individuals to have to contend with volatility, given their income situations and consumption requirements.

Understanding your risk taking ability

Issue to consider:	Can take less volatility	Can take more volatility
Time	Short investment period (under 5 years)	Long investment period (more than 5 years)
Importance of savings	Critical, such as savings you will have to live out of now	Discretionary, such as holidays
Earnings Capacity	You don't have the ability to increase earnings if returns are poor	You can increase earnings if your investments underperform
Other Assets	You have few other assets so this investment is a big part of your net wealth	You have many other assets so this investment is a small part of your wealth

Table 13: Volatility Table – Risk Taking Ability & Characteristics of Individuals. Source: https://savetaxfree.co.za/understanding-investment-risk/ - Retrieved from SaveTaxFree URL, on 15 October 2019.

The four categories to consider, when considering how much risk an individual is able to assume, according to www.savetaxfree.co.za, include;

1. Time – Short investment horizons, of less than 5 years, can assume less volatility, while investment horizons of more than 5 years will include more volatility.
2. Importance of Savings –
    a. Critical: This type of savings involves money that you need to live off now.
    b. Discretionary: This type of saving includes holiday money as an example.
3. Earnings Capacity – This refers to an individual's capacity to increase earnings, when savings returns are poor, or not. The ability to increase earnings at will means that the investor can assume more volatility, while no influence over income will mean that a lot less volatility can be assumed by such an investor.
4. Other Assets – Owning few other assets means that the investor cannot assume volatility, as the risk of loss of this savings asset will have a material and adverse impact on the individual's balance sheet. Investors with many other assets can withstand adverse effects resulting from increased volatility, and therefore, a higher volatility can be assumed.

Low-income individuals will be less likely to be able to assume higher risk savings vehicles due to the fact that they; contend with economic and financial emergencies and shocks frequently, that their savings form part of their critical lively-hood resources, that lower income individuals don't have control over their earnings capacity, and that they own few or no assets meaning that the loss or material erosion of a savings instrument will have a material and dire impact on their family. Therefore, volatility is a savings characteristic that needs to be kept as low and controlled as possible, according to the model above. This places a huge burden on the producers of the financial instruments for the lower income market.

The following tables consider the monthly account fees and transactional costs involved with owning a basic bank account in South Africa. The research attempts to do a basic cost exercise in order to elicit a real-world cost impact on account holders. For this exercise the following methodology is employed;

1. The monthly fee is added to the cost,
2. The cost of withdrawing R 100 at a Point of Sale is included,

3. Furthermore, a cost of withdrawing R 1,000, natively (i.e. withdrawing money from the bank's infrastructure, such as a bank owned ATM), is added,
4. The cost of depositing R 100 into the associated bank account is added, and
5. Include the cost of a single Debit Order.

Under mentioned gives a comparison of the monthly account fees for 2022 (10 Largest South African Banks).

#	Account Description	Monthly Bank Account Fees	Withdrawals		Deposit (/R 100)	Debit Orders	Cost of: Monthly Fee + withdrawing R 100 @ POS + withdrawing R 1,000 Natively + Depositing R 100 + 1 Debit Order	Notes
			Point of Sales Costs (POS)	Native (/R 1000)				
1	FNB Easy (PAYU) Account (Pay as You Use)	R 4.95	R -	R 1.20	R 1.20	R 3.50	R 10.85	Deposit (ATM) - R 6.00 / R 500 Withdrawals (Native) - R 1.20 / R 1,000 Debit Order - External
2	Bank Zero Account (Online Bank)	R -	R 2.00	R 9.00	N/A	R -	R 11.00	Withdrawals (Native) - R 9.00 / R 1,000 *Note - No Deposits
3	ABSA Transact Account	R 4.90	R -	R 8.00	R 2.30	R 1.00	R 16.20	Deposit - R 11.50 / R 500 Withdrawals (Native) - R 8.00 / R 1,000 Debit Order - External
4	African Bank MyWORLD Account	R -	R 2.00	R 8.50	R 2.00	R 4.00	R 16.50	Deposit (ATM) - R 10.00 / R 500 Withdrawals (Native) - R 8.50 / R 1,000
5	Nedbank PAYU Account	R -	R 2.00	R 9.00	R 1.30	R 6.50	R 18.80	Deposit (ATM) - R 6.50 / R 500 Withdrawals (Native) - R 9.00 / R 1,000 Debit Order - External
6	Standard Bank MyMo Account (My Money)	R 4.95	R 1.40	R 8.00	R 1.00	R 3.50	R 18.85	Deposit - R 5.00 / R 500 Withdrawals (Native) - R 8.00 / R 1,000
7	Capitec Global One Account	R 5.00	R 1.60	R 7.50	R 1.30	R 3.50	R 18.90	Deposit - R 6.50 / R 500 Withdrawals (Native) - R 7.50 / R 1,000
8	TymeBank Account (Online Bank)	R -	R 3.00	R 10.00	R 7.00	R -	R 20.00	Deposit - R 7.00 / R 500 Withdrawals (Native) - R 10.00 / R 1,000
9	Bidvest Bank Grow (PAYT) Account (Pay as You Transact)	R 6.00	R 5.00	R 6.00	3%	R 5.00	R 25.00	Deposit - 3% of Value (R 15.00 / R 500) Withdrawals (Native) - R 6.00 / R 1,000
10	Old Mutual Money Account	R 4.95	R 2.00	R 15.00	R 12.00	R 3.00	R 36.95	Deposit - R 12.00 / R 500 Withdrawals (Native) - R 15.00 / R 1,000

Table 14: South African Banks - 2022 Banking Fees Compared. Source: *(BusinessTech, 2021)*

As can be seen from table 17 above, there is a definite move, by the larger banks in South Africa, to offer low-cost monthly banking fees for the lower income banking segment. There are ‘free’ bank accounts (Nedbank PAYU Account, African Bank MyWORLD Account, TymeBank Account and Bank Zero Account) which indicate that banks are viewing this segment as a price sensitive segment, but also looking to improve offerings further.

All 10 banks have kept their monthly account fee unchanged from 2021, further emphasising the price sensitivity view of this segment, but also the importance of retaining this low-income segment.

The top bank, in terms of lowest cost to own monthly and do basic transactions, is First National Bank’s (FNB’s) Easy (PAYU) account at R 10.85 per month to; own the account, withdraw R 100 at a POS, withdraw R 1000 natively, deposit R 100 into the bank account, and have one active debit order that goes off the account monthly.

The next most affordable bank account using this methodology is Bank Zero at R 11.00, but Bank Zero doesn’t take additional deposits and native withdrawals are at the more expensive end of the scale at R 9.00 (probably because it doesn’t have its own infrastructure, like ATM’s and bank branches), meaning that multiple native withdrawals will make it very expensive. The 3rd cheapest is ABSA’s Transact account at R 16.20. This account is not much cheaper than Bank Zero when it comes to native withdrawals, at R 8.00, and even though R 5.35 may not sound much more than the FNB Easy (PAYU) account, the ABSA account is almost 50% more expensive using above mentioned cost-methodology. This is a big difference in this segment. Capitec is 7th with a monthly account cost of R 18.90 which is an unexpectedly expensive outcome.

Above mentioned confirms that it can cost low-income individuals a material sum of money, to own and do multiple basic transactions in a month. This may still be too expensive for low-income individuals.

The research considers the costs associated with investing money in an Exchange-Traded Fund, an ETF, and draw comparison between the same ETF across four different Asset Managers, namely; Sygnia, 1nvest, Ashburton and Satrix.

#	Asset Manager Description	Electronically Traded Fund (ETF)	Administrative Costs		VAT (15%)	Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TIC)
			Management Fees	Other Costs				
1	**Sygnia**	Top 40	0.403%	0.080%	0.060%	0.490%	0.250%	0.740%
2	**1nvest**	Top 40	0.288%		-	0.290%	0.000%	0.290%
3	**Satrix**	Top 40	0.090%		-	0.100%	0.046%	0.146%
4	**Ashburton**	Top 40	0.104%			0.140%	0.050%	0.190%

Table 15: Fees and Fee Structure (%) of Top 40 ETF's Source: Fund Fact Sheets[4]

[4] Sources include Top 40 ETF Fact Sheets for; Ashburton (Ashburton, 2019), Satrix (Satrix, 2021), Sygnia (Sygnia, 2021) & 1nvest (1nvest, 2021). Refer to Appendix B. Cost of traditional investment instruments (Asset Management fees)

According to the Johannesburg Stock Exchange (JSE) Exchange Traded Funds (ETF’s) refer to listed investment products which are used to measure and track the performance of a group or "basket" of shares, bonds or commodities. Another name for a "basket" of assets (shares, bonds or commodities) is an index. An example of an index is the FTSE/JSE Top 40 Index. ETF’s can be traded (bought or sold) in exactly the same way as ordinary shares.

The JSE (2019) mentions the advantages associated with ETF’s, as; investors saving time and saving money. The benefit of time and money savings results from the fact that ETF’s allow investors to invest in a variety of different assets and asset classes via a single listed investment product. (JSE, 2019) At a difference of 0.044% between Satrix (the cheapest ETF TIC) and the next cheapest ETF, which is Ashburton, this equates a 30% difference. While the most expensive of the four ETF’s is Sygnia which is 0.594% more expensive than Satrix and equates to a more than 400% increase of Sygnia over Satrix. A huge difference over time (refer to figure 10 above for an illustration of the possible impact of costs, such as these, over time).

The Total Expense Ratio (TER) is the measure of the total costs related to operating and managing an investment fund. The TER consists of costs such as; management fees, trustee and custody fees, auditor fees and other operational expenses. (Ashburton, 2019) The total of the fund costs is divided by the total assets under management, of the fund, and this calculation gives a percentage on a monthly basis. The TER is the annual average of these monthly values. (Satrix, 2021) Transaction costs (TC) are administration costs which are necessary to administer the fund. These costs have an impact on the fund’s returns. (Sygnia, 2021) The Total Investment Charges (TIC) is the sum of the TER and the TC. This shows the total costs (TER + TC) expressed as a percentage of the costs associated with the investment of the fund in relation to the value of the fund. The performance of the fund is a net amount regarding the TIC. (1nvest, 2021)

Tax-Free Savings Accounts (TFSA), or Tax-Free Savings Instruments (TFSI), were introduced in 2015 as part of non-retirement savings. The aim of this investment instrument is assisting to maximise tax relief. All returns, including; interest income, capital gains and dividends, are tax free. These TFSA’s are allowed to invest in equities, fixed income accounts or both. TFSA’s are aimed at significantly increasing the returns for individuals. There are annual and lifetime caps on TFSA contributions. (SASI, 2015)

The Satrix Top 40 is the cheapest ETF and also claimed the People's Choice award at the 2020 South Africa Listed Tracker Awards (SALTA). The Satrix Top 40 ETF is also the oldest of the ETF's listed on the Johannesburg Stock Exchange. (Du Preez, 2020)

Benefits of ETF investment-type products, according to Satrix Managers, include:

1. Simplicity
2. Sound Regulation
3. Transparency and tradability
4. Professional management and administrative controls (Satrix, 2004)

2.2.4 Benefits of Entering the Low-Income Segment of the Market (Low-Income / Unbanked Segment)

When Capitec came onto the banking scene, the incumbents introduced services and products aimed at the low-income / low revenue segment of the market, spending a lot of time on market segmentation and customising products to the various segments. Capitec's disruptive innovation included a "single status" culture, striving against differentiating clients and moving away from the stigma associated with an account for the poor. Capitec focuses on simplicity, offering simple products across all segments, reaping the benefits of economies of scale by offering standardised products through Capitec's information technology-driven and digitally mediated, low-cost offering. This standardised approach also resulted in Capitec being able to make use of graduates and school leavers with seven weeks of internal training. Capitec employed innovatively disruptive effects at the service layer and at the technology innovation layers. The manner in which Capitec's entrance to the banking sector unfolded, resulted in a number of incumbents entering the segment, and consequently increased competition in the retail banking sector. (Makhaya and Nhundu, 2016)

One of the potential benefits that Makhaya and Nhundu (2016) identified is a FCA-like innovation-facilitating hub which offers support to established as well as new, regulated as well as unregulated, financial service providers, include; a dedicated support team; help to innovator businesses (to better understand the regulatory framework); assistance with the preparation of an application for authorisation; and a dedicated contact person for a period after an entrant is authorised to do business.

What makes other potential innovators beneficial to this new low-income / low-revenue market segment, is that they bring, new further, disrupting ideas to the regulator as well as concerns about limitations that regulations place on them. (Makhaya and Nhundu, 2016)

Digital technology and innovations in Capitec's business model have extended the spectrum of service providers which are able to offer transactional banking services. (Makhaya and Nhundu, 2016)

Established in 1983, the Grameen Bank offered no-collateral loans to poor people, as traditional banks refused to do so. In 2010 the Grameen Bank gave loans to over 7.5 million poor people, of which 97% were women. With repayment rates running at 98.4%, and 68% of families of Grameen Bank borrowers being able to cross the poverty line, the bank has been able to remain profitable in every year it has existed, except for 3 years (1983, 1991 and 1992). (Yunus, Moingeon and Lehmann-Ortega, 2010) Yunus, Moingeon and Lehmann-Ortega (2010) "Business model innovation is about generating new sources of profit by finding novel value proposition/value constellation combinations." A lesson the authors maintain, should not be shirked on, is specifying social profit objectives clearly and early. Figure 11, below, illustrates how a social business borrows from being both a for-profit and social profit entities. All costs from its operations need to be covered, and owners should recover their investment money, but the business is, however, more cause- than profit-oriented. Its position in the lower right quadrant demonstrates how it has the potential to be a change agent as well as the potential to be a sufficient business to ensure it survives. This social business is said to be a business in every sense, not a charity; "this new form of business is basically the same as profit-maximizing businesses."

Section 2.3 considers the alternatives to mainstream banking, and financial products, and services.

2.3 Alternatives to Mainstream Banks: Alternative Financial Service Providers (AFSP's)

2.3.1 Why AFSP's are Considered Predatory

Temkin and Sawyer (2004) consider these AFSP's to be convenient and to offer easy access to cash but maintain that their services attract high costs (fees and rates) generally, which limit low-income families' capacity to accumulate assets and to start establishing a credit history, and therefore build wealth. These fees and rates are higher than what is charged by mainstream financial institutions. Fees, Temkin and Sawyer (2004) maintain, can be as high as 15 – 17percent for a 2-week loan, with annual percentage rates (APR's) going as high as 300 percent.

Figart (2013) supports the "spatial void hypothesis"; which posits that AFSP's move into geographic areas as mainstream banks and financial institutions move out. Figart (2013) maintains that the spatial voids have intensified since 2008, as mainstream banks have become more risk-averse, with regards to low-to-medium-income households and communities.

Patwardhan (2018) avers that the unbanked individuals and families are mostly low-income, less-educated, immigrants and young adults. The high cost of financial alternatives is a big challenge, preventing effective savings behaviours and consequently ascending out of poverty. Households of an income of $20,000 USD (annual net income) can end up paying annual fees, for alternative services, as much as $1,200. This is a lot more expensive than a checking account in a formal financial institution would cost annually.

2.3.2 How does the AFSP Industry Look Currently?

Smith, Smith and Wackes (2008) discuss the reasons for the popularity of AFSP's, mentioning that factors like; more convenient hours and other non-financial services and products, including; postage stamps, train and bus fares, notary services, lottery tickets, payment of utility bills, and prepaid telephone cards, . The point Smith et al. (2008) is trying to make, is that while banks and AFSP's may have or share certain services, sufficient differences in services exist to effectively make them non-competitors, making them players in different market segments essentially.

Temkin and Sawyer (2004) confirm above mentioned with their research which maintains that neighbourhoods often have banks as well as AFSP's casting uncertainty on the "spatial void hypothesis". They contend that the AFSP's therefore fill what they call a "supply vacuum", something that flows from free market economy thinking.

At the Developing (3^{rd}) World end of the financial inclusion spectrum, a basic variety of financial services needs exist, including satisfying the need for; food, education and clothes as outlined by Mashigo (2006). Aforementioned author refers to shocks that also need to be financed such as; illnesses, theft, fire and death as well, and how the "formal financial sector is not appropriately structured to satisfy the rapid growth in the need for financial services by the poor communities." Unfortunately, this results in the low-income individuals and households being marginalised and having to resort to micro-lenders and informal moneylenders, often referred to as loan sharks. These loan sharks are not registered with the Micro Finance Regulatory Council and are said to charge low-income households exorbitant interest rates, of between 40 and 60 percent, exploiting them and exposing the low-income (poor) individuals and households to over-indebtedness (Mashigo, 2006).

Kisaka and Mwewa (2014) discuss Robinson's (1998) definition of microfinance, mentioning that they offer grants or provide financial services and products (including; very small loans, savings, micro leasing, micro insurance as well as money transfer) to help the very poor in creating or growing their SME's. (Kisaka and Mwewa, 2014).

Poor communities, according to Mashigo (2006), require financial service providers to offer a wider variety of services and applications, including for; food, education and clothes as well as other shocks (including illnesses, theft, fire and deaths). Because mainstream FSP's are unable to cater to these needs, the poor communities are becoming more marginalised and excluded. Mashigo (2006) mentions how this resulted in a pronounced dependence of most poor households on formal micro-lenders and informal local moneylenders when it came to credit requirements. These alternative financial services providers, in South Africa are responsive to the poor, low-income, communities' needs and become the lender of last resort for those who are unable to procure credit elsewhere. These moneylenders exploit these poor communities lending them more than they can afford. Sometimes the poor and marginalised access credit from multiple sources resulting in over-indebtedness. Mashigo (2006) shares that the debt spiral or over-indebtedness means using new loans to pay off old loans, and by apportioning in excess of fifty percent of net monthly income to the repayment of loans. A spiral of debt and a reality of poverty which will most likely become so entrenched over time that households will develop the inability to transcend poverty and establish a type of debt trap or generational poverty that they will be born into and perhaps die from.

Next the research considers the FDIC National Surveys most common reasons why households, in America, use AFSP's.

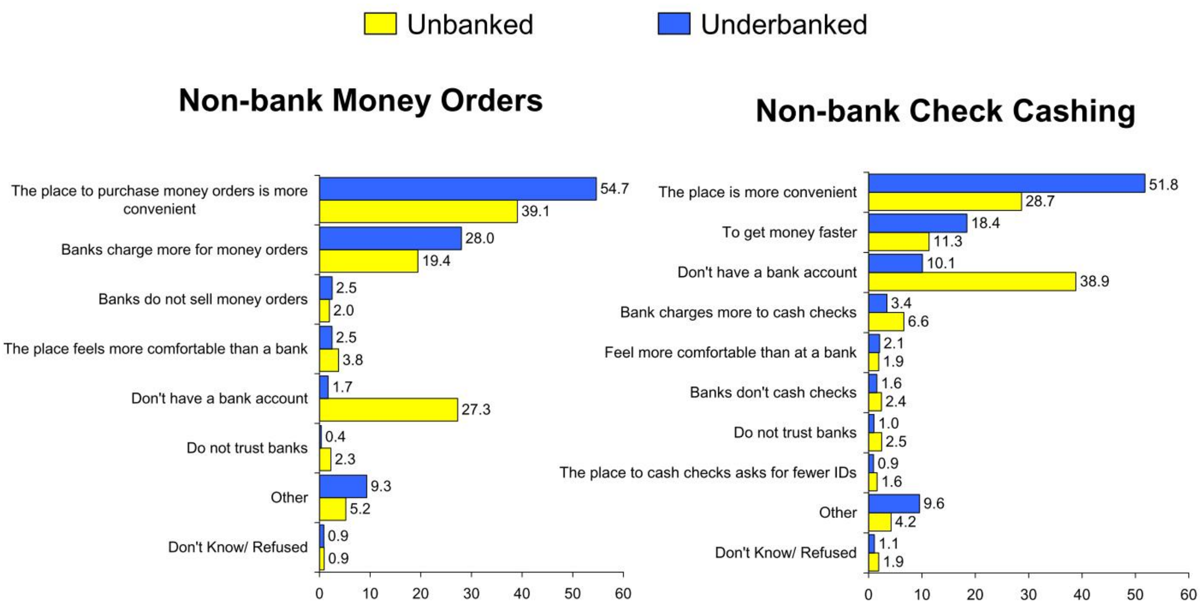

Figure 8: Reasons that Households use AFS Transaction- and Credit-Products. Source: Federal Deposit Insurance Company (2012) – Transaction Products

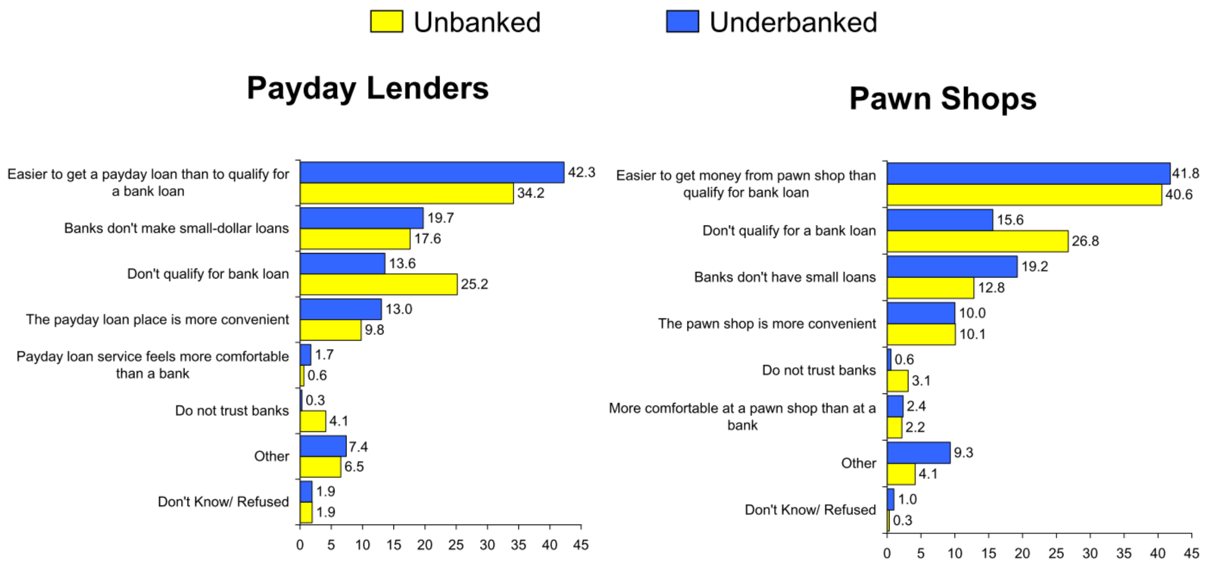

Figure 9: Reasons that Households use AFS Transaction- and Credit-Products. Source: Federal Deposit Insurance Company (2012) – Credit Products

The final section in this chapter considers whether there is an opportunity to better employ AFSP's in the servicing of lower-income individuals.

2.3.3 Is there an Opportunity to Better Employ Alternative Financial Service Providers?

Temkin and Sawyer (2004) go on to mention that even though AFSP's are criticised for predatory practices including high interest rates and fees, much of the criticism has focused on two core credit services; subprime mortgage loans and payday loans, which detracts from the discussion about whether there are pockets of quality and value-adding financial product and service delivery.

Chapter 3: Research Methodology

Research, as (Kumar, 2019) contends, includes a number of skills and is also akin to a "way of thinking". Kumar (2019) continues that considering this particular framework of thinking; "you usually question what you observe, make an attempt to further explore, understand and explain your observations, and draw conclusions and inferences to enhance your practice skills and their knowledge base."

Erickson (2011) shares the following with regards to qualitative inquiry; "Qualitative inquiry seeks to discover and to describe narratively what particular people do in their everyday lives and what their actions mean to them." (Erickson *et al.*, 2011), as edited by Denzin and Lincoln (2011). Erickson (2011) further shares that the concept of research being done in a qualitative manner comes from the Latin word; *qualitas*, referring to a primary focus on the qualities, or the features, of things.

3.1 Research Purpose and Objectives

This research has as its purpose to conduct an integrative review of related literature in order to elicit historical, contextual and the continuously evolving nature of the subject matter. The following objectives were set to this end.

1. Defining the features which characterise the financial inclusion paradigm and the financial services industry, and institutions, globally and in South Africa.
2. Understanding which benchmarks exist, globally, to measure financial inclusion and compare various dimensions and elements across the world.
3. Gaining insight into what low-income individuals think the barriers are to access to accounts and financial services and products.
4. Understanding the factors which dissuade banks and other financial institutions from offering services to low-income individuals.
5. Investigating the alternative financial service provider segment of the financial services segment, why they are perceived as predatory and how they could potentially benefit the low-income segment.

6. Identifying trends and gaps, based on the literature by comparing various authors' views related to the financial inclusion of low-income individuals and account penetration of households, groups and communities. The research will also endeavour to recommend methods of making financial services more accessible to low-income individuals, thereby promoting financial inclusion in South Africa and potentially the world.

The table overleaf gives a view of the various chapters, the thematic categories they introduce and the sub-categories that flow from them. Furthermore, it outlines the theories / models that they discuss, the authors who researched these aspects and to which research questions and / or objective they relate.

Conceptual Framework: How Passive Fund Managers could increase access, by low-income individuals, to private contractual, long-term saving initiatives.

#	Chapter	##	Thematic Category	Author(s)	Research Objectives
1.	Introduction and Content	1.1	Introduction		
		1.2	A history of Exclusion, Marginalisation and Inequality	National Treasury of South Africa (2004), UNDP (2018), & Pieterse (2008)	
3. *	Financial Inclusion (FI)	3.1	Definitions	Morgan and Pontines (2014), Dasgupta (2009), Iyer (2015), Raskin (2011), Centre for Financial Inclusion, & Figart (2013)	Defining the features which characterise the financial inclusion paradigm and the financial services industry, and institutions, globally and in South Africa (1).
		3.2	Requirements for Sustainable FI	Sherraden (2010), Raskin (2011), Figart 2013 and Bansal (2014)	Understanding which benchmarks exist, globally, to measure financial inclusion and compare various dimensions and elements across the world (2).
		3.2.1	Measuring FI (Metrics)	Global Findex Database (2017) - Demirguc-Kunt et al. (2017), Little Data Book on Financial Inclusion (2018), & Global Microscope 2019 - Bansal (2014)	
		3.2.2	Banked vs. Unbanked	Loke and Sherraden (2009), Friedline, Terri and Rauktis (2014), Aina and Luyombo (2014), Arun and Kamath (2015), Allen et al. (2016), Van Heerden (2017) and the African Development Bank (2019)	Gaining insight into what low-income individuals think the barriers are to access to accounts and financial services and products (3).
		3.3	FI in the World	Refer ALL Sources (above and below)	
		3.4	The South African Context: Co-operative Banking	South African Reserve Bank, Co-operative Banks (CB) Development Agency (2021), and the CB Sector Development Strategy Document (2021)	Identifying trends and gaps, based on the literature by comparing various authors' views related to the financial inclusion of low-income individuals and account penetration of households,

					groups and communities. The research will also endeavour to recommend methods of making financial services more accessible to low-income individuals, thereby promoting financial inclusion in South Africa and potentially the world (6).
4.	Provision of Financial Services to Poorer Communities	4.1	Background	Federal Deposit Insurance Company (2012), Allen et al. (2016), Irving (2005), Demirgüç-Kunt et al. (2017), & Global Findex (2017),	Understanding the factors which dissuade banks and other financial institutions from offering services to low-income individuals (4).
		4.2	Risks Associated with Lending to the Poorer Segment	Marria (2018), Figart (2013), Roubini (2008), & Bhutta, Laufer and Ringo (2017),	
		4.3	Cost of Traditional Investment Instruments	FRBSF (2005), FCA (2016), Roux (2017), https://savetaxfree.co.za/understanding-investment-risk/, BusinessTech (2021), Fund Fact Sheets: Ashburton (2019), Satrix (2021), Sygnia (2021) & 1nvest (2021), SASI (2015), Du Preez (2020), & Satrix (2004)	
		4.4	Benefits of Entering this Segment	Makhaya and Nhundu (2016), & Yunus, Moingeon and Lehmann-Ortega (2010)	
5.	Alternatives to Mainstream Bank: Alternative Financial Services Providers (AFSP's)	5.1	Why AFSP's are considered Predatory	Temkin and Sawyer (2004), Bansal (2014), Figart (2013), & Patwardhan, (2018)	Investigating the alternative financial service provider segment of the financial services segment, why they are perceived as predatory and how they could potentially benefit the low-income segment (5).
		5.2	How does the AFSP Industry Look	Smith, Smith and Wackes (2008), Mashigo (2006), Federal Deposit Insurance Company (2012),	
		5.3	Is there an Opportunity to Better Employ AFSP's?	Temkin and Sawyer (2004),	

Table 16: Theoretical / Conceptual Framework

*Chapter 3 refers to the dissertation research methodology.

Saunders, Lewis and Thornhill, 2009 offer this Research 'Onion' as a way of plotting the research in a logical manner. The research is broken up into a philosophy, an approach, a methodological choice, a research strategy or strategies, a time horizon and techniques, and procedures.

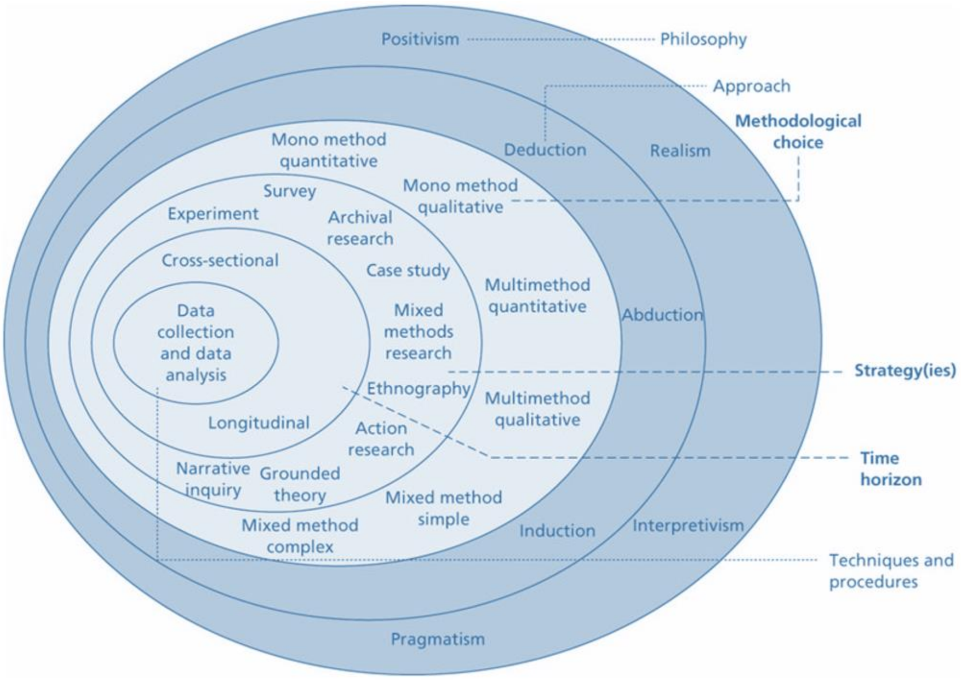

Figure 10: The Research 'Onion' Source: Saunders, Lewis and Thornhill, 2009

3.2 Research Philosophy

This dissertation employs an integrative synthesis philosophy. Integrative synthesis is characterised by the summarising data, achieved by pooling the data (Schick-Makaroff *et al.*, 2016). Integrative synthesis also defines theories and concepts from the start and has a well-defined subject as its focus point.

3.3 Types of Research Synthesis Methodologies

Schick-Makaroff *et al.* (2016) notes two types of research synthesis which are relevant to this dissertation, namely; conventional synthesis and qualitative synthesis.

Conventional synthesis is defined as an older form of review, including a less systematic[5] examination of the literature. It also includes; critique and synthesising the literature and theory on a more mature theme or topic resulting in re-conceptualisation and preliminary conceptualisation resulting from a new theme or topic.

- Data types: Theoretical literature and policy,
- Products / Outcomes:
    - Narrative expression and summaries,
    - Graphical displays, charts, tables, maps and diagrams, and
    - Theory, theoretical / conceptual frameworks, or conceptual maps.

Qualitative Synthesis is defined as combining, integrating or aggregating qualitative empirical research and / or theoretical work articulated in a narrative format.

- Data types: Qualitative studies and theoretical literature
- Products / Outcomes:
    - Narrative articulations and summaries,
    - Theory, theoretical / conceptual frameworks, or conceptual maps, and
    - Definitions.

3.4 Strengths of Research Synthesis Methodologies

Schick-Makaroff *et al.* (2016) note that research synthesis has become more accessible in recent years, as a result of the popularity of research reports and ease of retrieval of literature, which has led to researchers being able to take a broad view of the current state of research.

In addition to above strength, synthesis assists various stakeholders, including; researchers, practitioners and policymakers stay abreast of the rapidly growing world and expanding literature base, without which they would not be able to create evidence-informed policy and practice norms and standards. Building on the aforesaid point, it is worth noting that well designed single studies are unable to inform policy and practice as well as synthesis can –

[5] Schick-Makaroff *et al.* (2016) mention that most conventional synthesis types (e.g. integrative reviews) are relatively unsystematic in comparison to other research types. This refers to the fact that the process is unstructured and conceptual by nature.

synthesis assists in giving inputs, at various levels, that inform and explain the research phenomena that this study is interested in.

Synthesis helps identify research gaps related to the literature resulting in additional and new research questions and research designs. Synthesis also makes clear when studies can and should be replicated and when they should not be duplicated excessively.

3.5 Weaknesses of Research Synthesis Methodologies

Schick-Makaroff *et al.* (2016) aver that through the process of selection, combining literature, integration, and synthesis across various research study designs and data types a lot of complexity and biases could be uncovered, even when clearly defined methodologies are in place. This could result in interpretations and choices being influenced negatively through implicit and subjective judgments.

Synthesis data volumes could be extensive, making scoping and maintaining relevance challenging. The volumes also mean that research team size needs to be considered as it is difficult for individual researchers to do reviews on their own.

Another important point to note is that all types of synthesis research, where large amorphous areas of study with diverse bodies of literature exist, even with sophisticated search strategies, will not return all the relevant and important literature and texts. The omission of important literature and texts can influence the outcomes of the synthesis process materially.

Combining the above research synthesis types will result in a richer, more robust, data collection, analysis and research output.

3.6 Research Approach

A conventional integrative review approach is employed in this study in order to facilitate qualitative research; theory expansion, gap identification in the research, establishing rationales for researching particular phenomena, and in order to establish frameworks for interpreting results in useful ways which could influence policy and practice (Schick-Makaroff *et al.*, 2016).

3.7 Research Purpose Classification

Studying the situation or problem which exists in a particular context, and the causal relationships which exist between the variables which reside there, is classified as explanatory research. (Saunders, Lewis and Thornhill, 2009). Adams, Khan and Raeside (2014) build on this understanding of explanatory research mentioning how it enables researchers to gain a deeper understanding of the innate nature and the focus of the study. They consider how such research endeavours to explain social relations, how it undertakes to explain events, and how it has as its aim to promote understanding about the structure, process and characteristics of social events. Furthermore, it connects aspects and features of issues into universal statements, in order to create, examine or revise a theory, thereby explaining the phenomena in detail.

Therefore, gaining insight into the context of a specific research focus, by studying the relationships between variables; social and otherwise, and understanding the characteristics of the structures and processes involved, offer explanations and promote the detailed understanding of the phenomena.

3.8 Research Validity and Reliability

'Appropriateness' and 'accuracy' are words that Kumar (2019) uses to describe the process of attaining research validity. Kumar (2019) further defines validity as being; "… the ability of an instrument to measure what it is designed to measure."

An important validity consideration, as alluded to, by Kumar (2019), is the link between the research questions and research objectives. Because the researcher is measuring feelings, stories (personal and contextual), experiences, motivations and perceptions, among others, it becomes difficult to reach meaningful conclusions.

Schick-Makaroff *et al.* (2016) refers to a process of quality appraisal, when referring to validity, and mention that high quality evidence should be identified and used. This study uses reputable journals and websites, and subject matter experts in their fields, to ensure quality appraisal standards are achieved.

Reliability, according to Adams, Khan and Raeside (2014), refers to research or data collection consistency. They mention that the measuring instrument, as they refer to it, is reliable when the outcome that flows from the measuring process is reproducible and doesn't offer erratic or unpredictable outcomes. According to Adams, Khan and Raeside (2014), research which is riddled with errors which offers an incorrect outcome consistently, is still reliable. As peculiar as this seems, it points to the fact that reliability is a requirement for validity, but that it is not an adequate condition without validity.

Clarity of intention and simplification of wording can also improve reliability measures. This helps to ensure that ambiguous items are avoided and lessens the possibility of misinterpretation (Bhattacherjee, 2012).

An important limitation to consider is that literature searches are done over a period of time and may be outdated if done over a very long timeframe, as a result of new approaches, theory and literature which may have been missed due to all literature not being considered or more recent studies being excluded due to time constraints (Schick-Makaroff *et al.*, 2016). This is a limitation that should, and will, be considered and taken into account when searching and writing research up, and that the author of this dissertation is aware of. Integrative review, as with all qualitative research, is not all encompassing and absolute, by nature. Research could be updated in later studies.

Bhattacherjee (2012) mentions that the researcher must provide, what he refers to as, "thick description", thereby describing the structures, assumptions and processes relating to the research context in detail. This research employs thick description where possible, to enhance the possibility of subsequent, independent, researchers being able to assess whether the research in this dissertation is transferrable to other settings.

The conventional literature review, and integrative review specifically, remain important approaches for students, practitioners and experienced researchers, in order to summarise and synthesises literature. This type of review can determine the state of knowledge in order to achieve gap identification, to provide clear rationale or a theoretical framework for a study (Schick-Makaroff *et al.*, 2016).

3.9 Ethics, Privacy and Confidentiality

Adams, Khan and Raeside (2014) contend that there is a responsibility of ethical behaviour when undertaking research, and that this responsibility means that the research should be conducted honestly and with integrity.

Analysis and reporting – All findings should be analysed and reported objectively and accurately in the study, whether it has a positive or a negative impact on the study. Bhattacherjee (2012)

If the research work done is not ethical, Adams, Khan and Raeside (2014) aver; it is fraudulent and the researcher has failed. This can take several forms (this is not an exhaustive list);

- Being selective in sampling
- Deliberately biasing the data collection instruments
- Making up data
- Falsifying results
- Trimming data or data findings
- Biased or inappropriate analysis

The UCT Commerce Faculty's ethics approval has been attained for this research study, and the University's ethics process will be followed stringently, ensuring that the code of ethics is conformed to without compromise. Above mentioned principles and guidelines will be followed, as well, to improve methodological soundness and research rigour.

Refer to Appendix C for further context to the conventional research type, namely; Integrative Review. Next the research considers the literature, theories and frameworks related to financial inclusion.

Chapter 4: Synthesising Prior Literature

4.1 What is Financial Inclusion?

Below this study considers the definitions and thinking related to financial inclusion, and by extension, financial exclusion.

4.1.1 Definitions

Table 2 below outlines the various aspects of the various definitions and attempts to synthesise them by consolidating the similarities and highlighting the unique elements which stand out.

#	Author(s)	Definition	Core Elements
1	Morgan and Pontines (2014) Hanning and Jansen (2010)	"Financial inclusion aims at drawing the "unbanked" population into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance."	Drawing the unbanked population into formal financial system Offering opportunity to access financial services, including; Savings, Payments, & Transfers to Credit & Insurance
2	Dasgupta (2009)	The process which makes formal financial services accessible as well as affordable to all.	Accessibility of financial services At affordable Cost
3	Iyer (2015) Rangarajan Committee (2008)	The affordable access to financial services by poor and disadvantage people.	Affordable financial services Access to Financial services Targeting poor and disadvantaged people
	The Centre for Financial Inclusion (CFI) As Quoted by Figart (2013)	"A state in which everyone who can use them has access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, with respect and dignity. Financial services are delivered by a range of providers, in a stable, competitive market to financially capable clients".	Everyone able to, should have access to quality financial services At affordable prices, In a convenient manner, and With Respect and Dignity. In a stable, competitive market, To financially capable clients.

4	Figart (2013) Raskin (2011)	“Twin problems of economic and financial exclusion”: 1. The unemployed that are without stable or decently paying jobs, are economically excluded, and furthermore that, 2. Economic inclusion also implies a sort of belonging and membership in the economy that extends beyond employment.	• Economically excluded: Unemployed, without stable and decently paying jobs • Economic inclusion: Implies belonging and membership in economy (extends beyond employment)

Table 17: Summary of Definitions and Quote, outlining Key Challenges, related to Financial Inclusion

Combining above mentioned definitions and context, gives a broad synthesised view of the various elements of financial inclusion, using various industry thought leaders’ views. Financial inclusion can be defined as; the opportunity for all (poor and disadvantaged as well as the unbanked), to access quality financial services in the formal financial system at an affordable cost, in a convenient manner, with dignity and respect. These financial services include savings, payments and transfers to credit and insurance, in a stable, competitive market, to financially literate and capable clients. In addition, from a macro-policy framework point of view, financial inclusion should consider a belonging and membership in the economy which extends beyond employment for persons, and by inference, includes employment and financial inclusion facilitating measures from a government as well as from a private financial services sector policy standpoint.

When one considers the above-mentioned definitions and thought paradigms, it becomes clear that a holistic approach to remediating financial exclusion is required in order to further understand the various requirements which should be considered when examining the general expansion of financial inclusion programmes in a structured and formalised manner, general access to regulated financial service providers, and easy access to affordable and appropriate products.

Next, we consider the pre-conditions under which financial inclusion could be more sustainable, and possible, progress more.

4.1.2 Pre-conditions for a Sustainable Financial Inclusion Framework

In reaction to Raskin's three elements for effective financial inclusion, below;

1. A strong financial regulatory framework,
2. Efforts to expand on public financial literacy and levels of education, and
3. Active participation in the existing banking and financial institution arena,

Figart (2013) suggests Margaret Sherraden's (2010, 3) more comprehensive prerequisites definition to enhancing people's financial capabilities, namely;

1. Increasing peoples' internal capabilities through financial literacy efforts, and
2. The facilitation of the external conditions which permit them to employ the internal capabilities that they have acquired.

Figart (2013) further adjusts Sherraden's (2010) Capability Approach as follows:

#	Figart's (2013) 5 Preconditions Framework for Financial Inclusion [Based on Sherraden's (2010) Capability Approach]
1	Access to non-exploitative institutional market facilitating transactions
2	Access to credit and protected savings capabilities
3	Institutionalisation of cultural and social norms as an enabler of effective utilisation of financial services offerings
4	Establishing an effective financial services capability based on different cultural and social norms, and varying values and societal priorities
5	Alignment of stakeholder goals through community developing practices and strategies on the part of financial institutions

Table 18: Figart's (2013) Five Institutional Prerequisites Framework, as Adapted from Sherraden's Prerequisites

In addition to the above-mentioned emerging financial inclusion framework, ways to facilitate the above-mentioned in a 21st century manner, are considered, including technology.

In the 21st century context there are many different ways of facilitating strategies and other enabling tools and mechanisms, but there is a big gap between the growth expectations and on the ground realities within the context of "mobilisation and utilisation of funds". (Bansal, 2014) Bansal goes on to mention that the main reason for slow inclusion is the absence of appropriate delivery models and products, which tend to the needs and requirements of lower-income individuals and households.

With all these disparities between the growth expectations and on the ground realities, and significant gaps between the rural and urban realities, modern information and communication technology (ICT) can play a role in allowing banks to reduce costs, increasing customer reach and to better manage business risk. Financial inclusion in this context does not only have peoples' welfare at its heart, but also has a substantial commercial opportunity according to Bansal (2014).

Bansal (2014) discusses the viability of ICT and outlines the benefits as; allowing us to collect data, transferring and transforming the data and information, and enabling businesses to collaborate with entities in a productive, advanced, innovative and accessible way.

Synthesising above mentioned discussions may yield further insights and develop the prerequisites for financial inclusion. Building on the existing definitions, insights and requirements as outlined above, the research considers the following as prerequisites for a rigorous framework for Financial Inclusion.

Raskin (2011)	Sherradin (2010), cited by Figart (2013)	Sherradin (2010), as adjusted by Figart (2013)	Bansal (2014) & Heeks (2013)[1] Demirgüç-Kunt et al. (2017) & African Development Bank et al (2019)[2] Bansal (2014)[3]
1. A strong financial regulatory framework,			
2. Efforts to expand on public financial literacy and levels of education, and	2. Increasing peoples' internal capabilities through financial literacy efforts, and		
3. Active participation in the existing banking and financial institution arena.	3. The facilitation of the external conditions which permit them to employ the internal capabilities that they have acquired.		
		1. Individuals should have access to non-exploitative institutional products and services which allow them to do the transactions, necessary, to provide for themselves and their households in a free market economy.	
		2. Secondly, individuals should be enabled by these non-exploitative institutions to save in a protected manner and have access to credit.	

		3. The institutionalisation of cultural and social norms, as an enabler to effectively utilise all the institutional products and services at their disposal.	
		4. The fourth prerequisite maintains that institutions should consider human diversity and varying societal priorities and values – thereby establishing a financial services capability which is more effective.	
		5. Lastly, Figart mentions that; “financial institutions and practices should be encouraged to support community development”, thereby aligning the goals of both individuals and households with those of institutions as well as their shareholders’/owners’ who traditionally have sort profitability as their main goal.	
			1. An opportunity exists to build technology into the approach and framework, ensuring that approaches and solutions are aligned with a technology capability Bansal (2014). Heeks et al. (2013) refers to the use of mobile phones, as an example.

			2. Focus on women, and children, are huge themes in financial inclusion in the world currently, as there is a gross disparity between male and female, and around children's, inclusion in most parts of the world. In developing countries females are lagging behind males with regards to financial inclusion by 9 percentage points (African Development Bank (AfDB) et al., 2019), (Demirgüç-Kunt et al., 2017).

Table 19: Adjusted Pre-conditions Table. As adapted from Raskin (2011), Sherradin (2010), Figart (2013), Bansal (2014) & Heeks (2013), Demirgüç-Kunt et al. (2017) & African Development Bank et al (2019)

The themes captured in above mentioned offerings by the various authors, can be summarised as follows.

A robust financial regulatory framework is a starting point, as pre-condition, in order to outline important considerations and facilitate financial participation in financial services and products, and the financial inclusion discourse in general.

Enabling the effective use of financial services offerings and increasing individuals' internal capabilities, is a pre-condition which could be achieved through the expansion of public financial literacy, levels of education, and through the more and financial literacy efforts in general by government and financial institutions.

By creating an external environment which allows individuals to participate easily and in a manner which permits them to employ the newly acquired capabilities is a critical pre-condition to financial inclusion success.

Access to active non-exploitative institutions with non-exploitative financial products and services would lay a foundation for saving in a protected manner and having access to credit in a fair and reasonable environment, thereby allowing customers to provide for themselves and their households and be included.

In addition to being non-exploitative, and fair and reasonable, financial institutions should endeavour to institutionalise the cultural and social norms of their customers, as enablers to further utilise products and services at their disposal. Considering human diversity and varying societal priorities and values will support aforementioned pre-conditions and make the financial services capability even more effective.

Alignment of all stakeholders' (individuals, financial institutions, shareholders, owners, etc.) practices and goals, as a pre-condition, should support community development. This would ensure that common goals are leveraged as a mechanism to be more effective as well.

Information and Communication Technology (ICT) can play a role in all the disparities between growth expectations and ground realities and between the significant gaps between rural and urban realities, by, reducing costs, increasing customer reach and better managing risks. ICT also allows banks to; collect data, transferring and transforming the data and information, and enabling businesses to collaborate with entities in a productive, advanced, innovative and accessible way. Technology innovation should form a sub-condition which should be considered when looking at above mentioned pre-conditions for financial inclusion.

Due consideration should be given to the financial inclusion of women and children, as they are lagging against men and other demographic groups. Each pre-condition should also have the promotion of FI among women and children as a sub-condition.

4.1.3 Measuring Financial Inclusion

Financial inclusion is said to be increasing across the globe. (Demirgüç-Kunt *et al.*, 2017) Being able to measure it and compare countries along specific benchmarks and standards adds value and allows countries to have an effective tool with which to plan and measure progress related to financial inclusion.

The Global Findex Database 2017 mentioned is a comprehensive dataset which outlines how adults save, borrow, make payments, and manage risk (Demirgüç-Kunt *et al.*, 2017). The database is published in a 3-yearly cycle, since 2011, and collects data through surveys from more than 150,000 adults across more than 140 economies, world-wide. The 2017 edition of the surveys includes additional indicators including access to formal and informal financial services, as well as financial technology, considering how mobile phones and the internet are employed to engage financial transactions.

Global Microscope 2019: The Enabling Environment for Financial Inclusion and the Expansion of Digital Financial Services (African Development Bank (AfDB) *et al.*, 2019), analyses practices employed by various governments and regulators around the world in an attempt to increase financial inclusion of their populations. This index emphasises the regulatory and policy environments exclusively and does not focus on financial inclusion outcomes. Even though overall access to financial systems have improved across the world, the World Bank's Global Microscope illustrates how the gender gap has also widened in Microscope countries (55 developing countries across the world[6]) over the last decade, on average.

The two aforementioned benchmarks are the more appropriate and comprehensive measurement mechanisms available at the moment, allowing us deep insights into key dimensions across geographies, offering us comparative statistics, and views and insights, with which governments and institutions can establish feasible and sustainable FI policies, procedures and initiatives.

Section 4.3 focuses on the banked and unbanked individuals, and why the unbanked remain financially excluded.

4.1.4 Banked versus Unbanked Households and Individuals

Financial inclusion – defined as the use of formal accounts – can bring many benefits to individuals (Allen *et al.*, 2016). More governments around the world are committing to

[6] Refer to Table 6: Overall Results, for a list of the 55 Microscope countries which form part of the survey.

promoting financial inclusion. Increasing evidence demonstrates the beneficial effects of financial inclusion for individuals. There is said to be both an economic and a political rationale for government policies, to promote and encourage financial inclusion, according to Allen *et al.* (2016).

Considering the importance that banking, unbanked, individuals plays in promoting financial inclusion, and the emphasis that is being placed on the opening of accounts along with elements like; low costs associated with the accounts, access to savings / credit and insurance products, access financial intermediary support, consumer due diligence and protection for all, as well as government support and a stable political environment, it is clear that the opening of bank accounts for low-income individuals along with value-add financial services and financial products are important to promote and develop financial inclusion in general. This is true and important from a 'bricks and mortar' and digital point of view.

It is apparent from the above that there is a movement towards inclusion, but also that there is a definite need for focused and more financial inclusion. The question is whether the increase in banking the previously unbanked individuals is happening fast enough, and whether the quality of financial inclusion that is accompanying the creation of these accounts is of a desired quality.

This is where the financial inclusion measures, financial inclusion frameworks and standards, and the continuous reporting against these measurements, frameworks and standards play a pivotal role in progress and maturity into the future.

Let's consider the state of FI in the world.

4.1.5 Financial Inclusion in the World

World Heat Map of Banked Adults

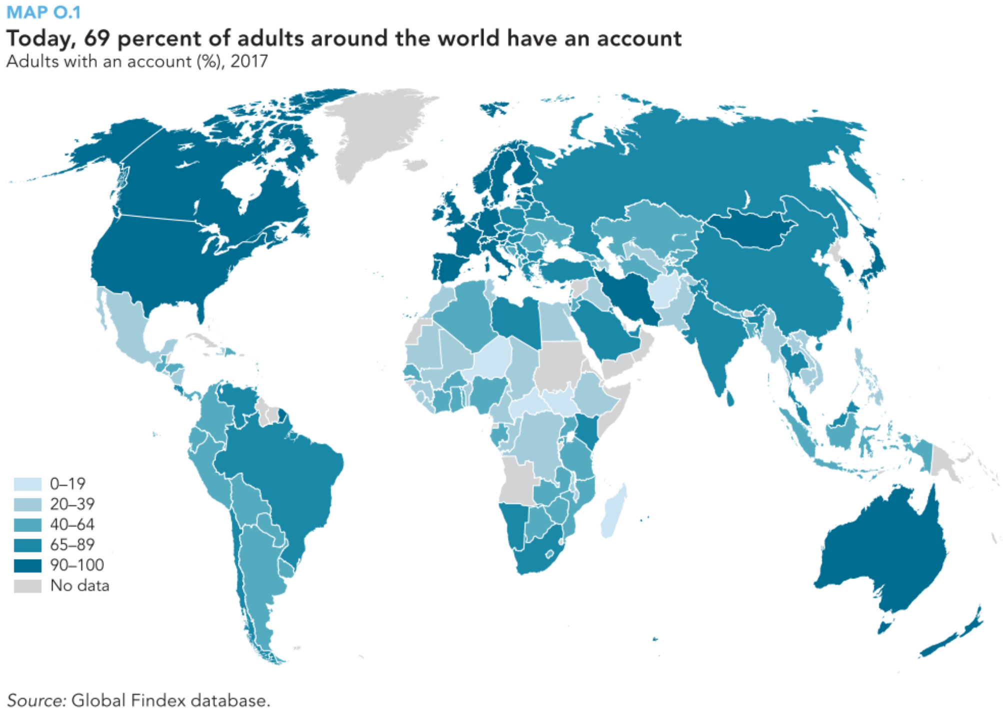

Figure 11: Heatmap – Adults with an Account (%), 2017. Source: Demirgüç-Kunt *et al.* (2017)

According to Demirgüç-Kunt *et al.* (2017) 69% of the world adult population had accounts, i.e. were banked, in 2017. This heatmap shows that North America, Europe, Australia and other isolated parts of the world fell in the 90-100 category, while places like Central America, South America, large parts of Asia and Africa fell in the 65-89, and the 40 – 64 and lower, categories. It is clear, from the heatmap, that financial inclusion through the creation of bank accounts and through banking the unbanked is predominantly a third world challenge and that more focus is required in the developing parts of the world such as; Central America, South America, Asia and Africa. (Demirgüç-Kunt *et al.* ,2017)

United States: Level of Financial Inclusion (High Income Country)	
% Adults with Bank Account (individuals age 15 years+):	93.1%
GNI Per Capita:	$ 56,810
Population (15+):	261.6 million
% Saving (in Past Year):	62.2%

South Africa: Level of Financial Inclusion (Upper Middle-Income Country)	
% Adults with Bank Account (individuals age 15 years+):	69.2%
GNI Per Capita:	$ 5,480
Population (15+):	39.6 million
% Saving (in Past Year):	22.1%

Thailand: Level of Financial Inclusion (Upper Middle-Income Country)	
% Adults with Bank Account (individuals age 15 years+):	81.6%
GNI Per Capita:	$ 5,640
Population (15+):	56.7 million
% Saving (in Past Year):	38.8%

India: Level of Financial Inclusion (Low Middle Income Country)	
% Adults with Bank Account (individuals age 15 years+):	79.9%
GNI Per Capita:	$ 1,670
Population (15+):	950.8 million
% Saving (in Past Year):	19.6%

Source: *The Little Data Book on Financial Inclusion 2018* (2018)

Above mentioned tables compare the account penetration (financial inclusion) between various countries; high income country (United States), upper middle-income countries (Thailand and South Africa – very similar populations above 15+ years old and GNI per capita figures), and a low middle-income country (India). These statistics support the notion that account penetration is predominantly a developing country challenge, but also points out that there are huge disparities within developing countries[7].

#	Country	Income Level	Account % (% Age 15+)	Population (Age 15+) [Million]	Saving % in Past Year (% Age 15+)	GNI Per Capita	Global Findex DB [Financial Inclusion Rating in the World]
1	United States	High Income	93.10%	261.6	62.20%	$ 56,810	*
2	Thailand	Upper Middle Income	81.60%	56.7	38.80%	$ 5,640	22nd / 25th
3	India	Lower Middle Income	79.90%	950.8	19.60%	$ 1,670	5th
4	South Africa	Upper Middle Income	69.20%	39.6	22.10%	$ 5,480	13th / 14th

Table 20: Summary of Financial Inclusion as per Global Findex Database (as based on adults with Bank Accounts) *Adults are Aged 15+ Source: Demirgüç-Kunt *et al.* (2017)

4.1.6 The South African Context: Co-operative Banking

The vision, target, pillars and enablers are a look into the serious direction and approach the South African government, treasury in particular, has chosen to proactively review the situation in the Co-operative banking sector and to make adjustments and recommendations that could bolster the sector strategy, vision, and social purpose. So, the continuous focus on and feedback loop (continuous feedback requested) related to inclusion of people, quality co-operative banking, employing appropriate products, tools, infrastructure and systems to promote co-operative banking among mixed-income workers and communities is a good start, and a good routine for any FI-oriented country, organisation or institution to subscribe to.

[7] Refer account penetration between India and South Africa. Source: The Little Data Book on Financial Inclusion 2018 (2018)

Considering the 2021 Indaba Strategy (resulting in a structural CB industry vision, targets, pillars and enablers), the question remains whether these structural characteristics are adequate as an inclusion catalyst for mixed income communities and groups to make use of and establish Co-operative Banks.

The following should possibly be considered, with a more practical and collaborative approach to the strategy and vision:

- Technology and IT infrastructure are a huge and costly barrier according to the strategy. A standard, open-source solution, should possibly be considered by government and possibly shared by CB's, as opposed to renting and buying infrastructure that is too costly to align with the CB industry’s intent and purpose. Government should consider launching a single CB IT platform, with subsidies initially and a shared model thereafter, to facilitate the above mentioned.
- The promotion of digital technology such as mobile solutions, including mobile money, should be considered as a manner in which to facilitate services and drive costs down through existing infrastructure (i.e. mobile phones) and through scale.
- Target inclusion of families, as opposed to individuals, and tailoring products and systems to including younger adults and children should possibly be considered as well. A focus on women, being slightly less included in SA, and heading up many single parent households, to reach more needy groups and individuals and start the inclusion process earlier (thereby, hopefully entrenching financial behaviour and institutionalising financial inclusion).
- Perhaps more partnerships with retailers, Point of Sale operators and bricks and mortar service providers could facilitate better relationships with prospective customers. Thereby working against the spatial void hypothesis and ensuring that there are adequate channels and mechanisms through which CB customers could access financial services. This could also be an opportunity to diversify CB’s financial product and service offerings, thereby ensuring that customers’ needs are appropriately serviced. Government should consider launching Public Private Partnerships to facilitate the above mentioned.
- Lastly, further work on the regulatory landscape, with regards to Co-operative Banks, could facilitate the CB uptake and impact, ensuring that less barriers curtail CB’s being established. Technology (for example biometrics) could potentially assist to this end.

The number of Co-operative Banks is uncharacteristically low for a financial services mechanism which is meant to promote financial services and increase financial inclusion in South Africa. The question is whether this indicates that there are impediments to CB creation? As CB's were specially created and established to service small communities, and groups of low- to medium-income individuals, one would expect there to be a lot more CB's than mutual and commercial banks in South Africa by now. Having established only five Co-operative Banks suggests that there are challenges with the existing CB model. Either communities and groups are not aware of the existence of CB's, and prospective CB's have a lot more work to do to promote awareness, or there are not sufficient incentives (or too many disincentives that exist) for their creation.

Next the research considers the factors which discourage the provision of financial services to poorer communities.

4.2 Factors Discouraging the Provision of Financial Services (Bank Accounts & Transactional Services) to Poorer Communities

4.2.1 Background

These perceived, and real-life experience, barriers give formal financial institutions valuable insights into what they need to focus on and address in order to improve their services and attract and retain the lower-income segment of the market, which is not particularly easy to accommodate and service, due to their unique and challenging situations.

Globally more than 31% of adults (adults who are 15 years and older) remain unbanked. The Global Findex 2017 survey attempted to shed light on why these individuals do not have an account with a financial institution. Respondents were allowed to give more than one answer as a reason, and most respondents (more than 60%) indicated that “Not enough money” was a barrier to them not owning an account at a financial institution. Roughly 20% gave “Not enough money" as the sole barrier. No other barrier was cited as the sole barrier by more than 5% of respondents.

The second most cited barrier was; "Do not need an account", which made up 30% of adults without an account at a financial institution. 3% of respondents cited this barrier as the sole reason for them not having an account.

Demirgüç-Kunt *et al.* (2017) raise the point that for those individuals that noted the barrier as part of several reasons, there may be individuals that are willing to engage a financial institution and use financial services, if such financial services are relevant to their situations and are easily accessible.

Another point worth raising, a barrier that was noted in two of the surveys above, is that some respondents felt that they didn't need an account because a family member already had an account. This seems to indicate that there is a shared use of accounts in certain households and communities, or that individuals feel that they could make use of a family member's account in the event that they may need an account (for an account-related transaction). There may be value, for banks, in developing and marketing family or household appropriate accounts and products.

Respondents, in this survey, had a pronounced distrust in, and issues with, foreign-controlled and owned banks, as opposed to government-controlled or owned banks. Banks therefore have an opportunity to dispel perceptions and drive trust and awareness through financial literacy and education programmes. Governments also have an opportunity to help drive inclusionary policies, that will be likely to cause respondents / individuals to perceive financial services to be an achievable goal. (Allen et al., 2016)

A point worth mentioning is that; there is evidence that the formal sector's savings and banking instruments are viewed as inadequate, due to a lack of social benefit to individuals who participate in them, while informal savings groups are perceived to possess further value than what they have been meant to achieve, which is saving. Irving (2005)

Important implications, for banks, which flow from the promotion of accounts and the inclusion of lower-income individuals, are the following as outlined by the FDIC:

- Understanding segments better might increase the efficacy of economic inclusion strategies,
- Having a bank account doesn’t guarantee long term participation in the banking system,
- Experience with banks appears to have more positive perceptions of having an account and results in individuals relying less on alternative financial services, and
- Banks might need to more clearly demonstrate the value of an account to alternative financial services users.

Federal Deposit Insurance Company (2012)

The research considers the risks associated with lending to the poorer segments below.

4.2.2 Risks Associated with Lending to Poorer Segment (including lack of collateral / 2008 Crisis)

Above mentioned outlines the rigid and robust process that mainstream financial institutions employ during the credit risk process in order to ensure minimal defaults on loans and credit extended. When sources of income start becoming low and unsure or infrequent, and in the absence of collateral or security and favourable risk profiles, financial institutions tend to exclude lower-income individuals and poorer communities and displaying risk averse behaviour.

Amidzic, Massara and Mialou (2017) mention that low-income individuals are marginalised from using financial institution’s services and products involuntarily. This marginalisation can either be as a result of a lack of income or, related to credit markets, because of an excessive lending risk profile.

Kamath (2007) mentions that the formal credit sector will have to be sensitised to the financial needs of its potential borrowers below the poverty line (BPL). Borrowers require credit for income and consumption smoothing, according to Kamath. Credit, many times are also used for; health and other emergencies, purchasing of small live-stock and life cycle event financing (deaths, marriages, births, etc.). Kamath also mentions low-income individuals' risk bearing ability is low, and therefore the credit extended to them, will have to be small.

The low-income segment has unique requirements and challenges and therefore needs financial institutions who are sensitive to these needs and challenges while considering their risk appetite and business mandates.

Next, we consider the costs associated with traditional investment instruments and typical savings and investment products.

4.2.3 Cost of Traditional Investment Instruments

Even though banking in general and investments in the equity market, through ETF's particularly, have become a lot more accessible through a sensitivity towards financial inclusion (FI framework-, policy-, services- and product-improvements) and technology (applications and platforms), low-income individuals and households still face multiple challenges before being able to bank and invest.

Challenges include access to funds, risk and market volatility, lack of financial literacy, and the biggest of these challenges being the high fees related to many of these ETF's as can be seen from Table 18 above, which place investment outside the practical reach of low-income individuals.

Other market forces such as inflation and recession, and low-income challenges such as health and other emergencies, consumption smoothing, or life cycle events such as; deaths, births and marriages mean that the mainstream services and products that financial institutions offer are inappropriate and therefore outdated in this segment of the market.

4.2.4 Benefits of Entering this Segment of the Market (Low-Income / Unbanked Segment)

Figure 12: Social Businesses. Source: *Yunus, Moingeon and Lehmann-Ortega (2010)*

So, an advantage on the demand side is the promotion of financial inclusion and overall economic wellbeing and social prosperity, due to increased competition and innovation. Community development is another benefit related to financial inclusion, visualised as social profit maximisation in the diagram above, and which could equate to increased and positive business for financial institutions.

Possible profit benefits could be realised by tapping into related and extended low- to moderate-income market segments, such as micro-finance, possibly, and by ensuring that the cause-oriented business covers all its costs and repays owners their investments. Access to industries flowing from further disruptive innovations in the future, resulting from challenging conventional wisdom, may offer more established income streams by considering and accommodation the lower-income segment.

The Grameen Bank is a real-life example of where entering this segment has resulted in symbiotic benefits.

Next this study considers alternatives to mainstream banks, alternative financial service providers (AFSP's).

4.3 Alternatives to Mainstream Banks: Alternative Financial Service Providers (AFSP's)

Temkin and Sawyer (2004) note that most Americans use mainstream financial institutions such as banks to conduct their financial affairs. Alongside these mainstream financial institution users, are millions of minorities and low-income households who make use of alternative financial service providers (AFSP's), including; check-cashing outlets, payday lenders, pawnshops, rent-to-own stores and auto title lenders.

Bansal (2014), has the following to say about low-income individuals and the reasons that they use Alternative Financial Service Providers (AFSP's); "The excluded section of the society suffers from lack of financial literacy and basic education; as a result, leading to limited access to financial services. They find informal system of credit more convenient and user friendly in comparison to formal financial system which they find very complex in nature."

This indicates that formal financial services and systems seem to take a more financially astute and complex approach to general financial service and product delivery, while informal financial system and service development and delivery seems to include elements of simplicity and convenience built into them, making them more appealing and approachable.

4.3.1 Why AFSP's are Considered Predatory

Temkin and Sawyer (2004) consider these AFSP's to be convenient and to offer easy access to cash but maintain that their services attract high costs (fees and rates) generally, which limit low-income families' capacity to accumulate assets and to start establishing a credit history, and therefore build wealth. These fees and rates are higher than what is charged by mainstream financial institutions. Fees, Temkin and Sawyer (2004) maintain, can be as high as 15 – 17 percent for a 2-week loan, with annual percentage rates (APR's) going as high as 300 percent.

Figart (2013) supports the "spatial void hypothesis"; which posits that AFSP's move into geographic areas as mainstream banks and financial institutions move out. Figart (2013) maintains that the spatial voids have intensified since 2008, as mainstream banks have become more risk-averse, with regards to low-to-medium-income households and communities.

Patwardhan (2018) avers that the unbanked individuals and families are mostly low-income, less-educated, immigrants and young adults. The high cost of financial alternatives is a big challenge, preventing effective savings behaviours and consequently ascending out of poverty. Households of an income of $20,000 USD (annual net income) can end up paying annual fees, for alternative services, as much as $1,200. This is a lot more expensive than a checking account in a formal financial institution would cost annually.

In summary it can be said, considering above mentioned theories and research, that there are AFSP's who are predatory and that this is the case due to profit chasing and the fact that the industry is mostly unregulated.

Section 4.3.2 contemplates how the current AFSP situation looks.

4.3.2 How does the AFSP Industry Look Currently?

The FDIC National Survey outlines the most common reasons why households, in America, use AFSP's. The most common among these, for banked and unbanked households, and for transaction- and credit-products, include (focusing on unbanked statistics);

1. Convenience and affordability associated with AFSP's
2. Ease of access and variety of products at AFSP's
3. More trust in AFSP's as opposed to traditional banks
4. Level of comfort with AFSP's

Above mentioned reasons may be related to the fact that these are smaller establishments with a personal feel to the service that is rendered and therefore more affordable and convenient, and more varied financial, and other, products and services are possible. The fact that such institutions may be present in communities for a long time and have possibly become household brands in a sense, may account for the feelings of trust and the level of comfort which are elicited by these alternatives (informal) financial service providers. This would probably be the same within the South African context. There are lessons to be learned from this phenomenon.

Next, we consider the opportunity which presents itself here.

4.3.3 Is there an Opportunity to Better Employ Alternative Financial Service Providers?

The authors above continue to build on the idea that there may be value in AFSP's, and focus on the fact that the "spatial void hypothesis" does not hold true in many areas where customers' decisions to make use of AFSP's don't depend on whether mainstream banks are available in the area or not, but rather are based on the fact that the mainstream banks don't offer the core products and services that these lower-income individuals need, and they seem to be getting these core requirements from AFSP's. Another point worth mentioning is that it could be that AFSP's reach out to lower-income consumers more effectively than mainstream banks. (Temkin and Sawyer, 2004)

Ensuring a more protective regulatory framework which supervises and governs micro-lenders and -financiers, will drive over-indebtedness due to predatory behaviour from AFSP's down.

Understanding and possibly borrowing from the better elements related to AFSP's may be a source of appropriate approaches, financial services and product identification and even delivery mechanisms to the lower-income individuals, households, groups and communities, by mainstream financial institutions.

Below, we consider conclusions and recommendations.

Chapter 5: Conclusions and Recommendations

5.1 Conclusions

The World Bank maintains that the high inequality, in which area they aver South Africa is worse off than its peers, is perpetuated through a legacy of exclusion, and as a result of the nature of the economic growth that has been taking place in South Africa in recent years. The economic growth in South Africa in recent years is said to be working against the poor and vulnerable, resulting in inadequate job creation. The intergenerational social mobility of the poor is low, which means that the inequalities are perpetuated through generations. The inequality is endemic, and is handed down from generation to generation, with little to no change over time, and will need resources and will as well as a co-ordinated and focused approach to end.

Considering the steps that could be taken by formal financial service providers to ensure increased access, by low-income individuals, to bank accounts, and to extended financial services, products and initiatives, this study attempts to understand the financial inclusion landscape, gain insight into the challenges that low-income individuals face, investigate how mainstream financial service providers operate and view the poor, and consider the alternatives to mainstream financial service providers and how they can benefit the poor.

The emerging themes include the following;

- The study shows a lack of financial inclusion co-ordination across the literature.
    - Definitions exist, but in isolation and should be combined to come up with a more comprehensive, and generally accepted, definition. This study attempts to synthesise a more comprehensive and representative definition. This should be expanded on and refined going forward.
    - Framework prerequisites are considered as discussed by prior authors (see Sherraden (2010), Raskin (2011), Figart 2013 and Bansal (2014)) averring that financial participation and inclusion is promoted by a number of prerequisites. Under mentioned are the elements that are missing as preconditions to a more comprehensive framework. A consolidation and synthesis of the various pre-conditions that exist. A focus on women, children and young individuals will facilitate areas where there are big disparities and inequalities, as well as offer the opportunity to start the financial inclusion process earlier to hopefully entrench the FI habits and behaviours (African Development Bank (AfDB) et al., 2019) and (Demirgüç-Kunt et al., 2017). Digital and technological innovation should be considered when discussing financial inclusion in order to drive costs down, facilitate ease of access, and offer expanded insights through scale and data analysis and diagnostics (Bansal, 2014) and (Heeks et al., 2013).
    - Benchmarking mechanisms that exist to measure financial inclusion, namely; the Global Findex Database 2017 and the Global Microscope 2019 offer good

comparative data and metrics that governments and policy-making departments can employ to gain visibility of measurable indicators, in order to drive financial inclusion and to proactively measure and improve on the appropriate indicators so as to adjust and refine current policies and initiatives aimed at financial inclusion (*The Little Data Book on Financial Inclusion 2018*, 2018), (Demirgüç-Kunt *et al.*, 2017) and (African Development Bank (AfDB) *et al.*, 2019).

- An opportunity exists to combine above mentioned FI elements, namely; definitions, pre-conditions and measurements, into a combined framework which will formalise a combined and agreed upon understanding of financial inclusion, and offer the elements and characteristics which governments and institutions can rely upon, an should build on.

General themes include the following;

The promotion of digital technology such as mobile solutions, including mobile money, should be considered as a manner in which to facilitate services and drive costs down through existing infrastructure (i.e. mobile phones and mobile applications) and relying on the strength of scale when employing technology (*CBDA*, 2021), (Bansal, 2014), (African Development Bank (AfDB) *et al.*, 2019).

Targeted inclusion of families, as opposed to individuals, from a general policy perspective, as well as from a tailoring products and systems standpoint. Including whole families, including younger adults and children should possibly be considered from a banking the unbanked as well as a co-operative banking viewpoint. A focus on women (as well as the aforementioned individuals and groups), being less included in SA, to reach more needy groups and individuals and start the inclusion process earlier, thereby, hopefully entrenching financial behaviour and habits and institutionalising financial inclusion. (Demirgüç-Kunt *et al.*, 2017), (Friedline, Terri; Rauktis, 2014).

Bank account promotion[8] will benefit from financial service providers and government joining efforts to understand the perceived and experienced barriers to account ownership, in order to address barriers related to not having enough money, no need for an account, trust issues, and value and utility perceptions. Government also has an opportunity to get involved in amending

[8] See Loke and Sherraden (2009), Friedline, Terri and Rauktis (2014), Aina and Luyombo (2014), Arun and Kamath (2015), Allen et al. (2016), Van Heerden (2017) and the African Development Bank (2019).

policy and paying grant and other payments to citizens using formal bank accounts and mobile money accounts, possibly, which will drive financial inclusion as well.

The Grameen Bank offered no-collateral loans to poor people, when traditional banks refused to. Yunus, Moingeon and Lehmann-Ortega (2010) maintain that “Business model innovation is about generating new sources of profit by finding novel value proposition/value constellation combinations.”

- Possible profit benefits could be realised by tapping into related and extended low- to moderate-income market segments, such as micro-finance, possibly, and by ensuring that the cause-oriented business covers all its costs and repays owners their investments.
- Yunus, Moingeon and Lehmann-Ortega (2010) maintain that “Business model innovation is about generating new sources of profit by finding novel value proposition/value constellation combinations.” Financial institutions should be willing to struggle with the challenge of increasing financial inclusion in the lower-income segments, and become creative and innovation in ways that they try and accommodate this segment of the market.

Co-operative Banks[9] strive to include lower-income individuals and households in the financial services sector. With only 5 Co-operative Banks having successfully launched in South Africa, there are challenges promoting CB’s. Technology and IT infrastructure are a huge and costly barrier according to the CB strategy (*CBDA*, 2021), and the Indaba Committee identified technology as a pillar, including; IT systems that need to be improved and digital delivery channels as the final pillar.

- A single banking solution should possibly be considered by government, assisting CB's, as opposed to Co-operative Banks renting and buying infrastructure that is too costly to align with the CB industry’s intent and purpose. Government should consider launching a single CB IT platform, which is subsidised initially, with the costs being shared (a shared services / infrastructure model) once the CB reaches a break-even point.
- Co-operative Banks should further expand their social mandate and include specific peripheral initiatives and projects which will uplift and empower low-income individuals, to be educated, to understand the financial landscape and products

[9] The South African Reserve Bank, Kruger (2020), the Co-operative Banks (CB) Development Agency (2021) and the CB Sector Development Strategy Document (2021)

available, and to encourage them to seek out Co-operative Banks as their preferred financial services provider and partner.

5.2 Recommendations

Future researchers making use of a conventional integrative review approach should consider both the strengths and weaknesses of this research technique, so doing ensuring that they can capitalise on the benefits and cater for any shortcomings that may be inherent in this particular research method.

This study recommends that further research be undertaken into the impact of technology on bank account promotion, particularly mobile money accounts, to drive financial inclusion. It is important to investigate why mobile money initiatives failed in South Africa but worked well in Kenya.

The co-operative banking industry can benefit from further research into ways of improving current CB structures, streamlining the CB model in South Africa, while removing perceived and actual barriers to entry for prospective CB candidates. The Co-operative Banking purpose and model is one that holds a lot of potential to drive financial inclusion, among low-income individuals, and should therefore become a focus for further research and development.

Alternative financial service providers are also a good case study to consider when looking at alternatives to mainstream financial institutions, but also regarding ways in which mainstream financial institutions can tailer their services and products to better suit and accommodate low-income individuals.

Further studies also need to be conducted to understand how low-income savings vehicles should be designed and which elements they should include to accommodate the poorer unbanked segment (i.e. health and other emergencies, credit for income and consumption smoothing, or possibly for life cycle events such as; deaths, births and marriages) (Kamath, 2007) and (Mashigo, 2006).

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Appendices

A. Financial Inclusion: World View (& by Country)

World

Population, age 15+ (millions)	5,502.4	GNI per capita ($)	10,308

Account (% age 15+)	
All adults	68.5
All adults, 2014	62.0
All adults, 2011	50.6
Financial institution account (% age 15+)	
All adults	67.1
All adults, 2014	61.2
All adults, 2011	50.6
Mobile money account (% age 15+)	
All adults	4.4
All adults, 2014	2.1
Account, by individual characteristics (% age 15+)	
Women	64.8
Adults belonging to the poorest 40%	60.5
Adults out of the labor force	59.3
Adults living in rural areas	66.0
Digital payments in the past year (% age 15+)	
Made or received digital payments	52.3
Made or received digital payments, 2014	41.5
Used an account to pay utility bills	22.3
Used an account to receive private sector wages	15.9
Used an account to receive government payments	16.3
Used the internet to pay bills or to buy something online	29.0
Used a mobile phone or the internet to access an account	24.9
Used a debit or credit card to make a purchase	32.6
Inactive account in the past year (% age 15+)	
No deposit and no withdrawal from an account	13.4
No deposit and no withdrawal from a financial institution account	13.7
Domestic remittances in the past year (% age 15+)	
Sent or received domestic remittances through an account	..
Sent or received domestic remittances through an OTC service	..
Sent or received domestic remittances through cash only	..
Saving in the past year (% age 15+)	
Saved at a financial institution	26.7
Saved at a financial institution, 2014	27.3
Saved using a savings club or person outside the family	..
Saved any money	48.4
Saved for old age	20.6
Credit in the past year (% age 15+)	
Borrowed from a financial institution or used a credit card	22.5
Borrowed from a financial institution or used a credit card, 2014	22.3
Borrowed from family or friends	25.8
Borrowed any money	47.5
Outstanding housing loan	11.2

High income

Population, age 15+ (millions)	992.0	GNI per capita ($)	41,150

Account (% age 15+)	
All adults	93.7
All adults, 2014	92.8
All adults, 2011	88.3
Financial institution account (% age 15+)	
All adults	93.7
All adults, 2014	92.8
All adults, 2011	88.3
Mobile money account (% age 15+)	
All adults	..
All adults, 2014	..
Account, by individual characteristics (% age 15+)	
Women	92.9
Adults belonging to the poorest 40%	90.0
Adults out of the labor force	89.9
Adults living in rural areas	93.7
Digital payments in the past year (% age 15+)	
Made or received digital payments	90.5
Made or received digital payments, 2014	86.4
Used an account to pay utility bills	59.7
Used an account to receive private sector wages	38.9
Used an account to receive government payments	34.3
Used the internet to pay bills or to buy something online	67.6
Used a mobile phone or the internet to access an account	51.8
Used a debit or credit card to make a purchase	80.1
Inactive account in the past year (% age 15+)	
No deposit and no withdrawal from an account	3.8
No deposit and no withdrawal from a financial institution account	3.8
Domestic remittances in the past year (% age 15+)	
Sent or received domestic remittances through an account	..
Sent or received domestic remittances through an OTC service	..
Sent or received domestic remittances through cash only	..
Saving in the past year (% age 15+)	
Saved at a financial institution	54.8
Saved at a financial institution, 2014	49.6
Saved using a savings club or person outside the family	..
Saved any money	71.4
Saved for old age	43.9
Credit in the past year (% age 15+)	
Borrowed from a financial institution or used a credit card	55.1
Borrowed from a financial institution or used a credit card, 2014	51.9
Borrowed from family or friends	13.3
Borrowed any money	64.4
Outstanding housing loan	26.6

United States

			High income
Population, age 15+ (millions)	261.6	GNI per capita ($)	56,810

	Country data	High income
Account (% age 15+)		
All adults	93.1	93.7
All adults, 2014	93.6	92.8
All adults, 2011	88.0	88.3
Financial institution account (% age 15+)		
All adults	93.1	93.7
All adults, 2014	93.6	92.8
All adults, 2011	88.0	88.3
Mobile money account (% age 15+)		
All adults	..	..
All adults, 2014	..	..
Account, by individual characteristics (% age 15+)		
Women	92.7	92.9
Adults belonging to the poorest 40%	85.2	90.0
Adults out of the labor force	94.0	89.9
Adults living in rural areas	92.6	93.7
Digital payments in the past year (% age 15+)		
Made or received digital payments	91.1	90.5
Made or received digital payments, 2014	91.2	86.4
Used an account to pay utility bills	58.2	59.7
Used an account to receive private sector wages	34.0	38.9
Used an account to receive government payments	34.8	34.3
Used the internet to pay bills or to buy something online	77.2	67.6
Used a mobile phone or the internet to access an account	67.3	51.8
Used a debit or credit card to make a purchase	85.9	80.1
Inactive account in the past year (% age 15+)		
No deposit and no withdrawal from an account	2.9	3.8
No deposit and no withdrawal from a financial institution account	2.9	3.8
Domestic remittances in the past year (% age 15+)		
Sent or received domestic remittances through an account	..	..
Sent or received domestic remittances through an OTC service	..	..
Sent or received domestic remittances through cash only	..	..
Saving in the past year (% age 15+)		
Saved at a financial institution	62.2	54.8
Saved at a financial institution, 2014	54.1	49.6
Saved using a savings club or person outside the family	..	..
Saved any money	79.3	71.4
Saved for old age	54.0	43.9
Credit in the past year (% age 15+)		
Borrowed from a financial institution or used a credit card	68.4	55.1
Borrowed from a financial institution or used a credit card, 2014	64.6	51.9
Borrowed from family or friends	15.2	13.3
Borrowed any money	77.4	64.4
Outstanding housing loan	34.0	26.6

Thailand

East Asia & Pacific			Upper middle income
Population, age 15+ (millions) 56.7		GNI per capita ($)	5,640

	Country data	East Asia & Pacific	Upper middle income
Account (% age 15+)			
All adults	81.6	70.6	73.1
All adults, 2014	78.1	69.1	71.6
All adults, 2011	72.7	55.1	57.0
Financial institution account (% age 15+)			
All adults	81.0	70.3	72.8
All adults, 2014	78.1	68.9	71.5
All adults, 2011	72.7	55.1	57.0
Mobile money account (% age 15+)			
All adults	8.3	1.3	3.2
All adults, 2014	1.3	0.4	0.8
Account, by individual characteristics (% age 15+)			
Women	79.8	67.9	69.3
Adults belonging to the poorest 40%	77.5	59.3	62.4
Adults out of the labor force	73.9	59.8	61.6
Adults living in rural areas	80.7	68.8	72.9
Digital payments in the past year (% age 15+)			
Made or received digital payments	62.3	58.0	62.3
Made or received digital payments, 2014	33.2	39.0	44.4
Used an account to pay utility bills	10.5	20.8	22.6
Used an account to receive private sector wages	12.0	15.9	17.8
Used an account to receive government payments	27.9	12.2	17.9
Used the internet to pay bills or to buy something online	18.7	38.6	37.5
Used a mobile phone or the internet to access an account	17.4	31.0	30.6
Used a debit or credit card to make a purchase	21.3	33.1	38.1
Inactive account in the past year (% age 15+)			
No deposit and no withdrawal from an account	16.4	11.8	10.8
No deposit and no withdrawal from a financial institution account	16.4	11.9	11.0
Domestic remittances in the past year (% age 15+)			
Sent or received domestic remittances through an account	36.8	15.0	14.5
Sent or received domestic remittances through an OTC service	7.8	7.3	6.4
Sent or received domestic remittances through cash only	8.8	5.8	5.3
Saving in the past year (% age 15+)			
Saved at a financial institution	38.8	30.6	26.9
Saved at a financial institution, 2014	40.6	36.7	31.5
Saved using a savings club or person outside the family	17.3	8.6	5.9
Saved any money	61.8	53.1	46.4
Saved for old age	44.8	23.2	19.1
Credit in the past year (% age 15+)			
Borrowed from a financial institution or used a credit card	20.4	21.5	22.4
Borrowed from a financial institution or used a credit card, 2014	17.9	19.5	22.1
Borrowed from family or friends	29.4	29.6	26.1
Borrowed any money	47.5	46.8	44.4
Outstanding housing loan	11.0	10.8	11.1

India

South Asia			Lower middle income
Population, age 15+ (millions) 950.8		GNI per capita ($)	1,670

	Country data	South Asia	Lower middle income
Account (% age 15+)			
All adults	79.9	69.6	57.8
All adults, 2014	53.1	46.5	41.9
All adults, 2011	35.2	32.4	28.9
Financial institution account (% age 15+)			
All adults	79.8	68.4	56.1
All adults, 2014	52.8	45.6	40.6
All adults, 2011	35.2	32.4	28.9
Mobile money account (% age 15+)			
All adults	2.0	4.2	5.3
All adults, 2014	2.4	2.6	3.2
Account, by individual characteristics (% age 15+)			
Women	76.6	64.1	53.0
Adults belonging to the poorest 40%	77.1	65.6	50.7
Adults out of the labor force	75.1	61.7	50.8
Adults living in rural areas	79.3	69.2	57.6
Digital payments in the past year (% age 15+)			
Made or received digital payments	28.7	27.8	29.2
Made or received digital payments, 2014	19.3	16.7	19.7
Used an account to pay utility bills	6.5	7.1	7.5
Used an account to receive private sector wages	5.4	4.8	5.5
Used an account to receive government payments	8.1	7.1	8.3
Used the internet to pay bills or to buy something online	4.3	4.5	6.8
Used a mobile phone or the internet to access an account	5.3	7.1	8.3
Used a debit or credit card to make a purchase	12.3	10.0	10.0
Inactive account in the past year (% age 15+)			
No deposit and no withdrawal from an account	38.5	31.2	21.6
No deposit and no withdrawal from a financial institution account	38.7	31.6	22.0
Domestic remittances in the past year (% age 15+)			
Sent or received domestic remittances through an account	7.4	7.6	10.1
Sent or received domestic remittances through an OTC service	0.8	1.9	4.7
Sent or received domestic remittances through cash only	8.3	8.3	8.8
Saving in the past year (% age 15+)			
Saved at a financial institution	19.6	17.2	15.9
Saved at a financial institution, 2014	14.4	12.7	14.4
Saved using a savings club or person outside the family	8.4	10.2	13.0
Saved any money	33.6	33.2	39.7
Saved for old age	11.2	11.4	13.2
Credit in the past year (% age 15+)			
Borrowed from a financial institution or used a credit card	8.1	7.8	9.8
Borrowed from a financial institution or used a credit card, 2014	9.1	8.6	10.0
Borrowed from family or friends	32.7	31.3	30.4
Borrowed any money	42.4	41.5	42.9
Outstanding housing loan	4.6	5.1	5.0

South Africa

Sub-Saharan Africa			Upper middle income
Population, age 15+ (millions) 39.6		GNI per capita ($)	5,480

	Country data	Sub-Saharan Africa	Upper middle income
Account (% age 15+)			
All adults	69.2	42.6	73.1
All adults, 2014	70.3	34.2	71.6
All adults, 2011	53.6	23.2	57.0
Financial institution account (% age 15+)			
All adults	67.4	32.8	72.8
All adults, 2014	68.8	28.8	71.5
All adults, 2011	53.6	23.2	57.0
Mobile money account (% age 15+)			
All adults	19.0	20.9	3.2
All adults, 2014	14.4	11.6	0.8
Account, by individual characteristics (% age 15+)			
Women	70.0	36.9	69.3
Adults belonging to the poorest 40%	62.6	31.9	62.4
Adults out of the labor force	59.1	31.4	61.6
Adults living in rural areas	68.7	39.5	72.9
Digital payments in the past year (% age 15+)			
Made or received digital payments	60.1	34.4	62.3
Made or received digital payments, 2014	58.8	26.9	44.4
Used an account to pay utility bills	13.5	7.7	22.6
Used an account to receive private sector wages	15.3	5.7	17.8
Used an account to receive government payments	27.8	7.3	17.9
Used the internet to pay bills or to buy something online	14.1	7.6	37.5
Used a mobile phone or the internet to access an account	20.6	20.8	30.6
Used a debit or credit card to make a purchase	25.3	7.5	38.1
Inactive account in the past year (% age 15+)			
No deposit and no withdrawal from an account	12.2	5.5	10.8
No deposit and no withdrawal from a financial institution account	13.3	7.1	11.0
Domestic remittances in the past year (% age 15+)			
Sent or received domestic remittances through an account	28.3	22.7	14.5
Sent or received domestic remittances through an OTC service	16.1	11.0	6.4
Sent or received domestic remittances through cash only	8.0	9.4	5.3
Saving in the past year (% age 15+)			
Saved at a financial institution	22.1	14.9	26.9
Saved at a financial institution, 2014	32.7	15.8	31.5
Saved using a savings club or person outside the family	29.5	25.3	5.9
Saved any money	59.3	54.4	46.4
Saved for old age	10.4	10.3	19.1
Credit in the past year (% age 15+)			
Borrowed from a financial institution or used a credit card	13.5	8.4	22.4
Borrowed from a financial institution or used a credit card, 2014	18.9	7.5	22.1
Borrowed from family or friends	37.4	31.0	26.1
Borrowed any money	53.1	45.7	44.4
Outstanding housing loan	5.7	4.7	11.1

(*The Little Data Book on Financial Inclusion 2018*, 2018)

B. Cost of traditional investment instruments (brokerage fees, STC, etc.)

"The total expense ratio (TER) is a measure of the total costs associated with managing and operating an investment fund, such as a mutual fund. These costs consist primarily of management fees and additional expenses, such as trading fees, legal fees, auditor fees, and other operational expenses".

Components of TER

Three major costs add up to TER for mutual funds. These include:

1. **Management fees**
   A mutual fund's performance is closely tied to its fund manager. The strategy and decision-making abilities of the fund manager typically dictates the mutual fund's revenue and returns. Therefore, a fund house must compensate their managers for their expertise.

2. **Administrative costs**
   Managing a mutual fund entails various costs such as registrar and transfer fees, custodian charges, legal and audit fees , management expenses, advertising and marketing fees etc. All these tiny costs contribute significantly to a fund's expenses.

3. **Distribution fees**
   Some mutual funds also charge distribution fees as commission for selling mutual fund units This added component would be included in the fund's Regular Plan TER.

Capitec Global One Account

Capitec Global One	2020/21 Fees	R500 transaction	2021/22 Fees	R500 transaction	% Change
Withdrawal (Native)	R8.00 / R1000	R8.00	R7.50 / R1000	R7.50	-6.3%
Withdrawal (Other)	R9.00 / R1000	R9.00	R9.75 / R1000	R9.75	+8.3%
Withdrawal (POS)	R1.20	R1.20	R1.60	R1.60	+33.3%
Deposits	R1.20 / R100	R6.00	R1.30 / R100	R6.50	+8.3%
Debit orders	R3.50		R3.50		–
Account fee (PAYT)	R5.00		R5.00		–

ABSA Transact Account

Absa Transact Account	2021 Fees	R500 transaction	2022 Fees	R500 transaction	% Change
Withdrawal (Native)	R8.00/R1000	R8.00	R8.00/R1000	R8.00	–
Withdrawal (Saswitch)	R12.00 + R2.20/R100	R23.00	R12.00+R2.30/R100	R23.50	+2.2%
Withdrawal (POS)	Free	Free	Free	Free	–
Deposit (ATM)	R2.20/R100	R11.00	R2.30/R1.00	R11.50	+4.5%
Debit orders (internal)	Free		Free		–
Debit orders (external)	R3.50		R1.00		-71.4%
Monthly account fee (PAYT)	R4.90		R4.90		–

Standard Bank MyMo Account (My Money)

Standard Bank MyMo PAYT	2021 Fees	R500 transaction	2022 Fees	R500 transaction	% Change
Withdrawal (Native)	R7.50/R1000	R7.50	R8.00/R1000	R8.00	+6.7%
Withdrawal (Other)	R10.00/R1000	R10.00	R10.50/R1000	R10.00	+5.0%
Withdrawal (POS)	R1.40	R1.40	R1.40	R1.40	–
Deposit (ATM)	R9.00/R1000	R9.00	R1.00/R100	R5.00	-44.4%
Debit orders	R3.50		R3.50		–
Account fee (PAYT)	R4.95		R4.95		–

Nedbank PAYU Account

Nedbank PAYU Account	2021 Fees	R500 transaction	2022 Fees	R500 transaction	% Change
Withdrawal (Native)	R8.00 / R1000	R8.00	R9.00 / R1000	R9.00	+12.5%
Withdrawal (Other)	R10.50 + R2.20 / R100	R21.50	R11.00+R2.30 / R100	R22.50	+4.7%
Withdrawal (POS)	R2.00	R2.00	R2.00	R2.00	–
Deposit (ATM)	R1.20 / R100	R6.00	R1.30 / R100	R6.50	+8.3%
Debit order (internal)	Free		Free		–
Debit order (external)	R5.50		R5.00		–
Monthly account fee (PAYT)	Free		Free		–

FNB Easy (PAYU) Account (Pay as You Use)

FNB Easy Account (PAYU)	2020/21 Fees	R500 transaction	2021/22 Fees	R500 transaction	% Change
Withdrawal (Native)	*R8.00* / R1000	R8.00	R1.20 / R100	R6.00	-25.0%
Withdrawal (Other)	R12.00 / R1000	R12.00	R15.00 / R1000	R15.00	+25.0%
Withdrawal (POS)	Free	Free	Free	Free	–
Deposit (ATM)	R1.10 / R100	R5.50	R1.20 / R100	R6.00	+9.0%
Debit order (internal)	R1.50		R1.00		-33.3%
Debit order (external)	R3.50		R3.50		–
Monthly account fee	R4.95		R4.95		–

African Bank MyWORLD Account

African Bank MyWORLD	2020/21 Fees	R500 transaction	2021/22 Fees	R500 transaction	% Change
Withdrawal (Native)	R6.00 / R1000	R6.00	R8.50 / R1000	R8.50	+41.7%
Withdrawal (Other)	R6.00 / R1000	R6.00	R8.50 / R1000	R8.50	+41.7%
Withdrawal (POS)	R2.00	R2.00	R2.00	R2.00	–
Deposit (ATM)	2% of amount	R10.00	R2.00 / R100	R10.00	–
Debit orders (external only)	R4.00		R4.00		–
Monthly account fee (PAYT)	Free		Free		–

TymeBank Account (Online Bank)

TymeBank Account	2020/21 Fees	R500 transaction	2021/22 Fees	R500 transaction	% Change
Withdrawal (Debit card – PnP/Boxer)	Free	Free	R3.00*	R3.00	+R3.00
Withdrawal (ATM)	R9.00 / R1000	R9.00	R10.00	R10.00	+11.1%
Withdrawal (POS)	R3.00	R3.00	R3.00	R3.00	–
Deposit (PnP/Boxer)	R6.00	R6.00	R7.00	R7.00	+16.7%
Debit order (internal)	Free		Free		–
Debit order (external)	R2.00		Free		–
Monthly account fee (PAYT)	Free		Free		–

Old Mutual Money Account

Old Mutual Money Account	2020/21 Fees	R500 transaction	2021/22 Fees	R500 transaction	% Change
Withdrawal (Native)	R12.00 / R1000	R12.00	R15.00 / R1000	R15.00	+25.0%
Withdrawal (Other)	R12.00 / R1000	R12.00	R15.00 / R1000	R15.00	+25.0%
Withdrawal (POS)	R1.00	R1.00	R2.00	R2.00	+100.0%
Deposit	R12.00*	R12.00	R12.00*	R12.00	–
Debit orders	R2.50		R3.00		+20.0%
Account fee (PAYT)	R4.95		R4.95		–

Bidvest Bank Grow (PAYT) Account (Pay as You Transact)

Bidvest Bank Grow Account (PAYT)	2020/21 Fees	R500 transaction	2021/22 Fees	R500 transaction	% Change
Withdrawal (Native)	R6.00	R6.00	R6.00/R1000	R6.00	–
Withdrawal (Other)	R10.00 + R1.80/R100	R19.00	R10.00 + R2.80/R100	R24.00	+26.3%
Withdrawal (POS with purchase)	R5.00	R5.00	R5.00	R5.00	–
Deposit (Branch)	1.5% of value	R7.50	3.0% of value	R15.00	+100%
Debit orders	R5.00		R5.00		–
Account fee (PAYT)	R6.00		R6.00		–

Bank Zero Account (Online Bank)

Bank Zero	2021 Fees	R500 transaction	2022 Fees	R500 transaction	% Change
Withdrawal (ATM)	R9.00 / R1000	R9.00	R9.00 / R1000	R9.00	–
Withdrawal (POS)	R2.00	R2.00	R2.00	R2.00	–
Deposit	n/a	n/a	n/a	n/a	–
Debit orders	Free		Free		
Monthly account fee	Free		Free		–

Sygnia Top 40 (ETF) Fees

Fees	
Management Fee	0.35% per annum (excluding VAT)
Other costs	0.08%
VAT	0.06%
Total Expense Ratio (TER)	0.49% (Dec 2021)
Transaction Costs (TC)	0.25% (Dec 2021)
Total Investment Charge (TIC)	0.74% (Dec 2021)

Fees are inclusive of VAT

1nvest Top 40 (ETF) Fees

What are the costs to invest in this fund?

Maximum charges including VAT	
	Class A
Annual fee	0.288%
Performance fee	N/A

Annual fee - this is a service charge (% based) applicable to each class of a fund, that is levied on the value of your portfolio and includes the fund management fee and administration fee. The fee also includes other charges such as audit, custody and index provider fees that are normally additional permissible deductions. Annual fees are calculated and accrued daily and recovered monthly from the income awaiting distribution in the fund.

This portfolio is an exchange traded fund (ETF). The charges detailed above relate to the portfolio, they do not include the fees for trading on an exchange. Brokerage fees, which are payable when buying or selling an ETF on an exchange, are levied by a broker and may vary depending on the broker used.

Cost ratios (annual) including VAT as at 30 September 2021	
	Class A
Based on period from:	01/10/2018
Total Expense	0.29%
Transaction Costs	0.00%
Total Investment Charge	0.29%
1 Year Total Expense	0.29%

Total Expense (TER): This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TERs.
Transaction Costs (TC): This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.
Total Investment Charges (TIC): This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

Satrix Top 40 (ETF) Fees

Fund Information

Category	Exchange Traded Fund
Instrument Code	STX40
Management Fee*	0.09% (incl. VAT)
Total Expense Ratio (TER)**	0.10% (incl. VAT)
Transaction Cost (TC)***	0.04%

Ashburton Top 40 (ETF) Fees

Fee structure (%)	Highest fee cls(A)
Annual management fee	0.09% (excl. VAT)
Total expense ratio (TER)	0.14%
Transaction charges (TC)	0.05%
Total investment charges (TIC)	0.19%

ETF ASHBURTON INVESTMENTS

Global 1200 FOF

Short Name: ASHEQF

The Ashburton Global 1200 ETF provides investors with efficient exposure to the global equity market by tracking the S&P Global 1200. Ashburton Global 1200 ETF houses various global indices under one fund. Ashburton Global 1200 ETF combines seven indices:

ETF 1nvest

1nvest MSCI World

Short Name: ETFWLD

The STANLIB MSCI World Index Feeder ETF is an exchange-traded fund incorporated in South Africa. The objective is to track the MSCI World Index (the Index) as closely as possible, in South African Rand. The fund is a feeder fund and as such it invests in the iShares Core

ETF CORESHARES

Total World

Short Name: GLOBAL

The Coreshares Total World Stock Feeder Exchange Traded Fund tracks the FTSE Global All Cap Index, which covers both well-established (developed) and still-developing (emerging) markets. To achieve its investment objective, the Fund will, apart from assets in

Basic Information		Basic Information		Basic Information	
Current Price:		**Current Price:**		**Current Price:**	
Last Updated:	2022-01-27	**Last Updated:**	2022-01-27	**Last Updated:**	2022-01-27
Provider:	Ashburton	**Provider:**	1nvest	**Provider:**	CoreShares
Factsheet:	View	**Factsheet:**	View	**Factsheet:**	View
Inception Date :	2017-10-06	**Inception Date :**	2018-03-14	**Inception Date :**	2021-05-17
Index Tracked :	S&P Global 1200 Index	**Index Tracked :**	MSCI World Index	**Index Tracked :**	FTSE Global All Cap Index
Fund CCY:	Global	**Fund CCY:**	Global	**Fund CCY:**	Global
Fund Size:	R 1 336 690 796	**Fund Size:**	R 121 572 321	**Fund Size:**	R 235 758 150
TER in % p.a:	0.46% ▲	**TER in % p.a:**	0.40% ▲	**TER in % p.a:**	0.27% ▲
1Y in %:	11.66% ▲	**1Y in %:**	13.57% ▲	**1Y in %:**	n/a

Performance		Performance		Performance	
Last Updated	2022-01-27	**Last Updated**	2022-01-27	**Last Updated**	2022-01-27
1 Week	-2.28% ▼	**1 Week**	-2.74% ▼	**1 Week**	-2.28% ▼
1 Month	-7.80% ▼	**1 Month**	-6.77% ▼	**1 Month**	-8.38% ▼
3 Months	-2.87% ▼	**3 Months**	-2.44% ▼	**3 Months**	-4.58% ▼
1 Year	11.66% ▲	**1 Year**	13.57% ▲	**1 Year**	n/a%
3 Years	19.82% ▲	**3 Years**	21.32% ▲	**3 Years**	n/a
5 Years	n/a	**5 Years**	n/a	**5 Years**	n/a
YTD	-11.05% ▼	**YTD**	-9.78% ▼	**YTD**	-11.47% ▼

Source: https://etfs.easyequities.co.za/compare

C. Research Synthesis Types: Conventional Synthesis – Integrative Review

Types of Research Synthesis	Key Characteristics	Purpose	Methods	Product
CONVENTIONAL **Integrative Review**	**What is it?** "The integrative literature review is a form of research that reviews, critiques, and synthesizes representative literature on a topic in an integrated way such that new frameworks and perspectives on the topic are generated" [[14], p.356]. **Data type:** Integrative literature reviews include studies using diverse methodologies (i.e., experimental and non-experimental research, as well as qualitative research) in order to more fully understand a phenomenon of interest. It may also include theoretical and empirical literature. **Research question:** Start by clearly identifying the problem that the review is addressing and the purpose of the review. There usually is not a specific research question, but rather a research purpose. **Quality appraisal:** The quality of primary sources may be appraised using broad criteria. How quality is evaluated will depend upon the sampling frame [18].	Integrative reviews are used to address mature topics in order to re-conceptualize the expanding and diverse literature on the topic. They are also used to comprehensively review new topics in need of preliminary conceptualization [14]. Integrative reviews should ultimately present the "state of the art" of knowledge, depict the breadth and depth of the topic, and contribute to greater understanding of the phenomenon [18].	Integrative reviews generally contain similar steps [14,18], which include the following: 1) Identify a clear problem. 2) Determine the variables of interest (e.g., population, concept). 3) State a specific research purpose. 4) Define and clearly document a search strategy. Aim to locate as many of the existing studies as possible. Purposive sampling may be used along with a more comprehensive approach. 5) Critically evaluate the quality of primary reviews depending on the sampling frame used in the integrative review. 6) Identify a systematic analytic method. The constant comparative method [86,135] is one overarching approach commonly used. 7) Keep a record of the process of data analysis (e.g., hunches, decisions, ideas about interpretation). 8) State methodological limitations.	Conclusions are often presented in a table/diagram. Explicit details from primary sources to support conclusions must be provided to demonstrate a logical chain of evidence. Torraco [14] suggests they can be represented in four forms: 1) A research agenda, 2) A taxonomy or conceptual classification of constructs, 3) Alternative models/conceptual framework, and 4) Metatheory. Results should emphasize implications for policy/practice [18].

Source: (Schick-Makaroff *et al.*, 2016)