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SA's big banks to help boost state capacity, says Basa

Basa chair says banks cannot sit on the sidelines but must contribute to reviving the economy

BL PREMIUM

11 JANUARY 2024 - 05:00

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Banking Association SA chair Lungisa Fuzile. File photo: FREDDY MAVUNDA

SA's big banks will help increase the proficiency of the state for both the sector's and the national interest, the Banking Association SA (Basa) says.

This comes after the local financial services sector faces greater exposure to government debt as foreign appetite for SA's government bonds wanes. The Reserve Bank has warned that a "high level of exposure to government debt by financial institutions represents a potential vulnerability".

Basa chair Lungisa Fuzile said in the organisation's annual report: "This is but one example of why banks cannot sit on the sidelines but must contribute whatever they can to reviving the SA economy and increasing the efficiency of the state — for their own interests and in the national interest.

"No business can thrive — create jobs and profits for its investors — in a country where vital economic infrastructure is deteriorating and policy instability and incoherence deter long-term investment ... working with government does not compromise the independence of business — which must continue to hold government to account — but it can contribute to a SA that delivers prosperity for everyone."

Basa is governed by a board comprised of the CEOs of Nedbank, Absa, First National Bank, Standard Bank, Investec and Capitec — which make up the country’s six big banks.

The private sector through bodies such as Business Unity SA (Busa) has been helping to tackle the three main challenges regarded as key to growing the economy: erratic electricity supply, the logistics crisis, and crime and corruption.

Business Day reported in December that the coal industry has stepped in to provide financial assistance to cash-strapped Transnet to procure locomotive spare parts. The lack of parts has undermined the performance of the rail, ports and pipeline operators over the past few years, costing the economy billions of rand and thousands of jobs.

A group of more than 100 CEOs of SA’s largest companies last year signed a pledge to assist the government in tackling its three challenges.

CEOs who are signatories to the pact include those of Standard Bank, FNB, Shell, Anglo American, Naspers, Woolworths, Spar, Vodacom, MTN, Remgro, Netcare and Sasol.

Richards Bay Coal Terminal (RBCT) and Transnet have since entered into a co-operation agreement that allows for RBCT to purchase the spares on behalf of Transnet and for the costs to be recovered by RBCT’s shareholders.

Fuzile also commented on SA’s diplomatic relations with Russia, which have dominated headlines since Russia invaded Ukraine in 2022 in a war that is still raging.

Close diplomatic ties between Pretoria and the Kremlin have often been a source of tension between SA and the US.

“While it is correct for SA to be nonaligned, it must ensure that it is seen to be even-handed in its dealings with both sides. Globally, banks face increasingly complex transactional and risk assessment burdens, as the US, UK and Europe have imposed sanctions against Russian entities for, among other reasons, the war in Ukraine,” Fuzile said.

“Violation of these sanctions — intended or not, by governments and companies — can have dire consequences, like the imposition of financial sanctions by the US and EU, among others. Financial sanctions would be especially harmful for countries that trade in dollars and depend on international financial markets to raise investment and fund government spending.”

Fuzile also weighed in on the state of consumers and small businesses, which have been battered by high interest rates and costs of living.

SA’s lenders have responded to the surge in bad debts by tightening lending criteria as consumers struggle to keep up with repayments.

One of SA’s biggest unsecured lenders, Capitec, said in its results for the six months to end-August that gambling transactions increased 35%, “putting further strain on household cash flow”.

Standard Bank’s credit impairment charges in the six months to June leapt 42% to R8.4bn.

Absa in its interim results reported a 60% surge in total credit impairments to R8.3bn, while Nedbank’s impairment charge increased 57% to R5.3bn.

“The weak economy, limited income growth and high inflation that has increased the cost of living have put households and businesses under greater financial stress, hampering their ability to repay loans,” Fuzile said.

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