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Banking the **Unbanked:** Mzansi a Solution Or a Setback?

WHILE banking the **unbanked** is an undeniable social good, there are a number of questions pertaining to the Mzansi national bank account, the big four banks' solution launched on Monday, that trigger debate. They are:

What was and is the level of collusion between the big four banks around the Mzansi product offering?

Will Mzansi, in fact, meet the needs of the **unbanked?**

Will currently banked clients migrate to Mzansi with concomitant erosion of the banks' fee income?

Could the successful launch of Mzansi have an effect on the proposed Dedicated Banks Bill?

There is no doubt that the big four banks worked together to launch Mzansi. However, the differing fee structures do indicate that collusion between the big four banks is not perfect.

One of the account's main benefits is that customers can use it at the ATMs of other banks at no extra cost that is, the banks are waiving the interbank fees payable on not-on-us ATM transactions.

Of the big four banks, Absa Bank's product offering is the cheapest of the banks at 1,85% of total fees (R29,60) as a percentage of total deposits (R1600).

Given the affordability proxy of FinMark Trust that is 2% of monthly income only Nedbank's product falls outside acceptable affordability levels.

It is striking that in spite of significant economies of scale the big banks charge almost double the fees of Capitec Bank. Capitec already provides banking services to low-income South Africans, and is not offering the Mzansi product.

Not only is Capitec Bank's interest rate more favourable than that of the big four, its product offering has additional features such as debit orders.

According to the Cruickshank report titled Competition in UK Banking, the minimum requirements for basic banking services are the ability to receive electronic credits, make electronic payments, make deposits and access cash via ATMs or retail cash-back facilities.

Only Capitec Bank's product offering provides all the requirements for basic banking services.

Apart from the Nedbank-Pick 'n Pay GoBanking product, the fees payable on the big four banks' existing entry-level product offerings are significantly greater than those on the Mzansi account. In addition, the Mzansi account attracts a better interest rate, but existing product offerings do have better features.

The question arises given the trade-off between fees, interest and product features whether currently banked clients will migrate to the banks' Mzansi offering. It would appear that the only bank that has recognised this migration possibility is Nedbank. It stipulates a maximum balance of R15000 for a Mzansi account. If this amount is exceeded, the account will be frozen for further withdrawals and the client may be requested to close the Mzansi account and open a conventional bank account.

A successful launch of the Mzansi national banking account could arguably obstruct competition in the banking industry by making it difficult or unprofitable for new entrants to the industry. This would negate the envisaged effect of the proposed Dedicated Banks Bill, which seeks to set up a second tier of banks to better serve the banking needs of a broader range of South Africans.

The bill is not yet available for public comment but it is surmised that it will allow a wider range of participants such as retailers, telecommunications companies and microlenders into the banking industry by giving them banking licences with lower capital and supervisory requirements but restricted scope of banking operations.

It is evident from the pricing structure of the Mzansi account that collusion between the banks is incomplete. In addition, as the banks improve the features of their product offering to meet the needs of the **unbanked,** this divergence should become more evident.

Only time will tell if this foray by mainstream banks into a market segment of which they have limited understanding will be as expensive as their entry into microlending was.

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