



Presentation to the National Assembly Portfolio
Committee on Tourism

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Introducing the BASA delegation

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Enterprises Ecosystem
Enablement / Manager:
Sectors and Propositions

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Compliance

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Development
Retail & Business Bank

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Enterprise Development
Retail & Business Bank

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FNB Head: SME
Customer Segment

BASA Members

Commercial Banks

Absa
African Bank
Al Baraka
Bidvest Bank
Capitec
Discovery Bank
First Rand
Grindrod Bank
Gro Bank
Investec
Ithala Bank
Nedbank
Post Bank
Sasfin
Standard Bank
TymeBank
Ubank

International Banks

Bank of China
Bank of Taiwan
BNP Paribas
BofA Securities
China Construction Bank
City Bank
Deutsche Bank
Goldman Sachs
Habib Overseas Bank
HBZ Bank
HSBC
ICICI Bank
JP Morgan Chase
Societe Generale
Standard Chartered
State Bank of India

Mutual Banks Banks

FinBond Bank
GBS Mutual Bank

Mandate

The Banking Association South Africa (BASA) represents the interests of its members with regulators, legislators and stakeholders, to make banking sustainable, profitable and better able to contribute to the social and economic development and transformation of the country. Its members include **commercial, mutual and international banks** licensed to operate in South Africa.

As an industry association, BASA:

- **Consults** its members on industry responses to proposed regulation, legislation and social issues.
- **Does not** intervene in the business and operations of individual members.
 - Banks account directly to their regulators. BASA is not a regulator.
- **Refers consumer complaints** to the independent Ombudsman for Banking Services.
- Subscribes to the Code of Good Banking Practice



Protect savings

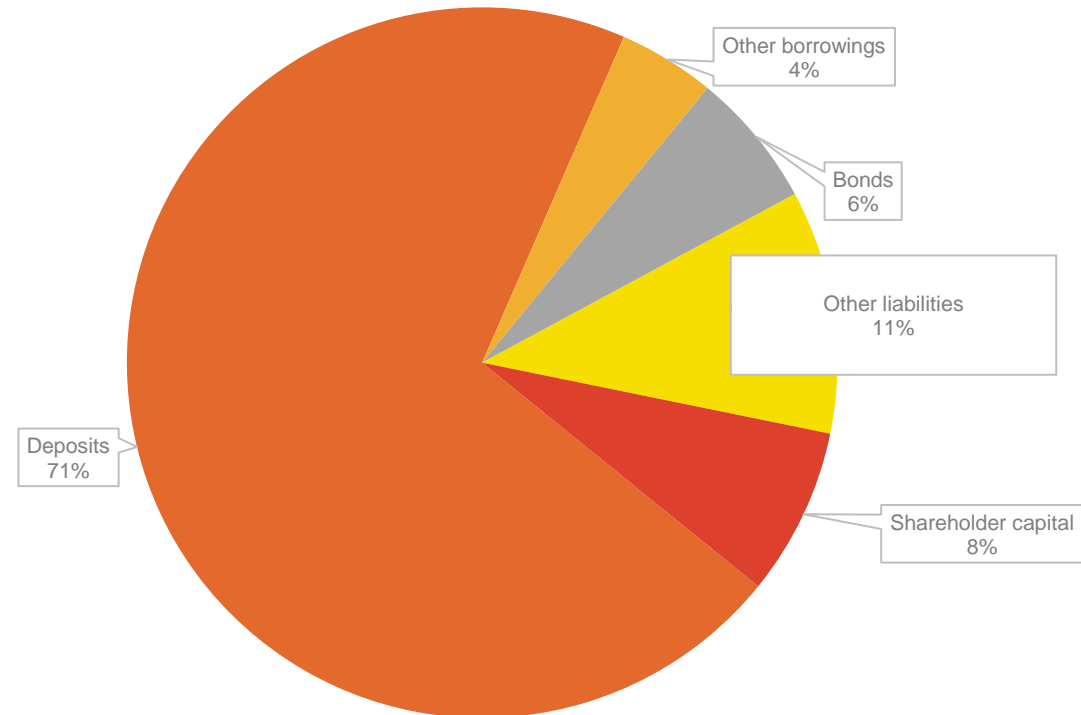


Banks are custodians of the salaries and savings of South African workers, companies, professionals and the public sector.



Pension funds and government are among those that trust banks to pay their money on demand.

Banks hold R6.6-trillion rand of savings from the public



Source: Reserve Bank

Facilitate payments

Every payment of a salary, bank transfer or use of a card in a store is handled by banks and payments infrastructure. There are billions of transactions each year, managed seamlessly.


R870-billion is handled every month in more than **100-million** individual transactions. That is an average of **R20-million** every minute


(Source: Bankserv)


In the year to March 2020, banks reported **299,259** suspicious transactions to the Financial Intelligence Centre and **6-million** transactions that breached cash deposit thresholds.

(Source: Financial Intelligence Centre)

Work with regulators

 Banks work with regulators, primarily the Reserve Bank, to ensure the financial stability of the country and to protect savings.

 South Africa meets international standards, which is essential to interact with the international financial system and raise funds in the rest of the world.

 Under the 'Twin Peaks' framework, the Prudential Authority, Financial Sector Conduct Authority, along with the National Credit Regulator, are among those that regulate the business and conduct of banks.

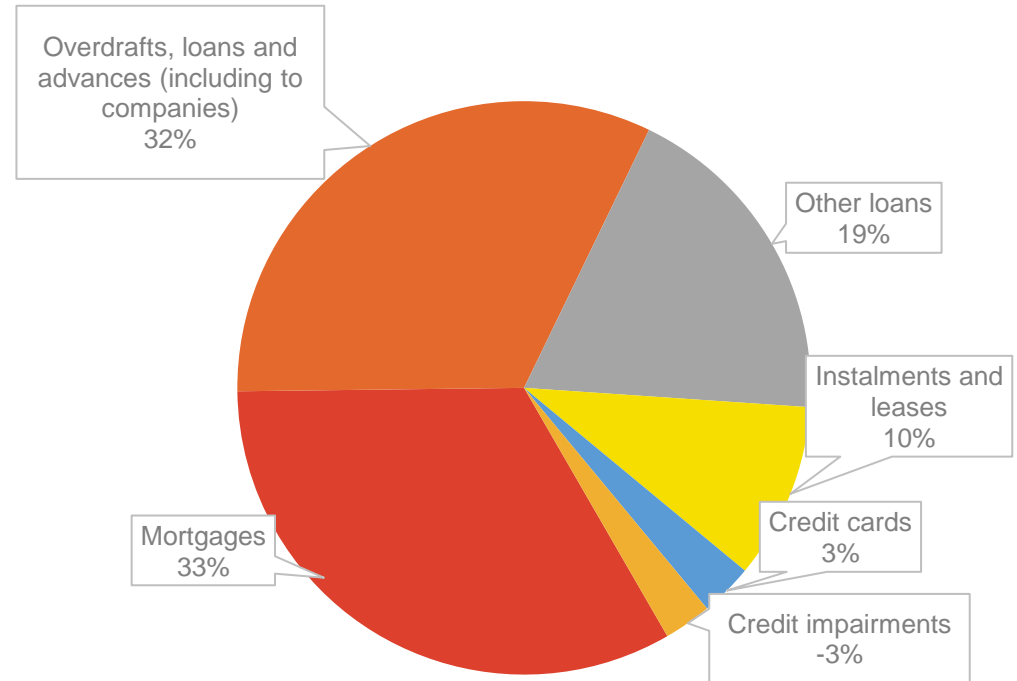
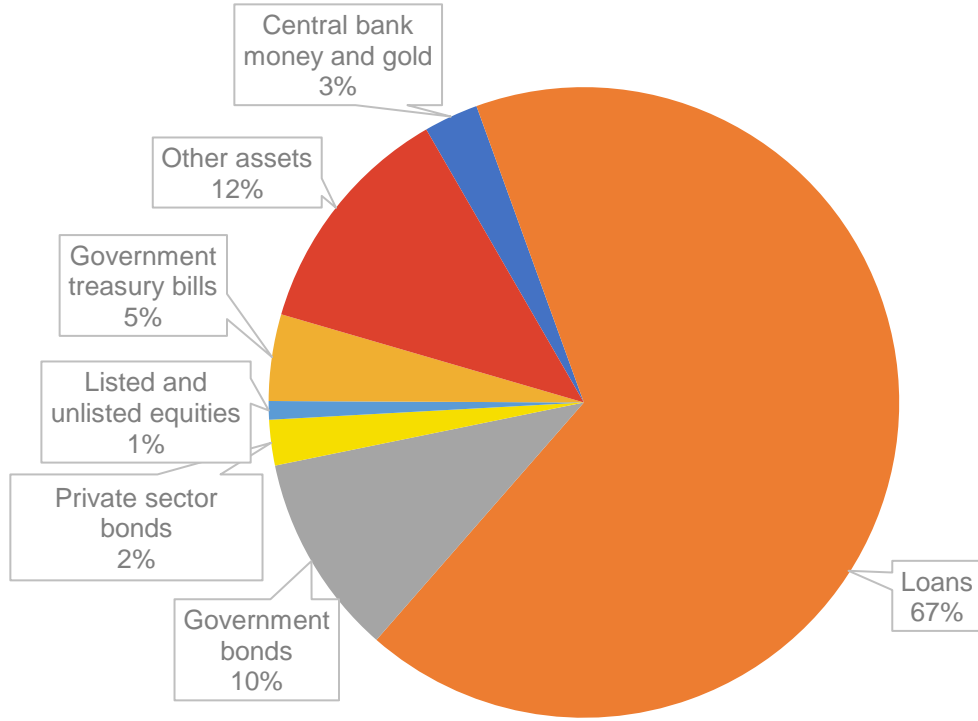


Finance economic growth

Banks lend and invest money to finance investment and spending by South Africans.



Two thirds of banks' assets (shown left) are loans to the public (shown right). These loans finance the expansion of the economy.



Source: Reserve Bank



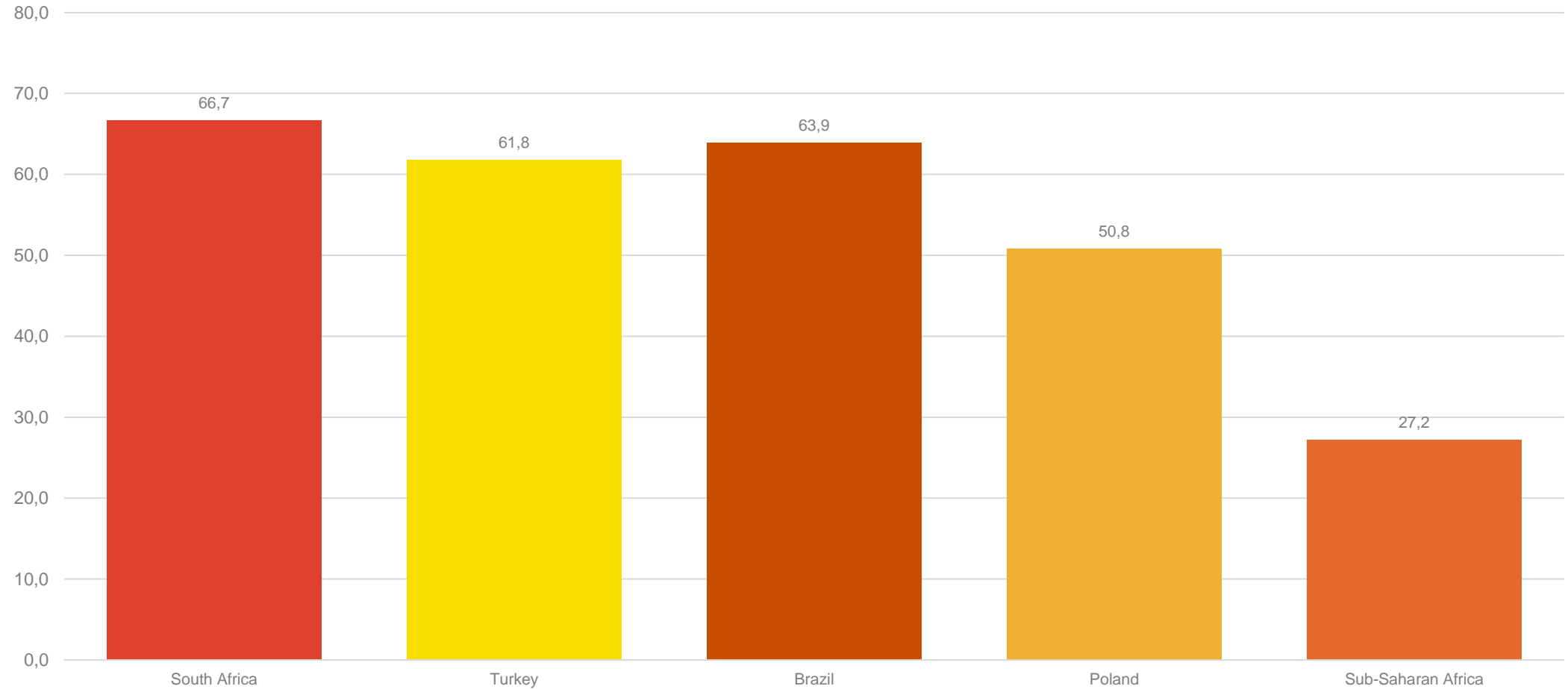
Access to credit



South African banks have greater credit penetration than comparable markets. The credit market relies on the rule of law and property rights.



Domestic credit to private sector by banks (% of GDP, 2019)



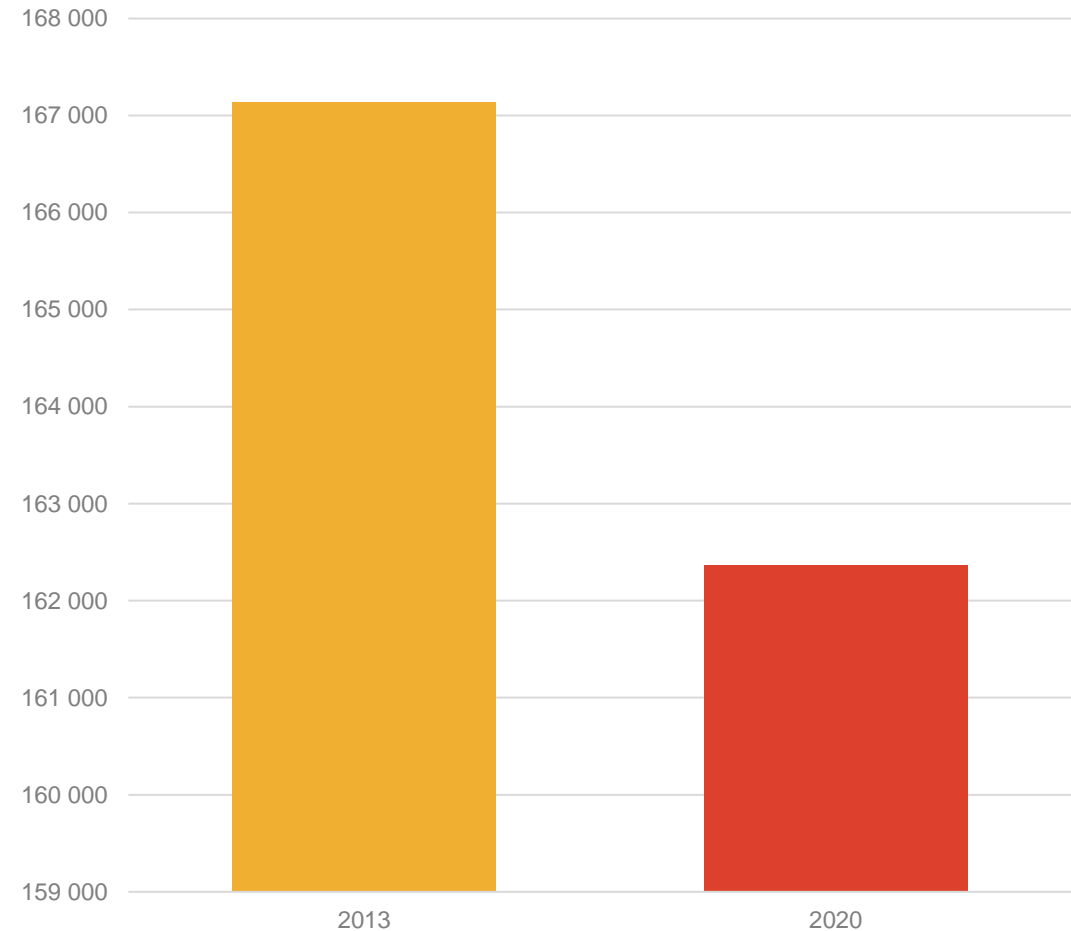
Creating jobs and paying taxes

The financial services sector pays **36% of all corporate tax (R122-billion in 2019)** despite making up only 23% of GDP.

The sector has **increased employment by 50%** since 2006 and now employs 2.3-million people, despite the increasing introduction of technology in their operations.

(StatsSA QLFS: Finance)

The six largest banks employ almost 163,000 people:



■ Importance of tourism sector to South Africa

- Tourism is a critical sector of the economy
- Provides 1.5 million indirect jobs
- The industry has 740,000 direct jobs
- Contributes R425 billion to GDP
- 80 percent are small businesses



The Portfolio Committee invited BASA to respond to the following:

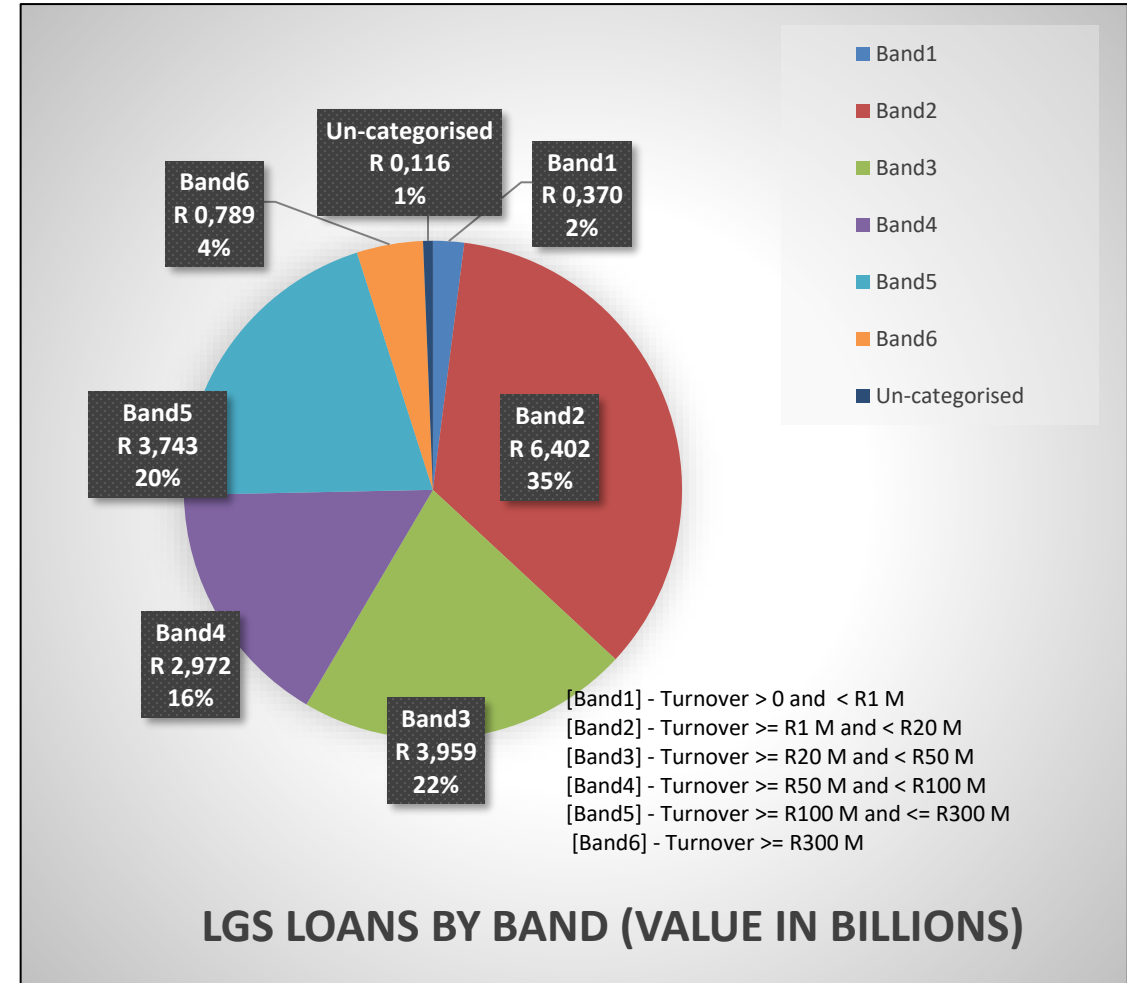
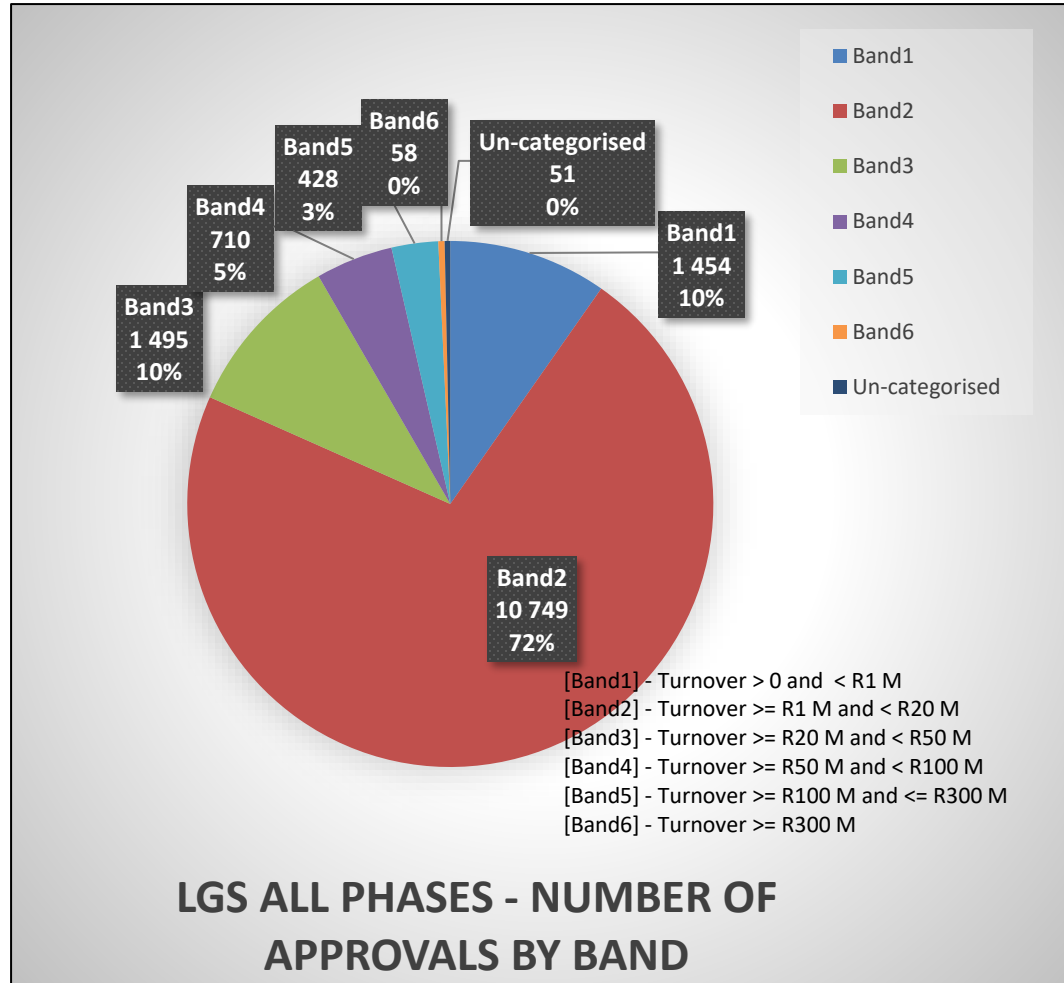


- Various funding facilities available to tourism SMMEs,
- Qualifying criteria for various funding facilities,
- Challenges experienced by tourism SMMEs in accessing available funding,
- Assistance provided by the banks for SMMEs to meet the funding requirements,
- Suggestions to improve tourism SMME funding,
- Any other relevant information

1a. Various funding facilities

1. Tourism Sector has access to the same lending facilities as clients in other sectors
2. Standard Commercial Products:
 - Overdrafts
 - Commercial Asset Finance
 - Term Lending
 - Mortgage-Backed Business Loans
 - Commercial Property Finance
 - Government Credit Guarantees (e.g. Khula Credit Guarantee from SEFA)
3. COVID-19 Loan Guarantee Scheme.
4. Some banks have enterprise development programmes which provide co-funding and grants
5. Banks are deposit-taking institutions with a duty to extend credit in line with a multitude of risk mitigating regulation.

1b. Covid-19 LGS –approvals by band – number and value



1c. More on Covid-19 Loan Guarantee Scheme

- No turnover cap
- Max loan amount R100million
- Business must have been in good standing as at end Dec. 2019
- Repayments required only after 13th Month
- Banks approved 14 827 loans to the value of R18,16 billion (as at 27 March)

■ 2. Qualifying criteria

■ **Standard lending criteria applies to all SMME's not just**

■ **tourism:**

- Affordability assessments
- Business viability & sustainability
- Sound financial and business management skills
- Credit worthiness
- Secured & unsecured credit appetite

3a. Funding challenges faced by tourism SMMEs

- Reduced tourist activity, due to continued lockdowns.
- Variant of Coronavirus negatively affected international tourism
- Difficulty in preparing relevant business documentation required by finance providers
- Lack of collateral and mitigants to solve banking risk in funding
- Low awareness of funding opportunities available to SMMEs
- Lack of access to markets affects revenue and therefore profitability

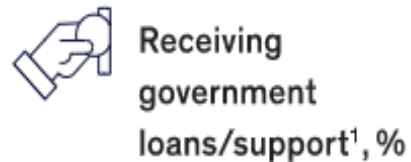
3b. Awareness

- Lack of awareness of funding opportunities exacerbates problem of funding (McKinsey Report)
- Private and Public Sector should find ways to make individuals and businesses aware of different support measures available

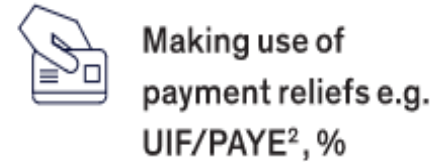
Low awareness of opportunities is preventing SMEs from accessing public sector funding

Flash survey conducted with ~100 SMEs in the South African market


Public sector



■ YES ■ NO



■ YES ■ NO



Top 3 reasons for not utilising support available³

- 1 I don't qualify for them
- 2 I was not aware of them
- 3 I'm aware of them, but don't know where to find information



3c. BASA awareness initiatives

1. Financial education divisions of banks together with BASA ran information campaigns on radio on different support measures on offer such as Payment holidays
2. BASA collaborated with SAIA to teach consumers:-
 - What long term, short-term and credit life insurance for SMME's entails - through radio.
 - Risk Management for SMME's
 - Managing credit during the Covid-19 pandemic

4. Assistance provided by banks

1. Banks administered the South African Future Trust
 - Processed R1.04 Billion, 9 656 SMME loans, to support 92 993 employees
2. Covid-19 Loan Guarantee Scheme (with SARB and National Treasury)
3. Payment holidays & moratoriums
 - R33,6 billion in payment relief from April '20-Sept '20
 - Relief for 2.7 million individual credit agreements and 135 540 business

5a. Suggestions to improve

- Stimulate local demand, focus on local travel and safety.
- Opening up of travel globally is the long-term booster of tourism sector
- Government support is key to galvanizing SMEs post COVID-19
- Government support could be in the form of relaxed levies, providing training and grants
- Synergy of government support initiatives through agencies like SEFA, SEDA that is sector-specific, is critical for impact
- Assessment and reform of laws impacting MSMEs - Output 5 of NISED Masterplan
- Simplify funding application process.
- Business development support initiatives.
- Corporates more generally could enable SMEs by focusing their supplier development for longer-term scale and competitiveness

5b. Suggestions to improve

1. Assistance to SMMEs should focus on:

- Providing targeted and sector-specific support for SMEs now and post crisis
- Drive innovation, research, and development
- Invest in the skills and capabilities that SMEs need at this time
- Boost the national entrepreneurship ecosystem

2. Tourism enterprises should also diversify their income streams by extending beyond the usual one product offering.(e.g. focus not just on leisure travel but also business)

3. They should also revisit their business models, for instance a stronger digital presence will be critical going forward

Conclusion

1. The Tourism Sector Recovery Plan COVID-19 Response plan recommends three strategic thrusts necessary to turn around the sector, these are:
 - **Re-Igniting Demand**
 - **Rejuvenating Supply and**
 - **Strengthening Enabling Capability.**
2. These are underpinned by ten strategic recommendations with specific actions, timeframes and accountabilities.
3. Recovery is critical for improved bankability of the tourism businesses.
4. The recovery of the tourism sector is linked to government's administration of the Covid-19 vaccine as this will stimulate the demand that drives the sector



Thank you