RESEARCH REPORT

Regulatory analysis of the banking and microfinance institutions and skills implications. What are the skills needed for Cooperatives and Regulation of Microfinance?

Compiled by

MARCH 1, 2024

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Abbreviations

APP	**Annual Performance Plan**
BANKSETA	**Banking Sector Education and Training Authority**
CBs	**Cooperative Banks**
MFSA	**Microfinance South Africa**
CBDA	**Co-operative Banks Development Agency**
FSCA	**Financial Services Conduct Authority**
ICT	**Information Communication and Technology**
ILO	**International Labor Organisation**
IOBSA	**Institute of Bankers South Africa**
MFI	**Microfinance Institution**
NCR	**National Credit Regulator**
NSDP	**National Skills Development Plan**
PIVOTAL	**Professional, Vocational, Technical, and Academic Learning Programmes**
SABRIC	**The South African Risk Information Centre**
SSP	**Sector Skills Plan**
TVET	**Technical, Vocational Education and Training**

1.1 INTRODUCTION.

According to Coetzee (2000), The current legislation makes it very difficult to expand services to non-banked clients that could pay for services but were not served in the past. The Fintech companies have identified this gap and working together with primary banks.

In South Africa, the financial sector has historically been unable to serve most of the population effectively. This is particularly true for lending to small businesses and micro-enterprises, for low-end housing, and for insurance and savings services at the lower end of the income range. Up to 60% of the population is excluded from formal financial services. The banking sector, although highly developed, is significantly concentrated, with limited competitive pressure to push services beyond the traditional client base. Banking and financial services legislation has been a major obstacle to the deepening of South Africa's financial market acceptance of deposits, broadly defined, is limited to banks, leaving a restricted role for the few mutuals and other non-banks. The banks also run the national payments system as a joint enterprise, setting rules that discourage non-bank access to the system. Consumer credit transactions as well as leasing and collateral lending are governed by separate legal regimes. At the same time there is need to strengthen skills for both the cooperative banks and microfinances institutions employees to enable them to easily meet current and future legislation requirements.

1.2 PURPOSE AND OBJECTIVES OF THE STUDY

The purpose of this research study is to determine the extent of regulation and its implications in the banking and microfinance sector.

1.3 RESEARCH QUESTIONS

1. To what extent does regulation and its implications affect the banking and micro-finance sector?
2. What are the skills needs for Cooperatives and the Regulation of Micro-finance?

1.4 ETHICAL CONSIDERATIONS

All the information collected through interviews was kept confidential. Mechanisms to ensure confidentiality included use of passwords on all confidential files and folders. These issues were monitored and managed during the implementation of the project research; participants have the right to access this research report. Those that decided not to participate in the research were not asked for reasons as it is within their right to do so.

2 CHAPTER 2 LITERATURE REVIEW

2.1 INTRODUCTION

South Africa has an advanced banking system compared to any other country in Africa. Ranked 68th in the world, its legal & regulatory framework is sound and reliable by international standards. The presence of international investors show that the South African capital & money markets is evidence enough of a good banking system. While the financial services sector has generally been stable, it has been affected by some shocks that have affected the global markets, an indication that it is a highly integrated system. Regulatory and supervisory bodies in South Africa have also responded to this integration by being involved in international collaborations for example from the South African Reserve Bank (SARB) closely collaborates with G20 countries bank supervisory bodies. The system is 'dogged' by several challenges. The most visible challenges pertain to the market coverage of the banking institutions in-light of a growing SMEs- the banking sector is generally believed to be excluding SMEs either systematically because of regulatory impediments or by design because of other factors that this research seeks to unearth. Secondly, there are also challenges pertaining to the skills gap in the regulatory bodies considering the ever changing, dynamic financial landscape which renders traditional approaches inapplicable.

There is however a not so good perception about the South African banking system. According to Coetzee (2000), the current financial legislation in South Africa reflects the needs of a small range of conventional "Western" financial institutions. Not only does these legislatives not accommodate the demand for financial services from the majority of South Africans, but it also succeeds in protecting and nurturing the market of the current established and registered institutions. This market also includes the savings of numerous poor South Africans; however, these clients do not have ready access to loan products at these institutions.

2.2 HOW DOES REGULATION AFFECT BANKING AND MICROFINANCE INSTITUTIONS?

Banking in South Africa is regulated by wide-ranging primary and secondary or subordinate legislation. The primary pieces of legislation governing deposit-taking institutions are the Banks Act, the Financial Sector Regulation Act 9 of 2017, the Mutual Banks Act 124 of 1993, the Co-operative Banks Act 40 of 2007, and the Co-operatives Act 14 of 2005. Secondary legislation includes prudential and joint standards, regulations relating to banks, regulations relating to cooperative banks, regulations relating to mutual banks, and directives, circulars, and guidance notes. Regulation and supervision of the domestic banking system is also informed by the following legislation:

- the South African Reserve Bank Act 90 of 1989.
- the Financial Intelligence Centre Act 38 of 2001.
- the Companies Act 71 of 2008.
- the Postbank Limited Act 9 of 2010; and
- the National Payment System Act 78 of 1998.

According to APP (2020), The 2019 Deloitte Report on banking and capital markets outlook that cites a growing divergence in global regulatory standards. With such a dynamic regulatory landscape, banks should buckle down and make compliance modernisation a priority focusing particularly on making regulatory systems already in place and are more efficient for business strategy. Throughout all compliance efforts, banks should prioritise soundness and safety.

2.2 The South African Reserve Bank

The South African Reserve Bank is the central bank of the Republic of South Africa. The primary purpose of the Bank is to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa. Reserve Bank influences the total monetary demand in the economy by controlling the South African monetary supply and the availability of credit. It is important to note the independence of the South African Reserve Bank. Its ability to make practical and policy decisions independently of the government is guaranteed by the constitution.

2.3 Registrar of Banks

The registrar of banks, an official of the Reserve Bank, heads the department of banking supervision in the Reserve Bank and reports to the minister of finance. Extensive powers of supervision and inspection vest in the registrar who may call upon the auditors of a bank to furnish notices and other information. Moreover, auditors must inform the registrar of any matter relating to the affairs of a bank which, in their opinion, may endanger the bank's ability to continue operating, may impair the protection of the funds of the bank's deposits, may be contrary to the principles of sound management, or amounts to inadequate maintenance of internal controls.

2.4 Co-operative Banks Development Agency (CBDA)

The Co-operative Banks Development Agency was established to regulate, promote, and develop co-operative banking, including deposit-taking and lending co-operatives. The institution was created for the following tasks:

- To register, regulate and supervise co-operative banks.
- To promote, register and regulate representative bodies.
- To facilitate, promote and fund education and training to enhance the work of cooperative financial institutions.
- To accredit and regulate support organisations.
- To provide liquidity support to registered co-operative banks through loans or grants, and.
- To manage a deposit insurance fund.

2.5 National Credit Regulator

The National Credit Regulator (NCR) was established as the regulator under the National Credit Act No. 34 of 2005 (The Act) and is responsible for the regulation of the South African credit industry. It is tasked with carrying out education, research, policy development, registration of industry participants, investigation of complaints, and ensuring the enforcement of the Act. The Act requires the Regulator to promote the development of an accessible credit market, particularly to address the needs of historically disadvantaged persons, low-income persons, and remote, isolated, or low-density communities. The NCR is also tasked with the registration of credit providers, credit bureaux and debt counsellors, and with the enforcement of compliance with the Act.

2.6 The Financial Sector Conduct Authority (FSCA)

The FSCA is the market conduct regulator of financial institutions that provide financial products and financial services, financial institutions that are licensed in terms of a financial sector law, including banks, insurers, retirement funds and administrators, and market infrastructures. The FSCA is responsible for market conduct regulation and supervision.

2.7 Banks Act No 94 of 1990

The main objective of the Act is to create a common regulatory framework for deposit-taking to safeguard the investments of depositors and protect the integrity of the banking system. The approach of the Banks Act is functional, not institutional. It addresses the function of deposit taking rather than the institutions accepting deposits. The advantage of this approach is that various groups of banks are regulated by a

single act, creating a more level playing field by eliminating past discrepancies in the regulation of these groups. The disadvantage is that the current regulatory conditions create high barriers to entry that has led to the emergence of a few powerful banking groups who dominate the industry. In 1996, the four banking groups controlled approximately 77 percent of all assets of deposit-taking institutions. The financial institutions operating under the Banks Act generally do not cater to the demands of low-income communities for financial services.

According to Coetzee (2005) The Banks Act introduced a general prohibition on taking deposits from the public unless the entity was registered as a bank. Under the current banking regulations, besides not mobilising savings from the public, retail lenders are prohibited from accepting "deposits" from the investment community, except for loans from equity banks. This provision has a dramatic impact on the ability of non-traditional lenders to obtain wholesale funding.

2.8 Coverage of banking system in South Africa

South African financial services sector has a strong urban bias, leaving the majority of South Africans unbanked. While the financial system is sound, stable, and developed both in terms of instruments & number of participants, its major difference with the developed countries is that of wholesome inclusivity of the whole population. In 1992, the number of people served by commercial banking outlet stood at 15,000 versus an average of 450,000 for Africa. *A*ccess to commercial bank branches in urban areas is higher (approximately 9 500 people per branch) than in rural areas (approximately 22000 people per branch). The uneven distribution of access in general is echoed in the financial market.

2.9 Implications for Skills Planning (APP 2020)

The key skills change drivers have very serious implications for the skills demand, The drivers of change influence the future skills demands.

Digitisation and technology - The implications for skills planning are that the skills that will be in demand will be for high skills in computing technology, software development, artificial intelligence, robotics, etc. There will be a need for reskilling employees to meet the changes brought about by digitisation and technology.

Changing customer expectations - the implications for skills will focus on the appropriate ways to deal with customer queries and challenges. Customers are changing their expectations of banks and banking services and employees who work with customers must possess skills to communicate effectively with customers and resolve their queries in the shortest possible time.

Regulatory changes, risk, and cyber-crime - The implications for skills planning are a greater focus on the new regulatory framework for prudential and conduct authorities, cyber security as a risk that all banks must address by ensuring they have the appropriate skills to manage these risks.

Disruptors in banking: The implications for skills planning are that agility skills and skills to develop a multi-disciplinary employee are important. It is also important to develop skills for the Fintech's within the banking sector for them to provide effective services to the banks.

Political, economic, and societal shifts - The implication for skills is mostly within management and leadership ensuring that leaders possess skills to manage their teams in turbulent times ensuring they are capable of leading change within their work environments and to advance transformation in the banking sector.

The change drivers listed above indicate that a change in the occupational landscape is emerging. Many new occupations with a strong technological flair like data management, data analytics and data scientists are emerging in the sector. In addition, the soft skills required are changing to include skills like agility, innovation, creativity, problem-solving, etc. Career fit seems to be the focus in terms of the skills needed in the banking sector where re-skilling and upskilling for new job roles is currently underway.

Based on the change drivers and national priorities, BANKSETA identifies the following as the five key skills change drivers for the 2021/2022 to 2024/25 period:

- Technology, Digitisation, and Innovation
- Regulation, Compliance and Risk Management
- Management and Leadership Development
- Markets, Products, and services
- Customer centricity

Because of this, banks are innovating not only their mode of interaction, but also the mix of products and services to redefine their bank-client relationships in a fundamentally new way. They have also had to work actively on perceptions regarding trust and how fairly they are seen to maintain bank-client relationships (Moin, Devlin & McKechnie 2015; Roy, Devlin & Sekhon 2015). As perceptions of risk escalate from the client's point of view, trust in the bank-client relationship diminishes (Järvinen 2014).

2.10 Implications of FinTech on banking sector skills

2.10.1 Skills versus customer demands

Globally, regulators are pressurising banks to ensure that their organisational culture is aligned to the trending demands of their clients. This has been more pronounced post the global financial crisis since economies cannot afford another crisis in the short to medium term. According to PwC (2017), 82% of financial services providers will have partnered with Fintech's by end of 2022. The rapid growth of FinTech within the financial services is likely to trigger a crisis characterised by funds circulating outside the regulated financial services sector if banks fail to re-align growing customer demands (Hobe, 2015). The implication of this is that bank employees will need rapid re-tooling in terms of their skills, or a new set of skilled employees will need to replace the current work force. Such drastic changes of replacing old work force with new work force has its own short falls which may also trigger yet another crisis (McWaters & Galaski, 2017). There is need for a co-ordinated effort to ensure that bank employees progress in terms of skills. Regulation should take a leading role in this regard, and this is currently missing in the South African bank & micro finance regulation.

2.10.2 Skills versus supervision of financial institutions

Evolution of customer demands and the introduction of FinTech related products has implications on the ability of regulators to supervise and monitor institutions (Camillo 2017). While this is a direct responsibility of the regulatory institutions that monitor the various financial services providers, there is need for operating banking institutions to participate in the process. The advent of block chain technology in the financial services sector has presented regulatory and monitoring challenges (KPMG 2017).

These FinTech developments suggest that the environment facing banks has changed dramatically and, importantly, placed increased pressure on regulators to enforce re-alignment in terms of regulatory skills development. In the context of this study, the challenge will be to what extent disruptors will be matched by regulators in the context of skills for monitoring (Lee 2017). Even if, as Treleaven (2015) suggests that "…. technological disruption creates unprecedented opportunities to reform regulation in the financial services industry, regulators will still have to ensure that trust in a sound regulatory environment is maintained to avoid escalating systemic risk and potential economic crises. This risk is acknowledged by the South African Reserve Bank (SARB) who emphasise especially the interconnected and contagion implications of poor regulatory oversight as the adoption of Fintech increases (SARB 2017). This and other issues discussed above emphasize the need for regulation to embrace skills upgrading and development as a pre-requisite to financial services sector development & stability going forward.

2.10.3 Financial Exclusion in South Africa: An absence of regulation

Kadlec (2014), suggests that financial exclusion of especially the rural population and small enterprises in South Africa has given rise to the “Omatshonisa” concepts where people and businesses end up borrowing from the fragmented and uncontrolled backyard & briefcase lenders at exorbitant rates. KPMG (2019) also argue that the financial exclusion is a symptom of weak regulatory processes by the regulatory framework. It is envisaged that regulation should address the gaps that exists in financial services sector coverage through directing or encouraging banks and other players to provide services to the unbanked. Consumer behaviour and the demands it places on banks has revolutionised product and services offerings. At the heart of this is the use of technology by a generation of clients who cannot imagine a world without it.

2.11 SKILLS GAP IN SOUTH AFRICAN BANKING & MFI SECTOR

Scarcity of skills is a phenomenon across the globe driven by the ever-changing nature of work (Hatum, 2010) and the changes in technology & its use in the work environment. The effect of skills shortages on organisational performance and impact on the economic growth cannot be over emphasised. There is a growing need for skills development and management as this gives organisations a competitive advantage over its competitors within and across countries. Skill gaps, or internal skill gaps, refer to the extent to which employers perceive their employees’ current skills as insufficient to meet current business objectives. Respondents were asked to comment on an occupation-by-occupation basis about the extent to which employees were ‘fully proficient at their current job. Skilled employees are regarded as critical resources in organisations given their impact on organisational performance, growth, and sustainability. Skills shortage is defined as lack of sufficiently trained workers to fill positions/ or perform certain tasks available in a labour market (Thapa, 2011). It is a basic understanding that skilled workers are those employees who possess a lot of special skills, knowledge, and some level of ability to perform a certain specific task, repetitive or unrepetitive, in each work situation. The knowledge is obtained through education and training (Cameron & Harrison, 2013). There is always an attachment of a qualification and a certain defined level of competence to every skills category (Farndale, Scullion & Sparrow, 2014).

2.11.1 The drivers of skills gap in South Africa: Philosophical constraints

Skills shortages is now a common phenomenon across the globe mainly because of technological shifts (Dery et.al, 2017). Skill-shortage vacancies and skill gaps emerge not simply because of current skill needs not being met but as part of a more complex process, where changes in the external product or service market and the policies of

organisations designed to anticipate or react to those changes give rise to a longer-term process of skill change. Technological shifts render some of the existing skills obsolete. Training institutions have not been able to keep up with the pace of technological revolution thereby compounding the skills gap problem (Goldstein et.al, 2019). While migration is also a contributor to skills gap problems, its impact has declined over the past two decades. It is even more insignificant in South Africa as the country is a net importer of skills within the region.

Skill shortages is partially explained by some philosophies that exist in the market, especially in South Africa. The old reality versus new reality by Michaels, Handfield-Jones, and Axelrod (2001) (Table 2.1 below), partially explains why organisations in modern day society finds themselves with some huge skills deficit. The old school of thought which views organisations as having an upper hand in the labour market, where the reasoning is that people are the net beneficiaries in employment contracts, that has resulted in employers being reluctant to take responsibility of the skills challenges (ILO, 2021). The new reality argues that organisations are the net beneficiaries in employment contracts and relationships, hence organisations or employers should take a leading role in ensuring the development of skills in the market. The South African market, particularly the mainstream banking sector and other minority/supporting financial services sub-sectors, including cooperative banks, have not fully adopted the new reality philosophy and as such, the skills gap has significantly widened.

Table 2.1: Old Reality versus new Reality of Talent

The Old Reality	The New Reality
There is a need for organisations by people – “organisational power.	Organisations tend to need people more – “people power”.
In the industrial age, aspects such as machines, capital and geography give organisations competitive advantage.	In the information age, skilled employees give organisations a competitive advantage.
Skilled employees tend to add value to organisations.	Skilled employees make a big difference to organisations.
There is a limited supply of jobs.	There is a limited supply of skilled employees.
Jobs are secured and employees are more loyal.	Employees are constantly on the move and commitment to organisations is more short-term.

Employees are content with the standard packages they are offered.	Employees demand much more from organisations in terms of remunerations and benefits.

Source: Michaels, Handfield-Jones, and Axelrod (2001)

2.11.2 Latent skills gap

Latent skills gaps are based upon some concept of ideal or optimal behaviour or performance. Given the current goals, behaviour and, hence, performance of an establishment, skill deficiencies may not be perceived or observed. Respondents may simply not recognise they have a problem, because they are not fully aware of the skills that might be needed to optimise their companies' performance.

This provides new insights about the importance of latent skill gaps - that is skill deficiencies which are not recognised by employers, but which constrain their potential for economic growth. Measuring such gaps, which cannot be directly observed, is very difficult. It is not possible, therefore, to quantify them in a single summary statistic. Nevertheless, the case study evidence, as well as detailed statistical and econometric analysis of the survey results, suggests that such gaps may be significant for many employers. A key finding relates to the fact that those organisations that were more concerned with cost-cutting were less likely to report skill gaps. By implication, an establishment that switches from a cost-cutting to a product-improving goal is likely to downgrade its assessment of the proficiency of their current workforce and increase its demand for skill.

2.11.3 Skills review in South Africa

Skills gap review in South Africa are summarised by looking at the main characteristics of the labour developments in the past two decades. South Africa is characterised by several more recent developments which include:

(i) Youth unemployment which stood at 44.3% 2023Q4-
(ii) An increasing in graduate unemployment because of an increased demand for STEM competencies compared to the soft competencies that most graduates possess.
(iii) Growth in the digital divide between the young and the aged which renders the old & experienced work force archaic while the young and techno-aware groups lack the necessary hands-on experience.
(iv) New world of work & jobs for the future – the changing technological landscape creates both obsoleteness and opportunities for the youth.

Unfortunately, the academic institutions are not keeping pace with the developments.

(v) Growth in Fintech related financial services such as mobile money and e-wallets that have increased competition in the banking sector. Competing with these has been met with severe skills deficiency. A radical shift is required for banking sector employees to advance their skills to those of mobile money and other Fintech related competition.

The above characteristic explains the source of skills gap in South Africa.

The supply of highly skilled employees and the demand for it is not commensurate. While most South African corporates, including those in the financial services sector have engaged university graduates in Graduate Training and Internship programmes, it is the changing environment that makes this effort still not sufficient to bridge the skills gap challenge (Aebi, 2012). There is need for universities to forecast skills demand for the futuristic period and hence be pro-active in incorporating these into their curricula. That said, Covid-19 however has taught the world that it may not be easy to predict or forecast some of the trends in future (Albert et.al, 2016). The advent of Covid-19 ushered a new era of online working & meetings, working from home and general safe working skills which most of the employees did not possess. According to (Bicharll & Koch, 2022), such eventualities have implications on the selection processes at recruitment stage. They further report that 65% of firms that are known to select first grade employees in terms of qualifications and ability to perform, quickly adapted to the new norm at the peak of Covid-19 pandemic, while more than 70% of those that take lower grade employees failed to adjust to the pandemic. This may be an implication that employee selection could be one-way organisations may help themselves bridge the skills gap brought about by technological developments.

2.11.2 Loadshedding

A study published by Nedbank RBB (2023) suggests that over 60% of township small businesses stop operations during load-shedding. Almost 66% mentioned they have shed jobs because of load-shedding. Job cuts were most visible in the food and beverage sector, as well as manufacturing. The banking and non-alternative sector are not an exception they are being negatively impacted by loadshedding. The impact ranges from increased operation cost squeezing margins as banks and alternative sector use the best alternative energy (specifically solar) for them to continue to operate. The same applied to skills development training programmes and cost of compliance are adversely impacted.

2.11.3 Empirical literature on South African banking industry skills gap

Table below summarises some previous findings on the skills gap shortage in the South African banking sector.

Author	Key findings
Oluwajodu et.al (2015)	Differences in expectations by training institutions & employers driving banking sector skills gap in South Africa
Mamabolo & Myres (2019)	Limited data on skills requirements by banking sector in South Africa leaving training institutions & learners at bay.
Reddy et.al (2016), Pauw et.al (2008)	Mismatch between what African universities produce and what banking industry requires.
Mamabolo & Myres (2019); Oluwajodu et.al (2015)	Most banking sector jobs at risk of automation.
Ditse (2020)	Graduates in South Africa do not have adequate skills to adapt to the changing environment of the banking sector. New skills required in the future of banking industry include coding, machine learning, Banks need to partner with Fintech firms to re-tool & upskill their labour force.

2.12 CHAPTER SUMMARY

The need for regulation is not only for the smooth operation of the financial services sector but also for a long-term sustainable, crisis free environment driven by strong human resources. The human resources aspect (skills) should not be a burden of the financial institutions but a burden of the whole system collectively. A collective effort by a system can only be effective if the obligations are 'pencilled' in the form of partnerships and collaboration.

Both the regulatory literature review and skills literature review point to a need to re-tool employees especially in response to technological transformations in the economy and specifically in the financial services sector. There is a need for collaborations between financial institutions, the regulators & training institutions such as universities towards training & re-training of financial services sector employees. Indications are that there is currently an uncoordinated effort in this regard. The challenge of skills

gap needs to be treated as a systemic risk than an individual bank specific risk. Re-training is also required at regulatory level.

3 CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This study was exploratory and qualitative in nature and was conducted in 2 phases. Phase 1 consisting of secondary documentary research and phase 2 made up of primary, interview-based research. This triangulated research approach was conducted to ensure the credibility and validity of the qualitative analysis. By combining the different perspectives obtained from the results of the documentary research and the perceptions of multiple respondents obtained in the questionnaires, interviews, and focus group discussions of expert commentators, this triangulated approach guard against the weakness or intrinsic biases that would have come from single a method.

3.2 PHASE 1: DOCUMENTARY RESEARCH

Phase 1 of the research focused on the analysis of the legislation enacting each of the regulations and reviewed commentary and perceptions of the experts in the field of banking & micro finance operations & regulation. The analysis was performed to create a base for comparison with the views that resulted from the phase 2 research. Documentary evidence relating to the South African banking & micro-finance regulatory environment was reviewed. For each legislative element, an overall definition of the regulation and its purpose in the regulatory environment was analysed and evaluated in terms of its contribution to the enabling economic environment.

Finally, the expected benefits and components of the costs were determined from the available documentation to understand the impact on the stakeholders of the implementation of the legislation. The stakeholders were defined as follows: -

• Bank Customers: The existing customers of South African Banking Institutions.

• Banks: The management of the South African Banking Institutions representing the legal entity that is the Banking Institution.

• Shareholders: Investors who have made an investment in the shares of the Banking Institutions; and

• Society in South Africa: The inhabitants of South Africa that will stand to benefit from the economic improvements facilitated by the enabling environment. The benefits and costs were clustered into these categories.

Unit of analysis

The unit of analysis used in this phase of the research was an individual piece of banking regulatory legislation. The units were composed of an act of parliament, a draft bill, or a charter document.

Population of relevance

The population of relevance was all pieces of regulatory legislation that have been introduced into the banking environment in the past 5 years. If the definition of legislation was strictly enforced, the population would have been limited to acts of parliament. However, in the period under review there has been other regulatory interventions self-imposed by the banking industry that are extremely relevant to this study. Therefore, for the purpose of defining the population of relevance, the definition of legislation has been extended to include these other pseudo-legislative elements.

Sampling method and sample size

The sampling method used was purposive, non-probability sampling. Kerlinger (1986) explained purposive sampling as a type of non-probability sampling, which is characterized using judgment and a deliberate effort to obtain representative samples by including typical areas or groups in the sample. In this sample, because the population was small and highly specialised, the use of purposive sampling was the most effective. The resulting sample selected included all major regulatory legislation within the defined population. The degree to which legislation was defined as major was based on the judgement of the researcher and validated in the documentary research and research interviews.

The legislation that was selected for review was: -

• National Credit Act.

• Financial Centre Intelligence Act.

• Financial Advisory and Intermediary Services Act.

• Basel II; and

• Financial Services Charter.

Research instrument

No specific research instrument is required for this documentary research.

3.3 DATA COLLECTION

The data required for the documentary research will be solicited, collected via a review of a various secondary data sources. This secondary data will be sourced by a review of electronic databases such as the South African Reserve Bank and South African Government websites, discussions with the major audit firms, a detailed review of the relevant legislation on banks & MFIs including a general review of the financial press, bank releases and other related documentation. The sources include: -

• The official version of the Act or Bill.

• Government white papers.

• Speeches by government and South Africa Reserve Bank officials.

• Reports from MFI and bank supervisory bodies and surveys from auditors and other commentators.

• Analyses by parties with a vested interest in the legislation e.g. Software vendors; and Media analyses.

Data collection will focus on obtaining information that would provide various inputs into the analysis of the:

(i) nature,
(ii) structure,
(iii) adequacy,
(iv) relevancy,
(v) strengths and weaknesses,

of the regulatory system. Each of the above sources will provide different perspectives on each legislative element and allowed a definition of purpose, contribution to the enabling environment and benefit and cost per stakeholder grouping to be developed.

3.4 ANALYSIS APPROACH

The analysis approach makes use of content analysis to identify, extract and collate themes that will then be mapped together to define high level summary of each of the research categories. Content analysis is a research technique used to determine the presence of certain concepts within texts or sets of texts. Using content analysis, researchers can quantify and analyse the presence, meanings and relationships of concepts and then make inferences about the messages delivered within the texts (Colorado State University, 2006).

The analysis categories were defined as:

• Purpose: A high level understanding of the purpose of the legislation and how the legislation is or will be functioning.

• Contribution to enabling environment: The contribution that each legislative element will be making to the enabling economic environment.

• Stakeholders benefits: The benefits that this would provide to each of the stakeholder groups.

• Stakeholders costs: The costs that would be incurred by the stakeholders due to the implementation of the regulations.

. Stakeholders' skills requirement & skills audit: The analysis will involve inquiry of the stakeholder's skills requirement and current skills obtaining with an aim of establishing the skills gap.

During the analysis, the documentation collected for each of the regulations will be reviewed and content relevant to each of the research categories will be extracted. These details were then mapped together for each category and consolidated to create a high-level summary for each category. A definition for the purpose of the regulation, a description of how the regulation supports the enabling environment and a listing of the benefits and costs of the regulations will all be determined from the content of the documentation reviewed.

3.5 PHASE 2: STRUCTURED INTERVIEWS, FOCUS GROUP DISCUSSIONS AND QUESTIONNAIRES

The intention of this phase of the research is to validate the analysis relating to the regulatory purpose, contribution to the enabling environment; and benefits and costs of the legislative elements & skills gap analysis developed in phase 1. This validation will be achieved through the study of the perceptions of experts obtained by instruments listed above, with relevant industry commentators and bank & MFI management responsible for the implementation of the regulations at a large, in the South African banking& micro-finance institutions.

The interviews, FGDs and questionnaires were structured into major areas covered. The interviews and FGDs was conducted using a questionnaire These interviews were expected to provide data to compare to the content analysis developed in phase 1 thereby either corroborate or contradict the phase 1 findings.

Unit of analysis

The unit of analysis in this phase is the opinions of an expert in the field of South African banking & MFI regulation. In this study these experts are financial commentators or bank executives or employees of regulatory institutions & academics that were assumed to have a good understanding of most of the legislative elements.

Population of relevance

The population shall be all experts, employees, associations, regulators, and employers in the South African banking sector. This population was clustered into four sub-populations. These sub-populations are: -

- Financial commentators who have knowledge of the banking regulation.
- Cooperative banks and cooperative institutions.
- Microfinance Institutions.
- Banks regulated under the central bank.
- Training Providers.
- Bank management charged with the implementation of the regulation.
- Manager/executives of regulatory institutions.
- Academics/researchers.

Sampling method and sampling size

As with phase 1, the sampling method will be non-probability sampling but, in this phase, a combination of purposive and snowball sampling will be used. However, due to the sub-populations within the population, cluster sampling will also be used prior to the non-probability sampling to segment the population into mutually exclusive groups. Cluster sampling divides the population into clusters or subpopulations which can be regarded as a microcosm of the entire population (National Audit Office, 1999). After segmenting the population, judgement will be applied within these groups to select the sample. This sample will then be extended using snowball sampling. Atkinson and Flint (2005) confirm snowball sampling as valuable in studying groups located out of mainstream research in less stigmatised and even elite groups providing the ability to uncover aspects often hidden from both researchers and lay persons. To apply the triangulated research approach and support the documentary research results, 5 experts were selected from each of the clusters or sub-populations.

Selection was based on their knowledge and experience in the banking industry and MFI industry including aspects of regulations.

Research instrument.

The research instrument was used as an interview guide to direct the structured interviews and FGDs. The interview guide was designed based on each of the research questions.

Data collection

The data collected from experts, employees, and stakeholders in the field of banking & MFI operations, cooperatives, and regulation. These opinions were collected during structured interviews with each of the experts selected in the sample. The interviews followed structured questionnaires. The questionnaires were distributed using various mechanisms including monkey surveys, google forms, emails, and physical distribution of the questionnaires. The interviews were recorded, and questionnaire responses were recorded. The collected data was analysed using SPSSS and business intelligent system and the information was charted, graphed, and tabulated.

3.6 COMPARATIVE ANALYSIS

The results obtained in the phase 1 and phase 2 research will be compared and combined in the analysis of results section to provide a holistic answer to the research questions. The responses from the interviews were corroborate and assisted in comparative analysis.

3.7 RESEARCH LIMITATIONS

As with all research studies, there are some limitations in this study that must be recognised, and the findings considered in the light of these limitations. The study will be qualitative in nature and a triangulated approach of documentary research and focused interviews were utilised. Several limitations arise from this approach: -

The nature of this qualitative research results in small sample sizes and the use of a judgemental selection method to define the sample, which may produce results that are not reflective of the population.

The triangulated approach may not generate complementary views, as is intended to validate the findings, but create opposing, albeit equally valid, perspectives; and

Interviews are dependent on interpersonal exchanges which may be influenced by situational conditions at the time of the interview. Factors such as time pressures, demeanour, current circumstances, and personal impact of the interviewer may influence the quantity and quality of the information provided by the interviewee.

It is important to note that the banking and microfinance sector is bound by the duty of secrecy and the need to maintain confidentiality. This became a limitation as most potential survey participants were not willing to respond to questionnaires and participate in the surveys. There is evidence by high nonresponsive rate of 95 percent based on the questionnaires distributed and interview invitations.

4 CHAPTER 4: RESULTS

4.1 INTRODUCTION

This chapter presents research results based on data collected from banking subsectors. The research focused on identifying current and future skills required by micro finance institutions in South Africa. The study also considered the skills required in regulation, banking and microfinance sector and cooperative institutions. Therefore, this chapter is divided into three sections namely: banks and micro finance sector, regulation, and cooperative banks.

4.2 BANKS AND MICRO FINANCE INSTITUTIONS

RESPONDENTS BY SECTORS

Figure 4.1 below shows respondents by subsectors. About 30% of the respondents were in the finance companies including microlenders; 18% were from central bank, 24 percent were from banks registers with South African reserved banks and 10 percent of the respondents were from fintech companies and 13 percent were from govern financial intermediaries. The sample was dominated with micro finance

lenders.

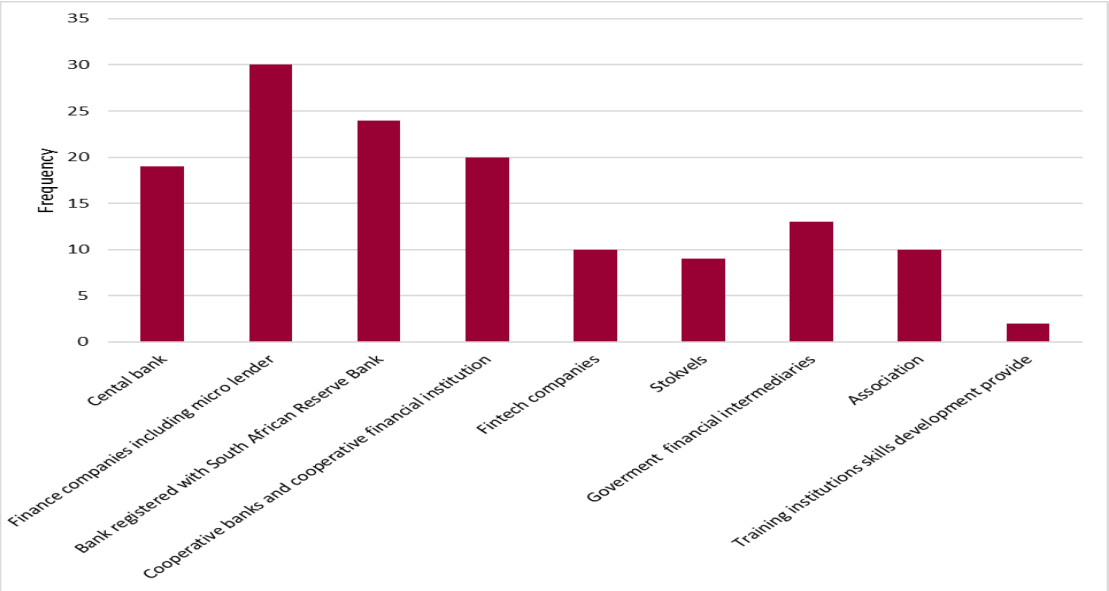


Figure 4.1 Respondents by subsector. Source: Primary data.

4.3 RESPONDENTS BY GENDER

Figure 4.2 shows the visual representation of the respondents by gender. Female respondents were 84.6 percent whilst males were only 15.4 percent.

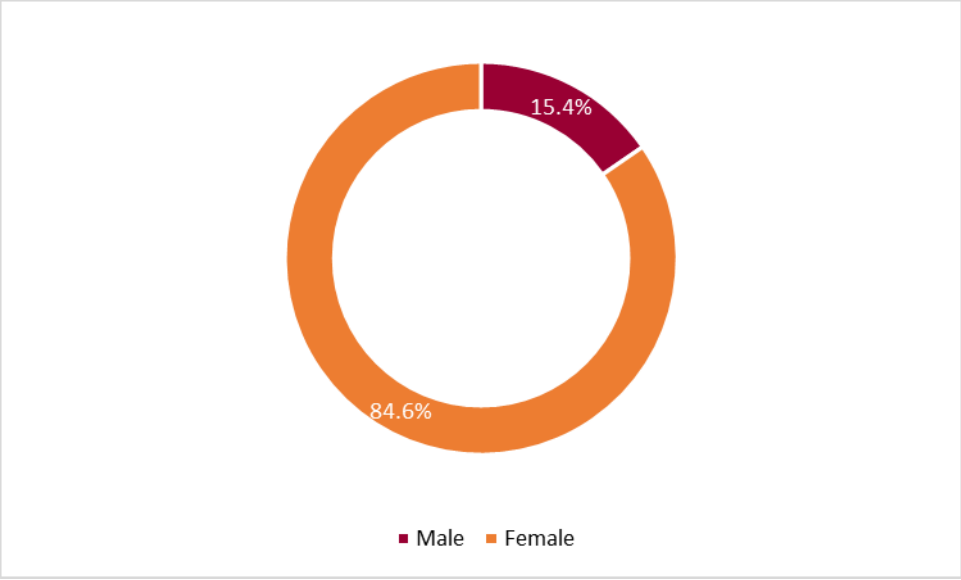


Figure 4.2: Respondents by gender. Source: Primary data.

4.4 CURRENT OCCUPATIONS IN DEMAND/ CRITICAL SKILLS

Most respondents indicated that data analyst, IT business analysis including programmers, compliance officers, IT infrastructure security specialist were occupation currently needed in the banking and micro finance sub sector. These occupations demand indicate a high degree of digitalization that is happening in the banking sector.

Occupations currently needed.

Therefore, the research confirms the current trend of increased demand in digitalisation skills such as engineering, software development, programming, data analysis. Robotics, automation, IT, and cyber security. Whilst these skills are on increase, the banking sector still needs bankers and financial planners like customers service officers and sales and marketing personnel and compliance managers. The current digital transformation trend is on the bank of changing customer demands, COVID 19 and the pressure of banks and micro finance institutions to reduce cost and increase efficiency.

It is imperative to note that the current digital transformation comes with its own challenges of new risks, the need to adopt and bring new legislation in response to new player like fintech and big tech companies. Indeed, fintech companies are transforming the banking and microfinance sector by developing easy to use customer interface platforms.

4.5 CURRENT SKILLS

The questionnaire looked specifically on micro finance sector subsector specifically and the following were the current skills identified by microfinance institutions:

- Compliance.
- Digital.
- Software development; and.
- Programming skills.

Interestingly, the same skills that are currently in demand are the same as the banking subsector.

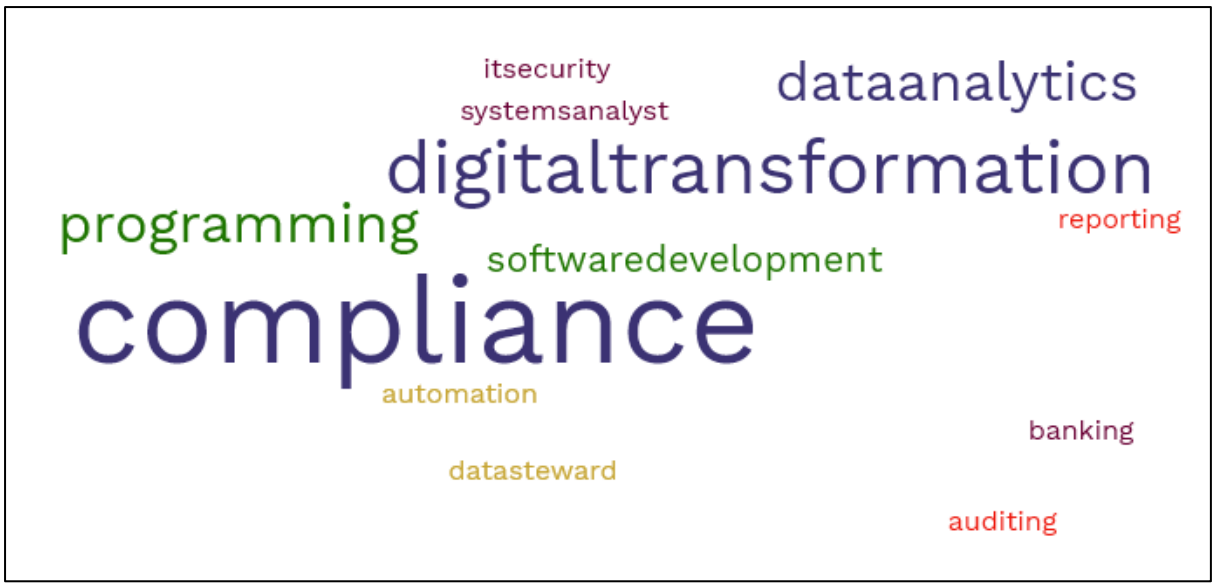


Figure 4.3: Respondents by gender. Source: App (2020).

Figure 4.3 above shows information on skills difficult to fill in the micro finance sector. These are compliance, digital transformation, data, and software development were the popular ones.

4.6. Programmes to address skills gaps

Respondents were asked what ways and programmes could address skills gaps.

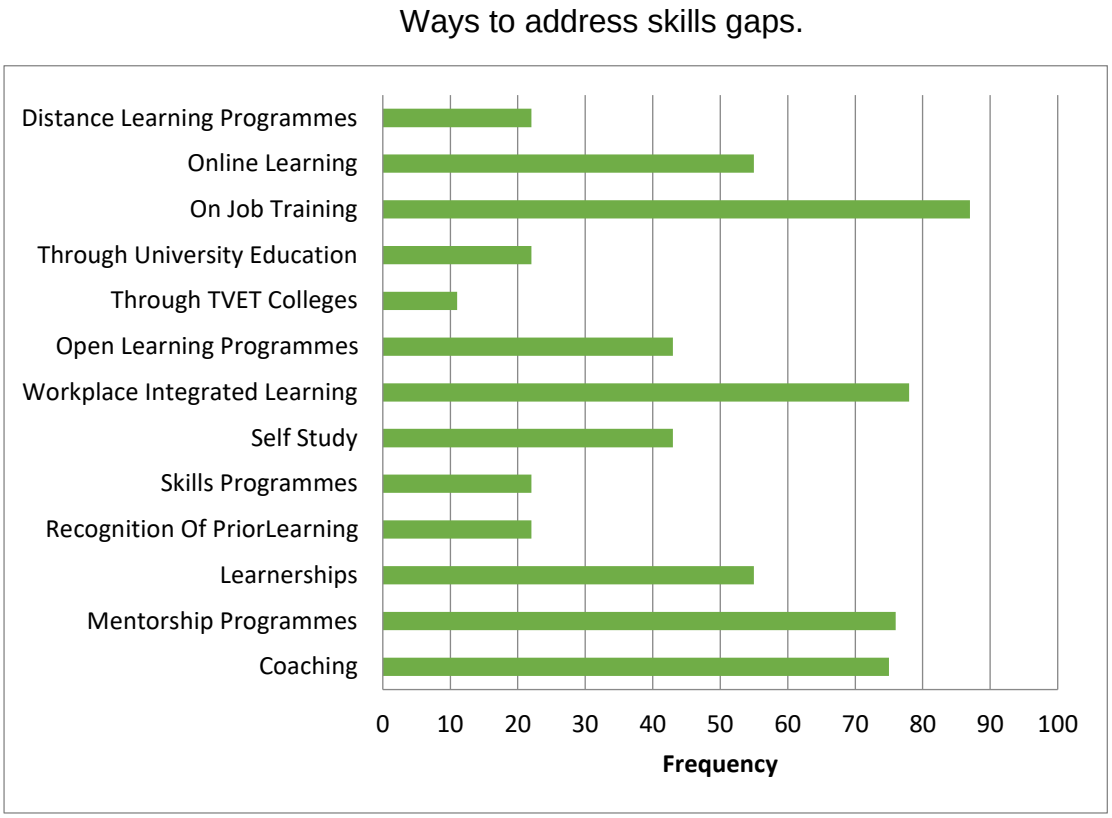


Figure 4.4: Programmes to address skills gaps. Source: Oluwajodu et.al (2015).

The analysis above shows the different programmes that can be used to address the skills gap. Respondents are of the view that on job training, workspace integrated learning, coaching, and mentoring were most appropriate ways of addressing skills gaps within the micro finance and banking subsectors.

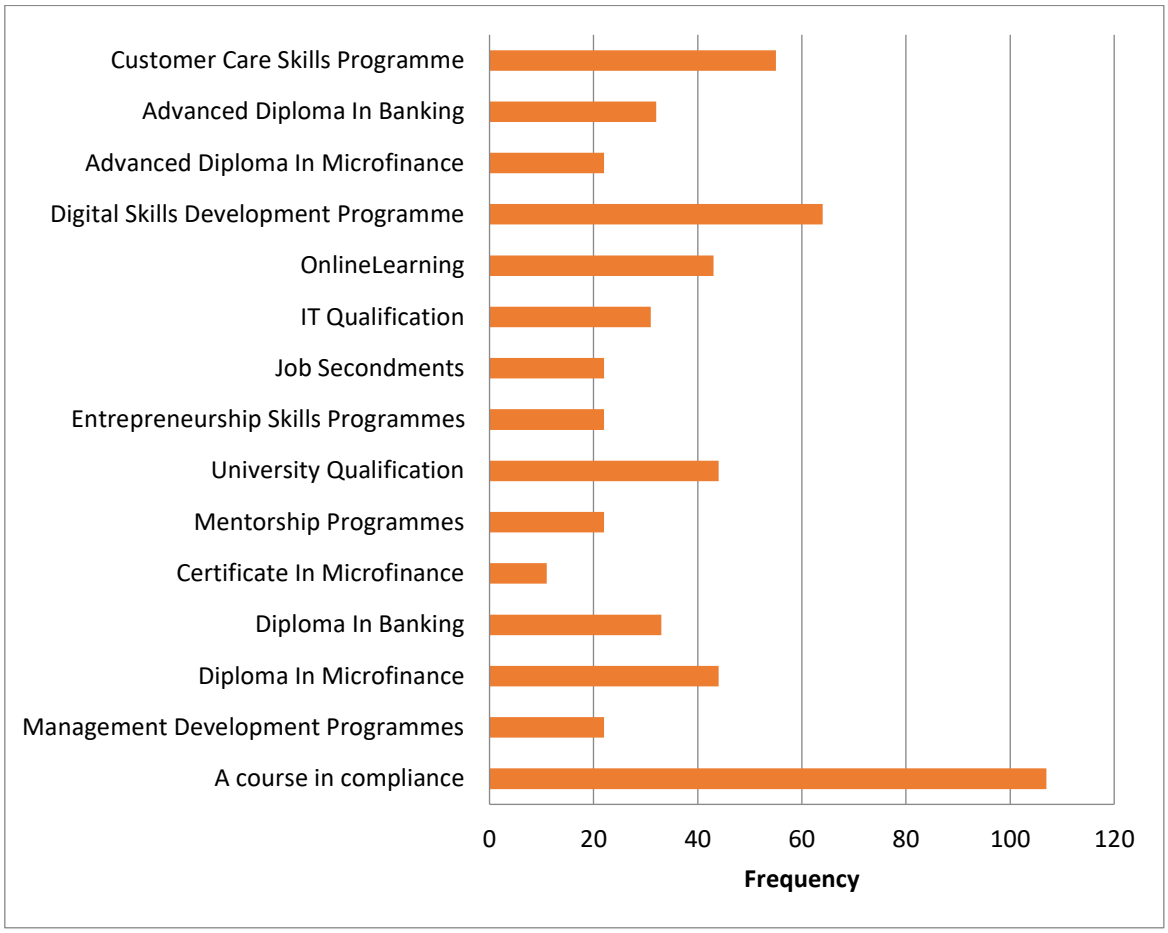


Figure 4.5: Qualifications and programmes to address skills gaps. Source: Deryl et. Al (2017).

To address the skills gaps, the participants suggested that courses in compliance, digital skills programmes, customer service programmes were needed to address the skills within the sector.

4.7 COOPERATIVE BANKS

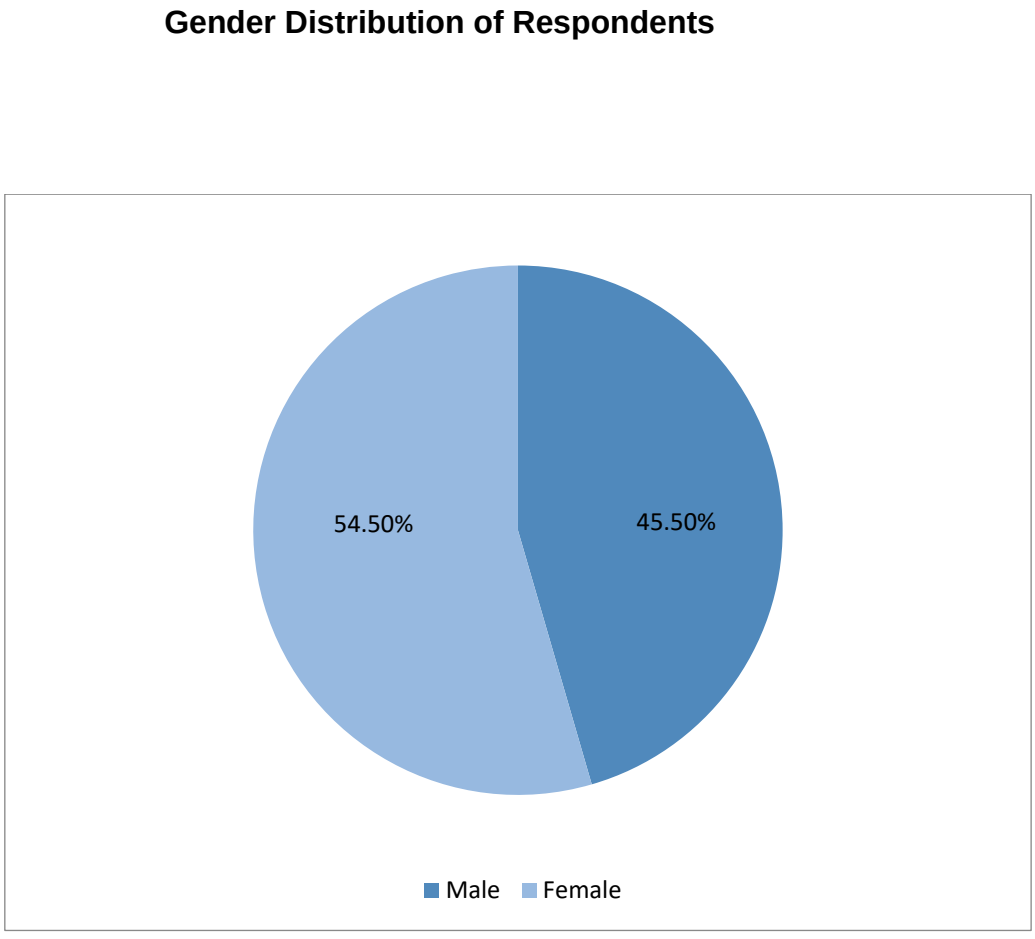


Figure 4.6: Respondents by gender. Source: Primary data.

Out of 87 responses that were received, 54.5 % were females whilst 45.5% were males.

Province

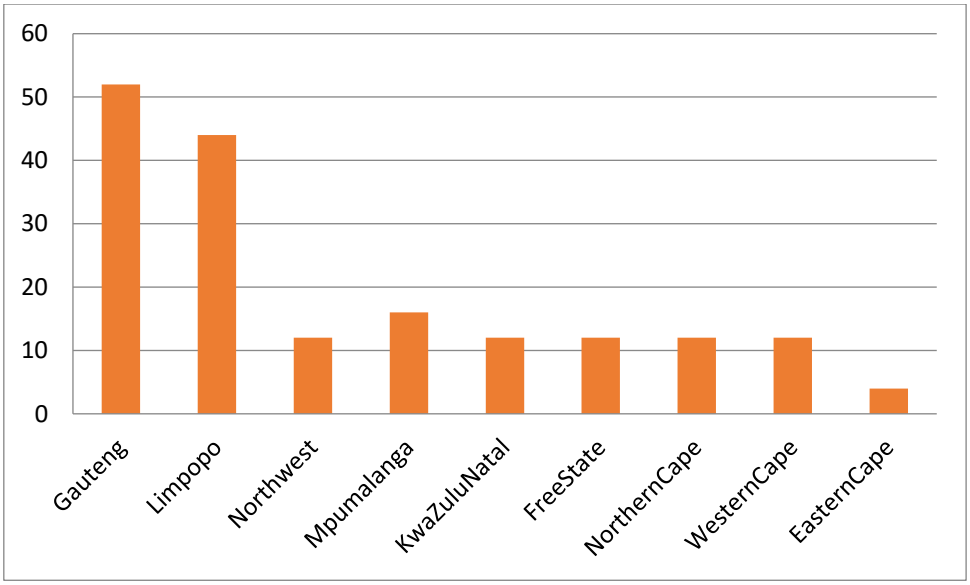


Figure 4.7: Respondents by province. Source: Primary data.

Gauteng had the highest number of participants followed by Limpopo which Eastern Cape had the lowest number.

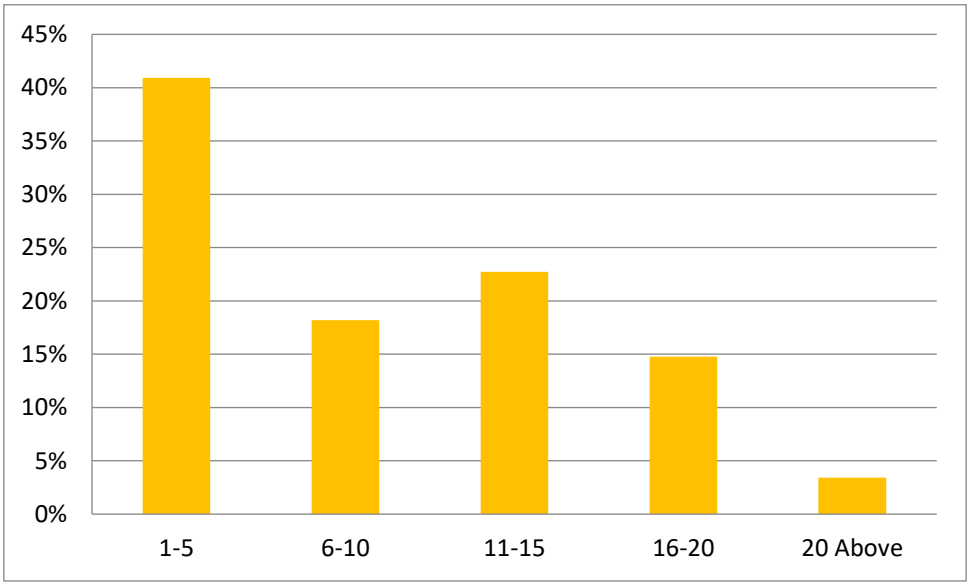


Figure 4.8: Respondents by experience. Source: ILo (2021).

At least 40% of the responses came from a population with less than 5 years of experience followed by a population with 11 to 15 years of experience which constituted 23%.

Skills Required by Cooperative Banks

Figure 4.9: Skills required by cooperative banks. Source; Co-operatives banks Act 40 0f 2007.

Governance is the most popular skill followed by financial management, leadership, accounting and bookkeeping, marketing whilst customer care, communication and others are also required.

Challenges faced by Cooperative Banks

Figure 4.10: Challenges faced by cooperative banks. Source: Co-operative banks Act 40 of 2007.

Lack of infrastructure, lack of loan management systems, infighting of leadership, slow growth of members and lack of skills came out as the most popular ones although poor governance, fraud, poor communication, lack of products and others were also mentioned.

Development programs required to solve skills problems faced by Cooperative Banks

Figure 4.11: Development programmes required to solve challenges faced by cooperative banks. Source: Primary data.

Cooperative governance remains a dominant program skill required in the sector. This can be achieved through training, workshops, and awareness programmes. Other skills include financial management, information technology and marketing.

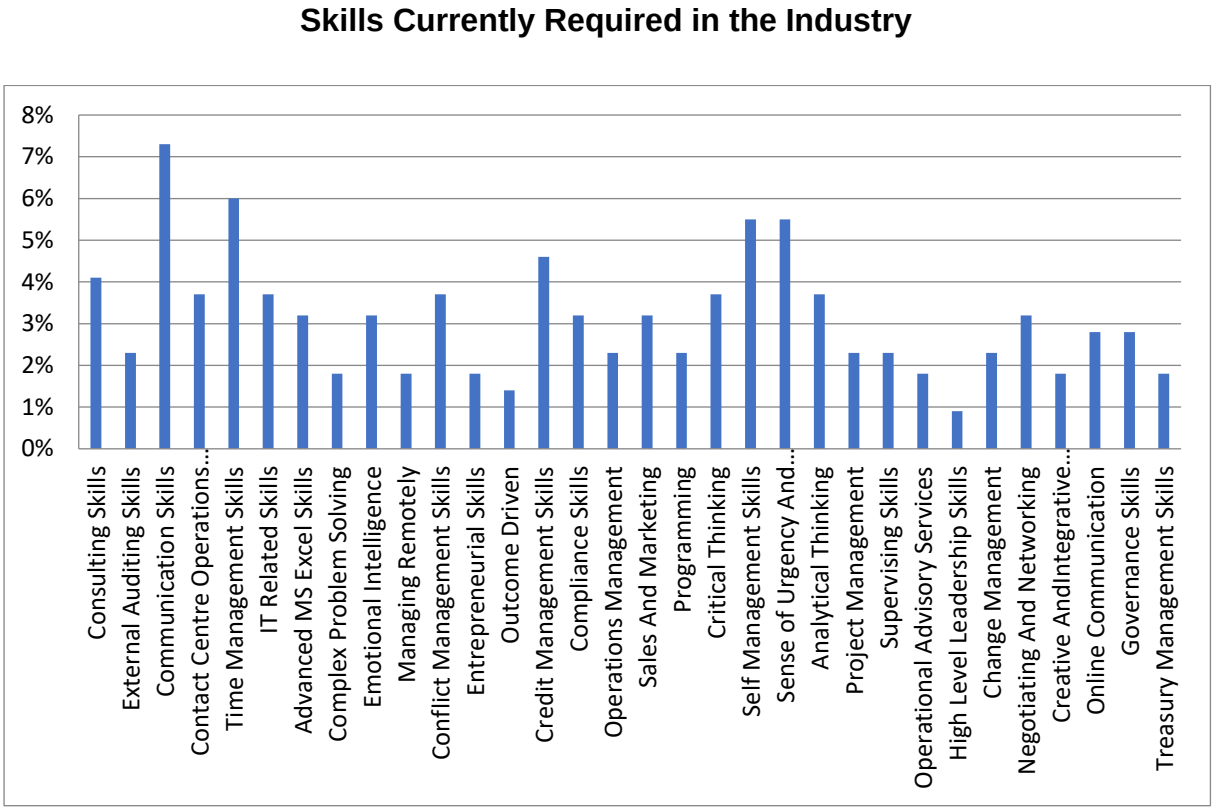


Figure 4.12: Current skills required by the industry. Source: Primary data.

Communication skills is the most dominant one followed by time management, self-management and sense of urgency and responsibility and IT skills. high level leadership skills were the least popular one.

Relationship between gender and skills currently required.

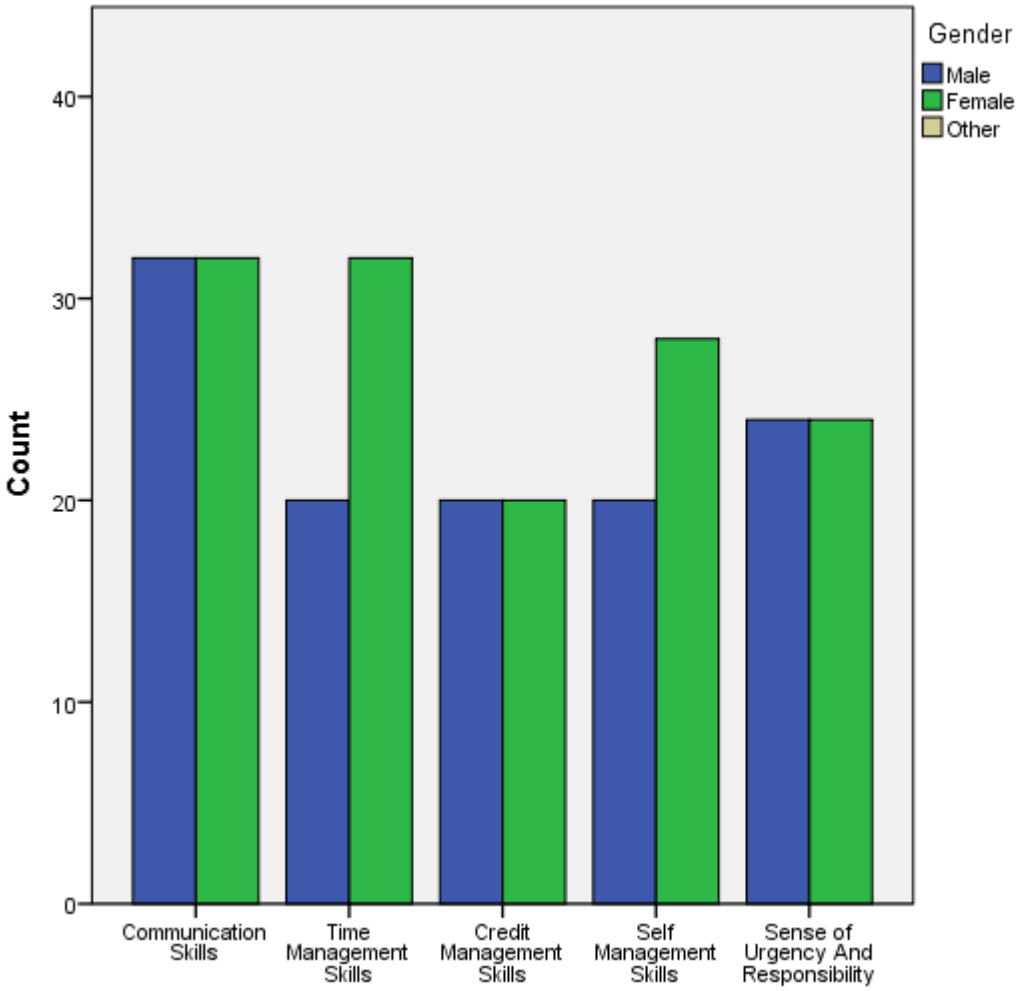


Figure 4.13: Relationship between gender and skills currently required. Source: Primary data.

From the top 5 skills that are currently required by the cooperative banks, there is a 50% split between males and females, and this shows that hypothetically, gender is not significant in determining the type of skill required. This implies that the skills currently required are the same regardless of whether the person is a female or male.

Skills required in the future

Figure 4.14: Skills required in the future. Source: Primary data.

IT related skills are the most dominant skills required in the future. This is followed by digital banking, artificial intelligence, and others whilst operations are the least skilled required in the future.

New Skills Required by Cooperative Banks

	Responses		Percent of Cases
	N	Percent	
Analytical Skills	48	4.9%	57.1%
Asset And Liability Management	12	1.2%	14.3%
Ethics And Governance	28	2.8%	33.3%
Technical Skills	40	4.0%	47.6%
Cognitive Skills	24	2.4%	28.6%
Creative Problem Solving	16	1.6%	19.0%
Emotional Intelligence	20	2.0%	23.8%
Teamwork	36	3.6%	42.9%
Leadership	36	3.6%	42.9%
Compliance	16	1.6%	19.0%
Technology	40	4.0%	47.6%
Cooperative Banking Skills	28	2.8%	33.3%
Supervisory	24	2.4%	28.6%
Resilience	16	1.6%	19.0%
Strategic Management	12	1.2%	14.3%
Data Analysis	32	3.2%	38.1%
Sales And Marketing	12	1.2%	14.3%
Programming Skills	12	1.2%	14.3%
Social Networking Skills	8	0.8%	9.5%
Business Management Skills	20	2.0%	23.8%
Critical Thinking	20	2.0%	23.8%
Corporate Banking Skills	12	1.2%	14.3%
Creative Skills	12	1.2%	14.3%
Digital Mindset	20	2.0%	23.8%

	Investment Analysis	28	2.8%	33.3%
	Change Management	16	1.6%	19.0%
	Innovation	28	2.8%	33.3%
	Automation	20	2.0%	23.8%
	Communication Skills	36	3.6%	42.9%
	Customer Service	36	3.6%	42.9%
	Numeracy Skills	32	3.2%	38.1%
	Organisation And Time Management	12	1.2%	14.3%
	Operations	32	3.2%	38.1%
	Risk Management	28	2.8%	33.3%
	Credit Management	32	3.2%	38.1%
	Networking	20	2.0%	23.8%
	Entrepreneurship	8	0.8%	9.5%
	Advanced MS Excel Skills	16	1.6%	19.0%
	Complex Problem Solving	16	1.6%	19.0%
	External Auditing Skills	12	1.2%	14.3%
	Retail Banking Skills	12	1.2%	14.3%
	Digital Marketing	16	1.6%	19.0%
	Listening Skills	12	1.2%	14.3%
	Contact Centre Operations Skills	8	0.8%	9.5%
	Investment Banking Skills	12	1.2%	14.3%
	Other	12	1.2%	14.3%
Total		988	100.0%	1176.2%

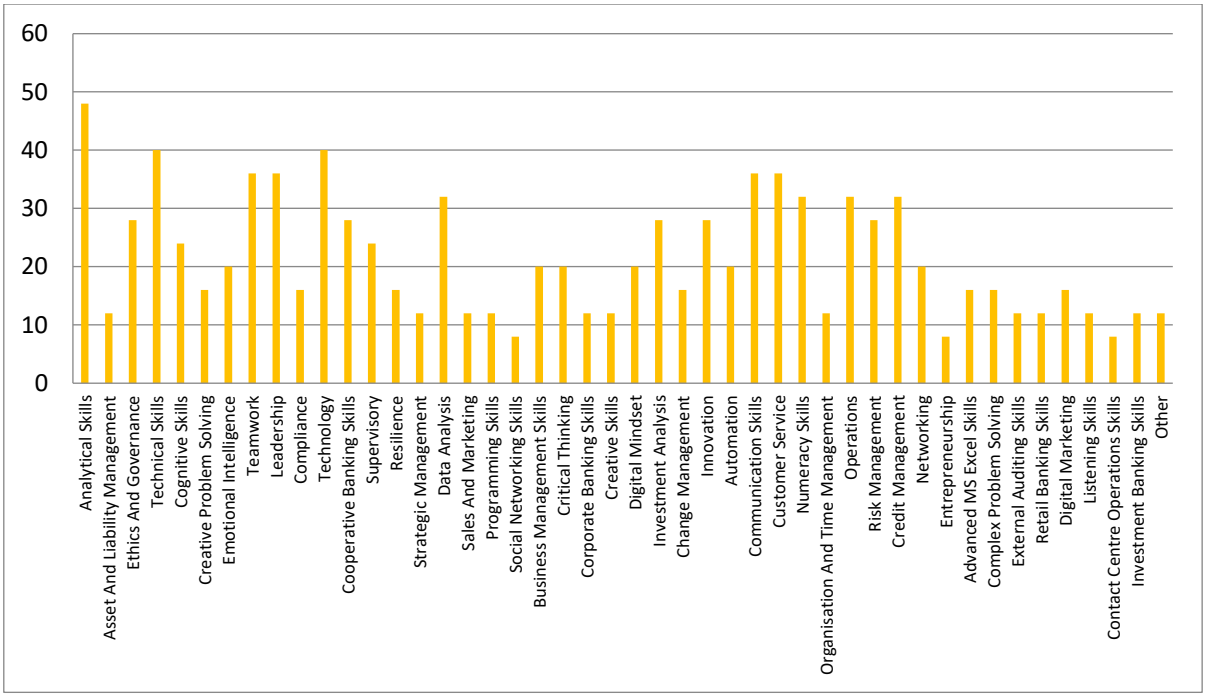


Figure 4.15: Skills required. Source: Primary data.

Analytical skill is the most dominant one followed by ethics and governance, technology, leadership, teamwork, communication, and customer service.

Ratings on qualifications and skills programmes that might be introduced to address skills gaps for cooperative banks.

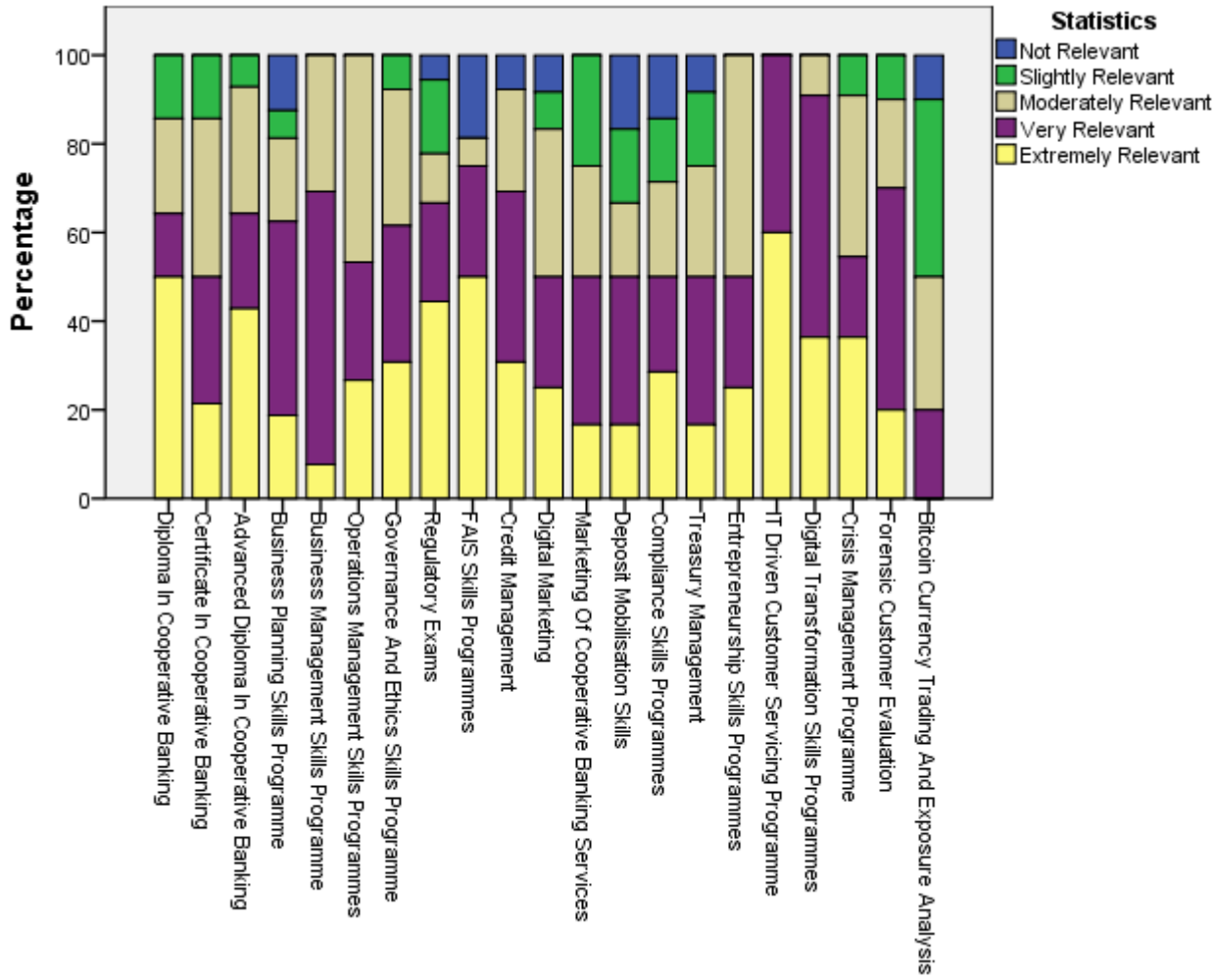


Figure 4.16: Ratings on qualifications and skills programmes. Source: Primary data.

IT driven customer servicing program was the most dominant programme required to address skills gaps within the sector. This was followed by business management, operations management, and digital transformation. Other programmes in cooperative banking, marketing, governance, and ethics are also relevant. There were mixed feelings on bitcoin trading, treasury management, deposit mobilisation and FAIS Skills.

4.8 REGULATION.

Gender Distribution of Respondents.

Distribution by province.

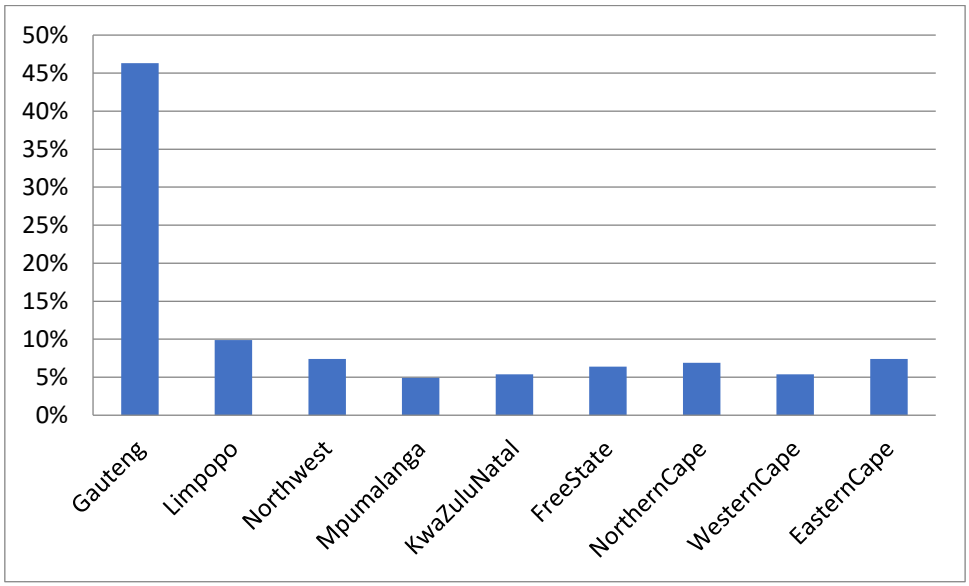


Figure 4.17: Respondents by province. Source; Primary data.

At least 45% of the respondents came from Gauteng whilst the remaining 55% was almost evenly spread across all the other provinces.

Occupations currently needed in the banking sector.

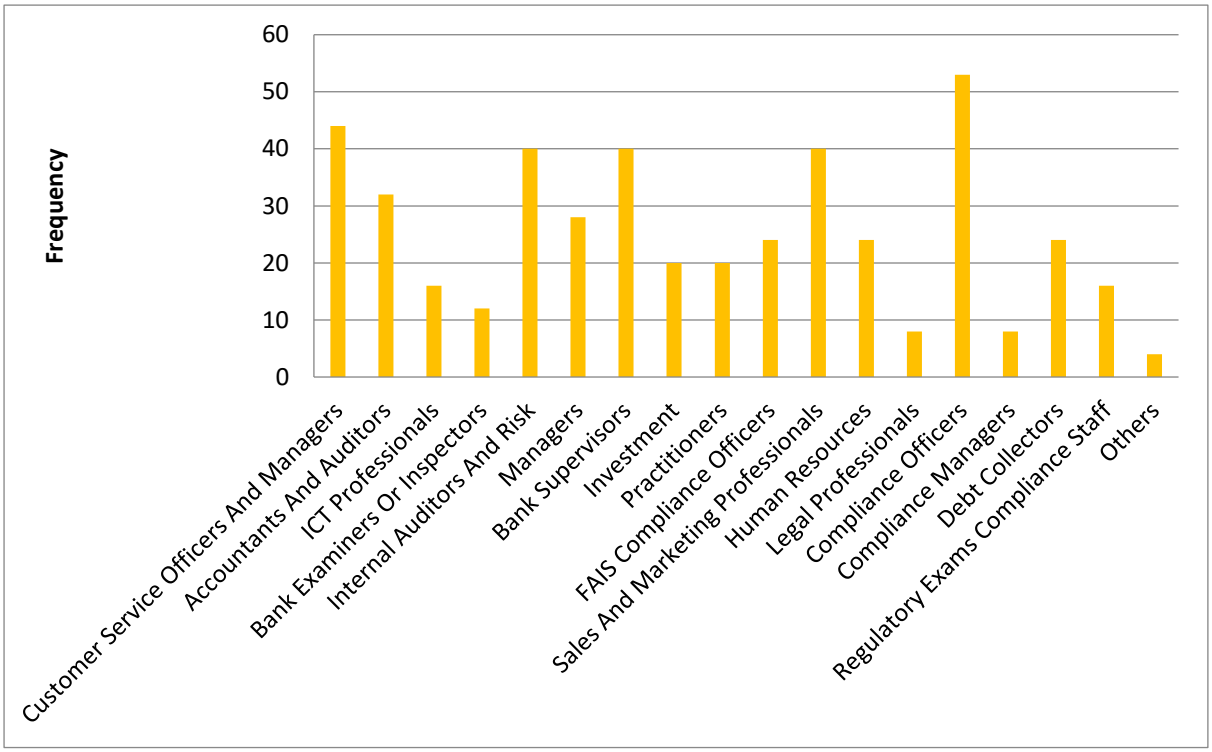


Figure 4.18: Occupations required in the banking sector. Source data.

Compliance, customer servicing, internal auditing, bank supervisory and sales and marketing got the highest ratings. However, ICT, investments and human resources were also highly rated.

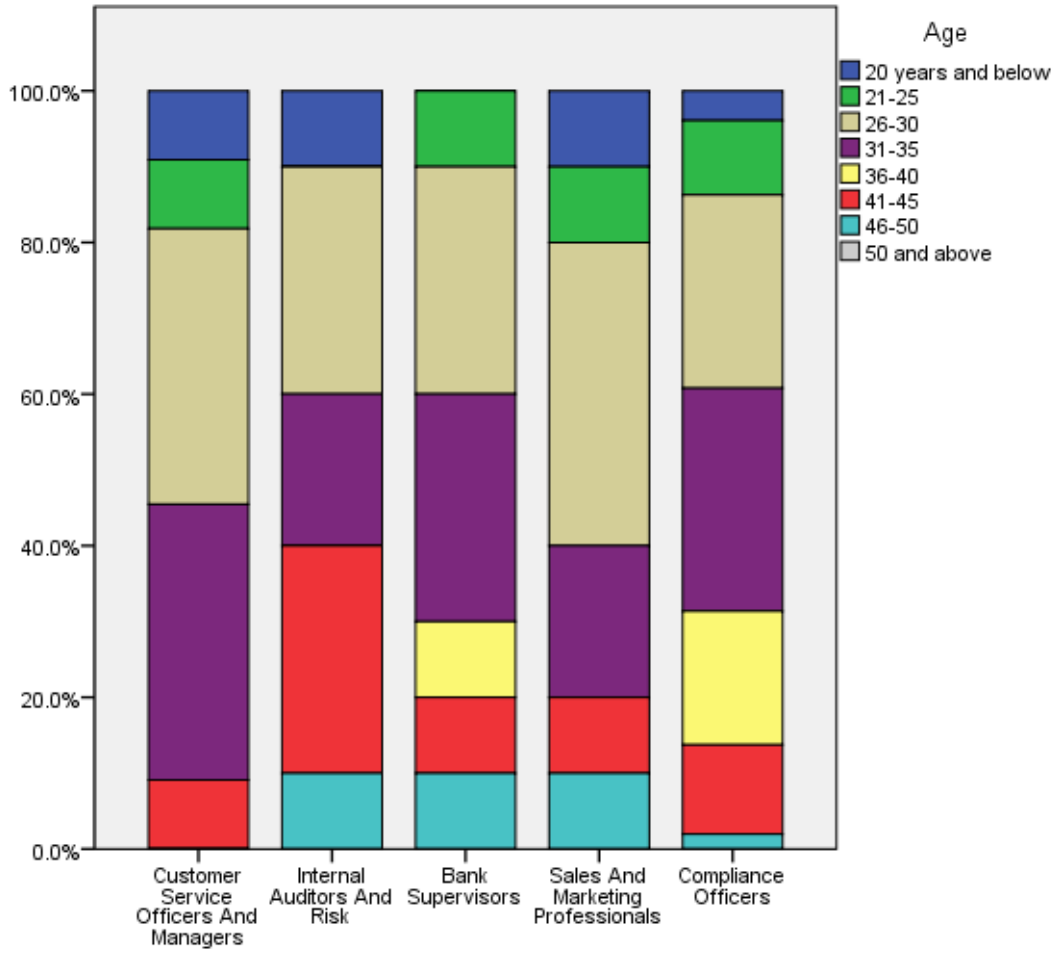


Figure 4.19: Relationship between occupations and age group. Source: Primary data.

To determine the effect of age on occupations currently needed in the banking sector, the above crosstab was created between age occupation. The results show that age is not significant in determining the choice of occupations in need. However, respondents of 20 years and below did not recognize bank supervisory as the needed occupations.

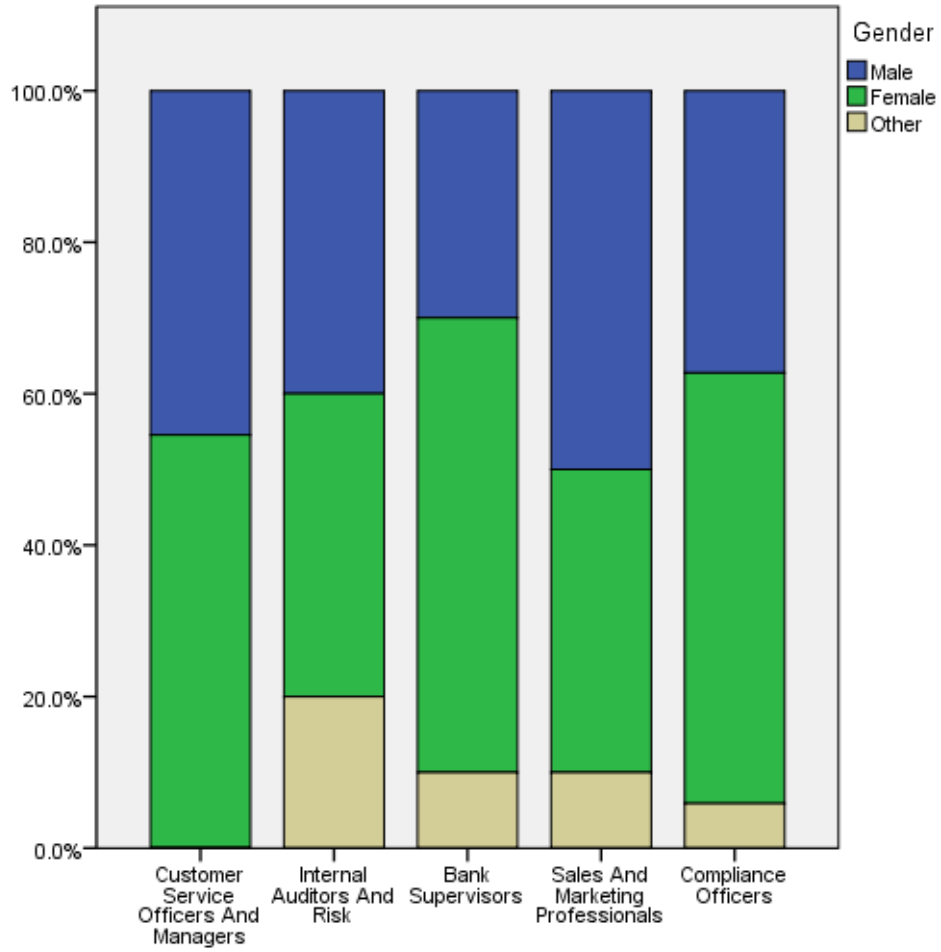


Figure 4.20: Relationship between occupations and gender. Source: Primary data.

The above crosstab shows that age is also not significant in determining the choice of occupation needed in the future since there is an even distribution across all occupations.

Skills demanded by the current legislation.

Figure 4.21: Skills demanded by current legislation. Source: Primary data.

Compliance, digital, sales, customer service, data analytics, POPIA, privacy and banking were the outstanding skills demanded by the current legislation. Other skills mentioned include FICA, NQF level 6 and 7, IT, and compliance, just to mention a few.

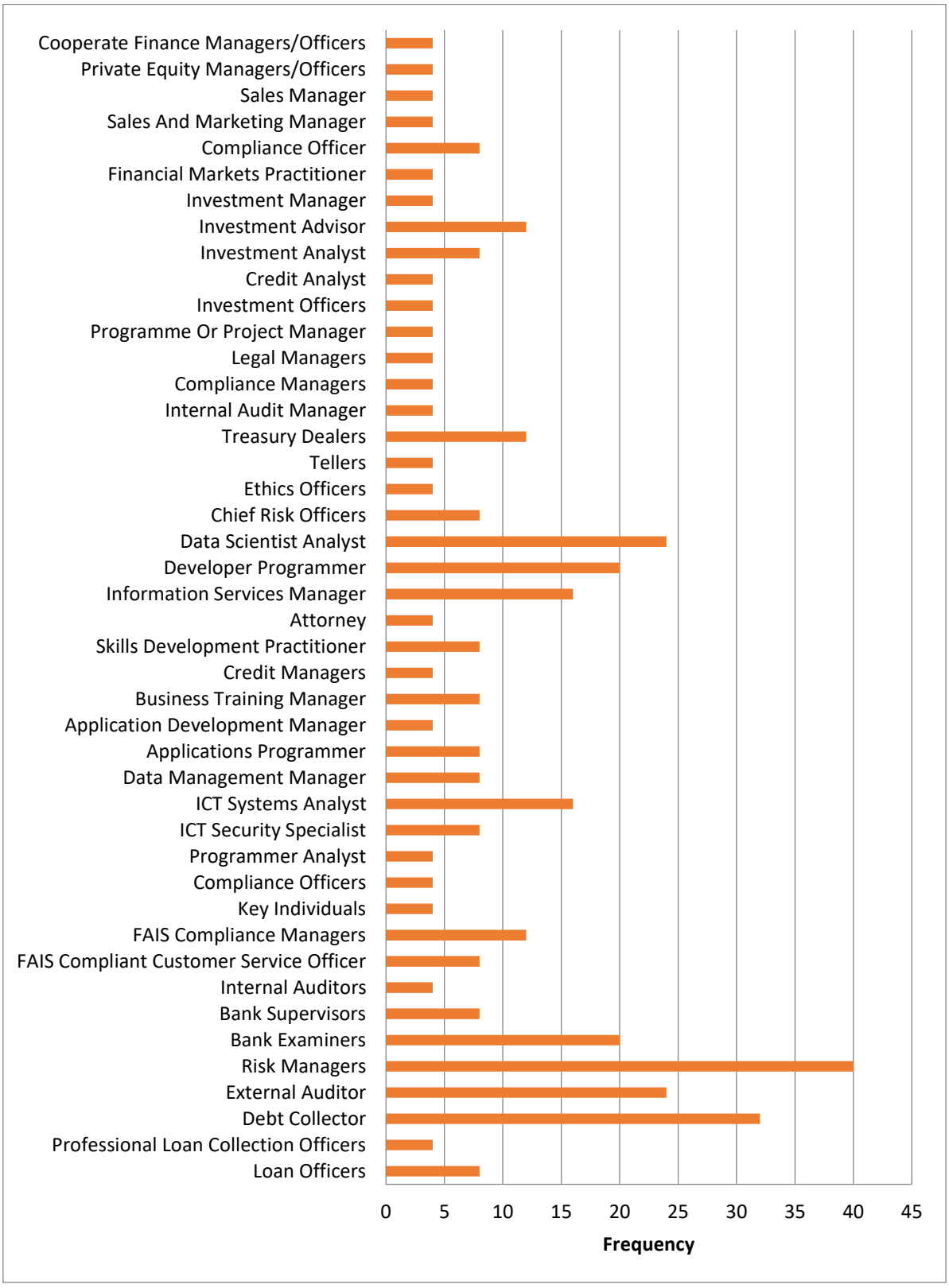


Figure 4.22: Positions Hard to Fill. Source: Primary data.

Risk managers, debt collectors, data professionals, IT, software developers, auditors and bank examiners were the skills hard to fill.

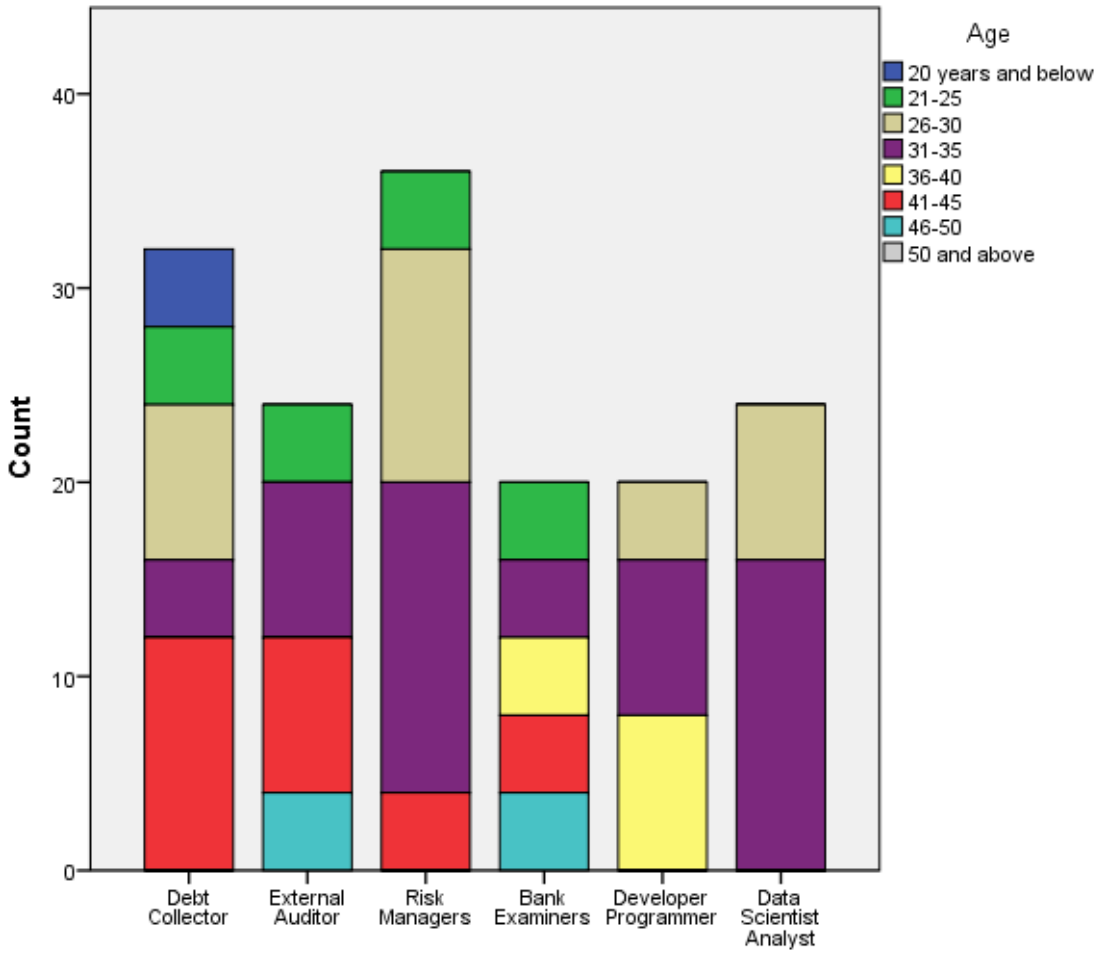


Figure 4.23: Relationship between hard to fill positions and age. Source: Primary data.

The graph above depicts that age is not significant in determining the person's skill. However, Data scientists were only popular within the 26 to 30 and 31 to 35 age ranges whilst software developers were found within the 26-30, 31-35 and 35-40 age group.

Skills that will be relevant in the sector

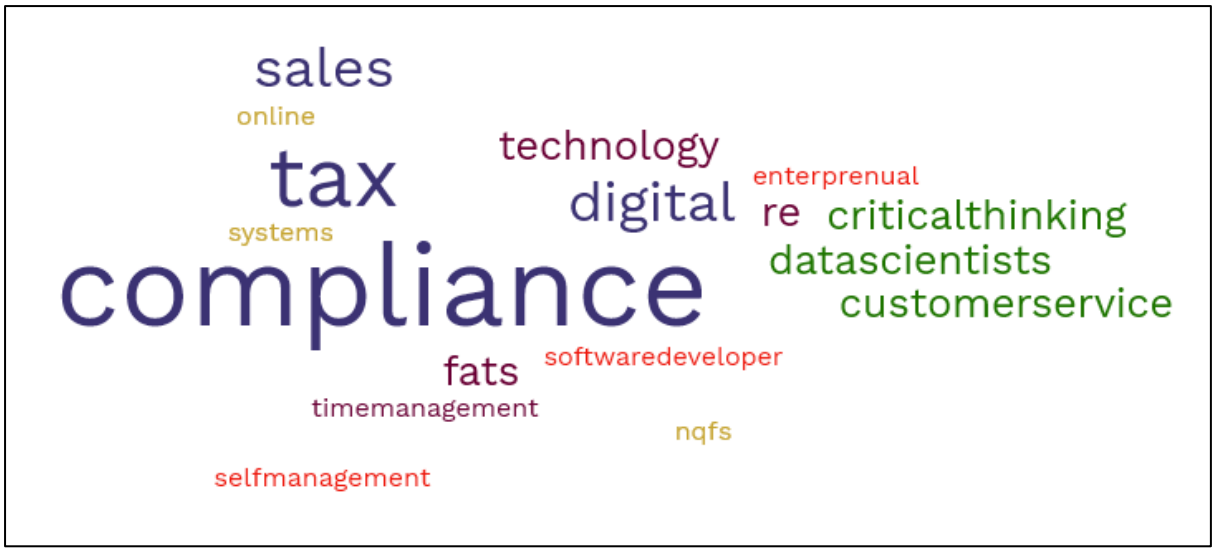


Figure 4.24: Skills that will be relevant in the sector. Source: Primary data.

The above word cloud shows the skills that will be relevant in the sector. Compliance, tax, customer service, IT and FATS are the most dominant ones.

Legislation with significant impact on the business.

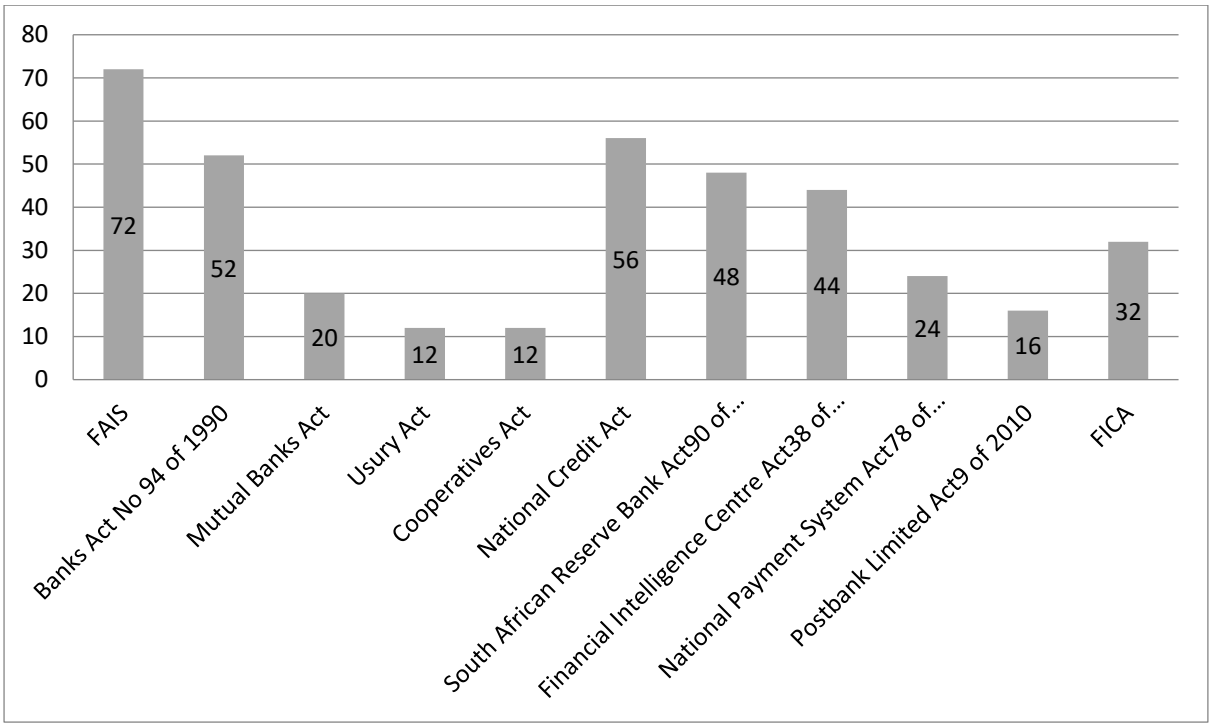


Figure 4.25: Legislation with significant impact on business within the sector. Source: Primary data.

The above graph shows legislations with significant impact on the business and FAIS is the outstanding one followed by National Credit Act, Banks Acts 94 0f 1990, South African Reserve Bank Act, Financial Intelligence Centre Act and Others.

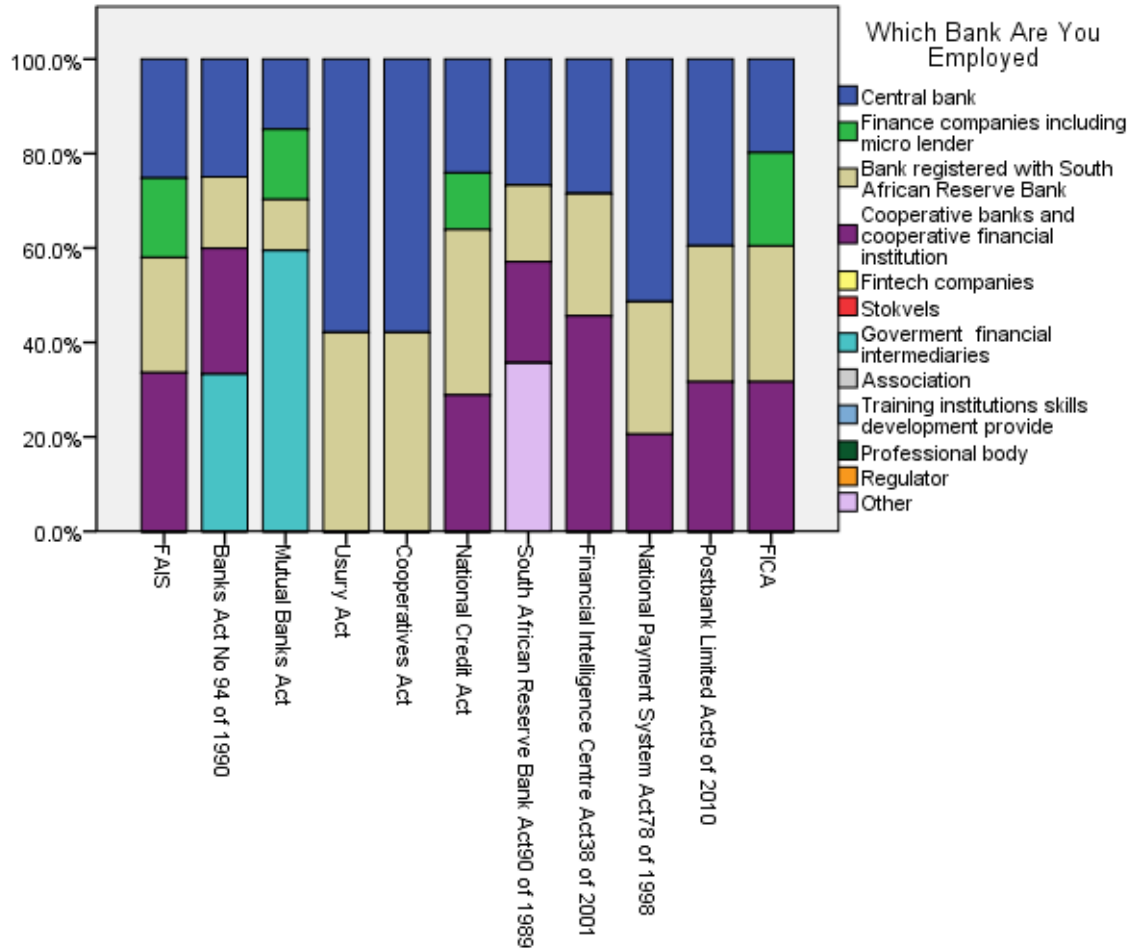


Figure 4.26: Impact of legislation within each subsector. Source: Primary data.

The graph above shows the influence of each legislation across different bank sub sectors. The central bank and banks registered with the Reserve bank are impacted by all legislation whilst other legislations have a huge impact of a selected number of banks.

Legislation and governance reports that influence the business.

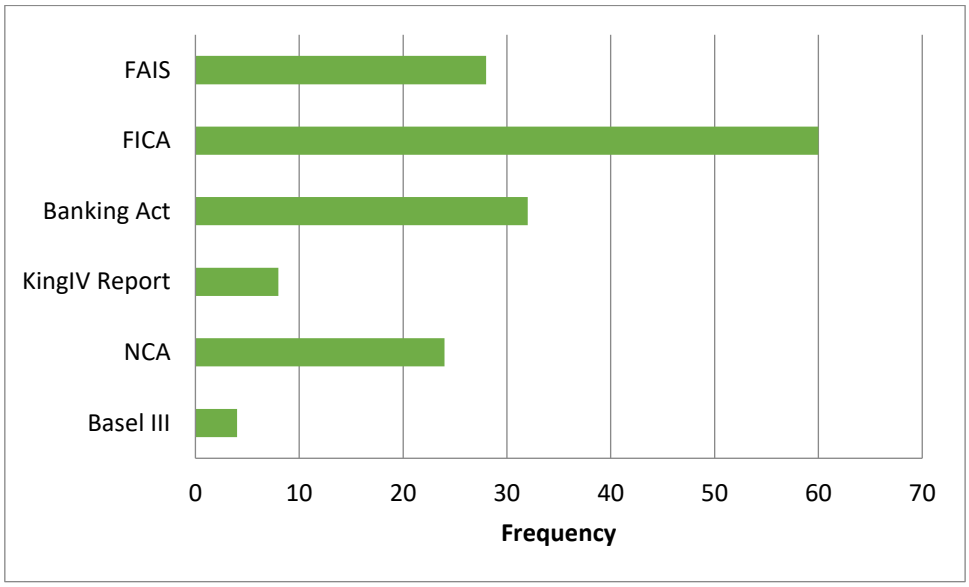


Figure 4.27: Legislation and governance that influence business within banking sector. Source: Primary data.

The bar chart above shows legislation and governance reports that influence the business. FICA is the most popular one followed by Banking Act and FAIS.

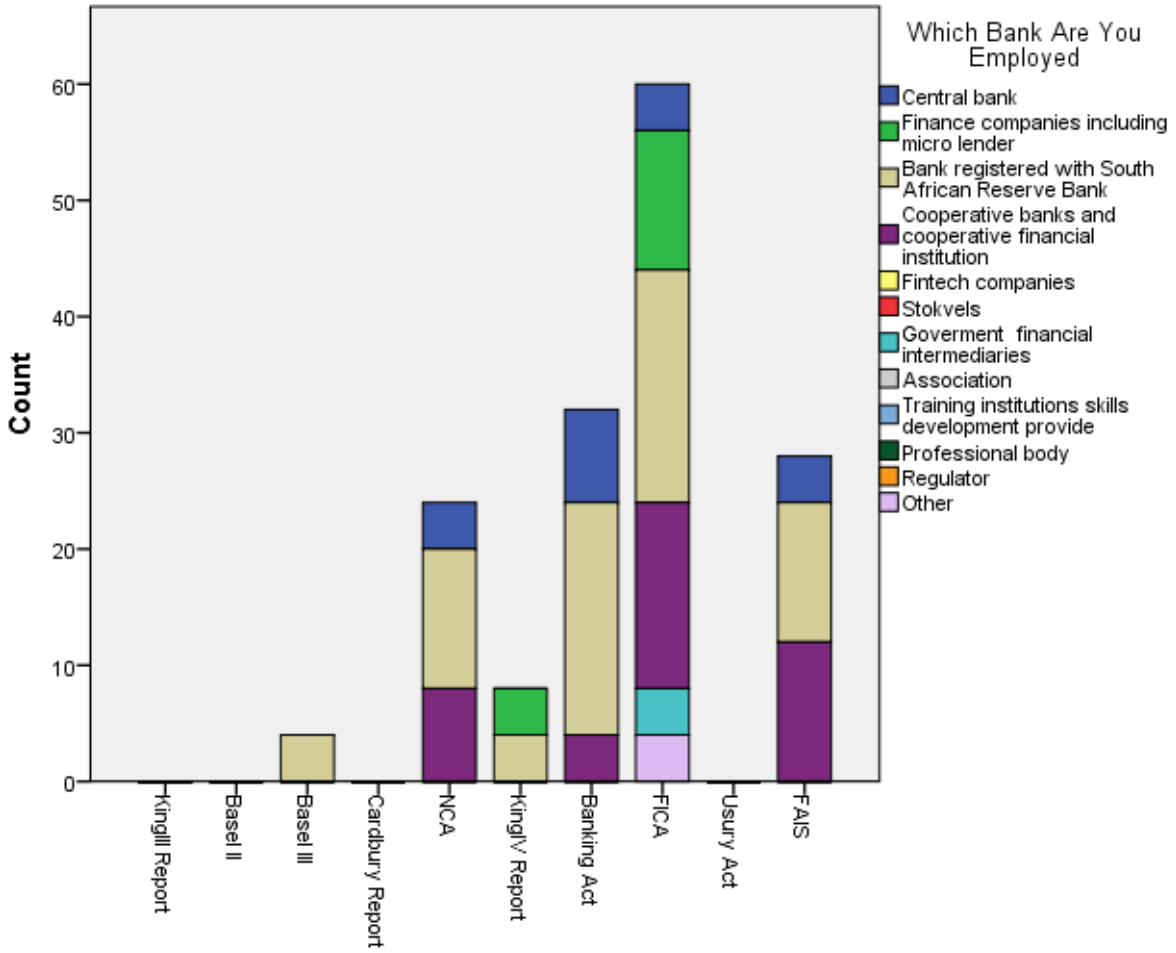


Figure 4.28: Influence of legislation and reports within each subsector. Source: Primary data.

FICA has an influence on more banks than other legislations report. Basel II and King III reports have a little influence on all banks.

Skills that should be developed to ensure compliance and governance.

Figure 4.29: Skills that should be developed to ensure compliance and governance. Source: Primary data.

Compliance, IT, tax, FAIS, reporting, and data analytics are the most popular skills that should be developed to ensure compliance.

Skills required in the future.

Figure 4.30: Skills required in the future. Source: Primary data.

The above picture shows skills that will be required in the future. Sales and banking are dominant. However, IT, business intelligence, analytics, cyber security, software development and others were also mentioned.

Jobs that will be irrelevant in the future

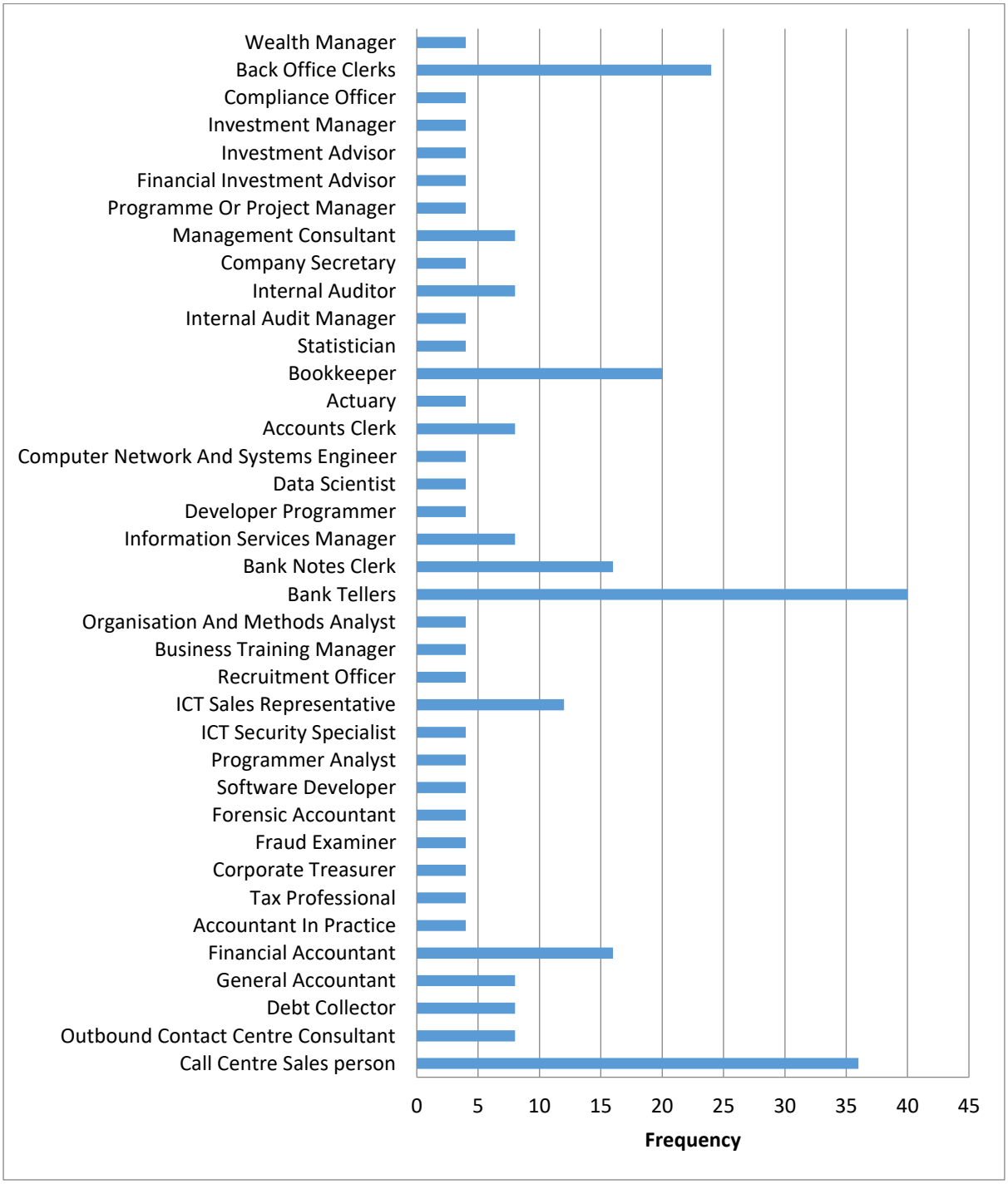


Figure 4.31: Transforming jobs. Source: Primary data.

The above graph shows occupations that will be irrelevant in the future. In the top 5, there is call centre salesperson, bank telling, bookkeeping and back-office clerks.

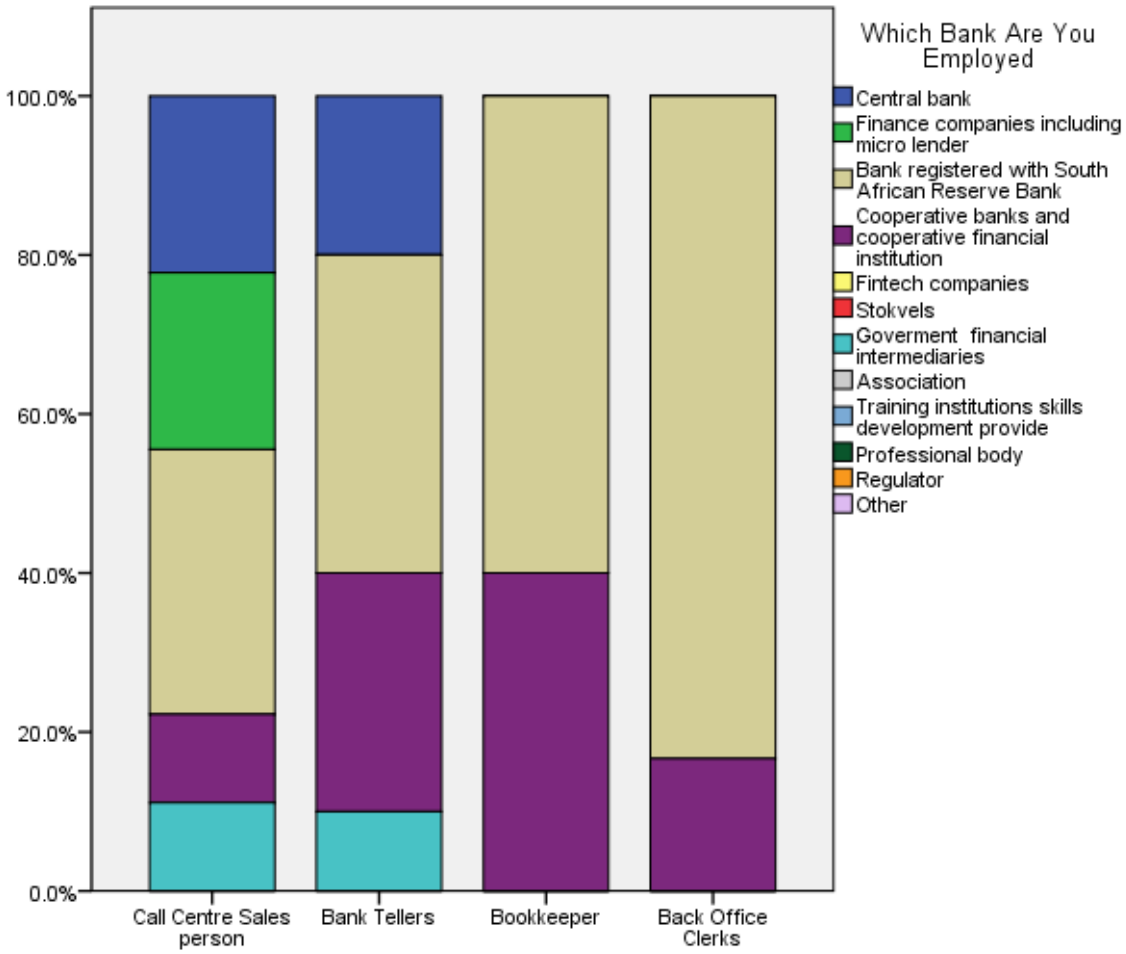


Figure 4.31: Transforming jobs by subsector. Source: Primary data.

The above graph shows that skills irrelevance varies from one bank subsector to the other. In this case, back-office clerks will be irrelevant in cooperative banks and banks registered with the reserve bank. call centre salesperson will be irrelevant in most banks.

Skills required in the future.

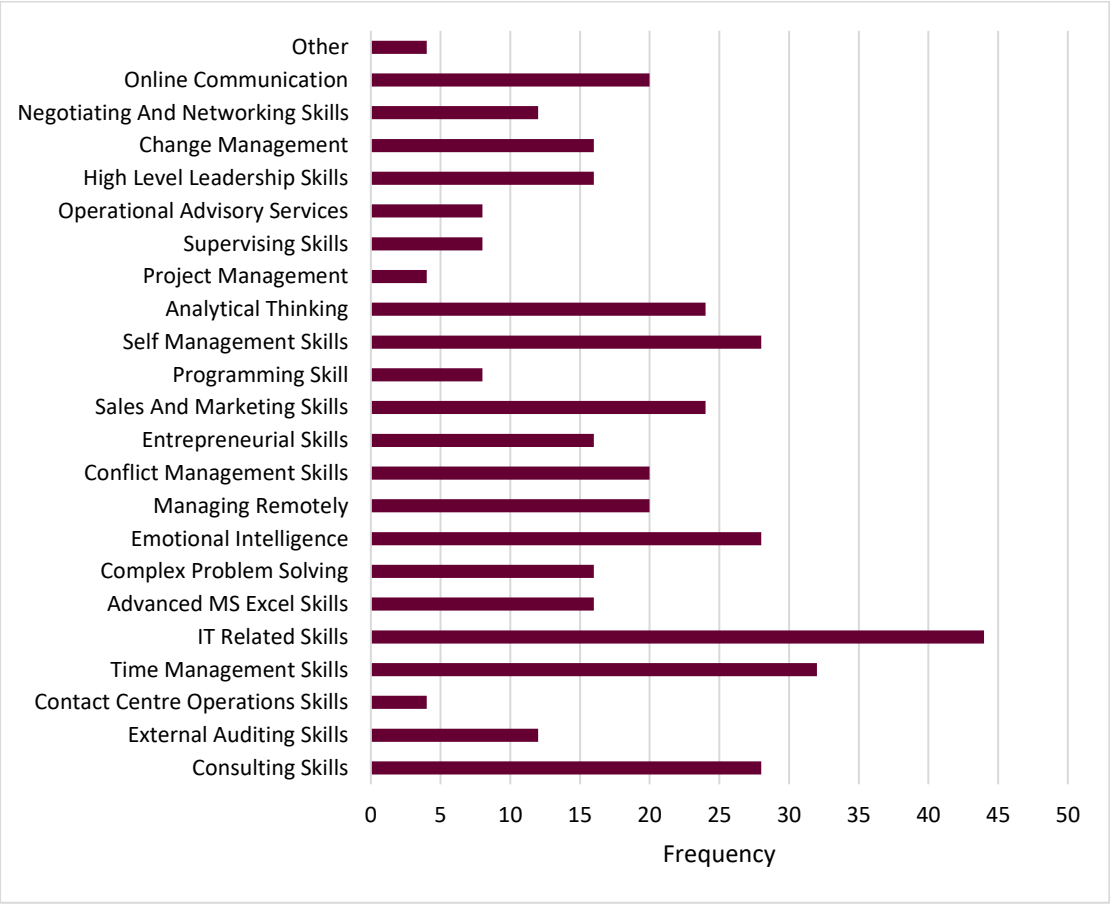


Figure 4.32: Skills required in the future. Source: Primary data.

The above graph shows skills that will be required in the future and IT skills remain outstanding. This is followed by time management, self-management, analytics, communication, and others.

Ratings of Issues raised in the National Credit Act on business decision making.

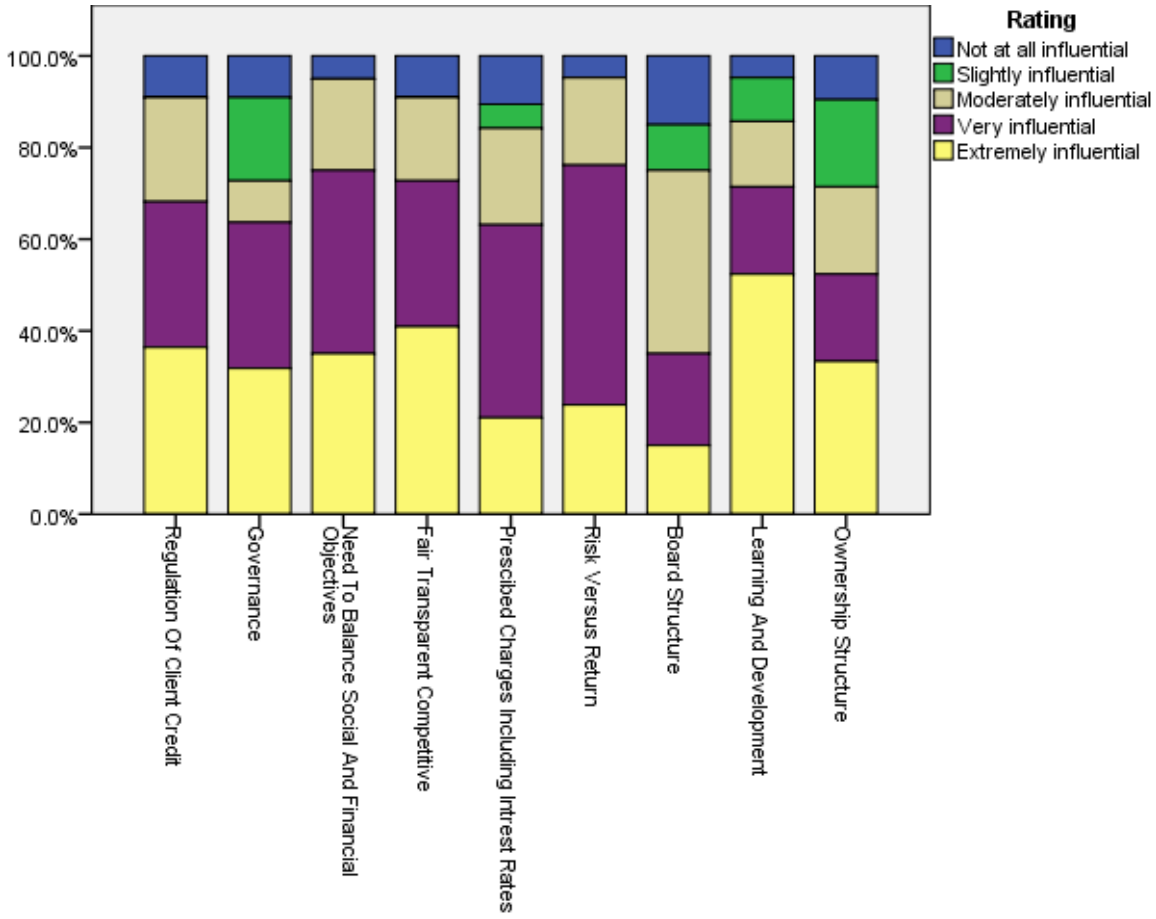


Figure 4.33: Ratings of Issues raised on the national credit act. Source: Primary data.

The respondent was also asked to rate the impact of the issues raised in the National Credit Act on business decision making and the above graph shows the results. The results show that overall, all the issues raised have got a huge impact on business decision making.

Ratings on the issues that has led to failure of microfinance institution and banks.

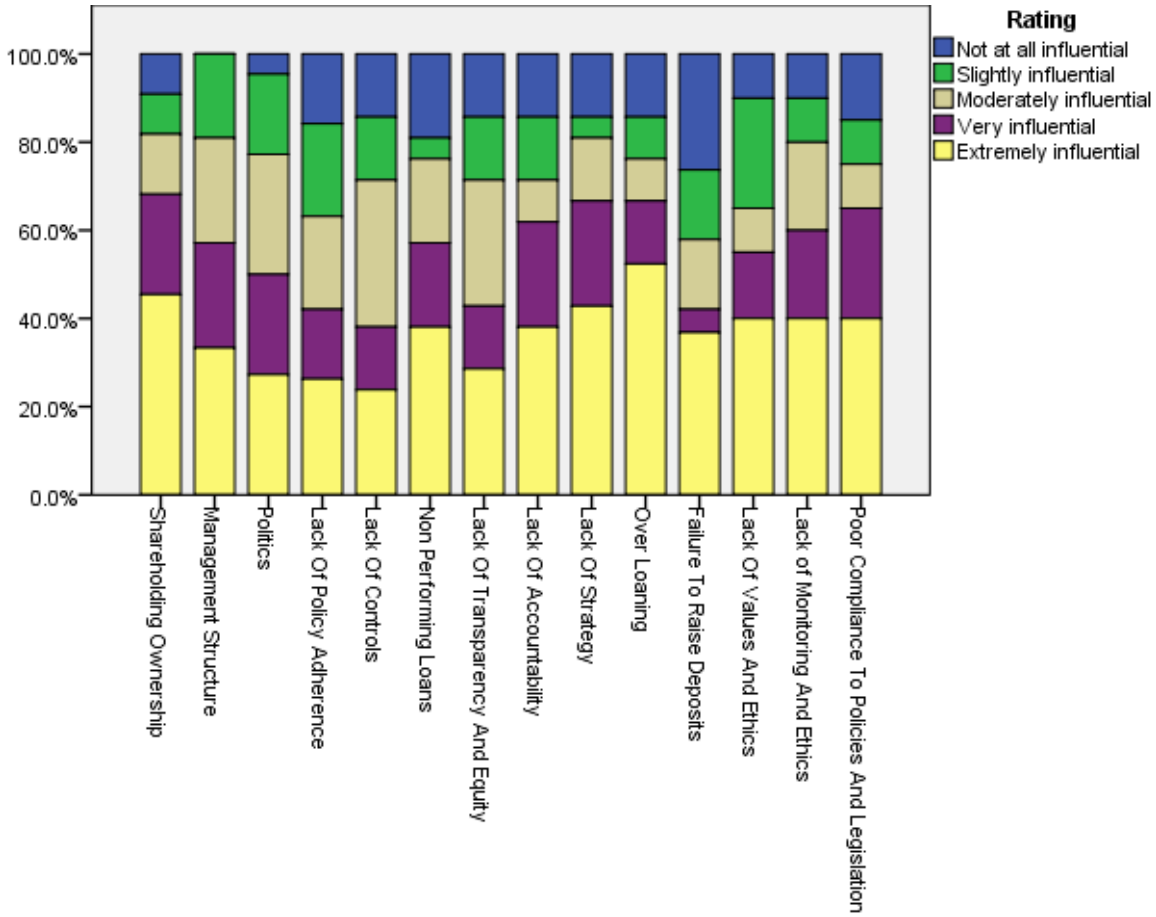


Figure 4.34: Factors that lead to failure of microfinance institutions and banks. Source: Primary data.

The analysis shown above depicts that all the issue mentioned have led to failure of microfinance institution and banks except for management structure which has a little influence.

4.9 CONCLUSION.

The following were identified as among current skills required by banks and microfinance institutions: compliance, digital, software development; and

programming skills. They also should possess qualitative, analytical, communication, leadership, and strategic planning skills.

In cooperative banks, governance is the most popular skill required followed by financial management, leadership, accounting and bookkeeping, marketing, customer care, and communication.

The study showed that Legislations had a significant impact on the business and FAIS is the outstanding one followed by National Credit Act, Banks Acts 94 0f 1990, South African Reserve Bank Act, Financial Intelligence Centre Act and Others.

5 CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 MICROFINANCE

The research identified various skills required by microfinance institutions amongst them being compliance, programming, software development, auditing (external and internal), digital/ data skills, and cybersecurity. There is a noticeable trend of fusion of IT skills and basic microfinance operations. Strong demand for digital skills, programming and artificial intelligence is expected in the long run. This will assist micro finance institutions to comply with various legislations.

5.2 COOPERATIVE BANKS

Cooperative banks are governed by co-operative banks act 40 of 2007. They should comply to the aforesaid legislation over and above to the national credit act amongst other legislations. The most common skills required: governance, financial management, leadership, customer care, bookkeeping, product technical knowledge and accounting. In addition, there is lack of infrastructure to manage either loans or savings, and some institutions are characterised by leadership infighting.

5.3 REGULATION

The skills demand by the current legislation are compliance to: FAIS, FICA, NCA, BANK ACT, POPIA, and Cooperatives Banks Act of 2007. There were outstanding ratings on FAIS and national credit act, which implies that institutions across subsectors do require training and support on the aforesaid acts.

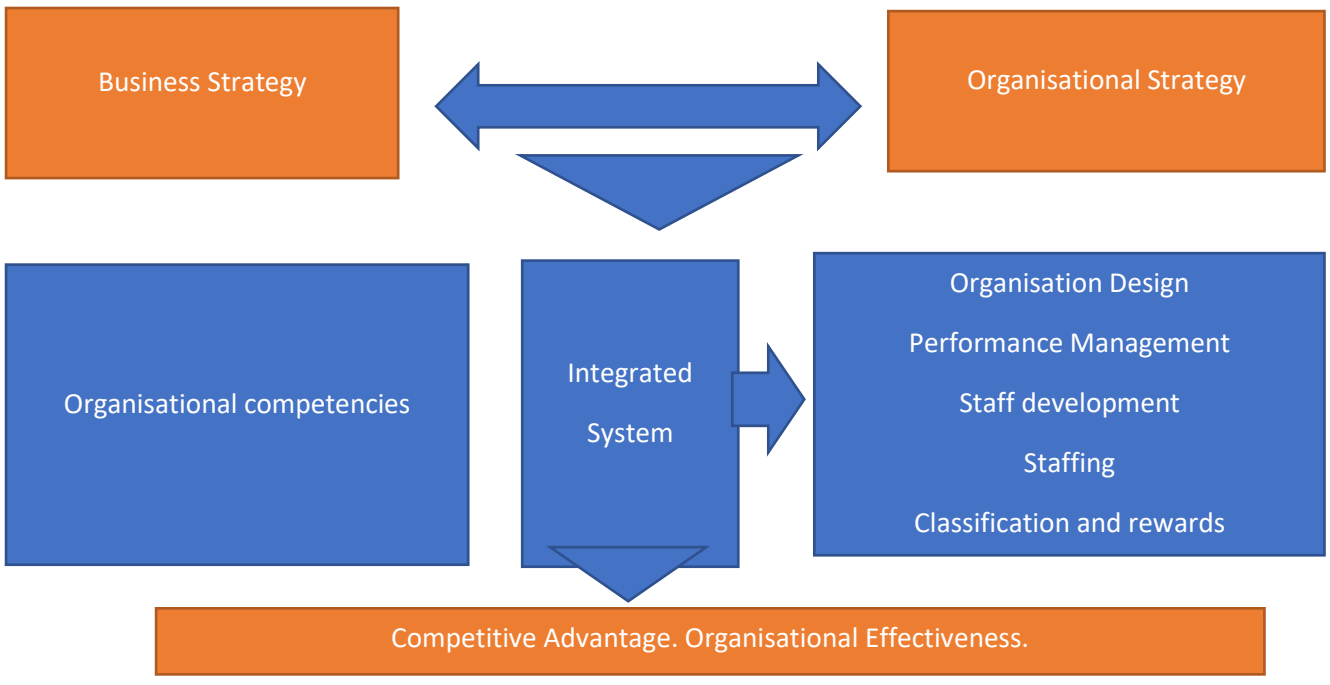
5.4 RECOMMENDATIONS

Partnership and collaboration: BANKSETA should partner with regulators to implement legislation awareness and compliance programmes. This will enhance compliance levels with different banking subsectors. The training programmes should be tailored to each subsector. In addition, BANKSETA should fund regulatory, class of business and professional examinations.

For the sustainability of MFIs and CBs, South African institutions must use a competency approach for supporting each of their key processes and measure everyone against the required competencies. This approach has been used effectively in several industries in the last decade.

Previously, visionary, and entrepreneurial founders and leaders of MFIs or CBs have employed other ways of building up their human resources. Their deep understanding of the industry and capability to accurately read the shifting trends in the market enabled many of them to build exceptionally successful institutions. However, for many of these organisations the strategic human resource function is retained only at the highest level, usually by the founder(s). Additionally, human resource management in large MFIs and CBs tend to focus on the administrative function of hiring, paying and occasionally training people, and is often unrecognized as an essential factor in organizational strategy. In addition, lack of succession planning leads to the demise of small micro finance institutions.

Figure 5.1 Integrated Competency Based Human Resources System.



The competency approach is a systematic way of integrating all human resources processes from recruiting, retaining, and to rewarding and even retiring. Figure 5.1 above depicts the flow of the competency approach. The competency system serves as the link between all these processes. Firstly, it allows the South African organizations to define the profile of employees it requires, to ensure that the right workers are recruited and hired. As the new workers start to perform their assigned jobs, the competency system is a means of monitoring performance and designing relevant coaching and mentoring activities. Performance evaluation systems can be re-designed to incorporate a regular assessment against competencies required for an employee's current job. Performance evaluations assist in identifying developmental requirements; rewards and incentives can be aligned to the competency levels essential for a job for the attraction and retention of employees. The competency system can also help clarify career paths for organisations when employees are periodically assessed against competencies for positions at the next higher organisational level. This also enables the systematic development for critical positions for MFIs and CBs. When these processes are integrated and consistent, and are focused towards achieving organisational strategies, an institution is better able to build competitive advantage in its markets.

BANKSETA in partnership with microfinance institutions and material developers and should develop occupational qualification in micro finance with compliance components and digital skills.

BANKSETA in partnership with banking subsector employers and stakeholders must develop occupational qualifications with legislation components to create awareness.

TVET colleges must be informed by BANKSETA reports in developing capacities to develop ICT skills required by CBs and MFIs and offering more relevant computer courses. TVET colleges must develop labour market driven curricula in order continue to improve the quality of learning and supply employable college graduates.

Universities have to offer more courses/programmes with a direct link to the CBs and MFIs skill requirements such as Cooperatives Banking law, FAIS, FICA, NCA compliance, digital, and data management.

5.4.1 Microfinance.

In the rapidly growing South Africa's microfinance sector, it is essential that expanding MFIs separate human resource processes from the personalities and capabilities of their leaders and founders. This must be passed on to and shared by the rest of the organization to improve governance. Power and decisions must not be centred on one person as this will lead to the demise of these institutions. More importantly, MFIs must

view human resources management not just as a technical function that delivers HR basics, but also as a significant strategic function for building sustained competitive advantage for the organization.

When assembling the competency process team for the MFI, it is important that the team comprises of people who have deep knowledge of the institution, such as key institutional processes and people who have the authority to make decisions. Therefore, the following skills programmes and qualifications are recommended for the MFI.

5.4.2 Cooperative Banks.

For cooperative banks (CBs) to effectively play their functional role in the financial system hiring of skilled and professional employees must be done. The co-operative banks development agency (CBDA) can facilitate the flow of the process since it is responsible for promoting and funding education and training to enhance the work of the institutions. The authorities must create awareness among CBs of the importance of building organizational capability alongside products, processes, and systems. BANKSETA should partner with CBDA to promote education and aware of various legislation within the cooperative bank's subsector. Skills programmes in governance, leadership, financial management, management, digital skills, customer care, cooperative banking products and accounting are recommended certificates.

This is so because CBs members often lack the skills to direct, manage and control an CBs' activities. While the preferred option from the CBs' perspective would be to look for board members and senior managers within the existing membership, current members might not have the expertise or sufficient time to perform these duties satisfactorily. Although not an issue exclusive to CBs, finding and retaining qualified staff to perform key functions might be more of a challenge for these entities (and even more acute for small, rural, standalone CBs, as members may lack the necessary financial knowledge and dedication.

In South Africa all CBs should cooperate with the national association of co-operative financial institution of South Africa (NACFISA) for staff and board members training. The NACFISA encourage and ensure the implementation of competency-based human resource systems to build organizational capability for CBs. As in other jurisdictions, CBs can respond to the HR challenges by pooling resources and investing in capacity-building. The NACFISA must have more resources to hire and to maintain qualified staff and be better able to provide advice that affiliates on different topics. Through this same body affiliates may discuss and address common governance problems that may have an influence on the CBs competency frameworks.

Improving the skills of senior managers and members of oversight bodies may be achieved by training existing members or through external hiring. In both cases, adequate compensation for the time spent attending to the CB's affairs and for their expertise is necessary to retain qualified staff. In Australia, APRA has actively encouraged the "upskilling" of CB boards through its governance standards applicable to all authorised deposit-taking institutions (ADIs), with these standards including fit and proper requirements. In France, the supervisory bodies of the central entities of each of the three groups include varying numbers of external directors. In Ireland, primary supervisory expectations regarding governance risk include appropriate performance management frameworks for relevant officers and staff.

5.4.3 Regulation.

The financial industry is going through a significant transformation that make it easier for the customer to transact as big tech and fintech companies are partnering with banks. There should be regulation put in place to regulate the bigtech, fintech and, third party payment services companies. This will increase trust amongst stakeholders and assist in the regulation of personal and financial information.

It's recommended that the BANKSETA in collaboration with National Credit Regulator conduct NCA awareness sessions with various stakeholders. The same collaboration is recommended with FSCA, where BANKSETA would fund for regulatory examinations for deport taking institutions and financial advisors.

To witness a better manageable MFIs and CBs there must be an increase in regulatory employee training requirements. If employee training matters are left to the owners and members of the institutions, there may be reluctance in the implementation of the integrated competency-based HR system.

As one of major activities of human resource management, training has for long been recognized to improve and develop employee performance and enhance economic growth. To prepare their workers to do their jobs as required, MFIs and CBs provide training to optimize employee's potential. Training increases workers' productivity and improves the services of the workers and brings optimistic change in the organization. We recommend that CB's train their employees in the following qualification:

- Certificate in Cooperative Banking
- Diploma in Cooperative banking

Working with different authorities, regulators and bodies will go a long way in CBs and MFIs achieving sustainable growth. This is considering achievement of NDSP as laid out by the government of South Africa. The financial services conduct authority (FSCA) is one body tasked with protecting financial customers through supervising

market conduct. The compliance requirements imply that the sector needs constant training on current and new regulations to enhance the operations of MFIs and CBs.

The information shared by The South African banking risk information centre (SABRIC) helps shape the skills landscape in the cybersecurity space. It also has a significant role to play in the achievement appropriate in skills outcomes. Microfinance South Africa (MFSA) as an industry body plays an important role in advancing the interests of the microfinance sector, including skills development. This is a non-profit organisation that supports the development of microfinance institutions in South Africa. The benefits to members include opportunities for joint training, co-operation, and capacity building.

The Institute of Bankers South Africa (IOBSA) is the professional body for bankers and financial specialists. The IOBSA provides members with professional designations, networking, educational, training and information opportunities. Compliance and cooperation with these bodies will enhance MFIs and CBs skills supply as these stakeholders will be working in support of the Integrated Competency Based Human Resources System. Therefore BANKSETA, should continue to offer bursaries to those interested in getting professional designations.

The players should increasingly be subject to regulations. Employees in the entities should be required to go through extensive training to understand, apply, and ultimately comply with the regulatory requirements. This makes compliance training an important tool for development of CBs and MFIs in South Africa.

5.4.4 MFI AND SMMES

The banking and alternative sector have been impacted negatively with load shedding this increases the cost of both compliance and business as customers need to access their accounts and funds at any given point in point. The Banking subsector is encouraged to support the alternative subsectors in getting access to funding for alternative energy e.g. solar, generators, batteries, ups etc.

Collaboration and partnering with SMME support agencies. BANKSETA can facilitate collaboration among SMME agencies by providing platforms for joint ventures and ensuring all agencies fulfil their mandate and accommodate as many SMMEs as possible. And as one of the primary barriers to the growth and sustainability of SMMEs is limited access to funding. BANKSETA can consider establishing a fund or partnering with financial institutions and support agencies like SEFA to provide affordable financing to SMMEs within the sector.

Partnership and collaboration: BANKSETA can establish partnerships and collaborations with SMME agencies such as SEFA, SEDA, business partners, and SASMMES to create a coordinated approach to supporting SMMEs. This would involve sharing information, resources, and best practices to ensure that SMMEs can access the support they need.

Resource sharing: BANKSETA can work with SMME agencies to identify resources supporting SMMEs. This could include funding, training programs, mentorship**,** and business support services. By sharing resources, BANKSETA and other agencies can ensure that SMMEs can access the full range of support services they need to succeed.

Referral services: BANKSETA should work with SMME agencies to establish referral services to SMMEs to the most appropriate agency, depending on their needs and status. For example, BANKSETA could refer SMMEs needing funding to SEFA or refer SMMEs needing business support services to business partners.

5.4.5 Summary of recommended skills programmes and qualifications.

Table 5.1 below summarises recommended skills programmes and qualifications per subsector. These programmes should target both the employed and unemployed. In order to encourage the unemployed youth to enrol for skills programme, BANKSETA should set stipend for skills programmes and encourage youth to embark on voluntary work in order for them get experience.

Table 5.1: Recommended skills programmes and qualifications per subsector

Banking Subsector	**Recommended Skills Programmes and Qualifications**
Central bank	Non accredited training on Regulation on FinTech's, Bigtech, Third party payment services
Banks Registered with SARB	FAIS FICA NCA POPIA Compliance occupational qualifications NQF4, 5, 6 and 7 Digital risk management Risk management. Customer care Leadership Technical skills Soft Skills Banking occupational qualifications NQF Level 4, 5, 6 and 7 Communication Emotional Intelligence Sales and marketing Problem solving Management Compliance Digital Skills Digital Transformation Programming Software development Automation

Banking Subsector	Recommended Skills Programmes and Qualifications
	Artificial intelligence
Government Financial Intermediaries	Compliance FICA FAIS NCA POPIA Digital skills linked to compliance. Risk management. Leadership Management Soft skills Customer care Anti money laundering laws Computer programming Compliance Digital transformation Programming Software development Automation
Cooperative and cooperative financial institutions	Compliance Governance Legislation: Cooperative Banks Act 40 of 2007 Diploma in cooperative banking Certificate in cooperative banking Cooperative banking operations Strategic Management Management Soft skills Customer care Ethics NCA POPIA FAIS NCA FICA Leadership Governance Ethics Risk Management Marketing Soft skills Financial management Digital skills linked to compliance. Anti money laundering laws Computer programming Digital transformation Software development Automation

Banking Subsector	Recommended Skills Programmes and Qualifications
Fintech Companies	Computer programming Soft Skills Artificial Intelligence Governance Ethics Customer care
Stokvels	Governance Financial Management Leadership Financial Management Soft skills Financial literacy
Associations	Leadership Management Soft skills Financial literacy
Finance Companies including Microfinance institutions	Compliance occupational qualifications NQF4, 5, 6 and 7 Microfinance occupational qualifications NQF 4, 5, and 6 Entrepreneurship skills programmes FICA FAIS NCA POPIA Leadership Governance Digital transformation and automation Risk management. Sales and marketing Soft skills Customer care Programming Software development Digital marketing Cybersecurity Technical skills Micro finance operations skills programmes Digital marketing Debt collection Strategic Management Ethics

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