

THE SOUTH AFRICAN BANKING SECTOR AND THE FUTURE OF THE SECTOR IN THE COUNTRY

INTRODUCTION

The country's banking sector and the regulation thereof, plays a big role in their financial success and growth. South Africa's banking framework and its enforcement is well established and the Banks Act 94 of 1990 controls as well as protects a company from infiltration and big financial crisis' that may occur. In this article the main focus will be in determining the different types of banks and their role in the country in order to understand the future of banking law in South Africa.

THE DIFFERENT TYPES OF BANKS AND THE ROLES OF THESE BANKS IN SOUTH AFRICA

Banks assist and promotes the economy of a country by providing financial capital for businesses as well as a person's personal needs. A bank encourages people of a country to save. It gives their clients the opportunity to invest surplus money that they can use for various reasons at a later stage. The bank acts as a link in various business transactions and it facilitates business between two parties. The entity uses its surplus funds from other investor's deposits and lends it to clients who then pays it back with interest. It also assists in small scale businesses like farms by providing a line of credit. A bank therefore acts as an intermediary between businesses in the corporate world and individuals. It facilitates transactions to ensure the balancing and improvement of the country's economy.

The South African banking system can be divided into three tiers that all serve a certain purpose. The tiers, or "types" of banks, can be described as horizontal and they form part of the country's banking system.

The first-tier banks can be defined as "commercial" or "retail" banks and is registered under the Banks Act 94 of 1990 (hereafter referred to as the "Banks Act"). These banks provide different functions and services and thrives under its competitive edge nationally as well as internationally. The Banks Act requires these banks to function under strict requirements and to maintain certain standards. The main focus of these banks is corporate finance and to act as an intermediary party. Generally, these types of banks are state-owned and are regularly used by the public. The second tier or "type" of bank is more limited to the services they provide. They are more focused on providing

citizens of the opportunity to generate savings or applying and receiving loans. The Mutual Banks Act 124 of 1993 describes the prerequisites of a second-tier bank and was originally seen as some sort of haven for these types of banks as it provides the framework for this tier. Some of these banks are owned by account holders and others are owned by the state like for example Postbank of South Africa. The third and last tier describes a type of bank that is more membership-based as it is owned and managed by its members. They manage the bank on the basis of their interest in the success of the banks. Regulation is exempted from these types of banks as it is informal and not legally bound to act in a certain way. It is completely up to its members to manage and decide how they will go about making financial decisions. Banks like these includes village banks, stokvels and mobile banking services.

A MODERN SOUTH AFRICAN BANKING SECTOR AND THE FUTURE OF BANKING LAW IN THE COUNTRY

The core of the South African Banking Sector is the South African Reserve Bank. It is the central bank of South Africa and is governed by the South African Reserve Bank Act 90 of 1989. Its main focus is to ensure stable capital to the country and to ensure a good and growing economy. Its purpose can be summarized as the following functions: it strives to minimize risks in the country's financial system; it must adhere to international standards and the efficient application thereof; it should strive for economic growth and consistent development; it should encourage competition but always adhere to social fairness. In today's day and age, the law cannot define money. Money is no longer notes and coins in a person's purse but it is a legal tender that is recognized by the South African Reserve Bank.

Due to the competitive market of the banking industry, the boundaries have become limitless and the financial services of South Africa is impeccable. Thanks to a more modern and digital way of doing business, solutions that are more cost effective and remote have taken over and this enables the future of banking law in South Africa. Retail banks have become a growing threat and this ensures the innovation of universal banks to stay relevant and to keep customers business. They need to keep up with trends and keep developing with no possibility of getting too comfortable or relaxed. Growth is something that needs to continue for them to stay relevant and competitive.

Although development is inevitable, the Universal banks does have an advantage due to its size and efficiency to accommodate a larger amount of business than the retail banks. It serves the needs of customers better due to the large scale of business it can take on.

The regulatory authorities protect and encourage banks to provide credit and service to those less fortunate and previously disadvantaged. The banking industry is encouraged persistently to work on its image and to service all people of a country.

Leaders of parliament rely on banks to fill their economic shortcomings which is why the effective management and regulation of an effective and economically stable banking system is so important for South Africa's future. It enables a platform for innovation and development and it also controls the country's economic growth and helps it to continuously improve. Predictions of the banking industry indicate that by the year 2035, the entire industry will be described as a digital ecosystem. Everything will be interconnected and online. To ensure cybersecurity the suggestion is for all banks to form some sort of partnership in order to create a strictly controlled banking environment.

The Covid-19 pandemic had a big impact on the country's economy. Banks were forced to enforce various support and relieve measures such as reduction in interest rates, regulatory relief for banks and several tax measures. There has been significant turbulence but nevertheless, these measures seem to have worked and have stabilised financial markets. The recovery from here on out will only show how strong the banking sector truly is and how quickly the recovery period will be for the economic status of the country to be back where it was.

CONCLUSION

Even though the financial sector has suffered this past year, the sector has managed to stay in tact due to its strong framework and strict measures. The economy went through a rough patch but the banking sector is fully determined and will continue with accordance to legislation and regulations that it must adhere to. The South African banking sector therefore can be described as strong, consistent, reliable and will keep on growing and improving for the benefit of the country and its citizens.

Contact and Attorney at SchoemanLaw Inc for your commercial needs.