

ORATION SPEECH

*A LEGAL CONSPECTUS OF
SELECTED CHALLENGES
AFFECTING FINANCIAL INCLUSION
FOR THE POOR AND LOW-INCOME
EARNERS IN SOUTH AFRICA*

PROFESSORIAL INAUGURAL LECTURE PRESENTED
BY HOWARD CHITIMIRA, RESEARCH PROFESSOR AT
THE NORTH-WEST UNIVERSITY, MAHIKENG CAMPUS,
HELD ON 21 OCTOBER 2022

An inaugural lecture broadly entails an occasion for acknowledging and recognising the promotion of full professors for their contribution to knowledge through research and teaching conducted over the years. Put differently, an inaugural lecture is a ceremony to celebrate an academic staff member for showcasing their work and thus signifying a key milestone in their career for excellent innovative research, teaching, and professional methods applied in their career.

In his inaugural lecture, Professor Howard Chitimira sought to discuss the challenges affecting the attainment of financial inclusion for the poor and low-income earners and to identify contributing factors to financial exclusion of such consumers in South Africa. The concept of financial inclusion entails providing financial services and products to all members of the society in an affordable, convenient, and accessible way (Mohieldin et al, 2011 at 3; Chitimira & Ncube (2021) 10(1) *Interdisciplinary Journal of Economics and Business Law* 67 at 67–68). The opposite of financial inclusion is financial exclusion which refers to the removal, exclusion, or prohibition of certain people from accessing financial products and financial services such as loans, credit, bank accounts, and insurance cover by the relevant financial services providers (Magau (2023) *De Jure Law Journal* 220 at 222; Warsame, 2009 at 17; Chitimira & Magau (2021) 24(1) *PER/PELJ* 1 at 3). The poor and low-income earners are consumers who do not earn or have enough money to cover their day-to-day basic needs.

Financial inclusion is one of the niche areas of financial law which is crucial in that it mainly seeks to advocate for the integration of vulnerable consumers including the poor and low-income earners

into the formal economic activities of society (Chitimira & Ncube, (2021) 10(1) *Interdisciplinary Journal of Economics and Business Law* 67 at 67–68). The occasion of the inaugural lecture encapsulated the concept of financial inclusion at a very critical time when the world was grappling with addressing the socio-economic issues post the COVID-19 pandemic. The COVID-19 pandemic has undeniably negatively affected most consumers, especially the poor and those with low-incomes who form part of the vulnerable consumers (Hamadziripi & Chitimira (2021) *Acta Universitatis Danubius Juridica* 22 at 27–28; Ozili (2020) *International Journal of Sociology and Social Policy* at 9). During his academic career, Chitimira has contributed significantly to the discourse on various aspects of financial sector regulation, including how to combat financial exclusion in South Africa and beyond. As such, it was apt and well thought out that on the occasion of his professorial inauguration, he touched on the promotion of financial inclusion which is a contemporary policy objective for most countries.

Chitimira identified nine key challenges affecting the promotion of financial inclusion for the poor and low-income earners in South Africa. These challenges include unemployment, poverty, financial illiteracy, over-indebtedness, high bank fees, mistrust of the banking system, uneven bank concentration, lack of relevant national identity documentation, and a poor legislative framework (Chitimira & Ncube, 2020 *Acta Universitatis Danubius Juridica* at 30; Chitimira & Magau, (2021) 24(1) *PER/PELJ* 1 at 4–17; Chitimira & Ncube (2021) *Journal of African Law* at 337–350). Most poor and unemployed people in South Africa cannot afford to maintain bank accounts and the transaction costs for keeping their bank accounts active (Chitimira & Ncube (2021) *Journal of African Law* 337 at 348). Similarly, it was revealed in the lecture that most people in South Africa are still financially illiterate and more vulnerable to reckless spending, and predatory lending and are excluded from basic formal financial services and products. As a result of the lack of adequate financial literacy and education programmes, a greater portion of the poor and low-income earners struggle to save money and end up seeking credit loans from informal sources which offer exorbitant interest rates, thus leading to their over-indebtedness (Ssebagala (2016) 33(6) *Development Southern Africa* at 757; Chitimira & Ncube (2021) *Journal of African Law* at 340). One of the factors that leads to most poor and low-income earners not opening formal bank accounts is the issue of high-bank fees which in turn, results in these consumers relying on informal sources for accessing financial services and products. The high levels of financial illiteracy amongst the poor and low-income earners have contributed to their mistrust of banks and other formal

financial services providers in South Africa (Zait & Barteo (2014) *Journal of Accounting and Management* 37 at 38; Chitimira & Magau (2021) 24(1) *PER/PELJ* at 8–13). Currently, there is no specific statute that regulates and promotes financial inclusion for the poor and low-income earners in South Africa (Chitimira & Magau (2021) 24(1) *PER/PELJ* at 4–6). The geographically uneven concentration is also a challenge affecting financial inclusion in that most financial services providers and banking institutions are still concentrated in urban areas (Chitimira & Magau (2021) 24(1) *PER/PELJ* at 7; Chitimira & Ncube (2021) *Journal of African Law* at 337–355).

In order to attain the goal of 90 per cent of financial inclusion in South Africa as per the National Development Plan, it is crucial for the government, regulatory bodies, and all relevant stakeholders to join hands and collaborate in addressing the issues affecting financial inclusion as outlined above (Chitimira & Ncube (2021) *Journal of African Law* at 351–355). This is a point that Chitimira also alluded to in the lecture — that there is a need for the government and all other relevant stakeholders to consider adopting appropriate measures for combating poverty, unemployment, and all other socio-economic challenges in South Africa. Some of these stakeholders and role players include the Financial Sector Conduct Authority (FSCA), the National Consumer Commission (NCC), the National Consumer Tribunal (NCT) and the National Credit Regulator (NCR), among others.

In conclusion, the inaugural lecture was insightful and presented in an understandable manner without any challenge or difficulty for anyone to comprehend even if they were not necessarily an academic or legal scholar. The lecture dealt with important and present-day realities that most South Africans continue to grapple with on a daily basis. The issue of the promotion of financial inclusion is a policy objective that, if properly enforced, will benefit everyone in society even if they do not necessarily fall into the category of being poor or low-income earners. It is against this background that it is not far-fetched to argue that the promotion of financial inclusion should be rolled out through conducting financial literacy and educational awareness programmes for the poor and low-income earners in all the rural areas and informal settlements of South Africa. It is important to congratulate Professor Chitimira on being promoted to a full professor of law and we hope to see more of his meaningful contributions in academe. He has done well for himself, and for other emerging scholars through mentorship as well as creating enabling opportunities for success in their careers. As such, Professor Chitimira fully deserves this recognition.

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