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National Association

For Co-operative

Financial Institutions

Of South Africa

 Reg. No. 2013/004124/25

**THE FINANCIAL SECTOR TRANSFORMATION SUBMISSION**

**DUMISA MRWATA**

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**SUBMISSION: ORAL AND WRITTEN**

**BY: DUMISA MRWATA (PRESENTATION) AND MZWAKHE SIKHOSANA (SUPPORT)**

**NATIONAL ASSOCIATION OF COOPERATIVE FINANCIAL INSTITUTIONS OF SOUTH AFRICA (NACFISA)**

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| **INTRODUCTION**NACFISAwas registered in March 2013 under the Cooperatives Act of 2005. It represents the sector with a membership of 28 Cooperative Financial Institutions and 2 Cooperative banks which are registered with the Cooperative Bank Development Agency (CBDA) and the Reserve Bank respectively with a total membership of 30 000. The cooperative sector has grown by 13, 33% from 26 CFIs in 2013 February to 30 in 2016 February, with an asset growth of 15.41%, from R231million to 280 million. (CBDA annual report 2015/16) It remains the principal national organization recognized as an institution responsible for representing and speaking on behalf of its members. |

**AIM**

To unite, represent and support member Cooperative Financial Institutions and to build strong Cooperative sector which is financially self-sufficient.

**STRUCTURE**

NACFISA is currently directed by an Interim Board of Directors whose term of office expires on the 25th March 2017 when a new board elected in the Annual General Meeting. The interim board is as follows;

Zwelinjani Thoba Chairperson

Morris Motlhatlhedi Deputy Chairperson

Shadrack Kgosiemang Treasurer

Andries Mosime Secretary

Francis Selialia Director

Dumisa Mrwata Director

Peter Maleta Director

Manqina Director

At provincial level NACFISA is represented by its provincial chapters.

**THE STATE OF THE SECTOR**

The majority of the member CFIs are from very poor working class background and serve as the source of income for members of these CFIs. These are drawn from townships and rural villages of our country South Africa. These CFIs and Cooperative banks represent the hopes and aspirations of their members, some of whom the only income is from the social grand. Their hope of a better tomorrow and improved economic condition depend on this system of collective saving or saving together. However the regulations are too restrictive to allow for a rapid growth in the sector and to bring about tangible transformation that makes the cooperative sector attractive to those who are yet to join.

There are areas of our struggle which we think that if they were to be overcome through amendment, repeal and reformulation, the envisaged radical economic transformation would be realised much earlier. In a country with a citizenry of 54 million, it is hard to imagine that only about 30 thousand people belong to registered cooperative financial institutions.

The legislative processes in existence currently (Cooperatives Bank Act 40 of 2007) are not supportive enough to the development of cooperatives in the financial sector. The different classification of cooperative financial institutions and cooperative banks by CBDA rules gives the impression that the one is inferior to the other. Thus members are more attracted to cooperative banks than cooperative finance institutions.

The singular regulatory body which is the CBDA has no independent appeal process and therefore renders the regulatory mechanism unfair.

The development and design of the rules as conferred to the CBDA by section 57 of act 40 of the Cooperative Banks Act must be reviewed to read as “in consultation with the Cooperative Sector”.

The budget of the CBDA needs to be reviewed to ensure that it carries out its mandate in support of the Cooperative sector.

The CBDA should extend its reach by opening provincial offices in all provinces with a view of adequately allocating time to assess, establish and registration cooperative banks instead of a single centralised office in Pretoria.

The banking platform software project is a giant step that government has extended to cooperative banks however the system is too costly for cooperative banks to acquire, this if not considered may lead to the system being a white.

Recommendations

In order to build awareness and confidence in the sector government has to assist to drive campaigns on the importance of saving in cooperative banks.

The CBDA rule that differentiate cooperative financial institution must be done away with and replaced by different levels of cooperative banking.

An independent appeals authority should be established to ensure a fair and credible process.

The Cooperative sector must be part of a team of formulating rules together with the CBDA so that the rules are fairly consultative.

The CBDA must establish offices in provinces to improve access service to cooperative banks.

The banking platform must be extended to all cooperative banks with no cost, to improve reporting and efficiency.