

# What to expect from SA's banking sector towards 2035

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7 Jan 2020

The South African banking industry landscape will look vastly different towards 2035, characterised by digital banking solutions unimaginable today due to the continued influence of key factors and trends in future.



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We live in a world where billions of people are hyper-connected to one another as well as to everything found in the contextual environment in which they actively participate. This unprecedented global network of connectivity creates a platform for real time and seamless transfer of innovation and technology, The banking industry is one of the many industries that will experience multiple iterations of continuous change in decades to follow.

Combining the interconnectedness with the rapidly changing needs of customers, and the continuous introduction of new technology indicates that years to come will be characterised by influential disruptive transformation never experienced before.

This will have two major influences on the banking landscape; namely, causing continuous client behaviour changes and constituting the building blocks for the digitisation of the banking industry landscape.

The current South African banking industry is dominated by five major banks of which four (ABSA, Nedbank, FirstRand and Standard Bank) are categorised as traditional banks, whilst Capitec, the latest entrant to the market, has disrupted the

South African banking industry landscape since it was established 18 years ago.

“The continued introduction of change as well as new digital-only banks, such as Thyme Bank, BankZero and Discovery Bank, will lead to an increasingly complex and competitive banking industry landscape in South Africa towards 2035.

## **Four alternative future scenarios**

### **1. The money machine**

Supporting the banking needs of a large percentage of the South African population through agile digitised information technology systems constituting the core operational platform of the banks.

### **2. On the high road**

Banking solutions personalised for the need of the individual made possible through new inventions such as big data analytics and artificial intelligence whilst being supported by agile information technology systems.

### **3. Tall order**

An environment characterised by banks trying to satisfy the banking needs of the bulk of the South African population using legacy information technology systems that are lacking the required agility to be able to incorporate the change necessary to bridge the gaps.

### **4. Slowly, but surely**

Scenario describing a banking environment focused on serving the banking needs of the individual who expect personalised banking functionality whilst having to rely on functionality available on legacy information technology systems.

The digitisation of the banking industry and the continued presence and application of innovative banking solutions and enabling technology, necessitates the establishment of new regulations in order to counter the increase in security risks. The continued change in client behaviour, in turn, requires banks to continuously reinvent themselves in order to continue to satisfy the need of their clients.

## **The influence of SA's economy and politics**

It is difficult to determine the future impact of the South African economic and political environments on the banking industry landscape due to the interconnected nature of the two domains.

South Africa's economic structure is poised to strangle growth for the foreseeable future, and as a counter, the political environment will be dominated by rhetoric and policies geared to addressing the causes of low growth, the circumstances facing the poor and means to stimulate growth.

“Banks have been considered for a long time as servicing the privileged and this will be in the crosshairs as politicians compete for the populist vote. Consequently, the banking industry will need to address its image to that of a bank for the people. Against the backdrop of low economic growth, banks will need to innovate solutions that break from the normal model of risk requiring returns as this mechanism underpins the exclusion of the poor.

Banks will have to innovate solutions that mitigate the risks associated with their clients, which may include the adoption of a digital core operation platform enabled by technology and innovation as well as innovative business models.

The political environment will look to banks to make up for their shortcoming in stimulating growth and redistributing wealth. The former requirement will require banks to provide loans and products to stimulate capital formation with the second requirement looking to digitisation of banks to redistribute corporate profiles to the consumer.

The core operational platform of the banking industry towards 2035 is most likely to be characterised by an agile digital ecosystem of interconnected entities. The adoption of digital solutions create a complex system requiring the reinvention of security and regulatory measures.

The key solution to combating cybersecurity is through the establishment of partnerships between banks and third parties such as regtechs that can supply financial solutions enabling clients to have access to digital financial solutions. This will provide clients access to their banking functionality whilst providing the privilege of a strictly controlled banking environment.

## ABOUT THE AUTHOR

Ruellyn Willemse-Snyman completed her master of philosophy (MPhil) degree in futures studies at the University of Stellenbosch Business School (USB).

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