

SA's financial services sector isn't close to transformation. Here's how to fix it

By [Anthony Govender](#)

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The South African financial services industry, and in particular the asset management sector, is not even close to being transformed enough to reflect the country's population and to respond to the needs and interests of the majority of the country's people.



Anthony Govender, founder and CEO, ASI Financial Services

Furthermore, at present, the vast majority of financial advisors are tied to one of the Big Five insurance institutions, with significantly less than 20% of brokers in South Africa being able to give truly independent financial and retirement advice to clients, without the spectre of conflicts of interest compromising the integrity of their advice.

When it comes to the stockbroking industry, a tiny minority of the market share is held by black stock brokers, and the barriers to entry in this sector are the same as in other parts of the financial services industry: it's impossible to launch into this space without significant capital and investment in technology.

While the playing fields in the sector may have been levelled on paper in 1994, the truth is that the five big insurers that dominate the market now had already had decades – and international injections of capital – to establish their positions, while black individuals who wanted to launch into the sector had to start from scratch. The playing field may have been level, but the starting line certainly wasn't even close to being the same.

There are a number of black-owned players in the industry now – but they're fragmented and isolated, and tend to protect their own interests rather than adopting a more inclusive approach to transforming the industry.

Trust

I believe that the currency of financial advisory is trust – trust between an advisor and their client, and trust between the advisor and the asset managers they engage with. It's time for transformed, transforming, and black-owned asset managers and financial services advisory firms to find ways to collaborate more, to come together in a more meaningful way.

This could be by several smaller players coming together to consolidate their businesses to build stronger voices in the

industry – building potential competitors to the legacy players.

More than ownership

It's also important to remember that transformation is about so much more than ownership. How transformed is a business, really, if it is 100% black-owned, but its board of directors doesn't represent the demographics of the country? How meaningful is that transformation of the board doesn't have an intimate understanding of the issues that impact on the daily lives of its customers and investors? And how transformed is a business if it doesn't have a preferential procurement policy that prioritises transformed businesses, because we can only lift South Africa if we work together, lifting one another.

Government has a significant role to play in transformation in the sector too, and I urge the Department of Trade and Industry to reconsider current planned interventions in our industry that are going to lead to the extinction of independent financial advisors.

Our industry can only offer true value to South Africa's people if there is space for independent advisors – and this is truly an industry where an emerging and growing cohort of independent black advisors can help the country's majority learn how to make the most of their finances, plan for the future, and create generational wealth.

We do welcome deputy finance minister Dr David Masondo's commitment to look at ways that retirement funds are also held accountable to the financial sector's B-BBEE scorecard requirements when they appoint asset managers, which should in turn promote transformation in the sector.

This is important because, sad though the truth of it is, policy won't drive transformation on its own – policies need to be enforced. That, along with a commitment by black asset managers, stock brokers and other players in the sector to work together – whether by coming together to build bigger firms, by appointing truly representative boards, or by procuring everything possible from black-owned businesses, is the only way we will see true transformation in the South African financial services sector.

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