

CONFIDENTIALMEMO ON DEPOSIT RECEIVING INSTITUTION FOR AFRICANS.

[1957]

1. One of the urgent needs of the African population in the Union of South Africa is the establishment among them of a deposit receiving institution catering especially for their requirements.
2. At present time Africans who have any funds to put aside for the proverbial rainy day, deposit such funds either in the Post Office Savings Bank or in the Savings Bank of the ordinary commercial banks or the Savings Department of Building Societies. Although the amounts which individuals are able to deposit in these institutions are necessarily small, having regard to the limited economic opportunities and resources of the African population, in the aggregate they represent considerable sums of money. In the Post Office Savings Bank alone it is estimated that African deposits run in to between 16 and 20 million pounds. The commercial banks and other deposit receiving institutions do not carry such large African deposits, the chief reason being that the Post Office having branches in practically all parts of the country, both rural and urban is able to offer its depositors services with which the other institutions are not in a position to compete.
3. In all these institutions the principal advantage that accrues to the African depositor is that the money he has invested in this way, in addition to being in safe custody, earns interest, but the interest earned is in the nature of things very small, ranging from 2 or 3% in the Post Office to 4 or 4½% in the Building Societies.
4. In return for the sum of money deposited by Africans in them these institutions do not render any other service to the African except that of the safe custody of his money plus a small rate of interest. The African farmer or business man who wants credit facilities or the professional man who wants to build his own home finds that there is no friendly financial institution to which he turn for assistance.
5. It may be argued that the number of Africans who require such facilities is not large but it is submitted that the number of Africans who need such facilities is already substantial and with the steady general improvement in the economic position of the African, the number will increase.
6. In order to meet this need it is suggested that what is required is the establishment of an institution which will have two objects in view:
  - (a) to encourage Africans to deposit their savings in this institution with prospects of a more remunerative rate of interest than is paid by, say, the Post Office Savings Bank.
  - (b) to provide credit facilities on a security basis for Africans to enable them to acquire property or improve their homes and generally to improve their standard of living.
7. It may, of course, be argued that in view of the limited opportunities for Africans to acquire movable property

on/.....

on a freehold basis, the scope of the activities of such a financial institution among Africans would be severely limited.

Against this it must be pointed out that there are still some places in South Africa where Africans have not yet been deprived of their freehold rights and it must be supposed that sooner or later these rights will be acceded to Africans even if only in satellite towns on the basis of separation as was envisaged by the Fagan Commission report. When that comes it will be fortunate if such a financial institution is already in existence and has gained experience in providing credit and investment facilities for the African. As far as movable assets are concerned the experience of motor and furniture dealers among Africans seems to indicate that the risk of dealing with Africans are not substantially greater than any other sections of the population. In any event an institution which catered specially for Africans would be able to study their needs and requirements better than is possible for the ordinary financial institution which has in view the needs of European society.

8. The Minister of Native Affairs has announced that it is the intention of his Department to establish such a credit Corporation for Africans, but this will be a Government institution conducted by the Government and it is doubtful whether such an institution will provide the facilities we have in mind here. It is submitted that what is required here is a private institution registered under the Banking Act with a strong directorate of prominent Africans, preferably associated with an institution with similar objectives in mind such as the African Horizon Insurance Company Limited.