

Access to finance, economic growth, and sustainable development in South Africa*

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Resources, Energy, and Development 2(1): 19–54

Access to finance plays a significant role in economic development. The cost, efficiency of delivery, financing period, and terms under which finance is

obtained influence the likelihood that development will be sustainable. Sustainable development requires that finance be supplied to the points of demand where economic growth can take place in a way that is sustainable and self-sustaining. This is more complex than merely providing finance for economic growth. In this paper, we use South Africa as a case study to discuss the relationship between access to finance, economic growth, and sustainable development. We provide a broad description of the financial system in South Africa, with particular emphasis on the role of banks and informal finance in the provision of credit to individuals and the SMME (small, medium, and micro enterprise) sector. We use a series of correlation tests and develop a basic econometric model to test the relationship between economic growth and the use of financial services in South Africa. In the correlation analysis, we focus on specific types of financial services sector output, with particular emphasis on consumer and household use of financial services. Results indicate that there is a positive relationship between growth in the use of a range of financial products and the rate of growth of the GDP (gross domestic product) of South Africa. In addition, we

find that there are a number of direct, indirect, and interactive relationships, which determine the rate of usage of financial services in relation to the GDP. We also find that access to finance in South Africa is skewed by race and gender and also towards the urban areas. Such policy is deleterious to sustainable development. Accordingly, we conclude by suggesting policy that may enhance economic growth and sustainable development in South Africa.

Introduction
The role of finance in sustainable development
Overview of South Africa's financial sector
The importance of micro-credit to sustainable development
Access to formal finance to enhance sustainable development in South Africa
Access to finance for small micro and medium enterprises
Empirical analysis
Econometric methodology and results
Conclusions and policy
Features of the access to banking services in South Africa
Public sector financial intermediaries and investment incentives in South Africa
Results of correlation analysis and growth forecasts
References
1 figure, 5 tables, 32 references

* A preliminary draft of this paper was presented at the *World Summit for Sustainable Development Preparatory Workshop on the Development of the 2002 United Nations Human Development Report for South Africa* Johannesburg, South Africa, on 19 July 2002.