

ABIL wants to retain banking customers

By [Phakamisa Ndzamela](#)

21 Nov 2012

African Bank Investments Limited (Abil) chief executive Leon Kirkinis says the micro-lending bank and furniture retailer will work on retaining and increasing its banking customer base in 2013.



The challenge for African Bank in building the customer base could be striking a balance between acquiring high risk and quality customers.

The group conceded in its annual results presentation for its results to the end September 2012 that growing its customer base has been a challenge.

African Bank, which contributed about 93% or R2.5bn to the group's R2.7bn headline earnings, has a total of 2.6m active customers.

African Bank's customer base is about 1.6m less than that of its competitor Capitec. Capitec claims to have a total client base of 4.2m people. In its previous results presentation Capitec said it recruited about 90 000 customers a month and over a million a year.

On the other hand African Bank says it has been attracting close to 600,000 new customers every year and about 250,000 are repeat customers who take out new loans every year.

However, the challenge for African Bank is that it loses almost the same number of customers that it recruits due to clients paying off their loans or the bank having to write-off some of these loans.

On the other hand comparing the customer base of African Bank and Capitec is not an "apples for apples" comparison as African Bank does not have transactional banking products.

"It (transactional banking) is one beast that Leon does not want to slaughter," says one big banker at Abil.

Harry Botha, a banking analyst at Avior Research believes the competition is intense when it comes to attracting high-risk customers.

"The competition is on the high risk customers. I think it's a good move to hold back and be conservative on the high risk

guys," says Botha.

In its annual results presentation Abil noted that some of African Bank's loan products were key in defending low risk customers against competitive poaching. But the bank was losing higher risk customers to larger loan offers from competitors.

Steve Meintjes, an analyst at Imara SP Reid said there was still room for African Bank to grow the customer base.

"They are targeting lower advances growth of 23% in 2013 as opposed to 33% this year. Some of that will be from existing customers. But they will have to increase their numbers," says Meintjes.

"I don't think in any particular time we would necessarily have reached saturation in the number of borrowers. There are people who are still creditworthy."

National Credit Regulator statistics show at the end of June there were 19.6m credit-active customers in South Africa, an increase of just over 100,000 compared with 19.5m in the first quarter.

The number of customers with impaired records in the country is 9.2m.

A customer with an impaired record refers to one who is three or more months in arrears and whose accounts have been handed over to debt collectors or written off.

Consumers regarded as being in good standing were sitting at 10.4m in the second quarter according to the National Credit Regulator.

But, with African Bank now accepting fixed retail deposits at highly competitive rates, Kirkinis is hopeful that the bank will grow its customer base through this new initiative.

African Bank says it has been successful in attracting customers through its interest-buster product, which suspends interest payments.

African Bank has been running a vehicle asset finance pilot and has close to R1bn of vehicles financed. This initiative could also help to drive up the customer base.

For more, visit: <https://www.bizcommunity.com>