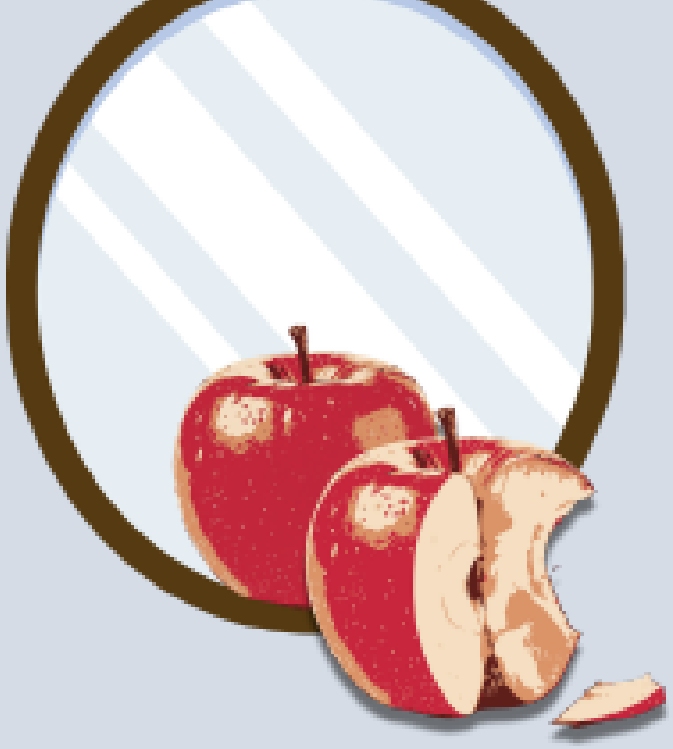


27 FOUR INVESTMENT MANAGERS

Beyond the Scorecard

Rethinking Transformation in the Financial Sector

April 2026

Introduction

In late February, the Financial Sector Transformation Council (FSTC) released its 2023/24 State of Transformation Report. Twenty years on, we are not short of data. What is far less clear is whether that data reflects meaningful progress or simply more measurement.

The financial sector has long been positioned at the centre of South Africa's transformation agenda. From the early BEE transactions of the 1990s to the Financial Sector Charter and its subsequent iterations, the industry has played a leading role in shaping both the intent and the implementation of broad-based empowerment.

Yet this long history also raises a more fundamental question: **after two decades of frameworks, scorecards and reporting, what has actually changed?**

This review does not attempt to revisit the technical design of the scorecard. Nor does it seek to rework its underlying principles. Instead, it focuses on two fundamental issues:

- What does the data tell us about real progress in the sector?
- And how reliable are those data in informing that assessment?

These questions are increasingly important in a context where the effectiveness of B-BBEE is being more openly scrutinised, and where there is growing emphasis on measuring outcomes rather than inputs. Because ultimately, the challenge is not whether transformation is being measured. It is whether it is being achieved.



Two Decades On: What the Data Really Tells Us

The headline trend is clear. Compliance is deteriorating, not improving. Over the past six years, the proportion of non-compliant firms has increased, and this deterioration is particularly pronounced among smaller institutions. While large firms have remained relatively stable, albeit at elevated levels, smaller firms have experienced a sharp and sustained decline in compliance.

By 2024, nearly a third of large institutions were non-compliant, compared to close to 80% of Qualifying Small Financial Institutions. This is not a marginal shift or a temporary fluctuation. It reflects something more structural. What the data reveals is not simply a system that is underperforming, but one that is losing traction where it matters most.

Table 1: Percentage of firms that were non-compliant with the Financial Sector Scorecard[1]

Year	Generic Enterprises	Qualifying Small Financial Institutions
2024	31%	79%
2023	29%	78%
2022	30%	44%
2021	19%	56%
2020	22%	47%
2019	25%	35%

Source: FSTC State of Transformation Reports (various years)

This divergence points to a deeper and more concerning dynamic within the system itself. Transformation, as currently structured, has become increasingly complex, technical, and resource intensive. Larger institutions, with dedicated teams and greater capacity, have been able to adapt to these demands. Many smaller firms, however, have not.

The unintended consequence is a framework that appears to reward the ability to manage compliance, rather than the ability to participate meaningfully in transformation. This creates a fundamental contradiction. A system that was designed to broaden participation is, in practice, becoming more difficult to access.

When one looks beyond overall compliance levels, a more nuanced and fragmented picture begins to emerge across subsectors. Ownership, for example, shows pockets of progress. Banks and short-term insurers have improved their ownership scores over time, while asset managers and long-term insurers have seen declines. Other institutions have remained broadly flat.

This is not a story of consistent progress. It is a story of uneven movement, where gains in one

[1]The FSTC has reported non-compliance since the 2017/18 report for Generic Enterprises and from 2022 for QSFIs.

part of the sector are offset by stagnation or regression in others. The divergence becomes more pronounced when examining the elements that underpin long-term transformation. A synthesis of these trends across subsectors highlights the imbalance:

Table 2: Subsector transformation trends

Area	Banks	Asset Managers	Long-term Insurers	Short-term Insurers
Ownership	Improving	Declining	Declining	Improving
Skills Development	Improving but below target	Declining	Declining	Weak
Enterprise and Supplier Development	Uneven	Uneven	Uneven	Uneven
Access to Financial Services	Improving but below target	N/A	Weak	Weak

Source: FSTC State of Transformation Reports (various years)

Skills Development has weakened across most subsectors. Asset managers and long-term insurers have all seen declines, while banks have shown only modest improvement and still fall short of full compliance. Short-term insurers have remained largely unchanged at relatively low levels.

Enterprise and Supplier Development present a similarly mixed picture. While some subsectors have maintained moderate levels of performance, there has been a general weakening in others, particularly among asset managers and insurers.

Access to financial services remains one of the weakest areas overall. Banks have achieved relatively stronger outcomes, particularly in areas such as market reach and infrastructure. However, even here, performance is uneven, with persistent gaps in product accessibility for lower-income households. Long-term and short-term insurers continue to lag in delivering appropriate and accessible products.

The pattern that emerges is both clear and difficult to ignore. **The sector appears to be progressing in areas that are easier to measure, rather than those that are more difficult but ultimately more impactful.**

Taken together, these trends point to a broader and more systemic issue. The sector has become increasingly sophisticated in navigating the requirements of the scorecard. At the same time, it appears less effective in delivering the outcomes that the scorecard was intended to achieve. This is most evident in the persistent underperformance of areas such as Skills Development and Access to Financial Services. These are not areas where quick wins are possible. They require sustained investment, long-term commitment, and a willingness to prioritise outcomes over optics. Yet the current framework appears to incentivise the opposite.

Data Challenges

If the first part of the data tells us *what* is happening, the quality of the data raises a more fundamental question. Can we rely on it to tell us anything meaningful at all?

The FSTC draws on multiple sources to compile its annual State of Transformation reports, including sworn affidavits, verified scorecards, certificates, and survey responses. In principle, this should provide a comprehensive view of the sector. In practice, the integrity of the data is constrained by two persistent issues. Participation is limited, and reporting is inconsistent.

One of the most immediate challenges is the low and uneven level of submissions.

Table 3: Reported Submissions Across the Sector

Category	2018/19	2019/20	2020/21	2021/22	2023	2024
EMEs	2,493	1,393	1,348	415	2,724	2,237
QSFIs	158	122	108	106	258	231
Generic Enterprises	260	230	201	242	275	279
Total	**2,911**	**1,745**	**1,657**	**763**	**3,257**	**2,747**

Source: FSTC Reports

At face value, these numbers appear reasonable. But without a clear understanding of the total universe of firms, they are difficult to interpret. We know, for example, that the financial sector comprised nearly 18,000 entities as far back as 2016. Yet current reporting does not provide a clear denominator for Generic Enterprises or QSFIs. This makes it difficult to answer a basic question: What proportion of the sector is actually being measured?

Even more concerning is that this is not a new issue. As far back as the 2005 baseline report, participation rates were already flagged as inadequate. Two decades later, the same challenge persists.

Participation is only one part of the issue. The second is data consistency and reliability. The current framework allows for significant variation in how data is collected, verified, and reported.

This introduces multiple layers of distortion. At a practical level, the challenges are well understood:

- Firms do not always submit complete data
- Subsidiaries are not consistently reported at a granular level
- Geographic footprint is not captured, limiting meaningful benchmarking
- Verification methodologies differ across agencies
- Affidavit-based reporting introduces additional inconsistencies
- Reliance on simple averages

Individually, these may appear manageable. Taken together, they raise a more serious concern.

The data is not standardised, and therefore not fully comparable, making it difficult to:

- assess true sector-wide performance
- compare outcomes across time with confidence
- draw clear conclusions about impact

The FSTC has consistently acknowledged these limitations, noting that sufficient large entities participate to allow for trend analysis. That may be true. But it does not fully resolve the issue. Because the question is no longer whether we can observe trends, but whether those trends are robust enough to inform policy and decision-making.



What Needs to Change

The original ambition of the financial sector transformation agenda was clear. It was to expand access to financial services, deepen savings and investment, support developmental growth, and enable meaningful participation in ownership and control.

Two decades on, it is not clear that the current framework allows us to assess progress against these objectives with confidence. When transformation is measured primarily through a scorecard, there is a natural tendency for firms to focus on achieving the score, rather than delivering the outcome. The data reflects this tension. It shows a sector that is engaging with the system but not consistently translating that engagement into broad-based economic inclusion.

At the same time, limitations in the underlying data mean that we are not always able to assess this gap with confidence. Incomplete participation, inconsistent reporting, and methodological differences constrain the reliability of the conclusions that can be drawn.

The next phase of transformation requires a deliberate shift in focus:

- Not more reporting, but better measurement
- Not more complexity, but greater clarity
- Not more emphasis on inputs, but a shift towards outcomes and impact

This requires addressing the basics. Improving participation rates. Standardising reporting frameworks. Ensuring consistency in verification methodologies. These are not new recommendations, but they remain largely unresolved. More fundamentally, it requires a reorientation of how success is defined.

Transformation should not be assessed solely on the basis of compliance scores. It should be evaluated based on whether it is expanding access, building capability, and enabling meaningful participation in the economy, rather than simply improved performance on a scorecard.

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