Corporate financialisation in South Africa: From investment strike to housing bubble

Ewa Karwowski

July 2017

PKSG

Post Keynesian Economics Study Group

Working Paper 1708

This paper may be downloaded free of charge from www.postkeynesian.net

© Ewa Karwowski

Users may download and/or print one copy to facilitate their private study or for non-commercial research and may forward the link to others for similar purposes. Users may not engage in further distribution of this material or use it for any profit-making activities or any other form of commercial gain.

Corporate financialisation in South Africa: From investment strike to housing bubble

Abstract: This article reveals the processes of financialisation in the South African economy by tracing the sources and destinations of NFCs' liquidity. The paper argues that rather than the volume of NFCs' financial investment, the composition of financial assets is crucial to assess corporate financialisation in the country. Non-financial businesses in South Africa fundamentally transformed their investment behaviour during the 1990s, shifting from more productive uses such as trade credit towards highly liquid and potentially innovative (and therefore risky) financial investment. Following the direction of financial flows the article shows that – fuelled by foreign capital inflows – companies' financial operations contributed to the price inflation in South African property markets.

Keywords: financialisation, emerging markets, financial instability, asset price volatility, heterodox economics

JEL classifications: F30, F34, G01, G12, G15, B5

Ewa Karwowski

Kingston University London, UK, Email: e.karwowski@kingston.ac.uk

1. Introduction

Financialisation has been identified as problematic in rich and increasingly also emerging economies (Demir, 2007; Becker et al., 2010; Powell, 2013; Karwowski, 2017; Tori & Onaran, 2017). The phenomenon has been linked to subdued investment rates, speculation and heightened financial instability, as well as rising inequality. However, the processes by which financialisation brings about these socio-economic malaises often remain in the dark. When the concept is used as a catch-all for the failings of contemporary capitalism it becomes analytically vacuous (Christophers, 2015). Therefore, it is vital to reveal the processes driving financialisation phenomena. To further this research agenda, the article identifies the link between financialisation of non-financial companies (NFCs) and residential house price inflation in South Africa. It argues that the heightened liquidity preference of South African NFCs has contributed to the rapid growth of house prices in the country by facilitating commercial banks' credit extension. The original contribution of the paper is to reveal the mechanisms by which the financialisation of NFCs contributes to financial fragility in the country more broadly. It is not the size of NFCs' financial investment that accounts for corporate financialisation in South Africa, since this type of investment has historically always been high. Rather financialisation has induced South African corporations to alter the way they invest into financial assets as well as the composition of their asset portfolios since the 1990s.

Tracing flow of funds data back to 1970 reveals that South African NFCs have significantly modified their financial operations since the 1980s.[1] Historically, NFCs have financed almost the entirety of their capital investment internally. This trend changed somewhat during the boom of the early 2000s. More importantly, since the 1990s NFCs have shifted away from providing large volumes of trade credit to holding liquid assets, such as cash and cash equivalents and short-term deposits, on their balance sheets. This is a sign of financialisation since non-financial companies shy away from providing trade credit to support productive operations and instead engage in investment in financial instruments.

The majority of NFCs' growing liquid assets is held with commercial banks in South Africa. In consequence, deposits of NFCs have become by far the largest liability on banks' balance sheets. In an emerging market with comparatively high interest rates this liquidity channelled from NFCs to commercial banks is an important factor in facilitating banks' credit

[1] For South Africa flow of funds data is only available from 1970.

extension. A detailed analysis of the loan books of the big four South African banks (Absa, FNB, NedBank and Standard Bank) shows that residential mortgages have increasingly been the main outlet for banks' credit extension. With regard to business credit, loans to the financial companies, real estate and insurance businesses have grown strongly as share of total business credit. Thus, credit extension, facilitated by corporate liquidity of NFCs, fed the housing bubble of the 2000s in South Africa.

The remainder of the article is structured as follows. The next section sketches the scope of the financialisation debate in South Africa. Two aspects of the phenomenon are particularly highlighted: the large and politically increasingly contentious cash holdings of NFCs, and the inflation of house prices. To illustrate the close link between these two socio-economic problems I proceed to introduce a detailed flow of funds analysis, followed by an analysis of the loan books held by the big four South African banks. The final section concludes by discussing the distinct nature of financialisation in emerging economies.

2. Financialisation in South Africa

Financialisation research developed in the context of the US (Lazonick & O'Sullivan, 2000; Krippner, 2005) and until today mainly focuses on rich countries (Lapavitsas & Powell, 2013; Brown, Passarella, and Spencer, 2015; Karwowski et al., 2016). There is an emerging body of literature on financialisation in the Global South (Becker et al., 2010; see Bonizzi, 2013, for a survey); but there are few empirical accounts, shedding light onto the processes behind financialisation (Pike & Pollard, 2010), especially with regard to developing regions. However, detrimental financialisation dynamics are likely to harm poorer societies more than rich ones. This dearth of in-depth empirical analysis constitutes an important gap in the literature.

South Africa is an ideal case study to address this analytical gap since the country appears to 'exemplify' the financialised emerging economy in many respects. A sectoral account – covering the five main macroeconomic aggregates, i.e. NFCs, the financial sector, households, government, and the foreign sector – can help to systematise the concept of financialisation:

(1) In South Africa the activity of the large company groups – including first and foremost Anglo American – has been seen as major driver of financialisation. These company

groups obtained an ever-increasing dominance over the South African economy the more the country fell into isolation because of the international shunning of the apartheid regime and especially since the late 1970s (Roussow et al., 2002; Chabane et al., 2006). With the re-integration of South Africa's economy into the global financial system since 1994, these company groups, and South African corporations in general, have increasingly become involved in financial investment at the expense of real sector investment (Ashman et al., 2011). Since corporate capital expenditure has slowed down, financial investment accounts for a rising share of the capital stock (Ashman et al., 2013). There is evidence that the composition of NFCs' financial assets has been transformed towards more short-term instruments (Ashman & Newman, 2012). The suspicion is that much of this financial investment has been speculative. Thus, according to Ashman and Fine (2013, p. 156) financialisation is characterised by the expansion of financial assets relative to real activity and, crucially, 'the absolute and relative expansion of speculative as opposed to or at the expense of real investment'. Using firm-level data, Tori & Onaran (2017) provide econometric evidence that financial incomes have a negative effect on investment among large South African NFCs.

(2) The financial sector is perceived to be at the core of South Africa's ailing economy. Since the end of apartheid the sector's share in South African gross domestic product (GDP) has grown rapidly, trebling between 1994 and the 2007-8 financial crisis (Marais, 2011). As a consequence, finance[2] generates more than one fifth of South African output today (SARB, 2017), which makes it the single largest contributor to GDP. Some authors (Lapavitsas, 2009, 2013) argue that financialisation is accompanies by a shift from bank-based to market-based financial structures. This means that banks lose importance as credit providers for NFCs, which increasingly turn towards capital markets as source of external finance. In the case of South Africa there seems to be little evidence that these dynamics are under way (Teles, 2012; Karwowski, 2016).

(3) Since the financial crisis household financialisation has attracted more attention from academic researchers (Langley, 2008), remaining a more recent aspect of the research agenda (see Karwowski et al., 2016 for a discussion of the concept's origins). This is especially true in emerging and developing regions. Rising household debt burdens are a symptom of financialisation (see Karacimen, 2014, for Turkey) if growth becomes credit fuelled in the face

[2] The data refers to the categories provided by the South African Reserve Bank. Here finance is subsumed under the heading: 'Finance and insurance, real estate and business services'. Business services include services that are used by the private sector, most prominently private security and cleaning services.

of stagnant wage increases and a shrinking total wage bill. The volume of household debt in South Africa is nowhere near US and UK levels but nevertheless high in comparison to other emerging economies (Karwowski & Stockhammer, 2016). However, households' saving and borrowing behaviour seems to have changed very much in line with Anglo-Saxon patterns since the 1970s. The share of saving to disposal income has gradually declines. By 2005, households in aggregate became net lenders rather than savers, running down their stocks of saving (Ashman et al., 2013). Most of the loans taken out by South African households are mortgages, ballooning since the mid-1990s because of the enormous price inflation in residential housing (Griffith-Jones & Karwowski, 2015). However, unsecured consumer loans have also been strongly on the rise, raising questions about their sustainability (Bond, 2013).

(4) The socio-economic impact of financialisation of state institutions and policies is a nascent research area, which needs more attention (Aalbers, 2016). In the context of South Africa, Isaacs (2014) argues that domestic macroeconomic policies have been shaped by and have importantly contributed to financialisation in the country. Particularly problematic are inflation targeting and fiscal restraint. Their combined effect is subdued domestic investment because public-sector capital expenditure is cut while private-sector companies willing to invest face prohibitively high interest rates. But high interest rates are necessary to attract short-term foreign capital to balance the country's persistent trade deficit (Isaacs, 2014). South Africa shares this plight with other emerging economies that shy away from introducing capital account controls for short-term foreign inflows (McKenzie & Pons-Vignon, 2012). Illegal capital flight, arising from transfer pricing and other illicit practices among transnational NFCs, exacerbates the trade deficit, increasing the country's dependence on foreign capital (Ashman et al., 2011b).

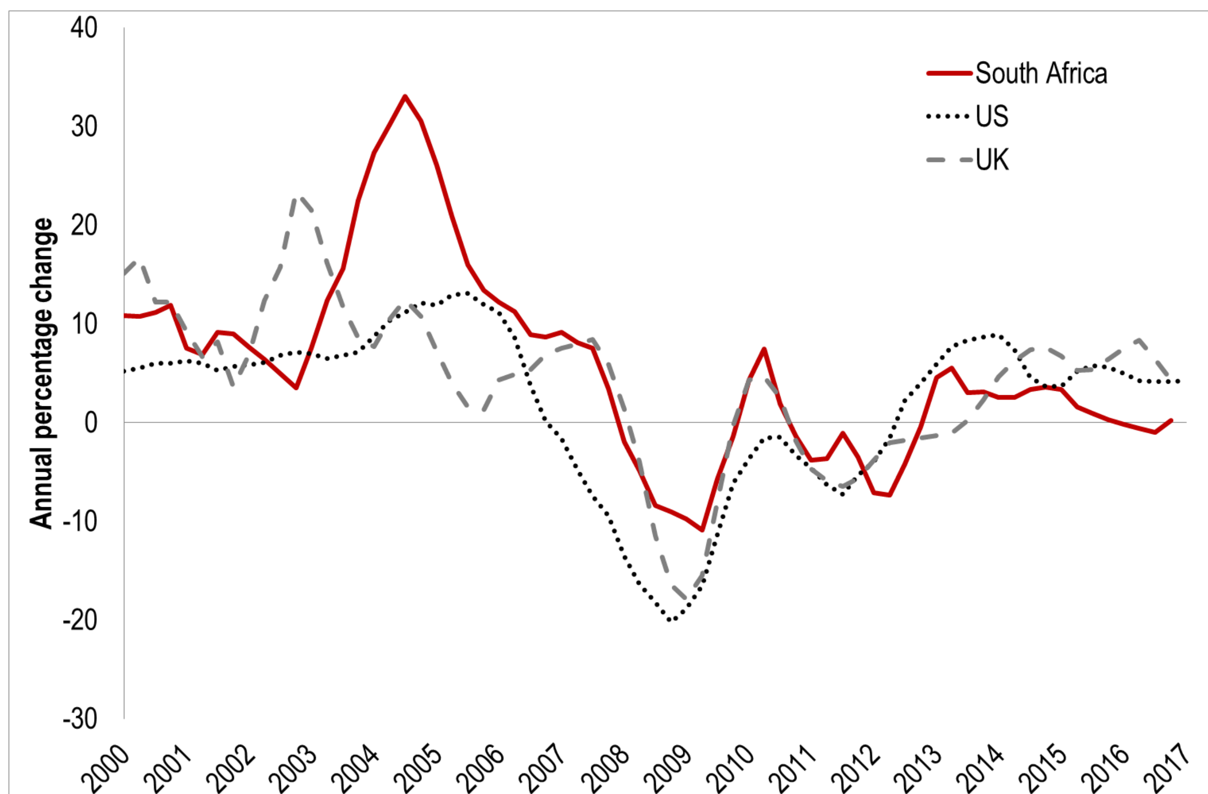
(5) There is a strong international dimension to financialisation, most visible in cross-border capital flows (Stockhammer, 2013). In the course of the 1980s and 1990s, poor countries became increasingly integrated into global financial structures, opening up their capital accounts to foreign financial inflows (Abiad et al., 2008). Efforts by the World Bank and International Monetary Fund (IMF) to promote the Washington Consensus, a policy mix of fiscal restraint, deregulation, privatisation, and liberalisation of trade and finance (Williamson, 1990), were instrumental in this development. Therefore, some authors argue that financialisation in developing and emerging regions is mainly driven externally through financial liberalisation (Lapavitsas, 2009). Financial flows from rich to poor countries increased markedly during the 1990s, surging in the 2000s (Schmuckler, 2004; Aizenman, Jinjarak & Park 2011; Nier, Sedik & Mondino 2014). It has been argued that intensifying financialisation dynamics in rich countries

drove the financial flows into poor countries during the boom years of the early 2000s (Tyson & McKinley, 2014). Loose monetary policy introduced in response to the global financial crisis of 2007-08 in rich countries has further pushed financial investment flows towards emerging markets as interest rate differentials between poor and rich countries have further increased (Akyüz, 2015).

As South Africa re-integrated into the global economy the country went from being a net lender to becoming a net borrower from the rest of the world (Newman, 2015). Thus, capital inflows into South Africa increased in line with the general trend observed for emerging economies. These inflows were largely short-term and therefore volatile. Thus, they arguably drove financialisation in South Africa (Newman, 2015). However, most financialisation researchers agree that external financialisation pressures (e.g. financial inflows or suggested macroeconomic reforms) are mediated by domestic dynamics, resulting in country-specific permutations of financialisation (Becker et al., 2010; see Rethel, 2010 for Malaysia's example). Thus, I am not arguing that the South African experience exemplifies a standard financialisation story in the Global South since in fact that standard story does not exist. However, in comparison to other emerging economies South Africa has been affected relatively strongly by financialisation across the different macroeconomic sectors (Karwowski & Stockhammer, 2017). More importantly maybe, like many countries in the Global South the economy is strongly dependent on resource extraction. Hence, the South African case provides important policy lessons for other commodity exporters.

To shed light onto these lessons the article traces the way in which financialisation dynamics introduced through capital inflows play out domestically. The discussion presented here is highly topical since it links NFCs' cash and liquidity holdings, i.e. the current investment strike controversy, to the built-up of financial fragility through inflation pressures in the housing market. Housing bubbles and the realisation that homes and homeowners are financially exploitable are a major aspect of financialisation (Aalbers, 2008). Between the mid-1990s and the mid-2000s, South Africa experienced some of the strongest inflationary pressures in global housing markets. The country's house price inflation was comparable to that seen in Ireland, where real prices for residential property almost tripled in that period (André, 2010). During South Africa's strong growth (2003-2007), real price gains were well above price increases in the UK and the US – two economies known for their buoyant housing markets (see figure 1).

Figure 1. Real house price inflation in US, UK and South Africa, 2000-2017



Source: Absa House Price Index, Halifax Standardised Average House Price, S&P/Case-Schiller 20 City Index, data sourced from BIS (2017).

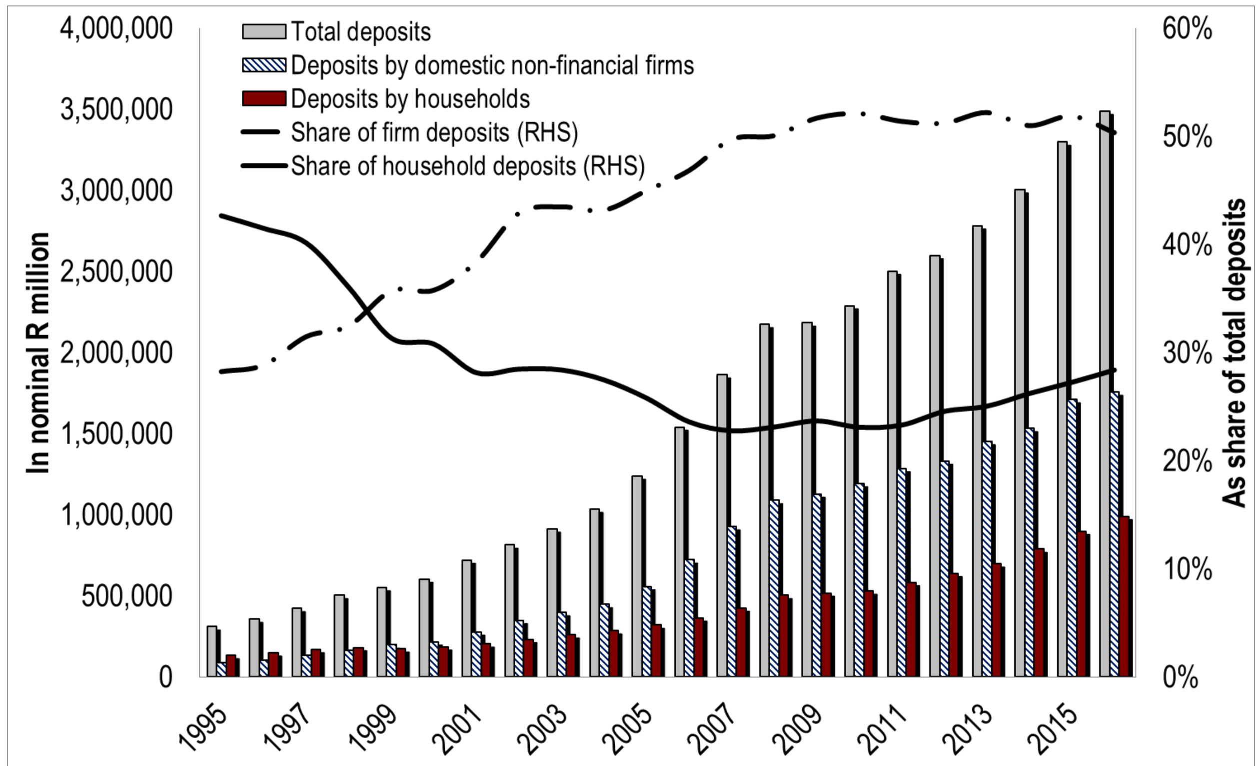
At its peak, in September 2004, annual house price growth in South Africa was 33% in real terms. This housing bubble collapsed with the spreading of the US subprime mortgage crisis to the rest of the world in 2008. Price deflation intensified during the ensuing economic recession of 2009, only stabilising in 2010. Real house prices have since been volatile. This is a serious socio-economic problem since high and inflating costs of residential real estate contribute to rising household indebtedness, while exacerbating wealth inequality. Both malaises have been linked to financialisation.

Financialisation is also at the root of another major socio-economic ill, currently stirring up anger in South Africa: the investment strike. With the end of apartheid a restructuring of domestic conglomerates began. Together with financial deregulation and liberalisation this was promised to deliver growth and employment. Instead, companies in SA have held large sums of cash and liquid assets (Karwowski, 2015), choosing not to invest. As a consequence, domestic NFCs have been accused of non-patriotic behaviour (Mbindwane, 2015, COSATU, 2017). As of February 2017, South African NFCs were holding cash deposits worth R719 billion (Donnelley,

2017). This amounts to almost a fifth (17%) of the country's GDP. Crucially, this figure only accounts for the short-term cash deposits of NFCs. The true extent of the investment strike is still larger since corporations don't merely hold on to short-term deposits if they want to remain liquid. For one, they can also entrust domestics banks with time deposits, i.e. receiving higher interest rates while pledging to keep the funds with the bank for a specified and longer time period. The total amount of corporate deposits is therefore far larger, namely R1.8 trillion in 2016 (see figure 2). But corporations have many more options for liquidity management and financial investment beyond bank deposits. For instance, it is more lucrative to invest into financial assets such as safe but low-yielding government bonds or more innovative – read more risky – and high-yielding instruments such as for example foreign exchange and derivatives. These instruments can arguably be a source of income beyond (and instead of) those companies' productive operations and in a highly inflationary environment like South Africa a way to avoid losses when holding on to liquid assets.

It has been argued that the volume of NFCs' cash holdings is not excessive in historical perspective (Nyamgero, 2015). However, it is not only the size of cash holdings that is relevant – abstracting from the fact that NFCs' liquidity exceeds cash deposits with banks – but also how they circulate through the South African economy. I will show that corporate deposits facilitate mortgage extension and credit to real estate companies further fuelling the housing bubble. Thus, this paper reveals the link between the financialisation of NFCs' operations and house price inflation. In fact, the 'investment strike' is a result of NFCs' changing, i.e. financialised, behaviour. It is destabilising in two ways: First, it leads to subdued corporate investment, exacerbating domestic unemployment. Second, it contributes towards the build-up of financial fragility in the economy more broadly because it fuels house price inflation.

Figure 2. Deposits held with South African banks, 1995-2016



Source: SARB, 1996a-2017a, SARB, 1996b-2017b.

3. Flow of funds analysis for South African NFCs

To understand how money flows circulate in an economy the flow of funds are the best starting point. In fact, they are more suitable when assessing the effect of financialisation on the economy than GDP or value added measures that are typically used, for instance, to show the size and growth of the financial sector (see Philippon, 2007). Since flow of funds data can provide profound insights into the interaction between real and financial transactions in an economy its analysis has been adopted by some financialisation scholars (for South Africa, see Ashman et al., 2013; Newman, 2015).

Flow of funds data exposes the ties between real and financial transactions, treating macroeconomic aggregates as balance sheets that consist of interlinked assets and liabilities. This link becomes visible because individual sectors, NFCs in aggregate for example, are hardly ever

able to balance their saving and investment activity for a given period. According to the economics textbook, NFCs run deficits on their financial balances, investing more than they collectively save. This means that they run up liabilities by borrowing, for instance, from banks. NFCs' liabilities, i.e. loans, are then banks' assets.[3]

Figure 3. Relationship between gross sources and gross uses of NFC funds

Gross sources	Gross uses	
Internal funds		
Bank loans	Cash and deposits	FINANCIAL INVESTMENT
Equity issues	Equity purchases	FINANCIAL INVESTMENT
Bond issues	Bond purchases	FINANCIAL INVESTMENT
Trade credit received	Trade credit given	FINANCIAL INVESTMENT
	New capital formation	PHYSICAL INVESTMENT
TOTAL SOURCES	**TOTAL USES**	

Overall, gross sources and uses of funds for each macroeconomic aggregate, say NFCs, have to match up. If internal funds are insufficient to back companies' planned new capital formation and desired liquidity levels (held in cash, equities, bonds etc.), NFCs will have to take up bank loans, issue bonds and equity or obtain trade credit from another sector to satisfy their funding needs (see figure 3). If they are unable to meet these needs through sources other than retained earnings companies will be forced to reduce their physical and/or financial investments. Once these transactions are considered in historical time, flows (e.g. NFC borrowing) turn into stocks (e.g. NFC debt). Selling off stocks of financial investment amassed in the past can boost internal funds while large debt burdens can drain these funds, requiring interest payments and ultimately principle repayment.

Economic arguments about firms' sources of funds traditionally focused on net positions (Corbett & Jenkinson, 1996, 1997). However, when sources and uses are netted out important information is lost. For instance, if NFCs acquired bank loans approximately equal to their cash and bank deposits their net position with banks would be close to zero. Whether both cash and bank deposits, on the one hand, and bank borrowing, on the other hand, were large or rather negligible would remain concealed from this analysis. Hence, this article analyses gross flows of funds between NFCs and the other four macroeconomic aggregates in the South African

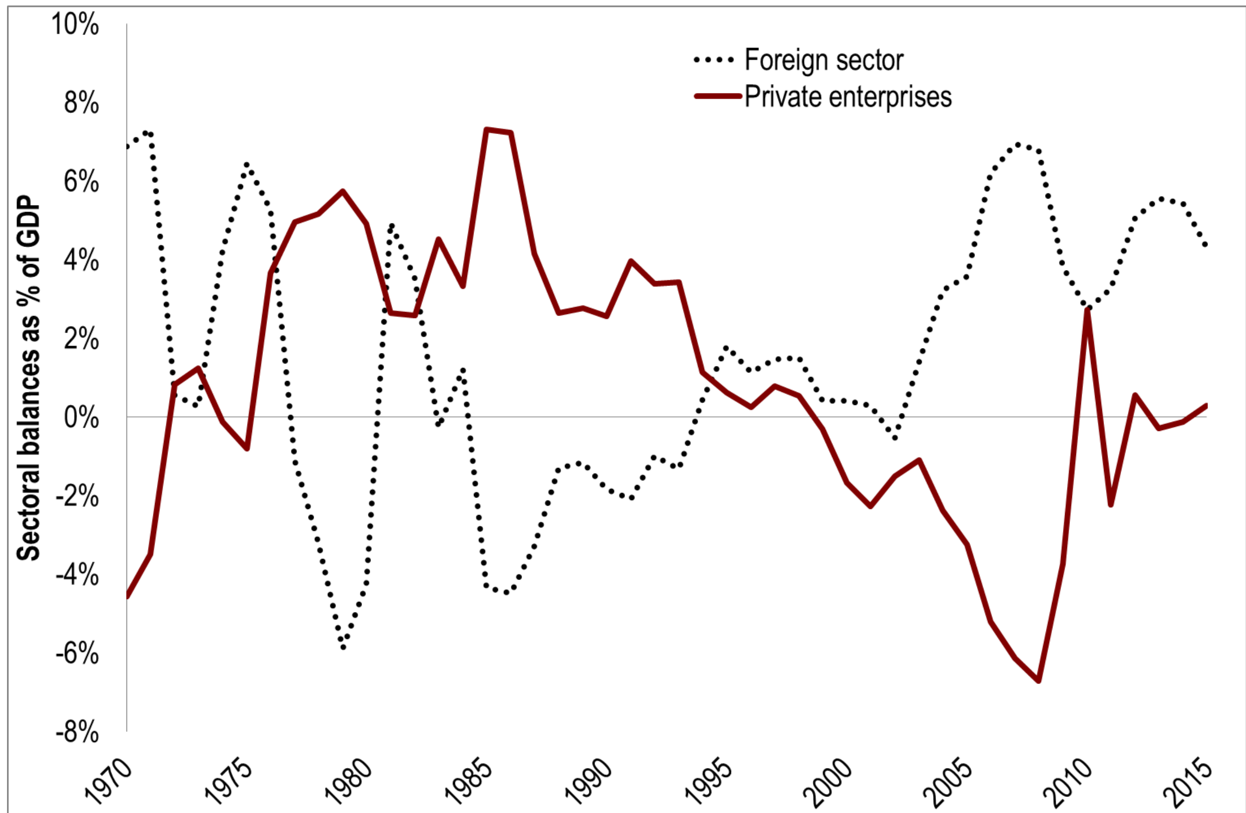
[3] See (Green, 1992) for more detail on how flow of funds data is compiled and used.

economy, i.e. general government, households and others, financial intermediaries and the foreign sector (SARB, 2011).[4] Two definitional details should be noted. First, 'households and others' refers to households in aggregate, but also pick up all remaining unclassified entities such as non-incorporated businesses or not-for-profit organisations (SARB, 2011c). Second, when I refer to NFCs, private-sector non-financial companies are meant. Flow of funds data also provides figures for state-owned enterprises. However, talking about an investment strike only makes sense with reference to private-sector corporations whose investment decisions are not under public control.

South African enterprises have historically had a global orientation, rather than a primarily domestic one (see, for instance, Innes, 1984). This is reflected in the sectoral balances of private enterprises and the foreign sector (see figure 4). Whenever South African NFCs recorded a net financial deficit, i.e. their investment exceeded internal funds forcing them to borrow; the rest of the world was in surplus, becoming a lender to the South African economy as a whole. Between 1970 and the mid-1990s these two sectors moved reliably in tandem, with foreign inflows increasing when NFC balances deteriorated, and vice versa. Towards the end of the 1990s this close link appeared lost. But it emerged with reinvigorated strength around 2003. Thus, it seems that foreign inflows into the South African economy chiefly end up with private NFCs.

[4] In South Africa, flow of funds analysis and data compilation was pioneered by van Staden in 1962 (Falkena, Fourie, & Kok, 1984). Since the 1980s the South African Reserve Bank (SARB) has compiled flow of funds data in the form of the National Financial Accounts and data is available going back to 1970. The methodology used is similar to the one suggested by the International Monetary Funds (IMF) in the System of National Accounts (de Beer, Nhlapo, & Nhleko, 2010).

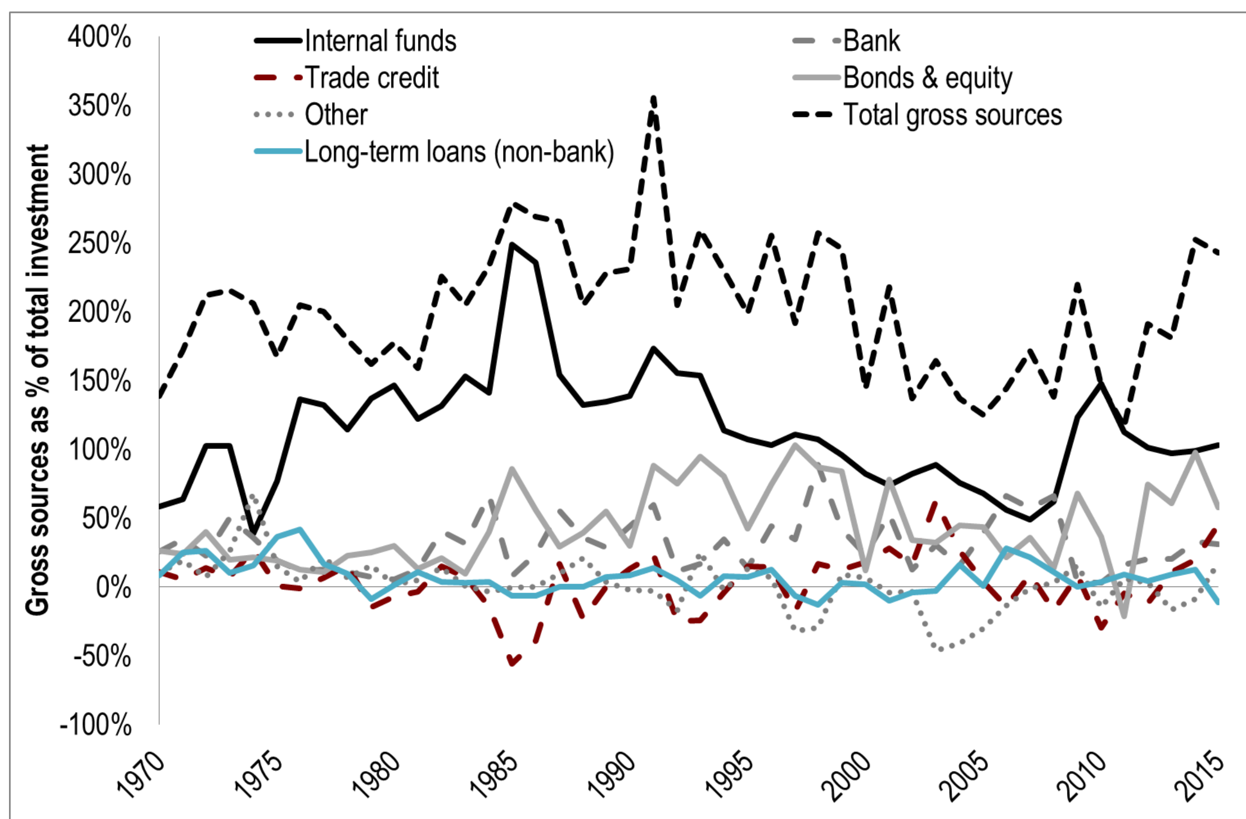
Figure 4. Financial balances of NFCs and the foreign sector, 1970-2015



Source: SARB, 1994, SARB, 1995a-2016a.

Analysing how NFCs fund their investment activity, i.e. the gross sources of funds, confirms this perception. Figure 5 shows the sources of funds that South African companies have used to finance their activity for the period 1970 to 2015. Non-financial businesses in aggregate finance the vast majority of their gross capital investment internally. The external finance they acquire goes far beyond their productive investment needs, resulting in large volumes of financial investment. The top dashed line in the figure below, i.e. total gross sources, illustrates this. A ratio of available funds to capital investment exceeding 200% suggests that NFCs invested more into financial instruments as in productive equipment. Internal funds were particularly large in the mid-1980s, when South African NFCs could have financed 2.5 times as much investment as they chose to undertake. This, of course, was a symptom of the social and economic crisis under the apartheid regime, which coincided with the country's debt crisis (Padayachee, 1991). Non-financial businesses abstained from investing, while also facing capital controls, which hampered outright capital flight.

Figure 5. NFCs' gross sources of funds as share of total investment, 1970-2015



Source: Author's calculations based on SARB, 1994, SARB, 1995a-2016a.

Amongst the external sources of funds, issuance of corporate paper (i.e. bonds and equities), followed by bank lending, have historically been the most prominent (see table 1).[5] Bond and equity issuance has been especially strong in the 1980s and 1990s. Importantly, NFCs mostly use equities rather than bonds when turning towards capital markets for funds. This tendency is so distinct that resources generated through issued bonds never exceeded more than 20% of total investment expenditure since the 1970s, while new equity rose up to 120% of total investment spending, going well beyond financing needs for productive investment. Thus, on average, equity amounted to 40% of capital investment for the entire period while bonds only made up 2% of investment.

[5] Figures in table 1 are broadly arranged by decade taking into account the institutional changes that came about with the end of the apartheid regime in 1994. The 2008 recession was also singled out since it constitutes a unique event.

Table 1. NFCs' gross sources of funds as share of capital formation

	1970-1979	1980-1994	1995-1999	2000-2007	2008	2009-2015
Internal funds	96%	156%	105%	72%	62%	112%
Bond & equity issuance	22%	50%	78%	38%	14%	53%
Bank	23%	32%	45%	37%	66%	18%
Long-term loans (non-bank)	18%	3%	1%	6%	11%	4%
Trade credit	7%	-8%	8%	19%	-17%	5%
Other	19%	3%	-7%	-17%	3%	0%
Total gross financial sources	**185.8%**	**235.1%**	**229.6%**	**155.0%**	**138.1%**	**192.9%**

Source: Author's calculations based on SARB, 1994; SARB, 1995a-2016a.

During the boom years of the early 2000s, investment rates picked up because of the crowding in of private-sector capital spending generated by public infrastructure expenditure in preparation of the Football World Cup in 2010. During this period banks gained in importance vis-à-vis capital markets as sources of funds for NFCs. Thus, the claim that South Africa shifted towards a more market-based financial system as result of its financialisation is difficult to maintain. Teles (forthcoming) discusses the transformation of the South African banking sector, showing that financialisation processes are more nuanced than often claimed (Lapavitsas, 2009) because strongly mediated through domestic institutions.

With the recession of 2008 capital markets dried up and companies had to turn to domestic banks for external finance. This is not surprising since foreign investors are the main buyers of equity in South Africa. Since 1995 foreigners bought on average 40% of all issued shares, being the group of buyers with the single largest volume of purchased equity followed by other financial institutions (30% of all shares), the latter including collective investment schemes (unit trusts and participation bond schemes), trust companies, finance companies and public financial enterprises that invest funds on behalf of their clients. Therefore, in 2008 the large outflows of foreign investment from South Africa contributed to the squeeze of local capital markets (McKenzie & Pons-Vignon, 2012).

Considering the current investment strike, it is notable that large volumes of financial investment by NFCs are not a recent development, but a historical trend. This explains why some authors argue that current levels of cash holdings are not unusually high (Nyamgero, 2015). South African NFCs have definitely always been prone to financialisation. The flow of funds analysis reveals that money flows circulate in the following way: While capital expenditure is to a vast majority financed internally, equities purchased mainly by foreign investors are the

dominants source of external funds. Of course, private non-financial firms are not the only entities issuing ordinary shares through the JSE. Financial enterprises and public sector corporations are the two other major issuers. Nevertheless, private-sector non-financial firms issued the majority of all ordinary shares, accounting for more than 50% of the total stock in ordinary shares since 1995. The crucial question now is what South African NFCs do with the funds they generate. What type of financial investment do they undertake?

Table 2. NFCs' gross uses of funds as share of capital formation

	1970-1979	1980-1994	1995-1999	2000-2007	2008	2009-2015
Cash & bank deposits	17.4%	19.1%	37.8%	44.9%	2.1%	15.2%
Bonds, equity & government paper	2.0%	10.6%	13.7%	-4.2%	34.9%	-0.1%
Long-term loans (non-bank)	0.5%	0.2%	0.7%	0.2%	0.3%	0.2%
Trade credit	77.2%	47.2%	34.6%	19.4%	12.5%	36.5%
Investment in life and retirement funds	0.0%	4.3%	14.4%	3.1%	12.6%	6.1%
Other	1.8%	4.1%	15.0%	14.7%	-5.0%	27.6%
Total gross financial uses	**98.9%**	**81.3%**	**101.8%**	**74.9%**	**44.8%**	**79.5%**

Source: Author's calculations based on SARB, 1994; SARB, 1995a-2016a.

Answering this question, it becomes obvious that there has been a substantial change in NFCs financial operations due to financialisation. During the 1970s and 1980s, trade credit (provided by NFCs to other sectors) was the chief financial asset held by NFCs (table 2). A high proportion of their non-invested profits were directly channelled towards households and small non-incorporated, i.e. informal, businesses. For South African households credit obtained directly from non-financial corporations most likely took the form of instalment sale and lease agreements or open accounts, which include all outstanding (and mostly short-term) debt to dealers (Prinsloo, 2002).

Because of the systematic discrimination of non-whites, particularly many black businesses remained informal and non-licenced. This benefitted formal (mostly white) businesses, which often subcontracted light manufacturing such as the production of clothing, furniture and metal goods to informal manufacturers, who were able to operate without adhering to minimum wage and work place regulations. One example documented in a survey on small-scale industry in Katlehong (situated east of Johannesburg) during the mid-1980s is that of a small packaging firm, supplying the US-based multinational firm 3M. The owner of the small business, a previous 3M employee, was encouraged by 3M to set up his own business. Surveys undertaken in other townships (e.g. Orlando West in Johannesburg) suggest similar ties between

informal and formal businesses (Rogerson, 1987). The interlocking of informal, often African-owned, small firms and established formal-sector, typically white-owned, NFCs seems especially strong in the brewing and distilling industries during that period. South African Breweries used shabeens, informal bars mostly run by black South Africans, as distributional channels for their alcohol. Informal distributional links were important and lucrative, since 40% of liquor sales in South Africa were deemed to happen through informal vendors during the 1980s (Rogerson, 1987). Similarly, formal-sector retailers and wholesalers enlisted informal hawkers to sell their produce (especially clothing and newspapers) (Rogerson, 1989).

Thus, much of NFCs financial funds supported informal businesses and their productive activity as well as household consumption as trade credit. Over the course of the 1990s the role of trade credit diminished markedly with NFCs shifting towards highly liquid financial investment. Financial assets have since to a large extent been held in cash, short- and medium-term bank deposits, while other financial instrument[6] also became a net outlet for NFCs' funds. Total other financial assets were negligible in the 1970s. Subsequently, they grew somewhat during the 1980s and early 1990s. But they only started to make up a substantial figure, measured as share of total gross capital formation of non-financial firms, by the late 1990s, when total other financial investment amounted to more than a quarter of non-financial firms' productive investment. According to the SARB the position 'other' captures financially innovative, and therefore most likely highly liquid, operations (Monyela, 2012). This trend only halted during and in the aftermath of the global financial crisis and is likely to re-emerge. In 2014 and 2015, a sum equal to a quarter of NFCs' total investment spending, was channelled into cash and bank deposits, implying that these extremely liquid assets remain on the rise again.

Why would NFCs favour liquid financial assets since the 1990s? In an emerging market, foreign financial inflows play a crucial role because they can make the issuance of equity attractive for listed NFCs in a rising market. As discussed, in South Africa the main buyers of NFCs' equity are foreign investors. The possibility that dynamics in domestic capital markets reverse unexpectedly, i.e. foreign capital outflows, make it necessary for these companies to hold on to large volumes of liquidity. Liquidity provides them with the flexibility to shrink their

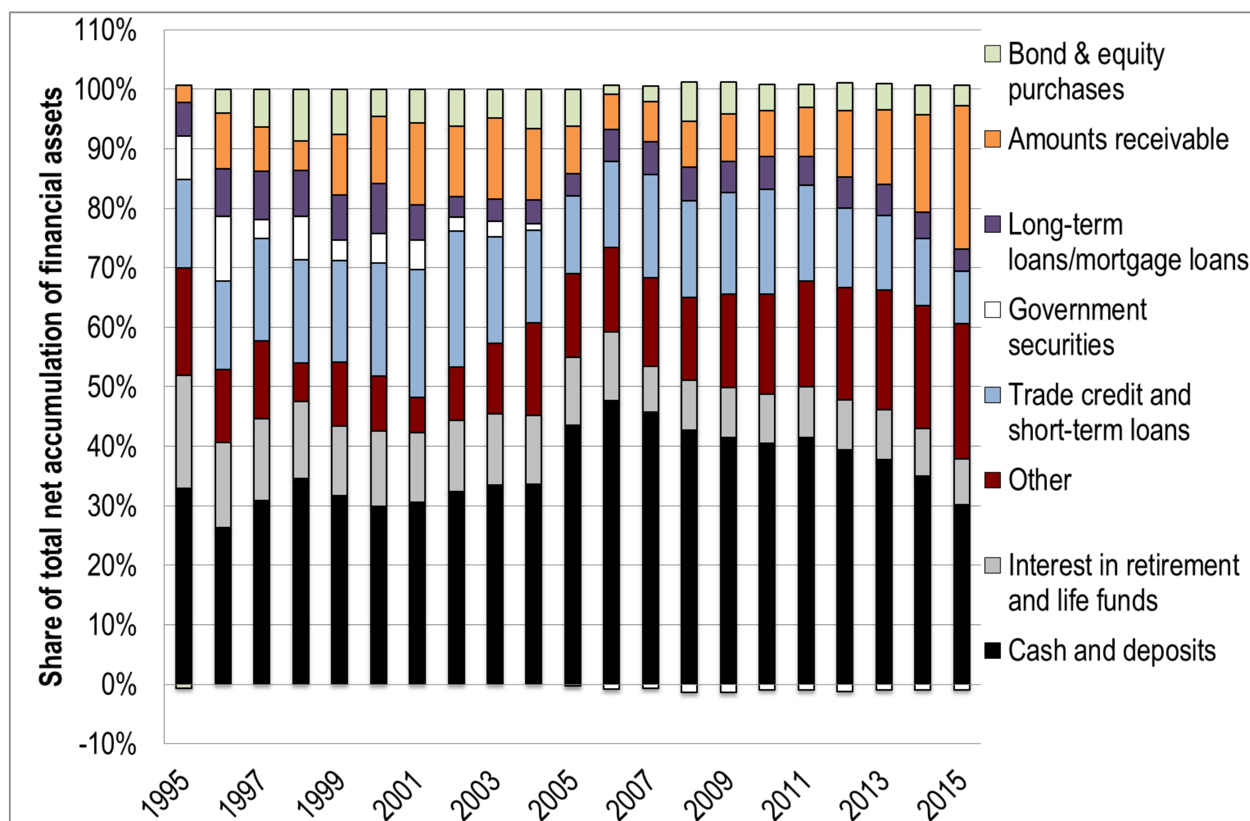
[6] I have grouped together deposits with other financial institutions and the category 'other financial assets'. The average deposit held with other financial institutions over the period 1970-2015 amounted to 0.7%.

balance sheet – through debt pay-offs and share buybacks at any given time – and to acquire other companies and subsidiaries.

Sources of external funds for South African NFCs are volatile (see McKenzie & Pons-Vignon, 2012). This is not surprising, as equity, for example, will mostly be issued when market conditions are advantageous to preserve the share price. Hence, what is needed to provide a more comprehensive picture of NFCs' aggregate financial operations and their macroeconomic importance is an examination of stocks of financial assets, not just their flows. While the SARB is working on providing a comprehensive set of stock data for the South African economy (Monyela, 2012), figures on NFCs' stocks of financial assets and liabilities are not currently available. In the absence of better data sources, I have estimated NFCs' financial stocks by deflating and summing up flow of funds data since 1995. In this way, we do not obtain the total volume of financial instruments held by NFCs but we can gain an idea about relative shares of different types of financial investment purchased. Hence, it is useful to express the estimations of financial stocks by type of financial instrument as a share of the total financial asset stock (figure 6).

Eight main categories of financial assets can be identified: (1) Cash and deposits, (2) interest in retirement and life funds, (3) other financial assets, (4) trade credit and other short-term loans given by non-financial firms, (5) government securities, (6) long-term loans and mortgage loans, (7) amounts receivable and (8) bond and equity purchases. Cash and cash equivalents and long-term deposits have been grouped together, since these assets are all held with South African banks – that is, commercial banks, mutual banks, the Land Bank, and the Postbank. These assets tend to be very liquid, as they are either held in current accounts or in short-term and medium-term deposits with banks. Even long-term deposits, which have a maturity span of a year and more, can typically be resolved before the end of their maturity period, albeit for a fee.

Figure 6. NFCs' stocks of financial assets, 1995-2015



Source: Author's calculations based on SARB, 1996a-2016a. Note: The calculation is based on financial liabilities stocks measured in constant 2010 ZAR, using the GDP deflator (World Bank, 2017) to obtain real values.

Notably, NFCs have increased their cash and deposit holdings over the 1990s and early 2000s, from around 30% of total financial asset stock during the late 1990s, to almost 50% of total financial asset stock by 2005. Subsequently, a falling trend in cash and deposit holdings can be seen in relative shares among types of financial investment (figure 6). As cash and deposits were increasingly less favoured by NFCs as outlet of their financial investment the category other financial assets alongside receivables gained ground. While receivables refer to outstanding balances with customers, other assets are most likely highly liquid. Cash and deposits together with other assets accounted for more than half of NFCs' financial investment when looking at the period 1995-2015.

The absolute levels of NFCs' liquid holdings remain vast. As shown in section II, total corporate deposits with banks were worth R1.8 trillion in 2016. These large cash holdings by NFCs have come under scrutiny with the investment strike debate. They might be on the fall in relative terms. Equally, they might not be at their historical peak. And, more generally, financial

investment among South African corporations might have been larger in the past. Nevertheless, NFCs' liquidity in South Africa is substantial and, more importantly, because of a change in their financial investment behaviour during the 1990s (i.e. because of corporate financialisation) these liquid assets contribute to generating financial fragility through house price inflation as will be shown in the next section.

Financialisation and house price inflation in South Africa

NFCs' financial investment into cash and deposits ends up with South African banks, therefore we see the R1.8 trillion of NFC assets on banks' balance sheets. In the mid-1990s, half of all deposits held in South African banks still came from households (figure 2), while only around one quarter belonged to NFCs, with the balance made up by deposits from financial institutions (including banks themselves), public entities and foreign residents. According to textbook economics, households are the main savers in the economy, depositing their savings with banks which then, in their role as financial intermediaries, lend those funds out to companies (Mishkin & Eakins, 2012).

Since 1995 corporate deposits have grown at a pace which far outstripped growth in household deposits in South Africa. As a consequence, by 1999 NFCs had taken over the position of major depositors from households, accounting for more than 50% of total deposited funds in South African banks by 2009. This share has fallen somewhat since, but nevertheless remains just above 50% of total deposits. Hence, South African banks are not only the main destination for the liquidity held by NFCs, but equally, they are also the biggest depositor group with South African banks. The switching of roles between households and NFCs is a symptom of financialisation, with NFCs becoming major creditors while households run down savings and accumulate debt. As investment spending by NFCs falters, debt-financed consumption and real estate expenditure of households become major drivers of growth in a finance-led accumulation regime (Stockhammer, 2008).

The vast majority of NFCs' financial assets held with banks will be denominated in domestic currency, i.e. South African Rand, because foreign currency deposits account for less than 5% of total deposits held with banks in South Africa (SARB, 1995a-2016a). The depth of local financial markets would suggest that other financial assets are also to a large extent held in

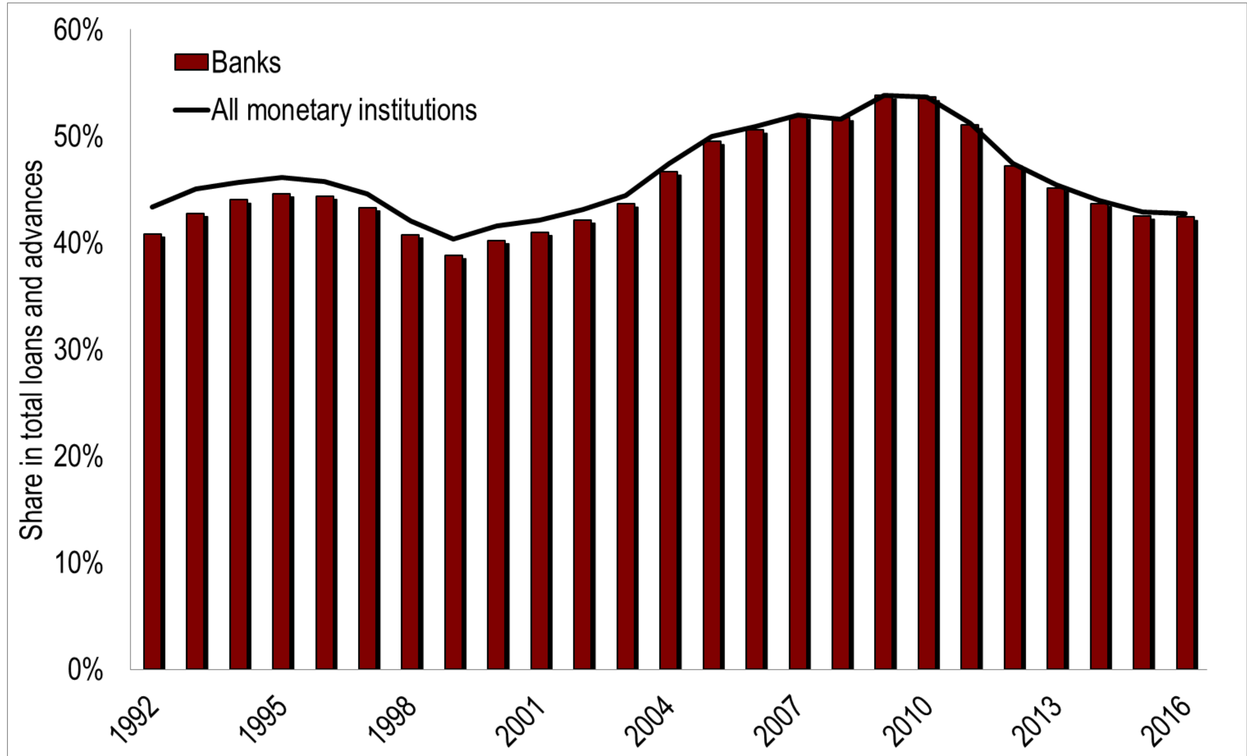
Rand.[7] In a forthcoming special issue of Competition & Change (Ashman, Fine, Karwowski, forthcoming), Isaacs & Kaltenbrunner, Reddy as well as Ashman, Fine & Newman all explicitly deal with the international dimension of financialisation in South Africa. This article focuses on domestic dynamics.

The question arises what banks do with the substantial volume of liquid financial assets they receive from their corporate clients. On their balance sheets these assets owned by NFCs turn into liabilities which have to be matched on the asset side. Banks in South Africa have not financialised in the same way their Anglo-Saxon counterparts did. While fee-income generating activities have become more important in the course of the 1990s, lending remains their main business (Teles, 2014). In fact, even bank's fee-based income is mostly linked to mundane transactions (e.g. administrative and transaction charges on deposits) rather than financially innovative instruments. In this sense, banks follow a more traditional business model. Thus, the majority of banks' liabilities are customers' deposits (85% in 2014), while loans and advances make up their main assets (The Banking Association South Africa, 2014). Between 1995 and 2016, credit accounted for three quarters of banks' total assets on average (SARB, 2017).

Within this asset group mortgage loans are the single biggest category (figure 7). At its peak in 2009 and 2010, mortgage extension made up more than half of banks' outstanding credit. This share has since fallen due to subdued mortgage growth in the aftermath of the global financial crisis. In 2016, 42% of total loans and advances by South African banks were mortgage loans. During the boom years of the early 2000s, there has been an accelerated growth of mortgage volumes extended by South African banks (figure 8). Outstanding mortgages rose from around R130bn in 1995 to R850bn by 2007, almost doubling in size from 23% of GDP to 41% of GDP.

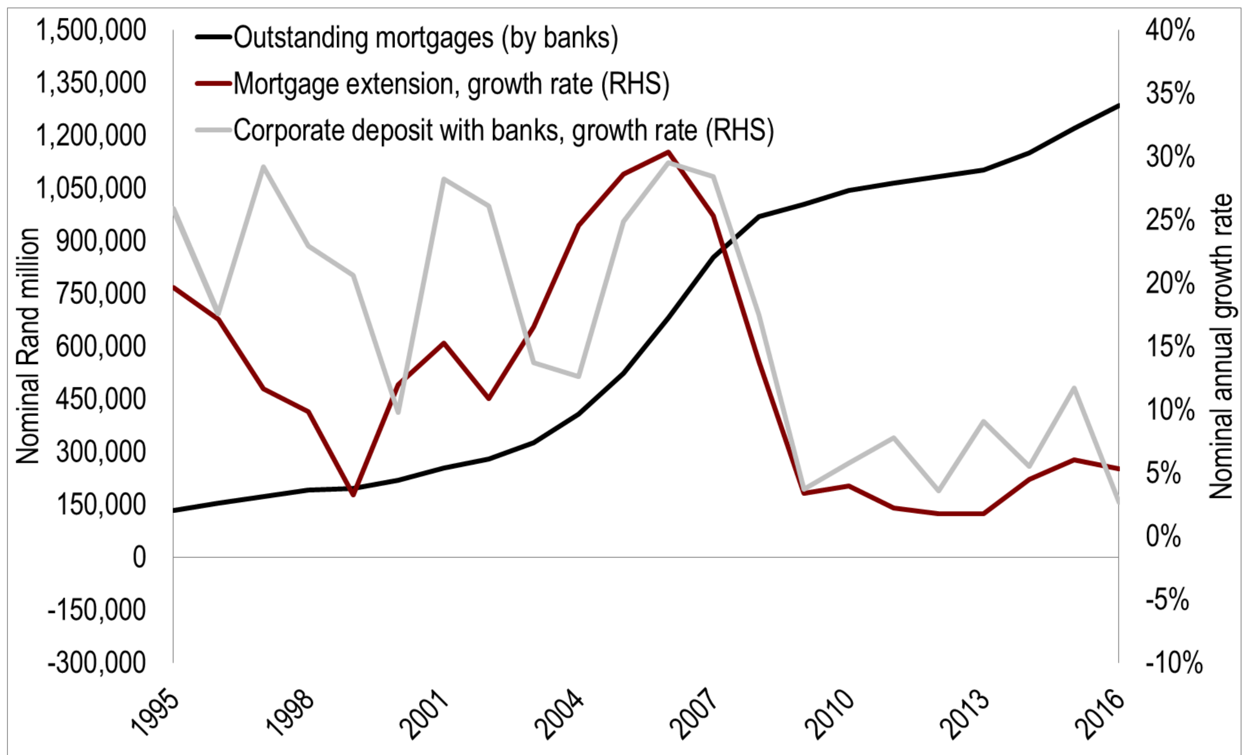
[7] Equally, the big company groups that are likely to hold large shares of their assets in foreign currency are not South African any more after listing abroad (Anglo American is a prominent example).

Figure 7. Mortgage loans as share of total loans and advances



Source: (SARB, 2017).

Figure 8. Mortgage extension by South African banks, 1995-2016



Source: SARB, 2017.

In 2016, total outstanding mortgages were worth almost R1.3trn, having declined to 30% of GDP because of slower growth in new mortgages. The boom years coincide with particularly strong growth in deposits by NFCs (figure 8). While corporate deposit growth fluctuated between 1995 and 2007, on average, it was at a very high level, exceeding 20% per year. Markedly, this growth has fallen to just above 7% since 2008. In this situation corporate liquidity on banks' balance sheets can facilitate credit creation. Crucially, this result depends on South Africa's status as an emerging market.

This paper does not argue that deposits create credit since in most countries money is (to some extent) endogenous, i.e. can be created by commercial banks through credit extension (Jakab & Kumhof, 2015). However, financial institutions are time- and country-specific, rather than generic, which is often implicitly assumed. As shown by Chick (1992) in her discussion of stages of banking evolution, for reserves not to be a constraint on credit creation at all, the central bank needs to accept full responsibility for financial stability. This goes hand-in-hand with a stable and low interest rate policy. Since there is no commitment of the South African Reserve Bank (SARB) to a policy of low interest rates, interest rates have been relatively high (some would say 'ridiculously' so, Bond, 2005, p. 98) and, like in many emerging economies, driven by portfolio inflow considerations. This is especially the case since the mid-1990s when the country became the IMF's poster child of 'prudent' macroeconomic policies (Isaacs, 2014). [8]

Hence, this article dismisses the loanable funds model as accurate depiction of banking in South Africa, where creation of loans is only possible if deposited savings increase. Nevertheless, banks in emerging economies face different (and stricter) constraints than rich countries' banks which operate under monetary policy regimes committed to low interest rates and therefore low costs of liquidity management for banks. Inflows of corporate deposits strongly encouraged South African banks to extent credit because large domestic banks still followed a business model that relies on loans as main asset on their balance sheet.

In the 2000s, when South African property markets were inflating noticeably, corporate liquidity holdings contributed to the build-up of financial fragility in the housing market. Banks

[8] For an in-depth analysis of the detrimental impact of high interest rates on South African growth see Isaacs (2014) who argues that high interest rates are in line with the interests of large South African corporations (for example when they transfer their listing abroad) and relatively low inflation encourages financialisation. Thus, inflation targeting and monetary policy more broadly support the interests of large non-financial companies, rather than those of local banks.

increased their share of mortgage loans in total loans between 1999 and 2010, channelling NFCs' liquidity into the property markets. The inflationary process attracted increasing investment, further raising prices until mortgage extension stalled in 2008, and, in fact, contracted in real terms in 2009. Hence, financial operations of NFCs have an impact on banks' balance sheets in South Africa. Corporate liquidity preference results in the creation of large volumes of liabilities for banks. Banks were in turn induced to counter this development by the creation of assets. These assets are mainly mortgage loans.

Over this period, mortgage loans were mostly home loans, which accounted for three quarters of total mortgages. The rest were commercial mortgages taken up by businesses. What about the other half of bank lending? What types of activities do South African banks mainly finance? Looking at the loan books for the big four banks, i.e. Absa, FirstRand (operating in South Africa as FNB), NedBank and Standards Bank, we notice that their lending is conducive to support financialisation processes. Table 3 provides the shares in overall outstanding loans to the industries which are the main beneficiaries of bank credit from those four institutions. Absa, FirstRand, NedBank and Standards Bank are collectively sometimes referred to as the Big Four since they own the vast majority of banking assets in South Africa. In the early 2000s, these four owned three quarters of total banking assets in South Africa (Falkena et al., 2002). By 2014, they accounted for more than 80% of total banking assets (The Banking Association South Africa, 2014). Thus, their loan books are representative for South African credit extension in general.

Table 3. Sectoral shares in outstanding bank credit, averages late 1990s-2016

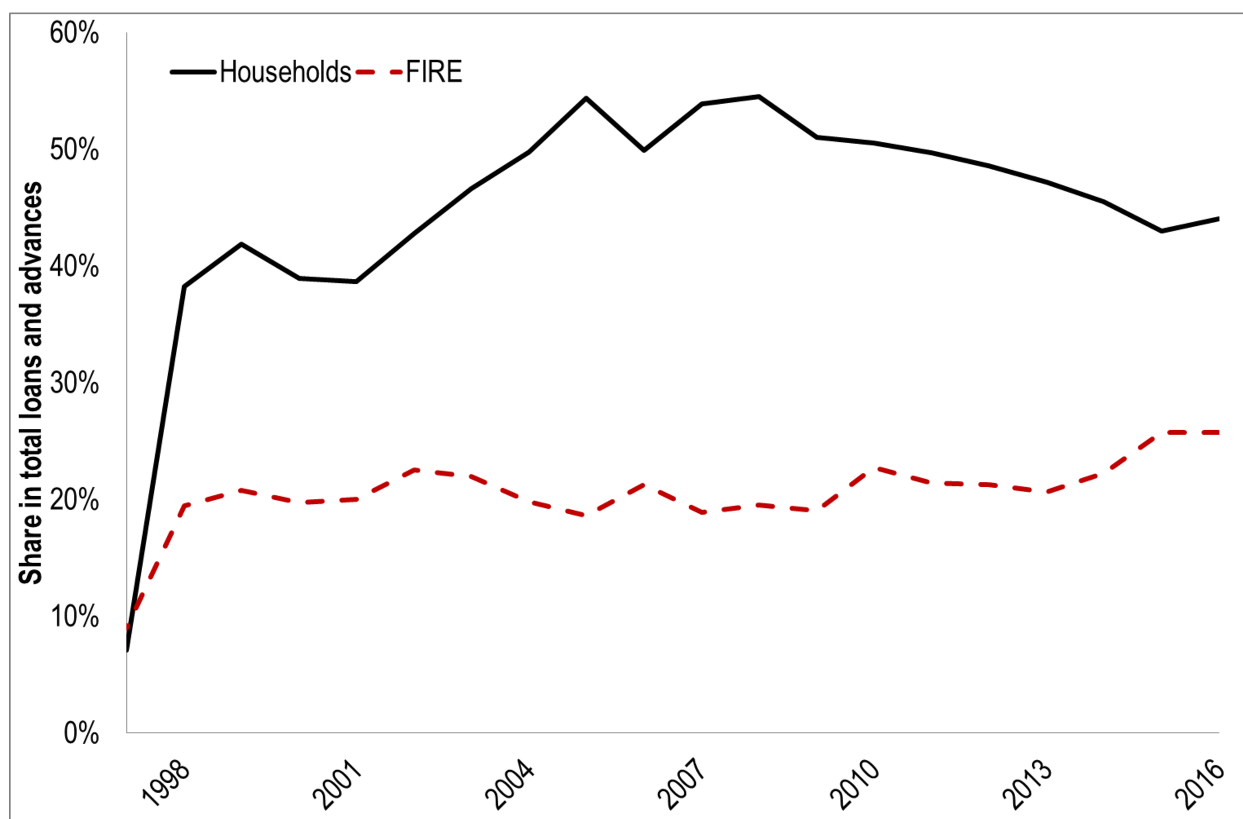
<table>
<tr><th></th><th>Absa</th><th>First Rand</th><th>NedBank</th><th>Standard Bank</th></tr>
<tr><td>Households</td><td>55%</td><td>48%</td><td>40%</td><td>51%</td></tr>
<tr><td>FIRE</td><td>19%</td><td>17%</td><td>25%</td><td>22%</td></tr>
<tr><td>Manufacturing</td><td>6%</td><td>16%</td><td>7%</td><td>3%</td></tr>
<tr><td>Transport</td><td>1%</td><td>3%</td><td>4%</td><td>3%</td></tr>
<tr><td>Services</td><td>6%</td><td rowspan="2">8%</td><td rowspan="2">9%</td><td rowspan="2">9%</td></tr>
<tr><td>Other</td><td>3%</td></tr>
</table>

Source: Annual reports by Absa, 2003-2016, First Rand, 2000-2016, Nedbank, 1998-2016, Standard Bank, 2002-2016. Note: For Absa sectoral lending data was only available for 2002-2005. For First Rand, NedBank and Standard Bank the two categories 'services' and 'other' were not provided separately but jointly as 'other services'.

In recent years, the main recipients of credit in South Africa are households and the FIRE industry (i.e. finance, insurance and real estate services). They receive 65% of credit issued by any of these four banks and more. Manufacturing, transport and the services industry together

did not manage to obtain more than a fifth of provided loans. The rest is taken up by agriculture, mining, wholesale and the electricity sector. Thus, an overwhelming share of lending is channelled towards activities which are at the core of financialisation: housing purchases, debt-financed consumption and FIRE services. In fact, since the late 1990s lending to households (including both, mortgages and consumption credit) and the FIRE industry has captured an ever-increasing share of banks' loan books (figure 9). The average share borrowed by these two sectors was a mere 16% in 1997[9], before climbing up to three quarters of total loans in 2008 and staying at a very high level until today (in 2016 it stood at 70%).

Figure 9. Bank lending to households and the FIRE sector, 1997-2016



Source: Annual reports by Absa, 2003-2016, First Rand, 2000-2016, Nedbank, 1998-2016, Standard Bank, 2002-2016.

As house price inflation has come to a halt with the 2008 recession banks have been less favourable towards households especially in terms of mortgage extension. This accounts for the falling share of household credit in total loans. However, rather than shifting lending towards more productive sectors (such as manufacturing or the service industry), credit now increasingly

[9] For 1997, figures on sectoral lending are only available from FirstRand.

benefits the FIRE industry. Thus, banks' direction of lending remains supportive of financialisation processes.

4. Conclusion

This article has explored the processes of financialisation in the South African economy by tracing the sources and destinations of NFCs' liquidity. Given the 'relative dearth of empirical work' on financialisation (Pike & Pollard 2010: 29) especially for regions in the Global South, this is an important contribution. The paper argues that rather than the volume of NFCs' financial investment, the composition of financial assets is crucial to assess corporate financialisation in the country. While some authors (e.g. Nyamgero, 2015) claim that cash holdings of South African NFCs are not unusually high in historical perspective, this misses the point. Non-financial businesses in the country fundamentally transformed their investment behaviour during the 1990s, shifting from more productive uses such as trade credit towards highly liquid and potentially innovative (and therefore risky) financial investment. Following the direction of financial flows the article shows that – fuelled by foreign capital inflows – companies' financial operations contributed to the price inflation in South African property markets. NFCs draw a substantial share of their liquid funds from abroad, issuing equity which is purchased by foreign investors. To counter their liabilities NFCs have been managing their liquidity actively since the 1990s, holding between 40% and 60% of financial assets in highly liquid instruments.

Most of NFCs' liquidity ends up with domestic banks. During the 2000s, banks directly contributed to the build-up of financial fragility in South Africa by channelling this liquidity into the housing market through mortgage extension. While deposits do not create loans, the growth in corporate deposits on banks' balance sheets can encourage this development in the Global South. In contrast to rich countries, central banks in emerging economies believe they cannot commit to stable and low interest rates. 'Prudent' macroeconomic policies dictate that inflation expectations alongside foreign capital flows guide monetary policy, resulting in high interest rates. In such a situation, growing NFC deposits exacerbate credit expansion. Thus, the 'investment strike' is problematic because South African NFCs are unwilling to invest, while at the same time their handling of their financial assets can induce financial fragility.

In terms of financialisation theory, this means that certain financialisation processes in emerging economies will be distinct from those in rich countries. For instance, credit extension in Anglo-Saxon markets has long been observed to be almost completely independent of banks' liabilities and rather guided by their considerations of market share and willingness to aggressively push loan creation. Therefore, NFCs' cash holdings, which have also been observed to be large in rich countries, would not influence banks' credit creation. In fact, banks in rich economies like the UK and US have strongly diversified their assets away from loans and advances (dos Santos, 2009). In emerging economies, by contrast, liquidity held by NFCs can encourage credit booms since it lowers banks' costs of liquidity, which is expensive when obtained from the central bank. At the same time, given the less financialised asset holdings of banks, i.e. their more traditional focus on loan issuance, corporate liquidity can induce credit extension, thus supporting the emergence of a credit bubble.

References

Aalbers, C. (2008) The financialisation of home and the mortgage market crisis. *Competition & Change*, 12(2), 148-66.

Aalbers, M.B. (2017) Corporate financialization. *In*: D. Richardson, N. Castree, M.F. Goodchild, A.L. Kobayashi and R. Marston, eds. *The International Encyclopedia of Geography: People, the Earth, Environment, and Technology*. Oxford: Wiley.

Abiad, A., Detragiache, E., & T. Tressel (2008). *A new database of financial reforms*. International Monetary Fund.

Absa Group Limited (2003-2016). *Annual report*, Johannesburg: Absa Group Limited [14 issues in total].

Aizenman, J., Jinjarak, Y., & D. Park (2011). *Capital Flows and Economic Growth in the Era of Financial Integration and Crisis, 1990-2010* (No. w17502). Cambridge, MA: National Bureau of Economic Research.

Akyüz, Y. (2015). *Internationalization of finance and changing vulnerabilities in emerging and developing economies*. South Centre.

André, C. (2010). *A bird's eye view of OECD housing markets* (OECD Economics Department Working Papers No. 746). Paris: OECD (Organisation for Economic Cooperation and Development).

Ashman, S., & B. Fine (2013). Neo-liberalism, varieties of capitalism, and the shifting contours of South Africa's financial system. *Transformation: Critical Perspectives on Southern Africa*, *81*(1): 144–78.

Ashman, S., Fine, B., & S. Newman (2011). The crisis in South Africa: Neoliberalism, financialization and uneven and combined development. *Socialist Register*, 47.

Ashman, S., Mohamed, S., & S. Newman (2013). *Financialisation of the South African economy: Impact on the economic growth path and employment.* (UNDESA Discussion Paper). Geneva: United Nations Department of Economic and Social Affairs.

Becker, J., Jäger, J., Leubolt, B. & R. Weissenbacher (2010). Peripheral financialization and vulnerability to crisis: A regulationist perspective. *Competition & Change*, 14(3-4): 225–47.

Bond, P. (2005). *Elite transition: From apartheid to neoliberalism in South Africa*. Scotsville [South Africa]: University of KwaZulu-Natal Press.

Bond, P. (2013) Debt, uneven development and capitalist crisis in South Africa: from Moody's macroeconomic monitoring to Marikana's microfinance *mashonisas*. *Third World Quarterly*, 34(4): 569-92.

Bonizzi, B. (2013). Financialization in developing and emerging countries: A survey. *International Journal of Political Economy*, *42(4)*: 83–107.

Brown, Andrew, Marco Passarella, and David Spencer, "The nature and variegation of financialisation: a cross-country comparison," *FESSUD Working Paper Series No. 127,* November 2015. Leeds: Financialization, Economy, Society, and Sustainable Development (FESSUD) project, University of Leeds. Available at http://fessud.eu/wp-content/uploads/2015/03/Processes-of-financialisation-working-paper-127-.pdf.

Chick, V. (1992). The evolution of the banking system and the theory of saving, investment and interest. In P. Arestis & S. C. Dow (eds.) *On money, method and Keynes*. London; New York: Palgrave Macmilliam.

Christophers, B. (2015) The limits to financialization. *Dialogues in Human Geography* 5(2): 183-200.

Corbett, J., & Jenkinson, T. (1996). The financing of industry, 1970–1989: An international comparison. *Journal of the Japanese and International Economies*, *10*(1), 71–96.

Corbett, J., & Jenkinson, T. (1997). How is investment financed? A study of Germany, Japan, the United Kingdom and the United States. *The Manchester School*, *65*(S), 69–93.

Correa, E., Vidal, G. & W. Marshall (2012). Financialization in Mexico: Trajectory and limits. *Journal of Post Keynesian Economics*, *35*(2), 255–75.

COSATU (2017) COSATU statement on the SONA 2017, *COSATU stress statements*, 10 February 2017.

de Beer, B., Nhlapo, N., & Nhleko, Z. (2010). A perspective on the South African flow of funds compilation–theory and analysis. *IFC Bulletin*, *33*, 239–48.

Demir, F. (2007). The rise of rentier capitalism and the financialization of real sectors in developing countries. *Review of Radical Political Economics*, *39*(3), 351–59.

Demir, F. (2009). Financial liberalization, private investment and portfolio choice: Financialization of real sectors in emerging markets. *Journal of Development Economics*, *88*(2), 314–24.

Donnelley, L. (2017) No ‘investment strike’ – Kganyago, *Mail & Guardian*, 27 May.

dos Santos, P. L. (2009) On the content of banking in contemporary capitalism, *Historical Materialism*, 17, 1-43.

dos Santos, P. L. (2013). A cause for policy concern: The expansion of household credit in middle-income economies. *International Review of Applied Economics*, *27*(3), 316–38.

Falkena, H. B., Fourie, L. J., & Kok, W. J. (1984). *The mechanics of the South African financial system: Financial institutions, instruments, and markets*. Johannesburg: Macmillan South Africa.

Farhi, M. & R. A. Z. Borghi (2009). Operations with financial derivatives of corporations from emerging economies. *Estudos Avançados*, *23*, 169–88.

First Rand Bank Limited (2000-2016). *Annual report*, Johannesburg: First Rand Bank Limited [17 issues in total].

Gabor, D. V. (2012). The road to financialization in Central and Eastern Europe: The early policies and politics of stabilizing transition. *Review of Political Economy*, *24*(2), 227–49.

Green, C. J. (1992). Flow of funds. In P. Newman, M. Milgate, & J. Eatwell (Eds.), *The new Palgrave dictionary of money & finance*. London: New York, NY: Macmillan Press Ltd.; Stockton Press.

Griffith-Jones, S. and E. Karwowski (2015) ‘Can the Financial Sector Deliver Both, Growth and Financial Stability in Sub-Saharan Africa?’, in: Noman, A. and J. E. Stiglitz (eds.) *Industrial Policy and Economic Transformation in Africa*, Columbia University Press, New York.

Innes, D. (1984). *Anglo American and the rise of modern South Africa*. London: Heinemann.

Isaacs, G., 2014. *The myth of 'neutrality' and the rethoric of 'stability': Macroeconomic policy in democratic South Africa*. Johannesburg: PERSA: Political Economy of Restructuring in South Africa, Working Paper No. 1.

Karacimen, E. (2014). Financialization in Turkey: The case of consumer debt. *Journal of Balkan and Near Eastern Studies*, *16*(2): 161–80.

Karwowski, E. (2015). The Finance-Mining Nexus in South Africa: How Mining Companies Use the South African Equity Market to Speculate. *Journal of Southern African Studies*.

Karwowski, E., Shabani, M. and E. Stockhammer (2016). Financialisation: Dimensions and Determinants. A Cross-Country Study. *PKSG Working Paper* 1619, Post Keynesian Study Group.

Karwowski, E. and E. Stockhammer (2017) 'Financialisation in Emerging Economies: A Systematic Overview and Comparison with Anglo-Saxon Economies', in: *Economic and Political Studies*.

Krippner, G. R. (2005). The financialization of the American economy. *Socio-Economic Review*, *3*(2), 173–208.

Langley, P. (2008). Financialization and the consumer credit boom. *Competition Change*, 12 (2): 133-47.

Lapavitsas, C. (2009). *Financialisation embroils developing countries* (Discussion Paper No. 14).

Lapavitsas, C. (2013). *Profiting without producing: How finance exploits us all*. London; New York, NY: Verso.

Lapavitsas, C., and Powell, J. 2013. Financialisation varied: A comparative analysis of advanced economies. *Cambridge Journal of Regions, Economy and Society*, 6(3), 359-79.

Lazonick, W. & M. O'Sullivan (2000). Maximizing shareholder value: A new ideology for corporate governance. *Economy and Society*, 29(1), 13–35.

McKenzie, R. A. & N. Pons-Vignon. (2012). *Volatile capital flows and a route to financial crisis in South Africa* (AUGUR EC FP7 Working Paper). Munich: Munich Personal RePEc Archive.

Mindbwane, B. (2015) *Investment strike: Unpatriotic corporate citizens are taxing South Africa*, The Daily Maverick, 1 October 2015.

Mishkin, F. S. & Eakins, S. G. (2012). Financial markets and institutions. Boston: Pearson.

Monyela, C. (2012). *Interview with the head of the flow of funds division, South African Reserve Bank, on South African flow-of-funds data*, Pretoria: SARB, September 2012.

Nedbank (1998-2015). *Annual report*, Johannesburg: Nedbank [18 issues in total].

Newman, S. (2015) Financialisation and the financial and economic crisis: The case of South Africa, *FESSUD Studies in Financial Systems*, 26, Financialisation, Economy, Society and Sustainable Development.

Nier, E., Saadi Sedik, T. & T. Mondino. (2014). Gross private capital flows to emerging markets: Can the global financial cycle be tamed? *IMF Working Papers*, *14(196)*.

Nyamgero, F. (2015) *Are South African companies holding more cash than before?* Gordon Institute of Business Science, University of Pretoria, Pretoria.

Padayachee, V. (1991). The politics of South Africa's international financial relations, 1970-1990. In S. Gelb (Ed.), *South Africa's economic crisis* (pp. 88-109). Cape Town: New Jersey: D. Philip; Zed Books.

Philippon, T. (2007) Why has the U.S. financial sector grown so much? The role of corporate finance, *NBER Working Paper,* no. 13405, Cambridge, MA: National Bureau of Economic Research.

Pike, A. & J. Pollard (2010) "Economic Geographies of Financialisation", *Economic Geography* 86(1): 29-51.

Powell, J. (2013). *Subordinate Financialisation: A Study of Mexico and its Non-financial Corporations*. Ph.D. dissertation. SOAS, London.

Prinsloo, J. W. (2002). *Household debt, wealth and saving* (pp. 63-78). Pretoria: SARB.

Rethel, L. (2010). Financialisation and the Malaysian political economy. *Globalizations*, *7*(4): 489–506.

Rodrigues Teles Sampaio, N.J., 2012. *Financialisation in South Africa: examining the financial conduct of non-financial enterprises, banks and households*. SOAS, University of London, London.

Rossouw, G.J., van der Watt, A., and Malan, D.P., 2002. Corporate governance in South Africa. *Journal of Business Ethics*, 37: 289–302.

Rogerson, C. M. (1987). The state and the informal sector: A case of separate development. *South African Review*, *4*(1): 412–22.

Rogerson, C. M. (1989). The deregulation of hawking: Rhetoric and reality. *South African Review*, *5*(1), 136–48.

SARB (1994). South Africa's national financial account 1970-1992. *Supplement to the South African Reserve Bank Quarterly bulletin December 1994*. Pretoria: SARB.

SARB (1995a-2015a). *Quarterly bulletin, June*. Pretoria: SARB [20 issues in total].

SARB (1996b-2014b). *Bank supervision department annual report*. Pretoria: SARB.

SARB (2011c). *Institutional sector classification guide for South Africa*. Pretoria: SARB.

SARB (2015c). *Economic and financial data for South Africa*. Pretoria: SARB. Retrieved April 1, 2015, from http://wwwrs.resbank.co.za/webindicators/EconFinDataForSA.aspx

SARB (2015d). *Exchange control manuel*. Pretoria: SARB. Retrieved December 1, 2013, from https://www.resbank.co.za/RegulationAndSupervision/FinancialSurveillanceAndExchangeControl/EXCMan/Pages/default.aspx

SARB (2017). Online statistical query (historical macroeconomic timeseries information), available under: https://www.resbank.co.za/Publications/QuarterlyBulletins/Pages/QBOnlinestatsquery.aspx [accessed on 1 May 2017].

Schmuckler, S. L. (2004). *Financial globalization: Gain and pain for developing countries* (Federal Reserve Bank of Atlanta Economic Review). Atlanta: Federal Reserve Bank of Atlanta of Atlanta.

Standard Bank (2002-2016). *Annual report*, Johannesburg: Standard Bank [15 issues in total].

Stockhammer, E. (2008). Some stylized facts on the finance-dominated accumulation regime. *Competition & Change*, 12(2): 184-202.

Stockhammer, E. (2013). Financialization and the global economy. In: G. Epstein & M. Wolfson (Eds) *The Handbook of the Political Economy of Financial Crises.* Oxford University Press.

The Banking Association South Africa (2014) *South African banking sector overview*, available under: www.banking.org.za [accessed 25 May 2017].

Tori, D. & Ö. Onaran. (2017) 'Financialisation and physical investment: a global race to the bottom in accumulation?', *Post Keynesian Economics Study Group*, Working Paper 1707.

Tyson, J. & T. McKinley. (2014). *Financialization and the developing world: Mapping the issues* (Working Paper No. 38). FESSUD Financialisation, Economy, Society and Sustainable Development.

Uys, D. J. (1984). The system of national financial accounts. In H. B. Falkena, L. J. Fourie, & W. J. Kok (Eds.), *The mechanics of the South African financial system: Financial institutions, instruments, and markets* (pp. 6-35). Johannesburg: Macmillan South Africa.

World Bank (2017) *World Development Indicators*, available under: data.worldbank.org/indicators [accessed 7 May 2017].