Human Sciences Research Council
Lekgotla la Dinyakisišo tša Semahlale tša Setho
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Financial Literacy in South Africa

Results of a 2012 national survey update

Report Prepared for

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14 June 2013

Suggested citation:
Struwig, J., Roberts, B., & Gordon (2013). *Financial Literacy in South Africa: Results of a 2012 national survey update*. Report prepared by the Human Sciences Research Council on behalf of the Financial Services Board. Pretoria: Financial Services Board.

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Acknowledgements

We would like to express our appreciation to the following individuals who contributed to the successful completion of this study on financial literacy in South Africa:

- We wish to express our gratitude to the South Africans who gave their time to participate in the survey.

- The FSB's managing team in the Consumer Education Department, consisting of Lyndwill Clarke and Ginger Bester, for their support, guidance, advice and input throughout the study. The comments received from various members of the Financial Services Board's executive leadership at different stages of the research process are also gratefully acknowledged.

- The Human Sciences Research Council (HSRC) team, consisting of Benjamin Roberts, Jarè Struwig and Steven Gordon for conceptualising the study design, as well as analysing the quantitative data and drafting the report.

- The HSRC's provincial supervisors, sub-supervisors and data collectors who traversed the country - often under difficult circumstances - to ensure that high quality information was collected from all those who were interviewed.

- Thanks are also due to Anneke Jordaan of the HSRC's Data Curation unit, who ensured that the data used for analysis was of high quality, as well as Professor Dawid Stoker for weighting the data.

- The role played by the HSRC project administrator, Busisiwe Mamba, who with assistance from Annemarie Booyens and Hermien Bolton, proved to be an invaluable resource for the study. She managed all the field logistics and organised all payments for fieldwork, as well as other related logistics.

List of Acronyms

CMFDWA: Confidence to Make Financial Decisions Without Advice'
CPI: Consumer Price Index
EA: Enumerator areas
FBS: Financial Services Bond
FSA: Financial Services Authority
HSRC: Human Sciences Research Council
INFE: International Network on Financial Education
LSM: Living Standard Measure
PSU: Primary Sampling Unit
OECD: Organisation for Economic Co-operation and Development
NT: National Treasury
RMFD: Research to Make Financial Decisions
SASAS: South African Social Attitude Survey

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1. Executive Summary

THE AIM OF THE SURVEY

The 2013 financial literacy report is the second study of its kind to have been conducted in South Africa. Both reports were based on a 2010 financial literacy pilot study which followed the conceptual framework of the Organisation for Economic Co-operation and Development (OECD) initiative. The objective of this report is to provide the Financial Services Board (FSB) with information about financial knowledge, attitudes, skills and behaviours of consumers. The purpose of the study was therefore to generate information on the levels of awareness, knowledge and understanding of financial literacy and systems at a national level. Such information will assist the FSB consumer education programme to help all South African consumers to achieve sound financial management. The broad objectives of the 2013 financial literacy report were informed by the 2012 financial literacy report allowing comparability between both reports to be established. The primary goal of this 2013 report is to determine levels of financial literacy in South Africa by providing composite measures of financial knowledge, attitudes and behaviour in the post-apartheid nation. Such measures would allow researchers to benchmark these against those of other countries. Furthermore, the information provided by this report can be used by policy-makers to inform public policy relating to low financial segments and assist in developing strategies to improve financial literacy.

The executive summary presented here provides a summation of the findings of the 2012 module on financial literacy in the South African Social Attitudes Survey (SASAS). In order to provide an operative synopsis, it is important to note that financial literacy is a complex multi-dimensional concept that comprises a combination of awareness, knowledge, skills, attitude and behaviour. This combination can be effectively expressed by investigating four financial domains: a) financial control b) choosing and using appropriate financial products c) financial planning and d) knowledge and understanding. Such an outline was comprised using a methodological approach informed by the OECD. The 2013 financial literacy report follows the conceptual framework of the OECD initiative. Based on this methodological approach, the 2013 financial literacy report is subdivided into themes: money management; planning ahead; choosing financial products; and financial knowledge.

RESEARCH METHODOLOGY

A total of 2518 people were interviewed for the 2013 financial literacy report and were chosen to be representative of 14, 043 671 households in South Africa. In order to achieve a national representative sample desired by the FSB, a sample had to be designed that would ensure that all people in South Africa, 16 years and older, are represented regardless of creed, colour or class. The target population for the FSB financial literacy survey was individuals aged 16 and over who lived in South Africa, specifically comprising people living in households, hostels and other structures. To ensure that the sample was also representative in terms of the ethnic and cultural diversity of South Africa, the HSRC's geo-demographic categories, which have been developed from the 2001 census data, were used as the implicit stratification variable. Enumerator areas (EAs) from the 2001 Census formed the primary sampling unit (PSU), of which five hundred EAs were selected throughout South Africa. Within each PSU or EA a total of 7 visiting points or households were selected for interviewing, using random sampling. These geo-demographic categories reflect the diversity of the South African population based on their rural/urban, income, education, "ethnicity" and geographic characteristics. One household member who was 16 or older was selected randomly as a respondent to complete the questionnaire in the language of his or her choice. The fieldwork commenced on 10 November 2012 and ended on 20 December 2012.

MANAGING MONEY

PERSONAL INVOLVEMENT IN MONEY MANAGEMENT

A quarter of adult South Africans in 2012 indicated that they assumed sole personal responsibility for daily money management in the household in which they reside. Slightly less than a quarter (24%) managed household finances jointly with their partner, while 12% stated that they performed this task jointly with another member of their family. Therefore, approximately three-fifths of South Africans aged 16 years and older (61%) directly, playing at least some role in managing the household budget. It is apparent that there are marked differences in how South Africans manage their daily household budgets by marital status. Of those who are married, 56% reported managing their household finances with their partner –indicating positive gender parity in decision-making. Of those who were unmarried and living with a partner only 38% managed their household jointly in this fashion. Interestingly, a population group difference was identified with only half of married Black Africans reporting sharing financial household decision-making with their partner compared with 63% of married Coloured South Africans and 70% of married White South Africans. This may indicated cultural differences in the way daily household decisions are made.

HOUSEHOLD BUDGETS

To better understand the nature of financial control, a question was posed on whether respondents had a household budget in order to guide the allocation of funds to spending, saving and paying debts. There is a significant higher share of South Africans who report a household budget in 2012 than in 2011 (when 51% of the adult population reported not having a household budget). It appears that the likelihood of reporting a refusal or 'don't know' has decreased. As a result it is evident that more respondents were likely to answer the question indicating that the measure is working well. Reporting of the existence of a household budget in 2012 was evident among a majority (53%) of South Africans, with 43% suggesting otherwise and 4% uncertain or refusing to answer. Economic and social class is, unsurprisingly, a strong predictor of financial control, with the poor and uneducated less likely to have a household budget. In addition, a positive relationship was found between age and the presence (or absence) of a household budget, suggesting the importance of the life-cycle effects.

MAKING ENDS MEET

Since 2010 respondents had been asked whether in the year prior to being interviewed they had personally experienced a situation whereby their income did not quite cover their living costs. In 2012 almost half the adult population (45%) reported that they had experienced such a shortfall, with the remainder (54%) indicating that this had not happened to them. There was little difference in the response of the South Africans to this question between 2010 and 2012. This is a worrying finding as it indicates that many South Africans still experience financial shortfalls and struggle to make ends meet.

A follow-up question on which coping strategies were adopted to help get through these times of financial duress revealed a common response: cut back on spending and make do with less. This indicates that many South Africans find it difficult to respond to income shortfalls and are left with few alternatives but to scale back. If the responses to this question in 2010 are compared with 2012, reliance on existing resources grew from 47% in 2010 to 65% in 2012. A second common strategy was to borrow food or money from family or friends, which was reported by two-fifths (41%) of those who were unable to live within their means. Others mentioned borrowing from employers, the pawning of assets, taking a loan from a savings or loan club and withdrawing funds from a flexible home loan account.

Analysis by various socio-demographic characteristics of respondents revealed a considerable gradient of difference in relation to population group. This finding reflects material disadvantage and social inequalities that continue to characterise South African society. Those relying more on their social networks in times of financial hardship were Black African and Coloured respondents, the poor and those with lower levels of schooling. Interestingly women were slightly more predisposed than men to report that that they depended on their family and social networks, whereas men reported a higher reliance on existing resources, particularly drawing on savings or scaling back on certain expenditures. Wealthier and better educated South Africans tended to rely more on their existing resources –for example cutting back or drawing money out of savings accounts –as well as creating their own resources by earning extra money.

ATTITUDES TOWARDS SPENDING AND SAVING

A considerable majority of respondents (61%) acknowledge that, prior to making a purchase, they always carefully consider whether they can afford it, with an additional fifth (21%) suggesting that they do this often. This attitude towards prudent spending has not changed significantly since 2010 when the measure was first introduced. Although this is a broadly reassuring message, South Africans tend to be less likely to express that they unfailingly pay their bills on time or constantly keep a close watch over their personal finances. Only a minority of adult South Africans indicated that they are always diligent in doing these activities (42 and 38% respectively). However, it is evident from the figure below that attitudes towards financial responsibility are improving. In 2010, for example, only 34% of the adult population reported paying their bills on time and only 36% reported keeping a close watch on their finances.

FINANCIAL PLANNING

MAKING PROVISION FOR THE FUTURE

When asked about personal savings in the year prior to being interviewed, paying money into a bank account emerges as one of the popular forms of saving among South Africans. More than a fifth (23%) of adults aged 16 years and older using a savings account to provide for future needs and 16% stated that they try and build up a balance of money in their bank accounts. One of the most popular forms of saving is by informally saving cash at home or carrying it in wallets. A fifth of South Africans (20%) declared that they are saving money in this way. Only 4% of South Africans invest in trusts, stocks, shares, livestock or property as a form of saving. A large share of the adult population (47%) reported adopting no saving strategy in 2012. This indicates that many South Africans find it difficult to save. This may be explained by limited access to employment and income for many, as well as the high cost of living in the country.

Between 2010 and 2013, it is evident that the use of banking products as a mechanism to save money has declined. In 2010, 32% of adult South Africans reported paying cash into a savings account. By 2011, the share of South Africans pursuing this strategy had declined to 28% and by 2012, only 23% utilised this strategy. Other differences in savings strategies were small, although it is interesting to note that the practice of saving in a stokvel declined as did the tendency of South Africans giving money to family to save on their behalf. This may indicate that informal social network mechanisms of saving are declining.

In terms of generational differences in saving behaviour, those aged 16-19 years are most inclined relative to older cohorts to save money at home or in their wallets (22%), while those in their 30s and 40s are most likely to save money by making use of savings accounts or other bank accounts. The poor are more likely to make use of informal saving mechanisms such as the use of stokvels and saving cash at home. In contrast, more wealthy South Africans are more inclined to use formalised products such as bank accounts (as well as financial investment products, such as stocks and bonds) as a form of savings.

ATTITUDES TO PLANNING AHEAD

In order to gauge whether South African attitudes towards long-term financial planning, respondents were asked if they agreed or disagreed with the statement: '*I set long-term financial goals and work hard to achieve them*'. More than half of the adult population indicated that they engage in such financial planning either always or often. A fifth of the adult population sets and pursues long-term financial goals sometimes, with only a minority doing so seldom or never. This trend has not altered significantly since the measure was first introduced in 2010.

PLANNING FOR FINANCIAL EMERGENCIES

It is important to assess the extent to which such provisions are perceived to be adequate to ensure that, beyond meeting daily needs, one is able to continue making ends meet in the face of financial shocks or emergencies. To this end, respondents were asked to report on setting aside emergency or rainy day funds that would cover their expenses for 3 months in case of sickness, job loss, economic downturn or other emergencies. In 2012, just more than two-thirds of respondents (68%) reported that they would not be able to cover expenses for 3 months in case of an emergency. This result is consistent with what was found in 2011 indicating the durability of the measure. On the whole, these findings suggest that a majority of South Africans have no substantive reserves upon which they are able to draw in the face of an unanticipated loss of income before they would be forced to rely on other forms of coping strategies.

SPENDTHRIFT BEHAVIOUR

On the question, “Do you agree or disagree? I find it more satisfying to spend money than to save it for the long term”, it was found that 39% of adult South Africans in 2012 agreed with this statement. A somewhat larger share (45%) disagreed with the statement s and a small minority (13%) remaining neutral. Results for the question, “I tend to live for today and let tomorrow take care of itself” show that more than half (53%) of the adult population disagreed with this statement. Less than a third (29%) agreed with the statement. More than two-fifths of all people (42%) believe that money is there to be spent with 37% disagreeing with the statement. Attitudes towards monetary expenditure have not changed significantly since these questions were first asked in 2010.

CHOOSING FINANCIAL PRODUCTS

It is important to understand not only financial management and planning but also mentioned product usage. Understanding what products an individual is using is an important component of understanding their levels of financial literacy. It also assists in analysing the popularity of certain kinds of products among the general population. The SASAS research team identified four primary financial product areas: banking, credit and loan, investment and savings, and insurance. By focusing on these areas, the research team was able to determine which financial products individual South Africans had acquired and were currently using.

BANKING PRODUCTS

The most common banking product of which South Africans are aware is a saving account, mentioned by 86% of the population in 2012 – this is followed by an ATM card (78%) and a Mzansi account (69%). Other products which were familiar to more than half of the adult population were credit cards (61%), current or cheque accounts (55%), post office savings accounts (53%) and debit cards (52%). Awareness of different banking products did not shift noticeably between 2012 and 2011. There was one notable expectation: public awareness of post office savings accounts declined by 9 percentile points between 2011 and 2012.

As with product awareness, the most widespread form of banking products held by South Africans were a savings account and an ATM card. Only a minority of South Africans held other banking products. A cluster of products are held by about a tenth or so of the adult population, including a cheque account (12%), a debit card (13%), and a credit card (11%). There is a general discrepancy between the knowledge of banking products and the holding of such products – for example, over 70% of the population had heard of the Mzansi account but only 10% held one. A sizeable share (23%) indicated that they possessed none of the banking products listed.

CREDIT AND LOAN PRODUCTS

The most common formal credit and loan products of whichSouth Africans are aware are a lay-bye and a loan from a micro-lender, with more than 70% of South Africans having heard of these two products. Additional formal products that were familiar to more than half of the surveyed population were vehicle or car finance through a bank, and hire purchase. The informal credit and loan products of which South Africans are most aware were loans from friends and family and loans from a *mashonisa* or informal money lender. A considerable proportion of South Africans were aware of a loan through a saving club (i.e. stokvel). Most other credit and loan products were not familiar to 70% of the population.

A significant number of South Africans (50%) indicated that they possessed none of the credit and loan products listed. However, this represents an improvement in credit and loan product holding since 2011, when those indicating that they possessed none of the products listed was closer to three-fifths of the public (58%). As with product awareness, the most widespread form of credit and loan product held by South Africans in late 2011 was a store card. Thereafter, there are a cluster of products that are held by less than a tenth of the surveyed population. Even informal credit and loan products were fairly uncommon, with only small minorities of the population borrowing from friends or family or receiving credit from a stokvel. Of the different types of credit and loan products, both formal and informal as identified in this study, the average South African held less than two of them, with only a small minority (31%) indicating that they held more than one product of this kind.

INVESTMENT AND SAVINGS PRODUCTS

The investment and savings product that most South Africans are aware of is a pension fund. The next most popular was a stokvel, indicating the popularity of these informal saving associations. More formal investment and savings products were less popular – only half the population had heard of an education policy, the most formal product that was most often identified by respondents. Less than half of all adult South Africans seemed to be familiar with unit trusts, provident funds or investment policies – signalling perhaps that much of the population does not think about investing or saving at this level. If the findings from the survey’s ninth (2011) and tenth rounds (2012) are compared, then it is clear that South Africans were slightly less aware of credit and loan products in 2012 than they werein the previous year.

A majority of South Africans (51%) reported that they possessed no investment and savings products. Moreover, no single investment and saving product was found to be considerably popular. The most widely held investment and savings products were – unsurprisingly given that these products are so well-known – pension funds and stokvel funds. However, only 12% of the population reported owning either of these investment products. No other product was held by more than a tenth of the adult population although a cluster of products were held by less than a tenth of the adult population. Comparing 2011 and 2012, it is clear that the share of South Africans holding popular investment and savings products increased by a narrow margin over the period, although much of this increase could be attributed to the use of more informal saving methods (such as keeping cash at home).

INSURANCE PRODUCTS

Most South Africans are aware of life insurance (or life cover), followed by vehicle or car insurance and medical aid schemes. With regards to informal insurance products, a majority of South Africans had heard of a burial society as a form of funeral insurance, indicating the popularity of this kind of informal association. Less well known forms of insurance include homeowners' insurance, insurance that covers a deceased's debts, and funeral cover from a stokvel – suggesting the unpopularity of these kinds of insurance products owing perhaps to cost and availability. South Africans were slightly less aware of formal insurance products like life cover and car insurance in 2012 than they were in 2011.

The most held insurance products were, unsurprisingly given that these products are so well-known, life insurance, medical aid scheme and burial society. However, none of the products listed was considerably more popular than the other. Thereafter, there is a cluster of products that are held by a tenth or less of the surveyed population. It seemed that the number of South Africans who belonged to a burial society increased between 2011 and 2012, which indicates the growing popularity of institutions such as insurance providers. A slight shift away from holding a medical aid scheme was noted during the period, although it is difficult to say if this represents the beginning of a trend.

SUBGROUP ANALYSIS ON PRODUCT CHOICE

A number of key socio-economic characteristics were positively associated with the awareness and possession of financial product types in South Africa. Age is strongly connected to financial product holding, with older South Africans more likely than their younger counterparts to be aware of and hold multiple types of financial products. A strong racial divide was noted, although this probably reflects the socio-economic divisions between population groups in the country. White South Africans are overrepresented among the better educated and the affluent. These two characteristics, educational attainment and wealth, are strongly associated with product type awareness and possession. Marital status was also found to be a strong predictor, with married South Africans far more likely to have heard of and hold multiple financial product types than the non-married.

UNDERSTANDING FINANCIAL DECISION-MAKING

The previous section presented findings on financial product-type awareness and financial product type ownership. However, questions on how many different types of financial products an individual is aware of does not, in itself, tell us about financial decision-making. It is important therefore, to analyse South African attitudes towards decision-making, focusing on seeking financial advice and market research.

RESEARCH AND ADVICE SEEKING

The survey under discussion allows the researcher to inquire about the confidence of South Africans in their ability to make financial decisions without advice and the level of research done before decisions are made. Many South Africans tend to display high levels of confidence in being able to make financial decisions without consulting financial advisers. Of all adult South Africans, 51% agreed that were confident of their financial knowledge without seeking financial advice, compared to 30% who were not confident. This represents an increase in confidence since 2011 when only 44% of the adult population indicated that they had a clear idea of the sorts of financial products or services that they needed without consulting a financial advisor.

Many South Africans claimed that they researched thoroughly before making a financial decision. Of the population sampled, 53% claimed they had researched thoroughly, compared to 27% who admitted to not researching thoroughly. Unlike what was recorded for the confidence measure above, tendency to research financial decisions has not changed significantly since 2011. This indicates that the boost in confidence that was observed above is not due to a greater tendency towards financial research among South Africans. These findings corroborate the results of the 2010 baseline study, which found of those individuals who had recently acquired financial products, nearly half (48%) maintained that they considered several products from different companies before deciding which product they preferred.

DECISION-MAKING AND REGRET

Making decisions about finances is often a difficult process. Even the best researched financial decision can be wrong and therefore, it is worth asking if South Africans regret their financial decisions. Respondents were asked if they had made any financial decision in the last 12 months that they had regretted. Approximately 80% of respondents did not answer the question, stating ‘None of the above’. A further 3% either refused to answer or responded, ‘Don’t know’. This may suggest that the vast majority of South Africa’s population did not make any financial decision in the last 12 months that they regretted or perhaps they felt reluctant to admit to past mistakes. Respondents were asked a question about whether an individual had in the last five years discovered a financial product that she/he had been paying for, but was unsuitable to his/her needs. Only 11% of the population indicated that they had discovered an unsuitable financial product in their portfolio in the last five years. Interestingly this is almost twice that reported in 2011, when the same question was asked.

FINANCIAL KNOWLEDGE AND UNDERSTANDING

In order to understand financial literacy in South Africa, it is necessary to understand the extent of the financial knowledge that an individual possesses. In 2010 the SASAS research team designed a module to measure South Africans' understanding of inflation, risk, interest and consumerism.

BASIC ARITHMETIC

A core component of the financial literacy survey was a set of questions that were administered in the form of a quiz, in order to provide an assessment of the familiarity and proficiency of South Africans with basic financial concepts. This quiz is used to examine how South Africans understand the financial world. An overwhelming majority of respondents were able to supply the correct numerical answer to the first quiz item on mathematical division. The specific item asked was: "Imagine that five friends are given a gift of R1 000. If the friends have to share the money equally, how much does each one get?" Only small percentages of respondents provided incorrect or irrelevant answers (13% and 1% respectively), with a tenth (7%) indicating that they did not know the answer. In 2010 only four-fifths answered the question correctly compared with almost nine out of ten (86%) in 2012.

UNDERSTANDING OF INFLATION

The second item explored was knowledge of inflation by asking respondents to say whether they could calculate inflation using the following example: imagine that the brothers have to wait for one year to get their share of the R1,000. Barely a quarter (23%) chose the response that was expected (i.e. the brothers would be able to purchase less in a year than today), with almost half the population (48%) stating that the brothers would be able to buy more or an equivalent amount in a year's time relative to today. In an additional inflation-related quiz question, respondents were asked whether they felt the statement, "Inflation means the cost of living is increasing rapidly", was true or false. An estimated 76% nominated that this was a truthful assertion, with only 15% declaring it false and 9% uncertain. If 2012 is compared with 2011, it is apparent that more people answered this question incorrectly in 2012 when compared with 2011.

UNDERSTANDING OF INTEREST AND COMPOUND INTEREST

The third quiz item related to interest and interest rates. The statement read by interviewers was as follows: "You lend R25 to a friend one evening and he gives you R25 back the next day. How much interest has he paid on this loan?" Approximately 64% of the adult population issued a correct response. A total of 23% reported an incorrect answer with 2% issuing irrelevant answers and around a tenth (10%) being uncertain. The subsequent item on interest suggests that South Africans struggled with this aspect of financial literacy. If the results from 2012 are compared to the findings from 2011 and 2010, it is apparent that the share answering this question correctly did not change significantly over the period. The proportion of adult South

Africans giving an incorrect answer on the interest rate question and compound interest question, however, was greater in 2012 than in 2011 and 2010.

SUBGROUP DIFFERENCES ON THE FINANCIAL QUIZ

When examining the responses to the financial literacy items outlined above it is clear that there is a highly varied distribution of responses with certain subgroups differing distinctly from one another. Marked differences are noted along socio-economic divides. Better educated, wealthier individuals are more likely to answer the interest rate questions correctly. White and Indian respondents were far more likely than their Black African and Coloured counterparts to give a correct answer to these questions. Interestingly, there were wide differences in knowledge of interest rates between different provinces, with residents of poorer more rural provinces reporting on average more incorrect responses. Individuals residing in the Eastern Cape and the Northern Cape reported the lowest proportions of correct responses when compared to other provinces.

UNDERSTANDING INVESTMENT RISK AND RETURN

Three questions included in the quiz were designed to capture the ability of respondents to weigh up risk and return on investments. It would seem that South Africans are quite sceptical about potential investments that offer the prospect of getting rich quick, with 68% believing that if someone offers them the chance to make a lot of money, it is likely that there is also a chance that they will lose a lot of money. In 2011, South Africans were slightly more sceptical about potential high reward investments than they were in 2012. In 2011, a fifth of the adult population (22%) disputed the likelihood of loss in relation to investments promising sizeable returns compared with more than a quarter (26%) in 2012. Investigating how sceptical South Africans were of potential investments that offer the prospect of getting rich quick, it is necessary to disaggregate the above results across important socio-economic characteristics. Educational attainment was a relevant factor predicting sceptical attitudes towards risk-taking. Those with high levels of educational attainment are more likely to be sceptical compared to those with low educational attainment.

MEASURING FINANCIAL LITERACY

Since 2012, it has been possible to create a score for financial literacy in South Africa. At the time there was a growing concern about South Africa’s lack of information about the financial literacy level of consumers. The score was designed in 2011 by the South African Social Attitudes (SASAS) research team using a 2010 baseline survey. The financial literacy score was computed by using the OECD/INFI methodology. The OECD methodology is an international benchmark, renowned for its well-researched criteria and thoroughly tested methodologies. By using this methodology the results of the SASAS research team’s analysis would be comparable at a cross-national level, meeting a key mandate of the FSB. From methodological perspective the OECD measurement variables were centred on a specific set of questions. By following them, the SASAS research team was able to monitor financial literacy using a fairly low quotient of questions. This approach allowed us to provide high quality data to the FSB at a reasonable cost.

In the 2012 Financial Literacy Report, certain questions had to be isolated and transformed into core measures of financial literacy. This same process is followed for the 2013 report and focused on four principal domains; namely, financial control, financial planning, choosing appropriate products and financial knowledge and understanding. The financial scores for each domain as well as the overall financial literacy score for South Africa, were calculated and are portrayed in the table below.

Table 1: Financial literacy scores (mean scores on a 0-100 scale)

Domain	**2012**	**2011**
Financial control	61	61
Financial planning	50	53
Product choice	46	45
Financial knowledge	55	56
Financial literacy score for South Africa	54	54

The significance of educational attainment and economic status cannot be understated in our analysis of financial literacy. Across all domains created for this report, a clear class and human capital bias was evident. The groups with the highest financial literacy score were: the tertiary educated, the wealthy, those in full-time employment and residents in formal urban areas. Household wealth level and personal disadvantage thus plays a considerable influence in the financial domain scores, as well as in the financial literacy score. Those who scored highly in one domain tended to score highly in others. Disparities between subgroups could also be noted. Interestingly, and perhaps unsurprisingly, the student and the young subgroups had relatively high knowledge and understanding domain scores, but generally scored low in all other domains. It seems that young people in South Africa are inexperienced with regard to financial products, probably owing to their limited access to financial resources and their lack of a regular income.

In order to understand the relationships between the variables that impact on the financial domain scores, and also to control for the impact of variables on each other, a regression of each of the domains with select socio-demographic variables was undertaken. Economic class and educational attainment was positively associated with financial literacy. Multivariate analysis suggests that even controlling for all other factors related to economic and human capital position, race still plays a salient role in determining financial literacy. No significant difference exists between the financial literacy levels of Black African and Coloured respondents, but their scores are significantly lower than those of Indian and White South Africans. More in-depth research is needed to understand if this finding is related to cultural differences between population groups in South Africa.

In terms of the financial literacy score for South Africa, the results from the analysis show that the financial knowledge score is positively associated with employment status, birth cohort and marital status. Employed people are significantly more financially literate than their unemployed counterparts. Those people that are unemployed and not looking for work are significantly less financially literate than all other employment categories. Married people are more financially literate than single (not married) people, whilst divorced people score significantly lower on financial literacy than single people. When the different age groups are considered, it is evident that the 16-29 year age group is significantly different from the 30-70 + age group. The younger age group scores significantly lower than the older age group. No significant differences are found for geographic subtype - in other words, people in the different urban and rural areas do not differ significantly when financial literacy is considered.

A final regression represents a comprehensive analysis of financial literacy in South Africa, comprising a powerful tool to understand how financially literate our nation is and how financial literacy is changing at a national level. Such a measurement is a dynamic instrument to enrich our understanding of financial literacy in post-apartheid South Africa. Moreover, this study opens new fields of research with regards to the diffusion of financial knowledge in our society. The report provides a platform to recognize and appreciate the complexity of financial literacy in the context of the modern period.

2. Introduction

South Africa faces a set of unique challenges, overcoming unemployment, poverty and inequality during a period of global economic uncertainty and slow growth. Such an environment is a difficult one for ordinary South Africans to navigate, particularly when it comes to financial products and services. In order to provide programmes and initiatives that would assist and inform users and potential users of financial products and services in South Africa, it is necessary to have an in-depth understanding of financial literacy among the country's population. However, one of the difficulties encountered in effectively providing such initiatives is the scarcity of publicly available micro-data on financial knowledge, attitudes, skills and behaviours of financial consumers in South Africa. In response, the Financial Services Board (FSB) commissioned the Human Sciences Research Council (HSRC) in early 2010 to undertake the South African component of a cross-national pilot study on the measurement of financial literacy. Since then the FSB has annually funded a module of financial literacy measures in a cross-national survey. Currently the module is in its third year and represents the most accurate measures of financial literacy available in South Africa.

During recent years, financial literacy has gained the attention of a wide range of role players, including major banking groups, government agencies and community interest groups in developed countries (Braunstein & Welch 2002; Holzmann, 2010). Although the study of financial literacy has primarily taken place within the context of developed nations, increasingly studies are starting to investigate this multi-dimensional concept in developing countries. Specifically, policymakers are concerned that consumers lack a working knowledge of financial concepts and do not have the necessary tools to make decisions that enhance to their economic well-being. Not only does financial illiteracy impact on the individual's or families' day-to-day money management, but also impacts on their ability to save for long-term goals and become financially independent at retirement. Ineffective money management can also result in behaviours that make consumers vulnerable to severe financial crises. The cross-national survey module on financial literacy has sought to measure financial knowledge in the country in order to identify the behaviours and problems discussed above.

The work funded by the FSB is informed by the mandate and vision of the organisation as a socially conscious non-profit public entity. The vision of the FSB Consumer Education programme is to help all South Africans "to manage their personal and family financial matters soundly, to eradicate irresponsible financial behaviour, to ensure that unscrupulous and unlicensed financial services institutions are reported, to provide information to consumers on appropriate financial services and their rights and responsibilities, as well as available mechanisms" (FSB, 2009:32). The FSB is the statutory regulator of the non-banking financial sector in South Africa. It derives its mandate from the FSB Act of 1990 (amended in 2000) which, inter alia, seeks to promote financial education programmes for consumers. Specifically, in terms of Section 3c of the Act, the FSB's Consumer Education Programme aims to "promote programmes and initiatives ... to inform and educate users and potential users of financial products and services" (FSB, 2009:32). The FSB is dedicated to improving the quality of life in South Africa by increasing the levels of financial understanding of all South Africans regardless, of class, race or creed.

The FSB module was designed as a comparative study in line with international standards, focusing on an initiative developed by the International Network on Financial Education (INFE) of the Organisation for Economic Co-operation and Development (OECD). The OECD/INFE reviewed existing literature and measures with two primary outcomes:

(1) the development of a multidimensional approach to understanding financial literacy, which centres on four principal domains; and
(2) the identification of a set of 19 core indicators spread across each of the aforementioned financial literacy domains, for pilot testing in 12 low, medium and high income countries exhibiting diverse characteristics.

These outcomes were derived in order to inform and assist in the measurement of the level of financial literacy at both a national level and international level. The OECD/INFE seeks to better inform policymakers' interventions and focuses explicitly on "financial literacy and education policy areas considered as particularly topical, such as the evaluation of financial education programmes, financial education in schools and national strategies for financial education" (Atkinson & Messy, 2011: 2). Finally these outcomes were derived by the OECD/INFE because of a general recognition that there was a lack of standardised international conceptual framework and survey-based measures of financial literacy.

The OECD/INFE has adopted a definition for the purposes of the pilot study that again builds on a multifaceted understanding of the concept. Specifically, financial literacy is conceived as "a combination of awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing" (Atkinson & Messy, 2011: 4). However, it should be mentioned that there remains a lack of definitional consensus regarding the term financial literacy or capability. The construction of financial literacy measures used in this study was the product of a comparative literature review. In particular fieldwork results of the participating OECD countries for the period September 2010 and early 2011 were investigated. Some of the countries reviewed embedded the OECD/INFE core financial literacy module in broad national baseline surveys on the topic of financial literacy (such as, for example, the Czech Republic). Others were included because they had a financial literacy module as part of multi-topic surveys or follow-up studies. The OECD/INFE financial literacy pilot study country characteristics are included in the table below.

Table 2: OECD/INFE financial literacy pilot study country characteristics

Regions and OECD/INFE financial literacy pilot countries	Economic classification*	Commercial bank deposit accounts per 1,000 adults**	ATMs per 1,000 adults
Sub Saharan Africa			
South Africa	Upper middle income	839	52
South and South-East Asia			
Malaysia	Upper middle income	2063	54
Eastern Europe & Central Asia			
Armenia	Lower middle income	631	29
Czech Republic	High income	1739	40
Estonia	High income	2669	88
Hungary	High income	2058	56
Poland	Upper middle income	1626	49
Western Europe			
Germany	High income	..	112
Ireland	High income	2182	96
Norway	High income	..	57
United Kingdom	High income	2923	123
Latin America			
Peru	Lower middle income	783	22

Note: * World Bank World Development Report 2009; Economies are divided among income groups according to 2007 GNI per capita, calculated using the World Bank Atlas method. The groups are low income (LIC), $935 or less; lower middle income (LMC), $936–3,705; upper middle income (UMC), $3,706–11,455; and high income, $11,456 or more. ** CGAP Financial Access 2010.

The financial module funded by the FSB was designed using the work commissioned by OECD/INFE. In particular the designed was also informed by on work done by the Financial Services Authority (FSA) in the UK based on qualitative focus group methods and exploratory investigations (Atkinson et al., 2006). This design has subsequently been employed in a number of other country contexts, such as Ireland (Financial Regulator Ireland, 2008), Canada (Arrowsmith & Pignal, 2010) and Romania (Stănculescu, 2010). The FSA focused on the development of a multidimensional approach to understanding financial literacy, which centres on four principal domains, namely day-to-day money management, financial planning, choosing appropriate products, and financial knowledge and understanding. This multidimensional approach was used to construct the domain measures that have been used to produce financial literacy measures since 2010 in South Africa.

The financial literacy module was fielded as part of the annual round of the nationally-representative South African Social Attitudes Survey (SASAS) that has been conducted by the HSRC since 2003. The coverage of each of the conceptual domains included in the module is as follows:

- Day-to-day money management: This includes the financial control people exercise, whether they work to budgets, stick to budgets, save regularly and whether they keep records of their spending. It will also look at how people make ends meet, how often they run short of money and what actions they take when their money runs out. Information will also be required on the attitudes of consumers towards financial management.
- Financial planning: Information will be required on the extent to which consumers make provision for an emergency or 'rainy day', and the savings/insurance they have. It will include their financial provision for retirement and the financial provision they make for anticipated expenses, such as health care, education or a known event.
- Choosing appropriate products: Information will also be required on the ability of consumers to choose appropriate products, how they choose the products and whether they shop around for financial products.
- Financial knowledge and understanding: This area requires information on the extent to which consumers keep up-to-date with financial matters, whether they understand key concepts and their knowledge of financial products and services.

The measures developed for the domains identified above will assist in implementing the goals of the National Development Plan (NDP). Financial literacy programmes can support social inclusion and social cohesion, assisting with the enhancement of the wellbeing of communities. Such programmes are especially important in a heterogeneous post-transition country such as South Africa, where a considerable proportion of the population is characterised by material disadvantage. The aim of the module is to shed some light on the knowledge, understanding, and patterns of behaviour exhibited by South Africans in their approach to financial activities. This report provides preliminary, descriptive findings organised around the four OECD/INFE financial capability domains. In summary, the purpose of the project is to undertake a national study to generate information on the levels of awareness, knowledge and understanding of financial literacy and systems in South Africa. Since the questions will be tailored to the international OECD/INFE module, the responses to the questions can be benchmarked against other countries (developed and developing).

2.1. Structure of the report

The structure of the 2013 report on financial literacy in South Africa is designed to follow the structure of the previous 2012 report and 2011 baseline study. According to the thematic structure of those reports, the information presented in this document will be organised around the domains that the OECD has conceptualised as constituting financial literacy: namely, financial control; making ends meet; financial planning; choosing appropriate financial products; financial advice; getting help and, lastly, financial knowledge and understanding. The last analytical section of the report measures and scores financial literacy in terms of the following: financial control, financial planning, product choice and financial knowledge. The report will remain cognizant of the trend data collected so far and try to present the results across all three years of data, where appropriate.

The report consists of three main sections, the first of which deals with the research methodology employed. It discusses the research universe and how the sample was designed. It also examines the survey protocols in terms of area, household and individual selection procedures. Furthermore, it gives a brief description of how the questionnaire was designed and the training that took place prior to the data collection. Procedures employed to ensure quality control are also discussed, together with data capturing and data cleaning measures. The second section provides descriptive findings organised around the key financial domains outlined above. This section is laid out in six main chapters and occupies the bulk of this analytical report. These chapters include: (i) managing money; (ii) making ends meet; (iii) financial planning; (iv) choosing financial products; (v) understanding financial decision-making; and finally (vi) financial knowledge and understanding. In the final section a composite financial literacy score is derived from the four domains discussed above. This score constitutes the financial literacy score for South Africa. Regression analysis is undertaken to determine what the relationships are between the various domains as well as the literacy score and various independent variables. The design and analysis of this measure are presented in the final chapter of this report. A concluding chapter provides a summation of the report, and comments on current financial education policy.

3. Research methodology

The South African Social Attitudes Survey (SASAS) (www.hsrc.ac.za/sasas) is a nationally representative, repeated cross-sectional survey that has been conducted annually by the HSRC since 2003. Designed as a time series, SASAS is increasingly providing a unique, long-term account of the speed and direction of change in underlying public values and the social fabric of modern South Africa. SASAS thus represents a notable tool for monitoring evolving social, economic and political values among South Africans, but it also demonstrates promising utility as an anticipatory, or predictive, mechanism that can inform decision- and policy-making processes. SASAS focuses on variations in culture and social structure within the country and aspires to be an instrument for identifying and interpreting long-term shifts in social circumstances and values, rather than simply monitoring short-term changes. A commitment to methodological rigour and systematic analysis has allowed the survey series to acquire a wide readership both locally as well as internationally. Particularly in South Africa, the series continues to capture the attention of public intellectuals and informs national debate.

The fieldwork period was significantly longer than previous years – commencing in October 2012 and ending in January 2013. The extended fieldwork period was necessitated by low response rates and data collectors had to return to certain areas to increase the response rates. A network of locally-based fieldwork supervisors in all parts of the country assisted with the data collection. Competent fieldworkers with a thorough understanding of the local areas were employed as part of this project.

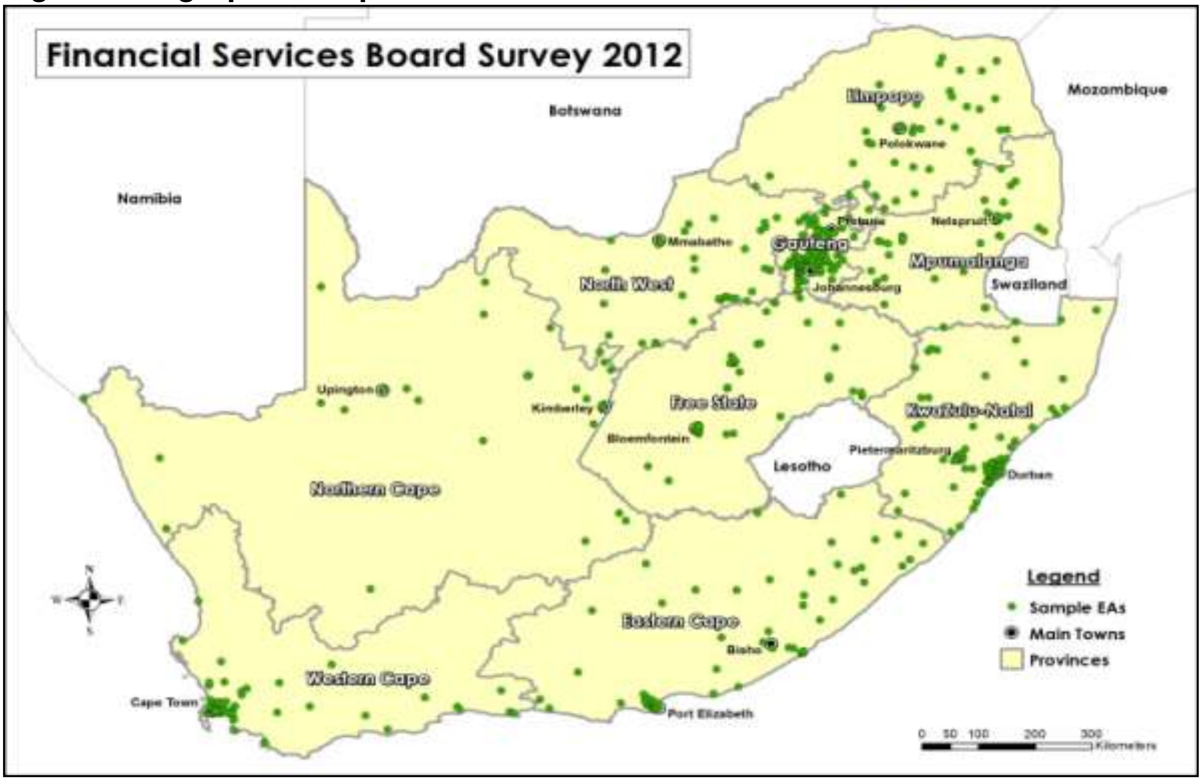
3.1. The sample design

The research universe thus includes all South African citizens 16 years and older. Each SASAS round is designed to yield a representative sample of individuals aged 16 and older in households which are geographically spread across the country's nine provinces. Specifically, the target population comprised of individuals living in households, hostels and other structures[1]. A split sample design is used, with two or three different questionnaire versions being administered to 3,500 target respondents. In 2012, the financial literacy module was included in the second questionnaire.

In order to achieve a national representative sample desired by the FSB, a sample had to be designed that would ensure that all people in South Africa, 16 years and older, are represented, regardless of race, class, residential status etc. In order to ensure this, a complex sample design was used that includes stratification and multi-stage sampling procedures. Each SASAS round of interviewing consists of a sample of primary sampling units, stratified by province, geographical sub-type and majority population group. The explicit stratification variables that were used in the sample were provinces, urban/rural population and people living in different types of areas (e.g. informal settlements, traditional areas, formal urban, farmlands).

[1] People living in special institutions such as hospitals and prisons were excluded from the sample. The inclusion of people from these institutions would have compromised the random selection procedure. Also, past experience has shown that access to people in these institutions is extremely difficult, since obtaining permission can be cumbersome and complex.

Figure 1: A graphical representation of 500 selected Enumeration Areas



To ensure that the sample was also representative in terms of the ethnic and cultural diversity of South Africa, the HSRC's geo-demographic categories, which have been developed from the 2011 census data, were used as the implicit stratification variable. These geo-demographic categories reflect the diversity of the South African population based on their rural/urban, income, education, "ethnicity" and geographic characteristics. Enumerator areas (EAs) from the 2001 Census formed the primary sampling unit (PSU). Five hundred EAs were selected throughout South Africa. Within each PSU or EA a total of seven visiting points or households were selected for interviewing, using random sampling. Above is a graphical representation of the 500 selected EAs.

Figure 1: An example of an EA map used to assist the field teams to navigate to the correct areas

Navigation to the selected areas

Once the sample was selected, a navigational toolkit was developed to assist the field teams in finding the correct areas. These kits assisted the supervisors and fieldworkers to locate the exact EA where the interviews were to take place. The navigational kits included:

1. Route descriptions, to assist the teams to navigate their way into the selected enumerator areas.
2. Maps that, using aerial photographs as a base, identified the exact geographic location of the enumerator areas to be sampled throughout the country.
3. More detailed maps that identified the exact area, pinpointing street names and places of interest such as schools, clinics, hospitals etc. selected by the office-based sampling team, within the EAs where respondents would be interviewed.

3.1.1. Introduction of the project to the communities

Prior to starting the actual interviewing process, supervisors were instructed to visit the local police stations, indunas, chiefs or other role players in the various areas to ensure that the authorities were aware of the project, to inform the communities of their intent. Official letters describing the project and its duration and relevant ethical issues were distributed to the authorities. This was done not only as a form of research and ethical protocol, but also to ensure the safety of the field teams.

3.1.2. Selecting a household and individual

After driving through the EA and introducing the project to the local authorities, supervisors had to identify the selected households. The selected households were randomly pre-selected in the office by a GIS technician and were clearly marked on the aerial maps with a coloured dot. Once the selected household had been identified, a household member needed to be selected randomly as a respondent. This household member (respondent) needed to be 16 years or older. For the purpose of this survey, the KISH grid was used to randomly select the respondent in the household. (See Kish Grid on Page iii of the Questionnaire – Appendix A).

3.2. Data collection protocol

The following general protocol guidelines for data gathering were implemented:

- Fieldworkers and supervisors were required to notify the relevant local authorities that they would be working in the specific area. The purpose was to provide for their own safety and to reassure respondents, especially the elderly or suspicious, that the survey was official.
- They were advised to inform the inkosi or induna in a traditional area, whilst in urban formal or urban informal areas, a visit to the local police and, if possible, the local councillor was to be made prior to commencing work in the area.
- They were further advised that farms should be entered into with caution and that they should report to the local AgriSA offices before doing so. Field supervisors were issued with ‘Farm letters’ which contained information on the purpose of the study and contact details in case they had queries.
- Consent forms needed to be completed upon successfully finishing each interview. While verbal consent was to be secured from the respondent before beginning with the interview, a written consent form had to be signed afterwards.

- Fieldworkers were issued with name tags and letters of introduction to be used in the field.
- The introduction letter was translated into different languages.
- They had to present their identity cards when introducing themselves.

3.2.1. The questionnaire

In 2010, a draft pilot questionnaire was developed by the OECD. This questionnaire was circulated to all potential pilot countries for discussion and comments. The HSRC commented on the draft pilot questionnaire and gave the feedback to the OECD. Subsequently, the OECD finalised a pilot questionnaire. This questionnaire was formatted to fit the South African Social Attitude Survey (SASAS) format and piloted in a rural and urban set-up. Subsequent to the pilot, feedback was given to the OECD and a final questionnaire was designed (Appendix A). This questionnaire was used in 2011 and 2012 rounds of SASAS. A training manual was also developed that explained difficult concepts in the questionnaire. The questionnaire was translated into six languages: namely, isiZulu, isiXhosa, Tshivenda, Xitsonga, Setswana, and Afrikaans. Fieldworkers were issued with hard copies of the translated templates to ensure consistency of translations for the various languages.

3.2.2. Training

A one-day training session was held in various provinces. The main training session took place in Pretoria and covered the Northern provinces: namely Gauteng, Limpopo, Mpumalanga and North West. All relevant remarks and instructions discussed during the training session were included in the training manual. Other training sessions were held in East London, Durban, Kimberley and Western Cape.

The training session included sessions on selection and sampling of households; fieldwork operating procedures; research protocol and ethical considerations. The questionnaire was discussed in detail. As far as possible, the training was designed to be participatory, practical, interactive and to give fieldworkers the opportunity to seek clarification on questions. A training manual was also developed as part of the training toolkit. The training and the training manual were informed by both the research team's experience of the 2010 baseline study on financial literacy as well as the 2011 module.

3.2.3. Quality control

HSRC researchers conducted random visits to selected areas and worked with the fieldworkers for a period of time to ensure that they adhered to ethical research practices and that they understood the intent of the questions. HSRC researchers also made sure that the fieldworkers correctly selected the identified households and respondents in the household. The researchers also checked on procedures followed in administering the research instrument. Field back checks were conducted in all nine provinces. Telephonic back checks were done on 15 % of the total sample.

3.2.4. Data capturing and cleaning

The data-capturing function was outsourced to an external company. The process was, however, carefully monitored by the HSRC's Data Curation Unit. The HSRC required 100% verification on the data-capturing. This meant that all variables were captured twice to ensure 100% accuracy. After receiving the data, the Data Curation Unit embarked on a data-cleaning exercise.

Data was checked and edited for logical consistency, for permitted ranges, for reliability on derived variables and for filter instructions. After the data cleaning exercise, the analytical team received the realisation rates of the survey. As can be seen from the table below, a realisation rate of 75% was achieved. Although this realisation rate is lower than in 2010 and 2011, it remains a high realisation rate, partly achieved by the fact that communities were well informed about the survey and also because of the data collection methodology –namely, face-to face interviews.

Table 3: Sample Realisation, 2012

	Number of replaced EAs	Ideal sample	Realised sample	% Realisation
Eastern Cape	0	427	328	77
Free State	1	252	198	79
Gauteng	1	728	436	60
KwaZulu-Natal	1	588	586	100
Limpopo	1	287	201	70
Mpumalanga	4	259	207	80
North West	0	280	162	58
Northern Cape	0	182	147	81
Western Cape	1	497	253	51

3.2.5. Data weighting

The final data set was given to the statistician for benchmarking and weighting purposes. As indicated in Table 4, a total of 2 518 people were interviewed during this study. When weighted, this total represents 35 669 776 South Africans aged 16 years and older. The marginal totals for the benchmark variables were obtained from the 2011 Census data and were also weighted to the 2011 Census data. The final data set (unweighted and weighted) are disaggregated below by key demographic variables.

Table 4: Sample (Unweighted and Weighted)

	Unweighted N	Percent	Weighted N	Percent
Total	2518	100	35669776	100
Sex				
Male	1021	41	17049052	48
Female	1497	59	18620723	52
Age group				
16-24 years	484	19	9368297	26
25-34 years	491	20	9079578	25
35-49 years	726	29	8683893	24
50+ years	817	32	8538007	24
Population group				
Black African	1578	63	25949827	73
Coloured	395	16	3907911	11
Indian or Asian	224	9	1225106	3
White	321	13	4586932	13
Living standard				
Low	200	8	2331268	7
Medium	1130	44	16864583	52
High	939	38	13010287	40
Geographic location				
Urban, formal	1552	62	20496890	57
Urban, informal	223	9	3309047	9
Rural, Trad. Authority Areas	536	21	9485012	27
Rural, formal	207	8	2378826	7
Province				
Western Cape	253	10	4258801	12
Eastern Cape	328	13	4242371	12
Northern Cape	147	6	778203	2
Free State	198	8	1892271	5
KwaZulu-Natal	586	23	6757364	19
North West	162	6	2424871	7
Gauteng	436	17	9183009	26
Mpumalanga	207	8	2691813	8
Limpopo	201	8	3441072	10

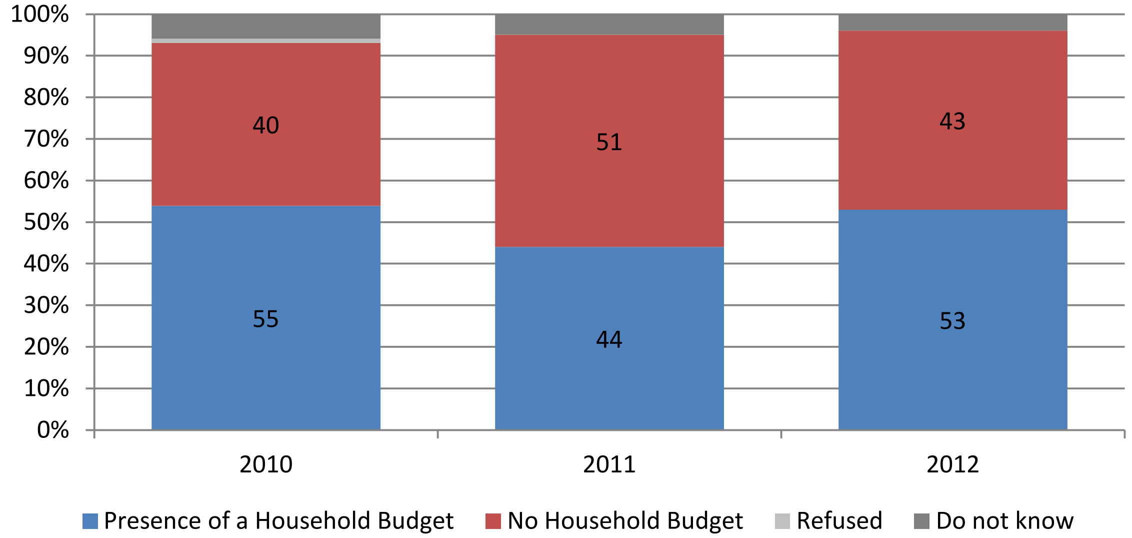
4. Managing Money

The South African Social Attitudes Survey (SASAS) research team first selected money management as a domain in 2010 and since then collected data on how South Africans manage their economic capital. The international scholarship on financial literacy has informed the selection and outline of the money management domain. The measure used to capture such data is predicated on the presence of household budgets and how South Africans adapt to financial shocks. As indicated previously, the SASAS research team has collected three years of survey data (2010-2011), allowing for an in-depth examination of behaviour and attitudes towards individual money management. The following section offers a detailed analysis of this data with a focus on the socio-economic divides that so characterise the South African nation.

4.1. Presence of a household budget

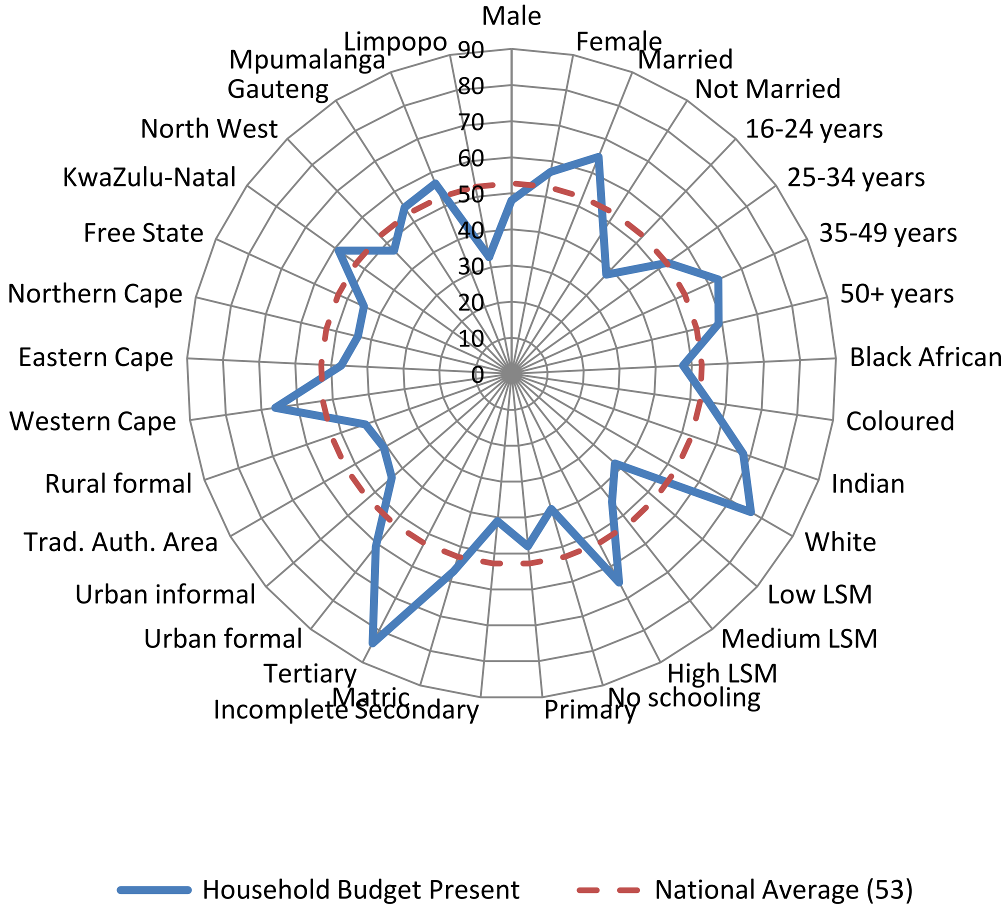
To better understand the nature of financial control, a question was posed on whether respondents had a household budget to guide the allocation of funds to spending, saving and paying debts. The presence of a budget is suggestive of a positive awareness relating to financial management (Arrowsmith & Pignal, 2010). Reporting of the existence of a household budget was relatively common (53%) in South Africa, with 43% suggesting otherwise and 4% uncertain or refusing to answer in 2012. There is a significant higher share of South Africans who report a household budget in 2012 than in 2011 (when 51% of the adult population reported not having a household budget). The results for 2012 are similar however to what was found in 2010 although it appears that the likelihood of reporting a refusal or 'don't know' has decreased. As a result it is evident that more respondents were likely to answer the question indicating that the measure is working well.

Figure 2: Share of South Africans who had a Household Budget, 2010-2012



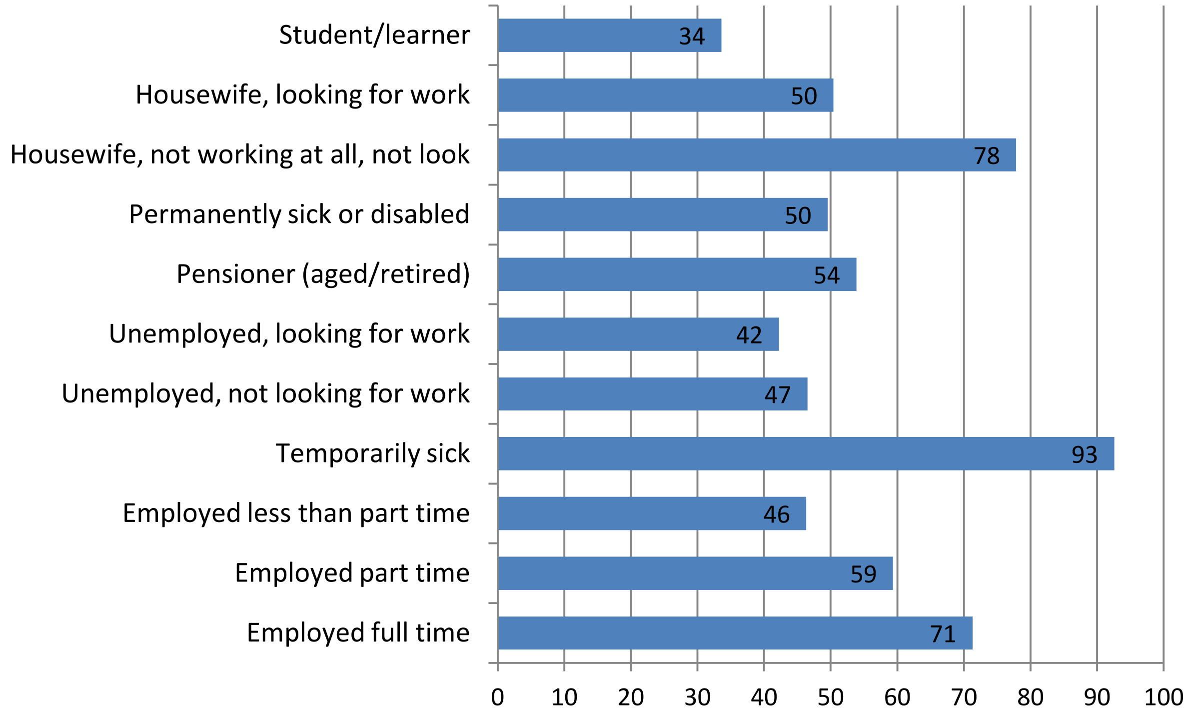
The figure below indicates the presence of a household budget by key social, demographic and economic characteristics. It is apparent that a significant gender gap is present, with men less likely to report the presence of a budget in comparison to women. In addition, there is a considerable gradient of difference in relation to population group. Coloured and Black African groups (55% and 48% respectively) were significantly less likely than White and Indian groups (77% and 68% respectively) to report that they had a household budget. This finding seems to reflect the material disadvantage and social inequalities that continue to characterise South African society. As can be seen from the figure, there is a relationship between educational attainment and household budgeting. More than four-fifths of those with a tertiary or post-Matric vocational education reported having a household budget. Conversely, those with low educational attainment were significantly less likely to report the presence of a household budget, of those with no schooling only 39% reported having a household budget.

Figure 3: Presence of a Household Budget, by personal attributes (percentage)



It is readily apparent from the figure above that economic status plays a major role in the presence or absence of a budget. Two-fifths (38%) of those self-reporting that they belong to a low LSM group reported a household budget which is 27 percentage points below those classifying themselves in a high LSM group. This socio-economic disparity is further manifest when one examines differences in the presence of a budget by geographic location. Only 44% of those living in informal urban settlements and 41% of those in traditional authority areas reported a budget in comparison with 61% in formal urban areas. If self-reported wealth status is considered then it was found that 73% of those who classified their household as very poor and 62% of those who classified their household as poor, did not report a household budget. Only 27% and 31% of those who identified their household as ‘very comfortable’ and ‘reasonably comfortable’ respectively did not report the presence of a household budget,.

Figure 4: Presence of a Household Budget, by labour market participation (percentage)

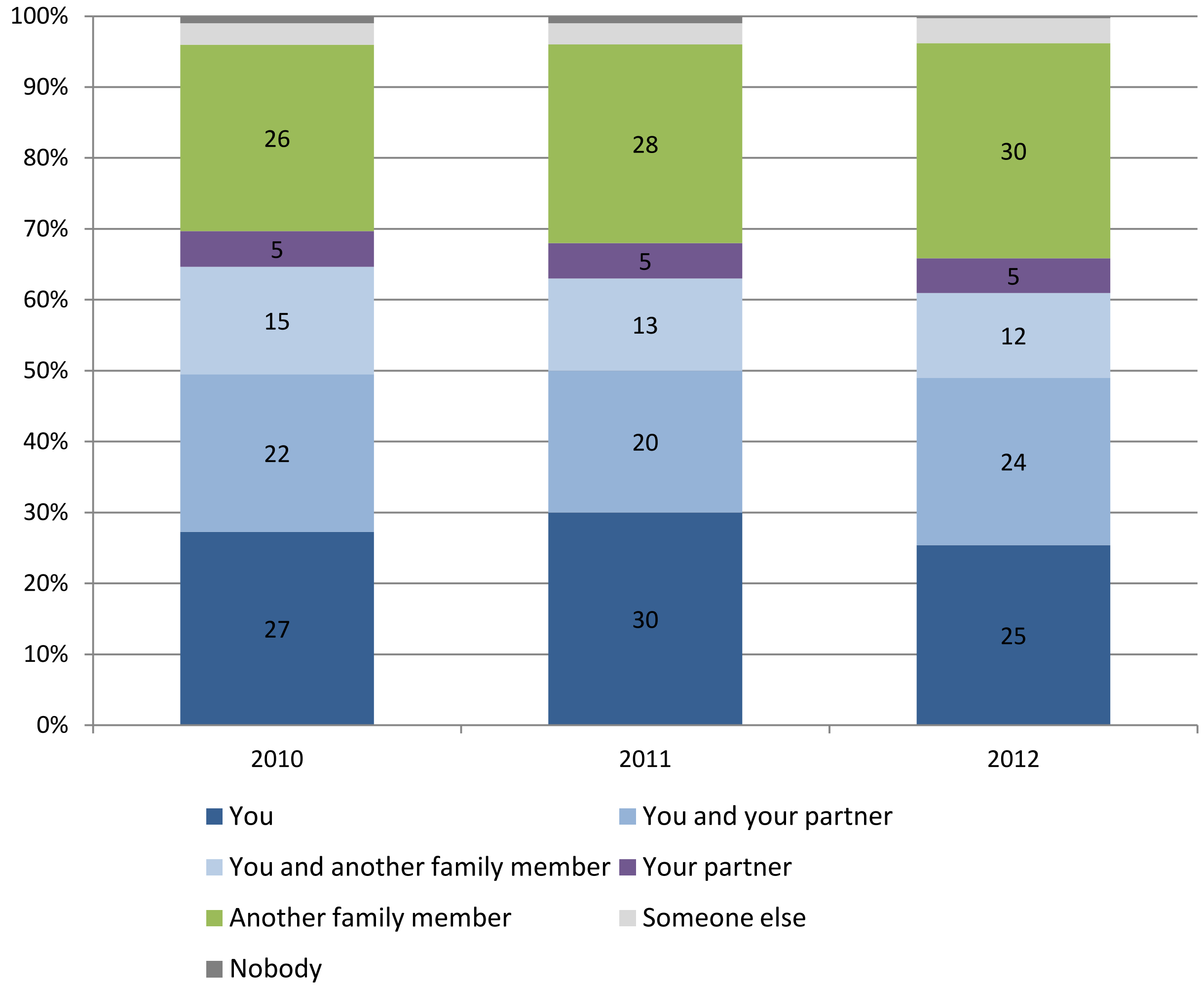


Age is another personal attribute that exhibits a positive relationship with the presence or absence of a budget, suggesting the importance of the life-cycle effects Individuals aged 16-24 years are least likely to report a household budget. The share of the age cohort reporting the presence of a household budget increases for those in the 25-34 age cohort as well as those in the 35-49 age cohort (53% and 63% respectively). Among those over 50 year-olds, the figure dips slightly. These age differences may reflect differing labour market positions and our results indicate that labour market participation informs the probability of having a household budget. Slightly less than half of discouraged work-seekers (47%) claimed to have a budget, with lower levels reported by students (34%) and unemployed work-seekers (42%). Almost three-quarters (71%) of those in paid employment reported having a budget and 78% of housewives not looking for work. Approximately half of those in retirement reported the presence of a household budget.

4.2. Personal involvement in money management

Respondents were asked who in their household is responsible for day-to-day decisions concerning money management. The vast majority of the nation’s adult population (96%) in 2012 had the daily money management in their household handled by themselves or a relative or partner. A quarter of adult South Africans indicated that they assumed sole personal responsibility for daily money management in the household. Slightly less than a quarter (24%) managed household finances jointly with their partner, while 12% stated that they performed this task jointly with another member of their family. It seems that approximately three-fifths (61%) of South Africans aged 16 years and older play a direct role in managing the household budget. The lion's share of the remainder (88%) is reliant on another family member to perform this crucial task.

Figure 5: Responsibility for daily household money management (column percentages)



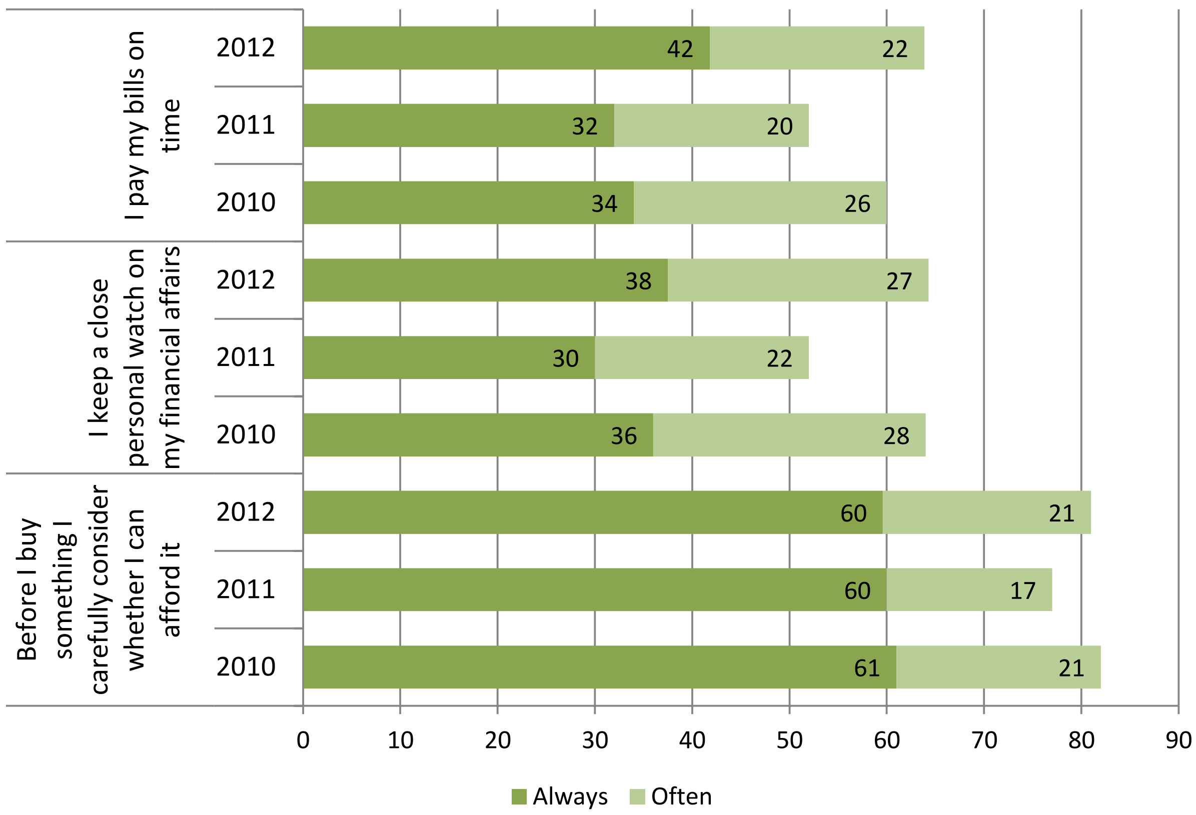
The above figure indicates that the distribution of responsibility for daily household management has remained the same over the three years surveyed. The results indicate that there has been limited change over the period with a noted decrease in the share of South Africans managing household income directly and a growth in the number living in households where daily money management is conducted together with a partner or by a family member. In closing, there is a mild decline in the number of South Africans who are directly involved, at least at some level, in managing the household budget.

If the results of the above are disaggregated across subgroups, it is apparent that there are marked differences in how South Africans manage their daily household budgets by marital status. Of those who are married 56% report managing their household finances with their partner indicating a positive gender parity in decision-making in South African households. Interestingly, a population group difference was identified with only half of married Black Africans reporting sharing financial household decision-making with their partner compared with 63% of married Coloured South Africans and 70% of married White South Africans. This may indicated cultural differences in the way daily household decisions are made. There were also age differences in how adult South Africans experienced household money management. For most young adults (16-24 years), daily financial management of the household was conducted by a family member (66%), with a low share being directly involved in the management of the household budget.

4.3. Spenders and savers: Expenditure Behaviour

To understand spending and saving behaviour, respondents were asked questions about how they managed their managed their money. The shares of adult South Africans who always or often engaged in good money management behaviour are depicted in the figure below.

Figure 6: Attitudes towards control over expenses (percentage)



The 2012 results reveal that a considerable majority of respondents (60%) acknowledge that, prior to making a purchase, they always carefully consider whether they can afford it, with an additional fifth (21%) suggesting that they do this often. As can be seen in the figure below, this attitude towards prudent spending has not changed significantly since 2010 when the measure was first introduced. Although this is a broadly reassuring message, South Africans tend to be less likely to state that they unfailingly pay their bills on time or constantly keep a close watch over their personal finances. Only a minority of adult South Africans indicated that they are always diligent in doing these activities (42 and 38% respectively) in 2012. However, it is evident from the figure below that attitudes towards financial responsibility are improving. In 2010, for example, only 34% of the adult population reported paying their bills on time and only 36% reported keeping a close watch on their finances.

To facilitate our understanding of the sub-population differences on attitudes towards spending, the three attitudinal variables described above were combined into a composite "Attitudes to Money Management Scale" (MMS). The scale aims to further gauge beliefs about spending and financial control and in order to strengthen the scale, an additional attitudinal item was incorporated into the scale. This additional item measures the extent respondents agreed or disagreed with the statement that "money is there to be spent". This measure was introduced in 2010 and it would appear that South Africans are just as polarised in their views in this regard in 2012 as in 2010. Some 42% tended to agree with the perspective that "money is there to be spent" (with 14% strongly agreeing), 19% were neutral, while 37% tended to disagree (with 13% strongly disagreeing) in 2012.

To construct the MMS, the responses to the questions were reversed (where necessary) so that larger scores represent greater financial capability, after which the values to each of the items were summed together and transformed into a 0-100 score, with '0' representing the least positive attitude towards financial control and '100' the most positive attitude. The MMS was also constructed in 2010 and the average score on the scale is 71 in 2012. This represents a mild upward shift over the period since the MMS score was 68 in 2010. The scores for sub-populations as well as associated significance test results based on Analysis of Variance (ANOVA) are presented in the table below

Table 5: Attitudes to Money Management Scale, by personal attributes (mean scores, 0-100 scale)

Oneway ANOVA results			
	Mean score	Significance	Post-hoc Scheffe test
National Average	70		
Male	71	No sign.	
Female	70		
Not Married	68	***	*Married>Not Married
Married	76		
Black African	67	***	* Indian> Black African, Coloured;
Coloured	70		* White > African, Coloured, Indian
Indian	76		
White	84		
Urban formal	73	***	* Urban formal >Urban informal
Urban informal	64		*Traditional Auth. Area > Urban informal
Traditional Authority Area	66		* Rural formal > Urban informal,
Rural formal	72		Traditional Authority Area
16-24 years	63	***	*25-34>16-24
25-34 years	69		*35-49 > 16-24, 25-34
35-49 years	73		*50+> 16-24, 25-34
50+ years	75		
No schooling	67	***	* Matric >Primary, Some Secondary
Primary	65		* Tertiary > No Schooling, Primary, Some
Incomplete Secondary	68		Secondary
Matric	73		
Tertiary	77		

Note: *** indicates significance at the 1 percent level.

There was not a significant difference in attitude to money management between men and women. But age and population differences were statistically significant. As was observed in 2010, younger South Africans exhibited significantly lower scores than their older counterparts. Black African and Coloured South Africans were also more likely to score lower on the MMS than members of the White and Indian population groups. Educational attainment is shown to be a salient factor underlying beliefs about financial control, with those holding less than a Matric-level education exhibiting lower MMS scores than those with a Matric-level education.

Table 6: Attitudes to Money Management Scale, by household and individual deprivation attributes (mean scores, 0-100 scale)

	Oneway ANOVA results		
	Mean score	Significance	Post-hoc Scheffe test
Low LSM	63	***	* High>Low, Medium
Medium LSM	66		
High LSM	76		
Poorest Household Quintile	63	***	* Quintile 2> Poorest
Quintile 2	69		* Quintile 3> Poorest
Quintile 3	68		* Quintile 4> Poorest
Quintile 4	71		* Richest>Poorest, Quintile 2, Quintile 3
Richest Household Quintile	76		
Employed Full-time	76	***	*Employed Part-Time<Employed Full-Time
Employed Part-time	70		*Unemployed<Employed Full-Time
Discouraged Work Seeker	70		
Unemployed	66		*Student<Employed Full-Time
Student	65		*Retired>Unemployed, Student
Retired	74		
Labour Inactive	72		

Note: *** indicates significance at the 1 percent level.

Educational attainment can be used as a proxy for class position. Further evidence based on the results by the table above support a class-based view of financial control. Those in the low LSM categories, for example, had a lower MMS score (63) than those in the middle LSM categories (66), who in turn displayed a lower score than those in the high LSM categories (76). Similar differences were found between the household income quintiles and between the different employment status categorisations. The spatial inequalities in these attitudes are more pronounced in 2012 than they were in 2010, with MMS scores among those dwelling in poorer geographic locations –such as informal urban areas or traditional authority areas – exhibiting lower scores (64 and 66 respectively) than those dwelling in more economically affluent locations such as formal rural and urban areas (72 and 73 respectively).

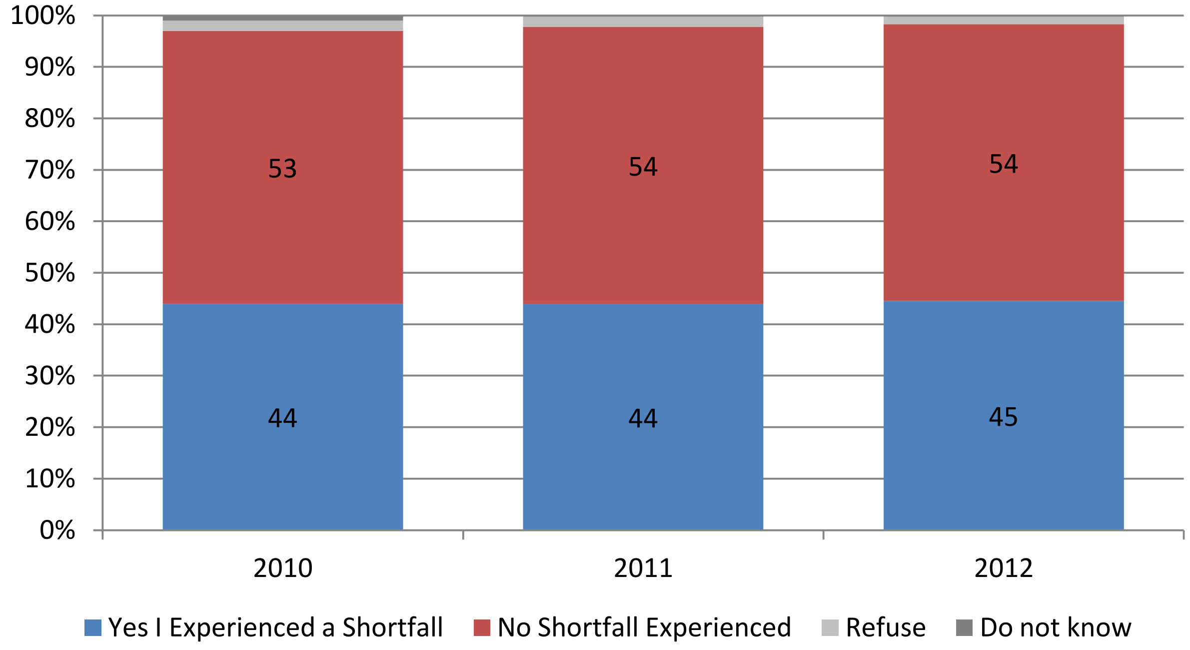
5. Making ends meet

In recent years, South African citizens have experienced a global economic recession, rising costs on basic commodities (such as food, electricity and fuel) as well as persistently high levels of unemployment. Furthermore, many South Africans live on the edge of poverty, struggling to survive in an often hostile economic environment. Given this set of challenging circumstances it is fundamental for any survey on financial capability and literacy in the South African context to include questions relating to the ability of survey respondents to make ends meet. Such questions were first introduced in 2010 and have subsequently formed an important part of the financial literacy module. Currently the SASAS research team has three years of data on how individuals adapt to financial shortfalls. The following section will present an examination of these strategies in order to better understand the financial behaviour of South Africans.

5.1. Experiencing a Financial Shortfall

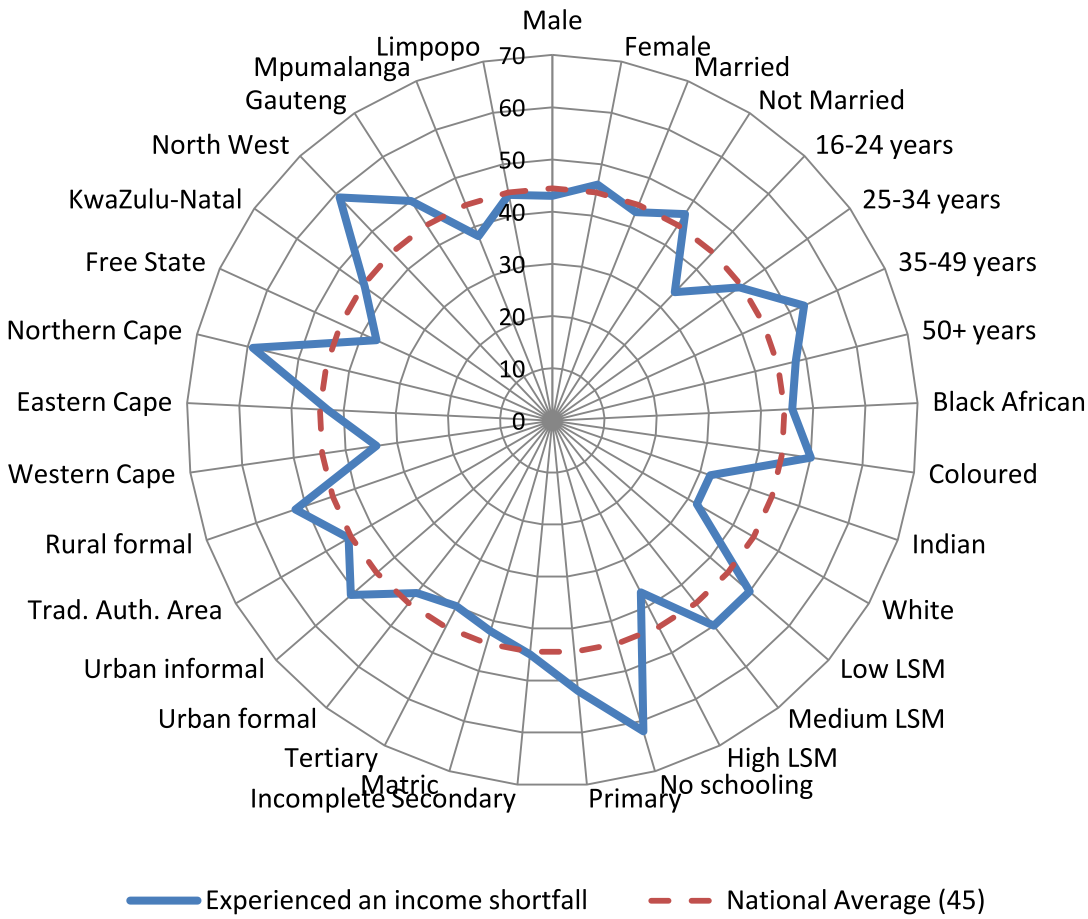
Since 2010, respondents had been asked whether in the year prior to being interviewed, they had personally experienced a situation whereby their income did not quite cover their living costs. The responses to this question are depicted in the figure below.

Figure 7: Share of South Africans who Experienced income shortfall in last year, 2010-2012



In 2012, almost half the adult population (45%) reported that they had experienced such a shortfall, with the remainder (54%) indicating that this had not happened to them. There was little difference in the response of the South Africans to this question between 2010 and 2012, as the figure above shows. This is a worrying finding as it indicates that many South Africans still experience financial shortfalls and struggle to make ends meet. In both 2010 and 2012, only a small proportion refused to answer or reported that they were uncertain. This indicates that the question continues to work well, despite the sensitivity that is commonly involved in revealing financial difficulty. In order to discern notable patterns of divergence in relating to experiencing an income shortfall, the results discussed above would benefit from further analysis of various socio-demographic characteristics. Differences across demographic and social characteristics are depicted in the figure below.

Figure 8: Experienced income shortfall in last year, by personal attributes (percentage)



Racial differences were noted in the proportion experiencing a financial shortfall. Indeed, only 32% of Whites reported an income shortfall compared to 46% of Black Africans and 50% of Coloureds. The noted difference between population groups is probably related to class bias. Those in rural, traditional authority areas and informal urban settlements were more likely to have recently encountered financial difficulty than those in formal urban areas. Those in the High LSM category were far less likely than those in the low LSM categories to experience a financial shortfall in the last year. Educational attainment can act as an indicator of class in this regard, and the findings of the survey seem to confirm this. Those with a Matric or tertiary education were also found to be far less likely than their less educated counterparts to have experienced an income shortfall in the last year.

Table 7: Experienced income shortfall in last year by household and individual deprivation attributes (mean scores, 0-100 scale)

	Mean score			Oneway ANOVA results 2012	
	2010	2011	2012	Significance	Post-hoc Scheffe test
National Average	44	44	45		
Main Source of Household Income				*	*Pension or grants>Salaries
Salaries	40	38	41		
Remittances	61	57	44		
Pensions or grants	54	58	50		
Agriculture	53	49	45		
Other	53	56	50		
Household Income Quintiles				***	* Quintile 4<Quintile 2 * Richest<Poorest, Quintile 2, Quintile 3, Quintile 4
Poorest Household Quintile	56	67	48		
Quintile 2	55	52	56		
Quintile 3	46	51	51		
Quintile 4	45	40	43		
Richest Household Quintile	26	23	31		
Employment Status				***	*Student<Employed Full-Time, Employed Part-Time, Unemployed *Labour Inactive>Student *Retired>Student
Employed Full-time	40	44	42		
Employed Part-time	54	56	56		
Discouraged Work Seeker	55	51	44		
Unemployed	48	54	50		
Student	24	26	27		
Retired	50	38	42		
Labour Inactive	56	54	55		

Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.
* indicates significance at the 10 percent level.

The findings regarding class position depicted in Figure 8 are confirmed in Table 7 which shows the share of South Africans who experienced an income shortfall in the last year over by household and individual deprivation attributes. As shown in the table above, financial difficulty was more likely to be reported by those who reported low economic status. Almost half (48%) of those in the poorest household income quintile reported a financial shortfall in 2012. More than half of those in household income quintiles 2 (56%) and 3 (51%) reported a financial shortfall. The results also indicate that unemployed work-seekers, discouraged work-seekers and those in retirement were more likely to have suffered income shortfalls than their employed counterparts. Interestingly, those whose main source of household income was pensions or social grants were more likely to experience an income shortfall than those who receive their main household income in salaries. However, this finding was only significant at the 10 percent level.

5.2. Strategies to Cope with Financial Shortfall

For those that acknowledged financial difficulties during the last 12 months, a follow-up question was asked to understand the range and frequency of different coping strategies that are employed to help households get through these times of financial duress. As shown in the table below, the most common response in 2012 was to rely on existing resources (65%) or cut back on spending (43%). A second common strategy was to access credit by using existing contacts or resources –identified by almost three-fifths (53%) of those who encountered an income shortfall. This implies that informal and familial networks are important for a majority of South African households during hard times. No other coping strategy was reported by more than a fifth of the adult population in 2012.

In both 2010 and 2012, nominal shares mentioned borrowing from employers, the pawning of assets, taking a loan from a savings or loan club and withdrawing funds from a flexible home loan account. Drawing on savings or selling an asset was each mentioned in approximately a tenth of cases. In 2012, one in ten South Africans reported falling behind or going beyond an arranged amount as a coping strategy. Almost all of those in this category indicated that they paid bills late or missed out on payments, with a negligible share using an unauthorised overdraft.

Accessing additional credit as mechanism to cope with an income shortfall was utilised by only 7% of South Africans in 2012. The most frequent action was to take a loan from an informal provider or moneylender. Borrowing from an existing credit line amounted to only 1% of total responses, which is comprised largely of those suggesting they made strategic use of their credit cards to get by. This indicates the limited power of credit markets to assist the majority of South Africans during income shortfalls.

Table 8: Coping strategies employed to make ends meet, 2010 2012 (multiple response table, percentages)

Year	2010	2011	2012
Existing resources:	**47**	**60**	**65**
Cut back on spending, spend less, do without	30	35	43
Draw money out of savings or transfer savings into current account	9	13	13
Sell something that I own	8	12	9
Access credit by using existing contacts or resources:	**58**	**69**	**53**
Borrow food or money from family or friends	49	55	41
Borrow from employer/salary advance	4	5	4
Take a loan from my savings and loan clubs	2	4	4
Pawn something that I own	2	4	3
Take money out of a flexible home loan account	1	0	2
Creating resources:	**5**	**17**	**14**
Work overtime, earn extra money	5	17	14
Fall behind/go beyond arranged amount:	**9**	**10**	**10**
Pay my bills late; miss payments	9	9	10
Use unauthorised overdraft	0	0	1
Access additional credit:	**6**	**17**	**7**
Take out a loan from an informal provider/moneylender	5	12	4
Take out a personal loan from a formal financial service	1	3	3
Take out a payday loan (advance on salary from someone - not employer)	0	1	1
Borrow from existing credit line:	**2**	**6**	**5**
Apply for loan/withdrawal on pension fund	1	2	2
Use credit card for a cash advance or to pay bills/buy food	1	3	2
Use authorized, arranged overdraft or line of credit	0	1	1
Other responses:	**5**	**12**	**12**
Other	1	5	7
(Do not know)	2	5	3
(Refused to answer)	2	2	2

If the responses to this question in 2010 are compared with 2012, it was found that there was a shift in the kind of strategies adopted. Reliance on existing resources became the more popular coping strategy in 2012. In 2012 almost two-thirds of those who reported a financial shortfall identified this strategy. This was primarily due to the shift in the proportion of South Africans identifying scaling back on expenditures or merely doing without as a strategy –this proportion grew from 30% in 2010 to 43% in 2012. This indicates that many South Africans find it difficult to respond to income shortfalls and are left with few alternatives but to scale back.

Accessing credit from existing contacts remained popular although the proportion able to borrow from family or friends declined from 49% in 2010 to 41% in 2012. The proportion who indicated that they worked overtime to earn extra capital almost tripled (expanding from 5% to 14%) although from a low base. Indeed, creating resources was only an option for a small minority of South Africans indicating the limited power of the current labour market to assist many in overcoming income shortfalls. There was little change in the proportion of individuals accessing formal credit markets as a mechanism to cope with financial shortfall between 2010 and 2012 (6% and 7% respectively).

Just as different population groups reported different incidences of income shortfall, so too were the different strategies adopted to cope with such shortfalls. As can be clearly seen in the table below, Coloured and Black African South Africans who encountered a financial shortfall are more reliant on accessing credit from existing contacts or resources (54% and 55% respectively) than their White or Indian counterparts (40% and 49% respectively). The use of existing resources was the most important coping mechanism for Black African and Coloured South Africans (61% and 64% respectively). However, a far higher share of White South Africans (97%) who experienced an income shortfall indicated existing resources as a coping strategy. This disparity was primarily due to the greater share of Whites who reported drawing on existing savings (26%), selling existing assets and cutting back on spending (59%).

Table 9: Coping strategies employed to make ends meet by population group, multiple response table (multiple response table, percentages)

Population Group	Black African	Coloured	Indian	White
Existing resources:	61	64	67	97
Cut back on spending, spend less, do without	41	43	49	59
Draw money out of savings or transfer savings into current account	13	6	11	26
Sell something that I own	7	16	7	12
Creating resources:	12	14	8	32
Work overtime, earn extra money	12	14	8	32
Access credit by using existing contacts or resources:	55	54	49	40
Borrow food or money from family or friends	44	43	37	16
Take a loan from my savings and loans clubs	4	3	9	9
Pawn something that I own	2	3	0	6
Borrow from employer/salary advance	4	4	2	5
Take money out of a flexible home loan account	1	2	1	4
Borrow from existing credit line:	3	2	9	24
Use credit card for a cash advance or to pay bills/buy food	2	0	3	12
Apply for loan/withdrawal on pension fund	1	1	3	7
Use authorized, arranged overdraft or line of credit	1	2	3	5
Fall behind/go beyond arranged amount:	11	9	6	9
Pay my bills late; miss payments	10	9	6	8
Use unauthorised overdraft	1	0	0	1
Access additional credit:	7	5	11	8
Take out a personal loan from a formal financial service provider (including bank, credit union or microfinance)	2	2	2	6
Take out a payday loan (advance on salary from someone-not employer)	1	2	4	2
Take out a loan from an informal provider/moneylender	5	1	5	1
Other responses:	13	13	15	10
Other (specify)	7	7	2	5
(Refused to answer)	2	1	1	4
(Do not know)	3	4	12	1

Other prominent differences in coping strategies among population groups could be noted in access to formal credit. Almost a quarter of Whites (24%) who experienced an income shortfall reported borrowing from existing credit line as a coping strategy compared with 3% of Black Africans and 2% of Coloureds. In addition, a greater share of Whites (32%) reported working overtime as a response to a financial shortfall. Indeed, only 12% of Black Africans reported adopting this option. It is clear that White South Africans have better access to formal credit and labour markets which may give this group an advantage in overcoming income shortfalls.

Racial differences noted above are related to the differing distribution of class and economic status. Those with lower levels of schooling generally tend to rely more on accessing credit via their family and social networks than those with higher education levels. For the latter, drawing down on existing resources serves as the predominant form of coping strategy. Those in the top asset group of the living standard measure (LSM) equally were more likely to rely on existing resources and depend less on their contacts in times of economic need, compared to those at the lower end of the asset distribution. A similar trend is evident in relation to self-reported wealth status.

Those in the rural areas (either living on commercial farms or in the traditional authority areas) or in informal urban areas were more likely than their counterparts living in formal urban areas to borrow food or money from family or friends. This indicates the importance of social networks as a coping mechanism for those outside urban centres. Interestingly, women were slightly more predisposed than men to report that that they depended on their family and social networks, whereas men reported a higher reliance on existing resources, particularly drawing on savings or scaling back on certain expenditures.

Respondents were asked which coping strategy was most important during financial shortfalls experienced in the last year. The responses to this question allow us to consider primary coping strategies in times economic shortfall. The class-based differences noted above are even more evident if we consider which coping strategy was primary to those who encountered an income shortfall. The table below indicates primary coping mechanisms distributed across living standard measure. It is evident that the most important coping mechanism for South Africans is to draw on existing resources (42%) with cutting back on expenditure or doing without (31%) listed as the main sub-category. The second most important was accessing credit using existing contacts or resources (30%) with more than a quarter (26%) of those experiencing an income shortfall identifying borrowing from social networks as a primary coping strategy.

Table 10: Primary coping strategies employed to make ends meet by living standard measure, multiple response table (single response table, percentages)

Living Standard Measure Group	Total	Low	Medium	High
Existing resources:	**42**	22	37	55
Cut back on spending, spend less, do without	31	15	29	39
Draw money out of savings or transfer savings into current account	7	2	5	12
Sell something that I own	4	5	4	4
Creating resources:	**8**	10	6	11
Work overtime, earn extra money	8	10	6	11
Access credit by using existing contacts or resources:	**30**	58	36	15
Borrow food or money from family or friends	26	56	32	12
Borrow from employer/salary advance	2	0	2	1
Take a loan from my savings and loans clubs	1	2	1	1
Take money out of a flexible home loan account	1	0	1	1
Pawn something that I own	1	0	1	0
Borrow from existing credit line:	**1**	1	1	3
Apply for loan/withdrawal on pension fund	1	0	1	1
Use authorized, arranged overdraft or line of credit	0	0	0	1
Use credit card for a cash advance or to pay bills/buy food	0	1	0	1
Fall behind/go beyond arranged amount:	**3**	0	3	3
Pay my bills late; miss payments	2	0	3	3
Use unauthorised overdraft	0	0	1	0
Access additional credit:	**3**	4	4	2
Take out a loan from an informal provider/moneylender	2	3	2	1
Take out a personal loan from a formal financial service provider (including bank, credit union or microfinance)	1	1	1	0
Take out a payday loan (advance on salary from someone-not employer)	0	0	0	0
Other responses:	**12**	6	13	12
(Do not know)	4	3	4	5
Other (specify)	6	2	7	4
(Refused to answer)	2	1	2	2

The above table indicates primary coping strategies across living standard measure (LSM). It is clear that those in the high LSM group were more likely to draw on their existing resources as their primary coping strategy. More than half those in the high group (55%) were able to adopt this strategy with cutting back (37%) listed as the most prominent sub-category. This may reflect the surplus financial resources available to these individuals. Those in the low LSM group were much less able to adopt this strategy and only 22% identified existing resources as their primary strategy. This is probably due to the limited space poor households have to cut expenditure.

The poor were more likely to adopt accessing credit from existing contacts than the wealthy, as a primary coping strategy. Almost three-fifths of those in the low LSM group and almost a third of those in the medium LSM group reported borrowing from social networks as their primary strategy compared with 12% of those in the high LSM group. Interestingly those in the high LSM group did not report making use of formal credit as a primary coping strategy –whether in the form of borrowing from existing credit lines or accessing additional credit such as a personal loan. This indicates that formal credit markets are not seen as an adequate response to an income shortfall, even by wealthy South Africans.

6. Financial Planning

Planning for the future is an important aspect of everyday decision-making particularly when finances are involved. Strategies to save for that car, wedding or lobola payment have an important impact on day-to-day financial management. However, management of finances is qualitatively different from financial planning, requiring different capacities and motivations. Although it is fair to assume that those proficient in money management would try and make suitable provisions for their future, there must be a general recognition that financial planning and financial management are distinct domains of financial literacy.

In order to better understand attitudes towards saving and saving behaviour in the country, the SASAS research team has kept track of attitudes towards saving in South Africa as well as saving behaviours for the last three years. The information collected by the research team has allowed us to present a thorough evaluation of saving behaviour and attitudes in the country. The following section will examine financial planning behaviours and attitudes with a focus on strategies adopted by South Africans to save for the future and respond to financial shocks. This will allow a greater understanding of how the country has coped with the recent financial recession.

6.1. Recent saving behaviour

In 2012 respondents were asked about their personal saving behaviour during the last year. The results suggest that South Africans adopted a variety of strategies in order to save and reduce the impact of unforeseen adverse circumstances, or alternatively for planned life events. When asked about personal savings in the year prior to being interviewed, paying money into a bank account emerges as one of the most popular forms of saving among South Africans. More than a fifth (23%) of adults aged 16 years and older reported using a savings account to provide for future needs and 16% stated that they try and build up a balance of money in their bank accounts. One of the most popular forms of saving is by informally saving cash at home or carrying it in wallets. A fifth of South Africans (20%) declared that they are saving money in this way. Only four per cent of South Africans invest in trusts, stocks, shares, livestock or property as a form of saving.

Table 11: Forms of savings during the last year, 2010-2012 (multiple response table, percentages)

	2010	2011	2012
Paying money into a savings account	32	28	23
Saving cash at home or in your wallet	22	32	20
Building up a balance of money in your bank account	17	20	16
Saving in a stokvel or any other informal savings club	9	11	7
Giving money to family to save on your behalf	9	10	6
Buying financial investment products, other than pension funds	3	5	4
Saving in some other way (remittances, buying livestock or property)	2	5	3

A large share of the adult population (47%) reported adopting no saving strategy in 2012. This indicates that many South Africans find it difficult to save. This may be explained by limited access to employment and income for many as well as the country's high cost of living. In addition, high bank charges, the incongruity of many savings products for the majority of South Africans and the spatial inaccessibility of formal financial institutions may also explain the tendency for some not to save. However, even the more informal channels of saving were underutilised. Less than a tenth (6%) gave money to their families as a form of saving and only 7% used a stokvel or some other informal savings club to save money.

When comparing saving strategies for the period 2010-2012, it is evident that the use of banking products as a mechanism to save money has declined over the period. In 2010, 32% of adult South Africans reported paying cash into a savings account. By 2011, the share of South Africans pursuing this strategy had declined to 28% and by 2012, only 23% utilised this strategy. Other differences in savings strategies were small, although it is interesting to note that the practice of saving in a stokvel declined. The tendency of South Africans giving money to family to save on their behalf also deteriorated. This may indicate that informal social network mechanisms of saving are declining.

Table 12: Forms of savings in the last year by socio-demographic variables (Percentage based on cases)

	Paying money into a savings account	Saving cash at home or in your wallet	Building up a balance of money in your bank account	Saving in a stokvel or any other informal savings club
National Average	23	20	16	7
Male	25	21	19	5
Female	23	20	16	9
Urban formal	27	23	20	6
Urban informal	20	19	15	12
Traditional Authority Area	18	17	10	8
Rural formal	16	17	8	4
Low LSM	5	20	7	13
Medium LSM	19	21	9	8
High LSM	30	22	28	6
16-19 years	13	22	12	5
20-29 years	27	22	17	7
30-39 years	25	20	14	8
40-49 years	27	18	20	8
50-59 years	25	21	23	6
60-69 years	16	19	11	9
70+ years	16	14	15	2
No schooling	4	20	2	6
Primary	13	19	10	8
Incomplete Secondary	19	18	10	5
Matric	28	23	22	8
Tertiary	41	20	32	7

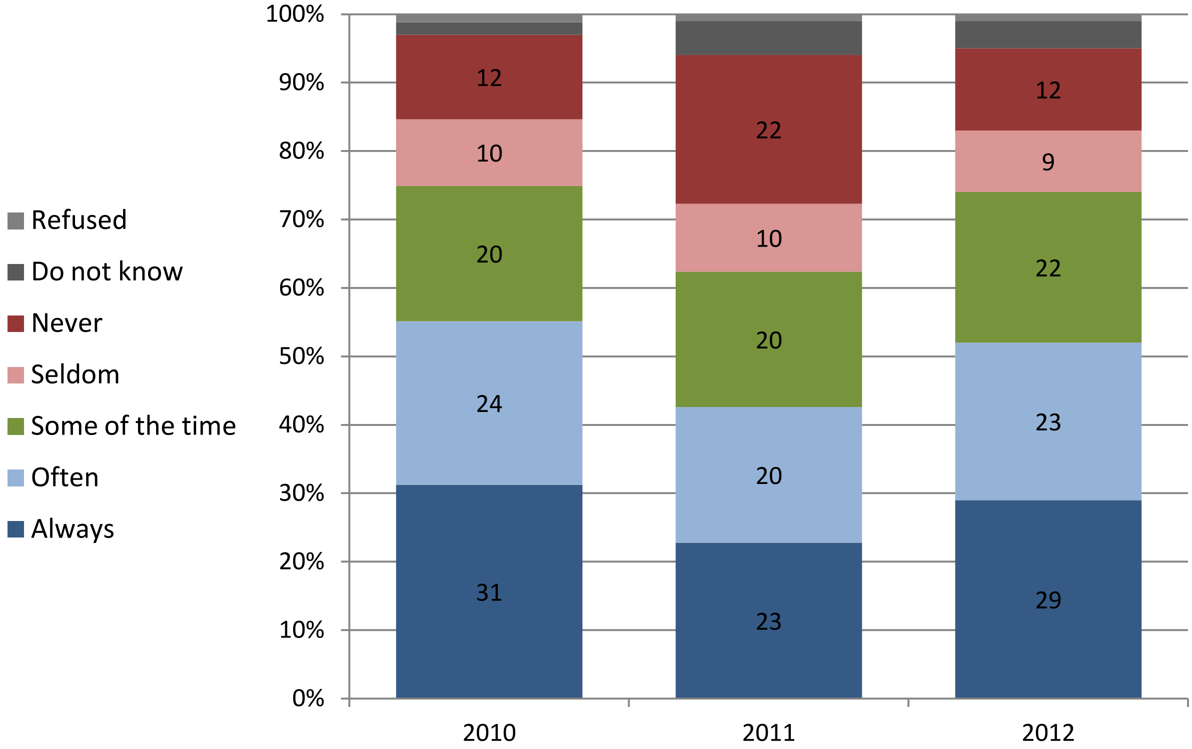
Turning to sub-group analysis, from the table above, it is apparent that males tend to utilise savings accounts and bank accounts more than females. In terms of generational differences in saving behaviour, those in the 16-19 and 20-29 age cohorts are more inclined (relative to older cohorts) to save money at home or in their wallets (22%) while those in their 30s and 40s are more likely to save money by making use of savings accounts or other bank accounts. The poor are more likely to make use of informal saving mechanisms, such as the use of stokvels and saving cash at home. In contrast, wealthier South Africans were more inclined to use formalised products, such as bank accounts (as well as financial investment products, such as stocks and bonds) as a form of savings. Almost a third (30%) of those in the high LSM group reported paying money into a savings account and 28% reported using bank accounts as a form of saving. In comparison, less than a tenth of those in the low LSM group reported adopting similar strategies.

There is a broadly positive association between educational attainment and the recent use of more formal savings products such as bank accounts (as well as stocks, bonds and shares). Less educated people tend to rely more on informal saving measures, especially saving money at home or giving it to family members. Those with the no formal education are also much less certain or willing to divulge whether they are saving money relative to those with higher education levels. In formal urban areas, bank accounts are the most popular form of savings, whereas a third of residents in informal urban settlements use savings accounts to save money, but a sizeable proportion (23%) save money at home and 6% save by using informal savings products such as stokvels. In informal urban areas informal ways of saving money are more prominent – with 12% of individuals in these areas putting their savings into informal savings clubs. A similar informal saving pattern is noted for those living on traditional authority areas.

6.2. Attitudes to planning ahead

In order to gauge South African attitudes towards long-term financial planning, respondents were asked if they agreed or disagreed with the statement: ‘I set long-term financial goals and work hard to achieve them’. As illustrated in the figure below, the majority of South Africans indicate that they are predisposed towards setting long-term financial plans for themselves. More than half of the adult population indicated that they either always or often engage in such financial planning. A fifth sets and pursues long-term financial goals sometimes, with only a minority doing so seldom or never. As the figure reveals this trend has not altered significantly since the measure was first introduced in 2010.

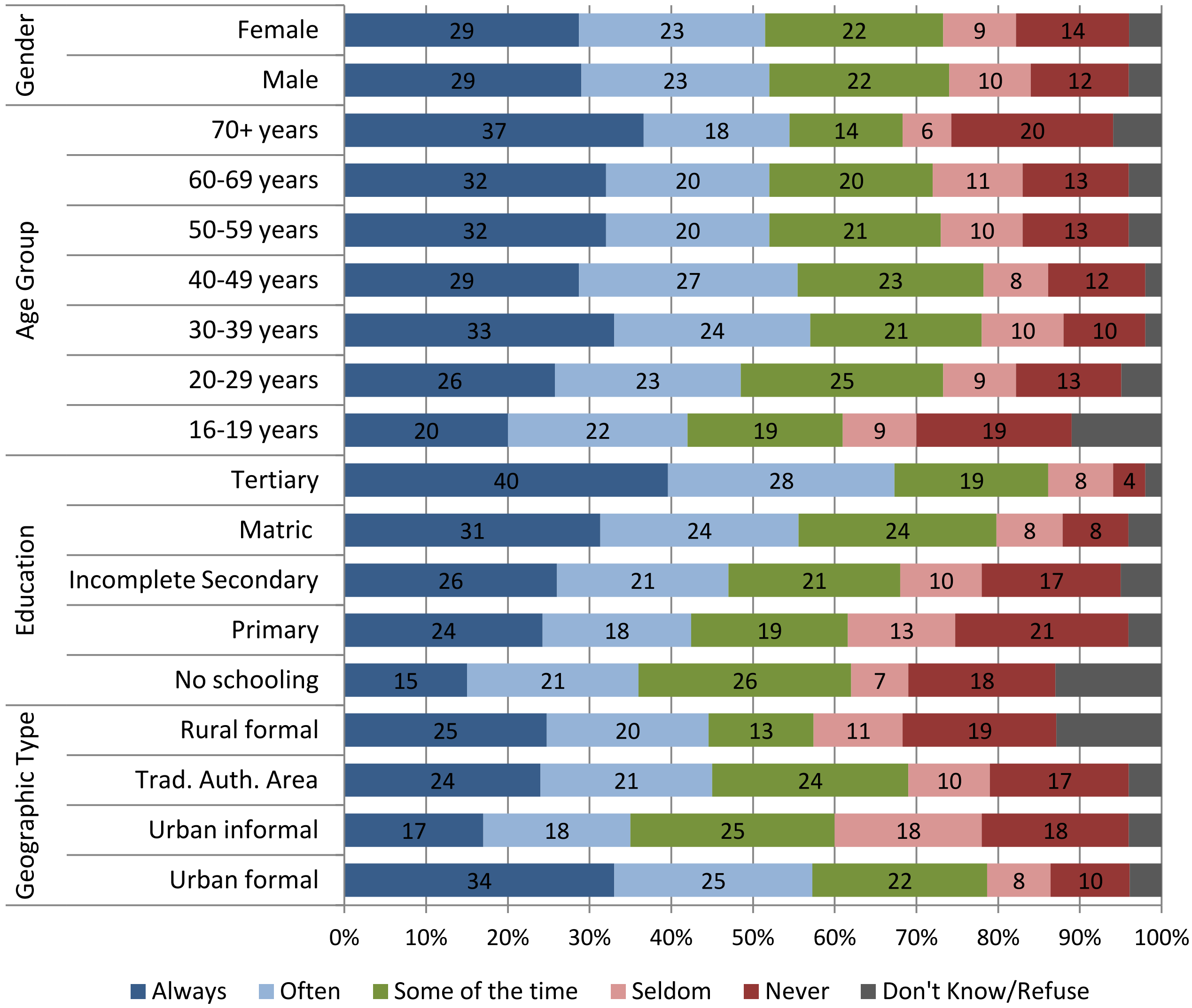
Figure 9: Frequency with which South Africans set long-term financial goals and work hard to achieve them, 2010 2012 (percentage)



In order to better understand attitudes towards planning ahead, the findings of 2012 were considered across socio-demographic subgroups in the Figure 10. Looking at the figure below, it is evident that no significant difference was evident between men and women in their tendency to make financial plans. It is unsurprising to note that younger South Africans, those in their late teens, are less likely to attach importance to the idea of planning ahead when compared to their older counterparts. Only 42% of those in the 16-19 age cohort either always or often set long-term financial goals and worked towards them. By contrast 57% of those in the 30-39 age cohort and 56% of those in the 40-49 age cohort always or often set long-term financial goals and worked towards them.

Significant population group differences in financial planning behaviour, differences were noted. White, and to a lesser extent Indian, South Africans were significantly more likely to favour long term financial planning (when compared to other respondents). In terms of education level, those with university qualifications or vocational/technical education were more likely to prioritise long-term saving over short-term spending than those with primary and secondary level education. More than half (55%) of those with a Matric and 68% of those with a tertiary education always or often set long-term financial goals and worked towards them. No more than two-fifths (42%) of those with only primary education and 36% of those with no schooling engaged in the same behaviour. This was found to be one of the most salient predictors of long-term financial goal setting.

Figure 10: Attitudes towards planning ahead by personal attributes (percentage)



Geographic location also had strong impact on the frequency with which South Africans set long-term financial goals. Those dwelling in urban formal areas were considerably more likely than those in informal urban areas or rural areas to set long-term financial goals. In particular those living in informal urban areas were much less likely than other groups to set long-term goals with only 35% of these dwellers reporting set such goals frequently (compared to 59% of formal urban dwellers).

The differences between subgroups noted in the figure above may be explained by socio-economic differences between subgroups. In order to better understand planning ahead behaviour, we created a planning ahead mean scale (0-100) in which ‘100’ represents the highest likelihood to plan ahead. The scale was constructed to better investigate the relationship between financial planning and class indicators. The table below depicted the results of the scale distributed across household and individual deprivation attributes.

Table 13: Attitudes towards planning ahead by household and individual deprivation attributes (mean scores, 0-100 scale)

	Mean score			Oneway ANOVA results 2012	
	2010	2011	2012	Significance	Post-hoc Scheffe test
National Average	44	44	45		
Main Source of Household Income				No sign.	
Salaries	66	58	64		
Remittances	58	54	62		
Pensions or grants	59	44	59		
Agriculture	44	51	59		
Other	52	52	57		
Household Income Quintiles				***	* Quintile 4> Poorest * Richest>Poorest, Quintile 2, Quintile 3,Quintile 4
Poorest Household Quintile	58	41	51		
Quintile 2	58	43	57		
Quintile 3	66	52	58		
Quintile 4	70	62	64		
Richest Household Quintile	75	74	75		
Employment Status				***	*Discouraged Work Seeker<Employed Full-Time *Unemployed< Employed Full-Time *Retired<Employed Full-Time *Student<Employed Full-Time
Employed Full-time	71	67	70		
Employed Part-time	61	58	61		
Discouraged Work Seeker	59	47	55		
Unemployed	55	45	57		
Student	60	26	59		
Retired	65	54	61		
Labour Inactive	64	54	59		

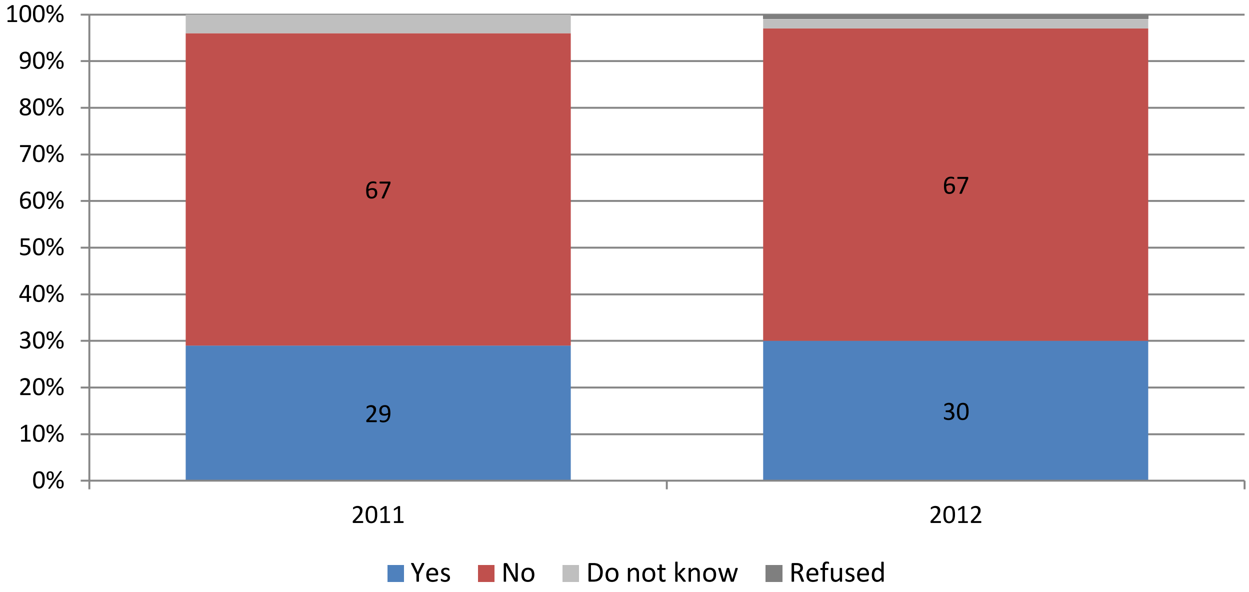
Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.
* indicates significance at the 10 percent level.

As illustrated in the table above, it is clear that there is wide disparity between those in the high and low income household quintiles. Furthermore, those who were not employed and not seeking employment were found to be less likely to set long-term financial goals. This may be due to the lack of regular secure income that is available in many poor households. Alternatively this may be because poor households do not have surplus economic capital that can be used in long-term financial plans like saving or investments. Interestingly, those in full-time employment were far more likely to make long-term financial goals than those in part-time employment or unemployment. Source of household income had no impact on attitudes towards long-term financial planning.

6.3. Planning for financial emergencies

The preceding section established that a considerable share of South African adults reported that they had invested in at least one form of savings. However, it is equally important to assess the extent to which such provisions are adequate. It is therefore necessary to measure whether an individual is, beyond meeting daily needs, able to continue making ends meet in the face of financial shocks or emergencies. To this end, respondents in 2012 were asked to report on setting aside emergency or rainy day funds that would cover their expenses for three months in case of sickness, job loss, economic downturn or other emergencies.

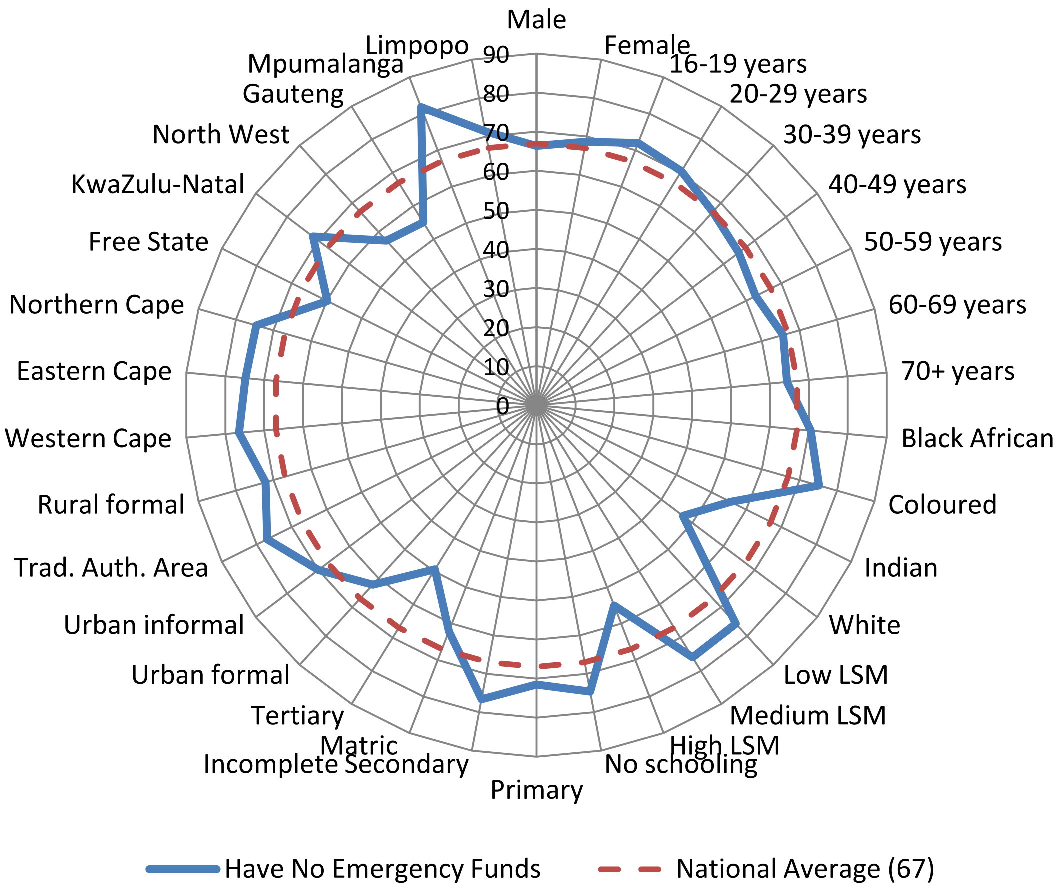
Figure 11: Share of South Africans who have emergency funds set aside for three months, 2010-2012 (percentage)



In 2012 just more than two-thirds of the national population (67%) reported that they would not be able to cover expenses for three months in case of an emergency. This result is consistent with what was found in 2011 indicating the durability of the measure. On the whole, this finding suggests that a majority of South Africans have no substantive reserves that they would be able to draw upon in the face of an unanticipated loss of income. This indicates that for many a financial shock will lead to an immediate change in livelihood as household members are forced to respond to the shock.

In order to better understand how different South Africans save for an emergency, a subgroup analysis of the 2012 results was conducted. The results of this analysis are presented in Figure 12. It is apparent from the figure that there is no gender difference with regards to the possession of emergency funds. Interestingly only minor differences existed between age groups. However, it was evident, as can be observed in the figure below, that young people (16-19 and 20-29 years) were more likely than the old to have no emergency funds available. This indicates that this group would be in a less than favourable position to cope with expenses during periods of emergency. Population group differences were noted. Indian (56%) and White (47%) population groups were significantly better prepared to fund emergency situations than their Coloured (75%) and Black African (71%) counterparts.

Figure 12: People without emergency funds to cover three months of expenses by personal characteristics (percentages)



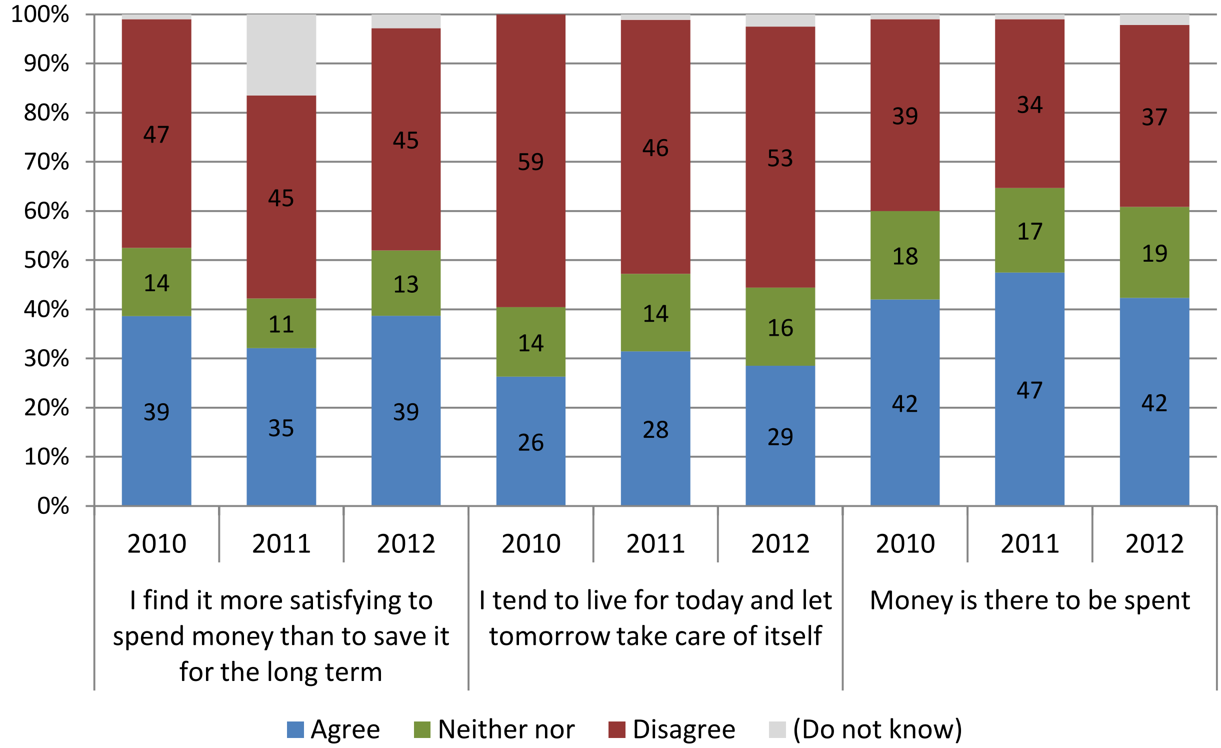
The racial bias observed above may reflect a class bias with those in the high LSM group (55%) and those with tertiary education (49%) much better equipped to deal with financial emergencies to cover expenses for three months than the poor and less educated. In addition, people in traditional authority and formal rural areas (77% and 72% respectively) were found to be the most ill-equipped in terms of being able to fund three months' expenses. Given the above findings, it is not surprisingly to note that individuals in Mpumalanga were significantly more vulnerable than residents of other provinces to such emergencies.

6.4. Attitudes towards Spending Money

The South African Financial Literacy Survey differs from a number of other household surveys that collect financial information in asking questions about behavioural characteristics, such as respondents' time preference. Time preference in financial decision-making is generally thought to capture an individual's choice of whether to spend their money now, or delay gratification for later, for example by saving. To supplant this question, respondents were also asked about their attitudes towards saving money. It is important to examine such attitudes as they contribute to our understanding of why many groups in South Africa do not engage in saving behaviour. It is because there is not a preference among some South Africans for saving money or is it because these individuals are unable to save despite a preference for doing so. Examining such attitudes is particularly important when discussing the financial literacy of the young. Although this group has limited financial resources at this stage in their life cycle and therefore often are unable to save, instilling preferences for saving in the youth is important for building financial capability later in life.

On the question, “Do you agree or disagree? I find it more satisfying to spend money than to save it for the long save it for the long term”, it was found that 39% of adult South Africans in 2012 agreed with this statement. A somewhat larger share (45%) disagreed with the statement with a small minority (13%) remaining neutral. Results for the question, “I tend to live for today and let tomorrow take care of itself” show that more than half (53%) of the adult population disagreed with this statement. Less than a third (29%) agreed. The results of the item “money is there to be spent” have already been discussed above and show that more than two-fifths (42%) of South Africans believe money is there to be spent. Attitudes towards monetary expenditure have not changed significantly since these questions were first asked in 2010 as the figure below reveals.

Figure 13: Time Preference and Spending Money (percentage)



To facilitate sub-population differences, the three attitudinal variables described above were combined into a 0-100 Prodigal Scale with ‘0’ representing very conservative spendthrift spending attitudes and ‘100’ the most prodigal attitudes towards spending. The Prodigal Scale allows the researcher to discern between financial planning attitudes and behaviour, allowing a more nuanced view of financial capability to be captured. These scores were distributed across personal attributes to identify significant differences in attitudes towards spending between subgroups. The average score on the Prodigal Scale is 47, with the scores for sub-populations as well as associated significance test results based on Analysis of Variance (ANOVA) presented in the table below.

Table 14: Attitudes to Prodigal Scale, by personal attributes (mean scores, 0-100 scale)

	Mean score	Oneway ANOVA results: Significance	Post-hoc Scheffe test
National Average	47		
Male	47	No sign.	
Female	46		
Black African	48	***	* Indian< Black African, Coloured; * White <Black African, Coloured, Indian
Coloured	49		
Indian	42		
White	35		
Not Married	49	***	* Not Married<Married
Married	41		
Urban formal	45	***	* Urban informal > Urban formal *Traditional Auth. Area < Urban informal * Rural formal < Urban informal
Urban informal	54		
Traditional Authority Area	47		
Rural formal	46		
16-19 years	56	***	*16-19>30-39, 40-49, 50-59, 60-69 and 70+ *20-29>40-49, 50-59, 60-69 *30-39>60-69
20-29 years	50		
30-39 years	48		
40-49 years	42		
50-59 years	43		
60-69 years	40		
70+ years	46		
No schooling	54	***	* Matric <No Schooling, Some Secondary * Tertiary < No Schooling, Primary, Some Secondary
Primary	47		
Incomplete Secondary	50		
Matric	43		
Tertiary	40		

Note: *** indicates significance at the 1 percent level.

As is apparent from the table above, men and women were found not to significantly differ in their attitudes towards spending. More marked and significant differences were noted between the old and the young. It seemed that more mature South Africans are more responsible in their approach to spending money, as opposed to deriving satisfaction from spending it. This is particularly true of the 16-19 cohort which reported an average Prodigal Scale score 9 points above the national average. It appears that the youth are far more likely to have libertine attitudes towards the spending of money and were less concerned about saving. An analysis of the results by population group reveals that White and Indian South Africans are more conservative in their views of deriving satisfaction from spending than their Coloured and Black African counterparts.

Table 15: Attitudes to Prodigal Scale, by household and individual deprivation attributes (mean scores, 0-100 scale)

Oneway ANOVA results			
	Mean score	Significance	Post-hoc Scheffe test
Low LSM	44	***	*Medium<Low
Medium LSM	49		* High<Medium
High LSM	43		
Poorest Household Quintile	50	***	* Richest>Poorest, Quintile 2, Quintile 3, Quintile 4
Quintile 2	48		
Quintile 3	48		
Quintile 4	48		
Richest Household Quintile	39		
Employed Full-time	41	***	*Unemployed<Employed Full-Time
Employed Part-time	47		*Student<Employed Full-Time
Discouraged Work Seeker	48		*Retired>Unemployed, Student
Unemployed	50		
Student	51		
Retired	41		
Labour Inactive	45		

Note: *** indicates significance at the 1 percent level.

There is evidence of the class divide across the Prodigal Scale although the spatial inequalities on this scale were not especially pronounced. Nonetheless, significance tests revealed that those residing in informal settlements were more liberal in their attitudes towards spending in general, relative to those in other areas. Those in the lower income categories did report a higher score than those in the higher income categories. However, individuals in the middle categories were not much more likely to report a higher score than those in the high categories. Educational attainment was a highly salient predictor on the Prodigal Scale with the better educated more conservative in their views of deriving satisfaction by spending money than to save for the long term, in comparison to other respondents with lower levels of education.

7. Choosing financial products

In order to more accurately understand financial behaviour in South Africa, it is necessary to investigate knowledge and usage of financial products in the country. Examining what products an individual is using is an important component of understanding their financial literacy. It also assists in analysing the popularity of certain kinds of products among the general population. Beginning with the baseline study in 2010, the SASAS research team sought to identify awareness of different financial products in those areas and what kind of products were being used. Recognising that the market for financial products in South Africa is highly complex, and navigating such a market is a difficult challenge, more nuanced measures were introduced after 2010.

The results in this section therefore focus on the 2011 and 2012 data. Based on the OECD guidelines, the SASAS research team study identified four primary financial product areas: banking, credit and loan, investment and savings, and insurance. By focusing on these areas, the research team was able to determine which financial products individual South Africans had acquired and were currently using. Currently the SASAS research team has gathered two years of data on both awareness of and ownership of financial products located within these domains. The following section will present our findings on product usage across these four domains with an eye to important subgroup differences.

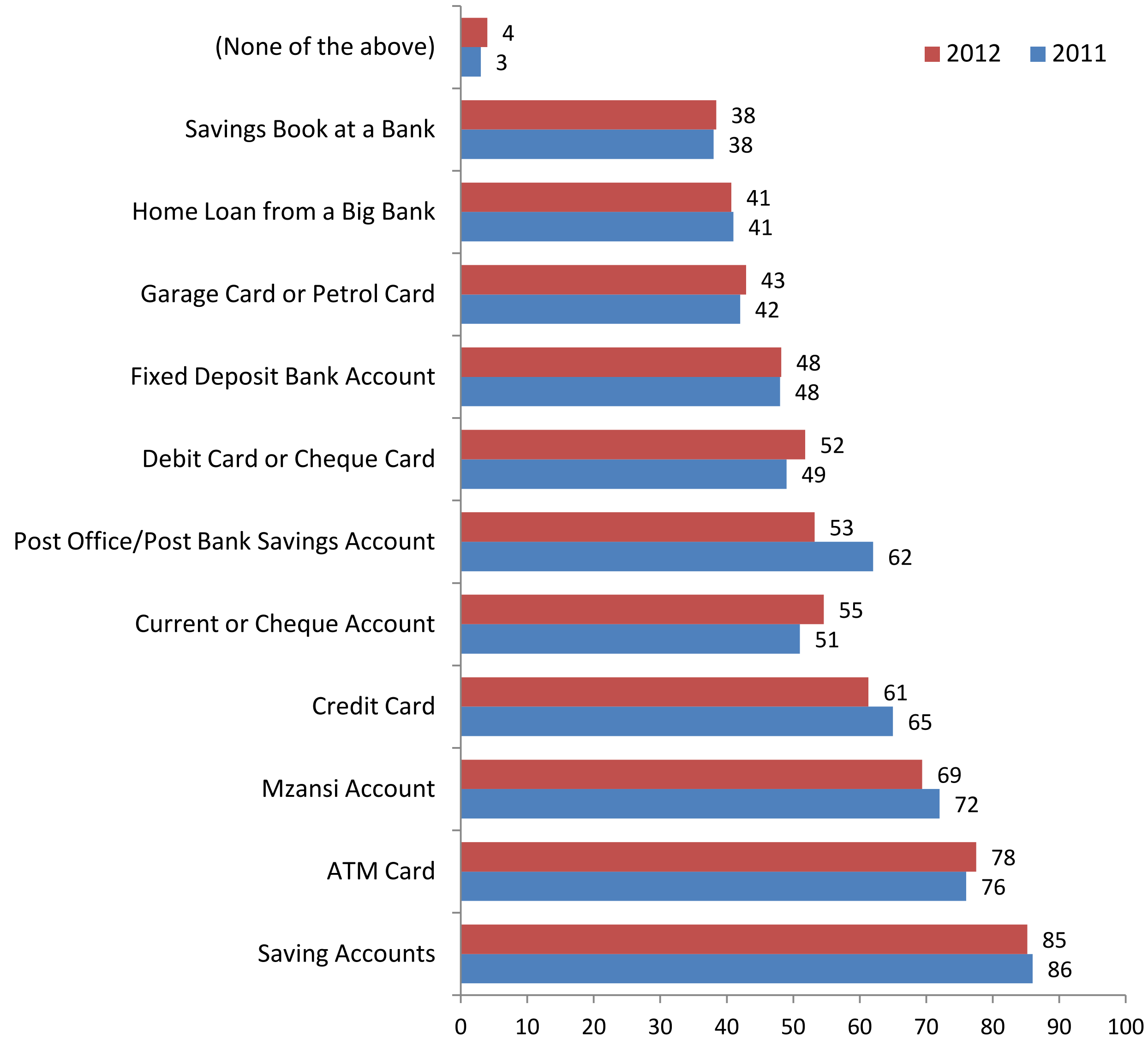
7.1. Choosing Banking Products

7.1.1. Awareness of banking products

Respondents were read out a list of eleven banking products by the interviewer and were requested to say which of them they had heard of before. The responses are depicted in the figure below. The most common banking product that South Africans are aware of is a saving account, mentioned by 86% of the population in 2012 – this is followed by an ATM card (78%) and a Mzansi account (69%). Other products which were familiar to more than half of the adult population were credit cards (61%), current or cheque accounts (55%), post office savings accounts (53%) and debit cards (52%). As the figure below indicates, awareness of different banking products did not shift noticeably between 2012 and 2011. There was one notable expectation: Public awareness of post office savings accounts declined by 9 percentile points between 2011 and 2012. On average, respondents were aware of six (M=6.7) of the different types of banking products,[2] with only a nominal share indicating that they had not heard of any of the products (4%). This represents mild increase from 2011 when respondent awareness of different types of banking products averaged 6.6.

[2] This mean awareness of financial products score excludes the one percent that refused to answer the question, or reported that they were unsure of which banking products they had heard of.

Figure 14: Level of awareness of different banking products, 2011 2012 (cell percentages)



In the subgroup analysis, the table below presents a significance test results based on Analysis of Variance (ANOVA). As can be seen a strong gradient of difference emerges in relation to population groups, with White South Africans being aware on average of three more products than African respondents (9 compared with 6). The reason for this difference in awareness of banking products appears to be due to socio-economic inequalities, especially educational attainment. Those with no formal education or some primary schooling were significantly less aware of banking products (4 and 5 respectively) than those with higher levels of education (e.g. 9 for those with a tertiary education). Similarly, those in the high LSM categories had heard of a greater range of banking products than those in the low LSM categories (4 compared with 8). Finally, in terms of spatial inequalities, those in formal urban areas were more likely to demonstrate higher product type awareness than those in rural areas and informal urban settlements.

Table 16: Number of banking product types aware of, by personal attributes (mean scores, 0-14 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
National Average	6	6		
Male	6	7	No Sig.	
Female	6	7		
Black African	6	6	***	* Indian>Black African, Coloured;
Coloured	7	7		* White >Black African, Coloured
Indian	9	9		* Coloured >Black African
White	9	9		
Low LSM	4	4	***	* All mean scores are significantly different
Medium LSM	6	6		
High LSM	8	8		
Urban formal	7	8	***	* Urban informal < Urban formal
Urban informal	6	6		*Traditional Authority Area < Urban formal
Traditional Authority Area	5	5		* Rural formal < Urban formal
Rural formal	5	6		
16-24 years	6	6	**	*25-34 < 16-24
25-34 years	6	7		*50+< 25-34
35-49 years	6	7		
50+ years	6	6		
No schooling	3	4	***	* All mean scores are significantly different
Primary	5	5		
Incomplete Secondary	6	6		
Matric	7	7		
Tertiary	8	9		

Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.

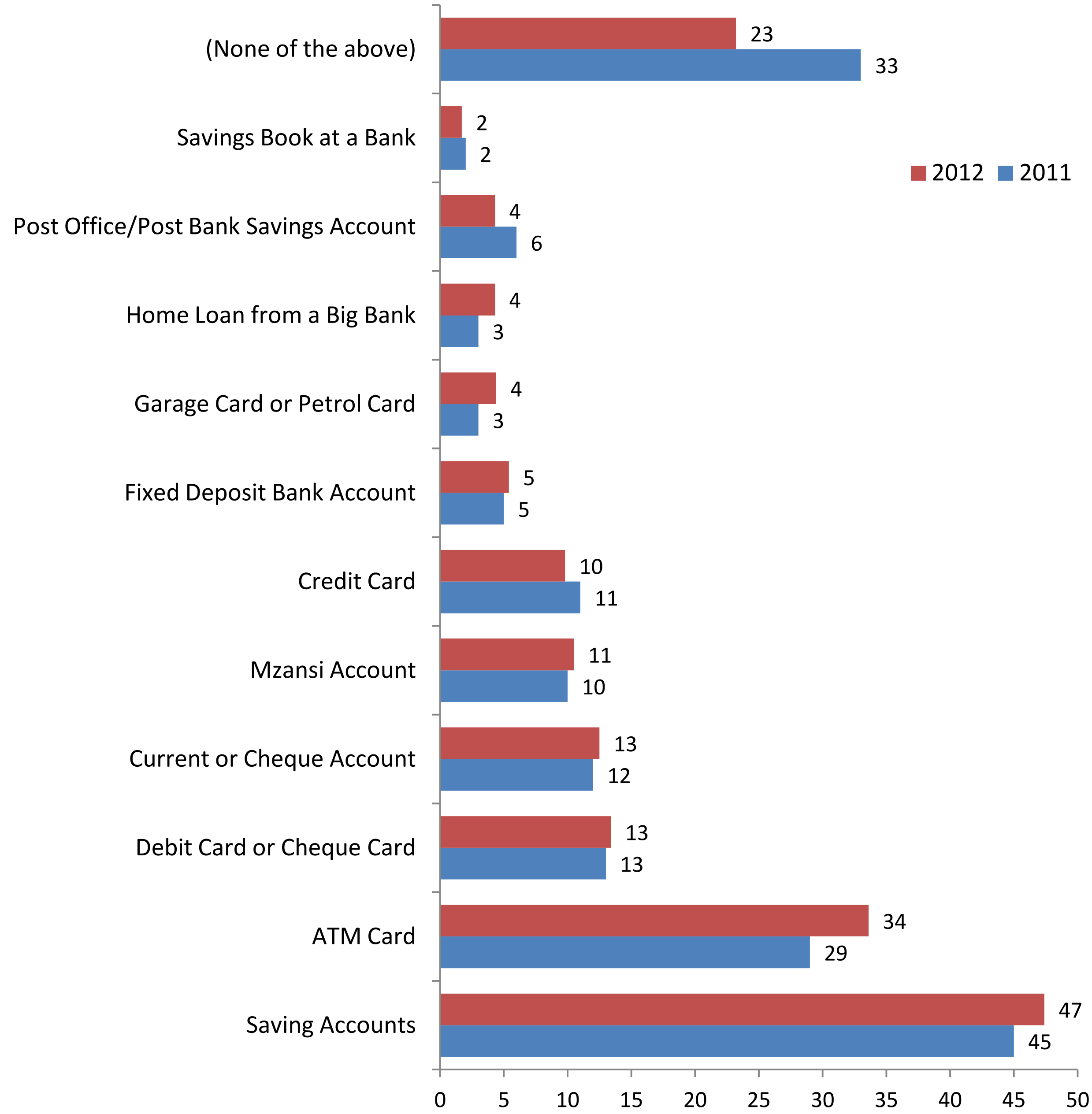
Men were not significantly more knowledgeable than women. There was not a linear association between awareness and age. Those 50 years and older as well as the young (16-24 years) were familiar with fewer products on average (6) than those aged 30-39 years and 40-49 years (both 7). Spatial inequalities were evident with those dwelling outside urban formal areas much less likely to have heard of a greater range of banking products.

7.1.2. Banking Product holding and purchase

Having examined levels of knowledge concerning different (largely formal sector) banking products among South Africans aged 16 years and older, respondents were then asked which, if any, of the products they currently held at the time of interview. This helps to construct a general picture of levels of access to banking services and what kind of banking products were the most popular. A sizeable share (23%) indicated that they possessed none of the banking products listed. As with product awareness, the most widespread form of banking products that was held by South

Africans was a savings account and an ATM card. Only a minority of South Africans held other banking products –there was a cluster of products that are held by between a tenth or so of the adult population, including a cheque account (12%), a debit card (both 13%), and a credit card (11%).

Figure 15: Number of banking products held, 2011 and 2012 (percentages)



There is a general discrepancy between the knowledge of banking products and the holding of such products – for example, over 70% of the population had heard of the Mzansi account but only 10% held one. This suggests that a large proportion of the population is aware of but chooses not to own saving products. It is worthwhile to note that the Mzansi account was introduced as a banking product that would be affordable to poor consumers. The disparity noted above between awareness and holding suggests that the majority of the poor are aware of the Mzansi account but choose not to use it. Further research is required to understand why this product is not popular among its intended market.

As the figure above indicates there was a shift in the level of different banking products held between 2012 and 2011. The share of the adult population that reported not holding a banking product declined from 33% in 2011 to less than a quarter of the population by 2012. More individuals reported owning ATM cards, saving accounts and home loans in 2012 when compared with 2011. A marginally lower share of South Africans owned credit cards and post office savings accounts in 2011 than 2012.

Table 17: Number of banking product types holding, by personal attributes (mean scores, 0-10 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
National Average	1.7	1.5		
Male	1.8	1.6	**	*Female<Male
Female	1.6	1.4		
Black African	0.9	1.2	***	* All mean scores are significantly different
Coloured	1.7	1.3		
Indian	2.5	2.1		
White	3.0	3.3		
Low LSM	1.1	0.7	***	* All mean scores are significantly different
Medium LSM	1.4	1		
High LSM	2.4	2.3		
Urban formal	2.0	1.8	***	* Urban informal < Urban formal
Urban informal	1.4	0.9		*Traditional Authority Area < Urban formal
Traditional Authority Area	1.3	1		* Rural formal < Urban formal
Rural formal	1.5	1.2		
16-24 years	1.4	1	***	*25-24>16-24
25-34 years	1.7	1.5		*34-49> 16-24, 25-34
35-49 years	2.0	1.8		*50+> 16-24, 25-34
50+ years	1.8	1.7		
No schooling	1.1	0.6	***	* Matric, Tertiary> all other groups
Primary	1.3	0.9		
Incomplete Secondary	1.4	1		
Matric	1.8	1.7		
Tertiary	3.2	3.1		
Not Married	1.5	1.2	***	*Married>Not Married
Married	2.2	2.1		

Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.

In the subgroup analysis, the table above presents a significance test results based on Analysis of Variance (ANOVA). As can be seen there is a strong gradient of difference in terms of socio-economic status. The wealthy, the better educated and those living in formal urban areas held more banking products on average than other groups. This socio-economic disparity probably accounts for the noted population group differences. White South Africans held on average more double the number of products held Black Africans. The married were found to held more products on average than the unmarried. This may be related to life cycle as the young held on average fewer banking products compared with the old. Interestingly, the results indicate that women held fewer banking products than their male counterparts.

7.2. Credit and Loan Products

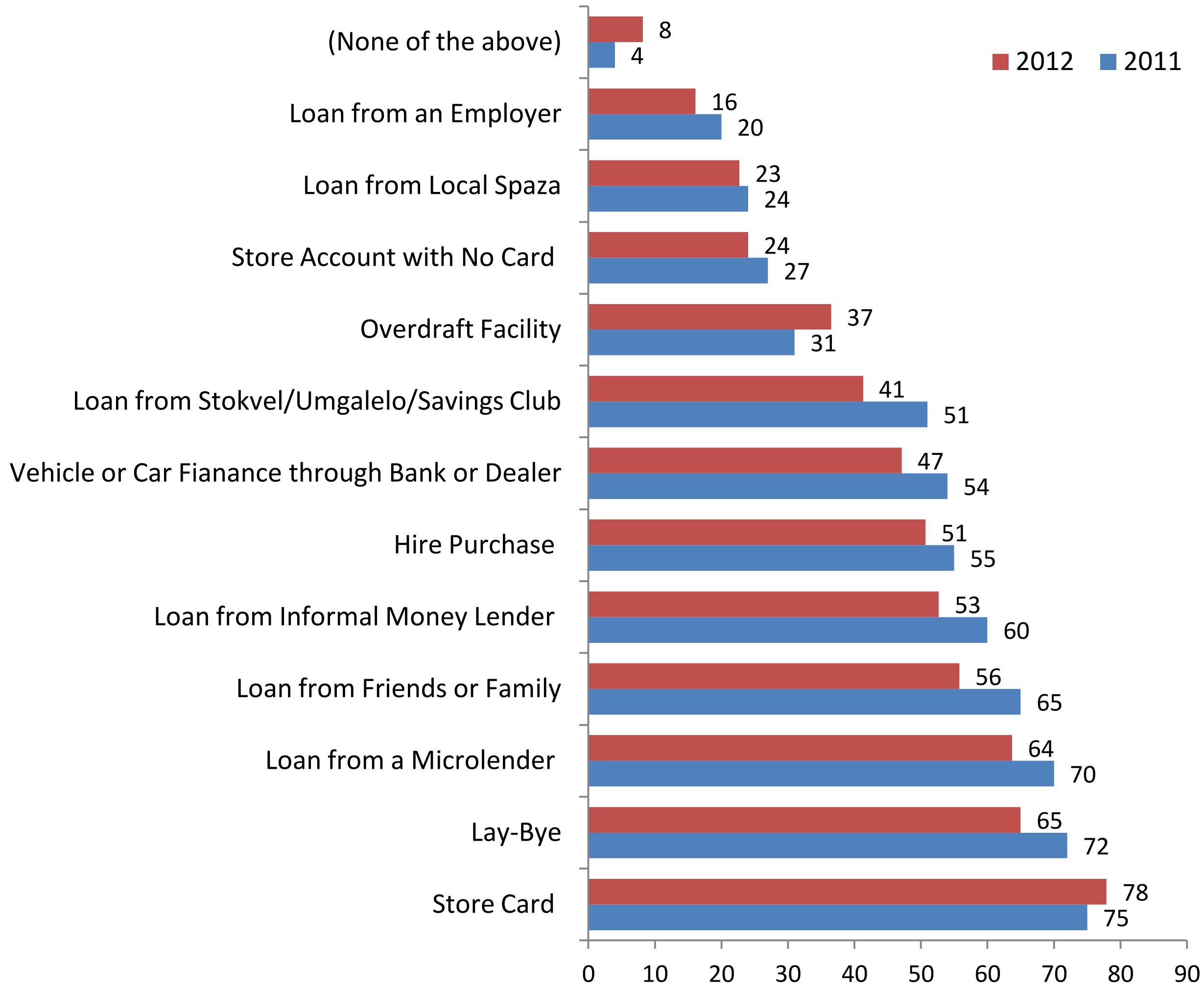
7.2.1. Awareness of credit and loan products

Accessing credit is an important component of financial activity, allowing individuals to start businesses, buy assets and recover from financial shortfalls. How South Africans engage and use credit related products is therefore an area of particular interest. This report has already discussed in details different coping strategies adopted by South Africans during financial shortfalls. As the report revealed, credit was used by a significant number of South Africans. Now the SASAS research team will investigate public awareness of credit and loan products.

As shown in the figure below, the most common formal credit and loan products that South Africans are aware of is a store card followed by a lay-bye and a loan from a micro-lender. In 2012 more than 60% of South Africans had heard of these three credit and loan product types. Most other credit and loan products were not familiar to 70% of the population. Additional formal products which were familiar to more than half of the surveyed population were vehicle or car finance through the bank, and hire purchase. Perhaps worryingly, people were more aware of an overdraft facility in 2012 (37%) than in 2011 (31%) which may indicate that more financial consumers are considering this option.

The informal credit and loan products of which South Africans are most aware were a loan from friends and family and a loan from a mashonisa or informal money lender. A considerable proportion the South Africans were aware of a loan through a saving club (i.e. stokvel). It is interesting to note that South Africans were less aware of informal credit and loan products, like a loan from a saving club, than they were of formal products like a store card. More of the population was aware of a loan from a savings club (51%) or a loan from an informal money lender (60%) in 2011 than in 2012 (41% and 53% respectively). This may indicate, perhaps, the declining popularity of these forms of credit.

Figure 16: Level of awareness of different credit and loan products, 2011 2012 (cell percentages)



If the results of the 2011 and 2012 surveys are compared it is evident that South Africans were aware of fewer credit and loan products in 2011 than in 2012. Fewer people indicated that they were aware of loans from a saving clubs, vehicle or car finance, informal loans from a money lender, and loans from family and friends in 2012 than in 2011. Of the different types of credit and loan products[3], both formal and informal, identified by this study the average South African was aware of six of them with only a marginal share indicating that they had not heard of any of the products (8%). In 2011 South Africans were aware of, on average, of more credit and loan products but only by a narrow margin (6.28 compared to 5.96).

[3] This mean awareness of financial products score excludes the two percent that refused to answer the question, or reported that they were unsure of which credit and loans products they had heard of.

Table 18: Number of credit and loan product types aware of, by personal attributes (mean scores, 0-14 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
National Average	6.0	5.4		
Male	6.1	6.2	No Sign.	
Female	5.8	5.8		
Black African	5.5	5.4	***	* Coloured>Black African *Indian>Black African, Coloured * White> Black African, Coloured
Coloured	6.5	6.5		
Indian	8.2	7.8		
White	8.1	8.1		
Low LSM	4.6	4.1	***	* All mean scores are significantly different
Medium LSM	5.5	5.3		
High LSM	7.2	7.3		
Urban formal	6.5	6.6	***	* Urban informal < Urban formal *Traditional Authority Area < Urban formal * Rural formal < Urban formal
Urban informal	5.3	4.8		
Traditional Authority Area	5.1	5		
Rural formal	6.0	5.7		
16-24 years	5.8	5.7	No Sign.	
25-34 years	6.1	6		
35-49 years	6.0	6.2		
50+ years	6.0	6		
No schooling	3.2	3.9	***	* Primary >No Schooling *Some Secondary >Primary * Matric >No Schooling, Primary, Some Secondary *Tertiary >No Schooling, Primary, Some Secondary, Matric
Primary	4.8	5.2		
Incomplete Secondary	5.7	5.5		
Matric	6.7	6.4		
Tertiary	7.3	7.6		
Not Married	5.7	5.6	***	*Married>Not Married
Married	6.4	6.8		

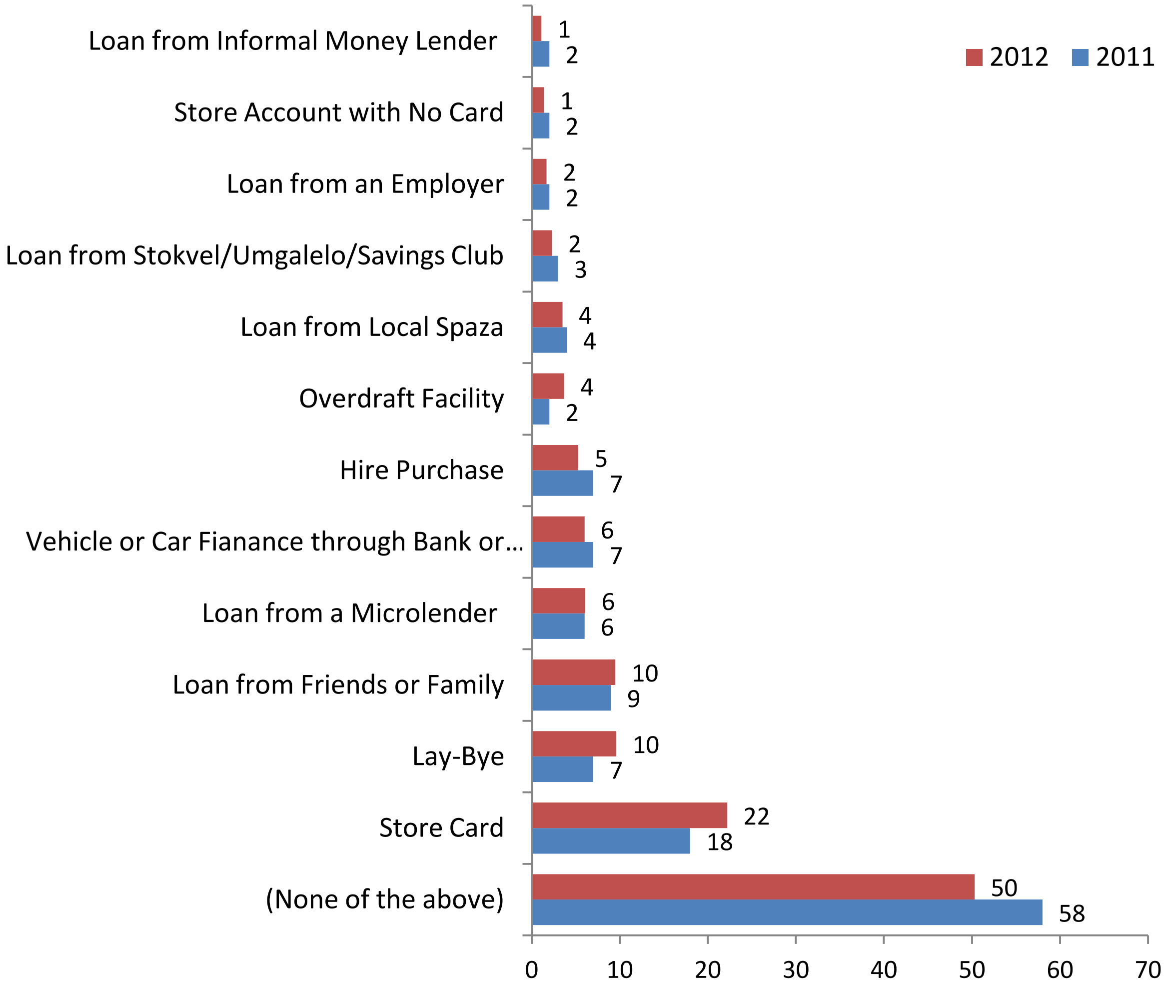
Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.

In the subgroup analysis in the table above, significance test results based on Analysis of Variance (ANOVA) are presented. The findings presented in the table above indicate that, unlike awareness of banking products, there does not seem to be a significant relationship between age and awareness of credit and loan products. Equally the results of tests failed to find a significant gender difference in the likelihood of individuals to be aware of credit and loan products. More salient predictors were socio-economic indicators such as education, geographic location and the living standard measure. It is evident from the above, that the wealthy, the better educated and those living in formal urban areas are more likely to be aware of credit and loan products than other groups.

7.2.2. Credit and loan holding and purchase

The previous section explored levels of awareness concerning different credit and loan products among South Africans aged 16 years and older. Logically, the discussion now moves to the actual acquisition of these products. This section will examine what type of credit and loan products respondents hold. This will indicate which products of this type South Africans find accessible and suitable to their needs. Before beginning, it is important to note that a considerable majority of South Africans (50%) indicated that they possessed none of the credit and loan products listed. This represents, however, an improvement in credit and loan product holding since 2011 when those indicating that they possessed none of the products listed was closer to three-fifths of the public (58%).

Figure 17: Number of different credit and loan held, 2011 2012 (cell percentages)



As with product awareness, the most widespread form of credit and loan product that was held by South Africans in late 2011 was a store card. Thereafter, there is a cluster of products that are held by less than a tenth of the surveyed population. Even informal credit and loan products were fairly uncommon, with only small minorities of the population borrowing from friends or family, or receiving credit from a stokvel. Of the different types of credit and loan products[4], both formal and informal, identified by this study the average South African was held less than two of them with only a small minority (31%) indicating that they held more than one product of this kind. The findings from the 2012 round of the survey indicate that South Africans on average held fewer credit and loan products in 2012 when compared with 2011.

Table 19: Number of credit and loan product types holding, by personal attributes (mean scores, 0-10 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
National Average	0.7	0.7		
Male	0.7	0.7	No Sign.	
Female	0.7	0.7		
Black African	0.6	0.6	***	* White> Black African, Indian
Coloured	0.5	0.8		
Indian	0.9	0.6		
White	0.8	1		
Low LSM	0.4	0.5	***	* All mean scores are significantly different
Medium LSM	0.5	0.6		
High LSM	0.9	0.8		
Urban formal	0.8	0.8	***	*Traditional Authority Area < Urban formal
Urban informal	0.6	0.6		
Traditional Authority Area	0.5	0.5		
Rural formal	0.4	0.6		
16-24 years	0.3	0.4	***	*16-24<all other age groups *50+<35-49
25-34 years	0.8	0.8		
35-49 years	0.9	0.9		
50+ years	0.6	0.7		
No schooling	0.3	0.3	***	* Matric >No Schooling, Primary, Some Secondary *Tertiary >No Schooling, Primary, Some Secondary, Matric
Primary	0.5	0.5		
Incomplete Secondary	0.5	0.6		
Matric	0.7	0.7		
Tertiary	1.4	1.2		
Not Married	0.5	0.6	***	*Married>Not Married
Married	0.9	0.9		

Note: *** indicates significance at the 1 per cent level.
** indicates significance at the 5 per cent level.
* indicates significance at the 10 per cent level.

In the subgroup analysis, the table above presents a significance test results based on Analysis of Variance (ANOVA). The findings presented in the table above shows

[4] This mean awareness of financial products score excludes the two percent that refused to answer the question, or reported that they were unsure of which credit and loans products they had heard of.

that, unlike banking products, there does not seem to be a significant relationship between gender and number of credit and loan products held. Equally the results of the significance tests indicate only a weak link between age and product holding revealing that this characteristic is not a good predictor of the number of credit and loan product types held. As with the banking products, the most prominent predictors were socio-economic indicators such as wealth, educational attainment and population group. It is evident from the above, that the wealthy and the better educated hold on average more credit and loan products than other groups. Those residing in formal urban areas were found on average more likely to hold more credit and loan products types than those residing in other groups. However, the saliency of geographic location as a predictor was not as strong as may have been anticipated.

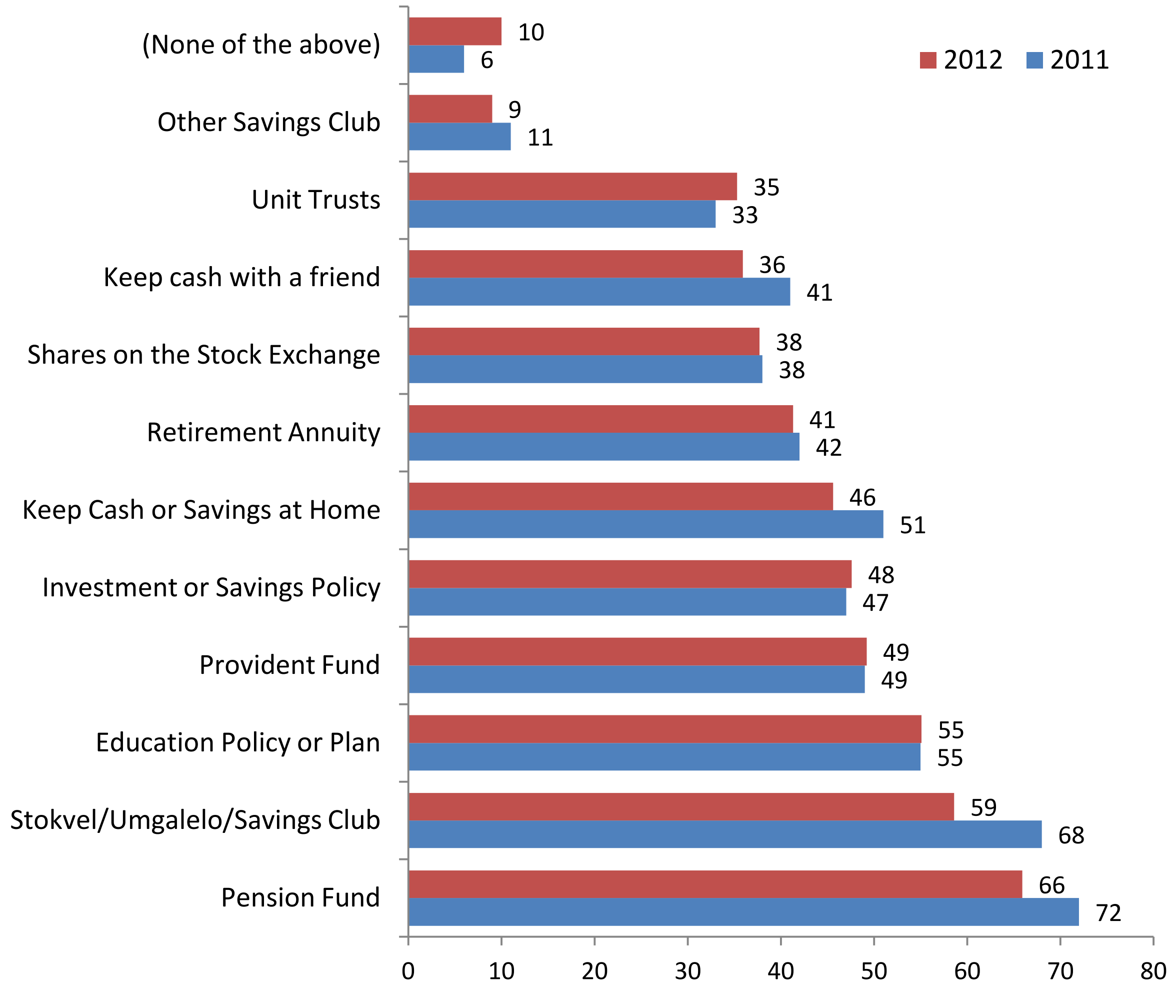
7.3. Investment and Savings Products

7.3.1. Awareness of investment and savings products

For the majority of South Africans, the ability to save has traditionally been constrained by apartheid legislation and by restrictive policies of the nation's major lenders. In the new post-apartheid period, financial reform has given more and more South Africans the opportunity to save and invest their money. However, this new freedom does not mean that the majority is able to save and invest or is aware of the available investment and savings products[5]. The high cost of living in South Africa, as well as the prevalence of job and wage insecurity, may prevent the acquisition of investment and savings products. The following section considers awareness of investment and savings products.

[5] This mean awareness of financial products score excludes the two percent that refused to answer the question, or reported that they were unsure of which credit and loans products they had heard of.

Figure 18: Level of awareness of different investment and savings products, 2011 2012 (cell percentages)



As evident in the figure below, the investment and savings product that most South Africans are aware of is a pension fund. The next most popular was a stokvel indicating the popularity of these informal saving associations. More formal investment and savings products were less popular – just more half the population had heard of an education policy, the most well-known formal product listed. Less than half of all adult South Africans seemed to be familiar with unit trusts, provident funds or investment policies – signalling perhaps that much of the population does not think about investing or saving at this level. If the findings from the survey rounds 2011 and 2012 are compared, then it is clear that South Africans were slightly less aware of credit and loan products in 2012 when compared to the previous year.

Table 20: Number of investment and savings product types aware of, by personal attributes (mean scores, 0-11 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
National Average	5	5		
Male	5	5	*	*Female< Male
Female	5	5		
Black African	5	5	***	* Coloured>Black African * Indian> Black African, Coloured *White> Black Africa, Coloured
Coloured	5	6		
Indian	8	7		
White	7	7		
Low LSM	3	3	***	* All mean scores are significantly different
Medium LSM	4	4		
High LSM	7	7		
Urban formal	6	6	**	*Urban informal < Urban formal *Traditional Authority Area < Urban formal *Rural formal < Urban formal
Urban informal	4	4		
Traditional Authority Area	4	4		
Rural formal	4	4		
16-24 years	5	5	No Sign.	
25-34 years	5	5		
35-49 years	5	5		
50+ years	5	5		
No schooling	3	3	***	*Some Secondary>No Schooling * Matric >No Schooling, Primary, Some Secondary *Tertiary >No Schooling, Primary, Some Secondary, Matric
Primary	3	4		
Incomplete Secondary	5	5		
Matric	6	6		
Tertiary	7	7		
Not Married	5	5	***	*Married>Not Married
Married	5	6		

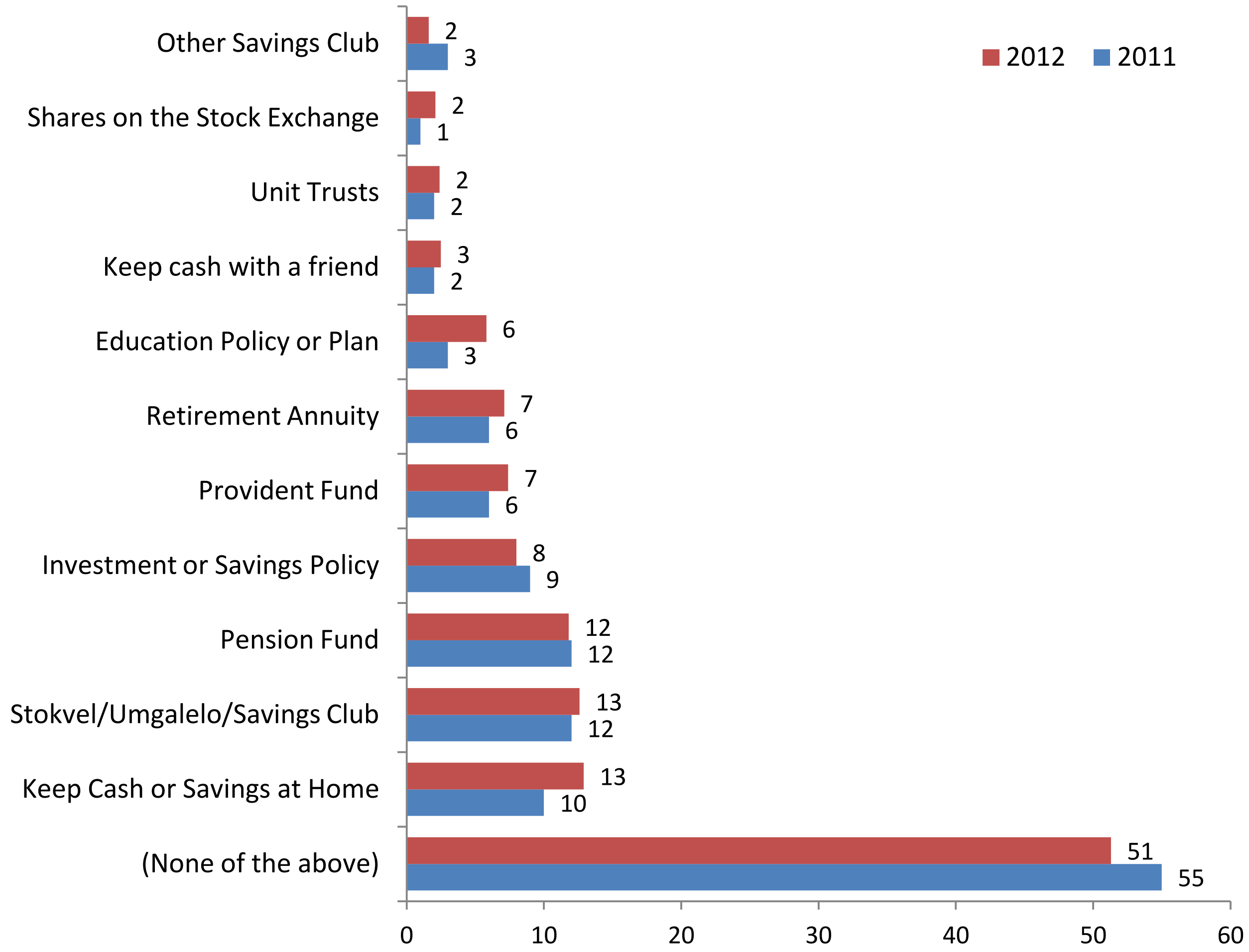
Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.
* indicates significance at the 10 percent level.

In the subgroup analysis, the table below presents a significance test results based on Analysis of Variance (ANOVA). The findings presented in the table above indicate that, like awareness of credit and loan products, there does not seem to be a significant relationship between age and awareness of investment and savings products. Much like what was found when examining awareness of credit and loan products, socio-economic indicators such as education, population group and economic status were found to be salient predictors of awareness of investment and savings products. It is evident from the above, that the wealthy, the better educated are more likely to be aware of such products. Interestingly, marital status was found to be a strong predictor of awareness with married South Africans far more likely to have heard of multiple investment and savings products than the non-married.

7.3.2. Investment and savings product holding

Having found that the awareness of saving and investment products is relatively low, we can assume that few respondents would be holding products of this kind. To test this assumption, respondents were asked: *"Can you tell me whether you currently hold any of these types of investment or savings products?"* Examining responses to this question can help to construct a general picture of savings and investment product holding, indicating what kinds of saving mechanisms are most commonly used. A majority of South Africans (51%) reported that they possessed none of the investment and savings products listed.

Figure 19: Number of different savings product holding types held, 2011 2012 (cell percentages)



None of the products listed were considerably popular. The most widely held investment and savings products were – unsurprisingly given that these products are so well-known – pension funds and stokvel funds. But only 12% of the population reported owning either of these investment products. Thereafter, there is a cluster of products that are held by less than a tenth of the adult population. Comparing 2011 and 2012, it is clear that the share of South Africans holding popular investment and savings products increased by a narrow marginal over the period although much of this increase was due to evidence of people using more informal saving methods (such as keeping cash at home). Indeed, the results suggest a mild downturn in the share of South Africans owning formal investment and savings products.

Table 21: Number of investment and savings product types holding, by personal attributes (mean scores, 0-11 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
National Average	0.7	0.7		
Male	0.7	0.8	n.s.	
Female	0.6	0.7		
Black African	0.6	0.6	***	*White>all other groups
Coloured	0.6	0.7		
Indian	1.0	0.7		
White	1.3	1.5		
Low LSM	0.3	0.4	***	*High> Low, Medium
Medium LSM	0.5	0.5		
High LSM	1.1	1.1		
Urban formal	0.8	0.9	**	*Urban informal < all other groups
Urban informal	0.5	0.5		
Traditional Authority Area	0.5	0.4		
Rural formal	0.6	0.5		
16-24 years	0.3	0.5	***	*35-49>16-24, 25-34 *50+>16-24, 25-34
25-34 years	0.7	0.6		
35-49 years	0.9	0.9		
50+ years	0.8	0.9		
No schooling	0.3	0.4	***	* Matric > Primary *Tertiary >No Schooling, Primary, Some Secondary, Matric
Primary	0.4	0.4		
Incomplete Secondary	0.4	0.5		
Matric	0.7	0.7		
Tertiary	1.8	1.7		
Not Married	0.5	0.5	***	*Married>Not Married
Married	1.0	1.1		

Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.
* indicates significance at the 10 percent level.

In the subgroup analysis, the table above presents significance tests based on Analysis of Variance (ANOVA). The findings presented in the table above indicate that, in contrast to what was found for awareness of saving and investment products, there does seem to be a significant relationship between age and the number of investment and savings product types held. Older South Africans were much more likely than their younger counterparts to hold multiple saving and investment product types. Unsurprisingly, socio-economic status was also a significant indicator with the better educated and the wealthy holding on average more saving and investment product types than other groups. Interestingly, marital status also a strong predictor of the number of savings and investment product types held as well as the number heard of.

7.4. Insurance Products

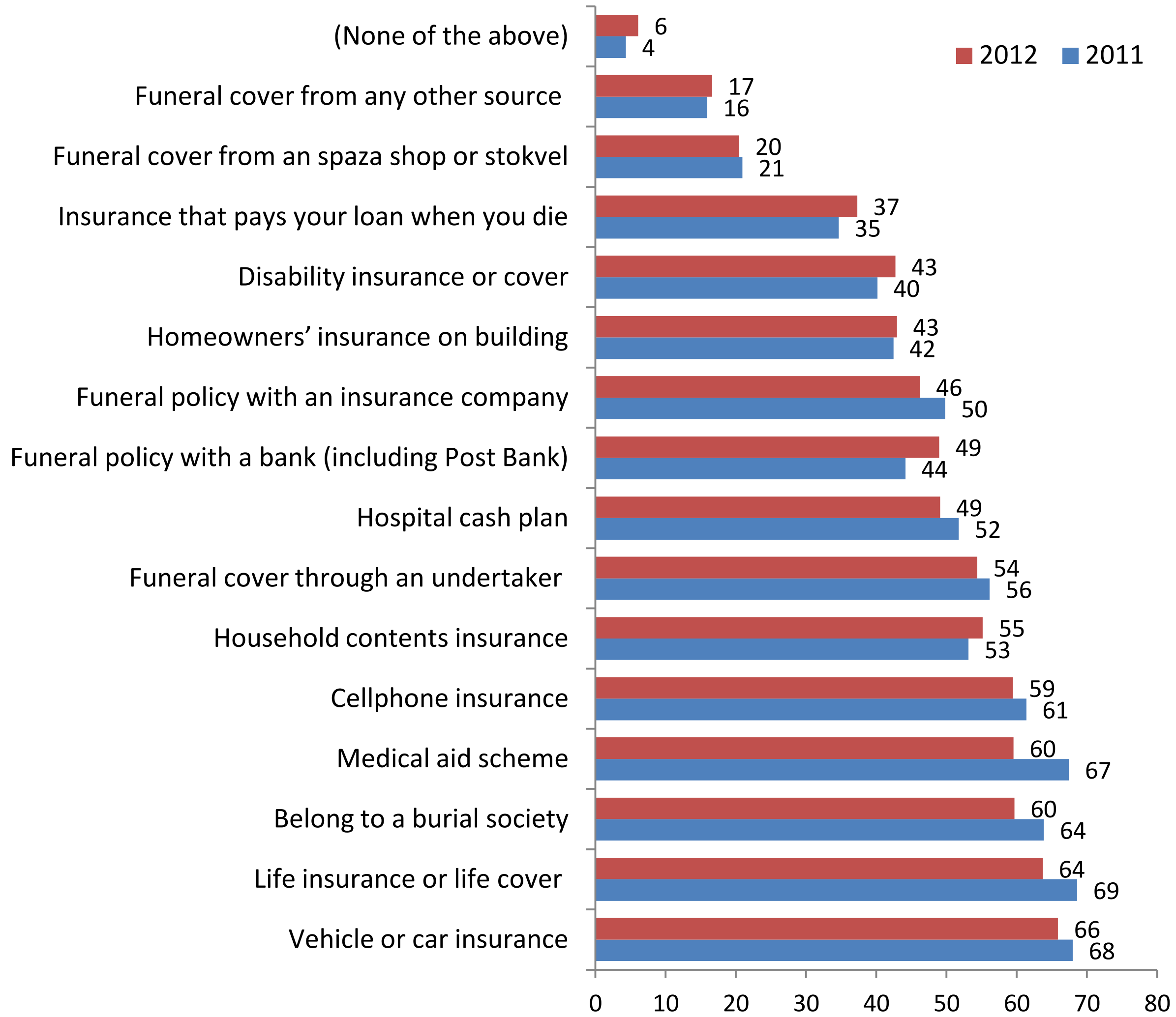
7.4.1. Awareness of insurance products

Insurance in some form has been the bedrock of economic activities for thousands of years. Insurance takes on particular importance in South Africa whose people are vulnerable to a myriad of health and economic shocks. But how well insured is the average South African and how aware are South Africans of the different insurance options available? In order to gain an answer to these questions, respondents were read out a list of eleven insurance products – this list was subdivided into short-term (asset) insurance products, long-term insurance products and financial insurance products, in order to measure their awareness of these products.

The figure below seems to suggest that the insurance product of which most South Africans are aware is life insurance (or life cover) followed by vehicle or car insurance and medical aid schemes. Interestingly, the adult population was less aware of a medical aid scheme in 2012 (60%) than in 2011 (67%) which suggest the declining popularity of this insurance product type. South Africans were also less aware of life insurance and car insurance although these differences may not be significant. If the other results for 2011 and 2012 are compared, it is evident that only minor differences were noted during the period with indications that South Africans were slightly less aware of formal insurance products like a hospital plan and household content insurance in 2012 than they were in 2011.

Less well known forms of insurance include homeowners' insurance, insurance that covers the deceased's debts, and funeral cover from a stokvel – suggesting the unpopularity of these kinds of insurance products due perhaps to cost and availability. Interestingly, more of the adult population was aware of a funeral policy with a bank in 2012 (49%) than in 2011 (44%). With regards to informal insurance products, a majority of South Africans had heard of a burial society as a form of funeral insurance, indicating the popularity of this kind of informal association. It appeared that awareness of this form of insurance had decline marginally between 2011 (64%) and 2012 (60%).

Figure 20: Level of awareness of different insurance products, 2011 2012 (cell percentages)



In the subgroup analysis, the table above presents significance test results based on Analysis of Variance (ANOVA). The findings of the table below indicate that South Africans were aware of, on average, 7.1 insurance product types. This was not significantly different to what was found in 2011. Despite the fact that women were found to be aware of fewer insurance products than men, this finding was not significant. This indicates that men are not more likely than women to be aware of different insurance types.

Table 22: Number of insurance product types aware of, by personal attributes (mean scores, 0-14 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
National Average	7.3	7.1		
Male	7.5	7.4	No Sign.	
Female	7.1	6.8		
Black African	6.6	6.2	***	* Coloured>Black African
Coloured	8.2	8.2		* Indian> Black African, Coloured
Indian	10.7	9.8		*White> Black Africa, Coloured
White	10.3	10.7		
Low LSM	4.7	3.8	***	* All mean scores are significantly different
Medium LSM	6.5	5.9		
High LSM	9.2	9.6		
Urban formal	8.2	8.4	***	*Urban informal < Urban formal
Urban informal	6.3	5.5		*Traditional Authority Area < Urban formal
Traditional Authority Area	6.0	5.1		*Rural Formal < Urban formal
Rural formal	6.8	5.9		
16-24 years	7.4	6.7	No Sign.	
25-34 years	7.3	7.4		
35-49 years	7.3	7.3		
50+ years	7.1	7.0		
No schooling	3.4	3.5	***	*Some Secondary>No Schooling, Primary
Primary	5.5	5.3		* Matric >No Schooling, Primary, Some Secondary
Incomplete Secondary	6.9	6.5		*Tertiary >No Schooling, Primary, Some
Matric	8.6	8.0		Secondary, Matric
Tertiary	9.1	10.2		
Not Married	7.0	6.6	***	*Married>Not Married
Married	7.8	8.2		

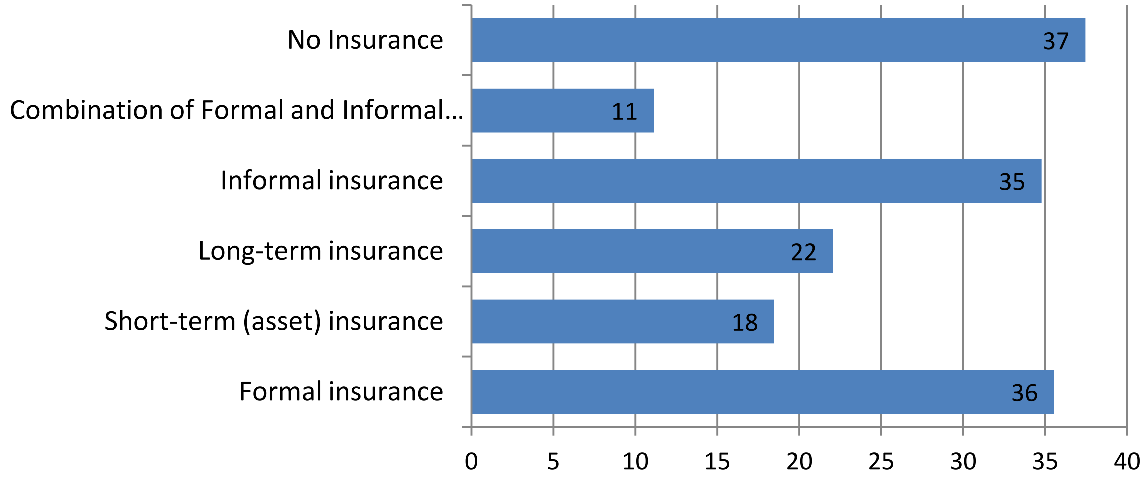
Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.

The results depicted in the table above reveal that considerable population group differences exist. Black Africans, in comparison to other groups, have heard on average about far fewer insurance product types. White South Africans had heard, on average, about more insurance product types than any other groups represented in the table above. This particularly distinct difference may be explained by socio-economic racial inequality. White South Africans are over-represented among the better educated and the affluent. These two characteristics –educational attainment and wealth –are strongly associated with insurance product type awareness.

7.4.2. Insurance product holding

The previous section appears to indicate a wide level of awareness of different insurance products. From this an assumption could be drawn that a majority of South Africans hold insurance products. Evidence in the survey seems to bear out this assumption – only a minority of South Africans (37%) in 2012 indicated that they did not possessed at least one insurance product. This compares favourably with 2011 when 44% reported not owning at least one insurance product. This increases the growing importance of insurance products to the South African financial consumer and the penetration of the marketplace by the insurance industry.

Figure 21: Insurance product holding in the main sub-categories (cell percentages)

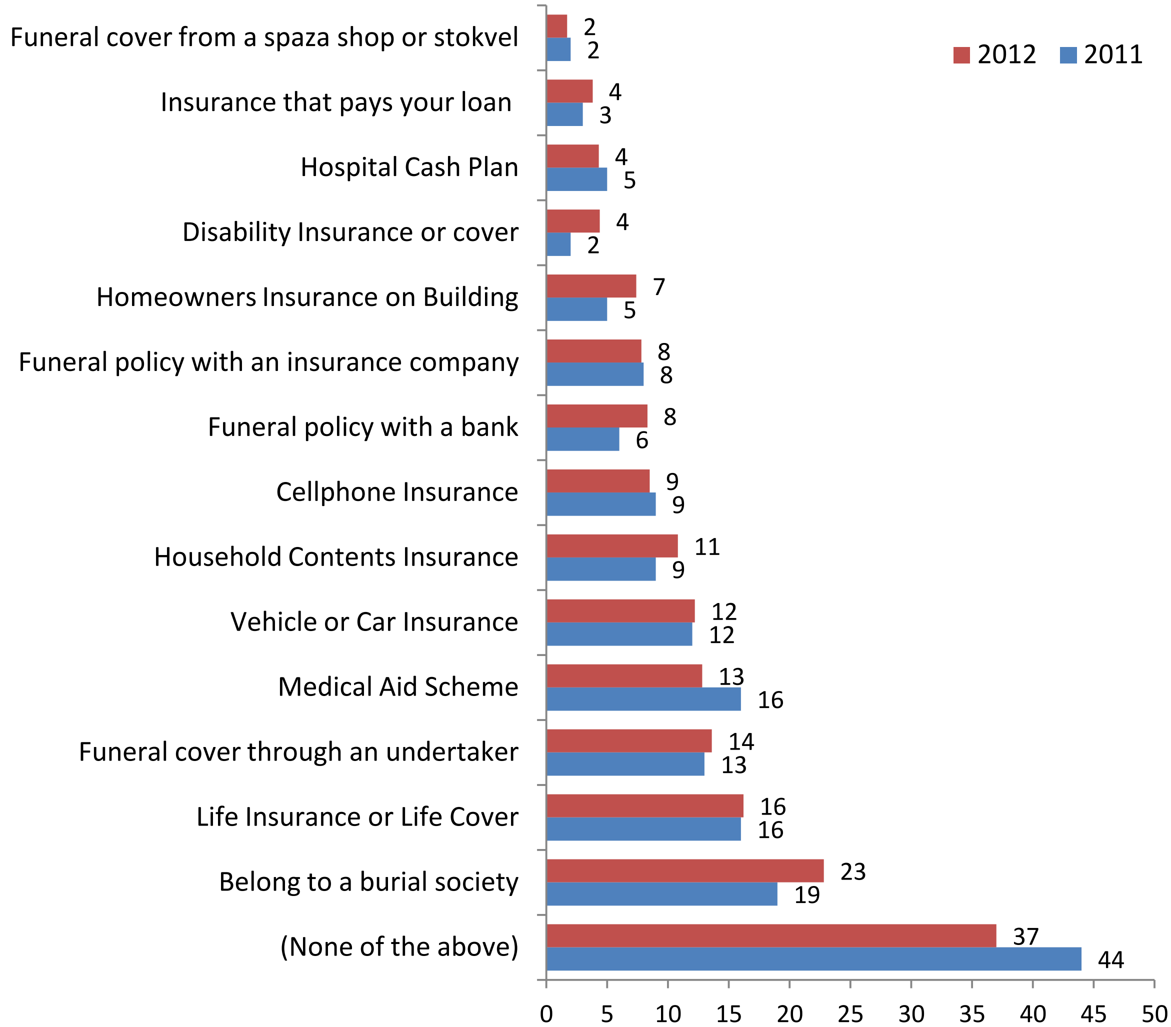


Both informal and formal forms of insurance products were found to be popular with the public. Interestingly, 36% of the adult population of South Africa held some form of formal insurance and 35% held informal insurance. It seems that informal insurance products are held by almost the same share of the population as informal insurance products. This indicates the demand for insurance from the poorer sections of the marketplace who cannot access or cannot afford formal insurance products. Some South Africans were found to hold a combination of the two types of insurance with 11% reporting holding both types. In terms of formal insurance, long-term insurance was found to be more popular than short-term (asset) insurance.

It is particularly revealing to note that the share of the public that owned at least one insurance product increased significantly during the period. In order to provide a more indepth analysis of insurance holding, it is necessary to provide a more detailed analysis of insurance product holding. The figure below shows the proportion of insurance held by the public in 2011 and 2012. The most popular insurance products were – unsurprisingly, given that these products are so well-known – burial societies, life insurance and medical aid schemes. However, none of the products listed was markedly more popular than the other. Thereafter, there is a cluster of products that are held by a tenth and less of the surveyed population.

It seemed that the share of South Africans who belonged to a burial society increased over the period of investigation. In 2011 19% of the adult public belonged to a burial society compared with 23% in 2012, which indicates the growing popularity of such institutions as insurance providers. A slight shift away from holding a medical aid scheme was noted during the period. In 2011 16% of South Africans held a medical aid scheme compared with 13% in 2012. More than people held household contents insurance in 2011 (11%) than in 2012 (9%). However, it is difficult to say if these findings represent the beginning of a trend.

Figure 22: Number of different insurance product holding types held, 2011 2012 (cell percentages)



In the subgroup analysis, the table above presents a significance test results based on Analysis of Variance (ANOVA). South Africans on average hold 1.3 insurance product types indicating the importance of this kind of financial product for many in the country. As with holding savings and investment products, marital status was found to be a strong predictor with married South Africans far more likely to hold multiple insurance product types than the non-married. Interestingly, women held on average fewer insurance product types than men. This difference, however, in insurance product holding was not significant.

Table 23: Number of insurance product types holding, by personal attributes (mean scores, 0-13 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
National Average	1.2	1.3		
Male	1.3	1.4	n.s	
Female	1.2	1.3		
Black African	0.9	0.9	***	* Coloured>Black African
Coloured	1.1	1.5		* Indian> Black African
Indian	2.2	1.6		*White> Black African, Coloured, Indian
White	3.3	3.5		
Low LSM	0.5	0.5	***	*High> Low, Medium
Medium LSM	0.7	0.7		
High LSM	2.2	2.3		
Urban formal	1.6	1.7	***	*Urban informal < Urban formal
Urban informal	0.6	0.6		*Traditional Authority Area < Urban formal
Traditional Authority Area	0.8	0.7		*Rural Formal < Urban informal, Traditional Authority Area
Rural formal	0.7	1.3		
16-24 years	0.4	0.6	***	*35-49>16-24, 25-34
25-34 years	1.1	1.2		*50+> 16-24, 25-34
35-49 years	1.7	1.7		
50+ years	1.8	1.9		
No schooling	0.6	0.6	***	* Matric >No Schooling, Primary, Some Secondary
Primary	0.8	0.9		*Tertiary >No Schooling, Primary, Some Secondary, Matric
Incomplete Secondary	0.8	0.8		
Matric	1.3	1.4		
Tertiary	3.2	3.2		
Not Married	0.8	0.9	***	*Married>Not Married
Married	2.1	2.3		

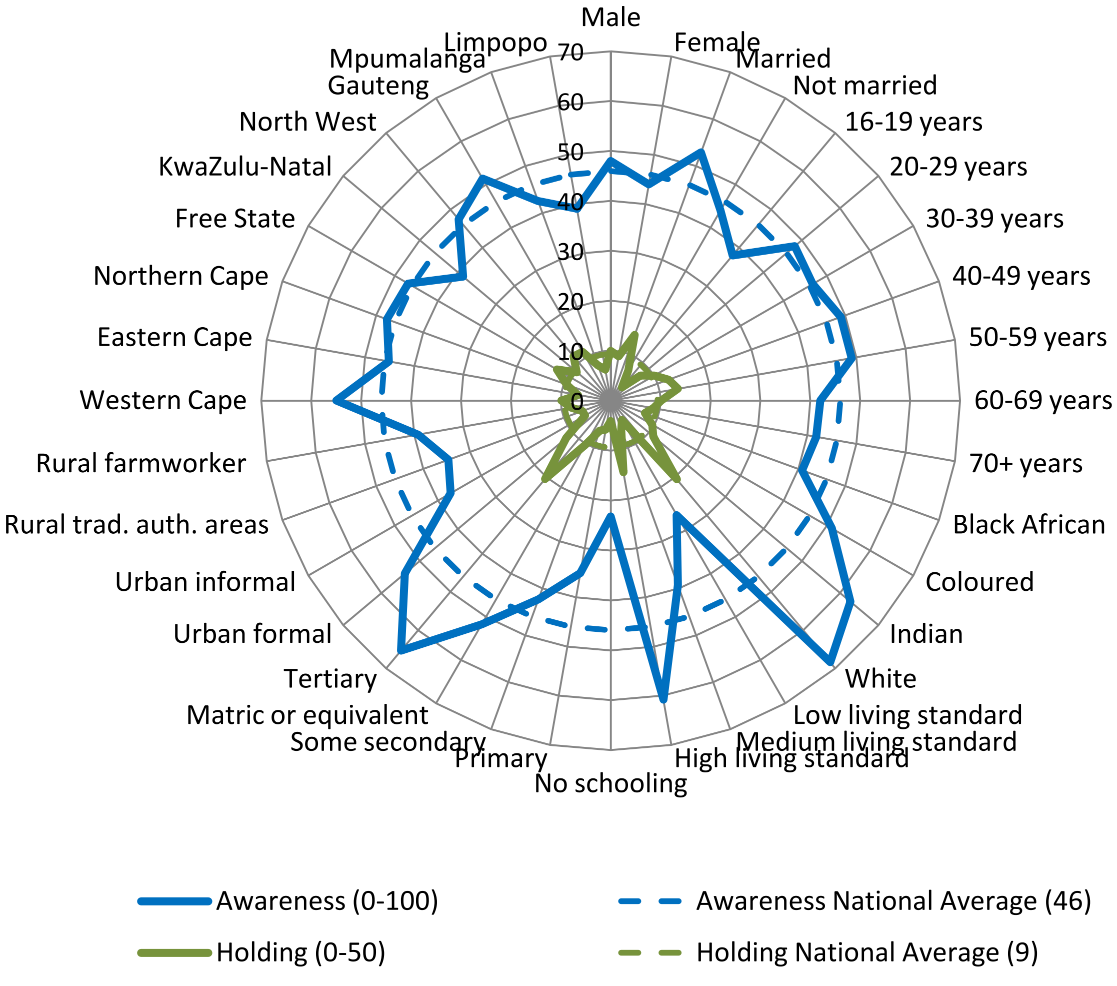
Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.

The findings presented in the table indicate, perhaps unsurprisingly, that age is strongly connected to insurance product holding with older South Africans more likely than their younger peers to hold multiple types of insurance. As with awareness of insurance product types, a strong racial divide was noted although this probably reflects the socio-economic divisions between race groups in the country. Predictably more wealthy South Africans were more likely to hold multiple insurance product types than their poorer counterparts. Educational attainment was also strongly associated with holding different insurance product types. Well educated South Africans were found to hold more insurance product types than the less educated.

7.5. Analysis of Total Financial Product Awareness and Holding

As the previous section discussed in detail, there were a number of key socio-economic characteristics were positively associated with the awareness and possession of financial product types in South Africa. In order to more adequately showcase these characteristics, it is necessary to construct a comprehensive product awareness score and a product holding score. The product awareness score is 0-100 with '0' representing the complete ignorance of all financial products and '100' perfect awareness of all financial products. The average product awareness score, as depicted in the figure below, is 46 which is a low level of average financial product awareness. The product holding score is 0-50 with '0' indicating that an individual does not hold any financial products and '50' which represents holding all 50 financial products listed in this study. The national average for the product holding score is 9, confirming that product holding in South Africa is low. Indeed, as is apparent from the figure below, there is a huge disparity between product awareness and product holding.

Figure 23: Financial Product Awareness Score and Financial Product Holding Score, by personal attributes



The figure above presents the product awareness score and a product holding score across key demographic and socio-economic groups. Interestingly, age is show to be a strong predictor of financial product choice, with older South Africans more likely than their younger counterparts to be aware of and hold multiple types of financial products. Marital status was also found to be a strong predictor, with married South Africans far more likely to have heard of and hold multiple financial product types than the non-married. A strong racial divide was noted, although this probably reflects the socio-economic divisions between population groups in the country. White South Africans are overrepresented among the better educated and the affluent. These two characteristics, educational attainment and wealth, are strongly associated with product type awareness and possession.

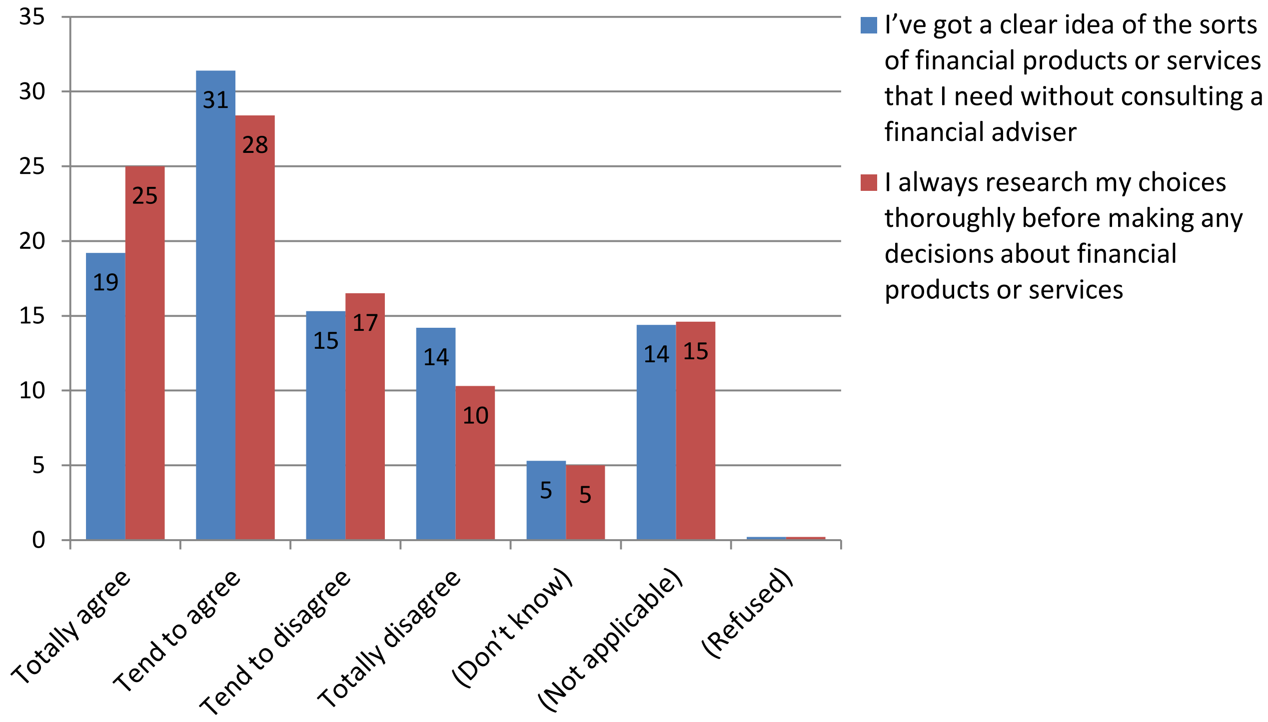
8. Financial Decision-Making

The previous section presented findings on financial product type awareness and financial product type ownership. However, questions on how many different types of financial products an individual is aware of does not, in of itself, tell us about financial decision-making. It is important therefore to analyse South African attitudes towards decision-making, focusing on seeking financial advice and market research. These questions were first identified in 2011 based on the results of the earlier 2010 study. The following section will showcase these results and give insight into how South Africans make decisions about financial product acquisition.

8.1. Research and Advice Seeking

The survey under discussion allows the researcher to enquire about the confidence of South Africans in their ability to make decisions without financial advice and the level of research done before decisions are made. However, these questions cannot be examined without some methodological caveats being considered. Approximately a fifth of the adult population did not answer the question, either stating ‘Not applicable,’ refusing to answer or responding ‘don’t know’. The question regarding whether South Africans always research their choices thoroughly before making a financial decision posed similar problems. A similar share of South Africans (20%) did not answer the question, either stating ‘Not applicable,’ refusing to answer or responding ‘don’t know’. Methodologically, these are problematic, since these responses cannot form part of the analysis.

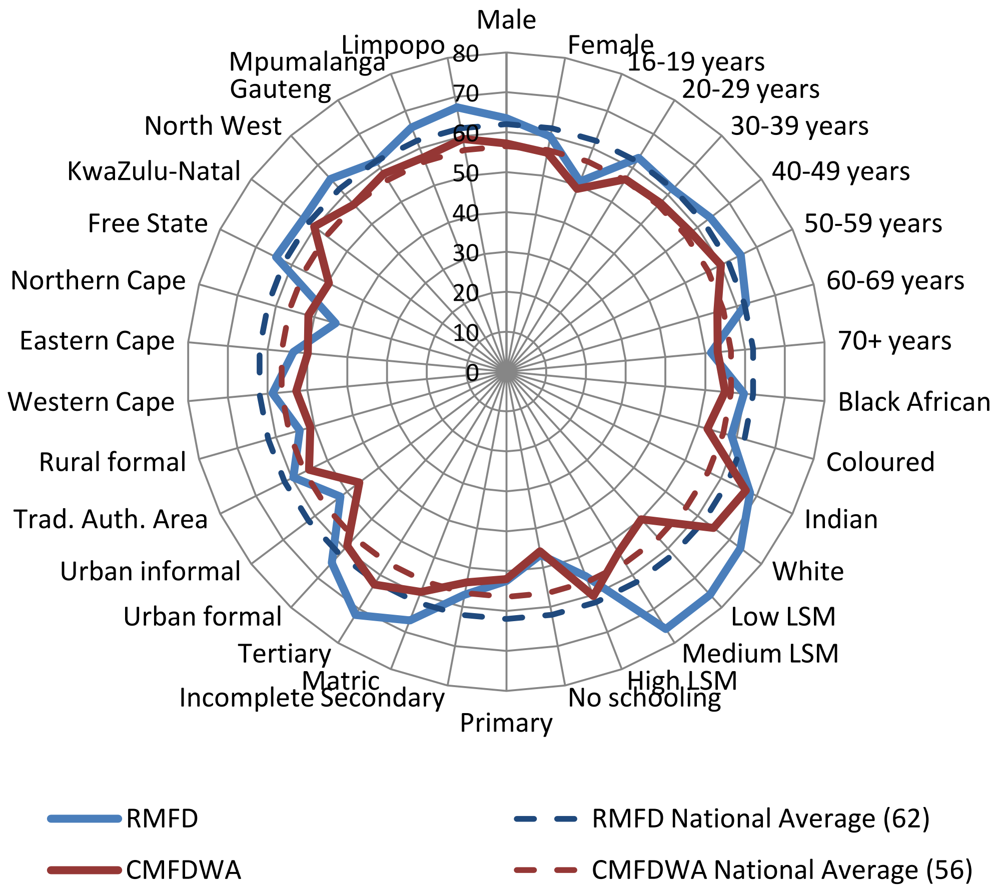
Figure 24: Aptitudes towards Financial Decision-Making (percentages)



Many South Africans tend to display high levels of confidence in being able to make financial decisions without consulting financial advisers. Of all adult South Africans, 51% agreed that were confident of their financial knowledge without seeking financial advice, compared to 30% who were not confident. This represents an increase in confidence since 2011 when only 44% of the adult population indicated that they got a clear idea of the sorts of financial products or services that they needed without consulting a financial advisor. Results from the 2010 and 2011 surveys confirm that South Africans generally source financial advice from multiple sources –family, churches, banks and financial advisors, to name a few. Only a minority did not source financial advice from anyone with 17.8% of the population stating that they 'would not ask anyone for help' in 2011. The most popular sources of financial advice were social. Almost half of the population sampled sought financial advice from a family member and more than a quarter from a friend. This indicates the importance of social networks in the financial decision-making process for many South Africans.

Many South Africans claimed that they researched thoroughly before making a financial decision. Of the population sampled, 53% claimed they had researched thoroughly, compared to 27% who admitted to not researching thoroughly. Unlike what was recorded for the confidence measure above, tendency to research financial decisions has not changed significantly since 2011. This indicates that the boost in confidence that was observed above is not due to a greater tendency towards financial research among South Africans. The results present above indicate that when making decisions about products the majority of South Africans, on balance, make the effort to undertake some research before acquiring a financial product. These findings corroborate the results from the 2010 baseline study which found of those individuals who had recently acquired financial products, nearly half (48%) maintained that they considered several products from different companies before deciding which product they preferred. Another fifth (19%) said that they contemplated the range of products available from one particular company before deciding which to opt for, a small proportion (6%) shopped around but realised that there were no other products to consider. Close to a fifth (18%) said that they did not shop around for different providers or products prior to choosing their product.

To understand sub-population differences in financial decision-making, a 'Confidence to Make Financial Decisions without Advice' (CMFDWA) and a 'Research to Make Financial Decisions' (RMFD) variable was created. Where necessary, the responses to the questions were reversed (so that larger scores represented greater levels of confidence for CMFDWA variable and a greater to research for the RMFD variable). As would be expected, education also seems to play a role when considering RMFD and CMFDWA scores. Those with high levels of educational attainment were more likely to believe they did not have to consult when compared to those with low levels of educational attainment. South Africans with low levels of education, like those with no schooling (CMFDWA =46 and RMFD ==47) and those with only primary schooling (CMFDWA =52 and RMFD ==53), had considerably lower scores than their more educated counterparts. This indicates that those with low educational attainment were unlikely to have a clear idea of the sorts of financial products or services that they needed without consulting a financial adviser or be able to conduct research before purchasing a financial product. Figure 25: Financial Decision-Making Behaviour, by personal attributes (mean scores, 0-100 scale)



Given the legacy of apartheid, it is unsurprising that Black Africans and Coloureds - historically disadvantaged in terms of education and income attainment - would have lower CMFDWA and RMFD scores than their White or Indian counterparts. Those in the high LSM had a great scores on both measures (CMFDWA =60 and RMFD ==68) than their counterparts in the medium (CMFDWA =53 and RMFD ==57) and low (CMFDWA =50 and RMFD ==52) LSM groups. Similar results were evident mean scores are compared across the different household income quintiles as in the table above. Material household conditions seem to assist in the ability to research before making financial decisions. This indicates that the poor have a much more significant disadvantage than their more wealthy counterparts when making such decisions. The table below further investigates CMFDWA and RMFD mean differences among economic subgroups.

Table 24: Attitudes towards Decision-Making, by household and individual deprivation attributes (mean scores, 0-100 scale)

	RMFD		CMFDWA	
	Mean Score	Significance	Mean Score	Significance
Main Source of Household Income		**		No sign.
Salaries	64		57	
Remittances	62		59	
Pensions or grants	57		54	
Agriculture	46		65	
Other	69		54	
Household Income Quintiles		***		***
Poorest Household Quintile	54		53	
Quintile 2	55		52	
Quintile 3	57		52	
Quintile 4	66		58	
Richest Household Quintile	72		65	
Employment Status		***		*
Employed Full-time	71		62	
Employed Part-time	52		54	
Discouraged Work Seeker	56		55	
Unemployed	59		54	
Student	60		57	
Retired	59		52	
Labour Inactive	57		54	

Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.
* indicates significance at the 10 percent level.

As the table above reveals, employment status was an equally strong predictor of RMFD with those in full-time employment having significantly higher scores (71) than other groups. However, according to the results from the above table, employment status was a far weaker predictor of the CMFDWA variable although it was significant at the 10 per cent level. Main source of household income had predictive power in the case of the RMFD variable with those receiving remittances and salaries as their main source of employment reporting higher RMFD scores (64 and 62 respectively) than those receiving social grants (57) or surviving by agriculture (46). However, main source of household income was not a significant indicator predicting CMFDWA.

8.2. Decision-Making and Regret

Making decisions about finances is often a difficult process. And even the best researched financial decision can be wrong and therefore, it is worth asking if South Africans regret their financial decisions. Respondents were asked if they had made any financial decision in the last 12 months that they had regretted. Approximately 80% of respondents did not answer the question, stating 'None of the above'. A further 3% either refused to answer or responded, 'Don't know'. This may suggest that the vast majority of the South African population did not make any financial decision in the last 12 months that they regretted or perhaps they felt reluctant to admit to past mistakes.

Table 25: Type of financial decision regretted by South Africans (cell percentages)

		Population Group				LSM		
	Total	Black African	Coloured	Indian	White	Low	Medium	High
Savings or investments	34	36	39	18	16	29	43	28
Home loan	12	14	16	2	1	20	13	9
Loan or credit agreement	20	19	30	16	18	33	10	23
Insurance of any type	13	14	11	16	6	18	10	12
Tax	5	4	18	0	1	10	3	7
Managing credit/debit	23	22	17	18	34	11	19	27
Don't Know	14	13	18	30	12	12	17	11
Refused	3	1	1	10	12	0	1	5

Respondents were asked a question about whether an individual had in the last five years discovered a financial product that she/he had been paying for, but was unsuitable to his/her needs. Only 11% of the population indicated that they had discovered an unsuitable financial product in their portfolio in the last five years. Interestingly this is almost twice what was reported in 2011 when the same question was asked. As socio-economic indicators -such as educational attainment and wealth status -were found to be determinants of holding different types of financial products, it is not surprising that South Africans who are better educated and more wealthy are more likely than their poorer and less educated counterparts to discover a financial product that is unsuitable to their needs.

9. Financial knowledge and understanding

In order to understand financial literacy in South Africa, it is necessary to understand the extent of the financial knowledge that an individual possesses. In 2010 the SASAS research team designed a module to measure South Africans' understanding of inflation, risk, interest and consumerism. This module was repeated in 2011 and 2012. The following section will explore responses to this module over the period under examination outlining the level of financial knowledge at a national as well as by subgroup level.

Table 26: Responses to the Financial Literacy Knowledge Quiz, 2010-2012

	Basic arithmetic (division)			Inflation			Interest paid on a loan			Interest rates			Compound interest		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Correct numerical answer	86	85	80	23	23	26	64	64	66	45	49	45	41	39	37
Other numerical answers	13	4	5	48	33	32	23	19	17	24	15	17	29	25	28
Impossible to tell from the Information	-	-	-	-	-	-	-	-	-	-	-	-	4	4	4
(It depends)	0	0	0	0	15	16	0	0	0	0	0	0	0	0	0
Irrelevant answer	1	1	4	2	3	3	2	3	4	3	3	8	2	4	4
Don't know	7	9	10	12	15	13	10	12	12	26	30	28	23	26	24
Refused	1	1	1	1	1	1	2	2	1	2	2	2	1	1	2
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

9.1. Financial Literacy Quiz

A core component of the financial literacy survey was a set of questions that were administered in the form of a quiz, in order to provide an assessment of the familiarity and proficiency of South Africans with basic financial concepts. This quiz is used to examine how South Africans understand the financial world. The items test knowledge of concepts such as mathematical division, inflation, interest rates and compound interest.

9.2. Basic arithmetic

An overwhelming majority of respondents are able to supply the correct numerical answer to the first quiz item on mathematical division. The specific item asked was: "*Imagine that five friends are given a gift of R1 000. If the friends have to share the money equally, how much does each one get?*" Only small percentages of respondents provided incorrect or irrelevant answers (13% and 1% respectively), with a tenth (7%) indicating that they did not know the answer. Unsurprisingly education was the strongest predictor of whether an individual would answer this question correctly, with the better educated more likely to answer correctly. Interestingly the share of the adult population answering this question correctly grew between 2010 and 2012. In 2010 only four-fifths answered the question correctly compared with almost nine out of ten (86%) in 2012.

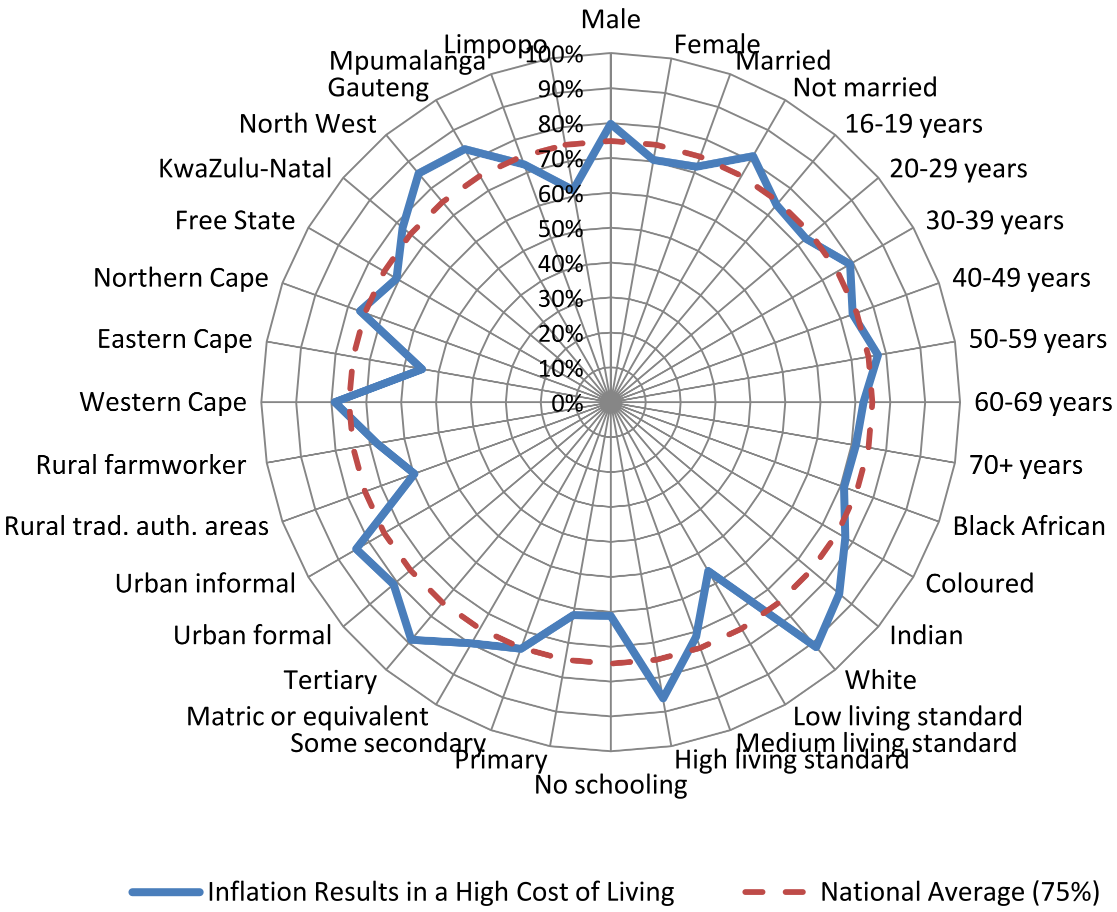
9.3. Understanding of inflation

The second item explored knowledge of inflation by asking people to imagine that brothers have to wait for one year to get their share of R1,000. In one year's time will they be able to buy: (a) More with their share of the money than they could today; (b) The same amount; or (c) less than they could buy today; (d) It depends on inflation; and (e) It depends on the types of things that they want to buy. Barely a quarter (23%) chose the response that was expected (i.e. the brothers would be able to purchase less in a year than today), with almost half the population (48%) stating that the brothers would be able to buy more or an equivalent amount in a year's time relative to today.

If 2012 is compared with 2011, it is apparent that more people answered this question incorrectly in 2012 when compared with 2011. But what renders this question complicated from an assessment perspective is that there was an additional response option that was not read out to the respondents, namely "*It depends on the types of things that they want to bu*y". Overall, this response was mentioned by 13% of adult South Africans in 2012. In 2010 one in ten adult South Africans argued that it depended on the types of things that they wanted to buy and 16% answered that it depended on inflation. A similar proportion of the population responded in this manner in the 2011 survey. It was argued in the 2010 baseline study as well as in the more extensive 2011 financial literacy report that, in the South African context, those responding in this manner actually possess a good grasp on inflation.

In an additional inflation-related quiz question, respondents were asked whether they felt the statement, "*Inflation means the cost of living is increasing rapidly*", was true or false. An estimated 76% nominated that this was a truthful assertion, with only 15% declaring it false and 9% uncertain. This suggests a greater awareness of the inflation concept than could be discerned from the previously-discussed item. This indicates that the majority of South Africans have some basic understanding of the effect that inflation has on their daily lives.

Figure 26: Perceptions on the impact of inflation by personal attributes, (percentages)



Investigating how South Africans understand the impact of inflation, responses to the above item were disaggregated across key demographic, social and economic subgroups. As can be seen in the above figure, there is some variation in the awareness of the impact of inflation. Interestingly, women were less likely, when compared to men, to make the link between high inflation and the cost of living. White and Indian South Africans were aware of the impact of interest on the cost of living than their Black African and Coloured counterparts. Strong geographic disparities were also noted with urban dwellers (whether located in formal or informal spaces) more likely than their rural counterparts to understand the impact of inflation on the cost of living. Unsurprisingly education was a strongly salient predictor with the better educated more likely to be aware of the impact of high inflation.

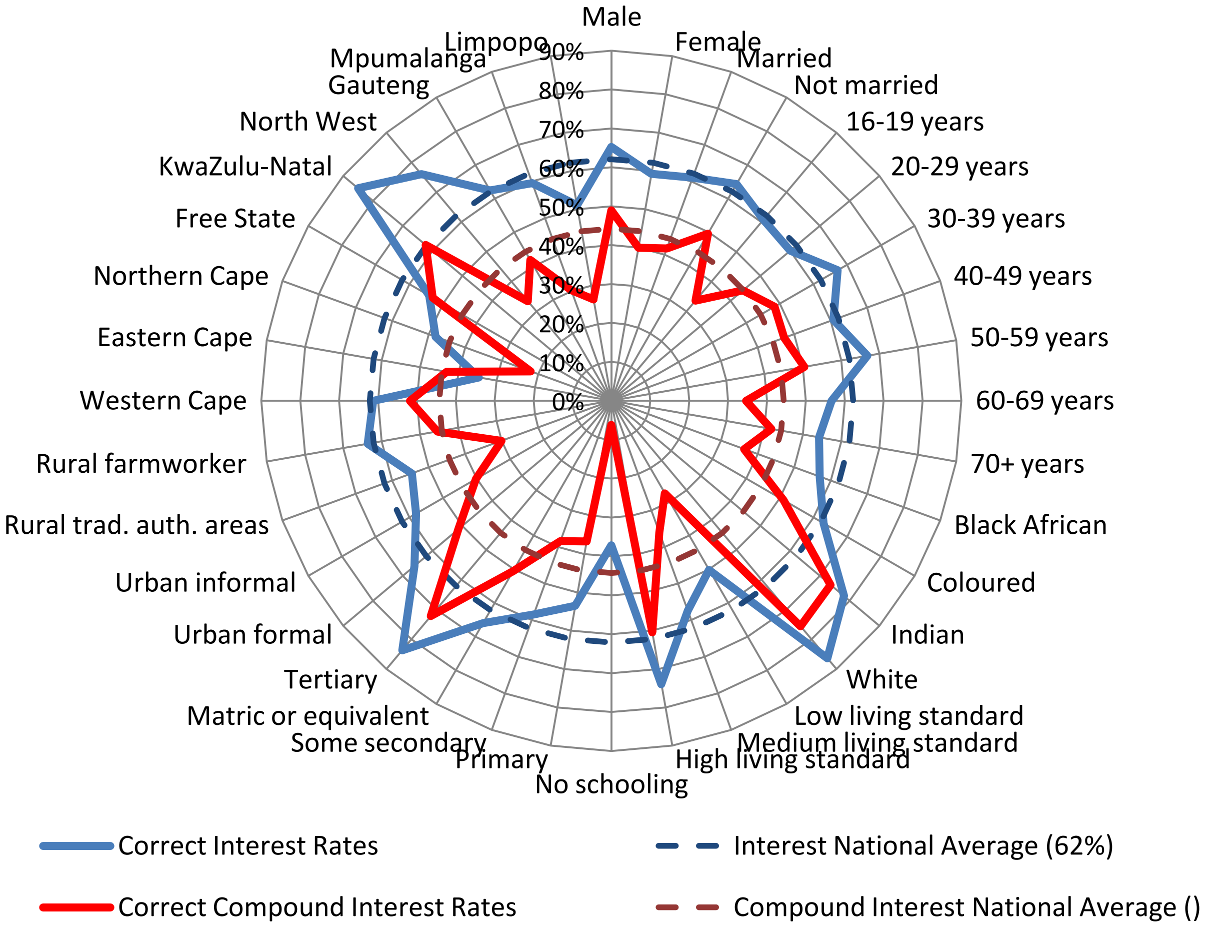
9.4. Understanding of interest and compound interest

The third quiz item regards interest and interest rates. The statement read by interviewers was as follows: “You lend R25 to a friend one evening and he gives you R25 back the next day. How much interest has he paid on this loan?” Approximately 64% of the adult population issued a correct response to the paying of interest on a loan. A total of 23% reported an incorrect answer with 2% issuing irrelevant answers and around a tenth (10%) voicing uncertainty. The subsequent item on interest suggests that South Africans struggled with this element of financial literacy.

Respondents were asked to estimate how much would be in a savings account after a year, assuming a 2% rate on an initial R100 deposit. Only 45% provided a correct response while 24% answered incorrectly, and 3% offered irrelevant answers. What is telling is that more than a quarter of the population (26%) stated that they did not know the answer. If the results from 2012 are compared to our findings from 2011 and 2010, it is apparent that the share answering this question correctly did not change significantly over the period. The proportion of adult South Africans giving an incorrect answer on the interest rate question and compound interest question, however, was greater in 2012 than in 2011 and 2010.

In order to understand how responses to the interest rate items discussed above differ across subgroups, correct answers to the items were distributed across socio-economic characteristics in the above figure. The first interest rate item was the question: “You lend R25 to a friend one evening and he gives you R25 back the next day. How much interest has he paid on this loan?” While the second interest rate item was the question: “Suppose you put R100 into a savings account with a guaranteed interest rate of 2% per year. You don’t make any further payments into this account and you don’t withdraw any money. How much would be in the account at the end of the first year?” The first question tested understanding of the concept of financial interest while the second test knowledge of compound interest.

Figure 27: Correct Answers to the Interest Rate Items by personal attributes (percentages)



When examining the responses to the items depicted in the figure above it is clear that there is highly varied distribution of response with certain subgroups differing distinctly from one another. Marked differences are noted along socio-economic divides with better educated, wealthier individuals more likely to answer the interest rate questions correctly. White and Indian respondents were more far likely than their Black African and Coloured counterparts to give a correct answer to these questions. Interestingly there were wide differences in knowledge of interest rates between different provinces with poorer more rural provinces. Individuals residing in the Eastern Cape and the Northern Cape reported the lowest proportions of correct response when compared to other provinces. KwaZulu-Natal had particularly high rate of correct answers on the interest questions. Interestingly, it appears that isiZulu-speakers were more likely than other Black African groups to answer both the interest and compound interest questions correctly. More research is needed to understand the high level of correct response found in KwaZulu-Natal.

Table 27: Responses to the Interest and Compound Interest Questions, by household and individual deprivation attributes (mean scores, percentages)

	Interest Rate Question		Compound Interest Question	
	% Correct	Significance	% Correct	Significance
Main Source of Household Income		***		***
Salaries	69		52	
Remittances	63		39	
Pensions or grants	54		34	
Agriculture	51		34	
Other	74		38	
Household Income Quintiles		***		***
Poorest Household Quintile	50		30	
Quintile 2	56		38	
Quintile 3	65		51	
Quintile 4	67		45	
Richest Household Quintile	76		64	
Employment Status		***		***
Employed Full-time	75		60	
Employed Part-time	68		48	
Discouraged Work Seeker	63		42	
Unemployed	59		42	
Student	62		37	
Retired	57		39	
Labour Inactive	62		45	

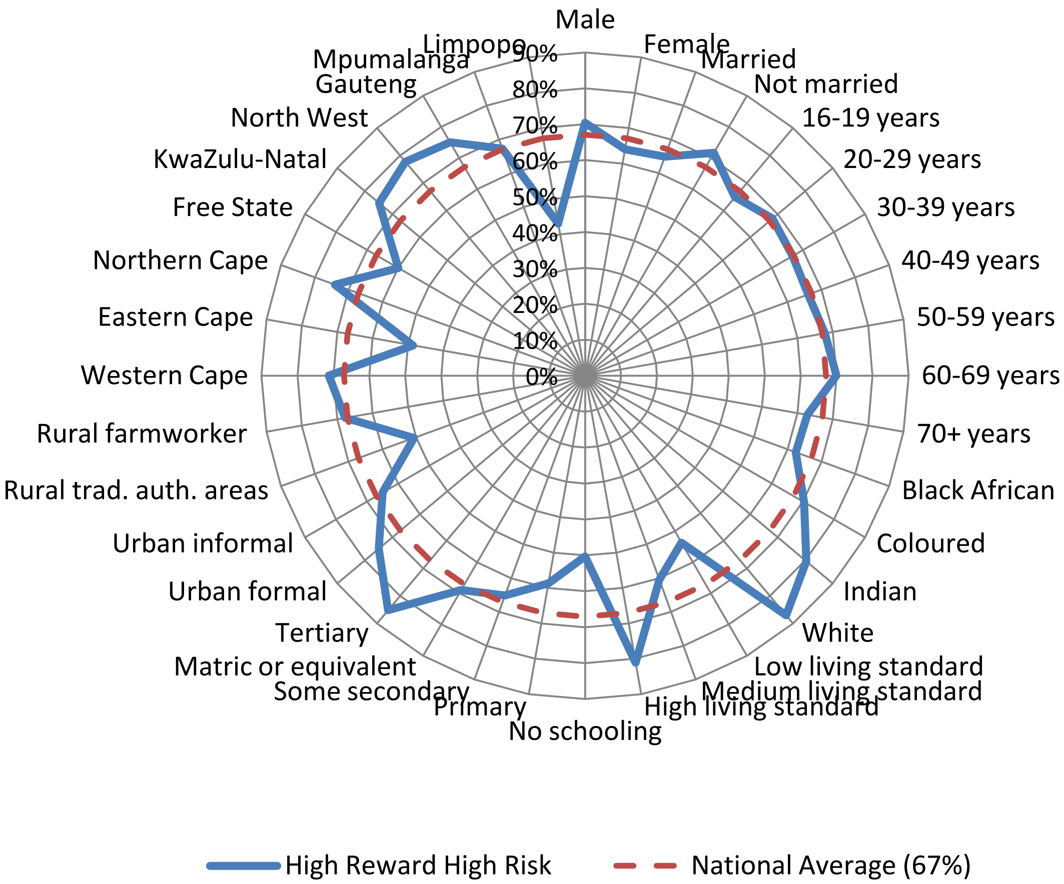
Note: *** indicates significance at the 1 percent level.
** indicates significance at the 5 percent level.

Responses to the interest rate and compound interest questions were distributed unevenly across employment status. A low share of discouraged work seekers, the unemployed and the retired answered both questions correctly. Those in full-time employment were far more likely to answer these questions correctly, particularly the compound interest question. Main source of household income was also an important predictor of financial knowledge. Those individuals in households with salaries as their main source of household income reported greater knowledge than those with social grants as their main source. This was particularly evident when investigating responses to the compound interest question.

9.5. Understanding investment risk and return

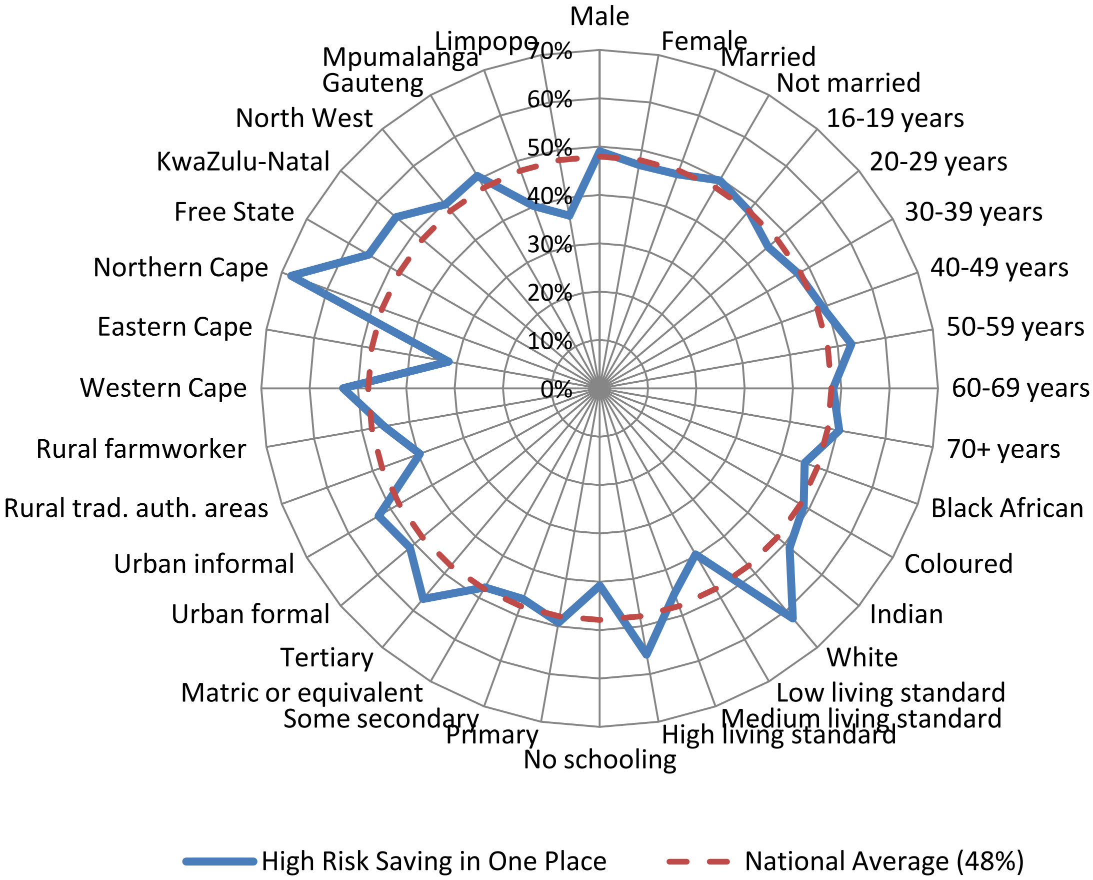
Three questions were also included in the quiz that was designed to capture the ability of respondents to weigh up risk and return on investments. It would seem that South Africans are quite sceptical about potential investments that offer the prospect of getting rich quick, with 68% believing that if someone offers them the chance to make a lot of money it is likely that there is also a chance that you will lose a lot of money. In 2011 South Africans were slightly more sceptical about potential high reward investments than they were in 2012. In 2011 a fifth of the adult population (22%) disputed the likelihood of loss in relation to investments promising sizeable returns compared with more than a quarter (26%) in 2012.

Figure 28: High Risk and High Reward awareness across personal attributes (percentages)



Investigating how sceptical South Africans were of potential investments that offer the prospect of getting rich quick, it is necessary to disaggregate the above results across important socio-economic characteristics. Educational attainment was a relevant predictor of sceptical attitudes towards risk-taking. Those with high levels of educational attainment are more likely to be sceptical compared to those with low educational attainment. Those with tertiary education (86) were significantly more willing to take risks than those with low levels of educational attainment such as those with no schooling (50) and primary education (59). Indeed, it is possible to suggest a link between risk-taking and educational attainment. Educational attainment may lead to higher levels of confidence among potential investors, as educational attainment may be linked to financial literacy. This confidence may make the better educated more willing and able to take risky decisions regarding investments. Interestingly, men were more likely than women to be sceptical about financial risk-taking.

Figure 29: Attitudes towards Savings and Risk across personal attributes (percentages)



By contrast to what was discussed above, there appears to be more ambivalence about whether an individual is less inclined to lose all his/her money if it is saved in more than one place. Only 48% believed this statement to be true, with 43% disagreeing and 8% unsure how to respond. Therefore, it is apparent that the South African public either lacks knowledge or is sceptical about the potential gains from diversifying one's savings across different products or institutions. In 2011, South Africans were found to be slightly more naïve about saving strategies with 46% of the population disagreeing with the statement.

Table 28: Attitudes towards Risk and Return, by household and individual deprivation attributes (mean scores, percentages)

	High Risk High Reward		Savings and Risk	
	% True	Significance	% True	Significance
Main Source of Household Income		***		**
Salaries	74		52	
Remittances	62		38	
Pensions or grants	59		48	
Agriculture	51		25	
Other	77		55	
Household Income Quintiles		***		No sign.
Poorest Household Quintile	57		45	
Quintile 2	62		46	
Quintile 3	67		44	
Quintile 4	70		48	
Richest Household Quintile	82		55	
Employment Status		***		**
Employed Full-time	78		54	
Employed Part-time	68		55	
Discouraged Work Seeker	62		51	
Unemployed	63		42	
Student	65		48	
Retired	68		54	
Labour Inactive	70		51	

Note: *** indicates significance at the 1 per cent level.
** indicates significance at the 5 per cent level.

Economic position seems to be an important determinant of attitudes towards risks. Those in the high LSM category had a greater tendency to be sceptical (82) than their counterparts in the medium (61) and low (54) LSM categories. A materially better-off household may be more exposed to risk-taking behaviour and therefore more sceptical about such behaviour as the data in the table above on income quintiles shows. Exposure to financial risk-taking may explain disparities in attitudes noted between spatial locations with individuals dwelling in traditional authority areas less likely to have sceptical attitudes when compared to other areas. This signals that the poor are at a significant disadvantage compared to their more wealthy counterparts when making risky financial decisions.

As with attitudes towards risky ventures, attitudes towards saving and risk seem to be unevenly distributed across indicators of economic position. Those in the high LSM category had a greater tendency to be risk-adverse in their saving strategies when compared to than their counterparts in the medium and low LSM categories. Those who had salaries as their main source of income were more likely to be aware of risk than those who received remittances or social grants as their main source. Those who received remittances as their main source scored particularly low when discussing if an individual is less inclined to lose all his/her money if it is saved in more than one place. Similarly educational attainment was a relevant factor in determining attitudes towards saving strategies. Those with high levels of educational attainment are more likely to be sceptical about saving their capital in one location compared with the less well educated.

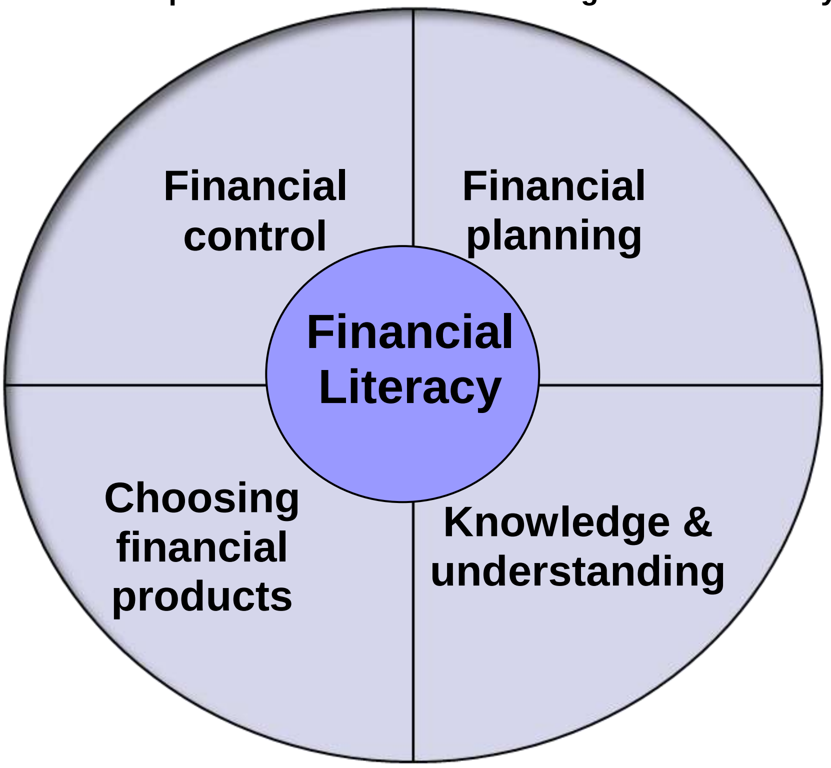
10. Measuring financial literacy

10.1. Conceptualisation

Since 2012, it has been possible to create score for financial literacy in South Africa. At the time there was a growing concern about South Africa's lack of knowledge about the financial literacy of consumers. The score designed in 2011 by the South African Social Attitudes (SASAS) research team using a 2010 baseline survey. The intention was for the FSB to monitor financial literacy on an annual basis (or at least periodically). The score created in 2011 is both replicable and comparable. The methodology used to create the score is such that (should there be sufficient information) another researcher would be able to achieve the same results using the same data. In addition, the scores permits the construction of variables should be such as to enable South African data to be compared to other countries.

The OECD definition of financial literacy states that financial literacy is comprised of a combination of awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. Measuring financial literacy requires therefore an understanding of the multi-dimensional character of this combination of awareness, knowledge, skills, attitude and behaviour. This demanded a sophisticated methodological approach. The intention of approach was to: (i) set a baseline for current national financial literacy levels; (ii) set baselines for various socio-demographic subgroups; (iii) identify priorities in terms of assisting which subgroups to target; and (iv) measure success by comparing the baseline to repeated measures. These intentions were part of the mandate of the FSB and are informed by the Consumer Financial Education Policy.

Figure 30: Conceptual framework for measuring financial literacy



The multi-dimensional nature of financial literacy is recognised by the OECD methodology which subdivides financial literacy into four domains. These domains are: a) financial control b) choosing and using appropriate financial products c) financial planning and d) knowledge and understanding. These domains are outlined in the figure below. The present section presents that methodology in detail to reveal how the financial literacy score was created.

The methodology used to create the financial literacy score employed the OECD/INFI methodology. The OECD methodology is an international benchmark, renowned for its well-researched criteria and thoroughly tested methodologies. By using this methodology the results of our analysis would be comparable at a cross-national level, meeting a key mandate of the FSB. From a methodological perspective the OECD measurement variables were centred on a specific set of questions. By following them the SASAS research team was able to monitor financial literacy with a very manageable and fairly low quotient of questions. This approach allowed us to provide cost-efficient high quality data to the FSB.

10.2. Analytical guidelines followed and steps undertaken to construct the index.

In order to undertake this study, the research team followed key analytical guidelines. Since it will be important to undertake future studies of this nature, the method and guidelines followed are discussed in this section. One of the most important aspects of the process followed in this study was the grounding of the analysis in a strong theoretical framework. The theoretical conceptual framework used in this study was derived from the OECD which specifies certain questions to be used in order to be able to determine scores in the financial control, financial planning, product choice and knowledge domains. This theoretical framework informs the methodological construction of almost all aspects of the index under discussion.

In order to discern the data required for the creation of the index under review, and following the theoretical framework outlined above, the research team relied on the OECD framework. The index depended on the questions that the OECD isolated as important for the four domains. In order to ensure international comparability and comparability over time, the exact OECD questions were utilised. An additional advantage of using these questions was that they have been tested for analytical soundness, measurability and relevance to the phenomena being measured and their relationship to each other. Given the method of selection used, it was important to normalise all the questions or indicators. All questions were transformed to render them comparable. Each question (or in the case of subgroups of questions) was converted to a 0-100 scale to enable the researchers to compare and plot findings of the various domains on a single platform. The higher the score on the 0-100 scale, the higher the score on financial literacy.

The normalisation process described above as well as the demands of analytical reliability, it is necessary for the research team to highlight the weighting and aggregation used for the index under review. Each indicator or variable, regardless of the domain, was given an equal weight. Although this can be construed as simplistic, the rationale was that the researchers did not have enough evidence to underpin decisions that did not assume an equal weighting approach. Aggregation was also done by adding the variables together. The four domains, financial control, financial planning, product choice and financial knowledge were also weighted equally. None of the domains contributed more to financial literacy than the next one.

To adequately capture the scale of financial literacy in South Africa, and provide for the first time in our young democracy's history a holistic measure for financial literacy, a multi-domain approach was used. The research team constructed, after thorough analysis, five final scores: one for each domain: namely, financial control, financial planning, product choice and financial knowledge. Once these scores were calculated, a final financial literacy score was calculated based on all of the four scores. In a last analytical step, regression analysis was performed to examine the relationship between basic demographic and the respective domains. The value of a regression is that it tests the independent variables (subgroups) controlling for all the other variables in the model.

10.3. Measuring financial literacy

In creating the domains discussed above, common definitions had to be found for each financial domain. These definitions, first compiled in 2012, are presented below:

- **The financial control domain**: someone with high financial control tends to be involved in daily financial decision-making processes, exhibits careful approach to personal finances, prefers saving over spending money and lives in a household that budgets and is able to make ends meet.
- **The financial planning domain**: someone with a high financial planning score tends to set financial goals and work hard to meet them, prefers to save for the long term and worries about tomorrow, has emergency funds in place and has managed to save recently (through a formal savings product or informal means).
- **The product choice domain**: A higher product choice score is given to an individual (A) with a broad awareness of different types of banking, credit/loan, savings and investment, and insurance products; (B) holding at least one of each of the four product types mentioned above; (C) who believes they have a clear understanding of their product needs and who undertakes detailed research before choosing a product; (D) who has no regrets about recent financial product decisions (last year) and who has not taken an unsuitable product (last 5 years).
- **The financial knowledge and understanding domain:** someone with high financial knowledge and understanding has a familiarity with most or all of the following basic concepts: basic mathematical division, effects of inflation, interest paid on loans, interest on deposits, compound interest, risk of high return investments, effects of inflation on cost of living and risk diversification.

In the 2012 Financial Literacy Report, certain questions had to be isolated and transformed into core measures of financial literacy. This same process is followed for the 2013 report. The table below indicates the core questions used to measure each domain. In order to create an overall financial literacy score, 31 questions were used, eight to construct the financial control domain, five for the financial planning domain, twelve for the product choice domain and eight for the financial knowledge domain. The exact question numbers used are presented in the table below; please see the appendix for corresponding questions.

Table 29: Domains of financial literacy and questions in the domains

Elements of financial literacy	Relevant questions
Financial control	Q111-Q115, Q117, Q119, Q123
Financial planning	Q116, Q120, Q121, Q122, Q130
Choosing products	Q124-Q135
Knowledge understanding	Q137-Q144

In order to enrich the report, regression analyses were done. This multivariate methodology was carried out in order to understand and explore the relationships between certain dependant variables and basic characteristics (independent variables) of the survey respondents. More specifically, five regressions were undertaken.

I. A first regression explores the relationship between financial control and select socio-demographic variables.
II. A second regression explores the relationship between financial planning and select socio-demographic variables.
III. A third regression explores the relationship between choice and holding financial products and select socio-demographic variables.
IV. The fourth regression explores the relationship between financial knowledge and select socio-demographic variables.
V. The fifth and final regression explores the relationship between the financial literacy score and select socio-demographic variables.

An examination of each individual financial domain score and each regression model will allow the identification of common trends and themes. In addition the report will present mean scores for each financial domain score to permit a greater idea of financial literacy across different subgroups in post-apartheid South Africa. Vulnerable subgroups will be identified and relationships between socio-demographic variables will be investigated.

10.3.1. Financial control

The financial control score constructed for this study measures whether an individual score tends to be involved in daily financial decision-making processes, exhibits careful approach to personal finances, prefers saving over spending money and lives in a household that budgets and is able to make ends meet. The average South African currently scored 61 on this domain. This is higher than what was found in 2011 (58) but is still consistent with the findings of the 2012 Financial Literacy Report which indicates that the measure is working well. The financial control domain was analysed using the following questions: Q111-Q115 as well as Q117, Q119 and Q123. For a description of how these questions were recoded and scored, please refer to Appendix B.

Table 30: Financial control score, by personal attributes (mean, 0-100)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
South Africa	58	61		
Male	59	60	*	Female > male
Female	57	63		
16-19 years	42	46	***	
20-29 years	52	55		
30-39 years	62	64		
40-49 years	62	69		
50-59 years	64	68		
60-69 years	65	68		16-19 < 20-29 < all other age groups
70+ years	64	69		
Black African	54	58	***	White> all other population groups
Coloured	60	60		Indian>Black African, Coloured
Indian	71	69		
White	76	77		
Married (customary only)	59	67	***	Never married < all other groups
Married (civil only)	72	71		Widowed< Married (civil), Married (both)
Married (both cust & civil)	68	72		Divorced<Married(both)
Widow/widower	62	64		
Divorced/separated	61	65		
Never married	52	55		
Low living standard	50	55	***	High> Low, Medium
Medium living standard	52	57		
High living standard	67	67		
No schooling	49	56	***	All other groups < Tertiary
Primary	54	59		Matric < Tertiary
Some secondary	53	57		
Matric or equivalent	59	63		
Tertiary	73	73		
Employed full-time	68	73	***	Employed part-time< Employed full-time
Employed part-time	60	63		Discouraged work seeker< Employed full-time
Discourage work seeker	54	60		Unemployed<Employed full-time, Employed part-time,
Unemployed	47	54		Discouraged work seeker
Student	44	49		Student< Employed full-time, Employed part-time,
Retired	64	68		Discouraged work seeker
Labour inactive	58	65		Retired<Employed full-time, Discouraged work seeker,
				Unemployed, Student
				Labour Inactive< Employed full-time, Unemployed, Student
Urban formal	62	64	***	Urban informal<Urban formal
Urban informal	53	55		Traditional authority area<Urban formal
Rural trad. uthority areas	51	57		Rural formal<Urban formal
Rural farmworker households	56	60		
Western Cape	62	64	***	Limpopo<Free State
Eastern Cape	51	61		
Northern Cape	63	57		
Free State	64	65		
KwaZulu-Natal	61	63		
North West	56	58		
Gauteng	59	60		
Mpumalanga	57	65		
Limpopo	49	57		
isiZulu	58	60	***	Afrikaans>All other language groups
isiXhosa	51	60		English>isiZulu, isiXhosa, Sepedi, Setswana, Sesotho,
SiSwati & isiNdebele	57	64		Tshivenda & Xitsonga
Sepedi	55	57		
Setswana	52	53		
Sesotho	55	60		
Tshivenda & Xitsonga	45	52		
Afrikaans	68	68		
English	69	70		

Note: *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level.

As would be expected, the financial control score is not consistent across all subgroups. The table above showcases mean scores for subgroups in South Africa. As was evident from the table, as well as the previous 2012 Financial Literacy Report, certain key socio-economic characteristics were most associated with the financial control domain score. As can be observed, the following individuals have the highest financial control domain scores: those with a high living standard, in paid employment, Indians, those who are employed full-time, those who have a tertiary qualification and those who are part of the White population group. There were large disparities between the different language subgroups on the financial control score. The Tshivenda and Xitsonga speakers scored the lowest, 18 percentile points down from English speakers and 16 percentile points down from Afrikaans speakers. Setswana speakers also demonstrated very low mean scores on this domain.

Table 31: Regression of financial control by select socio-demographic variables

	Coef.	Signif.
Male	-5.00	***
Female	Ref.	
16-19 years	Ref.	
20-29 years	4.89	**
30-39 years	10.61	***
40-49 years	11.98	***
50-59 years	11.69	***
60-69 years	13.39	***
70+ years	15.68	***
Black African	Ref.	
Coloured	-0.915	n.s.
Indian	3.721	n.s.
White	9.197	***
Married (customary only)	3.154	*
Married (civil only)	3.587	*
Married (both customary & civil)	5.685	***
Widow/widower	-0.886	n.s.
Divorced/separated	1.058	n.s.
Never married	Ref.	
Low living standard	Ref.	
Medium living standard	1.841	***
High living standard	4.020	***
No schooling	Ref.	
Primary	-1.269	n.s.
Some secondary	0.379	n.s.
Matric or equivalent	2.539	n.s.
Tertiary	4.053	n.s.
Employed full-time	14.201	***
Employed part-time	5.924	***
Discourage work seeker	3.673	n.s.
Unemployed	Ref.	
Student	0.898	n.s.
Retired	6.431	**
Labour inactive	5.584	**
Urban formal	1.203	n.s.
Urban informal	-1.625	n.s.
Rural traditional authority areas	Ref.	
Rural farmworker households	-3.455	n.s.
Constant	44.719	***
Number of observations	1947	
Adj. R-squared	0.314	

Note: 1. *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level. 2. The dependent variables are composite indicators where 0=lowest score and 100=highest score. 3. Regression analysis controls for province.

The regression analysis depicted in the table above clearly shows that:

- *Age*: being a member of the older age cohorts was associated with a higher financial control domain score when compared to those in the younger cohorts.
- *Population group*: being a member of the White population group was positively associated with the financial control domain if the Black African population group is used as a control.
- *Educational attainment*: the more educated an individual, the more likely that individual is to display positive attributes of financial control such as a tendency to be involved in daily financial decision-making processes, exhibit careful approach to personal finances, prefer saving over spending money and operate in a household that budgets and is able to make ends meet.
- *Economic status*: scoring high on the asset index known as the Living Standards Measurement (LSM) was positively associated with financial control.
- *Employment status*: being a member of the full-time employed labour market was associated with a high financial product domain score, compared with those who are not working.

The mean financial control scores depicted below indicate that certain groups –the young, students, people looking for work and who have no schooling scored lowest on the financial control index. Such groups were less likely than other groups to be responsible for day-to-day money management in their households, to have a budget as well as less likely to consider financial implications of choices. In addition, these groups were more likely to have a carefree attitude towards financial expenditure, thinking money “is there to be spent”. Given that these groups are least likely to have access to a steady source of economic capital, such attitudes and behaviours are not unsurprising. Therefore, the low financial control domain scores depicted here reveal not so much ‘irresponsible behaviour’ but rather an inability to and/or access financial institutions. The low scores demonstrated by these groups also indicate the vulnerability of these households to economic shocks -such as illness or another unforeseen expenditure -and distinct financial inequalities that continue to characterise South Africa’s post-apartheid society.

10.3.2. Financial planning

The financial planning score constructed for this study measures whether an individual score tends to set financial goals and work hard to meet them, prefers to save for the long term and worries about tomorrow, has emergency funds in place and has managed to save recently. The financial planning domain was analysed using questions Q116, Q120, Q121, Q122, and Q130. For a description of how these questions were recoded and scored, please refer to Appendix B.

Table 32: Financial planning, by personal attributes (mean scores, 0-100 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
South Africa	53	50		
Male	54	51	No sign.	Female > male
Female	52	50		

	Mean score 2011	2012	Significance	Oneway ANOVA results 2012 Post-hoc Scheffe test
16-19 years	40	42	***	16-19< 20-29, 30-39, 40-49, 50-59, 60-69
20-29 years	51	49		
30-39 years	57	51		
40-49 years	57	54		
50-59 years	57	54		
60-69 years	58	52		
70+ years	55	51		
Black African	51	49	***	White> all other population groups
Coloured	49	45		Indian>Black African, Coloured
Indian	65	57		Coloured<Black African
White	68	63		
Married (customary)	55	57	***	Never married < Married (customary only), Married(civil),
Married (civil only)	64	58		Married(both)
Married (both customary & civil)	63	57		Widowed< Married (civil), Married (both)
Widow/widower	53	50		
Divorced/separated	53	52		
Never married	49	47		
Low living standard	45	44	***	High>Low, Medium
Medium living standard	48	46		
High living standard	62	58		
No schooling	44	41	***	All other groups < Tertiary, Matric
Primary	46	47		Matric < Tertiary
Some secondary	47	45		
Matric or equivalent	57	55		
Tertiary	72	63		
Employed full-time	64	61	***	Employed full-time> All other labour market groups
Employed part-time	56	51		Discouraged work seeker< Employed part-time
Discourage work seeker	43	41		Retired< Discouraged work seeker, Unemployed
Unemployed	46	45		Labour Inactive< Discouraged work seeker
Student	42	47		
Retired	59	51		
Labour inactive	53	50		
Urban formal	56	54	***	Urban formal>All other geotype groups
Urban informal	52	45		
Rural traditional authority areas	50	46		
Rural farmworker households	49	46		
Western Cape	52	46	***	
Eastern Cape	46	47		Gauteng> Western Cape, Eastern Cape, Northern Cape,
Northern Cape	53	43		KwaZulu-Natal,
Free State	52	53		Mpumalanga <Gauteng
KwaZulu-Natal	60	49		Free State>Northern Cape
North West	47	55		North West> Northern
Gauteng	57	57		Limpopo<Gauteng
Mpumalanga	49	47		
Limpopo	50	46		
isiZulu	56	48	***	English>isiZulu, isiXhosa, Sepedi, Setswana, Tshivenda &
isiXhosa	48	49		Xitsonga, Afrikaans
SiSwati & isiNdebele	50	51		Afrikaans> Tshivenda & Xitsonga
Sepedi	54	49		
Setswana	47	49		
Sesotho	50	52		
Tshivenda & Xitsonga	48	42		
Afrikaans	56	52		
English	65	59		

Note: *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level.

The average South African currently scored 50 on this domain which is below what was found on this domain in 2011 (53). This is consistent with the findings of the 2012 Financial Literacy Report which indicates that the measure is working well. As would be expected this score is not the same across all subgroups. The findings of the 2012 Financial Literacy Report revealed that the financial planning domain score was associated with human capital bias. This finding is consistent with what was found for this report, with more educated South Africans scoring much higher on this domain than their less educated counterparts.

The table above indicates mean scores for financial planning domain –as discussed above –a clear human capital bias is evident. Those groups who tend to have higher levels of human capital were also those groups who were most likely to have a high financial planning score. The groups with the highest financial planning score were: those in full-time employment, those with a high living standard, members of the Indian and White population groups, and older South Africans. The observed human capital bias may explain the differences between language subgroups observed in the table above. The isiXhosa, Tshivenda, Xitsonga and Setswana speakers scored lower when compared to English speakers who scored the highest on this domain.

Table 33: Regression of financial planning by select socio-demographic variables

	Coef.	Signif.
Male	-0.48	n.s.
Female	Ref.	
16-19 years	Ref.	
20-29 years	6.60	**
30-39 years	6.15	**
40-49 years	8.86	***
50-59 years	9.07	***
60-69 years	10.42	**
70+ years	11.36	**
Black African	Ref.	
Coloured	-5.947	***
Indian	-0.378	n.s.
White	2.355	n.s.
Married (customary only)	3.472	*
Married (civil only)	3.794	*
Married (both customary & civil)	5.812	**
Widow/widower	2.798	n.s.
Divorced/separated	1.014	n.s.
Never married	Ref.	
Low living standard	Ref.	
Medium living standard	0.873	***
High living standard	7.129	***
No schooling	Ref.	
Primary	0.059	n.s.
Some secondary	-2.276	n.s.
Matric or equivalent	4.738	n.s.
Tertiary	5.711	*
Employed full-time	10.575	***
Employed part-time	5.244	**
Discourage work seeker	-3.344	n.s.
Unemployed	Ref.	
Student	6.428	***
Retired	0.263	n.s.
Labour inactive	2.433	n.s.
Urban formal	-1.397	n.s.

	Coef.	Signif.
Urban informal	-3.805	*
Rural traditional authority areas	Ref.	
Rural farmworker households	-4.334	*
Constant	36.183	***
Number of observations	2087	
Adj. R-squared	0.1936	

Note: 1. *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level. 2. The dependent variables are composite indicators where 0=lowest score and 100=highest score. 3. Regression analysis controls for province.

Results from the analysis show that the following characteristics were most associated with the financial control score:

- *Age*: being a member of the younger age cohorts was associated with a lower financial planning domain score when compared to those in the older cohorts.
- *Population group*: Indian and White individuals were found not to be significantly different from members of the Black African population group. Members of the Coloured population group were found to have significantly lower financial planning scores even controlling for other socio-demographic and economic characteristics.
- *Economic status*: scoring high on the asset index known as the Living Standards Measurement (LSM) was positively associated with financial planning.
- *Urbanisation level*: dwelling in a formal urban area had a positive impact on financial planning while dwelling in an informal urban or a formal rural area did not significant impact.
- *Marital status*: being married –whether it be a customary marriage, civil or both –was positively associated with this domain score.

The mean scores of financial planning indicate that following groups scored lowest on the financial planning domain: the youngest cohort, (aged between 16-19 years), the unemployed, discouraged work seekers (those not looking for work), students, people with a low living standard and those with no schooling. These groups were thus least likely to set long-term financial goals, least likely to embrace a savings culture and least likely to plan for tomorrow. Modern consumerism encourages a less frugal approach, placing a greater emphasis on spending and less on saving. However, it is not clear from the regression analysis that such cultural influences have the most direct impact on the financial planning domain score. It seems, on the other hand, that low economic resources, financial insecurity and limited access to regular income prevent many South Africans from adopting saving behaviour and setting financial goals

10.3.3. Product choice

The product choice score constructed for this study measures an individual engagement with financial products. A high score is awarded to an individual (A) with a broad awareness of different types of banking, credit/loan, savings and investment, and insurance products; (B) holding at least one of each of the four product types mentioned above; (C) who believes they have a clear understanding of their product needs and who undertakes detailed research before choosing a product; (D) who has no regrets about recent financial product decisions (last year) and who has not taken an unsuitable product (last 5 years).The produce choice domain was analysed using questions Q124-Q132 as well as Q133, Q134 and Q135. For a description of how these questions were recoded and scored, please refer to Appendix B.

Table 34: Product choice, by personal attributes (mean scores, 0-100 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
South Africa	45	46		
Male	46	47	*	Female <Male
Female	44	45		
16-19 years	40	37	**	16-19<All other age cohort groups expect 70+ 70+<40-49 40-49>20-29
20-29 years	44	45		
30-39 years	48	47		
40-49 years	47	50		
50-59 years	49	49		
60-69 years	42	46		
70+ years	42	43		
Black African	43	43	***	All mean scores are significantly different
Coloured	45	47		
Indian	59	54		
White	58	59		
Married (customary only)	44	49	***	Never married < Married(customary), Married(civil), Married(both), Divorced Widowed< Married (civil), Married (both)
Married (civil only)	54	52		
Married (both customary & civil)	51	52		
Widow/widower	44	44		
Divorced/separated	44	49		
Never married	43	43		
Low living standard	34	35	***	All mean scores are significantly different
Medium living standard	41	43		
High living standard	54	53		

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
No schooling	33	36	***	Tertiary, Matric> All other groups
Primary	37	40		Some Secondary> No Schooling
Some secondary	42	43		
Matric or equivalent	48	49		
Tertiary	61	58		
Employed full-time	54	56	***	Employed full-time> All other labour market groups
Employed part-time	46	45		
Discourage work seeker	39	42		
Unemployed	41	42		
Student	40	41		
Retired	45	45		
Labour inactive	42	46		
Urban formal	48	49	***	Urban formal>all other geotype groups
Urban informal	42	41		
Rural traditional authority areas	41	40		
Rural farmworker households	41	44		
Western Cape	42	50	***	Limpopo<Western Cape
Eastern Cape	43	44		
Northern Cape	49	45		
Free State	46	48		
KwaZulu-Natal	46	45		
North West	44	48		
Gauteng	48	46		
Mpumalanga	46	47		
Limpopo	43	42		
isiZulu	42	41	***	English>isiZulu, isiXhosa, Sepedi, Sesotho, Tshivenda & Xitsonga, SiSwati & isiNdebele
isiXhosa	41	44		
SiSwati & isiNdebele	45	45		Afrikaans>isiXhosa, Sepedi, Sesotho, Tshivenda & Xitsonga, isiZulu
Sepedi	44	44		
Setswana	43	46		
Sesotho	45	45		
Tshivenda & Xitsonga	43	40		
Afrikaans	50	52		
English	57	55		

Note: *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level.

The average South African currently scored 46 on this domain. This is consistent with the findings of the 2012 Financial Literacy Report which found a 45 on this score. This indicates that the measure is working well. As would be expected this score is not consistent across all subgroups and is highly differentiated based on the post-apartheid nation's obvious wealth disparity. Those groups most associated with economic affluence in South Africa were also those groups who scored highest on the financial product scale. Wealth disparities may explain the differences between language subgroups observed in the table above. The isiXhosa, Tshivenda, Xitsonga and Setswana speakers scored lower when compared to English and Afrikaans speakers. The Tshivenda and Xitsonga scored the lowest on this domain followed by the isiZulu and the Sepedi. But although a considerable class differential was also noted but the greatest degree of difference observed was between educational attainment groups. These groups included: those living in urban formal areas, those in full-time employment, those who have a high living standard, members of the Indian or White population group, and those with a tertiary qualification.

Table 35: Regression of product choice by select socio-demographic variables

	Coef.		Signif.
Male		0.56	n.s.
Female	Ref.		
16-19 years	Ref.		
20-29 years		7.49	***
30-39 years		8.46	***
40-49 years		9.55	***
50-59 years		9.23	***
60-69 years		8.80	**
70+ years		5.29	n.s.
Black African	Ref.		
Coloured		-1.075	n.s.
Indian		3.303	n.s.
White		6.392	***
Married (customary only)		0.264	n.s.
Married (civil only)		0.573	n.s.
Married (both customary & civil)		1.510	n.s.
Widow/widower		1.167	n.s.
Divorced/separated		3.220	n.s.
Never married	Ref.		
Low living standard	Ref.		
Medium living standard		4.866	**
High living standard		8.992	***
No schooling	Ref.		
Primary		1.076	n.s.
Some secondary		4.372	*
Matric or equivalent		6.589	**
Tertiary		9.760	***
Employed full-time		8.614	***
Employed part-time		1.645	n.s.
Discourage work seeker		0.862	n.s.
Unemployed	Ref.		
Student		1.253	n.s.
Retired		0.453	n.s.
Labour inactive		1.945	***
Urban formal		3.864	**
Urban informal		1.773	n.s.
Rural traditional authority areas	Ref.		
Rural farmworker households		-1.200	n.s.
Constant		24.023	***
Number of observations		2087	
Adj. R-squared		0.2087	

Note: 1. *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level. 2. The dependent variables are composite indicators where 0=lowest score and 100=highest score. 3. Regression analysis controls for province.

Results from the regression analysis show that the following characteristics were most associated with the financial product score:

- *Employment status*: being a member of the full-time employed labour market was associated with a high domain score, compared with those who are not working. Discouraged work-seekers, students and the retired were not found to be different from the unemployed.
- *Population group*: being a member of the White population group had positive impact on this domain score. Indian and Coloured were found not to be significantly different from members of the Black African population group.
- *Educational attainment*: the more educated an individual, the more likely that individual is to exhibit high levels of financial product score. Those with no schooling were not significantly different from those with primary education.
- *Economic status*: scoring high on the asset index known as the Living Standards Measurement (LSM) was positively associated with a high score on the financial product domain.
- *Marital status*: being married –whether it be a customary marriage, civil or both –was positively related to the financial product score.
- *Urbanisation level*: dwelling in a formal urban area had a positive impact on this domain score.

The mean scores of product choice indicate that people with no schooling, people with a low living standard, those with a primary school education, those not working and not looking for work or unable to work and those between the ages of 16-19 years scored lowest on the product choice index. These groups were not only unlikely to be holding different banking, credit, investment, saving and insurance products but also unlikely to have heard of such products. The largest difference evident between groups in terms of the product choice score is between those with tertiary education and those with no schooling. A similar finding was evident, as already noted, for the financial planning domain. This allows us to contend that educational attainment is a very strong predictor of both financial planning and product choice.

10.3.4. Financial Knowledge

The financial knowledge and understanding score constructed for this study measures an individual's financial knowledge. This involves testing an individual on their knowledge of basic concepts such as basic mathematical division, effects of inflation and interest paid on loans as well as more advanced concepts such as interest on deposits, compound interest, risk of high return investments, effects of inflation on cost of living and risk diversification. The financial knowledge domain was analysed using the eight following questions: Q137-Q144. For a description of how these questions were recoded and scored, please refer to Appendix B.

Table 36: Financial knowledge, by personal attributes (mean scores, 0-100 scale)

	Mean score 2011	2012	Oneway ANOVA results 2012 Significance	Post-hoc Scheffe test
South Africa	56	55		
Male	58	59	***	Female <Male
Female	55	52		
16-19 years	54	54	**	60-60<30-39, 50-59
20-29 years	58	54		
30-39 years	55	58		
40-49 years	57	56		
50-59 years	58	58		
60-69 years	54	51		
70+ years	49	50		
Black African	54	52	***	All mean scores are significantly different
Coloured	58	55		
Indian	70	67		
White	69	73		
Married (customary only)	48	53	***	Never married < Married(civil), Married(both)
Married (civil only)	63	61		Widowed< Married (civil), Married (both)
Married (both customary & civil)	63	62		Married (customary)< Married (civil), Married(both)
Widow/widower	53	51		
Divorced/separated	53	56		
Never married	57	55		
Low living standard	45	43	***	All mean scores are significantly different
Medium living standard	53	51		
High living standard	65	65		
No schooling	36	34	***	All mean scores are significantly different
Primary	47	48		
Some secondary	54	53		
Matric or equivalent	63	59		
Tertiary	69	71		
Employed full-time	62	64	***	Employed full-time> All other labour market groups expect Employed part-time
Employed part-time	55	58		
Discourage work seeker	44	53		
Unemployed	53	53		
Student	58	54		
Retired	58	51		
Labour inactive	53	55		
Urban formal	59	60	***	Urban formal>Traditional Authority Areas, Rural informal
Urban informal	57	56		
Rural traditional authority areas	51	45		Traditional Authority Areas< all other geotype groups
Rural farmworker households	51	52		
Western Cape	62	58	***	Eastern Cape < Free State, KwaZulu-Natal, Gauteng, Mpumalanga, Western Cape, North West
Eastern Cape	48	43		Mpumalanga < KwaZulu-Natal,, Gauteng
Northern Cape	51	48		Limpopo < Western Cape, KwaZulu-Natal, North West, Gauteng, Mpumalanga, Free State
Free State	43	52		North West > Northern Cape
KwaZulu-Natal	68	64		
North West	49	59		
Gauteng	55	60		
Mpumalanga	55	51		
Limpopo	53	41		

Note: *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level.

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
isiZulu	62	61	***	isiZulu> isiXhosa, Sepedi, Sesotho, Tshivenda & Xitsonga
isiXhosa	48	45		English>isiZulu, isiXhosa, Sepedi, Sesotho, Tshivenda & Xitsonga, SiSwati & isiNdebele
SiSwati & isiNdebele	55	52		Afrikaans>isiXhosa, Sepedi, Sesotho, Tshivenda & Xitsonga, SiSwati & isiNdebele
Sepedi	53	50		Tshivenda & Xitsonga< Sepedi, Sesotho, Setswana, SiSwati & isiNdebele
Setswana	51	53		Setswana>isiXhosa
Sesotho	51	51		
Tshivenda & Xitsonga	55	38		
Afrikaans	63	66		
English	69	69		

Note: *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level.

The South African average is 55, which indicates a reasonable level of understanding of financial knowledge and is consistent for what was found in 2011 (56). This indicates that the measure is working well. Although not low, this average needs to be improved and such a finding showcases the need for greater financial education programmes. As we observed in the table below, as with the other domain scores already discussed, there is a considerable level of disparity between subgroups in South Africa. The results of the 2012 Financial Literacy Report indicated that general financial knowledge and understanding was strongly associated with educational attainment. Unsurprisingly, a similar finding was evident for the data gathered for this report. Also in keeping with the results of the domain scores already considered, social class also plays a considerable role. It is interesting to note, therefore, the differences between language subgroups on this domain score. English speaking South Africans scored the highest (69), followed by Afrikaans (66) and the isiZulu (61). The Tshivenda & Xitsonga (38), isiXhosa (45), Sepedi (50) and SiSwati & isiNdebele (52) speakers scored lowest on this domain.

Table 37: Regression of financial knowledge by select socio-demographic variables

	Coef.	Signif.
Male	5.01	***
Female	0.533	n.s.
16-19 years	Ref.	
20-29 years	-1.58	n.s.
30-39 years	-0.12	n.s.
40-49 years	-3.23	n.s.
50-59 years	-0.42	n.s.
60-69 years	-5.22	n.s.
70+ years	-4.82	n.s.
Black African	Ref.	
Coloured	1.108	n.s.
Indian	5.487	*
White	15.983	***
Married (customary only)	-4.194	n.s.
Married (civil only)	-2.837	*
Married (both customary & civil)	-0.124	***
Widow/widower	0.586	***
Divorced/separated	0.135	***
Never married	Ref.	
Low living standard	Ref.	

	Coef.	Signif.
Medium living standard	6.314	**
High living standard	10.908	***
No schooling	Ref.	
Primary	3.905	n.s.
Some secondary	7.833	**
Matric or equivalent	9.759	***
Tertiary	14.278	***
Employed full-time	3.708	**
Employed part-time	4.349	*
Discourage work seeker	4.346	*
Unemployed	Ref.	
Student	-4.011	*
Retired	0.261	n.s.
Labour inactive	4.961	*
Urban formal	3.904	**
Urban informal	6.350	**
Rural traditional authority areas	Ref.	
Rural farmworker households	1.752	n.s.
Constant	26.670	***
Number of observations	2087	
Adj. R-squared	0.2673	

Note: 1. *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level. 2. The dependent variables are composite indicators where 0=lowest score and 100=highest score. 3. Regression analysis controls for province.

Results from the regression analysis show that the financial knowledge score is positively associated with:

- *Employment status*: being a member of the full-time employed labour market was associated with a high financial product domain score, compared with those who are not working.
- *Population group*: being a member of the White population group had very positive impact on this domain. Coloured individuals were found not to be significantly different from members of the Black African population group.
- *Educational attainment*: the more educated an individual, the more likely that individual is to exhibit high levels on this domain score.
- *Economic status*: scoring high on the asset index known as the Living Standards Measurement (LSM) was positively associated with this domain score.
- *Marital status*: being married –whether it be a customary marriage, civil or both –was positively related to a high financial knowledge domain score.

The advantage of the financial knowledge score is how it differs from the scores previously considered in this chapter. The other domain scores discussed so far have focused on the application of financial knowledge to life circumstances -an individual's saving practices, product choices, willingness to set financial goals etc. The financial knowledge score instead measures knowledge on basic mathematics, inflation, interest, and risk investment in order to better understand financial literacy in South Africa. Using this score, ill-informed groups can be most accurately identified and appropriate programmes designed. The mean scores for financial knowledge indicate that people with no schooling, those not working and not looking for work, those with a low living standard or with a primary school education scored lowest on this score.

10.3.5. Overall Financial Literacy Score

In order to better understand financial literacy in South Africa it is necessary to consider how the different domains impact on each other. Linear regression techniques confirm that the financial control score has a positive impact on financial planning, indicating that those who tend to prefer savings over spending money and are involved in financial decision-making are more likely to set financial goals and actively save. Financial control was also positively associated with the product choice domain indicating that those who have high control over their finances also tend to be aware of and hold multiple types of financial products. Interestingly, the financial knowledge domain was not associated with financial control, indicating that knowledge of financial concepts is not directly related to those financial behaviours and attitudes captured in the financial control domain. The financial knowledge domain is positively associated with the product choice domain but only weakly correlated with the financial planning domain. Financial planning is also strongly associated with the product choice domain.

The report will now consider the combined financial literacy score. The average South African currently scored 54 on this domain. This is consistent with the findings of the 2012 Financial Literacy Report (53) which indicates that the measure is working well. As would be expected, given the findings on the separate domain scores, this score is not consistent across all subgroups. Those groups associated with high levels of economic and human capital tended to have high overall financial literacy scores. The groups with the highest financial literacy score were as follows: the tertiary educated, the wealthy, those in full-time employment and dwellers in formal urban areas. It is important to note the language subgroups that scored the highest and the lowest in the table above. The isiXhosa, Tshivenda & Xitsonga and Setswana speakers scored lower when compared to English, Afrikaans and isiZulu speakers.

Table 38: Overall financial literacy score, by personal attributes (mean scores, 0-100 scale)

	Mean score		Oneway ANOVA results 2012	
	2011	2012	Significance	Post-hoc Scheffe test
South Africa	54	54		
Male	55	55	*	Female > male
Female	52	53		
16-19 years	44	45	***	16-19 < all other age groups
20-29 years	52	51		20-29< 30-39, 40-49, 50-59
30-39 years	56	55		
40-49 years	56	58		
50-59 years	57	58		
60-69 years	55	55		
70+ years	53	54		
Black African	51	51	***	White> all other population groups
Coloured	53	52		Indian>Black African, Coloured
Indian	67	62		
White	68	69		

Note: *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level.

	Mean score			Oneway ANOVA results 2012
	2011	2012	Significance	Post-hoc Scheffe test
Married (customary only)	52	57	***	Never married < Married (customary only), Married(civil), Married(both), Divorced
Married (civil only)	63	61		Widowed< Married (civil), Married (both)
Married (both customary & civil)	62	61		Married(civil)>Married(customary only)
Widow/widower	53	53		
Divorced/separated	53	57		
Never married	51	50		
Low living standard	44	44	***	All mean scores are significantly different
Medium living standard	49	49		
High living standard	62	61		
No schooling	41	42	***	All other groups < Tertiary, Matric
Primary	46	48		Matric < Tertiary
Some secondary	49	50		Some Secondary>No School
Matric or equivalent	57	57		Primary>No School
Tertiary	68	66		
Employed full-time	62	64	***	Employed part-time< Employed full-time
Employed part-time	55	55		Discouraged work seeker< Employed full-time, Employed part-time
Discourage work seeker	45	49		
Unemployed	47	48		Unemployed<Employed full-time, Employed part-time
Student	46	48		Student< Employed full-time, Employed part-time
Retired	57	54		Retired<Employed full-time, Discouraged work seeker, Unemployed, Student
Labour inactive	53	55		Labour Inactive< Employed full-time, Discouraged work seeker, Unemployed, Student
Urban formal	57	57	***	Urban informal<Urban formal
Urban informal	52	49		Traditional authority area<Urban formal
Rural traditional authority areas	49	48		Rural formal<Urban formal
Rural farmworker households	49	51		
Western Cape	55	54	***	Free State>Eastern Cape
Eastern Cape	47	49		KwaZulu Natal>Eastern Cape, Northern Cape
Northern Cape	54	49		North West>Eastern Cape
Free State	53	55		Gauteng>Eastern Cape, Northern Cape
KwaZulu-Natal	59	55		Limpopo<Western Cape, Northern Cape, Free State, KwaZulu-Natal, North West
North West	49	55		
Gauteng	55	56		
Mpumalanga	52	52		
Limpopo	49	47		
isiZulu	55	52	***	Afrikaans>All other language groups
isiXhosa	47	50		English>All other language groups
SiSwati & isiNdebele	52	53		Tshivenda & Xitsonga<isiZulu, SiSwati & isiNdebele, Sesotho
Sepedi	52	50		
Setswana	48	51		
Sesotho	51	52		
Tshivenda & Xitsonga	48	44		
Afrikaans	59	60		
English	66	64		

Note: *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level.

It is essential to compare the overall financial literacy score with the other domain scores across the post-apartheid nation's subgroups. In order to provide this, the table below lists all the financial domain scores side by side to provide a comprehensive level of evaluation between the scores under discussion. A comparison at this level makes it possible to discern the similarities between the financial domain scores. It is evident that those scored highly in one domain tended to score highly in others. Disparities between subgroups could also be noted in the table above. It is interesting to note that those in the province of KwaZulu-Natal had comparatively high knowledge and financial planning scores but did not differ from other provinces considerably in terms of the product choice and financial control domains. This finding is consistent with what was found in the 2012 Financial Literacy Report. In order to better understand this disparity, research that targets residents in KwaZulu-Natal is needed.

Table 39: Financial literacy scores by select socio-demographic variables, (mean scores, 0-100 scale)

	Financial literacy score	Financial control	Financial planning	Product choice	Knowledge
South Africa	54	**61**	**50**	46	55
Male	55	60	51	47	59
Female	53	63	50	45	52
16-19 years	45	46	42	37	54
20-29 years	51	55	49	45	54
30-39 years	55	64	51	47	58
40-49 years	58	69	54	50	56
50-59 years	58	68	54	49	58
60-69 years	55	68	52	46	51
70+ years	54	69	51	43	50
Black African	51	58	49	43	52
Coloured	52	60	45	47	55
Indian	62	69	57	54	67
White	69	77	63	59	73
Married (customary only)	57	67	57	49	53
Married (civil only)	61	71	58	52	61
Married (both customary & civil)	61	72	57	52	62
Widow/widower	53	64	50	44	51
Divorced/separated	57	65	52	49	56
Never married	50	55	47	43	55
Low living standard	44	55	44	35	43
Medium living standard	49	57	46	43	51
High living standard	61	67	58	53	65
No schooling	42	56	41	36	34
Primary	48	59	47	40	48
Some secondary	50	57	45	43	53
Matric or equivalent	57	63	55	49	59
Tertiary	66	73	63	58	71
Employed full-time	64	73	61	56	64
Employed part-time	55	63	51	45	58

	Financial literacy score	Financial control	Financial planning	Product choice	Knowledge
Discourage work seeker	49	60	41	42	53
Unemployed	48	54	45	42	53
Student	48	49	47	41	54
Retired	54	68	51	45	51
Labour inactive	55	65	50	46	55
Urban formal	57	64	54	49	60
Urban informal	49	55	45	41	56
Rural traditional authority areas	48	57	46	40	45
Rural farmworker households	51	60	46	44	52
Western Cape	54	64	46	50	58
Eastern Cape	49	61	47	44	43
Northern Cape	49	57	43	45	48
Free State	55	65	53	48	52
KwaZulu-Natal	55	63	49	45	64
North West	55	58	55	48	59
Gauteng	56	60	57	46	60
Mpumalanga	52	65	47	47	51
Limpopo	47	57	46	42	41
isiZulu	52	60	48	41	61
isiXhosa	50	60	49	44	45
SiSwati & isiNdebele	53	64	51	45	52
Sepedi	50	57	49	44	50
Setswana	51	53	49	46	53
Sesotho	52	60	52	45	51
Tshivenda & Xitsonga	44	52	42	40	38
Afrikaans	60	68	52	52	66
English	64	70	59	55	69

Interestingly, and perhaps unsurprisingly, the student and the young subgroups have relatively high knowledge and understanding domain scores but generally scored low in all other domains. As a majority of students have limit income, this finding is not surprising. The low scores evident within the youth cohorts (16-19 and 20-29) may be due to the high rates of long-term unemployment among these subgroups. It seems that young people in South Africa are inexperienced with financial products probably due to their limited access to financial resources and their lack of a regular income. Given the demographic dimensions and the numerical superiority of the nation's young generations, this is disturbing finding.

Table 40: Regression of overall financial literacy score by select socio-demographic variables

	Coef.	Signif.
Male	-0.02	n.s.
Female	Ref.	
16-19 years	Ref.	
20-29 years	4.37	***
30-39 years	6.11	***
40-49 years	6.76	***
50-59 years	7.43	***
60-69 years	7.03	***
70+ years	7.53	**
Black African	Ref.	
Coloured	-1.494	n.s.
Indian	3.036	*
White	8.911	**
Married (customary only)	0.467	n.s.
Married (civil only)	1.033	n.s.
Married (both customary & civil)	3.161	**
Widow/widower	1.111	n.s.
Divorced/separated	1.370	n.s.
Never married	Ref.	
Low living standard	Ref.	
Medium living standard	3.359	**
High living standard	7.661	***
No schooling	Ref.	
Primary	0.843	n.s.
Some secondary	2.129	n.s.
Matric or equivalent	5.789	**
Tertiary	8.214	***
Employed full-time	9.017	***
Employed part-time	4.166	***
Discourage work seeker	1.077	n.s.
Unemployed	Ref.	
Student	0.910	n.s.
Retired	1.271	n.s.
Labour inactive	3.705	**
Urban formal	2.127	*-
Urban informal	1.003	n.s.
Rural traditional authority areas	Ref.	
Rural farmworker households	-1.550	n.s.
Constant	33.904	***
Number of observations	1947	
Adj. R-squared	0.3941	

Note: 1. *** indicates significance at the 1 percent level, ** indicates significance at the 5 percent level, and * indicates significance at the 10 percent level. 2. The dependent variables are composite indicators where 0=lowest score and 100=highest score. 3. Regression analysis controls for province.

The final regression on financial literacy is presented in the table below. As measured by the OECD criteria established in the 2012 Financial Literacy Report. Results from the analysis show that the financial knowledge score is positively associated with:

- *Employment status*: being a member of the full-time employed labour market was associated with a high overall financial score, compared with those who are not working.
- *Age*: those in the younger age cohort were found to be significantly less financially literate than those in the older age groups
- *Population group*: being a member of the White and Indian population group had positive impact on overall financially literacy. Coloured South Africans were found not to be significantly different from members of the Black African population group.
- *Educational attainment*: having a Matric or tertiary education was positively associated with this overall score. Those with incomplete secondary and primary were not significantly different from those with no schooling.
- *Economic status*: scoring high on the asset index known as the Living Standards Measurement (LSM) was positively related to the overall financial literacy score.
- *Marital status*: being married –whether it be a customary marriage, civil or both –was positively associated with this overall score.

As with previous regression models there was no significant difference between men and women regarding financial literacy. Significant differences were also not found for geographic subtype - in other words, people in the different urban and rural areas do not differ significantly when financial literacy is considered. Mpumalanga and KwaZulu-Natal do differ significantly from the Eastern Cape in being more financially literate. The provinces of the Western Cape, Northern Cape, Free State, North West, Gauteng or Limpopo were not found be significantly different from the Eastern Cape when considering financial literacy levels.

The significance of educational attainment and economic status can be understated in our analysis of financial literacy. Across all domains created for this chapter, a clear class and human capital bias was evident. Those in the upper income and educational attainment groups were the groups with the highest financial literacy scores. Therefore, we can acknowledge the central importance of individual access to economic and human capital in understanding financial literacy in South Africa. The findings of this study suggest that differences in terms of class and education may explain observed population group differences noted in previous chapters. However, multivariate analysis suggests that even controlling for all other factors related to economic and human capital position, race still plays a salient role in determining financial literacy. More in-depth research is needed to understand if this finding is related to cultural differences between population groups in South Africa.

The final regression represents a comprehensive analysis of financial literacy in South Africa, comprising a powerful tool to understand how financially literate our nation is and how financial literacy is changing at a national level. Such a measurement is, therefore, a vital tool that has and will enrich our understanding of financial literacy in post-apartheid South Africa. Moreover, this study opens new fields of research with regards to the diffusion of financial knowledge in our society. The ground-breaking work completed here provides a platform to recognise and appreciate the complexity of the financial literacy in the context of the modern period.

11. Conclusion

Since 2010 the South African Social Attitudes Survey (SASAS) has been monitoring financial literacy in South Africa. The aim of the SASAS research team during this three year process has been to measure financial adult literacy in the country using a survey instrument consistent with emerging international best practices. The successful creation and implementation of such an instrument in South Africa has allowed this study to stand alongside a number of other studies completed or currently being completed in Organisation for Economic Co-operation and Development (OECD) countries. The SASAS research team has contributed to the field of financial literacy study over the last three years in the following ways:

(1) identify potential gaps in financial knowledge and understanding among South Africans; and
(2) identify groups that are at risk owing to their low quotient of financial knowledge.

In providing this contribution, the SASAS research team is aware that one of the primary roles of the instrument developed is to inform policy decisions. The SASAS research team is cognizant that understanding financial literacy is of central importance to policy-makers at the provincial and national level.

The research team recognises the demand for greater financial consumer education in South Africa, and the financial literacy instrument was constructed with that recognition in mind. The National Treasury asserted in 2010 that interventions are required to assist consumers and increase access to (and thereby demand for) financial products. However, without an adequate understanding of the scale of financial literacy in the country, such interventions could be poorly targeted. Therefore the SASAS research realised in 2010 that a multidimensional approach was needed to understand financial literacy. The measures constructed included four components: **financial control domain, financial planning domain, product choice domain and financial knowledge domain**. This was constructed using the OECD International Network on Financial Education (INFE) Core module and select supplementary items, together with South African specific content. The creation of a single score to measure financial literacy is ground-breaking in understanding financial knowledge in modern South Africa. It is now possible to present financial literacy accurately in the country with a single measure -a breakthrough that will have significant potential to inform decision-making at a policy level.

The financial literacy index established in 2011 provided a platform for researchers to reach a common framework of analysis of financial literacy in South Africa. But more than that, the index allows collaboration and co-ordination of financial sector stakeholders. The financial literacy index created in 2011 provided policy-makers with the means by which these stakeholders can:

(i) measure an individual's understanding of financial management and thus ability to make good decisions;
(ii) determine how consumers cope with the growing complexity of financial products;
(iii) better understand where consumers look for important information and objective advice; and
(iv) learn from whom consumers access financial products and services.

It is now possible to measure and monitor the cumulative effect of interventions and societal progress by comparing the baseline to repeated measures. The financial literacy index can determine the success of financial education programmes and determine whether policy and programme objectives are being achieved.

The National Treasury has highlighted consumer financial education as one of the components of a comprehensive solution for empowering consumers to engage with financial services. In reviewing and analysing the financial literacy study, the research team was aware of the mission of the National Treasury's national policy for consumer financial education, which is:

> "All South Africans, particularly those that are vulnerable and marginalised, are empowered to participate knowledgeably and confidently in the financial marketplace and to manage their financial affairs, deal with their day-to-day financial decisions and make good choices about allocating their incomes from school-going age, during working age and through to retirement."

There is a strong commitment to financial education from government. In the policy statement, the National Treasury argued that there is a strong need in South Africa for greater consumer financial education. Such education is considered part of a wider consumer protection policy approach. However as the National Treasury has acknowledged in its own Consumer Financial Education Policy Document, South African consumers of financial services generally have limited resources and skills to understand the complexities of the financial sector. This negatively impacts consumers in a number of ways, including the inability to evaluate the appropriateness of financial products in relation to personal circumstances, low saving rates and high levels of consumer debt. South Africans with low financial literacy are more vulnerable to predatory lending, financial scams and acquiring inappropriate financial products or services. Financial consumers are, furthermore, negatively impacted by high financial service fees and a lack of accessible and comparable pricing information. In addition, the ability of an individual to start businesses in particular is impacted by their financial knowledge and understanding. Indeed, it could be argued that increasing financial literacy will help increase entrepreneurship among South Africans.

The increasing diversification of financial products on offer in the country has complicated financial decision-making for ordinary South Africans. The growing complexity of this environment has implied that enhanced financial understanding and awareness by consumers is essential. The South African economy is still recovering from the 2009 financial recession and the nation's financial institutions are struggling to sustain robust economic growth in a difficult global market. Such institutions, and the South African financial consumer, face a number of challenges. The National Treasury's national policy for consumer financial education places emphasis on overcoming these challenges by empowering and giving skills and knowledge to individual consumers. This empowerment will ensure awareness and understanding of financial products and services, thus leading to good financial decision-making.

The purpose of the financial literacy instrument over the last three years has been to provide a tool that government and other stakeholders can use to monitor progress in levels of financial literacy. The team has successfully created an accurate measure of financial literacy which is representative at both the national and provincial level. Using this measure, the research team identified salient socio-demographic differences identifying vulnerable groups in both 2011 and 2012. The national and subgroup results indicate that a considerable number of South Africans display very low levels of financial literacy. This confirms that apprehensive findings of the previous 2011 financial literacy report. It further suggests that a substantial proportion of the country's population may not be adequately equipped to make sound financial decisions. Indeed, the research team believes that the baseline study provides strong evidence for the existence of low levels of financial knowledge in South Africa. The findings of the study, showcased in this report, lends support for a more comprehensive and aggressive programme of financial consumer education.

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13. Appendix:

FINANCIAL LITERACY MODULE

I would now like to ask you some questions about your family and money matters. Please can you start by telling me:

109. How many children under the age of 18 live with you?

Number of children under 18 years	
(Don't know)	98
(Refused)	99

110. How many people aged 18 and over live with you, [including your partner]? Please do not count yourself

Number of people 18 years and older	
(Don't know)	98
(Refused)	99

111. Who is responsible for day-to-day money management decisions in your household?

You	1
You and your partner	2
You and another family member (or family members)	3
Your partner	4
Another family member or (or family members)	5
Someone else	6
Nobody	7
(Do not know)	8
(Refused to answer)	9

112. Do you have a household budget?

[IF NECESSARY ADD: a budget is used to decide what share of your income will be used for spending, saving and paying bills]

Yes	1
No	2
(Do not know)	8

I am going to read out some behaviour statements. Please can you tell me how often you do these things or not. [*Showcard 30*]

		Always	Often	Some of the time	Seldom	Never	(Do not know)	(Refused)	(Not applicable)
113.	Before I buy something I carefully consider whether I can afford it	1	2	3	4	5	8	9	
114.	I pay my bills on time	1	2	3	4	5	8	9	10
115.	I keep a close personal watch on my financial affairs	1	2	3	4	5	8	9	
116.	I set long-term financial goals and work hard to achieve them	1	2	3	4	5	8	9	

117. Sometimes people find that their income does not quite cover their living costs. In the last 12 months, has this happened to you?

Yes	1	
No	2	→ **Skip to Q.120**
(Do not know)	8	
(Refused to answer)	9	

118. What did you do to make ends meet the last time this happened?

INTERVIEWER: PROBE: DID YOU DO ANYTHING ELSE? <u>DO NOT</u> READ OUT OPTIONS. MULTIPLE RESPONSES ALLOWED.

119. Of the things you mentioned, which does your household <u>rely on the most</u>?

INTERVIEWER: CIRCLE <u>ONE</u> OPTION ONLY.

		Q.118	**Q.119 [ONE OPTION]**
a.	Draw money out of savings or transfer savings into current account	1	1
b.	Cut back on spending, spend less, do without	2	2
c.	Sell something that I own	3	3
d.	Work overtime, earn extra money	4	4
e.	Borrow food or money from family or friends	5	5
f.	Borrow from employer/salary advance	6	6
g.	Pawn something that I own	7	7
h.	Take a loan from my savings and loans clubs	8	8
i.	Take money out of a flexible home loan account	9	9
j.	Apply for loan/withdrawal on pension fund	10	10
k.	Use authorized, arranged overdraft or line of credit	11	11
l.	Use credit card for a cash advance or to pay bills/buy food	12	12
m.	Take out a personal loan from a formal financial service provider (including bank, credit union or microfinance)	13	13
n.	Take out a payday loan (advance on salary from someone-not employer)	14	14
o.	Take out a loan from an informal provider/moneylender	15	15
p.	Use unauthorised overdraft	16	16
q.	Pay my bills late; miss payments	17	17
r.	Other (specify)	18	18
s.	(Do not know)	98	98
t.	(Refused to answer)	99	99

120. Have you set aside emergency or rainy day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?

Yes	1
No	2
(Don't know)	8
(Refused)	9

I would like to know how much you agree or disagree with each of the following statements: [*Showcard 1]*

		Completely agree	Agree	Neither Nor	Disagree	Completely disagree	(Do not know)	(Refused)
121.	I find it more satisfying to spend money than to save it for the long term	1	2	3	4	5	8	9
122.	I tend to live for today and let tomorrow take care of itself	1	2	3	4	5	8	9
123.	Money is there to be spent	1	2	3	4	5	8	9

PRODUCT CHOICE

I am going to start with products that people can get from banks. [*Showcard 31*]

124. Please can you tell me whether you have heard of any of the following banking products?

125. [ASK FOR ALL PRODUCTS CIRCLED IN Q.124] And now can you tell me whether you currently hold any of these types of products?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

		124. **Heard of banking products.**	**125.** **ASK FOR ALL products circled in Q.124** **Currently hold types of banking products**
a.	Mzansi account	01	01
b.	Savings account	02	02
c.	Current or Cheque account	03	03
d.	Fixed deposit bank account	04	04
e.	ATM card	05	05
f.	Debit card or Cheque card	06	06
g.	Credit Card	07	07
h.	Garage card or petrol card	08	08
i.	Home loan from a big bank	09	09
j.	Savings book at a bank	10	10
k.	Post Office / Post Bank savings account	11	11
l.	Cellphone account (e.g. M-PESA)	13	13
m.	Other bank product (SPECIFY)	12	12
n.	(None of the above)	97	97
o.	(Refused)	98	98
p.	(Don’t know)	99	99

I would now like to talk about various types of credit or loans. [*Showcard 32*]

126. Please can you tell me whether you have heard of any of the following types of credit or loans?

127. [ASK FOR ALL PRODUCTS CIRCLED IN Q.126] And now can you tell me whether you currently hold any of these types of credit or loans?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED

		126. Heard of type of credit or loan	127. ASK FOR ALL products circled in Q.126 Currently hold type of credit or loan
	Formal credit and loans		
a.	Loan from a microlender e.g. African Bank, Credit Indemnity, Capitec Bank, Ubank (Teba)	01	01
b.	Vehicle or car finance through bank or dealer	02	02
c.	Overdraft facility	03	03
d.	Store card where you buy on account and pay later e.g. Edgars	04	04
e.	Lay-bye	05	05
f.	Hire Purchase (HP) / paying in monthly instalments for goods such as furniture	06	06
	Informal credit and loans		
g.	Loan from friends or family	07	07
h.	Loan from an informal money lender (mashonisa / loan shark)	08	09
i.	Loan from a stokvel / umgalelo or savings club	09	10
j.	Loan from local spaza	10	11
k.	Store account with no card where you pay later (e.g. spaza, corner cafe, garage, general dealer)	11	12
l.	Loan from an employer	12	08
m.	(None of the above)	97	97
n.	(Don't know)	98	98
o.	(Refused)	99	99

I would now like to talk about savings and investments. [*Showcard 33*]

128. Please can you tell me whether you have heard of any of the following types of <u>investment or savings products</u>?

129. [ASK FOR ALL PRODUCTS CIRCLED IN Q.128] And now can you tell me whether you currently hold any of these types of investment or savings products**?**

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

		128. **Heard of any of investment or savings product.**	**129.** **<u>ASK FOR ALL products circled in Q.128</u>** **Currently has investment or savings product**
	Formal products		
a.	Unit trusts	01	01
b.	Education policy or plan	02	02
c.	Investment or savings policy	03	03
d.	Shares on the stock exchange	04	04
	Retirement products		
e.	Retirement annuity	05	05
f.	Provident fund	06	06
g.	Pension fund	07	07
	Savings clubs		
h.	Stokvel / umgalelo / savings club	08	08
i.	Giving money to someone who will guard it for you, to keep it safe	09	09
j.	Keep cash or savings at home	10	10
k.	Other savings club	11	11
l.	(None of the above)	97	97
m.	(Don't know)	98	98
n.	(Refused)	99	99

130. In the past 12 months have you been saving money in any of the following ways? Please do not include pension savings in this question.

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Building up a balance of money in your bank account	1
b.	Paying money into a savings account	2
c.	Saving cash at home or in your wallet	3
d.	Giving money to family to save on your behalf	4
e.	Saving in a stokvel or any other informal savings club	5
f.	Buying financial investment products, other than pension funds [e.g. investment trusts, stocks and shares]	6
g.	Or saving in some other way (including remittances, buying livestock or property)	7
h.	(None of the above)	8
i.	(Do not know)	9
j.	(Refused to answer)	10

I would now like to talk about various types of insurance. [*Showcard 34*]

131. Please can you tell me whether you have heard of any of the following types of <u>insurance products</u>?

132. [ASK FOR ALL PRODUCTS CIRCLED IN Q.131] And now can you tell me whether you currently hold any of these types of insurance products?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

		131. Heard of insurance product	**132.** ASK FOR ALL products circled in Q.131 Currently has insurance product
	Short-term (asset) insurance		
a.	Vehicle or car insurance	01	01
b.	Household contents insurance (e.g. furniture and appliances)	02	02
c.	Homeowners' insurance on building / house structure	03	03
d.	Cellphone insurance	04	04
	Long-term insurance		
e.	Life insurance or life cover	05	05
f.	Insurance that pays your loan or borrowing when you die	06	06
g.	Disability insurance or cover	07	07
h.	Medical aid scheme	08	08
i.	Hospital cash plan	09	09
	Funeral		
j.	Belong to a burial society	10	10
k.	Funeral policy with a bank (including Post Bank)	11	11
l.	Funeral cover through an undertaker or funeral parlour / home	12	12
m.	Funeral policy with an insurance company	13	13
n.	Funeral cover from an spaza shop or stokvel	14	14
o.	Funeral cover from any other source (e.g. shop, employer)	15	15
p.	(None of the above)	97	97
q.	(Don't know)	98	98
r.	(Refused)	99	99

133. How much do you agree or disagree with the following statements?

		Totally agree	Tend to agree	Tend to disagree	Totally disagree	(Don't know)	(Not applicable)	(Refused)
134.	I've got a clear idea of the sorts of financial products or services that I need without consulting a financial adviser	1	2	3	4	5	6	7
135.	I always research my choices thoroughly before making any decisions about financial products or services	1	2	3	4	5	6	7

136. In the last 12 months, have you made a decision about any of the following that you later regretted?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Savings or investments	1
b.	Taking out a home loan	2
c.	Taking out a loan or credit agreement	3
d.	Insurance of any type	4
e.	Tax	5
f.	Managing credit/debt	6
g.	(None of the above)	7
h.	(Don't know)	8
i.	(Refused)	9

137. Within the last five years, have you discovered that you had been paying for a financial product that was clearly unsuitable for your needs? [This would include formal and informal products, covering savings, investments, credit or loans, as well as insurance]

Yes	1
No	2
(Do not know)	8
(Refused to answer)	9

FINANCIAL KNOWLEDGE AND UNDERSTANDING

The next few questions are more like a quiz. The questions are not designed to trick you so if you think you have the right answer, you probably do. If you don't know the answer, just say so

138. Imagine that five friends are given a gift of R1 000. If the friends have to share the money equally how much does each one get?

INTERVIEWER: READ OUT THE QUESTION AGAIN IF ASKED TO DO SO

Record response numerically - - -

R	

(Don't know)	998
(Refused)	999
(Irrelevant answer)	997

139. Now imagine that the friends have to wait for one year to get their share of the R1,000 and inflation remains the same. In one year's time will they be able to buy... (Read out)

More with their share of the money than they could today	1
The same amount	2
Or, less than they could buy today	3
(It depends on the types of things that they want to buy)	4
(Don' know)	8
(Refused)	9
(Irrelevant answer)	7

140. You lend R25 to a friend one evening and he gives you R25 back the next day. How much interest has he paid on this loan?

INTERVIEWER: READ OUT THE QUESTION AGAIN IF THE RESPONDENT ASK YOU TO DO SO

Record response numerically - - -

R	

(Don't know)	998
(Refused)	999
(Irrelevant answer)	997

141. Suppose you put R100 into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?

INTERVIEWER: READ OUT THE QUESTION AGAIN IF THE RESPONDENT ASK YOU TO DO SO

Record response numerically - - -

R	

(Don't know)	998
(Refused)	999
(Irrelevant answer)	997

142. And how much would be in the account at the end of five years? Would it be....

More than R110	1
Exactly R110	2
Less than R110	3
Or is it impossible to tell from the information given	4
(Don't know)	8
(Refused)	9
(Irrelevant answer)	7

I would like to know whether you think the following statements are true or false:

		True	False	(Do not know)	(Refused)
143.	If someone offers you the chance to make a lot of money it is likely that there is also a chance that you will lose a lot of money.	1	2	8	9
144.	High inflation means that the cost of living is increasing rapidly	1	2	8	9
145.	It is less likely that you will lose all of your money if you save it in more than one place.	1	2	8	9