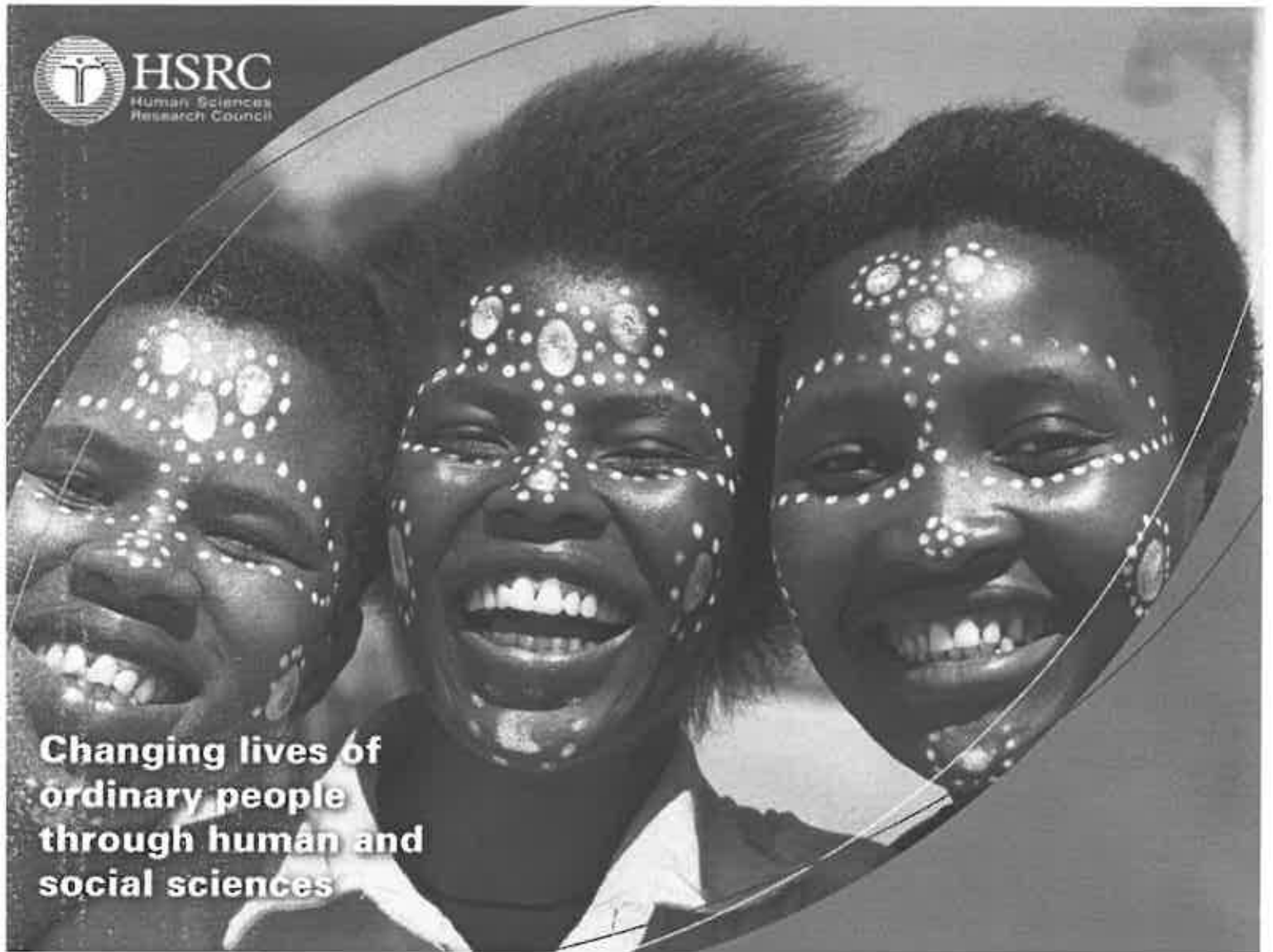




HSRC
Human Sciences
Research Council



**Changing lives of
ordinary people
through human and
social sciences**

HSRC RESEARCH OUTPUTS

8120



Human Sciences Research Council
Lekgotla la Dinyakisišo tša Semahlale tša Setho
Raad vir Geesteswetenskaplike Navorsing
Umkhandlu Wezokucwaninga Ngesayensi Yesintu
Ibhunga Lophando Ngenzulu-Lwazi Kantu



A Generational Dividend?

A quantitative investigation of multidimensional financial literacy
among South Africa's youth

Benjamin Roberts
with Steven Gordon and Jarè Struwig

Financial Education & Inclusion Summit
"Talking Money Matters to Our Children"
Elangeni Hotel, Durban
13 March 2014



www.hsrc.ac.za



Research Scope



The presentation will focus on discussing three core research questions

- 1 – How do young South Africans approximate or differ from older cohorts in terms of level of financial literacy?
- 2 – In assessments of financial literacy, are the youth penalised because of a possible lifecycle effect underlying financial literacy indicators?
- 3 – What differences in financial literacy can be discerned among young South Africans (16-24 years)





FSB Financial Literacy Studies



- FSB commissioned financial literacy studies
 - OECD INFE pilot module on financial literacy in 2010
 - 2011 FSB Baseline Survey.
 - 2012 and 2013 FSB SASAS financial literacy module
- Our measures of financial literacy are based on the OECD INFE conceptual framework for measuring this phenomenon.
 - Recognises financial literacy as a complex multi-dimensional concept comprising awareness, knowledge, skills, attitude and behaviour.
- Why measure financial literacy?
 - Identify and monitor vulnerable groups
 - Assess the cumulative impact of consumer financial education at an aggregate level: monitoring and evaluating changes in the level of financial literacy in South Africa





Components of Financial Literacy



Multidimensional Approach

- Four components of financial literacy that measure knowledge, behaviour and attitudes.

Goals of Multidimensional Approach

- Set a baseline for current national financial literacy levels;
- Set baselines for various socio-demographic subgroups;
- Identify priorities in terms of assisting which subgroups to target; and
- Measure success by comparing the baseline to repeated measures.

Indicators made comparable through use of standardised 0-100 scaling



Research Design



Methodology for overall financial literacy score

- The score was designed in 2011 by the South African Social Attitudes (SASAS) research team using a 2010 baseline survey.
- The methodology used to create the financial literacy score employed the OECD/INFI methodology.
- Aggregation: simple additive approach (standardised indicators added together and an average domain score produced)

Constructing overall financial literacy score

- In deriving the overall financial literacy score, each of the four domains were assigned equal weights
- This means that none of the four dimensions was treated as more important than the others.
- The four domain scores were averaged to create the final composite indicator





Financial Literacy Indicators



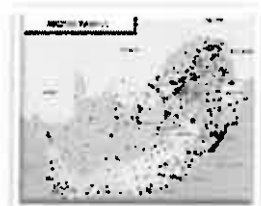
Financial Control Indicators	Personal involvement in daily household money management Presence of a household budget Careful spending Paying bills timeously Closely monitoring financial matters Making ends meet Main coping response Preference for spending or saving
Financial Planning Indicators	Tends to set and strive to achieve long term financial goals Has emergency funds or rainy day funds Preference for spending money vs long-term saving Living for today vs long term provisioning Saved money in last 12 months
Product Choice Indicators	Product awareness Product holding Have clear idea of product need Informed product choice Not regret any key financial decisions made in last year Did not pay for an unsuitable product in last 5 years
Financial Knowledge Indicators	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 Risk diversification



Study Methodology



- Survey conducted by Human Sciences Research Council (HSRC)
- Nationally representative of the population 16 years and older living in private households in the 9 provinces
 - Primary sampling units: 500 census enumerator areas (EAs), stratified by province, geography type and majority population group
 - Secondary sampling units: 7 household visiting points randomly selected per EA
 - One respondent 16+ years randomly selected per household
- Sample size: 2,972 interviews in 2011 and 2,518 in 2012
- Responses to the survey voluntary and confidential, collected by face-to-face interview
- Data collection: October-December





Mandela's Children: The 'Born Free' Generation



- South Africa has a youthful population structure where more than two-thirds of the population under 35 and about a third under 15
 - Transition to adulthood: The 'born free' generation is in process of making various transitions from adolescence to adulthood, e.g. 2-3 million 18-and 19-year-olds could participate in 2014 elections
- The youth are faced with a set of challenges and threats that are unprecedented.
 - The National Planning Commission (NPC): youth unemployment was the 'single greatest risk to social stability in South Africa'.
- Financial education programmes have targeted the youth as a vulnerable group

But how do the youth fare compared with other age cohorts in relation to financial literacy?





HSRC
Human Sciences
Research Council

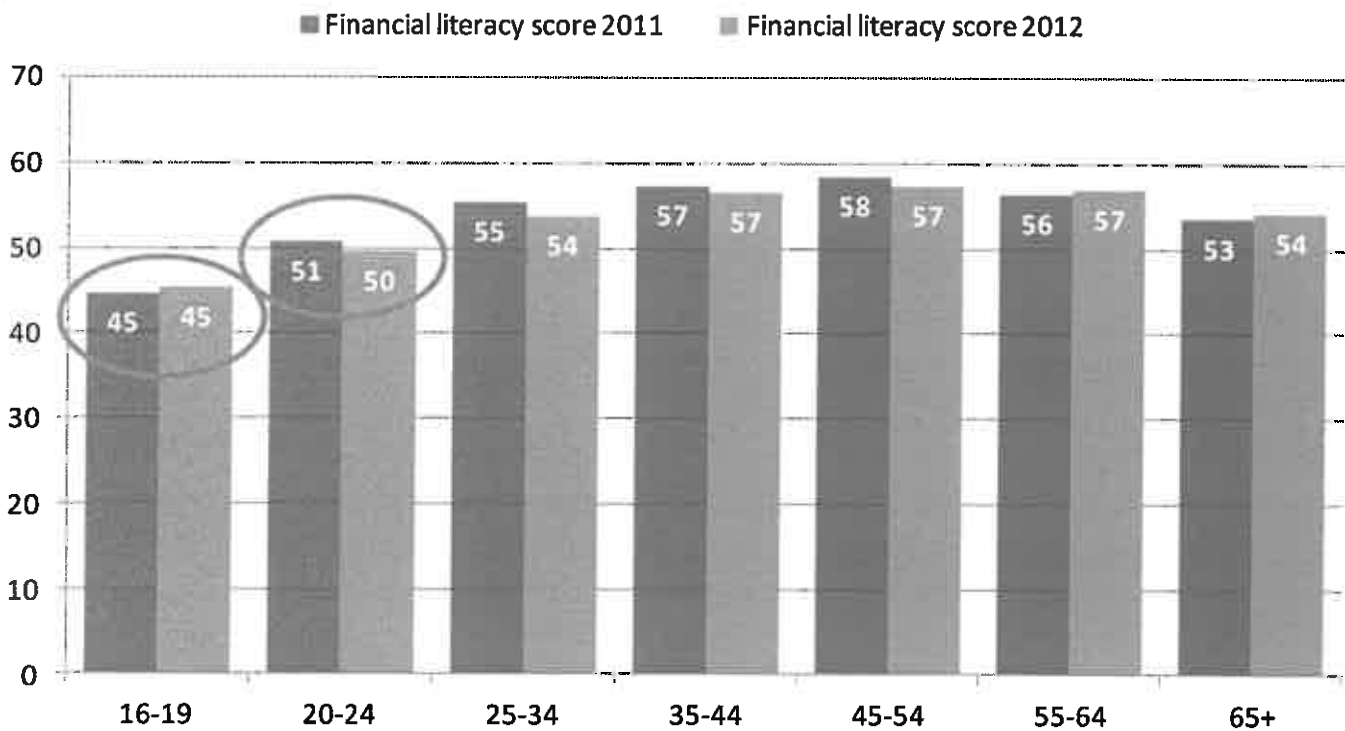


(Research Question 1) **Are Youth Financial Literacy** **Levels Different from Older Cohorts?**

**Changing lives of
ordinary people
through human and
social sciences**



Overall Financial Literacy Score by Age Group, 2011 and 2012



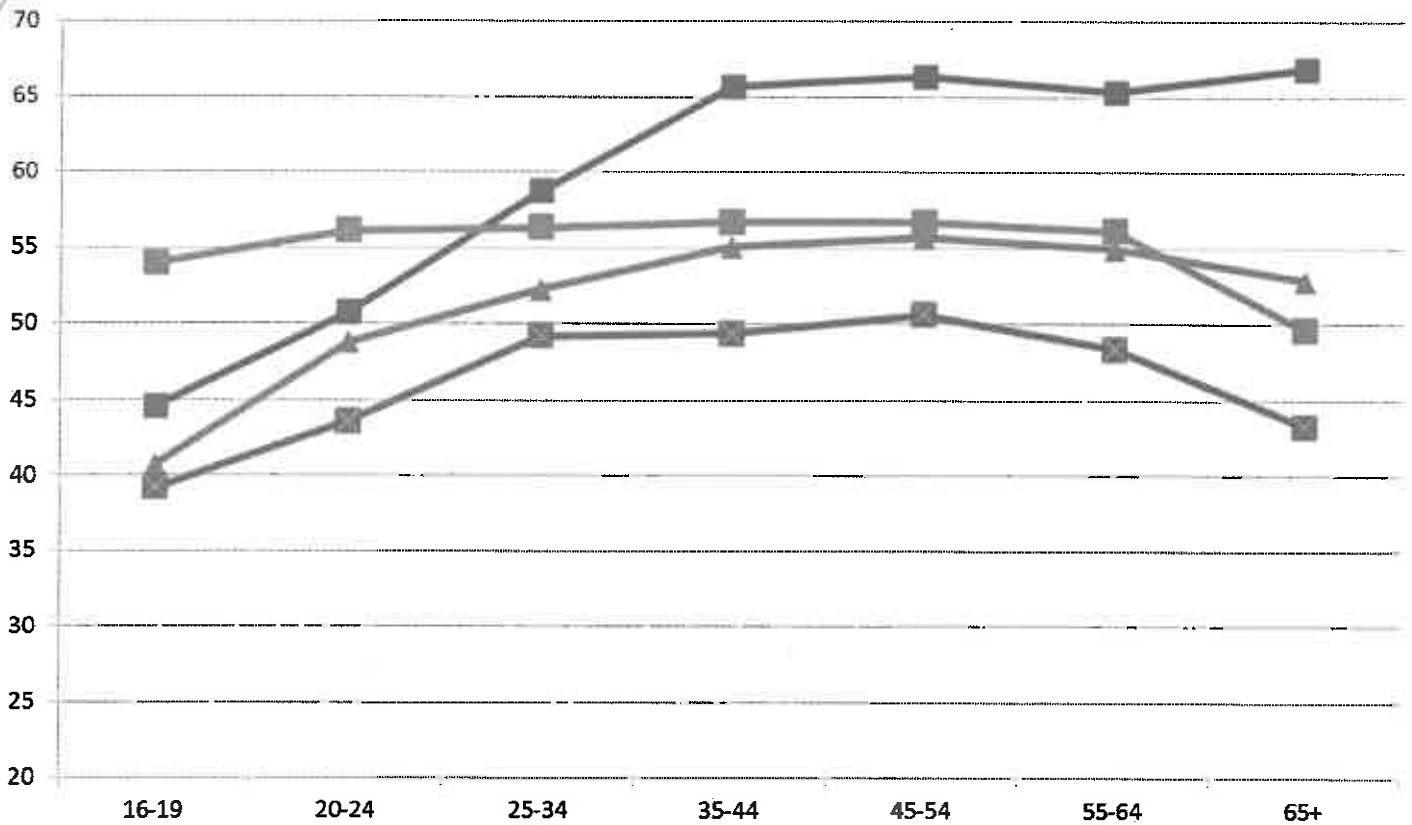
Source: HSRC FSB Financial Literacy Baseline Survey 2011; HSRC South African Social Attitudes Survey (SASAS) 2012



Financial Literacy Domain Scores by Age Group



Financial control Financial planning Product choice Knowledge



Source: HSRC South African Social Attitudes Survey (SASAS) 20011 2012



(Research Question 2) Financial Literacy Among Youth: A Life-Cycle Effect?



**Changing lives of
ordinary people
through human and
social sciences**

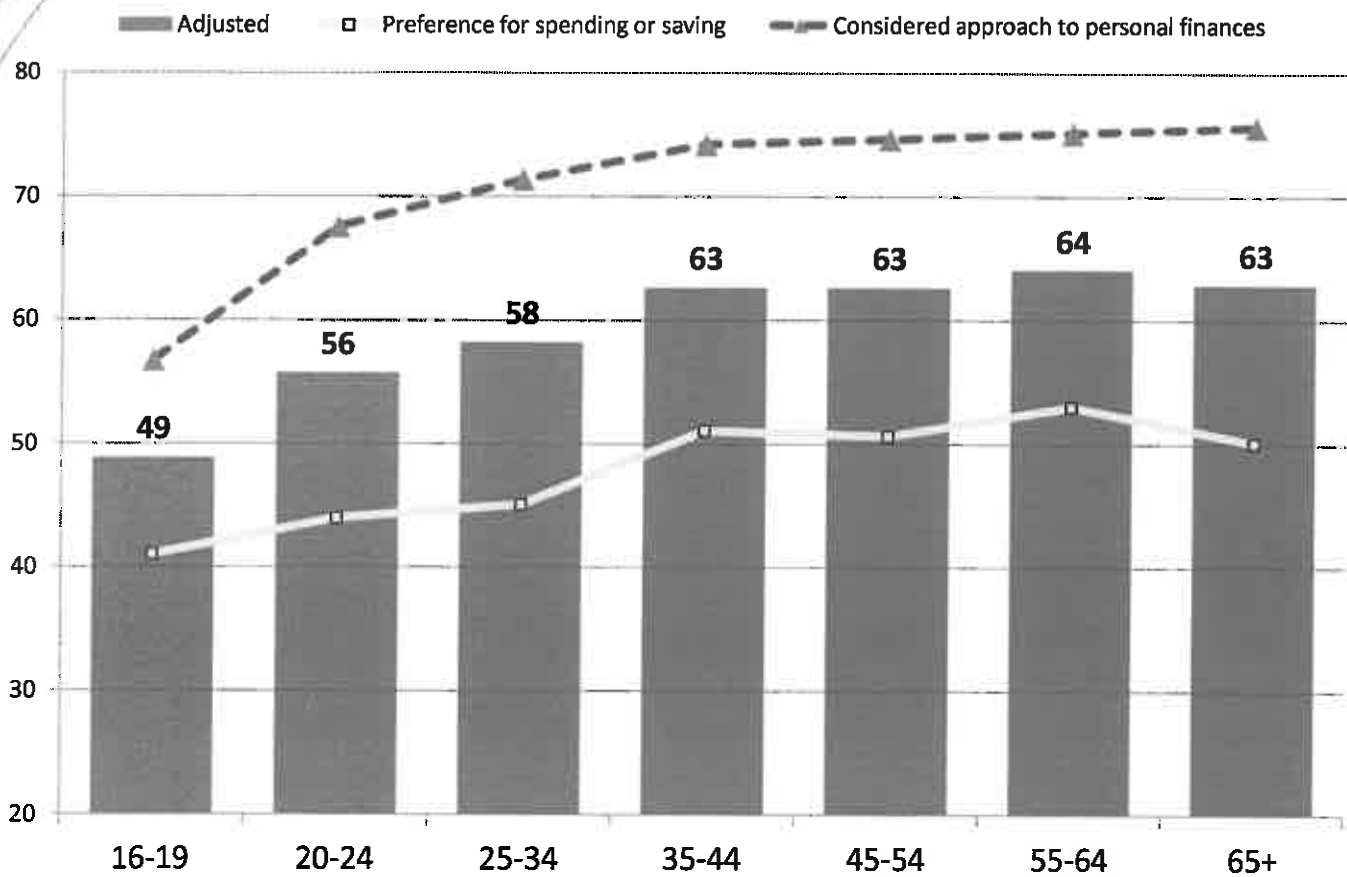


A Lifecycle Effect on Financial Literacy?



		Likely	Not
Financial Control Indicators	Personal involvement in daily household money management	X	
	Presence of a household budget	X	
	Careful spending		X
	Paying bills timeously	X	
	Closely monitoring financial matters		X
	Making ends meet	X	
	Main coping response	X	
	Preference for spending or saving		X
Financial Planning Indicators	Tends to set and strive to achieve long term financial goals		X
	Has emergency funds or rainy day funds	X	
	Preference for spending money vs long-term saving		X
	Living for today vs long term provisioning		X
	Saved money in last 12 months	X	
Product Choice Indicators	Product awareness		X
	Product holding	X	
	Have Clear Idea of Product Need	X	
	Informed Product Choice	X	
	Not Regret any Key Financial Decisions Made in Last Year	X	
	Did not Pay for an Unsuitable Product in Last Five Years	X	
Financial Knowledge Indicators	Basic mathematical division		X
	Effects of inflation		X
	Interest paid on loans		X
	Interest on deposits		X
	Compound interest		X
	Risk of high return investments		X
	Effects of inflation on cost of living		X
	Risk diversification		X

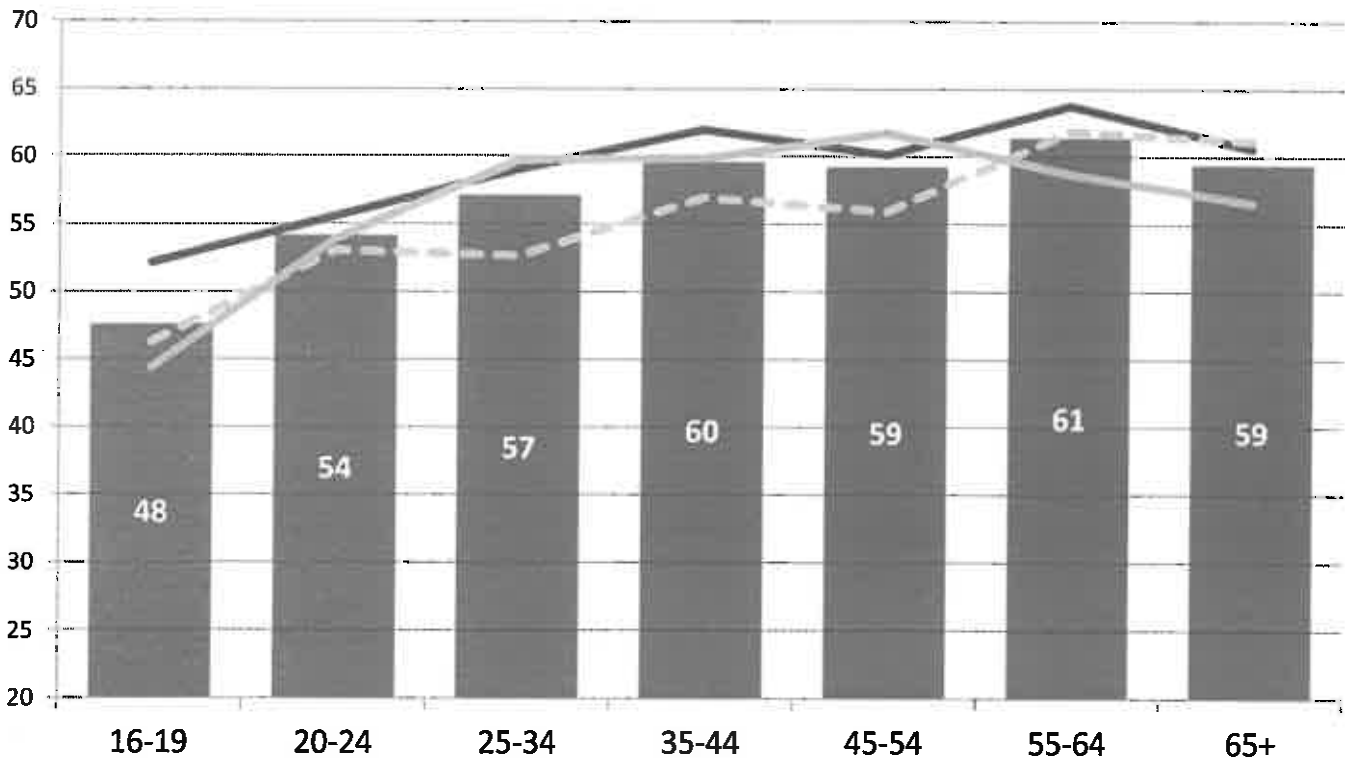
Adjusted Financial Control Scores by Age Group



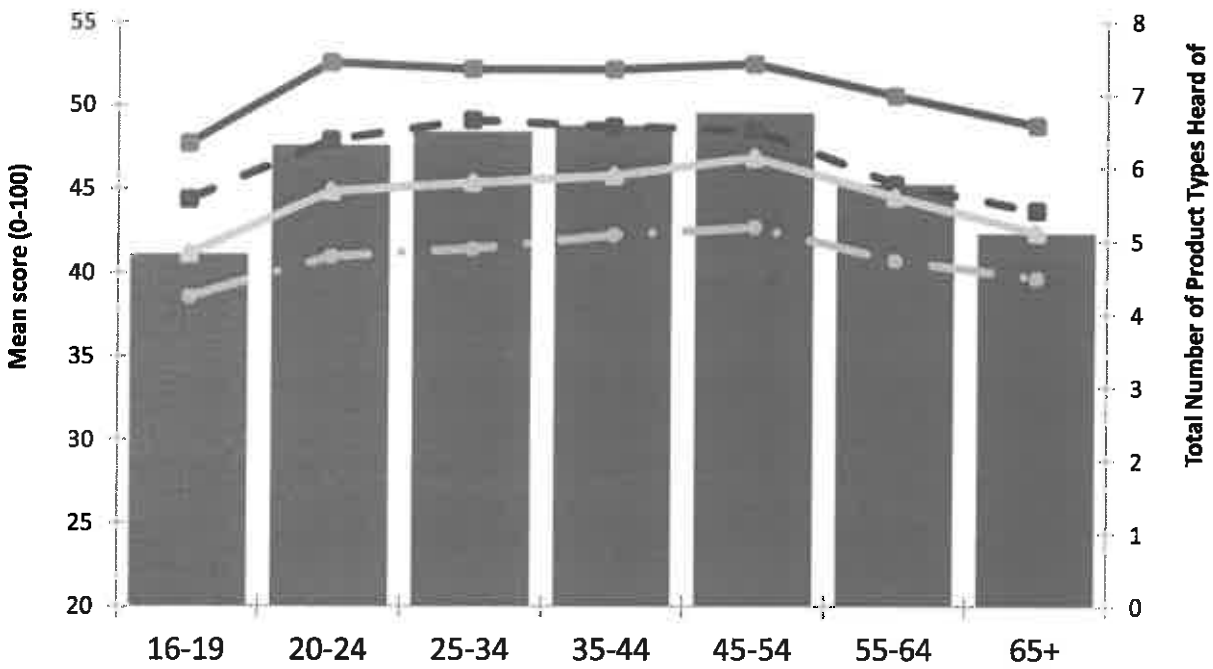
Adjusted Financial Planning Scores by Age Group



- Adjusted Financial planning
- Living for today vs long term provisioning
- - Preference for spending money vs long term saving
- Set and strive to achieve long term financial goals

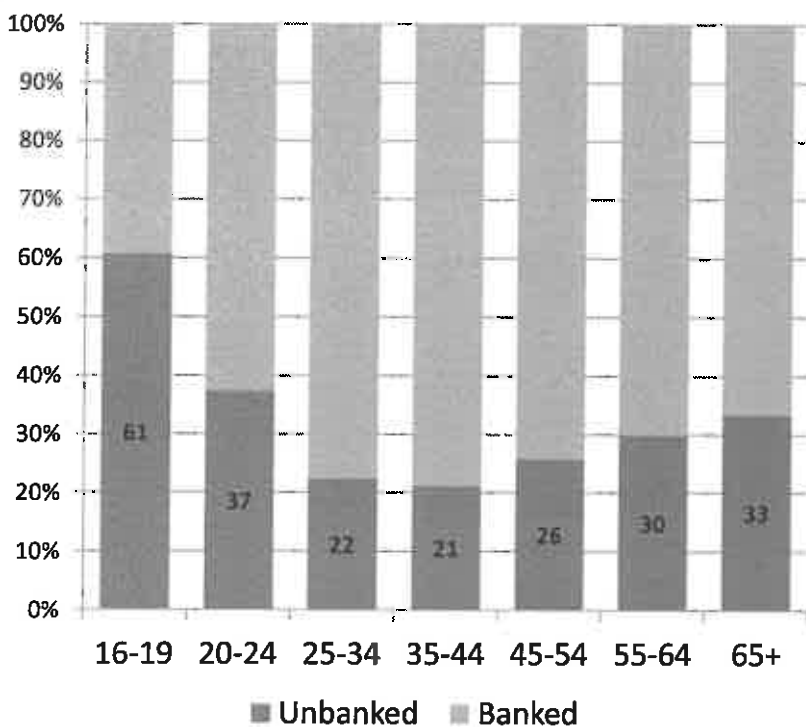


Adjusted Product Choice Scores by Age Group



- "Total number of products has heard of (0-100 score)"
- Banking products
- - - Credit & loan products
- - - Investment & savings products
- Insurance products

Who Are the Banked? Analysis by Age Group



- Huge disparity between product knowledge and holding
- Significant shares have banking products, but relatively low holding of other products.
- Informal credit and loan products were fairly uncommon.
- Educational attainment and wealth are strongly associated with product type awareness and possession



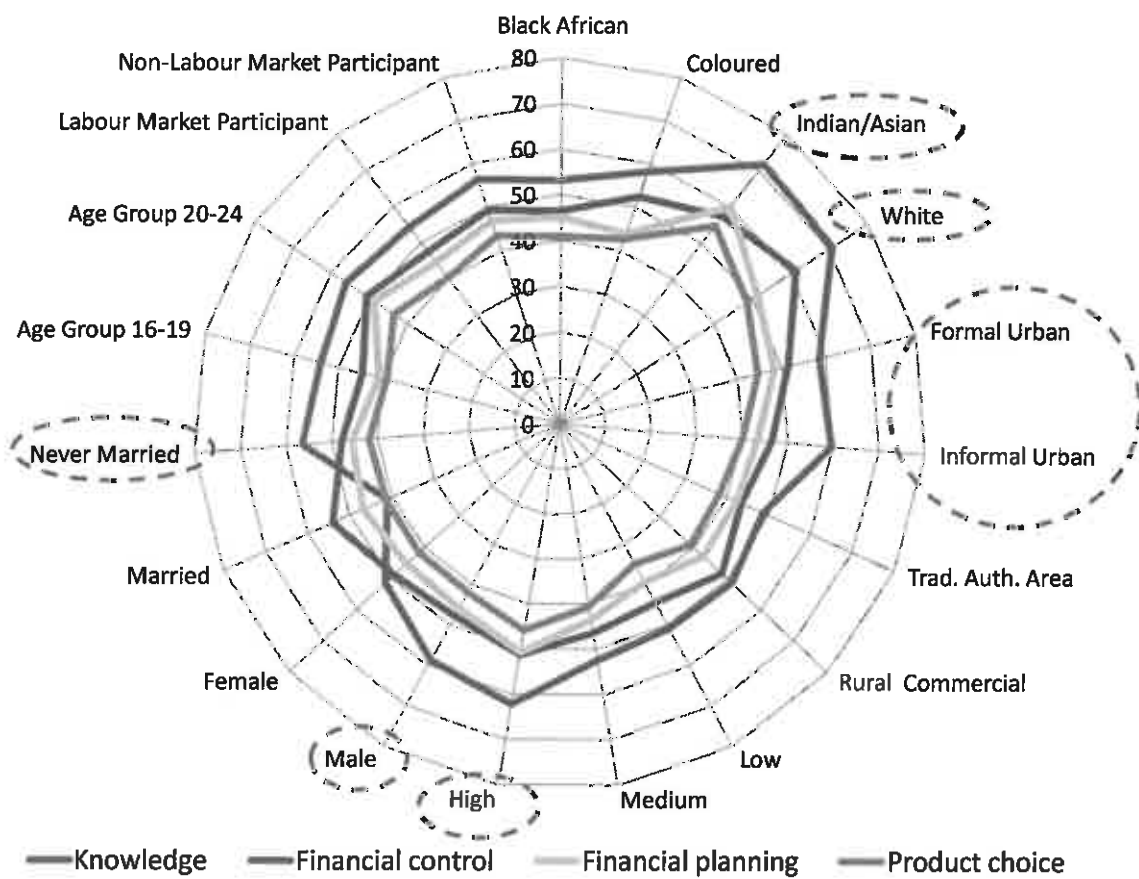
(Research Question 3) Differences Among the Youth?



**Changing lives of
ordinary people
through human and
social sciences**



Financial Literacy Domain Scores among the Youth





Conclusions



Comparing youth to older cohorts, we find that...

- ...while they are as knowledgeable about basic financial concepts
- ...they lag behind in day-to-day money management, financial planning and appropriate product choice



These findings generally hold even when excluding measures that one would assume might reflect a lifecycle effect



This suggests that there is a way to go in translating knowledge into behavioural change



Young South Africans are clearly heterogeneous, with different levels of financial literacy and requiring differentiated interventions





Conclusions

Monitoring and the National Consumer Financial Education Strategy



National Consumer Financial Education Policy: Survey data and measures has assisted by...

- ...identifying target groups
- ...provided comparable year-on-year measures

Evaluation approach:

- Show which socio-demographic groups being reached
- Which messages are getting through to risk groups
- The rate at which societal change is occurring

Intentions for the future research...

- Repeat core financial literacy core module year-on-year
- Repeat every 3-5 years, full financial literacy module





Human Sciences Research Council
Lekgotla la Dinyakisišo tša Semahlale tša Setho
Raad vir Geesteswetenskaplike Navorsing
Umkhandlu Wezokucwaninga Ngesayensi Yesintu
Ibhunga Lophando Ngenzulu-Lwazi Kantu



South African Social Attitudes Survey

www.hsrc.ac.za/sasas

Benjamin Roberts
SASAS Coordinator
Tel: (031) 242 5606
Cell: 084 523 0374
email: broberts@hsrc.ac.za

Jarè Struwig
SASAS Coordinator
Tel: (012) 302 2511
Cell: 082 774 5749
email: jstruwig@hsrc.ac.za



Conclusions



Financial Control: 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.

Financial Planning: 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).