FSCA
Financial Sector Conduct Authority

Financial literacy, competency and education

Briefing Report No. 3

based on the results of the 2020 Financial Literacy Baseline Survey

Materialist values in South Africa:
The power of belief

> *"The values of human solidarity that once drove our quest for a humane society seem to have been replaced, or are being threatened, by a crass materialism and pursuit of social goals of instant gratification."*
>
> - Former President Nelson Mandela, 5th Steve Biko lecture, 2004

> *"We mali / We zuka notiki / Undènza ntoni na? / Sibulalana ngenxa yakho"*
>
> [Oh money / Oh cent and penny /
> What are you doing to me? /
> We're killing each other for your sake]
>
> - Zahara, "Mali",
> Country Girl, 2015.

How do the beliefs that South Africans have about money and material possessions shape their spending and saving habits? Does being more materialistic increase the risk of choices that may undermine one's financial wellbeing? Much of the existing policy-focused literature on financial education, literacy and competencies tends to focus on the social and demographic differences that are associated with financial vulnerability and wellbeing in society. The argument presented in this briefing report is that beliefs around money, possessions and wealth may be an equally important factor that leads to vulnerability, which needs to be considered in financial education initiatives and consumer protection measures.

The evidence used in making this case draws on a financial literacy baseline survey that was commissioned by the FSCA in 2020.

MEASURING MATERIAL VALUES

The FSCA Financial Literacy Baseline Survey included a short, 9-item version of the Material Values Scale (MVS) that was developed by marketing professor Marsha Richins (2004). The scale was designed to measure three dimensions of materialism, namely (i) how much people think possessions reflect success in life, (ii) the degree of centrality of materialism to individual desires, and (iii) how much people believe wealth and possessions leads to happiness. The response categories for all items made use of a five-point scale, ranging from 'strongly agree' to 'strongly disagree'.

In **Table 1**, the national pattern of responses to the nine materialism items is presented. Beginning with beliefs about material possessions and success in life, approximately three-fifths (57%) of South Africans expressed admiration for people who have accumulated possessions and wealth. A similar share (58%) feel that possessions convey meaning about personal success and achievement in life.

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> *"The implication seems to be that acquiring material possessions is a core aspect of the lives of a significant share of the public."*

The public was more ambivalent in response to the statement 'I like to own things that impress people', with 43% opposing this view compared to 36% supporting it. This suggests some reluctance about flaunting one's material possessions despite a belief that such ownership is admired and seen as a symbol of personal success.

Turning to the centrality dimension, how important is materialism to the desires of South Africans? In theory, materialists place the acquisition of things at the centre of their lives, with high levels of material consumption serving as a life goal that provides direction and meaning in life. In the South African context, although three-quarters (74%) of adults maintain that they strive for a simple life rather than focusing on acquiring possessions, responses to the other two items seem to point to a tension between this principle and the temptations of consumerism. Slightly more than half (52%) the adult public admitted that buying goods was a source of considerable pleasure, compared to a quarter (24%) that oppose this idea. Furthermore, 46% stated that they like 'a lot of luxury' in life, while a third (33%) disagreed with this viewpoint. The implication seems to be that acquiring material possessions is a core aspect of the lives of a significant share of the public.

Table 1:
Consumer materialism based on the short form of the Material Values Scale (MVS)

		Agree	Neutral	Disagree	(Do not know)	Total	Mean score (1-5 scale)
SUCCESS							
1.	I admire people who own expensive homes, cars, and clothes	57	18	24	1	100	3.45
2.	The things I own say a lot about how well I'm doing in life.	58	20	20	1	100	3.50
3.	I like to own things that impress people.	36	20	43	1	100	2.93
CENTRALITY							
4.	I try to keep my life as simple, as far as possessions are concerned. *	74	16	8	2	100	2.14
5.	Buying things gives me a lot of pleasure.	52	22	24	1	100	3.39
6.	I like a lot of luxury in my life.	46	21	33	1	100	3.20
HAPPINESS							
7.	My life would be better if I owned certain things that I don't have.	67	19	13	1	100	3.72
8.	I'd be happier if I could afford to buy more things.	70	18	11	1	100	3.80
9.	It sometimes bothers me quite a bit that I can't afford to buy all the things I'd like.	67	18	14	1	100	3.75

** item is reverse scaled for analysis*

Finally, to what extent is material acquisition linked to the pursuit of happiness in the country? This dimension of materialism provoked strong responses from South Africans. Two-thirds of adults believed that their quality of life would be improved by acquiring possessions they currently lack. A similar share admitted being frustrated by not being able to afford all the material goods they desired, while 70% felt they would be happier if they had the resources to acquire more possessions. Only a small share – between 11% and 14% - rejected each of these statements. These results provide insight into the importance that South Africans attach to possessions as a source of personal satisfaction and well-being. This view is widespread and may reflect the country's history of dispossession, inequality, and continuing social disadvantage.

"These results provide insight into the importance that South Africans attach to possessions as a source of personal satisfaction and wellbeing."

WHO IS MORE MATERIALISTIC?

"Interestingly, active social media users were more materialistic than those not frequently using social media, even if age and class differences are controlled for. This may indicate that social media usage has a bearing on consumer culture and an acquisitive lifestyle"



The nine MVS items were converted into an overall MVS index, which was created by averaging together the responses to the items and converting them into a 0-100 scale. This is useful for gaining a better understanding of who is more materialistic in the country. The MVS index scores were examined across a range of social and demographic characteristics of adults.

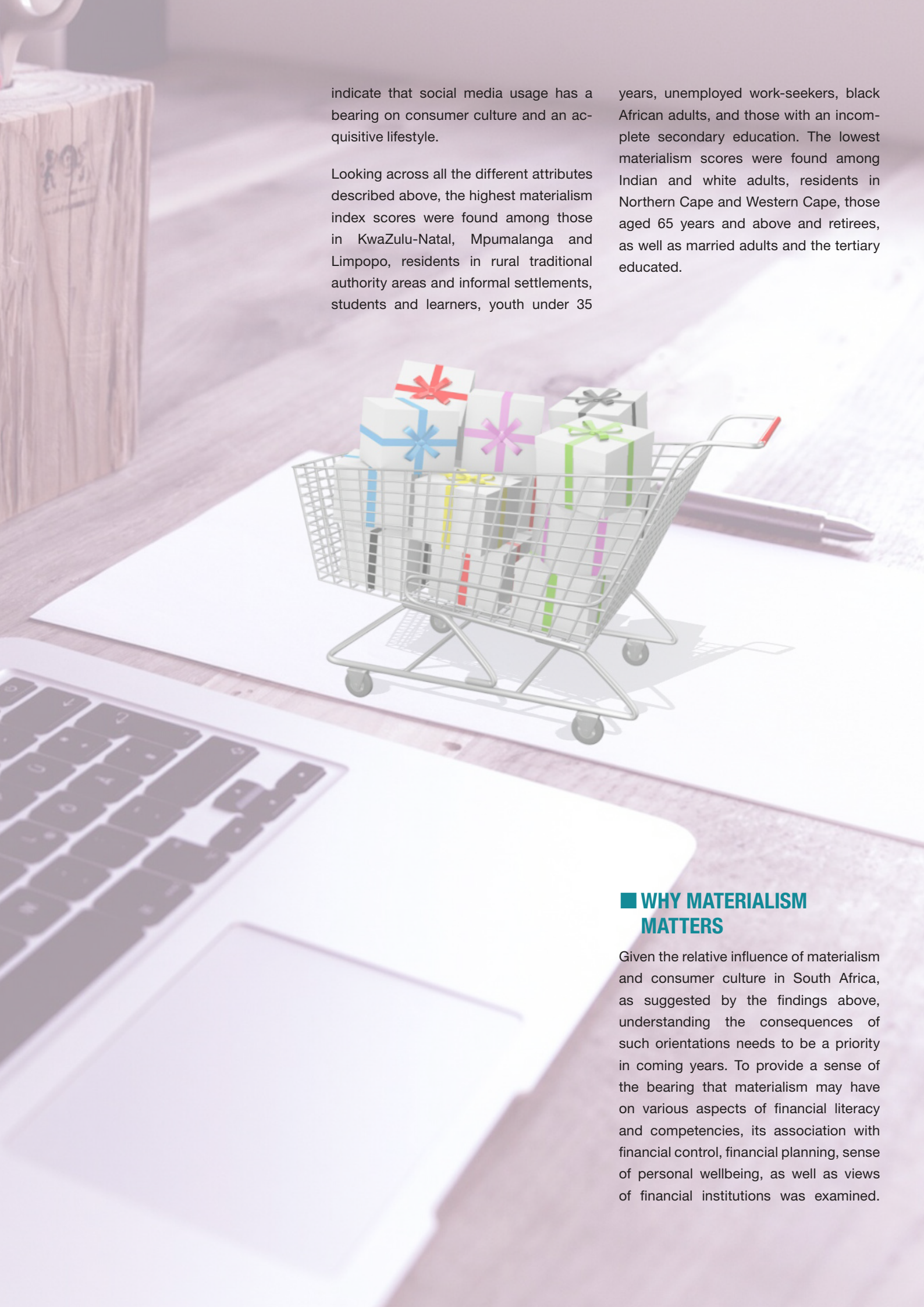
Significant age, race, class, and geographic differences are evident, as outlined below:

- **Age:** Youth under 35 years were more materialistic than older age groups. Adults that had never been married were more materialistic than married or previously married adults, which is likely to reflect the age differences.
- **Race:** Black African and coloured adults displayed more materialistic values than white and Indian adults.
- **Class:** Tertiary educated adults were less materialistic than those with lower education levels. As for employment status differences, unemployed work-seekers, students and learners were more materialistic than employed adults and pensioners. Those classifying themselves as poor and those just getting by were more materialistic than the non-poor.
- **Geographic:** Those in rural, traditional authority areas were more materially oriented than those in formal urban areas and living on rural farms. Adults in KwaZulu-Natal, Mpumalanga and Limpopo were more materialistic in general, especially compared to the Northern Cape and Free State, where the lowest materialism scores were found.

No significant differences in material values were found based on gender. Also, the experience of the first six months of COVID-19 lockdown implemented in late March 2020 did not appear to have influenced material values. Interestingly, active social media users were more materialistic than those not frequently using social media, even if age and class differences are controlled for. This may

indicate that social media usage has a bearing on consumer culture and an acquisitive lifestyle.

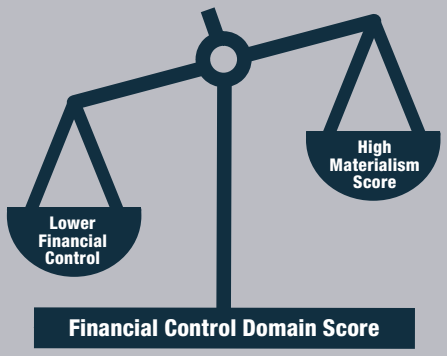
Looking across all the different attributes described above, the highest materialism index scores were found among those in KwaZulu-Natal, Mpumalanga and Limpopo, residents in rural traditional authority areas and informal settlements, students and learners, youth under 35 years, unemployed work-seekers, black African adults, and those with an incomplete secondary education. The lowest materialism scores were found among Indian and white adults, residents in Northern Cape and Western Cape, those aged 65 years and above and retirees, as well as married adults and the tertiary educated.



WHY MATERIALISM MATTERS

Given the relative influence of materialism and consumer culture in South Africa, as suggested by the findings above, understanding the consequences of such orientations needs to be a priority in coming years. To provide a sense of the bearing that materialism may have on various aspects of financial literacy and competencies, its association with financial control, financial planning, sense of personal wellbeing, as well as views of financial institutions was examined.

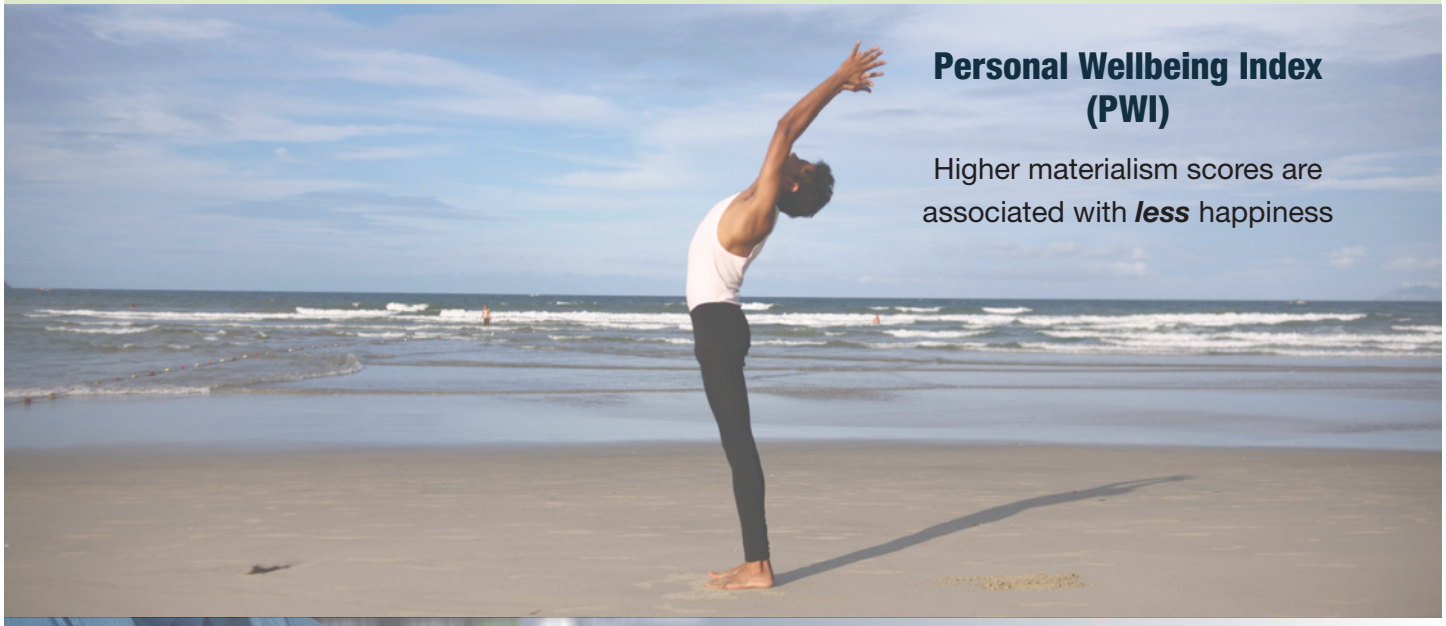
Table 2: Influence of consumer materialist values (MVS index) on financial control, financial planning, personal wellbeing and evaluations of the conduct of financial institutions



Personal involvement in daily household money management	↑ materialism scores ⇢	↓ involvement in household money management
Presence of a household budget	↑ materialism scores ⇢	↓ likelihood of a budget being in place
Considered approach to personal finances	↑ materialism scores ⇢	↓ careful approach to one's finances
Making ends meet	↑ materialism scores ⇢	↓ chance of being able to make ends meet
Preference for saving over spending	↑ materialism scores ⇢	↓ preference for saving

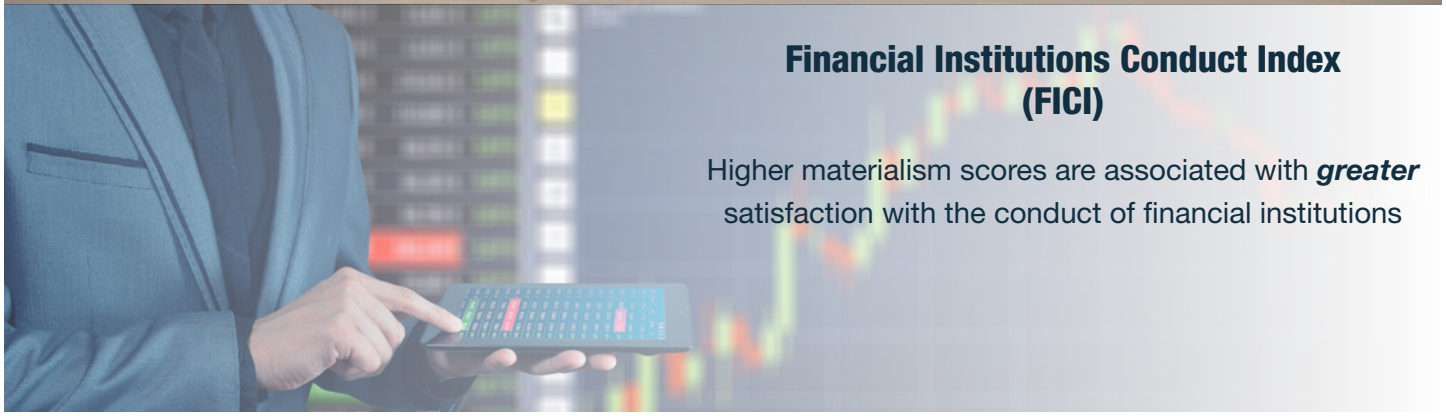


Set and strive to achieve long term financial goals	↑ materialism scores ⇢	↓ emphasis on setting long-term goals and working towards meeting these
Emergency or rainy-day funds	↑ materialism scores ⇢	↓ likelihood of having set aside emergency or rainy-day funds
Preference for long-term saving over spending money	↑ materialism scores ⇢	↓ saving for the future, and a greater focus on spending today
Saved money in last year	↑ materialism scores ⇢	↓ actively saved money in the past year



Personal Wellbeing Index (PWI)

Higher materialism scores are associated with ***less*** happiness



Financial Institutions Conduct Index (FICI)

Higher materialism scores are associated with ***greater*** satisfaction with the conduct of financial institutions

Regression analysis was conducted to test for these associations, and the summarised (statistically significant) results are presented in Table 2. The results clearly point to materialist orientations having a bearing on aspects of financial literacy and competency, as well as life satisfaction and views of financial institutions.

In relation to financial control, higher scores on the Material Values Scale index were associated with significantly lower overall financial control domain scores. We find a similar effect based on all the constituent measures making up the financial control domain. Higher materialist value scores linked with less personal involvement in daily household money management, a lower likelihood of a household budget being in place, a disinclination towards carefully monitoring one's finances, a diminished ability to make ends meet, and a diminished preference for saving rather than spending.

A similar pattern emerges in relation to financial planning, with lower overall financial planning domain scores being



recorded as materialist orientations increase. This association is again found when examining all the constituent financial planning measures. We therefore find that a greater tendency towards materialist values results in lower interest in setting and striving to achieve long-term financial goals, a lower likelihood of having emergency funds, a lower preference for long-term saving over spending money, and for provisioning for the long-term over living for today. Higher materialist values scores are also less likely to have saved money in the year prior to interviewing.

Finally, materialism was associated with lower levels of life satisfaction and personal wellbeing. This confirms previous international research that has shown that a concern with the acquisition of possessions is a route to unhappiness rather than fulfilment (Belk, 1985; Kasser, 2002; Richins & Dawson, 2002; Tatzel, 2014). Finally, the more one displays material values, the more positive the evaluation they tend to provide of the conduct of financial institutions on average.



CONCLUSION

The FSCA financial literacy baseline survey 2020 results point to material values holding power over a notable share of the South African public. The fact that the country's youth have a stronger material focus is of great concern given the high levels of poverty and unemployment, which have been worsened by the effects of the COVID-19 pandemic. The poor and vulnerable in society also display a greater tendency towards materialism on average.

These material values have been shown to have an inverse relationship with prudent financial control and planning attitudes and behaviour, based on a range of indicators. This is important, for it confirms the way South Africans think about money and possessions – especially the power and meaning attached to them – this ultimately has a bearing on the way they approach spending and saving. From a policy perspective, financial vulnerability is not only about social disadvantage but also about the psychological predispositions of individuals that contributes to suboptimal financial decisions and choices.

Many of the beliefs people hold about money come from their childhood and education (Furnham, 2014). Financial education efforts through the school curricula, adult education initiatives and community education initiatives therefore remain crucial. Many businesses (legitimate and otherwise) attempt to "exploit" the way people think about money and possession through persuasion, marketing and advertising. Again, the role of consumer education is instrumental to promote the basic financial skills necessary to recognise, avoid and/or respond effectively to attempted manipulation and scamming. This needs to be coupled with strong financial sector regulation and dispute-resolution bodies.

A materialist orientation, with its emphasis on possessions and material resources, is leading to lower levels of personal fulfilment and a sense of wellbeing among South Africans. It is a source of potential financial vulnerability rather than a pathway to happiness. The words of concern expressed by former President Nelson Mandela in the quotation at the beginning of this briefing report seem increasingly relevant for society today, especially given the need to promote financial competencies among the public in an increasingly uncertain economic time. The reader is encouraged to download the full FSCA report for more in-depth analysis, available at www.fsca.co.za or www.fscamymoney.co.za

REFERENCES

Richins, M. L. (2004). The material values scale: Measurement properties and development of a short form. Journal of Consumer Research, 31(1), 209-219.