Financial Literacy in South Africa: Results of a baseline national survey

Report Prepared for

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List of Acronyms

CMEC:	Confidence to Make Effective Complaint
CMFDWA:	Confidence to Make Financial Decisions Without Advice
CPI:	Consumer Price Index
EA:	Enumerator areas
EC:	Eastern Cape
FBS:	Financial Services Bond
FKI:	Financial Knowledge Index
FS:	Free State
FSA:	Financial Services Authority
GP:	Gauteng Province
HSRC:	Human Sciences Research Council
INFE:	International Network on Financial Education
KZN:	KwaZulu-Natal
LP:	Limpopo Province
LSM:	Living Standard Measure
MP:	Mpumalanga Province
NC:	Northern Cape
NW:	North West
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
SFBI:	Subjective Financial Behaviour Index
SRKS:	Self-Reported Knowledge Score
TFAGS:	Trust towards Financial Advice-Givers Scale
WC:	Western Cape

Concepts

Living Standard Measure (LSM)
A wealth indicator initially developed by the South African Audience Research Foundation (SAARF) which uses assets or basic services to determine a living standard measure. The measurement is classified from LSM 1 to LSM 10. For analytical purposes, we have grouped the LSM data into three categories, as follows:
Low LSM: This group comprise LSM 1-LSM 3 categories.
Medium LSM: This group comprise LSM 4-LSM 6 categories.
High LSM: This group comprise LSM 7-LSM 10 categories.

Living Standards Measure	2001/02 Imputed avg monthly	2003/04 Imputed avg monthly	2005/06 Imputed avg monthly	2007/08 Imputed avg monthly	2009 Imputed avg monthly	2010 Imputed avg monthly
LSM1	R804	R878	R999	R1080	R1386	R1448
LSM2	R963	R1076	R1214	R1401	R1564	R1859
LSM3	R1200	R1412	R1521	R1795	R2116	R2153
LSM4	R1596	R1792	R1940	R2536	R2580	R2966
LSM5	R2239	R2436	R2681	R3122	R3627	R3965
LSM6	R3625	R4057	R4404	R5386	R5990	R6573
LSM7	R5662	R6437	R6841	R8677	R9694	R10081
LSM8	R7537	R8429	R9252	R12337	R13188	R13979
LSM9	R10234	R11499	R12558	R16296	R17809	R18860
LSM10	R15072	R18643	R19817	R23054	R26602	R28038

Source: Developmental Indicators (2011:25)

Household monthly income
The amount of income accruing to a household per month.

Kish Grid
It is a technique/grid used in equal-probability SAMPLING for selecting cases at random when more than one case is found to be eligible for inclusion when the interviewer calls at a sampled address or household.

Per capita monthly income
A common measure of living standards, per capita monthly income is derived by dividing total household monthly income by household size.

Quintile
A quintile is one fifth or 20% of a given amount or number.
Poorest per capita quintile
The poorest quartile represents the lowest fifth of the data (1-20%).
Quintile 2 (Q2)
The second quartile represents the second fifth (21% - 40%) of the data.
Quintile 3 (Q3)
The third quartile represents the third fifth (41% - 60%) of the data.
Quintile 4 (Q4)
The fourth quartile represents the fourth fifth (61% - 80%) of the data.
Richest per capita quintile
The richest quartile represents the highest fifth (81% - 100%) of the data.

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Executive Summary

THE AIM OF THE SURVEY

The primary overall objective of this study is to gather baseline information about financial literacy in South Africa in order to assist the Financial Services Board (FSB) to fulfil their vision of helping all South Africans to achieve sound financial management and to provide the relevant financial information to facilitate this for consumers. The FSB Consumer Education programme has previously been hampered by the very limited data available about the financial knowledge, attitudes, skills and behaviours of consumers in South Africa. The purpose of this project, the first of its kind in South Africa, is therefore to undertake a national study to generate information on the levels of awareness, knowledge and understanding of financial literacy and systems in South Africa.

The broader objectives of the FSB study are to determine levels of financial literacy in South Africa, to benchmark these against those of other countries, to inform public policy relating to low financial segments and to assist in developing strategies to improve financial literacy. In addition, this report provides descriptive findings organised around financial capability: money management; planning ahead; choosing financial products; and staying informed. The latter areas represent important issues identified by the Organisation for Economic Co-operation and Development (OECD).

RESEARCH METHODOLOGY

Two thousand nine hundred and seventy-two South Africans participated in the survey, a sample representative of the country’s population. The target population for the FSB financial literacy survey was individuals aged 16 and over who lived in South Africa. The survey selected people specifically living in households, hostels and other structures. 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 seven visiting points or households were selected for interviewing, using random sampling. 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 in September 2011 and ended in October 2011.

FINANCIAL CONTROL

Personal involvement in money management

Respondents were asked who in their household was responsible for day-to-day decisions regarding the management of household finances. Of all adult South Africans, 30% indicated that they assumed sole personal responsibility for daily financial management in their household, 20% managed household finances jointly with their partner, and 13% stated that they performed this task jointly with another member of their family. Therefore, approximately two-thirds of South Africans aged

16 years and older (63%) directly play at least some role in managing the household budget. The remaining third of survey respondents are reliant on other people for financial management. Although gender is not important for determining responsibility for daily money management, population group is an important factor: white (79%) and Indian (73%) respondents are more likely to play a direct role in managing the household budget compared to coloured (63%) and black African (60%) respondents.

The study also investigates the extent to which South Africans personally monitor their regular expenses. Of those interviewed, 32% indicated that they do not keep an eye on expenses, 37% monitor their expenses to some extent, while 27% keep a close eye on their expenses, with or without written records. Approximately two-thirds of South Africans aged 16 years and older (64%) thus monitor their personal regular expenses to some extent. Although gender is not an important indicator regarding personal monitoring of regular expenses, there is a significant gradient of difference in relation to population group. Coloured and black African respondents (67% and 61% respectively) were significantly less likely than white and Indian respondents (81% and 77% respectively) to report that they monitor their regular expenses to some extent. There is an incremental relationship between monitoring personal expenses and education: approximately 85% of respondents with tertiary education, and 52% of respondents with no schooling monitor their regular expenses to some extent.

Household Budgets

The presence of a household budget is suggestive of a positive awareness relating to financial management. Less than half of the respondents (44%) reported a household budget, while 51% of the respondents do not have a household budget and 5% were uncertain. There is a significant gradient of difference in relation to population group. Coloured and black African respondents (46% and 39% respectively) were significantly less likely than white and Indian respondents (67% and 68% respectively) to report that they had a household budget. This finding reflects material disadvantage and social inequalities that continue to characterise South African society. There is a relationship between educational attainment and household budgeting, as well as a link to income: the higher the education or the greater the income, the more likelihood of reporting a household budget (70%% and 60% respectively). Age also affects budgeting, as the likelihood of budgeting progressively increases with age. Individuals in their thirties and fifties (53% and 52% respectively) have the highest percentages with budgets.

Apart from determining whether the respondents have budgets, they were also asked to indicate how often they stay within their budgets. Of those interviewed, 56% indicated that they always or usually stay within their budgets while 43% indicated that they sometimes or never stay within their budgets. There is a significant level of difference in relation to population group. Coloured and black African respondents (54% and 49% respectively) were less likely than white and Indian respondents (86% and 65% respectively) to report that they always or usually stay within their budgets. There is a relationship between educational attainment and staying within budgets, as well as a link to income: the higher the education or the greater the income, the more likelihood of staying within a budget (70%% and 67%

respectively). Age also influences staying within a budget, as the likelihood of staying within a budget progressively increases for those in their twenties, thirties, forties and fifties and is the highest for people in their fifties (68%).

Respondents were also asked to indicate which financial documents they keep copies of. Just over half of the respondents keep copies of bank statements (52%), major purchases (53%) and major bills such as electricity or school fees (55%). A notable minority kept tax forms (32%), financial service agreements and contracts (31%) and loan or hire purchase statements (29%). Population group is an important indicator of whether people keep copies of financial documents. For example, 85% of white respondents, 83% of Indian respondents, 46% of black African respondents and 57% of coloured respondents keep copies of major purchases. There is a relationship between educational attainment and keeping copies of financial documents, as well as a link to income: the higher the education or the greater the income, the greater the tendency to keep copies of financial documents.

MAKING ENDS MEET

Current rises in the cost of living and a higher inflationary environment are eroding the disposable income of South African residents. This makes questions surrounding 'making ends meet' particularly important, due to its reflection on people's behaviour in times of economic crisis. This is reflected with little variance by the majority of respondents who would carefully consider whether they could afford something before buying it, regardless of their age, sex, race or level of education. Very tight finances have also taken their toll on how people pay their bills, with only half of respondents indicating that they usually pay on time and 11% indicating that they never pay on time.

Those who participated in the survey were asked how often they do the following: "*I set long-term financial goals and work hard to achieve them."* The results obtained for this question reveal that nearly a quarter always set goals and work hard to achieve them while another quarter never did this. Nearly two-thirds of respondents reported that they had not been exposed to hardship such as having gone without enough food to eat. Those who did report such exposure as 'often' (7% of total) are more likely to be black African, female, aged 70 years or older and have no schooling.

On the question of how often families have gone without a cash income during the past twelve months, 17% of respondents reported that it happened 'often,' with 34% saying that it happened 'sometimes'. Importantly, this reflects a situation where just more than half of all families have experienced financial stress due to a lack of regular cash income during the last 12 months. Interestingly, respondents in the age group 30-39 reported the highest occurrence of having had to cope without a cash income. Women were also more likely to report having gone without a cash income than men. Not surprisingly, respondents affected by a lack of cash income were much more likely to be people with no schooling.

On average, 12% of respondents reported that they have gone without adequate shelter during the past twelve months. Lowest educational level was identified as the most significant indicator of the likelihood of a respondent having gone without shelter during the past twelve months. Generally, 38% of South Africans reported being dissatisfied with their current personal financial condition. Women were generally more dissatisfied than men, and black South Africans more so than other population groups. Respondents with higher levels of education were generally more satisfied with their current financial condition than those with lower levels of schooling.

Respondents' behaviour regarding income, as related to saving and borrowing, was explored by asking questions on whether people during the past twelve months had saved money, just got by on their income, spent some savings, spent savings as well as borrowed some money. Just over a quarter of people indicated that they had saved some money, whereas a third just got by on their income.

A significant number of people (44%) indicated that during the last twelve months, their income did not quite cover their living costs. It was reported that a larger proportion of black African and coloured families could not sufficiently cover their cost of living when compared to other groups. Groups with higher levels of education were much more likely to get by with their income than other groups with lower levels of education. In order to make ends meet, the majority (56%) of respondents would resort to borrowing food or money from family or friends and just over a third of respondents would cut back on expenditure and make do without certain items in order to make ends meet.

The poor financial situation of many households is also reflected in the fact that nearly half (49%) of the respondents found it difficult or extremely difficult to pay all their expenses and bills during a typical month. South Africans were modestly optimistic about their future financial prospects. This is borne out by the fact that almost half all adult South Africans (47%) believed that things would improve. However, a level of pessimism was also observed with more than a quarter (27%) believed things would stay the same and almost a fifths (18%) believed things become worse.

FINANCIAL PLANNING

Respondents 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. In total, just over two-thirds of respondents reported that they would not be unable to cover expenses for three months in case of an emergency. On the whole, findings suggest that a majority of South Africans only have small reserves that they could use to fund living expenses during prolonged times of income loss, before they would be forced to rely on other forms of coping strategies.

On the question," *What would you do if something happened and you needed to find one month's income?*", a pattern emerged which suggested that most South Africans have to resort to asking family members to assist (46%), followed by finding a job, additional jobs or a better paying job (30%) and using savings (29%). 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 64% of respondents disagreed with this statement, in marked contrast with 61% of young respondents (aged between 16-19) agreeing with this statement. More mature respondents, on the other hand, seemed more responsible in their approach to saving money, as opposed to deriving satisfaction from spending. Significantly, not many South Africans are prepared to risk some of their own money when saving or making an investment (36%). Over two-thirds of respondents believe that people should begin to make a financial plan for their retirement before they reach the age of 35 years.

Nearly half (47%) of respondents included government old age pensions in their financial plan for retirement. In comparison, only 33% included a workplace pension in their retirement plan and 23% a personal retirement savings plan. A relatively significant amount of 13% planned to continue to work after retirement age to earn money. There was an even split of people who were either confident (44%) or not confident (44%) that their income would give them a standard of living throughout retirement.

CHOOSING FINANCIAL PRODUCTS

The baseline study identified four primary financial product areas: banking, credit and loan, investment and savings, and insurance. In each of the product areas, South Africans were asked to identify their awareness of different products in those areas and what kind of products they held, grouped by area. Building on these responses, respondents were then questioned on how they decided to acquire these products and how they used these products. The following subsection will provide a brief analysis of the responses received to the above questions.

Before the four primary financial product areas are discussed, it is important to note that the reported mean number of financial product awareness and products possessed has a class basis. The mean is highest for those with a tertiary education, White South Africans and those in regular self-employment. Household-level disadvantage plays a considerable role in product awareness as well as the number of products held by respondents. Wealthy South Africans are inclined to be aware of more products than their poorer counterparts. Unsurprisingly, the wealthy also have a greater tendency to own more products than poorer households.

Banking Products

The most common banking product that South Africans are aware of is a bank account, mentioned by 86% of the population – this is followed by an ATM card (76%) and an Mzansi account (72%). Despite this level of awareness, a sizeable share (33%) indicated that they possessed no banking products. Of the population surveyed, two thirds stated that they possessed at least one banking product, with respondents on average holding two (M=2.08) different types of banking products. Respondents were subsequently requested to specify whether they had acquired any banking products during the last two years, irrespective of whether they still possessed them. More than three-fifths (61%) said that they had not done so, with only 39% choosing one or more banking products during this period. Of those that chose a product during the given period, an estimated 53% had chosen a single product, with a national average of 1.73 products.

Credit and Loan Products

Credit and loan products were not as widely utilised as banking products. A considerable majority of South Africans (58%) indicated that they possessed none of the credit and loan products listed. Indeed, only 29% of respondents stated that they possessed at least one of them, with respondents on average holding two (M=1.7) of products listed. In terms of recent product acquisition, more than two-thirds (68%) said that they had not acquired a credit and loan product in the last two years. Only 19% of the population indicated choosing one or more credit or loan products during this period. Of those that chose a product during the given period, an estimated 63% had chosen a single product, with a national average of 1.47 products. However, awareness of certain credit and loan products was high. On average, respondents were aware of five (M=5.4) of the different types of investment and savings products listed. Only a tiny share indicating that they had not heard of any of the products (6%) listed. South Africans were most aware of the following products: a store card, a lay-buy and a loan from a micro-lender (more than 70% of the population had heard of these three products).

Investment and Saving Products

Investment and savings products were, like credit and loan products, only held by a small section of the population. A majority of South Africans (55%) reported that they possessed no investment and savings products listed and only 41% of respondents stated that they possessed at least one of them. On average, respondents held two (M=1.67) different product types. The market for investment and saving products is not active – approximately 70% of the population had not acquired a product of this kind in two years, with only 26% choosing one or more investment and savings products during this period. Awareness of investment and savings products is high for retirement products and informal savings clubs. The investment and savings product that most South Africans are aware of is a pension fund, with 72% of respondents having heard of this product. The next most popular was arrangements made with a *stokvel* (68%), indicating the popularity of these informal savings associations. More formal investment and savings products were less popular – only 55% of the weighted population had heard of an education policy, the most well-known formal product listed.

Insurance Products

Insurance products were more common than either credit and loan products or investment and savings products. The insurance product that most South Africans are aware of is a life insurance (or life cover), with 69% of South Africans having heard of this product. The next most popular was vehicle or car insurance (68%), reflects the necessity of such insurance for car ownership. A majority of South Africans (64%) indicated that they possessed at least one insurance product. Indeed, half of all insurance holders had at least two insurance products, with respondents on average holding more than two (M=2.3) different types. This suggests the popularity and accessibility of insurance products in South Africa in comparison to other financial products. The insurance product market overall, however, has not been highly active in recent years. Of the population, only 31% chose one or more insurance products during the last two years. Of those that chose a product during the given period, an estimated 59% had chosen a single product, with a national average of 1.75 products.

Decision-making and recent product choice

Among those that indicated that they had bought a financial product in the last two years, each was asked to specify the manner in which the product was chosen. The majority of South Africans reported being comparative shoppers, considering several products before deciding. This was particularly true of insurance products. Of those individuals who had recently chosen an insurance product, half maintained that they considered several products from different companies before making a decision. Only a fifth reported that they did not shop around for different providers or products prior to choosing their product. It seems that comparison shopping is especially common when acquiring a medical aid scheme, life insurance or life cover, and a credit card. Interestingly, above-average shares of respondents reported that they did not shop around in the cases of an ATM card (22%), funeral cover through an undertaker (23%), debit card (27%), and a burial society (33%).

Sources of product information

When choosing a financial product, consumer decisions are most informed by information from social networks, namely friends and family who are not in the financial services industry. This is particularly true of the individuals who acquire credit and loan products, as well as those who bought insurance products. In terms of banking products, however, product-specific information from a bank branch seems to play a more prominent role, with 44% of those who have ever bought a banking product citing this as an influential source. The role played by media coverage was also significant. In the case of insurance products, for example, television adverts were identified by 23% of the population as a decisive information source. The print media was less influential with, in most cases, only about a tenth of respondents identifying newspaper articles or adverts as important sources of information and only a nominal share reporting retrieval of important information from specialist financial magazines.

KNOWLEDGE AND UNDERSTANDING

A core component of the financial literacy survey was a short set of questions in the form of a quiz, in order to provide an assessment of the familiarity and proficiency of South Africans with basic financial concepts. Combining these questions into a general index for financial knowledge, the research team was able to construct a 0-100 score, with ‘0’ representing a complete lack of knowledge and ‘100’ complete knowledge. Nationally, the Financial Knowledge Index was 55, indicating a low level of knowledge for South Africans. Perhaps surprisingly, South Africans have a good understanding of their own financial knowledge shortcomings. Indeed, there seems to be a mild tendency among respondents – particularly the young and poor – to underestimate their own knowledge of finance.

A subgroup analysis of the Financial Knowledge Index, as expected, highlights significant levels of difference between groups. There were statistically significant differences in the mean scores based on the level of deprivation faced by the households to which the survey participants belonged. Richer households (as per capita income quintiles) scored considerably higher than their poorer counterparts. This was in evidence regardless of whether living standards or household income were examined. In addition to material inequality, spatial development also played a role. Those resident in urban spaces – whether formal or informal – reported higher index scores (59 and 54 respectively) than residents in rural geographic locations.

Respondents were asked to indicate the financial issues on which they would like to receive more information or on which to be better educated. The most important knowledge gaps involved savings, budgets and insurance. More than 30% of South Africans identified making better use of saving products as an issue on which they would like more information. This was the most frequently mentioned knowledge gap. Given that the majority of South Africans want to save but seem unable to do so, this finding is not surprising. Interestingly, the poor are more concerned with this knowledge gap than the rich: 36% of those in the poorest household income quintile wanted a better understanding of this issue, compared to 24% in the richest quintile.

Understanding basic mathematical skills and inflation

The survey tests knowledge of concepts such as mathematical division, inflation, interest rates and compound interest. An overwhelming majority of respondents (85%) were able to supply the correct numerical answer to the first quiz item on mathematical division. The second item explored knowledge of inflation by asking people to say whether, using the same example, the subjects would be able to purchase less, more, or an equivalent amount if they were to wait a year to receive their money. Not even a quarter (23%) chose the response that was expected (i.e. the subjects would be able to purchase less in a year's time than today). There were two additional response options that were not read out to the respondents, namely "It depends on inflation" and "It depends on the types of things that they want to buy". Overall, these responses were mentioned by 15% and 10% of respondents respectively. For those answering that the situation would depend on the items purchased, there is again merit in this response, because planning to purchase certain products would enable them to buy more or an equivalent amount in a year's time, based on last year's CPI data.

Understanding of interest and compound interest

The responses to the two subsequent items on interest and compound interest received on a savings account suggest that respondents struggled cognitively with these elements of financial literacy. The first question asks people to estimate how much would be in a savings account after a year, assuming a 2% rate on an initial R100 deposit. While 49% provided a correct response, 30% answered incorrectly and 26% stated that they did not know the answer. A similar pattern is found in relation to the compound interest statement, which asked respondents to indicate, using the same example, how much would be in the savings account after a five-year interval. In this instance, 39% provided correct answers and 25% incorrect answers. More than a quarter of respondents (26%) registered their uncertainty.

Understanding of investment risk and return

Two questions were also included in the quiz that was designed to test the respondent's ability to weigh up risk and return on investments. The responses indicate that South Africans are quite sceptical about potential investments that offer the prospect of getting rich quick, with more than 70% acknowledging that such schemes also pose the risk of quick losses too. Less than a fifth of respondents (22%) disputed the likelihood of loss in relation to investments promising sizeable returns, while 7% were unsure.

FINANCIAL MANAGEMENT

The survey allows for an interpretation of financial management behaviour in the country. Respondents were asked to rate themselves on their performance in the following: keeping track of their money; meeting household demands; pricing financial products and services before purchase; and staying informed about financial issues. The composite of these ratings could then be used to derive a Financial Management Index (FMI) in which respondents can be ranked in terms of their self-reported competence at financial management. Ratings have been converted into a 0-100 score, with '0' representing a complete inaptitude in that category and '100' complete aptitude. Nationally, the Financial Management Index was 52, indicating a low level of self-reported financial management.

As would have been expected, there are statistically significant differences in the mean scores based on the human capital and living standards of the individual involved. Those households with high per capita income tended to have higher levels of self-reported financial management ability. The most powerful driver of the financial management index, however, is educational attainment. Those with no schooling (FMI =27) or primary schooling (FMI =40) had a considerably lower score than their counterparts with Matric (FMI =57). However, those with tertiary education had the highest financial management index score (FMI =74) of all subgroups. This seems to indicate the importance of educational attainment and the link between human capital and the ability to manage money.

ASSESSING ATTITUDES AND BELIEFS TOWARDS MONEY

A factor analysis was applied to a series of sixty-two items generated to reflect the information regarding attitudes towards money in terms of security, retention, bargain-consciousness and prestige. For each of the areas under discussion, the highest loading items (using a loading cut-off of 0.4 or greater) were selected. In all, ten items were selected and respondents were required to say whether they agreed with each of the items selected. These responses have been converted into a 0-100 score, with '0' representing a complete disagreement and '100' a complete agreement. The results of these items will be discussed below.

The findings indicated that South Africans consider themselves to be unconcerned with consumer culture. South Africans scored a mean score of 27 when responding to the statement, "*I must admit that I purchase things because I know they will impress others*". This low score indicates that the average respondent did not agree with the statement. A similar finding was evident when respondents were asked if they agreed with the statement: "*People I know tell me that I place too much emphasis on the amount of money a person has as a sign of success*". The national mean score was 32 – indicating that the link between wealth and prestige was not as high as one would expect.

The evidence indicates that finance-related stress in the country is not as high could be expected, given the financial burdens placed on many households. The mean score for the statements, "*I show worrisome behaviour when it comes to money*" and "*I show signs of nervousness when I don't have enough money"* were only 52 and 54 respectively. Given the economic burdens placed on South Africans by the high cost of living, the relatively low level of anxiety regarding finances is perhaps surprising.

Testing the response to the statement, *"The earlier you start saving for retirement, the better"*, it was found that South Africans scored 87, indicating that most agreed with the statement. Surprisingly, this finding seems to cut across social and personal characteristics. Indeed, it is remarkable, given the nature of the statement, how similar the mean scores of the young are to those of the old. The response to the statement, *"I put money aside on a regular basis for the future"* is enlightening. It was found that South Africans scored 43, signifying that a culture of saving is weak among most. The poor were less likely than the wealthy to agree with the above statements. These findings demonstrate that the majority of South Africans understand the importance of saving and the need to start saving from a very young age, but are unable to do so.

Examining the response to the statement, *"I hesitate to spend money, even on necessities,"* was informative, as it indicated that the average South African did not agree with the statement. The national mean score was 43, a finding that seems to cut across economic and personal characteristics. Determining the response to the statement, *"It's hard for me to pass up a bargain"* and *"I am bothered when I have to pass up a sale"*, it was found that South Africans scored 42 (in both), suggesting that a culture of bargain-seeking behaviour is weaker than might have been expected. South Africans scored 53 in response to the statement, *"I argue or complain about the cost of things I buy"*. This suggests that while South Africans are annoyed at the cost of products and services in the country, this feeling is not a driving force.

FINANCIAL ADVICE AND ASSISTANCE

Selecting Financial Advisers

In order to understand how South Africans engaged in decision-making and financial planning, respondents were asked from whom they normally sought financial advice. The responses indicated that South Africans source financial advice from multiple sources – family, churches, banks and financial advisors, just to name a few. A significant number (18%) of South Africans did not source financial advice from anyone. Professional institutions were less popular. Banks were cited by less than 18% of the population as normal sources of financial advice, while financial advisors were only cited by 13% of the population.

Familial and friendship networks were the most popular sources of advice, while non-financial institutions – such a burial societies and *stokvel*s – were the least popular. The poor and those less willing or less able to access financial professionals are more dependent on familial (and to a lesser extent friendship) networks for financial advice. Low LSM respondents indicated a much higher tendency to obtain advice from a family member (66%) or a friend (42%) than their high LSM counterparts. From a class perspective, one's work situation matters in the way one responds to financial advice-seeking.

Trusting Financial Advisers

In order to understand who South Africans trust when seeking advice on financial matters, questions were asked on trust levels of different advice-givers. It is evident that when receiving financial advice, South Africans have a higher level of trust in banks - 74% indicated trusting this institution - than other advice-givers. The population also indicated high trust levels in friends and family (70% trusted these advice-givers) and church (64% trusted this institution) as sources of financial advice. Media sources were considered poor sources of financial advice by South Africans. Only 7% of respondents reported strong trust levels towards newspapers, with 26% of respondents indicating that they distrusted the print media.

South Africans seem remarkably satisfied with the availability of financial advice in the country, with 64% indicating that they had no trouble in getting good and relevant financial advice, while 27% indicated that they either saw the question as irrelevant or had never tried to find financial advice. This indicates that only a small minority (8%) identified a problem finding quality financial advice. It is evident that South Africans who lack access to a financial professional for advice do not see this as a loss. For those that admitted to having trouble finding financial advice, 45% indicated that they did not know where to look for advice. Black South Africans, individuals with low educational attainment as well as those from the lower income categories were more likely not to know where to find financial advice.

Gathering Information for Financial Decision-Making

It is a fair assumption that the financially literate, as far as possible, try to make informed decisions regarding their finances. This highlights the importance of advice in financial decision-making and the degree to which individuals depend on advice-givers to make decisions. However, many South Africans tend to have high levels of confidence that they can make decisions without consulting advisers. Of all South Africans, 44% were confident of their knowledge without seeking advice compared to 36% who were not confident. Furthermore, many South Africans claimed that they researched thoroughly before making a financial decision. Of the population sampled, 55% claimed to research thoroughly, compared to 25% who admitted to not researching thoroughly. Given that financial research requires a human capital element, educational attainment plays a role here. Those with high levels of educational attainment were more likely to conduct research before making a financial decision when compared to those with low levels of educational attainment.

Getting financial assistance

In order to understand the power relationship between ordinary South Africans and financial institutions, the baseline survey asked a question to determine how confident a respondent felt that she/he could make an effective complaint. About

46% of the population indicated that they were confident they could make an effective complaint, with 19% reporting that they were 'very confident'. More than 12% reported either 'refused' or 'did not know' while 41% indicated 'not feeling confident'.

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 5% of the population indicated that they had discovered an unsuitable financial product in their portfolio in the last five years. The financial products identified as unsuitable ranged from household content insurance to a loan from a mashonisa. The financial products that were identified most often were credit card, bank account (or a card linked to a bank account), and store card (or account).

MEASURING FINANCIAL LITERACY

Across the board, there is growing concern about the levels of financial literacy of consumers. Numerous initiatives are being undertaken to determine the levels of financial literacy and financial capability of ordinary citizens. One of the aims of the FSB study was to determine levels of financial literacy in South Africa and to inform public policy relating to low financial segments and to assist in developing strategies to improve financial literacy. In order to determine levels of financial literacy in South Africa, the OECD INFE methodology was employed which advocates a multidimensional approach to conceptualising financial literacy, centring around 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 was calculated and is portrayed in the table below.

Table 1: Financial literacy scores

Domain	Score
Financial control	58
Financial planning	53
Product choice	45
Financial knowledge	56
Financial literacy score for South Africa	54

As was expected, all of these domains had a class and education bias. The scores were highest for those with a higher living standard and also for those with higher education levels. Household level and personal disadvantage thus plays a considerable role in the financial domain scores, as well as in the financial literacy score. Wealthy and educated South Africans are inclined to score higher than their poorer and less educated counterparts.

In order to understand 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. In terms of the financial literacy score for South Africa, it was found that that there are no significant differences between men and women regarding financial literacy. However, 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 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.

Married people are more financially literate than single (not married) people, whilst divorced people score significantly lower on financial literacy than single people. People with a low living standard have significantly lower financial literacy levels than people with a medium living standard. People with a medium living standard also have significantly lower financial literacy than people with a high living standard. The level of education clearly has an impact on the financial literacy, with financial literacy levels significantly increasing as the level of schooling increases. Those people that are unemployed and not looking for work are significantly less financially literate than all other employment categories. Employed people are significantly more financially literate than their unemployed counterparts. 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. Provincial analysis show that the Western Cape, Northern Cape, Free State, North West, Gauteng and Limpopo are not significantly different from the Eastern Cape when considering financial literacy. However, Mpumalanga and KwaZulu-Natal do significantly differ from the Eastern Cape in being more financially literate.

In closing it should be noted that the measurements created in this study break new ground in the field of financial literacy in South Africa. This is the first time that a single measurement has been created that can capture the multifaceted character of financial literacy in South Africa. The methodology created for this study can be used to measure financial literacy in the future, allowing comprehensive analysis to be undertaken by policy-makers. 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 report provides a platform to recognize and appreciate the complexity of financial literacy in the context of the modern period.

1. Introduction

The Financial Services Board (FSB) is an independent regulatory institution established by statute to oversee the South African non-banking financial services industry in the public interest. The mission of the FSB is *to promote sound and efficient financial institutions and services; maintain mechanisms to protect consumers of financial services and be a caring equal opportunity employer*.

The legislative mandate of the FSB also requires it *to promote programmes and initiatives by financial institutions and bodies representing the financial services industry to inform and educate users and potential users of financial products and services.*

As part of its mandate to promote consumer financial education, the FSB in partnership with the National Treasury (NT) wanted to gain a better understanding of current levels of financial literacy of people living in South Africa. This was to be achieved through the commissioning of a nationally-representative baseline survey on financial literacy (henceforth the "Baseline Survey"). Recognising the continued existence of informational gaps in relation to financial literacy in the country, the survey was also intended to ascertain the extent to which consumers are aware of their financial rights and responsibilities, as well as the extent to which they are aware of redress processes in cases of dissatisfaction with products or services. At the lower end of the market, information was required to understand the so-called "unbanked" sector, as well as people relying on informal saving measures.

The FSB is an active member of the OECD's International Network on Financial Education (INFE), and in 2010 the FSB commissioned the Human Sciences Research Council (HSRC) to undertake the South African component of a cross-national pilot study on the measurement of financial literacy. This comparative pilot study involved testing a 19-item module of core indicators that are expected to become the international standard for international comparisons on financial literacy. Conceptually, INFE advocates a multidimensional approach to 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 approach builds primarily on work carried out by the Financial Services Authority (FSA) in the UK, based on qualitative focus group methods and exploratory investigations (Atkinson et al., 2006), which has subsequently been employed in a number of other country contexts, such as Ireland, Canada, Romania and now the fourteen countries involved in the international pilot.

During discussions, the FSB indicated that the Baseline Survey should further the work that was done during the pilot study and should adopt the above-mentioned framework as the basis for measuring financial literacy in South Africa. The coverage of each of the conceptual domains includes the following:

- Day-to-day money management: This includes the financial controls 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'; the savings/insurance they have (formal or informal); how they deal with debt; their financial provision for retirement and for anticipated expenses such as health care, education or a known event. This domain will also include articulating the attitudes of consumers towards personal financial management, financial service providers, indebtedness and being credit-worthy, as well as other general financial matters.

- Choosing appropriate products: Information will also be acquired on the financial products South Africans have, the ability of consumers to choose appropriate products, how they choose the products, and the extent to which they shop around for financial products appropriate to their needs. Other indicators included in this domain will address the factors that influence consumer choices in using financial services, as well as their ability to make informed choices. The product choice domain will cover a range of both formal and informal 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. This will include measuring financial knowledge and skills that are a prerequisite for day-to-day financial transactions, such as measuring financial numeracy, knowledge of concepts such as compound interest, inflation, the value of money over time, and the extent to which consumers understand key concepts. This component of the survey will additionally provide information on the extent to which consumers are aware of their rights and responsibilities as consumers of financial products, as well as the levels of consumer awareness concerning where to go for assistance, e.g. FSB, NCR, Ombuds, etc. It will also provide information on the extent to which consumers actually complain.

The FSB proposed that the survey questionnaire include the short, core financial literacy module developed by the OECD INFE as the international component to the study. This would ensure that the country is able to regularly produce data against the global financial literacy measurement standard and benchmark the levels of financial literacy of South African adults (16 and older) against those in other countries. However, in addition, the FSB acknowledged that it is critical that the remainder of the instrument includes questions and indicators that are adapted to the South African context. This survey thus included measures that have been used in other national surveys in the country and proven to be of high quality and unbiased, as well as newly-developed questions. It also incorporates some of the supplementary indicators identified by OECD INFE as being important for the measurement of financial literacy.

It is envisaged that information collected as part of the baseline survey will be used to develop consumer financial education programmes to cover areas of need. To this end, individual sample groups must be identified within and across all four financial literacy domains that represent groups in South Africa that will require targeted interventions. The survey also represents a baseline against which periodic future evaluations can assess both progress in improving financial literacy and the cumulative effect of interventions implemented, in line with the planned national strategy on financial education.

1.1. Financial literacy

Financial literacy refers to the ability to understand personal finance. More specifically, it refers to an individual's ability to make informed judgments and effective decisions about the use and management of their money. According to Braunstein and Welch (2002), financial literacy has gained the attention of a wide range of role players including major banking groups, government agencies and community interest groups. Specifically, policymakers are concerned that consumers lack a working knowledge of financial concepts and do not have the tools to make decisions most advantageous to their economic wellbeing. Not only does financial illiteracy impact on the individual's or family's day-to-day money management but also impacts on their ability to save for long-term goals and become financially independent at retirement age. Ineffective money management can also result in behaviours that make consumers vulnerable to severe financial crises. In a developing country such as South Africa, where a large proportion of people are poor, financial literacy programmes can also support social inclusion and assist with the enhancement of the wellbeing of communities.

Although there is a lack of international definitional consensus regarding the term financial literacy or capability, the OECD recently proposed the following: 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). In line with this definition, the survey incorporates questions capturing behaviour, attitudes and knowledge. Therefore, unlike many pre-existing examples of financial literacy surveys in other countries, the intention is to expand beyond an exclusive focus on the financial knowledge and understanding of people to accommodate how they apply the knowledge, skills and understanding, i.e. how people behave in practice.

1.2. Primary objectives

The broad objectives of the FSB 2011 study are:

- To determine levels of financial literacy in South Africa;
- To benchmark financial literacy levels in South Africa against financial literacy levels in other countries;
- To inform public policy, particularly as it relates to low financial literacy segments; and
- To provide a valuable information resource which will assist with the development of strategies to improve financial literacy in communities and in South Africa

To summarise, 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.

1.3. Structure of the report

The first part of the report deals with the research methodology employed and discusses the research universe and how the sample was designed. It examines the survey protocols in terms of area, household and individual selection procedures. 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 report then goes on to provide descriptive findings 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. A final score is derived from these four domains and constitutes a 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.

2. Research methodology

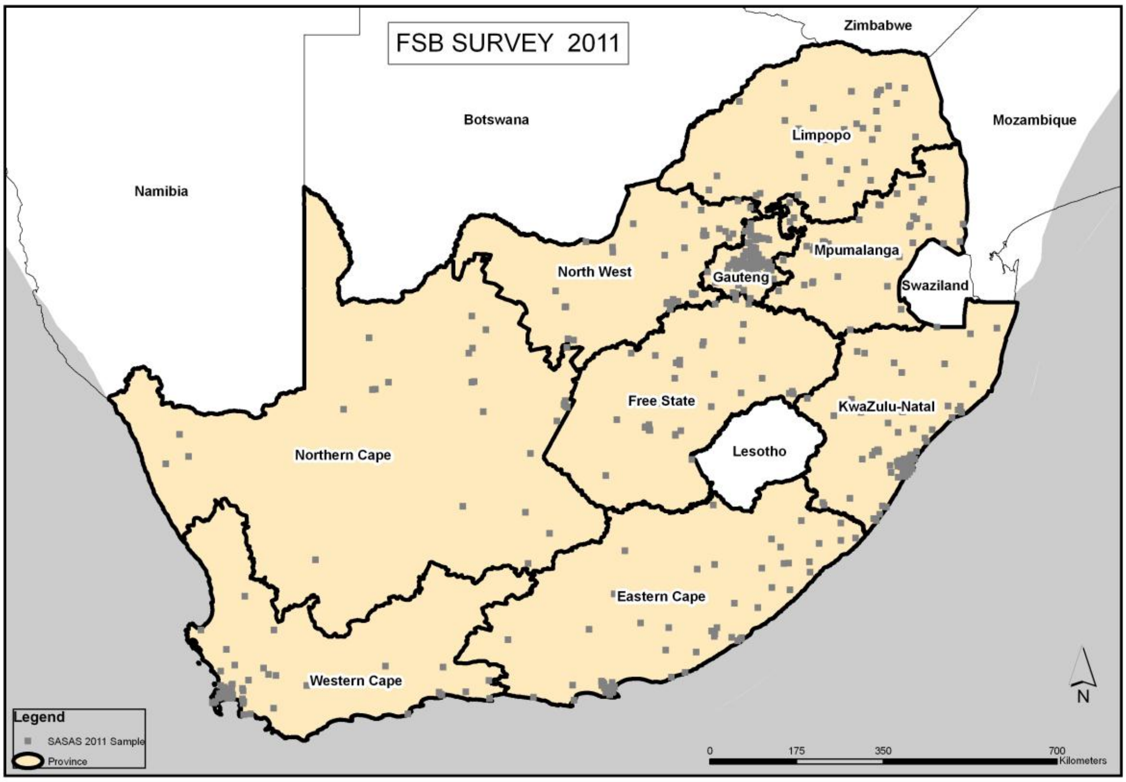
2.1. The Quantitative Survey

2.1.1. The sample design

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. 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).

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. 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. A total of 3500 visiting points or households were thus sampled for this study. Below is a graphical representation of the 500 selected EAs.

Figure 1: A graphical representation of 500 selected Enumeration Areas



2.1.2. 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:

- Route descriptions, to assist the teams to navigate their way into the selected enumerator areas.
- Maps that, using aerial photographs as a base, identified the exact geographic location of the enumerator areas to be sampled throughout the country.
- 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.

Figure 2: An example of an EA map used to assist the field teams to navigate to the correct areas

2.1.3. 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 and to inform the communities of their intent. Official letters described 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.

2.1.4. Selecting a household and individual

After driving through the EA and introducing the project to the local authorities, supervisors had to select seven households in each EA. This had to be done in a random way in order to ensure equal selection probability. The first visiting point (household) was selected randomly anywhere in the EA by the supervisor. Once the random starting point had been selected, the field team needed to select the next household by counting an interval and using a serpentine way of systematically moving though the EA. The interval was calculated by dividing the total number of households in the EA by seven (the number of households required in each EA).

Once a household had been selected, 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)

2.1.5. 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 assist with 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 tribal 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 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.

2.1.6. The questionnaire

A draft questionnaire was developed by the HSRC. This draft questionnaire was circulated and discussed with all relevant stakeholders and then piloted in urban, rural and peri-urban areas among various language groups. Subsequent to the pilot, feedback was given to the OECD and a final questionnaire was designed. (Appendix A). 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.

2.1.7. 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 Port Elizabeth, 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 and interactive, and gave fieldworkers the opportunity to seek clarification on questions. A training manual was also developed as part of the training toolkit.

The fieldwork commenced in September 2011 and ended in October 2011. A network of locally-based fieldwork supervisors in all parts of the country assisted in data collection. Competent fieldworkers with a thorough understanding of the local areas were employed as part of this project.

2.1.8. 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 in the questionnaire. 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 also conducted in eight of the nine provinces. Telephonic back checks were done on 10 % of the total sample.

2.1.9. 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 Management Centre and the HSRC required 100% verification of the data from the data-capturing company. This meant that all variables were captured twice to ensure 100% verification. After receiving the data, the Data Management Centre embarked on a data-cleaning exercise.

Table 2: Sample realisation

	Number of replaced EAs	Ideal sample	Realised sample	% Realisation
Eastern Cape	0	420	349	83
Free State	0	252	221	88
Gauteng	0	721	576	80
KwaZulu-Natal	0	595	582	98
Limpopo	0	280	273	98
Mpumalanga	1	266	228	86
North West	0	266	214	81
Northern Cape	0	203	154	76
Western Cape	0	497	375	75
TOTAL	1	3500	2972	89

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 above, a realisation rate of 89% was achieved. This is a very high realisation rate and was partly achieved due to the fact that communities were well informed about the survey and also because of the data collection methodology – namely, face-to-face interviews.

2.1.10. Data weighting

The final data set was given to the statistician for benchmarking and weighting purposes. The results are depicted in the table below.

Table 3: Sample (Unweighted and Weighted)

	Unweighted N	Percent	Weighted N	Percent
Total	2972	100	33739400	100
Sex				
Male	1303	44	16024720	47
Female	1668	56	17709079	52
Age group				
16-19 years	195	7	3474252	10
20-29 years	712	24	10378454	31
30-39 years	670	23	6964405	21
40-49 years	561	19	5463282	16
50-59 years	377	13	3550104	11
60-69 years	295	10	2672650	8
70+ years	156	5	1210128	4
Population group				
Black African	1860	63	25873877	77
Coloured	450	15	3204050	9
Indian	285	10	967106	3
White	376	13	3688765	11
Living standard				
Low	249	8	3056823	9
Medium	1318	44	16620921	49
High	1141	38	11290598	33
Geographic location				
Urban, formal	1863	63	18582429	55
Urban, informal	242	8	3210038	10
Rural, trad. auth.areas	625	21	9681526	29
Rural, formal	242	8	2265406	7
Province				
Western Cape	375	13	3667183	11
Eastern Cape	349	12	4432274	13
Northern Cape	154	5	743436	2
Free State	221	7	1894586	6
KwaZulu-Natal	582	20	6934181	21
North West	214	7	2168448	6
Gauteng	576	19	8011216	24
Mpumalanga	228	8	2392177	7
Limpopo	273	9	3495899	10

As indicated in Table 3, a total of 2 972 people were interviewed during this study. When weighted, this total represents 33 739 400 South Africans of 16 years and older. The marginal totals for the benchmark variables were obtained from the applicable mid-year estimates as published by Statistics South Africa. The data was weighted to the 2010 mid-year population estimates. In other words, the estimated South African population for the applicable year was used as target population. The final data set (unweighted and weighted) are disaggregated below by key demographic variables.

3. Financial control

3.1 Personal involvement in money management

In order to determine financial behaviour in terms of taking responsibility for money management, South Africans were asked who in their household is responsible for day-to-day decisions concerning the managing of money. Almost a third of those interviewed (30%) indicated that they assumed sole personal responsibility for daily money management in the household in which they reside. A further fifth of the people interviewed (20%) managed household finances jointly with their partner, while 13% stated that they performed this task jointly with another member of their family. Therefore, approximately two-thirds of South Africans aged 16 years and older (63%) play at least some direct role in managing the household budget. The remaining third of survey respondents are reliant on other persons for financial planning – just over a quarter (28%) depends on another family member, with small shares looking to their partner (5%) or a non-family member (3%) to perform this crucial task.

From the study it seems that gender is not important for determining responsibility for daily money management. Almost a third of both males (30%) and females (29%) interviewed indicated that they assumed sole personal responsibility for daily money management in the household in which they reside. A further fifth of males (20%) and females (21%) interviewed managed household finances jointly with their partners. Among white households, reliance on "another family member" is lowest (12%) whilst it is higher in Indian (20%), coloured (24%) and black African (31%) households. Interestingly, in households with a low living standard, a high proportion of households (47%) relied on a specific person for day-to-day decisions concerning money management. Also, in these households, reliance on "another family member" was the smallest at 20%. This result shows that households with a low living standard often rely on nuclear family members to do the day-to-day money management and that these households could benefit from financial literacy programmes.

Table 4: Responsibility for daily household money management (column percentages)

	South Africa	Male	Female	Black African	Coloured	Indian	White	Low LSM	Medium LSM	High LSM
You	30	30	29	30	25	30	30	47	30	24
Other family member	28	31	26	31	24	20	12	20	33	24
You and your partner	20	20	21	17	19	32	43	17	15	29
You and another family member	13	13	13	13	19	11	6	9	13	15
Your partner	5	3	7	5	9	5	8	5	5	6
Someone else	3	2	3	3	4	2	1	0	3	2
Nobody	1	1	1	1	0	0	0	2	1	0
(Don't know)	0	0	0	0	0	0	0	0	0	0
(Refused)	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100

In a follow-up question about financial behaviour, respondents were also asked who in their household is responsible for paying the household bills. Just below a third of those interviewed (30%) indicated that they assumed sole personal responsibility for paying the household bills. Almost a fifth of the people interviewed (19%) are jointly responsible with their partner for paying the bills, while 14% stated that they and another member of their family are responsible for paying the bills. Therefore, approximately two-thirds of South Africans aged 16 years and older (63%) directly play some role in paying the household bills. The remaining third of survey respondents are reliant on other persons for paying the household bills – just over a quarter (27%) depends on another family member, with small shares looking to their partner (6%) or a non-family member (3%) to pay the household bills.

The research indicates that gender, as is the case with responsibility for daily money management, is not an important indicator for determining responsibility for paying the household bills. Almost a third of both males (31%) and females (30%) interviewed indicated that they are personally responsible for paying the household bills. A further fifth of males (19%) and females (20%) are jointly responsible with their partner for paying the household bills. Approximately two-thirds of both South African males (64%) and females (64%) aged 16 years or older indicated that they directly play some role in paying the household bills. Interestingly, just below a third of male (30%) and a quarter of female (25%) respondents indicated that another family member takes care of paying the household bills. As was the case with money management, reliance on "another family member" was lowest (12%) for white households, followed by Indian (21%), coloured (25%) and black African (30%) households. With day-to-day money management, people living in households with a low living standard were more inclined to rely only on only one person in the household to do the paying of the bills (46%). Reliance on "another family member" to pay the bills was also lowest among households with a low living standard.

Table 5: Responsibility for paying bills in households (column percentages)

	South Africa	Male	Female	Black African	Coloured	Indian	White	Low LSM	Medium LSM	High LSM
You	30	31	30	30	27	31	32	46	31	25
Other family member	27	30	25	30	25	21	12	19	31	24
You and your partner	19	19	20	16	20	33	38	15	14	27
You and another family member	14	14	14	15	18	9	6	10	14	15
Your partner	6	3	8	5	7	6	11	7	5	7
Someone else	3	2	2	3	3	2	1	0	3	2
Nobody	1	1	1	1	0	0	0	3	2	0
(Don't know)	0	0	0	0	0	0	0	0	0	0
(Refused)	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100

Apart from gathering information on daily money management and responsibility for bill-paying in a household, respondents were also asked the extent to which they personally monitor their regular expenses. This question can identify financial literacy by assuming that option (a) "I don't keep an eye on expenses at all" – is not financially literate. However, it cannot be used to differentiate between various levels of financial literacy since this would imply that a person who keeps written records is more (or less) financially literate than one who uses mental accounting. This assumption is not made in this study. From the results, it is clear that almost a third of those interviewed (32%) indicated that they do not keep an eye on expenses at all, while more than a third of the interviewees (37%) indicated that they monitor their expenses to some extent. A further 27% of respondents indicated that they, with or without written records, keep a close eye on their expenses. Approximately two-thirds of South Africans aged 16 years and older (64%) thus monitor their personal regular expenses to some extent.

Table 6: Monitoring of regular expenses (row percentages)

	I don't keep an eye on expenses at all	I keep my eye on expenses a bit	Without keeping written records, I keep a fairly close eye on expenses	I use written records to keep a close eye on expenses	(Don't Know)	Total
South Africa	32	36	15	12	4	100
Sex						
Male	31	39	16	12	3	100
Female	33	34	15	13	5	100
Age						
16-19 years	56	20	10	5	8	100
20-29 years	36	38	12	8	5	100
30-39 years	25	41	18	13	2	100
40-49 years	26	38	19	16	2	100
50-59 years	27	31	16	23	3	100
60-69 years	25	41	16	15	3	100
70+ years	28	40	16	13	3	100
Population group						
Black African	35	37	13	10	4	100
Coloured	29	36	17	11	5	100
Indian	22	34	17	25	0	100
White	17	31	25	24	1	100
Living standard						
Low	44	29	11	10	6	100
Medium	37	38	13	8	4	100
High	23	34	20	19	3	100
Educational attainment						
No schooling	44	28	14	11	4	100
Primary	36	38	12	10	5	100
Some secondary	38	37	11	9	5	100
Matric	29	39	17	11	3	100
Tertiary	14	31	26	27	1	100
Geographic location						
Urban, formal	30	36	16	14	3	100
Urban, informal	32	33	18	11	5	100
Rural, trad. auth.areas	36	38	12	9	5	100
Rural, formal	34	35	17	13	2	100
Province						
Western Cape	30	34	25	7	3	100
Eastern Cape	32	37	13	8	9	100
Northern Cape	23	28	19	28	1	100
Free State	17	45	19	15	3	100
KwaZulu-Natal	25	42	19	13	1	100
North West	47	30	8	11	5	100
Gauteng	36	33	10	17	4	100
Mpumalanga	34	35	18	8	5	100
Limpopo	37	38	10	11	3	100

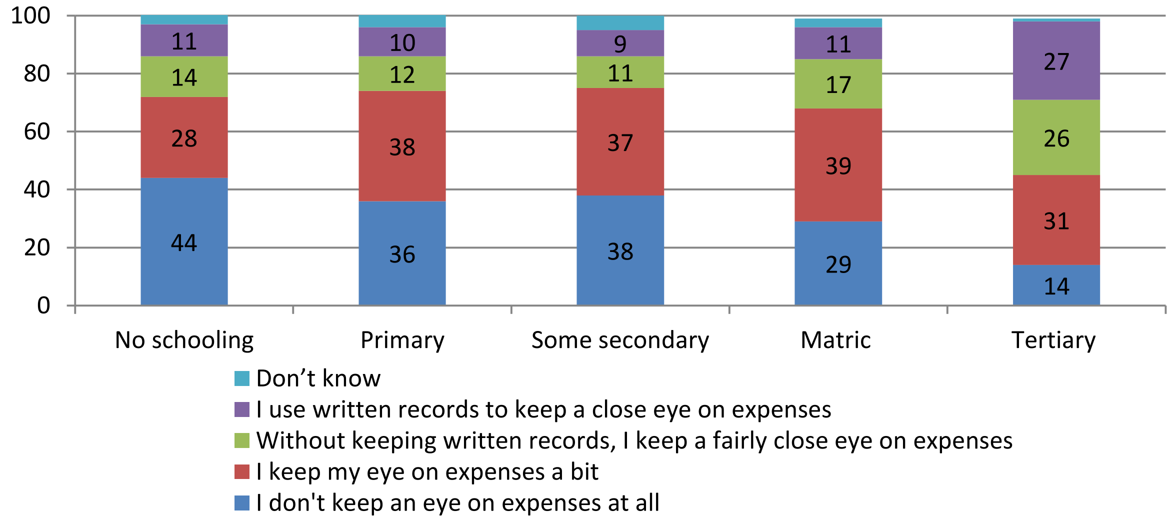
The research indicates that gender is not an important indicator regarding personal monitoring of regular expenses. Just below a third of all male (31%) and female (33%) respondents do not keep an eye on expenses at all. Just less than two-fifths of the male respondents (39%) and about a third of the female respondents (34%) indicated that they only keep an eye on expenses a bit. A further 28% of both male and female respondents indicated that they, with or without written records, keep a close eye on their expenses. Approximately two-thirds of South African males (67%) and females (62%) aged 16 years and older thus monitor their regular expenses to some extent.

More than half (56%) of the youngest age group (56%) do not keep an eye on expenses at all. This might be a life cycle effect, implying that youngsters are not allowed, exposed or in a position to monitor expenses. However, financial literacy programmes can target these youngsters in preparation for them later taking over money management in households. Targeting youngsters could also be a way of informing elders in households about ways to best deal with money management.

When looking at race as an indicator for determining people's level of monitoring their expenses to some extent, the study indicates there is a significant gradient of difference in relation to population group. Coloured and black African respondents (67% and 61% respectively) were significantly less likely than white and Indian respondents (81% and 77% respectively) to report that they monitor their regular expenses to some extent. Furthermore, black African respondents (35%) are more likely than white respondents (17%) to report that they do not keep an eye on expenses at all; 29% of coloured respondents and 22% of Indian respondents indicated that they do not keep an eye on expenses at all.

Further analysis of the question reveals that households with a low living standard are more inclined to state that they do not keep an eye on expenses (44%), than households with a medium (37%) or high (23%) living standard. Households in urban areas were also more inclined to keep an eye on expenses than households in traditional authority areas and households on farms.

Figure 3: Monitoring regular expenses by education



The study shows that there is an incremental relationship between monitoring personal expenses and education. More than four-fifths (85%) of respondents with tertiary education and about two-thirds (67%) of respondents with Matric monitor their expenses to some extent. In addition, more than half of the respondents with secondary education (57%), 59% of respondents with primary education and 52% of respondents with no schooling monitor their regular expenses to some extent. More than two-fifths (44%) of people with no schooling indicated that they do not keep an eye on expenses at all, while just over one-tenth (14%) of the respondents with tertiary education do not keep an eye on expenses at all. Furthermore, 36% of the respondents with primary education, 38% of the respondents with secondary education and 29% of the respondents with Matric, do not keep an eye on expenses at all. The research thus indicates that the more educated people are, the more likely they are to monitor their expenses.

The level of personal enjoyment when dealing with financial matters could be a motivator for acquiring financial knowledge and therefore an important factor for understanding financial control. Moreover, respondents who enjoyed dealing with financial matters may be more likely to excel and benefit from financial literacy training. The research team found that such enjoyment is correlated with financial literacy. Respondents were thus asked the extent to which they enjoy dealing with financial matters. Three-fifths (60%) of all the respondents in the survey indicated that they enjoy to some extent, i.e. always, usually, or sometimes, dealing with financial matters. More than a third (36%) of all respondents indicated that they never enjoying dealing with financial matters.

From the research it seems that gender is not an important indicator for determining people's level of enjoyment in dealing with financial matters. Three-fifths (60%) of both males and females enjoy to some extent, i.e. always, usually, or sometimes, dealing with financial matters while more than a third (36%) of both males and females never enjoy dealing with financial matters.

Age is a personal attribute which exhibits a negative relationship with the level of enjoyment in dealing with financial matters. Quite alarming is the finding that the majority (55%) of young people (between the ages of 16-19 years) never enjoy dealing with financial matters. This is much higher than the other age groups where significantly fewer proportions never enjoy dealing with financial matters.

When looking at race as an indicator for determining people's level of enjoyment in dealing with financial matters, the study indicates there is a significant gradient of difference in relation to population group. Coloured and black respondents (57% respectively) were significantly less likely than white and Indian respondents (80% and 75% respectively) to report that they enjoy to some extent, i.e. always, usually, or sometimes, dealing with financial matters. More black African (39%) and coloured (39%) respondents than white (18%) and Indian (24%) respondents indicated that they never enjoy dealing with financial matters.

The study indicates that there is a relationship between educational attainment and people's levels of enjoyment in dealing with financial matters. Twenty per cent of tertiary-educated respondents in the study indicated that they never enjoy dealing with financial matters, while more than half (51%) of respondents with no schooling indicated that they never enjoy dealing with financial matters. Almost four-fifths (79%) of respondents with tertiary education and two-thirds of respondents with Matric or equivalent qualifications (67%) indicated that they enjoy to some extent, i.e. always, usually, or sometimes, dealing with financial matters. More than half of respondents with secondary qualifications (51%), and primary education (53%) enjoy to some extent dealing with financial matters, while 48% of the respondents with no schooling enjoy to some extent dealing with financial matters. Thus, the more educated people are, the more likely they are to enjoy dealing with financial matters.

Table 7: Level of enjoyment dealing with financial matters (row percentages)

	Never	Sometimes	Usually	Always	(Don't know)	(Refused)	Total
South Africa	36	35	14	11	4	0	100
16-19 years	55	25	5	4	10	0	100
20-29 years	38	37	12	8	5	0	100
30-39 years	29	39	16	14	2	1	100
40-49 years	29	37	18	15	1	0	100
50-59 years	40	30	16	12	3	0	100
60-69 years	34	35	16	14	1	0	100
70+ years	38	35	17	10	1	0	100
No schooling	51	29	12	7	2	0	100
Primary	46	31	12	9	1	0	100
Secondary	43	32	11	9	5	0	100
Grade 12	29	40	16	11	4	0	100
Tertiary	20	37	23	19	1	0	100

3.2 Presence of a household budget

To further explore 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. The presence of a budget is suggestive of a positive awareness relating to financial management (Arrowsmith & Pignal, 2010). Less than half of the respondents (44%) reported a household budget, while 51% of the respondents do not have a household budget and 5% were uncertain.

Although there does not emerge a significant gender gap in the presence of a budget, there is a significant gradient of difference in relation to population group. Coloured and black African respondents (46% and 39% respectively) were significantly less likely than white and Indian respondents (67% and 68% respectively) to report that they had a household budget. This finding reflects material disadvantage and social inequalities that continue to characterise South African society.

The study indicates that there is a relationship between educational attainment and household budgeting: 70% of the respondents with tertiary qualifications reported a household budget while 20% with no schooling reported a household budget. Just below half of the respondents (48%) with Matric, 38% with some secondary education and 33% with primary education reported a household budget.

Income plays an important role in the presence or absence of a budget: 60% of those classifying themselves as a high-income household reported a household budget; 37% of those classifying themselves as a medium-income household; and

23% of those self-reporting that they reside in a low-income household report household budgets.

This socio-economic disparity is further manifest when one examines differences in the presence of a budget by geographic location. Only 35% of those living in rural traditional authority areas, 38% of those living in informal urban areas and 41% of those living in rural areas have a budget in comparison to 61% in formal urban areas.

Age is another personal attribute that exhibits a positive relationship with the presence or absence of a budget. Individuals aged 16-19 years are least likely to report a household budget, a figure that progressively increases for those in their twenties and thirties. Interestingly, individuals in the age category 30-39 years (53%) have the highest percentage with budgets of all the cohorts. Among 40-49 year-olds (49%), the figure dips slightly, but increases slightly again for 50-59 year olds (52%). Finally, the share with a budget declines modestly for those aged 60-69 years (47%) and those older than 70 years (44%).

Table 8: Respondents with a household budget (column percentages)

	South Africa	Male	Female	Black African	Coloured	Indian	White	Low LSM	Medium LSM	High LSM
Yes	44	46	43	39	46	68	67	23	37	60
No	51	49	52	55	49	31	30	76	57	34
(Don't know)	5	5	5	6	4	1	2	1	5	6
(Refused)	0	0	0	0	1	0	1	0	0	0
Total	100	100	100	100	100	100	100	100	100	100

Apart from determining whether the respondents have budgets, they were also asked to indicate how often they stay within their budgets. More than half of the respondents (56%) indicated that they always or usually stay within their budgets, while 43% indicated that they sometimes or never stay within their budgets.

The study indicates that race is an important indicator in determining whether people stay within their budgets and shows that there is a significant gradient of difference in relation to population group. Coloured and black African respondents (54% and 49% respectively) were less likely than white and Indian respondents (86% and 65% respectively) to report that they always or usually stay within their budgets. Only 14% of white respondents indicated that they sometimes or never stay within their budgets while 35% Indian, 44% coloured and 50% black African respondents indicated that they sometimes or never stay within their budgets.

Income plays an important role in determining whether people stay within a budget: 67% of those classifying themselves as a high-income household reported staying always or usually within their budget; 47% of those classifying themselves as a medium-income household; and 38% of those self-reporting that they reside in a low-income household indicated that they always or usually stay within their budgets.

The study indicates that there is a relationship between educational attainment and household budgeting: 70% of the respondents with tertiary education qualifications and 61% of the respondents with Matric reported that they always or usually stay within their budgets, while just below half of respondents with no schooling (48%), primary education (45%) and secondary education (47%) reported that they always or usually stay within their budgets.

Age is another personal attribute that exhibits a positive relationship with respondents staying within their budgets. Individuals aged 16-19 years are least likely to stay within their budget (34%), a figure that progressively increases for those in their twenties, thirties, forties and fifties. People 50-59 years old (68%) have the highest percentage of people staying within their budgets of all the cohorts Among 60-69 year-olds, the figure dips slightly (63%), after which the share staying within their budget increases to 67% among those aged 70 years and older.

Table 9: Respondents staying within budget (column percentages)

	South Africa	Black African	Coloured	Indian	White	Low LSM	Medium LSM	High LSM
Always	28	24	23	35	50	33	26	30
Usually	28	25	31	30	36	6	21	36
Sometimes	37	43	37	30	13	53	44	27
Never	6	7	7	5	1	9	8	5
(Don't know)	1	1	2	0	0	0	2	2
(Refused)	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100

Respondents were also asked to indicate which financial documents they keep copies of, either electronically or in hard copies. Just over half of the respondents keep copies of bank statements (52%), major purchases (53%) and major bills such as electricity or school fees (55%). About a third of the respondents keep tax forms (32%) and financial service agreements and contracts (31%) while 29% indicated that they keep loan or hire purchase statements.

Race plays an important role in determining whether people keep copies of financial documents. For example, 85% of white respondents and 83% of Indian respondents indicated that they keep copies of major purchases, while 46% of black African and 57% of coloured respondents indicated that they keep copies of major purchases. Furthermore, 81% of white respondents indicated that they keep copies of tax forms, while 69% of Indian, 40% of coloured and 22% of black African respondents indicated that they keep copies of their tax forms.

Table 10: Copies of financial documents kept (cell percentages)

	South Africa	Black African	Coloured	Indian	White
Major bills: electricity, school fees	55	50	57	85	83
Receipts for major purchases	53	46	57	83	85
Bank statements	52	45	57	82	84
Tax forms	32	22	40	69	81
Financial service agreements and contracts, e.g. loans	31	23	36	63	74
Loan / hire purchase statements	29	21	31	58	70

Income also plays an important role in determining whether people keep copies of financial documents: 73% of those classifying themselves as a high-income household reported keeping copies of receipts for major purchases, while only 18% of those in a low-income household indicated that they keep copies of major purchases; 43% of those classifying themselves as a medium-income household reported that they keep copies of major purchases. Almost three-quarters (74%) of the respondents classifying themselves as a high-income household indicated that they keep copies of major bills such as electricity accounts and school fees, while 29% of those in a low-income household reported that they keep copies of major bills.

There is an incremental relationship between keeping copies of financial documents and education. More educated people are thus more likely to keep their receipts.

Table 11: Copies of financial documents kept by LSM rating (cell percentages)

	Low LSM	Medium LSM	High LSM
Major bills: electricity, school fees	29	47	74
Receipts for major purchases	18	43	73
Bank statements	14	42	73
Financial service agreements and contracts, e.g. loans	4	18	56
Loan / hire purchase statements	3	19	46
Tax forms	2	17	60

To conclude the section on financial control, a question was asked to determine how accurately respondents know how much money they have available to spend. A third of the respondents (33%) has no idea at all or do not know how much spending money they have available. More than a quarter (28%) of the respondents indicated that they know roughly or within R500 how much spending money is available. Furthermore, more than a third (35%) of the respondents indicated that they know within R1 to R100 how much spending money they have available.

Table 12: Accurate knowledge of spending money (column percentages)

	South Africa	Male	Female	Black African	Coloured	Indian	White	Low LSM	Medium LSM	High LSM
Have no idea at all	25	24	25	27	23	29	12	37	28	16
Know roughly; not within R500	17	17	17	16	14	28	18	11	14	21
Know within R500	14	16	13	13	15	24	20	8	11	22
Know within R100	13	12	13	13	15	8	15	12	12	14
Know within R50	8	9	7	9	7	3	5	12	9	7
Know within R10	6	5	6	5	9	2	8	5	6	5
Know within R1-R2	8	8	8	7	9	2	14	6	9	8
(Don't know)	8	8	10	10	6	3	5	8	10	6
(Refused)	1	1	1	0	2	1	3	0	1	2
Total	100	100	100	100	100	100	100	100	100	100

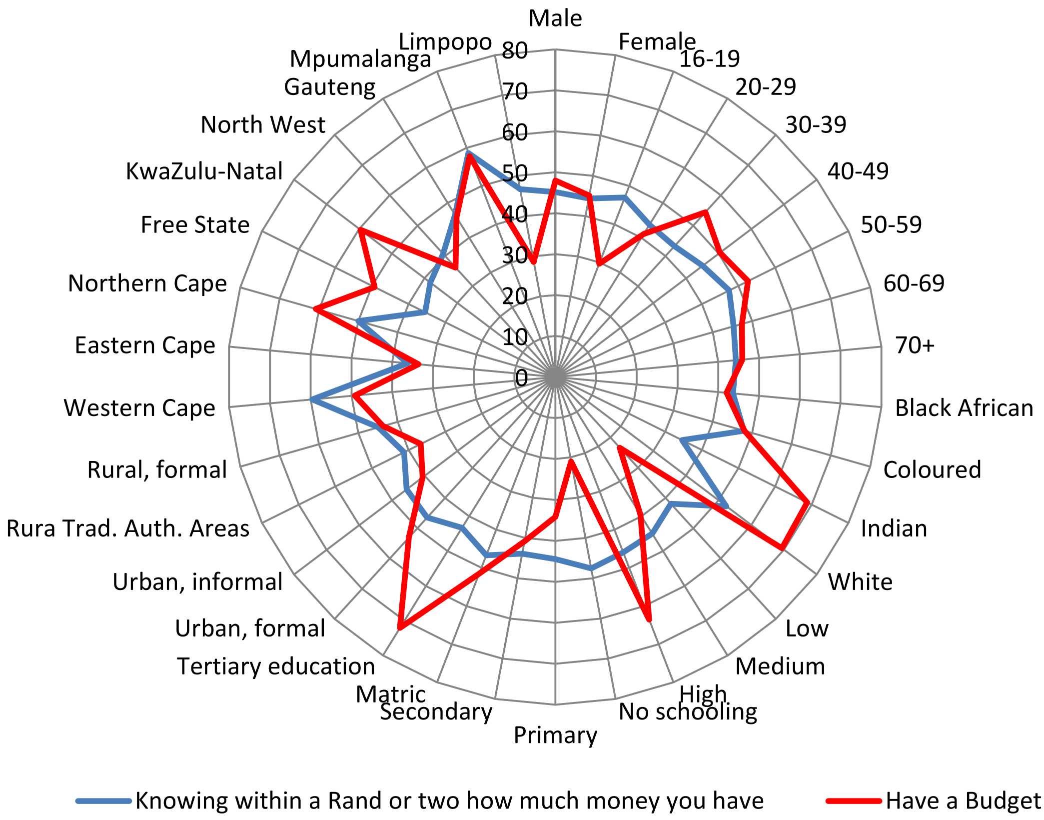
Although there does not emerge a significant gender gap regarding the respondents' accurate knowledge of the availability of spending money, there is a gradient of difference in relation to population group. White respondents (17%) were less likely than black African, Indian and coloured respondents (37%, 32% and 29% respectively) to report that they have no idea or do not know how much spending money is available. Interestingly, about half of the Indian respondents (52%) indicated that they know roughly or within R500 how much spending money they have available while 38% of white respondents, 29% of coloured respondents and 29% of black African respondents reported that they know roughly or within R500 the amount available to spend. Two-fifths of white and coloured respondents (42% and 40%), a third of black African respondents (34%) and 16% of Indian respondents reported that they know within R1 to R100 how much spending money they have available.

Income plays an important role in determining whether people know how much spending money they have available: 44% of those classifying themselves as a low-income household, 39% of those classifying themselves as a medium-income household and 23% of those classifying themselves as a high-income household indicated that they have no idea or do not know how much spending money is available. High-income category respondents (42%) are more likely than medium-income (25%) and low-income (19%) respondents to know roughly or within R500 how much spending money they have available.

Age is another personal attribute that exhibits a positive relationship with respondents knowing the amount of money available to spend. Individuals aged 16-19 years (50%) are most likely to have no idea at all or do not know how much spending money is available, a figure that progressively decreases for those in their twenties, thirties and forties. People 40-49 years old (23%) have the lowest percentage of people not having an idea of how much spending money they have available. About a third of people aged 50-59 years (31%), 60-69 years (30%) and 70 years and older (31%) indicated that they do not have an idea of the amount of spending money available. More than two-fifths (43%) of respondents in the age category 40-49 years and 42% of those in the 30-39 year old age category reported that they know roughly or within R500 how much spending money they have available. About a third of people in the categories 50-59 years, 60-69 years and 70 years and older reported that they know roughly or within R500 how much spending money they have available. A quarter of respondents in the age category 20-29 years old and 10% of respondents in the age category 16-19 years old know roughly or within R500 how much spending money they have available.

In order to juxtapose those who have a budget and those that have knowledge of how much money they have to spend, a radar diagram was constructed and presented below. Responses to having a budget were coded as Yes=1 and No=0. They were then converted to a 0-100 scale. The question about knowledge of money in the bank account was also recoded as follows: Have no idea at all=0; Know roughly, not within R500=1; Know within R500=3; Know within R100=4; Know within R50=5; Know within R10=6; Know within a rand or two =7. Don’t know and refused responses were excluded from the calculation. This score was also converted to a 0-100 scale. It was expected that these answers would correspond and follow similar patterns - that is, if you had a budget you would also know how much money is available to spend.

Figure 4: Having a budget and knowledge of spending money available (mean scores, 0-100 scale)



The most interesting finding is that people who tend to have a budget do not necessarily know how much money they have available for spending. This was specifically the case among Indian people, those with a tertiary qualification and white South Africans. On the other hand, students, people with a low living standard and people with no schooling who indicated that they did not have a budget were most knowledgeable about the amount of money they had to spend. This finding indicates that people, especially poor and illiterate people, might not have a budget but are very aware of how much money they have to live on and therefore make daily choices on how best to spend the money.

4. Making ends meet

Current rises in the cost of living and a higher inflationary environment are eroding the disposable income of South African residents. This makes questions on 'making ends meet' particularly important, owing to its reflection on people's behaviour in times of economic crisis.

4.1 Financial behaviour

Respondents were asked to report on how often they would carefully consider whether they could afford something before buying it. More than 60% responded affirmatively (always) with only 6% confirming that they do not carefully consider affordability as a criterion before buying something. A negligible percentage of respondents did not know how to respond or refused to respond to the question.

Table 13: Financially responsible behaviour (row percentages)

	Always	Often	Some of the time	Seldom	Never	(Don't know)	(Refused)	Total
Before I buy something, I carefully consider whether I can afford it	60	17	12	3	6	1	0	100
I pay my bills on time	32	20	24	6	11	6	1	100
I keep a close personal watch on my financial affairs	30	22	20	10	13	4	1	100
I set long-term financial goals and work hard to achieve them	23	20	20	10	22	5	1	100

Affordability considerations were more likely to be reported by:

- Women (61%) relative to men (59%)
- Respondents above the age of thirty compared to younger persons.
- Indian respondents (72%) relative to black African (60%), coloured (57%) and white (61%) respondents
- Those with higher levels of education, although variations between respondents with no schooling and those with tertiary education were relatively small (3%).

This shows that most respondents, with little variance, considered whether they could afford something before buying it, regardless of their age, sex, race or level of education. People had to respond to whether they paid their bills on time or not. Results indicated that only 32% of all people paid their bills on time, with a relatively significant 11% reporting that they never paid on time. A surprisingly high proportion (8%) of people did not know how to respond or refused to respond to the question.

Results of a disaggregation by age, sex, race, education level and LSM category revealed that:

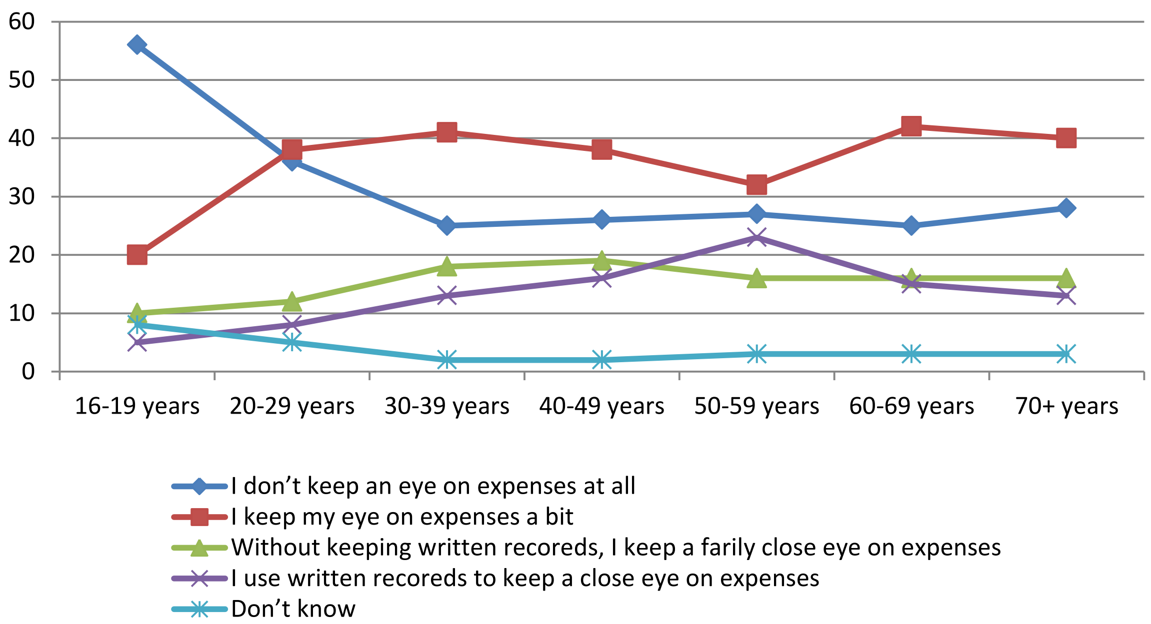
- Very little difference exists between males (32%) and females (31%) who always pay their bills.
- Young respondents are less likely to pay their bills in time when compared to older people.

- Coloured, Indian and white South Africans are more likely to always pay their bills on time in comparison with their black African counterparts.
- People with higher levels of education are much more likely to always pay their bills on time.
- Respondents in higher LSM categories are more likely to be always paying their bills on time than those in lower categories (Low 15%; Medium 26% and High 45%).

Respondents were asked to what extent they were keeping a close personal watch on their financial affairs. The results obtained show that nearly a third of people 'always' keep watch on their financial affairs while 10% seldom kept watch and 13% never kept watch on their affairs. Some people indicated that they did not know (4%) or refused (1%) to answer the question. A summary of results disaggregated by age, sex, race, education level and LSM indicates that:

- No difference exists between males (30%) and females (30%) who always keep a close personal watch on their finances.
- More mature respondents are much more likely to always keep a close personal watch on their financial affairs than younger respondents.
- A significant percentage of Indian (50%) and white (60%) respondents indicated that they always keep close watch while only 25% of black African respondents and 35% of coloured respondents agreed that they always keep close watch on their finances.
- The higher the level of education, the more likely people will be always to keep a close watch on their finances.
- Generally, people in higher LSM categories are more likely to always be keeping a close watch on their finances (Low 19%; Medium 24% and High 41%).

Figure 5: Keeping personal watch on finances by age (percent)



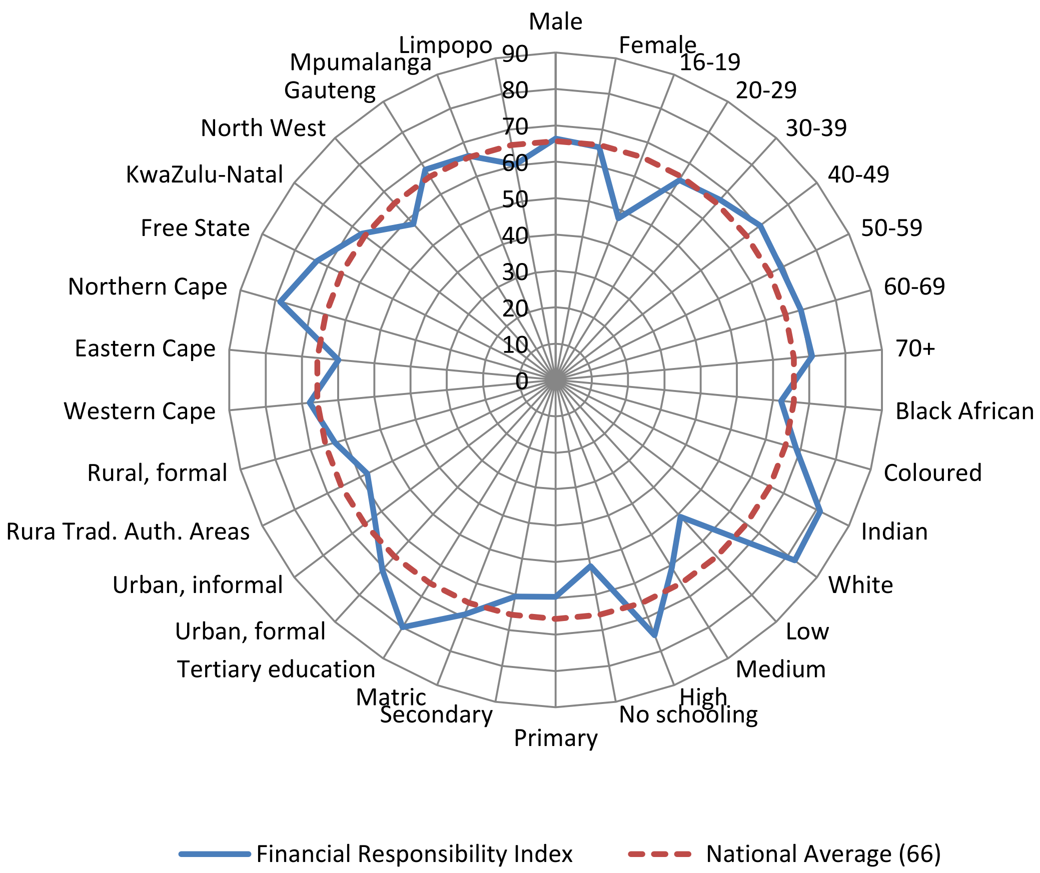
Those who participated in the survey were asked how often they do these things or not: “I set long-term financial goals and work hard to achieve them.” The results obtained for this question reveal that nearly a quarter always set goals and work hard to achieve them while another quarter never do this. Generally, up to 73% of respondents will at some stage (always, often, some of the time and seldom) set long-term financial goals and work hard to achieve them. Only 6% of respondents did not know how to answer the question or refused to answer.

An analysis of the results of the question by age, sex, race, level of education and by LSM category yielded the following results:

- Young respondents (16-19 years) are less likely to always set financial goals and work hard to achieve them (15%), while the group 50-59 years are the most (28%) likely to always set goals and work hard to achieve them. From the age of 60+ people are also less likely to always set financial goals and work hard to achieve them.
- Up to 25% of males and 21% of females always set financial goals and work hard to achieve them.
- 43% of Indian and 41% of white respondents reported that they always set financial goals and work hard to achieve them. By contrast, 19% of black African respondents and 25% of coloured respondents reported that they always set financial goals and work hard to achieve them.
- Respondents with tertiary levels of education (43%) were five times more likely to ‘always’ set financial goals and work hard to achieve them, compared to people with no education (8%).
- High LSM respondents (34%) were also more likely to ‘always’ set financial goals and work hard to achieve them than either Medium LSM (17%) or Low LSM (8%) respondents.

The questions discussed above constitute an index of financially-sound behaviour indicating the level of financial responsibility an individual possesses in making financial decisions about the future. In order to more accurately capture financial responsibility we have constructed a Financial Responsibility Index (FRI). This index was created using the questions 16 to 19 (as shown in Appendix A: Financial Baseline Survey Questionnaire). Given that the responses to the questions under review were always=5; often=4; some of the time=3; seldom=2 or never=1, these responses were reversed and transformed into a 0-100 score, where 0 refers to the lowest possible responsibility rating and 100 the highest. “Don’t know” responses were excluded from analysis. The mean of the Financial Responsibility Index across subgroups is portrayed in the blue line below, the red line depicts the national FRI average.

Figure 6: Financial Responsibility Index



It is clear from Figure 6 that a number of groups in South Africa exhibit better financially responsibility than others. White and Indian respondents with a high living standard, individuals with a tertiary qualification and those residing in the Northern Cape are more likely to exhibit financially-sound behaviour than their counterparts. Youngsters (aged between 16-19 years), those with a low living standard, those with no or low levels of schooling scored lowest on the Financial Responsibility Index. This indicates that these groups exhibit financial behaviour that is troublesome (i.e. not considering affordability before buying products, not paying bills on time, not keeping a close watch on financial affairs and not setting long-term financial goals). If the FRI is considered as a whole then we can observe that differences between subgroups are not as evident as may have been first assumed. However, it is apparent that those with sufficient financial resources – the well-educated and those in the higher LSM category – were likely to exhibit sound financial behaviour. It may be that those with limited access to financial resources found it difficult to set financial goals and therefore behave in financially responsible manner.

4.2 Hardship and making ends meet during the past 12 months

Respondents were asked to provide information on the extent to which they have been exposed to hardship, such as having gone without enough food to eat, without medicine or medical treatment when needed, without cash income, without a good shelter or without energy to cook and prepare food.

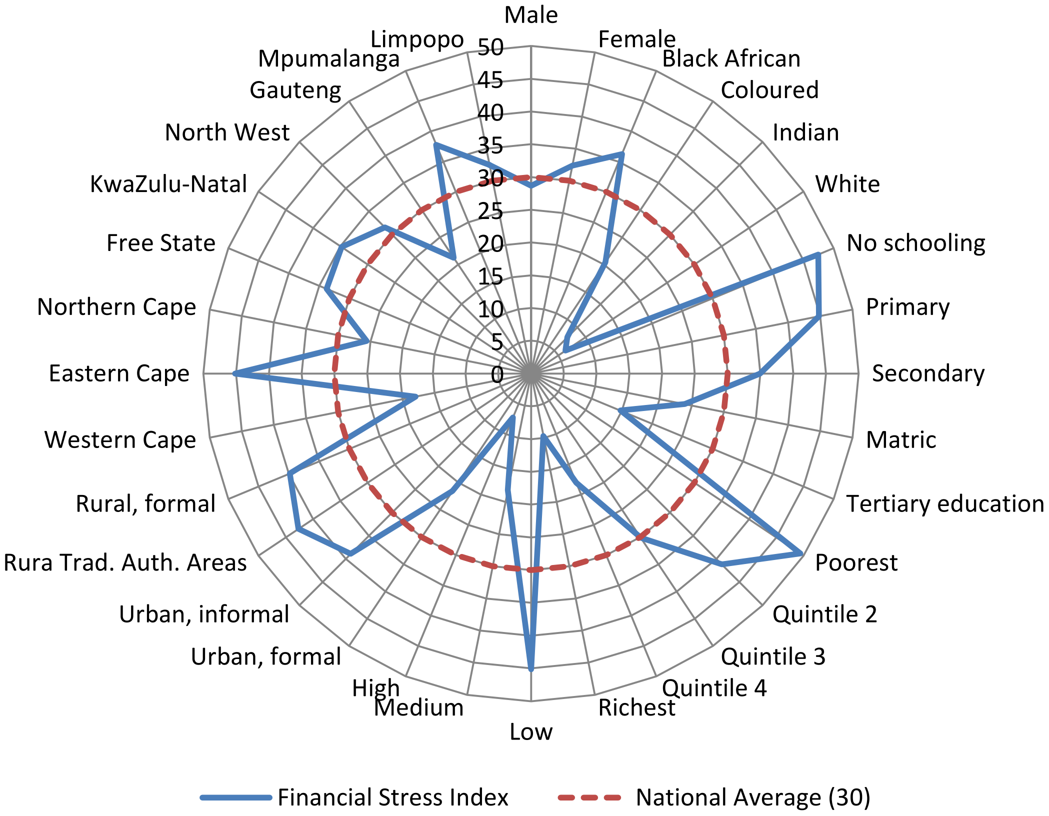
Nearly two thirds of people reported that they have never been exposed to hardship such as having gone without enough food to eat. Those who did report such exposure as often (7% of total), are more likely to be black African, female, aged 70 years or older and have no schooling. Approximately 10% of all respondents interviewed confirmed that they have gone without medicine or medical treatment during the past 12 months. Interestingly, respondents aged 16-19 and 20-29 years were more likely to answer ‘often’ than any other age group. Men were also slightly more inclined to answer ‘often’ than women. Black African, low LSM and respondents with no schooling were also much more exposed to going without medicine or medical treatment during the last 12 months. On the question of how often families have gone without a cash income during the past 12 months, 17% of respondents reported that it happened ‘often’, with 34% saying that it happened ‘sometimes’. Importantly, this reflects a situation where just over half of all families have experienced financial stress due to a lack of regular cash income during the last twelve months. Interestingly, respondents in the age group 30-39 years reported the highest occurrence of often having had to cope without a cash income. Women were also more likely to report having gone without a cash income than men. Not surprisingly, respondents affected by a lack of cash income were much more likely to be people with no schooling.

Table 14: Household deprivation during the past twelve months (row percentages)

In the last 12 months, how often has your family...	Often	Sometimes	Never	(Don’t know)	(Refused)	Total
...gone without a cash income	16	34	49	1	0	100
...gone without medicine or medical treatment that was needed	10	29	60	1	0	100
...gone without energy to cook food	8	30	62	1	0	100
...gone without enough food to eat	7	29	64	0	0	100
...gone without good shelter	4	8	87	1	0	100

On average, 12% of respondents reported that they have gone without good shelter during the past 12 months. Lowest educational level was identified as the most significant indicator of the likelihood of a respondent having gone without shelter during the past twelve months. People with no schooling (28%) were more than twice as likely to have gone without shelter during the past twelve months than those with some secondary school education, excluding Matric (13%). Respondents’ relative deprivation of energy or ‘energy poverty’ was gauged by the question: In the last twelve months, how often has your family gone without energy to cook food? Eight percent of respondents indicated that this happened often, with 30% reporting that it happened sometimes. People aged 70+ (14%) were affected more than any other age group. Black African respondents (often, 9% and sometimes, 36%) were also affected more severely than other population groups.

Figure 7: Financial stress index



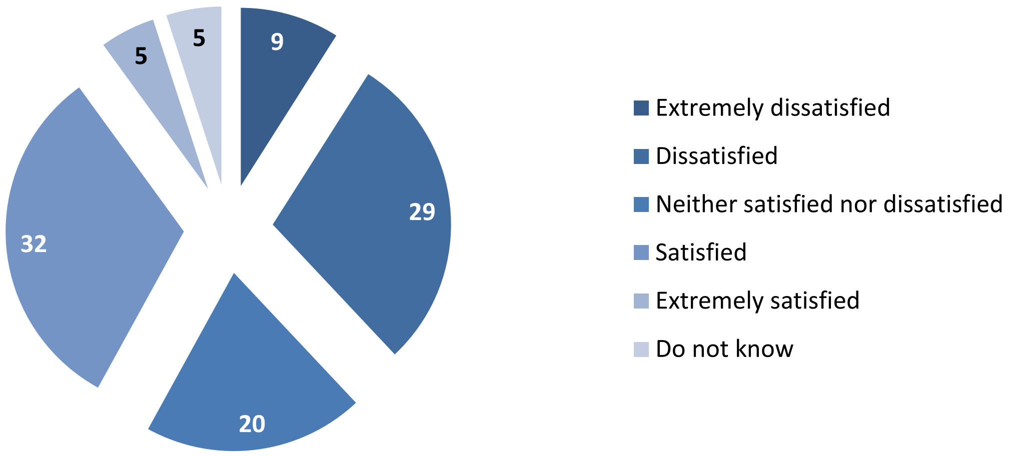
The above section discussed the level of financial stress that families in South Africa suffer from. Using this information we can create an index to capture an understanding of the total financial stress faced by South African families. The Financial Stress Index (FSI) indicates how much stress a family has had to face in terms of the four categories discussed above. Questions 20 to 24 (as shown in Appendix A: Financial Baseline Survey Questionnaire) were used to construct the FSI. The index uses a 0-100 score with 0 indicating no stress and 100 indicating complete stress. The results indicate that some groups – particularly the high LSMs, those in the upper income quintiles and the well-educated – face significant less stress than others. The groups who face the most stress, as can be seen in Figure 7 are overwhelming the poor, those in rural areas, the uneducated and black Africans. These vulnerable groups are the least well equipped to deal with financial shocks to their households and the most likely to suffer from stress in times of economic decline.

4.3 Spendthrifts and savers: Attitudes towards spending and saving

People were requested to provide information on how satisfied they were with their current personal financial condition with regard to assets, debts and savings. Generally, 38% of all people reported being dissatisfied with their current personal financial condition. An expression of dissatisfaction and extreme dissatisfaction (combined) was the highest (42%) among respondents aged 70+ years, closely followed by young people aged 16-19 years with 41%. Interesting those South Africans with regular income were significantly more likely to be satisfied with their current financial condition than their counterparts earning an irregular income.

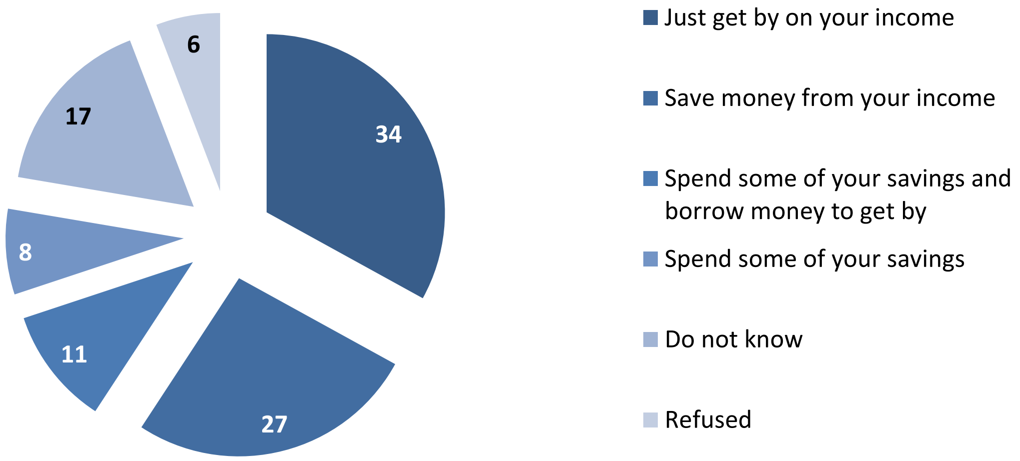
Women were generally more dissatisfied than men and black Africans more so than other racial groups. Respondents with higher levels of education were generally more satisfied with their current financial condition than those with lower levels of schooling.

Figure 8: Satisfaction with current financial condition (percentages)



Respondents' behaviour regarding income, as related to saving and borrowing, was explored by asking questions on whether during the past twelve months people saved money, just got by on their income, spent some savings, spent savings as well as borrowed some money. Just more than a quarter of people indicated that they had saved some money whereas a third just got by on their income. Only 8% of respondents have spent some of their savings the past twelve months, in contrast to the 11% who have spent some savings, as well as borrowed some money to get by.

Figure 9: Savings behaviour (percentages)

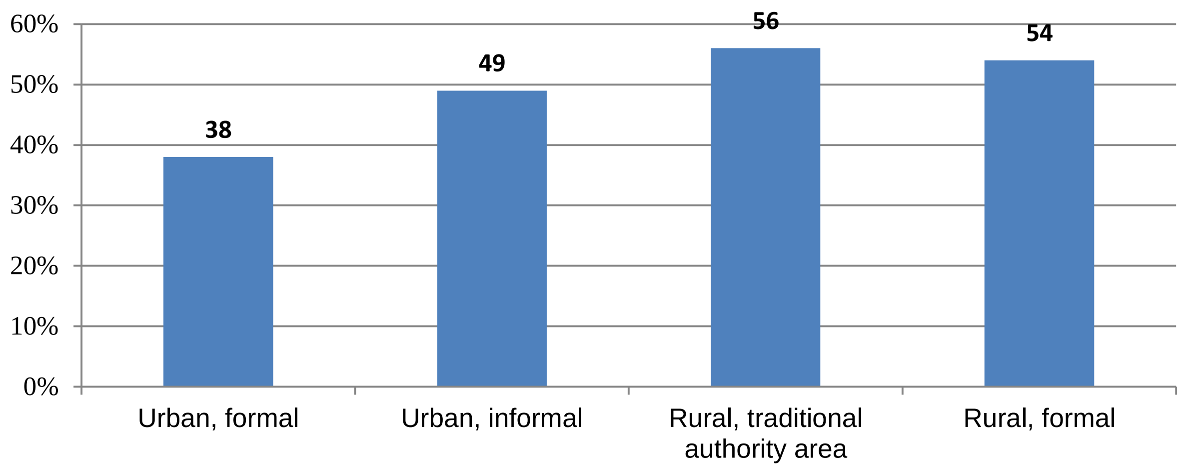


People in the age groups 30-39 and 40-49 years were generally in a better position to save than other groups. Older respondents in the age groups 60-69 and 70+ years were much more likely to just get by on their income, whereas young respondents (16-19 and 20-29 years) tend to spend some of their savings and borrow marginally more than other age groups. Indian and white respondents were nearly twice as likely to have saved money from their income as their black African and coloured counterparts. Low LSM respondents were also significantly more likely to have spent some of their savings and borrowed money to get by than medium and higher LSM groups.

4.4 Income, the cost of living, financial stress and future financial prospects

A significant number of people (44%) indicated that during the last twelve months, their income did not quite cover their living costs. Respondents in age categories 30-39 and 40-49 years were more likely than other groups to find that their income did not cover their living costs. It was reported that a significant number of black African and coloured families could not sufficiently cover their cost of living when compared to other groups. It is notable that those with a regular household income were no more or less likely to answer this question in the negative than their counterparts with an irregular household income.

Figure 10: Difficulty with income not covering living costs by locality (percent)



Education levels also had a large impact on whether people could cover their living costs or not. Groups with higher education were much more likely to get by on their income than other groups of people. Geographic location also played a role in whether people could cover their cost of living with their income. Rural dwellers were more likely to have difficulty in covering their cost of living than their urban counterparts.

In order to make ends meet, the majority (56%) of people would resort to borrowing food or money from family or friends. Just over a third of respondents would cut back on expenditure and make do without certain items in order to make ends meet. Indian and white South Africans were much more likely to report working overtime to earn extra money to cover their expenses than other race groups. Black African respondents (14%) were also much more likely to resort to loans from an informal provider or moneylender than other race groups. Interestingly, white respondents

(17%) were far more likely to pawn possessions than other race groups. Higher educated respondents were also significantly more inclined to cut back on spending than their counterparts with low or no education. However, higher educated respondents are much more likely to have some leeway in cutting back on spending on luxury and 'nice to have' items than respondents with no or a relatively low schooling level, whose level of income leaves no room to cut back on spending on essential items such as food and accommodation. As a follow-up question, respondents were asked what measure they rely on the most in order to make ends meet. Items are listed in Table 18 in order of diminishing importance.

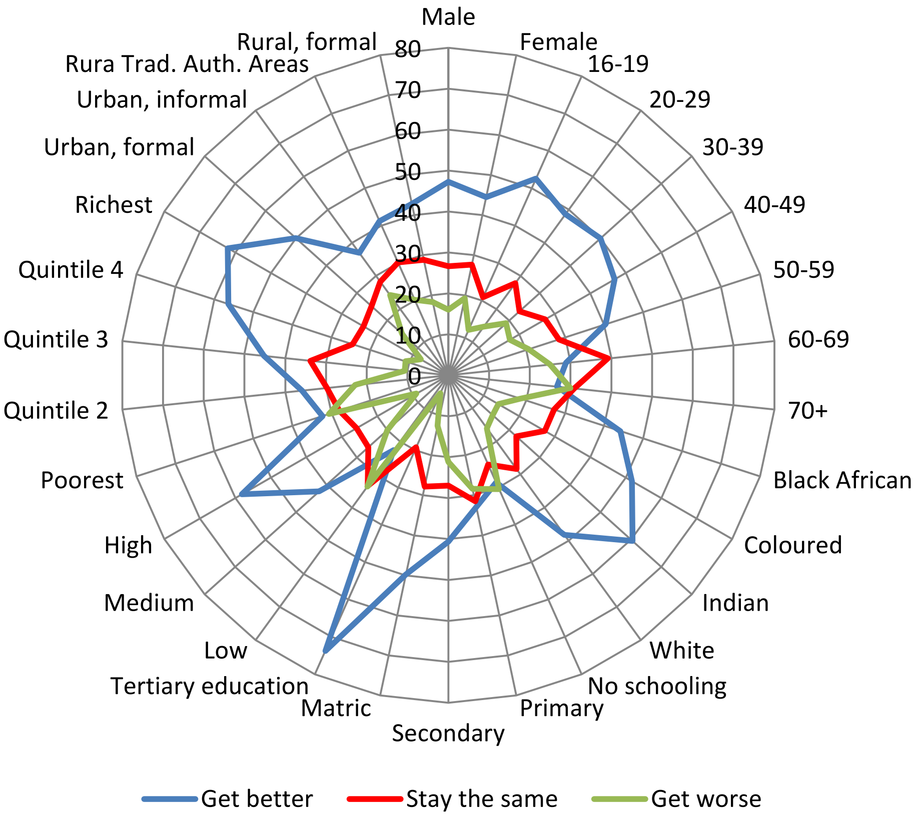
Table 15: Financial measures relied on during times of financial stress (column percentages)

Which of the following does your household rely on most?	Percentage
Borrow food or money from family and friends	41
Cut back or spend less, do without	15
Work overtime to earn extra money	9
Draw money out of savings or transfer savings into current account	5
Take out a loan from an informal provider or moneylender	5
Sell something that I own	3
Take a loan from my savings and loan club	2
Borrow from employer or salary advance	2
Use credit card for cash advance, to pay bills, buy food	2
Pay my bills late, miss payment	1
Take out a personal loan from formal financial service provider	1
Take out a payday loan	1
Pawn something that I own	1
Use unauthorised, arranged overdraft or line of credit	0
Apply for a loan or a withdrawal on pension fund	0
Take money out of a flexible home loan account	0
Use unauthorised overdraft	0
Other	5
(Don't know)	5
(Refused to answer)	2
Total	100

People were asked to report on how difficult it might be during a typical month to cover their expenses and pay all of their bills. Nearly half (49%) of the respondents found it either difficult or extremely difficult to pay all their expenses and bills during a typical month. In contrast, only 19% found it easy or extremely easy to cover their monthly expenses. Furthermore, just over a quarter found it neither easy nor difficult to pay expenses and bills. Black African and coloured people experienced significantly more difficulty in covering their expenses during a typical month than Indian and white people. Interestingly, those South Africans with regular income were significantly less likely to take a loan than their counterparts earning an irregular income. Not surprisingly, respondents with higher educational qualifications had fewer problems in covering their monthly expenses than those with lower or no qualifications. The same pattern was repeated with higher LSM candidates reporting fewer problems in covering monthly expenses.

Respondents were also requested to say to what extent they believe their household's financial situation will get better, stay the same or get worse during the next two years. People were modestly optimistic about future financial prospects. The results are depicted in the radar chart below.

Figure 11: Prospect about future financial situations



This is borne out by the fact that more than two-thirds of people (73%) believed that things will either improve or stay the same. Interestingly, financial optimism grew less with older participants than younger ones. Males were also slightly more positive than females when it came to financial optimism. Indians were significantly more positive than other race groups, with black South Africans the most pessimistic. Higher LSM candidates were also significantly more positive about future improvement of their household finances than their lower LSM counterparts.

5. Financial planning

This section of the report explores the savings behaviour of South Africans related to the accumulation of funds for emergency situations and retirement. It is a reasonable assumption that financially literate people and those who can afford it will make provision for their future in order to reduce the impact of unforeseen, adverse circumstances and life events. It is also fair to assume that those who are able to will also make provision for retirement.

5.1 Emergency funds

Respondents 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. In total, just more than two-thirds of respondents reported that they would not be able to cover expenses for three months in case of an emergency. Generally, young people (16-19 and 20-29 years) and pensioners (70+ years) were in a less favourable position than other people to cope with expenses during periods of emergency. Indian (50%) and white (60%) population groups were also significantly better prepared to fund emergency situations than their coloured (26%) and black African (24%) counterparts.

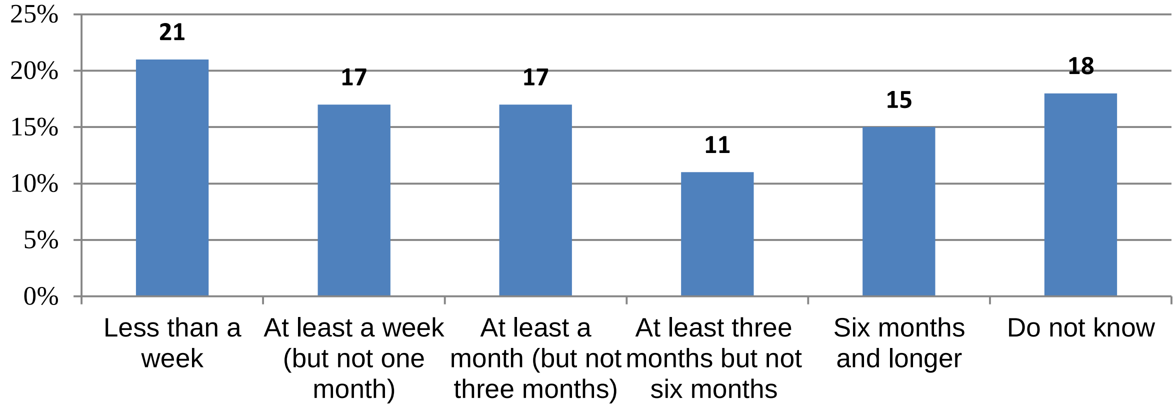
Table 16: People with emergency funds to cover three months of expenses (column percentages)

		Yes	No	Don't Know	Refused
	National	29	67	4	0
Population Group	Black African	24	72	4	0
	Coloured	26	72	2	0
	Indian	50	49	1	0
	White	60	37	2	1
Age Group	16-19	12	75	12	1
	20-29	23	73	4	0
	30-39	36	63	1	0
	40-49	35	62	2	0
	50-59	36	63	1	0
	60-69	34	64	2	0
	70+	30	67	2	2
Education level	No Schooling	15	83	2	0
	Primary	14	85	1	1
	Some Secondary	20	74	6	0
	Matric	34	63	3	0
	Tertiary	65	33	2	0

People with tertiary education (65%) were much better equipped to deal with financial emergencies to cover expenses for three months than those with lower standards of education (14 - 34%). People in urban informal areas were the least (78%) equipped to deal with emergencies where they have to fund three months' expenses. A negligible percentage of respondents did not know how to respond or refused to respond to the question.

People were requested to estimate how long they would be able to continue to cover their living expenses without borrowing money should they lose their main source of income. Figure 9 provides an overview of the time duration that people will be able to cover living expenses without borrowing or moving house.

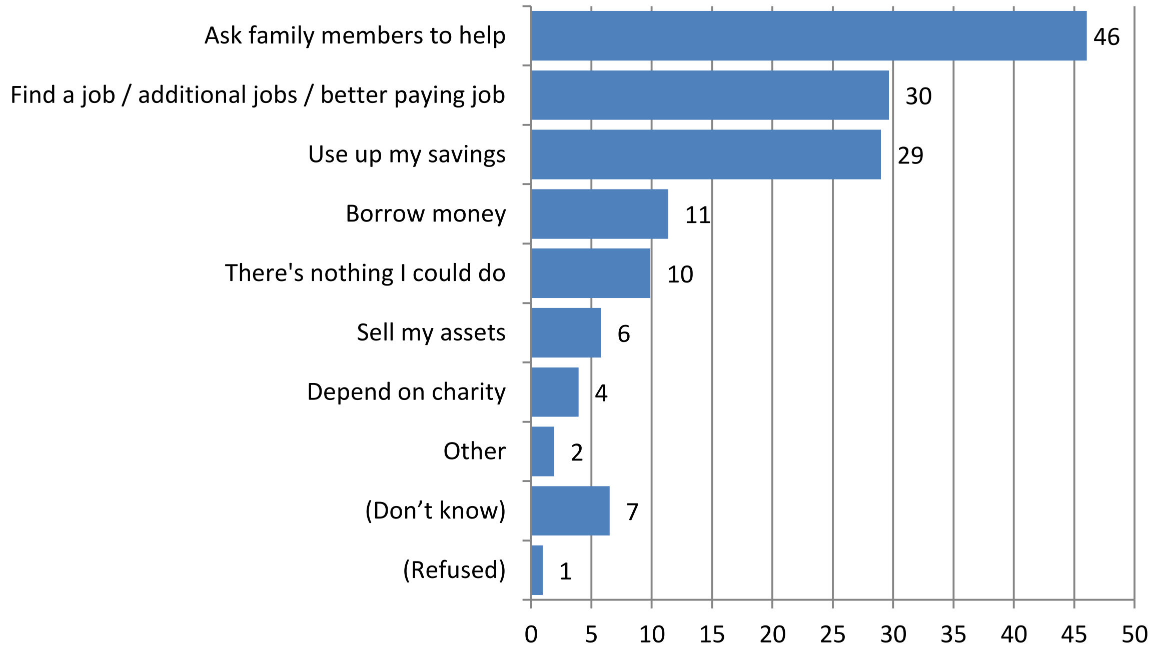
Figure 12: Time duration that people will be able to cover living expenses when losing main source of income (percent)



Of all race groups, Indians seem to be better equipped to deal with a loss of income for prolonged periods of time when compared to other race groups. Just less than a third of Indian respondents believe that they will be able to cope with the loss of a main source of income for more than six months in comparison with their white (27%), coloured (13%) and black African (13%) counterparts. Generally, high LSM groups were also significantly better positioned to cope with prolonged loss of income than medium and low LSM groups of people. Interestingly, people in rural areas under traditional authority featured more strongly at both ends of the spectrum, with a significant proportion (17%) believing that they could cover their living expenses for more than six months without borrowing or moving house. However, this group was also revealed as particularly vulnerable, with up to 24% of people indicating that they would last less than a week without a major source of income. Better security of tenure, due to traditional authority structures, are probably the best explanation for the fact that comparatively, a significant proportion of people could cover living expenses in excess of six months without borrowing or moving house. Comparatively, urban formal (15%), urban informal (9%) and rural formal (11%) had smaller proportions of people who could afford to cover their living expenses for more than six months.

On the whole, these findings suggest that the majority of South Africans only have small reserves that they could use to fund living expenses during prolonged times of income loss before they would be forced to rely on other forms of coping strategies. On the question, “What would you do if something happened and you needed to find one month’s income?”, a pattern emerged which suggests that most people have to resort to asking family members to assist (46%), followed by finding a job, additional jobs or a better paying job (30%) and using savings (29%). Figure 13 provides more details on the spectrum of categories. Interestingly, women will more readily request assistance from family (48%) than men (44%). However, men (33%) are more likely to draw on savings than women (25%) to fund one month's income.

Figure 13: Coping strategies to find the equivalent of one month's income in times of need (multiple response, percent)



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 64% of respondents disagreed with this statement. There was a marked difference with the majority (51%) of young respondents aged 16-19 who agreed with the statement. More mature respondents, on the other hand, seemed more responsible in their approach to saving money, as opposed to deriving satisfaction from spending it. Slightly more women (37%) than men (33%) agreed with the statement that they find spending more satisfying than saving. An analysis of the results by race reveals that white respondents (19%) are somewhat more conservative in their views of deriving satisfaction from spending than their coloured (28%), Indian (30%) and black African counterparts (38%). Respondents with a tertiary education level were also slightly 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.

Results for the question, "I tend to live for today and let tomorrow take care of itself" show that nearly half (46%) of all people disagreed with this statement. People who are more likely to agree with this statement are probably of younger age categories, have lower education levels, lower LSM levels and are living in urban informal settlements.

Significantly, not that many people are prepared to risk some of their own money when saving or making an investment (36%). Older people (70+) are generally less willing to risk their money when saving or making an investment when compared to younger people. People with higher levels of education are more likely to risk their own money when saving or making an investment than those with lower levels of education. This pattern is repeated when analysing LSM with members of high LSM categories prepared to take on more risk with their own money.

Almost half of all people (47%) believe that money is there to be spent. White respondents are markedly more conservative, with only 23% agreeing with the statement. In comparison, 43% of Indian respondents, 39% of coloured respondents and 52% of black African respondents completely agreed or agreed with the statement.

Table 17: Spendthrift behaviour (row percentages)

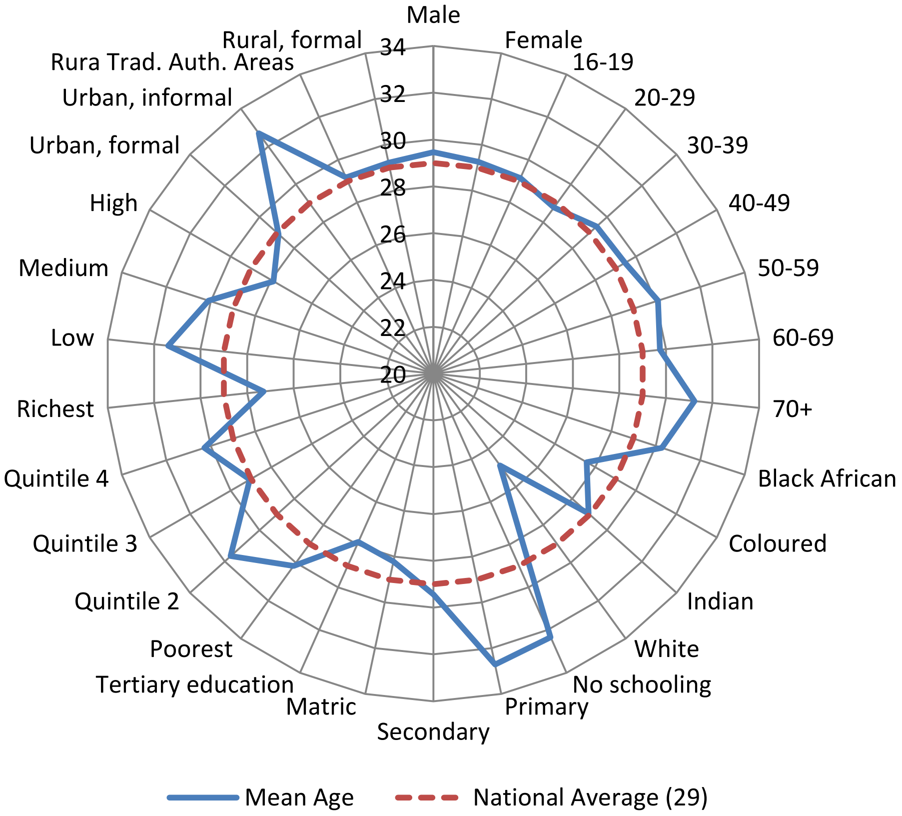
	Completely agree/agree	Neither nor	Disagree / Completely disagree	(Don't know)	Total
Money is there to be spent	47	17	35	1	100
I am prepared to risk my own money when saving or making an investment	36	19	38	7	100
I find it more satisfying to spend money than to save for the long term	35	11	52	2	100
I tend to live for today and let tomorrow take care of itself	28	14	56	1	100

5.2 Retirement planning

Over two thirds of respondents believe that people should begin to make a financial plan for their retirement before they reach the age of 35 years. An analysis of race groups reveals that a larger proportion of white, Indian and coloured respondents believe that one should make a financial plan for retirement at an earlier age (younger than 25) when compared with their black African counterparts. People in higher LSM categories also believed that a younger age is more suitable for beginning to think about financial planning for retirement than those in lower categories.

Nearly half (47%) of people included government old age pensions in their financial plan for retirement. In comparison, only 33% included a workplace pension in their retirement plan and 23% a personal retirement savings plan. A relatively significant amount of 13% planned to continue to work after retirement age to earn money. A small proportion of white respondents (16%) included government old age pensions in their retirement financial plan when compared to Indian (40%), coloured (40%) and black African (54%) respondents. This meant that white respondents were much more likely to include workplace pensions and personal retirement savings plans in their financial plan for retirement than other race groups.

Figure 14: Age that people should start planning for retirement (mean)



About two thirds of respondents with primary schooling or less indicated that they would include government old age pensions in their retirement planning. Those with higher educational qualifications were much less likely to include government pensions and more likely to include workplace pensions and personal savings plans in their financial planning for retirement. People in rural areas were also much more inclined to list government pensions as a part of their retirement plan than those in urban areas.

There was an even split of people who were either confident (44%) or not confident (44%) that their income would give them a standard of living throughout retirement. Men (46%) were generally a bit more confident than women (43%) when it came to perceptions of having a standard of living during retirement. White (63%) and Indian respondents (68%) were somewhat more confident than their coloured (37%) and black African (31%) counterparts in believing that they will have a decent standard of living during retirement. People with better levels of education (tertiary, 80%) were significantly more confident about their post-retirement standard of living than those with lower levels (Matric or equivalent, 49%; some secondary excluding Matric, 35%; primary 31% and no schooling, 18%). Respondents from formal urban areas were generally also more confident (50%) about their post-retirement standards of living than their informal and rural counterparts (36%).

Table 18: Items included in financial plan for retirement (multiple response, percent)

Which of the following is included in your financial plan for retirement?	Percentage	N
Government old age pension	47	1276
Workplace pension	33	832
Personal retirement savings plan	22	620
Continuing to work after retirement age to earn money	13	354
Relying on your spouse or partner to support you	10	257
Relying on your children to support you	10	266
Relying on financial support from you wider family	9	208
Using an inheritance	6	124
Moving to a cheaper property in the same area	3	90
Moving to a cheaper area	3	98
Drawing an income from your own business	3	108
Selling your financial assets	2	46
Selling your non-financial assets	2	44
Other	3	74
(Don't know)	10	230
(Refused)	2	59

The growing complexity of the financial products and services on offer as well as the current increases in the cost of living have negatively impacted the flexibility of South Africans in responding to economic shocks. This section has clearly shown that many South Africans would find it difficult to adapt to an event that had a negative impact on their financial situation. Indeed, the questions on 'making ends meet' discussed here indicate the fragile ability of South Africans to sustain themselves financially. Moreover, these findings lend support to the argument that there needs to be greater support for household in managing finances in times of economic crisis.

6. Choosing Appropriate Financial Products

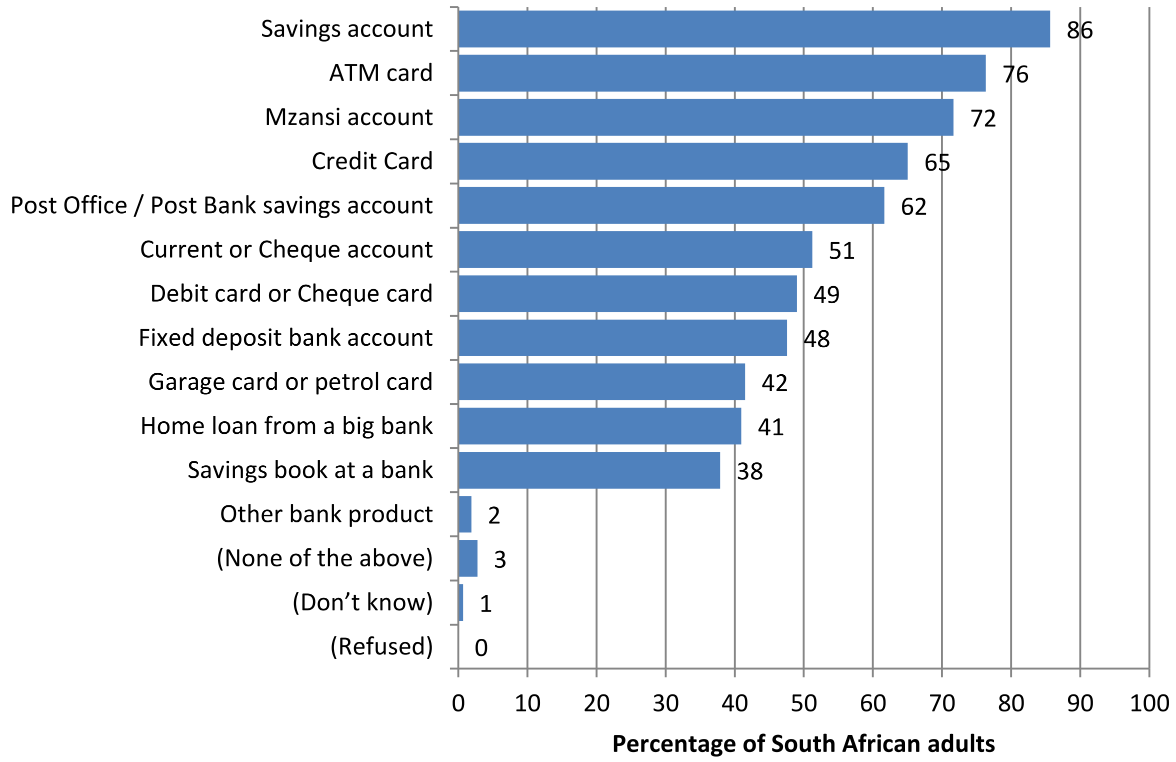
We are currently experiencing an increasingly complex financial market where a myriad of different financial products compete for the public's attention. For the average South African, determining which financial products to acquire and which to ignore may be a difficult task. The baseline study identified four primary financial product areas: banking, credit and loan, investment and savings, and insurance. In each of the product areas, respondents were asked to identify their awareness of different products in those areas and what kind of products they held grouped by area. Building on these responses, respondents were then questioned on how they had decided to acquire these products and how they used these products. The following subsection provides a brief analysis of the responses received to the above questions.

6.1 Banking Products

6.1.1 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.

Figure 15: Level of awareness of different financial banking products (multiple response, percent)



On average, respondents were aware of six (M=6.5) of the different types of banking products,[1] with only a nominal share indicating that they had not heard of any of the products (3%). The most common banking product that South Africans are aware of is a saving account, mentioned by 86% of the population – this is followed by an ATM card (76%) and a Mzansi account (72%). Other products which were familiar to more than half of the surveyed population were credit cards, other bank accounts and current or cheque account.

In the subgroup analysis, a strong gradient of difference emerges in relation to population groups, with white South Africans being aware on average of four more products than black African respondents (8.6 compared with 5.9). The reason for this racial difference in awareness of banking products appears to be due to socio-economic inequalities, especially educational attainment and employment status. Those with no formal education or some primary schooling were significantly less aware of banking products (3.5 and 4.8 respectively) than those with higher levels of education (e.g. 8 for those with a tertiary education). Similarly, those in regular self-employment and paid employment were more likely than discouraged work-seekers and unemployed work-seekers to have heard of a greater range of banking products (7.2 and 7.4 compared to 5.3 and 5.9 respectively).

6.1.2 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. Although a sizeable share (33%) indicated that they possessed none of the banking products listed, 66% of respondents stated that they possessed at least one of them, with respondents on average holding two (M=2.08) different types of banking products.

Table 19: Banking products held and chosen in last two years (multiple response, percent)

	Heard of banking products	Currently holding types of banking products	Chosen product in last 2 years
Savings account	86	45	21
ATM card	76	29	14
Mzansi account	72	10	6
Credit Card	65	11	6
Post Office savings account	62	6	4
Current or Cheque account	51	12	4
Debit card or Cheque card	49	13	5
Fixed deposit bank account	48	5	3
Garage card or petrol card	42	3	1
Home loan from a big bank	41	3	1
Savings book at a bank	38	2	1
Other bank product	2	0	0
(None of the above)	3	33	61

[1] 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.

As with product awareness, the most widespread form of banking products held by South Africans in late 2011 were savings account (45%) and ATM cards (29%). Thereafter, there is a cluster of products that are held by between a tenth or so of the surveyed population, including a cheque account (12%), a debit card (both 13%), and a credit card (11%). The other products were held by only small proportions of the people interviewed. 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. Bank product holding is significantly higher among white and Indian citizens relative to black and coloured South Africans. Employment status seems to play an important role here, with those in regular self-employment and paid employment holding more, compared to discouraged work-seekers, learners, unemployed work-seekers, those unable to work for health reasons, those looking after the home and retirees.

Respondents were subsequently requested to specify whether they had chosen any of the listed products *during the last two years*, irrespective of whether they still possessed them. More than three-fifths (61%) said that they had not done so, with only 39% choosing one or more banking products during this period. Of those that chose a product during the given period, an estimated 53% had chosen a single product with a national average of 1.73 products. As the final column in the table above reveals, in many instances the proportion of those reporting that they had recently chosen different banking products is approximately half that of those currently holding those banking products, especially where the product is held by at least a tenth of respondents. This would seem to convey a sense that for that segment of South African society that is accessing banking products and services, there has been a fair amount of activity in the market in recent years.

6.1.3 Decision-making and recent banking product choice

The previous section appears to suggest that a noteworthy proportion of South Africa's population have access to at least one banking product. This invites the question: "How do South Africans select the banking products they hold?" This question is particularly salient, given indications above of an active banking product market in the last two years. Among those that indicated that they had bought a banking product in the last two years, each was asked to specify the manner in which the product was chosen. Since respondents could have chosen multiple products during the stipulated interval, this follow-up question was asked of the first-mentioned product on the list.

Table 20: Manner in which banking products were chosen in last two years (column percentages)

Choosing Banking Product Behaviour	Percentage
I considered several products from different companies before making my decision	43
I considered the various products from one company	20
I didn't consider any other products at all	20
I looked around, but there were no other products to consider	4
(Not applicable – respondent has not chosen insurance products in the last 2 years)	11
(Don't know)	3
Total	100

Of those individuals who had recently chosen banking products, more than two-fifths (43%) maintained that they considered several products from different companies before deciding which product they preferred. A fifth (20%) said that they contemplated the range of products available from one particular company before deciding which to opt for. Only a marginal proportion (4%) shopped around, but realised that there were no other products to consider. Therefore, on balance, it would seem that in making decisions about banking products, the majority of South Africans make the effort to undertake some comparative shopping, with a less significant contingent possessing the freedom to do so but ultimately choosing not to. Indeed, only a fifth (18%) said that they did not shop around for different providers or products prior to choosing their product. In terms of non-response, 3% indicated that they did not know how they chose their products and 11% indicated that the question was non-applicable (despite reporting in another question that they had acquired banking products in the two year period).

Table 21: Manner in which banking products were chosen in the last two years, by product type (column percentages)

	Savings account	Current/ Cheque account	ATM card	Debit card/ Cheque card	Credit Card
I considered several products from different companies before making my decision	47	67	41	55	75
I considered the various products from one company	20	14	21	9	12
I didn't consider any other products at all	16	13	22	27	5
I looked around, but there were no other products to consider	4	2	5	2	1
(Not applicable)	10	3	9	4	5
(Do not know)	2	1	3	3	1
Total	100	100	100	100	100

In the table above, the extent of shopping around to compare banking products is examined by the five most-often held types of banking products[2]. Above-average numbers of respondents reported that they did not shop around in the cases of saving accounts (49%), and ATM cards (45%). Interestingly, as we have seen earlier in the section, these are the items that consumers are most aware of, likely to hold and have taken out in the last two years. Nonetheless, even for these products, at least six out of ten individuals considered a variety of different product options before making their decision. It seems that comparison shopping is especially common for current or cheque accounts and credit cards.

[2] Unfortunately, given the nature of product holding in the country, some of the product specific sample sizes are quite small, which effectively reduces the ability to confidently utilise the results to generalise.

Table 22: Reasons for not holding a banking product (multiple response, percent)

Reasons for no banking products	Percentage
I don't have a job	56
I don't have a regular income	40
I don't have money to save	16
I don't need a bank account	7
I prefer dealing in cash	6
I don't qualify to open an account	5
I don't have an identity document	4
I earn too little to make it worthwhile	4
I use someone else's bank account	3
It's expensive to have a bank account/I can't afford to	3
Bank charges are too high	3
I don't trust banks	2
I don't want to pay service fees	2
Other reason (SPECIFY)	2
Don't know how to open an account	2
I have to keep a minimum balance in the bank	1
I prefer to save via other means, e.g. stokvel / umgalelo/ savings club	1
The bank is too far from where I live	1
I prefer to give money to somebody in the community to guard	0
The banks don't speak to me in my language	0
(Not applicable – respondent has a banking product)	16
(Refused to answer)	1

The above considered the decision-making process in terms of how an individual chose to purchase a banking product. However, it is also important to consider the decision-making process behind not choosing to purchase a banking product. Indeed, bearing in mind the high proportion of South Africans who do not hold a banking product, it is important to ask why these individuals choose to forgo purchasing a baking product given that such a product is considered by many to be essential to participating in a modern economy. The table above indicates the reasons stated for not owning at least one of the banking products listed.

The reasons given by respondents for failure to purchase do not indicate an unwillingness to purchase the banking products listed, but rather an inability to do so. Approximately two-fifths of the population identified a lack of a regular income, more than half (56%) reported no job, and 16% indicated a lack of money to save as reasons for not purchasing one or more banking products. Indeed, the reasons identified suggest that a lack of financial and job security is preventing a significant proportion of South Africans from holding banking products.

6.1.4 Sources of banking product information

There exists a range of potential sources of information from which people can obtain information about banking products. To better appreciate which sources matter most for product choice in the South African context, respondents indicating that they *currently held* one or more banking products were asked to identify the different sources that they felt influenced their product decision the most. Again, respondents were asked to respond in relation to the first-mentioned product that they currently held from the list of banking products discussed above.

Table 23: Sources of information that most influenced decision about taking the banking products that are currently held (multiple response, percent)

Information Sources: Banking Products	Percentage
Information picked up in a branch of a bank	44
Television or radio programmes	23
Television adverts	19
Advice of friends/relatives (not working in the financial services industry)	18
Information from sales staff of firm providing the products	13
Newspaper adverts	11
Employer's advice	10
Advice of friends/relatives (who work in the financial services industry)	10
Newspaper articles	9
Information found on the Internet	9
Recommendation from independent financial adviser or broker	6
Junk mail sent through the post or that you found somewhere	5
Other advertising	2
Comparative tables or charts in financial pages of newspapers/magazines	2
Traditional or religious leader	1
Specialist magazines/publications (such as Financial Mail)	1
Comparative tables or charts found on the Internet	1
(Not applicable)	9
(Do not know)	2
(Refused to answer)	1

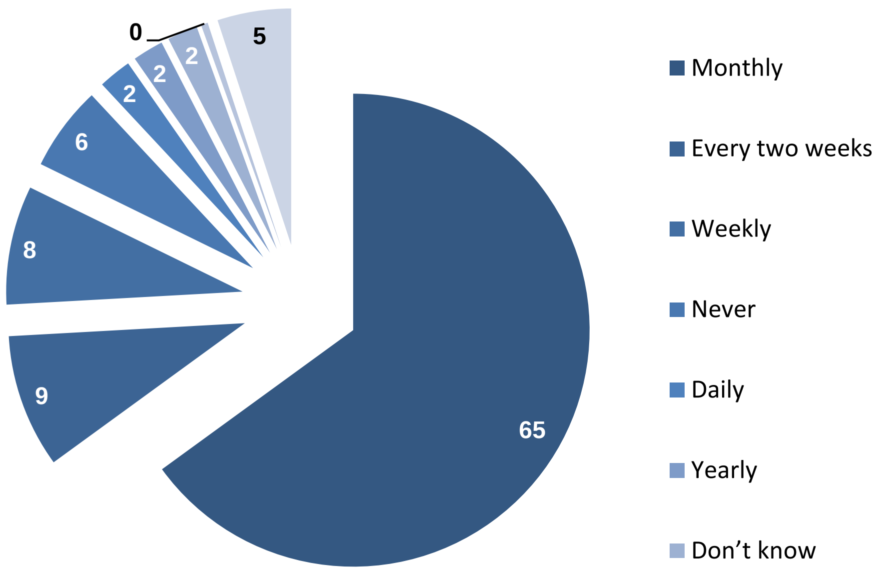
From the table above, it is evident that when choosing a financial product of this kind, consumer decisions are most informed by product-specific information from a branch of a bank (44%), radio or television programmes (23%), as well as television adverts (19%) and the advice of friends and relatives (18%). These four information sources account for 52% of all responses provided, rising to 57% if one also includes the importance of advice from family and friends working in the financial sector.

None of the various other sources of information were mentioned by a tenth or more of respondents. Only 6% of respondents indicated that financial advisers had given them important information and 9% indicated the Internet as an important source. This is likely to be ascribed, at least in part, to the cost and literacy barriers to the Internet, as well as to brokers and financial advisors. Family and friends are critical determinants (as already indicated) in decision-making processes of this kind, but general advice from an employer or a traditional or religious leader is not listed by the majority as important. Of the print media coverage and advertising sources, newspaper articles and adverts are mentioned by 9% and 11% respectively. This compares unfavourably with the influence exerted by television and/or radio.

6.1.5 Using banking products

Bank products allow individuals to save and more easily handle financial capital. Understanding the frequency by which individuals access their banking products is, therefore, an important consideration for understanding financial literacy and financial product usage in South Africa. The following section outlines the frequency at which respondents who reported owning banking products accessed these products. To test the frequency of access, respondents were asked how often they checked the balance on the main banking product that they owned.

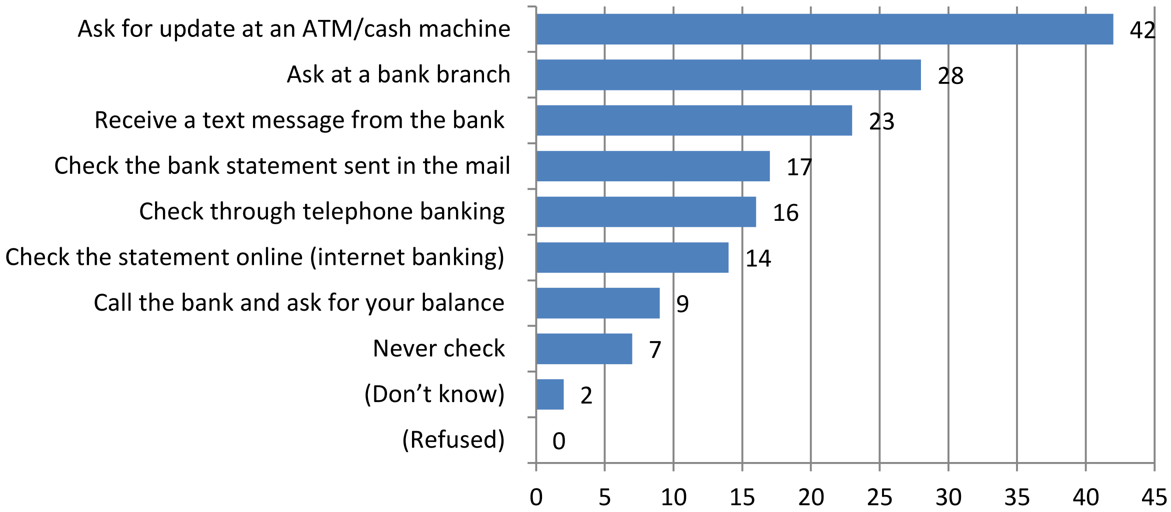
Figure 16: Time scale of how often financial balance on main banking product is checked (cell percentages)



The figure above indicates that the vast majority of South Africans (65%) only check their main banking product once a month. Indeed, only a small proportion of those with bank products check their balance weekly or daily. This indicates a relatively low level of interaction with banking products and suggests that South Africans do not frequently check on the balance of their main banking product.

The low frequency by which South Africans check the balance on their banking products suggests that the population is not reliant on modern telecommunication forms of banking. Indeed, only 16% of bank product holders checked the balance on their main banking product using a cell phone and less than 15% used Internet banking. Most bank product holders relied on either using an ATM to check their balance, received their balance directly from the bank or waited to receive a bank statement by mail - 42% and 28% of the respondents respectively. This suggests that South Africans are reliant on more traditional forms of banking to check their banking products.

Figure 17: Mechanisms for checking financial balance on main banking product (multiple response, percent)



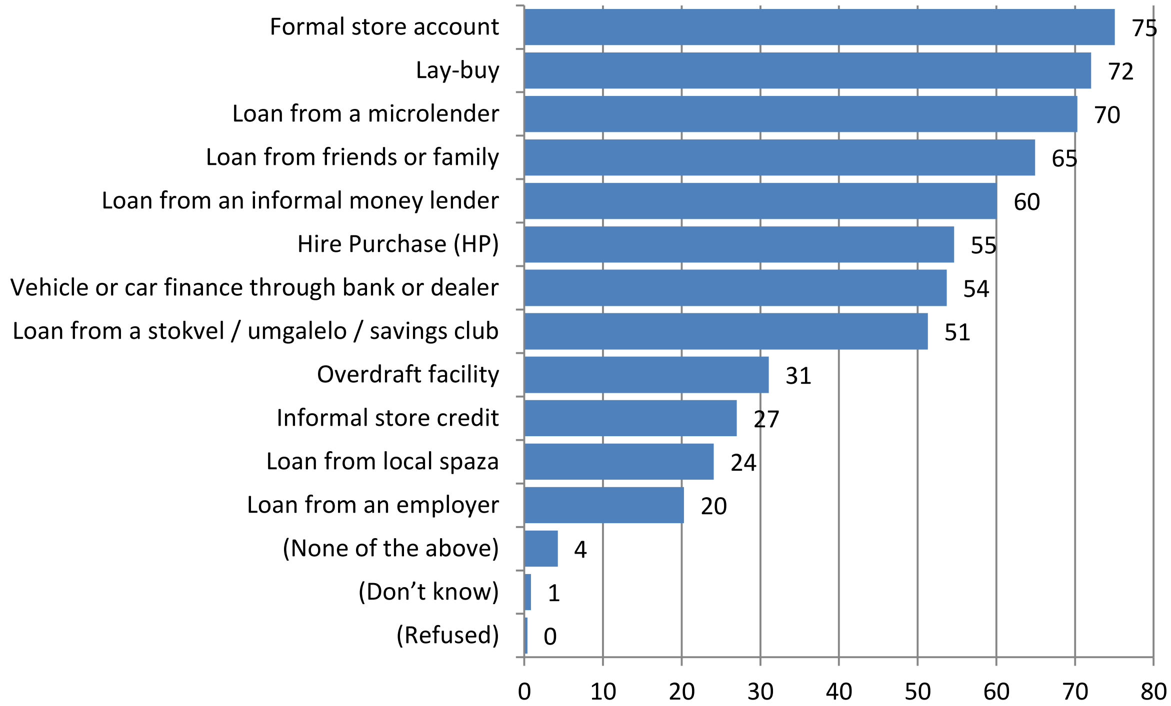
The above suggests that the average South African does not frequently check the banking product that he holds. This suggests that the average bank holder may not be actively checking if a better banking product has appeared on the market that would be better suited to his/her needs. Indeed, we could assume that the average banking product holder is not keeping up to date with the latest banking products on offer. To test this assumption, the baseline survey asked banking product holding respondents if they checked to see if their product still meets their needs. A quarter of banking product holders indicated that they never checked and almost half reported that they checked less than once a year. This may indicate that most banking product holders are unaware of newer banking products available.

6.2 Credit and Loan Products

6.2.1 Awareness of credit and loan products

The ability of an individual to acquire credit through loans and other mechanisms is often a key component of that individual's ability to participate in a modern economy. Indeed, credit now more than ever before has been described as the engine of contemporary capitalism. How, then, do South Africans engage with credit and tools for acquiring credit? To investigate this question, the current section looks at national awareness of credit and loan products.

Figure 18: Level of awareness of different credit and loan products (multiple response, percent)



Respondents were read out a list of twelve credit and loan products, both formal and informal, by the interviewer and requested to identify which of them they had heard of before. The responses are depicted in the figure above. On average, respondents were aware of six (M=6.28) of the different types of credit and loan products,[3] with only a marginal share indicating that they had not heard of any of the products (4%). As shown in the figure above, the common formal credit and loan products that most South Africans are aware of is a formal store account (with a store card), lay-buy and a loan from a micro-lender, with more than 70% of South Africans having heard of these three products. There is a notable difference in level of awareness between these items and the next most well-known formal credit and loan product. 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. One of the most common informal credit and loan products that South Africans are most aware of is a loan from a mashonisa or informal money lender (60%). Additional informal products which were familiar to more than half of the surveyed population were *stokvels*. All other credit and loan products were not familiar to 70% of the population.

A class-based association between credit and loan product awareness is manifest when examining results on the basis of household-level indicators of material disadvantage. Those with self-reported low income have a significantly lower level of awareness (5.7) than those classifying their households in turn as average income (6.9) or high income (7.9). Those in the poorest three quintiles of per capita household income are less aware than those in the top two quintiles. The same is found for living standards level, with those with a low living standard less aware than

[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.

those with medium and high living standards. Finally, in terms of spatial inequalities, those in formal urban areas were more likely to demonstrate higher credit and loan product type awareness than those in rural areas and informal urban settlements.

6.2.2 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 (58%) indicated that they possessed none of the credit and loan products listed. Only 29% of respondents stated that they possessed at least one of them, with respondents on average holding two (M=1.7) of the products listed.

As with product awareness, the most widespread form of credit and loan product held by South Africans in late 2011 was a store card (18%). 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 9% of the population borrowing from friends or family and only 3% reported receiving credit from a *stokvel*.

Table 24: Credit and loan products held and chosen in last two years (multiple response, percent)

	Heard of type of credit or loan	Currently holding types of credit or loan	Chosen credit or loan in last 2 years
Formal credit and loans			
Store card where you buy on account and pay	75	18	10
Lay-buy	72	7	4
Loan from a micro-lender	70	6	4
Hire Purchase (HP)	55	7	5
Vehicle or car finance through bank or dealer	54	7	3
Overdraft facility	31	2	1
Informal credit and loans			
Loan from friends or family	65	9	7
Loan from an informal money lender	60	2	2
Loan from a *stokvel* / umgalelo or savings club	51	3	2
Store account with no card where you pay later	27	2	1
Loan from local spaza	24	4	2
Loan from an employer	20	2	2
None of the above	1	58	68
(Don't know)	0	2	2
(Refused)	0	1	1

There is a general discrepancy between the awareness of credit and loan products and the holding of such products – for example, over 70% of the population had heard of a micro-lender account but only 6% held one. This suggests that a large proportion of the population is aware of, but chooses not to own, credit products.

This may indicate a tendency towards risk-aversion among South Africans but more likely this suggests that respondents are unable to meet the requirements of available credit facilities. It is important to note the existence of racial inequalities in terms of credit and loan product holding. White South Africans have a greater tendency to own more credit and loan products when compared to their black African or coloured counterparts. This seems to be linked to economic status with those in the upper quintiles of per capita household income reporting holding more credit and loan products than those in the lower quintiles.

In order to gauge the level of recent credit and loan product acquisition, respondents were asked to identify the product of this kind they had acquired in the last two years. More than two-thirds (68%) said that they had not done so, with only 19% choosing one or more credit or loan product during this period. Of those that chose a product during the given period, an estimated 63% had chosen a single product, with a national average of 1.47 products. In South Africa there seems to be segregation between credit seekers and non-credit seekers with a largely passive majority of non-credit seekers and a highly active majority of credit seekers. The final column in the above table suggests that for that segment of South African society that is accessing financial credit, there has been a fair amount of activity in the market in recent years.

6.2.3 Decision-making and recent credit and loan product choice

The above has indicated clearly that a noteworthy majority of South Africans do not hold a credit or loan product. However, for those respondents who do hold a product of this type, questions naturally arise about how such credit was acquired. Investigating decision-making activity in terms of credit and loan products reveals interesting data about risk and risk-taking in South Africa. This section explores the decision-making process involved in order to understand how individuals chose credit products. The table below indicates responses to the question: "*And which of the following statements best describes how you chose the last credit or loan product you took out?*" Like the question on banking products, respondents could have chosen multiple products during the stipulated interval. As a result, this follow-up question was asked of the first-mentioned product on the list.

Table 25: Manner in which credit and loan products were chosen in last two years (column percentages)

Choosing Credit and Loan Product s	Percentage
I considered several products from different companies before making my decision	39
I didn't consider any other products at all	22
I considered the various products from one company	15
I looked around but there were no other products to consider	9
(Not applicable – respondent has not chosen insurance products in the last 2 years)	12
(Don't know)	3
Total	100

Of those individuals who had recently chosen banking products, almost two fifths (39%) maintained that they considered several products from different companies before making a decision. More than a fifth (22%) reported that they did not shop around for different providers or products prior to their decision. Approximately 12% considered the range of products available from one particular company before reaching a decision. Less than a tenth reported shopping around, but realised that there were no other products to consider. The responses to the question discussed above further reinforce the image of South Africans as comparative shoppers, with the majority of South Africans making the effort to assess multiple choices before reaching a decision.

6.2.4 Sources of credit and loan product information

The high level of awareness of credit and loan products suggests that South Africans are well informed about credit and loan products. However, in order to understand how a decision to acquire a credit and loan product is made, it is essential to establish what kind of information informed that decision. This is particularly relevant, given that so many working age South Africans choose not to acquire a credit and loan product. This section explores responses to the question: *"Which sources of information do you feel most influenced your decision about which credit or loan product to take out?"* This exploration provides an understanding of which information sources most influenced credit holders.

Table 26: Sources of information that most influenced decision about taking the credit and loan products that are currently held (multiple response, percent)

Information Sources: Credit and Loan Products	Percent
Advice of friends/relatives (not working in the financial services industry)	28
Television adverts	19
Information from sales staff of firm providing the products	19
Information picked up in a branch of a bank	19
Television or radio programmes	15
Advice of friends/relatives (who work in the financial services industry)	11
Newspaper adverts	11
Newspaper articles	10
Information found on the Internet	6
Junk mail sent through the post or that you found somewhere	6
Employer's advice	6
Other advertising	4
Recommendation from independent financial adviser or broker	3
Traditional or religious leader	2
Comparative tables or charts in financial pages of newspapers/magazines	2
Specialist magazines/publications (such as Financial Mail)	2
Comparative tables or charts found on the Internet	1
(Not applicable)	12
(Don't know)	2
(Refused to answer)	0

From Table 26, it is evident that when choosing a financial product of this kind, consumer decisions are most informed by informal channels. Advice from friends and family not in the financial industry was identified by more than a quarter of respondents (28%) as the most influential. The importance of advice from friends and family is even larger if advice from friends and family in the financial industry is included. This indicates the importance of social networks in making decisions about credit and loans and the access barriers on information from banks and other financial institutions. Not all social contacts were important sources of information: as with banking products, advice from a traditional or religious leader was not considered influential by respondents.

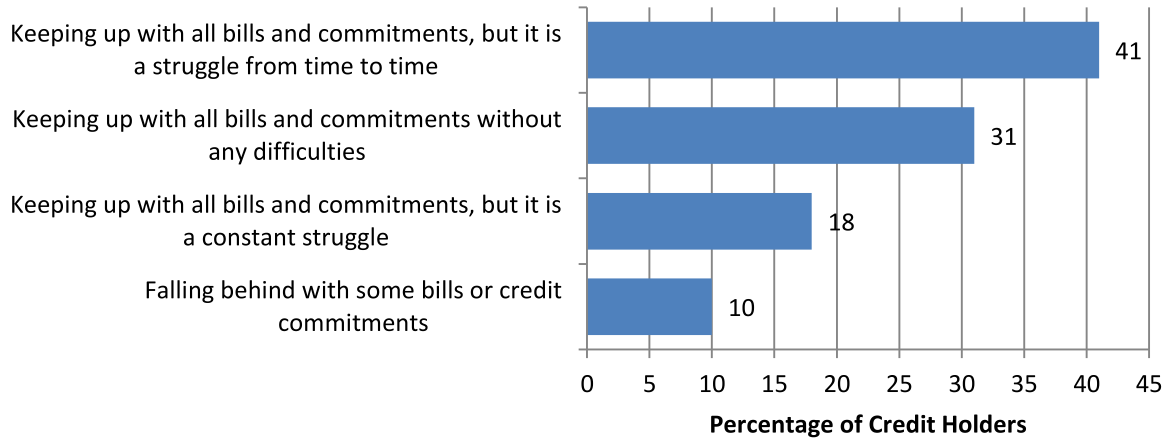
In terms of media coverage, television and radio were more important sources of information than the print media. Nearly a fifth (19%) of all respondents indicated that television adverts - and 15% identified television and radio programming - as important. Only about a tenth of respondents identified newspaper articles or adverts as important sources of information and 2% reported retrieving important information from specialist financial magazines.

Information from sales staff of the firm providing the products and information picked up in a branch of a bank were important sources of information for a fifth of the population. This indicates the importance of information on credit and loans from financial institutions. None of the various other sources of information was mentioned by a tenth or more of respondents. Only 3% of respondents indicated that financial advisers had given them important information and only 6% indicated the Internet as an important source. This is likely to be ascribed, at least in part, to the cost and literacy barriers to these sources.

6.2.5 Using credit and loan products

Credit is the engine of any modern economy. How the citizens of a modern state interact and engage with credit is an important indication of their financial literacy and their financial inclusion in any modern economy. The South African baseline survey allows an analysis of credit holders and how they are coping with their credit obligations. In order to judge the capability of South Africans to shoulder their credit obligations, the baseline survey asks respondents how they are coping with their bills and credit commitments.

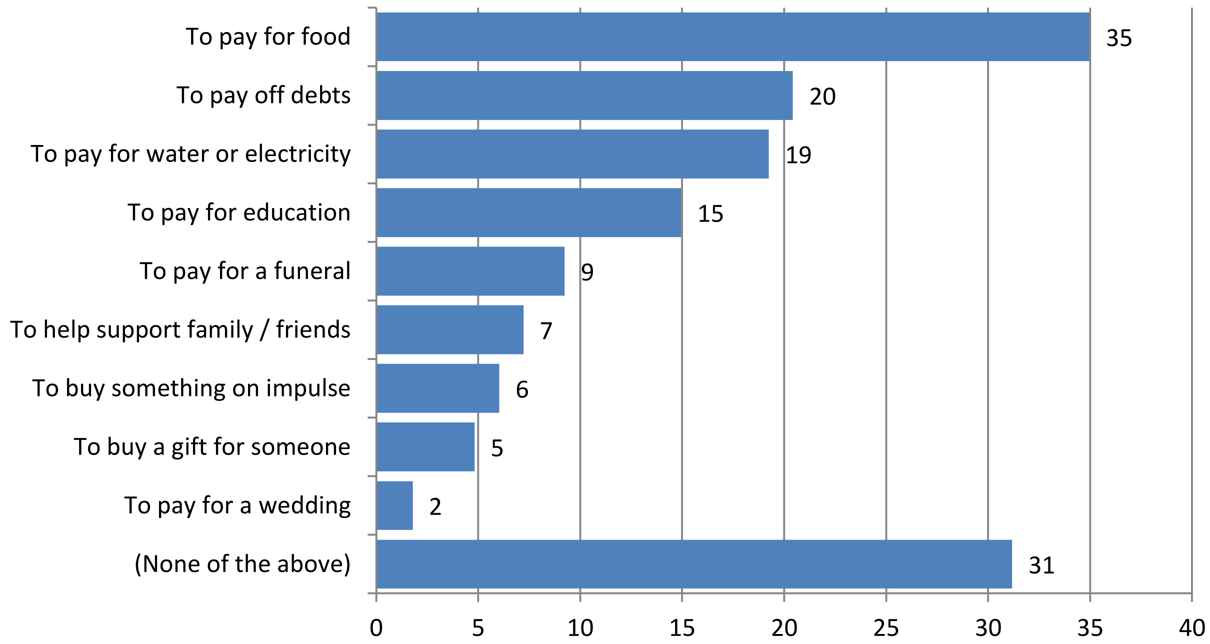
Figure 19: Coping with bills and credit commitments (percent)



It is important to note that almost half the population (45%) reported that they did not have bills or credit commitments while 4% either refused to answer or stated 'don't know'. Of those that answered the question, more than two-fifths indicated that they struggled from time to time and 18% reported that meeting their commitments was a constant struggle. This indicates that, although the majority of South Africans are keeping up with all bills and commitments, it is a struggle. Indeed, this implies that South Africans are burdened by their financial commitments and, as a result, may be risk-adverse. Testing this assumption, respondents were asked to respond to the statement, *"I prefer to buy things on credit rather than wait and save up".* It was found that 60% of the population disagreed with the statement, indicating that the majority of South Africans are risk-adverse. Only 4% of respondents strongly agreed with the statement, indicating the aversion among the populace to credit and the associated risk.

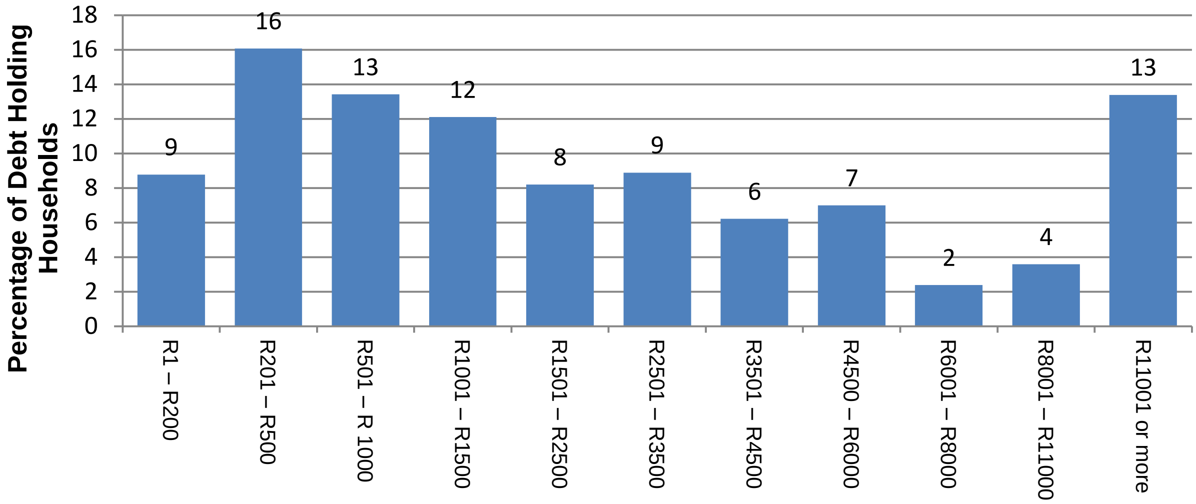
The above suggests that South Africans are adverse to the idea of borrowing and acquiring credit. However, given the income insecurity that burdens most South Africans, it may be that the majority of the populace is forced to borrow money. To test this assumption, respondents were asked if they had borrowed money in the last year for any reason. Almost 59% of the population indicated that they had not borrowed money in the last year even, from informal sources. This further confirms the risk-adverse nature of South Africans who seems to find existing borrowing mechanisms to be unsuitable for their needs or simply inaccessible. For those that had borrowed money in the last year, it is possible to discern the motivating factor that led to the acquisition of credit. The reasons given for borrowing money are listed in the figure below.

Figure 20: Motivation for credit and loan acquisition (multiple response, percent)



The vast majority of South Africans sought credit and loans to pay for basic survival. More than a third of the population indicated that they had borrowed money in the last year to pay for food, indicating the pressures placed on poor households. Almost a fifth (19%) acquired credit to pay water and electricity bills and 15% sourced credit to pay for education. Relatively few South Africans used credit for non-essentials like a gift or for social occasions like a wedding. This indicates that South Africans only access credit when their fiscal burdens threaten basic household essentials (i.e. food). More worryingly, a fifth of the population reported that they had borrowed money to pay off debts – this is a potentially dangerous financial practice which suggests an inability to cope with household bills and commitments.

Figure 21: Level of debt held by debt-holding household (cell percentages)



For those who have debt, it is informative to be able to deconstruct this debt to discern the level of debt owed by the average South African. The baseline survey asks respondents to disclose how much their household owes in outstanding short-term debt. For those that indicated that their household held debt, the average owed was between R1 500 - R2 500. This indicates that for most South Africans, their debt level is relatively low, with over half of all debt-holding households reporting debts of R1 500 and less The figure below indicates the debt level of the population by monetary category.

The above suggests that most debt-holding households are not burdened with excessively high debts. Testing this assumption, respondents were asked if their household debt was more than, about the same, or less than the value of all savings and belongings that the household has. It was found that 45% of the debt-holding households had debts that were less than the value of all household savings and possessions. Only 26% of debt-holding households had debts that were worth the same as, or more than, the value of household savings and possessions. The above suggests that while a significant number of debt-holding households have crippling debt, the majority are without such burdens. However, many debt-holding households may have such fragile financial security and such immense income insecurity that even low levels of debt held are a great source of stress. To test this assumption, respondents were asked how much they worried about their household debt. It was found that almost a third (30%) of debt-holding households worried a lot about their debt and a fifth worried at a medium level. This is directly proportional to the level of debt held, with those holding debt worth more than the value of household savings and possessions registering higher levels of stress and anxiety.

Credit cards provide a convenient and quick form of purchasing and acquiring credit. Indeed, modern consumerism owes a great deal to the invention, propagation and popularisation of the credit card. However, 83.2% of the population did not own a credit card at the time of the survey. This suggests that many South Africans find credit cards inaccessible or unsuitable for their needs. For those who do have a credit card and are currently using it, it is important to understand how these credit-card holders use this financial product. Are these card-holders part of a highly leveraged group of consumers or are these card-holders as risk-adverse as their non-card holding counterparts? To investigate this line of questioning, the baseline survey asked credit card-holders about their level of debt.

Table 27: Level of debt held by credit card-holding individuals (multiple response, percent)

Which of the following statements apply with regards to your credit card?	Percentage
I could pay off the balance of my credit card today from my savings	38
I make a point of always paying off the full amount of my credit card at the end of the month	34
I sometimes make additional credit card payments so that the balance reduces more quickly	33
I do not think I will be able to pay the balance of my credit card at any point in the near future	16
I sometimes miss payments on my credit card	16
I sometimes ask my bank if I can reduce or miss my monthly payment on my credit card	12

The above table indicates that the population did not acquire high levels of debt using their credit cards. More than a third (34%) of all credit-card holders reported that they always make a point of paying off the full amount of their card at the end of the month. Almost two-fifths (38%) of the population surveyed could pay off their balance today from their savings and a third indicated they sometimes make additional credit card payments to reduce the balance at a faster rate. This indicates highly responsible behaviour on the part of credit-card holders, suggesting either that banking institutions do not let South Africans over-leverage themselves or that South Africans are relatively conservative in their credit acquisition behaviour.

6.3 Investment and Savings Products

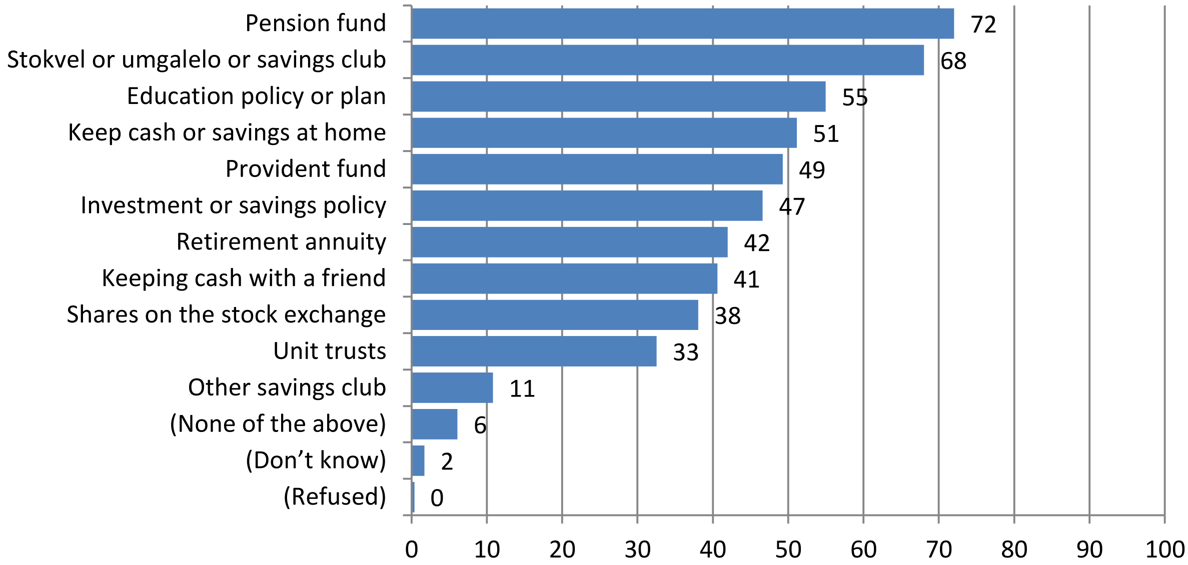
6.3.1 Awareness of investment and savings products

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. 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.

To test the above assumption, respondents were gauged on their knowledge of investment and savings products – subdivided into formal products (unit trusts, investment policy etc.), retirement products and products offered by informal saving clubs. Respondents were requested to say which of the aforementioned investment and savings products they had heard of before. On average, respondents were aware of five (M=5.4) different types of investment and savings products[4], with only a tiny share indicating that they had not heard of any of the products (6%).

[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.

Figure 22: Level of awareness of different investment and savings products (multiple response, percent)



As evident in the figure above, the investment and savings product that most South Africans are aware of is a pension fund, with 72% of South Africans having heard of this product. The next most popular was a *stokvel* (68%), indicating the popularity of these informal saving associations. More formal investment and savings products were less popular – only 55% of the weighted population had heard of an education policy, the most well-known formal product listed. Less than half of the population seem 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.

Considering the question in terms of a subgroup analysis, strong differences between the different population groups emerged. Black Africans were less aware on average than their white or Indian counterparts (5 compared with 7.7 and 7.8 respectively). This disparity can perhaps be explained by differences in socio-economic outcomes, particularly in employment status and educational attainment. Those with no formal education or some primary schooling were significantly less aware of financial products (3.2 and 3.8 respectively) than those with higher levels of education (e.g. 7 for those with a tertiary education). Those in regular employment (whether self-employment or paid employment) were more likely than the unemployed (whether discouraged work-seekers or the unemployed work-seekers) to have heard of a greater range of banking products.

6.3.2 Investment and savings product holding and purchase

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 (55%) reported that they possessed none of the investment and savings products listed. Only 41% of respondents stated that they possessed at least one of them, with respondents on average holding two (M=1.67) of the different types of products.

None of the products listed were considerably more popular than the other. The most popular 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 surveyed population. It is logical to assume that investment and saving product holding is more prevalent among those with regular employment. The evidence confirms this with regular self-employed holding more than twice as many products of this type compared with discouraged work-seekers, learners, unemployed work-seekers, those unable to work for health reasons, those looking after the home and retirees. This is a class distinction which is confirmed if responses are considered across self-reported categories of income with those reporting high incomes also reporting a higher tendency to hold investment and savings products.

Table 28: Investment and savings products held and chosen in last two years (multiple response, percent)

	Heard of investment and savings products	Currently holding types of investment and savings products	Chosen product in last 2 years
Formal products			
Education policy or plan	55	6	3
Investment or savings policy	47	9	4
Shares on the stock exchange	38	2	1
Unit trusts	33	2	1
Retirement products			
Pension fund	72	12	5
Provident fund	49	6	3
Retirement annuity	42	9	4
Savings clubs			
Stokvel	68	12	8
Keep cash or savings at home	51	10	7
Entrust savings to an individual	41	3	2
Other savings club	11	1	1
(None of the above)	6	55	70
(Don't know)	2	3	3
(Refused)	0	1	1

The evidence above suggests that a large proportion of the population is aware of, but chooses not to own, investment and savings products. Indeed, the table above depicts a general discrepancy between awareness of investment and savings products and the holding of such products – for example, over 55% of the population had heard of an education policy, but only 6% held one. This may indicate the unsuitability of savings and investments products provided by the country's financial institutions. It may also indicate that many South Africans are unable to save because of the financial burdens placed on them.

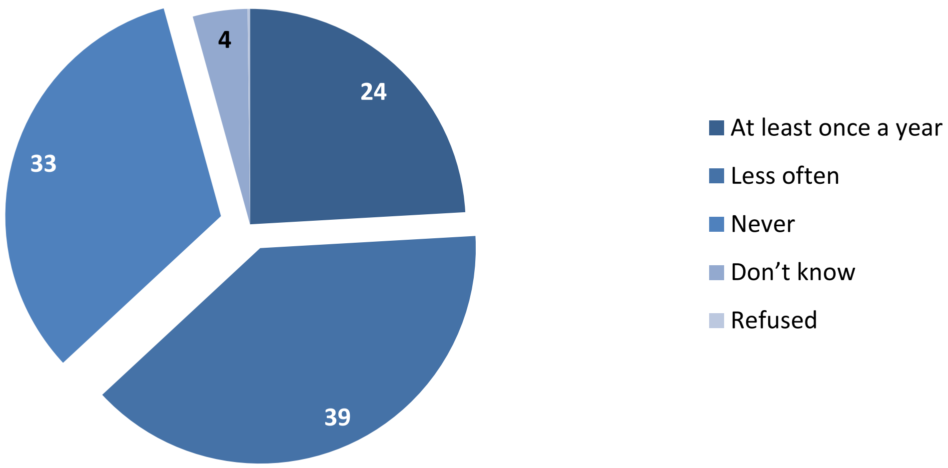
In order to better understand the current market for investment and savings products, it is necessary to identify which respondents had acquired investment and savings products in the last two years. Approximately 70% said that they had not done so, with only 26% choosing one or more credit or loan products during this period. Of those that chose a product during the given period, an estimated 63% had chosen a single product with a national average of 1.43 products. Interestingly, a high proportion of those who had acquired savings and investment products during the period sourced their acquisition from informal sources. This may suggest that those forms of savings have been more accessible during the period than formal financial institutions.

6.3.3 Using investment and savings products

Savings and investments are potentially highly lucrative financial products, producing interest which can turn saving into a profitable endeavour. Those individuals who hold investment and savings products could be earning significant levels of capital from these products. Indeed, one can wonder how profitable savings are for the average South African. To further understand this question, and investigate earnings from interest, respondents were asked if their savings earned them interest. Approximately two-fifths indicated they did not have savings and therefore the question was inapplicable, with a further 3% refusing to answer or reporting 'Don't know'. Of the remainder, almost a quarter of the population (24%) responding in the affirmative indicated that they did earn interest from their savings.

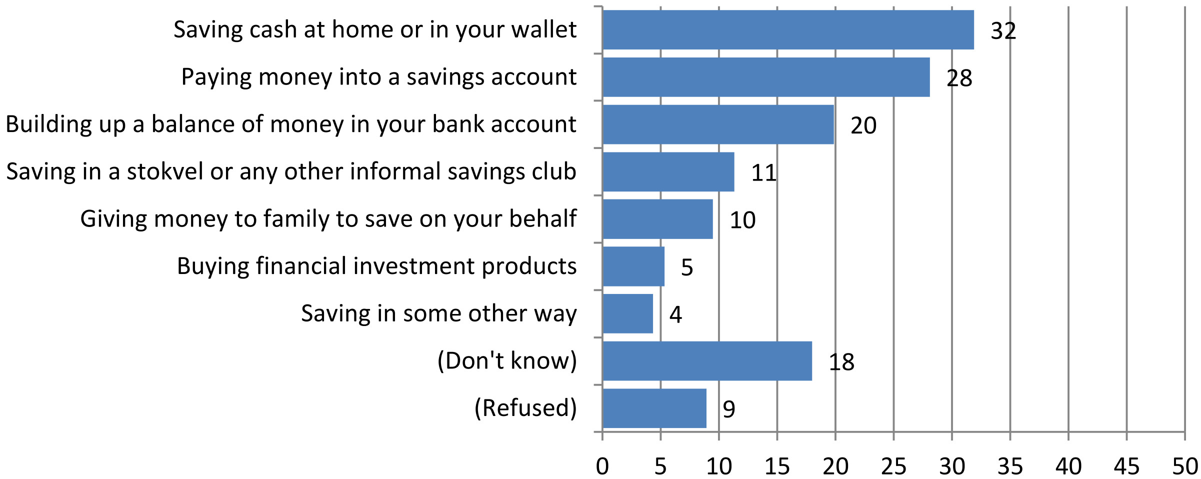
The above would suggest that a significant minority of South Africans earn interest from their savings. But are these interest-earners aware of the returns to their saving products? It is interesting to note that 23% of interest-earners did not know how much interest they earned from their savings and 37% only knew roughly how much they earned from interest. This seems to show that the majority (60%) of interest-holders were ill-informed on how much they received from their interest-bearing savings products.

Figure 23: Understanding frequency at which savings and investment products are checked for suitability, (percent)



The lack of knowledge related to interest earned from investment and saving products suggests a lack of product knowledge. This could indicate that the average product holder is not very knowledgeable on the advantages he can receive from the available products on the market. To test this assumption, respondents were asked to report on how often they checked to see if the investment and savings product they held was suitable for them. It is interesting to note that a third (33%) stated that they never checked the suitability of their investment and savings product and almost two-fifths (39%) reported checking less than once a year. This shows that the average investment and savings product holder in South Africa is probably unaware of newer alternative investment and savings products on the market. It is very probably that the average product holder, through his lack of market knowledge, is holding a product which may not be ideal for his individual situation.

Figure 24: Understanding the saving practices of those South Africans who save money (multiple response, percent)



It has been observed that the majority of South Africans do not hold at least one investment and savings product. However, saving for the future is a natural human impulse reflecting basic survival strategies that pre-date the rise of modern financial institutions. Therefore, it is important to look beyond the available financial products in order to understand the saving practices of modern South Africans. To investigate saving practices in South Africa, respondents were asked how they had saved money in the last twelve months.

It is evident from Figure 24 that the most popular form of saving in South Africa is also the most informal. Almost a third (32%) of the population who saved, reported saving economic capital at home in the form of stored cash. This suggests that many savers find banks inaccessible or unsuitable for their needs. A tenth of the saving populace used *stokvels* or other informal savings clubs. This indicates the preference (or suitability) of these associations for many respondents. Another tenth reported giving money to a family member to save on their behalf.

The above suggests that informal forms of saving are highly popular amongst South Africans. This may be explained by high bank charges, the incongruity of many savings products for the majority of South Africans and the spatial inaccessibility of formal financial institutions. Only 28% of the population who saved identified a savings account as a saving method and only a fifth indicated that they saved by building up a balance in their bank account.

6.4 Insurance Products

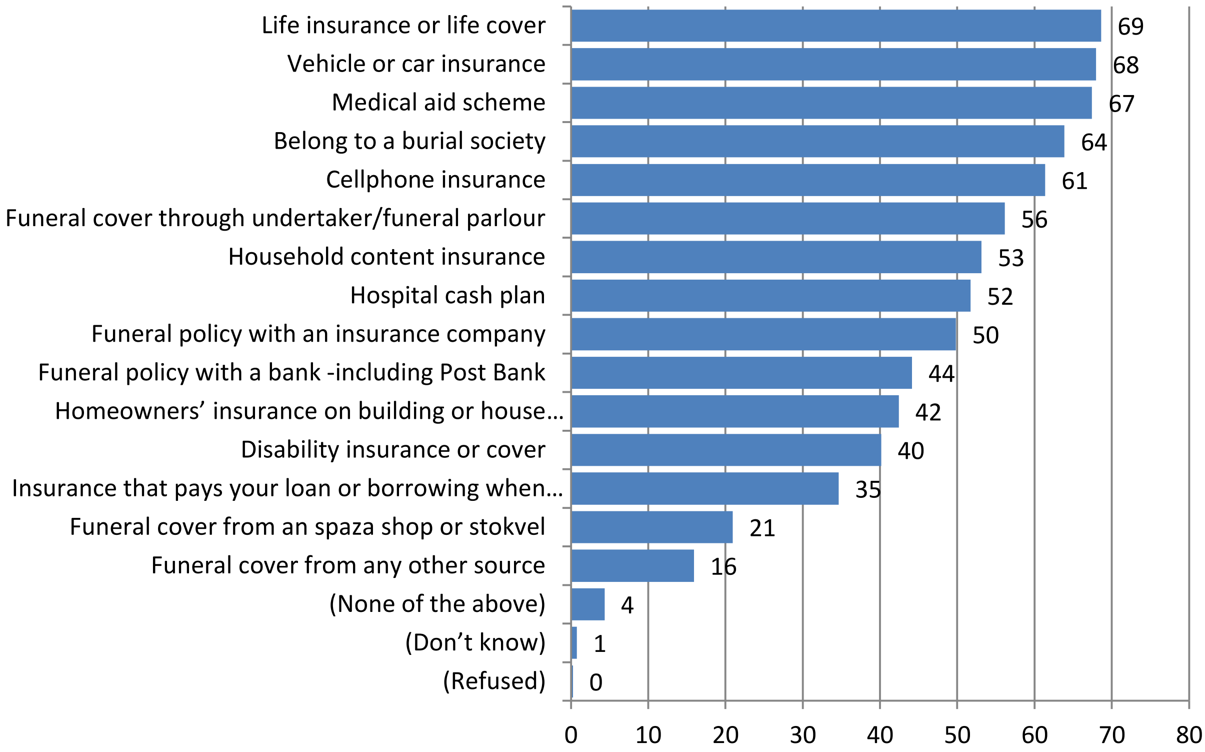
6.4.1 Awareness of insurance products

Insurance in some form has been the bedrock of economic activities for thousands of years. Insurance takes on particular importance in South Africa where 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. On average, respondents were aware of eight (M=7.69) of the different types of insurance products,[5] with only a nominal share indicating that they had not heard of any of the products (8%).

Level of awareness of insurance products is depicted in Figure 25, the figure seems to suggest that the insurance product that most South Africans are aware of is life insurance (or life cover), with 69% of South Africans having heard of this product. The next most popular was vehicle or car insurance (68%), indicating the popularity or the necessity of such insurance for car ownership. Medical aid schemes were also well known by South Africans, with 67% of the sample indicating that they had heard of such a scheme. Almost two-thirds of South Africans (64%) 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 the deceased's debts and funeral cover from a *stokvel* – suggesting perhaps the scarcity of these kinds of insurance 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 25: Level of awareness of different insurance products (multiple response, percent)



Class distinction provides a strong explanation for the above, with those with more assets being more able and more willing to insure them. This can be seen if insurance product awareness is considered by self-reported income status: those with low self-reported low income have a significantly lower level of awareness than those who identified their household as average income or high income. Spatial inequalities also play a role, with those in formal urban areas indicating higher levels of awareness compared to those in rural areas and informal urban settlements.

6.4.2 Insurance product holding and purchase

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 baseline survey seems to bear out this assumption – a majority of South Africans (64%) indicated that they possessed at least one insurance product. Indeed, half of the insurance holders had at least two insurance products, with respondents on average holding more than two (M=2.3) different types of such products. This suggests the popularity and accessibility of insurance products in South Africa in comparison to other financial products.

Table 29: Insurance products held and chosen in last two years (multiple response, percent)

Short-term (asset) insurance	Heard of investment and savings products	Currently holding types of investment and savings products	Chosen product in last 2 years
Vehicle or car insurance	68	12	6
Cell phone insurance	61	9	5
Household contents insurance	53	9	3
Homeowners' insurance on building	42	5	2
Long-term insurance			
Life insurance or life cover	69	16	7
Medical aid scheme	67	16	6
Hospital cash plan	52	5	2
Disability insurance or cover	40	2	1
Insurance that pays your loan	35	3	1
Funeral insurance			
Belonging to a burial society	64	19	8
Funeral cover through an undertaker	56	13	7
Funeral policy (insurance company)	50	8	4
Funeral policy with a bank	44	6	3
Spaza shop or *stokvel* funeral cover	21	2	1
Belonging to a burial society	64	19	8
(None of the above)	4	44	67
(Don't know)	1	1	1
(Refused)	0	1	1

Given that the majority of South Africans hold an insurance product, it is therefore important to ask what kinds of products are being held. In order to investigate this question, respondents were given a list of insurance products and asked *"Do you currently hold any of these types of insurance products?"* It is important to note that two-fifths (40%) of the population reported holding some form of funeral policy, almost a quarter (24%) held some form of long-term insurance and almost a fifth (19%) held some form of short-term insurance. These figures indicated that the majority of South Africans remain without any form of long-term insurance.

The most popular 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 were considerably more popular than the other. Thereafter, there is a cluster of products that are held by a tenth and less of the surveyed population. Insurance product holding is also significantly higher among certain population groups – namely, white and Indian South Africans. This may reflect inequalities in living standards. Indeed, those in the high living standard measure reporting holding on average 3.25 insurance products compared to 1.44 and 1.29 for the medium and low measures respectively.

It seems that a large proportion of the population is aware of, but chooses not to own, life insurance. This statement is supported by the discrepancy between the awareness of insurance products and the holding of such products – for example, over 69% of the population had heard of a life insurance policy but only 16% held one. This seems to indicate that either the capital available to South Africans for insurance is insufficient or that insurance policies provided by the country's financial institutions are unsuitable for the needs of the majority.

The majority of South Africans hold at least one insurance product, but how active is the insurance products market? Are a large number of these insurance products new acquisitions? In order to answer these questions, respondents were requested to identify whether they had chosen any of the listed products *during the last two years*. The responses to this question indicated that more than two-thirds (67%) reported that they had not done so, with only 31% choosing one or more insurance products during this period. Of those that chose an insurance product during the given period, an estimated 59% had chosen a single product with a national average of 1.75 products. The results also reveal that a noteworthy proportion of respondents have obtained funeral insurance – whether through a burial society or through an undertaker – during the period. However, there does not seem to be an indication that the insurance product market overall has been fairly active in recent years.

6.4.3 Decision-making and recent insurance product choice

Choosing an insurance product is not easy, given the complexity of the arrangement, particularly of medical aid schemes and life insurance. Given this difficulty, it is important to identify how South Africans overcome this complexity. It is essential, therefore, to understand how insurance product holders made the decision to purchase insurance. In order to explore this question, the baseline survey asked respondents to describe how they chose the last insurance policy they took. The responses to this question are depicted in the table below.

Table 30: Manner in which insurance products were chosen in last two years (column percentages)

Choosing Insurance Product Behaviour	Percentage
I considered several products from different companies before making my decision	50
I didn't consider any other products at all	20
considered the various products from one company	17
I looked around but there were no other products to consider	5
(Not applicable)	6
(Do not know)	2
(Refused to answer)	1
Total	100

The above table may indicate that a majority of insurance policy holders are comparative shoppers. Of those individuals who had recently chosen insurance products, half of the population maintained that they considered several products from different companies before deciding on an insurance product. A fifth reported that they did not shop around for different providers or products prior to choosing their product. Approximately 17% considered the range of products available from one particular company before making a decision. Just 5% reported shopping around, but realised that there were no other products to consider.

Table 31: Manner in which banking products were chosen in the last two years, by product type (column percentages)

	Medical aid scheme	Life insurance or life cover	Vehicle or car insurance	Funeral cover through an undertaker	Belong to a burial society
I considered several products from different companies before making my decision	81	78	78	36	36
I considered the various products from one company	7	11	6	27	17
I didn't consider any other products at all	7	5	9	23	33
I looked around but there were no other products to consider	1	3	4	7	10
(Not applicable)	2	2	2	2	2
(Do not know)	1	2	0	3	2
Total	100	100	100	100	100
Base N	173	206	156	187	207

In the table above, the extent of comparative shopping for insurance products is examined by the five most frequently held types of such products[6]. Above-average shares of respondents reported that they did not shop around in the case of burial societies (36%) or funeral cover obtained from an undertaker (36%). In the case of burial societies, this remains an interesting finding, given that this is the most popular form of insurance identified. It seems that comparative shopping is extremely common, however, for the other most frequently held insurance products, particularly medical aid schemes.

Table 32: Factors influencing insurance policy decision-making (multiple response, percent)

Insurance Choice Considerations	Percentage
The cost of the premium	47
The benefits included	31
The overall level of cover	25
The extent to which the cover meets your needs	23
The cost of the excess	18
The brand or reputation of the supplier	13
The details in the small print / contract	8
Other	1
(None of the above)	31
(Do not know)	5
(Refused to answer)	0

The above table indicates those factors that influence the purchasing of insurance. The table suggests that price is the primary concern of South Africans when shopping for an insurance policy. It is noteworthy that the cost of the premium was mentioned by 17% more respondents than the next most common factor. Also considered important were the benefits included, the overall level of cover and the extent to which the cover meets the needs of the individual – these considerations were reported by 31%, 25% and 23% of the population respectively. The brand or

[6] Unfortunately, given the nature of product holding in the country, some of the product specific sample sizes are quite small, which effectively reduces the ability to confidently utilise the results to generalise.

reputation of the insurance provider was considered least important (less than 8% identified this as a consideration), indicating a lack of brand loyalty in terms of insurance product purchasing.

The above considered the decision-making process in terms of how an individual chose to purchase an insurance product. However, it is also important to consider the decision-making processing behind not choosing to purchase an insurance product. Indeed, bearing in mind the high proportion of South Africans who do not hold an insurance product, it is important to ask why these individuals lack such an essential product. Looking specifically at the case of health insurance, the table below indicates the reasons stated for not owning at least one of the health insurance products listed.

Table 33: Reasons for not holding a health insurance product (multiple response, percent)

Reasons for No Insurance Product	Percent
I am happy to use free or national health care	55
I do not have a regular income	21
I am covered on someone else's policy	8
I am healthy	7
I can afford to pay my own health care costs	6
I have not been able to find affordable cover	6
I have not thought about taking out health insurance	6
I do not have a bank account from which to make the monthly	2
I have been unable to find any company that will cover me	2
I do not trust insurance companies	1
I can go home or to another country for medical care	0
My religion forbids the use of insurance	0
Other	2
(Do not know)	2
(Refused to answer)	1

The reasons given by respondents for a failure to purchase health insurance indicate the majority's reliance on free national health care. More than half (57%) of all those who did not hold a health insurance product reported using free national insurance. This may not necessarily indicate that respondents prefer free public healthcare to private healthcare. It may also indicate an inability on the part of respondents to afford private insurance. More than a fifth of those who did have a health insurance product stated that they lacked a regular income and therefore could not make regular insurance payments, while 6% stated they could not find affordable cover. Indeed, the reasons identified suggest that a lack of financial and job security is preventing South Africans from accessing the private health insurance providers.

6.4.4 Sources of insurance product information

The previous section appeared to suggest that comparative shopping was an important strategy by which insurance product holders made decisions about insurance. Reliance on this strategy seems to suggest, therefore, that sources of information are important factors in determining insurance decisions. This indicates that it is essential to understand which sources are most influential in the decision-making process. In order to further our understanding, respondents were asked:

“Which sources of information do you feel most influenced your decision about which product to take out?” Responses to this question are examined below.

Table 34: Sources of information that most influenced decision about taking the insurance products that are currently held (multiple response, percent)

Information Sources: Insurance Products	Percent
Advice of friends/relatives (not working in the financial services industry)	28
Television adverts	23
Television or radio programmes	22
Information picked up in a branch of a bank	19
Information from sales staff of firm providing the products (including quotes)	18
Advice of friends/relatives (who work in the financial services industry)	14
Newspaper adverts	13
Employer’s advice	9
Newspaper articles	9
Information found on the Internet	9
Recommendation from independent financial adviser or broker	8
Junk mail sent through the post or that you found somewhere	7
Traditional or religious leader	3
Comparative tables or charts in financial pages of newspapers/magazines	2
Specialist magazines/publications (such as Financial Mail)	1
Comparative tables or charts found on the Internet	0
Other advertising	3
(Not applicable)	5
(Do not know)	2
(Refused to answer)	1

Advice from friends and family both inside and outside the financial industry featured prominently in the above table. Indeed, it is evident that when choosing a financial product of this kind, familial and friendship networks appear to be highly influential on consumer decisions. The role played by media coverage was also significant, with television adverts identified by 23% of those who ever bought an insurance product as a decisive information source. The role played by television and radio rises still further if television and radio programming are added to this category. The print media was less influential, with only about a tenth of respondents identifying newspaper articles or adverts as important sources of information and 1% reporting retrieving important information from specialist financial magazines. While the media and familial networks are influential sources of information, information provided by financial institutions directly is also significant. Almost a fifth of the population reported Information from sales staff of firm providing the products, and 18% identified information picked up in a branch of a bank as influential.

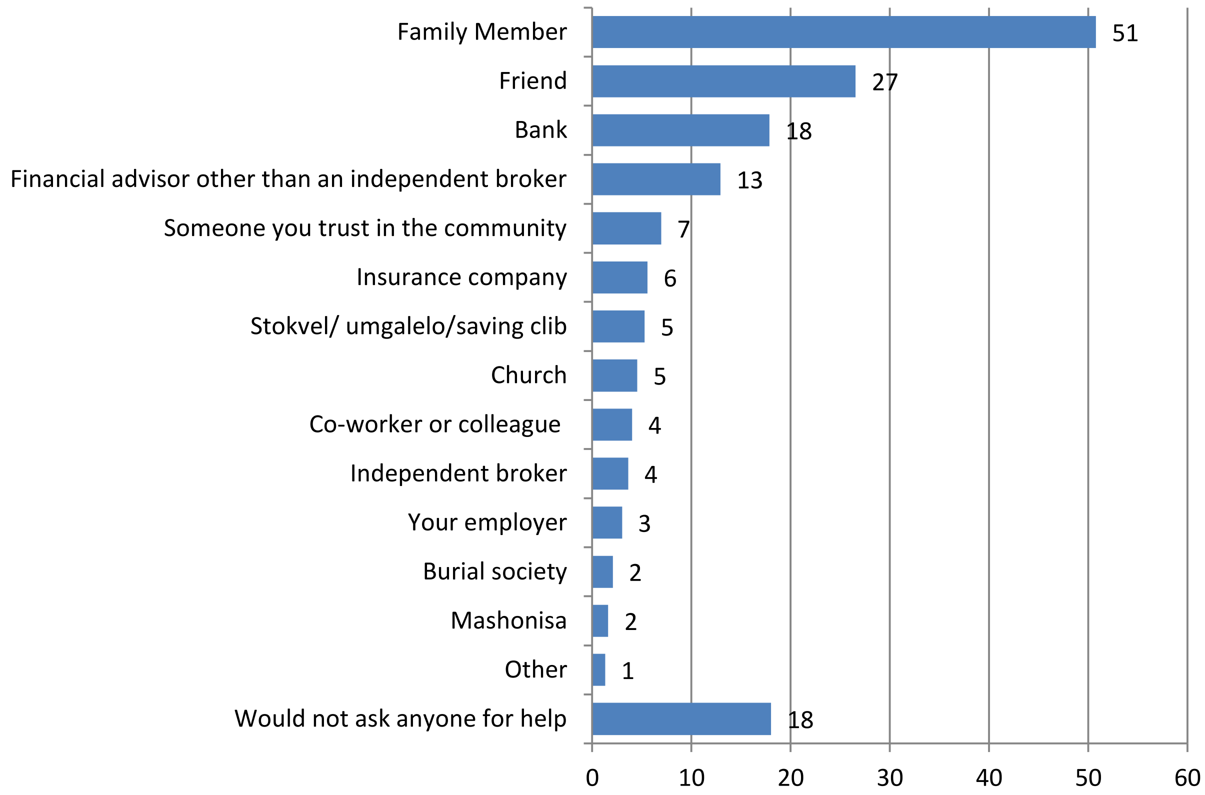
7. Financial Advice

It is a fair assumption that even the most financially literate person in the world has to access financial advice from others from time to time. Indeed, the more competent an individual may be in terms of financial literacy, the more likely he/she is to consult or engage others on financial products and financial decisions. However, the question that most often arises is from whom will an individual seek financial advice? In planning their financial futures and making decisions over which financial products to purchase or discard, a pertinent question that can be asked is from whom do South Africans seek financial advice?. This section explores the finance-seeking behaviour of South Africans, as well as their attitudes to advice-givers.

7.1 Selecting Advice-Givers

In order to understand how South Africans engaged in decision-making and financial planning, respondents were asked from whom do they normally seek financial advice. The responses indicated that South Africans source financial advice from multiple sources – family, churches, banks and financial advisors, to name a few. A significant number of South Africans did not source financial advice from anyone, 18% of the population stating that they 'would not ask anyone for help'.

Figure 26: Identifying Financial Advice-Givers (multiple response, percent)



The least popular sources of financial advice were non-financial institutions – such as burial societies and *stokvels*. These institutions were rarely consulted by respondents. In addition, advice from an employer or traditional or religious leader scarcely features. This was evident, regardless of demographic or socio-economic distinctions. 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.

More professional institutions were less than popular. Banks were cited by less than 18% of the population as normal sources of financial advice, while financial advisors were only cited by 13% of the population. This could signal that the majority of South Africans find professional financial advice inaccessible. This could also indicate an economic divide in which material disadvantage and social inequalities continue to characterise South Africans' choice of financial advice-givers.

To investigate the role played by socio-economic factors on the selection of financial advice-givers, it is necessary to subject this selection to sub-group analysis. If a sub-group analysis is considered for those South Africans who sought the advice of financial professionals, then an economic divide becomes virtually palpable. Financial advisors, independent brokers and insurance companies were commonly cited as sources of financial advice for those in the upper income groups. However, these advice-givers were rarely mentioned by those in the low income categories. Indeed, a useful example is that of financial advisors: more than two fifths of those in the richest per capita household quintile identified these professionals as normal sources of advice. Contrast this with those in the poorest quintile (3%) and the 2nd quintile (5%). Living Standard Measures (LSM) data further highlights this trend, with 27% of those in the high LSM category normally using financial advisers, compared with 1% of those in the low LSM category.

Spatial and social inequalities are also evident in understanding financial advice-seeking, indicating the disadvantageous position of the poor. Those in rural areas were not as likely as their urban counterparts to use financial professionals as advice-givers. Again, using the example of financial advisers is useful: more than 19% of those in urban formal spaces used these professionals as advice-givers, compared to 5% in traditional authority areas and 4% in rural formal spaces. As it so often does in South Africa, income inequalities seem to be linked to educational inequalities. Of those with a tertiary education, 43% reported seeking advice from a financial advisor and around 22% sought advice from a bank (compared to 8% of those with primary education and 11% with some secondary education). This finding suggests a link between the capacity and desire to seek financial advice from a financial professional and social inequality.

The above results indicate that the poor and those less willing or less able to access financial professionals are more dependent on familial (and to a lesser extent, friendship) networks for financial advice. Low LSM respondents indicated a much higher tendency to obtain advice from a family member (66%) or a friend (42%) than their high LSM counterparts. From a class perspective, one work's situation matters in the way one responds to financial advice-seeking. Students, unemployed work-seekers and discouraged work-seekers (unemployed, not looking for work) are more likely than their employed counterparts to seek financial advice from familial networks. In addition, it can be noted that those in rural and informal areas are less likely to seek financial advice from familial networks than their urban formal counterparts.

The above findings may reflect cultural differences as well as wealth inequalities. Black African (52%) and coloured (53%) respondents were significantly more likely than white respondents (36%) to report seeking the financial advice of a family member. In addition, black Africans (30%) were more likely to seek advice from a friend than their Indian (17%) and white (12%) counterparts. Those with high levels of educational attainment – particularly tertiary education – are less likely to seek advice from familial networks. Given that those with a higher education tend to have a better level of access to financial products and a regular income, this finding is not surprising.

7.2 Financial Advice Satisfaction

The discussion above established that the vast majority of South Africans (79%) normally sought advice on financial matters. There is also evidence of economic barriers in selecting advice-givers, with poorer South Africans unlikely to seek financial advice from professionals. This could suggest barriers to knowledge, but that could cause frustration among lower income groups. In order to further probe this question, respondents were asked if they had any trouble finding good and relevant financial advice. The evidence seems to indicate that the poor do not feel they suffer as a result of their lack of access to a financial professional for advice.

South Africans seem remarkably satisfied with the availability of financial advice in the country, with 64% indicating no trouble in getting good and relevant financial advice, while 27% indicated that they either saw the question as irrelevant or had never tried to find financial advice. This indicates that only a small minority (8%) identified a problem finding quality financial advice. This level of satisfaction seems to cut across economic barriers and it is evident that South Africans who lack access to a financial professional for advice do not see this as a loss.

Table 35: Identifying problems finding advice-givers, (multiple response, percent)

	Percent
You did not know where to look for advice	46
You could not find the advice you were looking for	26
You did not understand the advice you were given	20
You could not get advice at a time to suit you	19
Got different answers for the same question	17
There were so many advisers available you didn’t know who to choose	14
You got advice but you didn’t know whether to trust it or not	9
You followed the advice you were given and later regretted it	5
Base N	195

For those that admitted to having trouble finding financial advice, 45% indicated that they did not know where to look for advice. Black Africans, individuals with low educational attainment and those from the lower income categories were not likely to know where to find financial advice. Another problem encountered was that 25% of those who had trouble finding advice reported that they could not find the advice they were looking for. It appears that the young (16-29) were more likely to report this problem than the elderly. Other common problems encountered include: did not understand the advice given; inability to obtain the advice at a time that suited; and difficulty experienced when a single question produced multiple responses.

The majority of South Africans may feel that they had no trouble in finding good financial advice, but problems seem to remain with the advice given. Respondents were asked about the competence of the advice received. The results seem to indicate that respondents may have had problems comprehending the advice received. The question about the competence of the advice received posed some methodological problems, however. Almost 35% of the sample did not answer the question, either refusing or stating 'don't know'. Methodologically this is problematic, since these responses cannot form part of the analysis.

Table 36: Identifying Problems with Advice-Givers, (multiple response, percent)

	Percent
You felt that the adviser understood your needs	28
You got the advice that you needed	24
You were able to understand what the adviser was recommending	13
The adviser behaved professionally	9
(Don't know)	34
(Refused)	5
Base N	*2659*

Of the population, only 25% reported that the advice received was good, stating that they got the advice that was needed. Approximately a fifth felt that the adviser understood their needs and fewer than 12% stated that they were able to understand exactly what the adviser was recommending. White and Indian South Africans were more likely than their coloured and black African counterparts to indicate positive sentiments about their advice-givers. Perhaps, as a consequence, the poor were not as likely as their richer counterparts to express positive sentiments about their advice-givers. This may indicate problems with the kind of financial advice poor South Africans are receiving.

7.3 Using Financial Advisers in South Africa

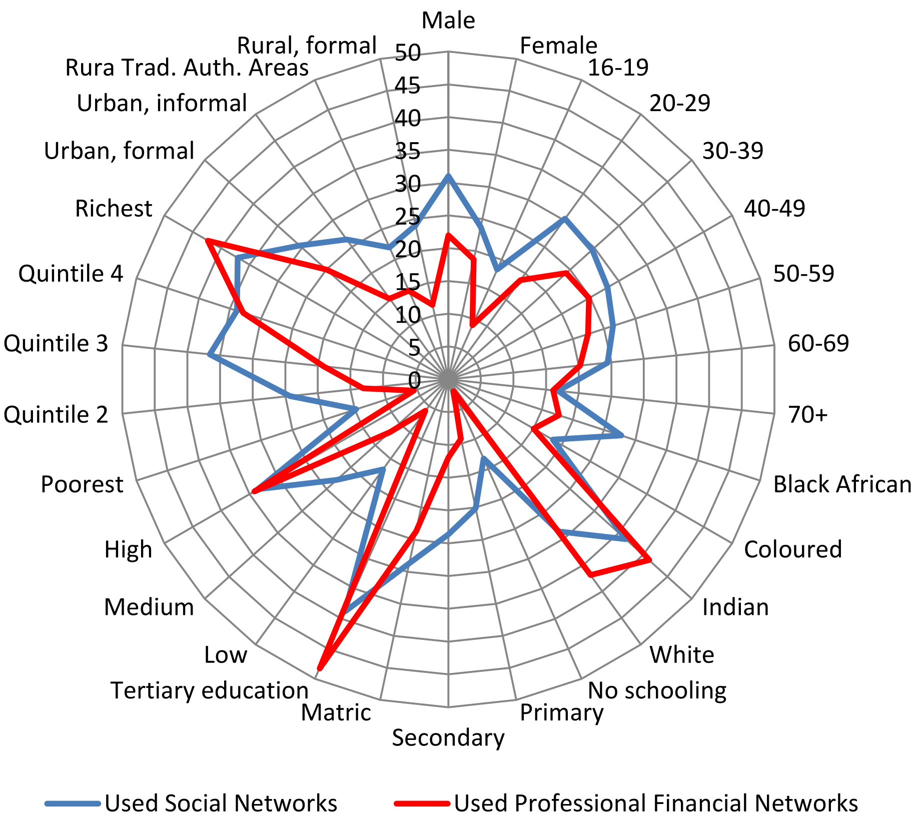
This section investigates the role played by financial advice-givers in South Africa. The table below looks at financial advice-givers differentiated into professional and social. It looks at what kind of professional advice-givers are used and in what areas these professionals are called upon for advice. More than three out of four respondents did not answer the question designed to inquire on what kind of financial advice they sought from a professional. Asked what kind of matter respondents had brought to a professional adviser in the last twelve months, 69% stated 'None of the above' and 1% stated 'Don't know'. Given the reliance of many – particularly black Africans who reported low levels of wealth – on social networks for financial advice, this finding is perhaps not surprising. A similar finding was evident for those that sought financial advice from social networks. This may suggests that the vast majority of the South African population has not consulted anyone for financial advice in the last twelve months.

Table 37: Kinds of financial advice required by those seeking professional or informal financial advice (multiple response, percent)

	Professional advice	Advice from family and friends
Savings or investments	70	66
Insurance of any type	44	26
Managing credit/debt	15	23
Tax planning	19	13
Taking out a loan or credit agreement	N/A	11
Taking out a mortgage or a loan	8	10
(None of the above)	69	62
(Don't know)	3	3
(Refused)	0	0
Base N	550	753

For those who did consult a financial professional in the last twelve months, the key areas seem to be: savings or investments (70% for professionals and 66% for social), insurance of any type (44% for professionals and 26% for social), and managing credit (15% for professionals and 23% for social). Of those who sought financial advice from a financial professional – approximately 18% of the population – independent financial advisors, managers at a bank or building society and managers at an insurance company were the most popular sources. The vast majority of respondents (87%) did not have to pay for this advice – this may suggest that it is not the direct cost of the advice that prevents the majority of South Africans from accessing financial advice-givers.

Figure 27: Sub-Group Analysis of Finance Decision-Makers in the last twelve months (mean scores, 0-100 scale)

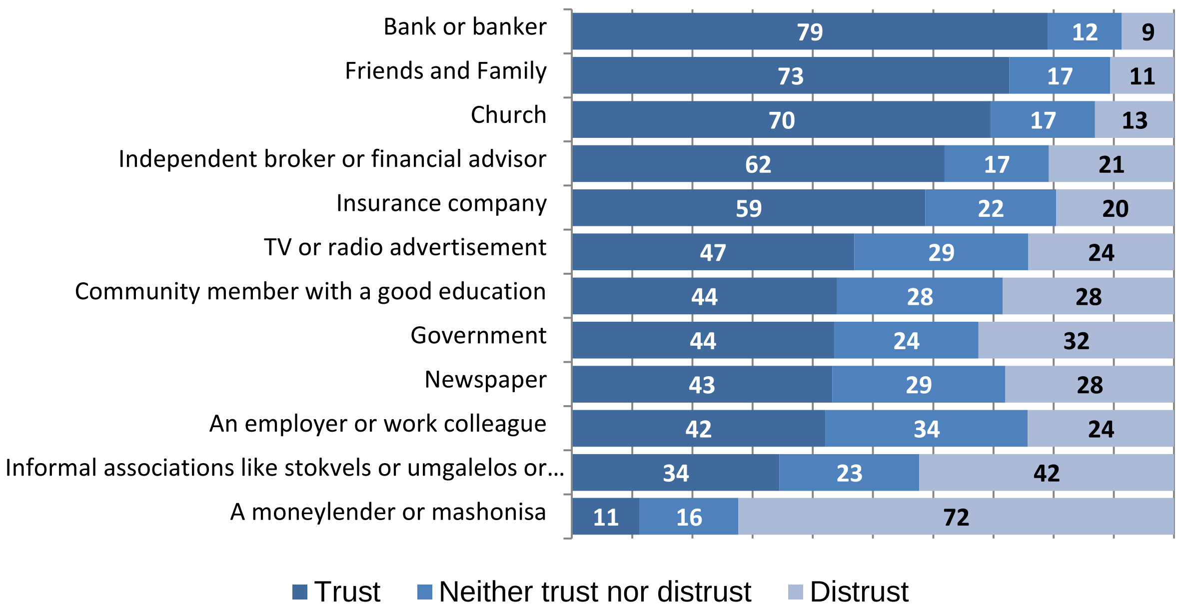


It seems evident from the above figure that economic differences determine who are the financial decision-makers in South Africa. Decision-makers tend to be located in formal urban spaces, have high living standard measures, have tertiary education and belong to the upper household income per capita quintiles. Those South Africans sharing one or more of these characteristics are also more likely to have consulted a financial professional in the last twelve months. However, financial decision-makers in South Africa are not solely reliant on these professionals for advice. This highly-educated, urbanised and comparatively wealthier section of the national population also consulted friends and family networks when making financial decisions – more so than their poorer and less educated counterparts. Indeed, in some cases, these social networks were used more often by the wealthy than were financial professionals. Exceptions - white South Africans, those in the richest quintiles and tertiary educated – should be noted. South Africans sharing one or more of these characteristics are less likely to obtain financial advice from, say, a family member than a professional adviser. This may perhaps indicate the importance of class divisions in choosing and trusting financial decision-makers.

7.4 Discerning Trust for Advice-Givers

In order to understand who South Africans trust when seeking advice on financial matters, questions were asked on the trust levels of different advice-givers. An analysis of these questions will better enable the reader to appreciate which sources are most trusted.

Figure 28: Levels of trust in different advice-givers (percentages)



It is evident that when receiving financial advice, South Africans have a higher level of trust in banks - 74% indicated trusting this institution – than other advice-givers. The population also indicated high trust levels for friends and family (70% trusted these advice-givers) and the church (64% trusted this institution). Despite the fact that a majority of South Africans claim that they do not normally seek financial advice from church organisations, this apparent trust could indicate a more subtle influence. Those advice-givers who elicited low levels of trust included mashonisa (39%

reported strong levels of distrust). Despite the importance played by informal associations in the lives of the poor, it seems that these associations do not serve as financial advisers to the poor. Only 32% of the population trusted informal associations like *stokvels* for financial advice and 42% distrusted this institution.

Media sources were considered a poor medium of financial advice by South Africans. Only 7% of respondents reported strong trust levels towards newspapers, with 26% of respondents indicating that they distrusted the print media. TV and radio fared a little better, but still registered comparatively high levels of distrust. Only 9% of respondents reported strong trust levels towards TV and radio, with 22% of respondents indicating that they distrusted them as sources of financial information.

Table 38: Confidence in the top five highest rated financial advice-givers, by personal attributes (mean scores, 0-100 scale)

	Bank or banker	Friends and Family	Church	Independent broker/ financial advisor	Insurance company
National	74	71	69	62	62
Sex					
Male	73	72	68	61	62
Female	74	71	70	64	62
Age					
16-19	74	76	69	60	62
20-29	74	73	68	60	61
30-39	75	68	68	64	64
40-49	74	73	72	66	64
50-59	73	69	67	63	64
60-69	70	70	72	63	60
70+	70	72	74	54	59
Population group					
Black African	74	73	70	63	62
Coloured	68	66	65	53	56
Indian	76	72	68	62	63
White	73	66	64	70	66
Educational attainment					
No schooling	69	70	70	48	55
Primary	71	74	73	60	58
Some secondary	73	73	69	60	60
Matric	73	70	67	63	64
Tertiary education	81	68	70	74	71
Other	62	76	75	46	52
Employment status					
Self-employment (30 hours+/week)	74	68	68	65	62
Self-employment (<30 hours/week)	79	68	69	66	65
Paid employment (30 hours+/week)	78	71	69	65	66
Paid employment (<30 hours/week)	72	75	66	61	63
Looking for work	73	71	68	60	61
Looking after the home	78	71	73	61	60
Unable to work	64	77	73	57	47
Retired	70	68	71	63	60
Student	73	76	69	64	65
Not working, not looking	71	70	70	58	59

The table above examines the most trusted financial advice-givers, as identified above, to discern the impact of personal attributes on trust. To facilitate sub-population differences, the trust evident above was combined into a composite “Trust towards Financial Advice-Givers Scale” (TFAGS). Where necessary, the responses to the questions were reversed (so that larger scores represented greater levels of trust), after which values to each of the items were summed together and transformed into a 0-100 score, with ‘0’ representing a complete distrust and ‘100’ a complete trust.

With regards to personal attributes, there is evidence that age plays a role in understanding trust scores by sub-population differences. However, this level of difference was not as pronounced as other personal attributes like population group and educational attainment. Young people (16-29) tended to trust social networks – friends and family – to a greater extent than they did social organisations such as churches. In addition, young people were more trusting of government and the news media – whether print, radio or TV – than their older counterparts.

Educational attainment is shown to be a salient factor underlying trust in financial advice sources. Those with high levels of educational attainment are more likely to have high mean trust scores for professional finance advice-givers – like financial advisors, banks and insurance companies – when compared to those with low education. This is particularly true of those with tertiary education, who tend to have significantly different TFAG scores from their counterparts in the lower education categories. A good example of the above trend can be noted if trust scores of insurance companies are considered. Those with tertiary education (TFAGS =71) were significantly more trusting of these advice-givers than those with low levels of educational attainment such as those with no schooling (TFAGS =55) and primary education (TFAGS =58). Indeed, it is possible to suggest a tentative link between trust in professional financial institutions and educational attainment.

Given the disparate historical experiences of the different population groups in South Africa, it is often prudent to link cultural and social differences with population group differences. Indeed, there is evidence from the above table that the Black African population group is more trusting of social networks and social organisations (such as friends and family as well as church organisations) than the white population group. Coloured South Africans tend to share the scepticism of white South Africans regarding social networks and social organisations as sources of financial advice. Indian South Africans are likely (it seems) to resemble black Africans in their trust scores towards social networks and social organisations. A good example of the above trend can be noted if trust scores towards churches are considered. White South Africans (TFAGS =64) are less trusting of church organisations as financial advice-givers than their black African (TFAGS =70) and Indian (TFAGS =68) counterparts. Coloured respondents (TFAGS =65) equally displayed comparatively low levels of trust in financial advice from churches.

The above suggest that a significant role is played by social inequality. This is confirmed if a class analysis is more thoroughly applied. Those least likely to trust professional financial institutions were students, discouraged work seekers, the unemployed and those unable to work. The following table allows a better analysis of class as a determinant of trust in financial advice-givers.

Several measures of household material living standard included in the survey all emerge as indicating important differences in respect of whom South Africans trust with regards to financial advice sources. A class divide emerges from the above below, indicating the impact of material disadvantage and wealth inequalities that continue to characterise South African society. Those with high living standards and household wealth were more likely to have high mean trust scores for professional financial advisers – like financial advisors, banks and insurance companies – when compared to their poorer counterparts. This is particularly true of those in the richest quintile of per capita household income who tend to have significantly different TFAG scores than their counterparts in the other quintiles.

Table 39: Levels of trust towards most Trusted Financial Advice-givers, by household-level material deprivation (mean scores, 0-100 scale)

	Bank or banker	Friends and Family	Church	Independent broker/ financial advisor	Insurance company
National	74	71	69	62	62
Household Income per capita quintiles					
Poorest	73	75	70	62	61
Quintile 2	74	73	69	61	61
Quintile 3	77	72	75	62	62
Quintile 4	77	72	69	65	63
Richest	78	69	69	73	72
Living standards measure					
Low	73	79	72	60	60
Medium	73	72	71	61	61
High	75	69	67	66	65
Geographic location					
Urban, formal	72	69	66	63	61
Urban, informal	75	76	71	59	61
Traditional Authority Areas	77	74	73	63	66
Rural, formal	71	73	72	60	57

A good example of the above can be noted if trust scores of independent brokers or financial advisors are considered. Those in the richest quintile indicated good trust scores for these financial advisers (TFAGS=73). This can be contrasted with those individuals who are located in the poorest quintile (TFAGS=62) or those in the 2nd quintile (TFAGS=61). Confirming this finding is evidence from the data on living standard measures (LSM). Those who were located in the high LSM indicated a good mean trust score (TFAG=66) for these advice-givers. This can be contrasted with those individuals who were medium LSM (TFAG=61) and those who were low LSM (TFAG=60).

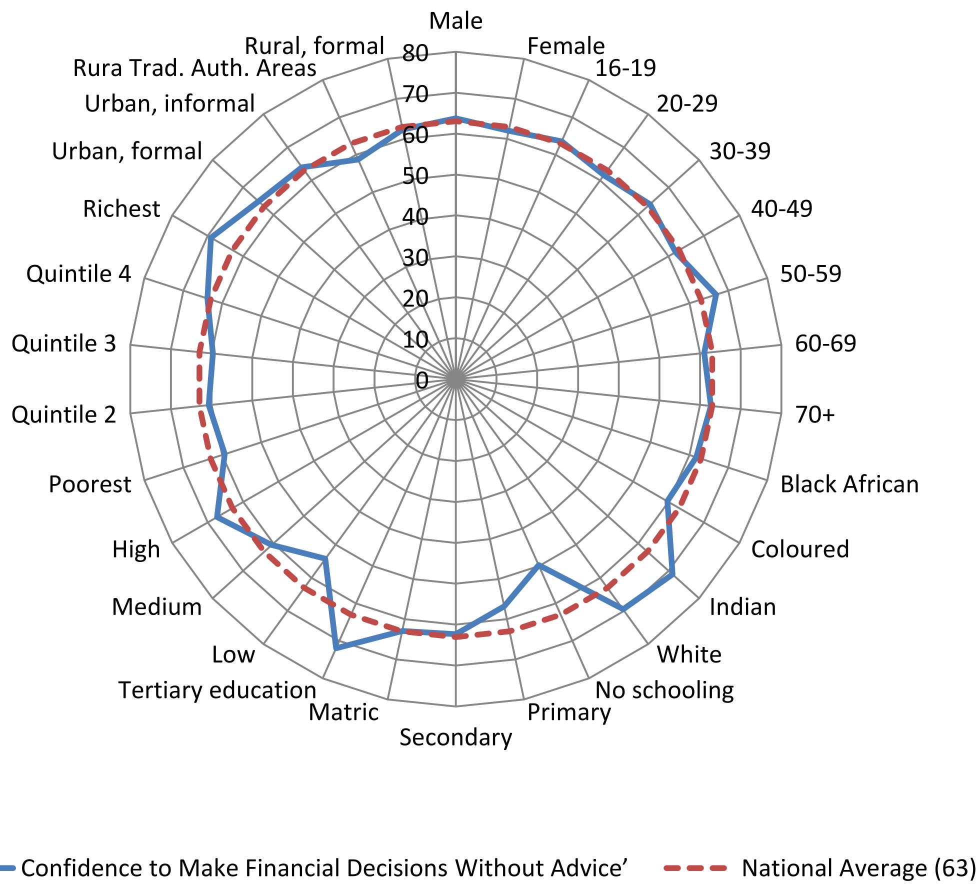
The spatial inequalities in these scores are not as especially pronounced as the wealth measures. For example, trust in banks remains high, regardless of geographical barriers. Indeed, trust scores for banks were highest in informal urban areas (TFAGS =74) and traditional authority areas (TFAGS =77). This is a somewhat surprising finding, given the lack of availability and proximity of banking institutions in these areas. This suggests high levels of trust in the South African banking system by ordinary South Africans, particularly those in marginalised communities.

7.5 Understanding Financial Decision-Making

It is a fair assumption that the financially literate, as far as possible, try to make informed decisions regarding their finances. This highlights the importance of advice in financial decision-making and the degree to which individuals depend on advice-givers in order to make decisions. The survey under discussion allows the researcher to inquire 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.

The question regarding whether South Africans had enough knowledge on financial matters not to have to seek consultation from a financial adviser posed some methodological problems. Almost 20% of the sample 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. Almost 21% of the sample 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.

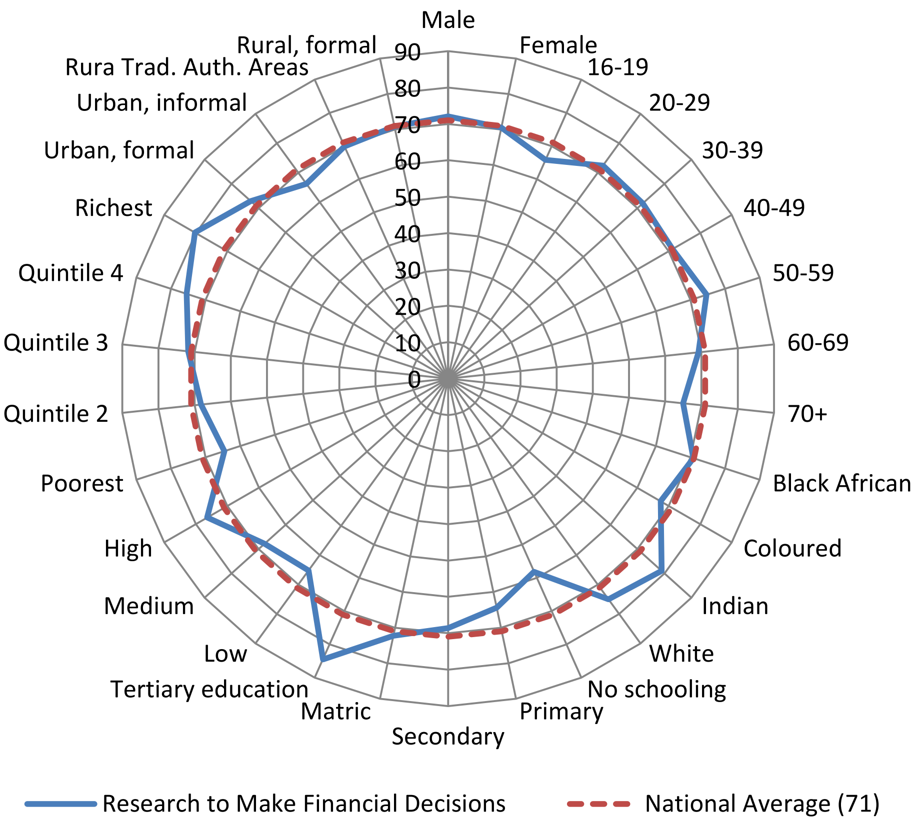
Figure 29: Confidence in ability to make financial decisions without advice (mean scores, 0-100 scale)



Many South Africans tend to display high levels of confidence in being able to make financial decisions without consulting financial advisers. Of the population sampled, 44% were confident of their financial knowledge without seeking financial advice, compared to 36% who were not confident. To understand sub-population differences, a composite related to 'Confidence to Make Financial Decisions Without Advice' (CMFDWA) variable was created to discern confidence levels. Where necessary, the responses to the questions were reversed (so that larger scores represented greater levels of trust), after which values to each of the items were summed together and transformed into a 0-100 score, with '0' representing a complete lack of confidence and '100' complete confidence.

Material advantage may play a role in determining confidence levels. Those in the high LSM categories reported a CMFDWA of 67 compared to 54 in the low LSM categories and 61 in the medium LSM. A class divide seems to be evident here which is confirmed if the per capita household income is considered. Those in the richest quintile of per capita household income indicated a good mean score (CMFDWA =69) on confidence in their knowledge. This stands in contrast to those in the poorest quintile per capita household income (CMFDWA =59) and those in the second quintile (CMFDWA = 61). It is evident that those in the higher income groups feel more confident than their poorer counterparts in their ability to make financial decisions without advice. Perhaps this can be explained through differing access to financial information and more experience with financial products.

Figure 30: Commitment to research before making a financial decision by personal and household-deprivation attributes (mean scores, 0-100 scale)



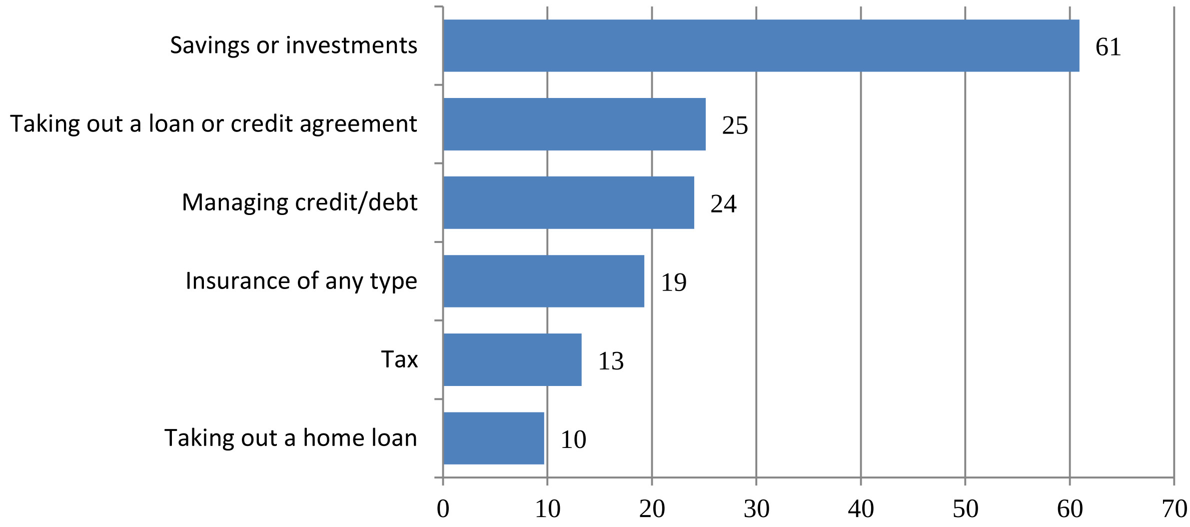
As would be expected, education also seems to play a role when considering CMFDWA scores. Those with high levels of educational attainment were more likely to believe they did not have to consult when compared to those with low levels of educational attainment. South Africans with low levels of education, like those with primary schooling (CMFDWA =50) and those with no schooling (CMFDWA =57), had considerably lower CMFDWA 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. Given the legacy of apartheid, it is unsurprising that black African and coloured respondents - historically disadvantaged in terms of education and income attainment - would have lower CMFDWA scores than their white or Indian counterparts.

Many South Africans claimed that they researched thoroughly before making a financial decision. Of the population sampled, 55% claimed they had researched thoroughly, compared to 25% who admitted to not researching thoroughly. To investigate sub-population differences, a composite 'Research to Make Financial Decisions' (RMFD) variable was created to discern commitment to research. Where necessary, the responses to the questions were reversed (so that larger scores represented greater levels of trust), after which values to each of the items were summed together and transformed into a 0-100 score, with '0' representing a complete lack of research and '100' complete commitment to research.

If the RMFD scores are examined by sub-group, then parallels with the CMFDWA scores become evident. As with confidence in financial decision-making without advice, material wealth seems to play a part in understanding RMFD. Similar to what was observed in CMFDWA figures, those in the high LSM had a greater RMFD (76) than their counterparts in the medium (RMFD = 65) and low (RMFD =68) LSMs. Evidence from an examination of the per capita household income quintiles indicates an even greater class divide than the LSM data would suggest. Those in the poorest quintile indicated a much lower RMFD (65) than those in the fourth quintile (76) and the richest quintile (80). As is evident with CMFDWA scores, material household conditions seems 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.

Given that financial research requires a human capital element, educational attainment may play a role here. The evidence from the above figure appears to support this assumption. Those with high levels of educational attainment were more likely to conduct research before making a financial decision, when compared with those with low levels of educational attainment. Those South Africans with no schooling (58) and primary education (64) had lower RMFD scores than those with higher educational attainment. This mirrors, in part, the link between educational attainment and CMFDWA scores.

Figure 31: Type of financial decision regretted by South Africans, 2010-2011, (multiple response, percent)

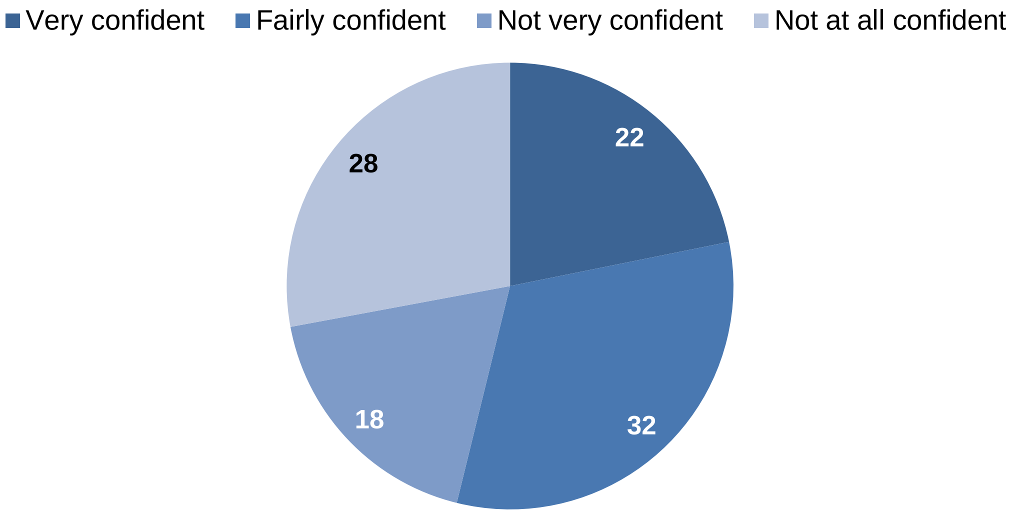


Even the best researched financial decision can be wrong, however. But do South Africans regret their financial decisions? Respondents were asked if they had made any financial decision in the last 12 months that they had regretted. More than 80% of respondents did not answer that question, stating ‘None of the above’. A further 8% 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. Of those that did answer the question, 61% indicated that they had made a savings or investment decision that they now regretted. About one in four also admitted to making decisions they regretted in terms of managing credit/debit and taking out a loan or credit agreement.

8. Getting financial assistance

Financial products can experience failings or defects which the product holder will wish to rectify. This section will explore whether South Africans are able to seek adequate assistance from financial product providers.

Figure 32: Confidence in the ability to make an effective complaint to a financial institution (percent)



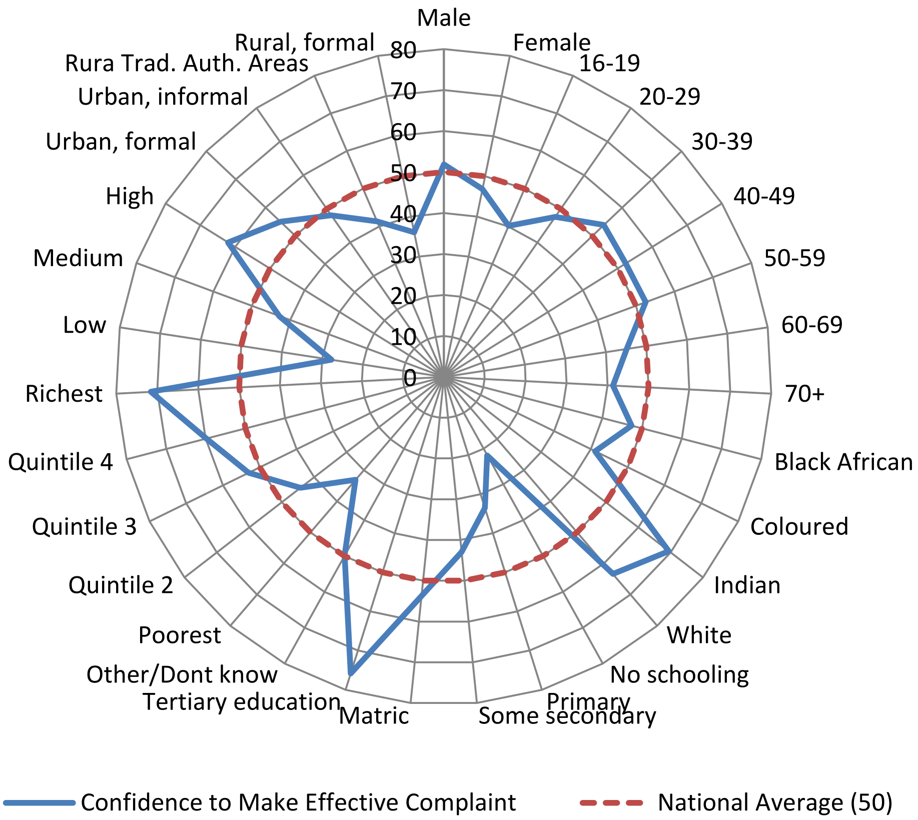
In order to understand the power distance between ordinary South Africans and financial institutions, the baseline survey asked a question to determine how confident a respondent felt that she/he could make an effective complaint. About 46% of the population indicated that they were confident they could make an effective complaint, with 19% reporting that they were 'Very confident'. More than 12% reported either refused to answer or did not know, while 41% indicated that they did not feel confident.

To investigate sub-population differences on the above, a composite related to 'Confidence to Make Effective Complaint' (CMEC) variable was created to discern confidence levels. Where necessary, the responses to the questions were reversed (so that larger scores represent greater levels of trust), after which values to each of the items were summed together and transformed into a 0-100 score, with '0' representing a complete lack of confidence and '100' complete confidence.

It is immediately evident from the sub-group analysis that material and household wealth seems to be linked to CMEC scores. The CMEC score, reflecting confidence in making an effective complaint, of those with high LSM (CMEC =62) was significantly higher than those in the low LSM (CMEC =28). This finding is supported by information on household per capita income and spatial data. Those with high household per capita income had in turn high CMEC scores. Correspondingly, those in urban formal areas had higher CMEC scores than those in informal or rural areas. It seems likely that those with access to economic capital and those living in more developed areas had greater experience with financial institutions and greater resources to draw upon in case of a problem with a financial institution.

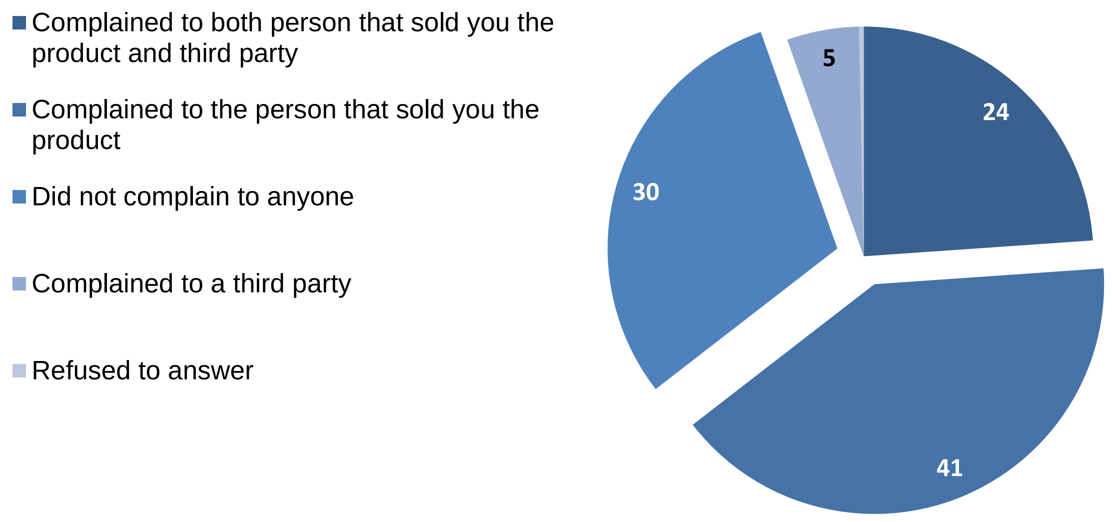
The figure below seems to indicate that educational attainment is a leading determinant of complaint confidence. Those with high levels of educational attainment had higher confidence mean scores when compared with those with low levels of educational attainment. It seems that education allows South Africans to better understand the role of financial institutions and therefore creates a level of security for them in terms of the complaint process. It is also perceivable that South Africans with higher education levels have more experience with financial products and financial institutions.

Figure 33: Confidence in making an effective complaint to a financial institution by personal and household-deprivation attributes (mean scores, 0-100 scale)



In addition to the impact of human and economic capital on CMEC scores, age and population were found to be significant. Men (CMEC =52) were more likely than women (CMEC =47) to feel confident about complaining to a financial institution. Black African (CMEC =47) and coloured (CMEC =41) respondents were less likely than their white (CMEC = 63) or Indian (CMEC =70) counterparts to feel confident about making a complaint. This could suggest that women and formally disadvantaged groups (who historically lack access to financial products) have less experience with financial institutions and, therefore, are more sceptical about their ability to complain.

Figure 34: Discerning the response to discovering an unsuitable financial product (percent)



The baseline survey also queried respondents' experiences with complaint-making. 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. The results are depicted in Figure 34 above. Only 5% of the population indicated that they had discovered an unsuitable financial product in their portfolio in the last five years. This low positive response could indicate a flaw in the manner in which the question was asked. The financial products identified as unsuitable range from household content insurance to loan from a mashonisa. The financial products that were identified most often were credit card, bank account (or a card linked to a bank account), and store card (or account).

Of those who discovered an unsuitable product, 30% did not complain while 65% complained to the individual and/or organisation that sold the product. Of those that complained to the organisation that sold the product 78% were able to resolve the problem. In addition, 27% complained to a third party as well as the organisation that sold the product. Of those that complained to a third party, the most popular third parties were the National Credit Regulator (NCR), the Ombudsman for Banking Services (OBSSA), and the Office of Consumer Protection (OCP).

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. A key module of the baseline survey was designed to measure South Africans' understanding of inflation, risk, interest and consumerism. The following section will explore responses to this module, outlining the level of financial knowledge at a national level as well as by subgroup.

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. The responses at the national level are presented in the table below.

Table 40: Responses to financial literacy quiz questions (column percentages)

	Basic arithmetic (division)	Inflation	Interest paid on a loan	Interest rates	Compound interest
Correct numerical answer	85	23	64	49	39
Other numerical answers	4	33	19	15	25
Impossible to tell from the information given	...	...	...	...	4
(It depends on inflation)	...	15	...	...	...
(It depends on the types of things that they want to buy)	...	10	...	...	...
Irrelevant answer	1	3	3	3	4
(Don't know)	9	15	12	30	26
(Refused)	1	1	2	2	1
Total	100	100	100	100	100

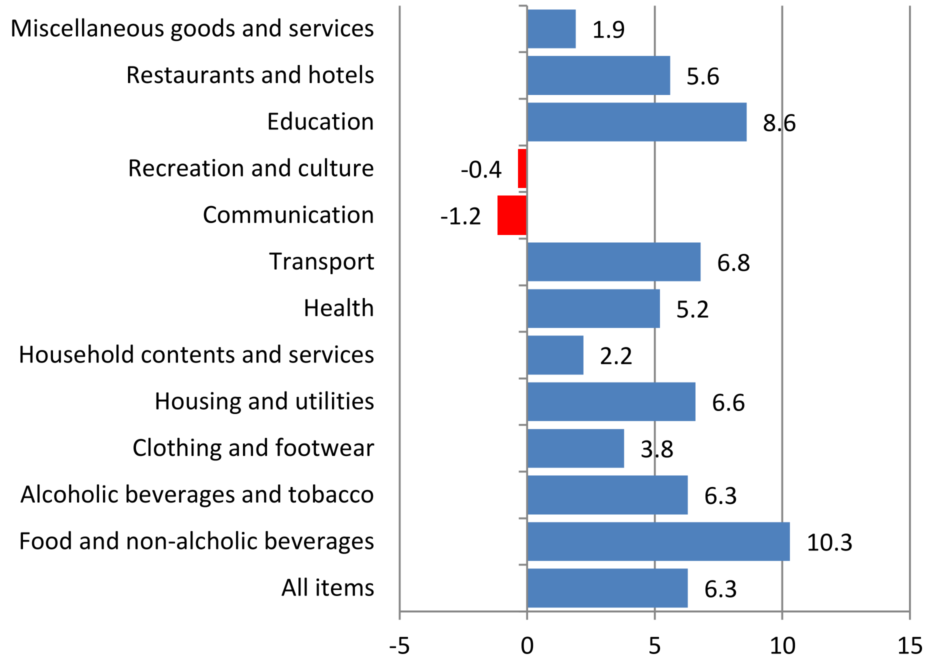
9.1.1 Basic arithmetic

An overwhelming majority of respondents (85%) 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 (4% and 1% respectively), with a tenth (9%) indicating that they did not know the answer.

9.1.2 Understanding of inflation

The second item explored knowledge of inflation by asking people to say whether, using the following example: imagine that the brothers have to wait for one year to get their share of the 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 a third (33%) stating that the brothers would be able to buy more or an equivalent amount in a year's time relative to today. What renders this question complicated from an assessment perspective is that there were two additional response options that were not read out to the respondents, namely "*It depends on inflation*" and "*It depends on the types of things that they want to bu*y". Overall, these responses were mentioned by 15% and 10% of respondents respectively.

Figure 35: Year-on-year change for select consumer price index items, January 2011 to January 2012 (%)



Source: Derived from Statistics South Africa (2012) Statistical Release P0141

It could be argued that, in the South African context, those responding in this manner actually possess a good grasp of inflation. For instance, official consumer price inflation data from Statistics South Africa shows that between January 2010 and January 2011 the overall CPI rose 6.3 percent. Without the interviewer issuing some guidance on the assumptions respondents are to make about the nature of inflation over the course of the year referred to in the vignette, it is fair to assume that the more financially literate may indicate that the response depends on inflation.

As for those answering that the situation would depend on the items the brothers purchased, there is again merit in this response (Figure 35). For instance, if the brothers decided to invest their share of the money in education or say a wedding (where meat, alcohol were to be consumed), the evidence supports the view that the value of their money would erode over the course of the year. However, if they intended to put the money towards telecommunication equipment or postal services and telecommunication services, then it is fair to assume that, based on CPI data for the last year, the brothers would be able to buy more or an equivalent amount in a year's time. The lingering question then is whether we should combine the "*It* *depends...*" responses together with the "*Less than you could buy today*" answers, which would increase the share of correct responses to 38%, or whether this would bias estimates of financial literacy.

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 80% nominated that this was a truthful assertion, with only 10% declaring it false and 9% uncertain. This suggests a greater awareness of the inflation concept than could be discerned from the previously-discussed item A cross-tabulation of the responses to the two items was undertaken to explore the matter further. A greater proportion of those that declared the new statement to be true (particular if those who answered "*It depends...*" to the preceding inflation question are included), compared to those replying false to the new statement. Yet, despite this, it should also be noted that close to a tenth (10%) of those with false responses to the new inflation item responded "*It depends...*" to the earlier inflation question. This may raise concerns about how well it is testing knowledge of the inflation concept.

Table 41: Comparing responses to two inflation-related quiz questions (column percentages)

Now imagine that the brothers have to wait for one year to get their share of the R1 000. In one year's time will they be able to buy...	High inflation means that the cost of living is increasing rapidly: TRUE	FALSE	All
Correct answer	25	23	26
Other answers	33	41	33
(It depends on inflation)	17	10	15
(It depends on the types of things that they want to buy)	12	5	10
Irrelevant answer	3	3	3
(Don't know)	10	17	14
(Refused)	1	1	1
Total	100	100	100

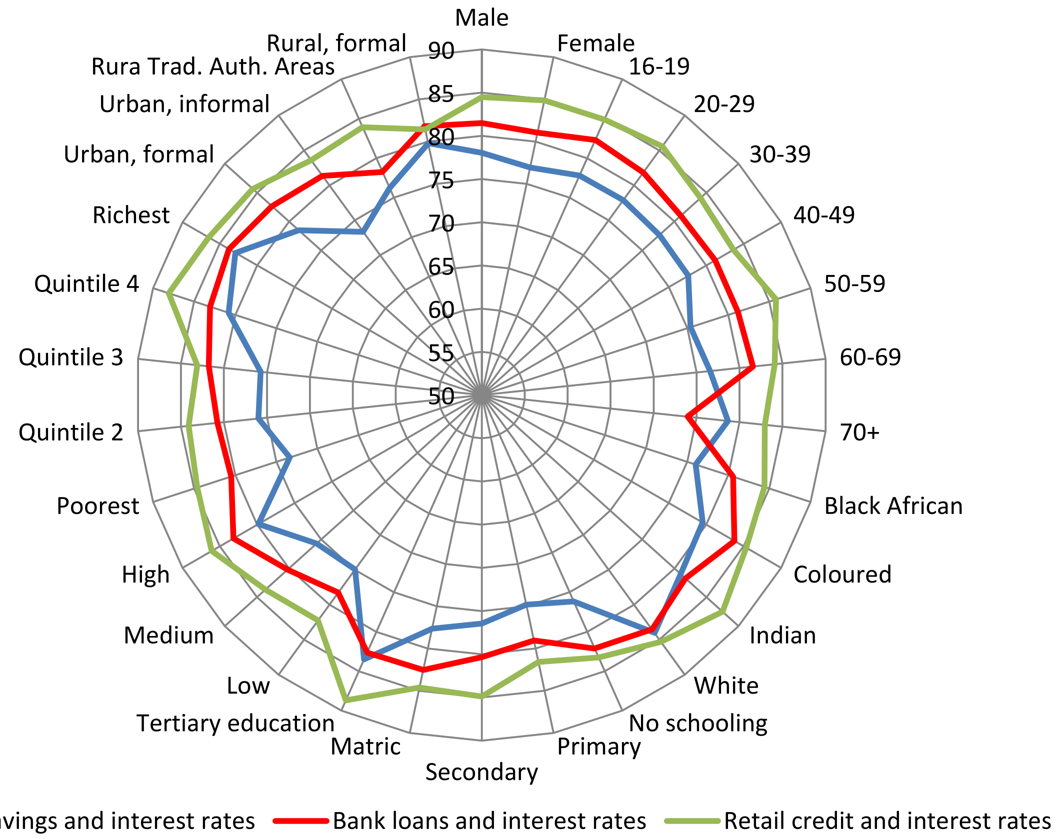
The table above seems to indicate an inadequate level of knowledge regarding inflation by the South African population. However, if the majority of South Africans seem to struggle to understand inflation, the question then arises: do they understand the impact of inflation on their daily lives? The survey asked respondents questions to gauge this understanding by asking the impact of inflation on food prices. Their responses have been converted into a 0-100 score, with '0' representing a completely incorrect answer and '100' a completely correct answer. Despite an evident lack of understanding of how inflation operates, the majority of South Africans seem to understand the *impact* of inflation. The mean scores received for South Africans was 85, indicating their ability to accurately link a rise in inflation with a rise in food prices. The uneducated and the poor were less able to discern the link, but the margin of difference was not high as might be expected. In other respects the ability to link inflation and food prices seems to cut across age, gender, geographic and human capital groups. This indicates that the majority of South Africans have some basic understanding of the effect that inflation has on their daily lives.

9.1.3 Understanding of interest and compound interest

The third quiz item is less ambiguous. 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 respondents issued a correct response to the paying of interest on a loan. A total of 19% reported non-zero responses, with 3% issuing irrelevant answers and around a tenth (12%) voicing uncertainty.

The responses to the two subsequent items on interest and compound interest received on a savings account suggest that respondents struggled with these elements of financial literacy. The first question asks people to estimate how much would be in a savings account after a year, assuming a 2% rate on an initial R100 deposit. While 49% provided a correct response, 15% answered incorrectly, and 3% offered irrelevant answers. What is telling is that almost a third of respondents (30%) stated that they did not know the answer. A similar pattern is found in relation to the compound interest statement, which asked respondents to indicate, using the same example, how much would be in the savings account after a five-year interval. In this instance, 39% provided correct answers and 25% incorrect answers, while small shares stated it was impossible to determine from the information provided, or offered irrelevant answers (4% each). Again, slightly more than a fifth of respondents (26%) answered uncertain.

Figure 36: Knowledge concerning the concept of interest, by personal and household attributes (mean scores, 0-100 scale)



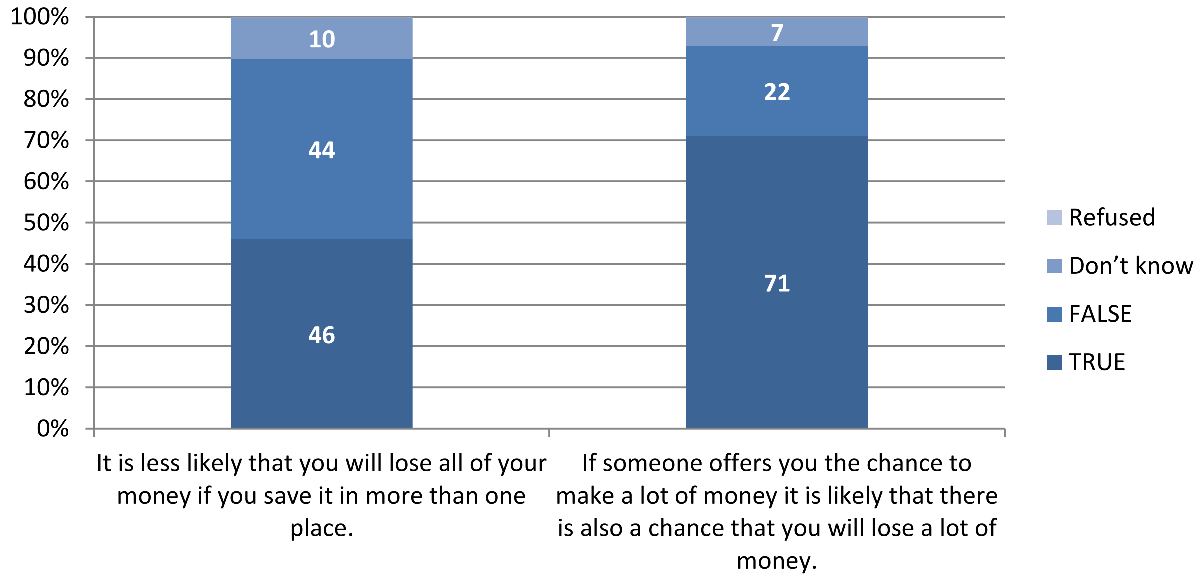
The above seems to indicate an in adequate level of knowledge regarding interest by the South African population. However, the above may underestimate the level of knowledge respondents have regarding interest and savings. The responses to three questions designed to measure respondents' understanding of the impact of interest on savings and loans allows for a greater analysis of this subject. Responses to these questions have been converted into a 0-100 score, with '0' representing a completely incorrect answer and '100' a completely correct answer. Gauging the response to the statement, *"If you have savings, it is a good thing if interest rates go up"*, it was found that South Africans scored a 77, indicating an ability to make the connection between interest rates and savings.

Measuring the response to the statement,*" If you have a bank loan, and interest rates go up, you will be paying more"*, it was found that South Africans scored 81, demonstrating an aptitude to make the connection between interest rates and loans. This indication is further underscored by a examining the response to the statement, *"If you have a loan at a furniture shop, you should try and pay it off as fast as possible".* It was found that South Africans scored 85, confirming a good understanding of how loans garner interest over time. The mean scores discussed above seem to cut largely across economic and social barriers – although the wealthier and better educated seem to have a slight advantage in comparison to their less educated and less wealthy counterparts. The above seems to indicate that South Africans have a basic understanding of some of the impact of interest on their daily lives.

9.2 Understanding investment risk and return

Two questions were also included in the quiz that was designed to capture the ability of respondents to weigh up risk and return on investments. The responses to the two items, as shown in the figure below, are quite discrepant.

Figure 37: Understanding of risk and return on investments (percent)



It would seem that South Africans are quite sceptical about potential investments that offer the prospect of getting rich quick, with nearly three-quarters (71%) acknowledging that such schemes also pose the risk of quick losses too. A fifth of respondents (22%) disputed the likelihood of loss in relation to investments promising sizeable returns, while 7% were unsure. By contrast, 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 46% believed this statement to be true, with 44% disagreeing and 10% 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.

The above seems to indicate that the South African population is risk-adverse when making financial decisions. The responses to two questions designed to measure respondents' risk-taking behaviour can be investigated to allow further understanding on this issue. Responses to these questions have been converted into a 0-100 score, with '0' representing a complete disagreement and '100' a complete agreement. Testing the response to the statement *"Buying property is a very risky investment"*, it was found that South African scored a 52 indicating a relatively conservative attitude towards the property market. Surprisingly this finding seems to cut across economic groups with the wealthy expressing relatively equal levels of risk avoidance as the poor.

Measuring the response to the statement *"I am willing to take risks when making financial investments"* it was found that South Africans scored 51, signifying a conservative approach to risk in terms of financial investments. However, the sub-group analysis revealed a considerable level of difference across economic and social groupings. Educational attainment was a relevant factor underlying risk-taking in financial investments. Those with high levels of educational attainment are more likely to have high mean scores when compared to those with low educational attainment. Those with tertiary education (66) were significantly more willing to take risks than those with low levels of educational attainment such as those with no schooling (29) and primary education (42). 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.

Economic position seems to be an important determinant of willingness to take investment risks. Those in the high LSM category had a greater mean score (56) than their counterparts in the medium (49) and low (37) LSM categories. Evidence from an examination of the per capita household income quintiles confirms this class divide. Those in the poorest quintile indicated a much lower mean score (44) than those in the fourth quintile (58) and the richest quintile (60). A materially better-off household seems to allow the security that makes risk-taking behaviour more acceptable to the average South African. This signals that the poor are at a significant disadvantage compared to their more wealthy counterparts when making risky financial decisions.

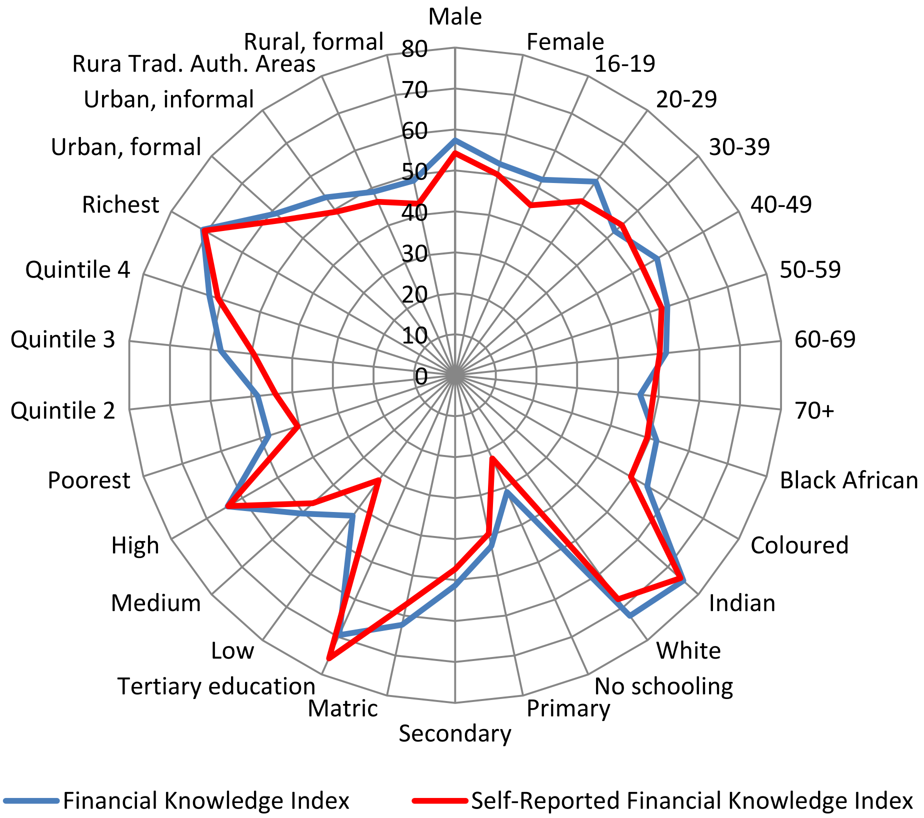
9.3 Comparing Absolute and Self-Rated Measures of Financial Knowledge

In order to evaluate differential levels of financial knowledge and understanding across population subgroups, a composite Financial Knowledge Index (FKI) was developed. More specifically, it was decided to include the following quiz items in the index construction process:

- Knowledge of basic mathematics (QK2/DIV);
- Knowledge of interest paid (QK4/INT);
- Knowledge of interest received (QK5_a/GROWa); and
- Knowledge of compound interest received (QK5_b/GROWb).

This constructed measure, based on a respondent's answer to specific questions on the listed knowledge categories, was compared to a self-reported measure of knowledge. Respondents were asked to rate their own financial knowledge on a scale that has been converted into a 0-100 score, with '0' representing a complete lack of knowledge and '100' complete knowledge. Nationally, the Financial Knowledge Index was 55, indicating a low level of knowledge for South Africans. Perhaps surprisingly, South Africans have a good understanding of their own financial knowledge shortcomings. Indeed, there seems to be a mild tendency among South Africans – particularly the young and poor – to underestimate their own knowledge of finance.

Figure 38: Financial Knowledge Index and self-reported financial knowledge score, by personal and household-deprivation attributes (mean scores, 0-100 scale)



The figure above allows a comparison between the two, broken down by subgroup. A subgroup analysis, as expected, highlights significantly different levels of knowledge between groups. There were statistically significant differences in the mean scores on the Financial Knowledge Index based on the level of deprivation faced by the households to which the survey participants belonged. Richer household per capita income quintiles scored considerably higher than their poorer counterparts. This was evident, regardless of whether living standards or household income was examined. In addition to material inequality, spatial development also played a role. Those resident in urban spaces – whether formal or informal – reported higher index scores (59 and 54 respectively) than residents in rural geographic locations.

In terms of personal attributes, gender and age seem to be important determinants of financial knowledge. There is evidence of a gender variation, with women exhibiting a lower level of knowledge than men (57 versus 53), as well as declining financial knowledge with increasing age (58 for 20-29 year-olds versus 45 for those 70+ years). This draws attention to the possible difficulties that the elderly and women may experience in making financial decisions, in particular the widowed and those in customary – but not civil - marriages, among whom financial knowledge is notably low (mean index score of 50 and below).

Educational attainment seems to play perhaps the most decisive role in shaping financial knowledge, with those with no formal education possessing a mean knowledge score of 31 compared to 69 for those with a tertiary education. As human capital is linked to employment status, it is not surprising to find a respondent's employment status to be an important marker of difference. Discouraged work-seekers and those unable to work due to ill-health reported the lowest scores (45 and 43 respectively), while those in regular and self- and paid-employment, together with those in part-time self-employment, reported significantly higher scores (63, 61 and 62 respectively). There are salient population group differences, with black African (52) respondents scoring appreciably below white and Indian respondents (73 and 75 respectively). This is likely to reflect stark educational, labour market and other material inequalities that continue to characterise South African society.

9.3.1 Subjective Evaluations of Financial Behaviour

Apart from a general assessment of their own financial knowledge, respondents were also asked to rate their proficiency in the following specific financial areas: keeping track of their money; making ends meet; shopping around before making financial product decisions; and staying informed about financial issues. The composite of these ratings could then be used to derive a Subjective Financial Behaviour Index (SFBI) in which respondents can be ranked in terms of their self-reported competence at financial management. Ratings have been converted into a 0-100 score, with '0' representing a complete inaptitude in that category and '100' complete aptitude.

Table 42: Self-rated financial behaviour scores, by personal and household attributes (mean scores, 0-100 scale)

	Subjective evaluations of proficiency in relation to…				
	… Keeping track of your money	… Making ends meet	… Shopping around in making product choices	… Staying informed about financial issues	Subjective Financial Behaviour Index
National	**58**	**56**	**46**	**47**	**52**
Sex					
Male	59	56	47	50	54
Female	57	55	45	44	50
Age					
16-19	53	44	37	40	44
20-29	57	54	42	46	50
30-39	61	58	51	50	55
40-49	60	59	50	48	55
50-59	60	59	47	50	54
60-69	59	57	47	45	51
70+	55	52	43	42	49
Population group					
Black African	56	53	43	44	49
Coloured	56	56	44	42	50
Indian	75	70	62	65	70
White	72	72	65	65	69
Educational attainment					
No schooling	35	39	26	22	27
Primary	46	47	36	33	40
Some secondary	54	49	41	41	46
Matric	64	59	50	53	57
Tertiary	78	79	64	70	74
Per capita income quintiles					
Poorest	47	42	35	35	39
Quintile 2	49	49	36	40	43
Quintile 3	57	56	44	46	50
Quintile 4	67	65	57	54	61
Richest	75	73	65	66	71
Geographic location					
Urban, formal	61	61	51	51	57
Urban, informal	57	52	45	45	49
Trad Auth Areas	56	48	39	41	46
Rural, formal	48	50	37	34	42
Living standards measure					
Low	41	39	34	28	34
Medium	54	50	40	41	46
High	68	67	58	59	64

As would have been expected, there are statistically significant differences in the mean scores on the Subjective Financial Behaviour Index based on the human capital and living standards of the individual involved. Those households with high per capita income tended to have higher levels of self-reported financial management ability. Of those in the richest quintile and the 4th quintile of per capita household income, the mean score was 71 and 61 respectively while the poorest quintile and the 2nd quintile reported mean scores of 39 and 43 respectively. Similarly, those categorised as having a low standard of living had in turn lower financial management scores. Those in the low LSM category (SFBI=34) reported low mean scores of competence compared to those in the medium and high LSM categories (SFBI=46 and 64 respectively). Finally, those residing in rural areas – such as commercial farms or former homeland areas – reported a lower mean score in financial management than their urban counterparts in financial management. These trends are also observed in relation to each of the constituent measures included in the overall subjective index.

One of the most notable patterns of difference in the Subjective Financial Behaviour Index is in relation to educational attainment. Those with no schooling (SFBI=27) or primary schooling (SFBI=40) had considerably lower scores than those with a matric-level education (SFBI=57). However, those with tertiary education had the highest Subjective Financial Behaviour Index score (SFBI=74) of all the subgroups. This seems to indicate the importance of educational attainment and the link between human capital and the ability to manage money.

9.6 Understanding Tax

Understanding taxation and how South Africans are taxed is a key criterion of financial literacy in the country. In order to measure respondents' understanding of the progressive nature of the tax code – in which the more wealthy are required to pay more than other taxpayers – respondents were asked how much they agreed with the statement: "*The more money you earn, the more tax you pay*." Responses to this question have been converted into a 0-100 score, with '0' representing a complete disagreement and '100' a complete agreement. It was found that South Africans scored an 85, demonstrating an understanding of the primary mechanism by which taxation operates in the country. Notable differences between subgroups were not noted. Although educational attainment and household income seem to be determining factors, differences noted between groups were not considerable.

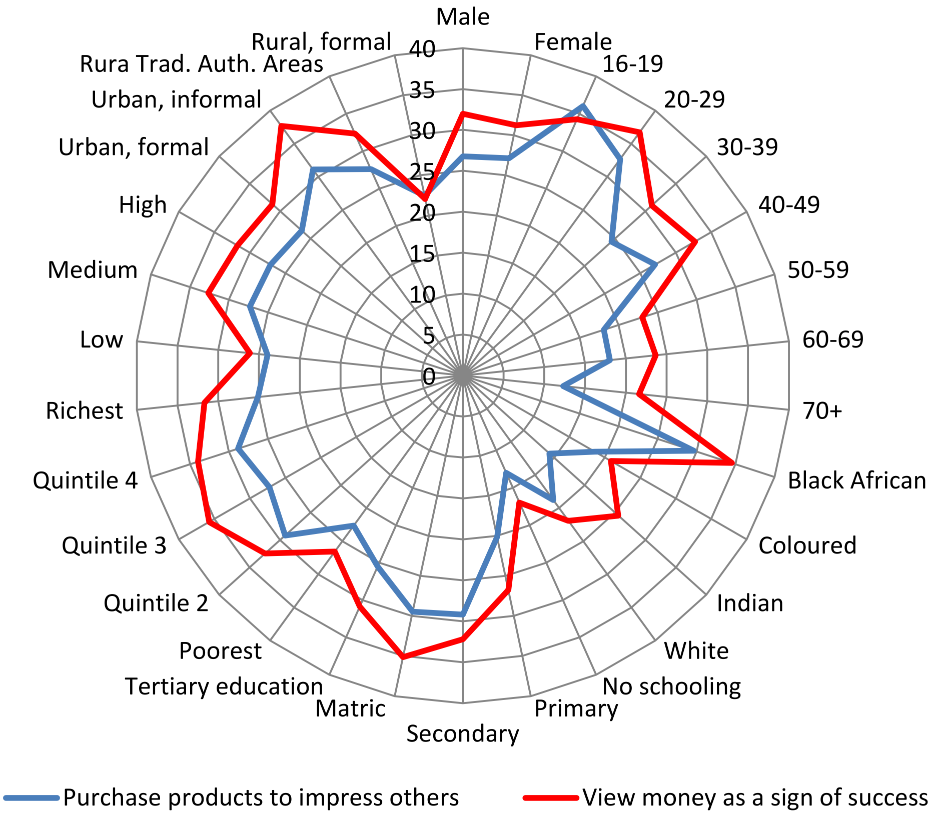
9.7 Assessing Attitudes and Beliefs towards Money

A number of different attempts have been made to construct a scale to measure attitudes to money. The present study selected the Yamauchi and Templer (1982) scale because of the proven reliability of the scale in middle-income countries (see Roberts *et al.* 1999). In addition, the Yamauchi and Templer scale has been shown to be more reliable than the Furnham (1984) scale which under-measured psychometric properties. Yamauchi and Templer identified three broad content areas: (1) power and prestige, (2) careful financial planning and (3) financial anxiety. Additional areas were later added, which include (4) consumer competency and (5) compulsive spending. The ten money attitudes items that we include in the FSB Financial Literacy Baseline Survey correspond to the highest loading items in each of the five areas based upon a factor analysis conducted by Yamauchi and Templer. For each of the ten items, respondents were required to report the frequency that of specific behaviour using a seven-point scale ranging from always to never. These responses have been converted into a 0-100 score, with '0' representing a complete disagreement and '100' a complete agreement. The results of these items are discussed below.

9.7.1 Money as a tool for power and prestige

The respondents were asked if they agreed with a series of statements related to consumer culture. The results are depicted in the radar chart below.

Figure 39: Perceptions of money and status by personal and household-deprivation attributes (mean scores, 0-100 scale)



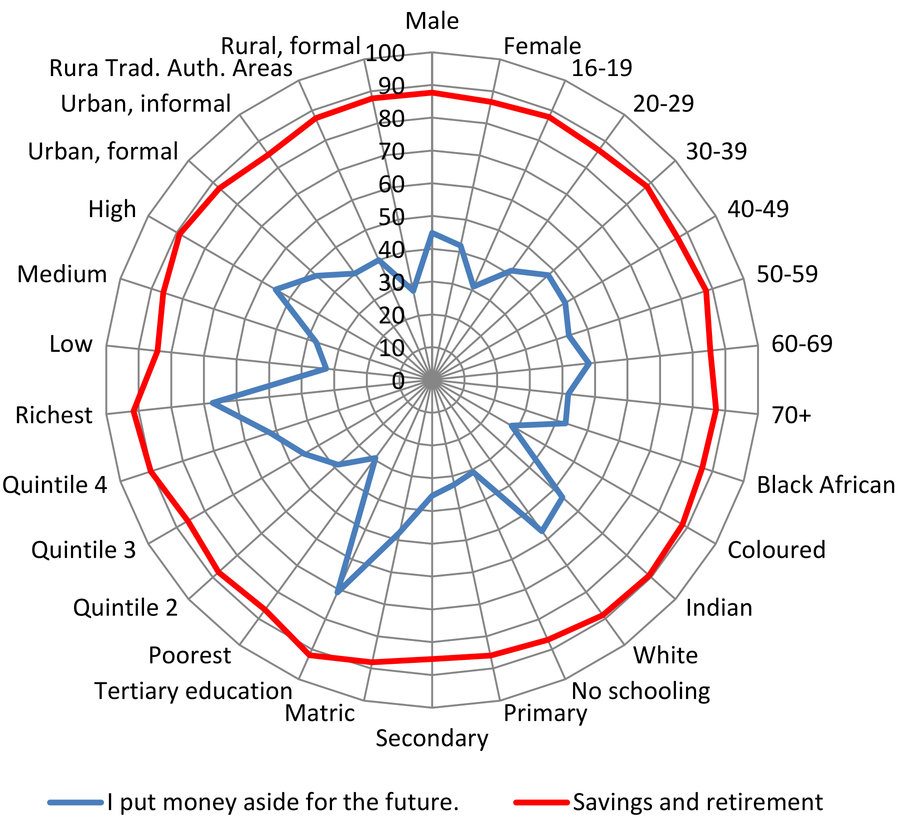
Consumption culture places a premium on expenditure and the willingness to buy products in relation to fashion demands. Indeed, one of the most common features of the contemporary capitalist society is the desire on the part of consumers to use consumption as a tool of social status. A focus on consumption – and therefore monetary expenditure – can lead to high levels of stress. On the other part, in developing countries like South Africa, consumers are often less concerned over their status as consumers than they are with basic survival. To test this assumption, the survey allows for a brief investigation of consumption culture to test the strength of the association between money and status. The findings from the above figure indicated that South Africans consider themselves to be unconcerned with consumer culture. South Africans scored a mean score of 27 when responding to the statement, "*I must admit that I purchase things because I know they will impress others*". This low score indicates that very few agreed with the statement. A similar finding was evident when respondents were asked if they agreed with the statement: "*People I know tell me that I place too much emphasis on the amount of money a person has as a sign of success*". The national mean score was 32, indicating that the average South African did not agree with the statement.

Consumption culture seems to be influenced by population group and age. The nation's young were more concerned with money and consumption as signs of success. However, the difference was not as high as one would expect. The two lowest working age groups (16-19 and 20-29) had mean scores of 34 and 37 respectively when responding to the statement, "*People I know tell me that I place too much emphasis on the amount of money a person has as a sign of succes*s". Responding to the same statement, the two oldest working age groups (50-59 and 60-69) had much lower mean scores of 24 and 22 respectively. Black African respondents admitted to being more focused on money and consumption as signs of success than other population groups. For example, black African respondents had a mean score of 30 when responding to the statement, "*I must admit that I purchase things because I know they will impress others*". White (19), Indian (14) and coloured (19) respondents had much lower mean scores in contrast. Given the economic mobility of the black middle class in the aftermath of South Africa's political transition, this finding may not be surprising.

9.7.2 A cautious approach to financial planning

Saving is a key financial management activity and is essential to any successful livelihood strategy. Therefore, understanding how South Africans perceive saving and saving practices is vital to how we measure and understand their financial literacy. The survey under discussion allows a series of questions to be deployed in order to understand saving, particularly the importance of saving. Testing the response to the statement, *"The earlier you start saving for retirement, the better"*, it was found that South Africans scored 87, indicating that most agreed with the statement. Surprisingly, this finding seems to cut across social and personal characteristics as can be seen in the figure below. Indeed, it is remarkable, given the nature of the statement, how similar the mean scores of the young are to those of the elderly. The poor were marginally less likely than the wealthy to agree with the statement but the differences between economic groups remained relatively slight. These findings demonstrate that South Africans generally understand the importance and the wisdom of saving for retirement.

Figure 40: Perceptions of saving and savings behaviour by personal and household-deprivation attributes (mean scores, 0-100 scale)



The response to the statement *"I put money aside on a regular basis for the future"* is enlightening. It was found that South Africans scored 43, signifying that a culture of saving is weak amongst most people. Across economic and social groupings, a considerable level of difference was noted. With regards to other personal attributes, there is evidence that age is a determinant, with the young less likely than the old to engage in saving strategies. Perhaps this can be explained by a lack of disposable income on their part or because the young are less risk-adverse when compared to the old. Educational attainment is shown to be a relevant factor underlying saving practices. Those with no schooling (31) and primary education (33) were significantly less willing to save when compared to those with tertiary education (71). Indeed, those with tertiary education demonstrated a higher proficiency to save than any other group. This may be because those with low levels of educational attainment lack the income to save and engage in saving practices.

Economic position seems to be a particularly important determinant of the willingness to save. Those in the medium (37) and low (32) LSM categories had considerably lower mean scores than those in the high LSM category (55). Evidence from an examination of the per capita household income quintiles further indicates the importance of class. Those in the poorest quintile indicated a very low mean score (29), the lowest mean score of any group than those in the 4th quintile (52), and the richest quintile (67) demonstrated a much greater tendency to save. As is evident, high income seems to allow the security by which household members feel able to save. This signals that the poor are at a significant disadvantage compared to their more wealthy counterparts, being unable to save. Similar results were found in relation to the behavioural statement “I do financial planning for the future”.

9.7.3 Consumer competency versus compulsive spending

Understanding how South Africans perceive spending and how they relate to spending is an important indication of their financial literacy. How South Africans think and feel about expenditure relates to their capacity to save and their financial anxiety. The survey under discussion allows a series of questions to deployed in order to understand how South Africans feel about spending, particularly their tendency to seek out bargains. The responses to those questions designed to measure respondents’ feelings towards spending were identified and codified.

Examining the response to the statement *“I hesitate to spend money, even on necessities”* was informative, as it indicated that a majority of South Africans did not agree with the statement. South Africa scored a 43, a surprising finding that seems to cut across economic and personal characteristics. Indeed, it is remarkable, given the nature of the statement, how similar the mean scores of the rich are to those of the poor. The poor were marginally less likely than the wealthy to hesitate to spend money but the differences between economic groups was not as large as expected. Those in urban informal spaces had a particularly high mean score – the highest of any group – indicating perhaps the precarious nature of their livelihood strategies. White and Indian South Africans had the lowest mean score of all groups – indicating that these groups did not hesitate to spend. This result can perhaps be explained by the unique cultural practices and experiences of these subgroups. These findings demonstrate that South Africans are not a particularly spendthrift people.

Determining the response to the statement, *“It’s hard for me to pass up a bargain”* and *“I am bothered when I have to pass up a sale”*, it was found that South Africans scored 42 (in both), suggesting that a culture of bargain-seeking behaviour is weaker than expected. What is perhaps most remarkable about this finding is that the poor do not place a considerably higher premium on bargain-hunting than the wealthy. Indeed, it is noteworthy, given the character of South African society, how analogous the mean scores of the poor are to those of the rich. Interestingly, the young (16-29) are less willing than the old to let a bargain slip through their fingers. Those living in formal urban and rural spaces had lower scores than those in more informal spaces. This perhaps indicates the more stable nature of the livelihood strategies in those spaces. Again, white and Indian South Africans had the lowest mean score of all groups – indicating that these groups found it easy to pass up a bargain. These findings demonstrate that South Africans are generally not a “bargain-hunting” nation.

Table 43: Perceptions regarding spending by personal and household-deprivation attributes, (mean scores, 0-100 scale)

	Consumer competency		Compulsive spending	
	Complain about the cost of purchases	Hesitate to spend money	Worry about passing up a sale	Trouble passing up a bargain.
National	53	43	42	42
Sex				
Male	53	41	39	39
Female	53	44	45	44
Age				
16-19	45	34	46	44
20-29	54	44	45	45
30-39	55	45	43	42
40-49	52	42	41	40
50-59	51	41	38	39
60-69	54	43	34	33
70+	51	53	32	35
Population group				
Black African	55	44	46	46
Coloured	44	39	31	29
Indian	51	37	32	33
White	45	37	26	27
Educational attainment				
No schooling	51	42	33	36
Primary	49	44	39	37
Some secondary	54	42	46	45
Matric	54	44	43	42
Tertiary education	52	40	36	37
Per capita income quintiles				
Poorest	55	44	45	45
Quintile 2	56	45	45	43
Quintile 3	54	46	42	44
Quintile 4	57	44	47	46
Richest	50	40	34	34
Geographic location				
Urban, formal	52	41	39	39
Urban, informal	62	53	47	47
Traditional Authority Areas	55	44	49	47
Rural, formal	40	35	33	32
Living standard measure				
Low	53	45	38	40
Medium	53	43	45	43
High	51	41	37	39

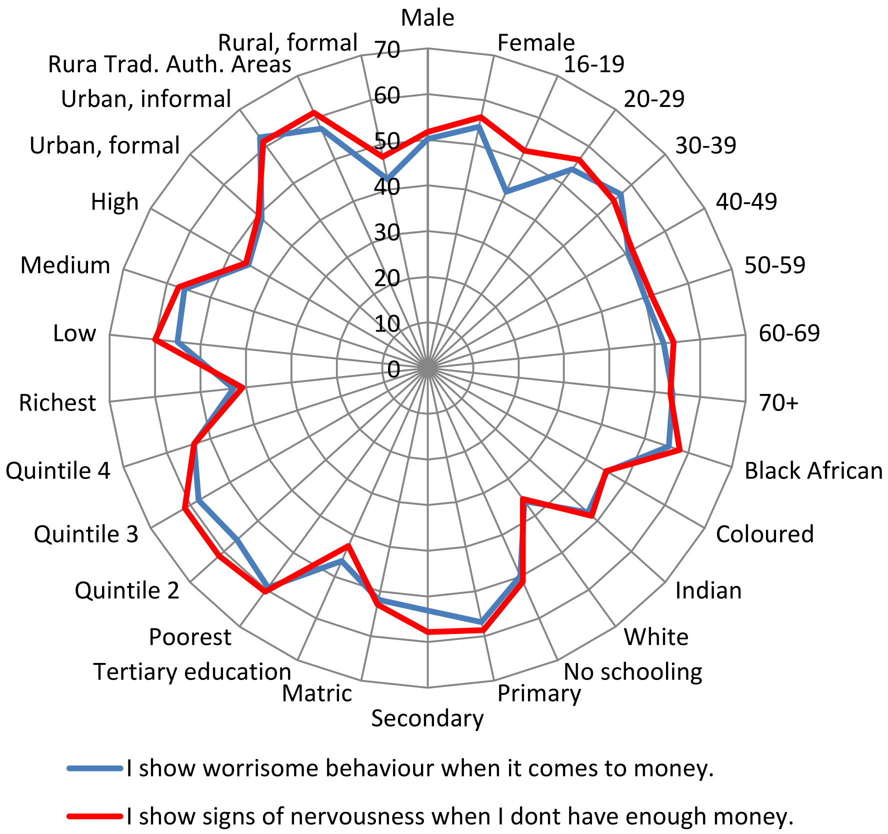
South Africans scored 53 in response to the statement, *"I argue or complain about the cost of things I buy"*. This suggests that while South Africans are annoyed at the cost of products and services in the country, this feeling is not a driving force. The poor were marginally more likely to agree with the statement than the wealthy. But the differences between economic groups were not as large as expected. The subgroup with the highest mean score was those living in urban informal spaces. This may suggest the discontent of those in informal settlements who have to endure the high prices associated with urban living, but lack financial security and income to meet those prices. These findings demonstrate that South Africans are not particularly angry over the cost of the nation's products and services.

9.7.4 Financial anxiety

Financial burdens placed on South Africans – due to the high cost of living, a highly-competitive job market and a less than comprehensive welfare net – are significant. Indeed, these burdens can create a considerable level of anxiety and stress among South Africans. Given the nature of capitalism – and, in particular, high levels of jobless and income insecurity in South Africa – one would expect a high level of anxiety and stress to be associated with finances.

The survey allows for an investigation of financial anxiety to test the strength of the association between money and anxiety. The respondents were asked if they agreed with a series of statements related to financial anxiety. The evidence does not fully support the assumption outlined above. The evidence indicates that finance-related stress in the country is not as high as one would expect. The mean score for the statements, "*I show worrisome behaviour when it comes to money*" and "*I show signs of nervousness when I don't have enough money"* were only 52 and 54 respectively.

Figure 41: Perceptions of financial anxiety and stress by personal and household-deprivation attributes (mean scores, 0-100 scale)



The results displayed in Figure 41 indicate mean scores across subgroups. Given the economic burdens placed on South Africans by the high cost of living, the relatively low level of anxiety regarding finances is perhaps surprising. Spatial differences were noted with those in informal urban spaces and in traditional authority areas having higher mean scores than those in more formal geographic locations. For example, the mean score for the statement, "*I show worrisome* *behaviour when it comes to money"* was 62 and 57 for those in informal urban spaces and traditional authority areas respectively. This can be contrasted with those in formal urban (49) and rural (42) spaces.

Racial differences in the mean score indicators suggest differing levels of stress. White South Africans are less anxious regarding financial matters. This can be further examined if racial differences are noted when investigating responses to the statement, *"I show signs of nervousness when I don't have enough money."* White South Africans had on average a mean score of 35 compared to black South Africans who had a mean score of 58. The mean scores for the above statements were influenced by wealth indicators, with the mean scores for the richer being significantly lower when compared to the poor. This notable discrepancy may in turn explain the noted racial difference.

9.8 Who follows Financial News and Indicators?

Having discussed money attitudes, we now turn to financial news and indicators since financial knowledge is often centred on the ability to follow financial indicators and news. Indeed, given the fast pace of events within the financial world, failure to follow financial news regularly would quickly erode an individual's financial knowledge. The baseline survey presented respondents with a list of financial indicators from inflation to house prices and asked respondents which indicators they followed. The table below depicts the percentage of South Africans who personally keep an eye on these indicators. It is interesting to note that more than half (54%) the population indicated that they did not keep an eye on any of the listed. This display of disinterest signals that a significant proportion of South Africans do not take an interest in financial issues, even those issues – such as inflation or government grants – which may have a direct impact on their lives.

A subgroup analysis allows us to better understand the financial indicators that South Africans follow. The more wealthy and educated a South African is, it seems, the more financial indicators that that individual follows. Only a minority of those with tertiary education (22%) and those in the richest household per capita quintile (27%) did not keep an eye on any of the indicators listed. This may be because the poor and uneducated are not often called upon to make financial decisions and therefore have less incentive to follow financial indicators such as those listed.

Those indicators identified most often among respondents were inflation (18%), the job market (17%) and government grants (15%). Those with tertiary education (46%), those in the richest quintile (39%) and white South Africans (35%) displayed a particularly strong interest in inflation. Government grants were followed more closely by the poor than the wealthy. Almost a fifth of those in the poorest quintile kept an eye on government grants, compared to just 4% of those in the richest quintile. Spatial inequality is evident in the subgroup analysis – for example, a fifth of those living in informal urban spaces following government grants.

Table 44: Proportion following financial indicators by personal and household-deprivation attributes (multiple response, percent)

	Total	Tertiary Education	No Schooling	Urban formal	Urban informal	White South Africans	Poorest per capita income quintile	Richest per capita income quintile
Inflation	18	46	3	22	19	35	9	39
Job market	17	28	9	17	18	12	11	18
Government grants	15	8	21	9	20	3	24	4
House prices	14	36	3	19	10	36	6	38
Interest rates	14	45	0	20	7	39	3	41
Tax rates	11	41	0	16	8	30	3	34
Stock market	10	28	5	13	5	27	7	29
Exchange rates	9	29	1	13	4	31	3	29
Private pension plans	5	12	1	6	4	8	3	13
(Don't keep an eye on these products)	32	22	68	52	52	38	65	27
(Don't know)	1	0	2	2	2	2	3	0
(Refused)	0	0	1	1	2	2	0	0

The subgroup analysis indicated the importance of class – the wealthy have more access to financial products and services than the poor and therefore the wealthy follow a more diverse array of financial indicators. Take, for example, interest rates: only 3% of those in the poorest quintile keep an eye on interest rates compared to 41% in the richest quintile. This is most probably because those in the 5th quintile have a greater level of savings and investments than their counterparts in the lower quintiles. As a result, the richest quintile is more concerned with changing the interest rate (which would directly impact on their investments).

The table below outlines *how* South Africans follow financial indicators, depicting the source from which individuals receive information. It is apparent that forms of media – such as radio, newspaper and television – are the most important vehicles through which South Africans receive their news on financial indicators. It seems that about 60% of those who follow financial indicators source information from the general media, whether print, television or radio. Specifically targeted media – such as financial magazines or the financial pages in newspapers – was a less popular source of information. The poor, particularly those living in informal urban spaces, were almost exclusively reliant on the general media for news about financial indicators.

Table 45: Sources of financial news by personal and household-deprivation attributes (multiple response, percent)

	Total	Tertiary Education	No Schooling	Urban formal	Urban informal	White South Africans	Poorest per capita income quintile	Richest per capita income quintile
Radio and television	64	50	86	58	73	51	76	44
General newspapers	60	53	42	58	67	50	56	37
Financial / business pages in newspapers	20	36	3	27	8	34	12	16
Internet	15	31	0	20	5	29	4	46
Financial advisor	14	28	2	18	8	37	3	34
Financial magazines	9	15	0	12	1	17	4	32
Other	2	2	3	2	0	0	3	3
(Don't know)	1	0	0	1	1	0	3	0

Certain information sources were under-utilised by the majority of South Africans, but used extensively by the wealthy. The Internet was not commonly used by most South Africans but was used more extensively by those in the high LSM category (57%) and those with tertiary education (31%). Unsurprisingly, financial advisors were not generally employed by the majority of South Africans, but were consulted extensively by certain subgroups. More than a third (37%) of white South Africans and just over a third (34%) of those in the richest household income quintile sourced information from a financial advisor. The above has indicated the deep divide in information availability present in South Africa by which most South Africans lack access to important sources of financial information.

9.9 Extent and Nature of Public Demand for Financial Information

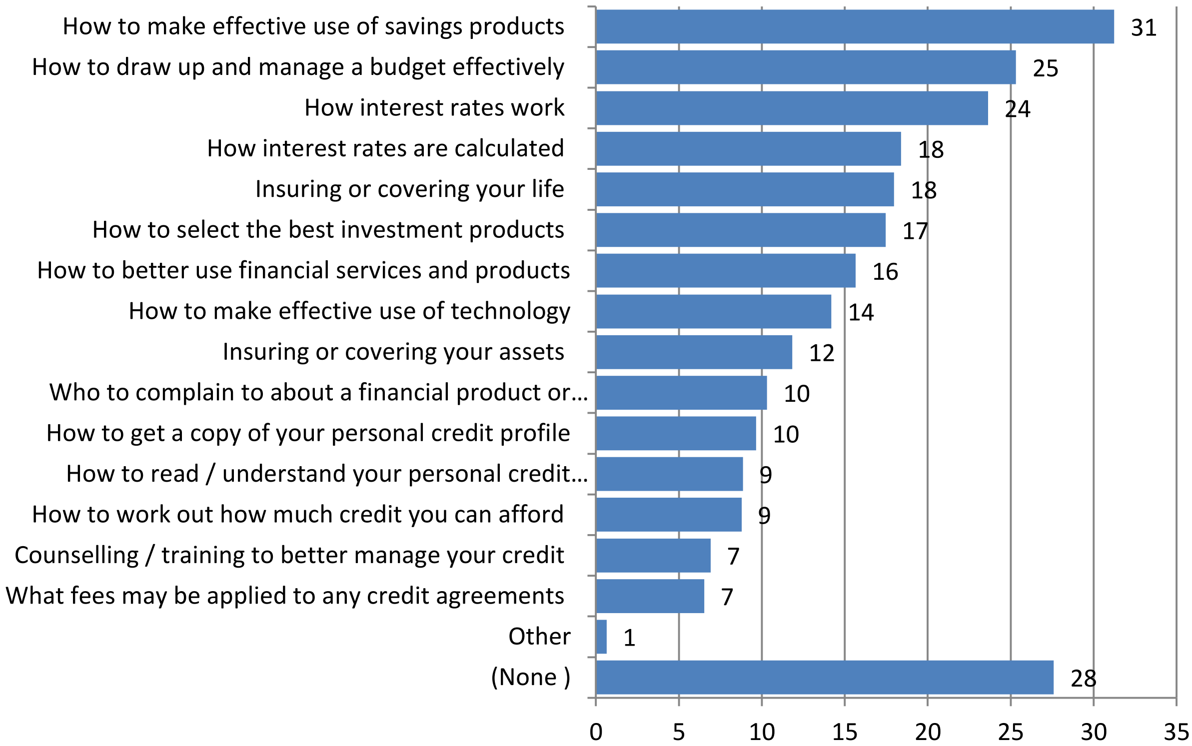
The above sections have identified gaps in the financial knowledge and understanding of South Africans. But the above sections do not indicate whether South Africans themselves are able to identify the gaps in their own financial knowledge. Nor does the above section allow an understanding of which gaps are deemed most important to the individual concerned. This section seeks to remedy this situation by looking at self-reported knowledge gaps. Respondents were asked to indicate the financial issues which they would like to receive more information on or to be better educated in. This question can be leveraged to understand which financial knowledge gaps are seen as most important by respondents.

The most important knowledge gaps identified involved savings, budgets and insurance. More than 30% of South Africans identified making better use of saving products as an issue they would like more information on. This was the most mentioned knowledge gap. Given that the majority of South Africans want to save but seem unable to do so, this finding is not surprising. Interestingly, the poor are more concerned with this knowledge gap than the rich, 36% of those in the poorest household income quintile wanted a better understanding of this issue compared to 24% in the richest quintile. This may be explained by the fact that the poor are more risk-adverse than the more wealthy (as has already been seen) and that the poor may have less experience with formal saving products.

The poor level of national understanding with regards to the concept of financial interest has already been highlighted in this report. Therefore, it is perhaps predictable that almost a quarter of all South Africans would want more information on how interest rates work and close to a fifth would want to be educated on how to calculate interest rates. The desire to know more about interest rates seems not to be tied to a specified social or economic subgroup. The better educated seem to more likely to want information on interest in comparison to their less educated counterparts.

A quarter of all South Africans wanted more information on how to draw up and manage a budget effectively. Budgeting is an important activity that informs financial decisions, allows for more coherent saving practices and can enhance an individual's quality of life. The emphasis placed on budgeting is therefore a good sign – indicating that South Africans understand the importance of this activity. Cultural and historical differences may be reflected in this finding. Black Africans are more likely than their white and Indian counterparts to want information on this activity. This may indicate – as population group differences often do in South Africa – a wealth discrepancy. Of those in the richest quintile, only 16% wanted information on this issue compared to 27% of the poorest quintile. With regards to other personal attributes, there is evidence that age plays a role. It appears that the young (16-29) were more likely to report wanting this information than the old. This indicates that young South Africans understand the importance of both budgeting and saving – although they seem to lack the knowledge or the resources to act on this understanding.

Figure 42: Level of demand for information on specific financial topics (multiple response, percent)



Insurance was identified by 18% of the population as an issue that they would want more information on. Interestingly, those with high levels of education – particularly tertiary education – were most likely to want to learn about insurance. This may indicate that the better educated are better able to understand the importance and complexity of modern insurance practices. Those issues least mentioned were all related to credit – managing credit agreements (7%), better managing credit debit (7%) and reading a personal credit profile (9%). This may indicate that, most probably, South Africans have low levels of access to credit and therefore deem learning more about credit and credit management to be unimportant.

10. Measuring financial literacy

10.1 Conceptualisation

Across the board, there is growing concern about the levels of financial literacy of consumers. Numerous initiatives are being undertaken to determine the levels of financial literacy and financial capability of ordinary citizenry. In order to undertake such initiatives, information is needed about where the current level of literacy is, hence the intention of many studies - inter alia, the OECD INFE study - to try and create a methodology that would enable countries to establish a baseline score of financial literacy. This chapter uses the data from the baseline survey and creates a score for financial literacy in South Africa.

The intention of the financial literacy score is to:

- 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;
- Measure success by comparing the baseline to repeated measures.

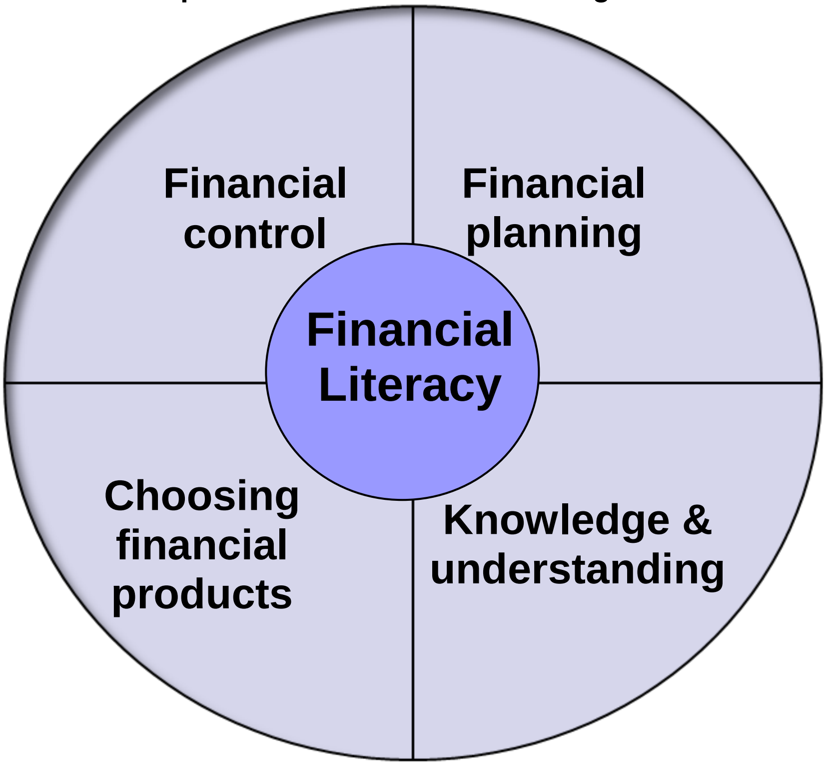
Since the intention was for the FSB to monitor financial literacy on an annual basis or at least periodically, it was important to ensure that the measures were:

- Replicable – that is, there should be sufficient information for another researcher to be able to achieve the same results using the same data.
- Repeatable – it should be possible to perform the same process on annual data to achieve comparable results.
- Comparable – the construction of variables should be such as to enable South African data to be compared to other countries.

In order to achieve the above objectives, it was decided to use the OECD/INFE methodology. The justification for this decision was that it would allow the results collected to be comparable at a cross-national level, allowing researchers to compare South Africa to other countries. The OECD methodology is also an international benchmark, renowned for its well-researched criteria and thoroughly tested methodologies. Another consideration was also that the core OECD measurement variables consisted was centred on a specific set of questions. If this methodology was followed, it would require the FSB (or other institutions) to monitor financial literacy with a very manage and fairly low quotient of questions, which obviously made such a venture more feasible in terms of survey costs.

Since the OECD/INFE methodology was adopted, the OECD definition of financial literacy was also accepted, stating that financial literacy was comprised of: *A combination of awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing*. This definition implies that financial literacy consists of a combination of awareness, knowledge, skills, attitudes and behaviour which need to be reflected in the measurement of financial literacy. The study also recognises that financial literacy comprises of four domains, namely a) financial control b) choosing and using appropriate financial products c) financial planning and d) knowledge and understanding.

Figure 43: Conceptual framework for measuring financial literacy



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 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) were 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 measuring financial literacy in the various domains, certain questions had to be isolated and included as core measures. The table below indicates the core questions used to measure each domain.

Table 46: Domains of financial literacy and questions in the domains

Elements of financial literacy	Relevant questions
Financial control	Q1; Q5; Q16-Q18; Q27; Q29; Q38
Financial planning	Q19; Q32; Q35; Q36;Q70
Choosing products	Q42-Q43;Q51-Q52;Q64-Q65;Q71-Q72;Q98-Q100;Q102
Knowledge and understanding	Q108-Q115

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.

10.4 Financial control

The first of the four domains, financial control, was analysed using questions 1, 5, 16, 17, 18, 27, 29 and 38. It is evident that with regards to financial control there are clear divisions among subgroups in South Africa. As was evident in previous chapters of this report, obvious social and economic inequalities in our society are manifest in our measures of financial literacy. Individuals with different levels of educational attainment, gender, population group, and urbanisation seem to have different levels of financial control. Results from the analysis show that financial control score is significantly lower for:

- Women relative to men;
- Those aged 16-29 relative to those 30 years and older;
- Black South Africans relative to all other race groups; coloured people relative to Indian and white people;
- Those with no schooling; primary schooling or some secondary schooling relative to those who have a Matric or tertiary education; those with a Matric relative to those with a tertiary education;
- Those with a low or medium living standard relative to those with a high living standard;
- Those living in rural traditional areas, rural farms and informal settlements relative to those living in urban formal areas;
- Those isiXhosa speakers to those English, Afrikaans and isiZulu speakers; and
- Those in the Eastern Cape and Limpopo relative to those living in Western Cape, Northern Cape, Free State, KwaZulu-Natal Gauteng; North West and Mpumalanga. Those in the Western Cape, Northern Cape, Free State, KwaZulu-Natal Gauteng; North West and Mpumalanga relative to those in the Northern Cape and Free State.

Table 47: Financial control score, by personal attributes (mean scores, 0-100 scale)

	Mean score	Significance	Oneway ANOVA results Post-hoc Scheffe test
South Africa	58		
Male Female	59 57	**	Female < male
16-19 years 20-29 years 30-39 years 40-49 years 50-59 years 60-69 years 70+ years	42 52 62 62 64 65 64	***	16-19 < 20-29 < all other age groups
Black African Coloured Indian White	54 60 71 76	***	Black < all other population groups
Married (customary only) Married (civil only) Married (both customary & civil) Widow/widower Divorced/separated Never married	59 72 68 62 61 52	***	Never married < all other groups All other marital groups < Married (civil), Married (both)
Low living standard Medium living standard High living standard	50 52 67	***	Low, medium < high
No schooling Primary Some secondary Matric or equivalent Tertiary	49 54 53 59 73	***	All other groups < tertiary, matric Matric < tertiary
Self-employed (30 hours+/week) Self-employed (<30 hours/week) Paid employment (30 hours+/week) Paid employment (<30 hours/week) Looking for work Looking after the home Unable to work (sickness / ill-health) Retired Student Not working, not looking	73 62 68 60 47 58 56 64 44 54	***	Student < All except unemployed work-seekers. Unemployed work-seekers < all other groups Discouraged work-seekers < self empl (30+), paid empl (30+), retired Unable to work, Looking after home, paid empl (<30) < self empl (30+), paid empl (30+) self empl (<30), retired < self empl (30+)
Urban formal Urban informal Rural traditional authority areas Rural farmworker households	62 53 51 56	***	All other groups < urban formal Rural, trad auth areas < rural farms
Western Cape Eastern Cape Northern Cape Free State KwaZulu-Natal North West Gauteng Mpumalanga Limpopo	62 51 63 64 61 56 59 57 49	***	LP, EC < WC, NC, FS, KZN, GP NW, MP < NC, FS
isiZulu isiXhosa SiSwati & isiNdebele Sepedi Setswana Sesotho Tshivenda & Xitsonga Afrikaans English	58 51 57 55 52 55 45 68 69	***	Tshivenda & Xitsonga < all except isiXhosa, Setswana isiXhosa < English, Afrikaans, isiZulu Setswana, Sepedi, Sesotho, SiSwati & isiNdebele, isiZulu < English or Afrikaans

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

The mean financial control scores indicate that the youngest cohort (aged between 16-19 years), students, people looking for work or who have no schooling scored lowest on the financial control index. These groups were thus less likely to be responsible for day-to-day money management in their households, less likely to have a budget, less likely to consider financial implications of choices, least likely to cover monthly expenses and most likely to think money “is there to be spent”. By contrast, those with a high living standard, in paid employment, Indians, those that are self-employed, those who have a tertiary qualification or who are white, scored highest on the financial control scale, thus exhibiting high levels of financial control as measured by the various questions.

It seems evident from the above that those who are economically vulnerable - women, the unemployed, the poor, those in rural areas and the uneducated - are also most likely to have limited financial control. These groups tend not to exhibit a careful approach to personal finances, prefer saving over spending money, and do not live in a household that budgets and is able to make ends meet. This reveals perhaps not so much ‘irresponsible behaviour’ as an inability to access financial institutions and/or failure to acquire regular income. Moreover, it seems to 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.

10.5 Financial planning

Financial planning was analysed using questions 19,32, 35, 36 and 70. Great emphasis has historically been placed on setting financial goals and working hard to meet them, saving for the long term and having emergency funds in place. However, modern consumerism encourages a less frugal approach, placing a greater emphasis on spending and less on saving. Indeed, the average South African currently only scored 53 on this domain. However, this financial planning score is not consistent across all subgroups. Results from the analysis show that financial control score is significantly lower for:

- Women relative to men;
- Those aged 16-29 relative to all other age groups; those aged 20-29 relative to all those aged 30-60;
- Black African and coloured people relative to Indian and white people;
- Those never married relative to married people; those divorced relative to those married;
- Those with a low or medium living standard relative to those with a high living standard;
- Those with no schooling, primary schooling or some secondary schooling relative to those who have a Matric or tertiary education; those with a Matric relative to those with a tertiary education;
- Those living in rural traditional areas, rural farms and informal settlements relative to those living in urban formal areas;
- Those isiXhosa speakers to those English, Afrikaans and isiZulu speakers;
- Those in the Eastern Cape, North West and Mpumalanga relative to those living in KwaZulu-Natal, Gauteng; and
- Those living in Limpopo, Free State, Western Cape relative to those living in KwaZulu-Natal.

Table 48: Financial planning score, by personal attributes (mean scores, 0-100 scale)

	Mean score	Significance	Oneway ANOVA results Post-hoc Scheffe test
South Africa	53		
Male Female	54 52	*	Female < male
16-19 years 20-29 years 30-39 years 40-49 years 50-59 years 60-69 years 70+ years	40 51 57 57 57 58 55	***	16-19 < all other age groups 20-29 < 30s, 40s, 50s, 60s
Black African Coloured Indian White	51 49 65 68	***	Black African, coloured < Indian, white
Married (customary only) Married (civil only) Married (both customary & civil) Widow/widower Divorced/separated Never married	55 64 63 53 53 49	***	Never married < married (customary), married (civil), married (both) Divorced/separated, widow/widower, married (customary) < married (civil), married (both)
Low living standard Medium living standard High living standard	45 48 62	***	Low, medium < high
No schooling Primary Some secondary Matric or equivalent Tertiary	44 46 47 57 72	***	No schooling, primary, some secondary < tertiary, matric Matric < tertiary
Self-employed (30 hours+/week) Self-employed (<30 hours/week) Paid employment (30 hours+/week) Paid employment (<30 hours/week) Looking for work Looking after the home Unable to work (sickness / ill-health) Retired Student Not working, not looking	66 62 64 56 46 53 48 59 42 43	***	Not working, not looking; student < self empl (30+), Self empl <30), Paid empl (30+), paid empl (<30), looking after home, retired Looking for work < self empl (30+), Self empl <30), Paid empl (30+), paid empl (<30), retired Unable to work < self empl (30+), Self empl <30), Paid empl (30+), retired Paid empl (<30), looking after home < self empl (30+), paid empl (30+) Retired < Self-empl (30+)
Urban formal Urban informal Rural traditional authority areas Rural farmworker households	56 52 50 49	***	Rural, trad auth areas, rural farms < urban formal
Western Cape Eastern Cape Northern Cape Free State KwaZulu-Natal North West Gauteng Mpumalanga Limpopo	52 46 53 52 60 47 57 49 50	***	EC, NW, MP < KZN, GP LP, FS, WC < KZN
isiZulu isiXhosa SiSwati & isiNdebele Sepedi Setswana Sesotho Tshivenda & Xitsonga Afrikaans English	56 48 50 54 47 50 48 56 65	***	Setswana < English, Afrikaans, isiZulu, Sepedi isiXhosa < English, Afrikaans, isiZulu Tshivenda & Xitsonga, Sesotho, Siswati & isiNdebele, Sepedi, IsiZulu, Afrikaans < English

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

The mean scores of financial planning indicate that the youngest cohort, (aged between 16-19 years), those not working and not looking for work, students, people with a low living standard or who have no schooling scored lowest on the financial planning domain. Interestingly Setswana and Xhosa speakers were found to have the lowest financial planning domain score among all the language groups in South Africa. 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. Those with a high living standard, self-employed (less than 30 hours a week), in paid employment, Indians, those that are self-employed (more than 30 hours a week), those who have a tertiary qualification or white people, scored highest on the financial planning scale, thus exhibiting high levels of financial planning as measured by the various questions.

It is clear that the financial planning domain score is associated with an obvious human capital bias. Those with matric and tertiary education had considerably higher financial planning domain scores than those with lower forms of education. Indeed, it appears from the above that human capital attainment is the largest predictor of the ability to adequately save, set financial goals and keep emergency funds. This argument is further supported if the groups with the lowest financial planning domain score are considered. The groups with the lowest domain score were the age cohort 16-19, students and those not working and not looking for work -groups that are associated with low educational attainment.

10.6 Product choice

The product choice domain was analysed using questions 42, 43, 51, 52, 64, 65, 71, 72, 98, 99, 100 and 102. In the last twenty years, South Africans have been trying to disentangle themselves from a legacy of inequality in which access to financial products was almost exclusively the province of certain groups. Our evidence suggests that although a measure of social mobility may have taken place, the current indicators suggest that our legacy of social inequality remains very much with us. The product choice domain score for South Africans remains low at 45 and the score itself is highly differential based on the obvious wealth disparity between provinces, social classes and population groups. Results from the analysis show that the product choice score is significantly lower for:

- Women relative to men;
- Those aged 16 -19 relative to those aged between 20 and 60; those aged 20 - 29 and 70+ relative to all those in their 40s and 50s;
- Black South Africans relative to all other population groups; coloured people relative to Indian and white people;
- Those never married, divorced, separated, widowed or married by customary laws relative to those married by civil laws or those married by both customary and civil laws;
- Those with a low living standard relative to those with a medium living standard or high living standard; those with a medium living standard relative to those with a high living standard;
- All educational groups were statistically significantly different, with product choice scores increasing as the level of educational attainment increased;
- Those living in rural traditional areas, rural farms and informal settlements relative to those living in urban formal areas;
- isiXhosa, isiZulu, Setswana and Sepedi speakers to the English and Afrikaans speakers; and

- Those in Limpopo, Eastern Cape and Western Cape relative to those in the Northern Cape, Gauteng, KwaZulu-Natal; and
- Those in North West and Free State, relative to those living in Gauteng.

Table 49: Product choice score, by personal attributes (mean scores, 0-100 scale)

	Mean score	Significance	Oneway ANOVA results Post-hoc Scheffe test
South Africa	45		
Male Female	46 44	**	Female < male
16-19 years 20-29 years 30-39 years 40-49 years 50-59 years 60-69 years 70+ years	40 44 48 47 49 42 42	***	16-19 < 30s, 40s, 50s 20-29, 70+ < 30s, 50s 60s < 30s, 40s, 50s
Black African Coloured Indian White	43 45 59 58	***	Black, coloured < Indian, white
Married (customary only) Married (civil only) Married (both customary & civil) Widow/widower Divorced/separated Never married	44 54 51 44 44 43	***	Never married, divorced/separated, widow/widower, married (customary) < married (civil), married (both)
Low living standard Medium living standard High living standard	34 41 54	***	All mean scores significantly different
No schooling Primary Some secondary Matric or equivalent Tertiary	33 37 42 48 61	***	No schooling, primary < some secondary < matric or equivalent < tertiary
Self-employed (30 hours+/week) Self-employed (<30 hours/week) Paid employment (30 hours+/week) Paid employment (<30 hours/week) Looking for work Looking after the home Unable to work (sickness / ill-health) Retired Student Not working, not looking	54 49 54 46 41 42 36 45 40 39	***	Unable to work, Not working not looking < Self-empl (30+), self-empl (<30), paid empl (30+), paid empl (<30), retired Student, looking for work < Self-empl (30+), self-empl (<30), paid empl (30+) Looking after home, retired, paid empl (<30) < self-empl (30+), paid empl (30+)
Urban formal Urban informal Rural traditional authority areas Rural farmworker households	48 42 41 41	***	Rural, trad auth areas, rural farms, urban informal < urban formal
Western Cape Eastern Cape Northern Cape Free State KwaZulu-Natal North West Gauteng Mpumalanga Limpopo	42 43 49 46 46 44 48 46 43	***	WC, EC < GP
isiZulu isiXhosa SiSwati & isiNdebele Sepedi Setswana Sesotho Tshivenda & Xitsonga Afrikaans English	42 41 45 44 43 45 43 50 57	***	isiXhosa, isiZulu, Setswana, Sepedi < English, Afrikaans Tshivenda & Xitsonga, Sesotho, SiSwati & isiNdebele, Afrikaans < English

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

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 thus least likely to have heard, to currently hold or to have chosen banking products, credit products, investment and savings products or insurance products. Those people living in urban formal areas, self-employed or in paid employment, those who have a high living standard, Indians or white people, and those with a tertiary qualification scored highest on the financial product scale.

It is interesting to note the largest disparity between certain subgroups in South Africa with regards to the product choice score. A population group differential is highly evident with Black and coloured South Africans being in a worse position than their white and Indian counterparts. A considerable class differential was also noted but the greatest degree of difference observed was between educational attainment groups. English speakers had the highest domain score and isiXhosa speakers had the lowest. Interestingly, unlike as was observed for the financial planning domain, the financial control domain and particularly the financial knowledge domain, isiZulu speakers were found to have a below average product choice score. 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.

10.7 Financial Knowledge

The financial knowledge domain was analysed using questions 108, 109, 110, 111, 112, 113, 114 and 115. Past 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. However, it is necessary to measure pure cerebral knowledge on basic mathematics, inflation, interest, and risk investment in order to better understand financial literacy in South Africa. Such a measure will allow us to discern the relationships between class, formal education and geographic location in terms of general financial knowledge and understanding. The South African average is 56, which indicates a knowledge and understanding domain score that not extremely poor but at the same time does not overly inspire confidence. However, as we observed with the other domain scores discussed, there is a considerable level of disparity between subgroups in South Africa.

Table 50: Financial knowledge score, by personal attributes (mean scores, 0-100 scale)

	Mean score	Significance	Oneway ANOVA results Post-hoc Scheffe test
South Africa	56		
Male	58	*	Female < male
Female	55		
16-19 years	54	***	70+ < 20's, 40's, 50's
20-29 years	58		
30-39 years	55		
40-49 years	57		
50-59 years	58		
60-69 years	54		
70+ years	49		
Black African	54	***	Black African< coloured < Indian, white
Coloured	58		
Indian	70		
White	69		
Married (customary only)	48	***	Married (customary) < married (civil), married (both), never married Widow/widower, divorced/separated, never married < married (civil), married (both)
Married (civil only)	63		
Married (both customary & civil)	63		
Widow/widower	53		
Divorced/separated	53		
Never married	57		
Low living standard	45	***	All mean scores significantly different
Medium living standard	53		
High living standard	65		
No schooling	36	***	All mean scores significantly different
Primary	47		
Some secondary	54		
Matric or equivalent	63		
Tertiary	69		
Self-employed (30 hours+/week)	66	***	Not working not looking < self empl (30+), self empl (<30), paid empl (30+), paid empl (<30), looking for work, looking after home, retired, student Unable to work, looking for work < self empl (30+), self empl (<30), paid empl (30+) Paid empl (<30) < self empl (30+)
Self-employed (<30 hours/week)	65		
Paid employment (30 hours+/week)	62		
Paid employment (<30 hours/week)	55		
Looking for work	53		
Looking after the home	55		
Unable to work (sickness / ill-health)	50		
Retired	58		
Student	58		
Not working, not looking	44		
Urban formal	59	***	rural, trad auth areas < urban formal, urban informal rural farms < urban formal
Urban informal	57		
Rural traditional authority areas	51		
Rural farmworker households	51		
Western Cape	62	***	FS < KZN, WC, MP, GP, LP EC < KZN, WC, GP NW, NC, LP, GP < KZN, WC MP < KZN
Eastern Cape	48		
Northern Cape	51		
Free State	43		
KwaZulu-Natal	68		
North West	49		
Gauteng	55		
Mpumalanga	55		
Limpopo	53		
isiZulu	62	***	isiXhosa, Sesotho, Setswana, Sepedi < English, Afrikaans, isiZulu SiSwati & isiNdebele, Tshivenda & Xitsonga, isiZulu, Afrikaans < English
isiXhosa	48		
SiSwati & isiNdebele	55		
Sepedi	53		
Setswana	51		
Sesotho	51		
Tshivenda & Xitsonga	55		
Afrikaans	63		
English	69		

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

Results from the analysis show that the financial knowledge score is significantly lower for:

- Women relative to men;
- Those aged 70+ relative to those in their 20's, 40's and 50's;
- Black South Africans relative to all other race groups; coloured people relative to Indian and white people;
- Those with a low living standard relative to those with a medium living standard or high living standard; those with a medium living standard relative to those with a high living standard;
- All educational groups were statistically significantly different, with product choice scores increasing as the level of educational attainment increased;
- Those living in rural traditional areas relative to those living in urban formal and informal areas; rural farms relative to urban formal areas;
- isiXhosa, Sesotho, Setswana and Sepedi speakers to English, Afrikaans and isiZulu speakers
- Those in the Free State relative to those living in KwaZulu-Natal, Western Cape, Mpumalanga, Gauteng and Limpopo;
- Those in the Eastern Cape relative to those living in KwaZulu-Natal, Western Cape, Mpumalanga and Gauteng; and
- Those in North West, Northern Cape, Limpopo, Gauteng and Mpumalanga relative to those in the KwaZulu-Natal and Western Cape. Those in the Western Cape relative to those in KwaZulu-Natal.

The mean scores for financial knowledge indicate that people with no schooling, people living in the Free State, those not working and not looking for work, those with a low living standard or with a primary school education scored lowest on the knowledge index. People living in KwaZulu-Natal, white South Africans, those with a tertiary qualification or Indians scored highest on the Financial Knowledge Index It was intesting to note how the financial knowledge domain score disaggregrated among language groups. English speakers had the highest financial knowledge scores followed by the Afrikaans speaking language group. Interestingly isiZulu speakers were found to particular high financial knowledge scores, much higher than isiXhosa, Sesotho and Setswana speakers.

As with the previous domain scores under discussion show the greatest disparity between the most educated and least educated groups. Also in keeping with the results of the domain scores already considered, social class also plays a considerable role. What was interesting to note, as has been discussed above, is the place that the KwaZulu-Natal holds in comparison to the other provinces in South Africa. KwaZulu-Natal is far above the South African average with regards to the knowledge and understanding domain score. This may suggest that the environment in KwaZulu-Natal is more conducive to the diffusion of general financial knowledge.

An examination of each individual financial domain score has allowed the identification of common trends and themes that have emerged from the analysis. However, in order to better depict these common themes, an overall financial literacy score is constructed below. This score allows, for the first time in South Africa, financial literacy to be adequately measured nationally and across sub-groups.

Table 51: Overall financial literacy score, by personal attributes (mean scores, 0-100 scale)

	Mean score	Significance	Oneway ANOVA results Post-hoc Scheffe test
South Africa	54		
Male	55	***	Female < male
Female	52		
16-19 years	44	***	16-19 < all other age groups 20-29 < 30s, 40s, 50s
20-29 years	52		
30-39 years	56		
40-49 years	56		
50-59 years	57		
60-69 years	55		
70+ years	53		
Black African	51	***	Black African< all other groups Coloured < Indian, white
Coloured	53		
Indian	67		
White	68		
Married (customary only)	52	***	Never married, Married (customary), Widow/widower, divorced/separated < married (civil), married (both)
Married (civil only)	63		
Married (both customary & civil)	62		
Widow/widower	53		
Divorced/separated	53		
Never married	51		
Low living standard	44	***	All mean scores significant different
Medium living standard	49		
High living standard	62		
No schooling	41	***	All mean scores significant different
Primary	46		
Some secondary	49		
Matric or equivalent	57		
Tertiary	68		
Self-employed (30 hours+/week)	65	***	Not working not looking, looking for work < self empl (30+), self empl (<30), paid empl (30+), paid empl (<30), looking after home, retired Student < self empl (30+), self empl (<30), paid empl (30+), paid empl (<30), retired Unable to work < self empl (30+), self empl (<30), paid empl (30+), retired Looking after home, paid empl (<30), retired < self empl (30+), paid empl (30+)
Self-employed (<30 hours/week)	60		
Paid employment (30 hours+/week)	62		
Paid employment (<30 hours/week)	55		
Looking for work	47		
Looking after the home	53		
Unable to work (sickness / ill-health)	48		
Retired	57		
Student	46		
Not working, not looking	45		
Urban formal	57		Rural, trad auth areas, rural farms, urban informal < urban formal
Urban informal	52		
Rural, trad auth areas	49		
Rural farms	49		
Western Cape	55	***	EC < KZN, WC, GP, NC, FS NW, LP < KZN, WC, GP MP, FS, GP < KZN
Eastern Cape	47		
Northern Cape	54		
Free State	53		
KwaZulu-Natal	59		
North West	49		
Gauteng	55		
Mpumalanga	52		
Limpopo	49		
isiZulu	55	***	isiXhosa, Tshivenda & Xitsonga, Setswana < English, Afrikaans, isiZulu Sesotho, Sepedi, SiSwati & isiNdebele, isiZulu< English, Afrikaans Afrikaans < English
isiXhosa	47		
SiSwati & isiNdebele	52		
Sepedi	52		
Setswana	48		
Sesotho	51		
Tshivenda & Xitsonga	48		
Afrikaans	59		
English	66		

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

It is important to note the subgroups that scored the highest and the lowest in the table above, but it also important to recognise similarities. Results from the analysis show that the overall financial score is significantly lower for:

- Women relative to men;
- Those aged 16 -19 relative to those aged between 20 and 60; those aged 20 - 29 relative to all those in their 30's, 40's, 50's and 60's;
- Black South Africans relative to all other race groups; coloured people relative to Indian and white people;
- Those with a low living standard relative to those with a medium living standard or high living standard; those with a medium living standard relative to those with a high living standard;
- All educational groups were statistically significantly different, with product choice scores increasing as the level of educational attainment increased;
- Those living in rural traditional areas, rural farms, urban informal and informal areas relative to urban formal areas;
- isiXhosa, Tshivenda & Xitsonga and Setswana speakers to English, Afrikaans and isiZulu speakers;
- Those in the Eastern Cape and Limpopo relative to those living in Western Cape, Northern Cape, KwaZulu-Natal and Gauteng;
- Those in North West relative to those in Western Cape, KwaZulu-Natal and Gauteng; and
- Those in the Free State, Mpumalanga, Gauteng, Western Cape relative to those in KwaZulu-Natal.

Given the evidence presented in this report and considering differences across these groups reveals some interesting areas where the degree of difference is unexpectedly low. A gender difference was noted, but this level of difference was not as high as might be expected. This indicates a level of gender parity with regard to financial literacy and the changing financial position of women in the household and in society in general. It is interesting to note that isiZulu speakers were located above the national financial literacy average. This stands in contrast to the position of isiXhosa, Tshivenda & Xitsonga and Setswana speakers who were below the national average by a significant margin. Given that English is the commercial language of South Africa, it is unsurprising that English speakers had the highest financial literacy score by a considerable margin. In addition, speaking English as a home language is most associated with the White population group who, has been noted above, have higher than average financial literacy scores. Significant differences in the provinces were observed but were not as great as could have been expected given the economic differences between South Africa's provinces. The same could be said of the urban-rural divide.

The financial domain scores under review have so far been discussed without a reasonable level of comparison between them. In order to correct 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. The tertiary educated, the wealthy, those in full-time self-employment and dwellers in formal urban areas tended to have high mean scores regardless of domain.

Table 52: 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	**58**	**53**	45	56
Male	55	59	54	46	58
Female	52	57	52	44	55
16-19 years	44	42	40	40	54
20-29 years	52	52	51	44	58
30-39 years	56	62	57	48	55
40-49 years	56	62	57	47	57
50-59 years	57	64	57	49	58
60-69 years	55	65	58	42	54
70+ years	53	64	55	42	49
Black African	51	54	51	43	54
Coloured	53	60	49	45	58
Indian	67	71	65	59	70
White	68	76	68	58	69
Married (customary only)	52	59	55	44	48
Married (civil only)	63	72	64	54	63
Married (both customary & civil)	62	68	63	51	63
Widow/widower	53	62	53	44	53
Divorced/separated	53	61	53	44	53
Never married	51	52	49	43	57
Low living standard	44	50	45	34	45
Medium living standard	49	52	48	41	53
High living standard	62	67	62	54	65
No schooling	41	49	44	33	36
Primary	46	54	46	37	47
Some secondary	49	53	47	42	54
Matric or equivalent	57	59	57	48	63
Tertiary	68	73	72	61	69
Self-employed (30 hours+/week)	65	73	66	54	66
Self-employed (<30 hours/week)	60	62	62	49	65
Paid employment (30 hours+/week)	62	68	64	54	62
Paid employment (<30 hours/ week)	55	60	56	46	55
Looking for work	47	47	46	41	53
Looking after the home	53	58	53	42	55
Unable to work (sickness / ill-health)	48	56	48	36	50
Retired	57	64	59	45	58
Student	46	44	42	40	58
Not working, not looking	45	54	43	39	44
Urban formal	57	62	56	48	59
Urban informal	52	53	52	42	57
Rural, trad. auth. areas	49	51	50	41	51
Rural farms	49	56	49	41	51
Western Cape	55	62	52	42	62
Eastern Cape	47	51	46	43	48
Northern Cape	54	63	53	49	51
Free State	53	64	52	46	43
KwaZulu-Natal	59	61	60	46	68
North West	49	56	47	44	49
Gauteng	55	59	57	48	55
Mpumalanga	52	57	49	46	55
Limpopo	49	49	50	43	53
isiZulu	55	58	56	42	62
isiXhosa	47	51	48	41	48
SiSwati & isiNdebele	52	57	50	45	55
Sepedi	52	55	54	44	53
Setswana	48	52	47	43	51
Sesotho	51	55	50	45	51
Tshivenda & Xitsonga	48	45	48	43	55
Afrikaans	59	68	56	50	63
English	66	69	65	57	69

Note: red–shaded cells indicate below-average scores in the overall financial literacy score and domain scores, orange-shaded cells indicate average scores, while green-shaded cells indicate above average scores.

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. Further research is needed to adequately understand this provincial disparity in financial literacy. Interestingly, and perhaps unsurprisingly, the student subgroup had a relatively high knowledge and understanding domain score but generally score low in all other domains. The youth cohort (16-19) had low scores across the board indicating their inexperience with financial products probably due to their limited access to financial resources. This finding is perhaps disturbing given that this is the post-apartheid generation (i.e. the generation born after Nelson Mandela's release from prison) and will be trend setters for the generations that follow. As a majority of the unemployed are young, then this finding may be also be connected for the low scores found for the unemployed.

10.8 Multivariate Analysis

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, four regressions were undertaken.

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

The final regression on financial literacy, as measured by the OECD criteria within the financial control, financial planning, financial choice and knowledge domains reveal that there are no significant differences between men and women regarding financial literacy. However, 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 is found to be significantly less financially literate than the older age group. No significant difference exists between the financial literacy levels of black and coloured South Africans, but their scores are significantly lower than those of Indian and white citizens. Married people are more financially literate than single (not married) people, whilst divorced people score significantly lower on financial literacy than single people.

Table 53: Regression of financial literacy, financial control, financial planning, product choice and knowledge by select socio-demographic variables

	Financial literacy score (0-100 scale)		Financial control domain (0-100 scale)		Financial planning domain (0-100 scale)		Product choice domain (0-100 scale)		Financial knowledge domain (0-100 scale)	
	Model I		Model II		Model III		Model IV		Model V	
	Coef.	Signif.	Coef.	Signif.	Coef.	Signif.	Coef.	Signif.	Coef.	Signif.
Male	-0.665	n.s.	-1.009	n.s.	-1.444	n.s.	-0.125	n.s.	-0.298	n.s.
Age: 20-29 years	0.958	n.s.	2.796	n.s.	3.271	n.s.	-2.103	n.s.	0.533	n.s.
Age: 30-39 years	3.061	**	8.651	***	6.184	**	-1.032	n.s.	-2.135	n.s.
Age: 40-49 years	2.937	*	7.516	***	7.126	***	-2.234	n.s.	-0.084	n.s.
Age: 50-59 years	5.716	***	10.431	***	7.623	**	0.825	n.s.	4.329	n.s.
Age: 60-69 years	6.056	***	15.105	***	11.396	***	-5.011	*	2.622	n.s.
Age: 70+ years	5.538	**	17.048	***	10.111	**	-3.514	n.s.	-0.928	n.s.
Race: Coloured	-0.575	n.s.	0.41	n.s.	-3.993	**	0.538	n.s.	1.331	n.s.
Race: Indian	3.497	*	2.977	n.s.	0.188	n.s.	6.625	***	4.629	n.s.
Race: White	6.058	***	5.895	***	3.674	*	4.984	***	9.486	***
Married (customary only)	0.479	n.s.	2.061	n.s.	3.039	*	2.803	*	-5.687	***
Married (civil only)	2.786	**	6.86	***	3.761	*	3.525	**	-2.038	n.s.
Married (both customary & civil)	2.881	**	5.271	***	4.616	**	2.891	*	-0.751	n.s.
Widow/widower	1.361	n.s.	4.023	*	1.07	n.s.	4.218	***	-3.814	n.s.
Divorced/separated	-3.435	**	-3.313	n.s.	-2.621	n.s.	-1.718	n.s.	-5.6	*
Medium living standards	2.86	**	1.113	n.s.	2.14	n.s.	3.846	***	5.56	***
High living standards	7.281	***	4.409	*	8.176	***	9.066	***	8.775	***
Education: Primary	5.02	***	5.828	***	0.887	n.s.	2.785	n.s.	10.374	***
Education: Grades 8-11 or equivalent	9.248	***	8.496	***	6.188	**	7.04	***	14.834	***
Education: Matric or equivalent	13.653	***	11.196	***	12.644	***	10.55	***	19.783	***
Education: Tertiary	17.525	***	14.664	***	17.474	***	17.015	***	21.289	***
Self-employed (30 hours+/week)	12.188	***	14.23	***	16.149	***	7.652	***	11.42	***
Self-employed (<30 hours/week)	10.629	***	8.256	***	16.261	***	5.964	***	12.916	***
Paid employment (30 hours+/week)	11.421	***	11.834	***	16.147	***	9.845	***	8.308	***
Paid employment (<30 hours/week)	7.486	***	7.076	**	11.831	***	5.271	***	6.023	***
Looking for work	2.494	**	-2.426	n.s.	4.532	**	1.44	n.s.	6.729	***
Looking after the home	5.764	***	2.999	n.s.	8.582	**	1.725	0.4	10.658	***
Unable to work (sickness / ill-health)	4.188	**	2.429	n.s.	7.243	**	0.059	n.s.	7.36	***
Retired	5.362	***	-0.905	n.s.	9.293	***	3.821	*	9.821	***
Student	1.427	n.s.	-2.745	n.s.	2.634	n.s.	-2.091	n.s.	8.693	***
Urban formal	-0.376	n.s.	-0.128	n.s.	-5.195	***	-0.167	n.s.	3.006	*
Urban informal	0.894	n.s.	-1.724	n.s.	-1.874	n.s.	1.335	n.s.	5.459	***
Rural farmworker households	-1.023	n.s.	-0.578	n.s.	-3.02	n.s.	-1.805	n.s.	1.7	n.s.
Western Cape	1.128	n.s.	2.389	n.s.	1.273	n.s.	-6.516	***	5.831	***
Northern Cape	1.269	n.s.	3.689	n.s.	3.835	n.s.	1.482	n.s.	-4.642	n.s.
Free State	1.696	n.s.	5.861	**	1.393	n.s.	0.651	n.s.	-1.984	n.s.
KwaZulu-Natal	4.22	***	1.828	n.s.	3.89	**	-3.58	***	14.076	***
North West	-1.602	n.s.	-1.669	n.s.	-2.437	n.s.	-0.715	n.s.	-1.298	n.s.
Gauteng	-0.142	n.s.	0.12	n.s.	3.51	*	-2.176	n.s.	-2.259	n.s.
Mpumalanga	3.399	**	4.206	*	1.395	n.s.	2.422	n.s.	4.664	*
Limpopo	0.015	n.s.	-3.69	*	1.139	n.s.	-1.05	n.s.	3.619	*
Constant	27.827	***	32.454	***	26.701	***	29.527	***	21.31	***
Number of observations	2427		2427		2528		2528		2528	
Adj. R-squared	0.5285		0.332		0.3006		0.4396		0.2251	

Reference variables are; female (sex), 16-19 years (age), black African (race), never married (marital status) no schooling (education level), people not working and not looking for work (employment status), low living standards, rural traditional authority areas (geographic location) and Eastern Cape (province). The dependent variables are composite indicators where 0=lowest score and 100=highest score. *, **, ***, n.s. Significant difference at the 0.05, 0.01 and 0.001 levels, not significant.

People with a low living standard have significantly lower financial literacy levels than people with a medium living standard. People with a medium living standard also have a significantly lower living standard than people with a high living standard. The level of education clearly has an impact on financial literacy, with financial literacy levels significantly increasing as the level of schooling increases. Those people that are unemployed and not looking for work are significantly less financially literate than all other employment categories. Employed people are significantly more financially literate than their unemployed counterparts. 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. The Western Cape, Northern Cape, Free State, North West, Gauteng or Limpopo are not significantly different from the Eastern Cape when considering financial literacy levels. However, Mpumalanga and KwaZulu-Natal do differ significantly from the Eastern Cape in being more financially literate.

In conclusion, it is necessary to reiterate the main findings of the chapter. 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 household level and personal disadvantage in understanding financial literacy in South Africa. Using multivariate analysis it is possible to clearly pinpoint the impact of educational attainment and social class on financial literacy. The findings of this study suggest that differences in terms of class and education may explain the rural/urban divide observed in earlier chapters. Indeed, as discussed above, no significant differences are found for geographic subtype.

In closing it should be noted the measurements created in this study is unique in that it is the first time that a single holistic measurement has been created that can capture the multifaceted character of financial literacy in South Africa. The methodology created for this study can be used to measure financial literacy in the future, allowing comprehensive analysis to be undertaken by policy-makers. 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 work completed here provides a platform to recognize and appreciate the complexity of the financial literacy in the context of the modern period.

11. Conclusions

The aim of this study was to develop and implement a baseline survey of financial literacy among adults in South Africa consistent with emerging international best practices. A new measurement approach was developed and implemented, allowing 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 research was undertaken in the context of a growing realisation in South Africa that understanding financial literacy is of central importance to policy-makers at the national and provincial level. The research team contributed to the field of financial literacy in South Africa by creating measures of financial literacy that can:
(1) identify potential gaps in financial knowledge and understanding among South Africans;
(2) identify groups that are at risk due to their low quotient of financial knowledge; and
(3) accurately monitor the progress made by financial education interventions.

To create these measures the research team used a multidimensional approach which 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) definition of financial literacy as well as their core and supplementary items, together with South African specific content.

The evolution of the financial sector environment in South Africa has witnessed the growth of a range of financial challenges facing households at the macro- and micro-levels. In addition, 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 contemporary South African financial consumer faces a number of challenges. The National Treasury of South Africa has recognised the impact of these challenges, describing the present reality in stark terms in their policy statement released in 2011, entitled: “A safer financial sector to serve South Africa better”. 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. The National Treasury has highlighted consumer financial education as one of the components of a comprehensive solution for protecting consumers of financial services. Indeed, this was one of the core messages of the 2011 policy statement. 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.”

The mission places emphasis on 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 research team therefore constructed the financial baseline study in the context of the recognized demand for greater financial consumer education in South Africa. The National Treasury has asserted 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. Consequently, there are number of structural issues that have contributed to the need for a national measure of financial literacy in South Africa. In order to ensure that our research supports the national vision of achieving personal financial wellbeing or capability for South Africans, the research team's recommendations are informed by these structural issues. There is a pressing need for consumer financial education, as well as a need for a composite measure to understand that education process. The research undertaken by this study was informed by these twin demands.

There is a strong commitment to financial education from government. 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 results of this financial baseline study confirm the apprehensions of the National Treasury. Not only did a considerable number of South Africans display very low levels of financial literacy but only a minority relied on experts for financial advice and guidance. This 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 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.

The purpose of the financial baseline study is more than just descriptive, and the research team provides a tool that government and other stakeholders can use to monitor progress in levels of financial literacy. One of the team's principle aims was the creation of a score which would accurately measure financial literacy in South Africa. In this the research team was successful. The team has established a baseline national estimate of the level 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. This identification process allows those groups to be prioritised by the appropriate governmental and non-governmental agencies for targeted assistance.

The present study has provided South African researchers with an important tool to understand and measure financial literacy. The creation of a single score to measure financial literacy is innovative and creates a better understanding of financial knowledge in modern South Africa. It is now possible to accurately present financial literacy in the country with a single measure – which has the potential to inform decision-making at a policy level. The financial literacy index provides the means by which we 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. This tool can provide a platform for researchers to reach a common framework of analysis. In addition this tool will better allow collaboration and co-ordination of financial sector stakeholders in financial education. Moreover, it will now be 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 financial literacy index is a complex measure of financial understanding and behaviour, capturing the multifaceted nature of a complex phenomenon. As such, the index allows an intricate measure of financial understanding and knowledge. Although the overall financial literacy score observed, 54, was not distressingly low, this score underplays the gross inequalities in financial literacy in South Africa. A powerful example of the usefulness of the financial literacy instrument created by this study is the ability of the researchers to clearly outline the geographic location of poor financial literacy. It was found that, in particular, rural areas in the Eastern Cape, Limpopo and the North West had significantly low financial literacy scores (43, 44 and 48 respectively) well below the national average (54). Urban areas in the North West, KwaZulu-Natal and Gauteng were well above the national average. Interestingly, urban areas in the Western Cape and Limpopo were close to the national average. This suggests the clear need for the application of financial consumer education resources to specific geographic regions in order to maximise efficiency.

The brief description of the typography of the financial literacy in South Africa above illuminates the need for policy-makers to target specific regions for financial consumer education interventions. To be effective the research team contends that financial consumer education programmes must be aware of the need to differentiate among individual and groups. The resources available for consumer financial education are finite. Relying on a “one-size-fits-all” principle would only lead to ineffective interventions and poor outcomes. The research team has already discussed the importance of the literacy index in identifying vulnerable groups. This is perhaps the most important purpose for which the index may be used. There is a clear and unambiguous difference between population groups in the study for example. Indian and white groups had very high overall financial literacy scores (70 and 69 respectively). Black African and coloured population groups, on the other hand, had considerably lower financial literacy scores (51 and 54 respectively). Clearly the disadvantaged population groups highlighted above should be priority targets for financial consumer education programmes. In addition, we must be aware of areas where financial knowledge parity is observed. For example consider the gender differences in financial literacy: while there is a difference between men and women (particularly in those who are previously disadvantaged), this difference is marginal. Therefore any gender related intervention in terms of financial consumer education must be cognizant of this parity. The baseline study has shown the usefulness of the financial literacy survey and the associated indexes in identifying vulnerable groups. The research team recognises that the national strategy needs to focus on those groups identified as most vulnerable in terms of financial literacy.

The financial index under consideration allows the research team to identify the most vulnerable groups in terms of financial literacy. The two groups most in need of intervention are the very young (16-19) and the very old (70 years and older). It is apparent from the study conducted that there are considerable differences in the financial literacy index and differences between individual in terms of the index on the various financial domains. The reasoning behind this assertion will now be discussed. One of the central findings of this study was that the age cohort 16-19 had a higher than average knowledge domain score but lower than average on other three domains. This may be in part due to the lifecycle effect but it is necessary to ensure that this cohort receives targeted financial education messaging through schools. The following criteria need to inform such messages: financial control and money management, planning for the future and making informed and appropriate product decisions. If the youth could be better equipped with financial knowledge and skills, they would better be able to make the transition into economically productive adulthood. In addition, the youth would be better able to make informed choices to improve their long-run financial well-being. More progressive financial consumer education would assist the youth be more financially responsible in times of economic hardship. A concerted effort to empower the youth with financial knowledge will pay dividends as this cohort matures, thus increasing societal financial literacy and well-being over time.

The study has identified the old (70 years and older) as a highly vulnerable financial knowledge group. This group had higher than average financial control and financial planning domain scores, but lower than average product choice and knowledge domain scores. This indicates that this group is more likely to make poor decisions about financial products and services, rendering them vulnerable to scams and fraud. Given the vulnerability of this group, it is necessary to recognise the need to incorporate them into possible financial consumer education programmes. There is a need to make sure that this cohort receives remedial, community-based financial education messaging about the following (1) making considered and appropriate investment choices; (2) how to better recognise risky, predatory and fraudulent financial activities; and (3) recourse mechanisms. Such interventions would assist this group in overcoming the financial knowledge challenges that they face.

The results of the national baseline financial literacy survey indicate that certain groups, defined by their lack of wealth and education, have very low financial literacy scores. In addition, huge disparity between knowledge and holding of products exist. For example, it was noted that 24% of South African owned none of the investment and savings products listed in the 2011 survey. Significant numbers were found to have banking products, but relatively low holding of other products. The large disparities observed in product holding were segmented by race, education, employment status and income status. Indeed, the argument can be extended beyond the need for financial education and towards measures to increase access to financial products. One of the most compelling reasons that South Africans need a higher level of access to such products is demonstrated if the findings on retirement products are considered. The research team found that only 44% are confident that their retirement income will ensure the standard of living they hope for. An equal share is sceptical. Concern is especially high for the following groups: those (a) aged 70+ years; (b) with a low living standard; (c) with limited schooling; and (d) living in rural areas and informal urban settlements. The results indicate the distress and deprivation awaiting those who are about to retire. Furthermore, these findings strengthen the argument that poorer, more deprived South Africans need better access to tools that will allow them to adequately save for retirement.

It is the recommendations of the research team that the baseline financial literacy survey be repeated every 3-5 years, with in-between monitoring of core items in a nationally representative survey, such as South African Social Attitudes Survey (SASAS). There are two main goals of such a time series method: (a) identifying the nature of financial literacy represented by the sequence of observations, and (b) predicting future values of financial literacy. Both of these goals require that the pattern of observed survey data be conducted at regular intervals. Once the pattern is established, researchers can interpret and integrate it with other data to produce a more comprehensive understanding of financial services in South Africa.

The financial literacy survey provides guidance in the planning, coordination, implementation, monitoring and evaluation of consumer financial education programmes. The research team recommends using the survey to inform the decision-making regarding the allocation of funding to consumer financial education programmes and initiatives. However, in order for the survey to be a useful tool for monitoring financial literacy in South Africa, it is necessary to oversee the development and maintenance of central databases of information about consumer financial education activity in South Africa. Such central databases would allow the national consumer financial education strategy to be reviewed on an annual basis to ensure its relevance to South African financial consumer. It is recommended that the survey results be disseminated to all relevant stakeholders - such as the Association for Savings and Investments South Africa, the Banking Association of South Africa, the Consumer Protection Forum, the Department of Basic Education, the Department of Higher Education and Training and others. This will ensure that the current players have access to the relevant information that would develop strategies to improve financial literacy in South Africa.

Future financial literacy surveys would also allow researchers to better identify which socio-demographic groups should be the target of financial consumer education intervention. Such a process will be highly beneficial to the government for its implementation of a financial consumer education strategy discussed above. Such surveys would also allow the relevant stakeholders to perceive if messages regarding financial responsibility and planning are getting through to the risk groups and if the general knowledge of individual groups is improving. Moreover, subsequent surveys of financial literacy would allow the rate of societal change to be considered and evaluated. Indeed, given the potential contribution such surveys could have to understanding financial behaviour in South Africa, the research team again reiterates its recommendation that the 2011 financial literacy survey be repeated at regular intervals.

Improving financial literacy is a shared responsibility among many stakeholders, all of which have a powerful and legitimate role to play: government, schools, financial institutions, industry associations, employers, trade unions, community organisations and non-governmental organisations. Given the importance of the financial knowledge and understanding domain observed in this study, the involvement of the formal school education system is critical to build foundational financial knowledge and skill. Financial literacy is and should be recognised as an essential skill and core curriculum requirement in South Africa. Consumer financial education is a complex endeavour that cannot be achieved in isolation. The research team supports the need for a multi-stakeholder approach to improving financial literacy.

In closing, the research team wishes to restate the importance of achieving high levels of financial literacy in the modern South African economy. Financial stability and future economic growth depends on a flexible and informed populace who can understand and respond to the demands of a complex financial world. We also need to remember that with the growing complexity of financial institutions and products, the financial literacy required by the average citizen also rises. Current inequalities in financial literacy only serve to hinder social mobility, fracture social cohesion and stifle economic opportunity. The research completed here is one step along the road towards improving the financial literacy for all South Africans.

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12. Appendix A: Financial Baseline Survey Questionnaire

FSB/NATIONAL TREASURY FINANCIAL LITERACY BASELINE SURVEY QUESTIONNAIRE: 2011

Number of persons in this household			
Number of persons 16 years or older in this household			

INTERVIEWER: PLEASE CIRCLE APPROPRIATE CODES

Household schedule	Write in from oldest (top) to youngest (bottom)		Age in completed years	Sex M=1 F=2	Race Group	Relationship to respondent
Please list all persons in the household who eat from the same cooking pot and who were resident 15 out of the past 30 days *Note: Circle the number next to the name of the household head.*		01				
		02				
		03				
		04				
		05				
		06				
		07				
		08				
		09				
		10				
		11				
		12				
		13				
		14				
		15				
		16				
		17				
		18				
		19				
		20				
		21				
		22				
		23				
		24				
		25				

Race Group codes
1 = African/Black
2 = Coloured
3 = Indian/Asian
4 = White
5 = Other

Relationship to respondent codes
1 = Respondent
2 = Wife or husband or partner
3 = Son or daughter
4 = Father or mother
5 = Brother or sister
6 = Grandchild
7 = Grandparent
8 = Mother-in-law or father-in-law
9 = Son-in-law or daughter-in-law
10 = Brother-in-law or sister-in-law
11 = Other relation
12 = Non-relation

SECTION 1: FINANCIAL CONTROL

I would like to begin by asking you a few basic questions on money matters.

1. 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

2. Who is responsible for the task of paying bills 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
(Don't know)	8
(Refused)	9

3. Do you enjoy dealing with financial matters?

Always	1
Usually	2
Sometimes	3
Never	4
(Don't know)	8
(Refused)	9

4. Which ONE of the following best describes the extent to which you personally monitor your regular expenses?

I don't keep an eye on expenses at all	1
I keep my eye on expenses a bit	2
Without keeping written records, I keep a fairly close eye on expenses	3
I use written records to keep a close eye on expenses	4
(Don't know)	8
(Refused)	9

5. 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	Ask Q.6
No	2	→ Skip to Q.7
(Do not know)	8	→ Skip to Q.7
(Refused to answer)	9	→ Skip to Q.7

6. How often do you stay within your budget?

Always	1
Usually	2
Sometimes	3
Never	4
(Don't know)	8
(Refused)	9

Which of these financial documents do you keep copies of (either electronically or in hard copy)?

		Yes	No	(Don't know)	(Refused)
7.	Receipts for major purchases	1	2	8	9
8.	Bank statements	1	2	8	9
9.	Loan or hire purchase statements	1	2	8	9
10.	Tax forms	1	2	8	9
11.	Major bills such as electricity or school fees	1	2	8	9
12.	Financial service agreements and contracts, such as loan agreements	1	2	8	9
13.	Other (SPECIFY)	1	2	8	9
14.	Not applicable (no financial documents received)	1	2	8	9

15. How accurately do you know how much money you have available to spend. Do you....?

...have no idea at all	1
...know roughly, but not within R500	2
...know within R500	3
...know within R100	4
...know within R50	5
...know within R10	6
...know within a rand or two	7
(Don't know)	8
(Refused)	9

SECTION 2: MAKING ENDS MEET

We are now going to talk about more general money matters. Remember that there are no particular wrong or right answers; everyone has their own way of doing things.

I am going to read out some behaviour statements. Please can you tell me how often you do these things or not. [*FSB Showcard 1*]

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

In the last 12 months, how often has your family...?

		Often	Sometimes	Never	(Don't know)	(Refused)
20.	...gone without enough food to eat	1	2	3	8	9
21.	...gone without medicine or medical treatment that was needed	1	2	3	8	9
22.	...gone without a cash income	1	2	3	8	9
23.	...gone without good shelter	1	2	3	8	9
24.	...gone without energy to cook food	1	2	3	8	9

25. Overall, thinking of your assets, debts and savings, how satisfied are you with your current personal financial condition?

Extremely dissatisfied	Dissatisfied	Neither satisfied nor dissatisfied	Satisfied	Extremely satisfied	(Don't know)	(Refused)
1	2	3	4	5	8	9

26. During the past 12 months, did you...?

...save money from your income	1
...just get by on your income	2
...spend some of your savings	3
...spend some of your savings and borrow money to get by	4
(Don't know)	8
(Refused)	9

27. 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 30
(Do not know)	8	
(Refused to answer)	9	

28. What did you do to make ends meet the last time this happened? [*FSB Showcard 2*]

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

29. Of the things you mentioned, which does your household rely on the most? [*FSB Showcard 2*]

INTERVIEWER: CIRCLE ONE OPTION ONLY.

		Q.28 [Multiple response]	Q.29 [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 authorised, 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

30. In a typical month, how difficult is it for you to cover your expenses and pay all your bills?

Extremely easy	Easy	Neither easy nor difficult	Difficult	Extremely difficult	(Don't know)	(Refused)
1	2	3	4	5	8	9

31. In the next two years, do you think your household's financial situation will get better, stay the same, or get worse?

Get better	1
Stay the same	2
Get worse	3
(Don't know)	8
(Refused)	9

SECTION 3: FINANCIAL PLANNING

I would now like to discuss various aspects of planning for the future, including planning for unexpected events as well as making plans for things that you know will happen in the medium to long term.

Emergency Funds

32. 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

33. If you lost your main source of income, <u>how long could you continue to cover your living expenses for, without borrowing any money or moving house</u>?

Less than a week	1
At least a week, but not one month	2
At least one month, but not three months	3
At least three months, but not six months	4
More than six months.	5
(Do not know)	8
(Refused to answer)	9

34. What would you have to do to make ends meet if something happened that meant you needed to find money equivalent to one month's income? [*FSB Showcard 3*]

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Use up my savings	01
b.	Sell my assets (e.g. car, business, household goods, livestock)	02
c.	Borrow money (including salary advance, pawning, cheque cashing)	03
d.	Depend on charity (e.g. from church, mosque, Red Cross)	04
e.	Ask family members to help	05
f.	There's nothing I could do	06
g.	Find a job/additional jobs/better paying job	07
h.	Other (SPECIFY)	08
i.	(Don't know)	98
j.	(Refused)	99

I would like to know how much you agree or disagree with each of the following statements: [*FSB Showcard 4*]

		Completely agree	Agree	Neither Nor	Dis-agree	Completely disagree	(Do not know)	(Refused)
35.	I find it more satisfying to spend money than to save it for the long term	1	2	3	4	5	8	9
36.	I tend to live for today and let tomorrow take care of itself	1	2	3	4	5	8	9
37.	I am prepared to risk some of my own money when saving or making an investment	1	2	3	4	5	8	9
38.	Money is there to be spent	1	2	3	4	5	8	9

Retirement

39. **At what age do you think people should begin to make a financial plan for their retirement?**

Age (in years)	……….
(Don't know)	8
(Refused)	9

40. **Which of the following are included in your financial plan for retirement? [*FSB Showcard 5*]**

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Government old age pension	01
b.	Workplace pension	02
c.	Personal retirement savings plan	03
d.	Moving to a cheaper property in the same area	04
e.	Moving to a cheaper area	05
f.	Sell your financial assets (such as: stocks, bonds or mutual funds)	06
g.	Sell your non-financial assets (such as: a car, property, art, jewels, etc.)	07
h.	Use an inheritance	08
i.	Rely on your spouse or partner to support you	09
j.	Rely on your children to support you	10
k.	Rely on financial support from your wider family	11
l.	Draw an income from your own business	12
m.	Continue to work after retirement age to earn money	13
n.	Other (SPECIFY)	14
o.	(Don't know)	98
p.	(Refused)	99

41. **Taking all of the various sources of retirement income into account, how confident are you that your income will give you the standard of living you hope for throughout retirement?**

Very confident	1
Fairly confident	2
Not very confident	3
Not at all confident	4
(Don't know)	8
(Refused)	9

SECTION 4: CHOOSING APPROPRIATE FINANCIAL PRODUCTS

I would now like to ask about the financial products that you know about and personally have. These include both formal products with banks and other institutions, as well as more informal products.

BANKING PRODUCTS

I am going to start with products that people can get from banks. [*FSB Showcard 6*]

42. **Please can you tell me whether you have heard of any of the following banking products.**

43. **[ASK FOR ALL PRODUCTS CIRCLED IN Q.42] And now can you tell me whether you currently hold any of these types of products?**

44. **[ASK FOR ALL PRODUCTS CIRCLED IN Q.42] And in the last two years, which of the following types of financial products have you chosen (whether or not you still hold them)?**

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

		42. Heard of banking products.	**43. ASK FOR ALL products circled in Q.42 Currently hold types of banking products**	**44. ASK FOR ALL products circled in Q.42 Chosen product in the last 2 years**
a.	Mzansi account	01	01	01
b.	Savings account	02	02	02
c.	Current or Cheque account	03	03	03
d.	Fixed deposit bank account	04	04	04
e.	ATM card	05	05	05
f.	Debit card or Cheque card	06	06	06
g.	Credit Card	07	07	07
h.	Garage card or petrol card	08	08	08
i.	Home loan from a big bank	09	09	09
j.	Savings book at a bank	10	10	10
k.	Post Office / Post Bank savings account	11	11	11
l.	Other bank product (SPECIFY)	12	12	12
m.	(None of the above)	97	97	97
n.	(Refused)	98	98	98
o.	(Don't know)	99	99	99

[ONLY ASK RESPONDENTS IF THEY DO NOT HAVE ANY BANKING PRODUCT – CODE 97 CIRCLED IN Q.43]

45. There are many reasons why people often don't have a bank account. What are the reasons why you do not have a bank account?

INTERVIEWER: DO NOT READ OUT. MULTIPLE RESPONSES. CIRCLE ALL THAT APPLY.

a.	I don't have a regular income	01
b.	I don't have a job	02
c.	I don't have an identity document	03
d.	I don't qualify to open an account	04
e.	I have to keep a minimum balance in the bank	05
f.	I don't need a bank account	06
g.	I don't know how to open an account	07
h.	I use someone else's bank account	08
i.	I prefer dealing in cash	09
j.	I don't trust banks	10
k.	I don't want to pay service fees	11
l.	The bank is too far from where I live	12
m.	It's expensive to have a bank account/I can't afford to	13
n.	I earn too little to make it worthwhile	14
o.	Bank charges are too high	15
p.	The banks don't speak to me in my language	16
q.	I don't have money to save	17
r.	I prefer to give money to somebody in the community to guard	18
s.	I prefer to save via other means, e.g. stokvel/umgalelo/savings club	19
t.	Other reason (SPECIFY)	18
u.	(Not applicable – respondent has a banking product)	97
v.	(Do not know)	98
w.	(Refused to answer)	99

[ONLY ASK RESPONDENTS IF THEY RECENTLY BOUGHT A BANKING PRODUCT –OPTIONS CIRCLED IN Q.44]

46. Thinking about the banking product that you bought most recently, which <u>sources of information</u> do you feel most influenced your decision about which banking product to take out? *[FSB Showcard 7]*

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Junk mail sent through the post or that you found somewhere	01
b.	Information picked up in a branch of a bank	02
c.	Information found on the internet	03
d.	Information from sales staff of firm providing the products (including quotes)	04
e.	Comparative tables or charts in financial pages of newspapers/magazines	05
f.	Comparative tables or charts found on the internet	06
g.	Specialist magazines/publications (such as Financial Mail)	07
h.	Recommendation from independent financial adviser or broker	08
i.	Advice of friends/relatives (not working in the financial services industry)	09
j.	Advice of friends/relatives (who work in the financial services industry)	10
k.	Employer's advice	11
l.	Traditional or religious leader	12
m.	Newspaper articles	13
n.	Television or radio programmes	14
o.	Newspaper adverts	15
p.	Television adverts	16
q.	Other advertising	17
r.	Other source (SPECIFY)	18
s.	(Not applicable – respondent has not chosen insurance products in the last 2 years)	97
t.	(Do not know)	98
u.	(Refused to answer)	99

[ONLY ASK RESPONDENTS WITH PRODUCTS CIRCLED IN Q.44]

47. And which of the following statements best describes how you chose the last banking product you took out?

I considered several products from different companies before making my decision	1
I considered the various products from one company	2
I didn't consider any other products at all	3
I looked around but there were no other products to consider	4
(Not applicable – respondent has not chosen insurance products in the last 2 years)	7
(Do not know)	8

48. How often do you usually check the balance of your MAIN banking product? [OF THE PRODUCTS LISTED IN Q.43]

Daily	01	
Weekly	02	
Every two weeks	03	
Monthly	04	
Yearly	05	
Never	06	
(Don't know)	08	
(Refused)	09	
(Not applicable – has no banking products)	10	→ Skip to Q.51

49. How do you typically check the balance(s) for this product?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Check the bank statement sent in the mail	01
b.	Check the statement online (internet banking)	02
c.	Check through telephone banking	03
d.	Call the bank and ask for your balance	04
e.	Ask for your balance, statement or bankbook update at a bank branch	05
	Ask for balance, statement or bankbook update at an ATM/cash machine	06
f.	Receive a text message from the bank	07
g.	Never check	08
h.	(Don't know)	09
i.	(Refused)	10

50. How often do you personally check whether your product still meets your needs?

At least once a year	1
Less often	2
Never	3
(Don't know)	8
(Refused)	9

CREDIT AND LOANS

I would now like to talk about your knowledge and personal experience with different ways of borrowing money. [*FSB Showcard 8*]

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

52. [ASK FOR ALL PRODUCTS CIRCLED IN Q.51] And now can you tell me whether you currently hold any of these types of credit or loans?

53. [ASK FOR ALL PRODUCTS CIRCLED IN Q.51] And in the last two years, which of the following types of financial products have you chosen (whether or not you still hold them)?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED

		51. Heard of type of credit or loan	**52.** ASK FOR ALL products circled in Q.51 Currently hold type of credit or loan	**53.** ASK FOR ALL products circled in Q.51 Chosen type of credit or loan in the last 2 years
	Formal credit and loans			
a.	Loan from a microlender e.g. African Bank, Credit Indemnity, Capitec Bank, Ubank (Teba)	01	01	01
b.	Vehicle or car finance through bank or dealer	02	02	02
c.	Overdraft facility	03	03	03
d.	Store card where you buy on account and pay later e.g. Edgars	04	04	04
e.	Lay-buy	05	05	05
f.	Hire Purchase (HP) / paying in monthly instalments for goods such as furniture	06	06	06
	Informal credit and loans			
g.	Loan from friends or family	07	07	07
h.	Loan from an informal money lender (mashonisa / loan shark)	08	09	09
i.	Loan from a stokvel / umgalelo or savings club	09	10	10
j.	Loan from local spaza	10	11	11
k.	Store account with no card where you pay later (e.g. spaza, corner cafe, garage, general dealer)	11	12	12
l.	Loan from an employer	12	08	08
m.	(None of the above)	97	97	97
n.	(Don't know)	98	98	98
o.	(Refused)	99	99	99

[ONLY ASK RESPONDENTS IF THEY RECENTLY BOUGHT A CREDIT OR LOAN PRODUCT – ONE OR MORE OPTIONS CIRCLED IN Q.53]

54. Thinking about the banking product that you bought most recently, which sources of information do you feel most influenced your decision about which credit or loan product to take out? [*FSB Showcard 7*]

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Junk mail sent through the post or that you found somewhere	01
b.	Information picked up in a branch of a bank	02
c.	Information found on the internet	03
d.	Information from sales staff of firm providing the products (including quotes)	04
e.	Comparative tables or charts in financial pages of newspapers/magazines	05
f.	Comparative tables or charts found on the internet	06
g.	Specialist magazines/publications (such as Financial Mail)	07
h.	Recommendation from independent financial adviser or broker	08
i.	Advice of friends/relatives (not working in the financial services industry)	09
j.	Advice of friends/relatives (who work in the financial services industry)	10
k.	Employer's advice	11
l.	Traditional or religious leader	12
m.	Newspaper articles	13
n.	Television or radio programmes	14
o.	Newspaper adverts	15
p.	Television adverts	16
q.	Other advertising	17
r.	Other source (SPECIFY)	18
s.	(Not applicable – respondent has not chosen insurance products in the last 2 years)	97
t.	(Do not know)	98
u.	(Refused to answer)	99

[ONLY ASK RESPONDENTS WITH PRODUCTS CIRCLED IN Q.53]

55. And which of the following statements best describes how you chose the last credit or loan product you took out?

I considered several products from different companies before making my decision	1
I considered the various products from one company	2
I didn't consider any other products at all	3
I looked around but there were no other products to consider	4
(Not applicable – respondent has not chosen insurance products in the last 2 years)	7
(Do not know)	8

56. Which one of the following statements best describes how well you and your household are keeping up with your bills and credit commitments at the moment?

Keeping up with all bills and commitments without any difficulties	1
Keeping up with all bills and commitments, but it is a struggle from time to time	2
Keeping up with all bills and commitments, but it is a constant struggle	3
Falling behind with some bills or credit commitments	4
(Don't know)	8
(Refused)	9
(Not applicable - don't have any bills or credit commitments)	7

57. To what extent do you agree or disagree with the following statement: I prefer to buy things on credit rather than wait and save up.

Strongly agree	1
Agree	2
Neither agree nor disagree	3
Disagree	4
Strongly disagree	5
(Don't know)	8
(Refused)	9

58. Have you personally borrowed money for any of the following purposes in the past 12 months and <u>paid interest on the balance</u>?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	To pay off debts	01
b.	To pay for food	02
c.	To pay for water or electricity	03
d.	To pay for education	05
e.	To pay for a wedding	06
f.	To pay for a funeral	07
g.	To help support family or friends outside your immediate household	08
h.	To buy something on impulse	09
i.	To buy a gift for someone	10
j.	(None of the above)	98
k.	(Not applicable – respondent did not borrow money in the last year)	99

59. Roughly what do you think your household owes in outstanding debt? Please include <u>all</u> forms of debt, including home loans, vehicle or car finance, and so on.

Do not owe anything	01	→ Skip to Q.62
R1 – R200	02	
R201 – R500	03	
R501 – R 1000	04	
R1001 – R1500	05	
R1501 – R2500	06	
R2501 – R3500	07	
R3501 – R4500	08	
R4500 – R6000	09	
R6001 – R8000	10	
R8001 – R11000	11	
R11001 or more	12	
(Do not know)	98	
(No response / refused to answer)	99	

60. Is the amount of debt your household owes more than, about the same, or less than the value of all savings and belongings that your household has?

Amount of debt is more than the value of household savings and possessions	1
Amount of debt is about the same value of household savings and possessions	2
Amount of debt is less than the value of household savings and possessions	3
(Don't know)	8
(Refused)	9

61. How much does the household worry about the debt you owe?

None	1
A little	2
Some	3
A lot	4
(Don't know)	8
(Refused)	9

62. If you currently have and are using a <u>credit card</u>, do any of the following statements apply?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	I could pay off the balance of my credit card today from my savings	1
b.	I do not think I will be able to pay the balance of my credit card at any point in the near future	2
c.	I sometimes make additional credit card payments so that the balance reduces more quickly	3
d.	I sometimes miss payments on my credit card	4
e.	I sometimes ask my bank if I can reduce or miss my monthly payment on my credit card	5
f.	I make a point of always paying off the full amount of my credit card at the end of the month	6
g.	(Not applicable – does not have a credit card or is not currently using it)	9

63. Thinking about the <u>home loan</u> on your main home, do any of the following statements apply?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	I could pay off the balance of my home loan today from my savings	1
b.	I do not think I will be able to pay the balance of my home loan at any point in my life	2
c.	I sometimes make additional home loan payments so that the balance reduces more quickly	3
d.	I sometimes miss payments on my home loan without prior arrangement	4
e.	I sometimes ask my home loan lender if I can reduce or miss my monthly payment	5
f.	If I sold my house at market value today I could not repay my home loan	6
g.	(Not applicable – does not have a home loan)	9

INVESTMENTS AND SAVINGS
I would now like to talk about savings and investments. [*FSB Showcard 9*]

64. Please can you tell me whether you have heard of any of the following types of investment or savings products.

65. [ASK FOR ALL PRODUCTS CIRCLED IN Q.64] And now can you tell me whether you currently hold any of these types of investment or savings products?

66. [ASK FOR ALL PRODUCTS CIRCLED IN Q.64] And in the last two years, which of the following types of investment or savings products have you chosen (whether or not you still hold them)?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

		64. Heard of any of investment or savings product.	65. ASK FOR ALL products circled in Q.64 Currently has investment or savings product	66. ASK FOR ALL products circled in Q.64 Chosen investment or savings product in last 2 years
	Formal products			
a.	Unit trusts	01	01	01
b.	Education policy or plan	02	02	02
c.	Investment or savings policy	03	03	03
d.	Shares on the stock exchange	04	04	04
	Retirement products			
e.	Retirement annuity	05	05	05
f.	Provident fund	06	06	06
g.	Pension fund	07	07	07
	Savings clubs			
h.	Stokvel / umgalelo / savings club	08	08	08
i.	Giving money to someone who will guard it for you, to keep it safe	09	09	09
j.	Keep cash or savings at home	10	10	10
k.	Other savings club	11	11	11
l.	(None of the above)	97	97	97
m.	(Don't know)	98	98	98
n.	(Refused)	99	99	99

67. Do you currently earn interest on your savings?

Yes	1	
No	2	→ Skip to Q69
Other answer	3	→ Skip to Q69
(Don't know)	8	→ Skip to Q69
(Refused)	9	→ Skip to Q69
Not applicable (no savings of any kind)	7	→ Skip to Q.70

68. Do you know how much interest your savings are currently earning?

Yes – you know exactly what the interest rate(s) is/are	1
Yes, you know approximately what the interest rate(s) is/are	2
No	3
Other answer	4
(Don't know)	8
(Refused)	9

69. How often do you personally check whether your savings products still meet your needs?

At least once a year	1
Less often	2
Never	3
(Don't know)	8
(Refused)	9

70. 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.	(Do not know)	8
i.	(Refused to answer)	9

Insurance

I would now like to talk about various types of insurance. [*FSB Showcard 10*]

71. Please can you tell me whether you have heard of any of the following types of insurance products.

72. [ASK FOR ALL PRODUCTS CIRCLED IN Q.71] And now can you tell me whether you currently hold any of these types of insurance products?

73. [ASK FOR ALL PRODUCTS CIRCLED IN Q.71] And in the last two years, which of the following types of insurance products have you chosen (whether or not you still hold them)?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

		71. Heard of insurance product	**72.** ASK FOR ALL products circled in Q.71 Currently has insurance product	**73.** ASK FOR ALL products circled in Q.71 Chosen insurance product in the last 2 years
	Short-term (asset) insurance			
a.	Vehicle or car insurance	01	01	01
b.	Household contents insurance (e.g. furniture and appliances)	02	02	02
c.	Homeowners' insurance on building / house structure	03	03	03
d.	Cellphone insurance	04	04	04
	Long-term insurance			
e.	Life insurance or life cover	05	05	05
f.	Insurance that pays your loan or borrowing when you die	06	06	06
g.	Disability insurance or cover	07	07	07
h.	Medical aid scheme	08	08	08
i.	Hospital cash plan	09	09	09
	Funeral			
j.	Belong to a burial society	10	10	10
k.	Funeral policy with a bank (including Post Bank)	11	11	11
l.	Funeral cover through an undertaker or funeral parlour / home	12	12	12
m.	Funeral policy with an insurance company	13	13	13
n.	Funeral cover from an spaza shop or stokvel	14	14	14
o.	Funeral cover from any other source (e.g. shop, employer)	15	15	15
p.	(None of the above)	97	97	97
q.	(Don't know)	98	98	98
r.	(Refused)	99	99	99

[ONLY ASK RESPONDENTS IF THEY RECENTLY BOUGHT AN INSURANCE PRODUCT – ONE OR MORE OPTIONS CIRCLED IN Q.73]

74. Thinking about the insurance policy that you bought most recently, which sources of information do you feel most influenced your decision about which product to take out? *[FSB Showcard 7]*

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Junk mail sent through the post or that you found somewhere	01
b.	Information picked up in a branch of a bank	02
c.	Information found on the internet	03
d.	Information from sales staff of firm providing the products (including quotes)	04
e.	Comparative tables or charts in financial pages of newspapers/magazines	05
f.	Comparative tables or charts found on the internet	06
g.	Specialist magazines/publications (such as Financial Mail)	07
h.	Recommendation from independent financial adviser or broker	08
i.	Advice of friends/relatives (not working in the financial services industry)	09
j.	Advice of friends/relatives (who work in the financial services industry)	10
k.	Employer's advice	11
l.	Traditional or religious leader	12
m.	Newspaper articles	13
n.	Television or radio programmes	14
o.	Newspaper adverts	15
p.	Television adverts	16
q.	Other advertising	17
r.	Other source (SPECIFY)	18
s.	(Not applicable – respondent has not chosen insurance products in the last 2 years)	97
t.	(Do not know)	98
u.	(Refused to answer)	99

[ONLY ASK RESPONDENTS WITH PRODUCTS CIRCLED IN Q.73]

75. And which of the following statements best describes how you chose the last insurance policy you took out?

I considered several products from different companies before making my decision	1
I considered the various products from one company	2
I didn't consider any other products at all	3
I looked around but there were no other products to consider	4
(Not applicable – respondent has not chosen insurance products in the last 2 years)	7
(Do not know)	8
(Refused to answer)	9

76. Now thinking about insurance in general, which of the following do you take into consideration when FIRST taking out or setting up a new policy.

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	The cost of the premium	01
b.	The cost of the excess	02
c.	The overall level of cover	03
d.	The extent to which the cover meets your needs	04
e.	The details in the small print / contract	05
f.	The brand or reputation of the supplier	06
g.	The benefits included	07
h.	Other (SPECIFY)	08
i.	(None of the above)	09
j.	(Don't know)	98
k.	(Refused)	99

Health Insurance

[IF RESPONDENT <u>DOES NOT</u> HAVE MEDICAL AID OR A HOSPITAL PLAN IN Q.72h OR Q.72i, PLEASE ANSWER THIS QUESTION]

77. What are the main reasons that you do not have health insurance cover?

a.	I am happy to use free/national health care	01
b.	I am healthy	02
c.	I have not thought about taking out health insurance	03
d.	I have been unable to find any company that will cover me	04
e.	I have not been able to find affordable cover	05
f.	I do not have a bank account from which to make the monthly payments	06
g.	I do not have a regular income	07
h.	I do not trust insurance companies	08
i.	I can go home/to another country for medical care	09
j.	I can afford to pay my own health care costs	10
k.	My religion forbids the use of insurance	11
l.	Other (SPECIFY)	12
m.	I am covered on someone else's policy	13
n.	(Not applicable – currently has medical aid, health plan or other health insurance)	97
o.	(Don't know)	98
p.	(Refused)	99

SECTION 5: FINANCIAL ADVICE

78. If you need financial advice, who do you normally ask for help?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Family member	01
b.	Friend	02
c.	Someone you trust in the community	03
d.	Your employer	04
e.	Co-worker or colleague	05
f.	Independent broker	06
g.	Financial advisor other than an independent broker (e.g. tax consultant, auditor)	07
h.	Stokvel / umgalelo / savings club	08
i.	Burial society	09
j.	Church	10
k.	Bank	11
l.	Insurance company	12
m.	Mashonisa	13
n.	Other (SPECIFY)	14
o.	Would not ask anyone for help	15
p.	(Don't know)	98

79. Do you have trouble getting good and relevant financial advice?

Yes	1	
No	2	→ Skip to Q.81
(Question not relevant/never tried)	3	→ Skip to Q.81
(Don't know)	8	→ Skip to Q.81
(Refused)	9	→ Skip to Q.81

80. Thinking about the <u>last time</u> you tried to get good financial advice; do you think any of the following statements apply to your experience?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	You did not know where to look for advice	1
b.	You could not find the advice you were looking for	2
c.	You could not get advice at a time to suit you	3
d.	You did not understand the advice you were given	4
e.	There were so many advisers available you didn't know which to choose	5
f.	You asked advice from several people and found that they gave different answers	6
g.	You got advice but you didn‟t know whether to trust it or not	7
h.	You followed the advice you were given and later regretted it	8

81. In the last 12 months, have you asked a financial professional for financial advice in relation to any of the following?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	Savings or investments	1	
b.	Taking out a mortgage or a loan	2	
c.	Insurance of any type	3	
d.	Tax planning	4	
e.	Managing credit/debt	5	
f.	(None of the above)	6	→ Skip to Q. 84
g.	(Don't know)	8	→ Skip to Q. 84
h.	(Refused)	9	→ Skip to Q. 84

IF YES TO ANY IN Q.81:

82. Thinking about the professional you have used most often for financial advice, was this an...?

...Independent Financial Adviser	1
...Manager or adviser at a bank or building society	2
...Manager or adviser at an insurance company	3
...Accountant	4
Other (SPECIFY)	5
(Don't know)	8
(Refused)	9

83. Did you pay for (any of) this advice or was it entirely free?

Paid for advice	1
Entirely free	2
(Don't know)	8
(Refused)	9

84. Thinking about the last time you tried to get good financial advice; do you think any of the following statements apply to your experience? [INTERVIEWER: Read out and mark all that apply].

a.	You felt that the adviser understood your needs	1
b.	You got the advice that you needed	2
c.	You were able to understand exactly what the adviser was recommending	3
d.	The adviser behaved professionally	4
e.	(Don't know)	8
f.	(Refused)	9

85. In the last 12 months, have you asked friends or family for financial advice in relation to any of the following?

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

Indicate the extent to which you would trust or distrust the following to provide good financial advice. Please answer even if you do not currently get advice from these sources. *[FSB Showcard 11]*

		Strongly trust	Trust	Neither trust nor distrust	Distrust	Strongly distrust	(Do not know)
86.	Independent broker or financial advisor	1	2	3	4	5	8
87.	Insurance company	1	2	3	4	5	8
88.	Bank or banker	1	2	3	4	5	8
89.	Government	1	2	3	4	5	8
90.	Informal associations like stokvels or umgalelos or savings clubs	1	2	3	4	5	8
91.	Friends and Family	1	2	3	4	5	8
92.	An employer or work colleague	1	2	3	4	5	8
93.	Church	1	2	3	4	5	8
94.	Someone in your community with a good education	1	2	3	4	5	8
95.	TV or radio advertisement	1	2	3	4	5	8
96.	Newspaper	1	2	3	4	5	8
97.	A moneylender or mashonisa	1	2	3	4	5	8

Making Decisions

How much do you agree or disagree with the following statements? *[FSB Showcard 12]*

		Totally agree	Tend to agree	Tend to disagree	Totally disagree	(Don't know)	(Not applicable)	(Refused)
98.	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
99.	I always research my choices thoroughly before making any decisions about financial products or services	1	2	3	4	5	6	7

100. 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

SECTION 6: GETTING HELP

101. How confident are you that you know how to make an effective complaint against a bank or financial institution?

Very confident	1
Fairly confident	2
Not very confident	3
Not at all confident	4
(Don't know)	8
(Refused)	9

102. Within the <u>last five years</u>, 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	Ask Q.103
No	2	→ Skip to Q.108
(Do not know)	8	→ Skip to Q.108
(Refused to answer)	9	→ Skip to Q.108

103. What type of product was that?

INTERVIEWER: DO NOT READ OUT. CIRCLE ONLY ONE. IF MORE THAN ONE, ASK ABOUT <u>MOST RECENT</u> PRODUCT. PROMPT IF NECESSARY.

Bank account or a card linked to a bank account	1
Home loan	2
Private pension, provident fund or retirement annuity	3
Government grant (pension, child grant, disability grant, etc.)	4
Investment / savings policy	5
Stokvel/umgalelo/savings club	6
Credit card	7
Store card or account	8
Vehicle or car finance	9
Loan from a bank or other formal institution	10
Loan from a mashonisa, stokvel or spaza shop	11
Life insurance / life cover	12
Funeral policy with a formal institution (bank, insurance company)	13
Informal burial society	14
Medical aid / hospital plan	15
Household content insurance	16
Other (SPECIFY)	17
(Don't know)	98
(Refused)	99

104. Did you complain to the company or person that sold you the product?

Yes	1	Ask Q. 105
No	2	→ Skip to Q.106
(Do not know)	8	→ Skip to Q.106
(Refused to answer)	9	→ Skip to Q.106

105. Did you manage to resolve the problem with them?

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

106. Did you take up the complaint with anyone else?

Yes	1	Ask Q. 107
No	2	→ Skip to Q.108
(Do not know)	8	→ Skip to Q.108
(Refused to answer)	9	→ Skip to Q.108

107. Who did you take up the complaint with?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

Provincial Consumer Affairs Office	1
The Ombudsman for Banking Services (OBSSA)	2
The Banking Association of South Africa	3
The Ombudsman For Long Term Insurance	4
The Ombudsman For Short Term Insurance (OSTI)	5
The Pension Fund Adjudicator	6
National Credit Regulator (NCR)	7
Credit Information Ombud	8
Consumer Affairs Committee, Department of Trade & Industry	9
The Office of Consumer Protection (OCP)	10
Office of the Ombud for Financial Services Providers (FAIS Ombud)	11
Financial Services Board (FSB)	12
A lawyer	10
Small claims court	11
Citizens Advice Bureau	12
Other (SPECIFY)	13
(Don't know)	98
(Refused)	99

-

SECTION 7: 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

108. 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? (Read question again if asked)

Record response numerically - - -

R			

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

109. Now imagine that the brothers have to wait for one year to get their share of the R1,000. 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 inflation)	4
(It depends on the types of things that they want to buy)	5
(Don' know)	8
(Refused)	9
(***Irrelevant answer***)	7

110. 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? (Read out question again if asked)

Record response numerically - - -

R			

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

111. 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? (Read out question again if asked)

Record response numerically - - -

R			

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

112. And how much would be in the account at the end of five years? Would it be: (Read out)

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)**
113.	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
114.	High inflation means that the cost of living is increasing rapidly	1	2	8	9
115.	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

Self-Rated Knowledge

116. How would you rate your level of financial knowledge on a scale of 1 to 5 where 1 is not at all knowledgeable and 5 is very knowledgeable?

Not at all knowledgeable				Very knowledgeable	(Don't know)	(Refused)
1	2	3	4	5	8	9

On a scale of 1 to 5, where 1 is not good at all, and 5 is very good, how would you rate yourself on each of the following areas of financial management...?

		Not good at all				Very good	(Don't know)	(Refused)
117.	...keeping track of your money	1	2	3	4	5	8	9
118.	...making ends meet	1	2	3	4	5	8	9
119.	...shopping around to get the best financial product such as loans or insurance rates	1	2	3	4	5	8	9
120.	...staying informed about financial issues	1	2	3	4	5	8	9

Following Financial News and Indicators

121. Do you personally keep an eye on financial matters, such as changes in...?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	House prices	01	
b.	The stock market	02	
c.	Exchange rates (i.e. the Dollar Rand rates)	03	
d.	Interest rates	04	
e.	Inflation	05	
f.	Tax rates	06	
g.	The job market	07	
h.	Government grants	08	
i.	Private pension plans	09	
j.	(Do not keep an eye on any of these products)	97	Skip to Q.123
k.	(Don't know)	98	Skip to Q.123
l.	(Refused)	99	Skip to Q.123

122. How do you tend to monitor the things you have mentioned?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	General newspapers	01
b.	Financial / business pages in newspapers	02
c.	Financial magazines (Financial Mail, The Economist,)	03
d.	Radio and television business and financial programming	05
e.	Internet (email, web, newsfeeds, etc.)	06
f.	Financial advisor	07
g.	Other (SPECIFY)	08
h.	(Don't know)	09
i.	(Refused)	10

Please tell me to what extent you agree or disagree with the following statements? [*FSB Showcard 13*]

		Strongly agree	Agree	Neither nor	Disagree	Strongly disagree	(Don't know)
123.	If you have a loan at a furniture shop, you should try and pay it off as fast as possible	1	2	3	4	6	7
124.	If you have savings, it is a good thing if interest rates goes up	1	2	3	4	6	7
125.	The earlier you start saving for retirement, the better	1	2	3	4	6	7
126.	If you have a bank loan, and interest rates goes up, you will be paying more	1	2	3	4	6	7
127.	Buying property is a very risky investment	1	2	3	4	6	7
128.	If inflation goes up, food prices will go up	1	2	3	4	6	7
129.	The more money you earn, the more tax you pay	1	2	3	4	6	7

130. When thinking about making a financial investment, how willing are you to take risks?

Not at all willing	Not very willing	Neither willing nor unwilling	Willing	Very willing	(Don't know)	Not applicable (no financial investments)	(Refused)
1	2	3	4	5	6	7	8

Please tell me how well each of the following statements applies to you on a scale of 1 to 7 where 1 is always and 7 is never? [*FSB Showcard 14*]

		Always	Very often	Fairly often	Some-times	A few times	Hardly ever	Never
131.	I must admit that I purchase things because I know they will impress others	1	2	3	4	5	6	7
132.	People I know tell me that I place too much emphasis on the amount of money a person has as a sign of success.	1	2	3	4	5	6	7
133.	I put money aside on a regular basis for the future.	1	2	3	4	5	6	7
134.	I do financial planning for the future.	1	2	3	4	5	6	7
135.	I argue or complain about the cost of things I buy.	1	2	3	4	5	6	7
136.	I hesitate to spend money, even on necessities.	1	2	3	4	5	6	7
137.	I show worrisome behaviour when it comes to money.	1	2	3	4	5	6	7
138.	I show signs of nervousness when I dont have enough money.	1	2	3	4	5	6	7
139.	I am bothered when I have to pass up a sale.	1	2	3	4	5	6	7
140.	Its hard for me to pass up a bargain.	1	2	3	4	5	6	7

141. Which of the following financial issues would you like to receive more information or education about, if any? Anything else? [*FSB Showcard 15*]

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	How to make effective use of savings products	1
b.	How interest rates work	2
c.	How interest rates are calculated	3
d.	Insuring or covering your assets	4
e.	Insuring or covering your life	5
f.	How to get a copy of your personal credit profile or record	6
g.	How to read and understand your personal credit profile or record	7
h.	How to make effective use of technology, such as cellphones or ATMs, to better manage your finances	8
i.	How to better use financial services and products, e.g. from insurance, bank and retail stores	9
j.	How to draw up and manage a budget effectively	10
k.	Counselling or training to better manage your credit	11
l.	How to work out how much credit you can afford / pay back on	12
m.	What fees may be applied to any credit agreements that you enter – this excludes the interest charged	13
n.	How to select the best investment products	14
o.	Who to approach if you need to complain about a financial product or service	15
p.	Other (PLEASE SPECIFY)	16
q.	(None)	17

SECTION 8: RESPONDENT CHARACTERISTICS

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

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

143. 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

144. Sex of respondent [copy from contact sheet]

Male	1
Female	2

145. Race of respondent [copy from contact sheet]

Black African	1
Coloured	2
Indian/Asian	3
White	4
Other	5

146. Age of respondent in completed years [copy from contact sheet]

			Years

(Don't know) = 998

147. What is your current marital status?

Married (customary only)	1	Ask Q.148
Married (civil only)	2	
Married (both customary and civic)	3	
Widower/widow	4	Skip to Q.149
Divorced	5	
Separated	6	
Never married	7	
(Don't know)	8	
(Refused to answer)	9	

148. Are you currently living with your husband/wife?

Yes	1
No	2
(Refused to answer)	7
(Do not know)	8

149. Do you live together with a partner?

Yes	1
No	2
(Refused to answer)	7
(Don't know)	8

(Not applicable - living together with spouse)	9

150. What is the highest level of education that you have ever completed?

No schooling	00
Grade 0/Grade R	01
Sub A/Grade 1	02
Sub B/Grade 2	03
Grade 3/Standard 1	04
Grade 4/Standard 2	05
Grade 5/Standard 3	06
Grade 6/Standard 4	07
Grade 7/Standard 5	08
Grade 8/Standard 6/Form 1	09
Grade 9/Standard 7/Form 2	10
Grade 10/Standard 8/Form 3	11
Grade 11/Standard 9/Form 4	12
Grade 12/Standard 10/Form 5/Matric	13
NTC I	14
NTC II	15
NTC III	16
Diploma/certificate with less than Grade 12/Std 10	17
Diploma/certificate with Grade 12/Std 10	18
Degree	19
Postgraduate degree or diploma	20
Other (SPECIFY)	21
(Do not know)	98

151. What language do you speak mostly at home?

Sesotho	01
Setswana	02
Sepedi	03
Siswati	04
IsiNdebele	05
IsiXhosa	06
IsiZulu	07
Xitsonga	08
Tshivenda/Lemba	09
Afrikaans	10
English	11
Other African language	12
European language	13
Indian language	14
Other (SPECIFY) ……………	15

152. And which of these best describes your current work situation?

Self-employed for 30 hours or more per week	1
Self-employed for less than 30 hours per week	2
In paid employment for 30 hours or more per week	3
In paid employment for less than 30 hours per week	4
Looking for work	5
Looking after the home	6
Unable to work due to sickness or ill-health	7
Retired	8
Student / learner	9
Not working and not looking for work	10
Apprentice	11
Other (SPECIFY)	12
(Refused)	97
(Don't know)	98

153. What is your current occupation (the name or title of your main job)?

FIELDWORKER: WRITE DOWN RESPONSE. IF NOT CURRENTLY EMPLOYED, ASK FOR MOST RECENT JOB

____

(Refused to answer)	97
(Don't know, inadequately described)	98
(Not applicable – never had a job)	99

154. What kind of activities do you do most of the time (In your main job)?

FIELDWORKER: WRITE DOWN RESPONSE. IF NOT CURRENTLY EMPLOYED, ASK FOR MOST RECENT JOB

____

(Refused to answer)	97
(Don't know, inadequately described)	98
(Not applicable – never had a job)	99

155. Do you consider yourself as belonging to any religion?

Yes	1		
No	2	→	Skip to Q.158

156. If answer is yes, which one? Please specify denomination

Christian (without specification)	01
African Evangelical Church	02
Anglican	03
Assembles of God	04
Apostle Twelve	05
Baptist	06
Dutch Reformed	07
Full Gospel Church of God	08
Faith Mission	09
Church of God and Saints of Christ	10
Jehovah's Witness	11
Lutheran	12
Methodist	13
Pentecostal Holiness Church	14
Roman Catholic	15
Salvation Army	16
Seventh Day Adventist	17
St John's Apostolic	18
United Congregation Church	19
Universal Church of God	20
Nazareth	21
Zionist Christian Church	22
Other Christian	23
Islam / Muslim	24
Judaism /Jewish	25
Hinduism / Hindu	26
Buddhism / Buddhist	27
Other (SPECIFY)	28
(Refused)	97
(Don't know)	98
(Not answered)	99

157. Apart from special occasions such as weddings, funerals and baptisms, how often do you attend services or meetings connected with your religion?

Never	01
Less than once a year	02
About once or twice a year	03
Several times a year	04
About once a month	05
2-3 times a month	06
Nearly every week	07
Every week	08
Several times a week	09
(Can't say/Can't remember)	98

158. Do you or anyone in this household receive any of the following Welfare grants?

FIELDWORKER: MULTIPLE RESPONSES ALLOWED

Old Age Grant	1
Child Support Grant	2
Disability Grant	3
Care dependency grant	4
Foster care grant	5
Grant in aid	6
No-one in household receiving any benefits	9
(Refused to answer)	97
(Don't know)	98

The following questions ask how satisfied you feel, on a scale from zero to 10. Zero means you feel completely dissatisfied. 10 means you feel completely satisfied. And the middle of the scale is 5, which means you feel neutral, neither satisfied nor dissatisfied."

159. Thinking about your own life and personal circumstances, how satisfied are you with <u>your life as a whole</u>? [*FSB Showcard 16*]

Completely Dissatisfied					Neutral					Completely Satisfied
00	01	02	03	04	05	06	07	08	09	10
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

160. How satisfied are you with <u>your standard of living</u>? [*FSB Showcard 16*]

Completely Dissatisfied					Neutral					Completely Satisfied
00	01	02	03	04	05	06	07	08	09	10
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

161. How satisfied are you <u>with your health</u>? [*FSB Showcard 16*]

Completely Dissatisfied					Neutral					Completely Satisfied
00	01	02	03	04	05	06	07	08	09	10
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

162. How satisfied are you with <u>what you are achieving in life</u>? [*FSB Showcard 16*]

Completely Dissatisfied					Neutral					Completely Satisfied
00	01	02	03	04	05	06	07	08	09	10
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

163. How satisfied are you <u>with your personal relationships</u>? [*FSB Showcard 16*]

Completely Dissatisfied 00	01	02	03	04	Neutral 05	06	07	08	09	Completely Satisfied 10

164. How satisfied are you <u>with how safe you feel</u>? [*FSB Showcard 16*]

Completely Dissatisfied 00	01	02	03	04	Neutral 05	06	07	08	09	Completely Satisfied 10

165. How satisfied are you <u>with feeling part of your community</u>? [*FSB Showcard 16*]

Completely Dissatisfied 00	01	02	03	04	Neutral 05	06	07	08	09	Completely Satisfied 10

166. How satisfied are you <u>with your future financial security</u>? [*FSB Showcard 16*]

Completely Dissatisfied 00	01	02	03	04	Neutral 05	06	07	08	09	Completely Satisfied 10

167. How satisfied are you <u>with your spirituality or religion</u>? [*FSB Showcard 16*]

Completely Dissatisfied 00	01	02	03	04	Neutral 05	06	07	08	09	Completely Satisfied 10

168. Would you say that you and your family are…

Wealthy	1
Very comfortable	2
Reasonably comfortable	3
Just getting along	4
Poor	5
Very poor	6

169. People sometimes describe themselves as belonging to the working class, the middle class, or the upper or lower class. Would you describe yourself as belonging to the…?

Lower class	1
Working class	2
Middle class	3
Upper middle class	4
Upper class	5
(Don't know)	8

170. In our society there are groups which tend to be towards the top and groups which tend to be towards the bottom. Where would you put yourself on a scale of 1 to 10, where 10 is the top and 1 the bottom?

TOP …….	10
	9
	8
	7
	6
	5
	4
	3
	2
BOTTOM ….	1

SECTION 9: HOUSEHOLD CHARACTERISTICS

171. Indicate the type of main dwelling that the household occupies?

Dwelling/House or brick structure on a separate stand or yard or on farm	01
Traditional dwelling/ Hut/ Structure made of traditional materials	02
Flat or apartment in a block of flats	03
Town/cluster/semi-detached house (simplex, duplex or triplex)	04
Unit in retirement village	05
Dwelling/House/Flat/room in backyard	06
Informal dwelling/Shack in backyard	07
Informal dwelling/Shack not in backyard, e.g. in an informal/squatter settlement or on farm	08
Room/Flatlet	09
Caravan/Tent	10
Other (SPECIFY)	11

172. Who owns your current home? [INTERVIEWER: read out options, and stop at first mention].

You (and/or your partner) own it outright	1
You are buying it with a mortgage/home loan	2
You rent your home from a private landlord	3
You rent it from a local authority or housing association	4
Your parents/grandparents/other family members	5
Your employer	6
Someone else	7
(Don’t know)	8
(Refused)	9

173. What is the most often used source of drinking water by this household?

FIELDWORKER: PLEASE CIRCLE ONE NUMBER ONLY

Piped tap water in dwelling-metered	01
Piped tap water in dwelling-pre-paid meter	02
Piped tap water on site/yard-meter	03
Piped tap water on site/yard-pre-paid meter	04
Piped tap water on site/yard-no meter	05
Public/communal tap – Free	06
Public/communal tap – Paid	07
Neighbour – Free	08
Neighbour – Paid for	09
Water carrier/tanker	10
Water carrier/tanker on site / communal	11
Borehole on site	12
Borehole off site/communal	13
Rainwater tank on site	14
Flowing river/stream	15
Dam/pool	16
Stagnant pond	17
Well	18
Spring	19
Bottled water	20
Other (SPECIFY)	21

174. What type of toilet facility is available for this household?

FIELDWORKER: PLEASE CIRCLE ONE NUMBER ONLY

Flush toilet connected to a municipal sewage system	01	
Flush toilet connected to a septic tank	02	
Chemical toilet	03	
Pit latrine with ventilation pipe (long drop)	04	
Pit latrine without ventilation pipe (long drop)	05	
Bucket toilet	06	
Other (SPECIFY) …………………….	07	
None	08	→ **Skip to Q.176**
(Do not know)	98	

175. Where is this toilet facility located?

In dwelling	1
On site (In yard)	2
Off site (out side yard)	3

176. Do you have access to electricity in your household?

In-house meter	1
In-house pre-paid meter	2
Connected to other source which I pay for (e.g. connected to neighbour's line and paying neighbour)	3
Connected to other source which I do not pay for (e.g. connected to neighbour's line and not paying)	4
Illegal connection (e.g. connected to Eskom line)	5
Generator/battery	6
Other (SPECIFY)	7
No access to electricity	8
(Uncertain/Don't know)	9

Please tell me which of the following, if any, are presently in your household (in working order). Does your household have…?

		Yes	No
177.	Hot running water	1	2
178.	Fridge/freezer combination	1	2
179.	Microwave oven (in working order)	1	2
180.	Domestic worker (live-in / part-time)	1	2
181.	VCR in household	1	2
182.	Vacuum cleaner/floor polisher	1	2
183.	Only 1 cell phone in household	1	2
184.	Two Cell phones in household	1	2
185.	A washing machine	1	2
186.	A computer / laptop at home	1	2
187.	DVD player	1	2
188.	An electric stove	1	2
189.	A TV set	1	2
190.	A tumble dryer	1	2
191.	A Telkom home telephone	1	2
192.	No or only one radio	1	2
193.	Hi-fi/music centre	1	2
194.	Built in kitchen sink	1	2
195.	Home security service	1	2
196.	A deep freezer (in working order)	1	2
197.	M-Net and or DStv subscription	1	2
198.	A dishwashing machine	1	2
199.	Three or more cell phones in household	1	2
200.	There is a motor vehicle in our household	1	2
201.	Home theatre system	1	2

202. Do you have access to the Internet?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a. Yes, at home	1
b. Yes, at work	2
c. Yes, at an educational institution	3
d. Yes, at an internet cafe	4
e. Yes, at a community centre	5
f. Yes, at a post office	6
g. Yes, through a cellphone	7
h. Yes, other (SPECIFY)	8
i. None	9

PERSONAL AND HOUSEHOLD INCOME

People get income from a wide range of sources. This might include wages and salaries, benefit payments, pensions or maintenance payments.

203. Considering all the sources of income coming into your household each month, which of these categories does your household income usually fall into?

Low income	1
Average income	2
High income	3
(Don't know)	8
(Refused)	9

204. Which of the following describe how regular or reliable your household income is? [use text in square brackets if anyone else might be bringing in an income]

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

a.	My [our] income varies from week to week, month to month, or season to season	1
b.	Sometimes I [we] do not receive my [our] income on time	2
c.	Sometimes I [we] do not receive any money at all	3
d.	My [our] income is regular and predictable	4
e.	*Don't know*	8
f.	*Refused*	9

205. Please consider the income of all household members and any income which may be received by the household as a whole. What is the main source of income in your household?

Salaries and/or wages	1
Remittances	2
Pensions and/or grants	3
Sale of farm products and services	4
Other non-farm income	5
No income	6
(Refused to answer)	7
(Don't know)	8

SHOWCARD G2

206. **Please give me the letter that best describes the TOTAL MONTHLY HOUSEHOLD INCOME of all the people in your household before tax and other deductions. Please include all sources of income i.e. salaries, pensions, income from investment, etc.**

207. **Please give me the letter that best describes your PERSONAL TOTAL MONTHLY INCOME before tax and other deductions. Please include all sources of income i.e. salaries, pensions, income from investment, etc.**

		206. Household	**207. Personal**
	No income	01	01
K	R1 – R500	02	02
L	R501 –R750	03	03
M	R751 – R1 000	04	04
N	R1 001-R1 500	05	05
O	R1 501 – R2 000	06	06
P	R2 001 – R3 000	07	07
Q	R3 001 – R5 000	08	08
R	R5 001 – R7 500	09	09
S	R7 501 – R10 000	10	10
T	R10 001 – R15 000	11	11
U	R15 001 – R20 000	12	12
V	R20 001 – R30 000	13	13
W	R30 001 – R50 000	14	14
X	R 50 001 +	15	15
	(Refuse to answer)	97	97
	(Uncertain/Don't know)	98	98

208. **What monthly income level do you consider to be minimal for your household, i.e. your household could not make ends meet with less?**

R _______________

(Don't know = 98)

209. **Is the total monthly income of your household higher, lower or more or less the same as this figure?**

Much higher	1
Higher	2
More or less the same	3
Lower	4
Much lower	5
(Don't know)	8