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Democracy, Governance and Service Delivery

Financial Literacy in South Africa: Results from the 2013 South African Social Attitudes Survey (SASAS) round

Report Prepared for

The Financial Services Board (FSB)
Riverwalk Office Park, Block B
41 Matroosberg Road
Ashlea Gardens Ext. 0081
Pretoria

by

Human Sciences Research Council (HSRC)
Democracy, Governance & Service Delivery (DGSD) research programme

Benjamin Roberts, Jarè Struwig, and Steven Gordon

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1 Introduction

In 2010 the Financial Services Board (FSB) commissioned the Human Sciences Research Council (HSRC) to undertake a pilot study on financial literacy. The mandate for the FSB to conduct this research was derived from the Financial Services Board Act of 1990 (amended in 2000) which, i*nter alia*, seeks to promote financial education programmes for consumers. Since its formation, the FSB has been committed to a programme of financial education dedicated to helping ordinary South Africans "manage their personal and family financial matters soundly" as part of their Consumer Education Programme (FSB, 2009:32). The goals of the FSB were to eliminate irresponsible financial behaviour and to provide information to consumers on appropriate financial services and their rights and responsibilities. The FSB is dedicated to improving the quality of life in South Africa by increasing the levels of financial understanding of all South Africans regardless, of class, race or creed.

In drafting their mandate, the FSB realised the importance of financial literacy and financial wellbeing. Financial literacy programmes can support social inclusion and social cohesion, assisting with the enhancement of the wellbeing of communities. The collaboration between the FSB and the HSRC was to develop a measurement tool that could inform programmes and initiatives designed to inform and educate ordinary South Africans on sound financial behaviour and promote knowledge of financial products and services. The 2010 collaboration with the HSRC on the Financial Literacy Pilot was a success, and further research was commissioned. In 2011 the FSB appointed the HSRC to undertake a national baseline study to provide information on full spectrum of financial behaviour, attitudes and knowledge in the country. Following the success of the 2011 Financial Baseline study, the FSB has commissioned a similar study on financial literacy in South Africa in 2012.

The South African government has committed itself to improving financial literacy. Embodying government's commitment to greater financial-wellbeing among the public, is the National Consumer Financial Education (NCFE) strategy. The NCFE Strategy provides for a Committee which is mandated to develop and implement individual consumer financial education strategies. These strategies aim to target specific groups that are believed to be financially vulnerable, particularly the youth, the black African majority, the poor and those living in rural areas. Owing to the successful collaboration between the FSB and HSRC, a national baseline financial literacy score has been developed for South Africa against which the NCFE goals and NCFE Strategy can be monitored and benchmarked. The NCFE Committee plans periodic evaluations of the cumulative effect of such interventions in order to measure and judge the suitably of these policy, programmatic and project-based stratagems. The HSRC will play an active role in such evaluations and will assist the government in realising their joint vision of a financially capable citizenry that is able to make informed decisions in the face of risk and vulnerability.

As part of the ongoing collaboration between the FSB and the HSRC, a fourth financial literacy study was conducted in 2013. This study was undertaken by the South African Social Attitudes Survey (SASAS) research team –a highly experienced and respected research team within the HSRC –with the full partnership of the FSB. The structure of the 2014 report on financial literacy in South Africa is designed to follow the structure of the previous 2013 report. The report consists of three main sections, the first of which deals with the research methodology employed. It discusses the research universe and how the sample was designed. It also examines the survey protocols in terms of area, household and individual selection procedures. Furthermore, it gives a brief description of the questionnaire design and the training that took place prior to the data collection. Procedures employed to ensure quality control are also discussed, together with data capturing and data cleaning measures. The second section provides descriptive findings of the study. A concluding chapter provides a summation of the report, and comments on current financial education policy.

1.1 The Research Context

Before the methodology adopted by the SASAS research is discussed, the following section will outline the research design employed by the research team as well as the financial environment in the country at the time of study. These discussions will serve as an introduction to the study of financial literacy in South Africa and assist the reader to achieve a better understanding of the subsequent chapters of this report. South Africa is a highly heterogeneous country characterised by extreme inequalities in economic accumulation and educational attainment, and any study of financial literacy must be cognisant of these disparities. In addition, the country is characterised by an intense multiculturalism and is home to distinct and diverse ethno-cultural communities, a diversity that may have an impact on financial knowledge and capacity. In our analysis of financial literacy in South Africa, the SASAS research team will examine differences between these communities to better inform financial education programmes and interventions.

1.1.1 The Study of Financial Literacy in a Global Perspective

In recent years, financial literacy has gained the attention of a wide range of different groups including major financial associations, government agencies and community interest organisations. This interest is the result of the growing recognition by policymakers (and scholars, see for example, Huston, 2010; Jappelli, 2010; Lamdin, 2011; Mitchell & Lusardi, 2011; Remund, 2010) of the value of financial knowledge and experience. Not only does financial illiteracy impact on the individual's or family's day-to-day money management but also influences their ability to save for long-term goals and to become financially independent at retirement. However, the vast majority of financial literacy research has been conducted within the context of developed nations (Holzmann, 2010). Sub-Saharan African countries are particularly underrepresented in this research area. Financial literacy is less well understood in the developing world which has an impact on financial literacy programmes in developing countries.

South Africa is the exception to the normal Sub-Saharan financial literacy research pattern, and interested parties within the public and private sector can apply to access a rich database of financial literacy information gathered over the last four years. The research conducted by the SASAS research team for the FSB has contributed significantly to the existing body of research on financial literacy at the global level. The SASAS research team was one of the first to utilise public survey data using the Organisation for Economic Co-operation and Development's (OECD) multi-dimensional International Network on Financial Education (INFE) approach. This approach evolved out of a pilot study conducted in a number of participating OECD countries for the period September 2010 and early 2011. The participants as well as the country characteristics are listed in Table 1.

The SASAS research team employed the OECD INFE approach in the 2010 Financial Literacy Pilot, the first comprehensive nation-wide survey of financial literacy in South Africa. Based on the results of this study, the financial literacy module was reviewed and an inclusive questionnaire on financial literacy and capacity was developed. Administered as part of the 2011 Financial Baseline study, this survey instrument gathered data on a wide range of financial attitudes and behaviours in the country. Subsequently, after a wide-ranging assessment of the 2011 Baseline data, the core modules within the Baseline study were developed as a single financial literacy module. This new refined module was administered to a representative sample of South Africans in 2012 and, again in 2013.

Table 1: OECD/INFE financial literacy pilot study country characteristics

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

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

As a result of the support of the FSB, the SASAS research team has gathered data on financial literacy in the country for four years (2010-2013), and more data on financial literacy has been collected in South Africa than in any other Sub-Saharan African nation. In the opinion of the research team, South Africa now can be considered the benchmark for financial literacy research on the continent. South Africa has not only spearheaded the continent on financial literacy research but also shown how such research can drive policy formation and evaluation. The progress made by the FSB is, given the comparative context, impressive and indicates the commitment of the organisation to promoting financial wellbeing and financial education in South Africa.

1.1.2 Multiple Definitions of Financial Literacy

One of the chief obstacles to measuring financial literacy is the lack of a common definition of the concept among scholars. Huston (2010) reviews the literature on financial literacy to better understand the financial literacy measures used in research over the last decade. She examines seventy-one individual studies drawn from fifty-two different data sets. In her review Huston (2010) notes that scholars (whether they are located in consumer behaviour, sociology or education) have not been able to reach a consensus on how financial literacy can be defined. Similar findings are evident in other reviews of the current literature on financial literacy (see, for example, Hung, Parker, & Yoong, 2009; Lamdin, 2011; Remund, 2010). Huston (2010, p. 305) argues that not having "a precise and consistent construct conception limits the ability to conduct comparative analyses or assess financial literacy rates and their subsequent impact on financial well-being"[1]. The problem of defining financial literacy is related to the multi-dimensional nature of the concept.

[1] Indeed, it should be pointed out that there have been several studies published on financial literacy which have not defined the concept. Of the seventy-one studies examined by Huston (2010, p.303) 72% did not include a definition of financial literacy.

One of the key problems related to defining financial literacy is whether that definition should include behaviour and attitudes as well as knowledge. Hung et al. (2009) conducted a review of a wide variety of definitions of financial literacy used by experts and noted that opinions vary greatly. A segment of researchers believe that financial literacy can be exclusively comprehended by focusing on general knowledge of financially concepts and topics while others include measures attitudes and behaviour such as financial "experience" or financial decision making (also see Huston, 2010; Remund, 2010). Based on an analysis of the scholarship over a decade, Remund (2010, p. 279) argues that the definitions of financial literacy are so divergent that he is forced to subdivide them into five groupings: (1) knowledge of financial concepts; (2) ability to communicate about financial concepts; (3) aptitude in managing personal finances; (4) skills in making appropriate financial decisions; and (5) confidence in planning effectively for future financial needs. From this review of the literature on defining financial literacy it seems clear that a multi-dimensional definition is required.

A lack of a common definition of financial literacy has resulted in a number of divergent methods of measuring financial literacy. Huston (2010) found that when assessing respondents' levels of financial literacy, researchers employed questions covering a wide variety of topics, including insurance, credit cards, mortgages, retirement savings, budgeting, inflation, and comparison shopping. While some studies included a broad selection of these areas, others focused on only a single aspect. In addition, the number questions employed in surveys to measure financial literacy varies greatly (Kempson 2009; Atkinson and Messy 2011). In their review, Hung et al. (2009) found that many previous studies on financial literacy have been constrained in their use of financial literacy questions (also see Mitchell & Lusardi, 2011). Although some surveys use a wider range of questions to collect detailed information, most notably the 2004 Health and Retirement Survey, the sample of these surveys are often restricted to a specific age group. As a result of the different approaches to measuring financial literacy, there has been little consistency over the decade in how financial literacy has been measured.

The OECD INFE approach provides a solution to the definitional problems evident in the financial literacy scholarship. The INFE developed a multidimensional definition of financial literacy. According to this definition, financial literacy was not limited to knowledge of financial concepts but rather was defined 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, p. 658). This approach builds primarily on work done by the British Financial Services Authority (FSA) in the United Kingdom and is based on qualitative focus group methods and exploratory investigations (Atkinson, McKay, Collard, & Kempson, 2007). This approach has subsequently been employed in a number of other country contexts, such Canada (Arrowsmith and Pignal, 2010) and Romania (Stănculescu, 2010). The OECD INFE approach requires, as may be obvious to the reader, the measurement of different domains of financial literacy in order to capture a holistic picture.

Given the definition put forward by the OECD INFE approach, four principal domains of financial literacy was created to measure the whole. The coverage of each of the conceptual domains are as follows:

- Financial control (also known as day-to-day money management): This includes the financial control people exercise, whether they work to budgets, stick to budgets, save regularly and whether they keep records of their spending. It will also look at how people make ends meet, how often they run short of money and what actions they take when their money runs out. Information will also be required on the attitudes of consumers towards financial management.
- Financial planning: Information will be required on the extent to which consumers make provision for an emergency or 'rainy day', and the savings/insurance they have. It will include their financial provision for retirement and the financial provision they make for anticipated expenses, such as health care, education or a known event.

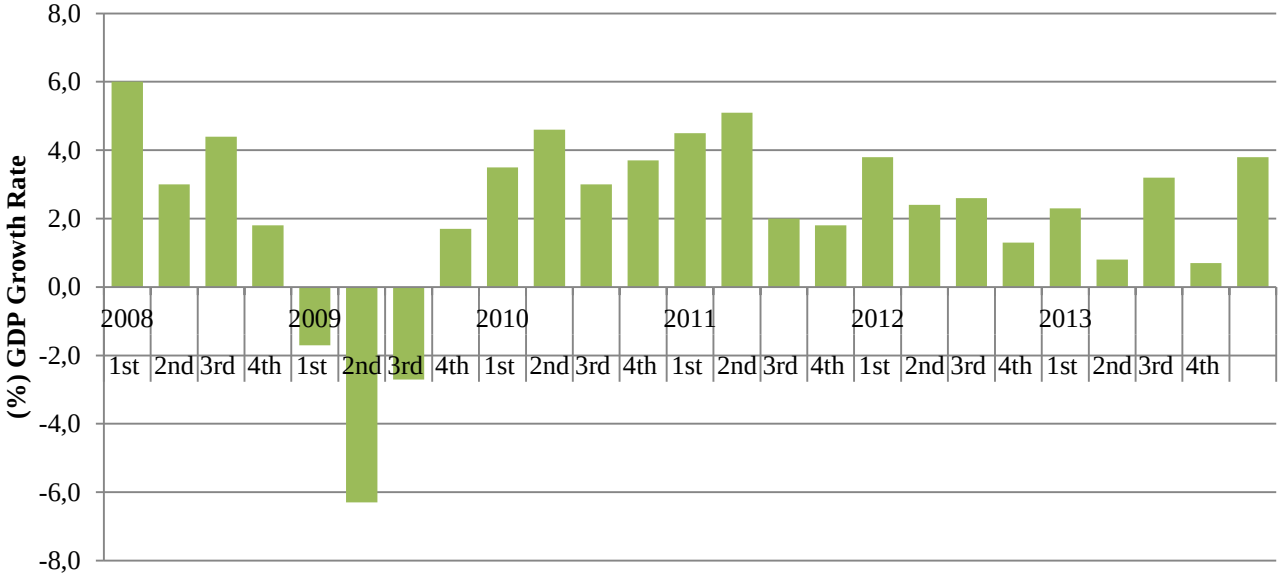
- Choosing appropriate products: Information will also be required on the ability of consumers to choose appropriate products, how they choose the products and whether they shop around for financial products.
- Financial knowledge and understanding: This area requires information on the extent to which consumers keep up-to-date with financial matters, whether they understand key concepts and their knowledge of financial products and services.

The aim of this multi-dimensional approach is to shed light not only on public knowledge and understanding of financial concepts and finances but also to identify patterns of financial behaviour exhibited by South Africans.

1.1.3 In the Shadow of the Great Recession: the 2010-2013 Period

The SASAS research team has gathered data on financial literacy for the period 2010-2013 and, therefore, it is prudent to consider the economic events of that period in order to best understand the results. But first, it is important to appreciate the legacy left by the apartheid period on financial education in the country. During the apartheid period, the country's black majority was effectively excluded from financial institutions, forbidden to start many types of commercial businesses and denied access to financial education. Indeed, Dr Hendrik Verwoerd once, while speaking as South African Minister for Native Affairs in 1953, famously said: "What is the use of teaching the Bantu child mathematics when it cannot use it in practice? That is quite absurd. Education must train people in accordance with their opportunities in life, according to the sphere in which they live" (for a discussion of the history of apartheid which examines the impact of this period on education, see Kallaway, 2002). The apartheid legacy will undeniably have an impact on financial literacy in the country which will be reflected in ethnic group differences on financial knowledge, attitudes and behaviours.

Figure 1: Gross Domestic Product (GDP) Growth Rate, 2008-2014

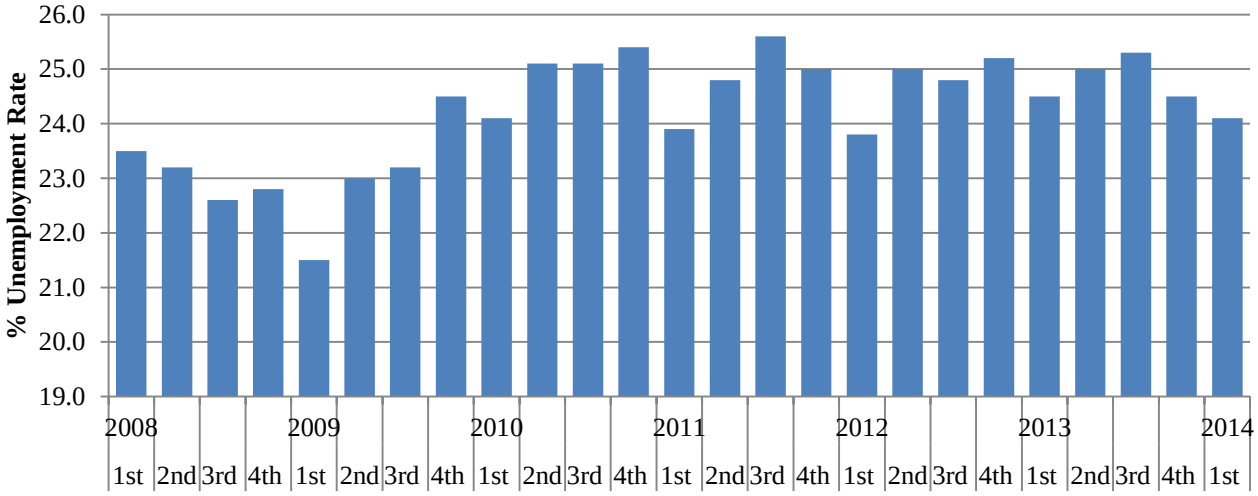


Source: Trading Economics http://www.tradingeconomics.com/south-africa/gdp-growth

The economic history of the 2010-2013 period is characterised by an event that occurred in 2009. In response to a general global financial recession, the South African economy went into recession in 2009. As the reader will be aware, the global financial recession had a particularly negative impact on South Africa. The Gross Domestic Product (GDP) growth rate declined significantly after the 4th quarter of 2008. In the first quarter of 2009, the South Africa's economy contracted by 6,4% (see **Figure 1**) and then contracted again in the second quarter by 3,0%. Manufacturing was hit particularly

hard by slow demand for exports and poor consumer spending. Between the 2008 second quarter and 2009 second quarter 724 000 South Africans became unemployed, and by the end of the recession more than a million had lost their jobs (see **Figure 2**). The South African economy is still recovering from the global financial recession. Government response to the crisis was multifaceted and included the development of infrastructure projects and the expansion of job creation efforts through mechanisms such as the R9-billion job fund. Following the recovery in 2008, as can observed in **Figure 1**, growth has been slow and in the recent period growth was slow.

Figure 2: South African Unemployment Rate, 2008-2014



Source: Trading Economics http://www.tradingeconomics.com/south-africa/unemployment-rate

One of the largest challenges facing South African communities in the 2010-2013 period was high unemployment. This is not a new problem and the South African jobless rate has been stuck above one fifth of labour market participations since 2000. Young people, in particular, struggle to find formal employment and as many as three out four could be defined as jobless. The global 2008/2009 financial recession, as discussed above, only worsened an already serious problem. The South African government has made some progress on improving employment levels since 2009. But labour unrest during the period in the mineral industry has had a negative impact on job creation in one of the country's largest employment sectors. At the time of writing, further job losses were being discussed in the industry.

In South Africa, during the period 2010-2013, a significant share of the adult public was considered poor. The Afrobarometer survey provides a Lived Poverty Index (LPI) to examine poverty on the African continent and, according to the Afrobarometer results of 2012, South Africa scored a 0.8 on a scale of zero to four[2] (Mail & Guardian 2013a). The survey has found that poverty levels have decreased marginally between 2002 (when the LPI was 0.7) and 2012 although an incline was noted for our period of study (in 2008 the LPI was 0.9). The Afrobarometer survey was conducted in 35 countries in 2012 across Africa, with South Africa receiving the sixth lowest LPI score. Although poverty remains high, a degree of social mobility is evident in the country. The National Income Dynamics Study (NIDS) found, using three separate surveys in 2008, 2010 and 2012 of panel data, that although poverty[3] was widespread, a third of who were poor in 2008 had managed to move out of poverty by 2012 (Mail & Guardian 2013b). The results of these two surveys show that, despite progress made by government, poverty remains prevalent in many communities in the country.

[2] Four reflects a constant absence of all basic necessities, while zero reflects no poverty (see Mattes, 2008).
[3] Poverty is defined as those living below R636 per month, measured by the value of the Rand in 2012.

The results on financial literacy presented in this report will certainly be affected by the general economic context of the country for the period 2010-2013. Certain groups, such as the poor and the unemployed, have been found to be particularly vulnerable to financial illiteracy. International scholarship has confirmed this thesis (Atkinson et al., 2007; Furnham & Argyle, 1998; Perry & Morris, 2005; see, for example, Walker, 1996), showing that financial literacy among these groups tends to be very low. Given that many in the country experience unemployment and poverty, this indicates the scale of challenges that policy-makers, who are committed to improving financial literacy, face. As the South African economy continues to recover from the 2008/2009 global recession, however, it is hoped that financial conditions for the populace will improve.

1.1.4 Conclusion

Multidimensional evaluations of financial literacy are required in order to identify financially vulnerable groups and their changing needs. The data gathered in South Africa between 2010 and 2012 confirms the validity of the OECD INFE approach as a useful tool for financial literacy research in Sub-Saharan Africa and that the OECD INFE approach can identify vulnerable groups. The work completed here provides a platform to recognise and appreciate the complexity of financial literacy in the context of the modern period. The financial domains designed by the OECD are important instruments that can be used to successfully capture the many multidimensional aspects of financial literacy. Periodic, multidimensional evaluations of these domains are required in order to identify target groups and their changing needs, as well as monitor the cumulative effect of interventions directed at producing a more financially capable citizenry.

The NCFE provides for the construction of a single financial literacy score which combines the four domains discussed above. This overall score, developed by research specialists Benjamin Roberts and Jarè Struwig, constitutes a powerful tool to understand and measure financially literacy in a developing country. Such a tool can be used to identify financially vulnerable groups and provide a context to campaign for greater consumer education. The overall financial literacy score is vital to measuring the progress of programmes to improve financial literacy. This report will provide an overview of this tool and discuss the determinants that drive the accumulation of financial literacy in South Africa.

1.2 Methodology

1.2.1 Introduction

This report is one of the outputs associated with the HSRC Democracy, Governance and Service Delivery (DGSD) research programme's ongoing work on financial literacy in South Africa. A module of 36 questions capturing different dimensions of financial knowledge and capacity was developed and fielded as a special thematic focus in the eleventh round of the South African Social Attitudes Survey (SASAS), conducted in the last quarter of 2013. This drew on the experience of the 2011 SASAS round, which included the baseline study on financial literacy. The SASAS series has been administered by the HSRC on an annual basis since 2003. It is a nationally representative sample survey of adults aged 16 and older that investigates public's attitudes, beliefs, behaviour patterns and values in the country. The long term aim of this survey programme is to construct an empirical evidence base that will enable analysts to track and explain the attitudes, beliefs and behaviour patterns of the country's diverse population.

The concepts underlying the financial literacy module (see Appendix A) are provided in the table below.

Overview of the primary thematic areas included in the financial literacy module

CONCEPT	QUESTION NUMBER
Money Management	Q3-Q15
Product Choice	Q16-Q28
Knowledge and Understanding	Q29-Q36

This tabulation report provides frequencies of all the questions asked in the module as well as cross tabulations of all the questions by age group, sex, population group, educational attainment, living standard measure, province and geographic subtype.

1.2.2 The Research Universe

The target population for the survey is individuals aged 16 and over who live in private residences (households, hostels and other structures). People living in special institutions such as hospitals and prisons were excluded from the sample. The inclusion of people from these institutions would have compromised the random selection procedure. Also, past experience has shown that access to people in these institutions is extremely difficult, since obtaining permission can be cumbersome and complex.

1.2.3 Sample Design

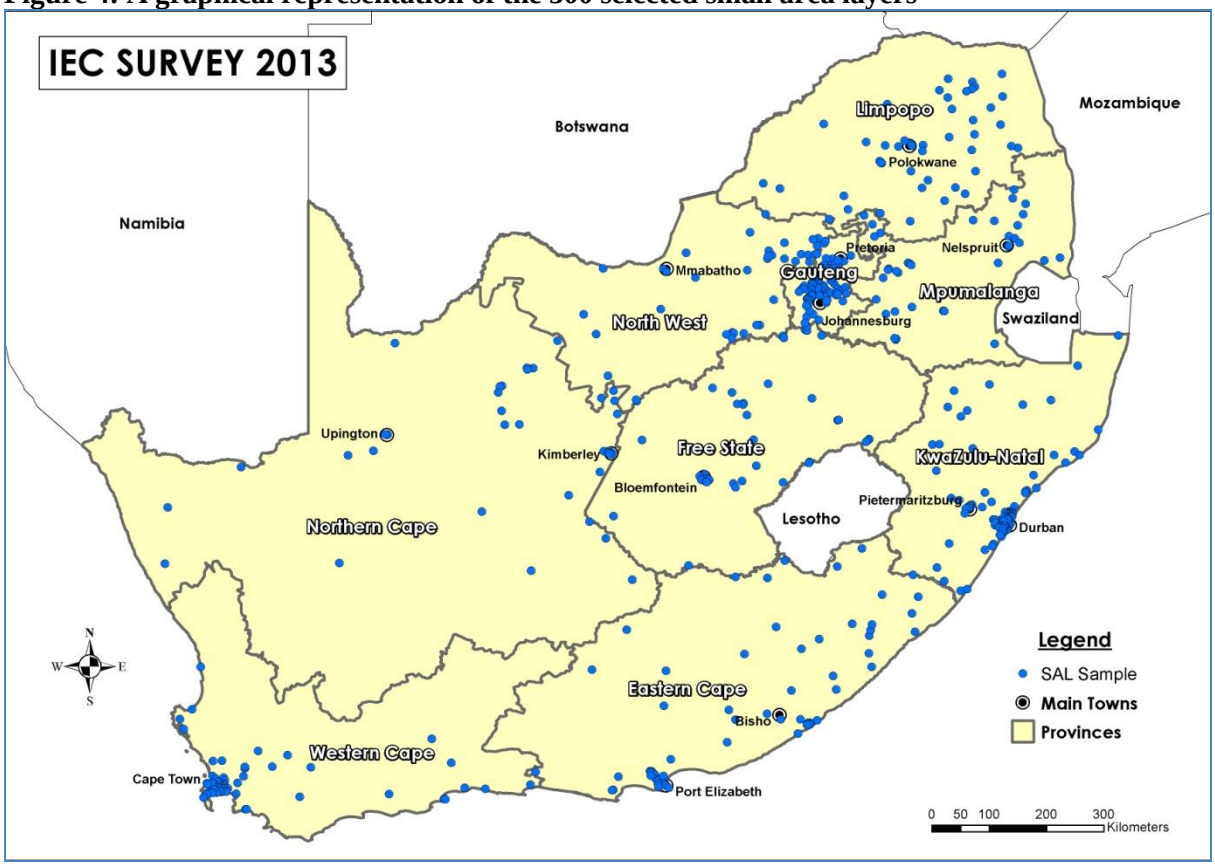
The survey has been designed to yield a representative sample of adults aged 16 and older. The sampling frame used for the survey is based on Statistics South Africa's 2011 Population Census and a set of small area layers (SALs). Estimates of the population numbers for various categories of the census variables were obtained per SAL. In this sampling frame, special institutions (such as hospitals, military camps, old age homes, schools and university hostels) as well as recreational areas, industrial areas and vacant SALs were excluded prior to the drawing of the sample.

In the sampling, small area layers (SALs) were used as primary sampling units (PSUs), and the estimated number of dwelling units (taken as visiting points) in the SALs as secondary sampling units. In the first sampling stage PSUs (SALs) were drawn with probability proportional to size, using the estimated number of dwelling units (DUs) in a SAL (PSU) as measure of size (MOS). For an example of a SAL see **Figure 3**. The DU as secondary sampling unit has been defined as "separate (non-vacant) residential stands, addresses, structures, flats, homesteads, etc." In the second sampling stage a predetermined number of individual dwelling units (or visiting points) were drawn with equal probability in each of the SALs. Finally, in the third sampling stage a person was drawn with equal probability from all 16 year and older persons at the visiting point using a KISH Grid.

Figure 3: An example of a map used to assist the field teams to navigate

Three explicit stratification variables were used, namely province, geographic type and majority population group. As stated earlier, within each stratum, the allocated number of primary sampling units (which could differ between different strata) was drawn using proportional to size probability sampling with the estimated number of dwelling units in the primary sampling units as measure of size. In each of these drawn primary sampling units, seven dwelling units were drawn. This resulted in a sample of 3500 individuals. A list of the 500 drawn SALs was given to geographic information specialists (GIS) and maps were then created for each of the 500 areas, indicating certain navigational beacons such as schools, roads and churches.

Figure 4: A graphical representation of the 500 selected small area layers



1.2.4 Training

One-day training sessions were held in various provinces. The main training session took place in Pretoria and covered the northern provinces: namely Gauteng, Limpopo, Mpumalanga and North West. All relevant remarks and instructions discussed during the training session were included in the training manual. Other training sessions were held in East London, Durban, Kimberley and Western Cape. The training 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 to give fieldworkers the opportunity to seek clarification on questions. A training manual was also developed as part of the training toolkit. The training and the training manual were informed by both the research team's experience of the 2010 pilot study on financial literacy as well as the 2011 baseline study.

1.2.4.1 Selecting a household and individual

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

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 SALs where the interviews were to take place. The navigational kits included:

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

1.2.4.2 Data collection protocol

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 describing the project and its duration and relevant ethical issues were distributed to the authorities. This was done not only as a form of research and ethical protocol, but also to ensure the safety of the field teams.

The following general protocol guidelines for data gathering were implemented:

- Fieldworkers and supervisors were required to notify the relevant local authorities that they would be working in the specific area. The purpose was to provide for their own safety and to reassure respondents, especially the elderly or suspicious, that the survey was official.
- They were advised to inform the inkosi or induna in a traditional area, whilst in urban formal or urban informal areas, a visit to the local police and, if possible, the local councillor was to be made prior to commencing work in the area.

- They were further advised that farms should be entered into with caution and that they should report to the local AgriSA offices before doing so. Field supervisors were issued with 'Farm letters' which contained information on the purpose of the study and contact details in case they had queries.
- Consent forms needed to be completed upon successfully finishing each interview. While verbal consent was to be secured from the respondent before beginning with the interview, a written consent form had to be signed afterwards.
- Each fieldworker was issued with a name tag and a letter of introduction to be used in the field.
- The introduction letter was translated into different languages.
- Fieldworkers were required to present their identity cards when introducing themselves.

1.2.5 Quality control

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

1.2.5.1 Data capturing, cleaning and weighting

The data-capturing function was outsourced to an external company. The process was, however, carefully monitored by the HSRC's Data Curation Unit. The HSRC required 100% verification on the data-capturing. This meant that all variables were captured twice to ensure 100% accuracy. After receiving the data, the Data Curation Unit embarked on a data-cleaning exercise. Data were checked and edited for logical consistency, for permitted ranges, for reliability on derived variables and for filter instructions.

Table 2: Sample Realisation, 2012

Province	Number of replaced EAs	Ideal sample (N Households)	Realised sample (N Households)	% Realisation
WC	4	455	368	81
EC	0	455	372	82
NC	1	259	187	72
FS	2	266	224	84
KZN	4	651	586	90
NW	1	259	214	83
GT	6	581	428	74
MP	1	266	232	87
LP	1	308	274	89
Total	20	3500	2885	82

After data cleaning, the analytical team received the realisation rates of the survey. As can be seen from the table above, a realisation rate of 82% was achieved. This is a high realisation rate and was partly achieved owing to the fact that communities were well informed about the survey and also because of the data collection methodology – namely, face-to-face interviews.

This realisation rate is higher than what was achieved in 2012 and on par with realisation rates in 2010 and 2011. The high realisation rate was partly attributable to the fact that communities were well informed about the survey and also because of the effectiveness of the data collection methodology – namely, face-to face interviews.

Table 3: 2013 Sample (Unweighted and Weighted)

	Unweighted N	Percent	Weighted N	Percent
Total	2885	100	36496491	100
Sex				
Male	1044	36	17562202	48
Female	1841	64	18934289	52
Age group				
16-24 years	567	20	9152570	25
25-34 years	611	21	9145203	25
35-49 years	752	26	9683415	27
50-64 years	574	20	5601494	15
65+ years	381	13	2913808	8
Population group				
White	372	13	3527781	10
Indian	307	11	1010191	3
Coloured	500	18	3295022	9
isiZulu	358	13	8166197	23
isiXhosa	370	13	6177429	17
Sesotho	384	14	5985485	17
Setswana	220	8	3079862	9
Other	324	11	4631600	13
Geographic location				
Urban, formal	2001	69	23180899	64
Urban, informal	144	5	3337241	9
Rural, Trad. Authority Areas	599	21	8988891	25
Rural, formal	141	5	989459	3
Province				
Western Cape	368	13	4323673	12
Eastern Cape	372	13	4297898	12
Northern Cape	187	6	792316	2
Free State	224	8	1931034	5
KwaZulu-Natal	586	20	6800588	19
North West	214	7	2448676	7
Gauteng	428	15	9564223	26
Mpumalanga	232	8	2740879	8
Limpopo	274	10	3597204	10

Source: South African Social Attitudes Survey (SASAS) 2013

Person and household weights were benchmarked using the SAS CALMAR macro and province, population group, gender and 5 age groups (i.e. 16-24, 25-34, 35-49, 50-50 and 60 and older). These benchmark variables for persons and province and population group of the respondent in the household were selected due to their reliability and validity. The marginal totals for the benchmark variables were obtained from the 2013 mid-year population estimates as published by Statistics South Africa. Three explicit stratification variables were used in the sampling, namely province, geographic type and majority population group. Within each stratum, the allocated number of PSUs (which could differ between different strata) was drawn using proportional to size probability sampling with the estimated number of dwelling units in the PSU as measure of size (MOS). In each of these drawn PSUs, 7 dwelling units were drawn. A total of 2 885 people were interviewed during this study. The final data set was given to the statistician for benchmarking and weighting purposes. When weighted, this number represents 36 496 491 South Africans of 16 years and older. The data was weighted to the 2011 census population estimates.

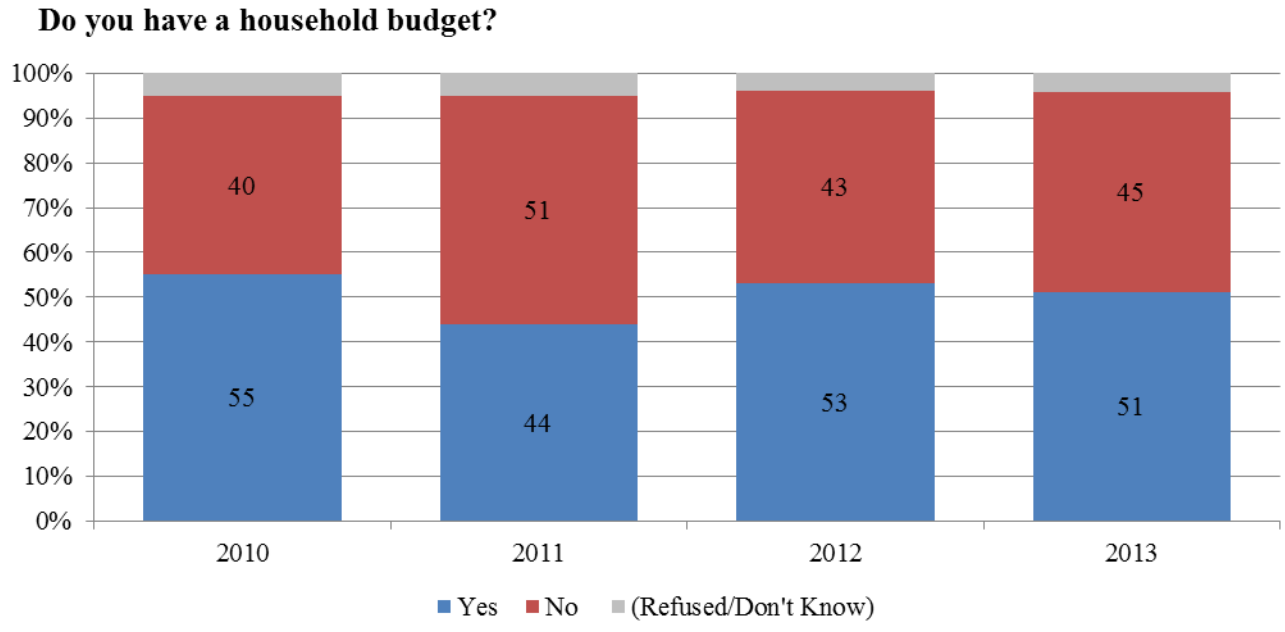
2 Managing Money

Since the 2010 Financial Literacy Pilot study, the SASAS research team has given a special focus to day-to-day money management in our assessment of financial capacity. Informed by the international scholarship on financial aptitude and behaviour (Atkinson et al., 2007; Hilgert, Hogarth, & Beverly, 2003; Lea, Webley, & Walker, 1995; Walker, 1996), the research team has constructed a series of questions on money management that have been rigorously tested for validity and reliability. In particular the research team is interested in how South Africans understood and thought about expenditure and saving. At the time of writing, the SASAS research team has collected four years of survey data (2010-2012), allowing for a trend analysis of individual money management over the period. The following section offers a detailed analysis of this data with a focus on how money management differs between different socio-economic groups in South Africa.

2.1 Presence of a Household Budget

One of the most central aspects of financial control and money management for any household is the use of a *plan* of monetary operations based on a specific time period –in other words, a budget. As Arrowsmith and Pignal (2010) remark, the presence of a budget is suggestive of a positive awareness relating to financial management (also see Mitchell & Lusardi, 2011). The SASAS research team has been tracking the presence of a budget in South African households since 2010 (see Figure 5). The findings of the team's research show that a budget is present in a majority of South African households although a considerable minority still do not have a household budget. In 2010 about half (51%) the adult population reported the presence of a household budget and this share has remained relatively unchanged in subsequent years. In 2013 approximately 53 per cent of the adult population reported the presence of a budget in their households. The significant share of households in the country without a budget is a concerning finding, and promoting 'budgeting' behaviour is one of the key mandates of the recently released the National Consumer Financial Education Strategy.

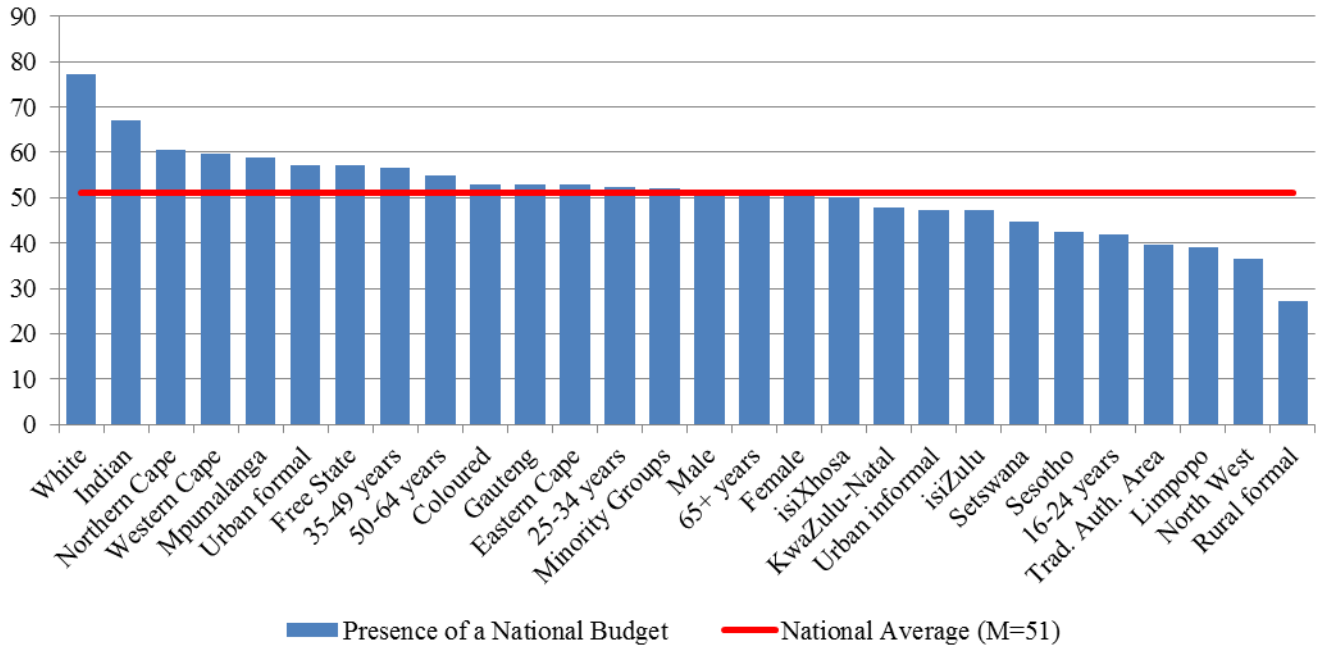
Figure 5: Share of South Africans who had a Household Budget (column percentages), 2010-2012



Source: South African Social Attitudes Survey (SASAS) 2010-2013

Which households in South Africa hold a household budget and what are the characteristics of those households? Figure 6 indicates the presence of a household budget by key social and demographic characteristics. Noted differences between rural and urban dwellers on budget presence are significant, and many in the primarily rural provinces of Limpopo and the North West report no household budget. However residents of other predominantly rural provinces such as the Eastern Cape and Mpumalanga were, on average, more likely to report the presence of a household budget than were residents of Limpopo and the North West. As can be observed in Figure 6 there is a considerable gradient of difference by population group. Members of the white and Indian population groups were found to be significantly more likely than other groups to have a household budget. Interestingly black African ethnic groups –with the exception of the Sesotho, 58 per cent of whom did not have a household budget –were found to be similar in their propensity to have a household budget. This finding may reflect the material disadvantage and social inequalities that continue to characterise our society.

Figure 6: Presence of a Household Budget, by socio-demographic attributes (percentage)

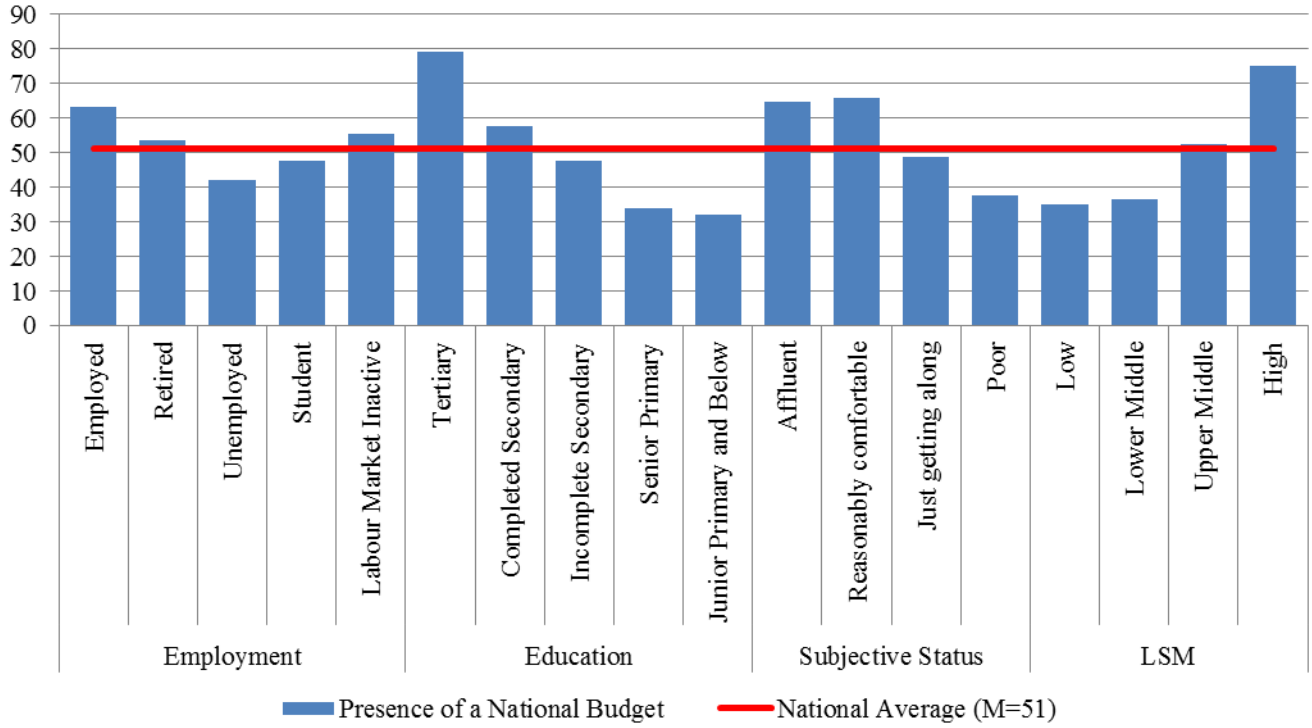


Source: South African Social Attitudes Survey (SASAS) 2013

The differences noted between ethno-linguistic groups in Figure 6 may be explained by the economic differences between them. The propensity to have a household budget depends, international research has shown, on an individual's financial resources[4] (see Perry & Morris, 2005 who, using US survey data on adults aged 20-40, noted this relationship). Based on the culminated research of the last four years, it is apparent that those South Africans higher on the socio-economic ladder –the educated and the affluent –tend to be more likely to report the presence of a household budget. If we turn to the 2013 results specifically (displayed in Figure 7) this pattern again emerges, suggesting the validity of this finding from previous financial literacy reports written by the SASAS research team.

[4] The relationship between financial literacy and wealth accumulation is, however, somewhat unclear. A key limitation of many studies that investigate the correlation between economic capital and financial literacy is the strong possibility of endogeneity bias.

Figure 7: Presence of a Household Budget, by economic attributes (percentage)



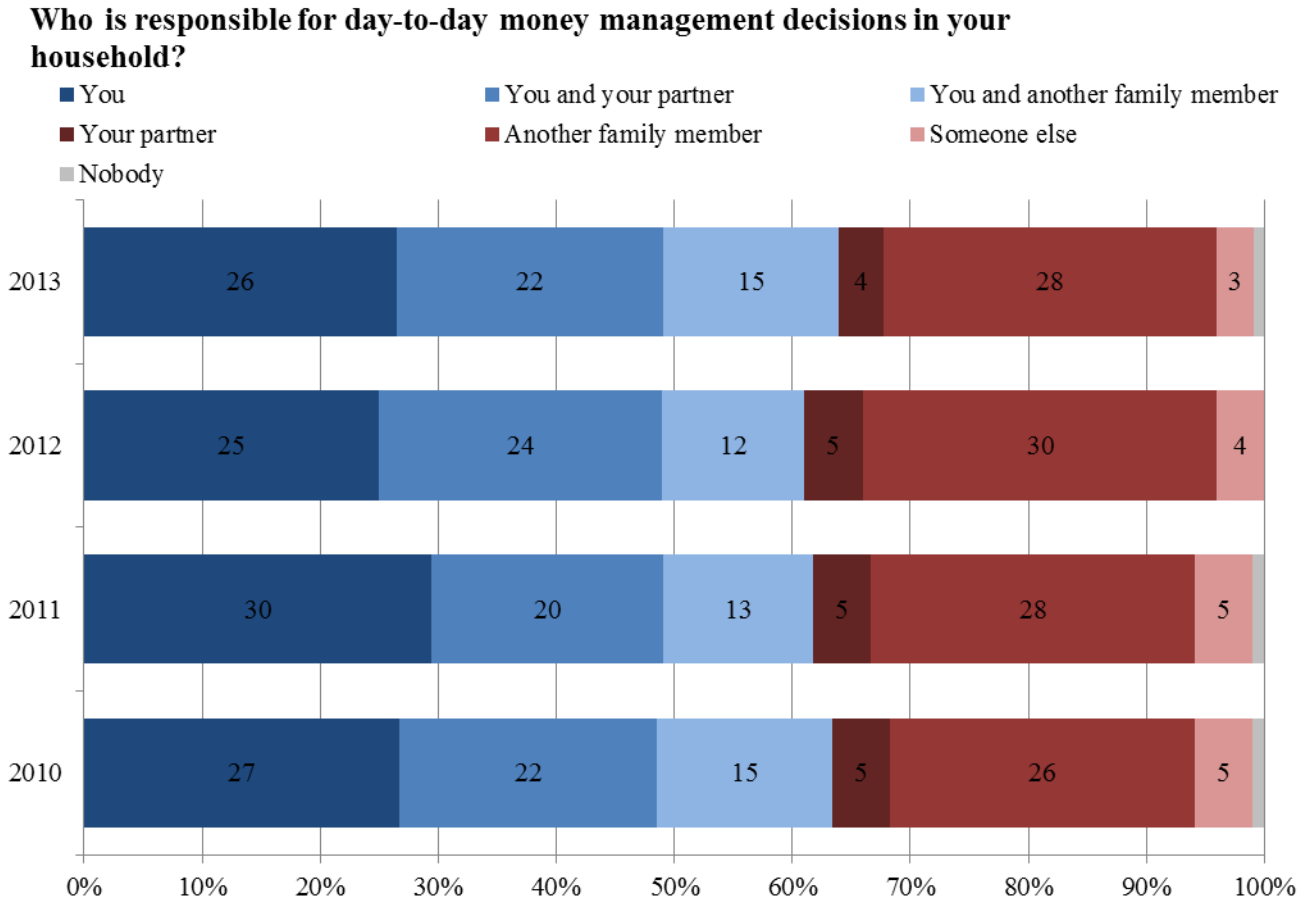
Source: South African Social Attitudes Survey (SASAS) 2013

The financial pressures faced by large households (particularly households with large numbers of children) are often greater than those of smaller households, and such households tend to be more susceptible to economic vulnerability. An analysis of the presence of a household budget by household size presents some worrying findings regarding financial control and money management in large households. Only a minority (40%, more than ten percentile points below the national mean average) of those with four or more children present in their household reported having a household budget. A similar trend was noted with the number of adults in the household, indicating that large households in the country tend to be more unlikely to exercise proper financial planning than their smaller households. It is clear, therefore, that more attention must be paid to improving money management in large households.

2.2 Personal Involvement in Money Management

Traditionally scholars have seen responsibility for day-to-day decisions concerning money management to be the province of the household head, often the patriarch of the family. However, revisions in scholarly reasoning, following the sexual and cultural revolutions of the last five decades, have provoked a rethink on how involved individuals should be in the daily money management of their household. The current thinking is that all adults, particularly women in the household, should be involved in the management of the household finances. The SASAS research team has sought to better understand personal involvement in money management since 2010, focusing on the involvement of women and young people. Data gathered over the last four years indicates that a majority of South African adults are involved directly in the management of their household's finances (see Figure 8).

Figure 8: Responsibility for daily household money management (row percentages)

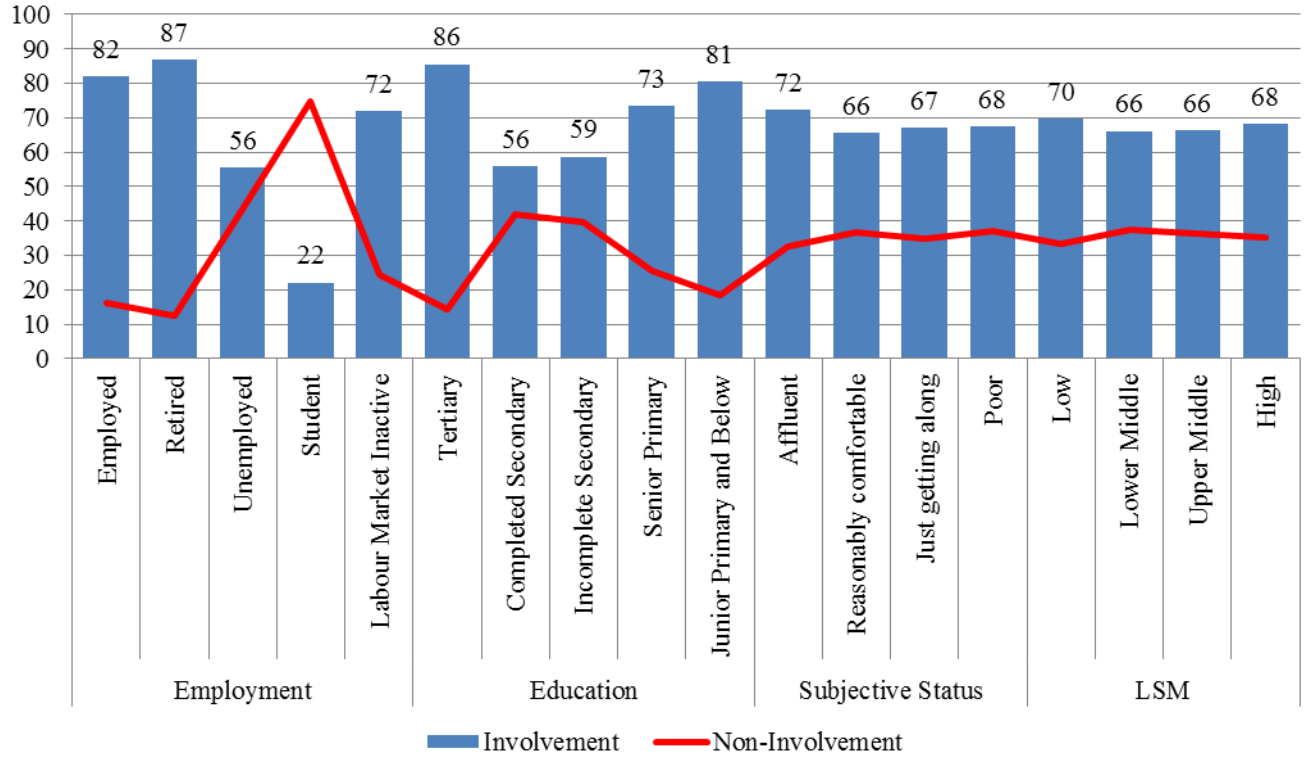


Source: South African Social Attitudes Survey (SASAS) 2010-2013

For those not involved in the managing the household budget, the lion's share of the remainder was reliant on another family member to perform this crucial task. The distribution of responsibility for daily household management has remained the same over the four years surveyed. A limited level of change was noted between 2011 and 2012 although the results of 2013 indicate that this observed growth in the number living in households where daily money management is conducted together with a partner or by a family member did not continue. It is evident that more must be done to encourage the involvement of adult South Africans in the management of their household's finances.

The SASAS research team now turns to subgroup analysis to better understand how different household types handle money management. As can be observed in Figure 9, personal involvement in money management did not vary greatly when examined by LSM group or subjective economic status. Market labour participation, in contrast, does seem to have an impact on personal involvement in money management. Those not receiving an income from employment or retirement reported comparatively low levels of personal involvement in their household finances. Nor did the low educational attainment translate into low personal involvement in money management, and it seems that personal involvement is linked to the life cycle of the individual. Life cycle effect seems to explain why students reported such low levels of involvement in household money management.

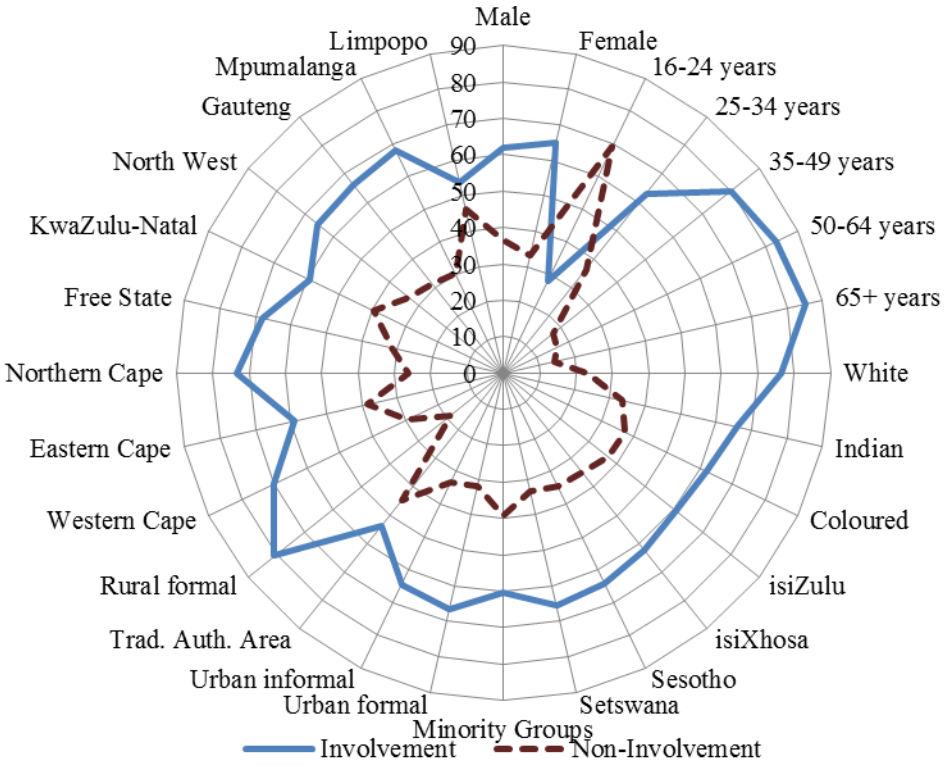
Figure 9: Responsibility for daily household money management by economic attributes



Source: South African Social Attitudes Survey (SASAS) 2013

If the results of the above are disaggregated across subgroups, it is apparent (and it was in previous years) that marital status had an observed effect on how South Africans manage their daily household finances. In a majority of households, both partners were involved in the management of day-to-day financial decision-making. However more than a quarter (29%) of married men in South Africa in 2013 managed such decision-making within the input of their partners –in contrast less than a fifth (17%) of married women managed the financial affairs of the household without the input of their partners. Significant ethnic group differences were identified with regards to this relationship. More than three-quarters (77%) of married white South Africans shared financial household decision-making with their partner compared to approximately half the isiZulu and the isiXhosa. Less than two-fifths of married Setswana and Indian South Africans reported sharing decision-making.

Figure 10: Responsibility for daily household money management by socio-demographic attributes



Source: South African Social Attitudes Survey (SASAS) 2013

Other noted disparities can be observed in Figure 10 which shows that certain groups – in particular the youth–do not play a direct role in daily household money management. For most young adults, daily financial management of the household was conducted by a family member, with a low share being directly involved in the management of the household budget. This reflects, no doubt, the limited earning power of these age groups in comparison to others in the household. The involvement of the youth in household money management can boost the propensity of these individuals to save, exercise more cautious spending behaviour, and increase their knowledge of financial products (Lamdin, 2011). An involvement of the youth in financial decision-making at the household level will also serve to inform this age cohort about financial concepts such as the effects of inflation. Given the positive benefits that involvement can have to financial knowledge accumulation and financial capacity development, more should be done to encourage the participation of the youth in their household's financial management.

2.3 Spenders and Savers: Expenditure Behaviour

In any national review of financial literacy, the SASAS research team has found, it is important to consider attitudes towards day-to-day money management. The accumulated work of the research team on financial planning corresponds with wider literature regarding the impacts of saving behaviour and time preference. For Walker (1996, p. 792) the ability to exercise self-control has long been associated with financial decision-making and "the choice of whether to delay gratification, for example by saving, or to spend now, or even to borrow to buy now instead of waiting" is an important test of financial responsibility. A number of studies have also found that being more 'forward-looking' is positively correlated with saving behaviour and the ability to cope with financial stress (Lamdin, 2011; also see Lea et al., 1995). The research team has been collecting data on such attitudes towards money management since 2010 and constructed a reliable index to adequately measure such attitudes.

In order to better understand South African's attitudes towards responsible financial behaviour the SASAS research team created the "Attitudes to Money Management Scale" (AMMS). The scale is based on four questions on financial self-control: "Please can you tell me how often you do these things or not. (i) Before I buy something I carefully consider whether I can afford it?; (ii) I pay my bills on time?; and (iii) I keep a close personal watch on my financial affairs?" as well as "How much you agree or disagree, money is there to be spent?". Responses to these questions were combined into a single 0-100 scale with 0 indicating the lowest level of reported financial responsibility and 100 the highest. The AMMS score was 71 in 2012 (up from 68 in 2010) but seems to have declined in 2013 to 62. If responses to the four questions discussed above are examined year-on-year (see Table 4), this disparity becomes apparent.

Table 4: Attitudes financial self-control and expenditure attitudes (row percentages)

Attitudes to Money Management Scale					
		2010	2011	2012	2013
Affordability: Before I buy something I carefully consider whether I can afford it	Always	61	60	60	52
	Often	21	17	21	25
	Infrequently/Never	18	23	19	23
Timeous: I pay my bills on time	Always	34	32	42	30
	Often	26	20	22	17
	Infrequently/Never	40	48	36	53
Monitoring: I keep a close personal watch on my financial affairs	Always	36	30	38	32
	Often	28	22	27	28
	Infrequently/Never	36	48	35	40
Spending: Money is there to be spent	Agree	42	34	37	43
	Neutral	18	17	19	18
	Disagree	39	47	42	38

Source: South African Social Attitudes Survey (SASAS) 2010-2013

The 2013 results reveal that a low share (52%) of the adult public acknowledge that, prior to making a purchase, they always carefully consider whether they can afford it compared to 2012. Adult South Africans also tended to be less likely to state that they unfailingly pay their bills on time in 2013 than in 2012. Those who never or infrequently kept a close watch over their personal finances had also decreased between 2012 and 2013. It is impossible to discern, at this stage, if the observed decline is part of long-term trend in societal values regarding money and expenditure. Such decline will undermine financial wellbeing, exposing more South Africans to economic vulnerability and making us more susceptible to inappropriate financial product decisions. It is apparent, however, that such attitudes must be closely monitored in future.

To facilitate our understanding of the sub-population differences on attitudes towards spending, the attitudinal variables discussed above were converted into individual 0-100 scores with '0' representing the least positive attitude towards financial control and '100' the most positive attitude. The scores for sub-populations results based on Analysis of Variance (ANOVA) on these indicators as well as the combined AMMS are presented in Table 5. As can be observed, the South African youth (16-24 age cohort) exhibited significantly lower scores than their older counterparts on all attitudinal indicators in the table. Significant differences were also observed between different educational attainment groups, suggesting that education is a salient factor underlying beliefs about financial control. Those dwelling in poorer geographic locations –such as informal urban areas or traditional authority areas –exhibited lower scores on all indictors than those dwelling in more economically affluent locations. These results are consistent with what was observed in 2011 and 2012 by the SASAS research team.

Table 5: Attitudes to Money Management by selected socio-demographic subgroups (0-100 mean scores)

	Affordability	Timeous	Monitoring	Spending	MMS
South Africa	79	53	66	49	62
Age cohort:	***	***	***	***	***
16-24 years	74	38	58	40	53
25-34 years	80	50	64	47	60
35-49 years	82	62	71	54	67
50-64 years	81	58	72	54	66
65+ years	78	69	75	56	70
Population group:	***	***	***	***	***
White	87	88	86	65	82
Indian	84	71	78	58	73
Coloured	80	60	71	51	65
isiZulu	75	46	65	48	58
isiXhosa	75	48	56	38	54
Sesotho	82	45	64	51	61
Setswana	83	57	67	48	64
Minority Groups	78	45	66	47	59
Geographic location:	***	***	***	***	***
Urban formal	81	59	70	51	65
Urban informal	79	54	65	45	61
Rural trad. authority areas	76	38	59	46	55
Rural farms	70	46	60	45	56

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

Studies on attitudes towards money, like Furnham and Argyle (1998), argue that different ethnic and national cultures seem to have differing attitudes towards money (also see Lusardi and Mitchell 2007). Certainly significant population group differences were noted in Table 5 with white and Indian South Africans demonstrated very high scores on the attitudinal indicators. Of the different ethnic groups under consideration, the isiXhosa were found to exhibit the lowest scores on all indicators, particularly the indicator that tapped into attitudes towards expenditure. If we reflect on attitudinal differences between the various black African ethnic groups, it is apparent that the Setswana scored the highest. This seems to suggest that there are cultural differences in the way financial decisions are reached in South Africa. As the National Consumer Financial Education Strategy Committee works to craft interventions to improve financial self-control and promote fiscal responsibility, cultural sensibilities must be borne in mind.

During the 2012 Financial Literacy Study, the SASAS research team noted differences between the AMMS indicators presented and economic status. To test to see if such differences will be again observed in 2013, Table 6 shows how the AMMS indicators and the AMMS combined score are distributed across economic subgroups in South Africa. The prosperous, as can be observed, are more likely than the less well-off to score higher on the MMS. Variances between individuals on the different rungs of the country's economic ladder were high on the Timeous and Monitoring indicators. Those who can be categorised as members of the 'high' LSM group scored, on average, 44 points above those in the 'low' LSM group on the Timeous indicator and 27 points on the Monitoring indicator. Similar mean scores were observed if the research team used subjective economic status as a measure of economic status. This suggests the significant behavioural differences between different economic groups in South Africa.

Table 6: Attitudes to Money Management by economic attributes (0-100 mean scores)

	Affordability	Timeous	Monitoring	Spending	MMS
South Africa	79	53	66	49	62
Educational Attainment:	***	***	***	***	***
Tertiary	83	82	80	62	77
Completed Secondary	82	58	70	48	65
Incomplete Secondary	79	46	64	46	59
Senior Primary	74	47	60	48	57
Junior Primary and Below	71	39	57	44	53
Employment status:	***	***	***	***	***
Employed	81	69	74	52	69
Retired	81	67	75	53	69
Unemployed	79	44	63	47	58
Student	70	29	52	44	49
Labour Market Inactive	85	63	68	52	67
Subjective Economic Status	***	***	***	n.s.	***
Affluent	84	69	78	51	70
Reasonably comfortable	80	65	71	50	67
Just getting along	81	52	66	48	62
Poor	75	40	58	48	55
LSM status	***	***	***	***	***
Low	71	32	53	45	50
Lower Middle	74	42	58	45	55
Upper Middle	82	53	68	46	62
High	85	76	80	59	75

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

The relationship between the AMMS score and economic status observed in Table 6 are not unexpected, both given the results of previous surveys conducted by the SASAS research team and given the results discussed in section 2.1. In fact the research team found that those individuals living in a household with a budget had an AMMS mean score 14 points above those living in a household without a budget. Equally those who in section 2.2 who reported personal involvement in household money management exhibited higher AMMS mean scores than those who did not report personal involvement. These results suggest the importance of promoting household budget formation and personal participation in household financial management among those groups who scored low on the AMMS (such as the youth and the poor) in South Africa.

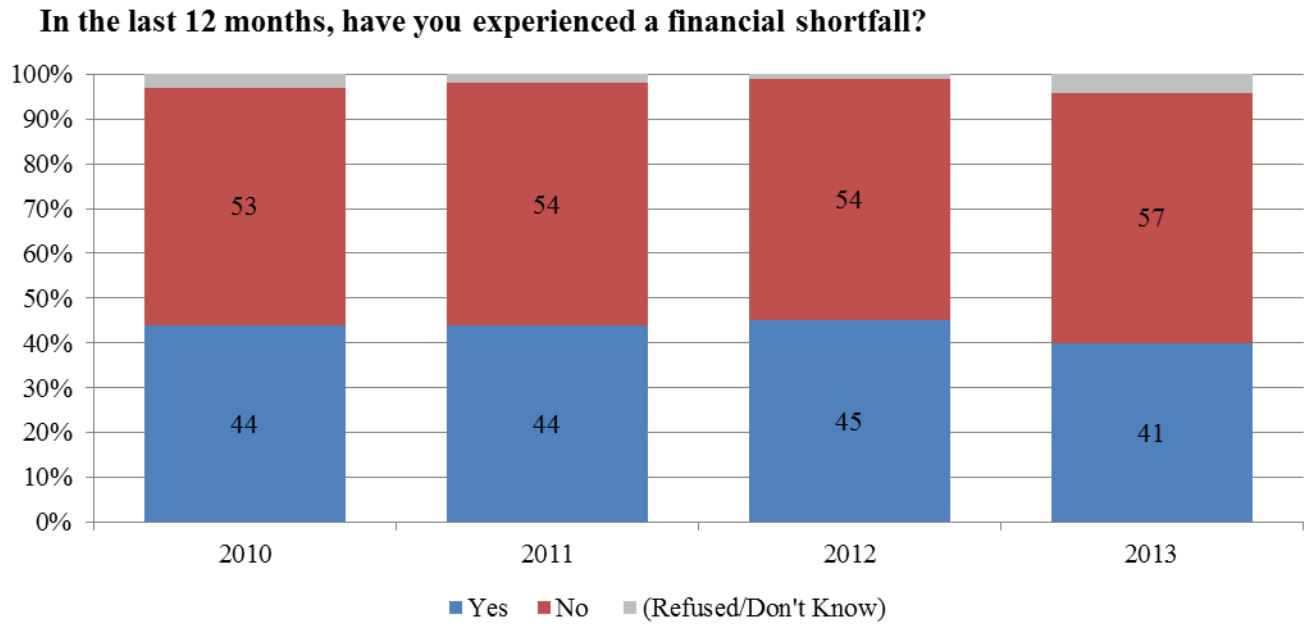
3 Making ends meet

In the period following the global economic downturn of 2008/2009, when the South African economy entered recession and more than one million South Africans lost their jobs, the country has struggled to recover. Large-scale labour unrest in the profitable mineral sector and a sluggish global economy have slowed the country's recovery. The accelerated implementation of infrastructure projects and expanding opportunities for South African companies on the continent could sustain future economic growth although, at the time of writing, the future remains precarious. In such uncertain times, it is fundamental for any survey on financial capability and literacy in the South African context to examine how individuals respond to financial shocks or shortfalls. Since 2010, the South African Social Attitudes Survey (SASAS) research team have paid particularly close attention to how individuals adapt to financial shortfalls. Currently four years of behavioural and attitudinal data on such adoption has been collected, allowing a unique opportunity for analysis. The following section will present an examination of these strategies in order to better understand the financial behaviour of South Africans.

3.1 Experiencing a Financial Shortfall

In 2010, during the Financial Literacy Pilot study, SASAS researchers collected data on whether an individual had personally experienced a situation whereby their income did not quite cover their living costs. In 2010 more than two-fifths (44%) of the adult population had experienced such a shortfall indicating that many South Africans do not lead economically sustainable lifestyles. There was little difference in the response of the South Africans to this question between 2010 and 2012, however, in 2013 there was a notable (albeit marginal) drop in the share of the population who had experienced a financial shortfall (see Figure 11). The commonality in responses observed indicates that that the question continues to work well, despite the sensitivity that is commonly involved in revealing financial difficulty.

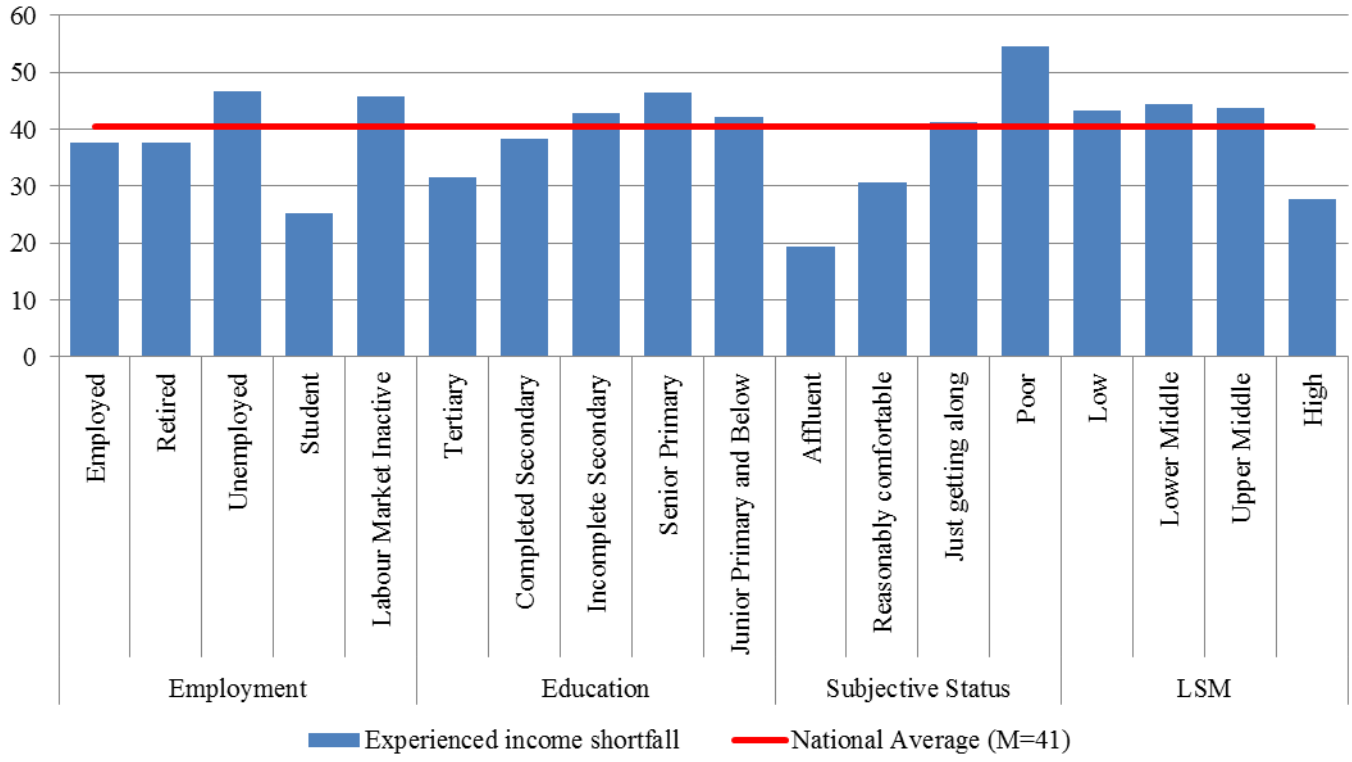
Figure 11: Share of South Africans who experienced income shortfall in last year, 2010-2013



Source: South African Social Attitudes Survey (SASAS) 2010-2013

In order to discern notable patterns of divergence in relating to experiencing an income shortfall, the results discussed above would benefit from further analysis of various economic characteristics. As can be observed in Figure 12, only a small share of those on the upper rungs of the country's economic ladder experienced a financial shortfall in 2013. Less than a third (28%) of those in the High LSM group reported a shortfall, compared to more than half (55%) of those in the Poor group. Interestingly, however, approximately two-fifths of those in the middling LSM categories reported experiencing a financial shortfall. This may impacted on perceived economic status, only smalls shares of those who defined themselves as 'reasonably comfortable' or 'affluent' reported financial shortfalls.

Figure 12: Experienced income shortfall in last year, by economic attributes (percentage)



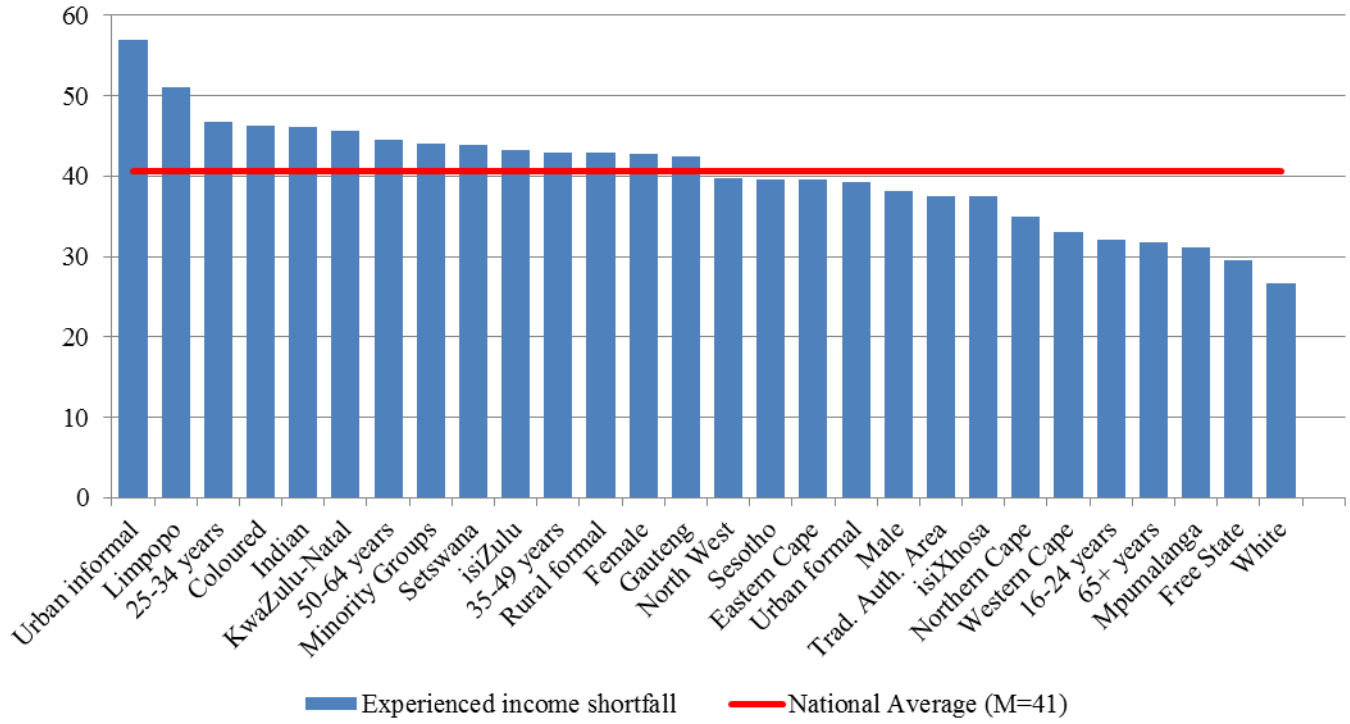
Source: South African Social Attitudes Survey (SASAS) 2013

Observed differences across demographic and social characteristics expand our understanding of who the economically vulnerable are. As can be observed in Figure 13, those in informal urban settlements and rural formal areas were more likely to have encountered financial difficulty recently than those in formal urban areas. Almost three-fifths (57%) of informal urban dwellers were found to have experienced a financial shortfall in the last 12 months, indicating the financial vulnerability of this group. More than half of the adult residents of the Limpopo province reported a financial shortfall indicating the particularly high level of economic vulnerability that characterises that province. Those in the 25-34 age cohort were more likely to experience a financial shortfall than any other age cohort. This may be due to the higher rate of unemployment in this age cohort –more than half (55%) of those aged 25-34 were jobless in late 2013 –compared to other age cohorts.

Immediately apparent from even superficial examination of Figure 13 are the significant differences noted between the country's ethno-linguistic groups. A very low share of the white minority reported a financial shortfall, less than a third (27%) of this group reported a shortfall compared to almost half of the coloured (46%) and Indian (46%) population groups. What can explain this observed disparity between racial groups? The answer may be related to the well-known apartheid legacy effect which resulted in contemporary racial differences in economic accumulation. Interestingly certain black

African ethnic groups were more likely than others to experience a financial shortfall. A surprisingly large share of the isiZulu (43%) and Setswana (44%) experienced such a shortfall compared with the isiXhosa (38%) who were much less likely to report such an incidence. This may be related to cultural practices related to saving amongst these groups, and such differences should be further investigated.

Figure 13: Experienced income shortfall in last year, by socio-demographic attributes (percentage)



Source: South African Social Attitudes Survey (SASAS) 2013

Marital status –often an indication of life cycle stage –did not seem to have an association with a reported experience of a financial shortfall. Married individuals were just as likely as their non-married counterparts to report a financial shortfall in the last 12 months. This suggests that the institution of marriage may not behave as the theorists would expect (i.e. encouraging risk adverse behaviour which strengthens the household against financial shocks or setbacks, see Lamdin, 2011) in this regard. It was noted, as with what was observed in 2012, that those whose main source of household income was pensions or social grants were more likely to experience an income shortfall than those who receive their main household income in salaries. The SASAS research team would argue, in light of this continued trend, that more research must be conducted to determine how social grants can more effectively insulate families from economic shocks and financial shortfalls.

3.2 Strategies to Cope with Financial Shortfall

The experience of a financial shortfall may result in a decline in individual financial wellbeing and even a recession in household standard of living. Everything is contingent on how the individual responds to financial shortfalls and what strategies individuals can employ to help them cope with periods of financial duress. Since 2010 the SASAS research team has investigated how South Africans respond to such periods in an effort to understand the range and frequency of different coping strategies that are employed. For those that acknowledged financial difficulties during the last 12 months, a follow-up question was asked to respondents querying what strategies were adopted to cope with this shortfall. Discouragingly, one of the most common strategies adopted by the adult public (see Table 7), in each of the four years for which we have data, was cutting back on spending.

Table 7: Coping strategies employed to make ends meet, 2010 2013 (multiple response table, percentages)

	2010	2011	2012	2013
Existing resources:				
Cut back on spending, spend less, do without	30	35	43	39
Draw money out of savings	9	13	13	18
Sell something that I own	8	12	9	8
Access credit by using existing contacts or resources:				
Borrow food or money from family or friends	49	55	41	40
Borrow from employer/salary advance	4	5	4	4
Take a loan from my savings and loan clubs	2	4	4	4
Pawn something that I own	2	4	3	2
Take money out of a flexible home loan account	1	0	2	1
Creating resources:	5	17	14	9
Fall behind/go beyond arranged amount:	9	10	10	9
Access additional credit:	6	17	7	7
Take out a loan from an informal provider/moneylender	5	12	4	3
Take out a personal loan from a formal financial service	1	3	3	3
Take out a payday loan	0	1	1	1
Borrow from existing credit line:				
Apply for loan/withdrawal on pension fund	1	2	2	2
Use credit card for a cash advance or to pay bills/buy food	1	3	2	2
Use authorised, arranged overdraft or line of credit	0	1	1	1
Other				
(Do not know)	2	5	3	4
(Refused to answer)	2	2	2	5

Source: South African Social Attitudes Survey (SASAS) 2010-2013

The most common response in 2013 was to borrow from friends and family, indicating that social networks are integral to how many households cope with financial stress. That less than a fifth (18%) were able to draw on personal savings in such times, reveals the limited personal financial resources of those who experience a financial shortfall. The fact that only a small minority drew on formal or informal credit organisations –such as banks, formal financial services and informal saving clubs – shows that such bodies are not readily accessible to households in financial duress (perhaps due to the entry barriers involved). If the responses to this question in 2010 are compared with 2013, it was found that there was a shift in the kind of strategies adopted. Reliance on existing resources became the more popular coping strategy in 2013 while creating resources (through working overtime for example) decline in popularity. There was little change in the proportion of individuals accessing formal credit markets as a mechanism to cope with financial shortfall between 2010 and 2013.

3.2.1 Primary Coping Strategies when Facing Financial Duress

In order to obtain a deeper understanding of individual responses to financial duress, respondents were asked which coping strategy was most important during periods of financial shortfalls experienced in the last year. This question was introduced in 2011 during the Financial Baseline Study and the responses to this question allow for a greater comprehension of primary coping strategies in the event of an economic shortfall. It is evident that the most important coping mechanism for South Africans is to draw on existing resources (37%) with cutting back on expenditure or doing without (30%) listed as the main sub-category. This represents a shift in response behaviour from 2011 when the primary coping mechanism was access credit from existing

contacts (45%) with borrowing from family and friends (41%) as the most popular sub-category (see Table 8). Worryingly the share of South Africans who relied on cutting back as their primary stratagem in the evident of a shortfall almost doubled between 2011 and 2013. This may represent a response to a prolonged economically difficult period which would have strained social networks traditionally utilised for financial credit

Table 8: Financial measures relied on during times of financial stress (column percentages)

	2011	2012	2013
Existing resources:	**23**	**42**	**37**
Cut back on spending, spend less, do without	15	31	30
Draw money out of savings or transfer savings into current account	5	7	6
Sell something that I own	3	4	1
Access credit by using existing contacts or resources:	**45**	**30**	**32**
Borrow food or money from family or friends	41	26	27
Borrow from employer/salary advance	2	2	3
Take a loan from my savings and loan clubs	2	1	1
Pawn something that I own	n.a.	1	1
Take money out of a flexible home loan account	0	1	0
Creating resources:	**9**	**8**	**5**
Fall behind/go beyond arranged amount:	**1**	**3**	**2**
Access additional credit:	**7**	**3**	**3**
Take out a loan from an informal provider/moneylender	5	2	1
Take out a personal loan from a formal financial service	1	1	0
Take out a payday loan	1	0	2
Borrow from existing credit line:	**2**	**2**	**2**
Apply for loan/withdrawal on pension fund	0	0	1
Use credit card for a cash advance or to pay bills/buy food	2	2	1
Other	5	6	9
(Do not know)	5	4	5
(Refused to answer)	2	2	6

Source: South African Social Attitudes Survey (SASAS) 2010, 2013

In Table 7 the SASAS research team was able to identify the most common responses to financial duress. Now the research team will examine subgroup differences in terms of the strategies adopted. As different population groups reported different incidences of income shortfall, we expect that different groups adopted dissimilar strategies to cope with such shortfalls. Four scores were created based on the strategies outlined in Table **7**8, each scaled 0-100 with 100 representing the highest likelihood of adopting that strategy and the lowest. Results are depicted in Table **9**9 and Table **10**10 showing which groups were most likely to adopt which strategies. It is apparent that the less affluent subgroups were more likely to employ credit from existing contacts (primarily raised through friends and family) as a coping mechanism. More affluent members on the South African socio-economic ladder responded, as can be seen in Table **9**9, to a financial shortfall by drawing on existing resources. It is clear that this segment of the adult public had greater reserves of personal savings to draw upon in times of financial duress and were more able to cut back on (presumably unnecessary) living costs.

Table 9: Coping strategies employed to make ends meet by economic attributes (mean 0-100 scores)

	Existing resources	Access credit	Fall behind	Create resources
South Africa	55	47	7	9
Education:	**	***	n.s	n.s
Tertiary	67	27	6	15
Completed Secondary	61	47	8	10
Incomplete Secondary	53	48	6	7
Senior Primary	51	53	9	11
Junior Primary and Below	41	58	1	6
Employment status:	***	n.s	**	***
Employed	67	41	7	21
Retired	53	51	3	3
Unemployed	50	52	8	5
Student	56	41	1	2
Labour Market Inactive	47	39	10	5
Subjective Economic Status	***	***	n.s	*
Affluent	62	50	7	20
Reasonably comfortable	68	32	4	11
Just getting along	56	47	8	9
Poor	47	54	7	7
LSM status	***	***	n.s	***
Low	37	47	1	5
Lower Middle	47	63	9	10
Upper Middle	63	44	8	7
High	72	25	5	12

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

The primary coping strategies for those in the higher socio-economic strata of South Africa were cutting back on expenditure, which may again reflect the surplus financial resources available to these individuals. For those lower down the socio-economic ladder, the utilisation of social networks was the primary coping stratagem. This is most probably due to the limited space such groups had to cut expenditure given that these groups live below or on the poverty line. Neither the rich nor the poor in South African society relied on formal credit markets as their primary coping strategy. Those in the lower middle LSM group (see Table 10) however were much more likely than those in other categories to access credit in response to financial shortfall. This suggests that formal credit markets – whether in the form of borrowing from existing credit lines or accessing additional credit such as a personal loan –are not seen as viable option for those facing a financial shortfall.

More prosperous South Africans were also more able to create resources when faced with financial difficulty (albeit few members of the well-off suffered financial shortfall in 2013, see Figure 12). It also was evident that those in employment, in particular, were more readily able (when compared with than those outside the labour market) to generate new resources as a response to financial shortfall. But even for more affluent South Africans falling behind on bill payment or an unauthorised overdraft did not seem to be an option. It may be that the negative consequences of such actions prevent even wealthy members of the public from pursuing these stratagems in the event of a financial shortfall. Turning to differences between socio-demographic groups, it is apparent from Table 10 that those in the rural areas were more likely than their counterparts living in urban areas to borrow food or money from family or friends, revealing the importance of social networks as a coping mechanism for those outside urban centres.

Table 10: Coping strategies employed to make ends meet by socio-demographic attributes (mean 0-100 scores)

	Existing resources	Access credit	Fall behind	Create resources
South Africa	55	47	7	9
Age cohort:	*	n.s	**	n.s
16-24 years	58	42	4	9
25-34 years	53	51	8	10
35-49 years	59	50	11	9
50-64 years	47	42	5	9
65+ years	59	44	2	2
Population group:	***	***	n.s	*
White	63	32	12	16
Indian	65	47	4	10
Coloured	55	47	10	8
isiZulu	67	47	7	11
isiXhosa	51	59	8	10
Sesotho	56	41	6	4
Setswana	42	37	4	8
Minority Groups	40	56	4	6
Geographic location:	***	***	n.s	***
Urban formal	62	44	9	9
Urban informal	34	40	5	11
Rural trad. auth. areas	50	55	5	6
Rural farms	47	70	2	12

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

If differences in coping stratagems among the country's different ethnic groups are examined, interesting variances are noted. Members of the isiZulu community are just as likely as members of the white and Indian groups to draw on existing resources when confronted with financial duress rather than credit from existing contact. The isiXhosa are much more likely than other population groups (including the isiZulu) to rely on credit from social networks than on existing resources. Almost two-fifths (39%) of the isiXhosa opted for credit through social networks as a primary mechanism compared to less than a fifth (19%) of the isiZulu. Surprisingly the Setswana had the lowest reported reliance on such credit networks of all other population groups, with the exception of the white minority. More than a third (36%) of the Setswana and almost half (47%) of the white minority pursued cutting back as their primary response to financial duress. This would suggest the presence of cultural differences in how different ethnic communities respond to financial shortfalls and, as a result, demands further study and investigation.

4 Financial Planning

Planning for the future is an important part of financial capacity and has been shown to be linked to financial wellbeing. Researchers have established this connection in a number of studies. For example, Lusardi and Mitchell (2007), using the Rand American Life Panel, investigated the impact of planning on financial outcomes and found that individuals with a tendency to plan are more likely to engage in saving behaviours and hold high levels of knowledge about financial concepts (also see Ameriks, Caplin, & Leahy, 2003). In addition, a number of studies have found that planning has an impact on how individuals approach financial distress and cope with debt according to a number of studies (Lea et al., 1995; see, for example, Livingstone & Lunt, 1992). Households who were found to plan and manage their finances responsibly tended to cope better with financial distress and have less debt than those who did not plan. Given the importance of financial planning to financial wellbeing, the SASAS has prioritised this behaviour as an item of study since the 2010 Financial Literacy Pilot study.

The information collected by the SASAS research team on financial planning has allowed us to present a thorough evaluation of saving behaviour in the country. The research team has currently collected four years of data on financial planning behaviours and attitudes in the country. Before presenting this data, it is important for the research team to point out that financial planning is qualitatively different from management of finances, requiring different capacities and motivations. Although it is fair to assume that those proficient in money management would try and make suitable provisions for their future, there must be a general recognition that financial planning and financial management are distinct domains of financial literacy. The following section will now examine financial planning behaviours and attitudes with a focus on strategies adopted by South Africans to save for the future and respond to financial shocks.

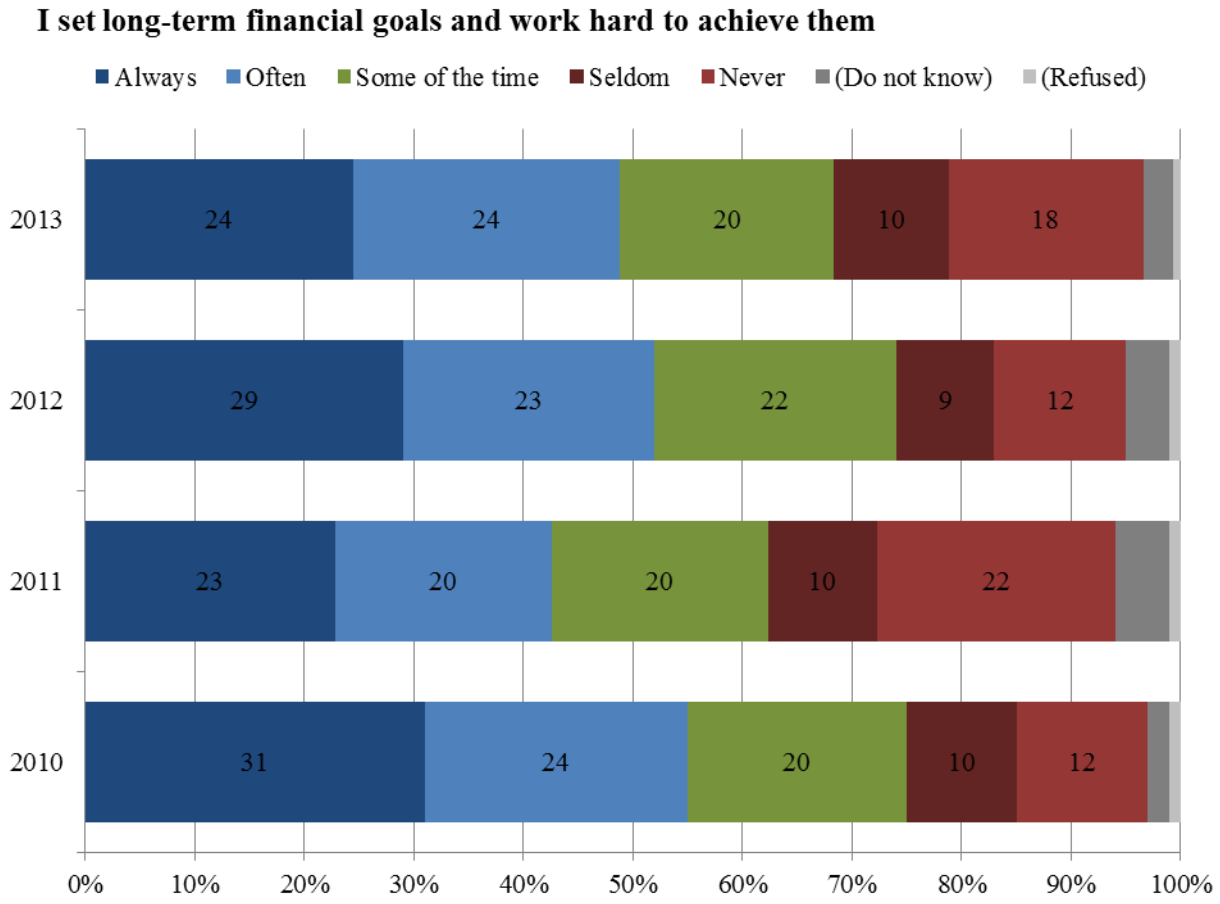
It is important, at this juncture, to note that SASAS researchers when designing the South African Financial Literacy Survey differed from a number of other household surveys that collect financial information in asking questions about behavioural characteristics, focusing more on financial capacity. This focus is evident in the questions constructed for this module (many of which were included as far back as the 2010 Financial Literacy Pilot study). This chapter will be subdivided into two parts. The first will investigate attitudes towards savings and more intangible forms of saving behaviour like setting long-term financial goals. The second will examine the behaviour of South Africans as it pertains to saving in order to discern the gap between preference and capacity.

4.1 Attitudes to financial planning

4.1.1 Attitudes to planning ahead

In the 2010 Financial Literacy Pilot study, the SASAS research team has found that the majority of South Africans indicate that they are predisposed towards setting planning for their financial future. When asked how often they set long-term financial goals and work hard to achieve them, the adult population tended to give positive answers. In 2010 more than half of the adult population indicated that they either always or often engage in such financial planning. Only a minority reported that they pursued long-term financial goals seldom or never. As the SASAS research team gathered new data on attitudes towards planning ahead in subsequent rounds of SASAS, it was evident that this trend had not altered significantly. As can be observed in Figure 14, self-reported financial planning has remained relatively stable over the period for which we have data.

Figure 14: Frequency with which South Africans set long-term financial goals and work hard to achieve them, 2010-2013 (percentage)



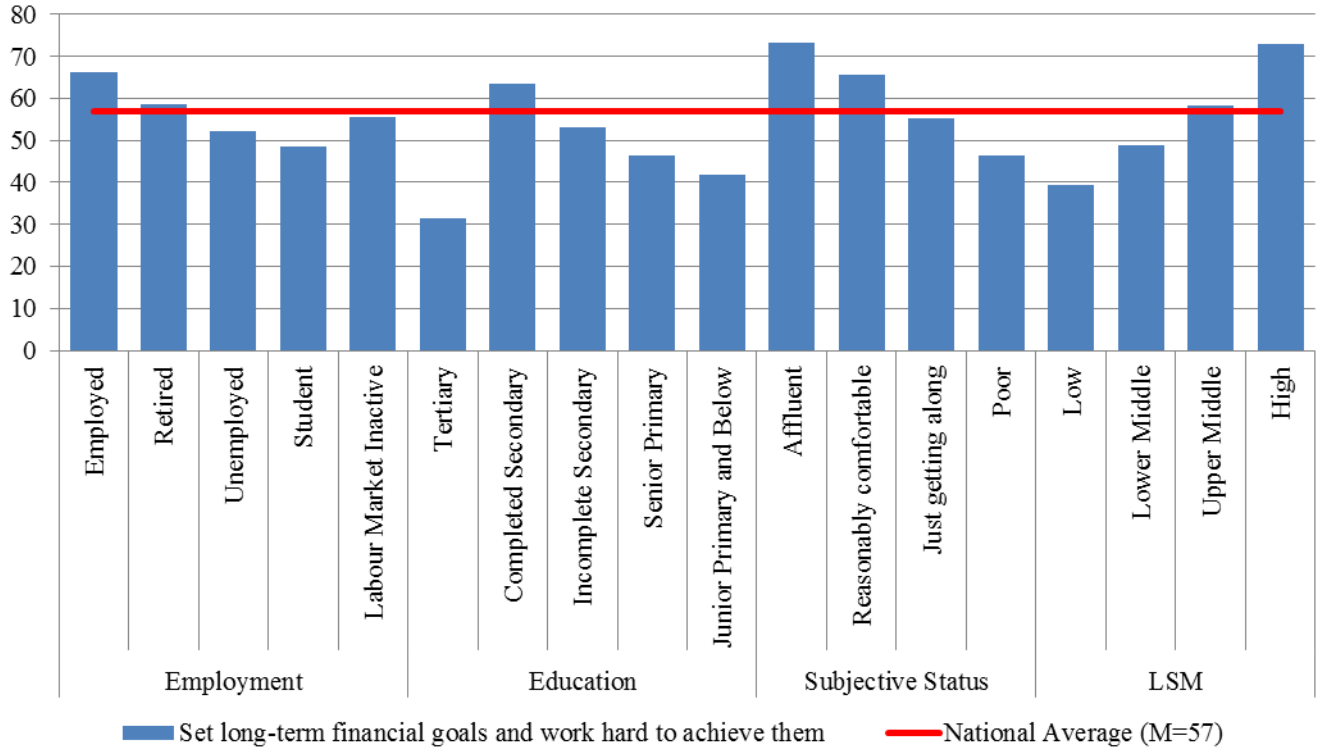
Source: South African Social Attitudes Survey (SASAS) 2010-2013

The work of SASAS research team over the last four years on financial planning suggests that this aspect of financial literacy is highly uneven distribution among the population. This is not a finding that is unique to South Africa and has observed by other researchers in other contexts (for, example, see Ameriks et al., 2003; Lamdin, 2011). Poor households do not have surplus economic capital that can be used in long-term financial plans like saving or investments. Moreover, a lack of regular secure income in many poor households makes most forms of financial planning problematic and impractical. As a result, we expect to observe a wide disparity between those on the lower and upper rungs of the South African socio-economic ladder. In order to test if this patterns remain consistent for the 2013 period, a 0-100 Financial Planning scale is created based on responses to the question: "Please can you tell me how often you set long-term financial goals and work hard to achieve them?" A high score indicates a high propensity to plan for the financial future.

As can be seen in Figure 16, those who occupy the upper layers of the economic pyramid exhibit comparatively high, on average, Financial Planning mean scores. Multivariate analysis, conducted in later in this report, will better explore the relationship between educational attainment and financial planning. Financial goal setting also seemed to differentiate by educational attainment with the better educated more likely, on average, prioritise long-term goal setting when compared to those with primary and incomplete secondary education. Examining socio-demographic subgroup differences on the Financial Planning scale (see Figure 16) significant variances can be observed. Geographic location seems to have a strong impact on the frequency with which South Africans set long-term financial goals. Those dwelling in urban formal areas were considerably more likely than those in informal urban areas or rural areas to set long-term financial goals. In particular those living on

commercial farms urban areas were found to score, on average, very low on the Financial Planning scale. This may explain why residents of Gauteng and the Western Cape were found to be, on average, more likely to set long-term financial goals than those in Mpumalanga and the Eastern Cape.

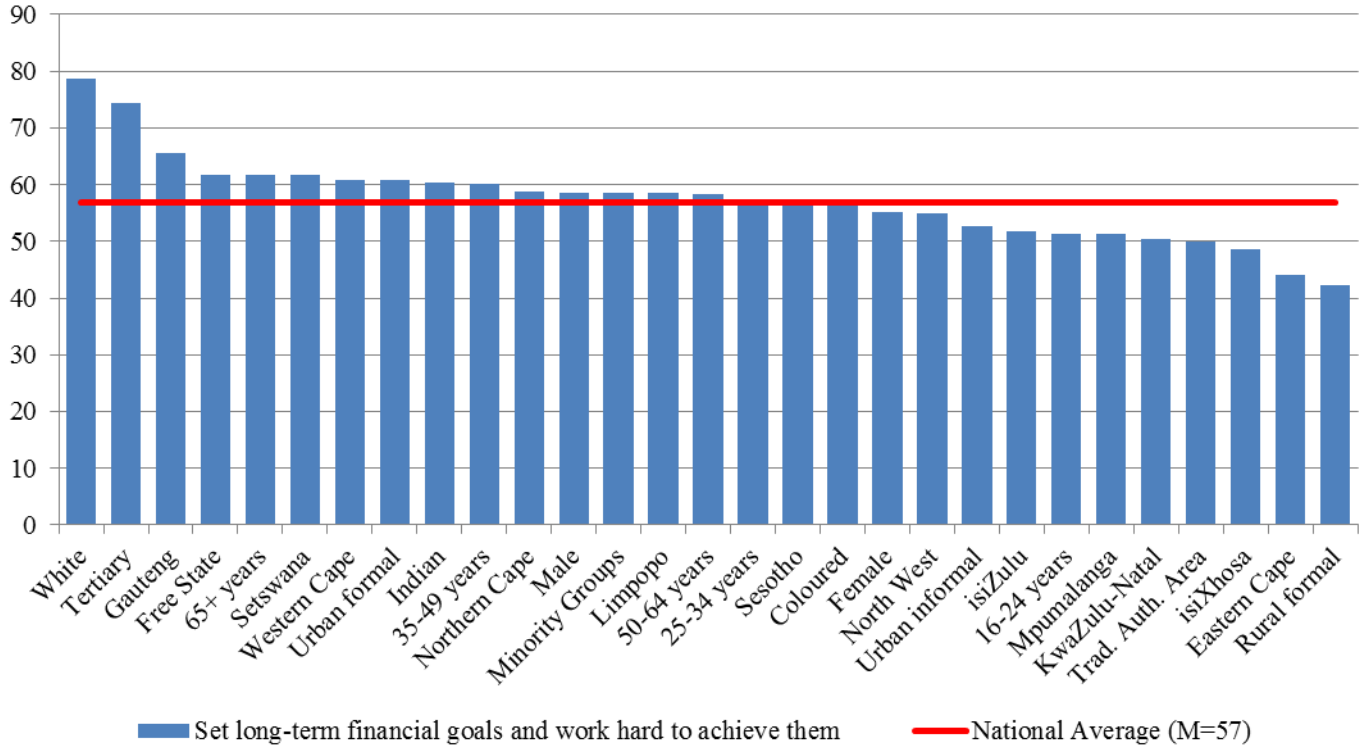
Figure 15: Attitudes towards Planning Ahead by economic attributes



Source: South African Social Attitudes Survey (SASAS) 2013

As can be seen in Figure 16, ethnic group differences were noted on the Financial Planning scale. Members of the white minority scored (79), on average, far higher on the scale than other population groups. The ethnic group was the isiXhosa (49) closely followed by the isiZulu (52). Observed ethnic group differences may be an effect of the well-known relationship between economic status and these indicators. Younger South Africans, particularly those in their late teens and early 20s, are less likely to attach importance to the idea of planning ahead when compared to their older counterparts. This finding is not unexpected. A number of scholars have investigated the relationship between age and financial literacy, noting that younger age cohorts tend to report low levels of financially planning. This may be the result of financial experience acquired by older age cohorts. Hilgert, Hogarth, and Beverly (2003), using the 2001 University of Michigan Survey of Consumers, found that financial experience was a powerful predictor of financial knowledge and financial management in terms of credit management, savings, cash flow management, and investments (also see Lamdin, 2011). This suggests that the more young South Africans are exposed to financial experiences, the better their financial planning.

Figure 16: Attitudes towards Planning Ahead by socio-demographic attributes



Source: South African Social Attitudes Survey (SASAS) 2013

The international literature suggests that financial planning may be linked to the cognitive abilities that are often acquired in the process of formal education. Guiso and Jappelli (2008), in their Italian study, also found that higher level of education with responsible financial behaviour. In another example Lusardi (1999) focusing on retired or retiring age groups, found, using the American 1992 Health and Retirement Study, that an absence of planning was more common among the poorly educated. The SASAS research team's examinations of the data over the period suggest that education was associated with financial planning (see Figure 16). Those with higher levels of education were, on average, more likely to set long-term financial goals than those who were less educated (particularly those adults with senior primary or junior primary education and below). The data gathered by the research team revealed that patterns observed in 2011 and 2012 were again evident in 2013.

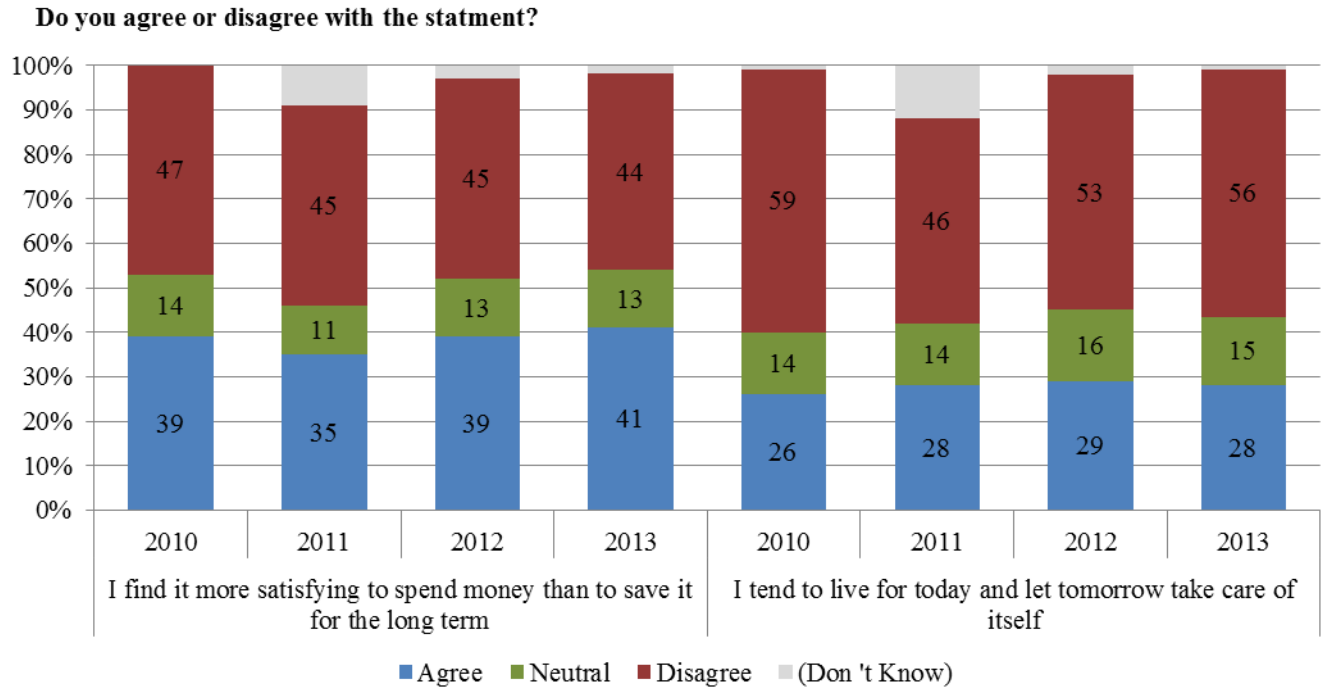
4.1.2 Attitudes towards Spending Money

Since the 2010 Financial Literacy Pilot study, the SASAS research team has been particularly interested in time preference in financial decision-making. Measuring such preferences allow the researcher to capture an individual's choice of whether to spend their money now, or delay gratification for later, for example by saving. The previous subsection presented data on whether South Africans set long-term financial goals. The data presented suggested that those on the lower rungs of the country's socio-economic ladder do not set long-term financial goals. Is this because there is not a preference among such individuals for saving money or is it because these individuals are unable to save despite a preference for doing so? In order to answer this question, it is important to measure attitudes towards saving and time preference.

Analysing attitudes towards financial planning and saving is important as it allow researchers to gather a better picture of financial preferences among the youth. Although this group has limited financial resources at this stage in their life cycle and therefore often are unable to save, the youth may still have a preference for saving (which will be important for building financial capability later in life). On the other hand, the youth lacking financial experience have not yet acquired an

appreciation for the importance of saving and setting long-term financial goals. In order to test the relationship between age and attitudes towards saving, two questions on attitudes towards financial planning were introduced in the 2010 Financial Literacy Pilot. The results of adult South Africans to these questions over the period 2010-2013 are shown in Figure 17, revealing that most favour a prudent approach to financial saving. Attitudes towards monetary expenditure have not changed significantly since these questions were first asked in 2010 as Figure 17 reveals.

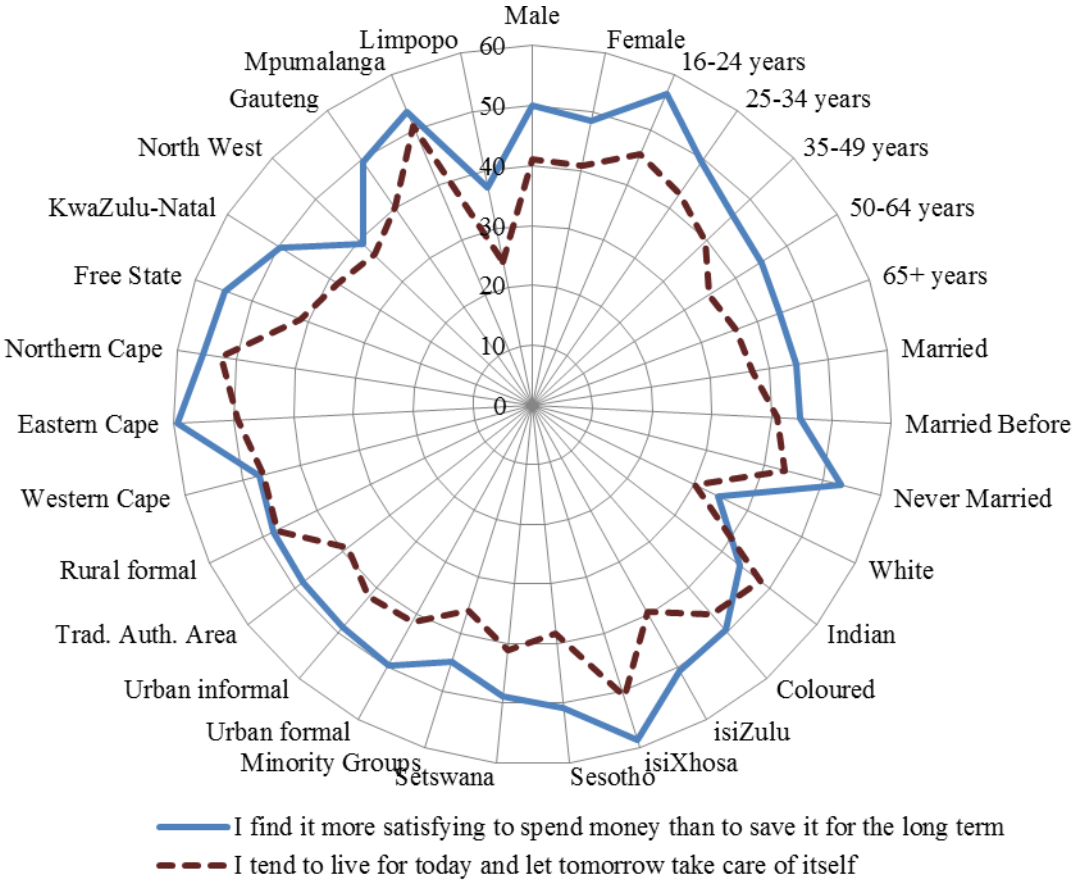
Figure 17: Time Preference (column percentage)



Source: South African Social Attitudes Survey (SASAS) 2010-2013

The SASAS research team expects that time preference will vary between different demographic and economic groups within South African society. In particular the research team expects differences by age cohort to emerge. In previous rounds the research team has tested time preference across personal attributes to identify significant differences in attitudes towards spending between subgroups. As may be expected, especially given the results of section 4.1.1, marked and significant differences were noted between the old and the young. It seemed that more mature South Africans are more responsible in their approach to spending money, as opposed to deriving satisfaction from spending it. In order to understand if this trend has continued, the research team constructed two 0-100 scales based on the responses to the two questions shown in Figure 17. On each scale '0' represents a very conservative spending attitudes and 100 the most prodigal or wasteful attitudes towards spending. Subgroup differences on each of these scales are expected.

Figure 18: Attitudes to Prodigal Values by socio-demographic attributes (mean scores, 0-100 scale)

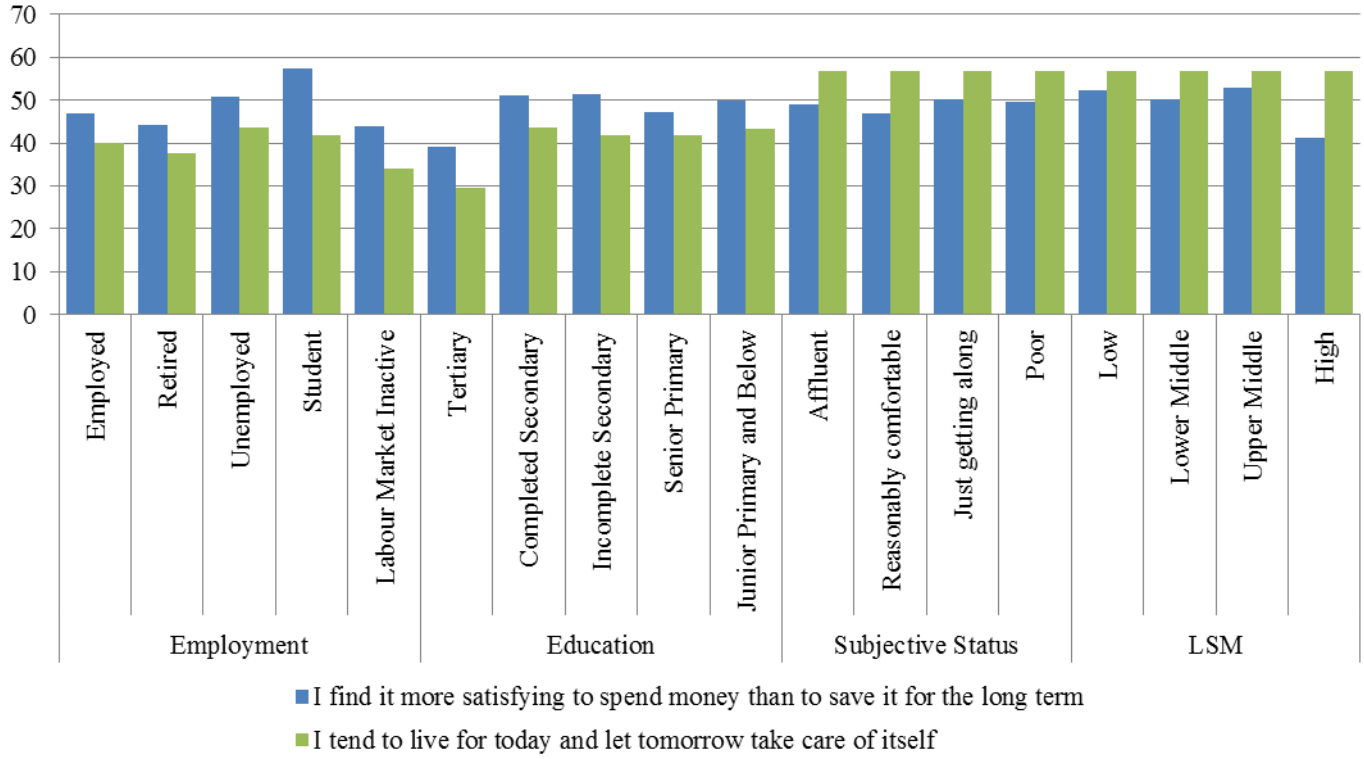


Source: South African Social Attitudes Survey (SASAS) 2013

The patterns evident in Figure 18 allow the SASAS research team to discern between financial planning attitudes and behaviour, allowing a more nuanced view of financial capability to be captured. As was may be anticipated, the youth (especially the 16-24 age cohort) were found to report higher scores on our two scales than older cohorts. In conclusion, it appears that the youth are far more likely to have libertine attitudes towards the spending of money indicating the importance of financial experience. There is also evidence of the class divide on the time preference scales depicted in Figure 18 although the spatial inequalities on this scale were not especially pronounced. Rural South Africans were not found to be more conservative in their attitudes towards monetary expenditure than their urban counterparts.

Marital status seemed to be associated with more responsible financial attitudes, those who never been married before were less conservative in their views on spending money in comparison to other respondents who were (or had been) married. Ethnic group differences were also noted in Figure 18 although given the subgroup analysis conducted in section 4.1.1 this is not an unexpected finding. Members of the white minority were, on average, found to be more frugal in their attitudes than non-whites. Interestingly the most prodigal in their time preferences were members of the isiXhosa ethnic group. A noteworthy finding is the low average mean score (particularly on the second scale) that the isiZulu group exhibited. Such differences may help explain the observed provincial differences noted in Figure 18, in particularly the differences noted between rural provinces like the Eastern Cape and Limpopo.

Figure 19: Attitudes to Prodigal Values by economic attributes (mean scores, 0-100 scale)



Source: South African Social Attitudes Survey (SASAS) 2013

Given the results shown in Figure 16, it is surprising to find that members of upper LSM groups, on average, did not score lower on the time preferences scale than other LSM groups. Economic status seems not to be associated, in a linear fashion, with prodigal values in South Africa as can be observed in Figure 19. This suggests that the ethno-linguistic differences in attitudes towards spending in Figure 18 are not necessarily related to economic differences between these population groups. The tertiary-educated were found to be less liberal in their attitudes towards spending, exhibiting more conservative time preferences, relative to the less educated. As can observed in Figure 19 those who are outside the labour market do not differ in their prodigal attitudes towards money from those in the labour market. Given the different relationship such individuals have to earnings availability, this is unanticipated.

4.2 Financial Planning Behaviour

4.2.1 Recent saving behaviour

Good financial planning constituted setting financial goals and working hard to meet them, preferring to save for the long term and worrying about tomorrow. Although it is important that individuals place a value on financial planning, in particular saving and related activities, the ability to engage in financial planning is often predicated on financial position. Those individuals who are poor or unemployed are often unable to save for the future, instead focusing on the immediate concerns of the present. This is a common finding that the SASAS research team has observed since the 2010 Financial Literacy Pilot study. When asked about personal savings in the year prior to being interviewed, a large share of the adult population reported adopting no saving strategy in 2013 (see Table 11). This result is similar to what was observed during previous rounds of data collection. This indicates that many South Africans find it difficult to save.

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

In the past 12 months have you been saving money in any of the following ways?	2010	2011	2012	2013
Paying money into a savings account	32	28	23	21
Saving cash at home or in your wallet	22	32	20	22
Building up a balance of money in your bank account	17	20	16	12
Saving in a stokvel or any other informal savings club	9	11	7	6
Giving money to family to save on your behalf	9	10	6	7
Buying financial investment products, other than pension funds	3	5	4	3
Saving in some other way (remittances, buying livestock or property)	2	5	3	2

Source: South African Social Attitudes Survey (SASAS) 2010-2013

No single saving strategy to save and reduce the impact of unforeseen adverse circumstances, or alternatively for planned life events was employed by the majority of South Africans. As can be observed in Table 11, saving cash at home emerges as the most popular forms of saving among South Africans, displacing paying money into a saving account. Only a minority (12%) saved by building up a balance of money in their bank accounts –a saving stratagem that has been in decline since 2011. The low level of saving through formal organisations may reflect the limited ability of South Africans to save or it may suggest entry barriers for saving in such organisations. High bank charges, the incongruity of many savings products for the majority of South Africans and the spatial inaccessibility of formal financial institutions may explain the tendency for many not to save there. Another saving method that has declined in popularity is saving through an informal savings club. This may indicate that informal social network mechanisms of saving are declining.

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

	Building up a balance in bank account	Paying into a savings account	Saving cash at home	Saving in an informal savings club	No Saving
South Africa	12	21	21	6	44
Age cohort:	*	***	*	***	**
16-24 years	10	18	24	3	47
25-34 years	12	25	19	6	42
35-49 years	15	23	23	9	41
50+ years	9	17	17	7	50
65+ years	13	14	22	3	37
Population group:	***	***	***	***	***
White	23	33	18	1	29
Indian	12	26	18	2	45
Coloured	10	14	15	2	64
isiZulu	11	21	22	8	43
isiXhosa	10	12	16	10	55
Sesotho	11	23	22	4	43
Setswana	15	25	26	6	36
Minority Groups	10	21	34	9	35
Geographic location:	***	***	***	n.s	***
Urban formal	14	23	19	7	43
Urban informal	12	11	22	4	43
Rural trad. auth. areas	7	20	29	6	45
Rural farms	6	10	13	0	58

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

Turning to sub-group analysis, the SASAS research team considers the popularity of different saving stratagems. As was observed in our previous studies of financial planning, the SASAS research team found that the poor and unemployed are less likely to save than the more affluent in South Africa. A noteworthy geographic disparity was evident for 2013. Almost three-fifths (58%) of those living on commercial farms reported not having engaged in saving behaviour in the last year compared with approximately 45% of those in traditional authority areas. The population group that had the largest level of self-reported non-saving behaviour was the coloured minority –almost two-thirds (64%) of this group reported no saving activity in the last 12 months. Members of the isiXhosa group also did not report high levels of saving behaviour in the last year with more than half (55%) this group reporting no saving activity in 2013. Members of the white minority and, interestingly, the Setswana reported the lowest level of non-saving compared with other population groups.

Table 13: Forms of savings in the last year by economic attributes (Percentage based on cases)

	Building up a balance in bank account	Paying into a savings account	Saving cash at home	Saving in an informal savings club	No Saving
South Africa	12	21	21	6	44
Educational Attainment:	***	***	***	n.s	***
Tertiary	24	39	10	6	24
Completed Secondary	15	30	24	7	36
Incomplete Secondary	9	15	23	6	51
Senior Primary	9	8	17	8	55
Junior Primary and Below	4	15	28	3	52
Employment status:	***	***	*	***	***
Employed	19	35	20	9	30
Retired	11	15	15	3	53
Unemployed	7	15	22	4	50
Student	12	14	26	2	49
Labour Market Inactive	13	14	21	11	40
Subjective Economic Status	***	***	n.s	n.s	***
Affluent	25	29	18	8	30
Reasonably comfortable	21	29	19	4	37
Just getting along	8	20	22	7	48
Poor	6	13	24	6	50
LSM status	***	***	***	***	***
Low	11	10	15	4	51
Lower Middle	6	14	27	8	48
Upper Middle	11	24	23	6	46
High	24	30	15	2	34

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

No group depicted in Table 12 was found to be particularly prone to using informal saving clubs for saving in 2013. Usage of such clubs was higher among members of the isiXhosa and isiZulu ethnic groups (as well as minority groups like the Xitsonga and the isiNdebele) than other groups. The Sesotho, in particular, were found to favour utilising formal banking products for saving over informal clubs. In terms of generational differences in saving behaviour, those in the 16-24 age cohort are more inclined (relative to older cohorts) to save money at home (22%) while those in their

25-34 and 35-49 age cohorts are more likely to save money by making use of savings accounts or other bank accounts. This could reflect the fact that labour market participation tends to be higher among those in the 25-49 age bracket. Interestingly almost the same share of urban formal and traditional authority areas reported paying money into a saving account. This indicates that rural savers are not as isolated from saving institutions as may be thought.

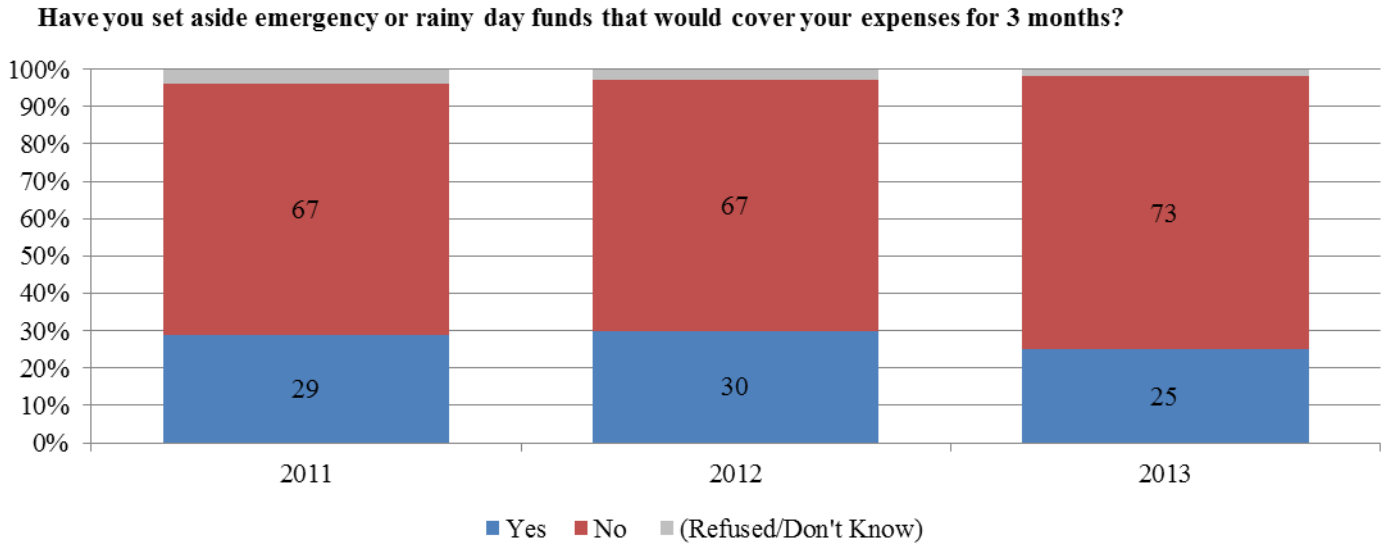
As can be seen in Table 13, the poor are more likely to save cash at home than the more affluent. It is apparent that wealthier South Africans were more inclined to use formalised saving products. Using educational attainment as a measure of socio-economic status we find that almost two-fifths (39%) of tertiary-educated reported paying money into a savings account and nearly a quarter (24%) utilised a bank accounts as a form of saving. In comparison, less than a tenth of those with less than senior primary education reported adopting similar strategies. Less educated people tend to rely more on informal saving measures, especially saving money at home. Similar results were observed if different economic indicators are used. If LSM is used as a measure of economic status, what was particularly interesting was that the middling LSM groups were more likely to save cash at home when compared to other groups. This further suggests that the saving patterns of those outside the middle class are distinct from those inside.

4.2.2 Planning for financial emergencies

The preceding section (4.2.1) established that a considerable share of South African adults reported that they had invested in at least one form of savings. However, it is equally important to assess the extent to which such provisions are adequate and whether South Africans can weather a period financial duress. If an intense financial shock occurred in a household –such as loss of employment for the household's breadwinner –would that household have the financial resources to sustain itself while the breadwinner looked for a new job? To this end, the SASAS research team has been asking members of the South African public whether they have set 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 since the 2011 Financial Literacy Baseline study. Currently three years of data exist on whether individuals in the country are, beyond meeting daily needs, able to continue making ends meet in the face of financial shocks or emergencies.

If responses to the emergency funds question are examined over the period for which the SASAS research team has data, then it is evident that in 2011 and 2012 more than two-thirds of the national population (67%) reported that they would not be able to cover expenses for three months in case of an emergency. This indicates that for many a financial shock will lead to an immediate change in livelihood as household members are forced to respond to the shock. However in 2013 this share expanded by 6 percentile points indicating that a somewhat larger share had no substantive reserves that they would be able to draw upon in the face of an unanticipated loss of income in 2013 when compared with previous years. This may be reflection of the financial difficulties felt by some South Africans in 2013 which was a year characterised by slow economic growth and lacklustre job creation.

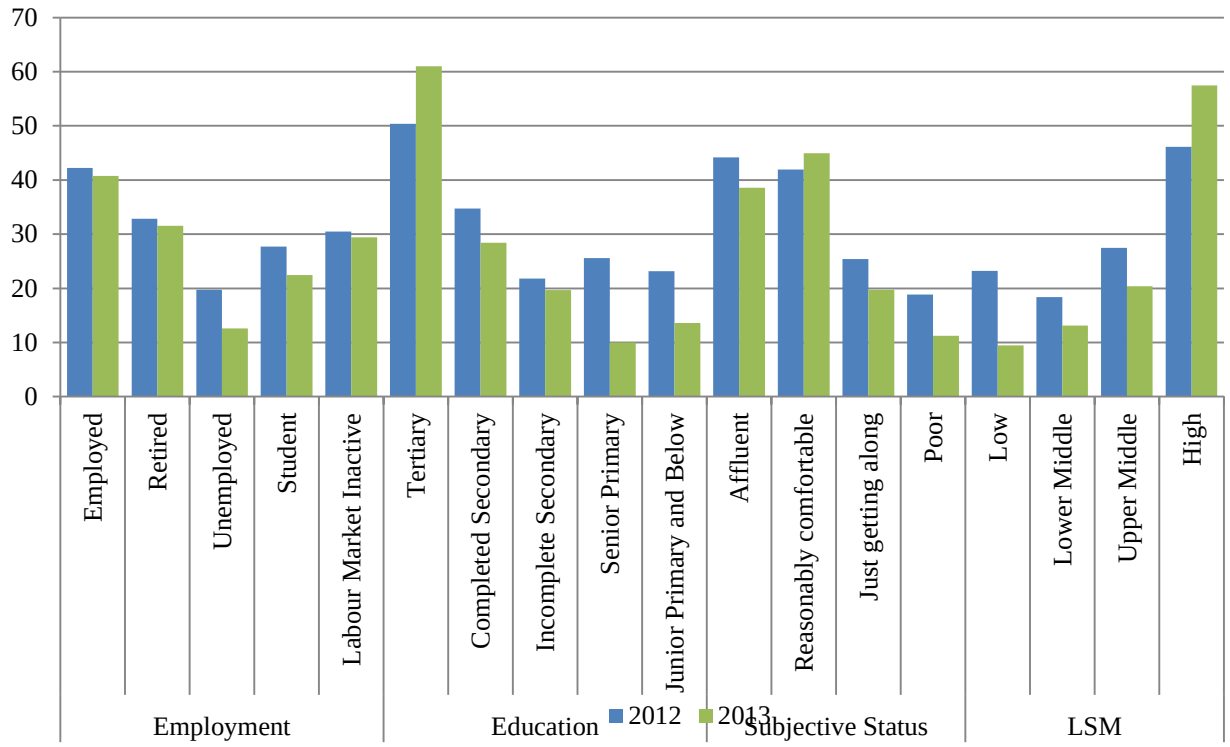
Figure 20: Share of South Africans who have emergency funds set aside for three months, 2010-2012 (percentage)



Source: South African Social Attitudes Survey (SASAS) 2011-2013

When investigating subgroup differences on emergency fund holding, the most obvious association that is apparent is between having emergency funds and economic status. The SASAS research team found in the 2012 Financial Literacy Study that few of those at the bottom of the economic pyramid of the country held emergency funds. To investigate whether this trend has continued, the research team examined differences by emergency fund holding, as shown in Figure 21. As expected a considerable socio-economic gradient was observed. The tertiary-educated, in particular, were found to be, on average, more likely to have set aside emergency funds. Almost three-fifths (57%) of the High LSM group reported having an emergency fund in 2013 compared to less than a tenth (9%) of the Low LSM group. Those in the middling LSM categories also reported low shares (below 27% for the Upper Middle and 18% for the Lower Middle) of emergency fund holding.

Figure 21: People with emergency funds to cover three months of expenses by economic attributes, 2012-2013 (percentages)

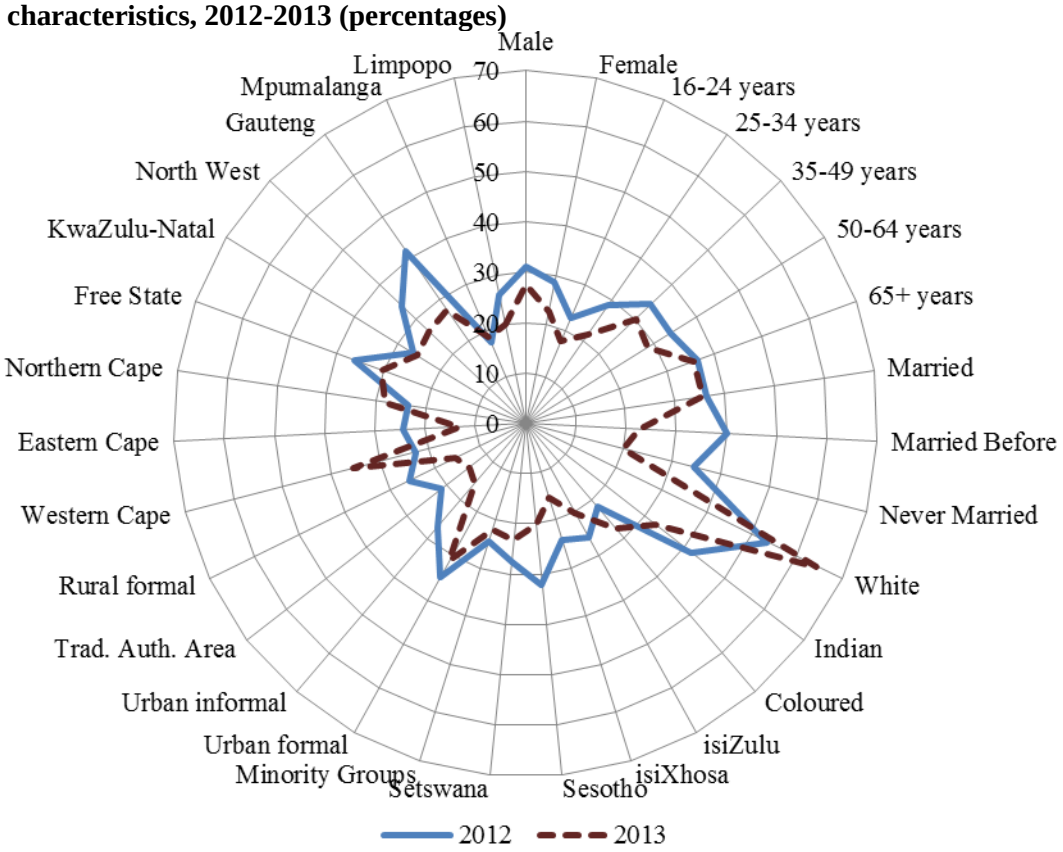


Source: South African Social Attitudes Survey (SASAS) 2012-2013

Few of those who presumably lack a regular and sustainable income (such as the unemployed and students) were found to have set aside such funds. Interestingly for those on the top of the country's economic pyramid, emergency fund holding in 2013 was lower when compared with 2012. A stark racial differentiation, perhaps related to economic position, is observed on this indicator. Almost two-thirds (64%) of the white minority had set aside emergency funds in 2013 compared with roughly a fifth (21%) of the black majority. The racial bias observed above may reflect a class bias which is evident in Figure 21. If ethnic, rather than racial, differences are examined (see Figure 22) then it is apparent that certain non-white ethnic groups (such as the Indian, coloured and Setswana subgroups) are better prepared to fund emergency situations than others. However no ethnic group shown in Figure 22 has saving levels equitable with the white minority indicating how far a propensity to save is entrenched among the members of this minority group.

As can be observed in Figure 22, the youth (especially the 16-24 age cohort) were in a less favourable position to cope with expenses during periods of emergency. Given that this age cohort reported a greater preference for saving than spending (see Figure 18) when compared to other age cohorts and had a comparatively low propensity to set long-term financial goals (see Figure 16), this is not an unexpected finding. Similarly people living in traditional authority areas and those residing on commercial farms were found to be the most ill-equipped in terms of being able to fund three months' expenses. Marital status seems to confer a greater propensity to have reserve funds available and a higher share of the married had set aside emergency funds when compared with the non-married.

Figure 22: People with emergency funds to cover three months of expenses by socio-demographic characteristics, 2012-2013 (percentages)



Source: South African Social Attitudes Survey (SASAS) 2012-2013

In order to better understand the decline observed in Figure 20, it is necessary to examine subgroup differences in both 2012 and 2013. It is apparent that certain subgroups –the white minority and the-tertiary educated –are, on average, more likely to have emergency funds set aside in 2013 than in 2012. However, a notable depreciation is observed for other subgroups. A lower share of those living in rural areas had emergency funds in 2013 when compared with 2012 and the same was true of the unemployed and the less educated. This type of saving also declined among the isiXhosa and Setswana during this period. The largest deterioration, however, was noted among the non-married. At the time of writing, it is difficult to discern if these observed deteriorations reflect a momentary decline in response to existing financial circumstances in 2013 or are part of a larger decline in the saving power of the poor.

5 Choosing financial products

The ability to choose appropriate products is an important area to cover in any study of financial literacy. Modern financial product markets are highly complex, and navigating such markets is a difficult challenge. In order to more accurately understand financial behaviour in South Africa, it is necessary to investigate knowledge and usage of financial products in the country. An understanding of the popularity of certain kinds of products among the general population is of great benefit to financial education researchers as well as to those working on consumer regulation. Given the importance of this topic the SASAS research team, beginning with the 2010 Financial Literacy Pilot study, gathered information on financial products of which South Africans were aware and were actually buying.

5.1 Product Awareness and Holding among the Public

Since the 2010 study, the research team has refined the questions used to track the popularity of financial products. The number of products under investigation has increased in preparation for the 2011 Financial Literacy Baseline study, with four key product types identified: (i) banking; (ii) credit and loan; (iii) investment and savings; and (iv) insurance. These four types are designed to capture the exceedingly multifaceted South African market for financial products. Using these questions, the SASAS research team has gathered three years of data on the financial products acquired and being used by individual South Africans. The following section will present our findings on product popularity across these four product types identified to discern patterns in knowledge and consumption.

5.1.1 Choosing Banking Products

In 2011 the following question was put to SASAS participants: "Please can you tell me whether you have heard of any of the following types of banking products?" Fieldworkers then read out a list of eleven banking products and participants were requested to state which of them they had heard of before. This helps to construct a general picture of levels of access to banking services and what kind of banking products were the most popular. A subsequent question asked participants which of these products they held. These questions were repeated in 2012 and 2013, and the responses for the period 2011-2013 were shown in Table 14.

The most well-known banking product in South Africa is a savings account, mentioned by more than four-fifths of the adult public in every year since 2011. This is followed by an ATM card and an Mzansi account although public knowledge of these two financial products seems to have declined somewhat over the period. Other products which were familiar to more than half of the adult population were credit cards, current or cheque accounts, post office savings accounts and debit cards. Public awareness of credit cards and post office savings accounts has deteriorated substantially since 2011, indicating the declining popularity of this type of banking product. Public awareness of cellphone banking products (such as M-Pesa, mobile-phone based money transfer and micro-financing service for Vodacom) has grown between from less than a fifth (17%) in 2012 to almost a third (32%) in 2013. This suggests that usage of such products will become more common in South Africa in the future.

If we turn our attention to product holding, it is apparent that a sizeable share of the public indicated that they possessed none of the banking products listed. As with product awareness, the most widespread form of banking products that were held by South Africans were savings accounts and (to lesser extent) ATM cards. Only a minority of South Africans held other banking products –there was a cluster of products that are held by a tenth or so of the adult population, including a cheque account, a debit card, and a credit card. The share of the public holding a debit card has doubled between 2011 and 2013, growing from a twentieth of the adult population in 2011 to a tenth in 2013. On the other

hand, the share holding a credit card has declined, shrinking to not quite a tenth (9%) in 2013 from a high of 13 per cent in 2011. Despite growing awareness, usage of cellphone banking products remains low.

Table 14: Public Popularity of different banking products, 2011-2013 (cell percentages)

	2011		2012		2013	
	Awareness	Holding	Awareness	Holding	Awareness	Holding
Saving Accounts	86	45	85	47	84	47
ATM Card	76	29	78	34	69	28
Current or Cheque Account	51	10	55	11	52	11
Debit Card or Cheque Card	49	5	52	5	47	10
Mzansi Account	72	13	69	13	67	9
Credit Card	65	12	61	13	56	7
Fixed Deposit Bank Account	48	3	48	4	46	4
Post Office/Post Bank	62	11	53	10	50	3
Garage Card or Petrol Card	42	3	43	4	41	3
Home Loan from a Big Bank	41	6	41	4	37	3
Cellphone account	n/a	n/a	17	4	32	3
Savings Book at a Bank	38	2	38	2	36	1
(None of the above)	3	33	4	23	5	30

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Since 2010 the SASAS research team has been aware of a general discrepancy between the knowledge of banking products and the holding of such products – for example, almost three-quarters (72%) of the public had heard of the Mzansi account in 2010 but only a tenth held one. This suggests that a large proportion of the population is aware of but chooses not to own such products. It is worthwhile to note that the Mzansi account was introduced as a banking product that would be affordable to poor consumers. However the popularity of this banking product has failed to materialise, and usage of the product seems to have declined among the public. Further research is required to understand why this product is not popular among its intended market.

5.1.2 Credit and Loan Products

Accessing credit is an important component of financial activity, allowing individuals to start businesses, buy assets and recover from financial shortfalls (Lamdin, 2011). Given this association, how South Africans engage and use credit-related products is therefore an area of particular interest. As discussed in a previous chapter, most South Africans did not rely on formal saving products when faced with a financial shortfall. This may suggest that few members of the adult public possess credit and loan products. In order more thoroughly to investigate, the SASAS research team tracked the public awareness and usage of credit and loan products using similar measures to those adopted, to discern the popularity of banking products. The results are shown in Table 15 and indicate that over half of all adult South Africans hold no credit or loan products.

The most common formal credit and loan products of which South Africans are aware, are a store card followed by a lay-bye and a loan from a micro-lender. These are also the most widespread form of credit and loan products that were held by South Africans. The only other formal product which was familiar to more than half of the surveyed population was a hire purchase. The informal credit and loan products of which South Africans are most aware were a loan from friends and family and a loan from a mashonisa or informal money lender. A considerable proportion of South Africans were aware of a loan through a savings club (i.e. stokvel). None of these products was held by more than a tenth of the surveyed population. Even informal credit and loan products were fairly uncommon, with

only small minorities of the population borrowing from friends or family, or receiving credit from a *stokvel*.

Table 15: Public Popularity of different credit and loan products, 2011-2013 (cell percentages)

	2011		2012		2013	
	Awareness	Holding	Awareness	Holding	Awareness	Holding
Formal products						
Store Card	75	18	78	22	75	17
Lay-Bye	72	7	65	10	65	8
Loan from a Micro-lender	70	9	64	10	63	5
Loan from Friends or Family	65	6	56	6	59	10
Hire Purchase	55	7	51	5	54	5
Vehicle or Car Finance	54	2	47	4	45	4
Informal products						
Loan from Friends or Family	65	6	56	6	59	10
Loan from Informal Lender	60	7	53	6	56	1
Informal Savings Club	51	4	41	4	20	4
Overdraft Facility	31	3	37	2	33	2
Store Account with No Card	27	2	24	2	25	1
Loan from Local Spaza	24	2	23	1	22	4
Loan from an Employer	20	2	16	1	43	1
(None of the above)	4	58	8	50	8	55

Source: South African Social Attitudes Survey (SASAS) 2011-2013

It is evident, if the results of 2011 and 2013 are compared, that loans from a micro-lender have declined in usage among the South African public. Given the potential for micro-loans for economic development –particularly small enterprise development –this is particularly concerning. The South African Small Enterprise Development Agency (SEDA) has developed a number of initiatives to extend credit to entrepreneurial members of the public to start small businesses. However, it would appear that few in the country make use of credit, particularly micro-credit. It is evident that more must be done to expand the usage of sustainable and beneficial credit products among ordinary South Africans. The majority of the public is aware of such products and more research must be done to understand the entry barriers that prevent access.

5.1.3 Investment and Savings Products

During the apartheid period, the majority of South Africans were denied access to investment opportunities by the restrictive policies of the period. In the new post-apartheid period, financial reform has given more and more South Africans the opportunity to save and invest their money. 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 SASAS research team has been tracking public usage of investment and savings products since 2011 and found that a majority of South Africans reported that they possessing no investment and savings products. The high cost of living in South Africa, as well as the prevalence of job and wage insecurity for many, may prevent the acquisition of investment and savings products.

In order to look at the popularity of investment and saving products in more depth, Table 16 presents public awareness and holding of such products for the period 2011-2013. The investment and savings product that most South Africans are aware of is a pension fund. Most formal investment and savings products were less well-known – aside from an education policy, half of all adult South Africans had not heard of the other investment and savings product on the list. In particularly only a minority had heard of unit trusts, provident funds or investment policies – signalling perhaps that much of the

population does not think about investing or saving at this level. If the findings from the survey rounds 2011 and 2013 are compared, then it is clear that South Africans were growing less aware of such formal products over time.

Table 16: Public Popularity of different investment and savings products, 2011-2013 (cell percentages)

	2011		2012		2013	
	Awareness	Holding	Awareness	Holding	Awareness	Holding
Formal products						
Education Policy or Plan	55	3	55	6	52	5
Investment or Savings Policy	47	9	48	8	43	0
Shares on the Stock Exchange	38	1	38	2	39	1
Unit Trusts	33	2	35	2	32	2
Retirement products						
Pension Fund	72	12	66	12	68	8
Provident Fund	49	6	49	7	49	5
Retirement Annuity	42	6	41	7	39	5
Saving Clubs						
Informal Savings Club	68	12	59	13	60	10
Keep Cash at Home	51	10	46	13	51	21
Keep Cash with a Friend	41	3	36	3	41	5
Other Savings Club	11	3	9	2	9	1
(None of the above)	6	55	10	51	10	53

Source: South African Social Attitudes Survey (SASAS) 2011-2013

The most widely held investment and savings products were – unsurprisingly given that these products are so well-known – pension funds and informal saving clubs. But such products were used by a tenth or less of the adult population. Ownership of a pension fund weakened between 2011 and 2013, perhaps owing to rising living costs (particularly regarding healthcare) which may have had an adverse effect on ordinary South African's ability to purchase such funds. Keeping cash at home seems to have increased over the period, doubling between 2011 and 2013. In contrast, less than one per cent of the adult population reported that they owned an investment or savings policy in 2013 compared with almost (8%) a tenth in 2012. The results depicted in Table 16 suggest that participation of the adult public in formal investment and saving products has declined (for the most part) over the last few years. This may be related to the underperformance of the South African stock exchange during this period and the entry barriers to this kind of investment activity.

5.1.4 Insurance Products

Insurance in some form has been the bedrock of economic activities for thousands of years. Insurance takes on particular importance in South Africa whose people are vulnerable to a myriad of health and economic shocks. But how well insured is the average South African and how aware are South Africans of the different insurance options available? In order to gain an answer to these questions, respondents were read out a list of eleven insurance products – this list was subdivided into short-term (asset) insurance products, long-term insurance products and financial insurance products –in order to measure their awareness of these products. The results are presented in Table 17 and show that only a minority of South Africans indicated that they did not possess at least one insurance product.

The insurance product that most South Africans are aware of is life insurance (or life cover) followed by vehicle or car insurance and medical aid schemes. With regards to informal insurance products, a majority of South Africans had heard of a burial society as a form of funeral insurance, indicating the popularity of this kind of informal association. Less well known forms of insurance include homeowners' insurance, insurance that covers the deceased's debts, and funeral cover from a stokvel – suggesting the unpopularity of these kinds of insurance products due perhaps to cost and

availability. Both informal and formal forms of insurance products were found to be popular with the public. Long-term insurance was found to be more popular than short-term (asset) insurance. More than a third of the adult public held some form of formal insurance and a similar proportion held informal insurance. Some South Africans were found to hold a combination of the two types of insurance with about a tenth reporting holding at least one of each type.

Table 17: Public Popularity of different insurance products, 2011-2013 (cell percentages)

	2011		2012		2013	
	Awareness	Holding	Awareness	Holding	Awareness	Holding
Short-term (asset) insurance						
Vehicle or car insurance	68	12	66	12	60	9
Household contents insurance	53	9	55	11	51	7
Homeowners' insurance	42	5	43	7	42	5
Cellphone insurance	61	9	59	9	58	5
Long-term insurance						
Life insurance	69	16	64	16	63	13
Loan protection insurance	35	3	37	4	33	2
Disability insurance or cover	40	2	43	4	42	3
Medical aid scheme	67	16	60	13	56	9
Hospital cash plan	52	5	49	4	48	3
Funeral						
Burial society	64	19	60	23	58	21
Funeral policy (bank)	44	6	49	8	43	5
Funeral cover (undertaker)	56	13	54	14	56	16
Funeral policy (insurance company)	50	8	46	8	42	7
Funeral cover (spaza shop/stokvel)	21	13	20	2	20	1
(None of the above)	4	44	8	38	9	44

Source: South African Social Attitudes Survey (SASAS) 2011-2013

If the results for 2011 and 2013 are compared, it is evident that only minor differences were noted during the period. The only substantive change is the decline in the usage of medical aid schemes among the public. In 2013 less than a tenth (9%) of the adult population used such schemes, a decline of 7 percentile points. Such schemes have become less well-known over the period, less than three-fifths (56%) were aware of medical aid schemes in 2013 compared with more than two-thirds (67%) in 2011. Another significant change observed over the period is the rapid decline in funeral cover purchased from spaza shops or stokvels –a 12 percentile decline for the period under review.

5.2 Subgroup Analysis of Financial Product Awareness and Holding

5.2.1 Product Awareness

When the SASAS research team investigated product awareness in the 2010 Financial Literacy Pilot study, we found were a number of key socio-economic characteristics were positively associated with the awareness and possession of financial product types in South Africa. Since then, the research team has refined our analysis and constructed comprehensive product awareness scores for each financial product type to understand better which subgroups are most aware of which financial products. The product awareness scores range from 0 to 100 with '0' representing the complete ignorance of the financial products in question and '100' perfect awareness. In order to more adequately showcase these characteristics, all four scores as well as a combined (similarly ranged) score is displayed in Table 188.

Table 18: Awareness of financial product type scores by socio-demographic attributes (mean scores, 0-100)

	Banking	Credit and Loans	Investment and Savings	Insurance	Total
South Africa	47	46	42	45	46
Age cohort:	***	***	***	***	***
16-24 years	47	46	43	45	46
25-34 years	51	48	43	47	48
35-49 years	50	48	43	47	48
50-64 years	41	41	39	40	41
65+ years	41	41	40	39	41
Population group:	***	***	***	***	***
White	70	62	64	67	67
Indian	62	55	59	59	60
Coloured	60	58	55	61	60
isiZulu	41	41	39	38	41
isiXhosa	47	45	38	41	44
Sesotho	41	37	35	37	39
Setswana	42	44	39	40	42
Minority Groups	45	48	38	44	45
Geographic location:	***	***	***	***	***
Urban formal	51	47	45	48	49
Urban informal	40	40	36	36	38
Rural trad. auth. areas	41	45	37	39	41
Rural farms	39	43	36	41	41

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

The findings presented in Table 18 indicate that, perhaps unsurprisingly, South Africans in their middling years (those in the 25-34 and 35-49 age cohorts) tend to be more aware of financial products than younger or older South Africans. This inverse U curve is evident across all financial product awareness scores with the exception of investment and savings products. Encouragingly younger South Africans tend to report, on average, higher scores than those near (50-64) or in (65+) their twilight years. The first increase in product awareness as an individual reaches middle age is commonly linked to the acquisition of experience with financial product markets. Low product awareness scores among the older cohorts may result from unfamiliarity with new financial products that have entered the market.

A strong racial divide was noted Table 18, members of the country's racial minorities were found to have far higher levels of product awareness than other subgroups. The noted disparity was particularly evident for awareness of banking and insurance products. Observed racial differentiation probably reflects the socio-economic divisions between population groups in the country. Typically most studies have found that poorer individuals tend to have low levels of financial product awareness. Guiso and Jappelli (2005), for example, using the 1995 and 1998 Bank of Italy Surveys of Household Income and Wealth, found that respondents' awareness of the existence of stocks, mutual funds, and investment accounts is positively correlated with household resources (also see Donkers and Van Soest 1999). It is unsurprising, therefore, to find that two characteristics, educational attainment and wealth, are strongly associated with product type awareness in our results as can be observed in Table 19. The association between educational attainment and investment and insurance products seemed to be particularly strong.

Table 19: Awareness of financial product type scores by economic attributes (mean scores, 0-100)

	Banking	Credit and Loans	Investment and Savings	Insurance	Total
South Africa	47	46	42	45	46
Education:	***	***	***	***	***
Tertiary	67	63	63	65	66
Completed Secondary	52	48	46	48	50
Incomplete Secondary	46	45	40	44	45
Senior Primary	36	38	32	35	36
Junior Primary and Below	30	34	25	28	30
Employment status:	***	***	***	***	***
Employed	59	55	52	54	56
Retired	39	39	39	39	40
Unemployed	43	43	38	41	42
Student	47	45	41	43	45
Labour Market Inactive	37	35	32	36	36
Subjective Economic Status	***	***	***	***	***
Affluent	56	52	47	48	52
Reasonably comfortable	57	52	51	54	55
Just getting along	45	45	41	44	45
Poor	41	41	35	38	39
LSM status	***	***	***	***	***
Low	31	35	27	29	31
Lower Middle	42	44	35	39	41
Upper Middle	47	43	42	43	45
High	65	59	60	62	63

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

Those outside the labour market and the unemployed tended to be less aware of financial products (of all types) compared with those in employment as can be seen in Table 19. Finally, in terms of spatial inequalities, those in formal urban areas were far more likely, on average, to demonstrate higher product type awareness than those in rural areas and informal urban settlements (see Table 18). This suggests a relationship between spatial location and access to financial product markets. It may be that financial product markets have not adequately penetrated rural areas and (to a lesser extent) informal urban areas. However this could also reflect the socio-economic disparities that exist between those living in formal urban areas and other kinds of geographic spaces. As noted above, educational attainment and economic status are associated with product awareness.

5.2.2 Product Holding

As is apparent from the section 5.1, there is a huge disparity between product awareness and product holding. Given the findings observed in section 5.2.1, this may be because only those on the upper rungs of the South African socio-economic ladder are able and willing to purchase multiple types of financial products. In order to test this thesis, four financial type holding scores were created, each corresponding to one of the financial product types; and a combined score was computed. These scores are ranged from 0 to 100 with '0' indicating that an individual does not hold any financial products. The national average for the combined product holding score is 17, confirming that multiple product holding in South Africa is low. In the subgroup analysis, Table 20 presents significance test results based on Analysis of Variance (ANOVA) by socio-demographic attributes.

Table 20: Holding of financial product type scores by socio-demographic attributes (mean scores, 0-100)

	Banking	Credit and Loans	Investment and Savings	Insurance	Total
South Africa	10	5	5	7	7
Age cohort:	***	***	***	***	***
16-24 years	6	3	4	3	4
25-34 years	10	5	4	6	7
35-49 years	12	7	6	9	9
50-64 years	10	5	5	9	8
65+ years	12	3	6	12	9
Population group:	***	***	***	***	***
White	24	5	9	20	16
Indian	13	4	5	10	9
Coloured	9	5	3	8	7
isiZulu	8	5	5	4	6
isiXhosa	7	4	3	4	5
Sesotho	9	5	4	6	7
Setswana	9	6	6	7	7
Minority Groups	8	5	6	5	6
Geographic location:	***	***	***	***	***
Urban formal	11	5	5	8	8
Urban informal	7	4	3	3	4
Rural trad. auth. areas	7	4	5	5	6
Rural farms	6	3	3	5	5

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

Product holding reflects the requirements of the individual. Marital status, for instance, was found to be a significantly associated multiple product holding with married South Africans far more likely to hold multiple product types (especially insurance) than the non-married. A racial group gradient was noted with racial minorities reporting higher levels of product holding than the black African majority. As may be expected given the results shown in Table 18, members of the white minority reported, on average, higher levels of product holding than other groups with the exception of credit and loan products. Given that white South Africans are over-represented among the better educated and the affluent, this particularly distinct difference may be explained by socio-economic racial inequality.

The findings presented in Table 20 indicate, perhaps not surprisingly, that younger South Africans are less likely, on average, to hold multiple financial products. Young South Africans lack financial resources to purchase financial products and most (especially those in the 16-24 age cohort) tend to be outside formal employment. As was observed in section 5.2.1, older age cohorts had lower levels of product awareness when compared to middling age cohorts. However, as can be seen in Table 20, older age cohorts had higher product holding scores on the combined score when compared to the youth. Interestingly, middling age cohorts had similar mean scores to the old. On insurance product holding, a linear relationship seems to be apparent with increasing age. However, a nonlinear relationship seems evident on the other product types.

Table 21: Holding of financial product type scores by economic attributes (mean scores, 0-100)

	Banking	Credit and Loans	Investment and Savings	Insurance	Total
South Africa	10	5	5	7	7
Education:	***	***	***	***	***
Tertiary	23	8	11	8	17
Completed Secondary	11	5	5	4	7
Incomplete Secondary	7	4	4	3	6
Senior Primary	6	4	3	2	5
Junior Primary and Below	5	3	3	2	4
Employment status:	***	***	***	***	***
Employed	16	7	8	6	12
Retired	10	4	6	4	8
Unemployed	7	4	3	2	5
Student	5	2	3	3	3
Labour Market Inactive	8	4	5	3	7
Subjective Economic Status	***	***	***	***	***
Affluent	15	5	7	11	10
Reasonably comfortable	13	5	6	10	9
Just getting along	9	5	5	6	7
Poor	6	4	4	4	5
LSM status	***	***	***	***	***
Low	5	3	3	3	4
Lower Middle	7	4	4	4	5
Upper Middle	9	5	4	5	6
High	18	6	8	16	13

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

Much as was found when examining product awareness in section 5.2.1, socio-economic indicators such as education, population group and economic status were found to have salient associations with financial product holding. It is evident from Table 21 that the better educated are more likely, on average, to hold multiple types of financial products, particularly banking products, than the less educated. However it was very surprising that the High LSM group were so different from the other LSM groups while the middle and lower groups were not so different from each other. It is particularly on banking product holding that disparities between LSM groups are so great, suggesting that those outside the High LSM group are constrained in their ability and desire to purchase banking products. Socio-economic differences may also explain the spatial inequality in terms of product holding noted in Table 21 where those in formal urban dwellers are much more likely, on average, to hold multiple types of products than those living in informal urban or rural areas.

6 Financial Decision-Making

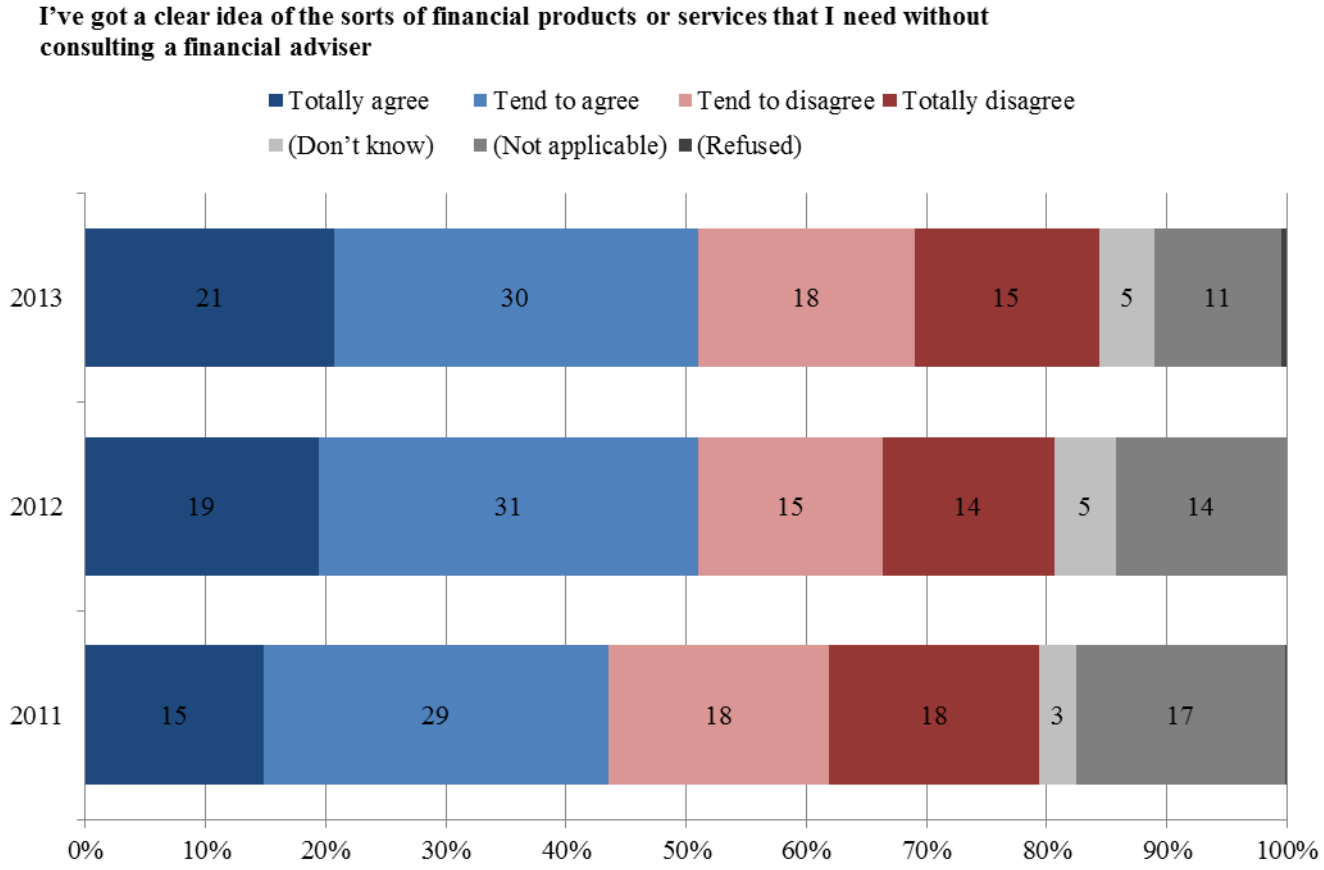
The ability to choose appropriate products is an important area to cover in any study of financial literacy. Several studies focus on consumers' product choices and how they make decisions about financial products. Some scholars are interested in stock market participation and investigate the propensity to hold investment products (M. van Rooij, Lusardi, & Alessie, 2011) while others are more concerned with holding retirement products (Banks & Oldfield, 2007; Lusardi & Mitchell, 2007; see, for example, Lusardi, 1999; M. C. J. Van Rooij, Lusardi, & Alessie, 2011). How financial decisions are made is also an important aspect of the financial literacy scholarship and questions on choosing financial products are included in a number of financial literacy surveys (also see Donkers & van Soest, 1999; Parker & Fischhoff, 2005; Smith, McArdle, & Willis, 2010). A survey for the British Financial Services Authority in 2000, for example, captured information on consumer behaviour and information needs when they had purchased financial products (Atkinson et al., 2007). These studies all show that an examination of financial decision making is a vital component of any measure of financial literacy especially in the context of increasingly complex financial markets.

The popularity of different financial products was discussed in the previous section which presented findings on product type awareness and ownership. However, familiarity with and possession of different types of financial products is only one part of a larger endeavour undertaken by the SASAS research team to better understanding financial decision-making in South Africa. The research team, after reviewing the international literature on financial decision-making, believes that it is important to analyse how individuals make financial decisions, focusing on seeking financial advice and market research. As an issue, financial decision-making was closely examined during the 2011 Financial Literacy Baseline study and (to a lesser extent) the 2010 Financial Literacy Pilot study. Accordingly, the research team has crafted a series of questions on financial decision-making. The following section will showcase these results and give insight into how South Africans make decisions about financial product acquisition.

6.1 Research and Advice Seeking

Since 2011 Financial Literacy Baseline study, the SASAS research team has investigated whether adult South Africans feel the need for advice when making financial decisions. In other words, the research team has been tracking the demand for financial advice in the country over the last three years (see Figure 23). Before these data are discussed, some methodological caveats must be acknowledged. Approximately a fifth of the adult population did not answer the question in 2011 and 2012 while a sixth did not in 2013, either stating 'not applicable,' refusing to answer or responding 'don't know'. This suggests, presumably, that a sizeable minority of South Africans feel that they do not make financial decisions. Given that many South Africans lack a stable economic income and are dependent on household breadwinners, this is perhaps not surprising.

Figure 23: Public Confidence to Make Financial Decisions without Advice, 2011-2013

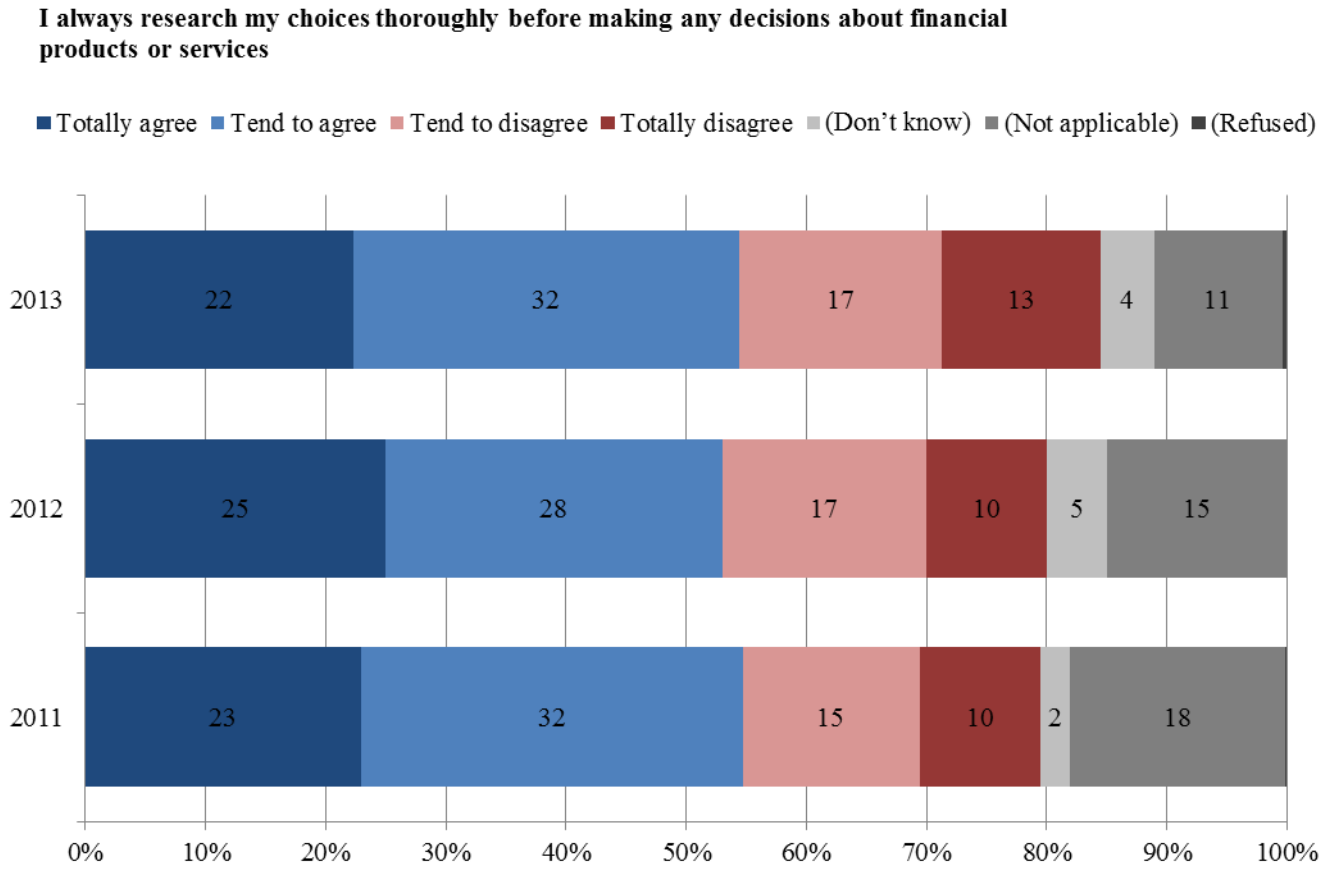


Source: South African Social Attitudes Survey (SASAS) 2011-2013

Of all adult South Africans, a majority were confident of their financial knowledge without seeking financial advice, compared to a minority who were not confident. The 2011 Financial Literacy Baseline study found that people in the country seek financial advice from a variety of sources including family, friends and churches as well as professional financial advisors. The demand for financial advice has increased since 2011. As can be seen from Figure 23 the share of the adult public which is confident of making financial decisions without advice has grown from just over two-fifths (44%) in 2011to more than half (51%) the population in 2013. This may be a reaction to a particularly different financial environment in 2013, a year characterised by an escalating cost of living for many South Africans and stagnant economic growth.

Conducting adequate research before making a financial decision speaks to a component level of financial capacity. In a number of studies the role played by such research has been acknowledged (see, for example, Donkers & van Soest, 1999; Parker & Fischhoff, 2005; M. van Rooij et al., 2011). If individuals place a high value on researching financial decisions, such individuals will have a lower propensity to regret later decisions of this kind. The SASAS research team has, since the 2011 Financial Literacy Baseline study, examined self-report financial decision-making research, to ascertain the value placed by the adult public on research of this type. The results of three years of collected data are displayed in Figure 24. It can be observed that many did not answer the self-report financial decision-making research question indicating, again, that a substantial minority of South Africans think that they do not make financial decisions.

Figure 24: Public Research to Make Financial Decisions, 2011-2013

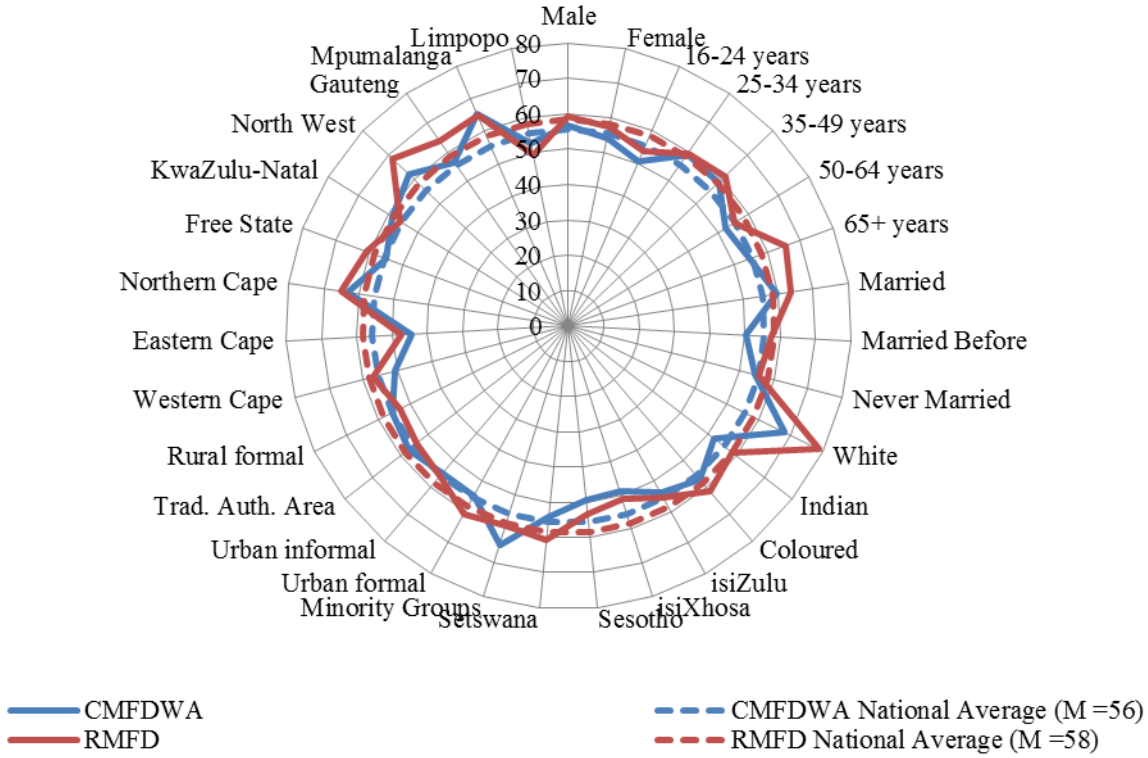


Source: South African Social Attitudes Survey (SASAS) 2011-2013

The results shown in Figure 24 suggest that when making decisions about products the majority of South Africans, on balance, make the effort to undertake some research before acquiring a financial product. In contrast to what was observed in Figure 23, it is noteworthy that public financial decision-making research did not decline over the period. This indicates that the that the observed incline in demand for financial advice is not due to a diminishing tendency towards financial research among adult South Africans. The propensity to conduct research before making a financial decision and demand for financial advice are inversely related –those who feel confident in making a decision of this type without advice are also more likely to conduct thorough research than those who are not confident.

The SASAS research team expects that demand for financial advice and propensity to conduct financial decision-making research will not considerably vary across the different socio-economic subgroups in South Africa. During the 2012 Financial Literacy study this finding was evident, although the research team did note significant population group differences on financial decision-making behaviour. Will this trend continue? In order to investigate this trend in 2013, the research team constructed two scales: 'Confidence to Make Financial Decisions without Advice' (CMFDWA) and 'Research to Make Financial Decisions' (RMFD) scales. Both were measured on 0-100 range with 100 representing greater levels of confidence on the CMFDWA scale and a propensity to conduct to research on the RMFD scale. Those who did not feel that they make financial decisions were coded as missing on the scales and are not represented in the results.

Figure 25: Financial Decision-Making Behaviour, by socio-demographic attributes (mean scores, 0-100 scale)

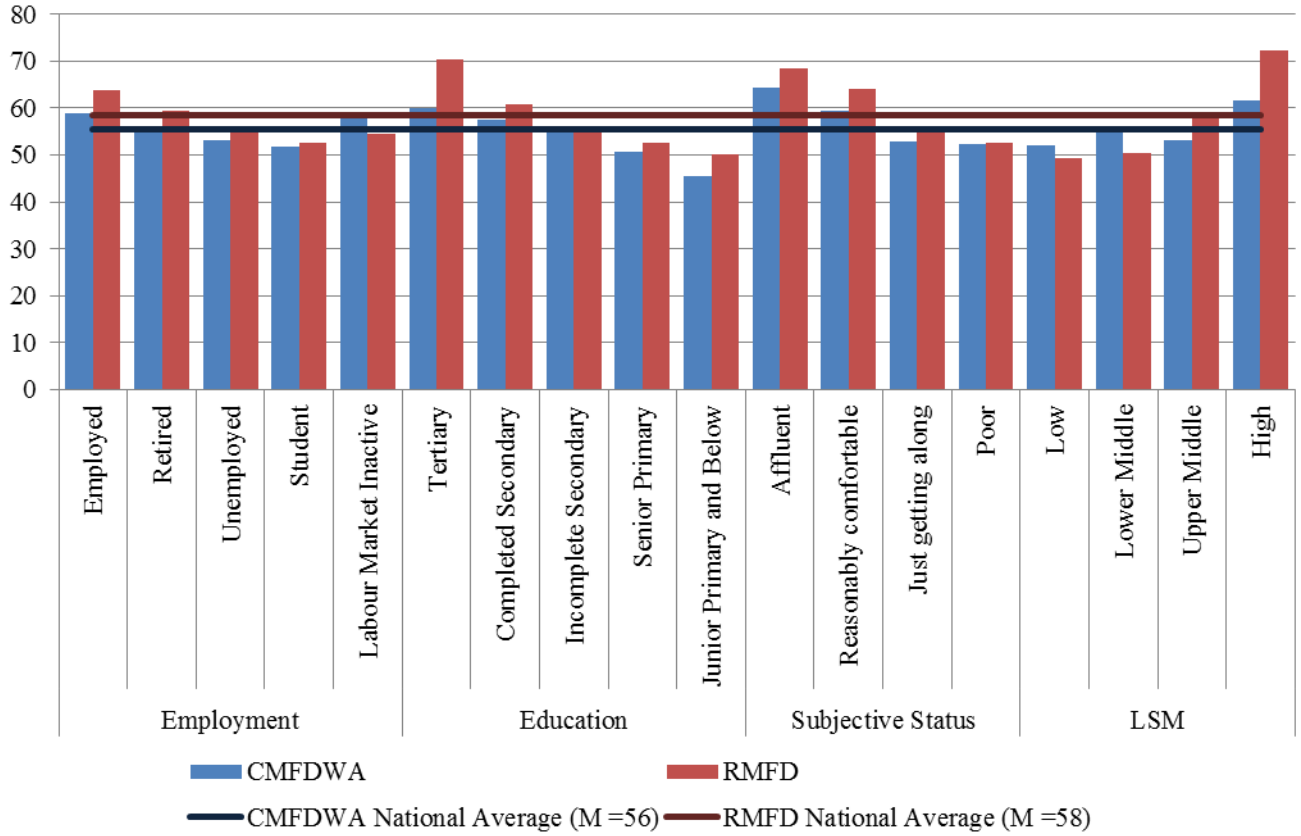


Source: South African Social Attitudes Survey (SASAS) 2013

As the SASAS research team anticipated, substantial levels of variations were not noted on the CMFDWA and RMFD scales. Noted differences were small, for instance, between age cohorts. Although those in their twilight years (the 65+ age cohort) were found to have much higher RMFD scores than other age cohorts particularly the youth (the 16-24 age cohort especially who reported an average RMFD score below the national mean). As predicted a significant population group difference on both scales was noted. The white minority, as is evident in Figure 25, was on average more likely to score high on the CMFDWA and RMFD scales than other population groups. Differences on the scales between the non-white population groups were not acute although the research team did note that the Sesotho and isiXhosa subgroups had mean scores below the national average on both scales.

It seems self-evident that educational attainment will have strong impact on financial decision-making behaviour. As can be observed in Figure 26, educational attainment is strongly associated with increasing value on the RMFD scale and a strong linear relationship is observed between the two variables. Those with high levels of educational attainment were, on average, more likely than their less-educated counterparts to conduct thorough research before making a financial decision. On the other hand, considerably lower differences between educational attainment groups on the CMFDWA were observed. This suggests that although the better educated were prone to conducting financial research, demand for financial advice was still high among this group. This indicates that the less-educated are most in need of interventions to improve their ability to research their financial decisions.

Figure 26: Financial Decision-Making Behaviour, by economic attributes (mean scores, 0-100 scale)



Source: South African Social Attitudes Survey (SASAS) 2013

Material household conditions seem to assist in the ability to research before making financial decisions than on confidence in decision-making without advice. As can be observed in Figure 26, those lower down on the nation's socio-economic ladder have lower RMFD and (to a lesser extent) CMFDWA mean scores than those on the upper rungs of the ladder. This indicates that the poor have a much more significant disadvantage than their more wealthy counterparts when making such decisions. Labour market position seems to have a less salient association with the RMFD and CMFDWA scores, suggesting that it is economic position (rather than labour market access itself) that influences financial decision-making behaviour. It is possible that the apparent relationship between economic position and financial decision-making behaviour is linked to the well-known link between educational attainment and wealth accumulation. On the other hands, the better-off may have more financial experience and, therefore, more knowledge to draw on when making finances decisions.

6.2 Decision-Making and Regret

Making decisions about finances is often a challenging and demanding process, and individuals do not always make the correct decisions. One of the most appropriate mechanisms with which to measure the correctness of any financial decision is through an examination of financial-decision regret. Since the 2011 Financial Literacy Baseline study, the SASAS research team has evaluated financial-decision regret from the retroactive perspective of the respondent. Respondents were asked if they had made any financial decision in the last 12 months that they had regretted. In all three years for which the research team has data, we found that a vast majority of South Africans reported that they did not regret a financial decision. This either indicated that the majority of the adult public had not made any financial decision in the last 12 months that they regretted or that perhaps they felt reluctant to admit to recent mistakes. It was apparent that the decision(s) that was/were regretted most by those who had

a decision they regretted was a saving or investment decision(s). Propensity to regret such decisions seems to have declined since 2011.

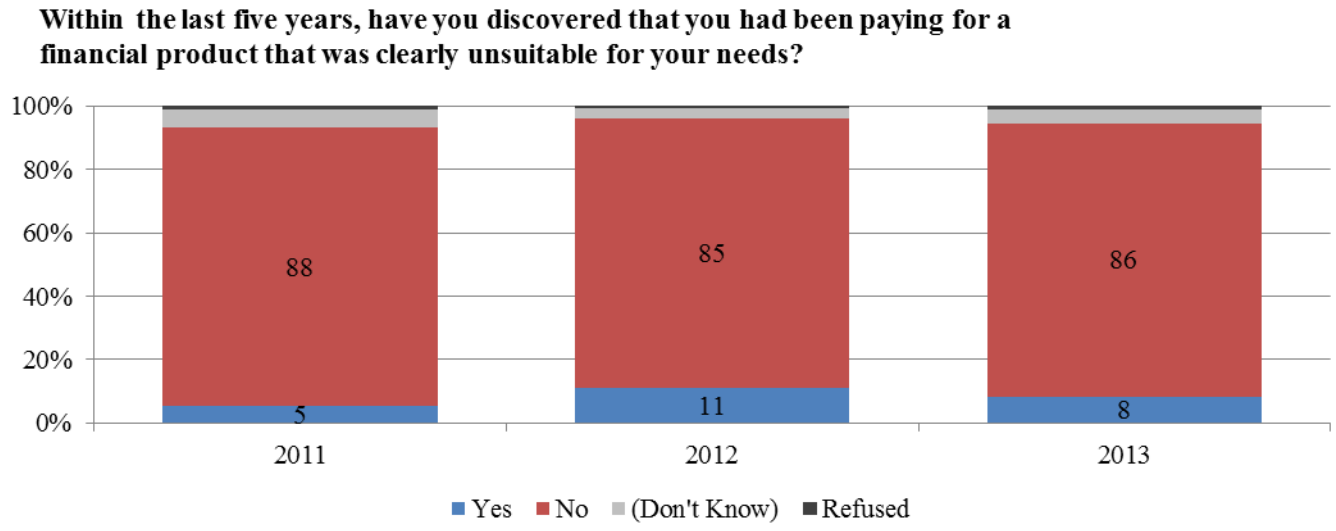
Table 22: Share who regretted a financial decision in the last 12 months by decision type (percentages multiple response)

	2011	2012	2013
Savings or investments	10	7	7
Taking out a home loan	2	3	1
Taking out a loan or credit agreement	4	4	3
Insurance of any type	3	3	2
Tax	2	1	2
Managing credit/debt	4	5	2
(None of the above)	82	80	82
(Don't know)	4	3	6

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Financial-decision regret may take a long time to become realised and individuals may not be aware of an incorrect decision until much later. In order to control for this time delay, the SASAS research team had been, since the 2011 Financial Literacy Baseline study, asking respondents whether they had in the last five years discovered a financial product that they had been paying for, but was unsuitable to their needs. The results from the last three years of data collection are shown in Figure 27 and reveal that only a minority of the adult population indicated that they had discovered an unsuitable financial product in their portfolio in the last five years. Given the results observed in Table 22, this is not an unexpected finding.

Figure 27: Share who detected an unsuitable a financial product in their portfolio in the last five years, 2011-2013



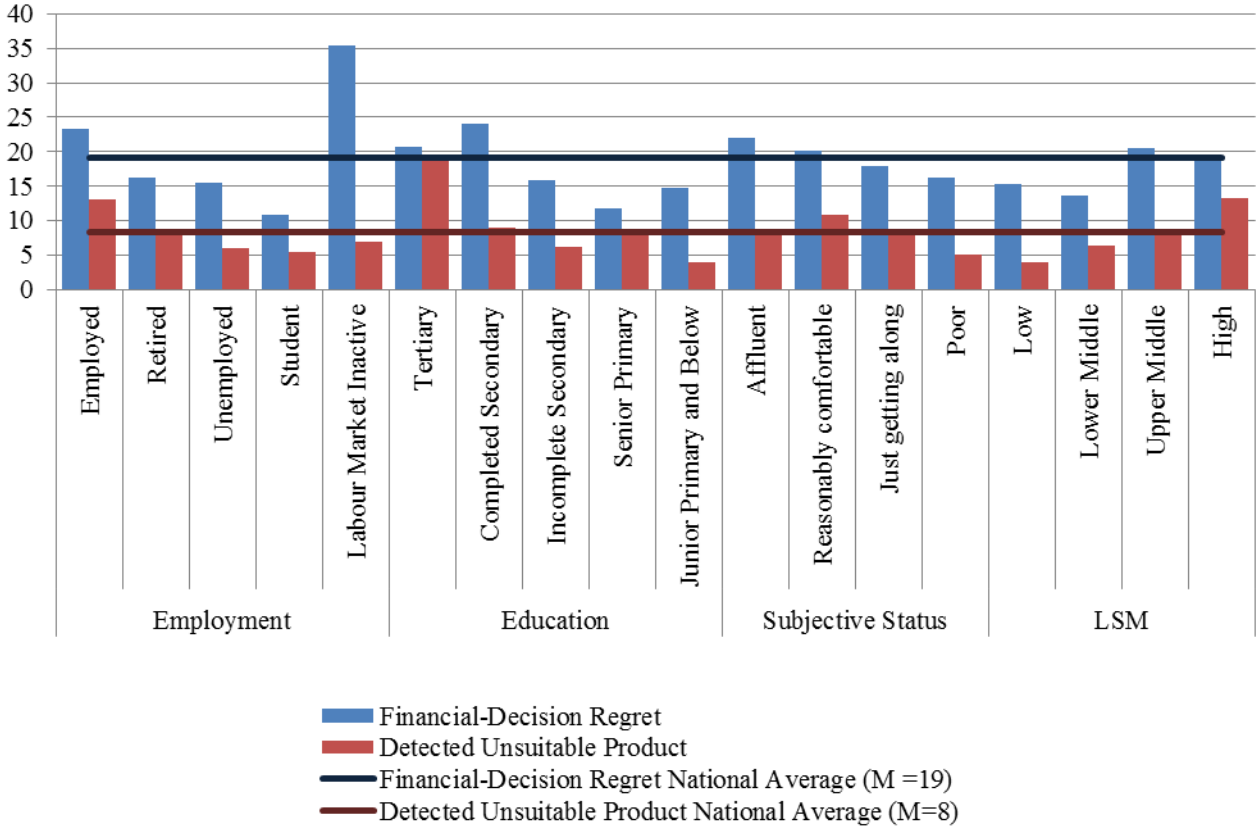
Source: South African Social Attitudes Survey (SASAS) 2011-2013

To best understand financial-decision regret amongst the public, the SASAS research team investigated the share who had regretted at least one financial decision in the last twelve months across selected economic subgroups in Figure 28. A similar investigation was launched for the share of the adult public who detected an unsuitable financial product in their portfolio in the last five years. The results are also displayed in Figure 28 and show that financial-decision regret was low across all economic subgroups. It was apparent to the SASAS research team that financial-decision regret was higher among the upper rungs of the country's socio-economic ladder. This is perhaps unsurprising

given this group is in more of a position to both make financial decisions as well as discern if a decision made was inappropriate to their financial needs.

The groups found to be with a comparatively high propensity to identify an unsuitable product in their financial portfolio in the last five years were often those groups, identified in Figure 28, who had experienced financial-decision regret in the last five years. As socio-economic indicators -such as educational attainment and wealth status -were found to be determinants of holding different types of financial products in the 2012 Financial Literacy Study, it is not surprising that South Africans who are better educated and more wealthy are more likely than their poorer and less educated counterparts to discover a financial product that is unsuitable to their needs. The difference noted on labour market categories is surprising. Obviously we anticipate the employed to have more financial regret than the unemployed due to the observed link between wealth and regret. However, what was unforeseen was that such a high share of the labour market (35%) reported experiencing financial regret.

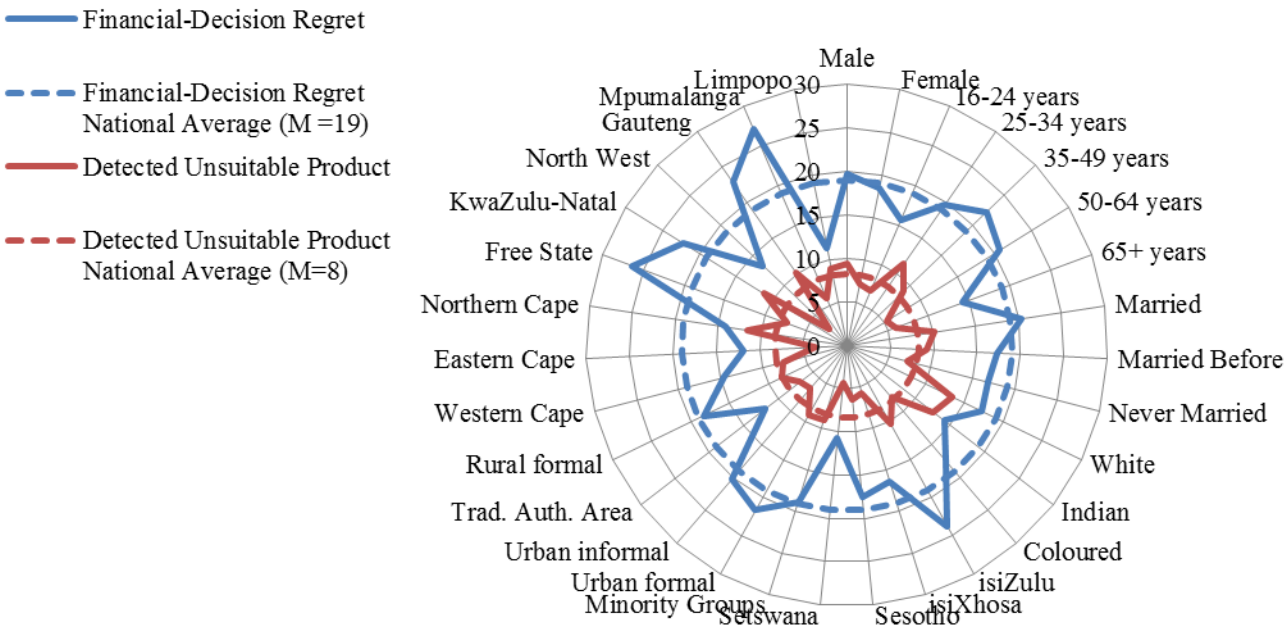
Figure 28: Public Financial Regret, by economic attributes (mean scores, column percentages)



Source: South African Social Attitudes Survey (SASAS) 2013

Financial regret may be influenced by non-economic factors. To explore this, the SASAS research team conducted a subgroup analysis of financial regret, which took into account socio-demographic attributes. It is noteworthy that members of the isiZulu group were, on average, more likely to have made a financial decision they regretted in 2013 than any other population group. This disparity cannot be explained by differing socio-economic characteristics between the isiZulu and other groups, and more analysis is required to better understand this finding. Interestingly, given the results depicted in Figure 29, Indian South Africans were found to be more likely, on average, than any other population group (with the exception of white South Africans) to have identified an unsuitable product.

Figure 29: Public Financial Regret, by socio-demographic attributes (mean scores, column percentages)



Source: South African Social Attitudes Survey (SASAS) 2013

Those who are married tended to report higher financial-decision regret than the non-married, although this may be a reflection of the greater number of financial products demanded by married couples in comparison to non-married individuals. Spatial variation noted in Figure 29 most probably indicates level of access to, and utilisation of, financial markets in different geographic areas. A higher share of those in formal urban areas reported experiencing financial regret in the last 12 months when compared with those living in rural areas (particularly traditional authority areas). This may explain the observed variation in financial-decision regret by province although it is unclear why more than a quarter (27%) adult South Africans residing in Mpumalanga reported experiencing financial-decision regret in 2013. It is most also be kept in mind that such patterns may reflect local dynamics within financial markets at the provincial level.

7 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. Knowledge is the most common, and perhaps the most recognisable, element of the numerous definitions of financial literacy. Huston (2010, p. 302) found that almost half (47%) of the financial literacy studies she reviewed used "financial literacy" and "financial knowledge" interchangeably. Different elements of financial knowledge are covered by almost all surveys on financial literacy with a priority given to numeric questions as numerical skills are considered important in building financial skills. For the 2010 Financial Literacy Pilot study, the SASAS research team designed a module to measure South Africans' understanding of key financial concepts (such as inflation and interest rates) and numeracy. This module has been a recurring feature of preceding financial literacy studies conducted by the research team, and four years of data on financial knowledge have been gathered.

The following section will explore responses to this module over the period under examination outlining the level of financial knowledge at a national as well as by subgroup level. Before discussing the results, however, it is important to think on how the module to measure financial knowledge was constructed. A number of different concepts exist, and the SASAS research team was guided by the growing literature on measuring financial literacy. Numeracy was considered particularly important for the research team when designing this model. An extensive body of literature exists, showing that numerate individuals are better able to make financial decisions. For example Banks and Oldfield (2007) found, using the English Longitudinal Study of Ageing, that numerical ability was positively associated with better understanding of pension plans, retirement saving and financial security (also see Smith et al., 2010)[5]. This growing body of scholarship suggests that financial knowledge is an integral component of any study of financial literacy.

7.1 Financial Literacy Quiz

7.1.1 Trend Analysis, 2010-2013

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. Let us discuss the results of the financial literacy quiz, one concept at a time. First consider basic arithmetic. In order to test South Africans' basic arithmetic ability, respondents were asked to answer the following question correctly: "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 minority of the adult public did not know the answer (see Table 23). The share of the adult population answering this question fluctuated somewhat between 2010 and 2013 but remained relatively stable.

A basic numeracy competency is a good indication of financial knowledge. However, studies of financial literacy also investigate knowledge about important financial concepts such interest and inflation. Van Rooij and his colleagues (2011), for instance, also tested respondents on their knowledge of basic financial concepts such as compound interest, inflation, stock market functioning, characteristics of stocks, mutual funds and bonds, equity premiums, and the benefits of diversification. Such questions are common in a number of studies of financial knowledge (also see Hilgert, Hogarth, Vitt, & Anderson, 2002; Remund, 2010). Given this level of scholarly attention, it is important to examine adult public knowledge of important financial concept. Four questions on financial concepts were administered to respondents in every financial literacy survey conducted by the SASAS research team since 2010.

[5] In another example, van Rooij et al. (2011), using a special module of the Dutch De Nederlandsche Bank Household Survey, studied financial literacy by asking numerical questions.

The results are displayed in Table 1, indicating that public knowledge of interest rates and compound interest concepts is comparatively low.

Table 23: Responses to the Financial Literacy Knowledge Quiz, 2010-2013

	Basic arithmetic (division)				Inflation				Interest paid on a loan				Interest rates				Compound interest			
	2013	2012	2011	2010	2013	2012	2011	2010	2013	2012	2011	2010	2013	2012	2011	2010	2013	2012	2011	2010
Correct	83	86	85	80	20	23	23	26	65	64	64	66	37	45	49	45	35	41	39	37
Incorrect	14	13	4	5	48	48	33	32	19	23	19	17	25	24	15	17	32	33	29	32
Impossible to tell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(It depends)	-	-	-	0	11	14	15	16	-	-	-	-	-	-	-	-	-	-	-	-
Irrelevant answer	1	1	1	4	2	2	3	3	2	2	3	4	2	3	3	8	2	2	4	4
Don't know	1	7	9	10	17	12	15	13	12	10	12	12	34	26	30	28	29	23	26	24
Refused	1	1	1	1	2	1	1	1	2	2	2	1	2	2	2	2	3	1	1	2
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: South African Social Attitudes Survey (SASAS) 2010-2013

In order to explore public understanding of inflation, the SASAS research team required fieldworkers to ask respondents to imagine that brothers have to wait for one year to get their share of R1,000. In one year's time will they be able to buy: (a) More with their share of the money than they could today; (b) The same amount; or (c) less than they could buy today; (d) It depends on inflation; and (e) It depends on the types of things that they want to buy. It was apparent that many within the adult public does not understanding how inflation works. In 2013 a fifth chose the response that was expected (i.e. the brothers would be able to purchase less in a year than today), with almost half the population (48%) stating that the brothers would be able to buy more or an equivalent amount in a year's time relative to today. Perhaps most disparagingly, it would appear that the share of the adult population which gives a correct answer has not improved over the period under investigation, fluctuating within a narrow range.

Given the low correct answer response to the inflation question, the nature of the question has to be further investigated. What renders this question complicated from an assessment perspective is that there was an additional response option that was not read out to the respondents, namely "*It depends on the types of things that they want to buy*". Inflation, as the reader will be aware, varies according to the consumption goods/services involved and therefore this could be (partially) a correct answer. Given the complexity of the issue of inflation the SASAS research team introduced a simplified question on inflation which queried public understandings of the impact of inflation. Respondents were asked: "*Do you think the following statement is true or false: High inflation means that the cost of living is increasing rapidly?"* Over three quarters (79%) of adult South Africans indicated that the statement was true, indicating a greater understanding of the inflation concept than could be discerned from the previously-discussed item. The failure to adequately answer the inflation question listed in Table 23 may be related, therefore, to the poor ability of many South Africans to answer non-basic mathematical questions.

The third quiz item regards interest. 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?"* As can be observed in Table 23 about two-thirds (65%) of the adult public was able to give the correct answer to this question, a finding that remained consistent over the period. The subsequent item on interest suggests that although many South Africans understand interest, most struggled to adequately understand interest rates. Respondents were asked to estimate how much would be in a savings account after a year, assuming a 2% rate on an initial R100 deposit. Less than two-fifths (37%) of the adult population gave a correct for this question, revealing the urgent need to educate the public on interest rates.

In order to test compound interest, respondents were asked a follow up question on the original interest rate question: *"And how much would be in the account at the end of five years?"* The proportion of adult South Africans who answered this question correctly (see Table 23) was similar to the share of the public that answered the previous question on interest rates correctly. If responses to the interest rate questions are considered over the period, it is apparent that the quotient of correct answers tended to fluctuate within quite a narrow band. This indicates that the 2010 measures employed to measure financial knowledge have maintained their reliability over the period, and are working well.

7.1.2 Subgroup Analysis

In the last decade, survey researchers have found that the adult populations in many countries know relatively little about finance and are unfamiliar with economic concepts such as inflation, interest compounding and risk diversification (Atkinson et al., 2007; Hilgert et al., 2003, for example, see 2002; Jappelli, 2010; Lusardi, 2008). The work of these surveys suggests that financial knowledge is also distributed highly unevenly among any given population. The existing scholarship also suggests that certain key socio-economic characteristics, such as education or income, are associated with financial understanding and knowledge. The SASAS research team will test subgroup differences to discern if the patterns of variation observed in other research contexts is found in the South African case. The quotients of the subgroups who answered the five quiz questions in Table 23 were calculated as well as associated significance test results based on Analysis of Variance (ANOVA). The results are displayed in Table 24, and reveal that there is a significant degree of variation between subgroups.

A gender basis has been noted in a number of studies on financial literacy and existing research on the determinants seems to confirm that gender has an impact on financial literacy. For instance Lusardi et al. (2010), in their study of young people, found that women were less likely than their male counterparts to answer financial literacy questions correctly. Similar results were found in a study using data from the Health and Retirement Survey (see Lusardi & Mitchell, 2008). Being female is also associated with lower financial knowledge in a number of European studies (and for Italy, see L. Guiso & Jappelli, 2008; for the Netherlands see M. van Rooij et al., 2011). This may be the result of a cultural patriarchy in financial education and financial institutions that discriminates against women. In an early study of attitudes towards money Furnham (1984) found that men were more obsessed with money than women. Such obsession may suggest financial literacy differences between the sexes.

As can be observed from Table 24, men and women tended to produce remarkably similar answers to the questions listed in Table 23. On the first two questions (basic arithmetic and inflation) ANOVA tests proved that no significant differences between gender groups exist. On the interest questions, however, a gender disparity was noted although the difference noted on compound interest was not significant according to the ANOVA tests. On the interest rate questions, in particular, a far larger quotient of male South Africans answered the correctly when compared to their female counterparts. It seems that the hypothesis that women have a weaker understanding of financial concepts is only true on certain concepts and, therefore, cannot be validated.

Table 24: Shares who answered the Financial Literacy Knowledge Quiz correctly by socio-demographic attributes (percentage)

	Basic Arithmetic	Inflation	Interest on loan	Interest rates	Compound Interest
South Africa	83	20	65	37	35
Gender	n.s	n.s	***	***	n.s
Male	84	20	68	44	36
Female	83	21	62	30	34
Age cohort:	***	***	***	n.s	*
16-24 years	83	22	66	37	37
25-34 years	87	18	72	40	35
35-49 years	87	16	63	35	37
50-64 years	76	21	56	36	29
65+ years	75	33	65	35	32
Population group:	***	***	***	***	***
White	90	39	90	73	61
Indian	93	25	85	57	45
Coloured	81	30	76	47	42
isiZulu	85	15	64	35	27
isiXhosa	84	8	61	39	40
Sesotho	85	19	57	35	23
Setswana	79	19	41	11	20
Minority Groups	76	24	67	17	41
Geographic location:	***	***	n.s	***	***
Urban formal	85	24	66	41	38
Urban informal	78	20	64	28	30
Rural trad. auth. areas	81	10	62	30	30
Rural farms	74	14	60	21	25

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

Older South Africans tended to have, on average, a lower number of correct answers on the financial knowledge arithmetic and interest rate questions than other cohorts. This may be linked to the well-known decline in cognitive function associated with old age. Marked differences are noted along socio-economic divides with wealthier individuals more likely to answer the interest rate questions correctly in Table 25. Interestingly, Willis (2009) argues that the motivation to attain financial knowledge is positively correlated with economic resources (also see Lamdin, 2011). As a result the motivation to attain financial knowledge is greater for individuals with economic resources available for use in financial behaviour (such as saving and investment). A low share of the unemployed and the retired answered financial quiz questions (particularly those related to interest) correctly. Those in full-time employment were far more likely to answer these questions correctly, particularly the interest rate question.

In the extensive literature measuring differences in financial literacy between different demographic groups, a common finding is that educational attainment is associated with financial knowledge (Huston 2010; Lusardi and Mitchell 2011). Unsurprisingly, therefore, the SASAS research team found a strongly salient relationship between educational attainment and financial knowledge. The better educated were found to be, on average, more likely answer the questions in Table 23 correctly. Interestingly there were wide differences in knowledge of interest rates between different geographic locations with those living in the poorer more rural areas (i.e. the traditional authority areas) having lower shares of correct answers than those in more urbanised and formal environments.

Table 25: Shares who answered the Financial Literacy Knowledge Quiz correctly by economic attributes (percentage)

	Basic Arithmetic	Inflation	Interest on loan	Interest rates	Compound Interest
South Africa	83	20	65	37	35
Education:	***	***	***	***	***
Tertiary	95	27	81	62	50
Completed Secondary	89	21	68	43	36
Incomplete Secondary	86	20	64	35	35
Senior Primary	70	13	55	21	29
Junior Primary and Below	50	16	47	12	21
Employment status:	***	**	***	***	***
Employed	87	18	72	47	39
Retired	81	39	62	36	32
Unemployed	81	19	59	28	31
Student	89	20	73	43	39
Labour Market Inactive	77	14	61	36	42
Subjective Economic Status	***	***	***	***	***
Affluent	79	29	65	45	47
Reasonably comfortable	87	29	74	50	47
Just getting along	83	20	59	34	30
Poor	78	13	55	23	25
LSM status	***	***	***	***	***
Low	72	10	52	20	22
Lower Middle	81	14	63	27	27
Upper Middle	86	24	55	34	32
High	88	30	80	62	49

Source: South African Social Attitudes Survey (SASAS) 2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

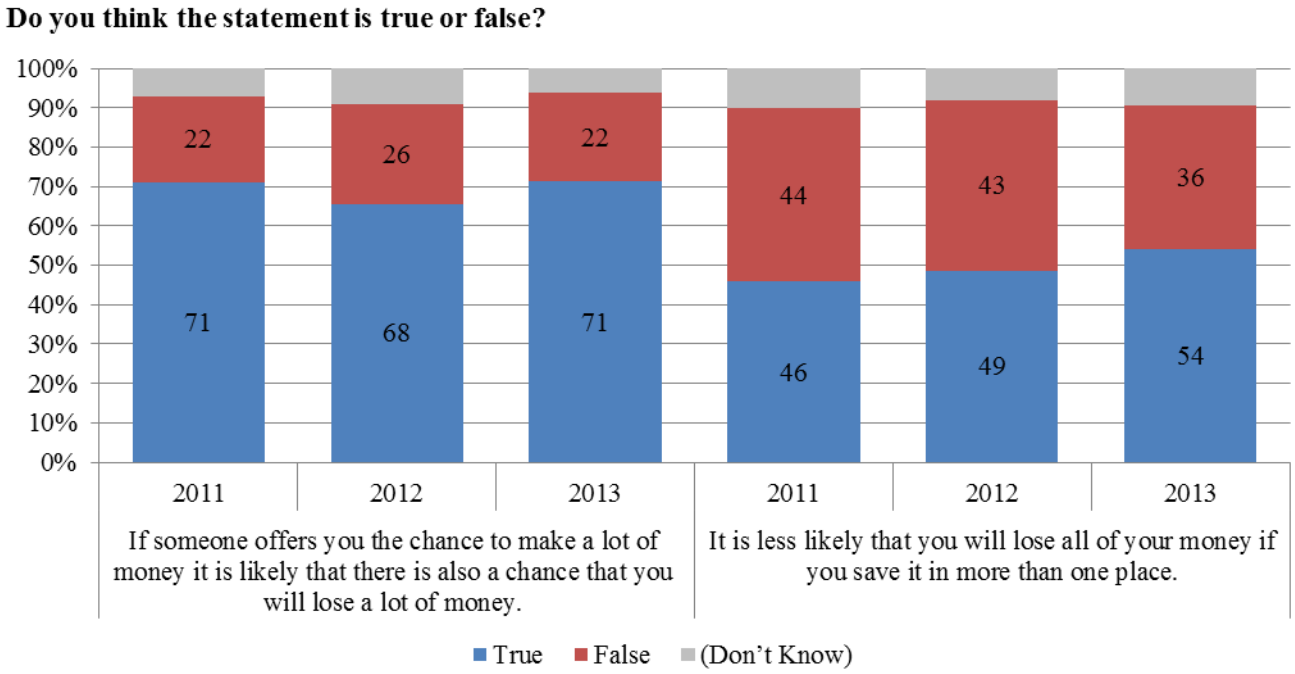
The connection between economic status and financial knowledge noted above may explain the observed ethnic group differences in Table 24. The current research on financial literacy seems to suggest that differences exist between racial groups in those countries where ethnicity and financial literacy have been examined. Lusardi et al. (2010), for example, found racial differences in their United States study with White respondents more likely than their African American and Hispanic counterparts to answer financial literacy questions accurately. White and Indian South Africans were, on average, more far likely than other ethnic groups to give a correct answer to the questions in Table 23. Some black African ethnic differences cannot be explained by the connection between economic status and financial knowledge, and further research is required to better understand the role that ethnicity may play in financial education.

7.2 Understanding investment risk and return

It is not enough to merely test South Africans on their financial knowledge, it is necessary to better understand how adults in the country approach risk. Are South Africans risk adverse, sceptical of get-rich-quick schemes and cautious in how they understanding saving and investing money? Individuals who are less concerned about the risks involved may more easily become victims of disreputable financial schemes and fraud. In order to better understand risk aversion in the country, the SASAS research team designed two questions to measure attitudes to risk in savings and investment. The first asked respondents if they thought that 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. The second enquired if it is less likely that you will lose all of your money if you save it in more than one place. The responses to these questions, introduced in 2011 for the Baseline study, are shown in Figure 30.

Figure 30: Attitudes towards Risk Taking, 2010-2013

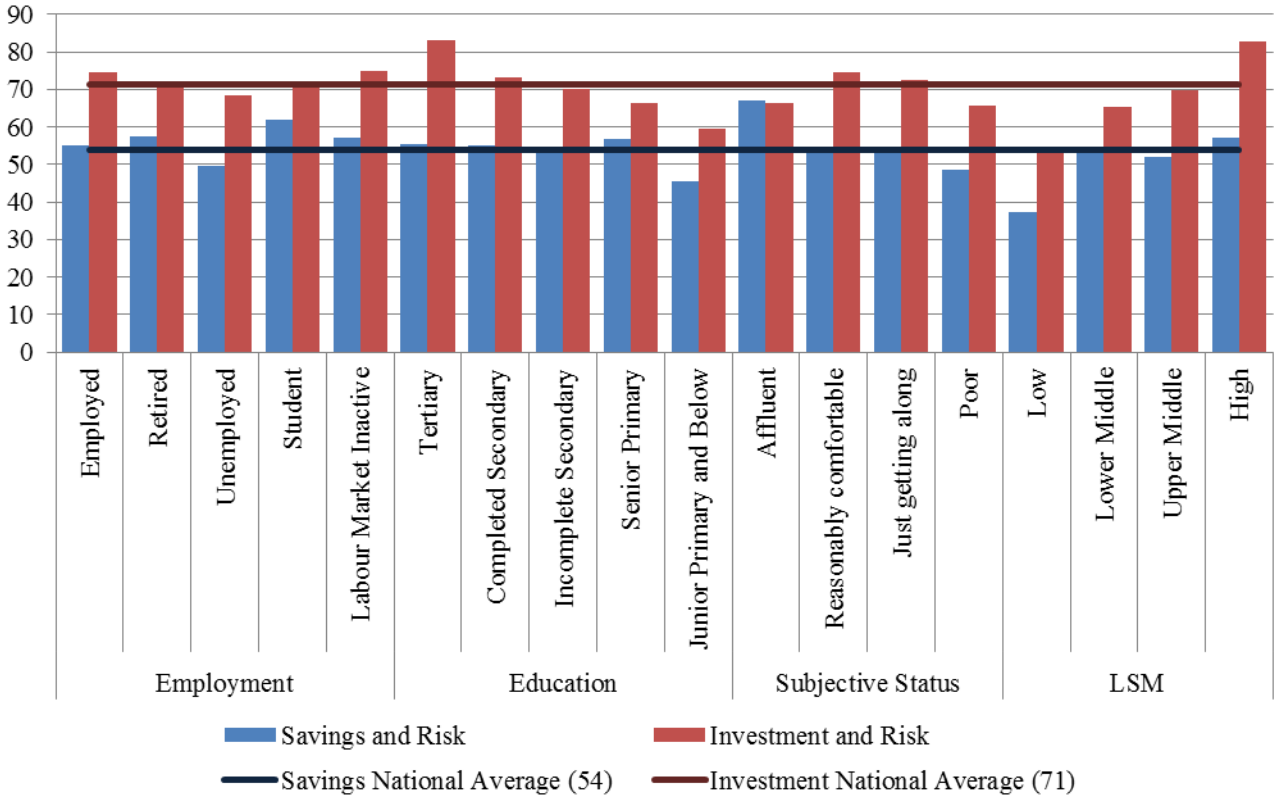


Source: South African Social Attitudes Survey (SASAS) 2010-2013

If the results in Figure 30 are considered then is it is apparent that South Africans are quite wary of potential investments that offer the prospect of getting rich quick. In 2013 almost three-quarters (71%) of the adult public thought it was true that if someone offers them the chance to make a lot of money it is likely that there is also a chance that you will lose a lot of money. On the second measure which regarded risk and savings, the adult population is somewhat. In 2013 more than half (54%) thought it was true that only saving in one pace was risk while almost two-fifths (36%) disagreed. It would appear that South Africans are became more risk adverse regarding savings over the period 2010-2013, signalling a growing scepticism on saving mechanisms in the country.

As with what was observed in section 7.1.2, the SASAS research team expects a degree of variation on risk aversion attitudes to emerge in South Africa. In order to test for this hypothesis, the research team investigated the quotients of those who answered 'true' on our two questions on risk across selected socio-demographic groups. This captures risk aversion on savings and investments in the country, allowing the research team to identify those subgroups who had the strongest antipathy to financial risk. The results are shown in Figure 31, indicating the share of various subgroups who agree with the statements in Figure 30. It is clear from the figure that those who had an aversion to savings risks also had an antipathy to investment risk.

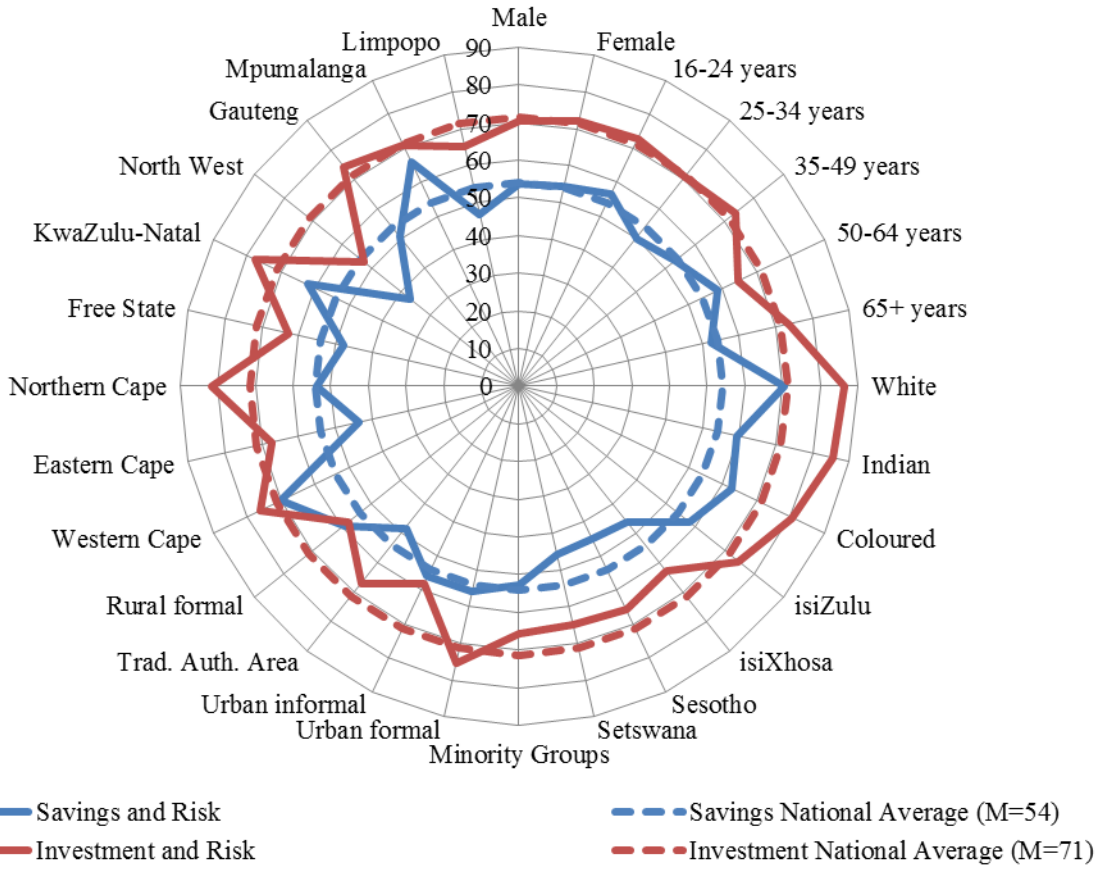
Figure 31: Share of South Africans who were Risk Averse by economic attributes (percentage)



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. However, as can be observed in Figure 31, there was a linear relationship between educational attainment and scepticism of financial risk-taking. Those with high levels of educational attainment are more likely to be sceptical compared to those with low educational attainment. It therefore appears that those in the upper levels of the socio-economic ladder are highly risk averse. If subgroup differences are investigated by LSM group status or subjective wealth status, then this trend is further confirmed.

In Figure 32 we can see subgroup analysis on risk attitudes by socio-demographic attributes. The youth were found to be just as antipathetic towards financial risk as older age cohorts. This is a positive finding, suggesting that despite a lack of financial experience, the youth are still cautious among risky financial behaviour. Strong racial group differences were noted, with the racial minorities –white, coloured and Indian South Africans –exhibiting much higher levels of risk aversion than the black African majority. If ethnic group differences are considered within the black African majority, it is apparent that levels of variation are small. However, it is worth noting that lower shares of the isiXhosa and the Sesotho expressed risk aversion attitudes when compared with other black African ethnic groups. Perhaps surprisingly, considering the findings evident in Table 24, those outside the labour market were not notably different in risk-taking attitudes when compared with those inside the labour market.

Figure 32: Share of South Africans who were Risk Averse by socio-demographic attributes (percentage)



Source: South African Social Attitudes Survey (SASAS) 2013

Significant levels of variation were observed between different provincial residents in Figure 32. Such patterns may reflect local dynamics within financial markets at the provincial level although it could also be a product of a strong spatial divide on risk attitudes. Those living in formal urban areas were found to be more risk adverse than those living in rural or informal urban areas. This may be the result of a link between risk aversion and wealth accumulation. A materially better-off household may be more exposed to risk-taking behaviour and therefore more sceptical about such behaviour. This suggests that the poor are at a significant disadvantage compared to their more wealthy counterparts when making risky financial decisions.

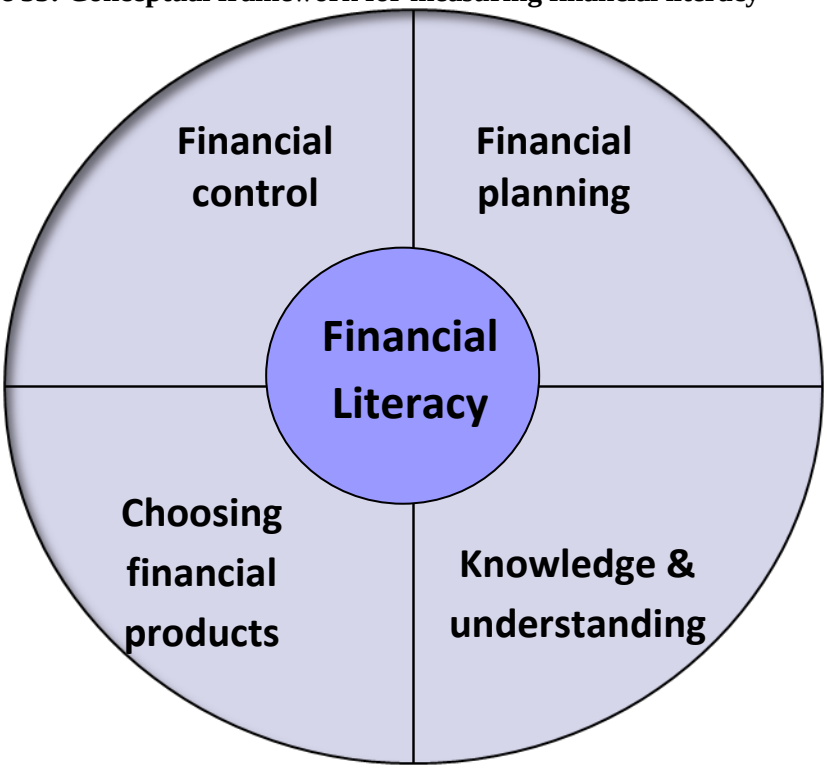
9 Measuring financial literacy

Following the 2010 Financial Pilot study conducted by the SASAS research team, there was a growing concern about South Africa's lack of knowledge regarding the financial understanding and capacity of consumers. The 2010 study confirmed existing apprehensions about low financial literacy among the public and provoked a call from the FSB for a single measure with which to measure comprehensively the financial literacy of the public. This single score could be used to measure progression following consumer education interventions or to identify vulnerable groups. In 2011 the SASAS research team was commissioned to create a single financial literacy score that would encompass all the indicators created from the four domains discussed in the opening chapter of this report.

9.1 Conceptualisation

In 2010 the research team developed a conceptual framework for measuring financial literacy. This framework was based on existing work conducted by the Organisation for Economic Co-operation and Development (OECD) through their International Network on Financial Education (INFE) Initiative. The OECD INFE definition of financial literacy states that financial literacy is comprised of a combination of the awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (Arrowsmith and Pignal, 2010; Stănculescu, 2010; Atkinson and Messy, 2011). Measuring financial literacy requires therefore a multi-dimensional score that would incorporate financial awareness, knowledge, skills, attitude and behaviour. This, the SASAS research team determined, demanded a sophisticated multifaceted methodological approach. The methodology adopted subdivided financial literacy into four domains. These domains are: a) financial control b) choosing and using appropriate financial products c) financial planning and d) knowledge and understanding. These domains are outlined in Figure 33.

Figure 33: Conceptual framework for measuring financial literacy



The financial literacy score created was a comprehensive measure designed to be replicable and comparable. The methodology used to create the score is such that (should there be sufficient information) another researcher would be able to achieve the same results using the same data. By using the OECD INFE methodology, which could be considered to constitute an internationally renowned approach known for its well-researched criteria and thoroughly tested instruments (Atkinson & Messy, 2011), the results of our analysis would be comparable at a cross-national level. By following them the SASAS research team was able to monitor financial literacy with a very manageable and fairly low quotient of questions. This approach allowed us to provide cost-efficient high quality data to the FSB. The intention was for the FSB to monitor financial literacy on an annual basis (or at least periodically). Following the instructions of the FSB, the SASAS research team has produced financial literacy data using this methodology for the period 2011-2013.

9.2 Analytical Guidelines

The OECD INFE methodology adopted 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. These questions have been successfully employed in a number of countries (Atkinson and Messy, 2011) to discern financial literacy. In order to discern the data required for the creation of the index under review, and following the theoretical framework outlined above, the SASAS research team depended on the questions that the OECD isolated as important for the four domains. 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. The use of these questions, therefore, ensures that the data produced has international comparability and comparability over time.

Using the framework developed by the OECD, four domains (financial control, financial planning, product choice, and financial knowledge) were created to measure financial literacy in South Africa. A set of 22 core indicators spread across each of the aforementioned financial literacy domains was then developed to accurately measure financial literacy. These indicators sought to capture multiple forms of financial capability and knowledge. These indicators have been piloted in 12 low, medium and high income countries exhibiting diverse characteristics (Atkinson and Messy 2011; Holzmann, 2010). As a result, these questions have already been tested for analytical soundness, measurability and relevance to the phenomena being measured and their relationship to each other[6]. The construction of the four domains will now be discussed.

9.2.1 The Financial Control Domain

An individual with financial control is defined as someone who 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. In order to measure financial control six indicators were used, the indicators and exact questions used are depicted in Box 1. For the exact wording of these questions, please refer to Appendix A.

Information for indicators 1 and 2 were captured as dichotomous variables (i.e. 1= personal involved in money management; otherwise =0 for indicator 1 and 1 = presence of household budget otherwise =0 for indicator 2). Answers to the questions on indicator 3 were each captured using a five-point scale which ranged from 1 "Always" to 5 "Never". These responses were reversed and then summed together to produce a single score. Responses to indicator 4 were coded as a three-point categorical variable with 1 representing ‘in debt due to financial shortfall’, 2 ‘not in debt due to financial shortfall’ and 3 ‘did not experience financial shortfall’. Finally answers to indicator 5 were captured using a five-point Likert scale with 1 representing "strongly agree" and 5 "strongly disagree", indicator 5 was recoded in order to reverse this scale.

[6] These measures were accepted by the South African Financial Services Board (FSB) and used in their baseline study on South Africans' financial literacy.

Box 1: Questions used to create the Financial Control Domain

	Financial Control Domain	
1	Personal Involvement in Daily Household Money Management	Q230
2	Presence of a Household Budget	Q231
3	Considered Approach to Personal Finances	
	* Careful Spending	Q232
	* Paying Bills Timeously	Q233
	* Monitoring Financial Matters	Q234
4	Making Ends Meet	
	* Making Ends Meet	Q236
	* Main Coping Response	Q238
5	Preference for Spending or Saving	Q242

9.2.2 The Financial Planning Domain

Good financial planning constituted setting financial goals and working hard to meet them, preferring to save for the long term and worrying about tomorrow, having emergency funds in place and having saved recently (through a formal savings product or informal means). Financial planning was measured using five indicators which are displayed in Box 2.

Box 2: Questions used to create the Financial Planning Domain

	Financial Planning Domain	
6	Tends to set and strive to achieve long term financial goals	Q235
7	Has emergency funds or rainy day funds	Q239
8	Preference for spending money vs long-term saving	Q240
9	Living for today vs long term provisioning	Q241
10	Saved money in last 12 months	Q249

Responses to indictor 6 are measured using a five-point scale with 1 representing "Always" and 5 "Never". Indicator 6 was recoded in order to reverse this scale. Answers to indicator 7 were captured dichotomously (1=had emergency funds 0=otherwise). Information captured was from indicator 8 and 9 using a five-point Likert scale with 1 representing "strongly agree" and 5 "strongly disagree". Indicator 8 and 9 (like indicator 6) were recoded in order to reverse this scale. Finally responses to indicator 10 were coded to be dichotomous and represent had saving through a saving product in the last 12 months (1=had saved 0=otherwise).

9.2.3 The Product Choice Domain

In order to understand product awareness and holding, respondents were asked if they had heard of and were holding any of 50 selected financial product types. The list of products was subdivided into four categories (banking, credit and loan, investment and savings, and insurance) and included both informal as well as formal products of these types. Subsequent questions on decision-making behaviour and experience were also included in this domain. In summation, the product choice domain measures individual (A) awareness of different types of banking, credit/loan, savings and investment, and insurance products; (B) holding of these product types; (C) confidence in understanding of product needs and propensity to undertake research before choosing products; (D) experiences of regrets about recent financial product decisions. The indicators used to measure the product choice domain are included in Box 3.

Box 3: Questions used to create the Product Choice Domain

Product Choice Domain		
	Product awareness	
11	* Banking Products	Q243
	* Credit and Loan Products	Q245
	* Investment and Savings Products	Q247
	* Insurance Products	Q250
	Product holding	
12	* Banking Products	Q244
	* Credit and loan Products	Q246
	* Investment and Savings Products	Q248
	* Insurance Products	Q251
	Financial product decision-making	
13	* Have Clear Idea of Product Need	Q252
	* Informed Product Choice	Q253
	Experience of regret about recent financial product choice	
14	* Does not Regret any Key Financial Decisions Made in Last Year	Q254
	* Did not Pay for an Unsuitable Product in Last Five Years	Q255

Responses to the questions in indicators 11 and 12 were converted into 0-100 scores based on the number of financial products that an individual was aware of and was holding. Answers to the questions on indicator 13 were captured using a four-point scale with 1 representing "totally agree" and 4 "totally disagree". Indicator 13 was recoded in order to reverse this scale. Information for the questions on indicator 14 were recoded into a 0-1 variable where 1 represented having not regretted a financial decision types[7] in a recent period.

9.2.4 The Financial Knowledge Domain

Financial knowledge was defined as an individual's knowledge of basic numeracy and the following financial concepts: 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. Respondents were asked questions on each of these financial concepts as well as basic mathematical division in order to determine their financial knowledge. Each question was converted into a dichotomous variable with 1 representing a correct answer and 0 otherwise. The exact questions used are displayed in Box 4.

Box 4: Questions used to construct the Financial Knowledge Domain

Financial Knowledge Domain		
15	Basic mathematical division	Q256
16	Effects of inflation	Q257
17	Interest paid on loans	Q258
18	Interest on deposits	Q259
19	Compound interest	Q260
20	Risk of high return investments	Q261
21	Effects of inflation on cost of living	Q262
22	Risk diversification	Q263

In order to discern the data required for the creation of the domains, all the indicators listed in the domain tables were transformed to render them comparable. Each indicator was converted to a 0-100 scale to enable the authors to compare and plot findings of the various indicators on a single platform.

[7] The different types of financial decisions were (i) savings or investments, (ii) taking out a home loan, (iii) taking out a loan or credit agreement, (iv) insurance of any type, (v) tax and (vi) managing credit/debt.

The relevant indicator on each domain was then converted into a 0-100 score. The higher the score the higher the financial literacy and 0 represents the lowest possible score.

9.3 Bivariate Analysis on All Financial Scores

In order to identify vulnerable groups, bivariate analysis was conducted. The SASAS research team investigated subgroup differences on each of the domains discussed above using Analysis of Variance (ANOVA) testing. Such an examination will allow the identification of common trends and themes and can be used to identify financial vulnerable groups.

9.3.1 Financial control

The financial control score constructed for this study measures whether an individual tends to be involved in daily financial decision-making processes, exhibits a careful approach to personal finances, prefers saving over spending money and lives in a household that budgets and is able to make ends meet. The average South African currently scored 61 on this domain in 2013 unchanged from 2012. The 2013 score is higher than what was found in 2011 (58) but is still consistent with the findings of previous work conducted for the FSB by the SASAS research team. Table 26 showcases mean scores for financial control for economic subgroups in South Africa. As would be expected, given what has been observed in previous chapters, the financial control score is not consistent across all subgroups.

Table 26: Financial control by economic attributes (mean scores, 0-100 scale)

	Financial Control			
	2011	2012	2013	(% change 2011-2012)
Total	58	61	61	3%
Employment Status	***	***	***	
Employed	67	71	69	2%
Retired	64	68	68	4%
Unemployed	48	55	56	8%
Student	44	49	52	8%
Labour Market Inactive	57	65	64	7%
Educational Status	***	***	***	
Tertiary	73	73	73	0%
Completed Secondary	59	62	62	2%
Incomplete Secondary	53	58	59	6%
Senior Primary	56	58	58	3%
Junior Primary and Below	50	59	60	10%
Subjective Economic Status	***	***	***	
Affluent	69	68	69	0%
Reasonably comfortable	66	68	67	-1%
Just getting along	57	61	61	-4%
Poor	47	52	54	-7%
LSM status	***	***	***	
Low	50	55	57	-7%
Lower Middle	49	56	56	-7%
Upper Middle	57	60	62	-5%
High	70	69	69	1%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

The results depict in Table 26 show that the poor, the less educated and those outside the labour market scored low on the financial control domain. These groups, when compared to others, are less likely to have access to a steady source of economic capital. Given this, such attitudes and behaviours are not surprising. Therefore, the low financial control domain scores depicted here reveal not so much 'irresponsible behaviour' but rather an inability to and/or access financial institutions. The low scores demonstrated by these groups also indicate the vulnerability of these households to economic shocks -such as illness or another unforeseen expenditure -and distinct financial inequalities that continue to characterise South Africa's post-apartheid society. Observing the differences between subjective economic status and LSM group status on financial control, both seem to show a strong linear relationship with financial control .

Table 27: Financial control by socio-demographic attributes (mean scores, 0-100 scale)

	Financial Control			
	2011	2012	2013	(% change 2011-2012)
Total	58	61	61	3%
Sex	**	***	n.s	
Male	59	60	61	2%
Female	57	63	61	4%
Age group	***	***	***	
16-24 years	47	49	53	6%
25-34 years	57	60	61	3%
35-49 years	63	68	66	3%
50-64 years	65	67	65	0%
65+ years	65	70	67	3%
Population group	***	***	***	
White	76	78	72	-3%
Indian	71	71	66	-5%
Coloured	60	60	61	1%
isiZulu	58	60	59	1%
isiXhosa	52	60	61	9%
Sesotho	55	58	59	4%
Setswana	52	52	60	8%
Other	50	57	60	10%
Geographic location	***	***	***	
Urban, formal	62	64	64	2%
Urban, informal	53	55	58	5%
Rural, Trad. Authority Areas	51	57	57	6%
Rural, formal	56	60	58	2%
Province	***	***	***	
Western Cape	62	64	65	3%
Eastern Cape	51	61	60	9%
Northern Cape	63	57	66	3%
Free State	64	65	64	0%
KwaZulu-Natal	61	63	59	-2%
North West	56	58	58	2%
Gauteng	59	60	65	6%
Mpumalanga	57	65	64	7%
Limpopo	49	57	52	3%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

A positive finding, which can be clearly seen in Table 26, is the increase in financial capacity (by 7%) amongst the Low LSM status group between 2011 and 2013. Interestingly the gap between the Low and High LSM status group was wider in 2011 than in 2013. If subjective economic status is used as a measure of economic status then this result is also seen, and the gap between the poor and the affluent observed is larger in 2013 than in 2011. Non-economic factors may also explain differences observed in Table 26. Subgroup socio-demographic differences on financial control are presented in Table 27. As can be seen certain groups –the elderly, members of the white and Indian minorities and those living in formal urban environments –scored higher than other groups.

Life cycle may have a significant impact on the formation of financial control. As can been in Table 27, there is a strong linear relationship between age and financial control, the older an individual the more likely that individual will be to score high on the financial control domain. This seems to indicate that financial experience is strongly associated with financial control. The youth, lacking financial experience score, fare rather poorly on this domain. This may be a result of the lack of financial independence of the youth and may not reflect attitudes towards spending of this age cohort. However, even if the financial control domain is adjusted to accommodate this concern, the youth are found to score lower than older age cohorts. This suggests that youth exhibit a less than careful approach to personal finances and tend to prefer spending over saving.

9.3.2 Financial planning

The financial planning score constructed for this study measures whether an individual score tends to set financial goals and work hard to meet them, prefers to save for the long term and worries about tomorrow, has emergency funds in place and has managed to save recently. Subgroup analysis for the financial planning domain can be observed in Table 28, which reveals that, much like financial control, scores for this domain are unevenly distributed across the South African adult population. The average South African currently scored 48 on this domain which is below what was found on this domain in 2011 (53) and represents a decline from 2012 (50). It would appear that public competence in financial planning is slowly declining.

As was evident in section 9.3.1, a considerable population group differences on financial capacity were evident in Table 28. This will be common finding through the bivariate findings of this section. The white minority exhibits a much greater average mean score on financial control when compared to other population groups. The Indian South Africans as well as (albeit to a lesser extent) the isiZulu reported a surprisingly high decline in financial capacity between 2011 and 2013. The significant declines noted amongst these two ethnic groups may be responsible for the decline noted in KwaZulu-Natal whose residents exhibited lower financial planning scores in 2013 than they did in 2011. It is difficult at this stage to understand this noted decline, and more must be done to investigate the causes behind the apparent deterioration of financial planning amongst these groups.

If financial planning domain scores among the South African public have been declining since 2011, amongst which groups has the decline been largest. The third column of Table 28 depicts change in financial planning score between 2011 and 2013 as a percentage and indicates that the groups for which the decline has been greatest. As can be seen in Table 28, the group with the largest decline is older South Africans. The retired and those close to retirement (age cohort 50-64) report less financial planning behaviour and attitudes when compared with 2011. This may be a reaction to the prolonged financial difficulties that the country has suffered since the financial recession of 2009 as well as the rising cost of health care and retirement insurance. Given that the elderly are often vulnerable to medical shocks –in particular prolonged illness –this finding is especially disconcerting. If the old do not adequately prepare for their retirement, then this will place a social burden on the state and interventions are required to better encourage financial planning amongst older persons.

Table 28: Financial planning by socio-demographic attributes (mean scores, 0-100 scale)

	Financial Planning			
	2011	2012	2013	(% change 2011-2012)
Total	53	50	48	-5%
Sex	*	*	**	
Male	54	51	49	-5%
Female	52	50	46	-6%
Age group	***	***		
16-24 years	46	46	46	0%
25-34 years	54	50	47	-7%
35-49 years	57	53	50	-7%
50-64 years	58	54	47	-11%
65+ years	55	51	51	-4%
Population group	***	***	***	
White	68	64	61	-7%
Indian	66	57	47	-19%
Coloured	49	44	44	-5%
isiZulu	56	48	47	-10%
isiXhosa	48	49	42	-5%
Sesotho	52	51	48	-5%
Setswana	47	49	50	3%
Other	48	47	50	1%
Geographic location	***	***	***	
Urban, formal	56	54	50	-6%
Urban, informal	52	45	44	-8%
Rural, Trad. Authority Areas	50	46	45	-5%
Rural, formal	49	46	38	-11%
Province	***	***	***	
Western Cape	52	46	49	-3%
Eastern Cape	46	47	39	-7%
Northern Cape	53	43	46	-7%
Free State	52	53	52	0%
KwaZulu-Natal	60	49	48	-12%
North West	47	55	48	1%
Gauteng	57	57	50	-7%
Mpumalanga	49	47	43	-6%
Limpopo	50	46	50	0%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

The SASAS research team predicted, based on the results of the chapter on financial planning, that the poor and uneducated would score poorly on the overall financial planning score. Table 29 show subgroup differences by economic attributes. This expectation was proved correct and those groups at the bottom of the country's socio-economic ladder tended to exhibit the lowest financial planning domain scores. Financial planning behaviour seems to have declined amongst the better-educated, especially tertiary-educated South Africans as can be seen in Table 29. It may be that the financial planning behaviour of the more affluent has diminished in reaction to a prolong period of economic difficulty which reduced this group's ability to save. What is, perhaps, surprising however is that the decline on the financial planning domain is comparable for the poor and wealthy, as shown by the

LSM. This pattern is not evident, as can be seen in Table 29, when using subjective economic status is used as measure of socio-economic status.

Table 29: Financial planning by economic attributes (mean scores, 0-100 scale)

	Financial Planning			
	2011	2012	2013	(% change 2011-2012)
Total	53	50	48	-5%
Employment Status	***	***	***	
Employed	63	58	55	-8%
Retired	59	51	47	-12%
Unemployed	47	45	43	-3%
Student	42	47	47	5%
Labour Market Inactive	47	52	46	0%
Educational Status	***	***	***	
Tertiary	72	63	62	-10%
Completed Secondary	57	54	51	-6%
Incomplete Secondary	48	45	45	-3%
Senior Primary	47	46	40	-7%
Junior Primary and Below	43	44	41	-2%
Subjective Economic Status	***	***	***	
Affluent	66	57	56	-10%
Reasonably comfortable	60	58	55	-5%
Just getting along	52	50	46	-6%
Poor	44	42	42	-2%
LSM status	***	***	***	
Low	45	44	39	-6%
Lower Middle	47	44	44	-3%
Upper Middle	51	50	47	-4%
High	66	61	59	-7%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

9.3.3 Product choice

The product choice score constructed for this study measures an individual engagement with financial products. A high score is awarded to an individual (A) with a broad awareness of different types of banking, credit/loan, savings and investment, and insurance products; (B) holding at least one of each of the four product types mentioned above; (C) who believes they have a clear understanding of their product needs and who undertakes detailed research before choosing a product; (D) who has no regrets about recent financial product decisions (last year) and who has not taken an unsuitable product (last 5 years). The produce choice domain score was 45 in 2011 and has remained somewhat stagnant since this period, decreasing by 1% between 2011 and 2013.

Table 30: Product choice by economic attributes (mean scores, 0-100 scale)

	Product Choice			
	2011	2012	2013	(% change 2011-2012)
Total	45	46	44	-1%
Employment Status	***	***	***	
Employed	66	53	50	-16%
Retired	52	45	43	-9%
Unemployed	44	42	41	-3%
Student	41	41	40	-1%
Labour Market Inactive	36	46	41	5%
Educational Status	***	***	***	
Tertiary	66	58	56	-10%
Completed Secondary	52	49	46	-6%
Incomplete Secondary	44	43	42	-2%
Senior Primary	41	39	40	-1%
Junior Primary and Below	36	39	37	0%
Subjective Economic Status	***	***	***	
Affluent	58	48	50	-9%
Reasonably comfortable	55	52	50	-5%
Just getting along	47	45	45	-2%
Poor	40	40	42	2%
LSM status	***	***	***	
Low	38	35	38	0%
Lower Middle	41	41	43	2%
Upper Middle	48	45	45	-4%
High	60	55	55	-5%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

It is apparent that economic equality in purchasing power between different socio-economic strata in South Africa would result in highly uneven distribution of product domain score in the country. As can be observed in Table 30 this is in fact the case and those groups at the top of the socio-economic pyramid report the highest product domain scores. The tertiary-educated, those inside the labour market and the formal urban dwellers all reported comparatively high domain scores. However, it is interesting to note that there has been a deterioration for the upper socio-economic strata in terms of domain scores since 2011. The domain scores of the tertiary-educated have, on average, declined by 10% since 2011 and the shrinkage has been 16% for the employed. This suggests that these groups has been adversely affected by the prolonged period of limited economic growth, and has struggled to maintain their financial portfolios.

Table 31: Product choice by socio-demographic attributes (mean scores, 0-100 scale)

	Product Choice			
	2011	2012	2013	(% change 2011-2012)
Total	45	46	44	-1%
Sex	***	**		
Male	46	47	43	-3%
Female	44	45	44	0%
Age group	***	***	***	
16-24 years	43	40	41	-3%
25-34 years	50	48	43	-7%
35-49 years	51	48	47	-4%
50-64 years	50	48	44	-7%
65+ years	43	44	46	3%
Population group	***	***	***	
White	61	59	57	-4%
Indian	61	54	47	-14%
Coloured	47	46	47	0%
isiZulu	48	41	40	-8%
isiXhosa	44	44	41	-3%
Sesotho	47	44	41	-6%
Setswana	46	46	46	-1%
Other	46	42	45	0%
Geographic location	***	***	***	
Urban, formal	48	49	45	-3%
Urban, informal	42	41	40	-2%
Rural, Trad. Authority Areas	41	40	43	2%
Rural, formal	41	44	39	-2%
Province	***	***	***	
Western Cape	42	50	47	5%
Eastern Cape	43	44	41	-2%
Northern Cape	49	45	46	-3%
Free State	46	48	43	-3%
KwaZulu-Natal	46	45	42	-4%
North West	44	48	49	5%
Gauteng	48	46	43	-5%
Mpumalanga	46	47	39	-7%
Limpopo	43	42	47	4%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

The ethnic groups that scored the lowest in Table 31 were the isiXhosa, the Sesotho and the isiZulu. For all these groups the last three years had been a period of decline, especially for the Sesotho and the isiZulu, with product holding in particular falling for these groups. Members of the white minority also seem to have experienced some weakening of financial portfolios although the group that was most adversely affected were members of the Indian minority. This ethnic group reported year-on-year declines since 2011 and had the largest depreciation of all the ethnic groups under discussion. Given that fall-offs were noted for this population group in section 9.3.1 and 9.3.2, it is the opinion of the SASAS research team that the reasons for the financial literacy degeneration amongst this group should be rigorously investigated.

9.3.4 Financial Knowledge

The financial knowledge and understanding score constructed for this study measures an individual's financial knowledge. This involves testing an individual on their knowledge of basic concepts such as basic mathematical division, effects of inflation and interest paid on loans as well as more advanced concepts such as interest on deposits, compound interest, risk of high return investments, effects of inflation on cost of living and risk diversification. The financial knowledge domain was 56 in 2011 and has waned since, shrinking by 4% over the last three years. Although not low, this average needs to be improved and the noted reduction in domain scores showcases the need for greater financial education programmes. As we observed in Table 32, as with the other domain scores already discussed, there is a considerable level of disparity between subgroups in the country. Much of this disparity matches socio-economic disparities evident in South African society. The more affluent in society were found to have significantly greater financial knowledge scores than those lower down on the socio-economic ladder.

Table 32: Financial control score by economic attributes (mean scores, 0-100 scale)

	Financial Knowledge			
	2011	2012	2013	(% change 2011-2012)
Total	56	55	52	-4%
Employment Status	***	***	***	
Employed	62	63	56	-6%
Retired	58	51	52	-6%
Unemployed	54	53	48	-6%
Student	58	54	57	-1%
Labour Market Inactive	45	50	48	2%
Educational Status	***	***	***	
Tertiary	69	71	64	-4%
Completed Secondary	63	59	55	-8%
Incomplete Secondary	54	54	52	-2%
Senior Primary	48	48	45	-2%
Junior Primary and Below	39	39	36	-3%
Subjective Economic Status	***	***	***	
Affluent	57	58	56	-1%
Reasonably comfortable	64	62	59	-5%
Just getting along	58	57	52	-6%
Poor	50	46	46	-4%
LSM status	***	***	***	
Low	45	43	39	-6%
Lower Middle	51	48	49	-2%
Upper Middle	57	56	51	-6%
High	67	69	64	-4%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

As may be expected, financial knowledge was strongly associated with educational attainment. Those with a tertiary-education scored 28 points above those with only a junior primary (or below) education. Differing levels of educational attainment amongst the country's diverse ethnic groups may account for the noted domain disparities between the population groups in Table 33. Racial minorities –Indian, white and coloured South Africans –on average reported higher levels of financial knowledge than the black African majority. This may also be the result of the quality of the education

to which the racial majority are exposed, a disheartening finding given the efforts expended to give the majority a quality education. Within the black African majority, two subgroups –the Setswana and the isiZulu –reported comparatively high fall-offs in financial knowledge domain scores, suggesting that these groups must be targeted for consumer education groups.

Considerable population group differences on financial knowledge were evident in Table 33, with members of the racial minorities exhibiting, on average, higher financial knowledge scores. An interesting finding that emerged from the subgroup analysis of financial knowledge was the isiZulu group was well above the national average in 2011 but only at the national average in 2013. Financial knowledge amongst the isiZulu population group has declined by a tenth over this short three year period. A greater analysis of this population group must be undertaken to better understand why such a large decline has been observed. Another large decline noted in Table 33 was amongst the Indian minority. The significant declines noted amongst these two groups may explain why financial knowledge has declined in KwaZulu-Natal between 2011 and 2013.

Table 33: Financial knowledge score by socio-demographic attributes (mean scores, 0-100 scale)

	Financial Knowledge			
	2011	2012	2013	(% change 2011-2012)
Total	56	55	52	-4%
Sex	***	***	**	
Male	58	59	53	-5%
Female	55	52	50	-5%
Age group	*	**	***	
16-24 years	56	55	53	-3%
25-34 years	57	55	53	-5%
35-49 years	56	57	52	-4%
50-64 years	57	56	48	-9%
65+ years	51	49	51	-1%
Population group	***	***	***	
White	71	75	70	-1%
Indian	71	68	63	-8%
Coloured	58	56	59	1%
isiZulu	62	61	52	-10%
isiXhosa	48	45	50	2%
Sesotho	52	50	48	-4%
Setswana	51	53	42	-9%
Other	54	47	48	-6%
Geographic location	***	***	***	
Urban, formal	59	60	54	-5%
Urban, informal	57	56	47	-10%
Rural, Trad. Authority Areas	51	45	49	-2%
Rural, formal	51	52	44	-7%
Province	***	***	***	
Western Cape	62	58	61	-1%
Eastern Cape	48	43	50	2%
Northern Cape	51	48	56	5%
Free State	43	52	52	9%
KwaZulu-Natal	68	64	57	-11%
North West	49	59	43	-6%
Gauteng	55	60	47	-8%
Mpumalanga	55	51	47	-8%
Limpopo	53	41	54	1%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

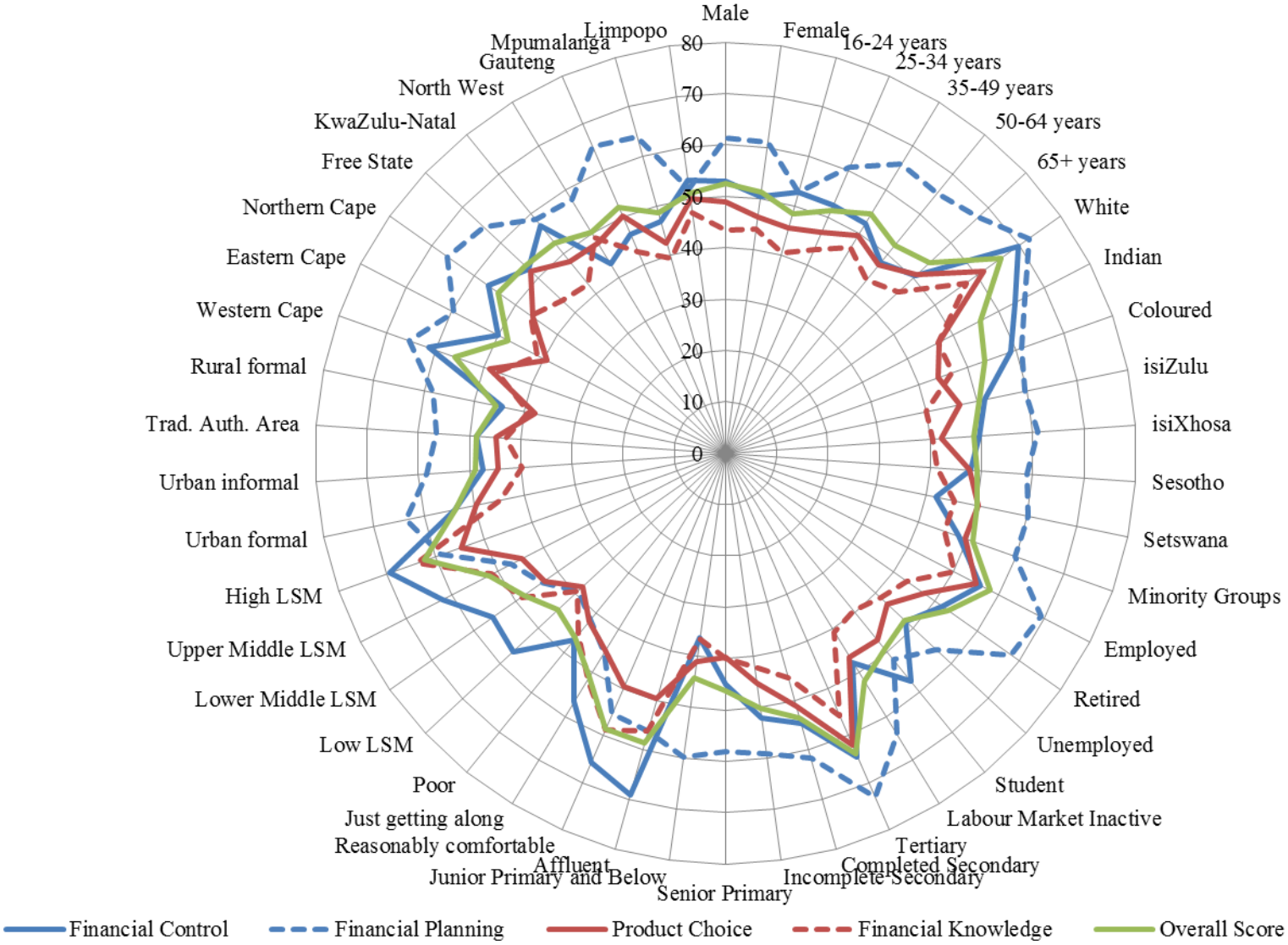
Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

Younger and older individuals are more likely to report low financial literacy scores while those in middle age exhibit high scores, suggesting a nonlinear relationship between financial knowledge and age. Encouragingly the youth were found to have financial knowledge levels similar to those age cohorts in their middling years. Given cognitive decline amongst the elderly, the observed pattern seems to fit the international literature on the relationship between age and financial understanding (Lamdin, 2011; Lusardi & Mitchell, 2011; see, for example, Monticone, 2010). The existence of patriarchal cultures in learning institutions, may account for the gender disparity noted in Table 33. In addition, a strong divide was observed between rural and urban (especially formal) dwellers. This may suggest that educational institutions in rural areas are inferior when compared to those in urban areas or that access to financial institutions (and therefore opportunity for financial experience) is greater in urban centres.

9.3.5 Overall Financial Literacy Score

If the findings on all four sections are reviewed in comparison to other, it is possible to discern the similarities between the different financial domain scores. It is evident (see Figure 34) that those scored highly in one domain tended to score highly in others. Interestingly, and perhaps unsurprisingly, the student and the young subgroups have relatively high knowledge and understanding (see Table 32) domain scores but generally scored low in all other domains (especially financial control, see Table 27 and 27). As a majority of students have limited income, this finding is perhaps not unforeseen. The low scores evident within the youth cohort may be owing to the high rates of long-term unemployment already noted for this group. As this report has already made clear, young people in South Africa are inexperienced with financial products probably as a consequence of their limited access to financial resources and their lack of a regular income. The youth would benefit from greater exposure to financial education and greater involvement in financial decision-making at the household level.

Figure 34: Financial literacy scores by select socio-demographic variables, (mean scores, 0-100 scale)



Source: South African Social Attitudes Survey (SASAS) 2013

Clear patterns have emerged in the preceding sections but in order to obtain a holistic picture of the state of financial literacy in South Africa, the SASAS research team will now present data on the combined financial literacy score. The average South African currently scored 52 in 2012 just two points below 2012 when the score was 54 and 2011 when it was the same. This level of consistency suggests the reliability of the measure indicating that the OECD INFE methodology adopted is working well. As was observed in the previous sections, those groups on the higher rungs of the country's socio-economic ladder tended (see Figure 34) to exhibit comparatively high overall financial literacy scores. The tertiary-educated, the affluent, the formal urban dwellers and members of the white and Indian minorities reported the highest financial literacy scores.

Table 34: Overall financial literacy score by socio-demographic attributes (mean scores, 0-100 scale)

Overall Financial Score				
	2011	2012	2013	(% change 2011-2012)
Total	54	54	52	-3%
Sex	**	***	**	
Male	56	55	52	-3%
Female	53	53	51	-2%
Age group	***	***	***	
16-24 years	49	48	48	0%
25-34 years	55	54	52	-4%
35-49 years	57	57	54	-3%
50-64 years	58	57	52	-6%
65+ years	54	55	54	0%
Population group	***	***	***	
White	69	70	66	-4%
Indian	67	63	56	-11%
Coloured	54	52	54	-1%
isiZulu	57	53	50	-6%
isiXhosa	48	50	48	0%
Sesotho	52	51	49	-3%
Setswana	49	51	50	1%
Other	50	49	51	2%
Geographic location	***	***	***	
Urban, formal	58	57	54	-4%
Urban, informal	52	49	49	-3%
Rural, Trad. Authority Areas	49	48	49	-1%
Rural, formal	50	51	46	-5%
Province	***	***	***	
Western Cape	56	54	56	0%
Eastern Cape	48	49	48	0%
Northern Cape	55	49	54	-1%
Free State	54	55	54	0%
KwaZulu-Natal	60	55	53	-8%
North West	49	55	50	1%
Gauteng	56	56	52	-4%
Mpumalanga	53	52	49	-4%
Limpopo	49	47	51	2%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

The bivariate analysis pointed to the existence of racial differences on the financial literacy domains. Such observed differences could be the result of the quintessential blurring of race and class that so characterises South African society. White South Africans, in particular, were found to be significantly different from their non-white counterparts. This may suggest that race is acting as a proxy for culture. Alternatively this finding may indicate the existence of racial prejudice in South African education systems. The youth reported lower financial literacy, on average, than other age cohorts although the findings presented in Table 34 may suggest (much like what was observed in section 9.3.4) a nonlinear relationship between age and financial literacy. Multivariate regression analysis will establish the validity of this hypothesis and allow the SASAS research team to identify accurately the appropriate relationship between the two variables. Rural individuals, particularly those in traditional authority areas, were found to score on average lower on the overall financial score than those in urban areas. In a country where peripheral rural regions are often isolated from financial institutions and markets this finding may not be surprising.

Table 35: Overall financial literacy score by economic attributes (mean scores, 0-100 scale)

	Overall Financial Score			
	2011	2012	2013	(% change 2011-2012)
Total	54	54	52	-3%
Employment Status	***	***	***	
Employed	70	62	58	-12%
Retired	58	54	53	-5%
Unemployed	50	49	48	-3%
Student	48	48	49	1%
Labour Market Inactive	43	54	52	9%
Educational Status	***	***	***	
Tertiary	66	66	64	-3%
Completed Secondary	52	57	54	2%
Incomplete Secondary	44	50	50	6%
Senior Primary	41	48	46	6%
Junior Primary and Below	36	45	44	8%
Subjective Economic Status	***	***	***	
Affluent	63	58	59	-5%
Reasonably comfortable	62	60	58	-3%
Just getting along	54	54	51	-3%
Poor	46	45	46	1%
LSM status	***	***	***	
Low	45	44	45	-1%
Lower Middle	47	47	48	1%
Upper Middle	54	53	52	-2%
High	66	64	62	-4%

Source: South African Social Attitudes Survey (SASAS) 2011-2013

Note: Green shading represents values that are higher than the national average. n.s. means that the differences in mean scores are not statistically significant based on ANOVA testing, while *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

In sections 9.3.2 and 9.3.3, the reader will have observed significant fall-offs in domain scores for those on the upper layers of the nation's socio-economic pyramid. Given this finding, it is unsurprisingly to note that those groups reported declines in overall financial literacy scores between 2011 and 2013. The employed were the most adversely affected and this suggests that the economic climate of the last three years has been hostile to the formation of greater financial literacy and capacity for this group. Those inside the labour market may have had seen their financial capacity diminish by rising living costs and a stagnant growth in opportunities for economic advancement. In addition members of the Indian and (albeit to a lesser extent) isiZulu ethnic groups exhibited fall-offs in their average overall financial literacy scores between 2011 and 2013. Given the results of the

previous sections (especially sections 9.3.2 and 9.3.3) this is not an unanticipated finding but further highlights the need for a thorough investigation into these declines and the creation of possible interventions.

9.4 Multivariate Analysis on All Financial Scores

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

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

An examination of each individual financial domain score and each regression model will allow the identification of common predictors and determinants of financial literacy. This will allow us to better understand which characteristics are contributing to financial literacy in country and better allow interventions to be designed to correct disparities observed in section 9.3. This will contribute to our understanding of financial vulnerable subgroups and relationships between socio-demographic variables and financial literacy.

In order to comprehensively test the associations observed in section 9.3, a linear regression analysis was conducted on each of the four domains. The results are depicted in Table 36, and a high coefficient indicates a high score on the domain. We find that the variables chosen to be included in our regression analysis offer strong explanatory power for the domain scores. The adjusted R-square on the financial knowledge is higher than financial control, financial planning and the product choice domains. The observed adjusted R-square for the combined domain was 0.34 suggesting that the variables explain this domain better than they explain the other domains. As could be expected given the results of the bivariate analysis (section 9.3), the results of the multivariate clearly indicate support for a clear relationship between economic status and financial literacy. Using LSM group status and labour market position as measures of economic status, the SASAS research team found that these measures were strong predictors on all domains.

Educational attainment was found to be a strong predictor on all financial literacy domains, confirming the link between educational attainment and financial literacy put forward by Lusardi and Mitchell (2011) and others (Lamdin, 2011; also see Lusardi, 1999). The impact of educational attainment was particularly strong on the financial knowledge domain. Controlling for a range of socio-economic variables, age was found to be a significant predictor of financial control and financial planning but the relationship was less clear for the product choice and financial knowledge domains. Using the 16-24 age cohort as a reference, the multivariate results in Table 36 show a clear linear relationship between age and financial control with age positively correlated with financial control and financial planning. The 65+ age cohort was often not found to be a predictor of financial literacy using the 16-24 age cohort as a reference groups. This could suggest an inverse U-shaped age profile predicted by scholars like Monticone (2010) and others (also see Lamdin, 2011).

Table 36: Linear regression of financial literacy domains, 2013

	Financial Control		Financial Planning		Product Choice		Financial Knowledge		Overall Score	
	Coef.	Sig.	Coef.	Sig.	Coef.	Sig.	Coef.	Sig.	Coef.	Sig.
Gender										
Male	Ref.		Ref.		Ref.		Ref.		Ref.	
Female	1.51		0.75		2.27	**	-2.06	**	-0.25	
Geographic type										
Urban formal	Ref.		Ref.		Ref.		Ref.		Ref.	
Urban informal	0.93		-0.12		-1.32		-1.25		0.15	
Trad. Auth. Areas	3.91	**	1.00		2.05		0.64		1.72	*
Rural Farms	0.84		-5.13	*	-3.20		-4.64		-3.46	*
Marital status										
Married	Ref.		Ref.		Ref.		Ref.		Ref.	
Divorced/Widowed	-3.11	*	-4.41	**	-5.70	***	-2.51		-3.67	***
Never Married	-5.34	***	-2.15	*	-5.06	***	-1.25		-3.48	***
Age cohort										
16-24 years	Ref.		Ref.		Ref.		Ref.		Ref.	
25-34 years	4.85	***	2.04		1.15		3.10	**	2.77	***
35-49 years	7.40	***	4.79	***	3.31	**	1.11		3.94	***
50-64 years	6.57	***	4.32	**	2.68		-3.50	*	2.63	**
65+ years	1.96		7.96	***	4.44	*	-2.96		2.08	
Population group										
White	Ref.		Ref.		Ref.		Ref.		Ref.	
Indian	-4.25		-11.79	***	-6.51	**	-3.71		-7.23	***
Coloured	-2.63		-7.72	***	-2.61		-9.44	***	-5.40	***
isiZulu	-0.13	**	-2.88		-9.09	***	-14.40	***	-6.39	***
isiXhosa	5.65		-2.65		-7.34	***	-15.97	***	-5.27	***
Sesotho	0.60		-2.36		-9.64	***	-16.22	***	-7.47	***
Setswana	0.81		2.70		-8.11	***	-19.53	***	-5.97	***
Other	1.61		2.98		-4.56	*	-15.91	***	-4.16	***
Educational attainment										
Tertiary	Ref.		Ref.		Ref.		Ref.		Ref.	
Completed Secondary	-3.55	*	-2.94	*	-3.05	*	-3.82	**	-3.22	***
Incomplete Secondary	-4.12	**	-6.66	***	-6.40	***	-5.35	***	-5.26	***
Senior Primary	-8.36	***	-11.25	***	-10.00	***	-8.87	***	-9.05	***

Junior Primary and Below	-6.10	**	-10.26	***	-11.97	***	-15.59	***	-10.23	***
LSM status										
Low	Ref.		Ref.		Ref.		Ref.		Ref.	
Lower Middle	-0.40		2.09		3.73	**	6.02	***	1.93	*
Upper Middle	4.55	**	4.09	*	4.07	**	8.01	***	4.75	***
High	8.48	***	11.39	***	6.99	***	10.06	***	8.93	***
Employment status										
Employed	Ref.		Ref.		Ref.		Ref.		Ref.	
Retired	0.16		-6.14	**	-6.57	***	2.99		-2.35	*
Unemployed	-9.20	***	-6.51	***	-4.96	***	-1.43		-5.14	***
Student	-8.12	***	-3.29	*	-6.11	***	3.57	*	-3.44	***
Labour Market Inactive	-4.91	**	-3.20	*	-6.79	***	-0.18		-3.09	**
Constant	64.41		54.18		57.13		71.35		61.99	
Number of observations	2383		2552		2552		2552		2383	
Adj. R-squared	0.21		0.20		0.20		0.25		0.34	

Source: South African Social Attitudes Survey (SASAS) 2013

Notes: 1. The regressions also control for province of residence, 2. The data is weighted to be nationally representative 3. Positive coefficients indicate a high domain score, and 4. *, **, *** indicates that the differences in mean scores are significantly different at the 5 per cent ($p<0.05$), 1 per cent ($p<0.01$) and 0.5 per cent ($p<0.001$) level respectively.

The bivariate analysis (see section 9.3) pointed to the existence of racial differences on the financial literacy domains. Such observed differences could be the result of the well-known connection between race and class that still exists in South African society. This seems to be true of the financial planning and financial control domains where population group was not a weak predictor. This suggests that observed population group differences on these domains may be the result of differences in economic and educational endowments. White South Africans were found to be significantly different from their non-white counterparts on the financial knowledge and product choice domains even when controlling for a range of socio-economic variables. This finding may indicate the existence of racial prejudice in South African education systems and financial consumer markets. .

Interestingly being a member of different black African ethno-linguistic groups was associated differently with financial literacy. This may suggest that racial difference is acting as a proxy for culture which, as Furnham (1984) suggests, play a part in financial literacy formation. The salience of labour market position was less than expected on the financial knowledge domain and the anticipated relationship was not observed. Labour market status had a more salient impact on financial capacity domains than on financial knowledge domain. Geographic location did not have a significant effect on most domains, although living in marginal rural geographic areas (such as the former homelands, the modern traditional authority areas) had a salient impact on financial control. In a country where rural areas lack adequate access to financial markets and are underserviced by financial institutions, this finding was not unanticipated by the SASAS research team.

Finally the SASAS research team did not find an association between gender and financial literacy despite what may be expected given the research of Lusardi and Mitchell, (2008) and others (also see Lusardi et al., 2010; M. van Rooij et al., 2011). A gender bias was found in the product choice and financial knowledge domains. However gender was not a significant predictor on the final domain and no evidence of gender basis was found. This seems to indicate that gender differences in financial literacy in the country are the result of gender-based differences in access to education and wealth. Interestingly, marital status was found to be a significant determinant on all domains, except on the knowledge domain. Those who were married were found to score higher on the financial control, product choice and financial planning domains. This finding could be explained if we allow that marriage may encourage more responsible behaviour and cause individuals to be more forward thinking.

10 Conclusion

In the National Consumer Financial Education (NCFE) Strategy, the National Treasury of South Africa clearly outlines its mission for comprehensively empowering consumers to engage with financial services. In the NCFE Strategy, approved by the NCFE Committee, the mission of the plan is to ensure that:

> "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."

Consumer education is seen by the NCFE Committee, and highlighted by the NCFE Strategy, as one of the components of a comprehensive solution for protecting consumers of financial services. In order to support this solution, the Human Sciences Research Council (HSRC) has assisted the FSB by creating measures financial adult literacy in the country using a survey instrument consistent with emerging international best practices. Over the last four years, the HSRC has contributed to the field of financial literacy study in the following ways:

(1) identifying potential gaps in financial knowledge and understanding among South Africans; and

(2) identifying groups that are at risk owing to their low quotient of financial knowledge.

The significant contribution of the HSRC is recognised by the NCFE Committee, which has utilised the measures created by the HSRC to evaluate financial literacy in the country and to measure the progress of interventions created to improve financial knowledge and capacity in South Africa.

The purpose of the financial literacy instrument over the last three years has been to provide a tool that government and other stakeholders can use to monitor progress in levels of financial literacy. The team has successfully created an accurate measure of financial literacy which is representative at both the national and provincial level. Using this measure, the SASAS research team identified salient socio-demographic differences identifying vulnerable groups in 2013. The research team has found that a substantial share of the country's adult population may not be sufficiently prepared to make sensible financial decisions. Indeed, the research team believes that the data gathered over the last three years provides strong evidence for the existence of low levels of financial knowledge in South Africa. The findings of the study, showcased in this report, lend support for a more comprehensive and aggressive programme of financial consumer education.

The SASAS research findings, showing low levels of financial literacy, are not unanticipated, as the NCFE Strategy document itself has acknowledged, 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.

In their design of interventions to assist vulnerable groups in South Africa, the NCFE Strategy prioritises certain groups, namely the poor, rural dwellers, and the elderly. The trend data suggests that the more affluent in South Africa have suffered a decline in financial capacity in the recent period, a fact of which the NCFE Committee must be cognizant. Those South Africans on the upper levels of the country's socio-economic pyramid report lower financial capacity than in 2011,

evidently a reaction to a prolonged period of slow economic growth. The South African economy is still recovering from the 2009 financial recession and the nation's financial institutions are struggling to sustain robust economic growth in a difficult global market. Such institutions, and the South African financial consumer, face a number of challenges. For those in the lower levels of the socio-economic pyramid, financial capacity (already low) has remained relatively stagnant. The report has clearly shown that the fragile recovery following the 2009 recession has had an impact on financial capacity of the more prosperous in the country.

In addition to the poor, the NCFE Strategy prioritises consumer education interventions for the black African majority. This report has highlighted, using an expanded population group variable, that certain ethno-linguistic groups in the country are more financially literate than other black African ethnic groups. The isiXhosa, for instance, tended to score lower on the various financial domain scores than other groups. The isiZulu tend to exhibit higher levels of financial literacy than other groups, although a decline has been noted and a thorough investigation should be designed to understand this fall-off. However, what was most apparent from the findings of this report, is the remarkable similarities noted between different ethnic groups within the black African majority. Given the lasting effects of the apartheid-era policies on this previously disadvantaged group, this is perhaps not surprising. The decision to focus on the black African majority, given the findings of this report, is therefore a prudent and judicious stratagem.

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12 Appendix: South African Social Attitudes Survey (SASAS)

SOUTH AFRICAN SOCIAL ATTITUDES SURVEY
Questionnaire 1: October/November 2013

RESPONDENTS AGED 16 YEARS +

Good (morning/afternoon/evening), I'm _____ and we are conducting a survey for the Human Sciences Research Council (HSRC). The HSRC regularly conducts surveys of opinion amongst the South African population. Topics include a wide range of social matters such as communications, politics, education, unemployment, the problems of the aged and inter-group relations. As a follow-up to this earlier work, we would like to ask you questions on a variety of subjects that are of national importance. To obtain reliable, scientific information we request that you answer the questions that follow as honestly as possible. Your opinion is important in this research. The area in which you live and you yourself have been selected randomly for the purpose of this survey. The fact that you have been chosen is thus quite coincidental. The information you give to us will be kept confidential. You and your household members will not be identified by name or address in any of the reports we plan to write.

FINANCIAL LITERACY

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

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

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

2. 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

3. 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

4. Do you have a household budget?

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

Yes	1
No	2
(Do not know)	8

I am going to read out some behaviour statements. Please can you tell me how often you do these things or not. [*Showcard 15*]

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

9. 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.0**
(Do not know)	8	
(Refused to answer)	9	

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

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

11. Of the things you mentioned, which does your household rely on the most?

INTERVIEWER: CIRCLE ONE OPTION ONLY.

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

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

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

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

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

PRODUCT CHOICE

I am going to start with products that people can get from banks. [*Showcard 16*]

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

17. [ASK FOR ALL PRODUCTS CIRCLED IN Q.16] And now can you tell me whether you currently hold any of these types of products?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

		16. Heard of banking products.	**17. ASK FOR ALL products circled in Q.16 Currently hold types of banking products**
a.	Mzansi account	01	01
b.	Savings account	02	02
c.	Current or Cheque account	03	03
d.	Fixed deposit bank account	04	04
e.	ATM card	05	05
f.	Debit card or Cheque card	06	06
g.	Credit Card	07	07
h.	Garage card or petrol card	08	08
i.	Home loan from a big bank	09	09
j.	Savings book at a bank	10	10
k.	Post Office / Post Bank savings account	11	11
l.	Cellphone account (e.g. M-PESA)	13	13
m.	Other bank product (SPECIFY)	12	12
n.	(None of the above)	97	97
o.	(Refused)	98	98
p.	(Don't know)	99	99

I would now like to talk about various types of credit or loans. [*Showcard 17*]

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

19. [ASK FOR ALL PRODUCTS CIRCLED IN Q.18] And now can you tell me whether you currently hold any of these types of credit or loans?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED

		18. Heard of type of credit or loan	**19. ASK FOR ALL products circled in Q.18 Currently hold type of credit or loan**
	Formal credit and loans		
a.	Loan from a microlender e.g. African Bank, Credit Indemnity, Capitec Bank, Ubank (Teba)	01	01
b.	Vehicle or car finance through bank or dealer	02	02
c.	Overdraft facility	03	03
d.	Store card where you buy on account and pay later e.g. Edgars	04	04
e.	Lay-bye	05	05
f.	Hire Purchase (HP) / paying in monthly instalments for goods such as furniture	06	06
	Informal credit and loans		
g.	Loan from friends or family	07	07
h.	Loan from an informal money lender (mashonisa / loan shark)	08	09
i.	Loan from a stokvel / umgalelo or savings club	09	10
j.	Loan from local spaza	10	11
k.	Store account with no card where you pay later (e.g. spaza, corner cafe, garage, general dealer)	11	12
l.	Loan from an employer	12	08
m.	(None of the above)	97	97
n.	(Don't know)	98	98
o.	(Refused)	99	99

I would now like to talk about savings and investments. [*Showcard 18*]

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

21. [ASK FOR ALL PRODUCTS CIRCLED IN Q.20] And now can you tell me whether you currently hold any of these types of investment or savings products**?**

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

		20. Heard of any of investment or savings product.	**21. ASK FOR ALL products circled in Q.20 Currently has investment or savings product**
	Formal products		
a.	Unit trusts	01	01
b.	Education policy or plan	02	02
c.	Investment or savings policy	03	03
d.	Shares on the stock exchange	04	04
	Retirement products		
e.	Retirement annuity	05	05
f.	Provident fund	06	06
g.	Pension fund	07	07
	Savings clubs		
h.	Stokvel / umgalelo / savings club	08	08
i.	Giving money to someone who will guard it for you, to keep it safe	09	09
j.	Keep cash or savings at home	10	10
k.	Other savings club	11	11
l.	(None of the above)	97	97
m.	(Don't know)	98	98
n.	(Refused)	99	99

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

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

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

I would now like to talk about various types of insurance. [*Showcard 19*]

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

24. [ASK FOR ALL PRODUCTS CIRCLED IN Q.23] And now can you tell me whether you currently hold any of these types of insurance products?

INTERVIEWER: MULTIPLE RESPONSES ALLOWED. CIRCLE ALL THAT APPLY.

		23. Heard of insurance product	**24. ASK FOR ALL products circled in Q.23 Currently has insurance product**
	Short-term (asset) insurance		
a.	Vehicle or car insurance	01	01
b.	Household contents insurance (e.g. furniture and appliances)	02	02
c.	Homeowners' insurance on building / house structure	03	03
d.	Cellphone insurance	04	04
	Long-term insurance		
e.	Life insurance or life cover	05	05
f.	Insurance that pays your loan or borrowing when you die	06	06
g.	Disability insurance or cover	07	07
h.	Medical aid scheme	08	08
i.	Hospital cash plan	09	09
	Funeral		
j.	Belong to a burial society	10	10
k.	Funeral policy with a bank (including Post Bank)	11	11
l.	Funeral cover through an undertaker or funeral parlour / home	12	12
m.	Funeral policy with an insurance company	13	13
n.	Funeral cover from an spaza shop or stokvel	14	14
o.	Funeral cover from any other source (e.g. shop, employer)	15	15
p.	(None of the above)	97	97
q.	(Don't know)	98	98
r.	(Refused)	99	99

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

		Totally agree	Tend to agree	Tend to disagree	Totally disagree	(Don't know)	(Not applicable)	(Refused)
25.	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
26.	I always research my choices thoroughly before making any decisions about financial products or services	1	2	3	4	5	6	7

27. 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

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

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

FINANCIAL KNOWLEDGE AND UNDERSTANDING

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

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

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

Record response numerically - - -

R	

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

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

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

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

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

Record response numerically - - -

R	

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

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

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

Record response numerically - - -

R	

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

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

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

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

		True	False	(Do not know)	(Refused)
34.	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
35.	High inflation means that the cost of living is increasing rapidly	1	2	8	9
36.	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