FINANCIAL LITERACY AS AN INSTRUMENT FOR ACCESSING AND USING FINANCIAL SERVICES

KOKO MONAMA

Student Number: 0111738R

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Master of Management (in the field of Public and Development Management)

October 2008

ABSTRACT

South Africa is characterized by high levels of illiteracy in general as well as high levels of financial literacy in particular. The lack of financial literacy, among other things, results in people (especially the poor) being unable to access financial services and people then make uninformed financial decisions.

The purpose of this research was to understand whether financial literacy (in low-income households) could be a vehicle for accessing and using financial services. For the purpose of this research report, a qualitative method of research was applied because a qualitative approach is, amongst others, a method of inquiry that seeks to understand social phenomena within the context of the participants' perspectives and experiences.

The major findings of this report show that, as much as financial literacy is a necessary vehicle to ensuring access and usage of financial services, it is not a panacea for the problems of financial access and usage, and furthermore, that financial literacy is a process, not an event.

DECLARATION

I declare that this research report is my own, unaided work, except to the extent indicated in the text, the acknowledgements and the references thereof.

This research project is being submitted in partial fulfilment of the requirements for the degree of Master of Public and Development Management (MM, P&DM) at the University of the Witwatersrand, Johannesburg.

I further declare that this research report has not been submitted before to any other University for degree purposes.

Signed………………………………

Koko Monama

DEDICATION

I want to dedicate this research report and all my academic achievements thus far to the loving memory of my grandmother, Anna Raisibe Monama. I can still sense the faith that she had in me, and that makes me want to press on even further. Thank you, “magogo”, for believing in me!

ACKNOWLEDGMENTS

I wish to express my heartfelt gratitude to my supervisor, Dr. Horacio Zandamela, for being patient with me during consultation and discussion times. I also thank him for his advice, constructive criticisms and guidance in writing this research report. Without his unshaken support, this research report would never have seen the light of day.

I also wish to thank some of my class-mates and work colleagues who from time to time checked with me on how far I was with my research report. Guys, that encouraged me and I thank you.

Over and above all, a BIG thank you goes to the Almighty God for giving me the ability and boldness to complete this research report.

TABLE OF CONTENTS

CHAPTER ONE
INTRODUCTION

1.1 INTRODUCTION

What role can financial literacy play (if any) in assisting poor[1] people to increase their access to, and usage of, financial services such as opening and using a bank account? The high proportion of the poor population adds further weight to the need to ensure basic education, and financial literacy in South Africa.

South Africa has 12.3 million learners, some 386 600 teachers and 26 292 schools, including 1 098 registered independent or private schools. Of these, roughly 6 000 are high schools (grade 8 to grade 12) and the rest primary (grade 0 to grade 7).[2] According to the 2001 general population census, 32 percent of the population aged 15 and over is functionally illiterate. Being functionally illiterate means having reading and writing skills insufficient for ordinary practical needs. The census results of 2001 were the same as the 1996 census results, indicating that about 18 percent of people aged 20 years or older had no education at all, whilst a further 16 percent had completed some primary school education.

Adkins and Ozanne (2005) and McGregor (2005) emphasize that financial education is critical for empowering consumers with knowledge to enable them to make more informed decisions about their finances and lifestyles. If people are not financially literate, they will be susceptible to over-indebtedness and also vulnerable to fraudulent schemes.

The FinScope 2006[3] Survey points out that in South Africa, the demand and need for financial services among the people who are unbanked is

[1] For the purposes of this survey, poor refers to people in the LSM 1-5.
[2] For more information, visit http://www.southafrica.info/about/education/education.htm
[3] FinScope is a nationally representative study of consumers' perceptions on financial services and issues, which provides insights into how consumers source their income and manage their financial lives. The sample covers the entire adult population, rich and poor, urban and rural, in

high. It is in the poorest communities that the highest concentrations of people without bank accounts and without access to financial services are found. People in these communities cannot get affordable property or possessions insurance, but can only access credit at very high interest rates (from loan sharks), and do not use mainstream savings opportunities (the majority of the poor use stokvels and burial societies as a means of saving). The factors underpinning a lack of financial access, according to the FinScope 2006 Survey, include *inter alia*, perceptions, poverty and lack of awareness.

South Africa's financial sector is a cornerstone of the South African economy and is characterized by a number of transformational and innovative challenges on the one hand, while on the other hand, it has made some positive strides in improving access to finance and financial services and also banking the unbanked. However, for the majority of the poor in South Africa, lack of (financial) education may make it difficult to access financial services, such as opening a bank account and filling out loan application forms. Financial institutions are largely located in sophisticated areas and rich neighbourhoods and may at times be intimidating to poor people. Apparent challenges in the South African financial sector are such that:[4]

- 1 in 3 adults in South Africa (10 million) do not use any form of financial product at all, not even informal products;
- half the adult population may have a bank account but the other half (15.5 million adults) does not;
- only 1 in 3 adults in LSM[5] 1-5 are banked; and

order to create a segmentation, or continuum, of the entire market and to lend perspective to the various market segments.

[4] This information is taken from the FinScope 2006 Survey.

[5] LSM stands for the Living Standard Measure, a 10- tier category system of demographic segmentation. For the purposes of this research, LSM 1-5 refers to the people (adults) with the monthly income bracket of R2500 or less. It should be borne in mind that in other instances (outside of the scope of this research); the LSM measure is used to classify people according to criteria such as the degree of urbanization and ownership of cars and major appliances, rather than only income.

- 45 percent of black people are banked compared to 91 percent of white people.

Furthermore, the FinScope 2006 Survey indicates that 51 percent of the total South African adult population has a bank account. However, of the banked population, 45 percent are confused about financial matters such as understanding financial terms like inflation, interest rates, and more.

The question then becomes, does financial literacy lead to people accessing and using (more of) financial services? Perhaps the answer requires the development of a strategy on financial literacy that will involve the intervention of all the stakeholders, including government and the regulators, the NGO/CBO and the private sector, who operate in the financial sector.

Fragmentation in the financial literacy programmes (design and delivery methods) that are available in South Africa impedes development and prevents the benefits of financial literacy from being evident. The corollary of the fragmentation is (a) the low levels of usage of (and perhaps access to) financial services and products; and (b) information gaps not filled.

The issue of financial access and financial literacy is of national importance but for the purpose of this research, and because of time limitations, the focus of this research will be limited to the Gauteng Province, meaning that key informants to be interviewed are based in Gauteng, although the work they do is at a national level.

1.2 PROBLEM STATEMENT

According to the FinScope 2006 Survey, the majority of poor people (in the LSM 1-5) in South Africa have low levels of financial literacy. The lack of financial literacy, among other things, results in people being unable to access services that are provided by registered financial institutions and they also often make uninformed financial decisions.

There is no South African research that clarifies in-depth whether it is necessary to use financial literacy as an instrument to allow the majority of poor people to access and use formal financial services.

1.3 PURPOSE STATEMENT

The purpose of this research is to gain a better understanding of the role that financial literacy can play in assisting poor people to increase access to, and usage of, financial services. Essentially, this research will enhance understanding of how poor people can use financial literacy as a vehicle to access and use available financial services. The focal point of this research will be limited to the Gauteng Province.

In light of the above problem, it becomes very important to:

a) investigate why poor people have low access to, and usage of, financial services;

b) identify the importance (if any) of using financial literacy as an instrument that will enable access to, and usage of, financial services; and

c) identify the role that various stakeholders in the financial sector can play to improve financial literacy and ultimately enhance financial access and usage by the poor.

1.4 RESEARCH QUESTIONS

To achieve the above objectives, the study will be guided by the following research questions:

a) How does financial literacy lead to access to, and effective usage of, financial services?
b) What is the role of the various financial sector stakeholders in promoting financial literacy?

1.5 SIGNIFICANCE OF THE RESEARCH

This research will raise awareness regarding the manner in which financial literacy can improve access to, and usage of, financial services. The research report will give some insight into what various stakeholders in the financial sector perceive their role to be in offering financial literacy.

This research report will contribute effectively to policy development in the National Treasury (financial sector policy unit) and will help provide some financial literacy framework to institutions working in the financial sector. Furthermore, it will provide a descriptive analysis of the research and identify further work that needs to be done in this regard.

1.6 LIMITATIONS OF THE RESEARCH

No study is perfect and without limitations; hence Creswell (2003) emphasizes that limitations to the study need to be highlighted because they identify potential weaknesses of the study and will help the researcher to think of alternatives or precautionary measures in advance.

The limitations to this research report are identified as follows:

- One of the limitations was the unavailability of the key informants closer to the time of them being interviewed. Therefore, instead of conducting face-to-face interviews, a list of questions was emailed to them.

- o Limited literature that exists with regard to the concept of financial literacy and its linkage to financial access and usage in South Africa.
- o Addressing researcher bias, although the researcher did her best to remain as objective as possible in the presentation and analysis of data that was collated.

1.7 THE STRUCTURE AND SEQUENCE OF THE RESEARCH REPORT

Chapter 1 - Introduction: Chapter one provides an overview of the research topic, presents the problem, discusses the purpose of the study and also highlights the issues to be investigated.

Chapter 2 - Literature Review: Because the core research questions touch on various critical issues, several literature reviews and theoretical arguments bearing on the issues of this research will be considered in this chapter. To a large extent the literature review will help shape the framework of analyzing data.

Chapter 3 - Research Methodology: Chapter three will provide the research approach, techniques to be employed, the nature of data, the research strategy and also the limitation(s) of the methodology employed.

Chapter 4 - Data Presentation and Analysis: This chapter will focus on issues of data collection, then present the data that was collected from primary and secondary sources in a manner that is accurate and unbiased. In addition to presenting the data, the chapter will critically analyze it, and then present the limitations in conducting this research.

Chapter 5 - Conclusion and Recommendations: This is the final chapter of the research report that will provide a summary of the overall conclusions drawn from the research. Finally, possible areas of future research with regard to the subject matter (or related) will also be proposed.

1.8 CONCLUSION

This chapter has attempted to present background to the research undertaken. The research aims to gain a better understanding of the role that financial literacy can play in assisting poor people to increase access to, and usage of, financial services. For the purposes of policy-making within government in relation to financial literacy, the findings may be highly beneficial. The following chapter will deal with the literature review.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The literature review will assist the researcher to set the basis of the research topic as indicated in the above sections. It will also assist the researcher in (a) clarifying the context of the research, (b) clearly defining, developing and clarifying critical issues to address in the research, and (c) help to frame the way forward by distinguishing what has been done from what needs to be done in the future.

According to the FinScope 2006 Survey, the lack of financial literacy, among other things, results in people being unable to access services that are provided by registered financial institutions; this may lead to them making uninformed financial decisions.

2.2 DEFINING FINANCIAL LITERACY

According to ECI Africa (March 2004, p. i), "financial literacy is generally defined as the ability to make informed decisions and take appropriate actions on matters affecting one's financial wealth and well-being".

According to the South African 2001 general population census, 32 percent of the adult population (aged 15 and over) is functionally illiterate. This refers to having reading and writing skills insufficient for ordinary practical needs. The census results of 2001 were the same as the 1996 census results, indicating that about 18 percent of people aged 20 years or older had no education at all, whilst a further 16 percent had completed some primary school education.

There is no universal definition of financial literacy. However, the Organization for Economic Co-operation and Development (OECD, 2005, p.21) defines financial literacy as a “process by which financial consumers/investors improve their understanding of financial products and concepts, and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”.

A major Australian financial Institution, the Australia and New Zealand Banking Group (ANZ), offers home loans, credit cards, savings accounts, car loans, business loans, internet banking and insurance, and defines financial literacy as “the ability to make informed judgments and effective decisions about the use and management of money. It is an essential skill for functioning in modern society and is becoming increasingly important to the long-term wellbeing of individuals and the community”.[6]

According to the Financial Services Authority (2006), in the United Kingdom, the alternative term used for financial literacy is “financial capability”. Financial capability is defined as being able to “manage your money, keep track of your finances, plan ahead, make informed decisions about financial products and to stay up to date about financial matters”. Simply defined, financial literacy[7] is the ability of individuals to make appropriate decisions in managing their personal finances.

Essentially, financial literacy can help people, especially the low-income earners, to make the best of what they have or earn and are able to save, and help them avoid the high costs charged for financial transactions.

For the purpose of this research report, financial literacy is defined as a process by which financial consumers improve their understanding of financial products and concepts, and through information, and/or objective

[6] See information on http://www.anz.com/aus/aboutanz/Community/Programs/FinLit.asp
[7] This definition is according to: http://en.wikipedia.org/wiki/Financial_literacy

advice, develop the skills and confidence needed to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

2.3 FACTORS THAT MAKE FINANCIAL LITERACY IMPORTANT

According to the OECD (2005, p.28) there are various factors that make financial literacy more important in today's world than it was before. These factors include:

a. **The complexity of financial products:** nowadays consumers are faced with choosing between different types of bank accounts (cheque and savings), equity portfolios, different bonds, insurance policies, and these products are provided by different types of financial institutions and are also structured differently. These products can appear very complicated to the average consumer because they use different terms and various features. As a result of the complexities, many consumers might buy the wrong and inappropriate products or may even decide not to buy any at all.

b. **Increase in the number of financial products:** innovations such as the internet have made it possible for financial services and products to be accessed by more consumers. However, the diversity of new financial products has made it very challenging for consumers to choose. With more financial decisions facing consumers and with an increased number of transactions assuming the existence or ownership of a bank account, those individuals without one or with limited use of one, are increasingly at a disadvantage.

c. **Changes in pension arrangements:** this encourages the design of financial education programmes that will offer assistance to workers. Investors/consumers need to be provided with information that explains the importance of investments and also which products are available as well, as explaining their varied benefits and related risks, i.e. pension funds, retirement annuities, and more.

d. **Changes in Income:** when consumers get more income, they often do not know how to use it effectively. The knowledgeable consumer will increase their investments and build up their wealth.

e. **Changes in capital markets:** in the main, consumers have limited experience with capital markets, insufficient knowledge of financial issues, and of the risks of financial investment. These consumers/investors usually distrust the modern financial instruments.

The above factors indicate that giving low-income individuals access to basic financial education is important so that they can begin to build a better future for themselves (and stop paying excessive banking costs) and begin to participate in the vibrant economic mainstream.

2.4 THE LANDSCAPE OF THE SOUTH AFRICAN FINANCIAL SECTOR THROUGH THE FINSCOPE AND GENESIS ANALYTICS DATA

According to Genesis Analytics (2007) and the FinScope 2003 Survey, people who use any type of formal financial institution for any formal financial product stand at 58 percent of the total adult population. If a broader definition of financial access/inclusion is used that also takes into consideration informal financial services, such as stokvels or burial societies, the number rises to 67 percent of the adult population. As noted above, and as indicated in table 1 below, 51 percent of the total South African adult population has a bank account.

According to the FinScope 2006 Survey, a more detailed breakdown by the type of financial service shows that approximately 52 percent of the population receives money regularly through a transaction account (this includes services to make remittances) and 51 percent of the population keeps money in a formal financial instrument that allows them to safeguard and accumulate money (the savings category includes savings accounts, but also other forms of savings such as endowment policies).

According to Genesis Analytics (2007), only 24 percent receive credit from a formal financial institution and about 30 percent of the total adult population has an insurance policy from a formal and registered financial institution. The FinScope 2006 Survey data with respect to credit is understated, as survey participants appear to be reluctant to indicate the degree of credit usage. Table 1 below summarizes some of these findings.

Table 1: Overview of the South African Financial Inclusion

Description	**Total adult population (%)**
A1: Banked: Percentage of the population with a bank account	51
A2: Formally included: percentage of the population that use any type of formal financial institution	58
A3: Financially served: percentage of the population that use any formal or informal financial service	67
A3a: Informally served: percentage of the population that use any informal financial service (may overlap with A1, A2)	26
A4: Transaction services: percentage of the population that receive money regularly through a formal financial instrument	52
A5: Savings: percentage of the population that keep money in formal financial instruments that allow them to safeguard and accumulate money	51
A6: Loans and credit: percentage of the population that have obtained or have outstanding a loan or credit facility from a formal financial institution now or recently	24
A7: Insurance: percentage of the population that have an insurance policy (short- or long-term) from a formal financial service provider	30

Source: Genesis Analytics (2007)

Notwithstanding the above positive strides, the FinScope 2006 Survey further indicates that an additional 8 percent of the adult population (2.6

million people) currently have access to financial products but do not use them, choosing - for various reasons, - not to make use of the service.

Of the 49 percent of the adults that do not currently have access to bank accounts, approximately 6 million people (19 percent of the total adult population) would possibly use bank accounts if certain barriers were to be addressed.

With better data and benchmarking mechanisms over time, more analysis on what is driving financial use and better identification of the barriers to access will be possible.

2.5 CLARIFYING FINANCIAL INCLUSION AND ACCESS TO FINANCIAL SERVICES

a. Financial inclusion

Financial inclusion is defined by Genesis Analytics (2007) and the FinScope 2003 Survey as people who use any type of formal financial institution for any formal financial product.

The definition of financial inclusion thus draws on two concepts, namely:

(i) access to, and

(ii) usage of, financial services.

While inclusion/exclusion directly relates to an individual's access (or lack thereof) to a particular financial service, individuals may have access but still not use a particular financial service. A World Bank Policy Research Report (2008, p.22) notes that financial inclusion is very difficult to define and measure as it generally implies the absence of barriers (price and non-price).

b. Access to financial services

Access to financial services is the term used to refer to the services provided by the finance industry. A financial service is also the term used to describe organizations that deal with the management of money, which includes merchant banks, credit card companies and consumer finance companies. According to Beck and De la Torre (2006) financial access can be defined as the ability of individuals to obtain and, on a sustainable basis, use financial services that are affordable, usable and appropriate to their financial needs. Therefore, a World Bank Policy Research Report (2008, p.21) assertion that the challenge of access is greater than just ensuring that many people have access to basic financial services, holds.

In the United Nations Capital Development Fund (UNCDF) and United Nations Development of Economic and Social Affairs (UNDESA) (2006), the former United Nations Secretary-General Kofi Annan strongly asserts that the stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. This statement emphasizes the great challenge of having to address the constraints that exclude people from full participation in the financial sector.

According to research conducted by the World Bank (2005b), there is a growing recognition that increasing access to formal financial services has both private and social benefits. However, the majority of the South African poor do not understand – as highlighted by the FinScope 2006 Survey – the financial sector of the country and its offerings (products and services).

Recent research by the World Bank (2008, p.13) emphasises that in many instances, the poor households need financial services such as savings and payments services and also insurance services rather than credit. One of the reasons why the majority of poor people may not be saving or do not have bank accounts is because of their lack of understanding of the financial products or perhaps that the available products and services are not appropriate for them.

According to Claessens (2006, p.209), access refers to the “availability of a *supply* of reasonable quality financial services at reasonable costs”. The various dimensions to access would include:

- Availability
- Costs
- Range, type and quality of the services being provided.

Claessens (2006) further encourages that access should be characterized by:

- Reliability: is finance available when needed?
- Convenience: is access easy?
- Continuity: can finance be accessed repeatedly? and
- Flexibility: is the financial product tailored to meet the individual’s needs?

Therefore, it becomes apparent that in order to ensure financial inclusion, financial institutions should design products with the (poor) consumer in mind such that the terms and conditions are easily understood and easily accessible and then encourage the use of financial products and services.

The importance of accessing finance is also highlighted by Nicholson (2006/7), in which the South African Minister of Finance, Trevor Manuel, asserted that “a key element to the higher economic growth path is to leverage the sound and stable financial infrastructure in order to broaden access to finance and development opportunities”.

Barr, Kumar and Litan (2007, p.117) emphasise a point made by Porteous, that if the unbanked people are to have greater access, the following needs to be taken into account:

a. providers of financial services must manage and price for the risk of each product, and
b. providers must be able to distribute products in a cost-effective manner to convenient locations.

According to the OECD (2005, p.82), some of the underserved and unbanked consumers are merely overwhelmed by the provision of information about money management and financial literacy tools because they lack basic literacy and numeracy skills. Essentially, education on financial matters can be very intimidating for them. This challenge then calls for a careful approach in designing the financial literacy programmes in order to encourage interest in the target market in learning about financial matters.

Financial literacy subjects should convince the target market (in this context, the unbanked and underserved) about the benefits of being banked and also provide simplified information about the available financial products and services.

2.6 CLARIFYING THE USAGE OF FINANCIAL SERVICES

Essentially, access to finance is not the same as the use of financial services. Claessens (2006, p.209) defines the use of financial services as the “actual consumption of financial services”, emphasizing that usage deals with the intersection of the supply and demand schedules. He also mentions that one of the reasons that poor people do not use financial services may be a problem of poverty rather than of access. It is interesting to note Claessens’ views because it suggests that there may be other underlying issues that hinder access to the mainstream financial services by poor people over and above low levels of financial literacy.

For the purpose of this research report, access refers to the ability of an individual to obtain and, on a sustainable basis, use financial services that are easy to understand, affordable, and that meet their financial needs. Access to such services eases contribution in the mainstream of the economy.

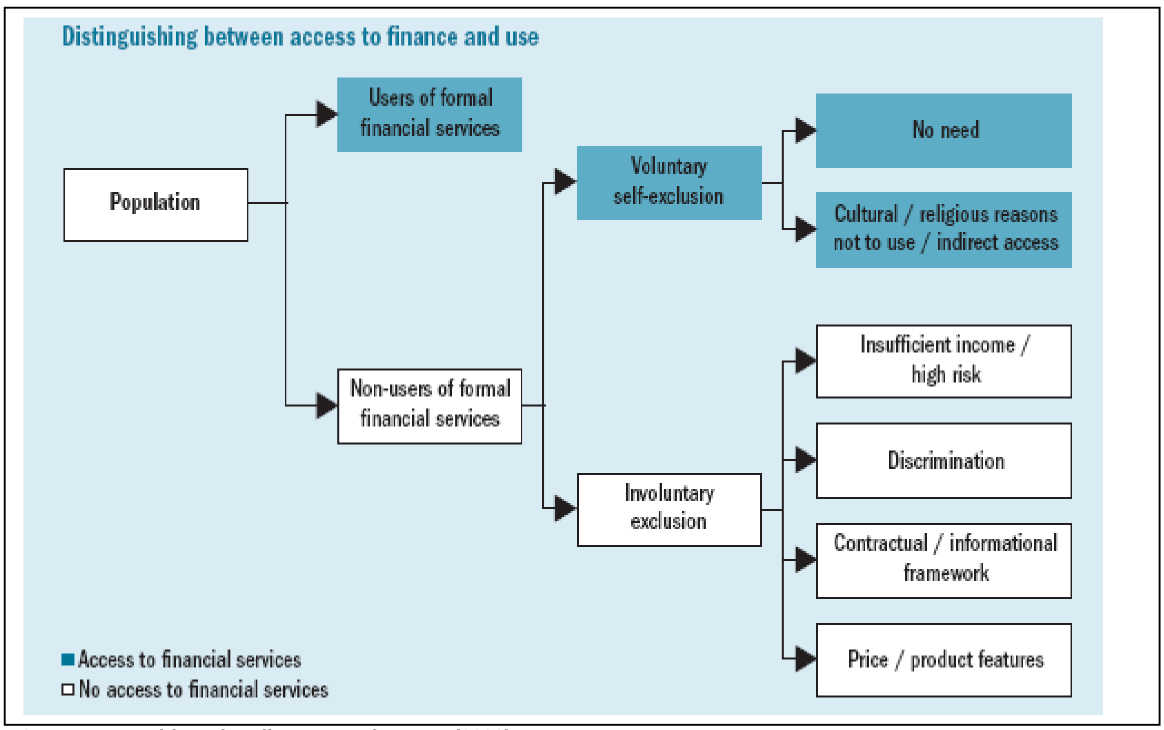
It is important to note that individuals may have access but still not use a particular financial service. Various literature such as Beck, Demirguç-Kunt and Martinez (July 2006), ECI Africa (March 2004), Liew (2006) and McGregor (2005) indicates that there are a number of reasons why people do not use financial services. These factors (extracted from the various abovementioned sources) include:

- **Service Value:** the consumer may choose not to use a savings product, for example because it does not provide the service required such as ability to deposit or extract very small sums on a regular basis, i.e. the 32 day notice account, which impacts on the convenience of withdrawing.
- **Monetary Value:** even though the consumer is not excluded on the basis of affordability, it may be rational to decide not to use the product as it does not offer sufficient monetary value.
- **Perceptions and familiarity:** shared negative perceptions between formal financial institutions and low-income clients about each other may discourage use of formal products.
- **Consumer's financial capability:** financial capability is the ability and confidence to choose and use appropriate financial services products. Implicit in the concept is both the empowerment and protection of consumers. Consumers should also have the confidence that they understand the terms and conditions and the various uses of the services provided (financial literacy).

The availability of financial services is a necessary but not sufficient condition for use. It is vital to note that formal financial services may entail non-financial barriers such as high financial illiteracy.

The World Bank policy research report, *Finance for All?* (2008, p.29) gives a clear distinction between access to finance and use. It adds that there are people who voluntarily choose to exclude themselves from using the available and accessible financial services for various reasons, such as not seeing the need to do so or because of cultural reasons. The report further points out that there are people who would like to use the available services but are unable to access them – this is known as involuntary exclusion — because of reasons that include terms and conditions of using the service, complicated product features, high prices and also insufficient incomes.

Figure 1: Distinguishing between access to, and use of, financial services



Source: A World Bank policy research report (2008)

In addition, the FinScope 2006 Survey indicates that the primary barriers to using financial services include non-affordability, poor ease of access to funds (e.g. opening times or proximity) and inability to understand technology. There is also the cultural barrier between the financial institutions and the financially excluded that needs to be addressed.

Beck and De la Torre (2006, p.3) asserts that “to say that problems of access to financial services arise due to transactions costs, information asymmetries, and uncertainty does not entail, however, that an access “problem” is always easy to identify. On the demand side, economic agents, households and enterprises alike, might have no impediment to access financial services, but may simply not want to use them. It would be wrong to argue that voluntary self-exclusion constitutes a “problem of access” except in the cases where self-exclusion reflects unduly low levels of financial literacy…”.

Limited financial understanding may reduce the willingness of consumers to purchase new financial products or to search or even compare between competing options.

2.7 FINANCIAL EXCLUSION CLARIFIED

According to the Synthesis Report on Canadians (June 2005, p.6), financial exclusion is described as “individuals who do not have adequate access to, or information about, the basic goods and services provided by the financial services sector and by governments”. This report notes that there are commonly five dimensions of financial exclusion (quoting from Connolly and Hajaj, 2001), namely:

a) Restriction to access through the processes of risk assessment and other bank procedures,

b) Exclusions due to conditions and rules for financial products, such as minimum balance or credit scoring, that make it difficult or inappropriate for the needs of certain sub-groups,

c) Exclusion based on the actual costs of owning a financial product or providing services,

d) Targeted marketing and sales that do not seek to gain business from certain subgroups, and

e) Self-exclusion based on the unwillingness to access financial products or a belief that products are not appropriate for their circumstances.

Consumers affected by financial exclusions and marginalization are often called the unbanked (without a bank account) or underserved or underbanked (rarely using their bank account, or not knowing how to use it).

People without banking accounts are far more reliant on cash and informal service providers, which may be riskier and far more expensive. ECI Africa (March 2004) highlights that lower income households and pensioners remain the most vulnerable to poor planning and exploitative schemes, as it is often more difficult (if not impossible) for them to recover after a financial set-back.

When people are financially excluded (especially involuntarily) by the formal system, they become vulnerable to unreliable and crooked services and products that trap them in the debt cycle through loan sharks. Being excluded is costly and the poor and financially excluded pay the price. In the end, financial exclusion tends to reinforce social exclusion and undermines development.

It is important to recognize that the poor or low-income earners may have non-financial barriers that lead to financial exclusion, and these may include:

- Low levels of literacy,
- Cultural and linguistic factors, and

- Inadequate access to on-line resources.

Claessens (2006) asserts that financial exclusion is often part of a broader pattern of exclusion that includes education (or lack thereof). Financial literacy has the potential of helping policy-makers to resolve the complexities of financial exclusion and marginalization. OECD (2005, p.84) claims that the appropriate financial literacy programmes can help "encourage the underbanked and unbanked to overcome the barriers deterring them from using mainstream financial systems, and can build sustainable solutions to counteract the negative consequences of not having a bank account".

Without financial understanding, knowledge and confidence, individuals may be at risk of financial exclusion. When people are financially excluded, they are left vulnerable and exposed to unregulated and predatory practices.

2.8 FINANCIAL LITERACY AND ITS USEFULNESS

Shaw (1973) emphasizes that if done right, financial literacy would lead to financial capability. Financial capability begins with an understanding of basic finances combined with the ability to apply that knowledge to make sound financial decisions. Faced with mounting debts; smaller savings, ongoing basic literacy and numeracy challenges, and the growth of payday loan businesses and pawnshops, there is a need for increased financial capability. In essence, a basic level of financial capability starts with the ability to acquire and use basic banking services.

The Australian Securities and Investments Commission (ASIC) discussion paper on financial literacy in schools (June 2003) adopted the definition of financial literacy as the ability to make informed judgments and effective decisions about the use and management of money. Essentially, financial literacy is a necessary skill for functioning in modern society and is becoming increasingly important to the long-term well-being of individuals and the society at large.

In South Africa, no comprehensive survey has been conducted to date to set a benchmark for financial literacy. According to ECI Africa (March 2004), the current financial education that is offered by the South African financial institutions is limited in scope to product-specific information and the intent is market penetration rather than client education.

The FinScope Surveys do give some indications of changes in financial literacy, but the first survey was only conducted in 2003. In the FinScope 2003 Survey, lack of financial literacy remains a major challenge in South Africa. The vast majority (a staggering 45 percent) of respondents to the FinScope 2006 Survey indicated a high level of 'confusion' on financial matters. The indication is that the levels of financial education in South Africa are low, especially among poor communities.

According to Patrick (March 2004), raising awareness and increasing knowledge of financial products is vital in helping people make informed decisions. Financial institutions such as banks tend not to market to highly destitute areas, where residents are more likely to already be financially excluded. As such, residents of these areas are even less likely to become aware of suitable products as they come onto the market. In promoting financial inclusion, much of the work should be in providing easily understood information in a safe and engaging environment.

The dire consequences of poor financial literacy would lead to imperfect or distorted information dissemination. In other words, financial information that is shared stands to be misrepresented and will have little if any impact at all in the lives of the poor because it is less understood. Ultimately, this will defeat the general transformation and empowerment purpose. It is widely accepted that high levels of secrecy corrode the democratic processes and facilitate corruption. This point is supported by Stiglitz and Weiss (June 1981, p.393) when they emphasise that because of the imperfect information in the market (and in the financial institutions), the majority of borrowers have high probabilities of defaulting on their loans. They assert that “in a world with perfect and costless information, the bank would stipulate precisely all the actions which the borrower could undertake (which might affect the return on the loan)”. However, the real market is far from perfect because some (privileged) people will know more about the goods and services available in the market while others will know nothing.

For their analysis of markets with asymmetric information, Stiglitz, Akerlog and Spencer won the 2001 Nobel Memorial Price in Economic Sciences[8]. The findings of their analysis is that information asymmetry (which deals with the study of decisions in transactions where one party has more or better information than the other) creates an imbalance of power in transactions which can sometimes cause the transactions to go awry. Examples of this problem are adverse selection and moral hazard.

McGregor (2005, p.437) challenges the conventional thinking that “informed consumers are seen to be empowered consumers who can advocate for themselves in their day-to-day consumer affairs”. In fact, she emphasizes that the more people are encouraged and enabled to do things and to think for themselves, the more their abilities and competence increase and the more self-reliant they become, and that is when they become empowered because they perceive themselves as having the power to take action and control of conditions affecting their day-to-day lives. Thus, empowerment does not emanate from merely providing information, but from encouraging inner power and critical discourse analysis.

Financially literate consumers will have confidence in interacting in a market, confidence that when fraud or theft occurs, punishment will be meted out and that their misappropriated funds can be recovered. They

[8] For more information please see www.wikipedia.org/wiki/Joseph_E._Stiglitz

will also have confidence that the products and services on offer are of a reasonable quality and standard, appropriate for their needs and that the products and services will accomplish what the person selling them has maintained. They must also have the confidence that they understand the terms and conditions and the various uses of the services.

According to the FinScope 2006 Survey, financial literacy levels in South Africa remain low, especially amongst the poorest and the financially excluded. Lack of access and usage is further exacerbated by low levels of financial literacy, especially amongst the poor.

Liew (2006, p.5) asserts that providing a banking service to a population who are under-exposed to modern financial instruments and services is like giving books to people without teaching them how to read. In his view, financial education leads to increased productivity and can influence a switch from conspicuous consumption to productive investment.

2.9 POSSIBLE ROLES TO BE PLAYED BY VARIOUS FINANCIAL STAKEHOLDERS IN ENHANCING FINANCIAL LITERACY

Various institutions in South Africa provide financial literacy in a variety of forms ranging from training courses, websites, distribution of pamphlets, and using media campaigns. Despite some financial literacy initiatives in South Africa, the low income earners and the remote communities still remain largely underserved by programmes offering financial education.

2.9.1 The role of the informal financial market

The informal financial sector[9] provides services to a large number of South Africans, especially to the poor and unbanked.

[9] The informal sector includes all financial service providers which are not registered and supervised by an industry-recognised body.

Formal and informal financial sector activities exist alongside each other in many developing countries. Amoako-Tuffour (2002, p.5) asserts that the informal financial sector is commonly associated with the assorted institutions of finance that operate outside the scope of conventional banking, government regulation and supervision and they largely serve the rural population of the economy. The informal financial service providers are not registered business entities and are therefore not subject to any business laws of the country. In the context of South Africa, the examples of the informal institutions are stokvels, burial societies, mashonisas[10], and others.

Information available from the FinScope Surveys suggests that two informal savings vehicles are widespread in South Africa, namely stokvels (co-operative rotating saving schemes, which mobilize funds among black communities for a variety of purposes) and burial societies. It was estimated by the FinScope 2003 Survey that there were approximately 3 million stokvel members with roughly R5.5 billion flowing through stokvels each year, most of which passes through the banking system. Porteous and Hazelhurst (2004, p.61) estimated that there were about 100 000 burial societies in existence in 2003, with an estimated 8 million members. Popular stokvels include the grocery stokvels, collective investments where members are encouraged to lend part of their initial investment and pay it back with interest or a member can invite an outsider to come and borrow his/her part of money and to pay it back with interest.

Adams (1992) emphasises that the informal financial markets have been playing an important role in helping the poor access finance and continue to play that role. Lending from the informal providers is from equity with few (and sometimes unscrupulous) conditions attached to repayment, credit offering is usually of small amounts, unsecured and short-term.

[10] Mashonisha is the vernacular term for loan shark; a stokvel is a type of informal community savings scheme

Amoako-Tuffour (2002, p.7) asserts that one of the reasons that makes the informal market flourish is that “whereas banks may try to mould customers to fit the existing set of bank products, informal sector service providers are more likely to adapt readily their activities and products to meet the needs of their target clients”. In Ghana for instance, the availability of formal banking services does not limit participation of the informal sector service providers because this sector is adaptable, informal and flexible and also concentrates its activities in a small geographical area which reduces their transaction costs and eventually gives them competitive advantage over the formal (banking) sector.

From the above information on stokvels and burial societies, informal financial institutions have demonstrated a comparative advantage – particularly in relation to information and costs – in serving the poor and low-income earners as compared to the formal financial institutions such as banks, and can therefore play a critical role in offering financial education to their target markets. Building on this argument, it can be said that what is almost certainly needed is the ability of people to understand the financial products and services as well as the related risks and benefits of each.

As quoted in the Economist print edition (3 April 2008), Mr John Bryant, vice-chairman of the US President's Council on Financial Literacy said “*everybody* wants money but nobody understands it. Take the greed and the financial misrepresentation out of money, and the root of this crisis (sub-prime) is massive levels of financial illiteracy”.

2.9.2 The role of the regulators such as the Financial Services Board (FSB) and the National Credit Regulator (NCR)

In South Africa, the regulators share the primary responsibility for supervising the various financial services industries. These regulators provide key information for the effective regulation and safeguarding of the integrity of the sector. For the purposes of this report, only two (2) regulators will be looked at.

i. The FSB

The FSB is an independent statutory body, which oversees the South African non-banking financial services industry. Its mandate according to the Financial Services Board Act (Act 97 of 1990) is to "promote programs and initiatives by financial institutions and bodies representing the financial services industry to inform and educate users and potential users of financial products and services".

In October 2001, the FSB developed a strategy for dealing with consumer education initiatives, which comprises the following three themes:

- Savings and effective debt management,
- Recourse rights and responsibilities, and
- Knowledge of financial service products.

The FSB has since been working on the development and implementation of the strategy. On closer scrutiny of the strategy, it is apparent that it contains very limited reference to financial literacy, the implementation mechanism is not clearly laid out and measurement tools for success are also missing. Furthermore, it appears from observation that there is a lot of scepticism amongst stakeholders about the human and financial capacity within the FSB to successfully implement it. The FSB is currently undergoing a review of their strategy and soliciting comments from various stakeholders.

With its mandate of promoting consumer education programmes, the FSB needs to clarify the modalities of engagement and to devise a co-ordination strategy that will ensure that financial education is properly designed and that programmes are relevant for the intended target market.

ii. The NCR

The National Credit Regulator (NCR) was established under the National Credit Act (Act 34 of 2005) and is responsible for the regulation of the South African credit industry. It is tasked with carrying out education, research, policy development, registration of industry participants, investigation of complaints, and ensuring enforcement of the National Credit Act.

The National Credit Act came into effect on 1 June 2007, and is intended to protect consumers from undue risk and to create a fair and non-discriminatory lending market by prohibiting reckless credit extension and providing for debt re-organisation in cases of over-indebtedness.

The NCR is meant to promote the development of an accessible credit market, particularly to address the needs of historically disadvantaged persons, low income persons, and remote, isolated or low density communities. NCR chief executive Gabriel Davel told members of Parliament[11] that the Regulator had, since the Act came into effect, focused on incremental awareness on the general content of the Act, promoted cautionary messages in relation to over-indebtedness and informed citizens about their rights in respect of credit bureau information. He said on 17 October 2007 that "the NCR had hosted 128 consumer education workshops, 32 workshops and presentations to industry and had placed 37 educational advertisements, while there were 185 articles on the Act in the print media, 170 inserts on radio and 25 television interviews relating to the Act".

One of the characteristics of the financial sector is the credit market, which is the space played by the NCR. Therefore, if the NCR were to go on a massive financial education programme around its core mandate – being

[11] This is according to the media article of 17 October 2007 titled "NCR raising credit awareness" by Lavinia Mahlangu on http: www.southafrica.info/services/consumer/ncr

credit, it will certainly make a great impact and reach the majority of the South Africans.

2.9.3 The role of the private sector (banks)

Within the South Africa financial sector is the banking industry, where four major groups dominate, namely; ABSA Group Limited (ABSA), Standard Bank Investment Corporation Limited (Standard Bank), First National Bank Holdings Limited (FNB) and Nedcor Limited (Nedbank). These groups maintain extensive branch networks across all nine provinces and, together, hold 77 percent of the total assets of the South African banking sector.[12] The remaining 23 percent of assets in the private banking sector are held by the foreign and small mutual banks.

The four big banks of South Africa and other financial institutions need to be mindful of their role as important agents of economic development, and not confine themselves to a constricted array of activities or customers, especially given the very high rates of profit earned by banks. The role of the financial institutions should not only be about improving their portfolio performance with their core clientele but also enhancing financial access of poor clients through provision of financial literacy offerings.

According to the Financial Sector Charter Annual Report (2005), the financial institutions of South Africa have made significant moves towards promoting a more accessible environment by introducing a basic transaction bank account known as the Mzansi account. This is a transaction bank account that is referred to as South Africa's low-cost national bank account. The Mzansi account was launched in October 2004 as a Financial Sector Charter (FSC)[13] initiative to extend banking services to low-income earners.

[12] For more information, please refer to www.southafrica-newyork.net/consulate/finance
[13] The FSC will be dealt with in the next section of this report.

It can be argued that a major innovation in the banking sector was the introduction of the Mzansi account by the four (4) major banks and Postbank in 2004, pursuant to the FSC agreement. The take-up of the account appears to have exceeded the expectations of even optimistic bankers, as the Financial Sector Charter Annual Report (2005) states that the Mzansi providers reported a roll-out of more than 1,3 million Mzansi accounts by the end of the 2005 reporting period, although Postbank appears to account for approximately half of the Mzansi accounts opened. In addition, the Financial Sector Charter Annual Report (2006) reported that the Mzansi providers reported a roll-out of more than 4,2 million Mzansi accounts by the end of the 2006 reporting period (the total accounts since the inception of the Mzansi accounts).

Nonetheless, Mzansi may not be an adequate product to serve the huge population of South Africa that still remains unbanked. Some of the market commentators may argue that this product needs to be interrogated further. For instance, Mzansi account (branded as a low-cost account) has had limited success in bringing the unbanked people into the financial mainstream because a “low-cost” account is not necessarily helping if the intended target market is likely to overdraw on the account or open an account but not use it. Almost all economists would attest to the fact that a person will open and use a bank account if the marginal benefit of using an account exceeds the related marginal cost.

One of the challenges that impede high levels of financial access by the poor is the fact that banks view small borrowers as riskier than large ones for reasons often related to difficulty in obtaining accurate information about them that could be because of geographical remoteness, illiteracy, and unreliable incomes. A financially capable adult has little chance of becoming financially included if the environment mitigates against this.

The financial providers such as banks could miss genuine markets because consumers are only as literate as the products the financial services sector chooses to sell them. Again, if consumers do not understand the various financial services and products being offered, they are likely to choose or take-up the wrong products that they ultimately will not use. This will then be costly for the financial providers and could have been avoided had the consumers been adequately educated about the products being offered.

In order to ensure financial deepening, the private sector (financial service and products providers) needs to offer innovative products that begin to address the literacy barriers that presently discourage the demand for financial (and banking) services. This point is emphasised by Godfrey and Streeter (2002, p.47): "… as an industry, bankers are the trusted experts on money. They are the logical ones to help educate children to make the right choices as adults and customers… after all, informed customers make pretty good bank customers".

2.9.4 The role of the Financial Sector Charter (FSC)

The FSC came into effect from 1 January 2004 with a ten-year transformation agenda. It focuses on transforming the financial sector itself as well as contributing to the broader social transformation issues. The interim targets of the FSC are set for 2008, with the final targets to be met by 2014. The signatories to the FSC include banks, insurance companies, government and civil society. The financial institutions who are signatories to the FSC are required to submit annual reports to the FSC Council on the progress (or lack thereof) that they are making in relation to the transformation of the financial sector, embracing the black economic empowerment (BEE) elements such as employment equity, empowerment financing, access to finance, procurement, and others.

The FSC aims to address issues of financial inclusion (and access), particularly in the low end of the market. According to the FSC Annual Report (2005), access to financial services is divided into three categories, namely; (i) access to first-order (retail) financial services, (ii) origination of loans for low income housing, agricultural development and black SMEs, and (iii) consumer education.

The FSC refers to first-order (retail) financial products and services as having the following aspects:

a) transaction products and services – a secure means of accepting and transferring cash;
b) savings products and services such as savings accounts, contractual savings accounts i.e. endowment policies, and community-based savings schemes – a secure means of accumulating funds over time; and
c) insurance services and products such as life insurance, burial society, funeral insurance and health insurance – the mitigation of the impact of life’s basic risks.

Consumer education is incorporated into the FSC whereby financial institutions in the FSC have committed themselves to spending 0.2 percent of their annual net profit after tax (NPAT) in consumer education/financial literacy projects. In line with the FSC (paragraph 8.4), consumer education programmes in the FSC should be “aimed at empowering consumers with knowledge to enable them to make more informed decisions about their finances and lifestyle”.

However, to date, the indication is that some of the institutions may be claiming the FSC points for financial literacy, but their programmes are geared towards product marketing and customer education rather than broader and non-branded consumer education. The challenge therefore becomes that the FSC signatories need to agree on measurable objectives looking at the impact and behavioural change of the target market in relation to how people manage their finances. The signatories to the FSC may need to change their current focus of looking at transformation from the point of view of mainly injecting capital into projects, and begin to assess the quality and impact of the projects being offered.

2.9.5 The role of government

The government of South Africa has accorded priority to increasing access to financial services for the poor. As highlighted above, government is one of the FSC constituencies and thus plays an active role in the issues affecting the financial sector transformation. More generally, there are options for governments to stimulate the access and usage of financial services such as banking through the development of an appropriate regulatory system, leading to the development of financial literacy as a component of the broader policy spectrum.

Porteous and Hazelhurst (2004) emphasize that, apart from wishing to promote a socially cohesive society more generally, the government of South Africa is talking about enhancing the transformation and development agenda and has a vested interest in advancing financial inclusion and access to the mainstream financial sector. Lerman and Bell (2006, p.15) argue that “attaching financial literacy programs to other welfare programs may be one of the best strategies for reaching the unbanked population”. Thus, following this argument, government through its various welfare departments such as the Department of Social Development could also play a critical role in this regard.

Swart (2005, p.49) emphasized that the present education system which is largely inherited from the previous government is robbing students of the opportunity to become financially mature. Even South African tertiary institutions do not prepare students for the financial challenges that they will face as they enter the job market. He further says that education provided by the educators must be holistic and that can be made possible with personal financial management build into the curriculum and with educators themselves trained on issues of financial literacy. In essence, he holds the view that personal financial literacy (which is empowering people financially) should be treated as a basic human right.

Aitchison and Harley (2006, p.91) note that the state system of adult basic education and training (ABET) and its parallels in the business sector and non-governmental organizations had by 2001 failed to reduce illiteracy in South Africa.

Davidson (2002, p.22) notes that at the end of 2005, the American household debt represented 18 to 20 percent of household disposable income, essentially meaning that debt absorbs one dollar of every five dollars that Americans earn. He argues that this is a negative trend that can be addressed by improving the financial knowledge of individuals and governments, starting with educating young adults from high school level up to university level.

According to the Synthesis Report on Canadians (June 2005, p.2), the role of government in financial literacy should be to:

- Lead an effective dialogue that puts financial literacy on the map and also uses government influences and the agencies thereof to bring the private and NGO sectors to play their part.
- Support research and innovation that will help determine the policy issues and areas in which to intervene.
- Integrate financial literacy into the daily business of all government policy-making and programme delivery.

Swart (2005, p.49) asserts that the value-add to financial literacy includes that people will:

- Have the ability to take personal responsibility for their financial future;
- Have gained the best life skill as they will know how to handle their personal finances; and
- Be financially independent at retirement.

However, the question remains whether the current role of government is sufficient. Beyond the regulatory system and policy development, how far should government go to ensure that South Africa becomes a financially literate population?

Various role-players need to play their part in designing and delivering financial literacy programmes. The training should be designed in such a way that will make it easy to read and understand financial matters. Training should cover a range of topics and concepts including, but not limited to, *inter alia*:

- Planning a household budget
- Why and how to save
- Understanding economic concepts such as inflation, interest rates, investments, income, debt, liquidity, shares, and
- How the banks work and their role in the economy.

The stakeholders should be prepared to support the cost of such public education, even though it may be relatively high, especially with regard to material distribution and reach. Development agencies can also play a key role by supporting financial literacy training. It is vital to have a 'co-ordinated national strategy' on consumer financial education with commitment from the different stakeholders such as government, the private sector and the NGO sector. This would intensify the roll-out of financial education to consumers. The strategy will make clear the goals of offering financial literacy and will also clarify the roles of each of the stakeholders.

2.10 TYPES OF FINANCIAL LITERACY PROGRAMMES IN OTHER COUNTRIES

Mandell (April 2005, p.1) points out that numerous surveys have been conducted to measure and track financial literacy among consumers of all ages and in many countries, and most appear to draw similar conclusions that financial literacy is “unacceptably low and is showing little improvement”. Mandell states that in the middle of this challenge, no-one knows what areas of financial literacy are most important to teach first and to whom.

For the purposes of this research, the financial literacy programmes in the United States of America and the United Kingdom are presented.

2.10.1 The United States of America

According to the findings of the financial literacy scoping study and strategy project conducted by ECI Africa (March 2004, p.4-7) and also the National Strategy for Financial Literacy in the Unites States of America (USA) (2006), the following are some of the common financial literacy programmes encountered in the USA.

- ***School Programmes***

These programmes are mostly offered by community colleges and universities and are designed for all students. School programmes reach the greatest number of people at an early stage in their lives.

- ***Credit Management and Rehabilitation Programmes***

These are programmes designed for people with financial problems and focuses on topics such as credit/debt rehabilitation and budgeting. They are usually offered by credit counselling agencies in partnership with banks and community-based organizations.

- ***Social Services and Community-based Organization Programmes***

These programmes are offered by NGOs and CBOs through workshops. Their advantage is that they have a clear understanding of the specific needs of their communities and therefore the programme design will focus on addressing those specific needs.

- ***Employer-based/Workplace Programmes***

These programmes include workplace seminars on pensions/retirement, and while less likely to reach the lower income employees, they are important as they educate workers to save.

- ***Individual Development Account (IDA) Programmes***

IDAs are mainly used by banks and CBOs as a mechanism for teaching low and moderate income earners how to save. They are designed to help the target market to build savings and assets.

- ***Financial Institutions***

It is acknowledged that banks and their trade associations play a significant role in promoting better financial skills for consumers. Therefore, their financial education programmes are targeted at the unbanked and under-served communities and to draw them into the financial mainstream. Banks may partner with CBOs to reach their target market. The education is delivered either through classroom-based short courses or community workshops and seminars focusing on basic financial literacy, credit rehabilitation and asset building.

- ***Money Smart: Adult Financial Literacy Programme***

This is a programme targeting the adults who are outside of the financial mainstream to help them understand the basics of banking with modules covering topics such as bank services, credit and credit cards, savings, loans and home ownership. Service providers in this regards are varied and include the public, private and NGO/CBO sectors.

- ***The National Endowment for Financial Education (NEFE) High School Financial Planning Programme (HSFPP)***

NEFE is a non-profit foundation aimed at helping all Americans to acquire the information and skills necessary to take control of their personal finances. HSFPP is a public service that aims to increase the financial literacy of America's youth. The HSFPP teaches the basics of personal finance to young people while they are developing habits and attitudes about money. NEFE offers this programme to all American schools at no cost.

2.10.2 The United Kingdom

In the case of the United Kingdom (UK), the Financial Services Authority (FSA), is leading and co-ordinating the national strategy for financial capability. The main objectives of the FSA are two-fold, namely:

(i) Financial capability: this involves providing individuals with the knowledge, aptitude and skills base necessary to become questioning and informed consumers and to manage their finances effectively.

(ii) Consumer information and advice: this involves providing impartial and generic advice to help enable consumers to plan their finances and make informed choices.

The UK has identified several priority projects for enhancing financial capacity:

- ***Schools: Laying the foundation***

This project aims to give future generations a good grounding in personal finance education before leaving school. Support made available through this project is used by teachers of children in the 11-19 age range. Key stakeholders such as the Department for Education and Skills and Qualifications and the curriculum authority remain fully engaged with the schools project.

- ***Young adults: Helping young adults make sense of money***

This project aims to create effective partnerships in a coherent and funded delivery strategy to young adults in Higher Education, Further Education and those Not in Education and Employment or Training. It looks at the best ways of reaching young adults recognizing different needs and circumstances.

- ***Workplace: Reaching people through the workplace***

This project develops ways of using the workplace to deliver personal finance initiatives. Employers in the public and private sector agree to participate in the programme and are convinced of the value of the programme and want to remain involved. Methods of delivering financial education in the workplace evolve to reflect the differing needs of employers.

- ***Consumer communication***

The aim of this project is to establish effective partnerships with third parties who will deliver FSA's financial capability products/services to the right people at the right time. It pulls together and co-ordinates what is already being done and if necessary adds new areas of work.

- ***Online tools***

The consumer website www.moneymadeclear.fsa.gov.uk provides free, clear, impartial information about financial matters, presenting only the facts. The information helps consumers to better understand the financial implications of major life events through the use of step-by-step guides. Consumers also learn about the different financial products that can meet their needs through clear and simply product information.

- ***New Parents: Parent's guide to Money***

Changes in the family, like the birth of a child, can act as a trigger for the review of the family's' financial needs. This project builds on the Child Trust Fund and develops further initiatives aimed at encouraging people to think about their needs as parents.

- ***Partnership Development: The role of generic advice***

This project will establish what role generic advice plays in financial capability. It will look at the nature of advice – how it will be delivered and how it might be paid for. The focus is on groups with lower financial capability who could benefit most from access to preventative general money advice.

2.11 THE SOUTH AFRICAN PROGRAMMES

According to research conducted by ECI Africa (March 2004), various programmes on financial literacy are being offered by different providers, ranging from government, business and the NGO sector. Annexure B presents the findings of the ECI Africa research. Care should be exercised in that educational efforts should not understate the cost of owning a bank account, nor should they overstate the cost of being unbanked.

The results highlight the fragmentation in the programmes that are being offered. Every stakeholder/provider is offering training that is perhaps self-serving, with differing designs and methods of delivery. This challenge makes it very difficult to measure the impact of the programmes being offered. There is no evidence that improved financial behaviour results from the financial information provided. The City Press (20 July 2008, p.3) states that a recent National Empowerment Fund report "shows that only 1.4 percent of black consumers' expenditure goes into savings or investment policies. This is largely due to lack of financial literacy among black people". Therefore, this calls for a co-ordinated approach to designing and offering financial literacy in South Africa.

The assertion made by Lyons and Scherpf (2004, p.216) is important to bear in mind as they emphasise that the success of any programme should not be measured by the number of accounts opened but rather by people's ability to make sound decisions given their financial situations.

2.12 CONCLUSION

The literature review has provided the context that assisted the researcher to better understand the problem of financial access and its interface with financial literacy, and vice versa. In essence, the literature has helped in clarifying the problem and the importance of this research.

As asserted by Porteous and Hazelhurst (2004, p.222), financial literacy is an issue that cuts across all the dimensions of the landscape of (financial) access, but given the nature of the South African financial system, financial literacy has only been considered in product silos.

The lessons learned from the literature review section are that no one entity can improve financial literacy on its own without partnering with other institutions in various sectors of the economy. The challenge is that the role of the various stakeholders is still blurred. Various stakeholders including government, civil society and financial institutions should have their respective roles clearly defined (regarding financial literacy) in order to better address the challenge that blocks access to, and usage of, financial services. This recognition echoes the view of Braunstein and Welch (2002, p.448) who emphasise that the content and audience of financial literacy programmes vary considerably.

Another lesson is that if information asymmetry is not well managed it will lead to dire outcomes that badly affect the impact of financial literacy. Another important lesson is that the central role of the informal sector structures such as burial societies and stokvels should not be overlooked.

Literature that was reviewed, such as OECD (2005), Claessens (2006), ECI Africa (2004), McGregor (2005), Patrick (2004), Amoako-Tuffour (2002), Adams (1992) and Liew (2006) confirm that financial literacy is a useful tool that leads to increase in access and usage of formal and informal financial services and products.

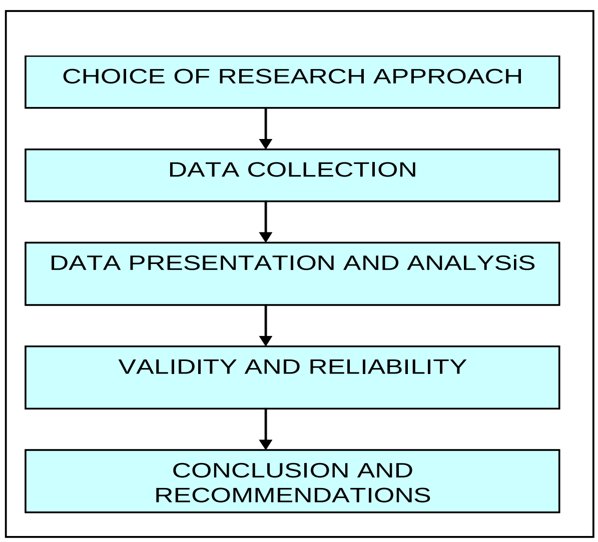
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 INTRODUCTION

This section will discuss various research methods and will also present the preferred research approach to be followed in this report. In essence, this chapter presents the methodological basis for the research and explains which methods were chosen and why they were chosen.

The chapter describes the nature of the research, data collection methods, analysis of data plus the reliability and validity of the research, and provides an in-depth description of the research plan.

Figure 2: A Graphic Representation of the Research Process



Source: Own

3.2 RESEARCH APPROACH

According to Miles and Huberman (1994, p.40) there are two main approaches to research, qualitative and quantitative research. For the purposes of this research report, only the qualitative method was used.

Merriam (2002, p.11) asserts that qualitative research lies with the idea that meaning is socially constructed by individuals through interaction with their world and also that this method is the method of inquiry that seeks to understand social phenomena within the context of the participants' perspectives and experiences. Mason (2002) adds that qualitative research is important in that it includes practicality, resource optimization and also helps to maintain focus.

Leedy and Ormrod (2005, p.133) emphasise that qualitative research focuses on phenomena that occur in natural settings in all their complexity, without trying to simplify what is observed. Creswell (2003) states that qualitative research uses multiple methods that are interactive and humanistic, and that the methods of data collection used are growing, and increasingly involve active participation by participants and sensitivity to the participants or respondents in the study.

In essence, qualitative research aims to get a better understanding through first-hand experience, and quotations of actual conversations. It aims to understand how the participants derive meaning from their surroundings, and how their meaning influences their behaviour. The research will therefore use the qualitative approach with a small sample of five participants because the researcher wants to explore and understand the role that financial literacy can play in helping people to enhance access to and usage of financial services.

3.3 DATA COLLECTION

A list of questions was developed and administered to the identified key informants as highlighted in section 3.3.1(a) below. According to Merriam (2002) and Patton (2002, p.4), there are three major sources of data for a qualitative research study; these are interviews, observations and documents. In choosing from these sources, the researcher should be aware that the data collection strategy used is determined by the question being posed by the study and by determining which source(s) of data will yield the best information with which to answer the major research question. Furthermore, Kumar (2005) highlights that one of the important determinants of the quality of data collected is the purpose and relevance of the study.

Therefore, for the purposes of this research report, data collection was done in various ways, as explained below.

3.3.1 Primary data

Primary data is information that is acquired from the primary sources of information, also known as "key informants", such as identified in 3.3.1(a) below. These participants were relied upon to help the researcher become acculturated to the situation. The statements of key informants can be taken as evidence, even if their statements are somewhat self-serving. Emphasising the same point, Thomas (2003, p.250) asserts that the major advantage of using primary data is that the information is collected for a particular problem under investigation, thus making the data directly relevant and current than when using secondary data.

The researcher was aware of possible differences between the validity and intention of volunteered statements versus statements that are made in response to the researcher's questions. In essence, this is the utilisation of topical interviews. Rubin and Rubin (1995, p.11) defines topical interviews as being focused on subjects that the interviewer has chosen and that it involves more active questioning and rapid exchanges.

Initially, structured face-to-face interviews were preferred on the basis that this would allow the researcher to get rich data, and would also allow the researcher to ask probing and clarity-seeking questions in the course of the interview, and can read participants' emotions at the same time. However, due to the unavailability of participants during the time of interviews, the researcher resorted to e-mailing a list of questions to the participants, requesting them to answer the questions and then to email or fax the answers. Furthermore, the researcher telephonically called some of the key informants to ask for clarity on those responses that were not clear.

The majority of the questions asked were open-ended. An open-ended question is designed to encourage a full, meaningful answer using the subject's own knowledge and/or feelings. It is the opposite of a closed-ended question, which encourages a short or single-word answer. Open-ended questions also tend to be more objective and less leading than closed-ended questions (see Annexure A: interview questions). Burns (1999) asserts that the open-ended types of questions are valuable where the aim is to explore the participants' perceptions, beliefs or opinions and to promote opportunities for unforeseen responses or for those which are richer and more detailed than responses received through fixed choice questioning.

3.3.2 Interviews

For the purposes of this research report, five participants were interviewed (as indicated in table 2 below). Reasons for selecting the respondents for this research are highlighted in section 3.2 above (research approach) as well as in section 3.3.3 below (sampling).

Referring to the issue of interviews, Wellman (2001) makes an interesting point that although all respondents are asked the same research questions, the interviewer may adapt the formulation of the questions because interview questions serve as a guide to soliciting answers to the topics and/or relevant themes.

The questions were emailed to the following participants:

Table 2: List of Interviewees

Name of Interviewee	Organisation	Designation
Mr Nkosana Mashiya	National Treasury	Chief Director, Financial Sector Development Unit
Mr Lyndwill Clarke	Financial Services Board	Senior Project Manager
Ms. Daphne Hamilton	Bank SETA	Manager, Quality Assurance & Investors In People
Ms. Astrid Ludin	FinMark Trust	Policy Director
Mr Tshepo Nkwe	Financial Sector Campaign Coalition (civil society)	Acting Co-ordinator

Source: Own

Guion (October 2001, p.1) describes an in-depth interview as “an open-ended, discovery-oriented method… because the “goal of an interview is to deeply explore the respondent’s point of view, feelings and perspectives”.

Silverman (1993, p.10) concurs that essentially, the qualitative method allows participants to add important information that might have been missed (during the time of drafting the questions) in order to help gather authentic understanding of the experiences.

3.3.3 Observation

Kumar (2005, p.119) explains that observation “is one way of collecting primary data and that is a purposeful, systematic, and selective way of watching and listening to an interaction or phenomenon as it takes place”. The researcher relied on observation as well as past experiences in analysing the data collected because she was employed by National Treasury as a Senior Economist in the Financial Sector Development Unit at the time of this research report. Gray (2004, p.242) states an important point, that in undertaking participant observation one of the challenges is to maintain a balance between an ‘insider’ and ‘outsider’ status.

Furthermore, Thomas (2003, p.252) asserts that “data collection by means of observation is performed according to specified rules and based on stated objectives”. Hence, while the researcher comes from the above-stated background, there was no intention to influence the direction of the discussion in a biased way, especially considering that this research is of great importance to the private, public, and NGO sectors, and to individuals. Therefore, rather than being biased, the researcher used her experience(s) and observation(s) to enrich her discussions, conclusion and recommendations.

3.3.4 Secondary data

Secondary data is information that has already been assembled, having been collected for some other purpose. Secondary data analysis can be literally defined as second-hand analysis. Cnossen (January 1997) emphasises that secondary data is the analysis of data or information that was either gathered by someone else or for some other purpose than the one currently being considered.

For the purposes of this research, a thorough literature review was undertaken (including journal articles and books). This was done to complement data collected from the primary data sources above. In addition, documentation such as magazine articles, newspaper and media reports, workshops and conference documents, policy documents as well as information available on the internet was collected. It is important to note Beaulieu's (1992) assertion that secondary data cannot reveal individual or group values, beliefs, or reasons that may be underlying current trends.

All relevant data that was sourced during the process of this research was collated to finalise the data collection stage.

3.3.5 Sampling

According to Webster (1985), a sample is a finite part of a statistical population whose properties are studied to gain information about the whole. When dealing with people, a sample can be defined as a set of respondents selected from a larger population for the purposes of a survey.

Purposive sampling was used to select the participants based on their experiences in relation to the key characteristics of this research. Most sampling methods are purposive in nature because we usually approach the sampling problem with a specific plan in mind.[14]

The information that has informed this research was sourced from the key informants working for the institutions as indicated in table 2 above.

The researcher first telephonically contacted the identified participants to explain the purpose of the research to them and then requested their participation. The participants agreed to take part in the research and were then guaranteed confidentiality (should they require such). A set of questions plus a covering letter was emailed to them to complete and

[14] For more information, see www.socialresearchmethods.net/kb/sampnon.php

return to the researcher either via email or fax. They emailed back their responses which were captured using the Microsoft Word programme.

In addition to the above, it is important to note that purposive sampling is a sampling method in which elements are chosen based on the purpose of the study. Purposive sampling may involve studying the entire population of some limited group or a subset of a population and similar to other non-probability sampling methods, purposive sampling does not produce a sample that is representative of a larger population, but it can be exactly what is needed in some cases.[15]

For the purposes of this research, and also because of logistical issues and time pressures, five participants were sent a list of questions that required written answers or responses as noted earlier. The choice of the key respondents was influenced by the desired level of authenticity that the researcher intended to obtain from the key informants who work in the financial sector space. As a result, the identified participants were chosen on the basis of their extensive knowledge and vast experience of working in the financial sector.

Depending on how the administered questions were answered (written), the researcher telephonically made follow-ups with the participants to get clarification on some answers they had provided.

It should be borne in mind that this method of interview is not a typical questionnaire technique where the issue of sample representation is required, but because of how the questions are posed, it is regarded as an interview that required written responses.

[15] For more information, refer to www.columbia.edu/ccnmtl/projects/qmss/samp_type.html

3.4 DATA PRESENTATION

Data gathered in this research will be presented in the form of texts, written words, and phrases, as suggested by Neuman (2006, p.457). Brief descriptions or summaries of the data collected are furnished. The presentation of data will concur with what is emphasized by Miles and Huberman (1994, p.11), that data display is an organized, compressed assembly of information which permits drawing of conclusions and action.

3.5 DATA ANALYSIS

Data analysis is done so as to transform received data into findings. The aim of analysis, according to Mouton (2001, p.108), is "to understand the various constitutive elements of one's data through an inspection of the relationships between concepts, constructs or variables, and to see whether there are any patterns or trends that can be identified or isolated, or to establish themes in the data". According to Marshall and Rossman (1999, p.150), "Data analysis is the process of bringing order [and] structure to the mass of collected data."

In writing this research report, data analysis happened simultaneously with data collection in order to shape and focus the findings. According to Strauss and Corbin (1998), analysis is the interplay between a researcher and data. For the purposes of this report, the analysis was carried out in the following manner:

a) Responses from the participants were checked to see if they are relevant to the research questions at hand;

b) Data was categorized into key themes, namely; (a) financial literacy framework, and (b) relations among financial institutions and with consumers, in order to give direction and proper focus to the research;

c) Responses were captured using computer programmes such as Microsoft Word and PowerPoint; and

d) Findings were then interpreted and described wherein repetitions and contradictions were checked and corrected.

3.6 RELIABILITY AND VALIDITY

Reliability and validity are central issues in all research assessment. Reliability refers to the consistency and dependability of the research. Carmines and Zeller (1980, p.11) define reliability as concerning “the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials”. In essence, reliability suggests that the same thing recurs under identical or very similar conditions. Validity on the other hand suggests truthfulness. Guion (2001) argues that validity in qualitative research relates to whether the findings of the study are true and certain. Also according to an assertion by Neuman (2006), validity refers to how well an idea fits actual reality, i.e. it addresses the question of how well the social reality being measured through research matches with the constructs researchers use to understand it. Again, Neuman (1997, p.141) emphasises that validity is a matter of degree and cannot be directly determined.

Perfect reliability and validity are almost impossible to achieve. They are ideals that researchers strive for. Qualitative researchers using alternative measures will yield distinctive results because data collection is a process where particular researchers operate in an evolving setting. This is made more complex by the fact that the context of a setting dictates using a unique mix of measures that cannot be repeated. According to Neuman (2006), the advantage of these diverse measures and interactions with different researchers is that they can illuminate different dimensions of a subject matter.

This research does not intend to find a single version of the truth but is interested in authenticity. Authenticity means giving a fair, honest and balanced account of critical issues from the viewpoint of the participants. The research therefore concerned itself with obtaining a frank depiction of financial literacy that is true to the experiences of the participants.

3.7 CONCLUSION

The research methodology served as a guide to the reader to explain the research design and method. The nature of the research, the research design, data gathering methods and reasons for choosing such methods were explained. The sampling procedures for the research were also explained.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter will present and analyse collated data. The findings are based on primary and secondary sources as highlighted in chapter three. Because of time constraints, the sample of the participants is fairly small.

The purpose of this chapter is to summarise and interpret the results of the research with the intention of answering the research questions posed in chapter 1. The results from the interview questions will be summarized in order to interface data, literature and own interpretation.

This research report will acquaint the readers with the problem that has been researched and will also adequately explain the implications thereof so that the readers may have a clear understanding of the problem. Moreover, this chapter will interpret the data for the reader and demonstrate how the data attempts to solve the identified problem which was researched.

The presentation of this research report will be sectionalized. This means that it will be organized and expressed according to the research questions to facilitate the management of the problem as a whole. The sections will be presented or exhibited in a logical sequence. Each question will therefore be restated in its exact wording at the beginning of the discussion. The data usefulness to each question will then be presented. The data will be interpreted and the conclusions warranted by the data will also be presented accordingly. This will be done to keep the reader oriented to the progress of the research as it is being reported.

4.2 DATA PRESENTATION

Data will be presented by way of a written research report. Leedy (1980) highlights that the presentation process is important because it helps present the usefulness of the research and also suggests possible resolution of the problem which is being researched. He further asserts that the report should on its own enable the reader to understand what the problem was and the ramifications thereof. Essentially, the raw data collected in the field needs to be transformed into information that can answer questions and can be used in decision-making.

The findings will be presented under the following sections:

(i) Financial literacy framework; and

(ii) Relations among financial institutions and with consumers.

These sections are related to the two broad research questions, namely;

a) How does financial literacy lead to access and effective use of financial services such as opening up of a bank account?

b) What is the role of various financial sector stakeholders in promoting financial literacy?

4.2.1 Participants

Interview questions were sent to the participants as indicated on page 48, table 2 above. All the participants managed to complete the questions that were sent to them. Brief descriptions and general summaries of the responses from the participants are illustrated below.

4.2.2 Responses from the interviews

(i) Financial Literacy Framework

a. ***What is your understanding of financial literacy?***

There were similar responses from the participants with regard to defining financial literacy. There was an assertion from Mr Clarke that financial literacy is about providing the citizens of a country with the necessary skills and knowledge on financial issues such as savings, debt management and rights in order for them to make informed decisions regarding the money that they earn (interview, 31 March 2008). Similarly, Ms. Hamilton also claimed that it refers to "knowledge appropriate to your situation that makes it possible for you to control your financial situation. When it comes to financial literacy, as in all other things, knowledge is power and enables you to ask the right questions of the right people – risk management – and then to critically evaluate their answers" (interview, 30 March 2008). She added that "becoming financially literate is a process not an event".

It was strongly expressed by Mr Nkwe (interview, 28 March 2008) that financial literacy is the provision of the information to any customer who seeks advice on any financial product that the customer wants to undertake. Emphasising the same view, Ms. Ludin stated that "financial literacy is the ability to understand financial terms and concepts and to translate that knowledge skilfully into behaviour" (interview, 03 June 2008). In addition, Mr Mashiya expressed the view that financial literacy refers to a person's understanding of financial concepts such as inflation and savings as well as the ability to interpret such information in a manner that will impact positively on the financial well-being of a person (interview, 28 March 2008).

b. Is there value-add in increasing financial literacy in order to get more take-up of financial services by the poor? Briefly explain

Participants provided mixed responses on whether the increase of financial literacy would lead to an increase in the take-up of financial services. Three participants, namely Ms. Ludin (interview, 03 June 2008), Mr Clarke (interview, 31 March 2008) and Ms. Hamilton (interview, 30 March 2008) pointed out that financial literacy will undoubtedly have a positive impact on the uptake of financial products in particular and will also have an impact on improving the lives of the poor in general. On the contrary, Ms. Hamilton strongly noted that “I do not believe that there is a direct correlation between the two. I think that being financially literate will only assist you to make better use of the access you have” (interview, 30 March 2008). However, according to Mr Mashiya (interview, 28 March 2008), increasing financial literacy might lead to an increase in the uptake of financial services, but cautioned that financial literacy is not a panacea for the problems of access because, according to him, the demand for financial services by the poor does not entirely depend on their financial literacy.

c. What role does your institution play in promoting financial literacy for the poor?

Participants described their perceived roles in various ways. For instance, Mr Clarke (interview, 31 March 2008) articulated that the Financial Services Board (FSB) has a mandate to promote consumer education. Following this mandate would mean that the FSB is not directly involved in implementation but rather initiates projects that will benefit the poor. However, the FSB has two programmes that help in indirectly promoting financial literacy – Formal Education and Community Relations. He further mentioned that the Formal Education projects focus on all the learners and teachers in the country, while the Community Relations projects are more geared towards LSMs 1-5.

As far as the role of National Treasury is concerned, Mr Mashiya mentioned that “Government is there to create an enabling environment for optimizing consumer literacy and to suggest standards for effective consumer education” (interview, 28 March 2008).

According to Mr Nkwe (interview, 28 March 2008), the Financial Sector Campaign Coalition (FSCC) work on promoting financial literacy is indirect. He emphasised that the FSCC usually have campaigns for transformation in the financial sector, advocating for the working class and the poor, and their campaigns include issues and programmes of financial literacy.

Ms. Ludin articulated that “the role of FinMark Trust is to catalyse action by a range of stakeholders. FinMark works with the public, private and non-governmental sectors to promote financial literacy programmes through proving information and support to assist these parties in providing the necessary financial literacy programmes” (interview, 03 June 2008).

Regarding the BankSeta, Ms. Hamilton asserted that “one of the strategies of the BankSeta is to support the financial sector in meeting the financial sector charter objectives and there are two initiatives, namely (i) development of a classroom-based programme for the rural poor, and (ii) development of a community radio edutainment series also aimed at the rural poor” (interview, 30 March 2008).

d. Do you think it is appropriate for all financial institutions to participate in the promotion of financial literacy? If so, briefly explain why?

All five participants confidently affirmed that all financial institutions do have a role to play in promoting financial literacy. This affirmation can be illustrated by Mr Clarke’s statement “Yes, financial institutions have for long had a very bad reputation of selling financial products and services purely for financial gain and sometimes not in the interest of their clients. The Financial Sector Charter not only strives to make products and services accessible to all consumers, it also wants service providers to be more responsible in their selling. There is, however, a fine line between promotion of financial literacy and marketing of financial products and services and financial institutions must take caution not to cross it" (interview, 31 March 2008). It was further emphasized by Mr Nkwe that "of course, they are providers of the financial products but we must guard against them focusing on product sale than allowing consumers to have a broader view of the competitors" (interview, 28 March 2008).

e. ***Do you think that your institution has a role to play in enhancing financial access and usage by the poor? If so, what is the role? If not, please explain.***

All participants mentioned that their respective institutions do have a role to play in enhancing access and usage of financial services by the poor. Mr Clarke pointed out that "yes, as the regulator, the FSB must not only be seen as a watchdog but also as an educator. While access will now be easier, it will also make it difficult for unscrupulous operators to rip off uninformed clients. So while the FSB would like to see more people being active in the financial sector it would also like them to be more aware of their rights and what to look out for" (interview, 31 March 2008).

According to Mr Nkwe, the FSCC also has a role to play, because he asserted that "we have and still are campaigning for Financial Access for the poor and the working class, not forgetting the emerging enterprises. Our participation at NEDLAC/PFMP Chamber and the Financial Sector Charter puts us on the forefront of our role" (interview, 28 March 2008).

Referring to the same point, Ms. Hamilton (interview, 30 March 2008) pointed out that the BankSeta's mandate is skills development in the broader banking and Micro Finance Institution (MFI) sector; therefore, it also has a role to play. Articulating the same view, Mr Mashiya stressed that government also has an important role to play by "creating an enabling environment for optimizing consumer literacy and to suggest standards for effective consumer education as government" (interview, 28 March 2008).

With regard to FinMark Trust, Ms. Ludin mentioned that their role is primarily to provide information through high quality research and to support the stakeholders in developing strategies and programmes (interview, 03 June 2008).

f. ***Should your institution seek to create a special environment (appropriate products and services) in which financial access can be made possible for all South Africans? Please explain.***

Three participants indicated that their institutions have a role to play in creating a special environment in which financial access can be made possible. It was made apparent by Mr Clarke that as the regulator, the FSB cannot prescribe on products and services, but can only check on whether the products and services that are offered by financial institutions fall within the administered laws. He further pointed out that through consumer education initiatives, the FSB can alert the public to the availability of appropriate products and services, but cannot promote a specific product or service (interview, 31 March 2008).

According to the statement made by Ms. Hamilton "yes, the BankSeta does seek to create a special environment; through its mandate which is skills development in the broader banking and MFI sector" (interview, 30 March 2008). Furthermore, Mr Mashiya emphasised that "yes, it is the constitutional mandate of Government to create a special environment, and financial literacy is useful for the advancement and efficiency of retail financial markets" (interview, 28 March 2008).

Both Mr Nkwe (interview, 28 March 2008) and Ms. Ludin (interview, 03 June 2008) respectively believed that their institutions did not have a mandate to create a special environment for financial access. On the one hand, Mr Nkwe claimed that the provision of financial access is a constitutional and human rights issue and not necessarily an FSCC issue. On the other hand, Ms. Ludin pointed out that this question is not relevant for FinMark Trust because the institution is involved in providing information and other support to facilitate and promote greater financial inclusion and not to create special environments.

g. ***In your view, what other institutions do you think are best suited to play the role of enhancing financial access? List at least two.***

The participants identified that various institutions need to play a role in enhancing access to finance. Ms. Hamilton stated that “(a) Co-operative banks – if well run – because they are created and owned by the people they serve. They are also physically close to the communities in which they operate. (b) With the advances in technology and the advent of broadband access, it is conceivable that mobile banking can become more and more important” (interview, 30 March 2008).

For Ms. Ludin (interview, 03 June 2008), the institutions are private sector financial institutions (such as banks and insurance companies), development financial institutions (DFIs) and Micro Finance Institutions (MFIs). In addition, according to Mr Nkwe, the institutions that also need to play a role are the South African Reserve Bank, the FSB and National Treasury (interview, 28 March 2008). Mr Clarke’s list (interview, 31 March 2008) included the government departments (including the Department of Trade and Industry, National Treasury, Department of Education) as well as the non-governmental organisations (NGOs) and community-based organisations (CBOs). Mr Mashiya concurred by listing the following institutions, “Financial institutions and NGOs and community structures such as churches” (interview, 28 March 2008).

h. Please list three things that you think hinder the provision of financial literacy for the poor.

Ms. Ludin (interview, 03 June 2008) mentioned (a) limited number of service providers and outreach, (b) geographic spread of people and the cost of reaching them, and (c) lack of knowledge of financial education needs that hinder the provision of financial literacy. Emphasising the same views, Mr Nkwe pointed out that the hindrances are "(a) Lack of commitment by financial institutions, (b) High level of illiteracy among previously disadvantaged individuals, and (c) Lack of undertaking by our Education Department on Financial Literacy from lower education institutions" (interview, 28 March 2008). Mr Mashiya concurred by listing (a) general illiteracy levels such as the inability to read and write, (b) proximity and ease of reach, as well as (c) the costs of consumer literacy campaigns as hindering the provisions of financial literacy (interview, 28 March 2008).

Expressing similar views, Mr Clarke emphasised that the lack of (a) political will, (b) industry participation, and (c) sustainable funding hinders the provision of financial literacy (interview, 31 March 2008). Interestingly, Ms. Hamilton strongly added that hindrances include: "a) Cost – the provision of FL[16] is not self-sustainable and someone has to pay. There are also indirect costs, such as the time it takes if it's a classroom-based programme. b) There is no single route to FL – there is no vaccination that makes you financially literate. c) People – rich or poor – do not know what they do not know and it takes willing learners to learn. d) 'The poor' are not a homogenous mass with homogenous needs. At different life stages people need different information: generic programmes may not necessarily address these needs" (interview, 30 March 2008).

[16] FL refers to Financial Literacy.

i. ***Would you agree that financial literacy is an important method for enhancing access? Briefly explain.***

Participants presented varying views as to whether financial literacy is an important method for enhancing access.

Mr Clarke claimed that “Not necessarily. Access must be provided by the industry. Financial literacy can only go as far as access is being provided” (interview, 31 March 2008). However, Ms. Hamilton strongly disagreed with the question by pointing out that “No, I do not. I think these are two separate concepts and should not be confused. The question about access may be more closely related to the appropriateness and cost of financial products available for the poor. At a simplistic level, the real issue is, given access do people know the right questions to ask to manage their own financial situations’ (interview, 30 March 2008). A varying view to the above was put forward by Mr Nkwe when he claimed that financial literacy is an important method for enhancing access but it is not only about accessibility, it is also about building a responsible society (interview, 28 March 2008).

Highlighting the same point, Mr Mashiya noted that “yes, consumer literacy does have the ability to improve responsible, efficient and effective financial behaviour by the consuming public” (interview, 28 March 2008). His assertion was echoed by Ms. Ludin when she emphasised that “yes, it is critical. Too often the focus is on supporting the supply of financial products, rather than on their appropriate take-up and usage by consumers. Furthermore, financial education can change behaviour and avert financial trouble for consumers. For example, consumers that have access to debt counselling are less likely to get into financial distress than consumers who do not have access to these services” (interview, 03 June 2008).

(ii) Relations among financial institutions and with consumers

a. What would you suggest in improving the relationship between institutions in the financial sector and the (poor) customers, in order to enhance the delivery of financial access as well as financial literacy?

Many different suggestions were presented by participants. For instance, Ms. Ludin (interview, 03 June 2008) strongly asserted that the emphasis should be on providing products that are simple enough and that are customised to meet customer' needs. This requires the financial institutions to understand the needs of the customers and to respond creatively to such needs. Similarly, Ms. Hamilton concurred that better informed customers make better customers. She further mentioned that at different life stages people have different needs. Therefore, financial literacy training should not be a one-size-fits-all approach (interview, 30 March 2008).

The suggestion from Mr Nkwe was that there is a need to "organize an awareness campaign on knowing your consumer rights or themselves setting up social enterprise campaigns related to things like know your bank/credit etc" (interview, 28 March 2008). Referring to the same issue, Mr Mashiya emphasised that it is important to adopt a "more appropriate, user-friendly and affordable delivery method for financial literacy campaigns, such as utilizing community radio stations to deliver easy-to-understand messages and lessons through the locally spoken languages for the target market" (interview, 28 March 2008).

Mr Clarke suggested the following: "(a) A commitment and practice from institutions to be transparent, honest and have the clients' interest at heart, (b) The availability of access points in the communities especially in the rural areas. It is not viable for a person to pay R40 for a taxi ride to go and withdraw R100 at an ATM or in a bank, and (c) The development of realistic, practical and affordable products. You cannot ask someone to buy a policy with a R50 premium when they barely have enough money for food" (interview, 31 March 2008).

b. ***Does your institution have mechanisms in place to get feedback from the target market (customers)? If so, what are they?***

According to Mr Clarke, the FSB uses evaluation forms/surveys to get feedback and also phones consumers after a period after the workshop or presentation. Mr Clarke cheerfully mentioned that "we are currently commissioning research into benchmarking and measuring of consumer education projects. The research will be available after September 2008" (interview, 31 March 2008). Mr Nkwe noted that FSCC uses independent institutions such as FinMark Trust to analyse the country's consumer behaviour. The institutions they use produce reports quarterly (interview, 28 March 2008).

Three participants, namely Mr Mashiya (interview, 28 March 2008), Ms. Ludin (interview, 03 June 2008) and Ms. Hamilton (interview, 30 March 2008) respectively mentioned that this question was not applicable to BankSeta, National Treasury and FinMark Trust because they do not directly provide financial services.

c. ***Do you think that it is important to formulate a national strategy that will promote financial literacy and enable the poor to participate in the formal financial market? If so, who should be responsible for the formulation of the strategy and why?***

All five participants pointed out that there is definitely a need for a national strategy on promoting financial literacy. Ms. Ludin asserted that "National strategies for financial inclusion and for financial literacy/education are key to give leadership and direction for the efforts of the multitude of stakeholders. In the area of financial literacy, one of the key issues is that efforts are not co-ordinated and are not informed by any targeting of efforts to serve gaps or particular needs due to the paucity of research in this area" (interview, 03 June 2008).

Similarly, Mr Nkwe held a strong view that a strategy is definitely needed because it will assist by developing a regulated method that all financial institutions must comply with; he further mentioned that "FSB via National Treasury in partnership with other constituency members and not forgetting the DTI and SARB; because a collective policy planning avoids unnecessary bureaucratic consultations" (interview, 28 March 2008). Furthermore, according to Mr Mashiya (interview, 28 March 2008), a national strategy is vital and it should be the responsibility of national and provincial departments of education.

Being in agreement with the other participants, Ms. Hamilton added that a national strategy will be useful as a framework of guiding principles for a cradle-to-grave approach to financial literacy and it should be the responsibility of the FSB. Moreover, she mentioned that although the strategy could be the responsibility of the FSB, the implementation should come from both public and private institutions because financial literacy is an amorphous mass with many tentacles and many guises (interview, 30 March 2008).

Emphasising a similar view, Mr Clarke in his statement acknowledged the importance of a national strategy by saying that "yes, a national strategy is vital for co-ordination, monitoring and evaluation. Else everyone just does what they think is right and duplication is then unavoidable" (interview, 31 March 2008).

d. Any other comments?

Four participants did not answer this question. Only Mr Nkwe answered by highlighting that the lack of financial literacy is a "huge impediment towards social transformation and has created an unequal society between the haves and have not's. Also, it's critical that the people know everything about their hard-earned wages and be able to take informed decisions” (interview, 28 March 2008).

4.3 DATA ANALYSIS

4.3.1 Introduction

The aim of analysing data in this research report is to arrive at the findings that will (attempt) to provide answers to the broad research questions of this research. The analysis is structured in two main sections as indicated in the data presentation section above:

(i) Financial Literacy Framework; and

(ii) Relations among financial institutions and with consumers.

Creswell (2003, p.190) asserts that “the process of data analysis involves making sense out of text and image data. It involves preparing the data for analysis, conducting different analysis, moving deeper and deeper into understanding the data, representing the data and making an interpretation of the larger meaning of the data”.

The aim of analysis, according to Mouton (2001, p.108) is “to understand the various constitutive elements of one’s data through an inspection of the relationships between concepts, constructs or variables, and to see whether there are any patterns or trends that can be identified or isolated, or to establish themes in the data” and according to Marshall and Rossman (1999, p.150), “Data analysis is the process of bringing order [and] structure to the mass of collected data.”

4.3.2 Analysis of the data (interviews)

(i) Financial Literacy Framework

It is apparent from the presented data that there is a high level of uniformity in defining what financial literacy is. Essentially, participants' responses tallied because they highlighted that financial literacy involves the provision of appropriate information, knowledge, and skills which would lead to people understanding the financial terms and concepts in order for them to make informed financial decisions, thus changing their behaviour for the better. According to Patrick (March 2004), raising awareness and increasing knowledge of financial products is vital in helping people make informed decisions.

On whether increasing financial literacy will have value-add on the take-up of financial services, participants had varying views. Although some participants acknowledged that there is value-add, there are others who emphasised that there is no direct correlation between an increase in financial literacy leading to an increase in the take-up of financial services. It was mentioned by Mr Mashiya (interview, 28 March 2008) that increasing financial literacy might lead to an increase in the uptake of financial services, but he cautioned that financial literacy is not a panacea to the problems of access. This argument is in alignment with a World Bank Policy Research Report (2008, p.21) which states that the challenge of access is greater than just ensuring that many people have access to basic financial services.

The researcher is concerned that the lack of a clear analysis of whether a correlation exists between financial literacy and the take-up of financial services poses a serious challenge. However, this research established that better use of accessible products and services will be enhanced when a person is financially literate. The researcher observes further that financial literacy is an important method for enhancing access but more so, its importance is about leading to behavioural change rather than just access for the sake of access and therefore, access that will lead to responsible usage must be emphasised. Liew (2006) and Swart (2005) confirm this by pointing out that financial education leads to increased productivity and can influence a switch from conspicuous consumption to productive investment.

The participants strongly agreed that various institutions each have a role to play in promoting financial literacy. For instance, on the one hand, Mr Mashiya (interview, 28 March 2008) clearly indicated that the role of government is to create an enabling environment; on the other hand, Mr Clarke (interview, 31 March 2008) strongly pointed out that the FSB has a statutory mandate to promote consumer education and Ms. Ludin (interview, 03 June 2008) emphasised that the role of FinMark Trust is to provide information to the sector research. The researcher holds a strong view that no one institution should work alone if the impact of financial literacy is to be adequate relative to the needs. This argument is supported by the work of, *inter alia*, Amoako-Tuffor (2002), Adams (1992), Lerman and Bell (2006) when respectively, they identify the roles that institutions – public, private, or NGO – should play in promoting financial literacy.

It was also apparent from the participants' responses that the provision of financial literacy is the responsibility of all financial institutions. To cite an example, Mr Clarke declared that the FSB should not only be seen as a watchdog of financial institutions, but also as a regulator (interview, 31 March 2008). The researcher embraces the views of all five participants that various financial institutions do have a role to play, but there is an urgent need to clarify such roles and caution is needed so that financial institutions do not focus on product sale and marketing but are rather as generic as possible in their education approach, following the guidelines provided for in respective legislations such as the Financial Sector Charter (2003) and the Financial Services Board Act (1990) that each institution, including the MFIs, the FSB, and government departments, should therefore operate within its mandate (either directly or indirectly). According to ECI Africa (March 2004), the current financial education offered by the South African financial institutions is limited in scope to product-specific information and the intent is market penetration rather than client education.

In relation to the factors that hinder financial literacy from taking place and eventually excluding the poor from owning financial services, Ms. Hamilton (interview, 30 March 2008), Ms. Ludin (interview, 03 June 2008), Mr Clarke (interview, 31 March 2008) and Mr Mashiya (interview, 28 March 2008) all mentioned the issues of costs (costs of reaching the target market and of the financial literacy programmes) and emphasising the same views, Mr Nkwe (interview, 28 March 2008) as well as Mr Mashiya (interview, 28 March 2008) respectively mentioned general illiteracy levels as contributing factors. Claessens (2006) strongly pointed out that financial exclusion is often part of a broader pattern of exclusion that includes education (or lack thereof). The OECD (2005, p.82) confirms that some of the underserved and unbanked consumers are merely overwhelmed by the provision of information about money management and financial literacy tools because they lack basic literacy and numeracy skills. The researcher perceives that the hindrances of financial literacy are major factors and a necessary platform should be created to address them.

Furthermore, the researcher also established that the lack of proper research by the providers of financial services in general and of financial literacy in particular are an issue that encompasses other problems of inappropriate programmes offered, and irrelevant product design. The researcher observed in the data from the interviews that there is a lack of knowledge of exactly what financial literacy aspects need to be taught and as such, the providers of this service seem to be supply-driven (and not demand-driven) in their provisions of the financial programmes. This finding is supported by Ms. Ludin (interview, 03 June 2008), that the providers of the financial products do not understand the needs of the consumers (and potential customers). The OECD (2005, p.84) claims that the appropriate financial literacy programmes can help encourage the under-banked and unbanked to overcome the barriers deterring them from using mainstream financial systems. However, it is difficult to have appropriate programmes if the needs of the people are not well-known (no benchmarking research) by the designers and providers of such services. Mandell (April 2005) points out that no-one knows what areas of financial literacy are most important to teach first, and to whom.

This research also established that the participants advanced various views in relation to whether financial literacy is an important method for enhancing access. Taking from the data in the interviews, Mr Clarke was of a view that there has to be access before financial literacy can be provided (interview, 31 March 2008). In the same way, Ms. Hamilton (interview, 30 March 2008) concurred by pointing out that access is about appropriateness and the costs of financial products, and people need to know what questions to ask when given access. On the other hand, Ms. Ludin (interview, 03 June 2008) was of the view that financial literacy is a critical method of enhancing access because financial education can positively change people's behaviour. According to Beck and De la Torre (2006) financial access can be defined as the ability of individuals to obtain and, on a sustainable basis, use financial services that are affordable, usable and appropriate to their financial needs. According to the FinScope 2006 Survey, the majority of South Africans do not understand the products and services offered by the financial sector and are therefore unable to use them.

In light of the participants and literature arguments presented above on whether financial literacy is an important method for enhancing access, the researcher believes that the answer is two-fold. Firstly, if people are able to understand the pros and cons of the different financial services and products that are already available (when people are financially literate), they can influence the development of new products appropriate for them. Secondly, financial products and services that are appropriate may already be available (access may be available), but when people don't understand those products and how they affect them, access will not be used, and people will be financially excluded in the presence of access. A recent paper by Cole and Fernando (2008) strongly asserts that there needs to be a clear idea of the impact of financial literacy by way of rigorous evaluations, in order to make informed decisions about how to invest limited resources to improve the lives of the poor. Therefore, it is the researcher's strong view that financial literacy is a necessary but not a sufficient tool for accessing and using financial services.

The researcher perceives that the issue of usage of financial services is linked to the appropriateness of the financial literacy programmes. The goals of linking financial literacy and access, according to Mr Nkwe (interview, 28 March 2008), should be seeking to change behaviour and building a responsible society. The researcher believes that building a responsible society would require proper usage of the financial products and services provided. However, there could be under-usage or over-usage of financial products if the related education is not appropriate, although because of poverty issues, people may choose not to use financial services. A World Bank Policy Research Report (2008, p.13) concurs that one of the reasons why the majority of poor people may not be saving or do not have bank accounts may be because of their lack of understanding of the financial products or perhaps that the available products and services are not appropriate for them.

(ii) Relations among financial institutions and with consumers

In improving the relationship between financial institutions and the (poor) customers, in order to enhance the delivery of financial literacy, the suggestions that participants provided included Mr Mashiya's when he emphasised that there should be more appropriate, user-friendly and affordable delivery methods for financial literacy campaigns, such as making use of community radio stations to deliver easy-to-understand messages and lessons through the locally spoken languages (interview, 28 March 2008). Furthermore, Mr Clarke said there is a need for the availability of access points in the rural areas (interview, 31 March 2008). Both these views are maintained by clause 8.3.1 of the Financial Sector Charter (2003) stating that by the year 2008, financial institutions that report to the Financial Sector Charter Council must make accessible financial services and products available to at least 80 percent of people in the LSMs 1-5. The researcher argues that over and above the suggestions from the participants, the consumers need to trust the financial institutions, and trust needs to be earned and not bought. In other words, financial institutions (or the providers of financial services) need to start indicating interest in the well-being of the consumers by not emphasising profit-making over the people's welfare and as a result, they will earn the consumers' trust.

It became apparent during the interviews that the institutions represented in the interviews do not have better ways of getting feedback from their target market with the exception of the FSB's evaluation forms after their workshops. However, even the evaluation methods of the FSB are not convincing. Again, the researcher reiterates that institutions need to start caring about the people they serve in order to improve relations with them.

There was unanimous agreement from all five participants that a national strategy on financial literacy is the way to go. Emphasising the need for a national strategy, Ms. Ludin (interview, 03 June 2008) clearly stated that a national strategy will be vital in providing leadership and direction for the efforts of the multitude of stakeholders because currently in South Africa, financial literacy efforts are not co-ordinated. Likewise, Mr Nkwe (interview, 28 March 2008) pointed out that the strategy should include collective policy planning and a regulated framework. The FSB is the custodian of the current national strategy on financial consumer education in South Africa. The strategy is known as 'the consumer education initiative of the Financial Services Board (October 2001) and it is currently under review'.[17] Needless to say, the researcher is convinced that the FSB has thus far failed to better co-ordinate this strategy, and the concern that comes to mind is that either the strategy is badly developed or there are capacity issues in the FSB.

[17] For more information visit www.fsb.co.za

The researcher concurs with Ms. Hamilton's view (interview, 30 March 2008) that the FSB should be responsible for co-ordinating a national strategy on financial literacy. The researcher is convinced that with the experience that the FSB has gained thus far since the development of the first strategy, it is better positioned to take the lead and provide direction in this regard. However, for the strategy to be useful and to have an impact, relevant stakeholders need to play their defined role(s). In addition, a mechanism to better co-ordinate, monitor and evaluate the impact of the strategy must be carefully designed and managed, otherwise the said strategy will fail to serve its purpose.

4.4 CONCLUSION

Participants were made aware in a letter attached in Annexure A below that this survey is highly confidential. However, the participants gave the researcher permission to use their names in the reseach report, hence the data presentation and data analysis sections links the names of the participants to their responses.

This chapter has analysed and discussed the findings from the data collected. Discussions and arguments were also drawn from the relevant literature in helping to understand how (if at all) financial literacy leads to access and usage of financial services and what the roles of various stakeholders are in promoting financial literacy. The researcher took time to go through the responses after each interview to consolidate the interviewees' answers and interviewer's notes. She also looked for similarities in the responses that the respective participants provided. Different possible meanings of data were also explored in order to circumvent the danger of influencing the interpretation of the data and ensure that the data speaks for itself.

The presentation and analysis of this report highlights that financial literacy is a process which starts with basic education and evolves over the life of a person as his/her level of financial understanding changes and then ultimately changes the behaviour as well. The research shows that some of the factors that hinder the provision of financial services were identified as costs of training, general illiteracy levels, and the inappropriateness of the products, services and training designs.

The findings also established that there is a need for a well co-ordinated and managed national strategy on financial literacy and that this strategy should be managed by the FSB.

This research established that better use of accessible products and services will be enhanced when a person is financially literate. From the findings of this research report the researcher argued that financial literacy is a necessity but not a sufficient instrument for enhancing access and usage of financial services.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The purpose of this chapter is to present a summary of the analysis drawn from the research report and to propose some recommendations and possible areas of future research with regards to the subject matter (or related).

The production of the FinScope Surveys has introduced the appropriate approach and concerns relating to financial literacy in South Africa. The findings of the FinScope 2006 Survey, that 51 percent of the total South African adult population has a bank account and of the banked population, 45 percent of them are confused about the financial matters, provided the impetus for conducting this research report.

5.2 RESEARCH FINDINGS SUMMARY

5.2.1 Financial Literacy Framework

This research report was aimed at trying to understand if financial literacy is, or could be, a vehicle for poor people to access and use financial services.

The findings of this study have proven that there is uniformity in the financial sector in defining what financial literacy is. Essentially, the participants' responses tallied because they highlighted that financial literacy involves the provision of appropriate information, knowledge and skills which would lead to people understanding the financial terms and concepts in order for them to make informed financial decisions, thus changing behaviour for the better.

Admittedly, financial literacy might lead to an increase (value-add) in the uptake of financial services, but it is not a panacea for the problems of access because other people might be knowledgeable about the financial concepts and how they apply them but still not be able to access the services because of other issues such as poverty, religious or cultural issues and even inadequate income. Notably, people will be in a better position to make informed financial decisions if they are financially literate.

This research has shown that financial literacy programmes need to be customised because people's needs are not homogenous. It was established by this research that the content and audience of financial literacy programmes vary considerably and should be treated as such, because one person may need financial information about the mortgage lending, another could be in search of a retirement strategy, while another one could just be about savings mechanisms.

The findings also establish that there is a need for a well co-ordinated and managed national strategy on financial literacy and that this strategy should be managed by the FSB. The researcher is in total agreement with these findings that aim to ensure the positive impact of financial literacy in the country. Moreover, the researcher is of the view that the strategy should have proper monitoring and evaluation tools built in, since it was apparent in the findings that financial institutions do not have better ways of getting feedback from their target market.

It is the researcher's strong view that the current financial literacy framework is not clear at all. Therefore, clarity needs to be provided with regard to the nature, level and degree of involvement by the providers of financial literacy. In addition, programmes and material on financial literacy must be demand-led in order to address the relevant consumer needs. It is of paramount importance to also note that early intervention (through schools) could be the best and most effective way of addressing financial illiteracy in South Africa, as pointed out by Davidson (2002) and Swart

(2005). The researcher perceives that the issue of usage of financial services is linked to the appropriateness of the financial literacy programmes otherwise there could be under-usage or over-usage of financial products if the related education is not appropriate.

It is apparent from the research findings that there are unclear evaluation methods of financial literacy programmes to measure the successes and/or failures of such programmes.

5.2.2 Relations among financial institutions and with consumers

The researcher argues that the consumers need to trust the financial institutions, and trust needs to be earned and not bought. In other words, financial institutions (or the providers of financial services) need to start indicating interest in the well-being of the consumers by not emphasising profit-making over the people’s welfare and as a result, they will earn the consumers’ trust.

Despite the recognition of the importance of financial literacy in South Africa, there is no evidence that financial institutions have conducted financial literacy surveys to determine which financial topics to prioritise, except for the ECI Africa study that was commissioned by the FSB in 2004.

There is a need for a co-ordinated national strategy (collective policy planning) on financial literacy. The strategy should get buy-in and participation from various stakeholders including government departments, and the private as well as the NGO/CBO sectors. However, for the strategy to be useful and to have an impact, relevant stakeholders need to play their defined role(s) in relation to financial literacy. The FSB should be responsible for co-ordinating and leading the strategy in this regard, given the experience they have had since the development of the first financial education strategy in 2001. If the co-ordination mechanisms are mastered, there is a strong possibility of success.

Based on the findings of this research, the researcher can confidently conclude by emphasising that all the stakeholders need to work in collaboration (not in competition) to ensure better outreach and impact of financial literacy, thus allowing the people access to usage of appropriate financial services. Until this is done, it will virtually be impossible to have a financially literate South Africa.

Below are some of the lessons extracted from the interviews and also supported by the literature review on financial literacy:

a) Financial literacy is a process that begins with education and understanding that eventually leads to change in behaviour and it should be treated as a long-term process;

b) Partnerships in the delivery of financial literacy programmes can ensure better outreach and also programme effectiveness, therefore financial service providers need to form partnerships amongst themselves and also with the media to ensure the broadest outreach; and

c) Financial literacy should be mandatory in schools so as to reach the youth and thus influence behaviour from a young age.

5.3 CONCLUSION

The findings of this research would appear to support an assertion by Porteous and Hazelhurst (2004, p.185) that "financial literacy has strong features of a public good. For instance, though financial service providers will benefit from a more literate client base…, no one provider will benefit *fully* from offering consumer education to clients. After all, clients might choose to go to a competitor who has not incurred the cost of educating the client, and can therefore offer the product more cheaply. So the market alone will never provide enough financial literacy training". This point emphasises the need for better co-operation by the financial sector industries. Co-operation needs to be supported by good leadership and co-ordination mechanisms to address the current fragmentation issue as presented in Annexure B, a summary of South African financial literacy programmes.

One of the major findings of this research report indicates that, as important as financial literacy is, it might not necessarily be the most effective approach to accessing and using financial products and services, but this assertion is not conclusive because not much research has been undertaken in this regard, especially in South Africa.

However, it was clear from the data received that the better informed consumer will make an informed choice of whether or not to use the available financial products and services, taking into account other factors such as high bank charges/fees, unfavourable terms and conditions, proximity issues, inappropriate services and products, and many more. Effectively, financial literacy is not the only reason why poor people do not have access and usage of financial services.

This research suggests that financial literacy should not only be targeted at the poor but should be delivered to everyone and be customised accordingly to address the specific financial needs of various people (and various classes in the society).

The findings are clear that financial literacy is a process and not an event. As a result; proper co-ordination, as well as ongoing monitoring and evaluation frameworks need to be effected in order to provide meaningful input into the policy debates of enhancing access to, and usage of, financial services to the poor, the unbanked and the under-served, as well as to measure the impact of financial literacy training on the financial behaviour of the poor and low-income earners.

In short, much remains to be done by the current and even potential providers of both financial products and financial literacy to ensure that South Africa becomes a financially literate nation. The researcher acknowledges that it could take at least a decade for South Africa to become a financially literate nation because financial literacy is indeed a process and definitely not a panacea to all the problems of accessing and using financial services.

5.4 RECOMMENDATIONS

Based on the research findings and conclusions, the following recommendations are proposed:

a) The Financial Services Board (FSB) should urgently help clarify the roles and responsibilities of the public, private and NGO/CBO sectors in relation to the design and delivery of financial literacy tools and instruments, bearing in mind that there is a need for interventions characterised as private-public solutions. This could be achieved through the revised national strategy on financial literacy. The said strategy should be bold enough to have clear targets – for example, aim to reach 5 million people in five years (and categorise the targeted groups and indicators accordingly);

b) All financial providers should undertake (preferably as a joint venture project) demand-side research to understand and know exactly where the financial needs of the poor lie and to also identify the determinants of prudency in financial behaviour. The research would help identify the gaps and would help design appropriate products that meet the actual needs of the (poor) people of South Africa;

c) Government departments such as National Treasury, Department of Education, the Department of Trade and Industry, and the South African Reserve Bank should vigorously support the FSB, financially and through other support;

d) Each government department should have a 'departmental plan on financial literacy' aimed at reaching their target markets. This will include the Department of Social Development, National Treasury, the Department of Labour, the Department of Trade and Industry, and others; and

e) The Department of Education should be robustly engaged to discuss the possibilities of making financial literacy a compulsory subject in the school curriculum in both primary and tertiary institutions. In addition, adult financial literacy should be made systematic.

5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

In realisation of other challenges that have not been afforded full attention in this research report, the following recommendations for further studies are presented:

- Examine which financial areas need to be afforded priority and explain their perceived implications on encouraging saving and investment behaviour.
- Investigate the real cost of having a bank account versus the real cost of not having one.
- Research on how financial literacy in broad terms could influence the behaviour of all population groups and all classes of the society as well as the importance of developing indicators of financial behavioural change.

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ANNEXURE A: INTERVIEW QUESTIONS

Dear Participant

As you are probably aware, the majority of the poor people in South Africa do not have access to financial products and services. Studies have shown that financial literacy could be one way of helping these people to access financial products and services because lack of financial education contributes to lack of financial access.

I am therefore embarking on a survey to examine the role that financial literacy could play in leading to access and effective use of financial services such as opening up of a bank account. Added to that, I would like to understand ways in which various stakeholders in the financial sector could promote financial literacy in order to ultimately improve financial access for poor people in South Africa.

Please note that this is a highly confidential survey.

On behalf of the part-time Masters class - Public and Development Management (P&DM) - at the University of the Witwatersrand, I would like to thank you for your time and sincerity in responding to the questions that follows.

Thank you,

Koko Monama

Wits Part-Time P&DM Masters Student

INTERVIEW QUESTIONS

Date: ………………………………

SECTION A: PERSONAL INFORMATION

Department or Institution:

……………………………………………………..

Contact Person: ……………………………………………………

Designation: ……………………………………………………

Telephone Number/s: ……………………………………………………

Email Address: ……………………………………………………..

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SECTION B: FINANCIAL LITERACY FRAMEWORK

a. What is your understanding of financial literacy?

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b. Is there value-add in increasing financial literacy in order to get more take-up of financial services by the poor[18]? Briefly explain

c. What role does your institution play in promoting financial literacy for the poor?

d. Do you think it is appropriate for all financial institutions to participate in the promotion of financial literacy? If so, briefly explain why?

[18] For the purpose of this survey, poor refers to people in the LSM 1 – 5.

e. Do you think that your institution has a role to play in enhancing financial access and usage by the poor?

5.1. If so, what is the role? If not, please explain

c. Should your institution seek to create a special environment (appropriate products and services) in which financial access can be made possible to all South Africans? Please explain

d. In your view, what other institutions do you think are best suited to play the role of enhancing financial access? List at least 2

a)

b)

e. Please list 3 things that you think hinders the provision of financial literacy for the poor

   a)

   b)

   a)

f. Would you agree that financial literacy is an important method for enhancing access? Briefly explain.

………oooooooo000000oooooooo………

SECTION C: RELATIONS AMONG FINANCIAL INSTITUTIONS AND WITH CONSUMERS

g. What would you suggest in improving the relationship between institutions in the financial sector and the (poor) customers, in order to enhance the delivery of financial access as well as financial literacy?

h. Does your institution have mechanisms in place to get feedback from the target market (customers)? If so, what are they?

i. Do you think that it is important to formulate a national strategy that will promote financial literacy and enable the poor to participate in the formal financial market? If so, who should be responsible for the formulation of the strategy and why?

j. Any other comments?

THE END!!!

ANNEXURE B: SUMMARY OF SOUTH AFRICAN FINANCIAL LITERACY PROGRAMMES

A. GOVERNMENT:

Government Department & Parastatals	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
Department of Education (DoE)							
• *ABET*	The curriculum contains elements of financial literacy within the ABET programme	Adults with less than 9 years of schooling	Classroom	UNISA research and development	Standard outcome based	Launched in 1994, funded by Government, UNISA ABET Institute, DfID and DANIDA	ABET should consider introducing more elements focused on financial literacy.
• *SANLI*	This initiative is aimed at establishing a voluntary teaching service for illiterate adults. The pilot programme contained elements of financial and consumer literacy	Illiterate adults with no schooling	Through NGOs, community based organisations, provincial departments of education.	UNISA ABET Institute	No	Launched in 2002; Funded by DfID	Important learning from this project is use of volunteers, available infrastructure
• *Schools: Outcomes-Based Education*	Components of financial literacy in Economic and Management Science Learning Area; DoE prescribes outcomes but not content - Content depends largely on resources available and selected by teachers.	Initial focus on grades 5 to 7; Planned up to grade 12	Class room	National curriculum development	Outcome based	Launched in 2002. Funded by DoE – Also private sector support (See SBSA Foundation),	Effectiveness depends on teacher skills and resources: large discrepancies among schools. Most schools lack resources and teachers not adequately skilled. Opportunity for privates sector support
Department of Labour							
• *BankSeta*	Targeted skills training and development for the micro-lending industry	SMEs, Borrowers, and Micro finance	Accredited service providers	Yes, with assistance from external	Not defined	Launched in 2003. Funded through skills	Potential impact not yet known as this is still a new programme.

Government Department & Parastatals	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
		institutions		consultants		development levies	
• *InSeta*	Financial literacy of industry staff is essential when ensuring sound advice to clients. Financial literacy standard accredited through SAQA in addition to other SAQA required Fundamental Unit Standards.	Employees in the insurance industry	Accredited learner providers	InSeta together with external consultants	Not defined	Launched in 2002. Funded through skills development levies	Mostly targeted at employees of financial sector.
National Treasury: Mongi Mali	Debt counselling campaign aimed at reducing indebtedness of public servants (PS). Assist and advise PS on how to comply with new regulations (financial planning, debt counselling, independent advice and help services).	Government employees highly indebted through payroll deductions.	Pamphlets, posters, newsletters, booklet, call centre	No	Outreach and distribution of materials; Reduction in nr of indebted public servants	July 2001 to January 2002. Funded by LOA, SAISA, BC	Highly successful once off initiative - should consider expanded ongoing service
Department of Housing	Home Loan Guarantee Company (HLGC) contracted to develop a coherent housing consumer education programme, aimed at empowering consumers to make more informed decisions on their housing options.	People that are eligible to receive a housing subsidy	Classroom- based to be presented by trained municipal staff	Yes - Consultation with various stakeholders in the housing industry	No	Currently in pilot phase. Funded by Department of Housing	Education programmes planned to be delivered by different service providers. Content is broad, covering different housing options.
Department of Trade and Industry (DTI)	Provides information and advice at Provincial Consumer Affairs offices. DTI also involved with the	All consumers nationally	Trained staff at Consumer Affairs Offices – individual advice.	None	None	Launched in 2004. Funded by DTI	They work on various campaigns together with various partners.

Government Department & Parastatals	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
	Banking Council debt campaign and with MFRC's debt relief programme.						
Department of Social Development	None	-	-	-	-	-	They have structures in place to reach the very poor, and should consider partnering with someone in the provision of financial literacy as a potential poverty alleviation tool.
Department of Agriculture	No known programme	-	-	-	-	-	
Parastatals							
• *Landbank*	No known programme	-	-	-	-	-	The LandBank has broad outreach across various socio-economic segments, and is also better represented in rural areas than most institutions. They should therefore consider launching a programme.
• *Postbank*	Not own programme, but working with consortium: The Banking council and DTI debt campaign will use the Post Office infrastructure for distribution of pamphlets.	-	-	-	-	DTI and the Banking Council	The Postbank has broad outreach, particularly under lower income segments, and should consider launching a comprehensive ongoing financial education programme.
• *Khula*	No CFL programme, only a mentorship for businesses	-	-	-	-	-	-

B. REGULATORY BODIES

Institution	Programme description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
Regulatory Bodies							
South African Reserve Bank (SARB)	SARB is committed to helping South Africans save. In response to the pyramid schemes in the 1990s, SARB contracted the Educational Support Services Trust to produce and develop booklets as part of a National Community education project intended to bringing financial know-how to all South Africans.	All South Africans	Distribution of two booklets	Yes	None	1997 and 2002. Funded by SARB	The booklets are the only two initiatives we came across. They should in future consider supporting the banking industry in the development of financial literacy programmes.
Micro Finance Regulatory Council (MFRC)	Empowering borrowers through consumer education to make informed financial decisions. Multifaceted approach using different communication tools, media, hotline, workshops. They are also running a debt relief programme	Service providers, borrowers, lenders, government, NGOs, trade unions and employers.	Workshops, counselling, multimedia, booklets, media briefings and interviews	Informal through client queries and complaints	None to date - Looking at introducing impact assessment	Launched 1999. Funded by Ford foundation, MFRC, SABC.	Excellent and very comprehensive programme. Borrower knowledge has improved but more could possibly be done to encourage responsible borrowing and lending.

C. INDUSTRY BODIES - CHARTER

Institution	Programme description	Target	Delivery mechanism	Formal Research	Measure/ Assessment	Duration and Funding	Comments
Banking Council	The Banking Council is currently involved in a campaign aimed at educating the public about the consequences of over-indebtedness, and the risks and costs involved in opting for debt administration.	South African population	Pamphlets, posters, print media, radio	Yes	None	Feb. 2004 for 6-12 weeks. Funded by DTI and Banking Council	We anticipate the Banking Council will increase their level of involvement in CFL under the Charter.
South African Insurance Association (SAIA)	Ad hoc exposure in media through editorials, etc Developing a Q&A information page which has the most commonly asked questions and answers to explain some issues about insurance to policy holders.	Policy holders	Q&A through brokers	No	None	Still in inception phase. Own funding	Individual insurers seem to prefer working through SAIA. Limited activities to date, but strong support for FSB is encouraging and could make a difference to FSB programme.
Life Offices Association (LOA)	Informative articles in above the line (ATL) media. Different theme every year, 2004 focus on HIV/Aids and assurance. Goal to educate public on assurance related matters	Current and potential assurance clients	ATL – Mostly newspapers; Branded LOA	None	None	On-going. Self-funded	Excellent programme on HIV/Aids. Media provides limited frequency of message. Target market and message limited to insured.
Association of Collective Investments (ACI)	Involved in newspaper articles and adverts as well as sponsored some industrial theatre. Also supporting FSB initiative.	Clients	Print media	None	None	Ad hoc. Own funding	Limited impact of own initiative - would achieve more by becoming part of bigger initiative like FSB.

D. INDUSTRY BODIES (NON-CHARTER)

Institution	Programme description	Target	Delivery Mechanism	Formal Research	Measure	Funding	Comments
National Stokvels Association of South Africa (NASASA)	No known programme	-	-	-	-	-	
Microlenders Association (MLA)	They are currently restructuring and consumer financial literacy is part of their proposed strategies. Currently they have poster and pamphlet campaigns giving advice to potential and current clients.	Current and potential micro lender clients.	Posters and pamphlets; Advice and counselling.	None	None	Launched 1995. Membership fees	MLA has large membership and more comprehensive initiative should be considered, possibly through partnering with other financial institutions.
National Co-operative Association of South Africa (NCASA)	Burial Society organisation and Management training	Burial society members	Classroom based	None	None	Funded by burial societies	Focus of training is not CFL but focused more on burial society management.
South African Savings Institute (SASI)	The institution aims to educate the SA public on importance of savings. Financial literacy programmes are co-coordinated in association with other organisations.	All sectors and segments of society	Workshops in collaboration with other organizations; Media	None	Measure savings behaviour	Launched in 2001. Funded by IDC, IPC and membership fees	Future of SASI uncertain, as the executive officer recently resigned.
SACCOL	No focused financial literacy programme to date; Some info through quarterly newsletter; Also developing "Your SACCO Handbook'" focusing on various financial issues (housing, funeral insurance, etc).	Members	Booklets through CUs	Gen. annual members survey (not CFL specific); Some core problems identified: managing finance indebted-ness; lack of banking knowledge	None	Part of business communication	SACCOL should encourage member organisations to introduce financial education programme, as they have large outreach particularly under lower income groups

E. FINANCIAL INSTITUTIONS: BANKS, FOUNDATION AND INSURANCE HOUSES

Financial Institution	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
BANKS							
ABSA:							
• Business	Mass Marketing: product usage focus – evolving programme. Started in 2000 with focus on ATM usage (safety). Evolved to product usage; useful tips to broad-based radio on various CFL-related topics. Mostly ABSA product focus.	Mass market: Current and potential customers	Product pamphlets; ATL such as CommutaNet and radio	No – based on analyses of usage of products, client queries, etc	Monitor usage of product (e.g. increase in ATM usage?) and client queries	Evolving programme since 2000. ABSA Mass Marketing	Programme still limited and very marketing oriented often with branded product info. ABSA would like to engage with other banks on a coordinated approach.
• ABSA Foundation	No known programme	-	-	-	-	-	Financial education is important for society and banking industry, and the Foundation may want to consider involvement in this area.
SBIC:							
• SBSA Business	Mass Marketing – product usage focus. Future marketing strategy to include educational component in all mass marketing communication. Own housing education programme	Mass Market; current and potential clients	Product pamphlets; Radio comedy; TV through soapy	Analyses of MIS and client queries. Considering primary research	Impact of radio activities researched.	Started 2003 – On-going. Marketing	Interested in engaging with other banks to complement own activities.
• SBSA Foundation	Flagship national programme providing training and training material to teachers for financial literacy outcome.	All schools; already rolled out to Gr 7 in 2000	Development of content and material: workbooks & CDs for learners and teachers. All material available on web	Some limited content research	None	Started development in 2000. Foundation already committed R9 million.	Incredible programme in terms of objectives, outreach, commitment and content. They have ready access to schools and government contacts – Willing to share information and lessons with others.
Nedcor Group							
• Nedbank	CFL viewed as being in collective space - banks need to engage.	-	-	-	-	-	Not much has been done formally to date. Would like to engage

Financial Institution	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
	Currently conducting best practice review and internal audit for engagement with other banks around the Charter.						with other banks once internal audit complete.
• * People's Bank	Has co-funded various initiatives driven by Old Mutual; future initiatives will form part of Nedbank mass- market segment.	-	-	-	-	-	See Old Mutual
• Nedbank Foundation	Limited activities to date, but intend more focused/formal CFL activities in future; Inherited NBS, BOE and People's foundation activities. Looking at how to synergise. The foundation will continue to fund limited NBS school-based programme in areas around branches (KZN).	Schools (limited programme) – KZN	Classroom based	-	-	-	Strong fund with massive potential to launch a strong programme and support exist in community-based education initiatives. Can also leverage current involvement with low-income schools.
First Rand Group							
• FNB	Comprehensive classroom-based programme modelled along Royal Bank of Scotland approach. Tiered approach accredited by NQF and includes RPL assessment Looking at other additional initiatives in mass market segment	FNB staff (all levels); Future: packaged as employee-based training at large companies; in talks with DET on possible roll-out to schools	Class room based – learners can receive certificates Mass market initiative delivery approach not yet defined	Content largely influenced by feedback/ questions at S. Orman workshops; Primary research in progress under mass market	No	Development started 2002. Funded by business; Employers to pay for employee-based programmes	Appears well-developed; Proprietary nature will limit outreach. Training package viewed as competitive tool.

Financial Institution	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
• RMB Foundation	Provides in-house education and training to staff and clients. Works closely with the RMB academy to offer programmes ranging from financial management, public management and introduction to commerce studies.	Community and Individual Development Associates (CIDA) City Campus students, staff, and the general public	Short-term courses to 4 year long courses	Content influenced by the course presenters who are active role players in the industry		Of the 53% of Foundation Funds allocated to education, 17% is geared to financial literacy programmes	CIDA programmes are enriched with the expertise of professionals from different consulting companies – Excellent example of working with existing community structures
African Bank Foundation	Their Money School is dedicated to empower consumers through education. Focus on: personal money management; how to be financially successful; savings; budgeting; loans and interest. Debt issues are being added to content. Planning further initiatives.	LSM 4- 7, employees, clients and potential clients	Classroom based sessions. Considering community radio shows and community forums. Working with CIDA City Campus.	None	None	Money School launched in 2000. Funded by Foundation	Won MFRC Consumer Education Award for various financial education initiatives.
TEBA Bank: Financial Education for the Poor	Two related programmes being developed: 1. On request of mine unions: training on indebtedness; 2. Initiated by Micro finance Opportunities: broad-based financial education programme including: Savings, budget, debt management, cash flow.	Clients and communities from which mineworkers migrate: mines and rural LSM 1-5	Workshops classroom based and other media for on-going messages	Yes – primary research	Plan to develop some measures that will be linked to changes in behaviour	In development. Funded by: Teba CSR funding - mineworker indebtedness programme CitiGroup Foundation- MF Opportunity initiative	One of the few programmes where intensive research is being undertaken upfront to establish needs and the most appropriate form of approach to education. It is objective and will be run by the CSR with little marketing and sales influence. .
Capitec	No known programme	-	-	-	-	-	-
Sanlam	No dedicated broad-based programme; View: Current and potential customer CFL activities should be branded; Potential role for corporate social	Current & potential customer base	Sales, PR, Marketing: Financial advice through brokers and agents; ad hoc editorial;	No	n/a	On-going. Funded by marketing	No comprehensive programme – current initiatives more marketing oriented

Financial Institution	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
	investments (CSI) in LSM 1-3 – should be broader than CFL and include Life Skills (Currently no CFL Foundation activities)		participation in radio talk shows; local radio stations: "Sound Financial Advice"				
Old Mutual (in partnership with People's Bank)	Comprehensive strategy throughout business (various business units and marketing different forms of involvement); Broad-based CFL incl. budgeting; focus on assurance related issues. View: See role for government – specifically to control credit.	Current and potential clients – biased towards lower end; Piloted schools programme	Major multimedia campaign (primarily radio) – moving into TV. Also employee-based seminars; Editorial; Booklets (distribute through People's Bank); Workshops with women's groups; moving into TV	Yes; also adjust ATL content on on-going, based on primary research.	Yes – assess effectiveness of ATL	Launched around 2000. Funded by various business units and marketing; Co-funded by People's Bank)	A comprehensive campaign delivered through various means; Various business units involved; Excellent content and delivery.
Liberty Life	Plan to develop Trustees training on pension funds and provident funds.	All trustees	Through workshops.	None	None	Own funds	
Liberty Life Foundation	Mindset Networks creates, sources, and delivers free educational material via satellite. Covers on maths, English and science to date. Plans to include fin lit are being made	Grade 10, 11, and 12 learners and educators	Via satellite TV and publications through the Sunday Times.	None	None	2003	Outreach of Satellite TV limited and biased to upper end of market.
Metropolitan Life	Mostly ATL and seminars – focus on assurance info. Asset Management involved in training Trustees of Pension Funds. View: Role of government critical, unbiased. More focused/comprehensive financial education plan being considered.	Current and potential clients; Bias to women and lower end of market. Pension fund trustees	Workshops, seminars and editorial in various ATL – all activities branded	No	No	On-going. Funded by marketing and business units	Limited programme – marketing biased.

F. MICRO-FINANCE INSTITUTIONS

Institution	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
IEMAS Trade Cooperative	IEMAS places a high value on ethics and educating consumers. Training focuses on how to escape the debt spiral, budgeting, the role of money, savings and investments, how to buy a vehicle, how to buy a house, estates and wills. They are in the process of getting accreditation through BankSeta. They also have a HIV/Aids workplace programme for staff.	Targeted at potential clients before they access loans. Company employees, potential clients. Blue-collar workers, admin. and clerical staff.	Classroom based	Yes	None	Started 2000. Own funds	Limited outreach.
Marang	No known programme	-	-	-	-	-	-
Beehive	Group lending methodology and training is provided before loan is approved. Content covers product and organisation information but it includes client rights, recourse and contractual obligation.	Potential clients applying for a loan	Classroom based	None	None	Own funds	Focus is more on group lending and on consumer rights for borrowers, than on financial education.
Small Enterprise Foundation	HIV/Aids training delivered through Health System Development Unit of Wits University						They could consider introducing financial literacy training: a core requirement for small businesses.

G. NGOs, CONSUMER BODIES, UNIONS & TRUSTS

Institution	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
National Urban Reconstruction and Housing Agency (NURCHA) provides low cost housing finance	Promotion of savings to contribute towards home ownership. CFL focus on: savings, banking relationship, home ownership, managing financial affairs	Low-income people	Workshops with discussions, Q & A sessions and presentation from banks	None	None	Jan 2001 – April 2002. Dept of Housing and Open Society Institute of NY	Programme on hold for the moment.
Rural Loan Housing Fund (RLHF)	Empower rural people to maximize home ownership – focus on: Loans, costs, building advice, planning, etc. Currently reviewing their manual to include more financial information	Rural people in non-metro areas	One-on-one advice and manual	None	None	1999. Funded by the German development agency KfW	Manual may not be effective among low literacy clients.
Home Loan Guarantee Company (HLGC)	HLGC programmes educate potential home loan guarantee clients with the aim of reducing the risk of the HLGC. They work through banks that provide guaranteed loans.	All potential loan guarantee clients	Classroom based through banks; Presented by HLGC staff	None	None	Funded by HLGC	Experienced trainers with a good track record and highly regarded in the housing industry.
Black Sash	Main focus is on debt avoidance and management. Involved with MFRC on debt relief programme as well as with campaign sponsored by DTI and Banking Council. Also offer paralegal services to the public	Grant recipients in SA as well as the general public	Advice and counselling	None	None		

Institution	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
SA National Consumer Union	Aim to help consumers make appropriate decisions and to know their rights. Focus on: budgeting, rights of the consumer, debt management; how to be a smart consumer	The unbanked and under banked	Workshops organised through municipalities and consumer bodies. Produced booklet but has no clear distribution channel yet.	None	None	On-going since 1989. Private funding	Financial constraints limit the extent of involvement in CFL
National Consumer Forum	Provide skills and knowledge to empower consumers. Focus on: Credit, you and your bank, cost and fees, budgeting, insurance	Low income groups	Radio, workshops	None, but looking into short-term insurance industry together with Consumer International – a representative on sustainable consumption by governments and NGOs. Involved in workshops, research and publications.	None	On-going since 1998. Funded through membership fees. They do not accept funding from corporate organizations	Have been involved in the establishment of a Credit Bureau Ombudsman. Limited CFL because of financial and resource constraints.
You & Your Money (Started as volunteer group; developed into small NGO. Based in Wynberg, CT)	Different programmes: • Debt advice centre. 6-month counselling programme in workshop form. • Seminars over 5 months: to employee based programmes &	Low end of the market - Debt advice: people off the street; Other NGO 'clients', pensioner'; Some large corporations employee-	Classroom based – workshops or seminars; 5-6 month programmes	No – work directly with people in need of help. Adjust programme accordingly.	Work with people until out of debt	Started 2001. Undisclosed foreign donor and corporate contributions; Some self-financing through employee programmes	Excellent example of community-oriented programme. Provides opportunity for partnerships or funding by corporates.

Institution	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
	community groups. • Work closely with Black Sash and other debt activist groups – also train debt activists in rural areas. Content adjusted based on group – focus on debt management, budgeting and saving	based training (incl. SARB staff)					
Vuka Trust: FIT Financial Intelligence Training	Ensure mass information distribution of education on financial services and simple economics. Focus on: Concept of money and exchange, transactions, debt responsibility, savings and savings union. HIV/Aids focus within their savings union	PDI and financially challenged	Class-room based - 8 sessions of 45 minutes each	Looking into poor attendance at job creation workshops, the financial position of the breadwinner and access to financial services for the unemployed or informally employed individual	None	1998. Abha Trust Prosperity Network Pty Ltd NUCOF,	FIT covers savings and savings union in light of high levels of indebtedness.
Mine Workers Development Agency - MDA	Used to provide business skills, financial management training and ABET. No longer providing training themselves. They have sub-contracted this function out	Rural communities, ex –miners	Classroom based	Yes	No	Mines	Recognises the importance of financial literacy but is not planning on getting involved.

Institution	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
SACP/COSATU	Train Trustees of Pension, Retirement and Provident funds themselves Focus on: Understanding the different funds, impact of HIV/Aids on funds, regulatory implications. The trustees are responsible for giving feedback and educating members.	Trustees	Classroom based	No	No	Own funding	Unions have a significant role to play in the delivery of financial education programmes in the workplace, albeit through placing pressure on employees to undertake workplace financial literacy training.
FEDUSA	No CFL programme but they are keen to be part of FSB initiative						The support of FEDUSA to a national initiative can lend strong credibility to the programme under employees and also provide possible information distribution channels.

H. PRIVATE/CONSULTING COMPANIES (SUPPLIERS OF CFL PROGRAMMES)

Company	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
Business Education Design	Active reflective learning, which enable sustained learning to occur. Content focus: Business literacy - understanding income statement. (Consulting company involved in the design and implementation of business literacy programmes)	Employees	Experiential learning, application phase and applied project	None	None	Since 1995. Employers pay for training	The business related concept could be translated to personal circumstances.
Summit Financial Partners	Specialising in providing superior financial solutions to employees. These include home and term loan, credit life insurance and funeral cover benefits. Also: clever spending, maximise profits, savings, borrowing.	Employees	Classroom based, computer based training, guide	Yes - into debts, interests rate charges	None	Since 2000. Employers pay for training.	Innovative and well-developed programme. We anticipate that their programmes will grow and target different sectors of the South African population as effectively.
Vukani Africa Investment Management Services	Seeks to transform the African client from a consumer to an investor, capable of making informed financial decisions. Content focus on: Personal financial control, personal risk management. personal wealth creation.	Emphasis on PDI but cover entire population	Classroom based	None	None	Started 2000. Employers pay for training.	Interested in targeting burial societies and Stokvels but constrained by the lack of financial resources. An opportunity for a corporate partner?
Ikhumiseng Consulting	Content focus on: Financial environment, financial planning, expenditure, pay slip, debt and credit, interest, bank statement, insurance, investment, budgeting.	Employed	Classroom based - 2 days	Yes	None - Proposed to do survey of participants after workshop	Started 2002. Employers pay for training.	
Investment Wise	Focus on training of financial	Workshops to	Seminar/Talk	No	No	Ad hoc since	

Company	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
(Small private consulting company based in CT)	adviser; Also do some workshops and seminars to selected audiences on invitation; training of Trustees of Pension Funds. Workshops focus intended on investments, but found need for managing debt as starting point	date: LSM 7+ women's groups				2002	

I. MEDIA

Company	Programme Description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
Kagiso TV	Focus on: micro business training. No financial literacy programme. HIV/Aids campaign used by Soul City.	Low income women groups.					Still need funding to develop financial literacy programmes.

J. UNIVERSITIES

Government Department & Programme Name	Programme description	Target	Delivery Mechanisms	Formal Research	Measure/ Assessment	Duration and Funding	Comments
UCT: Diaries	Independent programme funded by Ford Foundation: income and expenditure of 146 households	LSM 1-5	n/a	Yes – Primary research	n/a	Started 2004. Ford Foundation	Not directly relevant to CFL, but may provide input into CFL needs
UNISA	No CFL Programme per se; Only training of ABET trainers	-	-	-	-	-	-
UWC	Programme developed for Saambou; has not been used. Focus on: General CFL: Budgeting; debt management; savings – Focus on housing	Potential Saambou clients – Lower LSMs, but employed; Intended to target employers	Classroom based with game	No, but did conduct some informal research	None	Never launched. Saambou	Valuable programme – requires an institution and funding to move forward
CIDA (City Campus – Johannesburg)	CIDA City Campus is a higher education institution offering affordable education to the historically disadvantaged. First year students are trained in the African Bank Money school Management programme. Afterwards students volunteer to be facilitators and offer training to their communities when they return home on their holidays.	Low income communities	Classroom based organised by students in their home towns	None	None	Started in 2001. African Bank	Innovative and cost-effective way of involving community members to improve outreach.
University of Stellenbosch	No known programme	-	-	-	-	-	-