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PROVINCE OF KWAZULU-NATAL

**Financial Literacy in KwaZulu-Natal - a Case of Umkhanyakude District
Municipality**

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Topics covered

1. Introduction
 - 1.1 Background
 - 1.2 Problem statement
 - 1.3 Objectives of the study
2. Methodology and Data Collection
3. Results
4. Conclusion, Recommendations, Limitations and Further Research.



1. Introduction

- ❑ Financial Literacy is the ability to effectively evaluate and manage one's finances in order to make sound decisions (Atkinson and Messy, 2012).
- ❑ Financial illiteracy means that individuals are short of the working knowledge of financial concepts and do not possess the necessary skills which are essential in making economically enhancing decisions (Struwig *et al.*, 2013).



1.1 Background

- Financial education in schools, workplaces and business improves financial behaviour (Gale and Levine (2015)).
- Education has positive effects in augmenting personal saving (Bernheim *et al.*, 2001).
- Illiterate individuals find it ambiguous to address basic financial issues (Bernheim, (1998)).
- In SA, Financial literacy is generally low amongst women, young people between the ages of 16 and 29, and amongst black Africans and colored people (Roberts *et al.*, 2012 & 2013).



1.1 Background...continued

- ❑ As expected level of education in rural farms, traditional areas and informal settlements recorded the lowest financial literacy levels in SA (*Struwig et al.*, 2012 & 2013).



1.1 Background...continued

- C = 61.2% of the national real GDP
- Savings = 15.3 % as a percentage of GDP
- Savings by households = 0.2% of GDP
- Debt-to-disposable income ratio at about 78% (SARB, 2015)
- Rely on FDI
- Exchange Rate
- Government debts

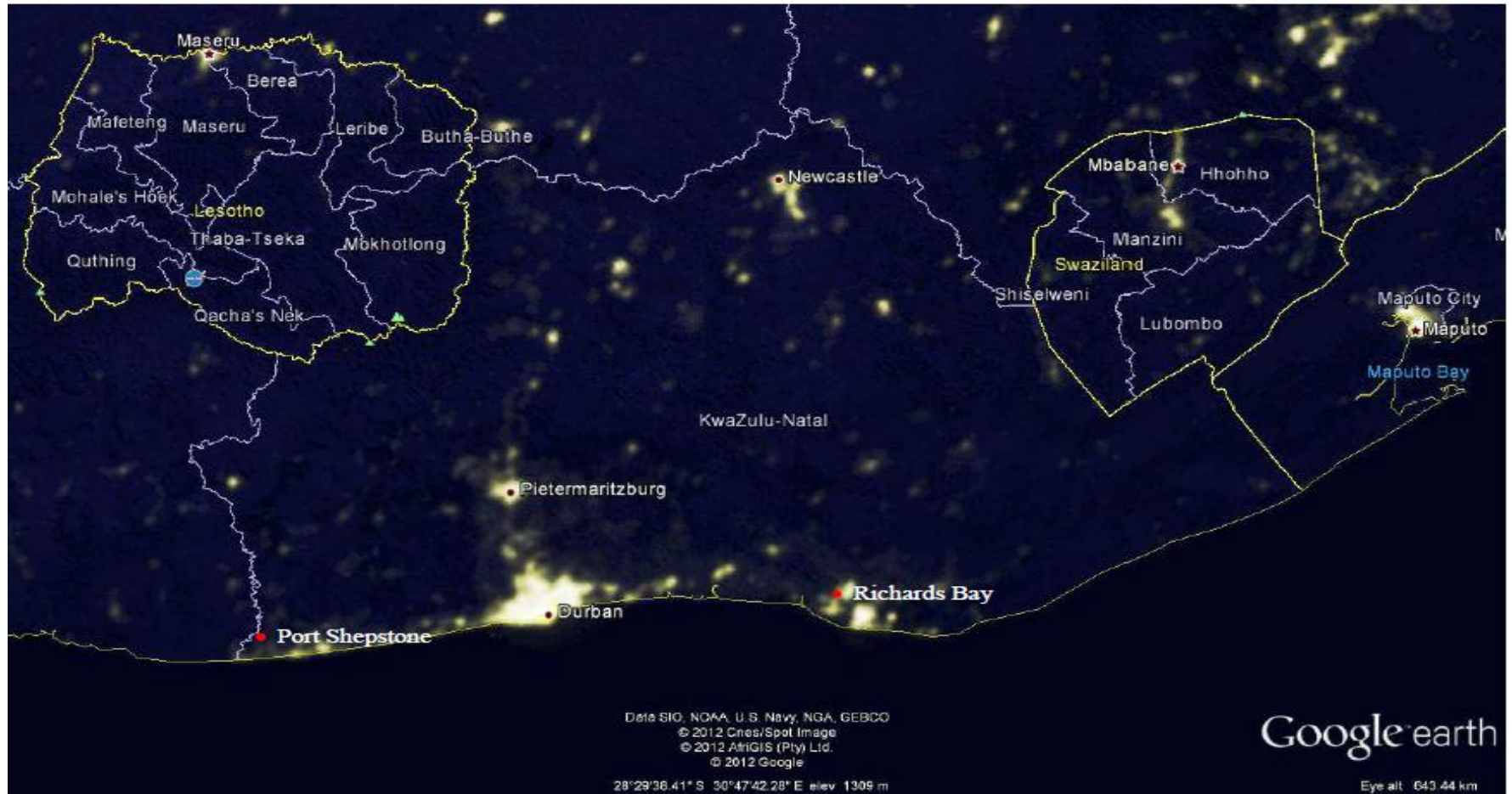


1.1 Background: Why Umkhanyakude?

Key Socio-economic indicators

	2014	
	KwaZulu-Natal	Umkhanyakude
Population size	10 694 400	642 821
%share of KZN	100	6.01
% Share by LMs to DM		100
GDP-R	R 476 100 965	R 11 776 070
%share of GDP-R	100	2.47
GDP Per Capita	45 308	18 319
Unemployment rate	21.8%	32.7%
People in Poverty	42.5	56.1
HDI	0.56	0.47
Inequality(Gini- Coefficient)	0.63	0.58
Literacy (20+ years with Gr7)	80.0%	68.7%

Source: Stat SA , 2014 & 2015 and Global Insight, 2015





1.2 Problem statement

- ❑ What is the level of financial literacy among the people of Umkhanyakude in terms of money management, financial planning, choosing appropriate products as well as financial knowledge and understanding ?



1.3 Aim of the Study

- ❑ Identify potential needs and gaps in terms of specific aspects of financial literacy in Umkhanyakude District Municipality (UDM).
- ❑ Understand Financial literacy in terms four (4) components:
 - financial control,
 - financial planning,
 - choosing financial products, and
 - knowledge & understanding of financial matters.



2. Research Methodology

- ❑ Sample design: 521 questionnaires to households at ward levels using Community Development Workers (CDWs), covering local municipalities in UDM (Umhlabuyalingana, Jozini, The Big 5 False Bay, Hlabisa and Mtubatuba).
- ❑ Represents 0.4 per cent of the total 133 391 HH in the DM (Global Insight, 2015), while GHS survey by Stats SA = 0.2% (about 30 000 of the total 15 341 959).
- ❑ A single member (16 years or older) of a household was randomly chosen and the CDW assisted him/her to fill in the questionnaire (20 questionnaires per CDW).



2. Research Methodology.... Cont

- When weighted, the sample size represents a total of 108 576 households in Umkhanyakude.
- CDWs were provided with a one day training on selection and sampling of households; operating procedures; research protocol; and ethical considerations.
- Questionnaire was discussed in detail.
- Providing clarification on questions.
- Data collection commenced on 1 Nov 2014 to 31 March 2015
- Quality control.

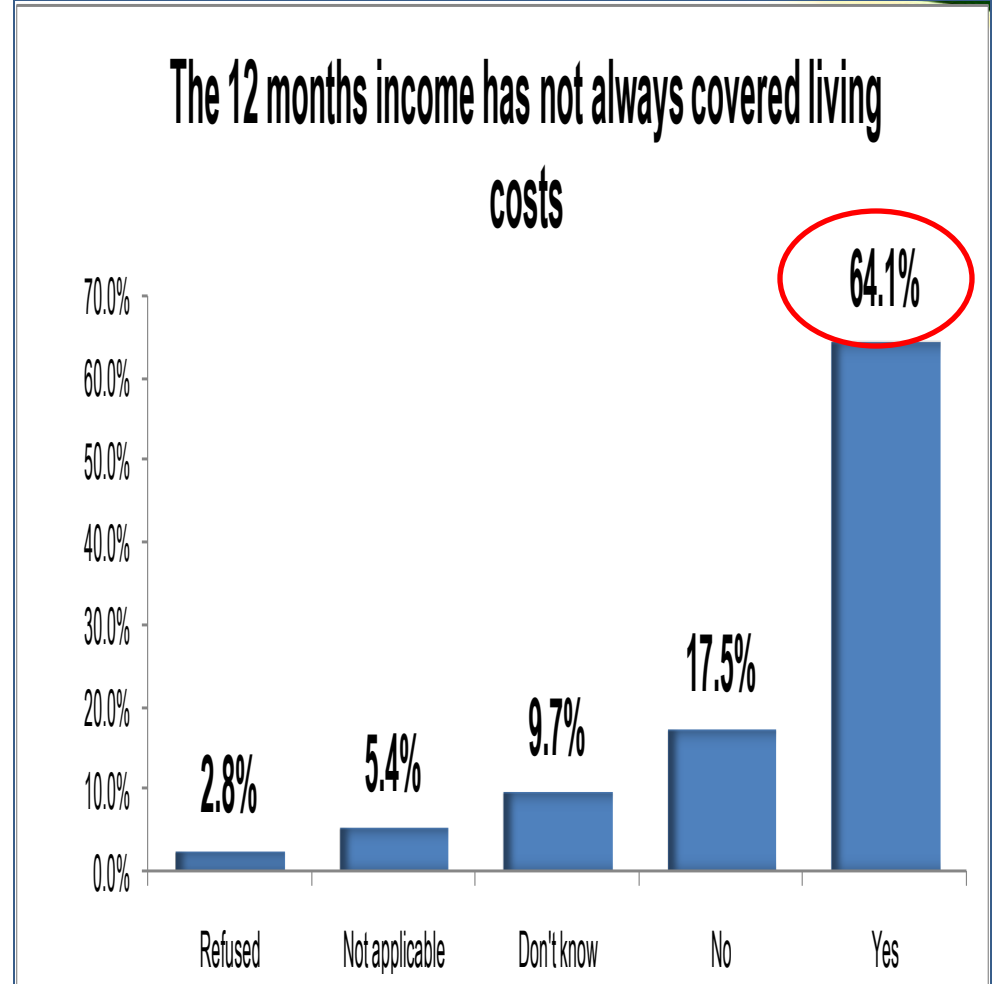
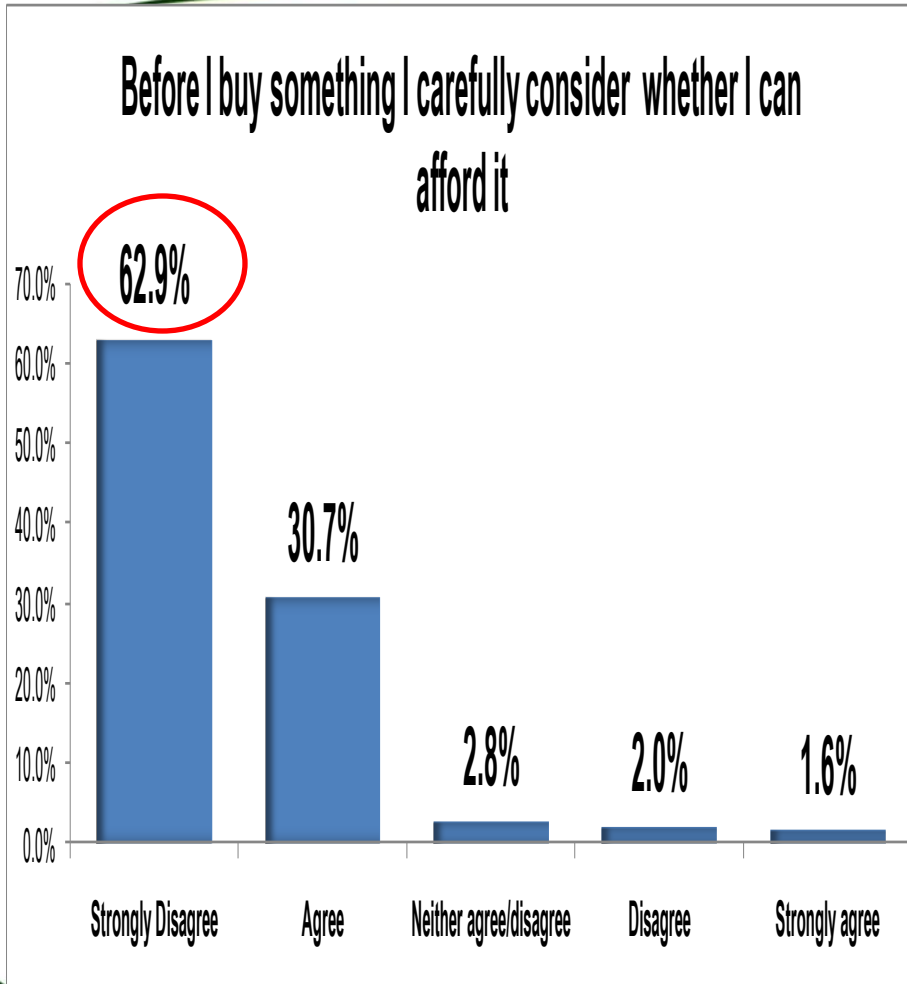


2. Research Methodology...Cont

- Questions were structured into 4 (four) themes:
 - Money Management
 - Financial Planning
 - Choosing appropriate products
 - Financial knowledge and understanding.
- HH were randomly selected from each ward within the 5 LMs.
- Data was captured using SPSS.
- Chronbachs Alpha was used to calculate for Validity and reliability.



3.1 Results: Financial Management

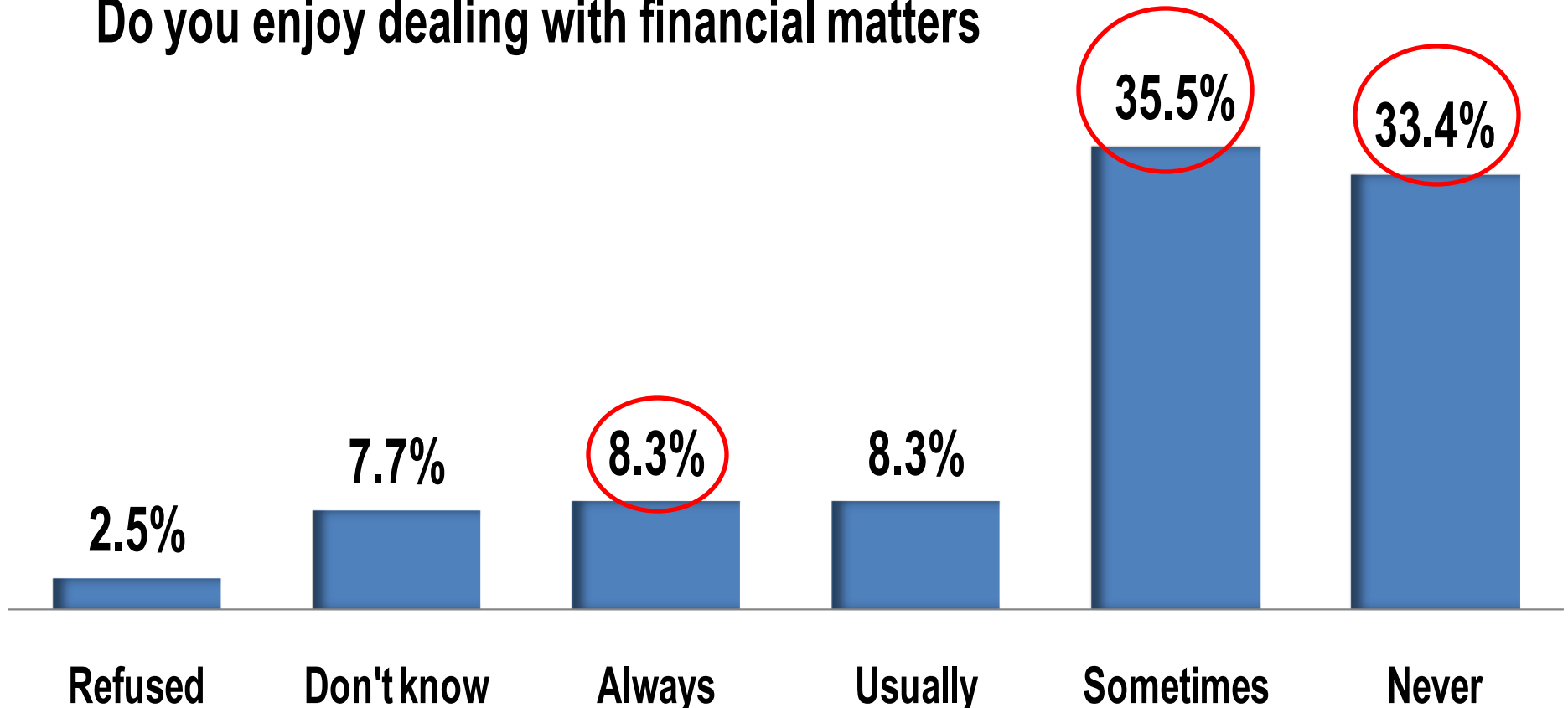


Making ends meet



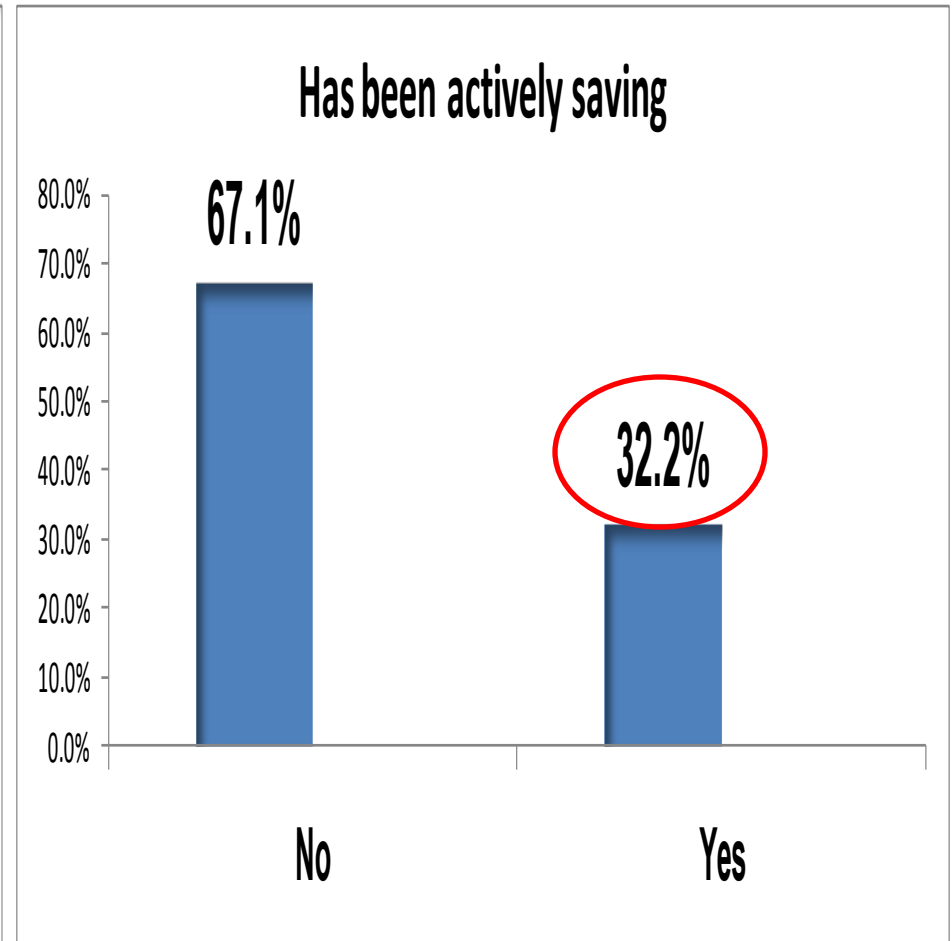
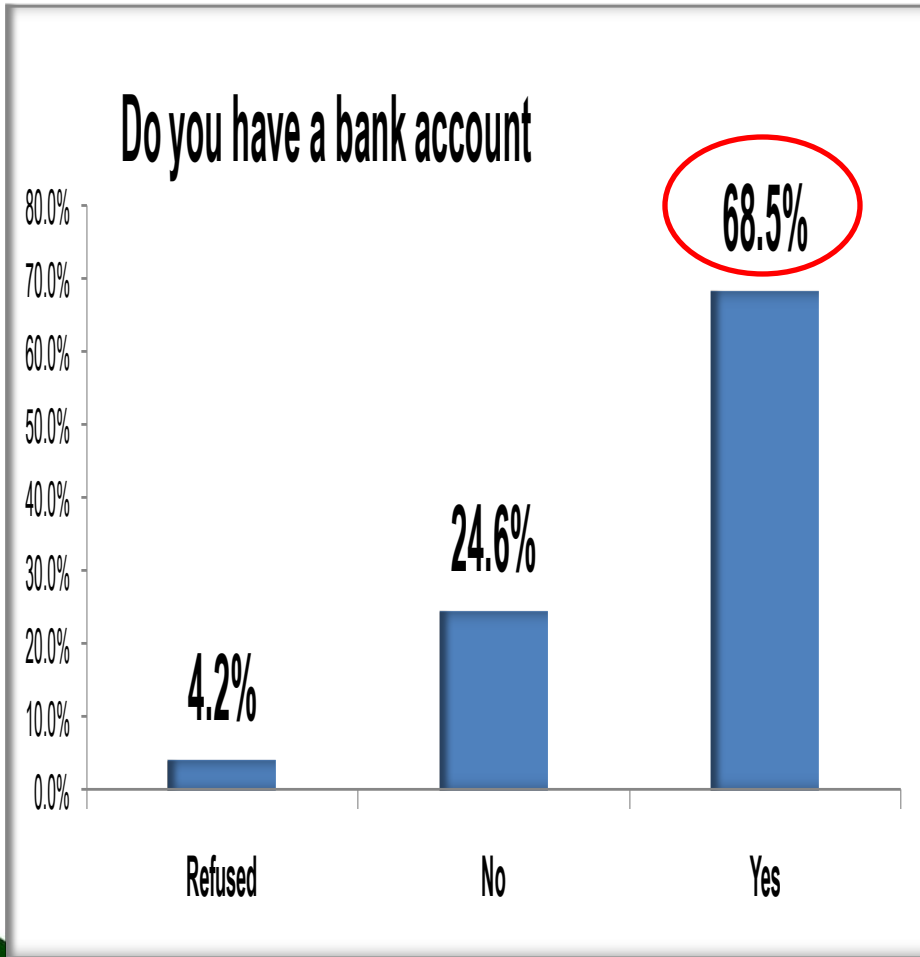
3.1 Results: Financial Management...Cont

Do you enjoy dealing with financial matters



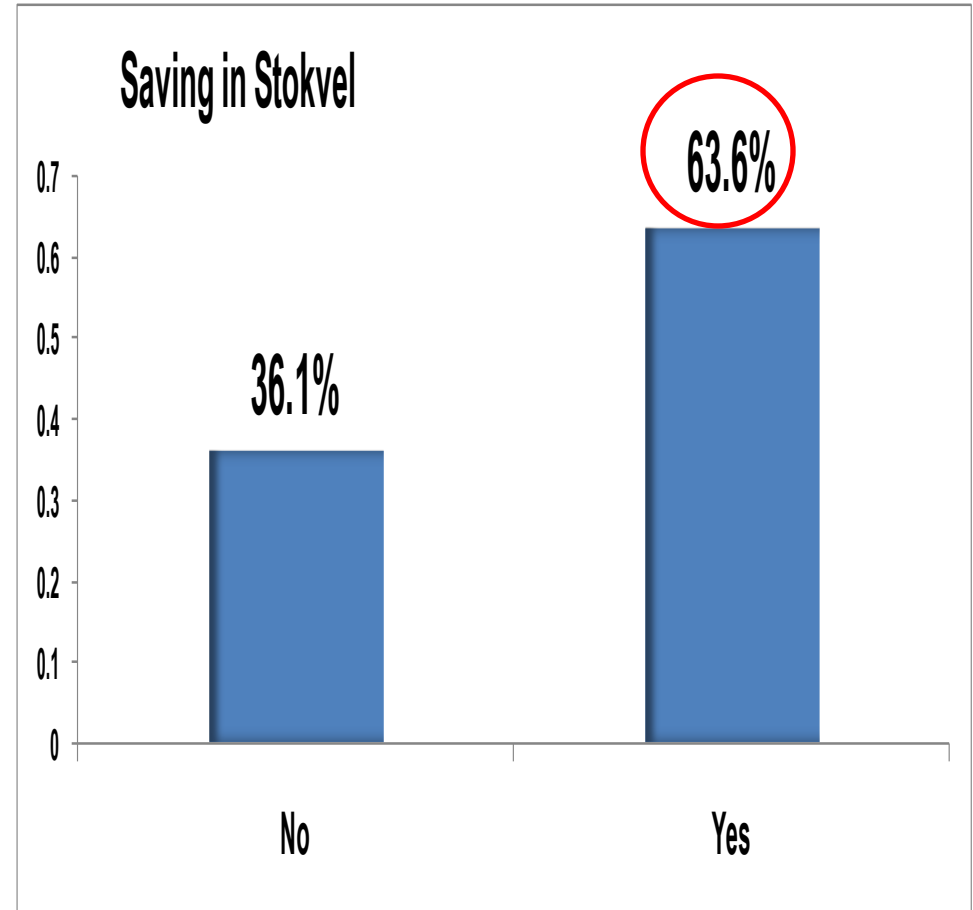
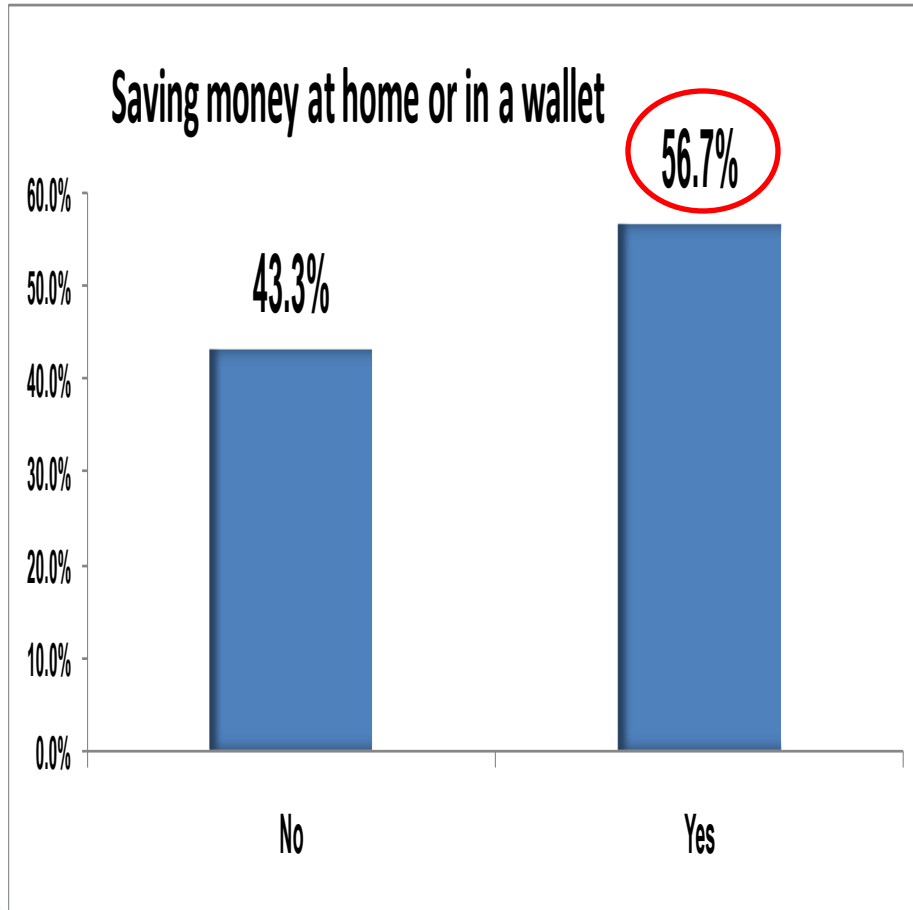


3.2 Results: Financial Planning





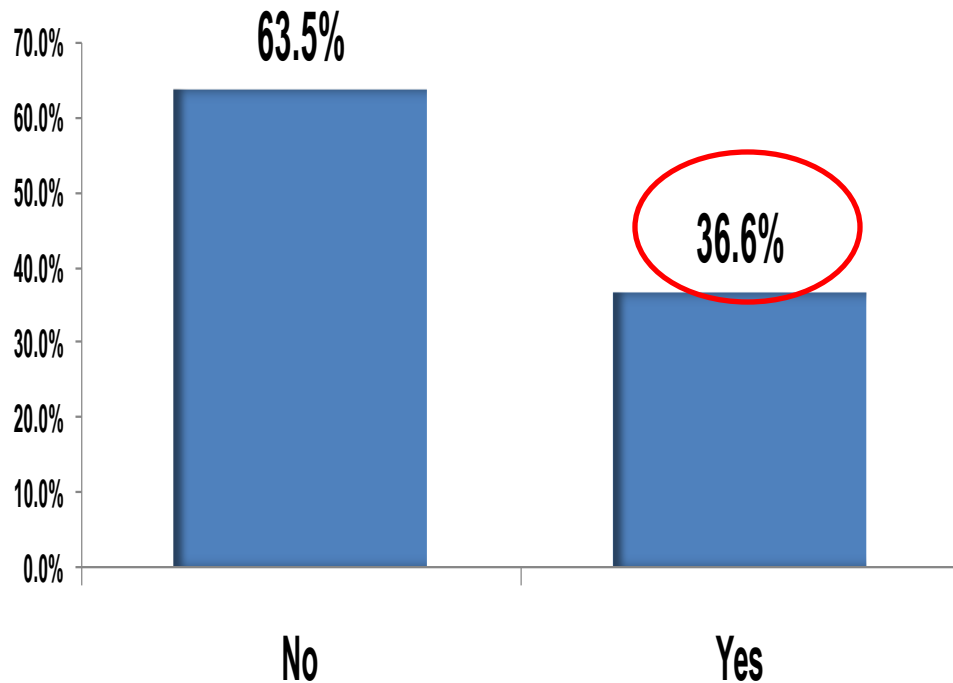
3.2 Results: Financial Planning....Cont



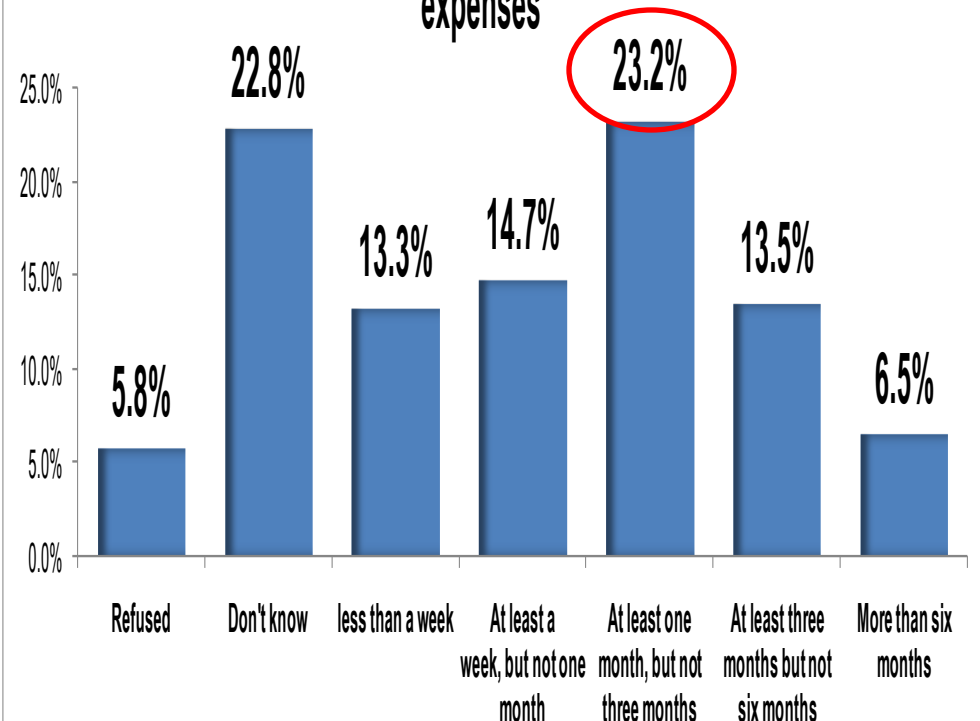


3.3 Results: Financial Planning

Buying Financial investment products other than pension funds

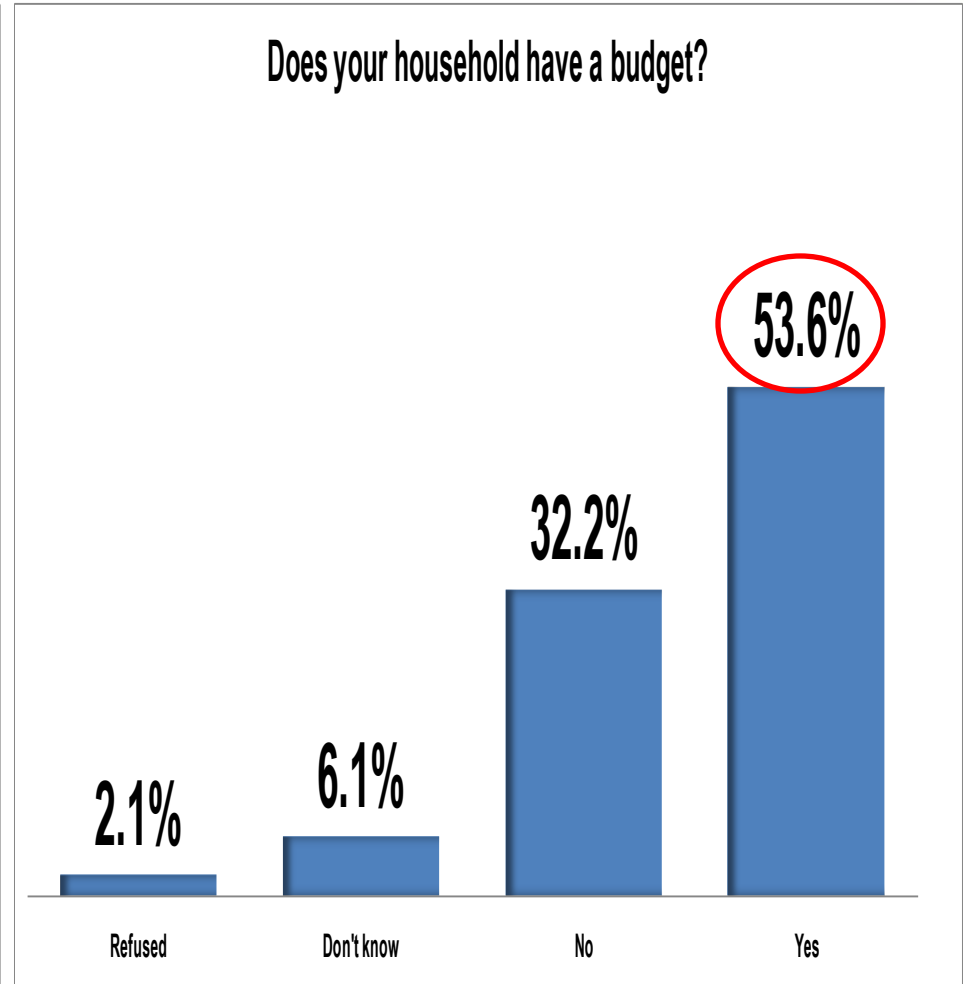
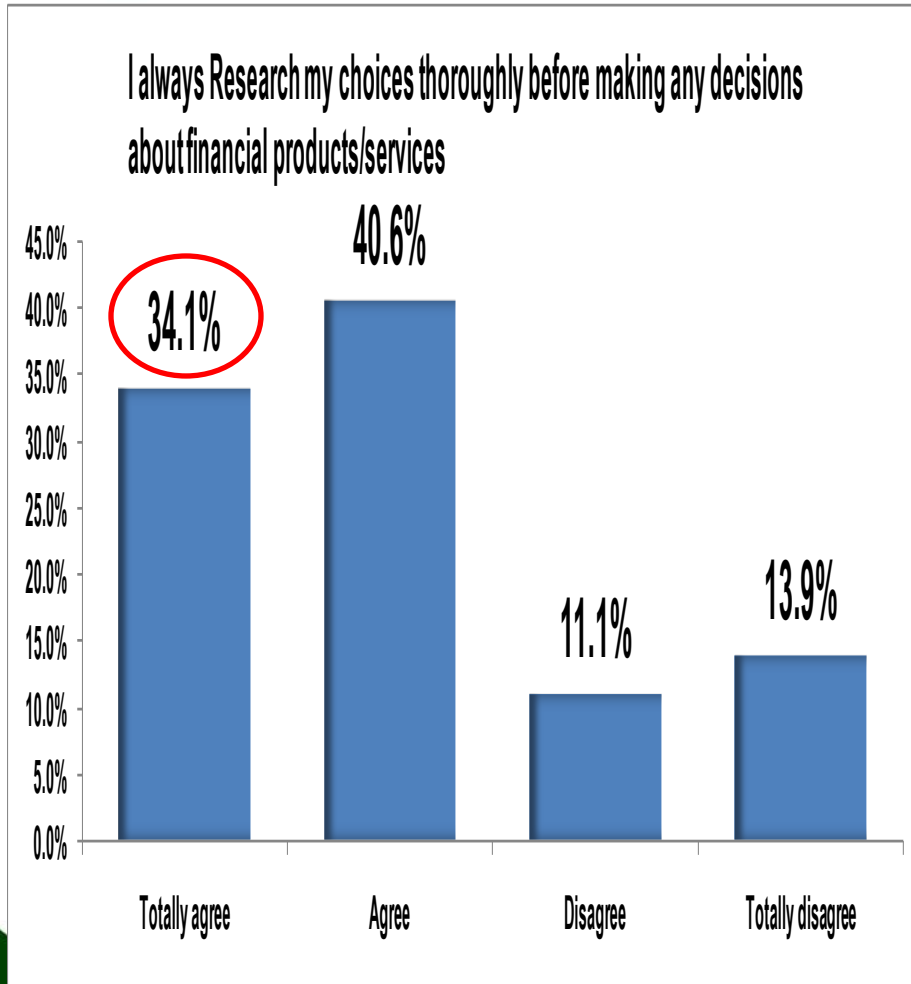


If lost main income, how long could respondents cover living expenses





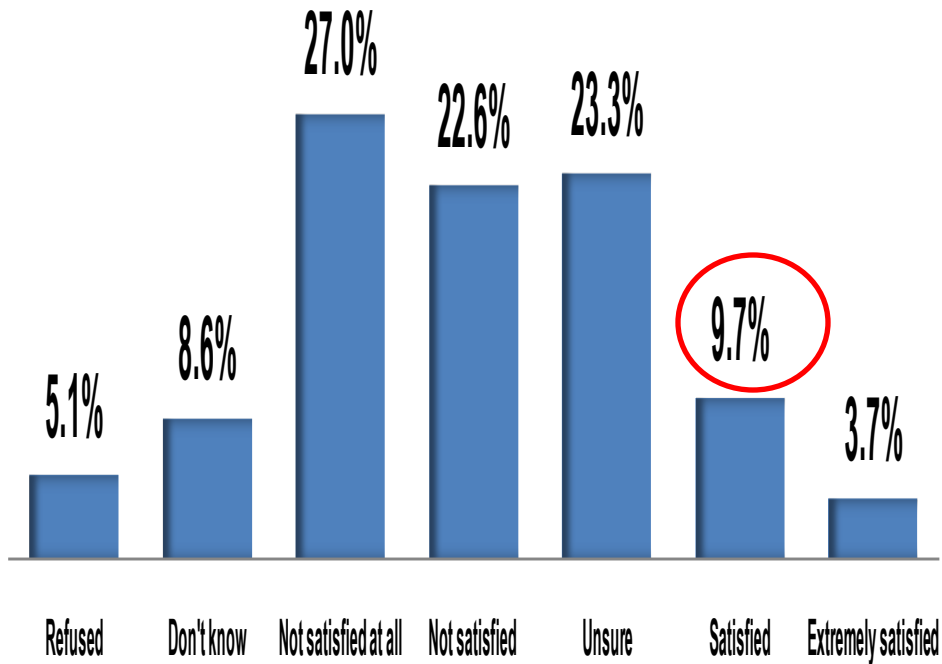
3.4 Results: Choosing Financial Products



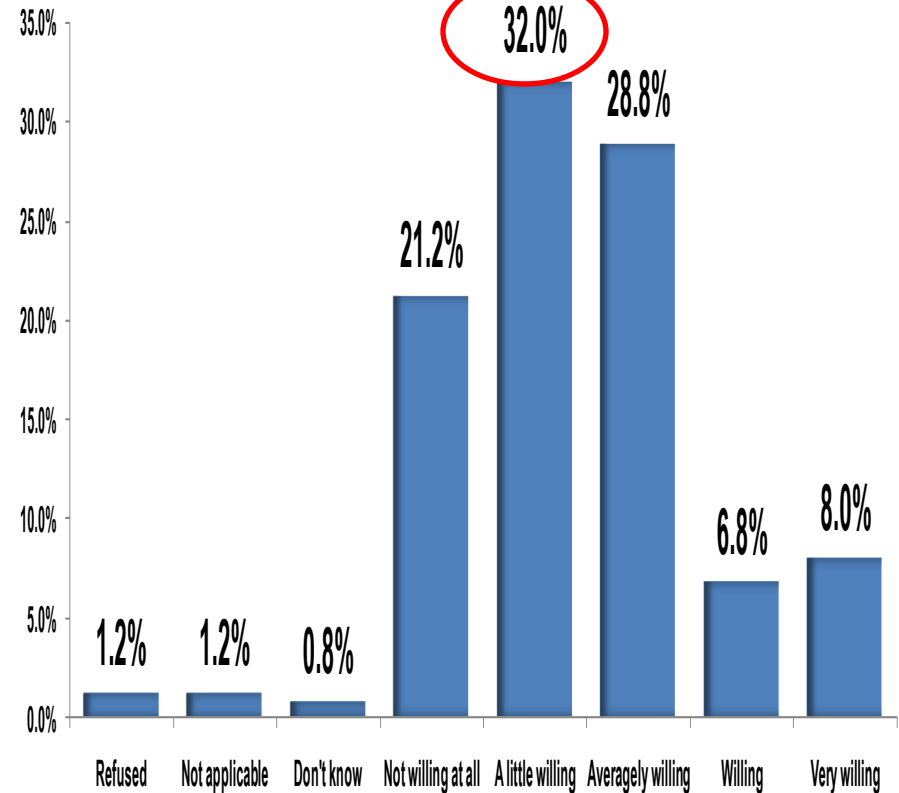


3.4 Results: Choosing Financial Products... Cont

How satisfied are you with your current personal financial condition?



Willingness to take investment risk





Conclusion, Recommendations, Limitations and Further Research

- ❑ Generally, results indicate that financial literacy is low in uMkhanyakude compared to the result at the national level.
- ❑ Since this is work in progress, attempt will be made to improve the paper by comparing results by race, gender and age category.
- ❑ Methodology applied by OECD, which was also used by Ludwig *et. al* (2011, 2013 and 2013) will also be adopted to calculate financial scores in uMkhanyakude and ultimately across districts in KZN.



Conclusion, Recommendations, Limitations and Further Research

- ❑ Full implementation of the National Financial Education Strategy should be made one of the South Africa's top priorities.
- ❑ The aim of the strategy is to empower the entire SA population on issues related to financial management, particularly those that are vulnerable and UDM is no exception.
- ❑ Non-profit organisations such as KwaZulu-Natal Financial Literacy Association (KZN FLA) should be accorded the support they need to spread their wings to penetrate rural and less affluent areas such as uMkhanyakude District Municipality.



Conclusion, Recommendations, Limitations and Further Research

- Descriptive data was used without conducting statistical – comparability???
- The study needs to be augmented and conducted across districts within the province.



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Thank you