1. EXECUTIVE SUMMARY

1.1 Purpose of the Study

This social entrepreneurship venture proposal aims to address the low levels of Financial Literacy in South Africa, with a specific focus on university students in their final year of study. The venture would take the form of a financial literacy education programme.

1.2 Literature review

The conclusions drawn from the literature review are documented in Section 3.2.9. These can be summarised as follows:

- No formalised definition of financial literacy exists in South Africa.
- Individuals primarily obtain a level of financial literacy when they start using financial products as they enter the workforce, at which point it may be too late.
- Financial literacy is a huge problem in South Africa. The main solution to address this has been identified as introducing intervention measures as early as possible in one’s lifetime, possibly incorporating these interventions into the education curricula.
- The current programmes available are failing miserably.

1.3 Research Methodology

The research methodology applied is a mixed methodology to inform the financial literacy venture. A quantitative methodology is applied to the problem of financial literacy. This has been based on secondary data obtained from the FinMark Trust. A qualitative methodology has also been applied to the problem of the failings of existing financial literacy programmes, with information gathered through face to face interviews conducted with industry stakeholders.
1.4 Research Results

1.4.1 Quantitative Results

The quantitative research conducted based on secondary data obtained from the FinMark Trust as part of the FinScope surveys conducted has reinforced the findings of the FinScope surveys that financial literacy levels are poor (Roberts, Struwig, & Gordon, 2016), even for university students and university graduates. Note that the FinMark Trust is not liable for the analysis or interpretations of the data provided as part of the quantitative research conducted.

The results are summarised as follows:

- University students use financial products less extensively when compared to university graduates, although the level of knowledge of financial products do not differ extensively between the two groups.
- Attitudes between the two groups are not dissimilar, although graduates exhibited more positive attitudes.
- Behaviours between the two groups differed substantially.
- University graduate exhibit low relative levels of financial literacy, although these are in line with the levels of financial literacy reported in the FinMark Trust FinScope surveys.
- University students exhibited extremely low levels of financial literacy making them the ideal target for intervention measures, and hence for this venture which is proposed to take the form of a financial literacy programme.

1.4.2 Qualitative results

The common themes emerging from the qualitative study is summarised as follows:

- Most individuals are not aware of financial literacy programmes or where to access them, with a perception that they are costly to access. There is a proliferation of programmes focused on those in formal employment, yet these programmes are disjointed with no co-ordination between them. It is education in general that is an issue rather than financial literacy in particular.
Knowledge, attitudes and behaviours are a function of the economic climate, and due to other external factors such as household behaviours, lack of knowledge of the consequences of particular actions, individual circumstances, the current culture of consumption and instant gratification, and the conscious choice made by individuals irrespective of knowledge. A lack of role models exhibiting the correct attitudes and behaviours was also cited as a reason for poor attitudes and behaviours.

Financial literacy programmes happen too late in an individual’s life cycle, and such interventions were typically static and once off initiatives offering no ongoing education and support. Programmes were also too generic not meeting the specific needs of the target audiences, specifically not considering generational aspects.

Some reasons for the shortcomings of existing programmes include:

- The lack of co-ordination of programmes, and hence lack of accurate measurement of outcomes of these programmes
- The lack of ongoing engagement, education and support
- Education only focusing on products that are available
- The grey area between education and marketing
- Lack of formal acknowledgement of competence
- Lack of authenticity of programmes
- Incorrect personnel delivering such programmes.

Policymakers could play a larger role in influencing financial literacy levels and financial outcomes, in particular providing instruction on the inclusion of financial literacy programmes in education curricula.

South Africa’s unique situation in terms of socio economic, political and educational level exacerbates the problem of financial literacy when compared to other countries in the world, specifically developed countries.

Programmes can be improved by the following mechanisms:

- Introducing tangible incentives to change attitudes and behaviours
- Conducting of programmes in the mother tongue of individuals
- Addressing the conflicts of interest that exist between product providers and those who provide financial literacy programmes. Often, these are one and the same.
 Contributing towards longitudinal studies to track outcomes and behaviours over time
 Embracing the advancement of digital technologies.

1.5 Business Plan for financial literacy programme for university students

The business plan is provided in the form of a business model canvas, augmented by a financial analysis for one university and a strategic analysis of the entire venture.

The conclusion from these analyses is that there is merit in implementing the venture, which has also been modelled to be financially viable. The potential exist to scale this venture to all universities in South Africa, as well as to other target segments of the population.

1.6 Recommendations for further research

The key recommendation for additional research pertains to longitudinal studies. Studies on financial literacy are quite recent, with most studies being conducted in the last decade. Thus, there exist extensive scope for conducting research in this area in the future.