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A study of financial literacy measurement tools for financial professionals in retail banks in South Africa

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Abstract

Financial literacy is one of the most important considerations for leadership teams in South Africa's retail banks today, and ignoring the issue may result in further economic downfall for many. South Africa is riddled by inequalities, with a key contribution to this being the low levels of financial literacy. To ascertain where the biggest impact can be made, it needs to be understood how financial literacy can be measured. The role of South African retail banks, in collaboration with financial professionals such as wealth managers and financial advisors, was explored here to understand their impact on financial literacy education and financial literacy measurement.

The purpose of the research was to gain further insights into the role that financial professionals in South African retail banks play in regard to the concept of financial literacy. Both the demographics and the current economic situation mean that measurement of financial literacy is an important concept to explore, in addition to the above. This research aimed to understand and explore the concept of utilising financial professionals to enhance financial literacy and financial literacy measurement in South Africa.

This study was objectives-based, focusing on exploratory research. Deductive reasoning was the research approach followed, together with a qualitative research methodology. Eighteen financial professionals – predominantly from one retail bank in South Africa – formed part of the interview sample. Data was analysed using a thematic approach with the aid of ATLAS.ti software.

The research established that financial professionals play a significant role in financial literacy education and measurement within the retail banking ecosystem. The research concludes that measurement of financial literacy should be considered a more significant topic, so enabling financial professionals to be better equipped to perform their roles. Incentives would assist here.

Key Words

Financial literacy, financial literacy measurement, financial advisor, wealth management

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Samandree Padayachee

2 November 2021

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1 Chapter 1: Introduction

1.1 Introduction

Humans generally have to deal with many types of stressors, with the predominant causes of these being finance-related (Marcolin & Abraham, 2006). Such stressors are exacerbated in an emerging economy such as that of South Africa (SA), where the poor fiscal climate – coupled with slow to zero economic growth, corruption and poverty – lead to less-than-desired living circumstances (Zerihun & Makgoo, 2019). One in three South Africans exist just two months' salary away from poverty. This effectively means that should a South African lose his or her job, there will only be enough disposable income to live for another two months before being unable to afford food and shelter. Basic needs are therefore not met (Zerihun & Makgoo, 2019). In addition, household debt levels of average South Africans continue to rise year on year, perpetuating the pension and retirement insecurities of a large majority (Kereeditse & Mpundu, 2021). The cumulative effect is that only six percent of South Africans can afford to retire (Zeka & Matchaba-Hove, 2016).

The influence of the above factors on an emerging economy, such as South Africa's, is vastly different from that experienced within a developed economy (Steinert et al., 2018). South Africa, as a part of Sub-Saharan Africa, is regarded as impoverished and has a regressive inclusion model relating to retail banking, with only 35 percent of adults having bank accounts (Steinert et al., 2018).

Basic education remains a challenge in South Africa. This results in a large population segment lacking basic literacy and numeracy skills. These elements, coupled with the economic circumstances presented above, do not normally associate with high levels of financial literacy. The increasing numbers of adults and youth in South Africa who lack financial literacy present a serious problem for both current and future economic growth (Zerihun & Makgoo, 2019).

1.2 Problem background

Financial literacy in South Africa is an extremely important issue in that it is a direct contributing factor to poverty alleviation, wealth creation and economic growth (Fatoki & Oni, 2014). Although South Africa saw a dramatic shift in the financial services sector following the abolition of apartheid, no rigorous academic studies have considered this transformation (Nanziri & Leibbrandt, 2018). Furthermore, South Africa has an unusually large divide between rich and poor. Both the academic and business communities need to urgently identify the barriers to financial literacy, understand the contributions that can be made from each perspective, and implement modifications in order to enable radical change (Zerihun & Makgoo, 2019).

The 2007-2009 financial crisis increased the divide between rich and poor even further, with household debt remaining high (Kereeditse & Mpundu, 2021). Then the impact of Covid-19 worsened the issue even more, with the African continent's GPD contracting by 2,1 percent: this had a knock-on effect for South Africa and in particular, for investor confidence (African Development Bank Group, 2021).

Financial literacy, financial knowledge and financial education are a few of the terms used interchangeably to explain an individual's level of financial wisdom (Huston, 2010). The absence of a standard definition for the term "financial literacy" adds numerous issues (Nanziri & Leibbrandt, 2018). As a result, accurate comparisons across countries will be impossible, thus positing an immediate need for country-specific studies relating to financial literacy and its measurement.

The relevance of financial literacy as a construct and its importance have been highlighted. However having a financial professional to guide individuals remains relevant, irrespective of the current level of financial literacy (Lethepa, Matemane, & Dhlembeu, 2020). This highlights the need for, and importance of, financial professionals.

1.3 Problem selection

This issue is particularly relevant to financial services providers in South Africa. If clients do not understand what they are purchasing or lack a general understanding of financial concepts, this negatively impacts client financial wellness and sales growth. Should this pressing issue be ignored, the long-term ramifications directly affect poverty, wellness, living standards and economic growth (Zerihun & Makgoo, 2019).

In the retail banking industry, when financial professionals such as portfolio managers, financial advisors, wealth managers and bankers provide financial advice they, as well as the client, face certain risks or uncertainties. These uncertainties range from providing the correct financial advice to clients understanding what they are buying (Mackinger, Jonas, & Muhlberger, 2017). A possible way to mitigate this risk is to gain an understanding of the client's current level of financial literacy before offering financial advice.

Financial professionals profess to contribute to their clients' financial literacy. This results from the information transfer, or teaching, as they sell or suggest a financial product. Thorough explanations of how financial markets operate, the structure of investment vehicles and how to view a fund's function are just some of the teaching that takes place prior to the sale or take-up of a financial product. This comprises the ecosystem within which both buyers and sellers of financial products operate (Lethepa et al., 2020).

In order to mitigate the risks and uncertainties detailed above, understanding the level of financial literacy or knowledge of a client from the outset can enable more fluidity in the sale for both the client and financial professional (Lethepa et al., 2020). Currently, across the retail banking industry in South Africa, the process followed by a financial professional requires completing a needs analysis for the client. This involves asking numerous questions relating to the current financial products the client has invested in, the terms and investment amounts, as well as the client's financial goals. As much as this exercise contributes to overall general knowledge about the client's goals, it fails to provide definitive information on the level of financial literacy of the client. Clients may have a host of financial products, but still not fully comprehend what they have purchased (Klapper, Lusardi, & van Oudheusden, 2015).

Further to this process, financial professionals can also be biased in the selling process: some are tied agents, meaning they only sell financial products for a specific brand or organisation (Mackinger et al., 2017). Other financial professionals may only focus on offshore investments, or alternatively, on local products. This means the end client may receive information restricted in its application to what the financial professional is trying to sell.

The urgency of the need for a financial literacy measurement tool relates to assisting both the financial professional and the client. Clarity on where clients reside on the spectrum of financial literacy will give clients an understanding of their limitations, while financial professionals will know where to commence the financial literacy education journey and which learning constructs to use for the client (Mackinger et al., 2017). This permits risk mitigation strategies in the selling and buying process. A further benefit of such a measurement tool is that it can contribute to an overall increase in knowledge of financial literacy. This will eventuate either by means of financial professional engagement or personal self-development by the client (Lethepa et al., 2020).

Such financial wisdom is theoretical in nature and it is difficult to match the level of knowledge in relation to actual financial decisions being made. Given these elements, if the outcome of financial education is to impart financial knowledge and ensure its practical consumption, it is unclear how trainers or teachers learn whether they have been successful or not (Huston, 2010). This strengthens the need for a successful measurement tool of financial literacy.

Expanding on the concepts detailed above to explain the variation in financial outcomes, a key element of assessment involves understanding the financial literacy level of an individual. This research is important in that measuring financial literacy appropriately is a key element in understanding the educational impact, as well as consumption factors, of individuals (Huston, 2010).

The first financial literacy measurement tool was formulated by Lusardi and Mitchell (2014), in which a questionnaire involving three multiple-choice questions was posed to respondents (see Appendix 1). The three questions are based on financial concepts such as interest rates and compound interest calculations, understanding inflation and risk diversification.

As much as this model – the Big 3 – has worked, there are missing elements, as identified by Anderson, Baker, and Robinson (2017), who added two further questions and subsequently named their modified test the Big 5.

Enabling the consumption of complex financial products and services has effectively been confined to those in a privileged position on the LSM (Living Standards Measure) scale in South Africa (Zerihun & Makgoo, 2019). As retail banks evolve and the focus shifts towards equality, innovation follows in financial services, with all on the LSM scale being enabled to consume various complex financial products (Nanziri & Leibbrandt, 2018). Study of microeconomics develops the notion that the consumption-saving trade-off enables a rational-minded and well-informed client to favour high savings when income is increased, then being able to spend those savings when income is reduced (Nanziri & Leibbrandt, 2018). These are the first underpinnings of the theory related to financial literacy in society.

1.4 Business and academic need

Financial literacy is arguably one of the most important factors to be considered by business leaders in financial services today and ignoring the topic would result in further deterioration of customers' financial wellness. The impact of the Covid-19 pandemic on South Africa has been dire. Unemployment reached a record high of 43 percent and now more than ever clients need to make financially sound decisions to ensure the longevity of the funds they possess, while safeguarding their long-term savings. Key themes the proposed research will explore are a measurement tool for financial literacy and the role of financial professionals as an enabling factor, within a South African retail banking context.

It has been established that in South Africa, financial literacy is in short supply (Anderson et al., 2017). Given this, a key deliverable of the research will be an understanding of the influence and impact that retail banks in South Africa have on clients and the impact in terms of clients, in turn, adopting positive financial behaviour. From an academic perspective, despite the growing importance of financial literacy, the need for measurement is equally important, with academic literature providing only limited research and attention to the measurement of this important construct (Swiecka, Grzesuik, Korczak, & Wyszkowska-Kaniewska, 2019; Huston, 2010). Nanziri and Leibbrandt (2018) describe the theoretical underpinnings of financial literacy as being mixed.

Research conducted in South Africa over the period 2005 to 2009 and published in 2018 relating to the measuring of profiling of financial literacy was unable to utilise a standard measure of financial literacy, necessitating the use of a financial literacy index as a measurement tool (Nanziri & Leibbrandt, 2018). The proposed research will plug this gap in the financial literacy literature in that this study will focus on the South African situation.

The business need for this research relates to the enabling factors of providing an individual with financial advice: definite elements of financial education are supplied by financial industry role players (Zerihun & Makgoo, 2019). A desired outcome of this study is to construct a financial literacy measurement tool with which financial industry professionals (bankers, financial advisors, wealth managers, investment specialists and the like) will be able to ascertain the level of financial literacy of clients. Such a tool would assist in formulating the necessary savings and investment vehicles for the client to consume, with any advice provided being based on the financial literacy measurement tool. Leaders in business cannot afford to miss a vital opportunity to expand financial literacy consciousness and increase financial literacy through the use of currently employed financial professionals (Lethepa et al., 2020). An increase in financial literacy leads to a growth in economic activity and an increased need for financial services. The conscious effort of the financial services industry to increase financial literacy is a mutually beneficial endeavour and will lead to increased profits and economic growth (Zerihun & Makgoo, 2019). Business leaders cannot afford to miss out on this social initiative that will inherently lead to increased profits.

To reiterate the importance and need for financial literacy: it is positively correlated to positive financial behaviour (Anderson et al., 2017; Okello, Bongomin, Munene, Ntayi, & Malinga, 2017) and financial behaviours such as retirement savings and planning and household budgeting that all tend to long-term financial security. Further to this, Nanziri and Leibbrandt (2018) completed a study measuring and profiling financial literacy in South Africa, suggesting a definite need for more country-specific studies because of the presence of various non-standard measurements of financial literacy. South Africa is a specific case in that little or no rigorous empirical work has been expended in this area, given the financial sector transformations following the end of apartheid (Nanziri & Leibbrandt, 2018). This further highlights the urgent need for more research on the topic.

Insights gained from this research will allow retail banks to change their engagement methodologies with clients to effect greater use of the knowledge gained from increased financial literacy engagements. In conclusion, one cannot change what one cannot measure, and so the research problem to be investigated is that of measurement of financial literacy among individuals within a South African retail banking context. The business rationale for this research is based on the need for increased household savings within a struggling economic environment: this will lead to greater economic growth and increased financial gains for the financial services sector as well as greater savings at the individual client level. The desirability of these outcomes makes it difficult for business leaders and academics to ignore such an important construct.

1.5 Conclusion

Current academic literature involves international research that is not specific to the South African situation (Marcolin & Abraham, 2006). Given this, the theoretical problem that this research will endeavour to answer involves a contribution to the growing body of knowledge relating to financial literacy measurement tools within an emerging economy such as that of South Africa. This research will add a financial literacy measurement tool specific to the South African and retail banking landscape. The immediately following chapters of this report will explore the literature relating to the topic and detail the proposed methodology and design for the research.

In conclusion, this research is of greatly needed in that there have not been enough studies conducted from a South African perspective relating to financial literacy measurement (Nanziri & Leibbrandt, 2018). In addition, the role of financial professionals and in particular the role they should play within the retail banking ecosystem needs urgent attention. Given these gaps in the literature, this research aims to explore the role of financial professionals and the role they play in relation to financial literacy education and financial literacy measurement – all within the context of the South African retail banking ecosystem.

2 Chapter 2: Literature Review

2.1 Introduction

This section examines relevant academic literature to inform the scope and objective of the research. Objectives related to this research are: exploring the financial literacy measurement tools currently utilised, and understanding what role financial professionals and South African retail banks play in this context.

The most important constructs relating to this research are financial literacy, financial literacy measurement, the role of financial professionals and South African retail banks. This literature review focuses on these constructs by noting arguments of various authors and the differing standpoints of research covering this subject area.

2.2 The importance of Financial Literacy

Financial literacy is a loose term that can encompass numerous elements. An example of this is Lusardi and Mitchell (2014) defining financial literacy as "people's ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt and pensions". Similarly, Sayinzoga, Bulte, and Lensink (2016) and Huston (2010) collectively define financial literacy as "clients' awareness, skills and knowledge enabling them to make informed and effective decisions about various financial resources". Both definitions rely on the notion of consumption of information with an outcome as an enabling factor. Zerihun and Makgoo (2019) simplify the concept of financial literacy to being the ability of individuals to make financial decisions that ensure their financial well-being. Many of the academic papers reviewed here utilise the terms "financial literacy" and "financial knowledge" interchangeably (Stopler & Walter, 2017). Huston (2010) determined that financial literacy has two distinct components, these being understanding and use.

It has been argued that the field of financial literacy suffers from a lack of extensive research and that scholarly contributions are in short supply, especially for emerging economies such as in South Africa (Sayinzoga et al., 2016). In contrast to this, Annamaria Lusardi and Olivia Mitchell published multiple articles and completed a fair amount of research around financial literacy (Lusardi & Mitchell, 2014). A caveat here is that they cover First World economies. As detailed in the preceding paragraphs, Lusardi and Mitchell (2014) created a model measuring financial literacy, and most subsequent studies cite this model as a reference.

With the increase of choice in financial products and the increase in new entrants to the financial services industry – those being clothing and food retailers in South Africa – it is now more important than ever to equip clients of financial products with the knowledge they need to make the correct decisions (Zerihun & Makgoo, 2019). The last few years have seen a shift from "selling" to individuals to "educating" them about financial services as a means of consumption (Anderson et al., 2017). Coupled with new entrants and the shift in selling, the sophistication levels needed to make financial decisions have added layers of complexity for the individual consuming financial products. Meanwhile the skills and literacy required to make basic financial decisions have now become highly complex, while financial literacy appears to be in short supply (Klapper et al., 2015; Anderson et al., 2017). This assertion is supported by Okello et al. (2017), who confirm that financial literacy levels around the world are extremely low – something that is unacceptable. These low financial literacy levels are especially true among the poor in developing countries (Lethepa et al., 2020).

Okello et al (2017), supported by Huston (2010) and Marcolin and Abraham (2006), have identified financial literacy as vital to the promotion of inclusivity relating to growth within the financial sector, more specifically in respect of the poor who are generally assumed to be financially illiterate. Further to this, with the advances in banking infrastructure and the development of FinTech, the poor need to be enabled before they can be included in these important and necessary technology shifts (Zerihun & Makgoo, 2019). The significance lies in the need to bridge the divide between rich and poor: financial literacy will significantly aid here (Lusardi & Mitchell, 2014).

Programmes, literacy initiatives and education that contribute to financial knowledge are regarded as a precursor to making healthy household financial decisions, which eventually result in a significant increase in household savings (Steinert et al., 2018). Sayinzoga et al. (2016) emphasise that even though many forms of evidence have pointed to the need for financial education for the unbanked sectors of the community and the under-privileged, much still remains to be done. Further to this, enabling the poorer communities will lead to numerous externalities such as sustainable GDP growth and enhanced economic development (Klapper et al., 2015). In industries closely linked to financial services, such as insurance, it has been found that financial literacy is an important factor relating to the adoption of insurance policies. These points further emphasize the importance of financial literacy for an individual's holistic financial well-being.

2.3 Financial Literacy training

Formal training and education programmes at school level are limited in the context of the South African environment (Zerihun & Makgoo, 2019). Tertiary level financial literacy programmes are included in business degree syllabuses, however the basics of budgeting, understanding interest rates and how financial markets work are omitted. Basic tax filing and related rules are also not a common skill taught to individuals. The basics of financial planning and literacy are needed by all who are part of the economy in order to ensure long-term financial security (Zerihun & Makgoo, 2019). Generating financial literacy in schools is imperative as well as relevant, owing to the contribution it makes in establishing a solid foundation for further financial literacy concepts to be built on throughout a scholar's academic career (Messy & Monticone, 2012). This element is however missing in South Africa, resulting in a significant need for adult financial literacy today.

Calls for financial literacy programmes in South Africa are based on the need to inculcate the idea of saving for retirement and how to make wise investment decisions. Bespoke training programmes are suggested as opposed to general, one-size-fits-all financial literacy programmes. Further to this it is argued that specific training should be conducted for the different LSM levels, as those in the lower LSM levels are more economically vulnerable and may need more basic training as opposed to those in the higher LSM levels who have accrued financial wealth, but may still require advanced skills to further their knowledge (Zerihun & Makgoo, 2019; Stopler & Walter, 2017). Stopler and Walter (2017) and Xu and Zia (2012) argue that even though financial education is used to increase financial literacy levels, it is not always successful, as the lessons may not be implemented. In their study of financial literacy programmes in South Africa, Messy and Monticone (2012) found that financial literacy initiatives improved financial knowledge and the associated skill sets, raised awareness of financial concerns in communities, and drove the promotion of financial inclusion.

The literature advises that governments and countries can increase financial literacy awareness by adopting and implementing the following measures: visits to rural and remote areas and holding rallies or seminars for community leaders and adults; financial literacy websites; brochures and pamphlets as hardcopy versions for mass distribution; local fairs and exhibitions; setting up and enabling financial literacy centres in communities; partnering with the media to host television shows to reach a larger audience; plus the utilisation of smartphones and gamification (adding game mechanics into non-game environments) (Bonga & Mlambo, 2016). At the same time, implementing these initiatives and measuring success in developing economies present challenges. These ideas may work in developed economies but issues such as infrastructure, funding and accessibility must be overcome locally. The problem of low basic literacy levels still needs to be effectively addressed in today's South Africa (Amnesty International, 2020).

In the past, financial literacy training and information were deemed scarce. However, with the Internet and broad-spectrum smartphone access, financial literacy content and availability are concerns no longer. This increased availability of training literature presents a follow-on issue of too much information together with a lack of consumption by potential clients. Supply is not an issue, but demand is muted and encouraged only by a need, so the consumption of financial literacy is the biggest concern. There is a serious need for governments and retail banks to optimise the available technology to enable a further reach to customers. This is not the answer to everything, as classroom and teacher training of financial literacy outweigh distance learning (Bonga & Mlambo, 2016). Given the above, this is evident in the initiatives the South African Government has tried to implement, with diverse reach to participants and learners – the volume does not satisfy or equate to the need indicated above (Messy & Monticone, 2012). Migliavacca (2020) argues that financial literacy programmes have produced mixed results, with further studies being needed to assess which approaches are actually effecive. Massey, Wyatt, & Smit (2016) expand on this, advising that in order to ascertain whether a financial literacy training programme is effective in the South African context, factors such impact, and the nature of the training, are basic. Any assessment needs to go deeper and examine the relevance, design and quality of specific training content. For this to take place, evaluations must be undertaken not only at the commencement and conclusion of the training, but at various stages of the training process.

Various regulatory bodies covering an array of financial institutions loosely govern financial literacy training in South Africa (Botha et al., 2019). These institutions frame quality standards and codes of conduct and regulate them. The South African Financial Sector Charter Council has established implementation guidelines for consumer education standards, and training service providers will need to follow these rules to protect the public (Messy & Monticone, 2012). Financial literacy training and the supporting governing and regulatory frameworks are important for this research in order to assess the impact and measurement of formal financial literacy training versus the role of financial professionals in the transfer of financial literacy information when engaging with retail bank customers.

2.4 Financial Literacy consumption

Financial literacy consumption will not form part of this research, however the theory supporting financial literacy indicates that financial literacy measurement and consumption are closely related. This section serves as a background to enable a closer understanding of financial literacy measurement as a construct.

Developmental psychology, exchange theory, learning theory and capability theory are four theories used to describe the behaviours of individuals who have certain levels of financial literacy. Developmental psychology indicates that financial literacy is unfortunately not a learned behaviour, but rather is shaped by an individual's upbringing and influences. In contrast to this is exchange theory, which asserts that financial literacy is dependent on exchanges and interactions between individuals. Learning theory concerns itself with habit formation, whereby positive financial behaviours are rewarded, resulting in positive behaviour being reinforced. The theory of change is introduced as a fifth possible theory, dealing with the notion that externalities occur as a result of making a small subset of changes within an environment (Sayinzoga et al., 2016). Another is the Principal-Agent theory of Ross (1973), which will be explored below.

Financial literacy consumption relates to whether an individual who undergoes financial literacy training actually implements the information so learned and makes healthy financial decisions in a personal and household capacity (Xu & Zia, 2012). These financial decisions can be simple to begin with, such as setting monthly savings goals, saving for retirement and off-balance sheet investemts, to mention but a few. However financial decision-making can become complex when considering retirement and pensions (Parker, De Bruin, Yoong, & Willis, 2012). The above statements are supported by research outcomes indicating that financial literacy training and education have a positive effect on financial literacy, which translates into more savings and responsible borrowing with a significant increase in the likelihood of commencing income-generating activities. Further to this is the impact on consumption of financial products and the overall improvement of livelihoods (Sayinzoga et al., 2016). Migliavacca (2020) opposes this theory, asserting that financial literacy education training designed to increase financial activities is ineffective, adding that if the information received is not utilized, financial literacy decays quickly.

Financial literacy consumption has certain potentially negative outcomes, as no two individuals will react in the same way to lessons learned (Lusardi & Mitchell, 2014). Preference, interpretation and bias need to be taken into consideration for the adoption and consumption of financial literacy principles. An increase in the consumption of financial literacy material may encourage pro-risk financial behaviour such as over-borrowing and over-confidence in high returns (Sayinzoga et al., 2016). This can have disastrous effects on an individual's financial well-being should a risk not result in the desired exponential increase in returns. In some instances, increased financial literacy levels can produce a greater inclination towards financial risk-taking.

An alternative correlation to an increase in general skills and learning has no significant relationship to financial inclusion in poor households (Okello et al., 2017). What can be surmised from this is that a general skills increase makes little or no significant difference to the consumption and adoption of financial literacy.

2.5 The need for Financial Literacy measurement

A growing quantity of literature focuses on measuring financial literacy, however only limited studies cover the impact – both positive and negative – on economic behavioural outcomes in developing countries, of which South Africa is one (Sayinzoga et al., 2016; Huston, 2010. Huston (2010) advises that in order to assess current levels of financial literacy and to improve them, a construct is needed to measure clients' abilities to implement the lessons learned and actually make effective financial decisions. The pioneers in identifying the need for research, Marcolin and Abraham (2006), specifically focused on measurement of financial literacy. They identified that extensive further research and rigorous testing were needed around the world to ascertain realistic benchmarks, not just for the initial measurement of financial literacy, but ongoing measurement. Marcolin and Abraham (2006) expand on the need for measurement covering individuals in certain low LSM levels, where there is a specific lack of financial education.

In their book, *Financial literacy and financial education: Theory and survey,* Swiecka et al. (2019) included a chapter on the measurement of financial education. The constructs of this align with the previous paragraph, with Swiecka et al. (2019) stressing the importance of financial literacy and noting the lack of attention that academia has given to how financial literacy is measured.

In conformity with the theory above, Parker et al. (2012) report that over-confidence bias is displayed by customers consuming financial products, meaning they believe themselves to be more financially literate than they actually are. This emphasizes the need for financial literacy measurement to ensure that over-confidence bias does not translate into bad financial decisions. Finke, Howe and Huston (2017) challenge this, claiming there is no imbalance between over-confidence and financial knowledge: instead it is a matter of customers' actual low financial literacy.

2.6 Current Financial Literacy measurement tools & research outcomes

According to Xu and Zia (2012), financial literacy measurement is a far from trivial issue. Concerns developed from the literature consulted are based on how financially literate customers use financial literacy education to make financially beneficial decisions for themselves and their households (Lusardi & Mitchell, 2014). In a South African context, Massey et al. (2016) support the above view, reiterating that successful financial literacy training programmes are those that focus on "doing", and results must be visible – requiring some measurement of changed financial behaviours.

Lusardi and Mitchell (2014), as detailed in the previous section, propose a Big 3 questionnaire, which is utilised by many academics when attempting to understand the financial literacy levels of individuals within a community. The "Big 3" questions are based on the notion that the most important concepts of savings and investments are:

- Numeracy and capacity to do calculations related to interest rates, such as compound interest;
- Understanding inflation; and
- Understanding risk diversification (Lusardi & Mitchell, 2014).

As much as this Big 3 model has worked, missing elements were identified by Anderson et al. (2017), who added two further questions to ascertain the financial literacy of respondents. They subsequently named their revised version the Big 5.

An alternative to the Big 3 of Lusardi and Mitchell (2014) is a different questionnaire designed by Cupák, Kolev, and Brokešová (2019) to measure financial literacy (see Appendix 2). This questionnaire is similar to that of Lusardi and Mitchell (2014) in that issues are limited to interest rates, inflation, diversification and risk. The questions are high-level and don't specifically assess the many other facets related to financial literacy.

Common themes identified in these tools are that they are basic questionnaires that respondents and/or customers should complete, with an assessment being reached from the results. Tests on these tools have been undertaken mainly in Britain and the United States (Marcolin & Abraham, 2006). Huston (2010) conducted a study focusing on financial awareness and financial literacy measurement in the US with 71 respondents between 1996 and 2008, using interview techniques as well as telephone surveys. A weakness identified in this study was that the results were not comparable and this disallowed any further analysis (Swiecka et al., 2019).

Stropler & Walter (2017) study financial literacy measurement tools, critically analysing and identifying various themes arising in the Big 3 questionnaire of Lusardi and Mitchell (2014) and likewise in the Big 5 of Swiecka et al. (2019). Stropler & Walter (2017) conclude that the differences in measurement tools are related to whether these are test-based or self-assessed financial literacy tools. With self-assessed financial literacy tools, there is a bias towards over-confidence among individuals, thus not producing a fair measurement of financial literacy. This over-confidence produces a perceived reduction in need for a financial professional. Test-based or interview-style questions are most suited for reaching a positive outcome.

As highlighted in the preceding paragraphs, specific research was conducted in South Africa and published in 2018 relating to the measuring and profiling of financial literacy. It was concluded that a standard measure of financial literacy could not be utilised: instead a financial literacy index was utilised as a measurement tool for the study (Nanziri & Leibbrandt, 2018).

Four further financial literacy measurement studies took place between 2002 and 2011, these being significant in that the geographical locations were dispersed and ranged from developed to developing countries. The countries in question were India, Indonesia, the United Arab Emirates (UAE) and Sweden, and the studies are listed and described below.

Study 1: This examined the financial literacy of UAE investors who made investments in local markets. Further to this, the relationship between financial literacy and its influence on investment decisions was explored. The measurement tool was a questionnaire requiring true or false answers. It was split into three parts: demographic variables, factors affecting the investment decision and financial literacy. The sample size was 290 respondents (Al-Tamimi & Kalli, 2009).

The outcomes of the study were:

- Financial literacy is very low and much more work and education need to be done in this area in the UAE;

- The financial literacy level is affected by the factors of income level, education level and workplace activities;
- Age does not play a significant role in that financial illiteracy exists irrespective of a respondent's age;
- Gender is a major contributing factor, in that males are deemed more financially literate in comparison to females who took part in the research; and
- There is a significant correlation between financial literacy and investment decisions in that consumption is increased among more financially literate individuals (Al-Tamimi & Kalli, 2009).

Study 2: This research was conducted in India and Indonesia and aimed to test the levels of household financial literacy in relation to the demand for financial services. Surveys were utilised as the measurement tool (Cole, Sampson, & Zia, 2010).

Outcomes of the study were:
- Financial literacy education as a singular factor leads to a larger consumption of retail banks' financial products;
- Strong linkages exist between financial literacy and household well-being in developed countries;
- Financial literacy is an extremely important predictor of financial behaviours in developing countries; and
- The demand for financial literacy education is high, standing at 69 percent (Cole et al., 2010).

Study 3: This research was slightly different to the preceding two in that it aimed to examine online investors' investment literacy, in particular, the relationship between literacy and online investor features. A total of 520 individuals who invest online took part of the study and a survey was utilised as the financial literacy measurement tool (Volpe, Kotel, & Chen, 2002).

Outcomes of the study were:
- Financial literacy differs between respondents, this being attributed to education levels, experience, age, gender and income;
- Again, male respondents trump female respondents in relation to literacy levels;

- Respondents could only answer 50 percent of the questions correctly, and as a result it was clear that online investors need to increase financial literacy and investment literacy levels, especially regarding basic investment and concepts and tools;
- Respondents' financial literacy scores only improve once increases in age and education are seen; and
- Online traders also have a higher-than-average score, brought about by the knowledge and experience gained from learning and daily engagement with the markets (Volpe et al., 2002).

Study 4: This study took place in Sweden, which is considered a developed country. The research objective was to understand the connection between financial literacy and planning for retirement. Pensions can impose a heavy burden on a country, with aging members of society becoming reliant on the state and/or their own personal savings. If not planned for correctly, retirement can bring negative consequences for aged citizens, the economy as a whole, and involve reliance and dependence on government-run pension funds. Further to this an extra burden can be placed on taxpayers to fund pension benefits (Almenberg & Save-Soderberg, 2011).

Outcomes of the study were:

- Financial literacy levels are considerably lower among the older population, for females, and for those with lower levels of education and lower earning potential or actual earnings; and
- Pension reforms have had two critical effects – raising financial literacy levels across numerous groups in the population and creating an "ease of use" for citizens with low financial literacy to actively participate and plan for retirement (Almenberg & Save-Soderberg, 2011).

Gaps in the above studies arise from the fact that each has specific nuances. A combined study utilising the various measurement tools could be possibly work better and produce a different outcome. In addition, the respondents are all end customers and therefore consumers of investment products, while the people advising and selling the relevant products are not considered. The proposed research seeks to understand the role that financial professionals play in financial literacy and the consumption of financial products.

2.7 South Africa in context

2.7.1 Basic literacy

Since the abolition of the apartheid regime, South Africa has made great strides in building schools and attempting to bridge the basic literacy divide for the previously disadvantaged (Amnesty International, 2020). However, the education system remains heavily distorted with major inequalities. These inequalities contribute to the income gaps between various population groups that cause South Africa to have one of the highest inequality ratios in the world (Amnesty International, 2020). Education can contribute to lowering inequality levels. The black population reports 50 percent living below the poverty line, in stark contrast to the white community. Messy and Monticone (2012) note the issues depicted above, adding that extreme poverty and low school attendance rates mean the adult population of most African countries, including South Africa, will be economically marginalized. This marginalisation results in financial exclusion.

Resources, inadequate infrastructure, corruption, poverty, inequality, poor educational outcomes and multiple language barriers are but a few of the challenges facing the South African educational system today. These factors partially mirror today’s socio-economic inequalities.

South Africa’s overall education system is ranked in 75th place out of 76 countries listed. A South African Government plan to reduce inequality by 2030 has been implemented from 2012, with the two main focuses being on job creation and bettering education outcomes. This initiative is aligned to that of the UN Sustainable Development Goal 4, which requires inclusive and equitable quality education and promotion of lifelong learning opportunities for all.

Without basic literacy such as reading, writing, basic numeracy and comprehension skills, South Africans are on the back foot when it comes to financial literacy. An understanding of intricate concepts such as tax, interest rates and complex financial products offers a stable foundation and grounding.

2.7.2 South African Financial Literacy

The African continent is riddled with inequalities. The common factor is basic literacy levels, which directly relate to financial literacy. This inevitably affects access to financial products and financial inclusivity. In this way, low financial literacy levels positively correlate with financial exclusion (Messy & Monticone, 2012).

South Africans score higher in financial knowledge as compared to the financial capability domain. It can be concluded from this that South Africans are well versed in terms of financial concepts; however, the follow-through of positive financial behaviour is omitted (Nanziri & Leibbrandt, 2018). A possible reason for this outcome could be the transparency levels in South African financial institutions relating to fees (Lethepa et al., 2020). Several biases could affect this result as well, for example, procrastination bias, loss and risk aversion (cognitive bias), and a few mental biases. These results suggest a prime opportunity for financial literacy programmes offering positive financial reinforcement to behavioural tendencies (Nanziri & Leibbrandt, 2018). In contrast to this, Zerihun and Makgoo (2019) argue that South Africa's household saving rate is substantially lower than in other developing countries and similar middle-income countries. It can be concluded that although South Africa scored high in the financial knowledge domain, people still lack the general skills required to implement the knowledge to produce significant impacts on lifestyle and personal savings.

The Covid-19 pandemic has affected South Africans in general, and the household savings rate in particular, as a result of the increase in unemployment, lack of business and consumer confidence, and stagnating economic growth. This further cements the need for financial literacy to promote positive and inclusive economic growth in South Africa (Zerihun & Makgoo, 2019).

2.8 Financial Industry role players

Financial industry role players who distribute financial advice and play a key role in financial literacy can be dubbed “financial professionals”. These individuals can hold posts as portfolio managers, financial advisors, wealth managers and bankers. They have been neglected and most likely forgotten in most academic texts as key distributors of financial literacy (Lethepa et al., 2020). This concept of financial professionals as distributors of financial products and literacy applies not only in developing countries, but also in developed countries where levels of financial literacy are considerably higher. In a South African context, their key role in the ecosystem is to distribute financial products on behalf of retail banks.

Economic growth is stimulated by increased savings and investments: this is therefore the primary role of the retail banking sector in South Africa. The retail banking sector in SA delivers basic financial services to all banked individuals, with these including transactional banking, lending, credit services and home loans. Financial professionals in SA play a crucial role as intermediaries between consumers of financial products (referred to as clients in this research) and retail banks (Lethepa et al., 2020).

Figure 2.1: Financial industry role players

Source: Researcher.

Further to the above, there are other institutions within countries that will or can benefit from increased financial literacy levels. These are commercial banks, financial institutions, asset managers, finance and insurance houses and trading networks (Bonga & Mlambo, 2016).

2.9 Financial Professionals in South Africa

Around the world, customers rely heavily on financial professionals to guide their everyday investment decisions (Linnainamaa, Melzer, & Previtero, 2021). Financial professionals such as financial advisors, financial planners, wealth managers and wealth advisors all form part of the advice network. The advisory industry has had to endure a bad reputation for many years. With financial advisors sometimes having inadequate qualifications to conduct financial reviews, they soon became known as glorified salespeople trying to sell financial products to ignorant consumers in order to gain a commission. Meanwhile these financial products answered no customer need.

It became evident that a larger governing body was needed to protect consumers from these salespeople. Various bodies and regulatory frameworks have been developed and employed and the industry is now in a far better place than it was a decade ago. There are still financial advisors who “sell” with little or no regard for need, however they are soon driven out of the industry. *The South African Financial Planning Handbook* (Botha et al., 2019) is a textbook for financial professionals that provides guidance ranging from actual product knowledge to professional behaviour in South Africa. Principles and practices of financial planning, ethics and professional standards, the regulatory environment, the Financial Advisory and Intermediary Services (FAIS) Act 37 of 2002, Anti-Money Laundering (AML) and ethics are all covered in great detail (Botha et al., 2019).

Financial professionals can be independent while selling a broad range of products from various financial institutions. When IFAs (Independent Financial Advisors) work for an institution, they will generally be limited to selling that particular institution’s set of products, making them tied agents. Kramer (2016) argues that it is still unclear whether financial professionals in the form of advisors actually deliver a valuable service to their clients. Given the complexities detailed above, financial professionals could provide biased advice based on their KPIs and incentive/ commission structure, together with the organisation for which they work. According to Kramer (2016), it is often unclear whether financial professionals providing advice do more harm than good. In line with this attitude, Ross (1973) asserts that Principal-Agent theory applies in relation to financial professionals’ true intentions when dealing with customers. To contextualise this, financial professionals can be guided to behave in a way that only benefits them, instead of acting in customers' best interests. The true intentions of the financial professional are then contested, and this leads to a lack of trust (Mackinger et al., 2017).

Summarising the above, Kramer (2016) questions whether financial professionals actually add value, while Principal-Agent theory contextualises this and questions whether the true intentions of financial professionals are really to help customers. Linnainamaa et al. (2021) support these doubts and expand on the issue of conflicting interests – something that financial professionals experience daily. These conflicts of interest are based on the need of professionals to make a living from commissions while at the same time doing what is right for the customer.

Financial professionals dealing with clients who are financially literate are less likely to take advantage of them and are encouraged to provide more wholesome and beneficial advice. Sophisticated, educated and financially literate consumers have "higher advice-seeking propensities" as a result of higher opportunity costs of time (Kramer, 2016) and place financial professionals under pressure to perform optimally. Migliavacca (2020) supports this while reiterating that financial professionals serve as simple and efficient tools to reach those who consume financial products and increase their financial awareness.

2.10 Role of South African retail banks

Since their inception, South African retail banks have focused mainly on transactional and lending banking, these being the traditional cheque accounts and home finance. Teamed up with various credit-scoring measures in relation to a client's affordability and appetite for debt, these have proved successful growth strategies. Over the past three decades there has been a focus on expanding the value-add offerings in the form of investments and insurance. With the convergence of Telcos with retailers, and retail banks adopting a "platform" approach to sales, offerings to clients have never been more varied – and more confusing.

Customers are faced with an overwhelming number of products designed specifically with them in mind. However personal circumstantial complexities, life events and individual needs have led to analysis paralysis, with lack of understanding and receptivity causing clients to fail to consume the very financial products that were built for them. In addition, South Africa has an elderly sector whose members need special care. Theory informs us that financial literacy declines as customers age (Finke et al., 2017).

Retail banks are uniquely positioned to drive financial literacy education as they are the first and sometimes last point of call for the general South African (Bonga & Mlambo, 2016). Retail banks play a critical role in engagement, knowledge transfer and financial product consumption, directly impacting the savings rate of a country. The savings rate in turn contributes to economic growth. The cycles of financial literacy, financial product consumption, savings rates and economic growth are inter-linked and key to prosperity and gross domestic product growth.

South African retail banks have a large footprint all over the country with point-of-sale branch networks in excess of 250 for each of the big four (ABSA, FNB, Standard Bank and Nedbank). Such a reach gives them key strategic advantages that can be leveraged to distribute financial literacy measures. Local language utilisation, local branch locations, local societal alliances, trust, employment of social capital and online learning to pass on financial education are a few of the factors uniquely optimising retail banks as the leaders and chief conduits of financial literacy to broader communities in South Africa today (Bonga & Mlambo, 2016).

Governments and economies benefit from the inclusion of all citizens in the financial system (Cole et al., 2010). The Indonesian Government declared in 2008 that this would be the year of financial education with the aim of improving access to all financial services and the use or consumption of these services through the enablement of financial literacy initiatives. India showed similar thinking, establishing Financial Literacy and Credit Counselling Centres in 2007 throughout the country to enable financial education for both urban and rural citizens (Cole et al., 2010).

The Indonesian and Indian governments were motivated by the externalities and outcomes of improved or evident financial literacy. Absent such effort, individuals and households with low levels of financial literacy do not plan for retirement, borrow money through loan sharks and unauthorised institutions, invest or accumulate fewer assets and do not participate in formal financial system such as retail banks (Cole et al., 2010).

Gupta and Kinange (2016) looked for evidence of the relationship and impact on financial literacy of customer satisfaction within a retail banking environment. This research took place in the Bagalkot district in the south west of India. The research used questionnaires. Gupta and Kinange (2016) concluded there was no correlation between increased or decreased levels of financial literacy and customer satisfaction with retail banks. Their study suggests client financial literacy levels in South Africa may not impact the receptiveness of customers to operating and consuming retail banks' financial products (Gupta & Kinange, 2016). In terms of customer satisfaction and the current retail banking environment, Cvijović, Stanković, & Reljić (2017) offer a different view. In the current ecosystem where competition is active and retail banks actively seek to attract other banks' customers, they believe that cultivating and maintaining customer relationships is a key metric for customer retention (Cvijović et al., 2017). It is therefore of particular importance to utilise the skills of financial professionals to ensure value is provided in the form of sound financial advice. Retail banks' employment of financial professionals adds distinct value.

2.11 Conclusion

Given the existing body of knowledge presented in this chapter, certain gaps still remain. Those include measuring and profiling financial literacy initiatives and the urgent need for more country-specific studies.

This study aims to address the above gaps. It is limited to South Africa as there have been only limited studies dealing with financial literacy in the South African context.

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3 Chapter 3: Propositions

3.1 Introduction

The aim of this research is to provide answers to the four research questions detailed below. The urgent and growing needs for effective financial literacy initiatives, together with measurement of financial literacy, were made clear in the preceding chapters one and two. Numerous studies deal with financial literacy measurement and the tools for this purpose, but only limited research has been done in the South African context.

It is clear that retail banks and financial professionals together play an imperative role as conduits of financial literacy for South Africans. The research questions below are formulated based on the gaps identified in Chapter Two, the literature review.

3.2 Research questions:

RQ 1: What role do financial professionals play in the retail bank ecosystem?

Owing to the number of retail bank role players who engage with customers, the aim of this Research Question One is to understand the role of financial professionals. Financial professionals are often deemed to have only entered the financial services business because of the low barriers to entry, and they have ended up with bad reputations (Kramer, 2016). In addition, the general consensus is that financial professionals experience daily conflicts of interest in relation to the advice provided to customers versus the amount of commission they will accrue as a result of a sale (Linnainamaa et al., 2021; Stopler & Walter, 2017).

As detailed in Chapter Two, a key role identified was that of being an intermediary between consumers of financial products and retail banks (Lethepa et al., 2020). Understanding factors such as age, academic qualifications, career aspirations, years of experience, employment history, assets under management and number of customers will be integral to understanding the role they play (Botha et al., 2019; Xu and Zia, 2012). Bearing in mind that financial professionals perform a host of tasks spanning various skill sets, the aim of this question is to clarify these tasks and understand the overarching role they play.

RQ 2: Do financial professionals contribute to financial literacy education and measurement?

As a continuation from RQ1, Research Question Two seeks to understand the contribution of financial professionals to financial literacy education and the measurement of financial literacy levels. The theory leads us to believe that financial professionals influence financial literacy levels (Migliavacca, 2020). Zerihun and Makgoo (2019) agree that financial literacy education is supplied by financial industry role players such as financial professionals. However, Massey (2016) suggests that financial literacy levels increase only as a result of putting the literature into practice.

The element of trust involved in financial decision-making can prove emotive for customers, however when financial professionals treat customers fairly, trust increases substantially (Mackinger et al., 2017). Traditional measurement tools are utilised (Parker et al., 2012), with the research aiming to understand the particular financial literacy measurement tools currently utilised by financial professionals in South African retail banks.

RQ 3: What financial literacy measurement tools do financial professionals currently employ in SA?

Swiecka et al (2019) report on the growing need for, and importance of, financial literacy measurement tools and suggest that the current tools are limited. Surveys and questionnaires, as initially developed by Lusardi and Mitchell (2014) and expanded by Anderson et al (2017), are the main tools utilised to measure financial literacy in the world today. Studies in the US and European countries generally utilise these tools (Marcolin & Abraham, 2006).

Research conducted in SA established that a standard measure of financial literacy measurement was not appropriate (Nanziri & Leibbrandt, 2018). No country-specific tools have yet been developed as yet. Research Question Three aims to understand whether these tools, which have been repeatedly tested, are being used in a South African retail banking context.

RQ 4: Do South African retail banks play a part in financial literacy and the measurement thereof?

Retail banks around the world have detailed the role they play in financial inclusion and the benefits of such inclusion (Cole et al., 2010). Research tells us that financial literacy is positively correlated to positive financial behaviour (Okello et al., 2017). South African retail banks are uniquely positioned in that they are, in most instances, the first and also the final point of contact with retail customers (Bonga & Mlambo, 2016). Customer characteristics such as age play a crucial role in financial literacy, with financial literacy levels declining as customers age (Finke, Howe, & Huston, 2017). Retail banks therefore need to ensure that a retiree's value-propositions are suitable to support this research outcome. In addition to the above, customer satisfaction and maintaining current customer relationships are important factors for retail banks to consider when executing financial literacy initiatives (Gupta & Kinange, 2016; Cvijović et al. (2017).

The aim of Research Question Four is to understand the role South African retail banks play in relation to financial literacy initiatives and how these initiatives can be expedited and measured.

3.3 Conclusion

The purpose of Chapter Three was to further expand on the four research questions this study aims to explore. This chapter is a pre-requisite for ensuring the relevance of Chapter Four and likewise the data collection process and research methodology.

4 Chapter 4: Research Methodology

4.1 Introduction

Chapter Four details the research methodology utilised to conduct this research. The preceding two chapters present the basis and guidelines enabling the choices made in this chapter. The reasons for, and choice of, methodology are first presented, followed by the population, unit of analysis, sampling method and size. The measurement instrument utilised is then explored together with the data-gathering process. The chapter concludes with the data analysis approach, while quality controls and limitations to the study are detailed.

4.2 Choice of methodology and research design

For research to be progressive and produce an impact, it is imperative that the right research methods are deployed (Scandura & Williams, 2000). Design choice relating to instruments used, data analysis and construct authentication all impact the conclusions drawn from the research. Any research method chosen will present limitations – no study is without such issues. The choice of method will involve limitations to the conclusions, and it is imperative that the researcher is aware of these so as to be able to advise and warn the audience reading the research (Scandura & Williams, 2000).

This study was objectives-based, focusing on exploratory research (Kumar, 2019). Exploratory research aims for new insights, asks differing questions and observes existing constructs in a new light. In addition, exploratory research complements the qualitative methods of semi-structured interviews, as used here (Saunders & Lewis, 2018). Exploratory research is particularly relevant for this study endeavouring to explore financial literacy in South Africa – an area where only limited research has been undertaken. Through exploratory research the aim will be to explain why certain relationships or associations exist and why particular events occur. The research aims to explore the need for an alternative financial literacy measurement tool based specifically on the South African context (Saunders & Lewis, 2018). This research had certain elements of uncertainty as to the phenomenon of financial literacy in an emerging economy and the differences therein, further supporting the choice of an exploratory research approach.

A research philosophy is the organization of a certain set of beliefs and assumptions regarding the development of knowledge (Saunders & Lewis, 2018). Various research philosophies could have been adopted for this research, with interpretivism being selected. As financial literacy and financial behaviour present an emotive journey for customers (Anderson et al., 2017), the research seeks to understand the differences between people and why they behave in certain ways. This notion lends itself to interpretivism. As a paradigm, interpretivism involves understanding that the current reality in which we reside is not simple and that a single act can have numerous interpretations (Saunders & Lewis, 2018).

Business and management research is a key field in which the interpretivist perspective is relevant, as business situations, such as the adoption of financial behaviour, are both complex and at the same time, unique (Saunders & Lewis, 2018). A possible drawback to an interpretivist approach is that the reliability and generalisations of certain concepts can be misconstrued by both respondents and researcher. Given this notion, the researcher endeavoured to ensure that concepts were thoroughly explained to all respondents to ensure minimising data unreliability. Re-emphasizing certain elements and re-explaining questions took place during the interview process to ensure that respondents thoroughly understood the questions.

The approach to theory development is inductive. This approach encourages the building of theory from data previously collected (Saunders & Lewis, 2018). The researcher encountered some surprises along the research journey both because of the nature of the topic and the fact that financial literacy in South Africa was a previously unexplored domain. As indicated in Chapter Two, there is no large, relevant body of knowledge, and thus induction was the appropriate approach for this research. Theories employed by previous researchers covering the topic of financial literacy include, but are not limited to, developmental psychology, exchange theory, learning theory and capability theory, and the theory of change. These theories were explored in greater detail and utilised to build a framework for understanding financial literacy within the South African context, which is why inductive reasoning is a suitable approach for this study.

Qualitative methods have become a prevailing choice for developing certain social constructs, and this research aims to investigate human nature and the choices made regarding the adoption of financial literacy constructs (Levitt et al., 2018). A mono-method qualitative methodology of enquiry, as chosen for this study, utilises a single technique for data collection (Saunders & Lewis, 2018). Qualitative research focuses on analysing data by utilising words, natural language and social interactions (Levitt et al., 2018): this method suited the research in that financial literacy as a construct is emotive and needs specific interpretation (Sayinzoga et al., 2016). The suitability of this method relates to the nature of the study, which is an MBA research report, and to the related timeline restrictions. The nature of the research is specific in scope and thus a mono-method of enquiry suffices.

Given the above the researcher is aware that qualitative research has its issues and can be misinterpreted. However the researcher still believes this to be the most beneficial way of collecting data, owing to the complexity of financial decision-making.

Interviews were considered the most efficient manner of obtaining insights from respondents. Interviews are time- and cost-efficient in nature, which aided the overall efficiency of the research process. Research questions were formulated based on the existing literature and then translated into interview guide questions.

The time horizon for the research was cross-sectional, with data being collected at a specific point in time and once only (Saunders & Lewis, 2018). The data collected was validated for a specific period and based on respondents whose selection was critical to the study. A cross-sectional approach was suitable for this study in that it accommodates the time limitations imposed by the MBA construct, while the low costs associated with collecting once-off data at a certain point in time were advantageous and contributed to suitability.

4.3 Population

The population is a targeted group of individuals who are relevant to this research. Financial professionals as defined earlier are found in retail banks, asset management and independent financial services institutions, their main role being to impart a level of financial literacy to the end customer (Zerihun & Makgoo, 2019). The financial professionals interviewed for this study are limited to those working in South African retail banks. The end customer/consumer was not part of the population. The reasoning for this approach was that if end customers understood their levels of financial literacy or were able to recognise the gap in lessons learned, there would not be a need for this research. The financial professionals provide the starting point for the research in that they are the communication point between customers and producers of financial products.

The population parameters of respondents for the interviews are that members should have a minimum of five years' banking or financial advisory experience, a customer base in excess of ten individuals, and a degree or Certified Financial Planner qualification. To ensure respondents' credibility, these criteria were applied. The restrictions were put in place to assure the validity and accuracy of responses and to ensure the quality of data collected was not affected. Interviewing a financial professional who has two years of experience and no academic qualification was deemed insufficient in that such a respondent would have limited experience and knowledge while lacking the necessary insights required to provide fruitful and useful data for the research.

The population was limited to South African respondents, given the scope of the research as detailed in the preceding paragraphs. The nature of the South African context was detailed, and thus this research will be beneficial as it is limited in its relation to financial literacy measurement. A study of this nature will contribute significantly to the body of knowledge relating to focus areas of financial literacy measurement specific to the South African context.

4.4 Sampling method and size

A non-probability purposive sampling method is employed, as is most often the case with qualitative research. It is paired with semi-structured interviews. Financial institutions such as retail banks in South Africa provide the sample, based on the size of the population of financial professionals within the specified financial institution. Purposive sampling allows for the selection of specific individuals who fit the profile identified in the population: this permits industry experience, years in service and academic knowledge to be considered.

Purposive sampling is utilised for the interviews, with personal judgement being applied as to who would be good candidates for the sample in order to add value to the study. Factors such as total assets under management, number of customers, years of experience and academic background are taken into consideration. Sample sizes for structured interviews usually range from five to 25: this research aimed for a total of 20 interviews, but only managed to reach 18 as a result of time constraints and the availability of interview participants (Creswell, Hanson, Plano Clark, & Morales, 2007).

The majority of the interview questions are open-ended, with additional true-or-false questions to end off the discussion. The open-ended questions allow respondents to provide as much detail as they deem necessary and let them express their experiences relating to the topic and the questions.

4.5 Unit of analysis

The unit of analysis is that of financial professionals spanning the financial sector, as detailed in section 4.1 above. More precisely, financial professionals, as actors in the financial literacy landscape, represent the unit of analysis for this research. These financial professionals interact and deal with the customers of retail banks on a day-to-day basis, and are thus in the best position to provide insights as to where the challenges lie and where there is potential for improvement.

4.6 Measurement instrument

All interviews were held by video call, utilising the Microsoft Teams video conferencing technology. Interviews provided a measurement instrument for the research. These interviews were semi-structured in nature, meaning that the researcher could reframe and pose additional questions based on a respondent's answers (Saunders & Lewis, 2018). Consistency during the interviews was strictly adhered to, to guarantee research fluidity. The researcher ensured interview guides were prepared for all respondents to make certain that interview questions were asked in the same order as well as ensure that adequate notes were taken. The interview guide was sent to all research respondents in advance to prepare them. A copy of the interview guide can be found in Appendix 6.

4.7 Data-gathering process

As a result of the restrictions imposed during the Covid-19 pandemic, face-to-face interviewing was not a viable option for data collection. As noted above, the Microsoft Teams app was employed for all 18 interviews. All calls were recorded with the consent of interviewees, enabling more efficient transcription of the collected data. Interview respondents were found through the researcher's personal networks: these network connections had no impact on interviewees' answers. The researcher was open to referrals from the financial professional respondents, so snowball sampling was utilised, to which respondents in the researcher's network agreed, as did others who formed part of the same network. Referrals were only considered if they fulfilled the minimum criteria detailed above in the population parameters.

Prior to any interviews being held, ethical clearance was sought from the GIBS Ethical Clearance Committee, this being obtained following an electronic submission. In addition, indemnity forms were sent to respondents as part of the invitation to assist in the research. If respondents accepted the invitation, they agreed to the indemnity section. A privacy declaration was provided to ensure respondents' information was not used for reasons other than the intended research. Ethical clearance and the interview consent statement can be found in appendices 5 and 6 respectively.

4.8 Data analysis approach

Semi-structured interviews took place with the interviews being recorded and transcripts made. When the interviews were concluded, transcripts were compared against the interview recordings to ensure accuracy of the data inputs. The researcher utilised the technology embedded in MS Teams to transcribe the interview recordings. At the end of every interview, both researcher and respondent had access to the interview recording and transcript.

A thematic analysis (TA) took place following the interview process whereby the data was coded into workable items of information (Braun & Clarke, 2012). There are various alternative qualitative approaches such as grounded theory, narrative analysis and disclosure analysis (DA), however thematic analysis is flexible and allows the researcher to make sense of the experiences of interviewees. The flexibility offered by TA enabled various facets of the data, meaning that an analysis could be carried out across the data set received as well as through examining particular sections at an in-depth level (Braun & Clarke, 2012).

In addition to the above, depending on the dates and times for interviews, the researcher earlier hoped that data collection and analysis could occur in parallel to save time in the process. This however was not possible. The researcher fully completed the interview process and then commenced coding, using ATLAS.ti software.

4.9 Quality controls

Factors that could possibly affect the quality of this study include the bias of the financial professionals and the educational and skill levels of respondents. These factors could contribute negatively to the research outcomes. Assumptions were also considered, those being that the financial professionals heard/read and interpreted the questions correctly. In this instance the researcher ensured that questions were not ambiguous and were easy to understand and respond to. The researcher also took social cues from facial expressions and pauses in answering to reiterate some statements and rephrase certain questions.

Human error was a possibility and the researcher endeavoured to be prepared for, and aware of, possible levers that could affect the quality of respondents' answers.

4.10 Limitations

A potential limitation of this study was that the researcher, at the time of the study, was employed at a large retail bank/financial institution in South Africa. Research and selection bias could become evident based on the selection of respondents and interviewees' responses. The selection of respondents to partake in the study was based on the researcher's relationships and the availability of respondents: this could have resulted in selection bias of participants. The researcher could have applied her own opinions and pre-selected ideas during the interview process resulting in research bias. Such behaviour could have negatively affected the data collection process and thus the research result (Creswell & Poth, 2016). The researcher did have respondents from other retail banks in South Africa and financial professionals with whom she had no prior relationships, albeit they contributed to a small portion of the overall sample. This allowed for the research to avoid research and selection bias.

The qualitative nature of this study sought specific results, and in particular, an understanding of the nature of financial literacy measurement and the role of financial professionals' contribution to this phenomenon. Given this factor, Creswell (2007) recommends that respondents should be interviewed in their natural setting to ensure they are comfortable and at ease when answering questions. The current pandemic conditions and consequent restrictions meat this was impossible, so all interviews took place using video conferencing.

The sample of respondents was limited to Johannesburg, Gauteng. Although Johannesburg is the financial hub of South Africa, and indeed Africa as a whole, the research outcomes may not apply to other regions. The financial circumstances of individuals and literacy levels in other parts of South Africa are contributing factors to this. It can be assumed that the proposed research outcomes and model presented in Chapter 7 could have relevance to countries or regions with similar literacy levels and ecosystems.

The purpose of this study was to develop a financial literacy measurement tool specific to the South African retail banking sector. This therefore limits the study to South Africans with access to financial services through the banking network.

Testing of the tool will require a separate study, and this suggests a possible limitation to the research. A further outcome that will not be tested involves the consumption of financial literacy: this offers potential for future research in which a target audience can be tested to find whether the measurement tool and associated follow-up actions actually do influence financial consumption behaviour.

Given the above, the researcher took cognisance of these constraints and kept the issues in mind.

4.11 Conclusion

Chapter Four detailed the research design and methodology employed for this qualitative research. An exploratory strategy was employed with 18 respondents from three of the major banks in South Africa being interviewed. The majority of respondents are employed at one bank. Semi-structured interviews took place using MS Teams. Inductive reasoning was applied and the interview data was extracted and coded using ATLAS.ti software. Respondents fulfilled the criteria detailed in the preceding paragraphs, allowing for meaningful, rich data to be collected. The researcher was content with the sample size of respondents, but would have preferred to have two more to validate certain themes that emerged. The limitations of the study were not entirely restricted to the potential bias of employers, but this bias was acknowledged and circumvented where needed.

5 Chapter 5: Results

5.1 Introduction

A qualitative study was embarked on to understand the tools utilised by financial professionals in South African banks to measure financial literacy. The methodology section of Chapter Four indicated that semi-structured interviews took place with financial professionals from various retail banks in South Africa. The interview guide is detailed in Appendix 6 and aligns with the research questions and objectives detailed in Chapter Three. This chapter will outline the findings from the interviews that took place and will expand on these by means of comments and commentary on certain nuances evidenced during the interview process. Thematic analysis using ATLAS.ti software helped to obtain significant insights from the research process.

5.2 Overview of sample

There were 18 respondents in total for this research, mainly employed at one retail bank (Bank A) in South Africa (14), with four respondents coming from retail banks B and C. The researcher had between ten and 15 further interview subjects who had agreed to take part, but time constraints made further interviews impossible. The concentration of respondents from one retail bank in South Africa may skew the results as a result of certain nuances aligning with that bank. From a geographical perspective, all respondents reside in Gauteng and 94 percent of the respondents service a Gauteng customer base.

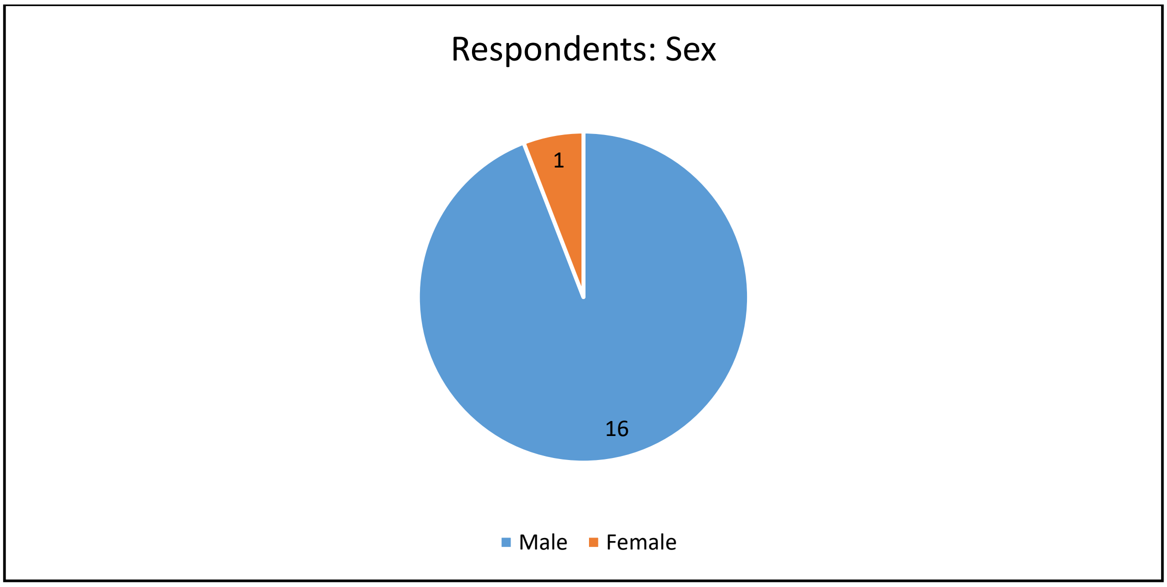
Respondents were split between management of financial professionals, financial advisors and wealth managers, with the differentiating factor being the market and customer base they service. Respondents’ names remain confidential to protect personal beliefs and information relating to customer details.

Table 1: Respondents' demographics

Groupings	Demographic variables	No. of respondents	Percentage
Sex	Male	16	94%
	Female	1	6%
Race	Black	5	28%
	White	11	61%
	Indian	1	6%
	Coloured	1	6%
Professional title	Financial Advisor/Planner	5	28%
	Wealth Manager	10	56%
	Customer Education Manager/ Regional Manager/Head of WI SA	3	17%

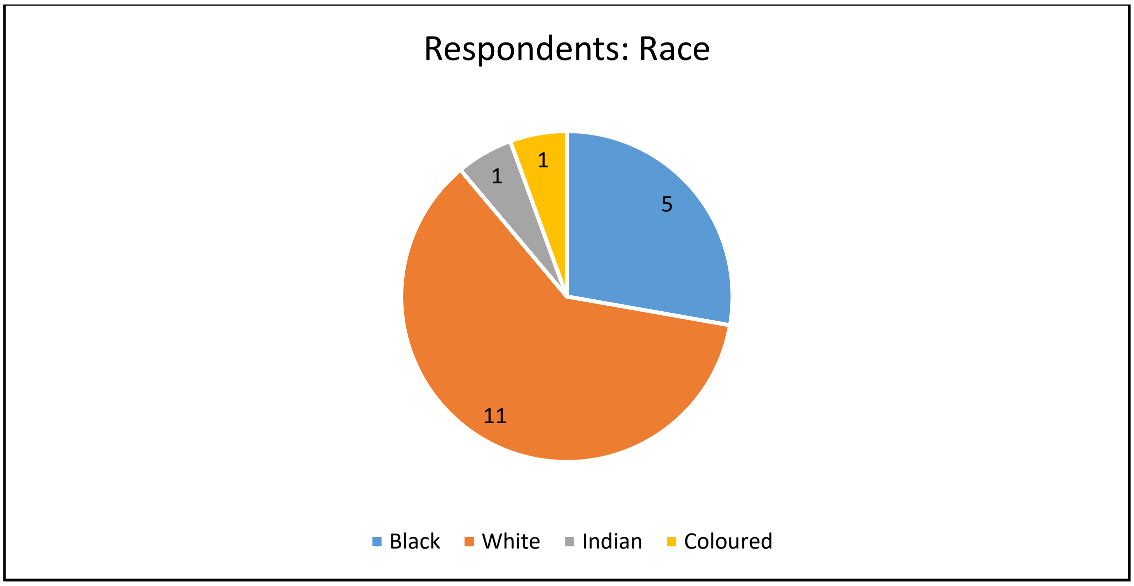
Source: Researcher.

Figure 5.1: Respondents' sex



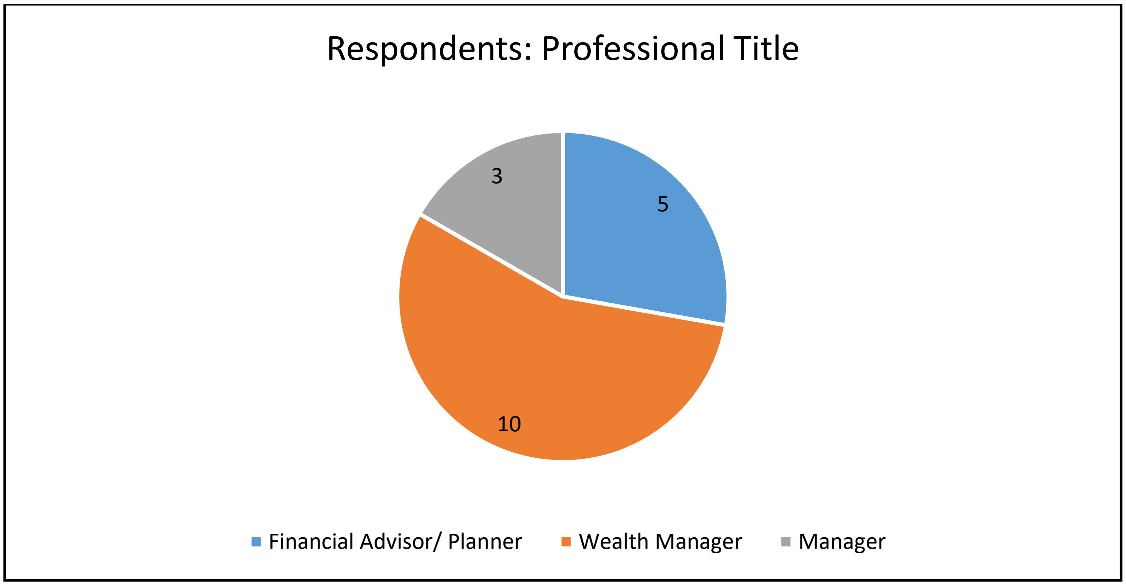
Source: Researcher.

Figure 5.2: Respondents' race



Source: Researcher.

Figure 5.3: Respondents' professional titles



Source: Researcher.

5.3 Data preparation

Microsoft Teams was used to record and transcribe the interviews. As a result of the current Covid-19 pandemic restrictions necessitating working from home, all the respondents had access to, and familiarity with, MS Teams. Interviews were recorded and transcribed using the same software. The transcription facility of

MS Teams was relatively accurate, and the researcher was comfortable with the MS Teams output given the time constraints. Where the transcription was incorrect, amendments were made by the researcher to ensure an accurate review. ATLAS.ti was the software employed for data analysis.

The researcher followed a strict routine for naming and collating data. Once an interview was concluded the researcher would ensure three tasks were completed immediately, starting with downloading the interview video, downloading the transcript and downloading the interview attendance ticket. These items were filed into separate folders for ease of reference and use. Interview transcripts were imported into the ATLAS.ti program and renamed according to the order of interviews. For example, the first financial professional interviewed was named “Respondent 1” and so on.

5.4 Data Analysis

As per the nature of semi-structured interviews, hours of content were produced. Content and thematic analysis (Neuendorf, 2019) were utilised on the data. Both content and thematic analyses have certain similarities but involve different processes.

The six-phase process of Braun and Clarke (2012) was utilised for thematic analysis:

1. The researcher familiarised herself with the data by reading through all the transcripts and extracting video recordings if more attention or clarity was needed.
2. Initial codes were then generated based on the findings and understanding from point one above.
3. ATLAS.ti was used to assign codes and code groups to the data. This process took longer than expected, lasting seven days in all. The researcher underestimated the times required for thoroughness throughout the process.
4. During the assignment of themes, the researcher looked for themes from the code groups. These themes were then allocated to code groups.
5. Code groups were then named and deemed to fit each of the research questions detailed in Chapter Three.

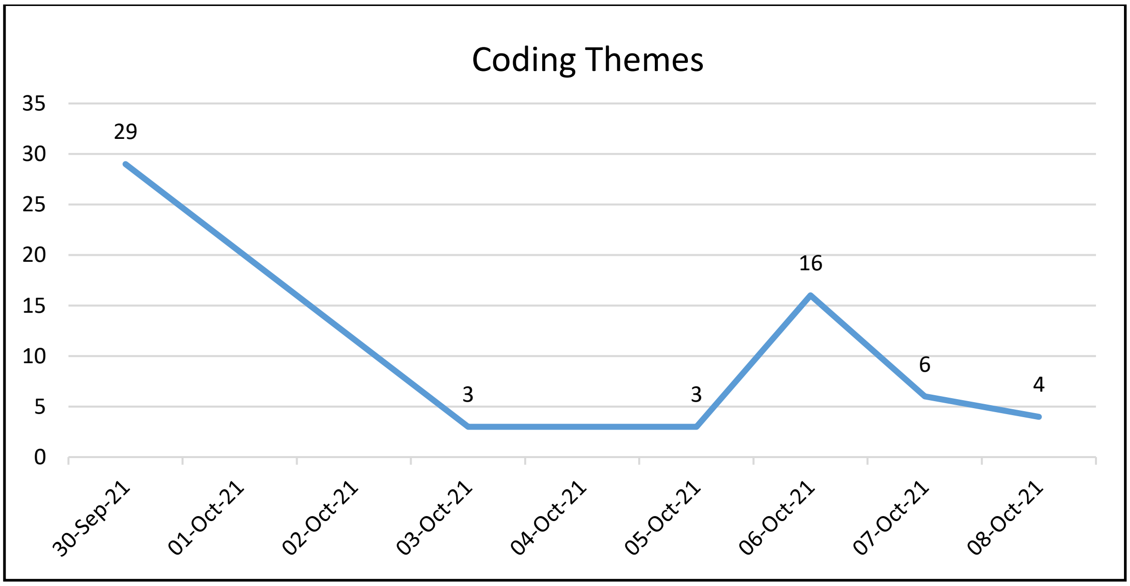
6. Content was then prepared to enable this chapter and the following Chapter Six to be written.

The elements of content analysis (Neuendorf, 2019) utilised were in relation to identifying theory and then understanding whether the research outcomes were either aligned with, and supported by, the theory, or if new findings were emerging from the study.

5.4.1 Coding themes

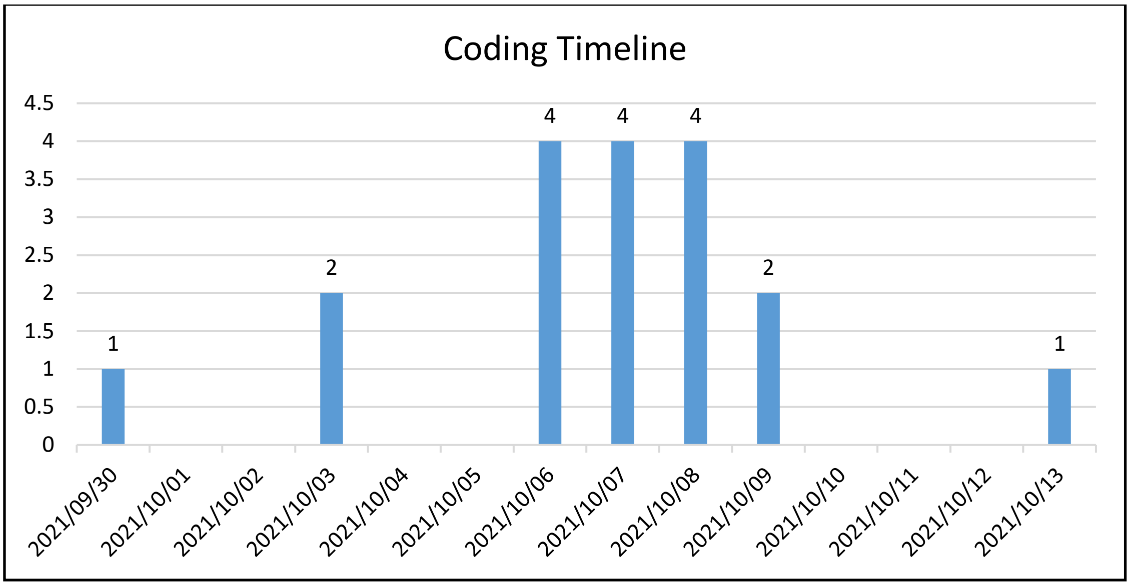
A total of 61 core themes emerged after the first round of coding from the respondents' transcripts which were analysed in ATLAS.ti. These 61 core themes merged into four main themes. Figure 5.4 below depicts the number of codes identified throughout the coding process. The majority of the codes were defined at the onset of the coding process, with a large number of additional themes emerging within the first six days. The coding process and number of respondents coded per day is detailed in Figure 5.4 below.

Figure 5.4: New coding themes per date created



Source: Researcher.

Figure 5.5: Coding timeline



Source: Researcher.

5.4.2 Coding saturation

Figure 5.5 above indicates that coding saturation was reached by the 15th interview, with no new codes being discovered after this. The researcher utilised the first three interviews as effective test interviews, enabling refinement of the remaining interviews. This led to new codes being established later on in the coding process.

5.4.3 Reliability and validity

A natural validation process occurred during interviews between the researcher and respondents, whereby the researcher validated interviewees' responses through the use of clarifying questions. Brinkmann and Kvale (2019) highlight the importance of process from the perspective of reliability and validity of data. The software used to record interviews made it possible to provide respondents with electronic copies of their interview recordings as well as their interview transcripts.

5.5 Reflection on Interviews

The interview process was seamless, with most respondents being passionate around the topic of financial literature. The desire of these professionals to do good in South Africa was evident.

5.6 Results

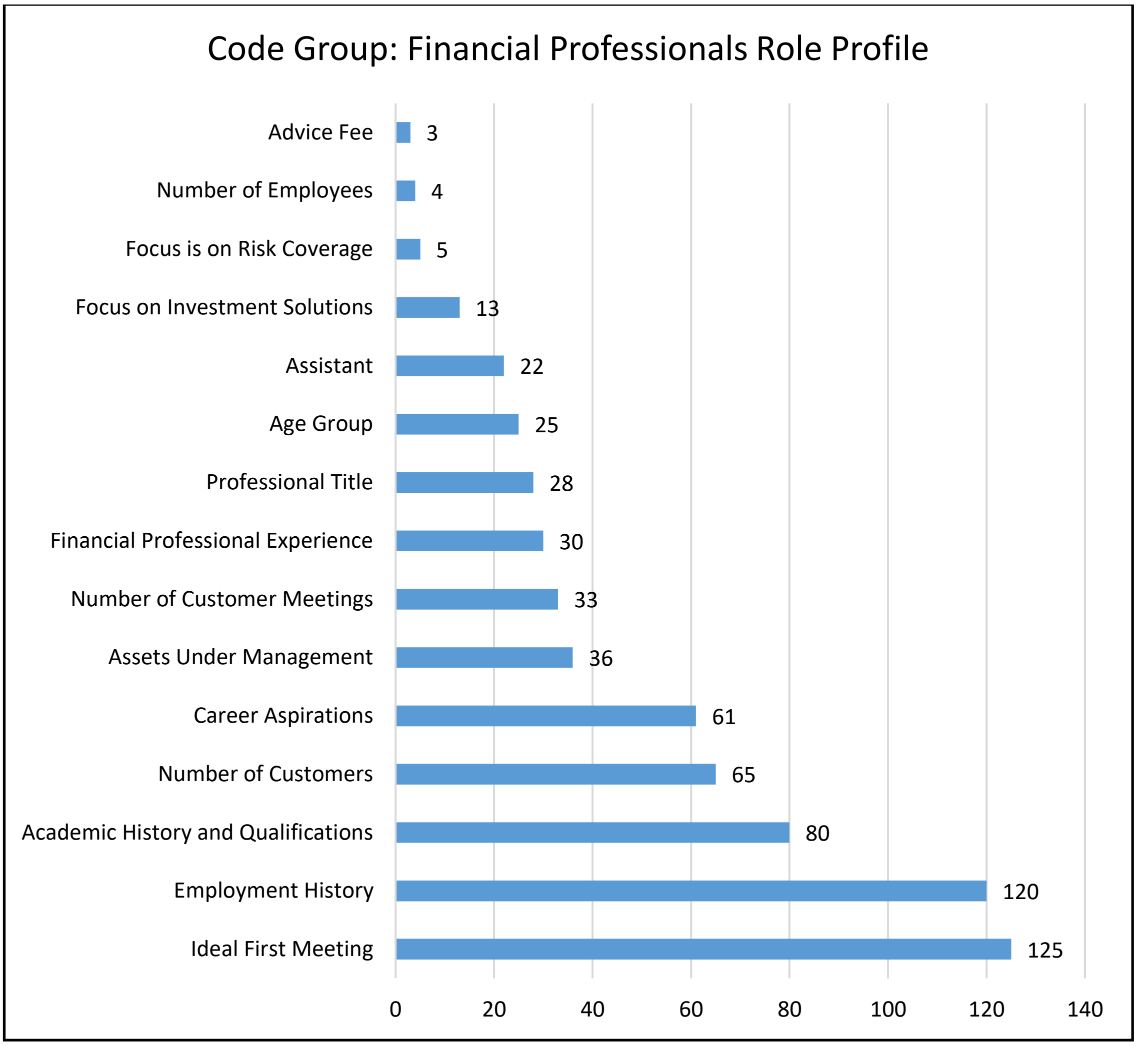
5.6.1 Research Question 1

RQ 1: What role do financial professionals play in the retail bank ecosystem?

Research Question 1 was designed to learn the background of financial professionals, their basic demographics, reasons for entering the financial services industry, customer engagement, numbers of customers and career aspirations. This rich data provides an understanding of the individuals who are used as instruments and conduits in the retail banking environment to measure and understand the financial literacy levels of retail banking customers.

Sixteen codes emerged as basic to understanding the backgrounds of financial professionals. This relates to their role profiles as employees within South African retail banks today. The overarching theme is that of the role profile of the financial professional in the retail banking ecosystem.

Figure 5.6: RQ1 codes



Source: Researcher.

5.6.1.1 Ideal first meeting

Financial professionals described an ideal first meeting with a customer as an information-gathering session. This session would be the start of a potential mutually beneficial relationship and this is where the building of trust commences.

> *My ideal first meeting, I guess it is to understand the customer. It is just about gathering while starting the relationship and gathering of the information, but obviously what I do well in my opinion in having an agenda. You know, kind of like telling the customer what is the information that you need because I realize going without agendas, then the conversation is not directed…* – Respondent 1

Before starting the information-gathering process it is important to break down interpersonal walls and get to know the customer.

> *Ok, so I think before you even ask for information you've got to break down those walls. You have got to tell them a story. Find out commonalities and get them off the edge. Because to many customers it is very emotional, and people can be quite unhinged with money talk. So that's the first thing. And then you move on to talking shop. So essentially you just need to know their net asset value and income, how they are married and how many dependents they have and what they existing portfolios are.* – Respondent 4

An insight that emerged is that an ideal first meeting is similar to a successful first date.

> *Because you look at everything holistically. It will be like, ok, this is where things are missing. This is where you are doing well, and this is how we can improve. And then you can implement. So, you engineer the conversation to know every single thing about them. Very similar to a first date.*
>
> – Respondent 4

One respondent utilised a document that he had crafted himself to efficiently capture information gathered during the first customer meeting.

> *So, this is a document that I've drafted up. So, basically just kind of like a financial needs analysis.* – Respondent 5

The first meeting is deemed the most important.

> *Look, so the first meeting is generally most important, because that's where you get to know the customer. So, what I need is family background. What they do for a living, so source of their wealth and source of their income and then their goals, financial goals and objectives and what they're trying to work towards. So, this is all-encompassing right?* – Respondent 6

Understanding customers' goals and intentions with their finances is imperative for crafting a viable financial advice plan.

> *From the initial meeting with a customer, I look for the customer's relationship with money. I look at their goals. I look at where they want to get to.* – Respondent 9

> *What their goals and objectives are in terms of the funds going forward.* – Respondent 10

> *I almost ask a minimum amount of questions to start off with just to pitch the conversation in the right direction. Whether they're married with kids and those kind of things. And then I generally give them a broad overview of how we think about financial planning. You know the estate planning and will-drafting side of things, how we think about risk. In that interaction you quickly pick up. You know whether they with you or not.* – Respondent 11

Homework in the form of budgeting exercises is given to customers to help them understand the level of seriousness in the financial advisory process.

> *Only by the second interview, I send them away with homework to say, well I've given you the broad concept and you're happy with what we're talking about, you are happy that we go through the journey you know of, firstly making sure your will and estate plan is sorted out. We then review your risk and then moving on to wealth creation and how we think about wealth creation. I might send them out with homework and say, well, OK, now I need you to do a detailed budget.* – Respondent 11

> *Often that weeds out the serious people from the not so serious, because if they're not prepared to come back with the basics of group life information and do their budgeting exercise. You know, give some thought to the thing, then maybe they're not that serious.* – Respondent 11

5.6.1.2 Employment history & career aspirations

The employment history of financial professionals showed that the majority of respondents chose to work in financial services and will continue to do so.

> *Well, you know the problem is I am really happy doing what I'm doing. I enjoy it. I do like the bank, well for the foreseeable future. I am happy.*
>
> – Respondent 3

> *No, I'm passionate about people and understand money. So, if you put them both here, this is the role.* – Respondent 4

> *I always knew I wanted to be part of like an investment team and investment structuring, and it was always a passion and interest for me.*
>
> – Respondent 8

> *Desire to assist people and help them grow and develop.* – Respondent 11

> *The big difference is that I've got a passion for my work.* – Respondent 14

> *Yeah, I was always going to be a stockbroker.* – Respondent 18

This respondent didn’t necessarily choose to be in financial services:

> *No, not really. It came more, I suppose is. You know that was most probably the safe haven to go and find a job and get some money and start earning.*
>
> – Respondent 10

5.6.1.3 Academic history and qualifications

To take part in providing advice to retail bank customers, a minimum NQF is required. It emerged that financial professionals are highly skilled and educated in academic terms. Academic aspirations also emerged.

Table 2: Respondents' academic history

Respondent	Academic History and Qualifications
1	BSc – Did not complete BCom – Did not complete NQF6 – Estate Planning and Financial Markets Post-Graduate Diploma in Financial Planning RE1 and RE5
2	PhD Marketing Management Masters in Business Management Honours in Business Management BEcon
3	Post-Graduate Diploma in Financial Planning Advanced Post-Grad – Portfolio Construction and Management
4	CFA Post-Graduate Diploma in Financial Planning BCom in Economics and Finance
5	BCom Economics and Finance Post-Graduate Diploma in Financial Planning CFA – level 1
6	BCom Finance BCom Honours Post-Graduate Diploma in Financial Planning & completed FPI Board Exam Estate planning and investment management
7	Marketing Degree and Honours Post-Graduate Diploma in Financial Planning Masters in Business Administration (MBA)
8	BCom Honours Investments Management Post-Graduate Diploma in Financial Planning
9	BCom Economics Honours in Qualitative Econometrics
10	Post-Graduate Diploma in Financial Planning Diploma in Estate and Trust and Administration – UFS
11	Post-Graduate Diploma in Financial Planning Market management diplomas – NQF 7 qualifications – variety over time
12	Undergraduate degree in finance MBA specialised in financial management Post-Graduate Diploma in Financial Planning Post-Grad in Financial Planning Advanced Post-Grad – specialising in investments
13	Bachelor of Commerce Law LLB MIT – ACE Programme
14	Diploma in marketing

	NQF6 in financial instruments – Academy Post-Graduate Diploma in Financial Planning – Incomplete
15	NQF5 – wealth management, Milpark LLB – 1st year
16	Technical diploma in plumbing RE5
17	BCom financial accounting BCompt Honours Post-Graduate Diploma in Financial Planning
18	Masters in Development Finance – in progress BSc in finance and MIS Post-Graduate Diploma in Financial Planning CFP – in progress.

Source: Researcher.

In the detailed Table 2 above, the most common shared feature is a Post-Graduate Diploma in Financial Planning, with most completing this qualification through the University of the Free State and a minority at Milpark Education. This diploma is starting to become a prerequisite for financial professionals in most financial advisory activities across retail banks.

Respondents 15 and 18 stood out in their desire to achieve further academic qualifications to not only further their careers but for the overall good of their customers.

> *I think it is self-actualisation, I am thinking beyond retail banking, I will pursue financial planning in the realm of estate planning and a law degree positions me well for that.* – Respondent 15

> *I'm now studying a Master's in Development Finance. What feeds my soul right now, is the development finance because it's again related as to how do you get the wealthy to fund part of what we can do on the development side.* – Respondent 18

The final insight from this code is that the majority of respondents have more than one academic qualification. This indicates that the financial advice and financial literacy they are providing to customers are backed by an academic footing.

5.6.1.4 Assets Under Management

Assets Under Management (AUM) is an indication of the amount of money that a financial professional is managing collectively across the customer base. Generally, the larger the book size the more complexities involved in the financial advice process. In addition to this, book size can illustrate the seniority of the financial professional, as assets under management should ideally grow year by year.

Table 3: Respondents' Assets Under Management (AUM)

Respondent	Assets Under Management
1	R3,5 billion
2	Not applicable
3	R50 million
4	R500 million
5	R2,5 billion
6	R325 million
7	R2 billion
8	R600 million
9	R320 million
10	R1,2 billion
11	R280 million
12	R3,5 billion
13	R700 million
14	R300 million
15	R300 million
16	R150 million
17	R1,3 billion
18	R4 billion

Source: Researcher.

A significant insight derived from this code related to the ambition of financial professionals to continue to build and grow their assets under management in order to provide more value to their customers.

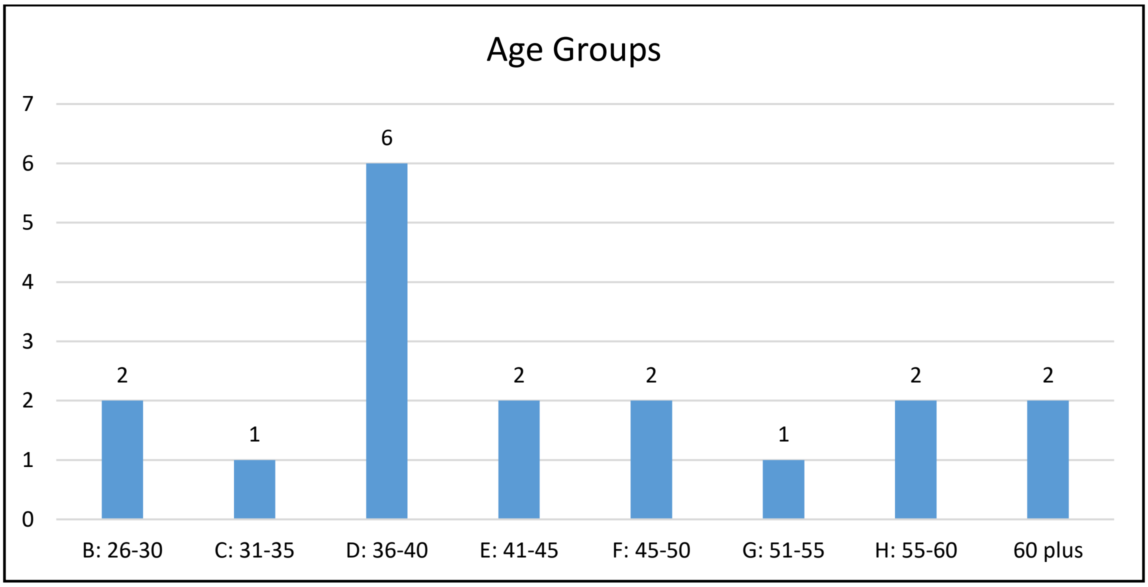
> *R325 million so far, but R3 billion in the next ten years. I started in 2018 and so by 2028 I want R3 billion.* – Respondent 6

In certain instances financial professionals had organic book growth as a result of colleagues departing the bank and leaving them to take over their customers.

5.6.1.5 Age group

The majority of respondents conformed to age group profile D – 36 to 40 years of age. An additional age group profile had to be added, this being the "60-plus category", which was unplanned for, but a welcome surprise. Responses in this category allowed for a thorough comparison of thinking between new financial professionals and those with 40-plus years of experience. The similarities between insights gained depict the alignment in thinking between financial professionals.

Figure 5.7: Respondents' age groups



Source: Researcher.

5.6.1.6 Number of customers

Financial professionals in the sample service a variety of customers, ranging from those in the lower income brackets all the way up to Private Wealth of Affluent customers whose take-home earnings are in excess of R1,8 million a year. The significance of Table 4 below is that it shows the impact the research sample has on the South African retail bank market and the influence these financial professionals have on their total 74 612 customers.

The third column in Table 4 below is a “Household indicator”, this being a measurement tool used by Private Wealth departments in retail banks to look after entire households as opposed to single members. It offers a more effective means of providing holistic solutions to customers based on their family needs, while also aligning with estate planning principles.

Table 4: Respondents' customer numbers

Respondent	Number of Customers	Household Indicator
1	70 000	
2	None	
3	100	
4	170	
5	117	
6	50	Households
7	120	
8	115	
9	45	
10	130	
11	360	
12	100	Households
13	75	Households
14	60	
15	500	
16	2 300	
17	120	
18	250	Households
Total for Sample	74 612	

Source: Researcher.

As much as financial professionals are looking for new business to bring additional AUM to their customer books, not all are desperate for new customers:

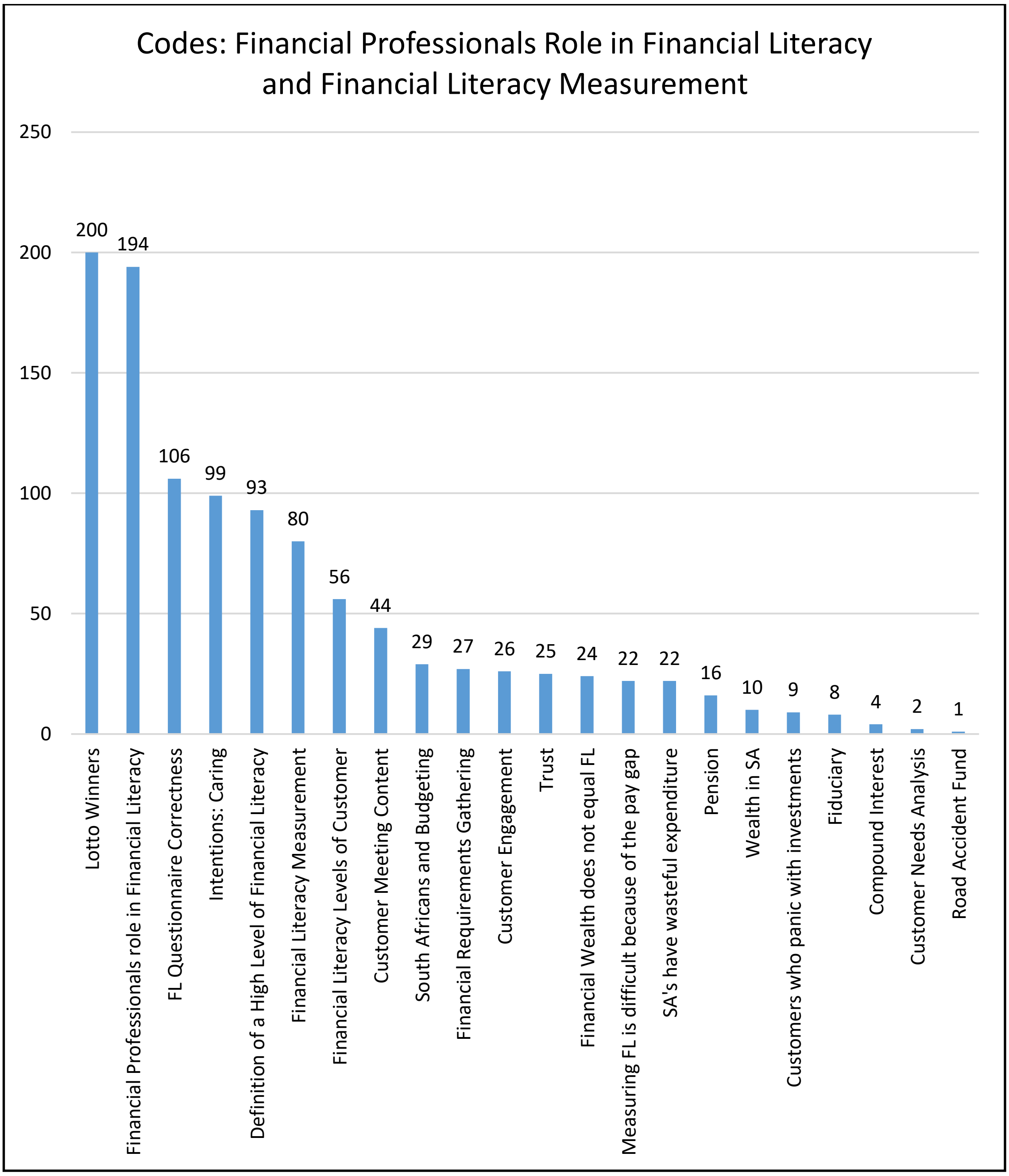
> *I do take on new customers, but I try to cherry pick a little bit in terms of the customers I take on.* – Respondent 11

5.6.2 Research Question 2

RQ 2: Do financial professionals play a part in financial literacy and the measurement thereof?

In view of the number of retail bank staff with whom customers engage when approaching or dealing with a retail bank, the aim of Research Question Two is to understand whether financial professionals such as wealth managers and financial advisors contribute, influence or play a part in financial literacy and what measurement tools they use to understand a customer's level of financial literacy when they engage.

Figure 5.8: RQ2 codes



Source: Researcher.

5.6.2.1 Financial Professionals’ role in Financial Literacy

Financial professionals impact all aspect of society, including members of the disabled community such as deaf participants.

> *The disability sector as well. So, the National Institute for the Deaf, for example, is one of our training providers and we are making great impact in, in the deaf community as well.* – Respondent 2

Financial professionals recognise the role they play in the retail bank sector and understand that they are conduits of information from the bank to customers consuming the bank’s services.

> *We are conduits of the bank. Any engagement that I have with a customer, I'll try and impose or impart knowledge, whether that concludes into any business transaction between them, and I want to leave my office better off than they were before they came in.* – Respondent 15

An opposing view emerged with the notion that given the remuneration of financial professionals and the time needed to provide financial literacy, this activity might not be a viable option for all.

> *They don't have to time and they are not paid for it, very honestly. I'm not paid to give basic financial literacy.* – Respondent 2

Financial professionals are acutely aware of the role they play in customers’ financial lives.

> *It's easier to intimidate people who don't know. And know, they don't know. Then it is to intimidate people who think they know.* – Respondent 3

> *My job is advice-driven. You know, granted I need to make a living, but it is largely advice-driven. Of course, I'm trying to make a sale because that's what I do. But there is definitely space to ethically make a sale whilst protecting the customer.* – Respondent 3

A huge role, very huge role because I am the catalyst between understanding and gambling, you know, so it's huge. I don't take it lightly, especially when you have retirement decisions with the customers. Definitely, it's a huge role that we play in the in the bank. – Respondent 6

It's definitely our financial education journey that that starts with some of these customers. – Respondent 7

It's everything about creating awareness, having those personal conversations with customers, building trust, building a plan, implementing the plan, and ensuring that you aren't just selling a product. But I'm really creating financial stability for the customer. – Respondent 7

We should be ensuring appropriate solutions are provided to customers and therefore the customers are able to understand that they will need to uplift themselves to be able to make better choices. – Respondent 12

The role of capacity and the amount of financial literacy knowledge that the financial advisor and wealth manager workforce can impart to customers is limited.

We can have 100 customers each. That's a million. There's 60 million people in South Africa. So that’s the problem. – Respondent 4

Coaching and mentoring customers is an essential part of the job.

You have a bigger role in terms of coaching and mentoring. – Respondent 5

Financial professionals understand that customers are scared of making incorrect financial decisions and that emotions are involved with investment or money decisions.

It is scary. Very, very scary for a lot of customers. – Respondent 7

Another respondent delved into the notion of financial professionals being too lenient with customers and allowing them to change the course of their investment strategies.

> *I do think that we may be a little too soft on our customers sometimes.*
> – Respondent 10

5.6.2.2 Emotive factors: societal obligation, conscience, trust and caring

Insights emerged relating to emotive factors such as an obligation to society, gaining and providing trust, and actually caring for customers' needs.

> *Obligation to society as a whole is needed, to take on those smaller customers. Those guys with 100 000 or 200 000 rand. To try and coach them and get them thinking about the big picture. I think you know we've got a fiduciary responsibility to fulfil.* – Respondent 5

Values and doing the right thing for the customer are key.

> *You don't just do it to close a deal. Because then I think: Yes, I think then your values are a bit misaligned.* – Respondent 5

It has long been recognised that the financial advisory industry is tarnished by certain financial professionals who are seen as being sales- and profit-driven.

> *And if we're just looking to make a sale in then… we shouldn't be in this profession at all.* – Respondent 7

> *In Africa the advisors are generally either all highly incentivized on quantities placed and commission. Score cards, or based on volume of new business.*
> – Respondent 12

> *Sometimes being a wealth manager is viewed with a negative connotation, and it's always thought of as me just wanting to take money.*
> – Respondent 18

Caring about customers, as opposed to just making sales, emerged and it became clear that financial professionals not only love what they do, but genuinely care about the well-being of their customers.

> *I definitely care about their well-being. I definitely care about their career projection and where they're going. The moves that they're making, you know, are they going into business or are they seeking alternative employment? I care about their wealth because it's actually my wealth.*
>
> – Respondent 6

> *If we don't care as professionals, as in the absolute minimum and if we're just looking to make a sale, then we shouldn't be in this profession at all.*
>
> – Respondent 7

To be a successful financial professional, trust is key to relationship-building with the customer, who needs to buy in to the story and to the financial professional.

> *Trust is an extremely big component of our business.* – Respondent 10

> *Build trust, get them used to the idea of retiring, and let them fully understand what the implications are.* – Respondent 11

> *Getting a customer on my side is the most important. And as I say, the trust, the trust is the most important part for me.* – Respondent 14

5.6.2.3 Lottery winners

A strong emergent theme, commencing with Respondent 13, involved South African National Lottery (Lotto) winners. The significance is that Lotto winners come from all sectors of society, and that the impacts of a winner's financial literacy levels plus the transfer of financial literacy from a financial professional to a Lotto winner are significant. Ithuba Holdings, the operator of the SA National Lottery, requires all Lotto winners to consult a financial advisor or wealth manager prior to accessing the winning funds. The winner is not required to accept the advice or proposal but must go through the process with a financial professional.

Table 5: Lottery winners summary

Respondent	Lotto winnings	Demographic	Outcome
13	R50 million	Builder	Positive: still has winnings and is living off them.
14	R22 million	Indian Male	Negative: winner is dead. Died in a government hospital corridor from Covid with no medical aid, all Lotto winnings finished.
14	R8 million	23, white, male	Negative: six months later all winnings finished.
14	R15 million	48, male	Positive: still living off the proceeds of his Lotto winnings
15	R10 million	Male	Positive: has money left. Bought assets that would generate income.
15	R50 million	Male, Black, government worker	Positive: still has the R50 million, lives off the growth.
15	R7 million	Factory worker	Positive: still has capital left.
16		Husband-and-wife couple	Positive
17	R25,5 million	Female, 65	Negative. FP advises that the funds will soon run out.
18	R27,5 million	Male, 35	Positive, has bulk of the winnings still.

Source: Researcher.

The listings below detail the circumstances surrounding the Lotto winners.

Respondent 13:
Did not have a bank account at the time of winning. *I immediately opened a bank account for him.* *He was very concerned that the money would get finished.*

Respondent 13:
The guy doesn't know anything about investments. *He was saying: “I want to buy cars, I want to buy houses…”* *So, you need to recondition his mind now in terms of saying OK, fine, let's change his mindset in terms of just buying recklessly and put a structure in place so you can guide that person. They will say: “Fine.”* *He probably hated each and every financial decision he took, you know.* *He just has to call me and say: “OK, let's see I need to spend this amount and is this is the right thing to do?”* *Our control is to try to make the investment sustainable, so that we are basically protecting him from reckless decisions.* *So, he is very receptive and very cooperative.* *He wants guidance every step of the way.*

Respondent 14: Winner 1
Three o'clock on a Friday. *In the branch there was about 50 people in that small branch.* *He won R22 million.* *What are all these people doing here? Yeah, I must give them something. There was about 50 people. Family members.* *We need to put a plan in place for you.* *He said he’s got, ah, five, children so we gave each child a million and a house. That was my suggestion.*

Respondent 14: Winner 1
It was three years and there was no money left. *And every time he says: "Mr (Advisor Name), I feel so ashamed to come to you because I didn't listen to you. The children's money and everything is gone."* *But he was such a good man. Just when we did the investment, I went to his house before he bought his children houses. It is really a poor neighbourhood with a small, small two-bedroom house, and there was about eight of them and living in there.* *This just tells us that even with advice, people still make the wrong decisions and then there are other factors that come in like the family, the wife, the greediness.*

Respondent 14: Winner 2
I put together a plan out for him to preserve the money. *He was a young guy who was 23 years old, he was an off-road motorcycle rider, that was his job so.* *He had an uncle who was an accountant, who gave him advice regarding his winnings.* *I suggested an interest-bearing instrument for him because he wanted to buy things. He went and bought a four-million-rand house in Midstream estate, which was half of his winnings.* *He didn't want to listen.* *It was also about six months and there was no money left.*

Respondent 14: Winner 3
The third one actually invested it. We did an investment, and he is still living off of it. *He won R15 million and still has capital left.*

Respondent 14: Winner 3
So, he's the only success story.

Respondent 15: Winner 1
I've been dealing with a man since 2013. *He wanted to buy a farm. He wanted to buy cattle. He basically started farming. There was a little alcohol business that he wanted to start, and he has basically been doing that.* *I've had his money invested all along.* *Whenever he wanted to buy something, he would have to call me. I've arranged it in such a way that if he wanted to access his money that we've invested, he had to go through me.* *But at some stage he came to me and said: "I want money. I want to buy a Ford Mustang." I told him if he buys this, then he needs to take his money and I will stop being his advisor.* *He said: "No, it's fine, I'm not buying it any more."* *So, this is the guy that would always ask for money and if he, if he could access that money himself without passing by me, I think he would have blown it within the first two years.*

Respondent 15: Winner 2
The gentleman is sober-minded. I had to fly to another province to see him. *He continues to work. He continues to be to be employed.* *He took a very small amount, R1 million to spoil themselves, to buy a big vehicle, to do renovations to this house. And in the end, so all he wanted was his money to be invested in guaranteed investments.*

Respondent 15: Winner 2
He receives an income on a monthly basis, which is R200 000. He's got two children and a wife, and he lives off that amount and continues to work. *In five years' time he will have his full capital of R50 million paid back to him.*

Respondent 15: Winner 3
He was an ordinary factory worker, earns under R3 000 per a month. Won R11 million. *He won in February of the year and he decided, he has got his money, but he won't stop working. He just wants to finish the year properly and he continues to work for the remainder of the year.* *He did not spend a cent of his winnings.* *At the end of the year he resigns.* *He was nonchalant about his money, didn't show off or anything.* *He lives in a in a community, in a rural environment.* *He bought himself a tractor and does some type of farming.* *He receives a monthly income from his winnings. I think he's the richest man in the village.* *It's only his wife that knows and I don't think he even told his children.* *So, what is interesting is that the neighbours can see that he's possibly living far better than all of them. They attribute it to the tractor and now they all aspire to buy tractors.*

Respondent 16
They settled their bond. They settled their car.

Respondent 16
It was a husband-and-wife couple, they made sure not to tell any of their children about the winnings. They just went on as if it business as usual. So, they did something good. *Their standard of living improved as they didn't have any more debt.*

Respondent 17
She got about R25 million and by the time I started investing at it was – there was – about R19 million left. *The son got a house and the daughter got this and that, so obviously loads of splurging.* *I put it into a guaranteed product for the reason of protecting her against herself.* *So, I mean she's happy that she's got a fixed income for five years out of the R11 million, which escalates. But then the second part was, then this comes up, then that comes up, and so I'm processing redemptions twice a week.* *She won in 2019, we are left with about R3,5 million now.* *She doesn't work now.* *She could comfortably live off winnings, she draws a fixed R50 000 from the R11 million and then there's another regular withdrawal of about 40 from the R9 million. But that's not it, on top of that she still requests ad hoc withdrawals.* *But she's got problem children as well, you know. I mean adults who still want money from her. The son is jobless, she supports him, and he has two daughters. She has to pay for school fees. The son blows the money on drugs or alcohol. It's really a bad, bad background.* *Yeah, I'm beyond the point of actually fearing, I know it's going to happen. It's just a question of time.*

Respondent 17
I'm beyond… I'm actually fed up.

Respondent 18
In 2018, the family agreed to split the winnings. *The winner is financially astute, the father had just deceased, so he split the money with their mother and his two sisters.* *I managed the winnings for the three of them: him, his mom and the one sister, which is what we still have till now.* *The winner continued working. But by then he had no liabilities, so he could afford to invest more and also build a long-term investment strategy himself.* *He was not even living off the interest, he… we had three objectives. He took some for his liabilities, which wasn't much. We invested some in long-term strategies, which is still in the markets, but he didn't need liquidity and then he had one structure which was almost a fixed structure, just as it in case he did need something.* *He continued working. The mum continued getting their pension.* *Now, the sister is the only one who, when two years later, last year decided to quit her job as a nurse and asked for all her winnings and that was it.*

A key finding is that Lotto winners who only told a select group of people or significantly limited the number who knew, tended to be more successful than those who told everyone.

Further to this, all respondents reported on the overwhelming emotions experienced by Lotto winners. The first point of call is trying to calm them down and to get their minds right in order to determine how the monies will be utilised and invested. The results indicate that financial professionals provide Lotto winners with "blow it" money, whereby they give them usually around R1 million on the day of winning to go and spend on whatever they want. This enables the Lotto winner to regain a sense of calmness in the process of releasing the excitement of being a winner.

> *We went to speak to the winner and it's very overwhelming on the day you win. And then they bring these people to come tell you what to do with your money. And they offer something that will give them the highest commission and forget about the individuals. And eventually no one knows what happens to the winnings.* – Respondent 18

5.6.2.4 Professionals and Financial Literacy

The financial professionals continued to mention members of certain professions who are extremely competent at their craft, but lack the necessary financial acumen to be financially successful. The same professions were cited by most respondents, and included doctors, lawyers and accountants.

> *I've got customers that are very good at what they do. I've gotten an ether test. I've got friends who are doctors who say that he's one of the best there is. Ok, but his financial knowledge is terrible at the least. But this is a hell of an intelligent guy. The problem is because he's made a lot of money. Ok, you know, just because you have a lot of money doesn't mean you know how to work with it.* – Respondent 3

> *I've got a customer who owns a restaurant and he's a very good restaurateur. He does well, he drives an X5, he's got a nice house. His kids are in private schools. So, he does really well. And the problem is that he's convinced that he is better off buying stock with his money than creating a slush fund for a rainy day.* – Respondent 3

You know, these would typically be entrepreneurs, lawyers or doctors. And you'd be surprised, saying that some of them don't know what an NRA is. They don't know, you know, what compounding of interest means and things like that. So, it's certain customers – these highly skilled guys – we really have got to go back to basics and the bare bones kind of things.

– Respondent 5

I've got a medical practitioner who's a customer. He has been practising for 35 years, but you know, he doesn't understand how to structure his portfolio. He doesn't understand. – Respondent 7

They['re] just accountants. All they do is that they get permission to check numbers. They might not have that high level of financial literacy. They just know how to work numbers. – Respondent 9

And even though these people have created a lot of wealth, that are actually obviously captains in the industry, and they know what they are specifically doing, like for example a doctor. He knows exactly how to diagnose, etc, so these people have spent a lot of time and effort in terms of growing their wealth via their companies and accumulating quite a bit of cash. But when it comes to the investment side, they are not that well-educated.

– Respondent 10

Professionals, accountants, lawyers, doctors tend to misunderstand. Because, you know, the cement guy. He runs a business, so he understands cash flow, he understands the cost of living, whereas those that are more salary-based lack understanding. – Respondent 12

Lawyers are lacking in knowledge. – Respondent 15

One respondent advised that he found engineers – as a professional group – to be both engaging and knowledgeable.

I find engineers to be very engaging. – Respondent 15

5.6.2.5 Financial Literacy questionnaires

The research indicates that the primary method of measuring financial literacy is via questionnaires. Their use was investigated, and overwhelmingly the outcome was that financial professionals do not trust financial literacy questionnaires, nor do they utilise them to measure the financial literacy of their customers.

The question posed to respondents was: “I enjoy using financial literacy questionnaires with my customers – true or false?”

Eleven out of the 14 respondents who answered this, replied “False”.

> *You know there’s so much more than you can get from a customer by talking to them, than ticking boxes off a questionnaire.* – Respondent 3
>
> *I use general conversation.* – Respondent 9
>
> *I don’t use literacy questionnaires as such.* – Respondent 11
>
> *We don’t use literacy questionnaires.* – Respondent 12
>
> *I don’t really use questionnaires, I just talked to them in general, like I know what to ask my customers. I don’t use questionnaires, no, I just have a general discussion.* – Respondent 16

5.6.2.6 Financial Literacy measurement

An overwhelming majority of respondents found the question associated with this code to be a difficult one.

> *That’s a very difficult question, because Yes, you can measure it by your pre-assessment and post-assessments and that is what we are doing as a bank and understanding how many people is on debt counselling. I would say if there is a decline in bad debts, that is one of the measurements.*
>
> – Respondent 2

> *I think it would come down to the savings rates and another way probably to measure it would be on the credit stats.* – Respondent 5

> *It's going to be tough to measure. But the attrition rates of investment products could be a tool.* – Respondent 9

> *Yeah, the measurements are a tricky one, I don't know. Just it's one of those intangible sorts of things.* – Respondent 11

> *You could probably use the FAIS Ombud [Ombud for Financial Services Providers] statistics as a measure.* – Respondent 12

> *How can you measure it? Um, yeah, that's a tough one.* – Respondent 17

It emerged that respondents estimated financial literacy following general discussions with customers. Using their years of experience gained from engaging with customers, reading body language and assessing customers' facial expressions, financial professionals can easily assess whether a customer understands the financial concepts under discussion or whether something must be re-explained, or the language being used needs to be changed. Fifteen out of 15 respondents agreed with the statement: "I can measure financial literacy levels out of my head from general conversations with customers – true or false."

> *You sit over a cup of tea at their office and you just engage and again it goes back to if you've studied it. So, it's ingrained in your brain. You know exactly what you need to collect from them. And then I just memorize the information, so I don't write things down.* – Respondent 4

> *So for example, you are chatting to a customer and you say to them: "Ok, so the interest rate gives you this," and they give you a blank look, so surely that would tell you: listen, just I need to start at the bottom here. I need to start from the basics.* – Respondent 4

> *True, yes, I can like see this guy kind of knows what he's talking about and this guy hasn't got a clue.* – Respondent 11

In simple concepts to see if they understand what's going on, as you get to understand how much literacy they've got, you can change the level of conversation. But often it's just to get those basic concepts across you know, it doesn't matter who they are. – Respondent 11

*You can quickly pick up when a person talks ******** or whatever.*
– Respondent 16

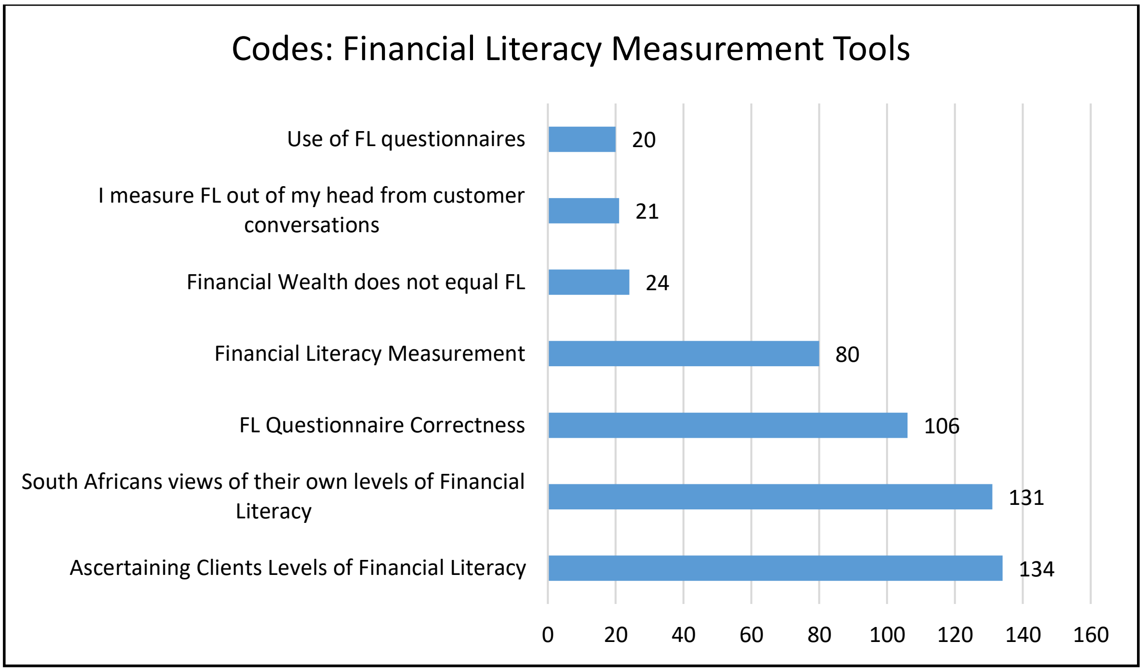
And you just kind of know this stuff out of your head. – Respondent 17

5.6.3 Research Question 3

RQ 3: What financial literacy measurement tools do financial professionals currently employ in SA?

The purpose of this research question is to understand which financial literacy measurement tools are used by individuals dealing with the public to assess the level of literacy prior to engaging with a customer. The importance of this is to ensure that financial concepts and literacy are improved by means of knowledge transfer from the financial professional to the end customer. This process will not happen unless the financial professional is communicating at a level of understanding suited to the customer.

Figure 5.9: RQ3 codes



Source: Researcher.

5.6.3.1 Defining a high level of financial literacy

Financial professionals were asked what they defined as being a high level of financial literacy among the customers with whom they engaged. This is the starting point of the financial literacy journey for impartment of knowledge and financial literacy measurement.

> *Financial literacy to me is understanding the concept of interest and earned interest.* – Respondent 3

> *So, I think it's a basic understanding of asset classes. Kind of what projection means in terms of your investments.* – Respondent 5

> *I think if a customer has a clear understanding between their goals and objectives and there is a corresponding investment strategy. So which asset class that I'm choosing to achieve their investment, for me that represents a customer with high skills because that's pretty much what we're trying to do right.* – Respondent 6

> *Differentiating between saving and investing. Understanding the difference between inflation and basic financial concepts and understanding how to, sort of, solution.* – Respondent 7

> *Understanding the value of money.* – Respondent 9

> *The impact of tax and the impact of inflation on investments, and risk mitigation. Those kinds of things, so someone who just has a good understanding of those concepts, not necessarily product-related.*
>
> – Respondent 11

> *Think they understand the difference between advice and asset management because the lower LSMs seems to confuse the two and understanding of tax.* – Respondent 12

5.6.3.2 South Africans' self-interpretation

Generally, customers have inflated views of their own levels of financial literacy, so they believe they are more competent and knowledgeable than they really are.

> *I think a lot of people actually think they understand. I mean, I speak to people every day: they think they know more than what I do.*
>
> – Respondent 1

> *They often haven't grasped some of the fundamental concepts or even people with BCom degrees, lawyers, those kind of people you know. They know what they've studied in terms of in their particular field, and they want to give an impression that they understand financial concepts.*
>
> – Respondent 11

> '*Cause we all think the world of ourselves, don't we? And especially people who have become successful, they think they're successful at everything.*
>
> – Respondent 3

Dumb is not the right word, but ignorance is. It comes down to behavioural biases and over-confidence bias. You are always going to think about your ability to do something. It's a lot better than it is, but we see all the time, we see people that are in wealth investments are clueless. – Respondent 4

Of course, they're very biased. – Respondent 6

There are lot of customers think that they have the right answers, but they don't. So, I think it definitely comes down to understanding basic financial concepts. – Respondent 7

The findings of this research are that the wealthy and more affluent bases are scared to admit that they do not understand financial jargon and concepts. They rate their financial literacy levels far higher than their actual competence levels. The lower LSMs, on the other hand, seem to admit when they lack understanding or require further explanation.

In our training sessions, people are not afraid. If they say, if they don't know. – Respondent 2

5.6.3.3 Ascertaining customer Financial Literacy levels

When financial professionals engage with customers, they need to ascertain the customers' financial literacy levels to understand the level of conversation at which they need to engage.

There's certain nuances and anecdotes that comes through in the conversation, that you'll be able to pick up through your experience.
– Respondent 4

Customers deal with money the same way their parents did, implying generational thinking.

Some would say: "You know, I learned how to manage money the exact same way my parents do/did it." Or sometimes parents used to fight about money. – Respondent 9

Wealthy customers have a good understanding.

The wealthy guys would typically have a good understanding of kind of assets and liabilities that they have. – Respondent 5

I mean, look for a very savvy customer. You know we're not going to go through our risk profile discussion, you know? – Respondent 7

5.6.3.4 Traditional Financial Literacy questionnaires

The traditional method of understanding and measuring financial literacy levels is via questionnaires as described in Chapter Two. A questionnaire was presented to respondents and they were asked to rate whether customers would be able to understand the questions and then answer them correctly.

The outcome was mixed in that some wealth managers advised that their customers would be able to understand and answer the questions correctly, and others felt the exact opposite.

I don't think they will understand and the reason I'm telling you this is I've seen customers with a lot of money. They think they know and until I do the analysis for them, then I realize that they absolutely don't understand.

– Respondent 1

I don't think that they will be able to even answer this. – Respondent 1

I haven't come across a questionnaire in 20 years that actually will ask the questions I need answered. – Respondent 3

Number 3, very few will be able to actually answer that with any degree of accuracy. – Respondent 3

> *I'll be able to answer every single question: the average South African would struggle dismally. I would say off the top of my head, maybe 10 percent of South Africans would be able to answer correctly.* – Respondent 4

> *My customers, my current book, they will understand, the ultra-high net worth customers.* – Respondent 9

> *You know, a lot of customers wouldn't understand. Wouldn't be able to answer these.* – Respondent 11

Respondent 17's response (below) is significant in that he has one of the largest books at R1,3 billion and mainly services a wealthy customer base. His prediction is that just 30 percent of his customers would be able to answer the financial literacy questionnaire.

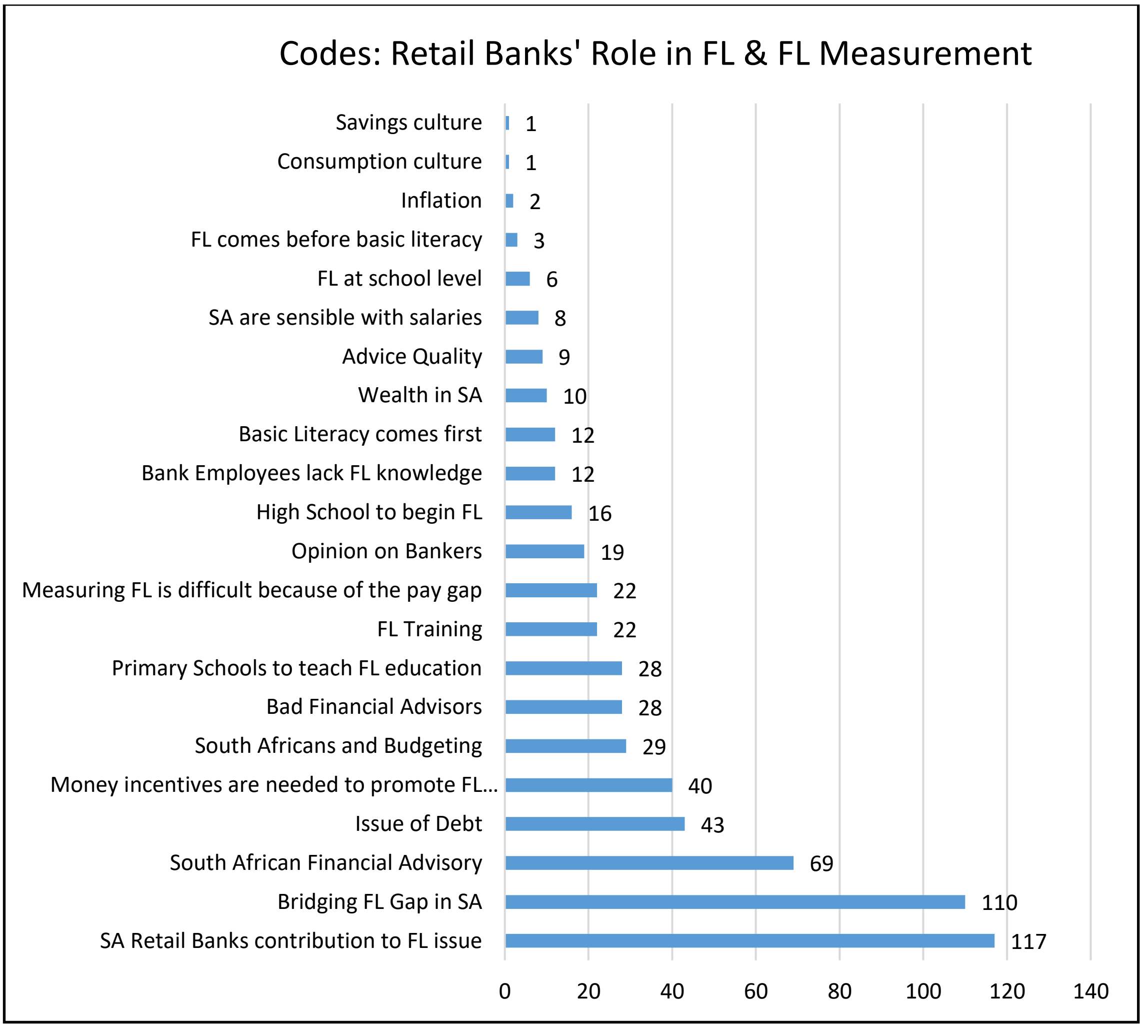
> *I would say getting them right would be 30 percent possibility.*
> – Respondent 17

5.6.4 Research Question 4

RQ 4: What measures are needed to improve financial literacy and FL measurement in the SA retail bank context?

The purpose of this research question is to understand the impact and role of the retail banking infrastructure on financial literacy and how measurement standards can be utilised and improved upon.

Figure 5.10: RQ4 codes



Source: Researcher.

5.6.4.1 SA retail banks' contribution

Respondents found the interview question related to this code extremely difficult. This implies they had not considered the reason why financial literacy measurement is important, or the impact it has on a retail bank as well as on them as financial professionals.

> *You know on such a large scale, we have the ultra-high net worth customers, and we are talking R100 million-plus customers. Right down to insolvent blue-collar workers who get their money, and they withdraw it. And then they don't see their bank card for a week.* – Respondent 3

People who – and this sounds terrible – who are effectively uneducated because there's a lot of blue-collar workers are uneducated. – Respondent 3

I think what the banks are trying to do is pay more attention to the high-income earners and they are paying lip service to the lower-income sort of categories, the lower LSMs. – Respondent 3

Participation is very important in terms of collaboration. There are so many people to get to. Collaborate with schools and institutions. Obviously, it's an expense out, but you will be making the difference in educating people. – Respondent 4

So I think it's going come down to having more campaigns around regarding what saving means and what it means in retirement. – Respondent 5

Banks need to create relevant content. We will then have a much better chance of teaching more customers. – Respondent 6

It's a difficult one. I think you've got to have financial literacy programmes. You've got to be a heavy investor in education. You've got to have these sort of thought pieces that go out to the market. – Respondent 7

It's going to be a tough one, but it to me is that before they (the retail bank) sell products they might just, like, do a bit of education. – Respondent 9

So, it's a difficult one though, the lower LSMs, that's where we do need that education to be very much in the forefront. – Respondent 10

The other problem is that we're going more and more digital, and less face-to-face in that sort of middle category, where there is probably the greatest need. People financial literacy at such a big job, you know. – Respondent 11

I think you can only measure when you start seeing more and more customers appreciating the need to have risk plans, life covers the number of customers *taking up risk plans. The number of covers and the customers taking up these products.* – Respondent 13

The issue of embracing technology to implement financial literacy solutions has its drawbacks. While many retail banks are adopting digital channels for communication with customers, this also limits the knowledge shared with the elderly and with customers who don't have access to smartphones.

> *Let's start with the rural areas. They don't have access to cellphones. They've got these old Nokias so they can't download the app on their phone, so there's a big problem.* – Respondent 14

> *Let's say the elderly people. They don't have access and they don't want to because they have never worked on computers before or have very little experience.* – Respondent 14

Although plenty of financial literacy content is available to customers, its consumption, application and measurement are still questionable.

> *There's already a lot of financial literacy courses available. I mean, you can only take a horse to water, but you can't force him to drink. So, there's really not that much that can be done unless I'm literally forced to go on a five-yearly type of financial course. But I mean, what are you going to explain to them? Because it's one thing to say to the people in general: "Listen, you need to do this and that." You need to get to a person and sit in front of this person and elicit action from them.* – Respondent 16

An alternative point of view emerged in relation to the unbanked sector of the South African population, whereby they can be incentivized to bank and gain points that will be allocated to an investment, thus driving financial literacy consumption and savings behaviour.

> *First, we've got a lot of unbanked people, so how do we actually bank those individuals but bank them in a way that whatever we are banking, we're also putting some away? I think the tax-free idea was a great idea, but it needs to*

almost run concurrently with normal expensing in some way. So, if we are going to get points and you know, to swipe your card, can those points go into an investment vehicle? – Respondent 18

5.6.4.2 Incentivization

Incentivization from retail banks and government was a key research outcome. Financial professionals are remunerated according to the consumption of financial products. It is believed that when this model changes a real difference or impact will be made.

> *Unless I mean they are incentivized, unless the R500 is regulated. It must be regulated because for the financial sector and be specific in terms of who you are trying to train and which income group you are trying to impart financial literacy on.* – Respondent 2

5.6.4.3 Financial Literacy training at school level

All respondents believe financial literacy needs to start at school level, with 12 out of 16 respondents agreeing with it starting in primary schools. The remaining 16 leaned towards commencing financial literacy education at high school level.

> *Financial literacy needs to happen at school level. Grassroots level.*
> – Respondent 4

> *I believe the schools do have these types of financial classes. But it'll be a good thing when it becomes a compulsory subject.* – Respondent 16

Further to this, financial literacy training in schools does not need to be over-complicated. One respondent suggested adding an additional module to accounting or economics syllabuses, thus limiting the textbooks needed and teacher training requirements.

5.6.4.4 The role of bank employees

An emergent theme is the lack of knowledge and expertise of retail bank employees who are not financial professionals. These individuals may be part of the retail banking ecosystem, but they lack the basic financial literacy skills to be financially successful.

> *Especially with us. There's a huge gap here. There's a huge, huge gap when we talk to customers.* – Respondent 6

> *More than that, I think there's very little opportunity other than customers you know. Learning from the US, financial planners or any bank staff that they may come across. The staff are informed and can impart knowledge to all distribution channels.* – Respondent 15

5.6.4.5 The culture of South Africans

A theme emerged combining elements of South African culture relating to consumption, savings, budgeting, understanding inflation and debt accumulation. South Africans have a consumption culture, which is gratuitous in nature.

Gratuitous spending and consumption culture:

> *A lot of it is gratuitous spend, we need some gratification for all the work we put in.* – Respondent 3

> *Short-term gratification.* – Respondent 7

> *Ja, consume, consume, consume.* – Respondent 8

Savings rates:

> *We have got one of the poorest savings rates in the world. A lot of that comes down to education, mentoring and getting guys to understand the basics of*

saving versus expenditure, versus what longer-term compounding means for them. – Respondent 5

Budgeting:

Respondents agreed that South Africans lack basic budgeting skills. This is attributed to the factors discussed above relating to gratuitous spending, the culture of consumption and the low savings rates.

The issue of debt:

Banks promote credit initiatives as this is where profits are maximised.

We promote credit easily, because it is all unsecured lending. If a customer can't pay back, what do you do? They become blacklisted, they pick up an adverse credit history at the credit bureau. – Respondent 7

Or living on credit, you know their salary is just enough to cover expenses. There's nothing left at the end of the month. – Respondent 7

Key findings from this research question relate to the need for basic literacy to be improved before financial literacy. It is difficult to teach someone about financial terms before such a person has the basic skills of reading and writing. All respondents believe basic literacy comes before financial literacy.

5.7 Conclusion

Key findings from the interviews in relation to each of the research questions conducted are summarised in Figure 5.11 below.

Table 6: Key findings summary

Research Question	Summary of key findings
RQ 1: What role do financial professionals play in the retail bank ecosystem?	The role financial professionals play is to be conduits of the bank's financial products, to ensure information-gathering and to understand how they can provide a solution for the customer's needs.
RQ 2: Do financial professionals play a part in financial literacy and the measurement thereof?	Financial professionals play a huge part in financial literacy. In relation to financial literacy measurement, they do not enjoy using financial literacy questionnaires as a measurement tool and would not believe a self-assessed literacy survey completed by a customer.
RQ 3: What financial literacy measurement tools do financial professionals currently employ in SA?	They utilise financial literacy questionnaires but mostly they utilise general conversation to measure financial literacy.
RQ 4: What measures are needed to improve financial literacy and FL measurement in the SA retail bank context?	Monetary incentives are needed to gain an improvement in financial literacy initiatives. Measurement metrics would be an increase in the savings rate, lowered debt levels and increased consumption of financial professionals' services.

Source: Researcher.

The findings suggest that financial professionals within the retail banking ecosystem play an integral part in financial literacy and financial literacy measurement. As a result of this impact and the outcome of core drivers of success, the consumption of financial literacy increases as an externality.

6 Chapter 6: Discussion of Results

6.1 Introduction

Chapter Six will expand on the results presented in the preceding Chapter Five and develop the findings with reference to theory. Results of the research are expanded in this chapter to offer a contribution to the current body of knowledge relating to financial literacy, financial literacy measurement and the related roles of financial professionals and retail banks.

The structure of this chapter will be in accordance with the research questions detailed in Chapter Three and expanded on in Chapter Five. Themes emerging from the study will be expanded upon and detailed.

6.2 Research Question 1: Financial Professionals' role profile

RQ 1: What role do financial professionals play in the retail bank ecosystem?

The quantity and variety of role players in the retail banking ecosystem can cause confusion in relation to who is responsible for which financial products: these role players include financial consultants working in the physical branches, bankers in banking suites or the virtual network, as well as portfolio managers. Branch and banker engagements are predominantly centred around transactional banking discussions. The purpose of Research Question One was to understand the actual outcomes and determinants of the roles played by financial professionals such as financial advisors and wealth managers in the retail banking ecosystem. The importance of their roles, as well as the level of detail required to provide sound financial advice, emerged from answers to this research question.

> *I do, I think it is important and this is one of the reasons why I think that the… that the process should be kept separate as bankers are transaction specialists and push debt. A lot of the bankers preferred to sell debt because of increased the profitability of their book.* – Respondent 3

6.2.1 Ideal first meeting

Theory informs us that it is still unclear whether financial professionals actually deliver value to their customer bases. In principle, financial professionals can overcome the negative effects associated with low financial literacy levels (Kramer, 2016). A hypothesis presented in the literature asserts that understanding the true intentions of the financial professional will decide whether value is delivered (Mackinger et al., 2017). It is believed that financial professionals experience conflicts of interest that in turn result in a negative association with the advice given to customers (Linnainamaa et al., 2021; Stopler & Walter, 2017)

Financial professionals in South Africa are regulated by a code of conduct, which details that on a personal and business level, ethics are deemed to be the most important aspect of the profession along with values and beliefs (Botha et al., 2019).

Results obtained from this research indicate that an ideal first meeting with a customer centres around understanding the customer’s needs, goals, financial objectives and risk profile. In addition to this, respondents expressed the need to give a great first impression, similar to that desired on a first date, while the single most important factor was described as gaining the customer’s trust through relationship building.

The research showed that financial professionals are largely happy in their roles and have no desire to change careers. They display signs of genuinely caring about customers’ needs and fulfilling a service to society. Passion for their jobs and work ethic also emerged from the study.

The research outcomes both contradict and support assertions found in the literature. While it was clear that respondents really care about their customers, it was evident that because of the size of client bases and attrition rates, clients don’t leave their associated financial professionals. This contradicts some claims in the literature, in that the researcher can safely assume from the answers that value is being provided.

6.2.2 Academic history and qualifications

The researcher found that even though there is an assumption that financial professionals in South Africa were forced into the industry and this is not their chosen career, that was not the case. If it were true, one would expect the research findings on the academic histories of respondents to be lacklustre. The opposite is the case, with respondents generally having multiple academic degrees together with aspirations to study further.

It is significant that respondents 15 and 18 expressed a desire to change the world outside their profession of providing financial advice in customer-facing engagements, and instead operate in a larger area inclusive of the law of estate planning and development finance. Respondent 18 expressed her desire to bring funding to entrepreneurs across Africa to enable and build a better society.

Theory states that the higher the level of education, the higher the level of financial literacy (Xu & Zia, 2012). Likewise the field of study and the nature of an undergraduate degree significantly affect levels of financial literacy (Lethepa et al., 2020). Financial professionals are regulated in terms of legal and technical competence. This is governed by a FAIS (Financial Advisory & Intermediary Services) licence and a code of fit and proper requirements. The FAIS licence permits financial professionals to sell certain products and services in alignment with their competence. Further to this, financial professionals need to keep their skills updated via “continuous professional development” (CPD) (Botha et al., 2019). The theory and the findings from this research are aligned in that the respondents interviewed are highly educated with multiple qualifications, while the daily experience of supplying financial advice means financial literacy levels will be both high and fluent.

6.2.3 Assets Under Management

Assets under management (AUM) was a confusing theme which emerged in that financial advisors with more than 35 years of experience had smaller book growth than financial professionals with half the amount of experience. The reason for this insight is related to the customer base of the financial professional. Wealth managers service higher-income individuals as opposed to financial advisors or planners who service the lower LSMs and middle class.

Respondent 11, who has been a financial advisor for more than 35 years, has AUM of R280 million, in comparison to Respondent 6, a wealth manager with just three years' experience but AUM totalling R325 million. There are complexities involved in managing large AUM and specific expertise is needed. Respondent 3, even though he has many years of experience in financial services, was the only respondent who did not focus on investments, but instead on the insurance business: this involves understanding and advising customers on risk cover for themselves, their businesses and their families.

The theory according to the literature consulted states that financial professionals have misguided beliefs about active investment management and that they receive fees that are unjustified in terms of the work they actually do on an investment. It is believed that financial professionals are overconfident about their abilities to spot lucrative investments and misguided about, or unaware of, passive investments (Linnainamaa et al., 2021).

The research findings contradict the literature in that none of the financial professionals interviewed deemed themselves to be asset managers. Instead they believed themselves to be conduits for the bank and would actively call on their team of experts to validate customers' concerns about actual funds and portfolio management. The research respondents did not present over-confidence bias. Further supporting this assumption is the fact that respondents would show high attrition on their AUM if their investment decisions were incorrect. This was not the case.

6.2.4 Age group

Examination of the age parameters of financial professionals produced surprising results, in that it is generally assumed the financial advisory business involves serious seniority. The research found the majority of respondents to be between the ages of 36 and 40. Earlier, the researcher had assumed that categories F, G and H, encompassing ages 45 to 55 years, would contain the majority of financial professionals (with some obvious outliers).

Insights gained from respondents did not differ in relation to their age categories. In fact, respondents gave similar answers to all questions, with a minority of outliers. Younger respondents spoke with optimistic enthusiasm, while older respondents exhibited maturity and confidence in their answers.

Theory states that financial professionals and customers differ in that one transfers the knowledge, while the other receives financial information. Financial literacy decreases as customers age, but there are no references to the proficiency or decline of financial professionals (Finke et al., 2017). Further to this, a Swedish study found lower levels of financial literacy among the youth (Almenberg & Save-Soderberg, 2011).

Given these findings and the notion that financial literacy is only evident in customers who take action and implement the knowledge gained, the researcher concludes that the respondents in the study fall neither into the categories of youth nor elderly (respondents in the 60 years plus age group are debatable). Given this finding, age does not affect the financial professional’s ability to provide sound advice and transfer financial literacy skills.

The present research supports the theory, because the age of financial professionals does not affect their ability to perform their jobs in relation to providing sound financial advice to customers.

6.2.4.1 Number of customers

It is clear that financial literacy is much needed, with the lack thereof presenting a crisis in today’s South Africa.

Table 7: Retail banks' customer numbers

Bank	Customers (Latest Reported)	Customer Satisfaction (2019.20)
Capitec	14.5 million	84.0
ABSA Bank	9.7 million	76.8
Standard Bank	9.2 million	75.3
FirstRand (FNB)	8.2 million	79.9
Nedbank	7.3 million	80.2

Source: Business Tech (2020).

Financial professionals in the form of financial advisors and wealth managers are currently distributed in limited numbers across retail banks in South Africa. The impact that they can make on the South African population is restricted, given the small numbers of customers they engage with on a daily, monthly and weekly basis. With 48,9 million banked customers (average 9,78 million per retail bank) who have access to retail banks' infrastructures and resources, financial professionals can make an impact if their numbers increase.

Table 8: Number of customers and details

Respondent	Customer numbers	WM or FA
3	100	FA
4	170	WM
5	117	WM
6	50	WM
7	120	WM
8	115	WM
9	45	WM
10	130	WM
11	360	FA
12	100	WM
13	75	WM
14	60	FA
15	500	FA

17	120	WM
18	250	WM
Total for sample	**2 312**	

Respondent	Customer numbers	WM or FA
4	170	WM
5	117	WM
6	50	WM
7	120	WM
8	115	WM
9	45	WM
10	130	WM
12	100	WM
13	75	WM
17	120	WM
18	250	WM
Total for sample	**1 292**	
Average per WM	**117**	

Respondent	Customer numbers	WM or FA
3	100	FA
11	360	FA
14	60	FA
15	500	FA
Total for sample	**1020**	
Average per FA	**255**	

Source: Researcher.

Bank A, from where most of the respondents were sourced, has a total count of 40 wealth managers and 150 financial planners, or 190 financial professionals overall. When this last figure is considered against the bank's 9,78 million customers, the ratio of customers per financial professional is 51 474 to one.

> *We can have 100 customers each. That's a million. There's 60 million people in South Africa. So that's the problem.* – Respondent 4

From the research sample, the average wealth manager has 117 customers, and the average financial advisor has 255 customers. Outliers such as respondents 1, 2 and 16 were excluded when calculating the averages. Given these averages it would be unlikely that the financial professional base within a retail bank can service and provide the entire retail base with financial literacy and financial advice initiatives. This impacts the consumption of financial products and savings rates. The current research shows there are insufficient financial professionals in the retail banking ecosystem to provide adequate financial advice.

According to the literature consulted, increased levels of competition in the banking sector mean that customer relationship management is crucial for success and overall business profitability. The role of the retail bank is to cultivate and maintain quality relationships with customers. The use of technology by retail banks is strongly recommended to reduce errors and miscommunication, and improve overall service. Good relationship management is a tool to retain customers (Cvijović et al., 2017).

The current research findings contradict the literature consulted in that financial professionals are a purely face-to-face channel, with only limited resources and capabilities to manage their large customer bases. This inevitably leads to them being reactive in nature and possibly tarnishing customer relationships as a result of poor service, given the large customer base they are required to service. This appears to be the case despite the fact that the financial professionals in this study clearly wish to do more, as well as service their customers to the best of their abilities. Clearly, further support is needed.

6.2.5 Conclusion

In conclusion, the research findings suggest that financial professionals are well-qualified individuals who have a passion for helping customers to fulfil their financial goals. Ninety-four percent of respondents have always wanted to work in financial services. This research question confirmed the theory detailed in the literature, with limited additional insights.

6.3 Research Question 2: Financial Professionals' role in Financial Literacy and Financial Literacy measurement

RQ 2: Do financial professionals play a part in financial literacy and the measurement thereof?

6.3.1 Financial Professionals' role in Financial Literacy

From an economic perspective, financial literacy and financial advice are complementary, and most certainly not substitutes for each other (Kramer, 2016).

There were numerous significant research outcomes relating to this theme. Financial professionals sometimes work with disabled customers who suffer hearing disabilities. The researcher did not consider the impact and effect of financial literacy on disabled customers and was surprised at the impact financial professionals can provide.

The research indicated that financial professionals are conduits of retail banks; they present financial advice and are responsible for relaying this and imparting knowledge to customers. Overwhelmingly, financial professionals understand the role they play in the bank. The researcher was able to understand the passion behind some responses. This included the affirmative and confident voices that spoke about societal obligations, the need to be ethically astute and understanding in certain circumstances, and the overwhelming responsibility associated with the role.

Theory states that levels of financial literacy are significantly influenced by the presence of a financial professional. This is further strengthened when a financial professional is independent and not governed by a "need to sell" financial products (Migliavacca, 2020). Even though the respondents work in a retail banking ecosystem, they are not obligated to sell only their specific bank's branded investment products. Financial professionals are a key link between financial information providers in the form of retail banks and end customers, providing on-going professionalism in their customers' lives. Continuing engagement between customer and financial professionals offers a suitable way to convey constantly updated financial literacy training (Migliavacca, 2020). This means both the theory and the current research are aligned.

6.3.2 Emotive factors: societal obligation, conscience, trust and caring

The advice provided by financial professionals can sometimes be biased, as their advice is driven by remuneration and incentive structures aligned to sales volumes. Further to this, the theory tells us that in certain instances financial professionals can end up doing more harm than good to customers (Kramer, 2016).

Research outcomes followed the notion of the previous section and re-emphasized outcomes. There appears to be a strong sense of obligation to society and doing what is right. Wealth managers also recognise the need to service the lower LSMs and to impart knowledge. Financial professionals have been given a bad reputation in the past for being sales-driven as opposed to customer-driven: respondents acknowledged this and strongly criticised such behaviour.

The researcher probed whether financial professionals actually cared more about their customers than concluding sales and earning commission. The emergent sentiment is that they perceive their customer's wealth as "their" wealth, with many respondents displaying shock at the question.

Trust was a key theme to emerge from the research, with respondents reiterating its need and importance. Without trust, financial professionals are unable to execute the key responsibilities of their role. The scary decisions involved in making massive financial decisions induce stress in customers, but the present research aligns with the theory that if financial professionals are fair in their treatment of customers, this will increase trust and reduce uncertainty (Mackinger et al., 2017). Reduction in uncertainty will allow financial professionals to fulfil their capacity for supplying financial advice.

6.3.3 Lottery winners

The research outcomes relating to lottery winners proved intriguing, and it was unfortunate that time constraints made it impossible to return to respondents for further insights. Winners of the SA National Lottery are significant in that their demographics are irrelevant. The importance of this theme relates to financial professionals providing advice to winners, while being aware of what can happen if such advice is not followed. From the cases of the ten Lotto winners discussed, only three negative stories emerged.

In the negative reports, financial professionals note that these winners refused to listen to, and follow, the advice or plan provided. In the case of Lotto winner 9, Respondent 17 advises that he has all but given up and it is only a matter of time before the money runs out. Significant to winner 9 is the need to financially support her children.

A significant theme is that positive Lotto winner outcomes are all centred around keeping the winnings confidential. Lotto winner 2, however, had immediately told his community about his winnings and extended members of his family, friends and neighbours expected him to share. A characteristic of successful Lotto winners that emerged was that the majority continued to work and earn salaries: the Lotto winnings merely enhanced their standard of living and enabled them to live debt-free.

The research found that successful Lotto winners followed the strategies and advice provided by their financial advisor or wealth manager, enabling them to live off their winnings in a comfortable manner irrespective of the amount won. The research is aligned with theory in that financial literacy and education increase only as a result of “doing”, with the performance of positive financial activities resulting in long-term behavioural changes (Massey et al., 2016).

6.3.4 Professionals and Financial Literacy

A surprising theme to emerge from the research involves professionals such as doctors, lawyers and accountants – all skilled individuals who have accumulated significant wealth, yet lack the basic knowledge to manage their finances efficiently. The significance of this finding is that it is assumed professionals would be financially literate, however many were never trained in, or taught, the basic elements of financial literacy such as filing taxes, writing a will, or taking out risk cover.

The concern is that these professionals can accumulate a lot of wealth, but without the financial expertise to manage it, they may see themselves either in debt or under severe pressure to pay the monthly bills for a lifestyle they thought they could afford.

The theory advises that as levels of education increase, so does financial literacy (Xu & Zia, 2012). However the findings from this research contest that notion, with highly skilled and educated individuals not necessarily exhibiting the financial literacy needed to efficiently manage their own complex finances. This research thus adds to the body of knowledge.

6.3.5 Financial Literacy questionnaires

The research found that financial professionals do not see a need to use financial literacy questionnaires as these offer little or no purpose for them. This tells us that while the theory and significant studies have shown positive uses for, and outcomes of, financial literacy measurement utilising financial literacy questionnaires, in practice they are not feasible or of value.

Theory supports the notion of utilising financial literacy questionnaires as a measurement tool (Lusardi & Mitchell, 2014; Cupák et al., 2019; Huston, 2010; Swiecka et al., 2019; Stopler & Walter, 2017).

6.3.6 Financial Literacy measurement

Financial literacy is typically measured by a questionnaire or quiz used to assess a respondent’s financial knowledge, with an alternative being that individuals can be asked to self-assess their own levels of financial literacy (Parker et al., 2012).

Respondents' first reaction to the question associated with this code was that measuring financial literacy is a difficult concept. It became clear that the concept of financial literacy measurement for financial professionals was new to them, even though they themselves measure, on a sub-conscious level, the financial literacy of every customer with whom they deal. It was clear that although financial professionals don't use financial literacy questionnaires or surveys prior to meeting with customers, they do use general conversation and internal assessment to measure a customer's level of financial literacy. The theory as detailed by Parker et al. (2012) advises that measuring financial literacy via questionnaires is not very effective for ascertaining the financial literacy aspects needed by providers of financial advice, in this case financial professionals in conjunction with a retail bank.

The research findings support the literature in relation to the lack of use of financial literacy measurement questionnaires by financial professionals. However, financial professionals do not advocate self-assessment of customers' financial literacy levels.

6.4 Research Question 3: Financial Literacy measurement tools

RQ 3: What financial literacy measurement tools do financial professionals currently employ in SA?

6.4.1 Defining a high level of financial literacy

Financial professionals define a high level of financial literacy as understanding concepts of tax, budgeting, financial goals and objective-setting, inflation, savings and investments, and asset management versus providing advice. The important of this insight is that financial professionals need to assess and understand the level of financial literacy of a customer to ensure they are communicating at the correct level to ensure comprehension.

The relevant literature leads us to believe there is no actual definition of financial literacy as a concept. This encourages confusion (Nanziri & Leibbrandt, 2018; Huston, 2010). When aligning the research findings to theory, the researcher believes that although respondents' themes were in harmony, any definite understanding of high-level financial literacy was still lacking. The research findings supported the theory, although high and low levels of financial literacy need to be defined in a South African retail banking context.

6.4.2 South Africans’ self-interpretation

Theory tells us that individuals with high confidence in their own levels of financial literacy are generally far less likely to obtain financial advice from professionals. The imbalance between over-confidence bias and knowledge is not the only factor resulting in poor financial decisions: low financial literacy levels are also a factor (Finke et al., 2017). Further to this, wealthy households show a negative correlation between confidence biases and seeking financial advice. Concerns have been raised about customers who desire financial advice, while finding it difficult to assess whether they are receiving the correct advice (Kramer, 2016).

Limited studies have evaluated whether assessments of customers’ confidence are specifically related to outcomes of their financial decisions. In one such study, customers who were reported as enjoying high financial literacy confidence were more likely to plan for retirement. In addition, the degree of self-assessed literacy is correlated to the delegation of financial decision-making. What this means is that customers who rate themselves highly are less likely to completely delegate than are customers who rate themselves as having a lower level of financial literacy (Parker et al., 2012).

This study found that while wealthy South Africans do seek financial advice, they are less likely to admit their lack of knowledge and understanding pertaining to financial concepts. It is then up to the financial professional to read body language and facial expressions to gauge whether they need to reemphasize certain financial advice descriptors or change the discussion in its entirety to ensure the customer fully comprehends. Parker et al. (2012) and the research findings are in agreement that wealth accumulation is positively aligned with advice-seeking, and wealthy customers have a 23-38 percent increased propensity to seek financial advice from a financial professional.

Retail banks, together with financial professionals, need to be extremely cautious when considering self-assessed financial literacy for determining financial literacy levels relating to banking products. Answers to questionnaires should be treated sceptically, given the weak actual literacy levels reported of customers (Parker et al., 2012). The current research corresponds with theory in that financial professionals advised they would never believe a customer's self-assessed financial literacy survey.

This insight aligns with the literature consulted, the only difference being that financial professionals would not believe a self-assessed customer financial literacy survey.

6.4.3 Ascertaining customer Financial Literacy levels

This insight correlates with sections 6.4.1 and 6.3.5 regarding general financial literacy measurement, in that when financial professionals try to define a high level of financial literacy, they have general conversations with clients. Certain nuances and anecdotes emerge in conversation. The research outcomes are that wealthier customers have a more complete understanding of their assets as against their liabilities.

The literature consulted states that financial literacy is measured using a questionnaire and the outcome will determine an individual's level of financial literacy competence (Lusardi & Mitchell, 2014; Cupák et al., 2019; Huston, 2010; Swiecka et al., 2019; Stopler & Walter, 2017).

The research findings contradict the literature consulted, because financial professionals gauge levels of financial literacy from general conversation, discussion points, nuances and emotive factors when talking to customers. Adding to the literature is the notion of financial professionals' incorrect self-measurement and assessment based on their own definitions of financial literacy.

6.4.4 Traditional Financial Literacy questionnaires

A financial literacy questionnaire typically posed to American respondents was shown to financial professionals to gauge whether South Africans would be able to understand the questions and answer them correctly. Respondents advised that the questionnaire was difficult and that their customers would be unable to answer correctly. Clearly, financial literacy questionnaires do not necessarily fulfil a purpose in financial professionals' day-to-day interaction with customers and are not considered worthwhile tools to measure financial literacy.

Sections 6.3.6 and 6.4.2 collectively align to this theme, with financial literacy measurement and South Africans' self-interpretation of their own levels of financial literacy being combined in the outcome. Measuring financial literacy via questionnaires is not particularly effective: when questionnaires are utilised, answers should be treated sceptically, given the weak actual literacy levels of customers (Parker et al., 2012). The theory and the research findings are aligned.

6.5 Research Question 4: Retail banks' role in Financial Literacy and Financial Literacy measurement

RQ 4: What measures are needed to improve financial literacy and FL measurement in the SA retail bank context?

6.5.1 SA retail banks' contribution

A South African retail bank operates a project called Bubomi ("it's life") involving classroom-based workshops for members of the lower LSMs, predominantly in rural areas. The Bubomi project deals with basic financial literacy and overall money management principles. Success of the programme is measured by pre- and post-assessment of learners. The project also has a control and treatment group to ensure effective measurement principles are applied. Improvements in knowledge are assessed over four areas, those being perceived financial knowledge, financial confidence, financial attitudes and financial management behaviour (Messy & Monticone, 2012).

The Bubomi project is deemed a success as those participating on average ended up displaying better financial knowledge, were more confident when performing basic financial services and showed a distinct change in financial attitudes (Messy & Monticone, 2012).

Research participants were perplexed by the notion of a retail bank being able to make a difference. They believed much still needed to be done in the lower LSM market to cater for customers and uplift them. Retail bank digitisation, opening communication channels with customers via smartphone apps and the Internet, are not conducive to financial literacy consumption and the transfer of knowledge. This affects retail bank customers in the rural areas as well as the elderly.

According to the literature consulted, financial literacy declines year by year as customers age. This affects respondents of retirement age including shareholders, males, university graduates and bank customers (Finke et al., 2017). This decline in financial literacy impacts financial professionals and retail banks. In addition to accessibility issues driven by distant locations and the absence of technology, any reduction in understanding increases the risks to financial professionals and retail banks. Given this situation, financial professionals can plan for aging customers and anticipate lowering literacy levels, effectively circumventing poor financial decision-making (Finke et al., 2017). This is a prime opportunity for retail banks to act in advance and prepare for their elderly customers. There may also be an increase in demand for financial advice for the elderly.

The need for members of the lower LSMs to focus on basic literacy before considering financial literacy emerged as a concern. Collaboration with schools and institutions is a possible solution. The actual content produced by a retail bank needs to align with the target market and current levels of understanding of retail bank customers.

Respondents believe customers need to be coerced or forced to attend financial literacy training or workshops. Even when they attend, applying the principles so learned is difficult. Kramer (2016) advises that financial professionals need to recognise that any change in financial behaviour by respondents may possibly stem from a change in self-perception rather than enhanced knowledge from financial literacy training programmes. In summary, the literature advises that financial literacy training usually increases customers' financial confidence rather than their actual knowledge (Kramer, 2016).

The findings and the literature are not aligned, because despite the current initiatives by retail banks, the efforts are not sufficient. Focus is required on reaching more customers. Retail banks do not have a plan in place for financial professionals to service the elderly or customers in rural areas.

6.5.2 Incentivization

Incentivization of players in the value chain to transfer financial literacy knowledge was another outcome. Ten respondents believe retail banks and financial professionals need to be incentivized, through monetary rewards or the like, to focus on the transfer of financial literacy knowledge. One respondent advised that if this route were taken, measures would need to be put into place to regulate monetary rewards and direct the financial literacy initiatives to the correct individuals.

Encouraging financial professionals to become conduits of financial literacy in the retail banking ecosystem could possibly result in lower overall expenditure on financial literacy programmes aimed at retail banking customers (Migliavacca, 2020). Given this, it may be worthwhile for retail banks to explore the outcome of this research regarding incentivization: the cost of this may be smaller in the long term given the attrition rates and decay of elderly customers in relation to financial literacy and investment products consumption.

The literature consulted states that customers are incentivized to improve their financial literacy knowledge only when they need this to make a life decision, such as regarding retirement. Further to this, customers seek financial literacy education when they stand to gain in the form of monetary reward: this can take the form of increased interest on a savings account. Government programmes may be skewed and biased in relation to what consumers stand to gain (Stopler & Walter, 2017)

The research findings add to the literature because limited recognition is currently given to how institutions and financial professionals can be rewarded or incentivized as conduits for financial literacy education. The impact that financial professionals can make if they are focused on their role of financial literacy ambassadors could be massive in terms of the possible externalities effected/achieved.

6.5.3 Financial Literacy training at school level

Financial literacy is currently included in South African school curriculums from grades 1 to 12. However, it is not an independent or stand-alone subject, but instead is included within various subjects such as Economics, Management Sciences and Mathematic Literacy (Messy & Monticone, 2012). Educational initiatives with the aim of improving financial literacy are ineffective in the long run and decay quickly (Migliavacca, 2020).

The research outcome is that a majority of respondents believe financial literacy education needs to start at school level, with the subject being made compulsory for all learners. Given the theory and the research outcomes, for financial literacy initiatives in schools to be effective, this needs to be a compulsory subject, thus ensuring the consistency and continuous learning associated with positive outcomes for financial literacy initiatives in the long run, as detailed by Migliavacca (2020). It is evident that the research findings strongly support the literature.

6.5.4 The role of bank employees

Table 9: Retail banks' employee numbers

Bank	Employees	Branches	ATMs
Standard Bank	53 178	1200	9 321
ABSA Bank	40 856	640	8 802
FirstRand (FNB)	48 780	619	5 780
Nedbank	31 277	702	4 242
Capitec	13 774	840	5 011

Source: Business Tech (2019).

Lethepa et al. (2020) studied the financial literacy levels of retail bank employees in South Africa, scoring these levels at 76 percent. However, the present study relates to basic financial literacy rather than advanced financial literacy such as might be expected among retail bank employees. Factors such as gender, race and education level were found to influence financial literacy levels. Significantly, higher education levels equated to higher levels of financial literacy (Lethepa et al., 2020).

Employees of retail banks are expected to understand the products being sold. However, working in HR or administration at a retail bank does not necessarily expose employees to actual products. Similarly, employees in certain businesses, such as dealing with credit cards, may not understand the nuances of the insurance business. Respondents advised there is a serious lack of knowledge and understanding among bank employees. These bank employees can be used a conduit for financial literacy to friends and family. In Table 8 above, the FirstRand staff count is 48 780 employees, bringing the total retail bank staff count in South Africa to 187 865. Would the potential to make an impact not start with retail banking employees themselves?

The theory and the research do not align, and a logical outcome is that better initiatives are needed internally from a banking perspective to ensure firstly, that retail bank staff take control of their own finances, after which they will be in a better position to assist customers.

6.5.5 The culture of South Africans

The research outcomes are centred around the nature and culture of South Africans and their ability to justify reckless spending. Such spending is gratuitous in nature and many South Africans only think about the short term. The culture is consumption-led as opposed to being savings-led. As a result, the savings rate is poor and this affects South Africa’s economic growth and GDP increase rate. Basic budgeting is a skill that South Africans seem to lack and this ties in with the research outcome of increased debt. Retail banks’ promotion and rewarding of increased debt has detrimental effects on South Africans’ ability to pay back. The debt and credit trap become a cycle with which financial professionals need to contend and assist customers to break free from.

The literature consulted stated that the South African economy experiences high levels of debt, with a positive correlation between income received and household debt experienced. In addition, there is a positive relationship between an increase in consumption of goods and services and household debt (Kereeditse & Mpundu, 2021).

The research findings support and add to the literature, with respondents confirming that debt factors in their day-to-day dealings with customers and that customers need to be protected from themselves. The research also adds to the literature in that the nature of the expenditure is gratuitous, meaning it is a “reward” for working hard as opposed to consuming basic goods.

6.6 Conclusion

The research questions detailed in Chapter Three have been answered by the findings resulting from this study. The research objectives detailed in Chapter One have been achieved. Additions to existing knowledge can be made based on the outcomes of the research conducted from a South African retail banking perspective.

The outcome of Research Question 1 is that the role profile of financial professionals includes the correct skill set and knowledge to be able to manage customer needs and expectations. Answers to Research Question 2 detailed the necessity and importance of financial professionals’ role in the retail banking environment and how they can potentially contribute significantly to the increase in financial literacy consumption. Measurement of financial literacy by questionnaires is not conducive or needed.

The answers to Research Question 3 confirmed that financial professionals do not utilise financial literacy measurement tools when ascertaining the financial literacy levels of their customers. The outcomes of Research Question 4 confirmed the importance of South African retail banks’ influence on financial literacy and the need for further attention and focused initiatives.

Key themes to emerge were the role financial professionals play within the retail banking ecosystem, emotive factors such as societal obligations, conscience, trust and caring. Financial literacy measurement is not a key focus for financial professionals, but the notion of increased financial literacy is extremely important to them. The last theme group of importance to emerge is that of South Africans having inflated views of their own levels of financial literacy. This was evident in the themes of Lotto winners and also professionals such as lawyers, accountants and doctors who were found to lack the necessary financial literacy skills to manage their own finances.

7 Chapter Seven: Conclusions

7.1 Introduction

The importance of financial literacy and its measurement as a construct were detailed in Chapter One. The urgency surrounding the need for business and academics alike to focus on this was made evident. Financial literacy has a direct impact on financial inclusivity, the adoption of positive financial behaviour and increased savings rates among South Africans.

Chapter Seven presents the principal conclusions of this research. Theoretical contributions are explored followed by implications for management and other relevant aspects. Limitations to the research are then discussed, and the chapter concludes with suggestions for future research.

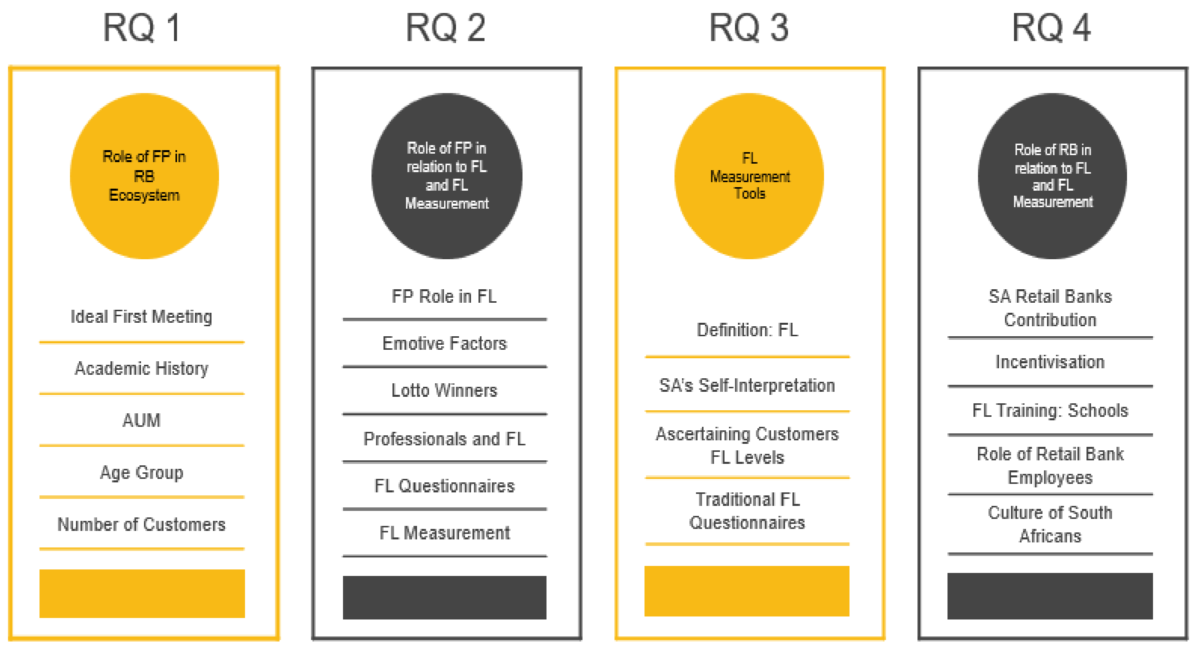
7.2 Principal conclusions

The objectives of this research are to understand:

I. The role of financial professionals in the retail banking ecosystem;
II. The role financial professionals play in relation to financial literacy and financial literacy measurement;
III. What current financial literacy measurement tools are utilised in retail banks today; and
IV. What the role of retail banks in South Africa is today in relation to financial literacy and financial literacy measurement.

Figure 7.1 below details the key themes emerging from the four research questions posed.

Figure 7.1: Research Questions – key themes



Source: Researcher.

The research objectives noted above are all related to research questions, which were answered using the research methodology and design as detailed in Chapter Four.

- Financial literacy measurement is a difficult concept to understand, let alone measure.
- Financial professionals (FPs) measure literacy levels through their own discernment.
- Financial professionals gauge a customer's financial literacy levels based on general discussions with customers.
- The majority of FPs do not like to use financial literacy questionnaires as part of their initial information-gathering.
- Even if customers complete a financial literacy questionnaire, FPs do not necessarily believe the information inputs and prefer engaging in discussion with the customer to reach their own conclusions.
- Basic literacy is essential to enable financial literacy.
- Financial professionals play an integral part in the South African financial literacy education movement.

- Financial literacy should start at primary school level and be a subject that is graded until matric. It should ideally be made part of the school syllabus.
- South African retail banks have a responsibility to ensure that they drive financial inclusivity, supporting and enabling financial professionals to expedite financial literacy initiatives and take full ownership and responsibility for their role.
- The culture of South Africans as being gratuitous spenders and debt accumulators relates to the role of retail banks, which – supported by the financial professional – need to educate, rather than encourage such behaviour.

7.3 Theoretical contribution

Defining a high level of financial literacy requires additional work in terms of theoretical contributions. A benchmark needs to be established, particularly from an African and South African perspective.

The notion of financial literacy measurement is simple, as described among the outcomes of this research. Surveys and questionnaires are not effective for measurement of financial literacy. Instead, the most effective measurement is carried out on an intuitive basis by financial professionals. This intuition is developed through numerous factors such as years of experience, age, academic history, AUM and numbers of clients.

Studies of this nature have not previously taken place in South Africa. Migliavacca (2020) conducted a study in Italy about the role financial advisors play as educators, but the context was not in a retail bank setting. The current research contributes to this body of knowledge.

7.4 Implications for business and other relevant stakeholders

Both financial professionals and retail banks have a responsibility to South Africa and South Africans, plus a consequent opportunity. The desired research outcome of developing an effective financial literacy measurement tool for FPs to utilise was not fulfilled, with it being clear that the current measurement tool is designed for the individual financial professional and is highly circumstantial. The research outcome is that there is a definite and urgent need for financial professionals within retail banks in South Africa, as well as retail banks themselves, to take action.

South African Retail Banks:

Retail banks need to focus on ensuring accessibility for the disabled, the elderly and technically limited users, while focusing on financial literacy initiatives aimed at the youth. They need to enable and incentivize financial professionals and all customer-facing employees to drive financial literacy irrespective of the outcome. Retail banks need to focus on their own staff and on improving their financial literacy levels: this could result in a network effect on South African society as a whole. The last focus point for retail banks will involve implementing financial literacy measurement indicators such as attrition on products, household debt levels, increased consumption of financial professionals' and investment products, and an increase in the savings rate.

Government:

Government intervention at all levels is urgently required. Government needs to focus on changing regulations to ensure financial institutions are held accountable and responsible for the implementation and measurement of financial literacy initiatives. Government should drive a curriculum change for all schools and ensure financial literacy is made a mandatory subject.

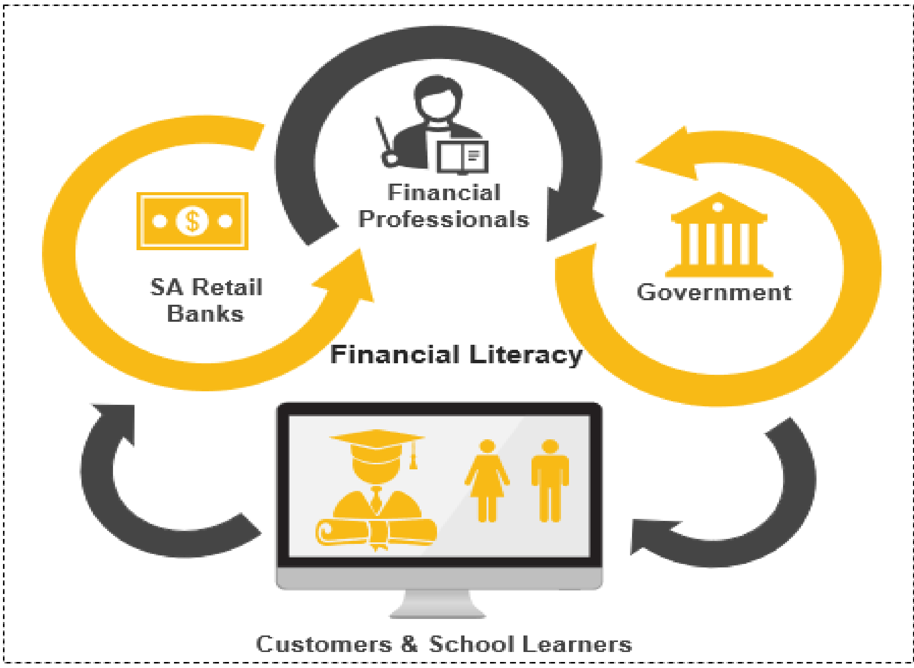
Financial Professionals:

The study indicates that financial professionals truly care about their customers and feel obligated to make a difference and pass on financial literacy education. They agree they are conduits of the bank. In turn they need to ask more of the institutions for which they work as well as government, demanding the necessary support to pass on that knowledge. It is unclear whether this support should take the form of monetary incentives, time measured or social capital incentives, additional resources or accolades.

Customers:
South African consumers of financial retail banking products need to hold their institutions responsible and liable for incorrect products sold to them, to be deemed miss-selling or irresponsible selling. In return, customers can take advantage of the resources available to them at retail banks. Services such as will drafting are free, and customers can learn about estate planning in the process. In addition, customers can seek advice and assistance from financial professionals, using the first meeting to discover gaps in their current financial portfolios and utilise this knowledge to consume financial products via digital channels or employ the services of a financial professional through a retail bank.

A framework for financial literacy measurement in relation to the outcomes of the study has been developed by the researcher and is represented in Figure 7.2 below.

Figure 7.1: Framework for Financial Literacy measurement

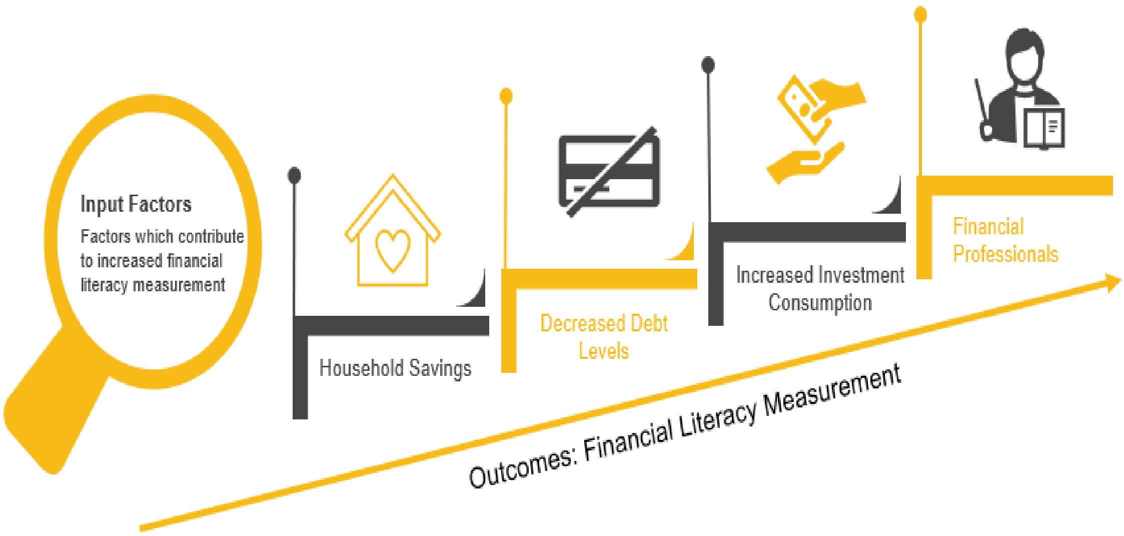


Source: Researcher.

The framework depicts the nature of financial literacy and the impact that stakeholders in the ecosystem have on each other, should they focus on and contribute to the notion of increasing financial literacy. Measurement of the outcomes will become visible through constant engagement with each entity. As financial literacy improves among customers and school learners, they will engage with retail banks, while financial professionals will be called upon within the retail banks. With the increase in retail bank and FP consumption, government will benefit as a result of improved savings levels, lowered debt levels, increased GDP and improved economic circumstances.

Figure 7.3 below summarises the factors involved in measuring overall financial literacy levels from a country perspective, these factors being outcomes from the research conducted. South African retail banks will play a critical here as they have the means and tools to measure these input factors.

Figure 7.2: Financial Literacy Measurement output factors



Source: Researcher.

7.5 Limitations of the research

The researcher engaged with 40 percent of the respondents in a working relationship prior to the interviews taking place: this could have led to interview bias. It produced a level of familiarity in the interviews that could be deemed either positive or a drawback in relation to the research conducted. Respondents were familiar with the researcher, which enabled them to be more comfortable and to express themselves freely. A drawback is that respondents could want to retain a positive working relationship with the researcher and maintain the networking element evident in corporate structures. The researcher believes the existing relationships worked to the benefit of the study and this can be seen by the insights gained from respondents' interviews.

The scope of the study was limited to financial professionals who serviced Gauteng Province and customers based in this region who consume financial services through retail banks. A possible limitation therefore is that with the research being restricted to one of the richest provinces in South Africa, the findings therefrom are not representative of the entire country and nuances relating to the other provinces were not explored in this study.

The impact of the July 2021 riots in South Africa impacted the availability of respondents for interviews. Financial professionals working within the banking ecosystem were called upon to assist affected businesses and entrepreneurs during this period of crisis. Certain financial advisors and wealth managers contacted the researcher following the interview period, offering to act as respondents in the study, but these offers had to be declined in order to meet submission deadlines. In addition the researcher had hoped to have additional respondents from various retail banks in South Africa to offer potentially different perspectives or insights: this was not possible owing to the time constraints.

The Covid-19 pandemic enforced the need to use video conferencing technology for all interviews. Face-to-face interviews were not an option for either the researcher or respondents. As a result, the researcher could have missed certain nuances in relation to physical reactions, hand movements and facial expressions, all of which would have been clear in a face-to-face interview setting. The MS Teams video conferencing quality proved to be excellent and the researcher was able to capture many details.

7.6 Suggestions for future research

The purpose of this study was to understand financial literacy measurement tools currently utilised at South African retail banks and the role of financial professionals in this ecosystem. The study evolved to consider further details and everyday nuances of financial professionals. The outcomes established that there is room for further research into the impact and role of these individuals within South Africa's current retail banking ecosystem. The utilisation, promotion and elevation of financial professionals and measures to further enable, train and incentivize them, together with the effects of this on retail banking clients, offer potential for future research.

A second area of potential research involves the study of lottery winners in South Africa and the factors contributing to the subsequent success of a winner. Findings from such research could assist future winners to avoid certain mistakes. A secondary element to this topic would be the role financial professionals play in relation to lottery winners and the associated success criteria.

Expanding on the current research to include respondents from other retail banks and widening the study to all provinces could lead to findings that are significant in terms of a holistic solution for financial literacy measurement as well as measures that could be retail bank and province specific.

A key research topic could be the exploration of the unbanked sector in South Africa and the measures that need to be implemented to drive basic literacy, followed by financial literacy. This will lead to financial inclusion and have far-reaching effects on the South African economy.

Financial literacy measurement is needed to help understand how financial literacy levels should be improved for individuals in an emerging economy such as South Africa’s. Outcomes from this research indicate that retail banks play a crucial role in financial literacy: further research could look at the measures and initiatives now in place to drive financial literacy and what additional actions can be taken to drive financial literacy initiatives as well as measure financial literacy. Comparisons could be made between retail banks, with the lessons therefrom shared to encourage collaboration. This could possibly lead to a network effect on South Africans who consume retail banking services.

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9 Appendix 1: Lusardi and Mitchell (2014) Financial Literacy Questionnaire

1. Suppose you had $100 in a savings account and the interest rate was 2 percent per year. After 5 years, how much do you think you would have in the account if you left the money to grow:
    a. More than $102
    b. Exactly $102
    c. Less than $102
    d. Do not know
    e. Refuse to answer

2. Imagine that the interest rate on your savings account was 1 percent per year and inflation was 2 percent per year. After 1 year, would you be able to buy:
    a. More than
    b. Exactly the same as
    c. or less than today with the money in this account
    d. Do not know
    e. refuse to answer

3. Do you think that the following statement is true or false? “Buying a single company stock usually provides a safer return than a stock mutual fund.”
    a. True
    b. False
    c. Do not know
    d. Refuse to answer (Lusardi & Mitchell, 2014)

10 Appendix 2: Slovak HFCS – Financial Literacy Questions

*Answers are marked in Bold

Q1) Fixed interest rates: Of the following types of mortgages which one do you think will allow you from the start to fix both the amount and the number of instalments needed to pay off the loan?

(a) Floating-rate mortgage

(b) **Fixed-rate mortgage**

(c) Do not know

(d) No answer

Q2) Inflation: Imagine leaving 1000 euros in a current account that pays 1 percent interest and has no charges. Imagine also that prices increase by 2 percent. Do you think that if you withdraw the money in a year's time you will be able to buy the same amount of goods as if you spent the 1000 euros today?

(a) Yes

(b) **No, I will be able to buy less**

(c) No, I will be able to buy more

(d) Do not know

(e) No answer

Q3) Portfolio diversification: In your opinion, which of the following investment strategies entails a greater risk of losing money?

(a) **Invest all savings in the securities issued by a single company**

(b) Invest all savings in the securities issued by a wide range of unrelated companies

(c) Do not know

(d) No answer

Q4) Risk: A company can obtain financing either issuing shares or bonds. In your opinion, which financial instrument entails a greater risk of losing money from the investor's point of view?

(a) **Shares**

(b) Bonds

(c) Equally risky

(d) I do not know the difference between bonds and shares

(e) Do not know

(f) No answer

11 Appendix 3: Sample and respondent profiles

Respondent	Sex	Race	Industry	Professional Title	Date of Interview	Time of Interview	Interview Duration
1	Male	Coloured	Financial Services	Regional Manager: Virtual Advice	30/08/21	11h00	44m14s
2	Male	White	Financial Services	Consumer Education Manager	07/09/2021	16h30	34m31s
3	Male	White	Financial Services	Executive Financial Planner	10/09/2021	08h30	66m
4	Male	White	Financial Services	Wealth Manager	10/09/2021	14h00	42m23s
5	Male	White	Financial Services	Wealth Manager	13/09/2021	14h00	26m24s
6	Male	Black	Financial Services	Wealth Manager	13/09/2021	15h00	31m32s
7	Male	Indian	Financial Services	Wealth Manager	14/09/2021	08h30	39m21s
8	Male	White	Financial Services	Wealth Manager	15/09/2021	12h30	23m25s
9	Male	Black	Financial Services	Wealth Manager	15/09/2021	13h00	35m21s
10	Male	White	Financial Services	Wealth Manager	15/09/2021	15h30	38m1s
11	Male	White	Financial Services	Financial Advisor	15/09/2021	16h30	43m17s
12	Male	Black	Financial Services	Wealth Manager	16/09/2021	10h00	38m32s
13	Male	White	Financial Services	Head of Wealth and Investments SA	16/09/2021	10h45	58m31s
14	Male	White	Financial Services	Executive Financial Planner	17/09/2021	08h30	56m1s
15	Male	Black	Financial Services	Financial Planner	18/09/2021	09h00	38m38s
16	Male	White	Financial Services	Financial Planner	20/09/2021	08h00	29m48s
17	Male	White	Financial Services	Wealth Manager	20/09/2021	16h05	33m20s
18	Female	Black	Financial Services	Senior Wealth Manager	21/09/2021	13h20	41m33s

Total interview time = 721 minutes = 12,017 hours

Average time per interview = 40 minutes

12 Appendix 4: Ethical clearance

Gordon Institute of Business Science
University of Pretoria

Ethical Clearance Approved

Dear Samandree Padayachee,

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

13 Appendix 5: Interview consent statement

To Whom It May Concern,

I am currently a student at the University of Pretoria's Gordon Institute of Business Science (GIBS) and completing my research in partial fulfilment of an MBA.

I am conducting research relating to the influence of South African retail banks on financial literacy and the adoption of positive financial behaviour. Financial advisors who work in retail banking could potentially play an important role when imparting financial knowledge to their customers during the financial advice process. This will help us better understand the financial advice process and the role you as a financial advisor play. The interview should take no more than 30 minutes of your time.

Your participation is voluntary, and you can withdraw at any time without penalty. Your participation is anonymous and only aggregated data will be reported. By completing the interview process, you indicate that you voluntarily participate in this research. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher Name: Samandree Padayachee
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Phone: 082 625 6166

Research Supervisor: Suzanne Myburgh
Email: Suzanne.myburgh@hotmail.com
Phone: 072 406 9191

14 Appendix 6: Interview research questions

Date:

Professional Title:

Start Time:

End Time:

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1. Age Group:
    a. 20 – 25
    b. 26 – 30
    c. 31 – 35
    d. 36 – 40
    e. 41 – 45
    f. 45 – 50
    g. 51 – 55
    h. 55 – 60
2. Can you please provide me with a brief overview of your employment history?
3. What are your qualifications/academic history?
4. How many customers do you have in your book?
5. What are your assets under management?
6. How many customers do you see in a month?
7. What is the level of engagement? To sell/review/general meeting?
8. To fulfil on your role as a financial professional what information do you require from your customer at the onset (a new customer)?
9. Do you believe there to be a high level of financial literacy in the customers who approach you or that you engage with?
10. How would you define a high level of financial literacy?
11. Do you believe that South Africans have an over-inflated view of their own levels of financial literacy?
    a. i.e. They believe themselves to be financial literate and competent?
12. Are there questions you ask your customer to ascertain the level of financial literacy before you start engaging?
13. Do you trust customers' self-assessed financial literacy surveys?
14. As a financial professional working for a South African retail bank, do you believe that you play a critical role in financial literacy and education?

15. Do you only provide financial education in order to conclude a sale, or do you care about your customers' financial well-being?
16. How do you believe SA retail banks can contribute more holistically to the issue of financial literacy and how can this be measured?
17. From Exhibit A – Do you believe that your customers will understand these questions and answer them correctly?
18. What do you believe is the solution to bridging the financial literacy gap in South Africa today?
19. How can you as financial advisor or wealth manager contribute to bridging this gap?

- Which comes first: Basic literacy or financial literacy?
- At which level of education should financial literacy be commenced? Secondary School/High School/Tertiary
- In general, are South Africans wasteful or sensible with their salaries?
- South Africans lack basic budgeting skills – true or false
- Financial wealth or financial well-being does not equal financial literacy – true or false?
  - i.e. Just because a customer is wealthy or financially well-off means they are financial literate
- Measuring financial literacy is difficult as there is a large pay/wealth gap between South Africans – true or false?
- I can measure financial literacy levels out of my head from general conversations with customers – true or false?
- I enjoy using financial literacy questionnaires with my customers – true or false?
- Monetary incentives are needed to drive the private sector to invest in financial literacy initiatives – true or false?

Exhibit A:

Item
Buying a single share is safer than buying an equity fund. True or false?
You have 100EUR on your savings account with 2% interest per year. How much will you have after 5 years if you let your money grow?
Your savings account earns 1% interest per year, and inflation amounts to 2% per year. How much can you buy after one year with the money in your savings account? More than today/The same as today/Less than today.
Which investment normally has the largest fluctuations? Savings account/ Fixed-interest securities/Shares
Which of the following statements best describes the main task of the stock market? The stock market predicts stock profits./The stock market leads to an increase in stock prices./The stock market brings together potential buyers and sellers./None of the 3 statements.
Which of the following statements is correct? Once you have invested in a mutual fund, you cannot withdraw the money in the first year /Investment funds can invest in several assets, e.g., shares and bonds /Investment funds pay a guaranteed return, which depends on the past performance /None of the 3 statements.

Notes for probing:

- Financial literacy levels
- Financial literacy customer pre-questionnaire
- Wealth creation
- Retail bank’s role & enablement
- Financial literacy measurement & tools

15 Appendix 7: Codes and code grouping

Code	RQ 1	RQ 2	RQ 3	RQ 4
Academic history and qualifications	Financial Professionals Role Profile			
Advice Fee	Financial Professionals Role Profile			
Advice Quality				RB role in FL and FL measurement
Age Group	Financial Professionals Role Profile			
Ascertaining customers' levels of Financial Literacy			FL measurement tools	
Assets Under Management	Financial Professionals Role Profile			
Assistant	Financial Professionals Role Profile			
Bad Financial Advisors				RB role in FL and FL measurement
Bank employees lack FL knowledge				RB role in FL and FL measurement
Basic Literacy comes first				RB role in FL and FL measurement
Bridging FL gap in SA				RB role in FL and FL measurement
Career aspirations	Financial Professionals Role Profile			
Customer base	Financial Professionals Role Profile			
Customers who panic with investments		FP role in FL and FL measurement		
Compound interest		FP role in FL and FL measurement		
Consumption culture				RB role in FL and FL measurement
Customer engagement		FP role in FL and FL measurement		
Customer meeting content		FP role in FL and FL measurement		
Customer needs analysis		FP role in FL and FL measurement		

Code	RQ 1	RQ 2	RQ 3	RQ 4
Definition of a high level of Financial Literacy		FP role in FL and FL measurement		
Employment history	Financial Professionals Role Profile			
Fiduciary		FP role in FL and FL measurement		
Financial Literacy levels of customer		FP role in FL and FL measurement		
Financial Literacy measurement		FP role in FL and FL measurement	FL measurement tools	
Financial Professional experience	Financial Professionals Role Profile			
Financial Professionals role in Financial Literacy		FP role in FL and FL measurement		
Financial requirements gathering		FP role in FL and FL measurement		
Financial wealth does not equal FL		FP role in FL and FL measurement	FL measurement tools	
FL at school level				RB role in FL and FL measurement
FL comes before basic literacy				RB role in FL and FL measurement
FL questionnaire correctness		FP role in FL and FL measurement	FL measurement tools	
FL training				RB role in FL and FL measurement
Focus is on risk coverage	Financial Professionals Role Profile			
Focus on investment solutions	Financial Professionals Role Profile			
High school to begin FL				RB role in FL and FL measurement
I measure FL out of my head from customer conversations			FL measurement tools	
Ideal first meeting	Financial Professionals Role Profile			
Inflation				RB role in FL and FL measurement
Intentions: caring		FP role in FL and FL measurement		
Issue of debt				RB role in FL and FL measurement
Lotto winners		FP role in FL and FL measurement		
Measuring FL is difficult because of the pay gap		FP role in FL and FL measurement		RB role in FL and FL measurement

Code	RQ 1	RQ 2	RQ 3	RQ 4
Money incentives are needed to promote FL initiatives				RB role in FL and FL measurement
Number of customer meetings	Financial Professionals Role Profile			
Number of customers	Financial Professionals Role Profile			
Number of employees	Financial Professionals Role Profile			
Opinion on bankers				RB role in FL and FL measurement
Pension		FP role in FL and FL measurement		
Primary schools to teach FL education				RB role in FL and FL measurement
Professional title	Financial Professionals Role Profile			
Professionals who are not FL/ competent		FP role in FL and FL measurement		
Road Accident Fund		FP role in FL and FL measurement		
SA are sensible with salaries				RB role in FL and FL measurement
SA retail banks' contribution to FL issue				RB role in FL and FL measurement
SA's have wasteful expenditure		FP role in FL and FL measurement		
Savings culture				RB role in FL and FL measurement
South African financial advisory				RB role in FL and FL measurement
South Africans and budgeting		FP role in FL and FL measurement		RB role in FL and FL measurement
South Africans' views of their own levels of Financial Literacy			FL measurement tools	
Trust		FP role in FL and FL measurement		
Use of FL questionnaires			FL measurement tools	
Wealth in SA		FP role in FL and FL measurement		RB role in FL and FL measurement