

**Exploring Financial Literacy Amongst First Year University Students: A
Case Study of Howard College, University of KwaZulu-Natal.**

By

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Declaration

I declare that, **Exploring Financial Literacy Amongst First Year University Students: A Case Study of Howard College, University of KwaZulu-Natal.** is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

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A handwritten signature in cursive script, appearing to read 'Pillay', is enclosed in a rectangular box.

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Abstract

This study explored the financial literacy of first year students of Howard College, University of KwaZulu-Natal, using a framework informed by the Socio-Cultural and Life-Cycle epistemological perspectives. Data was collected by means of semi-structured interviews which focused on exploring students' financial literacy, and their saving and debt behaviour. In addition, the relationship between financial literacy levels and saving and debt behaviour was examined. Thematic analysis was undertaken, and the findings indicated low financial literacy levels amongst students. However, in spite of this, saving behaviour was evident, with low debt. What is more, while the results indicate that there is no relationship between perceived financial knowledge and saving and debt behaviour, it was uncovered that practical exposure to financial activities at school enhances savings behaviour.

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- Chapter One -

Introduction

The aim of this research is to examine financial literacy amongst first year students at the University of KwaZulu-Natal, Howard College. The purpose of this study is to explore financial literacy factors that contribute to positive savings and debt behaviour in first year university students. The study seeks to examine how students acquire their financial literacy, and to what extent does their standard of literacy affect their savings and debt behaviour.

Although defining financial literacy can be rather difficult since there are a number of definitions associated with the term. In this study “financial literacy points to the broader financial skills of an individual’s personal finances” (Louw, Fouche and Oberholzer, 2013, p.440), and excludes government or business financial literacy. These financial skills include attitudes and knowledge that influence behaviour. Attitudes, as shaped by individual, societal and cultural factors and financial knowledge shall be understood as the level of information respondents report to have on finances and the like.

Background and Outline of Research Problem

The research problem is threefold and includes financial illiteracy, increasing debt, and a lack of savings amongst students. These three key aspects will be discussed further below.

Financial Illiteracy

The issue of financial illiteracy remains a predominant one the world over as people are unable to manage the most basic financial responsibilities within their family units. Budgeting, cash flow management and investment are not common concepts discussed in a home. On the one hand it is

understandable with globalization and the rapid growth that technology has introduced to industries, along with the systems, tools and procedures they use which are constantly changing at an accelerated rate. Thus it comes as no wonder that Batty, Collins and Odders-White (2015, p.69) relates that financial products are becoming more difficult to comprehend. Although on the other hand, it seems unbalanced and slightly inappropriate not to assign any accountability with the consumer, because “consumer attributes such as ignorance, poor financial management skills, and emotional and cultural characteristics certainly number among the causes” (Boone and King-Berry, no date, p.23).

Consequently, financial illiteracy means that the consumer is disempowered as they are ill equipped to take the necessary steps for their economic well-being. Hence we find an insurmountable number of households living hand to mouth or pay check to pay check. To exacerbate the issue further, the aforementioned members of society live with high amounts of debt. Therefore, their financial situations are poor because as Louw et al., (2013, p.439) observe “individuals do not have the tools they need to make appropriate financial decisions”. In addition, financial problems are often the trigger to social pressures that can contribute negatively to one’s health causing sickness and disease or diminishing the quality of relationships resulting in divorce for example and a variety of other unhappy experiences (Marcolin and Abraham, 2006, p.3). It can thus be said that “having financial literacy skills is an essential basis for both avoiding and solving financial problems, which, in turn, are vital to living a prosperous, healthy and happy life” (Marcolin and Abraham, 2006, p.3).

As a secondary result private decisions affect the general public too. Governments all over the world are reliant on tax payers, and thus when citizens are unable to contribute as they should the economy bears the brunt; recessions are declared and that country’s currency weakens. What is more, these local phenomena can become global crises. Jiyane and Zawada (2013, p.47) explain that the Banking Association of South Africa (BASA) (2011) has “... observed that a lack of financial literacy, which, according to BASA is the key to saving, is one of the factors that brought about a global financial crisis in recent years”. Financial literacy therefore enables individuals to save, and is also a skill needed to engage in the kind of activities which improve one’s financial

situation. For example, financial literacy fosters entrepreneurship, which is one of the ways to strengthen a weak economy locally, or internationally. In this way as Jiyane and Zawada (2013, p.47) explain, a drive toward market-based social change will occur, which is imperative for sustainable socio-economic development. Thus we see that financial illiteracy affects people both locally and globally.

Debt

The negative effects of financial illiteracy as discussed above are also manifested in the state of debt and savings within the country and beyond. Kotze and Smith (2008, p.156) revealed that “the ratio of household debt to disposable income in South Africa fluctuated between 50.6% and 71.8% between 1996 and 2006”. In another study released by the Department of Economic Affairs and Tourism research revealed that “40% of households nationally were experiencing financial difficulty as they were unable to meet loan re-payments to micro lenders and other service providers” (Renke et al., 2006, p.92). The above clearly indicates that the average South African household is struggling with their economic responsibilities and the duty to take corrective action remains with the individual.

Therefore, it is safe to say that the responsibility for financial planning in the long run has moved from government agencies to individuals. However, in the United States (US) for instance the federal government has put measures in place to extend the knowledge that consumers have, through the Department of Treasury’s Financial Literacy and Education Commission (2011) and the new Consumer Financial Protection Bureau (2014). The US Government has realized that individual personal debt has further reaching negative effects on the country’s economic growth. This coincides with - recent media coverage which indicates that “... South Africa’s consumer debt crisis is costing the country an estimated R 500 million a month directly and another R 500 million a month in productivity losses, totalling around R 12 billion annually” (Renke et al., 2006, p.92). Thus, Grinstein-Weiss, Guo, Reinertson and Russell (2015, p.59) reports that the aim of these governmental agencies is to implement strategic models for financial education. They also

seek to understand what the specific factors that affect individual success are and what are the institutional and systematic barriers to achieving this success (Consumer Financial Protection Bureau, 2014; US Department of Treasury, 2014; Grinstein-Weiss, et al., 2015).

Savings

Associated with the high debt levels, is the “savings rate that has declined sharply from 8 % in the 1980s to about – 0.5 % of personal disposable income in 2006” (Kotze and Smith, 2008, p.156). A South African study questioned 286 adult respondents on how much disposable income they spent on debt and savings, “60% did not set money aside for savings, and 67.1% of the respondents indicated that they either ‘sometimes’ or ‘never’ set money aside for savings” (Kotze and Smith, 2008, p.169). A few years on and still according to Gareth Stokes from the newspaper Mail & Guardian (2011) “South Africans are not saving enough, and consequently the South African Reserve Bank Quarterly (2011), indicates that South African households only save 1.5% of the gross domestic product (GDP)” (Jiyane and Zawada, 2013, p.47).

This same trend can be seen internationally, as Ludlum, Tilker, Ritter, Cowart, Xu and Smith (2012) explain that Americans have spent more than they make (a negative savings rate) since 2005. Based on a survey of 1,000 workers and retirees, on financial knowledge issues, the Employee Benefit Research Institution (1995) points out that “most Americans do not have sufficient retirement funds and may have a false sense of financial confidence and security” (cited in Chen and Volpe, 1998, p.108).

What further aggravates the situation is that generally families do not have funds saved up for emergencies making it difficult to respond without dabbling into debt for unplanned emergencies. Sherraden and Grinstein-Weiss (2015) substantiate this when they report that “half of American households-and 60% of low-income households- report that they could not come up with \$2,000 in an emergency” (Sherraden and Grinstein-Weiss, 2015, p.3). Because households do not have

“emergency funds”, when an unexpected event occurs they often resort to loan sharks or banks for assistance. The result of which is that a small unforeseen and unbudgeted event creates debt, that can set one back immensely (Shah, Mullainathan and Shafir, 2012; Sherraden and Grinstein-Weiss, 2015).

Thus saving becomes increasingly difficult as credit becomes an enabler to a debt dependent cycle when individuals are faced with unanticipated events. Since savings and debt have an inverse relationship the lack of savings perpetuates the accumulation of debt. Thus as Grawitzky (2003, p.57) notes “mounting personal debt triggered insufficient savings among South Africans” (cited in Kotze and Smith, 2008, p.156).

It is with the above research problems in mind that the following study explores a small cohort of first year students at Howard College, UKZN with a keen interest in the financial literacy factors that contribute towards positive savings and debt behaviour. The findings can thus be utilized for the formalization of further research and targeted training responses. The scope of the research focuses on first year university students in a South African context, although often drawing from literature set in other countries, especially the United States of America.

Research Questions

The following are the studies research questions:

- What is the financial literacy of Howard College first year students?
- What are their saving and debt behaviour?
- Where do they acquire their financial literacy from?
- What is the relationship between financial literacy and the saving and debt behaviour of Howard College first year students?

Aim of the Study

The aim of this research is to explore the saving and debt behaviour of first year students at the University of KwaZulu-Natal, Howard College. In addition to this the study seeks to understand what has influenced the financial behaviour of these students.

Objectives of the Study

The objectives of the research are listed below:

- To examine the financial literacy of first year university students
- To explore the savings behaviours of these students
- To determine the debt behaviours of first-year students
- To examine the relationship between the levels of financial literacy and the students' savings and debt behaviour
- To examine how students obtain their financial literacy

Structure of Dissertation

Chapter One, the introduction provides the background and outline of the research problem, research questions, aim of the study, objectives of the study and the structure of the dissertation.

Chapter Two, the literature review first examines the scholarship on the financial literacy of university students. It also examines the impact of financial literacy programs implemented and the factors that contribute to student financial literacy. It further looks at what is the saving and debt behaviour of students. In addition, it explores the literature that seeks to examine how students obtain their financial literacy.

Chapter Three of this dissertation focuses on the theoretical framework used in this research. The Socio-Cultural Theory and the Life Cycle Theory informed the analysis. This chapter explains both theories central arguments and why they are posited as relevant for this research.

Chapter Four, provides a discussion on the methodology employed in this study. It identifies the epistemological and ontological perspective which underlies this research, describes the qualitative, semi-structured interview technique that was used to gather data and the purposive sampling technique that was used in order to elicit participants. In addition, the process of thematic analysis is explained. This chapter also discusses ethical considerations of the project as well as issues of the trustworthiness and credibility.

Chapter Five provides a discussion and analysis of the results obtained. The following themes arose from the data, i.e. knowledge, experience, behaviour and relationships, and these are explored in greater detail in this chapter. The chapter further explains the conclusions drawn from the data gathered.

Chapter Six, provides a conclusion to this study by summarizing the findings with emphasis on results, and offering recommendations and suggestions for further research.

Conclusion

This chapter outline the background for researching the financial literacy of first year students, and presented the context wherein this study is situated. In addition, the research questions and objectives were highlighted. What is more, the structure of the dissertation as well as a summary of the chapters of this dissertation were provided. As indicated above, the chapter that follows provides a discussion of the current scholarship in the financial literacy field, and positions this study within the existing body of knowledge in this area.

-Chapter Two- **Literature Review**

Introduction

The aim of the following chapter is to provide a discussion and interrogation of the scholarship in the area of financial literacy. I will begin by first discussing the financial literacy of university students, and move on to deliberating over the impact financial programs have on the financial knowledge and behaviour of participants. Following which, factors that affect students' financial literacy will be considered. Thereafter literature about the savings and debt behaviour shall be reflected upon, before a discussion about where students get their financial literacy from, ensues. The chapter concludes with an analysis of the literature review taking care to situate my research within what has already been written about the financial literacy of students.

In 2008, the world experienced a recession, and according to Jiyane and Zawada (2013, p.47) the World Bank as well as the International Monetary Fund reflected on whether this was an indication of a “return to recession” and thus encouraged people to save in order for them to endure during difficult financial times. However, Jiyane and Zawada (2013, p.47) also observe that financial institutions note that South African's are not in the habit of saving. This is concerning since there is a plethora of literature that references the Great Recession¹ as one significant trigger for the increase of interest in financial literacy (Akdag, 2013; Jiyane and Zawada, 2013; Kindle, 2013; Rojano, Aguilar and Cortes, 2014; Sherraden and Grinstein-Weiss, 2015; Lorence, Lawrence, Salsbury and Goertz, 2014; Miles, 2014; Boshara and Emmons, 2015; Keller, LeBeau, Malafi and Spackman, 2015). According to Sherraden and Grinstein-Weiss (2015, p.1) in the wake of the recession those involved in policy and research have concentrated on ameliorating the lack of personal financial knowledge for the generations to come. Subsequently financial literacy has also gained the attention of a wide range of stakeholders that include financial institutions, government departments – including policy makers, non-profit organisations and a host of other groups with

¹ The Great Recession occurred in 2008. The world experienced a general decline in economic markets causing great financial strains on the average household (Alderman, 2010).

vested interests (Brauenstein and Welch, 2002). Brauenstein and Welch (2002, p.445) believe that these stakeholders are concerned that financial illiteracy acts as a stumbling block in an individual's life causing them not to live a life of economic wellness. The stakeholders argue that if one is not in a position to make sound financial choices they hinder their chances of purchasing a home, financing further education, or preparing for retirement. Whereas Hilgert, Hogarth and Beverly (2003, p.309) believe that those with a better set of financial skills and knowledge are able to provide for their families, adding that upskilled individuals are in a position to make quality financial decisions and thus economic security thrives. Hilgert et al., (2013, p.309) go on further to state that financially secure families are assets to society as they are in a position to contribute to the economic development of the communities they live in. Therefore, financial literacy is vital for community development.

It comes as little surprise then that extensive research has been conducted on financial literacy. After having engaged comprehensively with the literature about financial literacy, and some of the periphery ideas that surround it, the following is an overview of some noteworthy discoveries. Firstly, I found that it is substantially easier to find literature about financial literacy in an American context. That being said, there are studies based in Australian (Beal and Delpachitra, 2003), Canadian (Buckland, 2010), Turkish (Akben-Selcuk and Altiok-Yilmaz, 2014) and more relevantly a South African (Kotze and Smith, 2008) context, although these were infrequent. At other times the scholarship on financial literacy, based in a geographical location other than America, were only very briefly cited within an American research paper. In other words, full texts of non-American literature are few in comparison, or are only cited in-text thus not allowing for any trends or glaring disparities to be identified about financial literacy in these regions, as can be done for America because there is such a vast amount of research about financial literacy in that part of the world.

Secondly, by and large the literature can be thematically grouped by reoccurring themes; namely those that sought to: “define financial literacy” (Sherraden, 2009; Remund, 2010) or “measure financial literacy” (Beal and Delpachitra, 2003; Kindle, 2013) or make a “needs analysis” (Louw et al., 2013) or to “evaluate the impact of a particular programme” (Mandell and Klein, 2009;

Liebzeit et al., 2011). Thirdly, since this study seeks to explore the relationship between financial literacy levels and savings and debt behaviour, it is significant to mention that there is a repeated assumption that knowledge translates into good financial behaviour. This research aims to examine this further. Fourthly, in the literature reviewed, predominantly quantitative methodology is used, only sometimes utilizing a qualitative research method, but almost never making use of a mixed methods approach. Fifth, study findings were either self-reported or tested via a questionnaire or the like. In addition, findings were either evaluated immediately or after a long period. Sixth, since the term financial literacy is so vast and multifaceted, covering an array of topics such as savings or investments, budgeting and book keeping, readings over-all test different elements of financial literacy and therefore make it challenging to compare.

Hence, considering the fact that this study centres around financial literacy, it would be appropriate here to give an in-depth definition of the term, and in so doing give the operational definition for this research. There is a growing interest in the concept of financial literacy, and some important efforts have been made to define it (Sherraden, 2009; Remund, 2010). Financial literacy has been defined by Noctor, Stoney, and Stradling (1992) as “the ability to make informed judgements [sic] and to take effective decisions regarding the use and management of money” (Kindle, 2013). Their definition has been referred to as the “seminal definition” (Marcolin and Abraham, 2006, p.2).

Other authors have operationalized this definition by suggesting that financially-literate individuals would possess a range of abilities and attitudes comprising:

- The ability to use knowledge and skills to make informed and effective decisions on how to manage financial wealth in order to maintain financial well-being for a life-time (Vieira, 2012, p.24; Collins and Holden, 2014, p.79; Miles, 2014, p.136).
- Similarly Organisation for Economic Co-operation and Development (OECD) (2012, p.13) describes financial literacy as “a knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial wellbeing of individuals and society, and to enable participation in economic life” (cited in Akben-Selcuk and Altiok-Yilmaz, 2014, p.352).

- Louw et al., (2013, p.442) simply referred to: “A financially literate individual should have a positive attitude toward his/her (personal) finances and learning, the understanding to take control of his/her own finances, the ability to discern good from bad financial decisions, and the skills to make it practical”.
- Lastly Jorgensen and Savla (2010) conceptualized financial literacy as “the relationships among financial knowledge, financial attitudes, and financial behaviour” (cited in Akben-Selcuk and Altiok-Yilmaz, 2014, p.352).

Various authors then have put forward many definitions of financial literacy (Hogarth, 2003). Remund (2010) however, by drawing upon empirical studies, expert’s understandings and policy programs made available since the year 2000 about financial literacy, analyses the various financial literacy definitions and measures, advocating for mutual understanding amongst researchers. Concluding that “until the research community embraces a common foundation, the value of empirical studies and education programs will remain compromised” (Remund, 2010, p. 278).

On the other hand, Sherraden’s (2007; 2010) financial capability model is frequently cited (Boone and King-Berry, no date; Boshara and Emons, no date; Kindle, 2013; Loke, Choi and Libby, 2015) which points to the fact that although financial literacy will without a doubt allow individuals to more effectively manage their finances, it is nevertheless unclear whether it will assist in combatting financial vulnerability should institutional barriers to beneficial financial products also not be addressed. Sherraden’s (2010) paper adopted the following definition – “Financial capability is the ability of people to understand, assess, and act in their best financial interest” (Johnson and Sherraden, 2007, p.124). Financial capability not only requires financial literacy, but also calls for access to relevant financial products. In other words, financial capability requires “both the *ability to act* (knowledge, skills, confidence, and motivation) and the *opportunity to act* (through access to beneficial financial products and institutions)” (Johnson and Sherraden, 2007, p.124). Both, ability and opportunity therefore has an effect on an individual’s well-being, financially and on his/her life chances. Financial actions then are inextricably connected to increasing access to quality financial institutions (Sherraden, 2010, p.2). Sherraden’s (2010)

inclusion of financial institutions coincides with Forte's (2012) concern. Forte (2012) proposes the possibility that financial education programs can benefit financial institutions more than the learners themselves. She believes that this has been largely ignored in the literature. Forte cites Gross (2005) who argues that "educational movements can actually prevent necessary structural changes from taking place, such as the credit scoring system,² which penalizes low-income individuals" (Forte, 2012, p. 219).

In short defining financial literacy can be rather difficult since there are a number of definitions and specific issues associated with the term financial literacy/ capability (Louw et al., 2013, p.440). For the purposes of this research however financial literacy shall be understood as the level of financial knowledge respondents report to have, and their ability to transform this knowledge into "good" behaviours i.e. lower debt in relation to their savings. Sherraden's (2010) financial capability model will be used to illuminate between financial initiatives and the linkages they have with financial products or institutions in their design. In addition, financial capability will be used to explain any socio-cultural influences that may have ensued from South Africa's political history, for example how respondents who grew up in townships may not have been exposed to banking activities and or financial services at the same frequency or standard as those who lived in urban/suburban areas.

Financial Literacy - University Students

Even though no conclusive definition for financial literacy exists, the need to increase it in the lives of individuals is a shared goal between researchers and policymakers alike. Perhaps in an attempt to increase the financial literacy of the greater public, financial literacy has been looked at through the perspective of particular groups for a nuanced response. Hence one will find there is a body of literature that looks specifically at the financial literacy of students in primary (Sherraden and Grinstein-Weiss, 2015), high school (Varcoe, Martin, Devitto and Go, 2005) or in tertiary

²The Credit Score System based in the United States of America is supposed to grade risk, letting a lender know the statistical chances of getting repaid (Wibberley, 2015, p.1)

(Kindle, 2013; Lorence, Lawrence, Salsbury and Goertz, 2014). Keeping in mind that this study seeks to explore the financial literacy of first year university students, I will start out at the tertiary level. Studies have shown that university students have inadequate knowledge on personal finance (Chen, Volpes and Pavelicko, 1996; Beal and Delpachitra, 2003; Akben-Selcuk and Altiok-Yilmaz, 2014; Lorence et al., 2014).

For example, the first Australian financial literacy surveys (Beal and Delpachitra, 2003) which were carried out in the University of Southern Queensland on a sample of first-year students, across five faculties, examined five key skill areas, i.e. basic concepts, markets and instruments of the financial markets, planning, analysis and decision making, and insurance. Analysis revealed that students who scored higher in terms of their financial literacy levels, were more likely to be male, have had significantly more work experience, and a higher income. The researchers thus concluded that these students were “not skilled, nor knowledgeable in financial matters and that this would tend to impact negatively on their future lives through incompetent financial management” (Beal and Delpachitra, 2003, p.77).

In addition, a study involving university students in Turkey which emphasized the role of formal education, learning approaches and the influence of parents “found that the mean percentage of correct responses was 45%” (Akben-Selcuk and Altiok-Yilmaz, 2014, p.351). The data for this study came from an online survey of undergraduate students in a Turkish university in Istanbul which assessed knowledge in four areas namely, “general financial management, saving and borrowing, insurance, and investing” (Akben-Selcuk and Altiok-Yilmaz, 2014, p.358).

What is more, Lorence et al., (2014) conducted a cross-sectional survey describing the financial knowledge, habits and attitudes of 250 chiropractic students. They found that; most respondents would “accumulate over \$125, 000 in student loan debt by graduation, financial knowledge was low (mean 77%) and that few had saved money for unplanned expenses (39%) or long term goals (26%), kept written budgets (32%), or had retirement accounts (19%)” (Lorence et al., 2014, p.58). They concluded that the pilot study indicated that there may be substantial gaps in the financial

knowledge, attitudes and practices of the chiropractic students with their expectations of professional income and preferred income, not properly aligned with actual chiropractic incomes. In addition, Lorence et al., (2014, p.63) argue that overestimating business income may lead to misjudgements which could lead students into unforeseen debt.

In contrast to this however, Kindle (2013, p.397) studied the financial literacy of Social Work students by way of an electronic survey to find that the majority of social work student respondents scored more than 70% of the answers correctly on a 48-item measure of financial literacy. Although as Kindle (2013, p.404) explained more than 75% of respondents were White social work students, and White ethnicity explained why such a high percentage of the students had high levels of financial knowledge. Ethnicity in this study was more significant than personal experience, age and students' academic major.

It can thus be seen that results from studies seeking to determine the levels of financial literacy amongst university students, predominantly indicate poor financial knowledge except in isolated instances. However, the authors are in agreement that there is a need to increase the financial literacy of all generations, especially the youth to ensure that never again do we experience the effects of the great recession.

Financial Literacy – The Impact of Programs

According to Batty et al., (2015, p.70) school systems have often been referenced as a natural setting to deliver financial education. Even financial education directed at young children who are not expected to engage significantly with financial decisions. Since this research specifically seeks to explore the financial literacy of first year university students I have examined at length the effectiveness of financial literacy programs at the university level. Hilgert et al., (2003) from America found that since the 1990s, when concerns around financial literacy arose, there has been an increase in the number and types of educational programs on offer. A large number of these programs are structured around providing the customer with information. What is more there is an

implicit assumption that providing information and knowledge will lead to financial management and behavioural change. In essence the aim of financial literacy programs is to increase knowledge and upskill attendees, areas of interest have been, general personal financing, like how to purchase a home, saving and investment and retirement. In order to meet objectives, subjects such as cash flow management, budgeting, credit management, debt management and saving and investment are usually covered (Fox, Bartholomae, and Lee, 2005; Grinstein-Weiss, 2015). However, Batty et al., (2015, p.70) argue that what is needed is “evidence that courses improve student knowledge and evidence that this knowledge positively impacts future financial behaviour”.

Some studies document knowledge gains and a subsequent positive shift in behaviour following specific financial education programs (Chen, Volpes and Pavelicko, 1996; Chen and Volpes, 1998; Hayhoe et al., 1999; Varcoe et al., 2005; Liebzeit, Behler, Heron and Santen, 2011; Batty, Collins and Odders-White’s, 2015) whilst other studies do not find significant increase in financial knowledge or behavioural change following a program (Joo, Grable, and Bagwell 2001; Lyons, 2004; Peng et al., 2007; Mandell and Klein, 2009; Ludlum et al., 2012). For example, according to Chen and Volpes (1998) research suggests that educational background has a significant impact on student participant’s financial knowledge. The results of their survey indicates that students enrolled for business majors had more knowledge than those who pursued non-business majors. On average, the students registered for business majors answered “60.72% of the survey questions correctly; the non-business majors, 49.94%. The pattern of business majors answering about 8% to 12 % more questions correctly than non-business majors is persistent throughout the individual sections” (Chen and Volpes, 1998, p.114). Chen and Volpe’s earlier work with Pavelicko in 1996 also provides evidence that a college education in a specific academic discipline makes a difference in terms of participant’s level of financial literacy (Chen et al., 1996, p.90).

Ludlum et al., (2012, p.30) however, found that a student’s major subject at university (business or non-business) did not have any relationship to their financial literacy. Although, Ludlum et al.,’s (2012) study examined the financial literacy of students (725) across several campuses (5). It is significant that “nearly all (91.7%) of the survey participants were business majors” (Ludlum et

al., 2012, p.27). One could call this a gap in the study; hence future research needs to take cognizance for the proportional study of students across an array of academic majors.

Similarly, Liebzeit et al., (2011) reported the effectiveness of their three and a half hour personal finance workshop during the final module in a medical school. The school saw this as a necessity since most US medical students were graduating with an average of US\$140 132 of debt. Students were taught about the different approaches they could use to tackle commonly sensitive bad financial practices, like loan repayments for example. The programs learning process also involved examining an anonymous pay check and hearing an account from a practicing doctor. Following which time students were tested on what they had learnt via a “mock quiz”. The students even had an opportunity to voice their opinions of the program through an online tool. After medical students received an intervention in the form of these various strategies delivered at the workshop, it made them more aware of their savings behaviour. However, utilising a sample made up of 250 students from a university, prominent in size, in a state in the south west of America (Lyons, 2004, p.58), Joo, Grable, and Bagwell (2001) did not find that an academic major increased financial knowledge (Lyons, 2004, p.58). They examined factors associated with student’s actual credit card usage.

Peng et al., (2007) also sought to explore the impact of a personal finance course on college students, although she also evaluated high school learners too. The study examined the areas of saving and investment years after the 1, 039 participants had attended the programmes. This was administered via a web-based survey. Peng et al., (2007) discovered that there were positive correlations between college students having taken a course and their investment knowledge. However, this same correlation was not found between the programme attendance of high school students and their investment knowledge. Peng et al., (2007, p.282) reason that “as an additional note of caution, one possible reason could be that many high school programs only take a few weeks, while college courses typically last entire quarters or semesters”.

Until this point all of the studies examined if students showed signs of increased knowledge after partaking in a program or course. However, as Batty et al., (2015) indicated it is imperative to confirm that improved knowledge equals behavioural change. The following literature takes just that step by seeking whether knowledge gains translate into behavioural change.

Hayhoe et al.,'s (1999) work addresses the above concern as their study concluded that educational background has a significant impact on student's financial knowledge and they identified those students who had taken a personal finance course to be less likely to borrow from friends or relatives although having four or more credit cards. Hayhoe et al., (1999) used a sample of 426 college students from five United States universities who were studying in 1997. Using this sample, they also identified the factors that affect a student's decision to obtain four or more credit cards (Hayhoe et al., 1999).

In addition, Hilgerth et al., (2003) wrote an article "Household Financial Management: The Connection between Knowledge and Behaviour" that explores the statistical relationship between knowledge and behaviour of consumers in terms of the knowledge they possess and their actions – focusing on four financial management activities: cash-flow management, credit management, saving, and investment. Hilgert et al., (2003, p.321) found that the relationship between particular financial literacy scores and the corresponding financial actions correlated. Put in another way, having knowledge about credit, saving, debt, and investment was associated with higher scores for management, saving, and investment practices respectively. This relationship may indicate that having more knowledge and experiences with money can lead to improved financial practices.

On the contrary Mandell and Klein (2009) examined the impact of a personal financial management course, completed 1 to 4 years prior to the study, 79 high school students were involved. What they found is that those who had taken the course were no more financially literate than those who had not. Further to this, students who had taken the course self-reported that they did not think themselves to be more savings-orientated or to have better financial habits than those who had not taken the course. Batty et al., (2015, p.17) believe that studies such as Mandel and

Klein's (2009) puts to question the notion that mandatory educational policy's will yield any lasting results. In addition, their research suggests that the effects of courses in high school are small and thus insignificant.

However, Bernheim et al., (2001) cited in Peng et al., (2007, p.268) provided a solid case for the justification that knowledge gains can equal behavioural change. They distributed their survey nationally to adults in an effort to "determine the effects of the financial education mandates implemented in high school". Peng et al., (2007, p.268) noted that it is important to mention that most of the participants were in high school years ago, but differences in knowledge, savings rates and wealth between those who had received the financial education and those who had not was evident. Therefore, Bernheim et al., proved that a course taken in high school manifested itself positively in the lives of those learners when they were adults. Peng et al., (2007, p.268) therefore note that adults who grew up in the American states, which enforced high school courses by law and thus were exposed to financial education had more savings and were wealthier than those who had not been exposed to financial education during high school.

Likewise, the findings of a major national study conducted by EverFi Inc. (2014) and sponsored by Higher Once Inc., entitled; "Money Matters on Campus: How early Attitudes and Behaviours Affect the Financial Decisions of First-Year College Students" found education mandates to have had a positive effect on financial conduct. The study aimed to examine indicators of possible positive or negative financial behaviour. EverFi Inc. (2014, p.2) did so by surveying 65, 000 first year students across the US. They concluded that those students who display more responsible behaviour such as being cautious, less fixated on positions, and who are more averse to incurring debt, were amongst those who went to high school in one of the 17 states that have mandated financial literacy courses. Therefore, EverFi Inc. (2014) implies that there is a connection between completing a financial literacy high school course and positive financial behaviour.

These findings are significant and have clearly not gone unnoticed, as in the US 35 states have implemented personal finance courses at high school level with the intention of providing

instruction in the area of finance. In addition to this, from 2013, 17 states required the completion of a course in personal finance in order for students to graduate from high school while a further 6 states prescribed assessment of “students’ knowledge of personal finance concepts” (Batty et al., 2015, p.70).

Equally important in support of the relevance of financial education mandates is the study by Varcoe et al., (2005). They sought to evaluate the effectiveness of a program called the “Money Talks: Should I be listening?”, they accomplished this by conducting a pre and post survey involving 114 high school students ages 13-20 from four California counties over a six-month period during spring, 2002. The results indicate that teaching a financial syllabus does seem to improve the financial literacy level of high school students. Data gained from the students indicate that both financial knowledge and appropriate behaviour increased after participation in Money Talks. In other words, Varcoe et al., (2005) like so many others listed above found the introduction of educational mandates on learners to be effective in moulding behaviour.

Even outside the school system we see cases where knowledge increases have displayed a positive link to behavioural change. For instance, research presented in an article titled “Increasing Youth Financial Capability: An Evaluation of the MyPath Savings Initiative” sought to evaluate the impact the programme would have on low income participants. The participants all were receiving a pay check for the first time, which was deemed significant because it allowed for a “teachable moment” (Loke et al., 2015, p.98) in the lives of the participants. The study correlated with Sherraden’s financial capability framework, which postulates that it is not enough to give participants financial education without coupling this with access to appropriate financial products. Hence MyPath Saving’s initiative offered “a comprehensive suite of financial services, including just-in-time financial education and access to mainstream financial products, using a hands-on, experiential approach with an emphasis on peer learning and support. It also incorporated behavioural economics principles to minimize barriers and incentivize savings” (Loke et al., 2015, p.98). The study found that being taught about financial literacy and having the opportunity to have financial experience increased the participant’s financial behaviour positively.

What is more Grinstein-Weiss, Guo, Reinertson and Russel (2015) examined an interesting element of the impact a program had on participants; they examined if whether or not a participant had attended all the lessons of a program, i.e. the attendance rate of a participant had a significant impact on the effectiveness of the training. They found that “relative to counterparts who did not complete educational requirements, participants who completed program requirements for financial education had higher average monthly savings, saved higher portion of their income, and deposited savings more frequently” (Grinstein-Weiss et al., 2015, p.156). What is more this study made a distinction between ages. Grinstein-Weiss et al., (2015, p.156) found that younger participants who had completed the programme gained less financial knowledge than their older counterparts.

And finally on this point, Sherraden and Grinstein-Weiss (2015) cites Postmus, Hetling, and Hoge’s (2015) study “Evaluating a Financial Education Curriculum as an Intervention to Improve Financial Behaviours and Financial Well-Being of Survivors of Domestic Violence: Results from a longitudinal Randomized Controlled Study” which sought to address the financial capability within their sample group. Sherraden and Grinstein-Weiss’s (2015, p.5) evaluation of the curriculum discovered that overall the women involved in the study experienced a healthy return on investment for their time, as they enhanced their knowledge prompting quality decisions with regards to financial matters. What is more the positive influence continued to manifest over time.

Sherraden and Grinstein-Weiss (2015, p.9) argue that in general, financial interventions designed for inside and outside the classroom can yield the desired results. However, as a survey of the literature has shown, there is still a debate on whether education can or cannot equal knowledge improvements, or whether knowledge improvements can or cannot equal positive behaviour changes. It should be noted however, that there is little research done on very young children in primary or elementary school whose experiences with financial decisions will only come into play much later. Some explanations for this may include the fact that “multiple-choice test questions require a certain reading ability on the child’s part or that interviews of young children take time

to administer and are difficult to standardize” (Schug and Hagedorn, 2005, p.68). However, there are cases of such research. Schug and Hagedorn (2005, p.68) argue that most research geared towards primary school children are motivated by the fact that society would not expect a child to be able to read if they had not been taught. Likewise, it should only be considered fair that learners ought to receive lessons about savings; the economy and other financial subjects from a young age and these skills honed throughout a learners stay within the educational system.

In line with the above argument, Schug and Hagedorn (2005, p.68) focused on primary/ elementary school level learners, and incorporated eight lessons and a four-slotted piggy bank into the curriculum, this method of teaching introduced financial and economic concepts to the young children. Although Schug and Hagedorn (2005, p.68) noted that their study was not without its limitations, for example at times it seemed as though a pattern of an artistic nature could be seen with written assessment tools, but such data was discarded and not included into the study. In conclusion the authors believe that young children can be taught financial and economic content in a beneficial way, when presented well.

Likewise, Batty, Collins and Odders-White’s (2015, p.69) study used an experimental model to measure financial education lessons that were given to to fourth and fifth graders in two different school areas in America. They discovered that even a comparatively short course results in knowledge gains that last up to a year later. While evaluating financial behaviour in this age group is not without its challenges, students exposed to such financial education appear to react positively to matters concerning personal finance, and appear more likely to save. These findings reveal that younger students are able to grasp financial matters and that learning is linked to better attitudes and behaviours which, if maintained, may lead to increased financial capability in the future (Batty et al., 2015, p.69).

Furthermore, Van Campenhout (2015) suggests that primary schools can assist young people to succeed financially, and he “offers program-design recommendations that foster broad, adaptable skills suitable for today’s shifting financial landscape” (Sherraden and Grinstein-Weiss, 2015, p.5).

Van Camperhout's study sought to look at the role of parents and teachers as social agents for developing the financial literacy of learners.

Financial Literacy – Factors that Affect Students

Within the mixed reviews presented above it can be noted that education alone does not necessarily lead to behavioural change. Scholarship in this area indicates that “myriad factors affect learning and that, in financial literacy specifically there are other circumstances in an individual’s life that often affect financial decisions that seem, at first glance, to be unrelated to the decision itself” (Forte, 2012, p. 217). Robeyns (2005) cited in Williams, Grizzell and Burrell (2011, p.250) performed an analysis on capability in which she postulates that “given the same amount and quality education, not every child or adult, will to the same degree, be able to use this education for income generating activities”. This statement is plausible due to certain barriers to entry, such as physical, intellectual ability, or external reasons “e.g., cultural barriers, racial or gender discrimination”. Hence, Lusardi and Mitchell (2014) cited in Batty et al., (2015, p.17) suggest that it is inaccurate to measure the mean scores of financial literacy programs as the individuals who attend are heterogeneous and hence require a certain level of customization which addresses specific needs and contexts. Lusardi and Mitchell (2014) further point out that although a student may apply themselves at school it is not every child that gains from the lessons taught, but those who do are sufficient motivation to continue offering financial orientated courses into the school curriculum. In addition, Adult education has also been identified by Guy (1999), Alfred (2003) and Tisdell (2011) cited through Forte (2012, p.217) as likewise requiring a sociocultural lens to be applied. That is to have beliefs, social relationships, and social environments of marginalized groups in educational settings explored.

For example, Buckland's (2010) study focusing on low-income populations in Canada specifically points out that financial literacy varies across socioeconomic groups and their neighbourhoods. He uses qualitative methods to explore participant's financial literacy and concludes that it is important to understand that individual financial literacy needs vary based on “institutional needs”.

By *institutions* Buckland (2010, p.358) refers to the socially constructed laws established by government and reinforced by policies, even manifested through mainstream bank locations.

Similarly, Forte's (2012) study purposed to "explore the teaching and learning in adult financial literacy education classes targeted for Latina learners, particularly with respect to the sociocultural impact of the learners' life circumstances" (Forte, 2012, p.217). The findings of the study were that the program took into account factors other than financial knowledge and behaviour with their teaching approach, instead a holistic approach to teaching and learning was adopted. In this way the classes took "into account the life circumstances of the learners, including their family situations, education, employment, language, age, and other sociocultural factors" (Forte, 2012, p.223). Forte (2012, p.223) believes that the benefit to such an approach acknowledges the heterogeneity of the students, and thus the unique factors that influence their financial management decisions. Thus, participants can make quality contextualized decisions.

However, apart from these studies, Forte (2012, p.217) notes that it is very rare to discover literature that takes into account the sociocultural situation in adult financial literacy education, and on even fewer occasions with students. Although there is a body of literature related to college [university] students which investigate some of the factors that contribute to their financial literacy levels and behaviours (Chen and Volpe, 1998; Lyons, 2004; Williams et al., 2011). This literature, in general, is grounded in personal experience. Peng, et al., (2007, p.269) lists numerous instances of personal experience, such as owning a stock or bond, having a savings account, learning from parents' financial habits, being entrepreneurial and many other activities and experiences which one encounters in life which contributes to financial learning. Thus, Peng, et al., (2007, p.269) foresees such financial experiences to contribute positively with knowledge increases and good behaviour. The common approach used in such research is quantitative. The research fulfils the purpose by means of a survey, where a questionnaire is developed to cover major aspects of personal finance. It includes financial literacy on general knowledge, savings and debt, but, "qualitative methods have [also] been used to question the notion that one financial literacy model fits for all people" (Buckland, 2010, p.362).

A quantitative survey of 924 students from multiple universities across the United States of America by Chen and Volpe (1998) identified certain factors that contributed to the levels of financial literacy of students. Lower levels of financial literacy are found among subgroups. They include those who do not major in business, are in the lower classes, females, under thirty, and those who do not have sufficient work experience. It was also found that participants with little knowledge seemed to hold incorrect opinions and make wrong decisions in the areas of general knowledge, savings, borrowing and investments (Chen and Volpe, 1998, p.122). In conclusion their examination of college students' knowledge of personal finance, results indicate that these students have to improve their understanding of personal finance, and that many factors will contribute in achieving better results.

Additionally, Lyons (2004) supports the notion that there are specific factors that contribute to the levels of a student's financial literacy. In Lyons (2004) study using data from a random sample of 2 650 college students at the University of Illinois of which 915 responded, "those factors that are likely to be significant contributors to whether a student is financially at risk include gender, ethnicity, being a graduate student, being financially independent, receiving financial assistance, owing other debt, and whether the credit card(s) is acquired in the mail, at a retail store, or at a campus table" (Lyons, 2004, p.68).

Similarly, the Programme for International Student Assessment (PISA) financial literacy test found that factors such as gender, socio-economic circumstances, and whether or not a student was an immigrant contributed to their literacy level. "Around 29,000 15 year-olds in 18 countries and economies took part in the test, which assessed the knowledge and skills of teenagers in dealing with financial issues, such as understanding a bank statement, the long-term cost of a loan or knowing how insurance worked" (OECD, 2014, p.12). The study found that students in China followed by Belgium (OECD, 2014, p.12) showed the highest level of literacy. In general, there is an international trend of poor financial knowledge irrespective of the other factors contributing.

The above is further supported by a study conducted by the Jump\$start Coalition of which findings indicated that “white students scored significantly higher (55%) on a test of financial knowledge than Hispanics (46.8%) or African Americans (44.7%) and students from the highest income families (over \$80, 000 per year) scored significantly higher than lower income students” (Williams et al., 2011, p.249). In short, the research suggests that variations of class status or socioeconomic conditions immensely affect the ability of youth to absorb and act on financial information. Coursework study is not enough to ascertain financial capability (Jump\$start Coalition, 2006; Williams et al., 2011, p. 251).

However, as discussed earlier, the MyPath Savings initiative which targets “economically disadvantaged youth participants who are earning their first paycheck – a critical teachable moment” (Loke et al., 2015, p.98) to promote savings and connect youth with mainstream financial products found that their “students gains were mostly independent of the youth’s race, gender, household income, and public benefits receipt” (Loke, Choi and Libby, 2015, p.97). The study found that “MyPath Savings is highly relevant to participants needs. Youth experienced significant increases in financial knowledge, financial self-efficacy, and the frequency with which positive financial behaviours were carried out. Participants also saved an average of \$507 through MyPath Savings” (Loke, Choi and Libby, 2015, p.97).

Nonetheless whether or not one acknowledges that factors other than education contribute to financial literacy one thing remains: addressing issues related to financial illiteracy needs to take precedence as the lack of savings and increasing debt amongst students is at a concerning level as the next section shows.

Savings Behaviour

In general, there is limited research in the area of savings and investments in South Africa. The literature that does exist concludes that there is poor savings behaviour with both young and old people. For instance, Jiyane and Zawada, (2013, p.47) concluded that South Africa is not saving

enough. The results of a South African survey of 424 students' which reported "63% do not have savings and investments" (Louw et al., 2013, p444) further support's this. Other (American) research points out that "3 in 4 workers do not have the knowledge or clear goals of their annual savings rate needed to retire comfortably" (Williams et al., 2011, p.245).

Therefore, it can be deduced that the decline in savings is not a local problem only, but an international one. Prinsloo (2000, p.13) cited in Kotze and Smith (2008, p.162) positively affirms that a large number of industrial countries experienced this phenomenon. What is more, Van der Walt and Prinsloo (1995, p.7) also cited in Kotze and Smith (2008, p.162) correctly explain that dissaving naturally occurs when expenditure surpasses current income. Although saving is only one aspect of managing the economic climate and that there are often other related factors beyond an individual's control (Remund, 2010, p.276). The following review indicates the results of studies showing the factors that possibly have contributed to saving or dissaving.³

Ashby et al., (2011) undertook a rare study to see if saving activities done at age 16 had linkages to saving as a 34-year-old. The study discovered that there were linkages and thus encouraged that youngsters be taught how to save early. Which concurs with Webley and Nyhus (2006) cited in Research Brief (2012, p.1) who note that there are characteristics which are shaped in childhood specifically related to saving, for example the ability to delay gratification.

However, socioeconomic variables and saving during adolescence has produced inconclusive results and more research is needed (Ashby et al., 2011, p.228). As can be seen because Webley and Nyhus (2006) cited in Ashby et al., (2011, p.228) found a correlation between family income and adolescent saving, and Otto (2009) did not. Likewise, Pritchard, Myers, and Cassidy (1989)

³ Definition of 'Dissaving' - "Spending an amount of money greater than available income. Dissaving is considered the opposite of saving, and can include tapping into money already in a savings account or accumulated elsewhere. An individual may also borrow against future income by taking out a loan or using credit cards. Dissaving can continue to the point where an individual's income, savings and available credit are all exhausted." Investopedia <http://www.investopedia.com/terms/d/dissaving.asp#ixzz3r6oMHV6u>

who too was cited from Ashby et al., (2011, p.228) found a positive relationship between parental educational level and adolescent saving, when other researchers have not identified this association. In addition, Grinstein-Weiss et al., (2015) considered the frequency in which participants attended a financial education programme to measure if there was any meaningful impact on savings outcomes. They found that when compared to those who did not finish the programme, participants who completed the requirements for financial education had higher savings on average, saved more of their income, and deposited savings more often (Grinstein et al., 2015, p. 156). In adulthood, Furnham and Argyle (1998) discovered that both income and social status have been empirically linked to adult savings (Ashby, 2011, p.229). On the other hand, some researchers have failed to find associations between income and saving at all (e.g., Wheeler-Brooks and Scanlon, 2009) or social status and saving (Lunt and Livingstone, 1991; Ashby, 2011, p.229).

Katona (1975) argues that an individual's ability to save was connected to how hopeful they were about their financial position and the future of the economy. Katona's (1975) work suggests then that people will be more likely to save when they have a negative outlook on their future financial position (Ashby, 2011, p.229). Katona's suggestion would give insight into why some researchers believe that when the economy was flourishing, personal savings in the United States fell below 0% and did not increase until 2008 at the start of the financial crisis (Suiter and Maszaros, 2005; Remund, 2010).

Although Lunt and Livingstone's (1991) findings are in line with Katona's (1975) results, Han and Sherraden (2009) reported converse findings, suggesting that individuals who believe they are managing well financially are more likely to save than those who are finding it difficult to do so (HMRC, 2007). Schor (1998) in the same vein discovered that people who thought that they were in a terrible position financially when compared to their friends, described lower expected savings (Ashby, 2011, p.229).

Debt Behaviour

It is important to view savings and debt side by side because as Kotze and Smith (2008) indicate, they are two sides of the same coin. One cannot save if they are in an influx of debt. Thus it can be deduced that debt perpetuates a lack of savings. Statistics reveal that during 2006, only 0.2% of disposable income was saved, while an average of 73% was spent to pay back debt (RSA Mof 2006, p.2). During the latter part of 2007, it was made known that 77.4% of disposable income consisted of household debt (South African Reserve Bank 2007, p.1), and as Clark (2007, p.13) notes, an average of 10.2% (as a percentage of disposable income) is spent solely on interest. This slanted distribution of income is bringing into existence considerable problems in South Africa on both the social and economic levels (Kotze and Smith, 2008, p.158).

Likewise, internationally; the revolving debt in the US reached just over \$ 800 billion in 2011 as pertaining to 50 million household's revolving debt (Finely, 2012, p.49). In another example Liebzeit et al., (2011, p.1145) note that most medical students graduate with a surplus of debt. On average the debt that the medical students leave with can range from US\$140 132 to US\$200 000. Hence, medical student debt is a serious problem in the USA.

Thus it can be deduced that there is an increased use of credit in South Africa and in the world at large. As Xiao et al., (1997, p.25) note,

College and high school students in particular previously had difficulty getting credit cards because they were considered to have poor credit worthiness. Now, they are targets of credit card companies. Many special offers are designed to attract college students to own and use credit cards. Targeting 13 million college students has been one marketing strategy to increase the number of credit cards. Marketing efforts are expected to pay off in the future because college-educated consumers are more likely to own and use credit cards.

Hence it is not alarming that Erasmus and Lebani (2008, p.211) cited a 2001 survey on credit card ownership in the US which indicated a spike in growth of credit cards since 1995. The problem

of credit card use for students has also snowballed in the last decade. In 2002 Nellie Mae, cited in Williams et al., (2011, p.247) reported that “more than 75 percent of undergraduate students have credit cards, while 43 percent of students have four or more cards”. Ludlum et al., (2012, p.25) detailed that those students with credit cards, saw an increment in their debt as follows; in 2004 the average college student had only \$946 in credit card debt. In 2007 it rose to \$3000 credit card debt, and by 2009, it reached over \$4100 (Cahill, 2007; Block, 2009; Lusardi; Mitchell and Curto, 2010; Ludlum et al., 2012). Even with store cards the results are no better as they allow for lower income populations to access credit. This is because store cards are easier to acquire than its counterparts the credit card. Erasmus and Lebani (2008, p.212) point out that with store cards a customer’s ability to afford credit is not scrutinized during the application process as with credit cards, although providing the same convenience. The above statistics, by Williams et al., (2011, p.247) observation, is an indication that even within the educational system and academic institutions of higher education credit is a battle that they are struggling to win.

As a result, many students graduate with an excess of credit card debt looming in their life, which Williams et al., (2011, p.247) estimates is up to \$7000. In addition, Bricker et al., (2014) cited in Sherraden and Grinstein-Weiss (2015, p.2) noted that more young people (under the age of 40) are heading households. A large proportion of these homes include an individual who has attended at a tertiary institution in the hopes of being able to secure a decent job after graduating. Sadly, even graduates can attest to how difficult it is in the labour market. Although the benefits of higher education are evident, those students who apply and are granted loans sooner incur a sizable debt. In 2001 student loan debt in the USA increased from 22.4% to 38.8% in 2013 according to Sherraden and Grinstein (2015, p.2), and they added that the average debt levels also nearly doubled during the same period, rising from \$ 160 900 to 429, 800. Sherraden and Grinstein (2015, p.2) further comments that the burden of student loans is heavier when one does not graduate. Williams et al., (2011, p.247) points to the fact these deplorable statistics beg the question “where exactly have we failed in educating our country in the matters of financial literacy?”

Financial Literacy – How Students obtain Knowledge

Understanding how youth of all ages develop financial literacy is critical to understanding how schools, private and public agencies, parents or the media might help improve low levels of financial literacy. Children have been said to understand economic and financial concepts and acquire information from their family, their peers, and the media, as well as in school (Research Brief, 2012, p.1). Although these “communication processes occur in several types of social settings (e.g., with peers, siblings, parents), it is the family context of interpersonal communication that is believed to have the greatest influence in consumer socialization” (Moschis, 1985, p.898). Drever et al., (2015), underscore the influence that parents have on moulding the attitudes of their children in elementary school. Noting that elementary school may be an appropriate time to introduce the correct lessons on financial literacy as learners become more brand conscious at this age. Put differently “during elementary and middle school, children start to become aware of different brands and make judgments about people based on the particular things they consume” (Drever et al., 2015, p.21). It is at this time that the lessons taught by parents will be susceptible to being grasped, and implemented throughout the child’s life. Hence the significance parents have in moulding their children’s attitudes and behaviour is invaluable. Sadly though, a recent Charles Schwab study cited in Williams et al., (2011, p.245) uncovered that “most parents felt more equipped to provide their teenage children sex education advice than insight on savings, money management, and investing”. Sherraden and Grinstein-Weiss (2015, p.5) put it plainly as they explained that at times both young people and their parents lack knowledge and are in need of professional guidance. Unfortunately, such services are costly and many households lack resources to pay for the professional advice.

Hence Allen and Miller’s (2010, p.90) initiative was an interesting one. In their research article “A community initiative to support family financial well-being” they detailed the unique design of their program Summer Special Initiative: “a United-Way-funded initiative in Tampa Bay, Florida that linked free full-day summer childcare for school-age children of lower income parents with financial literacy classes for parents”. The intent was to promote financial wellness of the families and the community by bringing together systematic plans of action that provided support

for increased income, childcare to assist adults to enter and remain in the workforce, and training to increase the financial knowledge and skills of parents (Allen and Miller, 2010, p.90).

On the other hand, Hilgert et al.,'s (2003) paper "Household Financial Management: The Connection between Knowledge and Behaviour" reveals that it is important to understand where households acquire their financial knowledge from because there is a link between knowledge and behaviour. Consumers reported in Hilgert et al.,'s (2003, p.318) survey that the leading sources of information were experience, friends, family and the media. In addition, personal experience consistently appeared to account for the reason behind high test scores. Hilgert et al., (2003, p.318) believes "this large variation may reflect, in part, the motivation of those with high index scores to seek out information and apply it to personal circumstances". For example, Hilgert et al., (2003, p.318) illustrate their point by highlighting that there is a difference between engaging with a concept in theory and personally experiencing in it, such is the case with reading about money management verses actively engaging with money.

In addition, Moschis (1985) conducted research on the role of interpersonal communication in the development of consumer behaviour of young people. Moschis (1985) concluded that parents can influence the development of consumer behaviour in their children both directly and indirectly. "Parents influence their children's consumer learning directly through several communication processes (both overt and cognitive), including overt interaction about consumption matters (e.g., purposive training), using reinforcement mechanisms (both positive and negative), and providing opportunities for the child to observe their own consumer behaviours" Moschis (1985, p.367). It has been argued that varying communication tools are called for in the transmission, from parent to child, of specific values and behaviours. In addition, these processes differ based on socio-demographic variables.

The above is reiterated in a research brief by the University of Wisconsin-Madison, which stated that extremely young children initially learn about financial ideas from observing and mimicking their parents (Otto, 2009). Webley and Nyhus (2006) suggest too that particular characteristics that

are intricately linked to savings, such as the power to delay gratification, are moulded early in childhood. Parents therefore, appear to play a significant role in this process. Webley and Nyhus (2006) found a connection between the predilections of parents, and children's economic behaviour as children and adults. Research has also found better savings behaviour to be associated with an "authoritative" (support, but structured) parenting style (Otto, 2009; Ashby et al., 2011).

Then in a rare longitudinal study, Webley et al., (2011) using evidence from an 18 year British follow up study, examined whether saving during the teenage years is connected to saving in adulthood. The results indicate that saving at age 16 is connected to saving at age 34, and that socialization experiences during adolescence, as well as individual social status and income, shape how people save in future (Webley, et al., 2011, p.227). The above relates to the definition Danes (1994, p.128) who is cited in Drever (2014, p.21) provides for financial socialization, namely the "acquiring and developing values, attitudes, standards, norms, knowledge, and behaviours" that solidifies one's financial practices. As Danes (1994) emphasizes, financial socialization is not merely learning how to manage financial transactions successfully; rather, it involves the growth of attitudes, values, and standards that will ultimately either support, or become an obstacle to, financial capability and well-being.

In the third study drawing from Webley and Nyhus (2012) here, they carried out two studies, the one more relevant here is a sample of 548 adolescents, 256 mothers, and 227 fathers. Webley and Nyhus's (2012, p.2) study identified four forms of economic socialization, namely: pocket money, chores in the home, working for others and parental encouragement and advise. Webley and Nyhus (2012, p.2) found that those who received positive reinforcement from parents like being taught budgeting and encouraged to save displayed optimistic financial orientations such as the ability to delay gratification, saved more and were more conscientious of the future. Likewise, Van Campenhout (2015), in "Revaluing the Role of Parents as Financial Socialization Agents in Youth Financial Literacy Programs," examines the parental role in helping youth develop financial capability. He recommends that financial literacy programs for youth integrate parents as vitally important support agents in the process.

Conclusion

This chapter has revealed the scholarship on financial literacy. We see from the above insight that first year students and university students in general do not have adequate financial literacy, what is more there have been attempts by interested institutions and organisations including educational institutions and government organisations to address this lack of knowledge. However, what then becomes pertinent with the introduction of programmes is ensuring that they lead to both knowledge increase and behavioural change. The scholarship has shown that in order to achieve this it would be beneficial to look at the factors that affect financial literacy because savings levels are low and debt is high. Further to this the above literature illustrates that students get their financial literacy from an array of sources, such as the media, peers, school, but most noteworthy at home. It is also clear that scholarship about financial literacy seems to be saturated in an American context. My current research adds to the body of literature by exploring the financial literacy of first year students. This is significant since financial literacy of students has not received much attention in South Africa and my research will give insight into the elements discussed in this chapter.

-Chapter Three- **Theoretical Framework**

Introduction

The study worked within two theoretical frameworks; the socio-cultural theory and the life cycle theory. The former allowed for a more nuanced view of the potential factors that contribute to financial literacy levels and behaviours of first year students at UKZN (Forte, 2012). This theory advocates that research should look at the social and cultural influencers in an individual's life when attempting to determine correlations between two pieces which are "financial literacy" and "saving and debt behaviour" in this research. Socio-cultural theory allows for this research to fully explore the savings and debt behaviour of first year students, by understanding the context in which the students learn about financial literacy. The aforementioned point relates to Sherradens (2009) call for a look into matters of access when discussing financial literacy. This extends to identifying who students learn their financial behaviour from. Life cycle theory, on the other hand, allows for the interpretation of findings related to why the saving and debt behaviour of university students is the way it is. The following chapter is an account of both perspectives and how it relates to this study.

Socio-Cultural Perspective

Sociocultural theory was deemed relevant to this research because as pointed out by Vygotsky (1978), it can explain a myriad of influencers into the effectiveness or lack of, of financial literacy programs based in the classroom. Lev Semyonovich Vygotsky is the central figure associated with the sociocultural theory, he was born in Russia in 1896 and has been labeled the "Mozart of psychology", although he never formally trained as a psychologist his experience and later works afforded him this title (Gallagher, 1999; The Sociocultural Approach – Vygotsky's Theory, 2012; Vygotsky's Sociocultural Theory, 2015).

The pillars of Vygotsky's theory according to Sociocultural Theory (2013) are intrapersonal and interpersonal relationships, zone of developmental proximity and scaffolding. Intrapersonal refers to the individual and all that occurs internally within that person. Interpersonal deals more with groups, and the dynamics of the interaction between many individuals (Sociocultural Theory, 2013). Vygotsky put forward the sociocultural theory by focusing on the process involved with development. His argument was that all individuals have the potential to learn given the correct assistance. In line with this John-Steiner and Mahn (1996, p.191), argue that "An overarching focus is the interdependence of social and individual processes in the co-construction of knowledge". Vygotsky illustrated his point by coining the term "zone of developmental proximity" (ZDP) which describes the potential an individual has to learn a concept they do not know with the guidance of someone who has already mastered that particular area (John-Steiner, 1996; Gallagher, 1999; Sociocultural Theory, 2013; The Sociocultural Approach – Vygotsky's Theory, 2012). The person who already has mastered that particular area is described as the "more knowledgeable other" (MKO) in Vygotsky's Sociocultural Theory (2015) audio visual presentation. Vygotsky's Sociocultural Theory (2015) adds that anything outside the ZDP involves a task(s) that are too difficult for an individual and may result in frustration and feelings of failure. Vygotsky held that anyone could be a MKO, even a child, e.g. when a child teaches their parent how to play a game. Scaffolding then becomes the term assigned to define the process of the MKO departing knowledge to the individual who currently would be in need of development in that particular area. As with scaffolding in construction, scaffolding in the learning process is when the MKO acts as support for the individual in need until such a time, that individual can become independent, and then applies the concepts taught by themselves (Vygotsky's Sociocultural Theory, 2015).

Attention has landed on Vygotsky's socio-cultural theory because of the implications it presents for learners particularly in the classroom (The Sociocultural Approach – Vygotsky's Theory, 2012). For example, western perceptions of intellect have popularized the notion that one is either born with a higher ability or they are not, and therefore those who were born in the unfortunate group should not attempt challenging subjects such as mathematics and physical science (The Sociocultural Approach – Vygotsky's Theory, 2012). On the other hand, Chinese culture holds performance in high regard, and thus it is in the fabric of their society that learners, in general spend more time practicing the skill of mathematics and physical science than in other parts of the

world (The Sociocultural Approach – Vygotsky’s Theory, 2012). Hence, it has been argued that Chinese people are stereotypically good at mathematics and physical science (The Sociocultural Approach – Vygotsky’s Theory, 2012).

Analyzing this phenomenon through a sociocultural lens confirms that learning happens because we interact with the environment, put differently Vygotsky (cited in Lev V[y]gotsky, Learning Theories, ZPD (2013) audio visual presentation) states, “...we do not learn because we have developed, rather we develop because we have learned [from our environment]”. As a result of this epistemological approach this research used the socio-cultural theory to explain the differences in the financial literacy levels in first year students at Howard College, UKZN by revealing the experiences of the participants. Doing this assisted in explaining each participant’s savings and debt behaviour, as the socio-cultural theoretical framework guides the study to embrace the necessity to understand the more knowledgeable other’s in the lives of the students (teachers, lectures, friends, family etc). Using socio-cultural theory to analyse the data, allows for an intricate examination into participant’s backgrounds, and immediate social and cultural milieu to explain results. This insight allows for a more contextualized and holistic indicator of why some students have positive financial literacy and others do not.

Since socio-cultural theory seeks deeper insight into the realities of students the theory encouraged this research to begin with the personal associations that each student has with money and related financial matters during analysis. Tisdell et al., (no date, p.704) (cited Hays, 2001, p.5) model for analysing the multiplicity of dimensions that inform people’s lives, namely “The ADDRESSING framework (age, disabilities, religion/spiritual, ethnicity, socioeconomic status, sexual orientation, indigenous heritage, national origin, and gender)” offer a starting point where one can begin to systematically debunk the potential cultural influencers. This framework informed the analysis of the data collected by initially identifying learner’s differences for a more impactful analysis of the financial literacy of first year students and their savings and debt behaviour (Vygotsky’s Sociocultural Theory, 2015).

An example of this kind of socio-cultural theory application can be seen in Sealey-Ruiz's (2007) work which emphasized the enhanced learning experiences of students through embracing the "cultural characteristics" of students "race, social status, and linguistic abilities" (Forte, 2012, p.218). Sprow (2010) elucidates on Sealey-Ruiz's (2007) study which captured the responses of 15 African American women who were taught using a culturally relevant curriculum. The leading benefit of learning within a culturally inclusive environment according to Sprow (2010) who cites Sealey-Ruiz (2007), was the sense of empowerment it gave the learners. Put differently, because the learners were allowed to share their personal stories, a sense of common identity was forged. More significantly, since learners were able to discuss their realities through their perspective, they were able to "deconstruct the stereotypes they and others hold for them" (Sprow, 2010, p.86). In addition, focusing on the student's life stories enables students to relate to the curriculum content better, and thus the learners felt empowered because they could represent themselves as they saw themselves and this also gave them a stronger ability to assimilate what was being taught. Sealey-Ruiz (2007) closing comments provide readers with practical application techniques for educators which are rooted in the findings of her research. Namely, coursework ought to reflect the lives of learners, and opportunities for learners to discuss their culture should be afforded where possible (Sprow, 2010).

In the same way Perry's (2012) research for example, concerned itself with comprehending the way people interact with financial practice on a daily basis. Perry (2012) argues that in doing so, financial literacy programs became richer in meaning since students felt them to be relevant because their experiences were incorporated. A secondary benefit of approaching teaching in this way, was that the achievement gap was decreased for students who understood and experienced financial literacy in ways different to the status quo. In many ways this also is in alignment with Sherraden's (2010) emphasis on the degree of access that students have to financial resources, this approach is but a small attempt to bridge that gap.

However, challenges to non-conventional forms to teaching a cultural curriculum, coupled with the need for additional resources and time allocation can exert further pressure to teacher's existing

demands. “Most educators are unwilling or unable to make the sacrifice of time and effort to implement this type of learning in to the curriculum” (Peer and McClendon, 2002, p.6).

In all, applied to financial education, the socio-cultural theory perspective can have a significant impact on understanding the worlds in which the learners live, as well as contributing a more complete understanding of their needs, desires, and goals. In addition, socio-cultural theory offers a new perspective on the ways in which learners make meaning of their financial experiences in and out of the class room (Forte, 2012, p.218). These and other outlooks within the socio cultural landscape can help assess financial literacy programs with a more critical eye. The value of this research can thus be utilized in laying the foundation for potential programs within the school system.

Life-Cycle Perspective

The most commonly used theory in the personal finance profession, however, is the life cycle theory of consumption (Modigliani 1963; Modigliani and Brumberg 1954, 1980). Life-cycle theory made its first appearance in two papers that Franco Modigliani together with a graduate student, Richard Brumberg initially wrote in 1954 and readdressed again in 1980 (Deaton, 2005). At the onset, the theory was not afforded much attention, but has since been heavily utilized within the economics and psychology disciplines. The premise of the life cycle theory is that individuals are rational beings that attempt to smooth consumption⁴ over their life time, by saving and consuming at certain periods (Feldstein, 1976; Hanna, Fan, Chang, 1995; Crown, 2002; Ziemek, 2002; Bodie, 2003; Pistaferri, 2009; Clark, Morrill and Allen, 2012; Karlson, 2013; Heckman and Hanna, 2015).

Modigliani and Brumberg (1954, 1980) identified three phases in one’s life and postulated justifications for the observable behaviour during each stage. Stages that can be labeled as young,

⁴ Consumption smoothing can be defined as the ways in which people try to optimize their lifetime standard of living by ensuring a proper balance of spending and saving during the different phases of their life (<http://www.investopedia.com/terms/c/consumption-smoothing.asp#ixzz4SRWv136O>).

middle aged, and older for the purposes of this research (William, 2002). Modigliani and Brumberg (1954, 1980) argued that whilst one is “young”, which is where the participants of this research fall under, consumption is greater than income. When an individual becomes “middle aged” and assumedly begins generating an income, they will, a) pay back any debt accumulated during youth, and b) begin to save for when they will become “older”, when income is believed to once again be less than consumption. All of which occurs because individuals wish to consume at a stable rate throughout their life time, hence Heckman and Hanna (2015, p.189) argue that “households are [thus] expected to borrow when income is low in the early life cycle stages, save during accumulation years when income is high, and dissave in later years (i.e. retirement)”.

Milton Friedman’s permanent income hypothesis is a version of the life-cycle theory (Ziemek, 2002) which is also known as the life-cycle hypothesis within the literature. To juxtapose the two; both theories predict that individuals make consumption and savings decisions based on their life expectancy and expected lifetime income. Both founding fathers were recipients of the Nobel Prize; Friedman in 1976 for his work on the money theory and analysis on consumption behaviour, and Modigliani in 1985 for his work on the life-cycle hypothesis (Schenk, no date). Indeed, the two theories are often treated as one theoretical framework because of their common features, see Pistaferri (2009, p.36) who refers to the “Life Cycle-Permanent Income Hypothesis (LC-PIH) of consumption” or Seater (1998, p.401) who opts for the “Permanent-Income/Life-Cycle Hypothesis (PILCH).

The core idea of the permanent income hypothesis is that individuals base their consumption on what they believe to be the average income they will receive over their lifetime (Seater 1998; Ziemek, 2002; Pistaferri, 2009; Schenk, no date). In the same way as with the life cycle hypothesis, individuals are understood to stabilize income and presumably consumption too, by saving when income is high and dissaving when income is low. Schenk (no date) argues that it thus follows that a medical student should consume more than a humanities student, since a medical student can unsurprisingly estimate to earn more in the future, and therefore be in a position to repay a higher debt. By doing this as Schenk (no date, p.1) indicates, one would be “attempt[ing] to maintain a fairly constant standard of living even though their incomes may vary considerably from month to

month or from year to year.” According to Friedman’s permanent income theory, income fluctuations that are perceived to be temporary do not have an effect on consumption spending (Schenk, no date). Further to this, it is worth noting that the permanent income model excludes the concept of transitional income, which can be described as once off or “short lived” (Zoe, no date, p.1) income, such as an inheritance or if one is in-between an otherwise stable occupation. Transitional income can be either positive or negative, for example in South Africa since there is a general drought problem, farmers may temporarily be experiencing a period of less profitability. Although, the opposite can occur should the weather suddenly turn in their favour. The foremost dissimilarity between the LCH and PIH according to Pistaferri (2009, p.36) is the models stance on planning horizons. The LCH argues that one attempts to smooth consumption until death (it is finite), whilst the PIH, argues individuals plan beyond the grave-intergenerational (infinitely) Pistaferri (2009). Since death is inevitable the infinite notion of the PIH refers to the desire to leave an inheritance for loved ones.

Traditional life-cycle theory, with budget constraints lends considerable insight into why students are generally reported not to save. According to the theory, households are rational agents who form expectations about their future income and wealth (Feldstein, 1976; Hanna, Fan, Chang, 1995; Crown, 2002; Ziemek, 2002; Bodie, 2003; Pistaferri, 2009; Clark, Morrill and Allen, 2012; Karlson, 2013; Heckman and Hanna, 2015). Within this framework it is feasible that students should not be making an income, since they are acquiring an education. It has been argued that the rational assumption within the life cycle theory is that once students graduate they will repay any debt that they have accumulated over their education journey, and then start saving for retirement (Feldstein, 1976; Hanna, Fan, Chang, 1995; Crown, 2002; Ziemek, 2002; Bodie, 2003; Pistaferri, 2009; Clark, Morrill and Allen, 2012; Karlson, 2013; Heckman and Hanna, 2015). It is the above perception that aligns this research with the life cycle theory so well. Since the purpose of this research is to explore the financial literacy factors that contribute to positive savings and debt behaviour in first year university students. Understanding that according to the life-cycle theory students who are not saving is normal, and hence the kind of behaviour this research is looking to explain is an anomaly, directs this research to examine societal concern should students not be saving.

Karlson (2013) cautions that taking numerous dynamics of this generations realities into account complicates an otherwise simple acceptance of poor student financial behaviour as explained by the life cycle theory. Clark, Morrill and Allen (2012, p.314) echo Karlson's (2013) concern, arguing that there are some outdated assumptions that the life cycle theory presumes about individuals who now live in a different world to the one that Modigliani and Brumberg (1954, 1980) lived in when they designed the life cycle theory. Clark et al., (2012) observed that the life cycle theory functions on the basis that participants are rational consumers, guided by informed and calculated decisions for example. However, as was previously discussed within the literature review, there are numerous authors (Chen, Volpes and Pavelicko, 1996; Beal and Delpachitra, 2003; Akben-Selcuk and Altiok-Yilmaz, 2014; Lorence et al., 2014) who conclude that student financial literacy is inadequate, therefore the assumption is that students are aware of "investment options, understand the benefits they will receive from various ... plans, and have the ability to assess the impact of their saving decisions on both the accumulation and deaccumulation of wealth" (Clark, Morrill and Allen, 2012, p. 314) is flawed. To further aggravate the situation conspicuous consumption⁵ has ushered in an environment in which credit cards and other forms of debt thrive with the youth. As a result, the debt considered by Modigliani and Brumberg (1954, 1980) is not tantamount to current reality, and neither is the life cycle theories projected debt repayment and saving rate. Even in cases where debt is not being incurred for negative purposes, student fees increase annually at a staggering rate, graduates are unemployed, the economy is not stable, and people are purchasing on credit more (Karlson, 2013). What is more, students are overestimating their future salaries and therefore are not smoothing consumption over their lifetime (Karlson, 2013).

Conclusion

In conclusion, both the theories, i.e. Life Cycle and Socio Cultural theory that are employed in this research are necessary because this study examines financial literacy not in isolation but within the context in which people live and learn. The importance of the study is that it also identifies the

⁵Merriam Webster dictionary defines conspicuous consumption as "Lavish or wasteful spending thought to enhance social prestige" [Accessed 11 August 2016 via <http://www.merriam-webster.com/dictionary/conspicuous%20consumption>]

students with good financial literacy, debt and saving behaviour. This profiling can be used in the process in future research aimed at developing targeted training. The value of the study is that it raises awareness amongst students, thus makes them conscious of their level of financial literacy and the need for good debt and saving behaviour. This awareness is imperative in the much needed process to socialize financially literate South African adults. The chapter that follows will discuss the methodology employed in this study and the methods of data collection used.

-Chapter Four-

Methodology

Introduction

The following chapter presents the logic for each decision that shaped my research methodology. I have taken care as Kumar (2012, p.94) cautioned to support critically my rationale and justifications from the literature reviewed, thus ensuring that the research path I have chosen has yielded valid and reliable results.

It is because research “takes place over an extended period of time, that it is unthinkable to embark on such an exercise without a clear plan or design, a sort of blueprint” (Bless et al., 2013, p.130). Kumar (2012), Bless et al., (2013) and Creswell (2014) identify this “blueprint” as the research design, and according to these authors it covers sample selection, data collection, analysis and interpretation, and anything else related to the project. Creswell (2014, p.3) further states that research design “involves several decisions, and they need not be taken in the order in which they make sense ...and the order of their presentation”

In designing my research three areas identified by Babbie (2013) assisted my final decisions, namely: my research philosophy, my ontological perspective, and the available resources at my disposal. In addition, many of the final decisions associated with my research were influenced by my topic of choice. For example, there were many ways that I could have approached the task at hand, but research design is the process of focusing ones angle for the purpose of a particular study (Babbie, 2013, Creswell, 2014). It is the research topic then that influences the direction of the research approach.

Therefore, as Kumar (2012, p.94) suggested, the following chapter provides a discussion on the decisions regarding what study approach was used to explore the financial literacy of first year students at UKZN, Howard College, how the data was collected from the respondents, how

respondents were selected, how the information collected was analysed and finally, how the findings were communicated. This will be explored in greater detail in the paragraphs that follow.

Epistemological and Ontological Perspective

Despite philosophical ideas not being overt within research, Slife and Williams (1995) cited in Creswell (2014), maintain that such ideas are influential and a researcher needs to make their beliefs known. Creswell (2014, p.6) argues that these “philosophical orientations” are to account for the manner in which a researcher sees the world and how they tackle their research. He proposes that philosophical ideas are shaped by “discipline orientations”, “student’s supervisor’s inclinations”, and “past experiences” (Creswell, 2014, p.6). These contributions guide and explain why a researcher adopts, qualitative, quantitative or mixed methods approach in research, which in turn combined with the aim of a study, determines the structural aspects of a study. Crotty (1998) cited in Gray (2014, p.19) suggests that “an interrelationship exists between the theoretical stance adopted by the researcher, the methodology and methods used, and the researcher’s view of the epistemology...”

Epistemology is the theory about what constitutes as knowledge, and ontology is the study of what constitutes as reality (Gray, 2014; Mouton, 2014; Raddon, no date). Raddon (no date, p.4) describes this further stating that we should consider “epistemology and ontology as our theory of knowledge and view of reality, underpinning our theoretical perspective and methodology”. If for example, a researcher is more inclined to numbers and determines at the onset of their research that they will use a questionnaire to gather information, whether they know it or not, they are using a quantitative method, which is usually associated with a positivist theoretical stance and an objectivist epistemological and ontological outlook.

Therefore, it would have been valuable if the researcher had spent some time early in the process considering their philosophical beliefs if only after completing their research do they discover that their philosophy is incompatible to the approach that they used in their research. For example, if the researcher’s beliefs are predominantly drawn towards explaining human behaviour, but they

adopt a quantitative approach because they also have a knack for numbers and then discover at the end of their research that they cannot achieve their objective of explaining people with a quantitative – questionnaire approach. As Easterby-Smith et al., (2002) cited in Gray (2014, p.19) explain, an epistemological perspective at the outset, assists the research process in two ways:

First, it can help to clarify issues of research design. This means more than just the design of research tools. It means the overarching structure of the research including the kind of evidence that is being gathered, from where and how it is going to be interpreted. Secondly, knowledge of research philosophy will help the researcher to recognize which designs will work (for a given set of objectives) and which will not.

Raddon (no date) notes that knowledge and reality are subjective, that there is no way of being certain about phenomenon as they are culturally and historically negotiated hence constructivism is well matched with explaining humans. Constructivism epistemology holds that “meaning is constructed not discovered, so subjects construct their own meaning, in different ways, even in relation to the same phenomenon. Hence, multiple, contradictory but equally valid accounts of the world can exist” (Gray, 2014, p.19).

Interpretivism is a theoretical perspective linked to constructivism (Creswell, 2014). Interpretivism is inductive; it builds theory whereas objectivism epistemology and positivist theoretical perspective test theory (Creswell, 2014). In this way interpretivism is post-positivism, which is the age after positivism, acknowledging that we cannot be scientifically sure about our acclamations about human behaviour as was previously done (Creswell, 2014). “The post-positivist tradition comes from 19th-century writers, such as Comte, Mill, Durkheim, Newton, and Locke (Smith, 1983) and more recently from writers such as Phillips and Burbules (2000)” (Creswell, 2014, p.7).

Since my research aimed to explore the financial literacy of first year university students, an understanding of possibilities and individual truth was deemed more important than explaining perceived facts. This research then is guided by the interpretivist paradigm, as I intended to discover the personal interpretations each participant had of their financial literacy experiences.

Therefore, my philosophical orientation directed the methodological approach of this study, which is qualitative in nature. Qualitative research allows the researcher to employ a variety of methods and techniques in order to convey the experiences of the participants. The remainder of this chapter will provide a more detailed discussion of the research design employed in this study.

Qualitative Research

The qualitative design was used in this study to examine how students make meaning of their finances and to gain information about their behaviour and motivations regarding their financial spending and saving habits. “The main focus in qualitative research is to understand, explain, explore, discover and clarify situations, feelings, perceptions, attitudes, values, beliefs and experiences of a group of people” (Kumar, 2012, p.104). Terre Blanche, Durheim and Painter (2006) cited in Rule and John (2011, p.60) point out that qualitative researchers want to make sense of the aforementioned as they occur in the real world, and thus often study them in their natural settings.

Seeking individual interpretations of participant’s realities as opposed to a definitive fact about truth is the basis of the epistemological chasm between positive and post-positivism discussions (Gray, 2014; Mouton, 2014; Raddon, no date). This is why my study followed the post-positivist, qualitative approach, particularly because qualitative studies are not interested in the generalizability of their findings, but rather the desire is to get a proper understanding case by case. In qualitative research the researcher is not looking to take their findings and be able to apply their outcomes to large populations, if the findings hold true for only a small handful of people it is adequate. If research has a preoccupation with generalizability it is described as “nomothetic research” (Gray, 2014, p.192), and if research rather resolves to find contextual-in-depth-singular outcomes it is said to be “ideographic” (Gray, 2014, p.192). An association of the former “is the care often taken to select representative samples for the research and the attempt to generalize to wider populations” (Gray, 2014, p.192).

Therefore, a qualitative research approach was deemed relevant for the purpose of this study because as Yin (1994, p.14) cited in Williams et al., (2011, p.253) mentions it “provides an avenue to capitalize on the strengths of using the direct voices of study participants and provides a path for detailed observation of the natural settings by the participants to avoid prior commitment to any theoretical model”. Simply put this means that since the participants in this study are afforded the opportunity to have their voices heard, and my personal inevitable prejudices are reduced. In this way as Daview (2007, p.140) notes, qualitative research explores respondent’s feelings and experiences in ways that supersede the rigidity of traditional categories such as age, gender or ethnicity that are tallied as with quantitative research.

According to Babbie (2013, p.26) numerical data as opposed to non-numerical data is essentially the distinction between qualitative and quantitative data in social research. Babbie (2013, p.26) presents an analogy that resembles the following; when we say someone is fat we are making a qualitative proclamation about them. An equivalent assertion about someone more fortunately favoured would be that he or she is “slender”. When dieticians and others measure weight by a scale, they are attempting to quantify such qualitative assessments. For example, the dietician might say that a person is 15kgs overweight for their 1.5m frame.

Numeracy has long enjoyed the benefits of being linked to accuracy, science, fact, value and wealth. Words on the other hand have associations such as “actions speak louder than words” making their reputation far less trustworthy. Also at the center of this contestation is the evidence-based research movement debate, where qualitative researchers have to defend their value. One of the evidence based movements arguments for example is that policymaking should “assume...a conception of research methodology that is broadly positivist in character” (Hammersley, 2004, p.86), namely quantitative randomized control trials⁶ (Hammersley, 2004; Denzin, 2014). Denzin (2014) however opposes the evidence based movement and calls on qualitative researchers to

⁶ A randomized controls trial “... is a study in which participants are assigned to a study group. Study groups are also called study arms or treatment conditions. In a randomized controlled trial, participants are assigned to treatment conditions at random (i.e., they have an equal probability of being assigned to any group). Procedures are controlled to ensure that all participants in all study groups are treated the same except for the factor that is unique to their group. The unique factor is the type of intervention they receive.” http://www.ebbp.org/course_outlines/randomized_controlled_trials/ (Accessed 23 February 2016)

reject the cause. Authors such as Denzin (2014) and more specifically Hammersley (2004) highlight the vital subtleties that could be lost by excluding qualitative research in policymaking “including personal experience...and the role of judgment in decision making” (Hammersley, 2004, p.86).

Perhaps it is because qualitative research is evolving and not completely fixed or duplicable that authorities shy from it. However, I argue that these estimations are wanting at best mainly because qualitative research is able to produce theory which form the foundation of policy. Gray, (2014, p.192) elaborates; “quantitative studies usually commence deductively with a theory which will subsequently be tested through the process of research, while qualitative approaches inductively build theory. Hence, quantitative research seeks to verify theory, while qualitative research seeks to establish it”.

Irrespective of qualitative research’s reputation amongst the evidence based movement, this research approach was deemed fitting for my research as qualitative methods used to collect data, are very “flexible and emergent in nature, and are often non-linear and non-sequential in their operationalization” (Kumar, 2012, p.104). Therefore, a qualitative research approach allowed for the participant’s story to unfold. The data gathered in this way is inductive (builds theory), as opposed to quantitative research which is deductive (tests theory) “information that is gathered demand that study designs are more structured, rigid, fixed and predetermined in their use to ensure accuracy in measurement and classification” (Kumar, 2012, p.104). Through this inductive approach the research sought descriptive participant feedback (Williams et al., 2011). This study design further entails the selection of a targeted group of participants, drawing on an open frame of inquiry, the approach is thus flexible because the method used is cyclic and allows for the findings to evolve (Kumar, 2012). This is why the qualitative strategy also provided a unique opportunity for the study of specifically first year students in their world of practice, with an emphasis on the meaning and understanding of their experiences (Williams et al., 2011).

In this research qualitative methodology, using a case study method, was employed, allowing for data to be collected from the students to gain information about their interaction with one another

and with the world around them, which influences their behaviour and motivations related to their financial literacy (Sprow-Forte, 2012).

Case Study

Case studies are the most popularly selected research approach by master's and doctoral students in South Africa according to Balfour et al., (2009) cited in Rule and John (2011, p.1). Rule and John (2011, p.1) note that these findings are based on research conducted at the University of KwaZulu-Natal. A case study strategy is an in-depth examination of a single instance of a phenomenon, a detailed examination of one setting, or one single subject, or one single depository of documents, or one particular event for either descriptive or hypothesis-testing purposes (Bogden and Biklen, 1982; Whitely, 2002; Rule and John, 2011). A case study approach in this study allowed for interaction that was extensive and took into account multiple perspectives that helped in understanding the factors that influenced the participant's financial literacy, using the particular case of first year students at Howard College, UKZN. This strategy enabled me to attain my aforementioned research purpose, as it allowed my participants to describe their experiences in-depth and address the research questions and issues (Tellis, 1997). This descriptive nature also allowed for an extensive investigation to unfold (Babbie and Mouton, 2004).

Sample

A procedure known as purposive sampling was used to select the interviewees. Purposive sampling “simply looks for people who can help build the substantive theory further – people who, according to the researcher's knowledge of the subject, fit the criteria of desirable participants” (Henning, 2004, p.71). This method of selecting participants is the opposite of random sampling in positivist research where the sample is not influenced by researcher choice. Random sampling allows researchers to make generalizable claims from the sample to the entire population which the sample represents. A case study researcher, in contrast to this, is not so much interested in representativeness of the sample but rather in its ability to produce data which allows for an in-depth record of the case (Rule and John, 2011, p.64). The purposive sampling design enabled me

to hand-pick the subjects on the basis of specific characteristics (Black, 1999). This design therefore allowed me to choose whom I thought holds relevant to my research and it provided additional information through open-ended questions that produced answers that were not predictable but contextually relevant.

In this case, I specifically targeted first year students. Much of the literature speaks of starting with financial literacy early (Boshara and Emmons, 2015; Schmeiser, 2015; Sherraden and Grinstein-Weiss, 2015) hence the decision to study first year students, which are the newest entrants into the university system. “Although most financial decisions are made by adults, there is a burgeoning interest in providing financial education to children in the hope that they will develop the skills needed to successfully manage their finances in adulthood” (Batty, Collins and Odders-White, 2015, p.69).

In addition, first year students are significantly pertinent to study as they will be entering into what Loke et al., (2015) terms a “teachable moment”. Many first year students will be away from home for the first time, as a result “they often begin to take on their first real financial responsibilities” (Drever et al., 2015, p.26). Some may take on student loans, open store cards, get credit cards, sign leases or become employed for the first time during this transitional phase in their lives (Boshara and Emmons, 2015, p.272; Drever et al., 2015, p.26; Sherraden and Grinstein-Weiss, 2015, p.2). Organisation for Economic Co-operation and Development (OECD) Secretary-General Angel Gurría, emphasized that upskilling financial literacy capabilities was imperative as individuals were rapidly becoming financially accountable at an ever earlier age for financial risks that would affect their future (Research, 2014, p.12). The burden is even heavier for youth who incur education debt but do not graduate (Sherraden and Grinstein-Weiss, 2015, p.2).

While ideally I would have preferred my sample size to be larger, considering the time restrictions of completing a Masters Dissertation within a limited period, my sample size incorporated 20 respondents registered for degrees in the College of Humanities. I sourced the sample in two ways. First by placing a notice on the University innerweb informing, Humanities students of the nature of the study and requesting participation. Secondly I approached academics that teach on first year

modules and requested permission to speak to students at the end of a class to ascertain if any students would be interested in participating in my research. Taking the chosen mechanisms into consideration, the study was specifically looking at first year students studying within the College of Humanities as these students are based at Howard College, UKZN. Specific care was taken to select a diverse pool of respondents in terms of race and gender because, the socio-cultural theory guides that all factors should be considered when assessing the financial literacy of the participants and these two could possibly be influential elements especially considering South Africa's history. Below is a table which shows the characteristics of the participants.

Name	Enrolled Qualification	Race	Gender
Buyi	Social Work	African	Female
Nqobile	Bachelor of Social Science - Geography and Environmental Management	African	Female
Thuthukile	Law - LLB	African	Female
Zikhona	BA - PPL - Philosophy, Politics and Legally studies	African	Female
Nhlanhla	Bachelor of Social Science - Psychology and Anthropology	African	Male
Philani	Bachelor of Business Administration	African	Male
Sandile	Architecture	African	Male
Siya	Bachelor of Social Science - Geography and Environmental Management	African	Male
Taiwo	Psychology	African	Male
Laura	LLB Degree	Coloured	Female
Tarren	Law	Coloured	Female
Keegan	Law -LLB	Coloured	Male
Dhirekha	Majoring in Psychology and Sociology	Indian	Female
Rabia	Majoring in Criminology and Political Science	Indian	Female
Niren	Chemistry and Environmental Studies	Indian	Male
Ruene	Law	Indian	Male
Shaunolen	Psychology	Indian	Male
Elizabeth	Law	White	Female
Kelly	Bachelor of Arts	White	Female
Ashley	Property Development	White	Female

The selected interviewees were asked if they were willing to participate in the interview. After obtaining their consent, a letter or e-mail explaining the purpose of the interview and confirming

the date, time and venue was sent to them. This letter also assured the participants of the confidentiality of the process and adherence to ethical principles of research.

Data Collection

Case study researchers employ a variety of data collection methods and usually use multiple methods in a single study. The choice of data collection methods is determined more by factors such as the purpose of the study, the key research questions, research ethics and resource constraints rather than by factors inherent to case study research as a form of enquiry (Rule and John, 2011, p. 61). Interviews have long been the most popular method in qualitative research (Seidman, 1998; Cohen, Manion & Morrison, 2000; Henning et al., 2004) and often used in case studies (Basse, 1999) (Rule and John, 2011, p.64).

Qualitative interviews, which are either unstructured or semi-structured, are used often as a data collection tool, especially if the researcher is attempting to introduce a relatively new topic to a sample. As De Vos, Strydom, Fouché and Delpont (2005) note, unstructured interviews are conducted without utilizing any previous information, experience or opinions that the researcher may have in a specific area, while the semi-structured interview is developed around particular areas of interest in order to obtain an elaborate understanding of a participant's beliefs about, or perceptions of, a particular field of study. For the purposes of this study, the semi structured one-on-one interview was used to gain a fuller picture of the financial literacy levels as perceived by the interviewees to explore who it affected and their savings and debt behaviour. This approach accurately fits the purpose of my study as it allowed me to study my participants in their natural setting whilst trying to make sense of the human/social phenomenon through the meanings they attached to the topic (Merton, 1998).

In addition, a semi-structured interview is an open interview that allows the participant to speak for him/herself rather than to provide a battery of the researchers own predetermined questions (Babbied and Mouton, 2004). A semi-structured interview is made up of a set of pre-determined questions which begin the discussion, and is thereafter followed by questions which develop from

the discussion itself. This manner of interviewing makes possible flexibility during data collection and allows for the interviewer to engage in discussion arising out of the interview (Rule and John, 2011, p.65). The open-ended nature of this technique allowed me to gain the answers for the key objectives of my study and to answer the research question that forms the basis of this study. Further the use of open-ended questions created a ground for my participants to explain what they really mean and it provided valuable insights into what and how these respondents interpreted their world (Cozby, 2004). Allowing the interviewees to talk at length with me rather than merely responding to a series of pre-planned questions suggests that the material obtained was in some way closer to the reality of the interviewee's life (Davies, 2007, p.140).

Instrument

I developed a set of field questions to guide my interviews. This instrument is referred to as an interview schedule (Rule and John, 2011, p.64). Given that case studies attempt to reveal the uniqueness and intricacies of the case, a certain degree of flexibility is required. Rule and Johns (2011) recommendations were applied, namely that the interview scheduled made up of questions, developed from the key research questions, were formulated to begin the discussion. I then followed up on important areas of enquiry by adding questions during the interview which allowed for new insights to emerge, deeper probing to ensue and thus resulting in clarification where needed (Rule and John, 2011, p. 65).

Data Analysis Procedures

My interpretation of the data, once collected, was achieved through data analysis, a highly creative and intellectual process where I worked through the data to find patterns of meaning (Rule and John, 2011p.75). The interviews were recorded, and the transcripts analysed and interpreted (Gouws and Shuttleworth, 2009, p.148). As suggested by Rule and John (2011, p.76/77) I utilized large margins and enlarged spacing to analyse the data by printing the transcript in this way. Then highlighters and coloured pens assisted me a great deal with coding the data because I used them to jot down any thoughts or revelations from the data.

The data was then coded by themes. According to Arson (1994), thematic analysis pays attention to identifiable themes and patterns of data. The data collected was classified into patterns such as conversation topics, meanings and feelings of my participants (Arson, 1994) hence thematic analysis therefore portrays the thematic content of interview transcripts by identifying common themes and patterns in the texts provided for analysis (Anderson, 2007).

Campbell (1975) describes “pattern-matching” as a useful technique for linking data to the theory and objectives. He also asserts that pattern-matching is a situation where several pieces of information from the same case may be related to some theoretical proposition. Hence thematic analysis was used to analyse the data gained from the research. A common mistake in qualitative data analysis is to behave as though one has done a survey; being tempted to describe and ‘add up’ what different respondents have said in the course of their conversations with a researcher. This means the researcher risks missing the opportunity of delivering interpretative findings “in the round” – exploring, for example, what you have learnt about your respondents’ interactions with their social situation (Brett Davies, 2007, p.188). Therefore, I probed beyond the one word/ one sentence responses and I also tried to avoid all references to numbers (including phrases like “A majority said...”; instead my data was used reflectively and in narrative format – allowing the reader to get a sense of the nature and meaning of the responses offered (Brett Davies, 2007, p.189).

The data obtained during the semi-structured interviews with participants was analysed according to specifications proposed by Anderson (2007) and Marshall and Rossman (1995). “Data analysis and interpretation constitute a critical stage in the research process which allows a researcher to construct thick descriptions, to identify themes, to generate explanations of thought and action evident in the case, and to theorize the case” (Rule and John, 2011, p.75). I have also taken care to keep in mind my key research questions as my analysis should provide answers to these research questions.

Andersons (2007) specifications require organizing and preparing data for analysis, reading through it to obtain a general sense of the information gathered and then re-reading to understand the meanings attached to this information. On the completion of this, it is necessary to then code the data into categories and themes (Marshall and Rossman, 1995). Rule and John, (2011, p.77) described coding as follows:

Codes are labels that highlight different themes or foci within the data. Coding is a process of choosing labels and assigning them to different parts of data. This is a time consuming task, often requiring several iterations of reading, coding and recoding. Coding is an integral part of data analysis. This is so because coding requires intelligent, analytic and systematic decisions about “what the data is saying”. Choices made during coding impact on all subsequent analytical processes of generating findings, developing explanations and conclusions, theorizing and suggesting recommendations.

The themes and categories resulting from the information obtained directly from the response of the participants and thereafter, were dissected into manageable sections with their meanings being changed into descriptive language to explain the concepts. This technique enabled me to view the information received as separate entities that were distinguishable by their different patterns and themes and enabled me to better understand the experiences and feelings of the participants.

Ethics

According to the Collins Dictionary (1979, p.502), ethical means “in accordance with principles of conduct that are considered correct, especially those of a given profession or group” (Kumar, 2012, p.242). According to Alasuutari et al., (2008, p.95) “The formidable task of ensuring ethical competence in social research depends upon sensitive and informed planning by ethically informed scientists and careful review by nationally mandated or independent Institutional Review Boards (IRBs) or Research Ethics Committees (REC)”. In the case of this research, the selected interviewees were asked if they would be willing to participate in the study. After obtaining their consent, a letter or e-mail explaining the purpose of the interview and confirming the date, time and venue was sent to them. This letter also assured the participants of the confidentiality of the process and adherence to ethical principles of research. Pseudonyms were used in this written piece

to ensure anonymity and confidentiality of respondents. In addition, a Gatekeeper letter was sought from UKZN to obtain permission to engage in this research.

After the completion of the study, a copy of the examined project will be distributed to participants of the study.

Trustworthiness and Credibility

With all approaches to research the concept of ‘validity’ and ‘reliability’ refers to the accuracy of the end analysis and the accuracy of the researcher’s methodology (Davies, 2007, p.241/3). Davies (2007) explains that because unlike with quantitative research, qualitative research does not have a formal standard measurement, “it is pertinent to address how qualitative researchers establish that the research study’s findings are credible, transferable, confirmable, and dependable. Trustworthiness is all about establishing these four things” (Olivia, 2017, p.1).

Hence, the practices applied as they relate to the goal of trustworthiness and credibility procedures in this research dissertation included in this chapter have detailed the methods used in this study to be replicated if one desires to do so.

Conclusion

This chapter detailed the rationale for the research methodology adopted. The above has detailed why the qualitative research approach was chosen and subsequently a case study technique used for my sample, which was selected with purposive sampling. This chapter further outlined the data collection method that was followed including the data analysis procedure. In addition, a discussion on the ethical considerations and what measures were taken to ensure trustworthiness and credibility were provided. The chapter that follows provides a presentation and analysis of the data, drawing from the literature to support any arguments and interpretations.

-Chapter Five-
Discussion and Analysis

Introduction

The following chapter will detail the findings of this study. Since qualitative research seeks to explore the feelings and experiences of respondents, this analysis actively sought to refrain from using numerical language when presenting the data. Bless et al., (2013, p.15) argue that “it is important to note that qualitative researchers do not accept ... what respondents say, [in] interviews for example, is necessarily ‘true’ in the absolute sense of the word. Instead, qualitative researchers argue that human beings construct meaning about their lives and the worlds in which they live”. Hence, this work is less interested in whether or not the information gathered is “true” as opposed to extracting the perceived meanings that the participants place on their experiences. At the core of this chapter is a pursuit to explore some of the findings related to the studies central research questions, and what follows is a systematic discussion of the discoveries pertaining to the studies research questions, namely:

- What is the financial literacy of Howard College first year students?
- What are their saving and debt behaviour?
- Where do they acquire their financial literacy from?
- What is the relationship between financial literacy and the saving and debt behaviour of Howard College first year students?

Financial Literacy is a topic not easily defined (Sherraden, 2009; Remund, 2010), although the subject matter has been explored at length because of the significant influence which it has over the lives of individuals, families, communities, countries, governments and beyond. To operationalise the term, this research understands it as the knowledge, attitude and values one has about financial matters in their life, with the ability to transform the aforementioned into positive savings and debt behaviour (Noctor et al.,1992; Marcolin and Abraham, 2006; Jorgensen and Savla, 2010; Vieira, 2012; Louw et al., 2013; Akben-Selcuk and Altiok-Yilmaz, 2014; Collins and Holden, 2014; Miles, 2014).

Therefore, whilst analysing the data four main themes were identified, namely: Knowledge, Experience, Behaviour, and Relationships. Each theme will be explored using Vygotsky’s (1978) Socio-Cultural Theory as a framework. Since Vygotsky posited that it is a combination of one’s

internal and external lives that determines success, this research narrowed down those factors to race, gender, class, socio-economic background, and subject major. I acknowledge that these categories as they stand can be problematic since the respondents of this research are a small sample and cannot be representative of a population, though it is necessary to raise these characteristics as they are the intangible realities that affect every human being. Further to this, themes such as race, class, gender and socio-economic background for example are disciplines in themselves with complex considerations that are beyond the scope of this research to fully debunk but are mentioned because as Vygotsky (1978) theorized recognising these elements can assist in better understanding problems and more importantly can be invaluable in designing solutions. Each theme; Knowledge, Experience, Behaviour and Relationships will be analysed with these factors in mind.

The Life Cycle theory (Modigliani 1963; Modigliani and Brumberg 1954, 1980) lends itself well to recapitulating on why such a vast number of students report themselves to have inadequate financial knowledge and to explain the savings and debt behaviours reported which linked into the literature (Chen, Volpes and Pavelicko, 1996; Beal and Delpachitra, 2003; Akben-Selcuk and Altio-k-Yilmaz, 2014; Lorence et al, 2014). This notion will be explored further in the sections that follow.

Knowledge

Respondents perceived their financial knowledge to be inadequate. They presented the justification of their self-reported ranking whilst answering the question- “do you think you have sufficient financial knowledge?” This lack of financial knowledge was not separated by any distinct racial, class, gender, socio-economic or subject major lines.

Participants explained that it was a lack of information that resulted in the self-perception of having insufficient financial knowledge. For instance, respondent Kelly commented that she is “looking at doing some investment stuff” to address this gap, but does not assign any insight into why it is

that way. Some students stated that it was their academic institution(s) that had some role to play in the fact that their financial knowledge was low. For example, Tarren felt she lacked information because she was unable to fully comprehend concepts such as “tax” and “bills”. Tarren assigned the blame on her academic institution(s), because in her view she did not have adequate financial knowledge because “they did not teach us”, the “they” being referred to is school. This attitude is one of an external loci of control. Taiwo pointed to academic institutions as the source of his poor financial knowledge too, though he highlighted that it was because he was not enrolled in “finance, or anything [like that]”. With Taiwo’s case he is not fully blaming school for not having taught him about finances, but is rather implying that because he is not enrolled in a financial degree he would not be expected to know about financial concepts. It is this view that financial literacy is reserved for financial professionals that is a concern. The world is driven by monetary systems; hence the relevance of financial topics is not only relevant for professionals.

Others felt that their knowledge was not enough because they lacked the ability to execute their intentions into the appropriate behaviour:

Zikhona: Not really, cause, even though I will have some cash, I will spend it recklessly, not trying to make something valuable of it.

Thuthukile: I do have knowledge I don’t think it is enough, sometimes you want [to] save R300 but then you save R50.

These participants are equating self-control to financial literacy, that is, they feel the knowledge which they have needs to translate into good savings behaviour in order to warrant being sufficient. This definition fits within the adopted definition for this research discussed earlier. Their arguments have an internal loci of control, which entails acknowledging that they have to improve their behaviours as opposed to blaming their behaviour on a lack of provision from an external factor.

Laura, however, qualified her lack of financial knowledge with implying that it will come later: “obviously as you get older you will know more”. It is this very attitude that makes the Life Cycle

Theory relevant for this research. It sheds light on why first year students have poor financial literacy and do not seek to improve it whilst at university, because they see it as something that will be dealt with in the future. However, “money-related struggles do not necessarily disappear as consumers move through adulthood; they often evolve or change [according to the] Employee Benefit Research Institute 2008” (Remund, 2010, p.277). Jorgensen and Salva (2010, p.467) believes that “the financial habits young adults have while in college tend to carry on into adult life”.

As my above disclaimer described the use of categories such as race, class and socio-economic background are used in light of the implications they potentially could have on respondents as outlined by the Socio-Cultural Theory. These descriptions were observations in some cases e.g. race and gender but, also self-descriptions in others, for instance with class and socio-economic background. That being said, this research does not claim to have exhausted exploring the impact of these factors on the financial literacy of the participants. Plus, the research does not claim to be all encompassing in its explanation of each factor. These topics are simply too broad. Perhaps future research could endeavour to do so.

Hence, whilst, I acknowledge that this is a more complex issue as not all people of a certain race act or share the same experiences, nor can all males and females be pigeonholed into a box, the literature review listed the financial literacy of (first year) students as categorised by race, class, socio-economic background and gender. Therefore, to exclude these observations and explanations from the respondents would be to ignore this scholarship. What is more, it was this very literature (together with the theoretical frameworks of the study) that guided the careful selection of an inclusive sample and hence to not describe these features would be to exclude an important piece of this research. In addition, this research is located within a South African context and the country’s young democracy has historically, and continues to be, defined to a large extent by a very prominent race narrative. Of course this subject matter is vast and entails so much more than I could explain in this research. Hence I am not suggesting that the research findings are representative of every White, Black, Coloured or Indian person, but it must be mentioned. Moreover, Sherraden (2009; 2010) argues for financial capability which includes access to

appropriate financial institutions, this free flow of access is also rooted in the structure of the South African economy. Respondent Joe, from Ebert's (2015) study on racial justice activists had this to say:

Joe: I think economic justice is important. And clearly that's very strongly linked to the race factor, I think. You know there are ever-increasing numbers of middle class and well-off blacks, but it's still very largely a racial thing. And um, I think when, sort of political power was given over to ...um, black people in the early 90s, uh, the economic power stayed pretty much as it was, and continues to stay pretty much as it was, with a few people moving across, but uh, that's just to keep, I think, keep people sweet and reasonable. But for the vast majority economic injustice is what they live with... Structural violence, I think a classic example, the classic example of this is economic inequality and it's a form of injustice which is, uh, in the South African context very much applicable along race lines.

With that being said, respondents from all South African racial groups were represented in the research, namely: African, Coloured, Indian and White people, this was in an effort to see if there were any socio-cultural influencers on financial knowledge. Though white respondents did not express superior financial knowledge than the African, Coloured or Indian first year students as Kindle's (2013) research suggested. Likewise, males did not report themselves to be more financially knowledgeable than females, as Beal and Delpachitra (2003) had discovered in their research. Instead, both males and females felt that they had much to learn, and hence could not classify themselves as having adequate financial knowledge. Individuals from working class, middle class and upper class socio-economic backgrounds were represented in this study too. And the findings indicate that there was no distinction between the perceived financial knowledge of students based on socio-economic backgrounds either. Nhlanhla, Buyi and Siya, who all identified as working class "because lots of people do not work" in their communities, or that local schools "did not have a library, and ... it is difficult to get books" or that "there are things [his family] cannot afford to do, like pay tuition" all felt that they did not have enough financial knowledge and still wanted to learn more. Yet, a handful of students who classified themselves as upper/middle class also reported they did not have sufficient financial knowledge as can be seen from a response from Keegan who self-identified as middle class:

Keegan: I don't think I have enough [financial] knowledge.

Therefore, unlike the findings of the JumpStart Coalition (2006) and Williams et al., (2011), this research revealed that participant financial knowledge cannot be distinguished along socio-economic lines. Instead this research unearthed findings similar to Valentine and Khayum (2005, p.300) who utilized a quiz to determine the financial acumen of students. The quiz targeted a high school system in both a rural and an urban area, “the findings reported that urban students scored an average of 50 % of the test, whereas rural students scored an average of 51%”.

Likewise, Ludlum et al., (2012) and Joo, Grable, and Bagwell (2001) had opposing views on whether a subject major affected financial knowledge and this study found that subject major did not hold any significance in terms of financial knowledge. The participants were studying towards different degrees, e.g. Law, Property Development, Business Administration, Social Work or Architecture.

It can be argued then that the participants interviewed reported insufficient financial knowledge for a host of reasons and the perception of low financial knowledge was not divided by racial, gender, socio-economic or subject major lines unlike other research findings.

On the other hand, there were two first year students who felt that their financial literacy sufficed. Philani and Dhirekha, who were the only students who saw themselves to have good financial knowledge when asked if they thought they had sufficient knowledge, were also the only students who spoke to Sherraden's (2010) point of financial capability because they referred to experiences that afforded them access to financial institutions, see below;

Lula: What did you learn about money at school?

Philani: In 2008, they taught us about bank[ing], they took us to [First National bank] FNB and taught us how to open an account this was in high school.

Lula: Do you think you have sufficient financial knowledge?

Philani: I think my knowledge ... is good.

Lula: What did you learn about money at school?

Dhirekha: I remember we use to have banks; like FNB, they use to come at school to teach us about saving and opening an account. And I remember once our teacher took us on an excursion, we were in town so we walked to Standard Bank, ja, it was cool, they showed us how to open an account.”

Lula: Do you think you have sufficient financial knowledge?

Dhirekha: Yes...I know... [about financial literacy].

Philani and Dhirekha both mentioned how their schools allowed “FNB” to come speak to their learners, and Dhirekha’s memory of going to “Standard Bank” is significant. The exposure that their schools afforded them, taught these participants where they could source appropriate information from, this helped them feel as though they had the knowledge needed to navigate through financial information. Though as Zikhona and Thukukile so wisely noted, financial knowledge should translate into the appropriate financial behaviour in order to be considered financial literacy.

Experience

Wiley-Blackwell (2015, p. 301) explain that, “financial capability requires skill development and mastery, along with financial knowledge, and these are a function of practice, repetition, and experience”. The phrase “actions speaks louder than words” is a common one which is explicitly linked to Wiley-Blackwell’s (2015) statement, it insinuates that experience is a better teacher than verbal instruction. In that same way, I found that my research participants learnt more about their economic wellbeing from experiences gained at work, school and at home, and these experiences affected their behaviour, although it did not make them feel as though they had enough financial knowledge.

Work Experience

Some participants of this study reported that they either had previously been employed or are currently working. None of the respondents who provided this information were asked if they are or have worked before, but the information was volunteered. The nature of work was not explained, except in the case of respondents Tarren and Laura who did “promotion work” and Niren who was a “tutor”. These participants may have mentioned the nature of their work as they associated it with being attractive and intelligent respectively and hence it conjured up a level of pride that had them disclose the type of work they did. In addition, participants Ashley, Ruene, and Dhirekha cited work experience, while others did not. Valentine and Khayum (2005) found part-time employment to be an attribute of post-graduate students, with the average student working typically twenty hours per week. Results from this research sample show first year students also working part time. Respondents cited the motivating factors of having a job to primarily include becoming more responsible by elevating financial pressure on parents, as Ruene describes:

Ruene: During first semester I got a job, I am earning my own money, because I don't want to put pressure on my parents.

Juggling a job and school did not come across as burdensome, as none of the respondents lamented over the responsibility. Williams et al., (2011, p.249) cautioned though that students did need to strike a balance otherwise their academic life would suffer; hence only minimal work experience can be beneficial. The disadvantage of not getting work experience is that experience is a significant component of obtaining financial knowledge, and one often does not get the opportunity to “practice” financial decision making until the stakes are too high (Wiley-Blackwell, 2015).

The value of work experience proved to lie in the constructive effect it rendered on the participants' financial practices. Those who mentioned work experience had positive *savings behaviour*. Akben-Selcuk (2014, p.353) linked work experience to increased financial knowledge. The respondents of this study who reported having work experience did not necessarily see themselves as more *knowledgeable* though there was a clear connection between experience and *saving behaviour*. Perhaps the fact that these students did not feel they had enough financial knowledge was their acknowledgement that there was much to be learnt. Since the students had somewhat of

an understanding about the labour market, they were not complacent in their level of knowledge, even though they did save, and hence did not feel like it sufficed. Nonetheless, the ability to transform knowledge into action is crucial, even if the perceived knowledge is not great.

Academic Institutions

Another classic institution to gather information and experiences alike is an academic institution. This research found that students had accounts of significant financial experiences at primary school, high school, and tertiary level that taught them about finances. Some lessons were obvious in that the relevant academic institution deliberately taught the lesson, and other messages were delivered subliminally in that unplanned experiences awoke a certain awareness that brought with it a financial lesson.

Philani described attending both a primary and high school which fostered good financial behaviours, he explains:

Philani: ...in primary they taught us to save money, they use to give us those small containers to keep money, we use to carry R2, at school we were not allowed to carry above R2... So they taught us saving like that, and even when I reached high school I continued to carry R2. So that's why when I got to varsity I had so much money, the money was like R13k in my bank. In 2008, they taught us about bank[ing], they took us to FNB [First National Bank] and taught us how to open an account this was in high school. In high school, the bank came to school. In primary they teach you not to carry paper money, but still in high school I continued, because it was something that was instilled in me.

Philani attended a primary and high school that instilled good financial practises. In primary school he was taught about saving by the introduction of a “piggy” bank system, and the R2 quota he was permitted daily. These actions fostered equality - (in the sense that no-one learner was allowed to carry and thus spend more than the average tuck money, hence no-one learner was able to appear above average or ‘richer’ than others), self-control and discipline, all of which are vital ordinarily

but are even more valuable at a rural primary school, which this particular school was, by his own description. A less sophisticated argument was that the school created a habit in the lives of the children. Irrespective of the justification, Philani is the sole respondent who explained what they had learnt at an academic institution by mentioning primary school. The research findings suggest that not much financial education occurs at this level in South Africa. In addition, Philani was also the only student to trace a continuous trajectory with his financial relationship at school, with significant milestones, i.e. the piggy bank and R2 quota at primary, the encounter with FNB in high school and arriving at university with thirteen thousand rands in savings. During the course of his interview Philani continued to discuss his plans to purchase a vehicle and start a business. It is clear from Philani's example that laying a good financial foundation from primary school can yield solid and lasting behaviour. And as Batty et al., (2015) so rightfully stated, what is most important with any financial literacy programme is imparting lasting behavioural acquisition. Current research in developmental psychology shows that even relatively young children can grasp rudimentary concepts (Scheinholtz, Holden, and Kalish, 2012; Batty et al., 2015). The added advantage is that you have less years of negative socialization to tackle, less time needs to be allocated to correct bad habits or misconceptions already acquired or observed at home (Batty et al, 2015). Hence, what seems to be prudent about Philani's case is the evidence of cumulative learning which has occurred, giving Philani a noteworthy head start (Sosin et al., 1997).

Philani's high school more importantly bridged the gap of access to financial institutions by the school introducing their learners to a bank. The fact that Philani's school brought the bank to them is inimitable and a factor that may have contributed to his remarkable attitude and treatment of finances. This is important because Philani went to an ex-model C high school. The point is though, like Sherraden (2010) stressed, the need to consider institutional barriers to accessing appropriate financial resources should be addressed at academic institutions too. Sen and Nussbaum's (1987) "seminal work on capability theory describes the role that the interpersonal (group) environment occupies with any financial landscape" (Sherraden, 2010, p. 3). They argue that external factors such as policies, laws and regulation to a large degree "dictate the extent to which a community's inhabitants will have access to relevant products etc. that lead to healthy material well-being"

(Williams et al, 2011, p.251). In South Africa we have a very familiar example of the power of social engineering, i.e. apartheid. Sherraden (2010, p.3) citing the work of Sen (2000) elaborates:

As Sen writes: “Capabilities ... are notions of freedom in the positive sense; what *real opportunities* you have regarding the life you may lead” (Sen, 1987, p.36, emphasis added). What makes an opportunity “real?” According to Nussbaum, the idea of capability takes into account a person’s *internal capabilities* that develop “usually with much support from the material and social world,” or ‘*external conditions*’ (2000, pp.82-85). She suggests that public policy “can do quite a lot to influence” peoples basic functioning.

Apart from Philani this research discovered respondents who also acknowledge that high school taught them something about financial literacy when asked what they learned about money, income and the like at school. Economic Management Science (EMS) and Accounting are delivered at high school as subjects during the year’s curriculum, and it was these subjects that were cited as useful, as exemplified by Laura and Tarren’s responses below:

Laura: Obviously in class we did learn about money, in [Economic Management Science] EMS and stuff.

Tarren: I did accounting so that taught me a lot.

As discussed in the literature review, it seems obvious that academic institutions would be the custodians of training financial literacy to students (Batty et al., 2015). Hence, it comes as no surprise that Hilgert et al., (2003) explained financial literacy education increased at the school level in America after the 2008 economic crisis as authorities realised that even youngsters could benefit from being savvier. In South Africa the recent introduction of subjects like EMS and Life Orientation is the closest manifestation of government intervention we have seen. However, no financially based subject is mandatory in South Africa.

It is interesting to note, that when respondents heard the word “school”, the assumption was primary or high school and no-one associated learning about money with tertiary education. Granted, none of the first years were overtly studying a finance degree, a degree in Law and a

Bachelor of Social Science were cited on more than one occasion. Although, amidst the numerous disciplines that the respondents were enrolled in, there were instances where one financial module was registered for, for example in Philani's Bachelor of Business Administration degree. However, neither Philani, nor any other participant, mentioned taking a course from a university module that encouraged them to feel like they learnt anything about money.

What is more, none of the student's financial literacy was acquired via a programme, something equivalent to a short course, or a conference in a South African context, whereas Liebzeit et al., (2011) and Loke et al., (2015) referred to knowledge gains after a 'programme' in that sense of the word. Yet, Kelly's "looking at doing some investment stuff" implied that she was intending to go get some extra information from an external source about investments, not from school. She was also enrolled in a Bachelor of Arts degree which would not have financial modules.

Nonetheless, apart from organised learning all throughout primary school, high school and university there are teachable moments about money for learners (Loke et al., 2015), as there could be a need for one to purchase at the tuck shop, commute, or go for extra curriculum activities and a host of other possible expenses. Thuthukile explains below that the need to purchase a meal during the day was a moment for her to reflect on the most cost effective means to accomplish this. By her estimation purchasing at one store over another was saving, and thus school taught her to do comparative shopping because she had to draw upon that skill.

Thuthukile: Agh, I would say to save, [by] not [going to the] white café – [because it is] more expensive and [using the] black café.

A secondary connotation of Thuthukile's statement was racial and linked to a racial and socio-economic factor, in that she associated the white cafeteria with being more expensive than the black one. This also implies that by her observation or the generally accepted norm (the terms "white café" and "black café" are widespread, as it is used frequently by UKZN students), that white peers have more affordability than the black students. It is interesting to note that none of

the respondents cited their “friends” or the media as their source of information or misinformation. Thuthukile’s statement, along with Keegan’s (cited below) indicate that the only contribution school had for them was unintentional. Their peer group had made them aware of financial differences that are prevalent in society based on race, class and socio-economic lines. This had less to do about any direct exchange of information, Keegan explains;

Keegan: To be honest I would say I didn’t learn much about money from school, the only thing was that there are different people with different social classes and you see the way different people treat money.

Keegan was not responding to a question about whether his peers had taught him anything about financial literacy, rather the question was focused on the knowledge he gained at school. Though Keegan’s inclusion of the differences he witnessed amongst his peer group, is an indication of how influential the people he went to school with were, above any overt lesson provided by an educational system. Drever et al., (2015), argued that student’s exposure to other students can lead to self-consciousness and in some cases materialism. Although this research discovered that that position was not evident with the sample group. Participants did not overtly indicate that their peers had taught them much about financial matters, but I argue that the inevitable exposure to different people raised their awareness and hence contributed to the decisions that they made as with Thuthukile opting for purchasing from the black café.

Based on the findings, this research shows that it is not incongruous to suggest practical experience is more effective than a class room setting with the participants. Experience seems to be the best teacher (Hilgert et al., 2003), surpassing the traditional classroom setting in terms of the long term impact on behavioural change. Philani is a case in point, because even what he learnt at primary and high school was not in the form of a classroom setting, but through the practical experience of engaging with money in a realistic and thus meaningful way. Even so, academic institutions are rife with opportunities to teach financial literacy directly (classroom) and indirectly (teachable moments) for all students.

Home

On the other hand, some participants did not feel that school had necessarily prepared them for interacting with their funds in any noteworthy manner, and actually pointed to other factors they felt were contributors such as their socio-cultural background, as encapsulated by Taiwo's response:

Taiwo: I think the way you deal with money goes with the way you grow up, that's what I think, so I don't think school really contributes to that.

More specifically the role of their parents. Parents have been identified as instrumental in the financial socialization of their children (Alhabeeb, 1999; John, 1999; Clarke, Heaton, Israelsen and Eggett, 2005; Jorgensen and Salva, 2010). Socialization is the unconscious process of assimilating behaviours of the people closest to us. Hence, the research's findings are accurately situated within Vygotsky's (1978) Socio-Cultural Theory which advocates that it is a combination of one's internal reality and external environment that builds the values, attitudes and behaviour one holds towards a subject matter. When asked what their first memories of money were, participant responses revealed a common belief that upbringing and childhood experiences shaped their ideology about money. Hence the theme "home" arose. The strongest account of such experiences is receiving an allowance, and other smaller recollections are the presence of a family business or school fees.

Receiving an allowance is heavily cited by the participants of this study. "Pocket money" as identified by Danes (1994, p.128) (cited in Jorgensen and Salva (2010, p.467) is one of the four economic socialization forms that mould positive attitudes, values, and standards. The scholarship around financial literacy makes mention of the pros and cons of children receiving an allowance, with various arguments for and against the practise. For example, Williams et al., (2011, p.248) cites Pliner et al., (1996) who advocates that when children are given the responsibility of an allowance, they are taught how to handle their resources more efficiently and further develop into

more effective money managers. Whereas, Webley and Nyhus (2012, p.3) cited Mortimer et al., (1994) who found that receiving an allowance was negatively associated with the savings of a child, and it also diluted their work ethic. Based on the findings of this research, and in line with Beutler and Dickson (2008) (cited in Webley and Nyhus (2012, p.3)) I would entertain the notion that it is a matter of the motivation behind the allowance, therein may lie the distinction between improving or diluting a child's work ethic. That is, the distinction between receiving an allowance as opposed to earning one. The different undertones of the two is reflected in the statements below:

Receiving:

Laura: My dad would give me an allowance, and that would be for spending, so I would just learn how to space out my spending for each week.

Niren: I had a jar, where I use to put money in, I would not earn it, my parents would put the money in for me in that jar, and I spent it all, I think on games and sweets, so I think ja.

Earning:

Zikhona: It goes back to primary school pocket money, you will know the value of it because you will get something in return. You had to earn it, like [with doing] chores.

Laura indicates that her father gave her an allowance to cover her expenses each week, so she could attend to her wants and needs. And Niren overtly explains that his "parents would just put the money in...[the] jar" without him earning it. Niren displays an understanding of his parent's methodology, and does not label it an "allowance". He goes on to explain how he would treat the money received and clearly he spent it for his pleasure "on games and sweets". But Zikhona makes clear that she would barter her labour in exchange for money. Hence, the "critical difference in the parental communication and guidance that accompany the allowance payments" (Drever et al., 2015, p.25). Determining whether there is a difference in work ethic as a result of earning verses receiving an allowance fall outside the scope of this research, and could be put forward for future research.

In addition, Jorgensen and Salva (2010, p.467) noted that many authors (Moschis, 1985; Alhabeeb, 1999; John, 1999; Clarke, Heaton, Israelsen and Eggett, 2005) propose that “children learn about finances from parents through deliberate instruction, participation, and practice (i.e. explicitly) as well as through observations (i.e. implicitly)”. This sections findings are indicative; the direct introduction of an allowance taught student’s significant lessons about money, likewise the indirect smaller memories of a family business or the realization that going to school had cost implications for their parents had the same results.

For example, a number of respondents highlighted that their families had a business and thus that had taught them their initial lessons, Keegan encapsulated this sentiment well, when he said:

Keegan: We had a young car wash, and I think that was our first experience of money and just how hard money is to come by, and how easy it is to let go. So I think that taught us valuable lessons about money.

Others recalled the need to go to school, as the first realisation of the value finances had in their future:

Niren: I learned that my parents were paying my fees every year, every month, they were buying me stationery, clothes stuff like that so on my behalf I had to give them something too, they were doing so much for me so I had to give them something back, so the only way I could give them something back was to perform in school – education – academics and I excelled, and that’s why I am where I am today.

At a basic level Niren explains that because stationery and the like needed to be purchased, he realized that his parents had to spend money because of him. He as a result felt indebted to his parents and repaid them by doing well at school. The research suggests that observing the financial struggles their parents endured to get them through school created an awareness about financial literacy and partly shaped participants’ attitudes, the following extract from Siya’s interview elucidates the point further:

Lula: What was your first experience of money and finances, what do you first remember about money and finances?

Siya: [Sigh] what I remember is that, hmm complicated question, okay [sigh]

Lula: Any memory, *when you think of money what do you think?* [Italics phrased in isiZulu] your first thought.

Siya: Ah, my first thought, when I think about money, I think ah to further my studies Ah, ja, that is what I think about my money because that is the only thing that I need is to further my studies.

Lula: That's right and what did you learn about money from school?

Siya: Without or with money you can make it at school, you can make it, and you can go [far], what is important is to get something to eat, so my mother and also my cousin work hard to get us something to eat, so that is what I have learnt, that money cannot stop you to achieve what you want, as long as you can be stay positively, and look forward.

Another possible argument from this research, based on Siya's dialogue is that he is equating education as a currency, and hence associating it with money, i.e "when I think about money, I think ... to further my studies". Siya self-identified as coming from an impoverished background, hence education could be viewed in this instance as a route to escape his current social class. That is, getting an education is securing a brighter future with more financial liberties. However, the conundrum is that it takes money, and lots of it, to get this education, which will eventually secure earning more money in the future, when one will presumably need it more, for example to raise a family. Siya's point is mirrored by the life cycle theory. When one is still in the "young" stage of their lives, they are typically going to school, and not earning an income, hence money could be tough to come by. The pressure is exacerbated by the high cost of education, which can exclude many from entering. Hence, Siya's emphasis on how "hard" his mother and cousin work to afford his tertiary fees demonstrates the level of financial struggle his guardians have. However, they endure since education is an expense that is incurred with a promise that "middle" age should come with higher income. The hope is that the eventuality will materialise and hence smooth consumption.

Other respondents did not attach their parents influence with a specific event, but rather wove messages they had heard from parents whilst growing up with their answers throughout their interview. This is an indication that they recall their parent's attitude towards money. According

to the College Student Financial Literacy Survey (CSFLS), respondent's perceptions of their parent's financial philosophies influence their overall financial literacy in a significant way, because it impacts on their financial attitude (Jorgensen and Savla, 2010). The fact that participants drew on examples from their parents without being probed to do so, magnifies the extent to which parents were catalysts in their financial literacy.

All of the above displays the interdependence between the intrapersonal individual and the interpersonal external influence of the student's parents, this is the grand relationship that Vygotsky (1978) referred to in the co-construction of knowledge (John-Steiner and Mahn, 1996). Thus, since clearly parents are such an important part of children's economic development, it is imperative to also link them in when trying to impart economic knowledge to young people as Allen and Miller's (2010) and Van Campenhout (2015) promoted for in their studies. What is more, an individual's financial position is shaped by their family's attitude to finances, and attitude is not related to knowledge, but rather it is linked to behaviour-(Jorgensen and Savla, 2010), what follows next therefore, is a discussion of the savings and debt behaviour of respondents.

Behaviour

Savings

Surprisingly respondents reported that they did save which is contrary to what the scholarship had indicated (Jiyane and Zawada, 2013; Louw et al., 2013). Students did not use the excuse that because they are dependent on their parents they were unable to save. Instead, the research discovered themes about what participants defined as saving; namely "*putting money away for a rainy day*", which means setting money aside in case of an emergency- Philani, Rabia, Dhirekha, Niren, Buyi, Siya and Sandile all shared this sentiment. A separate definition for saving was "*investing*", which carried the connotation that the savings purpose was to generate profit for the future, and not necessarily in preparation of unforeseen circumstances, students Zikhona and Thuthukile viewed saving this way. Another aspect of saving that came up from the interviews

was something I would like to term target saving. By my interpretation of respondents' interviews I would describe the definition of target saving to mean saving in order to buy a specific item, it is not an emergency fund, nor is it an "investment", but a short to long term plan to acquire a specific goal. Ruene and Thuthukile capture the aforementioned idea when they explain why and how they save:

Ruene: I save to buy a specific product. Money from work goes into my account. The money I get from my mom it stays with me.

Thuthukile: I have always been a money saver, to buy shoes or a biker what-what

Although more pertinent than respondent's definition of savings, is their related behaviour. Socio-Cultural Theory (Vygotsky, 1978) implies that how and where we grow up influences the way that we interact with money. The findings of this study support the claim, in that participants' who had ample experience with money from a young age, had positive savings behaviour even as they have grown older. As discussed above in the section titled 'Experience', those students who had vivid memories of engaging with money through work experience, academic institutions, or at home had positive savings behaviour. This finding is encouraging since Drever et al., (2015) claims that longitudinal research confirms that cognitive abilities in early childhood are related to those during adulthood. Moffitt et al., (2011), cited in Drever et al., (2015, p.18) substantiated this point by drawing on data regarding self-control, and they discovered that:

Parent and teacher reports of a child's self-control between the ages of 3 and 11 is associated with future savings and investment behaviour, home and retirement account ownership, and self-reported money and credit management success. This effect held even after controlling for IQ and socioeconomic status (SES); in fact, self-control predicted adult outcomes about as well as IQ and SES. The same study found that self-control among 3 to 5 year olds was linked to adult financial well-being outcomes, though self-control among 6 to 11 year olds was a stronger predictor.

What the above extract suggests is that socio-economic background is less important than an individual's ability to have self-control when considering financial literacy. This research has illustrated that participants who self-reported to be working class, middle class, and upper class,

all shared experiences which had equal impact on their savings behaviour. Other authors oppose this view, arguing that a child from a wealthy background with parents who are responsible with funds are at a double advantage; firstly, because they will have access to better financial institutions and general financial resources, hence more experience and secondly, because they work with larger sums of money (Loumidis and Middleton, 2000; Hibbert, Beutler, and Martin, 2004; Johnson and Sherraden, 2007; Sherraden, 2010; Research Paper, 2012; Drever et al, 2015).

This study reveals that the relevance of which social class one is born into is less important than the experiences that are afforded to an individual. Although being part of a working class community can mean hindered access to quality resources and equal opportunity "...particular behaviours can improve financial well-being regardless of circumstances. These behaviours include managing resources effectively, planning ahead, and making informed financial decisions" (Drever et al., 2015, p.14).

Non-banking activities

With that being said, the scholarship on saving and debt behaviour is plentiful, but there is a shortage of studies incorporating non-banking activities. The importance of considering non-banking activities is crucial to the discipline however, and should be taken into account. This would constitute another aspect of saving, namely maximizing a budget. Non-banking activities include, the intricacies of making lifestyle choices that reduce the cost of living which can have far reaching consequences such as potentially increasing disposable income and hopefully savings behaviour too. For example, Roggenkamp (2014, p.143) states that he always seizes the opportunity to remind his student audiences "that a school ID [Student Identification Card] can save hundreds of dollars [or rand's] per year, simply by taking advantage of the student discounts available at places they already patronize".

What is more, since some students' do not earn an income they felt as though this was the reason they could not save, Elizabeth's statement below grasps this sentiment:

Elizabeth: I try to save, obviously I don't get too much money now [be]cause I am not working, but I try.

Hence, introducing non-banking activities could be a viable option to encourage students to maximise the cash that they do receive from guardians. It is interesting to note too that generally participants did not consider the monies received from parents as an income. This is noteworthy as there are adults who earn wages in the range of what the students receive as pocket money, namely the amount Thuthukile describes:

Thuthukile: Parents give you small amounts like R500.

Some adults in South Africa, such as domestic workers and cleaners, are forced to support their families on an income of R500. In so far as the proposed argument has any credibility, one could easily suggest that students putting forward that they do not receive an income as a reason for not saving is not completely accurate. If a student receives R500 a month from their parents, saving R50 (or less) is not an unreasonable habit to introduce. Especially considering the *average* student does not have as many responsibilities e.g. children and rent to factor into their income.

Therefore, if non-banking activities were recognized and encouraged more, then students would be accredited with higher financial literacy. Many of the students interviewed already displayed behaviour where they incorporated non-banking activities as a means to saving:

Thuthukile: I don't bank my money, I just keep it in my locker, or borrow it to someone, which is kinda like saving in a way.

Nhlanhla: [I use the] Train [instead of using more expensive means of transport and], buy cheap food

Zikhona: I try to save, well I travel ... [by] train in the morning, by taking a train, it's not like I can't afford a taxi, I am trying to save.

Even so with the additional category of non-banking activities there was still a student who did not save. Not only do they not put money away into a bank account for future use, but they did not

attempt to save money by way of non-banking activities either. This participant was awakened by the interview question however, and expressed that in essence, she is now aware that she needs to commit to saving going forward:

Tarren: Now I know I need to save.

Debt

With debt on the other hand, according to the Life Cycle Theory (Modigliani 1963; Modigliani and Brumberg 1954, 1980) it is logical that first year students would have poor financial practices since they are at the stage in their lives when they are building for their future. As a result, expenses are greater than income, hence debt could naturally follow. However, the students unanimously claim not to have any debt in their lives. The only slightest association the students had with debt was their university fees, though even then the respondents did not feel as though it belonged to them, but rather was a responsibility of their parents, as the responses below indicate:

Nqobile: No, because I live with my parents even my school fees are their debt, not mine.

Elizabeth: No, my mom has debt because of me, but not me personally.

The above students raise relevant points; it seems this sample is fortunate that school fees are not a burden they have to carry. Analysing these results in isolation and for what they are, it would seem that the life cycle theory would be correct that individuals in their “young” phase accumulate moderate debt, and repay it during their middle age stage.

However, even though only Siya mentioned “*school fees*” as his debt it seems pertinent to mention that Modigliani (1963) and Modigliani and Brumberg’s (1954, 1980) life cycle theory was developed during an epoch where school fees were not as exorbitant as they currently are. Hence

the debt that individuals incurred whilst young back then was less, and thus more manageable to repay. Mottola (2014, p.12) has explored the particular nuances that have affected youth growing up in this generation, and argues that millennials are burdened with financial pressures such as under employment and a volatile credit market, which previous generations did not have to deal with. Mottola (2014) highlights the weight of debt from the cost of university which is difficult to pay once working. It is evident that school fees are on the rise, the current “fees must fall” movement in our country is testimony to this fact. It is no surprise then that Johanson (2014, p.1) reports that “thirty-one percent of students who drop out of college do so for financial reasons”. What is more, students grossly overestimate their initial salaries (Lorence et al, 2014) and underestimate the unemployment crisis. Sprow (ND, p.669) stated that according to the Bureau of Labor Statistics (2010) “as of August 2010, unemployment in the U.S. is 9.6%, which translates into nearly 15 million American adults out of work”, subsequently students find themselves unable to honour loan repayments for their school fees even if they are fortunate enough to graduate. As a result, a young student enters middle age at a disadvantage since even before they begin earning an income they are in debt. Mottola, (2014, p.12) rightly points out that “these factors in the post-recession economy are a strain on this generation [and unfortunately] found that only 40% of them have a retirement account, for example, and just one in four is willing to take investment risk when saving for a rainy day or the future”.

However, participants in this research did not assign financial illiteracy as the cause of debt, but rather four umbrella causes trended, i.e. “*wants*”, “*greed*”, “*overspending*” and “*keeping up appearances*”. Wants can be summarized by participant Taiwo who stated, “Wanting to have something that you can’t afford.” Greed was explained by participants Niren and Rabia as the chronic dissatisfaction people have that cause them to lust for more often resulting in credit purchases. Once one enters into credit purchases they have “overspent”. All of which is often done to maintain appearances, that is “Keeping up with the Jones” as Nhlanhla commented. Zikhona also elaborated on this last point well, stating:

Zikhona: I would say influence, you will see people having stuff, you don't really need those things, for the title of I have these things, we don't need most of the things we do have.

In summary, the sample of first year students at UKZN who participated in this study do not associate debt with a lack of financial knowledge. In addition, whatever the cause of debt (a student's misjudgement as explained by the Life Cycle Theory, wants, greed, overspending or keeping up appearances), the point is that, debt and saving have an inverse relationship (Kotze and Smith, 2008), and saving is predominately done for unplanned events, hence having debt often means failing to save which can result in a small incident setting one back considerably (Shah, Mullainathan and Shafir, 2012; Sherraden and Grinstein-Weiss, 2015).

Relationships

Lastly this research investigated the theme Relationships. One of the aims of this study was to determine the relationship between financial literacy and the savings and debt behaviour of first year students. It would be fruitful to recall the working definition of financial literacy namely, an amalgamation of knowledge, attitude and values that transform into positive saving and debt behaviour.

There is an expectation that knowledge received at academic institutions or elsewhere is positively associated with appropriate financial decisions and behaviour (Peng et al., 2007). As discussed earlier though, a large portion of the respondents did not think they had sufficient knowledge, although some first year students who fell in that group did display decent savings behaviour and had no debt. Hence this research found that the relationship between the financial knowledge and the savings and debt behaviour of the sample group to be unexpected since participants reported not to have financial knowledge although displayed healthy saving behaviour and had not debt.

But participants were of the perception that knowledge leads to behavioural change. Respondents used definitive words like “obviously”, “definitely” and “strong” to answer the question, “would you say there is a relationship between the knowledge you have on finances and how you save or if you have debt?” The answers were generic and focused on the logical assumption, as opposed to their individual scenarios. Had the respondents answered the question based on their earlier responses (they have poor financial knowledge) they should have said no, because their poor knowledge did not have a relationship to their positive savings and debt. See below the conviction in the response:

Kelly: Obviously if I know more, I can do more, and hopefully have more money.
Dhirekha: Yes, definitely if you knowledgably about how to save you will know what to do.
Shaunolen: Yes, there is a really strong relationship actually, because if you didn't have the knowledge you would not save and you would be in horrible debt.

The above extracts hold the same assumption, which exemplifies the general consensus of the respondents, that knowledge equals behaviour, but the research finding shows knowledge does not equal good behaviour for this sample, but rather experience results in good financial behaviour. The participants of this study self-reported poor financial literacy but decent behaviour.

Embedded within the above relationship, that is the one between financial knowledge and behaviour, are other relationships too. These relationships were highlighted by the literature namely: financial literacy and race, financial literacy and gender, financial literacy and class, financial literacy and socio-economic background, and financial literacy and subject major. The aforementioned relationships within the theoretical framework of the Socio-Cultural Theory are the influencing factors that determine how receptive one is to transform their financial literacy into the desired behaviour. Again, even at this point it continues to be important to acknowledge that since these imbedded relationships are so complex their existence in this research is by no means comprehensive. That being said the participants of this research suggested that there is no grand relationship between financial literacy and race, gender, class socio-economic background or

subject major as these were not the glaring factors that positively affected savings and debt behaviour.

Similar to Bernheim et al., (2001), improved financial decision making and behaviour in this study is understood as increased savings versus, decreased debt. What is more, the expectation is “financial experience ... positively correlate[s] with both knowledge and behaviour” (Peng et al., 2007, p.269). This research suggests that there is a relationship between students who are currently or have had previous experience and their financial practices. The study identified three domains of experience; the labour market, academic institutions and home. The trend was those who cited experiences had positive savings behaviour and no debt. Work experience too was positively associated with the financial literacy of the participants. Respondents reported to save if they had work experience.

Academic institutions are a little more precarious because the relationship they have with financial literacy is only impactful in a meaningful way under certain circumstances. Such situations include engaging encounters such as practically having a financial institution visit, or taking the learners on an excursion to their premises. Or teachable moments between peers. The relationship between theory in the form of classroom lessons has on financial literacy can be described as weak based on the participants of this study. Our response as academic practitioners should be to provide such opportunities. The prevailing limitation is the non-access to financial institutions, which hinders financial capability (Sherraden, 2010). Hence, although first year or any other student could be exposed to financial principles, the application element is not there. Therefore, further vigour needs to be placed on discovering appropriate mixed method approaches to land financial literacy in the class room, incorporating real world experiences, in this way financial literacy will enable students to fully understand the economic context of their families and communities (Muir, 2005; Jagman, 2014). Lastly the experiences gained at home, projects the strong relationship that parents and guardians have in forming the attitudes and values that students have about financial literacy. Keegan below touches on how the financial knowledge one has is related to attitude, i.e. “respect”. Keegan was one of the participants whose “home” experiences shaped his financial philosophy;

his family had a “car wash”. The fact that he also refers to attitude reiterates that home shaped his attitude towards finances, i.e.

Keegan: Most definitely, the more you know the more you treat money with respect, the less you know the more it comes and goes.

Laura persists with her attitude that improvements will happen in the future [emphasis in italics below], as the Life Cycle Theory warned against doing. Although it is not possible to determine why she has this stance, was it learnt or is it a result of her personality.

Laura: I do feel that if I knew more I would be able to do more with my money and learn how to spend it better and maybe save better, *but because I am young* and still following trends obviously I work just to quickly spend it, so I do feel that I should learn more about savings.

Hickman’s (2012) insight into why this is centres around personality traits which he (2012) argues can influence educational programs and predict social economic outcomes arguably irrespective of knowledge or experience (Collins and Holden, 2014, p.80). Taiwo echoes this sentiment, adding:

Taiwo: Partly I feel like knowledge of knowing how to treat money just comes from you. Like some people may get a certain salary but they will never be rich because of the way that they are. It depends on what you believe. It’s like athletes who earn money. The way I just grew up, and the economy in my country has been bad.

Taiwo implies that having money does not automatically mean you will know how to use it wisely. In other words, knowing about money, with the knowledge thereof coming from the fact that you have the advantage of having lots of it, does not mean that you treat it well. He makes his argument by drawing on an example of people who earn lots of money though “will never be rich”, as they do not make wise investment choices. The last sentence from the above extract is most insightful, especially if seen through the Socio-Cultural Theory framework. Taiwo states “the way I just grew

up, and the economy in my country has been bad”. Taiwo is the only participant who is not from South Africa, he is from Zimbabwe, and perhaps this outlook stems from the unique external influencers of the region he grew up in. The Socio-Cultural Theory suggests that where you grow up has a lot to do with the way you perceive a subject matter.

To conclude, this research suggests that there is a relationship between students who are currently or have had previous experiences (in the labour market, academic institutions or at home) and their financial practices. The trend was those who cited experiences had positive savings behaviour and no debt. If one likens the success rate of entrepreneurs who actively sought knowledge to those who did not, preparation [through knowledge and practical application] triumphs (Unger et al., 2009). The Global Entrepreneurship Monitor (GEM) researched 6 years’ worth of entrepreneurs and recognized poor education, knowledge and entrepreneurship skills as the main hindrance for small businesses in South Africa (Unger et al, 2009, p.25). Unger et al., (2009, p.26) elaborate:

Deliberate practice has been associated with superior performance in a number of different domains such as sports (Starkes, Deakin, Allard, Hodges, & Hayes, 1996), music (Ericsson et al, 1993), and chess (Charness et al, 1996). In music, for example, where deliberate practice consists of practising alone on the instrument, high performance was associated with the accumulated time of deliberate practice (Ericsson et al, 1993).

Hence it is plausible that if first year students of UKZN Howard College are to succeed in their financial endeavours, they need to learn from past experience, but also for the future. That is to learn from the success of their parents/guardians and their personal experiences, but also learn for their financial success through knowledge acquisition (Unger et al., 2009).

Conclusion

This chapter has explored the findings of this research, and with that answered the studies main research questions. This was achieved by exploring four main themes, namely; Knowledge, Experience, Behaviour and Relationships.

Unfortunately, as the scholarship had predicted the financial knowledge of participants was not up to standard. It was interesting to explore the varying justifications for this fact, which involved justifications with an internal and external loci of control. One participant's explanation was specifically noteworthy because it focused the relevance of the Life Cycle Theory for this research, in that it explained some of the attitudes the students had. This along with the general realization of how poor the financial knowledge is, ushered in an incitement as to why financial literacy in South Africa is not treated with more of a proactive strategy especially since the findings crossed many boundaries. It was also imperative to substantiate the presence of racial, gender, class or socio-economic descriptions throughout the study as not to incorrectly portray the items as simple.

Within the section on 'Experience' three subsections were outlined, namely work, academic institutions and home. All of the three subsections had outcome based results, with practical experience triumphing over any other kind. What is more, parents were identified as agents in the formation of attitudes and values and must contribute to the solution.

The section on 'Behaviour' explored the reported saving and debt behaviour of the respondents. Surprisingly findings were opposite of what the literature had found because saving was reported and debt generally was not. The study presented different shades of what could constitute as saving, i.e. collecting for a rainy day, investing or collecting for a specific product. Debt was not attributed to financial illiteracy, but wants, greed, overspending and keeping up appearances. The students, made it clear that their university fees were the debt of their parents and not theirs.

With that said, this chapter explicates the many relationships that are involved when financial literacy and saving and debt behaviour are concerned. The following chapter will provide concluding arguments and possible recommendations for future research.

-Chapter Six- **Conclusion**

Introduction

This thesis presents the results of a study that aimed to investigate the financial literacy of first year students at Howard College, UKZN. The rationale for investigating the financial literacy of first years was three-fold. Firstly, financial illiteracy has been rife in the world over having resulted in calamities such as the 2008 economic crisis. Secondly, the savings rate of the average South African is very low putting citizens at financial risk in the event of an emergency. Thirdly, because savings and debt have an inverse relationship, the debt levels in the entire world are on the rise diminishing the quality of life for some populations as poverty creeps in. To this end, a case study was undertaken to answer the following research questions:

- What is the financial literacy of first year students?
- How do students acquire their financial literacy?
- What is their saving and debt behaviour? and
- What is the link between knowledge and behaviour?

The literature review, therefore presented an overview of financial literacy studies in an International and South African context, positioning this study within that larger context. Financial literacy studies focus on the level of financial knowledge of students, the effect financial programmes have on behaviour and the importance of understanding that academic programs are not the only contributing factor to the success of teaching financial content. Since individuals are products of their upbringing it is vital to consider the socio-cultural influences, as these factors are important during the teaching and learning process, and affect the success rate of individuals in their learning outcomes. Having consulted a wide range of financial literacy, savings and debt scholarship, and having used an efficient method to attain an objective and comprehensive understanding of how first year students perceive their financial literacy, this study has addressed the formulated objectives.

The key aim of the study was to contribute to the body of knowledge on this subject area by examining the factors that are unique to a South African sample. Based on the conceptual

frameworks of the Socio-Cultural and Life Cycle Theory; this chapter encapsulates the main results of the study. The intention is to propose recommendations based on the key findings.

Summary of key findings

The research conducted indicated that the financial literacy of first year students was poor. Respondents self-reported that their knowledge did not suffice, primarily because they did not have sufficient knowledge on a number of important financial topics. The blame for this state was attributed to a number of factors, namely academic institutions, subject major choice and a lack of self-discipline. The exception to the participants, namely those who classified their financial literacy as good, had a common denominator; their primary schools had exposed them to a financial institution. The research suggests that it was the bridging of the access gap that was the determining attribute for self-reported “sufficient financial knowledge” for the participants of this research. What did stand out was those participants who had achieved financial literacy by experience and who discussed their positive savings and debt behaviours. Experience was categorised as work, academic intuition and home experience. The research findings displayed that most participants from all demographics cited work experience. Work experience did not increase financial knowledge as some scholarship had suggested, but affected savings behaviour. Academic institutions are rife with apt moments for financial literacy to be taught, however the research displays that meaningful experience (mixed method approaches) to educating the students is most effective. Philani was a case in point, who’s primary and high school afforded him these opportunities. As a result, he is the sole respondent to report major financial achievements.

Nonetheless, classroom learning was also cited by the participants of this research, and it too was helpful in building financial literacy although to a lesser degree. Other than the deliberate mixed method, or purely classroom teaching, academic institutions also presented teachable moments for the students. The respondents of this research expressed how school had made them aware of the differences amongst peer’s social classes and affordability, which in some ways did make them more conscious of how to spend their money on campus. However, the most widely discussed

form of experience occurred at the respondent's homes. The memory of receiving or earning an allowance is one of the first memories that the participants recall. Other home based experiences that have contributed to the financial literacy of first year students was the presence of a family business or the realisation of the financial struggles that parents or guardians had to endure to pay for school fees. These home experiences with parents/ guardians, and/or others whom were not overtly stated but present in students' interview responses affirms the influence that home has on the financial socialization of respondents.

All of the above ultimately affects the behaviour of the participants, which is most crucial since the bottom line with financial literacy is the appropriate behaviour. The savings behaviour of the participants was unlike that of the literature; the students reported having savings. Another aspect of savings was unearthed from the research, namely non-banking activities. This form of adapting ones spending to allow for more disposable income introduces another definition of savings, in addition to the others that the participants presented, namely; setting money aside for a rainy day or making an investment for future profit. Likewise, the debt behaviour of the research participants was also unlike that of the literature, in that participants reported not to have debt, but assigned what they did associate debt with (university fees) to be their parent's debt and not theirs. What is more the participants did not associate debt with financial illiteracy but other causes such as wants, greed, overspending and keeping up appearances. Lastly, since this research sought to determine the relationship between financial literacy and the savings and debt behaviours of first year students the section entitled Relationships discussed the relationships that this research discovered, namely knowledge is not related to positive behaviour, experience is and thus this research advocates for experience filled learning approaches.

Recommendations for further research

This research presents a starting point for the further study into the financial literacy of university students in South Africa. This section presents recommendations that could be used to develop policies as well as institutional capacity-building and skills development programmes for future

financial literacy improvement efforts. These are overall recommendations that draw on aspects already highlighted during data analysis undertaken and in the previous sections of this chapter.

Since this research discovered that the financial knowledge of participants was generally poor, continuing from this research, a qualitative needs analysis could follow. It was acknowledged that characteristics such as race, gender, class, and socio-economic background could be problematic since they are complex, hence further research could explore these factors more comprehensively. As this research has revealed, those participants who had been exposed to financial institutions by their high schools had self-reported better knowledge, it is a recommendation that such practises occur more frequently and as early as possible, for example at the high school level, or implemented at tertiary level. What is more, since the study showed that experience influences behaviour, and a substantial deal of that experience comes from academic institutions and the home environment, it is recommended that a mixed method approach be incorporated in all financial literacy programmes, and that as much as possible an attempt be made to encourage parental participation. In addition, further research could determine if there are any behavioural differences between students who received an allowance as opposed to those who earned one. These studies could be done at different locations within South Africa. In addition, longitudinal studies can be done on whether receiving early financial education is linked to an increased wealth portfolio.

Conclusion

This research has contributed to the literature that encourages financial literacy at the school and tertiary level, as the findings have demonstrated there is scant evidence to suggest that students are getting their financial knowledge from school, and there is a gap that academic institutions can fill. This is important since financial literacy is a relevant topic for all generations, as we operate within a monetary system. The financial literacy of the youth is particularly of interest as there is an optimal period for corrective action if the home environment has not sufficed in teaching this financial acumen. South Africa, is one of the most unequal countries in the world, and has witnessed the most fervent protests, to date, by students throughout the country, demanding the

fall of university fees. Encouraging financial literacy, therefore, should be seen as *one* of the stepping stones to allow future generations caught in the cycle of poverty, created by historical practices of discrimination, oppression and exclusion, to be able to, at the very least, plan an escape.

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Appendix 1 - Letter of Authority in Research