



**Examining the relationship between financial literacy and debt management in
eThekweni municipality employees**

by

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DECLARATION

I, **Priscilla Bongekile Xolo**, declare that:

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ABSTRACT

Every day, workers must make important decisions about investing portfolios, purchasing assets, and acquiring insurance. As a result of the financial markets making products more accessible without disclosing the risks involved, some workers wind up with a heavy workload. The purpose of the study was to examine the relationship between financial literacy and debt management in eThekweni municipality employees and to raise employee understanding of financial literacy and improve debt management skills. The quantitative research methodology used in scientific research was employed to conduct this study. The study's goal was to examine the degree of financial literacy and debt management among eThekweni municipality employees working in the Human Settlement and Transport Authority departments by using a questionnaire-based survey method. Non-probability sampling was used in the research, and respondents were chosen according to availability or convenience. Smart PLS4 and SPSS version 29.0 were used to analyse the data gathered from the answers. For the acquired quantitative data, the results display the descriptive statistics as graphs, cross-tabulations, and other figures. The study's findings were utilised to develop recommendations for the eThekweni municipality structures, with the aim of establishing employee beneficial financial literacy programs and preparing staff members for efficient debt management.

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DEDICATION

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LIST OF ACRONYMS

| | |
|-----|-------------------------------|
| ETA | eThekwini Transport Authority |
| H/S | Human Settlement |
| KMO | Kaiser Meyer Olkin |
| SEM | Structural Equation Modelling |
| PLS | Partial Least Squares |

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

With the greatest number of workers employed by the municipality to support service delivery, the eThekweni municipality, the only metro in KwaZulu Natal, contributes significantly to the province's economy. The goal of the eThekweni municipality is to make the most compassionate and liveable city by 2030. However, it will be challenging to realise this goal with overly indebted employees (Mercury, 2023), as the July report shows that over 3,000 eThekweni employees, including senior staff, owe the city R52 million in unpaid municipal bills. The purpose of the study, "Examining the relationship between financial literacy and debt management in eThekweni municipality employees," was to help staff members better understand financial literacy and debt management. This is because heavily indebted employees find it difficult to perform and are more likely to be absent from work. In recent times, financial literacy has gained significant attention from policymakers worldwide as a fundamental component of economic stability. In a situation like this, it is essential to have a strong understanding of financial matters to encourage employees to effectively handle their debts and align with the city's objectives.

Purchasing a home, a car, or an investment portfolio are just a few examples among many that call for financial literacy to make wise financial decisions. However, financial markets have made financial products more widely available without disclosing the risk involved or offering interest options that impose obligations on society, including eThekweni municipality employees. The competence and empirical knowledge required to effectively manage and make decisions about one's finances, including budgeting, spending, borrowing, repaying loans, and other financial matters, is known as financial literacy. Given this assertion, it is evident that financial literacy has evolved into a social requirement that helps workers manage their debt.

This chapter covers the study's foundation, which includes the introduction, study background, justification for the study, problem statement, research focus, aim, objectives, and questions. It also highlights that the methodology is quantitative because the study is focused on financial science, and the researcher examines the relationship between two variables and concludes with the dissertation's structure.

1.2 BACKGROUND OF THE STUDY

According to records from the payroll system, some employees of the eThekwini municipality are persistently highly in debts. Based on the eThekwini municipality Payroll Run Set: 2017–2023, there are times when certain employees' net pay is less than 25% of their gross wages or has a negative balance that does not cover required deductions.

By permitting reckless lending, the Workers Union-affiliated loan companies that have been authorised to take direct salary deductions from the salaries of municipal employees have contributed to the issue. A portion of these companies do not adhere to the guidelines set forth in National Credit Act No. 34 of 2005's Sections 79, 80, and 81, which deal with over-indebtedness, reckless credit, and prevention of reckless credit, respectively. With the intention of protecting workers and improving their performance, it is imperative to carry out a study of this type as a Human Capital intervention to increase knowledge of financial literacy and the significance of debt management (eThekwini municipality Website, 2023).

Information obtained from the eThekwini municipality Wellness Program indicates that more employees are being referred to because of subpar performance brought on by financial hardships. (Report on eThekwini Wellness, 2023)

Jali (2022) claims that an inadequate understanding of financial literacy has emerged as a global cause of excessive debt. Poor financial decisions and financial difficulties can result from a lack of financial literacy and an inability to comprehend financial ideas (Skagerlund, Stromback, & Tinghog, 2018). Global scholarly attention has been drawn to the issue of personal debt in developing nations (Botha, 2021). These difficulties appear to be made worse by the introduction of financial technology (Yew, Yong, Cheong and Tey, 2017).

The National Credit Regulator Report, which provides a briefing to the portfolio committee on Trade, Industry, and Competition in 2023 regarding the financial and non-financial performance of the first and second quarters of the 2022–2023 fiscal year, states that "excess debt leads to failure to pay all bills on time, which leads to panic, stress, and feelings of overwhelm at the level of outstanding financial debt." Consumers have a wide range of options in the competitive and diverse financial markets. For everyone, including the eThekwini community, saving, and managing money is becoming more and more crucial. Additionally, "people who lack financial literacy are less likely to create inappropriate financial products, make irrational financial decisions, and neglect to save for the future." (Wentzel, 2016).

The purpose of this study is to identify methods in which human capital can assist while also increasing awareness within the eThekwini community personnel and fostering financial literacy and debt management.

1.3 RATIONALE OF STUDY

Payroll reports from the eThekwini Municipality demonstrate the predicament that workers are in when it comes to managing their debts, as some are even experiencing a minus in net income because of a lack of financial awareness. Additionally, the eThekwini Wellness Programme is now handling several cases of employees experiencing financial hardship. Finally, even the senior and executive personnel of eThekwini owe the municipal Council R52 million for rates and services. The employees are responsible for paying this debt, with the executive, senior managers, and managers contributing R2.3 million apiece and the councils owing R1.2 million (Mercury, 2023).

The evidence of employee debt offers a chance for research that emphasises how important it is to comprehend financial literacy and have the skills necessary to manage loans successfully. By demonstrating the link between these two variables, financial literacy and debt management and by investigating potential tools to help staff members become more financially aware, the research is filling a vacuum.

This kind of research will benefit the workers' health and add to the body of knowledge, enabling them to recognise the importance of personal financial management and urge the municipality to be employers who implement financial education programs that can improve their employees' financial literacy, which will benefit them in terms of financial position awareness, advice on choosing a proper investment portfolio, and achievement of financial objectives (Abdullah, Fazli, and Arif, 2019).

This study adds to the body of evidence demonstrating how crucial financial literacy is for debt management. It is also significant since it emphasises saving culture and teaches eThekwini municipality staff members the value of having sound financial understanding. To alleviate the burden of debt for employees, it is crucial to tackle these concerns within the workplace.

1.4 PROBLEM STATEMENT

According to Trading Economics (2023), private-sector lending in South Africa increased by 8.42% year over year in January 2023. Additionally, Klapper and Lusardi (2020) state that a lack of financial literacy increases the likelihood that employees will make poor financial decisions, which increases the risk of failing to manage debt. These findings provide evidence that South Africans are significantly indebted.

Every day, workers must make important decisions about investing portfolios, purchasing assets, and taking out insurance. As a result of the financial markets making products more accessible without disclosing the risks involved, some workers find themselves overburdened with responsibilities (Klapper and Lusardi, 2020). Fong, Koh, Mitchell, and Rohwedder (2021) assert that if you possess money but lack financial literacy, you run the danger of making poor financial decisions, such as taking on a large debt that will severely impact your ability to make payments on it.

About 3,000 employees owe the council R52 million for rates and services, according to information found on (Mercury, 2023). The executive, senior managers, and managers have each contributed R2.3 million to the growing debt. Given this substantial amount owed by employees, the municipality's debt management issues are even having an impact on the municipality. The exception reports from the eThekweni municipality Payroll Run Set (2017–2023) illustrate the issue of high debt among eThekweni municipality employees. The eThekweni municipality regularly reports that certain employees' net pay is less than 25% of their real monthly wages; however, some of them are left with net pay that is even less than what is required to satisfy statutory deductions. (Report on eThekweni Wellness, 2023) The wellness program at eThekweni Municipality works with several employees who are referred to it by their line manager or a human resources specialist because of subpar performance brought on by financial difficulties.

The purpose of this study is to investigate the relationship between debt management and financial literacy in eThekweni municipality employees.

1.5 RESEARCH FOCUS, AIM, QUESTIONS AND OBJECTIVES

1.5.1 Research focus

The study aims to enhance the financial literacy of eThekweni Municipality employees and improve their ability to manage debts effectively. It specifically investigates the correlation

between financial literacy and debt management among these employees; therefore, two focus areas of the study will be as follows:

- Financial literacy
- Debt management

1.5.2 Research aim

The study was conducted with the aim of examining the relationship between financial literacy and debt management in the eThekweni municipality employees to inform the Municipality Wellness Programme Strategies for developing Municipal employees' financial literacy and debt management skills.

1.5.3 Research objectives

- To examine the relationship between financial literacy and debt management in eThekweni municipality employees.
- To measure the financial literacy levels among eThekweni municipality employees.
- To determine the debt management understanding in eThekweni municipality employees.
- To discover strategies that can be utilised to empower employees to understand financial literacy and debt management.

1.6 RESEARCH QUESTIONS

- Do eThekweni municipality employees understand the relationship between financial literacy and debt management?
- What are the financial literacy levels of eThekweni municipality employees?
- What is the level of understanding of debt management of eThekweni municipality employees?
- What are the strategies that can be utilised to empower the employees to understand financial literacy and debt management?

1.7 RESEARCH METHODOLOGY

The research was conducted utilising the quantitative research methodology, which is a systematic and scientific approach to doing research. This research will utilise systematic, objective, rational, rigorous, and ethical ways to solve the problem to address the aims and objectives of this study (Creswell and Creswell, 2018).

1.8 STRUCTURE OF THE DISSERTATION

This study is divided into the following five chapters:

Chapter 1: Introduction

The introduction and study background are provided in this chapter. The focus and aims of the study are discussed along with the research problem. In order to guide the research, the objectives and research questions were established. The dissertation's structure and research methodology were also briefly discussed.

Chapter 2: Literature review

The meanings of essential terms are broken down in this chapter's summary of the literature, which also includes a discussion of the problems with financial literacy and debt management in developed and developing nations, South Africa, and the eThekweni municipality. This chapter examines earlier research on debt management and financial literacy, examining everything from the global to the local level of financial literacy instruction, including eThekweni municipality. The theoretical framework used to support the investigation is addressed, and its selection is supported by evidence.

Chapter 3: Research methodology

This chapter's goal is to provide a summary of the research strategy and data collection procedures, as well as a description of the specific techniques used to gather empirical data. It also explains how to write a questionnaire for gathering data. Data processing and analysis are referred to as statistical techniques.

Chapter 4: Presentation and discussion of the results

The research results for each of the research questions are presented in this chapter. The outcomes are compared to those that have already been documented in the literature.

Chapter 5: Conclusion and recommendations

This chapter examines the study's contribution, conclusions, suggestions for further research, and ramifications. The study's limitations are discussed, and the research objectives are reviewed.

1.9 CHAPTER SUMMARY

This chapter gave the introduction, study's background, problem statement, focus, aims, objectives, questions, and the highlight of the methodology used. Additionally, the study's importance was emphasised. Finally, the chapter summaries show the general direction of the research.

The next chapter discusses the literature underpinning this study.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

A literature review is a meticulous process of identifying and synthesising relevant literature to evaluate and contrast the findings of previous studies on a particular subject. Review papers thus provide readers with an up-to-date overview of the research issue, help to identify research gaps, and offer suggested routes for future research.

This chapter examines previous research on financial literacy and debt management, beginning with the theoretical underpinnings of the theories that guide the investigation. Defining the two important words, debt management and financial literacy. The effects of financial illiteracy in industrialised nations before, during, and after COVID-19; the effects of financial illiteracy in developing nations before, during, and after COVID-19; and the effects of financial illiteracy in South Africa before, during, and after COVID-19. Financial literacy education standards in industrialised nations, developing nation standards, and South African education standards. Financial crisis and debts brought on by Russia's invasion of Ukraine. Financial crises and the amount of debt in industrialised economies, debt in Africa, and the debt crisis in South Africa. Finally, the effects of a lack of financial literacy and debt management in the eThekweni municipality are discussed.

2.2 THEORETICAL BACKGROUND

This study gained support from theory of planned behaviour by (Ajzen, 2020). The notion of theory of planned behaviour serves as the theoretical foundation for this investigation. Theory of planned behaviour states that human behaviour is guided by three kinds of consideration, beliefs about the likely consequences of individual behaviour, beliefs about what important others think one should do, and beliefs about individual ability to carry out the behaviour. These beliefs provide the basis for the formation of an intention to engage in the behaviour, but actual performance of the behaviour depends on the behavioural control (Ajzen, 2020). In an attempt to comprehend behavioural patterns and how people make decisions, this theory attempts to reduce the intricacies of human social behaviour (Xiao and Wu 2008). Positive financial conduct is associated with increased responsibility and efficient use of resources by the individual. According to Barbić, Lučić, and Chen (2019), financial literacy can be viewed as a skill that supports those who possess it in making wise, sensible, and well-informed

decisions that are consistent with their long-term financial goals. Therefore, having financial literacy makes it easier for someone to manage and take charge of their finances by helping them make wise decisions about how much money to spend, save, invest, or pay off debt (Dwiastanti, 2015). Individuals' financial activity can thus be described and explained by the notion of planned behaviour theory.

Thus, the theory of planned behaviour can help to understand how debt management and financial literacy affect the financial behaviour of employees of the eThekweni municipality. Therefore, an employee's financial behaviour may be influenced by their attitudes and views regarding debt management and financial literacy. Employees who view financial literacy favourably and recognise its significance in improving their financial behaviour namely, in enabling them to handle debt are more inclined to pursue and obtain it to enhance their financial practices. Since the study is conducted with the aim of examining the relationship between financial literacy and debt management in eThekweni Municipality employees, furthermore, is to empower employees to being financial literate and developing better skills to manage debts, therefore the theory of planned behaviour helps to influence financial behaviour to take prudent financial decision.

2.3 DEFINITION OF KEY CONCEPTS

2.3.1 Financial literacy

"The awareness, knowledge, skills, attitudes, and behaviours necessary to make well-informed financial decisions and ultimately achieve personal well-being defined as a combination of financial literacy helps in everyday activities" is how (Ripain, Amirul, and Mail, 2017) define financial literacy. Making educated financial decisions, such as retirement planning, debt management, investment and wealth creation, and financial planning, is made easier for individuals who comprehend financial facts. According to Aziz and Kassim (2020), financial literacy is a gauge of a person's understanding of their finances.

According to Mendes-da-Silva's (2016) research, the terms "financial literacy" and "financial knowledge" are frequently used interchangeably. The idea is conceptually distinct from financial literacy, though, because financial literacy has more ramifications. Consequently, it may not be very clear to use the two terms interchangeably. A person's degree of comprehension, which characterises their level of financial literacy, and their usage, which is related to how they employ their financial literacy, are the two components of financial literacy. Even when someone is knowledgeable about finances in this context, they still need

to be able to make judgments with confidence and aptitude to be deemed literate. It is not as simple as understanding the fundamentals of literacy (Andarsari and Ningtyas, 2019).

According to Arrondel (2018), a person's level of financial literacy is directly correlated with their comprehension of household finance, particularly in its behavioural branch. As a result, people's actions are determined by their grasp of financial literacy.

2.3.2 Debt management

According to Muhammad & Norwani (2019), debt can have an impact on financial literacy because it can lead to inequalities in life and unstable employment. Liability and debt are terms that refer to two distinct but connected ideas. Amit, Ismail, Zumrah, MohdNizah, Tengku Muda, Tat Meng, Ibrahim, and Che Din (2020) define one as an asset that is less than a liability and the other as a special legal document that binds lenders and debtors.

Karakurum-Ozdmer, Kokkizil, and Uysal (2018) state that debt management and personal finance are dependent upon individual financial education. The management of debt and financial literacy are wide-ranging topics that have drawn the attention of several researchers worldwide. According to Dewi, Febrian, Effendi, and Anwar (2020), economic capacity is the capacity of an individual to reduce the probability of encountering financial difficulties when making economic decisions. A person's incapacity to grasp credit, investment vehicles, and other financial instruments, as well as their lack of basic financial abilities, may be the cause of their financial difficulties. One of the things that leads to financial problems is a lack of personal financial literacy.

2.4 IMPACT OF LACK OF FINANCIAL LITERACY IN THE DEVELOPED COUNTRIES PRIOR, DURING AND AFTER COVID-19 PANDEMIC

The phrase first surfaced during a pandemic that rocked global economies, but the consequences of inadequate debt management and financial literacy were there well before the financial collapse. The evidence for this comes from a study done before the virus existed by (Isomidinova, Singh, and Singh, 2017), in which American graduates attending public or private non-profit universities were shown to earn £20,500, with the remaining £29,000 owed to students at private for-profit universities. This study was supported by Harding (2016), who claimed that having debt affects one's capacity to make important decisions in life. According to Tetlow (2016), recent graduates are even less fortunate than previous grads

when it comes to moving up the housing ladder, and rising student loan debt counteracts declining levels of other household debt. Credit card debt is also rising at the same time.

According to estimates from the Federal Reserve, about half of US households struggle to make their monthly credit card payments in full. According to Isomidinova et al. (2017), these households owe over \$800 billion in credit card debt, with each household averaging over \$15,000. People need to go above and beyond the minimum standards to repay it, and they must periodically choose how to allocate the repayments to their accounts. This may result in poor credit card performance. Poor budgeting, a lack of awareness of interest expenses, and inadequate long-term financial planning can all lead to defaults on credit card debt.

In Malaysia, an upper-middle-income nation, revealed that Malaysians' general financial literacy was lower than that of people in other regions of the world, with variations within ethnic groups, and was determined to be low between gender-focused attitudes and behaviours and financial knowledge (Yong, Yew, and Wee, 2018). They suggested making financial education in colleges and universities more robust. Even though Malaysia has a high level of financial literacy, prior research has demonstrated that this does not always translate into appropriate financial behaviour (Lusardi & Mitchell, 2011). People are struggling financially. This demonstrates that the concept of financial literacy has not yet been thoroughly investigated or comprehended, even while Collins (2012) emphasises the significance of utilising financial guidance to enhance rather than replace an individual's financial capabilities. This concept makes it evident that to manage debt effectively, employees now need to be financially literate. Although the research provided was carried out prior to COVID-19, the findings indicate inadequate debt management and financial literacy.

Kurowski (2021) asserts that times of health crises, which result in significant rises in the debt overhang, have a unique significance. People who are unprepared for adversity run the risk of running out of money. The association between excessive debt and financial literacy was not well studied in the literature. The effect of financial literacy on readiness for financial crises and the consequent rise in excessive debt, however, has been examined. Kurowski (2021) demonstrates that the kind of credit product strongly influences funding costs through a survey of UK clients. Costs for consumer loans and credit-worthy, long-term standard mortgages are higher for products like credit cards and short-term loans. Regarding this, it

was also established that a higher chance of consumer loan default is linked to a lack of financial literacy.

Conversely, we discovered that access to very expensive consumer loans became less common as financial literacy increased and that this trend was independent of household income. Artavanis and Soumya's (2020) research indicates that students with lower literacy rates are more vulnerable to unforeseen shocks that affect their repayment capacity. Additionally, as noted by Lusardi and Michael (2014), debt repayment is more challenging for those who have a history of high debt levels. Based on our experience with mortgages, debt service issues are much reduced for borrowers who possess a better level of financial literacy.

Thus far, the FLat World project's findings, which contain information from 15 nations, including Switzerland, focus on the crucial obligation of improving financial literacy (Lusardi, 2019). Most of the countries implicated in the FLat World project have developed financial markets, which is a proven reason for concern regarding financial capability. Financial literacy is at crisis levels in every country, with average rates of financial literacy being startling. There is a wealth of data demonstrating how financial literacy affects people's financial behaviour and decision-making. For instance, it has been demonstrated that financial literacy affects borrowing, debt management, and investment and saving behaviour.

Financially astute individuals are empirically more likely to amass wealth (Lusardi et al., 2014). The Malaysian Bankruptcy Ministry disclosed in the Abdullah, Fazli, and Muhammad Arif (2019) report that 11,264 young employees under the age of 40 have been declared bankrupt. According to research published in 2012 by the Consumer Research and Resources Centre [CRRC], young workers who make between 2000 and 3000 RM per month are less likely to get married, possess a car, or buy a house. This claim indicates that young workers and members of the working class are experiencing a debt crisis.

A new study following the COVID-19 pandemic by Méndez Prado, Zambrano Franco, Zambrano Zapata, Chiluiza García, Everaert, and Valcke (2022) reveals our vulnerability to continuous changes in our political and economic institutions. It demonstrates how uncertain our times are all the time. The need for people to become more financially literate is growing to help them attain adequate financial well-being. The limited body of literature, nevertheless, suggests that the majority of countries, particularly those with substantial stock markets, such as the US and the UK, possess a low degree of financial literacy. Comparable results

highlight the need for financial literacy when looking at studies conducted in the United States, indicating that despite the large number of studies conducted on the topic, there are still gaps, even in developed nations. The financial sector and the economy are undergoing a fast transformation; therefore, it is critical to know if consumers can make sense of the complex financial decisions they encounter on a regular basis.

2.5 IMPACT OF LACK OF FINANCIAL LITERACY IN THE DEVELOPING COUNTRIES PRIOR, DURING AND AFTER COVID-19 PANDEMIC

Based on Kefela (2011) investigation, consumers and suppliers of additional goods are assuming a greater share of the responsibility for important financial decisions, such as retirement planning. This shift is occurring because of the growing complexity of financial markets in both developed and developing countries in recent times. The severely poor today live in a more complicated financial environment as a result of the growth of below-market financial services like microfinance, remittance networks, branchless banking, and microinsurance. According to Kefela (2011), Ugandans' debt has increased because of the global economic collapse, underscoring the significance of promoting financial literacy. There was general agreement at the fourth financial literacy week, which took place at Kampala's Imperial Royale Hotel, that financial literacy initiatives in Uganda need to be expanded to include all age groups. Most Ugandans are not aware of their financial responsibilities and rights. Many households struggle with debt, extravagant lifestyles, insufficient money, and dishonest business practices. Considering this assertion, highlight the importance of financial literacy in Uganda and provide residents with the knowledge necessary to comprehend how it affects even their financial rights when they lack it.

The issue of financial literacy is significant for developing nations as well, with emerging markets having lower levels of financial literacy than developed nations. According to Grohmann's (2018) survey of Asia's middle class, financial literacy is limited to surveys conducted across larger populations or in less developed parts of developing nations. Wide variations in wealth and financial availability often exist within a single emerging nation, ranging from the unbanked rural impoverished to the urban worker investing in mutual funds. Distinct approaches should be used with each group. A dearth of studies has concentrated on the middle class in emerging nations, with most of the study on financial literacy in impoverished rural areas.

Based on a study by Hasan and Hoque (2021), Bangladesh is a developing market economy with an excess population of about 166 million people. The large population of the country is the root cause of many financial and economic problems. One of these countries' biggest issues is access to financial goods and services. Approximately 53% of adults do not have access to financial resources, especially those who belong to low-income groups. Though the quantity of banks is increasing every day, no appreciable progress has been observed. According to Hasan et al. (2021), a sizeable portion of the rural population is still not eligible for official financial services. Millions of people live in rural areas and are not aware of financial services or microfinance. As a result, there has been a huge need for research on financial access and literacy in Bangladesh. Bangladesh is an emerging nation, and understanding finance is critical to the development of its economy.

The exponential increase in young debt in the contemporary world, according to Batizani and Quetishat (2022), presents a negative image of their financial achievement (Lusardi & Mitchell, 2017). For example, between 2014 and 2016, the amount owed on a student loan account in Malawi increased from \$1,000 to \$3,400, or almost 57% when inflation is considered. Once more, this followed an increase in the demand for undergraduate student loans. This problem was seen in the lifestyles of university students as well. Since it does not seem to be decreasing over time, students at Malawian universities and the younger generation see this increase in student debt as the primary cause of financial stress and anxiety.

Furthermore, this debt load inhibits young people from developing a culture of saving and earning pension benefits in the future (Batizani et al., 2022). The data presented above clearly indicates that Malawi's youth, which is rapidly growing, are not financially literate. The researcher became interested in this topic to increase awareness of financial literacy and debt management in a specific organisation, as individuals with low financial literacy have a harder time managing their debt.

2.6 IMPACT OF LACK OF FINANCIAL LITERACY IN SOUTH AFRICA PRIOR, DURING AND AFTER COVID 19 PANDEMIC

South Africa reported the first case of COVID-19 in March 2020. The government ordered a lockdown by the end of March 2020 and restricted the sale of other items, including alcohol and cigarettes, to safeguard the public as the virus started to spread. The economy was

strained because of these activities, making it impossible for other firms to continue operating. According to Arndt, Davies, Gabriel, Harris, Makrelov, Modise, Robinson, Simbanegavi, Van Seventer, and Anderson (2020), low investment, high unemployment (which was 32.5% in Q4 2020 according to Trading Economics), and fiscal fragility are the main causes of South Africa's macroeconomic imbalances. Fiscal fragility is demonstrated by a decline in fiscal revenue in recent years. Downgrades and a debt payment burden that accounts for almost 15% of state revenue have resulted in a persistent increase in the debt-to-GDP ratio. Fragile balance sheets characterise several domestic enterprises, including low-income households that have recently experienced a sharp increase in unsecured debt. This rationale demonstrates the devastation that COVID-19 caused in the collapsing economy, where debt management and financial literacy were popular subjects.

According to Rootman and Antoni (2014), South Africa has a low savings culture, which increases the likelihood of debt. The majority of South Africans have a weak saving culture since they are frequently not exposed to financial education (Louw, Fouche, and Oberhozer, 2013). Additional evidence, as provided by Mudzingiri et al. (2018), indicates that South Africans have low rates of saving, a high degree of consumer debt, are susceptible to fraudulent financial schemes, invest in high-risk portfolios that could put them in danger of financial crisis, and do not have enough cash on hand to pay off their debts. This emphasises the need to carry out similar research, particularly for local government agencies, to prepare their staff better.

According to Abubakar (2015), financially knowledgeable individuals frequently make well-informed financial decisions, highlighting the significance of financial literacy in managing finances and savings. A person's spending habits are determined by their level of personal financial literacy. This perspective is reinforced by research conducted by Rootman et al. (2014), which suggests that consumers who make poor financial decisions typically have low financial literacy. This highlights the need for employees to receive better financial education to manage their debts. According to Louw et al. (2013), financial illiteracy may be affecting people's ability to manage their debts because it prevents people from having the knowledge and skills necessary to make wise financial decisions, which increases the risk of financial crisis and the inability to accumulate wealth. According to research by Seay, Kim, and Heckman (2016) and Lusardi et al. (2014), financial literacy is the ability of an individual to make sound financial decisions. It also demonstrates that inadequate financial knowledge linked to bad financial judgments leads to high borrowing costs. Research indicates that a

greater understanding of financial literacy increases one's exposure to financial difficulties, but a greater understanding increases the likelihood of making prudent financial decisions. Financial education can help consumers even with retirement savings, claim Rootman et al. (2014). Without financial education, employees are more likely to spend carelessly and not save for retirement, which increases their chance of being impoverished when they get older.

Arrondel (2018) notes that individual financial literacy is a measure of household finance, particularly its behavioural branch, meaning that a person's behaviour with money reflects their financial literacy. To assess the relationship between financial literacy and behaviour, Arrondel (2018) analysed a range of situations, including debt. The analysis highlights the significance of financial literacy in closing the gap between these variables. Kagotho, Ssewamala, Patak-Pletafesa, and Byansi (2017) assert that individuals with financial literacy possess superior comparative ability and deal-making comprehension, as seen by their understanding of interest dynamics. According to Nanziri and Leibbrendt (2018), there is a lack of financial literacy in South Africa, along with dubious financial behaviour. This research suggests that bad debt management is a result of poor financial behaviour caused by a lack of financial education.

In South Africa, the debt levels of young adults have skyrocketed, and many of them are registering for debt assessment programs offered by debt counsellors (BusinessTech, 2021). Black Africans are living over their means and struggling to make ends meet, which leaves them with little money saved. They are thus more vulnerable to financial shocks. Given that diverse persons were impacted by the shocks associated with the recent financial crisis, possibly this sensitivity was made worse (Ndou, 2022). Because of this, workers might not have had as much money to lay up for emergencies, which might have caused them to get into debt in the event of one. The situation is worse in developing countries, especially for low-income, minority, and rural people (Matemane, 2018).

According to Matemane (2018), the banking industry has recently realised that young black Africans are not able to honour credit card repayments; thus, it has focused exclusively on young adults as its most prized customers. According to research by Mbukanma and Rena (2022), household debt is the total of all debts held by members of a household, including consumer and mortgage loans. A notable rise in this category of debt is typically linked to a number of serious economic crises, which in turn precipitated a financial collapse that had a significant effect on numerous economies worldwide and is now widely known as the global

financial crisis. In additional clarification, Mbukanma et al. (2022) state that after the onset of the 2008–2009 financial crisis, South Africa's household debt to income ratio grew dramatically. It was also found that persistent household debt is significantly impacted by changes in the nation's GDP, consumer price index, and household consumption.

Furthermore, Mudzingiri et al. (2018) discovered that negative fluctuations in the prime rate and household income significantly impacted household borrowing. Considering that the majority of South Africans lack financial literacy and save only what is necessary for survival, as per Trading Economics (2022), South Africa in Q4 2021, the household debt-to-income ratio stood at 67%, indicating that a significant portion of workers' earnings were allocated towards debt repayment. According to Ngek (2016), policymakers and researchers are focusing their attention on financial literacy, which highlights the need for additional research until the public is aware of the significance of debt management and financial literacy.

2.7 STANDARD OF EDUCATION AND FINANCIAL LITERACY IN DEVELOPED COUNTRIES

Japan, being a highly developed economy, possesses sufficient technological expertise, financial structure, and regulations to support the adoption of fintech; yet, the uptake of this technology is still restricted, and the country's level of financial literacy is marginally lower than that of the US, Germany, and the UK. Yoshino, Morgan, and Long (2020) propose Japan as a compelling case study for examining the correlation between fintech adoption and financial literacy. According to Yoshino et al. (2020), both scholars and policymakers need to show interest in the correlation between financial literacy and the acceptance of fintech in Japan. According to the report, there is a significant distinction between males and females. Regarding financial literacy, men exhibit an average score of 14.9, whilst women demonstrate a lower average score of 13.4.

According to Yoshino et al. (2020), just 26.8% of women and more than 40% of men have the absolute minimal level of optimal financial literacy. These data indicate that Japan's financial literacy level remains low despite its status as a developed country. While the financial literature is still in its infancy and the implications of financial depth's importance on growth are not yet established, high-income countries may have reached the point where it

is no longer beneficial to increase investment efficiency, according to Kaiser and Menkhoff (2017).

2.8 STANDARD OF EDUCATION AND FINANCIAL LITERACY IN EMERGING COUNTRIES

Demonstration was imposed by the Indian government, according to Prasad, Meghwal, and Dayama (2018), to fight black money and move the nation toward a paperless digital economy. However, considering that it is one of the elements behind the financial crisis, financial literacy education seems to be an issue. India is a developing country that is beginning the second phase of financial sector reforms, according to Prasad et al. (2018). To enhance accessibility to financial services, the Indian government and reserve bank have taken various steps such as allowing the banking correspondent model, expanding the number of rural bank branches, and implementing CBS technology. When achieving financial inclusion in a varied country like India, financial literacy is critical to the success of this significant social endeavour opportunity (Shetty and Thomas, 2015). Despite declarations regarding the need for financial literacy, financial education is still lacking in poor countries. Based on a study conducted in Kenya by Mbarire and Ali (2014), it was found that numerous employees depended on input from their colleagues when determining whether to participate in retirement investment decisions. This reliance on peers was due to a lack of well-informed information available to them. This indicates a lack of understanding and knowledge regarding financial matters. This highlights the lack of emphasis on financial literacy education.

2.9 STANDARD OF EDUCATION AND FINANCIAL LITERACY IN SOUTH AFRICA

Matemane (2018) argues that low financial literacy among black South Africans can be attributed to the previous apartheid-era "Bantu" school system, which forced black students to receive inadequate education. Furthermore, "Black people were excluded from financial activities and the mainstream economy, leading to fewer opportunities to gain financial literacy" (Matemane, 2018). As a result, even 25 years after independence, black people still have lower levels of financial literacy (Matemane, 2018). Matemane (2018) also discovered that Black individuals have lower levels of financial literacy than Whites, Coloured people,

and Indians. Even black individuals with professional experience and college degrees were deficient (Matemane 2018). This disproves the notion that financial literacy is positively correlated with education levels and negatively correlated with lower educational attainment. If this reasoning is valid, the only plausible answer might be the inadequate education that black people are currently receiving.

According to Amnesty International (2020), since winning independence, South Africa has improved the standard of living for Black people, particularly via the construction of a significant number of schools across the country. Nevertheless, the mere expansion of educational opportunities for Black individuals does not guarantee equitable access to high-quality education for more members of the Black community (Amnesty International, 2020). As a result, the nation's socioeconomic differences continue to be represented in the educational system. Furthermore, at least 71% of South African kids attend schools where at least 30% of students are socioeconomically disadvantaged, according to reports from Amnesty International (2020). Furthermore, 77.3% of students who attend public schools receive free or reduced-price meals at school, according to STATSSA (2019). This data highlights the unfavourable learning settings that educators and students encounter, which ultimately contributes to the low educational attainment of the Black community. South Africa is thought to have one of the most unequal educational systems in the world (Jali, 2022). This supports the theory that black students typically acquire less education, which could be the reason behind their lack of financial literacy.

2.10 DEBTS AND FINANCIAL CRISIS IMPOSED BY RUSSIA'S INVASION OF UKRAINE

Many obstacles stand in the way of South Africa's economy's recovery from COVID-19. These include macroeconomic problems like the Russian invasion of Ukraine, which is the primary cause of the nation's sharply rising fuel and oil prices, as well as microeconomic ones like the failure of the electricity supply (Linganiso, Tlhaole, Magagula, Dziike, Linganiso, Motaung, Moloto, and Tetana, 2022). The already unstable state of the South African economy was made worse by flooding that followed theft in KwaZulu-Natal, especially in the eThekweni Municipality, where the flooding was the worst. Because of all these economic issues that lead to debt accumulation, financial literacy is essential.

Different ministers disagreed during a debate in the South African parliament regarding the war's economic impact. For instance, MP Madisha (2022) voiced fear that the war would worsen the nation's record unemployment rate and lower its estimated GDP for 2021–2022, in addition to the already-impacted R77 billion in commerce between South Africa and Russia. Deputy Minister of Finance Masondo (2022) states that the products impacted by this war are wheat, maize, and oil supply. Inflation brought on by price increases reduces consumers' disposable income. The first quarter of Trading Economics (2022) indicates that the current inflation rate is 5.7%. However, if this conflict goes on, we could end up with high inflation. The inflation rate is still high and is at 5.4%, down from 6.3% in the previous quarter, despite our efforts to lower it. According to Ali, Azaroua, Bourhriba, and Dadush (2022) take into consideration that both countries are major players in the food, fertiliser, and oil industries and that the Russian-Ukrainian connection has a substantial impact on both the political and economic spheres. While Ukraine makes just 0.2% of the global output, it is more diverse than the Russian Federation, which makes up 2% of it. Ukraine contributes significantly to the global food market by exporting 6% of the world's cereals, 10% of the world's vegetable oil, and 50% of the world's sunflower oil. This contrasts with Russia, which leads the energy sector with exports of 11%, 9% of the world's petroleum, 5% of the world's imports of cereals, and 24% of wheat. Figures highlight the importance of both nations in global trade and show that the war has had a negative impact on trade and price.

The impact of war in African countries is expected to worsen macroeconomic conditions, leading to higher oil prices and international policy interest rates to fight inflation, which imposes the risk of assets remaining uncertain (Ali et al., 2022). South Africa trades with both Russia and Ukraine. With a high level of public debt (69.9%), a developing country such as South Africa will struggle to pay off the high interest rates, which will lead to both a prime lending rate of 11.75% and a repo rate of 8.25 percent. The effects of this battle necessitate debt management and financial literacy.

2.11 DEBT RATE AND FINANCIAL CRISIS IN DEVELOPED ECONOMIES

Sub-prime loans, according to Edey (2009), do not meet the requirements for good US credit quality, which include a borrower with a strong credit history, reliable evidence of income, and/or a conservative loan-to-value ratio. Sub-prime lending began to take off in the United States in the middle of this decade, and by 2006, it was responsible for 15% of all outstanding

mortgages and about one-fifth of all new mortgages made in the nation. The securitisation of sub-prime and other loans by their original lenders and their subsequent sale to other investors was a prominent part of this period, according to (Hasan, Hassan, Rashid, and Alhenawi, 2021). Conventional mortgage-backed securities somewhat facilitated this, but it also happened gradually because of increasingly complex instruments such as collateralised debt obligations, or CDOs, which played a pivotal role in the propagation of the crisis. Some of these instruments were able to get high credit ratings because of their structural design, even if the underlying loans were often of low quality (Edey, 2009).

2.11.1 The origins of financial crisis and increased debt rate in developed countries

When these problems first arose in the first half of 2007, it seemed that the US financial industry would be largely spared from their effects. (Edey, 2009) states that the first observable effects on global markets appeared in August 2007. Three of the major French bank BNP-Paribas' funds that were invested in mortgage securities issued by the United States were halted at that time (Hasan et al., 2021). That declaration revealed that certain European banks or organisations connected to them that were not on the balance sheet had made significant investments in these securities and might be at risk of significant losses. The result, according to Edey (2009), was a considerable widening of risk spreads in global credit markets and increased difficulty and expense for banks in obtaining capital from financial markets. Institutions that were already under strain were put under more strain by these adjustments.

However, according to Edey (2009), things took a sharp turn for the worst in September 2008, particularly after the US investment firm Lehman Brothers collapsed. This was the first time that creditors of a large financial institution had suffered losses during the crisis. Edey (2009) claims that the US federal mortgage institutions Fannie Mae and Freddie Mac, which combined held over \$5 trillion in mortgages under administration or guarantee, were essentially nationalised one week before the Lehman crisis. The International Monetary Fund (IMF) issued stabilisation plans for Pakistan, Iceland, and other Eastern European countries by the end of 2008, as the crisis had swiftly spread to additional weak countries (Edey, 2009). The rate of global activity had begun to decline prior to the commencement of the financial crisis's most severe phase in September 2008. Rising interest rates had started to have an

impact on the US housing market and housing prices by the middle of 2006, which was hindering the nation's overall economic growth.

For similar reasons, Hasan et al. (2021) claim that activity has also begun to slow down in the United Kingdom. Nevertheless, in the first half of 2008, other parts of the world seemed to be doing well. The financial crisis that followed Lehman Brothers' collapse in September caused the major economies of the globe to deteriorate swiftly. In response, households cut back on discretionary spending, particularly on manufactured goods, while consumer and corporate confidence declined. This led to an exceptionally steep decrease in worldwide industrial production by the end of 2008 and significant GDP declines in most of the world's major economies. The recession in the G7 economies worsened in the third quarter of 2009, especially in Japan, and then spread to Asia, Latin America, and Eastern Europe, according to a study by Edey (2009).

2.11.2 Policy responses to a debt crisis

According to Demirgüç-Kunt, Peria, and Tressel (2020), a number of industrialised nations experienced a sharp decline in the pace of credit growth in the wake of these events. A decline in credit demand is likely partially to blame for this decline. It appeared that negative feedback loops were in place at the time as the economy declined and asset prices dropped, which further damaged confidence and the ability of banks to lend (Hasan et al., 2021). The most obvious examples of this were the housing and financial sectors in the major countries. However, the idea could also be applied to the high levels of family debt in many other countries before the crisis. In response to the grave circumstances, governments in all the major economies took several direct aid measures to support their financial sectors, offset by the real tightening of financial conditions that the private sector was going through (Edey, 2009). In the US, significant actions were made to support the private credit and mortgage markets by purchasing securities with extended maturities and removing troublesome assets from the balance sheets of affected financial institutions. Significant efforts have also been made internationally, mostly through the programs of multilateral institutions like the IMF, to finance governments of emerging and developing nations in the upcoming years.

In industrialised economies, a strong grasp of financial literacy is crucial for navigating the aftermath of the financial crisis and managing the surge in debt rates. Financial literacy is of utmost importance, even in developed nations. This is because even the wealthiest countries

can encounter financial crises that demand decision-makers to possess a strong understanding of financial literacy.

2.12 DEBT RATE IN AFRICA

According to Adeniran, Ekeruche, Bodunrin, and Ali (2018), the rising debt profiles of various African countries are leading to a resurgence of debt sustainability across the continent. Currently, 24 out of the 54 countries on the continent have debt levels that exceed the benchmark ratio of 60% of gross domestic product (GDP) set by the African Monetary Co-operation Programme (AMCP). Additionally, all 24 of those countries have debt levels that surpass the recommended 55% debt-to-GDP ratio suggested by the International Monetary Fund (IMF). This level of debt can lead to output volatility or hinder economic growth. Declining tax receipts brought on by worsening macroeconomic conditions and persistent shocks to the price of oil and other commodities make it harder for even countries with low debt-to-GDP profiles to pay the rising cost of debt (Adeniran et al., 2018).

Jimmy (2014) notes that most developing countries have high debt profiles, even though this is expected to change over time. Rising public debt above a sustainable level, particularly when expressed as a percentage of GDP, is risky and signals the impending start of a difficult economic period. Concerningly, African nations are increasingly turning to non-concessional debt and domestic debt with higher interest rates. The easy access to and control that governments have over the domestic debt market is contributing to both macroeconomic instability and an unsustainable accumulation of public debt. In addition to the high-interest rate and debt payment load, excessive domestic debt limits credit to the private sector, which is the main engine of growth and job creation (Adeniran et al., 2018). Africa's debt position has significant broader implications due to its interconnected economies with the global financial market, the social impact of debt build-ups on sustainable development, the widening infrastructure deficit despite rising debt commitment, dampened growth prospects, and high rates of poverty (Adeniran et al., 2018).

2.12.1 History of debt crises in Africa

Adeniran et al. (2018) state that the origins of Africa's debt crisis can be traced back to the late 1970s when several African governments relied on commodity price booms and a lack of local savings to fund public spending, which led to the accumulation of foreign debt. Following the oil and commodity price shocks of 1973, countries increasingly relied on

borrowing to stabilise their budgets, anticipating a future recovery in prices. As per Adeniran et al. (2018), there was an 187% rise in the amount of external debt from \$39 billion to \$112 billion between 1976 and 1980. For many countries, particularly those affected by fluctuations in commodity prices, the intention behind debt was to stimulate economic recovery through an expansive fiscal policy; however, ineffective fiscal management led to sluggish growth. Moreover, productive industries like agriculture and industry collapsed. Development finance organisations devised adjustment plans to increase export earnings and decrease inflation-adjusted imports in reaction to the debt crisis of the 1980s. In 1980, the WB and IMF established structural adjustment loans to free up funds for projects (Adeniran et al., 2018). Certain financial requirements had to be met for this loan. These financial assistance programs with conditions pushed commercial banks and bilateral creditors to lower debt. Between 1980 and 1984, the Paris and London clubs reduced the debt of sub-Saharan Africa by \$10 billion.

2.12.2 Current overall state of debt on the continent

Adeniran et al. (2018) state that the unfavourable weather conditions that affected farmers over the preceding three years, along with the collapse in the price of oil and other essential commodities from 2014 to 2016, are only now starting to heal African countries gradually. Commodity-dependent economies suffered increased inflation, currency depreciation, rising unemployment, and an economic slowdown in addition to losing revenue. Most of them borrowed money, taking advantage of their low debt-to-GDP ratio or their previous strong growth. Despite Africa's debt-to-GDP ratio rising to an average of 50% in 2017, tax revenue as a percentage of GDP remained stable at 17%. Due to their reliance on commodities, North African countries have faced economic challenges since 2014 (Adeniran et al., 2018). Algeria, Morocco, Tunisia, Egypt, and Sudan are some of these nations. Only Tunisia and Egypt have higher debt-to-GDP ratios in North Africa than Morocco does at the moment. The IMF's Extended Fund Facility (EFF Arrangement) is now supporting reform attempts to alleviate Egypt's economic decline after years of social and political unrest (Adeniran et al., 2018).

2.12.3 Debt management in sub-Saharan Africa

According to Adeniran et al. (2018), effective fiscal management and the maintenance of debt sustainability depend on robust debt management plans. As a result, developing a solid strategy and institutional structure for debt management that works with fiscal and monetary authorities is crucial. Remarkably, the 1990s debt crisis in Africa was primarily caused by

poor debt management. Adeniran et al. (2018) state that issuing long-term bonds on the international capital market to extend the maturity of the debt profile is one of the basic debt management strategies. Nigeria, Kenya, Côte d'Ivoire, Egypt, Morocco, South Africa, and Nigeria have lately issued Eurobonds at the long end of the maturity range, often 30 years. Longer-term bonds are also being issued by countries like Kenya and Nigeria that have a well-developed domestic debt market.

This image raises awareness of financial literacy in order to empower African nations to develop their economies with informed choices, considering the high percentage of debt in sub-Saharan Africa and the necessity of debt management expertise for the region's long-term viability.

2.13 SOUTH AFRICAN DEBT CRISIS

South Africa is a developing country that needs to address several challenges, such as high unemployment, extreme poverty, inequality, and poor economic growth, as Ncanywa and Masoga (2018) demonstrate. The government might begin borrowing money in an attempt to address these issues, which would increase the nation's debt. The impacts of government debt on economic growth have been a prominent topic of dispute within the macroeconomic paradigm since the sub-prime crisis of 2007 (Ncanywa et al., 2018). Large and persistent public debt is a red flag to investors because it raises the possibility of credit risk from downgrades and the weakening of the national currency. According to Phiri and Mhlaba (2019), the global recession of 2009 was ultimately caused by the financial crisis of 2007, which was brought on by the collapse of the US housing market and the US banking system that followed. Since then, governments everywhere have struggled to recover from the consequences of the crisis, leading numerous politicians worldwide to create backup plans that mostly rely on financial support.

2.13.1 Overview of debt rate in South Africa

According to Ncanywa et al. (2018), foreign investors consider bonds, treasury bills, and other debt securities to be extremely safe financial instruments. Hence, African governments have apparently been driven to borrow money primarily through these means. Thus, the goal of this kind of government borrowing is to stimulate the economy by bringing capital from overseas investors into the domestic market. South Africa's debt levels nearly doubled from 23% of GDP in 2008 to 45% of GDP in 2015 as a result of the global financial crisis, while

the country's economic growth rates plummeted from 3% in 2008 to 1.3% in 2015. The government debt to GDP for the fourth quarter of 2022 was 67.4%, according to Trading Economics 2023. The current account for the first quarter of 2023 is negative, or -66237, which means that even the current account to GDP is at -0.5. Making prudent financial decisions is essential for survival in the face of this turmoil requiring financial literacy (Trading Economics, 2023).

Ncanywa et al. (2018) report that throughout the RDP program's implementation in 1994–1996, GDP growth improved somewhat from 0.4% to 1.6%, while gross and net debt levels increased from 41.7% and 40% of GDP in 1994 to 48.2% and 46.7% of GDP, respectively. Debt levels rose over these periods because of poor policy coordination and implementation within the RDP framework, which failed to produce the predicted GDP growth of more than 3%. Mhlaba et al. (2019) believe that the impact of government debt on economic growth stems from the fact that debt is repaid through future taxes, compelling individuals to rationally increase their savings by purchasing securities issued by the government. Stated differently, people will reduce their current spending to offset higher taxes later. This will result in unchanged levels of consumption, interest rates, and aggregate demand, exactly as if the government had chosen to raise taxes now rather than later (Mosikari and Eita, 2017).

2.13.2 Financial literacy challenges in South Africa

Often referred to as the "rainbow nation," South Africa is known for its diverse array of cultural traditions. However, among its numerous inhabitants, this diverse group also exhibits notable disparities in financial literacy (Botha 2021). This reduces the value of a one-size-fits-all approach to financial literacy and suggests that tailored solutions may be more beneficial. A study conducted in 2018 by Roberts, Struwig, Gordon, and Radebe for the Human Sciences Research Council (HSRC 2017) found that 48% of South Africans had no long-term investments, and 48% did not save at all. This is especially troubling considering the ongoing Covid-19 pandemic, which has increased the importance of saving money and developing sound financial habits.

Moreover, according to Business Tech (2016: online), "South Africa has come last in a poll of 30 countries and economies drawn from Africa, Asia, Europe, Australasia, North America, and South America when measuring financial knowledge." Financial stress has also been connected to low financial literacy. This emphasises how low financial literacy is in South Africa even more. People with low financial literacy are more likely to overspend and accrue debt because they lack the financial information and skills needed to make wise financial

decisions (Roberts, Struwig, and Gordon, 2014; Mitchell and Abusheva, 2016). According to Capuano and Ramsay (2011), households with excessive debt are especially vulnerable since they are unable to save money or improve their level of living.

2.14 FACTORS THAT CONTRIBUTE TO FINANCIAL LITERACY

According to Lusardi et al. (2011), financial literacy should not be taken for granted. Soldat (2021) posits that an individual's degree of financial literacy is contingent upon several factors, such as their prior financial education and their proficiency in reading, writing, and communication. Additionally, she notes that psychological problems such as worry, or stress may make it challenging to make financial judgments. This can have a detrimental effect on the assessment of financial literacy. However, personal motivation can also have a good impact on learning and improving money management skills, as well as on the financial satisfaction that results from effectively applying financial literacy knowledge.

Soldat (2021) reports that a number of studies have examined the possibility that a person's demographics could have an impact on their level of financial literacy. These factors consist of the individual's age, gender, and educational attainment.

2.14.1 Gender as a determining factor of financial literacy

According to a study conducted by Abreu and Mendes in 2010, there is a perception that men possess more knowledge about financial matters than women. Men are more likely than women to borrow money and to show stronger confidence in their financial literacy, claims Soldat (2021). Studies on financial literacy regularly demonstrate that women have lower financial literacy than males, even after adjusting for differences in education levels, years of age, nationality, and earnings (Klapper et al., 2020). However, research indicates that women are more likely than men to admit when faced with questions about their financial knowledge and abilities that they do not know the answer (Lusardi et al., 2011; Lusardi et al., 2014; Klapper et al., 2020). Lusardi et al. (2011) theorise that men are believed to be able to keep up with developments in the financial and economic markets better than women. In 2014, Standard & Poor's Ratings Service carried out a global financial literacy research (S&P Global FinLit study) across more than 140 countries. This survey indicates that 30% of women and 35% of men worldwide are financially literate. The same research, however, did not indicate that gender affected financial literacy in South Africa. In other words, the research revealed that the level of financial illiteracy was equal among both men and women

(Klapper et al., 2020). Sucuahi (2013) concluded that gender could not predict an individual's financial literacy in contrast to the findings of the earlier studies mentioned above. His study, done in the Philippines, did not uncover a statistically significant association between gender and financial literacy.

2.14.2 Age as a determining factor of financial literacy

The idea that knowledge increases with experience and declines when it is no longer used and maintained is supported by the fact that people between the ages of 35 and 50 have the highest levels of financial literacy, while the very young and the very old have the lowest levels (Lusardi et al., 2011). Abreu et al. (2010) reported that 43 was the greatest age at which financial literacy was achieved. The findings of the S&P Global Finlit Survey for advanced economies were like those of Lusardi et al. (2011), claim Klapper et al. (2020). They do, however, highlight the fact that young persons (those under 35) in emerging nations possess the highest levels of financial literacy out of all age groups. Research has shown that an individual's age, gender, and educational attainment all influence their financial literacy, regardless of whether they live in a developed or developing economy (Klapper et al., 2020).

2.14.3 Education as a determining factor of financial literacy

Numerous studies have found a positive correlation between financial literacy and formal education levels (Lusardi et al., 2011; Sucuahi, 2013; Klapper and Lusardi, 2020). Education is the primary determinant of an individual's financial literacy, according to Soldat (2020). They also agree that acquiring financial literacy requires financial education. Financial literacy is said to be higher among those with post-secondary education.

2.15 IMPACT OF LACK OF FINANCIAL LITERACY AND DEBTS MANAGEMENT IN ETHEKWINI MUNICIPALITY

To efficiently deliver services to the public, municipalities must effectively manage their finances. Planning, coordinating, controlling, and monitoring the organisation's financial resources to meet the predetermined goals are all included in financial management, along with all tasks pertaining to how the business obtains its financial resources (Mbatha and Mutereko, 2022). In local government, financial management involves a variety of activities, such as purchasing assets, allocating cash, making transfers, evaluating risks, and carrying out other financial processes (Stanleigh, 2016). Proper management of municipal funds is necessary to establish efficient governance. This is made feasible via budgeting, auditing, and

financial reporting. By implementing stringent restrictions, municipalities can efficiently use municipal revenues to provide community services. This research makes it abundantly evident that to manage finances effectively and instruct staff members in responsible money management, even the municipality must possess a solid understanding of finance.

According to Khambule (2022), the lockdown regulations caused approximately 207,000 (17%) individuals to lose their jobs in the second quarter of 2020, which had a substantial detrimental effect on eThekweni. Nationwide job losses in the second quarter of 2020 were 2.2 million. This suggests that during the same period, job losses in eThekweni accounted for 9.4% of all job losses in the country. 40.7% of persons in eThekweni reportedly lost some of their goods, including selling their belongings and moving out of their homes, because of their incapacity to maintain their family and loss of income. The quotes emphasise how crucial financial literacy is to eThekweni as it is critical to be able to prioritise your needs and stick to a budget when your income is decreased. Financial stress is on the rise in South African households because of rising debt levels and falling household savings (Wentzel, 2016).

French and McKillop (2016) discovered a correlation between low financial literacy and excessive debt. According to French and McKillop (2016), excessive debt is a concern for those with low financial literacy since it increases the likelihood that they would accrue debt, incur greater fees, miss loan payments, and fall behind on their payments. Households are consequently unable to plan for future financial troubles adequately. Consequently, an increasing proportion of households are encountering difficulties in repaying their loans, potentially placing them in a challenging financial predicament (Wentzel, 2016). Many South Africans seem to have been persuaded by better access to financial services and goods to make poor or irresponsible financial decisions that have increased their debt because they lack financial literacy. The remarks above explain how a lack of financial awareness leads to debt for South Africans. Employees of the eThekweni municipality face this same problem; hence they must investigate this kind of research. A plethora of research has demonstrated the influence of financial literacy on managing personal debt (Abdullah et al., 2019; Panosand, Wilson, 2019; Kurowski, 2021). This emphasises the need for such research, particularly among municipal employees who serve as the public face of the government.

Upon careful examination of the research, it becomes evident that there is a pressing need to place greater emphasis on financial literacy. This is crucial for acquiring the necessary skills

to manage debt effectively. Consequently, individuals from the working class may find it unavoidable to incur certain debts, such as obtaining a mortgage bond or financing a car.

2.16 CHAPTER SUMMARY

Expanding on prior research on financial literacy and debt management, this chapter offers a thorough examination of the studies conducted in this field. The foundational concepts of debt management and financial literacy were initially established, followed by an exploration of the theoretical framework underpinning the study. The previous research conducted on these two variables in developed economies, emerging economies, and South Africa was carefully examined. The trends observed in each of these economies were also noted. The education standards pertaining to financial literacy, debts, and the financial crisis resulting from the Russian invasion of Ukraine, along with the level of debt in developed economies in Sub-Saharan Africa, including the response of policymakers, the origin of debts, debts overview in South Africa, and debt management in all these economies, were also thoroughly examined. Finally, the literature review analysed the financial management and literacy levels of the eThekweni municipality while studying the trends before, during, and after COVID-19.

The next chapter discusses the research methodology that was used in the study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter provides a detailed description of the study's methodology. A quantitative research method was employed to carry out the study, as it is a commonly used methodology in scientific research. The methodology clearly outlines the logical and systematic approach used to conduct a research project and analyse the research challenge. The chapter covers the target population, sampling strategies, sample size, data collecting, data control, and data analysis procedures after first examining the research paradigms and research design. This chapter also describes how the instrument's validity and reliability were guaranteed. It then presents the study's premise, ethical considerations, and confidentiality.

3.2 RESEARCH PARADIGMS

As Ochieng (2009) explains, the scientific research paradigm, also known as the quantitative research paradigm, is based on empirical evidence. The paradigm validates its validity through an exhaustive explanation, definition, or pilot test approach. For this study, the quantitative research paradigm is applied.

This is a scientific study; hence, the solution to the conflict between these two variables independent financial literacy and debt management, which is dependent must be methodical, objective, rational, rigorous, and ethical. Due to the quantitative character of the research and the positivist paradigms it was conducted, it incorporates a deductive philosophy that most likely determines effects or outcomes (Creswell and Creswell, 2018). Through meticulous attention to detail and a commitment to impartiality, the researcher ensures objectivity by eliminating biases at every stage of the investigation, including data collection and outcome quantification. Pickard (2013) lists four criteria that are used to assess a research project's value: in quantitative research (rigour), reliability determines consistency, external validity determines the application, neutrality determines objectivity and truth value is determined by internal validity. This technique was also used in this study to evaluate its worth.

3.2.1 Nature of the study

This is a descriptive study in nature. Kumar (2014) stated that descriptive research is a quantitative research method that attempts to collect quantifiable information for statistical analysis of the population sample. This study is descriptive in nature because its main aim is to examine the relationship between financial literacy and debt management in eThekweni municipality employees. Descriptive studies may involve surveys or interviews that aim to describe and illustrate relationships between variables (Johnston, 2017). Leedy and Ormrod (2012) state that descriptive studies can be longitudinal or cross-sectional in nature. Cross-sectional studies involve data collected from the participants at one point in time, whereas longitudinal studies collect data repeatedly over time (Leedy and Ormrod 2012). This study employed a cross-sectional approach to get an overall picture of the situation at the time of the study. Kumar (2014) add that descriptive research is generally a cross-sectional study where different sections belonging to the same group are studied.

Descriptive research was appropriate in this study because it involves an explanation of new information (Johnston 2017). According to the literature review even though there are several studies conducted on financial literacy and debt management, but financial literacy skills and debt management remains a challenge. A descriptive research approach was therefore appropriate since the aim was to provide additional facts to support the argument on the influence of financial literacy skills and debt management.

3.2.2 Research Method

Silverman (2016) argues that the research methodology refers to a broad, strategic approach to conducting a study, which describes the research structure and how it should be conducted. Creswell and Creswell (2017) explained that the research methodology represents a pathway for the study, which assists in achieving the researcher's objectives and, in turn, attempts to answer the research questions. It explains how the information needed to solve the problem is obtained in order to provide a framework for conducting the research project (Kumar 2014:19). To collect, measure, and analyse data, this study employed a quantitative approach.

3.2.2.1 Quantitative method

Creswell (2014) argues that a quantitative method is one of the research methods that has its philosophical roots in natural science. Quantitative research involves adopting objective scales, presenting data numerically, and using statistical methods to draw conclusions (Creswell 2014). Due to the number of participants, the procedure for collecting data is less time-consuming than qualitative research (Creswell 2014). Creswell (2017) argues that

quantitative research is embedded in a positivist paradigm. This study used this method with the intention of examining the relationship between financial literacy and debt management in eThekweni municipality employees, to generalise the results. Johnston (2017) states that this research approach is often used to explain or describe and test the relationship between variables within a study.

3.2.2.2 Deductive approach

Based on Swain (2017), research approaches are classified as deductive (fixed and based on quantitative data) or inductive (flexible and based on qualitative data). Research and philosophy are fundamentally different approaches to reasoning, resulting in two broad and contrasting methods. In deductive research, a generalisation is used as a starting point for testing a hypothesis and then evaluating whether it applies to specific cases by observation. Research methods in this method are typically based on scientific and positivist approaches. Deductive approaches are therefore used more often with positivistic research philosophy. As reported by Swain (2017), the method fits more into a phenomenological paradigm, in which a theory is tested and either confirmed or refuted. Creswell (2014) argues that the most significant distinction between deductive and inductive approaches is the authors' method of utilising existing literature and theories as guidelines for their research. To test a theory, a deductive approach is used (Creswell, 2014). Hence, literature is used before data is collected to identify questions, themes, and interrelationships. In contrast, an inductive approach builds a theory as the research proceeds. Deductive reasoning focuses on a particular topic, whereas inductive reasoning is more exploratory and open-ended.

Swain (2017) mentioned that deductive reasoning is more focused. Therefore, this study is based on deductive reasoning, using a quantitative research method to test theory. This study employed this approach after evaluating the research aim, limitations and reviewing the literature.

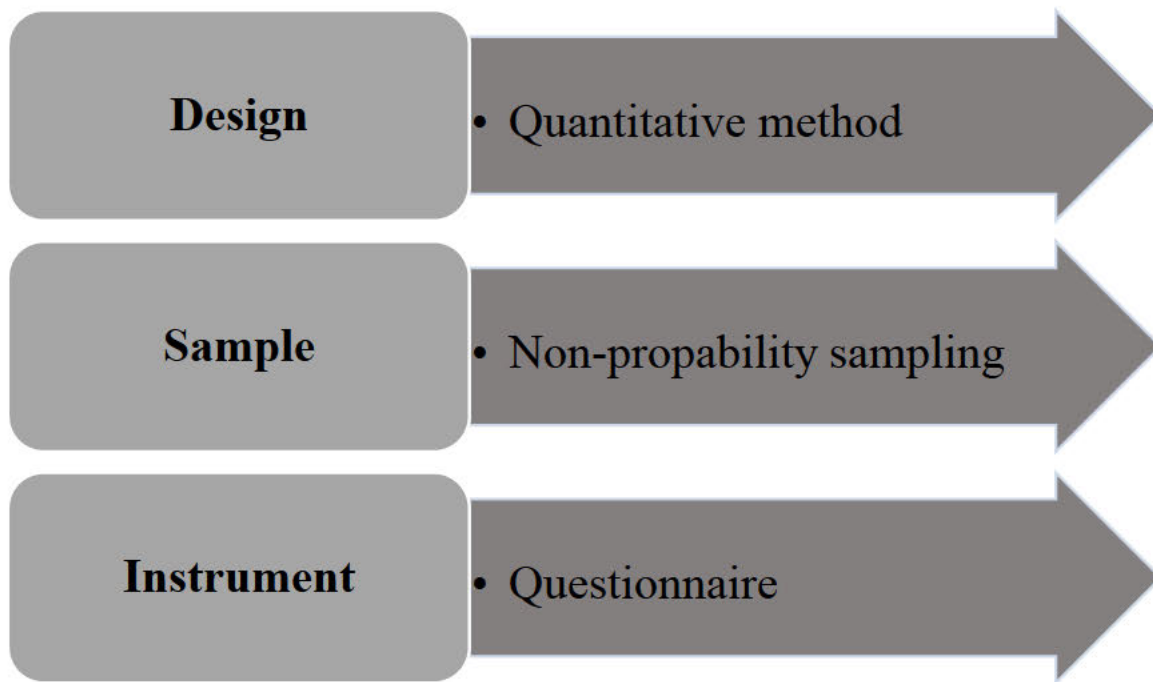


Figure 3.1 Overview of research methodology deployed in the study.

Source: Creswell and Creswell (2018); Pandey et al. (2021)

3.3 RESEARCH DESIGN

In essence, research design is a study's plan or structure that serves as a guide for obtaining and analysing data (Pandey & Pandey, 2021). An additional definition of research design is the plan for gathering, measuring, and analysing data. Usually, it is a map made to guide the investigation (Pandey et al., 2021). Picardi and Miskick (2014) define a research design as a system for obtaining data and analysing it in accordance with the study approach. A research design, according to Polit and Beck (2012), is a thorough plan that outlines how the study will be conducted and provides recommendations on how to maximise the study's usefulness. Ensuring that all study components are logically and coherently integrated and that the researcher is successfully addressing the research issue as a result is the aim of the research design (Allan and Skinner, 2020).

The study's goal was to examine the degree of financial literacy and debt management among eThekweni Municipality employees working in the departments of human settlement and transportation authority by using a questionnaire-based survey method. The questions are closed-ended due to their quantitative character (Van Zyl, 2014). The researcher utilised a Microsoft form to send an email to a specific group of individuals, including necessary documents such as ethical clearance, informed consent, and a letter to gatekeepers. This

communication aimed to inform skilled employees from the Transport Authority department about the purpose of the study. Another questionnaire was printed out, and the researcher visited unskilled employees from the Human Settlement departments at their places of employment. The study is specifically designed for a particular group of individuals, such as unskilled employees. Their questions were translated into IsiZulu to ensure that they could understand the inquiry and provide valuable information. Due to the user-friendly nature of the Microsoft forms, the researcher opted for them. To enhance the response rate, the study employed a triangulation strategy. This involved the researcher personally visiting employee locations to administer surveys and sending reminder emails to the intended recipients (Creswell and Creswell, 2018).

3.4 POPULATION

According to the research conducted by Pandey et al. (2021), the concept of "population or universe" has a distinct definition compared to its traditional understanding. It now refers to the complete set of observations, serving as the parent group from which a sample is derived. A population, in the words of Sekaran and Bougie (2016), is a substantial group of people or things that are the subject of a scientific study. The total group of units from which survey data will be used to make conclusions is the target population for a survey (Swain 2017). The study in the municipality of eThekweni concentrated on demographics. There are 27418 people in the whole.

The study focused on two departments within the eThekweni Municipality: The Transport Authority's skilled workers and the Human Settlement department's unskilled personnel. The research sought to gather insights from both expert and unskilled employees, which is why the researcher conducted investigations in multiple departments with diverse personnel. The researcher, a human capital practitioner, found it more convenient to identify the target audience with the help of the staff list they had access to. The Transport Authority department's skilled personnel received a huge number of questionnaires via Outlook emails, and the Human Settlement department's unskilled employees were visited in person and given a manual form.

3.5 SAMPLING

The practice of selecting a predetermined number of individuals from a predetermined population to act as that population's representatives is known as sampling, according to Pandey et al. (2021); in this instance, a small group is selected to act as the population's representatives overall. According to Kumar (2019), a sample is a current percentage of a target group that has been carefully chosen to reflect the distinctive qualities of the target population. Pandey and Pandey (2015) state that sampling is selecting a small subset of the group's members to serve as the basis for estimating the frequency of unknown scenarios or information throughout the group. For convenience, non-probability sampling is used to support the study.

Since the study only utilised a single stage, it was possible to access the names and email addresses of the individuals being sampled (Creswell and Creswell, 2018). This study used a convenience sampling or non-probability sampling approach for its sampling. The researcher was willing to select the respondents based on their availability and convenience since, according to Creswell and Creswell (2018), non-probability sampling respondents were chosen based on their convenience or availability. Quota sampling is a specific approach used to separate the population into groups or strata; as a result, research sampling from ETA is 160 and from H/S is 120. Table 3.1 below shows the analysis of the sample as well as the response rate.

Table 3.1 Sample size analysis

| | Sample size | ETA | H/S |
|-------------------------|--------------------|------------|------------|
| Selected sample | 280 | 160 | 120 |
| Percentage of a sample | 100% | 57% | 43% |
| Total respondents | 140 | 65 | 75 |
| Respondents' percentage | 50% | 41% | 63% |

3.6 DATA COLLECTION

Sheehan (2018) defines data collecting as the act of locating and assessing accurate data from multiple sources to find solutions to research questions related to probability, patterns, and difficulties. According to Van Zyl (2014), data collection provides an efficient way to gather information that is essential for using the selected methodology. The researcher collected the data to learn the truth about the highlighted issue. The researcher assessed the data's validity and reliability as part of data quality control.

Data was collected through a survey to examine the relationship between financial literacy and debt management. Gathering and aligning knowledge on variables is essential for answering research questions, evaluating hypotheses, and rating results. Data collection plays a crucial role in this process (Creswell and Creswell, 2018). A variety of methods can be used to gather data, such as postal surveys, observation, telephone and in-person interviews, questionnaires, etc. Data for the study is being gathered using questionnaires. Data was gathered using questionnaires that included a series of questions that could be readily answered on a five-point Likert scale that ranged from strongly disagree to disagree to neutral to agree to highly agree. Thirty-six questions made up the questionnaire, excluding the demographic section. The questions about financial literacy were derived from the research objectives and were divided into four categories: financial literacy skills, debt management, debt management and financial literacy relationship, and intervention strategies (Dewi et al., 2020). Questions about the department, gender, age, and education level followed the questions about financial literacy. The data is collected using SPSS Version 29, Statistical Packages for Social Scientists.

3.6.1 Data quality control

Since the study is a quantitative research, reliability and validity are imperative in this nature of research. The quality of the data is essential for good quantitative research. Hence, in aligning the assemble, examining and estimate procedures must be highly reliable and valid.

3.6.1.1 Validity

Quantitative research validity, according to Creswell and Creswell (2018), is related to the accuracy of the assumption, clarification, or effort derived from quantitative data. It also relates to whether one can develop eloquent and beneficial judgment from counting on certain instruments. Ensuring that a measurement tool accurately measures what it purports to measure is known as the tool's validity. During the design phase of the questionnaire, a

statistician was consulted to ensure its validity. An extensive examination confirmed the questionnaire's validity.

Table 3.2 Factor Analysis Validity

| | Component | | | | |
|--|-----------|--------|--------|--------|-----|
| | 1 | 2 | 3 | 4 | |
| I can accurately define key financial terms, such as interest rates, inflation, and compound interest | 0.520 | 0.347 | 0.120 | 0.348 | B1 |
| I feel confident in creating and managing a personal budget to allocate my income and expenses effectively | 0.627 | 0.169 | 0.245 | 0.461 | B2 |
| I understand the concept of risk and return, and I can make informed decisions about various investment options | 0.715 | 0.185 | -0.011 | 0.071 | B3 |
| I am comfortable reading and interpreting financial statements, such as income statements and balance sheets | 0.423 | 0.338 | 0.196 | 0.456 | B4 |
| I can evaluate different types of loans and credit options to determine the most cost-effective choice for a given situation | 0.333 | 0.049 | 0.252 | 0.421 | B5 |
| I have a good understanding of the importance of retirement planning and the various retirement savings vehicles available | 0.582 | 0.147 | 0.033 | 0.446 | B6 |
| My exposure to advertising does not influence my financial decisions | 0.235 | 0.322 | 0.164 | 0.439 | B7 |
| I only take insurance policies that cover my needs and are within my affordability | 0.022 | -0.072 | 0.095 | 0.758 | B8 |
| I often avoid spending more than I can afford to prevent a deficit on my monthly | 0.608 | 0.210 | 0.177 | 0.276 | B9 |
| I always reserve enough savings for unforeseen | 0.756 | 0.234 | 0.242 | -0.004 | B10 |

| | | | | | |
|---|-------|--------|-------|--------|-----|
| circumstances | | | | | |
| I never exceed the maximum limit on my credit card | 0.606 | 0.256 | 0.482 | 0.129 | C1 |
| Paying my credit card in full to avoid financial charges is important to me | 0.247 | 0.169 | 0.596 | 0.082 | C2 |
| I check my credit score regularly, and I can interpret the outcome | 0.084 | 0.494 | 0.264 | -0.062 | C3 |
| I found it important to ensure that I understand the terms and conditions of any loan I take | 0.284 | 0.060 | 0.732 | -0.038 | C4 |
| I respect my financial obligations to avoid garnishees and administration orders | 0.271 | 0.252 | 0.605 | 0.290 | C5 |
| After all my deductions, I remain with enough funds to sustain myself for the rest of the month without using a credit facility | 0.643 | 0.281 | 0.349 | 0.169 | C6 |
| I always ensure I understand the consequences of defaulting on loan repayment | 0.276 | 0.190 | 0.603 | 0.373 | C7 |
| My debit/ credit card has never been declined due to insufficient funds to avoid unnecessary bank charges | 0.278 | 0.099 | 0.495 | 0.400 | C8 |
| I avoid borrowing money from the loan sharks | 0.299 | 0.114 | 0.507 | 0.230 | C10 |
| I always prioritise my spending based on needs, not wants | 0.108 | -0.068 | 0.582 | 0.395 | D1 |
| I have got clear idea of the sorts of financial products or services that I need without consulting a financial adviser | 0.459 | 0.038 | 0.337 | 0.342 | D2 |
| I keep a record of my expenses each month to keep track record of my spending | 0.652 | 0.131 | 0.241 | 0.018 | D3 |
| I set short, medium, and long-term financial goals and work hard to achieve them | 0.498 | 0.256 | 0.441 | 0.071 | D4 |
| I have an insurance policy for all major assets | 0.475 | 0.254 | 0.189 | 0.179 | D5 |
| I involve my household in the financial decisions, especially concerning spending to | 0.555 | 0.283 | 0.122 | 0.072 | D6 |

| | | | | | |
|--|--------|-------|-------|--------|----|
| avoid a budget deficit | | | | | |
| I understand the relationship between inflation and repo rate | 0.496 | 0.344 | 0.264 | 0.208 | D7 |
| I am open to learning about financial literacy to improve my financial status | -0.269 | 0.364 | 0.609 | 0.061 | D8 |
| My workplace provides regular financial education sessions to help me understand how to manage debt responsibly and save effectively | 0.180 | 0.756 | 0.025 | 0.082 | E1 |
| I am encouraged to set up automatic deductions from my salary to a dedicated savings account to ensure consistent savings | 0.178 | 0.801 | 0.147 | 0.180 | E2 |
| My employer offers employee benefits such as pension contributions and savings programs (Thrift fund) to support long-term financial security | 0.089 | 0.259 | 0.198 | 0.613 | E3 |
| I am provided with tools and resources to create a personalised budget that helps me track expenses and manage my finances better | 0.194 | 0.764 | 0.138 | 0.204 | E4 |
| My workplace promotes a culture of financial responsibility by educating employee to join thrift funds to earn interest on their savings | 0.227 | 0.836 | 0.096 | 0.083 | E5 |
| I have access to confidential financial counselling services through my employer, which helps me address my debt concerns and develop effective savings strategies | 0.306 | 0.700 | 0.156 | -0.015 | E6 |
| Human Capital does intervene if the employee is over-indebted by arranging counselling sessions with Careway's | 0.215 | 0.595 | 0.091 | 0.051 | E7 |
| Payroll communicates and adjusts deductions on the payslip if an employee has a negative net pay due to loans deductions | 0.380 | 0.581 | 0.050 | 0.318 | E8 |

Splitting of the themes into subthemes (components) and respective suggested names are given below.

Section B (Financial Literacy)

➤ Component 1: Fundamental Financial Knowledge

- Items: B1 (Key financial terms), B2 (Personal budgeting), B3 (Risk and return), B6 (Retirement planning), B9 (Spending avoidance), B10 (Savings for unforeseen circumstances).

➤ Component 4: Advanced Financial Insights

- Items: B4 (Interpreting financial statements), B5 (Evaluating loans and credit), B7 (Advertising influence), B8 (Insurance policies).

Section C (Debt Management)

➤ Component 1: Conscious Credit Usage

- Items: C1 (Credit card limit), C6 (Funds after deductions).

➤ Component 2: Credit Score Vigilance

- Items: C3 (Credit score checks).

➤ Component 3: Informed Debt Management

- Items: C2 (Paying with credit card in full), C4 (Understanding loan terms), C5 (Financial obligations), C7 (Consequences of defaulting), C8 (Card decline), C10 (Avoiding loan sharks).

Section D (Relationship between Debt Management and Financial Literacy)

➤ Component 1: Comprehensive Financial Stewardship

- Items: D2 (Financial products), D3 (Expense tracking), D4 (Financial goals), D5 (Insurance for assets), D6 (Household financial decisions), D7 (Inflation and repo rate).

➤ Component 3: Financial Prioritisation and Learning

- Items: D1 (Spending based on needs), D8 (Learning about financial literacy).

Section E (Intervention Strategies)

➤ **Component 2: Financial Literacy Facilitation**

- Items: E1 (Financial education sessions), E2 (Automatic salary deductions), E4 (Budgeting tools), E5 (Financial responsibility culture), E6 (Financial counselling), E7 (Over-indebtedness intervention), E8 (Deductions adjustment).

➤ **Component 4: Employer-Sponsored Financial Security**

- Items: E3 (Employee benefits for financial security).

In Summary

Validity in the context of factor analysis refers to the extent to which the produced factors accurately represent the underlying construct they are supposed to measure. The construct validity can be inferred from the provided Rotated Component Matrix in the following ways:

1. Convergent validity: When items intended to measure the same construct heavily weigh one element, this is supported. Items B1, B2, B3, B6, B9, and B10 in Section B, for instance, all load on Component 1, suggesting that they are likely connected and evaluate financial literacy components well.

2. Discriminant Validity: Items that load on various factors suggest that they measure distinct constructs. In contrast to the other items in Section B, items B4, B5, B7, and B8 load on a separate component (Component 4). This suggests that the items are measuring a distinct part of financial literacy, perhaps more complex abilities or components involving decision-making.

3. Factor Loadings: The strength of the association between the item and the factor is shown by the factor loadings' magnitude. Usually, loadings greater than 0.4 or 0.5 are regarded as noteworthy. A positive indication of concept validity is most matrix items' strong loadings on the corresponding variables.

4. Cross-loadings: Items that load strongly on many factors seem to have limited cross-loadings, which is encouraging for the factor structure's validity. This implies that every item has a single underlying construct as its primary association.

5. Component Organisation: The validity of the scale is supported by the distinct grouping of items under each category. For instance, different components in Section C represent different facets of debt management, such as the grouping of things pertaining to credit management and loan comprehension.

6. Rotation Method: To elucidate the factor structure, a standard method that maximises the variance of the loadings within factors is the Varimax rotation with Kaiser Normalisation. This approach frequently enhances the components' interpretability, enhancing the analysis's validity.

The questionnaire's construct validity appears to be well-established, as indicated by the factor analysis. Financial literacy, debt management, their interrelationship, and intervention strategies were all measured in separate and pertinent sections.

3.6.1.2 Reliability

The consistency with which repeated measurements of the same or nearly identical measures produced the same results is the measure of dependability (Agresti, 2013). Based on this description, the assumption is that the measuring technique does not affect the variable or attributes of interest. A tool's dependability can be determined by looking at its test or measure scores and their consistency and stability. Utilising reliable data is essential to the methodology of quantitative research. To ensure that the questioner could extract rich information, its dependability was tested using Cronbach's Alpha.

Table 3.3 reflects the Cronbach's alpha score for all the items that constituted the questionnaire.

Table 3.3 Reliability

| | Section | Subtheme | By Subtheme | | Overall | |
|---|--------------------|--|-----------------|------------------|-----------------|------------------|
| | | | Number of Items | Cronbach's Alpha | Number of Items | Cronbach's Alpha |
| B | Financial literacy | Component 1: Fundamental Financial Knowledge | 6 | 0.857 | 10 | 0.870 |
| | | Component 4: Advanced Financial Insights | 4 | 0.657 | | |
| C | Debt management | Component 1: Conscious Credit Usage | 2 | 0.726 | 10 | 0.795 |
| | | Component 2: Credit Score Vigilance | 1 | - | | |

| | | | | | | |
|--------------------|---|--|---|-------|----|-------|
| | | Component 3: Informed Debt Management | 7 | 0.690 | | |
| D | Debt management and financial literacy relationship | Component 1: Comprehensive Financial Stewardship | 2 | 0.521 | 8 | 0.791 |
| | | Component 3: Financial Prioritisation and Learning | 6 | 0.804 | | |
| E | Intervention Strategies | Component 2: Financial Literacy Facilitation | 7 | 0.889 | 8 | 0.880 |
| | | Component 4: Employer-Sponsored Financial Security | 1 | - | | |
| All items included | | | | | 36 | 0.942 |

The internal consistency reliability of the scales used in the study is indicated by the Cronbach's Alpha ratings provided for each part. High Cronbach's Alpha values (usually greater than 0.6) indicate a strong correlation between the items on each scale, indicating that they measure the same underlying notion.

Every section's dependability score is higher than or close to the suggested Cronbach's alpha value. This shows that these study areas have a level of acceptable, consistent scoring.

- Strong internal consistency across all items is indicated by the instrument's high overall Cronbach's Alpha (0.942), which supports its validity in assessing debt management and financial literacy.
- A reported Cronbach's Alpha for some components (such as those in Sections C and E) is missing. This could be because there are fewer items in these components, which makes the alpha calculation less accurate or significant.
- The comparatively lower alpha in certain components (such as Component 1, Section D) would suggest that the items need to be reviewed or revised to increase consistency.
- The findings point to the necessity of a thorough understanding and assessment of financial literacy and debt management to develop successful intervention and instructional programs.

Based on the assumption that the sample and environment stay consistent, these reliability coefficients indicate that the measurement tool or questionnaire employed in the study is well-constructed and likely to yield consistent results between administrations.

3.6.1.3 Construct reliability and validity.

- All constructs have Cronbach's alpha values above the 0.4222 criterion; construct B has the highest dependability (0.8174).
- All constructions have composite reliability (rho a and rho c) greater than the recognised cut off 0.7, except for construct E's rho a.
- All constructs had Average Variance Extracted (AVE) values of more than 0.5, which means that the constructs account for more than half of the variance shown in the items. This is consistent with convergent validity.

Table 3.4 Construct reliability and validity

| | Cronbach's alpha | Composite reliability (rho_a) | Composite reliability (rho_c) | Average variance extracted (AVE) |
|---|------------------|-------------------------------|-------------------------------|----------------------------------|
| B | 0.8174 | 0.8245 | 0.9161 | 0.8452 |
| C | 0.7017 | 0.7873 | 0.8322 | 0.6314 |
| D | 0.4222 | 0.7271 | 0.7383 | 0.6028 |
| E | 0.5099 | 0.5286 | 0.8009 | 0.6687 |

3.6.2 Data collection instrument

To do research, Bryman, Bell, Hirschsohn, Dos Santos, Du Toit, and Masenge (2014) define data collecting as the process of obtaining information from respondents. Swain (2017) distinguishes between two categories of data: primary and secondary data. Information obtained straight from study participants is known as primary data (Swain 2017). Conversely, secondary data collection is going over information that has previously been acquired or assembled in some way. Although the quantitative research strategy provides a range of data collection techniques, it is crucial to select those that are pertinent to the objectives of the study (Bryman et al., 2014).

This study collected preliminary participant data by giving the participants the questionnaires. According to Swain (2017), primary data is more reliable since it comes straight from the source and provides the most recent information on a research issue. The main data in this study was more reliable since the questionnaire was developed by the researcher with the research aims in mind. The respondent data was confidential and only available to the researcher; supervisors could only obtain access to the electronically captured data upon request.

3.6.2.1 *The questionnaire*

A questionnaire is a properly designed instrument in which all respondents receive the same questions and response choices (scale, yes/no, etc.). A questionnaire was the most effective method of collecting data from the 280 participants in this study. Bryman et al. (2014) state that self-administered surveys have advantages as well as disadvantages. The advantages and disadvantages of using a self-administered questionnaire to collect participant data in this study are highlighted in the next sections.

The advantages of self-administered questionnaires are that:

- Questionnaires are among the most economical means of gathering quantitative data.
- All aspects of a subject can be covered with a questionnaire.
- One effective way to obtain responses rapidly is using questionnaires.
- Large groups can have their data collected via questionnaires.
- A questionnaire can ensure the confidentiality of participants, providing them with the assurance that their thoughts and emotions will remain undisclosed.

The disadvantages of self-administered questionnaires are that:

- Respondents may give false information.
- There might be unresolved questions, as some participants in this study omitted certain questions.
- There are several interpretations and comprehensions.
- It can be challenging to analyse some questions.
- A questionnaire cannot fully capture the emotional response or sentiments of the respondents.

3.6.2.2 *Layout and design of the questionnaire*

Upon establishing that the use of a questionnaire would aid in achieving the objectives of this research, meticulous consideration was dedicated to the structure and layout of the questionnaire. According to Nicholas (2011), a researcher should thoroughly examine the structure and design of the survey questionnaire. Granvetter and Forzano (2015) recommend that questions be presented in an easy-to-understand linguistic style inside a systematic

framework. Additionally, surveys should be constructed logically, beginning with the most fundamental data, and progressing to more specialised data (Wimmer and Dominick, 2011). Questionnaire design is the process of formulating research questions to address problems in a study and accomplish study objectives (Brink, van der Walt, & van Rensburg, 2012). According to Brink et al. (2012), this includes the language, order, length, configuration, and distribution. This component of the questionnaire design received special consideration, and to collect accurate data, research was done on the relationship between financial literacy and debt management in eThekweni municipality employees. The 36 closed-ended questions in the questionnaire were divided into five sections, as depicted in Figure 3.2. The demographic portion was not included in any of the questions. Sections B through E had questions designed in a Likert scale format based on the agreement level, with responses being able to select Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA). This approach saved respondents time, as they were only required to check the appropriate response under the pertinent key.

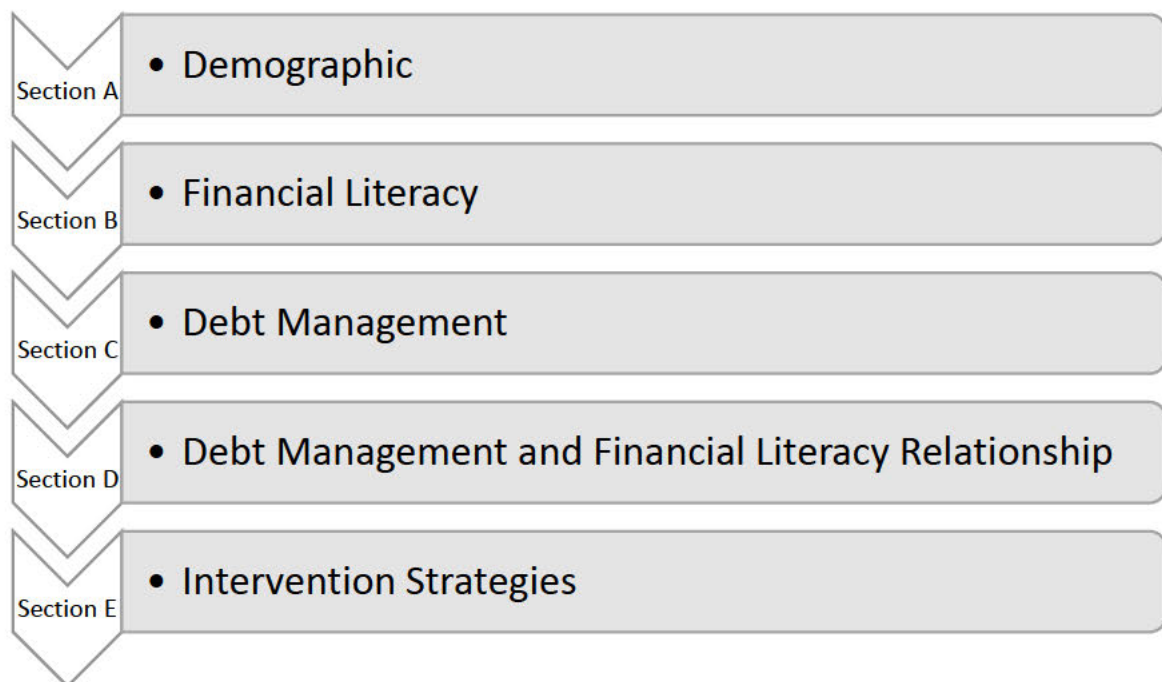


Figure 3.2 Questionnaire layout.

Source: (own compilation)

All questions are derived from the objectives of the study. To recap, the objectives of the study are as follows:

- To examine the relationship between financial literacy and debt management in

eThekwini municipality employees

- To measure the financial literacy levels among eThekwini Municipality employees
- To determine the debt management understanding in eThekwini Municipality employees
- To discover strategies that can be utilised to empower employees to understand financial literacy and debt management.

Section A: Details about Demographics

The primary focus of this section was the demographic data of the eThekwini staff members selected as participants. The study encompassed employee department, gender, age group, and educational achievement as variables. All these questions were included in this section to ascertain the demographic of the survey participants.

Section B: Financial Literacy

The questions in this section are designed to assess the employees of eThekwini Municipality's financial literacy.

Section C: Debt Management

The purpose of the questions in this part is to assess employees of eThekwini Municipality's understanding of debt management.

Section D: Debt Management and Financial Literacy Relationship

The collection of questions integrates both financial literacy and debt management to understand better the relationship between these two concepts among employees of the eThekwini municipality.

Section E: Intervention Strategies

The goal of the employer's intervention is to identify tactics that will enable staff members to reduce their risk of debt exposure and foster a culture of saving. The questions in this part are intended to determine whether employees are making use of the present support.

3.7 DATA ANALYSIS

Pandey et al. (2021) describe data analysis as the examination of ordered material to reveal intrinsic facts. The data are analysed from several angles to explore the new facts. The closely followed the data analysis procedure to generate accurate results.

To get ordinal data, the research questionnaire was created using a Likert scale structure. Prior to analysis, the data was thoroughly checked for mistakes, omissions, similarity of input, and comprehensiveness before being prepared for simpler coding and tabulation. Using a statistical software package for social sciences computer program version 29 and Smart PLS4, descriptive statistics was used to get an accurate initial picture of the data (Van Zyl, 2014). Stockemer (2019) states that the correlation coefficient, a numerical indicator that depicts the relationship between two variables, is the most often employed metric to evaluate relatedness. Financial literacy is an independent variable that is broken down into financial knowledge, skills, capacity, and goals because the research was looking for a relationship between the two variables. Debt management is a dependent variable that was also broken down into debt understanding and awareness of the implications of debts. Demographic data, such as department, gender, age, and educational attainment, were an additional variable.

3.8 ETHICAL CONSIDERATIONS

Scientists and researchers must always go by a certain code of conduct while gathering data from people; ethical considerations are a set of principles that guide your study designs and methods (Bhandari, 2021). This concept also served as the study's guidelines.

According to Pickard (2013), ethics were taken into consideration in this research because the research ensured that it obtained ethical clearance prior to data collection. It was for this reason that the researcher wrote a letter to the Human Capital Head at eThekweni municipality and Municipal Institute of Learning informing them about the intentions of conducting a study and requested a gatekeeper's letter that was submitted with an ethical clearance application to the ethical committee at UKZN. The participants were informed about the purpose and requirements of the study. Pickard (2013) indicates that the participants were asked to sign the consent form to ensure the confidentiality of the results and inform participants that they were not taking an obligation, they could pull out anytime, and to participate voluntarily. There was no economic cost or benefit from this study. Participants were assured that the results of the study would be published but participants will remain anonymous.

3.9 CONFIDENTIALITY

Hoft (2021) defines confidentiality as the process of collecting participant data while safeguarding any personally identifiable information. The researcher emphasises again that to guarantee confidentiality, the data must be kept apart from any personally identifiable information. Henn, Weinstein, and Foard (2006) state that anonymity guarantees the secrecy of all research participants' personal information and the researcher's handling of participant data. It is the responsibility of the researcher to ensure that this occurs and to safeguard the data that the participants have given. Every piece of data collected was utilised only for the research. The researcher provided participants with guarantees of confidentiality and privacy, along with assurances that the data collected would be protected and managed discreetly.

3.9.1 Informed consent

When a potential participant freely decides to participate in research after fully comprehending it, they are giving their consent (Hennink, 2007). One could consider informed consent to be the cornerstone of research ethics in this setting (Biros, 2018). Getting informed consent indicates that the three main ethical research requirements respect, beneficence, and justice are being essentially met (Biros, 2018). The written consent documents were in English, but the unskilled workers received explanations in IsiZulu so they could understand. The participants get an explanation of the authorisation documents and an opportunity to ask any questions they may have. Participants who chose to participate in the study signed the consent documents. The researcher shares the specifics of the study and provides any relevant research data. Each participant decided to take part in the study, and they were free to change their mind at any moment. Additionally, there was no payment or benefit associated with taking part in the study.

3.10 CHAPTER SUMMARY

This chapter provides a detailed description of the research approach. In the past, various factors such as research paradigms, research design, population, sampling, and data collection were carefully considered. This also included ensuring data quality control and analysing the validity and reliability of the data. Self-administered questionnaires were used as a data collection method as part of the research approach for this study. The chapter finally concentrated on how ethical concerns such as confidentiality and informed consent were

addressed.

The next chapter presents a deep analysis of the data and discusses the findings of this research study based on the research methodology adopted.

CHAPTER 4: STATEMENT OF FINDINGS, INTERPRETATION AND DISCUSSION OF THE DATA

4.1 INTRODUCTION

This chapter presents the results and discusses the findings obtained from the questionnaires in this study. The questionnaire was the primary tool that was used to collect data and was distributed to the eThekweni municipality employees. The data collected from the responses were analysed using the SPSS version 29.0 and Smart PLS4. The results present the descriptive statistics in the form of graphs, cross-tabulations and other figures for the quantitative data that was collected. Inferential techniques include the use of correlations and chi-square test values, which are interpreted using the p-values. The traditional approach used to report the results requires a statement of statistical significance. A p-value is generated from a test statistic. A significant result is indicated with " $p < 0.05$ " (KMO and Bartlett's test, 2023).

4.2 FACTOR ANALYSIS

Factor analysis is a statistical technique widely employed in management research to investigate the underlying structure of observed variables, typically survey data (Cronbach's Alpha, 2023). This method of analysing data is instrumental in identifying latent constructs that cannot be directly measured but are inferred from multiple observed variables. By applying factor analysis, researchers can effectively simplify complex data sets into fewer dimensions, revealing hidden relationships and patterns essential for management theories and practices (Cronbach's Alpha, 2023). Factor analysis not only enhances the understanding of multidimensional constructs in management studies, such as organisational behaviour, leadership styles, and consumer satisfaction, but it also ensures the validity and reliability of the instruments used (Cronbach's Alpha, 2023). Consequently, factor analysis serves as a crucial tool in both exploratory and confirmatory research, aiding scholars and practitioners in developing robust, evidence-based management strategies and interventions.

The matrix table/s is/are preceded by a summarised table that reflects the results of the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test. The KMO and Bartlett's Test (KMO and Bartlett's test, 2023) in Table 4.1 below shows two tests that indicate the suitability of data for structure detection.

4.2.1 The KMO measure of sampling adequacy and Bartlett's test of sphericity

The KMO Measure of Sampling Adequacy indicates the proportion of variance in the variables that underlying factors might cause. High values (close to 1.0) generally indicate that a factor analysis may be useful with the data. If the value is less than 0.50, the results of the factor analysis probably will not be very useful (KMO and Bartlett's test, 2023). Bartlett's test of s Sphericity tests the hypothesis that the correlation matrix is an identity matrix, which would indicate that the variables are unrelated and, therefore, unsuitable for structure detection. Small values (less than 0.05) of the significance level indicate that a factor analysis may be useful with the data.

Table 4.1 KMO and Bartlett's Test

| | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | 0.865 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2510.123 |
| | df | 595 |
| | Sig. | 0.000 |

Table 4.1 shows that all the conditions are satisfied for factor analysis; that is, the KMO Measure of Sampling Adequacy value is greater than 0.500 and Bartlett's Test of Sphericity sig. value is less than 0.05.

Factor analysis was done only for the Likert scale items. Certain components were divided into finer components. This is explained below in the rotated component matrix.

The Rotated Component Matrix

The principal component analysis was used as the extraction method, and the rotation method was Varimax with Kaiser Normalisation. This is an orthogonal rotation method that minimises the number of variables that have high loadings on each factor. It simplifies the interpretation of the factors. The rotation in five iterations is demonstrated in Table 4.2 below.

Table 4.2 Rotated Component Matrix

| | Component | | | | |
|---|-----------|-------|-------|-------|-----|
| | 1 | 2 | 3 | 4 | |
| I can accurately define key financial terms, such as interest rates, inflation, and compound interest | 0.520 | | | | B1 |
| I feel confident in creating and managing a personal budget to allocate my income and expenses effectively | 0.627 | | | | B2 |
| I understand the concept of risk and return, and I am capable of making informed decisions about various investment options | 0.715 | | | | B3 |
| I have a good understanding of the importance of retirement planning and the various retirement savings vehicles available | 0.582 | | | | B6 |
| I often avoid spending more than I can afford to prevent a deficit on my monthly | 0.608 | | | | B9 |
| I always reserve enough savings for unforeseen circumstances | 0.756 | | | | B10 |
| I am comfortable reading and interpreting financial statements, such as income statements and balance sheets. | | | | 0.456 | B4 |
| I can evaluate different types of loans and credit options to determine the most cost-effective choice for a given situation. | | | | 0.421 | B5 |
| My exposure to advertising does not influence my financial decisions. | | | | 0.439 | B7 |
| I only take insurance policies that cover my needs and are within my affordability. | | | | 0.758 | B8 |
| I never exceed the maximum limit on my credit card | 0.606 | | | | C1 |
| After all my deductions, I remain with enough funds to sustain myself for the rest of the month without using a credit facility | 0.643 | | | | C6 |
| I check my credit score regularly, and I can interpret the outcome. | | 0.494 | | | C3 |
| Paying my credit card in full to avoid financial charges is important to me. | | | 0.596 | | C2 |
| I found it important to ensure that I understand the terms and conditions of any loan I take | | | 0.732 | | C4 |
| I respect my financial obligations to avoid garnishees and administration orders. | | | 0.605 | | C5 |
| I always ensure I understand the consequences of defaulting on loan repayment. | | | 0.603 | | C7 |
| My debit/ credit card has never been declined due to insufficient funds to avoid unnecessary bank charges. | | | 0.495 | | C8 |
| I avoid borrowing money from the loan sharks. | | | 0.507 | | C10 |
| I always prioritise my spending based on needs, not wants | | | 0.582 | | D1 |
| I am open to learning about financial literacy to improve my financial status. | | | 0.609 | | D8 |
| I have a clear idea of the sorts of financial products or services that I need without consulting a financial adviser | 0.459 | | | | D2 |
| I keep a record of my expenses each month to keep track record | 0.65 | | | | D3 |

| | | | | | |
|---|-------|-------|--|-------|----|
| of my spending | 2 | | | | |
| I set short, medium, and long-term financial goals and work hard to achieve them | 0.498 | | | | D4 |
| I have an insurance policy for all major assets | 0.475 | | | | D5 |
| I involve my household in the financial decisions, especially concerning spending to avoid budget deficit | 0.555 | | | | D6 |
| I understand the relationship between inflation and repo rate | 0.496 | | | | D7 |
| My workplace provides regular financial education sessions to help me understand how to manage debt responsibly and save effectively. | | 0.756 | | | E1 |
| I am encouraged to set up automatic deductions from my salary to a dedicated savings account to ensure consistent savings. | | 0.801 | | | E2 |
| I am provided with tools and resources to create a personalised budget that helps me track expenses and manage my finances better. | | 0.764 | | | E4 |
| My workplace promotes a culture of financial responsibility by educating employee to join thrift funds to earn interest on their savings. | | 0.836 | | | E5 |
| I have access to confidential financial counselling services through my employer, which helps me address my debt concerns and develop effective savings strategies. | | 0.700 | | | E6 |
| Human Capital does intervene if the employee is over-indebted by arranging counselling sessions with Careway's | | 0.595 | | | E7 |
| Payroll communicates and adjusts deductions on the payslip if the employee has a negative net pay due to loan deductions. | | 0.581 | | | E8 |
| My employer offers employee benefits such as pension contributions and savings programmes (Thrift fund) to support long-term financial security. | | | | 0.613 | E3 |

Factor analysis/loading shows inter-correlations between variables. Items of questions that loaded similarly imply measurements along a similar factor. It is noted that the variables that constituted all sections loaded along 2 or 3 components. This means that the respondents identified different trends within the section.

4.3 CROSSTABULATIONS

A Chi-square test of independence was performed to determine whether there was a statistically significant relationship between the variables. The null hypothesis states that there is no association between the two. The alternate hypothesis indicates that there is an association.

For example, the p-value between “I can accurately define key financial terms, such as interest rates, inflation and compound interest” and “Demographic Department” is < 0.001 .

This means that there is a significant relationship between the variables highlighted in yellow. That is, the department from which the respondent came did play a significant role in terms of how respondent's ability to define key financial terms, such as interest rates, inflation, and compound interest.

Actual scoring pattern, use the frequency table that is associated with the p-value. Each subscript letter denotes a subset of Demographic Department categories whose column proportions do not differ significantly from each other at the 0,05 level.

Table 4.3 Crosstabulations

| | | Demographic Department | | Total | |
|--|-------------------|-------------------------------------|-----------------|-----------------|--------|
| | | ETA | H/S | | |
| I can accurately define key financial terms, such as interest rates, inflation, and compound interest. | Strongly Disagree | Count | 0 _a | 19 _b | 19 |
| | | % within the Demographic Department | 0.0% | 25.3% | 13.6% |
| | Disagree | Count | 3 _a | 16 _b | 19 |
| | | % within the Demographic Department | 4.6% | 21.3% | 13.6% |
| | Neutral | Count | 3 _a | 10 _a | 13 |
| | | % within the Demographic Department | 4.6% | 13.3% | 9.3% |
| | Agree | Count | 32 _a | 26 _a | 58 |
| | | % within the Demographic Department | 49.2% | 34.7% | 41.4% |
| | Strongly Agree | Count | 27 _a | 4 _b | 31 |
| | | % within the Demographic Department | 41.5% | 5.3% | 22.1% |
| | Total | Count | 65 | 75 | 140 |
| | | % within the Demographic Department | 100.0% | 100.0% | 100.0% |

The provided data compares the levels of agreement between respondents from the two departments, ETA, and H/S, regarding the statement "I can accurately define key financial terms, such as interest rates, inflation and compound interest":

- In the ETA department, a substantial 90.7% (Agree 49.2% + Strongly Agree 41.5%) of respondents feel confident in their understanding of key financial terms.
- In contrast, the H/S department has a lower combined level of agreement, with 40% (Agree 34.7% + Strongly Agree 5.3%) affirming their ability to define these financial terms.

The data indicates that employees in the ETA department are significantly more confident in their financial literacy regarding these terms compared to those in the H/S department. This is reinforced by the footnote indicating that the column proportions for 'Agree' and 'Strongly Agree' do not differ significantly within the ETA group but do show a significant difference from the H/S group at the 0.05 level. Such a discrepancy underscores the potential need for targeted financial education within the H/S department to elevate financial literacy to a level comparable with that of the ETA department. By looking at this analysis indicates a difference between ETA and H/S employees in terms of understanding key financial terms such as interest rates, inflation, and compound interest rates; this is a call for financial education in our unskilled employees to mitigate the financial risk among them. All p-values more than 0.05 do not have a significant relationship.

4.4 STRUCTURAL EQUATION MODEL

Partial Least Squares (PLS) were employed in this research due to their ability to model complex relationships between multiple predictor and criterion variables, particularly when the primary goal is prediction and theory development. Its utilisation is further justified by its suitability for small to medium-sized samples and its flexibility in handling non-normally distributed data. PLS is adept at exploring latent constructs and is effective even with formative measurement models, where traditional covariance-based SEM approaches may not be applicable. The choice of PLS in this research context allows for a more exploratory approach, accommodating both the measurement and structural model assessment, which is essential for the iterative nature of theory refinement.

The Structural Equation Modelling (SEM) using the Smart PLS software provides a comprehensive analysis of the relationships between the constructs B, C, D, and E. Below is a detailed interpretation of the SEM results.

Figure 4.1 below is a path diagram of the various interactions in the study. The results of the PLS are shown in the various tables below.

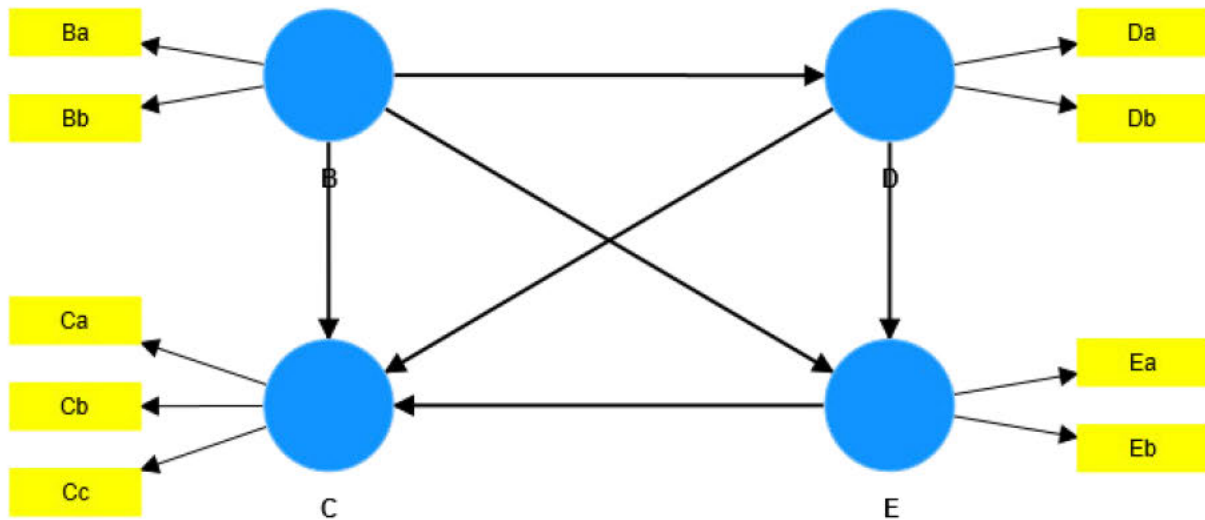


Figure 4.1 Structural equation model

4.4.1 Path coefficients and p-values

- The path from B to C has a coefficient of 0.4506, with a p-value of 0.0000, indicating a positive and statistically significant relationship.
- B to D shows a strong positive path coefficient of 0.6990, which is also statistically significant (p-value = 0.0000).
- B to E has a path coefficient of 0.4463 with a p-value of 0.0000, signifying another positive and significant relationship.
- The path from D to C has a coefficient of 0.3132, with a significant p-value of 0.0003.
- D to E presents a positive path coefficient of 0.2681, with a p-value of 0.0076, indicating a significant relationship.
- E to C has the lowest path coefficient of 0.1443 and a p-value of 0.0689, which is marginally above the conventional threshold for significance ($p < 0.05$), suggesting a weaker and less definitive relationship.

Table 4.4 Path coefficients

| | Path coefficients | P values |
|--------|-------------------|----------|
| B -> C | 0.4506 | 0.0000 |
| B -> D | 0.6990 | 0.0000 |
| B -> E | 0.4463 | 0.0000 |
| D -> C | 0.3132 | 0.0003 |
| D -> E | 0.2681 | 0.0076 |
| E -> C | 0.1443 | 0.0689 |

4.4.2 Outer loadings

The outer loadings of all items on their respective constructs are strong, especially Ba <- B (0.9286) and Bb <- B (0.9100), indicating that these items are very good indicators of construct B. The outer loading of Cb<- C is moderate (0.5704), suggesting it is a weaker indicator for construct C.

Table 4.5 Outer loadings

| | Outer loadings |
|---------|----------------|
| Ba <- B | 0.9286 |
| Bb <- B | 0.9100 |
| Ca <- C | 0.8871 |
| Cb<- C | 0.5704 |
| Cc <- C | 0.8842 |
| Da <- D | 0.5425 |
| Db <- D | 0.9546 |
| Ea<- E | 0.8643 |
| Eb <- E | 0.7683 |

4.4.3 Correlations

Bivariate correlation was also performed on the data. The results are found in Appendix A. The results indicate the following patterns. Positive values indicate a directly proportional relationship between the variables, and a negative value indicates an inverse relationship. All significant relationships are indicated by the correlation value between “Fundamental Financial Knowledge” and “Financial Prioritisation and Learning” is 0.727. This is a directly related proportionality.

- The constructs B and C have a high correlation of 0.7610, indicating a strong relationship.
- B and D also show a strong correlation of 0.6990.
- The correlations between B and E, C and D, and C and E are moderate, suggesting significant but less strong relationships.

Table 4.6 Correlations

| | B | C | D | E |
|---|--------|--------|--------|---|
| B | 1.0000 | | | |
| C | 0.7610 | 1.0000 | | |
| D | 0.6990 | 0.7119 | 1.0000 | |

| | | | | |
|---|--------|--------|--------|--------|
| | 0 | | 0 | |
| E | 0.6336 | 0.6115 | 0.5800 | 1.0000 |

4.4.4 R-Square

The R-square values indicate the proportion of variance explained in the endogenous constructs. Construct C has an R-square of 0.6541, which means that the model explains 65.41% of the variance in C. This is a strong explanatory power. Constructs D and E have R-square values of 0.4886 and 0.4383, respectively, indicating moderate explanatory power.

Table 4.7 R-square

| | R-square |
|---|----------|
| C | 0.6541 |
| D | 0.4886 |
| E | 0.4383 |

4.5 COLLINEARITY STATISTICS (VIF)

4.6 All VIF values are well below the threshold of 5, which suggests that there are no collinearity concerns among the constructs and indicates that the model is stable.

Table 4.8 Collinearity Statistics (VIF)

| | VIF |
|----|--------|
| Ba | 1.9146 |
| Bb | 1.9146 |
| Ca | 1.7988 |
| Cb | 1.1602 |
| Cc | 1.9092 |
| Da | 1.0771 |
| Db | 1.0771 |
| Ea | 1.1326 |
| Eb | 1.1326 |

4.6.1 Model Fit

The model fit indices like SRMR (0.1028), d_ULS (0.4758), d_G (0.2286), Chi-square (209.3931), and NFI (0.6589) indicate an acceptable fit of the model. The SRMR value is

close to the recommended threshold of 0.08, but the NFI could be improved as it is below the recommended value of 0.9.

Table 4.9 Model fit

| | Saturated model | Estimated model |
|------------------|-----------------|-----------------|
| SRMR | 0.1028 | 0.1028 |
| d _{ULS} | 0.4758 | 0.4758 |
| d _G | 0.2286 | 0.2286 |
| Chi-square | 209.3931 | 209.3931 |
| NFI | 0.6589 | 0.6589 |

In summary, the SEM analysis suggests that construct B has a significant positive influence on constructs C, D, and E, with construct D also positively influencing C and E. Construct E shows a positive but weaker effect on C. The model demonstrates good reliability and validity of the constructs, an acceptable fit, and no collinearity issues. However, some indices suggest there might be room for model improvement.

4.7 THE SAMPLE

In total, 280 questionnaires were dispatched, and 140 were returned, which gave a 50% response rate.

4.8 THE RESEARCH INSTRUMENT

The research instrument consisted of 40 items, with a level of measurement at a nominal or an ordinal level. The questionnaire was divided into 5 sections, which measured various themes as illustrated below:

- A Demographic details
- B Financial literacy
- C Debt management
- D Debt management and financial literacy relationship
- E Intervention Strategies

4.9 SECTION A: DEMOGRAPHIC DETAILS

4.9.1 Department

This section summarises the biographical characteristics of the respondents. Starting by the section respondents belong to. There were two departments selected which were ETA and H/S. At the ETA department, the sample was 160, and respondents were 65, which is 40.63%, and most of them are skilled employees, the overall rate of respondents 46.4% is from ETA. The H/S department sample was 120, and the respondents were 75, which is 62.50% of respondents; it is a good indication that the majority welcomed the study and most of them are unskilled employees, the overall rate of respondents 53.6% are from H/S. Table 4.10 below indicates the department to which the respondents belonged.

Table 4.10 Respondents rate

| | Frequency | Percent |
|-------|-----------|---------|
| ETA | 65 | 46.4 |
| H/S | 75 | 53.6 |
| Total | 140 | 100.0 |

There were similar numbers of respondents from each of the departments ($p = 0.398$).

4.9.2 Age and gender

The analysis of gender is combined with age to get the overall picture of respondents by age and gender. Table 4.11 below describes the overall gender distribution by age.

Table 4.11 Age and gender analysis

| Age (years) | | Gender | | Total |
|-------------|-----------------|--------|--------|--------|
| | | Male | Female | |
| 18 - 35 | Count | 13 | 17 | 30 |
| | % within Age | 43.3% | 56.7% | 100.0% |
| | % within Gender | 20.3% | 22.4% | 21.4% |
| | % of Total | 9.3% | 12.1% | 21.4% |
| 36 - 50 | Count | 35 | 51 | 86 |
| | % within Age | 40.7% | 59.3% | 100.0% |
| | % within Gender | 54.7% | 67.1% | 61.4% |
| | % of Total | 25.0% | 36.4% | 61.4% |
| 51 - 65 | Count | 16 | 8 | 24 |
| | % within Age | 66.7% | 33.3% | 100.0% |
| | % within Gender | 25.0% | 10.5% | 17.1% |
| | % of Total | 11.4% | 5.7% | 17.1% |
| Total | Count | 64 | 76 | 140 |
| | % within Age | 45.7% | 54.3% | 100.0% |
| | % within Gender | 100.0% | 100.0% | 100.0% |
| | % of Total | 45.7% | 54.3% | 100.0% |

Overall, the ratio of males to females is approximately 9:11 (45.7%: 54.3%) ($p = 0.310$). The ratio is contrary to the literature, which demonstrates that men are more knowledgeable than women when it comes to financial matters, claim (Abreu and Mendes, 2010). According to Soldat (2021), men are more prone than women to borrow money and exhibit greater confidence in their financial acumen. Upon analysing the respondent's ratio, it was observed that a higher number of women expressed interest in the study compared to men.

Overall age category analysis from 18 to 35 years, 43.3% were male; within the category of males, only 20.3% were between ages 18 to 35, and in this category, males formed 9.3% of the total respondents, while on the same category of 18 to 35 years, females were 56.7%, within this category of females only 22.4% were between the age of 18 to 35 in overall the females between 18-35 years amounted to 12.1% out of the total respondents.

Within the age category of 36 to 50 years, 40.7% were male. Within the category of males (only), 54.7% were between the ages of 36 to 50 years. This category of males between the ages of 36 to 50 years formed 25.0% of the total respondents, while in the similar category, 59.3% were females and within this category of 36 to 50, females only were 67.1%. The females in this category sum up 36.4% of the total respondents. According to research, it has been found that individuals at both ends of the age spectrum tend to have lower levels of financial literacy.

On the other hand, those between the ages of 35 and 50 exhibit the highest levels of financial literacy. This suggests that knowledge tends to increase with experience and decline when not actively utilised or maintained (Lusardi et al., 2011). Many respondents in the 36 to 50 age category expressed interest in the study, suggesting that they recognise the significance of and possess a good understanding of financial literacy.

Last age category, 51 to 65 years, males were 66.7%; in the similar category of males, only 25% were between the ages of 51 to 65, and the males in this category equal 11.4% out of respondents. Within the category of age 51 to 65, females were 33.3%, yet in this category of 51 to 65 years females only were 10.5% and females in this category formed 5.7% of the respondents.

The age distributions are not similar as there are less respondents older than 36 years ($p < 0.001$).

4.9.3 Level of education

It was essential to determine the level of education in the study to provide a clear indication of whether the respondents need to improve their education in order to make informed

financial decisions. The study was designed to accommodate all levels of education, ranging from below matric to postgraduate and beyond.

Figure 4.2 below indicates the education levels of the respondents.

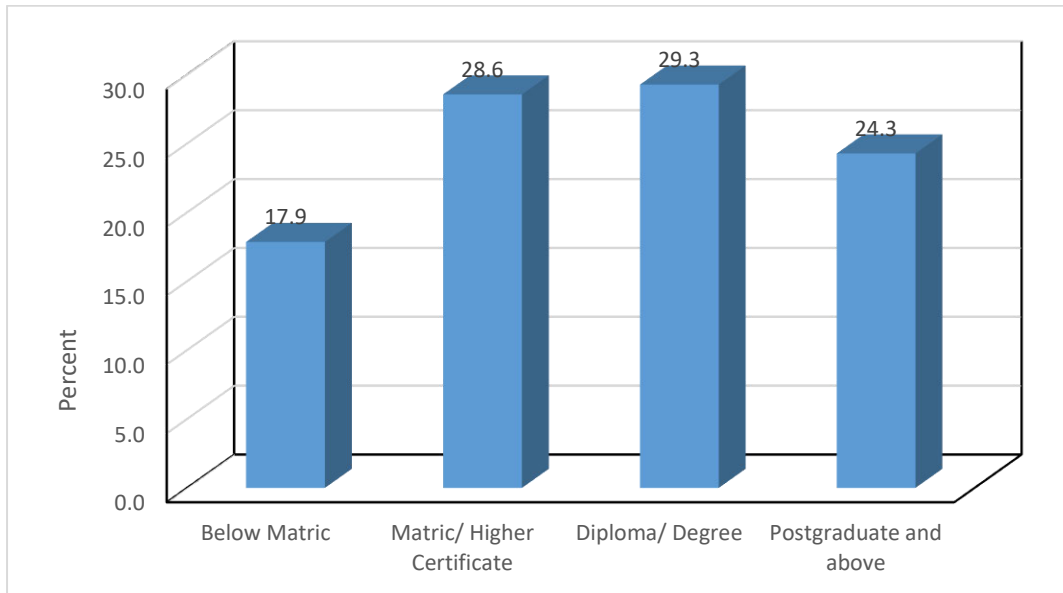


Figure 4.2 Education level of respondents

More than half of respondents (53.6%) had a post-school qualification. Approximately a quarter of the respondents (24.3%) had a postgraduate degree, while 46.4% were matric and below and out of all respondents, 17.9% were below matric, which is concerning that the majority of below matric did not see the need to respond to the questionnaire, yet they are the one who is mostly highly indebted. The highest rate of respondents are graduates with diplomas or degrees at 29.3%, followed by Matric or Higher Certificates at 28.6%, which is great because it means they see the importance of financial literacy and debt management. Also, the previous studies of Lusardi et al. (2011); Sucuahi (2013); Klapper and Lusardi (2020) stipulate that formal education levels and financial literacy are positively correlated. According to Soldat (2020), education is the most important determining factor that affects an individual's financial literacy. Based on the respondent's percentage of post-school qualifications, justify what is stated by literature because they are the ones who showed interest in the study compared to matric and below matric respondents.

This statistic is quite valuable as it suggests that a significant number of the respondents possess a higher level of education. This suggests that the responses collected would have come from a knowledgeable source.

4.10 SECTION ANALYSIS

The section that follows analyses the scoring patterns of the respondents per variable per section. The results were first presented using summarised percentages for the variables that constitute each section. Results are then further analysed according to the importance of the statements.

4.10.1 Section B – Financial Literacy

This section deals with the essence of financial literacy lies in the ability to understand and effectively apply various financial skills, including personal financial management, budgeting, and investing. This section, "Financial Literacy", delves into assessing the financial literacy skills among employees of eThekweni Municipality. The objective is to assess their expertise in important aspects of personal finance, which is essential for making well-informed and impactful decisions in today's economically focused society.

The questions presented are designed to measure various dimensions of financial literacy, ranging from a basic understanding of financial terms to the practical application of financial concepts in day-to-day life. There are two categories in section B.

4.10.1.1 Fundamental financial knowledge

The concepts form the cornerstone of financial literacy, equipping individuals with the essential understanding required to navigate the complex financial landscape. It encompasses a comprehensive grasp of basic financial terms such as interest rates, inflation, and compound interest, which are critical in making informed decisions about savings, investments, and loans. This foundational knowledge is vital for eThekweni Municipality employees, as it underpins their ability to manage personal budgets, understand market dynamics, and plan for future financial needs. By assessing and enhancing this fundamental aspect, the municipality aims to foster a workforce that is not only financially informed but also capable of applying this knowledge to achieve financial stability and growth. This, in turn, contributes to the overall economic well-being of both the individuals and the community they serve. Table 4.12 below summarises the scoring patterns.

Table 4.12 Fundamental financial knowledge

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi-Square p-value |
|---|-----|-------------------|---------|----------|---------|---------|---------|-------|---------|----------------|---------|--------------------|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | |
| I can accurately define key financial terms, such as interest rates, inflation and compound interest | B1 | 19 | 13.6% | 19 | 13.6% | 13 | 9.3% | 58 | 41.4% | 31 | 22.1% | < 0.001 |
| I feel confident in creating and managing a personal budget to allocate my income and expenses effectively | B2 | 6 | 4.3% | 14 | 10.1% | 26 | 18.7% | 60 | 43.2% | 33 | 23.7% | < 0.001 |
| I understand the concept of risk and return, and I am capable of making informed decisions about various investment options | B3 | 12 | 8.6% | 10 | 7.2% | 30 | 21.6% | 54 | 38.8% | 33 | 23.7% | < 0.001 |
| I have a good understanding of the importance of retirement planning and the various retirement savings vehicles available | B6 | 10 | 7.2% | 14 | 10.1% | 34 | 24.6% | 57 | 41.3% | 23 | 16.7% | < 0.001 |
| I often avoid spending more than I can afford to prevent a deficit on my monthly | B9 | 20 | 14.7% | 10 | 7.4% | 19 | 14.0% | 57 | 41.9% | 30 | 22.1% | < 0.001 |
| I always reserve enough savings for unforeseen circumstances | B10 | 33 | 23.7% | 20 | 14.4% | 32 | 23.0% | 38 | 27.3% | 16 | 11.5% | 0.014 |

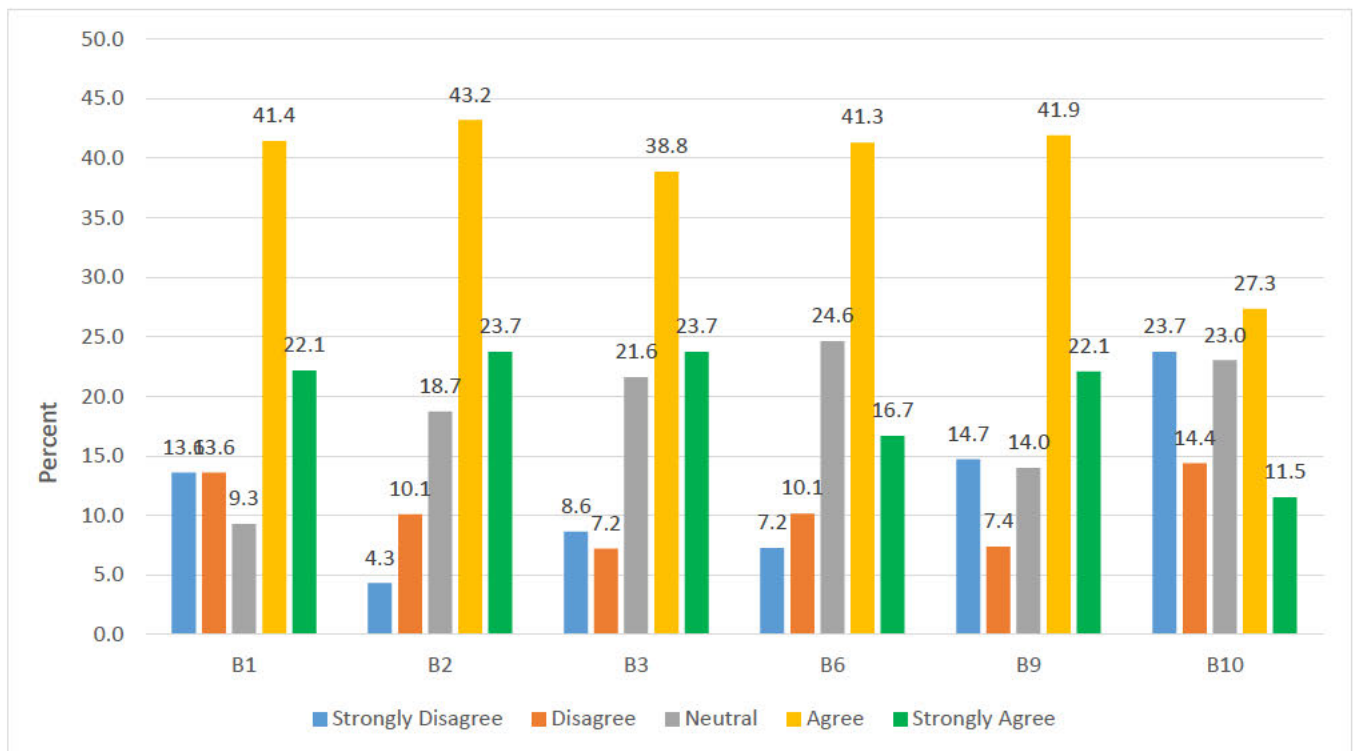


Figure 4.3 Fundamental financial knowledge.

The following patterns are observed:

- All statements show (significantly) higher levels of agreement, whilst other levels of agreement are lower (but still greater than levels of disagreement), with B10 having only a marginal difference.
- There are no statements with higher levels of disagreement.
- The significance of the differences is tested and shown in the table.

The following patterns are evident:

- With reference to defining key financial terms (B1), 63.5% acknowledge their comprehension, while a noteworthy 9.3% maintain neutrality, possibly indicating uncertainty or a lack of confidence in their knowledge.
- In the area of budget management (B2), 67.9% accept their adeptness, juxtaposed with 18.7% who express a neutral stance, suggesting some ambivalence regarding their budgeting capabilities.
- Regarding the understanding of risk and return on investments (B3), 62.5% recognise their informed decision-making skills, and 21.6% remain neutral, reflecting a significant segment that may require further financial education.

- Concerning retirement planning awareness (B6), 58% are affirmative about their understanding, while 24.6% hold a neutral view, which may highlight a gap in knowledge or engagement with long-term financial planning.
- Regarding avoiding overspending (B9), 64% express agreement with their conservative spending habits, but 14% neither agree nor disagree, indicating a potential area for behavioural financial guidance.
- Finally, regarding the habit of saving for unforeseen events (B10), 38.8% agree they are prepared, contrasted with 23% reporting neutrality, suggesting a sizeable proportion of the workforce might not be consistently setting aside emergency funds.

These observations indicate that most employees prioritise financial prudence. However, the presence of neutral responses suggests that there is room for improvement in certain areas. Implementing targeted financial literacy programmes can help address uncertainties and strengthen overall financial resilience. The findings are contrary to the literature since Business Tech (2016: online) revealed that "South Africa has come last in a poll of 30 countries and economies drawn from Africa, Asia, Europe, Australasia, North America, and South America when measuring financial knowledge." Low levels of financial literacy have also been linked to financial stress. This underlines even further how little financial literacy there is in South Africa. Due to a lack of financial literacy, individuals may find themselves making uninformed financial choices, leading to excessive spending and the accumulation of debt (Roberts et al., 2014; Mitchell and Abusheva, 2016). Over-indebted households are particularly vulnerable, according to Capuano and Ramsay (2011), as they are unable to save money or raise their standard of living.

A chi-square goodness-of-fit test was conducted to assess whether there were any significant differences in the scoring patterns per statement across the various options. The null hypothesis suggests that an equal number of respondents scored across each option for each statement, one statement at a time. The alternate states that there is a significant difference between the levels of agreement and disagreement. The results are shown in the table. The highlighted sig. values (p-values) are less than 0.05 (the level of significance), which implies that the distributions were not similar. That is the differences between the way respondents scored (agree, neutral, disagree) were significant. The presence of neutral and disagree, including strongly disagree in all questions, is an indication that there is a need for emphasis on financial literacy.

4.10.1.2 Advanced *financial insights*

This section aims to assess additional elements that are crucial for financial literacy and that workers should be aware of to enhance their level of financial literacy. These elements include knowing how to interpret financial statements to make pertinent financial decisions, knowing the various credit options that are available to you in an emergency and how to choose the most affordable one, the impact of marketing exposure on financial decisions, and the ability to choose appropriate insurance. These factors are crucial when making financial decisions since ignoring them could put employees in financial trouble and have a detrimental effect on the city of eThekweni's ability to provide services. The grading guidelines for the questions in the below set are shown in Table 4.13.

Table 4.13 Advanced Financial Insights

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi-Square p-value |
|--|----|-------------------|---------|----------|---------|---------|---------|-------|---------|----------------|---------|--------------------|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | |
| I am comfortable reading and interpreting financial statements, such as income statements and balance sheets | B4 | 9 | 6.5% | 20 | 14.5% | 23 | 16.7% | 63 | 43.5% | 26 | 18.8% | < 0.001 |
| I can evaluate different types of loans and credit options to determine the most cost-effective choice for a given situation | B5 | 9 | 6.5% | 15 | 10.9% | 28 | 20.3% | 63 | 45.7% | 23 | 16.7% | < 0.001 |
| My exposure to advertising does not influence my financial decisions | B7 | 21 | 15.4% | 16 | 11.8% | 19 | 14.0% | 47 | 34.6% | 33 | 24.3% | < 0.001 |
| I only take insurance policies that cover my needs and are within my affordability | B8 | 6 | 4.3% | 8 | 5.8% | 11 | 7.9% | 58 | 41.7% | 56 | 40.3% | < 0.001 |

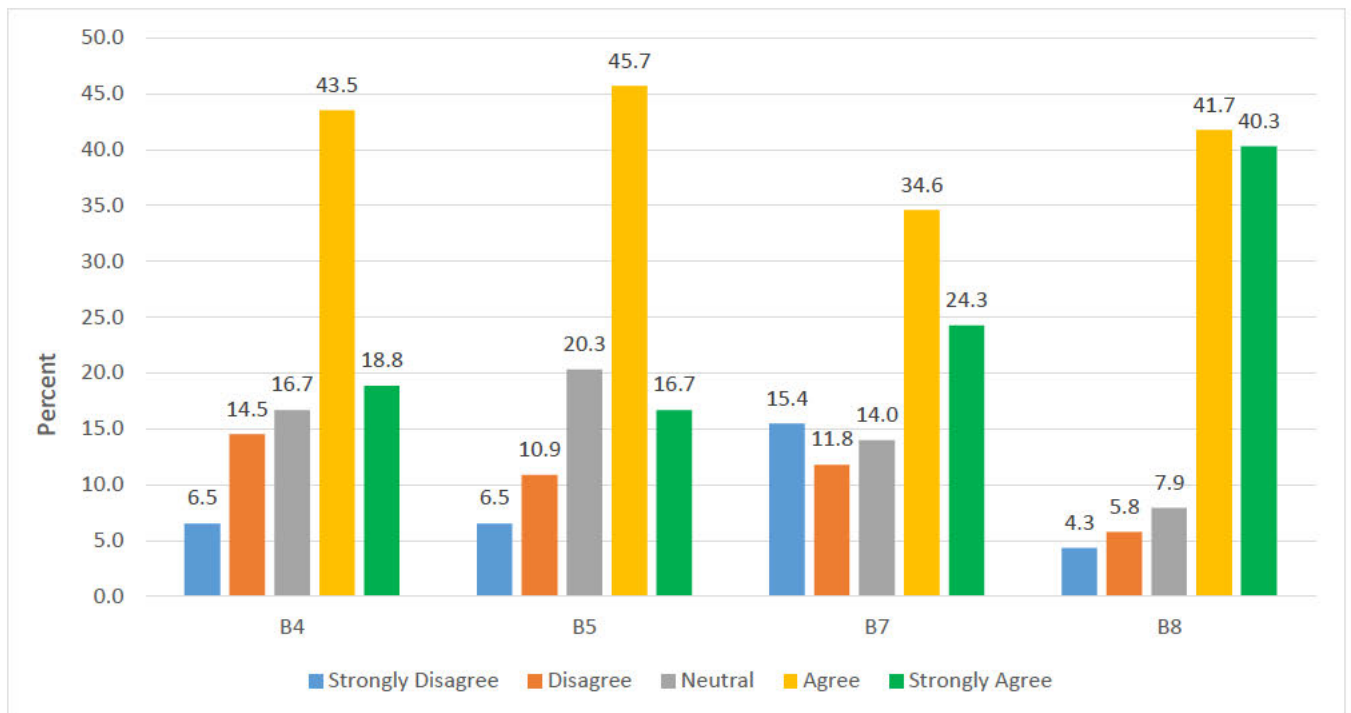


Figure 4.4 Advance financial insights.

The scoring has several implications for the financial literacy initiatives at eThekweni Municipality:

- The predominant agreement levels in all statements (ranging from 59.9% to 82%) suggest a generally positive self-assessment among employees regarding their financial competencies. This is encouraging as it indicates a foundation on which to build further knowledge and skills.
- The proportion of neutral responses (ranging from 7.9% to 20.3%) could reflect a degree of ambivalence or uncertainty. It suggests that certain employees could benefit from receiving extra financial education to address their uncertainties and potentially transform them into more confident individuals when it comes to financial matters.
- The levels of disagreement, though lower than agreement levels, are non-negligible (ranging from 10.1% to 27.2%). This indicates that there is a significant minority of the workforce that lacks confidence in their financial literacy skills. This group is particularly important from an educational intervention standpoint as they represent the employees most in need of support to avoid potentially detrimental financial decisions.
- The highest level of disagreement is observed in statement B7 regarding the influence of advertising, which could have practical implications on employees' susceptibility to marketing and possible impact on their financial decisions. This suggests that critical

thinking in relation to financial information and advertising could be an important area for development in training programmes.

- The lower disagreement in statement B8 (insurance policies) suggests that employees feel more confident in making decisions in areas that directly affect their immediate financial security. This could indicate that when the financial impact is direct and tangible, employees are more engaged or informed.

Overall, these insights should inform the municipality's approach to financial education, signalling a need for targeted training that addresses specific areas of weakness and reinforces areas of strength. Tailoring financial literacy programmes to address the varied levels of understanding and confidence identified in the survey could lead to a more financially adept workforce, which would be an asset to both the employees themselves and the organisation they serve. Similar to the literature, hence, according to reports from Amnesty International (2020), at least 71% of South African students attend schools where at least 30% of students are socioeconomically disadvantaged. Additionally, according to STATSSA (2019), 77.3% of students who attend public schools receive free or reduced-price meals at school. This information emphasises the bad learning environments teachers and students experience, which eventually leads to low levels of education among black people. One of the most unequal educational systems in the world is said to exist in South Africa (Jali, 2022). This suggests that there may be disparities in the quality of education received by black students, potentially contributing to their students' limited financial literacy skills. Having a specific programme is crucial to address this gap in financial education. Having a strong understanding of financial concepts is essential for the success of this important social initiative, especially when working towards financial inclusion in a diverse nation (Shetty and Thomas, 2015).

4.10.2 Section C – Debt Management

The purpose of debt management is to assess eThekweni employees' understanding of debt management and aid if it is found that they are not proficient in this area. The municipality's primary goal is to provide services, but this cannot be accomplished if staff members are unable to manage their debts. This can lead to a lack of focus at work or a high absenteeism rate, which is why it is so important to investigate debt management. In a study, debt management is divided into three subcategories: informed debt management, which aims to assess employees' general knowledge of debt management; credit score vigilant, which

assesses employees' awareness of the significance of credit score; and conscious credit usage, which aims to assess employees' consciousness when using credit. This is one of the study's dependent variables.

4.10.2.1 Conscious credit usage

Speaking with an employee who currently uses a credit facility, such as a loan or credit card, falls under this category of conscious credit utilisation. The purpose of the questions is to raise awareness of the need for employees to use credit cards responsibly to prevent unwarranted finance charges and other unfavourable outcomes. Additionally, it is necessary to promote responsible credit usage because, although credit can occasionally be obtained, it should be used carefully. The responses in this category of deliberate credit usage are shown in the following Table 4.14.

Table 4.14 Conscious Credit Usage

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi-Square p-value |
|---|----|-------------------|---------|----------|---------|---------|---------|-------|---------|----------------|---------|--------------------|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | |
| I never exceed the maximum limit on my credit card | C1 | 26 | 19.0% | 15 | 10.9% | 39 | 28.5% | 31 | 22.6% | 26 | 19.0% | 0.025 |
| After all my deductions, I remain with enough funds to sustain myself for the rest of the month without using a credit facility | C6 | 27 | 19.6% | 18 | 13.0% | 33 | 23.9% | 37 | 26.8% | 23 | 16.7% | 0.079 |

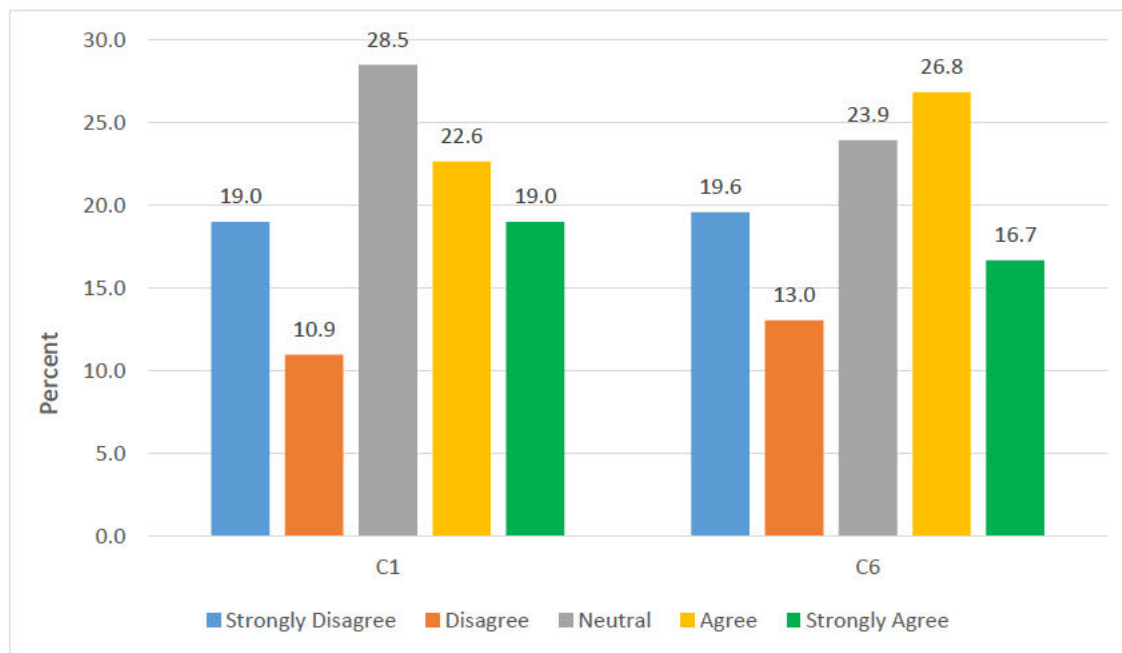


Figure 4.5 Conscious Credit Usage

Analysing the survey data on eThekweni Municipality employees' financial management reveals:

- A concerning 29.9% of the respondent's report exceeding their credit card limit, as indicated by the level of disagreement for statement C1. This suggests a need for strategies to curb potential over-reliance on credit. The neutrality reported by 28.5% of the workforce could imply a lack of awareness or indecision about their spending habits. In contrast, a modest majority of 41.6% affirm staying within their credit limits, showcasing a level of agreement that points to responsible credit usage among these employees.

For statement C6, regarding financial stability after monthly deductions, we see that 32.6% disagree that they have enough funds to last the month, which highlights a possible area of financial strain. Those who neither agree nor disagree makeup 23.9%, a significant share that may benefit from financial planning support. Meanwhile, 43.5% agree that they maintain sufficient funds, suggesting a level of financial prudence in managing their expenses without depending on credit facilities. The finding is further supported by Matemané (2018) states that employees may have been less financially able to set aside emergency funds, which may have led to them becoming indebted when an emergency arises.

The p-values suggest these findings are meaningful, especially for C1, where the significance is stronger. This emphasises the importance of financial literacy training tailored to address credit management and budgeting to ensure employees are well-equipped to manage their finances effectively. The finding is supported by Rootman et al. (2014), stipulating that poor financial decisions are the result of low financial education in consumers. This brings attention to uplift the financial knowledge of employees to have a better understanding of managing debts. According to Rootman et al. (2014), having financial education is crucial for consumers, even when it comes to retirement savings. Without proper financial education, employees tend to spend unnecessarily and fail to save for the future, such as retirement. This puts them at risk of facing financial difficulties in old age. The study also highlights the negative impact of poor financial knowledge on making sound financial decisions, which ultimately leads to higher borrowing costs.

4.10.2.2 Credit Score Vigilance

This category's inquiry is to find out whether staff members understand the significance of knowing their credit score, how to interpret the results, and how important it is to check it frequently to spot changes early. Another advantage of familiarising yourself with credit

score websites is the ability to stop potential fraud on your accounts by acting quickly if you see unusual activity. Asking this kind of question serves to alert staff to this potential benefit. The question's scoring scheme is shown in Table 4.15.

Table 4.15 Credit score vigilance

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi-Square p-value |
|--|----|-------------------|---------|----------|---------|---------|---------|-------|---------|----------------|---------|--------------------|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | |
| I check my credit score regularly, and I can interpret the outcome | C3 | 17 | 12.4% | 25 | 18.2% | 32 | 23.4% | 42 | 30.7% | 21 | 15.3% | 0.007 |

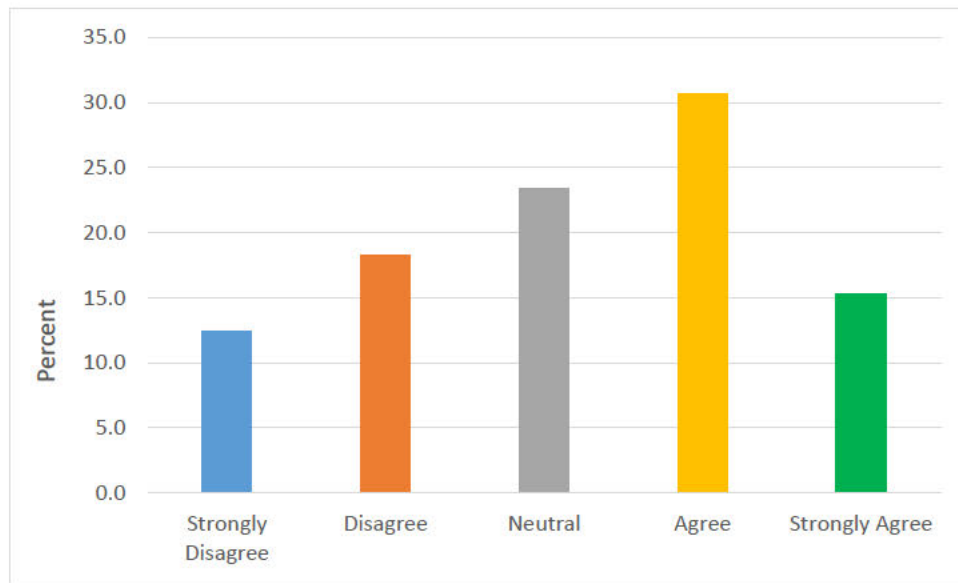


Figure 4.6 Credit score vigilance.

Credit score vigilance is an essential aspect of personal financial management, and the survey conducted among eThekweni Municipality employees sheds light on their attitudes and practices regarding this topic. The statement "I check my credit score regularly, and I can interpret the outcome" (C3) has elicited a range of responses: the level of disagreement (those who either do not check their credit score regularly or cannot interpret it) stands at 30.6%, which underscores a need for improved financial education regarding credit awareness. Neutrality is observed at 23.4%, hinting at a potential lack of engagement or understanding of the importance of credit scores. Meanwhile, the level of agreement reaches 46%, indicating a nearly half of the respondents are proactive about their credit score maintenance and comprehension. The significance of these findings is corroborated by a Chi-Square p-value of 0.007, suggesting the presence of distinct behavioural segments within the municipality's staff that could be addressed through tailored financial literacy initiatives. The finding is like the statement of (Louw et al., 2013) argue that financial illiteracy may be impacting people's economic well-being since an individual lacks the tools required to make proper financial decisions. The danger of it can leave a person with a financial crisis and cannot accumulate wealth, which makes it becoming a need to be financial literacy to manage your debts.

4.10.2.3 Informed debt management

The goal of the informed debt management category is to assess employees' overall debt management and raise awareness of the significance of responsibly managing your debts in addition to upholding your obligations. The key is to manage your payments to stay out of trouble with administration orders and garnishees and to be aware of the responsibilities you are taking on. Occasionally, employees find themselves in dire circumstances because they fail to realise the full extent of their commitments. Asking them the following questions will pique their interest in learning more about credit options and help them assess their level of knowledge to decide whether an intervention is necessary for the employee's well-being. The score patterns for the questions below are shown in the following Table 4.16.

Table 4.16 Informed debt management.

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi-Square p-value |
|---|-----|-------------------|-------|----------|-------|---------|-------|-------|-------|----------------|-------|--------------------|
| | | Count | Row % | Count | Row % | Count | Row % | Count | Row % | Count | Row % | |
| Paying my credit card in full to avoid financial charges is important to me | C2 | 8 | 5.8% | 13 | 9.4% | 25 | 18.1% | 56 | 40.6% | 36 | 26.1% | < 0.001 |
| I found it important to ensure that I understand the terms and conditions of any loan I take | C4 | 6 | 4.4% | 7 | 5.1% | 18 | 13.1% | 63 | 46.0% | 43 | 31.4% | < 0.001 |
| I respect my financial obligations to avoid garnishees and administration orders | C5 | 7 | 5.1% | 3 | 2.2% | 25 | 18.1% | 49 | 35.5% | 54 | 39.1% | < 0.001 |
| I always ensure I understand the consequences of defaulting on loan repayment | C7 | 8 | 5.8% | 9 | 6.5% | 16 | 11.5% | 53 | 38.1% | 53 | 38.1% | < 0.001 |
| My debit/ credit card has never been declined due to insufficient funds to avoid unnecessary bank charges | C8 | 22 | 15.9% | 19 | 13.8% | 25 | 18.1% | 34 | 24.6% | 38 | 27.5% | 0.050 |
| I have considered debt review in the past to consolidate my debts | C9 | 67 | 49.3% | 18 | 13.2% | 20 | 14.7% | 21 | 15.4% | 10 | 7.4% | < 0.001 |
| I avoid borrowing money from the loan sharks | C10 | 21 | 15.6% | 11 | 8.1% | 10 | 7.4% | 30 | 22.2% | 63 | 46.7% | < 0.001 |

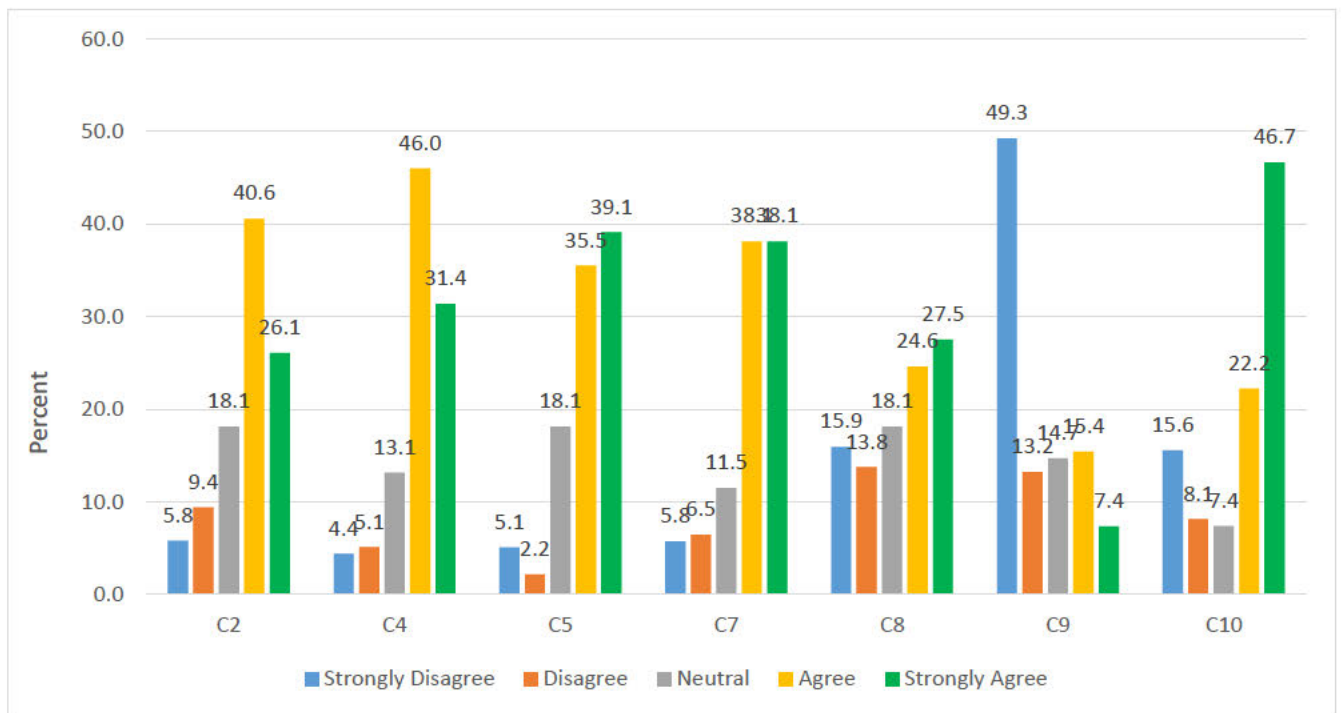


Figure 4.7 Informed debt management.

The provided table gives a detailed breakdown of responses from eThekweni Municipality employees regarding their attitudes and behaviours towards managing debts and credit:

- For C2, the level of agreement (67.7%) signifies a strong inclination towards paying off credit cards in full, an important financial habit to avoid charges, with a relatively low level of disagreement (15.2%).
- Statement C4, regarding understanding loan terms, shows a high level of agreement (77.4%), suggesting that a majority value comprehending the specifics of their financial agreements, and only a small fraction (9.5%) disagree with this sentiment.
- In terms of respecting financial commitments to avoid legal repercussions (C5), there is a combined agreement level of 74.6%, indicating a responsible approach among most employees, while disagreement is notably low at 7.3%. In a surprising discovery, the banking sector has shifted its attention towards young adults as their most important customers. This shift comes after recognising the challenges faced by young black African individuals in meeting their credit card repayment obligations (Matemane, 2018).
- With respect to the awareness of the consequences of loan defaulting (C7), the data reflects a balanced level of agreement (76.2%), with very few employees (12.3%) disagreeing, highlighting a general conscientiousness about loan obligations.

- The incidence of having a card declined (C8) is more evenly spread, with a level of agreement at 52.1% and a higher level of disagreement (29.7%) compared to other statements, suggesting varied experiences with managing account balances.
- Considering debt review to manage debt (C9) presents a stark contrast with a high level of disagreement (62.5%), indicating that most have not considered this step, and a low level of agreement (22.8%). Findings are contrary to the report (BusinessTech, 2021), which said young adults' debt levels have drastically increased in South Africa, and many of them are applying to debt counsellors' or debt review programs.
- Finally, for C10, a substantial level of agreement (69.9%) illustrates a prevalent avoidance of unregulated lending practices, such as loan sharks, with a smaller portion (23.7%) disagreeing.

The Chi-Square p-values for all statements except C8 are less than 0.001, indicating significant differences in the distribution of responses. For C8, the p-value is exactly 0.050, suggesting a marginal level of significance. These insights can inform the municipality's approach towards financial education, particularly emphasising the understanding of financial products and the avoidance of high-risk debt sources. Jali (2022) agrees with the findings by elaborating that insufficient financial literacy comprehension has become a global driver for over-indebtedness. Lack of financial literacy and inability to understand financial concepts can lead to poor financial decisions and economic hardship (Skagerlund et al., 2018); the findings indicated the high-risk debt sources. Another literature that agrees with the findings is Muhamad & Norwani (2019), who view debt as a factor that can affect financial literacy as it will cause a person to face life inequality and work instability. Furthermore, “financial literacy prevents individuals from making irrational financial decisions, creating inappropriate financial products, and failing to save for the future.” (Wentzel, 2016).

4.10.3 Section D – Debt Management and Financial Literacy Relationship

The purpose of the study is to determine how employees of the eThekweni municipality manage their debt and their financial literacy. The main goal of this section is to ascertain whether these two variables are related to one another and whether there is a way for one to affect the other. The purpose of this section is to raise awareness of the significance of financial literacy and to improve employees' skills in this area. Since coaching employees is a key component of debt management, it was found that a lack of financial literacy is a major contributing factor to poor debt management (Klapper and Lusardi, 2020). Understanding the

connection between these variables in eThekweni staff is essential for developing potential intervention strategies, if necessary. The section is divided into two subcategories: financial prioritisation and learning, which aims to examine the financial literacy skills and priorities of eThekweni municipality employees, and comprehensive financial stewardship, which encourages employees to reflect on their level of financial literacy honestly.

4.10.3.1 Financial prioritisation and learning

The purpose of financial prioritisation and learning questions is to examine employees of the eThekweni municipality's spending prioritisation and willingness to learn about financial literacy. This section is comprised of two questions: the first asks about spending differentially based on needs versus wants, and the second asks about employees' willingness to increase their financial literacy to manage their debt better. The rate of agreement and disagreement for the questions below is shown in Table 4.17.

Table 4.17 Financial Prioritisation and Learning

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi-Square p-value |
|---|----|-------------------|---------|----------|---------|---------|---------|-------|---------|----------------|---------|--------------------|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | |
| I always prioritise my spending based on needs, not wants | D1 | 5 | 3.6% | 2 | 1.4% | 22 | 15.9% | 59 | 42.8% | 50 | 36.2% | < 0.001 |
| I am open to learning about financial literacy to improve my financial status | D8 | 7 | 5.0% | 3 | 2.1% | 10 | 7.1% | 52 | 37.1% | 68 | 48.6% | < 0.001 |

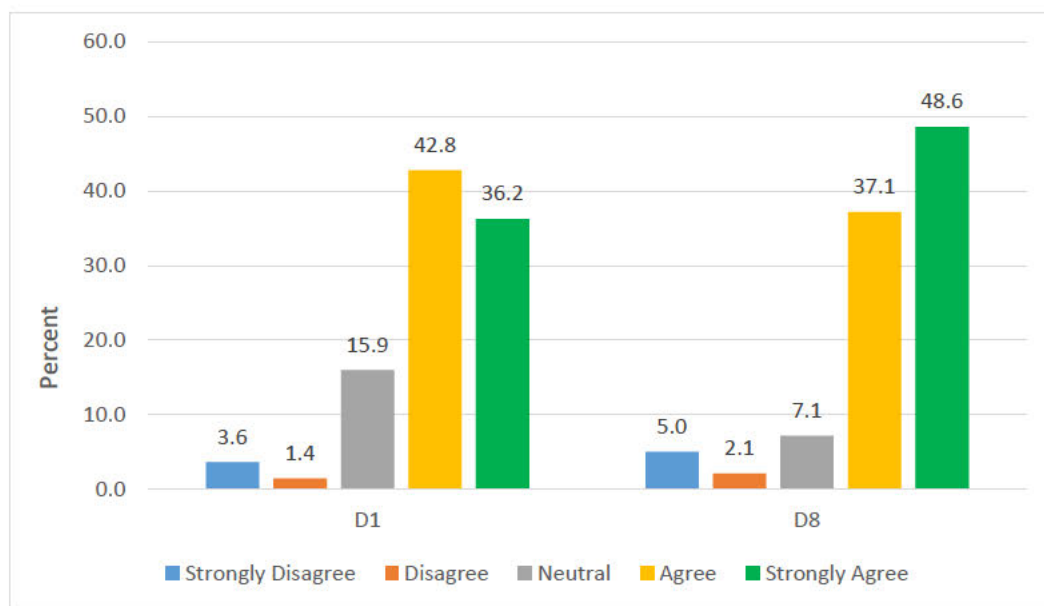


Figure 4.8 Financial Prioritisation and Learning

The data provided offers insight into the attitudes and openness of eThekwini municipality employees towards financial literacy and spending prioritisation:

- For statement D1, which examines spending prioritisation based on needs versus wants, there is a pronounced level of agreement (79%), suggesting that a substantial majority of the respondents practice prudent financial prioritisation. The level of disagreement is notably minimal (5%), and a small segment of respondents (15.9%) remains neutral.
- Looking at statement D8, regarding the willingness to learn about financial literacy to improve financial status, an even more significant level of agreement (85.7%) emerges. This reflects a strong openness to financial education among the employees. A minimal level of disagreement (7.1%) and a lower proportion of neutrality (7.1%) further indicate a consensus on the value of financial knowledge.

The Chi-Square p-values for both statements are less than 0.001, indicating a statistically significant distribution of responses. This data underscores the importance employees place on financial literacy to enhance their financial well-being and suggests that initiatives aimed at financial education are likely to be well received and attended. The literature revealed that financial markets are diverse and demanding, with consumers having a variety of options to choose from. Conserving and managing money is becoming more and more important for all individuals, including the eThekwini community. Furthermore, “financial literacy prevents individuals from making irrational financial decisions, creating inappropriate financial products, and failing to save for the future.” (Wentzel, 2016) in support of advancing financial literacy.

4.10.3.2 Comprehensive financial stewardship

The purpose of the complete financial stewardship questions is to encourage employees of the eThekwini municipality to reflect honestly on their financial literacy and to take responsibility for their spending habits. The questions also aim to highlight the importance of responsible resource management as a component of financial stewardship. Furthermore, it emphasises the importance of settling existing debts and fostering a mindset of establishing and upholding financial goals. The questions cover a range of topics, such as evaluating knowledge of financial products, recognising the importance of keeping spending logs, demonstrating the ability to prioritise financial goals, and understanding the value of primary asset insurance. Finally, household involvement in financial decision-making and comprehension of the connection between inflation and repo rate. The research discovered that these phrases are critical for eThekwini municipality staff to comprehend to support

financial learning and prioritisation and to have a working class that is not enslaved by debt but is instead capable of managing it. The scoring trends for these questions from the respondents are displayed in Table 4.18 below.

Table 4.18 Comprehensive Financial Steward

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi-Square p-value |
|---|----|-------------------|-------|----------|-------|---------|-------|-------|-------|----------------|-------|--------------------|
| | | Count | Row % | Count | Row % | Count | Row % | Count | Row % | Count | Row % | |
| I have got clear idea of the sorts of financial products or services that I need without consulting a financial adviser | D2 | 7 | 5.1% | 21 | 15.2% | 30 | 21.7% | 57 | 41.3% | 23 | 16.7% | < 0.001 |
| I keep a record of my expenses each month to keep track record of my spending | D3 | 14 | 10.2% | 26 | 19.0% | 30 | 21.9% | 47 | 34.3% | 20 | 14.6% | < 0.001 |
| I set short, medium and long-term financial goals and work hard to achieve them | D4 | 7 | 5.1% | 17 | 12.3% | 39 | 28.3% | 51 | 37.0% | 24 | 17.4% | < 0.001 |
| I have an insurance policy for all major assets | D5 | 16 | 11.9% | 20 | 14.8% | 21 | 15.6% | 36 | 26.7% | 42 | 31.1% | 0.001 |
| I involve my household in the financial decisions, especially concerning spending to avoid budget deficit | D6 | 13 | 9.4% | 23 | 16.5% | 36 | 25.9% | 42 | 30.2% | 25 | 18.0% | 0.001 |
| I understand the relationship between inflation and repo rate | D7 | 15 | 11.0% | 17 | 12.5% | 19 | 14.0% | 54 | 39.7% | 31 | 22.8% | < 0.001 |

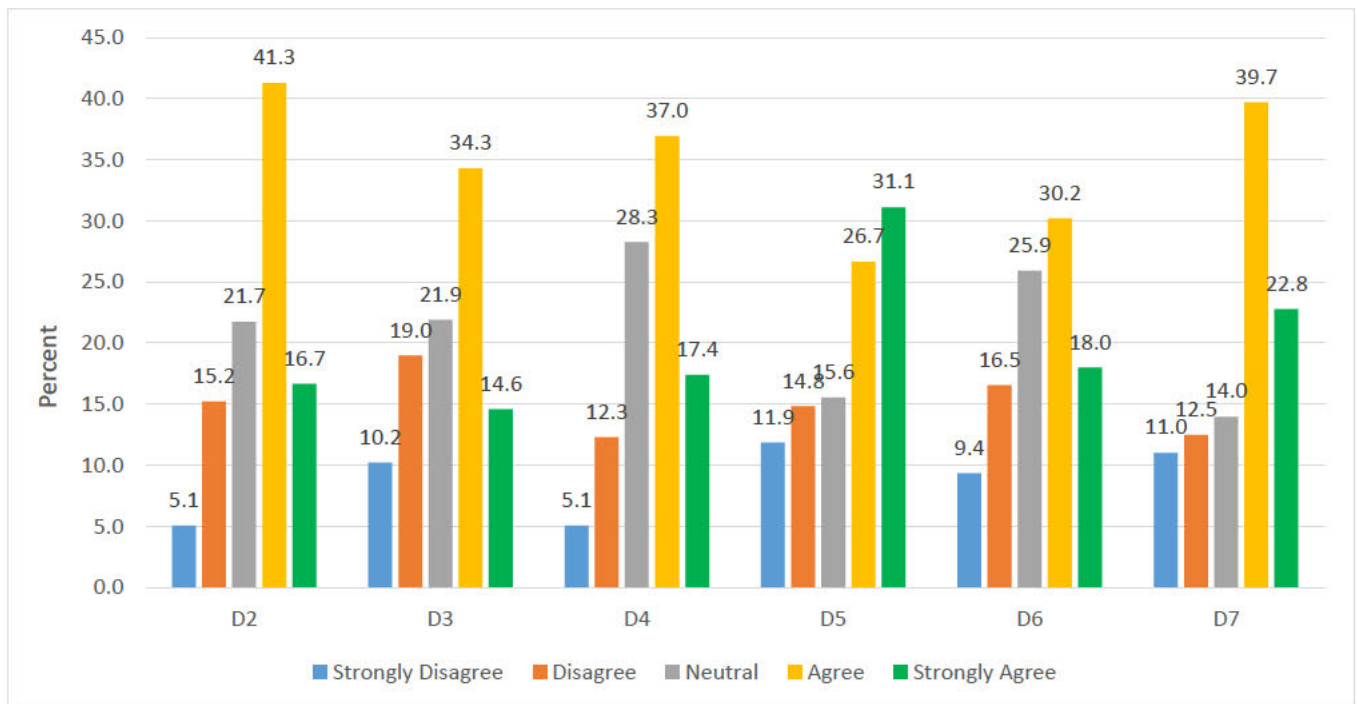


Figure 4.9 Comprehensive Financial Steward

- For D2, clarity on financial products without an adviser's input shows a level of agreement at 58% and a level of disagreement at 20.3%, suggesting that while the majority feel confident in identifying their financial product needs, there is still a significant minority that may benefit from professional advice.
- Keeping track of monthly expenses (D3) has a level of agreement at 48.9%, with a relatively high level of disagreement at 29.2%, indicating that nearly a third of the respondents might not regularly record their spending, which is a fundamental aspect of personal financial management.
- Regarding setting and working towards financial goals (D4), the level of agreement is 54.4%, and the level of disagreement is 17.4%. The data shows that over half of the employees engage in goal-oriented financial planning, while a notable fraction does not, which could impact their financial stability.
- For having insurance policies for major assets (D5), a combined agreement of 57.8% suggests that a majority value asset protection through insurance, yet there is a considerable level of disagreement at 26.7%, pointing to potential gaps in risk management among employees.
- Involving households in financial decisions (D6) has a level of agreement at 48.2% and a level of disagreement at 25.9%, indicating that while nearly half of the respondents

practice inclusive financial decision-making, a quarter do not, which could affect the effectiveness of budgeting to avoid deficits.

- Understanding the relationship between inflation and the repo rate (D7) reflects a level of agreement at 62.5%, while the level of disagreement is 23.5%. This suggests that a majority have a grasp of economic factors affecting their finances, yet there is room for improved economic literacy for nearly a quarter of the workforce. The findings are backed by the statement made by Kagotho et al. (2017) that individuals who are knowledgeable about finance are more equipped to make informed comparisons and secure fair deals as they possess a deep understanding of interest dynamics.

The Chi-Square p-values suggest that the variations in responses across these statements are statistically significant. These results highlight the importance of continued financial education and support, as there are areas where a considerable number of employees could benefit from enhanced financial literacy and guidance. The literature agrees with the need for financial education; due to rising debt levels and declining household savings, financial stress is rising among South African households (Wentzel, 2016), the statements highlight the significance of financial literacy in eThekweni since it is important to be able to set priorities and stick to a budget when your income is reduced. French and McKillop (2016) found a correlation between having too much debt and having low financial literacy.

4.10.4 Section E- Intervention Strategies

As demonstrated by Muhammad et al. (2019), who see debt as a factor that might impair financial literacy because it will cause a person to experience life inequality and employment instability, debt management is a long-standing problem among government employees. To prevent job instability as it also impacts the municipality's aim of providing services. The municipality of eThekweni did provide intervention methods. This section looks at whether current techniques are effective and whether staff members are aware of them. The purpose of the employer-sponsored financial security subcategory is to raise employee understanding of the financial security provided by their employer, while the financial literacy facilitation subcategory is to raise awareness of current intervention tactics.

4.10.4.1 Financial literacy facilitation

The purpose of financial literacy facilitation questions is to assess the effectiveness of the current intervention tactics and emphasise to the staff that they should utilise them; as a result, some staff members may not even be aware of the support their employer is providing.

One of the questions is whether workers can take advantage of existing programmes such as financial education classes, automated salary deductions for savings, financial counselling services, Careway's human capital intervention, and payroll communication. The purpose of the questions is to gain a thorough understanding of the employees' perspectives regarding the current intervention tactics. If there is a need to enhance strategies, suggestions will be provided to the employer. The scoring scheme for the questions below is shown in Table 4.19.

Table 4.19 Financial Literacy Facilitation

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi-Square p-value |
|--|----|-------------------|---------|----------|---------|---------|---------|-------|---------|----------------|---------|--------------------|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | |
| My workplace provides regular financial education sessions to help me understand how to manage debt responsibly and save effectively | E1 | 32 | 23.0% | 27 | 19.4% | 32 | 23.0% | 41 | 29.5% | 7 | 5.0% | < 0.001 |
| I am encouraged to set up automatic deductions from my salary to a dedicated savings account to ensure consistent savings | E2 | 27 | 19.4% | 35 | 25.2% | 28 | 20.1% | 33 | 23.7% | 16 | 11.5% | 0.096 |
| I am provided with tools and resources to create a personalised budget that helps me track expenses and manage my finances better | E4 | 32 | 22.9% | 38 | 27.1% | 34 | 24.3% | 29 | 20.7% | 7 | 5.0% | < 0.001 |
| My workplace promotes a culture of financial responsibility by educating employee to join thrift funds to earn interest on their savings | E5 | 30 | 21.7% | 27 | 19.6% | 31 | 22.5% | 38 | 27.5% | 12 | 8.7% | 0.010 |
| I have access to confidential financial counselling services through my employer, which helps me address my debt concerns and develop effective savings strategies | E6 | 32 | 22.9% | 26 | 18.6% | 30 | 21.4% | 42 | 30.0% | 10 | 7.1% | 0.001 |

| | | | | | | | | | | | | |
|--|----|----|-------|----|-------|----|-------|----|-------|----|-------|---------|
| Human Capital does intervene if the employee is over-indebted by arranging counselling sessions with Careway's | E7 | 19 | 13.8% | 17 | 12.3% | 43 | 31.2% | 40 | 29.0% | 19 | 13.8% | < 0.001 |
| Payroll communicates and adjusts deductions on the payslip if an employee has a negative net pay due to loans deductions | E8 | 38 | 27.5% | 19 | 13.8% | 39 | 28.3% | 29 | 21.0% | 13 | 9.4% | 0.001 |

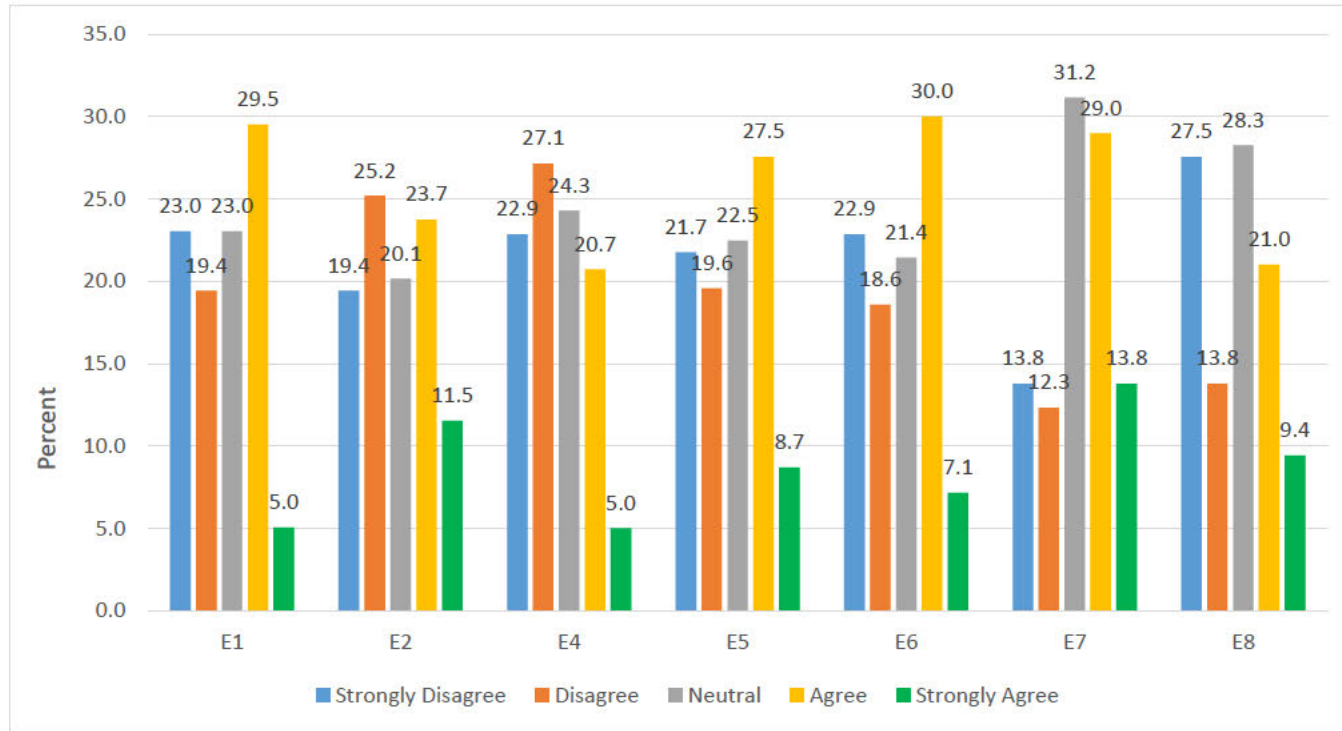


Figure 4.10 Financial literacy facilitation.

The survey responses reveal perspectives on the financial literacy facilitation provided by the workplace for eThekweni Municipality employees:

- A significant number of employees disagree (42.4%) with the statement that the workplace provides regular financial education sessions (E1), with 23% neutral and only 34.5% in agreement. This suggests an opportunity to enhance the availability and communication of financial education initiatives.
- There is a notable level of disagreement (44.6%) with the encouragement for setting up automatic salary deductions for savings (E2), with 20.1% neutral and 35.2% in agreement. The higher p-value of 0.096 indicates that this issue might not be as significant for employees compared to other statements.
- For the provision of tools and resources for budgeting (E4), disagreement is at 50%, neutrality stands at 24.3%, and agreement is lower at 25.7%. This highlights a potential area for improvement in offering budgeting support.
- The promotion of a culture of financial responsibility through joining a thrift fund (E5) sees a disagreement of 41.3%, with 22.5% neutral and 36.2% agreeing, indicating that the communication or the perceived value of such initiatives could be improved.
- Access to confidential financial counselling services (E6) shows a disagreement of 41.5%, with 21.4% neutral and 37.1% agreeing, suggesting that awareness or the effectiveness of such services could be enhanced.
- Human Capital's intervention in cases of over-indebtedness (E7) has less disagreement at 26.1%, with a high neutrality of 31.2% and an agreement of 42.8%, reflecting some level of support but also indicating room for more proactive or well-communicated interventions.
- Lastly, communication and adjustment of deductions on payslips for negative net pay due to loan deductions (E8) see the highest level of disagreement at 41.3%, neutrality at 28.3%, and agreement at 30.4%, pointing to possible issues in payroll communication or policies that could be addressed.

The Chi-Square p-values, except for E2, suggest that the responses are statistically significant, indicating varied perceptions of financial literacy support in the workplace. These results emphasise the need for the employer to reassess and potentially revamp the financial literacy programs and support systems offered to employees to ensure they are effective, well-utilised and tailored to the employees' needs. In agreement with the findings, Human Capital intervention to raise awareness of financial literacy and the significance of debt

management, with the goal of looking out for employees and enhancing their performance (eThekweni municipality Website, 2023). The literature further supports the findings by stating that implementing financial education programs can enhance employees' financial knowledge; this can impact their awareness of their financial situation, provide guidance in selecting a suitable financial portfolio, and achieve and attain financial goals (Abdullah et al., 2019).

4.10.4.2 Employer-Sponsored Financial Security

Employers contribute to long-term financial security through pension benefits; therefore, the purpose of the question under employer-sponsored financial security is to find out whether employees agree with this security support and whether they value having a thrift fund as a savings option. The rating that respondents provided for this question is displayed in Table 4.20 below.

Table 4.20 Employer-sponsored financial security

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi-Square p-value |
|---|----|-------------------|---------|----------|---------|---------|---------|-------|---------|----------------|---------|--------------------|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | |
| My employer offers employee benefits such as pension contributions and savings programs (Thrift fund) to support long-term financial security | E3 | 2 | 1.4 % | 6 | 4.3 % | 10 | 7.1 % | 67 | 47.9 % | 55 | 39.3 % | <0.001 |

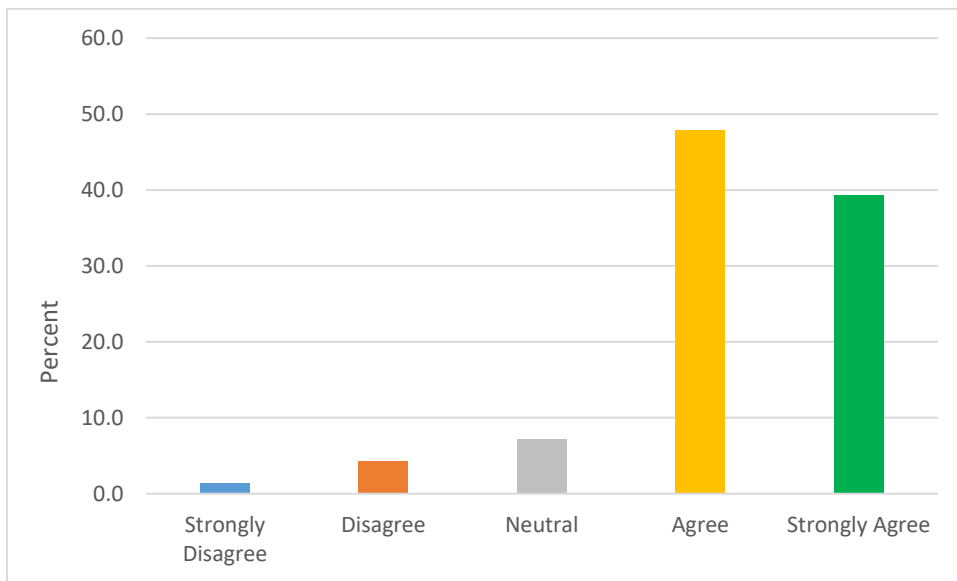


Figure 4.11 Employer-sponsored financial security.

- A significant majority of the respondents agree with the statement E3, with 47.9% agreeing and 39.3% strongly agreeing. This indicates that the employer offers benefits such as pension contributions and savings programmes, resulting in a high level of agreement at 87.2%. This indicates that these financial security measures are not only provided but also valued and acknowledged by the employees.
- Only a small fraction of employees disagrees (5.7%) or strongly disagree (1.4%) with the provision of these benefits, showing a low level of disagreement.
- Neutrality is minimal (7.1%), which might represent a segment of the workforce that is either unaware of these benefits or has not yet formed an opinion about their adequacy or effectiveness.
- The Chi-Square p-value of less than 0.001 signifies a statistically significant consensus among the survey participants regarding the presence of employer-supported financial security programs.

These findings highlight a strong foundation for employee financial security facilitated by the employer, reflecting a commitment to supporting employees' long-term financial well-being. It also suggests that the municipality's efforts in providing these benefits are well-aligned with the employees' needs and expectations. According to a report by Amnesty International (2020), it is claimed that South Africa has made significant progress in improving the standard of living for black people since gaining independence. One of the key aspects of this

progress is the establishment of financial security, which plays a crucial role in raising the overall quality of life.

4.11 RESPONSE TO OBJECTIVES

Section is designed to demonstrate of how the results of the research linked to the objectives of the research. This relationship was established by interpretation of the results and formulation of hypothesis against each objective. These are the null and alternative hypotheses for each research objective, along with the interpretation of the SEM results:

4.11.1 Financial literacy and debt management relationship

Objectives 1. To understand the relationship between financial literacy and debt management in eThekwini municipality employees

Null Hypothesis (H_0): There is no relationship between financial literacy and debt management among eThekwini municipality employees.

Alternative Hypothesis (H_1): There is a relationship between financial literacy and debt management among eThekwini municipality employees.

- Interpretation: The significant path coefficients between construct B (Financial Literacy) and constructs C (Debt Management) and D (Debt Management and Financial Literacy Relationship) with p-values of 0.0000 indicate a strong relationship, suggesting the rejection of H_0 in favour of H_1 .

4.11.2 Financial literacy skills examination

Objective 2. To examine the financial literacy skills among eThekwini municipality employees

Null Hypothesis (H_0): eThekwini municipality employees do not possess financial literacy skills.

Alternative Hypothesis (H_1): eThekwini Municipality employees possess financial literacy skills.

- Interpretation: High outer loadings of $B_a \leftarrow B$ and $B_b \leftarrow B$, along with significant R-square value for construct B, suggest strong financial literacy skills among the employees, leading to the rejection of H_0 and support for H_1 .

4.11.3 Debt management comprehension determination

Objective 3. To determine the debt management comprehension in eThekweni Municipality employees

Null Hypothesis (H_0): eThekweni municipality employees do not comprehend debt management.

Alternative Hypothesis (H_1): eThekweni Municipality employees comprehend debt management.

- Interpretation: Given the significant path coefficient from D \rightarrow C and strong outer loadings for Ca \leftarrow C and Cc \leftarrow C, as well as a substantial R-square value for construct C, the results support H_1 , indicating that employees have a good comprehension of debt management, thereby rejecting H_0 .

4.11.4 Strategies for mitigating risk exposure to debts and developing a saving culture

Objective 4. To discover strategies that can be utilised to empower employees to mitigate the risk of exposure to debts and develop a culture of saving.

Null Hypothesis (H_0): There are no effective strategies that can be utilised to empower eThekweni Municipality employees to mitigate the risk of exposure to debts and develop a culture of saving.

Alternative Hypothesis (H_1): There are effective strategies that can be utilised to empower eThekweni Municipality employees to mitigate the risk of exposure to debts and develop a culture of saving.

- Interpretation: Although the SEM results do not directly measure strategy effectiveness, the significant relationships involving financial literacy (B), debt management (C), and financial literacy facilitation (E) imply potential for developing effective strategies. This supports H_1 , suggesting that leveraging these relationships could lead to effective financial empowerment strategies, and thus H_0 is rejected.

In summary, based on the SEM results, there is sufficient evidence to reject the null hypotheses and accept the alternative hypotheses, affirming significant relationships and understandings in the areas of financial literacy, debt management, and potential strategies for financial improvement among eThekweni Municipality employees.

4.12 SUMMARY OF RESEARCH FINDINGS IN RELATION TO RESEARCH QUESTIONS

The study was conducted with the aim of examining the relationship between financial literacy and debt management in the eThekweni municipality employees to inform the Municipality Wellness Programme Strategies for developing Municipal employees' financial literacy and debt management skills. Research questions were developed to conduct this examination. This section was presenting the summary of the research findings in relation to the research questions.

4.12.1 Understanding of relationship between financial literacy and debt management by eThekweni municipality employees

Question 1. Do eThekweni municipality employees understand the relationship between financial literacy and debt management?

- The study's objective was to determine whether financial literacy and debt management among employees of the eThekweni municipality are related. Based on the significant path coefficients between constructs B (financial literacy) and, C (debt management), and D (debt management and financial literacy link) with p-values of 0.0000, the findings have demonstrated a strong association between financial literacy. Low financial literacy and excessive debt were found to be correlated in earlier research (French and McKillop, 2016).
- There was no significant disagreement found in the data regarding basic financial understanding, but the fact that all claims received neutral replies suggests that specific financial literacy initiatives could address areas of doubt and improve overall financial resilience. These financial literacy results are consistent with a study by Skagerlund et al. (2018), which found that making poor financial decisions and experiencing financial hardship might result from a lack of financial literacy and an inability to comprehend financial concepts.
- The remarkable correlation between these findings and the literature highlights the importance of financial knowledge in properly managing debt.

4.12.2 Financial literacy levels of eThekweni municipality

Question 2. What are the financial literacy levels of eThekweni municipality employees?

- This section was formulated to deal with the essence of financial literacy lies in the ability to understand and effectively apply various financial skills, including personal financial management, budgeting, and investing. This section, "Financial Literacy", delves into assessing the financial literacy skills among employees of eThekweni Municipality. The results indicated that most employees prioritise financial prudence. However, the presence of neutral responses suggests that there is room for improvement in certain areas. Implementing targeted financial literacy programmes can help address uncertainties and strengthen overall financial resilience. The findings are contrary to the literature since Business Tech (2016) revealed that "South Africa has come last in a poll of 30 countries and economies drawn from Africa, Asia, Europe, Australasia, North America, and South America when measuring financial knowledge."
- The results showed that the percentage of neutral replies (ranging from 7.9% to 20.3%) in the second section of financial literacy, advanced financial insights, may indicate some degree of ambivalence or ambiguity. This suggests that a portion of the workforce might gain from further financial education to allay their fears and possibly transform this group into competent financial management. The literature provides strong support for the findings, as Aziz and Kassim (2020) have defined financial literacy as the level of comprehension an individual possesses regarding personal finance. They further argue that a solid understanding of financial information is crucial for making informed decisions related to retirement planning, investment and wealth accumulation, debt management, and financial planning.
- Results demonstrated that some employees got a limited knowledge towards financial literacy, therefore, these insights should inform the municipality's approach to financial education, signalling a need for targeted training that addresses specific areas of weakness and reinforces areas of strength. Tailoring financial literacy programmes to address the varied levels of understanding and confidence identified in the survey could lead to a more financially adept workforce, which would be an asset to both the employees themselves and the organisation they serve. Similar to the literature, hence, according to reports from Amnesty International (2020), at least 71% of South African students attend schools where at least 30% of students are socio economically disadvantaged. This bought the importance of improving the level of

financial literacy in eThekweni municipality employees, since been proven to be questionable is some employees.

4.12.3 Debt management levels of understanding in eThekweni municipality

Question 3. What is the level of understanding of debt management of eThekweni municipality employees?

- Another motivation for this study was the management of debt among eThekweni municipality workers, and it was based on (eThekweni municipality Payroll Run Set: 2017–2023). The eThekweni municipality regularly reports that certain employees' net pay is less than 25% of their real monthly pay; however, some of them are left with net pay that is even less than what is required to satisfy statutory deductions.
- Around 3,000 employees owe the council R52 million for rates and services, according to (Mercury, 2023), with the executive, senior managers, and managers each contributing R2.3 million to the growing debt.
- Finally, according to the (eThekweni Wellness Report, 2023), the eThekweni municipality wellness programme works with several employees who are referred to them by their line managers or Human Capital officers as a result of subpar performance brought on by financial difficulties.
- Since the p-values indicate that the findings are significant, particularly for C1, where the significance is stronger, the findings are partially agreed upon by these comments. This highlights how crucial it is to provide employees with financial literacy training that specifically addresses budgeting and debt management, so they are prepared to handle their money wisely.
- A Chi-Square p-value of 0.007 supports the importance of these results, indicating the existence of discrete behavioural subgroups among the municipality's employees that might be targeted for financial literacy programmes. The literature's findings highlight the necessity for financial education courses to give staff members a better grasp of managing their debt.

4.12.4 Debt management levels of understanding in eThekweni municipality

Question 4. What are the strategies that can be utilised to empower the employees to understand financial literacy and debt management?

- To avoid job instability as it affects the municipality's goal of service delivery. The eThekweni municipality does offer intervention techniques. The segment investigated the effectiveness of present methods and the knowledge of staff members regarding them. The goal of the financial literacy facilitation subcategory is to increase awareness of existing intervention strategies, while the employer-sponsored financial security subcategory aims to increase employee comprehension of the financial security offered by their employer.
- Apart from E2, the Chi-Square p-values indicate that the responses are statistically significant, revealing a range of opinions regarding the availability of financial literacy support in the workplace. The findings underscore the necessity for the employer to re-evaluate and maybe redesign the financial literacy initiatives and support networks provided to staff members in order to guarantee their efficacy, optimal use, and customization to their individual requirements. In line with the results, Human Capital intervention aims to protect workers and improve their performance by increasing knowledge of financial literacy and the value of debt management (eThekweni municipality Website, 2023). The results are corroborated by the literature, which says that putting in place financial education programs can improve workers' understanding of money matters. This can affect how aware they are of their financial status, help them choose a good investment portfolio, and help them reach their financial objectives (Abdullah et al., 2019).
- These findings exhibited that the company is committed to supporting the long-term financial well-being of its employees by providing a solid basis for their financial stability. Additionally, it implies that the municipality's efforts to provide these benefits are in line with the requirements and expectations of the staff.

4.13 CHAPTER SUMMARY

The chapter utilised Smart PLS4 and SPSS version 29.0 to comprehensively analyse, evaluate, and discuss the data. Started by providing an overview of the tools utilised in the research, such as the structural equation model, factor analysis, and crosstabulations. The study discusses the sample and research tool used, followed by the focus of the chapter: data analysis and the integration of findings. These findings are divided into sections that align with the question format. Finally, I formulated a hypothesis to support the investigation and

provided answers to the research objective.

The next chapter discusses the conclusions, limitations, and recommendations of the study.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The preceding chapter contained the study's findings. The current chapter covers the conclusions, suggestions, and areas that require further research. The study's contribution, limitations, and consequences are thoroughly discussed, accompanied by a comprehensive summary of the chapter.

This study objectives were as follows:

- To examine the relationship between financial literacy and debt management in eThekweni municipality employees
- To measure the financial literacy levels among eThekweni municipality employees
- To determine the debt management understanding in eThekweni municipality employees
- To discover strategies that can be utilised to empower employees to understand financial literacy and debt management.

5.2 CONCLUSION OF THE STUDY.

5.2.1 Financial literacy

The majority of eThekweni municipality employees who participated in the financial literacy assessment showed that they understood basic financial terms. This was evidenced by the fact that all statements had (significantly) higher levels of agreement, while other levels of agreement were lower (though still greater than levels of disagreement). The only question with a marginally different result was B10, which asked about employees' lack of reserves for unforeseen circumstances. No statements had higher levels of disagreement. The considerable variations in respondents' scores (agree, neutral, and disagree) raise more concerns. All questions contain neutral and disagree responses, including strongly disagree responses. This is seen as a sign that some employees still have a limited understanding of basic financial concepts and words. Most employees reported high levels of agreement in advanced financial insights, and there is great agreement on B8, which shows a comprehension of insurance. These findings suggest that employees generally have a favourable self-assessment of their financial competencies.

Nonetheless, there are neutral answers that convey the level of disagreement and uncertainty.

This suggests that a sizeable portion of the workforce feels not confident in their ability to handle money matters. The degree to which there is substantial disagreement on B7 about the effectiveness of advertising may have real-world ramifications for how susceptible employees are to marketing and may influence their financial choices. The results of the study on financial literacy show that while some employees do have financial literacy abilities, others do not.

5.2.2 Debt management

The findings under debt management regarding conscious credit usage are of concern because they show that 29.9% of respondents report going over their credit limit. This is further supported by the level of disagreement for statement C1, which shows that 19% of respondents strongly disagree and 28.5% of workers are neutral, indicating that the respondents are either unaware of their spending habits or are unsure about them. While those who neither agree nor disagree makeup 23.9% of the workforce, some employees reported they had not maintained their financial stability after monthly deductions because they disagree and strongly disagree, which stands at 32.6% and suggests a potential area of financial difficulty. This raises severe concerns regarding employees using credit responsibly; as a result, the percentage of employees who demonstrate this awareness is below 44%. A smaller percentage of workers can check and understand their credit score, and the majority are unable to do so, which puts them at risk of being careless in meeting their financial obligations. This raises awareness of credit score vigilance. Most employees who answered many questions about informed debt management did so with a positive attitude and behaviours related to debt management. It is alarming that certain employees are resorting to borrowing money from loan sharks. This could be due to their inability to meet the requirements for a traditional loan, putting their lives at risk if they are unable to repay the loan sharks. While some employees disregard their responsibilities to pay debts according to contractual agreements, others are thinking about reviewing their debt, which could indicate that they are over-indebted. The results show that while some employees may fully comprehend debt management, there is a knowledge gap as certain employees may not fully comprehend it or its implications.

5.2.3 Debt management and financial management

The eThekweni municipality employees are thriving to practice prudent financial prioritisation, as evidenced by many of them having high agreement on both spending prioritisation and willingness to learn more about financial literacy. An even more significant

level of agreement (85.7%) emerges regarding the willingness to learn about financial literacy to improve financial status. Employees' strong desire to learn about financial literacy is a sign of their information-hungry nature. Nonetheless, the presence of neutrality and disagreement shows that some workers spend money anyhow and have no desire to become financially literate. 62.5% of respondents understand the critical relationship between the repo rate and inflation. Employees who can understand financial products, have insurance policies for major assets and respect their financial goals are more than 50%. However, the level of agreement in monthly expense track records and household involvement in budget planning is below 50%. These are just a few of the questions raised regarding comprehensive financial stewardship. Even though most employees appear to understand these concepts, it is troubling that in all these questions, there is still a degree of disagreement and neutrality that rises to 29.3%, suggesting that almost a third of the respondents may not understand the concept of financial stewardship.

5.2.4 Intervention strategies

The results of the financial literacy facilitation subheading's intervention strategies indicate that employers must help employees become financially literate. All the questions have a high degree of neutrality and disagreement. There is a significant likelihood that employees are not informed about the regular financial sessions, as indicated by the 42.4% of employees who disagree with the employer's provision of such sessions. Additionally, 23% of neutral employees may also be unsure about these sessions. Given that there is a 50% disagreement level in the question on the resources and tools available to help employees with budgeting, it is troubling that most of the questions have disagreement levels of over 40%. This raises questions about whether employer intervention on this issue is sufficient. The only subject that received less debate was the one about Human Capital involvement through Careways referral, yet the question likewise had a high degree of neutrality. The low degree of agreement on all the questions in this category suggests that financial literacy facilitation is insufficient. Most workers, 87.2% agreed with employer-sponsored financial security. There are few indifferent replies, which would imply that the employees are unaware of the financial security, but this implies that the employees are not only supplied with these financial security measures but also recognise and value them.

5.3 IMPLICATIONS OF THE STUDY

According to this study, certain employees of the eThekweni municipality possess strong financial literacy abilities, which enable them to manage debt and reduce financial literacy issues efficiently. The findings of this study might increase the awareness of the significance of enhancing financial literacy among employees of the eThekweni municipality. In addition, due to the instructional nature of the questions, staff members will be more vigilant to prevent making poor financial choices that lead to debt. The employees will benefit from these discoveries by being more financially conscious to meet their personal and professional needs. Employees in this study received guidance on how their behaviour can influence debt management, which can improve their efficiency and increase their understanding of the importance of financial literacy skills. The study may also benefit the city by reducing the occurrence of absenteeism, early retirements, and resignations. This is because workers with significant debt may struggle to meet their financial obligations or may choose to resign from their positions prematurely, which could hinder the municipality's objective of delivering services. The findings of this study hold significant importance in shaping employees' comprehension of finances and their willingness to enhance their financial literacy for better debt management. The study specifically examined the financial decision-making abilities and debt management skills of employees in the eThekweni municipality. All parties involved in ensuring the financial security of municipal employees should be aware of this information. It will help them make informed decisions on policies that will not have a negative impact on workers.

5.4 LIMITATIONS OF THE STUDY

According to Creswell & Creswell (2018), due to the limitations imposed on the research, any study has limitations. There were restrictions placed on the research as well. In order to accomplish the goals and intent of the research, every effort was made to ensure that highly valid and reliable data were gathered. The study's conclusions could not be applied to other municipalities in the nation because they were restricted to the ETA and H/S departments of the eThekweni municipality. Their personal experiences served as the foundation for the opinions and insights presented in this study. On the same topic, personnel in different departments or in different municipalities may have different opinions.

Additionally, because the study was focused on finance, a few employees were unwilling to participate in the survey, even though they had been told that their identities would stay anonymous. As a result, the sampled employees did not receive the maximum number of responses. Due to time constraints, waiting to acquire the ethical clearance caused a significant delay in data collection. The study also depended on participants' honest comments. Additionally, participants may misread or misinterpret the questions. Notwithstanding several restrictions, the study's contribution to the body of knowledge is not adversely affected.

5.5 CONTRIBUTION OF THE STUDY

This study adds to the body of knowledge supporting financial literacy among employees of the eThekweni municipality. Developing financial literacy is a crucial step for future generations to break free from the cycle of poverty caused by historical discrimination, oppression, and exclusionary practices. This study contributes new empirical data to the existing body of knowledge on debt management and financial literacy among employees. Given that the study's target audience was employees of the eThekweni municipality, its conclusions are crucial for comprehending both their ability to manage debt and make sound financial decisions. This data is essential for the policy-making process of all parties involved in preserving the financial stability of eThekweni municipality employees. Because the study findings offer empirical support for how staff members might enhance their financial literacy, they are pertinent to future decision-making.

5.6 RECOMMENDATIONS OF THE STUDY

The recommendations of the study are as follows:

- a) The results point to a chance for focused financial literacy initiatives to improve overall financial resilience and address areas of uncertainty. Therefore, some said they were unaware of the financial literacy initiatives the municipality was currently running. A significant portion of the workforce lacks email access, and some are illiterate in English because of the municipality's existing usage of email via info broadcast as a communication channel.
- Employees at all levels need to be informed about training programs.

- If a training program invitation is sent out, I suggest emphasising that it be distributed to all staff members and printed and displayed on notice boards at the depots, where all will see it, and it must translated to IsiZulu.
 - In addition to translating, it into IsiZulu, the delivery channel municipality must consider face-to-face instruction for individuals without access to online platforms like Microsoft Teams, which are typically used for these programs.
- b)** A few staff members disclosed that they are taking out loans from loan sharks, while others looked into debt reviews.
- The municipality needs to implement programs that inform staff members about high-risk lending options that could endanger their lives and provide them with the knowledge they need to make wise financial decisions.
 - In order to obtain the authority to deduct directly from an employee's payslip, the Municipality must amend the contract it has with Union-affiliated companies.
 - Municipality must emphasize to the Union- affiliated companies to comply with proper lending procedures, they must conduct an appropriate assessment, including one that considers affordability
 - Prioritising statutory deductions over allowing these loans' deductions is another requirement for systems.
- c)** These findings highlight the necessity for the employer to re-evaluate and maybe redesign the employee support systems and financial literacy programs to make sure they are efficient, well-utilised, and catered to the needs of the staff.
- Training providers should speak with Human Capital practitioners to learn about the background of the people they plan to teach to create a program that would be beneficial to them. The blanket approach does not seem to be working well.
- d)** The respondents mentioned that they did not receive adequate communication from payroll and human capital practitioners about the deficiency on their payslips, which they only find out about when they receive their payslips if they are short on cash that month.

- It is advisable that payroll promptly notify employees when they discover that their payslips have been over-deducted. This will allow the employees to arrange with their lenders.
 - Additionally, payroll should share certain information with the Human Capital practitioner and schedule a meeting with the employee to discuss potential assistance options, such as referrals to Careways.
- e) It is strongly advised that the municipality consider hiring certified internal financial advisors who can provide guidance and support to the employees. These advisors should first conduct a needs analysis to ascertain whether the employees need every financial product they have, then offer advice on how to handle the debt crisis to lessen the burden appropriately, and finally track the employee's progress until they are debt-free. That will be far more helpful, in my opinion, than making a single recommendation and having the borrower return and carry on with their careless borrowing.

5.7 AREAS OF FUTURE STUDY

The study population was drawn from two departments within the eThekweni municipality; therefore, the findings might not be indicative of all South African municipal employees or even of employees in other departments within the municipality. Consequently, some of the study's conclusions might be confirmed by additional research looking at the same ideas in other departments within the municipality or in other municipalities throughout the nation. This might also contribute to the findings' applicability to South African municipal workers. In this investigation, a quantitative methodology was adopted. Consequently, it is recommended that a follow-up study employing a mixed approach be carried out to contribute to the body of knowledge in this field. Since participants completed surveys as part of the data-gathering process, other methods, including interviews, can also yield insightful information about respondents' perspectives. However, more research is necessary to see whether the findings support the claims made by employees regarding their level of financial literacy and awareness, as well as their comprehension of debt management.

5.8 CHAPTER SUMMARY

In relation to the empirical data and the literature assessment, this study offered conclusions. Additionally, it included suggestions derived from a study looking at the connection between eThekwini municipality workers' debt management and financial literacy. While some eThekwini municipality staff members said that their financial literacy skills are challenged, others showed strong financial management expertise that allowed them to reduce and negotiate financial literacy problems. Despite certain limitations, the study was completed. The study's contribution and implications are clearly outlined to emphasise their importance.

The study achieved all its goals, and the suggestions made in this chapter will assist the staff of the eThekwini municipality in strengthening their financial literacy and comprehension of debt management.

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APPENDICES

Appendix A: Correlations

| | | Fundamental Financial Knowledge | Advanced Financial Insights | Conscious Credit Usage | Credit Score Vigilance | Informed Debt Management | Comprehensive Financial Stewardship | Financial Prioritization and Learning | Financial Literacy Facilitation | Employer- Sponsored Financial Security |
|---------------------------------------|------------------------|---------------------------------------|-----------------------------------|------------------------------|------------------------------|--------------------------------|---|--|---------------------------------------|---|
| Fundamental Financial Knowledge | Pearson Correlation | -- | | | | | | | | |
| | N | 140 | | | | | | | | |
| Advanced Financial Insights | Pearson Correlation | 0,691** | -- | | | | | | | |
| | Sig. (2-tailed) | 0.000 | | | | | | | | |
| | N | 140 | 140 | | | | | | | |
| Conscious Credit Usage | Pearson Correlation | 0,751** | 0,575** | -- | | | | | | |
| | Sig. (2-tailed) | 0.000 | 0.000 | | | | | | | |
| | N | 140 | 140 | 140 | | | | | | |
| Credit Score Vigilance | Pearson Correlation | 0,346** | 0,367** | 0,286** | -- | | | | | |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.001 | | | | | | |
| | N | 140 | 140 | 140 | 140 | | | | | |
| Informed Debt Management | Pearson Correlation | 0,580** | 0,599** | 0,665** | 0,367** | -- | | | | |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | | | | | |
| | N | 140 | 140 | 140 | 140 | 140 | | | | |
| Comprehensive Financial Stewardship | Pearson Correlation | 0,382** | 0,476** | 0,424** | 0,362** | 0,604** | -- | | | |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | |
| | N | 140 | 140 | 140 | 140 | 140 | 140 | | | |
| Financial Prioritization and Learning | Pearson Correlation | 0,727** | 0,571** | 0,732** | 0,322** | 0,601** | 0,326** | -- | | |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | |
| | N | 140 | 140 | 140 | 140 | 140 | 140 | 140 | | |

| | | | | | | | | | | |
|---------------------------------------|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----|
| Financial Literacy Facilitation | Pearson Correlation | 0,568** | 0,444** | 0,563** | 0,384** | 0,404** | 0,286** | 0,581** | -- | |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.001 | 0.000 | | |
| | N | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | |
| Employer-Sponsored Financial Security | Pearson Correlation | 0,363** | 0,528** | 0,342** | 0,215* | 0,414** | 0,360** | 0,373** | 0,342** | -- |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.011 | 0.000 | 0.000 | 0.000 | 0.000 | |
| | N | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 |

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Appendix B: Questionnaire

A. Demographic

Department:

| | |
|------------|--|
| ETA | |
|------------|--|

| | |
|------------|--|
| H/S | |
|------------|--|

Gender:

Male Female

Age:

18-35 36-50 51-65

Level of education:

| | |
|----------------------------|--|
| Below Matric | |
| Matric/ Higher Certificate | |
| Diploma/ Degree | |
| Postgraduate and above | |

B. Financial literacy

The below questions are set to examine the financial literacy skills among eThekweni Municipality employees.

Use the scale below to indicate the level of agreement.

Strongly Disagree (SD) | Disagree (D) | Neutral (N) | Agree (A) | Strongly Agree (SA)

| | | SD | D | N | A | SA |
|----|---|----|---|---|---|----|
| B1 | I can accurately define key financial terms, such as interest rates, inflation, and compound interest. | | | | | |
| B2 | I feel confident in creating and managing a personal budget to allocate my income and expenses effectively. | | | | | |
| B3 | I understand the concept of risk and return, and I am capable of making informed decisions about various | | | | | |

| | | | | | | |
|-----|---|--|--|--|--|--|
| | investment options. | | | | | |
| B4 | I am comfortable reading and interpreting financial statements, such as income statements and balance sheets. | | | | | |
| B5 | I can evaluate different types of loans and credit options to determine the most cost-effective choice for a given situation. | | | | | |
| B6 | I have a good understanding of the importance of retirement planning and the various retirement savings vehicles available. | | | | | |
| B7 | My exposure to advertising does not influence my financial decisions. | | | | | |
| B8 | I only take insurance policies that cover my needs and are within my affordability. | | | | | |
| B9 | I often avoid spending more than I can afford to prevent a deficit on my monthly budget. | | | | | |
| B10 | I always reserve enough savings for unforeseen circumstances. | | | | | |

C. Debt management

The below set of questions is designed to determine the debt management comprehension amongst eThekweni Municipality employees.

| | | SD | D | N | A | SA |
|-----|--|----|---|---|---|----|
| C1 | I never exceed the maximum limit on my credit card. | | | | | |
| C2 | Paying my credit card in full to avoid financial charges is important to me. | | | | | |
| C3 | I check my credit score regularly, and I can interpret the outcome. | | | | | |
| C4 | I found it important to ensure that I understand the terms and conditions of any loan I take. | | | | | |
| C5 | I respect my financial obligations to avoid garnishees and administration orders. | | | | | |
| C6 | After all my deductions, I remain with enough funds to sustain myself for the rest of the month without using a credit facility. | | | | | |
| C7 | I always ensure I understand the consequences of defaulting on loan repayment. | | | | | |
| C8 | My debit/credit card has never been declined due to insufficient funds to avoid unnecessary bank charges. | | | | | |
| C9 | I have considered debt review in the past to consolidate my debts. | | | | | |
| C10 | I avoid borrowing money from the loan sharks. | | | | | |

D. Debt management and financial literacy relationship

To understand the relationship between financial literacy and debt management in eThekweni municipality employees, the following integrates both financial literacy and debt management.

| | | SD | D | N | A | SA |
|----|--|----|---|---|---|----|
| D1 | I always prioritise my spending based on needs, not wants. | | | | | |
| D2 | I've got a clear idea of the sorts of financial products or services that I need without consulting a financial adviser. | | | | | |
| D3 | I keep a record of my expenses each month to keep track record of my spending. | | | | | |
| D4 | I set short-, medium-- and long-term financial goals and work hard to achieve them. | | | | | |
| D5 | I have an insurance policy for all major assets. | | | | | |
| D6 | I involve my household in financial decisions, especially concerning spending, to avoid budget deficits. | | | | | |
| D7 | I understand the relationship between inflation and repo rate. | | | | | |
| D8 | I am open to learning more about financial literacy to improve my financial status. | | | | | |

E. Intervention Strategies

Employer's intervention to discover strategies that can be utilised to empower employees to mitigate the risk of exposure to debts and develop a culture of saving. The statements below are designed to understand if employees are benefiting from the current support.

| | | SD | D | N | A | SA |
|----|---|----|---|---|---|----|
| E1 | My workplace provides regular financial education sessions to help me understand how to manage debt responsibly and save effectively. | | | | | |
| E2 | I am encouraged to set up automatic deductions from my salary to a dedicated savings account to ensure consistent savings. | | | | | |
| E3 | My employer offers employee benefits such as pension contributions and savings programs (Thrift fund) to support long-term financial security. | | | | | |
| E4 | I am provided with tools and resources to create a personalised budget that helps me track expenses and manage my finances better. | | | | | |
| E5 | My workplace promotes a culture of financial responsibility by educating employee to join thrift funds to earn interest on their savings. | | | | | |
| E6 | I have access to confidential financial counselling services through my employer, which helps me address my debt concerns and develop effective savings strategies. | | | | | |
| E7 | Human Capital does intervene if the employee is over-indebted by arranging counselling sessions with Careway. | | | | | |

| | | | | | | |
|----|--|--|--|--|--|--|
| E8 | Payroll communicates and adjusts deductions on the payslip if an employee has negative net pay due to loan deductions. | | | | | |
|----|--|--|--|--|--|--|

Appendix C: Informed consent

UKZN HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE (HSSREC)

APPLICATION FOR ETHICS APPROVAL

For research with human participants

INFORMED CONSENT RESOURCE TEMPLATE

Note to researchers: Notwithstanding the need for scientific and legal accuracy, every effort should be made to produce a consent document that is as linguistically clear and simple as possible, without omitting important details as outlined below. Certified translated versions will be required once the original version is approved.

There are specific circumstances where witnessed verbal consent might be acceptable, and circumstances where individual informed consent may be waived by HSSREC.

Information Sheet and Consent to Participate in Research

Date: 07 August 2023

Dear Respondents

My name is Priscilla Bongekile Xolo, I am a student at University of KwaZulu-Natal under the Graduate School of Business and Leadership currently enrolled for Master of Business Administration degree. I am required to complete a mini dissertation as a part of the requirement to complete my degree. The title of my research is, Examining the relationship between financial literacy and debt management in eThekweni municipality employees. My supervisor is Dr. Bhasela Yalezo from University of KwaZulu-Natal. The contact details for the administrator (Zikhona Mojapelo) for my program is 031 260 2784.

You are being invited to consider participating in a study that involves research “Examining the relationship between financial literacy and debt management in eThekweni municipality employees”. The aim and purpose of this research is to determine if there a relationship between financial literacy and debt management with the aims of equipping employees with financial literacy skills to manage debts effectively. The study is expected to enrol 280 participants in total, 160 from eThekweni Transport Authority and 120 From Human Settlements both departments in eThekweni Municipality. The study will be treated confidential all participants will remaining anonymous. You are requested to complete a questionnaire.

Please note the following:

- ✚ The information you will provide will be treated confidentially and will be anonymous as no name or information can be linked to you personally
- ✚ You have a choice to participate, not participate or stop participating in the research.

- ✚ There will be no negative consequences should you decide not to participate in the study.
- ✚ Your involvement is purely for academic purposes only, and there are no economic benefits involved.
- ✚ Data will be stored electronically; password protected also in a locked cabinet and will be discarded after 5 years.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number).

In the event of any problems or concerns/questions you may contact the researcher at (221090218@stu.ukzn.ac. / [REDACTED]) or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557- Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

Participation in this research is voluntary and that participants may withdraw participation at any point, and that in the event of refusal/withdrawal of participation the participants will not incur penalty or loss of treatment or other benefit to which they are normally entitled.

Participants will not incur any cost as a result of participation in the study, and there will be no financial benefit for participating on the study.

The confidentiality of personal information will be ensured as follows: Shared Drive on MS teams, the data will be provided to the Supervisor and stored in accordance with the UKZN research policy

An Invitation

CONSENT

I have been informed about the study entitled examining the relationship between financial literacy and debt management in the eThekweni municipality employees by Priscilla Bongekile Xolo.

I understand the purpose and procedures of the study.

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

I have been informed about any available compensation or medical treatment if injury occurs to me as a result of study-related procedures.

If I have any further questions/concerns or queries related to the study, I understand that I may contact the researcher at 221090218@stu.ukzn.ac.za / [REDACTED]

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

Additional consent, where applicable

I hereby provide consent to:

| | |
|--|----------|
| Audio-record my interview / focus group discussion | YES / NO |
| Video-record my interview / focus group discussion | YES / NO |
| Use of my photographs for research purposes | YES / NO |

| | |
|--|----------------------|
| _____ Signature of Participant | _____ Date |
|--|----------------------|

| | |
|--|----------------------|
| _____ Signature of Witness (Where applicable) | _____ Date |
|--|----------------------|

| | |
|---|----------------------|
| _____ Signature of Translator (Where applicable) | _____ Date |
|---|----------------------|

Appendix D: Ethical clearance



30 October 2023

Priscilla Bongekile Xolo
(221090218)
Grad School of Bus &
Leadership Westville
campus

Dear PB Xolo,

Protocol reference number: HSSREC/00006094/2023

Project title: Examining the relationship between financial literacy and debt management in eThekweni municipality employees

Degree: Masters

Approval Notification–Expedited Application

This letter serves to notify you that your application received on 28 August 2023 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e., Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

is valid until 30 October 2024.

interrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

HSSREC is registered with the South African National Health Research Ethics Council (REC-

040414-040). Yours sincerely,

Professor Dipane Hlalele (Chair)

Humanities and Social Sciences Research Ethics Committee

Postal Address: Private Bag X54001, Durban, 4000, South Africa

Telephone: +27 (0)31 260 8350/4557/3587 **Email:** hssrec@ukzn.ac.za **Website:** <http://research.ukzn.ac.za/Research-Ethics>

Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

INSPIRING GREATNESS

Appendix E: Gatekeepers letter



POD 7, GROUND FLOOR, INTUTHUKO JUNCTION, 750 MARY THIPHE STREET, UMKHUMBANE, CATO MANOR, DURBAN 4001
TEL: 031 322 4513, FAX: 031 261 3405, FAX TO EMAIL: 086 265 7160, EMAIL: MILE@DURBAN.GOV.ZA, WEBSITE: WWW.MILE.ORG.ZA

For attention:
Chair of Research Ethics Committee
College of Law and Management Studies
Graduate School of Business and Leadership
University of KwaZulu Natal
Durban
4001
27 June 2023

RE: LETTER OF SUPPORT TO B.P XOLO, STUDENT NUMBER 221090218 - GRANTING PERMISSION TO USE ETHEKWINI MUNICIPALITY AS A STUDY SITE

I am pleased to inform you that the **Human Capital Unit and Municipal Institute of Learning (MILE)** in eThekweni Municipality recently considered a gatekeeper request from **Priscilla Bongekile Xolo (Ms)** to use eThekweni Municipality as a research study site leading towards a **Master of Business Administration degree**. The request is to conduct a participant interview for a research study entitled **"EXAMINING THE RELATIONSHIP BETWEEN FINANCIAL LITERACY AND DEBT MANAGEMENT IN ETHEKWINI MUNICIPALITY EMPLOYEES."**

We wish to inform you of the **ACCEPTANCE** of this request and hereby assure the student of our utmost co-operation towards achieving his academic goals; the outcome which we believe will help eThekweni municipality improve its evidence-base on financial literacy of employees.

The student is reminded of the data collection conditions, ethical considerations as well as the current health related regulations when conducting the research. The student must take all necessary measures to ensure her personal safety during the research period as eThekweni Municipality indemnifies itself from any incidental claims that may arise.

It is mandatory for the student to contact Olona.Mantambo@durban.gov.za to arrange a learning event where the researcher will share the findings and recommendations of the research output with the beneficiary unit prior to finalization.

Wishing the student all the best in her studies.

Mr. Sihle Mkhize
Head: Human Capital Unit
eThekweni Municipality

Dr. Collin Pillay
Program Manager: MILE
eThekweni Municipality

I, PRISCILLA BONGEKILE XOLO hereby accept as mandatory that I will comply fully as per the conditions stipulated above.

Signed: Date: 03/07/2023

Appendix F: Turnitin report

Turnitin Originality Report

- Processed on 07-Feb-2024 12:17 AM CAT
- ID: 2288217559
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