

INSTILLING A CULTURE OF SAVING IN SOUTH AFRICA

Maureen Makole Manyama

A research project submitted to the Gordon Institute of Business Science,

University of Pretoria, in partial fulfilment of the requirements for the

degree of Master of Business Administration

14 November 2007



searching on the savings culture in South Africa.

South Africa is pro-consumption and as a result, the level of saving has declined. This research focused on savings by household sector. The study started by assessing the reasons for the high consumption culture and a non-existent savings culture in South Africa. The second question was to review the initiatives by government, corporate sector (especially financial institutions), and the South African Savings Institute, to encourage savings culture within South Africa. The methodologies followed were an unstructured interview with an industry expert, focus group and survey. The research concludes by highlighting the need for education on saving at basic levels, the initiatives by government to cater for all different LSMs.

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

 $\tilde{\mathbf{0}} \; \tilde{\mathbf{0}} \; \tilde{\mathbf{$

Date: õõõõõõõõõõõõõõ

MM Manyama



contributed towards the successful completion of this research report:

My Heavenly Father for all the guidance, grace, presence and blessing
 He has granted me during the 2yrs of my MBA. To God be the glory!

sincere appreciation to the following people who

- My husband Mashao, (%haolin+) for your support in the achievement of this milestone and the MBA.
- To the MD: Postbank (Mrs. Totsie Memela-Khambule), for your understanding, support and allowing me to spend time away from the office in ensuring the successful completion of my MBA.
- To my supervisor Colleen Magner, thank you for your words of wisdom, patience and the valuable input you made to this research. May the Almighty God richly bless you.
- To my brother and sister, for encouraging me when I was about to give up on this degree.
- To my colleagues who helped in many different special ways and thanks to Sybil Kekana for your valuable assistance.
- To all the industry leaders (including the SASI and Postbank committee chairpersons), for your input to the research and for sharing your knowledge & experience on this subject matter.





ABLE OF CONTENTS

Click Here to upgrade to Unlimited Pages and Expanded Features

ABSTRA	C1	ii
DECLAR	RATION	iii
ACKNO	WLEDGEMENTS	iv
TABLE (OF CONTENTS	V
LIST OF	TABLES	viii
	1: INTRODUCTION to research problem	
	Introduction	
	Description of the problem and background	
1.3	Purpose of the study	6
CHAPTE	ER 2: LITERATURE REVIEW	8
2.1	Introduction	8
2.2	What is saving?	8
2.3	The impact of saving on an economy	9
2.4	Culture of saving in South Africa at a national level	12
2.4.	1 The Gross saving rate in South Africa	13
2.4.	2 Determinants of savings at a national level	14
2.5	Saving culture within the household sector	16
2.5.	1 Defining the household sector in South Africa	16
2.5.	2 Determinants of household saving	18
2.5.	3 motives for saving	22
2.5.	4 Vehicles used for saving by households	24
2.5.	5 Impact of cultural background on savings culture	27
2.6	Reasons for low savings culture in South Africa	28
2.7	Initiatives to boost the savings culture in south Africa	30
2.7.	1 Role of government in instilling a savings culture	30
2.7.	2 Role of corporate in instilling a savings culture	32
2.7.	Role of the SASI in instilling a culture of savings	33
2.8	Conclusion	35
СНУВТЕ	FR 3: RESTATEMENT OF RESEARCH OLIESTIONS	36



Click Here to upg Unlimited Pages

ade to		36
and Expanded Feat	ures	36
2.2.1 Resea	rch question 1	36
2.2.2 Resea	rch question 2	36
2.3 Conclusion	on	37
CHAPTER 4: RES	SEARCH METHODOLOGY	38
4.1 Introduct	ion	38
4.2 Research	n design and methods	38
4.3 Step 1: L	Instructured preliminary interview	39
4.4 Step 2: F	ocus group interview and survey	40
4.5 Sampling	and data collection	41
4.5 Data analys	sis	42
4.6 Research	n limitations	43
CHAPTER 5: RES	SULTS	44
5.1 Introduct	ion	44
5.2 Prelimina	ry / unstructured interview	44
5.2.1 Saving	gs vs. Investment	45
5.2.2 Ability	to save	46
5.2.3 Deterr	ninants of saving	47
5.2.4 Initiativ	ves to boost saving in South Africa	48
5.3 Results f	rom the focus group	50
5.3.1 Introdu	uction	50
5.3.2 Cause	es of the current savings culture in South Africa	51
5.4 Results f	rom the survey	53
5.4.1 Introdu	uction	53
5.4.2 Cause	es of poor savings culture in South Africa	53
5.4.3 Factor	s affecting the peoples ability to save in South Africa	54
5.4.4 Initiativ	ves to boost the savings culture in South Africa	55
5.4.5 Import	ance of education on saving	58
5.4.6 Impac	t of cultural background on savings culture	59
CHAPTER 6: DIS	CUSSION OF THE RESULTS	60
6.1 Introduct	ion	60



Click Here to upgra Unlimited Pages at



UNIVERSITEIT VAN PRETORIA UNIVERSITY OF PRETORIA YUNIBESITHI YA PRETORIA

ade to	South Africa	60
	ithin the household sector	61
6.3.1 Causes of a poor	savings culture in South Africa	62
6.3.2 Factors affecting	peoples ability to save in South Africa	64
6.3.3 Initiatives to boos	t the savings culture in South Africa	70
CHAPTER 7: CONCLUSION	S AND RECOMMENDATIONS	76
7.1 Conclusions		76
7.2 Recommendations		79
7.3 Areas of further rese	arch	80
7.4 Conclusion		81
References		82
APPENDICES		95

Appendix a . Focus Group Invitation letter.......95

Appendix b . Questionnaire......96



LIST OF TABLES

Click Here to upgrade to Unlimited Pages and Expanded Features

Table 1: Trends in components of domestic saving	
Table 2: SASI Roundtable held in Cape Town (2007)	49
Table 3: Savings Month Initiative Theme - Raising Savings	74
Table 4: Savings Month Initiative Theme - Put on your savings shoes	74
LIST OF FIGURES	
LIGI OF FIGURES	
Figure 1: Gross saving as % GDP 1980s to 2007	3
Figure 2: Gross saving as percentage of gross domestic product	13
Figure 3: Savings and Investment as percentage of GDP in South Africa	15
Figure 4: Contractual saving vs. Discretionary saving in South Africa	17
Figure 5: Household debt and debt service ratios	18
Figure 6: Hierarchy of savings	22
Figure 7: Savings usage: LSMs 1- 5 compared to LSMs 6 - 10	26
Figure 8: Results on the causes of poor savings culture in South Africa	53
Figure 9: Factors affecting peopleqability to save	54
Figure 10: Rich people tend to save more than the poor people do	54
Figure 11: Government is doing enough to instil a culture of saving	55
Figure 12: Impact of cultural background on savings culture	59
Figure 13: Householdsqsaving, debt and net wealth as a percentage of per	sonal
disposable income	65
Figure 14: Distribution of investors per amount category	71



OF ABBREVIATIONS

Click Here to upgrade to Unlimited Pages and Expanded Features

ASGISA	Accelerated and shared growth initiative for South Africa							
CEO	Chief Executive Officer							
FNB	First National Bank							
FS	Financial Sector							
GDP	Gross Domestic Product							
IDC	Industrial Development Corporation of South Africa Ltd							
IMF	International Monetary Fund							
IPAC	IPAC Portfolio Management Limited							
LSM	Living standards measure							
NCA	National Credit Act							
NSI	National Savings Institute							
OECD	Organisational for economic co-operation and development							
RSA	Republic of South Africa							
SA	South Africa							
SARB	South African Reserve Bank							
SARS	South African Revenue Service							
SASI	South African Savings Institute							
UNISA	University of South Africa							
WSBI	World Savings Bank Institute							





CTION TO RESEARCH PROBLEM

Inlimited Pages and Expanded Features

1.1 Introduction

The purpose of this chapter is to introduce the background of the research topic as well as to define the research problem that was investigated. The chapter presents the aims of the research, which are addressed in subsequent chapters. Since South Africacs (SA) transformation to democracy more than a decade ago, initiatives have been undertaken to bridge the inequalities of the past and ensure social mobility by government and other role players. The country has recently experienced a rise in the black middle class. This group has access to a higher income, which has improved their levels of affordability, resulting in access to credit which has been inappropriately utilised.

An increase in the level of savings would be expected, based on economic theory and the marginal propensity to save, which states that the more income a person earns, the more likely is an increase in their level of savings. However, the abovementioned theory of economics becomes questionable or debatable, since South Africa is facing a major saving crisis. The finance minister, during his 2007 budget speech, urged all South Africans to make the countryos saving crises a national priority. South Africaos annual savings ratio to the Gross Domestic Product (GDP) deteriorated to a historical low of 14% in 2006 (SARB, 2007a). SAos gross savings ratio has been declining since the 1980s (see Figure 1), which poses a challenge for government and key stakeholders in trying to provide initiatives to address this challenge.





nick Here to apprage to Inlimited Pages and Expanded Features commendations on the various strategies, policies implemented to instil a culture of savings in South

Africa. A poor savings culture is merely a symptom that South Africa is facing; therefore, part of the research study investigated the root cause of the problem, in order to ensure that the recommendations address the relevant issues. In addition, the role of the South African Savings Institute (SASI), a body established to focus on instilling a culture of savings in South Africa, was assessed.

1.2 Description of the problem and background

The South African economy is open and therefore the savings level is not always equal to the investment level; however, this is not regarded as a problem since the country has an opportunity to obtain funding from foreign saving. Where domestic savings are not sufficient to fund the investment, an open economy country seeks funding from abroad to close the gap. The saving from abroad comes in a form of foreign direct investments (Prinsloo, 2000).



outh Africa is depicted in Figure 1:

Figure 1: Gross saving as % GDP 1980s to 2007

Source: Strydom, P (2007). FNB

It is evident from the graph above that South Africa is indeed facing a saving crisis since its gross saving ratio has been declining since the 1980s. The question is what can be done to ensure that a culture of savings is inculcated in South Africa? The gross saving by households has weakened despite an increase in net household wealth, which was due to strong performance of house prices and equities (SARB, 2006). Despite this increase in income levels, the downward trend in saving clearly indicates that there is a huge level of spending. During 2006, households saved only 0.5% of their disposable income. Government dissaved 1% of GDP during the 1st quarter of 2006, despite an increase in the reported tax revenue that government received from households and corporate entities.





Click Here to upgrade to Unlimited Pages and Expanded Features 5), government has been urged to eliminate its years, and this is despite the improvement that

government showed in its saving rate when it recovered from 1.5% (2005) to 2.4% (2006). The saving performance of the three sectors (i.e. household, corporate and government) could be improved, as the inadequate level of saving resulted in the country relying on foreign funding. Prinsloo (2000) states that this moderate level of domestic saving could limit the country rate of investment; restrain the rate of economic growth and make the country more vulnerable to international capital shifts.

Aron and Muellbauer (2000) confirm that the low savings rate in South Africa could result in the perpetuated risk of a low growth trap. Investments are regarded as a major source of growth in South Africa; therefore, our level of savings needs to be improved. The literature further mentions (SASI, n.d) that a 20% saving rate is required for a country to attain an economic growth rate of The South African government has embarked on the %Accelerated and 3%. shared growth initiative for South Africa+ (AsgiSA) (http://www.info.gov.za/speeches/briefings/asgibackground.pdf). This initiative aims at achieving a sustained growth of approximately 6% by 2014. Our saving rate is currently below the 20%, which is used as a benchmark for attaining a 3% growth; which therefore implies that South Africa has to work harder in ensuring that a culture of savings is encouraged, in order to ensure that the anticipated growth rate is realised.



nent in South Africa has serious implications for the nt-driven growth, both in the medium and long term.

The table below depicts the levels of domestic saving from the 1960s to 2005:

Table 1: Trends in components of domestic saving

	Percentage of gross domestic saving									
	1960s	1970s	1980s	1990s	2000	2001	2002	2003	2004	2005
Household net saving	29.2%	23.6%	13.1%	10.1%	4.8%	3.4%	2.5%	3.2%	2.0%	0.6%
Corporate net saving	11.0%	16.3%	26.7%	34.1%	27.4%	19.4%	26.5%	27.2%	25.4%	16.7%
General government net saving	13.9%	8.1%	-6.8%	-27.0%	-14.1%	-5.2%	-4.8%	-11.6%	-12.5%	-2.6%
Consumption of fixed capital	45.9%	52.0%	67.1%	82.8%	81.9%	82.4%	75.7%	81.2%	85.1%	85.3%

Source: Absa Group Limited, Economic perspective (2007)

The challenges that South Africa is facing began decades ago and the country is still dealing with the issue of what can be done to improve the savings environment. The issue of South Africas low savings rate has been reported since 2002 and according to Equinox (2002), the country has one of the worst savings rates in the world, compared to other economies worldwide. Other sub-Saharan countries are also facing a low saving rate problem; therefore, this is not unique to South Africa. The continent has, however, been identified as having an unsatisfactory growth in saving rates, which slows down capital accumulation. Africas low saving rate influences the ability of banks to lend to small enterprises due to the limited availability of capital.

Fin24 (2007) further reported that there is a need for South African households to embrace a culture of saving because the domestic economy is experiencing a supply-side crises due to the continuing decline in the saving rate.





Nick Here to upgrade to Inlimited Pages and Expanded Features tal to the success of any developing economy, yet

at high savings rates and a strong, competitive

on both counts, Africa (including South Africa) lags behind Asia. There is therefore a need for research on how South Africa can instil a culture of saving to ensure success in its economic growth. The problem that this research report addresses is % astilling a culture of saving in South Africa.

1.3 Purpose of the study

The purpose of this research study is to recommend how South Africa can instil a culture of savings. It addresses the following research questions:

- 1. Why South Africa does have a high consumption culture and a nonexistent saving culture?
- 2. What initiatives have the SASI, corporate and government put in place to instilling a culture of savings in South Africa and its impact thereof?

This research report is structured as follows:

Chapter 2: Introduces and discusses the literature review on the importance of saving in the economy. It encompasses the need for saving by households, corporate entities and government. It highlights the impact that a low level of saving has on the economy and synthesizes lessons learnt from other developing countries that have a high savings culture.



Unlimited Pages and



UNIVERSITEIT VAN PRETORIA UNIVERSITY OF PRETORIA YUNIBESITHI YA PRETORIA

ecise purpose of this research report, which is

ure of savings in South Africa+. Reintroduces the

research questions, which will be addressed during this study.

Chapter 4: Discusses and motivates the research methodology that was

followed during the study. The research questions focus on understanding why

South Africa has a poor culture of savings and high consumption culture.

Initiatives by government, corporate and the South African Savings Institute in

instilling a savings culture were investigated.

Chapter 5 and 6: Focus on the results achieved during the study and the

discussion thereof. This will focus on culture of savings in South Africa which

causes of a poor savings culture in South Africa; factors affecting peoples

ability to save in South Africa; and Initiatives to boost the savings culture in

South Africa.

Chapter 7 is the conclusion of the study and presents recommendations on

how South Africa can instil a culture of saving among households, corporate

bodies and government.



Unlimited Pages and Expanded Features

JRE REVIEW

2.1 Introduction

This chapter reviews the theoretical and academic literature regarding a savings culture in South Africa. South Africas economy is driven by a combination of domestic demand and a rise in disposable income. The country has, however, a problem of significant socio-economic inequalities, which results in high levels of unemployment and poverty. The savings rate in South Africa has been identified as a crisis, and there has been a call for government to provide incentives to encourage a culture of savings. The chapter will be addressing the following:

- Saving defined within a macroeconomic and business context.
- The impact of saving on an economy
- Reviewing the South Africance saving culture at a national level.
- Reviewing the savings culture within the South African household sector.
- Initiatives to boost the savings culture in South Africa and this will entail the role played by government, corporate and the SASI.

2.2 What is saving?

€avingsq is a term that is used in different contexts and therefore it is sometimes interpreted differently, depending on the context to which it is being applied. Strydom (2007) defines saving as a macro environment concept that refers to income that is not consumed in a particular time period.



Inlimited Pages and Expanded Features

ng in terms of a country as the amount of resources economy in a given year, that is not consumed

immediately, but is to use in a way that will provide returns to the economy in years to come. The business dictionary (www.businessdictionary.com) defines savings as the portion of disposable income not spent on the consumption of consumer goods, but accumulated or invested. directly in capital equipment, by paying off a home mortgage or indirectly through the purchase of securities. The other form of saving is through putting money aside by saving it in a bank or financial services provider, investing in a pension plan or in other forms of income-generating investments. The macroeconomic and business definitions do not differ materially, as the ultimate meaning of saving implies deferred consumption of income.

2.3 The impact of saving on an economy

Elbadawi and Mwega (2000) indicated that, in an open economy, an increase in domestic saving need not translate into an increase in domestic investment. Investment and saving could be independent of one another in an environment where there is complete capital mobility. However, empirical studies conducted over time have indicated that domestic saving and investment are highly correlated. Economists recognise saving as an important factor in economic development as it enables the conversion of resources into capital. Strong saving performance is crucial for macroeconomic balance and for the maintenance of financial (inflation) and price stability (exchange rate). Savings is beneficial for the economy as a whole and thus also for the citizens of the country.



Unlimited Pages and Expanded Features

oeconomic level is normally reflected in a deficit on

the current account of the balance of payments, which shows an excess consumption over production. This results in the country depending on borrowing or investments from abroad to ensure that the gap is closed. South African economic growth has been driven by a combination of strong commodity prices, strong capital inflows and strong domestic consumer demand (SARB, 2006). South Africa, as an open economy has been financing its trade deficit through capital inflows. The literature on development economics highlights the importance of savings in the growth and development process.

There is a lack of adequate domestic savings in most developing countries and as a result, more reliance is placed on foreign savings in the form of capital flows into the country. The issue of low levels of domestic savings is a major problem in developing states due to high levels of unemployment, low wages, the engagement of a large proportion of the population in the informal sector, and poor performance of the economy (Reddy, Naidu & Vosikata, n.d.). The Minister of Finance stated during his address at the SASI/Metropolitan excellence research awards (Ministry of Finance, 2004), that saving is vitally important to all South Africans.



YUNIBESITHI YA PRETORIA

mentioned statement was based on his experience

Unlimited Pages and Expanded Features

- seeing what saving can do for the individual household;
- the insurance it provides for individuals; and
- The suffering that people endure, if they do not enjoy this kind of insurance.

The economic impact of a low saving rate depends on the international response to it as well as the country affordability. This implies that if capital can be obtained from abroad and a country can afford it, then a poor savings culture may not be a bad thing after all.

Private and state-owned corporations (the corporate sector) are seen to be playing an important economic role in South Africa. The corporate sector produces the bulk of South Africas output and exports, manages most of its capital stock, is central to the allocation of investment and is responsible for virtually all of the countrys savings (Malherbe & Segal, 2001). Candy (2007) indicates that South Africas net savings rate is currently below zero, making the country even more dependent on foreign flows to fund economic growth. Although SA is experiencing a negative net saving, people are saving, albeit by means of non-traditional saving vehicles. Barro (1989) indicates that government policies have numerous effects on a countrys economic performance.



policies, which are driven by government, have an ng-term growth and saving. Sekgobela (2004)

states that adequate savings are important for capital formation and have a direct impact on economic growth, and as such are vital for achieving macroeconomic stability. South Africa is dependent on foreign investment and this exposes the country to the risk of volatility in international capital flows, as well as changes in investor sentiment, which may result in outflows. There are many role players within the savings environment, namely government, employers, individuals, households and financial services providers. Harris (2003) stated reasons why saving needs to be encouraged and includes, *inter alia*, the following:

- To avoid market failures,
- Fewer consumers save to protect themselves from adverse conditions, therefore the burden is then placed on taxpayers.

Saving should therefore be encouraged by ensuring that the burden is lifted from taxpayers, and therefore the environment will then be conducive for people to save. This will result in positive benefits for the South African economy.

2.4 Culture of saving in South Africa at a national level

The South African economy is characterized by institutional sectors that have been grouped together based on the similarity of principal economic objectives, functions and behaviour. These include the following: financial corporate sector; non-financial corporate sector; general government sector (including social security funds); and household sector (including non-profit institutions serving households).

define national savings as the sum of saving of the in the economy, including household, corporate

and government sectors.

Unlimited Pages and I

2.4.1 The Gross saving rate in South Africa

The trend of gross saving as a percentage of GDP in South Africa from 2002 to September 2007 is depicted as follows:

Gross saving as percentage of gross domestic product

Per cent

Total

Corporate saving

Household saving

Seasonally adjusted

2002 2003 2004 2005 2006 2007

Figure 2: Gross saving as percentage of gross domestic product

Source: SARB Quarterly bulletin, September 2007

The national saving ratio has been declining since 2002 per the graph above, although it has shown an increase from 14% (1st quarter) to 16% (2nd quarter) in 2007 as reported on the SARB September quarterly bulletin. Harjes and Ricci (2001) confirmed that South Africa has experienced a steady decline in its national saving rate over recent past decades, which ranks poorly relative to other emerging market countries. The decline in the national saving rate was accompanied by a decline in domestic investment. South Africacs saving culture is still regarded as poor despite the performance improvement for the first two quarters of 2007.





Click Here to upgrade to Inlimited Pages and Expanded Features that the SAs savings ration deteriorated to 13.75 06, which is the lowest rate the country has ever

recorded. The Reserve Bank governor (SARB, 2007d) further indicated that there is not a culture of saving in South Africa, as demonstrated by our very low saving rate, and people are happy to borrow excessively against future income in order to finance current consumption.

2.4.2 Determinants of savings at a national level

According to economic theory, the level of savings in a country is dependent on the role playersqmarginal propensity to save. Howard (2001:29) states that the propensity to save is determined by income levels, cultural patterns and the development of institutions in encouraging the savings habit. It is also dependent on the ability, capacity and willingness to save by individuals and corporate. Individuals normally link their savings to a specific reason or purpose, and therefore the variables that determine the actual ability to save may be different from those, which determine willingness. Hussein and Thirlwall (1999) had identified variables, which determine the ability to save, namely the level of per capita income, the growth of income, the age structure of the population, and the distribution of income.

The variables, which determine the willingness to save, include the interest rate, the degree of financial deepening and the rate of inflation. Al-Alwad and Elhiraika (2003) distinguished between the capacity to save which is dependent on economic variables such as income and the willingness to save which is dependent on institutional and financial variables.

the determinants of savings to include economic factors, aged ratio, workforce ratio and other

demographic factors.

Savings and Investment (Percent of GDP) 20 20 Public Investment (Including public enterprises) Private Investment II Public savings 18 18 Private savings 16 16 12 12 2002 2003 2004 2005 2005 2000 2001 Source: SARB

Figure 3: Savings and Investment as percentage of GDP in South Africa

Source: IMF Country Report No. 07/274

The graph above shows clearly that there has been a decline in private savings (consists of household and corporate saving); however, its negative impact has been mitigated by an increase in public savings, which has shown an improvement since 2000. The Organisational for economic co-operation and development (OECD) considers the household saving ratio to be important within the national saving ratio (Harvey, 2004), due to the following significant roles played by households within the economy:

- being consumers of final goods and services,
- providers of labour services and recipients of labour income,
- proprietors of unincorporated businesses, and
- As a source of savings to fund investment in fixed assets.



2.5.1 Defining the household sector in South Africa

According to Gale, Sabelhaus and Hall (1999) the household sector includes individuals, pension funds, life insurance, trust funds, not-for-profit organisations and un-incorporated businesses. This is in line with the definition of the household sector as per the % is stitutional sector Classification Guide for South Africa+(Kock and Smith, 2005). The saving by household is defined by Prinsloo (2000) as household disposable income (which includes compensation of employees, self-employment income and transfers), less consumption. The savings by households can occur in two ways namely discretionary and contractual savings. Prinsloo (2000) defines discretionary saving as the type of savings whereby households are not bound by any fixed commitments.

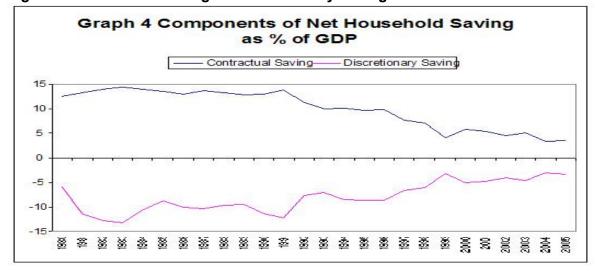
e household sector

Discretionary saving is within the control of the household. Contractual savings are those in which individuals are committed to a series of regular payments, which are mandatory, and this would include contributions to pension funds. Personal savings include, from the macroeconomics analysis view, current disbursements made in the form of a reduction in household liabilities, such as repayment of capital on loans for housing and consumer durables. The contractual saving in South Africa has been performing better that the discretionary saving (see Figure 4), however Strydom (2007) indicated that the improvement of discretionary saving vis-à-vis contractual saving during the 2000s was probably due to a relatively unfavourable performance of investments with insurance companies.

ual saving vs. discretionary saving is depicted as

follows:

Figure 4: Contractual saving vs. Discretionary saving in South Africa



Source: FNB, Strydom (2007)

Loayza, Schmidt-Hebbel and Serven (2000) have indicated that the pension reform can have additional effects on saving through its mandatory saving requirements in the long term. According to the IMF country report (2007), until late 2006 household consumption was fuelled by growing disposable income, which was coupled with relatively low interest rates. This increasing household consumption has resulted in increased household debt, which grew from 68% of disposable income in 2006 to 76% during the 1st quarter of 2007 as depicted on Figure 4 below (SARB, 2007b). The rising debt levels are not always serviceable, implying that South African households are living beyond their means. In a situation like this, it becomes difficult for households to save.



Percentage of household disposable income

Household debt

Debt service cost

Seasonally adjusted

2003

2005

2007

2001

Source: SARB, Quarterly Bulletin June 2007

2.5.2 Determinants of household saving

According to Junlu and Gan (2006) most existing studies on household saving focus on the impact of interest rate, GDP and inflation; and this studies are based on the theoretical analysis of neoclassic economics, new Keynesian economics and monetarism. Harjes and Ricci (2001) consented on the following long-term determinants of the private saving rate to include commodity prices, fiscal variables, financial liberalisation, interest rates, inflation, and income related measures as determinants of private savings. Prinsloo (2002) also indicated that the householdsq decision about saving is influence by the following determinants: average level of income, distribution of income among households, tax policies, government saving, corporate saving, ability to save through the corporate sector, unemployment; and Financial deregulation.





Slick Here to upgrade to Inlimited Pages and Expanded Features d Sen (2001) the real interest rate, growth and the spread of banking facilities and the rate of inflation

had positive influences on Indiacs domestic saving. The determinants such as level of income, financial deregulation identified by Prinsloo (2000) are aligned to that of Harjes and Ricci (2001). Maimbo and Mavrotas (2003) indicated that financial liberalisation increases competition between providers of financial intermediation, thereby eliminating constraints of falling into debt. The South African financial industry has been liberalised for several years, which has resulted in expanded access to credit by households, thus reducing the rate of household savings. An environment of low interest rates normally fuels consumer spending, and has a negative implication on savings behaviour, as the returns are minimal. Lower interest rates make the cost of credit cheaper and more affordable, which influences the demand for credit, thus creating an environment conducive to spending as opposed to saving.

The opposite is true in an environment of high interest rates. Kahn and Farrell (2002) indicate that the monetary policy can influence the real interest rate in the short to medium term; however, real interest rates are determined by real factors such as the propensity to save and the productivity of capital in the end. Mahlangu (2006) warned South Africans during the interest rate increase by SARB, to start saving and to prepare to pay more interest on their debts, as well as for general goods and services. During his address on 13 October 2006, the Governor of the Reserve Bank highlighted that higher interest rates are intended to restrain demand by making credit more expensive, which should make consumers think twice before increasing their purchases.



Unlimited Pages and Expanded Features

indicated that a higher interest rate increases the

present price of consumption as compared to the future price and provides an incentive to increase saving. Prinsloo (2000), Harjes and Ricci (2001), Athukorala and Sen (2001) identified income to be a determinant of household saving. Maimbo and Mavrotas (2003) has indicated that saving for the future is dependent upon the customers expectation of their income, and if the income is expected to fall, then there should be improved retirement saving behaviour. It is evident from above that income (or lack thereof) is an important determinant of savings. According to Loayza and Shankar (2000), the rate of growth of personal disposable income was a significant determinant of private saving in India.

Pressly (2007) highlighted a fact that less disposable income means less saving, which will result in capital formation, lower labour productivity, and ultimately means lower wages. The literature on savings suggests that economic growth increases the income of workers relative to that of non-workers (i.e. children and retirees) (Elbadawi & Mwega 2000). The increase in the income of workers, however, does not necessarily result in increased saving. The impact of growth is also seen in the form of reduced liquidity and borrowing constraints, which induce households to increase consumption.



Inlimited Pages and Expanded Features

) state that economic growth will increase saving if mong households with high saving rates and

persistent, strong habits, and if consumption adjusts with a lag to the increase in income, especially if the increase is not anticipated. Rising saving rates is required, among other factors, in order for a country to achieve sustained growth. Loayza, Schmidt-Hebbel and Serven (2000) identified income inequality as a potentially important determinant of saving since it played a prominent role in the post-Keynesian models of saving and growth that focuses on the functional distribution of income. Mahlangu (2006) reported that it is not South Africance supposed lack of saving culture that threatens the countryce economic growth rate, but this tendency to £orrow to spende

This implies that South Africans are not living within their means; since the income is not sufficient to sustain their lifestyles, hence there is a tendency to borrow to spend According to the life cycle hypothesis indicated by Horioka (2004), the aggregate household saving rate will be higher in a country with a predominantly young population because the young typically work and save, whereas the elderly typically retire and dissave. Butelmann and Gallego (2001) reported that income and permanent characteristics such as education are shown to be important determinants of the rate of household saving in Chile. There is also a need to encourage the black diamondsq(defined as the black middle . class) to save because despite the increase in their disposable income, this has not had a positive effect on the household saving rate.



lecreases the private saving rate due to a decrease imited Pages and Expanded Features

imited Pages and Expanded Features

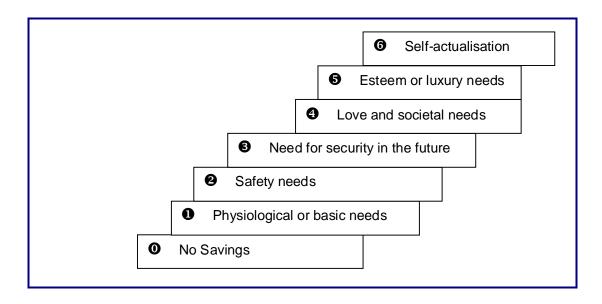
im, 2003). Pressly (2007) reported that economists

urged flat rates for SA. The current tax bands are considered to be interfering with the individuals ability to pursue their goals and result in lower after-tax income and therefore smaller disposable income. The smaller disposable income resulting from high tax rates will then influence the individuals quecision as to whether or not to save.

2.5.3 MOTIVES FOR SAVING

Devaney, Anong and Whirl (2007) state that the saving motive is organised in a hierarchy and individuals move up that hierarchy as the lower-level motives are satisfied.

Figure 6: Hierarchy of savings



Source: Journal of consumer affairs, Vol. 41 (2007)



(2007) proposed a hierarchy of saving motives and

factors that influence the movement to higher levels as depicted in Figure 6 above. The hierarchy of savings motives is similar to Maslowos hierarchy of needs, indicates the levels of the deficiency of needs (wikipedia, n.d). As the hierarchy proposed above, the hierarchy of needs also follows a similar process, which starts from physiological needs as level 1 ending up to Aesthetic needs at Level 5. The study indicated that age, family size and length of the planning horizon are important predictors on whether an individual will advance to higher levels or not. It is thus concluded that the individuals move up the hierarchy when their lower-level motives has been satisfied.

Reddy, Naidu and Vosikata (n.d.) confirms that the theoretical literature groups household savings into four categories with the following purposes:

- to fund retirement and bequests;
- to finance expected large lifetime expenditure;
- to finance unexpected losses of income; and
- to smooth the availability of financial resources over time to maintain a more stable consumption profile.

The abovementioned motives for household savings are similar to that identified by Prinsloo (2000). The savings motive to finance expected large lifetime expenditure or big-ticket items (such as residential building and education) has grown less important due to improved access to credit and finance for houses in South Africa and internationally. Households are no longer required to save large big-ticket items since the items could be bought on credit.



ws (2007b), the household sectors consumption

during 2006 exceeded its income, which resulted in the first ever-negative saving result by this sector for the full year. It should, however, be noted that this negative saving occurred before the introduction of the National Credit Act (NCA), which was introduced during June 2007 with the aim of preventing reckless lending. These increased consumption and declining household saving rates are an indication that there is a strong propensity to consume by households. The household sector has been severely affected by an increase in credit commitments and thus has an impact on the declining saving rate. A concern has been raised by the property industry, that the NCA may be an obstacle to home ownership in South Africacs emerging black middle class.

It was further reported that bond payers should be given tax relief or a tax incentive as is the case in Germany; as this would introduce a truly stable saving culture. According to the Old Mutual Investment Group (SABC News, 2007b), the level of savings by South African households remains poor due to the servicing of consumer and mortgage debt.

2.5.4 Vehicles used for saving by households

Various vehicles may be used by households for savings, such as savings products provided by financial institutions; insurance products which vary depending on the reason or purpose; and £tokvelsq which are community savings schemes normally used by people within the informal economy.



Unlimited Pages and Expanded Features

prandt, M. and Levinsohn, J (2004) cited stokvels to

be an important informal savings mechanisms in South Africa with an estimated 8.25 million members in 2001. Some households use their normal banking facilities or accounts for saving purposes. A study conducted by Melzer (2007b), on behalf of Finmark Trust and SASI, indicated that most of South Africacs poor population cannot access basic savings products or education about such vehicles. It further highlighted that there is a huge untapped market for savings products, which is regardless of the mechanism used for saving (i.e. a bank account and/or more specific savings products). Access to savings products was identified as a constraint or barrier to people being able to save.

Melzer (2007a) reported on that more that half of the people in LSMs 1-5 have no savings accounts. Even though there has been progress in banking the unbanked, much work still needs to be done to encourage savings in that market in particular. Figure 7 highlights that the LSM1-5 market is likely to use informal products and services as a means of savings.

Figure 7: Savings usage: LSMs 1-5 compared to LSMs 6 - 10 255,073 LSM 6 - 10 2,465,452 8,153,064 (71%)(22%)(2%) **/** (5%) 302,506 LSM 1 - 5 6,172,474 2,922,394 9,863,560 (51%) (32%) (15%) (2%)80% 100%

40%

■ Not banked other formal

60%

■ Informal but no formal

■ None

Source: Melzer (2007a)

0%

□ Banked

Figure 7 depicts that most (51%) of the lower-end of the market (LSM 1-5) do not have access to bank accounts, and as a result they dong use formal products for savings. 22% of the LSMs 6. 10 are not using any savings products per the graph above. The research revealed that although people might have access to financial services such as a bank account, the majority of such accounts are not used for saving. They tend to be operated instead as a transaction account whereby the money is deposited and withdrawn fully on the first withdrawal. The challenge is to encourage households to save regularly using traditional vehicles such as depositing money in a bank. There has been a shift in the types of saving instruments that households are utilising to save and Mawson (2007) reported that savings vehicles not traditionally counted by the Reserve Bank had grown and were now competing with traditional form of saving.



investment in homes, stokvels and grey money (undeposited cash) and has grown from 13% (1996) to 18% (2006). Mawson (2007) reported that Old Mutuals research into the countrys savings level revealed that there has been a substantial increase in the grey money which increased from R11 billion (1996) to R33 billion (2006). Fisher-French (2007b) indicated that half of the R4 trillion is because of strong markets, as some South Africans have saved in own property or have invested in the equity markets. R3.3 trillion (82.5%) was in traditional savings vehicles such as bank deposits, unit trusts and pension funds whilst 17.5% was in the non-traditional savings vehicles such as houses, stokvels and cash in the second economy (referred to as %grey+money).

icated that the non-traditional savings include

2.5.5 Impact of cultural background on savings culture

Cultural factors might have an important impact on government policies that attempt to influence saving behaviour in the end, especially for countries that are characterized by ethnic diversity (Al-Alwad & Elhiraika, 2003). The culture in a country, in the form of customary beliefs and norms in society, may result in economic consequences. The history of savings behaviour can affect current savings decisions. For example, an economy in which the savings rate has been low in the past tends to create a self-fulfilling expectation that savings rates will be low in the current period (Asilis & Ghosh, 2002). Schultz (2004) proposes life cycle savings as an explanation for the increase in savings and economic growth in Asia.



limited Pages and Expanded Features country has been associated with Asias saving rate

and this ultimately has an impact on, or holds consequences for economic growth. The effects (if any) of cultural origin or background on saving behaviour should therefore be considered in determining or ascertaining the reasons for a non-existent savings culture in South Africa.

2.6 Reasons for low savings culture in South Africa

According to the National Treasury (n.d), the following are some of the reasons why households in South Africa have a low savings culture namely: Investment costs structure in the markets are high for smaller investors, as a result this promote low savings culture. The investment advice provided to the households is often poor and risky. There is also a culture of indirect savings through third parties. There have been strong campaigns within our country, which promote buying on credit, which will indirectly contribute to the dissaving within the household sector. The spending behaviour of the South African households had gone beyond what they can truly afford. South Africacs total savings was reported (Mawson, 2007) to be R4 trillion at the end of 2006.

There has been an increase in consumption by South Africans, and hence many are heavily indebted which was confirmed by Klein (n.d.) that the deeper problem in SA is that most people are heavily indebted. The Reserve Bank governor mentioned that South Africans are not saving enough, that there is simply no culture of saving, and that "people tend to live as if there is no tomorrow".



employees normally cash in their pensions, pay a

significant portion of this in tax and spend the rest, which results in the burden of adequate pension provision being shifted to the state. In 2002, the South African Government was criticized for not creating a favourable savings environment, through policy interventions, to encourage a savings culture within the household and corporate sectors. The focus was mainly on tax incentives whereby economists argued that government is skewing the taxes against top earners from whom the bulk of personal savings comes (Klein, n.d.). Economists expected the government to discuss SAcs inability to save, which is considered a major economic weakness, during the 2007 budget presentation (BusinessinAfrica, 2007).

The government has, however, argued in its defense that tax regulations cannot on their own encourage a culture of saving; the government can merely ensure that tax regulations do not contribute to the poor savings culture. Tax relief is provided for lower and middle-income earners, in the belief that it will facilitate savings. Old Mutual (2007) describes the problem that South Africa is facing to be unique, owing to the country demography, which is not comparable to any other country in the world. The focus in this study is on household savings as that is where the biggest challenge is currently being experienced. Aron and Muellbauer (2000) indicated that the rise in the consumption-to-income ratio in South Africa is as a result of financial liberalisation in partly because of reduced down payments for housing purchases.



that the household debt has notched up another of 2007 to 76.6% of disposable household income,

which is considered high by historic standards. According to the SABC News (2007a), the gross savings ratio of the household sector as a percentage of gross domestic product declined from 1.75% in 2005 to 1.5% in 2006. It further highlighted that the SAcs emerging black middle class (% ble black diamonds) who is worth R180 billion had spent 92% spend on items such as cars, houses and white goods and therefore little went into the traditional savings vehicles. Salvo Capital (2007) indicated that the results from a study from Sanlam Employee Benefits (SEB) had revealed a number of notable trends, including a reduction in the average contribution of both South African employers and employees to retirement funds.

It further reported that there is a need to institute a saving culture and the need for more communication about retirement funding, as revealed through the annual retirement survey.

2.7 Initiatives to boost the savings culture in south Africa

2.7.1 Role of government in instilling a savings culture

According to Howard (2001), government has three functions in market economies namely: allocation, distribution and stabilisation of the market. The allocation refers to the intervention of government in correcting the consequences of market failures. The stabilisation function entails policy intervention by government.



normally subject to intense theoretical discussions ranging from Keynesian to monetarist and new-classic prescriptions (Howard 2001). There are two types of stabilisation policies identified within the literature, namely £lemand-sideq policies and £supply-sideqpolicies. The purpose of demand-side policies is to attempt to reduce levels of domestic demand and spending. These policies are considered short-term as the effects are seen immediately. Supply-side policies are designed to increase the volume of output in the community. Government normally intervenes through regulations that are defined as the governments way of prescribing to the private sector (or corporate bodies) what can and cannot be done, whilst ensuring alignment with the public interest.

a short-term function of government, which is

Government, through its policies, may be able to coordinate savings in order to lift an economy out of a low growth area (Asilis & Ghosh, 2002). There are large differences in saving rates across different countries and economists normally explain the differences in economic behaviour by differences in economic environments. Government savings is a crucial part of the national savings strategy and political instability influences the ability of the government to save. According to Mavrotas and Kelly (1999), a higher degree of political instability results in lower government savings, as the incumbent party has no incentive to save. Therefore, the role of government in encouraging saving is to allocating its own spending appropriately, while providing a suitable policy and political environment for private sector investment.



ndicated that the South African government has proposal in an attempt to help create a savings

culture in the country. The forced savings will be in a form of pension reform, which will require mandatory contributions by all people employed. The scheme will provide pension payments as well as death and disability cover.

2.7.2 Role of corporate in instilling a savings culture

The corporate sector consists of financial and non-financial companies, including banks; insurers and pension funds; other financial intermediaries; foreign auxiliaries; and the private and public non-financial corporate sector. According to Malherbe and Segal (2001), the corporate sector has, over the last five years prior to 2001, mobilised more than three quarters of South Africacs domestic savings. Corporate entities can contribute to the savings culture through their own contribution to gross savings ratio or through products and services which facilitate saving within the household sector. There is also an indirect contribution to savings culture that could be initiated by government through the creation of conducive tax environment for corporate. The tax environment will result in corporate having more disposable income, which will result in increased investments and job creation whilst contributing to the savings culture.

The focus of this research study is on the role that corporate bodies play in encouraging a culture of savings within the household sector.



for the financial sector were created during the arkets during the 1980s (Prinsloo, 2002) and this

entailed major financial policy and institutional changed within the financial sector. The changes enabled households to increase their borrowing in relation to their disposable income, hence there has since been an increase in household debt as compared to their disposable income. Corporate played a significant role in India, according to Athukorala and Sen (2001) through the real interest rate on bank deposits, which had a significant positive impact to India private saving.

2.7.3 Role of the SASI in instilling a culture of savings

The South African Savings Institute (SASI) is an independent non-profit organisation (Section 21 Company) which was formed in 2001 with the mandate to develop a robust culture of saving in South Africa. The following challenges and concerns resulted in the formation of SASI namely: a poor savings rate; desperate living standards; a lack of financial literacy; and the poor growth of the South African economy. The purpose of the SASI is to play a meaningful role in securing sustained growth in the national savings rate, in order to enhance the financial health of the nation and the well-being of its citizens. Initiatives undertaken by SASI focus on raising levels of awareness, debate and understanding; and influencing decision-making by public and private sector institutions and consumers. Its core activities include, *inter alia*, the following (SASI, n.d (b)): advocacy work, research initiatives, information and content provision, round table forum to debate on the levels of savings, and national savings month media campaign.



culture in South Africa has become an economic

and social challenge, according to Nedbank (2004). The need to develop the financial skills of children and young adults was highlighted by Nedbank, as this would lay the foundation of sound money management and future financial freedom. Still (2001) indicates that SASI is a worthwhile body that has been formed to encourage household savings and to lobby the policy makers to create the right environment for savings. There is a similar organisation that exists in India, called the National Savings Institute (NSI), which has a goal of inculcating the habit of thrift and saving among the people of India (National savings Institute).

The mandate of the NSI (formed in 1948) is the collection and collation of data; and providing policy inputs on the structuring of different financial products and schemes to the Ministry of Finance. The NSI is also responsible for improving access of small investors to avenues of saving through the provision of various savings instruments, which are attained through coordination with different agencies. The institute is also responsible for the training of NSI officers, state governments, banks, post offices and half a million agents. This includes the liaison and coordination of such training. Small savings in India is regarded as a top priority for the government, because of the governments goal to reach the largest part of the community.



thrift and savings among the citizens of the country (National Savings Institute).

small savings programme is to promote a habit of

2.8 Conclusion

In summary, it is clear from the above that South Africa is currently having a poor savings culture. Determinants and motives of savings have been identified which includes namely financial liberalisation, interest rates, income, culture, age and education. The question that is still needs to addressed are:

- Why does South Africa have a high consumption culture and a nonexistent savings culture
- ♣ Initiatives by government, corporate and SASI in instilling a culture of savings in South Africa.

The determinants will be analysed with an aim of assessing the poor savings culture in South Africa, and recommendations will be made based on the gaps identified during the process.



MENT OF RESEARCH QUESTIONS

2.1 Introduction

The purpose of this study is to gain an understanding on why South Africa is having a poor savings culture and what could be done to improve this culture. It will conclude with recommendations on how a culture of savings can be instilled in South Africa.

2.2 Research questions

The research has attempted to answer the following questions:

2.2.1 RESEARCH QUESTION 1

Why does South Africa have a high consumption culture and a non-existent savings culture? The question aimed at obtaining the reasons for the poor saving culture in South Africa, which will be through a thorough understanding of the determinants of savings; motive for savings and vehicles used for saving. An understanding of whether cultural background has an impact on the savings culture will be explored. The methodology used for this research questions was preliminary interview with an expert, focus group and survey.

2.2.2 Research question 2

What initiatives have the South African Saving Institute, corporate and government put in place to instilling a culture of savings in South Africa and its impact thereof? The roles of government, corporate sector and SASI will be reviewed in an attempt to understand the initiatives that are in place to encourage a savings culture within South Africa.





Click Here to upgrade to
Unlimited Pages and Expanded Features

this research questions was preliminary interview and survey.

2.3 Conclusion

The next chapter outlines the research methodology used in answering the abovementioned research questions and will highlight the limitations of this research project/study.



CH METHODOLOGY

4.1 Introduction

The researcher has conducted a combination of qualitative and quantitative research, which was aimed at understanding the reasons for the poor savings culture in South Africa. The research followed a two-step approach whereby the first step was a preliminary / unstructured interview with an expert then followed by a focus group and survey.

4.2 Research design and methods

The researcher has designed the study to use both qualitative and quantitative methods in researching on the culture of saving in South Africa. Myburgh and Poggenpoel (2005) refer to qualitative research as a deep, holistic exploration and description of an identified phenomenon in the field. Zikmund (2003) indicates that the focus of qualitative research is not on numbers, but on words and observations: stories, visuals, potrayals, meaningful characterisation, interpretations and other expressive descriptions. The qualitative research method is the dominant methods used for this research as it involves an indepth understanding of human behaviour and the reasons that govern the human behaviour. The purpose of qualitative research was to elicit understanding in the saving culture in South Africa – not to test hypotheses, but to conclude an investigation by presenting recommendations to address the aforementioned phenomenon.



thod was considered appropriate by the researcher why and how of the decision-making, as a result it

focuses on smaller but focused samples instead of large random samples. The data obtained during this research will be classified into patterns for the purpose of organising and reporting the results. Wisker (2001:140) explains that qualitative research methods include, *inter alia*, interviews, focus groups, participant observation and personal learning logs. It is thus concluded that qualitative research places a lot of emphasis on the reasons behind the diverse aspects of behaviour instead of quantifiable data.

4.3 Step 1: Unstructured preliminary interview

The purpose of the unstructured preliminary interview was to obtain a general understanding of the saving culture problem in South Africa. It was conducted at an initial stage of the project to ensure that the information gained will be applied / tested during the Step 2 of this research. The interview was an open discussion with an expert on savings culture in South Africa and was not concise as the meeting lasted for 3 hours. The general understanding of the saving culture problem included the following:

- Factors that influences the saving culture in South Africa:
- The role that the South African Savings Institute (SASI) is playing in instilling a culture of savings in South Africa, and the impact thereof.
- Initiatives that are put in place to encourage savings and their sufficiency thereof.

The Step 2 of the research namely focus group and survey focused on understanding the factors that are contributing to a poor savings culture in





Click Here to upgrade to Inlimited Pages and Expanded Features ASI and other key role players are playing through avings culture. The sampling method used was a

convenience sampling when identifying the expert from the South African Savings Institute. The factors that were followed up during the step 2 of the research included the understanding of:

- ♣ Determinants of a poor saving culture in South Africa.
- Factors affecting the South Africansqability to save;
- ♣ Whether income is the main determinant for people to save (marginal propensity to save);
- ♣ Initiatives to boost the saving culture in South Africa.

4.4 Step 2: Focus group interview and survey

The aim of this step was to validate the observations made during the unstructured interview conducted at the initial stages of this project; on what could be the cause of a poor savings culture in South Africa. The focus group was mainly addressing the %aving culture in South Africa+ and it aimed at gathering evidence on the following open-ended questions:

- The reasons behind a high consumption culture, the poor savings culture in South Africa and the initiatives that could be put in place to ensure that a culture of savings is encouraged.
- The roles that government (if any) and SASI is playing in instilling a culture of savings in South Africa.
- Which country should South Africa benchmark against to draw the learning in resolving the issue of a poor savings culture in the country?





Click Here to upgrade to Inlimited Pages and Expanded Features round or origin have an influence on saving rica?

Zikmund (2003:114) defines an experience survey as ‰n exploratory research technique which individuals who are knowledgeable about a particular research problem are surveyed.+The population included the SASI, experts on savings in South Africa which included representatives with an economics background, representatives from the government institutions such as the National Treasury, Postbank, Postbank Committee (sub-committee of the SAPO board of directors), and savings clubs (formal & informal) and business sector.

4.5 Sampling and data collection

An invitation for the focus group was sent to the 30 individuals and the population comprised of SASI board members, government and private sector employees. The SASI board members were invited through its chairperson of the board. An unstructured interview was held with the chairperson of the SASI board prior to the focus group invitation. Refer to appendix A for a copy of the invitation letter. Six participants took part on the focus group, which took place on the 19th September 2007. The participants completed a survey questionnaire in Appendix B at the end of the focus group. A survey questionnaire was further circulated to some of the experts from government to ensure a targeted sample of 15 respondents is attained and to increase the level of participation.



spondents in terms of experience and areas of owing:

- Banking background: Retail, Community banking, affordable housing and corporate banking, which includes savings linked assets background.
- Wealth . creation: Two of the six attendees had a treasury and savings club background. The savings club creates wealth through monthly contributions by the professional members, and when an opportunity arose, shares are bought at the Johannesburg Stock Exchange (JSE). mainly on creating wealth, through the buying of shares at the Johannesburg Stock Exchange (JSE). Treasury creates wealth through maximising returns received from funds invested.
- Government: some of the attendees are involved with government through different committees / boards, such as Postbank Committee (sub committee of the SAPO board); and through the financial literacy service provider to government. The SASI through been an employee at the institution.

4.5 DATA ANALYSIS

The researcher utilised the content analysis to analyse the primary data gathered through the preliminary interview, focus group and survey. The data was categorised according to the themes, and secondary data was utilised to validate the responses received, which were also measured against the existing knowledge set out in Chapter 2.



- Attendance of the SASI round tables forum, which is more similar to the focus group, would have provided primary data, as opposed to the secondary data used during the research.
- ➡ The representatives of the sample had a majority of public sector background in terms of policy . making / regulators; and it would have been ideal to have a balanced sample from the public and private sectors.



5.1 Introduction

The chapter set out to present the findings obtained from the interview, focus group and survey. The presentation of the results will be in line with the research methodologies followed on this study, as outlined in Chapter 4. The data collected during the preliminary interview with an expert will be reported first and themes identified during the process interview process will be used in presenting the data. The step 2 will be the presentation of the data collected during the focus group and survey, and this will also be presented according to the different themes that were identified during the process whilst quantifying (where possible) the qualitative data gathered.

5.2 Preliminary / unstructured interview

The purpose of the preliminary interview was to gather information with respect to the saving culture in SA and the role played by the South African Savings Institute in instilling a culture of savings in SA. The interview was held with one industry expert from the South African Savings Institute.



Inck Here to appraise to Inlimited Pages and Expanded Features nd the following themes with an attempt to gain an s contributing to a poor savings culture in South

Africa:

- Savings vs. Investment;
- Ability to save;
- ♣ Determinants of saving, including the impact (if any) of cultural background on the savings culture; and
- The role of the SASI in instilling a savings culture in South Africa.

The findings from an industry expert interviewed are presented as follows:

5.2.1 Savings vs. Investment

The interviewee started by discussing the differences between savings and investment, to ensure that the interpretation and understanding of saving is the same for everyone. The response on this question was that the term saving is aimed at addressing the question of whether, as an individual, "are you able to consume and have money set aside for the next cycle? Saving is dependent upon the goals that people set. There are two types of goals that people save for, namely short-term (e.g. saving for a car) and long-term saving (e.g. saving for education or funeral). On the investment side, the interviewee indicated that not all investment have a good rate of return within the first 2 years of the investment. Failure of people in understanding the investment has resulted in people borrowing to cover their day-to-day expenses, due to bad investment decisions.



that the ability to save for all the three sectors

(namely household, corporate and government) that contributes towards the national saving rate is the same, as they are all dependent on income. Income will influence the ability of household, corporate and government to save. It was further indicated that household could not save if there is a high level of unemployment in the country.

What people define as basic needs today has contributed to people not saving in South Africa and related to this is an issue of affordability. Households in South Africa has utilised credit inappropriately and resulted in self-inflicted difficulties in saving. The interviewee indicated, *The inappropriate utilisation of credit is due to a failure by individuals to assess the return vs. cost of borrowing before utilising credit*. The ability to save is therefore a function of income, interest rates and labour (skills). The South Africansqability to save has gone down and this is shown on the consumer behaviour. Although there has been an increase in the income levels, through the black diamonds, people in SA are not saving.

South Africa has recently experienced an increase in the income levels; however, this did not result in improved saving levels. It was indicated that:

"The current situation in South Africa is an indication that people are not living within their means".



reference to an environment that should be created in the country to improve

the saving culture. The interviewees response highlighted the following:

to comment on the determinants of saving, with

- Income;
- Education;
- Conducive environment;
- Enabling legislation.

The income was highlighted as the main factor which will determine the sectors ability to save or not, as indicated above. The interviewee indicated education as an important factor, as the more people are educated about saving the more likely that their saving will increase. The education will contribute towards changing peoples mindset on saving and the following example was given:

"Instead of giving your employees expensive gadgets as gifts, employers should provide them with gifts such as retail bonds, retirement annuity fund".

It was indicated that if the abovementioned suggestions were practiced, then people would start thinking differently about saving. The economic environment and legislation should be conducive to encourage saving. When asked to comment on the impact of cultural background (if any) on the saving culture, the interviewee responded as follows:

- ♣ Culture is a very complex factor as it depends on how it is defined, and hence the determinants are normally left at consumer behaviour.
- ♣ Culture was used to explain the Japanese saving phenomenon, but it is not used in the cases of China and Singapore.



discussion of countries that South Africa could learn from and the interviewee stated the following:

of cultural background on savings culture led to a

- Germans lesson of saving from the older people in an economy.
- Chile is a good example of a successful forced saving policy, which was derived from the pension reform. Chile reformed its retirement industry, labour and destroyed organised labour in the process.

The interviewee concluded this theme by indicating that the forced saving policy will probably work, however, the challenge will be to reduce the idle resources as the pension reform only covers the people who are receiving income.

5.2.4 Initiatives to boost saving in South Africa

The interviewee was asked to comment on the role of SASI and initiatives in place for encouraging a culture of savings in South Africa. The interviewee highlighted the savings month (July) activities that are undertaken every year, which are aimed at creating awareness on savings amongst households. It was further indicated that there are roundtables held after the savings month, which are aimed at reviewing the issues transpired during that month. Two roundtables were held during August 2007 at Gauteng and Western Cape. The interviewee was asked on the impact that SASI activities has on the household saving, and the response was as follows "All we do is to educate people, we just have to wait for the results".





Click Here to upgrade to Inlimited Pages and Expanded Features de, *inter alia*, advocacy work, which is aimed at ers, regulators and services. The interviewee was

asked whether SASI had influenced policies / regulations within the savings environment since its inception.

It was indicated that SASI had influenced policies / regulations in the savings environment; however, it is difficult to prove how their input had swung the decision. The following were revealed from the subsequent information obtained from the interviewee:

Table 2: SASI Roundtable held in Cape Town (2007)

Purpose	Achievements
Emphasise the advocacy role of SASI as a complement to savings.	The savings month coverage across the continent was valued at R11 million.
Increasing awareness towards savings month.	The volunteer programme, which was part of the creation of savings
Strengthen partnerships for savings month and beyond with the aim of securing their time, expertise and financial resources where possible.	advocacy, was supported by SASI.

The following issues were identified for the future:

- A need for longer term programmes which will ensure advocacy occurs throughout the year.
- Expand education on savings barometer to ensure that it is continuously utilised instrument.
- To increase advocacy at school level through encouraging the teachers and students to open bank accounts whilst encouraging the banks to support savings by students. It was indicated that the support by the banks will be in a form of costless bank accounts and secondly there would be no forced closure of dormant accounts, which has a positive balance. The school initiatives will include, *inter alia*, teaching students how to live, survive post school, and anticipate challenges. This will cover the difficulties of living without the savings.
- A need to change peoples expectations and behaviour was noted to ensure that they accept money as presents and not consumer materials, which encourage consumption.
- The savings campaign should be increased to ensure that its awareness is the same as that provided by HIV/AIDS campaign.



about SASI structure (i.e. staff complement) and the

funding received. It was indicated that SASI operates on a very leans structure with a staff complement of two and fifteen board members.

The board members operate on a volunteering basis whilst they are employed elsewhere and their outputs relies more on the networks. In terms of the institutions relationship with government (especially the policy makers), the interviewee indicated that there are members of the National Treasury and the credit regulator on the SASI board. In conclusion, the interviewee was requested to comment on the sufficiency of incentives to encourage household saving. It was indicated that a paradigm shift is required for people to start saving and Why should people be incentivised for saving, as they are doing it for their own benefit? An issue of incentivising people to save was likened to incentivising people to wear seat belts.

5.3 Results from the focus group

5.3.1 Introduction

The focus group results represent the views of six people who had the diverse savings background as outlined in chapter 4. The focus group discussion mainly focused on the following themes:

- Factors, which influenced the current savings culture in South Africa;
- Incentives (if any) for instilling the savings culture in South Africa.





ent savings culture in South Africa

Unlimited Pages and Expanded Features

were requested to comment on the causes of the

current (poor) savings culture in South Africa. It was indicated that the issue on saving culture is historical and is exacerbated by an incorrect perception by individuals with regard to the saving.

The historical issue on saving dates back to the 1960s and 1970s whereby banks were discouraging people who were not earning enough salary to save. This resulted in undesirable products being sold to the people, for example savings products that did not yield any returns. The companies were also guilty of selling products such as funeral covers, *which resulted in individuals owning five funeral products that has no value". The bank charges were also identified to be contributing to the current dissaving within South Africa.

An example given whereby a service / management fee is charged to an account with a positive balance, which did not have any movement for a period of 6 months or so; the account is closed without attracting any interest".

One participant indicated that "the inappropriate products and high bank charges have led to the ethical aspect of this corporate companies been questioned". The competition commission has reported, according to SABC News (2007b), in parliament that the current framework regulating banks is not effective. The bank charges in South Africa are regarded to be the highest in the world and as thus considered to have contributed negatively on savings. There is a need for more competition within the banking industry in order to reduce banking fees. The unethical behaviour by corporate in South Africa has





Click Here to upgrade to Inlimited Pages and Expanded Features issue for dissaving, and one response is quote that National Credit Act which will address this problem

of unethical behaviour".

The use of gross salary to determine the persons credit worthiness was a deliberate act from corporate. It is further mentioned that once an individual is seen to be credit worthy, they were bombard with credit without checking your affordability as well as clear explanation of the pitfalls of credit. The issues raised above were corroborated by a report from the SARB, which indicated that South Africa has seen an increase in the household debt since the 1970s that is attributable to the following:

- Financial deregulation from the beginning of the 1980s;
- the reduction in nominal and real interest rates; and
- The rise in wealth. to. income ratios within the household sector.

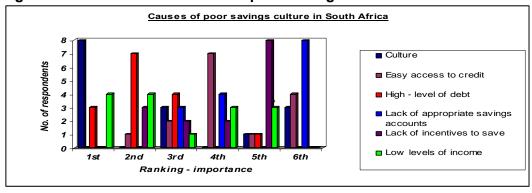
The respondent indicated that the poor savings culture was exacerbated during Post -1994, whereby consumption was encouraged through the availability of credit. The responses regarding the initiatives for encouraging the savings culture in South Africa will be combined with the responses from the survey (see Section.5.4.4).

The focus group attendees were at the end of the discussion requested to complete a survey questionnaire, as attached in Annexure B. The results of the questionnaire represent 15 respondents, who were asked to comment on the factors affecting the savings culture in South Africa. The following themes were addressed on the questionnaire namely:

- Causes of poor savings culture in South Africa;
- Factors affecting peoples ability to save in South Africa
- Initiatives (if any) to boost the savings culture in South Africa. This will cover the initiatives by government, SASI and its sufficiency thereof.

5.4.2 Causes of poor savings culture in South Africa

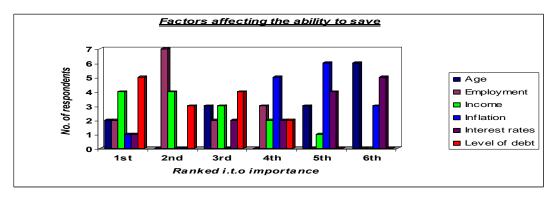
Figure 8: Results on the causes of poor savings culture in South Africa



The first question related to the causes of poor savings culture in South Africa and the respondents were requested to rank the abovementioned six factors in terms of importance. The first factor, which influenced the poor saving culture in SA, was culture, which was followed by high-level of debt (2nd), easy access to credit (4th), lack of incentives to save (5th) and lack of appropriate savings products (6th).

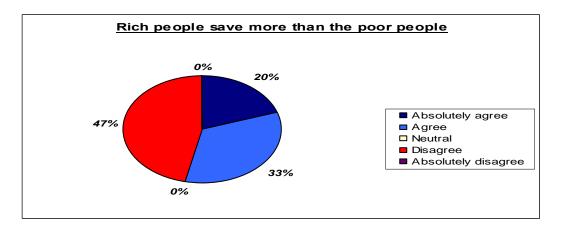


ne people's ability to save in South Africa people' ability to save



The second question related to the factors affecting peoples ability to save, and the respondents were requested to rank the factors from one to six in terms of importance. The level of debt was considered to be the 1st factor that affect peoples ability to save which was followed by unemployment as the 2nd factor and based on the above income was not considered important but some of the respondents. The level of debt in South Africa has been rising as depicted on the graph below whilst the saving has been declining.

Figure 10: Rich people tend to save more than the poor people do



The third question related to the perception that rich people tend to save more than the poor people did.



dents (53%) agreed with the statement that rich e poor people, whilst 47% disagreed with the

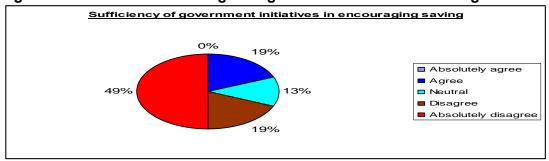
statement. The respondents were further requested to provide comments (if any) on their response to this question and the following are the quotes:

- The saving culture is based on the lifestyle that people live, as this will determine their spending power and what is left to save after they have spend their money.
- One of the respondent who absolutely agreed with the statement indicated that the rich people have access to information about various savings plans, which are sometimes outside the conventional saving practices (such as shares, unit trusts, offshore investments) and are also incentivised by big banks for saving.

5.4.4 Initiatives to boost the savings culture in South Africa

(a) Initiatives by government

Figure 11: Government is doing enough to instil a culture of saving



The majority of the respondent indicated that government is not doing enough to instil a culture of saving in South Africa. 13% of the respondents were neutral regarding this issue whilst 19% agreed that government is doing enough to encourage savings. The respondents were also given an opportunity to comment in substantiating their response are mentioned below.



agreeing with the sufficiency of the initiatives by

- The majority of the population is unaware of the different means in which one can save/invest money. There needs to be more education provided to the average person. However, this is not the responsibility of government but that of the private sector as well".
- "Banks have been left to regulate themselves, which always penalise individuals for using banking facilities (deposits, withdrawals). It was further indicated that government should intervene in how banking institutions operate through regulations".
- Government is not doing enough to encourage a savings culture in South Africa, there are no incentives. Government should make interest tax-free, make banks to reduce their high bank charges and educates the population of the work of the JSE. It was further indicated that after considering the tax payable on interest earned and inflation, it is not worthwhile to put the money in fixed income products"
- Government need to increase the amount of interest income become taxable.



were supporting governments initiatives (its

- "It was indicated that government is trying its best in avoiding a crisis that could occur in the future, as this will result in the nation being dependent on government for sustainability. The incentives provided by government are enough, as it has been involved in a variety of savings products been made available to the general public".
- ← "Government has many incentives in place such as the retail bonds, however, households has continued to take on debt as witnessed by the credit extension numbers which has remained at elevated levels".
- "The monetary policy, rising interest rate, reduced banking fees, financial education and literacy at basic levels were regarded as been the solution to solve this saving challenge in South Africa".

The respondents indicated that the retail bonds, as a saving vehicle, are pitched too high and this applies to the Johannesburg (Jozi) bonds as well. It was further indicated that an average person would not afford to save on this vehicles due to the affordability issue. It is evident from the responses that there are mixed responses, with respect to the sufficiency of government initiatives in instilling a savings culture.





cation on saving

Inlimited Pages and Expanded Features

yey required the respondents to comment on the

importance on education on saving. The respondents were requested to comment on whether education on savings forms part of the curriculum to ensure that the culture of savings is instilled at an early stage. 100% (15) of the respondents agreed that the education on savings should be instilled at an early stage. All respondents indicated that there is a need for financial education and literacy at a basic level. It was indicated that education on saving is important, as it will create awareness amongst people on the benefits of saving now for the future. The education will enhance the knowledge on the different products and returns on saving including the risks and rewards, and this should form part of the curriculum at a basic level.

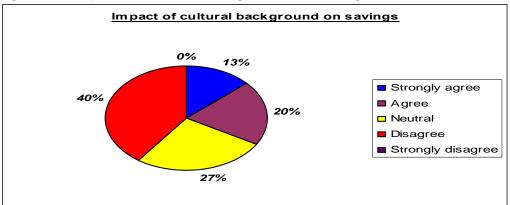
The respondents indicated that the lack of knowledge of alternative savings vehicles limit peoples willingness to save. The education need to focus not only on imparting information but on also changing mindsets and attitudes towards savings. The education should extend beyond savings and focus at financial planning, as people need to be empowered with knowledge to help them create wealth and stay out of unnecessary debt. The respondents believe that if people are educated about saving and know the benefits of savings, and then they will start saving. Education is therefore important at a basic level (i.e. primary school).



packground on savings culture

Unlimited Pages and Expanded Features

al background on savings culture



Question 9 of the survey asked to comment on whether the cultural background has an influence on the saving behaviour in South Africa and the respondent were requested to indicate whether they agree or not based on scale indicated in the graph above. 40% of the respondent disagreed with the statement, 27% were neutral, 20% agreed whilst 13% strongly agreed.



ION OF THE RESULTS

6.1 Introduction

This chapter discusses the results of the qualitative research as reported in Chapter 5 in conjunction with the literature review in chapter 2 and its aiming at addressing the research questions raised; and followed by recommendations in Chapter 7.

6.2 Culture of savings in South Africa

Khoman and Weale (2006) specified that the three sectors namely: household, corporate and government sectors contributes to the national saving rate of a country. The culture of saving in South Africa is dependent upon the savings by government, corporate and household sectors. The propensity to save is determined by income levels, cultural patterns and the development of institutions in encouraging the savings habit (Howard, 2001). While the researcher appreciates, the savings contributed by corporate and government, the saving crisis that South Africa is facing is within the household sector as indicated by SABC News (2007a) that the household savings ratio has declined to 1.5% in 2006. Therefore, the research focused on households saving and the initiatives (if any) by government and corporate sectors in encouraging the savings culture. The financial liberalisation is connected to the financial deregulation which Prinsloo (2002) indicated that it has an influence on the household saving.



encourage a culture of savings in South Africa. This is line with Howard (2001) which indicated that the propensity to save is dependent upon the development of institutions, which will encourage a culture of saving. One of the SASI initiatives is the savings month (July) which is aimed at creating awareness on savings culture amongst households. The results chapter (chapter 5) and literature review chapter (chapter 2) have indicated the initiatives undertaken by SASI for the savings months.

s Institute (SASI) was developed (in 2001) to

6.3 Culture of savings within the household sector

The first research question intended at addressing the reasons behind South Africacs high consumption culture and a non-existent savings culture. The discussion of results is in accordance with the themes identified and used in Chapter 5 namely:

- Causes of a poor savings culture in South Africa. This will include the reasons for the current saving crisis in the country.
- Factors affecting the people's ability to save in South Africa. This will include addressing the question whether rich people save more than the poor people do and influence of cultural background on the savings culture.
- Initiatives in place to boost the savings culture in South Africa. This will entail initiatives from SASI, corporate and government.





avings culture in South Africa

Inlimited Pages and Expanded Features

) had reported that there is no culture of savings in

South Africa as demonstrated by the low savings rate, and secondly the people are borrowing excessively against their future income. The research results indicated that the issue of poor savings culture in South Africa is historical, and based on its diverse demographics as well as its social challenges. The history of the country, the different treatment by bank on racial groups has contributed in the shaping of the current savings environment. The responses indicated that the practices within the corporate sector, especially banks, are not encouraging a culture of saving in South Africa, rather contributes towards a dissaving.

The practices referred to are the high bank charges that are levied on the accounts, extension of credit to individuals who will struggle to service their debts and the inappropriate products offered which do not yield returns. Mohamed (2007) reported that banks have increased their lending to households by 135% (i.e. from R290 billion to R681 billion) over the past four years and this was as a result of eased lending restrictions which enabled low-income earners to have access to increased lending. It was further reported that the black South Africans were previously discriminated by the banks few years ago; and that a large proportion of poor black people still faces this problem.





Click Here to upgrade to Inlimited Pages and Expanded Features ia by the banks enabled some of the poor people to o loans, and hire purchases especially from the

furniture retailers. South Africa has a history of excluding the majority of the population from the banking system, hence, the introduction of the Mzansi account. The other discrimination experienced was within the credit markets and this resulted into the poor being exploited through unfair practices on lending. The NCA was introduced to protects the borrowers from this type of behaviour by banks, however, it is perceived that this complex problem will not be resolved hence there is a need for the grassroots work to support and educate the South African population about the financial services (credit markets, saving & impact thereof). 100% of the respondent had indicated the need for education on savings to be included as part of the curriculum, in ensuring that the importance of savings is advocated at a basic levels.

Credit is seen to be a major cause of poor savings culture in South Africa and the governor (SARB, 2007d) has indicated that the poor culture of saving in South Africa is fuelled by the peoples ability to borrow excessively against future income in order to finance current consumption. The evidence from the preliminary interview has indicated that an inappropriate use of debt has resulted in people not saving. The results indicated that 53% of the respondents had identified the high-level of debt as a second factor contributing to the poor savings culture in South Africa.



6.3.2 Factors affecting people's ability to save in South Africa

The first two questions of the survey were aimed at understanding the factors that influences the poor saving in South Africa. Prinsloo (2000) defined saving by household as household disposable income less consumption. The results indicated that saving is aimed at addressing the question of whether are we able to consume and have money set aside for the next cycle. It is clear that the two factors namely disposable income and the consumption played an important role in determining a persons decision on saving. The results have confirmed the report raised by SARB (2007b) which indicated the worrying growth in household debt and an indication that people are living beyond their means. Figure 10 depicts the ranking of the factors affecting the ability to save; the level of debt was considered the first factor, which impact on the persons decision to save.

(a) Household debt

The household debt is fuelled by what people believe to be basic needs which are material possessions (such as cars) used to measure a personquecess in the world. Howard (2001) has indicated that the propensity to save is determined by income levels, cultural patterns and the development of institutions in encouraging the savings habit. The results indicated the high-level of debt as one of the factors contributing to the poor saving culture in SA, which is linked to easy access to credit. The easy access to credit is resultant from the financial liberalisation, which enabled households / individuals to obtain credit, which they previously could not have accessed.

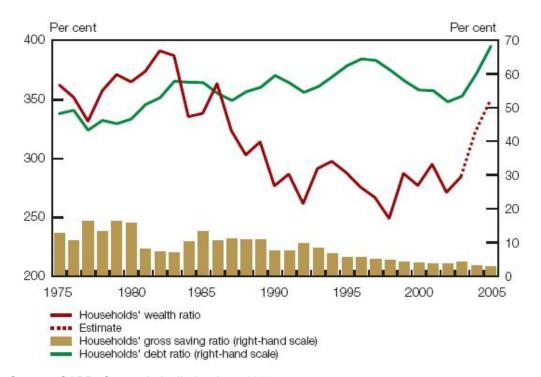


hat wredit has been inappropriately utilised, and

hence people are finding it difficult to save as they have to service their debt".

The graph below depict a trend on householdsqsaving, debt and net wealth as a percentage of personal disposable income for the period 1975 to 2005.

Figure 13: Households' saving, debt and net wealth as a percentage of personal disposable income



Source: SARB, Quarterly bulletin, June 2006

The graph above depicts an upward trend for householdsq wealth ratio and householdsq debt ratio; whilst the householdsq gross saving ratio has been declining. Reddy, Naidu and Vosikata (n.d), and Prinsloo (2000) have indicated that there are motives behind the household saving.





Click Here to upgrade to Inlimited Pages and Expanded Features g is to finance expected large lifetime expenditure and education. The results had indicated that

access to credit to finance such lifetime expenditure has been on the increase within South Africa. The research results revealed that the easy access to credit as a factor contributing to the poor savings culture in South Africa. The access to credit has therefore disqualified the motive to save for lifetime expenditure since the items can now be obtained without saving for it. Baumann (2003) argues that savings linked to a particular goal such as housing, works well, and tends to fall away once the goal is achieved. The researcher therefore concludes that whilst the households save for such things as retirement and bequest, there is no need to save for lifetime expenditure. The households need to save for lifetime expenditure cannot be solely used in encouraging people to save as most households are consumed in debt. However, the benefit of repaying the debt faster that the contracted period should be highlighted, as indicated by the results.

SABC News (2007a) reported that the level of savings by South African households remains poor due to the servicing of consumer and mortgage debt.

(b) Income related variables

The fiscal variables, financial liberalisation, interest rates, inflation and income related measures also have an impact on the household saving (Harjes and Ricci, 2001). The results have revealed that the ability to save is a function of income, interest rates and labour (skills). The variables revealed by the research are in line with what was stated in the literature by Harjes and Ricci.



3) stated that saving for the future is dependent

upon customers expectation of their income. A person will save for the future, if they do not expect any income in the future. According to SARB (2006) there has been an accelerated increase in the real disposable income of households in South Africa from 5.75% (2004) to 6.25% (1st quarter 2006). The results revealed mixed responses, as depicted by Figure 9, in terms of whether low levels of income contribute to a poor saving culture or not. The respondents were requested to also comment on whether %ich people saving more that poor people+. The results indicated that most of the respondents agreed with the statements, however, their responses were qualified as follows %the rich people are saving more due their access to information and incentives received to save with certain institutions".

It is evident that the issue of saving or not does not depend solely on the income, it thus requires the knowledge of the different products and the incentives provided by corporate and government. In terms of the adverse impact of the low levels of income on saving, it became evident that the real issue to be addressed is the high unemployment rate in South Africa. Unemployment indicates the level of idle resources and thus high dependency ratio within an economy. The higher level of unemployment implies a higher dependency ratio which impact on the peoples ability to save. Whilst Loayza and Shankar (2000) indicated how growth on personal disposable income contributed positively to the private saving in India, that has not been the case in SA.



Africa was however different as the growth in disposable income, which was in a form of rising black diamonds, had not resulted in a positive impact on savings and instead has fuelled consumption. Pressly (2007) had indicated that less disposable income means less saving In South Africa, the situation has been less saving with more disposable income. It is thus clear that the issue of not saving is not solely dependent upon having an income, but the problem is deeper than that.

(c) Education

Butelmann and Gallego (2001) reported that income and permanent characteristics such as education has been the important determinants of household saving in Chile. When the respondents were requested to comment on the importance of education on savings, it became evident from the results that there is need for financial education and literacy at basic levels. The education will create awareness about the importance of savings whilst educating people about the benefits of saving now for the future. The education will empower people will the life skill required to create an improved saving culture in South Africa. Once the people are empowered with the information, changing of mindsets and attitudes towards savings will be effortless.





Click Here to upgrade to Inlimited Pages and Expanded Features ucts or education about such vehicles. Mawson

at most of South Africas poor population could not

(2007) reported that the savings vehicles not traditionally counted by the Reserve Bank, (i.e. homes, stokvels and undeposited cash) has grown, and been competing with the traditional savings produces. The results revealed that access to savings products is a constraint or barrier to people ability to save.

It is believed that once the people are educated enough about saving and know the benefits of saving, and are aware of the different vehicles of savings then the saving culture in South Africa will be improved. The researcher therefore concludes that lack of income is not a dominant determinant of saving culture in South Africa, and the focus should thus be on the permanent characteristics such as education and access to the savings products is vital in improving the savings culture in South Africa. The education on savings should start at a basic level (primary school), to ensure that the now generation grow up appreciating the importance of saving. The education should encompass the importance of using the traditional vehicles as a form of saving to ensure that the savings in the informal economy are moved to the formal economy.

(d) Cultural factors

Al-Alwad & Elhiraika (2003) has indicated that the cultural factors have an important impact on government policies that attempt to influence saving behaviour in the long-run, especially for countries characterised by ethnic diversity. South Africa is an example of a country characterised by ethnic diversity.



d that the cultural background is considered part of sculture in South Africa. The cultural background

refers to the fact that saving does not form part of our upbringing; we are not taught about savings at early stages of life.

6.3.3 Initiatives to boost the savings culture in South Africa

(a) Initiatives by government

According to Howard (2001), one of governments functions is to stabilise the market through policy intervention and Asilis & Ghosh (2002) indicated that government might be, through its policies, able to coordinate savings in order to lift an economy out of a low growth area.

The South African Government launched retail bonds during May 2004 (National Treasury, online) which is part of the governments campaign to encourage saving within South Africa. The RSA retail bond is an investment with the government, which earns fixed interest for the term of the investment which varies from two / three/ five years whilst the investment amount varies from R1,000 to R1 million. The process is paperless and there is no physical certificate issued. The RSA Retails bonds can neither be used as collateral for any loan nor sold in the market whereby the investor is exposed to market risks. An early withdrawal is after 12 months, should there be an urgent need for cash; however there are penalties levied for an early withdrawal. There are no charges, commission or costs when you invest in RSA Retail Bonds.



Click Here to upgrade to

ted that government is not doing enough and the to be pitched high since the minimum investment

amount is R1, 000. The results revealed that such a minimum amount is targeted at a certain market, and therefore excludes the majority of our population who are considered poor. The respondents believe that government can do more in terms of introducing tax incentive products that will encourage people to save.

Distribution of investors per amount category 20.85 20 15.64 15 12.91 12.64 12.25 11.08 5 0.97 0.82 R1 000 ■ R1 001- R5 000 □ R5 001- R10 000 R10 001- R20 000 ■ R20 001- R50 000 ■ R50 001- R100 000 ■ R100 001- R200000 R200 001 - R300 000 R300 001- R400 000 R400 001- R500 000 □ R500 001- R999 999 R1 000 000

Figure 14: Distribution of investors per amount category

Source: https://secure.rsaretailbonds.gov.za/Stats.aspx

The graph above depicts the distribution of retail bonds investors per amount category. Approximately 53.5% of the investors above have invested more than R10, 000 on the retail bonds. Though the researcher appreciates the importance of the retail bonds in encouraging saving, the minimum amount required might be discouraging people who do not afford to save. There is therefore a need of a similar product, which is aimed at the attracting people at the lower-end of the market.



aled the need by government to intervene on the

banking practices within South Africa. The results indicated that the banks have been left to regulate themselves, and hence the country is facing the problem of high banking charges, which are considered to be contributing to the current dissaving. The competition commission is currently investigating the banking charges issue, and the final report is not yet released. The intervention on the banking practice should be done as part of its stabilisation function to ensure that a conducive environment is created for saving. This will enable households to improve on the discretionary savings. On the contractual saving side, Government is currently busy with the pension reform which will ensure that all individuals receiving income contributes towards their retirement.

The proposed pension reform framework will require mandatory individual contributions, which is aimed at increasing the national savings rate, through contractual savings, which are part of the household saving rate. The results revealed the need for government to intervene on the tax charged on income earned from the tax products. The respondents had indicated that they are taxed before receiving the income and whilst their portion of the money is invested, they will be liable for the tax on the interest earned from such saving. This practice appears to be double taxation on what is considered good for the country, and therefore the question would be what incentives are in place to save. Government has been urged to increase threshold of the interest income that is subject to tax, whilst other respondents indicated the need to exempt the interest income from being taxed.



economists (Absa, 2007b):

- Abolition of tax on workersqretirement funds;
- ▲ Tax exemption of interest income received by individuals; and
- Abolition of secondary tax on companies (STC), which will effectively simplify the corporate taxation and reduce the corporate tax burden.

to promote savings were proposed by Absa

The researcher therefore concludes that initiatives will assist in improving the level of household saving in South Africa namely:

- the reduced banking fees,
- the exemption of interest income for individuals from taxation,
- the introduction of products similar to the retail bonds which are aimed at the lower-end of the market
- the legislation similar to the NCA which will compel the banks to encourage savings through reduced banking fees and appropriate savings products

(b) Initiatives by SASI

SASI operates on a very lean structure with two staff complement and a board, which operates on a volunteer basis. The institution was developed in 2001 with a mandate of developing a robust culture of saving in South Africa. It is very questionable what a lean structure of SASI can do in developing a robust culture of saving in South Africa.





Click Here to upgrade to Unlimited Pages and Expanded Features should be re-looked as the organisation is not well condly its impact is not currently felt. Whilst there

is an advocacy work, which is aimed at influencing the decision-makers, regulators and service providers, the impact of their influence is not known or not easy to proof. The following are the national savings month initiatives undertaken by SASI:

Table 3: Savings Month Initiative Theme - Raising Savings

An awareness campaign was done across the media on TV, radio and in print whereby the benefits of savings were discussed in more than 20 occasions. The free media value amounted to R588, 569.

Discounted frequency radio slot were sold to Standard bank, Absa and Postbank. The exposure took place over a period of 3 weeks, and is valued at R1.3 million.

Workshops facilitated by an independent researcher was undertaken to get a better understanding of the behaviours and attitudes of youngsters and their most immediate role models

Table 4: Savings Month Initiative Theme - Put on your savings shoes

A media breakfast to launch National Savings month was at Johannesburg, whereby the Deputy Minister of Finance gave the keynote address. The savings charter was signed as a rallying call to the nation.

Awareness campaign through the media coverage valued at R1.4 million. Messaging campaigns, which is extended through discounted hi-frequency, radio package concept whereby the concept was extended to the middle-income listeners. Postbank and Momentum sponsored this four week campaign. 0% of the population was reached through more than 700 ads, which valued R1.9 million and only paid R1.1 million.





Click Here to upgrade to Inlimited Pages and Expanded Features campaign for 2007 was launched by SASI during ite a lacklustre culture of saving which is evidenced

by a 1st quarter savings rate of 14.8% (Fin24, 2007). The chairperson of SASI stated, ‰outh Africa needs a robust saving culture for both macro and micro economic reasons, particularly at the household level. SASI only create the savings awareness once a year and this should be done continuously to ensure that the message is well heard. The media exposure of this initiatives are quantified, however, what is lacking is the impact of this initiatives on the household sector. SASI should measure the impact that its initiatives has on the households, whereby the saving culture is measure pre and post the savings month.

(c) Initiatives by corporate in instilling a savings culture

The initiatives by corporate has been discussed under the causes of a poor savings culture in South Africa (see Section 6.3.1)



Unlimited Pages and Expanded Features

3IONS AND RECOMMENDATIONS

7.1 Conclusions

This research has shown that the poor savings culture in South Africa is historical and there are couple of factors that has contributed to the current savings culture. The financial liberalisation which resulted from the deregulation of the banks, has changed the landscape in which the banks where operating. This resulted in the inappropriate practices by the banks, which were in a form of:

- Inappropriate savings products which has been promoted;
- Excessive lending extended to the households;
- The discrimination with respect to the accessibility to the banking facilities.

The individuals or households are heavily indebted and hence they are encountering difficulties in servicing their debt, whilst others continue to borrow to meet their basic needs. It is believed that the National Credit Act, which has been introduced lately, will address the lending issue, however, the impact of this act is still need to be assessed / determined. The issue that remains is whether the people will start saving, when their debt has been settled. It is evident from the study that the consumption culture is prevalent in South Africa, and despite the increase in real disposable income, there has not been an increase in the household saving.



that states that the less disposable income means site statement is considered true. South Africa is

currently having a high unemployment rate, and there is a question whether the reduction of this rate will result in people saving or not. The high bank charges and inappropriate savings products were also identified to be contributing to the current dissaving in South Africa. The research revealed that the rich people might be saving more than poor people, not because of the higher income but due to access to information on the different types of savings products and their benefits thereof. It is clear that there is a need to create more awareness on the types of savings vehicles that could be used by the households, whilst highlighting the benefits and risks for each product.

The motives of savings should be clearly communicated to the households, whilst indicating the importance of knowing the cost of borrowing prior to procuring goods on credit. The consumption within South Africa is mainly influenced by what people define as the basic needs, which is a status issue as part of the persons lifestyle. It has been revealed that what has been defined as basic needs has resulted in people not saving and encouraging more consumption (i.e. on credit). The research revealed the crucial need for education at basic levels and as a life skill in ensuring that there is a paradigm shift in terms of peoples attitude towards saving. The education at basic level (e.g. primary school) will ensure that the savings culture in inculcated amongst the school people.



is aimed at empowering the people (i.e. youth and

above) to appreciate the importance of saving, and been aware of the pitfalls of credit or irresponsible consumption. There was mixed responses in terms of the sufficiency of the initiatives by government. It was clear that the retail bonds introduced by government were pitched high and as a result, it affects the poor peoples ability to save in such vehicles due to the affordability. The proposed pension reform is seen to be good; however, it does not cater for individuals who are not receiving income. There has been a call to exempt the interest income by individuals from taxation, as this will encourage people to save. The government was urged to tighten the regulations relating to banks to ensure that the perceived unethical behaviour by banks is eliminated whilst ensuring that the appropriate savings products are sold to the households. The SASI is having a very important mandate in the savings environment, however its structure appear not to be aligned to its mandate. Its mandate is to develop a robust savings culture in South Africa, however, it has a challenge as it operates on a structure of two staff complement and a board that operates on a The savings awareness is created during the savings volunteering basis. month in July and it will be ideal for the awareness to be created continuously. It is difficult to measure the institution impact on the policy makers, regulators through its advocacy work is difficult to measure.



The first challenge in instilling a culture of savings in South Africa is to change the mindset of people regarding savings. This will be changed through the following:

- Continuous awareness by SASI, since its role is to develop a robust saving culture in South Africa;
- Include education on saving as part of the education curriculum;
- Education on saving to be part of the life skill.

The paradigm shift will ensure that the credit is utilised appropriately, minimise the inappropriate consumption of the disposable income by households. The introduction of the NCA aimed at curbing the reckless lending which will result in the minimising the inappropriate use of credit by households, it is recommended that the debt counselling should be provided in conjunction with the saving education to the households. The different types of savings vehicles should be communicated in a way that it understood by an average person and this will improve saving in sophisticated products.

On the initiatives by government, there should be products such as the retail bond with a low minimum amount to ensure that issue of affordability does not deter the usage of that product by households. Government should look at introducing tax-free savings products either through its entities or through a legislation promoting the offering of such products.





Click Here to upgrade to Unlimited Pages and Expanded Features est income by households be exempt from taxation he household income is saved on a regular basis.

The SASI should be properly staffed to ensure that it delivers on its mandate. The initiatives by SASI especially the savings month, should be revisited to ensure that awareness occur continuously throughout the year. There should be a mechanism, which enable the impact of SASIs input to policy makers and regulators, to be assessed.

7.3 Areas of further research

This research focused on instilling a culture of savings in South Africa, and did not focus in detailed saving product analysis and benchmarking of the SASI to other similar organisation around the globe. The following areas of further research are recommended:

- A detailed savings product analysis is conducted to ensure that the gaps identified, other than the issue of higher banking fees, are taken into account in designing products, which will encourage a savings culture in South Africa.
- It was observed during the research that there is an organisation similar to SASI in India. It would be ideal that SASI be benchmarked in terms of mandate, operations to similar organisations around the world. The South African Savings Institute is not well. known by average South Africans, and the recommendations from the benchmarking process will enable SASI to be well positioned.



to be conducted in order to understand the root imption culture and a poor savings culture within

South Africa.

7.4 Conclusion

This research started with a focus the causes of high consumption culture within South Africa, and the initiatives that are in place to encourage savings. It has become clear that income is not the main determinant for savings, since the research revealed that South African are not saving despite the recent increase in disposable income. It is thus concluded that the savings culture can be instilled, if there is radical paradigm shift in our society, aggressive awareness campaigns through the media and education to ensure that the young people grow up recognising the importance of saving.



References

Absa Group Limited. (2007a). Household saving behaviour and its promotion in South Africa. *Economic perspective, Absa Group publications*.

Absa Group Limited (2007b). Absa economists call on South African household to save. Absa publications, Media releases, consumer.

allAfrica.com (2007). Central Bank again hikes interest rates. News. http://allafrica.com/stories/printable/200708160888.html (accessed 07/09/2007).

Al-Awad, M. & Elhiraika, AB. (2003). Cultural effects and savings: Evidence from Immigrants to the United Arab Emirates. *The Journal of Development Studies, Vol.* 39, No. 5:pp139. 151.

Ardington, C., Lam, D., Leibbrandt, M. & Levinsohn, J. (2004). Savings, Insurance and Debt over the post-apartheid period: A review of recent research. South African Journal of Economics. Special Conference issue.

Aron, J. & Muellbauer, J. (2000). Personal and corporate saving in South Africa. The World Bank.

Asilis, CM & Ghosh, AR. (2002). *The savings trap and economic take-off.*Oxford University Press. Oxford Economic Papers 54 (2002), 20-43.



Forthcoming in Economic development and cultural change.

Barro, RJ. (1989). A cross-country study of growth, saving and government.

NBER working paper series. Working Paper No. 2855.

2001) The determinants of private saving in India.

Baumann, T. (2003). Community microfinance network newsletter.

Business, iAfrica (2007). SA faces savings holeq http://www.iafrica.com/pls/cms/iac.page?p tl=8&p t2=42&p t3=0&p dyna... (Accessed 07/09/2007).

BusinessinAfrica (2007). Saving to be theme of SA budget speech.

BusinessinAfrica online.

http://www.businessinafrica.net/news/southern_africa/631740.htm (accessed 07/09/2007)

Business Dictionary.com

(http://www.businessdictionary.com/definition/savings.html) (Accessed 01/04/2007).

Butelmann, A. & Gallego, F (2001). Household saving in Chile (1988 and 1997): Testing the life cycle hypothesis. Cuad.econ.v.38 n.113 Santiago abr.



Unlimited Pages and Expanded Features

ap leaves SA reliant on foreign flows.

http://www.moneyweb.co.za/mw/view/mw/en/page87?oid=157130&sn=Detail (Accessed 07/09/2007).

Devaney, SA. Anong, ST. & Whirl SE. (2007). Household savings motives. *Journal of Consumer Affairs*, Volume 41, Issue: 1, Page Number: 174+

eAfrica (2005). Special feature: Unleashing Investment by encouraging African Savings.

http://www.saiia.org.za/modules.php?op=modload&name=News&file=article&si d=648 (accessed 02 May 2007).

Elbadawi, IA. & Mwega, FM. (2000). Can Africacs saving collapse be reversed? The World Bank Economic Review, 14(3):415-43.

Equinox (2002). SA has one of the worst savings rate in the world (2002) http://equinox.co.za/article_344.html (Accessed 03/05/2007).

Fin24 (2007). Dire need for savings culture.

http://www.fin24.co.za/articles/default/display article.aspx?Nav=ns&ArticleID=1 518-25 2069303 (accessed 03/05/2007)



Unlimited Pages and Expanded Features

orced savings take shape. Mail & Guardian online.

http://www.mg.co.za/articlePage.aspx?articleid=299998&area=/budget07_home/budget07_insight/ (accessed 10/09/2007).

Fisher-French, M. (2007b). R1-trillion under the bed. Mail & Guardian online http://www.teacher.co.za/articlePage.aspx?articleid=318227&area=/insight/insig ht economy business/ (accessed 07/09/2007).

Gale, WG. Sabelhaus, J. & Hall, RE. (1999). *Perspective on the household saving rate*. Brookings papers on Economic Activity, Vol.1999, No.1: pp181. 224.

Harjes, T. & Ricci, LA. (2001). Post apartheid South Africa (unpublished). Chapter 4. What drives saving in South Africa.

Harris, P. (2003). Savings: Policy issues and options (Discussion paper).

Harvey, R. (2004). Comparison of household saving ratios: Euro area / United States / Japan. OECD Statistics Brief, June 2004 No. 8.

Hazelhurst, E.(2007) Household debt scales a new peak. Business report.

http://www.busrep.co.za/index.php?fArticleId=4033548 (accessed 17 September 2007).





Click Here to upgrade to
Unlimited Pages and Expanded Features

e Japanese Unique? An analysis of consumption an (Discussion Paper No. 606).

Howard, M. (2001) Public sector economics for developing countries.

University press of the West Indies.

Hussein, KA. & Thirlwall, AP. (1999). *Explaining differences in the domestic savings ratio across countries: A panel data study.* The journal of Development Studies, Vol.36 No.1, PP31-52.

IMF Country Report No. 07/274 (2007). South Africa; 2007 Article IV consultation . staff report; staff statement; Public Information Notice on the Executive Board Discussion; and statement by the Executive Director for South Africa.

Junlu, MA. & Gan, T. (2006). Risks, Financing Constraints, and High Savings Ratio in the Rural Economy of China: A Model Incorporating Precautionary Savings and Liquidity Constraints.

Klein, M. (n.d) State urged to nurture savings culture

http://www.btimes.co.za/99/0221/news/news02.htm (accessed 31/03/2007).

Khoman, E. & Weale, M. (2006). The UK Savings Gap. *National Institute* economic review, Issue 198.



perspective: Theory and evidence. South African Reserve Bank, Occasional paper No. 17.

2). South African real interest rates in comparative

Kock, MA. & Smith, H. (2005). Institutional Sector Classification Guide for South Africa. The South African Reserve Bank.

Loayza, N. Schmidt-Hebbel, K. & Serven, L. (2000). Saving in developing countries overview. The World Bank Economic Review, Vol. 14, No.3: 393. 414.

Loayza, N. & Shankar, R. (2000) Private saving in India. The world bank economic review, Vol.14, No.3: 571. 94.

Mahlangu, L. (2006) South Africans ±nust start savingq

http://www.southafrica.info/public_services/citizens/consumer_services/saving-270706.htm (accessed 15 May 2007).

Maimbo, SM. & Mavrotas, G. (2003). Financial sector reforms and saving mobilisation in Zambia. Discussion paper No. 2003/13. World Institute for Development Economics Research (WIDER).





Click Here to upgrade to Unlimited Pages and Expanded Features 001). Corporate governance in South Africa. OECD ussed at a policy dialogue meeting on corporate

governance in developing countries and emerging countries).

Mawson, N (2007). Old Mutual says Nontraditional saving is growing fast. Business Day. http://allafrica.com/stories/printable/200708290141.html (accessed 07/09/2007).

Melzer, I. (2007a) Access to savings LSMs 1 . 5.

http://www.finmarktrust.org.za/documents/2007/JANUARY/access2savings.pdf.

Melzer, I. (2007b) Huge untapped market for savings products. Finmark Trust. Press release.

http://www.finmarktrust.org.za/documents/2007/JANUARY/PR_access2savings.
pdf (accessed 07/09/2007)

Mavrotas, G & Kelly, R. (1999). Financial sector development and savings mobilisation: An assessment

Mboweni, TT. (2006) Monetary policy, consumption expenditure, savings, inflation targets and growth in South Africa. Address by Mr. TT Mboweni, Governor of the South African Reserve bank, to the Worcester Rotary Club on 13 October 2006.



Address by T. Manuel, Minister of Finance, at the tute / Metropolitan Excellence research awards at

the South African Reserve Bank Conference Centre.

Mohamed, S. (2007) Complex condition are a cause for concern. Global account. http://www.polity.org.za/page.php?rep_id=606 (accessed 22/10/2007).

Myburgh, CPH & Poggenpeol, M. (2005). *Obstacles in qualitative research:* possible solutions

National Savings Institute (n.d)

http://nsiindia.gov.in/uniquepages/singlepage.asp?ld Pk=4 (accessed 07/09/2007).

National Treasury (online). Retail bonds

https://secure.rsaretailbonds.gov.za/

Nedbank (2004). Media release. Nedbank supports National Savings week.

Nishikawa, Y. (2007). India: Higher saving rate holds the key to a sustained growth. JCER Staff Report. Japan Center for Economic Research

Orgady, K. (2005). Government must reverse dissaving -Economist. Business Day. https://secure.rsaretailbonds.gov.za/MoreDetails.aspx?NewsId=21&News=T (Accessed 03/05/2007).



hole.

Unlimited Pages and

Pickworth, E. (2007) Savings rate plunges. Business Report.

http://www.busrep.co.za/index.php?fSectionId=561&fArticleId=3743963
(accessed 15/05/2007)

Pressly, D. (2007). Economist urges flat tax rates for SA. Mail & Guardian Online.

(2007). Unique solutions needed for SAcs savings

http://www.mg.co.za/personalfinance/articlePage.aspx?articleid=304894&area=/personal_finance/pers_fin_tax/ (accessed 07/09/2007).

Prinsloo, JW. (2000). The saving behaviour of the South African Economy. South African Reserve Bank. Occasional paper No. 14.

http://www.reservebank.co.za/internet/Publication.nsf/LADV/8372AC83948E3B 8042256B6C003B92CA/\$File/occ14fin.pdf (accessed 01/02/2007).

Prinsloo, JW (2002) Household debt, wealth and saving. South African Reserve Bank. Quarterly Bulletin December 2002.

Reddy, M. Naidu, V. & Vosikata, S. (n.d.). Determinants of Household Savings Behaviour in an Emerging Economy: Market vs. Non Market Factors





Click Here to upgrade to
Unlimited Pages and Expanded Features

lationship between savings and growth in South IPS/DPRU Forum 2003.

SABC News (2007a) Household debt at new record high. http://sabcnews.com/article/PrintWholeStory/0,2160,145875,00.html (Accessed 31 May 2007).

SABC News (2007b) SA households battling to save money. http://www.sabcnews.com/Article/PrintWholeStory/0,2160,154880,00.html (Accessed 31 August 2007).

Salvo Capital (2007) Alarming statistics on pension saving in South Africa. http://salvocapital.wordpress.com/2007/06/26/alarming-statistics-on-pension-savings-in-south-africa/ (accessed 07/09/2007).

SASI, (n.d) (a) Background information.

http://www.savingsinstitute.co.za/info_background.doc (accessed 12/08/2007)
SASI, (n.d) (b) Core activities. http://www.savingsinstitute.co.za/#core
(accessed 12/08/2007).

Sekgobela, S. (2004). Saving for stability, Growing pains. Mail & Guardian. https://secure.rsaretailbonds.gov.za/MoreDetails.aspx?NewsId=12&News=T (Accessed 15/05/2007)



www.reservebank.co.za/ (Publications & research > Quarterly bulletin).

South African Reserve Bank (2007a). Quarterly Bulletin March 2007. No. 243 www.reservebank.co.za/ (Publications & research > Quarterly bulletin).

(2006). Quarterly Bulletin, June 2006.

South African Reserve Bank (2007b). Quarterly Bulletin June 2007. No. 244 www.reservebank.co.za/ (Publications & research > Quarterly bulletin).

South African Reserve Bank (2007c). Quarterly Bulletin September 2007. No. 245 www.reservebank.co.za/ (Publications & research > Quarterly bulletin)

South African Reserve Bank (2007d). SA: Mboweni: Oxford and Cambridge Business Alumni of South Africa Risks on inflation outlook. Address by Mr. TT Mboweni, Governor of the South African Reserve Bank, to the Oxford and Cambridge Business Alumni of South Africa (OCBASA) Risks on inflation outlook: Looking ahead to the August Monetary Policy Committee meeting, Johannesburg. http://www.polity.org.za/article.php?a_id=113959 (accessed 07/09/2007).





can Savings Institute Conference: Some highlights.

Unlimited Pages and Expanded Features

e_194.html (Accessed 2007/08/09)

Strydom, P. (2007). Saving behaviour by South African Households. Published by FNB, A division of First Rand Bank Limited.

https://www.fnb.co.za/economics/servlet/Economics?ID=3054 (accessed 07 September 2007)

Schultz, PT. (2004). Demographic determinants of savings: Estimating and Interpreting the Aggregate Association in Asia. Prepared for the 10th Anniversary conference for the China Center for Economic Research at Peking University. Center Discussion Paper No. 901

Synder, DW. (1978). Econometric studies of Household saving behaviour in Developing countries: A survey

The Presidency, Republic of South Africa: Accelerated and shared growth initiative . South Africa (ASGISA) http://www.info.gov.za/speeches/briefings/asgibackground.pdf (accessed 30 June 2007)

Unleashing Investment by encouraging African Savings

http://www.saiia.org.za/modules.php?op=modload&name=News&file=article
http://www.saiia.org.za/modules.php?op=modload&name=News&file=article
http://www.saiia.org.za/modules.php?op=modload&name=News&file=article
https://www.saiia.org.za/modules.php?op=modload&name=News&file=article
https://www.saiia.org.za/modules.php?op=modload&name=News&file=article
https://www.saiia.org.za/modules.php
https://www.saiia.org.za/modules.php
https://www.saiia.org.za/modules.php
https://www.saiia.org.za/modules.php
https://www.saiia.org.za/modules.php
https://www.saiia.org.za/modules.php
https://www.saiia.php
https://www.saiia.



http://en.wikipedia.org/wiki/Maslow's_hierarchy_of_needs

Zikmund, WG. (2003). *Business research methods* 7th *edition*. Oklahoma State University



APPENDIX A - FOCUS GROUP INVITATION LETTER

FOCUS GROUP INVITATION LETTER BY MAUREEN MANYAMA

CONTACT: 083 6271700 or maureenmanyama@absamail.co.za

Dear Sir or Madam,

Unlimited Pages and Expanded Features

Purpose: To gain an understanding on Why South Africa has a poor saving culture and to explore potential ways of resolving this issue

BACKGROUND:

My name is Maureen Manyama and am doing the final year of the Master of Business Administration (MBA) degree at the Gordon Institute of Business Science (GIBS). I am currently busy with a research on "Instilling a culture of saving in South Africa", and this research report is required as a partial fulfilment of the requirements for the degree of Master of Business Administration at GIBS (University of Pretoria). The reason for choosing this topic is for my own learning and to explore potential ways of resolving this dilemma that South Africa is facing, through learnings from other countries with a high saving culture.

Research question:

The paper will be addressing the following questions:

- Why does SA have a high consumption culture and a non-existent saving culture?
- What role is the South African Savings Institute playing in instilling a culture of savings
- What lessons can SA learn from case studies of countries that have turned their savings culture around?

FOCUS GROUP INVITATION:

You are cordially invited to join us in a group discussion to talk about saving culture issue in South Africa specifically the potential ways of resolving this. The focus will be on looking at what could be done by household or corporate or government sector and other role players. We want to hear your opinions and ideas for creating a better saving culture for our country.

DATE: 19 September 2007

TIME: 17H30 for 18H00 (snacks will be served) **LOCATION: PROTEA HOTEL MIDRAND**

The group will consist of about 10 people like you and a moderator.

Thank you for considering being a part of this discussion. If you have any questions, please feel free to contact me at 0836271700 or maureen.manyama@postoffice.co.za (copy maureenmanyama@absamail.co.za)





Click Here to upgrade to Unlimited Pages and Expanded Features

oor savings culture in South Africa?

Culture Easy access to credit High level of debt Lack of appropriate savings products Lack of incentives to save Low Income levels 2. Do the following factors impact on the South Africans' ability to save? Age Employment Income		
High level of debt Lack of appropriate savings products Lack of incentives to save Low Income levels 2. Do the following factors impact on the South Africans' ability to save? Age Employment		
Lack of appropriate savings products Lack of incentives to save Low Income levels 2. Do the following factors impact on the South Africans' ability to save? Age Employment		
Lack of incentives to save Low Income levels 2. Do the following factors impact on the South Africans' ability to save? Age Employment		
Low Income levels 2. Do the following factors impact on the South Africans' ability to save? Age Employment		
Do the following factors impact on the South Africans' ability to save? Age Employment		
Age Employment		
Employment		
Income		
Inflation (cost of living)		
Interest rate		
Level of debt		
Other (please specify)		
3. Rich people because of their higher income tend to save more than the poor people.		
Absolutely agree Agree Neutral Disagree absolutely disagre		
Comments		
4. Government is doing enough to instil a savings culture in South Africa.		
Absolutely agree Agree Neutral Disagree absolutely disagre		
Comments		





Click Here to upgrade to Unlimited Pages and Expanded Features

offered by government enough to encourage people to save? If not, what do you suggest government should do?

6. why?	Who should lead the process of instilling a savings culture in South Africa and	
	Government	
	South African Savings Institute	
	Both	
Comments		
7.	Do you think education on savings is important and why?	
8. Should the education on savings form part of the curriculum to ensure that the culture of savings is instilled at an early stage?		
9. Absolut	Cultural background has an influence on the saving behaviour in South Africa. ely agree Agree Neutral Disagree absolutely disagree	
10. If South Africa was to learn from other countries that had successfully instilled a savings culture, which ones would you recommend.		
Count	Motivation & learnings	
11. What other suggestions would you recommend for instilling a savings culture in South Africa?		

