

# Financial education helped South Africans to manage their financial circumstances during the early days of Covid-19.

2020 was one of the most turbulent years in recent history. As the world heads into the second year of the Covid-19 pandemic, the impact on societies both in terms of loss of life and economic hardships remains significant. Initially, as the world was tasked with rapidly identifying how to deal with and respond to Covid-19, many countries imposed lockdown restrictions and other measures to contain the spread of the virus. Lockdowns severely impacted the economies of these countries resulting in business closures, laid off workers (either temporarily or permanently) as well as reduced or lost incomes.

Being one of the worst hit African countries, South Africa's unemployment rate increased to 32.6% and the expanded unemployment (which includes discouraged workers), reached 43.2% in Q1 2021. This means that these individuals and households have been forced to depend on alternative means for survival including borrowing from banks or friends and family, reducing consumption to only essential foods, or turning to government for support. (Stats SA, QLFS Q1: 2021)

**Unfortunately, Covid-19, like similar shocks, disproportionately destabilized and eroded the economic, social, and health capabilities of the most vulnerable individuals.**<sup>1</sup> Financially vulnerable individuals are often characterized by over indebtedness, low savings and low or erratic earning levels.<sup>2</sup>

## Financial literacy builds resilience

Past economic downturns have shown that financially literate individuals tend to fare better in times of

economic shocks, compared to their non-financially literate counterparts. This is because financial literacy correlates with healthy financial management behaviors such as savings, informed spending, and reduced debt burdens, which gives individuals the ability to manage their finances better.

The ASISA Foundation, an initiative of the savings and investment industry, implements a variety of financial literacy and micro-enterprise development programmes to some of South Africa's most vulnerable groups. One of the flagship programmes, WageWise, is specifically designed for employees. WageWise provides practical knowledge, skills, and tools to enable employees to better manage their personal finances. The overall intended goal of WageWise is to enhance people's ability to increase and protect their wealth while also cultivating behaviours that positively impact on their savings and borrowing levels and positively affecting their financial resilience. ***This financial education programme has been made possible by the Sanlam Foundation.***

Financial education and literacy should be considered a basic human right. Being financially educated and having financial inclusion opportunities empower [participants], resulting in more peace of mind and confidence to manage one's financial life and provide for families. There is a sense of freedom that comes with this. Having been included in financial education initiatives contribute to meeting these needs and having financial assurances, even if this entails those problems having been identified, to put in plans to start dealing with these. Small steps can lead to bigger achievements.

*Janete Nel, Senior Policy Advisor Consumer Education, ASISA and Programme Manager of WageWise*

**ASISA Foundation asked Genesis Analytics, the Foundation's long term learning partner, to investigate the financial resilience of past WageWise participants when faced with the extreme financial shock experienced in the early months of Covid-19.**

<sup>1</sup> <https://theconversation.com/covid-19-has-hurt-some-more-than-others-south-africa-needs-policies-that-reflect-this-151923>

<sup>2</sup> [https://ideas.repec.org/p/bdi/opques/qef\\_369\\_16.html](https://ideas.repec.org/p/bdi/opques/qef_369_16.html)

A Financial Resilience Survey was designed and administered at the peak of the first Covid-19 wave in South Africa (in July 2020) to assess how past training participants were experiencing the effects of the pandemic.

## A WageWise participant's experience of Covid-19

Lesedi<sup>3</sup> is a 36-year-old South African woman who lives in a small town in the Limpopo province with her two parents and her five children. While her parents receive a pension, Lesedi is the main breadwinner in the eight-person household. As a public sector employee, Lesedi worked full time before the pandemic, and was fortunate to be able to shift to work from home, thus continued to receive her full salary throughout all lockdown levels.

Lesedi participated in the WageWise programme in 2017. Among other things, she believes that learning about the importance of savings was one of the most important things she gained from WageWise. She, like all WageWise participants, was introduced to the budgeting tool which details incomes and expenses. For Lesedi, the budgeting tool is not only a practical and useful tool that allows her to track her incomes and expenses, but also highlighted her need to start saving. Lesedi credits her desire to start saving to WageWise; ***“Since I started learning from [Wagewise] about budgeting and saving, that is when I started to save money. Before Covid-19 already I had money that I saved.”***

Saving has not only allowed her to provide for her family, but when asked her experience, Lesedi explained that:

***“[WageWise] helped me a lot. Since I attended the training I know how to save, to budget money, now there's money that I have saved every month. I managed to do a lot of things at home [with the money from the savings]. [for example] buying food, kid's clothes, all the basic needs. Because we were taught that there are things that are wants and there are needs, I now know the difference between wants and needs, and I buy only the needs.”***

Lastly, Lesedi explained that she is not worried about her debt because she now has very little debt which is credited to her ability to manage her finances more effectively.

**A combination of existing savings and managed debt levels not only gave Lesedi peace of mind but also built her overall resilience: Lesedi was sure that even if she lost her income due to the pandemic, she would still be able to provide for her family for at least 18 months using her existing savings.**

## What did the survey find?

- **Financial education builds resilience.** Those individuals who had attended financial education felt calmer about their debt and level of savings compared to their counterparts and had made changes that proved useful during the pandemic.
- **WageWise training provides practical skills, tools, and knowledge to enable people to manage their finances better.** 87% of WageWise participants indicated that they used the practical tools provided through the training to make changes to their financial habits.
- **WageWise participants were more resilient.** Specifically, WageWise participants struggled less with their debt levels, bill payments, and many of them had enough existing savings that would allow them to survive longer if they were to lose their main sources of income, compared to counterparts who had not attended WageWise.

Lesedi's story and experience is a common experience shared among WageWise participants. The financial resilience survey found that many of the WageWise participants not only went on to use the tools and skills provided to better manage their finances but the application of the tools has yielded several benefits including being equipped to manage the Covid-19 crisis.

More details on the [Financial Resilience Survey](#), and to learn more about the work of the [ASISA Foundation](#) and WageWise, please contact: Janete Nel @ jnel@asisa.org.za and Ivor Msimang @ imsimang@asisa.org.za

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<sup>3</sup> Lesedi's real name and location have been changed for purposes of privacy