The Financial Competency of Low-Income Households in Fiji

PFIP Pacific Financial Inclusion Programme

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Pacific Financial Inclusion Programme

The Pacific Financial Inclusion Programme (PFIP) is a joint programme of the United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP) with additional funding support from the Australian Agency for International Development (AusAID) and the European Union/Africa, Caribbean and Pacific Microfinance Framework Programme (EU/ACP).

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Jonathan Sibley is a social researcher. He is an Associate Professor at Central Queensland University, Australia and is a member of the University's Institute for Sustainable Regional Development. His research focuses on the measurement of the financial competence of low income households. He has undertaken a broad range of research projects, spanning New Zealand and Australia, the Pacific, the Middle East and the UK with a focus on financial inclusion. His doctoral study examined the relationship between household financial competence and household wellbeing in rural Fijian communities.

USP Library Cataloguing-in-Publication Data

Sibley, Jonathan

Financial competency of low income households in Fiji / Jonathan Sibley. -- Suva, Fiji : Pacific Financial Inclusion Programme, UNDP Pacific Centre, 2012.

92 .: ill. ; 30 cm.

ISBN 978-982-98072-1-2

1. Financial literacy -- Fiji. 2. Finance, Personal – Fiji. 3. Households – Economic aspects – Fiji. I. Pacific Financial Inclusion Programme. II. Title.

HG179.S523 2012 332.0240099611

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Foreword

The widespread and very low levels of financial literacy in Pacific island countries (PICs) is seen as a pervasive impediment to achieving greater economic dynamism and financial security at household level. Low levels of money management knowledge suppress demand for financial services and pose a very real challenge to achieving more inclusive financial markets in the region.

In recognition of the importance of financial literacy, Pacific central bank Governors and Ministers of Finance and Economic Development, in 2009, endorsed the Money Pacific Goals where, by 2020, each Pacific Island nation, through the combined actions of public and private sectors, will ensure that:

- All schoolchildren to receive financial education through core curricula;
- All adults to have access to financial education;
- Simple and transparent consumer protection to be in place; and
- Halve the number of households without access to basic financial services.

Until now, no PIC has a comprehensive picture of how financially literate their people are – especially those who are most vulnerable. The absence of such a baseline limits the ability of PICs to put in place well researched policies and targeted strategies to create a financially competent population.

Significantly financial literacy has now gained acceptance by the development partners in the Pacific as integral to developing a financial sector that is inclusive, generates growth and creates sustainable livelihoods. With the increasing interest and proliferation of financial literacy training programmes a financial competency baseline offers a framework to optimize the use of scarce resources and to reach those most needy as well as to assess the efficacy of these training programmes.

With the financial support of AusAID, the Pacific Financial Inclusion Programme (PFIP) undertook to measure the financial competency of low income adults in 4 PICs – Fiji, Papua New Guinea, Samoa and Solomon Islands. A new and well-tested methodology was developed to undertake this work in partnership with each of the central banks using exclusively local enumerators and the deployment of an electronic survey instrument. In each of the 4 countries, the results of the survey have been used to develop a national financial literacy strategy led by the respective central banks.

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Acknowledgements

Sincere gratitude is extended to the following people for their participation in, and support for this study:

Reserve Bank of Fiji - Project Management:
Barry Whiteside – Governor, Inia Naiyaga – Deputy Governor, Vereimi Levula, Eliki Boletawa – Project Manager, Duri Buadromo, Peniasi Kunatuba, Pauline Wong, Belinda Delana, Mesake Tikotani

Fiji Bureau of Statistics - Data Collection and Field Work:
Ratu Timoci Bainimarama - Government Statistician, Epeli Waqavonovono - Chief Statistician, Tevita Vakalalabure – Supervisor data collection, Avinesh Prasad, Sole Tubanaika, Arun Patel (Ba Town Council). **Enumerators:** Isimeli Drodro, Savenaca Coalala, Taniela Ravubale, Aleta Duvaga, Nemani Mohammed, Emily Datt, Radhika Kumar, Ronald Chand, Kasanita Tuimarama, Sera Bose, Pelasio Luveicei, Anil Chand, Simone Goleya Basulu, Leba Wakolo, Fulori Nasau, Nafiza Dean, Alipate Kanasalusalu, Imran Khan, Moyra Kelly, Pio Tora, Sera Lacanivalu, Josaia Wara, Karalaini Luisa, Bhavna Bhavika Devi, Samuela Ratavola, Vani Gonelevu, Sereima Rokobuli, Saimoni Nabukavou, Rashikendra Raj

Translation:
Navin Bhan, Neumi Usumaki, Alisi Duwai, Sameer Chand, Nileshni Sami, Mere Veitayaki, Litiana Temo, Anaseini Qionibaravi, Rati Bhan, Rakesh Kumar

Financial Competency Reference Group and Financial Literacy Working Group:
Narasimhan Krishnan – Chairman (Working Group), Francis Areki, Jyoti Maharaj, Olive Whippy, Sitiveni Marovia, Viliame Caniogo, Lavenia Baro, Vikash Kumar, Abigail Chang, Shailesh Parakh, Nemani Drova, Doreen Narayan, Alisi Duwai

Pacific Financial Inclusion Programme:
Jeff Liew – as Regional Project Coordinator with the support of Derek Tam, Anne Nacola and Sanjeev Lal.

Other Support:
Pita Wise - Permanent Secretary for Strategic Planning, National Development and Statistics, Filimone Waqabaca - Permanent Secretary for Finance, Lt. Colonel Inia Seruiratu - Permanent Secretary for Provincial Development and Multi-Ethnic Affairs, Savenaca Kaunisela - Permanent Secretary for iTaukei Affairs, Pita Tagicakivereta - Ministry of Provincial Development, iTaukei Affairs and Multi-Ethnic Affairs

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Executive Summary

This report examines the financial competence of low income households in Fiji. The financial competencies which have been measured were identified by asking iTauki and Indo-Fijian low income households in both rural and urban areas to describe the financial activities they needed to be able to undertake in order for the household to be able to manage its cash-flows effectively.

The study has found low income households have low-moderate levels of financial competence. This means most households are only able to competently undertake a subset of the financial activities required by the household to manage money effectively. Households are generally better at managing immediate and shorter term financial activities, and are less competent are managing longer term financial activities (including activities which require forward planning) and more complex financial activities, including activities which require engagement with the formal financial system. Overall, understanding of the cost of money was found to be very low.

Households in which the adults responsible for the management of the household's finances work together to manage the household's finances, and which have a budget and a bank account to manage household cash-flows, are generally more financially competent than household's in which the adults act independently in respect to the management of money, which do not plan the household's future income and expenditure and which do not use a bank account to manage cash-flows.

Overall, men appear to take a greater role in the management of household income and household spending.   By contrast women appear to be more prudent financial managers than men. Men are also more likely to report bank account ownership and usage of electronic transactions.

Overall, Indo-Fijian households appear to be more conservative in the management of household finances than iTaukei households and demonstrate higher levels of financial competence across most of the financial competencies measured, in particular in respect to household budgeting, record keeping and understanding the cost of money. By comparison iTaukei households demonstrate higher levels of competence at managing borrowing. It is possible the greater financial competence of Indo-Fijian households may be due, in part, to greater frequency of receipt of wage and salary income by these households.

Urban communities generally exhibit higher levels of financial competence than rural communities. This is likely to be due to the greater prevalence of wage and salary income, with the consequent higher frequency of bank account ownership and provident fund membership.

The findings from the study suggest several key policy issues. The pervasive low levels of financial competence potentially expose low income households in Fiji to several major risks. These include the risk of exploitation by financial predators, the risk of ineffective use of household cash-flows, and the risk of poverty in old age. There is a need to continue to focus on increasing the number of households which have access to the formal financial system. There is also need to increase understanding of the cost of money, through both training and consumer protection. As households become increasingly involved with the money economy, a failure to understand the cost of money and the associated risks of using financial institutions and financial instruments carries significant risks for low income households, in particular in respect to poor financial choices and vulnerability to predatory practices. Continuing assistance also needs to be provided to households to enable better identification and management of household cash-flows.

Chapter One: Introduction

This study of the financial competence of low income households in Fiji provides an important baseline against which to measure progress in improving the financial behaviour of financial decision makers in low-income households in Fiji. In addition, outcomes from initiatives to increase participation in the formal financial system can also be measured against the baseline.

The objective of the study has been to measure the level of financial competence of low income households in Fiji. This report both establishes the baseline and discusses key aspects of the financial behaviour of low income households in Fiji relative to the baseline. The study has sought to develop an understanding of how low income households in Fiji manage their finances and engage with the formal and informal financial systems. The study builds on an earlier study of financial competence in rural Fiji[1].

A key output from the study has been the development of a set of domain-specific baseline indicators of the financial competence of those making financial decisions on behalf of their household, in addition to the summary indicator. The indicators used are taken from the Minimum Adult Financial Competency Framework for Low Income Households in Pacific Island Countries[2] and encompass modes of payment used by the household, management of household income and expenditure, financial products used by the household (both formal and informal), and planning and budgeting for future income and expenditure. The study has been overseen and managed by the Reserve Bank of Fiji. The Fiji Islands Bureau of Statistics (FIBOS) undertook fieldwork while the Pacific Financial Inclusion Programme (PFIP) developed the research methodology and provided financial and technical support. PFIP is a joint programme of the United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP) with additional funding support from the Australian Agency for International Development (AusAID) and the European Union/African, Caribbean and Pacific Microfinance Framework Programme (EU/ACP). The mission of PFIP is to increase by 500,000 the number of low income and rural households, micro and small enterprises in Pacific Island Countries (PICs) that have on-going access to quality and affordable financial services by 2013.

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[1] Sibley, J.E. (2010). Financial Capability, Financial Competence and Wellbeing in Rural Fijian Households, UNDP, Suva.

[2] Sibley, J.E., Liew, J.P. (2011) Minimum Adult Financial Competency Framework for Low Income Households in Pacific Island Countries. PFIP, Suva.

Chapter Two: Overview of the Financial Competence of Low Income Households in Fiji

2.1. The Financial Competence of Low Income Households

a) Levels of Financial Competence

Low income households in Fiji generally exhibit low levels of financial competence. The households that participated in this study are a representative sample of low income households in Fiji, and encompass all adult age groups, both urban and rural locations and both the iTaukei and Indo-Fijian communities. The principal conclusion from this study is that most low income households in Fiji are not demonstrating competent financial behaviours.

The issues in respect to low financial competence are pervasive and span all aspects of household financial management. Importantly, the competency set which has been measured is a competency set identified by low income households as being the minimum required for their households to be able to manage the household's cash flows effectively. With the exception of the management of essential household expenditure and household goal setting, low income households have demonstrated low or at best moderate levels of competence in respect to all competencies identified as essential.

As is shown in the Table 1, no financial competence score was rated as 'High', two competencies were rated as 'Moderate-High', and nine competencies were rated as 'Moderate-Low'. Two competencies were rated 'Low'. It is of concern that the lowest rated competencies are perhaps two of the most critical competencies for participation in the formal financial system and the management of household cash flows, namely: Managing Budgeting and Managing cost of Money. Households that do not understand the cost of money are very vulnerable in a monetised economy. These households cannot make informed choices about financial products and services and, critically, have limited ability to determine both the price paid for the financial service and whether the price is reasonable. Households that do not budget have a more limited ability to pro-actively manage household cash-flows.

Most households have demonstrated low-moderate competence at managing financial services (whether formal or informal). These households are not, therefore, able to use transaction, services, savings products, and credit effectively to assist in the efficient and effective management of the household's income and expenditure and to fund assets that can increase the household's wellbeing. Low income households also have limited competence at managing expenditure which must be planned in advance. This includes recurrent expenditure, preparation for unforeseen expenditure and preparation for a time when the main income earners in the household will no longer be working.

Households appear to be most competent at managing immediate essential expenditure and at setting goals for the household.

Table 1: Categorisation of Competence Scores

High	-
Moderate - High	Managing Essential Expenditure Setting Household Plans and Goals
Low-Moderate	Effecting Non- Cash Transactions Managing Household Income Identifying and Recording Household Expenditure Managing Regular and one-off expenditure Managing Requests for Financial Assistance Keeping Household Records Managing Savings Managing Long Term Savings Managing Borrowing
Low	Managing Budgeting[3] Managing Cost of Money

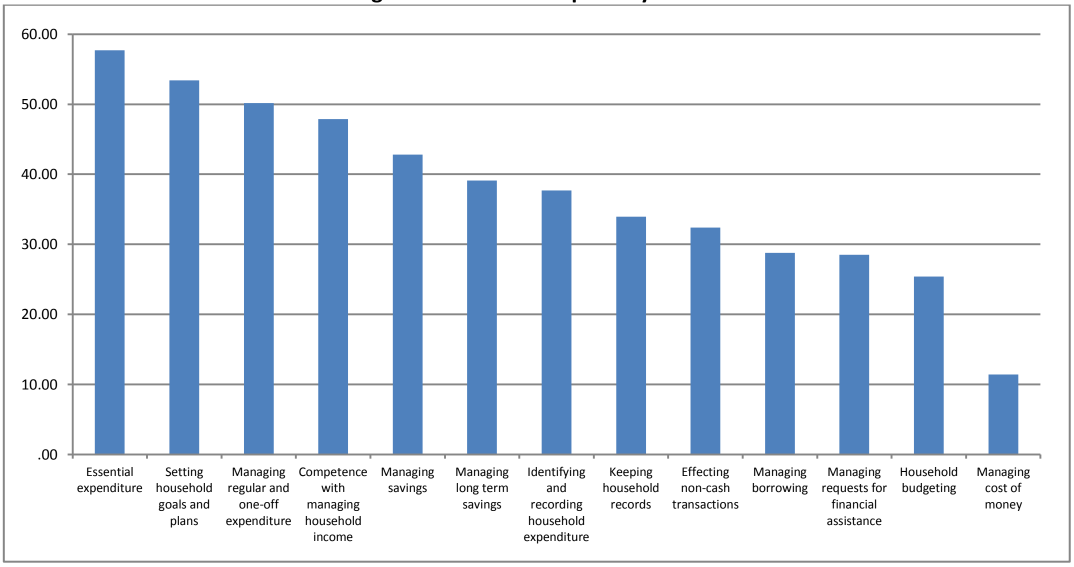
There are significant issues in respect to key competencies relating to engagement with the formal financial system. There may also be an emerging issue in respect to retirement provision in low income households as urbanisation increases the likelihood of social pensions being replaced by financial provision.

There is a gap between family support which is currently received by respondents who are no longer working and the expectation of future family support which will be received by respondents who are still working. Overall, respondents who are still working have a more optimistic expectation of support than the actual level of support being provided to retirees. This is particularly pronounced in the iTaukei community. Nearly 80% of iTaukei respondents who were still working stated they expected their children to support them when they are no longer working. By comparison, slightly over 40% of iTaukei respondents who were no longer working stated their children provided them with financial support.

[3] Score = 25, borderline low/ low-moderate (refer Table 1 'Financial Competence Scores')

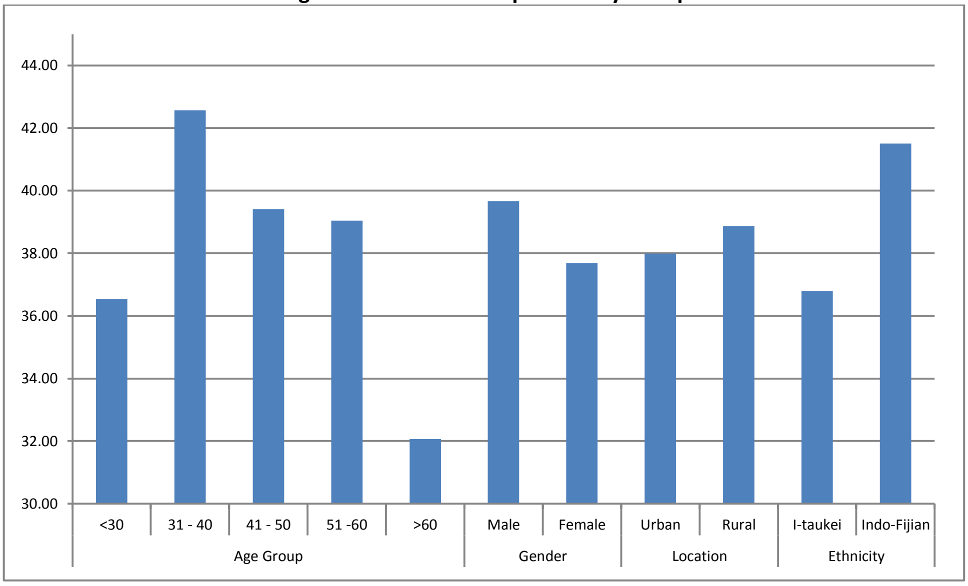
The average financial competence score for the competencies measured are shown in Figure 1. The competencies have been ranked from highest to lowest (with a maximum score of 100). Low income households are generally more competent at managing day-to-day household expenditure. They are least competent at managing household borrowing, household cash flow budgeting and managing the cost of money.

Figure 1: Ranked Competency Scores



When overall financial competence is measured, comprising a composite measure of the sixteen financial activities, financial competence is relatively comparable across age groups, gender, location and ethnicity. As shown in Figure 2 the principal difference in respect to overall financial competence is in respect to respondents 60 years and older, who exhibit significantly lower levels of financial competence than other groups.

Figure 2: Financial Competence by Group



b) Risks resulting from Low Levels of Financial Competence

The low level of financial competence exposes low income households to several significant risks:

- **The risk of exploitation by financial predators** due to a limited understanding of the actual cost of financial services and the risks associated with the financial services products and service providers. Low income households are at significant risk of incurring exploitative costs for financial services, whether these are transaction services (both domestic and international), savings services or borrowing (both formal and informal). Households are also at heightened risk of unknowingly participating in financial scams.
- **The risk of ineffective use of household cash flows.** Households that do not know the pattern of income and expenditure in the household are at risk of failing to use household cash flows effectively. These households have a more limited ability to build savings in order to provide for regular households requirements and are more likely to have to borrow for consumption expenditure.
- **The risk of poverty in old age**. The process of preparing for retirement appears to be in transition, due primarily to urbanisation and monetisation. It appears the very pervasive reliance by low income households on family or community support in retirement may not be adequate in a monetised economy. Low income households appear to be very aware of this problem. Most respondents in households who were currently working did not consider that the forms of retirement provision available to the household (including family and community support) would be able to meet all household expenses when they were no longer working. Most respondents who were no longer working stated the forms of income

available to them (including family and community support) were inadequate to meet all household expenses. Between 20% – 25% of respondents did not know how they would meet household expenses when they were no longer working.

Each of the risks is significant and potentially systemic. Low income households will require support through a range of interventions to enable the financial decision makers in the household to increase their level of financial competence. This will require a mix of education, product provision, and regulation and policy settings.

c) Predictors of financial Competence

Multiple regression analysis was conducted to examine the impact of location, ethnicity, age, gender, source of income, English language fluency, participation in the formal financial system and the mode of household financial management on overall financial competence. Overall the model explained 41% of the variance in the financial competence score. Five variables were significant (Refer Appendix, Table 36): Receipt of regular wage or salary income; having a savings/ cheque account with a bank; the number of financial products the household owned; managing household finances jointly; and the household having a budget. Receipt of regular wage or salary income can be explained by the regular payment of salaries and wages to a bank account and the requirement for the employer to make National Provident Fund contributions if working in paid employment.

Low income households in which the principal source of income is wages/ salary are more likely to be financially competent than other households; and households in which the principal financial decision makers can communicate fluently in English are also likely to be more financially competent. Ethnicity, location and age are not predictors of overall financial competence.

Importantly, households that manage the household's finances jointly are more likely to be financially competent than households that manage household finances individually. To these factors can be added participation in the formal financial system and the household having a budget. Overall, however, low income households in Fiji exhibit levels of financial competence which are likely to be inadequate to enable the household to manage money effectively and effectively engage with the formal financial system. Many households would appear to be financially vulnerable.

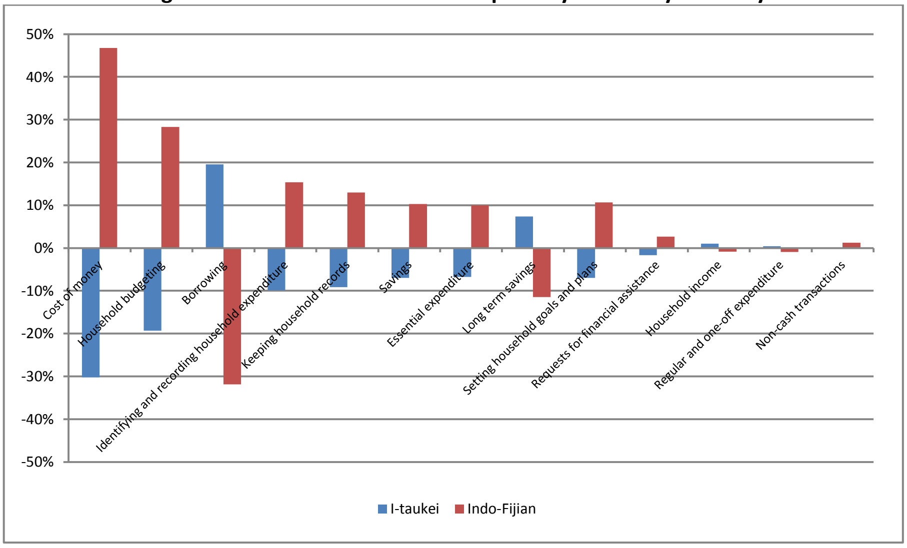
A second regression model was developed excluding ownership of a savings account, the number of financial products owned and the household having a budget. These variables had been included in the analysis of the competencies relating to savings, long term savings and borrowing and, whilst the individual contribution to the overall score by each variable was small, it is useful to understand indicators which are not components of domain level financial competence (Refer Table 37 Appendix. The predictive power of the model was, as expected, lower (R^2=.101). Nevertheless the model indicates Indo-Fijian households in which the principal financial actors speak fluent English and work for regular wages or salaries are the most likely low income household group to exhibit higher levels of financial competence.

2.2. Ethnic Differences in Financial Competence

Low income iTaukei households appear to have access to a greater number of sources of income than comparable Indo-Fijian households. ITaukei households reported an average of 2.8 sources of income, compared to 2.1 sources of income for Indo-Fijian households. This may be, in part due to lease income received by many iTaukei households.

There are variances in competence across the competency set. Figure 3 shows the variance from the mean level of financial competence for each financial competence, comparing iTaukei and Indo-Fijian households. Indo-Fijian households demonstrated significantly greater financial competence than iTaukei households in respect to competence with managing the cost of money and the household having a budget and managing the household budget, but significantly lower competence in respect to managing borrowing. Indo-Fijian households also appear to be more conservative in managing household expenditure. Twenty percent of Indo-Fijian households stated they spent money on non-essential items before spending money on essential items, compared with 40% of iTaukei households. In addition Indo-Fijian households tended to have a greater knowledge of how much money the household had spent than iTaukei households and were more likely to keep household records. Overall, Indo-Fijian households exhibited greater financial competence in nine out of the thirteen competencies measured.

Figure 3: Variance from Mean Competency Score - By Ethnicity

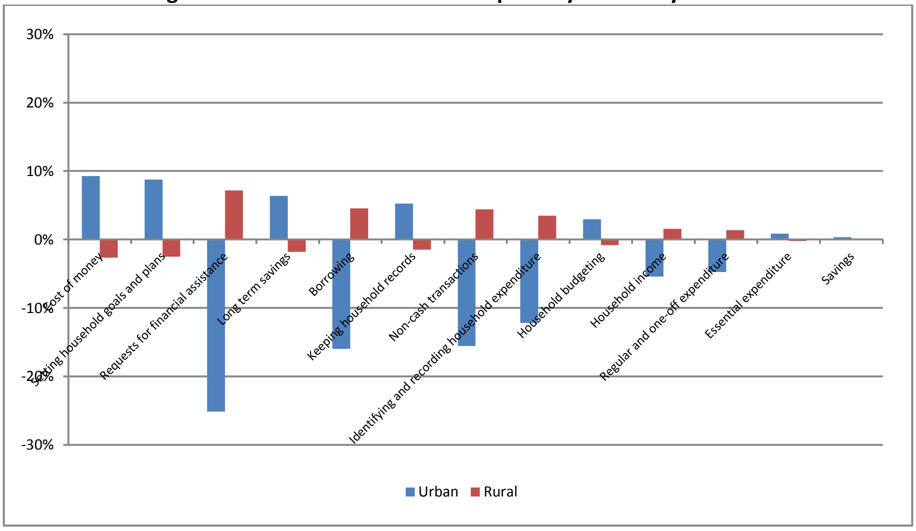


2.3. Location Differences in Financial Competence

Urban communities, not surprisingly, were more likely to report receipt of wage and salary income and less likely to report receipt of income from primary production. This is considered to be a key driver of financial competence.

Overall, urban households exhibit higher levels of competence across a range of financial competencies. Figure 4 shows the variance from the mean level of financial competence for each financial competence, comparing urban and rural households. Urban households demonstrated greater financial competence in nine out of the thirteen competencies measured and demonstrated significantly greater levels of competence in respect to competence with the cost of money, household budgeting, managing long term savings, and setting household plans and goals. Rural households, in particular iTaukei rural households demonstrated significantly higher levels of competence at managing requests for financial assistance. These households demonstrated higher levels of competence at borrowing. This is likely to be due to the higher levels of credit (in particular informal credit in rural households).

Figure 4: Variance from Mean Competency Score - By Location



2.4. Gender Differences in Financial Competence

There are gender differences in income patterns. These differences may also influence levels of financial competence. More men than women reported receiving wage or salary income (55% of men versus 33% of women). This may in part explain why men where approximately twice as likely to report use of electronic transactions than women. This difference was also found in respect to receipt of personal income. The percentage of men who reported earning their own income was approximately 85%, across both the iTaukei and Indo-Fijian communities. There was, however, a significant difference between iTaukei and Indo-Fijian women: 68% of iTaukei women reported earning their own income, whereas only 22% of Indo-Fijian women reported earning their own income.

There were gender differences in responsibility for the management of household income and expenditure. Men were more likely to state they were responsible for the management of household income and spending. 70% of men stated they or they and their spouse were responsible for the management of household income, compared to 54% of women. Sixty three percent (63%) of men stated that they, or they and their spouse, are responsible for the management of household spending, compared to 45% of women. This was generally consistent across both the iTaukei and Indo-Fijian communities. However, generally, women appear to be more prudent financial managers than men. Seventy four percent (74%) of women stated they tried to put money aside to pay for essential spending, compared to 55% of men Women were also more likely to keep copies of financial records and to check bills before payment than men.

Overall, men appear to have greater engagement with the formal financial system. Men were more likely to state they had a bank account and were more likely to state they kept savings in a bank than women, who were more likely to state they kept savings hidden at home. The gender difference in bank account ownership is particularly acute in rural Indo-Fijian households. Sixty four percent (64%) of Indo-Fijian men living in rural communities stated they had a bank account compared to 40% of women. By contrast, 65% of Indo-Fijian men living in urban communities reported owning a bank account compared to 50% of women.

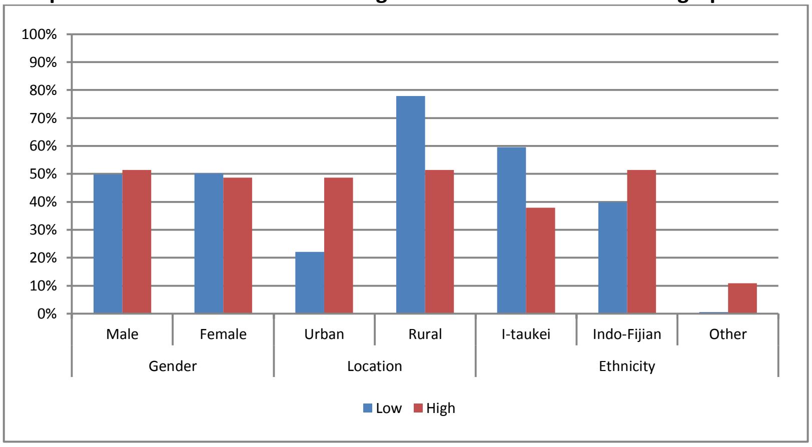
2.5. Income Differences in Financial Competence

The financial competence of low income households has been compared with that of higher income households. This has been possible because, in addition to the sample of 172 low income households (n=339) in deciles 1-4 which participated in the study, a small sample of higher income households was also collected. This sample was excluded from the analysis of low income households, but a subset of the respondents (from deciles 7 – 10 (n=37)) has been used to develop an indicative comparison of levels of financial competence. It is important to note in this analysis that the higher income sample is too small to provide any form of generalisation. In addition, the competencies measured are those specific to low income households. The following comparison is therefore, a comparison of high income household responses measured against low income household competencies. There may be competencies measured that are not relevant for higher income households. In addition it is likely there will be competencies that are relevant for higher income households, which have not been measured during this study.

a) Comparison of Samples

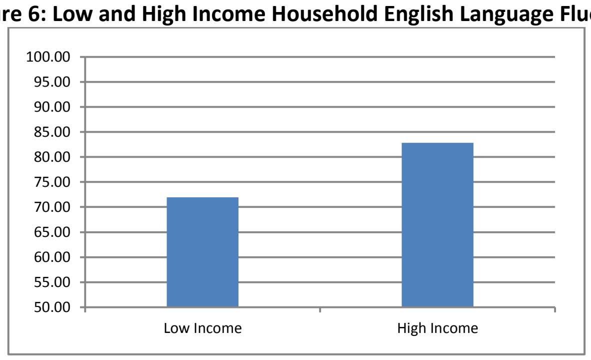
The two samples have a similar average age (46 years) and gender mix. As shown in Figure 5, the higher income sample has an even urban/ rural distribution, and is slightly biased to Indo-Fijian households. There is also a small sample of 'other' ethnicity.

Figure 5: Comparison of Selected Lower and Higher Income Household Demographic Characteristics



There are several significant differences between the two samples. As shown in Figure 6, higher income respondents appear to have greater fluency with English.

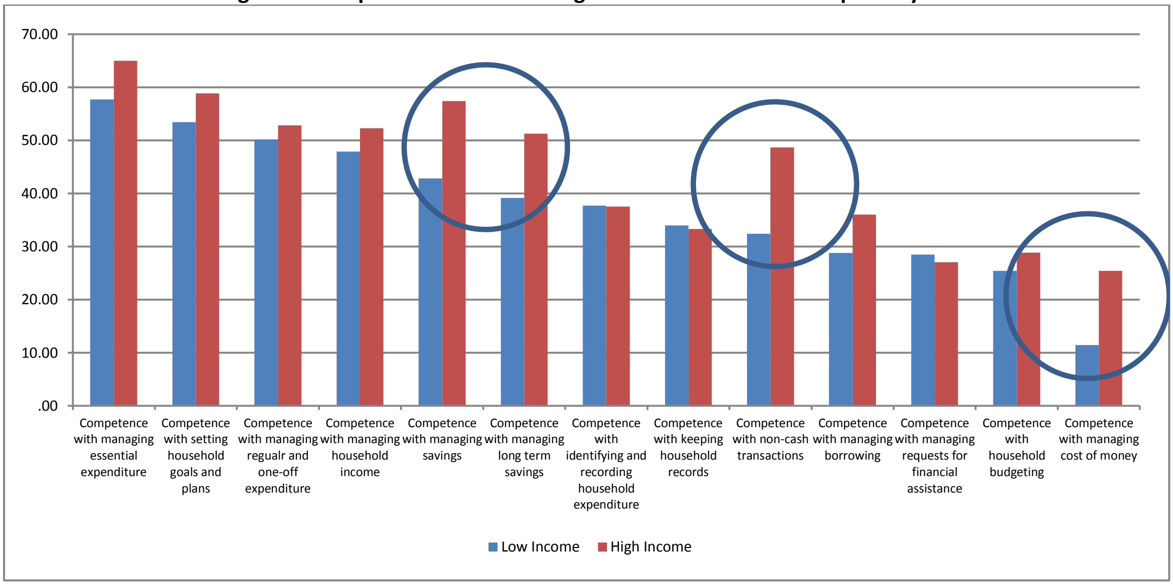
Figure 6: Low and High Income Household English Language Fluency



In addition, higher income households are more likely to have a bank account. 68% of high income households have a bank account, compared to 40% for low income households. These households are also more likely to receive wage and salary income. 54% of high income households received regular wage or salary income compared to 44% of low income households (the relative mix of wage or salary income is not known).

High income households demonstrated higher financial competence than low income households (Low income mean = 38.67, high income mean = 45.09). A comparison of low and high income respondent competency scores is shown in Figure 7. As shown, high income households demonstrate similar or slightly higher levels of financial competence to low income households on most competencies. The exception to this is competencies relating to engagement with the formal financial system. High income households are significantly more competent at managing savings, managing long term savings, managing electronic transactions and managing the cost of money. High income households do not demonstrate significantly higher levels of competence at managing household cash flows or at managing household borrowing.

Figure 7: Comparison of Low and High Income Household Competency Scores



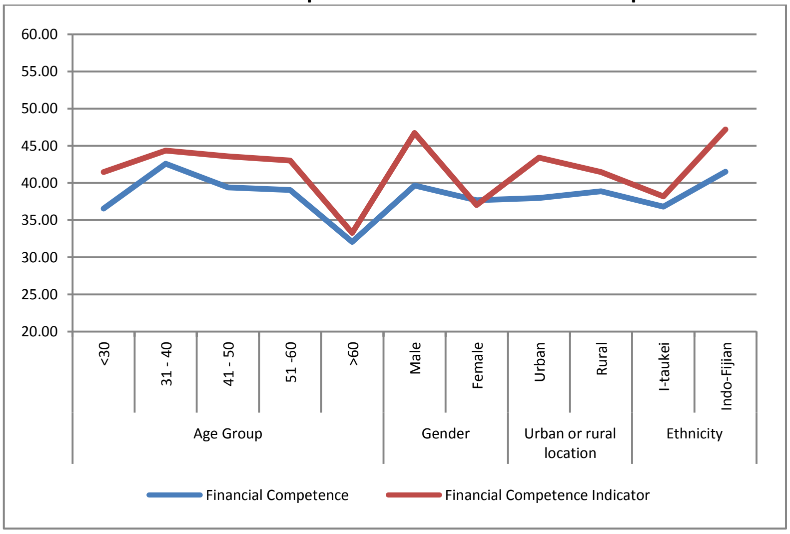
It is reasonable to conclude the higher level of financial competence demonstrated by high income households may be primarily environmentally driven. Higher income households tend to be urbanised and to earn regular wage and salary income. They are therefore more likely to develop English language fluency, which may reduce barriers to engagement with the formal financial system. The ability to read and write in English is important as most financial documents are drafted in English. Wage and salary income also exposes the household to the formal financial system for receipt of salary (and therefore increases competence with electronic transactions), for the management of surplus cash (through use of a bank account for savings), and for financial provision for retirement from compulsory Provident Fund contributions.

2.6. Developing an Easily Administered Indicator of Financial Competence

Four key variables appear to be primary indicators of the financial competence of low income households in Fiji. Two of the variables (owning a bank account and the number of financial products owned) are a measure of the level of engagement with the financial system. The other two variables (managing household income jointly and the household having a budget) are indicators of the extent to which household finances are managed inclusively and the extent to which the household actively manages current cash inflows and outflows and plans future cash inflows and outflows.

The four financial management variables were indexed (using equal weighting) and correlated with the financial competence indexed value. The correlation (*r*) was 0.551 (*p*<.001). The two scales are shown in Figure 8. There appears to be reasonable correlation between the scale which comprises each of the variables and the scale which comprises only the two household financial management questions and the two household financial engagement questions. Further sampling is required. However, the four financial management questions may be suitable as a readily administered indicator of financial competence in low income households.

Figure 8: Correlation of Financial Competence Scale and Financial Competence Indicator Scale



Chapter Three: Adult Financial Competency Framework for Low Income Households in Pacific Island Countries

3.1. What is Competence?

Competence is an individual's ability to interact with their environment: both their physical environment and their personal and social environments. Competence is fundamental to enabling people to live a successful and rewarding life.

Competence is developed over time through learning that occurs as a consequence of an individual's interactions with different environments. These competencies will evolve over time, with changes in the contexts in which that person functions. The definition and selection of competencies considered important will be influenced by what institutions, communities, groups and individuals within the society consider to be important.

Competence can be divided into component elements that can be codified at varying levels of specificity. This facilitates measurement. Inherent in the concept of competence is the specification of contextual competencies, the things a person needs to be able to do to engage effectively with their environment in a particular situation.

a) Constraints to competence

There can be a range of environmental and service-related constraints to competence. People may not have access to the basic services they need to be able to function effectively. The support services available may be inadequate to enable a person or household to function at the required level of competence. Alternatively a person may be denied access to the required support services, or may be prevented from accessing services due to factors such as cost or accessibility. By determining the set of competencies a community or group of people require to interact successfully with their environment, the various constraints to competence can also be determined. This provides a basis for policy and programme development and programme impact measurement.

b) Individual constraints to competence

A person may have individual constraints to competence. They may lack the skills required to interact successfully with their environment, or a disability may necessitate support for successful interaction with their environment. By determining the set of competencies a person requires, individual support and intervention requirements can be more accurately designed.

3.2. What is Financial Competence?

Financial competence comprises the set of specific behaviours a person must be able to enact, in order to successfully use money and interact with the financial system.

A person’s financial competency set will be influenced by both individual capabilities relating to financial knowledge and skill, and social capabilities relating to financial inclusion. The situations in which competent financial behaviour must be demonstrated, and the components of the competency set will vary depending on a person’s circumstances, from the relatively simple (e.g. a rural community commencing engagement with the money economy) to the highly complex (e.g. the requirement to be competent at making individual retirement provisions in a society with a complex financial system and a regulatory environment which requires formal individual provision for retirement savings).

People who make financial decisions on behalf of their household must also be competent at managing money on behalf of other members of the household. They must be able to manage the household’s finances successfully and must also be able to differentiate between their own personal money and the household’s money.

The competency set is therefore situation specific and defined by a person’s mode of financial engagement with their environment, and is likely to change over time. In a monetised economy, financial competence is a core component of the set of competencies required to function effectively.

The financial competency set which has been used to examine the financial competence of low income households in Fiji is the Minimum Adult Financial Competency Framework for Low Income Households in Pacific Island Countries.

3.3. Minimum Adult Financial Competency Framework for Low Income Households in Pacific Island Countries

a) Overview of the Framework

The Minimum Adult Financial Competency Framework for Low Income Households in Pacific Island Countries is an outline of the competency set essential to people living in low income households, and who make financial decisions on behalf of their household and manage its finances, to manage money successfully and to interact effectively with the formal and informal financial system. The framework was developed for those responsible for policy formulation, programme design and programme measurement.

The Framework was developed from the ground-up during 2010 and 2011. A series of focus groups were held with adults from low income households in four Pacific island countries: Fiji, the Solomon Islands, Samoa and Papua New Guinea. The purpose of the focus groups was to develop an understanding of the financial activities the household needed to be able to engage in successfully. Whilst there are differences in emphasis in the activities between communities, the set of activities people stated they needed to be able to engage in was relatively consistent. It is evident, for example, that greater emphasis is placed by adults in low income households in the Pacific on earning income from a range of sources and managing a variety of forms of credit, including informal credit and reciprocal obligations to family or community members, than is typically evidenced in middle income households in a developed country. By contrast, low income households evidenced less emphasis on saving for retirement than middle income households in a developed country.

Following the determination of financial activities by the focus groups in each country, a draft set of competencies, encompassing both knowledge and skill and behaviour, was developed. The competencies are simply a statement of the specific knowledge, skill (understanding) and behaviours required to undertake the activity successfully.

The initial competency set was developed from earlier research undertaken in Fiji[4] and the Solomon Islands[5] and the Adult Financial Capability Framework[6] developed by the Financial Services Authority

[4] Sibley, J.E. (2010). Financial Capability, Financial Competence and Wellbeing in Rural Fijian Households, UNDP, Suva.
[5] Sibley, J.E. (2008) The Relationship between Adult Financial Competence and Household Wellbeing in Indigenous Rural Households in the Solomon Islands. UNDP, Honiara.

and the Basic Skills Agency in the UK. The draft competencies were then workshopped with the reference group of subject matter experts in each country. Following completion of the focus groups and workshops, the completed draft set of competencies was then circulated to each of the reference groups.

b) Structure of the Minimum Adult Financial Competency Framework

The four domains of the Pacific Framework are derived from the financial domains determined by the Baseline Study of Financial Capability undertaken by the Financial Services Authority in the UK[7]. The structure of the Minimum Adult Financial Competency Framework for Low Income Households in Pacific island countries is based on the Adult Financial Capability Framework developed by the Financial Services Authority and the Basic Skills Agency in the UK.

c) Focus of the Minimum Adult Financial Competency Framework

A set of financial competencies can never be definitive. However, the competencies are intended to be a reasonable encapsulation of the minimum set of financial knowledge and skill and related financial behaviours required by an adult living in a low income household in a Pacific Island country, and, who manages finances on behalf of their household. Importantly, the focus of the Framework is on financial activities that are to be undertaken by adults who make financial decisions and manage the finances of their household. The Framework does not encompass the income generating activity of the household, in particular the financial competencies required to manage farming, fishing or business activity. In addition, the receipt of group-based rent or royalty income is a feature of a number of Pacific island communities. The Framework does not describe financial competencies required to be able to manage funds flows from group-based income on behalf of the recipients of the income.

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[6] Financial Services Authority, Basic Skills Agency (2006). Adult Financial Capability Framework. FSA. London
[7] Financial Services Authority. (2006). Financial Capability in the UK: Establishing a baseline. FSA, London.

Chapter Four: Domain Level Analysis of the Financial Competence of Low Income Households in Fiji

4.1. Structure of the Analysis

The domain level analysis of the financial competence of low income households is structured as follows:

1. An initial descriptive analysis of the participants in the study
2. An analysis of the financial competence for each of the financial competence domains in the Adult Financial Competency Framework and factors which may predict domain-level financial competence using a standard set of dependent variables.

a) Financial Domains

The Adult Financial Competency Framework has adopted a domain structure derived from the financial domain structure developed by the FSA for the baseline study of financial capability in the UK[8]. Within domains, competencies have been grouped into activity-level sub-sections derived from the focus groups to determine the competency set for low income households in the Pacific. These are summarised in Table 2:

Table 2: Financial Competency Domains and Activities

Domain	Activity-Level Sub-Section
Managing Money	Making payments
	Managing household income
	Managing household expenditure
	Keeping household records
Making financial choices	Saving
	Investing
	Borrowing
	The cost of money and financial terms and conditions
	Financial organisations and financial issues
Planning Ahead	Planning
	Budgeting
Getting Help	Seeking financial Advice

[8] Financial Services Authority. (2006). Financial Capability in the UK: Establishing a Baseline. FSA, London.

The analysis of each domain proceeds as follows:

- Introductory overview of the domain, activity-level subsections and competencies
- Analysis of activity-level sub-sections, and within sub-sections analysis of the competencies
- Factor analysis of each domain to determine a domain score
- Regression analysis of factors which may indicate domain-level financial competence

The first part of the activity-level sub-section analysis explores differences in the patterns of response for the competencies within the sub-section. A standard set of respondent categorical variables has been used for the analysis:

- Age group
- Gender
- Location of residence (rural or urban)
- Ethnicity (iTaukei or Indo-Fijian)

b) Competency Scores

A summative financial competence score has been developed for each competency. Different individuals have different levels of activity and perform those activities at different levels of competence. A competence score needs to reflect this. It is inappropriate to score competencies which measure an activity someone may not engage in, as 'incompetent'. Competency scores were averaged to create activity-level scores. Refer Section 6.6 for an overview of the construction of the financial competency scores. Refer the Appendix (Table 30.) for the variables used for the regression models.

4.2. Demographic Overview

The households that participated in the study are broadly representative of low income households in Fiji and exhibit the following demographic characteristics.

a) Gender, Ethnicity and Age Distribution

The sample matches the Fijian adult population in respect to gender and ethnicity. As shown in Table 3, an even gender mix was achieved. The most recent census in Fiji (2009) indicates an approximate 60/40 iTaukei/Indo-Fijian population split[9]. The ethnic mix of the sample matches the Fijian population mix for the two major ethnic groups:

Table 3: Gender and Ethnicity

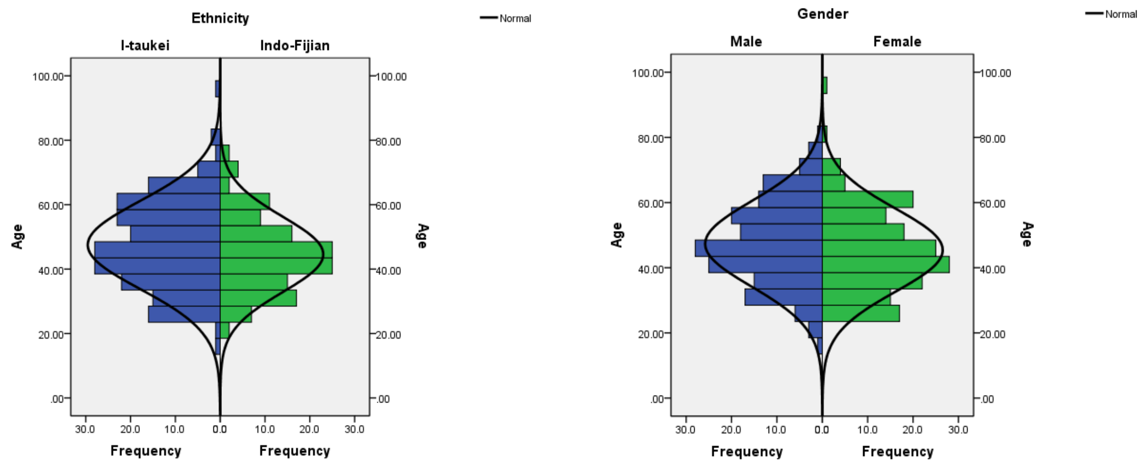
		N	%
Gender	Male	169	50%
	Female	170	50%
Ethnicity	iTaukei	202	60%
	Indo-Fijian	135	40%

172 households were interviewed as part of the study. In 166 households, both the male and female who make most financial decisions on behalf of the household were interviewed. In 7 households one decision maker was interviewed. In total 339 respondents were interviewed. Two respondents were from neither the iTaukei nor the Indo-Fijian communities. These respondents have been excluded in the analysis by ethnicity, but have been included in the general analysis.

As shown in Figure 9, respondent age was normally distributed around 46 years. The age distribution was relatively consistent for both men (M=47.33) and women (M=45.32). The average age for the iTaukei population (M=47.49) was slightly older than the average age for the Indo-Fijian population (M=44.57).

[9] http://www.statsfiji.gov.fj/Social/popn_summary.htm

Figure 9: Age Distribution



b) Location

The target rural/ urban mix of 50% urban and 50% rural was not achieved. The 2009 census indicates approximately 52% of the Fijian population lives in urban locations. The mix for the sample was 22% urban (n=75) and 78% rural (n=264). The urban sample is, however, large enough to enable comparative analysis between urban and rural communities.

c) Number of Principal Financial Actors (PFA) per Household

The intention in sampling for the study was to interview both the males and the females who made most of the financial decisions on behalf of the household. Overall, 98% of respondents interviewed were from a household with two PFAs, in which case, both PFAs were interviewed. Only 2% of respondents were from single-headed households or households in which only one PFA was interviewed.

d) English Language Fluency

As shown in Table 4, approximately 65% of respondents considered they could speak, read and write in English well enough to communicate on their own with a government office or bank. By contrast, 20% of respondents stated they could not communicate in English. English language capability is shown to diminish very significantly with age. More men and more rural dwellers are unable to communicate in English. Indo-Fijian respondents appear to have significantly lower English language fluency than iTaukei respondents.

Table 4: Ability to Communicate in English

		Speak, read and write	Speak or read or write	Cannot communicate in English
Age Group	<30	82%	18%	0%
	31 - 40	78%	11%	11%
	41 - 50	63%	15%	23%
	51 -60	63%	19%	18%
	>60	42%	12%	46%
Gender	Male	62%	13%	25%
	Female	69%	16%	15%
Location	Urban	74%	14%	12%
	Rural	63%	15%	22%
Ethnicity	iTaukei	73%	10%	17%
	Indo-Fijian	54%	22%	24%

e) Access to a Mobile Phone

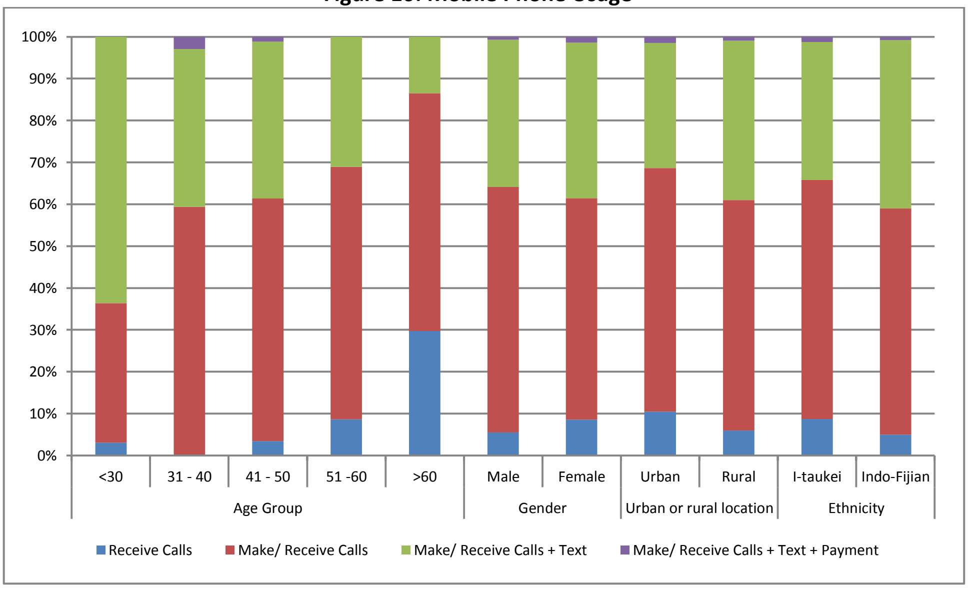
Approximately 84% of respondents own or have access to a mobile phone. As shown in Table 5, usage appears higher among urban dwellers than rural dwellers and among Indo-Fijians than iTaukei. Mobile phone access decreases only slightly with age:

Table 5: Own or Have Access to a Mobile Phone

		Own or have access to mobile phone
Age Group	<30	85%
	31 - 40	86%
	41 - 50	92%
	51 -60	81%
	>60	74%
Gender	Male	86%
	Female	82%
Location	Urban	91%
	Rural	83%
Ethnicity	iTaukei	80%
	Indo-Fijian	90%

As shown in Figure 10, most respondents appear to be very competent in the use of mobile phones for voice communication. However, the range of mobile phone functions used diminishes with age. There do not appear to be significant differences between rural and urban, and iTaukei and Indo-Fijian communities. Working age respondents appear to be earlier adopters of mobile phone payment (3% of respondents). Women also appear to be reporting earlier adoption of mobile phone payment (1.5% of respondents). Urban dwellers also appear more likely to adopt mobile phone payments (1.4% of respondents).

Figure 10: Mobile Phone Usage[10]



[10] Refer Appendix for a description of the categories used for the composite Figures

4.3. Domain 1: Managing Money

The financial domain Managing Money encompasses a range of activities relating to household cash-flow management. These activities encompass the household's current (rather than future) use of money. The domain encompasses the following groups of competencies:

- Making and receiving payments
- Managing household cash-flows - both funds coming into the household and expenses incurred by the household
- Keeping records of the household's financial transactions

a) Making and Receiving Payments

The use of electronic payment modalities is central to exchange transactions in the money economy. Two competencies were tested: using day-to-day non-cash payment modalities, and using non-cash remittance modalities. The competencies are shown in Table 6.

Table 6: Competencies – Making and Receiving Payments

Activity-Level Sub-Section	Competencies
Making and Receiving Payments	• Use accessible forms of non-cash money/payment, (cheque, card payment, bank transfer, mobile phone, internet)
	• Make/ receive non-cash remittance payments

<u>Payments</u>

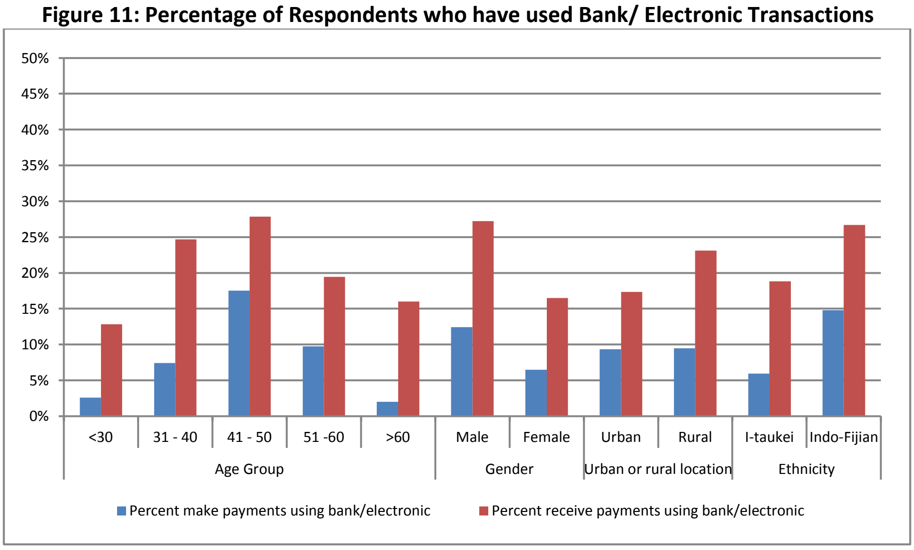
Respondents were asked to state expenses the household incurred and how the expense was usually paid. As shown in Table 7, cash was the dominant method of making payments across the common expenditure categories. Taxes and loan payments, not surprisingly tended to have a higher incidence of payment by electronic transfer.

Table 7: Expenses Incurred by the Household and Use of Cash Payment

	% Incur Expense	% Pay in Cash
Day-day items	99.7%	99.1%
Community/ religious donations	89.7%	98.4%
Bills	79.9%	97.4%
Education	71.7%	94.2%
Rent/ lease	29.5%	71.0%
Hire purchase[11]	27.1%	78.3%
Levies/ taxes	17.1%	63.8%
Loans	14.7%	46.0%

As shown in Figure 11, the use of non-cash bank or electronic transactions by any of the groups in the survey is universally low and does not relate to access to banks. Groups that stated a higher incidence of receiving electronic payments is more likely to be in wage/ salary employment, in the 31–50 age groups, or members of the Indo-Fijian community. Men were approximately twice as likely to have used non-cash transactions than women, whether paying or receiving funds.

Figure 11: Percentage of Respondents who have used Bank/ Electronic Transactions

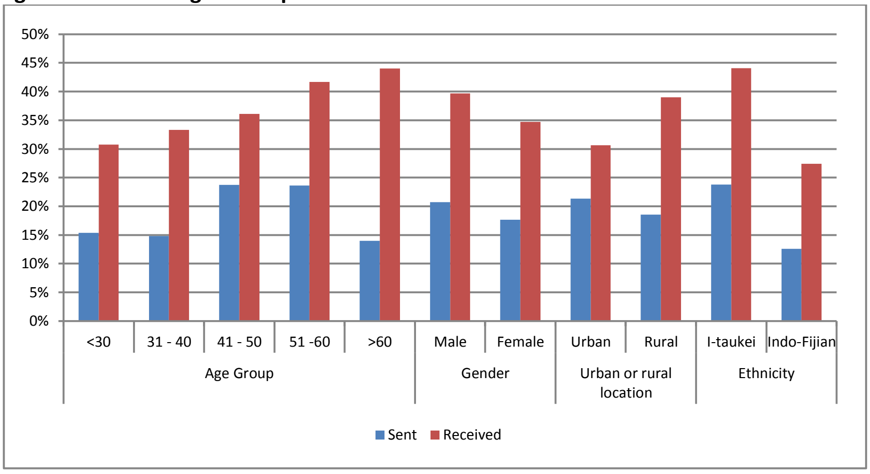


[11] The percentage of respondents who stated their household made hire purchase payments (27.1%) is higher than the percentage of respondents who stated the household had a current hire purchase obligation (10%). This is considered to be a reflection of respondents understanding of their household borrowing and cash flows and is reflected in the overall low level of financial competence..

Remittances

27% of respondents reported having sent a remittance and 50% having received a remittance. Overall, a higher percentage of respondents stated they have sent or received a non-cash remittance than stated they had effected a payment/received a payment using non-cash modalities. As shown in Figure 12, the receipt of remittances (including non-cash remittances) increases markedly with age. Typically 75 - 85% of respondents stated they either sent or received the funds. Younger (<30 years) and older (>60 years) respondents were more likely to state someone received funds on their behalf. iTaukei are also significantly more likely to state they had received a non-cash remittance. This may reflect changing social patterns in Fiji:

Figure 12: Percentage of Respondents who have sent or received Non-Cash Remittances



As shown in Table 8, money (wire) transfer and bank transfer were the dominant methods of remitting money using non-cash modalities. At the time of data collection, mobile phone based money transfer capability was only beginning in Fiji and therefore the percentage of respondents reporting the use of the mobile phone to remit funds is negligible. The use of mail or other forms of physical delivery continues to be prevalent:

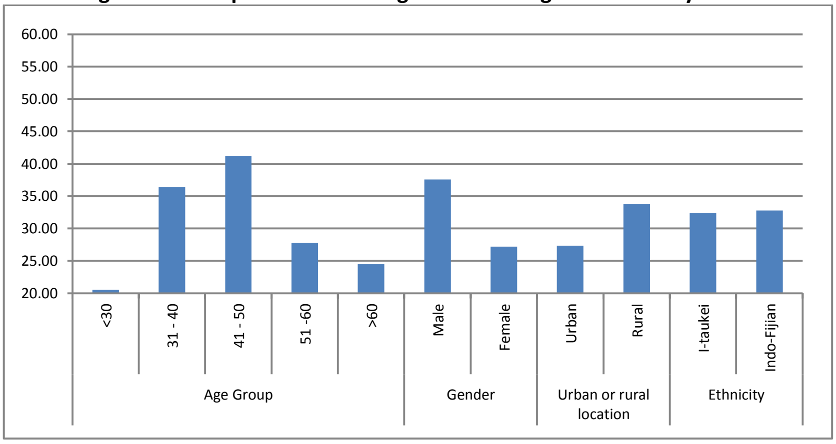
Table 8: Remittance Method

	How sent money	How received Money
Money transfer	48%	59%
Bank	25%	12%
Mail/ delivery	26%	29%

Competence with Managing Payments

Overall, as shown in Figure 13, respondents from low income households appear to be, at best, moderately competent at managing non-cash transactions. Younger and older respondents demonstrate very low levels of competence with non-cash transactions. These levels are markedly lower than those demonstrated by respondents between 30 -50 years. Men exhibit significantly higher competence than women12. Whilst there are no significant differences based on location or ethnicity, previous studies of the financial behaviour of low income households in Fiji have focussed on iTaukei households.

Figure 13: Competence – Making and Receiving Non-Cash Payments



b) Managing Household Income

The ability to manage multiple, often irregular sources of income is a key competence. The competencies tested are shown in Table 9. Households which receive self-generated income (for example from farming or business activity) need to be able to separate the management of business cash-flows from household cash-flows. Households that receive wage or salary income need to be able to check pay-slips for accuracy. Receipt of collective or group income (e.g. mataqali land rents) is a feature of household income in Fiji, particularly for iTaukei households. These households need to be able to check both, their entitlement to group income, as well as the accuracy of payments received.

[12] ($t(337)=2.454$, $p<.05$)

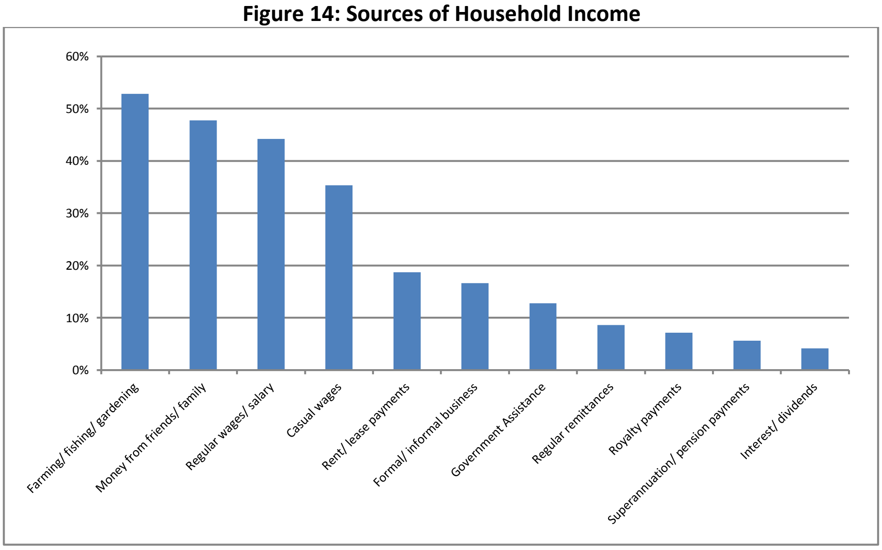
Table 9: Competencies – Managing Household Income

Activity-Level Sub-Section	Secondary Activity-Level Sub-Section	Competencies
Managing Household Income	Sources of income	• Identify all sources of household income • Monitor all sources of income • Manage household income cycles • Manage irregular income patterns
	Non-wage income generating activity	• Separate management of household income from management of non-wage income generating activity (income and expenses)
	Wage/ salary income	• Check pay for accuracy
		• Check a formal pay-slip for accuracy • Check employer based deductions from wages/salary (tax, provident, savings, ACC)
	"Rent" income (group based royalty/ lease/ church/ school income)	• Check entitlement to "rent" income • Check "rent" income received for accuracy

Sources of Income

Most households reported receiving between 2 – 2.8 sources of income. (Indo-Fijian households report approximately 2.1 sources of income, whereas iTaukei households report 2.8 sources of income.) As shown in Figure 14, the most common sources of income were primary production (53% of respondents) and support from family or friends (48% of respondents). When taken together, regular and casual wage and salary income is the most common source of household income.

Figure 14: Sources of Household Income



As shown in Table 10, there are significant variances in income across locations and ethnic groups. Not surprisingly, the urban community is more likely to earn regular wage/ salary income, whereas the rural community is more likely to earn income from primary production. Interestingly, 36%-41% of rural dwellers reported receipt of wage or salary incomes. This may be a function of households that, although classed as rural, are proximate to an urban area. Also, the Indo-Fijian community is more likely to earn regular wage/ salary incomes, whereas the Fijian community is more likely to earn income from primary production or passive rental/royalty income. It is possible some iTaukei respondents confused royalty payments and ILTB lease payments, artificially increasing the percentage of iTaukei receiving royalties.

Table 10: Receipt of Income by Location and Ethnic Group

	Regular wages/ salary	Casual wages	Money from friends/ family	Farming/ fishing/ gardening	Formal/ informal business	Rent/ lease payments	Government Assistance	Royalty payments
Urban	56%	33%	36%	21%	24%	4%	8%	1%
Rural	41%	36%	51%	61%	14%	23%	14%	9%
iTaukei	34%	35%	55%	63%	19%	30%	14%	12%
Indo-Fijian	60%	36%	36%	38%	11%	2%	10%	0%

There are significant gender differences in comparisons of reported sources of income. Significantly more men than women reported receiving wage or salary incomes (55% of men versus 33% of women). Approximately 85% of men reported earning their own income. There was a significant difference between iTaukei and Indo-Fijian women: 68% of iTaukei women reported earning their own income, whereas only 22% of Indo-Fijian women reported earning their own income.

Methods of receipt of income were more diverse than methods used for making payments. As shown in Table 11, a significant number of respondents reported receipt of wage or salary income through the financial system. Sales income was almost universally received in cash.

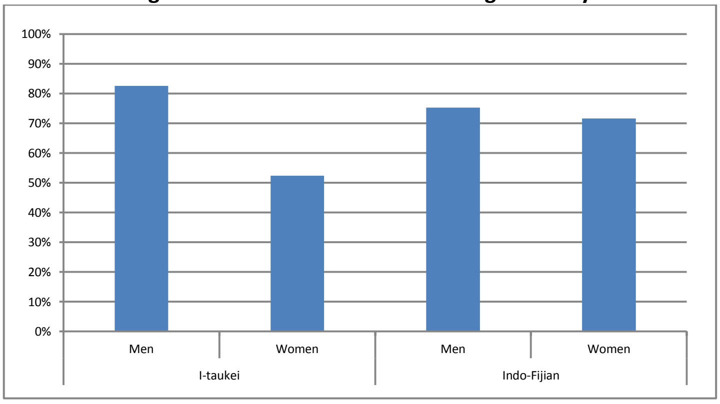
Table 11: How Income is Received

	Cash	Bank
Wages/ salary	67%	33%
Sales (incl. produce)	99%	1%

Management of Household Income

Respondents were asked whether household income was managed jointly or whether each member of the household managed their own income and contributed a portion of the income to household expenses. There was a difference in responses between Indo-Fijian and iTaukei households. As shown in Figure 15, approximately 65% of Indo-Fijian households stated that income was managed jointly. By contrast, 80% of men in iTaukei households considered that income was managed jointly, whereas only 50% of women considered their household income was managed jointly.

Figure 15: Household Income Managed Jointly



There is also a gender difference in respect to perceptions of who is responsible for the management of household income. Women appear to consider they have a less active role in the management of household income. 70% of men stated they or they and their spouse were responsible for the management of household income, whereas only 54% of women stated they or they and their spouse were responsible for the management of household income.

23% of respondents stated their household kept a written record of income received. Women were more likely to state they kept a written record of household income (29.6% of women versus 17.6% of men). Respondents were no more likely to state they kept a record of personal income than keeping a record of household income. There was a difference in the likelihood that income received by the household was checked, depending on whether the income was personal income or household income. Approximately 65% of respondents stated they checked the household's income, however this increased to 86% for personal income.

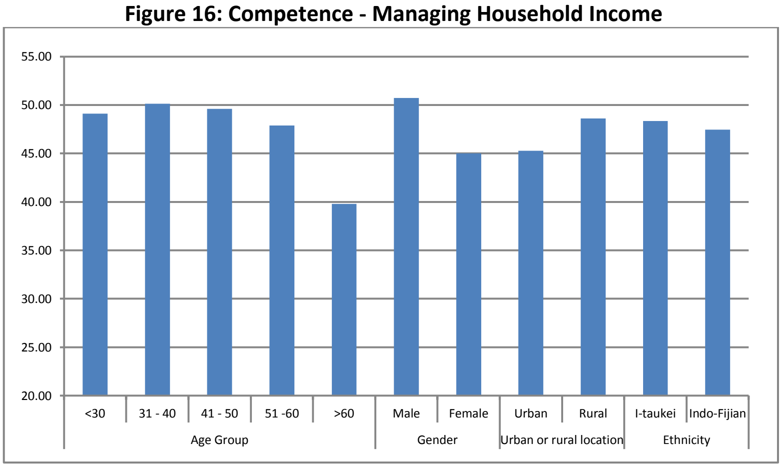
Approximately two thirds of households that reported receipt of either primary production or business income also stated they did not keep the management of the income separate to the management of their household income. This was particularly prevalent in the Indo-Fijian community in which 82% of respondents stated they did not manage business income separately to the management of household income.

Approximately 50% of households that reported receipt of regular wage or salary incomes also reported receipt of a pay-slip when wages were paid. However, this reduced to 23% for respondents who reported receiving casual wage incomes. Most households checked at least some items on the salary slip, however few households checked all items on the slip.

Competence with Managing Household Income

Overall, as shown in Figure 16, low income households appear to have moderately low levels of competence at managing household income. Generally levels of competence are consistent across age groups, location and ethnicity. However, older respondents exhibit lower levels of competence with the management of household income. Women exhibit slightly lower levels of financial competence than men, and rural communities exhibit slightly higher financial competence than urban communities.

Figure 16: Competence - Managing Household Income



c) Managing Household Expenses

Managing household expenditure is particularly important in households with limited regular income, which must manage expenses within the context of multiple sources of income, and which have limited ability to smooth income. As shown in Table 12, four competencies were tested: identifying household expenditure items, managing essential expenditure, managing regular expenditure and one-off expenditure, and managing requests for financial assistance by people who are not members of the household:

Table 12: Competencies - Managing Household Expenditure

Activity-Level Sub-Section	Secondary Activity-Level Sub-Section	Competencies
Managing Household Expenses	Expenditure identification	• Identify all household expenditure items
	Essential and non-essential spending	• Identify and monitor the household's essential and non-essential expenditure • Prioritise essential household expenditure over non-essential household and individual expenditure • Ensure funds are available to meet essential household expenditure commitments
	One-off and regular financial commitments	• Identify and periodically monitor the household's one off household expenses and regular financial commitments • Manage household spending to ensure funds are available for each of the households expenditure cycles
	Requests for financial assistance	• Have strategies to manage requests for assistance from extended family/ clan groups

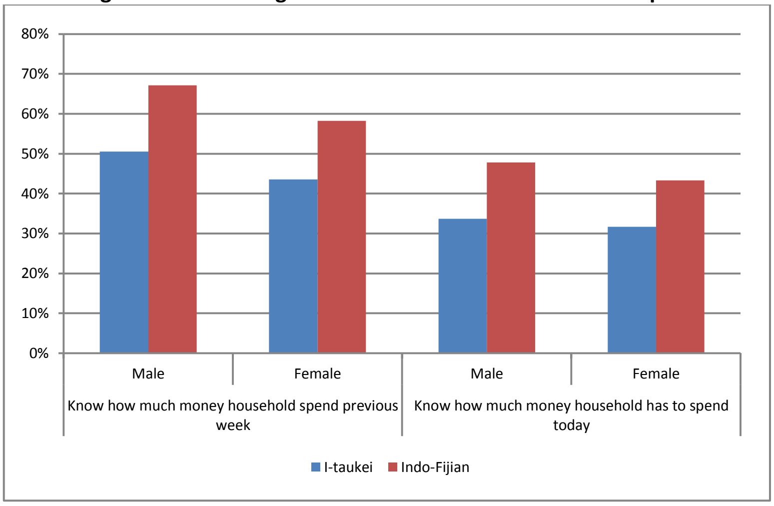
Responsibility for Management of Household Expenditure

Men appear more likely than women to consider that they, or they and their spouse, are responsible for the management of household spending. Between 60% and 65% of men stated they were solely responsible for management of household spending, whether management of day-to-day essential spending or managing one-off spending. By contrast, approximately 45% of women stated that they or they and their spouse were responsible for management of household spending. This is generally consistent across both the iTaukei and Indo-Fijian communities.

Identifying Household Expenditure

Knowledge of how much money the household had spent the previous week was, surprisingly low across both gender and ethnic groups. As shown in Figure 17, Indo-Fijian respondents were consistently more likely to state they knew how much the household had spent than iTaukei respondents, and men were slightly more likely to state they knew how much the household had spent than women. Knowledge of the household's recent spending does not appear to relate to the stated involvement of the respondent in the management of household spending:

Figure 17: Knowledge of How Much the Household had Spent



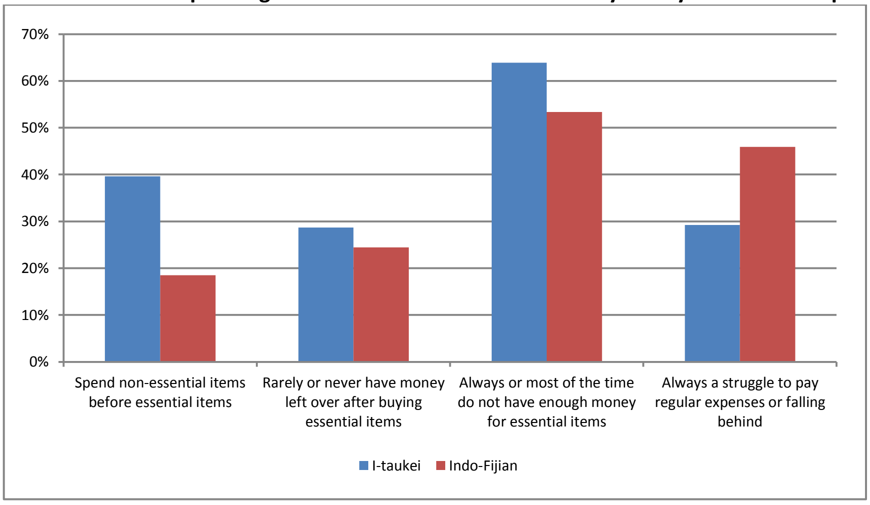
Managing Essential Expenditure

Many households also appear to have issues with expenditure prioritisation, in particular iTaukei households. 40% of iTaukei respondents stated they spent money on non-essential items before they spent money on essential items, compared to 20% of Indo-Fijian respondents. Between 50% - 65% of respondents stated that always or most of the time, they did not have enough money to buy essential household items.

Approximately one third of respondents who stated they were responsible for the management of essential household spending also stated they spent money on non-essential items before they spent money on essential items, or, that they spent money on things even though they could not afford them at least some of the time. Respondents appear to be prudent in the management of essential household spending. 70% of respondents stated they never spent money on things they could not afford.

Younger respondents were more likely to state they spent money on non-essential items before they spent money on essential items. 50% of respondents under the age of 30 stated they spent money on non-essential items before the spent money on essential items compared to 30% of respondents over the age of 60. As shown in Figure 18, Indo- Fijian households appear to be more cautious in managing expenditure than iTaukei households. Twenty percent (20%) of Indo-Fijian households stated they spent money on non-essential items before the spent money on essential items, compared to 40% of iTaukei households. This may reflect a slightly more constrained financial situation for low income Indo-Fijian households, 46% of whom stated they always struggled to pay bills, compared to 29% of iTaukei households.

Figure 18: Household Spending on Non-Essential Items and Ability to Pay for Essential Spending



Managing Regular and One-off Expenditure

Women take a more active role in the management of regular household expenditure than men. Women were significantly more likely to state they tried to put money aside to pay for the household's regular expenses. 74% of women stated they tried to put money aside compared to 55% of men. Women were also more likely to state they checked if household bills were correct or kept copies of household bills. 69% of women involved in managing regular household expenditure stated they kept copies of household bills and checked bills before payment compared to 48% of men involved in managing regular household expenditure.

Managing Requests for Financial Assistance

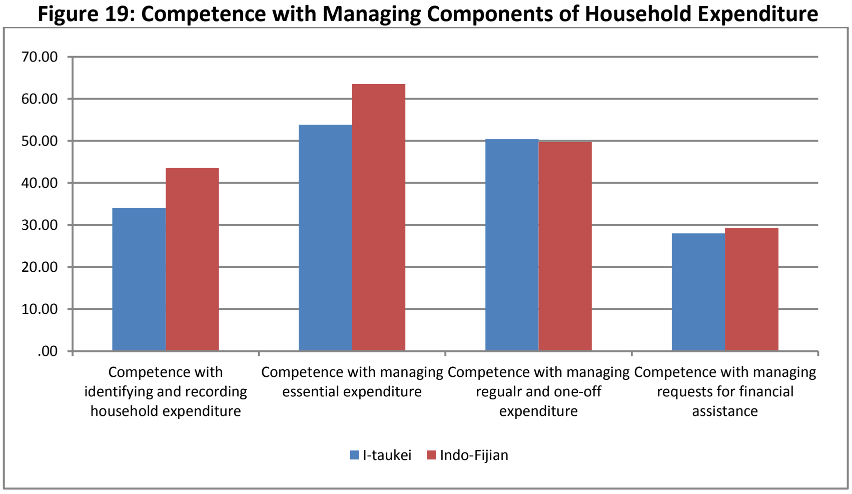
Despite it being an important competence identified by focus groups of low income households, few households appear to plan for requests for financial assistance from non-members of the household. Indo-Fijian households are more likely to plan than iTaukei households. 20% of iTaukei households stated they planned how they would manage requests for financial assistance, compared to 30% of

Indo-Fijian households. Women are more likely to plan for requests for financial assistance than men. 41% of women stated they had a plan, compared to 13% of men.

Competence with Managing Household Expenditure

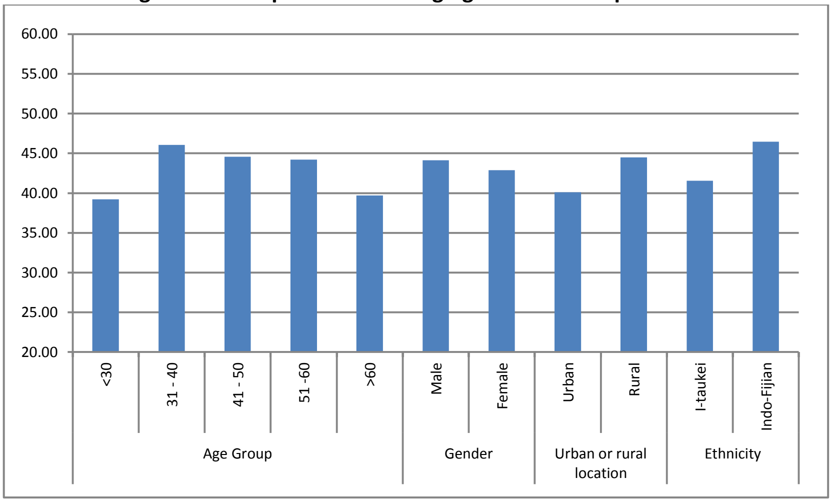
It appears many low income households in Fiji, whether rural or urban, iTaukei or Indo-Fijian, demonstrate low levels of competence at managing household expenditure. Only 11% of households track spending. In instances where the household does keep track of spending, the principal method is memorisation. For example, 67% of households that stated they kept track of the previous week's spending, used memorisation rather than written record keeping. However, the percentage of households reporting serious financial problems was relatively small. Between 3%-13% of respondents reported their household was experiencing serious financial problems. These households were more likely to be iTaukei households and rural households. This contrasts with the higher number of Indo-Fijian households which stated they struggled to pay household bills. The reason for the disparity may be economic rather than a consequence of the management of household cash flows. As shown in Figure 19, households exhibited greater competence at managing shorter term expenditure than expenditure which required longer term planning, with Indo-Fijian households generally being slightly more competent than iTaukei households.

Figure 19: Competence with Managing Components of Household Expenditure



As shown in Figure 20, the overall pattern of financial competence in respect to managing household expenditure was similar to the pattern for management of household income. Typically, financial competence diminishes with age (although respondents under the age of 30 exhibited the lowest levels of financial competence at managing expenditure than other age groups) and men are slightly more financially competent than women, while rural households are slightly more competent than urban households and Indo-Fijian households are also slightly more competent than iTaukei households. The differences, however, are not significant, and, in respect to location, may be a consequence of the larger rural sample size.

Figure 20: Competence – Managing Household Expenditure



d) Keeping Records of Income and Expenses

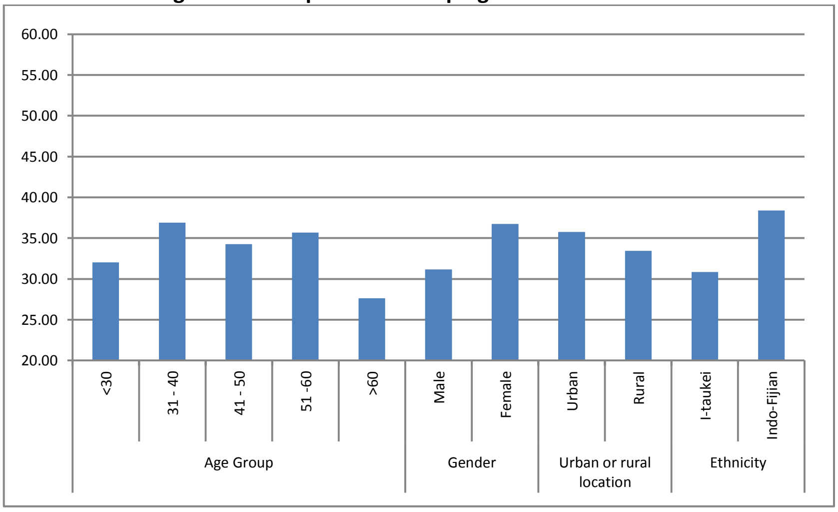
Keeping financial documents and a record of cash-flows are basic financial competencies. Three competencies were tested: Keeping financial documents, keeping a record of household cash-flows, and checking financial documents for accuracy. The competencies are shown in Table 13.

Table 13: Keeping Household Financial Records

Activity-Level Sub-Section	Competencies
Keeping Household Records	• Keep copies of key household financial documents • Check household financial documents for accuracy
	• Keep a record of household cash-flows

Between 80% and 87% of households stated they kept copies of financial documents. Between 80% - 95% households stated they checked if bills were correct prior to payment. Indo-Fijian households are more likely to keep copies of financial documents than iTaukei households (87% of Indo-Fijian households compared to 78% of iTaukei households). However, few households keep written records of household expenditure. Only 6% of men and 9% of women stated they kept a written record of household cash flows. As shown in Figure 21, competence with the management of household records does not appear to correlate with age, gender or location. Women appear to be slightly more competent than men, and urban households slightly more competent than rural households. Overall, Indo-Fijian households appear to be more competent at household record keeping than iTaukei households.

Figure 21: Competence – Keeping Household Records



e) Overall Competence at Managing Money

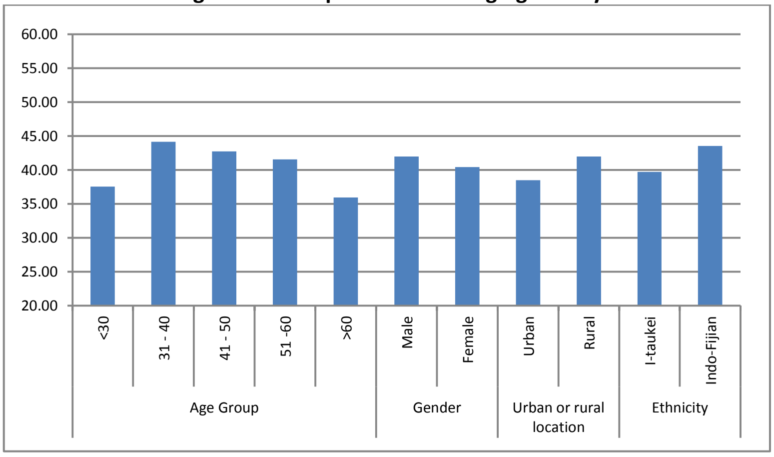
The set of competencies within the domain 'Managing Money', were submitted to factor analysis to determine an overall financial competence score for the domain. The competencies included in the factor analysis are shown in Table 14:

Table 14: Competencies Included in Managing Money Factor Analysis

Competence with non-cash transactions
Competence with managing household income
Competence with identifying and recording household expenditure
Competence with managing essential expenditure
Competence with managing regular and one-off expenditure
Competence with managing requests for financial assistance
Competence with keeping household records

As shown in Figure 22, overall financial competence at managing money is generally low. The principal differences in financial competence are age-related. Younger respondents and older respondents exhibit lower levels of financial competence. At the domain level, however, the differences are not significant.

Figure 22: Competence – Managing Money



Regression analysis was undertaken to determine factors that indicated higher levels of financial competence at managing money. The variables included in the model were those shown in Table 31 (refer Appendix). Overall, the model had moderate explanatory power and explained 12% of the variance in the managing money score. Four variables were significant: The household domiciled in a rural location (although this may be influenced by the significantly larger sample in rural locations), the household being in receipt of wage/salary incomes, the household having a budget and the household managing income jointly (managing income was used as a proxy for managing household finances jointly). The relationship between competence with managing money and receipt of wage/ salary income can be explained by the greater likelihood of engagement with the formal financial system as a consequence of wage/salary employment. The relationship between competence with managing money and the household having a budget and managing finances jointly, suggests that competence with managing money may be related to competence with planning the use of household cash-flows and the joint involvement of both principal financial actors in household cash-flow management.

4.4. Domain 2: Making Financial Choices

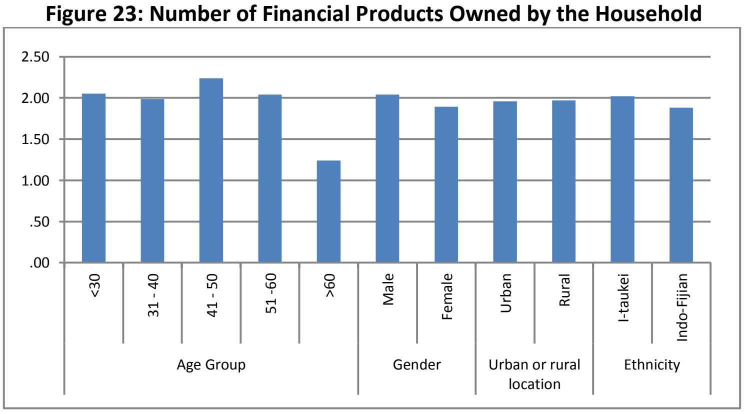
The domain 'Making Financial Choices' encompasses the set of financial products, both formal (in particular banks) and informal, used by the household and members of the household. The products have been grouped into short term cash flow management, longer term asset accumulation, and credit products:

- Savings
- Long term savings
- Borrowing

a) Usage of Financial Products

As shown in Figure 23, on average households own 2.0 financial products per household (both formal and informal). There is little difference based on gender, location or ethnicity. However, the number of financial products owned is significantly lower for older respondents. Respondents 60 years and over reported an average of 1.2 products per household. Both men and women stated their household owned the same number of financial products.

Figure 23: Number of Financial Products Owned by the Household



A breakdown of financial product usage across product groups by age, gender location and ethnicity is shown in Table 15. Bank account ownership ranges between 28% (>60 years) and 54% (51-60 years). This is considerably higher than previous studies and may reflect both increased use of financial services generally and the migration of Department of Social Welfare benefit payments from voucher to direct credit to a bank account. In addition, previous studies have focused on rural households, with urban households appearing to be more likely to have a bank account. The most common form of long term savings is the National Provident Fund (or superannuation). Urban households are significantly more likely to have superannuation/provident investments (61% urban, 33% rural). This is likely to be a consequence of higher levels of wage/ salary employment. Levels of hire purchase, whilst modest for low income households are, not surprisingly, higher in urban communities than rural communities. Rural households are more likely to use informal credit, in particular store credit (38% rural, 23% urban) than urban households. There was little gender difference in account ownership. Indo-Fijian households reported considerably higher levels of bank account ownership and considerably lower levels of informal credit.

Table 15: Financial Product Ownership

		Provident/ superannuation (self or spouse)	Other term investment	Savings/ cheque account with a bank	Other savings account	Formal loan (secured or unsecured)	Hire purchase	Store credit	Loan from family/ friends	Other informal loan
Age Group	<30	46%	13%	41%	8%	8%	15%	49%	23%	3%
	31 - 40	38%	7%	35%	26%	4%	6%	31%	42%	9%
	41 - 50	43%	11%	40%	20%	16%	19%	37%	32%	5%
	51 -60	44%	11%	54%	21%	7%	6%	33%	24%	4%
	>60	20%	4%	28%	18%	2%	4%	24%	16%	8%
Gender	Male	39%	10%	44%	24%	6%	10%	33%	33%	4%
	Female	39%	9%	36%	15%	11%	11%	35%	25%	8%
Location	Urban	61%	11%	47%	13%	5%	13%	23%	20%	3%
	Rural	33%	9%	38%	22%	9%	9%	38%	32%	7%
Ethnicity	iTaukei	39%	8%	32%	24%	7%	10%	44%	30%	7%
	Indo-Fijian	40%	11%	51%	13%	10%	11%	20%	27%	4%

b) Savings

Managing surplus household cash flow by saving money in either a formal or an informal savings account is a core financial competency. Two groups of competencies were tested: keeping money safe, whether or not the funds are kept in a savings account, and forms of saving account used by the household and the decision process in respect to selecting the savings account. The competencies are shown in Table 16.

Table 16: Competencies – Saving

Activity-Level Sub-Section	Secondary Activity-level Sub-Section	Competencies
Saving	Keep money safe	• Keep money in a safe place
	Forms of saving	• Keep savings in a (bank) account • Compare savings options before committing to a financial product or service • Select an appropriate savings option and save to provide for planned and unplanned future expenditure

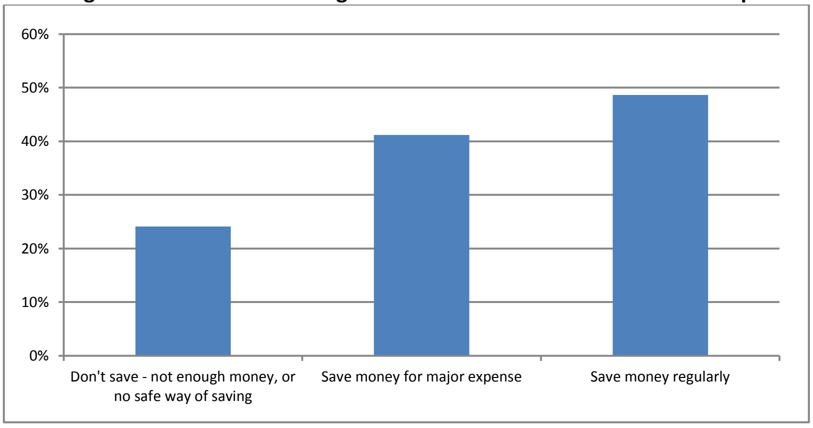
As shown in Table 17, the pattern of variance between the various methods of keeping money safe was reasonably consistent across age groups, gender, location and ethnicity. There are variances in respect to how household money is kept safe. Women are more likely than men to keep household money safe by hiding money, keeping money in a locked box or giving money to someone else to look after. Similarly, rural households are less likely to use a bank account. Whilst most respondents stated they kept household cash safe, iTaukei respondents were nearly four times more likely than Indo-Fijian respondents, to state they did not keep cash in a safe place.

Table 17: How Household Cash is Kept Safe

		Not kept safe	Locked box, hidden, give to someone to look after	Savings club	Bank/ Microfinance/ Credit Union
Age Group	<30	13%	49%	0%	33%
	31 - 40	7%	53%	4%	33%
	41 - 50	11%	53%	0%	33%
	51 -60	11%	36%	1%	50%
	>60	14%	52%	2%	30%
Gender	Male	13%	41%	0%	41%
	Female	9%	56%	3%	31%
Location	Urban	11%	44%	0%	40%
	Rural	11%	50%	2%	35%
Ethnicity	iTaukei	15%	45%	2%	35%
	Indo-Fijian	4%	54%	0%	39%

Overall, 53% of respondents stated they were responsible either solely or jointly for the management of household savings activity. Indo-Fijian respondents were significantly more likely to consider household savings activity was the responsibility of someone else in the household (60% Indo-Fijian, 38% iTaukei). Ownership of a bank account appears to facilitate household savings activity. As shown in Figure 24, 49% of households which reported they saved money regularly also reported the household had a bank account. 41% of households that reported saving for major expenses, also reported having a bank account. Whereas, only 24% of households that reported they did not save, had a bank account. Few respondents (<5%) reported they did not save because they did not have a safe or accessible means of saving. The most common reason provided as to why households did not save, was due to insufficient funds to be able to save (37% of respondents). This finding is different to the finding in similar studies of low-income households. The reasons for the difference may be in part due to the inclusion of urban households in the sample and also may be due to policy changes, in particular the distribution of Social Welfare benefits by transfer to a bank account, as well as to outreach efforts by financial institutions in Fiji.

Figure 24: Household Savings Patterns with bank Account Ownership



Patterns of depositing funds into, or withdrawing funds from the savings account, are similar across households. Approximately 23% of households transact (either deposit or withdrawal) on their savings account either weekly or fortnightly. 50% of households stated they transacted less frequently than once a month.

Approximately 30%-35% of iTaukei respondents reported owning a bank account, irrespective of gender or location. 55%-60% of urban Indo-Fijian respondents reported bank account ownership, irrepsective of gender. By contrast, 64% of rural Indo-Fijian men reported bank account ownership compared to 33% of women.

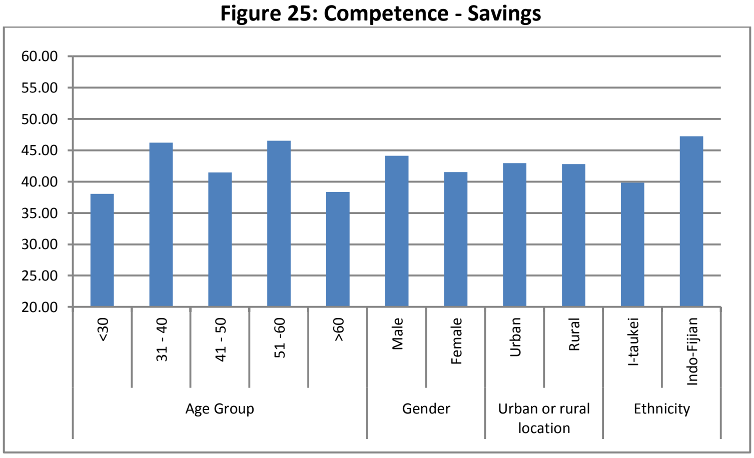
Ownership of a savings account is similar for iTaukei men and women. However, in the Indo-Fijian community, men are significantly more likely to own a savings account than women, particularly in rural households. Approximately 65% of men in urban Indo-Fijian households reported owning a savings account, compared to 50% of women. In rural households, 70% of Indo-Fijian men reported owning a savings account compared to 40% of women. The pattern of bank account ownership appears to be different between low income iTaukei and Indo-Fijian households.

Analysis was conducted to determine factors which predict ownership of a savings account (refer Appendix for regression model). Overall, the regression model explained between 10.5% and 14.2% of the variance in ownership of a savings account. Three variables predicted ownership of a bank account. Being a member of the Indo-Fijian community was one, along with receipt of wage/ salary incomes and English language fluency.

Overall, competence with managing savings activity appears to be low. 70% of respondents who had a savings account also stated they did not compare savings product alternatives prior to purchasing the savings account. 60% of respondents stated they did not check the terms and conditions of the product before purchasing the account. 37% of respondents stated they did not know the balance of their savings account.

As shown in Figure 25, despite perceptual differences as to who in the household is responsible for managing savings activity, Indo-Fijian households appear to be generally more competent at managing household savings activity than iTaukei households, although the difference is not major. However, Indo-Fijian respondents were slightly less likely to state their savings account was for household use than personal use (68% Indo-Fijian, 79% iTaukei). Men appear to have a slightly higher level of competence than women. Younger and older respondents generally exhibited lower levels of financial competence. The pattern is similar to levels of competence with managing money.

Figure 25: Competence - Savings



c) Investing

Accumulating assets over the longer term requires a different set of competencies to that required for managing shorter term savings. This is particularly important in respect to accumulating assets, whether financial or social, to provide for old age. In rural subsistence communities, social insurance is a common form of providing for old age, in particular, the provision of support by children and other family members. As monetisation and urbanisation increases, having strategies in place to be able to meet household expenses when the principal income earners are no longer in employment, becomes an increasingly important financial competence. Urbanisation is increasing in Fiji and with this, the incidence of wage/salary incomes as the principal form of household incomes is also becoming more prevalent. Two competencies were tested; these are shown in Table 18.

Table 18: Competencies – Investing

Activity Level Sub-Section	Competencies
Investing	• Accumulate assets over the longer term (monetised and non-monetised, asset based and social) • Compare asset accumulation options before committing to a financial product or service

As shown in Table 19, a significant percentage of respondents report some form of longer term savings. The level of provident fund/superannuation fund investment is higher than may be expected from a sample in which a high proportion of households earn primarily subsistence income and 44% of households reported receiving wage/salary income. There was a significant correlation (r=.322, p<.001) between respondents who reported both *current* receipt of regular wage/ salary incomes by a member of the household and provident fund investment. Given contribution is compulsory for formal employment, the level of correlation should be higher than 32%. The lower than expected correlation may be due to members of the household not knowing, or having insufficient understanding of National Provident Fund contributions. Given provident fund investment may be a function of prior employment; the longitudinal correlation is likely to be higher.

Most respondents reported they did not check the terms and conditions of their long term savings product(s) before purchasing the product. Whilst this is congruent with respondents' overall levels of financial competence, it is also likely to be a function of compulsory provident fund contribution.

Table 19: Ownership of Long Term Savings Products

		Provident/ superannuation	Unit trust/ shares	Term deposit	Life insurance
Location	Urban	61%	0%	5%	5%
	Rural	33%	2%	3%	5%
Ethnicity	iTaukei	39%	2%	0%	6%
	Indo-Fijian	40%	1%	7%	3%

The principal purpose of long term savings is to enable the individual or household to provide for unexpected future events, to provide for children's future needs or to provide for retirement. In respect to retirement, as shown in Figure 26, respondents indicated they used a range of asset accumulation strategies to prepare for old age or retirement. The dominant form of retirement provision, particularly for older men and women, continues to be support from children or other family members. This is perhaps of some concern as, while it is a 'traditional' form of preparing for retirement, social insurance[13] may be becoming more difficult to rely on in situations in which children may no longer be residents in the same community or even the same country.

However, the process of preparing for retirement appears to be in transition. In a monetised economy, all households need to make financial provision for retirement. There appears to be an increasing shift from social insurance to financial provision. The transition from social to financial provision for retirement appears to be more prevalent in the Indo-Fijian community than the iTaukei community. The pervasive belief, in particular by iTaukei households, that children or family will provide support, does not appear to be borne out by the levels of support provided to those who are no longer working. As shown in Figures 26 and 27, Indo-Fijian respondents' expectations of reliance on social insurance were generally lower than that of the iTaukei community. 60% of Indo-Fijian respondents expected to rely on their children in retirement and 13% expected to receive support from their family, compared to 77% of iTaukei who expected their children would provide support and 20% who had the same expectations of family. Among the iTaukei respondents, levels of expected reliance on children were higher than levels of current reliance on children, by households that were no longer working (44%). In Indo-Fijian households, by comparison, the percentage of respondents who were still working and who expected their family to support them when they were no longer working, was lower than the percentage of respondents who were no longer working and who were receiving financial support from their family (60-63%).

[13] Social insurance is used in the context of this report as the provision of support by family or the community for members of the household who are no longer working due to age. Social insurance does not mean a universal age related pension.

The next generation of retirees in iTaukei households appears to have a higher expectation of support from their children than they are currently providing to their parents. Whereas in Indo-Fijian households, the opposite appears to apply; the next generation of retirees appears to have lower expectations of support from their children than they are currently providing to their parents. In addition, the expectation by the Indo-Fijian community of being able to access savings or investments in retirement is significantly higher than current levels (11% compared to 3%). iTaukei respondents may be over-estimating the extent to which social insurance may be able to meet their household expenses in retirement. In addition, the effective ability to return to village may be lower than perceived by iTaukei. The number of iTaukei who returned to their village following retirement was significantly lower than the percentage of iTaukei who stated they expected to return to their village when they retired (3% who had returned to their village compared to 24% who expected to return to their village).

Overall, planning for the time when respondents are no longer working appears to be generally inadequate. In addition, whilst approximately two-thirds of respondents (or their spouses) were currently working, approximately 18% of iTaukei respondents and 25% of Indo-Fijian respondents stated they have no plan as to how they will fund their retirement. Whilst 17% of men stated they expected to receive a pension/superannuation payment, only 11% currently contributed to a pension/superannuation scheme. Dependence on children appears to be particularly high for women. 77% of women stated they expected to rely on children for support in retirement, compared to 62% of men.

Respondents appear to be aware their provision for retirement is likely to be inadequate. Most respondents in households who were currently working did not consider the forms of retirement provision available to the household sufficient to meet all household expenses when they were no longer working. In addition, most respondents who were no longer working stated the forms of income available to them were inadequate to meet all household expenses. The situation appears to be particularly difficult for Indo-Fijian households. However, a high percentage of Indo-Fijian respondents (57%) stated they do not expect to be able to meet household expenses when they are no longer working. This may be due to the lower expectation that children will be the primary providers of support in retirement. By comparison, 28% of iTaukei stated they did not expect to be able to meet household expenses when they are no longer working.

Figure 26: How Household Expenses Expected to be Met When No Longer Working

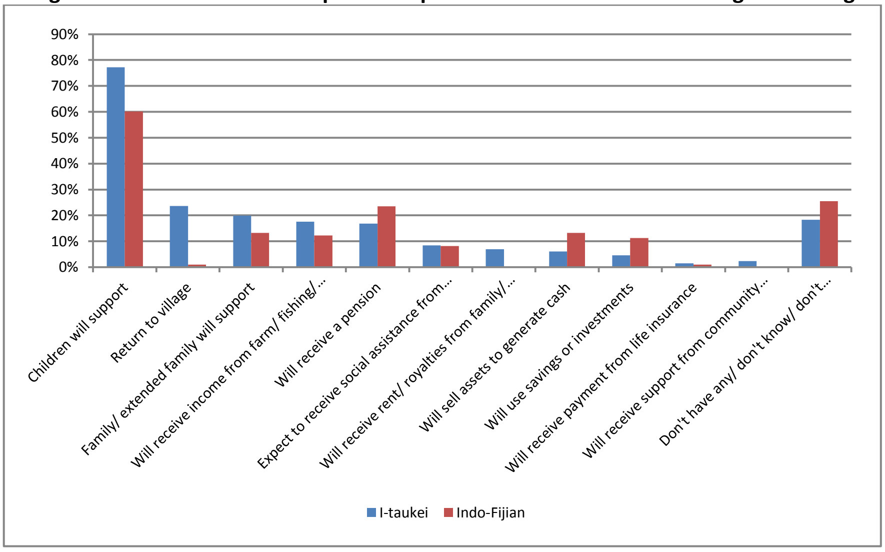
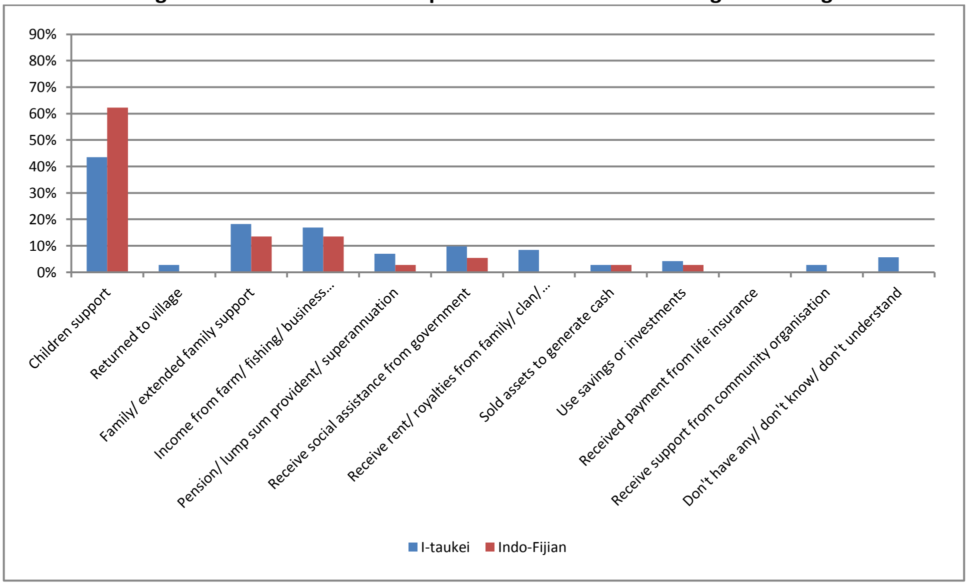
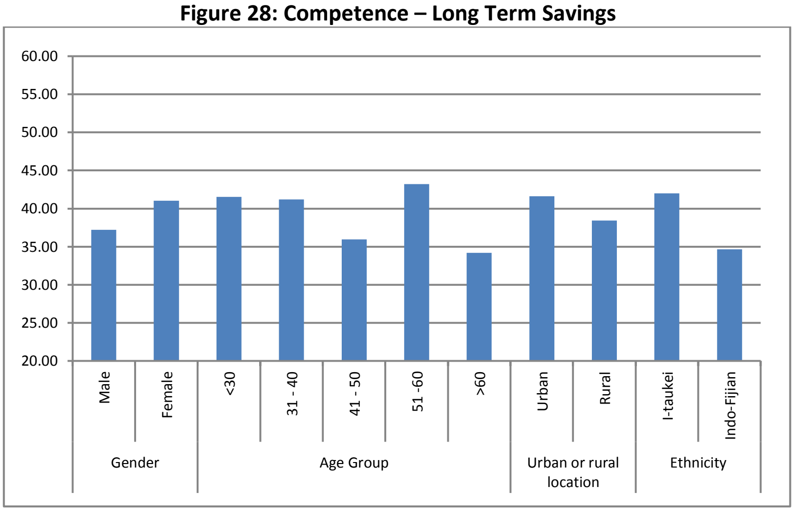


Figure 27: How Household Expenses are Met Now No Longer Working



Overall levels of competence with managing longer term savings are low. As reliance on financial rather than social provision for retirement increases, the need for financial competence in the management of longer term savings will also increase. Financial competence with long term savings reduces with age. Urban households exhibit higher levels of competence than rural households. This is due to the higher incidence of provident/superannuation fund ownership in urban households. The higher overall competence level for iTaukei can be attributed to the greater perception of iTaukei that they will be able to access social support in retirement.

Figure 28: Competence – Long Term Savings



d) Borrowing

The ability to use credit, both formal and informal, to smooth cash-flows and to assist in the purchase of assets, is central to the contemporary money economy. As shown in Table 20, two groups of competencies were tested: Households' use of different forms of credit to facilitate household financial management, and the household's management of current credit obligations.

Table 20: Competencies - Borrowing

Activity-Level Sub-Section	Secondary Activity-Level Sub-Section	Competencies
Borrowing	Forms of credit	• Compare credit options and select appropriate forms of credit before committing to a financial product or service • Use short-term credit effectively to assist in the management of household cash flows and medium-long term credit to assist in the accumulation of household assets/ sustainable cash-flows • Determine the eligibility criteria and terms and conditions for a selected form of formal credit
	Managing credit	• Repay borrowing in accordance with terms and conditions • Only provide collateral security if the potential consequences have been explained and are acceptable

Forms of Credit

The following are the most common forms of credit used by low income households in Fiji and the percentage of households that reported using the form of credit (refer Table 21).

Table 21: Forms of Credit used by Low Income Households and Percentage of Households Reporting Usage

	Formal loan (secured or unsecured)	Hire purchase	Store credit	Loan from family/ friends	Other informal loan
All	8%	10%	34%	29%	6%
iTaukei	7%	10%	44%	30%	7%
Indo-Fijian	10%	11%	20%	27%	4%

As has been found in previous studies, the use of credit is common in low income households, in particular, credit to smooth cash-flow shortfalls. As discussed in Section 4.3 a (*Usage of Financial Products*), the most common form of short term borrowing was store credit, particularly in rural and iTaukei households (38% of rural households and 23% of urban households, 44% of iTaukei households and 20% of Indo-Fijian households). Other forms of informal credit, in particular borrowing money from family or friends, was also slightly more common in iTaukei than Indo-Fijian households (37% of iTaukei households compared to 35% of Indo-Fijian households). Other forms of formal credit were not common and were reported by <10% of households.

Management of Credit

All respondents stated their household was able to repay store credit obligations as required. Use of credit to buy essential items appears to be relatively infrequent: 75% - 80% of respondents stated their household used credit to buy necessary items less frequently than once every month.

Indio-Fijian households appear to have greater difficulty in managing household credit obligations than iTaukei households. Indo-Fijian households were more likely to state they had to borrow money to repay debts at least once in the past 2-6 months (34% compared to 17% of iTaukei households). Only 39% of Indo-Fijian households stated their loan repayments were up to date, compared to 89% of iTaukei households[14]. Conversely, Indo-Fijian respondents were more likely to state they knew how much money the household had borrowed over the past year than iTaukei respondents (64% Indo-Fijian, 31% iTaukei). Indo-Fijian households were also significantly less likely to state household borrowing was managed jointly than iTaukei households (14% compared to 24% of iTaukei households).

As shown in Table 22, men appear to assume a greater role in the management of the household's borrowing. Indo-Fijian households reported significantly lower levels of ability to manage current

[14] This figure is considered to be very high and may be an over-estimation

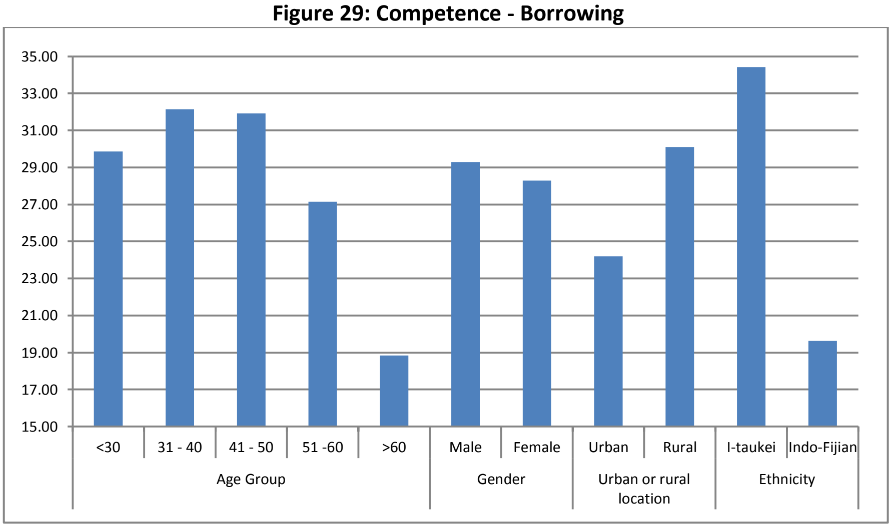
borrowing. As discussed above, Indo-Fijian households report higher levels of new borrowing to repay existing debts. In addition, a significantly greater percentage of Indo-Fijian households do not appear to be able to make loan repayments from current income (suggested the household is over-extended with borrowing), and a very high percentage consider the household could not meet credit obligations if household income was halved.

Table 22: Management of Household Borrowing - Gender Differences

		Male		Female	
		iTaukei	Indo-Fijian	iTaukei	Indo-Fijian
Respondent Involved in Management of Household Borrowing	Mainly self	42%	69%	22%	17%
	Self and Spouse	26%	9%	28%	21%
Respondent not involved in management of Household Borrowing		32%	23%	51%	63%
Household always able to make loan repayments from monthly income	No	21%	56%	18%	50%
	Yes	79%	44%	82%	50%
Household able to repay loans if income reduced by 50%	No	46%	91%	44%	72%
	Yes	54%	9%	56%	28%

Overall, competence with the management of borrowing is low. As shown in Figure 29, competence diminishes very significantly with age. Men exhibit similar levels of financial competence to women. In contrast to competence with the management of savings, but similar to the management of long-term savings, the iTaukei community exhibits significantly greater levels of financial competence in respect to borrowing than the Indo-Fijian community.

Figure 29: Competence - Borrowing



e) Cost of Money and Financial Terms and Conditions

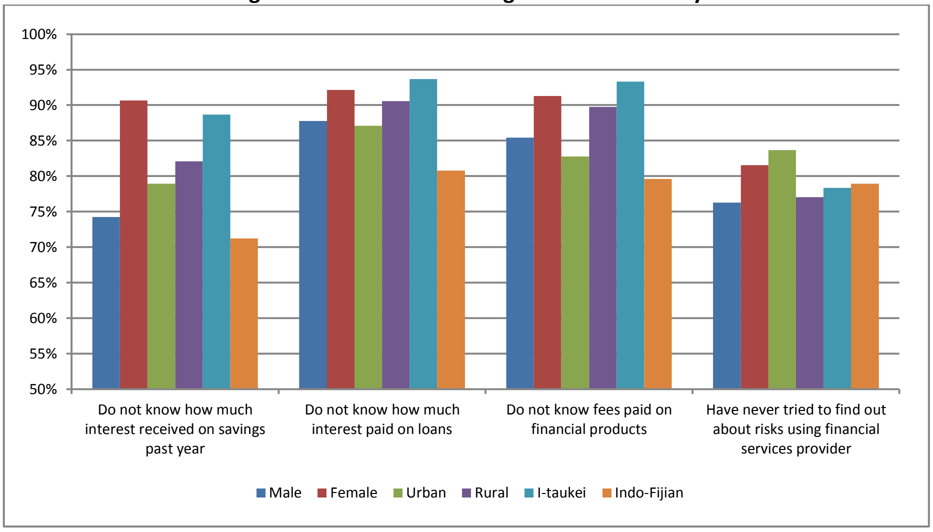
Understanding the cost of money, both interest and fees, financial terms and conditions associated with financial products and the risks associated with the use of financial institutions, are important competencies essential to using financial services, whether for transacting, saving or borrowing. Two groups of competencies were tested: Respondents' understanding of financing costs, and their understanding of the risks relating to the use of financial institutions. The competencies are shown in Table 23.

Table 23: Cost of Money and Financial Terms and Conditions

Activity-Level Sub-Section	Secondary Activity-Level Sub-Section	Competencies
Cost of Money and Financial Terms and Conditions	Financing costs	• Monitor the interest rate received/ paid on household deposits/ loans • Determine net interest received on deposits, the total cost of borrowing on loans and the fees charged on financial products used by the household • Ensure household financial commitments allow for adverse changes in interest rate
	Financial services providers	• Determine the relative risk of available financial services providers • Select a financial service provider based on risk and suitability • Complain to, or seek redress from, a financial services provider

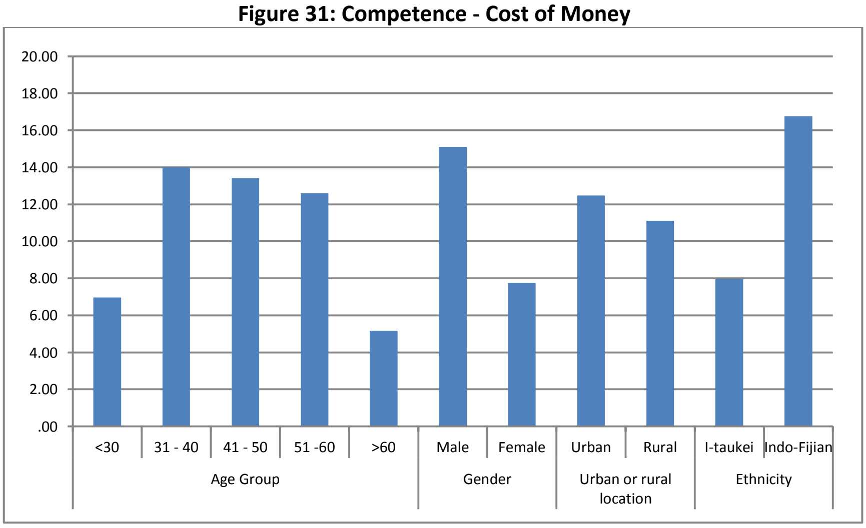
As shown in Figure 30, knowledge of the cost of money, whether interest received or interest paid, or fees paid on financial products, is very low. In general terms, most respondents do not know the costs associated with their financial products, nor do they understand the terms and conditions or the risks associated with the financial organisations used. The lack of knowledge of interest paid on loans is of particular concern in respect to the iTaukei community, given the relatively high incidence of borrowing:

Figure 30: Limited Knowledge of Cost of Money



Overall competence with managing the cost of money and financial terms and conditions is very low and is of considerable concern in an environment of increasing engagement with the formal financial system. This is also of particular concern in iTaukei households which have relatively higher levels of borrowing than Indo-Fijian households. As shown in Figure 31, there was a similar pattern with other competencies in respect to age-related financial competence. Older respondents and women exhibited lower levels of financial competence than younger respondents and men.

Figure 31: Competence - Cost of Money



f) Overall Competence at Making Financial Choices

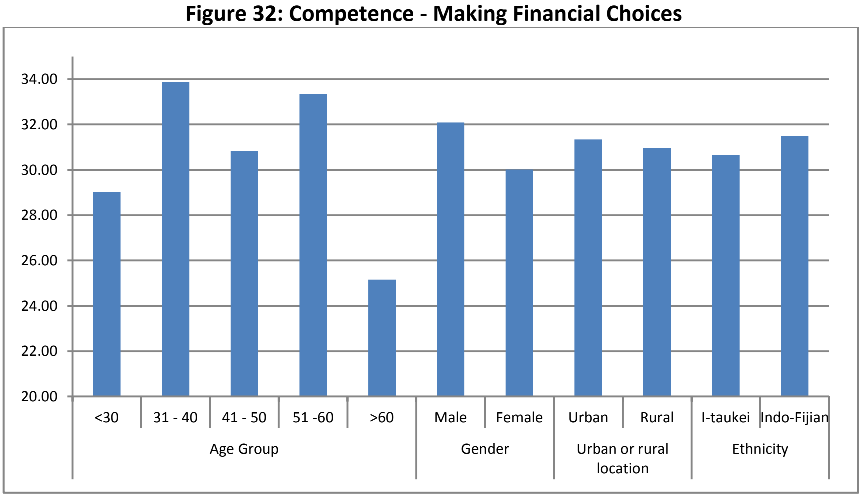
The set of competencies within the domain 'Making Financial Choices' were submitted to factor analysis to determine an overall financial competence score for the domain. The competencies included in the factor analysis are shown in Table 24.

Table 24: Competencies Included in Making Financial Choices Factor Analysis

Competence with managing savings
Competence with managing long term savings
Competence with managing borrowing
Competence with managing cost of money

As shown in Figure 32, overall financial competence at making financial choices is low-moderate. The principal differences in financial competence are age-related. Older respondents exhibit significantly lower levels of financial competence. There is little difference in levels of competence relative to gender, location or ethnicity.

Figure 32: Competence - Making Financial Choices



Regression analysis was undertaken to determine factors that indicated higher levels of financial competence at making financial choices. The variables included in the model were those shown in Table 33 (refer Appendix). Ownership of a savings/cheque account with a bank and the total number of financial products owned were not included in the model as these variables contributed to the competency score for making financial choices.

Overall, the model had moderate explanatory power and explained 17.4% of the variance in managing money score. Three variables were significant: The household being in receipt of wage/ salary income, fluency with English and the household having a budget. The relationship between competence with making financial choices and receipt of wage/salary income can be explained by the greater likelihood of engagement with the formal financial system, in particular, ownership of a bank account as a consequence of wage/ salary employment. The relationship between competence at making financial choices and English language fluency is likely to be due to a greater willingness by English speakers to engage with the banking system than non-English speakers. This may also, in part, explain the lower financial competence of older respondents. The relationship between competence with making financial choices and the household having a budget, suggests that competence with making financial choices may be related to competence with planning the use of household cash and managing cash fluctuations through saving and short term borrowing.

4.5. Domain 3: Planning Ahead

Setting financial goals and planning the household's future income and expenditure are core financial competencies. Two groups of competencies were tested: Establishing financial plans and goals for the household and budgeting household cash-flows. The competencies are shown in Table 25.

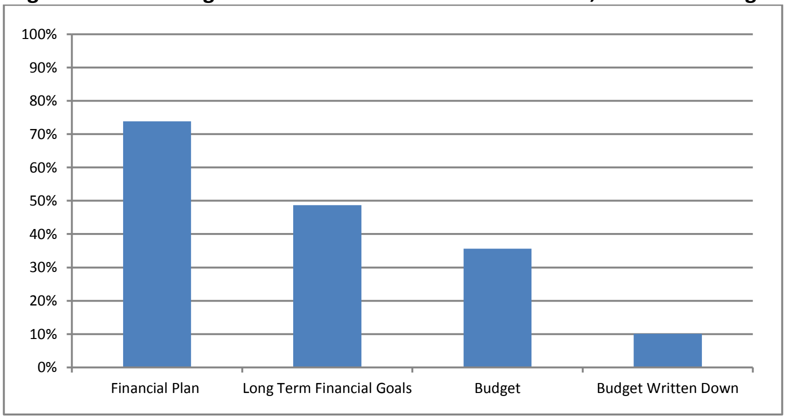
Table 25: Budgeting and Planning

Activity-Level Sub-Section	Competencies
Planning and goal setting	• Determine household financial goals and communicate to all (relevant) household members • Monitor achievement of the household's financial goals • Develop and communicate a plan to achieve household goals to all (relevant) household members • Adjust the household financial plan periodically as the household's situation changes • Plan for one-off major expenditures and major unexpected expenses or changes in household situation
Budgeting	• Develop a budget based on household cash flows (referencing household financial records), in conjunction with all (relevant) household members • Use a budget to manage household cash flows • Communicate the household budget to all (relevant) household members • Revise/update the household budget periodically

a) Planning

As shown in Figure 33, approximately 75% of respondents stated their household had some form of financial plan. The plan is likely to relate to children. 70% of households interviewed had dependent children. Of those households, approximately 45% stated they had undertaken some form of activity to prepare for their children's future (usually a plan to provide for education expenses). The perception that the household had a financial plan did not translate to specific financial goals and a written budget. Approximately 50% of respondents stated their household had financial goals. Achievement of financial goals typically requires planning and managing household income and expenditure. Approximately one third of households (10% of all households) that stated they had a household budget also stated the budget was written down.

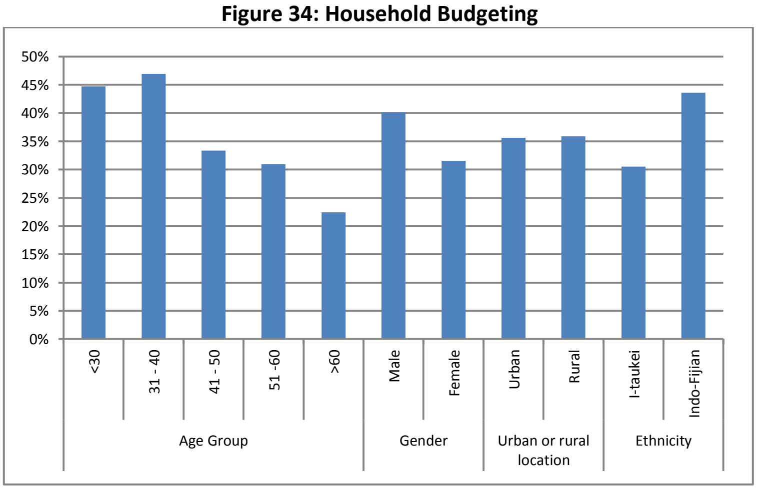
Figure 33: Percentage of Household's with a Financial Plan, Goals and Budget



b) Budgeting

Budgeting was not consistent across low income households. The use of a household budget reduced significantly with age. Men were more likely than women to state the household had a budget. More Indo-Fijian households budget than iTaukei households.

Figure 34: Household Budgeting



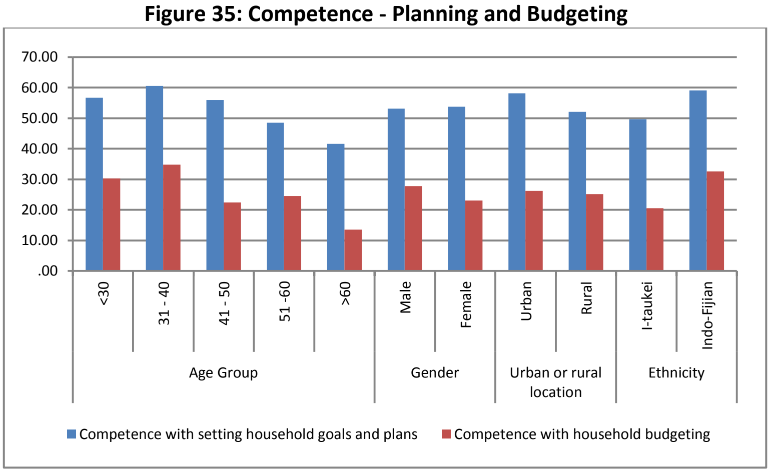
Households with a budget appear to be competent at managing the household budget. 63% of respondents stated they periodically checked household income and expenditure against the household budget. 61% of respondents who stated their household had a budget also stated the budget covered all household expenditure. There was a significant difference between men and women in respect to management of the household budget. 50% of men stated they checked household income and expenditure against the budget, compared to 80% of women. Similarly, 76%

of Indo-Fijian respondents stated they checked household income and expenditure against the budget, compared to 50% of iTaukei respondents.

Logistic Regression was undertaken to determine factors indicative of the likelihood of the household having a budget. Overall the analysis is indicative as the model explained only 9%-13% of the variance. Three variables were significant (refer to Appendix for Table 34): Budgeting was inversely correlated to age; households that managed income jointly were more likely to budget than households that received income from business activity. The strongest predictor was household managing money jointly. These households are over twice as likely to have a budget as households that do not manage money jointly. Joint management of household finances appears to be a consistent indicator of financial competence across a range of domains.

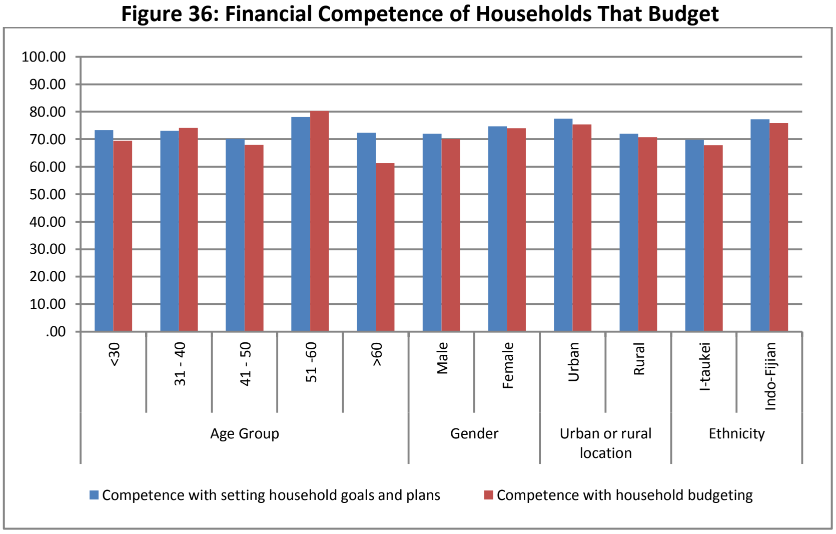
Factor analysis was not undertaken to determine a competency score for the domain 'Planning Ahead'. There are only two competencies for which scores were developed (planning and budgeting) and, as shown in Figure 35, the differences between the scores for household plans and goals and for household budgeting are marked, across all age groups, gender, locations and ethnicities.

Figure 35: Competence - Planning and Budgeting



By comparison, as shown in Figure 36, the competency scores for households which had a budget exhibited greater similarity between the score for goal setting and planning and that for budgeting.

Figure 36: Financial Competence of Households That Budget



Regression analysis was undertaken to determine factors that indicated higher levels of financial competence with household planning and budgeting. The variables included in the model were those shown in Table 35 (refer Appendix). The household having a budget was not included in the model as this variable contributed to the competency score for planning ahead. Three variables were significant: Indo-Fijian household, age, and the household managing finances jointly. Indo-Fijian households were more likely to have a household budget, to check income and expenditure against the budget and to have a written budget. Younger respondents are more likely to budget than older respondents. As discussed above, the joint management of household finances is a consistent indicator of financial competence.

4.6. Domain 4: Seeking Financial Advice

The domain 'Seeking Financial Advice' has not been included in the analysis, or in the calculation of the overall competence score. Whilst respondents indicated they had used a range of sources of financial advice in the past, the most common source of advice was the respondent's spouse (14% of respondents). Only 10% of respondents stated they had ever sought advice from a professional source (a bank manager or other finance professional). The most common response, however, was 'don't understand' (36% of respondents). It appears the concept of seeking financial advice is one with which low income households in Fiji are generally unfamiliar.

Chapter Five: Policy Implications

5.1. Overview of Policy Implications

It is evident from this study of the financial competence of low income households in Fiji, that the level of financial competence of these households is generally low. This is evident across urban and rural, as well as iTaukei and Indo-Fijian households. Interventions to increase the level of financial competence, whether policy or programme focussed, will need to address each of these communities. In addition, financial competence is low across all age groups, in particular older age groups, and both men and women. Therefore, whilst interventions may use delivery mechanisms developed for specific groups, a key finding of this study is that increasing the financial competence of all low income communities is a priority.

Households that are more competent, manage money differently to households that are not:

a) **Households that are more financially competent have a bank account**. This provides the household with the ability to effect electronic transactions and with a means of managing savings. Increasing the number of households with access to the transaction system and a means of secure saving, will increase financial competence.

b) **Households that are more financially competent have a deeper involvement with the financial system**. These households own more financial products. Deepening the household's engagement with the financial system, in particular the formal financial system, will increase financial competence. However, levels of understanding of the cost of money indicate caution in respect to programmes to increase product usage, as most households do not understand the cost of the financial products they use.

c) **Households that are more financially competent have a budget**. These households plan their income and expenditure. They do not necessarily write the budget down as a formal document. However, income and expenditure is planned in advance. Financial education programmes that can successfully increase the number of such households will increase financial competence.

d) **Households that are more financially competent manage their cash-flows collectively**, rather than each member of the household managing their own money individually. Financial education programmes that successfully encourage co-operation among the adults responsible for the management of the household's finances, will increase financial competence.

Key Issues in the Financial Competence of Low Income Households

There are several key issues that have emerged from the study, in respect to financial competence. These issues span both policy and programme activity and are considered to be issues of priority:

a) **Increasing the number of low income households with a bank account:** Engagement with the money economy requires a means of effecting transactions and keeping money safe. A continued focus on increasing financial inclusion is required, including involvement by the private sector and the innovative use of technology.

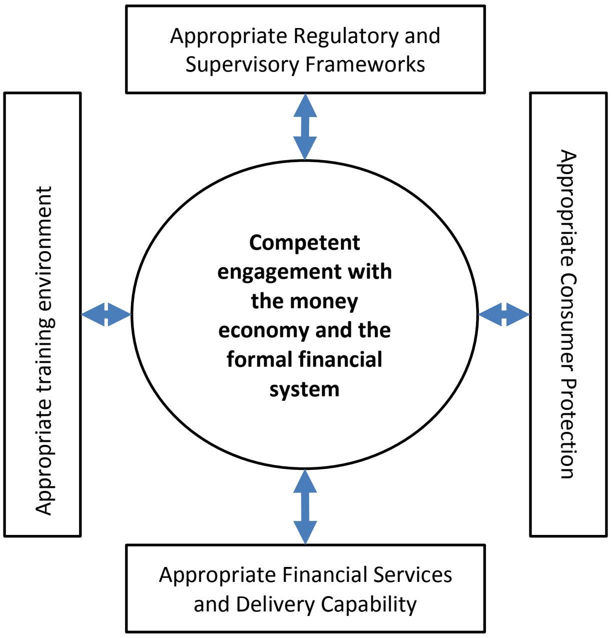
b) **Understanding the cost of money**: The findings from this study in respect to understanding the cost of money are unequivocal: adults who make financial decisions on behalf of low income households in Fiji have a very limited understanding of the cost of money. These households are therefore vulnerable to predatory practices, including having a limited ability to be able to determine the acceptability of a financial services offering. This not only exposes these households to the risk of high interest and fee charges, it also creates a potentially significant vulnerability to financial scams. Regulation may be required to protect vulnerable financial consumers. Perhaps of greater urgency is the requirement to develop programmes of disclosure, a comprehensive education programme in respect to the cost of money, and the importance of determining the cost of financial services as well as the potential risks of purchasing financial services products and using a financial services provider, before committing to the product. As engagement with the financial system deepens, the requirement for households to understand the cost of money will increase.

c) **Identifying and managing household cash-flows**: Most low-income households appear to have a limited understanding of the actual cash-flows coming into, or being expensed by, the household. In part, this is due to a lack of budgeting and in part, to the household not managing finances collectively. In a household in which a regular salary is the dominant form of income and in which most transactions are electronic, it is common for members of the household to have a bank account, often a joint bank account. In these situations the financial services provider undertakes the primary function of recording financial transactions. These records will be periodically provided to the household by way of bank statements or, increasingly, on-line enquiry. Households that continue to use cash for payments must both record transactions and pro-actively share information.

5.2. Policy Framework

The specific policy implications raised by the findings of this study have been considered using the conceptual policy framework shown in Figure 37.

Figure 37: Framework for Considering Policy Implications of Financial Competence



5.3. Financial Education

a) Adult Financial Education

The Reserve Bank of Fiji (RBF) and the National Financial Inclusion Task Force (NFIT) have supported financial education in Fiji. The RBF has formally committed to supporting financial education, in both school and adult education contexts.

Consideration of competencies for school-based training interventions is outside the scope of this study. In respect to adult financial education programmes, it is recommended that consideration be given to developing and supporting financial education programmes which seek to increase the specific competencies contained in the Minimum Adult Financial Competency Framework (MAFC).

Implementation of adult financial education programmes is an important contribution to increasing financial competence. However, unless the programmes are structured to increase specific competencies, and the competence of participants is measured, it is not possible to know how successful the programme has been in increasing skill.

In addition, measurement of the effectiveness of financial education programmes is required. At this time, it is not possible to know the extent to which training programmes are increasing financial competencies in the MAFC. The use of a competency-based approach to adult education is widely accepted and is grounded in the skill development pedagogy. Inherent in the theory of competency-based pedagogy is the concept of measurement. By using the MAFC, the effectiveness of all financial education programmes can be measured in respect to the specific competencies for which training is being provided, both prior to, and following the training. Generally, a skills-development intervention is not considered completed until the participant is able to demonstrate they are competent in the specific skill for which they have received training.

b) Consumer Education

As discussed above, levels of understanding of the cost of money are very low across all low-income households. This is an issue of significant concern. It is recommended that consumer education programmes be developed to increase consumer understanding of the cost of money. Consumer education is a long-term commitment and should be accompanied by an appropriate disclosure regime (using terms appropriate for low income households, as they may have limited ability to read in English).

5.4. Financial Services and Delivery Capability

a) Participation in the Formal Financial System

Levels of bank account ownership by low income households in Fiji appear to have increased. This is likely to be a consequence of both increased outreach by financial institutions and the shift in Department of Social Welfare benefit payment modality, from vouchers to credit to a bank account. However, the findings of this study suggest financial exclusion continues to be an issue for low income households. Lack of financial inclusion is a constraint to financial competence and, at the national level, may constrain economic growth and result in persistent income inequality. Developing the financial sector and improving access to finance may accelerate growth and facilitate a reduction in income inequality and therefore promote an increase in wellbeing for the disadvantaged[15]. Demirguc-Kunt and colleagues[16], for example, have shown that even in societies with the same average income, those with deeper financial systems have lower absolute poverty. Bringing more unbanked customers into the financial mainstream can lead to higher household savings levels, which in turn can lead to a rise in savings levels in the economy and asset building in communities[17].

b) Use of Electronic Payments

In a monetised economy, households without access to the formal financial system incur increased transaction costs. Lack of access to transaction banking facilities restricts access to the formal payments system. This imposes increased transaction costs and reduces ability to access a range of common transaction and payment services. As discussed above, continued use of cash transactions also places an additional burden on the household in respect to household record keeping.

Use of cash for payments continues to be a feature of low income household payment activity. Whilst this is inevitable in the informal economy, increasing urbanisation and wage/salary income suggests greater focus may be required on expanding electronic payments systems across a range of channels. The level of remittance activity and the transaction costs associated with remittances may also warrant consideration by product providers and regulators, particularly as remittance activity is more prevalent among the older age group who have lower levels of financial competence.

c) Use of Informal and Consumer Credit

Low income households, in particular households in the iTaukei community, borrow to smooth cash-flow shortages and, to a lesser extent, to fund the purchase of consumer durables. It is also evident that many households, both iTaukei and Indo-Fijian, appear to have an inadequate level of financial competence in respect to the management of borrowing. A significant number of households appear

[15] RBI. (2008). Report on Currency and Finance. Delhi: Reserve Bank of India.
[16] Demirguc-Kunt, A., Beck, T., & Honohan, P. (2008). Finance for All: Policies and Pitfalls of expanding access. Washington: World Bank.
[17] OECD. (2005). Improving Financial Literacy: Analysis of Issues and Policies. Paris: Organisation for Economic Co-operation and Development.

to have difficulty managing credit. Whilst the use of money lenders and the use of hire purchase as reported by households participating in this study are low, it is considered this is likely to be under-reported. The understanding of credit by low income Indo-Fijian households, and the ability of these households to manage credit, appears to be particularly low and may warrant attention, particularly in respect to the development of relevant education programmes.

5.5. Regulatory Framework

a) Retirement Provision

There appears to be an emergent and potentially significant issue in respect to retirement provision. Low income households continue to rely on social support, in particular from children. However, in an urbanised, monetised environment, the ability to rely on social support diminishes. There is evidence this is already occurring in the Indo-Fijian community. Low income Indo-Fijian households appear to be aware of the need to put in place financially-based retirement provisions. The iTaukei community appears to be less aware of the issue and continues to consider family support to be the primary means of providing support in retirement.

There are fundamental policy, regulatory, and product issues that may need to be addressed as the requirement for cash-based retirement provisions supersede social support. Consideration of these issues is beyond the scope of this report and requires further research and policy consideration.

Further work to develop an information base from which to consider policy options is recommended.

5.6. Consumer Protection

a) Financial Advice

It is evident low income households consider they have few sources of reliable professional financial advice, or have a limited knowledge of the sources of advice available. It is recommended that consideration be given to the development of consumer protection programmes to increase the financial advisory channels available to low income households and the use of these channels by financial decision makers in low income households.

5.7. Follow up Studies

The present study has sought to develop a baseline of the financial competence of low income households in Fiji. It is recommended that further update surveys be undertaken at 2-4 year intervals in order to measure progress in increasing the financial competence of low income households.

Whilst the full survey can be deployed, it may be possible to use a small set of indicator questions. I It is not possible to state at this time, whether the indicator questions discussed in Chapter Two will be adequate for follow up surveys. Studies of the financial competence of low income households are also being undertaken in several other Pacific Island countries. Initial analysis suggests the four financial management competencies could be used as a simple and easily administered indicator of household financial competence. If this is the case, it may be possible to include these four questions as part of regular national surveys (for example the Household Income and Expenditure Survey, or the Labour Force Survey). This would be a low cost way of periodically measuring the financial competence of the adult Fijian population.

Chapter Six: Design of the Study

This study is an interviewer administered, closed-question study, to measure financial behaviours adopted by the Principal Financial Actors in low income households in Fiji. Questions were developed to measure the competencies defined within the Minimum Adult Financial Competency Framework for Low Income Households in Pacific Island Countries[18]. Financial knowledge and skill was not measured, as the purpose of the study was to develop an understanding of behaviour. Knowledge and skill can be inferred from behaviour. However, no attempt has been made to determine levels of knowledge and skill relative to behaviours adopted.

6.1. Instrumentation

A standard, closed-question instrument was used. The respondent was required to answer all (relevant) questions. However, each question allowed for refusal, or for the respondent to advise they did not understand the question or did not know the answers.

Two question formats were used: forced choice and pre-coded answers. Forced choice questions were principally in the 'yes/no' format. Pre-coded answers were derived from the responses provided by focus group members who participated in the development of the Minimum Adult Financial Competency Framework for Low Income Households in Pacific Island Countries. Questions and answers were reviewed by an in-country reference group of subject matter experts and further refined by the enumerators during pre-field work training.

6.2. Translation

The survey was administered in Fijian and Hindi as these were the primary languages spoken by respondents. Enumerators were also able to ask questions in English.

The translation of the survey instrument from English to Fijian was complex as the Fijian language has limitations in respect to accurately and succinctly describing contemporary financial constructs. In instances where it was considered that the English language term was likely to be more familiar than a Fijian term, this was used. Forward-back translation was used with post-translation review.

[18] Refer Appendix

Translation was less of an issue for the Hindi version of the survey. Phonetic translation was used for documented translations as most Hindi speaking enumerators did not read Hindi script.

Both versions of translation were work-shopped with the enumerators. Several questions were localised for the Fijian environment.

6.3. Sampling

a) Population of Interest

The population of interest was low income households in Fiji. These were defined as households at or below the Fiji Basic Needs Poverty Line (derived from the 2008/9 Household Income and Expenditure Survey). As the population in Fiji is concentrated on the two largest islands and the costs associated with sampling on remote islands are very high, the decision was taken to restrict sampling to households residing in Viti Levu and Vanua Levu.

b) Sampling Frame

The sampling frame used was derived from households which had participated in the 2008/9 Household Income and Expenditure Survey (HIES). An anonymised extract of households in deciles 1-4 of the HIES resident in Viti Levu and Vanua Levu was provided by the FIBOS. A random selection of Enumeration Areas (EA's) was undertaken using proportional probability sampling. 64 EA's were selected. Households were not pre-selected due to the possibility of household change and/or migration, post data collection for the HIES. Three households per EA from deciles 1-4 which had participated in the HIES were randomly selected by FIBOS [19] and enrolled for the study. The nominal number of households was 222, spanning rural and urban, iTaukei and Indo-Fijian households, broadly in proportion to the population.

There were several reasons for linking the financial competence study to the HIES:

- The HIES sample was developed using probability sampling. It was therefore preferable to sample from the low deciles of the HIES, rather than seeking to sample independently.

[19] In several larger EA's, 6 households per EA were selected

- FIBOS has in place an infrastructure for data collection, in particular trained enumerators and a panel of HIES participants.

c) Sample Size

A nominal sample size of n=400 individuals from n=200 households was determined. Random selection of 400 individuals from the low income population in Viti Levu and Vanua Levu enables generalization to low income households. A nominal composition was established to guide the selection of households by FIBOS based on ethnicity, location and, in respect to interviewees, gender:

- 50% urban, 50% rural
- 50% male, 50% female
- 50% iTaukei, 50% Indo-Fijian

The initial sample was reviewed manually to ensure households were accessible. Households which were likely to be logistically difficult to access, were excluded with replacement sampling as required. 339 samples were collected from households in deciles 1-4. The sample size is lower than targeted and has a Confidence Interval of +/- 5.1%. In addition, 144 samples were collected from respondents in deciles 5-10, 37 of which were from respondents in deciles 7-10. This sample is not considered to be representative and was excluded from the analysis – other than from a brief indicative comparative analysis.

6.4. Scoring Model

a) Development of the Competency Scores

The literature provides little guidance as to an appropriate scoring methodology. The FSA base-line study developed a summative score using Principal Components Analysis and developed a single factor for each of the financial capability domains examined by the study. The method used to convert categorical responses to ordinal or scale responses was not discussed in the FSA Report.

An additive, unweighted approach has been used for this analysis as this treats each element equally. This is considered appropriate as there is no basis in the literature for determining the relative importance of competencies, or weighting competencies based on importance. The competency set comprises those competencies considered necessary for effective participation by low income households in the money economy and the formal financial system.

Competency question scores were based on whether the respondent engaged in the activity. The exception was competency questions relating to who in the household was responsible for the activity. If the respondent, as a Principal Financial Actor (who by definition was responsible for household financial management) stated they were not engaged in the management of the activity, a score of 0 was assigned.

The survey used two forms of financial competence questions: binary and composite. Binary questions sought a 'yes/no' answer, or a specific response. Composite questions were either categorical questions which explored the range of respondents' financial behaviour, or scale questions which explored specific financial behaviours. The categorisation is summarised in Table 26. Composite questions used the pre-categorised answer approach adopted by the FSA.

Table 26: Question Structure and Scoring

Binary	Composite
Measures whether behaviour not adopted/ adopted	Measures the extent behaviour not adopted/ adopted

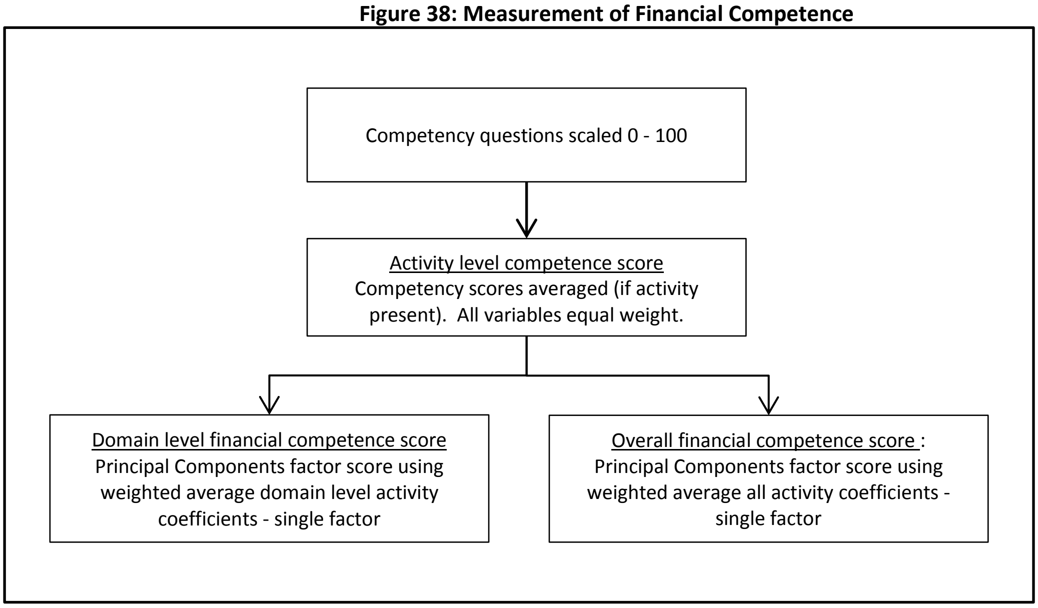
The number of questions used to examine each competence varied from 1 to 7. Each question was re-scaled to a notional value of 100. Filter questions were excluded. Financial behaviour binary questions were assigned a value of 100 if the respondent reported the behaviour being present, and 0, if the behaviour was not reported as being present. Composite categorical questions were converted to a scale response by measuring the number of pre-categorised responses provided against the total number of responses which could have been provided, or the extent to which the behaviour was present. Composite scale questions were also rescaled to a notional value of 100. Ordinal scaling was used, with unit values assigned using a standard scale (refer Table 27.). Because of averaging, activity level scores have been smoother to some extent.

Table 27: Ordinal Scaling

	Four Categories	Three Categories
Fully competent	100	100
Very competent	75	-
Moderately competent	50	50
Low competence	25	-
Not competent	0	0

Activity-level scores were then factored to create a domain score. Domain scores were developed using the weighted average of factor coefficients. Using the approach summarised in Figure 38, a person who engages in a small number of activities, but does them very competently, will have a higher competency score than a person who engages in a wide range of activities but does them with less competency.

Figure 38: Measurement of Financial Competence



Factor analysis was used to determine the overall financial analysis of low income households in Fiji. The competencies used to determine domain scores were re-factored to develop an overall Financial Competence score. The competencies used in the factor analysis are shown in Table 28.

Table 28: Competencies used to Develop Overall Competence Score

Competence with non-cash transactions
Competence with managing household income
Competence with identifying and recording household expenditure
Competence with managing essential expenditure
Competence with managing regular and one-off expenditure
Competence with managing requests for financial assistance
Competence with keeping household records
Competence with managing savings
Competence with managing long term savings
Competence with managing borrowing
Competence with managing cost of money
Competence with setting household goals and plans
Competence with household budgeting

a) Relative Competency Scores

The competence score was generated using the weighted average of the factor coefficients. In general terms, competence can be measured against the scale shown in Table 29:

Table 29: Financial Competence Score

	Score
Low	0 - 25
Low-Moderate	26 -50
Moderate - High	51 - 75
High	76 - 100

b) Categories used for the Composite Figures

In order to reduce the number of figures in the report, a composite figure has been used, where relevant, to summarise results for age groups, gender, location and ethnicity. In respect to gender, the responses should, unless otherwise stated, be read as the response of the male or female principal financial decision maker in the household, to a question about an aspect of the financial behaviour of the household, rather than an aspect of personal financial behaviour.

6.5. Field Work

The study was undertaken under the auspices and management of the Reserve Bank of Fiji (RBF). Field work was undertaken by the Fiji Bureau of Statistics using experienced enumerators who were trained by a team from RBF, FIBOS and PFIP. Data was collected electronically using note-book PC's. Enumerators were trained in both the administration of the survey and the use of PC's.

Three committees were established to manage the interaction between RBF and FIBOS and to oversee the finalisation of the instrument and the field work, comprising:

- **A steering committee** to oversee the study comprising senior staff from FIBOS, RBF and PFIP.
- **A working group** comprising FIBOS staff involved in the HIES, RBF staff involved in the financial competence study and the PFIP research team to oversee the sampling and the deployment of the survey.
- A **reference group** of in-country subject matter experts to review the competency framework and the questions.

Data collection was undertaken from 14th to 30th November 2011. As data was collected electronically, there was no requirement for data entry.

6.6. Ethics

Field-work was undertaken by members of the iTaukei and Indo-Fijian communities. Interviews were conducted by an interviewer of the same gender as the interviewee. Interviews were conducted at a location suitable to the interviewee. All data was collected in confidence. All participants were enrolled on the basis of voluntary informed consent. An information sheet was provided to each participant in advance, to agree to participate in the interview. An opportunity was provided for each interviewee to ask questions about the study prior to the commencement of the interview. The information sheet stressed participation in the study was voluntary and interviewees were under no obligation to answer any or all of the questions in the survey. Covert data collection methods were not used. Participants were not remunerated for participating in the study.

A post-survey audit of households was undertaken by FIBOS to ensure the survey protocol and ethical guidelines had been adhered to.

Appendix

a) Regression Model

A regression model was developed for each financial competence domain and for the overall level of financial competence. A common set of independent variables was used for the analysis of each domain, encompassing demographic, language, financial participation and household financial management factors. These are summarised in Table 30. Standard multiple regression was used as there is no basis in the literature for using step-wise regression

Table 30: Variables used in Regression Analysis

Category	Variable	Reason for inclusion
Demographic	Location	Determine possible influence of rural or urban location
	Ethnicity	Determine possible influence of cultural factors
	Age	Determine possible influence of age
	Gender	Determine possible influence of gender based financial activity
	Source of Income; Wages/ salary Casual wages Farming/ fishing/ gardening Formal/ informal business	Determine possible influence of income type
Language	English language fluency	Determine possible influence of English language fluency
Participation in formal financial system	Ownership of a savings account with a bank	Determine possible influence resulting from participation in the formal financial system
	Number of financial products owned	
Household financial management	Household income managed individually/ jointly	Determine possible influence of joint versus individual household cash-flow management (income was used as a proxy)
	Household has a budget	Determine possible influence of forward planning and discipline for overall financial competence

b) Regression Analysis: Managing Money

Table 31: Regression Analysis – Managing Money

		Beta	*p*
	(Constant)		.000
Demographic	Location (rural)	.135	.020
	Ethnicity	.067	.271
	Age	-.022	.704
	Gender	-.031	.598
Source of Income	Regular wages/ salary	.157	.009
	Casual wages	-.048	.371
	Farming/ fishing/ gardening	-.002	.979
	Formal/ informal business	.003	.961
Language	Communicate in English	.054	.358
Financial Management	Savings/ cheque account with bank	-.068	.223
	Household has a budget (reversed scale)	-.169	.002
	Household income managed jointly	.138	.013

c) Logistic Regression: Predictors of Bank Savings Account Ownership

Table 32: Predictors of Bank Savings Account Ownership

	Wald	Sig.	Exp(B)
Location	.025	.874	1.052
Ethnicity (Indo-Fijian)	11.342	.001	2.520
Age	1.389	.239	1.135
Gender (Male)	1.105	.293	.761
Wage and Salary Income	8.306	.004	2.131
Casual Wage Income	.045	.832	.947
Income from Primary Production	1.099	.295	1.327
Income from Business	1.108	.293	1.416
English language fluency	5.877	.015	1.008
Household has a budget	.413	.520	1.181
Household income managed jointly	.003	.959	1.015
Constant	10.236	.001	.092

d) Regression Analysis: Making Financial Choices

Table 33: Regression Analysis - Making Financial Choices

		Beta	*p*
	(Constant)		.868
Demographic	Urban or rural location	.030	.593
	Ethnicity	.004	.941
	Age	.040	.472
	Gender	.012	.824
Language	Communicate in English	.205	.001
Source of Income	Regular wages/ salary	.242	.001
	Casual wages	.016	.764
	Farming/ fishing/ gardening	.084	.140
	Formal/ informal business	.079	.138
Financial Management	Household income managed jointly/ individually	.072	.180
	Household has a budget	.229	.001

e) Logistic Regression: Predictors of Household having a Budget

Table 34: Predictors of Household Having a Budget

	Wald	Sig.	Exp(B)
Location	.384	.536	1.228
Ethnicity (iTaukei)	2.587	.108	1.583
Age (Younger)	8.702	.003	.969
Gender (Male)	.552	.457	.821
English language fluency	.002	.961	1.000
Savings Account with a Bank	.656	.418	.793
Number of Financial Products Owned	.121	.728	.968
Household Income Managed Jointly	7.057	.008	2.195
Wage and Salary Income	.055	.815	1.070
Casual Wage Income	.107	.744	1.087
Income from Primary Production	.001	.977	1.008
Income from Business	3.976	.046	.470
Constant	.198	.656	1.569

f) Regression Analysis: Planning Ahead

Table 35: Regression Analysis – Planning Ahead

		Beta	*p*
	(Constant)		.010
Demographic	Urban or rural location	-.020	.723
	Ethnicity – Indo-Fijian	.135	.026
	Age	-.187	.001
	Gender	.018	.749
Language	Communicate in English	.036	.542
Source of Income	Regular wages/ salary	.006	.922
	Casual wages	.013	.804
	Farming/ fishing/ gardening	.013	.828
	Formal/ informal business	-.088	.107
Financial Management	Savings/ cheque account with bank	-.063	.295
	Number of financial products owned	.007	.912
	Household income managed jointly/ individually	.219	.000

g) Regression Analysis: Financial Competence

Table 36: Regression Analysis – Financial Competence

		Beta	*p*
	(Constant)		.118
Demographic	Urban or rural location	.069	.148
	Ethnicity – Indo-Fijian	.057	.257
	Age	-.010	.840
	Gender	.051	.280
Language	Communicate in English	.078	.110
Source of Income	Regular wages/ salary	.126	.014
	Casual wages	-.030	.500
	Farming/ fishing/ gardening	.018	.717
	Formal/ informal business	.001	.976
Financial Management	Savings/ cheque account with bank	.156	.002
	Number of financial products owned	.138	.008
	Household income managed jointly/ individually	.151	.001
	Household has a budget	.472	.001

h) Regression Analysis: Financial Competence (Adjusted)

Table 37: Regression Analysis – Financial Competence (Adjusted)

		Beta	*p*
	(Constant)		.003
Demographic	Urban or rural location	.088	.131
	Ethnicity – Indo-Fijian	.144	.015
	Age	-.075	.183
	Gender	-.040	.474
Language	Communicate in English	.144	.014
Source of Income	Regular wages/ salary	.175	.003
	Casual wages	.001	.980
	Farming/ fishing/ gardening	.026	.661
	Formal/ informal business	-.031	.573