CONSUMER DEBT LEVEL OF THE DEPARTMENT OF HEALTH PUBLIC SERVANTS IN MAHIKENG

by

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submitted in accordance with the requirements for the degree of

MASTER OF COMMERCE

in the subject

BUSINESS MANAGEMENT

at the

UNIVERSITY OF SOUTH AFRICA

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NOVEMBER 2013
DECLARATION

Student number: 33710570

I declare that:

CONSUMER DEBT LEVEL OF THE DEPARTMENT OF HEALTH PUBLIC SERVANTS IN MAHIKENG is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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MR L.P. MOAISI DATE
ABSTRACT

Studies as described in the literature review indicate that most South Africans are highly in debt. The South African Reserve Bank's quarterly bulletin is one of the prominent barometers for measuring household debt in the country and over the last five years has been indicating a steady decline but still very high household debt among South Africans. Studies have also shown that this relates to poor financial literacy and consumer ignorance in applying basic financial management practices. This is discussed in Chapter two of the study.

The aim of the study was to determine the consumer debt level of the Department of Health public servants in Mahikeng, North West Province. This study used a consumer survey to measure consumer indebtedness among public servants in Mahikeng.

The results of the study support literature in that the study found that most public servants are indebted. The findings also showed that 63% of the public servants spent more than 20% of their income in servicing debt. Thirteen per cent of the public servants taking part in the study had been served with either garnishee or emolument orders.

The results of the study seem to suggest that public servants working for the Department of Health in Mahikeng and taking part in the study were indebted.

**Keywords**: Consumer debt, financial literacy, over-indebtedness, credit providers, public servants, garnishee order
ACKNOWLEDGEMENTS

My gratitude goes to

Firstly, UNISA, for their enormous support through the research workshop I attended, which enlightened me to work confidently through my dissertation;

The North West Department of Health, for allowing me to conduct the study on their premises. I will definitely provide the department with a copy of the report;

My supervisor, Professor Ngwenya, for the guidance and support he provided to enable me to complete this project. His patience and respect need to be shared with others as it provided the hope and enthusiasm to complete my dissertation;

Mr Andries Masenge, for his assistance with the development of the questionnaires, and his lessons on data capturing and data analysis.

To my wife, Kgalalelo and two sons Odirile and Modisa, for sacrificing family time for me to fulfil my dream. Thank you and I owe you; and

Finally, I thank my relatives and colleagues whose faith and confidence in me continued to drive my quest for excellence and purpose.

After all, God knows what we need.
TABLE OF CONTENTS
Declaration........................................................................................................... i
Abstract............................................................................................................. ii
Acknowledgement............................................................................................ iii
Table of contents............................................................................................... iv
List of figures..................................................................................................... ix
List of tables...................................................................................................... x
List of acronyms.................................................................................................. xi

CHAPTER ONE
INTRODUCTION

1.1 Background Of The Study........................................................................ 1
1.2 Problem Statement.................................................................................... 4
1.3 Objectives Of The Study ......................................................................... 6
  1.3.1 Primary objective.............................................................................. 6
  1.3.2 Secondary objectives....................................................................... 6
1.4 Literature Review...................................................................................... 6
  1.4.1 Introduction........................................................................................ 6
  1.4.2 Current status of consumer debt in South Africa.............................. 7
  1.4.3. International consumer debt reports .............................................. 9
  1.4.4. Current trends among civil servants............................................. 10
1.5 Research Methodology............................................................................ 11
  1.5.1 Study design .................................................................................... 11
  1.5.2 Data collection ................................................................................ 12
  1.5.3 Questionnaire design ...................................................................... 12
  1.5.4 Population......................................................................................... 13
  1.5.5 Sampling .......................................................................................... 13
  1.5.6 Data analysis ................................................................................... 14
1.6 Scope and Demarcation of the Study....................................................... 15
  1.6.1 Delimitation of the study ................................................................. 15
1.7 Significance of the Study......................................................................... 15
CHAPTER TWO
THEORETICAL CONCEPTS RELATING TO CONSUMER DEBT

2.1 Introduction .................................................................................................................. 20
2.2 Personal Financial Management .............................................................................. 21
  2.2.1 Financial literacy ............................................................................................... 25
  2.2.2 Impact of financial literacy on consumer debt .............................................. 26
2.3 What is Consumer Indebtedness? .......................................................................... 27
2.4 The Rising Consumer Debt .................................................................................... 29
2.5 Why do People Take Household Debt ................................................................. 31
2.6 Classification of Consumer Debt .......................................................................... 33
  2.6.1 Personal loans .................................................................................................. 35
  2.6.2 Other personal loans ....................................................................................... 35
  2.6.3 Overdrafts ......................................................................................................... 37
  2.6.4 Educational loans ............................................................................................ 37
  2.6.5 Credit cards ....................................................................................................... 38
  2.6.6 Store cards ...................................................................................................... 40
  2.6.7 Hire purchase ................................................................................................... 40
2.7 Measuring Consumer Debt .................................................................................... 41
2.8 Consumer Debt and Demographic Variables ...................................................... 44
  2.8.1 Age and consumer debt .................................................................................. 45
  2.8.2 Gender .............................................................................................................. 46
  2.8.3 Education and consumer debt ......................................................................... 47
  2.8.4 Income and consumer debt ............................................................................ 48
2.9 Garnishee Orders .................................................................................................... 51
2.10 Who is a Public Servant? ....................................................................................... 52
2.11 Effect of Consumer Debt ...................................................................................... 53
2.12 Conclusion .............................................................................................................. 54
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction ............................................................................................................................... 56
3.2 Research Methodology ........................................................................................................... 56
3.3 Study Design ............................................................................................................................ 57
3.4 Population and Sample Frame .............................................................................................. 58
3.5 Sampling ................................................................................................................................... 58
3.6 Method of Data Collection .................................................................................................... 60
3.7 Structure of the Questionnaire ............................................................................................... 61
3.8 Piloting ....................................................................................................................................... 62
3.9 Response Rate ........................................................................................................................ 63
3.10 Validity ..................................................................................................................................... 63
3.11 Reliability ................................................................................................................................ 64
3.12 Ethical Considerations .......................................................................................................... 64
3.13 Study Limitations ................................................................................................................... 65
3.14 Data Analysis ........................................................................................................................ 66
3.15 Conclusion ................................................................................................................................ 67

CHAPTER FOUR
ANALYSES AND INTERPRETATION OF THE RESULTS

4.1 Introduction ............................................................................................................................... 68
4.2 Demographic Information ....................................................................................................... 69
4.3 Personal Income ...................................................................................................................... 71
4.4 Information on Consumer Debt ............................................................................................. 75
4.5 After-Tax Monthly Income Last Month Debt Payment Ratio (Debt–Income Ratio) .... 89
4.6 Personal Expenditure .............................................................................................................. 92
4.7 Garnishee Order ...................................................................................................................... 94
4.8 Conclusion ................................................................................................................................ 96
CHAPTER FIVE
PERSONAL FINANCIAL MANAGEMENT SERVICES IN SOUTH AFRICA

5.1 Introduction ............................................................................................................................... 98
5.2 Financial Literacy Programmes ............................................................................................. 98
5.3 Regulators .............................................................................................................................. 101
  5.3.1 National Credit Regulator (NCR) .................................................................................. 101
  5.3.2 Credit Ombud .................................................................................................................. 103
  5.3.3 National Consumer Tribunal ......................................................................................... 104
  5.3.4 Micro Finance Regulatory Council (MFRC) .................................................................. 105
5.4 Non-Commercial Sector ....................................................................................................... 106
  5.4.1 National Consumer Forum (NCF) ................................................................................. 106
  5.4.2 South African Savings Institute ..................................................................................... 108
5.5 Government Departments ..................................................................................................... 108
5.6 Summary .................................................................................................................................. 110

CHAPTER SIX
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction ............................................................................................................................. 112
6.2 Summary .................................................................................................................................. 113
6.3 Conclusions of Each Research Objective .............................................................................. 116
6.4 Recommendations ................................................................................................................ 118
6.5 Limitations and Suggestions for Future Research ................................................................. 120
6.6 Summary of the Chapter ...................................................................................................... 121
A Reference List .......................................................................................................................... 123
Annexure A Consent form ......................................................................................................... 141
  Annexure B Questionnaire ...................................................................................................... 143
LIST OF FIGURES

BY PROVINCE ................................................................................................................................. 9
F I G U R E 2.2: L O A N S O U R C E S ...................................................................................................................... 34
F I G U R E 2.4: A M O U N T S P A I D T O M I C R O - L E N D E R S D U R I N G T H E 2 0 0 6 / 2 0 0 7 F I N A N C I A L Y E A R 
A C C O R D I N G T O A G E G R O U P .................................................................................................................. 45
B Y G E N D E R .................................................................................................................................. 47
R E F L E C T E D A C C O R D I N G T O S A L A R Y L E V E L ........................................................................... 50
F I G U R E 4.2: P A Y D E B T M O N T H L Y .................................................................................................................... 76
F I G U R E 4.3: R E A S O N S F O R T A K I N G O N D E B T ............................................................................................... 77
F I G U R E 4.5: V A L U E O F M O N T H L Y D E B T P A Y M E N T .......................................................................................... 80
F I G U R E 4.6: O U T S T A N D I N G V A L U E O F C O N S U M E R D E B T ........................................................................... 83
LIST OF TABLES

TABLE 4.1: GENDER PROFILE OF PARTICIPANTS................................................................. 69
TABLE 4.2: AGE PROFILE OF PARTICIPANTS................................................................. 70
TABLE 4.3: HIGHEST EDUCATION LEVEL ACHIEVED ...................................................... 71
TABLE 4.4: CLASSIFICATION OF RESPONDENTS PER INCOME ........................................ 72
TABLE 4.5: CLASSIFICATION OF RESPONDENTS PER MONTHLY REMUNERATION ...... 73
TABLE 4.6: TOTAL AFTER-TAX MONTHLY INCOME FROM PUBLIC SERVICE .................. 74
TABLE 4.7: DESCRIPTIVE DEBT PAYMENT VARIABLES ..................................................... 79
TABLE 4.8: DESCRIPTIVE DATA ON CONSUMER DEBT ................................................... 84
TABLE 4.9: FOUR MOST COMMON CONSUMER DEBT VARIABLES ............................. 87
TABLE 4.10: MONTHLY DEBT PAYMENT PER GENDER ..................................................... 88
TABLE 4.11: OUTSTANDING DEBT OBLIGATION PER GENDER ........................................ 88
TABLE 4.12: DEBT–INCOME RATIO PER SALARY LEVEL .................................................... 90
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AIDS</td>
<td>acquired immune deficiency syndrome</td>
</tr>
<tr>
<td>BMR</td>
<td>Bureau of Market Research</td>
</tr>
<tr>
<td>DEDECT</td>
<td>Department of Economic Development, Environment, Conservation and Tourism</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
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<td>HIV</td>
<td>human immunodeficiency virus</td>
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<td>National Association of Automobile Manufactures of South Africa</td>
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<td>National Consumer Forum</td>
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<td>National Consumer Tribunal</td>
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<td>National Income Dynamic Study</td>
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<td>NRC</td>
<td>National Credit Regulator</td>
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<tr>
<td>NWPG</td>
<td>North West Provincial government</td>
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<tr>
<td>ORC</td>
<td>Opinion Research Corporation</td>
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<td>NSFAS</td>
<td>National Student Financial Aid Scheme</td>
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<tr>
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<td>Personnel and Salary Administration</td>
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<td>SAARF</td>
<td>South African Advertising Research Foundation</td>
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<td>South African Savings Institute</td>
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<tr>
<td>SIU</td>
<td>Special Investigating Unit</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>UNISA</td>
<td>University of South Africa</td>
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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

As a result of South Africa’s political transition there has been an increase in the ability of a large proportion of South Africans to access credit facilities (Núñez, Forrester & De Wet, 2008:9). Consumers who were previously not strategically prioritised by large institutions have come into increasing focus, and new credit products from a wide range of suppliers (financial retailers and others) continue to be developed and marketed. The new credit products include term loans, revolving credit facilities, short-term cash loans, educational credit and non-mortgage housing finance backed by pension funds, while ‘save-to-borrow’ products allow first-time credit access for previously excluded consumers (Ardington, Lam, Leibbrandt & Levinsohn, 2004). Overall, the growth in credit consumption has exceeds growth in income, leading to an increase in household debt (Hurwitz & Luiz, 2007). Consumer spending has also been the key driver of the South African economy. This consumer spending has largely been fuelled by consumer credit, leading to, in some instances, high levels of indebtedness (Mlandu, 2007:17).

A variety of research reports indicate that household debt is high and has been increasing worldwide (ORC, 2001). In South Africa, household debt was recorded to be decreasing since 2008 but is still high at 77.6% (SARB, 2010). The Reserve Bank(2010) also indicates that consumer credit accounts for roughly 35% of the aggregate household debt in South Africa. The consumer credit indicated above by the Reserve Bank was measured using variables such as open accounts, personal loans, instalment sale transactions, operational and financial lease agreements and securitisation transactions.

The consumer National Credit Regulator (2011) has revealed that the total outstanding gross debtors’ book of consumer credit for the quarter ending March 2011 was R1.21 trillion and that the number of accounts increased marginally from
R35.05 million to R35.24 million during the same period. The report also indicated that credit facilities, which mainly consist of credit cards, store cards and bank overdrafts, have increased from R10.25 billion to R10.43 billion in 2011. This is a clear indication that consumer debt in South Africa is very high.

The Opinion Research Corporation (ORC) Macro (2001:4) comments on debt as follows –

Debt is a common instrument used to maintain a stable level of consumption, compatible with its lifetime resources, over different stages of the individual or family's lifecycle. Being indebted, formally or via informal family channels, is normal consumer behaviour; and a certain level of debt is inevitable for the majority of households, particularly at the earlier stages of their lifecycle.

Consumer debt refers to debt that has been incurred primarily for the purchase of consumer goods, and excludes mortgage debt, which is regarded as an investment because it lasts for a lifetime (investorWords, 2011.). Accountingglossary (2011) defines consumer debt as debt incurred for consumable or depreciating assets that are not considered investments. This includes credit card debt, hire purchases, car loans, family loans that will be repaid, etc. It does not include routine bills paid monthly such as water, phone and electricity, nor does it include mortgages, home or business equity loans, home or business equity lines of credit, or share margin accounts (Accountingglossary, 2011).

The relationship between credit and debt represents the two sides of the same coin. Credit is that which is provided and debt is that which is owed (Finlay, 2009:3). A consumer will buy goods or services on credit and incur debt. The seller incurs credit while the consumer incurs debt. Finlay (2009) defines credit as future money made available in the present, and debt as past money to be repaid in the future.
In terms of over-indebtedness, the Bureau of Market Research (2009:6) asserts that examples of over-indebtedness include the following:

- consumers spending of more than 25% of their gross monthly income on unsecured repayments;
- consumers spending more than 50% of their gross monthly income on total borrowing repayments;
- consumers with four or more credit repayments; and
- consumers who are in arrears on credit commitments for more than three months.

The current economic environment, which is characterised by high cost of living, sometimes requires a consumer to supplement the income to meet the standard of living being aspired to. This compels consumers to make use of debts, such as car financing, in trying to meet their requirements. Debt is not a bad mechanism to meet one’s current consumption as long as it is managed properly. The effect of over-indebtedness can be catastrophic to a consumer’s life and even to those closely dependent on the person incurring the debt, e.g. family members. It is therefore important that consumers be aware of their debt level, especially if it is above their own limit. Consumers should be financially literate and be able to practice prudent financial management on their income to avoid being trapped in debts.

Just like any organisation, the Department of Health (DoH) has to provide its services, in this case, health care services in the most effective manner possible. It can only achieve its goals if its human resources are physically, mentally and emotionally well. This involves managing low productivity, absenteeism, the high sick leave rate and other factors which might impair performance. The DoH has to ensure that its human resources are well equipped to manage their personal matters, including debt management by providing appropriate wellness programmes that will ensure that the DoH minimises the effects of social problems in terms of its mandate. The South African Reserve Bank (2012) has indicated that even though household debt is declining, it is still high above 76%. At the same time, if public servants have debt problems, their performance will be affected. The Department of health has to
determine firstly whether debt management is a challenge to the personnel so that the DoH can introduce relevant intervention strategies through its wellness programmes.

The purpose of this study was to determine the level of indebtedness among the civil servants working in the North West Provincial Department of Health (NWPDoH) in Mahikeng. The study explored the different types of debt incurred by public servants. The results of the study aimed at assisting the DoH in North West Province to develop relevant wellness programmes aimed at addressing the effects of debt on employees’ performance. Awareness among public servants will prompt them to seek relevant intervention that will help in managing debt problems.

This study took the form of a descriptive study of the current debt level in the department, and involved 212 civil servants as a sample size. A questionnaire was used to determine the cost of servicing debts and the most prevalent type of debt among public servants. Data collection was conducted among the permanently employed public servants working in the provincial health offices, and used different variables referred from the reviewed literature to conduct the analysis. It is expected that the final report will be submitted to the DoH upon approval by the University of South Africa. The recommendation will assist the DoH to develop effective intervention strategies thereby improving human resource performance.

1.2 PROBLEM STATEMENT

Despite the introduction of the National Credit Act, reports have shown that consumer indebtedness is still very high. The Credit Bureau Monitor report of the National Credit Regulator (NCR, 2010) showed that in the fourth quarter of 2010, 47% of the 19 million credit-active consumers in South Africa had impaired credit records. The report further indicated that for every R100.00 a household earns, R78.50 goes towards servicing debts. The National Credit Regulator (NCR, 2012) also indicated a rise in credit usage where the number of credit agreements entered into for the quarter ended December 2012 increased by 18.52%.
According to the Public Service Commission report (2007) on the indebtedness of public servants, there were 4 063 public servants in 2006/2007 who made payments to service micro-loan debt through the Personnel and Salary Administration (PERSAL) system. The report further indicated that consumer debt could lead to ill health, low productivity, compromised ethical standards and employees seeking remuneration outside the public service. This negative effect of being indebted is further elaborated by Garman, Leech and Grable (1996) who argue that poor financial behaviour could result in extremely high costs being incurred by employers, which include absenteeism, tardiness, fighting with co-workers and supervisors, job stress and reduced employee productivity.

The annual report of the North West Department of Health (NWDoH, 2010/11) indicated that the estimated cost for the sick leave taken by the employees for the 2010/11 financial year was R 53 867 232.19 and that the average number of sick leave days per employee for the year were eight. The annual report also indicated that the most prevalent types of misconduct cases in the NWDoH were fraud, gross negligence, gross absenteeism, theft and abscondment. The literature explicitly associates these types of misconduct cases with consumer indebtedness (Garman et al., 1996).

Public servants generally have more job security than their private counterparts (Public Service Commission, 2007). The workforce in the private sector depends on the economic condition while in the public sector; workforce is minimally affected by economic factors. Due to high job security, civil servants are easily eligible to taking personal loans, credit cards and other forms of credit and are thus subject to incurring debts (Public Service Commission, 2007). Credit providers often target civil servants because they are viewed as being in a position to service their debts based on their job security. The current study thus focused on examining the current state of consumer debt level of the Department of Health public servants in Mahikeng.
1.3 OBJECTIVES OF THE STUDY

1.3.1 Primary objective
The primary objective of this study was to determine the consumer debt level of the Department of Health public servants in Mahikeng, North West Province.

1.3.2 Secondary objectives
To help achieve the primary objective, the secondary objectives of the study were:
- to identify the most common types of consumer debt owed by public servants in Mahikeng;
- to determine the monthly expenditure of public servants towards servicing debt;
- to determine the income and sources of income among public servants used to service debt;
- to gain an understanding of the nature of consumer indebtedness and the extent of the problem; and
- To investigate the extent to which public servants have been served with garnishee orders as a result of consumer indebtedness.

1.4 LITERATURE REVIEW

1.4.1 Introduction
A person is over-indebted if he or she considers that he or she has difficulties in repaying debts, whether consumer debt or a mortgage (Opinion Research Corporation, 2001:2). The level of consumer indebtedness can also be measured by the debt–income ratio. The level of debt at which a household becomes over-indebted depends on factors such as the size and structure of the debt, the debt-servicing arrangements, the assets of the household, other personal and economic characteristics of the household as well as external factors such as the state of the economy (Opinion Research Corporation, 2001:4).

Nyaruwata and Leibbrandt (2009) categorise personal debt into the following eleven types: bond, personal loan from bank, personal loans from micro-lenders, personal loan from mashonisa (loan sharks), study loans from banks, study loans from other
institutions, motor vehicle loan, credit cards, store credit cards, hire purchase and loans from family members and friends.

The Public Service Commission (2007) in its report on indebtedness among public servants used the PERSAL system to determine the level of indebtedness and concluded that most public servants are in debt.

1.4.2 Current status of consumer debt in South Africa

In the quarterly bulletin released in December 2012, the South African Reserve Bank indicated that household debt had been declining from the all-time high of 82% registered in 2008 but was still high above 76%. The Reserve Bank (2010) also indicated that household debt was mostly driven by mortgage debt, which also seemed to be declining but still taking the biggest proportion of household debt. The report indicated that consumer credit accounted for roughly 35% of the aggregate household debt in 2009. The current study focused only on consumer debt and excluded mortgage debt.

According to Nyaruwata and Leibbrandt (2009), households with higher annual income, have a bigger proportion of debt than those with lower income. They also point out that the outstanding debt to yearly income ratio and the monthly debt payment to monthly income ratio are lower at the lower-income levels. The study however suggests that the reason could be some under-reporting of debt in the lower section of the income spectrum. This current study differed from the study conducted by Nyaruwata and Leibbrandt (2009) in that it used a self-administered questionnaire to collect data, and was hoped that the anonymity clause would reduce under-reporting. The study only assessed personal debt, and not household debt as well as in the case of Nyawuta and Leibbrandt (2009).

Contrary to the results of the study conducted by Nyaruwata and Leibbrandt (2009), the results of a similar study by Mashigo (2006) indicated that poor households face multiple debts. Mashigo’s findings suggest that the lowest-income categories witness the greatest increase in the numbers and percentages of indebtedness, which is in line with the current study under review. Mashigo(2006) further attributes the
increase in the percentage of indebtedness among the lower income category to the marginalisation of the poor households by the formal financial institutions resulting in these households utilising informal financial services of the abusive moneylenders who place the households in the debt spirals. Mashigo (2006), unlike Nyaruwata and Leibbrandt (2009), did not indicate any under-reporting of respondents at any category.

Nyaruwata and Leibbrandt (2009) also indicate that male-headed households have both a higher outstanding balance to yearly income ratio and last payment to monthly income ratio. This is contrary to the Public Service Commission Report (2007), which found that female employees in the public sector pay more than their male counterparts to micro-lenders.

The current study adds knowledge to the existing literature based on studies conducted by Mashigo (2006), the Public Service Commission(2007) and Nyaruwata and Leibbrandt (2009), and use the same variables, namely gender, income level, outstanding debt, monthly debt payment to compare the North West Province debt level to the provincial health office debt level. The study represents the health workers as a specific population, with customised findings and in addition, investigates garnishee orders within the DoH.

In demonstrating consumer debt as a challenge, Figure 1.1 below indicates the level of indebtedness per province reflected in the Nyaruwata and Leibbrandt (2009) study.
From Figure 1.1 it can be seen that consumers in North West Province (NWP) spent almost 13% of their monthly income on debt when using the last payment as a reference. The outstanding debt as a ratio of annual income was around 15%. This might imply that consumers in NWP were able to manage their debt. Nyaruwata and Leibbrandt (2009), however, mentioned that the drivers of higher ratios in other poor provinces, such as Mpumalanga, were presumably due to the low income of respondents as opposed to inordinately high debt levels.

1.4.3. International consumer debt reports

High consumer debt levels are not unique to South African consumers, but affect consumers all over the world. The Reserve Bank of Australia noted an upward drift in the maximum permissible debt servicing ratio of 50% of gross income (Griffiths, 2007). In Sweden, the aggregate household indebtedness was reported to be slightly over 70% of GDP (Persson, 2008)
According to Bird, Hagstrom and Wild (1999), the growth of credit card debt in the United States (US) has been mostly high among households below the World Bank poverty line of $1.00 per day. However, it has also been pointed out that rising indebtedness has had an adverse effect on households by increasing the number of household bankruptcies, which reveals that the number of non-business bankruptcies in the US increased from about 300 000 in 1985, to an all-time high of 1.35 million in 2001, according the data from the US Courts. This increase has far outstripped the growth in population (Dutt, 2003).

1.4.4. Current trends among civil servants
According to The Nation (2010), published in Thailand, it was found that in 2010, 84.1% of all civil servants were indebted, compared to 81.6% in 2006. Furthermore, it was indicated that lower salaries might have been the cause of high indebtedness which could lead to corruption among civil servants (The Nation, 2010). Most reports and newspaper articles in South Africa suggest that civil servants are highly corrupt. This is supported by the Business Anti-Corruption unit (2011), which highlighted in The Economist that the Special Investigating Unit (SIU), one of South Africa’s anti-corruption bodies, had identified 400 000 civil servants receiving welfare payments to which they were not entitled. One of the reasons for this might also be low pay as alluded to in the Nation article. It was not the intention of the current study to determine the reasons for indebtedness of civil servants in the North West Department of health; however, the study sought to determine the level of indebtedness of these employees.

The Public Service Commission (2007) indicated that public servants are in debt. However, the study only looked at payment by public servants through PERSAL system. This implies that any other mechanism of payment, e.g. stop order, instalment payment (hire purchase), credit card payment or any personal debt which cannot by law be deducted through the PERSAL system were excluded (Department of Public Service and Administration, 1994). The study also alluded to the fact that in most cases, the PERSAL system did not have sufficient data because PERSAL it is not audited as required by the National Treasury. The PSC study did not determine
whether public servants were over-indebted or not but indicated only the number of personnel and the amount paid through the PERSAL system to service debt.

In a study conducted by Duasa (2008) for the International Islamic University in Malaysia, it was found that almost 70% of government servants spent 0% to 79% of their income on debt, while 4.5% of government servants spent more than 100% of their income on debt. This reflects the high burden of debt among government servants in Malaysia.

Duasa's (2008:8) study went further to compare government servants' individual and household income with debt which indicated that the individual income–debt ratio was higher than the household income–debt ratio. In South Africa, with its high level of unemployment of 25.6% (Statistics South Africa, 2013), the ratios might indicate insignificant difference. The current study focused on the personal income–debt ratio only.

1.5 RESEARCH METHODOLOGY

1.5.1 Study design

Research design is the plan according to which we plan to obtain research participants and collect information from them (Welman & Kruger, 1999:46). The current study used the descriptive quantitative survey research method. Quantitative research is any type of research that produces findings arrived at by statistical procedures or other means of quantification (Strauss & Carbin, 1998). In quantitative research, the aim is to learn about the large population by surveying a sample of that population (Leedy & Ormrod, 2010:187).

Leedy and Ormrod (2010:182) contend that quantitative research involves either identifying the characteristics of the phenomenon or exploring the correlation among two or more phenomena. The current study quantified the amount of money spent by respondents in servicing debt, which determined the level of debt of the respondents. Furthermore, the study examined the garnishee order in the provincial office. This was then compared with the general consumer debt level in the country to examine
whether public servants working in the provincial Department of Health were worse or better off than the rest of consumers in the country. The analysis extrapolated the current state of affairs, and suggested which intervention should be implemented.

**1.5.2 Data collection**

The study used a self-administered questionnaire to collect data. Tustin et al. (2005) describe a self-administered questionnaire as a fairly structured paper questionnaire, which is sent to a targeted population, where a personal interview is not required. This is to promote confidentiality and to encourage honesty as much as possible. During the current study, the questionnaire did not require the participants to write their name or anything that would link them to the questionnaire or the study and thus promoted honesty as it was an anonymous questionnaire.

The questionnaire was not mailed to the target population but submitted conveniently to the offices of the sampled population as they were in one specified building. The office telephone number was used to make follow-up calls regarding the submission of the questionnaire. The participants were requested to respond within a specified period and to return the completed questionnaire by putting them in a ballot box dedicated for the study. This was done to promote honesty in response as the researcher would not be able to link a response to an individual. Honesty in filling in the questionnaire was intended to promote accuracy and reliability of the data collected. Data on the garnishee order was collected through the PERSAL system.

**1.5.3 Questionnaire design**

A questionnaire is defined as a structured sequence of questions designed to draw out facts and opinions, and which provides a vehicle for recording the data (Tustin et al., 2005:385). It is important to consider the question content, phrasing and sequence when constructing a questionnaire. The questionnaire format could be unstructured (no pre-formulated questions), semi-structured or structured (mostly close-ended questions) (Tustin et al., 2005). The current study used a mixture of structured and unstructured questions (semi structured) to collect data. Some of the responses required were open-ended.
1.5.4 Population

According to Bless (1995 as cited in De Vos et al, 2005), a population is a set of elements on which the research focuses and to which the results obtained by testing the sample should be generalised. According to De Vos et al, (2005), “population” refers to individuals in the universe who possess specific characteristics, or to a set of entities that represent all the measurements of the practitioner or researcher.

The population in the study was the civil servants employed within the provincial office of the DoH. The sampling frame used was the list of employees reflected in the PERSAL system (human resource electronic database) for the provincial health office. There were 423 employees registered on the PERSAL system as the provincial health department employees (PERSAL system, 2011). The employees on the payroll were categorised as 31 senior managers, 68 middle managers, 219 technical/professional employees and 105 lower-level employees. The vacancy rate of the provincial office as in October 2011 was 27.2%. This was the population from which the sample was drawn.

1.5.5 Sampling

Sampling is described as taking a portion of a population or universe and considering it as a representative of that population or universe (De Vos et al, 2005). According to Bailey (cited in De Vos et al, 2005), a sample is defined as a subset or portion of the total population.

The study used the non-probability quota sampling method. The quota sampling method selects respondents in the same proportions that they are found in the general population, but not in a random fashion (Leedy & Ormrod, 2010:212). This sampling method also regulates only the size of each category within the sample and in most cases in a convenient way.

The current study ensured that the sample covered all the categories of employees in the provincial office such as senior managers, middle managers, professional-level employees, and lower-level employees. The sample was selected proportionally according to the population but in a convenient way. Employees who
showed interest in participating in the study and within the categories mentioned were chosen. Employees were visited in their offices and as per category of the position in the workplace. This was to ensure that each category of employees was covered and to ensure that a proper sample size for the study was attained.

According to Gay and Arasian (2003:113), when selecting a sample, the researcher should consider the following:
- if the population has fewer than 100 people, the entire population should be surveyed;
- if the population comprises approximately 500 people or units, 50% should be sampled; and
- if the population comprises approximately 1 500 people or units, 20% thereof should be sampled.

Given the above guideline and that the study population was 423, a sample size of 212 employees was used, where it was categorised according to the proportion of each level to the total study population. There were 15 senior managers, 34 middle managers, 110 professional employees and 53 lower-level employees. The sample size used also took into consideration the time, cost and capacity to collect the required information.

1.5.6 Data analysis
Data analysis is a practice by which raw data is ordered and organised so that useful information can be extracted from it (Smith, 2011). This data is analysed to ensure that the primary objective of the study is achieved. In this study, a questionnaire was used to collect data and thus the descriptive data analysis method was used. This technique represents the basic analysis of survey data (Tustin et al., 2005:480). Frequency distribution was used to describe data. This entails the construction of tables and graphs that show in absolute and relative terms how often the different values of the variable are encountered in the sample (Tustin et al., 2005:523).
Inferential analysis was also used in the study to estimate the population parameters. This implied utilising a particular sample statistic to estimate the corresponding population parameter (Tustin et al., 2005). The current study sought to determine the consumer debt level of employees in the provincial Department of Health and therefore had to make an inference from the study sample. Data was analysed by computer by means of spreadsheets using Excel formulas for coding. Data is presented as graphic presentations such as bar graphs, histograms and pie charts. The researcher also used the Statistical Package for Social Sciences (SPSS) 14.0 version to analyse the data.

The researcher determined the mean outstanding debt per yearly income ratio and the mean monthly debt payment to monthly income ratio to determine the level of indebtedness of DoH employees and compared it with other findings like the provincial debt level or national debt level as described in the literature review.

1.6 SCOPE AND DEMARCATION OF THE STUDY

1.6.1 Delimitation of the study

Delimitations of the study the self-imposed boundaries set by the researcher on its purpose and scope (Lunenburg & Irby, 2008:135). The problem of over-indebtedness cuts across all sectors; however, the current study was limited to the public servants in the provincial Department of Health offices in Mafikeng. The current study also excluded mortgage loans as part of the variables. This is because Mafikeng is semi-urban as such some public servants might be staying in rural areas in Mafikeng, which do not qualify for mortgage loans or pay municipal services.

1.7 SIGNIFICANCE OF THE STUDY

The study examined the consumer debt from the primary point of view (being assessing the personal debt) and not consumer credit records held elsewhere. This implied awareness of a household’s debt level and whether it was acceptable, mild or severe. The awareness of the consumer debt level among public servants might prompt some intervention strategies from both the employer and the employee. Most studies and reports from relevant entities for example NCR, consider consumer
credit instead of consumer debt by relying on the records kept by lending institutions, instalment loan shops, academic institutions and credit card-issuing institutions as a source of information. This research was intended to assess consumer debt from the consumer’s point of view. This included looking at personal income and assessing monthly payment on consumer debt, which has been incurred primarily for the purchase of consumer goods.

Current reports are directed at assessing the general public consumer debt and never specific to a particular group. The study covered the debt level of DoH employees around Mahikeng. The study population are permanently employed and have secure employment, so it is a good market for credit providers and deceiving marketing tactics hence the employees were able to purchase on credit with ease. This could lead to blind accumulation of debts, which could be detrimental to the general wellbeing of the consumer.

Each department in the public service has an employee’s assistance programme, which in some departments is called a wellness programme. This unit/department seeks to assist civil servants in managing their social activities and to ensure that social challenges do not affect their work performance. This entails assisting the employees with stress management, personal financial management, HIV/AIDS and other chronic diseases, and other related problems that might affect the employees’ performance in the workplace. The results of the study highlight whether consumer debt is a problem among civil servants and propel the DoH to conduct intervention programmes that could assist employees to deal with consumer debts specifically. The relevant organisation might be roped in to assist with programmes on debt and personal financial management. This could contribute to improved performance and staff morale in the workplace because household debt could have a negative effect on both the employee and the employer. It could lead to stress and other health-related complications as reported by Garman et al. (1996) and lower productivity in the workplace, which will affect the entity’s performance.
Follow-up research might also be conducted to assess the impact of consumer debt among civil servants. This will help to identify how debt problems affect work performance, which could lead to better management of the problem and ultimately improve employees’ performance and social wellbeing.

1.8 OUTLINE OF THE STUDY

The chapters in the study will be structured as follows:

**Chapter one: Introduction**
The chapter deals with the problem statement, the rationale for carrying out the research and the study design.

**Chapter two: Literature review**
The chapter provides a literature review of consumer debt levels and their impact on individual job performance.

**Chapter three: Research methodology**
This will cover the procedure that was followed in undertaking the study.

**Chapter four: Presentation and analysis of the findings**
The chapter provides the summary of the results making use of tables, figures, graphs and verbal descriptions, which will be presented in the findings. The chapter also covered the analysis and interpretation of the findings in the study.

**Chapter five: Personal financial management services in South Africa**
This chapter will consider services offered to consumers to manage their finances in order to avoid the debt trap.
Chapter six: Summary, conclusion and recommendations

The chapter covers feasible recommendations to the DoH, and present the concluding remarks on the study.

1.9 CONCLUSION

This chapter introduced the background to the study, the problem statement, research objectives, the research design and the chapter outlay. It entailed the rationale for the research and the processes that were followed to carry out the research.

Debt is one of the major financial problems for high and low earners alike. The more a person borrows, the more interest is paid and the less disposable income that person has. Debt problems bring worry, stress, marital problems and a sense of hopelessness about the future. Debt problems can also enslave the individual, especially if such person does not honestly face the problem and make a plan to get out of debt and stay out of it. The majority of people who fall into the debt trap lose their belongings due to inappropriate debt management or by not being aware that they are over indebted (Public Service Commission, 2007). One of the major remedies in managing debt problems is firstly awareness and acknowledgement of the debt problem and rather to set proper mechanisms to create a solution.

The current study isolated a particular group and assessed its consumer debt level in relation to the general public consumer debt level as reported by a variety of research reports. Targeting the study group (health employees in Mahikeng) under review, lead to more specific intervention strategies to be developed and thus appropriately addressing the identified challenges. This will be to the benefit of both the employer and the employee.

The chapter also highlighted the research design that was used in the study. Data was collected by means of a self-administered questionnaire. A sample was drawn from the population using the non-probability quota sampling technique and the data was analysed by means of the SPSS package. The reliability and validity of the data
were also tested.

Since the focus of this research was on consumer debt among public servants, Chapter two will review different sources of literature on consumer debt and discuss various drivers of consumer debt in detail. The objectives and findings of the study will then be compared with the reviewed literature.
CHAPTER TWO
THEORETICAL CONCEPTS RELATING TO CONSUMER DEBT

2.1 INTRODUCTION

The financial systems of the 21st century have been growing with speed, sophistication and by becoming more complex (Nyamute & Maina, 2011:2) the world over. The financial and social environment within which people make financial decisions are constantly changing given the dynamics and ever-improving technology of modern life. Financial products and services have multiplied along with technological and other means of marketing them (Greenspan, 2005). This necessitates the need for a consumer to keep up with these changes so as to manage assets accordingly. It also entails having required financial management knowledge and skills to make appropriate financial decisions together with discipline to stick to the right decisions.

This chapter focuses on the theoretical and empirical literature relating to consumer debt. The chapter is organised into five parts.

Part one explores the broader component of financial management and the way it relates to consumer indebtedness. There is a strong relation between consumer indebtedness and poor financial management.

Part two consists of sections 2.3 to 2.6, which present an overview of consumer indebtedness with respect to the definition of consumer debt, the current level of consumer indebtedness and factors leading to indebtedness among consumers and households. Consumers incur debt for a variety of reasons. The most prominent reasons are home improvement and emergencies (Mlandu, 2007).

Part three of the chapter will classify consumer debt according to its source. Studies have indicated that poor households are more likely than other consumers to incur debt from informal credit providers like mashonisa (micro-money lenders) because they are unable to meet the requirements for borrowing from formal credit providers.
such as banks (Mashigo, 2006). On the other end, middle-income households will more likely incur debt from formal credit providers (Scott & Pressman, 2011). Credit cards, home purchase mortgages, instalment loans and home equity lines have undoubtedly become increasingly familiar to ordinary households as ways to fulfil the desired living standards (Zhao, 2003:1). Section 2.5 of this chapter will discuss in detail the classification of consumer debt as described in the literature.

The association between consumer debt and demographic variables forms the fourth part of the chapter, and this will be discussed in detail in sections 2.7 to 2.8. This section will also examine the different methods of measuring consumer debt. This will be the basis for determining the methodology of measuring consumer debt level in the current study.

The fifth part, in sections 2.9 to 2.10, covers garnishee orders and seeks to describe public servants within the context of the current study. The Public Service Commission (2007) in its report on indebtedness, used data from the PERSAL system to determine the number of garnishee orders paid by public servants.

Consumer debt can have a negative influence on both the employee and the employer. It can lead to stress and other health-related complications as reported by Garman et al. (1996) and lower productivity in the workplace, which will affect the entity’s performance. The chapter will briefly touch on the effect of consumer debt on employees and the employer. The discussion starts with the relationship between personal financial management and consumer indebtedness.

2.2 PERSONAL FINANCIAL MANAGEMENT

Survival in this century depends on having resources to sustain one-self. The greatest resource nowadays is having income to be able to meet the basic needs and other personal needs as indicated by Maslow’s hierarchy of needs. The income earned by an individual just like any other resource needs good management to ensure that the best value can be extracted and utilised efficiently and effectively (Muske & Winter, 2004). It is for these reasons that any consumer should have basic knowledge and skills in terms of personal financial management that would enable
sufficient control of finances, resulting in meeting the basic needs and other necessities.

Financial management generally refers to a set of behaviours in the areas of cash management, credit management, financial planning, investments, insurance and retirement and estate planning (Dowling, Corney & Hoiles, 2009:5). This is emphasised by a BancVue (2010) website article, which typically describes personal finance management as a tool that help consumers to track and manage their finances, create budgets, categorise and anticipate spending, and analyse the distribution and performance of their investments. It involves the efficient use of personal finance to meet the individual’s motives and goals. Nyamute and Maina (2011:2) also stress the importance of practices such as budgeting and cash flow management, account ownership, use of credit, savings behaviour, and asset accumulation as core elements of personal financial management. Personal financial management is therefore one of the important tools to manage and protect a consumer’s resources and ways to utilise these resources to meet the required standard of living.

Equally important, personal financial planning forms the integral part of an individual’s financial management. Swart (2004:5) defines personal financial planning as the organisation of individual’s financial and personal data for the purpose of developing a strategic plan to constructively manage income, assets and liabilities to meet near and long-term goals and objectives. The definition of personal financial management and financial planning suggests some similarities. Both terms seem to imply planning and implementing financial goals throughout one’s lifetime.

Nowadays the cost of living is increasing rapidly as inflation tends to erode personal income (Pressman & Scott, 2010). This necessitates efficient utilisation of personal finances. Financial management practices help individuals or households keep track of their income and expenditure in order to improve their financial status and to keep up with the current standard of living. These practices involve behaviours such as budgeting, making payments on time, saving money, managing one’s credit card debt, and having an idea of one’s net worth (Pham, Yap & Dowling, 2012:463).
Employees, who use more of the financial management practices recommended by experts, report a lower level of financial hardship or stress and a higher degree of satisfaction with their financial status than adults who employ few of the recommended strategies (Joo & Grable, 2004:30). Garman et al. (1996:165) suggest that negative financial decisions could be rectified or avoided by providing employees with the necessary financial counselling and intelligence to manage their finances in a more effective manner. Consumers who spend more than they earn, who do not keep financial records, do not plan and implement regular investment programmes, are individuals who make flawed financial decisions (Kotzè & Smit, 2008:41).

Indeed, several studies have found that individual positive financial management practices have been the single most influential determinant of debt and financial satisfaction (Gathergood, 2012; Joo & Grable, 2004).

The Australia and New Zealand Banking Group Limited (2005) identified three core factors that cause people to fall into financial difficulty:

- ‘unhealthy’ ways of thinking about finances;
- circumstances or events outside their control; and
- lack of financial skills and knowledge.

Individuals make decisions with regard to their personal finances on a daily basis, and even though these decisions are necessary for day-to-day survival, it can be a daunting task (Joo & Grable, 2004). Old-fashioned values concerning financial management, such as budgeting and saving, are lost in the pursuit of instant gratification, and consumers tend to spend more than they earn (Dowling et al., 2009:6)

Individuals are not being responsible when it comes to their personal finances, as revealed by Anthes (2004:51), who reports that, according to a 2004 Retirement Confidence Survey, only 58 per cent of workers are currently saving for retirement, and even these workers do not calculate how much money they have to save to live
comfortably by the time they retire. A shocking finding was that half of the workers who are not saving for retirement feel confident that they will have enough retirement money by the time they need it, proving once again that there exists a great need for financial literacy training in South Africa as well as worldwide (Streeter, 2003:4). One of the reasons as suggested by Disney and Gathergood (2012) is that ignorance plays a role in determining the participation of consumers in the credit market. Ignorance about basic financial concepts can be linked to a lack of retirement planning, a lack of participation in the stock market, and poor borrowing behaviour (Nyamute & Maina, 2011:2).

Streeter (2003:4) adds that consumers tend to be confused and intimidated by the complexity of the finance industry and they are embarrassed to admit that they struggle to understand certain terminology or practices. This is supported by the Australia and New Zealand Banking Group Limited (2005), which indicates that consumers in most cases do not understand how financial products work, they do not recognise when they should seek advice about a financial matter, or, in a small number of instances, they are unable to identify a financial scam. Similar findings might be possible or even worse in South Africa, taking into consideration the lower literacy level in the country. The consumers with poor financial literacy will not be able to select the most effective financial choices available to them, because the subject is unknown to them and therefore seems threatening. Young people are most at risk when it comes to poor, informal advice when choosing relatively straightforward products as they will rely on their parents and/or friends for advice (Atkinson & Kempson, 2004).

It is necessary for individuals to acquire knowledge about personal financial issues in order to be able to evaluate the financial options available to them, manage their finances effectively and gain financial security (Kotzè & Smit, 2008:42). Financial literacy has been identified as the single most important factor to result in prudent financial management (Anthes, 2004:52; Kotzè & Smit, 2008; Lusardi & Tufano, 2009). A study by Kidwell and Turrisi (2004:606) deduced that budgeting can change spending patterns of individuals through the successful regulation of finances. As a result, unnecessary spending is curbed, and budget maintenance is met with a
favourable attitude. This was confirmed by Kotzè and Smit (2008) who suggested that groups who are more knowledgeable regulate their spending patterns and decisions by keeping detailed financial records. It is for this reason that in the next paragraph, the focus is turned to financial literacy as the major factor affecting personal financial management.

2.2.1. Financial literacy

It is widely accepted that most consumers lack the financial literacy necessary to make important financial decisions in their own interest. Clearly, the importance of financial literacy cannot be underestimated, because a financially illiterate person may be unable to budget appropriately to meet expenditures, be unable to identify financial products or services that meet his/her needs, be unsure how to get and assess independent financial advice, and finally they are more likely to fall victim to abusive and exploitative practices and scams (Oseifuah, 2010). Related closely to the above is the fact that the more knowledgeable an individual is concerning personal financial issues, the less likely that individual would be to make inaccurate financial decisions that could lead to financial problems, such as taking out inadequate insurance, exceeding his or her income and making incorrect investment decisions (Kotzè & Smit, 2008:42).

According to Basu (2005) and Oseifuah (2010:168), financial literacy is the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. Financial literacy includes the ability to understand financial choices. For example, the ability to compare offers before applying for a credit card, having a current as well as a savings account, having a bookkeeping system, planning for the future like saving or investing for long-term goals such as education, a home and vacations (Nyamute & Maina, 2011:2).

According to Anthens (2004:50) and Nyamute and Maina (2011), it is therefore implied that financial literacy also calls for wise spending, which entails preparing budgets, tracking expenditures, paying bills on time, and ensuring that credit card balances are paid in full each month. Financial literacy should therefore enable a consumer to understand financial choices, plan for the future and spend wisely to avoid over-indebtedness.
Lusardi and Tufano (2009) specifically focus on the term “debt literacy”, which is described as the ability to calculate percentages, to calculate compound interest and to understand repayment schedules. This implies the capacity of individuals to make simple financial calculations on matters directly pertaining to the cost of debt contracts (Disney & Gathergood, 2011:2). Only debt-literate consumers can take the cost of debt into consideration, as a result taking precautionary measures to avoid over-indebtedness.

2.2.2 Impact of financial literacy on consumer debt

Mounting personal debt has caused South Africans’ savings to become insufficient. Deregulation in South Africa has led to virtually instant higher levels of debt for consumers at around 78 per cent (South African Reserve Bank Quarterly Bulletin, 2010), with the consequent decrease in savings from 8 per cent in 1985 to 0.52 per cent in 2006 (Kane-Berman & Tempest, 2007:87). This is confirmed by Kotzè and Smit (2008:37) who argue that debt levels for South African consumers are higher than ever while saving statistics are declining.

In recent years, the results of various research studies have also shown that households which demonstrate low levels of financial literacy do not plan for retirement (Lusardi & Tufano, 2009), borrow at high-interest rates (Kotzè & Smit, 2008), and acquire fewer assets (Oseifuah, 2010). People with low financial literacy are also more likely to have problems with debt (Lusardi & Tufano, 2009). They are less likely to participate in the stock market and less likely to choose investment products with lower fees (Oseifuah, 2010:166).

Kidwell and Turrisi (2004:601) further point out the strong link between the accumulation of personal debt and a distinct lack of skills in money management. Excessively high debt levels, low saving rates, becoming targets of investment fraud, delinquency on credit cards and bankruptcy have all been found to be related to financial illiteracy among individuals (Kotzè & Smit, 2008:37). This is supported by Gathergood (2012 592) who also found a positive relationship between financial illiteracy and over-indebtedness. Individuals with poorer levels of debt literacy
underestimate the cost of consumer credit repayments, they are more likely to use high-cost credit and they are also more likely to over-borrow and so are more likely to fall into arrears with their debt (Lusardi & Tufano, 2009).

Atkinson and Kempson (2004:2) found that young people in Britain aged 18 to 24 are increasingly over-borrowed, leading to financial difficulties because of financial illiteracy. This is supported by Lorgat (2003:6) and Kotzè and Smit (2008:41) who argue that workers find themselves in financial crises owing to the need to spend their income on costly goods, such as branded clothes and cell phones, for the purpose of fitting into a society where these goods have become a necessity rather than a luxury. Garðarsdóttir and Dittmar (2012:472) add materialism as another factor that causes consumers to disregard basic financial management skills and ultimately becoming over-indebted. Anthes (2004:52) supports this viewpoint by referring to the “instant gratification mentality” that lures individuals into spending more on what they want and do not necessarily need.

Over the past two decades, consumer debt has grown faster than the household income (Pressman & Scott, 2010:10). According to Dutt (2003:2), the accumulation of consumer debt will, at least in the long run, have a negative effect on economic growth by reducing savings and investment. This will in the end affect the consumer’s standard of living, which might, in turn, lead to poverty. Disney and Gathergood (2011:6) further indicate that households with lower levels of literacy (typically when young) accrue less wealth, are likely to over-borrow and enter later life with lower wealth. It is for these reasons that consumers need to be debt-literate to manage their debt effectively. The remainder of this chapter will therefore focus on consumer indebtedness in detail.

2.3 WHAT IS CONSUMER INDEBTEDNESS?

The Opinion Research Corporation (ORC Macro (2001:14) describes debt as follows:

Debt is a common instrument used to maintain a stable level of consumption, compatible with its lifetime resources, over different stages of the individual or
family's lifecycle. Being indebted, formally or via informal family channels, is normal consumer behaviour and a certain level of debt is inevitable for the majority of households, particularly at the earlier stages of their lifecycle.

“Household debt” includes mortgage debt on all residences and real estate, while “consumer debt” covers debt outstanding on credit cards, personal and home equity lines of credit, secured and unsecured loans from banks and other institutions (Chawla & Uppal, 2012). InvestorWord (2011) however defines consumer debt as “debt incurred for consumable or depreciating assets that aren’t considered investments. This includes items bought through credit card, store card-financed consumer purchases, car loans, and purchases through family loans”. Consumer debt does not include mortgages, home or business equity loans, home or business equity lines of credit, or stock margin accounts (Accountingglossary, 2011).

INSOL International (2001:1) on the other hand adds to the investorWord comments by defining a consumer debtor as a debtor whose liabilities are incurred primarily for private, family or household purposes and not as a result of carrying on business, either on the debtor’s own account or in partnership with others, or arising from guarantees given on behalf of limited liability entities. This implies that a consumer debtor’s liabilities should relate primarily to personal bank overdrafts, personal loans from any financial institution, personal credit cards and hire purchase relating to consumables that support personal life style.

Literature reveals that there is a direct link between debt and credit as it could represent two sides of the same coin. This is explained eloquently by Finlay (2009:3) who states that credit is that which is provided and debt is that which is owed. Credit can therefore be defined as “money, goods or services provided to an individual in lieu of payment” (Finlay, 2009:4). This could imply that the definition of debt is a mirror image of credit definition. Credit will always result in debt and could lead to over-indebtedness if taken excessively.

The Bureau of Market Research (2009:6) opts to define over-indebtedness as consumers spending more than 25% of their gross monthly income on unsecured
repayments, consumers spending more than 50% of their gross monthly income on total borrowing repayments, consumers with four or more credit repayments and consumers who are in arrears with credit commitments for more than three months. The Public Service Commission (2007) uses subjective measures only to define over-indebtedness as the inability to meet periodic instalment obligations and being faced with a debt spiral, that is, failure to meet interest payment obligations. However, it is difficult to quantify the definition as it is subjective to individual consumers. The definition used by the Bureau for Market Research (2009) is very comprehensive and will be used in this study to define over-indebtedness.

2.4 THE RISING CONSUMER DEBT
Many studies (Akhaabi, 2010; Hurwitz & Luiz, 2007; Mlandu, 2005; Worthington, 2006) have shown that debt has become an integral part of everyday life. Today there are very few goods or services that cannot be bought on credit terms or retailers who do not cater for credit facilities (Finlay 2009). Towards the end of the 2000s, the American public had a combined personal debt of more than $2.5 trillion, mainly in the form of credit cards, personal loans and hire-purchase agreements (Federal Reserve Board 2008 in Finlay, 2009).

The Australian society has also reported some uneasiness about the growth of household debt. From December 1992 to December 2002, the ratio of total household debt to income rose from a level that was relatively low at 56% to one that is in the upper range for comparable economies of 125% (Worthington, 2006). This represents an average annual growth rate of 13.9% over the decade and 14.7% over the past five years. The credit card debt to income ratio in Australia grew by 17.4% over the decade and 20.9% over the past five years (Worthington, 2006). This clearly shows that household debt in Australia is growing rapidly and need appropriate interventions urgently.

The less developed countries are also experiencing increase household debt. In Botswana, the rising level of debt have also been alarming, with the bank credit alone rising from P5 billion in 2001 to P17 billion in 2009(Pula (P) is Botswana currency), while the popularity of the unregulated micro-finance houses among the
poorer consumer is increasing (Iyanda & Biza-Khupe, 2011). Even though Iyanda and Biza-Khupe (2011) do not quantify the usage of unregulated micro-finance institutions, the usage might not be different from that of the South African population.

Daniel's (2001:18) analysis of household debt in South Africa showed that indebtedness generally increased while cash-flow generally decreased. In South Africa, a clear inverse relationship between the ratios of household debt to personal disposable income, and between household saving in relation to the personal disposable income of households can be discerned from the beginning of the 1980s (Prinsloo, 2002:72). The deterioration in the debt-savings ratio of households at the beginning of the 1980s coincided with the greater use of credit by households.

Growth in all the categories of household credit such as mortgages, overdrafts and other loans, instalment sales, leases and credit cards was rising between January 2004 and September 2006. The fastest growth occurred in credit cards (138%) and leases (123%), followed by mortgages (87%) and instalment sales (81%) while growth in overdrafts and other loans (36%) was the lowest relative to the other categories of household credit (National Credit Regulator, 2006:1).

The twelve-month growth in credit extension to households increased by 6.1% in January 2012 (South African Reserve Bank, 2012:41).

The report from the National Credit Regulator (2011) also indicates that household debt is continually growing. The report indicates an upwards trend in consumer credit between September 2011 and December 2011 as follows:
- unsecured credit increased to R21.21 billion (a quarter-on-quarter increase of 24.69%);
- credit facilities, which consist mainly of credit cards, store cards and bank overdrafts, increased from R14.88 billion to R16.60 billion (quarter-on-quarter increase of 11.52%);
- short-term credit increased from R1.75 billion to R1.85 billion (a quarter-on-quarter increase of 5.87%).
According to the Department of Trade and Industry (dti) (2006:40), the definition of
unsecured credit and short-term credit covers consumer credit.

Even though consumer debt has been increasing, studies have shown that growth in
North West Province has been among the lowest in the country. Daniels (2001:12)
contends that North West Province is the province with the lowest levels of
indebtedness at 39% while the Western Cape is the highest at 97%. These figures,
however, include mortgage debt. The fourth quarter report of the National Credit
Regulator (2011:6) categorises North West Province as the province with the third
least debt levels after Northern Cape and Limpopo. Statistics SA (2004:58) indicates
that North West Province comprises 6.9% of the country’s formal employment
opportunities, and 7.7% of the country’s informal employment opportunities, which
might be linked to the low levels of indebtedness. Ardington et al. (2004:621) and
Daniels (2001) found that poor households had low levels of indebtedness, which
could perhaps be partly explained by a lack of access to financial instruments in the
formal banking sector, corroborated by low levels of collateral among the poor.

Even though the level of indebtedness in North West Province is low due to the
social characteristics of the province, the current study focused on the permanently
formally employed population in the province. Previous studies have shown that this
focus group could easily be granted credit due to their employment status. As
consumers, they could incur debt for a wide variety of reasons as discussed below.

2.5 WHY DO PEOPLE TAKE HOUSEHOLD DEBT

Studies have different views regarding the drivers of consumer debt. Some studies
(Jacobs & Smit, 2010; Núñez et al., 2008) only covered consumer debt while others
(Weller, 2007) included mortgage debt to present household debt instead. The
increase in consumer debt is driven by conspicuous consumption, impulse buying,
institutional supply of credit, consumer irrationality as well as the consumer life cycle
(Akhaabi, 2010:54). Jacobs and Smit (2010), on the other hand, assert that
materialism among low-income consumers with a disposable income of less than
R7 000 per month drives consumer indebtedness. Public servants earning a gross
income of less than R7 000 per month are below level 5 salary level (PERSAL system, 1990).

Weller (2007), on the other hand, argues that the growth in household debt is largely channelled for home purchase and home improvement, followed by car purchase; and that the desire for instant gratification is a small contributory factor. This is supported by Hurwitz and Luiz (2007:120) and Núñez et al. (2008:27) who argue that the reasons for borrowing among the urban working class in South Africa are mainly for renovation of a house and funeral arrangements. The figure below indicates some of the main reasons for South Africans taking on debt.

![Figure 2.1: Reasons for borrowing – purpose of personal loans](source)

Source: Adapted from Hurwitz and Luiz (2007:120)

It is clear from the figure above that most consumers take on debt mainly to pay off existing debt and for family emergencies. Mlandu (2005) agrees with Hurwitz and Luiz (2007), namely that when asking the respondents about the reasons for taking on loans, most of them indicate that they take credit on to improve their homes, purchase a house, for emergency services (death in the family), debt consolidation, or study loans.
It is evident from studies on drivers for household debt that consumers have almost similar reasons for taking on debt. The most prominent reasons given are for family emergencies and house renovation. The type of debt taken on by households could also provide some insight on the usage.

2.6 CLASSIFICATION OF CONSUMER DEBT

Different literature examines household debt portfolios according to the type of credit incurred. The two major components of household sector debt are customarily classified into household credit and mortgage advances (South African Reserve Bank, 2010). Household or consumer credit is, in turn, subdivided into open accounts, personal loans at banks, other personal loans, credit card facilities, instalment sale transactions and lease agreements (Prinsloo, 2002:64). Van der Walt and Prinsloo(1995) explain open accounts as all outstanding debits to credit providers and the amount payable for the purchase of goods and services that will be paid in full at a predetermined future date or in instalments over time.

Nyaruwata and Leibbrandt (2009), on the other hand, categorise consumer debt into personal loan from bank, personal loans from micro-lenders, mashonisa, study loans from banks, study loans from the academic institution, loans from friends and family members, car finance, credit cards, store cards, hire purchase (see also Finlay, 2009).

Núñez et al. (2008:25) contend that the most common sources of loan to households in South Africa are formal sources such as the bank. Figure 2.2 below indicates some of the sources of credit identified by Núñez et al. (2008).
Figure 2.2: Loan sources
Source: Adapted from Núñez et al. (2008:25)

The figure above indicates that banks are the biggest credit providers followed by the mashonisa. The number of credit accounts however indicates a different picture. The National Credit Regulator examined the number of accounts issued by credit providers. Figure 2.3 below indicates the number of accounts per classification.

Figure 2.3: Number of accounts (as a percentage of the total)
Source: National Credit Regulator, (2009:8)
Figure 2.3 above indicates that the majority of consumers (36.6%) use store cards as a method of payment. Although mortgage (6.0%) and motor vehicle debt (5.5%) is by far the biggest contributors in terms of value to household debt, few consumer have access to those types of credit.

The discussion below will cover the types of consumer debt that are presumably relevant to most consumers and to a large extent reflect the largest items in a typical consumer’s debt portfolio.

2.6.1 Personal loans
Finlay (2009:16) describes an unsecured personal loan as a loan advanced with no guaranteed security in the case of default. However, the lender may be able to recover unpaid debts via a court order, possibly leading to repossession of the borrower’s assets. The typical idea of such contracts is to lend a specified amount at a specified fixed interest rate with specified maturity and to prescribe a precise repayment pattern (Van der Walt & Prinsloo, 1995). Bertola and Houchguertel (2005) contest that, because a personal loan is normally unsecured, the costs of application are potentially high and the interest rate charged is often higher than with instalment credit of similar size.

In 2008, almost 89% of personal loans were for amounts between R 1000 and R25 000 (National Credit Regulator, 2009:20). Paulse (2012) indicates that personal loans and advances have been increasing since 2005 in South Africa. Data from the SARB indicates that personal loans amounted to R145 468 000 in January 2012 compared to R39 262 210 in January 2005 and R28 380 020 in January 2000. Although the figures relate only to personal credit from the banks, it clearly shows a steady increase in the value of personal loan debt among consumers.

2.6.2 Other personal loans
Financial institutions and other credit extension institutions offer variety personal loans. One of these personal loans is a payday loan or payday lending, which Finlay (2009:24) describes as a short-term loan to cover borrowers until they receive their next pay cheque, and the loan is repaid in full with interest. Payday lending is also
commonly considered to be predatory lending as the practice typically involves high
interest rates, excessive fees, deceptive and aggressive marketing, and a general
lack of concern for the borrower’s ability to repay (McCaulley, 2011).

Payday loans have similar characteristics as the instant loans, which are usually for
a short time and popular among young adults (Autio, Wilska, Kaartinen &
Lähteenmaa, 2009:408; Bertola & Houchguertel, 2005). Buckland and Martin
(2005:170) argue that young people take instant loans for essentials, such as food,
rent and transportation expenditure, and also for ‘having fun’, for example, partying,
leisure activities and travelling. Mashigo (2006) argues that these loans are usually
provided by family and friends, and could be very expensive when provided by
mashonisa.

It is common knowledge that consumers will sometimes borrow money from a friend
or relative. Very few studies have been conducted on this type of credit. Dictionary.com (2012) defines a relative as a person who is connected with another
or others by blood or marriage. Bertola and Houchguertel (2005) contend that
borrowing from one’s nearest kin may offer particular advantages over bank lending
as it may reduce interest charged. Mashigo (2006) maintains that this type of credit
is more common in poor households than in households with high incomes because
of a lack of access to financial services, such as overdraft facilities. This type of
informal lending also depends on access to and pricing in formal lending markets
and cultural factors (Bertola & Houchguertel, 2005).

On the other hand, Núñez et al. (2008:3) argue that loans from mashonisa are
frequently linked to unexpected household expenses (emergencies, food and
transport) and that due to the nature of its uses, the loans are mostly unplanned. The
marginalisation of poor households by the formal financial institutions results in the
households utilising the informal financial services of the abusive moneylenders who
place the households in debt spirals (Mashigo, 2006). The costs and interest rates of
these loans are considerably higher than those of housing loans or normal credit
cards, at an average of 24% (Autio et al., 2009:408).
2.6.3 Overdrafts

Overdraft facilities are available to the holders of current accounts at banks. These facilities enable clients to withdraw funds from such accounts over and above the amounts deposited into the account (Van der Walt & Prinsloo, 1995:2). Overdrafts are usually associated with short-term lending, particularly at month-end prior to a salary being paid into the individual’s account (Finlay, 2009:23).

Van der Walt and Prinsloo (1995) further argue that the conditions for the repayment of overdrawn accounts are flexible and arranged at the discretion of the banks and with the client’s need and financial capabilities in mind.

In January 2012, the SARB reported that the amount outstanding from overdraft in South Africa is R27 494 000. This is an increase from the R20 763 360 registered in January 2005 (Paulse, 2012).

2.6.4 Educational loans

College or graduate students who cannot afford education costs are likely to generate debt to cover the costs and expect a higher return in earnings after graduation that will allow for repayment (Jiang, 2007:84). In South Africa, government provides the bigger chunk of student loans with the remaining portion provided by financial institutions (Nyaruwata & Leibrandt, 2009). Education loans therefore allow consumers to incur debt even before having an employment income. With many households being unable to afford tertiary education, there is an increase of graduates and first-time employees who are indebted.

Education loans are one of the fastest growing consumer debt categories. In the US, the 2010 data indicated that for the first time, outstanding student loan debt exceeded outstanding credit card debt (Kantrowitz, 2010). The average amount of student loan debt in 2008 was $23 200, which is an increase of over 70% in ten years and an average increase of over $10 000 (Scott & Pressman, 2011:340).

Government plays an active role in providing financial assistance to students in further education and higher education institutions. In 2010, government through
various government departments, allocated R3 154 697 292 for bursaries and loans to students National Student Financial Aid Scheme (NSFAS), 2011:4). NSFAS (2011:13) further indicates that student debt reported in 2010 stood at R895 704 000, while student loan repayments stood at R5 110 610. However, 40% of this loan may be converted into a bursary depending on academic performance (NSFAS, 2011:14).

Government study loans often entail promoting education and increasing access to employment and thus a better standard of leaving (Bertola & Houchguertel, 2005). Hyounjin Yi (2010:55) argues that young people with educational loans are less likely to own a house and they delay having children and the decision to get married. This could imply that debt could delay the consumer’s progress in life as a result of servicing the debt obligations.

2.6.5 Credit cards
A credit card account allows a customer to purchase goods and services from any merchant who has entered into an arrangement with the card issuer (Finlay, 2009:18). Credit cards have become a vital component of personal money management and consumer life-style management (Wickramasinghe & Gurugamage, 2009). Jiang (2007:17) defines credit card debt as the total amount owed on all credit cards after the most recent payments, which will have to be carried over to the next period and be charged with interest at the end of the billing cycle. The outstanding debit balance at the end of each calendar month, and not the total credit available, is taken into account when calculating the total consumer credit (Van der Walt & Prinsloo, 1995:3).

Consumers use credit cards as a payment device and a source of revolving credit (Starvins, 2000). There are two types of credit card users, convenience (transactor) users and revolvers (Lee & Hogarth, 1999). Convenience users tend to use credit cards as an easy mode of payment and to typically pay their balance in full upon receiving the account statement (Jiang, 2007:49), while revolvers, on the other hand, use the card principally as a mode of financing and elect to pay interest charges on
the unpaid balance (Lee & Kwon, 2002). Consumers can also freely switch roles between revolvers and transactors (Jiang, 2007).

Wickramsinghe and Gurugamage (2009:444) add that credit cards help consumers to access a level of participation in contemporary consumer culture that is different from what would be possible in its absence. Consumers could use credit card as a mode of short-term financing and realise savings that may result by buying now rather than later. Credit card therefore seems to offer much in reducing financial stress, as it provide the flexibility to maintain basic social and consumption activities (Worthington, 2006:15). It is this convenience that could cause over-reliance on credit cards resulting in credit card over-indebtedness.

Credit card accounts form a substantial and growing share of consumer debt. In the United States, more than 75 per cent of adults have at least one credit card with an average of 4.2 cards per cardholder (Wang, 2006:23). It is also one of the major forms of payment, as credit cards were used for 21.7 billion transactions in the US in 2006, which accounted for 23.3% of non-cash payments (Hyounjin Yi, 2010:21).

Credit card debt levels relative to income are highest among low-income families (Centre for American Progress, 2006). Low-income families owed the equivalent of 9.5% of their income on credit cards, while middle-class families owed 5.2%, and high-income families owed 2.3% (Centre for American Progress, 2006).

Credit card debt in South Africa has also been increasing. In 2002, it was estimated that there were 4.9 million credit cards (held by individuals) with outstanding balances of R13.6 billion, while by mid-2008, this had increased to 6 million accounts with outstanding balances of R36.8 billion (National Credit Regulator, 2009:16). In 2002, the SARB, as reported by Paulse (2012), indicated that in January 2000, about R10.9 billion was outstanding from households’ credit. This increased to R21.6 billion in 2005 and to R60 billion in January 2012. This indicates that the usage of credit card in South Africa has been increasing rapidly.
2.6.6 Store cards

A store card is one of the payment systems widely used throughout the world and which also leads to indebtedness. Although a store card is similar to a bank credit card, it is more easily obtained than a bank credit card because customers' financial status is not necessarily reviewed with the same severity during application (Worthington, 1996), thus overspending seems almost inevitable (Erasmus & Lebani, 2008:211). Liberal credit limits allocated to holders of store cards encourage spending and provide fertile grounds for overspending (Kaynak, Kucukermiroglo & Ozmen, 1995) as consumers who would not necessarily be eligible for credit, are granted store cards.

Erasmus and Lebani (2007:60) contend that store cards serve two distinct purposes:
- as a convenient transactional medium, they substitute cheques and cash; and
- as a source of revolving credit, they enable purchases that can otherwise not be afforded.

Because of store card’s purpose as revolving credit, consumers in lower-income groups find it highly appealing (Lee & Kwon, 2002).

Holders of store cards enjoy additional benefits that may appear more rewarding than the credit facility itself, e.g. special discounts, promotional vouchers and club membership that even grants insurance cover and legal representation (Erasmus & Lebani, 2008:213). Obtaining a store card consequently makes perfect sense to the extent that non-holders may get the idea that they lose out when they pay cash (Chakravorti, 2003).

Retailers provide store cards to customers to enable them to buy on credit. This is for customers a convenient way of paying as they can purchase even without cash but create debt that will need to be serviced in future.

2.6.7 Hire purchase

Bertola and Houchguertel (2005:12) describe hire purchase, which is often called ‘instalment sale agreement’, as a transaction in terms of which goods or services are provided to the buyer, but where the purchase price is paid in instalments over a
period in the future. This type of credit is used almost exclusively to finance the purchase of durable consumer goods such as cars and household utilities like sofas, television sets and other household items (Finlay, 2009:17). Bertola and Houchguertel (2005) argue that this kind of consumer credit is cheaper than taking out personal loans.

Pressman and Scott (2010:10) contend that hire purchase is the only consumer debt that has not experienced rapid growth in the past number of decades, although it still increased by 34% between 1989 and 2007. The argument was that the relatively small growth rate in this category can probably be ascribed to the fact that many items previously bought using an instalment loan can now be charged with a credit card.

In January 2012, growth in the instalment sale credit category came to 7.2%, the highest growth rate since December 2008 (South African Reserve Bank, 2012:41). The report from the National Credit Regulator (2009) indicated that furniture credit outstanding was at R12.1 billion, representing 3.3 million accounts, while the debt outstanding from motor vehicle finance was R176 billion, representing 1.77 million accounts. The growth in instalment sale credit continued to benefit from lively consumer demand for motor vehicles in an environment of low interest rates. This is supported by an increase in the sales of private cars in South Africa (South African Reserve Bank, 2012). In April 2011, 26327 passenger cars were purchased against 29517 of the same in April 2012 (National Association of Automobile Manufactures of South Africa (NAAMSA), 2012). In the US, roughly 40 per cent of households had motor vehicle debt in 2007 compared to 25 per cent in 1983 and 20 per cent in 1962 (Pressman & Scott, 2010:9).

2.7 MEASURING CONSUMER DEBT

The task of monitoring consumer debt is complicated because there are several ways to measure the debt burden. These measures are usually calculated as a ratio comparing the amount of consumer debt with a measure of a consumer’s ability to repay, such as household income or assets. The most commonly used
measures of ability to repay are disposable income, which is the after-tax spendable income (Garner, 1996:65).

The measures of consumer debt can be classified into the following general models of consumer indebtedness (Opinion Research Corporation, 2001:62):

- **The administrative model** examines all cases where non-payment of debts have been registered officially or declared before a court.

- **The objective (or quantitative) model** devises quantitative measures that try to capture the net indebtedness or the debt service burden of households (e.g. debt to assets or debt to income) and then establishes threshold levels of the ratios that are regarded as abnormally high, putting consumers in danger of becoming over-indebted.

- **The subjective model** where over-indebted consumers are classified as those who consider themselves to be over-indebted.

Raijas, Lehtinen, and Leskinen (2010:211) contend that payment default of a consumer’s credit debt is the first public sign for creditors that the debtor has financial difficulties. It is regarded as a very important signal of the consumer’s inability to repay a loan. Analysts sometimes look at more direct measures of household financial distress, such as delinquency rates or the number of personal bankruptcies (Greninger, Hampton, Kitt & Achacoso, 1996:61). The National credit regulator has been using this method to measure the consumer credit default rate. This is regarded as an administrative measure of consumer debt.

Another measure of consumer indebtedness is using a subjective view of asking a critical question of whether the respondent feels that she or he is coping with her or his debts (Raijas et al., 2010:218). The Euro-Barometer survey (Raijas et al., 2010, citing the European Commission (EC), 2008) measured the level of over-indebtedness across all European Union (EU) member states by asking a sample of respondents in each state whether they had had difficulty paying all their bills at the end of the month, and 13% admitted to having had difficulties with their payments. Hurwitz and Luiz (2007) used the same measure of consumer debt and reported that 40% of the respondents indicated that their debt levels fell within an acceptable
range. Most of the surveys, such as those by Statistics South Africa (2008) namely the Income and Expenditure Surveys, used this method of measuring consumer indebtedness. The weakness with the subjective model of measuring consumer indebtedness is that consumers might not be aware that they are on the verge of or already over-indebted and that the researcher has to rely on the response provided.

The objective or quantitative measure of consumer indebtedness is the mostly used model as demonstrated by most studies. The debt–income ratio can be measured using outstanding debt or current monthly debt service payment (Hyounjin Yi, 2010:8).

The ratio of the total outstanding debt to income was used by Daniels (2001) and National Credit regulator quarterly reports (2010; 2011). This method typically uses information from credit providers’ database to get the information on the debt outstanding on the instalment of the loan. To determine debt relative to income, Hurwitz and Luiz (2007) used the National Loans Register (NLR) and Consumer Credit Association (CCA) database to obtain information about the cumulative value of current instalments owed to lenders and retailers at that stage, where it was found that 60% of the consumers were indebted beyond 30% of their gross income, 28% of the consumers to more than 100% of their gross personal monthly income, 10% to 200% or more, and 6% beyond 300%. Daniels’s study included mortgage debt.

One of the most widely cited measures is the ratio of consumer debt payment to disposable income. Debt service payments include payments for both principal and interest on outstanding consumer debt (Garner, 1996). Greninger et al. (1996:64) used this measure as non-mortgage debt payments to after-tax income, which indicates a danger point when the ratio is above 20% of total debt payments to after-tax income. Zhao (2003:178) used the debt repayment to income after-tax ratio to gauge household debt status also using a threshold of 20% to indicate over-indebtedness while Jacobs and Smit (2010:29) used debt repayments in excess of the accepted level of 30% of gross monthly income. The Micro Finance Regulatory Council of South Africa (MFRC) identifies clients as over-indebted if they are using a
loan to pay off other loans or allocating more than 25% of their gross monthly income or 50% of the net monthly income to loan repayment (Núñez et al., 2008:10).

Other studies, such as that by Nyaruwata and Leibbrandt (2009), used both the outstanding debt and monthly repayment to measure the indebtedness level, and found that the ratio of outstanding debt to yearly income was lower than the monthly ratio of payment to monthly income. Garner (1996:45) at the same time found that consumer debt service payments as a fraction of disposable income rose to 11.1% in the second quarter of 1996, while ratio of consumer debt to disposable income was at 20.7% for the same period. Using both ratios might produce different results.

In most cases, it is common knowledge that consumers do not know the updated amount outstanding but accurately know how much they pay monthly. Interest on outstanding debt has an impact on the principal amount, and thus the consumer would have to get a monthly balance to know the outstanding debt. The current study thus focused on the monthly payment rather than the outstanding debt to determine the consumer debt level among public servants.

2.8 CONSUMER DEBT AND DEMOGRAPHIC VARIABLES
Various studies examined the relation between consumer debt and demographic variables. The most common demographic variables in most studies are age, gender, marital status, educational level and number of family members (Lea, Webley & Walker, 1995). Studies have already found different results among different demographic variables and inconsistent reports on a specific variable. Parker and Chatterjee (2009:181) argue that there is no significant relationship in terms of gender, family income and/or level of education, while Lusardi and Tufano (2009:23) contend that low levels of debt literacy are the norm, and understanding of the basic mechanics of debt is limited, especially among the elderly, women, certain minorities and people with low incomes and little wealth. The following are some of the findings by different studies per variable.
2.8.1 Age and consumer debt

Consumer debt is the typical humped shape implied by the simple life-cycle hypothesis: debt increases among younger age groups, peaks at middle age and then tapers off among older age groups (Jiang, 2007:28). This theory is supported by the Public Service Commission (2007) findings as indicated in Figure 2.4 below:

Figure 2.4: Amounts paid to micro-lenders during the 2006/2007 financial year according to age group

Source: Adapted from Public Service Commission (2007:16)

Figure 2.4 show that employees in the age groups 40–49 and 50–59 paid the highest amounts to micro-lenders during the 2006/2007 financial year. This could imply that middle-aged consumers are highly indebted as compared to other groups.

In spite of life-cycle hypothesis, younger families are more likely to be in debt than older families (Curtis, 1962:47; Livingstone & Lunt, 1992:127; Van der Walt & Prinsloo, 1995). Jiang (2007:84) reiterates by saying that, as older households do not necessarily have a large income after retirement, they usually rely on their savings/wealth accumulated over time and would therefore be less likely to borrow large amounts. Younger borrowers will more likely be short-term borrowers and consumption-oriented, while older consumers would be slightly more inclined to use credit for purposes that may improve income-generation opportunities, such as education, or to buy an asset (Hurwitz & Luiz, 2007:120).
Interestingly, the study by Parker and Chatterjee (2009:180) compared the consumer susceptibility between consumers in the US and Singapore, and found that for consumers in Singapore, credit susceptibility increases with age while in the US, younger consumers are more prone to credit use. The contrast reported by different studies makes it difficult to come to a conclusion, but the life-cycle hypothesis gives sense as some debt incurred by the middle-aged is related to taking care of the children.

2.8.2 Gender
Women tend to be more risk-averse when making financial decisions while men are more likely to handle their finances adequately (Prince, 1993). In this respect, an interesting result comes from a qualitative study by Thorne (2010) where it was found that married women play the main part in handling financial affairs in case the household’s debt situation becomes severe, while their husbands tend to be irresponsible or reluctant. However, Thorne’s findings were based on 19 interviews only. Higher cautiousness and responsibility of women when dealing with household finances and debt can be reflected by higher debt burdens of women compared to men (Keese, 2012:4; Lea et al., 1995:691).

Erasmus and Lebani (2008) indicated that females are likely to own more store cards than males. This confirms the findings of a UK study (Opinion Research Council International, 2004:4) where it was reported that women will more likely own store cards while men mostly use bank credit cards.

Contrary to other studies, Jacobs and Smit (2010:25) and Ardington et al. (2004:621) argue that males tend to have higher levels of indebtedness than females. This is supported by Daniels (2001:10) who contends that male-headed households are at least twice as indebted as female-headed households. The Public Service Commission (2007) indicated that 53% of public servants who make payments to micro-lenders through the PERSAL system were males, while 47% were females. The figure below supports the notion that males are more highly indebted than females.
Figure 2.5: Total outstanding debt/yearly income and monthly payment/income by gender
Source: Adapted from Nyaruwata and Leibbrandt (2009:8)

Figure 2.5 underscores that male-headed households have both a higher outstanding balance to yearly income ratio and last payment to monthly income ratio than females.

2.8.3 Education and consumer debt
Highly educated consumers are likely to have more debt than less educated consumers. This is supported by Curtis (1962:49) who asserts that advanced education means more familiarity with the advantages of credit, increases in the appetite for material and nonmaterial goods, and improves the chances of being granted a loan. Consumers with higher education levels are more deeply indebted due to income differences driving greater access to credit (Hurwitz & Luiz, 2007:120).

On the other hand, other studies contend that highly educated consumers have low consumer debt. Education has a positive influence on financial literacy, thus the ability to manage debt (Keese, 2012:3). Consumers with college or graduate/professional degree could be more knowledgeable about money management and more cautious about the appropriateness of their debt position (Jiang, 2007:84). Educated consumers are better informed about the credit conditions and could reduce the risk of facing over-indebtedness. In addition, less
literate households use higher cost credit lines disproportionately, have higher debt–
payments ratios to given levels of debt and have higher arrears (Disney &
Gathergood, 2011:21). On the contrary, the debt and education level relationship
may not appear to be strictly linear. That is, the highly educated group may not
necessarily have a lower debt burden than the intermediately educated (Jiang, 2007:
85).

Contrary to other reports, Livingstone and Lunt (1992) found no positive relation
between personal debt and level of education. Households headed by someone with
a post-school qualification or professional degree is in a similar debt burden position
as someone with or without a high school qualification, everything else being
constant (Zhao, 2003:184).

2.8.4 Income and consumer debt
Various studies have been done to examine whether income determines the level of
indebtedness among consumers. The results are inconsistent as some had positive
relations, negative relations or even no relations at all. Some of the studies reviewed
are discussed below.

Consumer indebtedness increases as income increases (Daniel, 2001:11). It is
expected that an increase in income would result in an increase in credit access
(Jacobs & Smit, 2010:26). Higher-income consumers have access to ‘big ticket’
items such as vehicle finance, and so their total outstanding debt forms a higher
proportion of their annual income than low-income consumers who emerge as
typically indebted to around 10–15% of their annual income (Hurwitz & Luis, 2007). 
Zhao (2003:88) argues that households with steady and affluent incomes are
perceived as less risky borrowers and they are more likely to be granted the full
amount of loan while, on the contrary, low-income households could be prohibited
from obtaining large loans and hence they have less debt. Daniels (2001:6) argues
that the lower levels of debt among lower-income groups could partly be explained
by the lack of access to financial instruments in the formal banking sector.
However, Keese (2012:3) argues that higher-income households have low debt levels. Debtors are more likely to be in low-income groups than in higher-income groups (Lea et al., 1995:691). This was confirmed by the Human Sciences Research Council (2003), which indicated that debt levels were rising faster in the lower-income categories than in the higher ones (Jacobs & Smith, 2010). Credit card debt and non-bank debt such as store cards are still the forms of debt that are highly prevalent amongst low-income households (Barba & Pivetti, 2009). Lack of access to formal financial services by poor households makes them look for alternative sources of finance and they heavily depend on their local informal moneylenders who are regarded as responsive to their financial needs (Mashigo, 2006:10).

The increases in consumer debt provide consumers, especially poor ones, with a safety net which allows them to keep up their spending when their income falls (Bird et al., 1999). In some instances, low-income consumers’ borrowing may be the only way of covering essential living expenses when, for example, a washing machine breaks, a child falls ill or the rent needs to be paid (Autio et al., 2009:408).

Furthermore, high-income consumers generally have low emolument (garnishee) attachment orders. This is supported by the University of Pretoria Law Clinic (2008:12), which found that the percentage of employees attached through emolument orders generally decreases as income increases.

Several other studies contend that middle-income consumers are the one hard-hit by consumer debt than any other income group. This is supported by Scott and Pressman (2011:333) who assert that many middle-class households have relied on consumer credit, such as credit cards and motor vehicle loans, to maintain their standard of living. Their income cannot meet the desired standard of living and hence resort to credit. The Public Service Commission report (2007) as reflected in Figure 2.6 below supports this view.
Figure 2.6: Number of public servants who made payments to micro-lenders, reflected according to salary level
Source: Adapted from PSC (2007:20)

Figure 2.6 above indicates that in 2007 there were more middle-income public servants who paid micro-lenders through PERSAL system that any other group in the public service. In 2011, the annual income at salary level 5 was R101 007 while at level 11 it was R434 505 (PERSAL system, 1990). Figure 2.6 also supports the life-cycle hypothesis as explained in section 2.7.1.

Livingstone and Lunt (1992:28) could however not establish whether higher income was seen to result in increased borrowing as consumers in debt did not differ in the amount of disposable income from those not in debt. Statistics SA (2012) released a monthly report on the number of civil summonses for debt outstanding to credit providers. The report reflects no difference in consumers’ income level. In February 2012, there were 63 515 civil summonses for debt issued to private persons (Statistics SA, 2012).
2.9 GARNISHEE ORDERS

Over-indebtedness and the causes thereof have become an increasingly important social challenge to individuals employed in both the private and public sectors. The National Credit Act of 2005 plays a major part in ensuring that responsible credit will be extended in future and further provides a remedy in the form of Debt Review (or commonly known as Debt Counselling) in the event of a consumer becoming over-indebted (Department of Trade and Industry, 2006).

A garnishee order, used interchangeably with “emolument attachment order” (Public service commission, 2007) is issued when a consumer defaults on paying the debt obligation. The Public Service Commission (2007:VI) defines a garnishee order as “Court order for collecting a civil judgment”. FIHRST Management Services (2010:7) elaborates this definition of garnishee order by describing it as debt enforcement proceedings in terms of which the employee agrees to repay the amount of credit extended by the credit provider, together with interest, costs and fees, in instalments, over a period of time, as well as the process to be followed where the employee has not met the commitments in terms of the agreement. A garnishee (emoluments attachment) order can be obtained where the court has so authorised or the judgment debtor has consented thereto (Department of Trade and Industry, 2006).

There was an increase in the number of impaired credit records in South Africa. The University of Pretoria Law Clinic (2008:4) reports that, at the end of September 2007, there were 16.9 million credit active consumers, of which 6.38 million or 37.7% had an impaired credit record. It further reports that in May 2008 alone 105 427 summonses were issued for debt and 54 755 judgments were granted.

Garnishee orders are also prevalent among public servants in South Africa. The Public Service Commission (2007:xi) report indicates the following:

… During 2006/2007 there were 216 857 public servants who made garnishee related payments through PERSAL system. This constitutes 20% of the total population of the Public Service and is a source of concern to the PSC. The astronomical debt of R1.01 billion emanating from garnishee orders not only reflects the extent of indebtedness but also clearly demonstrates the need to
create financial management awareness amongst employees in the Public Service.

2.10 WHO IS A PUBLIC SERVANT?

It is common knowledge that a public servant is an employee of the state. The Public Service Commission (2002) explains a public servant as an employee who promotes the unity and wellbeing of the nation in performing the official duties. It is common knowledge that an employee should serve the public in an unbiased and impartial manner in order to create confidence in the public service and in turn earn a decent income compatible with the duties.

In South Africa, public servants earn a decent salary, which is way above the poverty line of R367 per month (SAFM, 2012) and the World Bank poverty line of $1.00 per day (Bird et al., 1999). Public servant working for the provincial departments have salaries classified according levels, with level one being the lowest-paid employees while the highest level (15) is that for the heads of departments (PERSAL system, 1990). In 2011, public servants salary levels in the North West Department of Health department ranged from the lowest at R55 350 while the highest was at R1 245 490 (PERSAL system, 1990).

The Bureau of Market Research’s (2009) describes the emerging middle-class income groups as those earning between R50k to R300k per annum. This suggests that most public servants are in the middle-income class in South Africa. The generally accepted definition of the middle class in South Africa is the definition by the South African Advertising Research Foundation (SAARF) Living Standards Measure (LSM) as those falling between LSM 5 and LSM 8 (Mazibuko et al., 2009). The middle class is characterised by its drawing its primary income (directly or indirectly) from non-manual employment, as ‘white-collar employees’, managers, self-employed business persons, or professionals (Southhall, n.d:1). This supports the notion that most public servants are in the middle-class category. The SAARF (2011) guideline indicates that most public servants are at Living Standards Measure (LSM level 5 (R4 165) to LSM 10 (R29 512) per month, thus earning adequately to maintain their life styles. With stable and adequate income, public servants are prone
to debt due to the ease with which they can access credit (Public Service Commission, 2007).

2.11 EFFECT OF CONSUMER DEBT

Financial pressure and especially debt can be a major source of stress in the workplace (Cox, Hooker, Markwick & Reilly, 2009). Barnard, Peters and Mueller (2010:2) argue that employees’ debt-related problems become the organisation’s problems because such strain affects employees’ productivity and their ability to function optimally.

High spending habits of government servants could also lead to a tendency of corruption (Duasa, 2008). Spending in this case includes payments of personal debt which, according to Duasa (2008), is the main component of total spending and thus also the main contributor to the tendency of corruption among government employees.

The Public Service Commission (2007) highlights several other factors implicating public service due to the effect of debt on the employees. The following factors are mentioned in the report:

- **administrative burden** – the state has to administer, through its PERSAL system, the payment of garnishee order and loans from micro-lenders;
- **ill-health due to financial distress** – the report state that persons who are affected by micro-lending debt and especially garnishee orders will tend to get sick more often than persons not affected by such a problem;
- **low productivity** – due to employees not in a good state of health or mind, absenteeism or below standard performance will follow;
- **irregular remunerative work outside the public service** – report suggests that indebtedness can, among others, lead to employees taking on additional work outside the public service; and
- **ethical considerations** – employees not conducting themselves in a manner that promote ethics or ethical principles.
Keese and Schmitz (2010) argue that over-indebted individuals are more likely to have bad health as both physical health and mental health deteriorate with the debt burden. Approximately 15% of workers experience stress from poor financial behaviours to the extent that it negatively impacts their productivity (Garman et al., 1996). The study further indicates that poor financial behaviours result in extremely high costs incurred by employers, including absenteeism, tardiness, fighting with co-workers and supervisors, sabotaging the work of co-workers, job stress, reduced employee productivity, lowered employee morale, accidents and increased risk taking.

Contrary to other studies, Worthington (2006) contends that financial stress is very much a function of the demographic and socioeconomic characteristics of households and, to a lesser extent, debt. This was supported by Bridges and Disney (2010) following their examination of the relationship between depression and debt among families. This latter report indicated that there is little evidence that adverse financial shocks have any direct effect on psychological wellbeing of an individual.

2.12 CONCLUSION
This chapter covered the role of personal financial management on personal debt. This included the effect of financial literacy on consumer indebtedness. Financial literacy is one of the important factors in personal financial management and ultimately over-indebtedness.

The chapter also discussed the definition of consumer indebtedness and identified elements to use when measuring over-indebtedness. The status of household indebtedness internationally and in South Africa was also examined. Studies have shown as in the case of the SARB (2012) that household debt is rising.

Consumers incur debt for a variety of reasons. The most prominent reason among the poor is emergencies and settling other debt, while among the middle- and high-income group it is mortgage debt (Hurwitz & Luiz, 2007:108).
Classification of debt or examination of the debt portfolio ensures that the researcher was able to identify the most prominent composition of consumer debt. In this chapter, a debt portfolio was noted to comprise of personal loans from banks, other personal loans from other service providers, overdrafts, educational loans, credit cards, store cards and hire purchases. Such debt portfolio entails the most common types of consumer debt (Nyaruwata & Leibbrandt, 2009).

Household debt can be measured using the administrative model, objective (quantitative) model and subjective model (Opinion Research Corporation, 2001:62). Most studies reviewed in this chapter used the objective model for measuring consumer debt.

This chapter also covered the relationship between different demographic variables and household debt, and obtained varying results. Demographic variables such as age, gender and education were discussed. The chapter also discussed the relationship between income and household debt.

A garnishee order is issued when a consumer defaults on the debt payment obligation. This is usually a sign of over-indebtedness. The effect of over-indebtedness could result in bad health of the consumer and low productivity in terms of the employer (Keese & Schmitz, 2010).

The literature helped to ensure that the current study focused on consumer debt and also served as a basis for the questionnaire design. In Chapter 3, the research methodology of the study is discussed.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 INTRODUCTION
This chapter outlines the research methods that were used in the study. In this chapter, the researcher discusses the nature of the study, research methods and designs. The sampling method and sampling procedure that were applied during the study are also covered in this chapter. In addition, the chapter focuses on the instrument that the researcher used to collect data, the sampling procedure that was employed and the sampling technique. The plan for collection and analysis of data are also discussed.

3.2 RESEARCH METHODOLOGY
Research methodology should be seen as a system through which a researcher is able to collect, analyse and interpret data in order that the research aims and objectives could be achieved (Nkatini, 2005:29). Tustin et al. (2005:82) add to the above sentiments by defining the research design as the plan to be followed to realise the research objectives or hypothesis. According to Wisker (2001:137), each study dictates the kind of research methodology the researcher should use to underpin the work and methods to use in order to collect data. At present, there are two well-known and recognised approaches to research, namely the quantitative and qualitative paradigms (De Vos, Strydom, Fouche & Delport, 2005:730). According to Phenya (2011:44), both methods involve similar processes in terms of the formation of the hypothesis, review of the related literature, collection and analysis of the data but there are certain distinctions, which will be outlined below. Quantitative research is any type of research that produces findings arrived at by statistical procedures or other means of quantification (Strauss & Carbin, 1998). The ultimate goal is to learn about a large population by surveying a sample of that population (Leedy & Ormrod, 2010:187). Lunenburg and Irby (2008:89) further argue that qualitative research emphasises understanding by closely examining people’s words, actions, and records as opposed to quantitative research approach that investigates such words and actions, and records at a mathematically significant level.
The current study used a quantitative research approach to gather relevant data. Leedy and Ormrod (2010:182) state that quantitative research involves either identifying the characteristics of the phenomenon or exploring the correlation between two or more phenomena. The reason for choosing a quantitative research methodology was firstly the nature of the study, which dealt mostly with numbers, measurement, analysis and intension while ensuring that the results could be generalised to the entire department of health in the North West Province.

There are four research designs in quantitative research. The most appropriate design for the study is discussed below.

### 3.3 STUDY DESIGN
Design refers here to the basic methods of collecting evidence: surveys, interviews, experiments, observations, archival research and a combination of these methods (Vogt, Gardner & Haefele, 2012:3). This is supported by Welman and Kruger (1999:46) who define the research design as the plan according to which the study obtains research participants and collects information from them. Four different approaches described by Lunenburg and Irby (2008:30) are correlation research, experimental research, descriptive research and causal research design methods. According to Leedy and Ormrod (2010:182), all these approaches yield quantitative information that can be analysed through a statistics approach.

The current study used the descriptive quantitative survey research method. Leedy and Ormrod (2010:182) argue that this type of research involves either identifying the characteristics of an observed phenomenon or exploring possible correlations between two or more phenomena. The aim was to learn about a population by surveying a sample of that population and getting to know their characteristics and attitudes. The researcher then drew inferences about the public servants in the department of health from the responses of a sample. According to Welman and Kruger (1999:84), if there is a great degree of regularity and orderliness in the phenomenon being studied, this method can be used.
The study quantified the amount of money the respondents spend servicing consumer debt, which determines the level of indebtedness of the population. Welman and Kruger (1999:47) state that the research design should specify the number of groups that should be used and the way this population should be selected. These will be fully discussed in subsequent sections.

3.4 POPULATION AND SAMPLE FRAME

According to De Vos et al. (2005:194), a population is a set of elements on which the research focuses and to which the results obtained by testing the sample should be generalised. To this, Welman, Kruger and Mitchel (2005:52) add that a population encompasses the total collection of all units of analysis about which the researcher wishes to draw a specific conclusion.

The population in the study was all permanently employed public servants within the provincial office of the department of health. The sampling frame was the list of employees reflected in the PERSAL system (human resource electronic database) for the provincial office of the department of health. At the time of the research, there were 469 employees registered on the PERSAL system as the provincial health department employees (PERSAL system, 2011). The employees are categorised as 36 senior managers, 83 middle managers, 236 technical/professional employees and 114 lower-level employees. The vacancy rate of the provincial office as at November 2012 was 27.2%. This is the population from which the sample was drawn.

3.5 SAMPLING

A sample can be viewed as a subset of measurements drawn from a population under the study (De Vos et al., 2005:195; Tustin et al., 2005:337).

One should distinguish between two broad types of sampling, namely probability and non-probability sampling. With probability sampling, each element in the population has a known, non-zero probability of being included in the sample (Tustin et al., 2005:344). In the case of non-probability sampling, one cannot specify the probability of each element to be included in the sample. Welman et al. (2005:56) mention the
The study used the non-probability quota sampling method. The quota sampling method selects respondents in the same proportions that they are found in the general population, but not in a random fashion (Leedy & Ormrod, 2010:212). It also regulates the size of each category within the sample and, in most cases, in a convenient way. Vogt et al. (2012:127) indicate that the researcher gets a representation of each category, which enhances the credibility of non-probability sampling. This approximates the results of probability sampling at less cost and less hassle than strictly probability sampling (Bernard, 2000:175).

The researcher ensured that the sample covered all the categories of employees in the provincial office, namely senior managers, middle managers, professional-level employees and lower-level employees. The researcher also conveniently ensured appropriate gender proportion of the employees. The study units were selected proportionally according to the population but in a convenient way. Employees who show interest in participating in the study and within the categories mentioned were chosen. Employees were visited in their offices and as per category of the position in the workplace. This ensured that each category of employees was covered and also ensured that a sample size for the study was attained. Only those who their workstations were within the provincial offices and who were permanently employed by the department of health were included in the sample.

According to Gay and Arasian (2003:113), when selecting a sample, the researcher should consider the following:
- If the population has fewer than 100 people, the entire population should be surveyed;
- If the population is approximately 500 people or units, 50% should be sampled; and
- if the population is approximately 1,500 people or units, 20% thereof should be sampled.

Given the above guideline and that the study population was 469, a study sample size of 235 employees was used and categorised according to the proportion of each level in the total study population. The sample was categorised into 18 senior managers, 42 middle managers, 118 professional employees and 57 lower-level employees. The sample size used took into consideration the time, cost and capacity to collect the necessary information.

### 3.6 METHOD OF DATA COLLECTION

The study used a self-administered questionnaire to collect data. Tustin et al. (2005:185) describe a self-administered questionnaire as a fairly structured paper questionnaire, which is sent to a targeted population and where a personal interview is not required. Data collected through such written communication requires respondents to record in writing their responses on the research questionnaire. The purpose of this was to promote confidentiality and to encourage honesty as much as possible. The questionnaire did not require the participants to write their names or anything that could link them to the questionnaire which thus promoted honesty. The questionnaire was meant to be anonymous.

The questionnaire was not mailed to the targeted population but delivered to the offices of the sampled population as they were all in one specified building. Bernard (2000:231) describes this as a drop-and-collect technique where a researcher leaves a questionnaire with a respondent and then goes back later to pick it up. The office door number was used to follow up on the submission of the questionnaire. Each participant was requested to respond within five working days after receiving a questionnaire and to put the questionnaire in a sealed box that was dedicated for the completed questionnaires. This was done to promote honesty in responses as the researcher was not able to link a response to an individual. Honesty in filling out the questionnaire promoted accuracy and reliability of the data collected.
For data on the garnishee order, the researcher sourced data from the PERSAL system. This was the secondary data source to investigate the objective of garnishee orders by public servants. Secondary data is also known as historical data and is defined as existing data that can be used in solving the research problem in question (Saunders, Lewis & Thornhill, 1997:158). Secondary data also provided information in terms of the extent to which public servants had been served with garnishee orders as a result of consumer indebtedness.

3.7 STRUCTURE OF THE QUESTIONNAIRE

According to Tustin et al. (2005:387), there are four main purposes of questionnaire design in the data collection process, namely;
- to collect relevant data;
- to make data comparable;
- minimise biases; and
- to motivate the respondent to participate in the survey.

These are the principles on which the questionnaire used in the study was based. Bernard (2000:241) argues that the research questionnaire should be simple, clear and unambiguous. This ensures that the respondents’ interpretations of the questions are similar thus leading to the same results.

The questionnaire was divided into four sections (see Annexure B):

Section A: Demographics

In section A, closed-ended questions and responses were used to collect information such as gender, age and marital status in order to be able to describe the group of people who had completed the questionnaires. This information was also used to classify consumer debt.

Section B: Information on personal income

In section B, four close-ended questions were used. The questions covered data elements to determine the salary level at which the consumer was, and which had to determine the annual income as retrieved from the PERSAL system. The questions
were also intended to determine the income levels of the public servants and their sources of income other than their public service remuneration. This was to determine total income from all sources.

**Section C: Information on consumer debt**
This section was intended to determine the different kinds of debt the consumer is exposed to and the amount spent on these debts on a monthly basis. The information had to assist in determining the level of indebtedness of public servants.

**Section D: Personal expenditure**
This section was intended to collect data on the consumables items on which individuals spend their income on a monthly basis. This information was used to determine the debt-to-expenditure ratio.

In order to ensure the reliability and validity of the questionnaire, pretesting was done before the questionnaire could be used in the study. The section below discusses how the questionnaire was piloted.

**3.8 PIOTING**
Welman et al. (2005:148) maintain that the purpose of a pilot study is to detect possible flaws in the measurement procedures, to identify unclear or ambiguously formulated items, and to notice non-verbal behaviour which may signify discomfort. In addition, Welman and Kruger (1999:146) argue that piloting is useful if the researcher has compiled the measuring instrument specifically for the purpose of the research project. Furthermore, Tustin et al. (2005:413) note that piloting is essential to ensure that data collected will be relevant and accurate, to eliminate misinterpretations and that the respondent will participate and co-operate fully.

The researcher developed a data collection tool specific for the research which needed to be tested before it could be applied. In this case, piloting of the questionnaire was conducted at the sub-district office of the department of health in Mafikeng. Fifteen questionnaires were issued and only ten questionnaires were received back from the participants. It followed from the pilot study that respondents
understood the questions and that most of the questions could be used as measurement units of the data collection instrument for the study. However, certain questions such as A1 and A2 of question 12 were modified. No question was deleted from the initial questionnaire due to the piloting exercise.

3.9 RESPONSE RATE

The response rate refers to the percentage of the total number of respondents who complete and return the questionnaire (Tustin et al., 2005:193). Leedy and Ormrod (2010:198) say that the best mechanism to improve response rate is the power of persuasion entailed in the covering letter. The letter should entail the aim of the study and the benefit the respondent could gain from the research. After piloting of the questionnaire for the current research, it was slightly modified for use in the study. The researcher printed 235 research questionnaires which were distributed among employees within the provincial department of health. Only permanent employees were targeted for the survey.

A high response rate was expected due to anonymity of the survey and because the respondent were supposed to drop the response in a sealed box where it was difficult to identify those who participated. Bernard (2000:249) indicates that professionals are more likely to respond to a questionnaire which is consistent with the study population. Each respondent was given one questionnaire and if the respondent misplaced it, the questionnaire was not replaced.

3.10 VALIDITY

Welman and Kruger (1999:138) argue that validity is taken into account to ensure that the instrument measures what it is supposed to measure. This is to ensure that the instrument is relevant to what the study seeks to assess and that it is appropriate to answer the research questions.

The first kind of validity is construct validity. Construct validity of a measuring instrument refers to the degree to which the instrument measures the intended construct rather than an irrelevant construct (Bernard, 2000:47). The researcher aligned the flow of questions with the objectives of the study. The questionnaire was
also needed to be scrutinised by experts in the field of research together with a statistician. Changes were made to structure the checklist and phrasing of questions identified as inappropriate.

3.11 RELIABILITY
Reliability is described as the extent to which obtained scores may be generalised to different measuring occasions, measurement/test forms and measurement/test administrators (Welman & Kruger, 1999:143). In addition, Bernard (2000:47) defines reliability as the degree to which an instrument measures the same way each time it is used under the same conditions and on the same subjects. The instrument, given the same conditions, should be able to obtain the same information whenever it is used.

The researcher conducted pre-testing of a checklist among 15 individuals from the Mahikeng health sub-district to measure the validity and reliability of the instrument. This was done to assess whether the instrument would produce the same results when it is administered and after data analysis and the extent to which the researcher agreed on the scores for each participant, indicated reliability. In this study, the focus was mostly on internal consistency that concerned the extent to which items on the test or instrument were measuring the same thing (De Vos et al., 2005:163).

The researcher tested for reliability by asking participants included in the pilot study to write their comments on how they found answering the questionnaire on a separate sheet of paper. The measuring instrument was pre-tested to ensure reliability and it was also assessed by a statistician from the University of South Africa (UNISA).

3.12 ETHICAL CONSIDERATIONS
Leedy and Ormrod (2010:101) attest that, whenever human beings or other creatures with the potential to think, feel and experience physical or psychological distress are the focus of the investigation, a closer look at the ethical implications of what is being proposed is necessary. In this case, a questionnaire was used to
obtain information from human beings; therefore, there was a need to uphold a particular standard and ethical principles. Most ethical issues in research fall in one of the four categories: protection from harm, informed consent, right to privacy, and honesty with professional colleagues (Leedy & Ormrod, 2010:101).

**Protection from harm:** The study did not contain anything that would harm the participants physically or emotionally. Only a standard questionnaire was used to obtain data and not any other measurement instruments.

**Informed consent:** Research participants should be told of the nature of the study to be conducted and given the choice of either participating or not participating (De Vos et al., 2005:68). A convenient method of data sampling was used to obtain information only from those who agreed to participate. The participants were given a covering letter which clearly explained the purpose of the study and the participants’ rights in the study.

**Right to privacy:** “Under no circumstances should a research report be presented in such a way that others become aware of how a particular participants has responded or behaved” (De Vos et al., 2005:68; Leedy & Ormrod, 2010:102). This entails respecting all the participants. The questionnaire used in the current research, was anonymous to enhance confidentiality and to protect all the participants of the study. Questionnaires were only assigned codes after data collection. In this way, it was impossible for information to be linked to a particular participant.

**Honesty with professional colleagues:** Even when the study is for academic purposes, it should not misrepresent or intentionally mislead the participants about the nature of the findings. Acknowledgement of the use of materials belonging to other people is mandatory (Leedy & Ormrod, 2010). The researcher strived to maintain research integrity throughout the research process and informed participants through a covering letter about the purpose of the research.

### 3.13 STUDY LIMITATIONS

Lunenburg and Irby (2008:133) describe limitations of the study as factors that may have an effect on the interpretation of the findings or on the generalisability of the results. Researchers envisage some resistance from respondents to divulge personal financial information accurately. However, the current research was
conducted anonymously in order to encourage honest responses from the participants.

3.14 DATA ANALYSIS

Once data is collected, it is supposed to be analysed and interpreted in accordance with the objectives of the study. Data analysis is a practice during which raw data is ordered and organised so that useful information can be extracted from it (Smith, 2011). Makhubu (2010:46) argues that data analysis involves breaking up the data into manageable themes, patterns, trends and relationships. This data is then analysed to ensure that the primary objective of the study is achieved. In the current study, a questionnaire was used to collect data and thus the descriptive data analysis method was used. This technique represents the basic analysis of survey data (Tustin et al., 2005:480). This entails the construction of tables and graphs that show in absolute and relative terms how often the different values of the variable are encountered in the sample (Tustin et al., 2005:523).

Inferential analysis was also be used in the study to estimate the population parameters. Mangale (2012:49) argues that inferential statistics are concerned with population and use sample data to draw conclusions. This implies utilising a particular sample statistic to estimate the corresponding population parameter (Tustin et al., 2005). The current study sought to determine the consumer debt level of employees in the provincial department of health and therefore had to draw inferences from the study sample.

Data was coded and analysed by computer using Microsoft Excel spreadsheets and Excel formulas. Data is presented in graphic presentations such as bar graphs, histograms, pie charts, etc. The researcher used the Statistical Package for Social Sciences (SPSS) 20.0 version to analyse the data and to test statistical significance of the results. This program was used because of the popularity of the software in the academic field. According to Makhubu (2010:46), SPSS is a powerful tool capable of conducting just about any type of data analysis used in social sciences, the natural sciences and in the business world. In addition, the tool is user-friendly; thus allowing the researcher to capture and analyse data efficiently and easily.
3.15. CONCLUSION
This chapter entailed among others the methodology and research design used in the study.

Quantitative research methodology was used during the current research as it was appropriate to the objectives of the study and the type of data to be collected and analysed. A descriptive survey research design was also used in the study. The research design addressed the following topics: population and sample frame, the type of data and the techniques used to collect data and the manner in which data was going to be analysed and interpreted. The method of collecting secondary data was also discussed. Some key issues that emerged from the chapter included the reliability and validity of the data and the ethical considerations when collecting data.

The next chapter addresses the analysis and interpretation of the data collected through the primary data collection tool and data from the PERSAL system.
CHAPTER FOUR
ANALYSES AND INTERPRETATION OF THE RESULTS

4.1 INTRODUCTION
The previous chapter focused on the research design and methodology of the study. In this chapter, more emphasis is placed on the implementation of Chapter three and the interpretation of the data collected. The results of the questionnaire received from the public servants working at the provincial office of the DoH in North West Province were analysed and interpreted in accordance with the research objectives.

The data was analysed using Excel spreadsheets and formulas together with the Statistical Package for the Social Sciences (SPSS). Frequency tables, pie charts, histograms and other tools were used to analyse the data. The statistical tools were in line with the type of data collected. Due to the number of respondents, answers on open-ended questions that were the same or similar were grouped together.

A questionnaire was used to collect primary data from the sample of public servants who participated in the study, while on the other hand secondary data was collected from the PERSAL system to determine the extent of garnishee orders within the provincial office. The questionnaire used was classified into the following sections:

Section A: Demographics
This section comprised closed-ended questions, which collected information such as gender, age and marital status in order to be able to describe the group of people who had completed the questionnaires.

Section B: Information on personal Income
This section comprised close-ended questions to cover data elements to determine the salary level of consumers in order to determine the annual income as retrieved from the PERSAL system. The section also collected data on the income levels of the public servants and their sources of income other than their public service remuneration.
Section C: Information on consumer debt
This section intended to collect data on the different kinds of debt the consumer is exposed to and the amount spent on these debts on a monthly basis.

Section D: Personal expenditure
This section intended to collect data on the consumable items on which an individual spends income on a monthly basis. The information was used to determine the debt-to-expenditure ratio.

The sections highlighted from the questionnaire as indicated above were used to analyse data collected.

4.2 DEMOGRAPHIC INFORMATION
The demographic profile was based on the descriptive statistics derived from the survey. This section covered five questions which were subdivided into gender, age group, marital status, highest education level achieved, and years of service. This was done to ensure a deeper understanding of the sample used in the study. The majority of respondents who participated in the study were female (66.9%) while 33.1% were male. This is indicated in Table 4.1 below and is in line with the population of the study, which had a gender profile of 284 females and 185 males (PERSAL system, 2011).

Table 4.1: Gender profile of participants

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Per cent</th>
<th>Cumulative percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>46</td>
<td>33.1</td>
<td>33.1</td>
</tr>
<tr>
<td>Female</td>
<td>93</td>
<td>66.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>139</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Looking at marital status, the study also indicated that 50% of the respondents were single while 39% were married. Only 9% of the respondents were divorced and
those who had a life partner or were widowed contributed 1% each to the total number of respondents.

The majority of respondents were between the ages of 26 and 30 years and formed 32% of the sample, followed by the group aged 31 to 35 years, and those between 41 and 45 years which formed 25% each of the sample. The age group below 25 years comprised only 6.5% of the participants, which represented the lowest number of respondents. This is shown in Table 4.2 below.

**Table 4.2: Age profile of participants**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Per cent</th>
<th>Cumulative percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 years and below</td>
<td>9</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>26–30</td>
<td>32</td>
<td>23.0</td>
<td>29.5</td>
</tr>
<tr>
<td>31–35</td>
<td>25</td>
<td>18.0</td>
<td>47.5</td>
</tr>
<tr>
<td>36–40</td>
<td>17</td>
<td>12.2</td>
<td>59.7</td>
</tr>
<tr>
<td>41–45</td>
<td>25</td>
<td>18.0</td>
<td>77.7</td>
</tr>
<tr>
<td>46–50</td>
<td>17</td>
<td>12.2</td>
<td>89.9</td>
</tr>
<tr>
<td>Above 50 years</td>
<td>14</td>
<td>10.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>139</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The study also analysed the respondents' period of employment and found that 86% of the respondents had more than one year of service. Furthermore, 41% of the respondents had been permanently employed for a period of between 6 and 20 years, while 18% had been employed for a period of more than 20 years. This suggested that most of the respondents might have had an opportunity to incur debt or might have been enticed to buy on credit because of their longer period of permanent employment.

In order to provide appropriate technical support to health care institutions, the department of health employs mostly tertiary qualified employees. This was reflected by the education profile of the respondents. The majority (82%) of respondents had
at least a tertiary qualification ranging from a diploma to PhD qualifications. This is clearly highlighted in Table 4.3 below, which indicates that 49 (35%) of the respondents had obtained a diploma as their highest education level. Only two male respondents (1.4%) had PhD qualifications. Interestingly, 43% of females had a diploma as their highest qualification as compared to 19.6% of the male respondents. The majority of male respondents (15%) had as highest qualification a master’s degree as compared to 4% of the female respondents.

Table 4.3: Highest education level achieved

<table>
<thead>
<tr>
<th>Highest education level achieved</th>
<th>Gender</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Subtotal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Count</td>
<td>%</td>
<td>Count</td>
<td>%</td>
</tr>
<tr>
<td>Secondary</td>
<td>10</td>
<td>21.7%</td>
<td>15</td>
<td>16.1%</td>
</tr>
<tr>
<td>Diploma</td>
<td>9</td>
<td>19.6%</td>
<td>40</td>
<td>43.0%</td>
</tr>
<tr>
<td>Undergraduate degree</td>
<td>8</td>
<td>17.4%</td>
<td>22</td>
<td>23.7%</td>
</tr>
<tr>
<td>Post-graduate degree (honours)</td>
<td>10</td>
<td>21.7%</td>
<td>12</td>
<td>12.9%</td>
</tr>
<tr>
<td>Master’s</td>
<td>7</td>
<td>15.2%</td>
<td>4</td>
<td>4.3%</td>
</tr>
<tr>
<td>PHD</td>
<td>2</td>
<td>4.3%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>46</td>
<td>100.0%</td>
<td>93</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

4.3 PERSONAL INCOME

The study population comprised the permanently employed public servants working at the provincial office of the NW department of health. It was therefore clear that all the respondents had a monthly income in the form of remuneration for the service they provide on behalf of the department of health. Table 4.4 below indicates the income per salary level. The majority of respondents (39%) were at salary levels 6 to 8, while salary level 13 and above had the smallest percentage of respondents (6.5%). Level 5 and below had the second highest percentage (29%) of respondents.
in the survey. The respondents as shown in Table 4.4 reflected the demographics of
the study population as the majority of the public servants working for the provincial
office were at level 6 to 8 while senior managers who were at level 13 and above
made out the lowest number of the population (6.5%).

Table 4.4: Classification of respondents per income

<table>
<thead>
<tr>
<th>Level</th>
<th>Frequency</th>
<th>Per cent</th>
<th>Cumulative percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 5 and below</td>
<td>40</td>
<td>28.8</td>
<td>28.8</td>
</tr>
<tr>
<td>Level 6–8</td>
<td>54</td>
<td>38.8</td>
<td>67.6</td>
</tr>
<tr>
<td>Level 9–12</td>
<td>36</td>
<td>25.9</td>
<td>93.5</td>
</tr>
<tr>
<td>Level 13 and above</td>
<td>9</td>
<td>6.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>139</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The study assumed that the monthly income determines consumer spending
patterns as shown by Statistics South Africa (2008). The respondents’ income
variable was divided into five categories as shown in Table 4.5 below. The majority
of respondents (40%) earned an after-tax monthly income of between R5 000 and
R10 000, while surprisingly nine respondents (6.5%) earned between R15 000 and
R20 000. The reason behind the low number of respondents in this category was
unclear as the majority of employees within the provincial office ranged from salary
level 6–12, which included employees earning below R20 000. The respondents
earning between R10 000 and R15 000 was the second highest at twenty-eight per
cent. This suggested that the majority of respondents in the study were in the
middle-income group of the public service.
Table 4.5: Classification of respondents per monthly remuneration

<table>
<thead>
<tr>
<th>After-tax monthly income</th>
<th>Frequency</th>
<th>Per cent</th>
<th>Cumulative percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than R5 000</td>
<td>17</td>
<td>12.2</td>
<td>12.2</td>
</tr>
<tr>
<td>R5 001–R10 000</td>
<td>56</td>
<td>40.3</td>
<td>52.5</td>
</tr>
<tr>
<td>R10 001–R15 000</td>
<td>39</td>
<td>28.1</td>
<td>80.6</td>
</tr>
<tr>
<td>R15 001–R20 000</td>
<td>9</td>
<td>6.5</td>
<td>87.1</td>
</tr>
<tr>
<td>Above R20 000</td>
<td>18</td>
<td>12.9</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>139</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

The respondents were not required to put the exact income they earn as a public servant but had to indicate the range in the list indicated in the questionnaire within which they fell. This was done to promote honesty and the response rate as personal income is regarded as a personal matter. In order to determine the after-tax monthly income in the study, a median of each income level category was determined. This is demonstrated in Table 4.6 below. In this case, the median for income category less below R5 000 was taken as R3 500, which was used to measure income for this variable. The median income was then multiplied by the number of respondents in each category to determine the total after-tax monthly income for that category. As shown in Table 4.6, the total after-tax monthly income for respondents falling in the category R5 001 to R10 000 was R420 000. The total monthly income for each category was then added up to determine the grand total for the after-tax monthly income of the respondents, which was R1 574 500. This represented the total income the respondents received as public servants.
Table 4.6: Total after-tax monthly income from public service

<table>
<thead>
<tr>
<th>After-tax monthly income categories</th>
<th>Frequency</th>
<th>Average income per category</th>
<th>Total after-tax monthly income per category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below R5 000</td>
<td>17</td>
<td>R3 500.00</td>
<td>R59 500.00</td>
</tr>
<tr>
<td>R5 001–R10 000</td>
<td>56</td>
<td>R7 500.00</td>
<td>R420 000.00</td>
</tr>
<tr>
<td>R10 001–R15 000</td>
<td>39</td>
<td>R12 500.00</td>
<td>R487 500.00</td>
</tr>
<tr>
<td>R15 001–R20 000</td>
<td>9</td>
<td>R17 500.00</td>
<td>R157 500.00</td>
</tr>
<tr>
<td>Above R20 000</td>
<td>18</td>
<td>R25 000.00</td>
<td>R450 000.00</td>
</tr>
<tr>
<td>Total</td>
<td>139</td>
<td></td>
<td>R1 574 500.00</td>
</tr>
</tbody>
</table>

Table 4.6 indicates that the highest total for after-tax monthly income was recorded by respondents earning income between R10 001 to R15 000. The reason behind this high value was that 28% of respondents fell in this category. This was in line with the findings of the Public Service Commission (2007:14), which indicated that public servants on salary levels 6 to 8 pay the highest amount to micro-lenders. The second highest was income level above R20 000. This was the highest-income respondent who thus heavily influenced the total income of the category. The respondents earning below R5 000 contributed the least value of after-tax monthly income.

In addition to their monthly remuneration from the public service, employees sometimes earned income from sources outside public service. Figure 4.1 below shows that only ten of the 139 respondents (7%) had incomes outside their public service remuneration. This could suggest that few employees conducted job activities outside their public service function to earn income or have a source of income from sources such as investment.
The highest after-tax monthly income from other sources was R15 000 while the lowest was R400. A total amount of R45 900 was earned by the respondents from sources other than public service. The majority of the respondents (50%) mentioned business as their source of income, while the sources of income for the other respondents ranged from maintenance, spouse support and investment. Two respondents did not indicate their sources of income. Four of the five respondents earned an income above R20 000 from public service while no respondent earning less than R5 000 had an income outside public service.

4.4 INFORMATION ON CONSUMER DEBT

It should be noted that data was collected in November 2012. This therefore implies that the last month of payment which was used in this study was October 2012. October 2012 was therefore used interchangeably with monthly debt payment as the questionnaire indicates “last month debt payment”. This was done in order to relate the analysis of the study with that which the questionnaire reflected.

The respondents were asked whether they paid debt obligations every month and their responses are indicated in Figure 4.2. Five respondents indicated that they did not pay monthly instalments to service debt while 134 respondents indicated that they serviced debt monthly. This seems to suggest that the majority of respondents
were in debt (96%). The South African Reserve Bank (2002:63) defines debt as an obligation or liability arising from borrowing money or taking goods or services “on credit”, i.e. against an obligation to pay later.

![Figure 4.2: Pay debt monthly](image)

Although five respondents (4%) indicated to be debt-free, the analysis of monthly payments indicated that eight respondents (6%) did not disclose their monthly debt repayment. This could suggest that three respondents (2%) did not pay their debt obligations monthly as per arrangement, and therefore they did not have means to pay monthly. Only female respondents were among the eight who indicated not paying monthly debt obligations. Five of the eight were earning between R10 001 and R15 000 while three were earning between R5 001 and R10 000.

Similarly with information on outstanding debt, ten respondents (7%) did not disclose their outstanding debt during the period of the survey. This could mean that they either chose not to disclose or they were completing their debt repayment instalment. The analysis therefore indicated that there were two additional respondents in addition to five who outright indicated to be debt-free and four who did not disclose the monthly debt repayment, totalling ten respondents. The non-disclosure of some respondents had been taken into consideration during the data analysis.
With 134 respondents (96%) indicating to be indebted, the analysis focused on the reasons why respondents incurred debt, and diverse reasons were disclosed. Of the 134 respondents, only 86 (62%) provided reasons for using debt, while 48 (34%) did not disclose their reasons for incurring debt. The question was not applicable to five respondents who indicated from the onset that they did not have debt.

Reasons with similarities were clubbed together and interpreted accordingly. An immediate observation of Figure 4.3 reveals that the majority of respondents (24%) took on debt because they did not have sufficient funds. Sufficient funds in this case meant money at their disposal to use when buying the necessities. This was followed by insufficient income (16%), which described the monthly income the respondents receive for their services or employment. Vehicle loan was the third major reason (11%) why respondents took on debt. Home loans (5%), municipal services (5%) and education (5%) were the least reasons why respondents took on debt. Some of the reasons disclosed by respondent for using debt were: build credit record, funeral arrangement, benefit in shops, no savings, family responsibilities and monthly expenditure. These reasons were grouped as “others” because they were mentioned once by different respondents.

![Figure 4.3: Reasons for taking on debt](image-url)
The results somehow contradicted findings by Hurwitz and Luiz (2007:120) and Núñez et al. (2008:27) who argue that the reasons for borrowing among the urban working class in South Africa are mainly for renovation of a house and funeral arrangements. In the current study, these reasons were only mentioned once by the respondents.

In examining the common types of debt which the respondents were exposed to, store cards were the most common types of consumer debt to respondents. Putting it differently, in measuring the proportion of each type of debt from twelve types reflected in the questionnaire, store cards were the most common types of consumer debt at 26%. This was followed by personal loans from the bank in the case of 18% of the respondents. Loans from family members and from mashonisa (1%) were the least consumer debts that were reported by the respondents. This is illustrated in Figure 4.4 below. The category “others” as a type of debt in Figure 4.4 reported 7% and covered debt that was not categorised, like municipal services and stokvel. The study seemed to echo the National Credit Regulator (2009:3), which indicated that the most common type of debt is store cards (35%) followed by credit cards (18%).

Figure 4.4 Percentage of types of consumer debt incurred
Figure 4.4 also shows that vehicle loan debt is the fourth common type of debt (14%) that was reported by the respondents. Figure 4.5 below, which indicates the value of monthly consumer debt payment by the respondent, shows that 37% of this value is attributed to vehicle loan debt payment. According to Nyaruwata and Leibbrandt (2009:8), the monthly payment done by respondents is particularly useful when attempting to determine the propensity of households to default on their debt as the level of debt becomes unsustainable when monthly payments consume a substantive proportion of household monthly income.

As advised by the statistician, twelve variables were used to measure consumer indebtedness. This is shown by Table 4.7 which further explains Figure 4.4 more closely by also indicating the number of respondents per variable on debt payment in the last month. The table also indicates that most of the respondents pay store cards first and then credit cards as part of monthly debt service. Vehicle loan payment value is the highest, as shown by the mean at R2 344 and the maximum amount paid monthly as R14 000. Payment to family members is shown as the lowest rand mean value paid to service debt at R294. The table also indicates that the standard deviation of vehicle loan payments to the mean is the highest among all debt payment variables at R2 344, while study loan payment from other financial institutions recorded the lowest deviation from the mean at R255. The wide variation of individual respondents’ monthly debt payment might have influenced the higher standard deviation on vehicle payment.

**Table 4.7: Descriptive debt payment variables**

<table>
<thead>
<tr>
<th>Payment amount to bank on study loan</th>
<th>N</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment amount to other institutions on study loan</td>
<td>9</td>
<td>637.33</td>
<td>255.092</td>
<td>300</td>
<td>1 000</td>
</tr>
<tr>
<td>Payment on personal loan from banks</td>
<td>61</td>
<td>1 767.66</td>
<td>1 256.124</td>
<td>150</td>
<td>7 000</td>
</tr>
<tr>
<td>Payment on personal loan</td>
<td>14</td>
<td>1 965.36</td>
<td>1 479.253</td>
<td>200</td>
<td>6 000</td>
</tr>
</tbody>
</table>
For store card payment, even though it is the most popular debt among respondents, the standard deviation shows that debt payment was almost similar from one consumer to another. Store cards are popular among low-income earners to buy household necessities such as clothes (Lee & Kwon, 2002). Of the respondents, 64% with a monthly income below R5 000 had store card debt monthly payment as compared to 33% of respondents with a monthly income above R20 000. For income level R5 001 to R10 000, 71% respondents had store card as compared to 66% for income level R15 001 to R20 000. This clearly supports the literature on higher usage of store cards by lower-income consumers.

**Figure 4.5: Value of monthly debt payment**
The total value of vehicle monthly debt payment was R184 802.00 (37%) involving forty-five (32%) of the 139 respondents. This was derived from the sum of all vehicle loan monthly instalments disclosed by 32% of the respondents. None of the respondents earning less than R5 000 per month was paying debt in terms of vehicle loans. Personal loan from bank was the second highest value (21%) paid monthly to service debt at R107 827.00. Personal loan is also the second most common type of debt incurred by the respondents. Credit card repayment at R50 050.00 and store card repayment at R48 118.00 each represented 10% of the value of the respondents’ monthly debt payment. When comparing the findings of the current study with those of the National Credit Regulator (2011), it was found that the motor vehicle financing was the second highest amount paid by consumers on a monthly basis after their mortgage bond repayment. These findings were similar to those in this study except that the study did not include mortgage bond payment.

The total amount paid by the respondents on variable study loans to banks and other financial institutions other than banks was R4 101 and R5 736 respectively. The two variables represent 1% each to the total last month payment by the respondents. Only five respondents made payments to their own bank for study loans while nine made payments to their own study loan from institutions other than banks. The lowest payment was made to family members at R1 600.

While in the case of the study by Hurwitz and Luiz (2007:119) almost a third of the sample was indebted beyond 100% of the debt–income ratio, the current study indicated that only six respondents were indebted beyond 100%. These respondents were at the income range R15 001 to R20 000 (1 respondent) and five respondents at income level below R5 000. Twenty respondents were indebted beyond 50%. The majority of these respondents were in the low-income categories. This analysis sought to demonstrate the extent of over-indebtedness among the respondents and the burden they carry on a monthly basis which, if not managed well, could lead to stress and other health complications to the extent that it negatively influences productivity (Keese & Schmitz 2010:17). Even though some respondents were severely indebted, fifty-two (37%) respondents were either not indebted or had a debt–income ratio below 20%. This suggests that 37% of the respondents had acceptable levels of debt (including eight debt-free respondents). When debt level
passes fifteen per cent, it will start requiring some attention (Greninger et al., 1996:64). Only six (11%) of the 52 respondents were indebted beyond 15%.

The number of debt commitments a consumer has also indicates his or her indebtedness. D’Alessio and Iezzi (2012:5) suggest that, if a consumer has four or more credit commitments, it indicates over-indebtedness. The current study showed that 22% of the respondents had four or more monthly debt commitments. Of those who showed an indication of over-indebted, the majority (35%) earned between R5 001 and R10 000, while very few (6%) earned between R15 001 and R20 000. The number of respondents in the income category R15 001 to R20 000 participating in the current survey were also fewer that most categories. This seems to suggest that lower-income respondents are more likely to be over-indebted than high-income respondents. As was indicated earlier, eight (5%) of the respondents did not have any debt commitments.

The outstanding value of the consumer debt is the total value the respondents reported to be remaining or owed on their total debt. The total outstanding amount of consumer debt the respondents in the study indicated was R12 792 683.00. This was the sum of all the individual respondents’ total outstanding debt value reported in the questionnaire. The total outstanding debt on vehicle loan was R6 617 772.00, which represented 52% of the outstanding debt followed by other debt at R2 725 245.00 (21%) and personal loans at R1 870 109.00 (15%).

The outstanding debt on loans from a mashonisa (micro-money lender), friend or family members were the lowest at R1 930 000.00, R155 000.00 and R600 000.00 respectively. This trend is almost similar to the one indicated in Figure 4.5 above where the last monthly debt repayment to a mashonisa, friend or family member was also the lowest. Figure 4.6 below indicates the outstanding value of consumer debt as indicated by the respondents.
Figure 4.6: Outstanding value of consumer debt

The analysis reported in Figures 4.4, 4.5 and 4.6 indicated that debt on personal loan featured prominently among the top three variables in all three figures. This indicates the influence of personal loan debt on the total consumer debt of the respondents. The analysis is also true for vehicle financing debt although it is not that popular; the value of the debt takes up the biggest proportion of total consumer debt reported by the respondents.

As indicated earlier, the income used in the analysis was the average after-tax monthly income, which was derived from the median of the range indicated on the questionnaire of monthly after-tax income. The respondents were categorised into income levels as shown in Table 4.6 and Table 4.7 below. All the debt payments done in October 2012 were added per income level to get the total sum of all the debt instalments paid during the month. The highest total amount was recorded on the respondents with income above R20 000, while the lowest was at the income category of less than R5 000. The figures in the table correspond with the income the respondent indicated.
Table 4.8: Descriptive data on consumer debt

<table>
<thead>
<tr>
<th>Variables</th>
<th>Total last month payment on consumer debt</th>
<th>Mean last month consumer debt payment</th>
<th>Median</th>
<th>Std deviation</th>
<th>Average total monthly after-tax salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than R5 000</td>
<td>R40 332</td>
<td>R2 372</td>
<td>R2 100</td>
<td>R1 508</td>
<td>R59 500</td>
</tr>
<tr>
<td>R5 001–R10 000</td>
<td>R129 683</td>
<td>R2 446</td>
<td>R2 008</td>
<td>R2 044</td>
<td>R420 000</td>
</tr>
<tr>
<td>R10 001–R15 000</td>
<td>R119 985</td>
<td>R3 528</td>
<td>R3 500</td>
<td>R2 349</td>
<td>R487 500</td>
</tr>
<tr>
<td>R15 001–R20 000</td>
<td>R69 451</td>
<td>R7 716</td>
<td>R4 601</td>
<td>R7 406</td>
<td>R157 500</td>
</tr>
<tr>
<td>Above R20 000</td>
<td>R143 319</td>
<td>R7 962</td>
<td>R8 150</td>
<td>R3 836</td>
<td>R450 000</td>
</tr>
<tr>
<td>Total</td>
<td>R502 770</td>
<td>R7 962</td>
<td>R8 150</td>
<td>R3 836</td>
<td>R1 574 500</td>
</tr>
</tbody>
</table>

Interestingly, as shown in Table 4.8, the mean of the debt payment shows different results from the total debt payment. The income level above R20 000 reflected as the highest to pay debt monthly at R143 319 when using the total last monthly payment and the highest mean debt payment. The income level R5 001 to R10 000 had the second highest total debt payment but the second lowest mean debt payment. This could be attributed to taking low value debt per individual while respondents above R20 000 paid high value debt such as vehicle loan. The income level R15 001 to R20 000 had the highest standard deviation at R7 406 as compared to the lowest-income category of less than R5 000 at R1 508. This could imply that the debt payment for income level R15 001 to R20 000 varies widely from one consumer to another.

The number of respondents and the type of debt incurred under each income level category affected the disjuncture between the total and mean debt payments reported, i.e. two of the eight debt-free respondents earned between R5 001 and
R10 000 and only ten (18%) of the 56 respondents at this income level reported to pay vehicle loan instalments.

Deeper analysis of debt payment per income category indicated that for income less than R5 000, more payments were done on personal loans from banks at R14 756, while there were no debt payments on vehicle loans and study loans from other payments. Credit card payment had the highest mean and, as shown by the standard deviation, there is a wider variation of credit card payment than any other debt variables at this income level.

Income level R5 000 to R10 000 also indicated similar trends with income level less than R5 000 having the highest total debt payment, namely the personal debt from the bank at R39 274. In this category, total payment on vehicle loan was however the second highest at R27 418 while payment on bank study loan was the lowest total debt payment at R900. Payments by individual respondents varied more in the variable payment to other loans than any other debt variable.

When focusing on income level R10 001 to R15 000, payment to vehicle loan dominates all other variables at total payment of R51 534 followed by a personal loan from a bank at R25 297. No debt payments were recorded for mashonisa and family members. Debt payments for vehicle loans varied greatly from one consumer to another at R1 944 than any other variable used in the study. Similar trends were found for income level R15 001 to R20 000, where debt payment in terms of vehicle loans was the highest at R32 150, followed by personal loans from the bank at R11 400.

None of the respondents in income level above R20 000 indicated paying debt in terms of the following variables: study loan from the bank, study loan from other financial institutions, friend, mashonisa, family member and hire purchase agreement. In this category, total debt payment to vehicle loan was the highest at R73 700 followed by debt to others at R31 900. Mean payment of vehicle loans was the highest at R5 254 also with the highest standard deviation of R1 640.
As indicated in Figure 4.4, the four most common types of debt paid by the respondents were store cards, personal loans from banks, credit card repayments and vehicle loans. In the same breath, the same variables contribute the highest value of payment as shown in Figure 4.5. It is against the above background that Table 4.9 reports on an attempt to isolate the four variables in order to analyse them in more detail. The table indicates that the higher the income, the higher the debt payment on vehicle loans. This is shown by the mean, median and the total debt payments. The mean store card payment for all variables were the lowest and ranged from R408 for income level R15 001–R20 000 and R587 for R10 001–R15 000 as the highest. Interestingly, consumers at income level below R5 000 had mean credit card debt of R2 382, which is higher than that for consumers earning above R20 000, namely R1 030. It however needs to be noted that only three respondents earning less than R5 000 pay credit card debt while 12 consumers earning above R20 000 pay this type of debt.
Table 4.9: Four most common consumer debt variables

<table>
<thead>
<tr>
<th></th>
<th>Sum</th>
<th>Mean</th>
<th>Std deviation</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Less than R5 000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment on personal loan from bank</td>
<td>R14 756</td>
<td>1 475</td>
<td>473</td>
<td>1 331</td>
</tr>
<tr>
<td>Payment on credit card</td>
<td>R7 146</td>
<td>2 382</td>
<td>2 303</td>
<td>1 500</td>
</tr>
<tr>
<td>Payment on store card</td>
<td>R5 430</td>
<td>452</td>
<td>278</td>
<td>400</td>
</tr>
<tr>
<td>Payment on vehicle loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R5 001–R10 000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment on personal loan from bank</td>
<td>R39 274</td>
<td>1 510</td>
<td>827</td>
<td>1 450</td>
</tr>
<tr>
<td>Payment on credit card</td>
<td>R13 648</td>
<td>758</td>
<td>786</td>
<td>500</td>
</tr>
<tr>
<td>Payment on store card</td>
<td>R22 788</td>
<td>584</td>
<td>320</td>
<td>500</td>
</tr>
<tr>
<td>Payment on vehicle loan</td>
<td>R27 418</td>
<td>2 741</td>
<td>924</td>
<td>2 500</td>
</tr>
<tr>
<td><strong>R10 001–R15 000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment on personal loan from bank</td>
<td>R25 297</td>
<td>1 806</td>
<td>1 543</td>
<td>1 085</td>
</tr>
<tr>
<td>Payment on credit card</td>
<td>R11 186</td>
<td>588</td>
<td>651</td>
<td>480</td>
</tr>
<tr>
<td>Payment on store card</td>
<td>R14 100</td>
<td>587</td>
<td>407</td>
<td>475</td>
</tr>
<tr>
<td>Payment on vehicle loan</td>
<td>R51 534</td>
<td>3 435</td>
<td>1 944</td>
<td>3 000</td>
</tr>
<tr>
<td><strong>R15 001–R20 000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment on personal loan from bank</td>
<td>R11 400</td>
<td>3 800</td>
<td>2 884</td>
<td>3 000</td>
</tr>
<tr>
<td>Payment on credit card</td>
<td>R5 700</td>
<td>1 140</td>
<td>1 059</td>
<td>700</td>
</tr>
<tr>
<td>Payment on store card</td>
<td>R2 450</td>
<td>408</td>
<td>201</td>
<td>350</td>
</tr>
<tr>
<td>Payment on vehicle loan</td>
<td>R32 150</td>
<td>5 358</td>
<td>4 304</td>
<td>4 050</td>
</tr>
<tr>
<td><strong>Above R20 000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment on personal loan from bank</td>
<td>R17 100</td>
<td>2 137</td>
<td>1 300</td>
<td>1 550</td>
</tr>
<tr>
<td>Payment on credit card</td>
<td>R12 370</td>
<td>1 030</td>
<td>761</td>
<td>850</td>
</tr>
<tr>
<td>Payment on store card</td>
<td>R3 350</td>
<td>558</td>
<td>91</td>
<td>500</td>
</tr>
<tr>
<td>Payment on vehicle loan</td>
<td>R73 700</td>
<td>5 264</td>
<td>1 640</td>
<td>5 000</td>
</tr>
</tbody>
</table>

Tables 4.10 and 11 indicate debt payment by gender. The study shows that males are more indebted than females and they also pay bigger amounts to service their
debt obligations than females. This is despite the fact that only 33% of respondents were males. This was confirmed by the sum total of debt repayment and outstanding debt that were proportionally higher than those of female counterparts. Similarly, the study supported various studies such as those by Jacobs and Smit (2010:25), Ardington et al. (2004:621), Daniels (2001:10) and the Public Service Commission (2007) who argue that males tend to have a higher level of indebtedness than females. Table 4.9 below indicates the monthly debt payment per gender.

Table 4.10: Monthly debt payment per gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Sum</th>
<th>Mean</th>
<th>Median</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>R266 926</td>
<td>5 802</td>
<td>5 004</td>
<td>4 429</td>
</tr>
<tr>
<td>Female</td>
<td>R235 844</td>
<td>2 774</td>
<td>2 224</td>
<td>2 563</td>
</tr>
<tr>
<td>Total</td>
<td>R502 770</td>
<td>3 837</td>
<td>3 000</td>
<td>3 625</td>
</tr>
</tbody>
</table>

The outstanding debt obligation in Table 4.10 shows a similar trend as that in Table 4.9 in terms of the total sum, the mean, median and the standard deviation per gender. The data seems to suggest that males are more indebted than females. Male respondents’ individual payments also varied widely from one respondent to another. The results below reaffirm that males are more indebted than females.

Table 4.11: Outstanding debt obligation per gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Sum</th>
<th>Mean</th>
<th>Median</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>R7 776 848</td>
<td>169 061</td>
<td>122 957</td>
<td>171 176</td>
</tr>
<tr>
<td>Female</td>
<td>R5 015 835</td>
<td>59 009</td>
<td>18 000</td>
<td>96 190</td>
</tr>
<tr>
<td>Total</td>
<td>R12 792 683</td>
<td>97 654</td>
<td>43 797</td>
<td>13 748</td>
</tr>
</tbody>
</table>
4.5 AFTER-TAX MONTHLY INCOME LAST MONTH DEBT PAYMENT RATIO
(DEBT–INCOME RATIO)

As shown in Table 4.6, the mean total after-tax monthly salaries were determined by adding the range of the salary income variables and using its median, i.e. the income used for income level R5 001 to R10 000 was R7 500.

In determining the debt–income ratio of the two categories, total monthly debt payment and total average after-tax monthly salary indicated by the respondents were used. Their calculations are highlighted as income reflected in Table 4.6 and Figure 4.5 for debt payment. The debt–income ratio was calculated as indicated in Table 4.11 below. The respondents with income less than R5 000 were shown to have a debt–income ratio of 68%, which is the highest among all four categories. The reasons could be low total after-tax monthly income among the four categories in Table 4.6. The results in Table 4.11 seem to suggest that the respondents earning less than R5 000 were highly indebted.

The respondents earning between R15 001 to R20 000 had the second highest debt–income ratio at 44%. The respondents with income between R10 001 and R15 000 had the lowest debt ratio at 25%. This could be due to highest total monthly after-tax income attributed to this category. Five of the debt-free respondents also fell within this category.
### Table 4.12: Debt–income ratio per salary level

<table>
<thead>
<tr>
<th>Variables</th>
<th>Total last month payment on consumer debt</th>
<th>Average total after-tax monthly salary</th>
<th>Total last month debt/total after-tax monthly salary income (debt–income ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than R5 000</td>
<td>R40 332.00</td>
<td>R59 500.00</td>
<td>68%</td>
</tr>
<tr>
<td>R5 001–R10 000</td>
<td>R129 683.00</td>
<td>R420 000.00</td>
<td>31%</td>
</tr>
<tr>
<td>R10 001–R15 000</td>
<td>R119 985.00</td>
<td>R487 500.00</td>
<td>25%</td>
</tr>
<tr>
<td>R15 001–R20 000</td>
<td>R69 451.00</td>
<td>R157 500.00</td>
<td>44%</td>
</tr>
<tr>
<td>Above R20 000</td>
<td>R143 319.00</td>
<td>R450 000.00</td>
<td>32%</td>
</tr>
<tr>
<td>Total</td>
<td>R502 770.00</td>
<td>R1 574 500.00</td>
<td>32%</td>
</tr>
</tbody>
</table>

The debt-income ratio is also reflected clearly in Figure 4.7 below where the graph reflects a decrease in debt ratio as the income increases. Although there is an increase at the monthly income category of R15 001 to R20 000, the overall trend suggests a decline as income increases. The possible high debt ratio at the lower level was highlighted by Mashigo (2006), who indicated that the debt spiral is mostly prevalent among poor households.

Even though statisticians prefer mean debt payment to total debt payment when calculating the debt–income ratio, some studies, such as Daniel (2001), also used the total debt–income ratio to analyse the level of consumer indebtedness. Figure 4.8 below indicates that there were no major differences between mean debt–income ratio and the total debt–income ratio and thus the study conservatively used total debt to income ratio in the analysis. The highest debt–income ratio was found for the respondents earning below R5 000 per month for both the mean and total debt, while income level R10 001 to R15 000 was the lowest in both the mean and total payment method of calculation. It should therefore not matter which method was used between mean debt and total debt to calculate the debt–income ratio.
As shown in Table 4.11, the aggregate total debt–income ratio of all the income categories was at 32%. This is slightly less than the non-mortgage debt of 37% indicated by the South African Reserve Bank (2012:70). The figures are above the 25% threshold indicated by the Bureau of Market Research (2009:6), which define over-indebtedness as consumers are spending more than 25% of their gross monthly income on unsecured repayments and above 20% non-mortgage debt payments to after-tax income. This debt–income ratio was supported by Greninger et al. (1996:64) who used the non-mortgage debt payments to after-tax income, which indicates the danger point of over-indebtedness when the ratio is above 20% of total debt payments on after-tax income. The debt under the study was only consumer debt and thus excluded mortgage debt. The 20% non-mortgage debt payment on after-tax income was therefore applicable.
4.6 PERSONAL EXPENDITURE

The monthly personal expenditure was measured using seventeen variables. All 139 respondents indicated monthly expenditure on two or more variables in the questionnaire. A total amount of R802 571 expenditure on all variables was reported by the respondents. Expenses on food items were recorded the highest at R190 000 00 per month, which was equivalent to 24% of the total monthly expenditure. This was followed by housing at 17%. Housing debt includes renting and other payment such as renovation and home payments. The lowest expenditure was on tobacco at R281 000. This represents expenses by only five of the 139 respondents on this variable. Interestingly, the total expenditure on reading material was the second lowest at R626 500. Figure 4.9 below indicates the percentage of total monthly expenditure by variables.
The total monthly expenditure reported in the study was 37% higher than the total debt paid in the previous month. This is shown by values in Figure 4.10 below. The figure also indicates that 51% of the income was spent on monthly expenditure. As shown in Table 4.8, 32% of the income was spent on servicing consumer debt. It therefore implies that respondents spent 83% of their income every month to service monthly expenses and debt obligations. Nyaruwata, G. (2009:5) mentions that one of the over-indebtedness indicators is found where a consumer has a total combined debt servicing and basic expenditure ratio of 70% or more of his or her disposable income. The remaining amount (30%) is probably spent on mortgage debt, savings, insurance, funeral covers and other commitments.
Figure 4.10: Total monthly debt payment to personal expenditure

4.7 GARNISHEE ORDER

Secondary data on garnishee orders was collected from the PERSAL system as reflected for November 2012. Raw data was exported from the system and analysed accordingly to try to reach the objective of the study. The aim was to determine the number of department of health employees working at the provincial office who had either garnishee or emolument orders; thus having court orders to pay the debt obligation.

As explained in Chapter 2, the term “garnishee order” can be used interchangeably with “emolument attachment order” (Public service commission, 2007) and it is issued when a consumer defaults from paying the debt obligation. The Public Service Commission (2007:IV) defines the garnishee order as “Court order for collecting a civil judgment”. FIHRST Management Services (2010:7) elaborates on this definition of a garnishee order by explaining it as debt enforcement proceedings in terms of which the employee agrees to repay the amount of credit extended by the credit provider, together with interest, costs and fees, in instalments over a period of time, as well as the process to be followed where the employee has not met the commitments in terms of the agreement.
The data from the PERSAL system indicated that sixty-two employees working at the provincial office of the department of health had monthly deductions from their salaries to pay their debt. This was out of the total of 469 permanently employed employees. It could be argued therefore that 13% of the permanently employed staff at the provincial health department in North West Province had been served with judgement orders to pay their debt and thus could be over-indebted. This is almost similar to the Consumer Credit Market report of the NCR (2012), which indicates that 13.9% of consumers have judgements or administrative orders against them.

The report indicates a lesser degree of cases of judgement orders than those reflected by literature. The University of Pretoria Law Clinic (2008:4) contends that there is an increase in the number of impaired credit records in South Africa as 37.7% of consumers have impaired credit records. The Public Service Commission (2007:xi) indicates that 20% of public servants have garnishee orders served against them. Even though the survey report indicates a smaller number of respondents with garnishee orders, it is still a matter of concern.

Figure 4.11: Number of employees with garnishee orders per gender
Looking at garnishee order per salary level, the study found that more respondents at salary levels 6 to 8 have garnishee orders issued to them. This is in line with the Public Service Commission (2007:27), which highlighted that public servants on salary levels 6 to 8 account for large number of payments towards garnishee debt. This is supported by the fact that 118 employees (25%) on the provincial office's paying roll fall in this salary level range. The number of employees above level 13 was found to be the lowest with garnishee order, at less than 1%, which is also consistent with the Public Service Commission (2007:28). This could indicate that respondents at this salary level have enough monthly income to cover their monthly debt obligations without persuasion by court order. Figure 4.12 below indicates the number of garnishee orders per salary level.

![Figure 4.12: Number of garnishee orders per salary level](image)

### 4.8 CONCLUSION

This chapter covered the demographic information which highlighted that most of the respondents (67%) were female. The respondent demographic information reflected the population, which implied that quota sampling was successful to ensure coverage of the whole spectrum of employees of the department of health at the provincial office.
All the respondents (100%) had monthly income as intended by the survey and were permanently employed by the health department. Most of the respondents (93%) relied on the remuneration they received from the public service as their only income. The survey also suggested that most of the respondents (96%) were indebted and that consumer debt ranged from 25% for respondents earning income between R10 001 and R15 000 while 68% for income below R5 000. The majority of respondents (24%) used debt to cover for a lack of funds at their disposal while shopping and when they have to resort to debt in order to augment what they have. Consumers are unable to buy their necessities by paying cash and thus resort to instalments which cause them to incur debt. Most respondents (26%) had store card as a source of debt and paid the bulk of their monthly debt payment (47%) as vehicle financing. The study also indicated that 32% of income was spent on servicing debt.

The monthly expenditure plays an important role in determining whether consumers will be able to pay their debt obligation. The study found that 51% of the monthly income was spent on the monthly expenditure such as personal necessities like food, clothing, communication and others described in Figure 4.9. This could make it difficult for consumers to cover other necessities like mortgage bonds, insurance, health care, savings and investment, which were not covered by the study.

With all this expenses that the consumer have to incur, it sometimes becomes difficult to meet the debt obligation. This prompts legal action by creditors to ensure that they get what is due to them. The consumer ends up having a garnishee order or emolument order against him or her for debt he or she could not service. As a result, consumers have to be forced to settle debt, which could likely result in another debt being incurred to cover the monthly shortage. It is therefore crucial that consumers be aware of their debt status and when to stop incurring more debt. Financial education and awareness of organisations that support consumers in debt is important to manage financial problems. It is against this background that the next chapter discusses some of the available and prominent institutions that can assist consumers in debt. These institutions were established to harmonise the relationship between a consumer and service/product provider and to empower consumers with the necessary skills and knowledge of making an informed choice.
CHAPTER FIVE
PERSONAL FINANCIAL MANAGEMENT SERVICES IN SOUTH AFRICA

5.1 INTRODUCTION
In response to the adverse effects which personal financial problems have on consumers, employers and society in general, different intervention measures have been devised and enforced in South Africa. These interventions could be enacted either by government, the private sector or civil society groups. Crous (2008:4) classifies these measures under regulatory, informative/educational and voluntary approaches which, in turn, could target the reckless behaviour of the consumer or marketer.

The aim of this chapter therefore is to provide the consumer and the employer with information on different organisations and institutions across the country that could assist in managing indebtedness. It also provides consumers with information about regulatory organisations, especially government-initiated bodies that protect consumers against credit-related industry players such as credit providers, credit bureaux, debt counsellors and credit reviews.

The section also provides a consumer with information regarding possible financial services organisation (NGOs) that provide information and guidance in terms of financial literacy and personal financial management. The section below highlights what literature emphasises on financial literacy.

5.2 FINANCIAL LITERACY PROGRAMMES
It has been implied (Oseifuah 2010:168) that, despite initiatives by government, the financial industry, non-profit organisations, the housing sector, and private companies to improve financial literacy, South Africans remain underserviced by programmes offering financial education. Oseifuah (2010) also indicates that there is a high level of confusion about financial matters, even among fully banked
individuals. This high level of confusion is an indication that there are still problems with financial capacity building and that there is a need to provide more financial literacy programmes in the working environment.

The aim of any financial literacy programme for adults should be to enable them, individually and collectively, to understand and to question the way in which financial institutions, government and personal and household decision-making connect to shape numerous aspects of adults’ daily lives (Bond, 2000:72). Bond (2000) further highlights that consumer education seems to improve the basic financial skills required to raise awareness and understanding, which will lead to improved financial decisions. Streeter (2003:4) views financial education as crucial in improving both personal savings and more effective credit use.

Poor financial behaviours negatively impact both families and employers. Garman et al. (1996:159) highlight the cost incurred by the employer, which results from poor financial behaviour, including:

- absenteeism
- tardiness
- fighting with co-workers and supervisors
- sabotaging the work of co-workers
- job stress
- reduced employee productivity
- lowered employee morale
- loss of customers who seek better service
- loss of revenue from sales not made
- accidents and increased risk-taking
- disability and worker compensation claims
- substance abuse
- suicide and murder
- increased use of available health care resources by employee and relatives
- thefts from employers
- loss of security clearance
• lack of employee focus on the strategic goals of the employer
• greater use of employee assistance programme services, including those for spouse and child abuse
• employer time to deal with poor financial behaviours of employees
• loss of trained personnel (both for workday losses due to temporary suspension from duties as well as for termination of employment).

Some of the above factors are synonymous with the disciplinary cases indicated in the North West department of health annual report (2012:137). This clearly indicates the need for the department to instil intervention strategies that can curb the problem. Even though no research has so far been conducted to relate these misconducts to poor financial behaviour in the department, there is a need to ensure that departmental employees acquire knowledge on personal financial management.

Research gives the impression that financial illiteracy can only be overcome when implementing financial education programmes for all gender, age, income and educational groups. Furthermore, Lorgat (2003:8) suggests that South African individuals need financial education in the workplace to increase their financial wellbeing. Joo (1998:284) supports this with his extensive research into workplace financial education combined with financial counselling sessions. Joo (1998) also indicates that financial counselling improves attitudes and behaviours related to personal finances, which in turn leads to positive personal financial outcomes and an improvement in overall financial wellbeing.

It is for these reasons that some of the organisations and institutions that provide financial literacy and awareness on consumer rights in South Africa are briefly discussed in this chapter. Some of the institutions have been created by law to protect consumers and regulate financial services in the country. These financial education and awareness suppliers are categorised into regulators, non-commercial institutions, government departments, private institutions and education and training institutions.
5.3 REGULATORS

Regulators in this case are institutions established by government to regulate the financial services environment in the country. Some of the regulatory bodies more important to consumer interest are discussed below:

5.3.1 National Credit Regulator (NCR)

The NCR was established by government to regulate the credit industry in South Africa. The NCR is possibly the biggest public entity established under the National Credit Act 34 of 2005 to ensure fair and adjust relations between the credit players within the industry (De Villiers, 2010:1). It is tasked with carrying out education, research, policy development, investigation of complaints, and ensuring the enforcement of the National Credit Act (34 of 2005).

The NCR is also tasked with the registration of credit providers, credit bureaux and debt counsellors and with the enforcement of compliance with the National Credit Act.

The following services provided by the NCR, specifically for consumers, are briefly discussed below:

1. Consumer education

   The NCR provides the consumer with useful information such as about their rights and consumer tips and they also provide the platform for consumers to challenge their credit record. In addition, the NCR facilitates workshops for organisations and entities at no cost as long as consumers would benefit from such activity. Items covered by the workshop include debt management and other related topics on personal financial management.

2. Provides database for debt councillor

   The NCR describes a debt counsellor as someone who is registered with the National Credit Regulator to assist consumers who are experiencing debt-related problems and who are having difficulty making their current monthly payments by providing them with the following services:

   - budget advice;
• restructuring of consumer’s payments;
• negotiations with credit providers on behalf of a consumer;
• monitoring consumers’ payments; and
• after-care services.

According to the NCR database (National Credit Regulator, 2013), there are only seven debt counsellors in Mahikeng registered with the NCR. Consumers are encouraged to use the accredited debt counsellors by the NCR and can access the list on the NCR website.

3. Provide consumer with database for credit providers

There are clear criteria for a credit provider to register with NCR and these are stipulated in the National Credit Act 34 of 2005 (NCA). Consumers are supposed to check with the NCR before they utilise the service of a particular credit provider.

The NCR database indicates that there are only fourteen registered credit providers in Mahikeng (National Credit Regulator, 2013). These are the credit providers a consumer could consult around Mahikeng when in need of micro-financing. A consumer could also lodge a complaint against either one of the registered credit providers if the consumer feels that he/she was unlawfully treated.

4. Monitor credit issuing through credit bureaux

The National Credit Act 34 of 2005 defines a credit bureau as a person/body whom a person engages for payment in the business of receiving reports on or investigating credit applications, credit agreements, payment history or patterns and/or consumer credit information. Credit bureaux monitor credit issuing and keep record of credit ratings of consumers. In addition, the Act stipulates the rights which consumers have with respect to accessing their own information, and also play a pivotal role in the dispute-resolution process concerning the access to credit information. The NCR database indicates that there are no registered credit bureaux in Mahikeng; however, there are about twelve credit bureaux throughout the country registered with the NCR and in the database (National Credit
Regulator, 2013). The nearest credit bureau is either in Pretoria or Johannesburg. The consumer can access his or her credit information for free at least once a year, thereafter he or she will be charged.

5.3.2 Credit Ombud

According to the Credit Ombud (2013), the Office of the Credit Ombud resolves complaints from consumers and businesses that are negatively impacted by credit bureau information or when a consumer has a dispute with a credit provider, debt counsellor or payment distribution agent or credit bureau. This section will lean towards the work of the Ombud relating to consumers.

From the consumer’s perspective, the National Credit Act 34 of 2005 indicates that the credit ombud can only accept a complaint if the consumer has first lodged it with the relevant credit provider and did not get a satisfactory response. Three different types of complaints the Credit Ombud can resolve are:

- **Credit bureau complaints**
  The National Credit Act 34 of 2005 stipulates that a consumer may have a complaint about the credit bureau listing if, for instance, the application for credit is negatively affected due to incorrect or unfair credit information listed on the consumer’s credit profile. The consumer can also obtain a free copy of the credit bureau record annually from anyone of the registered credit bureaux in the country.

- **Credit agreement complaint**
  The NCA further stipulates that a consumer may have a complaint about one of the non-bank credit providers such as micro-lenders, clothing and/or furniture stores in terms of credit and certain motor insurance agreements. The complaint may further relate to a wide range of issues, such as:

  - incorrect balance;
  - incorrect interest or fees being charged;
  - a dispute about the terms of the agreement;
• issues relating to collection of an outstanding debt; and
• cancellation of the agreement or a breach of the terms of the agreement by one of the parties.

**Debt counselling complaints**

The complaint may be against the debt counsellor, the way in which monies are distributed by the payment distribution agent, or the way in which the credit providers – including the banks – are handling the agreement. A complaint could be lodged with any one of the associations which are obliged to investigate complaints involving debt counselling (e.g. National Debt Mediation Association, Debt Counselling Association of South Africa and Payment Distribution Association of South Africa).

In all types of complaints it is important for the consumer to first lodge a complaint with the relevant body, give them sufficient time to respond (the NCA say 20 working days) and if the consumer is not satisfied with the response, the consumer can then lodge a complaint with the Credit Ombud.

The Credit Ombud is also able to provide capacity building workshops or presentations to any meeting they are invited to. In this case, the department of health could invite the Ombud to any meeting that could ensure that the employees are enlightened about the service offered and knowledge on their rights as consumers.

**5.3.3 National Consumer Tribunal**

The National Consumer Tribunal (NCT) is an independent body also established in terms of the National Credit Act, whose aim is to achieve fairness and justice for everyone in the consumer and credit market (National Consumer Tribunal, 2013). The NCT achieves its aim by fairly and independently adjudicating on disputes about consumer credit. The NCT hears all sides of an argument before making a decision. The NCT website (2013) indicates that a decision made by the Tribunal has the same status as one made by the High Court of South Africa. The NCT’s mandate includes reviewing decisions made by the National Credit Regulator.
A credit provider and/or consumer may approach the NCT directly only once the parties have attempted but failed to resolve the matters between themselves or through alternative dispute resolution where the parties failed to resolve the matters between themselves. If this fails the consumer must refer the matter to the consumer court or alternative dispute resolution agent. In terms of the NCA, a consumer may apply for various orders, including an order:

- to compel a credit provider to produce a statement of account;
- for a credit provider to compensate a consumer after the sale of surrendered goods;
- for a pawnbroker to compensate a consumer for goods left with a pawnbroker;
- to review the sale of goods; and
- to review the decision of a debt counsellor not to issue a clearance certificate.

5.3.4 Micro Finance Regulatory Council (MFRC)
The MFRC is a non-profit organisation carrying out delegated regulatory functions on micro-lenders, particularly to protect consumers against high interest rates (Meagher. 2005:3). The key elements of MFRC’s mandate boil down to:

- formalise the micro-lending sector;
- provide consumer protection; and
- improve information and understanding.

I. Consumer protection
The MFRC provides a platform for complaints resolution and a mechanism for borrowers to seek help. The MFRC also brings specialised resources to bear on the enforcement of consumer protection. Other consumer protection concerns include high rates, disclosure, abuses by agents and brokers, and reckless lending. More recently, the MFRC has focused a great deal to prevent over-indebtedness and reckless lending (Meagher, 2005:4).
II. Information

The MFRC’s information role addresses both the financial literacy of consumers and policy-relevant knowledge of the micro-finance sector. With respect to financial literacy, this has long been recognised as a major problem in poor households and communities (Mashigo, 2006). The MFRC uses various financial education initiatives such as multimedia campaigns aimed at informing consumers on their rights when borrowing money, the role of the MFRC in the protection of borrower rights, and prudent financial management. The council also provides training of educators and advisors of intermediary organisations, which run educational programmes amongst employees and in communities. It also has debt relief programmes aimed at establishing a network of debt and financial counsellors and mediators across the country.

5.4 NON-COMMERCIAL SECTOR

There are other service providers such as the NGOs, trade unions, funding agencies and government departments who also empower consumers to make informed decisions on personal financial matters, especially regarding debt management. These sector provide educational workshops, financial literacy campaigns and provide promotional materials such as booklets, pamphlets and leaflets. In some cases, they buy a slot on the radio to ensure that personal financial management education issues reach the majority of consumers. The following are some of the organisations in this field and the ways they can assist consumers.

5.4.1 National Consumer Forum (NCF)

The National Consumer Forum is an independent, non-partisan and non-profit organisation whose aim is to work for a fair, just and safe marketplace for all consumers in the country and to empower the previously disadvantaged communities (National Consumer Forum, 2013). It strives to ensure that:

- all consumers enjoy the benefits of a competitive and efficient economy;
- all consumers have a choice of quality and affordable services from the private and public sector:
- consumers’ rights are respected by all;
• all consumers are knowledgeable; and
• previously disadvantaged consumers are empowered to play a meaningful role in economy of the country.

The NCF, in partnership with the National Credit Regulator, the South African Bureau of Standards and Metropolitan Life, is embarking on a programme of town meetings to empower consumers who live in disadvantaged areas. The aim of these monthly town meetings is to hear from the public about their challenges and problems as consumers of products and services from government and business. Among others, the focus of these town meetings is on –

• access to financial services;
• quality of products and services; and
• education of consumers regarding their rights and responsibilities.

The department, through its wellness unit, can enquire with NCF when they intend to visit towns around the province. The schedule could be familiarised with employees in the department so that they are afforded an opportunity to attend such meetings. In this way, employees can improve their knowledge on consumer rights.

The NCF also have online consumer education programmes to provide valuable knowledge that can empower consumers. In the financial services module, the following topics are covered.

• **Managing a family budget:** This section of the website aims to provide some advice on how to manage, plan and control a budget.

• **Running a bank account:** The section provides information and advice on a number of issues linked to running a bank account, such as opening and closing-down procedures, monthly statements, overdrafts, cheque clearings, etc. This section of the website helps consumers to understand the detail behind their bank accounts.

• **Means of payment:** The section looks at different types of payment, including cash, bank cards, cheques, E-money and direct debit. Although these means of payment sound familiar, very little is known about their rules, regulations and risks. Although bank cards, cheques and cash are the most widely used means of payment, there are other ways the consumers can pay for goods and services, which are also considered in this section.
• **Consumer credit:** This section will help consumers to understand factors to consider when taking out loan, cost of loans, where to get loans, which type of loan is most appropriate, and how to pay back loans.

• **Savings and investments:** This section entails different issues on investment such as whether to invest in a savings account, bonds, shares or a life insurance policy. This section of the website allows the consumer to consider the options available, so that the consumer can make the best choice based on the personal means.

### 5.4.2 South African Savings Institute (SASI)

The South African Savings Institute is an independent non-profit organisation dedicated to developing a robust culture of saving in South Africa. On their website (2013), the institute indicates the following objectives with regard to education campaigns:

- raising awareness about and inculcating a culture of saving for the festive season;
- guiding consumers on how to avoid unnecessary consumption expenditure, so as to meet the obligations that follow immediately after the festive season, e.g. school requirements better;
- complimenting and consolidating previous messages by the institute, e.g. the Teach Children to Save (TCTS) and the Varsity Savings Campaigns.

SASI mostly intensifies its awareness campaigns around the festive season to promote responsive spending so that consumers do not ignore other obligations that come just after the Christmas season. The institute also provides free educational workshops on financial literacy in an effort to promote savings among South Africans who can be invited by the department of health as part of its wellness programmes. SASI can also be invited to departmental events that are conducted around festive season, such as World AIDS Day, where employees and the community can benefit from their exhibitions and/or stalls.

### 5.5 GOVERNMENT DEPARTMENTS

The North West Provincial government (NWPG) runs consumer affairs issues through their Department of Economic Development, Environment, Conservation...
and Tourism (DEDECT). The department has a unit, the Consumer Protector, whose main objectives are to:

- improve consumer awareness and information and encourage responsible and informed consumer choice and behaviour; and
- promote consumer confidence, empowerment and development of a culture of consumer responsibility through individual and group education, vigilance, advocacy and activism.

The Consumer Protector manages consumers’ complaints, provides consumer education where consumers’ right are mostly emphasised (Department of Economic Development, Environment, Conservation and Tourism, 2013).

There are five offices of the Consumer Protector in North West Province: one in each district, while two are in Bojanala district (DEDECT, 2013). Employees of the department of health may approach these offices when having complaints on services or products offered, including from credit providers. In order to familiarise the employees with the services offered by the office of the Consumer Protector, the department of health can invite the office to its functions, such as Wellness Day, to exhibit their services and to provide assistance to employees who might need help and who, due to lack of information, cannot otherwise access such assistance. Promotional materials, such as leaflets and pamphlets are made available at the help desk and the reception counter of all the government offices, including the department of health.

Government, through the National Department of Economic Development (NDED) and the NCR, has earmarked some calendar days and months to increase consumers’ awareness on issues related to consumerism. Some of the campaigns are:

- “Spend Wisely campaign” in November/December, aimed at informing consumers about debt management, pitfalls of over-indebtedness, redress
measures available to consumers who are over-indebted and rights afforded to consumers;

- “Savings Month campaign” commemorated in July, which focuses on the importance of saving, how to minimise exposure to debt and the importance of financial planning; and

- “Know Your Consumer Rights campaign” in March to cover World Consumer Rights Day on 15 March with an emphasis on redress options to consumers.

As part promoting financial wellness in the workplace, employees can be made aware of these calendar events through departmental emails and website. Messages on the theme for a specific campaign could be sent by email to all employees.

**5.6 SUMMARY**

This chapter sought provide information on how to expose consumers to different institutions and organisations in the country that can assist them in terms of debt management. In most cases, consumers are not well informed or they may be unaware of the consequences of their actions regarding reckless financial management. This leads to very detrimental effects on their lives, employment and their families in general.

The chapter focused on key institutions and organisations that have services geared towards assisting consumers to manage their finances prudently, to manage their debt better, and to know their consumer rights. The chapter discussed the duties of some of the regulatory bodies established mostly under the National Credit Act. There are non-governmental organisations that, among other duties, also promote an environment conducive to saving between service/product provider and consumers. Through consumer education and campaigns consumers are made aware of their consumer rights. These organisations are supported by service providers, such as commercial banks, who also have their own initiatives to promote consumer awareness and knowledge. Government departments also play an important role regarding consumer rights and awareness of these rights. All these institutions and organisations are only effective if consumers are aware of the services they offer, take advantage of such services and use the acquired
knowledge to make an informed choice. It is for this purpose that marketing of these organisations should be intensified.

The department of health, through its wellness programme unit, can also assist in marketing these organisations and institutions to its employees and make personal financial literacy information available through a variety of educational programmes to keep their employees abreast of new developments on personal finance. In this way, employee financial wellness workplace programmes could be strengthened. This, in the end, will contribute to healthy employees’ thereby increasing productivity. Specific recommendations and conclusion of the research report are presented in the next chapter.
CHAPTER SIX SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The current study was conducted in an attempt to determine consumer debt levels of the department of health employees at the provincial offices situated in Mahikeng, North West Province. The study used two variables – income and debt – to measure the level of indebtedness among public servants and used a debt–income ratio of 20% (Greninger et al., 1996:64) as a yardstick to measure the degree of indebtedness. The study also focused on the permanently employed population to gain an understanding of spending patterns and debt. Mortgage debt was deliberately excluded from the study as it mostly overshadows other types of debt (South African Reserve bank, 2012).

The primary objectives of the study were to determine the consumer debt level of the Department of Health public servants in Mahikeng, North West Province, which was subdivided into the following secondary objectives:

- to identify the most common types of consumer debt owed by public servants in Mahikeng;
- to determine the monthly expenditure of public servants towards servicing debt;
- to determine the income and sources of income among public servants used to service debt;
- to gain an understanding of the nature of consumer indebtedness and the extent of the problem; and
- to investigate the extent to which public servants have been served with garnishee orders as a result of consumer indebtedness.

The current chapter seeks to report on the conclusion of the study. It assesses whether the objectives of the study were met, and the recommendations that are necessary to address the problem identified by the survey. The interpretation and analysis discussed in Chapter 4 will determine the conclusion of the study.

There are quarterly bulletins issued by the SARB, quarterly reports issued by the NCR and many credit status-related studies are done in the country which covers the country’s credit status and its demographics. The results of these reports and
bulletins mostly target the general population with different races, income classes and geographic locations; thus, they present a generic report on credit use and indebtedness in the country. It was thus important to conduct research on a specific group to provide unique findings. This was then the motivation for conducting a study among a permanently employed population with some degree of certainty in their job security. Hence, the study focused on the department of health employees working at the provincial office in Mahikeng.

6.2 SUMMARY

Chapter one outlined the plan that was necessary to carry out the research. The chapter entailed the problem statement of the study and the rationale for carrying out the study. The objectives were highlighted in the chapter together with the scope of the study. Consumer indebtedness was defined, using various references from literature together with the current status of consumer debt in the world and the country. The chapter also highlighted the significance of the study. The methodology used to conduct the study was also introduced. The chapter concluded by listing the outlay of the subsequent chapters.

Chapter two covered the theoretical concepts relating to consumer debt. In the current environment, it is rare for an individual to live without debt. An individual even receives credit for taking debt, as the longer the credit record, the cheaper the cost of debt. The chapter also covered in detail the definition of consumer indebtedness and the way it is classified. A variety of literature converged to give the same description of indebtedness or over-indebtedness, as indebtedness whose liabilities are incurred primarily for private, family or household purposes and not as a result of carrying on a business, either on the debtor’s own account or in partnership with others, or arising from guarantees given on behalf of limited liability entities (INSOL International, 2001:1). In simpler terms, debt is that which is owed. This implies that a consumer is indebted when owing a credit provider. Debt is the opposite of credit.
Classification of debt includes, among others, debt from credit cards, store cards, loans from banks and loans from credit providers. The chapter also indicated that consumer debt is on a rise and could reach a catastrophic point if no steps are taken by consumers, credit providers and the authorities.

The chapter also covered different methods of measuring debt. In determining the level of indebtedness, consumer debt has to be categorised into whether the consumer is over-indebted or when manageable healthy debt is incurred. Over-indebtedness can be measured in different dimensions. The European Commission (2008:48) put in place the following indicators for over-indebtedness:

- individuals spending more than 25% of their gross monthly income on unsecured repayments;
- individuals who spend more than 50% of their gross monthly income on total borrowing repayments (secured and unsecured);
- individuals with 4 or more credit commitments; as well as
- individuals in arrears on a credit commitment and/or domestic bill for more than 3 months.

On the other hand, Greninger et al. (1996:64) and the Bureau of Market Research (2009:6) used a threshold of 20% of the disposable income on non-mortgage debt to indicate over-indebtedness. Nyaruwata (2009:5) measured over-indebtedness using expenditure and debt where he indicated that a consumer could be over-indebted if he or she has a total combined debt servicing and basic expenditure to disposable income ratio of 70% or more.

Furthermore, the chapter covered literature on the link between consumer indebtedness and demographic information. This included age, gender, educational level and income.
Finally, the status of the garnishee order (or emolument order) in the country was discussed. Even though the definitions for garnishee order and emolument orders are different, the study used both terms to mean the same thing, as also done by the Public Service Commission (2007).

Chapter three of the study covered in detail how the study was conducted. It specified the research design and methodology of the study. The population of the study was the employees of the provincial department of health offices in Mahikeng. Data was collected in the form of a survey to collect macro-data on employees’ consumer indebtedness. The questionnaire used was structured to contain the demographics, information on personal income, information of consumer debt, monthly consumer expenditure and garnishee orders. Finally, ethics issues were taken into consideration during data collection process were discussed.

Chapter four dealt with the interpretation and analysis of data collected through the process explained in Chapter three. Data was analysed using the SPSS program and results were presented by means of frequency tables, graphs, bar graphs and pie charts. This entailed demographic information, income, expenditure on debt, total monthly expenditure and garnishee orders. The results were finally interpreted to determine the conclusion of the study.

Chapter five discussed the variety of organisations in the country that could assist the consumer, employer and the general public on debt management. This assistance is given to avoid negative effects of consumer debt, which might affect the employee, the employer (in this case the DoH and the general population). The DoH could put measures in place to assist employees with financial literacy and avail themselves of the necessary information to curb over-indebtedness. Employees could also make use of available information and acquire the necessary knowledge on how to avoid over-indebtedness. Financial literacy in the workplace can liberate the majority of employees. The chapter therefore listed several interventions and services offered by public organisations established to assist consumers on consumer issues.
Chapter six concludes by discussing the results of the study and it also proposes some recommendations based on the research findings. The study limitations and a suggestion on the need for future studies are also covered in this chapter.

6.3 CONCLUSIONS OF EACH RESEARCH OBJECTIVE

The primary objective of this study was to determine the consumer debt level of the Department of Health public servants in Mahikeng, North West Province. It was reported in this study that only eight out of 139 (6%) respondents did not have monthly payments to service debt. It could therefore be concluded that 94% of the respondents were in debt.

The primary objective was broken into five secondary objectives, which were analysed as follows:

Secondary objective one: To identify the most common types of consumer debt owed by public servants in Mahikeng.

Twelve types of debt were examined and, as indicated in Chapter four, the results showed that debt from store cards is the most common type of debt being incurred. This is followed by personal loans from banks and credit cards. The findings are in line with findings by the National Credit Regulator (2009:08) which indicated that the majority of consumers (36.6%) used store cards as a method of payment. The results further indicated that 22% of the respondents had four or more consumer debt payments per month. This was another indicator of over-indebtedness. With 96% of respondents being indebted and 74% having two or more debt commitments, it could therefore be argued that public servants working at the provincial office of the DoH were either on the brink of over-indebtedness or were over-indebted.
Secondary objective two: To determine the monthly expenditure of public servants towards servicing debt.

The respondents spent a total of R502 772.00 in the month under the survey (October 2012) to service debt from their total monthly income of R1 574 500. This implied that 32% of income was spent on servicing non-mortgage debt. The findings were slightly less serious than those indicated by the literature but are still a cause for concern. At the time of his study, Daniel (2001:12) indicated that consumer indebtedness in North West Province was 39%. From the indicators of over-indebtedness discussed above, where 20% was indicated as a threshold, it could be argued that public servants show some indications of over-indebtedness.

Secondary objective three: To determine the income and sources of income among civil servants used to service debt.

Public servants are permanently employed by government; thus, they have a steady income that they use to service debt. Only five per cent of respondents indicated to have additional income, from different sources such as business, maintenance or annuity. A total earning of the respondents from public service was R1 574 500 while R45 900 was earned outside the public service. This represents only three per cent of the total earnings as indicated by respondents. It could therefore be concluded that public servants rely almost entirely on the public service remuneration to survive and for debt repayment.

Secondary objective four: To gain an understanding of the nature of consumer indebtedness and the extent of the problem.

The survey indicated that 96% of respondents were indebted. As indicated in Chapter four, the respondents also perceived their income to be insufficient, thus they supplemented it with credit to meet their required standard of leaving. The survey also indicated that 63% of the respondents had a debt-income ratio above 20%. The reason behind debt intake is mostly a lack of funds and insufficient income. The type of consumer debt common to the respondents was indicated as
store card debt (26%) followed by personal debt from banks (18%) while vehicle loan debt consumed (37%), the highest rand value of total debt among respondents. Personal loans from banks (21%) comprised the second highest value incurred by the respondents. It could be argued therefore that most public servants were over-indebted and could be trapped in a debt cycle if no additional income was provided or personal financial management education.

**Secondary objective five:** To investigate the extent to which public servants have been served with garnishee orders as a result of consumer indebtedness.

The study investigated cases of garnishee or emolument orders issued to public servants working at the provincial department of health and found out that 13% of the population had been served with garnishee orders. Most of the affected public servants were from the middle-income population. The report seems to suggest that public servants at the department of health were less affected by garnishee orders as compared to what the Public Service Commission PSC (2007) report found where it was indicated that 20% of public servants had been served with garnishee orders.

From the results of the survey it can thus be concluded that the majority (96%) of the public servants working at the provincial office of the North West department of health were indebted. The total debt–income ratio of the public servants at the North West Provincial Department of health (63%) was above the threshold of 20%, which indicates over-indebtedness. The conclusion of the study was that the public servants working for the North West Department of health in Mahikeng might be over-indebted.

### 6.4 RECOMMENDATIONS

As indicated in the literature review, an employee who is indebted negatively affects the performance of the organisation, employees’ health and wellbeing and other employees (Barnard et al., 2010:2; Garman et al., 1996; Keese & Schmitz, 2010).

The results of the study indicated over-indebtedness among public servants.
In light of the above findings, the following recommendations are therefore tabled:

- The department of health through its wellness programme directorate, needs to institute systems to identify over-indebted employees and assist them to manage the problem. All employees who are on the Employees Assistance programme (programme assisting employees who have been referred by their managers or who voluntarily requested assistance from the wellness programme directorate) of the department of health, have to be assessed for over-indebtedness to determine its effect on an employee’s challenges. Such assessment forms are available at the NCR.

- The DoH should also initiate personal financial wellness programmes for its employees in an effort to assist employees to manage their income more efficiently. This will hopefully reduce employee’s indebtedness. The National credit Regulator and National Consumer Commission (NCC) are two of the many organisations that provide free workshops on personal financial management and debt management. The NCR also provides free brochures through the internet that could be made available to employees to help them understand debt management better.

- Individual employees could also take responsibility of their debt situation by making efforts to learn about the debt trap. The more knowledgeable the individual about personal financial issues, the less likely that individual would be to make inaccurate financial decisions that could lead to financial problems, such as over-indebtedness. Over-indebtedness is mostly a result of reckless lending and borrowing. It occurs when a borrower can no longer service all his or her debts or where the level of debt servicing is depleting the available funds. Employees should therefore be encouraged to limit their non-mortgage debt–income ratio to less than 20% or their total debt–income ratio to less than 35% of their disposable income. They should also limit the number of the credit account to less than four. This will help them as the more the credit the more the cost of taking credit, which also increases total debt.

- Employees should learn to draw up a personal budget. Budgeting can change spending patterns of individuals through the successful control of finances. As a
result, unnecessary spending is curbed and budget maintenance is met with a favourable attitude. This will help to determine the extent to which an employee could use debt to meet the needs. Employees should also learn to commit to items they can only afford, e.g. most of the respondents were paying for vehicle debt despite the fact that it heavily impacted on their total debt status.

- Employees in the department of health should consider a secondary source of income to boost their source of funding, thereby having more funds to reduce taking on credit or to afford paying off more debt. They could also consider starting small businesses that could provide additional funding. This should, however, be in line with public service regulations and guidelines.
- The department should put mechanisms in place to monitor the performance, behaviour and attendance of employees with judgement orders. This should be done without infringing on their privacy. This would give the DoH a reason to put them in the employee’s assistance programme.
- All employees with deductions of more than 30% of the disposable income directly from the PERSAL system should be regarded as high-risk employees and should be put on special monitoring by the human resource unit and Employees Wellness Programme. This is necessary because other deductions outside the employer that are done directly from the bank account could lead to less or no income, which might lead to surviving through debt. Financial management education and debt rehabilitation could assist these employees to manage their income better.

6.5 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Nyaruwata (2009) indicates that one of the limitations of studies that use the debt-to-income ratio to measure indebtedness is that the ratio is an aggregate. As a result, the ratio does not give any indication of the relative dispersion of indebtedness. This is therefore one of the limitations of the study. The study also gives the status of indebtedness at a particular point (cross-sectional); results might thus be affected by the events at that point in time.

Even though the study used quota sampling, convenient sampling was also employed; as such the results might not be representative. It should also be noted
that the process of data cleaning excluded some respondents who did not disclose valuable information. This would have enhanced the credibility of the study as the more respondents enrolled, the more the accuracy of the results.

The study took the form of a survey. As a result, the credibility of the report depended on the honesty of the respondents. Even though the responses that were not accurate where eliminated, the fact that the study relied on what the respondents disclose, made it a limitation.

The following are the recommendations for further studies:

• The study focused on the administrative staff of the department of health. It could easily be extended to different categories within the health professions such as nurses, doctors and allied health professionals. A comparative study could also be conducted among administrative staff and health care professionals.

• Further research is necessary to determine spending and saving behaviour of employees within the public service.

• The study could also be expanded to cover other public servants in different geographic areas such as comparing public servants working in urban and rural areas.

• In-depth qualitative research needs to be done on the impact of over-indebtedness among public servants and the effects thereof on productivity.

6.6 SUMMARY OF THE CHAPTER
This chapter presented the main findings on consumer debt level of public servants working at the provincial department of health in Mahikeng. Recommendations were provided for further action by interested parties. The chapter also provided a discussion of the findings and their limitations in light of earlier empirical studies and suggested practical implications for further research for both academic researchers
and the public service. It is envisaged that the study will positively contribute to the academic field of knowledge and provide new ideas to the public service that will lead to solutions on some of the challenges on consumer indebtedness.
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Consumer debt level of the Department of Health public servants in Mahikeng

Research conducted by:
Mr Lesolobe Moaisi
Tel/Cell: 082 801 2821

Dear Respondent
You are invited to participate in an academic research study conducted by Mr Lesolobe Moaisi, a master’s student from the Department of Finance, Risk Management and Banking, at the University of South Africa.
The purpose of the study is to determine the consumer debt level of the employees of the department.

Please note the following:
- This study involves an anonymous questionnaire. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 30 minutes of your time.
- The results of the study will be used for academic purposes only and might assist to determine if the department should intensify personal financial management programs through Employees ‘Wellness Sub-directorate.

Please sign the form to indicate that:
- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.
If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me at 018 387 5780 or at lmoaisi@nwpg.gov.za.

Thank you

___________________  ________________
Respondent’s signature         Date
Annexure B Questionnaire

Section A: Demographic information
Kindly tick where appropriate

1. Gender
   - Male  1
   - Female  2

2. Age
<table>
<thead>
<tr>
<th>Age Range</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 yrs and below</td>
<td>1</td>
</tr>
<tr>
<td>26–30 yrs</td>
<td>2</td>
</tr>
<tr>
<td>31–35 yrs</td>
<td>3</td>
</tr>
<tr>
<td>36–40 yrs</td>
<td>4</td>
</tr>
<tr>
<td>41–45 yrs</td>
<td>5</td>
</tr>
<tr>
<td>46–50 yrs</td>
<td>6</td>
</tr>
<tr>
<td>Above 50 yrs</td>
<td>7</td>
</tr>
</tbody>
</table>

3. Marital status
<table>
<thead>
<tr>
<th>Status</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>1</td>
</tr>
<tr>
<td>Married</td>
<td>2</td>
</tr>
<tr>
<td>Life partner</td>
<td>3</td>
</tr>
<tr>
<td>Divorce</td>
<td>4</td>
</tr>
<tr>
<td>Widowed</td>
<td>5</td>
</tr>
</tbody>
</table>
4. What is the highest education level achieved?

<table>
<thead>
<tr>
<th>Education Level</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>1</td>
</tr>
<tr>
<td>Diploma</td>
<td>2</td>
</tr>
<tr>
<td>Undergraduate degree</td>
<td>3</td>
</tr>
<tr>
<td>Postgraduate degree (Hons)</td>
<td>4</td>
</tr>
<tr>
<td>Master's</td>
<td>5</td>
</tr>
<tr>
<td>PhD</td>
<td>6</td>
</tr>
</tbody>
</table>

5. How long have you been permanently employed?

<table>
<thead>
<tr>
<th>Employment Duration</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>1</td>
</tr>
<tr>
<td>1–5 yrs</td>
<td>2</td>
</tr>
<tr>
<td>6–10 yrs</td>
<td>3</td>
</tr>
<tr>
<td>11–20 yrs</td>
<td>4</td>
</tr>
<tr>
<td>Above 20 yrs</td>
<td>5</td>
</tr>
</tbody>
</table>

Section B: Information on personal income

6. Salary level

<table>
<thead>
<tr>
<th>Salary Level</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 5 and below</td>
<td>1</td>
</tr>
<tr>
<td>Level 6–8</td>
<td>2</td>
</tr>
<tr>
<td>Level 9–12</td>
<td>3</td>
</tr>
<tr>
<td>Level 13 and above</td>
<td>4</td>
</tr>
</tbody>
</table>

7. Current monthly income after tax from the department:

<table>
<thead>
<tr>
<th>Income Range</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than R5 000</td>
<td>1</td>
</tr>
<tr>
<td>R5 001 – R10 000</td>
<td>2</td>
</tr>
<tr>
<td>R10 001 – R15 000</td>
<td>3</td>
</tr>
<tr>
<td>R15 001 – R20 000</td>
<td>4</td>
</tr>
<tr>
<td>Above R20 000</td>
<td>5</td>
</tr>
</tbody>
</table>
8. Do you have other monthly income in addition to your salary?

<table>
<thead>
<tr>
<th>Yes</th>
<th>1</th>
<th>If yes go to question 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>2</td>
<td>If no go to question 10</td>
</tr>
</tbody>
</table>

9. What is the monthly income after tax from other sources?

<table>
<thead>
<tr>
<th>Source(s) of income</th>
<th>Monthly income after tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

**Section C: Information on consumer debt**

10. Do you currently pay monthly to service debt?

<table>
<thead>
<tr>
<th>Yes</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>2</td>
</tr>
</tbody>
</table>

11. What are your two main reasons for using debt?

<table>
<thead>
<tr>
<th>1.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
</tr>
</tbody>
</table>

12. Please indicate which of the following debt you are currently servicing per month:

<table>
<thead>
<tr>
<th>Data on debt payment</th>
<th>Kindly circle where appropriate</th>
<th>How much was your last payment?</th>
<th>What is the remaining outstanding balance on your account?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question number</td>
<td>Types of debt</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>A1</td>
<td>Study loan – bank</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A2</td>
<td>Study loan with an institution other than a bank</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A3</td>
<td>Personal loan – bank</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A4</td>
<td>Personal loan from a micro-lender</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A5</td>
<td>Loan with a Machonisa</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A6</td>
<td>Loan from a friend</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A7</td>
<td>Loan from a family member</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A8</td>
<td>Credit cards</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A9</td>
<td>Store card (e.g. Edgars, Foshini store card)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A10</td>
<td>Hire purchase agreement (instalment on furniture)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A11</td>
<td>Vehicle finance (car payment)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>A12</td>
<td>Other debt (specify)....................</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

13. Do you find it difficult to pay your monthly debt payment?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

14. Do you intend taking credit in the next six months?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

15. If yes, for what reason(s)?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>
16. Does the department deduct your salary through PERSAL system to settle your debt?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Section D: Information on personal expenditure

17. How much do you spend per month on the following items:

<table>
<thead>
<tr>
<th>Expenditure per month</th>
<th>Do you spend on the following?</th>
<th>Monthly expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question number</td>
<td>Item</td>
<td>Yes</td>
</tr>
<tr>
<td>B1</td>
<td>Food</td>
<td>1</td>
</tr>
<tr>
<td>B2</td>
<td>Tobacco</td>
<td>1</td>
</tr>
<tr>
<td>B3</td>
<td>Clothing</td>
<td>1</td>
</tr>
<tr>
<td>B4</td>
<td>Housing (instalment/rent)</td>
<td>1</td>
</tr>
<tr>
<td>B5</td>
<td>Electricity and other power</td>
<td>1</td>
</tr>
<tr>
<td>B6</td>
<td>Municipal services</td>
<td>1</td>
</tr>
<tr>
<td>B7</td>
<td>Furniture and equipment</td>
<td>1</td>
</tr>
<tr>
<td>B8</td>
<td>Communications</td>
<td>1</td>
</tr>
<tr>
<td>B9</td>
<td>Reading materials</td>
<td>1</td>
</tr>
<tr>
<td>B10</td>
<td>Educations</td>
<td>1</td>
</tr>
<tr>
<td>B11</td>
<td>Household necessities</td>
<td>1</td>
</tr>
<tr>
<td>B12</td>
<td>Servants</td>
<td>1</td>
</tr>
<tr>
<td>B13</td>
<td>Medical services and requirements</td>
<td>1</td>
</tr>
<tr>
<td>B14</td>
<td>Recreations and sports</td>
<td>1</td>
</tr>
<tr>
<td>B15</td>
<td>Entertainment</td>
<td>1</td>
</tr>
<tr>
<td>B16</td>
<td>Personal care</td>
<td>1</td>
</tr>
</tbody>
</table>
Thank you very much for filling out the questionnaire. Kindly ensure that you have filled the questionnaire out in full. Remember, this is an anonymous questionnaire, so you do not need to write down your name.