THE ROLE OF DEBT COUNSELLING IN THE FINANCIAL WELL-BEING OF CONSUMERS IN GAUTENG

by

KGOMOTSO HILDA MASILO

submitted in accordance with the requirements for

the degree of

DOCTOR OF COMMERCE

In the subject

BUSINESS MANAGEMENT

at the

UNIVERSITY OF SOUTH AFRICA

Promoter: Prof J Marx

June 2014

DECLARATION

I declare that **The role of debt counselling in the financial well-being of consumers in Gauteng** 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.

_____   _____

SIGNATURE   **DATE**

Ms KH Masilo

ACKNOWLEDGEMENTS

ABSTRACT

Gauteng, one of the nine provinces of South Africa, has a high number of households as compared to the other provinces. Geographically the province has the smallest land size, however it forms the central part of the South African economy. From the total value of credit granted in all provinces, Gauteng has the highest. The province has a high number of registered debt counsellors and an increasing number of consumers who apply for debt counselling because of over-indebtedness.

The high number of the registered debt counsellors and consumers seeking debt counselling service gave rise to the purpose of the study. The purpose of the study was to assess the role of debt counselling services provided by debt counsellors to consumers on the one hand, and to also assess whether debt counselling has had a positive effect on the personal financial well-being of consumers who participated in the debt counselling process on the other hand. Furthermore, the study aimed at developing a framework that will empower consumers to be self-sufficient with their finances. From the purpose of the study, two research questions were proposed: (1) How does the debt counselling service provided by debt counsellors assist consumers to manage their finances effectively? (2) Which role does the debt counselling service provided by debt counsellors play in terms of the personal financial well-being of consumers?

In an attempt to answer research questions, the theoretical framework of both personal finance and debt counselling were studied. The importance of personal finance, personal financial planning, the evolution of debt counselling, the effectiveness and the ineffectiveness of debt counselling services were identified.

A two-phased sequential design (qualitative and quantitative) was used. Fifteen debt counsellors were selected (for the first phase of the study) by making use of a purposeful sampling. These debt counsellors were interviewed and further requested to identify and send questionnaires to consumers whom they have rendered debt counselling service between the years 2007 and 2013. In the second phase of the study, 300 over-indebted consumers were surveyed through a snowball non-probability sampling technique and a response rate of 61% was realised.

Data was analysed using ATLAS.ti and the Statistical Package for Social Science (SPSS) for the first and the second data collected respectively. Furthermore, the exploratory factor analysis was used to analyse the data, and the factorability of the data was assessed by means of two statistical measures, namely Bartlett's test of sphericity and Kaizer Meyer-Olkin.

It was observed that most debt counsellors lack financial management knowledge and do not have mechanisms to verify their clients' financial well-being after debt counselling service had been completed. In addition, there was no evidence that consumers who received debt counselling improved in their financial well-being and that consumers also lacked personal financial management skills. The study concluded that, although debt counselling is essential, it does not necessarily assist consumers to effectively manage their finances.

The study purports to suggest the following: Debt counsellors should be subjected to formal financial management training prior to their registration, debt counsellors should provide personal financial management education to their clients, and assess the financial management conduct of their clients once debt counselling process is complete, and debt counsellors should establish debt counsellors' forums. The South African government (in conjunction with the Department of Education and Training) should introduce and implement personal financial management education in both primary and high schools' curricula. Personal financial management should continue to be offered at adult learning centres as well as other institutions of higher learning. Employers should appoint employee wellness officers who will provide personal finance training to employees. Credit providers should take the responsibility of educating their clients on how to manage their accounts and the importance of paying debts on time. The South African media should also be used by the government and the NCR to educate and inform consumers about finance-related matters. Finally consumers should seek guidance and advice before making financial commitments.

The study concluded by suggesting a framework that should help consumers to manage and sustain their financial well-being.

Key words: Personal financial management; Over-indebtedness; Debt counselling; Financial well-being; Conceptual framework; National Credit Act; National Credit Regulator.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS

AIA	Africa International Advisors
ABET	Adult Basic Education and Training
ABSA	Amalgamated Banks of South Africa
ASA	American Sociological Association
BMR	Bureau of Marker Research
CFVI	Consumer Financial Vulnerability Index
CPA	Consumer Protection Act
CPI	Consumer Price Index
DC fee	Debt counsellor fee
DCP	Debt Counselling Process
DET	Department of Education and Training
DMP	Debt Management Program
DoE	Department of Education
DRAC	Debt Review Advisory Committee
Dti	Department of Trade and Industry
ECI	Employment Cost Index
EDC	Effect of debt counselling
EFA	Exploratory Factor Analysis
ETDC	Effectiveness of the Debt Counselling
FNB	First National Bank
FPSB	Financial Planning Standards Board
GDP	Gross Domestic Product
ICM	Institute of Credit Management
MoM	Month over Month
MOOC	Massive Open Online Course

NCA	National Credit Act
NCC	National Consumer Commission
NCR	National Credit Regulator
NCT	National Consumer Tribunal
NDMA	National Debt Mediation Association
NPA	National Prosecuting Authority
OBS	Ombudsman for Banking Services
OER	Open Education Resource
OFSP	Ombud for Financial Services Providers
OLTI	Ombudsman for Long-Term Insurance
OSTI	Ombudsman for Short-Term Insurance
PDA	Payment Distribution Agency
PFA	Pension Fund Adjudicator
PFRU	Personal Finance Research Unit
PPI	Producer Price Index
SABC	South African Broadcasting Corporation
SAIA	South African Insurance Association
SASI	South African Savings Institute
SIFE	Student in Free Enterprise
STATS SA	Statistics South Africa
TCTS SA	Teach Children to Save South Africa
UNISA	University of South Africa
UP	University of Pretoria

CHAPTER 1
BACKGROUND AND OVERVIEW OF THE STUDY

1.1   INTRODUCTION AND BACKGROUND

Every individual, household or country has limited resources which must be used to satisfy unlimited needs (Swart, 2012:3). It is therefore imperative that individuals understand and balance the relation between their lifestyle choices, financial needs and financial commitments (Ryan, 2010: 26). According to Swart (2012:3) this can only be achieved if there is efficient personal financial management. Swart further states that knowledge of personal financial management enables individuals and households to make informed choices about the application of limited resources to reach their financial needs.

According to Family Economics and Financial Education (2010), the financial needs of individuals change throughout their life cycle. Specific life cycle needs are affected by an individual's values, goals, personal choices, life events and lifestyle conditions, and as these factors change, so does the individual's financial plan. Financial planning is an ongoing process that is affected by expected as well as unexpected events. Lifestyle conditions, on the other hand, are also affected by an individual's values, goals, personal choices, major life events, and life cycle needs as indicated in Figure 1.1. Any lifestyle condition changes may require an individual to re-evaluate his or her financial plan. People may change careers, start careers, or start families late in life.
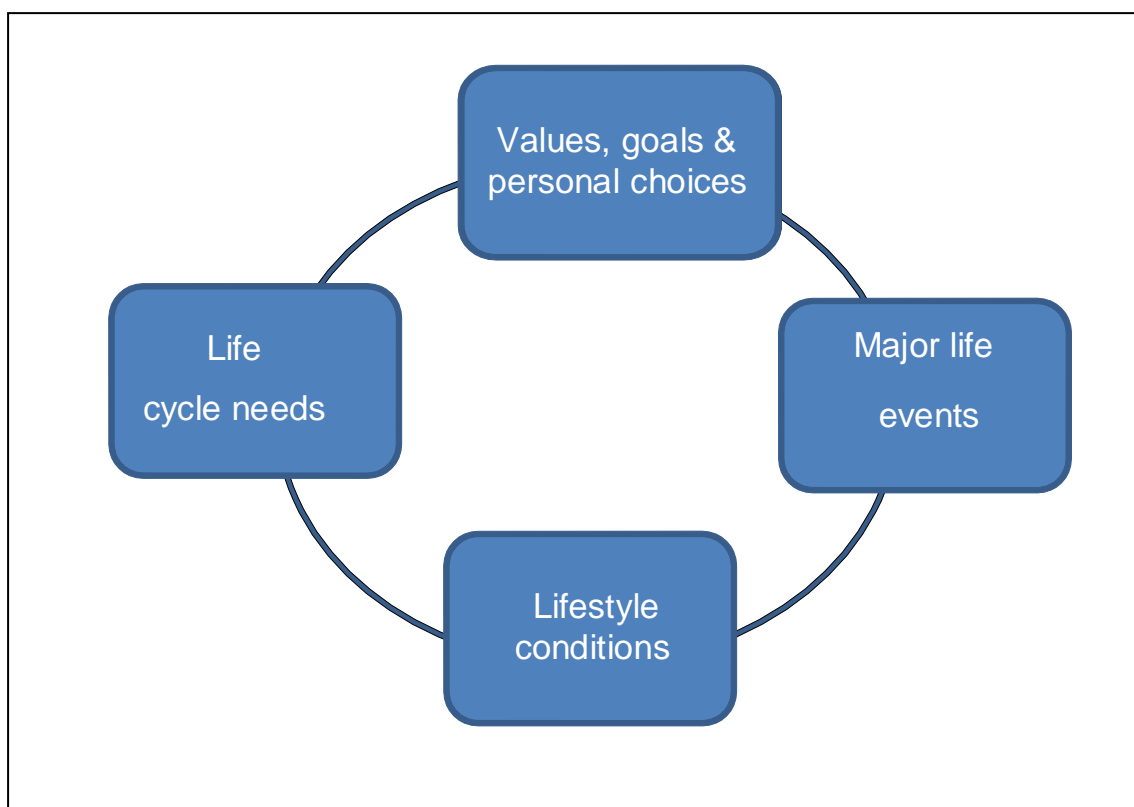
Figure 1.1: Factors influencing individual's financial plan

Source: Family Economics and Financial Education (2010).

There are certain commonalities in a typical financial life cycle of individuals, such as the need to protect one's family against risk, accumulate wealth, and distribution of wealth and provision for an orderly transition of one's assets (Gordon, 2010). Gordon (2010) further identifies marital status, employment status, age, number of dependents, economic outlook, education and health status as lifestyle situations that can affect an individual's financial situations and needs. Section 1.1.1 examines how these lifestyle conditions can influence the individual's financial life cycle.

1.1.1 Financial life cycle of an individual

Although every individual has a specific financial plan, there is a general financial life cycle pattern that applies to most people. A life cycle is defined as a series of stages through which an individual passes during his or her lifetime (Family Economics and Financial Education, 2010). This life cycle pattern includes three stages or phases, which are based on age, marital status, dependants, income level and net worth. Each of these phases has its own set of ratios for income and expenses as well as what investment portfolios should look like (Serrano,

2012). Figure 1.2 indicates how the amount of time (in years) varies for every individual or household to move through his or her financial life cycle.

Ages of individuals
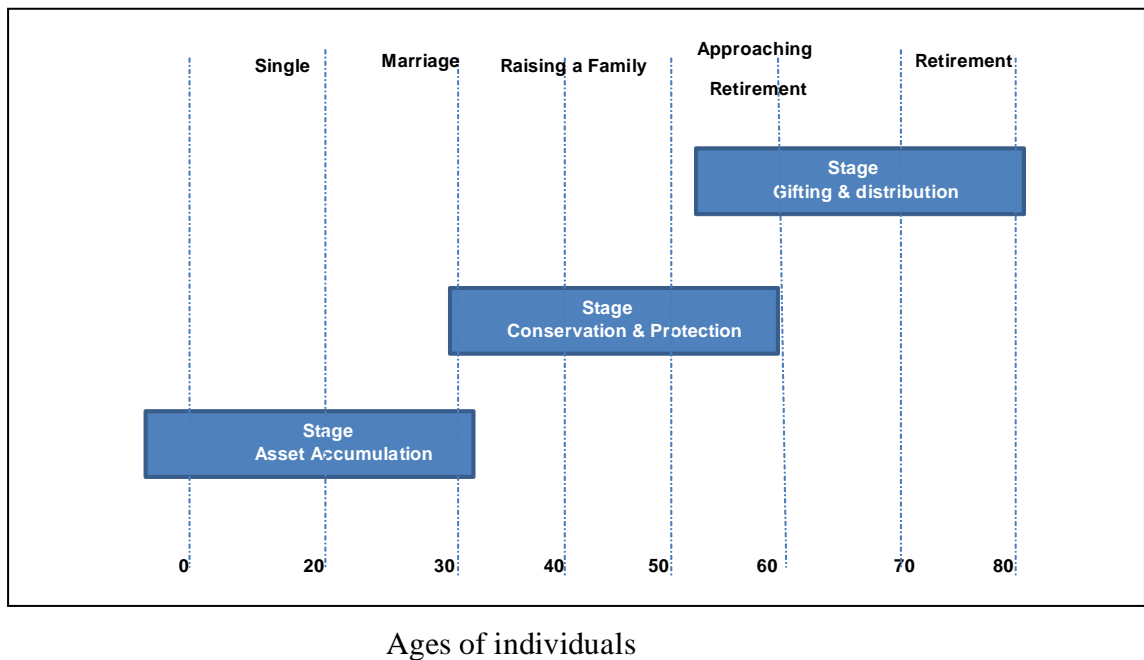
Figure 1.2: Personal financial planning life cycle

Source: Serrano (2012).

Stage 1: Basic wealth protection or asset accumulation phase

This is the stage where a person 'quits giving money to others', and it is the family formation stage for many people. It generally starts around the age of 20 and it can last until the age of 35 (Serrano, 2012). This is when an individual may be starting a job or a career, starting to earn money, building up assets, continuing education, starting to make use of debt, starting a family and/or maximizing net worth. At this stage, the individual should be focusing on building financial security (Serrano, 2012).

Stage 2: Conservation and protection phase

The second stage goes beyond financial security, and signifies the time when a person is 'giving the money to himself or herself'. This phase can start as early as an individual's late 30s and usually lasts throughout his or her 40s and 50s. This stage begins when individuals start to have assets that they feel are worth protecting. The phase is usually characterised by

3

an increase in cash flow or high levels of debt, assets and net worth for some individuals, while for other individuals, the use of debt starts to decrease. As more assets are accumulated, individuals become more risk adverse. They are concerned about losing what they have already accumulated. During this stage, individuals are usually more aware of financial risks, such as loss of a job, loss of life or disability and they are therefore interested in saving for retirement and possibly for their children's education (Serrano, 2012).

Stage 3: Gifting and wealth distribution phase

The last stage involves 'giving the money to an individual's chosen ones'. This stage involves the consumption of wealth, usually during retirement, and is usually achieved in the late 50s and early 60s, but could start earlier depending on the person's wealth. This phase occurs when individuals realise that they can spend money on things they never thought possible. During this stage, individuals have excess cash flow, high net worth, and low or even no debt, and they are also very aware of financial risks and have established security against losses. Some issues of high concern would be gifting tax and estate taxes (Serrano, 2012).

Although each person sets specific financial goals throughout his or her life cycle, some people may, for instance, engage in many life events that have financial implications (for example, getting married, having children, buying a house or a car, funding lifestyle activities, making use of debt, or losing a job). These engagements, if not well-managed, may lead to over-indebtedness. However, other people's life cycles are often disrupted by unexpected events or crises (for example, health problems, natural disasters, relationships problems, bankruptcy and debt problems). Such events can upset the best-laid financial plans. Sections 1.1.2 and 1.1.3 discuss the causes of over-indebtedness on households in and outside South Africa and some of the financial disruptions as they transpire in South Africa respectively.

1.1.2 Over-indebtedness of households in South Africa and internationally

Households are over-indebted if their net resources (income and realisable assets) render them persistently unable to meet essential living expenses and debt repayments as they fall due (Stamp, 2009). Bester (2013) further explains that a consumer is over-indebted if his or

her income, over an extended period, is not sufficient to service the debt on time and provide for household expenses. This could either be because his or her financial commitments have changed or because the consumer has borrowed and spend more money than he or she earns (NCR, 2013).

Debt can enhance wealth or destroy wealth depending upon how one uses it, but in South Africa, consumer debt has proved to be a disaster (De Waal, 2013). At key life stages, individuals are faced with wants and needs that may exceed their earnings and savings (Gordon, 2010). For example, when buying a house or a car, people are often forced to borrow money and take on debt (Gordon, 2010).

With offers of quick and easy cash available everywhere, and consumers feeling the pinch, it is hardly surprising that South Africa is being consumed by a credit crunch (NCR, 2013). This is confirmed by the National Credit Regulator's credit market report (NCR, 2013), which indicates that the value of credit granted to consumers increased by R10.22 billion (9.31%) from R109.72 billion for the quarter ended September 2012 to R119.94 billion for the quarter ended December 2012. The value of the outstanding gross debtors book increased by R52.30 billion (3.76%) from R1.39 trillion to R1.44 trillion during the same period (NCR, 2013).

According to NCR (2013), from a total of 19.3 million credit active consumers, 7.3 million have accounts that are more than three months in arears and 3.6 million are considered deeply impaired. The 2009 economic recession in South Africa had a negative impact on employment and ultimately reduced individuals' incomes (Davel, 2010). In addition, the fluctuating interest rate (between 7% and 9%) also in 2009 (SARB, 2013) escalated the problem.

The volatility of South Africa's interest rates had an influence on household debt to disposable income ratios as well as interest payments (Kotze & Smit, 2008). A rise in interest rates inevitably leads to an increase in debt payments. The increase in debt repayment leads to increasing expenditure, which leaves individuals with less disposable income. This resulted in a growing number of consumers falling into arrears on their debt repayment and ultimately becoming over-indebted.

Over-indebtedness of households in South Africa can also arise as a result of reckless lending and subsequently high interest charged by the credit providers (Swart, 2010). Reckless lending occurs when the credit provider advances credit to a consumers without proper assessment of the consumer's creditworthiness (NCR, 2013). In such occurrences, the debt becomes a burden for the consumer, which contributes to the consumer's over-indebtedness.

The over-indebtedness problem is not unique or confined to South Africa, but it is a world-wide occurrence. In 2006, the United States and the European markets were collided because banks extended credit too easily to people with little or no income and no history of savings and borrowing (Kotze & Smit, 2008). These loans, according to Stovin-Bradford (2007), were then converted into investments traded on the markets. Consumers have been unable to repay their debt, and this contributed to the level of over-indebtedness in both continents.

In addition, the United States and the European countries have been experiencing high levels of consumer indebtedness which is caused by increased household debt, decreased personal savings, rising housing prices, divorce and increase on unemployment rate (Dickerson (2007). The study conducted by Draut and Silva (2007) indicated that the factors that cause consumer's indebtedness in the United States and in European countries, are also the common causes of over-indebtedness in Brazil. The stagnant or declining wages in Brazil cause many consumers to borrow money not to over-consume but to keep up with the cost of living (Draut & Silva, 2007).

In addressing over-indebtedness of households in both United States and Europe, several measures were proposed:

- Preventative measures such as financial literacy, budgeting advice, responsible lending and information for borrowers.
- Remedial or curative measures such as protected earnings levels, debt adjustment, extra-judicial settlements, legally-binding arrangements and debt repayment plans through credit counsellors.
- Rehabilitative measures such as debt write-offs, the right to a fresh-start and a clean slate as a user of credit (Stamp, 2009).

Households who experience over-indebtedness problems can have real personal consequences, leading to stress and illness (BERR, 2007). Because over-indebtedness may also have significant costs for the society as a whole, in terms of productivity, health-related costs and welfare benefits, the South African government introduced the National Credit Act No 34. of 2005 (NCA) and subsequently the establishment of the National Credit Regulator (NCR) who regulates debt counsellors and credit providers.

The NCA introduced reckless lending and debt counselling regulations to remove unfair practices by credit providers and to achieve integrity in the credit market (Republic of South Africa, 2006). Despite the regulation of credit providers as well as the effect of the economic downturn on employment and on incomes, a growing number of consumers were falling into arrears on their debt payments and were thus resorting to debt counselling for assistance (Wang, 2010:47). Debt counselling is discussed in detail in Chapter 3.

1.1.3 Financial disruptions of the households' life cycles in South Africa

Saving in South Africa is in crisis. Individuals find themselves spending more than they earn, and this is to the detriment of the entire country (Cameron, 2012). Buthelezi (2013) affirms this by stating that the savings trend by South African households is getting worse each year, and this lack of savings has received special mention in a number of budget speeches by the Finance Minister who is also working on policies like retirement reforms to turn this around (Buthelezi, 2013).

According to the Consumer and Financial Literacy Taskforce (2010), as individuals progress through life, they also acquire a degree of skill in the way they use and manage money. Some people develop sound financial management skills at an early age while others develop these skills over the course of their life through experience or through guidance, and other people never significantly progress their skills and, as a result, they repeatedly make bad financial decisions.

De Waal (2013) further states that consumer credit in South Africa has its back against the wall. He further indicates that from 1994 to 2012, South Africa's exposure to credit in the private domestic sector increased from R230 billion to R2.1 trillion and that a significant

number of consumers use much of their disposable income to service debt, and unsecured lending is what is largely driving the debt spiral.

Theobald and Dick (2013) affirm that unsecured lending has grown from R7 billion in 2008 to R29 billion in 2012 with loans of longer than three years increasing from 30% to 62%, and loans of more than R15 000 increasing from 42% to 78% in the same period. They also indicate that the unsecured lending market is currently dependent on indebted consumers who need to keep paying their instalments on larger loans of longer duration. Details of how credit was granted to various provinces of South Africa follow in section 1.1.4.

1.1.4   Economic profiles of South African provinces

South Africa has nine provinces, each with its own legislature, premier and executive council, distinctive landscape, population, and economy. These provinces are Eastern Cape, Western Cape, Free State, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape, North West and Gauteng. Statistics South Africa (Stats SA, 2012) indicates that the Northern Cape is the largest province and takes up 30.5% of land in South Africa whilst the smallest province, Gauteng, with only 1.4% of the land size, has the highest number of households.

According to IOL News (2012), the Census 2011 results indicated that there has been a substantial growth in the number of households in Gauteng over the past decade as compared to other provinces. The report showed that there were 2 735 168 households in Gauteng in 2001; a decade later, this number had increased to 3 909 022 households, a growth of 42.9%.

For the quarter which ended September 2012, the total value of credit granted in all provinces increased, with Gauteng being granted R51.32 billion (46.77% of the national figure), which was higher than other provinces. The Western Cape and KwaZulu-Natal provinces received R14.94 billion (13.61%) and R13.33 billion (12.15%) respectively (NCR, 2012). This is illustrated in Figure 1.3.
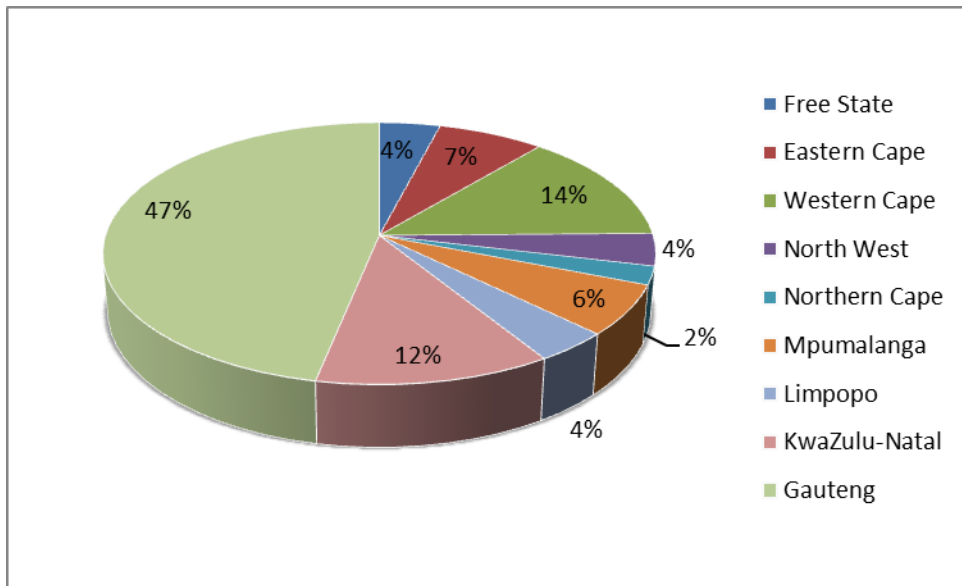
Figure 1.3: Provincial distribution of credit granted
Source: NCR (2012).

According to the credit market report NCR (2014), consumers seeking debt counselling services increased from 12 574 in May 2008 to 412 918 in May 2013 (attached as Annexure E). The report further indicates that the registered debt counsellors in South Africa also increased from 324 in March 2008 to 2048 in May 2013. Of these registered debt counsellors, Gauteng had a total of 137 in March 2008 and the number increased to 1001 in May 2013 (NCR, 2014).

As mentioned already, Gauteng is geographically the smallest province in South Africa, but it is the hub of the economic activity in the country. The province had more consumers seeking debt counselling service compared to other provinces, which contributed approximately 33% to the national economy and approximately 9% of the gross domestic product (GDP) of the African economy (Stats SA, 2012). Contributions of different provinces towards the GDP are shown in Figure 1.4.
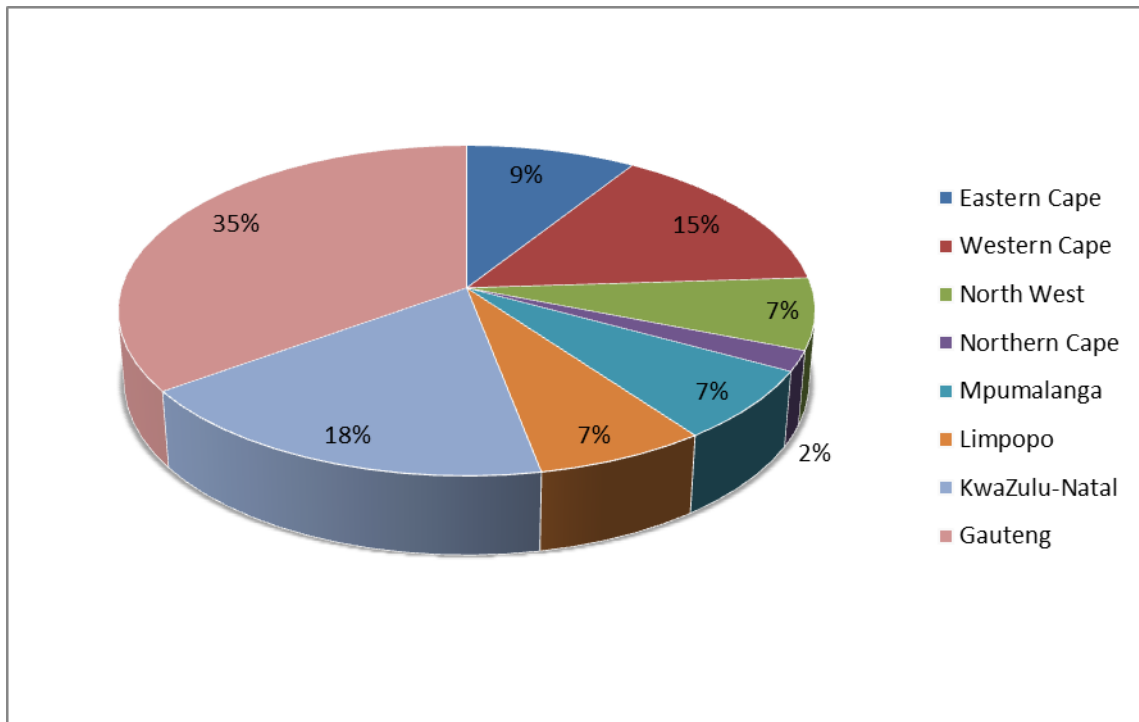
Figure 1.4: Provincial contributions to national gross domestic product

Source: Statistics South Africa (Stats SA, 2012).

Gauteng has six municipalities namely Ekurhuleni, Johannesburg, Metsweding, Sedibeng, Tshwane and West Rand. Stats SA (2012) further affirm that the economy of Gauteng is dominated by the three municipalities (City of Johannesburg, City of Tshwane and Ekurhuleni), with the City of Johannesburg accounting for the largest share of the province's output and employment followed by Tshwane and Ekurhuleni respectively.

Given the fact that Gauteng is geographically a small province, with a large population, forming a central part of the South African economy with an increased number of households in debt and a high number of registered debt counsellors, the current study thus focused on assessing the role of debt counselling in the financial well-being of consumers in Gauteng only.

1.2   RESEARCH PROBLEM AND RESEARCH QUESTION

The debt management practices give the impression that households manage their finances inadequately, and as a result, find themselves over-indebted and struggling to keep up with debt re-payments in a timely manner. The economic downturn in the past decade has

highlighted the problem of consumer over-indebtedness both in South Africa and internationally.

Over-indebtedness has also been the subject of attention at United States and European levels of policy making. South Africa is no exception. The vast expansion in credit buying, the instability of interest rates and the resulting involvement by consumers into heavy indebtedness beyond their means has been a call for concern for the South African government.

In addressing this problem, the government introduced the National Credit Act (NCA) No 34 of 2005. The main objective of the NCA is to promote a fair and non-discriminatory marketplace for access to consumer credit and to provide for the general regulation of the consumer credit (Republic of South Africa, 2006). In support of the objectives of the NCA, the National Credit Regulator (NCR) was established in 2006 and it was tasked with the regulation of the South African credit industry. With the introduction of the NCR, debt counselling was established.

Most studies previously conducted on debt counselling focused on the legal impact of the National Credit Act No. 34 of 2005 (Dti, 2003; Roestoff, Haupt, Coetzee & Erasmus, 2009), and there are a few, if any, empirical research findings on the role of debt counselling in the financial well-being of consumers in South Africa.

The study conducted by Business Enterprises (2012) focused on assessing the impact of the new industry restructuring rules, standardised outputs, the process flow and Supreme Court of Appeal judgments. In 2012, the National Debt Mediation Association (NDMA) and the Credit Ombudsman also held a summit in Johannesburg to address issues around the state of credit, consumer behaviour and legal issues (Daily Industry News, 2012).

The Daily Industry News (2012) further states, "Various reports show growing concerns about lending patterns, debt enforcement procedures and practices, debt rehabilitation and consumer vulnerability. The debt-to-disposable income ratio, which was on the decline, has risen again, indicating that households are experiencing financial pressure."

It is against this background that the current study aimed to close this gap and contribute to the existing literature by assessing the role of debt counselling in the financial well-being of consumers, expand interventions that will enhance the financial well-being of consumers, develop a framework which will empower consumers to be self-sufficient with their finances, and finally to make recommendations regarding debt counselling processes to the NCR.

The purpose of the study was therefore two-fold: Firstly, to assess the role of debt counselling services provided by debt counsellors to consumers. Secondly, the study had to assess whether debt counselling has had a positive effect on the personal financial well-being of consumers who participated in the debt counselling process.

From the purpose of the study, two main research questions were proposed:
1. How does the debt counselling service provided by debt counsellors assist consumers to manage their finances effectively?
2. Which role does the debt counselling service provided by debt counsellors play in terms of the personal financial well-being of consumers?

1.3   RESEARCH OBJECTIVES

In an attempt to answer the research questions, the following objectives were formulated:

1.3.1   Primary objective

The primary objective of this study was to explore and describe the role of debt counselling in terms of the personal financial well-being of consumers in Gauteng.

1.3.2   Secondary objectives

In order to achieve the primary objective, the following secondary objectives were formulated:
- to assess the effectiveness of the debt counselling processes provided by debt counsellors to consumers;
- to explore the nature of the debt counselling process provided by debt counsellors to

consumers;

- to determine whether the debt counselling process has a positive effect on the personal financial well-being of consumers;
- to make recommendations to the NCR relating to debt counselling processes; and
- to develop a framework that would empower consumers to be self-sufficient with their finances.

1.4 RESEARCH METHODOLOGY

The study used a two-phased sequential design, which started with the qualitative phase and continued with the quantitative phase after the first phase had been completed.

According to Leedy and Ormrod (2010:94), qualitative research is a method which aims to gather an in-depth understanding of human behaviour and the reasons that govern such behaviour.

Quantitative research, on the other hand, refers to the systematic empirical investigation of quantitative properties and phenomena and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to phenomena, whilst, qualitative research seek better understanding of complex situations (Leedy & Ormrod, 2010:95).

The detailed discussion of the research methodology used in this study is presented in Chapter 4. The following subsections give an overview of the methodology that was employed.

1.4.1 Population

For the first phase of the study (qualitative phase), the population comprised of debt counsellors in three of the municipalities of Gauteng. The three municipalities involved were City of Johannesburg, City of Tshwane and Ekurhuleni.

The population for the second phase (quantitative phase) consisted of consumers who received debt counselling services from the debt counsellors in the first phase of the study.

1.4.2 Sample

Five debt counsellors from each of the three municipalities were selected through a purposeful sampling method to make a total of fifteen debt counsellors sampled for the first phase of the study. Purposeful sampling was used so that similar participants (five debt counsellors) from the areas (three municipalities of Gauteng), could purposefully inform an undertaking dealing with the research problem for this study (Creswell, 2007:125).

Each debt counsellor who was sampled was requested to identify twenty consumers who received debt counselling service from them to make a sample of three hundred consumers for the second phase of the study.

1.4.3 Data collection

For the first phase of the study, semi-structured interviews were used to gather data from the debt counsellors. For the second phase of the study, self-developed questionnaires were given to the debt counsellors sampled during the first phase of the study to distribute to the consumers who received debt counselling services from them. With the assistance of three research assistants, questionnaires were collected from the debt counsellors after being completed by the sampled consumers.

1.4.4 Data analysis

ATLAS. ti was used to analyse the qualitative data because the program provides tools that assist in analysing interviews and help in uncovering hidden phenomena. The quantitative data was analysed by making use of the Statistical Package for the Social Sciences (SPSS) for the purpose of exploring data which was suitable for this study.

1.5   THE SCOPE OF THE STUDY

The geographical scope of this study was Gauteng, a province in South Africa. The study assessed the role of debt counselling in the case of consumers who received debt counselling from the debt counsellors in three municipalities of Gauteng. The following pertained to the scope of the study:

- the debt counsellors should have had more than fifty clients (consumers who applied for debt counselling);
- the assessment was done on consumers who went through a debt counselling process between the years 2007 and 2013;
- the sample for the first phase of the study consisted of fifteen debt counsellors (from three municipalities of Gauteng) who were purposefully selected by the researcher. These debt counsellors assisted in selecting the sample for the second phase of the study by identifying consumers who received debt counselling service from them; and
- the study did not assess consumers who were still on debt review.

1.6   THE SIGNIFICANCE OF THE STUDY

The study is significant to the National Credit Regulator (NCR), debt counsellors and over-indebted consumers in the following ways:

- The findings of the study have important policy implications for the NCR in terms of the effectiveness or the lack of a debt counselling process in alleviating the overindebtedness-related problems in South Africa.
- The value of the study resides in contributing and describing the appropriate interventions that can enable the debt counsellors to understand the benefits of personal financial management skills. Debt counsellors must use these skills to educate their clients on how to manage their finances.
- This study could be beneficial to all South African consumers, and will lead to:
  - better management of personal finance;
  - a decrease in defaulting debtors; and

- an increase in saving and investment which could lead to improved quality of life.

1.7   ETHICAL CONSIDERATIONS

Welman, Kruger and Mitchell (2010:201) are of the opinion that any research project has to conform to four ethical considerations namely informed consent, right to privacy, protection from harm and the involvement of the researcher. The current study conformed to these ethical considerations as indicated below.

1.7.1   Informed consent

The American Sociological Association (ASA) Code of Ethics (1999 as quoted by Bailey, 2007:16) emphasises that informed consent is a basic ethical tenet of scientific research involving human populations. The ASA code further states that informed consent is required of the research subjects if "data is collected from research participants through any form of communication, interaction or intervention" (Bailey, 2007:16).

In this study, data was collected through communicating and interacting with both the debt counsellors and the consumers. It is for this reason that the consent forms (attached as Annexure H) were issued to the participants (debt counsellors) prior to data collection. Data collection only began after receiving back all the consent forms.

1.7.2   Right to privacy

The researcher assured the participants that participation was voluntary and that they also had the right to refuse to participate or even to stop participating at any time during data collection. Participants were also made aware that the information that they give would be handled confidentially and that no name will appear in the report.

1.7.3   Protection from harm

The study did not involve any type of physical risk. The participants were assured in the consent form that the results from the study would be made available to the NCR, and the

thesis that would result from the study will be archived at the library of the University of South Africa (UNISA) and that they could also receive a copy of the transcript on request.

1.7.4 Involvement of the researcher

A full explanation of the objectives of the study as well as the reasons why such a study and their participation were desirable was given to the sampled debt counsellors in Gauteng.

Other ethical issues that the study conformed to, included the following:

- Literature used for this study was referenced and sourced from where it was found and is clearly indicated in the text as well as in the reference list.
- The researcher made written application and request to the NCR for approval of the study and access to information regarding registered debt counsellors and their clients in South Africa and especially in Gauteng. The application was approved and the relevant information was provided and permission granted (see Annexure P).
- The researcher acquired approval from the debt counsellors for their assistance in identifying and sending questionnaires to their clients, for the purpose of quantitative data collection (see Annexure Q).
- The findings are reported in a complete and honest manner, without misrepresenting or compromising the outcome of the study.
- In addition, the researcher has acknowledged (by signing) the ethical principles of UNISA.

1.8 THE STRUCTURE OF THE THESIS

This study is divided into seven chapters. Chapter 1 introduced the study and provided the background of the study. The research problem and research questions, the objectives, the scope as well as the significance of the study were identified. The methodology followed was defined, and finally the ethics that the study conformed to, were outlined.

Chapter 2 presents the conceptual framework of personal finance, which includes explaining the meaning and importance of personal finance, personal financial planning decisions, and

problems associated with credit. The chapter further explains how consumers with finance-related problems are assisted in South Africa.

Chapter 3 presents a theoretical perspective of debt counselling in South Africa. An in-depth literature review that includes defining debt counselling, the development of the debt counselling industry in South Africa, the debt counselling processes and their effectiveness are discussed.

Chapter 4 describes the research design and the methodology used for this study. This includes stating the objectives and the research questions, identification of the population and samples, data collection methods and the way the data was analysed. The validity and the reliability of the instruments used are also discussed.

Chapter 5 provides the analyses and interpretation of the results obtained from the qualitative (first phase) of the study.

Chapter 6 provides the analyses and interpretation of the results obtained from the quantitative (second phase) of the study.

In Chapter 7, the recommendations based on the findings derived from the qualitative and the quantitative surveys are made. The chapter also indicates the contribution made by the study as well as the limitations encountered. Finally, the areas that merit further research and the conclusions that this study arrived at are furnished.

1.9   SUMMARY

Given the varying levels of over-indebtedness experienced by South African consumers, the importance of personal financial management knowledge becomes eminent. This chapter provided the background of the financial challenges within which households find themselves. The chapter also outlined the importance for individuals or households of having knowledge of personal financial management.

Various stages of the individuals' financial life cycle were examined. These stages depended on factors like age, marital status, number of dependants, income level and net worth of the individual. The financial disruptions that individuals encounter as they progress along the financial life cycle were also explained.

The outstanding consumer credit balance (as at 2013), household profiles and the economic profiles for each province in South Africa were provided. The increase in the number of consumers who are applying for debt counselling (because of over-indebtedness) was also highlighted. The chapter further defined the research problem, the research questions, and the objectives of the study.

A brief overview of the research methodology used in this study was given. The study comprised a two-phased sequential design (qualitative and quantitative designs). Chapter 1 also specified the scope and the significance of the study. Finally, the chapter described the four ethical considerations that the study conformed to, namely informed consent, right to privacy, protection from harm and the involvement of the researcher.

Chapter 1 concluded by providing the structure of the thesis that comprises seven chapters. This structure explained how each chapter contributes to the thesis.

The management of personal finances must be understood to be the key to individual financial sustainability and as such, the next chapter therefore provides the conceptual framework of the personal financial management function as it is supposed to be practised by individual consumers in South Africa.

CHAPTER 2
CONCEPTUAL FRAMEWORK OF PERSONAL FINANCE

2.1   INTRODUCTION

The economic profile and the financial life cycles of South African households in various provinces and the level of over-indebtedness in South Africa were discussed in the previous chapter. The factors that affect the life cycle needs and the lifestyle situations of individuals were also referred to. South Africa has been attracting bad press commentary because of the extreme spending of consumers, an increasing rate in loan applications and a low debt repayment rate (Kotze & Smit, 2008:157).

As stated in Chapter 1, the National Credit Act (NCA) was introduced to address reckless lending and to promote responsible credit granting. However, the South African economy is still experiencing consumers who are addicted to credit, fuelled by an industry that is increasingly issuing unsecured loans. Unsecured loans or 'signature loans' (as they are sometimes referred to) are becoming popular among consumers because banks issue them without attaching any collateral, requiring only the individual's signature (Pritchard, 2013).

According to the Daily Industry News (2012), most of the South African consumers are unable to manage their personal finances properly, and as such they find themselves having excessive debts. To comprehend this problem, it becomes essential to understand how personal finances can be managed.

This chapter provides a conceptual framework of personal finance, as well as reasons why personal finance is important and discusses the financial planning decisions that individuals need to consider. The chapter also discusses the importance of credit, the problems related with the usage of credit, and finally examines how individuals with personal finance-related problems may be assisted.

The next section furnishes various definitions and the importance of personal finance. The third section demonstrates how personal financial planning decisions can be made, whilst the

fourth and the fifth sections examine problems associated with credit and exemplify how credit problems can be solved.

2.2 DEFINITION AND IMPORTANCE OF PERSONAL FINANCE

According to Kotze and Smit (2008:156), the absence of financial literacy contributes to the mismanagement of personal finances, and this can lead to poor financial decisions, which can ultimately have unpleasant consequences on the financial health of an individual. *Financial literacy* refers to the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being (Hung, Parker & Yoong, 2009). *Financial literacy* also refers to knowing how to make decisions pertaining to aspects of personal finance, namely the real estate, insurance, investing, saving, tax planning and retirement (Arde, 2012). Personal financial knowledge is therefore a necessity for individuals, and as such, the next subsections describe what personal finance is and further expatiate on its importance.

2.2.1 The definition of personal finance

Boone, Kurtz and Hearth (2000:4) define the study of personal finance as the study of the economic factors and personal decisions that affect a person's financial well-being. They further distinguish between two levels affected by personal finance. The first level of personal finance involves knowing how to earn money as well as how to save, spend, invest and control money in order to achieve an individual's goals. The reward for sound money management is an improvement of an individual's standard of living. The second level of personal finance affects the individual's lifestyle. Lifestyle can be determined by the choice of careers, friends, hobbies, communities and possessions (Boone et al., 2000:4).

According to Bedard (2010), *personal finance* refers to the process of controlling money and making informed decisions that can keep an individual's finances in check and the person out of debt. Similarly, Business Dictionary (2011) defines *personal finance* as the application of the principles and techniques of planning an individual's monetary affairs so that he or she can make informed financial decisions. Individual financial decisions include aspects such as

budgeting, savings, investments, insurance, tax and retirement planning (Business Dictionary, 2011).

Finally Your Dictionary (2012) sums up the definition of *personal finance* by providing six components of personal financial planning that were put forth by the Financial Planning Standards Board (FPSB). These components are explained below.

- **Determining current financial position:** This entails an individual's understanding of his or her current personal resources that are available by examining both his or her net worth and cash flow. Net worth can be determined by adding up an individual's assets and subtracting his or her liabilities (Bennet, 2010). Bennet (2010) also explains net income as the difference between the expected yearly income and the expected yearly expenses. Granovsky (2008) stresses that an important step in planning someone's financial future is to know that person's current financial position.

- **Emergency protection:** This involves putting in place measures that are necessary to protect an individual in the event of an emergency. Examples of emergencies include, but are not limited to, natural disasters and death. In taking care of this component of the financial planning and personal finance, individuals may acquire insurance for each emergency (Your Dictionary, 2012).

- **Tax planning:** An individual needs tax planning to address issues such as the appropriate tax structures for his or her investments, as well as to understand the tax implications of his or her investment decisions and repatriation of income (Yao, 2013). The estimation of an individual's income taxes and property taxes is based on his or her income and the value of his or her home respectively (Bennet, 2010). Bennet (2010) further states that, as income and the value of an individual's home grow, so are the taxes that have to be paid. However, personal finance involves figuring out how tax costs can be lowered through tax reduction programmes (Bennet, 2010).

- **Securing financial goals and investment:** According to Capitalmart (2011), individuals have different financial goals which require cautious planning and secure investment. Capitalmart (2011) further confirms that it is essential to save in a secure environment as investment is an important undertaking in one's life.

- **Planning for retirement:** It is important that individuals know how much money they will have when they retire. Furthermore, individuals need to determine if they will be financially secure when they retire. Carrol (2012) suggests that individuals acquire a retirement annuity as it may provide a financially secure retirement standard of living.

- **Planning an estate:** Estate planning involves planning, arranging, managing, securing and disposing of an individual's estate so that his or her family and other beneficiaries may enjoy and continue to enjoy from his or her assets and from his or her estate during his or her lifetime and after death respectively (Carrol, 2012).

From the definitions above, three phases of personal finance become apparent: firstly, financial planning, secondly, financial control and lastly, financial decision-making. These phases are discussed in subsections 2.2.1.1 to 2.2.1.3.

2.2.1.1   Financial planning

Planning plays an integral part in the success of any aspect of an individual's life. Financial planning is no exception. According to Bedard (2010), personal finance is a key component to financial planning and it is a dynamic process that involves five steps:

- Firstly, an individual should **assess** his or her financial situation by compiling financial statements.
- Secondly, the individual should **set up financial goals** that will direct the financial plan.
- Thirdly, the individual must **create a financial plan** (including a budget) that details how goals are going to be accomplished.
- Fourthly, the financial plan must be **executed** with discipline and perseverance.

- Lastly, the individual must **monitor** the financial plan and make possible adjustments or re-assessments where necessary.

The financial statements as well as the budget are further discussed under section 2.3.

2.2.1.2   Financial control

Financial control is a critical activity that can aid an individual to ensure that he or she operates according to his or her personal budget limitations, whilst meeting his or her financial objectives (Soft, 2009). Financial control has to do with an individual's personal assets and how effectively they are used (Soft, 2009). Finances cannot be controlled if one does not know his or her current income as compared to his or her expenditure or commitments for each month. Personal financial control helps the individual to know what his or her current financial standing is and how to control his or her finances effectively in future. Soft (2009) further suggests that using a budgeting system to manage and control one's finances can assist in eradicating and recognising overspending or unnecessary expenditure.

2.2.1.3   Financial decision-making

Financial decision-making refers to an individual's decisions on things that he or she wishes to have or things that he or she wants to buy and own. Individuals are faced with the economic concept of opportunity cost on a daily basis. Kennon (2013) defines *opportunity cost* as a benefit or value of something that must be given up to acquire or achieve something else. This implies the benefits that an individual could have received by taking an alternative action. Opportunity costs include costs of making one choice over another (Henderson, 2010). An individual's personal financial decision can make or break him or her. Being self-disciplined and sticking to a budget is the simplest way to prosper in one's personal finance (Kapoor, Dlabay & Hughes, 2007).

For the purpose of this study, *personal finance* was therefore defined as the way in which individuals are required to make decisions in relation to their budgets, investments, insurance,

retirement plans, future life events, various financial risks that includes the use of debt and the different types of financing that are offered by financial institutions.

2.2.2   The importance of personal finance

Personal financial planning provides an individual with a method for organising his or her financial future, in order to plan for unforeseen circumstances.   Creating attainable and measurable goals is the first thing that an individual needs to do in order to achieve financial security.   Organising one's finances empowers you to be independent and handle unpredictable events in your life (Dialtax, 2012).

National Credit Act Info (2012) suggests that understanding personal finance is important for individuals, no matter at which life stage they may be.   It is important for an individual to learn how to control and understand his or her finances as early as possible, because these skills are necessary throughout the entire life cycle.   National Credit Act Info (2012) further states that retirement, changes in the labour market and personal income are some of the reasons why individuals should learn about personal finance.   These reasons are elucidated in subsections 2.2.2.1 to 2.2.2.3.

2.2.2.1   Retirement

According to Tucci (2012:49), *retirement planning* refers to the allocation of finances for retirement.   He further argues that individuals sometimes inaccurately assume that their old age pension will be enough to provide for them at the time of their retirement.   Saving money for retirement at an early stage is essential because this could have an effect on how much one will have at retirement (Cameron, 2012).

Viswanand (2013) argues that individual retirement planning has become more crucial than ever before with the nature of employment changing in the developing open economy. Furthermore, Ivanov (2013) identifies desired retirement income, social security income and desired retirement age as the factors that should be considered when planning for retirement. Firstly, an individual must determine how much retirement income he or she will need after retiring because one's retirement income determines your lifestyle after retirement.

Secondly, it is also important for an individual to ascertain the amount that he or she will be entitled to receive as retirement pension when retiring and lastly, an individual has to determine and decide when he or she wants to retire, because the desired retirement age serves as the guideline for one's goals and helps to determine an individual's risk tolerance when creating an investment portfolio (Ivanov, 2013).

2.2.2.2   Changes in the labour market

Job security and the notion of work keep on changing. The traditional model of working for the same company for one's entire career is diminishing (Boone et al., 2000:5). Boone et al. (2000:5) further state that people change jobs several times during their working lives. Some end up working part time or on contract basis, with little job security and little benefits. These changes necessitate sound personal financial management for individuals (Boone et al., 2000:5). According to Viswanand (2013), self-employment has increased, and contractual employment has become more common as has productivity-linked terms of employment.

2.2.2.3   Personal income

Ledbetter (2007) refers to personal income as the individuals' total earnings from wages, salaries, investment interest and dividends, rental receipts from real estate investments, employer contributions to pension plans, profit sharing and other ventures. Ledbetter (2007) further states that personal income determines consumer consumption and it is imperative that individuals' combine personal financial knowledge with goals, personal income and desire to define their wealth picture. Bhatt (2011) argues, "because personal finance promotes savings and investments" understanding the importance of personal finance can assist an individual to provide more wealth for his or her family and improve the quality of his or her life. Personal finance also includes budgeting, managing income and expenses, setting goals for saving, retirement planning and credit management (Bhatt, 2011).

The next subsection indicates aspects that are necessary in developing a personal financial plan.

2.2.3 Personal financial planning

Personal financial planning is the process of managing finances in order to achieve personal goals and control financial situations (Gordon, 2010). Personal financial planning also refers to a process by which an individual considers his or her current personal and financial information, determines future financial goals and develops a financial plan to meet these goals (Crankshaw, 2006). Gordon (2010) further states that a comprehensive financial plan can enhance the quality of individuals' lives. The advantages of personal financial planning according to Gordon (2010) include:

- Increased effectiveness obtaining, using and protecting finances.
- Increased control of financial affairs by avoiding excessive debt.
- Successful financial decisions.
- A sense of freedom from financial stresses.

Personal financial planning is guided by personal goals, which may be short-term or long-term goals, monetary and non-monetary goals and goals which take external factors that include government actions and economic conditions that may affect personal financial decisions into account (Boone et al., 2000:7).

Boone et al. (2000:7) added that, although individuals cannot change the external factors, they can make personal decisions about things like their personal budget, income and expenditure, assets and liabilities, career choices, and whether to purchase goods for cash or on credit. Figure 2.1 illustrates how personal goals and external factors influence personal financial planning decisions.

```
┌─────────────────────────────────────────────────────────────────────────────┐
│                                                                             │
│                          ┌─────────────────────┐                           │
│   ┌──────────────┐       │ Components of personal                          │
│   │ Goals        │       │ planning decisions   │      ┌──────────────────┐│
│   │ • Short term │       │ • Personal budget    │      │ Developing a     ││
│   │ • Long term  │══════▶│ • Income and         │═════▶│ financial plan   ││
│   │ • Monetary   │       │   expenditure        │      │ • Increasing     ││
│   │ • Non-monetary│      │ • Assets and         │      │   wealth         ││
│   └──────────────┘       │   liabilities        │      │ • Using money    ││
│                          │ • Career choice      │      │   more effectively││
│                          │ • Cash or credit     │      │ • Monitoring     ││
│                          │   management         │      │   expenditure    ││
│                          └─────────────────────┘      └──────────────────┘│
│                                    ▲                                        │
│                          ┌─────────────────────┐                           │
│                          │ External factors     │                           │
│                          │ • Government regulations                        │
│                          │ • Economic conditions│                           │
│                          └─────────────────────┘                           │
└─────────────────────────────────────────────────────────────────────────────┘
```
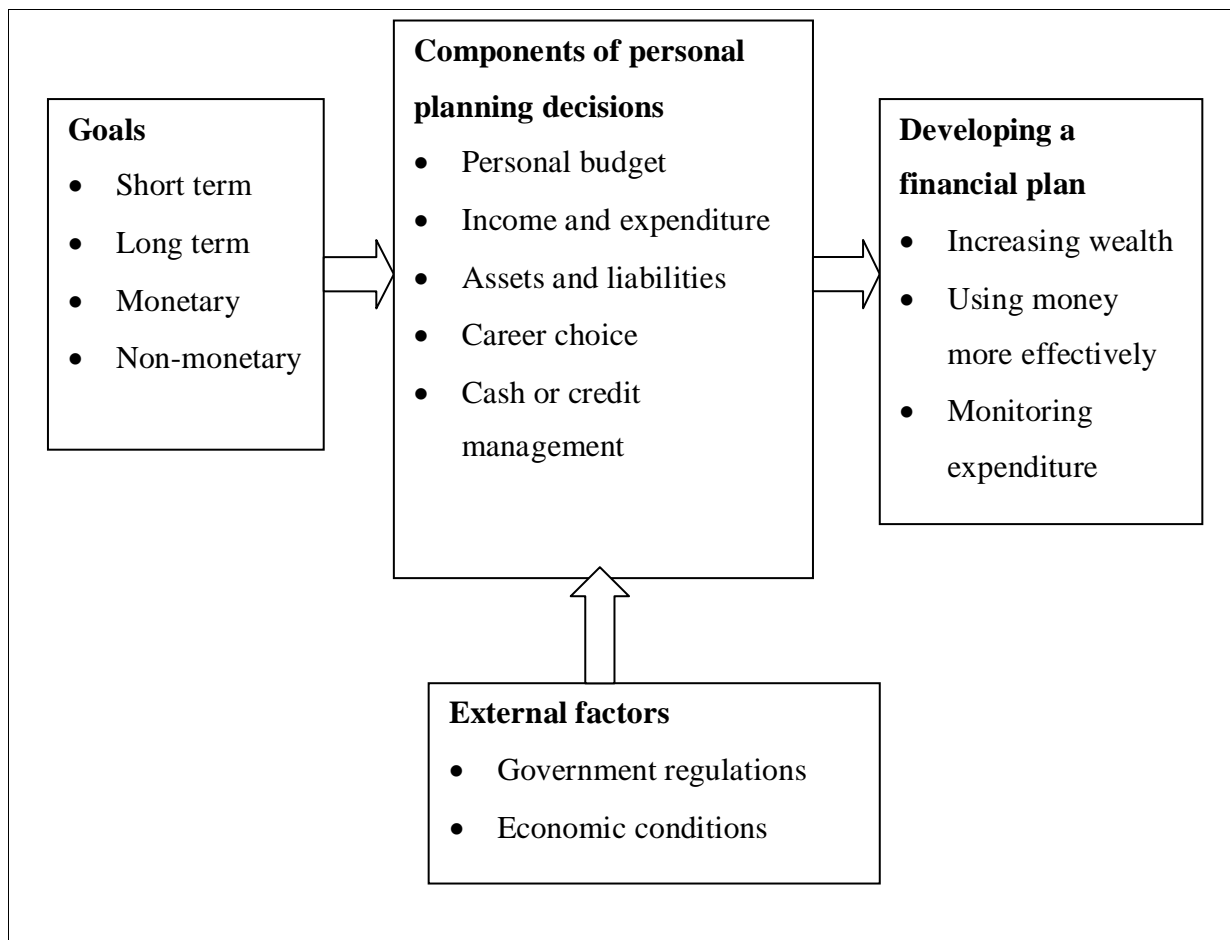
Figure 2.1: Personal financial planning model

Source: Boone et al. (2000).

Figure 2.1 demonstrates that personal financial goals, components of personal planning decisions and developing a financial plan influence one another sequentially and as such, an individual must consider these components when making financial planning decisions.

The components of personal financial planning as indicated by Figure 2.1 are discussed in section 2.3.

2.3   PERSONAL FINANCIAL PLANNING DECISIONS

Kapoor et al. (2007) describe personal financial planning as a process of arranging how to spend, save and invest money. They further state that personal financial planning assists individuals to have financial security and be able to achieve personal goals. According to Dialtax (2012), personal financial planning is an integrated, personal approach to an

individual's well-being. It provides the individual with consistency and certainty in managing his or her finances. Financial planning also provides individuals with a method for organising their financial future, so that they can plan for unforeseen circumstances which are a consequence of external factors.

According to Boone et al. (2000:12), government regulations and economic conditions are the two external factors that affect individuals' financial planning and decision. Although the effect of each factor can be viewed separately, they are often intertwined, and a change in government regulations may lead to a change in economic factors. These external factors are discussed in subsections 2.3.1 and 2.3.2.

2.3.1   Government regulations

According to Botha, Du Preez, Geach, Goodall, Palframan and Rossini (2012:151), some consumers experience limited opportunity in terms of financial advancement, whilst others enjoy increasing financial advancement. The South African government has therefore established consumer protection bodies for protection against consumer exploitation and for financial advancements to be regulated (Killaghy Business Solutions, 2013).

Some of the consumer protection bodies introduced by government include the Ombudsman for Banking Services, the Pension Funds Adjudicator, the Ombudsman for Short-Term Insurance, Ombudsman for Long-Term Insurance, the Ombud for Financial Services Providers, the National Credit Regulator and the National Consumer Commission. These bodies are discussed in section 2.5.

2.3.2   Economic conditions

As the business cycles move through periods of recession and expansion, the financial circumstances of individual consumers are affected (Botha et al., 2012:151). World-Academy Online (2011) identifies inflation, GDP, retail sales, consumer spending and interest rates as the economic variables that influence personal financial decisions. These variables are summarised in Table 2.1.

Table 2.1: Changing economic conditions and financial decisions

Economic conditions	What it measures	How it influences financial planning
Inflation	Consumer price index (CPI), producer price index (PPI), the GDP deflator and employment cost index (ECI).	Higher consumer prices cause higher interest rates, high unemployment reduces consumer spending.
Gross domestic product (GDP)	The value of goods and services produced within the country's borders, including items produced with foreign resources.	GDP provides an indication of a nation's economic viability, resulting in employment and opportunities for personal financial wealth.
Retail sales	The total sales at retail level and future economic conditions.	A decrease in retail sales can reduce levels of production and may affect employment.
Consumer spending	The demand for goods and services by individuals and households.	Increased consumer spending is likely to create more jobs and higher wages, while borrowing can push up prices and interest rates.
Interest rates	The cost of money, the cost of credit, the return on money saved or invested.	Higher interest rates make buying on credit more expensive; higher interest rates make saving and investing more attractive and discourage borrowing.

Source: World-Academy Online (2011).

The above-mentioned economic conditions are further explained below.

Inflation: According to World-Academy Online (2011), inflation is the general rise in prices of consumer goods and services and it is measured by means of four key indices: CPI, PPI, the GDP deflator, and the ECI. Inflation is most harmful to people who live on fixed incomes (World-Academy Online, 2011).

Riley (2012) also defines *inflation* as a sustainable increase in the cost of living or the average price level leading to a fall in the purchasing power of money. Riley (2012) further explains the causes of inflation as:

- **The demand-pull inflation**, which occurs when aggregate demand for goods and services is growing at an unsustainable rate while the supply is not enough. This leads to increased pressure on scarce resources and a positive output gap.

- **The cost-push inflation,** occurs when the price of goods and services goes up irrespective of the demand for goods and sevices.

Statistics South Africa illustrates how inflation increased between the years 2011 and 2012. The annual inflation rate in 2012 was 6.3%. This rate was 0.2 of a percentage point higher than the corresponding annual rate of 6.1% in 2011. On average, prices increased by 0.6% between 2011 and 2012 (Stats SA, 2013).

Gross domestic product (GDP): The GDP measures the value of all goods and services produced by the economy within its boundaries and it is the nation's broadest gauge of economic health (World-Academy Online, 2011). Trading Economics (2012) reports that the GDP per capita in South Africa is equivalent to 31% of the world's average. The GDP per capita is obtained by dividing the country's GDP by the total population (SARB, 2013).

Retail sales and consumer spending: The retail sales figure refers to an aggregate measure of sales of retail goods over a certain period, usually based on data sampling that is extrapolated to model an entire country (Trading Economics, 2012). Retail sales are seasonal, volatile and relatively important to the overall economy. Stats SA (2013) reports that in March 2013, there was a retail sales decrease of 0.90% in South Africa and that from 2004 until 2013, South African retail sales' month over month (MoM) averaged at 0.39%.

According to Trading Economics (2012), consumer spending, also called 'consumer consumption' or 'expenditure', is the amount of money that individuals spend on goods and services in order to satisfy their needs, and it measures the health of the economy. Holburn (2012) argues that consumer spending has been one of the pillars of growth in the South African economy. He further states that an increase in consumer spending leads to the expansion of the financial resources of current and prospective employees, and when consumer spending is declining, the health of the economy is threatened.

Consumer spending in South Africa increased to R1 303 713 million in the fourth quarter of 2012 from R1 295 996 million in the third quarter of 2012 (Trading Economics, 2012). Historically, from 1960 until 2012, South African consumer spending averaged R608 304.90 million, reaching an all-time high of R1 303 713 million in November of 2012 and a record

low of R189 019 million in February of 1960 (Stats SA, 2013). The increase in consumer spending can therefore expose individuals to interest rates charges (Trading Economics, 2012).

Interest rates: According to McLean and Applegate (2013), interest rate is a major factor to be considered in many financial planning decisions as it represents the cost of lending and borrowing. They further state that the forces of supply and demand also influence the interest rate, and when consumer savings and investments increase, the supply of money and the interest rate tend to decrease. However, as consumer, business, government and foreign borrowing increases, the demand for money and the interest rate tend to rise, hence the need for personal planning (Online Learning Center, 2007).

As indicated in Figure 2.1, the components of personal planning decisions include:
- drawing up a personal budget;
- managing one's personal income and expenditure;
- managing one's statement of financial position;
- making a career choice; and
- deciding whether to buy goods for cash or on credit.

These components are discussed in subsections 2.3.3 to 2.3.7.

2.3.3 Managing personal budget

A personal budget is the cornerstone of any consumer's financial planning as it assists in identifying areas of overspending (Martin, 2012). The importance of preparing a budget is that the consumer will be in a position to plan for current needs and make provision for future needs (Botha, Rossini, Geach, Goodall & Du Preez, 2010:156). Botha et al. (2010:156) further identify the following certain benefits of preparing and managing a personal budget. Such a budget,
- assists in making accurate and effective financial planning;
- encourages involvement of all family members and identifies each individual member's personal objective;
- identifies where money is spent and how expenses can be controlled;

- identifies problems at an early stage;

- identifies available financial resources;

- assists with identifying priorities and ensures that these are met according to their level of importance; and

- assists with developing a sense of financial responsibility.

Setting up a budget therefore assists the individual in allocating and effectively managing his or her money. A budget facilitates monthly and yearly comparison of an individual's income and expenditure. Firstly, an individual must calculate the anticipated income (from all sources), secondly, he or she must calculate the anticipated expenditure, and lastly he or she must compare the income and expenditure in order to determine whether there will be a surplus or a shortfall (Swart, 2012:26).

A surplus will occur when income exceeds expenditure for a specified period, whilst a shortfall occurs when expenditure for a specified period exceeds income (Swart, 2012:26). Templates for drafting a personal monthly and an annual budget are attached as Annexure A and Annexure B1 and B2 respectively. Individuals should take into consideration the effect of external factors on their budgets because changes in the external environment may lead to changes in an individual's personal financial decision (Botha et al., 2012: 150).

2.3.4 Managing personal income and expenditure

According to Granovsky (2008), the cash flow statement is a tool used for the management of the individual's financial performance, and it reflects the individual's income and expenditure over a period of time. The cash flow statement can be divided into the following categories:

- Income: consists of all funds received by the individual, irrespective of the nature or the source. Examples include salary, commission, rental income, interest from investments and bonuses (Swart, 2012:16). Personal income could be either nominal or real (Trading Point, 2013). Total nominal income is the sum of money received by an individual in a given period of time, and it includes an expendable income, which indicates funds available for personal consumption and savings (Trading Point, 2013).

Real income refers to the quantity of goods and services that could be purchased for the expendable income in a given time (Trading Point, 2013).

- Expenditure: consists of all expenses an individual incurs, such as rent, bond repayments, food, clothing, medical aid contributions, water and electricity, rates and taxes, insurance and entertainment. These expenses will differ from one individual to another, as different consumers spend money differently (Granovsky, 2008).

- Savings: represent the funds that are available after all expenses have been deducted from income. Should income exceed expenses, there is a surplus that can be utilised for savings. If and when expenses exceed income, the individual's cash flow statement will reflect a deficit (see Annexure C).

2.3.5 Managing individuals' statement of financial position

The statement of financial position (also known as 'net worth statement') is another tool used for personal financial planning, and it provides an indication of a particular financial situation at any given time. The statement of financial position helps to summarise an individual's situation (Granovsky, 2008) and it comprises the following three items:

- Assets: this refers to everything an individual owns at any given time. Assets can be divided into two groups, namely fundamental assets and investment assets. Fundamental assets are those assets that are owned because they have a specific function to perform, for example a residential property, personal property, cash in the bank, and motor vehicles (Granovsky, 2008). Investment assets are those that do not perform a specific function and are used for investment purposes, for example securities in the form of shares or fixed interest-bearing instruments, life insurance and coins (Granovsky, 2008).

- Liabilities: these comprise any debts that the consumer may have. They can be divided into short-term and long-term liabilities. Short-term liabilities are debts that must be repaid or re-financed within one year, and include an overdraft on a banking account, a credit card and all other retail purchasing cards or instalment credit, whilst

long-term debts are liabilities with a due date that exceeds one year such as a bond on a property or any other bank loan that is repayable over a period that exceeds one year (Berry, De Klerk, Doussy, Jansen van Rensburg, Ngcobo & Rehwinkel, 2011:68).

- Net worth: can assist an individual consumer to determine whether he or she is able to meet his or her liabilities (attached as Annexure D). When assets are greater than liabilities, an individual is presumed to be solvent, however, when liabilities are more than assets, he or she is said to be insolvent. A positive net worth indicates that assets are more than liabilities and a negative net worth indicates that liabilities are more than assets (New Haven Library, 2009). Individuals can further use their net worth to analyse the manner in which assets are financed (Ryan, 2010:165).

2.3.6 Career choice decision

Discovering and identifying a career comprises another important personal planning decision. People work because they want to meet their individual needs, wants and goals so that they can survive and thrive. Working provides a sense of purpose and identity and aids in earning a living in order to provide for life's necessities (Ryan, 2010:25). As mentioned in 2.2.1, the reward of money (income) is an improvement of the individual's standard of living and enhances his or her lifestyle. In choosing a career, an individual's decision will be influenced by the following factors (Ryan, 2010:25):

- Values: are based on life experiences as well as perceptions and beliefs and are also influenced by the media and society in which an individual lives. Life experiences include spending time with family and loved ones, taking annual vacation and/or raising a family.

- Lifestyle: is the way an individual chooses to live his or her life and is based on the values individuals choose. A career is an important part of an individual's lifestyle because it determines both the way the individual spends his or her time and the level of his or her income. It is thus important for individuals to understand the connection between lifestyle choices and the financial commitments required to achieve their goals.

- Aptitude and interests: an individual's physical and mental ability and interest in performing a certain task also play a role in deciding on a career choice.

- Personality: includes aspects like intelligence, creativity, a sense of humour and the general attitude of an individual. Because careers sometimes require certain personal qualities, individuals would be guided by their own qualities in choosing careers (Ryan, 2010:26).

2.3.7 Cash or credit buying decision

According to Econedlink (2012), to use or not to use credit for purchases is another important decision an individual must make. Econedlink (2012) also states that any choice that an individual makes has advantages and disadvantages, and when making one choice over another, one generally gives up some advantages (referred to as opportunity cost). Econedlink (2012) further adds the following as criteria to be used in deciding whether to buy goods cash or on credit:

- Goods acquired and used immediately: Consumers are able to acquire goods immediately when they buy on credit and they can use the goods while they are still paying for them.

- Interest charged: When goods are bought on credit, payment is delayed and for this reason, consumers are charged an extra fee called **interest**. The extra fee (interest) that is added to the goods purchased on credit increases the original price of the goods.

- Convenience when making purchases and lack of risk: Credit buying is sometimes convenient because firstly, consumers are never certain of how much cash to carry when they visit stores, and secondly, it is safer for consumers to carry and use credit cards or other purchasing cards rather than to go around carrying cash. The risk of losing cash is thus minimised.

- Benefit in paying off before end of billing cycle: Consumers who buy on credit and pay off their debt before the end of the billing cycle (which is normally 25 days) enjoy the benefit of not being charged interest.

- Determination of consumer's character and the credit rating: On the one hand, credit buying can be used by credit providers as a yardstick for determining whether a consumer is responsible, reliable and trustworthy. On the other hand, consumers use credit buying for developing a credit rating that can assist in securing credit for larger consumer purchases.

- Commitment of the future income: Credit purchases signify that consumers agree to pay the price of goods plus the interest charged in the future. It is therefore imperative that consumers determine whether the additional demand on their future income is worth buying on credit (Econedlink, 2012).

Heath (2013) adds that credit is an additional financial resource that an individual needs. Expensive items (like vehicles and houses) are not affordable to most consumers and as such, they can only be bought using credit. Small purchases are often cheaper when one uses credit to buy them and some retail stores often offer promotions and coupons to their preferred credit account holders (Heath, 2013). However, using credit has some advantages and disadvantages. These advantages and disadvantages are identified in subsections 2.3.7.1 and 2.3.7.2.

2.3.7.1   Advantages of using credit

Credit can be good when used wisely. The following are some of the advantages an individual may consider before using credit:
When used wisely,
- credit enables the buyer to maintain a higher standard of living (Swart, 2012:63);
- goods or services may be bought at a lower price than in two or three years' time because of inflation (Swart, 2012:63);
- credit provides for emergency funds (Garman & Forgue, 2006);

- a person may purchase goods or services that he or she would normally not be able to afford (Kapoor et al., 2007);

- debt may enable an individual to earn a higher rate of return on borrowed money and consequently establish good credit rating (Hill, 2010); and

- credit allows individuals to buy goods on a sale at a large discount (Swart, 2012:63).

2.3.7.2   Disadvantages of using credit

Using credit also has some disadvantages, such as the following:
- credit encourages people to buy things they cannot afford and promotes impulsive buying as well (Swart, 2012: 63);

- interest must be paid on borrowed money (Hill, 2010);

- should an individual lose his or her job and consequently, his or her income, such a person may not be able to pay off the debt (Swart, 2012:63) ;

- overuse of credit leads to poor credit record (Kapoor et al., 2007);

- excessive credit often results in overspending (Kapoor et al., 2007);

- security is necessary to obtain credit and debt erodes an individual's security (Hill, 2010); and

- credit is usually accompanied by additional costs (Garman & Forgue).

Although credit can be a useful and an additional financial resource (Heath, 2013), there are problems that are associated with the use of it. These problems are examined in section 2.4.

2.4   PROBLEMS ASSOCIATED WITH CREDIT

As indicated in 2.3.7.2, one of the disadvantages of using credit is that it could lead to overspending by the individual. It is important for consumers to be aware of the factors that determine how much an individual pays for the use of credit. The following factors, if disregarded, may lead to overspending and ultimately over-indebtedness:

- Source of credit: Credit providers tend to offer varying credit plans to consumers. Consumers must fully understand what the credit agreement entails and what the credit plan offers before consenting to such an agreement.

- Amount financed and length of time to repay: The more money an individual borrows, and the longer he or she takes to repay it, the more finance charges he or she will have to pay, which increases the amount owed to credit providers.

- Interest rates and prime rate: Interest rates charged for the use of credit are affected by the prime rate. As the prime rate changes, so will the interest rate. This then affects the total amount of debt (Heath, 2013).

According to Allen (2010), bad debt has multiple effects on consumers' financial well-being, consumers' credit rating, and consumers' emotional well-being. Consumers are often affected by a down-turn in the economy, which may result in the loss of employment, causing them to lose income. De Clercq (2012) adds that the level of income vulnerability increased as consumers started feeling the effects of unemployment.

The survey conducted by the Personal Finance Research Unit (PFRU) within the Bureau of Marker Research (BMR) at UNISA in 2012 indicates that the macro-economic circumstances in South Africa are not conducive towards improving consumers' financial wellness and that on average the state of the South African consumer's financial wellness situation is unstable (Adraonline, 2012). The research also indicates that the average consumer price inflation increased from 5% in 2011 to 5.7% in 2012, the economic growth slowed from 3.5% to 2.5% in the same period, the number of unemployed people increased by more than 250 000 during 2012 and these factors affect people's ability to finance their expenses (Adraonline, 2012). Loss of employment may lead to the consumer failing to sustain his or her debt obligations (Heath, 2013).

In addition, the UNISA's Consumer Financial Vulnerability Index (CFVI) of 2012 reveals that while consumers are paying off other credit agreements, bills such as municipal accounts, medical bills and school fees are outstanding (De Clercq, 2012).

Allen (2010) identifies the effects associated with bad debt as follows:
- First effect: If and when the consumer misses his or her payment or make late payments, the credit provider may charge interest which may lead to lowered credit

limits. The credit provider may end up penalising the consumer and prevent him or her from obtaining new credit with favourable benefits.

- Second effect: Skipping payments or making late payments may result in negative credit reporting of the consumer to the credit reporting agencies or such consumers may be referred to debt collection agencies. This can negatively affect the credit rating of the consumer. Such negative data could stay on the credit report for seven years or longer (Allen, 2010).

- Third effect: As a result of his or her bad credit rating, the consumer may experience high costs being charged on his or her account. New credit may not be granted to the consumer, or if credit is approved, it may result in unfavourable interest rates.

- Fourth effect: Consumers may continue to be treated as financial risks even after their names have been expunged or removed from the credit reports (Allen, 2010).

Bailey (2013) also states that South African consumers are experiencing financial difficulties because of the increase in unsecured loans offered by banks. Bailey (2013) further mentions that the unsustainable increase in payday loans was one of the factors that aggravated indebtedness.

This argument by Bailey (2013) was confirmed by a survey which was conducted by Capitec Bank among its customers in 2013 (Moneyweb, 2013). During the survey, 77% of the respondents said that they would use the R230 000 unsecured loan offered by Capitec Bank to start their small businesses, while 10% indicated that they would buy cars and 3% said they would renovate their houses (Moneyweb, 2013).

According to Kannemeyer (2014), South Africans are using expensive debts to finance their day-to-day needs, and there is a culture of low savings which is an obstacle to developing quality of life. Consumers opt for unsecured loans because such loans are attractive (Pritchard, 2013). Table 2.2 indicates the repayment terms for and the amounts offered as unsecured loans by various South African Banks during the year 2013.

Table 2.2: Amounts of unsecured loans and repayment terms

Bank	Maximum amount that can be offered	Maximum repayment term
ABSA	R150 000	84 months
Standard Bank	R120 000	42 months
Nedbank	R120 000	60 months
FNB	R150 000	60 months
African Bank	R180 000	84 months
Capitec	R230 000	84 months

Source: Moneyweb (2013).

When the consumer encounters problems related to repayment of his or her debt, or if he or she is experiencing credit-related problems and requires assistance, he or she can contact any one of the consumer protection bodies or institutions established by the South African government. These bodies or institutions are described in section 2.5.

2.5   SOLVING CREDIT PROBLEMS

Based on the importance of the financial planning decisions and the credit problems identified in the preceding sections, credit problems often do not occur suddenly; they arise after months and years of poor financial planning, impulsive buying and irregular budgeting (Martin, 2012). The South African government passed two laws, the National Credit Act (NCA) No. 34 of 2005 and the Consumer Protection Act (CPA) No. 68 of 2008 that have to protect consumers from unfair credit practices. The purpose of these laws is to remove some of the problems surrounding the use of credit.

With the introduction of both these laws, the National Credit Regulator (NCR) and the National Consumer Commission (NCC) were established respectively. The NCR and the NCC set a standard for consumers, and the way consumers are supposed to be treated in their daily credit dealings. As indicated under 2.3.1, both these laws and the consumer protection bodies are further explained in subsections 2.5.1 to 2.5.7.

2.5.1 Ombudsman for Banking Services

The Ombudsman for Banking Services (OBS) provides a free, informal dispute-resolving service for individual complaints about banking services and products. Any consumer who has a complaint against his or her bank may approach the OBS for assistance.

2.5.2 Pension Funds Adjudicator

The Pension Funds Adjudicator (PFA) was established to investigate complaints lodged in terms of the Pension Funds Act No. 24 of 1956 (Botha et al., 2012:18). Complaints can only be lodged to the PFA by members and/or their beneficiaries, or former members of the pension fund as well as employers who contribute to the fund.

2.5.3 The Ombudsman for Short-term Insurance

The Ombudsman for Short-Term Insurance (OSTI) is mandated to resolve short-term insurance disputes between members of the South African Insurance Association (SAIA) and consumers in an independent, impartial, cost-effective, efficient, informal and fair manner (Botha et al., 2012:18). The Ombudsman's duty is to evaluate private line claims against short-term insurers where the insurer has repudiated a claim under a policy and the insured party maintains that the insurer's repudiation was wrong or illegal.

2.5.4 The Ombudsman for Long-Term Insurance

The office of the Ombudsman for Long-Term Insurance (OLTI) was created to mediate and speed up the process of resolving disputes between long-term insurers and policyholders, where the objective is to have a cost-effective and efficient system in place (Botha et al., 2012:18).

2.5.5 Ombud for Financial Services Providers

The main objective of the Ombud for Financial Services Providers (OFSP) is to judge and dispose of complaints by individuals against financial services providers in a fair, informal, economical and speedy manner (Botha et al., 2012:18).

2.5.6 National Credit Regulator

As indicated above, the National Credit Regulator (NCR) was established in terms of the National Credit Act (NCA) No. 34 of 2005. The aim of the NCA, as stated (Republic of South Africa, 2006) is to promote a fair and non-discriminatory market place for access to consumer credit and to provide for the general regulation of consumer credit. The NCA further prohibits unfair credit and credit marketing practices, and promotes responsible credit granting and credit use (Republic of South Africa, 2006).

South Africa (2006) also stipulates that the NCR is responsible for the regulation of the South African credit industry, and for carrying out education, research, policy development, the enforcement of the provisions of the NCA, and the investigation of complaints of consumers. The NCR is also responsible for the registration of credit providers, credit bureaux and debt counsellors (Republic of South Africa, 2006).

2.5.7 National Consumer Commission

The National Consumer Commission (NCC) was established in terms of the Consumer Protection Act (CPA) No. 68 of 2008. The aim of the CPA is to promote consumer activism by making provision for the accreditation of consumer groups tasked with lodging complaints on behalf of consumers (Republic of South Africa, 2008). The objective of the NCC is to investigate consumer complaints (Republic of South Africa, 2008) and to collaborate with the National Consumer Tribunal (NCT) who is responsible for the adjudication of violations and transgressions of the NCA and the CPA (NCT, 2012).

As stated above, the NCR and the NCC are responsible for the registration of debt counsellors, and the investigation of consumer complaints respectively. Consumers' credit problems can be forwarded to the registered debt counsellors and if and when the NCA and the CPA are violated the consumer may refer the complaint to the NCT. Both these procedures are discussed in detail in Chapter 3.

2.6   SUMMARY

This chapter provided a definition of personal finance, and explained the importance of managing one's personal finances. Personal finance entails the process of knowing how to earn money, how to save, spend, invest and control money, so that individuals can make informed decisions about their finances. The management of personal finance assists individuals to take into account various personal goals and to make financial decisions.

Six components related to personal financial planning, which assist in defining personal finance were identified, namely financial position, adequate protection, tax planning, investment and accumulation goals, retirement planning and estate planning. The importance of personal finance that was outlined included ensuring a reasonable balance between outflow and inflow of funds, reducing uncertainties regarding market trends, and developing and maintaining a personal financial plan.

Components that are necessary for personal financial planning decisions were also discussed. In discussing these components, special reference was made to the management of a personal budget, the management of personal income and expenditure, management of individuals' statement of financial position, importance of career choice and the criteria for making cash or credit purchases.

A personal budget can assist individuals to effectively keep track of the income variations and to monitor their expenses. A personal budget also indicates how much of future personal income should be allocated towards expenses, savings and debt repayment. It is also important for setting and achieving financial goals by determining and estimating the expenses that an individual can cut. Keeping a monthly and an annual budget helps an individual to have financial direction and control.

Managing one's personal income and expenditure entails using the income and expenditure statement to record all cash receipts and cash outlays of an individual over a period of time. The personal income and expenditure statement comprises of three components, namely income, expenditures and cash surplus (or deficit). Expenses incurred are subtracted from income to reflect either a surplus or a deficit.

The statement of financial position, which is also referred to as 'the statement of net worth', provides a snapshot of an individual's financial position (assets, liabilities and net worth) on a specific date, e.g. end of the year or at the end of a quarter. An individual may calculate all assets and liabilities at a given date and then subtract the liabilities from the assets to determine his or her net worth. Assets are grouped into fundamental and investment assets whilst liabilities are organised in two clusters, namely short-term debts and long-term debts.

When making decisions about career choices, an individual should consider those personal qualities that are essential for him or her to thrive and which will produce the greatest satisfaction. He or she must also consider and assess the values, lifestyle, personality, interests and skills that he or she possesses as potential clues for areas of work because these are fundamental in making career choice decisions.

When buying goods or services, individuals usually decide whether to use credit or not. The decision that one makes should be based on your ability to repay debt and not on what you want to buy at a particular point in time. In assisting an individual to decide whether to use credit or not, one should consider both the advantages (like maintaining high standard of living, emergencies, establishing credit ratings, etc.) and the disadvantages (like impulsive buying, increased debts, overspending, etc.) of credit.

Making credit purchases and the acquisition of unsecured loans were considered as facilities leading consumers to overspending. The multiple effects that are related to bad credit were also identified. The chapter concluded by stating how the South African government attempts to eradicate consumers' personal finance-related problems. Various consumer protection bodies established by government were discussed and the roles of the NCR and NCC were briefly referred to as well.

With the implementation of the NCR and the NCC, debt counselling and the consumer tribunal were introduced to assist consumers to manage debt-related problems. Chapter 3 therefore investigates the role and the effectiveness of debt counselling on the financial well-being of South African consumers, specifically in Gauteng.

CHAPTER 3

DEBT COUNSELLING: A THEORETICAL PERSPECTIVE

3.1   INTRODUCTION

Chapter 2 presented the conceptual framework of personal finance, with emphasis on the importance of personal finance, personal financial planning decisions and problems associated with using credit. The chapter also highlighted various consumer protection bodies that have been established to protect consumers from unfair credit practices. The formation of the National Credit Regulator (NCR) and the National Consumer Commission (NCC) and their roles were also highlighted. With the implementation of both the NCR and the NCC, debt counselling and consumer protection were introduced. The focus of this chapter is therefore to continue to provide a literature review and to elaborate on the background, history as well as the effectiveness of debt counselling.

Consumers often turn to debt counsellors when their credit becomes unmanageable and debt problems make it impossible to meet their financial obligations (Wang, 2010:47). In this chapter, an understanding of what debt counselling or credit counselling can do to assist consumers with debt problems is elaborated.   Debt counselling and credit counselling terms are used interchangeably in this chapter; and these synonymous terms describe the activity of providing financial management assistance and budget advice to persons with difficulty in coping with debt (Berry & Sue, 2007:370).

A number of researchers and scholars have traced developments and the state of debt counselling processes in North American countries, European countries as well as developing countries like South Africa. This chapter will present the key features of the debt counselling process as practiced in South Africa. A comprehensive literature review on indebted consumers' interactions with debt counsellors was undertaken with the aim of identifying what the debt counsellors do to assist the consumers to recover from their debt problems and consequently sustain their financial well-being and how they do it.

A study conducted by Kim, Sorhaindo and Garman (2003:1) suggests that over-indebted consumers are likely to benefit from debt counselling agencies' involvement. Elliehausen, Lundquist and Staten (2007:2) concur with Kim et al. (2003:1) by maintaining that credit counselling has a positive effect on borrower behaviour. The current study therefore focused on assessing the effect of debt counselling on financial well-being of consumers in Gauteng.

In the next section, different definitions of debt counselling are provided. The origin of the debt counselling industry in South Africa, the debt counselling process and its effectiveness are discussed in sections 3.3 and 3.4 respectively.

3.2   DEFINING DEBT COUNSELLING

Debt counselling is defined differently by different authors. The following are some of the definitions found in literature.

Kelly-Louw (2008:201) defines debt counselling as a process whereby debt counsellors assist consumers who are experiencing debt-related problems by providing them with budgeting advice, restructuring their debt payments, negotiating on their behalf with credit providers, monitoring their payments, and providing them with after-care service. Debt counselling is also defined as an educational programme that aims to create awareness about credit-related services for consumers who borrow money and make use of credit facilities like credit cards (NCR, 2009).

Uribe and Tait (2007:5) define debt counselling as a debt reduction service and a financial education to debtors. These authors further state that this service is for consumers who are having problems dealing with the management of their personal finances and who need help in paying off their debts so that their credit rating can improve.

According to Getmaxloan.com (2010), credit counselling is an integral part of the debt management program (DMP) and it is provided by the credit agencies or the counsellors who are empowered by government to help reduce the debt of the consumers. The goal of

credit counselling is to develop a repayment plan that is affordable to the consumers and acceptable to the credit providers.

De Wet (2011:1) defines debt counselling as a professional service provided for over-indebted consumers. De Wet (2011:1) further states that the process of debt counselling is regulated by the NCR and it provides the consumer with protection against credit providers who wish to take legal action against them.

Based on the above definitions and for the purpose of the current study, the following definition was adopted: Debt counselling is a process whereby debt counsellors assist consumers who are unable to honour their periodic debt obligations by providing services such as reduced monthly debt repayments, protection from legal actions and aftercare.

In section 3.3, the origin of the debt counselling process in South Africa is discussed.

3.3   THE DEVELOPMENT OF THE DEBT COUNSELLING INDUSTRY IN SA

South African consumer credit legislation originally consisted of the Usury Act No. 73 of 1968 and the Credit Agreements Act No. 75 of 1980. The Usury Act revolved around the interest rates that credit providers could lawfully charge, whilst the Credit Agreements Act focused on the contracts drafted between credit providers and consumers (Barnard, 2010:5).

The Usury Act and the Credit Agreements Act provided a limit on the interest rate charged by credit providers. This was circumvented when credit providers added costs such as credit life insurance, loan application fees, administration fees, club fees and other service charges. These Acts, according to Barnard (2010:5), did not protect consumers and neither did they provide any regulation in terms of either the credit providers or the credit bureaux and as a result, credit providers could extend credit recklessly and ultimately sequestrate the consumer.

The relatively high interest rates charged by creditors from 1970s to 2003 caused heinous socio-economic hardships and sufferings for low-income individuals and communities (Du Plessis, 2007:77). Du Plessis (2007:77) further maintains that a high percentage of personal income was used merely to service micro-lending debt, leaving very little of borrowers' personal income to pay for other household expenses. These malpractices led to various investigations.

According to the Department of Trade and Industry (Dti, 2003), Frontfoot investigated various costs charged by credit providers in 1992. The investigation indicated that the effective cost of credit was increased by up to two or three times above the limit imposed by the Usury Act. The findings and the recommendations of the survey were as follows:

- fees, charges and credit life insurance inflate the cost of credit;
- there is a need for a national register of loans and other commitments;
- the Usury Act, and the Credit Agreements Act are ineffectual and dysfunctional and should be replaced by a consolidated credit act and a consumer protection act;
- there has to be one consumer credit regulator who would enforce compliance; and
- consumers have to be better educated in credit issues (Dti, 2003).

Based on the recommendations from the survey, the South African Law Commission decided in 1994 (Dti, 2003), that there should be one credit law which should regulate the credit industry. The National Credit Act (NCA) No. 34 of 2005 was thus introduced. The NCA was originally tabled in Parliament on 15 March 2006 and became effective from 1 June 2006.

The main objective of the NCA is to promote a fair and non-discriminatory marketplace for access to consumer credit and to provide for the general regulation of consumer credit (Republic of South Africa, 2006). The NCA also aims to improve the standard of living of the consumers by:

- promoting black economic empowerment and ownership within the consumer credit industry;
- prohibiting certain unfair credit and credit-marketing practices;
- promoting responsible credit granting and use, thus prohibiting reckless credit granting;

- providing for debt re-organisation in cases of over-indebtedness;
- regulating credit information;
- providing for registration of credit bureaux, credit providers and debt counselling;
- establishing national norms and standards relating to consumer credit;
- promoting a consistent enforcement framework relating to consumer credit;
- repealing the Usury Act No. 73 of 1968 and the Credit Agreements Act No.75 of 1980 and to provide for related incidental matters; and
- establishing the NCR and the NCT (Republic of South Africa, 2006).

In support of the objectives of the NCA, the NCR and the NCT were established in June 2006 and September 2006 respectively. The roles of the NCR and NCT are discussed in subsections 3.3.1 and 3.3.2. With the establishment of the NCR, came the introduction of debt counselling, which became effective in 2007.

Debt counselling was introduced to provide a definite process for helping indebted consumers who seek debt relief. As indicated in 3.2, the debt counselling process provides debt restructuring services, and it places priority on the eventual satisfaction of all the obligations of the consumer under the credit agreements. The debt counselling process is further discussed under section 3.4.

Furthermore, the South African government have also identified the shortcomings in the protection of consumers and as such, the Consumer Protection Act (CPA) No. 68 of 2008 (which was signed by the president into law on 24 April 2009, and which came into effect in stages, the final stage being 31 March 2011) was established.

The objective of the CPA is to promote and advance the social and economic welfare of the consumers (Republic of South Africa, 2008). The CPA also aims to:
- establish a legal framework for a fair, accessible, efficient, sustainable and responsible consumer market;
- reduce the disadvantages of accessing goods and services when the consumer is in a weaker bargaining position, e.g. low-income persons or communities, rural communities, the disabled, illiterate, elderly or young;
- promote fair business practice;

- protect consumers against unfair, unreasonable, unjust or improper trade practices;

- protect consumers against deceptive, misleading, unfair or fraudulent conduct;

- improve consumer awareness and information and encourage responsible and informed consumer choice and behaviour;

- promote consumer confidence, empowerment and the development of a culture of consumer responsibility;

- provide a system for consensual (rather than adversarial) resolution of disputes arising from consumer transactions; and

- provide an accessible, consistent, harmonised, effective and efficient system of redress for consumers (Republic of South Africa, 2008).

With the implementation of the CPA, the NCC was established. The NCC is responsible for carrying out the functions, and exercise the powers assigned to it as mandated by the CPA. The NCC undertakes advocacy and awareness initiatives of the CPA, receives and investigates consumer complaints alleging prohibited conduct by the credit provider, and monitors the consumer market to ensure that prohibited conduct and offences are detected, prevented and prosecuted (Republic of South Africa, 2012). In carrying out its functions, the NCC should:

- take into consideration international developments in the field of consumer protection;

- consult any person, organisation or institution with regard to any matter relating to consumer protection;

- develop and promote the use of Codes of Practice in relation to:
    - (a) language used in the official documents, and
    - (b) consumers' rights to disclosure of information;

- develop and initiate the national and provincial legislation or regulation that deals with the welfare of consumers; and

- liaise with the national and provincial consumer protection authorities including dispute resolution agents and credit providers (Republic of South Africa, 2012).

Subsequent to the discussion of the objectives of both the NCA and the CPA, subsections 3.3.1, 3.3.2 and 3.3.3 provide the roles of the NCR, the NCT and the NCC. The benefits of debt counselling process are also outlined in subsection 3.3.4.

3.3.1   The role of the National Credit Regulator (NCR)

The NCR was established following the introduction of the National Credit Act No. 34 of 2005, and it is responsible for the regulation of the South African credit industry. It is tasked with carrying out education and creating awareness of the NCA, which includes conducting research about the credit market and monitoring access and the cost of credit in order to identify factors that may undermine access to credit (Republic of South Africa, 2006). The NCR is also responsible for:

- competitiveness and consumer protection;
- policy development;
- registration and monitoring of credit providers, credit bureaux and debt counsellors;
- receiving and investigating complaints of consumers;
- ensuring that consumers' rights are protected;
- ensuring the enforcement of the NCA; and
- taking action against contravening parties (NCR, 2010).

The NCA requires the NCR to promote the development of an accessible credit market, particularly to address the needs of historically disadvantaged consumers, low-income consumers and isolated or low-density communities (Republic of South Africa, 2006).

3.3.2   The role of the National Consumer Tribunal (NCT)

The NCT is an independent body whose aim is to achieve fairness and justice for everyone in the consumer and the credit market (Killaghy Business Solutions, 2013). According to Woker (2010), the NCT has a responsibility to:

- determine when the conduct that is prohibited by the NCA has occurred;
- assist in the enforcement of the NCA;
- assist consumers to resolve disputes; and
- obtain redress against credit providers who have contravened the NCA.

Woker (2010) further adds that the NCT has to adjudicate on applications (in terms of the NCA), for interim relief and on complaints related to allegations of prohibited conduct. The NCT also listens to all sides of an argument before making a decision. A decision

made by the NCT has the same status as one made by the High Court of South Africa (Woker, 2010). Failure to comply with an order of the NCT carries a fine or an imprisonment for up to ten years. The NCT may also impose an administrative fine, which does not exceed 10% of the respondent's annual turnover during the preceding financial year (NCT, 2012).

However, the NCT has not been established to replace the ordinary courts. The roles of the NCT are limited to the four sections of the NCA that deals with the following:

- the right of consumers to obtain information about their levels of indebtedness;
- charging of interest and fees by credit providers;
- prohibited conduct; and
- consent orders or debt re-arrangement (Woker, 2010).

3.3.3   The role of the National Consumer Commission (NCC)

In terms of the CPA, the NCC has the responsibility to:

- support resolutions of any dispute between the consumer and the credit provider;
- monitor the effectiveness of accredited consumer groups;
- investigate and evaluate prohibited conduct and offences;
- issue and enforce compliance notices; and
- refer alleged offences to the NCT and to the National Prosecuting Authority (NPA) for further investigation (Republic of South Africa, 2012).

Subsections 3.3.1 to 3.3.3 have explained the roles of the NCR, the NCT and the NCC. In subsection 3.3.4, attention will be given to the benefits of debt counselling.

3.3.4   Benefits of debt counselling

The NCR (2010) maintains that the benefit of debt counselling is that it is a process that affords consumers a manageable monthly payments programme because consumers, who undergo a debt counselling programme, pay a reduced monthly payment that suit their budgets and they are thus relieved of financial stress.

Another benefit according to the NCR (2010), is that debt counselling protects the over-indebted consumer from aggressive creditors who are quick to take legal action instead of listening to the consumer's problems.

The Horizon Debt Counselling Team (2010) also identified the following as other benefits of debt counselling:

- debt counselling assists consumers to improve and increase their cash flow, thus providing for basic living expenses;
- debt counselling offers complete legal protection;
- debt counsellors assist consumers with the management of their personal finances and also provide consumers with a personalised budget;
- the debt counsellor arranges one payment per month to a payment distribution agency (PDA), who then pays the creditors directly; and
- consumers receive a consolidated statement concerning their debt positions, and the progress made in terms of payments is also indicated (Horizon Debt Counselling Team, 2010).

This section discussed when and how debt counselling was developed, and its benefits. The roles of the bodies established by the NCA and the CPA were also specified. Section 3.4 continues to expound on the debt counselling process and its effectiveness.

3.4   DEBT COUNSELLING PROCESS AND ITS EFFECTIVENESS

"While there is anecdotal evidence that credit counselling can be beneficial, there is limited research on the effectiveness of credit counselling" (Kim et al., 2003:1). Noting that the current study also focused on the debt counselling process, this section provides a literature review on the processes of debt counselling in South Africa. Since the background and the origin of debt counselling were already provided under section 3.3, the review will also focus on establishing the effectiveness of debt counselling process in South Africa.

3.4.1 Debt counselling process in South Africa

According to Davel (2010) despite the advantages and the provisions of the NCA, the economic recession in South Africa had a negative effect on employment and ultimately reduced individuals' incomes. This resulted in a growing number of consumers getting into arrears on their debt repayments. Consumers are therefore resorting to debt counselling for protection.

Debt counselling in South Africa was introduced to provide a definite process for assisting consumers who are encountering problems with debt repayments (Kelly-Louw, 2008:201). The process provides a consistent system of debt restructuring and enforcement, and prioritises on the eventual satisfaction of the consumer's obligations under the credit agreements (De Wet, 2011:1-2). De Wet (2011:1) further affirms that the goal of debt counselling is to develop a repayment plan that is affordable and acceptable to consumers and credit providers alike. The repayment plan should be developed in such a manner that the consumer can afford to meet his or her basic living expenses.

According to Debt Counselling Help South Africa (2009), a consumer who is encountering debt repayment problems may seek debt restructuring assistance by applying for debt counselling service at any debt counsellor of his or her choice. The debt counsellor has to explain all the details pertaining to the debt counselling process to the consumer prior to the latter signing any debt counselling application and agreement forms.

Subsequent to the explanation about the debt counselling process, and once the consumer understands and agrees, he or she can then complete and sign a debt counselling application form referred to as 'Form16' (see Annexure M). The form must be accompanied by supporting documents (such as copies of the applicant's identity document, pay slip, proof of residence, and bank statement), which must be handed to the debt counsellor. The information on the application form has to be captured by the debt counsellor, and within five working days, the debt counsellor must complete Form 17.1 (see Annexure N) to inform and notify all the creditors listed in the application that the consumer has applied for debt counselling. Creditors must respond and confirm the account details of the consumer by completing Form 17.2 (see Annexure O) within five to ten working days and send the form to the debt counsellor. If the debt counsellor does not receive confirmation from the creditors

within the stipulated period, it is presumed that the figures and details provided by the consumer are correct (Debt Counselling Help South Africa, 2009).

The debt counsellor may then start determining and verifying if the consumer is indeed over-indebted. The debt counsellor prepares a debt restructuring proposal, which is sent to the creditors within 25 working days. Once a proposal is accepted, the payment re-arrangement can be formalised and be sent to the PDA to start the payment distribution process to the creditors. As soon as the application is filed, creditors are informed that no legal action can be taken against the consumer. The debt counselling process should take 60 months to be finalised (NCR, 2012).

Although the debt counselling service in South Africa is a primary debt relief remedy for the over-indebted consumers, it still needs standardisation and acceptance amongst credit providers (Business Enterprises, 2012). According to Davel (2010), some of the credit providers have neither the capacity nor the appropriate policies and procedures to respond adequately to debt restructuring proposals, and as a result, backlogs in the debt counselling process are experienced. Groenewald (2010) concurs with Davel (2010) and states that, since its inception, the debt counselling process has been plagued by challenges and obstacles and as a result, some debt counsellors' performances are hindered causing backlogs in the debt counselling process. In subsection 3.4.1.1, some of the challenges and obstacles are discussed.

3.4.1.1   Debt counselling challenges in South Africa

The challenges experienced in debt counselling differ in terms of the competencies of the debt counsellors, backlogs of the debt counselling process, ineffectiveness of the debt counselling processes, levels of satisfaction of the stakeholders and the capacity of the debt counsellors in performing their tasks. The challenges facing the debt counsellors are also observed by the South African media.

(a) Competencies of the debt counsellors

The National Credit Regulator (NCR, 2012), reports that, by the end of 2011, a total of 2094 debt counsellors were registered with the NCR in South Africa, however, not all of them were practicing at that time. The current levels of competencies of debt counsellors, education and experience in the debt review have been identified as some of the barriers for an effective debt counselling process. In order to assess the preparedness of the debt counsellors before they start with debt review processes, Groenewald (2010) launched an intensive study to determine the competency requirements and the skills needed for the debt counsellors.

The findings revealed that some of the debt counsellors were incompetent. They lacked professional integrity and knowledge of financial management as well as knowledge of credit legislation, and required better debt assessment and interviewing skills (Groenewald, 2010). After assessing debt counselling processes in South Africa, Business Enterprises (2012) also indicates that the two-week course that debt counsellors undergo, is only based on the theoretical issues of debt counselling, and does not empower debt counsellors to deal with complex administrative tasks and management of the consumer's file, including management of consumers with financial difficulties. In addition, a lack of commitment, understanding or knowledge about the process and credit as a whole was also indicated (Business Enterprises, 2012).

Based on the above findings, Groenewald (2010) recommends that an occupational curriculum for debt counselling profession and the credit industry be designed. This curriculum should focus on the critical competencies for the debt counsellors to enable them to perform tasks as required by the NCA.

(b) Backlogs of the debt counselling processes

The National Debt Mediation Association (NDMA) was established in May 2007 as an industry intervention to implement joint initiatives between the credit providers and the debt counsellors in order to help reduce the backlogs in the debt counselling processes (NCR, 2010). The NCR and the banking industry co-funded national workshops through

which the debt counsellors were informed of the procedures for debt restructuring. These interventions did not bring any improvements in facilitating the debt counselling process, and so, in 2009, the NCR formed a task team to address the backlogs that were increasing (MFSA, 2010).

The task team engaged with the different stakeholders including the credit providers and the debt counsellors. The aim of the task team was to:

- identify the primary causes for the backlogs and the delays in finalising the debt restructuring programme;
- propose common standards and procedures which would facilitate the processing and the finalisation of the applications for debt counselling;
- establish mechanisms through which the credit providers, the debt counsellors and the PDAs could engage on operational and procedural problems in relation to the implementation of the debt restructuring proposals;
- establish mechanisms through which disputes in relation to the debt counselling process could be resolved;
- provide regular information through circulars or similar mechanisms to the credit providers and the debt counsellors on any standard procedures or documentation; and
- advise the NCR on how to implement an effective debt counselling process (NCR, 2010).

Through different consultations with the stakeholders, the task team recognised on the one hand that debt counselling was playing an important role in assisting consumers in dealing with the negative effect of the financial crisis, job losses and the negative effect on incomes. On the other hand, the task team also recognised that debt counselling played an important role in curtailing the repossessions of consumers' property (NCR, 2010).

In the same vein, according to the NCR (2010), the task team is concerned with the financial implications that the backlogs had on both the credit providers and the consumers and as such, the task team concluded that these problems and obstacles related to the differences in the interpretation of the NCA, which had a huge effect on the implementation and the finalisation of the debt counselling process.

According to MFSA (2010), the task team also recommended that a Debt Review Advisory Committee (DRAC) be established for the purpose of developing, implementing and monitoring the effectiveness of the debt review process on an ongoing process. The other mandate for the DRAC is to oversee the implementation of codes of conduct for credit providers, debt counsellors and the PDAs. This mandate includes ensuring the integrity of the proposals made by debt counsellors, overseeing the accreditation of debt counselling software systems and overseeing the implementation of industry-agreed rules of debt restructuring in order to facilitate consensual resolution of debt review cases (MFSA, 2010).

(c)   Ineffectiveness of the debt counselling process

In 2009, the NCR and the Business Enterprises at the University of Pretoria (UP) agreed that the Law Clinic of the University would conduct a survey to determine reasons for the ineffectiveness of the debt counselling process (NCR, 2010). The findings were reported in a document titled "The debt counselling process: Challenges to consumers and the credit in general" (NCR, 2010).

According to the document, the following is indicated.

- Credit providers and debt counsellors were not co-operating in the debt counselling process, and this was one of the main reasons for the non-functioning of the process. Out of the 64 debt counsellors interviewed, 36% indicated that they had experienced problems with consumers not co-operating, while 72% experienced problems with credit providers not co-operating (Roestoff et al., 2009:248).

- Credit providers and to a lesser degree the debt counsellors were not acting in good faith in the debt counselling process, as mandated by the NCA. The survey revealed that 61% of the credit providers were acting in bad faith (Roestoff et al., 2009:248).

- Non-compliance with the NCA and a breach of the work stream agreement were also causes of the ineffectiveness and the non-functioning of the debt counselling process (Roestoff et al., 2009:248).

- Of the debt counsellors interviewed, 53% stated that vagueness and insufficiency of the NCA regulations were the major obstacles in the debt counselling process (Roestoff et al., 2009:248).

It is apparent from the findings above that the debt counselling process was not conducted effectively due to a lack of co-operation between credit providers and the debt counsellors. Both the credit providers and the debt counsellors were also not acting in good faith in the debt counselling process and there was non-compliance to some sections of the NCA as well.

(d)   Levels of satisfaction of the stakeholders

In 2010, the Africa International Advisors (AIA) conducted a survey on behalf of the NCR to determine the success of the debt counselling processes (AIA, 2010). The main aim of the survey was to get a better understanding of the levels of satisfaction amongst consumers, debt counsellors and credit providers.   The survey was conducted electronically and by telephone. Questions were asked to the debt counsellors, the debt counsellors' clients and to the credit providers. A significant sample was gathered from the three stakeholders.   The following are the responses gathered from the three stakeholders (AIA, 2010):

- Debt counsellors' responses

The debt counsellors interviewed raised concerns about debt counselling as a profession. They felt that the profession was not financially viable as an income stream. Out of the 278 debt counsellors interviewed, 72% stated that debt counselling was their primary source of income, while 60% felt that they needed a large client base to make debt counselling worthwhile because they had a portfolio of fewer than 100 clients.

The majority of the debt counsellors were satisfied with the service they received from the NCR, but 37% of them were concerned with the training they received from the NCR. They were of the opinion that a more practical approach to training would have prepared them better for the profession. On the other hand, 40% of the debt counsellors complained

about the co-operation that they received from the credit providers. They were concerned about the delay in getting the consumer information from the credit providers.

- Debt counsellor's clients' (consumers) responses

The AIA interviewed 386 debt counsellors' clients, and 79% of these were happy with the outcome of the debt counselling process. Of those interviewed, 89% indicated that they were able to find a suitable debt counsellor easily, while 91% of the respondents stated that they would recommend debt counselling to those who needed it. The major criticism that some clients raised was related to the poor communication between themselves and the debt counsellors. They felt that the frequency and effectiveness of the communication they received from their debt counsellors had to be improved.

- Credit providers' responses

The AIA interviewed 204 credit providers. Of the credit providers interviewed, 40% were unhappy with the NCR's efforts to ensure that the credit information held by the credit bureaux was correct, while 50% felt that the process to update clients' status information from the debt counsellors was not effective and needed a significant improvement.

From the responses gathered by the AIA, there are challenges facing the debt counsellors in executing their functions successfully. The profession is not as financially viable as expected by the debt counsellors, and some credit providers delay the debt counselling process by not co-operating with the debt counsellors. The communication between the debt counsellors and the consumers need to be improved for the debt counselling process to be effective (AIA, 2010).

(e)   Capacity of the debt counsellors

Goslett (2011:4) argues that the debt review process has a number of challenges that need to be resolved, specifically with regard to the lack of expertise and the ability of certain debt counsellors. Goslett (2011:4) further states that the debt review process takes longer than it should, which is contrary to the stipulations of the NCA.

From Goslett's (2011:5) observations it seems that some of the debt counsellors do not have the necessary education, and as such cannot understand and interpret the NCA. He further suggests that the training given to debt counsellors be improved.

(f)   South African media reports on the debt counselling challenges

Different articles from the South African media also indicate several reasons for the ineffectiveness of the debt counselling process. The following are some of the reasons found in the media:

- Steward (2008) maintains that a sharp increase in the number of consumers applying for debt review, associated with a shortage of competent debt counsellors, led to the debt counselling process not being completed. This added to the backlogs that the task team and Law Clinic of the University of Pretoria (UP) had identified (NCR, 2010).

- Naidu (2008) alludes to the fact that many debt counsellors trained and registered by the NCR were no longer practicing because they believed that debt counselling was not financially feasible.

- Consumers were still uneducated on the objectives of the debt relief process. Debt counsellors sometimes fail to inform consumers of the consequences of debt counselling. Consumers often think that debt counselling affords them a payment holiday (Star, 2008).

- According to Gillingham (2008), consumers are often not willing to accept that they cannot maintain the same standard of living that got them into their financial predicament in the first place. He further states that consumers need to be informed about what the debt counselling process entails and what is expected from them.

It is indicative from the above findings and the reports from the South African media that debt counselling faces challenges regarding backlogs in debt reviews, inadequate training

of debt counsellors, non-cooperation by credit providers, interpretation of the NCA and non-compliance with the NCA. As part of its responsibilities, the NCR has to monitor and regulate the debt counselling process (Republic of South Africa, 2006).

3.4.1.2   Monitoring of the debt counselling process

Davel (2010) is of the opinion that the NCR has to ensure and monitor the debt counsellors and the credit providers' performances. By monitoring the debt counselling process, the NCR would be able to identify areas of non-compliance and to provide support to the debt counsellor, the credit provider and the consumer. When non-compliance is identified, such cases should be escalated to the NCR's investigations department for an investigation in order to prosecute the guilty party (Davel, 2010).

According to Davel (2010), 474 monitoring visits were conducted in 2009, and a total of 88 investigations were completed. Compliance by the debt counsellors with the NCA and their conditions of registration was the priority. Forty-three cases of compliance by the debt counsellors were investigated. The investigations covered the following:

- lending schemes targeted at the properties of over-indebted consumers;
- irregularities in the payment distribution by the debt counsellors; and
- irregular debt review terminations by the credit providers (Davel, 2010).

Moodley-Isaacs (2009) relates that a debt counsellor had his registration withdrawn and he was removed from the NCR's debt counsellors' register following an investigation based on the consumers' complaints and also because of non-compliance with the NCA.

3.4.2 Effectiveness of the debt counselling process in South Africa

At the time that this study was undertaken (2011 to 2014), there was an ongoing increase in the number of consumers seeking debt counselling assistance. According to the NCR (2014), records indicate that in May 2008, there were 12 574 consumers who applied for debt counselling and this number had increased to 412 918 by the end of May 2013 (see Annexure E). A summary of the number of applications that were received for debt

counselling is presented in Figure 3.1. Without debt counselling, these consumers would not have had any recourse to an independent mechanism to assist them.
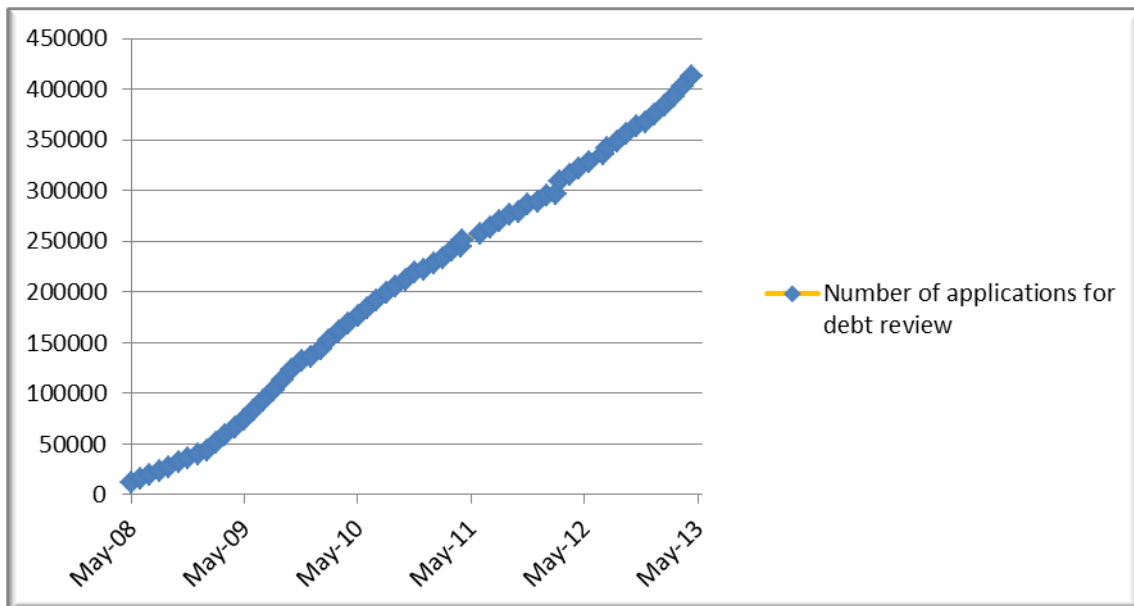
Figure 3.1: Cumulative applications for debt review May 2008 to May 2013
Source: Adapted from NCR (2014).

This increasing demand for debt counselling indicates that consumers realise the importance and the effectiveness of debt counselling.

Another indication of the effectiveness of debt counselling came from the relationship between the debt counsellors and the PDAs (NCR, 2014). The PDAs provided an efficient mechanism for the payment of creditors. Debt counsellors were succeeding in helping consumers pay their debts through the PDAs (NCR, 2014). In May 2008, the amount disbursed by the PDAs to creditors was R8 969 569.62, and this amount increased substantially to R276 696 485.68 by May 2013 (see Annexure F). Details of these payments are summarised in Figure 3.2.
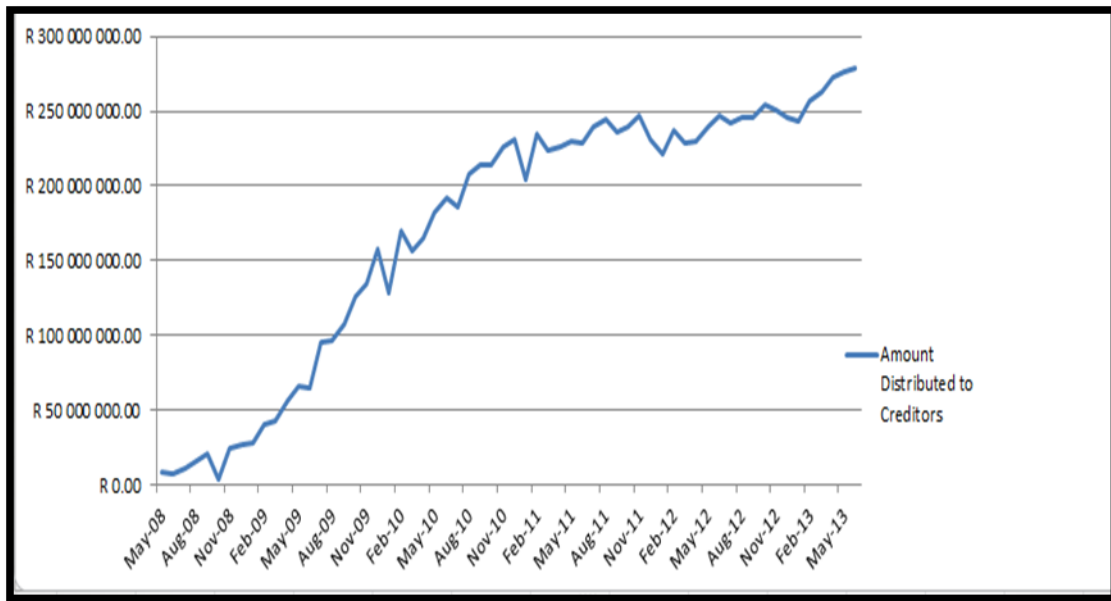
Figure 3.2: Payments distributed by PDAs to creditors from May 2008 to May 2013
Source: Adapted from NCR (2014).

3.5   SUMMARY

This chapter defined what debt counselling is, and pointed out how and when debt counselling was developed and established in South Africa. With the implementation of the National Credit Act (NCA) in 2006, and in support of the objectives of the NCA, the NCR and the NCT were established. With the establishment of the NCR came the introduction of debt counselling in 2007.

The main objective of debt counselling is to assist consumers who are over-indebted and who seek debt relief. However, the literature that was consulted identified that the evolution of debt counselling has not been without challenges and obstacles.

It was identified that debt counselling has been experiencing challenges and obstacles relating to competencies of the debt counsellors, backlogs in the debt counselling process, ineffectiveness of the process, levels of satisfaction of stakeholders and the capacity of the debt counsellors. South African media reports also highlight the following challenges facing debt counselling: backlogs in debt reviews, inadequate training of debt counsellors, non-cooperation by the credit providers, and non-compliance with the NCA.

Furthermore, the chapter highlighted that the South African government established the Consumer Protection Act (CPA) in 2008 which aims at protecting and promoting the economic welfare of consumers. Following the implementation of the CPA, came the introduction of the NCC, which is tasked with handling disputes between consumers and credit providers.

The roles of the NCR, the NCT and the NCC were also discussed. Some of the benefits of debt counselling that were identified included a manageable monthly payment programme, protecting consumers from aggressive creditors who are quick to take legal action, improving and increasing consumers' cash flows, and complete legal protection.

In South Africa, debt counselling is a relatively new and growing phenomenon and authors believe that debt counselling plays a role in mediating the effect of the financial downturn on consumers. Debt counselling also creates a framework for managing debt stress and prevents repossessions of residential property and other assets.

Whilst there are challenges and obstacles facing debt counsellors in South Africa, the literature also indicated how effective debt counselling can be. What is lacking however, based on the literature, is the role of debt counselling in the financial well-being of consumers in South Africa, specifically in Gauteng, where there are a growing number of consumers applying for debt counselling service.

The current study was thus aimed at determining significant changes in personal financial outcomes of consumers who participated in the debt counselling process, and to make recommendations for the debt counsellors and for the NCR. The study also aimed to develop a framework that would empower consumers to be self-sufficient with their finances and subsequently enhance their financial well-being. In the next chapter, the research design and methodology used in this study are discussed.

CHAPTER 4
RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

Chapter 3 discussed the theoretical perspective of debt counselling, which included the definitions and development of the debt counselling process in South Africa. The challenges and the effectiveness of debt counselling, and the ways indebted consumers are assisted by the South African government were also discussed. This chapter focuses on the research design and methodology used in this study. According to Leedy and Ormrod (2010:2), research methodology is a systematic process of collecting, analysing and interpreting information (data) in order to increase the understanding of the phenomenon in which the researcher is interested or with which he or she is concerned.

Sections 4.2 to 4.4 describe firstly the research design, and secondly, the research methodology used for the two phases of the study (qualitative and quantitative approaches). The discussion shows how the population and the sampling of the population were identified, which data collection instruments were used, and how data was collected and analysed in both phases. Finally, the measures that ensured validity and reliability of the selected collection instruments are also examined.

4.2 RESEARCH DESIGN

Denzin and Lincoln (2008:22) define a research design as a flexible set of guidelines that connect theoretical paradigms, first to strategies of inquiry, and second to methods of collecting empirical material. According to Niyonkuru (2005:32), research design provides answers for questions such as:

- What kind of sampling will be used?
- Which techniques will be used to gather data?
- How will time and cost constraints be dealt with?

The main function of the research design is to enable the researcher to anticipate what the appropriate research decisions should be in order to maximise the validity of the eventual results (Mouton, 2009:107).

The current study employed a two-phased sequential design, starting with a qualitative phase and moving to the quantitative phase. This design was important for this study as it enabled the researcher to test or assess qualitative results and to establish whether the findings could be generalised to a chosen population before moving to the second (quantitative) phase of the study. During the first phase (qualitative) of the study, the researcher employed interpretivism principles to get a better and a deeper understanding of the role of debt the counselling process. Because the qualitative phase is dialectic and interpretive approach (De Vos, 2002:360), the researcher interacted with the participants so that the participant's world could be discovered and interpreted. This was done through qualitative data collection and analysis.

The second phase of the study employed post-positivism principles, and this guided the researcher in identifying, describing, and measuring variables and statistical trends (Creswell & Plano-Clark, 2011:87). This was achieved by making use of quantitative data collection and analysis.

4.3   RESEARCH METHODOLOGY

According to Cooper and Schindler (2003:6), the study of research methodology provides people with knowledge and skills needed to solve problems and meet the challenges of fast-paced decision-making environments. Leedy and Ormrod (2010:12) further define research methodology as the general approach the researcher takes in carrying out the research project to some extent. This approach dictates the particular tools the researcher selects.

The current study assumed a phenomenological approach (Leedy & Ormrod, 2010: 141). Phenomenology is a science whose purpose is to describe a particular phenomenon or the appearance of things, as lived experiences (Streubert-Speziale & Carpenter, 2007: 56). The researcher employed this approach for the purpose of understanding the debt counsellor's perceptions, and perspectives and the role of debt counselling in the lives of consumers.

Streubert-Speziale and Carpenter (2007:56) further state that phenomenology is both the "description of lived-through quality of lived experiences and the description of meaning of expression and that it is more interpretive."

Babbie and Mouton (2011:75) also state that research methodology focuses on the individual steps in the research process and the most objective procedures to be explored. Based on the above definitions, the current study therefore refers to research methodology as the procedure or step-by-step process that is followed when conducting research. Figure 4.1 presents the research process (steps) followed in this study, and which serves as a guide for this chapter.

Step1, which includes identifying the research problem and determining the research objectives, was addressed in Chapter 1. The secondary research, which provided background information of the study (literature study) and which assisted in determining the research problem and the setting of research objectives, is addressed by **Step 2** of the research process. This was presented in Chapters 2 and 3.

This chapter focuses on **Steps 3 to 5**, and the remaining step **(Step 6)** is addressed in Chapters 5 and 6. In summary, the current chapter provides an overview of both research designs (qualitative and quantitative) and includes the target population, sampling, data collection and data analysis. Trustworthiness, validity and reliability of the study are included in the discussion. The research problem that led to the research questions and the objectives of the study is also explained. The study was ensued by following the steps as discussed in subsections 4.3.1 to 4.3.3.
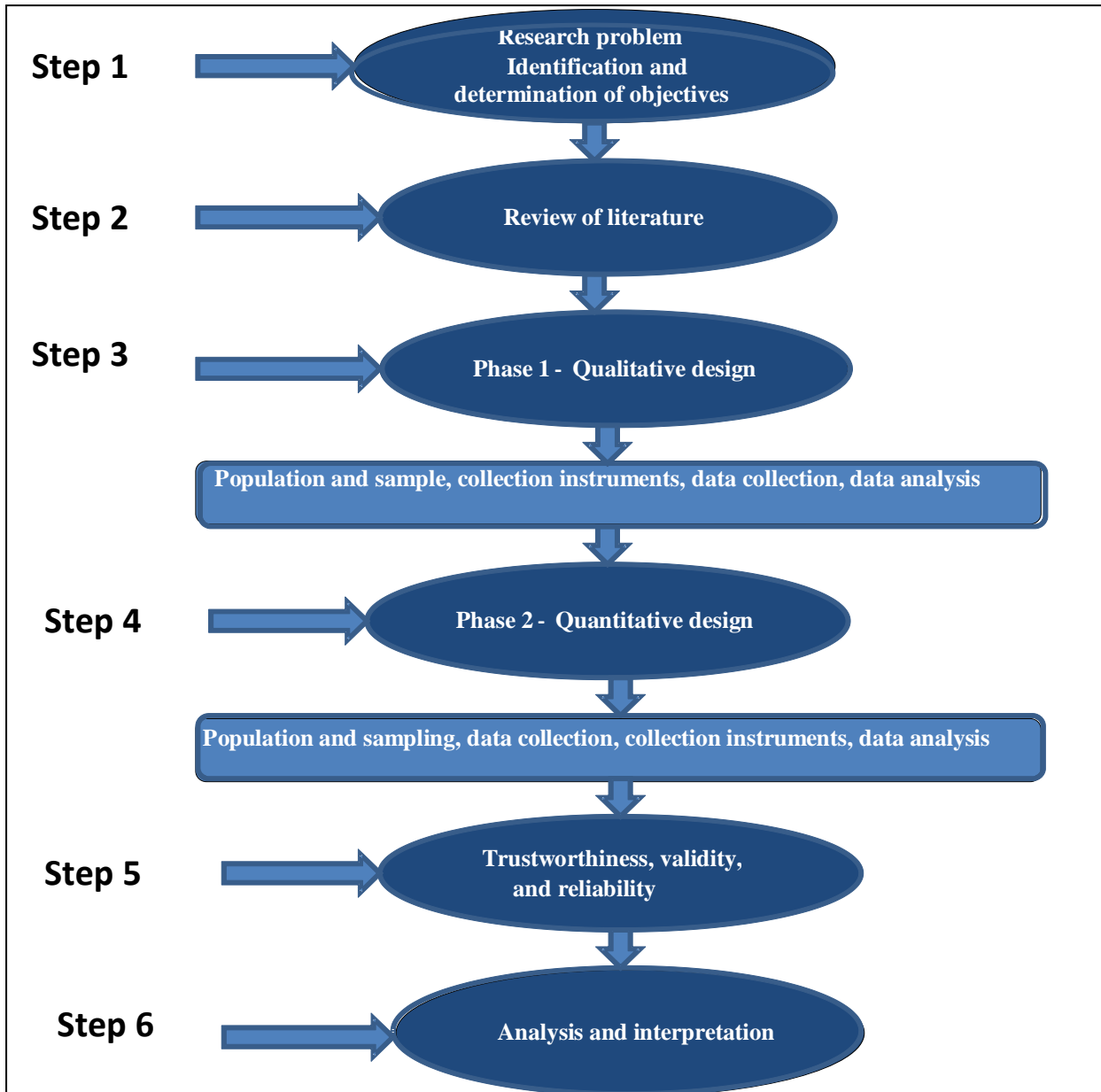
Figure 4.1: Steps in the research process

Source: Author's own composition.

4.3.1 Step 1: Identification and determination of research problem and objectives

For consistency and with reference to Figure 4.1, the research problem, research questions and the objectives for the study are repeated under this step.

4.3.1.1   Research problem

There were 1 001 registered debt counsellors in Gauteng out of a total of 2 048 registered debt counsellors in South Africa in 2013 (NCR, 2014). Gauteng alone had approximately 50% of the registered debt counsellors in South Africa. On the other hand, there were 12 574 consumers who applied for debt counselling services in May 2008 and by the end of May 2013, records indicated a total of 412 918 consumers had registered for debt counselling (see Annexure E). The increase in the number of registered debt counsellors in Gauteng (see subsection1.1.3) and the growth in the number of consumers seeking debt counselling services gave rise to the following questions:

1. How does the debt counselling service provided by debt counsellors assist consumers to manage their finances effectively?
2. Which role does the debt counselling service provided by debt counsellors play in terms of the personal financial well-being of consumers?

4.3.1.2   Research objectives

The primary objective of the current study was to explore and describe the role of debt counselling in the personal financial well-being of consumers in Gauteng. To address this primary objective, the following secondary objectives were formulated:

- to assess the effectiveness of the debt counselling processes provided by debt counsellors to consumers;
- to explore the nature of the debt counselling process provided by debt counsellors to consumers;
- to determine whether the debt counselling process has a positive effect on the personal financial well-being of consumers;
- to make recommendations to the NCR relating to debt counselling processes; and
- to develop a framework that would empower consumers to be self-sufficient with their finances.

Step 2, which focused on the literature review, was discussed in detail in Chapters 2 and 3. **Step 3** (qualitative phase) is discussed in subsection 4.3.2.

4.3.2   Step 3: Phase 1, qualitative approach

Welman et al. (2010:188) describe qualitative approach as an umbrella phrase covering an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning of naturally occurring phenomena in the social world. They further state that the qualitative research approach is also fundamentally a descriptive form of research.

This step focuses firstly on the identification of the initial population for the study, then sampling of the population, followed by indicating the instruments that were used for collecting data and lastly, the way data was collected and analysed is also described.

4.3.2.1   Population

Bless and Higson-Smith (2000:85) describe a population as a set of elements on which the research focuses and to which obtained results should be generalised. Population is also defined by Welman et al. (2010:52-53) as a full set of cases, individuals, organisations, or groups from which a sample is taken. The researcher thus defined the population, for the purpose of this study, as all the debt counsellors in Gauteng from which a sample was taken.

As indicated in subsection 4.3.1.1, in 2013, Gauteng had 1 001 registered debt counsellors out of 2 048 debt counsellors registered nationally. Gauteng alone had thus approximately 50% of the total number of registered debt counsellors in South Africa, which is more than what other provinces had at that stage (Figure 4.2). Of these debt counsellors, 70% reside and operate in the three metropolitan municipalities of Gauteng (NCR, 2014). The three municipalities included in the research were City of Johannesburg, City of Tshwane and Ekurhuleni. The population for the study therefore comprised of debt counsellors in these three municipalities.
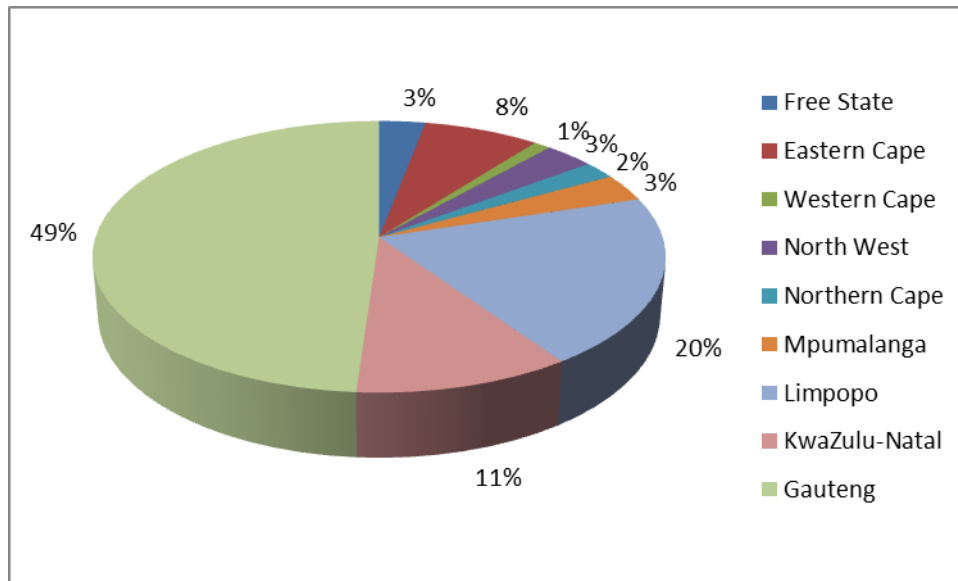
Figure 4.2: Number of debt counsellors per province in 2013

Source: NCR (2014).

4.3.2.2   Sample

Brink (2001:133) defines a sample as part or a fraction of a whole, or a subset of a larger set, selected by the researcher to participate in a research project. He further states that a sample consists of a selected group of elements or units from a defined population. Leedy and Ormrod (2010:204) concur with Brink and regard a sample as a subset of a population. For the purposes of the current study, the researcher therefore defined the sample as a component of the overall population under the study, which in this case, was part of the total number of debt counsellors in Gauteng.

Due to the fact that it was not possible for the researcher to conduct a census with the population of 701 (70% of 1001) debt counsellors, and for equal representation from the three selected municipalities, a sample of five debt counsellors from each of the three metropolitan municipalities of Gauteng, making a total of 15 debt counsellors, was selected to be the research participants for the study. The decision to select a total of 15 debt counsellors from the three municipalities was guided by the principle of saturation. Creswell (2007:240) states that when the researcher interviews 15 participants, by the time the researcher interviews the 9th or the 10th participant, there is no more new information or themes that are observed. The researcher's decision was therefore based on this notion.

The purposeful sampling method was used to select the participants because the participants had to be similar to each other and had to have common interests (Bailey, 2007: 65). Since debt counselling services in South Africa were only four years old at the time the study commenced (2011), and the records also indicated an increasing number of consumers requiring debt counselling service (see Annexure E), the researcher selected the debt counsellors who had been in practise since the inception of the debt counselling services. These debt counsellors had to have more than fifty consumers as their clients, so that they could assist the researcher in identifying and sending the questionnaires to those clients who had received debt counselling service from them.

4.3.2.3   Data collection instruments

The consent form (attached as Annexure H) was sent to the participants prior to an appointment for an interview. The objective of the consent form was to indicate to the participants who the researcher was, the risks and benefits of participating in the study, how confidentiality would be maintained and the rights that the participants had, should they agree to participate. The participants were then required to sign a consent form if they had agreed to participate in the research project.

The other instrument used was a semi-structured interview, which was conducted with the aid of the interview guide (attached as Annexure G). The interview guide consisted of four sections:

- the first section comprised the demographic information of the participant;
- the second section comprised the questions related to the consumer's financial position; and
- the third and the fourth sections focused on the debt counselling process, including NCR support and the effectiveness of the debt counselling process respectively.

4.3.2.4   Data collection

Data for the study was collected by using semi-structured interviews, which were scheduled in advance and were expected to last at most an hour each. The researcher used semi-structured interviews for the following reasons:

- firstly, it is easy to determine the frequency of various answers and to find relationships between answers to different questions;

- secondly, such interviews help to overcome misunderstandings and misinterpretations of words or questions; and lastly

- the researcher was assured that all items had been considered (Leedy & Ormrod, 2010: 189).

Selected debt counsellors were visited per appointment, and a face-to-face semi-structured interview was conducted. A set of specific questions were set and asked (see Annexure G). These questions were presented to every interviewee in exactly the same format, as they were designed to assess how the debt counselling process provided by the debt counsellors assisted the consumers to manage their finances effectively. Responses from these interviews were recorded by making use of a digital voice recorder and the information was transcribed afterwards. Digital voice recorders are useful and important because they assist the researcher to capture without any error, all the responses exactly as given by the interviewee (Babbie &Mouton, 2011:251).

4.3.2.5   Data analysis

The data collected from the debt counsellors was analysed using one of the Computer Aided Qualitative Data Analysis Software (CAQDAS) package namely ATLAS.ti for the following reasons:

- it can edit, correct and revise notes;

- in terms of coding, it can attach key words or tags to segments of text to permit later retrieval;

- it stores data in an organised database, and can be retrieved easily;

- it can place data in a condensed, organised format;

- it helps in drawing conclusions, aids the analyst to interpret displayed data and test or confirm findings; and

- it can also prepare interim and final reports (Henning, Van Rensburg & Smit 2004:126-127).

According to Henning et al. (2004:127), qualitative data analysis takes place throughout the data collection process, and as such, the ATLAS.ti software assisted the researcher to constantly reflect on impressions, relationships and connections while collecting the data.

The researcher had a moral obligation to consider the rights of the participants who were expected to provide information (Streubert-Speziale & Carpenter, 2007:314), establish trust between herself and the participants, and lastly, to respect them as autonomous beings who are able to make sound decisions. Subsection 4.3.2.6 outlines how trustworthiness was ensured in the current study.

4.3.2.6   Trustworthiness

According to the seminal work by Lincoln and Guba (1985:290), the aim of trustworthiness during qualitative research is to support the argument that the findings of the research are worth paying attention to. They further mention the four components of trustworthiness that demand attention, namely credibility, transferability, dependability and confirmability.

- **Credibility:** Fenton and Mazulewicz (2008) define credibility as an evaluation of whether or not the research findings represent a credible conceptual congruent interpretation of the data drawn from the participants' original data. Because the purpose of Phase 1 of this study (qualitative) was to assess the role of debt counselling in the personal financial well-being of consumers, the researcher had the responsibility to establish that the data gathered and the results obtained from the debt counsellors were credible and believable by acquiring the debt counsellors' consent and confirmation.

    In addressing credibility, the researcher employed the following strategies:
    (a) Tactics to ensure honesty. Firstly, the researcher gave each participant (debt counsellor) an opportunity to agree or refuse to take part in the study by issuing them with a consent letter (attached as Annexure H), to which they had to reply prior to the interview. Secondly, during the interview session, the researcher used reframing questions and probing questions on different occasions in order to elicit detailed data and to establish that the data was credible.

(b) Establishment of trust. The researcher visited some of the debt counsellors prior to data collection to establish a relationship of trust and to explain the purpose and the importance of the study (Shenton, 2004: 65). As an indication that the debt counsellors understood the purpose and the importance of this study, they undertook to participate and assist in the data collection for the second phase of the study by confirming this in writing to the researcher (see Annexure Q).

(c) Member-checking. Transcripts obtained from the interviews conducted, were taken back to the participants (debt counsellors) to check whether the transcript presented an accurate reflection of their responses (Shenton, 2004: 68).

(d) Peer debriefing/scrutiny. The researcher requested a peer scrutiniser (a colleague) who is an expert in the debt counselling field to examine the data that was collected and to determine whether the interview did reach the intended objective. The peer debriefing session also assisted the researcher to make interpretations from the data gathered.

- **Transferability:** Transferability is defined by Trochim (2006) as the degree to which the results of qualitative research can be generalised or transferred to other contexts or settings. Fenton and Mazulewicz (2008) concur with Trochim (2006) by referring to transferability as the degree to which the findings of the enquiry can apply to or transfer beyond the bounds of the project.

Transferability will be addressed by making available to the public some of the data analysis documents used in answering the research question. This data will be made accessible so that other researchers can have the opportunity to make use of the conclusions reached and to transfer the conclusions when conducting future research.

- **Dependability:** Fenton and Mazulewicz (2008) further define dependability as an assessment of the quality of the integrated processes of data collection, data analysis and theory generation.

In addressing dependability, all the processes and methods that the researcher followed and used during this study are reported in this thesis. The research objectives, the scope of the study and the significance of the study were explained in detail in Chapter 1. All the detail of the research design and the methodology used in this study were explained under sections 4.2 and 4.3. The detailed analysis and the interpretation of the qualitative survey are further described in Chapter 5.

- **Confirmability:** Trochim (2006) defines confirmability as the degree to which the research results can be confirmed or corroborated by others. Confirmability is also described as a measure of how well the findings of the inquiry are supported by the data collected (Fenton & Mazulewicz, 2008).

To address confirmability, the researcher documented all the processes and procedures in this thesis, and submitted them to the study promoter for checking and examination. The researcher's promoter checked and verified the accuracy of the research design and methodology used in this study. The data analysis and interpretations were also inspected by the researcher's promoter. Finally the thesis was examined by external assessors.

4.3.3 Step 4: Phase 2, quantitative approach

Phase 2 commenced only after the qualitative data collection (first phase) had been completed. This step also included the identification of the population and sampling of the population as a starting point, followed by the identification of the collection instrument, data collection, and lastly the way the data was analysed.

4.3.3.1 Population

The population for the quantitative phase comprised all the consumers who received debt counselling service from the 15 sampled debt counsellors in the first phase of the study. The researcher was interested in determining whether the debt counselling process had a positive effect on the personal financial well-being of these consumers.

4.3.3.2   Sample

A sample was defined and summarised under 4.3.2.2 as the component of the overall population that was surveyed. According to Bless and Higson-Smith (2000:93), the larger the population, the smaller the percentage of that population the sample needs to be. If the population itself is relatively small, the sample should comprise a reasonably large percentage of the population. Larger samples enable researchers to draw more accurate predictions than smaller samples. The researcher therefore used a relatively large sample, given the small population (4.3.3.1), to gather data that could solicit a better understanding of the role of debt counselling in the lives of consumers.

As indicated under 1.4.2 and 4.3.2.2, debt counsellors had to identify and send questionnaires to those consumers who had received debt counselling services from them. The study therefore used a snowball non-probability sampling technique (Welman et al., 2010: 69) to select the sample for the second (quantitative) phase. Snowball sampling is a technique often used in rare populations. Each participant interviewed is asked to identify other participants for the researcher (Babbie & Mouton, 2011: 202). The researcher requested the debt counsellors to identify consumers to whom they had offered debt counselling service for further investigation.

Each debt counsellor interviewed was requested to identify twenty consumers who had received debt counselling service from them. Fifteen debt counsellors identified 20 consumers (15x20) making a total of 300 consumers that were selected. These consumers were drawn from the three metropolitan municipalities namely City of Johannesburg (n = 100), City of Tshwane (n= 100) and Ekurhuleni (n= 100). The criterion used for selecting this sample was based on the number of consumers who went through debt counselling between 2007 and 2013. The decision to make use of a sample of 300 research participants was based on the fact that a larger sample would make the study more representative, and would give a more comprehensive and holistic picture of the subjects being researched. After the consumers had been identified, the sample was finalised and was ready for data collection.

4.3.3.3   Data collection instrument

Based on the objectives of the study and the literature study done, a structured questionnaire which addressed the research question: "Which role does the debt counselling service provided by debt counsellors play in terms of the personal financial well-being of consumers?" was compiled.   The questionnaire consisted of five sections, namely demographic information, knowledge of the debt counselling concept, the debt counselling process, effectiveness of debt counselling and the effect of debt counselling.

The self-developed questionnaire comprised of a 5-point Likert-type scale.   This questionnaire was pilot tested with ten randomly selected colleagues of the researcher to establish validity and reliability of the instrument and to modify the questions, the format and the scales.   It followed from the pilot study that the questionnaire could be used as a collection instrument for the study.

4.3.3.4   Data collection

With the assistance of the three research assistants, the researcher hand-delivered the questionnaires to the 15 debt counsellors who were interviewed during the first phase of the study.   The debt counsellors forwarded the questionnaires to the consumers whom they had identified for completion of the questionnaire as per 4.3.3.2. The researcher (together with the three research assistants) collected the questionnaires again personally from the debt counsellors after the completed questionnaires had been returned from the sampled consumers.

4.3.3.5   Data analysis

The data collected through the questionnaires was analysed by making use of the Statistical Package for the Social Sciences (SPSS). The empirical results obtained were analysed and interpreted and are presented by making use of frequency tables, pie charts or bar charts. The inferential statistical measurement tools, such as chi-square, degree of freedom and significance measures were used. The next section describes how the validity and the reliability of the collection tool (questionnaire) were ascertained.

4.4 VALIDITY AND RELIABILITY OF THE QUESTIONNAIRE

According to Leedy and Ormrod (2010:28), the validity and the reliability of the collection measurement influence the extent to which one can learn from the phenomenon being studied, the probability of statistical significance and the extent to which one can draw meaningful conclusions from the data. It was therefore in the interest of the researcher to ascertain that the validity and reliability of the questionnaire were ensured during this study.

4.4.1 Validity

Validity of a measurement instrument is the extent to which the instrument measures what it is intended to measure (Leedy & Ormrod, 2010:28). Creswell and Plano-Clark (2011:210) further state that in quantitative research, the researcher is concerned about issues of validity at two levels: the quality of the scores from the instrument used (questionnaire) and the quality of the conclusions drawn from the results of the quantitative analysis. They concluded that quantitative validity therefore means that the scores received from the participants are meaningful indicators of the construct being measured.

The validity of the questionnaire in the current study was assessed by means of an exploratory factor analysis (Grayson, 2004). Cronbach's alpha has a theoretical relation with factor analysis (Grayson, 2004). Because of the relationship that Cronbach's alpha has with exploratory factor analysis, it was therefore used to determine the reliability of the quantitative data in this study. Exploratory factor analysis, according to Grayson (2004), is used to condense a large set of variables or it scales items down to a smaller and manageable number of dimensions or factors.

Two statistical measures, which were generated from SPSS, were used to assess the factorability of the data for this study. The two measures are:

- Bartlett's test of sphericity (Pallant, 2010:154). Bartlett's test should be significant ($p<0.05$) for the factor analysis to be considered appropriate.

- The Kaizer Meyer-Olkin (KMO) measure of sampling adequacy. KMO values of between 0.7 and 0.8 are considered good values for factor analysis, while values of between 0.8 and 0.9 are regarded as excellent values (Pallant, 2010:154).

Two other techniques that were used in this study in determining the number of factors to retain validity are:

- Kaiser's criterion or the eigenvalue rule. The eigenvalue of a factor represents the amount of the total variance explained by that factor. The eigenvalue of 0.60 represents a good fit to the data (Thekiso, 2011:248).
- Catell's scree test. This involves plotting each of the eigenvalues of the factors, and inspecting the plot to find a point at which the shape of the curve changes direction and becomes horizontal (Pallant, 2010:156).

4.4.2 Reliability

The reliability of a measure is simply its measurement (Pieterse, 2009:16). In the current study, reliability was ensured by stating the literature sources on which the theoretical views were based. Chapter 2 described the conceptual framework of personal finances, whilst a detailed background of the debt counselling concept and the debt counselling process in South Africa was discussed in Chapter 3. A number of classic sources were used as references from the current and former literature. In addition, the questionnaire, as a measuring instrument of which reliability was tested, was chosen as indicated in 4.3.3.3.

Bless and Higson-Smith (2000: 126) define reliability as the degree to which the instrument used for data collection is consistent and produces equivalent results for repeated trials. A research instrument that produces the same results every time it is being used, under the same conditions, has a high reliability (Field, 2007:666). Reliability is a necessary condition for quality measurement, but not sufficient if done in isolation (Thekiso, 2011: 208). For the purpose of determining the reliability of the research data for this study, Cronbach's alpha coefficients were used.

Cronbach's alpha coefficient is also known as the internal consistency of the test (Pallant, 2001:155). It was developed to provide a measurement of the internal consistency of a test or scale (Tavakol & Dennick, 2011:53). According to Field (2007:668), Cronbach's alpha can take values between negative infinity and 1 (although only positive values make sense). He further states that before the data can be regarded as reliable and used in analysis, the required level of reliability should be 0.70 or higher.

Pearson's correlation coefficient was also used as another method of factor comparison. This measure was chosen for this study because of its ability to determine the differences in the two factors' pattern of loading and also to determine the differences (or similarities) in the magnitude of these loadings (Howitt & Cramer, 2008:78). Details of how these measurements were used and interpreted are presented in Chapter 6.

4.5   SUMMARY

This chapter presented a description of the two-phased sequential (starting with qualitative then on to quantitative) design that was followed during this study. The research methodology that included the identification of the population and sampling, the compilation of data collection instruments, and the way data was collected and analysed for both phases were described.

The population for the qualitative phase comprised all the debt counsellors in Gauteng and a sample of five debt counsellors from each of the selected three metropolitan municipalities of Gauteng (making a total of 15 debt counsellors) was selected. Semi-structured interviews were used to collect data during the first phase of the study. Participants (debt counsellors) were required to sign consent forms prior to an appointment being made for a face-to face interview. A digital voice recorder was used to record interviews to make data collection more accurate and reliable.

Methods that ensure trustworthiness in a qualitative design were also discussed. These included firstly, credibility, which implies that there should be a credible interpretation of data gathered from participants. Secondly, transferability that refers to the extent to which the results or findings can be transferred beyond the bounds of the study was discussed. With

reference to the third and last components (dependability and confirmability), the findings were verified by the research promoters and are reported in this thesis.

The population for the quantitative phase comprised all the consumers who received debt counselling services from the 15 sampled debt counsellors. The snowball non-probability sampling method was used to select the sample. The 15 debt counsellors were requested to identify 20 consumers who received debt counselling services from them to make a total sample of 300 (15x20) consumers and send questionnaires to them. With the assistance of the research assistants, structured questionnaires were hand-delivered to the debt counsellors and again collected once completed by the consumers.

The chapter finally indicated how validity and reliability of the research instruments were determined. Bartlett's test of sphericity and the Kaizer Meyer-Olkin (KMO) measure of sampling were used to assess the factorability of the data in this study. Other techniques used to determine the number of factors to retain validity included Kaiser's criterion or the eigenvalue rule and Catell's scree test.

Cronbach's alpha and the Pearson correlation coefficients were used to determine the reliability of the instruments by determining the internal consistency of items or factors in the study. A detailed report of the collected data from the participants (debt counsellors), the findings and the data analysis from the first phase (qualitative) is presented in Chapter 5, while the report on the findings and analysis of the second phase is presented in Chapter 6.

CHAPTER 5

ANALYSIS AND INTERPRETATION: QUALITATIVE STUDY

5.1   INTRODUCTION

In assessing the effect of debt counselling on the financial well-being of consumers in Gauteng, the study used both the qualitative and the quantitative approaches. Leedy and Ormrod (2010:95) point out that it is possible to combine the qualitative and the quantitative approaches in a research project because they answer different types of questions. The qualitative approach allows the researcher to answer questions about the complex nature of the phenomenon 'effect of debt counselling', while the quantitative approach allows the researcher to answer questions about the financial well-being of consumers.

From the qualitative perspective, the objective was to assess the views of the debt counsellors about their perception of the debt counselling service that they provide to consumers. This chapter thus presents the findings of the qualitative approach of the study which investigated how the debt counselling process that is provided by the debt counsellors assists the consumers to manage their finances effectively. Fifteen debt counsellors from the three municipalities of Gauteng (Johannesburg, Tshwane and Ekurhuleni) were interviewed and the data that was collected was analysed by means of themes and sub-themes that emerged from the open-coding that was designed.

The chapter is divided into four sections which follow the sequence of the debt counsellors' responses as guided by the questions from the interview guide (see Annexure G). The presentation and interpretation of the results follow the same sequence - demographic information, consumers' financial position, the debt counselling process and NCR support, and the effectiveness of the debt counselling process. Each of these sections addresses a specific phase of the debt counsellors' involvement in contributing to the effectiveness of debt counselling.

5.2   DEMOGRAPHIC INFORMATION

In this section, the debt counsellors had to indicate (in percentages) the number of debt review applications that they received per month since 2007 until 2013. The intention was firstly, to depict the frequency and the type of consumers who applied for debt counselling (see Annexure I) and secondly to have an understanding of the profile of the consumers who were over-indebted. Furthermore, debt counsellors were requested to classify these figures in terms of gender and race. Figures 5.1 and 5.2 present the summaries and also distinguish the applications in terms of gender and race.
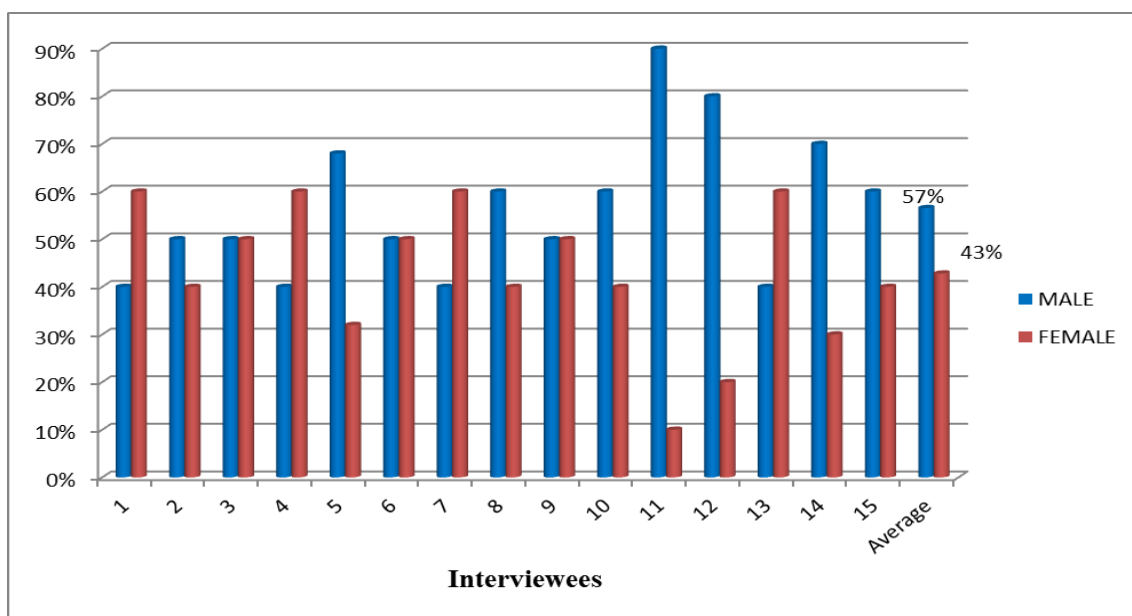
Figure 5.1: Applications per gender

Figure 5.1 indicates that, on average, 57.0% males and 43.0% females were applying for debt review per month. This indicates that there were more males than females who applied for debt counselling. This is not unexpected as males are presumed to be the breadwinners of their families.
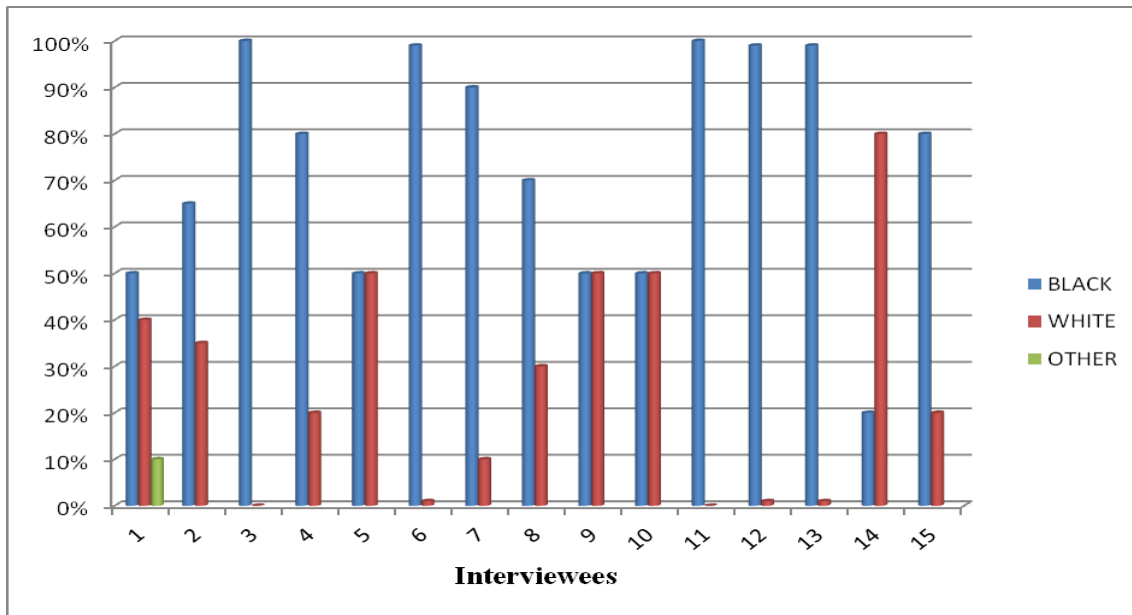
Figure 5.2: Applications per race

In addition, the debt counsellors indicated that from the applications that they received per month, 73% were black, 25.87% were white and 0.66% were from other races (Indians or coloureds). The high percentage of blacks who were applying for debt counselling (as reported by the debt counsellors) portrays the impression that blacks were relatively over-indebted as compared to other races. This may be because the majority (79.2%) of the South African population is black (Stats SA, 2012). In section 5.3, the financial position of these applicants (as stated by the debt counsellors) is analysed.

5.3 CONSUMERS' FINANCIAL POSITION

In determining the consumers' financial position, debt counsellors were requested to identify the sources of income, the major expenditure items of their clients, types of collaterals that their clients acquired and to indicate the reasons why they thought their clients were over-indebted. From the responses gathered, four sub-themes emerged, namely income, expenses, collaterals and the reasons for over-indebtedness. An analysis of these sub-themes is reported on in subsections 5.3.1 to 5.3.4.

5.3.1 Income

The purpose of identifying sources of income, was to depict the various sources of income (if any) that the indebted consumers received and to categorise them. Five different sources of income were listed and categorised as highlighted in Figure 5.3. All 15 debt counsellors (participants) classified salary as the main source of income, followed by four participants (26.67%) who stated that some of their clients were self-employed. One participant (6.67%) indicated rental income from properties as one of the sources of income, while pension grants were pointed out by one participant and another participant cited government grants as another source of income. The fact that salary was rated highly as a source of income implied that most of the indebted consumers were working and were receiving monthly salaries.
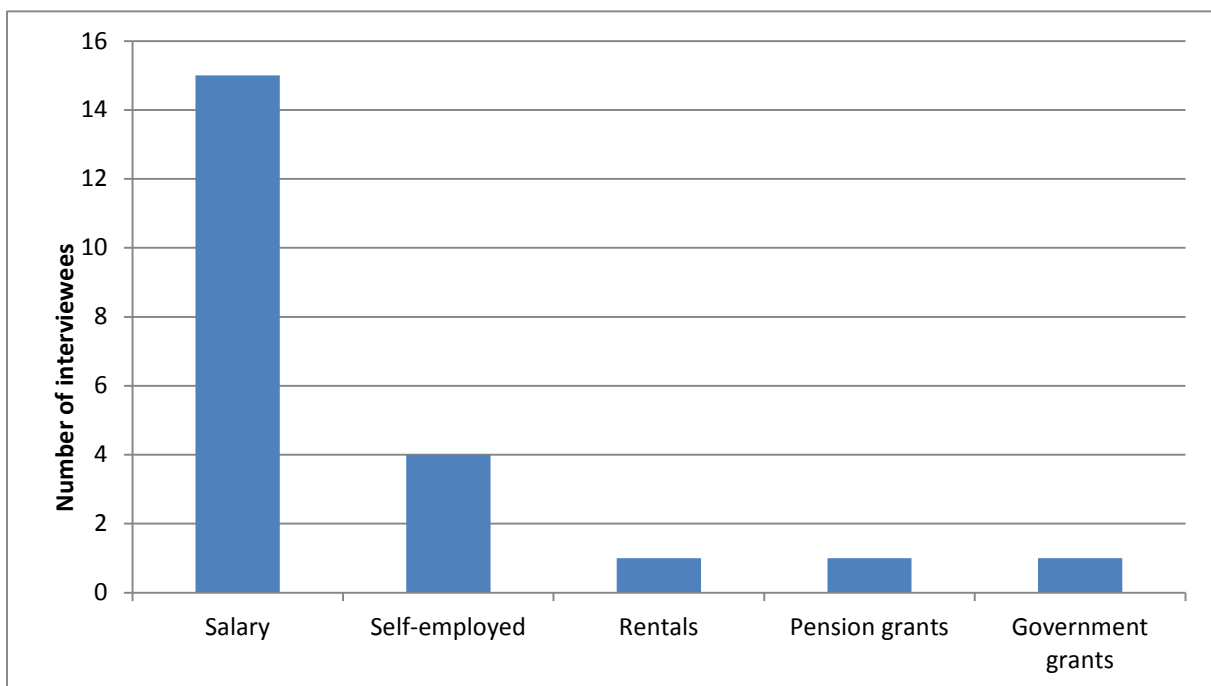
Figure 5.3: Sources of income

Since so many (289 280) applicants were over-indebted and seeking debt counselling services (see Annexure E), and so many applicants were working and earning a salary (Figure 5.3), it can be concluded that the over-indebted applicants were spending more than they were earning. They did not have the ability to prioritise their expenses. The major expenditure items of the applicants as indicated by the participants are discussed in 5.3.2.

5.3.2 Expenses

The expenses of the consumers who had applied for debt counselling were identified in order to determine the major expenditure items that compelled the consumers to being over-indebted. Eight (53.33%) and seven (46.67%) of the participants respectively revealed that groceries and rent were the major expenditure items of their clients. School fees, transport and personal loans were named as other expenses by six participants (40.0%) while insurance, water and electricity were also mentioned by four participants (26.67%). The other expenses that were referred to included unexpected costs like illness, funerals, car maintenance, divorce, lifestyles, petrol and credit cards. Figure 5.4 provides a summary of all expenses that the applicants incur as indicated by participants.
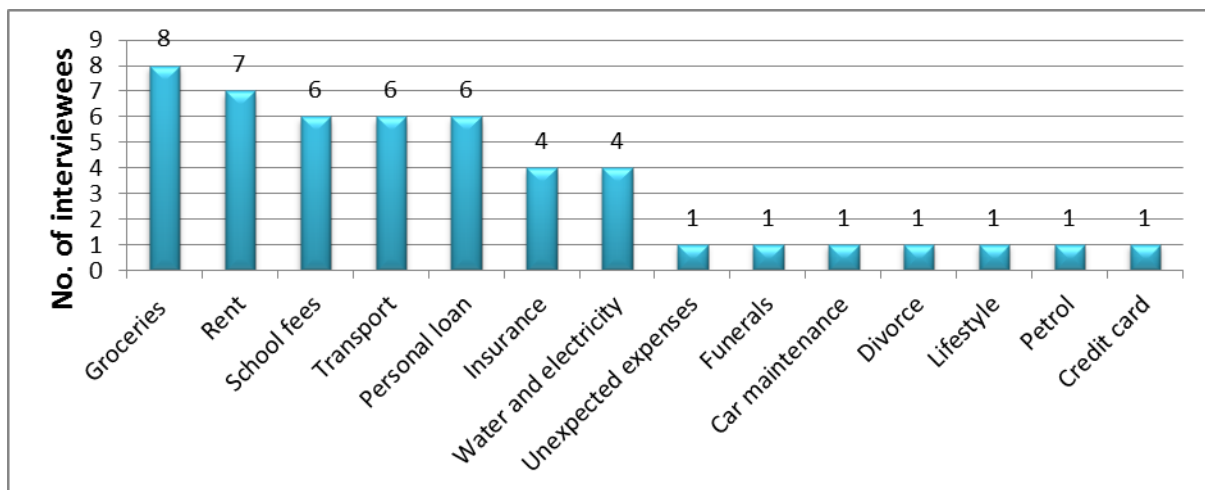
Figure 5.4: Major expenses incurred

Subsequent to the sources of income and the expenditure items identified, participants were requested to indicate (as presented in 5.3.3) the types of collaterals that their clients had acquired.

5.3.3 Collateral

Collateral is a contractual device used by borrowers and lenders as security for loans (Leitner, 2006:9). However, not all borrowers put up collateral when taking out loans because they rather opt for unsecured loans. Leitner (2006:9) further states that collateral reduces the loss

to the lender if a borrower defaults on a loan. If and when the loan is not paid, the lender can seize the collaterals. Figure 5.5, portrays that the majority of participants (12 out of 15; 80.0%) signified that their clients had acquired unsecured debts from financial institutions and two (13.33%) pointed out that their clients did not own any fixed assets but possessed current assets only. Only one participant (6.67%) mentioned that clients had no investments; they either live from hand to mouth or stayed in rented houses. This could have posed two negative effects to the consumers' financial position: lenders (credit providers) could not grant loans to these borrowers (consumers) or they could charge them higher interest rates on loans, which would result in higher costs that they could not afford.
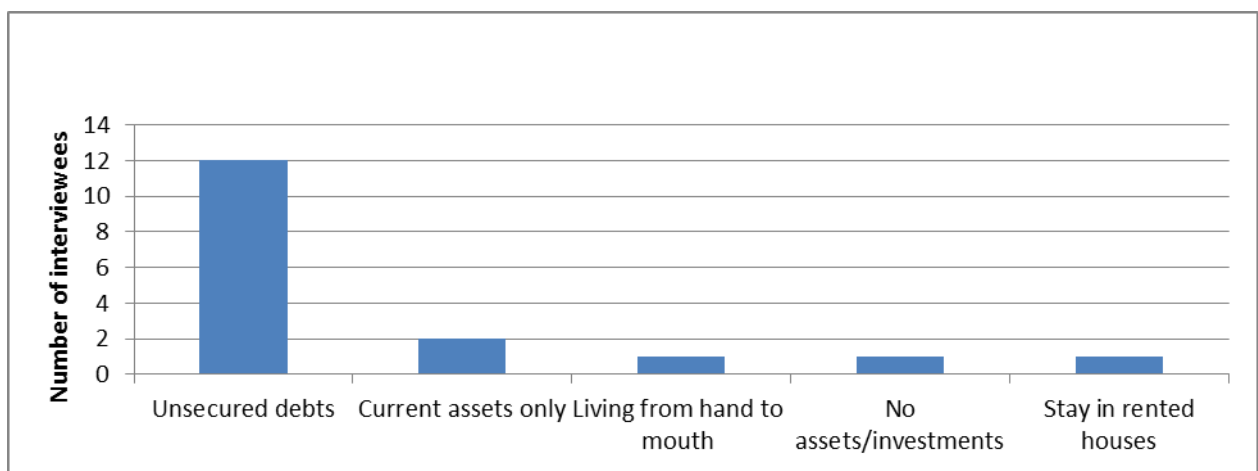
Figure 5.5: Types of debt and collateral

An assumption can be made that consumers did not have collaterals and they used the unsecured debts to finance the expenses mentioned in Figure 5.4. It then became imperative to determine why participants' clients were over-indebted. The reasons are presented and analysed in 5.3.4.

5.3.4   Reasons for over-indebtedness

Participants were asked to state what they thought the reasons for over-indebtedness could be. The majority of participants (8 out of 15; 53.33%) stressed that their clients lacked financial management knowledge, seven participants (47.67%) indicated expensive lifestyles of clients, while income reduction was mentioned by six (40.0%) of the participants as another reason for over-indebtedness. Three participants (20.0%) cited divorce and job loss as further

reasons for indebtedness, while retrenchments, instant gratification and aggressive marketing by credit providers (CPs) were mentioned by only two (13.33%) of the participants.

Each one of the following reasons was mentioned only once by the participants:

- inflation;
- family responsibilities;
- ignorance;
- economic changes;
- excessive loans;
- credit cards;
- high cost of living;
- social pressure;
- financial over-commitment; and
- entertainment.

It is clear from Figure 5.6 that a lack of financial management knowledge and expensive lifestyles seemed to be the major causes of over-indebtedness. The fact that consumers used their hard-earned income to lead expensive lifestyles suggests that consumers were unable to resist social pressure from their counterparts, marketing pressure from the credit providers, and that the budgeting skills were also lacking.
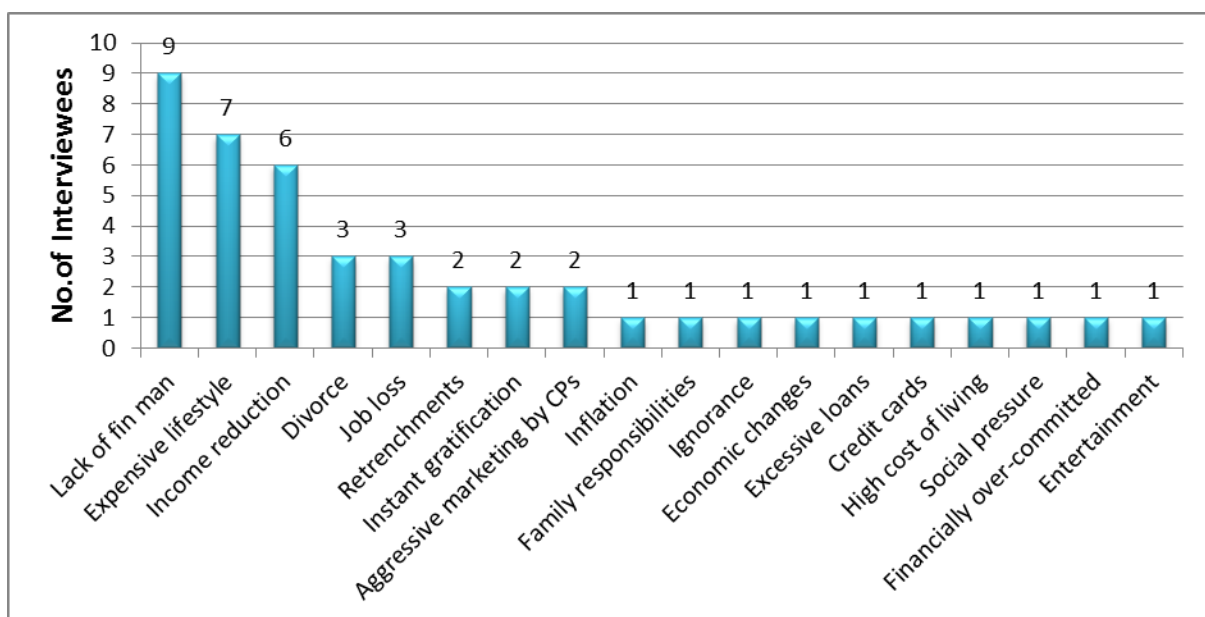
Figure 5.6: Reasons for over-indebtedness

This concludes the analysis of the consumers' financial position. In the next section, responses to issues that relates to the debt counselling process and the NCR support are analysed.

5.4   DEBT COUNSELLING PROCESS AND THE NCR SUPPORT

The participants were requested to indicate how they conducted their debt counselling services and whether they received support from the NCR. From their responses, six sub-themes emerged, namely guidelines for the debt counselling process, documents required when applying for debt counselling, duration of debt counselling, intervention methods, payments from clients, and support from the NCR. These sub-themes are discussed in subsections 5.4.1 to 5.4.6.

5.4.1   Guidelines for debt counselling process

Participants agreed that they used the prescribed guidelines in conducting the debt counselling process. Figure 5.7 illustrates how many of them used which guidelines. Seven of the participants (46.67%) used the NCR guidelines, while five (33.33%) indicated that they used NCA guidelines. Participants explained the process and the fee structures to their clients, and then asked the clients to complete Form 16 (attached as Annexure M) when they were satisfied with the explanations. The participating debt counsellors reported that they then completed Form 17.1 (attached as Annexure N) and sent it to the creditors who responded with Form 17.2 (attached as Annexure O). The other four participants (26.67%) emphasised that they interviewed their clients first and verified the information gathered from the interviews before registering consumers for debt counselling. Only two of the participants (13.33%) indicated that they had to wait for a court order to be issued before they could start with the debt counselling process (Figure 5.7).
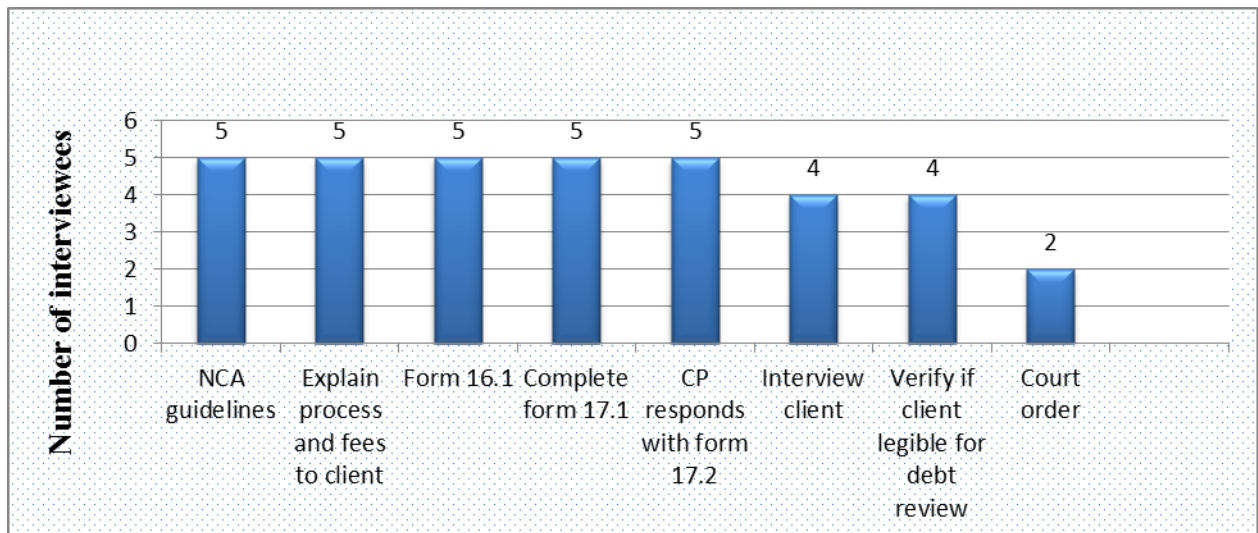
Figure 5.7: Guidelines for debt counselling process

Although the guidelines mentioned by the participants concur with what the National Credit Regulator stipulated in Chapter 3 (Debt Counselling Help South Africa, 2009), it seems participants did not necessarily submit them in the prescribed order. Furthermore, participants indicated the documents that the clients were required to submit when applying for debt counselling and these documents were analysed. This analysis is reported on in subsection 5.4.2.

5.4.2   Documents for debt counselling application

Participants were further requested to identify the documents that consumers had to submit when applying for debt counselling. Payslips and identity documents (ID) were mentioned by most participants (14 out of 15; 93.33%) as important documents that had to be submitted. Twelve of the participants (80.0%) indicated the latest statement of account from credit providers as another document to be submitted with the application, while eleven (73.33%) highlighted the need to see proof of residence documentation before registering consumers for debt counselling. Nine of the participants (60.0%) stated a three-month bank statement as another requirement, while only four (26.67%) indicated that consumers who were married had to submit a marriage certificate. A certificate of balance (COB), an affidavit, other supporting documents and letters of demand or summons were mentioned only once by a participant (Figure 5.8).
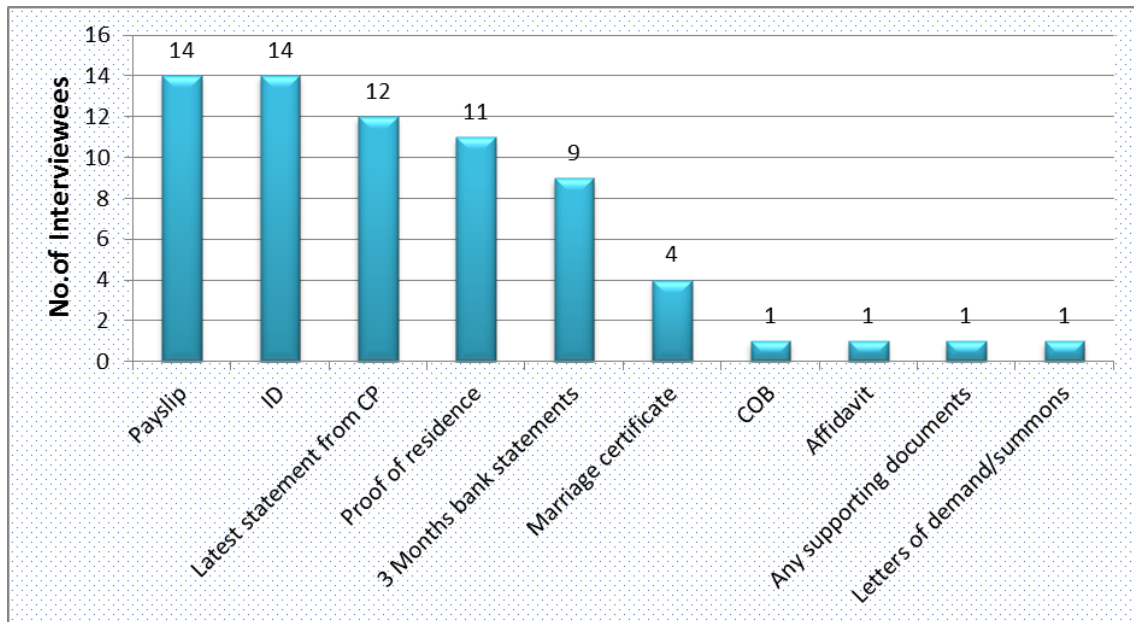
Figure 5.8: Documents required when applying for debt counselling

The next subsection presents an analysis of the duration of the complete the debt counselling process for clients.

5.4.3   Duration of debt counselling

When asked how long it takes debt counsellors to assist consumers to recover from over-indebtedness, participants gave varying answers. More than half (8 out of 15; 53.33%) indicated that the process depends entirely on the amount the client owes. Six participants (40.0%) pointed out that it takes one to five years for consumers to pay all their debts and according to one participant (6.67%), it takes three to five years for the process to be completed. The NCR stipulates that the maximum duration for the debt counselling process is 60 months or five years (NCR, 2012). It is evident from Figure 5.9 that participants are abiding with this stipulation.
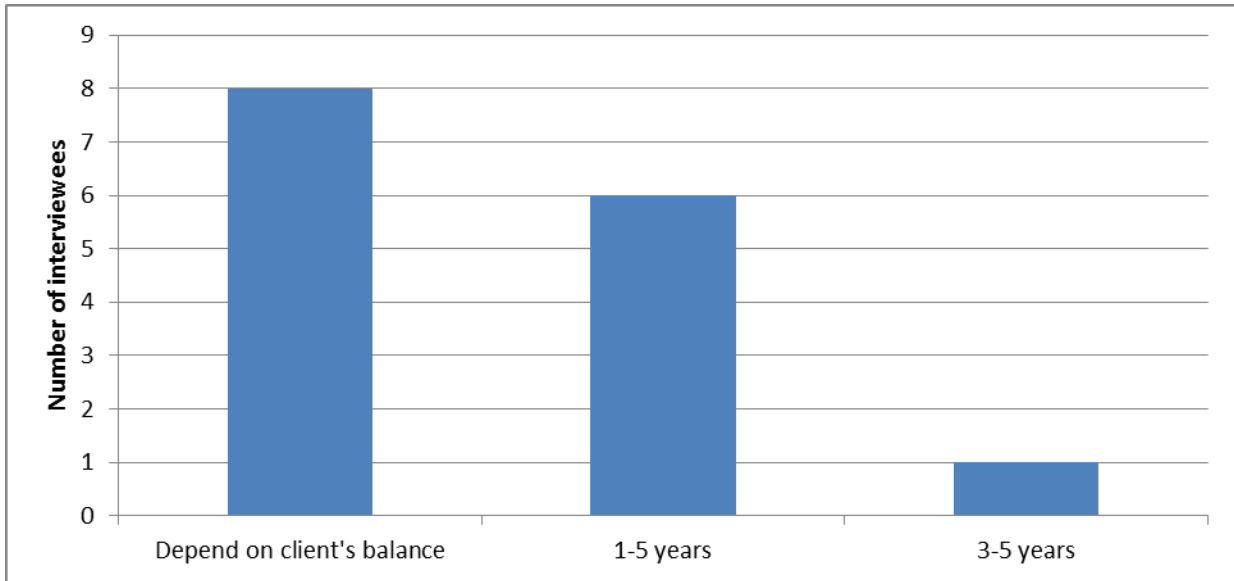
Figure 5.9: Duration of debt counselling process

Participants were also asked to identify the intervention methods that they employed in assisting the over-indebted consumers. The responses about the intervention methods are presented in the next subsection.

5.4.4 Intervention methods

Figure 5.10 reveals that eight of the participants (53.33%) provided aftercare or moral support to their clients as part of an intervention method, seven participants (46.67%) reviewed their clients' accounts regularly, and only five (33.33%) encouraged their clients to pay their debts regularly. Three participants (20.0%) encouraged consumers to attend financial management workshops, two (13.33%) either advised clients to cancel or reduce unnecessary expenditure items, assisted clients with their queries or held regular meetings with clients. Only one participant (6.67%) indicated that he provided the services of an in-house attorney, and wrote confirmation letters that clients were under debt counselling when requested.
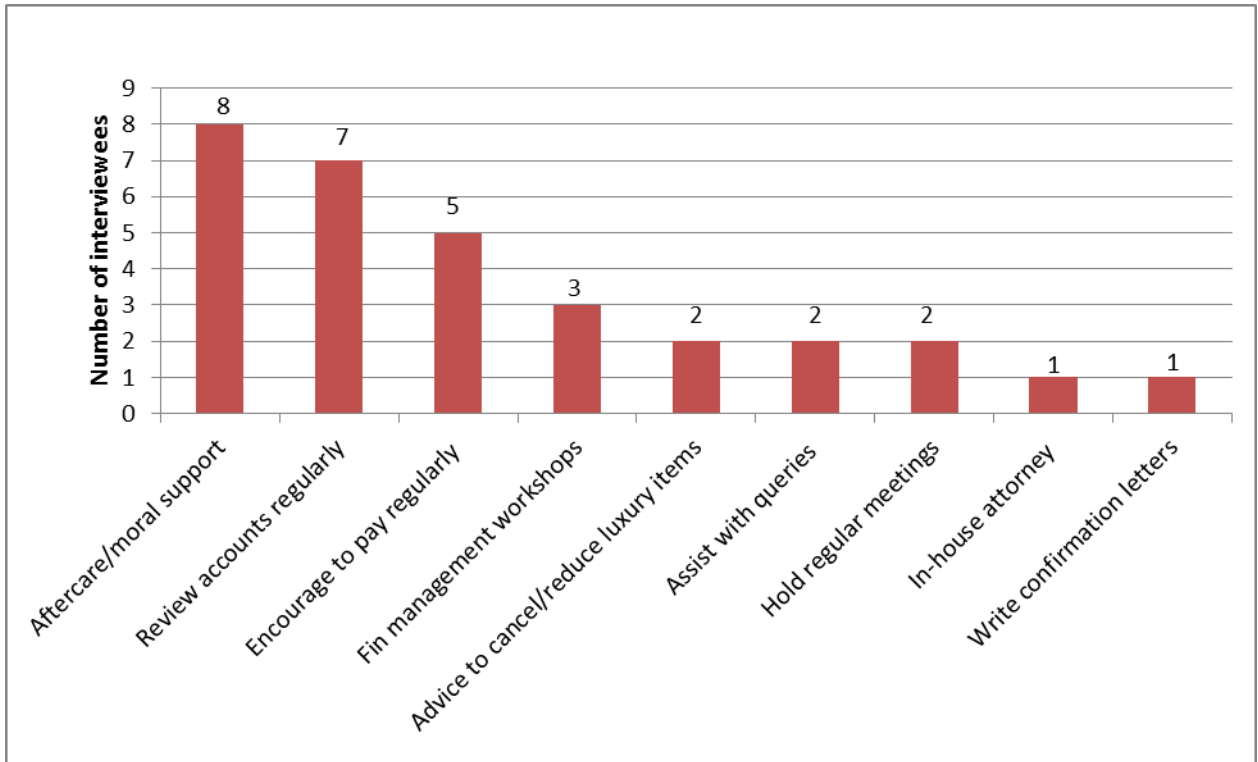
Figure 5.10: Intervention methods

In subsection 5.3.4, most participants identified a lack of financial management knowledge and expensive lifestyles as reasons of over-indebtedness, however, it is surprising that very few of them take part in either improving their financial management skills or advising clients on reducing unnecessary expenditure items. In the next subsection, the responses regarding how clients paid their debts are presented and the analysis of these is discussed.

5.4.5 Payments from clients

With regard to receiving payments from clients, participants were practising what the NCR stipulated. It is required from debt counsellors to engage the services of the PDA to collect monthly payments from clients (NCR, 2012). In Figure 5.11, it is evident that all 15 participants did hand over their clients to the PDA for monthly payment collections. Although five (33.33%) did collect a once-off debt counsellor (DC fee) and application fee, others collected an aftercare fee, a credit report fee, attorney fees and travelling fees as well.
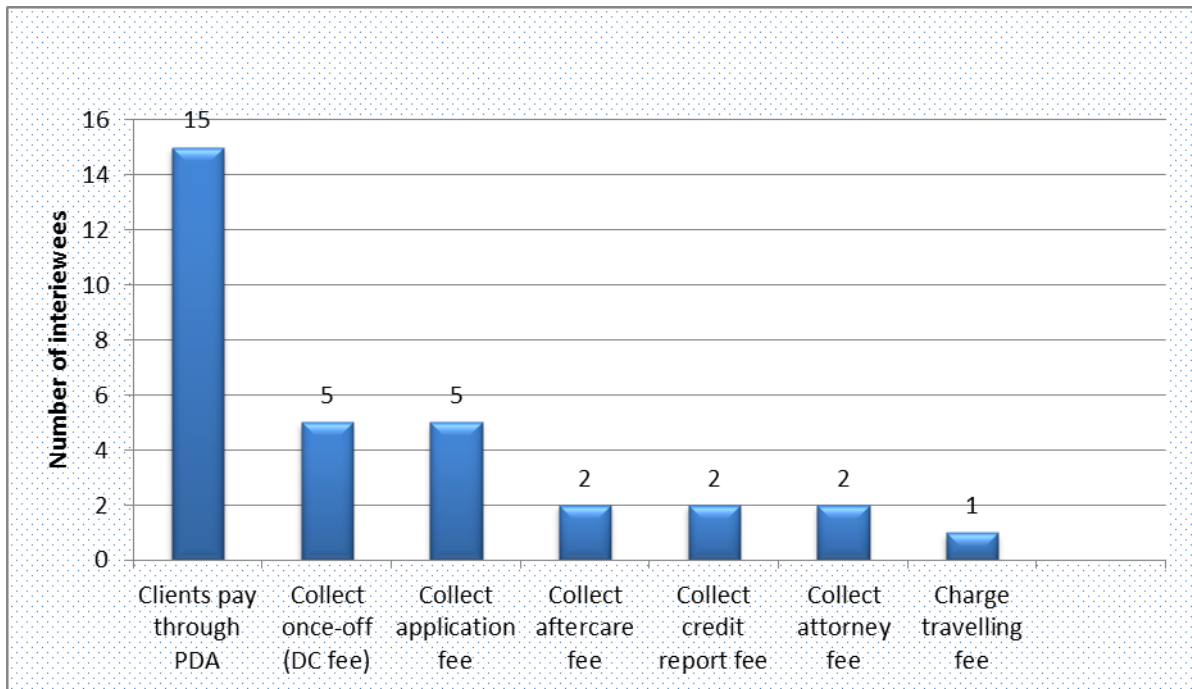
Figure 5.11: Payments from clients

In addition to the sub-themes that relates to the debt counselling process, participants had to indicate whether they received any support from the NCR, and the responses are presented in the 5.4.6.

5.4.6 Support from the NCR

Participants were asked whether they received support from the NCR and to substantiate their answers with reasons. Figure 5.12 indicates that ten participants (66.67%) agreed that they received support from the NCR, and they provided the following reasons (listed in no order of importance) to validate their answers:

- the NCR provided circulars regularly;
- the NCR held workshops regularly;
- the NCR monitored and visited regularly, and as such, through these visits they got an opportunity to share their problems with NCR staff; and
- the NCR provided supportive advice when needed.

On the other hand, the remaining five participants (33.33%) disagreed to the question regarding support from the NCR. The participants authenticated their discontent, according to their perceived importance, by providing the following reasons:

- queries were not handled efficiently and to their satisfaction by the NCR;

- debt counsellors had problems of co-operation with certain credit providers and the NCR was not attending to the matter;

- the NCR took a while to implement transfers of consumers from one debt counsellor to another, despite the fact that the debt counselling process had deadlines;

- some debt counsellors had to close their business because of a lack of support from the NCR;

- the NCR was not playing its role of educating consumers;

- some staff members at the NCR seemed not to be certain of the procedures and thus were not helpful; and

- the NCR did not involve debt counsellors when taking decisions that affected them.
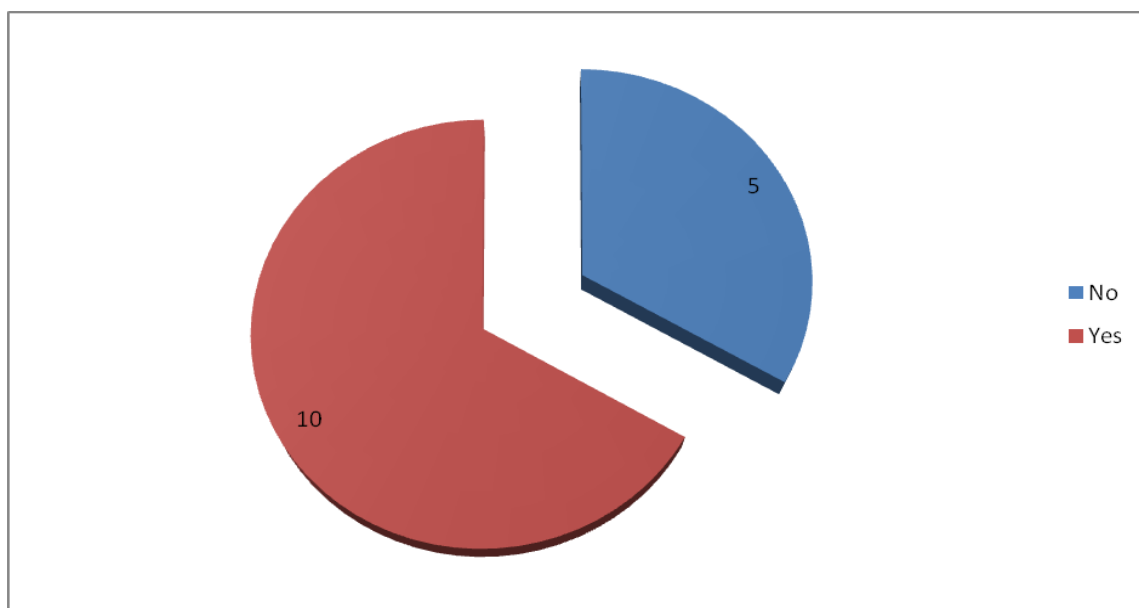
Figure 5.12: Support from the NCR

Following the presentation and the analysis of the debt counselling process and the support received from the NCR, the effectiveness of the debt counselling process is discussed in section 5.5.

5.5   EFFECTIVENESS OF DEBT COUNSELLING PROCESS

Lastly, the participants were requested to spell out their contributions in making the debt counselling process effective. From their responses, three sub-themes, namely mechanisms used to verify the financial well-being of clients, debt counsellors' successes, and debt counsellors' experiences and recommendations emerged. These sub-themes were analysed and the results are reported in subsections 5.5.1 to 5.5.3.

5.5.1   Mechanisms to verify financial well-being of clients

Participants were asked whether they had mechanisms that they used to follow up the rehabilitated consumers in order to verify their financial well-being. Thirteen of them (86.67%) said they did not have any mechanisms, while only two (13.33%) said they did have such mechanisms (Figure 5.13). Those that did not have any mechanisms furnished (without any priority order) the following reasons (quoted verbatim):

- Clients trust us; they refer others who need debt counselling.
- Intend to register for financial management course in future.
- Provide assistance when needed.
- Clients phone and indicate appreciation.
- Follow up only when there is concern.
- Cannot baby-sit forever.
- Never thought of it.
- Will consider.
- Nothing at all, no follow-ups.

The reasons offered by the other two participants included regularly sending finance-related circulars or news to their clients, phoning clients often, and building constant relationships.
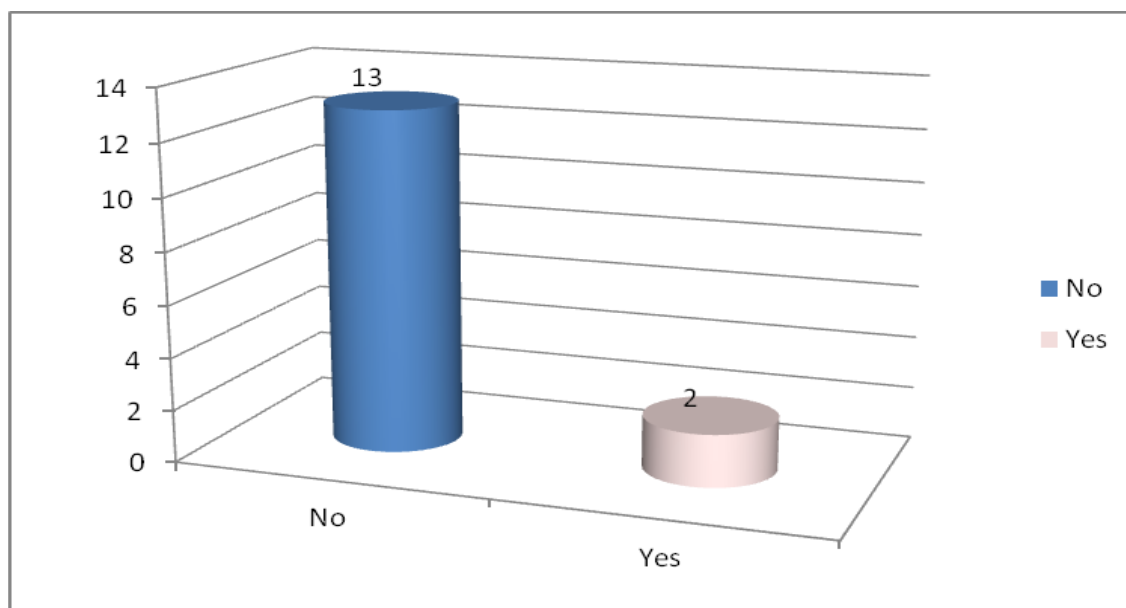
Figure 5.13: Mechanisms for rehabilitated consumers

Furthermore, participants were requested to highlight their successes in assisting their clients. The responses are presented in 5.5.2.

5.5.2 Debt counsellors' successes

When asked to what they would attribute their successes, various justifications emerged from the participants and these are categorised in Figure 5.14. Seven participants (46.67%) attributed their successes to the passion they had for consumerism, six (40.0%) pointed out the motivation they gave to their clients, five (33.33%) emphasised the positive communication they had with their clients, while four (26.67%) believed it was because they were accessible and available at all times. Three participants (20.0%) indicated their knowledge of financial management, their personal experiences and the confidence the clients had in them as the reasons for their success.
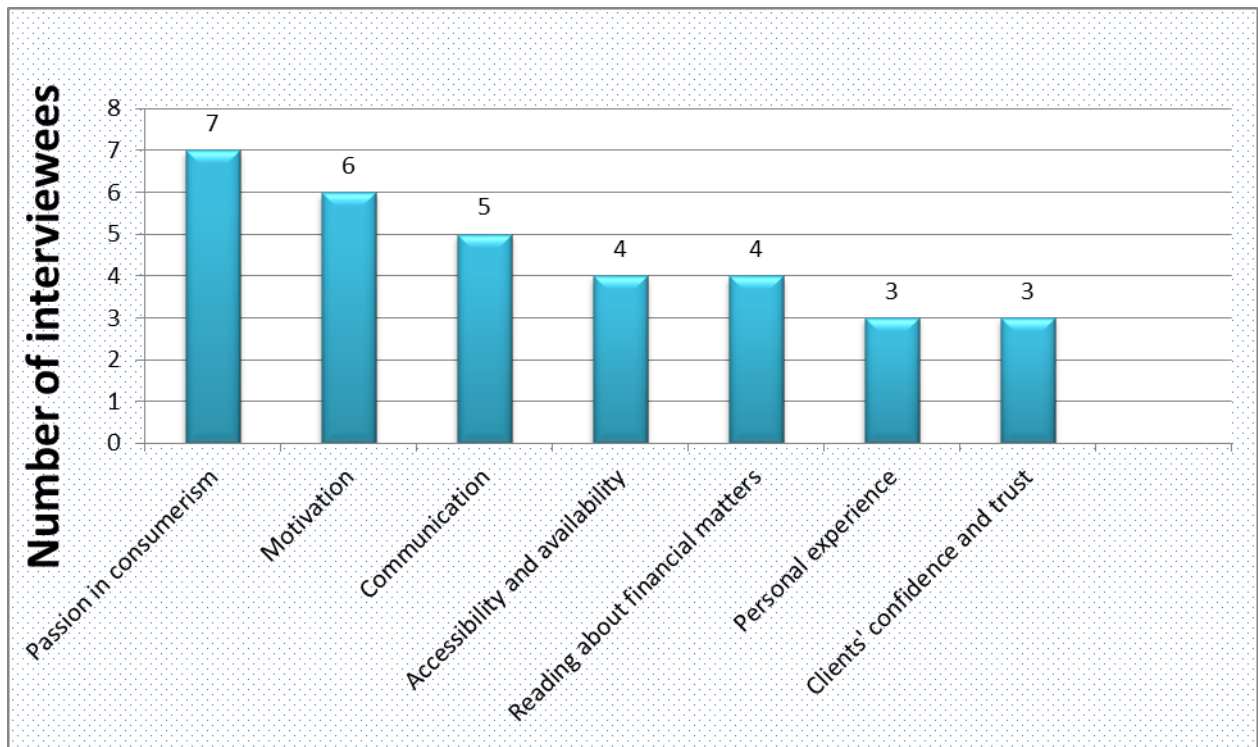
Figure 5.14: Debt counsellors' successes

In subsection 5.5.3, the responses that relates to the participants' experiences and recommendations are presented.

5.5.3 Debt counsellors' experiences and recommendations

The participants were requested to share their experiences in providing debt counselling services and to make recommendations to the processes of debt counselling. The open-ended questions allowed for multiple responses, and as many as 13 experiences and 12 recommendations were shared and proposed respectively, as listed below.

Debt counsellors' experiences (quoted verbatim):

- The NCR takes a long time to process transfers of consumers from one debt counsellor to another.
- There is no uniformity in terms of how the magistrate courts operate; they operate differently from one court to another.
- There is a bit of improvement in terms of co-operation between debt counsellors and credit providers.

- The NCR dictates how debt counsellors should run their businesses.

- Clients struggle to receive clearance certificates because they still have home loans.

- Lack of debt counselling information and education.

- The NCA is unjust to debt counsellors; credit providers do not comply but nothing is done.

- Lack of monitoring by the NCR.

- Lack of NCR's involvement in attending to problems with certain credit providers.

- Credit Industry Code of Conduct created uncertainty for debt counsellors.

- Consumers lack financial management knowledge.

- PDAs delay payments of clients, hence debt increase because of interest charged.

- Debt counselling assists consumers, and it remains to be better than administration and sequestration.

The following are the recommendations proposed by the debt counsellors who participated in the survey.

According to the participants, the NCR should:
- embark on debt counselling education;
- monitor credit providers and attend to debt counsellors' complaints;
- consult all stakeholders before implementing any new rule or changes;
- issue clearance certificates to consumers who have completed debt counselling process, irrespective of the outstanding home loan balances that consumers have;
- improve the process of transferring consumers from one debt counsellor to another;
- review payment of attorney fees; and
- cancel or remove PDAs.

According to the participants, debt counsellors should:
- apply for debt review at the magistrate's court in their area and not the area of the consumer;
- be given more authority; and
- establish debt counsellors' forums (like the SA Black Debt Counsellors' Forum, already established).

Finally the debt counsellors recommended that the NCA be reviewed. Consumers should apply at a central place and be referred to their nearest debt counsellors.

5.6 SUMMARY

This chapter provided information on the number of applications that participating debt counsellors in the Gauteng area received for debt counselling per month in the period 2007 to 2013. These applications were analysed in terms of gender and race. The findings revealed that there were more males than females who were applying for debt counselling on a monthly basis. Furthermore, more blacks (as compared to other races) were applying for debt counselling per month.

The results indicated that most of the applicants (consumers) received a salary as their source of income. A few applicants received either rental income from properties, pension or government grants, or yet others were self-employed. The major expenditure items that were identified were groceries and rent, while other expenses included school fees, transport, personal loans, insurance, water and electricity, medical expenses, funerals, car maintenance, divorce, lifestyle, petrol and credit cards.

It was also revealed that the applicants obtained unsecured debts from various financial institutions and the applicants neither owned fixed assets nor had investments but acquired current assets and stayed in rented houses.

The three main reasons for over-indebtedness (as per the debt counsellors) included a lack of financial management knowledge, expensive lifestyles and income reduction, followed by divorce, job loss, instant gratification and aggressive marketing by credit providers. The findings also denoted that over-indebtedness was caused by inflation, family responsibilities, ignorance, economic changes, excessive loans, credit cards, high cost of living, social pressure, being financially over-committed, and entertainment.

The findings pointed out that, although debt counsellors used the guidelines and procedures in conducting their debt counselling service, they did not follow these in the prescribed

manner. However, they did comply with the prescribed maximum period (5 years) for debt review to be completed.

Payslip, identity document, the latest statement of account from the credit providers, proof of residence and a three-month bank statement were listed as the main documents required when consumers applied for debt counselling. The other additional documents that might be required from the applicants were indicated as a marriage certificate, certificate of balance, affidavit, any supporting document and letters of demand or summons from credit providers.

Several intervention methods were identified, but most debt counsellors cited aftercare or moral support and reviewing clients' accounts as the common intervention methods that they used. However, most of them did not have mechanisms to verify whether their clients were coping financially after the debt counselling process.

It became clear that consumers paid their monthly payments through the PDAs (as prescribed by the NCR), and not directly to the debt counsellors. It was also evident from the results that most debt counsellors were content with the support they received from the NCR while few of them (debt counsellors) were not pleased.

Debt counsellors ascribed their successes to passion for consumerism, motivation, communication, personal experience, reading about financial matters, accessibility and availability to clients, clients' confidence and trust.

Finally, the debt counsellors furnished the study with information about their experiences and with recommendations. The next chapter provides the analysis and interpretation of the results of the second phase (quantitative) of the study.

CHAPTER 6

ANALYSIS AND INTERPRETATION: QUANTITATIVE STUDY

6.1   INTRODUCTION

The results of the first phase of the study were presented in Chapter 5. The main purpose of the second phase was to answer the question: "Which role does the debt counselling service provided by debt counsellors play in terms of the personal financial well-being of consumers?" This chapter presents the statistical analysis of each question from the questionnaire (attached as Annexure J).

In the second phase, a sample of 300 consumers was identified and selected by the debt counsellors who provided them with debt counselling service. A questionnaire was used as a quantitative data collection method to elicit information from the selected consumers. A total of 182 questionnaires were completed and returned by the consumers who received debt counselling service between the years 2007 and 2013 in the three municipalities of Gauteng (Johannesburg, Tshwane and Ekurhuleni) only. This represented a response rate of 61%.

This chapter is divided into four sections:
- section 6.2 reflects the demographic profile the consumers' knowledge of the debt counselling concept;
- section 6.3 reports on the validity, reliability and the correlation of the constructs identified;
- section 6.4 provides the empirical results and the inferential statistics obtained from the questions that were posed in the questionnaire; and finally
- in section 6.5, the chapter concludes with a discussion of supplementary analyses of data gathered from the selected consumers' experiences.

6.2   DEMOGRAPHIC DETAILS OF RESPONDENTS

This section focuses firstly on the demographic variables, which is followed by a discussion of the selected consumers' knowledge of the debt counselling concept. The results were analysed, and interpreted and are presented either in a frequency table, a pie chart or a bar chart. In some instances, preliminary deductions are made.

6.2.1   Demographic information

The demographic information of consumers was obtained in order to establish the type of consumers selected for the study and to ascertain whether a typical profile for these consumers existed. Table 6.1 presents a summary of the frequencies and percentages of consumers (respondents). The presentation and the interpretation follow the same sequence as that of the questionnaire (attached as Annexure J).

Table 6.1: Demographic profile (frequencies & percentages)

	Frequency	Percentage
Male	79	43.4
Female	103	56.6
Total	182	100.0
Age		
20-29	19	10.4
30-39	58	31.9
40-49	78	42.9
50 & above	27	14.8
Total	182	100.0
Ethnicity		
Black	114	62.6
White	40	22.0
Coloured	22	12.1
Indian/Asian	6	3.3
Total	182	100.0

Education		
Below matric	43	23.6
Matric	74	40.7
Post-matric	65	35.7
Total	182	100.0
Marital status		
Single	58	31.9
Married	92	50.5
Divorced	24	13.2
Widowed	8	4.4
Total	182	100.0
Municipal area		
Ekurhuleni	61	33.5
Johannesburg	54	29.7
Tshwane	67	36.8
Total	182	100.0

The graphical illustration of the sample distribution by gender, age, ethnicity, education, marital status and municipal area are provided by Figures 6.1 to 6.6.

6.2.1.1   Gender

Out of 182 consumers (respondents), 56.6% were females while 43.4% were males (Figure 6.1), but because a total of 118 questionnaires (out of 300 = 39%) were not returned, it cannot be concluded without any doubt that there were more females than males who were over-indebted. It can only be assumed from the first phase (interviews with the participating debt counsellors) that more males than females were applying for debt counselling services.
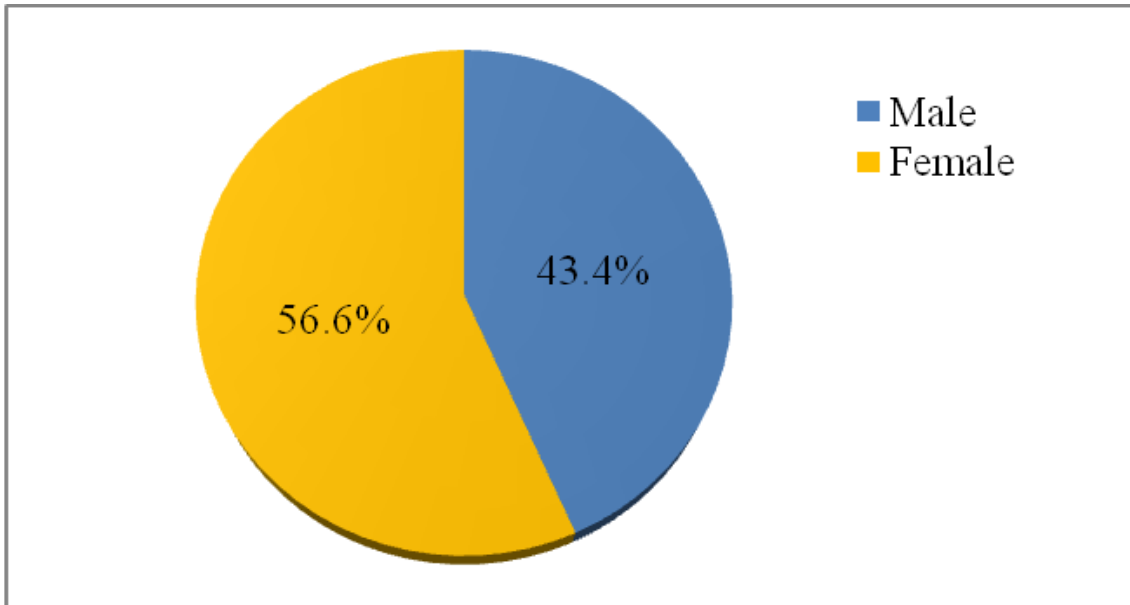
Figure 6.1: Gender distribution of consumers (respondents)

6.2.1.2   Age distribution of respondents

Figure 6.2 indicates that the majority of respondents who applied for debt counselling were between the ages of 40 and 49. This confirms what Serano (2012) refers to, in Stage 2 of his personal financial planning life cycle when he states that the phase between the ages of 40 and 50 is usually characterised by an increase in cash flow or high levels of debt, assets and net worth for some individuals, while for some individuals the use of debt starts to decrease. Figure 6.2 also indicates that the applicants who were younger than 30 years and those above 50 years of age were in a minority.
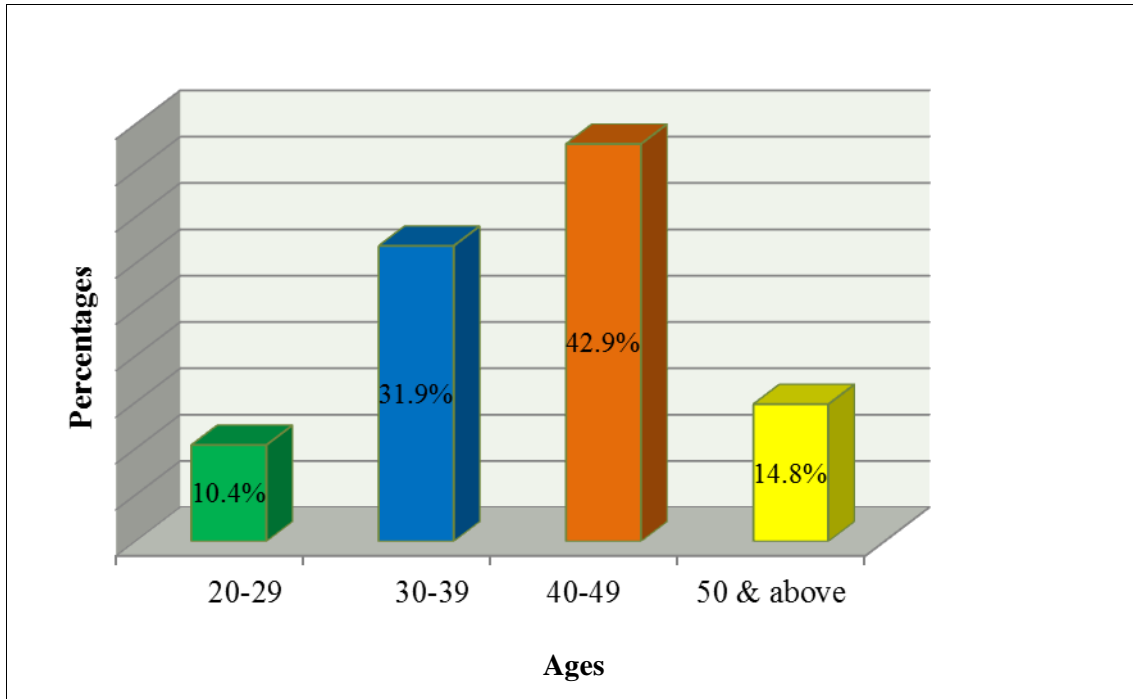
Figure 6.2: Age distributions of respondents

6.2.1.3   Ethnicity of respondents

In terms of ethnicity, 62.6% of the respondents were blacks; 22.0% were whites; while
coloureds and Indians/Asians comprised 12.1% and 3.3% respectively (Figure 6.3).   The
variation in percentages of respondents confirms what the debt counsellors also indicated in
the first phase.   There, debt counsellors pointed out that most of their clients were black
(73.47%), followed by whites (25.87%), while very few were either coloureds or
Indians/Asians (0.66%).   The diagram below provides a clear picture of this distribution.
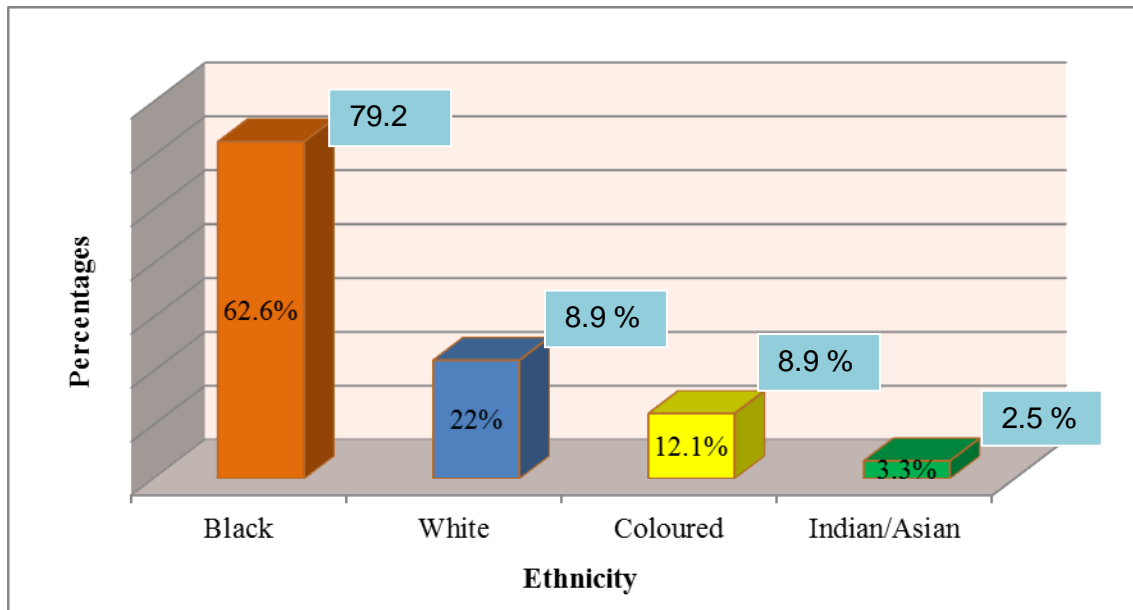
Figure 6.3: Ethnicity distribution of respondents in relation to population census

The discrepancies in the ethnicity distributions also correlate with the South African population as per Census 2011 (Stats SA, 2012), which indicated that 79.2% were blacks, while whites and coloureds made up 8.9% each, 2.5% were Indians/Asians and 0.5% comprised other races.

6.2.1.4   Educational level of respondents

Figure 6.4 portrays and confirms the levels of education of the respondents as indicated in Table 6.1. The data shows that only 23.6% of the respondents did not have matric while 40.7% and 35.7% had matric and higher qualifications respectively. This validates the lack of financial management knowledge, irrespective of the consumers' level of education, as indicated by debt counsellors in the first phase of the study.
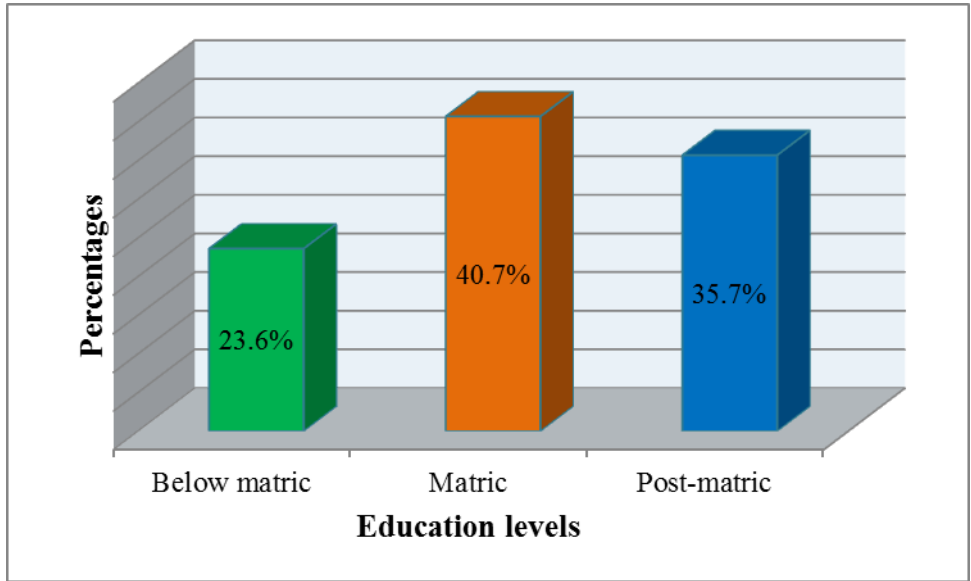
Figure 6.4: Educational levels of respondents

6.2.1.5   Marital status

Figure 6.5 indicates that most of the respondents (50.5%) were married and that only 4.4% of them were widowed while others were either single (31.9%) or divorced (13.2%).
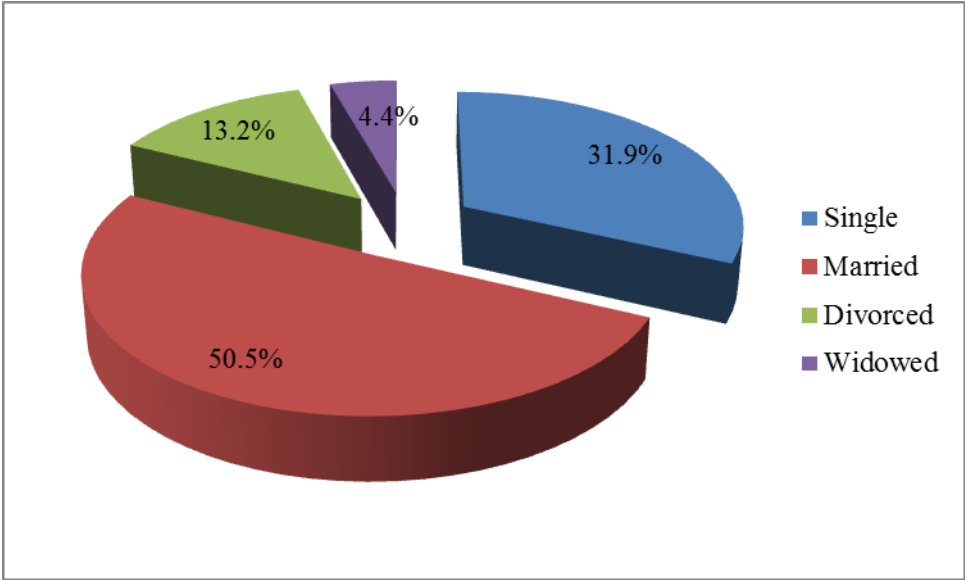
Figure 6.5: Marital status of respondents

111

6.2.1.6   Municipal areas

The respondents were from the three municipalities of Gauteng as indicated earlier. Of the respondents, 33.5% were from Ekurhuleni, while 29.7% were from Johannesburg and 36.8% from Tshwane. The graphical distribution of these three municipalities is presented by Figure 6.6.
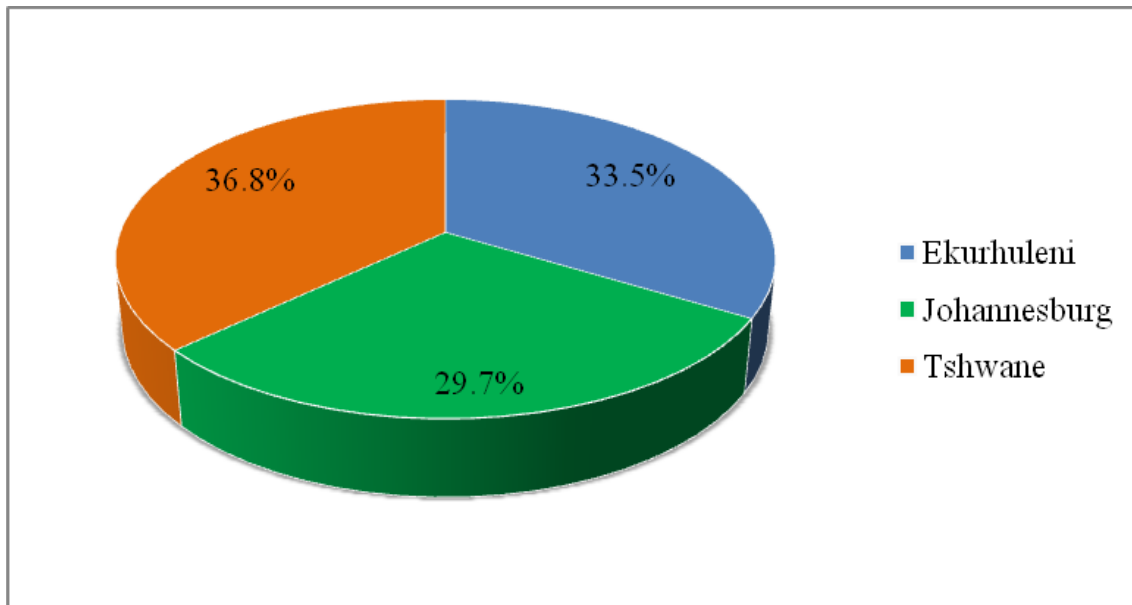
Figure 6.6: Municipal areas of respondents

6.2.2   Knowledge of the debt counselling concept

The respondents were asked to respond with either a Yes or a No to three questions that related to their knowledge of debt counselling concept. The questions and the responses are provided in Table 6.2.

Table 6.2: Knowledge of debt counselling concept

Questions	Yes		No	
	Count	%	Count	%
SecBQ7 Debt counselling is a relatively new concept in South Africa	169	92.9%	13	7.1%
SecBQ8 Debt counsellors are easily accessible	117	64.3%	65	35.7%
SecBQ9 Someone referred me to a debt counsellor	136	74.7%	46	25.3%

The results indicate that the majority of respondents (92.9%) agreed that debt counselling was a new concept in South Africa, while 64.3% of them also agreed that it was easy for them to access the debt counsellors in their geographical areas. The results also indicate that a large number of respondents (74.7%) were referred by someone to apply for debt counselling. Based on the results, it can be concluded that the respondents were not familiar with debt counselling. They were consequently encouraged by other people to apply for debt counselling service. They thus regarded it as a new concept in South Africa. Section 6.3 examines the validity, reliability and the correlation of the constructs identified.

6.3   VALIDITY, RELIABILITY AND CORRELATION TESTS

This section reports on the validity tests, reliability measures and the correlation tests conducted on the constructs identified for this study.

6.3.1   Validity

In testing the convergent validity of the constructs, exploratory factor analysis (EFA) was employed, firstly to determine whether each question contributes to the respective constructs

as contained in the questionnaire, and secondly, to identify the hidden dimensions or constructs which may or may not be noticeable from direct analysis. Bartlett's test of sphericity and the Kaiser Meyer-Olkin (KMO) measures were used to test the suitability of each question for factor analysis.

6.3.1.1 Bartlett's test and the KMO measures

With reference to Bartlett's test, if the p- value is smaller than 0.05 (p<0.05), the correlation structure of construct is strong enough to conduct a factor analysis, while a KMO value which is closer to 1, implies that there is a strong correlation structure (Pallant, 2010: 154). Wright (2003:123) concurs with Pallant (2010) and states that KMO values of between 0.5 and 0.7 are mediocre while values of between 0.7 and 0.8 are regarded as good and those between 0.8 and 0.9 as excellent. Table 6.3 provides results of the KMO and Bartlett's tests conducted.

Table 6.3: KMO and Bartlett's test

Kaiser Meyer-Olkin measure of sampling adequacy.		0.835
Bartlett's test of sphericity	Approx. chi-square	1853.798
	Df	120
	Sig.	0.000

Df- *Degree of freedom*

Sig – *Significance*

Table 6.3 indicates that the sample was adequate because the KMO measure yielded a value of 0.835. The data also proved to be suitable for factor analysis because Bartlett's test was below 0.05. Results of the factor analysis follow in subsection 6.3.1.2.

6.3.1.2 Analysis of factors

The factor analysis identified three factors or components from the data. This means that there were three underlying dimensions which were identified as separate factors that relate to the role that debt counselling play in terms of the personal financial well-being of

consumers. Table 6.4 indicates the factor loading of the three factors that were extracted by rotating the component matrix.

Table 6.4: Principal component analysis

Rotated component matrix[a]			
	Factor/ Component		
	1	2	3
SecCQ10 It was easy for me to apply for debt counselling		.705	
SecCQ11 I was informed about the process before I signed any document		.837	
SecCQ13 An affordable and manageable monthly repayment was arranged		.796	
SecCQ14 I paid a single amount to PDA every month		.645	
SecDQ16 Debt counselling gave me peace of mind	.716		
SecDQ17 Debt counselling assisted me in paying all my debts	.808		
SecDQ18 Debt counselling prevents asset repossessions	.706		
SecDQ19 Debt counselling taught me how to manage my finances	.705		
SecDQ20 Debt counselling prevents creditors from taking legal action	.792		
SecDQ21 Debt counselling is an answer to all debt problems	.559		
SecEQ22 Debt counselling made me feel relieved	.678		
SecEQ23 Debt counselling helped me recover from my debts	.779		
SecEQ24 My name has been removed from all credit bureaux' information lists			.832
SecEQ25 I received clearance certificate. All my debts are settled			.799
SecEQ26 I can now buy on credit. I am creditworthy			.849
SecEQ27 I am now able to save money and manage my finances well			.633
Extraction method: principal component analysis Rotation method: varimax with Kaiser normalisation[a]			
Rotation converged in 6 iterations			

The rotated component matrix converged after six iterations and each construct, excluding questions 12, 15 and 28 fitted well. These three questions did not load on any of the factors

due to paucity of validity, whereas questions 22 and 23 were transferred from Factor 3 to Factor 1.

Factor 1 dealt with effectiveness of the debt counselling process (ETDC), while Factor 2 had to do with the debt counselling process (DCP) and Factor 3 related the effect of debt counselling (EDC). The communalities of these factors are described in 6.3.1.3.

6.3.1.3   Communalities

According to Gerber and Voelkl (1999:181) as cited by Chiyangwa, (2014:75), communalities refer to the extent to which questions in a questionnaire correlates to each other. Chiyangwa (2014:75) further affirm that questions with extraction values which are close to 1 correlates highly with each other.

The extraction values of the sixteen questions that were extracted by component analysis in Table 6.4 ranges from 0.391 to 0.799 (see Table 6.5), which is relatively close to 1. This implies that there is a strong correlation amongst all sixteen questions.

Table 6.5: Communalities

Communalities		
	Initial	Extraction
SecCQ10 It was easy for me to apply for debt counselling	1.000	.585
SecCQ11 I was informed about the process before I signed any document	1.000	.799
SecCQ13 An affordable and manageable monthly repayment was arranged	1.000	.757
SecCQ14 I paid a single amount to PDA every month	1.000	.515
SecDQ16 Debt counselling gave me peace of mind	1.000	.742
SecDQ17 Debt counselling assisted me in paying all my debts	1.000	.732
SecDQ18 Debt counselling prevents asset repossessions	1.000	.640
SecDQ19 Debt counselling taught me how to manage my finances	1.000	.546
SecDQ20 Debt counselling prevents creditors from taking legal action	1.000	.707
SecDQ21 Debt counselling is an answer to all debt problems	1.000	.391

SecEQ22 Debt counselling made me feel relieved	1.000	.610
SecEQ23 Debt counselling helped me recover from my debts	1.000	.683
SecEQ24 My name has been removed from all credit bureaux' information lists	1.000	.782
SecEQ25 I received clearance certificate. All my debts are settled	1.000	.708
SecEQ26 I can now buy on credit. I am creditworthy	1.000	.752
SecEQ27 I am now able to save money and manage my finances well	1.000	.436
Extraction method: principal component analysis.		

6.3.1.4   Variance explained by the factors

Since the study employed principal component analysis as the method of extraction, the total, percentage of variance and cumulative percentage columns are similar to those of the first three components in the initial eigenvalues (Table 6.6). The variance as well as the cumulative variance explained by the factors are also shown in Table 6.6.

Table 6.6: Extraction method-principal component analysis

Total variance explained									
Component	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	7.240	45.247	45.247	7.240	45.247	45.247	4.652	29.075	29.075
2	1.930	12.063	57.310	1.930	12.063	57.310	2.965	18.534	47.609
3	1.215	7.595	64.905	1.215	7.595	64.905	2.767	17.297	64.905
4	.909	5.679	70.584						
5	.847	5.293	75.877						
6	.674	4.213	80.091						
7	.648	4.050	84.141						
8	.487	3.042	87.183						
9	.408	2.551	89.733						
10	.343	2.147	91.880						
11	.311	1.945	93.825						
12	.289	1.805	95.630						
13	.238	1.485	97.116						
14	.215	1.346	98.461						
15	.159	.993	99.455						
16	.087	.545	100.000						
Extraction method: principal component analysis.									

From Table 6.6, it is clear that the total factors explained a variance of 64.91%, which exceeded the required threshold of 60% (Thekiso, 2011:248) to represent a good fit to the data. This means that the validity of the data was verified to suit the questionnaire correctly. Catell's scree test (Pallant, 2010: 155) was used to plot each of the eigenvalues of the factors, and inspected the plot to find a point at which the shape of the curve changed direction and became horizontal.
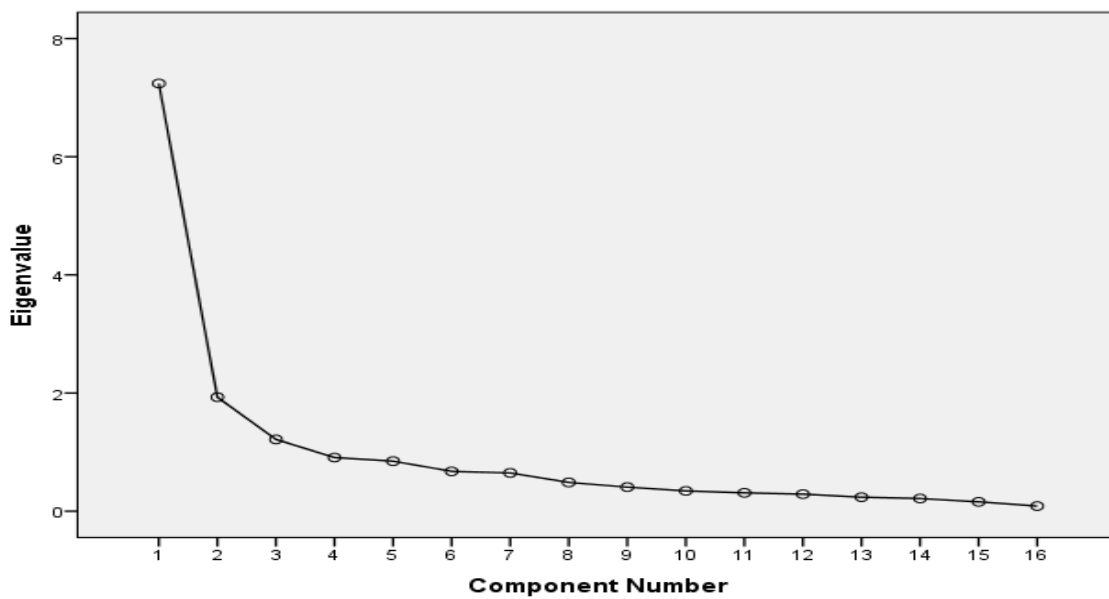
Figure 6.7: Scree plot

The principal component analysis in Table 6.6 indicated a significant decline of the eigenvalues of the first three components (7.240, 1.930 and 1.215) and the variance was 64.91%. From the fourth component (0.909) up to the sixteenth component (0.87), the variance exceeded 64.91% which is far more than the threshold of 60%, hence the horizontal line as potrayed by Figure 6.7. This means that the constructs of the questionnaire were valid.

6.3.2   Reliability statistics

In order to estimate the internal consistency and the reliability of factors, Cronbach's alpha coefficients were calculated for each of the three factors identified. Cronbach's alpha value is a significant measure of reliability and internal consistency among the constructs (Field,

2007:666). A Cronbach's alpha coefficient of a scale above 0.7 is regarded as reliable (Churchill, 1979; Nunnaly, 1978). Subsections 6.3.2.1 to 6.3.2.3 describe these values.

6.3.2.1   Reliability statistics of factor 1(ETDC)

The reliability coefficients of factor 1 are presented in Table 6.7 (i) and Table 6.7 (ii).

Table 6.7 (i) Reliability statistics

Reliability statistics	
Cronbach's alpha	No. of items
.903	8

Cronbach's alpha had a value of 0.903, which is above the 0.7 threshold value (Churchill, 1979; Nunnaly, 1978). All the constructs had values of more than 0.8 which is above the recommended value of 0.7 and as such were considered reliable as indicated in Table 6.7 (ii).

Table 6.7 (ii) Item-total statistics

Item-total statistics				
	Scale mean if item deleted	Scale variance if item deleted	Corrected item-total Correlation	Cronbach's alpha if item deleted
SecDQ16 Debt counselling gave me peace of mind	30.27	14.443	.782	.884
SecDQ17 Debt counselling assisted me in paying all my debts	30.40	13.667	.765	.884
SecDQ18 Debt counselling prevents asset repossessions	30.30	14.742	.701	.891
SecDQ19 Debt counselling taught me how to manage my finances	30.43	14.402	.650	.895
SecDQ20 Debt counselling prevents creditors from taking legal action	30.30	14.608	.759	.887
SecDQ21 Debt counselling is an answer to all debt problems	30.76	14.074	.544	.910
SecEQ22 Debt counselling made me feel relieved	30.30	14.652	.721	.889
SecEQ23 Debt counselling helped me recover from my debts	30.39	13.908	.731	.887

6.3.2.2   Reliability statistics of factor 2 (DCP)

Table 6.8 (i) and Table 6.8 (ii) portray the reliability coefficients of factor 2

Table 6.8 (i) Reliability statistics

Reliability statistics	
Cronbach's alpha	No. of items
.819	4

Cronbach's alpha had a value of 0.819, which is above 0.7 threshold value (Churchill, 1979; Nunnaly, 1978). All four sub-factors had coefficients that are between 0.71 and 0.84 (which exceed 0.70), meaning they were all reliable constructs, as indicated in Table 6.8 (ii).

Table 6.8 (ii) Item-total statistics

Item-total statistics				
	Scale mean if item deleted	Scale variance if item deleted	Corrected item-total correlation	Cronbach's alpha if item deleted
SecCQ10 It was easy for me to apply for debt counselling	13.23	2.286	.588	.797
SecCQ11 I was informed about the process before I signed any document	13.16	2.216	.784	.710
SecCQ13 An affordable and manageable monthly repayment was arranged	13.15	2.286	.728	.735
SecCQ14 I paid a single amount to PDA every month	13.19	2.341	.505	.841

6.3.2.3   Reliability statistics of factor 3 (EDC)

The reliability coefficients of factor 3 appear in Table 6.9 (i) and Table 6.9 (ii).

Table 6.9 (i) Reliability statistics

Reliability statistics	
Cronbach's alpha	No. of items
.822	4

Cronbach's alpha had a value of 0.822, which is above the 0.7 threshold value (Churchill, 1979; Nunnaly, 1978). Table 6.9 (ii) indicates that three of the four sub-factors had returned satisfactory reliable coefficients of 0.72, 0.76 and 0.75 while the fourth sub-factor had a good reliable coefficient of 0.80. These values are above 0.7 and it therefore means that they were all acceptable and reliable constructs.

Table 6.9 (ii) Item-total statistics

Item-total statistics				
	Scale mean if item deleted	Scale variance if item deleted	Corrected item-total correlation	Cronbach's alpha if item deleted
SecEQ24 My name has been removed from all credit bureaux' information lists	10.30	4.320	.768	.717
SecEQ25 I received clearance certificate. All my debts are settled	10.42	3.714	.707	.762
SecEQ26 I can now buy on credit. I am creditworthy	10.22	4.835	.729	.745
SecEQ27 I am now able to save money and manage my finances well	9.52	5.953	.446	.854

The reliability coefficients of all three factors are above the recommended value of 0.70. This means that all sixteen questions were reliable and accepted, and as such they can be used for further analysis.

6.3.3   Correlation

Correlation indicates the strength and direction of a linear relationship between two random variables (Pallant, 2010:116), and it is often measured as a correlation coefficient.

Table 6.10: Correlations

Correlations		DCP	ETDC	EDC
DCP	Pearson correlation	1	.650[**]	.367[**]
	Sig. (2-tailed)		.000	.000
	N	182	182	182
ETDC	Pearson correlation	.650[**]	1	.457[**]
	Sig. (2-tailed)	.000		.000
	N	182	182	182
EDC	Pearson correlation	.367[**]	.457[**]	1
	Sig. (2-tailed)	.000	.000	
	N	182	182	182
** Correlation is significant at the 0.01 level (2-tailed).				

Table 6.10 indicates that all the factors had a p-value which is less that 0.05 (p<0.05) and a coefficient higher than 0.30, meaning they were all correlated and that the relationship was significant. The empirical results and the inferential statistics obtained from the questions that were posed in the questionnaire are presented in Section 6.4.

6.4   EMPIRICAL RESULTS AND INFERENTIAL STATISTICS

In this section, responses relating to how respondents experienced the debt counselling process, how they regarded the effectiveness of debt counselling, and how debt counselling service affected their lives are analysed. The presentation and interpretation of results follow the same sequence as that of the questions in the questionnaire.

6.4.1 Debt counselling process

Several questions regarding the debt counselling process (section C of Annexure J) were posed to the respondents and their responses are discussed in subsections 6.4.1.1 to 6.4.1.6.

6.4.1.1   It was easy to apply for debt counselling (SecCQ10)

In response to SecCQ10, almost all of the respondents (95.6%) agreed that it was easy for them to apply for debt counselling, while 2.2% disagreed and 2.2% were uncertain (see Annexure K1).

When testing the demographic variables with regard to the ease of applying for debt counselling, results reveal that none of the demographic variables (gender, age, ethnicity, educational level, marital status and municipal area) discussed in 6.2, had any significant relationship with Q10 (see Annexure L).   This means that application for debt counselling is independent of the application profile such as gender, age, ethnicity, education, marital status and municipal area.

6.4.1.2   Informed about process, procedure, implications and fees (SecCQ11)

A total of 97.8% of the respondents agreed that they were informed about the debt counselling process, procedure, implications and fees before they signed any documentation, while 0.5% disagreed (see Annexure K1).   This concurs with what most debt counsellors articulated, namely that they engaged their clients in meetings and explained the procedures before clients could sign any documents.   However, results (see Annexure L) illustrate that Q11 did not have any significant relationship with any of the demographic variables.

6.4.1.3   It took two to three months for application to be processed (SecCQ12)

This question was discarded by factor analysis (Table 6.4), however, municipal areas have an association with the period it takes for applications to be processed (see Annexure L).

Furthermore, it was revealed that more than half of the respondents (69.3%) agreed that it took two to three months for their applications to be processed, while 7.1% strongly disagreed (see Annexure K1). This is in line with what the NCR stipulates, namely that applications for debt counselling should be processed within 60 months (NCR, 2012). The assumption could be made that, because these municipal areas are in Gauteng and the office of the National Credit Regulator is also located in Gauteng, it is quicker for all stakeholders to process applications.

6.4.1.4   An affordable and manageable monthly repayment arranged for all debts (SecCQ13)

Almost all of the respondents (irrespective of gender, age, ethnicity, education, marital status or municipal area) (96.7%) agreed that an affordable and manageable monthly repayment were arranged for all their debts (see Annexure K1). Only 3.3% were uncertain and the results (see Annexure L) also illustrate that re-arrangement of monthly payments has no relationship with any demographic variables.

6.4.1.5   Single amount paid to PDAs every month (SecCQ14)

Statutory requirements that customers should pay a single amount to a PDA every month were confirmed by 97.3% of respondents who agreed to pay a single amount to a PDA every month (see Annexure K1). Following from the above question (SecCQ13), the monthly repayments had no significance to any of the demographic variables (see Annexure L). This means that the monthly payments amounts were not related to any of the aspects of the demographics profile.

6.4.1.6   Always kept updated with progress and status of accounts (SecCQ15)

Although Question 15 was also discarded by factor analysis, the question had a strong relationship to both education and municipal areas (Table 6.11). In addition, 69.8% of the respondents agreed that they were kept updated with their progress and status of their accounts, while 18.6% disagreed (see Annexure K1). It is evident from Table 6.1 that the level of literacy (matric and above) amongst the respondents was high (76.4%) and therefore

it necessitated that debt counsellors and PDAs keep respondents informed because they could read and understand statement of accounts. The respondents were located in municipalities of Gauteng where a variety of resources to keep customers updated with their accounts is available.

Table 6.11: Always kept updated with progress and status of accounts

Variable	Chi-square	Degree of freedom (Df)	Significance Sig.
Gender	.228	2	.892
Age	4.381	12	.976
Ethnicity	5.061	6	.536[a,b]
Education	9.618	4	.047*,
Marital status	2.542	6	.864[a,b]
Municipal area	25.332	4	.000*

6.4.2 Effectiveness of debt counselling

In this sub-section, the analysis of results relating to the questions regarding the effectiveness of debt counselling process (section D of Annexure J) is presented.

6.4.2.1   Debt counselling (DC) gives peace of mind and stress-free financial life (SecDQ16)

Of the respondents, 97.0% agreed that debt counselling gave them peace of mind and that they enjoyed a happy and a stress-free financial life, while only 0.5% disagreed (see Annexure K2). However, as illustrated in Annexure L, Q16 did not have any significant relationship with any of the demographic variables.

6.4.2.2   DC assisted in paying all the debts (SecDQ17)

Although 90.1% of the respondents agreed that debt counselling assisted them in paying their debts, 3.3% disagreed (see Annexure K2). No relationship is depicted between Q17 and the rest of the demographic variables (see Annexure L).

6.4.2.3   DC prevents asset repossessions (SecDQ18)

A total of 93.4% agreed that debt counselling prevented their assets from being repossessed, while 6.6% were not sure and no one disagreed (see Annexure K2). Results as per Annexure L further indicate no association of Q18 with demographic variables.

6.4.2.4   DC teaches how to manage finances (SecD19)

The descriptive statistics (see Annexure K2) showed that 87.4% of the respondents agreed that debt counselling taught them to manage their finances, and only 1.1% disagreed. No further relationship with any of the demographic variables is depicted (see Annexure L).

6.4.2.5   DC prevents creditors from taking legal action (SecDQ20)

It is pointed out that 94.6% of the respondents agreed that debt counselling prevented creditors from taking legal action against them, while 5.5% were uncertain and no one disagreed (see Annexure K2). Results portray that Q20 is significantly related to three of the demographic variables (age, education and municipal area) as reflected in Table 6.12.

Table 6.12: DC prevents creditors from taking legal action

Age	Chi-square	18.156
	Df	6
	Sig.	.006[a,*]
Education	Chi-square	6.278
	Df	2
	Sig.	.043[a,*]
Municipal Area	Chi-square	13.017
	Df	2
	Sig.	.001[a,*]

6.4.2.6 DC is an answer to all debt problems (SecDQ21)

In addition, Q21 is depicted as having a close relationship with education and municipal area variables as illustrated in Table 6.13. The results also indicated that more than half of the respondents (68.2%) agreed that debt counselling is an answer to all their debt problems and 2.2% disagreed (Annexure K2).

Table 6.13: DC is an answer to all debt problems

Education	Chi-square	12.490
	Df	4
	Sig.	.014[a,b*]
Municipal area	Chi-square	21.475
	Df	4
	Sig.	.000[a,*]

6.4.2.7 DC relieves, no worries about finances or losing possessions (SecEQ22)

The principal component analysis performed (Table 6.4), revealed that Q22 did not fit well to Factor 3 construct that relates to the effect of debt counselling (EDC), hence it was transferred to the effectiveness of the debt counselling (ETDC) construct (Table 6.4).

127

The descriptive statistics results (see Annexure K3) show that 95.7%% of the respondents agreed that debt counselling made them feel relieved and they did not have to worry about losing any of their possessions, while 1.1% disagreed. Pearson's chi-square conducted revealed that this question (Q22) had no significance to any of the demographic variables.

6.4.2.8   DC helps to recover from debts (SecEQ23)

The principal component analysis conducted also removed Q23 from the EDC construct and placed it also under ETDC construct as well (Table 6.4). Pearson's chi-square results showed that recovering from debts had a significant relationship with education as illustrated in Table 6.14, and 90.7% of the respondents agreed that debt counselling helped them to recover from their debts, while only 2.1% disagreed (see Annexure K3).

Table 6.14: Education

SecDQ23 - Debt counselling helped me recover from my debts	Chi-square	10.509
	Df	4
	Sig.	.033[a,b,*]

6.4.3 Impact of debt counselling

Respondents were also requested to indicate on a five-point Likert-type scale the effect that debt counselling had on their lives while they were undergoing debt review. The responses are indicated in Annexure K3. Pearson's chi-square results (see Annexure L) further indicated Q27 being the only question having an association with education and municipal area variables under this construct.

6.4.3.1   Name removed from Credit Bureaux' information lists (SecEQ24)

The results signified that 61.0% of the respondents were not sure (uncertain) whether their names have been removed from the Credit Bureaux' information lists, while a further 22.5% agreed and 16.4% disagreed. The fact that more than half of the respondents were not sure whether their names had been removed from the Credit Bureaux' information lists and some (16.4%) were still appearing on the Credit Bureaux' information lists, is an indication that

either the credit providers have not requested that their clients' names be expunged from the Credit Bureaux' information lists or that consumers had not been informed about their rights. The question is whether the NCR is doing enough to educate consumers.

6.4.3.2   Received clearance certificate, all debts settled, have financial freedom (SecEQ25)

In addition, only 29.1% agreed that they had received their clearance certificates, while 37.9% disagreed and 33.0% were uncertain. In accordance with the National Credit Act, once a consumer has completed paying his or her debts, he or she must receive a clearance certificate (Republic of South Africa, 2006). The results thus portray a contradiction with the NCA requirements, because very few had received their certificates. The question arises as to why some consumers have not received their certificates after paying off their debts.

6.4.3.3   Can buy anything on credit (SecEQ26)

A total of 70.3% of the respondents were also not sure (uncertain) whether they were creditworthy and whether they could buy goods on credit or not, while only 22.5% agreed that they were creditworthy. This also gives an impression that participating consumers were not aware of the consumer rights prescribed by the NCA. The question is who must inform consumers about their rights.

6.4.3.4   Able to save money, can manage finances well (SecEQ27)

The results further indicated that 78.6% of the respondents agreed that they were able to save money and that they were able to manage their finances very well, while only 1.6% disagreed. Table 6.15 signifies the relationship that Q27 has with education and municipal area variables.

Table 6.15: Able to save money, can manage finances

Education	Chi-square	12.050
	Df	4
	Sig.	.017[a,b*]
Municipal area	Chi-square	11.229
	Df	4
	Sig.	.024[a,b*]

In section 6.5, the respondents' experiences are presented and analysed.

6.5   EXPERIENCES OF THE RESPONDENTS

Respondents were requested to include their experiences relating to the debt counselling service they received from the debt counsellors. This was an optional and an open-ended question and, as a result, only 55 of the 182 respondents (30.0%) shared their experiences.

The answers were subsequently categorised as set out in Table 6.16.

Table 6.16: Respondents' experiences and suggestions

Experiences	No. of respondents	Percentages
I will tell friends and family about debt counselling	16	29.1
Have not received clearance certificate	7	12.7
Although I have peace, my debts have increased due to interests charged	6	10.9
Cannot buy on credit	6	10.9
I did not know my progress till the end	4	7.3
Creditors phone even if we pay	3	5.5
More people should know about debt counselling. More education	3	5.5
Still under debt review	3	5.5
Bank wanted to repossess my car in 2009, debt counselling helped me	2	3.6
Debt counselling helped me to have financial freedom	1	1.8
I helped myself to pay all my debts	1	1.8
Payment date must be clarified and payment must be made to creditors on time	1	1.8
The whole process was explained to me	1	1.8
Will never buy on credit again	1	1.8
Total	55	100.0

It is noticeable from Table 6.16 that sixteen of the respondents (29.1%) confirmed that they would recommend debt counselling to other people and seven (12.7%) had not received their clearance certificates. Furthermore, six respondents (10.9%) indicated that debt counselling increased their debts and as such they could not buy on credit. Four of the respondents (7.3%) pointed out that they were not informed of the progress and balances on their accounts while three (5.5%) stated that some creditors kept on phoning them while under debt counselling, and suggested that consumers be educated about debt counselling services.

Another 5.5% of the respondents indicated that they were still under debt review. However two of the respondents (3.6%) highlighted how debt counselling prevented their cars from being repossessed, and only one respondent (1.8%) mentioned that he or she helped himself or herself to pay debts. The same person insisted that the payment date be clarified and creditors be paid on time. He or she confirmed that the process was explained to him or her and that he or she would never buy on credit anymore.

6.6   SUMMARY

The chapter reported and analysed the results from the empirical study. Three hundred questionnaires were initially distributed by the debt counsellors to their clients and 182 were returned, yielding a response rate of 61%. The demographic profile of the 182 respondents indicated that 57% were females and 43% were males. The majority of the respondents were blacks, and they were between the ages of 40 and 49 years. In terms of educational level and marital status, most of the respondents had a matric qualification and were married.

The responses gathered from the second section of the questionnaire (knowledge of the debt counselling concept) indicated that the respondents were not aware of the debt counselling service; they were referred by other consumers to the debt counsellors and they even thought that the service was new in South Africa.

In response to the third section of the questionnaire, the majority of the respondents (95.6 %) revealed that it was easy for them to apply for debt counselling. They were informed about debt counselling process, an affordable and manageable monthly repayment was arranged for all their debts, and they paid a single amount to a PDA every month. However, the amount they owed increased due to interest charged.

Regarding the effectiveness of debt counselling, the respondents pointed out that debt counselling was an answer to their debt problems because debt counselling:
- gave them peace of mind;
- assisted them in paying their debts;
- prevented their assets from being repossessed;
- prevented creditors from taking legal action against them; and

- taught them to manage their finances.

When responding to questions that related to the effect of debt counselling, the respondents agreed that debt counselling made them feel relieved, assisted them in recovering from their debts and they were now able to save money. However, respondents were not sure whether their names had been removed from the Credit Bureaux' information lists and they were also uncertain whether they were creditworthy or not. In addition, some of the respondents indicated that they had not received their clearance certificates even though their debts had been paid up.

The descriptive statistics relating to each question were presented, wherein the frequencies and cross-tabulations of each question were described. Furthermore, Bartlett's test of sphericity and Kaiser Meyer-Olkin (KMO) measures were used to test the suitability of each identified construct. These constructs were then further subjected to exploratory factor analysis.

It was clear from the principal component analysis that the original constructs did not validate, and as such, Question 12 (It took two to three months for my application to be processed), Question 15 (I was always kept up to date with the progress and status of my accounts) and Question 28 (I will recommend debt counselling to people who need it) were discarded for validity test. Question 22 (Debt counselling made me feel relieved. I did not have to worry about my finances or lose any of my possessions) and Question 23 (Debt counselling helped me recover from my debts) were transferred from Factor 3 (EDC) to Factor 1 (ETDC).

Cronbach's alpha reliability coefficient was used to determine the reliability of the identified constructs and it was indicated that all constructs had a strong correlation with each other.

The chi-square test was also used to determine the strength of relationship (correlation) amongst the identified constructs. It was concluded that while respondents agreed with most of the constructs identified, these constructs were not necessarily associated with the demographic profiles of respondents. Only two demographic variables (education and municipality) seemed to have significant relationships with some of the constructs, while age

indicated an association with Q20 (Debt counselling prevents creditors from taking legal action) only.

Finally, the respondents' experiences about the debt counselling process were requested. Only 55 responses from the 182 respondents were received and analysed. From the respondents' experiences, it was concluded that the debt counselling process needs to be reviewed.

In the next and final chapter, recommendations based on the findings that were arrived at in this chapter and those from Chapter 5 are made. The contribution that this study makes, the limitations encountered and areas that are recommended for future research are also indicated. In the end, the conclusions that this study arrived at are also discussed.

CHAPTER 7
FINDINGS AND RECOMMENDATIONS

7.1   INTRODUCTION

Individuals' needs grow and change throughout their life cycles. As these needs change, so do the individuals' lifestyles and their financial plans. An individual's lifestyle may be affected by factors such as personal values, goals and choices, while his or her financial plan depends on financial goals and aspirations. A change in any individual's lifestyle therefore requires an individual to re-evaluate his or her financial plan.

Some individuals are able to cope with their changing needs because they have financial management knowledge, which they have gained either during the early stages of their life or they have acquired financial management skills through their life experiences. Such individuals are also able to save money and make provision for retirement.

However other individuals lack these skills and as a result, they fail to do proper financial planning or to make decisions in this regard. Because of improper financial planning and decision, individuals end up exploring financial institutions and creating credit, which lands them in debts. South African individuals are no exception.

South Africans have become over-indebted because they spend more than they earn. They rely on borrowing money and succeed at being granted credit. This resulted in a growing number of consumers falling into arrears on their debt repayment and ultimately becoming over-indebted (Bester, 2013). Kannemeyer (2014) refers to the findings of a study conducted by Finscope, which showed that there is an irresponsible use of credit and a need for financial education for South African consumers.

According to De Waal (2013), consumer credit in South Africa is reported to have increased from R230 billion in 1994 to R2.1 trillion in 2012. This increase is largely dominated by unsecured loans which are currently carried by indebted consumers (De Waal, 2013).

Bailey (2013) further states that although credit and the dependence on unsecured loans can be useful, it poses risks, especially when consumer protection and the regulations (instituted by the NCA) are not adhered to.

In this final chapter and for consistency, the purpose of the study is again re-visited in section 7.2. In section 7.3, the findings from the literature study and the research results that relates to how the indebted consumers ended up in debt and how they can be assisted are expounded. Furthermore in section 7.4, the recommendations that are adopted based on the findings as well as the proposed personal financial rehabilitation framework (Figure 7.1) that should enhance the financial well-being of consumers are furnished.

In addition, the contributions that this study makes and the limitations that the researcher encountered are identified in sections 7.5 and 7.6 respectively. The chapter concludes by suggesting topics that merit possible further research.

7.2   THE PURPOSE OF THE STUDY

The purpose of the current study was two-fold (see section 1.2). The first purpose was to assess the role of debt counselling services provided by debt counsellors to consumers. Secondly, the study had to assess whether debt counselling has had a positive effect on the personal financial well-being of consumers who participated in the debt counselling process.

Ensuing from the purpose of the study, two research questions were suggested as follows:
1. How does the debt counselling service provided by debt counsellors assist consumers to manage their finances effectively?
2. Which role does the debt counselling service provided by debt counsellors play in terms of the personal financial well-being of consumers?

In order to realise the purpose of the study and to answer the research questions, a literature study and the empirical research were conducted. The literature study was followed by a detailed description of the research design and the methodology followed by the study. After explaining the research design and the methodology, the instruments and the methods applied in this study and the survey data collected using qualitative and quantitative approaches were

interpreted in Chapters 5 and 6 respectively. The findings that emanated from these studies follow in section 7.3.

7.3 FINDINGS

The following findings emanated from the study.

7.3.1 Findings from the literature study

From the literature studied, both the theoretical perspectives of personal finance (Chapter 2) and the debt counselling process (Chapter 3) were covered, and the findings are presented in this subsection.

It was identified that personal financial planning is key to avoid being over-indebted. Personal financial planning assists in determining an individual's short and long-term financial goals and it helps to create a balanced plan to meet those goals (National Credit Act Info, 2012). Personal financial planning is therefore an ultimate goal that helps to achieve personal economic independence. The important tool to use in planning personal finances is a budget.

A budget must include all the income that an individual receives and all the expenses that an individual incurs either on a monthly or a yearly basis. Budgets help individuals to identify all sources of income and the important expenditure items. Budgets can also assist individuals in making informed decisions because they can decide whether to buy goods for cash or on credit, and as such, they can achieve control and an understanding of their financial affairs (Botha et al., 2012).

The complexity of making financial decisions results in individuals living beyond their means, or having exorbitant lifestyles that they cannot afford (see subsection 1.1.2), and as a result, individuals end up creating debt. Individuals who have adequate revenue and cash flow are able to service their debt. However, some individuals default on their instalments and create bad debts. Bad debt has multiple effects on a consumer's financial well-being (section 2.4). Four effects were identified, namely:

- missed payments leading to higher interest rates and lowered credit limits;

- negative credit reporting to the credit reporting agencies;

- higher costs incurred because of bad credit ratings; and

- the consumer being treated as a financial risk.

The National Credit Act No. 34 of 2005 (NCA) and the Consumer Protection Act No. 68 of 2008 (CPA) were put in place by the South African government to protect consumers from unfair credit practices. The aim of the NCA is to promote a fair and non-discriminatory market-place for access to consumer credit and to provide for the general regulation of consumer credit. As a result, the National Credit Regulator (NCR) was established (NCR, 2013). The NCR is responsible for the registration and regulation of credit providers, credit bureaux and debt counsellors. On the other hand, the aim of the CPA is to promote consumer activism by making provision for the accreditation of consumer groups tasked with lodging complaints on behalf of consumers; hence the establishment of the National Consumer Commission as stated (Republic of South Africa, 2012).

A significant number of South African consumers use their disposable income to service debt (De Waal, 2013). Unsecured lending, according to Theobald and Dick (2013), has grown from R7 billion in 2008 to R29 billion in 2012, and this is driving the debt spiral. The consequence is that an increasing number of consumers have become over-indebted. Consumers are therefore resorting to debt counselling to seek assistance and protection.

The NCR (2014) confirms the ongoing increase in the number of consumers seeking debt counselling assistance since 2008. According to NCR (2014), debt counsellors are also succeeding in helping consumers to pay their debts through payment distribution agencies (see subsection 3.4.2). It can be concluded that:

- Better financial management understanding can be achieved when measurable financial goals are set, and the effects associated with bad credit decisions understood and the results reviewed.

- Setting up a personal budget can assist individuals to manage their finances better and to re-evaluate their lifestyles.

- The introduction of the debt counselling service benefits over-indebted consumers by affording them manageable monthly payments and protecting them from aggressive credit providers who are quick to take legal action.

- Some debt counsellors are inadequately trained. They do not understand how the process works, and hence backlogs develop in the debt counselling process. In addition, the lack of co-operation between credit providers and debt counsellors suggests that NCR is not appropriately monitoring according to its mandate.

- Based on the increase in the demand for debt counselling, it can be assumed that consumers regard debt counselling as a way of rehabilitation.

- From the literature study, it appeared that there is a lack of empirical research about the role of debt counselling on the financial well-being of consumers in South Africa. This served as a motivation for undertaking this study.

Previous studies indicated that debt counselling has challenges, which included:

- the level of competence and a lack of expertise of some of the debt counsellors (Goslett, 2011; Groenewald, 2010);

- lack of commitment, understanding or knowledge of the process (Business Enterprises, 2012);

- backlogs in the debt counselling process (MFSA, 2010); and

- a lack of co-operation between the debt counsellors and the credit providers (Roestoff et al., 2009).

7.3.2 Findings from the empirical results in relation to the study objective

The primary objective of the study was to explore and describe the role of debt counselling in terms of the personal financial well-being of consumers in Gauteng. In achieving the primary objective, the first, second and third secondary objectives (see subsection 1.3.2) had to be attained by employing a qualitative design and a quantitative design in the first and second phases of the study as described in Chapters 5 and 6 respectively. The findings arrived at are presented in subsections 7.3.2.1 and 7.3.2.2. The fourth and fifth secondary objectives (subsection 1.3.2) were accomplished as indicated by the recommendations formulated under subsections 7.4.3 and 7.4.4 respectively.

7.3.2.1   Qualitative study

The purpose of the qualitative study was to find answers to the question: "How does the debt counselling service provided by debt counsellors assist consumers to manage their finances effectively?"

Based on the responses gathered from most of the debt counsellors interviewed, there were more blacks (73%) and more males (57%) from Gauteng who were applying for debt counselling. Furthermore, the respondents indicated that most of their clients were working, were earning a salary and had acquired unsecured debts from various financial institutions. Debt counsellors also indicated groceries and rent as the major expenses incurred by their clients, and they have identified a lack of financial management knowledge and expensive lifestyles as the major reasons for their clients' over-indebtedness.

Furthermore, the debt counsellors pointed out that they used prescribed guidelines in conducting the debt counselling process, although it was noticeable that they did not necessarily follow them in the prescribed order. The most important documents required to accompany the application for debt counselling are the individual's payslip, identity document, latest statement from the credit provider, proof of residence and a three-month bank statement. The duration of the debt counselling process depends entirely on the amount the over-indebted client owes, but cannot exceed five years.

It was noted that most debt counsellors (between 47% and 53%) used provision of aftercare or moral support method as well as reviewing of the accounts of their clients as their intervention methods. Debt counsellors also indicated that they did not collect money from their clients but handed their clients over to PDAs for monthly payment collections. Though most of the debt counsellors (67%) agreed that they received support from the NCR, few debt counsellors (33%) indicated reasons for their dissatisfaction regarding support from the NCR.

The majority of the debt counsellors (87%) interviewed did not have mechanisms to verify the financial well-being of their clients. It can be concluded that:

- Even though most of the over-indebted consumers were working and earning a salary, they did not necessarily know how to manage their finances. They did not have fixed assets that could be used as collateral (security) and hence they resorted to unsecured lending.

- Most of the respondents acknowledged a lack of financial management knowledge.

- The moral support and the reviewing of accounts by the debt counsellors were not sufficient methods for intervention.

- Debt counsellors need to have mechanisms that they could use to verify the financial well-being of consumers once the debt counselling service had been completed.

- The NCR needs to monitor and support all debt counsellors continuously for proper delivery of debt counselling services.

The findings from the quantitative study follow in subsection 7.3.2.2.

7.3.2.2   Quantitative study

The purpose of the quantitative study was to find answers to the question: "Which role does the debt counselling service provided by debt counsellors play in terms of the personal financial well-being of consumers?"

Following from the findings of the quantitative study, the demographic profile of the respondents indicated that there were more females (57%) than males (43%) from Gauteng who received debt counselling services and the majority of the respondents were between the ages of 40 and 49 years. Furthermore, it was indicated that of the 182 respondents, 63% were blacks, 22% were whites, and the coloureds and indians/asians comprised 12% and 3% respectively. With regard to education, 41% of the respondents had passed matric and 36% had a post-matric qualification, while the rest did not have matric. In addition, more than half of the respondents (51%) were married, while 31.9% were single and the rest were either divorced or widowed (Table 6.1).

A questionnaire was used to elicit information regarding the following:
- respondents' knowledge of the debt counselling process concept;
- the debt counselling process;

- the effectiveness of the debt counselling process; and
- the effect of debt counselling process.

The questionnaire was compiled in relation to the literature studied. The validity of the questionnaire was assessed by means of exploratory factor analysis. Two statistical measures (Bartlett's test of sphericity and the KMO) were used to assess the factorability of the data.

Factor analysis identified three factors or components from the data, which related to the role of debt counselling in terms of the personal financial well-being of consumers. The rotated factor or component matrix converged and iterated all the constructs. After the iterations, the principal component analysis discarded three questions because they did not fit well for the validity test (Table 6.4). Two more questions were also transferred from component 3 (EDC) to component 1 (ETDC).

Between 60% and 90% of the respondents stated that debt counselling was an answer to their debt problems, that it taught them to manage their finances and that they were able to save money. The majority of respondents (more than 90%) further indicated that:
- it was easy for them to apply for debt counselling;
- they were informed about the debt counselling process;
- an affordable and manageable monthly repayment was arranged for all their debts (even though the amount they owed increased due to interests charged);
- they paid a single amount to a PDA every month;
- debt counselling gave them peace of mind;
- debt counselling assisted them in paying their debts;
- debt counselling prevented their assets from being repossessed;
- debt counselling prevented creditors from taking legal action against them;
- debt counselling made them feel relieved; and
- debt counselling helped them to recover from their debts.

However, 61% of the respondents were not sure whether their names had been removed from the Credit Bureaux' information lists and 70% were uncertain whether they were creditworthy or not. In addition, 38% of the respondents indicated that they had not received

their clearance certificates even though they had completed paying their debts. It can be concluded that:

- Most consumers become over-indebted when they are between the ages of 40 and 49 years (as explained in subsection 6.2.1.2).
- Education, location and age seem to have a significant relationship with some of the constructs.
- More attention should be given to factor 1, given the fact that some of its constructs were discarded and some constructs from factor 3 were transferred to factor 1 (Table 6.4).
- Although some of the respondents were pleased with the service they obtained from the debt counsellors, some were discontent because their debts had increased, their names had not been expunged from the Credit Bureaux' information lists and they had not received their clearance certificates.

The findings from the literature and from the qualitative and the quantitative study have been summarised in subsections 7.3.1 and 7.3.2. The recommendations drawn from these findings follow in section 7.4.

7.4   RECOMMENDATIONS

The recommendations that follow are a culmination of the literature studied and the survey results for this study.

7.4.1   Recommendations following from the literature study

The literature studied indicated that some of the debt counsellors were inadequately trained, there was a lack of co-operation between the debt counsellors and the credit providers, and as such, the backlog in the debt counselling service had increased. The NCR was not appropriately monitoring the services rendered by both the debt counsellors and the credit providers, consumers were over-indebted because they lacked financial management skills and the demand for debt counselling service was continuously increasing. As a result, the following recommendations are proposed:

7.4.1.1　　　　　Recommendations for the debt counsellors

To enhance proper debt counselling and ultimately financial management skills for indebted consumers, it is recommended that:

- Before a person is registered as a debt counsellor, he or she must have the necessary knowledge and qualifications on personal financial management matters.
- In addition to the training offered by the NCR, debt counsellors should be subjected to formal training and assessment on business-related matters that includes financial management education.　They should also be awarded with advanced certificates of competence once they have completed the course.
- More forums or associations for debt counsellors (like the SA Black Debt Counsellors' Forum) should be established.　Debt counsellors could use these forums to share their knowledge and experiences.
- After the rehabilitation process of the over-indebted consumers, debt counsellors should assist consumers to manage their finances by encouraging them to use the proposed personal financial plan (see Figure 7.1).　Debt counsellors can use the plan as a mechanism to verify the financial well-being of consumers once the debt counselling service is complete.　The proposed personal financial plan is discussed under subsection 7.4.4.

7.4.1.2　　　　　Recommendations for over-indebted consumers

To enhance the personal financial management planning and decisions, individuals should:
- first determine their current financial situation or position before engaging in credit purchases;
- clearly identify their personal needs and relate them to their financial position before making any financial decision;
- consider their personal values and economic factors that may affect their financial decisions;
- seek financial advice prior to making any financial commitments;
- acquire personal financial management knowledge by enrolling with institutions that offer personal management courses; and

- enquire at their places of employment whether programmes such as 'personal finance training' are provided, and then participate in these.

7.4.1.3   Recommendations for the South African government

Government should institute measures that can assist over-indebted consumers and measures that can prevent consumers from becoming over-indebted by:

- clearly defining reckless lending and enforcing reckless lending controls as promulgated by the NCA;
- putting in place criteria that credit providers should adhere to when offering personal loans (including unsecured loans);
- re-examining whether the current levels of pricing caps under the NCA are appropriate;
- reinforcing the current monitoring of debt counsellors and credit providers by the NCR to ensure full compliance with the NCA regulations;
- conducting road-shows that can enlighten and encourage consumers in terms of the importance of managing personal finance;
- introducing and incorporating a financial management curriculum in both primary and high schools;
- introducing a financial management curriculum to adult learning institutions like Adult Basic Education and Training (ABET);
- liaising with universities in offering short learning programmes in personal financial management;
- affording consumers internet access, so that they can improve their financial skills by accessing learning resources like a Massive Open Online Course (MOOC) or an Open Education Resource (OER);
- collaborating with the South African Savings Institute (SASI) in educating South African consumers about finance-related matters;
- involving institutions like Teach Children to Save South Africa (TCTS SA) to educate, promote and encourage the South African youth about matters related to financial management; and
- collaborating with the South African Broadcasting Corporation (SABC) in including financial management education in their current educational programmes. A new

programme that is dedicated to financial management education can also be established.

In order for the co-operation between debt counsellors and credit providers to improve, and to enhance debt counselling services provided by debt counsellors, recommendations for the NCR are also proposed by this study. These recommendations are furnished and discussed under 7.4.3.

7.4.2 Recommendations following from the survey results

The empirical results indicated that the over-indebted consumers were working and earning a salary but they were unfortunately spending more than they were earning. These consumers did not have the ability to prioritise their expenses. It was also identified that because they did not have fixed assets, they resorted to unsecured lending which is easily accessible from unscrupulous credit providers. It was further identified that the over-indebted consumers lacked financial management knowledge.

The results further signified that the participating debt counsellors had insufficient intervention methods to assist their clients during the debt counselling process and these debt counsellors also lacked mechanisms that they could employ to verify their clients' financial well-being after the debt counselling service. In addition, it was pointed out that some consumers struggled to receive their clearance certificates and getting their names expunged from the credit bureaux lists after paying off their debts. It is therefore recommended that:

- Personal financial management education should be given to consumers at an early stage in their lives. The Department of Education and Training (DET) should collaborate with the NCR and include personal financial management as part of the curriculum from the primary level of schooling. The subject Life Orientation that is offered at high school level should also incorporate financial management skills. This will enhance understanding of financial management from an early age.

- The topics that could be included at primary level may include defining and explaining credit, savings and loans, while at the high school level, the importance of personal finance, types of loans, and advantages and disadvantages of buying goods on credit could be included.

- Personal financial management education should be made compulsory at adult learning centres.

- Topics that could be included at adult learning centres could include importance of saving and budgeting, risks associated with borrowing, over-indebtedness and its consequences.

- Credit providers should take the responsibility for offering their customers basic financial management skills on how to manage their accounts. Credit providers could concentrate on indicating to consumers how credit is granted and how creditworthiness is determined. Furthermore, the advantages of paying the stipulated instalment and paying the instalment on the due date should also be emphasised. This would enhance the basic financial management skills of consumers.

- Employers, in consultation with their human resources department, should appoint employee wellness officers, who can provide personal finance training and advice on financial management-related matters to employees. Sessions like these would alleviate absenteeism and unproductiveness due to debt stress.

- Debt counsellors should include and conduct personal financial management lessons to their clients as part of their intervention methods and set a period to assess their clients' running of their personal financial matters after the debt counselling process, as a mechanism for the clients' financial position verification. This could assist consumers in sustaining their financial matters.

- Debt counsellors should be compelled to submit names of their rehabilitated clients to the NCR for immediate issuing of clearance certificates and to the credit bureaux for credit rating changes. This will aid consumers in recovering their creditworthiness.

7.4.3   Recommendations for the NCR

Following from the literature study and the empirical results, it was noted that some of the registered debt counsellors were not adequately trained. At the time of the study, the NCR was not monitoring and supporting both the debt counsellors and the credit providers appropriately as mandated by the NCA. The NCR was not responding to complaints raised by some of the debt counsellors regarding the lack of co-operation from some of the credit providers.   The NCR was also taking time in registering the transfer of consumers from one debt counsellor to another and there was a delay in the issuing of clearance certificates. It is therefore recommended that:

- Debt counsellors training need to be reassessed. Matric certificate and work experience are not sufficient qualifications for a person to become a competent debt counsellor. The content of the debt counsellors' training manuals need to be upgraded. An outcomes- based approach with exposure to business management may alter the situation. Preference should be given to hands-on real business experience (for example communication, leadership and time management skills). By doing such courses, debt counsellors will gain a better understanding of the debt counselling process and will be able to manage their services more efficiently.

- Formalise the training of the prospective debt counsellors. Accredited trainers with financial management knowledge to train debt counsellors should be appointed. Critical issues, such as financial planning and drawing up of budgets, should be incorporated.   Furthermore, during such training sessions, prospective debt counsellors should be subjected to assessment criteria and be granted either a certificate of competence or an advanced certificate prior to their registration. Arrangements can be made with accredited institutions of higher learning that offer business management courses. This will eradicate the registration of incompetent debt counsellors.

- Appraise performance of debt counsellors. The NCR must appraise the outstanding performances of various debt counsellors so as to encourage excellence. These performances can be made public in the debt counsellors' regular newsletters, in order

to motivate other less performing debt counsellors. South African media can also be used to announce regular outstanding performances of debt counsellors. This will stimulate recognition of debt counsellors and performance will therefore be improved.

- Monitor and support the debt counsellors and the credit providers. Following from the performance appraisal recommendation, external monitors who will evaluate and report on the services of debt counsellors should be appointed. The reports should be made public so that each debt counsellor can become aware of how his or her counterparts perform. This would encourage efficient service provision.

- Transferring of consumers from one debt counsellor to another. The NCR must set up a special and independent section or department that will be responsible for consumer transfers. The responsibility of this section should be to assist over-indebted consumer, who want to be transferred from one debt counsellor to another. This will alleviate the delay in registering over-indebted consumers for the debt counselling process.

- Increase of amount of debt owed by consumers. The NCR must regulate and monitor fees that are charged by attorneys as well as interest rates charged by PDAs. This will eliminate unwarranted increases in the amounts owed by consumers due to other charges.

- Clearance certificates. Consumers need clearance certificates as proof that they have paid up their debts and can start re-building their financial life. The NCR should therefore give the issuing of clearance certificates priority.

- Educating consumers. The NCR should arrange roadshows to educate consumers about the dangers of incurring unaffordable debts. The NCR should also make consumers aware of the existence of debt counsellors and the services they offer. The South African media can be used for the announcements and for educating consumers.

7.4.4 Recommendations following from the proposed framework

The study also recommends a personal financial rehabilitation framework (Figure 7.1) that could be adapted to help consumers manage their finances better and sustain their financial well-being. The framework suggests a five-step personal financial planning process that consumers can follow to effectively manage their finances after being rehabilitated from over-indebtedness.

The five-step personal financial planning process that the framework suggests includes:
- Determining current financial position. In this step, consumers should determine their current financial situations with regard to income, savings, living expenses and debts. Consumers should compile a list of current assets, current liabilities and debt balances in order to have a foundation for financial planning activities.

- Identify personal financial goals. Consumers should analyse their financial values and attitude toward money. This will assist in identifying financial goals.

- Consider personal values and economic factors. Daily economic activities are other important considerations to be assessed by consumers. The changing economic conditions (Table 2.1) such as retail sales, consumer spending, interest rates, inflation and GDP should be considered.

- Create personal financial plan, draw monthly or yearly budget. This step requires consumers to find ways to achieve their goals. Personal financial statements such as a monthly or yearly budget and income and expenditure statement (Annexures A, B1 & C) can be drawn to match personal financial goals with current income and potential earning power. Consumers should also seek financial guidance and advice from financial specialists like financial planners, bankers, accountants, insurance agents and tax practitioners when making personal financial planning.

- Review personal financial plan. Life events, personal, social and economic factors that keep changing may affect financial needs, and as a result, consumers should assess and review their financial decisions regularly.
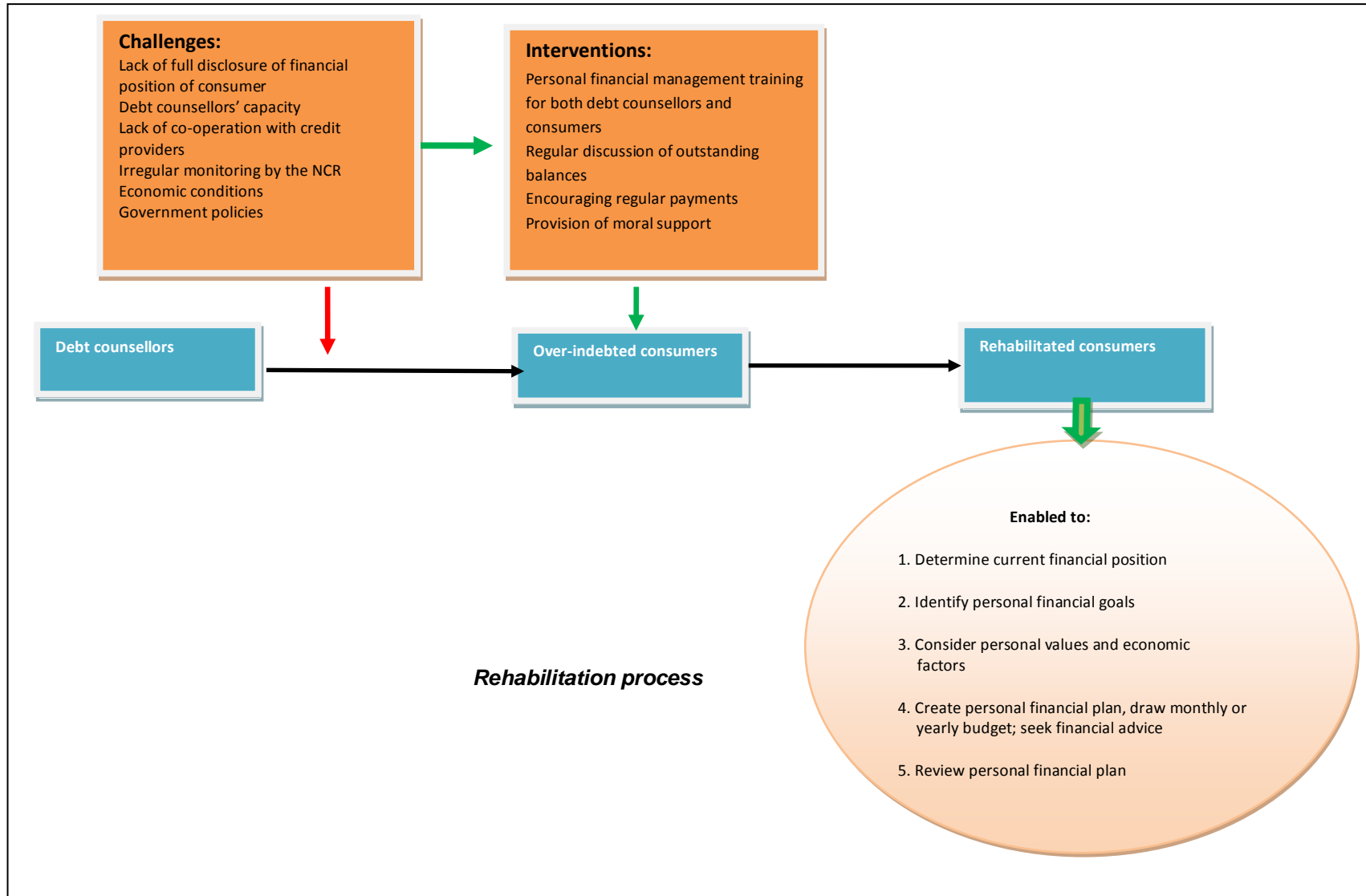
Figure 7.1: Personal financial rehabilitation framework

Source: Author's own composition.

7.5   CONTRIBUTION OF THE STUDY

Previous studies conducted on debt counselling focused mainly on the legal impact of the National Credit Act No. 34 of 2005. This study focused on the role of debt counselling in terms of the financial well-being of consumers. This study has highlighted the possibility of obtaining data from two sample populations (debt counsellors and rehabilitated consumers) and it has contributed new evidence to the theory of personal financial management. This will be described in the subsections 7.5.1 to 7.5.3.

7.5.1   Proposals for the debt counsellors

The findings of this study pointed out that the intervention methods used by the debt counsellors to assist over-indebted consumers were insufficient and that debt counsellors did not have mechanisms that they could use to verify the financial well-being of clients who have completed the debt counselling process. The practical contribution that this study provides resides in the effort to initiate, firstly, that debt counsellors add and conduct personal financial management sessions for their clients as another intervention method and, secondly, that debt counsellors set aside a period to assess their clients' conduct of their financial matters after debt counselling. This can be achieved by encouraging consumers to embrace the proposed personal financial planning process (subsection 7.4.4).

7.5.2   Proposals for the NCR

From the literature studied and the empirical results, it was clear that debt counsellors were not adequately trained by the NCR, the NCR was not monitoring the services rendered by both the debt counsellors and the credit providers properly, and it was not responding to the complaints raised by some of the debt counsellors. Furthermore, it was discovered that the NCR was neither registering the transfer of over-indebted consumers from one debt counsellor to another on time, nor was it issuing clearance certificates to the rehabilitated consumers on time. The results of the study provide insight for debt counsellors and the NCR into the restructuring and amendments of registration policies and practices of the debt counselling process (7.4.3).

7.5.3 Benefits for consumers

The study also revealed that the participating consumers spent more than they earned, they did not have the ability to prioritise their expenses and, in general, lacked financial management knowledge. Following from the recommendations made, this study therefore suggests that consumers are likely to benefit from receiving personal financial management skills if the following could be adhered to.

- Prevention (in the form of financial management education) is better than rehabilitation: In order to stimulate a culture of savings and to equip consumers with a savings ability, the Department of Education and Training (DET) and the NCR should train consumers at an early stage by introducing personal financial management subjects at primary school level. This subject (financial management) should continue to be part of the high school curriculum as well.

    The inclusion of topics like defining and explaining credit, savings and loans at primary level, and at high school level, the importance of personal finance, types of loans, as well as advantages and disadvantages of buying goods on credit could be beneficial.

- Training consumers to be financially sustainable: Offering of basic financial management knowledge by banks and other credit providers to their customers could be beneficial when dealing with consumers who are already over-indebted. Emphasis should be placed on the importance and the advantages of paying instalments when they are due. The personal financial management officer at different employment areas could train employees on how to be financially sustainable as well.

    Short learning programmes on personal financial management could be offered by universities, ABET centres and other institutions of higher learning to enhance consumers' financial management skills.

- Improvement of consumers' quality of life: In an attempt to sustain consumers' financial wellness and to improve consumers' quality of life, road-shows to address the importance of managing personal finance could be arranged by various financial sectors, like banks, the Institute of Credit Management (ICM), the Department of Trade and Industry (Dti), Teach Children to Save South Africa (TCTS SA), the NCR. The Department of Education (DoE) together with organisations from higher education institutions such as the Student in Free Enterprise (SIFE).

  Access to online learning resources like OERs and MOOCs should be made available by government to enhance unlimited learning through interaction by consumers. These resources afford internet access which might empower consumers with financial skills and ultimately, improve their quality of life.

  Rehabilitated consumers can be requested or be invited by debt counsellors to enlighten other consumers about the dangers of over-indebtedness, how they were rehabilitated and what they recommend.

Furthermore, the study makes a contribution in terms of the developed framework which could empower consumers to be self-sufficient with their finances (Figure 7.1). Once validated, it can be used as a guideline.

The framework suggests that consumers should be encouraged by debt counsellors to use a five-step personal financial planning process to start manage their finances once rehabilitated (7.4.4). The rehabilitated consumers should first consider their financial situations and be able to identify personal financial goals. Financial goals should be realistic, specific, measurable and have a time-frame.

Since the financial decisions are affected by the ever-changing economic factors such as consumer prices, interest rates and employment opportunities, consumers should then analyse their personal values, attitude toward money and life situation.

Successful financial planning requires specific goals combined with saving and spending strategies based on consumer's personal situation, social and economic factors. It is for this

reason that the personal financial statements such as personal monthly or yearly budgets should be created. Personal financial planning does not end when actions or steps are completed, consumers should regularly re-evaluate and revise financial plan.

Finally, the thesis indicated ways in which this study might be enhanced by further research. This is discussed under section 7.7. Section 7.6 describes the limitations that were encountered in this study.

7.6 LIMITATIONS OF THE STUDY

According to Simon and Goes (2013), limitations are matters and occurrences that arise in a study and which are out of the researcher's control. Such limitations reduce the extent to which a study can go, and sometimes affect the end result and conclusions that can be drawn. In this study, the following matters and occurrences were out of the researcher's control:

Population: The study was limited to the debt counsellors and their clients in the three municipalities of Gauteng only. The population and the sample were selected based on the records from the NCR (2012), that Gauteng had more registered debt counsellors than other provinces. The replication of the study in other provinces of South Africa would enable better generalisability of the findings of the study.

Limited research studies on the topic: Most studies conducted on debt counselling focused on the legal impact of the National Credit Act No. 34 of 2005 and not on the effect that debt counselling has on the financial well-being of consumers and as such, little reference was made to prior studies.

Reported data: The researcher interviewed the debt counsellors during the first phase of the study and relied on the information that was gathered. Unfortunately, some of the information could not be verified and this might contain some elements of selective memory (remembering or not remembering only certain experiences or events that occurred in the past) or attribution (attributing positive events and outcomes about their own debt counselling services and attributing negative events and outcomes about other stakeholders) and exaggeration of responses.

Access: The researcher requested and relied on the debt counsellors to distribute questionnaires to their clients because the debt counsellors were the ones who could identify the respondents. It was therefore not possible for the researcher to explain the questionnaire further and to encourage respondents to participate. This might have reduced the response rate.

Sections 7.3 to 7.6 deliberated on the conclusions and the recommendations that were arrived at as well as the limitations encountered. Following from the research design and the findings of this study, there are some areas that were identified for further research. These are described in 7.7.

7.7   AREAS FOR FURTHER RESEARCH

After reflecting on the process and the findings, several ideas for further research surfaced and are described as follows:

- The replication of the study with other samples is recommended. This study was limited to over-indebted consumers in Gauteng only. There is a need for a cross-province assessment study, to identify the common effect of the debt counselling process on all the over-indebted consumers in South Africa.

- Since the study found that most of the over-indebted consumers were working and earning a salary, it is recommended that further research be conducted to explore firstly, consumers' performance (whilst over-indebted) in their employment and, secondly, the possibilities of employers' involvement in assisting over-indebted employees.

- It was also noted that there was a delay of monthly payments from the PDAs to the credit providers; hence, the interest charged to consumers. An investigation of the role of the PDA in assisting over-indebted consumer became clear.

- Research that considers both the content and the most effective delivery method of personal financial management education to be offered could be helpful in preventing over-indebtedness.

- Although there was a measurable response rate of 61% from the second phase of the study, future research can investigate the means of increasing the response rate.

- This study provides a conceptual framework to be used in empowering consumers to be self-sufficient with their finances. The framework can further be tested to determine whether it remains valid and reliable in maintaining the sustainable financial well-being of consumers.

- An investigation of individuals who are not over-indebted, or who do not become over-indebted can also be conducted to determine how they manage their finances and prevent over-indebtedness.

- Furthermore, the existence of spurious debt counsellors and their practices could be investigated.

7.8 CONCLUSION

The academic field of personal financial management aims to provide scientific ways of advising and empowering consumers with financial management principles and techniques that can enhance their financial capabilities and financial management skills. This will in turn improve financial literacy and personal financial planning.

Theoretically, individuals should not become over-indebted if they apply personal financial management principles and techniques when planning for their financial needs. Because individuals have different personal values, goals and choices, they should begin at an early stage to make sound financial plans that can assist in attaining their aspirations. In attaining these aspirations, individuals should continue to implement financial management principles and techniques throughout their lives as well. Individuals need to find ways of increasing their earnings by improving their knowledge, skills, qualifications or entrepreneurial abilities.

Individual consumers can prevent being over-indebted by taking the initiative of acquiring personal management skills. They can obtain these skills through registering with institutions that provide financial management education or they can seek financial advice from financial management experts. Government should also be firm on the education system and resolute on introducing financial management education from primary school already. Financial management as a subject must also be included in the Life Orientation curriculum for high schools.

However, individuals who do become over-indebted may make use of debt counsellors as provided for in the National Credit Act (NCA) No 34 of 2005. The NCA provides for the general regulation of the credit market and it aims to promote a fair and non-discriminatory marketplace for access to consumer credit. The NCA further made provision for the establishment of the National Credit Regulator (NCR). With the introduction of the NCR, debt counselling was instituted. Debt counselling was introduced for the purpose of helping indebted consumers who seek debt relief by providing debt restructuring services.

In view of assessing the role of debt counselling, both the literature and the survey have indicated an increasing number of over-indebted consumers who resort to debt counselling for assistance. Through debt counselling, consumers' debts are restructured, their assets are protected from being repossessed, creditors cannot take legal action against these consumers, and consumers are relieved of the debt stress because they can pay a single and affordable amount to a PDA on a monthly basis.

Debt counselling services appeared to have a positive effect on the financial well-being of consumers, because the services were found to be assisting the consumers in paying off their debts and to recover from all their debt problems, including improving their credit ratings. After receiving debt counselling services, some consumers were able to save money and manage their finances better. However, the findings of the survey identified the need for debt counselling to improve.

This study has recommended that debt counsellors must provide personal financial management education to their clients as an addition to the intervention methods that they offer. Furthermore, debt counsellors have to take responsibility of verifying their clients'

financial well-being by assessing how their clients are conducting their financial matters after the debt counselling process.

In addition to the recommendations suggested for debt counsellors, this study recommended that the NCR should do the following:

- debt counsellors should be exposed to business management practices by including financial management in their training manual;
- the services of the accredited training institutions should be employed to train and assess counsellors and to issue advanced certificates to prospective debt counsellors before registering them as debt counsellors;
- regular debt counsellors' newsletters and the South African media should be used to publish, recognise and appraise outstanding performances of debt counsellors in order to encourage excellence;
- external monitors should be appointed to evaluate and report on the services rendered by debt counsellors to encourage efficient service provision;
- an independent department should be established to be responsible for transferring consumers from one debt counsellor to the another to alleviate delays in registering over-indebted consumers for debt counselling;
- fees and interest rates charged by attorneys and PDAs should be regulated to eliminate unnecessary increases in terms of the amount owed by consumers; and
- clearance certificates should be issued immediately to consumers who have paid their debt in full.

The study finally proposed a framework (Figure 7.1) that should enable rehabilitated consumers to manage their finances and be able to sustain their financial well-being after debt counselling services. This framework makes a contribution to the personal management skills of debt counsellors and to consumers' competence as it provides a scientific base to measure financial wellness empirically.

The study was subject to some limitations and, as such, those areas that warrant further research were recommended.

REFERENCE LIST

Adraonline. 2012. *Purposeful collaboration towards financial wellness in South Africa.*
Retrieved from:
http://www.adraonline.co.za/file/10605327fc11d5c3e316a0060d176210/2012-wellness-
brochure-final.pdf [Accessed 30 June 2014].

AIA (Africa International Advisors). 2010. *A survey conducted by AIA on behalf of NCR.*
Retrieved from: http://www.ncr.org.za/pdfs/ [Accessed 11 November 2012].

Allen, P. 2010. *Problems associated with bad credit rating.* Retrieved from:
ghttp://voices.yahoo.com/problems-associated-bad-credit-rating-5827996.html?cat=3
[Accessed 18 May 2013].

Arde, A. 2012. *SA's first financial literacy survey.* Retrieved from:
http://www.iol.co.za/business/personal-finance/sa-s-first-financial-literacy-survey-1.1
[Accessed 30 October 2013].

Babbie, E. & Mouton, J. 2011. *The practice of social research.* Cape Town: Oxford.

Bailey, C. 2013. *Unsecured loans risky for those in debt.* Retrieved from:
http://www.iol.co.za/business/news/unsecured-loans-risky-for-those-in-debt [Accessed 19
April 2014].

Bailey, C.A. 2007. *A guide to qualitative field research.* Second edition. London: Sage.

Barnard, J.F. 2010. *Debt review in a nutshell.* Pretoria: Unboxed Consultancy.

Bedard, M. 2010. *What is the definition of personal finance?* Retrieved from:
http://www.loansafe.org/what-is-the-definition-of-personal-finance [Accessed 12 April
2013].

BERR (Department for Business Enterprise & Regulatory Reform). 2007. *Tackling over-indebtedness*. Retrieved from:
http://collections.europarchive.org/tna/20071204144357/http:/www.berr.gov.uk/files/file42700.pdf [Accessed 10 November 2013].

Bennet, A. 2010. *The importance of having personal financial planning*. Retrieved from:
http://www.articlesbase.com/personal-finance-articles/the-importance-of-having-personal-financial-planning-1712058.html [Accessed 9 May 2013].

Berry, P.R., De Klerk, E.S., Doussy, F., Jansen van Rensburg, J.S., Ngcobo, R.N. & Rehwinkel, A. 2011. *Basic principles of financial accounting*. Second edition. Durban: LexisNexis.

Berry, R.E. & Sue, L.T.M. 2007. Counselling consumer debtors under Canada's Bankruptcy and Insolvency Act. *Osgood Hall Law Journal*, 37(1/2): 369-387.

Bester. L. 2013. *Lifeline for over-indebtedness*. Retrieved from:
http://www.fin24.com/Debt/News/Lifeline-for-over-Indebtedness. (Accessed 25 August 2014).

Bhatt, B. 2011. *Importance of personal finance*. Retrieved from:
http://www.blognbuzz.com/importance-of-personal-finance.html [Accessed 11 May 2013].

Bless, C. & Higson-Smith, C. 2000. *Fundamentals of social research methods: An African perspective*. Cape Town: Juta.

Boone, L.E., Kurtz, D.L. & Hearth, D. 2000. *Planning your financial future*. Second edition. Oak Brook: Dryden Press.

Botha, M., Du Preez, L., Geach, W., Goodall, B., Palframan, J. & Rossini, L. 2012. *Fundamentals of financial planning*. Durban: LexisNexis Group.

Botha, M., Rossini, L., Geach, W., Goodall, B., & Du Preez, L. 2010. *The South African financial planning handbook.* Durban: LexisNexis Group.

Brink, H. 2001. *Fundamentals of research methodology for health care professionals.* Cape Town: Juta.

Business Dictionary. 2011. *Definition of personal finance.* Retrieved from: http://www.businessdictionary.com/definition/personal-finance.html[Accessed11April 2013].

Business Enterprises. 2012. *An assessment of debt counselling in South Africa.* Retrieved from: http://www.ncr.org.za/publications/DC%20Impact%20Assessment%20Report-2012.pdf [Accessed 2 May 2013].

Buthelezi, L. 2013. Households not living beyond their means. *Business Report,* 3 July: 11.

Cameron, B. 2012. *Govt will nudge you to save.* Retrieved from: http://www.iol.co.za/business/personal-finance/financial-planning/investments/govt-will-nudge-you-to-save-1.1325885 [Accessed 18 April 2013].

Capitalmart. 2011. *Investment and accumulation goals.* Retrieved from: http://www.capitalmart-ifa.com/Investment_Accumulation%20_Services.html [Accessed 16 May 2013].

Carrol, T. 2012. *What is estate planning?* Retrieved from: http://www.sanlam.co.za/wps/wcm/connect/Sanlam_EN/sanlam/for+individuals/glacier+by+sanlam/in+the+news/retirement+annuities+remain+a+good+estate+planning+tool [Accessed 16 May 2013].

Chiyangwa, T.B. 2014. *Belief and actual behaviour in green information technology within a South African tertiary institution.* Pretoria: University of South Africa.

Churchill, G.A. 1979. A paradigm for developing better measures of marketing constructs. *Journal of Marketing Research,* 16: 64-73.

Consumer and Financial Literacy Taskforce. 2010. *The consumer experience.* Retrieved from:
http://cfltaskforce.treasury.gov.au/content/_download/DiscussionPaper/html/06Chapter2.asp
[Accessed 16 July 2013].

Cooper, P.S. & Schindler, D.R. 2003. *Business research methods.* Eighth edition. New York: McGraw-Hill.

Crankshaw, H. 2006. *Personal financial planning: Strategies for successful practice management.* Pretoria: University of Pretoria.

Creswell, J.W. 2007. *Qualitative inquiry and research design: Choosing among five approaches.* Second edition. London: Sage.

Creswell, J.W. & Plano-Clark, V.L. 2011. *Designing and conducting mixed methods research.* Second edition. London: Sage.

Daily Industry News. 2012. *Summit reviewed indebtedness in South Africa.* Retrieved from: http://www.bizcomm.com [Accessed 31 October 2012].

Davel, G. 2010. *NCR's success stories.* Retrieved from:
http://www.ncr.org.za/index.php?option=com_content&id=98 [Accessed 15 March 2012].

De Clercq, B. 2012. *Middle-class debt trap*. Retrieved from:
http://152.111.1.87/argief/berigte/citypress/2012/11/07/CP/3/mffDebt.html [Accessed 30 June 2014].

Debt Counselling Help South Africa. 2009. *Debt counselling in South Africa*. Retrieved from: http:www.debtcounsellinghelpsa.za [Accessed 20 November 2010].

Denzin, N.K. & Lincoln, Y.S. 2008. *Strategies of qualitative inquiry.* Third edition. Thousand Oaks, CA: Sage.

De Vos, A.S. 2002. *Research at grass roots.* Pretoria: Van Schaik.

De Waal, M. 2013. *South Africans are sinking under debt – and the credit amendment bill won't pull us out.* Retrieved from: http://www.dailymaverick.co.za/article/2013-06-04-south-africans-are-sinking-under-debt-and-the-credit-amendment-bill-wont-pull-us-out/ [Accessed 16 July 2013].

De Wet, K. 2011. *What is debt counselling?* Retrieved from: http://www.callupcontact.com/b/businessprofile/Karlien_De_Wet_Debt_Counselling/4955 00 [Accessed 10 December 2011].

Dialtax. 2012. *The importance of personal finance.* Retrieved from: http://www.dialtax.ca/pdf/the-importance-of-financial-planning.pdf [Accessed 13 April 2013].

Dickerson, A. M. 2007. Consumer over-indebtedness: a U.S Perspective. *Texas International Law Journal,* 43: 135.

Draut, T. & Silva, J. 2007. *Borrowing to make ends meet: The growth of credit card debt.* Retrieved from: http://www.demos-usa.org/publ.cfm [Accessed 11 November 2014].

Dti (Department of Trade and Industry). 2003. *Credit law review: Summary of findings of the Technical Committee.* Retrieved from: http://www.ncr.org.za/publications/Background_NCA_docs/Summary%20of%20Findings .pdf [Accessed 21 November 2011].

Du Plessis, M.A. 2007. The National Credit Act: Debt counselling may prove to be a risky enterprise. *Journal of Juridical Sciences*, 32(2):74-92.

Econedlink. 2012. *Should I use cash or credit?* Retrieved from:
http://www.econedlink.org/lessons/index.php?lid=158&type=student [Accessed 12 May 2013].

Elliehausen, G.E., Lundquist, C. & Staten, M.E. 2007. The impact of credit counselling on subsequent borrower behaviour. *Journal of Consumer Affairs*, 41(1):1-28.

Family Economics and Financial Education. 2010. *Life cycle of financial planning.* Retrieved from:
http://www.thedaleyjournal.com/coursefiles/pftt/Life_Cycle_of_Financial_Planninginfo_sheet.pdf [Accessed 15 July 2013].

Fenton, B. & Mazulewicz, J. 2008. *Trustworthiness*. Retrieved from:
http:/www.omnivise.com/research/trustworthiness.htm [Accessed 6 August 2012].

Field, A.P. 2007. *Discovering statistics using SPSS.* Second edition. London: Sage.

Garman, E.T. & Forgue, R.E. 2006. *Personal Finance.* Eighth edition. Boston, MA: Houghton Mifflin.

Gerber, S.B. & Voelkl, K.E. 1999. *Using SPSS for windows: Data analysis and graphics.* First edition. Atlanta, GA: Springer.

Getmaxloan.com. 2010. *What is credit counselling?* Retrieved from:
http://www.getmaxloan.com/ [Accessed 10 November 2012].

Gillingham, A. 2008. It's time to ring up the debt counsellor. *Sunday Times,* 1 June: 21.

Gordon, G.M. 2010. *The life cycle of financial planning.* Retrieved from:
http://eruralfamilies.uwagec.org/ERFLibrary/Readings/LifeCycleofFinancialPlanning.pdf [Accessed 15 July 2013].

Goslett, P. 2011. Debt counselling, where to now? *Official Journal of Institute of Credit Management,* 2.

Granovsky, N.L. 2008. *My statement of financial position.* Retrieved from: http://wiseupwomen.tamu.edu/downloads/worksheets-pdf/My-Statement-of-Financial-Position.pdf [Accessed 14 May 2013].

Grayson, D. 2004. Some myths and legends in quantitative psychology. *Understanding Statistics,* 3 (2): 101-134.

Groenewald, C. 2010. *Debt counselling training in need of serious restructuring according to research.* Retrieved from: www.compuscanacademy.co.za/press-room/250-debt-counselling-training-in-need [Accessed 20 November 2011].

Heath, J. 2013. *The importance of credit in today's financial world.* Retrieved from: http://www.lexingtonlaw.com/blog/attorney-post/importance-credit-todays-financial-world [Accessed 1 May 2013].

Henderson, D.R. 2010. *Opportunity cost.* Retrieved from: http:www.econlib.org/library/Enc/OpportunityCost.htm [Accessed 10 November 2014].

Henning, E., Van Rensburg, W. & Smit, B. 2004. *Finding your way in qualitative research.* Pretoria: Van Schaik.

Hill, B. 2010. *Importance of money management.* Retrieved from: http://budgeting.thenest.com/importance-money-management-3204.html [Accessed 6 November 2013].

Holburn, P. 2012. *South African consumer spending less.* Retrieved from: http://www.moneymarketing.co.za/south-african-consumer-spending-less/ [Accessed 9 May 2013].

Horizon Debt Counselling Team. 2010. *Benefits of debt counselling for employers and employees.* Retrieved from: http://www.horizon.co.za [Accessed 19 May 2013].

Howitt, D. & Cramer, D. 2008. *Introduction to SPSS in Psychology for version 16.* Fourth edition. London: Pearson Prentice Hall.

Hung, A.A., Parker, A.M. & Yoong, J.K. 2009. *Defining and measuring financial literacy.* Retrieved from:
http://www.rand.org/content/dam/rand/pubs/working_papers/2009/RAND_WR708.pdf
[Accessed: 8 November 2014].

IOL News. 2012. *Census: Big growth in Gauteng households.* Retrieved from:
http://www.iol.co.za/news/south-africa/census-big-growth-in-gauteng-households-1.1413826
[Accessed 31 October 2012].

Ivanov, A. 2013. *What factors affect your retirement plan?* Retrieved from:
http://dreamscashtrue.com/factors-affect-retirement-plan/ [Accessed 30 October 2013].

Kannemeyer, C. 2014. *Finding solutions to developing South Africa's township communities.* Retrieved from: http://kasieconomics.com/2014/01/02/opinion-ke-jana-worry-bossby-catherine-kannemeyer/ [Accessed 19 April 2014].

Kapoor, J.R., Dlabay, L.R. & Hughes, R.J. 2007. *Personal finance.* Boston, MA: McGraw-Hill.

Kelly-Louw, M. 2008. The prevention and alleviation of consumer over-indebtedness. *Mercantile Law Journal*, 20(2):200-226.

Kennon, J. 2013. *What is opportunity cost?* Retrieved from:
http://beginnersinvest.about.com/od/Opportunity-Cost/a/What-Is-Opportunity-Cost.htm
[Accessed 10 November 2014].

Killaghy Business Solutions. 2013. *Bodies establishes by the NCA*.Retrieved from: http://www.killaghy.co.za/National Credit Act/tabid/64/Default.aspx [Accessed 20 May 2013].

Kim, J., Sorhaindo, B. & Garman, E.T. 2003. Relationships among credit counselling, financial well-being and health. *Consumer Interest Annual*, 49:1-4.

Kotze, L. & Smit, A.V.A. 2008. 'Personal finances: What is the possible impact on entrepreneurial activity in South Africa?' *Southern African Business Review,* 12(3): 156-172.

Ledbetter, M. 2007. *Comparison of Bureau of Economic Analysis estimates of personal income and Internal Revenue Service estimates of adjusted gross income.* Retrieved from: http://www.bea.gov/scb/pdf/2007/11%20November/1107_pi_agi.pdf [Accessed 8 November 2014.

Leedy, P.D. & Ormrod, J.E. 2010. *Practical research: Planning and design.* Ninth edition. City NJ: Pearson.

Leitner, Y. 2006. Using collateral to secure loans. *Business Review,* 2: 9-16.

Lincoln, Y.S. & Guba, E.G. 1985. *Naturalistic inquiry.* Beverly Hills, CA: Sage.

Martin, K. 2012. *The importance of budgeting your expenses.* Retrieved from: http://ezinearticles.com/?The-Importance-Of-Budgeting-Your-Expenses&id=792973 [Accessed 24 January 2014].

McLean, W. & Applegate, M. 2013. *Economics and contemporary issues.* Ninth edition. Retrieved from: http://www3.nd.edu/cwilber/econ504/504book/outln13c.html [Accessed 20 October 2013].

MFSA (Microfinance South Africa) 2010. *New debt counselling rules make debt process more effective.* Retrieved from: http://www.mfsa.net/new/public/New Debt Counselling Rules Make Debt Process More Effective. pdf [Accessed 20 May 2013].

Moneyweb. 2013. *Capitec now offers R230 000 unsecured loan.* Retrieved from: http://www.moneyweb.co.za/moneyweb-financial/capitec-now-offers-r230-000-unsec [Accessed 19 April 2014].

Moodley-Isaacs, H. 2009. Errant debt counsellor struck from NCR register. *Independent Newspaper,* 7 November: 4.

Mouton, J. 2009. *Understanding social research.* Pretoria: Van Schaik.

Naidu, E. 2008. Now even debt counsellors are feeling the pinch. *Sunday Independent,* 1 June: 1.

National Credit Act Info. 2012. *Knowing the importance of personal finance management.* Retrieved from: http://www.nationalcreditactinfo.co.za/knowing-the-importance-of-personal-finance-management [Accessed 1 May 2013].

NCR (National Credit Regulator). 2009. *The financial year was dominated by the continued impact of the financial crisis, the resulting debt stress and the mounting applications for debt counselling.* Retrieved from: www.ncr.org.za [Accessed 10 August 2010].

NCR (National Credit Regulator). 2010. *Survey conducted on consumer credit providers.* Retrieved from: http://www.qualityliving.co.za/ [Accessed 2 July 2010].

NCR (National Credit Regulator). 2012. *Consumer credit market report.* Retrieved from: www.ncr.org.za [Accessed 29 October 2012].

NCR (National Credit Regulator). 2013. *Consumer credit market report.* Retrieved from: www.ncr.org.za [Accessed 3 July 2013].

NCR (National Credit Regulator). 2014. *Consumer credit market report.* Retrieved from: www.ncr.org.za [Accessed 14 April 2014].

NCT (National Consumer Tribunal). 2012. *About the National Consumer Tribunal.* Retrieved from: www.thenct.org.za [Accessed 28 June 2012].

New Haven Library. 2009. *Journey to financial security: Managing income and expenses.* Retrieved from: http://www.newhavenlibrary50plus.com/uploads/1043_4_Income__Expenses.pdf [Accessed 15 May 2013].

Niyonkuru, R. 2005. *Entrepreneurship education at tertiary institutions in Rwanda: A situational analysis.* Bellville: University of the Western Cape.

Nunnaly, J.C. 1978. *Psychometric theory*. New York: McGraw-Hill.

Office.com. 2013. *Personal financial statements*. Retrieved from: http://office.microsft.com/en-us/templates/personal-financial-statement-TC00101752 [Accessed 19 May 2013].

Online Learning Center. 2007. *Influences on personal financial planning*. Retrieved from: http://highered.mcgraw-hill.com/sites/0073106712/student [Accessed 19 April 2013].

Pallant, J. 2010. *SPSS survival manual: A step by step guide to data analysing using SPSS.* Fourth edition. New York: McGraw-Hill.

Pieterse, J.N. 2009. *Development theory.* Second edition. London: Sage.

Pritchard, J. 2013. *Unsecured loans–Definition of unsecured loans*. Retrieved from: http://banking.about.com/od/loans/g/unsecured.htm [Accessed 19 April 2014].

Republic of South Africa. 2006. National Credit Act (NCA). *Government Gazette, 28619.* Pretoria: Government Printers.

Republic of South Africa. 2008. Consumer Protection Act (CPA). Government *Gazette, 32186.* Pretoria: Government Printers.

Republic of South Africa. 2012. National Consumer Commission (NCC). *Government Gazette,* 344845. Pretoria: Government Printers.

Riley, G. 2012. *What is inflation?* Retrieved from: http://tutor2u.net/economics/revision-notes/as-macro-inflatio.htm [Accessed 8 November 2014].

Roestoff, M., Haupt, F., Coetzee, H. & Erasmus, M. 2009. The debt counselling process: Closing the loopholes in the National Credit Act 34 of 2005. *Potchefstroom Electronic,* 12(4):246-305.

Ryan, J.S. 2010. *Managing your personal finances.* Sydney, NSW: Leap.

SARB (South African Reserve Bank). 2013. *Current Interest Rates.* Retrieved from: http://www.resbank.co.za/Pages/default.aspx [Accessed 5 May 2013].

Serrano, P. 2012. *The 3 life cycle stages and how they affect your finances.* Retrieved from: http://personalfinancemastery.com/2012/the-3-life-cycle-stages-and-how-they [Accessed 5 July 2013].

Shenton, A.K. 2004. Strategies for ensuring trustworthiness in qualitative research projects. *Education for Information,* 22: 63-75.

Simon, M.K. & Goes, J. 2013. *Dissertation and scholarly research: Recipes for success.* Retrieved from: http://www.dissertationrecipes,com [Accessed 4 February 2014].

Soft, U.W.J. 2009. *Personal finance control.* Retrieved from: http://download.cnet.com/Personal-Finance-Control/3000-2057_4-10914874.html [Accessed 1 May 2013].

Stamp, S. 2009. *A Policy Framework for addressing over-indebtedness*. Dublin: Combat Poverty Agency.

Star, K. 2008. Debt counselling is misunderstood. *Mail and Guardian,* 12 March: 20.

Stats SA (Statistics South Africa). 2012. *Census 2011 results by province.* Retrieved from: http://www.bdlive.co.za/national/2012/10/31/census-millions-in-exodus-to-sas-richer-provinces [Accessed 31 October 2012].

Stats SA (Statistics South Africa). 2013. *Retail sales (MoM) and consumer spending.* Retrieved from: http://www.statssa.gov.za/publications/publicationschedule.asp [Accessed 5 May 2013].

Steward, T. 2008. Millions in debt trap overwhelm counsellors. *Daily Dispatch,* 21 August: 11.

Stovin-Bradford, R. 2007. Whacked! Global markets plunge, central banks in rescue bid. *Business Times,* 12 August: 1.

Streubert-Speziale, H. J. & Carpenter, D.R. 2007. *Qualitative research in nursing: Advancing the humanistic imperative.* Philadelphia, PA: Lippincott Williams & Wilkins.

Swart, N. 2007. *Manage your money. Basic financial life skills for South Africans.* Second edition. Pretoria: Van Schaik.

Swart, N. 2012. *Personal financial management.* Third edition. Cape Town: Juta.

Swart, N.P. 2010. *The prevention of over-indebtedness: The problem of interest and the Islamic response.* Retrieved from: https://web.up.ac.za/sitefiles/file/47/327/Law%20Clinic%20Draft%20Papers%20from%20Conference/Nico%20Swartz%20Draft.pdf [Accessed 1 September 2014].

Tavakol, M. & Dennick, R. 2011. Making sense of Cronbach's alpha. *International Journal of Medical Education,* 2: 53-55.

Thekiso, T.A. 2011. *Management performance measurement of business school educated managers in the North West and Vaal Triangle areas.* Potchefstroom: University of North West.

Theobald, S. & Dick, W. 2013. *The rise and rise of unsecured lending*. Retrieved from: http://www.bdlive.co.za/business/financial/2013/06/07/the-rise-and-rise-of-unsecured. [Accessed 5 July 2013].

Trading Economics. 2012. *South Africa consumer spending and retail sales*. Retrieved from: http://www.tradingeconomics.com/south-africa/consumer-spending [Accessed 5 May 2013].

Trading Point. 2013. *What is personal income?* Retrieved from: http://www.trading-point.com/what-is-personal-income [Accessed 19 May 2013].

Trochim, W.M.K. 2006. *Qualitative validity.* Retrieved from: http://www.socialresearchmethods.net/kb/qualval.php [Accessed 24 March 2014].

Tucci, P.A. 2012. *The handy personal finance answer book*. Canton: Visible Ink Press.

Uribe, E. & Tait, A. 2007. *Credit counselling: A way forward, prepared for the financial consumer agency of Canada*. Ottawa: Public Interest Advocacy Centre.

Viswanand, V. 2013. *Better retirement planning.* Retrieved from: http://www.thehindubusinessline.com/opinion/better-retirement-planning/article 4724678.ece [Accessed 15 May 2013].

Wang, J.J. 2010. Credit counselling to help debtors regain footing. *Journal of Consumer Affairs*, 44(1):44- 69.

Welman, J.C., Kruger, F. & Mitchell, B. 2010. *Research methodology.* Third edition. Cape Town: Oxford.

Woker, T. 2010. *A critical examination of the role that the National Consumer Tribunal plays in debt relief with suggestions for reform*. Retrieved from: http://web.up.ac.za/sitefiles/file/47/327/Law%20Clinic%20Draft%20Papers%20from%20 Conference/Tanya%20Woker%20Draft.pdf [Accessed 20 May 2013].

World-Academy Online. 2011. *Changing economic situations and financial planning decisions.* Retrieved from: http://worldacademyonline.com/article/28/395/changingeconomicsituations andfinancialplanninganddecisions.html [Accessed 1 May 2013].

Wright, D.B. 2003. Making friends with your data: Improving how statistics are conducted and reported. *British Journal of Education Psychology*, 73:123-136.

Yao, E. 2013. *Tax advisory services.* Retrieved from: http://www.sbasf.com/index.php/services/tax-advisory [Accessed 16 May 2013].

Your Dictionary. 2012. *What is the definition of personal finance?* Retrieved from: http://reference.yourdictionary.com/word-definitions/what-is-the-definition-of-personal-finance.html [Accessed 11 April 2013].

ANNEXURE A: Example of a monthly budget planner

Monthly income (All sources)		
Items	Budget planned/Estimated	Actual
(a)		
(b)		
(c)		
TOTALS		
Monthly expenses		
Items	Budget planned/Estimated	Actual
(a)		
(b)		
(c)		
(d)		
TOTALS		
TOTAL: Income –Expenses: Surplus(+) or Shortfall (-)		

Source: Swart (2007)

ANNEXURE B1: Example of an annual budget

Items	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Income													
(a)													
(b)													
Total Income													
Expenses													
(a)													
(b)													
Surplus or Shortfall													
Cumulative Surplus or Shortfall													

Source: Swart (2007)

ANNEXURE B2: Managing annual surplus and shortfalls

Month	Budget figures (R)	Actual figures (R)	Surplus or shortfall (R)	Cumulative Surplus or shortfall (R)
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				

Source: Swart (2007)

ANNEXURE C: Example of an income and expenditure (cash flow) statement

INCOME:	AMOUNT
Salary/wages	
Bonuses	
Commission	
Rental income	
Interests and dividends	
Income tax refunds	
Net income	
LESS – EXPENDITURES:	
Rent	
Homeowners insurance	
Maintenance and repairs	
Property taxes	
Car payments, maintenance and insurances	
Water and electricity	
Food, clothing and other personal items	
Entertainment	
Other expenses	
Total expenses	
SAVINGS AVAILABLE OR DEFICIT INCURRED	

Source: Office.com (2013)

ANNEXURE D: Example of an assets and liabilities (net worth statement)

ASSETS	Amount
Cash (banking accounts)	
Securities-stocks/bonds	
Life insurance (cash surrender value)	
Personal property	
Retirement funds	
Real estate (market value)	
Other assets	
Total assets	
LIABILITIES	
Current debts (credit cards)	
Taxes payable	
Notes payable	
Real estate mortgages	
Other liabilities	
Total liabilities	
Net worth	

Source: Office.com (2013)

ANNEXURE E: Cumulative applications for debt review from May 2008 to May 2013

Month	Number of applications for debt review
May-08	12574
Jun-08	15197
Jul-08	19319
Aug-08	23048
Sep-08	27573
Oct-08	31897
Nov-08	36246
Dec-08	39450
Jan-09	44133
Feb-09	51020
Mar-09	58842
Apr-09	66375
May-09	73719
Jun-09	82921
Jul-09	93018
Aug-09	103267
Sep-09	113596
Oct-09	123106
Nov-09	132291
Dec-09	136487
Jan-10	143598
Feb-10	152533
Mar-10	161749
Apr-10	168843
May-10	176583
Jun-10	184191
Jul-10	191744
Aug-10	198940
Sep-10	205449
Oct-10	212021
Nov-10	219586
Dec-10	222186
Jan-11	227991
Feb-11	233848
Mar-11	240399
Apr-11	245223
May-11	251376
Jun-11	257499
Jul-11	263601
Aug-11	269553
Sep-11	276601
Oct-11	278500
Nov-11	286857
Dec-11	289280
Jan-12	294770
Feb-12	296544
Mar-12	309429
Apr-12	315102
May-12	322304
Jun-12	328634
Jul-12	335133
Aug-12	341700
Sep-12	347835
Oct-12	355591
Nov-12	363126
Dec-12	367480
Jan-13	374379
Feb-13	383433
Mar-13	392393
Apr-13	402398
May-13	412918

ANNEXURE F: Payments distributed by PDAs to creditors from May 2008 to May 2013

Month	Amount distributed to creditors
May-08	R 8 969 569.62
Jun-08	R 7 059 978.41
Jul-08	R 11 576 772.16
Aug-08	R 15 740 037.01
Sep-08	R 20 341 255.69
Oct-08	R 3 466 128.85
Nov-08	R 24 167 052.12
Dec-08	R 27 576 589.97
Jan-09	R 28 571 910.48
Feb-09	R 40 797 225.78
Mar-09	R 42 574 363.66
Apr-09	R 56 030 006.61
May-09	R 65 969 830.04
Jun-09	R 65 123 763.21
Jul-09	R 95 275 500.63
Aug-09	R 97 044 710.52
Sep-09	R 107 706 232.22
Oct-09	R 125 845 313.52
Nov-09	R 134 094 525.54
Dec-09	R 157 670 718.19
Jan-10	R 128 008 507.11
Feb-10	R 169 889 357.89
Mar-10	R 156 406 008.88
Apr-10	R 165 232 422.56
May-10	R 182 292 810.06
Jun-10	R 192 014 094.38
Jul-10	R 186 059 695.04
Aug-10	R 207 498 017.80
Sep-10	R 214 421 940.32
Oct-10	R 213 731 499.25
Nov-10	R 226 015 925.11
Dec-10	R 231 022 116.02
Jan-11	R 204 674 492.92
Feb-11	R 234 586 917.18
Mar-11	R 224 354 121.59
Apr-11	R 225 846 600.53
May-11	R 230 366 923.20
Jun-11	R 228 263 065.41
Jul-11	R 240 044 920.56
Aug-11	R 244 044 412.36
Sep-11	R 235 773 471.52
Oct-11	R 239 540 739.64
Nov-11	R 247 296 412.75
Dec-11	R 231 193 078.98
Jan-12	R 221 116 048.06
Feb-12	R 237 701 251.55
Mar-12	R 228 860 074.48
Apr-12	R 229 839 006.10
May-12	R 239 887 121.36
Jun-12	R 246 841 990.31
Jul-12	R 242 275 256.34
Aug-12	R 246 202 086.15
Sep-12	R 246 225 876.46
Oct-12	R 254 378 521.08
Nov-12	R 250 746 772.02
Dec-12	R 245 624 800.26
Jan-13	R 243 231 109.29
Feb-13	R 256 440 409.54
Mar-13	R 263 112 170.22
Apr-13	R 272 364 859.55
May-13	R 276 696 485.68

ANNEXURE G: Interview guide

Main question: How does the debt counselling service provided by debt counsellors assist consumers to manage their finances effectively?

SECTION A: Demographic information

Date of interview:

Place:

Time:

Interviewee (male/female):

Race:

Interviewer: KH Masilo

1. How many applications for debt counselling (on average) do you receive per day? Per week? Per month?
2. What percentage of your clients are men and women?

SECTION B: Consumer financial position

3. Please rank the main source of income for your clients? (salary, rental income from property, interest from investments, dividends from investments, etc)
4. What are the major expenditure items of most of your clients?
5. What types of collateral do your clients offer for their debts?
6. In your view, what are the important reasons why your clients find themselves over-indebted?

SECTION C: Debt counselling process and NCR support

7. Are there any guidelines or procedures that you follow in conducting debt counselling process? Please explain
    - Does it work? Why do you say so?
8. As a debt counsellor, when a consumer approaches you for a debt review, what do you normally require from him or her? Why?
9. How long (on average) in days, weeks or months does it takes you to help the indebted consumer to recover?
10. What intervention methods do you employ to assist the indebted consumers?
11. Do you collect any payments from your clients? Explain.
12. Do you receive any support from the NCR? Or any other government division?
    - If yes, explain
    - If no, do you think you need it, and why?

SECTION D: Effectiveness of debt counselling process

13. Do you have a mechanism for following up the rehabilitated consumers to verify their personal financial well-being?
    - If yes, can you explain the mechanisms that you use?
    - If no, how do you evaluate your debt counselling process?
14. To what can you attribute your success in assisting your clients?
15. Lastly, when you reflect back on when you started with this programme up to today, is there anything else that you would want to add that is related to your experience?

ANNEXURE H: Consent form

TITLE OF THE STUDY: The role of debt counselling in personal financial well-being of consumers in Gauteng.

STUDY INVESTIGATOR: Kgomotso Masilo

Invitation to participate and study description

I am a doctoral student at the College of Economic and Management Sciences at the University of South Africa. I would like to invite you to participate in a research project that aims to assess the role of debt counselling on financial well-being of consumers in Gauteng. It is anticipated that the interview will last between 45 minutes and an hour. A follow-up interview may be requested if necessary. You will receive a hard copy of the transcript of each of your interview(s).

Risks and benefits

This study does not involve any type of physical risk; you will be asked questions about your experiences and achievements in your work. This study will be shared with my dissertation committee and other appropriate members of the University of South Africa community. The dissertation that results from this study will be published in hard copy and microfiche, which will be given to the NCR and will be housed at the University library.

Confidentiality

The information you provide will be kept strictly confidential. To protect your privacy, your responses to the interview will be identified with a code and will be kept in a safe place that is accessible by me only.

Your right to refuse or withdraw

Your participation in the study is very important and I appreciate your giving time to this study. You may, however, choose not to participate or withdraw from the study at any time.

Your right to ask questions

You have the right to ask questions about the study before, during or after the interview. If you have any other concerns, please feel free to call me at 012 702 4233 or 082 779 5773. You may also contact my promoter Professor J. Marx at 012 429 4513

....

Kgomotso Masilo

Please sign below if you are willing to participate in the research project outlined above. I will contact you as soon as I receive your response for an appointment.

Signature...
Print name..
Date...
Contact number..

ANNEXURE I: Summary of debt review applications per month

Interviewees	Male	Female	Black	White	Other
Int. No.1	40%	60%	50%	40%	10%
Int. No.2	50%	40%	65%	35%	
Int. No.3	50%	50%	100%	0%	
Int. No.4	40%	60%	80%	20%	
Int. No.5	68%	32%	50%	50%	
Int. No.6	50%	50%	99%	1%	
Int. No.7	40%	60%	90%	10%	
Int. No.8	60%	40%	70%	30%	
Int. No.9	50%	50%	50%	50%	
Int. No.10	60%	40%	50%	50%	
Int. No.11	90%	10%	100%	0%	
Int. No.12	80%	20%	99%	1%	
Int. No.13	40%	60%	99%	1%	
Int. No.14	70%	30%	20%	80%	
Int. No.15	60%	40%	80%	20%	

ANNEXURE J: Questionnaire

THIS IS STRICTLY CONFIDENTIAL

MAIN QUESTION: **Which role does the debt counselling service provided by debt counsellors play in terms of the personal financial well-being of consumers?**

ANSWER THE FOLLOWING QUESTIONS BY CROSSING (X) THE RELEVANT BLOCK.

SECTION A: Demographic information

1. Gender

Male	
Female	

2. Age (years)

Under 20	20-29	30-39	40-49	50 and above

3. Ethnicity

Black	White	Coloured	Indian/Asian	Other

4. Educational level

Below Matric	Matric	Post-matric

5. Marital status

Single	Married	Divorced	Widow

6. Municipal area

Ekurhuleni	Johannesburg	Tshwane

SECTION B: Knowledge of the debt counselling concept

No.		Yes	No
7.	Debt counselling is a relatively new concept in South Africa		
8.	Debt counsellors are easily accessible		
9.	Someone referred me to a debt counsellor		

SECTION C: Debt counselling process

		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
10.	It was easy for me to apply for debt counselling					
11.	I was informed about the process, procedure, implications and fees before I signed any document					
12.	It took two to three months for my application to be processed					
13.	An affordable and manageable monthly repayment was arranged for all my debts					
14.	I paid a single amount to the Payment Distribution Agency (PDA) every month					
15.	I was always kept up to date with the progress and status of my accounts					

SECTION D: Effectiveness of debt counselling

		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
16.	Debt counselling gave me peace of mind and I enjoy a happy and stress-free financial life					
17.	Debt counselling assisted me in paying all my debts					
18.	Debt counselling prevents asset repossessions					
19.	Debt counselling taught me how to manage my finances					
20.	Debt counselling prevents creditors from taking legal action					
21.	Debt counselling is an answer to all debt problems					

SECTION E: Effect of debt counselling

		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
22.	Debt counselling made me feel relieved, I did not have to worry about my finances or lose any of my possessions					
23.	Debt counselling helped me recover from my debts					
24.	My name has been removed from all credit bureaux' information lists					
25.	I received a clearance certificate, which means all my debts are settled and I have financial freedom					
26.	I can now buy anything on credit. I am creditworthy					
27.	I am now able to save money and manage my finances very well					
28.	I would recommend debt counselling to people who need it					

Do you have any suggestions or comments that you would like to share regarding your experiences? **(This is Optional!)**

....

....

....

....

....

....

....

....

....

ANNEXURE K1: Responses to debt counselling process

Section C questions	Strongly disagree		Disagree		Uncertain		Agree		Strongly agree	
	N	%	N	%	N	%	N	%	N	%
Q10 - It was easy for me to apply for debt counselling	0	0.0	4	2.2	4	2.2	98	53.8	76	41.8
Q11 - I was informed about the process, procedure, implications and fees before I signed any document	0	0.0	1	0.5	3	1.6	98	53.8	80	44.0
Q12 - It took two to three months for my application to be processed	13	7.1	7	3.8	36	19.8	70	38.5	56	30.8
Q13 - An affordable and manageable monthly repayment was arranged for all my debts	0	0.0	0	0.0	6	3.3	93	51.1	83	45.
Q14 - I paid a single amount to the Payment Distribution Agency (PDA) every month	2	1.1	2	1.1	1	0.5	95	52.2	82	45.1
Q15 - I was always kept up to date with the progress and status of my accounts	13	7.1	21	11.5	21	11.5	71	39.0	56	30.8

ANNEXURE K2: Effectiveness of debt counselling

Section D questions	Strongly disagree		Disagree		Uncertain		Agree		Strongly agree	
	N	%	N	%	N	%	N	%	N	%
Q16 - Debt counselling gave me peace of mind and I enjoy a happy and stress free financial life	1	0.5	1	0.5	2	1.1	87	47.8	91	50.0
Q17 - Debt counselling assisted me in paying all my debts	0	0.0	6	3.3	12	6.6	79	43.4	85	46.7
Q18 - Debt counselling prevents asset repossessions	0	0.0	0	0.0	12	6.6	79	43.4	91	50.0
Q19 - Debt counselling taught me how to manage my finances	0	0.0	2	1.1	21	11.5	79	43.4	80	44.0
Q20 - Debt counselling prevents creditors from taking legal action	0	0.0	0	0.0	10	5.5	82	45.1	90	49.5
Q21 - Debt counselling is an answer to all debt problems	2	1.1	2	1.1	54	29.7	64	35.2	60	33.0

ANNEXURE K3: Responses on the effect of debt counselling

	Strongly disagree		Disagree		Uncertain		Agree		Strongly Agree	
	N	%	N	%	N	%	N	%	N	%
Q22 - Debt counselling made me feel relieved, I did not have to worry about my finances or lose any of my possessions	0	0.0	2	1.1	6	3.3	84	46.2	90	49.5
Q23 - Debt counselling helped me recover from my debts	1	0.5	3	1.6	13	7.1	80	44.0	85	46.7
Q24 - My name has been removed from all credit bureaux' information lists	1	0.5	29	15.9	111	61.0	17	9.3	24	13.2
Q25 - I received a clearance certificate, which means all my debts are settled and I have financial freedom	2	1.1	67	36.8	60	33.0	23	12.6	30	16.5
Q26 - I can now buy anything on credit. I am creditworthy	1	0.5	12	6.6	128	70.3	20	11.0	21	11.5
Q27 - I am now able to save money and manage my finances very well	0	0.0	3	1.6	36	19.8	107	58.8	36	19.8
Q28 - I would recommend debt counselling to people who need it	0	0.0	0	0.0	3	1.6	65	35.7	114	62.6

ANNEXURE L: Demographic variables with decision variables of debt counselling

		Gender	Age	Pearson chi-square tests Ethnicity	Education	Marital status	Municipal area
SecCQ10 - It was easy for me to apply for debt counselling	Chi-square	1.154	5.951	3.223	9.105	6.663	3.823
	Df	2	9	6	4	6	4
	Sig.	.562[a]	.745	.780[a,b]	.059[a,b]	.353[a,b]	.430[a]
SecCQ11 - I was informed about the process, procedure, implications and fees before I signed any document	Chi-square	1.429	3.783	1.258	3.041	7.367	4.163
	Df	2	9	6	4	6	4
	Sig.	.489[a,b]	.925[a,b]	.974[a,b]	.551[a,b]	.288[a,b]	.384[a,b]
SecCQ12 - It took two to three months for my application to be processed	Chi-square	.646	9.378	7.614	2.569	3.105	19.042
	Df	2	12	6	4	6	4
	Sig.	.724	.670	.268[a,b]	.632	.796[a,b]	.001[*]
SecCQ13 - An affordable and manageable monthly repayment was arranged for all my debts	Chi-square	.110	. 6.161	2.100	.270	.334	2.381
	Df	1	6	3	2	3	2
	Sig.	.740[a]	.405[a]	.552[a,b]	.874[a]	.953[a,b]	.304[a]
SecCQ14 - I paid a single amount to the Payment Distribution Agency (PDA) every month	Chi-square	4.403	9.151	2.307	4.841	9.684	6.812
	Df	2	12	6	4	6	4
	Sig.	.111[a,b]	.690[a,b]	.889[a,b]	.304[a,b]	.139[a,b]	.146[a,b]
SecCQ15 - I was always kept up to date with the progress and status of my accounts	Chi-square	.228	4.381	5.061	9.618	2.542	25.332
	Df	2	12	6	4	6	4
	Sig.	.892	.976	.536[a,b]	.047[*]	.864[a,b]	.000[*]
SecDQ16 - Debt counselling gave me peace of mind and I enjoy a happy and stress free financial life	Chi-square	1.582	19.620[a]	4.026	5.192	6.257	6.015
	Df	2	12	6	4	6	4
	Sig.	.453[a,b]	.075[b]	.673[a,b]	.268[a,b]	.395[a,b]	.198[a,b]
SecDQ17 - Debt counselling assisted me in paying all my debts	Chi-square	.825	13.473[a]	4.870	4.571	8.980	9.338
	Df	2	9	6	4	6	4
	Sig.	.662[a]	.142[a]	.561[a,b]	.334[a]	.175[a,b]	.053[a]
SecDQ18 - Debt counselling prevents asset repossessions	Chi-square	1.772	10.015[a]	4.348	2.009	6.312	5.636
	Df	1	6	3	2	3	2
	Sig.	.183[a]	.124	.226[a,b]	.366[a]	.097[a,b]	.060[a]
SecDQ19 - Debt counselling taught me how to manage my finances	Chi-square	.828	11.811[a]	1.681	6.300	1.925	9.318
	Df	2	9	6	4	6	4
	Sig.	.661[a,b]	.224	.947[a,b]	.178[a,b]	.927[a,b]	.054[a,b]
SecDQ20 - Debt counselling prevents creditors from taking legal action	Chi-square	.774	18.156[a]	3.977	6.278	2.813	13.017
	Df	1	6	3	2	3	2
	Sig.	.379[a]	.006	.264[a,b]	.043[a,*]	.421[a,b]	.001[a,*]
SecDQ21 - Debt counselling is an answer to all debt problems	Chi-square	1.155	10.438[a]	2.973	12.490	4.188	21.475
	Df	2	12	6	4	6	4
	Sig.	.561[a]	.578	.812[a,b,]	.014[a,b,*]	.651[a,b]	.000[a,*]

Question	Statistic						
SecEQ22 - Debt counselling made me feel relieved, I did not have to worry about my finances or lose any of my possessions	Chi-square	1.833	10.438[a]	6.216	4.260	5.746	5.382
	Df	2	12	6	4	6	4
	Sig.	.400[a,b]	.578	.399[a,b]	.372[a,b]	.452[a,b]	.250[a,b]
SecEQ23 - Debt counselling helped me recover from my debts	Chi-square	3.021	10.613[a]	2.210	10.509	6.173	4.675
	Df	2	12	6	4	6	4
	Sig.	.221[a]	.562	.899[a,b,]	.033[a,b,*]	.404[a,b]	.322[a]
SecEQ24 - My name has been removed from all credit bureaux' information lists	Chi-square	4.677	11.143[a]	5.257	1.312	7.767	9.783
	Df	2	12	6	4	6	4
	Sig.	.096	.517	.511[a,b]	.859	.256[a]	.044[*]
SecEQ25 - I received a clearance certificate, which means all my debts are settled and I have financial freedom	Chi-square	.569	13.172[a]	3.814	3.900	6.112	5.758
	Df	2	12	6	4	6	4
	Sig.	.753	.357	.702[a]	.420	.411[a]	.218
SecEQ26 - I can now buy anything on credit. I am creditworthy	Chi-square	1.542	14.129[a]	3.108	9.185	8.048	7.269
	Df	2	12	6	4	6	4
	Sig.	.463	.293	.795[a,b]	.057[a]	.235[a,b]	.122[a]
SecEQ27 - I am now able to save money and manage my finances very well	Chi-square	.370	7.224[a]	1.981	12.050	4.023	11.229
	Df	2	9	6	4	6	4
	Sig.	.831[a]	.614	.921[a,b]	.017[a,b,*]	.674[a,b]	.024[a,b,*]
SecEQ28 - I would recommend debt counselling to people who need it	Chi-square	2.340	2.776[a]	1.837	1.579	1.874	2.440
	Df	1	6	3	2	3	2
	Sig.	.126[a]	.836	.607[a,b]	.454[a,b]	.599[a,b]	.295[a,b]

ANNEXURE M: Form 16

Form 16

PART 2 – Income

(Please attach a copy of your salary slip)

Gross salary	R
Deductions	
Tax	R
Medical Aid	R
Pension	R
Other deductions	
	R
	R
	R
	R
Total Deductions	**R**
Other income (specify the source)	
	R
	R
	R
	R
Total income	**R**

PART 3 – Monthly Commitments

(Please list all monthly commitments other than outstanding debt, i.e. school fees, traveling costs, medical expenses, etc)

Commitment	Monthly expense

Page 2

194

PART 4 – Debt Obligations

(Please provide copies of all outstanding balances due)

Debt Commitment (i.e. personal loan)	Name of creditor	Total amount outstanding	Monthly Commitment

PART 5 – Declaration by the Consumer

I declare as follows:

1. I undertake to comply with all requests from the debt counselor to assist him/her to evaluate my state of indebtedness and the prospects for responsible debt restructuring;

2. I hereby consent to the submission of my information to all registered credit bureaus by the debt counselor;

3. I also consent that the debt counselor may obtain my credit record from any/all registered credit bureaus and any other registers which may contain any of my credit information;

4. I undertake not to enter into any further credit agreements, other than a consolidated agreement, with any credit provider until one of the following events has occurred:

   a. The debt counselor rejects my application;

   b. The court determines that I am not over-indebted; or

   c. All my obligations under credit agreements as re-arranged are fulfilled

5. I confirm that the information contained in this document is, to the best of my knowledge, true and correct.

Signed at [place] _____ on this [day] ____ of [month] ____ of [year] ____

Signature _____

ANNEXURE N: Form 17.1

(On the letterhead of the debt counselor)

TO: (An individually addressed notification must be sent to credit department of each credit provider listed in application for debt review)

AND TO: (An individually addressed notification must sent to each registered credit bureau)

FROM: Name of debt Counselor

NCR registration number

Address

Contact Number

DATE:

NOTIFICATION TO ALL CREDIT PROVIDERS AND ALL REGISTERED CREDIT BUREAUS IN Terms of section 86(4)(b)(i)(ii) of The National Credit Act 34 of 2005

Full names and surname of Consumer

Identity number of Consumer

This notice serves to advise you that the abovementioned consumer has applied for debt review in terms of Section 86 of the National Credit Act, 34 of 2005.

All credit bureaus are advised to list the abovementioned consumer, within 5 days of receipt of this notice, as having applied for debt review.

Signed at [place]   on this [day]   of [month]   of [year]

Debt Counselor

ANNEXURE O: Form 17.2

Form 17.2

(On the letterhead of the debt counselor)

TO: (An individually addressed notification must be sent to credit department of each credit provider listed in application for debt review)

AND TO: (An individually addressed notification must sent to each registered credit bureau)

FROM: Name of debt Counselor [   ]

NCR registration number [   ]

Address [   ]

[   ]

Contact Number [   ] [   ]

DATE: [   ]

Full names and surname of Consumer [   ]

Identity number of Consumer ☐☐☐☐☐☐ ☐☐☐☐☐ ☐☐☐

This notice serves to advise you that

(a) the abovementioned consumer's application for debt review was rejected in terms of Section 86(7) (a) of the National Credit Act 34 of 2005; or

(b) the abovementioned consumer's application for debt review was successful and the debt obligations are in the process of being restructured; or

(c) the abovementioned consumer's debt obligations have been restructured and a court / Tribunal order has been issued, the details of which are as follows:

(i) Case Number;

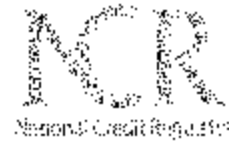(ii) Magistrate' Court for the district of [   ] / Tribunal

All credit bureaus are advised to update the abovementioned consumer's record, within 5 days of receipt of this notice, as set out above.

Signed at [place] [   ] on this [day] [   ] of [month] [   ] of [year] [   ]

Debt Counselor [   ]

ANNEXURE P: Letter from NCR

08 October 2012

Attention: Kgomotso Hildie Masigo

Re: Impact assessment of debt counselling on financial wellbeing of consumers in Gauteng

Dear Kgomotso,

This letter serves to confirm that the National Credit Regulator (NCR) is aware that you are a Doctoral student at the College of Economic and Management Sciences of the University of South Africa, and that you will be conducting an impact assessment of debt counselling in Gauteng.

Please take note that consumer information is strictly confidential and can only be accessed and used upon receipt of written consent by the consumer. You are however free to contact debt counsellors of your choice for more information that may be useful in the research.

Hope you will find above in order and we wish you all the best in your research project.

Yours faithfully,

Kedilatile Malakalaka
Acting Manager: Debt Counselling Department
National Credit Regulator
Tel: 011 554 2705

ANNEXURE Q: Letters from debt counsellors

Good Life
DEBT COUNSELLORS

4ᵗʰ Floor, JSL Towers, 259 Pretorius Street,
PRETORIA, 0001; I Tel: 012 326 9196 I |
Fax: 086 210 8723
Website:www.gldebtcounsellors.co.zal
Email: lebo@gldebtcounsellors.co.za

TO WHOM IT MAY CONCERN
17 OCTOBER 2012

Research RE: 'Impact of Debt Counselling as a rehabilitation process

I Kelebogile Mooketsi, a NCR registered Debt Counsellor and Managing Memberof
Good Life Debt Counsellors, hereby do acknowledge that a TUT (Tshwane University
of Technology)-Senior Lecturer: Credit Management, Ms Kgomotso Masilo
requested permission to conduct the above mentioned research with Good Life
Debt Counsellors and its debt counselling clients from November 2012.

We are pleased to take part in this initiative and do hope that we will add value to
the research. I however would like to bring to the researcher's attention that Good
Life Debt Counsellors would need to be compensated for any costs incurred by the
company in facilitating the whole research process between clients, debt
counsellor(s) and Ms Masilo.

I hope you will find all in order

Yours Truly

Ms Kelebogile Mooketsi

Managing Member

NCRDC 780

Good Life Debt Counsellors

---

1 | 4ᵗʰ Floor, JSL Towers, 259 Pretorius Street, PRETORIA, 0001; P.O Box 8492; PRETORIA;0001,
I Tel: 012 326 9196 | Fax: 086 210 8723 Website:www.gldebtcounsellors.co.zal Email:
lebo@gldebtcounsellors.co.za

THE BIG ®'SOLUTIONS

TO WHOM IT MAY CONCERN

REF : ACKNOWLEDGEMENT OF RESEARCH – IMPACT OF DEBT COUNSELORS

This letter serves as acknowledgement of the research – Impact of Debt Counselors. This communication also outlines the conditions under which the aforementioned research will be conducted; conditions which Kgomotso Masilo has agreed to. We also confirm that we did talk (Telephonically) with Kgomotso Masilo on this day, 16 October 2012 regarding the research and the conditions outlined next:

I Lucas Tshabalala agree to take part in the research provided that I will personally speak to the consumers that I have assisted so that they also take part in this research and that all cost incurred by myself in taking part in the research will be paid in full by the Researcher(Kgomotso Masilo).

Sincerely

Lucas Tshabalala
Debt Counselor (NCRDC665)