

STRATEGIES IN MANAGING FINANCIAL RISK VULNERABILITY AMONG SOUTH AFRICAN HOUSEHOLDS

by

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Submitted in accordance with the requirements
for the degree of

MASTERS OF ACCOUNTING SCIENCES

at the

UNIVERSITY OF SOUTH AFRICA

SUPERVISOR: PROFESSOR JMP VENTER

APRIL 2016

ABSTRACT

Various studies have found that South Africa's high unemployment rate contributes to poverty, inequality, crime and ill-health. Furthermore, South African low to middle-income households are characterised by a high debt to income ratio which contributes to low or negative savings rates. This has left many households vulnerable to financial risk and shocks. This research examined how households with low-income or no income manage to cope on a daily basis. The research adopted an auto ethnography method. During the initial phase of the fieldwork the researcher observed participants over a period of more than a year in the provinces of Limpopo and Gauteng, this was followed by in-depth interviews with households selected using purposive and snowballing sampling. The results revealed that the most common coping strategies used by participants' to deal with financial risks and shocks are borrowing from peers (family, friends and neighbours) and high-risk lenders i.e. *mashonisas* and accessing social support networks. Other strategies employed included pawning and selling of assets as well as employers' loans. It was interesting to note that unlike studies in other countries, skipping meals were not a common coping strategy, and this could mainly be ascribed to the social support networks (*Ubuntu*) that were found in the communities studied. Future research is recommended on the impact of family financial obligations on households' financial well-being.

KEYWORDS:

- Emergency savings
- Financial emergencies
- Coping strategies
- Poverty
- Savings
- Vulnerability

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ACKNOWLEDGEMENTS

Mudzimu ndi lufuno

I offer my sincere appreciation for the learning opportunities provided to me by UNISA's College of Accounting Sciences and Department of Management Accounting through their Academic Qualification Improvement Programme (AQIP) for allowing me time away from tuition duties to research and write this Dissertation.

The completion of this Dissertation could not have been accomplished without the patient, guidance, support and assistance of my supervisor, the late Professor Jan Venter, to whom I dedicate this work. Many thanks to my friends and mentor Dr. Fraser G McNeill, and Vho Mushaisano Tshivhase, for his invaluable assistance gathering data.

Finally, to my loving and supportive wife and children, Avhashoni, Ofunwa and Orifha. You have endured many days and nights without me during this research period. My heartfelt thanks.

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

“The struggle for a better life is not over.” (Botha 2014: 3)

The World Bank (2011) reported that 2.2 billion people worldwide lived on less than US\$2 a day, or approximately R25 a day (based on an average exchange rate at the period of the research, (SARS 2015)). At the time of the research, US\$2 a day was the international guideline for measuring poverty.

This inequality can be ascribed to South Africa’s high unemployment rate which contributes to poverty, inequality, crime and ill-health (OECD 2013). According to Statistics South Africa (2014a), vulnerable groups constitute a significant proportion of the South African population, mainly due to South Africa’s high Gini coefficient (a measure of income inequality) of 0.65 (World Bank 2013). The majority of people considered vulnerable are low-income households, with 40% of households earning less than R795 per month, and almost half of these earning less than R395 per month (approximately R12 per day).

The South African government provides a social security network, mainly through the welfare grant system, to vulnerable groups of the population. The benefits paid are in the form of a "social wage" in various ways, including free primary health care, no-fee paying schools, social grants (most notably old-age pensions and child support grants), state-subsidised housing, and the provision of basic services (water, electricity and sanitation) to households (Government Communication and Information Systems 2015). Although it alleviates poverty, the social wage is often not sufficient to cover all the basic needs among low- to middle-income households.

Household basic needs include food, shelter, children’s education, medical costs, and transport to and from work (Maslow 1954). The insufficiency of the social wage means that households are unable to save for emergencies and for retirement, rendering them financially vulnerable.

Research found that all households have to contend with financial distress but life-style behaviour choices are an important contributor to illogical, irresponsible behaviour or short-sighted financial decisions by the household (Hilgert, Hogarth & Beverly 2003). These decisions have led to the development of behavioural finance theories aimed at proving a framework for understanding how households manage their resources.

Behavioural finance theories incorporate elements of psychology and life-style behaviour theory. Psychologists Kahneman & Tversky (1979) found, in their seminal paper "Prospect theory", that humans often make irrational choices when taking financial decisions. Decades later, Thaler (1999) concluded that households' financial decisions are motivated by 'mental accounting'. Mental accounting is defined as the thought making process used by individuals and households to organize, evaluate, and keep track of financial activities (Thaler 1999).

Mullainathan and Shafir (2013) concluded that a lack of critical resources such as money had a significant impact on people's mental accounting, influencing their behavioural and financial decisions. When money is scarce, a scarcity mind-set is created which leads people to certain short-term financial behaviours with adverse long term financial outcomes (Mullainathan & Shafir 2013). Financial behaviours have been the subject of research with a large body of knowledge focussing on savings behaviour and financial distress management.

Keynes (1936) was among the first scholars to study savings behaviour and savings practices and found a relationship between saving behaviour and human needs. Maslow (1943) was the first to develop a hierarchic understanding of human needs, depicting it in the form of a pyramid with five levels. The basic needs such as water, food, and shelter are at the bottom, whilst self-actualisation needs are at the top of the pyramid. Later studies revealed that financial decisions, including savings behaviour, depend largely on a family's financial needs and resources, and are hierarchical levels of the human needs to be addressed (Xiao & Noring 1994; DeVaney, Anong & Whirl 2007).

The behavioural portfolio theory bears resemblance to the human needs theory and can provide valuable insight into financial decisions made by households. Behavioural portfolio theory posits that the base level motives in investment decisions are meant to prevent financial disaster (Shefrin & Statman 2000; Shefrin & Statman 2011). Similarly, Fisher (2006) finds that lower layer portfolios are designed to avoid poverty, and the higher layer ones are designed to gain riches. In order to meet daily human needs (food, shelter, medical costs, etc.), many of the low- to middle-income households have to structure their portfolios to ensure access to basic goods and services (lower layer portfolios). It has been reported that low- to middle-income households in South Africa spend a relatively high percentage of their total household income on food, leaving little money for saving at a higher level (Statistics South Africa 2014b). This leaves many low-income households exposed to financial emergencies with little or no savings to use.

This study makes a unique contribution to the literature by investigating the main types of financial emergencies low income households are exposed to, and exploring which strategies they employ to cope with these financial emergencies.

1.2 PROBLEM STATEMENT

In order to reduce the financial vulnerability of low- to middle-income households, it is necessary for every household to have basic medical insurance, adequate savings for emergencies, and savings for retirement (Chase, Gjertson & Collins 2011). Studies have found that a large portion of South African households are over indebted with little or no formal savings. It is suggested that households with basic medical insurance and savings for emergencies will be able to survive financial shock without becoming over indebted.

In addition, those households who are actively saving for retirement will not rely on government social security benefits as a source of income upon retirement.

In South Africa, for many years, underinsurance and a lack of adequate savings for emergencies and retirement have been a concern for households, academia, and government. The lack of saving is confirmed by the fact that South African households' gross savings as a percentage of gross domestic product (GDP) are 1.5% (South African Reserve Bank 2013).

This lack of emergency savings poses a high risk for households who are faced with a financial shock, for example an uninsured motorist is involved in an accident resulting in unanticipated car repair bills. In order to obtain the funds to repair the car, the household will have to apply one or more coping strategies; for example borrowing money from a bank.

Vulnerable households often do not have the option to obtain a loan from a bank and have to use alternative coping strategies such as borrowing from non-registered credit providers or sacrificing meals to save money (Chase *et al.* 2011). In order to assist these vulnerable households, the South Africa government provided grants of more than R16.4 million in 2014 (South Africa Social Security Agency 2014) benefitting more than 15.1 million people (Statistics South Africa 2014b). The question however remains if these grants do in fact assist vulnerable households in South Africa to cope with financial emergencies.

This studies aims to provide some insight into the strategies vulnerable households apply to cope with the financial emergencies of incurring emergency expenditure. Most of the past studies in this field applied a quantitative methodology; with little or no ethnographic studies. Ethnographic enquiry is capable of capturing the wide range of strategies used by vulnerable households to cope with financial vulnerability, as was therefore selected as the most appropriate method for this study.

1.3 RESEARCH QUESTIONS

As this study aims to better understand the household finance of vulnerable households in relation to financial emergencies, the following research question was developed for the study:

“Which strategies do vulnerable households apply to cope with financial emergencies?”

In order to answer the main research question of the study the following research sub-questions were formulated:

Sub-question 1:**What is the saving behaviour of vulnerable households?**

In order to understand the financial behaviour of households relative to saving, it is important to first understand the reasons why households save or do not save. This was established through a literature review on saving, savings motives and savings options. The literature review for this study focused on savings practice of vulnerable households (Chapter 2).

Sub-question 2:**Which strategies can vulnerable households use to manage unexpected financial expenses?**

This involves direct questions and observations on how participants cope in the community in which they live depending on their income level, socio-economic status, and ease of access to loans.

Sub-question 3:**To which financial emergencies are vulnerable household exposed, and how do they cope with these emergencies?**

Using ethnography and auto-ethnographic methodology, the study involved prolonged direct observations of vulnerable households in order to gain an understanding of the most common coping strategies used by households. The observations were enhanced with in-depth interviews with participants to confirm what has been observed.

1.4 RESEARCH METHODOLOGY

This study applied a qualitative research approach using ethnography and auto-ethnography methodologies. The following research instruments were used in this research:

Fieldwork (observation)

Fieldwork is a research strategy whereby the researcher works with people for a long period of time in natural settings – or at least in settings where the research participants feel comfortable. This has many advantages – the main one being that the researcher can observe the informants over time, and attempt to triangulate the data recorded; in other words, check the relationship between what the participants say and what they do. In employing such a strategy, the researcher is borrowing from social sciences (in particular Anthropology), where there is a long history of literature on this topic (Layton 1997; Keesing & Strathern 1998 and Fetterman 2010).

The researcher collected data in the form of interviews, observations and materials for analysis. Fieldwork data was collected in the urban, peri-urban and rural areas of the provinces of Limpopo and Gauteng, to ensure, to some extent, that the research participants reflected the diversity, in terms of livelihood, of South African households.

Unstructured In-depth Interviews

This study uses a combination of purposive sampling and snowballing to recruit participants for in-depth interviews. In-depth interviews with participants were conducted by the author and research assistants across the population areas. Interviews were recorded using a digital voice recorder where possible. Again borrowing from the social sciences, this research often employed the unstructured method of conducting interviews. This is a flexible and dynamic way of conducting interviews, in which the researcher can change direction of questioning in relation to the themes that become salient in the participants' responses (Bernard 2011).

Auto-ethnography

This section of the study focuses on the personal observations of the researcher based on his or her relationships, as a participant, and other participants (Davis, Du Plooy-Cilliers & Bezuidenhout 2014). In using this approach, the researcher is showing awareness of the need to be 'reflexive' in the research process. As anthropologists have demonstrated (Clifford & Marcus 1986), ethnography can have the potential danger of presenting a somewhat static representation of the phenomena being studied. A reflexive approach, made possible through auto ethnography, allows the researcher to place him/herself in the picture, and state clearly that their presence in the research process may have altered the reality being studied. In my own particular case, as some of my research was conducted in regions I myself am well familiar with, this approach was very important (Ellis & Freeman 2004).

1.5 SIGNIFICANCE OF THE STUDY

Firstly, the study will highlight the problem of inadequate financial cover for financial risks and an ability to pay for financial emergencies. Having been born and raised in a rural, underdeveloped village in Limpopo, the author has witnessed, first-hand, the extent to which unexpected expenditure can have adverse consequences for households' well-being.

Secondly, the study will help to make socio-economic sense of the ways in which South African households choose to save for unexpected or financial emergencies. It will unearth some of the most common coping strategies used by households.

1.6 DEFINITION OF KEY TERMS

Key terms used in the study are defined below:

Emergency savings fund

An emergency savings fund is a savings account that is readily available (Brobeck 2008). The fund is used to pay for financial emergencies, such as the loss of a job, an illness, or a major expense.

Financial emergency

This refers to unexpected obligations which require an outflow of financial resources. (The Pew Charitable Trust 2015).

Poverty

The United Nations (UNESCO 2015) define people as poor if they fall below the prevailing standard of living in a given socio-economic background. If people do not have necessary financial resources to acquire basic needs such as food, clothing and shelter, they are classified as poor.

Saving

The South African Reserve Bank defines saving as follows:

“... that part of current income [which], after the payment of direct taxes, is not consumed or transferred as part of household current consumption” (Prinsloo 2000: 3).

Vulnerability

This term is defined by the World Bank (2015) as follows:

“Vulnerability is defined here as the probability or risk today of being in poverty or to fall into deeper poverty in the future”.

1.7 OVERVIEW OF CHAPTERS

The remaining chapters for this dissertation have been arranged as follows:

Chapter two summarises important findings from the literature review relevant to this study. The literature review primarily focusses on savings and savings motives, as well as on the determinants and use of coping strategies by households.

Chapter three provides a detailed description of the research methodology, sampling method, data collection, and data collection instruments used in this study.

Chapter four provides a thematic analysis of the raw data collected from research participants. It also presented the findings and a detailed discussion thereof.

The final chapter provides a summary of conclusions of research objectives. In addition, the chapter explains the limitations of the study, and offers recommendations for future research.

CHAPTER 2: SAVINGS MOTIVES, VULNERABILITY, AND COPING STRATEGIES

2.1 INTRODUCTION

Unexpected expenditure arises from events that are sudden or unplanned. One way to manage the risk, and reduce the financial risk associated with these events, is for a household to build up a savings fund. Keynes (1936) described this as the precautionary savings motive being one of eight motives for saving. According to him, a household without sufficient savings for unexpected expenditure has to borrow, either from a credit provider (registered or unregistered) or from some other social support structure, such as friends or family.

In South Africa, a social support structure in the form of the *stokvel* is common in many communities. The *stokvel* is essentially a mutual savings account to which community members contribute regularly. Verhoef (2001) describes a *stokvel* in which a group of people by mutual agreement, regularly contribute money to a common pool with the distributions circulated amongst members of the group or used to buy goods for mutual use, for example groceries. Although *stokvels* are similar to other Rotating Savings and Credit Associations (ROSCAs) products, the name *stokvel* is unique to South Africa. The name is believed to have originated from “stock fairs” in reference to cattle auctions held during the nineteenth century by English settlers in the Eastern Cape (Irving 2005). This study has as one of its study objectives to determine the impact, if any, of households’ support structures, such as family, friends and community networks, on saving behaviour. To achieve this objective the study considers both the issues of households’ savings behaviour, on the one hand, and social support structures available to them on the other. The rest of this chapter is organised as follows; the next section considers the theories associated with savings motives, to establish why households do or do not save (section 2.2). Despite an awareness of the possible consequences of not saving, many households have been found financially vulnerable, owing to a lack of saving.

Thereafter section 2.3 turns to the theories concerning the financial vulnerability of households. Although classified as financially vulnerable, some households do expend efforts to manage their financial affairs. These efforts will be investigated, to develop a framework of the coping strategies (support structures) available (section 2.4). Finally section 2.5 looks into the determinants of coping strategies, and offers some insight into the workings of social support structures available to households classified as vulnerable to financial emergencies.

2.2 SAVINGS MOTIVES

The most commonly used mechanisms by households, in South Africa and internationally, to mitigate the risk of unexpected events becoming catastrophic events is to build up a savings fund (Venter & Stedall 2010). Various studies have been conducted to identify and describe motives for and methods of household savings (Keynes 1936; Xiao & Noring 1994; Canova, Rattazzi & Webley 2005; DeVaney, *et al* 2007 and Venter & Stedall 2010). To understand the attitudes of households towards savings, it is important to first understand the reasons for saving. One of the first scholars to study savings motives was Keynes, who identified eight distinct motives for household savings (1936:107):

- (i) To build up a reserve against unforeseen contingencies (“precaution savings motive”) – for example, saving for emergencies by taking out insurance for death, disability, car or unexpected medicals bills.
- (ii) To provide for an anticipated future gap between the income and the needs of the individual or his family, different from that which exists in the present, such as a provision for old age, family education, or the maintenance of dependents (for instance, building up a nest egg to cover for living expenses after retirement in the form of retirement annuities, provident fund and pension fund) (“foresight savings motive”).
- (iii) To enjoy interest and appreciation, that is, because a larger real consumption at a later date is preferred to a smaller immediate consumption (investments in retail bonds, for example) (“calculation savings motive”).
- (iv) To enjoy a gradually increasing expenditure, since it gratifies a common instinct to look forward to a gradually improving standard of life rather than the contrary, even though the capacity for enjoyment may be diminishing

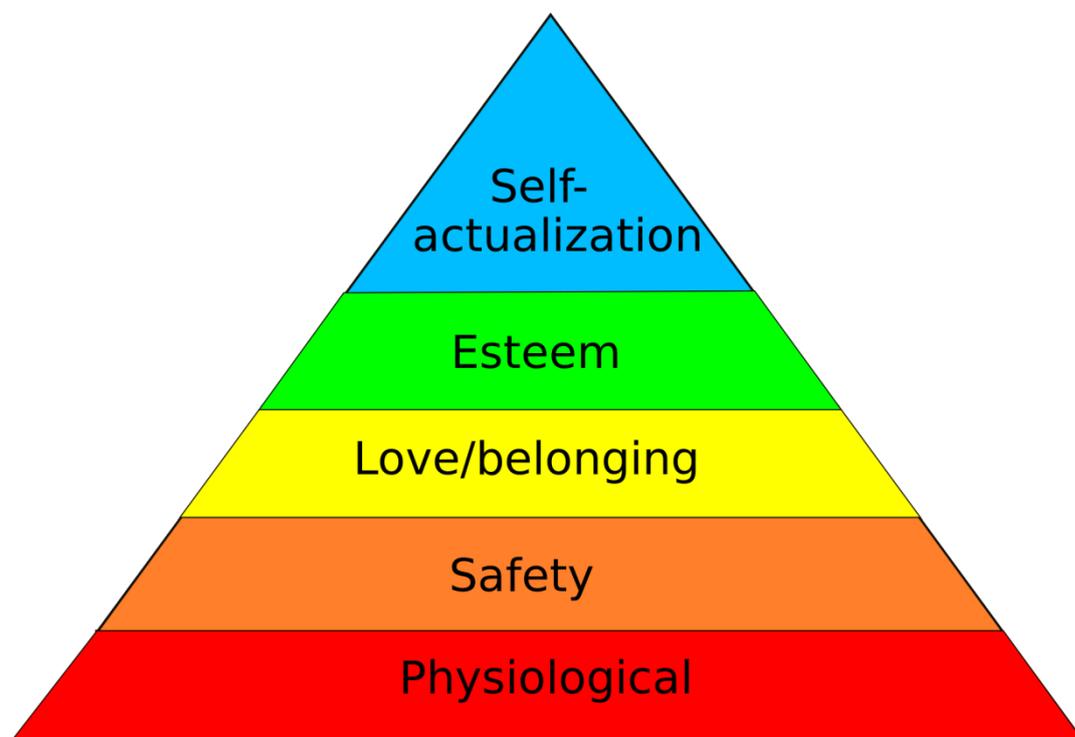
- (“improvement savings motive”). An example of this motive is saving to buy a car.
- (v) To enjoy a sense of independence and a power to do things, though without a clear idea or definite intention for a specific action, such as saving to buy an own house and move from one’s parents’ home (“independence savings motive”).
 - (vi) To secure a *masse de manoeuvre*, to carry out speculative or business projects. It is difficult to finance a start-up business; hence entrepreneurs need to save for seed capital if they want to achieve their goal of starting a business (“ostentation savings motive”).
 - (vii) To bequeath a fortune. Households often donate assets to a trust for inheritance by benefactors. Another example specific to rural communities would be to accumulate livestock (cows, goats) for inheritance by surviving spouse(s) and children, or for use in processes of exchange, such as *lobola*. *Lobola* is the price, in South Africa, that the groom pays the bride’s family (Matthews, 1940). Expanding this definition, Herbst & Du Plessis (2008) explain that this “bride price” can be paid in cash or property (cattle). In current practice, however, cash payments appear to be the norm. (“bequeath savings motive”)
 - (viii) To satisfy pure miserliness (“miserliness savings motive”), that is, unreasonable but insistent inhibitions against acts of expenditure. “Miser” is defined by The Concise Oxford English Dictionary as “*a person who hoards wealth and lives miserably in order to do so*” (The Concise Oxford English Dictionary 2002:1792).

The initial research conducted by Keynes was expanded on by a number of other authors such as Xiao & Noring (1994); Canova *et al.* (2005) and DeVaney *et al.* (2007), in an attempt to obtain a better understanding of household behaviour. Some attempted to develop a savings motives hierarchy, the results of which studies are summarised in the next section.

2.2.1 Savings motives hierarchy

The commonly accepted hierarchy of human needs which forms that basis of many studies (Xiao and Noring 1994; Canova *et al.* 2005 and DeVaney *et al.* 2007) is that of Maslow's (1954), shown in Figure 1 below. Maslow described human needs as a pyramid with needs at the lower level having to be satisfied before the needs at a higher level can be satisfied.

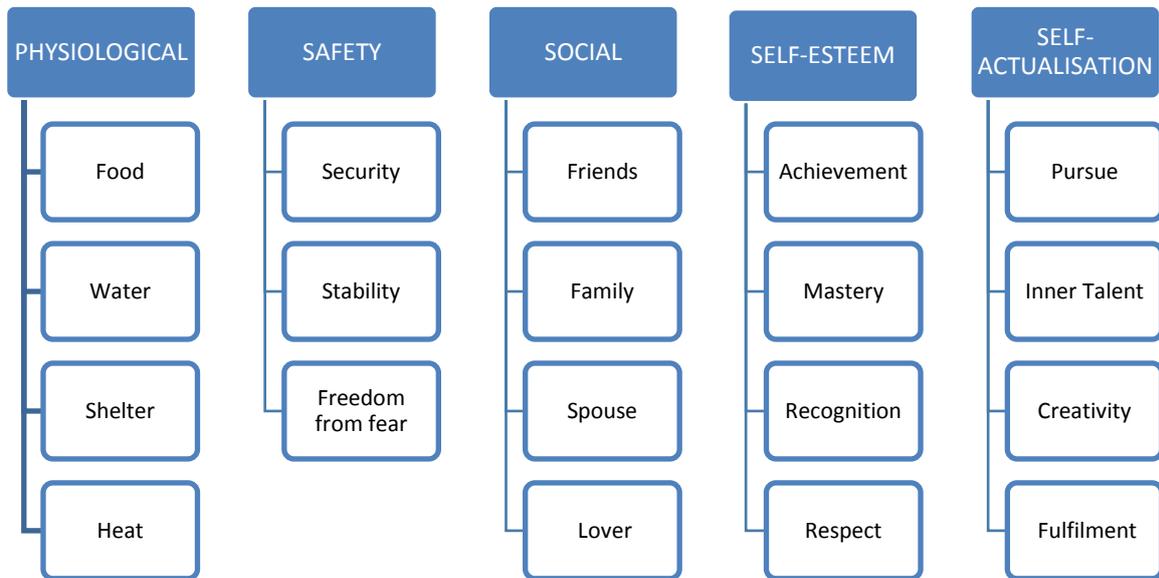
Figure 2.1: Maslow's hierarchy of human needs



Source: Maslow (1954)

At the lowest level most peoples' basic needs will be food, water, shelter and warmth which are known as Physiological needs. The progression is, therefore, from the physiological (bottom of the pyramid) to eventual self-actualisation (the top of the pyramid). The needs included under each of the levels are listed in figure 2 below.

Figure 2.2: The specific needs included under each hierarchy level



Source: Compiled by the author, adapted from Maslow (1954)

Despite being the most recognisable image in psychology science (Kenrick, Griskevicius, Neuberg & Schaller 2010), the controversy over Maslow's pyramid of needs has been going on for many years. Using Maslow's hierarchy of needs, Aldefer (1969) developed the ERG theory (Existence, Relatedness and Growth theory). The ERG theory compressed Maslow's five levels into three levels, namely: existence needs, relatedness needs and growth needs (Figure 2.3). Similar to Maslow's pyramid, at the bottom of the ERG theory is human needs, then existence needs and at the top is growth needs.

Figure 2.3: How Maslow's Hierarchy of needs relates to Alderfer's ERG Theory



Source: Mindtools 2006

The comparison of Maslow's hierarchy of needs and Alderfer's ERG theory as shown in Figure 2.3 is summarised by Ball (2012:10) as follows:

- **Existence Needs** (Maslow's Physiological and Safety needs): includes all material and physiological desires (e.g. food, water, air, clothing, safety, physical love and affection).
- **Relatedness Needs** (Maslow's social and self-esteem needs) comprise social and external esteem; relationships with significant others like family, friends, co-workers and employers. This also means to be recognized and feel secure as part of a group or family.
- **Growth Needs** (Maslow's self-esteem and self-actualisation): these urge a person to make creative or productive effects on himself and the environment (e.g. to progress toward one's ideal self). This includes desires to be creative and productive, and to complete meaningful tasks.

There are three areas in which Alderfer (1969) ideas differs with Maslow's theory. Firstly, the needs are not stepped (i.e. a person may satisfy a need at hand, whether or not a previous need has been satisfied (Ball 2012)). Secondly, if higher level is not met, a person will move back to a lower-level need and lastly, the order of needs are different for different people (e.g. people living in poverty might not have sufficient food (existence need) but they are engaged in creative activities (self-actualisation needs)) (Boeree 2006).

Despite the critique of Maslow's hierarchy of needs, several researchers have used the five levels of humans needs in their studies. According to Kenrick (2010), the longevity of the Maslow hierarchy of needs can be attributed to the pyramid that has come to represent it. Kenrick (2010) concludes that the pyramid captures a complicated idea in a very simple way. The paragraphs that follow summarise some of the studies that uses Maslow's hierarchy of needs in studying savings motives. These studies provided the basis for the analysis performed in the current study.

The proposition is that not all people were born equal, and that some people will pursue higher levels needs only when lower level needs have been satisfied (Green 2000). Using Maslow's hierarchy of human needs, Xiao & Noring (1994) identified the following savings motives, ranked from most important to least important:

- (1) Daily expenses, referring to recurrent daily needs such as groceries and transportation;
- (2) Emergencies, including medical expenses, vehicle and home maintenance and repairs, and loss of income resulting from loss of employment;
- (3) Planned expenditure, such as for holidays, college tuition, or for a wedding;
- (4) Retirement, saving for the years beyond working life;
- (5) Saving for one's children or grandchildren, and
- (6) Saving to improve one's standard of living.

The authors observe that low- to middle-income households are more likely to be concerned with the first three needs, whereas, consistent with Maslow's hierarchy, high-income households are more likely to pursue the last three (Xiao & Noring 1994:29).

In another study, DeVaney *et al.* (2007: 176) also proposed a hierarchy of savings motives based on Maslow's hierarchy of needs. However, they differ from Xiao & Noring's (1994) original hierarchy in that they have five levels and a lowest level which they call 'no saving'. Thus, their order is as follows:

- No savings, suggesting a level when there is simply no income out of which to save;
- Physiological or basic needs, that is, saving for food and transportation;
- Safety needs, for emergencies like illness or death;
- Need for security in future, such as post-retirement medical care;
- Love and societal needs, including weddings and children's education, and
- Esteem and luxuries needs, a reference to such expenses as holidays and hobbies.

The proposed pattern is that individuals (and thus households) will tend to move up the hierarchy as lower-level motives are satisfied (DeVaney *et al.* 2007).

Also using Maslow's hierarchy of needs, Canova *et al.* (2005) identified a comprehensive list of fifteen savings goals or motives and their importance, which they grouped into three orientations hierarchically from bottom (low) to high. The following table summarized their findings:

Table 2.1: Hierarchy of savings motives

Order	Orientation	Savings goals and explanation
First	Security	<ul style="list-style-type: none"> ▪ Autonomy savings: to be independent from family, friends, and social structures. ▪ Money availability savings: for ready cash in transactional accounts. ▪ Precaution savings: for unforeseen circumstances of a long-term nature, e.g. breadwinner's life insurance. ▪ Emergency savings: for unforeseen circumstances of a short-term nature, e.g. illness. ▪ Avoiding debt: a household that has achieved the above will tend to avoid the use of credit. ▪ Saving habit: avoiding overspending is conducive to a culture of saving. ▪ Security savings: to achieve a cushion of household comfort.
Second	Self-esteem	<ul style="list-style-type: none"> ▪ Holiday/Hobbies savings: to pay for a holiday, or for expensive hobbies such as membership of a golf club, considered out of reach for ordinary households. ▪ Purchases savings: for the purchase of luxury goods, such as furniture. ▪ Projects savings: to fulfil a specific dream, e.g. purchase of real estate. ▪ Household savings: for children's education, for instance. ▪ Speculation savings: investing in market securities for interest and capital gain.
Third	Self-gratification	<ul style="list-style-type: none"> ▪ Self-gratification savings: to improve household standard of living. ▪ Retirement savings: provision for post-retirement by way of a pension. ▪ Old age illness saving: to provide for medical care after retirement.

Source: Canova *et al.* 2005:27-28.

Earlier researchers and mainstream economists assumed that they could predict and calculate human behaviour. With the emergence of the branch of behavioural finance, a debate has arisen as to whether human behaviour can indeed be modelled on the assumption of rationality, and to what extent such a model would approximate reality (Campbell 2006 and Sewell 2010). According to modern financial and economic theories, there are many instances where emotion and psychology influence man's

decisions, leading to unpredictable and irrational behaviour (Kahneman & Tversky 1979; Tversky & Kahneman 1992; Thaller 1999; Leonard 2008 and Mullainathan & Shafir 2013).

Kahneman and Tversky (1979) found in their seminal paper “Prospect Theory”, that humans make irrational choices. Decades later, Thaller (1999) concluded that households applied mental accounting in financial decision making which influences the choices they made. Mental accounting is defined – as I outlined in Chapter 1 - as the thought making process used by individuals and households to organize, evaluate, and keep track of financial activities (Thaller, 1999).

Mullainathan and Shafir (2013) concluded that poverty taxes the mind of poor people. Lacking critical resources like financial resources has a significant impact on how households behave and make decisions. When money is a scarce resource, it creates a scarcity mind-set which lead people to certain behaviours which in the short-term helps manage scarcity but in the long-term makes matters worse (Mullainathan & Shafir 2013).

According to Lopez-Fernandini (2010), behavioural finance (which includes mental accounting) is an important factor influencing decisions by households faced with financial risks as it helps explain why households do not save adequately. There is some agreement among studies that the precautionary saving motive (sometimes referred to as the “emergency savings motive”) out-ranks others in importance (Brobeck 2008; Chase *et al.* 2011; Gjertson & Collins 2013). The need for emergency savings and its importance are influenced by different factors, including a person’s desires and priorities. As saving for emergencies is a focal point in this study, this aspect will be investigated in more detail in the next section.

2.2.2 Emergency savings fund

Chase *et al.* (2011) point out that emergency savings are different from precautionary savings, although the mechanisms are similar. An emergency savings fund is for short- to medium-term financial cover against risks, whereas the precautionary motive is long-term in nature. This study will focus on the precautionary saving motive.

Although Keynes (1936:107) originally described emergency savings as “... to build up reserves against unforeseen contingencies ...” studies into financial behaviour and household finance have used different definitions to describe emergency savings funds (also referred to as emergency savings). These definitions will be analysed to develop an appropriate description for the purpose of this study.

Johnson & Widdows (1985) defined emergency savings as financial savings which are available to cover emergencies without drastically affecting the household’s current standard of living. In addition Johnson & Widdows (1985) classify emergency fund savings into the following three stepped categories:

1. Quick - includes financial savings held in current account and cheques accounts.
2. Intermediate – includes quick financial savings plus financial savings held in fixed deposit accounts.
3. Comprehensive – includes intermediate financial savings and financial assets such as shares, unit trusts, etc.

These emergency fund measures were widely used in subsequent research by authors such as Chang, Jessie & Hanna (1997); Lown (2005) as well as Lee & Hanna (2014).

According to Brobeck (2008), earlier research defined unmet emergency savings needs as the gap between unexpected expenditures and funds from transaction accounts, especially savings accounts earmarked for these expenses. Lopez-Fernandini (2010) describe emergency savings as unrestricted savings held in formal products (i.e. held in current account and investment account) and non-formal (“under mattress”). Brobeck’s (2008) description of emergency savings follows a conservative approach namely that it only consist of financial assets in a formal savings account (e.g. current and fixed deposit accounts). In his 2008 study Brobeck stated that “emergency savings refer to the liquid cash in a person’s savings account”.

In order to select an appropriate definition for this study, the term emergency was also considered, The Concise Oxford English Dictionary defines “emergency” as follows:

“A situation, esp. of danger or conflict, that arises unexpectedly and requires urgent attention; (a person with) a condition requiring immediate treatment”
(The Concise Oxford English Dictionary 2002).

After considering various definitions it was decided to apply a more inclusive approach when considering emergency savings and to also consider savings other than those in a personal savings account.

Having identified what constitutes emergency savings, another question to consider was with regard to the quantity of such savings for any given household. The amount of emergency savings required by an individual household will be influenced by factors such as the household socio-economic status, what support structures are available and the composition of the household (Chang *et al.* 1997). For example, the amount needed by a single parent living in a city will differ from that of a dual income family living in a rural area. Gjertson & Collins (2013) also observed that economic conditions and time of the year and month influence the absolute quantum of the amount required in an emergency savings fund.

Studies by Lown (2005), Bhargava & Lown (2006) and Prina (2015) suggest that a household needs three to six months’ worth of monthly disposable income to provide for emergency expenses. In their study Chang *et al.* (1997) applied a three-months-of-disposable-income guideline to determine which factors influence a household’s ability to meet the level of emergency savings reserves required. They found a positive relationship between age, education and the likelihood of meeting the emergency savings guideline. Bi and Montalto (2004) concur with the observation that the age and educational attainment of the householder bear positively on the ability to achieve the guideline on the size of the emergency savings pocket.

Brobeck (2008) found that the level of emergency savings is closely related to income. He suggests that low- and moderate-income households in the USA that have at least

\$500 (about R7 500 at the time of writing) in savings should be able to pay for emergency expenses. In the South African context, some evidence of an acceptance of the three to six months guideline may be found in several educational newsletters published by most insurance companies (Sanlam 2014 and Old Mutual 2014).

The discussion in this section clearly indicated the importance of an emergency savings fund for a households. However, many households are unable to accumulate such a fund but are still exposed to unexpected events. The impact of these events will most likely leave the household financially vulnerable (Collins & Gjertson 2013). As the focus of this study is on the financially vulnerable, the next section will provide an overview of which households are considered to be financially vulnerable.

2.3 FINANCIALLY VULNERABLE HOUSEHOLDS

Although this study focuses on financially vulnerable households, it is important to note that households can be vulnerable in monetary or non-monetary terms (MIT 2015). According to Werg, Grothmann & Schmidt (2013) they are two types of vulnerability emerging from existing literature: social and cognitive vulnerability. In this study, the focus will be on theories on the former (i.e. social vulnerability), the latter being essentially psychological in nature. Whilst I focus on social vulnerability, I of course accept that it is connected in important ways to cognitive vulnerability.

2.3.1 Social vulnerability

Social vulnerability refers to “the inability of people, organizations, and societies to withstand adverse impacts from multiple stressors to which they are exposed” (Norton, Alwang & Masters 2010). Some of the “stressors” households are exposed to can be natural disasters such as earthquakes and hurricanes. Natural disasters affect all individuals, regardless of social status. In most countries, it is the responsibility of the national authorities to manage such risks, so that, in general, most households do not insure themselves against natural disasters. However, the aftermath of natural disasters can lead to a loss of income-earning capacity, thus rendering households

financially vulnerable. It is the responsibility of individual households, therefore, to manage the risk of financial vulnerability. In the South African context household “stressors” can include unemployment and over indebtedness. These stressors can leave households vulnerable to unscrupulous practices by credit providers and financial services providers.

2.3.2 Vulnerable households

Literature suggest that there is a distinction between vulnerability and poverty. Poverty, as I suggested above, can be usefully defined as a condition where a person's basic needs for food, clothing, and shelter are not being met.

Two types of poverty are identifiable, the first being absolute poverty which is measured in terms of calories or nutrition required to support a minimum level of physical health. Relative poverty (second type of poverty) varies from country to country and is measured in terms of the minimum level of living standards as determined by a government. (Haughton & Khandker 2009)

Dercon (2002) states that vulnerability measures a household’s exposure to poverty, rather than measuring current poverty. This view is shared by Chambers (2006), who defines vulnerability as not lack or want, but defencelessness, insecurity, and exposure to risk, shocks and stress. According to Haughton & Khandker (2009) vulnerable households can move into or out of poverty from one year to the next.

The risk of financial vulnerability affects mostly middle- and lower-income households (Swain & Floro 2008). However, a study by Lusardi, Schneider & Tufano (2011) found that vulnerable households included those with higher than average income and educational attainment. Households are classified by Haughton & Khandker (2009) into three groupings, according to the probability of falling into a poverty trap in the short term: not vulnerable, low vulnerable, and highly vulnerable. Highly vulnerable households stand a more than 50% chance of falling into a poverty trap, whereas the low vulnerable category faces a less than 50% chance. At the low end of the spectrum, the not vulnerable category has a zero chance.

The two categories of vulnerable households (namely the low vulnerable and highly vulnerable groups) are the subject of this study. The next section will discuss some of the coping strategies these groups can adopt in dealing with financial emergencies.

2.4 HOUSEHOLD COPING STRATEGIES

2.4.1 Introduction

Households have adopted various coping strategies to deal with financial emergencies. Although households differ in their use of, and reliance on specific coping strategies, among the most common is informal borrowing from family, neighbours, and/or friends (Jahns 2012). The adoption of a particular strategy for relief following a shock often depends on the ease of access, regardless of wealth and social position (Tadesse & Brans 2012).

Snel & Staring (2001) describe coping strategies as all strategically selected actions that households in a socio-economic situation use to control their expenses or earn some extra income to enable them to pay for the basic necessities and not fall too far below their society's level of welfare. In a study using financial diaries in poor households, Collins, Murdoch, Rutherford & Ruthven (2009) conclude that vulnerable households are active money managers. Dercon (2002) classifies the risks or shocks faced by households as either common or idiosyncratic. In a given geographical area, common risks affect the whole community (for example, crime or storms), whereas idiosyncratic risks are those applicable to particular individual or households (such as job retrenchment, illness, or death in the family). Some common risks have financial shock that arises from them, for example, drought will bring about death to livestock resulting in asset losses or widespread retrenchments will lead to loss of income for several households (Bayes 2015). The idiosyncratic class of risks forms the focus of this study, i.e. the individual events that results in financial emergencies for the household.

Coping strategies applied by households are generally classified on the basis of whether households take measures before or after emergencies occur. Lekprichakul (2009) calls anticipatory measures *ex ante*, and include such measures as formal and informal insurance, funeral policies, savings, and so forth. *Ex post* measures, by contrast, are taken after the shock has occurred, and take the form of formal and informal borrowing or selling off assets to cover major expenses. *Ex Ante* coping strategies are long-term survival strategies, whereas *ex post* coping strategies are for short-term survival (Bayes 2015; Lekprichakul 2009)

Further insight into coping strategies is provided by Bayes (2015), who sees them as either erosive or non-erosive. Erosive coping strategies will lead to an immediate depletion of household assets, for example, the sale of livestock to cover for medical expenses, drawing on a savings account to pay for funeral expenses. A non-erosive coping strategy preserves assets, and uses them as security against which a household borrows, be it from a bank, *mashonisas* (so-called loan sharks), family or friends. Accessing social security (old, child and disability grants) falls into this category.

According to Hoogeveen, Tesliuc, Vakis & Dercon (2005), household decisions on which coping strategies to use depend upon the types of risks involved, costs associated with a particular coping strategy, effectiveness of available coping strategy and access to the coping strategy. Studies also found that financial knowledge has an influence on the use of financial and credit products (Lusardi, Schneider & Tufano 2011 and Lusardi & Mitchell 2011). Lusardi & Mitchell (2011) confirmed that demographics factors, such as age and income level of an individual play a role in the choice of on coping strategy (e.g. older households are less likely to get an extra job to earn extra income, they will rather draw from savings and or use main stream credit products).

A review of literature on household coping strategies suggests the following coping strategies as the most frequently used by vulnerable households.

- (1) Insurance strategies - includes funeral policies, burial society (refer to section 4.2.2).
- (2) Cash Savings strategies – for example, are drawing from liquid assets (refer to section 4.2.3).
- (3) Sacrificing strategies – examples of this strategy includes getting an extra job, skipping payments and withdrawing children from school (refer to section 4.2.4).
- (4) Credit strategy – use of mainstream credit (e.g. personal loans) and alternative credit (e.g. payday loans and pawn broking) (refer to section 4.2.5).
- (5) Social networking strategies – Child support grant, old age pensions, ROCSAs and social capital are examples of social networking strategies (refer to section 4.2.6).
- (6) Sharing strategies – family, friends sharing resources is part of sharing (refer to section 4.2.7).
- (7) Subsistence living strategies – backyard gardens are one example, used by households in rural areas (refer to section 4.2.8).

It should be noted that these coping strategies above are not an exhaustive list. Each of these coping strategies will be discussed below.

2.4.2 Insurance strategy

According to Zimmerman (2014), insurance is one of the many coping mechanisms available to households to mitigate financial shocks. As mentioned above, many households will prefer coping strategies based on ease of access and availability. For many households, particularly in low-income communities, insurance companies have earned themselves the reputation of tardy pay-outs in the event of claims on policies (Collins *et al.* 2009).

Formal insurance savings take various forms depending on the type of mitigated risks, for example, life cover, disability insurance, medical insurance, funeral insurance, etc. It should be noted that South Africa has got a well developed insurance market covering both idiosyncratic and common risks (see, for example, KPMG 2014).

According to Collins *et al.* (2009), very few vulnerable households have formal insurance protection. An explanation for this could be the cost of these products linked to perception of the majority of low-income households in developing countries that “The insurance industry ... is perceived by many as a necessary evil” (KPMG, 2014:8). Collins *et al.* (2009) found that in South Africa, with its “rich-world-style insurance industry”, low-income households were not using formal insurance instruments. This could be partly due to a lack of insurance products tailor-made for low-income households and partly due to the reputation of the industry. Research by Newman & Wainwright (2011) suggests that the formal insurance market does not fully cover all day-to-day idiosyncratic risks faced by vulnerable households.

In the absence of formal insurance products, households often resort to self-insurance for protection. In South Africa, the most popular type of informal insurance is the burial society (Roberts, Struwig & Gordon 2014). Collins *et al.* (2009) observed that funerals in South Africa are an expensive affair mainly due to the cultural ritual. To reduce the risk associated with these costs, households form burial societies (also known as informal insurance). Burial society associations can be for a particular clan, households carrying the same surname, friends or co-workers. Despite its informal nature, some burial societies have a constitution setting out membership, regular meetings, uniforms, monthly contributions, benefits, fines for non-attendance or late coming etc. (Bowman and Hougaard 2012).

2.4.3 Cash Savings Strategies

Earlier in this chapter (section 2.2), the eight savings motives as identified by Keynes (1936) were discussed. The first savings motive, namely to build up reserves against unforeseen contingencies, can be achieved by households through a cash savings strategy. According to Prina (2015), saving generally promote households to accumulate assets, thereby helping them to create a safeguard against shocks and to a decreased dependency on credit. Studies indicated that cash savings provide an important pathway out of poverty (Barr & Blank 2009; Barr 2008 and Prina 2015).

It has been shown that vulnerable households can and do save, but often use formal or informal savings instruments that have high risk, high cost, and limited functionality (Karlan, Ratan & Zinman 2014). It is estimated that an amount approximating R44.6-billion per year is hidden away in South Africa's stokvels and under mattresses (Jones 2013). Households often get low or non-existent returns on such informal savings. However, most of the households which chose to save this way do so out of mistrust of financial institutions, or for a desire to maintain a set of social and economic patterns which could be seen as traditional (Jones 2013). It has been suggested that if banks change their strategies in attracting such low-income households, they could boost more formalised savings (FinMark Trust 2013). It is clear that cash savings strategy is an example of an *ex ante* coping strategy.

2.4.4 Sacrificing strategies

According to Amendah, Buigut & Mohamed (2014), expenditure on food is the biggest item on the household budget for a majority of low-income households. In order to put food on the table, households often resort to unorthodox coping strategies, as for instance skipping payments, withdrawing children from school, forcing children into child labour etc. In this study, these coping strategies are referred to as sacrificing strategies. These strategies are classified as the *ex post* strategies, and often result in additional expenses, for example if utility bills are not paid and the water and electricity are cut off additional cost must be incurred to reconnect them. According to Chase *et al.* (2011), one of the simplest ways to deal with unexpected expenses is to skip a payment on existing debt. This form of coping strategy is harmful and expensive in the long term. "These practices can lead to situations of escalating debt and cause households to develop an array of other financial problems that may keep them from saving". (Grinstein-Weiss 2015: 7)

The financial consequences of withdrawing children from school or forcing children into child labour have not received much attention in the literature, despite this form of coping strategy being widely used by vulnerable households in developing countries. It is estimated that there are 168 million child labourers in the world, with the Sub-Saharan African region reported to have the highest incidence of children in

employment (International Labour Organisation 2015). In urban Kenya, to compensate for spending shortfalls, the majority of households were found to be removing children from school (Amendah *et al.* 2014). Children removed from school will most likely enter the labour market to earn extra income for the households. The current study, as we see below, asked respondents if they have ever resorted to this kind of coping strategy to cope with financial shock.

Another form of coping strategy is to skip meals in order to cover other pressing expenses. It is not found in developing countries alone. For instance, households in Australia were found to be skipping meals in order to pay for other expenses, such as rent (King, Bellamy, Kemp & Mollenhauer 2015). It is estimated that 44% of households skip meals in Southern Africa (FinMark Trust 2015) in order to make up for the shortfall in the expenditure budget.

2.4.5 Credit strategies

The Banking Association of South Africa (2015:1) describe credit as “enable[ing] people to spend money they don't have, spend more money than they earn, use credit for ordinary purchases, use credit even when they have cash and use debt to pay off debt. The use of credit and poor money management skills often leads people into a situation of over-indebtedness where they are unable to service credit agreements”.

To regulate the use of credit in South Africa, the National Credit Act (Act 35 of 2005) was passed into law in 2007. The main objective of this legislation is to protect consumers in the credit market as well as to make credit more accessible to households who were previously excluded from the credit market. Credit strategies used by vulnerable households include personal loans, payday loans and pawn broking loans.

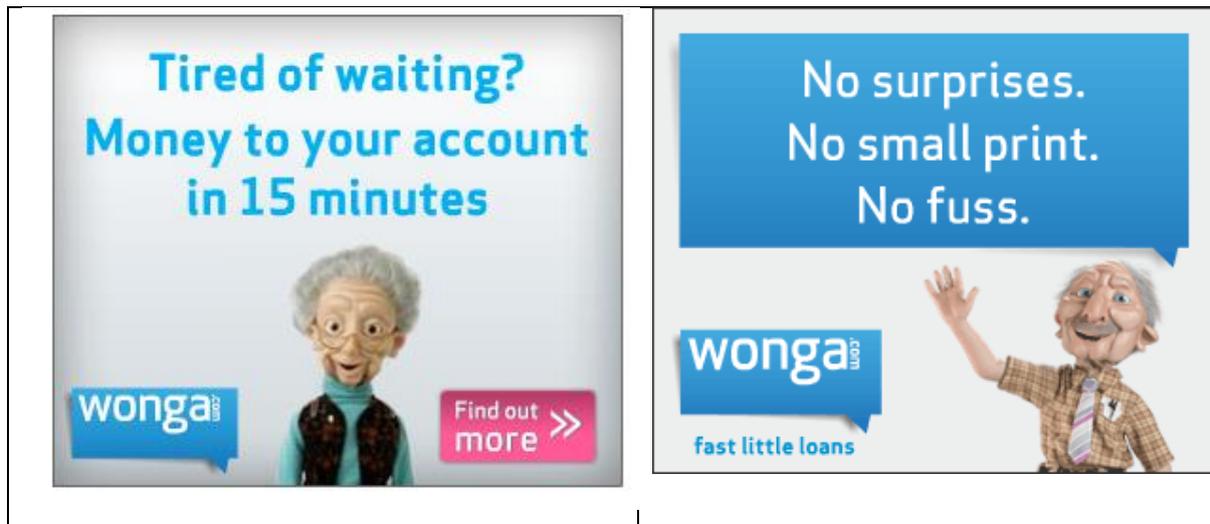
In South Africa, half of all credit active consumers have impaired credit records (National Credit Regulator 2015). Households with good credit records have access to unsecured loans such as personal loans, revolving credit, and credit cards. For many low- and middle-income households, impaired credit records preclude them from

mainstream credit. According to Stoesz (2014), this has resulted in low- and middle-income households relying on what I call alternative financial services (AFSs). The next paragraphs will discuss these AFSs, specifically pawning and payday loans.

Pawn broking is one of the oldest strategies used by low-income earners to obtain quick cash (Bos, Carter & Skiba 2012). Pawning is one of the regulated small credit transactions, according to the National Credit Act (Act 35 of 2005). A pawn broking loan is a loan from a pawnshop which is relatively simple transaction in which the pawnbroker advances a fixed term loan to a customer who leaves valuable goods in the possession of the pawnbroker. If the customer repays the loan and all required fees, for example interest, initiation fees, etc., the pawnbroker returns the goods to the customer. However, if the customer does not repay the loan by a specified date, the pawned goods become the property of the pawnbroker and the customer's debt is written off (Caskey 1994; Caskey 2005). There has been relatively little literature published on the usage and effect of pawn broking on low-income households in South Africa. Most low income households do not own valuable assets which are required as collateral before credit by a pawnbroker can be granted (Collins *et al.* 2009).

One of the so called AFSs is the payday loan. A payday loan is a small, short-term loan, generally for between R1 000 to R10 000. (Melzer 2011) "They are appropriately called 'payday loans' because the duration of a loan usually matches the borrower's payday schedule" (Bennet 2014). In the United States, research has described payday loans as a way to bridge a cash flow shortage between pay checks or other income (Consumer Financial Protection Bureau 2013). Payday loans are quick and easily accessible to households who normally would not access products such as a credit card. The payday loan falls under the ambit of the short-term credit transactions in the National Credit Act (Act 35 of 2005). An applicant for a payday loan is required to provide the lender with the latest pay slip, bank statements, proof of address, and a letter confirming employment. The growth in the payday loans market has been the result of online lending, such as Wonga.com (Stoesz 2014). Figure 2.4 below is an advertisement from an international online payday lending company, Wonga.

Figure 2.4: Payday loan advertisement



Source: Wonga 2015:1

According to Bhuta, Skiba and Tobacman (2012), households who use the payday loan as a coping strategy take out a sequence of payday loans, incur a lot of charges in the process. Similarly, Bennet (2014) found that although payday loans are sold to households as short-term loans, they become long-term loans as a result of roll-overs. The repayment of payday loans is deducted from the borrower bank account by debit order. This means that payday loan providers are repaid ahead of other credit providers, often leaving households unable to meet other credit agreements and expenses. The charging of relatively higher rates of interest and repeated borrowings often leads to disastrous consequences for households (becoming debt prisoners) in the long term (Payne & Raiborn 2013).

In practice, a household who took a payday loan of R1 000 will be expected to pay R1 278 in their next payday month following the month the loan was advanced (Brey & Venter 2014). Figure 2.5 below shows the repayment schedule of a typical payday loan.

Figure 2.5 Payday loan repayment schedule

i.	Initial borrowed amount of R1 000,
ii.	R171 initiation fee,
iii.	R57 service fee, and
iv.	R50 interest
Total repayment R1 278	

Source: Brey & Venter 2014

Much recent literature argues that vulnerable households will borrow money or take-out loans from non-registered credit providers like the so-called loan sharks to pay for emergency expenses (Bond 2013; McKenzie 2013; Bateman 2014; James 2014). In South Africa, loan sharks are also known as *mashonisa*. *Mashonisa* is an individual or business that provides unregulated credit often at high-interest rates of up to 50% per month (Soul City 2013).

“The word *Mashonisa* means “to sink” because these unscrupulous lenders sink the people who borrow money from them so deeply in debt that for the most part, the borrowers never fully recover” (Daily Maverick 2012)”

Mashonisas are infamous for charging an interest rate of up to 365 percent (Bond 2013). One question that needs to be asked then is why do households take-out loans from *mashonisa*? A possible explanation for this can be found in the fact than more than half of South African credit active consumers' credit profile have been impaired (National Credit Regulator 2015).

2.4.6 Social security strategies

Social security strategies refer to making use of social support structures provided by government and social networks in the community (including maintenance and social networks).

- **Government social security**

Social security in the form of cash transfer programs has increasingly become the strategy most commonly used for poverty alleviation in middle and low-income regions such as Latin America and Caribbean countries, Asia, and Africa (Barrientos & De Jong 2006 and Hanlon, Barrientos & Hulme 2010). The definition of social security as a human right implies that (1) States have some kind of obligation regarding the right to social security/social protection and, (2) everybody is entitled to a minimum of social protection, without exception or discrimination (International Labour Organisation 2015). The provision of financial assistance in whatever form by the government is referred to as social security (Spicker 2013). The provision of financial assistance by the government is mostly to the most vulnerable sections of its population, which include old age people, children and disabled people.

A considerable amount of literature has been published on the topic of social security and its impact on households. In the paragraphs that follow, a comparison will be drawn between the social security systems in developed and developing countries, highlighting the key features and the primary objectives of the programmes. In South Africa social security includes old age grants and child support grants.

The United States Social Security Agency (USSSA), in collaboration with the International Social Security Association (ISSA), publishes a volume every six months called *Social Security Programs throughout the World*. This publication covers over 170 countries and discusses the principal features of social security programs in those countries (Social Security Agency & International Social Security Association 2015). To evaluate the effectiveness of South Africa's program, this study will compare the programmes in the United States, the United Kingdom, and South Africa.

It is thought that the ideal of a "welfare state", founded in the 1940's, directly or indirectly gave birth to the social security system as it is known in the United Kingdom (Spicker 2013). Spicker also found that the social security system was not intended to alleviate poverty, but was a product of an insurance system as envisaged in the Beveridge Report, which attempted to develop a comprehensive insurance system covering people from 'cradle to grave'.

In South Africa, security systems differ significantly from pre- to post-1994 systems. It has been conclusively shown that, during the apartheid period (pre-1994), social security system policies were developed on different terms for 'whites', 'Asians', 'coloured' and 'black' populations (Spicker 2013). It is estimated that there were 4 million recipients of social security benefits in 1994 (National Treasury 2013). In general, social security policies of the apartheid government only targeted old age people, mainly the “black” and the “coloured” populations, and left many others not classified as “White” financially vulnerable. In contrast, the British welfare system seeks to comprehensively cover people at specific times during their life time and to cater for those people undergoing a transitional downturn in their lives, as with unemployment and temporarily sick people (Alderman, Ashworth & Middleton 2003).

Since 1994 the number of social grants recipients in South Africa increased and as at 31 March 2015 stood at 16.6 million (South African Social Security Agency 2015). Data from several studies has identified the growing trend in the number of recipients of social security benefits (social grants). The post-apartheid government policy on the social grant is targeted at the most financially vulnerable section of the population (children, old age, disabled people, etc.). A detailed examination of the social security system by Bhorat, Tseng and Stanwix (2014) showed that the pro-poor social protection programme in South Africa has served an income redistributive role in favour of the poor.

The South African Social Security Agency administers eight grant types: the Old Age grant (OAG), the War Veteran’s grant (WVG), the Disability grant (DG), the Grant in Aid (GIA), the Child Support grant (CSG), the Foster Child grant (FCG) and the Care Dependency grant (CDG) (South African Social Security Agency 2015). In their report, the agency reports that 80% of the recipients receive the Child Support grant, the Old Age grant, and the Disability grant. Statistics South Africa (Statistics South Africa 2015), in its Household Survey, report that the social grant followed salaries and wages as the main source of income. Work by Ndleve, Musemwa & Zhou (2012) suggests that households with the social grant as the main source of income are less vulnerable to food insecurity than those in other countries.

One question to consider is whether households use the Child Support Grant as a coping strategy. There has been considerable debate as to the importance of the Child Support Grant (Cancian, Meyer & Park, 2003; DSD, SASSA & UNICEF 2012 and Hanlon et al. 2010). It has even been suggested that there is an increase in young women falling pregnant, especially teenagers, to increase their income through the Child Support Grant cash benefit (Ferreira 2015). Census 2011 (Statistics South Africa 2012) reported that the average number of children per household is 3.5. The Child Support Grant is the lowest of all grants mentioned earlier, at R330 per child (South African Social Security Agency 2015). It follows that households with the average number of children will earn a potential income of R1 155 per month. This income is enough to buy food, mentioned earlier as the most expensive item on the household budget of the majority of families (Amendah *et al.* 2014).

The Child Support Grant is paid to the primary care giver of the children, not necessarily the biological parent (South African Social Security Agency 2015), but the researcher has observed that the majority of people collecting the Child Support Grant at cash collection points are young women. It should be noted that it has not been conclusively shown in prior research that young women intentionally fall pregnant to increase their income. The research to date has not focused on the impact of the Child Support Grant on households' well-being, as many have access to more than one type of grant.

The Old Age Grant (OAG) and the Disability Grant (DG) have just over 3 million and 1 million beneficiaries respectively and are the second and the third highest in terms of numbers (South African Social Security Agency 2015). The Old Age Grant is paid to both men and women over 60 years of age, whilst the Disability Grant is paid to persons who are unable to earn income because of their disability. The Old Age Grant and Disability Grant represent the highest cash transfers at R1 410 per month (South African Social Security Agency 2015). Data from studies suggests that these grants contribute positively to the well-being of the households. The Old Age Grant, in particular, contributes increasingly towards food security in household (Labadarios, Mchiza, Gericke, Maunder, Davids & Parker 2011).

- ***Maintenance strategy***

Providing maintenance refers to the obligation to provide for another person, for example, a minor who receives housing, food, clothing, education and medical care. This legal duty to maintain is called ‘the duty to maintain’ or ‘the duty to support’ (Department of Justice and Constitutional Development 2015). The Maintenance Act, 1999 (Act No. 99 of 1998) is used by the courts to enforce maintenance of children. It is estimated that there are 9 million children growing up without their father’s financial support (South African Institute of Race Relations 2011). This might be explained by the increasing number of the Child Support Grant cash transfers. However, research to date has not focused on the correlation between the growing number of absentee fathers and the increase in Child Support Grant beneficiaries.

During the pilot project of this study, the researcher found that many single parents do not have enough money to pursue maintenance orders through the legal system. This view is supported by Coutts (2014), who argues that the failure by complainants to enforce maintenance orders is due to the fact that in court proceedings, the defendant can ask for transport money, but not the complainant. Most of the complainants, according to Coutts (2014), have no additional income to cover the cost of successful enforcement of maintenance orders.

- ***Social networking strategies***

Social networking is closely related to social capital. Social capital is a broad and complex concept. Fukuyama (2001:1) defines social capital as follows:

“Social capital is an instantiated informal norm that promotes co-operation between two or more individuals. The norms that constitute social capital can range from a norm of reciprocity between two friends all the way up to complex and elaborately articulated doctrines like Christianity or Confucianism. They must be instantiated in an actual human relationship: the norm of reciprocity exists in potential in my dealings with all people, but is actualised only in my dealings with my friends”

In this study, the terms social support or networking will, instead, be used interchangeably. A social network is described as being a member of a group, a relationship of trust and reciprocity on which people depend for their daily livelihood (Rakodi & Lloyd-Jones 2013). Social networking is widely used by vulnerable households (e.g. *stokvels*, grocery clubs, Rotating Savings and Credit Associations (ROSCAs), *muholisano* (rotating payments on payday [Tshivenda], etc.). In South Africa, many households depend on their neighbours and family members for food and financial help. It is estimated that 52% of households in South Africa depend on others for income (FinMark Trust 2014). In the following paragraphs, social networks and their mode of operation will be reviewed, and their impact on vulnerable households considered.

Stokvels are unique to South Africa and are an association in which members contribute money into a collective savings vehicle for shared use (BankSeta 2015). *Stokvels* vary in size, motives and objectives. One dominant incentive for households in participating in *stokvels* lies in bridging the earnings gap (Verhoef 2008). Other main reasons identified are, (1) poor households with low and irregular income find it difficult to establish creditworthiness and obtain access to credit, and, (2) participants gain access to the savings pool at some point in the future. The share of the accumulated pool can be used by members of the *stokvel* to buy food, pay school fees, pay *lobola*, or buy durable goods (Verhoef 2008). Mashigo & Schoeman (2011) agree with Verhoef that *stokvels* currently have the ability to meet the financial needs of poor households, and can be considered an opportunity to help to bridge the irreducibly uncertain economic environment which limits access to credit by vulnerable households.

Matuku & Kaseke (2014) observe that *stokvels* attract most of their members from low-income groups, and are an important strategy for households with limited means to generate income. It has been demonstrated that *stokvels* exists because of the need for financial support (BankSeta 2015), and are a coping strategy mostly used by vulnerable households.

Another form of collective savings similar to *stokvels* is the Rotating Savings and Credit Association clubs. Rotating Savings and Credit Association products are inherently a form of social capital through a building of trust, collective actions

undertaken, and the values shared by its members (Benda 2013). A considerable amount of literature has been published on Rotating Savings and Credit Association products. Rotating Savings and Credit Association products are found in many developing countries under different names. Table 2.2 below lists the names of Rotating Savings and Credit Association products in selected countries.

Table 2.2: Rotating Savings and Credit Association products in selected countries

Country	Rotating Savings and Credit Association product name
Sierra Leone	Asusu
South Africa	Mahodisana; Stokvel
Sudan	Sanduk; Khatta
Kenya	Chilemba
Ghana	Esusu

Source: Hevener (2006)

Religion has, through the centuries, played an important role in promoting social welfare among vulnerable households throughout the world (Van Sandt & Sud 2012). It is often assumed that households become members of a religious association for spiritual faith. However, several studies have revealed that religion plays other important roles in the financial well-being of vulnerable households. In their study, Fletcher, Thiessen, Gero, Rumsey, Kuruppu & Willet (2013) found that faith and religious belief can be a source of resources, volunteers, and welfare programmes for vulnerable households. Adams (2012) noted the potential for the church to play an important role in combatting poverty among low-income households. The main limitation in relation to the studies by Fletcher *et al.* and Adam is that they were done in predominantly so-called Christian countries. The Islamic religion has programmes at local mosques which, properly implemented, can uplift the living standards of vulnerable households (Mian & Muhammad 2014).

2.4.7 Sharing strategies

Ubuntu is an Nguni word, defined in the Concise Oxford English Dictionary (2002) as “a quality that includes the essential human virtues; compassion and humanity”. In South Africa, as noted before, many households depend on their neighbours and family members for food and financial help. As mentioned above, over half of all households in South Africa depend on others for income (FinMark Trust, 2014). In the following paragraphs, the sharing of resources (as is shown in Figure 2.7) by vulnerable households in the spirit of Ubuntu will be discussed.

Earlier in this chapter (Sub-section 2.4.2), the high cost of funerals in South Africa was discussed, as well as the business of burial societies. It should be borne in mind that the burial society on its own is often not sufficient to cover the costs of a funeral (Collins *et al.* 2009). The shortfall in the expenditure generally comes from family members, friends and neighbours sharing the cost of the funeral. This view is supported by Case, Garrib, Menendez & Olgiati (2013), who argue that family members, neighbours, church and even employers contributed up to 90% of the costs associated with the funeral arrangements in South Africa. Table 2.3 below shows how a traditional funeral was funded:

Table 2.3: Sources and uses of funds of a typical funeral

<i>Source of income</i>	<i>Amount</i>	<i>Expense</i>	<i>Amount</i>
<i>Pay-out from burial society</i>	<i>1 000</i>	<i>Undertaker</i>	<i>3500</i>
<i>Remittance from relative</i>	<i>1 500</i>	<i>Tent</i>	<i>590</i>
<i>Remittance from relative</i>	<i>1 000</i>	<i>Pots</i>	<i>225</i>
<i>Remittance from relative</i>	<i>1 000</i>	<i>Food</i>	<i>4 220</i>
<i>Rental of tent by relative</i>	<i>590</i>	<i>Sheep</i>	<i>250</i>
<i>Rental of cooking pots by relative</i>	<i>225</i>		
<i>Purchase of sheep by relatives</i>	<i>650</i>		
<i>Borrow from aunt's burial society (no interest)</i>	<i>1 000</i>		
<i>Borrow from cousin's umgalelo (30% per month)</i>	<i>600</i>		
<i>Borrow from cousin (no interest)</i>	<i>700</i>		
<i>Money from grant</i>	<i>600</i>		
<i>Brother's money</i>	<i>320</i>		
<i>Total</i>	<i>9 185</i>	<i>Total</i>	<i>9 185</i>

Source: Collins *et al.* 2009

In short, R8 185 (89,1%) of the cost of Thembi funeral was shared by family members. The pay-out of R1 000 was not enough to pay the undertaker.

2.4.8 Subsistence livelihood strategies

Subsistence living includes, but is not limited to, small-scale farming, chicken breeding, backyard gardening, selling vegetables and fruits, etc. Much of the recent literature has only focused on farming livelihoods. It is thought that in South Africa, the majority of vulnerable households rely more on government social grants as a source of income, than on subsistence farming (Daniels, Partridge, Kekana & Musundwa 2014). A limitation of this study is that it focuses on farming only.

Figure 2.6: Backyard garden as a source for subsistence livelihood



Source: Photo taken by the author 2015

Figure 2.6 above shows some ways of subsistence employed by vulnerable households for daily survival (Vox Daily 2015). Many vulnerable households identify with the story told in Figure 2.6 – the story of households without stable incomes. The Concise Oxford English Dictionary defines subsistence as “the state of having just enough money or food to stay alive” (The Concise Oxford English Dictionary 2002).

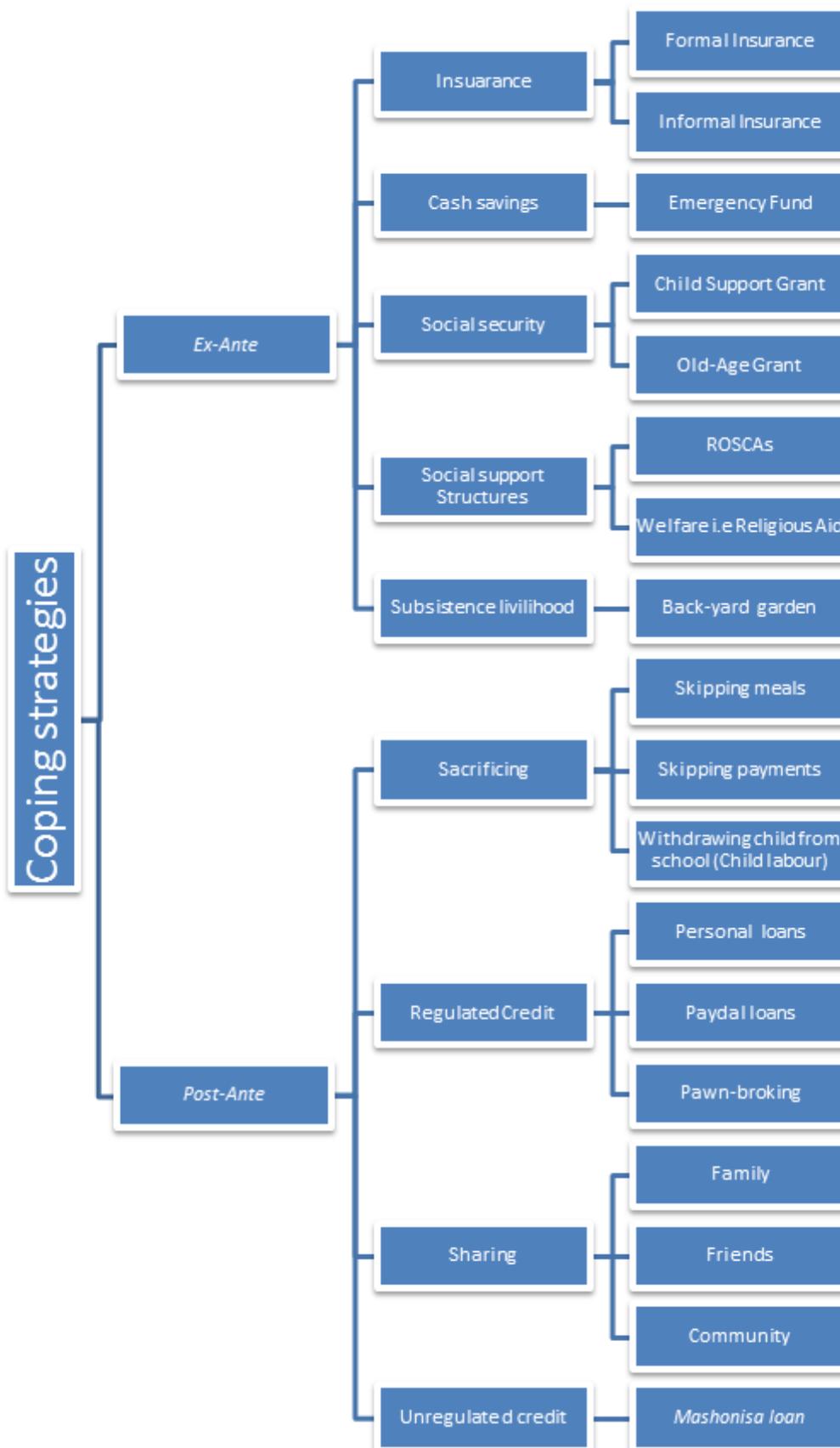
2.5 CONCLUSION

The objective of this chapter was to review the literature on strategies for managing financial risk by vulnerable households. The first aspect that was considered was the different theories that explain the behaviour of vulnerable households that are subject to economic shocks.

The chapter then considered the relationship between risk, poverty and vulnerability. A distinction was drawn between poverty and vulnerability, and idiosyncratic risk was found to determine household vulnerability. Literature indicated that vulnerable households subject to economic shocks use various coping strategies to deal with the economic shock.

The nature of coping strategies can be divided into two groups, namely *ex-post* or *ex-ante*, erosive or non-erosive and the common social support structures available to South African vulnerable households. The strategies identified in this study are summarised in figure 2.7.

Figure 2.7: Summary of coping strategies



Source: Compiled by the author

CHAPTER 3: METHODOLOGY

3.1 INTRODUCTION

The previous chapter reviewed the literature on household saving behaviour and coping strategies. This chapter explains the research methodology adopted in this study. The chapter deals with the research design, research instruments, data collection techniques, and the tools for analysis applied in the study.

The methodology applied in the study was selected in order to answer the research question of the study namely:

“Which strategies do vulnerable households apply to cope with financial emergencies?”

The rest of this chapter is organised as follows: Section 3.2 provides a detailed rationale for the research methodology adopted in this study. It presents a description of the research design, including the setting (location), the population, and the sampling method. Section 3.3 outlines the entire research process, describes the combination of research instruments employed and justifies their use, and includes an autobiographical note on the researcher’s historical association with the target communities sampled.

Section 3.4 deals with the data analysis techniques used, whilst Section 3.5 comments on the research design limitations. Section 3.6 considers the ethical implications of the study. As the study involves the collection of personal and social information directly from participants, measures taken to obtain informed consents from participants and to protect confidentiality are dealt with in this section. Section 3.7 concludes the chapter.

3.2 RESEARCH METHOD AND DESIGN

3.2.1 Methods of Inquiry

The approach to this study is such as to unearth, as far as possible, the socio-economic tendencies prevalent in the communities in which poor households live. Research approaches in social research include exploratory, descriptive, and explanatory types. Walters (2014:8-9) defines each of these research approaches as follows:

- Exploratory research – Research undertaken to explore or open up new areas of social enquiry.
- Descriptive research – Research that has as its major purpose a description of social phenomena.
- Explanatory research. – Research that seeks to provide or develop explanation of the social world or social phenomena.

This study takes the form of descriptive research, with the aim, as stated in Chapter 1, of providing information on the living conditions of vulnerable households (Kumar 2013).

For the purpose of establishing a range of perspectives on issues and problems facing a community, Kumar (2013) has advocated the use of the unstructured enquiry, which is qualitative in nature, rather than the traditional, quantitative approach which is generally structured. A qualitative approach is employed to describe situations or phenomena and, through analysis, establish variations therein without any attempt at quantification (Kumar 2013). One common qualitative approach to enquiry takes the form of ethnography (Creswell 2013).

Definitions of ethnography vary. Tach (2014) describes ethnography as a form of qualitative research which uses in-depth observations of people in their surroundings. According to Gobo (2012), ethnography has found application in diverse situations, including autobiographical narratives, action research, performance descriptions, and field research lasting from a few days up to several years.

Ethnography has also been defined as the art and science of describing a group or culture (Given 2008).

3.2.2 Rationale for ethnographical research methods

Although ethnography has not been a common research method in the field of accounting and finance, it has been found to yield rich data in other related fields (Pattilo 2009). Large surveys tend to be incapable of capturing the complete range of strategies used by vulnerable households in managing their financial risks vulnerability (Financial Access Initiative 2011). In her ethnographical study, Tach (2014) suggests three ways in which ethnographic methods complement results gathered in studies using quantitative research approaches.

Firstly, ethnography identifies the same results using different types of data than those used in quantitative research. An example is that of a quantitative study reporting a high level of resident satisfaction with the physical features of their mixed-income houses, whilst ethnographic research finds that improvements in the physical features of mixed-income developments reduce stigma and generate resident pride (Tach 2013).

Secondly, the inductive nature of ethnographical data collection can lead to new hypotheses that can be tested with quantitative research surveys. As an example, questions of tenure, housing types, and other demographic mixed-income residential data can now be tested in surveys (Tach 2013).

Finally, ethnography can clarify mechanisms and explanations not observable in surveys. A quantity survey, for instance, reveals little cross-class interaction between residents of different incomes, whereas ethnography shows how, and why, there is little interaction between residents of different incomes in mixed-income housing developments (Tach 2013).

Having lived in communities in rural, underdeveloped villages in the province of Limpopo during the formative years of my life, and now living side by side with low-income households in Centurion, within the Metropolitan Municipality of Tshwane, I have witnessed, first-hand, the extent to which unexpected financial vulnerability can have severe consequences for vulnerable households. Read together with the research questions, the appropriateness of the choice of ethnography as the research method becomes apparent.

3.2.3 Location of research

Data for the study was collected in urban, peri-urban and rural areas of the provinces of Limpopo and Gauteng in order for the research participants to reflect some of the diversity, in livelihood, of South African households. Geographically, most of the data was collected in the Tshwane Metropolitan Municipality (TMM) in Gauteng and the Thulamela Local Municipality (TLM) in Limpopo

The first area from which data was collected was the Tshwane Metropolitan Municipality (TMM), one of the three metropolitan and three district municipalities in Gauteng (Figure 3.1).

Figure 3.1: Map of the Gauteng province



Source: <http://www.dining-out.co.za/Gauteng-Map.asp> 2015

The Tshwane Metropolitan Municipality (previously city of Tshwane, Figure 3.2) has ten municipal areas with diverse populations and developmental statuses.

Figure 3.2: Tshwane Metropolitan Municipality map



Source: The Local Government Handbook 2015

The first group of research participants were from the Hills/Westford informal settlement in the Tshwane West region (Pretoria municipal area, Figure 3.2). This location became an area of interest to the researcher when it was reported in the media that households in the area lived in squalor and poverty, without basic services like water, sanitation and electricity (Abreu 2014). Figure 3.3 shows vulnerable children playing next to live electrical wires in The Hills/Westford informal settlement.

Figure 3.3: Photo of children playing next to exposed wires in The Hills

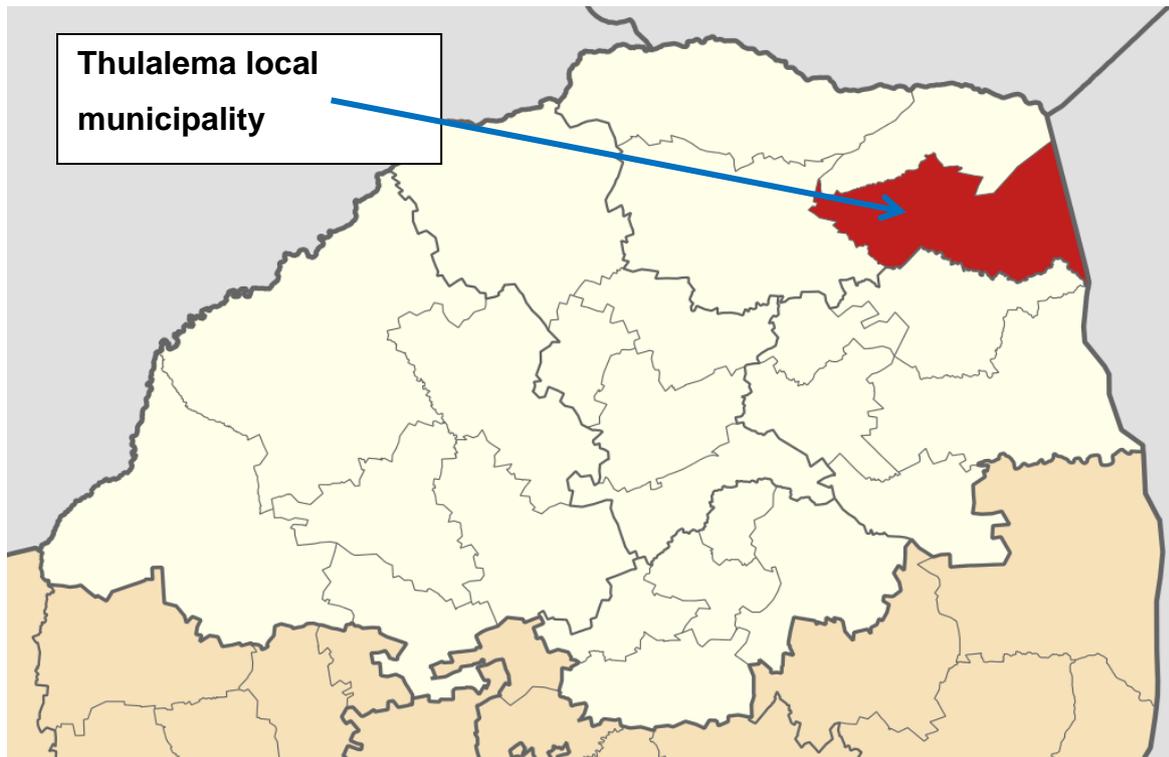


Source: Abreu 2014:3

An additional group of participants came from Olivenhoutbosch, south of the Tshwane Metropolitan Municipality (Centurion municipal area, Figure 3.2). This location was of particular interest as it was established as part of the government policy of integrated development. In a press release statement, the minister for Human Settlements stated that the Tshwane Metropolitan Municipality would develop low-cost bonded houses in the area for middle-income earners (Government Communication and Information System 2006). It was expected that participants from this location would be lower- to middle-income households and would therefore employ different coping mechanisms than those in the other areas.

The final group of participants were recruited from the rural Thulamela area of Limpopo. Figure 3.4 shows a map of the Limpopo province, with Thulamela highlighted. This is the location where the researcher was born and raised. According to Walker (2011), a researcher may be able to recruit suitable participants by using personal contacts. The author had a personal relationship with key informants in this area who provide him access to key players in the community.

Figure 3.4: Map of Limpopo province, with Thulalema



Source: Htonl 2015

3.2.4 Population and Sampling

For research purposes, population refers to all units, people or things which possess the attributes or characteristics in which the researcher is interested (Keyton 2015). Saumure and Given (2008) define population, as a research concept, to mean every individual fitting the criteria that the researcher has laid out for research participants.

The population, for this study, consists of all households residing in the Hills/Westford informal settlement, Olivenhoutbosch and Thulamela areas. Table 3.1 shows the populations and number of households for the three research areas according to Statistics South Africa (2012). For the purpose of this study, a household will be the unit of analysis.

Table 3.1: Population and household size in research areas

Area	Population	Households
Olivenhoutbosch	70 863	23 777
The Hill/Westford	4 768	1 347
Thulamela (Thate & surrounding villages)	6 345	1 655

Source: Statistics South Africa 2012

Although household is a term used in various studies, there is no common understanding of the term or uniform set of criteria through which individuals should be included in a household. A household can refer to a family (husband, wife and children), to a person living alone (lone person household), or to a group of unrelated persons living together (group households) (Qu & Wetson 2013). The United Nations (UN) recommends that definitions of households should follow “Principles and Recommendations”:

“The concept of household is based on the arrangements made by persons, individually or in groups, for providing themselves with food or other essentials for living. A household may be either, a) a one-person household, that is to say, a person who makes provision for his or her food or other essentials for living without combining with any other person to form part of a multi-person household, or b) a multi-person household, that is to say, a group of two or more persons living together who make common provision for food or other essentials for living”. (UN 2015:1)

Beaman & Dillon (2011) find that the variations in the definition of a household have implications in measuring household welfare. According to the Statistic Act, 1999 (Act No. 6 of 1999) a “household” means a group of people who live together at least four nights a week, eat together and share resources, or a single person who lives alone. For the purpose of this study, the definition contained in the Act and applied by Statistics South Africa when conducting surveys was adopted.

Having identified the target population for this study, the next step was to identify the list of households to make contact with, or the list of households the research will be

analysing (Davis *et al.* 2014). The paragraphs that follow discuss what a sample is, and the sampling technique used for this study.

A sample, according to Morgan (2008), may be defined as a set of actual data drawn from a larger population of potential data sources. In other words, a sample is part of a research target population. It is almost impossible to contact or perform an analysis on every element of a population, given the fact that populations often consist of many elements. To try to access an entire population takes more time and resources than are available to finish a research project (Davis *et al.* 2014). For this reason, a sample of households was selected using sampling methods discussed below.

There are two types of sampling methods, namely, probability and non-probability sampling. Probability sampling refers to a technique in which an individual or group has an equal opportunity of being part of a sample (Davis *et al.* 2014). In contrast, non-probability sampling refers to a technique in which a sample is selected for analysis in ways other than, and distinct from, that based on probability (Babbie 2011). Walters (2014) has observed that non-probability sampling is mostly used in qualitative research methods. Being qualitative in nature, the present study thus adopts a non-probability sampling technique.

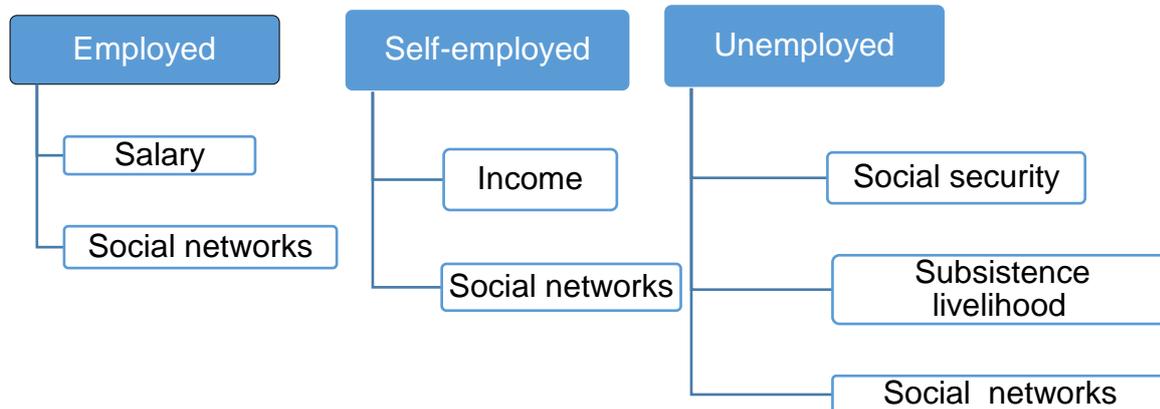
Over 70 in-depth interviews with participants were conducted by the author and research assistants across the population areas. It is not the intention of this study to provide a comprehensive, statistical representation of all the vulnerable households in the selected populations. Therefore, the criteria for household selection were a combination of purposive sampling and snowballing. In purposive sampling, the researcher defines the population of eligible data sources prior to selecting who should be in the sample (Morgan 2008). Figure 3.5 categorises the households used in the study by employment status. As pointed out in Chapter 2, most households are only able to save given a regular income.

Thus, participant criteria were as follows:

- Households who receive income from formal employment,
- Self-employed households belonging to some social network, and
- Unemployed households receiving income from social security, e.g. child support grants, pension, disability grants, etc.

Self-employment or membership of a social network structure (e.g. *stokvel*, *masicwabane*, and *mogodisano*) qualifies a household for inclusion in the study.

Figure 3.5: Household categories included in the study



Source: Compiled by the author

Having set eligibility criteria for participation in the study, what follows next is the actual selection of the participants. Small numbers of participants are a norm in ethnography, and the snowballing technique has proven useful. In snowball sampling, the researcher collects data on an initial small number of informants in the target population, providing the basis for an expansion of the sample depending on the initial data gathered (Babbie 2011). According to Walters (2014:111), one respondent is asked to suggest others, so that the sample grows like a snowball, and "...expands in size as it rolls down the mountain".

3.3 RESEARCH PROCESS AND INSTRUMENTS

The major objective of this study is to unearth the coping strategies used by vulnerable households in their natural setting. In order to achieve the goal, a combination of the following research instruments were used in this study:

- Fieldwork (observation)
- Auto-ethnography
- Unstructured Interviews

3.3.1 Fieldwork Observations

The fieldwork activities covered the period from late 2013 to early 2015, and were carried out in the three population areas of Thulamela, Olivenhoutbosch and The Hill/Westford. The time spent in each of the areas was approximately equal and in total spanned a period of 18 months. According to Fettermen (2010), the ethnographer must ideally live with the researched community for 6 months to a year or longer, to learn their language and to see the patterns of behaviour over such a period. The duration in the field can, however, be shorter if the ethnographer is observing one's own culture (Picken 2013).

My association with the communities in the research areas predate the study. I was born and bred in Venda 39 years ago; Thulamela Municipality is the current name for the former homeland of Venda. Furthermore, I have been involved, from 2007 to date, as a volunteer in running a football club (Oliven All Stars) in Olivenhoutbosch. Throughout the fieldwork activities, I attended *imbizos* (public meeting usually called by a Headman), burial society meetings, *stokvel* meetings, and volunteered in community building events in all the research areas.

The instruments used for data collection during the fieldwork activities were pen, pencil, notebook, video camera and human instruments. Human instruments refer to the key role players who have played an important part during data collection. Table 3.2 below shows the names of the key role players, and the roles they played. This was done to ensure data integrity (Coates 2014).

Table 3.2: Key role players in this research

Name	Designation	Role played	Rationale for inclusion
Dr FG McNeill	Acting HOD: Department of Anthropology and Archaeology (University of Pretoria).	Personal mentor	Dr McNeill obtained his PhD in Anthropology from London School of Economics. He conducted his PhD research in Venda. His fieldwork base was in Thulamela. He is an experienced ethnographer.
Mr MC Tshivhase	Prince in Tshivhase Royal Council	Key informant and cultural broker	Mr. Tshivhase is a well-known member of the community in Thate. He is also an organiser in the community. Many of the burial societies and <i>stokvel</i> meetings were held in his homestead.
Mr Siyabulela Hans	Oliven All Stars Coach and street committee member	Key informant and cultural broker	Mr. Hans is a soccer coach in the team in which I'm a volunteer at Olivenhoutbosch. He also acted as an interpreter, as the majority of the people speak Xhosa and Zulu (the researcher's home language is Tshivenda).

Source: Compiled by the author, adapted from Dutta (2012)

3.3.2 Auto-ethnography

The auto-ethnographic data collection method was the next engagement in the process of data collection, following the fieldwork activities. This data collection method focuses on the relationship between the researcher, as a participant, and other participants (Davis *et al.* 2014). Auto-ethnography is defined by Brewer (2000:6) as:

“The study of people in naturally occurring settings or fields by methods of data collection which capture their social meanings and ordinary activities, involving the researcher participating directly in the setting, if not also the activities, in order to collect data in a systematic manner but without meaning being imposed on them directly”.

According to Sobers (2010), when conducting auto-ethnography, the researcher must feel on par with the other participants as powerful, and also as vulnerable, in co-pursuit for a common ground. Ellis, Adams & Bochner (2011) concluded that in doing auto-ethnography, the life of the researcher becomes a central part of what is being studied. The manner in which this study has integrated auto-ethnography is described in the following paragraph.

Earlier in January 2015 at a social gathering in Olivenhoutbosch, a discussion on *stokvels* and grocery clubs was started by a group of men watching a football match. The discussion was of interest, as the topic was central to the research questions of this study. The initial group of six men (including myself) resolved to form a savings club. The name of the savings club is *Zwidangula* savings club. I was tasked with drafting the constitution of the savings club. The constitution was subsequently ratified, and an executive committee elected in the next meeting, two weeks after the first meeting. In each of the meetings, the author observed and took notes. The minutes of the meetings form an integral part of the data for this study. The ethical issues regarding auto-ethnography will be discussed in section 3.6.

3.3.3 In-depth interviews

Lastly, after spending time in the field and being involved as an active member of the savings club, the next data collection method took the form of in-depth interviews with the participants recruited across the three research areas identified earlier. The recruitment process and ethical considerations are described in the ethical clearance form, attached as an Annexure to this dissertation.

The interviews were conducted between April 2015 and early July 2015, as it can take a lot of time to arrange for interviews (Travers 2015). Interviews were sound-recorded. According to Travers (2015), sound-recording the research interviews, as opposed to the older techniques of taking notes while interviewing, makes it easier for the interviewer and interviewee to concentrate. Interviews were conducted mainly in Xhosa, Zulu, Sepedi and Tshivenda. The first in-depth interview took 15 minutes. On average, the rest of the interviews lasted 20 minutes.

Table 3.4: Interview schedule questions

Q1	Could you please tell me about the composition of your household?
Q2	Could you please list all Income and their source you receive as a household per month?
Q3	Could you please tell me if any member of your household receive social security grant i.e. old age, child grant, disability, etc.
Q4	Could you please tell me if any member of your household has an absent father/mother, if so, whether your household receives maintenance benefits enforced by the Magistrate's court?
Q5	Could you please list all expenses you incurred as a household per month?
Q6	Could you please list your household savings accounts, stop orders and funeral policies?
Q7	Could you please list and describe all the burial societies (<i>mbulungano</i>)/ <i>muholisano</i> / <i>stokvels</i> you have joined?
Q8	Could you please describe how burial societies (<i>mbulungano</i> / <i>muholisano</i> / <i>stokvels</i> help your household (family)?
Q9	Could you list all the financial help your household received from family member /friend/son/daughter not living with you, during the month?
Q10	Could you please describe any financial shock/challenges experienced by your household (family) during the past year and how you have handled it?
Q11	Could you please tell me where you borrow money in case of emergency?
Q12	Could you please tell me if you have borrowed money from <i>Mashonisas</i> before?
Q13	Lastly, I would like to ask about your household opinion regarding loan sharks (<i>mashonisas</i>).

Source: Compiled by the author

3.4 ANALYSIS OF DATA

Data analysis for the study was done through coding of the raw data collected from fieldwork, auto-ethnography notes, and participant interviews transcripts. Coding is a crucial aspect of analysing data collected through qualitative research methods (Basit 2003). Charmaz (2008) asserts that coding generates the bones of an analysis, integration of which yields a working skeleton.

The coding process was mainly done electronically using Computer Assisted Qualitative Data Analysis Software (CAQDAS). There are three major CAQDAS programmes, namely ATLAS.ti, MAXQDA, and NVivo (Saldana 2013). In coding data for this study, the ATLAS.ti, Version: 7.5.4 was used. Data was coded in two

Hermeneutic units of analysis. “Hermeneutic” comes from Greek term *hermēneuein*, which means a method or theory of interpretation (The Concise Oxford English Dictionary 2002).

The two hermeneutic units coded are:

- Fieldwork and Auto-ethnography unit, and
- Participant’s interviews transcripts unit.

In the paragraphs that follow, the coding process is described for each of the data collected from fieldwork, auto-ethnography and in-depth interview transcripts.

3.4.1 Fieldwork and Auto-ethnography analysis

In coding data from field notes and auto-ethnography, I considered the following general list of questions in chronological order (Emerson, Fretz & Shaw 1995:146):

- What are people doing? What are they trying to accomplish?
- How, exactly, do they do this?
- What specific means and/or strategies do they use?
- How do members talk about, characterise, and understand what is going on?
- What assumptions are they making?
- Why did I include them?

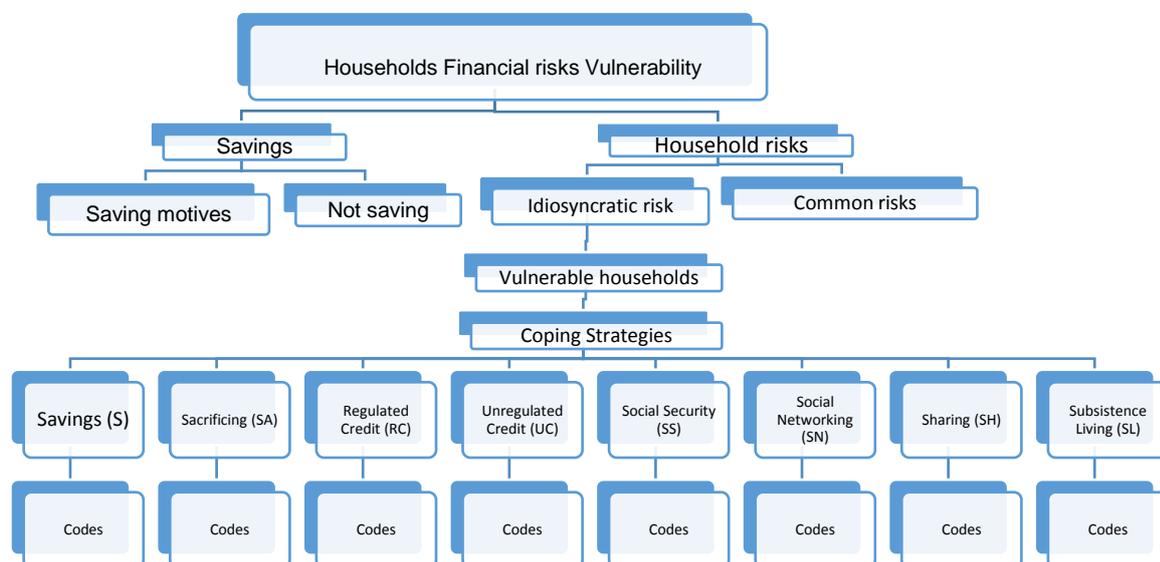
In addition to this general list of questions, which is mostly used by ethnographers regardless of the research purpose, Saldana (2013: 18) recommends that researchers should ask themselves “what strikes you” during coding and data analysis. General themes emerge from the data that the researcher then follows through in terms of the questions being asked and the arguments being made.

3.4.2 Participants Interviews transcripts analysis

A thematic analysis (TA) was adopted in coding data from participants’ interview transcripts. A thematic analysis is a process of coding, categorising, and analysing data according to the needs of the research aims and objectives. Richards & Morse (2007) describe categorisation as how we get ‘up’ from the diversity of data to the

shapes of the data. A theme should be an outcome of coding, and should follow a basic process which is ideal and streamlined (Saldana, 2013). According to Davis *et al.* (2014), a thematic analysis uses thematic coding whereby the process uses themes already known or anticipated to be found in the data, usually obtained from the literature review of the research study (in this study, Chapter 2). Therefore, it is evident that a thematic analysis method of data analysis is deductive in nature. The hierarchical framework for the thematic analysis for this study is illustrated in Figure 3.6.

Figure 3.6: Hierarchical framework for thematic analysis



Source: Compiled by the author, adapted from Davis *et al.* 2014

3.5 LIMITATION OF THIS STUDY

A major limitation of this study requires pointing out. The population sampled is not statistically representative of the entire national population. To achieve such representatively would require more time and resources than were available. Consequently, the research findings are specific to the limited sample. This is in line with Walter's reminder (2013) that research findings from qualitative methods cannot be generalised to findings about the population which was not being studied.

3.6 ETHICAL CONSIDERATIONS

That humans would be involved as research subjects for this study was evident from the outset. The risk assessment for this study (Category 3) implied that there was a potential risk of harm or discomfort to the subjects, given the research methods used. However, where appropriate, measures to mitigate or reduce overall risk were taken. The subjects included non-English speaking participants, people living in poverty, and people with little or no formal education. To mitigate the risk, the following procedure was followed:

- Participants were provided with a participant's information sheet that explained what was involved in the study, so that the subjects were allowed an informed decision on whether to participate. Participation was thus voluntary. Alternatively participant's information sheets were read to the participants before the data collection if they were not able to read it for themselves.
- Participants voluntarily consented, through signature, to participation prior to commencement of the study.
- The researcher effected reasonable collection and storage procedures that ensured confidentiality of participants' information.

An ethical clearance certificate is appended to this study (Appendix 6).

3.7 CONCLUSION

This chapter presented the research methodology adopted for the study, and provided a rationale therefor. The qualitative approach of ethnography was discussed as ideal for the study, as were the various research instruments employed. An autobiographical note explaining the researcher's familiarity with, and personal involvement in the community affairs of the target population was included.

The research locations for this study were described, and the sampling technique combining purposive and snowballing procedures outlined. The thematic data analysis procedure was presented, and, finally, I considered the ethical issues inherent in the study, and the measures adopted to mitigate the potential risk of harm and/or discomfort to the research subjects.

CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 INTRODUCTION

This chapter investigates the third research sub-question of the study, namely:

Sub-question 3:

Which financial emergencies are vulnerable household exposed to, and how do they cope with these emergencies?

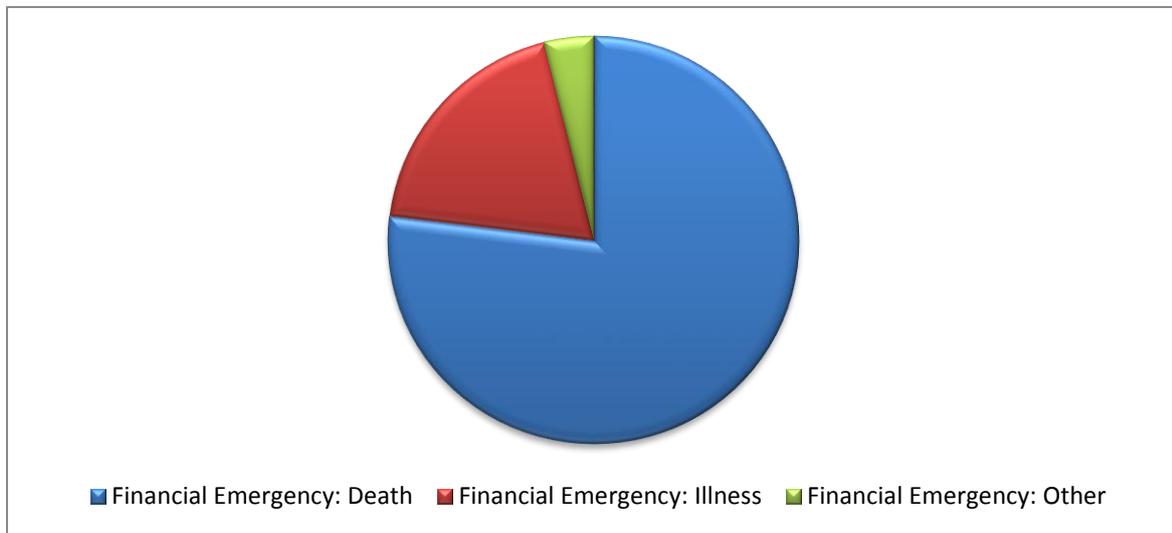
As discussed in the previous chapter, this study is descriptive in nature, and employs thematic analysis to answer the research sub-questions of the study. To achieve this, hierarchical coding was used to analyse the raw data collected. The main themes that appear to emerge from the analysis can be divided into two groups, firstly the financial emergencies vulnerable households are exposed to and secondly the coping strategies used by them.

It should be reiterated that participants in this research were from low- to middle-income households in urban and rural sites, as discussed in Chapter 3. The emergencies that participants identified were:

- Death of a family member, including extended family members not living with the participants,
- Illness of a family member, and
- Other financial emergencies, for example shortage in food and lack of transport money to go to work.

The most common of these emergencies for which money was needed was the death of a family member (Figure 4.1). For most participants these emergencies posed a financial obligation resulting in a financial emergency.

Figure 4.1: Common financial emergencies reported by participants in this study



Source: Compiled by the author

A similar study amongst low- to middle-income participants in the United States returned different results. Grinstein-Weiss, Russell, Tucker & Corner (2014) found the most commonly experienced financial emergencies in that country to be:

- major vehicle repair,
- period of unemployment, and
- hospital costs.

Despite the noted difference which might be due to the differences in being in a developed as opposed to developing countries, medical cost was revealed to be a significant unexpected cost in both studies.

Most of the participants did not have sufficient savings for these financial emergencies and had to rely on other coping strategies to meet their financial obligation.

The remainder of this chapter is organised as follows. Section 4.2 presents the financial emergencies to which vulnerable households are exposed. Section 4.3 suggests the most common self-reported coping strategies used by participants to deal with financial emergencies. Lastly, in Section 4.4, I incorporate the auto-ethnographic experiences while observing participants in a cultural setting.

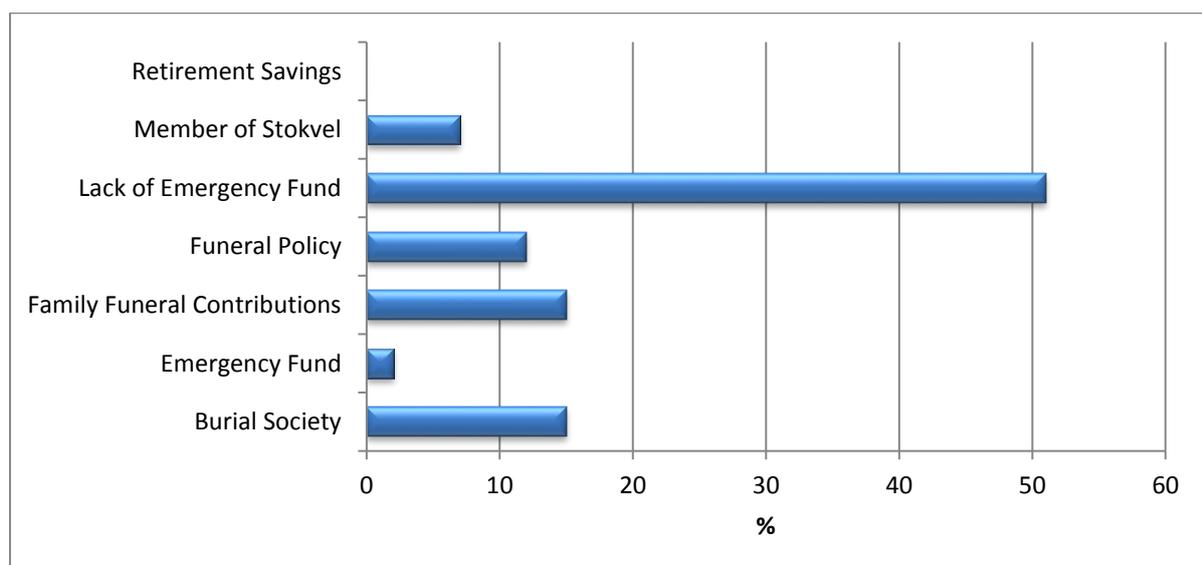
4.2 FINANCIAL EMERGENCIES

All households are periodically exposed to unexpected expenses including medical bills and repairs and maintenance costs. This study focused on the financial emergencies vulnerable households are commonly exposed to, based on the results of field work conducted. The two most common financial emergency households are exposed to funeral costs and family obligations. Each of these will be investigated in more details in the next sections.

4.2.1 Financial emergencies: Funeral expenses

An analysis of financial behaviour by participants interviewed suggests that households have been putting some of their income aside to cover death expenses related to the burial of family members. This has hampered households' ability to save for a better life in future. A majority of participants believed that it is more important to save for funeral costs than for other short-term financial emergencies and post-retirement age. As can be seen in Figure 4.2 below, a majority of the participants interviewed lack emergency funds to deal with financial emergencies.

Figure 4.2: Analysis of saving behaviour of all participants interviewed



Source: Compiled by the author

Many of the participants reported that they were members of a burial society, with a sizable number having taken up a formal funeral insurance policy. It was common for participants to have family funeral contribution obligations. Rarely did the participants interviewed report that they had an emergency fund. A small fraction of the participants were using *stokvels* as a savings vehicle however none of the participants interviewed were saving for retirement.

Participants contribute to burial societies and funeral policies with the aim of insuring against burial costs for themselves, household members, and their extended families. As discussed in Chapter 2, funerals in South Africa are expensive (Collins *et al.* 2009, McNeill 2015), these costs include tent and chairs hire, casket, transport hire, catering for mourners, grave site costs, etc. The insurance against these events is aimed at preventing a catastrophic financial event.

The potential cash pay-outs range from R5 000 to R15 000, depending on the type of funeral cover taken out. Table 4.1 shows selected self-reported funeral benefits for participants who are members of either a burial society or a funeral scheme.

Table 4.1: Self-reported funeral cash pay-outs from participants

Method	Type of policy	Amount
Participant #1	Burial society	R6 000 for all beneficiaries
Participant #12	Burial society	Adults – R8 000 Child – R6 000
Participant #12	Funeral policy	Adults - R15 000 Child – Depends on age
Participants #14	Burial society	Adults – R10 000 Child – R7 000
Participants #15	Burial society	R6 000 for all beneficiaries
Participants #18	Funeral policy	Adults – R10 000 Child – R5 000
Participants #22	Burial society	Casket (R15 000 Max)

Source: Compiled by the author

4.2.2 Financial emergencies: Family funeral contributions

There was general agreement among participants that the cash pay-outs from burial societies and funeral policies were not sufficient to cover their expected funeral expenses. This finding is in line with those of James (2014), who observed that cash pay-outs were not enough for burial and other ritual expenses. In order to cover for the shortfall in funeral expenses, households depend on family members' contributions to the funeral fund. Figure 4.2 above revealed that 15% of participants interviewed indicated that they required family to contribute to make up for the shortfall in funeral expenses of family members. A recent media report referred to these contributions as a self-imposed tax which is passed from one generation to the next (South African Saving Institute 2015). In an attempt to alleviate this 'self-imposed tax' several participants joined a burial society. The following are verbatim extracts of transcripts of participants' interviews when asked to describe the burial society they had joined:

"I am a member of a burial society. Monthly contribution is R100 per month. The benefit is R6 000 in case of death of family member (Up to 10 people can be enrolled as beneficiaries). Food, transport and other expenses are not covered. Family member normally cover the shortfall in expenses" (Participant #1 Olivenhoutbosch 2015)

"I pay R50 per month on my burial society, my mother is under my name and also all of these kids and the money paid by the society during the death time are not enough" (Participant #4 Olivenhoutbosch 2015)

"We have joined a burial society. Joining fee is R175. Monthly contribution is R175 for casket. The burial society covers everything (casket, tent, chairs, hearse and family car) except grocery" (Participant #22 The Hill/Westford 2015)

The analysis of the data revealed that family funeral contribution households are faced with, takes one of two forms:

1. A family member who receives a form of income is expected to continuously contribute to the burial society or funeral scheme for himself or herself, and for the benefit of the extended family.
2. A once-off contribution in the event of the death of a relative: close family relatives have an obligation to contribute to the cost of the funeral in the form of family funeral contributions. This was confirmed by a respondent thus:

“Last year, my father passed away. He was very old. He was admitted to hospital and discharged. He passed on a month after he has been discharged from hospital. We did not have enough money to bury him. To bury him, family members each contributed money to arrange for his funeral” (Participant #18 The Hill/Westford 2015).

From observations during fieldwork, these contributions often have to be given to the bereaved family urgently, two or three days before the funeral. Often, this family funeral contribution is not budgeted for and had a severe impact on the family members contributing.

When a household or a family member dies, participants say they are expected to make a family funeral contribution. This is an obligation which forms part of broader family financial obligations, which will be discussed later in this chapter. A registry is compiled of the name of the family members who have contributed to the funeral costs kitty (Figure 4.3) and the burial society (Figure 4.4). Failure to contribute to the family funeral expenses can affect long-term family relationships negatively. To avoid this, households often have to borrow from high-interest *mashonisas*.

As can be seen in Figure 4.5, the family funeral contribution is normally made in cash. A trusted family member is tasked with collecting the money and recording the names of those who have contributed.

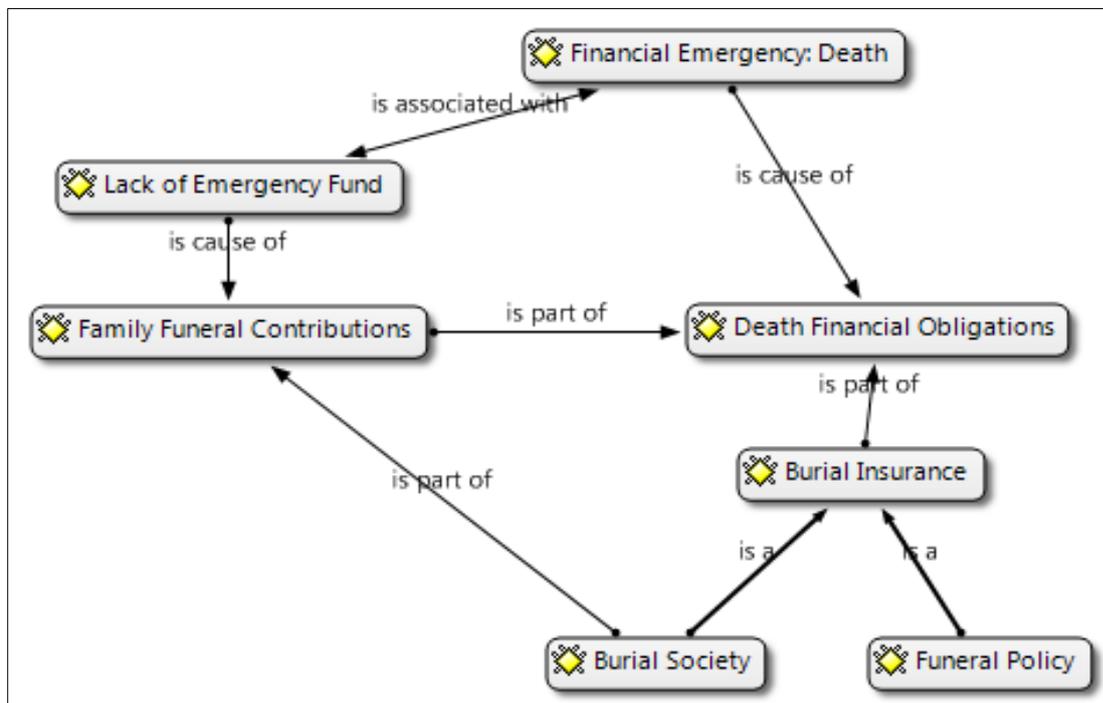
Figure 4.5 Family funeral contribution baskets



Source: Compiled by the author

Further analysis using ATLAS.ti network analysis suggested a relationship between absence of an emergency fund, financial emergencies and family funeral contributions (Figure 4.6 below).

Figure 4.6: Link between lack of emergency fund, death financial obligations and family funeral contributions



Source: Compiled by the author

Relations analysis in Figure 4.6 above shows that burial society and funeral policy contributions are a form of burial insurance against death in the family. Burial society contributions are part of family funeral contributions which is in turn part of death financial obligations. Unexpected death in the family has been reported by participants to be the cause of death financial obligations and financial vulnerability. The majority of participants lack emergency funds and to finance the cost of funeral, family members need to make contributions in the form of family financial contributions.

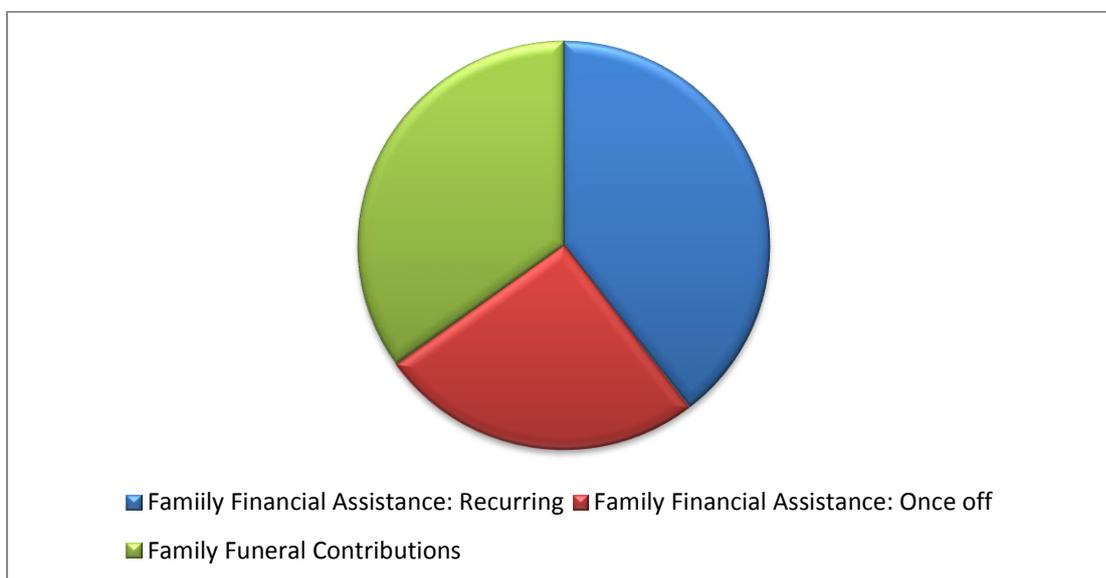
4.2.3 Financial emergencies: Family financial obligations

The analysis of participants' interviews suggests that the obligation to support other family members financially falls on those members receiving income, this severely limits their ability to save for an emergency fund. It is apparent from the research conducted that participants have responsibilities to support their dependent parents, dependent siblings, and extended family. The family financial obligations can be divided into the following groups:

- Recurring financial assistance
- Once off financial assistance
- Family funeral contributions

Figure 4.7 indicates the proportion of each of these types of obligation reported by participants.

Figure 4.7: Family Financial Obligations



Source: Compiled by the author

An important issue emerging from these findings is that household members value the well-being of their families dearly. This has the unintended consequence of trapping some members in a life-long commitment. The majority of the participants share their salaries with their dependent parents and siblings and, to some extent, with members of the extended family. This study refers to the act as a family financial obligation. The results indicate that the majority of the participants have recurrent family financial obligations. For example, monthly payments are made to various dependents. Findings about family financial obligations in this study are consistent with those of the 2015 Old Mutual Savings and Investment monitor (Old Mutual 2015), namely that the number of working households supporting other family members is growing.

The following verbatim transcripts of participants' interviews, reveal that there are strong ties between working family members and the rest of their family, especially those living in rural areas.

"My brothers and sisters also help whenever I ask" (Participant #12 Olivenhoutbosch 2015)

"My parents were too poor to send me to Higher education that's why I'm working so that I can support my mother and siblings" (Participant #12 Olivenhoutbosch 2015)

"I help my brother who is not okay in health [mental health]. I have the duty to help him" (Participant #13 Olivenhoutbosch 2015)

"I get help from Silas and Vuyiswa, actually all my children helps [sic] me every month with money, they all help me with money" (Participant #24 Olivenhoutbosch 2015)

"Every month we sent money to our Aunt, we help her to buy diapers because the mother of her granddaughter passed on" (Participant #16 The Hill/Westford 2015)

"My husband passed away and we were six months in arrears with the premiums, so the burial society refuses to bury my husband. He was buried with the help from family members. They each contribute in cash or otherwise for the funeral" [sic] (Participant #17 The Hill/Westford 2015)

"I help my brother who is not working. He lives in Limpopo. I normally send him R100 through Shoprite money send when he does not have money to buy food" (Participant #18 The Hill/Westford 2015)

“I send R1 000 to my parents every month for them to buy food” (Participant #18, The Hill/ Westford, 2015)

“My brother who works in the rural areas is the one who helps us with money every month. If I phoned him, he gave us R300 to buy food” (Participant #19 The Hill/Westford 2015)

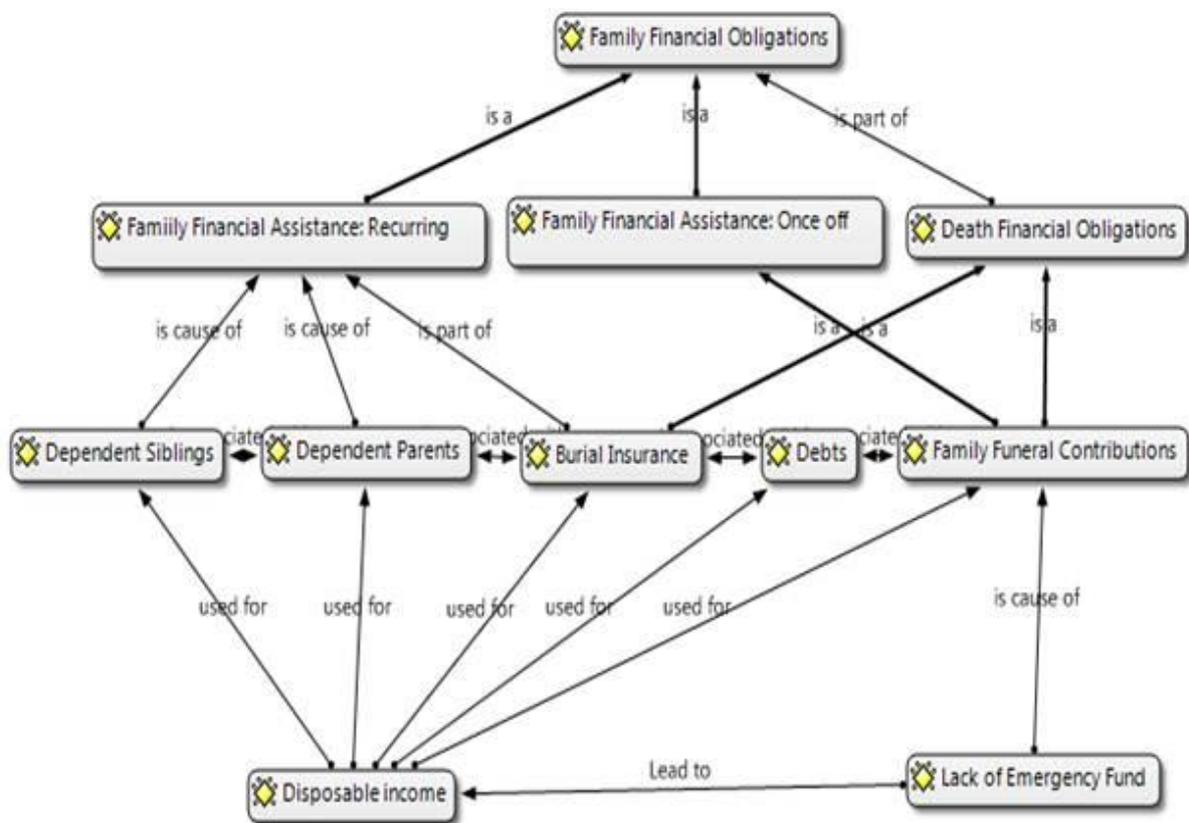
“My mother passed away six weeks ago. She was living with my sisters who are all unemployed. I send them R300 or R400 per month for electricity and basic food stuff” (Participant #22 The Hill/Westford 2015)

The data above provides clear evidence that indicates the strong ties which apply to extended families living in separate areas. It also reveals the increasing financial burden experienced by family members earning an income.

4.2.4 Financial emergencies: Conclusion

The findings in this section indicated that saving behaviour and personal risk management is significantly altered when a household finds itself in a low income environment. Even where regular income is received, it is often too little to sustain a basic savings fund that can be used for financial emergencies. The research revealed that vulnerable households are mainly faced with two financial obligations, namely funeral cost contributions and obligations related to the maintenance of family members often including parents, siblings and extended family. Figure 4.8 demonstrates the link between family financial obligations and lack of savings.

Figure 4.8: Link between family financial obligations and lack of emergency funds



Source: Compiled by the author

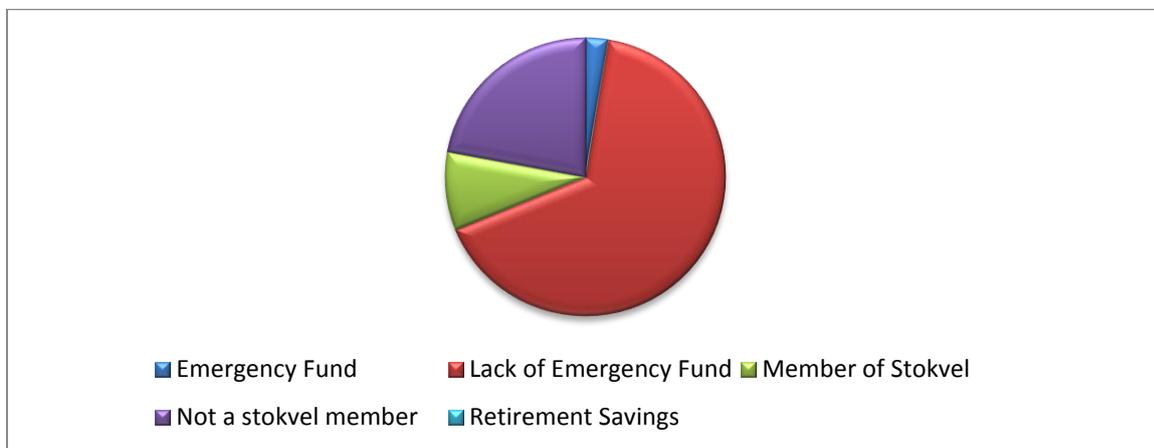
In the network relation analysis above, the current study found that, in the absence of emergency funds to deal with financial emergencies, participants often turn to disposable income first. On average, South Africans spend over three quarters of their income on debt service, and the remainder on necessities such as rent, groceries, transport and electricity (Statistics South Africa 2014a). These findings however did not include family financial obligations – as I have outlined above for my own research participants – as a significant expense for vulnerable households. In figure 4.8, it is demonstrated that family financial assistance and family funeral contributions erode a significant amount of vulnerable households’ disposable income. It is possible that these family financial obligations are a major reason low-income households cannot save for a better life.

4.3 COPING STRATEGIES

4.3.1 Introduction

Based on the results and discussions in the preceding sections, it is clear that the participants bear several financial risks which they might not be able to deal with using existing emergency savings funds. This is illustrated in Figure 4.9, indicating that the vast majority of participants are not saving sufficiently to deal with financial emergencies, and to sustain a reasonable level of livelihood after retirement.

Figure 4.9: Loans used by households when faced with financial emergencies



Source: Compiled by the author

This result is consistent in many respects with other surveys conducted in South Africa, most notably the latest Old Mutual Savings and Investment monitor (Old Mutual 2015; hereafter the Old Mutual survey), with some exceptions:

The Old Mutual survey concluded that there was an increase in the use of *stokvels* as a saving vehicle. Interestingly this research revealed that more participants became members of burial society than *stokvels*. Many of the participants indicated a willingness to save through *stokvels*, but cited insufficient income as the problem. Others simply could not entrust their money to someone else. The following is a sample of transcripts of interviews discussing the use of *stokvels*:

“I used to contribute monthly to the grocery club contributing R150 per month. The pool of funds contributed is used to buy grocery in December and shared among the members of the club. I have withdrawn due to affordability. I could not afford to pay monthly contribution”(Participant #1 Olivenhoutbosch 2015)

“I never joined anything (stokvels, burial society, etc.) because I will never afford paying them”(Participant #15 Olivenhoutbosch 2015)

“We do not join stokvels because most of the members of the stokvel are crooks. In December when it time to share, they all call their and share with their friend only” (Participant #16 Westford 2015)

“We did not join any stokvel because no one is working in this household” (Participant #19 Westford 2015)

Secondly, the Old Mutual survey reported that 37% of the savings were for retirement. None of the participants interviewed in this study have any retirement savings. A possible explanation of this is that the majority of those interviewed for this research were low-income earners that do not have surplus funds to save.

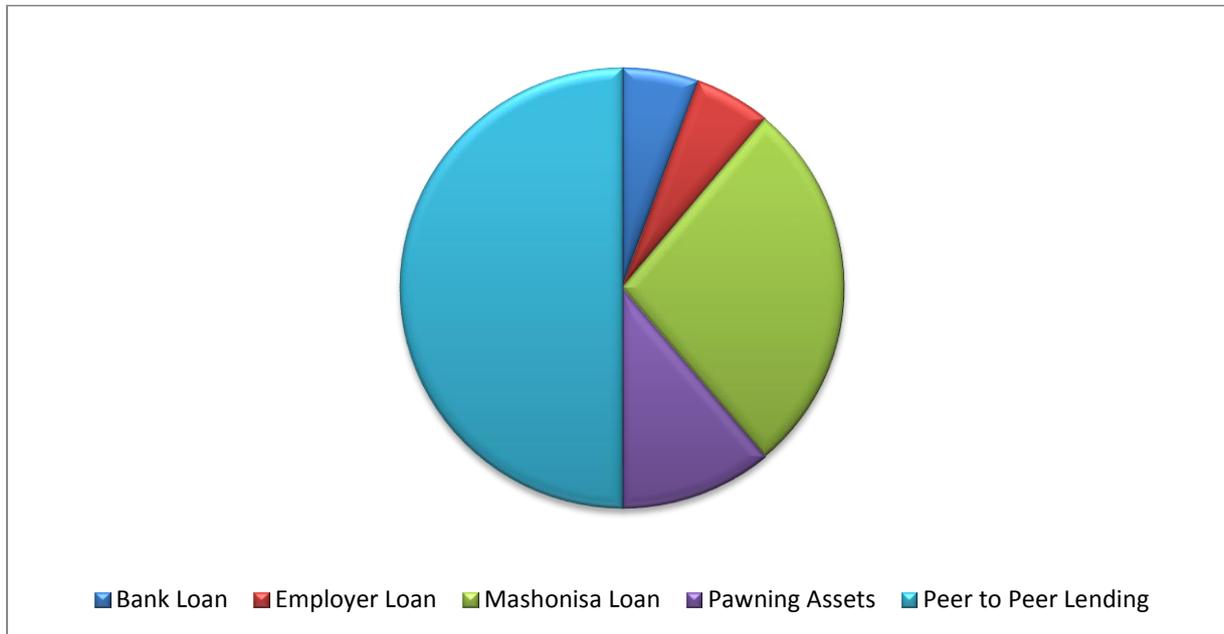
The next section investigates the various strategies participants employed to be able to meet their financial obligations that results in one or more of the emergencies identified in the previous section.

4.3.2 Coping strategies: Borrowing

Participants were asked to indicate how or from whom they would get emergency funds if they need it, the results are provided in Figure 4.10. The analysis in Figure 4.10 indicates a preference by most of the participants for peer-to-peer loans when faced with a financial emergency. The *mashonisa* loan is the second most used, followed by pawning of assets. A sizable number of participants turned to their employers for emergency loans. Bank loans are rarely used, this might be due to the

majority of the participants falling into the unbanked category (FinMark Trust 2014, James 2014).

Figure 4.10: Loans used by households when faced with financial emergencies



Source: Compiled by the author

Peer-to-peer lending can be described as a lending amongst people of the same social status. Several possible explanations for this were identified:

- A majority of the participants felt excluded from the mainstream economy (including banking services), comments included:

“Banks will never lend to pensioners like us” (Participant #16 Westford 2015)

“I will not qualify for a loan from bank because my income is low” (Participant #18 Westford 2015)

“I never borrow from bank because I never have a permanent job” (Participant #19 Westford 2015)

“I don’t have a bank account; I will not qualify to borrow from bank”
(Participant #24 Thulamela 2015)

“I do not borrow money from bank because for first I don’t receive
payslip where I worked”
(Participant #1 Olivenhoutbosch 2015)

- Participants have indicated that they prefer peer-to-peer leading as it gives them instant access to cash in case of an emergency. This finding is consistent with the findings of Zimmerman (2014), who found that the choice of coping strategy by households was based on ease of access and availability.

“I use them only because they are close and faster when you
desperately need instant cash” (Participant #4 Olivenhoutbosch
2015)

“In case of emergency I will borrow money from my brother”
(Participant #23 Thulamela 2015)

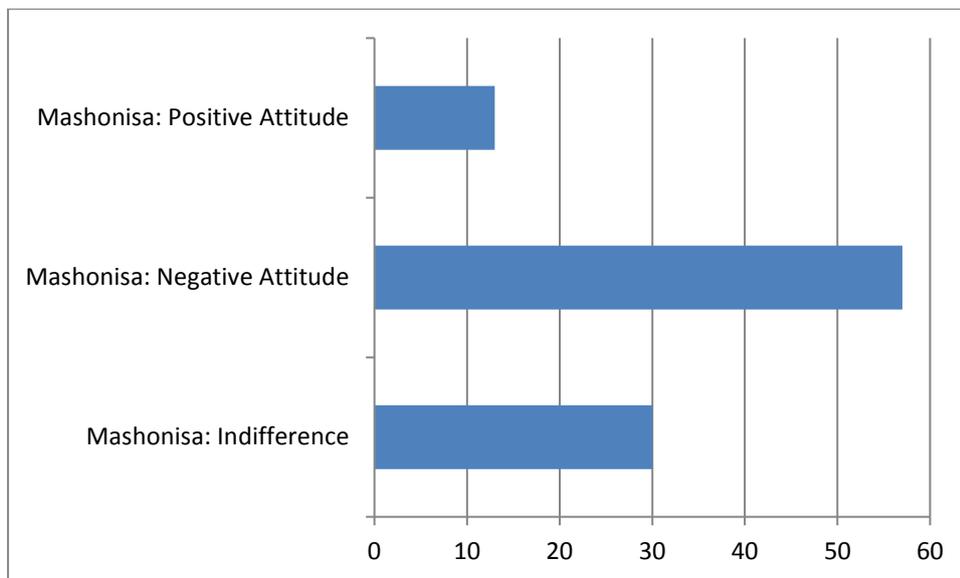
“In case of emergency, I borrow money from someone I know in this
area” (Participant #19 Westford 2015)

- A significant number of participants indicated a negative attitude towards *mashonisas* (Figure 4.11).
- Participants prefer loans from their peers who charge little or no interest, with no specified repayment period.

Besides the increase in the use of peer-to-peer lending, a significant number of participants indicated that they would still use *mashonisa* loans for financial emergencies, as well as to cover shortfalls in household expenditure. This study found that a significant number of participants borrowing from *mashonisa* for financial

emergencies. This finding is in line with the view in recent literature that most South Africans will borrow money from unregistered credit providers (e.g. *mashonisa*) to pay for emergency expenses (Soul City 2015, James 2015).

Figure 4.11: Participants’ attitudes towards *mashonisa*



Source: Compiled by the author

Despite the negative attitudes towards *mashonisas* several participants still use them. One reason that emerges from the interviews for the continued use of *mashonisa* is the need for immediate cash upon the occurrence of certain events for example a death in the family. The following transcripts are indicative of this:

“Each of the working family members was expected to contribute R500 towards the burial cost of my sister. I was forced to go to *mashonisa* to borrow money in order to contribute towards burial expense” (Participant #1 Olivenhoutbosch 2015)

“We lost our uncle, we had nothing by then we were forced to go and borrow money (from *mashonisa*)” “I borrowed money from loans harks only during my uncles death” (Participant #8 Olivenhoutbosch 2015)

Another explanation for its use is that *Mashonisa* live among the households and are therefore easily accessible. They also offer a quick loan approval service, in contrast many believe banks to take too long to approve loans, as can be seen from the following comments:

“I prefer loan sharks because they are close; easy when you do not have time as the bank takes a lot of time” (Participant #5 Olivenhoutbosch 2015)

“*Mashonisa* are good for us because they give you cash instantly. Banks takes long to approve loan application” (Participant #18 The Hill/Westford 2015)

Although some participants were indifferent regarding the usefulness or otherwise of *mashonisa*, many believe the loan sharks to be their only avenue for quick cash. An added attraction of the loan is its roll-over nature. It has been observed that many households have found themselves caught in this *mashonisa* debt trap (FinMark Trust 2014). This is how an article in the Daily Maverick described a *mashonisa* loan:

“The word *Mashonisa* means “to sink”, because these unscrupulous lenders sink the people who borrow money from them so deeply in debt that for the most part, the borrowers never fully recover” (Daily Maverick 2012).

Some of the negativity associated with *mashonisa* is expressed in the following transcripts:

“Loan sharks are not good because the money you borrow from them increase with a huge amount of interest” (Participant #10 Olivenhoutbosch 2015)

“I’m scared of *mashonisa*, even when I was working, I never borrowed from *mashonisas*. The interest rate is excessive” (Participant #19 Olivenhoutbosch 2015)

“We never borrow money from *mashonisa* because they are expensive. If you borrow R100, you repay R150 at the end of the month. If you don’t pay *mashonisa*, he or she takes your identity book and you never get it back. We never entertain the thought of borrowing money from *mashonisa*” (Participant #1 The Hill/Westford 2015)

“Loan sharks are not good but they help us but it depends on how you pay them” (Participant #9 Olivenhoutbosch 2015)

“*Mashonisa* are bad but we don’t have any choice because that’s the only place you can get cash instantly” (Participant #22 The Hill/Wetford 2015)

“*Mashonisa* helps in case of emergency but they gain from us they charge excessive interest” (Participant #24 Thulamela 2015)

What is clear from the above quotes is that there is an ambivalence in attitudes towards loan sharks amongst research participants in the current study. Whilst their methods of operation and rates of interest are often perceived as excessive, their readily available nature, and the speed with which they can provide a loan makes them an attractive option for many people when they are faced with a financial emergency. The extent to which they can pay the loans back, and which they find themselves enslaved to the *mashonisas*’ is however a very real and serious concern.

4.3.3 Coping strategies: Pawning assets

Another coping strategy used by participants is the pawning of assets to obtain cash. In the past, pawning of assets for cash was not prevalent in townships and rural areas in South Africa (Mashigo 2006), but it has become increasingly popular. Pawning of assets is regulated by the National Credit Act (Act 35 of 2005) as amended as it is included in the definition of small credit agreement. Many participants reported that they lost their assets to pawnbrokers because they were unable to repay their loans. As evident from the quotations below, the items pawned were mostly cell phones:

“I have pawned my phone and I was never able to repay the loan. The phones were retained by the pawnshop” (Participant #18 The Hill/Westford 2015)

“We also pawned our phones and TV to get cash. For this phone, they will give me R150 and I have to repay R195. If you fail to pay R195, the pawnbroker will sell the phone” (Participant #22 The Hill/Westford 2015)

4.3.4 Coping strategies: Employer loans

One interesting finding was that some participants were able to obtain loans from their employers. The extent to which employers engage in this practice and whether it complies with national regulation is another possible area for future research. According to the National Credit Act (Act 35 of 2005), every person or entity that is in the business of making financial loans must be registered and comply with the Act. This view is supported by Webber Wentzel Bowens (2015) which concluded that employee’s loans will be classified as loan agreements if there is a deferral of payment and a fee, charge or interest. It was beyond the scope of this research to establish whether employers advancing loans to employees were or should have been registered as credit providers.

The following participants also identified the use of employers’ loans as a way to cope with financial emergencies:

“In case of emergency, my husband normally borrows from work. He sometimes asks for a pay advance” (Participant #20 The Hill/Westford 2015)

“It was long ago when our aunt died here in Gauteng but by then we knew nothing about societies, we borrowed money from our bosses and deducting that money from our wages” (Participant #14 Olivenhoutbosch 2015)

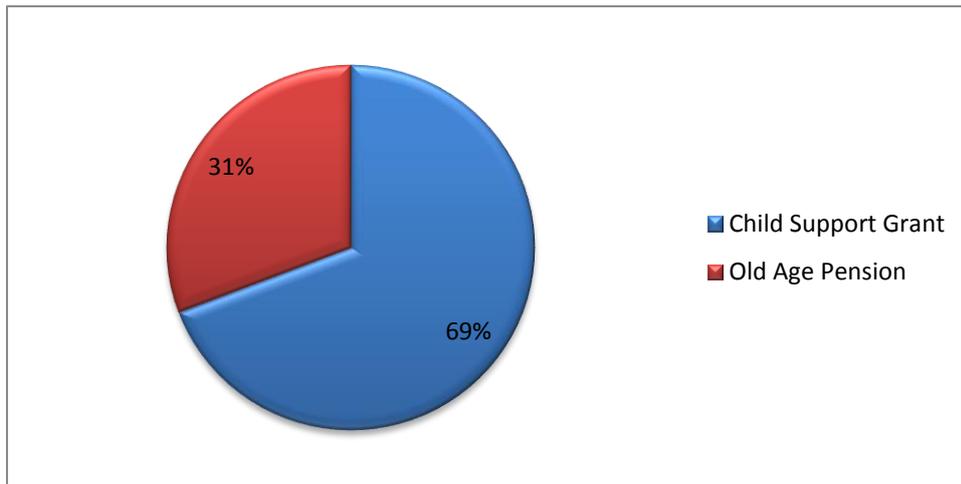
“I lost my first born and struggled very much to bury him, I borrowed money from my boss so I never went to loan sharks and my boss recovers back his money by deducting it every month from my wage” (Participant #14 Olivenhoutbosch 2015)

As already discussed earlier in this study, participants borrow money from different sources depending on ease of access, repayment terms etc. This study found that the majority of participants prefer loans from family, neighbours and friends as they attract little or no interest. Participants also indicated that loans from family and friends have no specified repayment terms. A significant number of participants still rely on *mashonisa* to lend them money to cover for shortfall in household's expenses.

4.3.5 Coping strategies: social security

The interviews also revealed that many of the participants received the Child Support Grant and the Old Age Grant (pension), as shown on Figure 4.12 below. The quarterly report from the South African Social Security Agency corroborates this finding. Of the eight categories of benefits available to needy households, the Child Support Grant category has the largest uptake (South African Social Security Agency 2015).

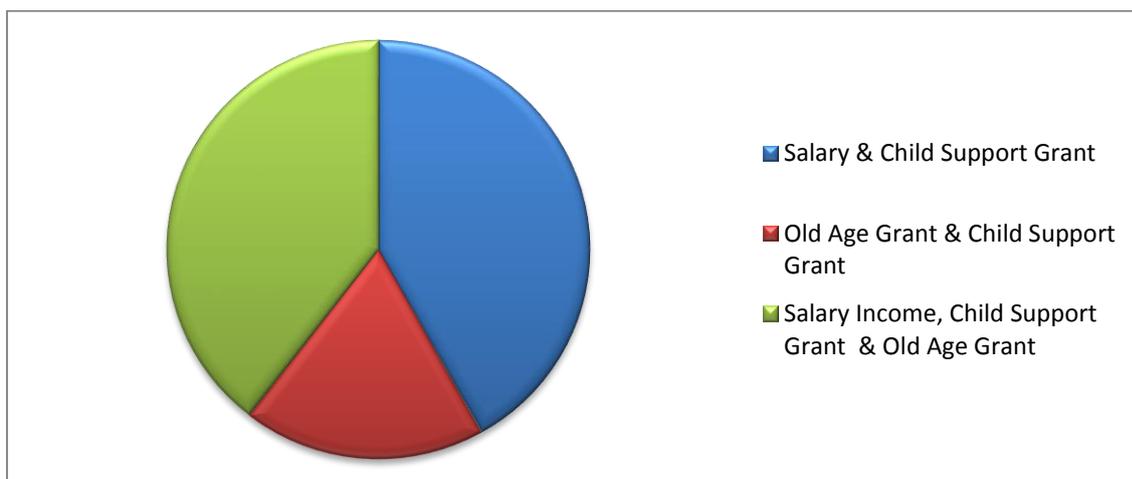
Figure 4.12: Participants receiving Child Support Grant and Old Age Grant



Source: Compiled by the author

There is limited evidence to suggest that households use the Child Support Grant and the Old Age Grant as coping strategies in times of financial emergency. However, data suggests that some individuals with salary incomes still claim the Child Support Grant and the Old Age Grant. A FinMark Trust (2014) report says 27% of adults in SA receive a form of government grant in 2013. Figure 4.13 shows the three main combinations of income within a household reported by the participants.

Figure 4.13: Participants' mixture of income



Source: Compiled by the author

The majority of participants claim the Child Support Grant from the birth of a child until the child reaches the age of 18 years to maximise the benefit. A study conducting a South African Child Support Grant Impact Assessment (the Department of Social Development (DSD), South African Social Security Agency and United Nations Children Fund (UNICEF) 2013) found the following benefits of enrolling children early to the Child Support Grant:

- The Child Support Grant generates positive developmental impact that multiplies its benefits in terms of directly reducing poverty and vulnerability.
- The Child Support Grant maximises the potential benefit.
- The Child Support Grant reduces risky behaviour which, in the context of HIV prevalence, generates a particularly protective impact.

Another interesting point worth mentioning is that several participants involved in this study encourage their children to save their Child Support Grant benefits throughout the year. The children will then spend the saved money in December.

“My child has a savings account. She deposits money from her Child Support Grant every month. She will withdraw the money in December for Christmas spending.” (Participant #14 Thulamela 2015)

Equally as important is the Old Age Grant. Participants who are nearing retirement age feel they will be able to survive with the Old Age Grant, which is R1 340 per month at the time of the study. The old age pension has been found to have a significant and consistent impact on reducing poverty (Oosthuizen 2012), this was also confirmed by the participants in this study:

“My mother does help a lot from her old age pension money” (Participant #14 Thulamela 2015)

“Mkhulu will be 60 years next year and he will start getting his old age pension. It will help us to buy food and other essentials. We will not be paying rent as our RDP house is almost complete and we will be moving in soon” (Participant #2 Olivenhoutbosch 2015)

4.3.6 Coping strategies: social support network (Ubuntu)

Strong evidence of financial support by the community was found from analysing from the participant responses. The spirit of Ubuntu was commonly cited as the driving motive behind lending a hand to a neighbour, community member, or a friend during difficult times. Almost all the participants in this study acknowledge that there is a positive benefit in embracing the spirit of Ubuntu. Findings in this study are consistent with the findings by Finscope. As discussed in Chapter 2, the majority of South African households depend on their neighbours and friends for food and financial help (FinMark Trust, 2014).

Furthermore, the evidence suggests that households get through most of the financial emergencies by having a support network ranging from a friend, a local community member who has got a *bakkie* (pick-up truck), knowing a handyman in the community, etc.

“I have to hire a local guy with a *bakkie* to take to hospital for a check-up every week. He normally transports people on credit and we pay him when we have got money” (Participant #19 The Hill/Westford 2015)

“*Ubuntu* is a very helpful way of living with people neither social workers who is always been there to heal all your wounds. I do help people there and there by borrowing them money and when they fail to return the favour I do not panic I just let them go because there’s nothing I can do about them” (Participant #10 Olivenhoutbosch 2015)

“*Ubuntu* is very important because without it people should have died by hunger now but with the spirit of *Ubuntu* people are surviving” (Participant #15 Olivenhoutbosch 2015)

“We always help our neighbours. Last week we went to Hammanskraal to bury my neighbour. She passed away unexpectedly. She was not a member of burial society. I and my wife donate R500 and bought cookies

for R250. We spend R750 on her funeral. Her family contributed to buy the coffin.” (Participant #22, The Hill/Westford, 2015)

“I help my neighbours with tea bags, sugar, etc. and also help me if I ran short. My wife is she does not have money for transport; we borrow it from our neighbour and repay it when we got it” (Participant #22 The Hill/Westford 2015)

“I have helped my friend whose parents passed away last year. He or their parents were not members of a burial society. I lend my friend R10 000. He is repaying it back whenever he can.” (Participant #24 The Hill/Westford 2015)

“I have also experience the spirit of *Ubuntu* myself. When my brother passed away when I was unemployed. My parents could not afford to bury him. The community helped a lot. Some donated groceries. A Good Samaritan contributed the coffin and we were able to bury my brother” (Participant #23 Thulamela 2015)

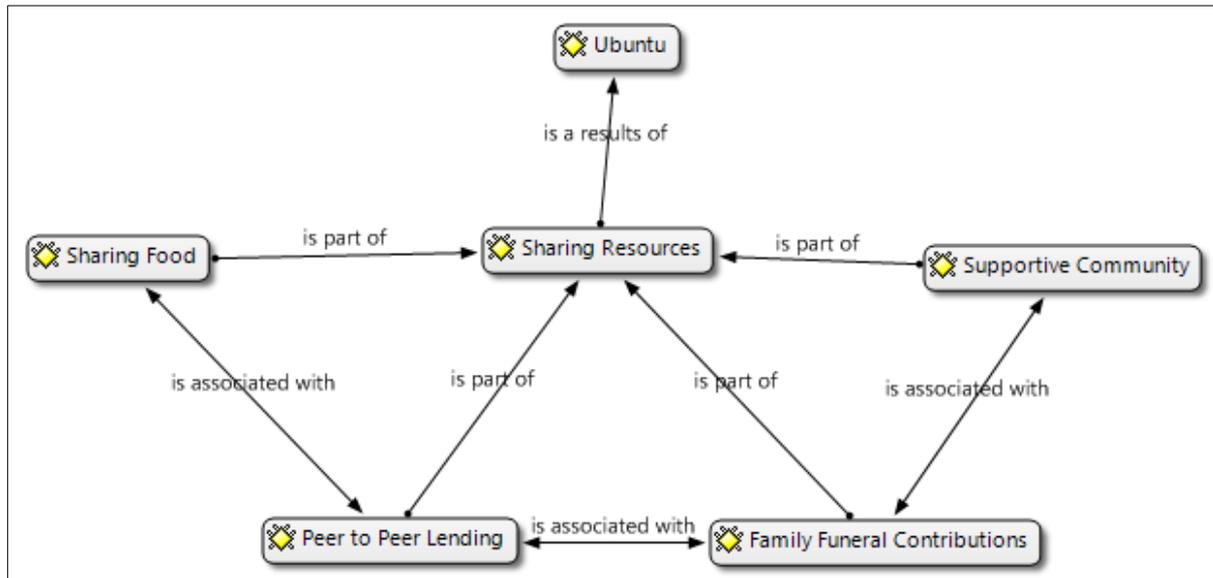
“*Ubuntu* means we must help each other. If I went to my friend or neighbour crying they must be able to help me and I return the same favour.

In this informal settlement, people do not help each other. In rural areas, you can ask mealie-meal from your neighbour and return it when you have bought it. I only rely on one person in this area” (Participant #19 The Hill/Westford 2015)

There is a relationship between family financial obligations, peer-to-peer lending, and community support networks as demonstrated in Figure 4.14 below. Communities, family friends, and neighbours all share resources during financial emergencies, in the spirit of *Ubuntu*. Households share resources by helping each other with food, helping

a friend or neighbour with money, through family funeral contributions, and community members helping each other. This is all part of sharing and banking on each other.

Figure 4.14: The link between sharing resources and concept of *Ubuntu*



Source: Compiled by the author

4.3.7 Coping strategies: Conclusion

Earlier in this chapter, the propensity to save among the households in the study was found inadequate to meet needs brought about by financial emergency, and insufficient to maintain a reasonable standard of livelihood post retirement. However, this is not to say households are not saving. In terms of the definition of savings introduced in Chapter 2, and considering the evidence gathered throughout the study, the majority of households are not saving. However, there is evidence in the data that participants are putting money away for future use.

The definition of savings will be revisited to compare and contrast the theory and the results from the analysis of the data. The South African Reserve Bank defines saving as follows:

“Saving by the household sector is defined as that part of current income, after the payment of direct taxes, that is not consumed or transferred as part of household current consumption” (Prinsloo 2000: 3).

The definition further divides household savings into two categories, namely:

- Contractual savings, for example insurance premiums, retirement savings, etc., and
- Discretionary savings, referring to household savings not bound by any contractual commitment.

Customarily, the saving motives are the determining factors in households saving behaviour. The saving motives and saving motives hierarchy were discussed in detail in Chapter 2 of this dissertation. The three most common savings motives identified in the literature reviewed were:

- Savings for emergencies;
- Savings for retirement;
- Savings for purchase of luxury items or paying for holiday expenses.

Contrary to this theory, it was found that the majority of the participants in this study were not saving in official savings products, but were using alternative forms of saving for example burial societies and *stokvels*. In analysing self-reported data from the participants from each of the three research areas (Table 4.2 below), it can be argued that savings for emergencies are the main focus of saving, with main focus of savings for vulnerable households being:

- Savings for death emergencies expenses;
- Savings for food expenses.

Table 4.2: Participants savings focus

<i>Participant #</i>	<i>Emergency Fund</i>	<i>Retirement savings</i>	<i>Luxury item purchase savings</i>	<i>Death expense savings</i>	<i>Food expenses savings</i>	<i>Savings vehicles used</i>
OLV1	No	No	No	Yes	No	Burial society
OLV2	No	No	No	Yes	No	Burial society Funeral policy
OLV3	No	No	No	Yes	No	Burial society
OLV4	No	No	No	Yes	No	Burial society
OLV5	No	No	No	Yes	Yes	Burial society Vouchers
WES1	No	No	No	Yes	No	Burial society
WES2	No	No	No	No	No	N/A
WES3	No	No	No	Yes	No	Burial society Funeral policy
WES4	No	No	No	Yes	No	Burial society
WES5	No	No	No	Yes	No	Burial society Funeral policy
THU1	No	No	No	Yes	Yes	Stokvel
THU2	Yes	No	No	Yes	No	Funeral policy
THU3	No	No	No	Yes	Yes	Burial society Stokvel
THU4	No	No	No	Yes	Yes	Burial society Stokvel
THU5	No	No	No	Yes	Yes	Burial Society

Source: Compiled by the author

It is apparent from the data that participants are transferring their disposal income to burial societies and grocery clubs (stokvel). There is limited evidence for asserting that social security and other support networks are a disincentive to households to save. On the contrary, participants even use the social grants (Child Support Grant and Old Age Grant) to save for death expenses, food expenses and Christmas spending sprees – which could be classed as ‘luxury items’.

Another point worth repeating is that the majority of the participants reported that they were left with no disposable income to save, after paying for their basic expenses. Yet they were still able to contribute monthly to the burial societies and *stokvels*. There is evidence to suggest that households prefer discretionary savings category:

“I prefer burial society than bank funeral policy. If you skip one month with premiums you do not get the benefits” (Participant #19 Olivenhoutbosch 2015)

“I do not have stop order or any type of savings due to lack of excess money after I have paid all the expenses and debts. Stokvels and societies help because they help in case for emergencies. We share groceries in December and school children uniform in January” (Participant #22 Olivenhoutbosch 2015)

“The *stokvel* help because financial emergencies come unexpected and the *stokvels* money helps us prevent us from going into debt” (Participant #11 Olivenhoutbosch 2015)

“We started the group last year in January and we saved until November. We were contributing R150 every month but now we will increase to R300 per month. The purpose is to assist people to save money for December month as this is a very busy month for us and we spend a lot, so that extra money is always helpful” (Participant #1 Thulamela 2015)

“I get two boxes of soap, one box of green bar soaps, twelve 2litre of cooking oils, two bags of 12,5 kg rice, twelve 500g of mayonnaise, and tomato source, and two boxes of bathing soaps, and Colgate, and bag of steel wool, and box of matches, and two boxes of soups, and that's complete the groceries” (Participant #26 Thulamela 2015)

4.3 AUTO-ETHNOGRAPHY NOTES

4.3.1 Becoming a member of a saving club

On the rainy day of 14 January 2015, it was the opening day of school in the Inland provinces of South Africa. It was a huge milestone for my son as he would be starting Grade one. He would be attending the same school with his sister. I took pleasure in driving my daughter and son to school that rainy day. It was 7:45 when I parked the car in the dedicated parking just outside the school yard. I had to accompany my son to class to meet his teacher. By 9:00 my son look settled in his class, and I said goodbye.

Back at the car, I noticed that thieves had broken the rear window to gain access into the car. They had taken my laptop and other valuables. After reporting the case to police, I phoned the insurance company, who advised me to repair the car at my own expense, to be reimbursed on submission of the invoice and supporting documents. The only cash I had had been budgeted for school stationery for my daughter and son. This was an unexpected expense in January, the month called the longest, when households are out of pocket following the Christmas spending spree.

“Under a downturn situation like now, these organisations actually gain credibility, "People say, 'I'm saving with my friends and I can rely on my friends if calamity comes.'" (Verhoef 2008)

The data set analysed in this section was extracted from the constitution, minutes and financial records of *Zwidangula* Savings Club, with permission from all the members of the club. The names of the participants have been concealed to protect their identity for ethical reasons.

4.3.2 The effect of sharing peer information on savings behaviour

The key aspect discussed here is the effect of sharing of peer information on savings behaviour. I had never been a member of a *stokvel* or a social networking group before. I shared my story of the broken car window with my friends at a soccer match. TT, my friend, responded:

“Last year, my wife joined a women’s’ club in which they contributed R300 to R350 each month for 11 months. In December they share groceries which we will be using it [sic] for the next six months at least. Members who have been contributing R350, including my wife, bought school stationery collectively. In that way they save a lot in school stationery expense. I want to challenge you, my friends, to start our own men savings club”

I had observed that members of this *stokvel* contributed monthly, with the knowledge that if they skipped a month without contributing their peers in the club would know about it at the monthly meeting. The constitution of the club clearly stated that meetings would be held monthly to scrutinise the finances of the club. Figure 4.15 on the next page shows that members rarely default on their monthly contributions.

Figure 4.15: Cashbook of Zwidangula Savings Club as at 30 June 2015

CASHBOOK											
MEMBER'S CREDIT											
		M1	M2	M3	M4	M5	M6	Interest	Penalty	Joining fee	TOTAL
Opening Balance		3,000.00	1,500.00	1,600.00	1,400.00	500.00	400.00	9.73		600.00	9,009.73
15/03/2015	Deposit	500.00	-	1,500.00	-	-	-	-	-	-	2,000.00
25/03/2015	Deposit	1,000.00	1,500.00	500.00	-	-	1,000.00	-	-	-	4,000.00
30/03/2015	Deposit	-	-	-	1,400.00	500.00	-	-	-	-	1,900.00
01/04/2015	Interest	-	-	-	-	-	-	29.41	-	-	29.41
16/04/2015	Deposit	500.00	1,000.00	2,000.00	-	-	-	-	-	-	3,500.00
25/04/2015	Deposit	1,000.00	500.00	-	-	-	-	-	-	-	1,500.00
30/04/2015	Deposit	-	-	-	1,600.00	500.00	1,000.00	-	50.00	-	3,150.00
01/05/2015	Interest	-	-	-	-	-	-	40.12	-	-	40.12
16/05/2015	Deposit	500.00	1,000.00	1,000.00	-	-	-	-	-	-	2,500.00
25/05/2015	Deposit	1,000.00	500.00	-	-	-	1,000.00	-	-	-	2,500.00
30/05/2015	Deposit	-	-	-	1,500.00	500.00	-	-	-	-	2,000.00
01/06/2015	Interest	-	-	-	-	-	-	49.54	-	-	49.54
15/06/2015	Deposit	500.00	1,000.00	1,000.00	-	-	1,000.00	-	-	-	3,500.00
25/06/2015	Deposit	1,000.00	500.00	-	-	-	-	-	-	-	1,500.00
30/06/2015	Deposit	-	-	-	1,500.00	500.00	-	-	-	-	2,000.00
		9,000.00	7,500.00	7,600.00	7,400.00	2,500.00	4,400.00	128.80	50.00	600.00	39,178.80
Balance as per bank statement 30 June 2015											39,178.80

Source: Compiled by the author

According to Beshears, Choi, Laibson, Madrian & Milkman (2015), there might be unintended consequences in sharing the behaviour of peers. They found that peer information inevitably contained an element of social comparison. While this might be the case where the participants are not of the same socio-economic status, if a group of participants feel on par with each other, working to achieve a common goal, the results might be different. It may be that in this saving club members were friends. According to Castrodale & Zingaro (2015), friendship represents a critical analytical lens through which individuals alike may examine their positions, understandings, regimes of practices, and particular knowledge. Earlier, Bunnell, Yea, Peake, Skelton & Smith (2012: 491) asserted:

"Friendships are also productive of lived spatialities that can confer or deny particular freedoms, fears and possibilities"

4.3.3 The effect of savings goals on savings behaviour

Besides the peer pressure to contribute, the club set a saving goal against which it continuously measures contributions. Almost all of the participants reported saving goals which were security and self-esteem in terms of hierarchy of needs. Findings in the present study are consistent with the findings of Lee & Hanna (2014), who found that, in terms of Maslow hierarchy of needs, as discussed in Chapter 2, self - actualisation and security had the strongest association with saving behaviour.

Selected savings goals from participants have been reproduced below:

"My goal is to use the pay-out in December to settle my credit card. The savings is huge with such a plan and, when the plan is over and the debt paid off, they assist in re-establishing credit and learning to live within a budget"
(Member #1 *Zwidangula* savings club)

“This great way of forcing myself to put away a bit of money each month and can provide me with a community network that helps you in ways besides saving money. Last year in December I ran out of money quickly because I was not discipline on my own to save money” (Member #4 *Zwidangula* savings club)

4.3.4 Auto-ethnography: Summary

This section provided an autobiographical note explaining the researcher’s familiarity with, and personal involvement with the operations of a saving club in which a fixed monthly amount is contributed for the benefit of members at the end of a stipulated period. Two important findings emerged from an auto ethnography experience. Firstly, the sharing of peer information had a positive impact on savings behaviour by the members of savings club. Secondly, most members were saving for self-actualisation and security motives.

4.4 CONCLUSION

In this chapter, data analysis, study results and a discussion of the findings have been presented. Funeral expenses were household financial emergencies hampering peoples’ ability to save. The results of the study show that the majority of participants prefer peer-to-peer loans to cope with financial emergencies. Although the majority of participants claim child support grant from government, there is no evidence to suggest that the availability of social security or social support networks discouraged savings behaviour among participants. These findings are consistent with several other studies on household’s savings and coping mechanisms.

In the next chapter, conclusions about the overall results of the study will be presented by discussing a summary of findings with respect to the main themes linked to the research questions. The limitations of the study and areas for further research will also be discussed.

Chapter 5: Conclusion, limitations and recommendations

5.1 INTRODUCTION

The primary objective of this study was to unearth some of the coping strategies used by vulnerable households in their own cultural setting. In order to meet the primary objectives of the study the following research question, supported by sub-questions, were developed:

“Which strategies do vulnerable households apply to cope with financial emergencies?”

In order to answer the research question an ethnography and auto-ethnography research approach was followed. This chapter provides a summary of the main findings of the study based on the research sub-question developed for the study.

5.2 SAVING BEHAVIOUR OF VULNERABLE HOUSEHOLDS

The first aspect investigated by the study was the savings behaviour of household, this was done in order to answer the first research sub-question, namely:

Sub-question 1:

What is the saving behaviour of vulnerable households?

The literature review revealed that building an emergency savings fund is the best method to provide for financial emergencies. A majority of the households who participated in this study were found not to be saving for short-term financial emergencies. Furthermore, none of the participants were saving for retirement. The main reason for not building up an emergency savings fund was a lack of sufficient income to meet basic human needs.

Despite this lack of disposable income, vulnerable households can and do use alternative methods of saving such as *stokvels*, burial societies and funeral policies.

5.3 STRATEGIES EMPLOYED TO COPE WITH FINANCIAL EMERGENCIES

The second aspect considered and the main focus of the study was what strategies households, including vulnerable households, can use to manage emergencies requiring financial interventions. The following research sub-question was investigated at this stage of the study:

Sub-question 2:

Which strategies can vulnerable households use to manage unexpected financial expenses?

The literature identified eight different strategies households generally use to cope with financial emergencies. Figure 5.1 provides a list of the strategies that can be employed by households.

Figure 5.1: Coping strategies



Source: Compiled by the author

The strategies employed by vulnerable households were determined in the next phase of the research.

5.4 SAVINGS FOR AND COPING WITH FINANCIAL EMERGENCIES BY VULNERABLE HOUSEHOLDS

5.4.1 Introduction

The final research sub-question investigated in the study was

Sub-question 3:

Which financial emergencies are vulnerable households exposed to, and how do they cope with these emergencies?

The first aspect investigated was, what are the typical financial emergencies vulnerable households were exposed to and how do they cope with these specifically. The second aspect investigated the strategies used by vulnerable households to survive.

5.4.2 Financial emergencies

Nearly all of the participant households had experienced one or more financial emergency in the previous year. The most common reported financial emergencies were death and illness in the family. The study found that funeral expenses often hampered a household's ability to save for other financial emergencies. In order to alleviate risk, the majority of the participants were members of burial societies or had taken out funeral insurance. It was however found that this placed an additional burden on the household and the extended family that is expected to support the family.

The participants indicated that they used their disposable income, including the Child Support Grant and the Old Age Grant, to pay for insurance against funeral costs. A link was established between a lack of savings, family funeral contributions, and financial emergency resulting from death.

Family financial obligations (including contribution to burial societies) were found to be an important burden placing financial strain on households. The study found prevalence among participant households of sharing their disposable income with parents, siblings and extended family. Participants periodically sent money to dependents not living with them, mainly for food. Another finding relates to financial obligations among the households in the form of either funeral contributions in the event of a death of a relative, or simply helping out in emergencies. All these obligations negatively impact on households' abilities to build up and maintain an emergency fund.

5.4.3 Coping strategies

The second question that was considered was what strategies households use to manage financial emergencies. The following are the empirical findings from this study, corresponding to the major themes identified in the literature:

The first and most important coping strategy that vulnerable households employ is to take out a loan, and different types of loans were identified by participants:

- **Peer-to-peer loans**

The preferred source of borrowing among the participant households turned out to be peers. Readiness of instant cash and the ability to negotiate repayment terms were cited as the reasons for the preferred choice. Moreover, *mashonisa* were perceived to be charging excessive interest rates. Financial exclusion by the mainstream financial institutions was another reason offered for this preference.

- ***Mashonisa* loans**

Despite the high interest rates charged by *mashonisa*, the study found a significant number of households making use of the service. One reason for the demand for this

service is the ease of loan approval, with quick access to cash in an emergency. There is, nonetheless, a general negative attitude toward loans from *mashonisa*.

- **Pawning and selling of assets**

Pawning of possessions is another common coping mechanism. The assets pawned, in most cases, were small items, such as cell phones. The amounts that could be borrowed were therefore relatively small, ranging from R100 to R150. In many cases the participants did not bother to repay the loans, and forfeited their belongings to the pawnbrokers. Few sold their assets for cash.

- **Employers' loans**

Some participants obtained loans from their employers, and repaid them on payday. Employer's loan repayment was done by payroll deduction. This was found to be in contravention of the National Credit Act (Act 35 of 2005)

The second group of coping strategies relates to the social capital of a household, including social networks and social security systems. The impact of each of these are considered below.

- **The Child Support Grant and the Old Age Grant**

Money received from social security grants, such as the Child Support Grant and the Old Age Grant, supplemented income from employment. Nearly all of the participants received the Child Support Grant in addition to their salaries. The Child Support Grant is claimed from the time children are born until they reach the age of 18 years. Participants nearing retirement age believed they could sustain their livelihood with the Old Age Grant, currently R1 340 per month. The grants provided the respondents with some income to be used for financial emergencies as well as money that can be

used to repay the loan taken out in cases of emergencies, enabling them to again access the loans in case of another financial emergency.

- **Community support network and *Ubuntu***

Nearly all of the participants reported sharing their resources with neighbours, friends and community members, in the spirit of *Ubuntu*. Money and food could be borrowed from neighbours. It was common for the community to donate food, coffins and money to help bury community members whose families could not afford to bury them.

There is limited evidence to assert that social security and other support networks are a disincentive to households to save. Participants in this study were actively diverting money from disposable income, the Child Support Grant, and the Old Age Grant to pay for funeral policies, burial society premiums, and contributing to grocery clubs. It may be argued that the availability of social security grants and other social support structures affects the saving patterns of vulnerable households. The grants enable households to save for food and funeral expenses, and although these savings do not always enter the formal market they are an important financial coping strategy employed by vulnerable households.

Auto ethnography account

The results from the auto ethnography research experience indicated a benefit in the sharing of savings related information among friends and peers. Pooling of funds and group savings were a common practice, enabling participants to reach certain financial targets which they would not have achieved otherwise. The main motives for saving were identified as financial security and self-esteem.

5.5 LIMITATIONS OF THE STUDY

When interpreting the results of this study a number of limitations should be kept in mind. It is important to note that the study used a qualitative methodology in the form of ethnography, and a direct consequence of this is that the following limitations are inherent to the study and the results presented:

- The population sampled is not statistically representative of the entire national population.
- Whilst not quantifying the results, the use of CADQAS in the form of ATLAS.ti helped to find patterns that might not otherwise be easily detected from reading the qualitative data.
- The findings of this study cannot therefore be generalized to the populations which were not being studied.

5.6 CONCLUSIONS

The primary objective of this study, was to unearth some of the coping strategies used by vulnerable households in their own cultural setting. In order to meet the primary objectives of the study the following research question, supported by sub-questions, were developed:

“Which strategies do vulnerable households apply to cope with financial emergencies?”

The main findings of the study were that:

- Participants were not saving adequately for financial emergencies.
- The majority of participants were saving in some way to pay for future funeral expenses.
- Funeral expenses incurred by households often negatively affect their ability to save for other financial emergencies.
- Participants preferred peer-to-peer loans to loans from among others banks and money lenders.
- *Ubuntu* played an important role in the day to day survival of participants.

Considering previous literature on the subject under review, this study made some important findings:

Family financial obligations

An important finding to emerge from this study is the prevalence of family financial obligations. Although the study did not show the effect of these obligations on saving behaviour, it did establish a possible link between family financial obligations and a lack of emergency funds.

Skipping meals as coping strategy

There is some evidence to support findings in the Finscope survey for southern Africa (2015) which suggested that some households skip meals as a coping mechanism to make up for shortfalls in their budget. This practice was, however, not common amongst the participants in this study. Households were relying on neighbours for food in difficult times, the social support structure were used as a coping strategy rather than skipping meals.

Most common reported financial emergencies

It was reported in a study by Grinstein–Weiss *et al.* (2014) in the USA that the most commonly reported financial emergencies by households were major vehicle repairs, periods of unemployment, and hospital costs. In contrast, participants in this South African study reported that the most common financial emergencies were death and illness in the family.

Peer-to-peer loans

This research supports previous findings by, among others, Jahns (2012) and Old Mutual Survey (2014) on borrowing from family, neighbours and friends (James, 2014). This contributes to an understanding of the extent to which this form of loan rivals other informal borrowings such as the *mashonisa* loan.

5.7 SUGGESTIONS FOR FURTHER RESEARCH

The findings in this study have a number of important implications for the understanding of family dynamics relative to savings behaviour in vulnerable households. Future research is recommended to understand households bound by family financial obligations, and how the obligations affect their ability to save. Similar studies in other geographical areas could provide valuable insight into the effect of cultural practices on coping strategies used.

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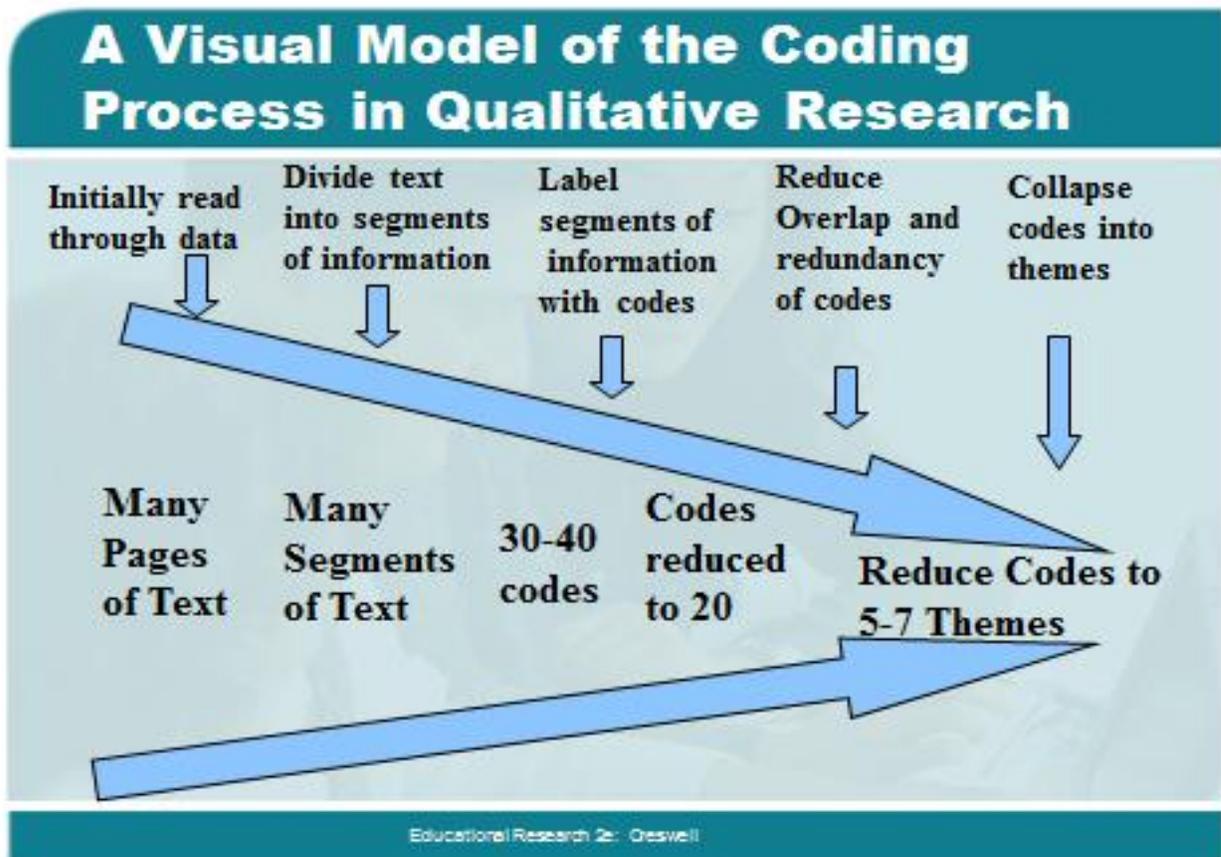
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APPENDIX 1: CODING FRAMEWORK

The coding process was mainly done electronically using Computer Assisted Qualitative Data Analysis Software (CAQDAS, the ATLAS.ti, Version: 7.5.4. In coding data, a Visual Model of the Coding Process in Qualitative Research (Figure 1) was followed.

Figure1: Visual Model of the Coding Process in Qualitative Research



Source: Creswell (2013)

Overview of the themes, sub-themes and evidence of sub-themes are detailed below:

Overview of the themes, sub-themes and evidence of sub-themes

Theme	Sub-theme	Evidence of sub theme
1. Funeral expenses	1.1 Many of the participants reported that were members of a burial society, with a sizable number having taken up a formal funeral policy	<p><i>"I am a member of a burial society. Monthly contribution is R100 per month. The benefit is R6 000 in the case of death of a family member (Up to 10 people can be enrolled as beneficiaries). Food, transport and other expenses are not covered. Family member normally cover the shortfall in expenses"</i> (Participant #1, Olivenhoutbosch, 2015)</p> <p><i>"We have joined a burial society. Joining fee is R175. Monthly contribution is R175 for the casket. The burial society covers everything (casket, tent, chairs, hearse and family car) except grocery"</i> (Participant #22, The Hill/Westford, 2015)</p>
	1.2 It was common for participants to have family funeral contribution obligations	<p><i>"Each of the working family members was expected to contribute R500 towards the burial cost of my sister. I was forced to go to mashonisa to borrow money in order to contribute towards burial expense"</i> (Participant#1, Olivenhoutbosch, 2015)</p> <p><i>"We lost our uncle, we had nothing by then we were forced to go and borrow money (from mashonisa)"</i> <i>"I borrowed money from loans harks only during my uncles death"</i> (Participant #8, Olivenhoutbosch, 2015)</p>

1.3

"I have to hire a local guy with a bakkie to take to the hospital for a check-up every week. He normally transports people on credit and we pay him when we have got money"

(Participant #19, The Hill/Westford, 2015)

"Ubuntu is a very helpful way of living with people neither social workers who are always been there to heal all your wounds. I do help people there and there by borrowing them money and when they fail to return the favour I do not panic I just let them go because there's nothing I can do about them"

(Participant #10, Olivenhoutbosch, 2015)

"Ubuntu is very important because without it people should have died by hunger now but with the spirit of Ubuntu people are surviving"

(Participant #15, Olivenhoutbosch, 2015)

"We always help our neighbours. Last week we went to Hammanskraal to bury my neighbour. She passed away unexpectedly. She was not a member of the burial society. I and my wife donate R500 and bought cookies for R250. We spend R750 on her funeral. Her family contributed to buy the coffin.

"I help my neighbours with tea bags, sugar, etc. and also help me if I ran short. My wife is she does not have money for transport; we borrow it from our neighbour and repay it when we got it"

(Participant #22, The Hill/Westford, 2015)

"I have helped my friend whose parents passed away last year. He or their parents were not members of a burial society. I lend my friend R10 000. He is repaying it back whenever he can.

"I have also experience the spirit of Ubuntu myself. When my brother passed away when I was unemployed. My parents could not afford to bury him. The community helps a lot. Some donated grocery. A Good Samaritan contributed coffin and we were able to bury my brother"

(Participant #23, Thulamela, 2015)

	<p><i>“Ubuntu means we must help each other. If I went to my friend or neighbour crying they must be able to help me and I return the same favour. In this informal settlement, people do not help each other. In rural areas, you can ask mealie-meal from your neighbour and return it when you have bought it. I only rely on one person in this area”</i> (Participant #19, The Hill/Westford, 2015)</p> <p><i>“I do not have stop order or any type of savings due to lack of excess money after I have paid all the expenses and debts. Stokvels and societies help because they help in case for emergencies”</i> (Participant#22, Olivenhoutbosch, 2015)</p>	
<p>2. Family Financial Obligations</p>	<p>2.1 Participants’ interviews suggest that the obligation to support other family members financially falls on those members receiving income Hill/Westford, 2015)</p>	<p><i>“I help my brother who is not okay in health [mental health]. I have the duty to help him”</i> (Participant #13, Olivenhoutbosch, 2015)</p> <p><i>“I get help from Silas and Vuyiswa, actually all my children helps [sic] me every month with money, they all help me with money”</i> (Participant #24, Olivenhoutbosch, 2015)</p> <p><i>“Every month we sent money to our Aunt, We help her to buy diapers because the mother of her granddaughter passed on”</i> (Participant #16, The Hill/WestFord)</p>

	<p>2.2 Family member normally cover the shortfall in funeral expenses.</p>	<p><i>Each of the working family member was exected to contribute R500 towards the burial cost of my sister. I was forced to go to mashonisa to get borrow money in order to contribute towards burial expense</i> (Participant #1, Olivenhoutbosch, 2015)</p> <p><i>My husband passed away and we were six months in arrears with the premiums, so the burial society refuses to bury my husband. He was buried with the help from family members. They each contribute in cash or otherwise for the funeral”</i> (Participant #16, The Hill/WestFord)</p> <p><i>“Last year, my brother passed away unexpectedly. He was never sick. It caught us by surprise. The family contributed, especially my sister to make sure he was buried”</i> (Participant #17, Thulamela 2015)</p> <p><i>“On 2010 we lost our mother and my brother was still busy paying for his house so there was no money to carry on with the service so we asked our family to help us contribute with money then it is how we managed”</i> (Participant #15, Olivenhoutbosch, 2015)</p>
<p>3. Households at risk of not weathering financial emergencies</p>	<p>3.1: Participant households are not saving sufficiently to deal with financial emergencies</p>	<p><i>“I used to contribute monthly to the grocery club contributing R150 per month. The pool of funds contributed is used to buy grocery in December and shared among the members of the club. I have withdrawn due to affordability. I could not afford to pay monthly contribution”</i> (Participant #1, Olivenhoutbosch, 2015)</p>
<p>4. Households get through tough financial emergencies by borrowing</p>	<p>4.1 Most of the participants peer-to-peer loans when faced with a financial emergency</p>	<p><i>“In case of emergency I will borrow money from my brother”</i> (Participant #23, Thulamela 2015)</p> <p><i>“In case of emergency, I borrow money from someone I know in this area”</i> (Participant #19, Westford 2015)</p>

		<p><i>"We borrow each other money with our neighbours, if I give them R20, they will return it as it is, R20, No interest".</i> (Participant #1, The Hill/WestFord)</p> <p><i>"My wife is she does not have money for transport; we borrow it from our neighbour and repay it when we got it".</i> (Participant #4, The Hill/WestFord)</p> <p><i>"I have helped my friend whose parents passed away last year. He or their parents were not members of a burial society. I lend my friend R10 000. He is repaying it back whenever he can"</i> (Participant #16, Thulamela 2015)</p> <p><i>"Yes at the club we are allowed to take let's say R1000 the interest will be R200, and you could be paying back by R50 until you are done with the interest and at the end you will pay what is the different left"</i> (Participant #25, Thulamela 2015)</p>
	<p>4.2 Participants indicated that they would still use <i>mashonisa</i> loans for financial emergencies, as well as to cover shortfalls in household expenditure</p>	<p><i>I was forced to go to mashonisa to borrow money in order to contribute towards burial expense"</i> (Participant#1, Olivenhoutbosch, 2015)</p> <p><i>We lost our uncle, we had nothing by then we were forced to go and borrow money (from mashonisa)"</i><i>"I borrowed money from loans harks only during my uncles death"</i> (Participant#8, Olivenhoutbosch, 2015)</p> <p><i>"In case of emergency I borrow money from mashonisa"</i> (Participant#10, Olivenhoutbosch, 2015)</p> <p><i>"I always borrow money from loan shark"</i> (Participant#14, Olivenhoutbosch, 2015)</p>

		<p><i>"We do borrow from mashonisa. We borrow little amount and repay it back"</i> (Participant#15,Olivenhoutbosch, 2015)</p> <p><i>"I do borrow money from mashonisa"at Lotus Gardens".</i> (Participant #3, The Hill/Westford, 2015)</p>
	<p>4.3 Participants indicated that they continued to use of mashonisa because of the need for immediate cash and easy accessibility of <i>mashonisa</i></p>	<p><i>"Each of the working family members was expected to contribute R500 towards the burial cost of my sister. I was forced to go to mashonisa to borrow money in order to contribute towards burial expense"</i> (Participant#1, Olivenhoutbosch, 2015)</p> <p><i>"We lost our uncle, we had nothing by then we were forced to go and borrow money (from mashonisa)"</i><i>"I borrowed money from loans harks only during my uncles death"</i> (Participant #8, Olivenhoutbosch, 2015)</p> <p><i>"I prefer loan sharks because they are close; easy when you do not have time as the bank takes a lot of time"</i> (Participant #5, Olivenhoutbosch, 2015)</p> <p><i>"Mashonisa are good for us because they give you cash instantly. Banks takes long to approve loan application"</i> (Participant #18, The Hill/Westford, 2015)</p>
	<p>4.4 Some participants expressed negativity on the use on <i>mashonisa</i> loan</p>	<p><i>"Loan sharks are not good because the money you borrow from them increases with a huge amount of interest"</i> (Participant #10, Olivenhoutbosch, 2015)</p> <p><i>"I'm scared of mashonisa, even when I was working, I never borrowed from mashonisas. The interest rate is excessive"</i> (Participant #19, Olivenhoutbosch, 2015)</p>

		<p><i>"We never borrow money from mashonisa because they are expensive. If you borrow R100, you repay R150 at the end of the month. If you don't pay mashonisa, he or she takes your identity book and you never get it back. We never entertain the thought of borrowing money from mashonisa"</i> (Participant #1, The Hill/Westford, 2015)</p> <p><i>"Loan sharks are not good, but they help us, but it depends on how you pay them"</i> (Participant #9, Olivenhoutbosch, 2015)</p> <p><i>"Mashonisa is bad, but we don't have any choice because that's the only place you can get cash instantly"</i> (Participant #22, The Hill/Wetford, 2015)</p> <p><i>"Mashonisa helps in case of emergency, but they gain from us they charge excessive interest"</i> (Participant #24, Thulamela, 2015)</p>
	4.5 participants is the pawning of assets to obtain cash to pay for emergencies	<p><i>"I have pawned my phone and I was never able to repay the loan. The phones were retained by the pawnshop"</i> (Participant #18, The Hill/Westford, 2015)</p> <p><i>"We also pawned our phones and TV to get cash. For this phone, they will give me R150 and I have to repay R195. If you fail to pay R195, the pawnbroker will sell the phone"</i> (Participant #22, The Hill/Westford, 2015)</p>
5. Getting through tough financial emergencies utilising social security and social support networks	5.1 Participants received the Child Support Grant and the Old Age Grant (pension),	<p><i>"Both my children receives Child Support Grant, R330"</i> (Participant #1, Olivenhoutbosch, 2015)</p> <p><i>"I earn R2000 and the income from the social grant for my child"</i> (Participant #10, Olivenhoutbosch, 2015)</p>

		<p><i>"I earn R1400 for pension social grant and also for the grandchildren grant"</i> (Participant #13, Olivenhoutbosch, 2015)</p> <p><i>'I receive child support grant for two kids"</i> (Participant #14, Olivenhoutbosch, 2015)</p> <p><i>"I stay with my 3 children. I receive a grant support for them"</i> (Participant #15, Olivenhoutbosch, 2015)</p> <p><i>"Income comes from old age pension and salary from contract work"</i> (Participant #16, The Hill/Westford, 2015)</p> <p><i>"Two of my grandchildren and my youngest daughter receives child grant. My daughter will be 18 in August, so her grant will be stopped".</i> (Participant #17, The Hill/Westford, 2015)</p> <p><i>"Myself, my sister, my child and two children for my sister. All the children receive Child Support Grant"</i> (Participant #18, The Hill/Westford, 2015)</p>
	<p>5.2 Participants who are nearing retirement age feel they will be able to survive with the Old Age Grant</p>	<p><i>"My mother does help a lot from her old age pension money"</i> (Participant #14, Thulamela, 2015)</p> <p><i>"Mkhulu will be 60 years next year and he will start getting his old age pension. It will help us to buy food and other essentials. We will not be paying rent as our RDP house is almost complete and we will be moving in soon"</i> (Participant #2, Olivenhoutbosch, 2015)</p>
	<p>5.3. Participants in this study acknowledge that there is a positive benefit in embracing the spirit of Ubuntu</p>	<p><i>"I have to hire a local guy with a bakkie to take to hospital for a check-up every week. He normally transports people on credit and we pay him when we have got money"</i> (Participant #19, The Hill/Westford, 2015)</p>

		<p><i>“Ubuntu is a very helpful way of living with people neither social workers who is always been there to heal all your wounds. I do help people there and there by borrowing them money and when they fail to return the favour I do not panic I just let them go because there’s nothing I can do about them”</i> (Participant #10, Olivenhoutbosch, 2015)</p> <p><i>“Ubuntu is very important because without it people should have died by hunger now but with the spirit of Ubuntu people are surviving”</i> (Participant #15, Olivenhoutbosch, 2015)</p> <p><i>“We always help our neighbours. Last week we went to Hammanskraal to bury my neighbour. She passed away unexpectedly. She was not a member of burial society. I and my wife donate R500 and bought cookies for R250. We spend R750 on her funeral. Her family contributed to buy the coffin. “I help my neighbours with tea bags, sugar, etc. and also help me if I ran short. My wife is she does not have money for transport; we borrow it from our neighbour and repay it when we got it”</i> (Participant #22, The Hill/Westford, 2015)</p> <p><i>“I have helped my friend whose parents passed away last year. He or their parents were not members of a burial society. I lend my friend R10 000. He is repaying it back whenever he can. “I have also experience the spirit of Ubuntu myself. When my brother passed away when I was unemployed. My parents could not afford to bury him. The community helps a lot. Some donated grocery. A Good Samaritan contributed coffin and we were able to bury my brother”</i> (Participant #23, Thulamela, 2015)</p>
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		<p><i>“Ubuntu means we must help each other. If I went to my friend or neighbour crying they must be able to help me and I return the same favour.</i></p> <p><i>In this informal settlement, people do not help each other. In rural areas, you can ask mealie-meal from your neighbour and return it when you have bought it. I only rely on one person in this area”</i></p> <p><i>(Participant #19, The Hill/Westford, 2015)</i></p>
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APPENDIX 2: LIST OF IDENTIFIED RELATIONS AND THEIR DESCRIPTION

Relation	Type	Description
is part of	Classifying relations	<p><i>Contains relations for describing or classifying a category in more details, which means inclusions, parts, properties a.s.o. Well-known from the ATLAS.ti-Relation database are the relations <is a> and <is part of>. Specifications of <is part of> are the relations <is a component of> and <is a phase of>. <is a component of> is used, when concepts or categories are bundled to a more general category, which represents an integral whole and whose components fulfill a specific function within the integral whole. It is often used in Grounded Theory Methods during the process of “open coding”.</i></p>
is a		
is cause of	Process relations	<p><i>Contains relations to express sequences, results or cause-effect-chains: <leads to>, <results in>, <causes> and <changes>. The most general (or most unspecific) process relation is <leads to>, which represents a simple description of a sequence or sequential chain, for example, “coping” <leads to> “feeling better”. If a researcher wants to stress on the result of a process, he/she uses the relation <results in>: “coping” <results in> “well-being”. When a process changes a property or dimension of a defined category, the relation <changes> fits best: “coping” <changes> “sentiment” (which means: from a “bad sentiment” to a “good sentiment”). However when a researcher wants to express a cause-effect-chain, the relation <causes> fits best: “coping” <causes> “well-being”.</i></p>
lead to		
is a result of		
is associated with	Overall unspecified relation	<p>Relates concepts without subsumption (if the object and the conceptions of the understanding were the same in kind)</p>

Source: Mühlmeyer-Mentzel 2015

APPENDIX 3: CODES CO-OCCURRENCE TABLE

	Bank loan	Burial Society	Casual Work Income	Child Support Grant	Death Financial Obligation	Dependent Parents	Dependent Siblings	Emergency Fund
Bank Loan	0	0	0	0	0	0	0	0
Burial Society	0	0	0	0	6	0	0	0
Casual Work Income	0	0	0	0	0	0	0	0
Child Support Grant	0	0	0	0	0	0	0	0
Death Financial Obligations	0	6	0	0	0	0	0	0
Dependent Parents	0	0	0	0	0	0	1	0
Dependent Siblings	0	0	0	0	0	1	0	0
Emergency Fund	0	0	0	0	0	0	0	0
Employer Loan	0	0	0	0	0	0	0	0
Extra Work	0	0	0	0	0	0	0	0
Family Financial Assistance: Recurring	0	0	0	0	0	5	7	0
Family Financial Assistance: Once off	0	0	0	0	0	1	2	0
Family Financial Assistance: Recurring	0	0	0	0	0	1	0	0
Family Financial Obligations	0	0	0	0	0	3	5	0
Family Funeral Contribution	0	1	0	0	4	0	0	0
Father not paying for child maintenance	0	0	0	2	0	0	0	0
Father Support Children	0	0	0	0	0	0	0	0
Financial Emergency: Death	0	0	0	0	1	0	0	0
Financial Emergency: Illness	0	0	0	0	0	0	0	0
Financial Emergency: Other	0	0	0	0	0	0	0	0
Formal Financial Exclusion	0	0	0	0	0	0	0	0
Funeral Policy	0	2	0	0	10	0	0	0
Instant cash	0	0	0	0	0	0	0	0

	Bank loan	Burial Society	Casual Work Income	Child Support Grant	Death Financial Obligation	Dependent Parents	Dependent Siblings	Emergency Fund
Lack of Emergency Fund	0	0	0	0	2	0	0	0
Lack of Retirement Savings	0	0	0	0	1	0	0	1
Mashonisa Loan	0	0	0	0	0	0	0	0
Mashonisa: Indifference	0	0	0	0	0	0	0	0
Mashonisa: Negative Attitude	0	0	0	0	0	0	0	0
Mashonisa: Positive Attitude	0	0	0	0	0	0	0	0
Member of Stokvel	0	0	0	0	0	0	0	0
No medical Insurance	0	0	0	0	0	0	0	0
Not a stokvel member	0	0	0	0	0	0	0	0
Old Age Pension	0	0	0	2	0	0	0	0
Pawning Assets	0	0	0	0	0	0	0	0
Peer to Peer Lending	0	0	0	0	0	0	0	0
Sacrificing	0	0	0	0	0	0	0	0
Salary Income	0	0	0	0	0	0	0	0
Selling Assets to get Cash	0	0	0	0	0	0	0	0
Sharing Food	0	0	0	0	0	1	0	0
Skipping Meals	0	0	0	0	0	0	0	0
Supportive Community	0	0	0	0	0	0	0	0
Ubuntu	0	0	0	0	0	0	0	0
Unemployed	0	0	0	0	0	0	0	0

APPENDIX 4: CONSTITUTION OF ZWIDANGULA SAVINGS CLUB

ZWIDANGULA SAVINGS CLUB

Aims and Objectives

- To save money into a pooled fund, this money will be distributed to members in good standing in December of each year.
- To promote personal, group development, social networking and friendship among members.
- The social operates for the benefit of its members.

Membership

- Membership per club will be limited to 25 members.
- Members will supply the club with their personal details
 - Name and surname
 - Residential address
 - E-mail and Mobile phone number
- By listing your name on the club register, you agree to obey the club constitution.
- Former members can re-join, however they shall be considered as a new member
- Re-joining members shall be given a waiting period of three (3) for their membership to be effective

Executive

- The first executive will consists of members who were present at first meeting of this club.
- Election will be held at the last meeting of the club each year to elect a new executive for the following year.
- The executive committee will consist of the following positions:

Chairperson, whose responsibilities are:

- To lead and prepare the agenda for meetings.
- Make sure rules are followed.
- Approve money withdrawal with other executive members.
- Explore opportunities for growing the club.
- A chairperson can delegate his authority to a nominated person if he is not available at meeting.

Secretary, whose responsibilities are:

- Keep an accurate record of the club's activities, namely minutes, correspondence and membership register.
- Maintain communication to make sure all members are informed of all activities of the club.
- Have signing powers with the chairperson and treasurer.

Treasurer, whose responsibilities are:

- Keep accurate account of all the club's finances and present copies of all the deposit slips.
- Have signing powers with the chairperson and the secretary.
- Keep up-to-date with financial charges and banking products that could be beneficial to the club.
- Shall resend the outstanding payment requests to the relevant members.

Meetings

- Monthly meetings will be held every 1st Sunday to scrutinize club's finances.
- Meetings will be rotated at member's residence each month.
- A minimum 50% of members in good standing will be required for a quorum.
- Special meetings will be called when necessary by the executive committee.
- All members are expected to attend meetings on the set date.
- The decisions of the meeting are binding.

Annual Meeting

- Review of the bank statements, financial report and the all receipts shall be reviewed, the new budget shall be set
- Members of the society shall elect the new committee.
- In addition, both the annual meeting and the special meetings shall consider issues that cannot be decided by the committee members alone.
- These issues may include questions raised by the banks or any legal persona.

Joining Fee

- Each member must pay R100 as a non-refundable joining fee on before 31 January 2015.
- Members who join after this date will pay R500 non-refundable joining fee.

Contributions

- Each member will make 11 contributions of R500 (minimum) per month in a calendar year.
- Contributions must be deposited into club bank account. Members must use their name and surname as reference.

- Members are allowed to contribute a higher amount depending on affordability.
- Members can pay their contributions in advance, if a member pay a contribution in advance, he must notify the club treasurer.

Penalties

- If a member fails to deposit contributions into the club bank account before the 1st Sunday of the following month in which contribution was due, a fine of 10% will be charged.
- Member who fails to make contribution for a period of 3 months will be suspended.
- If there is no valid reason for not contributing i.e. retrenchment, the member will forfeit his contributions.

Withdrawal

- Capital amount contributed by members cannot be withdrawn under any circumstances.
- Interests and fines can be withdrawn for social gatherings of members if the executive have authorised such withdrawal.
- Membership fees are not refundable if the family member wants to withdraw himself from the social.

Sharing and distributions of funds to members

- Sharing of pooled funds will be done at the last meeting of the year.
- Only members in good standing can share the pooled funds.
- Member's share will be his total contributions in the 11 months period.
- Interests and fines will not be distributed to members.
- Distributions will be done by bank transfers.

Funeral support

- If there is death of member or a member's family member (Father, mother, sister, brother, wife, child) members of the club will advance cash to the member. A member must repay the amount advanced to him plus 30% interest.
- This shall constitute a one-time payment in support of the funeral expenses of the deceased member.

Constitution

- The founding constitution was ratified by all members who attended the first meeting of the club on the 17th of January at Ext. 36, Olivenhoutbosch.
- A member can propose the amendment to the constitution at the last meeting of the year.
- Constitution can only be amended if two third majority agreed to the amendment.

APPENDIX 5: PARTICIPANTS INFORMATION SHEET



COLLEGE OF ACCOUNTING SCIENCES

INFORMATION SHEET

Title of Research Project

STRATEGIES IN MANAGING THE FINANCIAL RISKS VULNERABILITY AMONG SOUTH AFRICAN HOUSEHOLDS

Researcher's Full Name

RENDANI KENNETH NZHINGA

Contact Details

078 164 6864/012 429 6937

nzhinrk@unisa.ac.za

My name is Rendani Kenneth Nzginga, I am a Lecturer at University of South Africa, College of Accounting Sciences.

The main purpose of this study is to determine the influence of or correlation between the existences of social support structures (social capacity) on the level of savings for financial risks. This will include investigating the motives people have for saving among South Africa households, with special reference to working class households. Therefore it is envisaged that the information collected will give a picture of household's financial situation and challenges from the beginning to the end of the month.

This study will follow households every two weeks to record, interview the participants on the events and transactions of the preceding fortnight for a period between February and May 2015.

You will be required to:

- Record all income and their sources received during the month
- Record all Expenses received during the month
- Records any challenges your family faced during the month in your own words using your home language or English.

We will conduct an interview with you for four (4) session. The interview will take about 30 minutes per session to complete.

Participation in this study is voluntarily. It is up to you to decide whether or not to take part. If you do decide to take part you will be given this information sheet to keep and be asked to sign a consent form. If you decide to take part you are still free to withdraw at any time without giving a reason and without detriment to yourself.

No physical risks are expected in this study.

The researchers will take every care to ensure that the collection and storage of participants' information is confidential. Likewise individuals' responses will be kept confidential by the researcher and not be identified in the reporting of the research. Information will be kept for at least 5 years.

As a research participant in this study, you are likely to benefit in acquiring knowledge about personal financial management. The results of the study will also be of interest and relevance to a large number of policy-makers and various stakeholders. The findings of the study will be made available to the policy-makers and all stakeholders involved in personal finance with the intention of informing policy.

Gift vouchers will be given to participants in this study as a token of appreciation during the duration of the study.

Thank you for reading this information, please ask any questions if you are unsure about what is written here.

Statement of Consent:

I have read the above information, and have received answers to any questions I asked. I consent to take part in the study.

Your Signature _____ Date _____

Your Name (printed) _____

In addition to agreeing to participate, I also consent to having the interview tape-recorded.

Your Signature _____ Date _____

Signature of person obtaining consent _____ Date _____

Printed name of person obtaining consent _____ Date _____

APPENDIX 6: CONFIDENTIALITY AGREEMENT

The CONFIDENTIALITY AGREEMENT is made by and between:

RENDANI KENNETH NZHING (Researcher)

AND

MUSHAISANO COLBERT TSHIVHASE

- I will keep all the research information shared with me confidential by not discussing or sharing the information in any form or format (e.g. tape or audio recordings, transcripts, field notes).
- I will keep all the research information in any form or format (e.g. tape or audio recordings, transcripts, field notes) securely in a locked cupboard while it is in my possession.
- After I have reported to and discussed my/our findings with the researcher(s), I will destroy all research information in any form or format (e.g. tape or audio recordings, transcripts, field notes, information stored on a hard drive) that I/we do not return to the researcher(s).
- I the undersigned acknowledge and accept these commitments.



Mushaisano Colbert Tshivhase
Research Assistant name

Date: 08.08.2015

APPENDIX 7: ETHICAL CLEARANCE CERTIFICATE



COLLEGE OF ACCOUNTING SCIENCES RESEARCH ETHICS REVIEW COMMITTEE

Date: 20 April 2015

Ref: 2015_CAS_009
Name of applicant:
Rendani Nzhinga
Staff #: 1117297

Dear Mr Rendani Nzhinga

Decision: Ethics Approval

Name: Mr Rendani Nzhinga
AJH van der Walt Building 1-049
nzhinrk@unisa.ac.za
(012) 429 6937

Proposal: Strategies in Managing the Financial Risks Vulnerability Among South African Households

Qualification: Master of Accounting Science

Thank you for the application for research ethics clearance by the College of Accounting Sciences Research Ethics Review Committee for the above mentioned research. Final approval is granted for the completion of the research.

For full approval: *The application was reviewed in compliance with the Unisa Policy on Research Ethics by the College of Accounting Sciences Research Ethics Review Committee on 28 January 2015.*

The proposed research may now commence with the proviso that:

- 1) The researcher/s will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.*
- 2) Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to the College of Accounting Sciences Research Ethics*

of the study-related risks for the research participants.

- 3) The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study.*

Note:

The reference number [top right corner of this communiqué] should be clearly indicated on all forms of communication [e.g. Webmail, E-mail messages, letters] with the intended research participants, as well as with the College of Accounting Sciences RERC.

Kind regards,



Mrs Soné Beyers
(Chairperson of CAS RERC)
beyers@unisa.ac.za
(012) 429 3532



Prof Elmarie Sadler
(Executive Dean of CAS)