

# NCR

National Credit Regulator



**Outcomes evaluation of Educational Workshops and Media Campaigns of the NCR RFP No: NCR139/01/13**

**Final Report**

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## **1.0 Executive Summary**

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### **Background methodology**

The NCR commissioned research, through Topline Research Solutions, to in the main gauge the impact of their educational workshops and media campaigns in South Africa, with a special focus on 2012. The survey had a national scope and was executed through literature review, qualitative in-depth interviews with stakeholders and credit industry bodies, focus group discussions with credit consumers as well as quantitative interviews with credit consumers drawn at random from around South Africa.

### **Key Findings**

Available literature reveals that despite developments in the credit industry, misconduct, both on the supply and demand sides, is still rife. Credit providers are actively targeting unsecured credit as a business growth opportunity. The majority of unsecured credit is advanced to consumers that are vulnerable to changes in economic conditions and should conditions deteriorate in the current uncertain environment this could have a significant impact on consumer credit health. On the other hand, increasing numbers of consumers continue to procure credit without sufficient understanding of their rights and responsibilities. Statistics about credit complaints do not seem to have changed much over the past few years.

The primary research findings clearly revealed that although there are mixed perceptions about credit, the feelings tend to be largely negative. Most of the communications also tend to have negative sentiment, positioning credit as a problem that need to be avoided. The potential wealth creation advantages of credit are not pronounced.

Credit industry players are relatively known led by Credit Bureaus, Debt counselors and the NCR. Credit topics are also well known especially blacklisting, over-indebtedness, credit agreements as well as consumer rights and responsibilities. This knowledge could be attributed to educational initiatives. However, deep knowledge about key features of the NCA, and the industry role of the NCR itself seemed limited. Key points emerging on discussions about the NCR revolved around its identity (the name is known but not the brand), visibility (often seen as credit provider's walls and windows and also seen as a sticker or certificate). The NCR is largely associated with legitimacy and protection.

When asked about areas needing education in the credit industry, both credit consumers and key stakeholders cited education on basics i.e. what to do when faced with a credit problem. There is a need to focus on what consumers should do to get out of the debt trap. Although calls to seek audience with credit providers are prudent, it is the content of the conversation with the credit provider that the consumers seem insufficiently equipped to handle. Credit is seen as complex, the products bought on credit are seen as complex and the institutions in the credit industry are seen as complex too. Consumers do not feel competent in their ability to understand financial transactions, or in their ability to manage their budget constraints. This sense of incompetence limits their confidence in asking the right questions or in engaging in research before confronting their credit providers when there are disputes. Below is a listing of some of the topics identified for inclusion in educational efforts:

- The positive side of credit (investment versus consumption);
- Education on basics e.g. agreements, budgeting etc;
- Credit management mathematics e.g. calculating interest rates, budgeting etc;
- Role of NCR when in debt conflict &
- Demand side versus supply side rights and responsibilities.

Organisations most commonly associated with credit education are credit bureaus, debt counselors and the NCR itself. Credit providers are surprisingly not associated with credit education. Credit bureaus however tend to be seen in negative light and seen as barriers instead of facilitators in the acquisition of credit. Some key stakeholders called for a distinction to be made between awareness campaigns and educational campaigns arguing that the former is generic while the later is relevant for fixing immediate problem of over indebtedness. The NCR tended to be largely applauded more for awareness creation rather than credit education per se. The other industry stakeholders see education as more priority than awareness at this stage and this difference in emphasis is a potential source of lack of cooperation with the NCR initiatives if not well managed.

Credit consumers tend to obtain credit information chiefly through television, radio and internet. Workshops also featured prominently, as the fourth commonest a source of credit information ahead of referrals, credit providers and newspapers. In terms of preferred sources of credit information credit consumers once again cited television, radio and internet ahead of all others. These were followed by

roadshows and newspapers before workshops. This means though popular as current sources of credit information, workshops do not seem to resonate best with members of the public. Roadshows are seen as more interactive and entertaining compared to workshops seen as one way and relatively more rigid.

The NCR workshops were applauded in terms of their empowering content. The caliber of presenters was also discussed in positive light although concern was expressed about fewer staff and language inadequacies when it came to certain provinces. Major areas of improvement were to do with lack of ownership and control of the workshop whereby the NCR tended to be vaguely remembered as a “passenger” on other organisers’ functions. While stakeholders appreciated the NCR’s willingness to attend functions largely initiated by provincial officers, there was a strong call for the NCR to initiate own outreach programs which would inherently help them increase frequency of the workshops than is currently the case.

In discussing the NCR workshops and media campaigns, there appeared to be sharp differences in perception between government stakeholders and private institutions. Government institutions especially provincial offices tended to be pro-NCR initiatives whilst independent credit consumer bodies feel the NCR could do more. However both sides concurred that in terms of media campaigns the NCR was effectively utilizing many available media types to create awareness but need more visibility in broadcast media especially television. NCR Billboard campaigns were mostly praised for their simplicity, appeal as well as the empowering messages communicated on each of them. However, the location of the billboard was criticized as it does not reach many audiences. These were largely seen as a Gauteng phenomenon.

Overall, in spite of some significant indication of awareness of various players as well as roles and responsibilities, there was limited evidence of impact on current educational campaigns in terms of causing behavior change. More research could reveal underlying causes of current consumer behaviour and provide guidance for progress. A preventative focus could change future statistics, particularly the credit impaired. Positive, entertaining messages shared through national broadcast media would prove to be more impactful. Broadcast media was also most preferred by consumers. More personnel could maximize regional outreach and address language requirements.

## **2.0 Background & Objectives**

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### **2.1 About the National Credit Regulator (NCR)**

The National Credit Regulator (NCR) was established as the regulator under the National Credit Act 34 of 2005 (the Act). The NCR is responsible for the regulation of the South African credit industry. It is tasked with carrying out education, research, policy development, registration of industry participants, investigation of complaints, and ensuring enforcement of the Act. The Act requires the Regulator to promote the development of an accessible credit market, particularly to address the needs of historically disadvantaged persons, low income persons, and remote, isolated or low density communities. Furthermore, the NCR is also tasked with the registration of credit providers, credit bureau and debt counselors; and enforcement of compliance with the Act.

The National Credit Regulator is mandated to:

- Register credit providers, credit bureau and debt counselors, and monitor the conduct of these parties;
- Educate and create awareness of the protection which the Act offers;
- Research the credit market and monitor access to credit and the cost of credit to identify factors that may undermine access to credit, competitiveness and consumer protection;
- Advise government on policy and legislation;
- Receive and investigate complaints and ensure that consumer rights are protected, and
- Enforce the Act and take action against contravening institutions.

## **2.2 About the National Credit Act (NCA)**

### **2.2.1 Features of the Act:**

- Language in credit agreements must be in simple and understandable;
- Quotes must be given on all credit agreements, and are binding for 5 days;
- Advertising and marketing must contain prescribed information on the cost of credit;
- Credit sales at a person's home or work are strictly limited;
- Reasons must be provided if a credit application is declined;
- Automatic increases in credit limits are regulated;
- Reckless lending is prohibited;
- Interest and fees are regulated on all agreements, including micro-loans;
- Credit Bureau are regulated and consumers have the right to a free credit bureau record;
- Debt counseling is introduced, to enable restructuring of debts for over-indebted consumers.

### **2.2.2 Objectives of the Act:**

- to promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information;
- to promote black economic empowerment and ownership within the consumer credit industry;
- to prohibit certain unfair credit and credit-marketing practices;
- to promote responsible credit granting and use and for that purpose to prohibit reckless credit granting;
- to provide for debt re-organization in cases of over-indebtedness;
- to regulate credit information;
- to provide for registration of credit bureau, credit providers and debt counseling services;
- to establish national norms and standards relating to consumer credit;
- to promote a consistent enforcement framework relating to consumer credit;
- to establish the National Credit Regulator and the National Consumer Tribunal, and
- to repeal the Usury Act, 1968, and the Credit Agreements Act, 1980; and to provide for related incidental matters.

### **2.3 Research Background**

In keeping with its mandate, the NCR has been hosting educational workshops with communities, trade unions as well as information sharing sessions with business chambers and organizations to increase the public's awareness and knowledge about the NCR and the NCA. In addition, government departments, local government, faith based organizations, traditional authorities, NGOs and CBOs have been targeted as recipients of consumer education awareness campaign.

The NCR has also been undertaking major campaigns on consumer awareness through advertising in the print and electronic media on an annual basis. These media campaigns enable the NCR to deliver a message to the public audience through the use of posters, billboards, television, radio and internet advertisements. They are a relatively inexpensive way the NCR uses to reach its audience (stakeholders, role players, general public etc) to introduce and promote general awareness and prevention messages. NCR media campaigns play a role in changing social norms, reinforcing positive behaviors, and supporting policy change within the credit industry.

Outcomes evaluation is an integral component of media and educational campaigns, providing the NCR an opportunity to examine how their message resonates with the target audience. In this regard it has become necessary to measure the outcomes of these campaigns and consumer education programmes. The NCR wishes to gain a deeper insight of the extent to which members of the public and consumers in general have understood the protective provisions of the NCA and the utilization thereof. Such information and data will assist the NCR in improvising its education and communication strategies.

### **2.4 Research Objectives**

The primary objective of the study was to measure and assess the outcomes of educational workshops that have been conducted during the 2012 calendar year and the media campaigns that the regulator has embarked upon during this period.

At a secondary level, the study sought to establish the following:

- A better understanding of the NCR stakeholder needs;
- The awareness levels of the NCA and NCR amongst various stakeholders and role-players;
- Assessment of the impact of the NCR's messages across all industry stakeholders, and
- Recommendations on areas that need improvement.

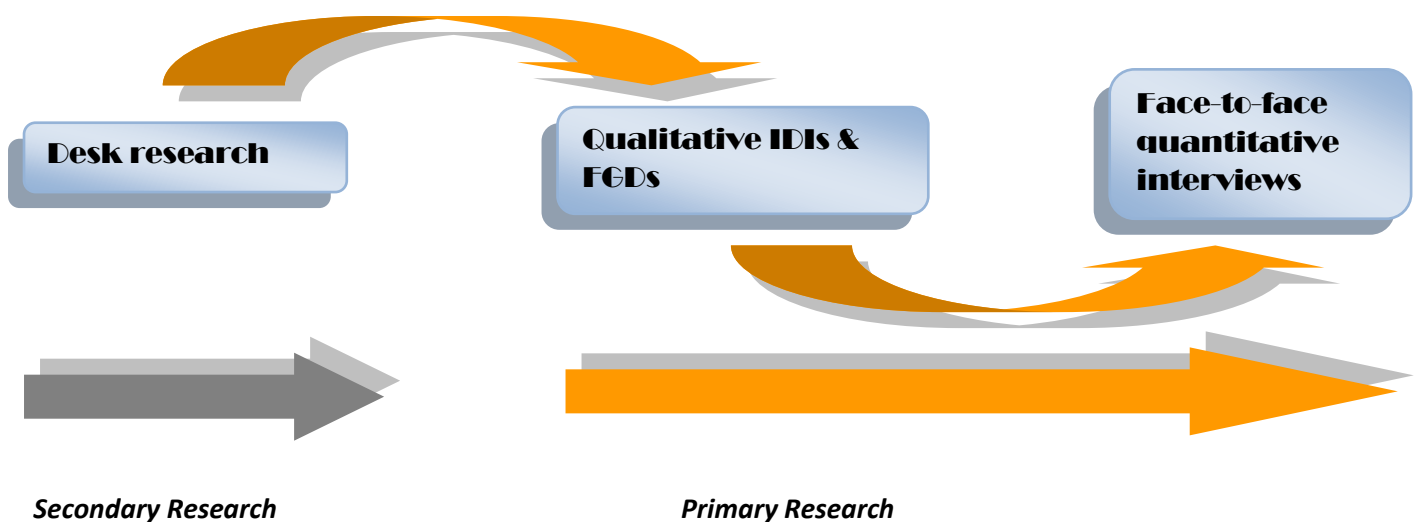
## 2.5 Research Methodology

The objectives of the envisaged study clearly pointed towards a multi-pronged research design that encompasses secondary and primary research methodologies to ensure that the assessment of the impact of the educational campaigns was comprehensive. Impact concerns long-term and sustainable effects in the lives of the target beneficiaries. Impact assessment answers the question, "How have the lives of the beneficiaries been influenced as a result of the changes achieved by the campaign?"

Impact can be related to the changes achieved directly by the campaign, or to the unanticipated changes caused by events during the implementation of the campaign strategy. Impact can be positive or negative, and internal or external. In the current case, the impact assessment should help the NCR decide on what actions it should take to continue advancing towards its ultimate educational goal, and to identify and improve on the tools it needs to achieve this goal.

Beneficiaries should ideally be part of the impact assessment process to analyze whether the outcomes have had any effect (positive or negative) on them. We proposed a stage by stage approach as discussed below showing the interlocking nature of the proposed approach.

Figure 1: Research Methodology



Research Methodology was implemented as follows:

Table 1: Research Methodology

<b>DESIGN</b>	<b>Sample/Source</b>
Desk Research	<p>Campaign &amp; workshop materials were reviewed.</p> <p>Past evaluation reports were also interrogated together with similar work in other sectors for benchmarking purposes. Client library was consulted to align source to Client expectations.</p>
Qualitative In-Depth Interviews (IDIs)	Relevant stakeholders randomly selected from databases provided by NCR
Qualitative Focus Group Discussions (FGDs)	Workshop participants randomly selected from 2012 workshop registers provided by NCR.
Quantitative Interviews	Quantitative research allowing coverage of HDI communities, a key part of the NCR mandate. A national sample of 1000 credit consumers was randomly selected from selected areas nationwide. Please see the Sample design below.

## **2.5 Desk Research/Literature Review**

Secondary research was conducted to review existing impact assessment reports or any relevant literature available from Client (the NCR), general print media that have covered NCR media campaigns, academic and related journals, socio-economic publications, localized education and information publications and corporate publications. We have also requested client to provide information such as workshop statistics and relevant previous reports that the NCR has been exposed to. The information collected on this phase of the research provided basis for this study as well as guidance for the methodology used.

### **2.5.1 Meetings with the Project Manager and NCR staff**

At the beginning of the project, a briefing meeting/workshop was held with the project team to establish:

- The NCR's internal structure, with emphasis on education and media
- The strategy, systems, processes and expectations of NCR's educational workshops and media campaigns
- Clarity around project objectives

### **2.5.2 In-depth/stakeholder interviews**

At this stage of the study, 12 in-depth interviews were conducted with stakeholders and other players with a purpose of understanding their needs and to gather inputs, thoughts and experiences with NCR's educational workshops.

### **2.5.3 Focus group discussions (FGDs)**

9 Focus group discussions with workshop attendees were proposed. These focus groups were aimed at discussing the attendees' impressions of the workshops. It was agreed with NCR that Focus Group Discussions will be conducted in Gauteng, Western Cape and KwaZulu-Natal.

### **2.5.4 Quantitative/Face-to-Face interviews**

Primary research was conducted with 1000 credit consumers drawn randomly across the country, to gauge the extent of themes and trends highlighted during the qualitative phase of the research. The sample was stratified using guidance from the latest South African population statistics and population parameters, as seen below:

Table 2: Quantitative Sample design

PROVINCE	POPULATION		PROPOSED SAMPLE
	N	%	N
Eastern Cape	4586976	13%	110
Free State	1947247	6%	60
Gauteng	82254534	24%	240
KwaZulu-Natal	7157532	21%	210
Limpopo	3624752	10%	100
Mpumalanga	2468244	7%	70
Northern Cape	764437	2%	50
North West	2221010	6%	60
Western Cape	3749757	11%	100

**Timing**

- The research study was conducted between April and May 2013.

## 3.0 Main Findings

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### 3.1 Introduction

This section of the report discusses findings from all stages of the research as discussed in the preceding section. For the qualitative segment of the research, few quotations are shown to illustrate actual consumer terminology while for the quantitative research, graphs and numerical figures are shown to depict trends.

### 3.2 Literature Review

#### 3.2.1 The consumer credit landscape

At the end of December 2012, there were 19.97 million credit active consumers in South Africa having entered into 69.53 million credit agreements. Of these credit consumers, 9.34 million had impaired credit records (i.e. they were 3 or more months in arrears, under administrative order or had court judgments granted against them). A further 15.3% was 1-2 months in arrears, leaving 38.0% in the current category. (NCR: Credit Bureau Monitor; Fourth Quarter: December 2012)

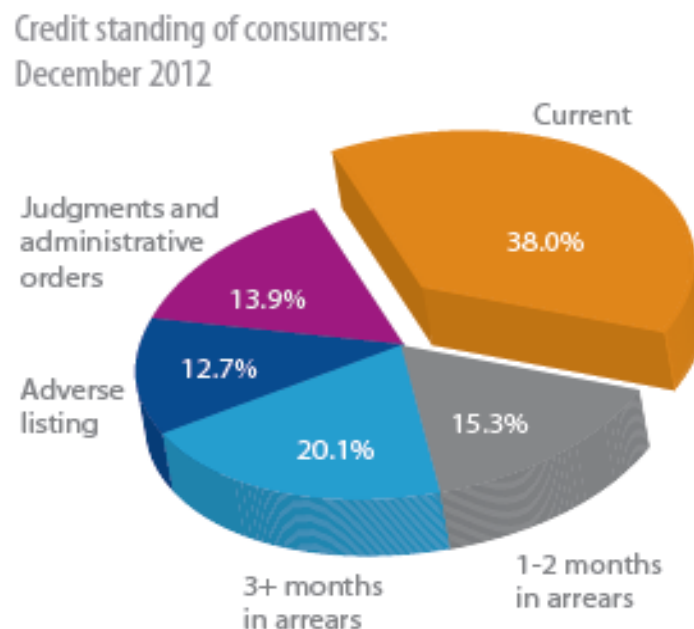


Figure 2: Credit standing of consumers: December 2012 (NCR: Credit Bureau Monitor; Fourth Quarter: December 2012)

### **3.2.2 Credit granted**

Consumer credit in South Africa includes a wide range of products, such as housing loans and mortgages, overdraft and personal loans, credit cards, retail credit, leases, installment sales and micro-loans. Many different institutions provide consumer credit. These include banks, micro-lenders, retailers and other non-bank financial intermediaries.

The value of credit granted to consumers increased by R10.22 billion (9.31%) from R109.72 billion for the quarter ended September 2012 to R119.94 billion for the quarter ended December 2012.

### **3.2.3 Credit Bureaus**

Credit bureaus create consumer credit profiles based on credit information received from credit providers, courts and utility service providers. The National Credit Regulator regulates and monitors registered credit bureaus and the quality of their data.

A total of 339.20 million enquiries were made on consumer credit records for the quarter ended December 2012. Enquiries initiated by consumers accounted for 17.18 million of all enquiries. The number of credit reports issued to consumers was 151,416. There were 16,368 disputes lodged on information held on consumer credit records for the quarter ended December 2012.

### **3.2.4 Debt counseling**

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

The total number of applications for debt counselling since March 2008 is estimated at 296 544 in February 2012. The NCA defines over-indebtedness as the inability of the consumer to meet all his obligations under all his credit agreements in a timely manner. Bearing this in mind and in light of the statistics regarding debt stressed consumers referred to above it would seem that a small percentage of consumers that would qualify for debt restructuring, is applying for this remedy.

### **3.2.5 Consumer Education**

#### **3.2.5.1 Why is there a need for Consumer Education?**

NCR's report about cost of credit and associated market practices (NCR; 2011), cites common credit industry practices with emphasis on consumer experience in obtaining and repaying credit. The report highlights suggestions for improvements on each area identified as a challenge. It also brought attention to an upward trend in usage of micro-finance.

According to this report, even though the credit market has been buffeted by a number of developments since the inception of the Credit Act, misconduct is rife. Contributing factors are amongst others, economic pressures on the credit industry since the Act commenced and the subsequent Global Economic Crisis emerged, resulting in job losses among other symptoms of a downward business cycle. One of the implications therefore is that credit providers are actively targeting unsecured personal loans as a business growth opportunity.

Therefore certain market practices require consideration and it is suggested that the extent of such practices should be determined.

Consumers that take up more credit than they can repay are, to some extent, complicit in the over-indebtedness that arises. This could be due to a range of underlying motivations on the part of the consumer, including: lack of understanding of the implications credit, disregard for the consequences of over-indebtedness, "I want it and I want it now" attitudes to expenditure or asset acquisition and societal pressures that promote unhealthy credit behavior.

It is submitted that further research into the micro and macro considerations that push consumers into over-indebtedness will be of value towards developing industry level guidance.

The demand for credit across the broad base of South African consumers is evident. Where access to the formal market is limited via market regulation or through interest rate or fee caps, credit needs of consumers will be met through alternative sources, which could include loans from family members or the likes of "loan sharks".

The FinScope study, which covers a sample of the “entire adult population”, analysed the composition of the unsecured lending market over the period 2008 to 2011, emphasizing the fact that micro-lending is typically advanced to higher risk customers.

However, it is logical that, at some point, where very high growth rates are maintained over an extended period of time, the level of credit granted through unsecured personal loans will be unhealthy. Past experience has shown that both credit providers and consumers are, at an overall industry level, prepared to grant and take up more credit than is sustainable and it is evident that the impact on consumers of overextended markets will remain a concern.

On the other hand, consumer credit behaviour that does not support the development of healthy credit uptake is a concern, for example the so-called “don’t want to know” attitude. The question of why consumers are often not keen to find out what their credit status is requires further consideration. A broad based consumer education programme will provide consumers with valuable support.

There are a number of indicators of consumer credit health which point towards an improving trend, although consumers remain vulnerable to potential adverse market conditions. However, this picture is not clear-cut and certain statistics point towards industry level concerns relating to the level of indebtedness, particularly in the light of the significant number of consumers that have accounts that are impaired.

#### **3.2.5.2 Challenges associated with credit education**

Most of targeted credit consumers seemingly get their first taste of credit by taking up offerings of store cards at retail (usually clothing) outlets. Initially, such credit tends to be of low value and provides some basis for the education of consumers into the use of credit, and a stepping stone on to other types (and higher values) of credit. Most consumers’ first access to credit is for conspicuous personal consumption purposes, driven by a desire to look better (and more successful) than personal financial circumstances might allow. It may be that this initial taste of credit affects attitudes to other types of credit.

There is a general sense that credit consumers do not feel competent in their ability to understand financial transactions, or in their ability to manage their budget constraints

There is a common thread that education has is failing consumers. Schooling does not seem to enable learners to prepare a budget, nor does it prepare them for the realities of credit contracts. There seems to be a need for more financial education in schools, as well as for awareness campaigns for adults.

There appears to be a lack of competence that limits consumer's confidence in asking the right questions or in engaging in research.

From both the demand and supply side then, there is little that encourages comparative shopping and decisions made upon this. Clearly there needs to be more consumer education as to the benefits of asserting their rights and there needs to be more enforcement of NCA requirements by the regulator. Both of these approaches are necessary, but may only reap rewards down the line.

**Recommendations cited in "The cost of credit, access to credit and associated market practices" report include:**

**Consumer study:**

Various opportunities have been identified for consumer related studies. These include consumer credit behavior, credit demand analysis, consumer focus on installments as opposed to the cost of credit, credit usage and monitoring of the level of unsecured lending against consumer indebtedness.

**Consumer education:**

Consumer education initiatives that are designed to encourage healthy consumer credit behaviour and a sound understanding of the implications of credit will provide consumers with valuable support in promoting behaviour that will lead to improving levels of indebtedness.

**Supervisory investigation:**

The monitoring or inspection of credit providers (offsite as well as onsite), with the focus on both large and smaller organisations, will provide the impetus for improving levels of compliance with regulatory requirements. It is submitted that the governance of credit providers should serve as a point of departure in this regard.

**Credit market:**

Further consideration of various aspects of the credit market will provide perspectives that will inform the development of policy, notably in respect of total cost of credit disclosure (including credit life), affordability guidelines, and structural disincentives for credit

### **3.2.5.3 Possible Gains from Consumer Education**

Informed consumers that understand the implications of becoming over-indebted are central to encouraging a healthy credit market. Although numerous information and education initiatives have been undertaken by various industry stakeholders, the indications are that there are challenges in achieving real changes in consumer behaviour in some segments of the market, i.e. in the light of the number of consumers that enter the debt review process or have impaired records at credit bureaus.

It is evident that opportunities for consumer education interventions across a broad base have been recognized by the authorities that supervise the credit market as well as credit providers that have an interest in the continued health thereof, i.e. from a sustainability perspective.

The credit health of consumers is crucial to the transformation and development of South Africa. This is a complex and multidimensional debate, aspects of which are considered below. Where there is increased employment, which translates into improving household debt to income ratios, this will indicate a favorable outlook for consumer credit health. However, there are numerous variables that should be considered. Importantly, the substantial level of impaired credit performance reflected at credit bureaus is a concern. Credit health is inextricably linked to numerous factors that should be seen holistically.

In the light of the above factors, it is recommended that segment appropriate education, starting at school level, will play a valuable role in supporting consumers. There is an opportunity to promote a culture where consumers are encouraged to live within their means.

The monitoring of consumer behaviour with a view understanding the underlying drivers thereof would provide valuable information regarding credit market dynamics.

One possible fairly short-term change that could encourage requisite behavioural change is a requirement for the full term and total cost of credit to be explicitly set out on the front page of all quotations and contracts in a prescribed font.

### 3.2.6 NCR's consumer education

□ The NCR's Public Relations department has multiple functions:

- Education – Educational workshops
- Stakeholder relations – CONTRALESA, Political organizations, NGOs, etc
- Media Relations –Liaison with media and other relevant stakeholders  
(statements/releases/interviews)
- Brand Reputation Management
- Advertising\*
- Public relations\*
- Website management\*

#### 3.2.6.1 NCR 2012 TARGETS

ACTIVITY	TARGET	ACTUALS
Workshops	210	311
Other outside broadcasts, Exhibitions, Mall Activations & Road Shows	20	23
Participants reached	36000	39 701
Radio Interviews	250	313
TV interviews	45	73
Stakeholder Meetings	48	36
Info Email	-	4 568
Website Visits	-	303 098
No. of pages requested - Website	-	492 709

Table 3: NCR Targets 2012

\*An external supplier used by NCR to provide this service

### **3.2.6.2 NCR's Annual Campaigns**

- Spend and Borrow Wisely (November/December);
- Consumer Month (15 March: International Consumer Rights Day);
- Youth Month (16 June);
- Women's Month (09 August), and
- Worker's Month (1 May)

### **3.2.6.3 The contents of NCR's financial wellness presentation:**

- The NCR
- The NCA
- Credit Bureau Information
- Administration Orders
- Debt Counselling
- Over-indebtedness
- Emolument Attachments and Garnishee Orders
- Financial Management Tips

### **3.2.7 Other consumer education initiatives**

#### **3.2.7.1 The NDMA's Scandal Script**

- The National Debt Mediation Association (NDMA) in partnership with other industry stakeholders conducted a pilot project, using Edutainment as a social marketing instrument<sup>1</sup>
- Used soap opera "Scandal" on etv to deliver educational messages over 3-months<sup>1</sup>
- Aimed at enhancing knowledge, attitudes and behaviours regarding particularly managing debt, and ultimately behaviour change (avoiding debt, seeking help if over-indebted)<sup>1</sup>
- Results showed significant and favourable impacts on financial knowledge and behaviour, highlighting the importance of delivery mechanisms in financial education<sup>1</sup>
- In 2011-2012, the Soul City Institute, NCR, NDMA and Old Mutual developed a successful financial literacy campaign using Soul City edutainment platforms (Broadcast Media, Print Media, Events, Social Media)
- NDMA in partnership with other industry stakeholders conducted a pilot project, using Edutainment as a social marketing instrument
- Used soap opera "Scandal" on etv to deliver educational messages over 3-months
- Aimed at enhancing knowledge, attitudes and behaviours regarding particularly managing debt, and ultimately behaviour change (avoiding debt, seeking help if over-indebted)
- Results showed significant and favourable impacts on financial knowledge and behaviour, highlighting the importance of delivery mechanisms in financial education

#### **3.2.7.2 Old Mutual's On the Money Programme**

- On the Money Programme is a financial education initiative created to teach South Africans how to best manage their finances. The programme is based on the behaviours of South Africa's BigFive animals. This programme is aimed at
- Teaching the importance of managing personal finance
- Acknowledging individual's current "money" personality
- Understanding the importance of changing current financial behaviour
- Demonstrate how to break old habits that get in the way of financial stability and establish new ones

In November 2012, Move! Magazine and Old Mutual held a Stokvel workshop; the workshop was hosted by radio personality and musician Unathi Msengana; Gospel singer Sifiso Ncwane was there to entertain guests.

### **3.3 Qualitative Findings**

#### **3.3.1 Credit associations consumer education**

Top of mind associations for credit tend to be negative. Respondents seem to have an emotive relationship with credit. Most of the responses related to feelings emanating from over indebtedness and its effects. Credit usage among respondents seems to be more lenient on short-term credit, such as retail, furniture and personal loans.

Positive associations with credit revolved around the ability to purchase certain goods and the ability to meet individual or family lifestyle needs. Herewith a summary of consumer credit associations:

Stakeholders believe that the message is currently that of awareness and therefore there is a need to expand educational initiatives to not only bring awareness but to move credit consumers to action, to ultimately change consumer behaviour.

There is need for education on the goodness of credit (e.g. investment versus consumption). Consumers need education on credit basics e.g. agreements, budgeting, living within means, what to do when one cannot service credit, credits mathematics e.g. calculating interest rates, budgeting, education about various credit institutions and the credit legislation.

Current messages are seemingly recognized confidently when there is a crisis. Those respondents who could remember messages from NCR they did so with some difficulty. There seems to be either an overt lack of understanding or a prominent lack of engagement, hence the message was not top of mind. Language was cited as a barrier across the whole credit industry. There appeared to be more appreciation for efforts to reach out to the consumers.

Both stakeholders and consumers believe it may be more valuable to take a more preventative approach and extend educational initiatives toward those who have not used credit yet, especially the youth.

### **3.3.2 Business consumers**

One of the focus group discussions was attended by small business owners as the majority of the respondents. It seems the workshop that they attended (where NCR conducted a presentation) was aimed at small business owners at most. These small business owners lamented about the opportunities that they cannot take advantage of because the credit industry according to them, caters for big business and individual consumers. As a result, these business owners feel the SMME community is isolated from the credit industry.

These small business owners reside and conduct their business in the rural areas on the outskirts of Gauteng. Banks are not easily accessible in these areas and therefore it makes sense for these businesses to use cash in their everyday transactions. As a result, there is no paper trail to use as proof of income/affordability hence they cannot access the credit industry as they think they should. This in turn negatively affects business growth.

### **3.3.3 NGOs**

Another unique focus group discussion was attended mostly by NGO managers. Seemingly the workshop they attended was mostly attended by NGO representatives. This group expressed their desire to be involved in educational initiatives such as those conducted by NCR. They claimed to be assisting their respective communities with credit issues among other issues and therefore think it would be suitable to form partnerships with NCR. They believe this strategy would assist NCR to address the language challenges in some areas.

Below are some remarks made during the focus group discussions (FGDs) and In-depth interviews (IDIs), regarding credit and consumer education:

*“Everyone pays attention to credit education only when there is a problem... before that no-one listens?” Jhb, FGD respondent*

*“ Credit is complex, the institution are complex, the products are complex.. So consumers need somewhere to go it when there is a credit dispute” IDI respondent*

*Awareness campaigns need to be distinguished from educational campaigns. ” IDI respondent*

*“ People need education on how to benefit from credit, what to do when they have complaints and the right organisations to deal with to resolve issues” IDI respondent*

*“ At the time, you would be excited about buying this and that... you do not even think about what is going to happen when you are unable to pay... as consultants, there job is to sell but they must also be honest and warn us against rushed signatures without understanding T&Cs” Jhb, FGD*

*“Credit is synonymous with spending.... Once you get it you have no choice... you have to spend it?” Jhb FGD respondent*

*“NCR goes to people to educate them.... Will be good if they focus on youth because they will educate their parents too. After the workshops, we got brochures and pamphlets which we took to our homes for sharing” Jhb, FGD respondent*

### **3.3.4 Educational workshops**

Stakeholders seem to believe that:

- NCR is doing well in terms of current educational workshops
- The style of presentation is believed to meet the requirements of the workshop setting
- The workshop is easy to understand
- Facilitators are knowledgeable with the subject matter
- There are good partnerships between the NCR and other credit industry players

Those who have attended NCR workshops believe that:

- NCR Workshops insightful, educational and empowering
- The content of the presentation is easy to understand
- The information is usable in everyday life

However, there are areas of improvement that were mentioned.

### 3.3.4.1 NCR Workshop Model

NCR relies on invitations from other industry players who organize workshops, imbizos, and other forms of gatherings with credit consumers for it to reach out to different communities nationwide. Each gathering would be organized by any of NCR's partners, with a variety of themes and would have a variety of audiences from stay-at-home communities to different workplaces.

*"Usually it is the provinces that organise these outreach programs and NCR is invited. They always come but never organise own workshops" KZN, IDI*

### 3.3.4.2 Challenges

Because NCR itself does not organize these gatherings, workshop **method ownership** has not been salient. As a result, even though FGD respondents had attended NCR presentations and could remember its contents, they often lacked top of mind awareness of the presence of NCR in those gatherings. It was not always clear to the respondents who the organizer of the gathering(s) was. FGD respondents often recalled other stakeholders who were present, and these would not necessarily be the organizers of the gatherings.

*"You mean the Old Mutual workshop"? – KwaZulu-Natal, FGD respondent*

*"I attended the Old Mutual workshop... I learnt a lot of things" – Western Cape, FGD respondent*

*"Debt Counsellors came to our community..." – Gauteng, FGD respondent*

In addition to the above, NCR seemingly **did not have any control** over the programme of the day, and would often be scheduled at the end of the programme; at that point it appears that some of the audience had already left and those who were still there had lost most of their concentration.

FGD respondents who had attended community gatherings lamented that these programmes would have **lengthy programmes** that went on for hours on end, whereas there were no refreshments organized. Towards the end of the programme, respondent said people were hungry and eager to leave.

*"It was raining, cold and we were at a stadium, we were there for the whole day... People were moving around and no longer interested..." – Western Cape, FGD respondent*

Some of the gatherings where NCR presentations were conducted had **themes that were irrelevant** to the credit/financial theme so much that the message contained in NCR presentations seemingly had a reduced impact.

*“We were excited that as traditional leaders we were finally going to have a chief for the Xhosa people in Cape Town. We wore our traditional clothes and we had all the speeches and celebrations. Then all of a sudden, right at the end of the programme, there was NCR...” – Western Cape, FGD respondent*

*“It would be better if we could get an advert that tells us who will be making a speech on the day...” – Western Cape, FGD respondent*

FGD respondents in KZN and the Western Cape expressed their desire to have their local **languages** used in NCR presentations. This complaint was extended much further than language. There seems to be a perception that people from Gauteng are the ones that bring certain things to them and that they are overlooked as they live far from Gauteng.

*“When it comes to important things... we never get any attention, even when I have a problem at the bank and I go there to have it sorted, ...they would put me on the phone to speak to someone from Jhb...” Western Cape, FGD respondent*

*“These people...excuse me for saying this, from Pretoria who cannot speak our language...” Western Cape, FGD respondent*

**Frequency** of workshops was also cited as an issue. This factor, as well as relatively large volume of information contained in the presentation, was said to have contributed negatively to respondent’s ability to recall the contents of the presentation.

Some of the stakeholders described NCR’s presentations as awareness campaigns and expressed the need for more effective educational approach in credit consumer education.

*“The NCR is very good at running awareness campaigns for who is who and who does what. However regarding real education to get those in debt crises out, there is no progress. The stats do not show progress” IDI respondent*

*“The individual credit providers and provincial offices do consumer education but I am not aware of anyone with an effective national approach” IDI respondent*

Other than what is mentioned above, there were more suggestions for NCR educational workshops from both stakeholders and FGD respondents:

- Distribute more promotional/Marketing material
- Community Based Organizations/Non governmental organizations to support NCR presentations
- Increase the number of education officials that conduct presentations
- Advertise/promote workshops

### **3.3.5 Media campaigns**

The NCR conducts advertising using a variety of media, including print media, broadcast media as well as outdoor advertising. This study evaluated outdoor advertising in more detail. The NCR has only one billboard which is placed alongside the N1 highway. Both IDI and FGD respondents were asked to evaluate 3 NCR billboard campaigns that were launched during 2012.

Each billboard was shown to each respondents and each respondent was allowed to voice their top of mind feelings and opinions about the billboard, after which respondents were asked if they had seen the billboard advert. If they had seen the advert they were asked to give details of the location of the advert and the time at which the advert was seen. All respondents were asked to rate each billboard advert using the SMILE elements and give reasons for ratings.

Billboards were mostly liked for their simple as well as empowering messages. Moreover, respondents could always associate the adverts with NCR. However, one of the billboards was seemingly confusing. Respondents were also concerned with the location of the billboard, that it would not reach many audiences, especially the low income groups.

### **3.3.6 The NCR**

Both IDI and FGD respondents seem to be well aware of NCR. However, FGD respondents lack understanding of what NCR really is and do not understand its role in the credit market. Those who seemingly knew what the NCR's role is could not know much more about it. The NCR appears to lack brand identity among the consumers. However, NCR is well understood among its stakeholders and it is held in high regard.

Despite lack of knowledge among consumers about its role and its functions, NCR is also held in high regard among this group. NCR is seen mostly on credit providers' premises as a sticker or a certificate. Among consumers, the presence of either of these means the credit provider is legitimate and that the consumer is protected against industry malpractice.

There appears to be awareness of NCR among TV and Radio programmes as well as newspaper articles. Even so, NCR's messages are seemingly not engaging consumers enough and also not moving consumers to change their behaviours.

### **3.3.7 The NCA**

Stakeholders seem to be aware of the NCA and its provisions; they understand the function of the act as well as how it has changed the credit industry landscape. However, it appears the opposite is true for consumers. There is an overt lack of understanding of what an "act" is. Those respondents who could make inferences from understanding of the word "act", still could not understand much about the NCA. Again, there seems to be a language issue around consumer understanding concepts around the use of credit.

Even with lack of understanding, the consumers associate the NCA with protection; this would come through after the realization that the NCA is the "credit law".

Consumers lamented about lack of awareness about the NCA and believe that there should be more effort towards educating the public about it.

### 3.3.8 The NCR and the NCA

When they were asked what the relationship between the NCR and the NCA is, respondents were confused. Even though understanding of English vocabulary could facilitate inferences, in the mind of the consumer, there seems to be role ambiguity between these two concepts.

Only a few of NCR's communication touchpoints were mentioned at the qualitative stage of the study and it would be interesting to see what the quantitative trends show regarding this.

*"The language used is not ideal for everyone... could still be English but simpler ..... Why use business language about the Act to an ordinary person in the street.." Dbn, FGD respondent*

### 3.3.9 Credit Bureaus

Consumers seem to fear credit. As mentioned earlier, the feelings of fear seemingly emanate from over indebtedness and negative credit behaviour and its consequences. An extension of that fear appears to be credit bureaus. Exposure to credit bureaus seemingly is always associated with failure to meet credit obligations and over indebtedness, hence the feelings of fear.

*Respondents often expressed a desire to know "who this credit bureau is". Credit bureaus are seemingly silent until there is a crisis/threat. Due to this silence, in the mind of the consumer, credit bureaus have no identity. One respondent associated credit bureaus with prison: "It's a prison for your name, you either do time or pay to get your name out of prison" – KZN, FGD respondent. Another respondent said: "Blacklisting is a life sentence" – Western Cape, FGD respondent.*

*"What is a credit bureau in Xhosa"? – Western Cape, FGD respondent*

*According to respondents, "blacklisting" negatively affects their family life, career prospects, credit health and business prospects (if applicable). In a nutshell, "your life stands still" – Jhb, FGD respondent.*

When probed about positive associations with credit bureaus, respondents felt credit bureaus serve the credit industry by assisting credit providers manage credit risk. However, respondents could not find any personal benefit from credit bureaus.

*"If I can't pay, they report me to a Credit bureau who will in turn list me and prevent me from getting all sorts of things? CT, FGD respondent*

Respondent expressed their desire to get to know and understand credit bureaus better, before they get into credit trouble. They reiterated the need to raise awareness as well as to educate the public.

When asked whether they are aware of the right to receive one free credit report per year, some respondents were not aware and others were aware of this. A few respondents had requested their credit reports from credit bureaus and were also aware that there are a few credit bureaus in existence. Those who had not requested their reports (which includes those who knew they could request a credit report but did not request it), most had no desire to request their credit reports. There are many that cited fear as the reason for not requesting their reports, there are also those that believed that they are in good standing and therefore they believed that there is no need to request their reports.

### **3.3.10 Debt counseling**

*"I don't trust debt counsellors .... They tell you they pay your debts and after that your name is cleared but it is not always clear... so someone needs to tell us the dark side of these debt counsellors "CT, FGD respondent*

Respondents appeared to be familiar with the term "Debt counselor" with no clear understanding of how debt counselors are supposed to be defined, their role in the credit industry as well as their functions.

Debt counseling is often confused with debt consolidation, removal of "blacklisting" or administration. However, debt counseling adverts are seemingly popularly seen on newspaper classifieds as well as the TV programme called "the debt doctor"

Respondents strongly expressed lack of trust for debt counseling services, due to two major reasons:

The name "counselor was regarded as misleading as it is seemingly associated with assistance and empathizing with people who need help in one area or another. This feeling of distrust was further perpetuated by the realization that one has to pay for the debt counseling services

The above shows that there is an inherent identity crisis with debt counseling as a concept; respondents perceive this as a means to trap consumers into believing they will be assisted whereas debt counselors would be merely conducting business without any personal interest involved.

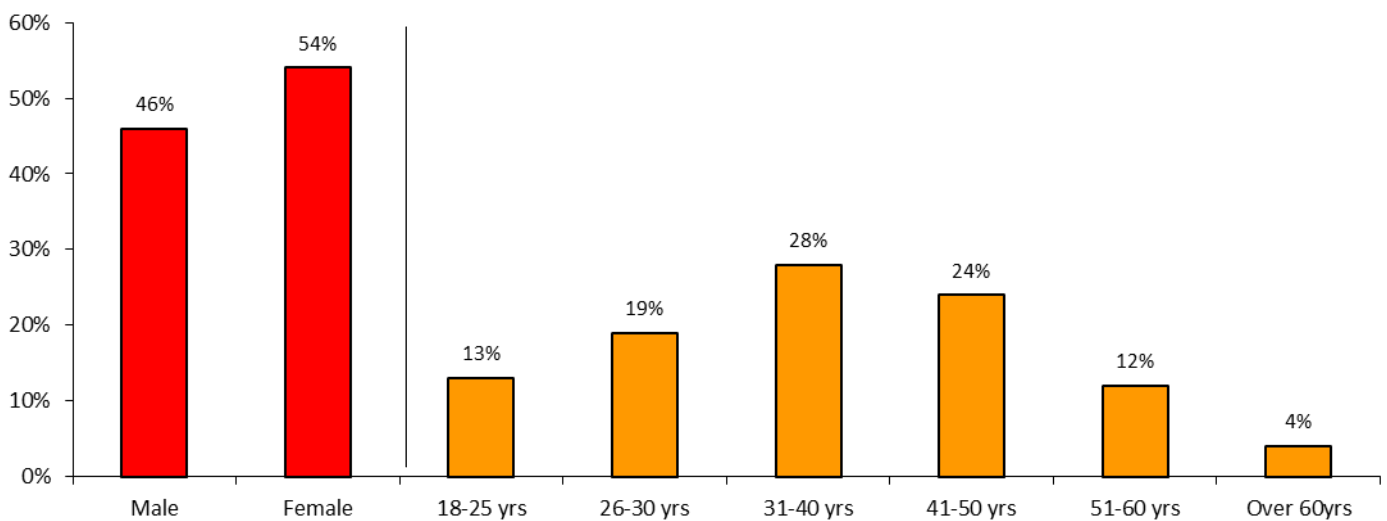
Since debt counseling is regarded as questionable because it comes at a cost, the following questions arise: Are there ways and means to put the consumer's mind at ease regarding possible abuse

### 3.4 Quantitative results

#### 3.4.1 Sample Profile

By design, it was a requirement that all participants to the research be consumers of credit. To be eligible, they needed to have purchased something on credit in the past five years. The figure below shows the distribution of the resultant sample by age and gender. As shown most of the credit active consumers tend to be female and are between the age of 31 and 50 years. On both demographics there were no major differences by geography.

Figure 3: Respondent profile by gender & age

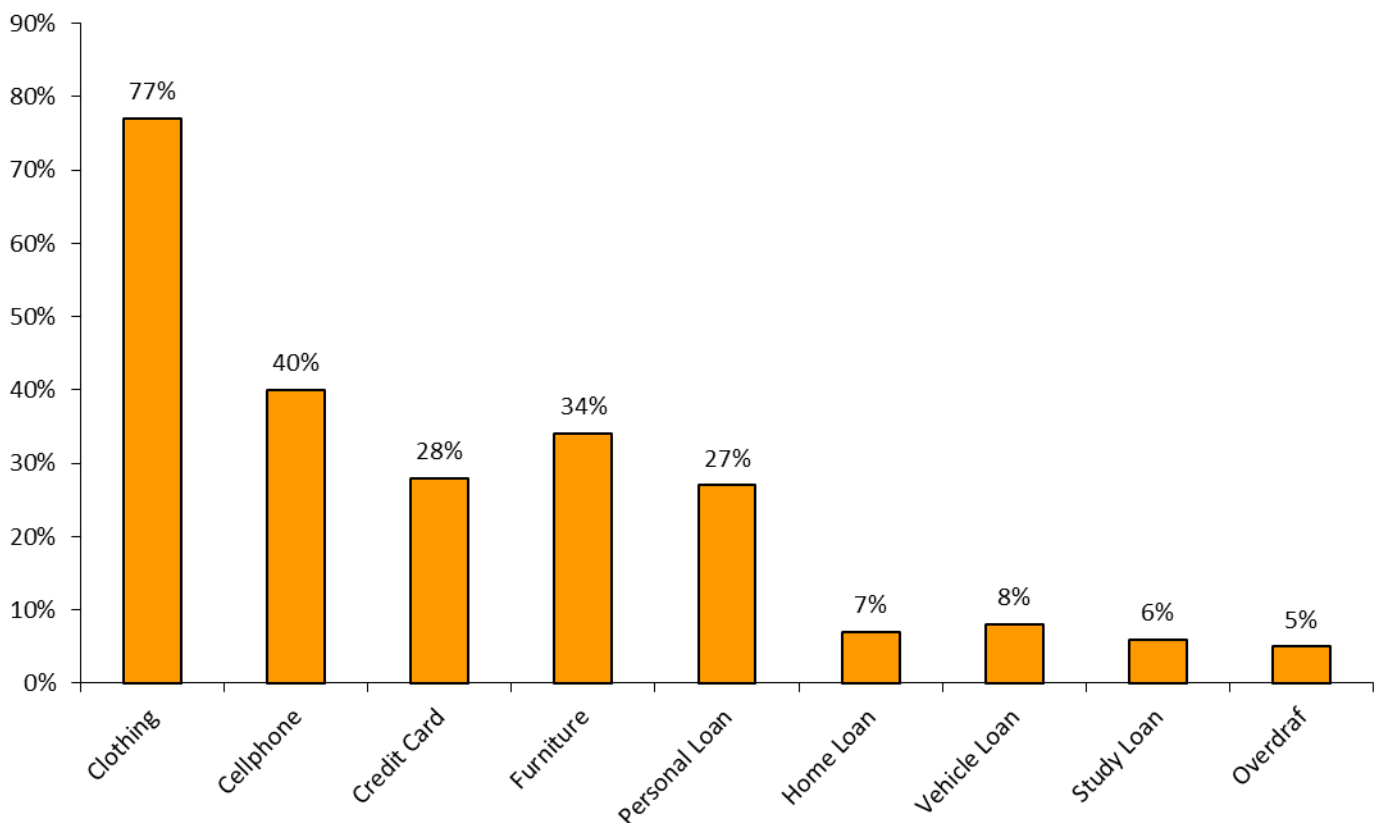


An analysis of the sample by income showed that most of the respondents (55%) are from the low social classes with a monthly personal income of less R4000.

### 3.4.2 Experience with and Perceptions of Credit

All respondents had bought something on credit to qualify to be interviewed. They were however each asked for the type of credit they ever had in the past. The responses obtained from members of the public were in line with what the stakeholders mentioned during in-depth interviews where clothing, cellphones and credit cards lead the pack as shown below.

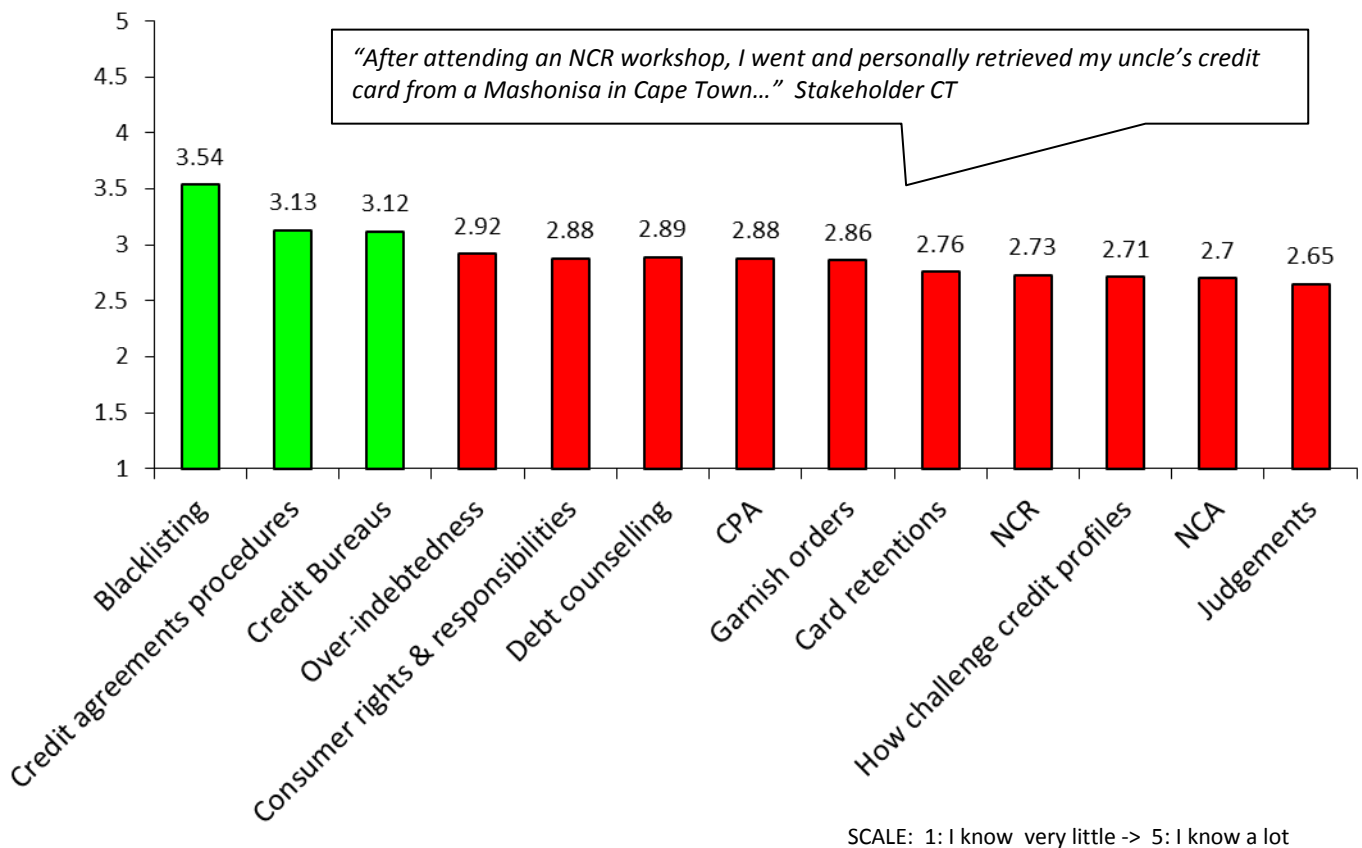
Figure 4: Types of credit ever used



A look at the credit types by provinces revealed interesting regional tendencies. For instances clothing accounts seem most popular in Kwa Zulu Natal, Eastern Cape and Western Cape. Cellphone and personal loan accounts are most prevalent in the Western Cape whilst use of credit cards seems rampant in Gauteng. Furniture accounts are a common feature in the Free State, Northern Cape and the North West provinces

As part of follow-up questions to gauge members of the public’s comprehension of credit education messages, a list of credit topics, normally presented in workshops, were read out and respondents were asked to indicate on a 5-point scale (1= I know very little- 5= I know a lot) how much they knew about each topic. As shown below, topics to do with blacklisting, credit agreements and credit Bureaus ranked among the most well-known whilst subjects to do with the NCR, the NCA, judgments, and bank card retentions had relatively lower levels of knowledge. It would appear like ordinary consumers tend to recall better issues they have some kind of intimate interaction with. It has to be in their face for them to remember it.

Figure 5: Level of knowledge about credit topic



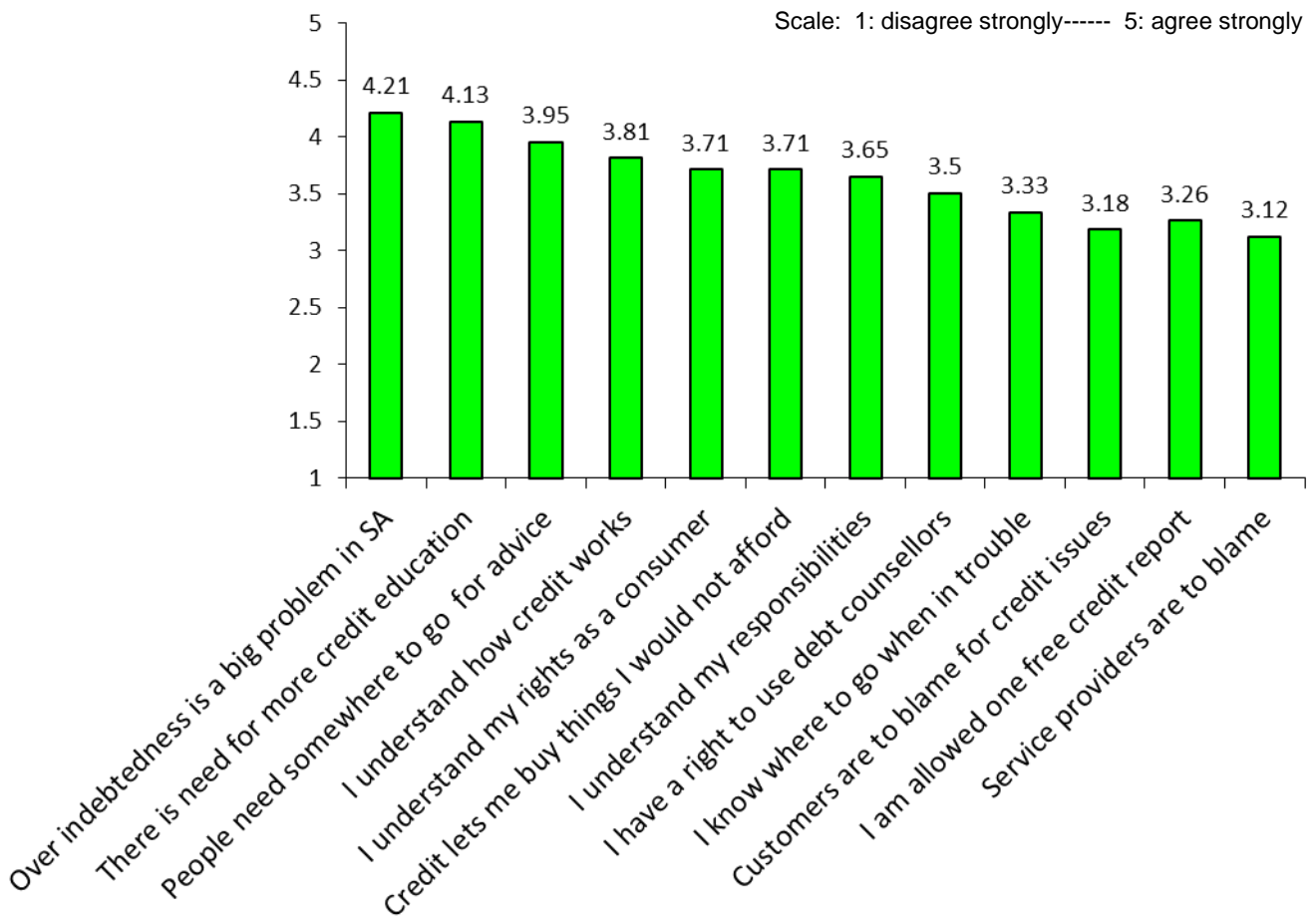
*“After attending an NCR workshop, I went and personally retrieved my uncle’s credit card from a Mashonisa in Cape Town...” Stakeholder CT*

*“ Now I have told myself that I need to be very careful when I open an account. If I fail to pay, I must call and negotiate with the Credit provider on what I can pay” Jhb, FGD*

The above graph clearly shows topics that should be prioritized during consumer education. There were also slight variations in levels of knowledge by province. For instance whilst blacklisting appeared to be the most well known in most provinces, in the Free State it was actually card retentions that respondents in that province claimed to be most conversant with. In the North West Debt Counseling and Garnishee orders were more familiar topics than credit agreements and credit bureaus topics. In the Western Cape over indebtedness and consumer rights and responsibilities topics were better known after blacklisting.

In order to further gauge market perceptions about the credit industry in general, various statements associated with the credit industry were read out and respondents were asked to indicate the degree to which they agree with each on a 5-point scale. The graph below shows statements respondents tended to agree with. There appeared to be agreement that over-indebtedness is a big problem in South Africa and that this need for more education about managing credit in SA. These two statements had the highest agreement rating across all provinces.

Figure 6: General perceptions of credit industry



In the focus group discussions in Gauteng, Kwa Zulu Natal and Western Cape, it was clear that there tends to be mixed feelings about credit, some viewing it negatively whilst others view it positively. On the positive side, credit was seen as an enabler to a better lifestyle whilst on the negative side reference was made to bad credit health among many South African to the extent that it can be likened to a disease pandemic. Below are some statements that respondents tended to disagree with.

Perceptions about credit	Agree/Disagree score
Credit lets me buy the things I need for everyday living	2.95
I have seen a lot of campaigns educating people about debt problems	2.78
Credit is good for survival, makes me buy daily requirements	2.72
Enough is being done to deal with the problem of over-indebtedness in SA	2.61
Credit makes me grow my wealth	2.30

Table 4: Credit perceptions

### 3.4.3 Educational needs

Both stakeholders and members of the public were asked to suggest any areas where they felt credit consumers needed education on. There was a general sentiment that knowledge about the mechanics of credit is disjointed with respondents feeling they know some aspects well whilst others are not known so well. The researcher got the impression, during group discussions, that where there is awareness about credit issues this is not necessarily translating into understanding and ultimately credit behavior change. Educational messages need to have some empowerment connotations to allow consumers to take actions on credit problems they face. Secondly it was also reiterated that efforts to address identified educational needs, need to be more frequent and potential language barriers managed. Below is a listing of some of the topics to include in educational efforts:

- ❑ *The pros and cons of credit:* To minimize negative associations, there is need for education on the pros and cons of credit in their correct proportions;
- ❑ *Education on basics:* Consumers need empowerment on basics like what to check on credit agreements, budgeting (living within means), what to do when one cannot pay installments etc. Education about institutions and the NCA seem more sophisticated than over-indebtedness which is of immediate concern to consumers.
- ❑ *Credit mathematics:* calculating interest rates, identifying over-indebtedness etc.
- ❑ *Role of NCR when in debt conflict;* at what stage does NCR play a role; how do they draw NCR in.
- ❑ *Demand side versus supply side priorities:* what are the rights and responsibilities for the consumer and the credit provider.

*“Credit is complex, the institutions are complex, the products are complex.. So consumers need somewhere to go to when there is a credit dispute” Gauteng*

*“People need education on how to benefit from credit, what to do when they have complaints and the right organisations to deal with to resolve issues” Kwa Zulu Natal*

*“Awareness campaigns need to be distinguished from educational campaigns. ” Western Cape*

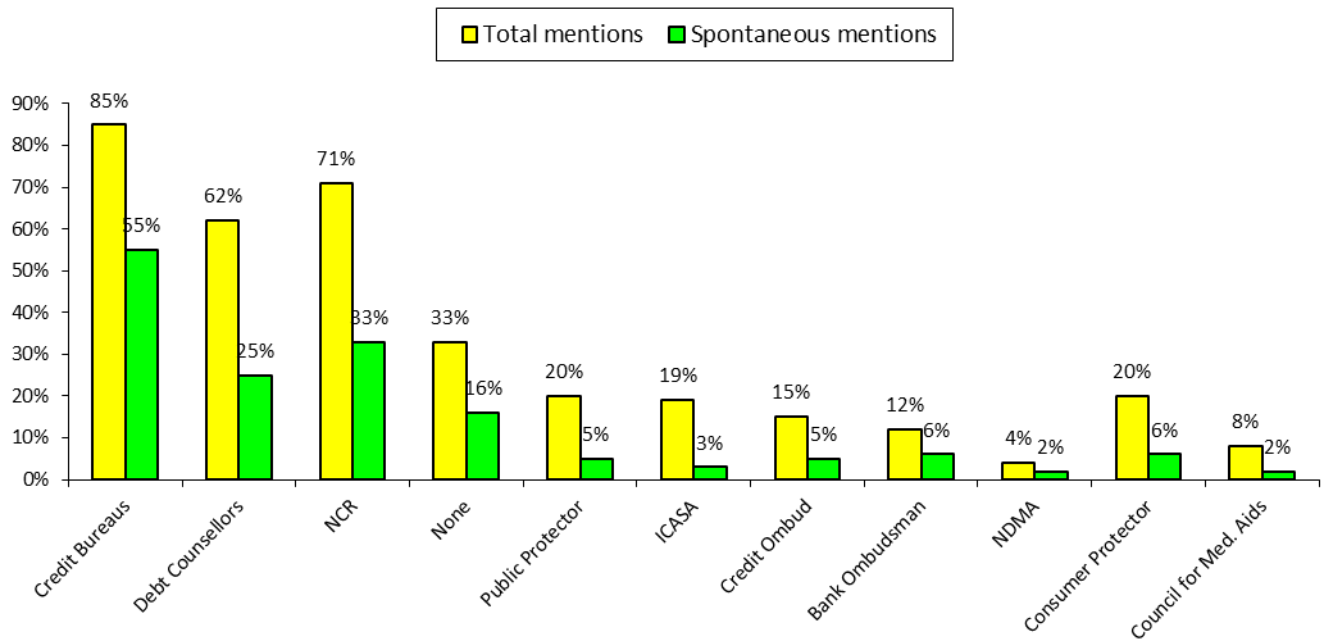
*“Everyone pays attention to credit education only when there is a problem... before that no-one listens? Gauteng*

#### **3.4.4 Awareness of Credit Industry Players**

Respondents were asked to mention names of organisations they associated with credit education in South Africa. During in-depth interviews with stakeholders quite a diverse range of organizations were mentioned including the NCR itself, Credit providers, Credit bureaus, Debt Counsellors, Office of the Consumer Protector, Council for Medical Schemes as well as regulatory bodies like the National Energy Regulator of South Africa (NERSA), Independent Communication Authority of South Africa (ICASA) and National Regulator for Compulsory Specifications (NRCS). In somewhat isolated cases, bodies like the National Debt Mediation Association (NDMA), Banking Ombudsman as well as the Credit Ombuds were also mentioned as involved in credit education in various forms.

However, as shown below, during interviews with members of the public some of the organizations did not appear to be as popular as they sounded during discussions with industry stakeholders.

Figure 7: Stakeholder mentions



It is noteworthy that ordinary consumers did not seem to associate credit providers with credit education though some stakeholders, during in-depth interviews, associated Credit providers with educational efforts.

*“The individual credit providers and provincial offices do consumer education but I am not aware of anyone with an effective national response to educational needs” Kwa Zulu Natal*

Key points emerging on discussions about the NCR revolved around its identity (The name is known but not the brand), visibility (often seen as credit provider’s walls and windows and also seen as a sticker or certificate). There was a general feeling that “everyone” has seen or heard about the NCR which means in terms of creating awareness, through broadcast media, about its existence, the regulator did a great job. However there were clear calls for more about what the regulator represents as well as engagement of the youth who will grow with the NCR and its mandate and also help in educating the elders about responsible credit behavior.

It was however quite revealing in the group discussions that some consumers use NCR and NCA interchangeability meaning there could be identity misconceptions on the market. Apart from identity the NCA, also suffers visibility problems (being seen largely in contracts). Like the NCA it is associated with legitimacy and protection although the protective features of the Act are virtually unknown by ordinary consumers but well articulated by the industry bodies.

A notable 33% of the members of the public felt nobody is involved in credit education. This sentiment was strongest in the Western Cape and least so in KwaZulu Natal.

When asked about how they got to know about organisations involved in credit education, television (83%), radio (69%) and billboards (22%) were the most popularly mentioned media for members of the public. Workshops (13%) and internet (12%) also had significant mentions. Other media were relatively less prominent each with response rate of less than 5%. The same trend of responses was obtained when respondents were asked about how they came to know about the NCR and Debt counselors although internet was more popular than workshops.

### 3.4.5 Exposure to Credit Education Related Campaigns & Impressions of NCR Workshops

When asked about media campaigns associated with credit education, most respondents claimed that they see a lot in various media. However the NCR end of year (spend wisely) and beginning of the year (borrow wisely) campaigns were among the commonly mentioned campaigns during the focus groups. The NCR stickers and certificates at retail outlets were also mentioned as part of credit related campaigns.

Respondents were asked for credit related workshops they ever attended in the past twelve months. Although many respondents could recall attending workshops where credit education was covered, there was a tendency to not exclusively associate the workshops with the NCR.

*"I remember attending one but was not sure who was organizing it because there was Old Mutual everywhere and it seemed to be at a government building . "*  
KwaZulu Natal

*"The NCR presenters are very good ... you really can't touch them..... If they could have just more officers so they do not overwork few officers. "*  
Gauteng

In discussing the NCR workshops, the following key themes emerged in all provinces;

#### Positive Associations

- Informative/creates awareness;
- Empowering messages and
- committed presenters.

*The NCR is very good at running awareness campaigns for who is who and who does what. However regarding real education to get those in debt crises out, there is no progress. The stats do not show progress" Gauteng*

#### Negative Associations

- Confused with other stakeholders/branding deficiencies;
- Irrelevance at some gatherings;
- Limited time for engagement after presentation;
- Align presenters profiles/language to regions and
- Low frequency.

*" I thought we were invited to install a Chief only to find there was talk about credit issues also . " Western Cape*

Overall, in many case after prompting, there was decent recall of credit education workshops where NCR was involved in 2012. The researcher got the impression that in order to enhance association with the workshops, the NCR needs to be consistent in approach (have a national response) in all provinces and also be seen to "own" the workshops by playing a leading role.

At some stage during the interviews, respondents were exposed to three of the NCR campaigns shown below. They were then asked to evaluate these in terms of simplicity, memorability, likability, emotional involvement and ease of linkage to NCR.

	<p>This campaign was the least preferred out of the three presented. It scored very lowly on simplicity. Perceived complexity arose from the mathematical language which would not resonate with the core target audience, the ordinary credit consumer. Was seen as memorable but for the wrong reason being that it is complex. One would quickly lose interest because of lack of understanding. It invoked largely negative emotions but easily linked to credit and the NCR.</p>
	<p>This we second preferred. The chief reasons for likability were simplicity (plain language) and memorability (image says it all). This campaign was also seen as invoking feelings of choice and responsibility whilst it is also easily linked to credit and the NCR. The downside was that it is basic and thus does not have any entertainment value. A good campaign is expected to have some humor.</p>
	<p>This was the most preferred overall. It has all that was seen missing on the above two campaigns. The language is simple. The message is nicely dramatized making it humorous and thus interesting and memorable. It elicits feelings of empowerment and is easily linked to the category and the brand behind it.</p>

Table 5: Billboard campaigns Evaluation

In the interviews with credit consumers, each of the three campaigns was then evaluated on the SMILE elements described in the table below using a 5-point scale where 1 is least favourable and 5 is most favourable. The closer the scores shown are to 5 the better the campaign was perceived to be on that element.

SMILE ELEMENTS	CAMPAIGNS EVALUATED		
	Low interest rates lower your personal debt	Your money your rights	If you don't need it don't buy it
<b>Simplicity</b> (how easy was it to follow)	2.97	3.13	3.38
<b>Memorability</b> (how easy was it to remember)	3.02	3.25	3.47
<b>Interest</b> (how enjoyable was it)	2.95	3.19	3.43
<b>Linkage to brand</b> (how easy was it to link to NCR)	3.33	3.41	3.56
<b>Emotional involvement</b> (how much it left you willing to do as the campaign says)	2.99	3.26	3.49

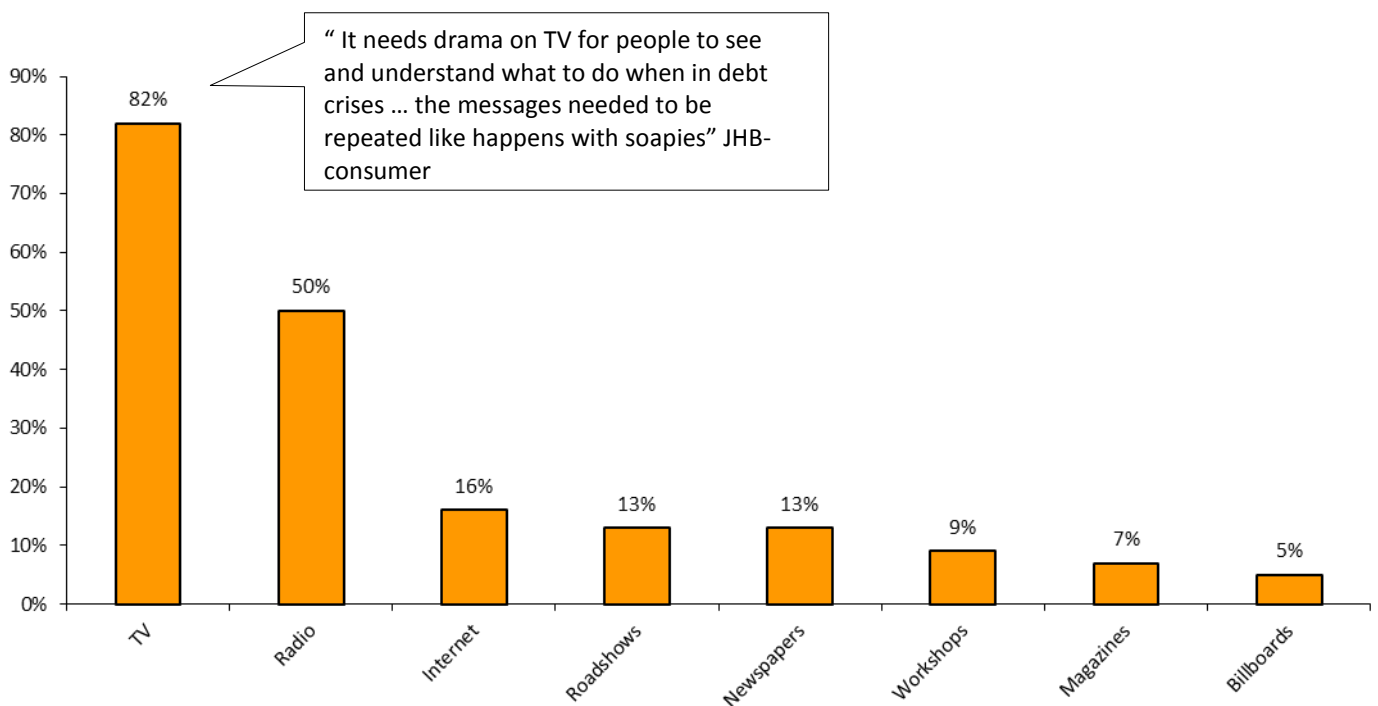
Table 6: Billboard Campaigns Evaluation

### 3.4.6 Current versus preferred media for credit education

All respondents were asked about where they currently obtain information about credit related news. In response, the most prominent answers revolved around what was commonly referred to as big media led by television and radio. Community workshops occupied a distant 3rd position being mentioned by followed by internet, retail outlets, word of mouth and newspapers which also had noteworthy mentions as current sources of credit information.

When respondents were asked for media they felt the NCR should use for credit education television and radio, once again emerged as the most popular as shown in the graph below.

Figure 8 : Types of media used for credit education



There were no differences by provinces in terms of the media preferences.

### 3.4.7 Suggestions for the NCR Educational campaigns to be more effective

When asked for suggestions on what else the NCR could do to be more effective in their educational campaigns, most of the stakeholders interviewed felt the NCR was doing all that is possible and utilizing all types of media. There was however a common theme that the regulator needs to increase frequency of their outreach programs and most importantly engage big media more as illustrated by some quotes below.

“ They need to do more TV and radio adverts like Clientele, Scorpion and them do..” Kwa Zulu Natal

“ People need to see something like Speak Out on TV.... Then they grab the phone and call for help.” Gauteng

Below are some of the suggestions mentioned during interviews with credit consumers;

- More TV and radio adverts;
- Have staff from each province to be able to organise own (NCR) workshops;
- Monthly outreach programmes per province;
- Mall-based campaigns;
- Simplify language even if it is in English;
- Township-based workshops;
- Workplace based workshops and
- Create credit stories on social media.

There were also calls for the NCR to provide leadership in terms of coordinating all industry players towards a common direction regarding credit education. The researcher got the impression that the many industry players are involved in education from different angles of emphasis. They this could be influenced into discussing and adopting a national strategy that can be split into credit awareness elements and credit education elements.

### 3.5 Conclusions

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- ❑ The NCR was positioned as cooperative to all out reach programs associated with credit educations
- ❑ There appeared to be a sharp difference in perception between government stakeholders and private insitutions. Goverenmanet institutions especially provincial offices are pro-NCR initiatives whilst private bodies Credit bureaus, consumer bodies feel the NCR could do more
- ❑ Workshops featured prominently as a source of credit information
- ❑ Overall, in many cases, though after prompting, there was decent recall of credit education workshops where NCR was involved in 2012. The researcher got the impression that in order to enhance association with the workshops, the NCR needs to be consistent in approach (have a national response) in all provinces and also be seen to “own” the workshops by playing a leading role.
- ❑ Topics to do with blacklisting, over-indebtedness, credit agreements and credit Bureaus ranked among the most well-known whilst subjects to do with the NCR, the NCA, judgments, and bank card retentions had relatively lower levels of knowledge. The research reveals topics that should feature prominently in credit education efforts.
- ❑ Calibre of presentations and presenters were applauded although concern was expressed about language inadequacies on the part of presenter
- ❑ Current educational initiatives had a positive impact in terms of creating awareness around the different industry players. Credit industry players are well known led by Credit Bureaus, Debt counselors and the NCR.
- ❑ Current messages seem to provide consumers with awareness without understanding and therefore limits potential to change behaviour

Prominent gaps in the credit market in the form of:

- Increased unsecured credit consumption, where low income groups feature the most
- Lack of information regarding consumer rights and relevant credit stakeholders (credit bureaus, debt counselors, etc.); Consumer lack of competence in these areas affecting their confidence in assertion of consumer rights.
- An increase in credit impaired consumers
- Challenges in the debt counseling field
- Initial taste of credit affects attitudes to other types of credit.
- There are clear demand side (education to fix problems) and supply side (awareness about protective legislation and industry players) mindsets
- Credit bureaus seemingly not well understood but tend to be seen in negative light and seen as a barrier instead of a facilitator
- Debt counselling not trusted and name misleading

#### **Awareness and perceptions**

- Although there are mixed perceptions about credit, the feelings tend to be largely negative. Current communication also tend to depict negative sentiment, positioning credit as a problem that needs to be avoided.
- Current messages also tend to be reactive, aimed at assisting those who are already in trouble.
- Credit providers unlike other players are thinly associated with credit education
- Most of the communications are seen as too sophisticated.

#### **Media campaigns**

- Out of the three evaluated, “spend wisely borrow wisely” was most preferred billboard campaign primarily for its appeal and simplicity
- TV/Radio seen as way to go: Education messages with entertainment value at peak times preferred as opposed to off-peak broadcasts
- Current awareness of NCR brand seems to be only visual, there is an overt lack of understanding beyond the stickers and certificates at credit provider’s premises

#### **Suggestions**

- Suggested improvements included more frequent communication, increasing educational officers for more market penetration, usage of simple language or translations, tailor-made workshops and use of social media.

## 5.0 Recommendations

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The following action points were recommended:

### **National Leadership**

It was recommended that the NCR should:

- Provide industry-wide direction, to coordinate a national agenda and ensure all players work towards one goal
- Initiate own educational efforts/own workshops
- Initiate industry funded research targeting credit impaired primarily (e.g. consumer credit behaviour, credit demand side analysis and segmentation, credit usage, etc.)
- Play regulatory role on all players and avoid campaigns that compromise this position

### **Communication/Consumer Education**

- Use big/broadcast media, especially TV and radio: Capitalize on entertainment value during peak times through credit industry and media partnerships.
- Current consumer behaviour patterns resist generic education to pay attention to messages that are actionable. Use entertaining, emotive and actionable messages that emphasize empowerment. Intimate interaction necessary to improve impact. Emphasize benefits of consumer assertion of rights.
- Distinguish awareness (supply side) campaigns from education (demand side). Tailor-make messages by market segments (e.g. pre-credit – preventative strategy, credit healthy – maintenance strategy, credit impaired – remedial strategies). Use simple/basic messages.
- Intensify educational efforts to extents seen with HIV & AIDs. Over-indebtedness could be seen in the same light as a disease.
- More partnerships at community level (CBO, NGO) for more community support and increased intensity.
- Increase frequency of engagement: Increase education personnel to maximize efforts. Consider regional language requirements.
- Clarify all areas of confusion, e.g. (Industry players, their roles and functions (NCR, Credit Bureaus, the Credit Ombud, Debt Counsellors), legislation, etc.)

- Focus on the youth market: Introduce school-level education. Focus on prevention of overindebtedness/bad credit.
- Distribute marketing material; Promote workshops.

### **Branding**

- NCR associated with legitimacy and protection; relatively good reputation
- To maintain/increase momentum, review/reposition NCR brand
- Clarify role and functions of the NCR; NCA
- Be visible nationally: Advertisements/Promotions on national broadcast media, etc.

## 4.0 Definitions

### 4.1 Terms used in this report

- Credit-active: Consumers obligated to pay credit providers and/or service providers, etc. These obligations result in transactional entries on the consumer's credit record at the credit bureaus.
- Impaired record: A record on which a consumer and/or any of the accounts, are either classified as three or more payments or months in arrears, or which has an "adverse listing", or that reflects a judgment or administration order.
- Adverse listing: Accounts with adverse classifications such as 'handed over' and/or 'written-off'.
- Current: A consumer or account is up-to-date with payments and has not missed any installment over the period of the credit agreement.
- Credit facilities: An agreement that meets all the criteria as set out in section 8 (3) of the NCA. The values (rand value and number of accounts) reported for "credit facility" includes both new credit facilities and limit increases for existing credit facility agreements. These values represent the potential exposure of the credit providers and not the actual usage/consumption by consumers. This does not apply to the gross value of the debtors book values where actual credit usage by consumers is reported.
- Mortgages: An agreement that is secured by a pledge of immovable property.
- Secured Credit: Credit transactions that do not fall within the other named categories in the NCA. This category includes pension-backed loans, insurance-backed loans, retail furniture accounts and motor vehicle accounts.
- Short-term credit: An agreement that meets all the criteria as set out in section 39 (2) of the National Credit Regulations. This includes amounts not exceeding R8 000 and repayable within 6 months.
- Unsecured credit: An agreement that meets all the criteria as set out in section 39 (3) of the National Credit Regulations (Where the loan or credit is not secured by any pledge or personal security)
- Developmental credit: Developmental credit agreement means a credit agreement that satisfies the criteria set out in Section 10 of the National Credit Act. This includes educational loan; small business; the acquisition, rehabilitation, building or expansion of low income housing; or any other purpose in terms of sub section (2) (a) of the National Credit Act

## 5.0 Glossary of terms

NCR	– National Credit Regulator
NCA	– National Credit Act
TRS	– Topline Research Solutions
NGO	– Non-Governmental Organisation
CBO	– Community-Based Organisation
FBO	– Faith Based Organisation
FGD	– Focus Group Discussion
IDI	– In-depth Interview
HDI	– Historically Disadvantaged Individual
CONTRALESA	– Congress of Traditional Leaders of South Africa
KZN	– KwaZulu-Natal
W.Cpe	– Western Cape
LSM	– Living Standard Measurement

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