

REPORT

PART 2 – SUB-STUDY ON
CREDIT & SAVINGS

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**PART 2 – SUB-STUDY ON CREDIT AND SAVINGS
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EXECUTIVE SUMMARY

In order to perform its regulatory role in the South African credit industry, the National Credit Regulator (NCR) needs to count on reliable information on the use of and access to credit as well as on the social impact of over-indebtedness, particularly among the most vulnerable groups. This concern responds to the NCR's mandate contained in the National Credit Act (Act No 34)¹ which states:

The NCR should “support and promote the development, where the need exists, of a fair and transparent (...) access to the credit market” (13a). The following groups should be a priority for the NCR: “i) historically disadvantaged persons, ii) low income persons and communities, and iii) remote, isolated and low density communities.”(13a)

The present study responds to the NCR's mandate and is part of the Johannesburg Livelihood Study (JLS), a larger study conducted by the Centre for Social Development in Africa (CSDA) at the University of Johannesburg (UJ). The broader aim of the Johannesburg Livelihoods Study is to undertake a more detailed analysis of the concept of household, socio-demographic trends, the livelihoods strategies of households and to understand how they attempt to meet the needs of vulnerable groups or socially excluded groups in the city. Within this framework, a further study was conducted with a specific focus on access, and the use of credit and savings among the poor. The quantitative and qualitative information obtained from both the household survey and this study, provides a rich and deeper understanding of the various resources, both formal and informal, which poor households use to manage risk, face shocks and smooth consumption.

With the aim to reach a deeper understanding of the events, social relations and effects of money-borrowing in the household, this study selected a sub-sample of 59 of the surveyed households. The sub-sample was selected from a total of 174 households in the JLS study who indicated that they have obtained some form of loan during the past year. Semi-structured interviews were conducted from the middle of October to the middle of December 2007.

¹ Government Gazette, 15 March 2006.

The majority of the sub-group of 59 households selected had access to credit, and this credit was used mostly for consumption goods. However, nearly half of the group was unable to pay off their credit.

Most respondents have borrowed money from banks. Banks loans are mostly used for investments in infrastructure and education. This type of loan and its uses are both planned. The employed household member was the borrower of bank loans in all of the cases. A second group has borrowed from *mashonisas*. Loans from *mashonisas* are frequently linked to unexpected household expenses (emergencies, food and transport). Due to the nature of its uses, these loans are mostly unplanned. It was also found that the most common debt repayment strategies are collective. It involves various members of the family who assist in paying off debts.

It was also found that the majority of these households had savings. Furthermore, they are actively involved in saving. They are mostly saving through informal mechanisms (at home, through stokvels and money guarding).

Money guarding is widely used and it acts as a risk management devise for the owner of the money. Women play an important function as money guarders. Their financial skills are valued and acquired in the performance of their duties, which are based on the existent sexual division of labour.

Most of the financial transactions –besides the loans taken from formal institutions– are mediated by social relations and based on trust. One-on-one borrowing of small amounts of money is widely used and is based on trust and reciprocity among people.

Overall, respondents who have taken a loan had a positive evaluation of the uses of these loans, as most of them considered the loan as contributing to the wellbeing of all the household members. The dimensions to which the loan has benefited the household wellbeing are various. Respondents valued the comfort provided by the improvements in their homes as well as being able to provide education for their children and have made them more employable. They also saw the positive effects of

the loans as these have enabled them to meet family obligations, perform celebrations and continue their traditions. Respondents also valued loans that have assisted them to cover basic needs such as food and transport.

Only 12.4% of the sub-sample was aware of the existence of the National Credit Act. There was a general lack of understanding the meaning and implications of this legislation. Findings in respect of the National Credit Regulator reflected a similar pattern.



INTRODUCTION

In order to perform its regulatory role in the South African credit industry, the National Credit Regulator (NCR) needs to count on reliable information on the use and access to credit as well as on the social impact of over-indebtedness, particularly among the most vulnerable groups. This concern responds to the NCR's mandate contained in the National Credit Act (Act No 34)² which states:

The NCR should “*support and promote the development, where the need exists, of a fair and transparent (...) access to the credit market*” (13a). The following groups should be a priority for the NCR: “*i) historically disadvantaged persons, ii) low income persons and communities, and iii) remote, isolated and low density communities.*”(13a)

The NCR should also monitor, among various areas of the credit industry; “*the level of consumer indebtedness and the incidence and social effects of over-indebtedness*” (13c IV). In addition the NCR is mandated to “*conduct research and propose policies to the Minister in relation to any matter concerning the industry that would improve access to credit for persons from the priority groups above mentioned.*” (13d)

The proposed study responds to the NCR's mandate and is part of a larger study conducted by the Centre for Social Development in Africa (CSDA) at the University of Johannesburg (UJ).

The study on access and use of credit and savings has been incorporated into the livelihoods framework used by the Johannesburg Livelihoods Study and explores the relationship between households' vulnerability and the use of financial instruments among poor households. As part of this general aim, specific attention has been placed on the extent to which the use of financial instruments is embedded in social relations. These dimensions will add to our understanding of the complexities of livelihoods and dynamics within poor households.

² Government Gazette, 15 March 2006.

A study commissioned by the Microfinance Regulatory Council (MFRC) in 2001³, analysing secondary data on the impact on credit and indebtedness of clients, found that:

- The overall level of household indebtedness in SA is relatively low and the overall indebtedness of the poor is lower than popularly expected.
- Gauteng and Western Cape have particularly high rates of indebtedness.
- Regarding the impact of access to financial services and specific loans it was found that the increase in debt cost puts pressure on the liquidity of poor households at the lower of the income distribution.
- Poor households use the money to handle distress or trauma⁴.
- Poorer households⁵ typically have a 10% debt obligation. This debt is referred to as an involuntary debt that households use to smooth their consumption and satisfy their basic needs
- Poorer households have a lower ability to repay their debts.

The report also indicates the need to collect further empirical data and information in order to understand the sector and its trends: *“on the client side (the demand side) a better analysis (rather than descriptions) of the determinants of household indebtedness would contribute tremendously to the information base and policy arena. This is a fundamental research task that would complement the existing work”* (MFRC, 2001: vii).

In light of the above, this study gathered empirical data on poor households in Johannesburg and addressed the following key questions:

1. Where and from whom do poor households borrow money?
2. What level of indebtedness and over-indebtedness is present in poor households?

³ Micro Finance Regulatory Council (MFR C). “Report on Impact of Credit and Indebtedness of Clients.” Study conducted by ECI and DPRU, University of Cape Town. 2001

⁴ This was found to be the case of households confronted with HIV/AIDS. Particularly critical is the financial pressure during the final phase of the disease.

⁵ Defined by annual income of 0- 5.000 Rand (LSM).

Based on a sub-sample of 59 out of the 174 households that indicated access to borrowing in the larger Johannesburg Livelihoods Study of households and from an intra-household perspective, the questions addressed are the following:

1. How do households use the money they borrow and how do they benefit from it?
2. If poor households manage to save money, under which circumstances does it occur?
3. What are the dynamics and social relations associated with accessing credit and borrowed money in poor households?
4. What role does poor households' social networks and family/households play relations in accessing credit?

The above dimensions will shed light on two central questions of the study namely, how do poor households face shocks and manage risk? And, to what extent does the use of financial instruments increase the households' vulnerability?

METHODOLOGY

This sub-study focused on a selected sample of 59 households out of a total of 174 taken from the bigger household survey study, and who indicated that they have obtained some form of loan during the past year, to reach a deeper understanding of the events, social relations and dynamics around money-borrowing, as well the effects of a loan(s) on the well-being of the household.

The aim of this sub-study was to produce a more in-depth understanding and description of the household's behaviour in the areas described. This information complements the analysis of the quantitative data obtained through the household survey in the main study. With that purpose, 59 semi-structured interviews were conducted from the middle of October to the middle of December 2007. The regions considered in the study are Soweto (Phiri), Alexandra, Orange Farm, Diepsloot, Riverlea and Doornkop.

The fieldwork involved visiting 59 households, selected from those households which participated in the household survey of the bigger quantitative study. Criteria for the selection of the 59 households for a semi-structured interview were the following:

1. Existence of loans
2. Level of indebtedness: indebtedness and over-indebtedness/ per region.

The methodology of this phase allows a gradual and deeper approach to the issue under study. The initial phase consisted of a literature review that served as background to prepare the methodology for the qualitative in-depth case studies of intra-household dynamics, including studies from South Africa and other developing countries, and anthropological and sociological literature on money and culture, poverty, livelihood strategies and other related topics.

A subsequent section was oriented to produce a validated instrument to gather quantitative information on access and use of credit in poor households. The questionnaire was elaborated based on existing instruments (financial diaries of the poor) and discussions with the NCR team. The semi-structured questionnaire allowed the capturing of information about the use of financial devices as well as on household's social relations around finances. In other words, it allowed the mapping out of the household's behaviour regarding loans, money borrowing, and saving in more detail. In accordance with the approach of the general survey, the questionnaire did not include specific levels of income or amounts of money borrowed. The interviews were conducted with the head of the household or other informed adult household member. The data processing of the semi-structured interviews was coded and analysed by using SPSS.

Conducting interviews around financial issues proved to be a very difficult task. Several obstacles were confronted when conducting the fieldwork. Respondents were reluctant to provide information about issues as they consider this to be a personal matter. They were suspicious about the ultimate use of the information. The fieldworker team distributed a brochure with information on the NCR, which helped to create trust with the interviewees. However, financial information is not always shared by members of the family, requiring the fieldworkers to make special efforts in

creating a space of privacy. Finally there was a strong demand on fieldworkers to assist the interviewees in solving some of their more pressing needs.

LITERATURE REVIEW

As a result of South Africa's political transition there has been an increase in the ability of a larger proportion of South Africans to borrow. Overall, the growth in credit consumption has exceeded growth in incomes, leading to an increase in household debt (2007). The bulk of this industry in South Africa pertains to commercial cash lending, most of which is consumption loans to the employed. Loans in South Africa are applied for a range of uses; the financing of education, housing, business and consumption (furniture, clothes, groceries, others). As it has been established, the small loans industry and retail stores dominate the micro-lending market in South Africa. Commercial banks do not play a major role.

In general, for poorer households, financial interactions take place mostly outside the formal matrix of saving, lending and insurance institutions⁶. In the formal market most of the sources of credit for poor households are offered by retail credit⁷. As it has been observed, along with the liberalization of the micro finances sector, there has been a growing penetration of the retail credit industry, particularly furniture accounts among the poor.⁸ Home loans have very little significance outside the middle or upper middle income categories (Ardington 2004)

⁶ Formal micro-finance institutions consist of various private and public entities. Public institutions are: Land Bank and Provincial parastatals. The private sector includes NGOs, Credit Unions, Co-operatives, Commercial Banks, Retail stores, TEBA Cash, Micro-enterprise focused, Reg. small loans industry, Pawn Brokers. Informal lenders include *stokvels* (group saving organizations) and *mashonisas* (also called 'loan sharks' or informal money lenders).

⁷ The MFCR report distinguished between credit providers and the various income groups they target. Cash lenders in general target subsistence-level income earners (in LSM terms, 3-5) whereas term lenders target more affluent working class (LSMs 5-7). For term loans, retail banks would conventionally target customers earning R 2,000 per month and above (starting at around LSM6). Retail clothing and furniture stores would make credit accessible to a slightly lower income level (LSM 4 and 5).

⁸ In Porteous' view, this trend is partly explained because the product financed itself as the collateral for the loan under an instalment sale or hire purchase agreement (Porteous 2003)

Poor households are particularly vulnerable to over-indebtedness as these households only have access to finance at higher interest rates. Thus, the cost of servicing debts for the poor is often very high⁹.

Levels of indebtedness and over-indebtedness among the poor

The MFRC's commissioned report¹⁰ on credit usage (2001) provides the most comprehensive view to date on the micro-credit sector from the demand side, covering issues such as the application of borrowed funds and over-indebtedness. The study focuses on transactions below R10, 000 and on the poorer strata of the broad community¹¹. Findings of this study show that the Western Cape and Gauteng have a particularly high rate of indebtedness. The overall outstanding debt obligations as a percentage of income are at the 10 per cent level for the poorest category.

The MFRC report also indicates that lower income groups had negative liquidity figures. This suggests that these households will be permanently indebted to cover the income-expenditure deficit. It has been established that the very poor and top end households are both vulnerable to over-indebtedness¹². However, the composition of these two groups' debt varies significantly. Households at the bottom hold the highest share of their debt as family loans, which are used on consumables rather than assets. For households at the top, the highest share is due to home loans and used for accumulation of assets.

Using data from the Statistics South African October Household Surveys (OHS), Daniels (2001) compared the proportion of positively indebted households¹³ in 1995 and in 1999 and found that poorer households had lower levels of indebtedness relative to wealthier households. In Daniels' view this may be explained by "a lack of access to financial instruments in the formal banking sector corroborated by low

⁹ Information produced by the MFRC shows that in the year 2001 there were 25,000 and 30,000 *mashonisas* charging interest rates which reached 50% per month (Ardington et al. 2003: 619).

¹⁰ Compiled by Ebony Consulting International (ECI) and the Development Research Unit (DPRU)

¹¹ In Living Standard Measurements described at those at the level 6 –monthly household income R2264– and below.

¹² The MFRC identify clients as over-indebted if they are using a loan to pay off other loan or allocating more than 25 % of gross monthly income or 50% of the net monthly income to loan repayment (2001).

¹³ Positively indebted is defined here as the outstanding debt as a percentage of regular disposable household income (Ardington et al. 2003: 620)

levels of collateral among the poor” (Daniels 2001: 6). Cash flow was found generally to have decreased while indebtedness generally increased. Daniels found that financial sector deepening had occurred with wider access to finances for the poor. However, a positive relationship was also found between financial sector deepening and indebtedness. Daniels stresses the need to track the micro implications of liberalization over time to ensure that ‘over-indebtedness does not become endemic to the poorer households’ (Daniels 2001).

Daniels (2001) found that households in the R10 000 - R25 000 and the over R150 000 income bracket were the most vulnerable to over-indebtedness. Households in the first group were characterized by a large proportion of debt obtained from furniture stores, and a large proportion of expenditures devoted to basic needs.

A study conducted by the Human Sciences Research Council for the MFRC (2003), which analyzed data from 1995 and 2000, showed that the majority of people have improved their ability to manage their debts. The opposite was observed among poor households. The poorest income group (R0-R5k) exhibited the heaviest debt servicing burden of 50.21 percent in the year 2000.

On a smaller scale (166 poor households) an analysis of the “financial diaries of the poor” found that nearly all the households studied (95%) pay some debt every month. However, the majority of these households were not found to be highly indebted (76%)¹⁴ although many of them (24%) were in high debt. Highly indebted urban households pay more to formal financial credit (80% of the payment), while rural indebted households pay more to informal credit (71% of payments). It was also found in this study that over a period of 28 months at least 81 per cent of the households had to contribute towards an ‘out-of-house’ funeral while 47 per cent had to contribute to two or more funerals.

¹⁴ Highly indebted is defined in this study as “having an average monthly actual as opposed to scheduled) debt payment across all debt instruments of more than 20% of total income” www.financialdiaries.com (2006) "The Financial Diaries of the Poor."

Savings

Among the poorest, the percentage of the household expenditure spent on savings is known to be very low¹⁵. In 2001, only 1% of household expenditure in the bottom quintile went towards some form of saving (such as insurance, pension, savings and investments) as opposed to the 11.9 per cent of the top quintile (Ardington 2003: 613). Since the probability of utilising all forms of savings increases with income, a racial component adds to this relation. Indian and Coloured households are less likely than White or African households to utilise savings instruments (ibid: 614).

As it has also been found that there is a clear relation between the probability of saving and having a household member employed. (Ardington, et al.,2003b). In line with this finding, Spio and Groenwald (1995) had stated before that as income is low and insecure among the poor, savings only occur when there is enough money to meet immediate needs.

Several studies have stressed the role ROSCAs¹⁶ play among the poor in developing countries, (Rutherford, 2005, Anderson 2002, Bouman 1995). Studies in South Africa have looked specifically at the role of stokvels in providing poor household with their basic needs in South Africa (Buijs, 2002, Verhoef, 2001, Burman, 1995). Rutherford, who coined the concepts of 'saving up', 'saving down' and 'saving through'¹⁷, classifies ROSCAs as a saving through mechanism, where a lump sum becomes available at some point during a series of savings.' (Rutherford 2005) Buijs (2002) studied the stokvels in the Eastern Cape and established that they provide an important means for poor women, and especially female heads of households, to save money. According to Buijs (2002) the success of the organizations is due to their tight-knit membership and values of honesty and trustworthiness. Members also perform some of the functions of burial societies.

¹⁵ Saving institutions in South Africa include informal saving clubs (*stokvels*), NGOs using village banking models, parastatals including the Post Office, credit unions, commercial banks, TEBA cash, and the development bank Ithala.

¹⁶ Rotating Savings and Credit Associations

¹⁷ 'Saving up' saving are stored until accumulated into a sum large enough to serve some expenditure need, 'saving down' refers to borrowing and repaying the loan 'saving through' is a mix of saving up and saving down . A lump sum becomes available at some point during a series of savings

Access to financial markets and poverty reduction

The key role of access to finance in poverty reduction in South Africa has been acknowledged by the Government. As expressed in the Financial Sector Charter the aim of this policy is to “substantially increase effective access to retail finance services for the lower income groups by 2008.” (Ardington 2004: 605).

The nature of poverty and the problem of structural poverty in South Africa should be carefully examined if access to financial services for the lower income groups is conceived as a strategy to support poverty reduction. A study conducted by Carter and May (2001)¹⁸ in KwaZulu-Natal suggests that there has not been a substantial improvement in the standard of living among income groups near, below, or far below the poverty line, and among poor black South Africans, in general. The data shows that many households that were poor in 1993 continued to be poor in 1998, hence demonstrating *chronic* poverty. About 65% of those who were below the poverty line in 1993 remained there in 1998, as were 28% of the indigent. For 58% of the people who moved out of poverty, the change in their situation can be better inferred as “a regression to their expected level of livelihood rather than a story of successful accumulation or escape from structural poverty.” The poverty rate increased from 27% to 43% among the sample group. From this, the authors concluded that “large numbers of South Africans have been unable to take advantage of the liberalized post-apartheid environment” (Carter 2001: 2002).

Perspective on vulnerability

The evidence presented above reinforces the idea that access to financial markets to assist in the goal of poverty reduction, needs to be understood in a dynamic scope, one that moves away from a static asset-based analysis of poverty to one that focuses on vulnerability. An analysis of vulnerability aims to identify those who are in danger of becoming poor in the future. This shift in perspective implies a move to a more dynamic or proactive strategy to reduce poverty.

¹⁸ The KwaZulu-Natal Income Dynamics Study (KIDS) 1998. Re-interview of people from The Project for Statistics on Living Standards and Development 1993. KIDS (1998). The KwaZulu-Natal Income Dynamics Study.

As Ardington (2004) expressed it, a lack of efficient instruments to manage risk “limits poor peoples’ ability to cope with shocks and often results in actions to cope in the short term that worsen the deprivation in the long term” (2004: 606). Indeed, short term coping strategies to face risk, such as taking children out of school, selling productive assets or borrowing from moneylenders at higher interest rates, may deepen household’s vulnerability to poverty in the long term (ibid).

A vulnerability analysis should look at constraints households face in adopting efficient risk management strategies. Often, poor households are excluded or have limited access to the utilization of a financial risk management instrument¹⁹. However, access to credit can also have a negative effect, as it may increase the risk for the household to become over-indebted. Two aspects are important to consider when analysing vulnerability. On the one hand it is important to differentiate between debts incurred to smooth consumption from debt incurred to accumulate assets (Ardington et al. 2004: 622). On the other hand the source of debt must be considered, as interest rates may be very high.

Although the impact of access to financial services and specific loans could not be answered by the MFCR report on debt and over-indebtedness in South Africa (2001), the overall analysis indicates that increase in debt costs put pressure on the liquidity of poor households at the lower level of the income distribution. People in the lower income level access loans to handle distress or trauma.

On a smaller scale, an analysis conducted by Rasmussen (2002) shows that access to finance protected households from falling into poverty. The author found that “when controlling for the poverty status of the household in 1993, access to finance enabled households to lower the probability of living in poverty after a shock by up to 10 percentage points” (Ardington 2004: 627). Lack of access to finances in turn, forced poor households into coping strategies which increased their vulnerability to poverty in the long term and “increased the probability of selling assets or taking kids out of school in order to cope with a negative shock” (ibid)

¹⁹ Strategies to manage risk can be formal or informal. Informal strategies involve individual and households (self-insurance) or communities (informal group insurance). Formal strategies include formal credit, saving and insurance. It also includes Government provided mechanisms such as grants, pensions and unemployment insurance.

The study perspective

This study is framed within the scope of livelihoods which usually include a range of activities designed to build asset bases and access to goods and services for consumption. Livelihood strategies include coping strategies designed to respond to shocks in the short-term and adaptive strategies designed to improve circumstances in the long term. (Farrington 2002). The analysis of livelihoods in vulnerability contexts places the emphasis on understanding the wider shocks and stresses to which livelihoods are subject "...these factors provide some of the major challenges to the ongoing maintenance of basic consumption, asset levels, and the survival itself." (De Haan 2002). Within the frame of livelihoods in the context of vulnerability, this study on access, use of credit and savings among the poor aims to reach a deeper understanding of the various resources, both formal and informal, which poor households use to manage risk, face shocks and smooth consumption (Ardington 2004).

FINDINGS FROM THE SUB-STUDY ON CREDIT, LOANS AND SAVINGS

Some clarifying information was obtained through a sub-study of a sample of 59 households derived from the original sample of the main study. The selection criteria were based on households who have either indicated that they had existing loans or who declared that they were over-indebted. One third of these households were female-headed.

CREDIT

General findings

- 41 households (69.5%) had obtained credit or were owners of a store account. Respondents who qualified for credit were mostly the head of the household, and secondarily, wives/partners. In several cases more than one household member had access to credit in a store.
- A variety of stores were represented. The most frequently occurring were retail clothing stores, followed by retail furniture and retail electronics stores.
- Since most respondents had access to credit from clothing stores, this was the item most frequently bought on credit. This was followed by furniture and

groceries on credit purchase. Respondents also reported having bought home appliances such as television sets, refrigerators, microwave ovens, radio's and stoves on credit.

- Only 2 households had credit cards (Mastercard or Visa).
- Two respondents bought a vehicle through a credit arrangement from a bank.
- Credit obtained from local Spaza shops was less common: 11 households (18.6%) reported that they had access to Spaza shop credit. They mostly used it for the purchase of groceries. Respondents reported not having to pay interest when they bought on credit at these stores.

About buying on credit

Ndile lives at her parents' home in Soweto with her two sons. She recently began to work as a school teacher. Motivated by the security of her new employment she decided to buy a big flat screen TV on credit for her family. However, she now sees the negative sides of buying on credit.

(I buy on credit) because I usually don't have cash on hand. But to be honest, I really do think to pay in cash is better, because if you start to calculate how much is added on the goods if you pay on credit it's very high. We calculated how much it was to buy the TV on credit. I thought that it wasn't much higher but I'm still paying a much higher price. Next time I know I'm going to budget before I make any purchases and rather pay cash. But at the same time, they say that if you buy on credit it becomes easier in terms of replacing lost good, which is a benefit you don't get when you pay cash. If you pay cash, once the appliance is lost it your loss.

...but these are things that you don't know about. They don't explain things very well unless you know about the process and you ask questions. If you are a first time buyer, they don't explain the details. They are more concerned with their own interest... they tell you that you can pay over 24 months or over 36 months without explaining that in reality after the 36 months are over you will end up paying almost half of the sales prices in interest. I was looking at a flat screen TV that retailed for R12999, but when you buy it in installment it was 18000, another 6000, what is this R6000 for?

Ndile thinks that one of the reason why buying on credit is so extended among poor income households, has to do with 'unhealthy competition' among neighbours:

I compete with my neighbours because they have bought something from the furniture shop and I see that is something that either I don't have or mine is old fashioned. So people end up buying things not because they need it. If it was healthy competition I would approve it, but in unhealthy competition you loose and we don't progress.

Debt Management

- 13 households (31%) out of the total of 42 households who had accessed credit were unable to pay it off. Thirteen households (22 %) from the total sample of 59 have borrowed money to repay debts.

SAVINGS

Forty four (44) households (74%) declared that they had savings.

Formal Savings

- In 51 households (86%), there was at least one member who had a bank account. In the majority of the cases, the account held was a savings account.
- Bank accounts were mostly used as a deposit structure for monthly salaries, grants, or remittances.
- Bank accounts were also used for paying off credit and servicing stop orders.
- Bank accounts were used for business purposes on a more irregular basis.
- Some respondents indicated that they did not use bank accounts as their income was insufficient.
- In nearly half of the cases (23 households), bank accounts were used for savings. Those who used their accounts for savings purposes stated that they saved from grants, pensions or from their incomes (or a combination of these).
- Respondents mostly saved for emergencies as well as for school fees. Some respondents saved in order to undertake home improvements and alterations, as well as for household items.

Informal Savings: Savings at home

- Thirty three (33) of the respondents had savings at home (55.9%). In 17 households (28.8%) these savings were undertaken by heads of households, followed by 9 households where savings were undertaken by wives/partners (15.3%).
- The money that was saved was used mostly for emergencies, followed by food and transport. Other common uses for savings include purchasing of business stocks, building materials and payment for labour. Finally, respondents used these savings as pocket money.
- A question whether these are “real” savings should be posed here, as the money kept at home was mostly used for more immediate and inevitable needs of the household.

Saving through Stokvels

- Twenty (20) households (39%) belonged to Stokvels.
- These were mostly women and consisted of heads of the household (a third of these households were female-headed). The rest was constituted by wives and partners.
- The way in which Stokvels operate, varied. In most cases, members contributed a fixed amount, ranging from R100.00 to R800.00 per month. Members were paid in cash and/or goods (food or food stamps). In some Stokvels there was an annual pay-out to all members, but in others members took turns to receive a pay-out. Some Stokvels also contributed a payment upon the death of a relative of the Stokvel member.
- Only one Stokvel lent money to non-members. Each formal member contributes and then the income is lent to other non-members. The profit that is generated through interest is then divided between members as an additional form of income.
- Stokvel meetings are generally social events where non-members can also attend. Food and alcohol is sold at these events, and the profit is directed towards the members who organized the event. Members take turns to act as organizers.

- Where members were paid in cash, they used the funds to purchase groceries, building materials, household items and to finance funerals. In this manner, respondents avoided purchasing on credit. On occasion, Stokvel payouts were also used to service outstanding debts.
- The majority of the respondents valued Stokvels as a way to save money (*“it is effective as we get discounts for buying in bulk”*) as well as in personal terms (*“it is the only way I can save money”*). This way of saving enabled respondents to purchase goods and to carry on with building and alterations of their homes (*“I like it because it helps me do bigger things such as building a house”*).
- Stokvels also allowed its members to manage risk: *“I like saving this way as it serves as food security for me and my family”*, *“I like saving this way, it enabled me to bury my father two years ago”*.
- In order to belong to a Stokvel, members must be able to make monthly contributions. Those respondents who were unemployed or only received an irregular income indicated that they supported the principle of Stokvels but *“cannot afford to be a member”*.
- However, one quarter of the respondents was not in favour of saving through Stokvels. They considered them to be a waste of money and time, or they simply did not trust people. (Trust being a pre-requisite for belonging to a Stokvel).

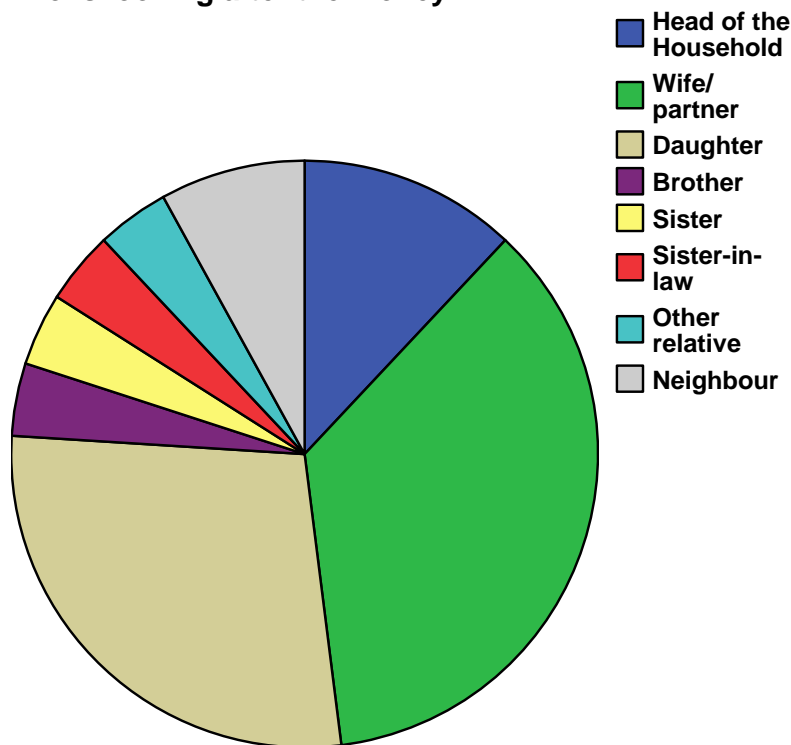
I think that Stokvels work in a way that allows you to know exactly when you will get the money and how much money you will receive. Let's say for example you are planning a party in July, through the Stokvel you know that you will definitely receive that money to do what you want at that particular time. If you were to save money yourself, by July you wouldn't be able to raise the same amount of money you need. But at the same time there is a certain amount of risk in the Stokvel; What if a member dies, what happens if another person leaves? These are all things we don't plan for, we don't think about what happens if a person dies

Ndile, school teacher

Money Guarding (Entrusting another person to safeguard money)

- Twenty five (25) households (42.3%) had members who selected somebody to safeguard and look after their money. Usually it was the head of the household who selected someone to safeguard their money. Alternatively, it was the wife/partner who had someone looking after their money. Other members of the family, such as children, also had their money safeguarded.
- Money guarders are mostly wives/partners, followed by daughters. In some instances it was also a neighbour. When analysing the various sub-groups by gender, female members of the household were more often entrusted with other people's money. The perception appears to be that women can be trusted more as guard-keepers of money. *"She knows how to run a family", "she is good at keeping money", "she is good at saving money, and I trust her", "she is more careful than us", "she is trustworthy and can save", "she knows how to take care of money"*.

Who is looking after the money?



- Money guarding is used as a risk management strategy. It protects the owner of the money against him- or herself mispending funds: *"to avoid spending it*

on useless things”, *“to be able to do what was planned”*, *“to prevent myself from using it”*, *“because I am forgetful”*, *“for security reasons and she trusts her”*.

- When money guardians were asked why they were safeguarding money, they confirmed its function as risk prevention: *“because he misuses or loses money”*, *“to prevent my partner from buying alcohol”*, *Safekeeping it for my son who is not careful with money”*, *“with my partner, if he spends recklessly, I will have to bail him out”*, *“to help him not to go to ATM’s to withdraw money for transport”*.
- Money guardians affirmed that they did so as a form of moral and practical support for their family members: *“to help them to be supportive of them”*, *I am their mother”*, *“he gives it to me for a certain purpose”*, *“she trusts me and she doesn’t have a bank account”*.
- Besides family members, money was safeguarded for neighbours: *“I cannot refuse my neighbours”*, *“as a favour because we help each other”*, *“I am a loyal and supportive neighbour”*.
- The money that was guarded was generally used to pay basic household expenses such as food, transport, school fees, clothing and payment of Stokvel and burial societies. Sometimes, but less often, money was kept for the purposes of avoiding spending on credit, to buy household commodities, or for other reasons such as *“to get a drivers license”*, *“to do my hair”*.

In turn, money guardians also often had someone looking after their own money. This represents a circular movement of the money guarded which is based on trust and is being looked after to prevent each other from misusing money.

The principle appears to be that having money that does not belong to the money guarder will prevent the owner from using it: *“I keep it safe as I don’t use money that doesn’t belong to me”*. The relationship between guardian and money owner is basically one of trust. But it is also a relationship based on the recognition of the authority of the guardian. People give the money to someone with real authority over them. Gender dimensions were also relevant. Women were considered to be better at keeping and saving money for others. In addition to looking after the money of

members of the family or neighbours, money guardians provided moral support and assisted their close group in achieving economic goals.

What makes money guarding work

It is very difficult to use someone's money (money that has being entrusted) because you don't know when they will ask for their money back. You may find that you use it today and then the person wants the money immediately then you'll find yourself in some trouble. At the same time it becomes tempting to use that money that you've got on you. When I give someone money to keep for me I don't tell them when I'm going to get it back. I simply ask them to keep the money fro me and that I'll want it back some time

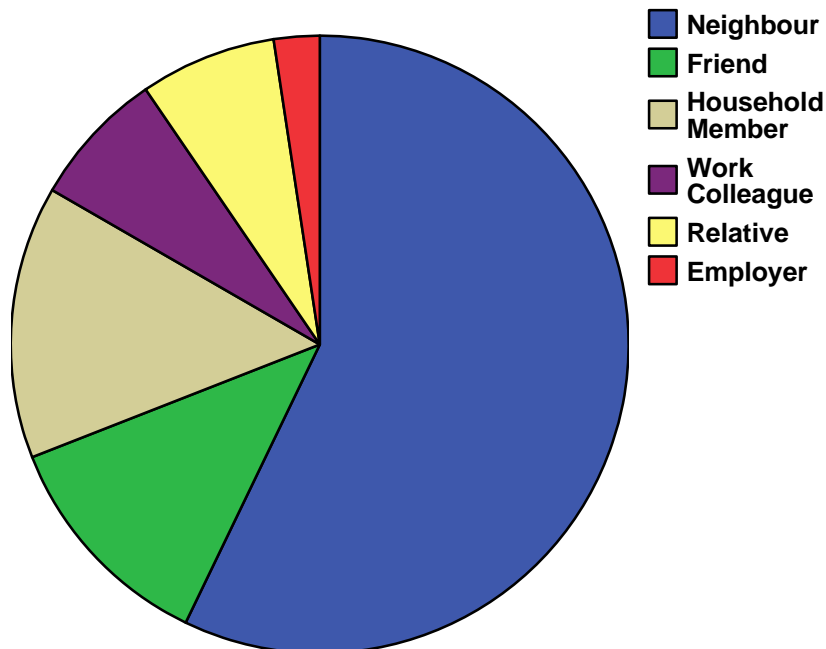
Ndile, Soweto



'One-on-one' borrowing and lending (Informal lending without interest based on personal relationships)

- The study indicated that 'One-on-one' borrowing is a common practice. Forty two (42) households (71%) had borrowed on this basis in the past year.
- Often it was more than one member of a household who requested this kind of loan.
- Loans were provided mostly by neighbours, then by friends and lastly, by family members and relatives.

From whom did you receive this type of loan?



- Twenty four (24) households (40.7%) have borrowed money from neighbours, 6 respondents (10.2%) borrowed from family members and relatives and 5 respondents from friends (8.5%).
- The most common reason for this kind of borrowing was the acquisition of transport money: *"for transport as I'm the only one employed"*. Money was also borrowed for basic needs such as food: *"for my daughter's lunch at school"*, *"for transport and bread"*.
- Other reasons for one-on-one borrowing were emergencies, such as unexpectedly needing medical intervention or treatment. In some instances,

money was borrowed for funeral costs: *"I was desperate", "(I borrowed) for a family member funeral"*.

- Money was also borrowed to meet regular payments or debts, such as to pay electricity bills, Stokvels and burial societies. Tuition fees and outstanding debt also stimulated this type of borrowing.
- Occasionally, a loan was procured for business expenses: *"to buy stock for my wife's small business"*.
- Some respondents admitted to having borrowed money for alcohol, cigarettes and snuff.

'One-on-one' borrowing appears to happen on a daily basis, as money is borrowed to cover immediate needs. As its uses indicate, the amounts borrowed in these instances are low. Interest is not charged for these loans as this type of borrowing often has a reciprocal pattern.

- Fifty (50) respondents (84.5%) were involved in the 'One-on-one' lending and borrowing system.
- Respondents would rarely refuse to lend money: *"I never refuse as long as it is not too much", "if I have money, I don't refuse"*.
- Borrowers and lenders are aware of each others' financial status: *"they know I don't have money", "I'm always broke, so few people ask"*.
- Others seemed to have established clearly by trial and error who they can approach and who they can trust: *"I refuse those who I cannot trust", "I refuse those who are bad payers", "some people are not trustworthy"*.

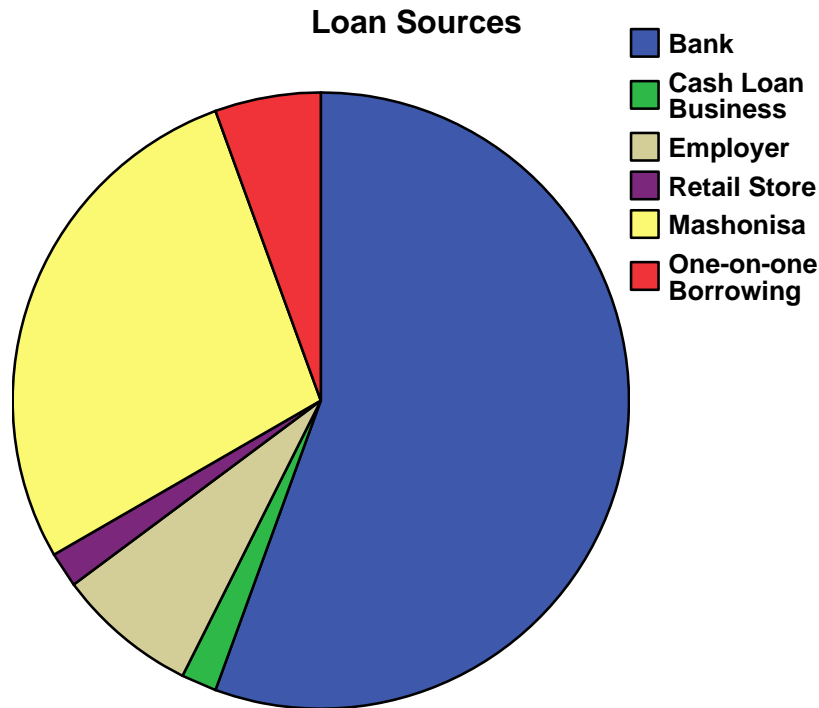
LOANS

General Findings

- Forty two (42) households (71%) of the households have procured a loan over the past year.
- Several loan sources were uncovered: The majority of the respondents (more than two thirds of the group) obtained their loans from formal sources such as

banks (22 households (37.3%)), employers (3 households (5.1%)) cash loan companies (1 household (1.7%)) or retail stores (1 household (1.7%)).

- In all of these cases, the loan applicants were employed, as this status is normally required prior to the applicant being considered as a candidate for a loan



- Another major source of loans was in informal lenders or *Mashonisas* (7 households (11.9%)).
- In 9 households (17%), loans were borrowed from more than one source.
- The following combinations occurred: bank and *mashonisa* (6 households (10.2%)), bank and 'one-on-one' (1 household (1.7%)), and *mashonisa*, and 'one-on-one' (2 households (3.4%)), and lastly 'bank and employer' (1 household (1.7%)).
- Often *mashonisas* are neighbours (9 cases (50%)), or friends (5 cases (30%)). The physical closeness and the accessibility of money gave these informal lenders an advantage over banks.

- In 28 of the households that borrowed (47.5%), the head of the household obtained the loan followed by wives/partners in 10 of these households (16.9%).

The sources of loans are to some extent decided by the amounts needed. Banks are used to borrow bigger amounts whereas a *mashonisa* are used for smaller amounts, precisely because of the high interest rates the *mashonisa* charges. Betty explains the logic of these decisions:

We only loan money from a bank when there is a serious matter that needs money that exceeds R1000. We do not loan money that exceeds R1000 from the mashonisa because we would not be able to return it.

UTILIZATION OF LOANS

House construction and improvements

- Many of the respondents reported that loans were used for home improvements.
- Loans were also utilized to build new houses.
- In several cases, home building and improvement activities were located outside the Johannesburg area, and referred to the homes of respondents in rural areas.
- Respondents appeared to have a “plan of investment’ to build or improve their homes.
- Loans were mostly used to buy building materials and to pay labourers, and construction plans were completed on a gradual basis.

This particular finding differs from what has been reported in the literature. According to studies conducted in the South African microfinance sector among low income groups, loans are mostly utilized for consumable goods, furniture and food. (MCR,2001; Daniels, 2001).

Respondents unanimously linked their family well-being with home improvements and loans. A respondent mentioned that *“we now have privacy in our Mpumalanga home”*. Another respondent reflected that *“we now have a roof over our heads”*.

Funerals

The second most common purpose for obtaining loans was for unpredictable events such as funerals, and its associated expenses. As most respondents were part of burial societies that covered the initial funeral expenses, loans were more often used for associated expenses such as food or transport to funerals.

- Respondents reported having used their loans *“for transport and other expenses for a funeral in KZN”*. Another respondent declared that *“I had to get help from mashonisa without my husband’s knowledge, for goods for a funeral,”* and *“for funeral expenses and groceries”*.
- Loans for associated funeral expenses are mostly secured from informal avenues such as *mashonisa* and ‘one-on-one’ borrowing. These loans were acquired as the need arose for unpredictable and unplanned events: *“I managed to attend my nephew’s funeral”*, *“At the time we had nothing saved for the funeral”*, *“I managed to bury my daughter”*.

Traditional Ceremonies, Celebrations and Family Obligations

Loans were also used for performing a range of planned ceremonies and celebrations in order to meet family obligations. These loans were generally obtained from banks.

- Birthdays: *“We needed to finance our daughter’s 21st in KZN”*.
- Unveilings of tombstones: *“I needed to do an unveiling in Northern Cape”*

In other cases, loans catered for ceremonies performed to assure the family’s spiritual well-being, such as cleansings and tributes to ancestors. In this sense, the intangible purposes of loans ultimately contributed to the well-being of the household.

- Cleansing and ancestral ceremonies: The relationship with ancestors is a dimension of family well-being: *“I had to prepare for cleansing of the family. I*

Traditional ceremonies are considered as the “creation of symbolic mechanisms to manage risk”. There is a strong belief that, by performing these ceremonies, the family will be protected and assured of a prosperous future. After the ceremony, a respondent confirmed that: *“my life has been stable and good”*. After the cleansing the respondent experienced a positive result: *“it helped me to get married”*.

Marriage Transactions

- Loans were also accessed to finance marriage transactions: *“I paid “lobola” negotiations of my son”, “my son paid “lobola” for his wife and I was able to finance his expenses”*.

Education

Expenses involved in children’s education were a common use for loans.

- Respondents have used loans for *“tuition fees and books”, “to pay my son’s tuition fees”, “for tuition fees, school uniforms and school transport”*.

Education is valued by respondents and having paid educational expenses in full ensured peace of mind: *“With school fees paid off we could focus on other things”*.

Perceptions of respondents regarding the value of loans

Thirty four (34) households (80% of the households that took out a loan) considered it to have had a positive impact on other members of the household besides the member that borrowed the loan. In 10 cases (23.8 % of the households that have taken loans) the loan did not have an impact on the rest of the household members.

Overall, respondents expressed more positive aspects attached to loans than negatives. Most prevalent among the positive aspects mentioned by respondents are those related to home investments. Furthermore, they also value education as well as the performing of funerals and traditional ceremonies. Respondents also appreciated access to loans as these assisted them in finding employment as well as in paying outstanding debts.

The negative aspects are indebtedness and difficulties to pay back, particularly when interest is high or the borrower becomes unemployed. In a few cases, procurement of the loan in fact caused disharmony in the family.

POSITIVE ASPECTS OF LOANS	NEGATIVE ASPECTS OF LOANS
<p><i>HOME INVESTMENTS</i></p> <p><i>'We built a house'</i></p> <p><i>'The family will have a home'</i></p> <p><i>'The home was improved'</i></p> <p><i>'I managed to pay debts, labourers & building material'</i></p> <p><i>'My roof no longer leaks'</i></p> <p><i>'I could buy building materials, pay labourers and buy groceries'</i></p> <p><i>EDUCATION</i></p> <p><i>'My son got his Diploma in Journalism'</i></p> <p><i>'School fees are paid up'</i></p> <p><i>'My daughter is now a qualified teacher'</i></p> <p><i>'Our children could continue with their studies'</i></p> <p><i>'Son could study further & mother repaid her debts'</i></p> <p><i>FUNERALS</i></p> <p><i>'We have buried our family member'</i></p> <p><i>'The funeral was processed'</i></p> <p><i>'Without it I couldn't bury my nephew'</i></p> <p><i>TRADITIONAL CEREMONIES</i></p> <p><i>'He performed the ceremony'</i></p> <p><i>'My son now has a wife'</i></p> <p><i>'I was able to perform the 21st birthday of my daughter'</i></p> <p><i>'We have done what we were asked to'</i></p> <p><i>WORK</i></p> <p><i>'My son found a job'</i></p> <p><i>'I will have a drivers licence and thus be more employable'</i></p> <p><i>REPAYMENT OF OUSTANDING DEBTS</i></p> <p><i>'Managed to repay most of my credit'</i></p> <p><i>'I paid for transport, groceries & outstanding debt'</i></p>	<p><i>INDEBTEDNESS AND DIFFICULTIES REPAYING DEBTS</i></p> <p><i>'We are struggling to repay the debt'</i></p> <p><i>'After the funeral we were in debt'</i></p> <p><i>'My son is now in debt'</i></p> <p><i>I am struggling to repay debt as I am unemployed</i></p> <p><i>'I struggled to repay it'</i></p> <p><i>high interest means I had to cut back on saving</i></p> <p><i>'I am still repaying the loan'</i></p> <p><i>'I could not enjoy the profit from my selling the loan interest is very high'</i></p> <p><i>I quitted my job before paying off debts & the interest is getting higher</i></p> <p><i>PROBLEMS IN THE FAMILY</i></p> <p><i>'my daughter's man left her with the children'</i></p> <p><i>'It caused some quarrels in the family'</i></p>

Debt Management

- Twenty nine (29) respondents (69% of the households who had taken loans) felt that the conditions of loan repayments were convenient. However, 9 households (22 % of those who have loans) were notable to pay them off. Respondents who borrowed money from banks were more satisfied with the payment conditions than those who borrowed money from a *mashonisa*.
- Respondents who have borrowed on a “one-on-one”-basis did not report problems in paying off debts. This is probably because the conditions of repayments are flexible and there is also no interest that applies to these loans.

RISK MANAGEMENT

Households were asked how they would face unexpected expenses. While the question alludes to a hypothetical situation, it can be regarded as an indication of how poor households are managing risk. In most cases, respondents had a clear contingency plan. Resources to be used would depend on the nature of the event, and households would use different mechanisms to respond to various needs at a personal and household level. Most of the households have made provision in cases of death: some have accumulated savings in banks while others used Stokvels.

Borrowing from a bank

- The most frequent response in terms of risk management was to borrow money from a bank. Those who preferred a bank seem to have had previous positive experiences with this endeavour: *“I would go to the bank as my husband repaid a loan in 2005 without problems”, “I would borrow from the bank as they have money readily available for lending for any problems”*.
- Respondents also valued the conditions offered by banks: *“I would borrow from the bank because you can negotiate if you can’t pay”*. Other respondents compared this to *mashonisa*: *“I would do to the bank as getting it from someone else can lead to problems”, “I would go to the bank because its instalments are small; mashonisa wants big deposits”*.

- In some cases respondents were not amenable to this option: *“The bank would lend me more than the mashonisa but at high interest”, “the bank though, I don’t like going to them for a loan”.*

Borrowing from family and relatives

- Respondents indicated that they would rely on their families and relatives to face unpredicted expenses as the second most common risk management strategy.
- Some of the respondents would rely on their parents if they still depended on them financially. Parents on the other hand, would rely on their children when they were employed and generating an income.
- In other cases, family members would be requested to borrow money from a third person or institution: *“My mother would get a loan”, “my partner would get it from his employer”.*
- Other respondents mentioned that relatives who are better off could be approached for money since they themselves did not have access to credit at a bank: *“I would borrow from relatives and neighbours since I don’t have a bank account”.*
- Another respondent indicated that he would request assistance from relatives as he was already indebted to the bank: *“from relatives as I would not qualify for the bank and I still owe them”.*

Resorting to the family for help

Letti does not have any savings. She thinks she will be helped by her family if she has to face an unpredicted event which would involve immediate financial attention. However, until now Letti has never faced a situation where she has to put together any big amount of money; *“I will cross that bridge when I get there”.* She remembers how she faced the funerals of her two daughters. One funeral was financed by her daughters’ boyfriend while the other one was buried by her daughter’s father.

Ndile describes her strategy to address an unpredictable event as follows:

What would we do first as a family is to sit and discuss the situation to determine how much money is needed and how this money will be covered. A person in the family may

have money which they cannot use under any circumstance, so then we would need to get money that everyone has saved up. Luckily we have a really big family so if the money the immediate family has saved is not enough, then we can get money from the extended family. But I believe that everything first needs to be discussed before any decision is made

Using household savings

- As a third risk management strategy, respondents pointed out that they would use their current savings. Some of them had savings for the purpose of facing unpredictable events. In some cases, savings were kept in the form of fixed deposits.

Borrowing from *mashonisas*

- Respondents who had no savings or access to financial institutions would most often request a loan from a *mashonisa*.
- Respondents valued the fact that money could be borrowed easily and they didn't need to provide these money lenders with collateral: *"we would go to a mashonisa as banks need surety", "mashonisas always has money"*.
- There were cases in which the borrower could negotiate with the *mashonisa* for waiving of interest: *"the mashonisa felt sorry for me and gave interest free loan; bank would never do that"*.

Borrowing from *mashonisas*

Betty lives with her husband, John in Alexandra. She has been borrowing money from *mashonisas* for several years now. These *mashonisas* belong to a *stokvel*, in which all its members are informal lenders. Betty recently took a loan for her husband and explains why:

I loaned money for him (her husband) because he does not know the ladies that lend money; he is a man and he spends most of his time at work during the day. The ladies that lend money are members of stokvel; they use the money accumulated during their gathering to loan to people.

John had taken a loan before from a bank for his children's school fees, to buy food and to pay off a previous loan they had with a *mashonisa*. However initially the bank loan was only taken to buy uniforms for his children. John takes all the financial decisions in the household, since he is the only one employed.

I had never decided on my own to loan money from a mashonisa because my husband is the one that makes all financial decisions.

Although Betty is friends with the *mashonisas*, she pays interest like anyone else; however Betty is exempted from having to provide collaterals and she also is able to take out a loan in spite of having an outstanding loan still to be settled. For Betty the availability of money is an important reason to borrow from a *mashonisa*

If we are to face any unpleasant situation that needs immediate finance; we are going to loan money from the mashonisa. We might go to a bank but mashonisas are our first option due to the availability of the money.

Betty considers borrowing from *mashonisas* as her first option because they live close to them Betty also borrows from a neighbour when she needs pocket money for her children. When Betty takes loan of R100 from a *mashonisa*, she has to return it with R30 interest. She is aware that the interest charged by the *mashonisa* is extremely high, however is used to cover daily expenses when there is no money. As she says, they would not *borrow money from a bank to give to her children when they go to school or for two weeks of groceries.*

Betty emphasised that she loans money that she knows that they will be able to repay. However, for the past eight years, Betty and John have been borrowing money from different sources to purchase monthly groceries and to make payments for their children's school fees, among other expenses. Betty thinks they will continue to borrow unless *John gets a better paying job*. As Betty's estimates, they spend close to R2000 every month to pay off the debts they have. Betty knows they are in a 'debt spiral.'

Loaning money from a mashonisa does not give you any progress in life because they demand their money with interest; that interest should be the money that helps you to have progress in life. Once you start loaning money, you remain in an evitable circle of credit which is hard to break through. We are not concerned about interest or any other charges that a bank or a mashonisa would pose on us because we desperately need

money.

Betty has never heard about the National Credit Regulator. She wants government to provide her with food and clothes for the children; she thinks they would then no longer remain in a debt trap as they are now.

Insurances

- Finally, respondents mentioned that they were members of burial societies from which they could request assistance in the event of facing funeral expenses in the family

Letti is unemployed and lives in Doringkop. She looks after her four orphaned grandchildren after her three daughters died. Her only secure source of income is a disability grant she gets for one of the children. She also gets economic assistance from her partner. Letti is a member of what is referred to as *Motshellano*. This is a group of women who live in the same street as Letti's. They contribute money when someone in their families dies. In this way they help each other. They only make contributions when there is a funeral, and the money gathered is taken to the affected family. Letti remembers that previously, the money collected used to reach R1500 but nowadays it is less. When Letti fails to make her contributions someone else does it for her and she gives that money back when she has it.

Ndile expresses the following view on the importance of making provision in case of a death in the family:

The other thing that worries us the most is our death, more than our lives. When we die we want to have a dignified funeral and so that the people who are left behind don't suffer. It is not that we want an expensive affair; we try to have something where I will be catered for when I am not longer here and my children and family will be able to go on even after I am gone.

DEBT REPAYMENT STRATEGIES

There are several strategies employed by respondents to manage debt repayments:

- **Collective household strategies:** In most cases, households engaged in collective strategies to pay off debts. A member of one household would use his salary to pay debts, while another members' income would be utilized for day-to-day living: *"My mother helps with money for food so I can repay debt", "I use my husband's and my incomes to pay for debt", "my daughter is working as a lecturer to help pay outstanding school fees", "we are using my parents' income to pay debt at Jet", monthly repayments are deducted from my husband's salary; and I pay from my income", "I am using mu husband's money to repay credit"*.
- **Automatic repayments:** Repaying bank loans seemed to be easier to manage when it is deducted from salaries on a monthly basis.
- **Paying interest only:** Some respondents found themselves unable to repay debts. This lead to some servicing the interest on the loan, but leaving the principle amount intact. *"I made arrangements with the bank", "I pay back only the interest", "I will have to pay double amount next month", "I had no salary while on maternity leave and I am paying arrears"*.
- **Inability to pay:** Another groups was simply unable to pay off their debts to formal institutions: *"After losing my job, Russels said I should pay all outstanding debt at once but I couldn't afford to", "I lost my job and I am unable to pay credit at Jet", 'my debts are more than my wage", "I am waiting for the provident fund so I can repay debts and I am looking for employment", "I am still trying to pay, other family members are unemployed"" "I will repay when I get my disability grant"*.
- **Informal loans:** Respondents with informal loans seemed less concerned about repayment: *"we tell them we will pay as soon as we have employment", "I will pay whenever", "I will repay her when I have money"*.

THE NATIONAL CREDIT REGULATOR

Awareness of the National Credit Act was tested by asking households if they heard anything about the government passing a new law to help people with debt problems.

A total of 12.4% of the total sample indicated awareness of this legislation. However, when prompted on this, respondents provided a wide range of responses in terms of what the new legislation will mean for them, most of these being incorrect. Responses included that legislation will help people from being blacklisted, will mean automatic removal of names from any credit checking mechanisms, that the government will now pay half of all people's debt, that access to credit will be made easier, that all debt will be written off. While a large number of respondents indicated that they have heard of the new legislation, they could not furnish any information on it, and were unaware of the implications of this Act. Some of the more positive responses included that this legislation will assist people in accessing affordable loans, that it assist in controlling people's use of credit and to decrease the chances of being indebted.

Only 7.4% of the respondents have heard of the National Credit Regulator. Of these, responses in terms of the Regulator's role ranged from "I don't know", "it is good" and "it is nonsense", to "it will help me manage my credit better".

CONCLUSIONS

- The majority of the group has access to credit, and this credit is used mostly for consumption goods. However, nearly half of the group were unable to pay off their credit.
- Most respondents have borrowed money from banks. Banks loans are mostly used for investments in infrastructure and education. Bank loan and its investment are both planned. The employed household member was the borrower of bank loans in all of the cases. Households that have had access to bank loans are mostly satisfied with the conditions, and indicated that they would borrow again from that source in case of need.
- A second group has borrowed from *mashonisas*. Loans from *mashonisas* are frequently linked to unexpected household expenses (emergencies, food and transport). Loans taken from *mashonisas* are less planned as they are used to meet unexpected events. It is because of the nature of these events that respondents value the accessibility of this money and the fact they do not need to provide collateral. Amounts borrowed from *mashonisa* are generally small, but the interest paid is high.
- Overall, respondents who have taken a loan had a positive evaluation of the uses of these loans, as most of them considered the loan as contributing to the wellbeing of all the household members. The dimensions in which the loan has benefited the household wellbeing are various. Respondents valued the comfort provided by the improvements in their homes as well as being able to provide education for their children. They also saw the positive effects of the loans as these have enabled them to meet family obligations, perform celebrations and continue their traditions. Respondents also valued loans that have assisted them to cover basic needs such as food and daily expenses such as transport.
- The majority of the households had saving. Furthermore they *–are saving*. They are mostly saving through informal mechanisms (at home, through stokvels and money guarding).
 - Money guarding is widely used and it acts as a risk management devise for the owner of the money.

- Women play an important function as money guarders. Their financial skills are valued and acquired in the performance of their duties, which are based on the existent sexual division of labour.
- Most of the financial transactions –besides the loans taken from formal institutions– are mediated by social relations and based on trust. One-on-one borrowing of small amounts of money is widely used and is based on trust and reciprocity among people.
- The most common debt repayment strategies are collective. It involves various members of the family who assist in paying off debts.



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