

Impact of credit facilities on savings among middle income earners in the North West Department of Education

Nthabiseng M Mngomezulu
Student number: 12131288

**Submitted in partial fulfilment of the requirements for the
Degree Master of Business Administration
at the North-West University, Mafikeng Campus**

Supervisor: Professor Wedzerayi Musvoto

November 2016

DECLARATION

I solemnly declare that this mini-dissertation is my own work and that it has not been previously submitted for a degree at this university or any other university. All materials contained herein have been duly acknowledged.

.....

.....

NTHABISENG M MNGOMEZULU

DATE

ACKNOWLEDGEMENTS

I am grateful to the following people for their unwavering support during the compilation of this research project:

First and foremost, I thank my supervisor, Professor Wedzerai Musvoto, for his excellent guidance, assistance, persistent support and encouragement throughout the duration of this project. I am indeed grateful to you for instilling confidence in me.

To my study group members, Gladys Thipe and Modisana Bogatsu (Mokgwenyane), I salute and thank you for the constructive criticism and advice you gave me during discussions throughout the course.

Finally, to all principals, heads of departments and educators who participated in this study, thank you so much for your time and the valuable information you volunteered to give. Without your support this study would not have been possible.

ABSTRACT

Savings play a critical role in any economy. It is income put aside for future use or investment. Household savings refer to disposable income that is not used for current consumption. There is evidence that South Africa lacks savings and this could be attributed to income inequality, demographic trends, financial liberalisation, social security net and other factors noted in the research. The main purpose of this study was to investigate the impact of credit facilities on savings. This study was prompted by the fact that close to five million South Africans is over-indebted and most fall in the middle income category. This means the greater portion of their income is directed towards repayment of debt leaving little or nothing for savings.

Structured questionnaires were distributed among educators in Bojanala district, North-West Province in order to obtain data that would answer the research question for this study. The results show that the majority of respondents overwhelmingly committed 30% of their gross monthly income to instalments. Some fail to keep up with the repayments and end up in serious debt. This has got serious repercussions on savings as many households fail to save even a little for future use. The research also shows that extension of credit facilities has got a negative impact on the savings levels of households. In other words, the more people enter into debt, the less they have left for savings after debt repayment. However, one must take cognizance of the benefits of credit extension and its role in the growth of a country's economy. For instance, extension of credit facilities enhances efficiency in the financial sector, especially on intermediation thus boosting investment levels. This in turn has a positive effect on economic growth. In the long run, private savings are bound to increase.

Literature review reveals that regulations governing the credit market are not strictly enforced as evidenced from reckless lending by credit providers. The National Credit Regulator has failed to meet its expectations. The rampant sprouting of unregistered money lenders also bears testimony to this. Such anomalies in the credit market have serious negative impact on borrowers who are in precarious debt situations. The research recommends for the establishment of a regulatory framework ensuring adherence to operator regulations in the credit market. There is an overwhelming need for further studies focusing on various dimensions of savings.

DEDICATION

This work is dedicated to the following people:

- My family, my children Matlhogonolo, Vusumuzi, the twins Keletso and Siyabonga who were patient and never complained of neglect. They understood and supported me throughout this study.
- To my husband, the fountain of my inspiration, my pillar of strength, you tirelessly took over the role of dual parenting during my busiest times. Thank you for your undying love and support throughout my studies and for keeping the home fires burning in my absence.
- To my one and only sister, Molebogeng, my brother Sidwell, thank you for your continued support and inspiration.
- My late mother, to whom I dedicate this study.
- God Almighty, for giving me the strength, wisdom and courage to complete my studies.

TABLE OF CONTENTS

DECLARATION	I
ACKNOWLEDGEMENTS	II
ABSTRACT	III
DEDICATION	IV
LIST OF ACRONYMS	X
1	CHAPTER 1: THE PROBLEM AND ITS SETTING 1
1.1	INTRODUCTION..... 1
1.2	BACKGROUND TO THE STUDY..... 2
1.3	PROBLEM STATEMENT 4
1.4	RESEARCH QUESTIONS..... 5
1.5	OBJECTIVES OF THE STUDY 5
1.6	SIGNIFICANCE OF THE STUDY 6
1.7	DEFINITION OF TERMS/CONCEPT 6
1.8	LIMITATIONS OF THE STUDY 6
1.9	CHAPTER OUTLINE..... 7
2	CHAPTER 2: LITERATURE REVIEW 8
2.1	INTRODUCTION..... 8
2.2	SOUTH AFRICAN CREDIT LANDSCAPE 8
2.2.1	THE NATIONAL CREDIT ACT 34 OF 2005..... 10
2.3	THE INTERNATIONAL BORROWING LANDSCAPE 11
2.3.1	AMERICAN LENDING LANDSCAPE 11
2.3.2	LENDING ACT IN FIJI..... 12
2.3.3	THE AUSTRALIAN LENDING ACT 13
2.3.4	RESPONSIBLE LENDING IN MALAYSIA..... 14

2.3.5	GROSS NATIONAL SAVINGS % OF GDP FOR BRICS NATIONS.....	14
2.4	DEFINING MIDDLE INCOME EARNERS	16
2.5	TYPES OF SAVINGS	18
2.5.1	EMERGENCY FUND	18
2.5.2	TARGETED SAVINGS	18
2.5.3	INVESTMENT	18
2.5.4	EDUCATION	18
2.6	AFFORDABILITY	20
2.7	TYPES OF HOUSEHOLD DEBTS	21
2.8	HOUSEHOLD CONSUMPTION EXPENDITURE PER POPULATION	
GROUP		23
2.9	SUMMARY	24
3	CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY	25
3.1	RESEARCH DESIGN AND METHODOLOGY	25
3.1.1	QUANTITATIVE METHOD	25
3.1.2	QUALITATIVE METHOD.....	28
3.2	ETHICAL CONSIDERATIONS	30
3.3	SUMMARY	31
4	CHAPTER 4: DATA PRESENTATION AND ANALYSIS	32
4.1	INTRODUCTION	32
4.2	PERSONAL INFORMATION	32
4.3	COMPOSITION OF CREDIT PROVIDERS.....	33
4.4	AGE COMPOSITION	34
4.5	RESPONDENT'S POSITION AND EDUCATION LEVEL.....	35
4.6	LEVEL OF NON-SAVING AMONG MIDDLE INCOME CLASS.....	37

4.7	LEVEL OF FINANCIAL LITERACY	38
4.8	ROLE OF FINANCIAL INSTITUTIONS ON DEBT ALLEVIATION	39
4.9	ROLE OF THE GOVERNMENT	40
4.10	RELIABILITY ANALYSIS.....	42
4.11	CORRELATION ANALYSIS	42
4.12	T- TEST BETWEEN TWO INDEPENDENT SAMPLES	45
4.13	CONCLUSION.....	46
5	CHAPTER 5: FINDINGS, CONCLUSION AND RECOMMENDATIONS	47
5.1	INTRODUCTION	47
5.2	THEORETICAL FINDINGS	47
5.2.1	DEMOGRAPHIC TENDS	48
5.2.2	INCOME INEQUALITY	48
5.2.3	FINANCIAL LIBERALISATION.....	48
5.3	EMPIRICAL FINDINGS	49
5.3.1	LEVEL OF FINANCIAL LITERACY	49
5.3.2	ROLE OF FINANCIAL INSTITUTIONS	49
5.3.3	REGULATORY FRAMEWORK	50
5.4	DISCUSSION	50
5.5	CONCLUSION.....	51
5.6	RECOMMENDATIONS	52
5.7	FUTURE RESEARCH DIRECTION	54
	REFERENCES	55
	APPENDIX A: COVER LETTER.....	59
	APPENDIX B: QUESTIONNAIRE	60

LIST OF TABLES

Table 4-1: Gender	32
Table 4-2: Lending.....	33
Table 4-3: Age category	34
Table 4-4: Rank.....	35
Table 4-5: Educational qualifications	36
Table 4-6: Savings level in the middle class earners.....	37
Table 4-7: Level of financial literacy	38
Table 4-8: Role of credit providers.....	40
Table 4-9: Role of government	41
Table 4-10: Dimension.....	42
Table 4-11: Spearman's rank correlation between age category and views of respondents their finances and debt	43
Table 4-12: Comparing perceptions (views) of male and female respondents concerning debt.....	45

LIST OF FIGURES

Figure 2-1: Race and the middle class 2008, South Africa.....	17
Figure 2-2: Percentage distribution of total annual household consumption expenditure.....	22
Figure 2-3: Average annual household consumption expenditure by population group of household head.....	24
Figure 4-1: Race and the middle class 2008, South Africa.....	33
Figure 4-2: Lending	34
Figure 4-3: Age category	35
Figure 4-4: Rank.....	36
Figure 4-5: Educational qualifications.....	36

LIST OF ACRONYMS

Abbreviation	Full description
NCA	National Credit Act
NCR	National Credit Regulator
USA	United States of America
ANC	African National Congress
SA	South Africa
Stats SA	Statistics South Africa
CBM	Credit Beaureau Monitor

1 CHAPTER 1: THE PROBLEM AND ITS SETTING

1.1 INTRODUCTION

The purpose of this study is to investigate the impact of credit facilities on savings among middle income earners in Bojanala district, North West province. This investigation was prompted by the observation that the majority of middle income earners are struggling with over-indebtedness. Research has shown that approximately five million South Africans are over-indebted and it is believed that the low levels of savings in the economy are due to excessive consumption levels triggered by availability and accessibility of credit facilities. As noted by Geldenhuys (2014), middle income earners receive competitive salaries but they are unable to service their monthly obligations and consequently default on bonds, school fees, water and electricity among others. These make the middle income earners vulnerable to micro lenders and banks as creditors.

The Public Commission (2007) indicates that most government employees are indebted. Du Plessis (2008) supports the above statement by arguing that 70% of government employees spend close to 79 % of their income on debts, while 4.5% spend more than 100% of their income on debt. As a result of this the government has taken strides to regulate the credit market but this has not helped much.

The National Credit Act (NCA) Act 34 of 2005 was aimed at regulating reckless lending behaviour by credit providers and put in place some punitive debt restrictions. In this regard, little was achieved because the standard of living among middle income earners has deteriorated overtime. This has resulted in low morale, family challenges, high stress levels and a high number of resignations by public servants in order to service their debts from their terminal benefits (Seekings, 2008).

The decline in the number of middle income earners due to indebtedness in South Africa and the deterioration of living standards impacts negatively on the socio-economic environment of the country. According to Gregg (1998), middle income earners offer society two primary benefits, namely, economic development and democratic stability. This assertion was supported by Geldenhuys (2014). There is therefore a particularly perceptible impact on savings by middle income earners

arising from the range of credit facilities available to this segment of South Africa. It is argued that the study could help in proposing recommendations that would improve people's standard of living. As noted by other researchers many people are financially illiterate. Therefore, this study offers useful insights in educating households on savings and investments.

This study commences with a brief background on the North West districts in section 2. This is followed by a brief discussion of research problem, research questions, objectives of the study and significance of study are briefly discussed in Section 3, 4, 5 and 6 respectively. Definition of terms/concepts is outlined in section 7. The limitations of the study and chapter outline are highlighted in Section 8, and 9 respectively.

1.2 BACKGROUND TO THE STUDY

The North West province has got four districts namely Bojanala, Dr R S Mompoti, Ngaka Modiri Molema and Dr Kenneth Kaunda. Over seventy-five per cent of teachers constitute the middle income earners in the district (Stats SA, 2010). In the North West Province, like elsewhere in South Africa, middle income earners are highly indebted and this has become a major concern. These are people who earn between twenty-five thousand rands and forty thousand rands per month. They constitute 40% of the working class which translates to 17% of the total population (Schlemmer, 2005). Therefore middle income earners contribute significantly towards Gross Domestic Product of South Africa. An increase in the number of middle income earners results in a significant improvement in the standard of living of a country, generally.

The study focuses on Bojanala which is the largest district with the largest population (1.6 million) and over three thousand teachers. The district has several villages around mining areas. The teachers form the most active economic group in Bojanala. They fall into the middle income category. These teachers work under extremely difficult conditions which affect their living conditions and some of the challenges they face include inappropriate and inadequate provision of support services, lack of the department of education involvement, lack of protective legislation and policy enforcement and lack of debt counselling. This is in addition to

the general socio-economic malaise that the majority of South Africans live under. According to Slabbert (2013) these conditions also affect the morale of the teachers as well as their professional performance. The South African transition in 1994 resulted in an increase in the ability of larger proportional households to borrow. These, among others, are driven by household wealth for middle income earners, wealth distribution, declining interest rates, partially political legislatively driven and wider-access to the formal financial sectors.

According to Stats S.A. (2010) the Department of Education in all nine provinces is governed according to district councils. In the North West districts are divided into Central, Bophirima, Southern and Bojanala. Seventy-five per cent of teachers in Bojanala are middle income earners.

According to Nga (2011) middle income earners are in the salary bracket of between R300 000 and R500 000 per annum and characterised by high percentage of people working full time (82,8), car ownership (77,8%), accounts being accessed via ATM's (84,7%), residing in metropolitan areas (59,4%) and have a savings account (65,7%). The distinctive feature of this group is that about 41% of them have post-school qualifications while another 40% have matric and professional experience. Growth in credit consumption in South Africa has exceeded growth in income, leading to increasing levels of household debt, lack of savings and financial insecurity. The most affected group are the middle income earners (Seekings, 2008).

People all over the world need financial security. In a bid to ensuring financial security, individuals must be encouraged to develop the culture of savings, for instance putting money into ventures, where the money earn interest and increase in value for future use (Van der Burg, 2009). In line with this, most developed and developing countries are shifting their attention from meeting the immediate needs of individuals to ensuring financial security and total well-being of their citizenry (Prinsloo, 2002).

De Wall (2013) indicates that the value of credit granted to consumers increased by 9,3% since 2012 in South Africa. Therefore, the number of government employees who cannot service their debt repayment has increased while the standard of living has decreased overtime (Nga, 2007). The high living standards among middle class

employees put severe financial strain on the economy and increase the cost of credit or borrowing levels. The increase in food prices, high electricity bills, increase in petrol prices and household maintenance over-burdens employees and thus make them vulnerable to micro lenders and the banks (Geldenhuis, 2014).

1.3 PROBLEM STATEMENT

Many South Africans are over-indebted. The approximate figure could be in the range of five million which translates to 14% of people in the age group of 16 years and above and in employment. The majority of these are in the middle income category (Slabbert, 2013). That means a greater portion of their income goes towards repayment of debt and nothing is left for savings. However, this can be attributed to irresponsible lending by credit providers. The National Credit Act 34 of 2005 was introduced to protect consumers from being over-indebted. This has not helped much as the laws are not effectively enforced, thus leaving borrowers at the mercy of credit providers (Seekings, 2008). This results in borrowers, especially middle income earners, getting into precarious debt situations where they are not able to save.

This concept of reckless lending was introduced in 2007 as part of financial regulations. It calls for a thorough check and exercising of due diligence to ensure that consumers are not over-indebted (NCR final report, 2012). Reckless lending affects the middle class income earners most times. Bojanala district, which happens to have many teachers who are in the middle income group, is greatly affected. Therefore, it is the intention of the researcher to investigate the impact of credit extension on savings in this district.

Irresponsible or reckless lending has serious consequences on savings in South Africa. Despite the government interventions by introducing acts and policies to curtail reckless lending, the situation has remained the same. The middle income earners constitute 17% of the population and in order to sustain their lifestyle they need to have enough money in their bank accounts (Geldenhuis, 2014).

It is also important to note that the majority of consumers are financially illiterate and subject to abuse by creditors. As already noted, the National Credit Act 34 of 2005 is not fully enforceable, leaving consumers vulnerable to reckless lending (Nga, 2007).

As mentioned earlier on, teachers' morale in Bojanala is at its lowest ebb thus affecting classroom performance. It is on this basis that the study seeks to analyse the impact of credit facilities on savings among middle –income earners in Bojanala district.

1.4 RESEARCH QUESTIONS

In order to address the research problem, the following research questions are explored in this study:

- What is the level of financial literacy among middle income earners in the Department of Education in Bojanala district of North West province, South Africa?
- What is the role played by financial institutions in helping consumers to pay their debts in North West province?
- What is the level of non-saving amongst middle income earners in Bojanala district of North West Province?
- How can the government ensure compliance to the NCR by credit lenders in order to prevent reckless borrowing?

1.5 OBJECTIVES OF THE STUDY

The objectives of the study are set as follows to:

- determine the level of financial literacy among the middle income earners in the Department of education in Bojanala district of North West province, South Africa.
- determine the role played by financial institutions in helping consumers to repay their debts in North West province
- determine the level of non-saving of middle income earners in Bojanala district of North West Province
- establish how the government ensures the credit lenders' compliance in order prevent reckless borrowing.

1.6 SIGNIFICANCE OF THE STUDY

This study is envisaged to assist the government in identifying the problems affecting the credit market and formulating new legislation. The current legislation is ineffective; therefore, this study will also help the government to find ways of enforcing the existing legislation. It is envisaged that the study will improve the welfare of communities and individuals by enlightening them about the problems associated with heavy debt. The lenders are expected to become aware of the social problems caused by reckless lending. The study will further assist in educating households on saving and investment in order to live within their means and thus offer useful insights that may help in managing reckless lending and to encourage further research on the topic.

1.7 DEFINITION OF TERMS/CONCEPT

Middle Income Earners: middle-class income earners are associated with either families or individuals with certain lifestyle or level of affluence as evidenced by expenditure on food, clothing, furniture, car model.

- Saving refers to any income which may not be used for immediate consumption
- Household Debt is debt incurred for consumables or depreciating assets that are not considered as investments.

1.8 LIMITATIONS OF THE STUDY

This study focuses on the impact of the credit facilities of saving for the teachers in the Bojanala district, North West education of South Africa. The following limitations are apparent:

Due to the size and the number of schools Bojanala district has, only ten schools representing a population of 1500 teachers. Therefore, the sample size will be limited to 120 respondents. Findings from the study could only apply to the Bojanala district.

1.9 CHAPTER OUTLINE

Chapter 1: Introduces the study.

Chapter 2: Review of literature on National Credit Regulation (NCR), challenges of middle income earners, the reasons middle income workers from saving, the legislative framework among others in order to understand how middle income earners are influenced by debt and reckless spending.

Chapter 3: Focuses on the research methodology

Chapter 4: Presents the analysis of data and the findings thereof.

Chapter 5: Concludes the study

2 CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

The habit of reckless lending by credit providers in South Africa has a direct negative impact on the lives of millions of households who are under financial pressure to survive. According to Public Commission (2007), government employees have more job security than those in other sectors and therefore are prone to taking personal loans more frequently, using credit cards and other forms of credit. In the process these public servants incur massive debts. This means that they are over-indebted and thus are trapped in debt cycle if no additional increase in income is anticipated.

Borrowing among middle-class income earners leads to more debt and creditors take advantage of households who cannot service their outstanding debts. Government interventions by means of regulations and acts are not enough to curb the bad practices of reckless lending by creditors. Middle income earners want to maintain high quality of life but affordability is fast becoming a real challenge. High standards of living compel them rely on credit cards, skipping payments and seeking bank over-drafts to service this kind of lifestyle (Saiag, 2013).

This chapter commences with an explanation of how government regulations on micro lenders and other credit providers compares with that of other international countries. It also identifies core lessons that could help South Africa to curb the abuse of employees by creditors and permanently relieve the consumers to cope financially in difficult times without risk. The South African lending landscape is discussed and few international countries who have improved their credit lending acts in order to promote responsible lending are also briefly discussed.

2.2 SOUTH AFRICAN CREDIT LANDSCAPE

South Africa's democracy brought about many opportunities and possibilities for all citizens, organizations and the economy at large. Consequently, borrowing has witnessed an upward trend whereby householders sometimes spend money that they do actually have. In other words, they spend money which they have not yet received through borrowing and using credit facilities. Unlike the period before

independence, credit facilities have become easily accessible to everyone in South Africa. According to Served and Saiag (2013), there are three sectors that a South African consumer is able to choose from:

- Borrow from many banks.
- Use many credit cards with and at any retailer.
- Accessing micro-loans which could be either legal or illegal.

Financial institutions such as banks and micro lenders opened the doors to a larger demography by increasing credit extension and lowering minimum requirements in order to target middle class earners, especially government employees. These lenders use direct or garnish or attachment orders or keep borrowers ATM cards in order to ensure repayment (Seekings, 2008).

The more employees borrow recklessly, the more they are unable to save and hence at the end, they are overcome by financial stress. The coping mechanisms vary from one struggling employee to the other. Borrowing from either friends, family or a financial institution comes with another dimension of extending the indebtedness that ultimately manifests itself in depleted savings, pawning or even selling valuable assets (Nga, 2013).

The demands of high living standards among middle class employees put financial strain on the economy and increase the cost of credit. The increase in food prices, high electricity bills, increase in petrol prices and household maintenance overburden employees and thus make them vulnerable to micro lenders and the banks. Therefore, the number of government employees who cannot service their debt repayment and maintain their standard of living has increased over time (Nga 2007). According to Geldenhuis (2014), even though middle class employees are earning competitive salaries, they are unable to service their monthly instalments bonds, car loans, school fees, water and lights amongst other things. Prinsloo (2000) postulates that the decline in South Africa's marginal propensity to save is as a result of a decrease in household disposable income, easy access to credit and deregulation of financial institutions.

Manyama (2007) mentions that easy access to credit is the main contributor to poor savings among middle class income earners in South Africa. This authority further

identifies the determinants of savings as individual financial literacy, self-control and peer influence. Nga (2013) mentions that financial self-control and restraint that was practiced has been replaced by a propensity towards wasteful expenditure amongst middle class income earners. Employees lack adequate levels of financial education in order to make informed economic and financial decisions with clear understanding of their rights.

2.2.1 THE NATIONAL CREDIT ACT 34 OF 2005

The main objective of the National Credit Act 34 of 2005 is to regulate reckless credit behaviour. It requires credit providers to exercise due diligence in terms of conditions of the debt contract.

The main objectives of the Act are:

- The promotion of a fair and non-discriminatory credit market.
- The provision of regulation in the credit industry and credit information.
- The improvement of access for consumers and the standard of the information provided.
- The promotions of responsible lending by credit providers in order to avoid over indebtedness and reckless credit granting.
- Seeking to address consumer indebtedness by introducing debt counselling and debt restriction.

The regulations of credit providers, credit bureaus and credit counselling amongst others are thus regulated by NCR. Although the NCR is supposed to protect the consumers, reckless lending is still increasing at an alarming rate among the middle class.

The Micro Financial Regulating Council defines over-indebted employees as employees using 25% or more of their gross monthly income, which translates to 50% or more of their net income, to service debt (Saiag, 2013). This means that such an employee requires another loan in order to repay a current loan. According to Du Plessis (2008) this is caused by credit consumption exceeding growth in income levels. National Credit Regulator (2012) observed an increase in unsecured

debt and loans amongst middle class earners rising from 25% to 78% in the four years ending 2011.

South Africa's middle income earners' spending has increased as debt mounts. They are under pressure due to high levels of debt and spending beyond their means. The middle income earners' expenditure patterns are on essential goods and services, rather than non-essentials.

The National Credit Act mentions that consumers' indebtedness is caused by credit consumption exceeding income growth levels. As noted by De Waal (2013) the value of credit granted to consumers increased from R109.72 billion to R119.94 (9.31%) during the last quarter of 2012. The gross debtors increased from R1.39 trillion to R1.44 trillion (3.76%) during the same period. This reflects sad reality of a country that is becoming more and more indebted. As observed by the Credit Bureau Monitor (CBM) only 52.5% of the 20.08 million credit active customers were in good standing. That means they were up to date with their payments and not in arrears for more than two months. As at March 2013, 47.5% of credit active consumers had impaired credit records (NCR 2013:30).

De Wall (2013) indicates that extension increased by 9, 3% since 2012. Despite NCR regulations, the problem of indebtedness is deepening and consumers are hard-pressed due to lack of enforcement.

2.3 THE INTERNATIONAL BORROWING LANDSCAPE

This sub-section discusses briefly how other international countries enforced their lending acts to control reckless lending by consumers and suggests how South Africa could benefit from such legislations and enforcement practices. The following countries are discussed in brief:

2.3.1 AMERICAN LENDING LANDSCAPE

According to a 2005 New York Times survey in Maddisson and Angus (2007), over sixty percent of Americans consider themselves part of the middle class. The middle class in the USA are indebted in home ownership, car, college education for their children, health and retirement security and occasionally family vacations. According

to Yu et al (2010), middle class families and single parents incur debts for child care when their children are still young. The child care costs prevent earlier savings for college finances. Middle income earners want to attain certain things, including a car, a family home, adequate health care, retirement and college savings and regular family vacations.

According to Yu et al (2010) middle class income earners in USA had little savings and poor credit ratings and high outstanding debt. Middle class income earners are best in providing for their families but lower in saving and investing.

Although USA is a first world power house economy, over time its middle class has declined by two percent (Du Plessis, et al, 2012). This has forced the government to introduce a range of savings innovations. Involuntary programmes, overseen and funded by the government, ensured a decline in household expenditure thus leaving additional funds in the form of savings as part of social security.

- Legislation has made it difficult not to save: The social security hard not to save except if one decides not to work. They also make use of defaults and bundling to ensure that everyone saves.
- Legislation has made it easy for people to save: this is the kind of innovation that makes people save by ensuring availability of savings products.
- Banks and financial institutions have been allowed to bribe people to save: banks lure people to save by offering attractive incentives and outright grants. These interventions by the federal government encourage savings under difficult circumstances and ensuring that the middle class income earners receive the necessary support and motivation to save, and also that this gives financial institutions a little room to impact on non-savings.

2.3.2 LENDING ACT IN FIJI

In Fiji for example, the unregulated credit market was a serious impediment to quality credit provision. For instance, many credit products and credit bureaus were not regulated. This resulted in many consumers losing out on their hard earned savings and falling into a debt trap for decades. Correcting the challenges of affordability, the Consumer Credit Act 1999 and Regulations (2005) of Fiji addresses the challenges of consumers and requires:

- The enforcement of provisions of Consumer Credit Act is compulsory to correct interest charges of repossession.
- Financial literacy in the programmes for better financial management behaviour needs to be implemented by the Consumer Council of Fiji, together with the provisions made available in schools.
- A new approach to addressing consumer financial grievances indicating those on banks and insurance needs to be effected.
- Consumer literacy
- Transparency

And for one to qualify for a personal loan, the customer must have been in employment for two years, and repayments must be done through deduction from salary to reduce further reckless borrowing by consumers.

2.3.3 THE AUSTRALIAN LENDING ACT

The Australian federal government introduced a responsible lending act that ensures that credit providers and brokers are licenced. This means that lenders cannot enter into a credit contract with the consumer or assist a consumer to apply for credit contract when it is unsuitable for the consumer. To meet the responsible lending obligations, credit providers must:

- Acquire knowledge about the consumer's financial circumstances.
- Take reasonable and necessary steps to verify the consumer's financial position and
- Do an assessment to ensure that the credit is not unsuitable for the consumer.

In addition to responsible lending obligations, the Australian government has introduced many reforms on consumer credit:

- Abolition of some fee types.
- One-page fact sheets were introduced for credit cards and home loans.
- Disclosure about the payment terms improved.
- Abolition of unsolicited credit card limit increases.

And these reforms have been welcomed by consumer groups and enabled consumers to repay loans without experiencing substantial hardships.

2.3.4 RESPONSIBLE LENDING IN MALAYSIA

To tighten credit in Malaysia, the government introduced new guidelines on responsible finance in 2010 in an effort to reduce household indebtedness and reinforce responsible lending by credit providers.

The guidelines encompass vehicle financing, individual consumers on home loans, credit cards, personnel financing etc. These guidelines emphasise:

- More stringent sustainability and affordability assessment on consumers.
- Prudent bank policies to prevent customers from becoming over indebted.
- Increasing the minimum income required to acquire loans from 18000 to 24000 Malaysian dollars per year.
- The implementation of financial education programme for all consumers was enforced.

Generally, banks adhere to those guidelines and enable consumers to make informed decisions. Given the above international scenario, South Africa credit providers could learn more in dealing with consumers. The National Credit Act in South Africa is not fully enforced to protect consumers from lending recklessly or getting abused by lenders.

2.3.5 GROSS NATIONAL SAVINGS % OF GDP FOR BRICS NATIONS

Access helps the poor to manage their cash flows and meet other basic needs such as food, housing and health care. With regard to access, the credit card has proved to be a powerful instrument for quick cash (Mann, 2006). Over the years, there has been a shift towards consumption from wealth and family status. The credit card has become a great challenge of societal democracies (Littwin, 2001). It is also important to note that the credit card is flexible and can be readily used (Frank, 1999). Credit cards have been received with mixed feelings as they are viewed as leading consumers to overspending, thus causing indebtedness. Credit card lending is an unsecured form of lending and as such is very risky. Several factors leave the credit

lenders with no practical device for collecting payment. Household debt is at 75,4% of disposable income with household savings at 1,7% of GDP. Households therefore apparently spend more than what they earn throughout the year.

South Africa compared to BRICS

South Africa became part of BRICS countries five years ago in 2011. The consortium of countries consists of Brazil, Russia, India, China and South Africa. According to the World Economic Forum Report (WEF, 2012/13), these countries constitute twenty-five percent of the world GDP. South Africa remains the lowest in GDP and compared to Brics countries; it is in the lowest in Gross National Savings (GNS). China is the second largest economy in the world and savings by 2013 were at fifty-one percent compared to South Africa at sixteen percent. This shows that households in South Africa compared to other developing nations are indebted.

With the case of Bojanala where teachers work in rural environments, it is difficult for them to save. The increasing goods and services and living beyond their means, to service their daily lifestyle is a challenge because after covering all their spending needs they remain with nothing and hence they always go back to the micro lenders. Mann & Hawlangs (2007) argue that households withdraw their full salaries as soon as it is deposited. These authorities further posit that households have tendencies to turn to the financial sector to take advantage of unsecured borrowing in order to access other essential services.

This situation does not give consumers breathing space to invest their hard earned cash for the future. They become victims to loan sharks or micro lenders. What micro lenders and other unscrupulous creditors do not reveal is that consumers end up paying double for the amount borrowed. While the maximum interests rates allowed by the National Credit Act does not exceed twenty nine percent per annum and initiation fees, insurance added by the micro lenders takes advantage of consumers who have little knowledge of the consequences and are desperate.

2.4 DEFINING MIDDLE INCOME EARNERS

Middle income earners are defined in terms of occupational status and life-style or derived from a salary earned on the basis of its specialised skills, expertise and it is made up of white-collar professionals, managers and teachers among others.

This class in a society, according to Seekings (2008), offers society two primary benefits which are economic development and democratic stability. Gregg (2010) supports the above by purporting that it is a way of life, informed by a certain set of values. Middle income earners are distinguished by suburban residence, standard dress code, affluent family life-style, ambition, education, consumption and high spending of income, (Gregg, 1998). This segment constitutes 17% of the South African population.

According to Schemmer (2005) middle income earners are in the income range between twenty thousand rands and forty thousand rands and 17% or 8.3 million of the 51 million population based on 2011 census, (51% Africans, 34% whites, 9% coloured and 6% Indians'). Because of their life-style, it is difficult to sustain their tastes with what they earn on monthly basis. Therefore, middle income earners are associated with security, comfort and social mobility, yet all these are in decline as they are no longer able to afford what they think they deserve.

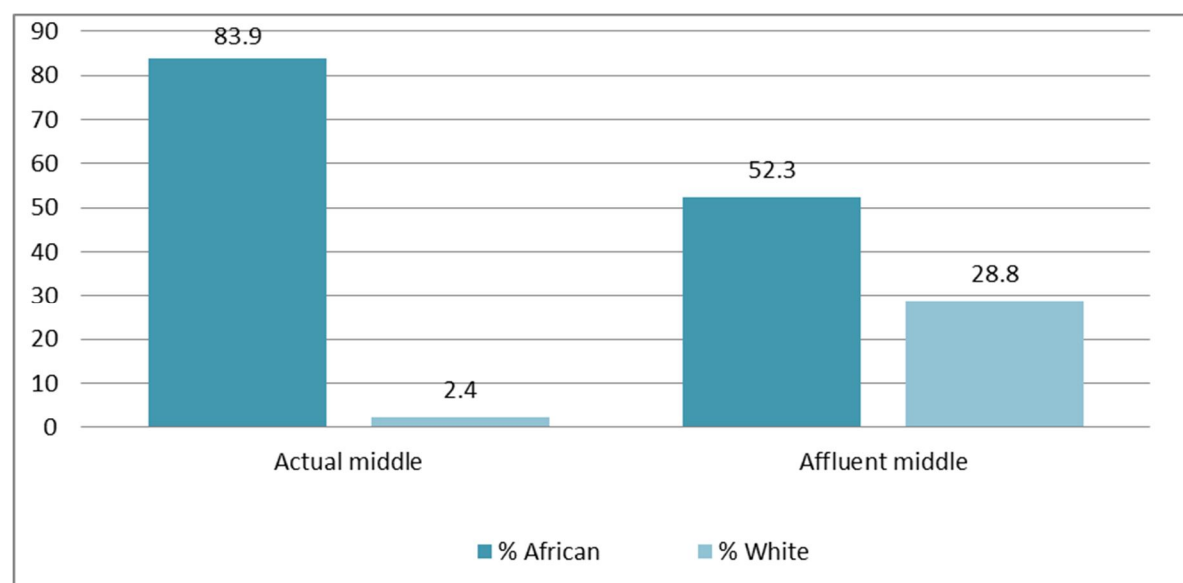
Credit lenders take advantage of their situation to easily lend them money without checking affordability, impacting negatively on the economy. Teachers, especially in the villages of North West province like Bojanala, are vulnerable to this kind of reckless lending due to de-motivating conditions and change in lifestyle. The black middle class is creating a stable society and increasing the tax base and also contributing to the skills base, including stable employment. The study by NIDS (2008) indicates that black middle class in South Africa has surpassed the middle class of other population groupings mainly due to affirmative action in policies promulgated in the post-democratic nation.

According to Lehohla (2006) having a formal job, owning a house, having running water and flushing toilet in the house, having electricity and owning a cell phone defines a middle income earner. In South Africa there are many middle classes emerging after the African National Congress (ANC) took over the power of

government. More blacks were given opportunities, especially in government departments, including in the teaching profession. The total income per household was re-distributed according to income groups.

The middle class plays a critical role in economic development and growth. According to Perotti (2007) the term middle-class income earners is associated with either families or individuals with certain lifestyles or level of wealthy as shown by expenditure on clothing, food, model of car, furniture, etc. The affluent middle class households provide an important base for education and skills, promote entrepreneurship, investment and are a vital source of consumer demands (Birdsall, 2010).

Figure 2-1: Race and the middle class 2008, South Africa



Source: (Birdsall, 2010)

According to Wilson and Dragusanu (2008) relative growth of actual middle income earners shows relative patterns of expenditure and possessions. Figure1 above indicates the population groups and different middle classes in South Africa. The groups included actual middle class and affluent middle class. The black middle class shows that they are in the majority in both actual and affluent middle class by eighty- four and fifty-two percent respectively. There are more whites in the affluent than in actual middle class with twenty-nine percent and over two percent respectively. This shows that even if they are in the minority, they still influence the economy of South Africa within the middle income earners level.

2.5 TYPES OF SAVINGS

Most households spend their income on necessities such as housing, food, health, transport and little or nothing is left for saving. Savings is about putting money aside for future spending and this includes cutting wastage or fruitless expenditure and unnecessary shopping. According to Armstrong and Burger (2009) savings refers to any income which may not be used for immediate consumption. Maddison (2007) argues that there four categories of savings namely:

2.5.1 EMERGENCY FUND

This is a fund which is maintained to cover unforeseen emergencies which require money. This fund keeps the family or individual in times of bereavement, university fees, and to keep family during retrenchment. The purpose of such savings is to make money readily available although one has to wait up to 30 days or risk paying a penalty for immediate withdrawals.

2.5.2 TARGETED SAVINGS

This is short term savings for a specific purpose. Targeted savings may be defined as planned spending and once the goal is attained the money is used up, for example a deposit for a car, house, holiday or shopping spree. This kind of saving instils discipline and encourages the saver to continue saving (Van der Berg, 2009).

2.5.3 INVESTMENT

According to Yu (2010), an investment is a type of saving where the money invested is allowed to grow in time, for example a house, shares or because the money has generated interest which may be re-invested and continues to grow. The risk is that the money invested may grow or appreciate or depreciate over time.

2.5.4 EDUCATION

Keller (2004) argues that the other important type of saving is investment in education. It is difficult to finance the studies of one's children when they are in tertiary institutions. Saving for the children enhances income potential and the ability to plan.

According to Nga (2007) saving plays a crucial role as a source of economic development and sustainability. It is difficult for households to reduce debt quicker in order to save and hence people need to save in times of plenty to prepare for the times of lack.

According to Cronje (2010), South Africans have the mind set of buy now and pay after three months. He further asserts that despite high earnings among the middle class, the culture of debt is deep seated. Debt increases consumption and discourages savings (Mannel, 2003). Hoos (2010) asserts that a country's savings capacity is hindered by the high dependency among black South Africans of easy borrowing. The research done by Roberts (2000) indicates that the middle class also have dependants such as mothers, fathers, brothers, sisters and extended family members who influence how they spend their income, thus impacting heavily on their saving.

Middle class income earners can contribute towards the economic growth of the country by increasing their consumption or by raising their saving rate. According to Cronje (2010) the high levels of gross national savings reduce a country's exposure to unfavourable and unpredictable global markets. He asserts, however, that the levels of saving are low in South Africa and as such may rely on direct foreign investment (DFI) for financial growth.

According to Cronje (2010) the following are factors that contribute to lack of saving inclination in South Africa:

- Demographic trends: High population growth rates are likely to have lower saving rates with high dependency ratio which contributes to the decline in personal savings.
- Income inequality: the majority of the population has little or no income at all and is concerned with immediate survival and hence they consume rather than saving.
- Social security safety net: the inconsistent and inadequate social security system has failed to provide broad-based income protection for all South Africans, leaving many citizens without means and facilities to save.

- Financial liberalization: the availability of credit facilities has resulted in high levels of consumption and little or no savings.

Most households are struggling as current income cannot support families and they resort to strategies such as bank overdrafts, pay day loans, borrowing from friends, skipping payments and insensitively using credit cards in order to have extra cash. Even though households know that these strategies force them to pay more interest rates when they default, they tend to be adamant.

2.6 AFFORDABILITY

The main objective of the National Credit Act (NCA) is to reduce or eliminate reckless lending by credit providers. On the other hand, this act is devised to assist consumers who were previously disadvantaged, especially those affluent consumers. The act allows creditors to do compulsory pre-assessment of the consumers' financial position by assessing affordability and debt-repayment history, general idea of the risk involved, obligations and responsibilities of the agreement, and existing financial means prospects and obligations.

The credit providers, however, do not necessarily comply with the act, especially with those consumers who are vulnerable. Before NCA was put into practice, many consumers were blacklisted unknowingly and without having been informed and given the chance to pay. The consumers who got amnesty defaulted again on their re-payments. The new amendment bill still has to be signed into law by the minister of Trade and Industry after consultation with stakeholders, specifically anchoring the affordability assessment of all clients.

With the current NCA the credit providers determine their own model and with the new regulations the control move from the NCR to the minister. The following portion of the credit act (Section 82: NCA) stipulates that:

A credit provider may determine for itself the evaluative mechanisms or models and procedures to be used in meeting its assessment obligations under Section 81, provided that any such mechanisms, model or procedure results in a fair and objective assessment and must not be inconsistent with the affordability assessment regulations.

Nga (2007) observes that the Reserve Bank figures presented at the South Africa Saving Symposium (2004) depicts a decline in household saving. It declined to 0.2% in 2001 and marginally picked up to 0.4% in 2002. "Net savings as a ratio of disposable income, dropped from 5.5% in 1992 to an average of 0.5% during the period from 2000 to the first half of 2004." Many economists are concerned with the low ratio of household saving which started declining since the early 1980s. Deregulation of the financial sector provides many opportunities for banks and other credit providers. Borrowers also got easier access to credit facilities. As a result of this, households increased their consumption levels.

These increased consumer credit facilities and despite application procedures, several credit providers launched promotional campaigns to gain market share. This resulted in an increase in credit uptake by the middle income earners. From the above discussion, it is therefore necessary to find out how credit lenders affect savings of individual teachers in Bojanala district of North West department of Education. The challenge with teachers in these conditions is whether they are able to save their hard earned cash.

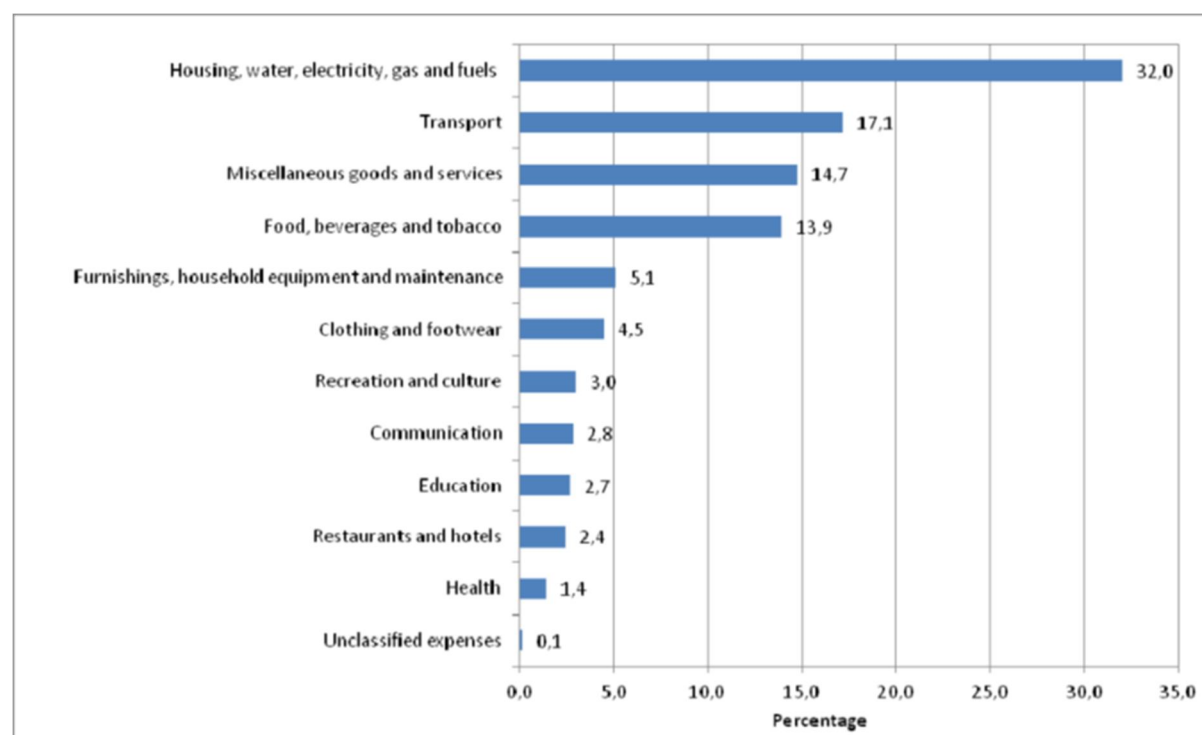
2.7 TYPES OF HOUSEHOLD DEBTS

Household debts in South Africa have increased over the years since the dawn of the new dispensation. According to Stats SA (2014) black middle class household spend more on conspicuous as a share of total expenditure, and further explaining their spending patterns reflect that they are still behind in terms of asset stock as compared to other population groups in South Africa. Household debt is financial liability incurred for consumables or depreciating assets that aren't considered as investments (Freeman, 2010). According to Corak (2013) this includes credit and debts, hire purchases, loans, family or personal loans that will be repaid on a monthly instalment and also routine bills that will be paid on a monthly basis such as electricity, phone, water and home loans amongst other things.

According to Stats SA (2012) thirty-two percent of South African still owes bonds. In terms of household debts, housing or bond is still the highest contributor of household expenditure followed by transportation at seventeen percent. Figure 2

below shows the average annual consumption expenditure in 2012 which represent the most common types of debt incurred by households.

Figure 2-2: Percentage distribution of total annual household consumption expenditure.



Source: Stats SA (2012:17)

Figure 2 above indicates that the consumers are striving to live a decent and affordable life. Therefore, the ability of most families to meet their most basic needs is very important.

The spending patterns also indicate that salary income is not necessarily enough to meet all the requirements of consumers. What is included in salary income as an expenditure pattern is housing, food, transportation, electricity, medical, clothing, furniture, school fees etc.

Lakner and Milanovic (2013) posit that accessibility to education improved health systems and redistribution of social policies may assist in raising income share of the poor and middle class irrespective of the cost of doing business in a country. However, in South Africa where the economic growth is revised downward, the poor and the middle class are highly impacted, therefore, it will be important for the government to ensure policy directive which makes education in South Africa more

accessible (Milavonic, 2013). This is evident as per figure which shows less spending on education at 2.7%.

Education policies play a paramount role in the global world in which technological advancements increase productivity. Dispersion of salaries can be averted by increasing skill levels. Lack of education and training amongst blacks are the major obstacles to the growth of more black middle class income earners. By improving quality of education and the elimination of financial barriers to Higher Education will assist in boosting skill levels in raising the middle class population.

According to Finlay (2009:3) credit is that which is provided and debt is that which is owed over time. Household debt level has increased and recorded at 77.6 percent (South Africa Reserve Bank Quarterly Bulletin, 2010). Household over indebtedness includes consumers' expenditure of more than 25 percent of their gross monthly income on total borrowing repayments, and those who are in arrears or default on their assets more than three months (Bureau of Market Research, 2009:6).

The middleclass in South Africa increased since the transition. The larger share of this expansion is amongst black South Africans who were excluded from the main stream economy by the apartheid regime. The black share of the middle class income earners household consumption expenditure is lower, however, whites household consumption higher than all other population group. A catch up process contributed to growth of the black middle class, after the apartheid factors were removed.

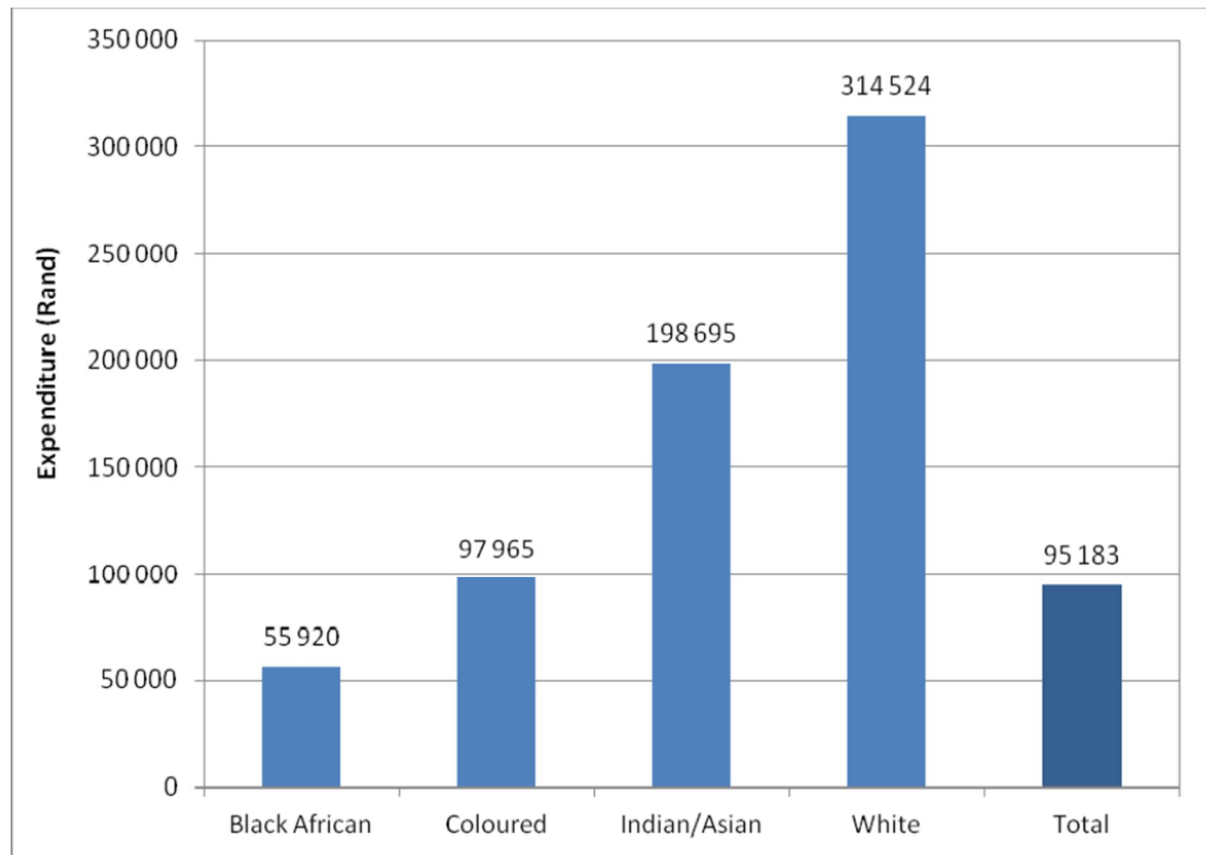
2.8 HOUSEHOLD CONSUMPTION EXPENDITURE PER POPULATION GROUP

The annual household average consumption per population group as per figure3 below indicates the gaps in expenditure according to race. According to stats SA (2012:19) whites households still enjoys the wealth of the country with 314524 compared to blacks with 55920 on average annual household expenditure. This shows that even if the government of the day tried to increase the number of middle class income earners, it will take some time to close the gaps opened by apartheid.

These gaps also highlight the life styles of the four population groups whereby blacks are still limited by the level of their income. Should this household consumption trend

continue then the level of black middle income earners will continue to shrink and will have an impact on economic growth (Stats SA, 2012).

Figure 2-3: Average annual household consumption expenditure by population group of household head.



Source: Stats SA (2012:19)

2.9 SUMMARY

The chapter has outlined the different types of savings and the components of debt. It has also highlighted the regulatory framework of credit market in South Africa in general. The lending landscapes in different countries were examined and compared with the South African scenario and noted the need for effective financial regulations. Irresponsible lending by credit providers was noted as the cause of over-indebtedness in South Africa thus compelling the researcher to explore its effect on savings. This literature review is important because it helps the researcher to come up with the right methodology for the research. The next chapter examines data collection methods, the research plan and data is presentation.

3 CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 RESEARCH DESIGN AND METHODOLOGY

Research methodology is an organised investigation of a problem and how the research is done (Leedy & Ormrod, 2010). It is basically the procedures followed by researchers in carrying out their research. This involves predicting, describing and explaining phenomenon. Parker (2004) concurred with this assertion. According to De Vos (1998) the aim of research methodology is to give the research work a detailed plan. Therefore, the main objective of this research is to examine the effect of credit facilities on saving among middle-income earners in the North West Department of Education.

For the researcher to obtain intended results the study has got to be properly designed. This involves planning and implementing the research in a proper way that will lead to expected results, thus providing information that reflects reality (Cresswell, 1994). This study is both quantitative and qualitative research in nature.

3.1.1 QUANTITATIVE METHOD

The quantitative research design uses questionnaires as an instrument for data collection to establish the impact creditors have on consumers and the impact of the law and policies on reckless lending within Bojanala District Department of Education. According to Leedy and Ormrod (2010), quantitative research options are predetermined and a large number of respondents are involved. Fox and Bagat (2007) highlight that the use of numbers allows for greater precision in reporting quantitative research results. It is based on objective measurements, using structured and validated data collection instruments.

3.1.1.1 TARGET POPULATION

A population refers to all the subjects, objects or members that conform to the same characteristics or set of specifications (Krioting, 1991). This is similar to definition given by Leedy & Ormrod (2010) where they defined a population as the totality of cases or aggregate all members upon which the study is based. According to the researchers, findings generated are considered to be representative of the whole

population and in this case data collection is done at a lower cost than when it is for the entire population. This study focuses on teachers in the Bojanala district of the North West who are middle income earners and have loans that they cannot service and hence they are unable to save. Teachers in Bojanala district are approximately three thousand and a target of 100 teachers for the sample representing ten schools is required.

3.1.1.2 SAMPLING

A method used in determining individuals to participate in the study is referred to as a sampling technique. Samples can be categorised into probability and non-probability (Kothari, 2004). This study adopted the non-probability sampling method. The researcher asked for permission in writing from school principals. Teachers as participants were selected on researcher's discretion and with the involvement of the principals in writing at each school. The sample size of one hundred respondents sufficed considering time and financial constraints faced by the researcher. It is important to note that sampling has to be done carefully and purposefully due the sensitivity of the research topic.

3.1.1.3 RESEARCH INSTRUMENT

In quantitative research, the use of questionnaires reduces unfairness due to their uniformity when presenting questions and they are less intrusive than face to face or telephonic surveys (Fox & Bagat, 2007). This questionnaire consisted of two parts, the first part gathered personal data and the second part addressed the objectives of the research and consisted of twenty questions grouped according to five objectives of the research. The questions measured responses according to a five point Likert scale where 1 was "totally disagree" and 5 "totally agree" (Questionnaire attached as Appendix A).

3.1.1.4 DATA COLLECTION

Krifting (1991) define data as information gathered during the research process. In this research data was obtained by using structured questionnaires.

Data collection was by means of structured questionnaires in order to be able to capture the experiences and the life style and saving of the teachers' and also to explore the impact credit facilities have on the teachers in the Bojanala district. With face-to-face, telephonic interviews or questionnaires, participants could be asked similar questions in the same circumstances. This form of data collection has been chosen to determine the impact of credit facilities on saving among middle-income earners in the Bojanala district North West department of Education (Watson, 2013). The main purpose of data collection is to deal with the research problem and respond to the research questions hence achieving the objectives of the study.

Fouche and Delport (1998) suggest that in order to increase the speed of obtaining responses, appointments are made telephonically and through emails in order to obtain approval and the consent of the participants. The aim of collecting data is to address the research problem and reach the necessary conclusions that are aimed at speaking to the research questions hence achieving the objectives of the study which includes the government interventions on credit lending compliance on reckless lending, level of saving and of literacy among middle income earners.

3.1.1.5 DATA ANALYSIS

The researcher used quantitative methodology, to populate the collected data on spread sheets and made use of descriptive statistics to analyse the data. Data was analysed according to the questionnaires designed and was grouped according to the five research objective. The average important scores were used to weigh the significance for each objective. Each objective was discussed according to the responses to measure the impact of credit facilities of lending on middle income earners in department of education North-West in the Bojanala District. The research therefore relied on a combination of literature and information gathered from the questionnaires on which to base conclusion, interpretations and declaration.

3.1.1.6 VALIDITY AND RELIABILITY

Validity is defined as a measure of truth or falsity of the data obtained through using the research instrument (Krifiting (1991). According to Leedy and Ormrod (2010), the validity of a measurement instrument refers to the ability or extent of the measurement instrument to measure what you actually intended to measure. They

also mention that the reliability of a measurement instrument is the extent to which it yields consistent results when the characteristics being measured have not changed.

Tavakol and Dennick (2011) stated that reliability is concerned with the ability of an instrument to measure consistently. Reliability is the degree of consistency with which the instrument measures an attribute (Polit & Hungler 1999:255). It further refers to the extent to which independent administration of the same instrument yields the same results under comparable conditions according to De Vos (1998:85).

They further indicated that reliability is closely associated with its validity, meaning that an instrument cannot be valid unless it is reliable. Therefore, the researcher performed reliability and validity analyses to test the questionnaires and establish confirm and validate relationships, as well as to develop generalisations that contribute to existing theories.

3.1.2 QUALITATIVE METHOD

The qualitative research focuses on understanding the meaning of actions, events and experiences of people focusing more on their life style and behaviour (Struwig and Stead, 2001). Therefore the qualitative study is descriptive and contextual in design using established methods to explore in order to achieve the objectives of the study namely to investigate how the government ensures the credit lenders comply with regulatory frameworks in order to prevent reckless borrowing (Struwig and Stead, 2001). The qualitative approach provides an in depth appreciation of the reality of the experience (Parker (2004).

The qualitative approach is considered because it helps the researcher to discover new ideas, gain new insights and enhances the researcher's knowledge of the phenomenon (Cresswell, 1994). Thus, this study explores how teachers manage their debt and savings on their hard earned income and also the impact of the credit facilities on their savings.

3.1.2.1 SAMPLING

A non-probability sampling has been adopted in this study. Three credit managers of three different credit providers in North West province were interviewed to determine

the impact these institutions have on the savings of the teachers in Bojanala province.

3.1.2.2 RESEARCH INSTRUMENT

Structured interviews were used to capture the experiences and the life style and saving of the teachers and also to explore the impact credit facilities have on the teachers in the Bojanala district. There are many approaches to interviews depending on the context and circumstances. The researcher preferred structured or open-ended interviews. In open-ended interviews there is much flexibility such that the researcher captures the interviewee's opinion on events and facts. With face-to-face, telephonic interviews or questionnaires, participants could be asked similar questions in the same circumstances.

3.1.2.3 DATA COLLECTION

Structured interview guides were used for data collection. The interview guides were relevant to provide accurate data that relates to the research objectives and questions. The objective of the research is to find out how the government ensure the credit lenders compliance in order prevent reckless borrowing. Selecting a sample rather than attempting to study the entire population saved a great deal of time and resources.

Data collection was by means of structured interviews in order to be able to capture the experiences and the life style and saving of the teachers' and also to explore the impact credit facilities have on the teachers in the Bojanala district. There are many approaches to interviews depending on the context and circumstances. One may prefer structured or open-ended (Watson, 2013). In open-ended interview there is so much flexibility such that the researcher captures the interviewee's opinion on events and facts. With face-to-face, telephonic interviews or questionnaires, participants could be asked similar questions in the same circumstances. This form of data collection has been chosen to determine the impact of credit facilities on saving among middle-income earners in the Bojanala district North West department of Education (Watson, 2013).

3.1.2.4 DATA ANALYSIS

Content theme analysis was utilised whereby specific meaning was constructed using teachers' interview data. This method makes use of an analysis of words, life stories and experiences that are interpreted by identifying themes. This is a research technique that makes interpretations or inferences from the given textual data to the context (Fouche, 2005).

Data collected was analysed, tested, integrated and findings discussed using content analysis (Gibbs, 2007). Content analysis finds the best fit for the data after identifying and analysing. The data set is precisely arranged and an accurate description provided (Moodie, (1997). Moreover, several aspects of the research topic are interpreted. The data collected through this research was presented in the form of a detailed report that captured conclusions, findings and recommendations.

3.2 ETHICAL CONSIDERATIONS

Ethical behaviour is characterized by honesty, fairness, equity in professional, academic and interpersonal interactions as well as in research and scholarly activities (Mouton, 2005) Therefore, ethical behaviour respects the dignity of individuals, their diversity and rights. Ethical considerations must always be taken into account when people are used as research participants to avoid infringing on their rights (Polit & Hungler 1999:132-134).

This study observed the principles of respect for human dignity and justice as stated by Polit and Hungler (1999:153–159). This principle deals with exploitation, psychological discomfort and freedom from harm that may result from the nature of the questions asked. Therefore, the information collected was highly safeguarded and strictly used for the purpose intended. The researcher had to ensure adherence to the following processes:

Permission was sought from selected schools principals in Bojanala district in the North West.

- The researcher informed participants about the objective of the research.
- Respondents were allowed to make independent decisions without fear.

- The researcher assured respondents that their responses would be treated with confidentiality.

3.3 SUMMARY

The chapter covered the research design and research methodology, composition of sample and sample size. Different data collection methods were explained highlighting their advantages and disadvantages. For instance, the suitability of interviews and questionnaires to the research were discussed. Ethical considerations were also taken into account. Procedures to be followed on data presentation and analysis were explained. Chapter four focuses on data presentation and analysis.

4 CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter deals with presentation and analysis of data collected from interviews and questionnaires.

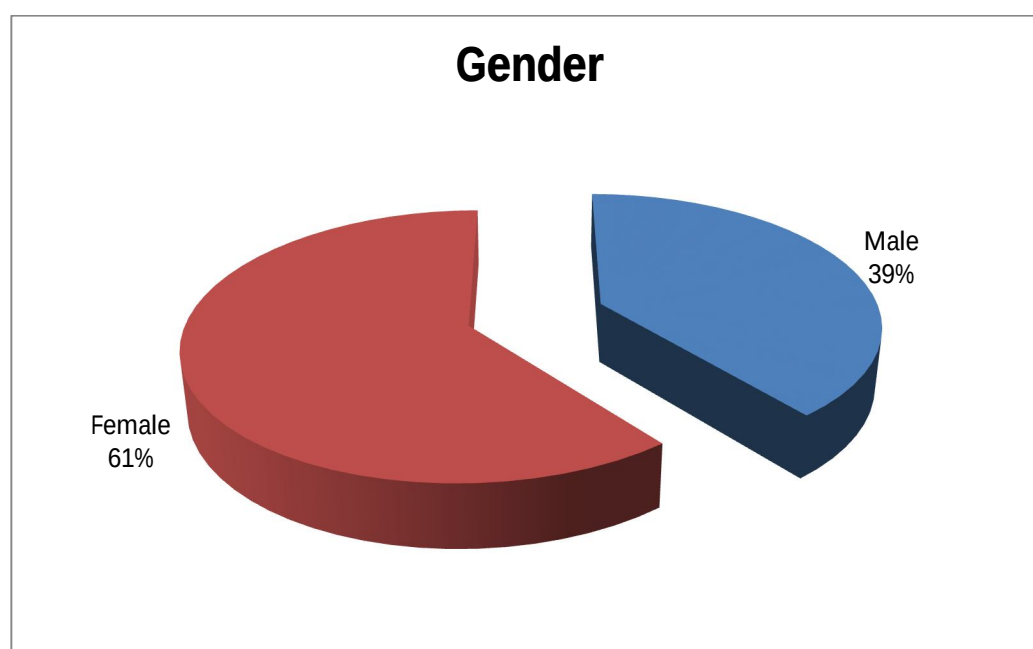
4.2 PERSONAL INFORMATION

A greater proportion of respondents were female educators. Out of the 97 questionnaires completed 60.82% were female respondents and 39.18% male as shown on Table 4.1 and Figure 4.1 below. Generally, the response rate was high (97 out of 120). The reason could be that respondents understood the purpose of the research and wanted to help as interested parties. Debt affects the lives of these teachers in the Bojanal District and this indebtedness has a huge impact on their savings levels (Andreou, 2011).

Table 4-1: Gender

Gender	Frequency	%
Male	38	39.18
Female	59	60.82
Total	97	100

Figure 4-1: Race and the middle class 2008, South Africa



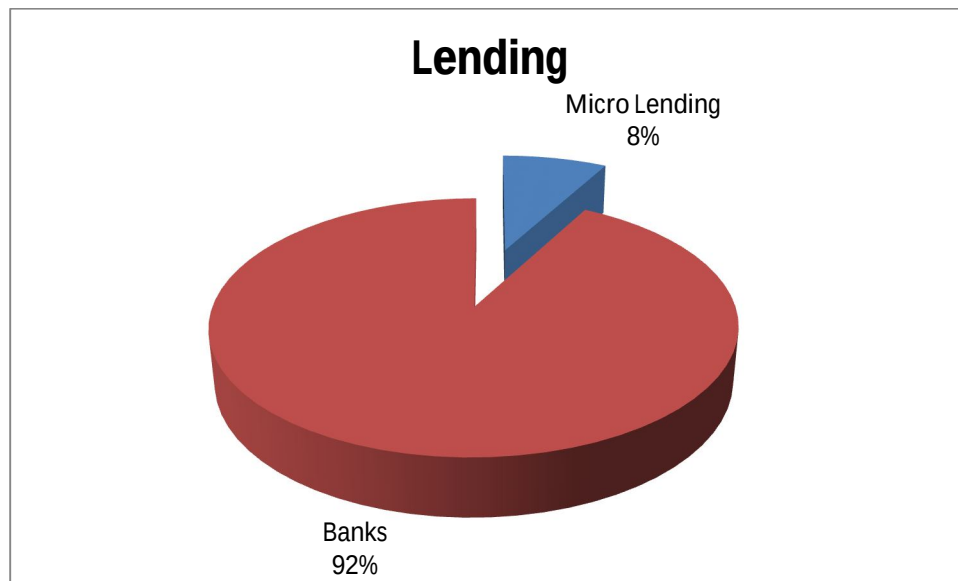
4.3 COMPOSITION OF CREDIT PROVIDERS

It should be noted that banks occupy the greater lending space in the credit market. As depicted on Table 4.2 and Figure 4.2 below banks take the greater chunk of 70% as compared to 7.89 by micro-lenders. Therefore, it shows that most of the credit extension is done in the formal sector. Any policy shift by the regulators should target banks as micro-lenders, some of which might not be registered and therefore constitute a small proportion (Connolly, 2008).

Table 4-2: Lending

Lending	Frequency	%
Micro Lending	6	7.89
Banks	70	92.11
Total	76	100

Figure 4-2: Lending



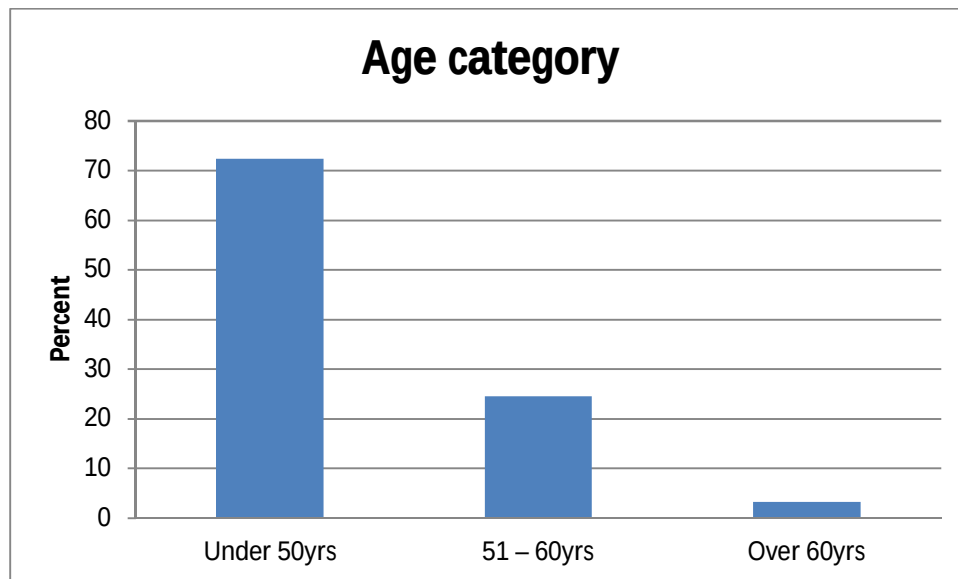
4.4 AGE COMPOSITION

As shown on Table 4.3 below 72.34% of the teachers selected for the study are in the under 50 year's age group. Most of the respondents fall in the economically active population group. In general, young populations are likely to have a high dependency ratio and thus fewer savings. This sample seemed to have a greater proportion of middle aged people which is typical of educator composition in South Africa (Geldenhius, 2014)

Table 4-3: Age category

Age category	Frequency	%
Under 50yrs	68	72.34
51 – 60yrs	23	24.47
Over 60yrs	3	3.19
Total	94	100

Figure 4-3: Age category



4.5 RESPONDENT'S POSITION AND EDUCATION LEVEL

Educators are among the most learned people in South Africa. Approximately 10% of the sample size was made up of principals, 73% teachers and 17% heads of departments as shown on table 4.4 below. It is also important to note that out of these educators 62% have got postgraduate qualifications, 29% undergraduate qualifications and 9% matric level. See Figure 4.5 below. Considering this, it should be expected that respondents would understand financial matters and are well informed (Prinsloo, 2002).

Table 4-4: Rank

Rank	Frequency	%
Principal	9	10.11
Teacher	65	73.03
Head of Department	15	16.85
Total	89	100

Figure 4-4: Rank

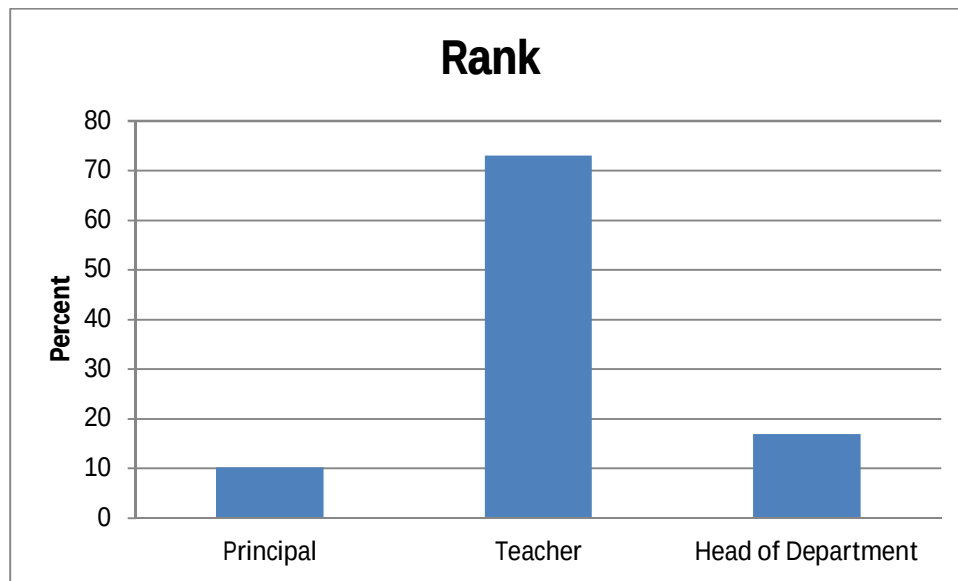
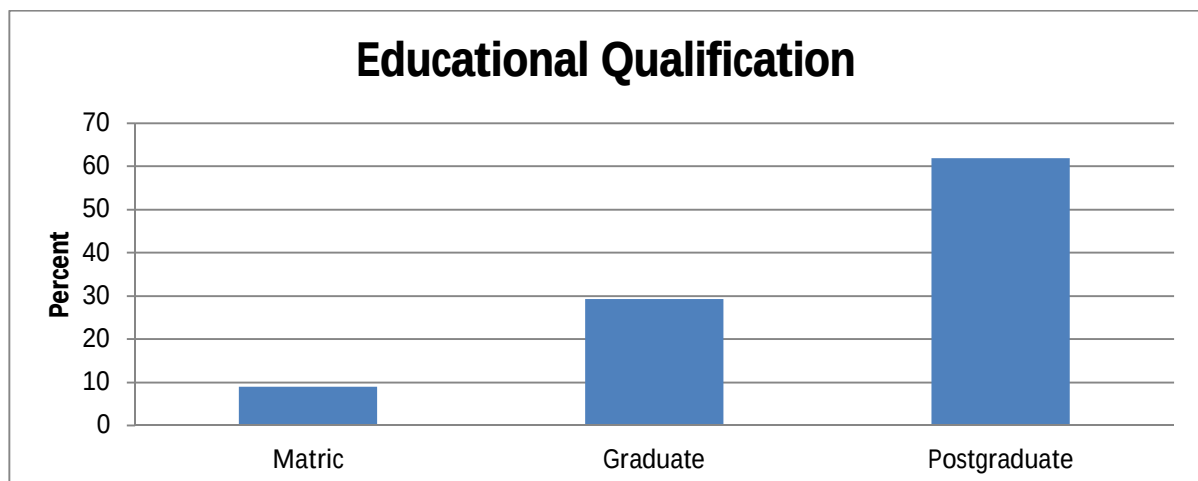


Table 4-5: Educational qualifications

Qualification	Frequency	%
Matric	8	8.99
Graduate	26	29.21
Postgraduate	55	61.80
Total	89	100

Figure 4-5: Educational qualifications



4.6 LEVEL OF NON-SAVING AMONG MIDDLE INCOME CLASS

The majority of respondents agreed that they are aware of their level of debt. An overwhelming 39.6% strongly agree and 47.5% agreed. Also noted on table 4.6 below is that 76.5% of the respondents are struggling in debt and worried about how they could establish a good credit record. At least 13% have been blacklisted. Most teachers' confessed that they cannot save part of their earnings due to indebtedness.

Table 4-6: Savings level in the middle class earners

	Objectivity Dimensions	Strongly Agree (%)	Agree (%)	Unsure (%)	Disagree (%)	Strongly Disagree (%)
1	I am aware of my level of debt (N =101)	39.6	47.52	6.93	2.97	2.97
2	I am worried about establishing a good credit record (N = 98)	28.57	47.96	9.18	6.12	8.16
3	I have been blacklisted (N = 100)	1	12	11	21	55
4	As a teacher I have challenges in saving money (N = 99)	13.13	43.43	10.10	17.17	16.16
5	As a middle income earner, my income enables me to save (N = 101)	18.81	28.71	9.90	32.67	9.90
6	Lenders are not impacted by savings (N = 95)	9.47	11.58	46.32	22.11	10.53
7	Lenders pressurises borrowers to take out a new loan after paying off the old loan (N = 102)	41.18	36.27	10.78	4.90	6.86
	Average Response (%)	35.36	32.50	14.89	15.28	15.65

4.7 LEVEL OF FINANCIAL LITERACY

As shown on Table 4.7 below more than 80% of the target group is aware of their rights as borrowers. The reason could be that the teachers in Bojanala District are enlightened as far as their rights and obligations are concerned. However, this does not translate into them making the right decisions concerning debt as noted on the table. Some borrowers agreed that they borrow to repay other credit and fail to pay as expected. In fact, more than 30% of their gross monthly income is committed to instalments. It has also been noted that 19.8% of target population take up loans without reason and eventually default on repayments. They do not care about being blacklisted which is a very serious financial misjudgment. Most households confessed that they prepare budgets but do not see the benefits as they fail to stick to the budget. In actual fact 35.4% agreed that borrowing helped them afford keeping their household fed. As noted by Seekings (2008) debt is very helpful if managed properly. The challenge comes when households enter into debt without a purpose and get involved in impulse buying.

Table 4-7: Level of financial literacy

	Objectivity Dimensions	Strongly Agree (%)	Agree (%)	Unsure (%)	Disagree (%)	Strongly Disagree (%)
1	I am aware of my rights as a borrower (N = 102)	36.27	44.12	15.69	3.92	0
2	I have a tendency of taking loans without reasons (N = 101)	2.97	16.83	7.92	29.70	42.57
3	Customers often default on loans without Reasons (N =102)	6.86	41.18	25.49	12.75	13.73
4	Most clients do not mind being blacklisted (N = 101)	5.94	18.81	30.69	24.75	19.80

	Objectivity Dimensions	Strongly Agree (%)	Agree (%)	Unsure (%)	Disagree (%)	Strongly Disagree (%)
5	Most customers do not spend more their earnings (N = 99)	5.05	27.27	29.29	28.28	10.10
6	My household has a budget (N = 101)	22.77	47.52	8.91	15.84	4.95
7	Borrowing made me afford all my household debts (N = 99)	8.08	27.27	10.10	30.30	24.24
	Average Response (%)	12.56	31.86	18.30	20.79	16.48

4.8 ROLE OF FINANCIAL INSTITUTIONS ON DEBT ALLEVIATION

The questionnaires revealed that most credit providers' lending standards are relaxed. More than 36% agree that banks do not use strict measures when extending credit as shown on Table 4.8 below. Therefore, it shows that there is a lot of irresponsible lending in the credit market. In other words, lenders do not uphold the values of transparency, integrity and fairness as espoused in the National Credit Act 2005. An overwhelming 76% of respondents do not know what to do with over indebtedness. Most of them have been referred to debt counseling.

It is important to note that it is the responsibility of the credit provider to ensure that they do not increase consumers credit limits arbitrarily (Sonja, 2004). Any increase should reflect their ability to repay. And also it should be noted that there has to be thorough credit checks before approval and acceptance of credit limits. About 82.3% of respondents do not want credit providers to give them another loan before repayment of the first one.

Consumers are always on the receiving end. Financial institutions should observe consumer's rights and give them opportunity to choose and not receive unsolicited incentives on credit limit increases. Consumers fall into serious debt traps due to these solicitations. According to Connolly (2008) it is important that credit providers are seen to be responsible and not profiteer through unethical means.

Table 4-8: Role of credit providers

	Objectivity Dimensions	Strongly Agree (%)	Agree (%)	Unsure (%)	Disagree (%)	Strongly Disagree (%)
1	Most financial institutions lending standards are relaxed (N = 97)	5.15	30.93	44.33	12.37	7.22
3	Most customers have been referred to debt counselling (N = 97)	8.25	36.08	45.36	8.25	2.06
4	Customers often do not know how to address indebtedness (N = 96)	29.17	46.88	14.58	8.33	1.04
5	I have checked my credit rating for the last 12 months (N = 96)	10.42	28.13	14.58	27.08	19.79
6	Financial institutions should not increase or grant another loan before the original loan is settled (N = 96)	59.38	22.92	8.33	8.33	1.04
7	I am always kept up to date with the status of my loan account (N = 91)	23.08	47.25	8.79	10.99	9.89
	Average Response (%)	22.58	35.37	22.66	12.56	6.84

4.9 ROLE OF THE GOVERNMENT

Table 4.9 below shows the results of the research on the role of in regulating the credit market.

Table 4-9: Role of government

	Objectivity Dimensions	Strongly Agree (%)	Agree (%)	Unsure (%)	Disagree (%)	Strongly Disagree (%)
1	Government is doing enough to regulates micro lenders (N = 87)	11.49	21.84	40.23	17.24	9.20
2	I am familiar with national credit regulations act (N = 88)	13.64	37.50	28.41	11.36	9.09
3	My credit provider adheres to the concept of responsible lending (N = 87)	13.79	43.68	21.84	13.79	6.90
4	Government often sends debt councillors to schools (N = 87)	4.60	4.60	21.84	27.59	41.38
5	Current regulations address malpractices such as reckless lending by banks and other institutions. (N = 80)	7.5	40	32.5	13.75	6.25
	Average Response (%)	10.20	29.52	28.96	16.75	14.56

As noted on Table 4.9 about 33.3% of respondents agree that the government is doing enough to regulate micro lenders. This shows that the credit market is still having a challenge as evidenced by an increase in predatory lending behavior by some credit providers. There is a high level of consumer debt which is also posing unmanageable risk to credit providers. As observed by Prinsloo (2002) this reckless lending by financial institutions has negatively affected the credit market. Therefore, regulations should provide for due diligence before granting credit to check on affordability. Information from the questionnaires suggests that 47.5% of respondents agree that the current regulations deal with reckless lending.

It should also be noted that there are inefficiencies in the credit market. For instance, credit risk management is very poor, information on the credit bureau is sometimes incomplete and there are a high number of bad debts. This calls for the government to continuously educate the borrowing community on their rights and obligations. Such education campaigns should also dwell on aspects of financial management (Andreou, 2011).

4.10 RELIABILITY ANALYSIS

The reliability of items in the likert scale is measured by Cronbach's alpha (α) reliability coefficient, whose numerical value ranges from 0 to 1. Good internal consistency of the items on the scale is denoted by a high value (close to 1) for Cronbach's alpha reliability coefficient.

Table 4-10: Dimension

Dimension	Cronbach's Alpha (α)	N of Items	Section
Level of non-saving among middle income class	0.129	7	A
Level of financial literacy	0.132	7	B
The role played by financial institutions in helping consumers to pay debt	0.461	6	C
Compliance by the credit lenders to prevent reckless borrowing	0.609	5	D

4.11 CORRELATION ANALYSIS

Test of significance (Spearman's Rank Correlation)

The relationship between two variables (X and Y) is shown by Spearman's Rank Correlation. If the p-value is less than 0.05 level of significance the relationship is statistically significant. The coefficient of Spearman's rank correlation is given by

$$r = 1 - \frac{6 \sum D^2}{N(N^2 - 1)}$$

Where

D = differences of ranks of corresponding values of X and Y

N = number of paired values in the data

$$-1 \leq r \leq 1$$

Table 4-11: Spearman's rank correlation between age category and views of respondents their finances and debt

Views		
Lenders are not impacted by savings (N =88)	Correlation coefficient(r)	0.232
	p – value	0.030
I have a tendency of taking loans without reasons (N = 93)	Correlation coefficient(r)	-0.281
	p – value	0.006
My household has a budget (N = 93)	Correlation coefficient(r)	0.292
	p – value	0.005
I am always kept up to date with the status of my loan account (N = 83)	Correlation coefficient(r)	-0.232
	p – value	0.035

The correlation analysis was done using SPSS 23 software package. The results are shown in Table 4.11. The correlation between the age category and views of respondents is significant because all the p-values are less than 0.05 level of significance. In this case older respondents tend to agree with the listed items, whereas young respondents tend to disagree as denoted by positive correlation coefficients. A negative correlation coefficients would imply that young respondents

tend to agree while older respondents tend to disagree with the listed items. See Figure 4.6 below.

Figure 4.6 (a): Views of respondents versus age ($r < 0$)

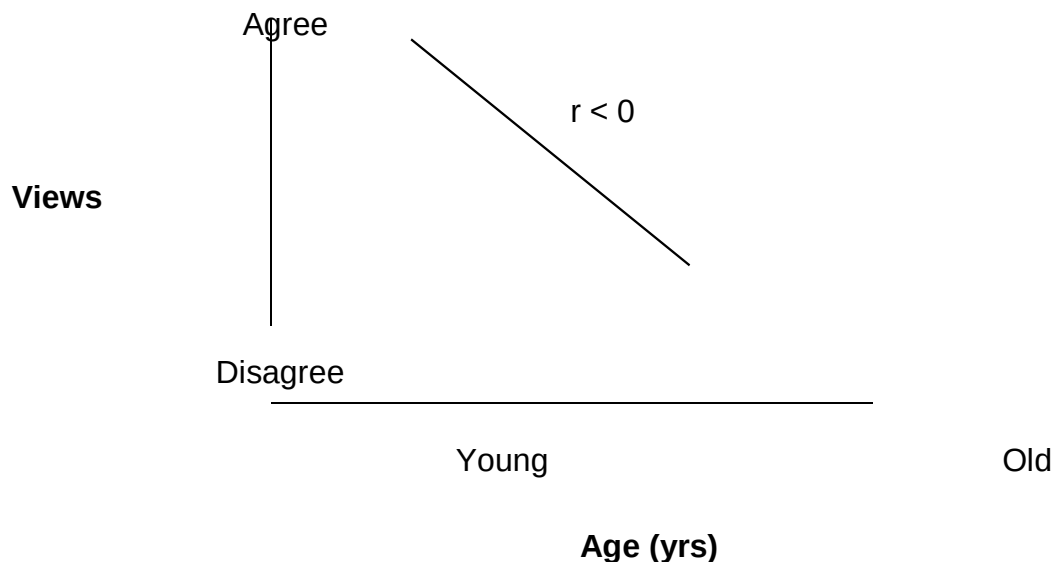
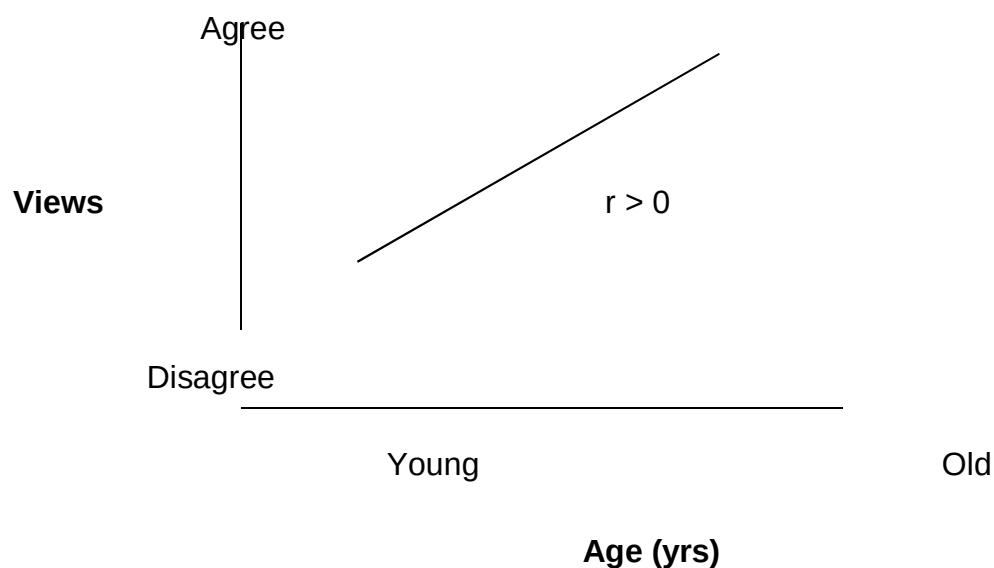


Figure 4.6 (b): Views of respondents versus age ($r > 0$)



This shows that many respondents in the age group of 40 years and below agree that they are impacted by savings and that they just take loans for no apparent reason. Older respondents seem to be knowledgeable and more stable on financial matters and thus do not agree with most of the statements in Table 4.11. In other words, their age makes them more responsible considering that they are nearing retirement. Therefore, there is need for them group to manage their debt wisely.

4.12 T- TEST BETWEEN TWO INDEPENDENT SAMPLES

Comparison between the average responses of two populations is done by the use of the t-test. Variances of the populations' responses are assumed to be equal as the samples are randomly selected from these populations. The assumption is that the sample's responses follow a normal distribution. If the p-value is less than 0.05 level of significance the difference of opinions (views) between the two populations is statistically significant.

Table 4-12: Comparing perceptions (views) of male and female respondents concerning debt.

Key: 1 = strongly disagree, 2 = Disagree, 3 = Unsure, 4 = Agree 5 = Strongly Agree

Views	Gender	Sample Size	Mean	p-value
Lenders are not impacted by savings	Male	36	2.56	0.015
	Female	55	3.11	
I have a tendency of taking loans without reasons	Male	38	2.45	0.014
	Female	59	1.83	

Table 4.12 used SPSS 23 to perform a t-test between two independent samples (male and female respondents). There is a significant difference of opinions concerning debt since the p-values are less than 0, 05 level of significance. Higher mean scores (close to 5) indicate respondents' agreement with the listed items in Table 4.12, and lower mean scores (close to 1) imply that respondents tend to disagree. It shows that the views of respondents about debt are significantly dependent on their gender. From the figures above, the majority of female respondents (55/91 = 60%) tend to strongly disagree that lenders are not impacted by savings, whereas the majority (36/91 = 40%) of male respondents also agree. It should be noted that the idea of having more females than males disagreeing was not tested due to time constraints. That could be an area for future research.

4.13 CONCLUSION

The SPSS analytical tool was used to analyse responses from questionnaires. Basically, tables and graphs were used for presentation of results. It was noted that lenders' practices have a huge impact on teachers' ability to set aside finances for future use and that credit negatively affect the level of savings. In addition, it was observed that the age of respondents did not matter much in terms of the ability to set aside finances for future use; that means most of the responses were independent of people's ages. It is also important to note that only variables that showed a level of significance, that is below 0.05, were considered in the analysis. From these levels of significance, the major finding is that teachers in Bojanala district are severely constrained by the level of indebtedness to banks and other recognized credit providers.

5 CHAPTER 5: FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The chapter summarises the research findings established in Chapter 4 and makes connections with the literature reviewed in Chapter 2. It touches on both theoretical and empirical findings and then draws conclusions that link the intersections of the theory and the empirical findings on teacher indebtedness and the limitations on savings by the same sample from Bojanala District. Possible explanations to the conclusions are also given. At the end of the chapter the researcher proposes recommendations.

5.2 THEORETICAL FINDINGS

Following the 2008 global financial crisis, South African households' savings were greatly affected due to over indebtedness. Research indicates that the trend is likely to continue due to increased use of credit facilities and cards across the world. The government and other stakeholders are working around the clock to find ways of addressing indebtedness and improving on savings in the economy. However, it should be noted that the success of these efforts revolves around having a clear understanding of the multidimensional nature of savings.

South Africa's gross national savings is very low, which makes it more exposed to the unfavorable and unpredictable global markets. In other words, the country relies on direct foreign investment to finance and sustain future growth. This is a very unhealthy situation as foreign investors are unreliable and could easily withdraw their capital when there is a slight hint of bad news in the markets. Therefore, it is imperative for the government to curb excessive consumption in the economy and encourage production and savings that would cater for the future well-being of individuals thus reducing dependence on public goods or state provisioning.

As already highlighted above, the level of savings in South Africa is still very low. This is typical of a developing economy and immediate have to be put in place to inject solid investments seen through an increased savings culture.

South Africans are more inclined to debt than savings as compared to many developing countries. As debt increases, consumption levels moves up, thus depressing savings levels. In the last two decades, South Africa's domestic savings level has displayed a downward trajectory despite a targeted national savings rate of 23% of gross domestic product (GDP). It is only in 2009 when the savings rate was close to the target at 17%. Unlike other countries like China where the middle class is seen as drivers of savings, in South Africa the black middle class is the main driver of consumer spending. Lack of savings in South Africa could be attributed to the following factors that emerged from the empirical investigation:

5.2.1 DEMOGRAPHIC TENDS

Generally, countries with high population growth rates have high dependency ratios and consequently lower savings rates. South African has an aging population which gives rise to a high old age dependency ratio. This also contributes to the decline in individual savings. Household savings are also negatively affected by the high incidence of urbanization.

5.2.2 INCOME INEQUALITY

One of South Africa's challenges is the huge disparity in income levels. The majority of people rely on very little income. Therefore, their main concern is survival, which translates into expenditure rather than investment through savings. Therefore, the country's marginal propensity to consume is far greater than the marginal propensity to save.

5.2.3 FINANCIAL LIBERALISATION

As noted in the literature review section, financial liberalization has contributed to the low saving levels in South Africa. When financial institutions were deregulated during the 1980s with the elimination of credit ceilings, interest rate liberalization and the availability of credit to individuals, the propensity to consume rather than save appears to have been sharpened. Theoretically the removal of ceilings on interest rates was expected to attract savings due to higher returns. However, this did not work out as the negative effect of high interest rates neutralized high returns on savings.

It should be noted that availability of credit has enabled consumers to spend more. This has naturally depressed savings level. Such low levels of savings could also be linked to demographic changes, shifts in urbanization and financial liberalization thus requiring a more encompassing policy shift.

5.3 EMPIRICAL FINDINGS

In line with the research objectives and research questions the research findings are presented under the headings below:

5.3.1 LEVEL OF FINANCIAL LITERACY

Information gathered from the questionnaires revealed that more than 80% of the target group is aware of their rights as borrowers. This could be attributed to the fact that as teachers in Bojanala District they might be well enlightened as far as rights and obligations are concerned. However, this does not translate into them making the right decisions concerning debt as noted in the research.

Some borrowers agreed that they borrow to repay other credits and fail to pay as expected. In fact, more than 30% of their gross monthly income is committed to instalments.

It has also been noted that 19.8% of sample take up loans without reasons and eventually default on repayments. They do not care about being blacklisted, which is a very serious financial misjudgment and indictment. Most households confessed that they prepare budgets but do not see the benefits as many fail to stick to the budget.

5.3.2 ROLE OF FINANCIAL INSTITUTIONS

It has been observed from the research that most credit providers' lending standards are relaxed. There is a lot of irresponsible lending in the credit market. In other words, lenders do not uphold the values of transparency, integrity and fairness as espoused in the National Credit Act 2005. An overwhelming 76% of respondents do not know what to do with over indebtedness. Most of them have been referred to specialist sites for debt counseling.

It is the responsibility of the credit provider to ensure that they do not increase consumers credit limits arbitrarily. Any increase should reflect client's ability to repay. And also it should be noted that there has to be thorough credit checks before approval and acceptance of credit limits. About 82.3% of respondents in this study do not want credit providers to give them another loan before full repayment of the first one.

Consumers are always on the receiving end. Financial institutions should observe consumer's rights and give them the opportunity to choose and not receive unsolicited incentives on credit limit increases. Consumers fall into serious debt traps due to these solicitations. Therefore, it is important that credit providers become more responsible and stop the habit of profiteering through unethical means.

5.3.3 REGULATORY FRAMEWORK

About 33.3% of respondents in this study agree that the government is doing enough to regulate micro lenders. This shows that the credit market still has a challenge as evidenced by an increase in predatory lending behavior by some credit providers. There is a high level of consumer debt which is also posing unmanageable risk to credit providers. This is referred to as reckless lending by financial institutions which has negatively affected the credit market. Therefore, regulations should provide for due diligence on consumer affordability before extending credit. Information from the questionnaires suggests that 47.5% of respondents agree that the current regulations deal with reckless lending.

It should also be noted that there are inefficiencies in the credit market. For instance, credit risk management is very poor, information on the credit bureau is sometimes incomplete and there are a high number of bad debts. This calls for the government to continuously educate the borrowing community on their rights and obligations. Such education campaigns should also dwell on aspects of financial management.

5.4 DISCUSSION

Results of this research confirm previous research findings that South Africa has a culture of debt. It has been revealed through questionnaires that 19.8% of respondents take up loans for no apparent reason. This might be due to lack of

financial education. But considering the target population of educators one could assume that they are well informed but this has proved otherwise from the research. Findings from other researches reveal that education reduces the chance of indebtedness, thus improving on savings.

However, other studies found that financial literacy which helps in managing debt reduces over indebtedness unlike tertiary education that increases the chances of over indebtedness. Therefore, financial education plays a paramount role in curbing over-indebtedness and thus improving on savings. This advances the notion that managing finances calls for specific financial skills and the need for higher education and better financial management cannot be overemphasized. However, other researchers do not subscribe to that and are of the opinion that financial illiteracy does not cause over-indebtedness but pointed to predatory lending practices as the chief culprit among middle and low income earners.

Bojanala district is predominantly rural. South African literature reveals that urban dwellers have a higher chance of being over-indebted. This is due to the fact that credit facilities are more available in urban areas than rural set ups. But as found in the literature, high indebtedness is found mainly among the high-income earners in urban areas and at all levels in rural setups, driven by informal financial services such as loan sharks. This is consistent with the empirical findings in this research where most of the respondents are in rural setups but still struggling with debt.

5.5 CONCLUSION

The purpose of this study was to determine the level of non-saving habituations of middle income earners in Bojanala district of North West Province. The results revealed that too much use of debt, in particular unsecured debt, threatens middle income households' financial stability. It should also be noted that excessive use of debt leads to poverty. In this case, households find themselves in situations where they cannot afford to buy basic necessities because of debt repayments.

Overall, results suggest that most of the respondents are struggling with debt. Literature review has shown that middle income earners go on early retirement for them to get their lump sum pension refunds which they would use to clear debts and

start afresh. This is a very sad scenario as there are no savings to talk about. Considering such difficulties households face, widening access to credit should not ignore the issue of over-indebtedness.

5.6 RECOMMENDATIONS

There has to be a balance between greater access to credit and prevention of over indebtedness. Therefore, any policy pronouncement by the government in response to household over-indebtedness must seek to achieve that balance for both the low income and the middle income groups. The following recommendations are made:

Development of a strong culture of savings

A strong culture of saving should be inculcated amongst households to dissuade them from relying on debt to meet their consumption needs. As mentioned earlier on in this chapter, savings play a paramount role as it cushions households against unforeseen circumstances. In order to stimulate and promote a culture of savings, the following recommendations are proposed:

- putting in place tax incentive packages to promote and reward contribution to savings instruments;
- a properly formulated fiscal policy framework should be put in place; and
- a continuous increase in government investment in retirement and social security programs.

However, it is important to note that such reforms should be complemented by tight restrictions on credit to ensure that the desired objectives of stimulating economic growth through credit-funded consumption are met without sacrificing the ability to save which has got long term benefits.

Improvement of financial literacy

The South African education system must incorporate financial literacy programmes at school level in order to impart to households the essential financial management skills and protect them from precarious debt situations. The government should also come up with policies that promote entrepreneurial development, especially among teachers to strengthen their earning capacities thus enhancing savings and reducing the chances of them getting into debt. Many people should have access to financial

literacy programmes. Such programmes should disseminate information that brings about behavior change.

Financial decision making

Also, the education programmes should equip them with knowledge in financial decision making. The information should not be for awareness purposes on savings and available financial instruments only but should also serve as a warning against falling into debt trap. All this depends on having the right mindset. Most of the respondents were educated teachers in the middle class who do not take heed of such noble initiatives.

Legislative provisions that prohibit irresponsible lending

Research has shown that there is a lot of reckless lending by credit providers, especially in the unsecured credit market where borrowers are vulnerable to unregistered lenders. Therefore, the National Credit Regulator should be given more powers to enforce responsible lending behavior in the credit market.

Although increased access to credit is considered to affect savings levels negatively, it is important to take cognizance of the benefits of financial liberalization as far as economic development is concerned. For instance, the banking sector is strengthened thereby enhancing efficiency in financial intermediation and investment leading to higher economic growth. Therefore, it is recommended that the financial sector should reform and keep up with the changes in the global market. It is very undesirable for the financial sector to continue to promote consumption; instead the sector should come up with innovative programmes that encourage both savings and consumer investment by the growing black middle class. Such instruments should be simple and affordable for the whole regeneration of a savings culture to be widely accessible.

South Africa should come up with tight regulatory systems that punish irresponsible lending by credit providers. It should be tight in the sense that any deviant behaviour on both the lender and borrower should be met with severe penalties. However, the regulatory system should take into account changes in the business environment and keep abreast with global trends.

5.7 FUTURE RESEARCH DIRECTION

The findings and recommendations arising from this research highlighted the need for future research. There is an overwhelming need for further studies focusing on various dimensions of savings.

REFERENCES

- Akpokodje, G., Lancon, F., Erenstein, O. & Toure, A.A. (2004). Saving trends and behaviour in Nigeria. *West African Journal of Monetary and Economic Interpretation* 2(2): 87–12.
- Andreou, SN. (2011). The borrowing behaviour of household — evidence of Cyprus family expenditure savings. *Cyprus economic policy review* 5(2) 57–83.
- Archer, M and Blau, R. (1993). "Class Formation in the Nineteenth-Century America: The Case of the Middle-Class", *Annual Review of Sociology*, Vol. 19, pp.17-41.
- Armstrong. P. & C. Burger. (2009). Poverty, Inequality and the role of Social Grants: An analysis using Decomposition techniques. Working papers 15/2009, Stellenbosch University, Department of Economics.
- AZIZ, J. And L. CUI. (2007). "Explaining Chinas Low Consumption: The Neglected Role of Household Income', Working Paper 07/181, International Monetary Fund, Washington, DC.
- Blanche, M.T., Durrheim, K & Painter, D. (2006). *Research in Practice: Applied Methods for the Social Sciences*. 2nd edition. Cape Town .UCT Press.
- Chai, M., Chia, Y.K., Fong, S.N., Lew, W.C. & Tan, C.T. (2012). Determinants of saving behaviour among university students in Malaysia. Bachelor of Commerce, University Tunku Abdul Rahman (Malaysia).
- Cohen, T. & Moodley, L. (2012). Achieving “decent work” in South Africa? PER 25, *Electronic law Journal*. (Online) <http://www.saflii.org.za/za/journals/PER/25> (Accessed on 18 May 2015)
- Connolly, P. (2008). *Ethical Principles for researching vulnerable groups*. Ulster: University of Ulster Press.
- Cooper, D.R. and Schindler, P.S. 2001. *Business Research Methods*. 7th Edition. Boston, Mass: McGraw-Hill.
- Cresswell, J.W. 1994. *Research Design: Qualitative and quantitative approaches*. London: Sage.

- De Vos, A.S. 1998. *Research at Grassroots*. Pretoria. J.L. Van Schaik.
- De Waal, M. (2013) South African sinking under debt – credit amendment bill won't pull us out (online) Available from: www.daily-maverick.com (Accessed on 24 May 2014).
- Du Plessis, P. J., Strydom, J. W. & Jooste, C. J. (2012). *Marketing Management*. 6th ed. Cape Town: Juta.
- Fouche, C. B. (2005). Qualitative Research design. In De Vos, A. S. (Ed). Strydom, H., Fouche, C. B. and Delport, C. S. L. (1998) *Research at grassroots for social sciences and human services professions*. 3rd ed. Pretoria: Van Schaik.
- Geldenhuis, H. (2014). Employment packages- trends & realities. (Online) Available from: www.21century.co.za (Accessed 26 March 2014).
- Gibbs, G. (2007). *Analysing qualitative data*. Los Angeles: SAGE Publication.
- Gregg, R. (1993). "The African Middle Class", *Economic and Political Weekly*, Vol. 33, No.46, pp.2933-2938.
- GUPTA, A. (2008). "The Future of India-China Trade", *The Economic Times*. 14 January 2008.
- Keller, Sonja. (2004). Household formation, poverty and unemployment- the casde of rural households in South Africa. *South African Journal of Economic* 72(3):pp.437-483.
- Krefting, L. 1991. Rigour in Qualitative Research. The Assessment of Trustworthiness. *American Journal of Occupational Therapy*. Volume 45(3), (March), 215.
- Lee, M. C & Hwan, I. S. (2010). *Practical Research: Planning and Design*. 9th edition. Upper Saddle River, New Jersey: Pearson Education Inc.
- Leedy, P. D. & Ormrod, J. E. (2010). *Practical research: Planning and Design*. 9th edition. Upper Saddle River, New Jersey: Pearson Prentice Hall.
- Maddison, Angus. 2007. The World Economy. Volume II: Historical Statistics 8-8: The world Economy 1-2001 AD. Paris: OECD Development Centre.

- Moodie, M.S. 1997. *Teacher Pupil interaction in culturally diverse classroom. Guidelines for teachers*. Johannesburg: RAU.
- Mouton, J. 2005. Basic concepts in the methodology of the social sciences. Human Sciences Research Council.
- National Credit Act 34 Of 2005 (Published in the Government Gazette, (28893): Government Printers.
- Nga, M. (2007). An investigative analysis into the saving behaviour of poor households in developing countries with specific reference to South Africa. MSc Economics. Dissertation, University of Western Cape.
- Parker, I. (2004). Criteria for qualitative research in psychology. *Qualitative Research in Psychology*, 1, 95-106.
- Polit, D. F., and Hungler, B. P. (1999). *Understanding quantitative research designs. Essentials of nursing research* (5th ed). Philadelphia: US: Lippincott Williams and Wilkins.
- Prinsloo, J. (2002). Household debt, wealth and savings, South Africa Reserve Bank, quarterly bulletin 4, 63–78.
- Republic of South Africa. (1996a). Constitution of the Republic of South Africa. Pretoria: Government Printers.
- Saunders, M., Lewis, P. & Thornhill, A. (2009). *Research Methods for business Students* (4th ed). Harlow, England: Prentice Hall.
- Schemmer, L. (2005). "Lost in Transformation: South Africa's emerging African middle class", CDE Focus, No.8.
- Seekings, J and Nattrass, N, (2002)'Class Distribution, and Redistribution in Post - Apartheid South Africa", *Transformation*, No.50, pp1-30.
- Seekings, J. (2008).'The Rise and Fall of the Wesberian Analysis of Class in South Africa between 1949 and the Early 1970s", Centre for Social Science Research, CSSR Working paper No.239.
- Slabbert, A. (2013). Five million South Africans drowning in debt, more jobs (Online) Available from <http://mecomictrends/moneyweb>, (Accessed: 14 April 2014).

- Statistics South Africa, (2009). Profiling South Africa Middle Class Households, 1998-2006. Statistics South Africa Report 03-03-01. Statistics South Africa, Pretoria.
- Statistics South Africa. 2002. Earning and Spending in South Africa: Selected findings and comparisons from the income and expenditure surveys of October 1995 and October 2000. Pretoria: Government Printer.
- Struwig, F.W. and Stead, G.B. (2001). *Planning, designing and reporting research*. RSA. Maskew Miller Longman (Pty) Ltd.
- Tavalok, M. and Denick, R. (2011). Making sense of Cronbach's alpha. *International Journal of Medical Education*, (2): 53-55.
- Van der Berg, Servaas. (2009b). Fiscal Incidence of Social spending in South Africa, 2006. Working papers 10/2009. Stellenbosch University, Department of Economics.
- Watson, V. 2013. African urban fantasies: dreams or nightmares? *Environment & Urbanization*. October 2013, 25 (2).
- Yu, Derek. 2010. Poverty and inequality trends in South Africa using different survey data. Working papers 04/2010. Stellenbosch University, Department of Economics.
- Zikmund, W.G. 2000. *Business Research Methods*. 6th Edition. New York: The Dryden Press.

APPENDIX A: COVER LETTER

North-West University
Graduate School Of Business & Government Leadership
Private bag X2046, Mmabatho
South Africa, 2735

RE: REQUEST FOR RESEACH PROJECT ASSISTANCE

My name is Nthabiseng Mngomezulu. I am a student at North- West University (Mafikeng) currently doing a Master of Business Administration Programme. I am carrying out a research on Indebtedness titled "The impact of credit facilities on savings among middle-income earners in North West department of education". The purpose of the research is to find out the effect of credit facilities on consumer saving.

I kindly seek your assistance by way of completing the questionnaire attached to this letter. Your response will be treated with confidentiality and the findings are for academic purposes only. I thank you for your time and cooperation.

Yours faithfully

Mngomezulu MN

APPENDIX B: QUESTIONNAIRE

Questionnaire- Educators

Please indicate your response with a tick in the appropriate box and give any other relevant information in the spaces provided.

ANNEXURES

PART (A) PERSONAL INFORMATION

	Please tick appropriate box			3	Under 50	51-60	Over 60
1	Gender	Male	Female	4	Principal	Teacher	Head of Department
2	Lending	Micro Lending	Banks	5	Matric	Graduate	Post Graduate

PART (B) QUESTIONS

SECTION A LEVEL OF NON SAVING AMONG MIDDLE INCOME CLASS

	Objectivity Dimensions	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1	I am aware of my level of debt	5	4	3	2	1
2	I am worried about establishing a good credit record	5	4	3	2	1
3	I have been blacklisted	5	4	3	2	1
4	As a teacher I have challenges in saving money	5	4	3	2	1
5	As a middle income earner, my	5	4	3	2	1

	Objectivity Dimensions	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
	income enables me to save					
6	Lenders are not impacted by savings	5	4	3	2	1
7	Lenders pressurises borrowers to take out a new loan after paying off the old loan	5	4	3	2	1

In your opinion what are the challenges of saving

.....

.....

.....

.....

What impact does the credit lenders have on savings among individual teachers in yourschool?.....

.....

.....

.....

.....

Will the introduction of lending legislation assist consumers to save?

.....

.....

.....

.....

Have you ever been blacklisted and if so please explain?

.....

.....

.....

.....

SECTION B

LEVEL OF FINANCIAL LITERACY

	Objectivity Dimensions	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1	I am aware of my rights as a borrower	5	4	3	2	1
2	I have a tendency of taking loans without reasons	5	4	3	2	1
3	Customers often default on loans without Reasons	5	4	3	2	1
4	Most clients do not mind being blacklisted	5	4	3	2	1
5	Most customers do not spend more their earnings	5	4	3	2	1
6	My household has a budget	5	4	3	2	1
7	Borrowing made me afford all my household debts	5	4	3	2	1

In your opinion what makes you reckless on lending

.....

.....

.....

.....

Have you ever been referred to debt counselling and were they helpful to your situation

.....

.....

..... How often do you default on loans repayments and what are the challenges for doing that?.....

In your opinion , what causes consumers to overspend or spend more than their earnings?.....

SECTION C

THE ROLE PLAYED BE FINANCIAL INSTITUTIONS IN HELPING CONSUMERS TO PAY DEBT

	Objectivity Dimensions	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1	Most financial institutions lending standards are relaxed	5	4	3	2	1
3	Most customers have been referred to debt counselling	5	4	3	2	1
4	Customers often do not know how to address indebtedness	5	4	3	2	1
5	I have checked my credit rating for the last 12 months	5	4	3	2	1
6	Financial institutions should not increase or grant another loan before the original loan is settled	5	4	3	2	1
7	I am always kept up to date with the status of my loan account					

Can you mention examples of your household debts according to your priorities?.....

.....

.....

.....

Have you ever been referred to debt counselling and were they helpful to your situation?.....

.....

.....

.....

What impact does the credit lenders have on savings among individual teachers in your school?.....

.....

.....

SECTION D

HOW CAN GOVERNMENT ENSURE COMPLIANCE BY THE CREDIT LENDERS IN ORDER TO PREVENT RECKLESS BORROWING?

	Objectivity Dimensions	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1	Government is doing enough to regulates micro lenders	5	4	3	2	1
2	I am familiar with national credit regulations act	5	4	3	2	1
3	My Credit provider adheres to the concept of responsible lending	5	4	3	2	1
4	Government often send debt counsellors to schools	5	4	3	2	1
5	Current regulations address malpractices such as reckless lending by banks and other institutions.	5	4	3	2	1

What do you understand by the term National Credit Regulations (NCR)

In your opinion, is government doing enough to regulate micro lenders in South Africa?

What should the government do to enforce these regulations to the banks and micro lenders in South Africa?

In your opinion, why do people prefers unsecured lending?

How should the government ensure that the credit lenders complies in order to prevent reckless borrowing?

Interview Guide: Credit Providers

Name of credit provider			
Position of Respondent in the company			
Period Employed			
Gender	Male	Female	
Age	Under 50	51-60	60+

Questions

1. What are your obligations towards customers?
2. Do you believe that the extension of lending to Teachers has been adequate?
3. If not, what would you say are the main reasons for the poor extension of finance.
4. What would you say are the main causes of default in lending?
5. Are you guided by the principles of responsible lending as specified in the National Credit Act?
6. What, for you, is the main outcome of a borrower education program?
7. Programmes abroad have been found to address default and improve loan quality, how applicable are these practices to your situation?
8. Given your experience and expertise, do you believe that a borrower education programme can adequately address default?
9. Has borrower education been effective in addressing what it's intended to do?
10. As a lender what has been the extent of your involvement in borrower education.
11. What are your recommendations for improving the extension of credit to teachers?