

**DETERMINING BUDGETING SKILLS OF GOVERNMENT SOCIAL
GRANT HOLDERS.**

By

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DECLARATION BY STUDENT

DECLARATION:

I, Sive Matanga (s211069493), hereby declare that the dissertation titled DETERMINING BUDGETING SKILLS OF GOVERNMENT SOCIAL GRANT HOLDERS is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.

SIGNATURE:

DATE: **DECEMBER 2015**

LIST OF ACRONYMS

ABET	Adult Basic Education and Training
IDP	Integrated Development Plan
ILO	International Labour Organization
RDP	Reconstruction and Development Programme
NCR	National Credit Regulator
MFRF	Microfinance Regulatory Framework
MFRC	Microfinance Regulatory Council
MLA	Micro Lenders Association
NGO	Non-Government Organisation
HSRC	Human Science Research Council
FE	Further Education
TVET	Technical and Vocational Education and Training
DoE	Department of Education
CSG	Child Support Grant
CDG	Care dependency Grant
OAG	Old Age Grant
FCG	Foster Care Grant
DG	Disability Grant

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ABSTRACT

The lack of budgeting skills in Government Social Grant recipients has significantly added to an inability in many of the grant recipients to address the existing poverty in their households. This situation has been exacerbated due to exploitation of social grant recipients by illegal money lenders charging excessively high interest rates trapping grant recipients in a vicious cycle of perpetuating debt.

In remote rural areas poverty and lack of literacy and numeracy skills go hand in hand. Psycho-social and economic factors play a role in grant recipients' poor budgeting and financial decision making skills, contributing to them falling into debt in the first place. Aggravating the situation is legislation that limits access to financial resources of those without employment, rendering illegal money lenders the financial entity providing finance by default.

The research was conducted in a poor rural area around Tarkastad, Eastern Cape and sought to identify challenges caused by, amongst others, the lack of decent education, poverty and poor budgeting skills, all negatively influencing different social grant holders. Analysis of data from this qualitative study took place by means of a thematic classification against the background of a critical theoretical framework.

The researcher believes that this study shed light on issues surrounding exploitation by illegal, unregistered money lenders and that the suggested recommendations, if implemented, may bring about a change in lending patterns and saving behaviour of communities in remote areas.

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CHAPTER ONE

BACKGROUND, PROBLEM STATEMENT, RESEARCH DESIGN AND STUDY OUTLINE

1.1 BACKGROUND OF THE STUDY

This study is restricted to a region of Chris Hani in the area of Tarkastad. The Integrated Development Plan (2006:6) (hereafter referred to as the IDP) sets the location of Tarkastad on the R61 road between Queenstown and Cradock. The area is accessible via tarred or gravel roads from the neighbouring towns and metropolitan areas. For instance, from Port Elizabeth to Tarkastad the travelling distance is 365km, from East London 257 km, from Cradock 81 km and from Queenstown 64 km, so the area rendering to be centrally situated.

In terms of the Municipality demarcation, Tarkastad is ward four from the five wards existing in the Tsolwana local municipality. According to the Tsolwana municipality document (2006:7) ward one comprises of three villages and ward two of two villages. Ward three is the biggest ward within the local municipality with six villages, followed by Tarkastad comprising of only two villages and Hofmeyer which is in ward five with only one village.

The area is situated in a rural urban fringe that consists of two townships, namely the Ivanlew township with a population mixed of Coloured and African residents and the Zola township initially preferred by African population only. However, due to infrastructure development of houses within the area, Zola township has developed a new area within itself called Greenfield where some Coloured population resides alongside African people. The small White population resides in the main town area and on surrounding farms.

Tarkastad is the smallest ward within the local municipality of Tsolwana. Tsolwana has an overall population of 35130, dominated by females, (IDP, 2006:8) however, due to high birth rate of youth caused by different socio economic challenges; the number of population in the region in the coming years can grow. Tarkastad's share in this number is 6553 individuals in total comprising of 1612 households. In relation to other wards, Tarkastad is the smallest area, but the challenges the residents of this area face seem to be more serious compared to other areas in the region.

The most dominant group of inhabitants is aged between fifteen to thirty five years, followed by a group aged between five to fourteen years and lastly the elderly group of residents who are sixty five years and older (IDP, 2006:8).

The majority of the residents are unemployed. Reasons for this could have emanated from the lack of service delivery for economic development, such as poor infrastructure development, shortage of scarce skills, poor education attainment and unavailability of Further Education and Training Institutions within the area and other opportunities to equip the people to enter the labour market and create self-employment opportunities.

Therefore, a vast number of young people as well as the older people are illiterate with only a few population of colour having had formal education up to grade 10 or 12. This is mostly due to young people who obtain formal education to the higher grades deciding to move to larger towns or cities hoping to get a share in the economic activities there. Especially those who have families in large cities leave the area to look for employment and to further their education if they can find funding to do so.

The aspect of unemployment combined with age place a huge demand on the municipality's service delivery provision on aspects such as investment attraction for employment creation opportunities or efforts to address the lack of educational attainment and skills development to this population, where many also experience issues associated to HIV/Aids, (Tsolwana municipality, 2012:8). This creates a negative situation for the area that experiences a shortage of skills that could support long term and mid- term economic activities that could address the poverty and unemployment issues that affect the residents not only financially, but also socially.

The majority of young people drop out of school before finishing matric due to various socio-economic factors, such as poor family background, financial constraints, poverty, death of breadwinners, social and family pressure to join labour market. Even though there is Adult Basic Education and Training (ABET) education for people to continue with their studies, only a few people attend and even those who attend do not come to school regularly. Those who are fortunate to obtain matric have no opportunity to further their studies locally and unfortunately there are limited formal employment opportunities in the area with most people working at the municipality or existing Government Departments. Furthermore, Government employees are often people from outside Tarkastad while municipality officials are usually brought from the Tsolwana jurisdiction or Chris Hani District. Those who are employed by the municipality are supposed to be people with matric and/or tertiary qualifications, however, often strategic positions are occupied by individuals who do not have relevant qualifications.

Currently, there are no factories or large firms that could provide employment. Most of the businesses are informal businesses such as small shops owned by people from other African

countries that also do not provide employment to the people of Tarkastad. This means that the youth that aspire to advance their economic position and independence are not getting the opportunity of employment in business or industries in Tarkastad or assistance for enterprise development by the local Economic Development Unit Directorate at the municipality.

In contrast, the agricultural sector is an important source for providing permanent jobs where family members are employed on farms in the surrounding areas. In Tarkastad itself the municipality through the extended public works program which mostly target youth and women, employs casual workers from time to time. Some people work at the development of RDP houses, community service and at the two Taxidermists that operate in the area, (IDP, 2006:8). Many women also work as domestic workers for the White population. Considering all of the above it does not come as a surprise that Tarkastad has 65.9% of its people living in poverty, (Tsolwana municipality, 2006:8).

As small as the area of Tarkastad is, its challenges are incongruent to the population size of the area and are not unique to many of the South African communities, particularly where such poor and marginalised populations reside. Due to low education levels, poverty and the unemployment rate is high so this leads to most people in the townships, irrespective of age and gender, to abuse alcohol. In spite of the fact that the area is small, there are many bottle stores and taverns that provide alcohol cheaply.

A further social anomaly that developed is the presence of numerous illegal money lenders and registered cash loan operators. These cash loan operators and money lenders are feeding on exploiting and manipulating individuals who receive Government social grants as the majority of people do receive grants. Grants manipulation and exploitation thrives because the people who receive the grants are mostly illiterate and possess no financial background to plan the spending of the grants. When people are desperate and in need of money they turn to the loan sharks and get caught up in a never ending cycle that is mostly impossible to break.

The above context has triggered my interest regarding the lack of budgeting skills as seen amongst Government social grant holders.

1.2 PROBLEM STATEMENT

The constitution of the Republic of South Africa section 27 (1) (c) (1996) allows and mandates the state to provide people the right to access the country's social security equally, irrespective of the person's racial background and gender, as long as the person deserves according to the

means test. People who receive Government social grants often use these various grants to repay loans made at legal cash loan operators and illegal money lenders. Grant recipients end up being unable to get out of debt. They experience increased financial challenges due to exceptionally high interest rates on the debts that they accumulated for themselves and their households. These debts intensifies desperation for money which then puts them in a situation where they re-indebt themselves. As desperation for money grows, they become more vulnerable to cash loan operators whose actions for providing credit becomes alien to the legalities of the National Credit Regulator and Micro Finance Regulatory Framework as legal practice. Operators confiscate bank cards and identity documents of state grant beneficiaries and keep these until debts are settled in full, which becomes near impossible. What is left after deducting debt and interest from the grants cannot sustain a decent living standard or provide in all basic household needs.

Families who find themselves in such a situation are usually those who are poor and unemployed. Many households are supported only by casual or part time work, or a family member who qualifies for some kind of social grant.

To provide informative information about the research topic the following research questions have been formulated.

1.3 RESEARCH QUESTIONS

1.3.1. Primary research question

How can the budgeting skills of people receiving government social grants be improved in the Tarkastad area?

From the primary research question, secondary research questions have been formulated

1.3.2. Secondary research questions

- *How can the Tsolwana Local Municipality Economic Development Unit play a role in educating people on avoiding getting caught up in excessive debt?*
- *What are the different psycho-social and economic problems that could contribute government social grant holders to fall into debt?*

- *How can government social grant holders in a poor community be able to stay out of a never ending cycle of debt?*

In order to answer the research questions, the following aim and objectives were formulated :

1.4. RESEARCH AIM AND OBJECTIVES

1.4.1. Primary research aim

- *To determine how the budgeting skills of people receiving social grants in the Tarkastad area could be improved.*

1.4.2. Secondary research objectives

- *To determine the role Tsolwana local Municipality Economic Development Unit could play in providing education to people regarding avoiding debt?*
- *To determine what the different psycho-social and economic problems are that contribute to government social grant holders to fall into serious debt?*
- *To determine how government social grant holders in a poor community can be supported to avoid falling into a cycle of debt?*

1.5. CONCEPT CLARIFICATIONS

For the purpose of this study the following terms are clarified:

1.5.1 Microfinance Regulatory Council

The Microfinance Regulatory Council is the highest body within the microfinance domain with the authority to provide financial regulation to the registered small loan lenders and medium loan lenders that provide financial services to the people in need of loans (Siyongwana, 2004: 854).

1.5.2 Formal Money Lenders

Siyongwana (2004: 854) defines Formal Money Lenders as legal, registered financial operators under the jurisdiction of the Micro Finance regulatory Council (MFRC). These operators play a fundamental role to consumers in providing education and lender education. The sub-body guiding and protecting them is the Micro Lenders Association (MLA) whose role it is to inform the registered micro lenders on any legislation imposed by Government that is relevant to their

lending policy. The Micro Lenders Association is affiliated to the Micro Finance Regulation Council by playing a similar role and having similar objectives to provide consumers with information and to make sure the registered financial operators abide to the code of conduct of the council to what all lenders agree upon.

1.5.3 Informal Money Lenders

The Informal Money Lenders are the group of people or illegal financial institutions providing short term loans to the people who are in need of finance. Their lending behaviour is against the Micro Finance Regulatory Council, the Micro Lenders Association and they do not abide to the Usury Act of 1968 that was amended in 1992 (Siyongwana, 2004: 854). Their lending behaviour is unjust, unscrupulous and they are charging excessively high interest rates (Siyongwana, 2004: 852 - 854). Their operation is on exploiting poor people who refer to them as Loan Sharks, Skoppers and Mashonisa.

1.5.4 Usury Act of 1968

This act is a guiding policy according to Siyongwana (2004: 854) that stipulates and controls the formal micro lenders' lending rate and is a legislation that protects the borrowers to not be charged exorbitant and unscrupulous interest rates on the basis of loans they take from the micro finance institutions.

1.5.5 Integrated Development Plan (IDP)

After Post-Apartheid (1994), South Africa experienced huge backlogs on municipal service delivery. This made government to establish an IDP to be an instrument of planning strategy of local Government to devise ways to attend to municipality service delivery. The IDP mandates all Government departments, Non-Governmental Organisations (NGO's) and institutions to be co-opted to coordinate the distribution of services in intergovernmental relations. As Harrison (2006: 185-186) points out; the IDP is developed by Local municipalities, Metro Municipalities and District Municipalities for a period of five years and thereafter is reviewed. It works according to the five year term of the elected council on a municipality.

1.5.6 Social Security and Social Assistance

According to Goldblatt (2009:451- 452), as a human rights issue the Government designed to attend and protect poor people from the socio economic challenges they face and to prevent the escalation of poverty within households through distributing financial support to the poor

people. However, unlike any other countries, in South Africa Social assistance is provided through social grants which the people receive according to a means test. These are poor people affected with disability, the elderly, children and parents that are unable to provide for themselves to survive (Mubanginzi & Mubanginzi, 2005: 279).

1.5.7 Social Assistance Grants

- **Child Support Grant**

This grant is the Government's social assistance program that is intended to provide to primary care givers to care for children below ages 18 (Delany, Ismail, Graham & Ramkissoo, 2008:1; Goldblatt, 2009:462). These are children and primary care givers who do not have access to any other form of financial support or Government social assistance. For single parents to qualify for the means test they must not earn more than R34, 800 and if a parent is married the family income must not be more than R69, 600 per year (Gabrielle, 2014:1).

- **Foster Child Grant**

The foster child grant is a social grant that is provided to the parent looking after a child. According to the Children's Act No. 38 of 2005, (www.justice.gov.za) the child is placed in the custody of the parent known as a foster parent. The amount provided to the foster parent on monthly basis is R830.00 (Gabrielle, 2014:1). To become a foster parent a court order is required to prove that a person is fit to foster a child. This type of social grant does not require a means test, only a court order.

- **Disability Grant**

The Disability grant is a social grant that is provided based on the means test to a person whose age falls between eighteen and fifty nine and the person must be diagnosed medically unfit to be employed. This means a medical test is done by a medical doctor to assess mental or physical disability (Goldblatt, 2009:458). The value of the grant amounts to R1350.00 monthly, however, a person is required to consult a doctor regularly to re-assess the status of the disability implicating that the grant is renewable until a person's status changes.

- **Old Age Grant**

An Old Age grant is a social grant that is provided according to a means test to people age sixty and above who have no, nor limited retirement savings. Elderly people need not be within any

state institution to qualify for the grant. The monthly amount payable is R1350.00, however, if a person is above seventy five years of age an additional R20.00 per month is added (Goldblatt, 2009: 460; Gabrielle, 2014:1).

- **Care Dependency Grant**

This grant provides on the means test to a person (caregiver) looking after a disabled child. Unlike the disability grant where a beneficiary presents temporary or permanent disability, for a care dependency grant the child must be diagnosed with severe and permanent disability before a caregiver may receive the grant. Furthermore, the child must be below age eighteen and must not be cared for in any state institution. The monthly amount is R1350.00. For a single caregiver to qualify for this grant he/she must earn less than R151, 200 per year or a married caregiver must not earn more than R302, 400 per year in order to qualify.

1.6 THEORETICAL FRAMEWORK

A theoretical framework is the lens through which human beings think about the world in a particular phenomenon (Anfara & Mertz, 2006:4). Within this study individual and group behaviours are explored against the background of social theory and individual emancipation as the study was conducted in a rural area with limited development opportunities, the majority of the local population negatively affected by unemployment and households relying on government social assistance. As pointed out by Anfara and Mertz (2006:10), through the critical implementation of social theory the researcher positions himself to scrutinize possible contributing factors that may stunt humans to emancipate from a negative situation by not taking personal responsibility to explore and recognize potential assets in self or the environment as promoted by an “Asset Based Approach” as advocated by Kretzmann and McKnight (1993).

As Morrow and Brown (1994:9-10) posit, the researcher from a critical theory perspective acknowledges the complexity of the socio economic situation; in this study of residents in the rural area under study. In the instance of this study the role of critical theory seeks to explain the status quo of the population caught up in a cycle of debt.

1.7 LITERATURE REVIEW

1.7.1 SKILLS DEVELOPMENT AS A BRIDGE TO ADDRESS POVERTY AND UNEMPLOYMENT

The unequal distribution of resources and services creates a negative influence on the individual and the community. Poor people who find themselves unable to access better services and resources often leave their homes for areas where services are more accessible. This is especially true about people who have managed to acquire specialized skills, so instead of utilizing these skills into their home area, they migrate to areas where there are better opportunities for job satisfaction and financial security. Hardy and Richter (2006:87) list provinces that are most affected with the challenge of migration as being Limpopo, Mpumalanga and the Eastern Cape Province.

The Human Science Research Council and Education Policy Consortium (2005:25) states that census 2001 revealed that a vast number of unemployed people are supposed to be economically active within these three provinces. However, they are unable to get employment or are reluctant to devise means to create self-employment opportunities due to their dependency on the Government grant system. The Eastern Cape Province is especially badly affected with the highest unemployment rate compared to Kwazulu-Natal and Limpopo provinces.

1.7.2 EDUCATION ATTAINMENT TO ADDRESS POVERTY

The challenge of education amongst people, particularly people in less privileged communities raises a major challenge for local economic development and human development such that Pauw and Mncube (2007: 32) note that people in affected communities and poor households are struggling to obtain higher education levels, employment and better health status due to poor nutrition and illiteracy. In such communities, the school enrollment level is low in spite of the enrolment of children at schools has been made compulsory by Government.

The Human Science Research Council and Education Policy Consortium (2005:28), argue that if the underprivileged families are unable to access education it results in their status and level of vulnerability to remain unchanged. Therefore, when access to education is not available it becomes possible for poverty within communities to be passed on to the children based on the fact that for the children it becomes impossible to further their studies so often they drop out

continuing a cycle of poverty within households and the community. In this regard Mashigo (2006:8) posits that many children purposely leave school early to join the labour market. Unfortunately, within the poverty stricken areas employment opportunities are limited usually resulting in youths loitering in the streets. Mashigo (2006:8) further holds the viewpoint that the majority of drop outs are males due to the African stereotyping view that the male should be the breadwinner. Other authors though, pose the position of the girl child in traditional African societies as less important when it comes to education opportunities, so many young girls are married off as per traditional custom and therefore do not advance educational skills that may bring about better job prospects.

Interestingly, women with better educational attainment in poverty stricken communities are more successful in accessing employment opportunities and also are more able to increase the life chances of their children, (Human Science Research Council, 2003:135). According to Pamela and Kean (2005: 294-295) in such families, educated mothers are able to instil in their children a culture of learning and expose children to educational programmes at an early age. Educated parents value education and often have more resources that better equip them to help children with school work. Such children are thus often exposed to more learning opportunities.

1.7.3 IMPACT OF THE FINANCIAL SERVICES SECTOR IN RURAL COMMUNITIES

According to Pamela and Kean (2005:4) people affected by poverty find themselves under pressure to get finance for household survival and when people receive money they spend most of it immediately to meet their needs. Kgowedi, Makhura and Coetzee (2002-2007:3) point out that households spend more as a result of the informal financial institutions that are easily accessible in rural communities as these that provide loans with flexible repayment terms, contain low transaction cost and the loan approval is very quick compared to the formal financial institutions. This is unlike the formal financial sector where banks use and provide clients' money according to specific lending policies in accordance to the principles stipulated by Government. Unemployed people are not legible for loans unless they are able to provide security or collateral as stipulated in the formal financial sector's lending policy. This is to protect the banks and their investors against risks and loss (Colquit, 2007:20).

However, Zelle and Sharma (2000: 144) argue that financial institutions are judgemental toward the people that are regarded to live in poverty and cannot save. This is the reason why poor people consider informal financial services as means to obtain finance. Another reason for formal financial institutions and micro finance institutions to be perceived as judgemental is that their services are often not accessible in terms of actually being within physical reach to people living in rural areas. Zelle and Sharma (2000: 144) as well as Bortei-Doku and Aryeetey (1995:78) posit the people confronted with poverty find that their financial services provider by default becomes the informal financial sector of money lenders as they are willing to provide to poor people where the formal financial sector fails to deliver.

1.7.4 IMPACT OF SOCIAL GRANTS ON HOUSEHOLDS

The Government spending after 1994 on social grants increased as a result of being perceived as a strategy to eliminate poverty from households through the provision of income to unemployed people (Pauw and Mncube, 2007:1). In this regard, Meth (2004:1) earlier noted that South Africa spend so much on social programs resulting in a huge challenge to true development, growth and on social stability. Goldblatt (2009:336) points out that South Africa's social spending goes to social welfare grants to children, the disabled, the elderly, foster care and care dependency.

The high expenditure from Governmental social grants has its challenges in that a vast number of the South African population is fully dependant on grants for their socio economic development. Recipients are not motivated to embrace the objective of Government as having a developmental objective (Pauw and Mncube, 2007:7). This dependency renders families unable to utilise social grants for household and development opportunities and to save as much as possible for children who will not receive the grant after reaching age 18. Social grants are too limited to address fully and eradicate poverty as it merely addresses the most basic household needs (Twine, Collinson, Polzer & Kahn, 2007:3). It seems therefore as if the grants no longer fulfil its objectives but are only utilised for security to loans from money lenders.

1.7.5 ROTATING SAVING AND CREDIT ASSOCIATION (ROSCAS)

The Rotating Saving and Credit Association has the potential to assist many needy people to obtain financing due to its different forms of assistance and functions played within the

communities. ROSCAs has a unique way of financing compared to other financial providers as this method exists for a group of people, the number depending on the agreed number by participants, who make a weekly or monthly contribution of money to save to achieve a particular purpose within a household and/or the community (Ardener & Burman, 1995:1). Though this method is informal, it plays a huge role in the African community who often utilises this method effectively to support social and economic development because, it gives people the opportunity to participate in economic activities addressing conditions that have created poverty within their communities (Buijs & Atherfold 1995:11).

Zelle and Sharma (2000:144) support this saving strategy in poor communities in developing countries as these communities usually lack effective and functional financial institutions that are not biased to class or gender allowing people to save and borrow. People who are members of ROSCAs are allowed to save and borrow in the same way as at formal financial institutions. The interest charged when a person borrows money is very low and depends on the agreed repayment arrangements due to the trust members have in each other. This saving association's fundamental focus is on Stokvel and Burial Society Development (Kgowedi et al, 2002-2007:2).

1.8 RESEARCH DESIGN AND METHODOLOGY

1.8.1 Methodology

This methodology this study chose is basic to addressing the research questions by clarifying and interpreting reality as the participants perceive it as suggested by Sobh (2006:1194); in this study the budgeting skills of social grant beneficiaries. To achieve this a qualitative research method is considered most suitable because within a narrative approach in qualitative research the researcher will be able to present explanations and obtain a deeper understanding of why social grant beneficiaries are indebteding themselves to the point where they use all the social grant money to pay money lenders as explained by Marshall (1996:522). Through an interpretive approach the researcher will analyse and interpret the findings (Ritchie, Lewis, Nicholls & Ormston, 2013: 3; Struwig & Stead, 2001: 12).

Before data gathering the researcher analysed the social setting of the participants to assure that the selected participants will provide data rich and thick in description. The participants are core resources of rich data as their perceptions and feelings related to their budgeting skills, lending patterns and utilization of Government social grant money is what this study is about.

Furthermore, applying a qualitative methodology to this study enabled the researcher to create data generating strategies that align to the research objectives and to interpret the findings in relation to what information the research participants provided about the social phenomena under study (De Vos, Strydom, Fouche & Delport, 2005:268).

The research design is rooted in phenomenology because according to authors such as De Vos et al, (2005:270); McMillan and Schumacher (2006:26); Ritchie et al, (2013:14) ;Sandelowski (2000:336) and others; the approach supports a deeper understanding of the real situation based on the experiences the research participants provide to their situation of being indebted. To get a clear picture and allocate correct meaning through thoughtful interpretation, the researcher kept in mind bracketing personal opinions and bias as suggested by Struwig and Stead (2001:16).

1.8.2 Sample

According to De Vos et al, (2005: 328), a study that is qualitative does not have to use large samples because selecting a sample is embedded upon what a researcher wants to know about a particular phenomenon and upon the purpose of the study. Therefore a sample of informed participants is paramount (Marshall, 1996: 522) to achieve the stated objectives.

As the selected site allowed the researcher to be familiar with the characteristics of the selected population, a sample of Disability Grant-, Foster Care Grant-, Child Support Grant, Old Age Grant- and Care Dependency Grant recipients, who are in debt from both legal and illegal money lenders, were invited to participate in the study. For each type of social grant a representative group of five participants from the Coloured population and five participants from the African population residing in Ivenlew location and Zola location, were selected randomly.

All the participants were adults relying on the grants and between ages thirty to sixty five years. They had more than one family member at home, and were in debt with money lenders. .

A purposive sampling method was used to identify possible representatives for the money lenders. Two registered money lenders who are operational in the community accepted the invitation to participate. Due to the complexity of unregistered money lenders, only four well known unregistered money lenders in Tarkastad area, two from Zola location and two from Ivenlew location agreed to represent the illegal money lenders.

1.8.3 Data Collection Instruments

Primary data had been collected through semi standardised interviews with both social grant beneficiaries and money lenders. The interviews contained structured and unstructured questions as both types allow for the use of predetermined questions to be asked to each participant in a consistent and strategic manner. These questions also allowed research participants to deviate and include other relevant issues that may not have been covered by the questions, thus adding informative and rich data about the context they find themselves in. Making use of semi structured interviews, thus allowed the researcher to gather information by allowing for detailed responses as suggested by Struwig and Stead (2001:98). Such detailed and in-depth information supported a deeper understanding of the subject. De Vos et al, (2005: 292) posit that such scope and depth add to comprehensiveness. A tape recorder was used to capture the exact words and full contribution of participants' contributions. Permission to record all interviews was obtained beforehand.

1.9 DATA ANALYSIS

De Vos et al (2005: 292) posit that for any study conducted, guidelines regarding the process of analysis are based on the research purpose. Since this study is qualitative by nature, analysis was approached from an interpretive paradigm (De Vaus, 2001: 9-10; Ritchie et al, 2013: 3).

To answer the research questions and meet the stated outcomes the analysis was done by means of coding different themes and sub-themes differently. Each interview was first transcribed and thereafter coded in order to categorize aspects into different themes and sub-themes as suggested by De Vos et al (2005: 18 – 292) and Struwig and Stead (2001:168).

1.10 OUTLINE OF STUDY

Chapter One provides a description of the area of Tarkastad with its socio-economic challenges and the importance of conducting this study. It furthermore defines the different types of social grants and provides a short overview on the literature of possible aspects that may lead to becoming trapped in a debt cycle and the operations of both legal and illegal money lenders. Chapter Two provides more detailed discussions from the literature regarding the topic under study. Chapter Three dwells on the methodological procedures used for data collection, the

sampling frame, interpretation and analysis of data and includes ethical considerations that were adhered to. Chapter Four presents the findings and interpretation thereof in a detailed discussion. The final chapter presents the implications of the findings and present recommendations to be considered. This chapter concludes with a short exposition of the limitations embedded in this study and makes suggestions for further study in the field.

1.11 SUMMARY

Unemployment within rural areas is a challenging factor that causes poor people to be dependent on the social grants. In most cases the social grants are not sufficient to cater for all the household needs. Due to financial constraints within families, money lenders became the solution for survival and so social grant holders become indebted. Education, job market related skills and skills relevant to financial budgeting and management within many of the poor households is lacking thus creating a negative impact as many see no opportunity to move out from the cycle of debt and poverty.

Chapter Two presents a detailed literature review on aspects pertaining poverty, lacking of various skills as possible reasons for getting trapped in a cycle of debt from money lenders and a discussion on the operations of both legal and illegal money lenders.

CHAPTER TWO

LITERATURE REVIEW ON SOCIAL GRANTS, ROTATING SAVING SCHEME AND FINANCIAL SKILLS DEVELOPMENT FOR POOR HOUSEHOLDS

2.1 INTRODUCTION

The constitution of the Republic of South Africa section 27 (1) (c) according to Hardy and Richter (2006:85), allows the state to provide people the right to enjoy equally irrespective of racial background, colour or gender. Even if families of the poor or vulnerable are unable to support themselves and their dependents, all should receive social assistance from the Government. Therefore, the state put mandated to the Department of Social Development to be responsible for the provision of social grants as enshrined in the South African constitution. The Department of Social Development makes social grants available to those entitled to it through a means test. Social grants are given to the elderly, the disabled and to destitute parents with children under the age of 18 years. South Africa spends more than other advanced countries in the world (Cross & Seager, 2010:144).

However, social grant provision, irrespective of its kind and nature, does not guarantee to effectively address the vulnerability of the recipients or the poverty in South Africa's poor households. In fact, the governmental social grants have created another psycho-social dilemma: where recipients are poor, the majority uneducated, economically and socially marginalised and a vast number residing in rural areas, many become totally dependent on the income from grants as sole income to the household. Considering the above challenges, poor people and communities have not been trained in any form of budgeting or financial management. This suggests that direct or indirect intervention is needed to empower such people on matters relating to financial management.

2.2 SKILLS DEVELOPMENT AS A BRIDGE TO ADDRESS POVERTY

The unequal distribution of resources and services create a negative impact to both personal development and provincial development. Poor people who find themselves unable to access decent services and resources often leave their areas for areas where services are more accessible. This is especially true about people who have managed to acquire some work related skills, but instead of utilizing them in their areas, they migrate to areas where there are better

opportunities for job satisfaction and financial security. Hardy and Richter (2006:87) identified provinces that are most affected by migration as being Limpopo, Mpumalanga and the Eastern Cape Province.

The Human Science Research Council and Education Policy Consortium (2005:25) notes from census 2001 that a vast number of unemployed people are supposed to be economically active within these three provinces. However, they are unable to get employment or are reluctant to devise means to create self-employment opportunities due to their dependency on the government grant system. The Eastern Cape Province is especially badly affected with the highest unemployment rate compared to Kwazulu-Natal and Limpopo provinces.

Educational attainment and skills development to poor people has been identified as a quality investment for their personal, economic and social development and the development; all contributing to development of the country. If government and people involved in community development are investing in skills development of poor people, their income levels are subject to growth and their status of being poor thus likely to change (Johanson & Adams, 2004:1). However, when poor people are not able to access education and skills development initiatives, they would find it hard to become entrepreneurs and develop local businesses that would create a platform for moving out of poverty (Zegeye & Macted, 2002:60). Unfortunately many become so over dependant on the income from grants and with the lack of opportunities to improve their skills and lifestyles, they are often not motivated to take charge of their own destiny.

When people in poverty are educated their respective communities gain and the social situation most probably will be improved. Zegeye and Macted (2002:83) point out that this could be achieved through the availability of formal education opportunities complemented by a training policy directed to skills development in order to radically address the issue of unemployment. The lack of a training policy complementing education could be one of the reasons why South Africa has matriculated youths who cannot find employment, poverty and inequality.

2.3 EDUCATION ATTAINMENT TO ADDRESS POVERTY

According to Wagener (2009:22), the Bill of Rights contained in our constitution (Act 108 of 1996) states that every person has a right to basic education, including Adult Basic Education herein referred to as ABE; and further education referred to as FE. Adult Basic Education and Training, referred to as ABET, was introduced to enable individuals without the basic skills of

reading, writing and numeracy to deal with at least the most basic skills to enable them to access common services such as opening a savings account, read formal documents and so forth. ABET was to support and emancipate those who never had the opportunity to attend school, or those who, due to financial or social conditions, had to leave school early (Makiwane, 2010:193).

Poverty and rising unemployment figures in South Africa have created problems and threats to the country's social stability and to its long term growth. Unemployment is high, mostly affecting the already poor, especially those living in peripheral areas. For a country to attend to the employment challenge its focus should fundamentally be on rising education opportunities to uplift the poor and to create education programmes that focus specifically on employability. If this issue is addressed it will also play a role on addressing the issue of escalating inequality. Unfortunately, the educational system's curriculum does not prepare pupils adequately for the labour market, thereby ostracising and alienating unskilled workers from the labour market. (International Labour Organisation, 2002:5).

The challenge of education is that as much as the education system does not adequately prepare pupils for employment, a vast number of individuals in the country reach adulthood without the ability to read or write in any one language. If this challenge is not effectively addressed, it would be unlikely for the country to decrease unemployment figures and produce growth and development. However the situation of low or no literacy levels are not unique to South Africa. Sub Saharan Africa experiences the same challenge with low enrolment numbers of people in education, high illiteracy and low educational attainment (Johanson & Adams, 2004:3). This could be ascribed to a culture of not considering the importance of education for personal emancipation although Wagener (2009:3) posits that poor people still perceive and treat education as a privilege to attain. The truth is though, that in spite of school attendance of children under the age of 16 being made compulsory by Government, many children still do not attend school.

the school enrollment level is low whilst there is as much as there is low educational attainment in our communities the most affected people who do get employment, are often women who, due to lack of education and training and to some extent by the cultural impediments are in low paid or short-term positions (Johanson & Adams, 2004:3; Wagner, 2009: 3). In this regard the Human Science Research Council (2003:135) however, points out that not only women are affected by unemployment due to poor education, the challenge is found in both sexes as lower

levels of education create less opportunities to find well-paid jobs compared to people with higher levels of education. The fact is education attainment and accessibility play a positive role on the future development of people and country by creating improved quality of life to the people who have managed to attain such higher educational levels. Unfortunately one of the reasons for the low education attainment is the high teenage pregnancy rate. In spite of education legislation that young mothers may return to school after the birth of the child, many do not and are satisfied receiving the child grant as income to meet household needs (Makiwane, 2010:193).

The challenge of poor education attainment amongst people in less privileged communities raises major challenges for local economic development and human development (Pauw & Mncube, 2007: 32). People in poor communities and households, who have low education levels, are struggling to find employment and as such health status and nutrition are also compromised.

The Human Science Research Council and Education Policy Consortium (2005:28) argue that if the underprivileged families are unable to access education their status and level of vulnerability will not change. Therefore, when access to education is not available it becomes possible for poverty to be passed on to the children based on the fact that for the children it becomes impossible to further their studies or move out from the poverty situation, perpetuating a cycle of poverty within the community. According to Mashigo (2006:8), many children leave school before obtaining even a matric qualification to join the labour market in order to sustain their livelihoods and to provide for household needs. Unfortunately, within most rural areas employment opportunities are limited resulting in youth loitering about and many social ills develop in the communities.

Interestingly, women with better educational attainment in poverty stricken communities are more able to access better employment opportunities and they are more motivated and able to increase the life chances of their children (Human Science Research Council, 2003:135). According to Pamela and Kean (2005: 294-295) in such families, mothers are able to instil in their children a culture of learning and children got exposed to educational programmes at an early age. Educated parents and more resourced parents are better equipped to help children with school work and such children receive full exposure to the available learning opportunities provided at schools. In such families parents are able to buy consumer goods needed for school

and health care and the children have transport available if needed (Human Science Research Council, 2003:135).

It seems clear that if all communities and households that are marginalised economically and developmentally have access to proper and quality education they would be able to access skills development opportunities. According to the 1991 World Bank policy on Technical and Vocational education and Training herein referred to as TVET, the importance of good quality basic education for all people is stressed in order for their personal development (Johanson & Adams, 2004:1).

2.3.1 Poverty and Inequality

In South Africa the challenge of inequality will be difficult to be reduced effectively due to the challenges of a large number of the population being characterised by poverty (Zegeye & Maxted, 2002:2). As a result, within poor rural households a lower life expectancy is prevalent in infants who are likely to die before the age of five due to poor nutrition and health care.

While the government is deliberately intervening to address poverty and inequality through the provision of welfare payments, other strategies for intervention are needed. Seabrook (2003:35) cautions that welfare payments alone are not a guarantee to poverty eradication or as a means to address the challenges

2.3.2 Employment and Poverty within Households

The challenges which South Africa face are not unique. Other African countries also experiences similar challenges regarding poverty. Even though African countries experience similar challenges, in the South African context the experience of poverty is fundamentally linked to unemployment and lack of skills development to access labour market opportunities (& , 2005:277). The Taylor committee of 2002 posits that the gross monthly income of most poor people is below four thousand rand per month. Considering the ever rising cost of consumer goods many poor households embark on taking out loans because of also not wanting to be seen by their neighbours as families in poverty (Zegeye & Maxted, 2002:11).

Unfortunately, the introduction of social grants made many households totally dependent on the grants for survival. (Human Science Research Council & Education Policy Consortium, 2005:25). This situation actually erodes the fundamental objective of social welfare to render

support to the vulnerable groups against the effects of poverty. (Mubangizi & Mubangizi, 2005:277-279).

2.4 IMPACT OF FINANCIAL SERVICES SECTOR IN RURAL COMMUNITIES

According to Pamela and Kean (2005:4) people affected by poverty experience more pressure to obtain finance for household survival and due to this, pressure arises within the community. As a result, when people know that they will receive money; or when they do get any money, they spend more than what they can really afford to “save face” in the community. Kgowedi, Makhura and Coetzee (2002-2007:3) argue that households thus spend more as a result of the informal financial institutions that are easily accessible in rural communities in providing different loans with flexible repayment and low or no transaction costs. Furthermore the loan approval is quick compare to the formal financial institutions, thereby luring people into debt. Unlike in the formal financial sector, banks use and provide loans according to clients’ personal financial profiles according to specific lending policies as stipulated by Government. Unemployed people are not eligible for loans unless they are being able to provide security or collateral as stipulated on the formal financial sector lending policy in order to protect the banks against risks and loss (Colquit, 2007:20). In this regard Zelle and Sharma (2000:144) posit that financial institutions are overly judgemental to people who are regarded as high risk due to their poverty status and inability to save. Contrary to such views, many poor people are able to save in the form of informal saving that exists in local communities such as “Stokvels”. Supporting Zelle and Sharma’s views (2000:144) regarding financial institutions, Bortei-Doku and Aryeetey (1995:78) agree that people in poverty find that their financial services provider by default becomes the informal financial sector of money lenders due to their willingness to provide to poor people what the formal financial sector fails to deliver.

2.4.1 Governmental Microfinance regulation

Unfortunately people who borrow money within the informal or semi-formal financial sector have experienced exploitation. It is this exploitation that caused Government to provide regulatory mechanisms to combat and protect the rights of the borrowers from such exploitation. The microfinance regulatory framework referred to as MFRF, became the body to regulate micro lenders to charge interest rates based on the Usury Act of 1968 as agreed policy for interest rates

limited between 29% and 33% per year. However, informal lenders (loan sharks) are not registered with the Micro Finance Regulatory Council herein referred as MFRC, and have continued exploiting clients by charging them interest rates between 40% and 60% (Mashigo, 2006:9). However, microfinance and lending institutions have grown from strength to strength due to the easily accessible provision of its services.

Government have devised ways to make microfinance accessible due to its importance to community development and household upliftment. Even though there are these regulations, there has been little work done on the evaluation of unregistered micro lenders due to them being so many. This practice of exploitation has created vulnerability of the poor (Siyongwana, 2004:851).

The potential of microfinance to poor people has been evaluated and is the fundamental cornerstone to poverty alleviation as a means of driving economic growth to rural people (Siyongwana, 2004:90). However, Harper (1998:6) argues that Microfinance availability has to some extent not been effective to deliver accordingly, it has not been more accessible to the poor people as envisaged as some required formal documentation in order to assist people financially. For many illiterate people in remote rural areas, obtaining such documentation proved problematic while the informal money lenders remained visible and easily accessible. This suggests that people ended up being unable to move away from the exploitation of informal, unregistered money lenders.

2.5 IMPACT OF SOCIAL GRANTS ON HOUSEHOLDS

The Government social spending after 1994 increased as a result of being perceived as a strategy to combat poverty through the provision of income to unemployed people (Pauw and Mncube 2007:1). However, Meth (2004:1) points out that South Africa spends a large percentage of its budget on social programs as poverty causes huge challenge to development, growth and social stability of the country (Goldblatt, 2009:336). Even though such high expenditure in social grants, these cannot fully provide in all household needs (Twine, Collinson, Polzer & Kahn, 2007:3).

According to Pauw and Mncube (2007:15) the purpose of Social welfare is to assist with financial support to poor households with low or no income. Natrass and Seekings (2002:2) argue that the government does this to respond to the challenges of unemployment.

With the availability of the social welfare provision households have managed to some extent to address their level of education and attainment, there has been economic growth to their households and income distribution has improved, (Hardy & Richter, 2006:1). Therefore, yes there are challenges but these are not infringing on the right stated in the Constitution for the provision of social security for the poor to participate socially and economically in society. Social grants have been able to address poverty gap to some extent (International Labour Organisation, 2002:2).

Social grants have a potential to contribute on educational attainment. A child is likely to attend school, if there is finance to purchase school uniform, stationary and to pay for transport (International Labour Organisation, 2002:20). In some families the receiving of a social grant by one member has provided the means for another to either educate him/her or provided funding for a family member to travel to where there are better job opportunities (Nattrass & Seekings, 2002:5). When a job is secured, the member often sends money “home.” However, even though social grants have such importance, it is impossible for the country to attend to the community and household challenges through grants alone. The country faces huge polarization, inequality, poverty and racial division that need to be addressed on different levels (Van Der Berg & Bredenkamp, 2002:1).

Unfortunately there is also a negative side to payment of social grants: the biggest negative aspect is that recipients often become totally dependent upon the payment of these grants as only support from families and households for survival. Recipients do not embrace the objective of government as pointed out by Pauw and Mncube (2007:7) as having a developmental objective. This dependency and the lack of budgeting skills renders families to not utilise social grants for development opportunities such as education or meeting basic needs in health and nutrition. It seems as if the grants no longer fulfil its objectives but are only utilised as security for the loans from money lenders or credit at shops.

2.6 ROTATING, SAVING AND CREDIT ASSOCIATION (ROSCAS)

The Rotating Saving and Credit Association has the potential to assist many needy people due to its different forms of assistance and functions it play within communities. ROSCAS does this due to its unique structure decided upon by a group of people (depending on the agreed number by participants) who make a weekly or monthly contribution of money to save to achieve a

particular purpose within household and community level (Ardener & Burman, 1995:1). Though this method is informal, it plays a huge role in the African community who often utilises this method effectively to support social and economic development because it gives people the opportunity to participate in economic activities addressing conditions that have created poverty within their communities (Buijs & Atherfold 1995:11).

Zelle and Sharma (2000:144) support the saving strategy of poor communities by means of ROSCAS in developing communities where there is no effective and functional financial institution available. Individuals who are members of ROSCAS are allowed to borrow or save in the same way as in formal or informal financial institutions. The interest charged when a person borrows money is very low and depends on the agreed repayment arrangements due to the trust members have in each other. This saving association focus is on Stokvel and Burial Society developments (Kgowedi et al, 2002-2007:2).

Most people from poor households increase their level of spending when they receive, or are sure of an income, irrespective of later consequences. Their behaviour on spending shows that they are unlikely to utilise banking services or other financial services to invest or save their money (Mashigo, 2006:4). When they do take the opportunity to save, they are likely to do so on an informal level. That could be attributed to their socio-economic situation associated with unemployment which propels them to rely for finance from families and state transfer payments such as government social grants (Miracle, Miracle & Cohen, 1980:701).

According to Nga (2007: ii) the challenge of not saving could be attributed to the high consumption these families have due to family size (poor families usually have many dependants). Furthermore, to some extent not saving could be caused by unemployment and lack of income or the limited information they receive on saving methods from the financial sector; and/or the lack of skills related to financial literacy associated with budgeting. These factors create challenges for households to effectively utilise the financial services sector that shows ineffectiveness and an inability to cater its services for rural communities (Human Science Research Council, 2002:8).

The promotion of saving can provide the country and its people with economic growth and social development (Van Der Merwe, 2000:724). However, this does not mean that when people demonstrate poor saving behaviour it will result in low economic growth. Vast numbers of individuals, who do save, do this through the formation of rotating saving groups. Employment and job opportunities, including entrepreneurship could be created within

respective communities when people save together and savings become available for projects. Reason is In this regard it is interesting to note that in most poor communities, including in urban areas, many such saving groups are dominated by women (Harper,1998:7). Employment and job opportunities, including entrepreneurship could be created within respective communities from such savings. It is also important to consider the social role and impact these saving groups play in providing a platform for social interaction and in harnessing ways to address the socio-economic conditions participants face.

According to the Human Science Research Council (2002:140) the provision of credit and saving services to the poor people is important to create an impact on their livelihood status due to being fundamental in job creation and provision of income among the impoverished. Therefore, if poor people within communities are empowered with a saving mechanisms and the provision of skills and knowledge regarding basic finances such as budgeting, they will be better able to improve family nutrition, increase educational attainment and lift the status of themselves and their children.

In this regard Buijs and Atherfold (1995:21) agree with the above in that poor people join ROSCAS and other saving groups and associations to create a conducive and better future for themselves and their families. These associations are community based and operate to provide community development in terms of saving and providing credit to the people. People who are involved in this saving method develop effective saving behaviour because of the discipline and regular meetings with the group (Harper, 1998:6).

2.7 ROTATING SAVING SCHEME

A Rotating Credit Association (RCA) is formed by a number of people who all both contribute an amount of money depending on the agreed fee to fulfil a particular activity whether it is saving or for something else. People who participate in this saving knows each other and this form of saving plays an important role in community mobilisation and on providing social and economic development to the participating communities by enabling themselves to transform and venture into self-employment due to the money they accumulate. This form of saving is especially popular with women who seem to be good at identifying a need in the community and use the opportunity to address the need by putting all resources and labour together in one project (Buijs & Atherfold, 1995:6).

The formal financial sector only targets and caters for a particular group of people such individuals who are employed and businesses; thereby excluding the unemployed who are the ones supposed to be empowered financially to attend their household challenges. As a result it is difficult for the poor people to access low interest credit from banks and other formal institutions and money lenders. It is for this reason that Ardener and Burman (1995: 78) argue that the informal financial sector operates in opposition to the formal financial sector because it absorbs all financial transactions that are not covered by the formal sector. Other financial services which the informal sector sometime offers are rotating saving and credit clubs, susu collector schemes, money lending and to some extent credit unions.

2.8 SUMMARY

The literature review revealed how people in rural and semi urban community are affected by poverty within their household due to different factors associated with the lack of education and appropriate skills that will support them in accessing better employment opportunities. It is therefore important for poor households to use the income from social welfare grants more effectively to move themselves and their children out of poverty.

Due to the desperation and lack of knowledge and insight on basic financial skills that include budgeting skills, informal money lenders take the opportunity to exploit poor and uneducated people financially and psychologically, holding them in a cycle of debt from which they can hardly free themselves.

Community saving groups play an important role in community development due to low access to formal financial services in poor communities. It also plays a role in bonding members into a common goal or project that is usually to the advantage of the community at large.

CHAPTER THREE

RESEARCH DESIGN, METHODOLOGY AND ETHICAL CONSIDERATIONS.

3.1. INTRODUCTION

The fundamental purpose of a well-designed research is to provide correct research plan that will achieve research purpose. The planning was based on a strategy implemented to collect data, analysis and the methodology used to achieve the research purpose while also considering ethical conduct in answering the research questions. In this chapter, details of the strategies chosen to gather and analyse the generated data, is presented.

This chapter further illuminates why the researcher considered a qualitative design appropriate to achieve the research objectives. The sampling procedure, data collection instruments, data analysis and ethical considerations are all discussed.

3.2. PROBLEM STATEMENT

Unemployed people who are entitled to receive social welfare grants, live in poor households, and are unable to provide support for themselves and their dependants. This right to equally access the country's social security resources irrespective of the person's racial background and gender, is provided for by the Constitution of the Republic of South Africa section 27 (1) (c) (1996) (Hardy & Richter, 2006:85).

Social grant recipients experience enhanced financial challenges due to the loans they take from legal cash loan operators and/or illegal money lenders and end up being unable to get out of debt. In obtaining such finance for consumption they do not consider future negative consequences (ZELLE & Sharma, 2000: 152) and these debts intensify desperation for money which then puts them in a situation where they re-indebt themselves (Krowedi et al, 2002-2007:2), perpetuating the cycle of debt.

This situation emanates from the fact that there is a lack of literacy and financial numeracy in households, where individuals do not budget properly and cannot save from the little money they receive. The majority of the poor in rural areas lack basic education, are depending on agriculture for their livelihood and are supporting large families with limited finance (Zelle & Sharma, 2000: 150).

The way households spend income depends on their available income. However, they are most likely to exceed their income which then causes them to borrow again in an attempt to replace the money they spent (Krowedi et al, 2002-2007:7). The challenge for financial literacy is also caused by financial services that are inadequate to provide effective assistance to the poor. Policies of financial institutions seem to only provide credit and not promote saving behaviour (Zelle & Sharma, 2000: 157).

3.3 RESEARCH QUESTIONS

3.3.1 Primary research question

How can the budgeting skills of people receiving government social grants be improved in the Tarkastad area?

From the primary research question, secondary research questions have been formulated

3.3.2. Secondary research questions

- *How can the Tsolwana Local Municipality Economic Development Unit play a role in educating people on avoiding getting caught up in excessive debt?*
- *What are the different psycho-social and economic problems that could contribute government social grant holders to fall into debt?*
- *How can government social grant holders in a poor community be able to stay out of a never ending cycle of debt?*

In order to answer the research questions, the following aim and objectives were formulated:

3.4. RESEARCH AIM AND OBJECTIVES

The research objectives are based on the research questions. The objectives explore in detail the experiences of government social grant holders with regard to their budgeting skills and their exploitation by money lenders with the purpose of devising ways to improve their budgeting skills.

3.4.1. Primary research aim

- *To determine how the budgeting skills of people receiving social grants in the Tarkastad area could be improved.*

3.4.2. Secondary research objectives

- *To determine the role Tsolwana local Municipality Economic Development Unit could play in providing education to people regarding avoiding debt?*
- *To determine what the different psycho-social and economic problems are that contribute to government social grant holders to fall into serious debt?*
- *To determine how government social grant holders in a poor community can be supported to avoid falling into a cycle of debt?*

3.4 RESEARCH DESIGN

A research design, according to Fouche (2005:268) is paramount for any study as it provides proper planning to attend the research objectives. Such planning involves strategies to gather the data needed to provide answers to the research questions and to address the research problem. This process involves consistency to the research methodology applied to the problem under investigation to enable the researcher to deal with all aspects involving the research and exploring how research techniques can be implemented for the purpose of data collection and analysis (Uwe, 2009:128; Frazer & Lawley, 2000:8). All this is achieved through the research methods, strategies and the process the research take starting from conceptualization of the problem to achieve the specific research goal (Fouche 2005:268).

• Qualitative Research

A qualitative research methodology was chosen for this study due to its focus on studying social relations within human beings (Uwe, 2009:15). Choosing this methodology was done due to its characteristics that align to the focus of the study. Qualitative research wants to get an in-depth understanding on the social phenomenon and the research participants' experiences in order to determine their beliefs about issues that happen in the social world they are in; such as the current situation of being caught up in debt trap. The research explored their budgeting skills,

spending behaviour and possible contributing factors social grant recipients experience (Pitney & Parker, 2009:5). How their interaction with others shape, affect and influence their attitude and values were also under scrutiny.

The research design was based on phenomenology because Ritchie et al (2013:14) McMillan and Schumacher (2006:26) and Sandelowski (2000:336) point out understanding through the description and allocation of meanings; and the experiences the research participants relate to their situation of being in debt are all part of the wider phenomenon. To give meaning to and interpret without bias, the researcher had to put aside judgements on the participants' situation and interpret data only on how the participants made sense out of this particular situation and how they reacted and constructed views about the topic rather than to establish whether their views represented reality or not.

3.5 METHODOLOGY

Methodology does not only focus on the techniques utilized for the gathering of data, it also dictates the criteria for sampling, types of data generating tools to be used, the method of analysis and the presentation of the results.

3.5.1 Research Sample

Qualitative methodology is appropriate to the topic of government social grant holders because it could collect in-depth data that was rich in description. The researcher selected the sample randomly but purposefully. The sampling size was based on the objectives and goals of the study as suggested by Struwig and Stead (2001: 125).

According to De Vos et al, (2005: 328) a qualitative study does not have strict rules regarding the number of participants; as long as a sound body of knowledge is generated. The sample size is very much embedded upon what a researcher wants to find out about a particular phenomenon and upon the purpose of the study. Therefore, as much as a qualitative study seems to be lenient regarding sample size, it remains paramount for research to have a sample that would shed ample light on the topic under study in order to provide credibility to the study as a whole (Barbour, Schostak, Somekh and Lewin, 2005:217). Therefore the study chose to select

participants purposely based on them being able to represent the population and due to their knowledge and experience with regard to the topic. Doing this provided the study with a selection of individuals who could ensure the attainment of the research objectives as stated before (Pitney & Parker, 2009:41-42; Barbour et al, 2005:217). Data for the study have thus been collected from the sampled participants to produce practical and trustworthy results.

A representative sample of people receiving one or more of the following: Disability Grant, Foster Care Grant, Child Support Grant, Old Age Grant and Care Dependency Grant, and who were in debt at legal and/or illegal money lenders were selected. From each type of grant a representative sample consisting of five people from the Coloured population and five people from the African population residing in Ivenlew location and Zola location, were included in the study.

All the people sampled were adults between thirty to sixty five years of age and who have more than one family member at home, who are in debt from money lenders and who rely for their sole income on the payment of government social grants. Participants related their experiences about how they pay money lenders with the money from social grants and how being in debt affect their wellbeing.

Two registered money lenders who are operational in the community agreed to participate. Due to the complexity of unregistered money lenders, the researcher used a representative sample of four well known unregistered money lenders in Tarkastad area, two from Zola location and two from Ivenlew location.

3.5.2 Data collection instruments

The procedures implemented to generate data were suitable for use in this study on a specific social phenomenon (Pitney and Parker, 2009:41). Utilizing appropriate instruments to generate data enabled the researcher to obtain relevant data that supported analytical scrutiny in order to shed light on the phenomenon under investigation as suggested by Struwig and Stead (2001:41).

Tape recordings have been used to capture data during interviews after permission for use was granted by each individual. Tape recordings were useful in that verbatim responses were captured providing an exact and complete record for transcribing later.

Scrutiny provided a platform for the study to utilize two forms of data generating techniques; a semi standardised interview schedule involving all social grant beneficiaries and a questionnaire to supplement information from interviews with the different money lenders. Personal observations were also captured in field notes to aid interpretation

- **Interviews**

Interviews were a very useful method of gathering qualitative data, as the focus and interest were on human beings and the social phenomenon whereby data were analysed to create appropriate meaning aligned to the participants as suggested by Greeff (2005: 287). It was effective in addressing aspects that were fundamental to the study, generating a large body of relevant information from participants in order to be able to attend to the research questions (Pitney & Parker, 2009:45).

The interviews included both structured and unstructured questions because although all the predetermined questions were asked to each participant in a consistent manner, different question types allowed research participants to include related issues that were not covered in the questions. Making use of semi structured interviews also allowed the researcher to probe or seek more clarity if needed enabling the researcher to obtain in-depth, information rich data that supported understanding the subject under investigation better.

Interviews were also important to this study as they were directed on collecting primary data from participants and so provided a detailed, in-depth body of information that could be analysed qualitatively as suggested by Strydom and Delport (2005:328). Barbour et al (2005:42) agree that semi structured interviews create flexibility by including open ended questions to allow the researcher to capture information that has not been expected and questioned about. This kind of interview provides research participants the opportunity to highlight topics that are linked to the questions. This kind of investigation also allows the researcher to probe more to explore some questions in depth or seek clarification if needed.

- **Written Questionnaires**

The utilization of questionnaires allowed the researcher to generate data in a manner that is standardized through the use of self-completion questionnaires (Barbour et al, 2005:219). Questionnaires are cost effective, especially when data need to be gathered from a large number

of participants who are dispersed. Although in this study the numbers were small, using questionnaires proved to be a time saving factor.

Questionnaires were structured into logic sections and sub sections using both open ended and closed questions to allow participants to share sensitive information which may have been difficult to share during an interview.

3.6 DATA ANALYSIS

As the data involved people's perceptions and feelings it thus not be presented in numbers. Data analysis and interpretation was done through the use of an appropriate research design to ensure that the evidence obtained from participants allowed the researcher to develop appropriate recommendations based on the findings (De Vaus, 2001: 8; Pitney & Parker, 2009:5).

According to De Vos et al (2005: 292), for any study there are guidelines for the process of data analysis. Since this study generated qualitative data, analysis was qualitatively conducted through an interpretive approach as suggested by Ritchie et al (2013: 3). This was achieved by employing full scrutiny of field notes and interview transcripts by making sure that all were complete).

To answer the research question an interpretive approach started by coding the data. Each interview recording has been transcribed and aspects categorised into different themes. A code was linked to a theme of aspect and analysed in relation to other themes. Pitney and Parker (2009:6) assert that doing this allowed the researcher to develop research findings from a small sample presenting specific information rich data which have been grouped in meaningful ways into themes and sub-themes. This process enabled the data to reveal meaning to the raw information. Analysis focussed on the research aims and ensured coherence against the backdrop of the research questions.

The process of data analysis and interpretation provided the researcher greater understanding of the research participants' experiences, particularly regarding how they feel about the situation they find themselves in and about possible ways they may devise to address problems (Pitney & Parker, 2009:41). Revising data and procedures allowed for new meanings to be uncovered, providing opportunity for new insights on a shared construction of reality that provided a coherent interpretation (De Vos et al, 2005:335).

3.7 ETHICAL CONSIDERATIONS

Ethical issues were considered throughout the study. Glinner and Morgan (2009: 32) argue that in many studies undertaken, ethical issue received limited attention, resulting in harm to the rights of research participants and so creates a challenge for the validity or reliability of the study. Tisdall, Davis and Gallagher (2009: 11) however, suggest to attend to such a challenge the researcher must strictly adhere to moral values and avoid being judgemental, applying what is right while and distancing oneself conduct causing harm or embarrassment at all cost.

Ethical considerations are perceived as set of moral principles accepted in terms of providing rules and guidelines in moral conduct towards the human beings under study (Strydom, 2005:57). This does not mean ethics are implemented to prevent a researcher from conducting a study, instead they are utilized to assist the researcher to conduct the study in a reflective manner that will consider the participants perspectives on a particular level rather than allocating meaning from data analysis and simultaneously making self-presentations (Uwe, 2009:43; Barbour et al 2005:15).

This study adheres to ethical codes and guidelines as prescribed by NMMU's Ethical Committee. First no harm to participants involved in the study came about and the researcher respected participants while executing the research in a honest and professional manner. Results were not tampered with and a paper trail is available to verify all findings and results.

The protection of any research participant's anonymity have been seen to by using code names with the real identity of each person known to the researcher only. Audiotapes have been labelled and at the completion of the study, the audiotapes will be kept in a safe place according to NMMU's guidelines.

All participants were, at the beginning of the study, informed regarding the purpose, scope and methodology of data generation. Providing this information enabled participants to make informed decisions on to provide value to the study or not to participate. Informed consent was obtained from participants on the agreement that they may withdraw from the study at any time.

The research avoided harming participants in any way by respecting their privacy and by not being invasive when they were not willing to elaborate on answers. However, Strydom (2005:58) cautions that this could challenging to achieve, particularly protecting and determining emotional harm because it is difficult to predicted every situation. To address such a situation,

participants have been cautioned about the potential emotional impact” and assured that they may withdraw at any time.

3.8 SUMMARY

This chapter has provided with details of as to what instigated it to consider qualitative paradigm and what importance does it possess to the study. It provided details and steps the study will have to follow for data gathering, sampling and sampling frame in order to receive primary data. It also provided details of the ethical considerations. Tools to gather the data have been outlined in more details and detailed information about data analyses and interpretation has been thoroughly explained with the sampling frame the study utilises.

Chapter Four presents the findings, the analysis thereof and a discussion on the interpretation of the findings.

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CHAPTER FOUR

DISCUSSION OF FINDINGS, ANALYSIS AND INTEPRETATION

4.1 INTRODUCTION

This study was conducted in the area of Tarkastad at Chris Hani district municipality where government social grant holders are negatively affected by self-imposed debt at legal and illegal money lenders. The social grant which participants receive are utilized to pay back loans instead of using it for the purpose intended namely to provide for the household.

This chapter to presents the findings and interpretation after analysis of data generated from nine participants receiving disability grants, four receiving child support grants and thirteen receiving old age grants. Two illegal, unregistered money lenders operating in Tarkastad also participated.

In an effort to create coherence to the data collected, data findings were categorised into five main themes. The first theme discusses participants' personal feelings on being in debt. The second theme explores household income and the third explores the utilisation of income from all sources. The fourth theme deals with financial literacy including knowledge and skills on saving and budgeting while the fifth theme scrutinizes the influence of money lenders on households.

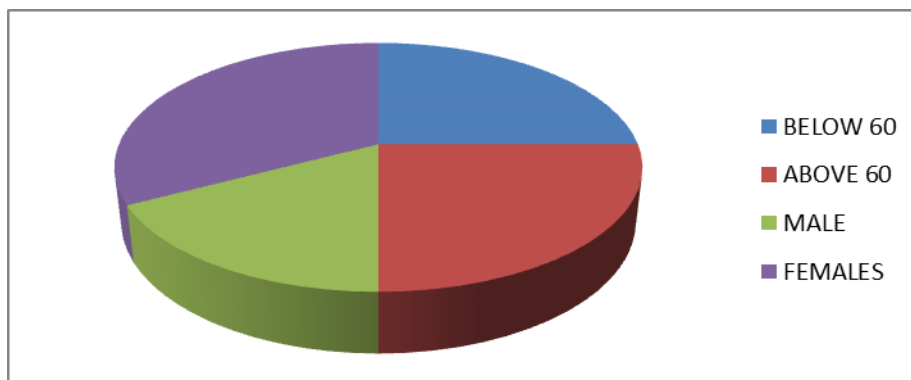
For this reason, the goal of the research study was to develop an in depth understanding about the budgeting skills of social grant beneficiaries with regard to the impact of debt it plays on their social wellbeing. In order to achieve the said goal of the study, the researcher worked within a framework of social and critical theory considering the emancipation of social grant recipients from being caught in debt. The exploration and description of participants' experiences assisted the researcher in suggesting recommendations. Exploratory, descriptive and contextual research designs were utilised to allow the researcher achieving the research aim and objectives.

4.2 DEMOGRAPHIC DATA

Biographical details

The information below provides the details of interviewed participants according to gender and age groups.

Figure 4.1 Biographical details indicating gender and age differences



Twenty six social grant holders agreed to be included in the sample, their ages ranging from 32 to 90 years of age, each indebted to two illegal money lenders. Two illegal money lenders agreed to participate in the study.

The biographical details tabled in this section provide a description of the context within which the findings were gathered. Table 4.1, 4.2 and 4.3 below provides the details of the social grant holders.

4.2.1 Grand type - overview child support grant

Figure 4.2

Participant	Age	Gender	Ethnic Group	Type of Grant Received	Other Grant Received	Employment status
A	35	Female	Black	CSG	None	Casual employment
B	43	Female	Black	CSG	None	Casual employment
C	52	Female	Black	CSG	None	Casual employment
D	34	Female	Coloured	CSG	None	None

Interpretation

As indicated in table 4.2 within the community of Tarkastad the young adult population is not participatory in their own development agendas with only a limited number of females participating. In terms of the social support provided by government, young female adults are relying heavily on the child support grants. This corresponds to the IDP report (2006:8) stating this is due to high birth rate by youth women due to a variety of socio economic issues such as for instance the high rate of unemployment that exists in the area. Only three participants enjoyed casual employment at the time of study.

4.2.2 Grand type - overview Disability Grant

Figure 4.3

Participant	Age	Gender	Ethnic Group	Type of Grant Received	Other Grant Received at Household				Employment status
					CSG	FCG	CDG	OAG	
1	42	Male	Black	DG	CSG	FCG	CDG	OAG	Unemployed
2	55	Female	Black	DG	CSG				Unemployed
3	32	Female	Black	DG	CSG				Unemployed
4	44	Male	Black	DG	None				Unemployed
5	43	Female	Black	DG	CSG		OAG		Unemployed
6	56	Male	Black	DG	CSG				Unemployed
7	42	Male	Black	DG	CSG				Unemployed
8	43	Female	Black	DG	None				Unemployed
9	43	Female	Black	DG	CSG	OAG	FCG	CDG	Unemployed

Interpretation

From the table above it seems that within households where a member is receiving a disability grant, there are also recipients of other forms of social grants. As clear from 4.2.2 the most dominant social grant received in the community remains child support grants.

Recipients of the grants are mostly black adult females who may, or may not find occasional casual work, while participants affected by a disability are all unemployed. It furthermore became clear that the majority of the households are depended on the social grants as sole source of income. This corresponds with what Pauw and Mncube (2007:15); International Labour Organisation (2002:7) and Natrass and Seekings (2002:2) point out regarding social welfare programmes within households affected by unemployment and poverty, providing financial support for children, the disabled people and the elderly.

4.2.3 Grand type overview of Old Age Grant

Figure 4.4

Participant	Age	Gender	Ethnic Group	Type of Grant Received	Other Grant Received			Employment status
1	81	Female	Black	OAG	None			None
2	90	Female	Black	OAG	CSG			None
3	75	Female	Black	OAG	None			None
4	76	Female	Black	OAG	CSG			None
5	67	Female	Black	OAG	CSG			None
6	73	Female	Black	OAG	DG	CSG	FCG	None
7	80	Female	Black	OAG	DG			None
8	68	Male	Black	OAG	None			None
9	75	Male	Black	OAG	FCG	CSG		None
10	73	Female	Black	OAG	None			None
11	72	Male	Black	OAG	FCG	CSG		None
12	76	Male	Black	OAG	CSG	OAG		None
13	75	Male	Black	OAG	CSG			None

Interpretation

The population in Tarkastad comprises of a large number of pensioners. Furthermore, the majority of the elderly act as primary care givers of young children as indicated by the number of child support grants and child fostering grants received. This could be the result of adults who falls within the economically active population leave the community for bigger cities looking for employment opportunities, leaving the young children in the care of the elderly. They all depended on the social grant to cater for household needs. This corresponds with Goldblatt's (2009:336) findings on the matter.

4.3 THEME ONE: PERSONAL FEELINGS ABOUT BEING IN DEBT

This section explores the effect of being indebted with money lenders. The influence of negative feelings on the mental wellbeing and motivation of participants are discussed.

It was found that all the participants were badly indebted from both cash loan and money lenders. For many participants caught in this debt trap seemed to have affected their personal wellbeing in relation to the loss of value and dignity in the community:

We are unable to go out of debt. It is one thing that causes us diabetic because all things now are expensive.

On the other hand, to some receiving a grant and so becoming breadwinners, allowed them to regain dignity within the household by being able to provide family with food. One participant stated that:

I am poor because the money finishes before completing my plans and that cause me to go make a loan.

Being in debt has changed the participants' wellbeing in relation to the way they perceive their status. This was found when participants were asked about being poor. All participants acknowledged that indeed they "*are affected with poverty and are poor*". Furthermore:

Being unemployed is the description of the status of poverty because we are unable to cater for our household needs

Yes we are poor and we all want a way to stop regard ourselves poor

When I don't have money I go straight to "mashonisa" or cash loan because I have loans from the two places to increase my debt. I don't have food now at home.

All the money for my pension goes to cash loan now I must go borrow money for food.

Sadly, as much as participants are in poverty and tied to cash loans, the addiction to borrow and being in debt trap without trying to devise ways to move away from debt was identified in all participants. Participants pointed that:

For us to be out of poverty we are assisted by money lenders. Our cards ended up in them because we borrow every month.

Interpretation

All participants acknowledged that indeed they are poor and caught up in debt, accepting their status of being poor and being exploited by money lenders. The fact is that money lenders became their only option to obtain finance due to being so easily accessible, affording them with quick approval to loans. Getting caught up in such a web of debt from which they cannot seem to get free results in all income from grants being used to service old loans to immediately take out new loans (Pamela and Kean, 2005:4); Kgowedi, Makhura & Coetzee, 2002-2007:3).

Participants perceived the money they obtain from money lenders as playing a positive role in their living standard and households without taking into cognisance the challenge of loan repayment accompanied by high interest rate. To the participants, as long as they had money to buy what is needed at a particular moment, interest rates are not considered. When the money is all used before the next grant payment, "cash loan or mashonisa" became their only salvation even at a rate of interest at twenty five per cent. Most participants make no provision to save; instead they become fully dependant on the money from cash loans dealers.

4.4 THEME TWO: HOUSEHOLD INCOMES

This section explores total household income regarding its influence on lifestyle. The first section presents the overall household income from participants receiving child support grant. The second section will present the total household income from participants receiving disability grant with the inclusion of income from wages. The third section presents household income from wages of old age grant beneficiaries.

4.4.1 Household income from child support grant beneficiaries

With reference to figure 4.2.1 social grants were identified fundamental to be the main source of income for all the households. Three households augmented income with finding casual work a few days a week. To note is that most households consists of more than three members dependent on the income.

Asked why they keep on taking up loans the following responses were given:

We are unemployed there is no employment opportunities in Tarkastad.

This money SASSA give me makes me able to have money like other people that are working.

Interesting in some households where additional income from casual jobs was generated they did not know (or professed not knowing) the total household income.

I do not know. It is difficult for me to calculate. I receive child support grant. I am able sometimes to get piece job maybe working two days in a week or one day for R80.00 or R100.00 depending on the employer how much he or she wants to give me. The person I stay with works five days and gets paid every week but he does not tell me how much he get paid and I do not ask. We only know the social grant money.

This is same with me that I have never calculated. I receive child support grant for 1 child. sometimes to get piece job maybe working two days in a week or one day for R80.00 or R100.00. For me it becomes difficult to calculate because a week can end without getting any person who would want me to do her a laundry.

I do not know the money, I cannot count. It is thousand “nangaphezulu” meaning and above. I get from working at the street. The money for children I do not know. I do not know how many children but for the 2 children social workers stopped it because they are old.

I do not know. My husband get “if ndiyaqekelela” meaning if I can estimate R1500 a month. I also get child support grant of R330.00 per month”.

Interpretation

The majority of participants who receive a child support grant are totally dependent on this grant. When they get additional work the money received is treated as “pocket money” and don’t become part of a budget. This in some way relates to the Human Science Research

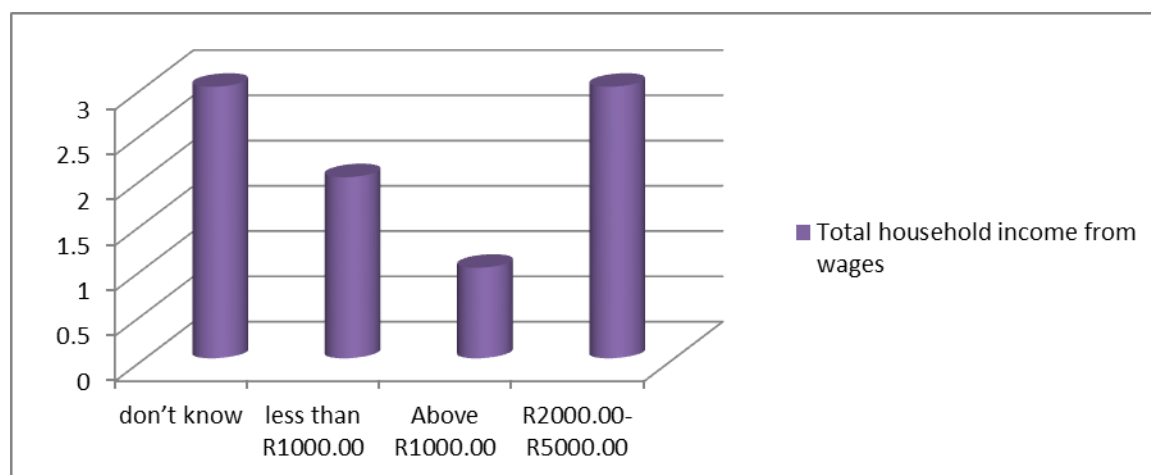
Council and Education Policy Consortium’s (2005:25) findings that although many poor people are economically active, they are unable to get employment; or are reluctant to devise means to create self-employment opportunities due to their dependency on the social grant.

Not being able to calculate total income negatively affects making informed decisions in terms of budgeting or prioritizing. The fact that individuals from many households cannot apply simple addition and subtraction exercises means that they cannot understand principles of prioritizing and therefore cannot effectively attend to the challenges they face. Although all participants fall within the economically active class, being unemployed has been accepted as a given. Such a state of mind renders them less motivated to be creative to become entrepreneurs who devise employment opportunities. This relates to Mashigo’s (2006:2) findings that the majority of such households seem to never realise that to have no income to sustain themselves now and over time, will negatively influence their future economic and social situation as well.

4.4.2 Household income from disability grants

Due to the large number of participants receiving a disability grant the graph below is applied to categorise the household income from wages of other members of the household.

Figure 4.5 Total household income from wages / salaries



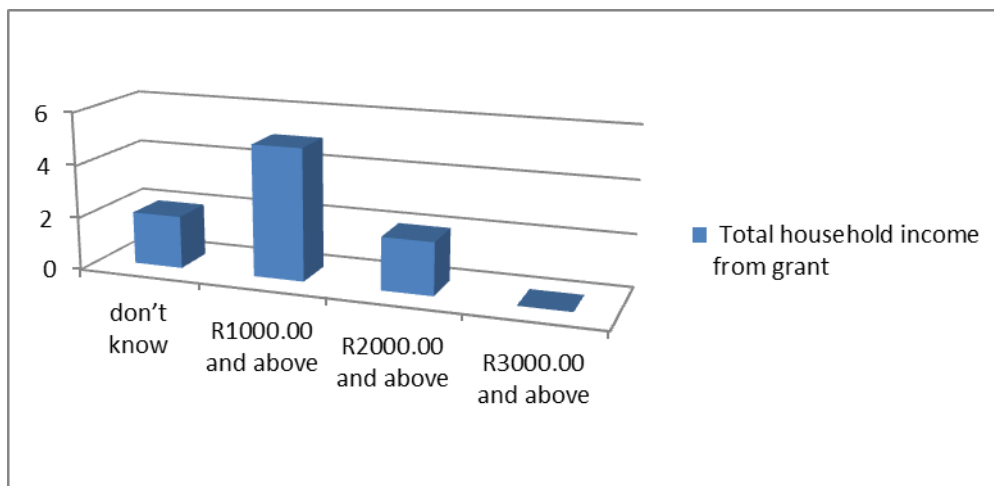
It was found that some households receive a combined income of between R1000.00 to a maximum of R5000.00. When participants were asked about their total household income they said “we do not know”, or providing only an estimated amount. The researcher perceived that most working members of households were not disclosing their full income.

Interpretation

Based on replies, it became clear that either participants were reluctant to share info or really had an idea how much other members of the household earned/received. Either way, such reluctance to openly share responsibility of household needs can only result in no one taking responsibility to manage household challenges by sharing information and skills, as well as actual income generated.

In addition in terms of employment, within these household people with a disability in the area of Tarkastad are unlikely to become self-employed through the assistance of family members. Pauw and Mncube (2007:7) posit that as much as the social grants have created dependency in recipients, families also became unable to effectively utilise the social grants in ways they were meant for.

Figure 4.6 Total household income from social grants



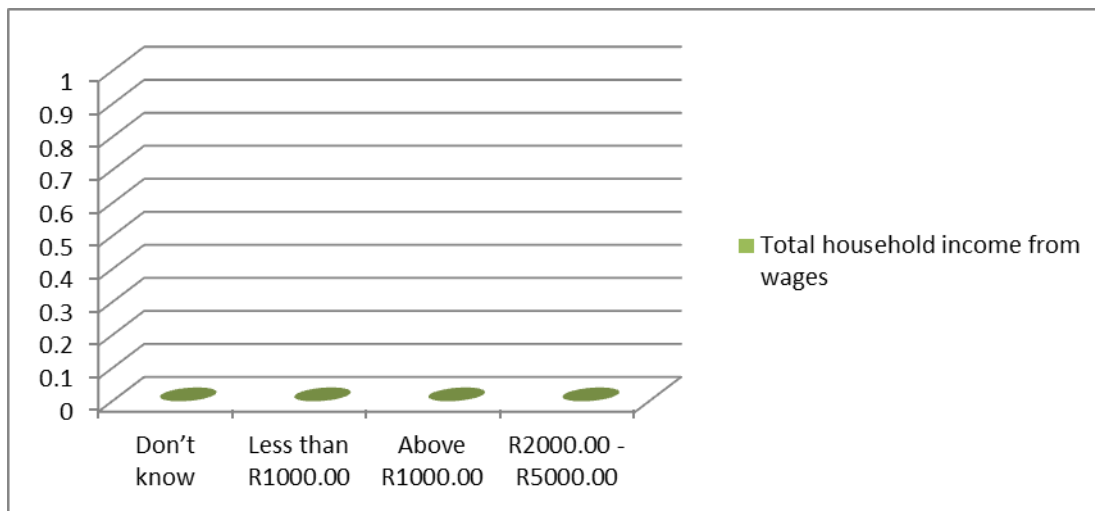
Interpretation

It was found that there are similarities in terms of household income knowledge between participants who receive disability grants and those who receive child support grants. When participants were asked to calculate the overall total household income most were unable to state the total household income. Only three participants were able to provide the exact total. (A Foster Care grant amounts to R840.00; Child Support grant R330.00; Old Age grant R1440.00; Disability grant R1440.00; Care dependency grant R1440.00 and Grant in Aid R330.00.

There are obviously different factors influencing participants not knowing the exact amounts paid for each grant type; or how much the total income of a household is, but this study will not dwell on those.

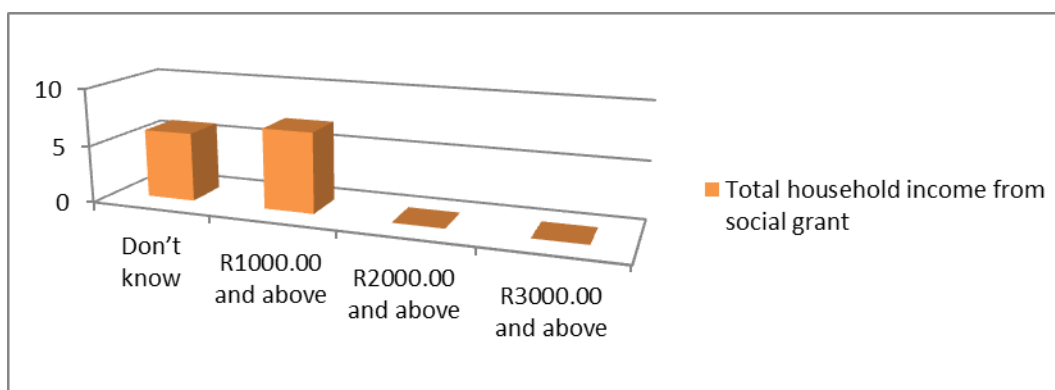
4.4.3 Household income from old age grants

Figure 4.7 Total income from wages



The findings revealed that participants who receive old age grants were all unemployed. They furthermore all fully depended on the state social grants as their source of income. Any additional income seems to be from social grants to children staying with them as it is possible that parents left their children with grandparents to look for employment opportunities in bigger cities: *“my child is working in Cape Town she only sends money home monthly to buy children clothes and food”*.

Figure 4.8 Total household income from social grants



It does not come as a surprise that in a rural area as small as Tarkastad, old age grant beneficiaries are depended on the social grant for survival. The majority of pensioners however, look after grand children who receive other forms of social grants. In these households there are no person employed:

The money I get it's for me and the children, "mntanam ayikho enye indawo endifumana kuyo imali" (meaning there is no other place giving me money). They thus depend on the state for financial support.

The majority of participants receive social grants of less than R2000.00. These were their responses when asked about money:

It is money for 3 children, wife and myself I do not know it in total.

It is thousand enento meaning and above.

I do not know my daughter in law debit for me.

We are 2 in the house me and my son. My son is old. He was injured and now is receiving disability grant.

It's R1400.00. I do not know how much when it is included with the money for children, I do not know but I know we are two.

4.5 THEME THREE: UTILISATION OF INCOME FROM ALL SOURCES

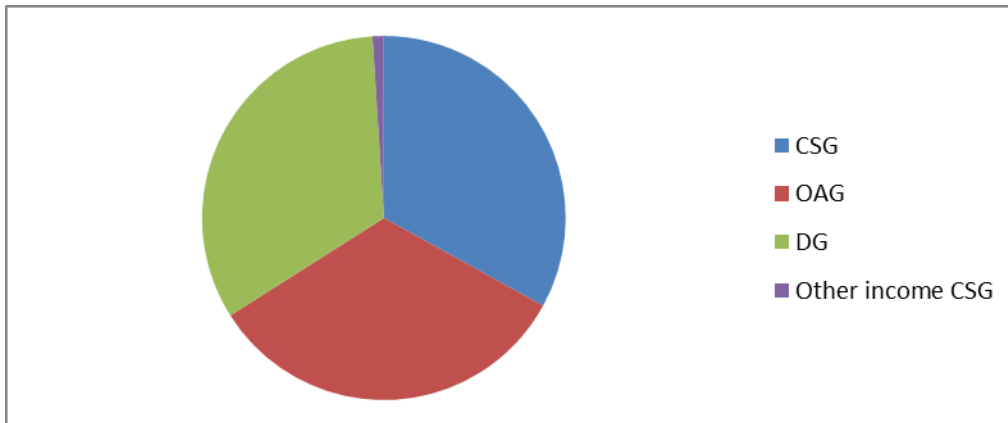
According to Pauw and Mncube (2007:1) and Meth (2004:1) government's annual spending on social grants increases indicating a rise in need due to possibly the rise in cost of living as well as an increase in people who need social support.

This section explores the utilisation of income at household level with the first section presenting the income received from wages. The second section presents the total household income; the third spending of the income and lifestyle habits. Finally, the study explores whether participants are making any endeavours to move out of debt.

4.5.1 Income received from wages

The following section represent data on the main source of income of social grant beneficiaries.

Figure 4.9 Income received



It was found that the majority of the participants do not have any other source of income except the money they receive from social grants. However, participants receiving disability and child support grants indicated they wish for employment but due to limited employment opportunities in the area were unsuccessful.

When asked for reasons for not being successful in finding employment the following answers were given:

Only people that are educated get work in this area.

There are no opportunities here you only get work at farm and you get peanuts (small money).

If I had relative at the municipality I would be working now.

Only the elderly on pension were not looking employment. Other participants were able to secure casual work occasionally. Three participants were staying with employed partners.

“I am able sometimes to get piece job maybe working two days in a week or one day for R80.00 or R100.00 depending on the employer how much he or she wants to give me”

I receive child support grant for 1 child. sometimes to get piece job maybe working two days in a week or one day for R80.00 or R100.00.

I do not know the money, I cannot count. It is thousand nangaphezulu (meaning and above). I do work at the street. I do not know the money I get. (This participant is employed at a community works programme for a few days a week).

Interpretation

From the above it is clear that the area has limited opportunities for development. The majority of the population do not consider of self-employment initiatives due to the unavailability of resources as start-up capital and most important, a lack of business skills. This corresponds to Mashigo (2006:8) and Johanson and Adams's (2004:1); findings that educational attainment and skills development as identified as a quality investment in poor people for their economic- and social development needs to be prioritized. Therefore, people who are responsible for community development (Government and NGOs) should in skills development initiatives to empower them towards economic independence. If a population such as the one at Tarkastad is able to access quality education and skills development programs they may most likely become self-employed and start enjoying improved financial independence.

4.5.2 Total household income

It was found that even though there may be a person employed at some households the available money does not seem to cater for all household needs. Individual grants as the primary source of income are utilized to provide for basic needs. However, each participant spends the money differently taking care of personal needs first.

The person I stay with works five days and get paid every week but he does not tell me how much he get paid and I do not ask. We only know the social grant money.

I do not know. My husband get, if ndiyaqekelela meaning (if I can estimate) R1500 a month. I also get child support grant of R330.00 per month.

Participants furthermore indicated their dependence on grants as such:

We are dependent because it is our only hope. If it can end we will suffer

You buy food with the grant money and we are able to have tea

I am dependent a lot because I use the grant to pay matshonisa (money lender).

Too much because I am disabled.

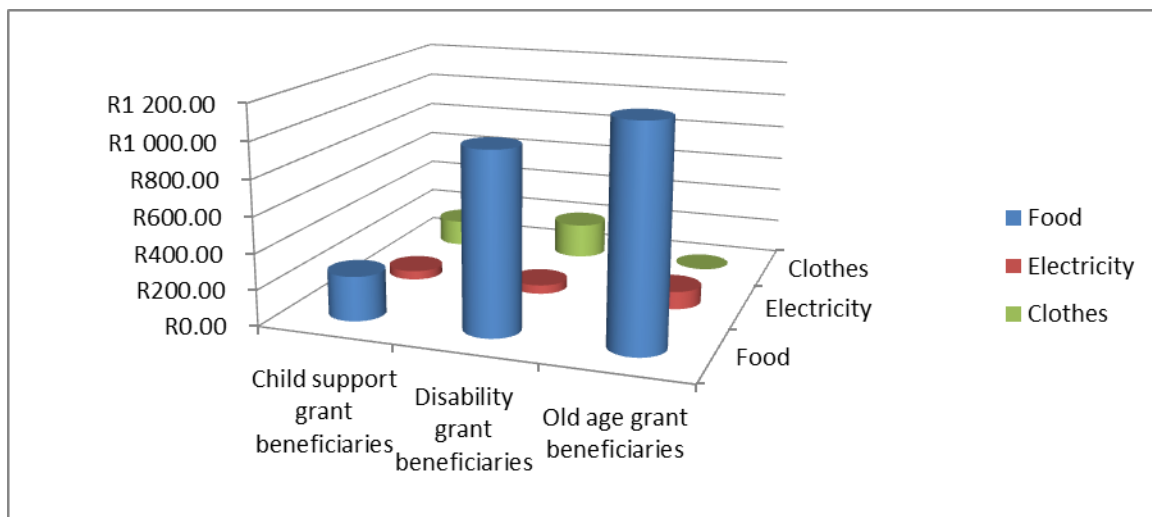
I am dependent because no one can employ me because I am old.

Interpretation

With little or no skills in financial management and little openness about individual incomes there is a high possibility of financial mismanagement in households. In an environment where sound financial decisions are not made in terms of knowledge about prioritizing or budgeting, it is likely such households will practice poor saving behaviour, poor budgeting and are likely to be indebted.

4.5.3 Patterns of spending

Figure 4.10



The findings on the patterns of spending of participants reveal that the bulk of all individual incomes is spent on food, electricity and clothes. Individual spending differs ranging from what is seen as important for the household with food as primary item (“food” includes alcoholic beverages).

The following were the main items listed by participants:

- Paraffin R R50.00- 150.00
- Rent R 50.00 – R150.00
- Transport R300.00
- Burial society R70.00 – R100.00
- Furniture R200.00

The listed expenses are hardly ever paid in cash but bought on an account at the shop. Participants pointed out that:

The money does not last for a single day.

We ended up opening credit for food and go to money lenders because the money does not fulfil every household need.

The money does not even fulfil half of the household needs.

This led us to go and borrow either to (Mashonisa) money lender or cash loan an amount of R1000 or less.

The loans we take are paid at the end of the month with interest using this social grant money.

When we pay the loan we open another loan because all the money for social grant is taken out to pay the first loan that is why we cannot buy all the things on cash we must go to these people (illegal money lenders) that makes us unable to be debt free.

When participants were asked about the accurate expenditure the majority of them were unable to provide accurate expenditure on each item listed, stating “*depends on the available money*”.

This scenario confirms that budgeting and informed financial decisions are not considered.

Participants were then asked **how they prioritise the little money they have not to open up another loans?** These were participants’ response:

I buy mostly food, electricity and put aside money for transport and then I buy clothes.

I don’t know. I do not decide I just buy when I see I don’t have something at home

I look at what is available at home and not available that is needed.

I go alone to shop, I write all things I should buy but what is stressing is to buy on credit.

When there is something short in the household then I go and buy. I cannot buy meat whilst there is no electricity, electricity helps us a lot.

It is when I see there is something short at home.

I decide when I put money aside then I see there is something needed at home.

Interpretation

Poverty stricken communities are furthermore often riddled with all kinds of social ills such as alcohol abuse and domestic violence although no participant mentioned anything about family

members (or self) spending money on alcohol. Another aspect that the researcher noticed was spending on luxury items that are not important to the household

It does therefore not come as a surprise that the inadequacy of income from grants and casual jobs do not cater for all household needs, especially in larger families. Spending patterns in households where there are no planning, spirals out of control resulting in poverty escalation.

Paying money lenders and credit accounts for food was paramount when social grants are paid out. Worrying is also that money to pay for food was often obtained per loans made at both legal and illegal money lenders where the practice is that before lenders receive payment of the grants “*money lenders have already debited*” their accounts.

For households to be able to spend incomes effectively they need an understanding and basic knowledge of financial concepts as pointed out by Moore *et al* (2008:4). Although there are programmes available on financial literacy to educate (Fox, Bartholomae & Lee, 2005:195), these programs often do not reach rural populations in need thereof. As a result the population has no guidelines on how to plan spending the income wisely, mainly due to a lack of personal discipline and limited or no knowledge on budgeting and other financial skills such as how to prioritize expenditure. Therefore, the culture of budgeting, saving and prioritisation for households need to be fostered in poor communities.

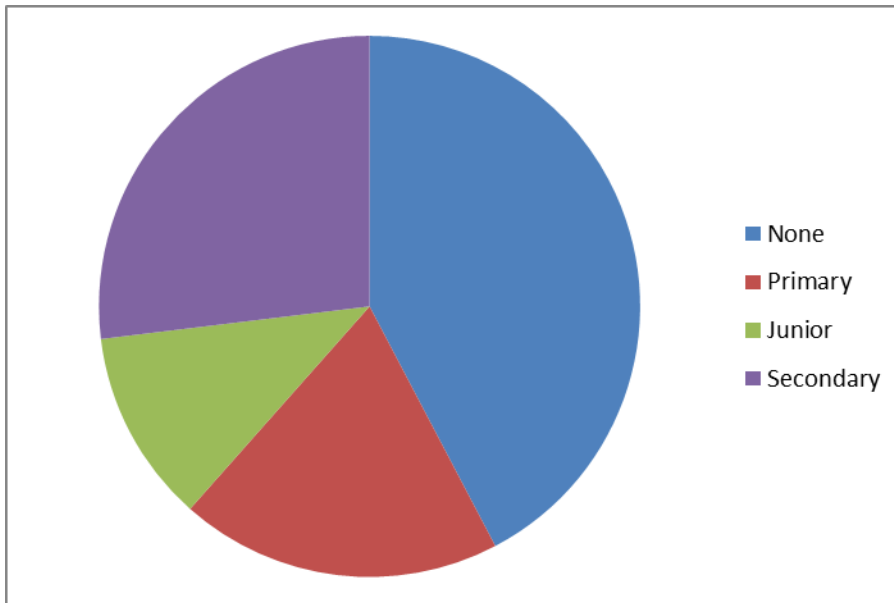
4.6 THEME FOUR: FINANCIAL LITERACY ON SAVING AND BUDGETING

This section explores the level of education and financial literacy in participants. The lack of reading, writing and numeracy skills will obviously not support sound financial decision making.

4.6.1 Level of education

In the Tarkastad community there is a definite lack of financial literacy. This has been linked to the low educational attainment of participants. The majority dropped out of school before finishing matric. The following graph illustrate the situation clearly:

Figure 4.11 Education Qualifications



The majority participants never attended school. When participants were asked for the reasons they never went to school or dropped out early they replied:

I never went because I was farming

I started to work at the earlier age because I was born in a farm

I do not have reason for this question

During our age school was not important than farming

A small number of participants attended school up to senior secondary school level, but none completed matric. Reasons given included:

Parents were struggling with money and I had to assist by getting work

You know when you are born in a poor family you do not get motivation to study. Because the area is farms we had to work than to go to school.

My disability causes me not to finish matric.

The remainder dropped out of school during primary school or at junior secondary level. This situation is a challenge for a community that is in need of development and growth.

Interpretation

The socio-economic challenges facing poor communities led to many not fulfilling their educational objectives due to mostly a lack of financial support or the need to go and find employment in order to contribute to household income. This is in line with Pauw and Mncube's (2007: 32) findings that found that problems related to education in less privileged communities raise a major challenge for local economic- and human development. People struggle to obtain reasonable education levels and employment, often resulting in lower health status.

4.6.2 Financial literacy

Due to low levels of education, financial education became a challenge in the Tarkastad population where many were unable to read, write or calculate as shown when asked about their income:

I do not know but it is for me and the child.

It is thousand plus but i do not know.

I do not know money and have never calculated, so because of that I do not know how much in a month I get.

This lack of financial knowledge was identified time and again and it was causing families unable to make informed decisions about managing their money. Such that all the participants, when asked if they were taught about financial management indicated:

We would like to be taught about financial management in order to improve our money to know what we must buy and not to buy and when we have challenge of money to stop going to cash loan and mashonisa.

I do budget but the money is limited causing us to go to Mashonisa.

I write down everything I am going to buy.

When i have little money to save i keep it at home not at the bank because of charges, for me it is better that way.

Another possible cause for being financially illiterate is that within the area of Tarkastad there seems to be no organisation or person regularly providing even the most basic financial education such as how to open a savings account:

I never receive information and I do not budget and save but I wish I could be taught because (into esizifake kuyo) what we have put ourselves under at debt from mashonisa is killing us, it is stressful my child to have money but you don't see it because it goes to these people, every month I must pay a loan and open another loan.

I have never received information but I want a person to teach us.

Yes I was once told that I must save at the bank

No I was never told.

In spite of the above many intuitively made use traditional ways of budgeting by means of rotation groups or Stokvels. From the little money participants have, except for one participant who also saved at the local bank, participants have got lack of information about budgeting and saving. Saving to community groups was perceived important but was not practiced by the majority of participants except for one participant receiving an old age grant doing rotational saving where they as a group of four people in community contribute a monthly amount R200. All other participants identified fear and lack of trust amongst people to save with in a group. Instead the only saving group they do was community burial society which only caters for funerals and in fact is not a savings account (Fortunately laws are changing to forbid insurance policies such as used at burial societies to deduct directly from grant payments).

Interpretation

The use of bank as a place to save was perceived as important but due to problems with accessibility of banking services in the rural area, few made use of it. Two participants were taught by banking officials how to budget and save resulting in them saving at the local bank. The traditional way of saving where the money is kept at a rotating credit association is still in practice. However, due to the majority participants being left with less than R200, or in some instances without any money due to household responsibilities after debt repayments few participants do have a savings plan.

The majority of participants do practice any formal way of saving or budgeting. This aligns to Zelle and Sharma's (2000: 144) statement that this challenge could be addressed if financial institutions were not judgemental to the people that live in poverty. It was found that to budget meant for them constituted to merely list what is needed without including the price of items.

4.7 THEME FIVE: THE INFLUENCE OF MONEY LENDERS ON HOUSEHOLDS

This section explored the influence money lenders have on households. Especially important is a section looking steps grant beneficiaries take to try and free themselves from debt.

4.7.1 Debt at money lenders

The findings revealed that participants have debts with either cash loan institutions or money lenders. Surprising though was that the majority of participants also opened credit facilities for food at local shops owned by African people where they also pay high interest:

Yes I have debt from cash loan for R1000.0.

Yes I can't know how much is the debt but the amount I borrowed is R600.00.

I have debt of R450.00. I borrow R150.00 for the 3 children.

When I borrow first it was R300.00 with interest of R50.00 for R100.00. Then I borrow again at cash loan then ended up borrowing on a monthly basis.

I have debt at skopar meaning money lender. I borrow R200.00.

I have debt in Ivenlew. I started this year. Last year I paid and opened another debt. I do this because there is nothing at home. Yes I said I do save money but when it is finished I go to the money lender.

It does come as a surprise even those participants who receive disability grants and live in households where other members are employed, still were indebted. This means that household level there is no financial support. This was the participant response when they were asked about debt:

Yes I have debt at cash loan of R500.00 which I take every month.

I have debt of R800.00 from mashonisa, I prefer mashonisa because they know me and they are better than cash loan that rob people money.

Interpretation

The majority of participants are indebted at both legal and/or illegal money lenders and in many cases also at shops where they opened a credit facility. This aligns with Pamela and Kean's

(2005:4) research finding that people who are affected by poverty often experience pressure to get finance for household survival; and in most instances this pressure arises within the community so individuals spend more than what they should to “safe face” in the community. In addition, for money lenders this is a business so they have no conscience about luring people into borrowing from them:

To me this is a business. What are you going to get in return if you lend R100.00 to a person? It would be a waste of my time to give a person such money.

4.7.2 Interest rate

All the participants were asked about how they pay their loans because it was seen that they pay a never ending debt. These responses were received about payment:

They deduct by themselves. The loan interest is 25% for R100.00. I pay and borrow.

I don't know if they debit all the debt because I pay and borrow every month.

I do not know the period of debt because I borrow every month

They took my card every month I go to them they give me change. I ended up being unable to buy food. I borrow again to buy food and pay the shop for the food I took last month.

Now people from government went to them to stop taking our cards. They gave us. But now what they do when you borrow money they ask you pin. When you go to get you money at the bank the money is gone but your card is with you. These people are clever that's what I can say.

I have never asked them about interest. I can't tell lies. I was only happy that I have money. They don't tell I and I did not ask.

They told me and it's a lot of interest

Interpretation

The findings showed that many participants are deeply indebted to money lenders without a full understanding of the interest charged and the consequences thereof. It seems as if no explanation of the procedure and implications is communicated before a loan is taken out. This is in line with Siyongwana's (2004:851) findings that by taking out loans without clear understanding, money lenders exploit the clients' ignorance and create vulnerability.

It is evident that participants are being exploited and are not protected from the illegal practices of money lenders such as charging excessively high interest rates, confiscating bank cards and demanding the pin and not communicating effectively to the borrowers.

Money lenders see an opportunity in the population of Tarkastad because if they (money lenders) focus only on the employed working class as the lending policy dictates, their business will suffer, so they target those who receive some kind of social grant that they use as surety. This aligns with Colquit's (2007:20) findings that unemployed people are not legible for loans unless they are being able to provide security or collateral as stipulated on the formal financial sector lending policy in order to protect the banks against risks and loss. As a consequence of this, instead of going to formal financial institutions the desperate unemployed individuals opt for money lenders who accept the surety of social grant to provide loans. In this regard Kgowedi, Makhura and Coetzee (2002-2007:3) found that people in poverty experience that their financial services provider by default becomes the informal financial sector of money lenders because of their accessibility and willingness to provide to poor people what the formal financial sector fails to deliver.

4.7.3 Processes to be out of debt

When participants were asked what steps they take to rid themselves of debt, the following answers were received:

It is impossible to be out of debt because the money does not even fulfil half of the household needs. This led us to go and borrow to an amount of R1000 or less.

The loans we take are paid at the end of the month with interest using this social grant money.

When we pay the loan we open another loan because all the money for social grant is taken out to pay the first loan which makes us unable to be debt free.

I wish I could find a way. Every day and night I always think about this because these people are getting rich with our money and we suffer.

Interpretation

From the participant responses it is clear that when you are in debt it is difficult to move out of it. The socio economic conditions which participants find themselves in affect them negatively and when a poor decision on taking out a loan was made in the first place, devising a way to get

out of debt takes even higher thinking skills. Falling into debt to provide in basic needs is exacerbated by lack of personal discipline in spending on so called “wants” (Mashigo, 2006:1)

It not surprising that registration under MFRF and abiding to the Usuary act was not practised by many money lenders. Even though money lenders are not registered they all know the law and process to register; and repercussions if caught, yet because of the fat takings they are prepared to take the risk. As they continue charging exorbitant interest rates and not registering they are also at risk losing money as illegal money lenders cannot take any legal steps against borrowers who default in their payment.

The illegal money lenders had the following to say:

This is a most challenging part in our business us as Mashonisa (illegal money lenders). People came to us knowing that we are not registered. As a result they take advantage for that by not paying us.

Interpretation

Based to the fact that this is a risky business money lenders are creating their own illegal processes to make their business safe. They charge exorbitantly high interest rates to compensate for possible losses or being caught out. They confiscate bank cards for their safety in order to be the first to receive money before households utilise the money for their household needs. It is clear that illegal money lenders do not want to register because there will be restrictions to their lending processes which among others involves paying tax on profits – something they also do not want to do

4.7.4 Area of operation

It was found that the conditions within which money lenders operate well is usually in communities where unemployment is high or in remote areas. In the Tarkastad area there are no shops except spaza shops run by African people. There is a high rate of unemployment and the majority of households receive social grants. Therefore, because there is high rate of unemployment “*most of the money we receive comes from the unemployed people*”. “*For us to register under Usuary act or following the regulatory framework will make us bankrupt*”.

Interpretation

The conditions within which money lenders operate well in are those where people are illiterate and uninformed, and become desperate for financial aid. Households seek out illegal money lenders because of the money lenders being so easily accessible unlike the formal financial institution which will require unemployed borrowers to provide a lot of documentation which they do not have. Therefore exploitation of unemployed and uneducated people is possible because potential borrowers want the money to service their immediate needs without considering the consequences of high interest rates and the repayment thereof at later stage.

4.8 CONCLUSION

Findings discussed in this chapter show that indeed there are many socio-economic factors that lead social grant beneficiaries to end up being caught in a debt cycle that is very hard, if not impossible to break away from. The different themes all contributed to formulating a holistic picture of the phenomenon under study. Furthermore data presented, provided a sound foundation for discussing the implications and suggest recommendations in Chapter Five.

CHAPTER FIVE

IMPLICATIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter discusses the implications of the findings presented in Chapter Four. Appropriate recommendations based on the implications of findings are made for consideration by participants, NGOs, Government and financial institutions.

5.2 DEMOGRAPHIC DATA

Implications

Tarkastad being the smallest ward within the local municipality is mainly dominated by females (IDP, 2006:8). The inability of females within the economically active population to get employment is a big concern for the area around Tarkastad. This implies that especially females who can play an important role in their households regarding motivation and encouragement to children regarding the importance of education; and as community members who have not only a role to play influencing moral issues, but also often being instrumental in starting developmental projects, need to be educated and empowered.

Wagner (2009: 3) and Johanson and Adams (2004:3) points out that especially these women who are negatively affected by low education attainment; including lacking in training of skills that may enhance their ability and opportunity to become financially independent, need some support towards empowerment. Considering also that in most Xhosa households cultural challenges and perceptions about women's status and stature at household level can also play a negative influence on their emancipation, the importance of appropriate training initiatives cannot be ignored. Link this to a mother's ideal position in a household to instil a love for learning and stressing the importance of a decent education in the children, catering for the females' emancipation is imperative to community development and growth.

The main challenge regarding such opportunities is though the demographics (geographical site) related to the remoteness of the area.

The above suggest that females in the area will continue being unable to develop their skills and potential to emancipate if not becoming more pro-active in their households and community

development that will bring about specific and general change and subsequent quality of lifestyle. Therefore, basic education in literacy and numeracy should be a non-negotiable aspect for communities at large.

Recommendations

More focus by government and NGO's on the development of literacy in poverty stricken communities, ensuring quality public schooling and sponsoring quality ABET sessions should take priority.

This could be done by making sure teachers who are employed are well trained and headmasters have the correct qualifications and experience to execute their job of running schools where quality education takes place, well.

ABET "schools" should be established where good teaching/learning material is developed to assist adult learners who may not have been to school for many years. Teachers also need to receive special training to specifically teach adult learners – all this should be put in place by government, but NGOs also have an important place in skills development initiatives – one coming to mind is the ABCD (Asset Based Community Development) initiative where the community is invited to get involved in specific community based projects suitable for their specific context.

5.2.1 PARTICIPANTS RECEIVING CHILD SUPPORT GRANT

Implications

Considering the number of child grants being paid out in the Tarkastad area to people who are fully unemployed, or only secure casual employment occasionally, a perception was established that many pregnancies may have been purposely planned in order to qualify for the child grant. The implication of this is that considering that the grant hardly covers all cost for a child, such children are born into poverty and the burden on the household is increased both by the extra costs involved in caring for a baby and raising the child to adulthood, but also due to the mother being unable to secure even casual work for a lengthy period.

Recommendation

Health clinic personnel should be trained to not only advise on birth control, but information sessions should be held regularly where the consequences of having a baby without the means to support him/her should be outlined showing cost escalation and the real situation of income from the grant not sufficient to give the child a quality upbringing.

5.2.2 PARTICIPANTS RECEIVING DISABILITY GRANT

Implications

Support of government to the population affected with a disability is limited to a single disability grant. There are no developmental initiatives available in the community to assist the disabled population to be employable or to just assist in making their lives more comfortable. It became evident that the municipality itself has no strategies or programs in place to assist the elderly or disabled in any way. If people who are in leadership positions do not attend to the challenges affecting people with disabilities, the community will not develop into a caring context where people look out for one another.

Recommendations

It is recommended that on local government level, the municipality and NGOs take hands to get different governmental departments together at a meeting place where the elderly and disabled can meet regularly for health checks, craft training and social interaction that would support their mental wellbeing.

5.2.3 PARTICIPANTS RECEIVING OLD AGE GRANT

Implications

The results seem to point towards a situation where the elderly will continue to take care of their grandchildren because of a cultural disposition and the socio-economic conditions that take parent(s) away from the area. Unfortunately this implies that pensions meant to support the elderly are being spread over more commitments.

Another negative aspect related to children being left in the care of the elderly for long, extended periods is that many children from this mostly black population will grow up developing no emotional bond with their biological parents and being left in an area with limited opportunities to receive a decent education. Furthermore, due to historical circumstances where most of the elderly people from communities of colour enjoyed very little or no schooling, these grandparents will not be able to help the grandchildren with school work with a detrimental effect to the children's education. On this point the Human Science Research Council (2003:135) pointed out that educated parents and those who are more resourced, are in a better position to assist children with school work with such children enjoying an increase on successfully completing their schooling careers.

Overall interpretation of all social grant beneficiaries

From the findings all participants' socio economic conditions reveal similarities: most obtained low or no education qualifications. The lack of literacy and numeracy furthermore adds to the problem as they have no idea on how to manage household incomes.

As many participants are illiterate and most lack the ability to understand financial management concepts, they keep on returning to both legal and illegal money lenders who take up an anchor position in this cycle of exploitation and poverty:

A lack of literacy has most likely also contributed to households' lack of openness and honesty amongst household members about household finance. The lack of communication about money at household level has created partners to mismanage the little money they have due to not devising one plan.

Recommendations

It is recommended that counselling by social services is made available to all members in the community and to individual families to stress the importance of planning together as a household/family for the best results on budgeting expenditures, setting goals to save and generating motivation for all members to not be caught in debt. Just from discussions after interviews the following remark was captured: *it would have been better to sit and talk because we never thought "that it is important to combine every money each person get"*.

5.3 THEME ONE: PERSONAL FEELINGS ABOUT BEING IN DEBT

5.3.1 Negative feelings about getting out of debt

Implications

The majority of the participants experienced negative repercussions from being in debt due to being unable to attend to personal and household challenges such as escalating debt leading also to other challenges such as alcohol abuse, domestic violence and the like. Zegeye and Maxted (2002:2) point out that a number of interventions to assist households are required to attend to their status of vulnerability because the debt these households experience makes them to lose dignity in the eyes of their peers.

Many lost hope and due to the stress and bad lifestyles experienced health challenges. Nga (2007: ii) adds that high consumptions due to large family size also erodes whatever little money is available very quickly. As families grow, the money does not increase. This also drives them to taking up new loans they can actually not afford.

Recommendations

All household members need to take part in open and honest communication about family finance whether there is only one breadwinner or many individuals contributing to the household income. Households should discuss and set goals all need to aspire towards in order to get every member of the household involved in saving in whatever manner; be it by not wasting food, water or paraffin; or taking care of clothes to last longer, or actually physically save money at a legal institution.

A concrete way of capturing the growth in savings for example a little book where each deposit/saving is indicated for all to see how it grows usually acts as a great motivator for younger people.

5.4 THEME TWO: HOUSEHOLD INCOMES

5.4.1 Low/restricted income on motivation for getting debt free

Implications

The findings pointed towards many of the households living under strenuous conditions in poverty. There are limited opportunities for securing even casual employment with mostly males being able to access available casual employment. Many participants stated that they pay a loan just to take out another to attend to household needs (Twine, Collinson, Polzer and Kahn (2007:3) Social grants in such households play a fundamental role as only stable source of income that enables them to access loans from money lenders where they repay loans with the money received as grants. Initial loans are granted by providing the grants as collateral.

The challenge of poverty due to illiteracy and low education levels (or is it the other way round?) that rendered many individuals unable to read, write or count also resulted in all sorts of social ills associated with alcohol and physical abuse. Mind-sets in continuous stressful situations become stagnant and unable to devise means to move out of debt.

Recommendations

The government has unsuccessfully for the most times implemented different programmes to try and attend to community challenges. However, many communities still lack behind due to different aspects associated to the capacity of the area and limited resources. It is therefore recommended that individuals are motivated to take personal responsibility for their future by means of some incentives to enrol in ABET courses or/and get an NGO that is capable to do so to come offer training on asset based community development initiatives (ABCD). Such programmes focusing on community driven developments must be funded and implemented to involve as many community members in “our” project.

5.5 THEME THREE: UTILISATION OF INCOME FROM ALL SOURCES

5.5.1 Limited source of income

Implications

The results imply that indeed many households are depended on the social grants as the household’s main or even only source of income. The limited income renders them to see no future to personal or household’s development. This implies that as households struggle financially and became more affected by poverty; they perceive the only solution to attend to

their challenges as creating new loans that would be repaid with money received as social grants. Households in dire need do not consider the repercussions of loans such as high interest rate and being lured into an ever perpetuating cycle of debt; as long as they receive the money immediately. As pointed out before (Kgwedi, Makhura and Coetzee, 2002-2007:3) money lenders avail loans by affording them easily accessible loans with flexible repayment options – and say nothing about the extremely high interest rates being charged.

Recommendations

Unlike practices by illegal money lenders, forming rotational saving clubs would assist them to increase as interest charged at these institutions are within legal boundaries and very low compared to that charged by money lenders. It is therefore recommended that from the limited income households have, rotational saving groups need to be advocated and advertised to the benefit of those saving into such schemes. This could be done through community awareness programmes where households will be taught about the positive impact saving groups may have in providing more income to households to enable them to also move out of debt.

Furthermore, many participants hold more than two burial society policies. It is suggested that policies on only the elderly should to be taken out if needed and community members be educated and informed about this illegal practice. At the time of finalizing this document, news broke that government are promulgating new law to prohibit any deductions for burial or other policies to be automatically taken from grant payments.

5.5.2 Patterns of spending or utilisation

Implications

The lack of budgeting and financial management skills has negatively affected spending behaviour which will remain unchanged if not attended to. In this regard the Human Science Research Council and Education Policy Consortium (2005:28) claims that if the underprivileged families are unable to access quality education, their status and level of vulnerability will not change.

Moreover, as prices for consumable goods increases participants are likely to increase their debts at money lenders and are likely to open up credit for food, thereby becoming more indebted and

exploited by means of high interest rates. This implies that households will continue to be indebted in a vicious cycle of debt and poverty.

Recommendations

Given the challenge of limited income for many households, social grant beneficiaries need to be made aware and be taught about the purpose of a social grant. This could be done through involvement of different stakeholders that support community development. As the municipality knows its challenges, it has to play a fundamental role for the benefit of local economic development through involvement of organisations that deals with financial management and providing finance for community outreach

5.5.3 What the future holds for them

Implications

The results imply that the social grant money received by participants does not attend to the household needs as it was meant to by the government. Pauw and Mncube (2007: 40); Booysen (2004:52) and the International Labour Organisation (2002:20) claim that the potential social grants have is in contributing to the educational attainment in households by support in purchasing school necessities, uniforms and to pay for transport.

Recommendations

It does not come as a surprise that educational attainment influences how people manages and spend their income. The researcher recommends that the community address spending behaviour and assist in training people to become more financial knowledgeable on various issues, including financial institutions that created micro finance structures to support outreach projects within the community, including to teach about the utilisations of income, budgeting and saving.

5.6 Theme FOUR: FINANCIAL LITERACY ON SAVING AND BUDGETING

5.6.1 Lack for financial literacy (education)

Implications

The results showed that all social grant holders within the area of Tarkastad have low or no levels of education. This is bad for personal and community development as this renders households unable to attend to their socio-economic challenges such as being able to attend to their children's education. Mashigo (2006:8) cautions that such a situation would cause a large number of children to quit school before completion at least matric. Drop-outs think of joining the labour market where, if they do find employment, would most likely be placed in a low paid position.

As many are unable to read, write or calculate, the situation drastically impacts on their saving behaviour, budgeting and spending. Nga (2007: 2) and Esson (2003: 6 -14) both confirm that within the South African context a culture of saving is lacking amongst poor people because of the high consumption within households. Many of the participants showed a tendency in high spending on things that are not a need, but in fact luxuries.

Hegrarty and Manktelow, 2004: 2) caution that continued stress due to financial challenges could cause participants to experience health challenges that relate to poor physical and mental health and in some instances may even cause family breakdown.

Recommendations

It is critical for participants to admit and acknowledge that the lack of education has created challenge for them with regard to financial management and poverty that, if not attended to, will negatively impact on their children's future development. It is this acknowledgement that should motivate them to seek help at the local economic development section at the municipality for the provision of training skills that will enhance their possibility to find better employment that in turn will bring income that will need managing. For the latter because that is the relevant place, information sessions and workshops related to budgeting, prioritizing and saving will be of importance.

Counselling by social welfare will also be of great value and at public schools and included in ABET curricula, information on financial savvy need to be included

5.7 THEME 5: THE INFLUENCE OF MONEY LENDERS ON HOUSEHOLD

5.7.1 Availability of money lenders

Implications

The limited income, low educational attainment and being in poverty constituted the fundamental challenges for many participants. Mashigo (2006:2) argues that this is because households only realise their predicament once they have already been caught up in debt. Due to banking regulations, those who are unemployed find it extremely difficult to secure any form of loan at official financial institutions, delivering the desperate and needy into the hands of unscrupulous money lenders who exploit the population. The reason why such money lenders are not taken to task is due to the fact that they are not registered with the Micro Finance Regulatory Council who regulates the industry. However, as Bortei-Doku and Aryeetey (1995:78) point out, for people in desperation, money lenders become their financial service provider by default because they are willing to give the unemployed people loans unlike the formal financial sector that is failing the poor communities.

Recommendations

It did not come as a surprise that in most poor communities, money lenders receive primary consideration to assist households due to the unavailability of loans from registered financial providers. To attend to the challenge of illegal money lenders the community need to stand up to organise itself by implementing community forums that attend to the money lenders with the assistance of street committees and involvement of legal authorities.

Taking legal steps against such unregistered money lenders seems to be obvious but who would do so as most that are exploited, are also those in need of such a facility.

It seems then that educating communities against such exploitation practices and being proactive by assisting households to learn budgeting behaviours seem to be the only way to go.

5.8 LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

The research took place in the Tarkastad area where unemployment is rife and many individuals are dependent on receiving social grant as their sole livelihood. Due to illiteracy with many

participants unable to read or write, individual and focus-group interviews took place in their language isiXhosa.

The majority of participants were not able, or have been reluctant to reveal their status of debt due to fear of losing their social grant money. This resulted in the research being unable to reach the targeted number of participants. Furthermore, participants were mostly black people so no comparison could be made to determine if grant recipients from the white population experienced the same type of problems.

The researcher was also unable to meet with all the money lenders. Only one illegal money lender was part of the study but did not want to be recorded or to fill in the written questionnaire.

Within the context of the description of the area the research produced many unanswered questions that could become relevant for further research. These are:

- The effective role of social workers on managing the utilisation of social grant money by households.
- The impact of the lack of community development organisations in communities with high illiteracy levels.
- The effectiveness of educational outreach programmes of financial institutions in rural areas.

5.9 CONCLUSION

This research set out to determine the budgeting skills and financial behaviour of social grant beneficiaries in a small rural area where they experience different socio- economic challenges. Possible causes leading to grant holders getting caught up in debt were identified and ways to move out of debt were suggested.

The overall findings suggest that money lenders are rendering social grant holders and their households poorer and vulnerable by exploiting them. The study also found that social grant holders are easy to exploit due to a number of factors that were discussed in detail..

Taking into cognisance the above it is clear that the study answered the primary and secondary research questions regarding the budgeting skills of social grant beneficiaries. Given the challenge caused by poverty and extended by money lenders who exploit the grand holders in

desperate need, drastic intervention is needed to address the contributing causes that render grant holders so vulnerable to exploitation.

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