

African Entrepreneurs, Financial Literacy, Debt and Bankruptcy

Dr. Ignatius Ekanem
Middlesex University Business School, London, UK

ABSTRACT

This chapter is concerned with the behaviour of African entrepreneurs and individual towards debt and bankruptcy; and to assess the extent to which their attitudes and behaviour towards debt and bankruptcy are influenced by their cultural and religious practices. The study is based on a qualitative research method involving in-depth, semi-structured interviews and, in some cases, direct observation. The findings suggest that among African entrepreneurs and individuals there are compelling cultural and religious reasons to settle debts and this can lead to a strong desire to resist at all costs the bankruptcy process. The study also revealed a high level of ignorance and a lack of understanding among the Africans of the actions they can take when they find themselves in financial difficulties. The implication of these findings is that financial literacy and pre-bankruptcy counselling can empower this group of consumers and influence competent financial decision making.

Keywords: *African entrepreneurs; bankruptcy; debt; financial literacy; attitudes and behaviour*

INTRODUCTION

In the last few years business and personal bankruptcy have increased significantly. As the credit crunch hit businesses and individuals, the figure of bankruptcy went up by 12 per cent in the last quarter of 2008 with more than 17, 000 people being declared bankrupt (Insolvency Service, 2008). By 2009 bankruptcy filing had gone up by 34% compared to 2008 (National Bankruptcy Research Centre, 2009). These figures suggest that more and more people are struggling with extreme debt problems which results in bankruptcy. Bankruptcy is usually the last resort for people who cannot pay their debts and people declared bankrupt lose all their assets, including their homes, which must be sold to pay creditors. Although they are discharged from bankruptcy after a year and can make a fresh start, they may not be able to borrow again easily for many years because they are considered a bigger risk (Ekanem, 2012).

Although the Institute for Financial Literacy has recently released a report which reveals that more middle-class individuals than ever are filing for bankruptcy as a result of the recession, the report has also found that greater percentages of other demographic groups such as people with low education, females, unemployed and the BME group (including Africans) are more vulnerable and more likely to experience bankruptcy (Robins, 2009). The vulnerability of these groups of people to bankruptcy is attributed to the lack of financial literacy in an increasingly complex market economy (Lerman, 2006).

This chapter is adapted from a study that was conducted of bankrupts from black and minority ethnic (BME) groups in Britain on behalf of the Insolvency Service (see Ekanem, 2012). In the study, Black Africans constituted the highest proportion of the sample. The study was carried out between 2006 and 2007 before the economic downturn. The aims of the study were to find out about the attitudes towards debt, bankruptcy and the bankruptcy process of BME entrepreneurs and individuals who were experiencing bankruptcy at that time; and to assess the extent to which their attitudes towards debt and bankruptcy have been influenced by their cultural and religious practices.

The Insolvency Service's own Race Equality Impact Assessment (REIA) in 2005 led to the identification of key issues relating to the actions of bankrupts from BME groups which distinguish them from bankrupts from the white population. The main distinguishing features revealed by the report relate to how a disproportionate failure of bankrupts from BME groups to surrender to, and cooperate with, a bankruptcy process has contributed to lower early discharge [¹] rates compared with bankrupts from the white population. The report indicates that in London only 27 per cent of BME bankrupts obtained an early discharge compared to 38 per cent of their white counterparts.

It was as a result of the findings of the REIA unpublished report that the study on which this chapter is based was commissioned to address key questions such as why ethnic minority bankruptcy surrender and cooperation behaviour differs from the white population; why ethnic minorities are less likely to petition for their own bankruptcy; and why, once in the bankruptcy process, significant behavioural differences exist between ethnic minorities and white groupings with regard to surrendering and cooperating with the bankruptcy proceedings.

The overall purpose of this chapter is therefore to identify the underlying reasons why the bankruptcy surrender and cooperation behaviour among the African differs from that of the white population. This included shedding light on why African entrepreneurs and individuals are less likely to petition for their own bankruptcy, and why, once in the bankruptcy process,

¹ An early discharge permits a debtor to get on with his/her life faster and without the burden of heavy debt.

significant behavioural differences exist between them and white groupings with regard to surrendering and cooperating with the bankruptcy process.

THE THEORETICAL CONTEXT

There has been a significant increase in the standard of living of a great majority of the people in the UK in recent years. However, there is still a small group of people who are facing financial exclusion (Kempson and Whyley, 1999). Kempson et al. (2000) suggest that the type of people who are more likely to be financially excluded are lone parents, unemployed and those in the low-waged employment, particularly those in the ethnic minority groups such as Africans. Therefore, the only way to overcome financial exclusion is increased financial literacy (Kempson et al., 2000).

Financial literacy can be defined as the ability to make informed judgement and effective decisions about the use and management of one's money (Worthington, 2006). Financial literacy can be affected by gender, ethnicity, occupation, income level and education (Al-Tamimi and Kalli, 2009). Therefore it is argued that financial literacy is lowest among unemployed, females and those from ethnic minority background with a low level of education (Worthington, 2006; Lusardi, 2008; Al-Tamimi and Kalli, 2009).

Cude et al. (2006) suggest that financial literacy is more important now than ever because financial products have become more complex and consumers' inability to understand them has become increasingly apparent and the consequences of this inability more dire (Willis, 2009). Braunstein and Welch (2002) argue that interested groups, including policy makers are concerned that consumers lack a working knowledge of financial concepts and do not have tools they need to make decisions most advantageous to their economic well-being. Such financial literacy deficiencies can affect individual's or family's day-to-day money management ability, which can result in behaviours that make consumers vulnerable to severe financial crises such as bankruptcy (Ekanem, 2012).

In a US study of consumer financial knowledge and implications for social marketing, Perry and Ards (2002) evaluate the effectiveness of learning about finances through formal, informal and experiential sources. They also examine whether there are ethnic or cultural differences in these effects. The proposed model of consumer financial knowledge was tested using the 1999 Consumer Credit Survey data collected from approximately 12,000 consumers. The dataset includes a variety of questions about childhood experiences with money, financial knowledge, attitudes and experiences, as well as assets, debts and demographic characteristics. The findings suggest that formal training and childhood financial experiences are significant predictors of financial knowledge across the sample population as a whole, while informal, word-of-mouth sources have a significant additional impact among consumers from the ethnic minority population.

Also in the United States, Johnson and Sherraden (2007) point out that economically disadvantaged youth lack financial knowledge and access to mainstream financial institutions. They argue that instead of aiming for financial literacy, an approach often adopted is that which is aiming for financial capability. Johnson and Sherraden suggest that financial capability results when individuals develop financial knowledge and skills, but also gain access to financial policies, instruments and services.

Apart from ethnic and cultural issues, financial literacy has a strong relationship with socio-demographic characteristics and family financial sophistication (Lusardi et al., 2009). Lusardi et al. (2009) demonstrates that a college-educated male whose parents had stocks and retirement savings is about 50 percentage points more likely to know about risk diversification than a female with less than a high school education whose parents were not wealthy.

Lusardi (2008) links failure to plan and poor borrowing behaviour to ignorance of basic concepts and concludes that while financial education programmes can result in improved saving behaviour and financial decision-making, much can be done to improve these programmes' effectiveness. Dayrit, (2010) points out that financial illiteracy is responsible for millions of debt-fuelled lifestyles, from out of control personal and business spending habits to investments and property purchases that lose grasp of reality.

In a study comparing the demographics and potential problem situations of 57 bankrupt firms to 55 non-bankrupt firms, Carter and Van Auken (2006) identified root causes of bankruptcy. The results indicated that most serious problems of bankrupt entrepreneurs and individuals can be condensed into three categories: lack of knowledge, inaccessibility to finance, and economic climate. Stressing on the lack of knowledge as the root cause of bankruptcy, Boden and Nucci (2000) indicate that businesses where the owners had four or more years of college were less likely face bankruptcy.

A review of financial literature and retirement preparedness revealed that many households are unfamiliar with even the most basic economic concepts needed to make saving and investment decisions (Emmons, 2005; Lusardi and Mitchell, 2007; Sahi, 2009). Lusardi and Mitchell (2007) argue that such financial illiteracy, although widespread, is particularly acute among Black and minority ethnic groups, who appear to be woefully under-informed about basic financial concepts, with serious implications for bankruptcy.

Since financial literacy has been shown to correlate with good financial decisions, Meier and Sprenger (2007) argue that policy makers should promote financial education selection programmes to improve business and individual's financial decisions. It is argued that financial literacy education can make consumers to become responsible, motivated and competent in making financial decisions that increase their own welfare (Willis 2009).

METHODOLOGY

Interviews with Entrepreneurs/individuals

Two methodological approaches were adopted for the study. Firstly, African entrepreneurs and individuals in London who were currently engaged in bankruptcy proceedings were interviewed. This included those whose bankruptcy centred on consumer debt as well as those where it related to trading activities. Specifically, the study was seeking to gain greater understanding of the ability of African entrepreneurs and individuals to understand debt and consequences of defaulting; financial planning skills and the ability to handle financial crisis arising from bankruptcy.

Most of the interviews were conducted over the telephone with a few interviews being conducted face-to-face where possible. The interviews were in-depth and semi-structured. This approach enabled the researcher to speak directly to African bankrupts themselves about their understanding of the issues, their experiences, and how they explained the course of actions they had taken.

A control group of ten white business owners/individuals were also interviewed, all of whom were engaged in bankruptcy proceedings, drawn from the Insolvency Service's database, which listed the ethnicity of a total of 33,206 bankrupts. The following table provides information on the ethnic composition of the two sample groups. It also shows that in order to obtain 28 interviews 49 people were contacted. However, seven of these proved to be uncontactable, mainly due to repeated no replies or answer phones or numbers not being recognised or switched off. Of the 42 that were possible to contact, 28 agreed to be interviewed. Although the participation rate appears to be very good, it was a difficult topic to

research for two reasons. Firstly, bankrupt entrepreneurs and individuals are often difficult to locate. Secondly, once identified, the reason for bankruptcy can be hard to determine as individuals are very sensitive and reluctant to divulge information or discuss their experience of bankruptcy.

Table 1: Survey Response

	African	White	Total
Un-contactable	4	3	7
Didn't want to participate	9	5	14
Interviewed	18	10	28
Total	31	18	49

The majority of the interviewees (both Africans and the white control group) were traders at the time of bankruptcy petitioning. The activities of those who were trading included: translation and interpretation services, painting and decoration, fashion trading, book writing, solicitor, carpentry, courier service, sales of household goods, and a fast food restaurant. Many of the traders were self-employed. Table 2 below provides information on the trading status of the interviewees in the sample.

Table 2: Trading Status

Trading Status	African	White	Total
Trader	13	7	20
Non-trader	5	3	8
Total	18	10	28

The type of questions asked included whether they petitioned for the bankruptcy or whether it was imposed upon them, when they realised that they were getting into financial difficulties, what they knew about bankruptcy at that stage and whether they were clear about the actions available to them when they got into difficulties with their finances. Other questions included their attitude towards the issues of debt and what factors, including cultural and religious influences impacted on their attitudes towards debt and bankruptcy.

Interviews with Key informants

Interviews were also conducted with people who worked directly with the bankrupts, including debt advice agencies, the Citizens Advice Bureaux, community and faith leaders and support providers. The interviews were undertaken either by telephone or on a face-to-face basis. A total of 42 interviews were carried out, comprising 32 telephone interviews and ten face-to-face interviews, using semi-structured interviews based upon a topic guide in a questionnaire format. The interviews explored the differing perspectives of the key informants within the organisations and their experiences with providing support. This approach provided a way of obtaining further insights concerning the target groups' attitudes towards debt and the bankruptcy process, the particular difficulties they face, and how issues such as cultural and religious practices may exert an influence.

The first perspective was the aggregation of views of community leaders and workers based in community groups and organisations. Their perspective was reflective of their client groups' cultural and religious beliefs and attitudes towards debt. In addition, they were able to draw attention to how these beliefs and attitudes can exert influence over African and other ethnic minority debtors and bankrupts. Typically, these organisations were not funded

to give debt and money advice and they will signpost to other advice organisations where appropriate.

The second perspective was the collection of views of advice workers who were based in organisations that are trained and funded to give generalist and low-level debt advice. Their standpoint acts as a conduit between the community group and the specialist money advice organisation. They cannot give specialist money advice or take a debtor through the bankruptcy process but signpost when appropriate.

The third perspective was the aggregation of views of trained and funded advice workers who give specialist money and bankruptcy advice and who also undertake casework. Their perspective was more reflective of the experiences that African and other ethnic minority bankrupts face within the bankruptcy process. Their views tended to focus on such issues as court appearances, awareness of the petitioning process, communication process and formal documentation. Finally, a fourth perspective was identified as that of the telephone/online money and debt advice organisation, which did not undertake casework. Access to these organisations requires access to technology and telephones.

Interview topics included the profile, experiences and status of key informants, the bankruptcy process and accessing advice. The type of questions asked included which ethnic groups and religious faiths approached them for advice and support and what sort of help or advice they provided. Other questions included how the Africans in particular viewed the issue of debt and bankruptcy and how their behaviour towards debt and bankruptcy was influenced by issues of culture, religion, family and friends.

Key informant interviews helped in checking and stabilising conflicting evidence and thus enhancing the reliability of the data (Ekanem, 2007). As they are in daily contact with the target groups with financial problems, they were able to provide insights that helped to corroborate (or refute) the kind of personal information obtained from the bankrupts themselves.

Data Analysis

The data analysis utilised a set of techniques such as content analysis, and explanation-building technique (Yin, 2003; Ekanem, 2007). Content analysis involves listing the features associated with bankruptcy process such as creditor petitioning, debtor petitioning, attitudes towards debt and influences. Explanation-building technique allowed series of linkages to be made and interpreted in the light of the explanations supplied by each respondent (Yin, 2003).

The data analysis was inductive, utilising a data coding approach, which allowed for on-going modification and adjustment as analysis unfolded and which also allowed for content analysis to be conducted at different levels of aggregation (Fisher, 2004). The coding was used to select quotations made by interviewees to illustrate or emphasise a particular issue within the study. This technique also enables the data to be organised and described so that it can be understood and facilitates rich and insightful interpretations that recognise the subjective experiences of business owners and individuals.

EMPERICAL DISCUSSION

The Bankruptcy Process

Creditor Or Debtor Petitioning

Of the 18 African bankrupts interviewed in the study 12 were creditor petitioned, while 6 bankrupts were debtor petitioned. As expected, individuals (traders and non-traders) were less likely to cooperate with the bankruptcy process when it is a creditor that has petitioned for bankruptcy than when the debtor themselves has petitioned. As pointed out in the interviews with key informants, debtor behaviour is likely to be different in situations where bankruptcy is an elective process than when bankruptcy is imposed upon them by a creditor. On the contrary, 8 out of ten of the bankrupts in the white control group were debtor petitioned, which supports the finding in the REIA report in which 84 per cent of the white population were debtor petitioned whereas the figure for the ethnic minority group was 65 per cent.

In debtor petitioned bankruptcy the debtor is seen to have exercised some control over their debts and situation and for this reason key informants suggested that the debtor is more likely to cooperate with the bankruptcy process. They will have more fully considered the implications and be better able to satisfy the requirements of the process. A key informant remarked:

*...if a person chooses bankruptcy then why wouldn't they comply?
They have nothing to gain by not complying otherwise they wouldn't
choose it.*

A creditor petitioned bankruptcy on the other hand is a process in which the debtor perceives that they have no control and is reacting to the process with varying degrees of knowledge and understanding. In the 2005 REIA report, a significantly higher proportion of bankrupts from the ethnic minority group (39 per cent), which were mainly creditor petitioned, failed to attend at their first appointment than their white counterparts (68 per cent).

In creditor petitioned bankruptcy the debtor has no control, as it is something which is done to them and they may not know it has happened. As a result the debtor is more likely to refuse to co-operate with the bankruptcy process as they may be unaware or do not understand what is happening or may be strongly resisting the process.

Key informants have indicated that in creditor petitioned bankruptcies clients have not been able to appreciate the importance of letters received from the Insolvency Service. They also indicate that clients experience a general level of shock and disbelief that bankruptcy is such a serious business. If the debtor is avoidant and does not open mail or is unable to distinguish the importance of mail received from the Insolvency Service as opposed to other creditors or companies who deal in debt then it could be ignored or thrown away, and this will contribute to non-cooperative behaviour.

Knowledge Of What Bankruptcy Involved

The interviewed bankrupts were asked about their knowledge of the bankruptcy process and in particular what bankruptcy involved at the time of getting into financial difficulty. Of the 18 African bankrupts interviewed, only four claimed that they had some knowledge of bankruptcy (compared with 4 out of ten from the white control group). The following is an example of the typical responses from those who said they had no knowledge of what bankruptcy involved:

*I knew nothing about the process. I don't remember being given any
information. But I did bury my head in the sand a bit. I'm not very
good at that sort of thing. I never knew how those difficulties can
affect or impact and it is a lot less difficult to talk to creditors than I
thought.*

And the following is a quotation from one of those claiming they did have some knowledge of what it involved:

I had some knowledge. My grandfather was an architect and he was made bankrupt. Also, I had some friends who had been made bankrupt.

Awareness Of Actions That Could Be Taken

Slightly different results were obtained from asking the interviewed bankrupts about whether they were clear about the actions available to them when they got into financial difficulty. Only three bankrupts from the African group considered that they were aware of what steps they could take compared to 4 out of ten from the white control group. A typical response of an African bankrupt who was unaware highlighted the problem of understanding the technical language used in the process: "The forms are not self-explanatory; they use very technical language." Another bankrupt from an African background commented:

People from Africa see things differently. If I was British I would have probably known where to go and how to deal with the situation. People with a different language can see and understand the words but not necessarily understand the message.

A respondent who claimed to be aware of the actions that could be taken also highlighted the problem of language: '... the booklet explained everything, but you need to put effort into reading it.'

The main factor which was identified by key informants as being responsible for the lack of awareness was the lack of financial skills on the part of the borrower. A lack of understanding about how debt works and by extension the consequences of defaulting has been highlighted as a key factor by a number of key informants. Lacking clear understanding about budgeting and planning for fluctuations can lead people into debt (Lusardi, 2008). One key informant commented that there appears to be advice available after a 'debt has gone wrong' and that there should be advice available (in addition to that provided by the lender) when someone is considering taking out a loan as this would enable the borrower to consider more fully the implications of debt. This would help to overcome debt as a result of fecklessness: '...they say I can have the money so I have it.' This finding lends support to Perry and Ards (2002) who advocate early financial literacy if debt and other financial crisis must be overcome.

Awareness Of Being Able To File For Own Bankruptcy

The interviewed bankrupts were also asked about whether they were aware that they could file for their own bankruptcy. Again, only three of the interviewees from African background were aware of this possibility compared to half of those in the white group. Most of these were individuals who were engaged in trading activities and had come across instances where other self-employed individuals and small traders had petition for their own bankruptcy. However, as the following quote indicates, even those who claimed that they were aware were invariably vague and uncertain about what it involved:

Sort of, but this was all happening over a period of time. So, I'm not sure when I knew I could.

The above quote demonstrates that the respondent bankrupts were unclear about what they were supposed to do and when they were supposed to do it. They were also unclear as to when during the bankruptcy process they knew they could file for their own bankruptcy. Others who knew what to do were deterred by the additional cost of filing for bankruptcy.

One respondent commented, "But it costs money [to file for own bankruptcy]. If someone else does it, you don't pay." Another bankrupt did not think there was any advantage in filing for own bankruptcy even though he knew he could. He emphasised, "I knew I could file for my own bankruptcy, but that does not really protect you per se."

Awareness That Someone Else Can Have You Made Bankrupt

Only five African interviewed bankrupts were aware that someone else could have you made bankrupt compared to 7 from the white control group. The following is an example of some of the responses received to this question:

I knew a company could be made bankrupt, but not an individual. I thought bankruptcy happened to big companies and not to people like me.

The above quote shows that bankruptcy was often associated with big companies, but not with small businesses or individuals. With respect to the various issues related to the awareness that African bankrupts have of the advice that is available, and the barriers they experience in accessing such advice, one interviewed advice agency manager highlighted the fact that many of their clients are seeking help in dealing with the consequences of being made bankrupt, rather than for help in dealing with the bankruptcy process:

...people who come here for advice may not admit they have been made bankrupt and come for housing and benefit advice because they are losing their home because of bankruptcy ...it is only after a period of time dealing with the person that it becomes clear that bankruptcy is at the root of the problem and it may be too late to help where the creditor has already petitioned...

Several key informants have identified that the extent of free advice available to clients who have incurred business debts is limited. Typically, debt advisors encourage clients to maximise income and minimise expenditure as a technique for solving debt problems. In some communities sole trading is a common business model. If an ethnic minority sole trader mingles personal and business debt together and continues trading this would exclude him/her from accessing money and debt advice from Citizens Advice Bureaux. The debtor would be automatically signposted to Business Debt Line who offer online and telephone advice. A trader would also be directed towards accountants and solicitors but the debtor may not be able to afford the fees charged. If the sole trader ceased trading then eligibility criteria for Citizens Advice Bureaux would be satisfied. In this respect, there would be a perceptible advantage to a trader to cease business activities in order to access free advice. It seems that to maximise income and minimise expenditure as advised by debt advisors would depend largely on individuals' attitudes towards debt, whether personal or business debt.

Attitudes Towards Debt

The interviewed bankrupts were asked about their attitude towards the issue of debt. Ten of the African bankrupts thought that debt is wrong, with half of them having a strong view about it, compared to 8 of the white counterparts, with 7 of them having a strong view about it. On the other hand, 8 African bankrupts seemed to be tolerant of debt, regarding it as something that happens given the plentiful availability of credit these days. A greater acceptance of debt amongst the sample may also be associated with the fact that a much higher proportion of them were creditor petitioned and, in their view, the subject of unreasonable actions by creditors.

The following comments in table 3 are examples of the responses that were made. In many instances it is apparent that their attitudes towards debt have been influenced by the experience of bankruptcy itself.

Table 3: Examples of Responses

<p>Strongly opposed:</p> <p><i>'I'm much better off now with no plastics or bank overdraft. Everything these days is plastic. I think you shouldn't get anything on credit if you cannot pay cash for it.'</i></p> <p><i>'I always pay my creditors and in good time. That is how you build trust and you have to have trust to have and build a business up. I am not religious but you have to pay your creditors before you feed your family otherwise people won't trust you.'</i></p> <p><i>'I had my head in the sand about debt. I didn't really understand the basics of finances. I used to think a good day was having my overdraft extended. Since becoming bankrupt I have a much simpler life. I live in a cash economy. Overdrafts are poisonous. I will never borrow again.'</i></p> <p><i>'I don't think it is right to enter into any transaction if you cannot pay. The party you are dealing with is not a charity. They expect to be paid.'</i></p> <p><i>'I think debts should be paid and I don't think there should be bankruptcy process to help you get out of paying debts.'</i></p> <p>Opposed:</p> <p><i>'In life it is not 100% of the times that you can afford not to owe. I believe you should pay off what you owe. The important thing is to arrange payment with your creditors when you owe them.'</i></p> <p><i>'My attitude is if you owe someone you should be able to pay. If you buy something from someone on credit you have to pay them.'</i></p> <p>Tolerant</p> <p><i>'My attitude is that being bankrupt is not a big deal. If I'm made bankrupt after 5 years I can trade again. I can open another company after 5 years.'</i></p> <p><i>'My attitude is that debt can be paid off and arrangements can be made. I was made bankrupt for £5,500. I thought that bankruptcy was for big companies.'</i></p> <p><i>'Everybody suffers from it. You just do the best you can.'</i></p>

There were significant differences between the African bankrupts with respect to their attitudes towards debt and the white control group. There were also differences in generational attitudes to debt and bankruptcy among the two groups. A number of key informants drew attention to these differences which is probably all part of a materialistic, consumer oriented culture based on easy availability of credit finance. Older generations seem to be more concerned with budgeting and saving to meet eventualities whereas younger generations appear to place a premium on '...having it now...' and '...they have lost the savings habit...' One key informant indicated that within the last 5 years there appeared to be a significant change with younger people now willing to borrow for weddings which the older generation would not do.

In addition, younger people are not so concerned about the 'naming and shaming' element of bankruptcy, thus supporting the findings in Johnson and Sherraden, (2007) and Lusardi, et al., (2009). This aspect of the process is a strong motivator for older people to avoid choosing bankruptcy even if it was an appropriate option.

Influences on attitudes towards debt

The interviewed bankrupts were also asked about whether their attitudes and behaviour about being in debt had been influenced by a number of factors. This question was interpreted in various ways by the respondents. Quite a few of them were able to say how their attitudes and behaviour have been shaped by these influences, whereas others spoke about how particular influences had contributed to them being in debt or how their financial problems had affected their relationships with others. However, some of the African bankrupts (and all from the white control group) said that they had not been influenced by any external factors, emphasising instead that bankruptcy is a very personal matter as the following quote illustrates:

It is my private life and I kept it as that. I didn't tell anybody about the situation.

The African bankrupts were more likely than their white counterparts not to discuss their bankruptcy situation with other people. This means that they were not prepared to discuss their financial situation with members of their communities. Consequently, they did not appear to notice the subtleness of any external influences on the attitude.

Influence Of Family and Friends

Six of the African bankrupts said that their attitudes and behaviour had been influenced by family and friends compared to only one of the white control group, but this was mainly in negative ways in that either members of the family had contributed to their financial difficulties or relationships with members of the family had become strained or broken down completely as a result. The following quotes help to demonstrate the influence of family and friends:

My former husband squandered money with girls and disco. My daughter also put me in debt. She incurred a phone bill of £1,600. My family ignored my problem after causing it.

My wife was the main cause of my indebtedness. She ran up the bills and pushed me into debt. The break up of the marriage contributed to it as well.

Helping people and friends coming from Africa made my debt worse.

Apart from the negative influence of immediate families, key informants identified that supporting the extended family carries great responsibilities and imposes financial burdens, which must be met. A variety of practices support this cultural norm. Monies may be sent to Africa to support the extended family. Relatives and friends may be supported financially within the resident community. In some cultures polygamy is practiced and a husband would have a duty to support a number of wives and children. Supporting the extended family who are unable to maintain themselves is particularly important when for example an elderly relative is brought to this country and who has no right to access benefits. Large telephone bills may also be incurred on a monthly basis maintaining contact with the extended family.

Of itself the practice of polygamy could lead to debt with the financial burden of supporting a large and extended family and further make it difficult for a bankrupt to give full disclosure when the law proscribes such conduct. An advisor indicated that:

...there are some Muslims who believe that they can have 3 or 4 wives. Even though it is outlawed here there are some people who will go along with that. But it is only one of the wives that can be recognised. Someone that finds themselves in that situation will find themselves under immense pressure to provide financial stability for any child born into that relationship...

In supporting the extended family, an individual may be sending remittances overseas to the home country. There may be generational differences in this behaviour, with first generation migrants more likely to be constrained by this practice than second generations. Sending money overseas may be a source of debt and the bankruptcy process will place those individuals in a position whereby it is harder to honour those commitments. This was a practice more prevalent among the African Muslim bankrupts than the rest of the target groups.

Influence of Culture and Religion

Two of the African bankrupts and none in the white control group thought that their attitude and behaviour had been influenced in some way by cultural norms, indicating that their cultural background had affected their perception of debt and approach to dealing with bankruptcy. Rather surprisingly, very few also indicated that they had been influenced by their religious beliefs. This may be because in answering such a question people may not acknowledge the influence that cultural and religious beliefs have, even though the influence may be implicit or tacit in nature. However, the interviews with the various key informants suggest that various cultural factors are more important than is apparent from the survey of bankrupts themselves. The influence of cultural norms was captured in the following quotes by the bankrupts:

In my culture we have certain standards we must meet. When you attend [community] meetings and gatherings you don't want people to see poverty written all over you.

Debt is not acceptable in my culture. It shows that you are not in control of yourself and you have lost your balance.

Although very few bankrupts acknowledged the influence of cultural and religious practices, key informants intimated that in African communities there are strong cultural and religious imperatives to settle debts and this can lead to a strong desire to resist at all costs the bankruptcy process. Typically, such a debtor would seek to come to an agreement with creditors and negotiate reduced payments rather than petition for bankruptcy.

Where property is held in joint names (and in particular) across the generations of a family then bankruptcy will impact on the finances of other family members and could contribute to debt related poverty. In addition, for some African communities this will affect the future marriage prospects of the children of the bankrupt's family. A specialist advisor commented:

...not only does bankruptcy affect assets, it also affects potential spouses who they may want to bring over into the country...

These would be powerful motivators to resist entering the bankruptcy process and, if being petitioned against, to behave in such a way as to be viewed as not cooperating. A key

informant identified that for Muslims there is a belief that all debts must be settled from this life otherwise it has an impact on the afterlife. Furthermore, only the creditor can agree to waive part or all of a debt. The bankruptcy process legally waives the bankrupt's debts but since it is not the creditor who does this, the debt cannot be morally settled. A specialist money advisor suggested using the precept that: '...a Muslim must comply with the laws of the country they live in...' as a possible way to manage the dilemma that a Muslim who is being petitioned by a creditor may experience.

Similarly, another key informant identified that for 'committed' Christians there is a belief that debts must be repaid and therefore bankruptcy is not an acceptable option. Another specialist money advisor suggested that adopting the concept of forgiveness and the notion of a fresh start (Ekanem and Wyer, 2007) is a way to overcome these difficulties and encourage a debtor to use the bankruptcy process. She emphasised:

...there is a lot of guilt about bankruptcy because of the attitude of paying debt back...Christianity is about a clean slate and having a fresh start...

The transparency and openness of the bankruptcy process stands in stark contrast to the guardedness, which typifies cultural norms of African communities. The need to maintain privacy means that in African communities personal financial affairs are shrouded in a veil of secrecy protected from the outside world perhaps due to financial exclusion and low levels of engagement with financial services (Kempson et al., 2000). Within the bankruptcy process the investigation into the bankrupt's personal financial matters is akin to lifting that veil which can in some cases be shameful and leads to a loss of respect.

An individual who is opposed to bankruptcy on cultural or religious grounds will strongly resist the process and therefore be deemed non-cooperative as '...bankruptcy is seen as bringing shame on the family...'

Influence of Shame and stigma

Another theme to emerge from the analysis of information obtained from the interview with key informants was the fear of shame and stigma associated with bankruptcy. Shame and stigma relate to all or most bankrupts in most culture and religion, but because people in the African group live in very close knit communities and have strong community ties, the issue of shame and stigma became more significant than their counterparts in the white control group. Across a range of community organisations and advice workers there were powerful indications of the strength of the community's influence and how it would impact on the behavioural choices of an individual. Fear of bringing shame on the community and how that conduct will be treated is a powerful influence to avoid bankruptcy altogether. One of the bankrupts remarked,

...we are supposed to bring credit to our family, village, caste and religion...we are not supposed to bring shame and bankruptcy is shameful...

An individual who does not settle debts brings shame and dishonour to the community and this will result in a loss of trust and standing, which will result in being sanctioned and stigmatised by the community. This was clearly the concern of one of the bankrupts who commented, '...there is a lot of stigma attached to bankruptcy...' The impact of this is far reaching since '...it means that your word cannot be relied upon...' A particular aspect of the bankruptcy process which acts as a barrier to a debtor petitioning for their own bankruptcy is the procedure whereby a notice is placed in the local paper and The Gazette. This has been referred to as 'naming and shaming'.

Key informants from a range of perspectives indicated that a number of African communities share strong cultural bonds which promote and maintain privacy. These cultural norms are associated with issues of respect and control. Conduct which leads to a loss of respect results in shame and stigma. Withdrawal or loss of respect by the community performs an important regulatory function on behaviour and therefore acts as an external control. The bankruptcy process is designed to be public and transparent. For a bankrupt from the African group this creates a dilemma. Culturally, there is an imperative to be private but legally the requirement is to be open and frank about financial affairs. This creates tension that cannot be easily resolved and may result in behaviour that is construed as non-cooperation as the bankrupt struggles to reconcile competing priorities.

Influence of Language

Among the African bankrupts interviewed, language difficulties were mentioned as an issue in understanding the bankruptcy process as well as accessing advice from relevant organisations. A bankrupt in the African group emphasised, "They should employ people who understand my language to give legal advice about bankruptcy..." Community organisations that offer support and advice may be the first formal contact outside the family for an African experiencing debt repayment difficulty. Therefore, the advantage for the individual in contacting a community organisation is that cultural nuances will be understood and ethnic languages spoken.

The extent of the advice available to a person struggling to manage a debt burden is limited by their status and the type of debt problems they have and the status of the organisation they are seeking help from. These issues may not be apparent to some debtors seeking advice from their community organisation who may find themselves directed to other more appropriate organisations such as generalist low level debt advisors and specialist money advice workers. If some African languages are spoken within those agencies this increases the opportunity for improved communication and better quality advice for the debtor. However, this also increases the likelihood of a debtor meeting someone from their own community and this may act as a disincentive. The issue of language difficulties has been highlighted by many studies such as Ram and Smallbone (2001) and Lyon et al. (2007).

CONCLUSIONS

The main conclusion of this study of bankrupts in Britain is that there is a higher level of ignorance of the bankruptcy process among the Africans than their white counterparts and a lack of understanding of the actions that can be taken when they find themselves in financial difficulties. This is suggested to be due to financial illiteracy which invariably leads to debt and different attitudes to debt (Braunstein and Welch, 2002).

The evidence of financial literacy was lacking among African bankrupts in the study. It manifested itself in the lack of financial skills among this target group. Financial literacy has a tremendous impact on financial planning and financial decision-making. Failure to plan and poor borrowing behaviour can also be linked to ignorance of basic financial concepts which can result in debt (Lusardi, 2008).

Although the majority of the interviewed African bankrupts thought that debt was wrong, the study revealed a general lack of understanding of debt, how to manage it and the consequences of defaulting. The inability to manage debt burdens is a contributory factor in a debtor deciding to petition for bankruptcy. However, when bankruptcy is an appropriate option and a debtor chooses not to petition for bankruptcy he/she is compelled to manage a chronic debt burden.

An individual or business consumer can be empowered to manage debt burden adequately by the availability of advice before taking out a loan or through pre-bankruptcy counselling. But in this study, advice appeared to be available only after the consumer has been made bankrupt. In other words, they were seeking help in dealing with the consequences of being made bankrupt, rather than seeking help to be able to manage debt. Advice should be made available to consumers when considering taking out a loan in order that they would be able to consider the full implications of debt including the consequences of defaulting. Therefore, it is suggested in this study that early financial literacy must be embarked upon in order to overcome the problem of debt and bankruptcy.

An important theme to emerge from the study was the impact that fear of shame and stigma has on the behaviour of a bankrupt. Fear of stigmatisation may discourage a person from seeking help from advice agencies, deciding instead to try and deal with the process without help. An African bankrupt with strong community ties may be motivated to behave in a way which is in accordance with cultural and also religious practices, but this may conflict with behaviour which is required within the bankruptcy process. This will result in the bankrupt having competing needs which are often conflicting and tensions which are difficult to resolve. Thus, cultural and religious influences play an important role, even though their influence may not be readily apparent to the bankrupts themselves.

A further theme to emerge from the study was the issue of language and its impacts on the accessibility of advice by African bankrupts. This also has an implication for awareness of the type and nature of advice available. The extent of free advice available to bankrupts from the target group is limited and this problem can be exacerbated by the lack of community languages within support organisations. A community language spoken within an advice centre is likely to enhance better quality advice and improved communication for the debtor (Ram and Smallbone, 2001; Lyon et al., 2007).

The evidence presented in the study does have some implications for policy. The National Bankruptcy Research Centre (2009) report has drawn attention to the results of a pre-filing bankruptcy counselling value study which suggests that consumers who have received pre-bankruptcy counselling exhibited significantly improved credit profiles in as little as two years in comparison to consumers who did not receive pre-bankruptcy counselling. The study is the first comprehensive study designed to provide meaningful data measuring the effectiveness of counselling services offered by credit counselling agencies including credit counselling, pre-bankruptcy filing counselling, pre-discharge education and debt management programmes. In the study, the National Bankruptcy Research Centre argues that better credit profiles result in lower borrowing costs and increased access to financial products and services. The study also indicates that consumers who entered a debt management plan had a significantly lower incidence of bankruptcy filing.

In the light of the findings from both the bankrupt and key informant interviews, there is need for improvement in financial literacy and in support provision for African groups seeking debt and bankruptcy advice. Such improvements may include more information and explanation about bankruptcy and its implications, possible use of community organisation in supporting transition to specialist money advice workers, bankruptcy forms available in community languages with specimen examples and increased cultural competence of money advice workers to avoid client/advisor mismatch. The main implication of this study for policy makers is that education, which fosters financial literacy and pre-bankruptcy counselling can enhance proper financial decision making.

DIRECTIONS FOR FUTURE RESEARCH

The limitations of the study provide opportunity for future research. The sample was relatively small and only covered entrepreneurs and individuals who were contactable and willing to

take part in the study. Future research could examine the generality of the results by examining bankruptcy in other regions of the country and provide comparative results. Although the study was conducted between 2006 and 2007, the data were collected at a single point in time. A longitudinal study could provide evidence in the changing patterns and variables impacting bankruptcy over time. A longitudinal study by regions could be used to develop an understanding of the relationship between economic conditions, economic development and bankruptcy.

REFERENCES

- Al-Tamimi, H. A. and Kalli, A.B. (2009) Financial literacy and investment decisions of UAE investors. *The Journal of Risk Finance*, 10 (5), 500-516.
- Boden, R. and Nucci, A. (2000) On the Survival Prospects of Men's and Women's New business Ventures. *Journal of Business Venturing*, 15 (4), 347-362.
- Braunstein, S. and Welch, C. (2002) Financial Literacy: An Overview of Practice, Research and Policy. *Federal Reserve Bulletin*, November 2002.
- Carter, R. and Van Auken, H. (2006) Small Firm Bankruptcy. *Journal of Small Business management*, 44 (4), 493-512.
- Cude, B. J., Lawrence, F. C., Lyons, A.C. Metzger, K., LeJeune, E. Marks, L. and Machtmes, K. (2006) College Students and Financial Literacy: What They Know and What We Need to Learn. *Paper present at the Eastern Family Economics and Resource Management Association Conference*, 2006.
- Dayrit, K. (2010) Bankruptcy and the Recession: Lessons of Risk Management and Self-Sufficiency. www.bankruptcy.suite101.com (accessed 9 April 2010).
- Ekanem, I (2012) Influences on the behaviour of black and minority ethnic (BME) communities towards debt and bankruptcy, *International Journal of Consumer Studies*, ISSN 1470-6423.
- Ekanem, I. and Wyer, P. (2007) A fresh start and the learning experience of ethnic minority entrepreneurs. *International Journal of Consumer Studies*, 30, 144-151.
- Emmons, W. R. (2005) Consumer-Finance Myths and other Obstacles to Financial Literacy. *Paper presented at the Saint Louis University School of Law conference*, 2005.
- Gailey, A. and Zorn, P. (2008) Consumer credit literacy: What price perception?. *Journal of Economics and Business*, 60 (1-2), 125-138.
- Insolvency Service (2008) *Bankruptcy rates soar as recession starts to hit hard – how you can avoid going bust*, Insolvency Service, 2008.
- Juhnson, E. and Sherraden, M. (2007) From Financial Literacy to Financial Capability Among Youth. *Journal of Sociology & Social Welfare*, 34 (3), 119-147.
- Kempson, E., Whyley, C., Caskey, J. and Collard, S. (2000) *In or Out? Financial exclusion: a literature and research review*, Financial Services Authority, July 2000.
- Kempson, E, and Whyley, C. (1999) Understanding and combating financial exclusion. *Insurance Trends*, 21, 18-22.

- Lerman, R.I. (2006) Financial Literacy Strategies: Where do We Go from Here? *Working Paper Series*, Networks Financial Institute Policy Brief No. 2006-PB-10
- Lusardi, A., Mitchell, O.S., and Curto, V. (2009) Financial Literacy Among the Young: Evidence and Implications for Consumer Policy. *Working Paper Series*, National Bureau of Economic Research (NBER) Working Paper No. w15352.
- Lusardi, A. (2008) Financial Literacy: An Essential Tool for Informed Consumer Choice? *Working Paper Series*, Paolo Baffi Centre Research Paper No. 2009-35.
- Lusardi, A. and Mitchell, O. S. (2007) Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education. *Business Economics*, January 2007.
- Lyon, F., Sepulveda, L. and Syrett, S. (2007) Enterprising Refugees: Contributions and Challenges in Deprived Urban Areas. *Local Economy*, 22 (4), 362-375
- Meier, S. and Sprenger, C. (2007) Selection into Financial Literacy Programs: Evidence from a Field Study. *Working Paper Series*, FRB Boston Public Policy Discussion Paper No. 07-5.
- National Bankruptcy Research Centre (2009) A Study of the value of Credit and Bankruptcy Counseling. National Bankruptcy Research Center and Money Management International Financial Education Foundation, www.nbkrc.com (accessed 13 April 2010).
- Perry, V. G. and Ards, S. (2002) Creditsmart Research: A Study Of Consumer Financial Knowledge And Implications For Social Marketing. *Social Marketing Quarterly*, 8 (3), 3-16.
- Ram, M. and Smallbone, D (2001) Ethnic Minority Enterprise: Policy in Practice. Report for Small Business Service, London.
- Robins, C. (2009) Middle-Class Being Driven Into Bankruptcy by Recession. *Institute for Financial Literacy*, June 2009.
- Sahi, S. K. (2009) Financial literacy education for the Indian Consumer: the road to economic development. *International Journal of Indian Culture and Business Management*, 2 (5), 493-518.
- Wiener, R. L., Baron-Donovan, C., Gross, K. and Block-Lieb, S. (2005) Debtors education, financial literacy, and pending bankruptcy legislation. *Behavioural Sciences & the Law*, 23 (3), 347-366.
- Worthington, A. C. (2006) Predicting financial literacy in Australia. *Financial Services Review*, 15 (1), 59-79.
- Williams, T. (2007) Empowerment of Whom and for What? Financial Literacy Education and the New Regulation of Consumer Financial Services. *Law & Policy*, 29 (2), 226-256.
- Willis, L. E. (2009) Against Financial-Literacy Education. *94 Iowa Law Review*, 197 -285.