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The Over-indebtedness of Public Servants in South Africa

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¹ **Note:** The findings from this working paper does not in any way reflect the views of the Development Finance Centre (DEFIC). The views are only representative of the authors.

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Joe Ndala Mwase and Alhassan

Abstract

The global financial crisis of 2008 revealed the substantial over-indebtedness of households across many countries. Over-indebtedness of households is the outcome of the policy of financial liberalisation and deregulation since the 1970s. The consumers who are most likely to become over-indebted are employees who earn regular salaries and wages. This paper studies the over-indebtedness of public servants in South Africa. The concept of over-indebtedness is described, as a structural condition of a consumer that experiences financial is unable to repay credit commitments. This paper briefly describes the evolution of consumer credit and discusses the causes and consequences of over-indebtedness. The study evaluates the level of over-indebtedness of public servants in South Africa applying three quantitative measures: the ratio of credit repayments to income, the number of credit commitments held by the consumer and the indebtedness index. The analysis uses a very large sample of credit records for public servants that were obtained from a credit bureau shows interesting findings. The overall findings show that majority of public servants in South Africa are over-indebted. The indebtedness index estimates that at least fifty-four (54%) of public servants in South Africa are over-indebted. Although the study did not include any statistical test of significance, the findings of the study are significant given the large sample size. The result should be treated as valid and exploratory.

Keywords: Over-indebtedness | Public Servants | South Africa |