



## Debt and Poverty; Is There Unsolicited Intimacy Between These Two Variables and the Disadvantaged Black South African Communities? An Examination of the Life of Informal Settlers in Gauteng South Africa

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**Abstract:** This study explored the conditions of individuals living in informal settlements in South Africa, focusing on their employment status, poverty, and debt levels. The research sort to understand the interrelationships between informal employment, borrowing practices, and poverty among residents of informal settlements and in addition sort to establish whether there is involuntary association between poverty, and debt within the community that live in the informal settlements. A chi-square test was used to examine potential associations between these variables. These findings suggest that as poverty levels increase, debt levels also tend to increase, highlighting the financial challenges faced by individuals in informal settlements. To the best of the researcher's knowledge, extraordinarily little if any has been said about this community with respect to poverty and debt from a literature perspective. From that perspective, this paper pioneers' debate on the plight of residents from informal settlements with respect to its association with poverty and debt and builds on the little that is there in literature about this community on this important subject.

**Keywords:** debt; poverty; informal settlements; functional explanatory theory

**JEL Classification:** F38

### 1. Introduction and Background

The dawn of independence in South Africa in 1994 brought with it a sharp increase in the number of informal settlements. Residence of these informal settlements are mixed. There are both local and foreign migrants. Most of the foreign immigrants

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have fake or no legal immigration papers which then makes it difficult for them to access the formal banking market which would normally provide credit within prescribed or regulated interest rates. The locals too have challenges of their own. A majority of them have no formal employment and as a result have no access to the formal banking sector too and are thus deprived of access to formal credit at reasonable interest rates.

The theories of debt cycle, imperfect financial markets and to some extent the informal lending models all apply to this section of South African population. A debt cycle occurs when a borrower continually takes on more debt than one is able to repay. In the long run, one ends up borrowing a loan in order to repay an existing loan and as one goes further into debt, interest accrues, creating a big expense that becomes harder to get rid of over time. Debt cycles and imperfect markets trend to go in tandem. Imperfect markets are a good breeding ground for debt accumulation. These are markets that are characterized by monopolies and or oligopolies where individual buyers and sellers can influence prices and production, as there is no full disclosure of information about products and prices. There are also high barriers to entry or exit in the market.

According to the Census report of 1996, 1,049,686 households in South Africa lived in informal settlements dwellings/shacks in squatter settlements at the time. In its quarterly bulletin, The South African Department of Housing and Human settlements states that there are 4,297 informal settlements, which are home to more than two million households as of October 2023. These settlements are evenly spread with eThekweni topping the list at 530 informal settlements followed by Cape town at 464 and Johannesburg at 210 (Department of Housing and Human settlements in South Africa, October 2023). The lack of access to the formal banking sector by this community leaves them vulnerable to the other banking market which is unregulated and charges interest rates above the stipulated range.

South African financial markets are characterized by the existence of both the formal and informal markets. Formal and informal finance coexist in markets with weak legal institutions and low levels of income (Germidis et al., 1991; Nissanke & Aryeetey, 1998). Poor people either obtain informal credit or borrow from both financial sectors at the same time. This is typically the situation with the informal settlers in South Africa. Although empirically important, the coexistence of formal and informal finance is not the focus of this paper as its focus remains on the relationship between debt levels and the informal settlement dwellers.

Do they need access to the banking services? Yes. Can they access these formal banking institutions? No. Due to this and other reasons, these shack dwellers have become easy prey for the loan sharks and other parasites that exploit their vulnerability and thus exacerbating poverty levels that are already high. Is it by choice that these people find themselves in this situation? Are the individual debt

levels ever going to be manageable and what are the social effects associated with this phenomenon? This paper attempts to understand what is at play in the life of an informal settlement residence as far as debt and poverty is concerned.

## 2. Problem Statement and Research Objectives

The increase in the number of households that are now settled in informal settlements in South Africa is cause for concern for everybody from a security perspective, crime perspective and from a social security perspective. It should be of even bigger concern for the South African government itself as there are more expectations on it than on the society in general. The effects of this is already starting to be felt especially within the settlement's neighbourhoods where property values are going down, and an increase in social ills like the abuse of both drugs and alcohol is noticeable. Although there is plenty of literature on informal settlements in different contexts in South Africa and across the world, and despite years of research conducted on informal settlements, there are gaps in literature regarding the correlation between poverty and debt within the informal settlements in South Africa. The study seeks therefore to establish whether there is a correlation between poverty and debt within this community. Is poverty driving this community into debt and more so the type of debt that one would not want because of their circumstances? If so what then will be the end game? Additionally, the study investigates the role of government intervention in alleviating debt-related hardships in these communities. Analysing these factors, the study hopes to provide insights into the socio-economic challenges residents of informal settlements face.

## 3. Literature Review

In an educational article on informal economy, "Introduction Women and Men in Informal economy: A statistical picture report of International Labour Organisation" (ILO), published on 30 April 2018, it is argued that more than 60% of the world's employed population earn their livelihoods in the informal economy. According to census data from the South African census report (2013), the number of households in South Africa increased from 11,205,705 in 2001 to 14,450,161 in 2011. At the same time the total population increased from 44,819,777 in 2001 to 51,770,560 in 2011 (South Africa census report 2013).

The Gender Series volume VII (2019) report indicates that in Africa, 85,8% of employment is informal, 68,2% in Asia and the Pacific, 68,6% in the Arab States, 40,0% in America and 25,1% in Europe and Central Asia. The report further indicates that informal employment is a greater source of employment for men than for women. (Gender Series volume VII: Informal economy, 2019, Report No. 03-10-

23). The report explores the South African informal economy using the Quarterly Labour Force Survey (QLFS) Q3: 2013 and Q3: 2019 and the Survey of Employers and the Self-Employed (SESE) of 2013 and 2017 for persons aged 15-64 years through a gender lens. The issue of informal settlements was always likely to emerge following the same pattern that characterised South Africa then. Housing areas in South Africa developed along strict apartheid lines separating whites, Asians, coloureds, and Black people into separate geographical areas according to the group areas act of 1950 (Chikoto, 2009). The dawn of independence in 1994 saw a mushrooming in growth of informal settlements. Along with that was a rise in debt among households and an increase in poverty among this part of the population.

### 3.1. Definitions of Informal Settlements

There are a number of definitions of what is an informal settlement, some of which are summarised in the table below. While there is some variance across definitions, in most cases definitions emphasise the dwelling type; with shacks or structures that are built out of temporary or rudimentary materials as a dominant feature of informal settlements. In addition, several definitions refer to ownership of the land, the nature of land tenure and formal demarcation (South Africa: Informal settlements Status, 2013). Narratives in literature portray informal settlements as places with social turbulence, squalor, and crime (Turok, 2015). Davis (2006, p. 7) identifies them or sees them as being “defined by sub-standard housing with insecurity of tenure and the absence of one or more urban services and infrastructure, sewage treatment, plumbing, clean water, electricity, paved roads and so on”. Informal settlements are residential areas that are characterized by noncompliance with local authorities’ requirements, they are usually located in land that is not designated for housing settlement, the structures normally do not conform or comply with local authorities building standards. The population densities are normally not proportionate to the area of land that is occupied and tend in most cases to be high breeding grounds for crime and other social ills. In addition to illegality, informality and inappropriate locations; there is restricted public and private sector investment. There are a few common characteristics among these shack dwellers, most of them have no access to the informal banking market for a variety of reasons, some do not have legal immigrants’ papers, and some do not have formal employment which can enable them to have access to the formal banking sector.

For purposes of this study, the definitions as per the table below will apply.

**Table 1. Definitions of informal settlements**

<b>Data Source</b>	<b>Definitions of informal settlements</b>
eThekweni Metropolitan Municipality <sup>10</sup>	Structures which are made of rudimentary materials (wood, cardboard, metal sheets, mud, etc.) without any

	building plans approved, often on land that has been illegally occupied. Services are considerably basic or not available at all.
City of Johannesburg Metropolitan Municipality <sup>7</sup>	No formal definition, however the following working definition is used: An informal settlement comprises “An impoverished group of households who have illegally or without authority taken occupation of a parcel of land (with the land owned by the Council in the majority of cases) and who have created a shanty town of impoverished illegal residential structures built mostly from scrap material without provision made for essential services and which may or may not have a layout that is more or less formal in nature.”
City of Tshwane Metropolitan Municipality <sup>8</sup>	“Informal settlement means one shack or more constructed on land, with or without the consent of the owner of the land or the person in charge of the land.” “Shack means any temporary shelter, building, hut, tent, dwelling or similar structure which does not comply with the provisions of the National Building Regulations and Building Standards Act, 1977 (Act 103 of 1977), the regulations promulgated under that Act and the Municipality’s Building Control By-laws and which is primarily used for residential purposes.

*Source: Informal settlements South Africa Research Report August 2013*

### 3.2. Poverty and the Informal Settlements

Poverty and informal settlements as can be derived from the definitions above are interlinked. There are numerous factors that can be attributed to the rise or existence of poverty within the informal settlements, these include but are not limited to the proliferation of migrants, where mostly undocumented immigrants settle in such areas, thus increasing the mobility and economic structuralism of the community.

As a result of this increase in migrants there is competition with locals for resources and for the lowest-level jobs that may become available, resulting in disharmony within the community (Nyamnjoh, 2006, p. 2). Literature refers to the term “Poverty” as “the state of being inferior in quality or insufficient in amount. Put differently, this implies, penury, destitution, indigence, privation, deprivation and or impoverishment. An individual, society or household are referred to as being in a state of poverty when they have no income or have an income below the standard of living or are unable to meet their basic human needs” (Webster, 1984, pp. 16-19). Webster (1984) further argues that poverty is a relative term, a condition that can only be defined by comparing the circumstances of one group of people or an entire economy with another one.

For purposes of this paper, poverty will be defined as the degree to which people do not enjoy the basic standards of diet, living conditions, leisure activities and amenities which are socially perceived as “customary” (Webster, 1984, pp. 16-19). “Poverty is like cancer; it spreads amazingly fast and as such when detected it must be arrested as quickly and as efficiently as is possible. Society will not function properly nor integrate properly if poverty exists and is not addressed. The factors underlying the causes of poverty have to be rectified and social security should be in place to correct these factors, simply put, the causes of poverty have to be remedied” (Govender, 2011, p. 48). In research on the living conditions of the people in Alexandra Township, Richards, O’Leary and Motsonziwa (2007, p. 381) reported that people there are also dissatisfied with life mainly due to unemployment and poverty. Neely (2010, p. 882), in a study titled “Blame it on the weeds\*: Politics, poverty, and Ecology in the New South Africa” conclude that “during the first decade of the twenty first century scientists have been studying things that fit into the poverty relief agenda. Their findings are either ephemeral or impractical, but rather tangible solutions that are often linked to other non-scientific governmental priorities like poverty relief.” Bush (2007) argues that poverty especially in informal settlement is a matter of lack of material resources that give rise to insecurity and helplessness and further suggests that the current research on poverty demonstrates that poverty does not emerge because of exclusion, but because of poor people’s “differential incorporation”.

Try as it may to provide housing for this impoverished part of the population, the South African government cannot cope as there are constraints because the scale of need is higher than the available finances (Amin & Cirolia, 2018). The responses by city planning and housing authorities have remained inadequate as informal settlements continue to grow in South Africa (Weakley, 2014).

### **3.3. Effects of Living in Informal Settlements**

There are a number of effects that are cited in literature which merit attention. Turok (2015) highlights the hardships that informal settlement residents undergo in addition to hazards from living in squalid conditions. They however are tolerant to these hardships as they see this as a way of escaping poverty through accessing better economic opportunities. Informality is then employed as a tool for adaption. Through informality, Turok (2015) argues that these people are able to access the benefits of living in cities, as well as access to urban land that is close to employment or livelihood opportunities (Weakley, 2014).

Other problems associated with living in informal settlements include health concerns from poor sanitation and the lack of disposal of waste. By-products of such include transmittable diseases, such as HIV, which increase in areas of socio-

economic vulnerability (Huchzermeyer, 2006). Vearey (2011) concluded that the highest HIV recordings in South Africa are found within informal settlements. According to the Council for Scientific and Industrial Research (CSIR) informal settlements often lack basic service provisions and the most unprotected groups such as children, women, people with disabilities and people infected and affected by HIV/AIDS often bear the brunt of this lack” (CSIR, 2006, p. 7, cited in Meth, 2013, p. 540).

What causes an increase in the number of informal settlements can be debated perennially with no concrete conclusions. What comes out of the above discussions is an issuance that informs researchers that informal settlements are a global issue and that there is no prescribed solution to managing this global crisis.

### 3.4. A Day in the Life of an Informal Settlement Resident

The proliferation of informal settlements has overtaken formal housing developments, resulting in the majority of the population in developing countries residing in informal settlements (Huchzermeyer, 2006). Numerous studies indicate that informality or illegality are ways that allow the poor to become urban residents, since there is a backlog of formal low-income housing or social housing in the global south (Caldeira, 2017). Observations which are also supported by literature indicate that women and children are the most affected. According to Meth (2013) who examined parental anxieties as a result of living in informal settlements, there are many health hazards that come as a result of inadequate access to safe water, poor sanitation, overcrowding, violence, high crime rates, high rates of child mortality, risk of accidents and exposure to fire caused by poor structural quality of housing. The safety of children is highlighted, and Meth (2013) argues that informal settlements are not ideal places to raise a child from as they are perennially exposed to violence, and at times are victims of illegal electricity connections that characterises these places. Stress, anxiety, insecurity, and overcrowding are some aspects that are common among informal settlements residence (Gibbs, Sikweyiya & Jewkes, 2014). A study by Pillay (2004) in the informal settlement in Lenasia concluded that learners from the informal settlements are faced with many challenges that impact their experiences at school. This is due to inadequate facilities and broken or dysfunctional educational infrastructure.

**Table 2. Summary of characterisation**

Characterization	Referencing Authors
Location	Davis, 2008; Du Plessis and Landman,
Inner-city informal settlements, core	2002; Huchzermeyer and Maina, 2014;
Peri-urban informal settlements	Pieterse, 2018; Peberdy, Harrison and
Peripheral informal settlements, fringe	Dinath, 2017

Settlement typologies Site and Service informal settlements Transient settlements Temporary settlements which later become permanent Permanent settlements that have grown to an extent that they can no longer be considered as encroachment.	Smit et al., 2017 Dovey and King, 2011 Cross
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*Adopted from Adelaide Nkoane School of Architecture and Planning University of the Witwatersrand Johannesburg, South Africa October 2019*

### 3.5. Debt Levels in South Africa

The Reserve Bank of South Africa in its quarterly bulleting June 2024 postulates that in 2023, more than 27 million adults in South Africa were active credit users and that around half of the working-age population in South Africa are debt-active. It goes to highlight that middle-class workers spend around 80% of their net take-home pay on servicing debt (Reserve bank quarterly review). Finscope consumer report (2023), reports as does the Reserve bank that, in 2023, more than 27 million adults were active credit users, primarily due to credit facilities, unsecured loans, and secured loans. The report adds that about 35% of credit-active consumers, or 15.6 million individuals, borrowed money or used credit in the previous year mostly to pay for unforeseen bills or everyday needs, resulting in a rise in personal debt. As a result, the report further argues, that the ability to save money and borrow money to cover necessities hindered the ability of households to reach financial ambitions like investing in a business or accessing decent housing (FinScope, 2024). The report further highlights the pressing financial challenges that South Africans face, as according to the report, 40% of adults are reportedly resorting to borrowing money to buy food and 20 million adults have gone without electricity because they could not afford it in the last twelve months (FinScope, 2024). It is acknowledged in literature and through the same report that food costs consume approximately one-third of South African residents' income, and rising costs weigh heavily on consumers' budgets. Living expenses, which include groceries, energy, transportation and communication, account for about 85% of monthly income. Specifically, groceries make up 30.4% of expenses, energy 11.5%, transportation 9.1%, communication 8.8%, and routine household maintenance, rental, and rates 8.5%. The Reserve bank of South Africa stipulates in its Quartey bulleting, September 2024, that household debt as a percentage of nominal disposable income increased from 62.2% in the fourth quarter of 2023 to 63.3% in the first quarter of 2024 as the increase in household debt exceeded that in nominal disposable income. It also highlights that households' cost of servicing debt relative to disposable income

increased from 9.0% to 9.2% over the same period (South African Reserve Bank, 2024). There is no reliable statistics of the debt levels of people that are in the informal settlement and there is no proper record of their activities and borrowings. It is however safe to conclude that their debt trends will follow the national pattern that has been highlighted above if not worse because of their inability to access borrowings through regulated channels.

## **4. Research Question and Hypothesis**

### **4.1. Research Question**

Is there correlation between poverty and borrowing from unregistered money lenders within the informal settlements community and what does this suggest for appropriate interventions?

### **4.2. Hypotheses**

**H1:** There is no significant association between poverty levels and employment status.

**H2:** There is a significant association between poverty levels and employment status.

**H3:** There is no significant association between poverty and debt levels in informal settlers.

**H4:** There is a significant association between poverty and debt levels within informal settlers.

## **5. Contribution of the Study**

The community from the informal settlements is hardly given an ear by both government and society in general. They however are the ones that are exploited to the core with extraordinarily little attention from their governments. They are charged exorbitant interest rates by most unregistered money lenders and worse still their borrowings are not for development but for consumption because they lack. Is this sustainable? It is safe to conclude that it is not sustainable, and neither is it safe too for everybody. Through this study, the researcher reaches out to the South African government in particular to do more in terms of creating an environment that allows this community to assess funds through the normal formal banking institutions so that there is at least some form of shield from exploitation by unregistered money lenders. The findings will shed light on how informal employment and borrowing from unregistered lenders impact the poverty levels of individuals residing in these

settlements. To the best of the researcher's knowledge, extraordinarily little if any has been said about this community with respect to poverty and debt from a literature perspective. This paper pioneers' debate on the plight of residents from informal settlements with respect to its association with poverty and debt and builds on the little that is there in literature about this community on this important subject.

## **6. Methodology and Analytical Technique**

The study used a quantitative research method that involved administering a questionnaire to the residence of three informal settlements in Gauteng. The questioner covered three areas, namely debt, poverty, and employment levels. The questionnaire had thirty-two questions. Debt levels were categorised into Low, Moderate, and High Debt based on the total score range, with each category representing a meaningful distribution of debt perceptions. The scores were divided as follows: Low Debt (16-20), Moderate Debt (21-26), and High Debt (27-32), ensuring a balanced spread of respondents across these levels. This approach reflects varying debt concerns, from those with minimal debt burden to those facing substantial financial obligations. The categorisation ensures that respondents' debt perceptions are meaningfully grouped, aiding in a better understanding of economic hardships. Similarly, poverty levels were categorised into Low Poverty (10-12), Moderate Poverty (13-16), and High Poverty (17-20) based on a total score range of 10 to 20, providing a balanced distribution of respondents. The Low Poverty category reflects those with fewer challenges related to basic needs, while Moderate Poverty includes individuals with occasional difficulty accessing essential resources. High Poverty is reserved for those experiencing consistent and severe deprivation, indicating a greater need for assistance. This classification distinguishes between varying degrees of poverty, making the data more accessible to interpret and analyse.

### **6.1. Research Description and Design**

A descriptive research design coupled with an interpretive philosophy were used in the study. Gauteng province was used as an analytical tool as it is big enough to represent a reasonable component of the informal settlement's population in South Africa.

### **6.2. Survey Population**

The survey population consisted of two hundred and fifty adults who are dwellers from three informal settlements in Gauteng Province of South Africa.

### **6.3. Sampling Approach and Sample Size**

The randomly selected sample units consisted of adult members of the public residing in the three informal settlements in Gauteng.

Based on this technique, one hundred and ninety-four participants (n=194) voluntarily completed a structured questionnaire.

### **6.4. Data Collection**

The researcher used a structured questionnaire with a 3-point Likert scale (1=yes, 2=no, 3=n/a) as a data collection tool. The choice of the instrument was influenced by the fact that it allowed the researcher to gather data and have greater insight into people's thoughts and emotions on the subject.

### **6.5. Assumptions**

The major assumption in the research was that the problems faced by the residence in the Gauteng informal settlements are similar to any other problems in any other informal settlements.

## **7. Results and Analysis**

### **7.1. Poverty Levels and Employment Status (Formally Employed, Informally Employed, Not Employed, and Receiving the SASA Grant)**

The Chi-square test was used to examine whether there is a significant association between poverty levels among individuals living in informal settlements and four employment status categories: formally employed, informally employed, not employed, and those receiving the SASA grant. This analysis helps to understand whether employment status is related to the various levels of poverty individuals experience. The hypotheses for this test were as follows:

**H1:** There is no significant association between poverty levels and employment status.

**H2:** There is a significant association between poverty levels and employment status.

The results are shown in Table 3.

**Table 3. Association Between Poverty Levels and Employment Status (formally employed, informally employed, not employed, and those receiving the SASA grant)**

Employment Status	Test Statistic	Value	df	Asymptotic Significance (2-sided)
Formally Employed	Pearson Chi-Square	7.702	2	0.021
	Likelihood Ratio	7.939	2	0.019
	Linear-by-Linear Association	6.576	1	0.010
Informally Employed	Pearson Chi-Square	6.552	2	0.038
	Likelihood Ratio	6.593	2	0.037
	Linear-by-Linear Association	4.034	1	0.045
Not Employed	Pearson Chi-Square	6.029 <sup>a</sup>	2	0.049
	Likelihood Ratio	6.047	2	0.049
	Linear-by-Linear Association	4.799	1	0.028
On SASA grant	Pearson Chi-Square	4.699 <sup>a</sup>	2	0.095
	Likelihood Ratio	4.130	2	0.127
	Linear-by-Linear Association	.285	1	0.593

The Chi-Square test results for the association between poverty levels and employment status (formally employed, informally employed, not employed, and receiving the SASA grant) reveal several significant relationships. The analysis indicates a significant association between poverty levels and formal employment status for formally employed. The Pearson Chi-Square statistic is 7.702 ( $p = 0.021$ ), suggesting that poverty levels differ significantly between the formally employed and the unemployed. The significant result indicates that individuals' poverty levels are significantly related to their formal employment status, with higher or lower poverty levels influencing the likelihood of being formally employed.

As for the informally employed, a significant similar association is found between poverty levels and informal employment. The Pearson Chi-Square statistic is 6.552

( $p = 0.038$ ), with the Linear-by-Linear Association showing a  $p$ -value of 0.045, indicating that poverty levels are significantly related to informal employment status. The significant association suggests that poverty levels play a crucial role in determining whether individuals are employed informally, with poverty being a key factor in informal employment status.

When it comes to not being employed, the results for individuals who are not employed also show a significant association with poverty levels. The Pearson Chi-Square statistic is 6.029 ( $p = 0.049$ ), and the Linear-by-Linear Association is substantial ( $p = 0.028$ ), suggesting that poverty levels are linked to whether or not an individual is employed. The significant result shows that those with higher poverty levels are more likely to be unemployed, highlighting the relationship between unemployment and the extent of poverty experienced.

For those receiving the SASA grant, no significant association is observed between poverty levels and receiving the SASA grant. The Pearson Chi-Square statistic is 4.699 ( $p = 0.095$ ), above the conventional significance threshold of 0.05. The Linear-by-Linear Association is also insignificant ( $p = 0.593$ ), indicating that the SASA grant is not strongly related to poverty levels. The lack of significance implies no strong relationship between poverty levels and receiving the SASA grant, suggesting that other factors, aside from poverty, may influence grant eligibility. The results show that poverty levels are significantly associated with formal, informal, and non-employment statuses, suggesting that employment status is an essential factor in determining poverty. However, there is no significant association between poverty levels and the receipt of the SASA grant.

## **7.2. Debt Levels and Employment Status (Formally Employed, Informally Employed, Not Employed, and Receiving the SASA Grant)**

The Chi-square test was used to examine whether there is a significant association between debt levels among individuals living in informal settlements and four employment status categories: formally employed, informally employed, not employed, and those receiving the SASA grant. This analysis helps to understand whether employment status is related to the various levels of debt individuals experience. The hypotheses for this test were as follows:

**H0:** There is no significant association between debt levels and employment status.

**H1:** There is a significant association between debt levels and employment status.

The results are shown in Table 4.

**Table 4. Association between debt levels and employment status (formally employed, informally employed, not employed, and those receiving the SASA grant)**

Employment Status	Test Statistic	Value	df	Asymptotic Significance (2-sided)
Formally Employed	Pearson Chi-Square	3.129 <sup>a</sup>	2	0.209
	Likelihood Ratio	3.195	2	0.202
	Linear-by-Linear Association	2.618	1	0.106
Informally Employed	Pearson Chi-Square	11.162 <sup>a</sup>	2	0.004
	Likelihood Ratio	11.610	2	0.003
	Linear-by-Linear Association	10.978	1	<0.001
Not Employed	Pearson Chi-Square	1.932 <sup>a</sup>	2	0.381
	Likelihood Ratio	1.931	2	0.381
	Linear-by-Linear Association	.853	1	0.356
On SASA grant	Pearson Chi-Square	1.240 <sup>a</sup>	2	0.538
	Likelihood Ratio	1.259	2	0.533
	Linear-by-Linear Association	1.234	1	0.267

The results from the Chi-square tests indicate varying associations between debt levels and employment status across distinct categories. The results show no significant association between debt levels and employment status for formally employed individuals. The Pearson Chi-Square value ( $p = 0.209$ ), likelihood ratio ( $p = 0.202$ ), and linear-by-linear association ( $p = 0.106$ ) all fail to reach statistical significance ( $p > 0.05$ ), meaning that debt levels do not significantly influence formal employment status. This suggests that individuals in formal employment are not substantially more or less likely to experience various levels of debt.

The results reveal a meaningful relationship between debt levels and employment status for informally employed individuals. The Pearson Chi-Square value ( $p = 0.004$ ), likelihood ratio ( $p = 0.003$ ), and linear-by-linear association ( $p < 0.001$ ) are

all statistically significant ( $p < 0.05$ ), indicating a strong association between debt levels and informal employment. This suggests that individuals with higher debt levels are more likely to be informally employed, highlighting a potential financial struggle that may push people into informal employment arrangements.

In contrast, the results show no significant association between debt levels and employment status for those who are not employed. The Pearson Chi-Square ( $p = 0.381$ ), likelihood ratio ( $p = 0.381$ ), and linear-by-linear association ( $p = 0.356$ ) all indicate no significant relationship, meaning that debt levels do not appear to be a determining factor in unemployment status. Similarly, no significant association is found between debt levels and grant receipt for those receiving the SASA grant. The Pearson Chi-Square ( $p = 0.538$ ), likelihood ratio ( $p = 0.533$ ), and linear-by-linear association ( $p = 0.267$ ) all show p-values greater than 0.05, indicating that debt levels are not significantly associated with the receipt of the SASA grant.

The Chi-square tests reveal that while debt levels are significantly associated with informal employment, they do not show a meaningful relationship with formal employment, unemployment, or the receipt of the SASA grant. This suggests that debt may be a more crucial factor for those in informal work settings. In contrast, other factors likely play a more significant role in formal employment, unemployment, and government assistance.

### 7.3. The Association Between Poverty Levels and Debt Levels Among Informal Settlers

A Chi-square test was conducted to examine whether there is a meaningful relationship between poverty and debt levels among individuals living in informal settlements. The analysis aimed to determine if variations in poverty levels are associated with distinct levels of debt. The hypotheses for this test were as follows:

**H0:** There is no significant association between poverty and debt levels within informal settlers.

**H1:** There is a significant association between poverty and debt levels within informal settlers.

The results are presented in Table 5.

**Table 5. The association between poverty levels and debt levels among informal settlers**

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	31.374 <sup>a</sup>	4	<0.001
Likelihood Ratio	30.484	4	<0.001

Linear-by-Linear Association	11.960	1	<0.001
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The Chi-square test results presented in Table 3 indicate a significant association between poverty levels and debt levels among informal settlers. The Pearson Chi-Square value of 31.374 ( $p < 0.001$ ) suggests a statistically significant relationship between these variables. Additionally, both the Likelihood Ratio (30.484,  $p < 0.001$ ) and the Linear-by-Linear Association (11.960,  $p < 0.001$ ) further support the conclusion that debt levels vary significantly with changes in poverty levels among informal settlers. These findings suggest that as poverty levels increase, debt levels also tend to increase, highlighting the financial challenges faced by individuals in informal settlements.

## 8. Conclusions

The findings of the paper indicate that residence from the informal settlements in Gauteng South Africa are driven into debt partly because of where they come from. They are targets of exploitation by unregistered money lenders as they are pushed into a corner because of need and not want. This has to be arrested and be arrested soon as this remains a time bomb to both the Government of South Africa and the society in general.

The government need to put in place mechanisms that will shield this vulnerable part of the society from unscrupulous lenders. The legislation that governs the financial sector especially the commercial banking sector needs to be tightened up a bit. Currently legislation allows registered commercial banks to access cheap money from the Central Bank and very low interest rates but the same legislation is silent on how the same banks extend these funds to the informal settlers as loans and other forms of borrowings, It leaves this sector of the population prone to exploitation through exorbitant interest rates and other charges that are levies on them.

The current labour legislation as it stands does not allow companies to extend credit to its employees that may be in need. This exposes them to loan sharks and other money lenders who will lend to them at exorbitant interest rates. May be its time that the government reviews that to allow companies to assist their employees at sympathetic rates.

### 8.1. Further Research

The link between poverty and indebtedness, particularly in informal settlements outside the sphere of South Africa has not fully been explored. Does the pattern of the debt structure in South Africa replicated in other developing economies? If so,

why is it so and if not, what are the major differences? These and other questions can only be answered in research which are a follow-up this this research.

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