# THE EFFECT OF LIFE STAGES ON NEEDS SATISFIED BY CREDIT USED, ACCORDING TO ALDERFER'S EXISTENCE RELATEDNESS GROWTH THEORY

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## Abstract

The increase in household debt in South Africa over the past decade illustrates the importance of analysing credit usage. This study investigated the individual's financial needs satisfied when using credit and the effect of life stage on the needs satisfied. The financial needs satisfied when using credit were analysed according to life stages using Alderfer's existence relatedness growth (ERG) theory as a framework. The results indicated that credit usage is influenced by an individual's life stage. This study found that individuals across all life stages mainly use credit to satisfy their existence needs. Although individuals in their single life stages used less credit products than individuals in their family life stages, it was worrisome to ascertain that mature couples had the highest average credit product usage. The findings suggest that individuals fall into the debt trap in their early life stage, resulting in them being unable to save income in the high-income-producing years in order to be able to dissave after retirement. It is suggested that educational programmes targeting the early life stages should be introduced to prevent individuals from becoming overindebted.

**Keywords:** Alderfer's ERG Theory, Financial Needs Of Individuals, Life Stages Of Individuals, Credit Product Usage

## 1. INTRODUCTION

Over the past decade, financial institutions have developed numerous financial innovations to make credit usage more attractive to individuals. This has led to an increase of 64.9% in household debt over the past eight years to R1 896 billion, causing much concern (South African Reserve Bank, 2016). Traditionally, an increase in household debt is associated with a simultaneous increase in assets owned and income to service this debt. Various studies have found that this has not been the case in the last few years in South Africa, leading to financial stress, overindebtedness and lower or negative saving rates among South African households (South African Reserve Bank, 2013; MBD Credit Solutions and Unisa Bureau of Market Research, 2013; Momentum and Unisa Bureau of Market Research, 2012).

Although there is evidence of growth in household debt, there is a paucity of research focused on understanding how credit is used by individuals in the household and the factors that influence this. Previous studies indicate that factors such as age, access to credit, life stages, income, employment, material and social needs influence the credit usage of individuals (Botha, 2015; Finscope, 2010; Tippett, 2010; Dickerson, 2008; Lee, Lown & Sharpe, 2007; Prinsloo, 2002). This study makes a new contribution by analysing which individual needs are satisfied when using specific credit products, and evaluates the impact of life stage on an individual's borrowing behaviour. A better understanding of credit usage throughout different life stages of individuals could help to set policies and provide a framework for education relating to financial matters to enable individuals to make better and more informed choices when managing their financial resources.

In order to achieve the aim of the study, the following research question was formulated:

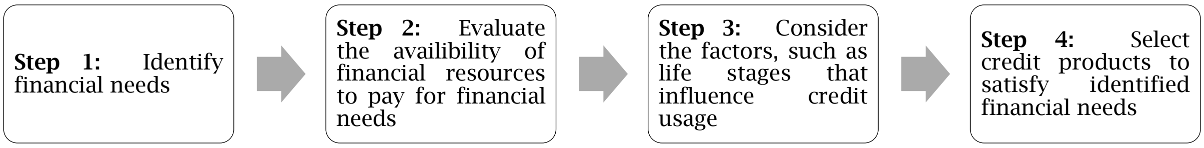
Does the life stage of an individual influence the financial needs satisfied when using credit?

The study was performed in two phases: Firstly, in the literature review, the financial needs of individuals were identified and the different life stages that individuals find themselves in were described. Secondly, empirical data was analysed to determine whether life stages have an effect on credit usage.

## 2. FINANCIAL NEEDS OF INDIVIDUALS

The reasons for credit usage are grounded on the financial needs of individuals (Goodall, Rossini, Botha & Geach, 2014; Maslow, 1943). Credit is often used if an individual does not have the necessary financial resources to satisfy his or her human needs. The decision to use credit to satisfy financial needs can be described as a process comprising four steps (see figure 1).

**Figure 1.** The process of satisfying financial needs




*Source: Adapted from Venter & Botha, 2014*

The first step in the process of satisfying financial needs is driven by the development of a human need (Maslow, 1943) such as food or housing. Human needs develop into financial needs. For example, the human need for shelter becomes a financial need when an individual needs money to buy a house (Goodall et al., 2014; Maslow, 1943). Once a financial need has been identified, the next step is for the individual to evaluate his or her financial position to decide how financial resources will be obtained to satisfy the financial need (Swart, 2012; Barba & Pivetti, 2009). If the individual has enough assets (cash or savings), these can be used to satisfy financial needs. However, if the individual does not have enough assets, he or she should decide whether or not to incur liabilities to satisfy his or her need, otherwise the need remains unsatisfied (Mashigo, 2006; Botha, Du Preez, Geach, Goodall & Rossini, 2009). This study evaluated the type of needs satisfied by using credit products.

The next step in the process entails determining whether or not an individual has access to credit products and the factors that influence credit usage. Numerous studies have identified the fact that physical and regulatory factors including income, race, gender, life stages and employment status influence access to credit (Botha, 2015; Finscope, 2010; Tippett, 2010; Schooley & Worden, 2010; Brown, Garino & Taylor, 2008; Thums, Newman & Xiao, 2008; Lee et al., 2007; Venter & Stedall, 2010; Yilmazer & DeVaney, 2005). This study focused on individuals who qualify to use and decide to use credit to satisfy their financial needs, and the effect of life stages on the type of need that is satisfied was investigated.

The final step is for the individual to decide which credit product is appropriate to use when satisfying a specific financial need – for example, a property mortgage loan should be used when purchasing a house.

In order to gain a better understanding of the financial needs of individuals, the study of human needs provided a useful theoretical framework. All individuals are unique and therefore have different needs and wants. Some needs are necessary for survival, for example, water, food, shelter and clothing (Garman & Forgue, 1988), while others make individuals more comfortable and satisfied, depending on their interests, tastes, lifestyle and financial resources. Some needs are satisfied through consumption and others through physical, cultural and social interactions with other individuals (Seeley, 1992).

Maslow (1943) developed the ground-breaking theory of human motivation, which focuses on human needs. Over the decades, several authors have investigated and confirmed or expanded Maslow's theory (Venter & Botha, 2012; Oleson, 2004; Seeley, 1992). Even though Maslow's theory had a major impact, some practical application problems led Alderfer (1969) to propose some modifications to Maslow's theory in his ERG theory.

Alderfer (1969) used the five levels of Maslow's theory of human motivation to develop his three categories, namely existence, relatedness and growth. The three levels of needs can be summarised as follows:

- Existence needs consist of material and physiological needs. Examples of existence needs include water, food, clothing, shelter, safety, physical love and affection needs (Ball, 2012; Venter & Botha, 2014).
- Relatedness needs consist of needs pertaining to the desire to be recognised, a feeling of security and being part of relationships with others (Alderfer, 1969; Venter & Botha, 2014).
- Growth needs consist of needs to develop oneself to become more creative or productive (Alderfer, 1969; Venter & Botha, 2014).

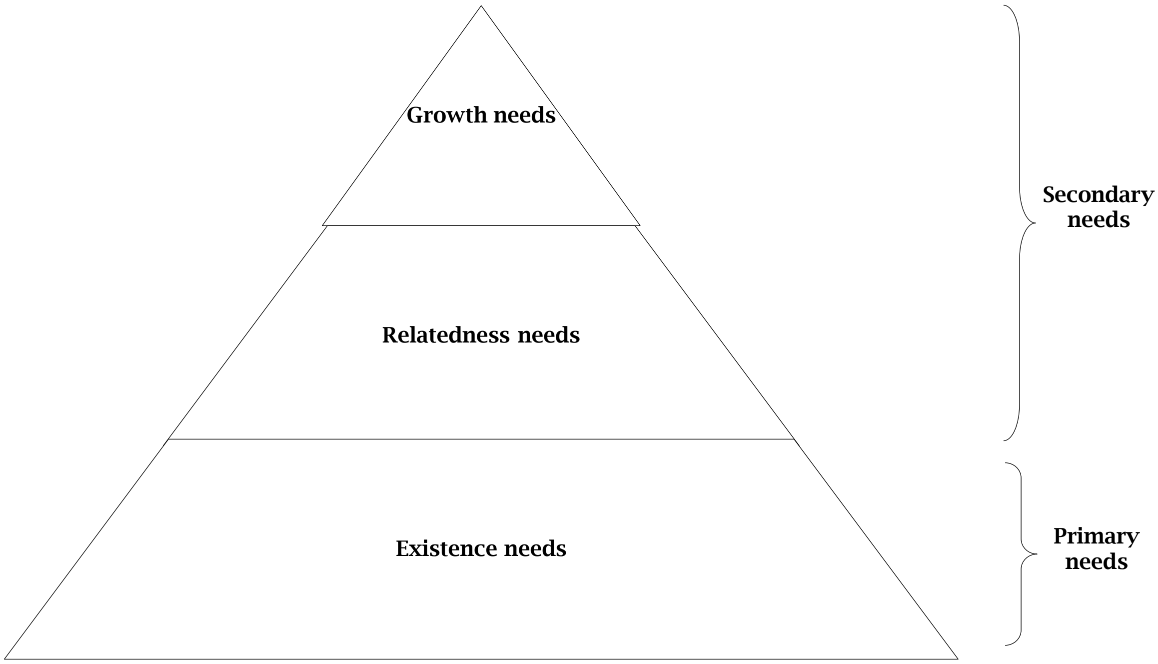
Alderfer's levels of needs, like Maslow's (1943) theory of human motivation, can be arranged in a hierarchical order (figure 2). However, unlike Maslow's theory, fulfilment of these needs does not follow a strict hierarchical order – hence the fact that an upper level need can be satisfied without all the lower levels of needs first being fulfilled.

Some authors refer to existence needs, which comprise basic human needs, as primary needs. The other two levels, namely relatedness and growth needs, are also known as secondary needs.

Alderfer's ERG theory can provide insight into the credit usage patterns of individuals (Venter & Botha, 2014). For example, when an individual intends satisfying his or her primary needs (existence needs), he or she uses money to buy food, clothing or shelter. Secondary needs such as relatedness needs can be satisfied by forming part of social memberships and paying, say, a monthly church contribution. Lastly, for self-development, growth needs can be satisfied by paying for education.

Using a household expenditure list, the financial needs of individuals can be classified according to Alderfer's three levels of needs (see table 1).

**Figure 2.** Alderfer's ERG theory as a hierarchy




*Source: Adapted from Alderfer, 1969.*

This classification framework was used to classify the needs satisfied by respondents who used credit products.

**Table 1.** A framework of financial needs

| Alderfer's ERG theory | Different needs for each category of Alderfer's ERG theory |
|---|---|
| Existence needs | Food<br>Utilities (water)<br>Clothes<br>Shelter (house)<br>Transportation (including buying a motor vehicle)<br>Utilities (electricity)<br>Medical insurance<br>Life insurance<br>Disability insurance<br>Funeral expenses<br>Emergencies<br>Personal care (beauty or barbershop, cosmetics)<br>Household furnishings |
| Relatedness needs | Utilities (telephone, television, internet)<br>Entertainment (movies, hobbies, sports club)<br>Family and friends<br>Contributions (gifts, school, church)<br>Accessories (designer jewellery, shoes, handbags) |
| Growth needs | Education<br>Going on vacations |

*Source: Venter & Botha, 2014.*

## 3. LIFE STAGES OF INDIVIDUALS

The life-cycle hypothesis developed by Ando and Modigliani (1963) provides insight into the saving and consumption behaviour of individuals over their lifetime. The life-cycle hypothesis assumes that individuals consume a constant percentage of their income over their lifetime and suggests that younger individuals save during their working careers to be able to support consumption later in their retirement years. The results of a number of international studies investigating credit usage across the different life stages of individuals have confirmed that the likelihood of holding credit with the amount decreasing as individuals move towards their retirement years (Yilmazer & DeVaney, 2005; Tippett, 2010; Gourinchas & Parker, 2002; Schooley & Worden, 2010; Thums et al., 2008; Kempson & Collard, 2004; Weinberg, 2006; Girouard, Kennedy & André, 2007; Brown et al., 2008). However, some studies have contradicted these results and reported that credit usage among older individuals, especially those earning a lower income, is in fact on the rise (Lee et al., 2007; Employee Benefit Research Institute, 2009).

Various authors define life stages differently by using the individual's personal circumstances, such as age and family status (Botha et al., 2009; South African Advertising Research Foundation, 2011; Finscope, 2010; Venter & Stedall, 2010). In South Africa, many studies tend to use the life stage definition of the South African Advertising Research Foundation's All Media and Products Survey (2011) which consists of eight different life stages (see table 2). This classification was also used in this study.

Life stages start from the at-home single years and culminate in the mature years of individuals. Most studies investigating human needs agree that human and the corresponding financial needs differ between the different life stages (Tippett, 2010; Schooley & Worden, 2010; Weinberg, 2006; Van der Walt & Prinsloo, 1993). For example, single-parent or younger families might have the financial need to pay for their children's education whereas individuals in other life stages might focus on purchasing furniture for their homes for the first time. Other needs, such as the need to pay for food, water, clothing and shelter, however, remain constant during an individual's life stages. Using the life stages identified in table 2, credit usage was analysed to determine whether life stages do influence the needs satisfied by credit usage.

**Table 2.** Life stages of individuals

| Life stage | Characteristics |
|---|---|
| At-home singles (AHS) | • Up to 34 years old<br>• Living with parents<br>• Not married/not living together<br>• Do not have any dependent children in the household (own or other children [up to the age of 21]) that the respondent is responsible for |
| Young independent singles (YIS) | • Up to 34 years old<br>• Not living with parents<br>• Not married/not living together<br>• Do not have any dependent children in the household that the respondent is responsible for |
| Mature singles (MS) | • 35+ years old<br>• Not married/not living together<br>• Do not have any dependent children in the household that the respondent is responsible for |
| Young couples (YC) | • Up to 49 years old<br>• Married/living together<br>• No dependent children in the household that they are responsible for |
| Young families (YF) | • Married/living together<br>• With at least one dependent child under 13 years in the household that they are responsible for |
| Single-parent families (SPF) | • Not married/not living together<br>• With dependent children in the household that they are responsible for |
| Mature families (MF) | • Married/living together<br>• With no dependent children under 13 years in the household that they are responsible for, but with dependent children over the age of 13 years in the household |
| Mature couples (MC) | • 50+ years old<br>• Married/living together<br>• No dependent children in the household that they are responsible for |

*Source: South African Advertising Research Foundation, 2011.*

## 4. METHODOLOGY

The literature review conducted in the first part of this study provided the theoretical framework for the financial needs and life stages used in this study. The study applied a quantitative research approach to achieve the research objective.

Data obtained during the Finsope 2010 South Africa survey was used in the study, because this dataset contained the most recent data available for academic research at the time of the study. A total of 3 900 randomly selected respondents (16 years and older) were interviewed in the data collection process. The data was collected by 278 trained interviewers performing face-to-face interviews with the assistance of a semi-structured questionnaire. Regional supervisors verified the responses before a panel of experts captured and coded the data. Permission to use the data was obtained and the relevant ethical codes of conduct were followed during subsequent analysis and interpretation of the data. A total of 1 729 individuals (44.3%) of the realised sample of (3 900) indicated that they currently or had previously made use of credit products. In order to achieve the research objective, this study further focused on the respondents who indicated that they were credit users. The demographic profiles of respondents who indicated that they made use of credit (research sample) are indicated in table 3.

**Table 3.** Demographic profiles of respondents in the sample

| Demographic variable* | Sample size N | Distribution **(%) |
|---|---|---|
| **Province** | | |
| Eastern Cape | 217 | 12.55% |
| Free State | 132 | 7.63% |
| Gauteng | 354 | 20.49% |
| KwaZulu-Natal | 295 | 17.06% |
| Limpopo | 92 | 5.32% |
| Mpumalanga | 95 | 5.49% |
| Northern Cape | 123 | 7.11% |
| North West | 114 | 6.59% |
| Western Cape | 307 | 17.76% |
| **Monthly personal income** | | |
| No income | 155 | 8.96% |
| Irregular monthly income | 148 | 8.56% |
| R1 – R999 | 204 | 11.80% |
| R1 000 – R1 999 | 269 | 15.56% |
| R2 000 – R3 999 | 161 | 9.31% |
| R4 000 – R6 999 | 157 | 9.08% |
| R7 000 – R9 999 | 117 | 6.77% |
| R10 000 – R14 499 | 88 | 5.09% |
| R14 500 – R19 499 | 32 | 1.85% |
| R19 500+ | 54 | 3.12% |

*Table 3 Continued*

| | | |
|---|---|---|
| **Age ***** | | |
| 16 – 17 | 20 | 1.16% |
| 18 – 29 | 444 | 25.68% |
| 30 – 44 | 632 | 36.88% |
| 45 – 59 | 402 | 23.37% |
| 60+ | 222 | 12.91% |
| **Marital status** | | |
| Married civil/religious | 578 | 33.45% |
| Married traditional/customary | 158 | 9.14% |
| Living together | 125 | 7.23% |
| Single/never married | 614 | 35.54% |
| Widower/widow | 158 | 9.14% |
| Separated | 42 | 2.43% |
| Divorced | 53 | 3.07% |
| **Life stage** | | |
| At-home singles | 18 | 1.04% |
| Young independent singles | 134 | 7.75% |
| Mature singles | 166 | 9.60% |
| Young couples | 180 | 10.41% |
| Young families | 440 | 25.45% |
| Single-parent families | 97 | 5.61% |
| Mature families | 464 | 26.84% |
| Mature couples | 230 | 13.30% |

*Note:* Excluding refusals/uncertainties; ** % calculated based on the number of credit users; *** Continuous variable categorised for reporting purposes.*

## 5. DISCUSSION OF THE RESULTS

During the investigation of credit usage, the respondents were required to indicate the number of credit products they used as well as the financial needs satisfied when using each of the different credit products. The 1 729 respondents used 3 428 different credit products and also identified 3 428 financial needs satisfied by using these credit products. The reason for this high number of financial needs satisfied was that several individuals made use of more than one credit product, with one individual stating that he or she used 10 different credit products (see table 4).

**Table 4.** Number of credit products used and financial needs satisfied

| Credit products used (N) | Individuals using credit (N) | Total number of financial needs satisfied (N)[1] |
|---|---|---|
| 1 (one) | 915 | 915 |
| 2 (two) | 386 | 772 |
| 3 (three) | 184 | 552 |
| 4 (four) | 114 | 456 |
| 5 (five) | 75 | 375 |
| 6 (six) | 37 | 222 |
| 7 (seven) | 11 | 77 |
| 8 (eight) | 5 | 40 |
| 9 (nine) | 1 | 9 |
| 10 (ten) | 1 | 10 |
| **Total** | **1 729** | **3 428** |

*Note: [1]Number of credit products used multiplied by the number of individuals using credit.*

To gain a better understanding of the usage of credit across different life stages, the average number of credit products used by respondents in the different life stages groups are indicated in table 5.

The results indicate that the number of individuals in the household had an influence on the average number of credit products used by the household. A single adult household, on average, used less than two credit products compared to a household with two adults who used more than two credit products.

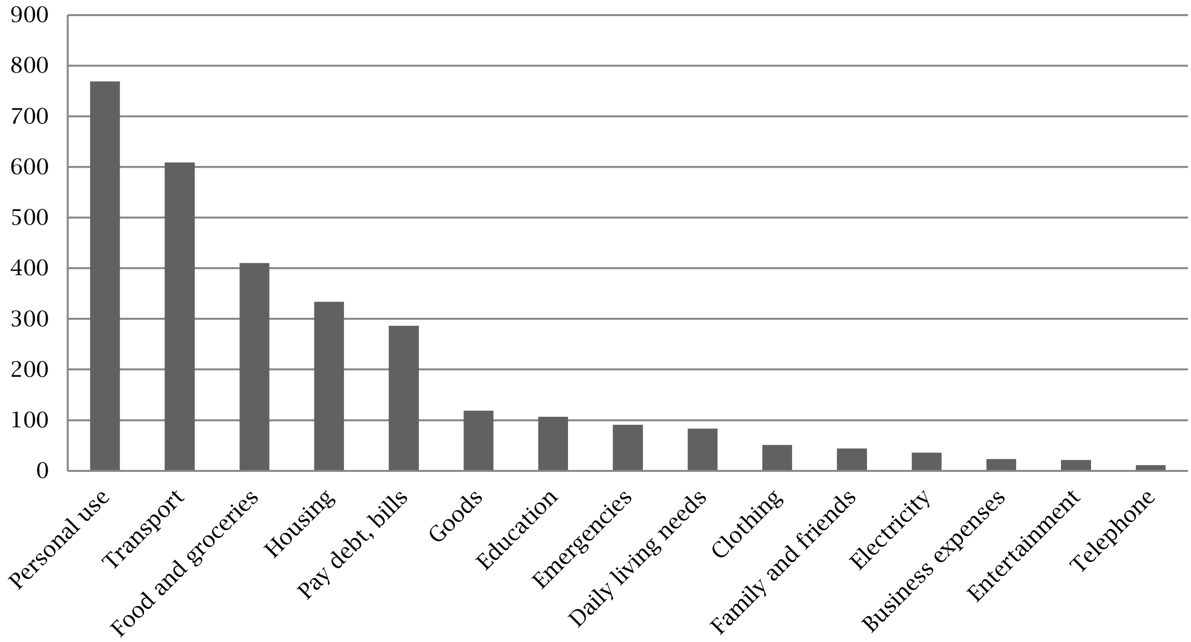
**Table 5.** Average number of credit products used per life stage

| Life stages | Number of respondents (N) | Average credit products used (N) |
|---|---|---|
| At-home singles | 18 | 1.72 |
| Young independent singles | 134 | 1.66 |
| Mature singles | 166 | 1.98 |
| Young couples | 180 | 2.12 |
| Young families | 440 | 2.19 |
| Single-parent families | 97 | 1.74 |
| Mature families | 464 | 2.24 |
| Mature couples | 230 | 2.25 |

An analysis of the data indicated that the age of the respondent also had an influence on the average number of products used by households. The average number of products increased as the age of the respondents increased.

Based on the results of previous studies and the advice of the Finscope expert panel, the answers provided by respondents were classified as 41 different financial needs satisfied when using credit products. To facilitate presentation and analysis, similar financial needs were combined. Respondents who indicated miscellaneous financial needs or that they were unsure were excluded from further analysis. After applying these analysis rules, 15 financial need groups consisting of 2 994 individual financial needs identified by respondents remained. These new groups formed the basis for the analysis conducted in this study. Figure 3 provides a summary of the main financial needs satisfied when using credit, as provided by the respondents.

**Figure 3.** Financial needs satisfied when using credit

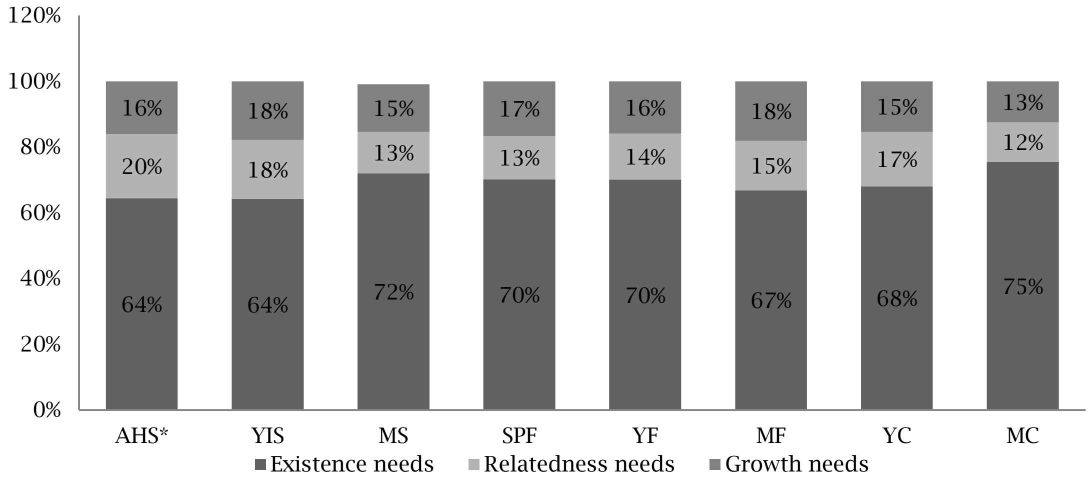



Analysis of the financial needs satisfied by respondents when using credit products revealed that the two main financial needs satisfied were personal use items (comprising basic survival items such as toiletries) and transport. To determine if life stages had an effect on financial needs satisfied when using credit products, Alderfer's ERG theory was used for analysis purposes.

The 15 groups of financial needs identified previously were further categorised into Alderfer's three levels of his ERG theory. Where a specific need could be allocated to more than one need level, the responses were divided equally between the groups. The findings indicated that respondents mainly fulfilled existence needs when using credit (2 084 respondents), followed by growth needs (481 respondents) and relatedness needs (427 respondents), which suggest that individuals do not necessarily satisfy their needs in a hierarchical order.

The objective of this study was to determine whether credit usage is influenced by the life stage that an individual finds himself or herself in. The first step in analysis was therefore to determine how the eight different life stages, namely at-home singles (AHS), young independent singles (YIS), mature singles (MS), young couples (YC), young families (YF), single-parent families (SPF), mature families (MF) and mature couples (MC) (South African Advertising Research Foundation, 2011) used credit to fulfil their needs.

**Figure 4.** Alderfer's levels of needs by life stage




*Note: * The at-home singles group were excluded from further analyses since no meaningful conclusion could be made as a result of the low response rate (N < 20).*

As expected per Aldefer's ERG theory, the existence needs had the highest number of responses followed by relatedness needs and growth needs. The results indicated a similar credit usage pattern to satisfy existence, relatedness and growth needs across most life stage groups. Of concern is the fact that mature couples (individuals aged 50 years and older) had the highest credit usage to fulfil their existence needs, which mainly consisted of basic needs and food. This contradicts the life stage theory that individuals save during their younger years in order to provide for retirement, and indicates a lack of financial planning for retirement, which results in older people making use of credit products to fulfil their basic needs (Republic of South Africa, 2012). The levels of poverty in South Africa could contribute to these results. The effect of this is that any savings accumulated during a person's lifetime intended to benefit his or her children (say, a house), would have to be sold to settle outstanding debt or the debt would be transferred to the children.

For most groups, the second highest needs group satisfied was growth needs, which could be ascribed to educational needs, which form part of this group. The only group that followed a strictly hierarchical order when fulfilling needs was the young couples group. The characteristics of this group indicated that because individuals in this group do not have dependent children, these dual-income earners possibly do not spend as much credit on educational needs, which forms part of the growth need level.

For a better understanding of how the different life stages spend their credit, each level in Alderfer's ERG theory was analysed in more detail. Note that the remainder of the analysis did not include the at-home singles group, as the low response rate in this group might have resulted in inaccurate analysis and interpretation.

### 5.1. Existence needs: life stage

As indicated in figure 4, respondents in all life stage groups indicated that they mostly used credit products to fulfil their existence needs. However, analysis of the different needs in this need level might provide a clearer indication whether or not needs gratification differs between the different life stage groups. The subneeds satisfied when using credit in the existence need level are indicated in table 6.

**Table 6.** Credit usage by life stage: existence needs

| Needs fulfilled when using credit | Life stage groups | | | | | | |
|---|---|---|---|---|---|---|---|
| | **YIS** | **MS** | **SPF** | **YF** | **MF** | **YC** | **MC** |
| Housing | 12% | 18%$^{**}$ | 8% | 17%$^{***}$ | 21%$^{**}$ | 17%$^{**}$ | 27%$^{**}$ |
| Transport | 31%$^{*}$ | 27%$^{*}$ | 26%$^{**}$ | 29%$^{*}$ | 30%$^{*}$ | 35%$^{*}$ | 34%$^{*}$ |
| Daily living/basic needs | 6% | 5% | 4% | 4% | 4% | 3% | 2% |
| Emergencies | 6% | 5% | 4% | 4% | 3% | 2% | 4% |
| Food and groceries | 13%$^{***}$ | 16%$^{***}$ | 31%$^{*}$ | 20%$^{**}$ | 15%$^{***}$ | 13% | 11%$^{***}$ |
| Goods | 6% | 9% | 4% | 6% | 4% | 8% | 5% |
| Personal use | 18%$^{**}$ | 12% | 12%$^{***}$ | 11% | 13% | 15%$^{***}$ | 10% |
| Clothing | 4% | 3% | 2% | 2% | 3% | 3% | 2% |
| Pay debt, bills | 4% | 3% | 5% | 5% | 6% | 4% | 4% |
| Electricity | - | 2% | 4% | 2% | 1% | - | 1% |
| **Total** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

*Note:$^{*}$ – highest credit usage; $^{**}$ – second highest credit usage; $^{***}$ – third highest credit usage*

Some of the credit usage patterns across the different life stage groups seem to be similar, but there are some clear differences between the groups (table 6). One of the groups that had a notably different credit usage pattern in comparison with the others was the single-parent families group, which indicated that they used most of their credit to fulfil food and grocery needs. The characteristics of this group indicated that this group consisted of a single parent with children in the household, which might indicate that these families would struggle to fulfil their families' basic needs as they only receive a single income, which apparently was not sufficient to completely fulfil all their needs. Most of the other life stage groups indicated that they had a much lower credit usage to fulfil their food and grocery needs and tended to spend more on transport and housing needs. This is in line with the expectation that credit usage tends to be higher when acquiring assets such as motor vehicles and houses (Swart, 2012). Even if respondents did not necessarily acquire motor vehicles, the high credit usage for transportation can generally also be explained by South Africa's previous policy of segregated development, which resulted in individuals living far from their working places and therefore being required to incur a lot more travel expenses to transport them to and from work. Of interest here is the fact that mature couples had such a high credit usage to satisfy their transportation needs. One would expect these individuals to start scaling down on transportation expenses as they move into their retirement years.

With the exception of single-parent families, the second highest existence need fulfilled when using credit was housing. Mature couples had the highest credit usage when fulfilling housing needs. A possible explanation for this might be that individuals in this group did not sufficiently plan financially during their younger working careers and still had outstanding mortgage payments. Another explanation might be that as the mature couples moved towards their retirement years, they decided to downscale to smaller houses in retirement villages, which are expensive because many of these properties require owners to pay a special levy, which includes the cost of medical treatment available on the premises.

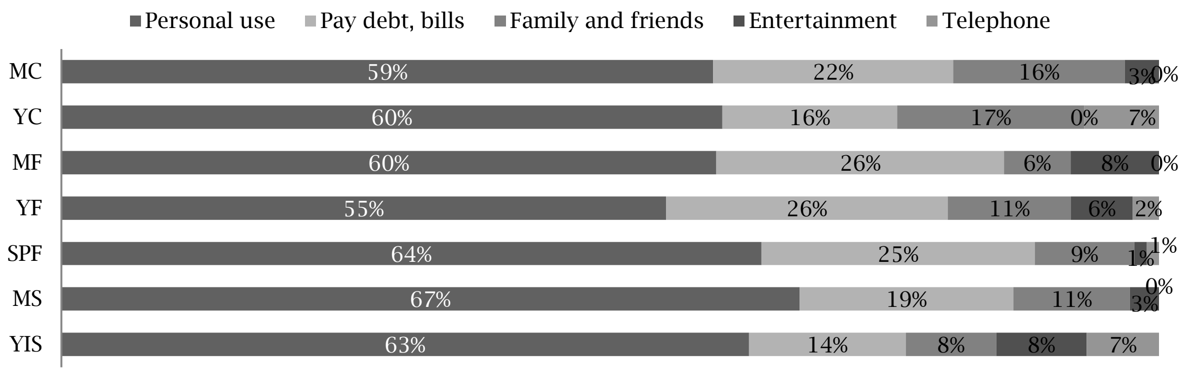
Another interesting fact is that respondents in the different life stages indicated that they used credit when paying for some of their emergency needs. Preferably, individuals should have enough savings to provide for their emergency expenses when these arise, especially those in the mature life stages because medical expenses are often associated with older people.

Lastly, single-parent families had the highest credit usage when paying for electricity needs, possibly because these single-income earners did not have enough cash available and did not make the necessary provision for the tight increases in electricity over the years.

### 5.2. Relatedness needs: life stage

The relatedness needs satisfied by respondents when using credit are indicated in figure 4.

**Figure 4.** Credit usage by life stage for relatedness needs



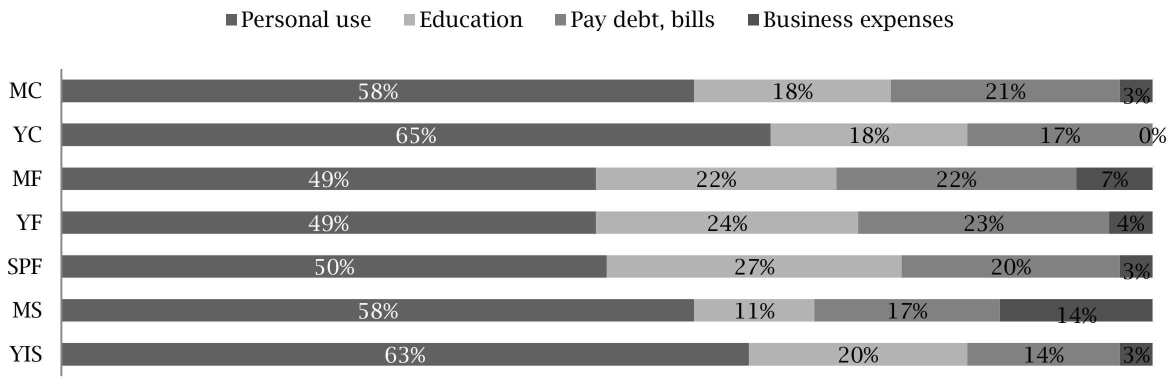

When satisfying relatedness needs, respondents across all life stage groups indicated that they mostly used credit to satisfy their personal needs, followed by paying for existing debt and bills. Interestingly, the family life stage groups had the highest credit usage when paying for existing debt and bills. These groups had dependent children in the household, and possibly therefore experienced the most financial strain, thus finding it necessary to supplement their income with credit in order to fulfil their needs. This finding is in line with the expectation that individuals have a constant consumption of income over their lifetime (Keynes, 1936) and therefore use liabilities in their earlier years when their income is low and repay loans as soon as their income increases (Modigliani & Brumberg, 1954). However, during the higher income years, individuals should also save to provide for their retirement years. Contradicting this expectation, it would seem that older individuals in the mature-couples group still had a high credit usage to pay for existing debt and bills which indicates that they had not saved enough during their earlier careers.

Another interesting finding was that mature life stages did not make use of any credit to support their telecommunication expenses, possibly attributable to the fact that these individuals were older and had not adjusted to the latest telecommunication technology trends in comparison with younger individuals.

### 5.3. Growth needs: life stage

In Alderfer's last level of needs, namely growth needs, the subneeds satisfied when using credit are indicated in figure 5.

**Figure 5.** Credit usage by life stage for growth needs




With some exceptions, it would seem that the credit usage to satisfy growth needs was markedly similar across the different life stage groups. Interestingly, the family life stages had the highest credit usage when satisfying educational needs, possibly because these groups still had dependent children in the household, where this would be expected to be one of these groups' most important needs. Another interesting fact was that the mature single group had the highest credit usage by far when satisfying business expenses. Individuals in this group, are not married and do not have any dependent children and therefore could easily, without any consequences for others, take the chance of becoming self-employed by developing their own businesses.

## 6. CONCLUDING REMARKS

Various studies have confirmed the life stage theory stating that individuals have different needs in each life stage. In his ERG theory, Alderfer identified three different types of needs, namely existence, relatedness and growth needs. Individuals who often do not have sufficient cash or assets, sometimes satisfy their needs through credit usage. This study investigated whether the different life stages of individuals had an influence on their credit usage in order to identify possible educational needs to prevent South Africans entering the so-called "debt trap" and becoming overindebted.

The analysis of data in this study indicated that individuals in their single life stages use less credit products than individuals in the other life stages. This is possibly attributable to the fact that single individuals receive a single income, which might not be sufficient to access additional credit products. Another interesting fact is that individuals in all life stages mainly use credit products to fulfil their primary needs. This might indicate that individuals do not receive sufficient income or do not have enough savings to satisfy these basic needs, which influences the high unemployment and poverty levels in South Africa. This continued use of credit for primary needs explains the increase in overindebtedness, and education should be provided to explain the risks of using debt for instant gratification.

Another worrisome finding is the fact that mature couples in this study (individuals of 50 years and older) had the highest average credit product use of all of the life stage groups. Individuals in this life stage group also indicated that they used most of their credit to satisfy their basic needs and also had an extremely high credit usage to repay existing debt and bills. This is cause for concern and indicates a lack of financial planning for retirement age as these individuals do not seem to have enough cash or savings to withdraw from to satisfy their needs. Systems such as compulsory retirement saving preservation should be implemented as soon as possible by the South African government to encourage younger individuals to save for their old age.

The analysis and findings of this study indicated that the life stage of an individual does have an influence on his or her credit usage. Further research should focus on the effect of other demographic factors on needs satisfied by credit used. The effect of different education programmes on credit usage should be evaluated to ensure that people do not fall into the debt trap during their early life stages, leaving them dependent on government for the remainder of their lives.

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