



# **‘An Analysis of the Local Retail Credit Environment’**

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## **Introduction:**

What is causing over-indebtedness?

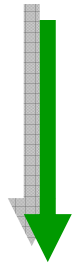
Is the local credit environment helping these people?

What can we do to overcome this difficulty?





## History:



*Consumer credit was a taboo*

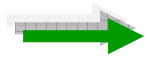
*Economic growth – late 80's & early 90's*

*We are now living beyond our means*

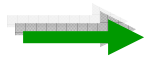
## Symptoms:



*Slow down of payments*



*Dishonoured Cheques*



*Bankruptcies*



## **Background to the local retail credit environment**



***Competition***



***Local Banks***



***Management Philosophy***



***Economic Factors***





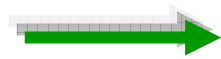
## **Competition**



***Small market economy***



***Large number of retailers***



***Products and services are homogenous***





## **Local Banks**



***Strong influence in our economy***



***Competing on various types of personal loans – matching credit terms and rates***



***Use effective promotional tactics***





## **Banks' Promotions:**

***“Shopping & travel made easy”***

***“We can make it happen”***

***“Wheeling around on solid ground”***

***“Adding Value to Life”***

***“Fee free for 1st year, 0% interest for 6 months”***

***“Fee free supplementary card for 1st year”***





## **Management Philosophy**

- Small to medium firms***
  - Firms managed by owners***
  - Influence on the internal culture***
  - Sales-oriented***
  - Credit is used as a competing tool***
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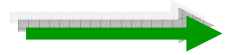
## **Economic Factors**



***Economic Expansion of the early 90's –  
'feel good' factor***



***Recent economic slow-down –  
low interest rates***



***Rising house prices***



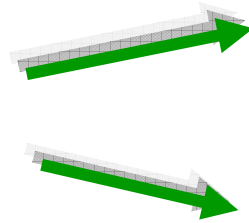


**M.A.C.M.**

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## **Retail Credit: Cost & Risk**

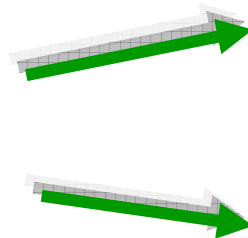
***Credit finance***



***Self-finance***

***Bank over-draft***

***Credit Risk***



***Late Payment***

***Bad Debt***





## **Motives to grant credit**



***Sales & Marketing***



***External Pressure***








***Investment***





## **Over-indebtedness & Consequences**

-  *Buy goods & services associated with the status of owning them*
  -  *Play excessive lotto*
  -  *Social factors*
  -  *Younger generation is more risky*
  -  *Lack skills to manage and plan finances*
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## **Lack of Education**



***Lack to prioritise***



***Lack to identify financial needs***



***No help from financial advisors***



***Fall victims to abusive practices***



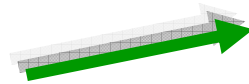
***Lack to identify welfare benefits***



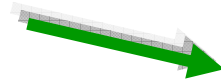


## **Recommendations**

***Education***

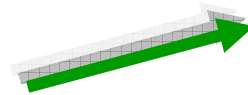


***Consumers***

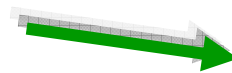


***Creditors***

***Data Sharing***



***Credit analysis***



***No credit to over-  
indebted***





**M.A.C.M.**

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**Legislation which lack enforcement is**

**Vanity**

**Education & Information Sharing are**

**Sanity**

***Thank You***

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