

**UNIVERSITY OF KWAZULU-NATAL**

**UNDERSTANDING THE FINANCIAL PRIORITIES OF BLACK AFRICAN  
MIDDLE-CLASS STUDENTS AT THE UNIVERSITY OF KWA-ZULU NATAL  
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP MASTER OF BUSINESS  
ADMINISTRATION PROGRAMME**

**By**

**Pumla Mlondo**

**Student Number: 200001133**

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**Supervisor: Mr Steven Msomi**

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## ABSTRACT

The prototypical Black African middle-class man and woman in South Africa drives a luxury-brand car, lives in a top suburban home furnished in the latest décor, wears luxury brand-name clothing, and eats out at trendy restaurants. This conspicuous consumption trend is in many ways to be expected as an outcome of upward mobility, considering the strides the current democratic South African government has made to ensure that Affirmative Action (AA) and Black Economic Empowerment (BEE) initiatives redress the inequalities of the past. However, in a significant number of cases, these men and women do not have any investments, have no disposable cash for emergencies, or the ability to afford to take well-deserved and necessary holiday breaks or even important lifestyle requirements such as accessing good quality education and healthcare for themselves and their families. The author's experience, suggests that there is immense pressure to engage in conspicuous consumption through the acquisition of such symbols of class and wealth. It would appear however that the prioritization of such luxury and conspicuous symbols of wealth has in the main denied this new middle-class, of the ability to acquire real wealth, in the form of investments, cash reserves, adequate retirement schemes, leisure and other insurance that guarantee a healthy and stable lifestyle. In addition, the apparent lack of basic financial literacy skills in regards to the components of a healthy financial personal balance sheet, which helps to avert the kind of high debt that cannot be offset by any assets thus resulting in far greater personal liabilities. Anecdotal evidence suggests that there are various sources from whence the pressure to 'have the best' arises. In the African community, there are two categories of family, the immediate (comprising of one's spouse if married, or parents and siblings if unmarried) and the extended family (comprising of aunts, cousins, and others). The immediate family 'owns' one's success, and feel that they have 'made it' through one of the family member's success when they see their visible/ external symbols of success, such as luxury cars, houses and clothes. In an attempt to make loved ones feel proud, the "successful" individuals will go to the extent of accumulating massive debt mainly through the acquisition of expensive items. The other source of pressure is from the extended family. There is often competition among extended family members, where parents would compete through their middle-class children's possessions. Finally, there are friends who represent another source of pressure. It is not atypical to find the friend who was the underdog in school

now wanting to prove that their status has improved, and the historical trendsetter trying hard to stay on top through showing off by owning expensive possessions. All these pressures work toward creating a people who have lives that are steeped in debt and an accompanying unhealthy financial standing. However, further anecdotal evidence suggests that there are a good number of middle-class African families who do not appear to have experienced the aforementioned challenges; this raises an important question of how this group managed to circumnavigate the conspicuous consumption “trap”. It is for the reasons stated above that this author is undertaking a study of “Understanding the financial priorities of African middle-class using a *sample* of students from the University of Kwa-Zulu Natal Graduate School of Business.”

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# **CHAPTER ONE**

## **Background and Motivation of the Study**

### **1.1 Introduction**

This study examines the financial behavior of the new Black middle-class, a topic that is still relatively unexplored in literature. In this first chapter, the context of the study is set and an overview of the subsequent chapters is provided. The rest of this chapter is organized as follows: Section 1.2 covers the background (context) to the study. Section 1.3 provides the motivation for the study. Section 1.4 the problem statement and Section 1.5 provides the purpose of the study. The research objectives are in section 1.6 and the research questions are covered in section 1.7. Section 1.8 explains the relevance of the study, while section 1.9 goes through the scope of the study. 1.10 provides the limitations. Section 1.11 concludes the chapter by providing the structure of the dissertation.

### **1.2 Background/Context**

2018 marks 24 years since the end of the Apartheid era, that excluded the Black people of South Africa from full economic participation. Political changes and interventions have resulted in important social improvements in the lives of most African people in the country. This has contributed to the rise of a new African middle-class, which is unique in size and behavior patterns when compared to the small pre-1994 Black middle-class (which consisted mostly of teachers, nurses and police officers). Post 1994, there has been a large upward mobility in lifestyles and financial standing of many Black people. Job opportunities that were reserved for White people are now also available to Black men and women. The government has made major strides in supporting Black businesses to succeed. South Africa has witnessed important lifestyle changes that have allowed Black people to own luxury motor vehicle brands such as Mercedes, Porsche, BMW and Audi, and to live in upmarket suburbs which were previously the preserve of White society. In addition, many are now able to send their children to Model-C and even private schools. The majority of the jobs that Black people now hold, offer medical aid, which translate to Black people now having access to better medical care. The re-introduction of South

Africa to the world trade in 1994 introduced various clothing brands, such as Gucci, Armani, Chanel and the like to the retail market. Black people have been quick to adopt these brands and have acquired a taste for the finer western things in life such as dining in expensive restaurants, going on local and international holidays and drinking expensive wines and whiskies.

While these are currently greater equity and positive improvements in the lives of a people who have been oppressed and not allowed to enjoy lives similar to those of people of other race groups, these improvements have come with their own sets of challenges. Unfortunately, many Black people have fallen into heavy debt in a twisted effort to enjoy their new chosen lifestyles. It is not uncommon, for example, to find people spending up to a month's grocery money on drinks and meals on a single night at a fancy restaurant. Consequently, many children are expelled from expensive schools when their parents find themselves unable to pay school fees, having spent money on a deposit for a luxury car or other luxury purchases. Over time and in many cases, these people end up not having sufficient money saved to cater for their retirement. This kind of consumption chips away from a secure future for the individuals and their families. These patterns of expenditure and consumption of this new South African middle-class has resulted in their being termed *Black Diamonds*, a term coined at the University of Cape Town's Unilever Strategic Marketing Institute. Marketers use this term for segmentation purposes in order to better target the goods and services in the market space of this new middle-class. This segment of the market has become the subject of numerous studies in recent times, and has enabled marketers to get a share of its consumption dynamics.

## **1.3 Motivation for the Study**

### **1.3.1 The Knowledge Gap**

The motivation for the study is to understand the financial priorities and behavior of this demographic group, and the effects thereof. Having done a thorough review of the literature on this subject, I realized that there is not much literature available on this subject. The little literature that is available on the financial behavior of this new Black middle-class is written mostly by other race groups and tends to be patronizing and insulting in their approach. It is mostly written from the perspective of a marketer for researching how better to market to this target market.

### **1.3.2 Information Sharing and Self-Reflection**

Being a member of this new social class, the author was particularly interested in sharing the observations and findings with others in this demographic group, so that they can reflect on their financial behavior and assess if it is in accordance with their own goals or if it is a result of external influences.

## **1.4 Problem Statement**

The researcher would say that the concept of wealth is yet to be understood among the Black middle-class, or in the Black community in general. Because wealth has not been passed down from generation to generation like in the White community, there is a body of knowledge on wealth that is missing in everyday conversations among family and friends. Most members of the Black community get the opportunity to discuss finances when they are at the bank, but most of the time the bank is holding the role of a lender whose intention is to lure them into debt, not an educator about finances. There had been a savings culture of communal saving in the form of stokvels in the past, but as the people join the middle-class, they engage less in communal savings. Some continue to save individually, but most spend their money rather than saving it.

The spending culture is fully entrenched in the Black middle-class. The spending is on needs such as food and shelter as well as on luxuries such as flashy cars and branded clothing. Many

members of this demographic spend more than they make, which ultimately leads to a debt lifestyle.

A problem statement is a description of the issue or issues at hand. A problem statement must always comprise of an issue statement as well as a method used to solve the said problem. When writing the problem statement, the aim is to address the following 5 'W's: Who does the problem affect, what are the boundaries of the problem, what impact is caused by the issue, what will happen when the problem is fixed and what would happen if the problem stayed unfixed, where is the issue happening, when does the issue occur and why is it important that the problem is fixed, and finally, what impact does it have on all stakeholders. In view of the above, this study undertakes to investigate factors around the negative financial behaviors of conspicuous consumption by this middle-class, with the view of making its members aware of the outcomes of their behavior, so that they may hopefully change/improve the management of their finances. It is important that this problem be solved because this segment of the population is getting deeper into debt, thus reversing the wealth creation initiatives of government through Black Economic Empowerment and Affirmative Action.

### **1.5 Purpose of the Study**

The purpose of this study was to analyse the problem, investigate the factors that contribute to the problem, understand the effects of it and ultimately to create awareness and make those in this demographic group understand the full picture and effects of their financial behavior. There have been several studies on this social class, but most have been conducted by people outside of this demographic looking in and with a negative undertone. The author has chosen to focus on a sample frame that represents this social class by sampling students undertaking the MBA program at the University of KwaZulu-Natal, specifically the Graduate School of Business and Leadership as this is a group that was more accessible to the author as a peer group member.

## **1.6 Research Objectives**

- To establish existing perceptions towards financial goals amongst the African middle-class.
- To investigate the understanding of wealth amongst the African middle-class
- To investigate the saving culture amongst the African middle-class.
- To establish the spending patterns amongst the African middle-class.
- To investigate the influence of socio-demographic factors on the financial behavior of the African middle-class.

## **1.7 Research Questions**

- What are the existing perceptions towards financial goals among the African middle-class?
- What is the level of understanding of wealth among the African middle-class?
- What is the existing culture towards saving amongst the African middle-class?
- What are the spending patterns of the African middle-class?
- Do socio-demographical factors have influence on the financial behavior of the African middle-class?

## **1.8 Relevance of the Study**

The results of this study will fill a gap in literature on this subject and provide understanding to those in this lifestyle demographic group about their financial behaviour.

## **1.9 Scope of the Study**

The study analyses the financial priorities of African students at one South African University in the Durban area.

## **1.10 Structure of the Study**

The study comprises of five chapters. Chapter 1 provides the overview of the study. Chapter 2 provides the literature on the Black African middle-class. Chapter 3 provides the research methods section. Chapter 4 provides a presentation and discussion of the results and finally, chapter 5 presents the conclusions and recommendations of the study.

## **CHAPTER TWO**

### **The New Middle-Class**

#### **2.1 Introduction**

In this chapter, the researcher attempted to provide context to the study and its specificity to the Black African middle-class, and not the South African middle-class in general. In South Africa people who were categorized as White had historically been more privileged as compared to those categorized as Black, and among those people who were categorized as Black, the African sub-group were more disadvantaged as compared to the Indian and Coloured sub-groups. During Apartheid, the segregation of races resulted in the differing lifestyle trajectories for the middle-class elements within the Black communities. This was the case because even though they all had experienced racial oppression, there were significant differences in the nature and degree of oppression levelled at these Black communities. This differentiation allowed, for example, for the start and growth of an Indian business class in KwaZulu-Natal (referred to as Natal at the time), which was more privileged than that of an African business class that was restricted only to trading as small business owners, and continuously subjected to many more disabling restrictions. This meant that any research of the middle-class in South Africa would invariably replicate the inherent Apartheid patterns of privilege, thus rendering the study of the “Black” middle-class quite challenging. For that reason, it was not practical to study the entire Black middle-class category, which must include other South African sub-categories that also constituted the Blacks because Africans, in comparison to the Indians, Coloureds and Chinese sub-categories endured quite different experiences and dynamics.

There is a lot one could say about this new middle-class, but one trend that could not be ignored was that this group was growing at a rapid pace, and is responsible for a major share of the spending in the South African economy. Although a Black middle-class existed pre-1994, consisting of a few Black professionals (teachers, nurses, police and small business owners), it was only post the 1994 democratic elections that Black people started to claim a sizeable chunk of middle-class income and spending.

As explained by Chevalier, S. (2011), a Black middle-class existed long before the end of Apartheid. Teaching, nursing and other middle-class professions existed among Africans well before 1994. The year 1994 saw an end to Apartheid, which was a set of legislation that deprived Black people of the right to participate fully in economic activities that were reserved for White South Africans, in the form of certain employment and business opportunities. In essence, Apartheid was about excluding Black people generally from ownership of lifestyle assets such as modern homes and cars. When Apartheid came to an end, the new South African government implemented new laws to create greater Economic and Social Equity as described above. These interventions were designed to redress the unfair exclusion that the Black people of South Africa had endured during the Apartheid era. Upon opening these floodgates of redress, the country witnessed major upward mobility in the lives of many Black South Africans. Black South Africans, Africans in particular, started moving up from poverty and entering the middle-class in droves. It became common to see Africans holding managerial and even executive roles in big companies, seeing shopping malls being built in the townships that had been designated for African people, and an improvement in service provision in these townships.

Although we often read of the positive spin offs of this redress, we have also heard of the unnecessary excesses in the form of conspicuous consumption habits among members of this new middle-class. Conspicuous consumption has been described as an “ostentatious display of wealth for the purpose of acquiring or maintaining status or prestige” Blackwell et al (2001). Those who have studied this behavior of flaunting of new riches by previously oppressed groups in the United States of America (USA) have described this phenomenon as A way to show that they are no longer economically deprived and to demonstrate their newly found social status. In other words, it is the high spending on items that are conspicuous such as shiny new luxury cars, luxury-brand clothing and other visible signals of status. In the USA, many Black and Hispanic people spend much more on such conspicuous consumption in an effort to seek status recognition. The problem with this kind of consumption is that it is usually undertaken at the expense of other categories of consumption, such as education, health and future consumption. This is the real and most damaging cost of this conspicuous consumption.

Kaus, W. (2013) undertook a similar study although focusing on all South Africans, not just the Africans race group. He achieved this by interrogating a series of Income and Expenditure Surveys namely those of 1995, 2000 and 2005 to present his findings. A major finding of the latter author's report, was that the Black and Coloured households spent at least 35% to 50% more on visible goods than White households in the same income groups. He also found that conspicuous consumption gets higher when reference group income becomes lower. Kaus, W. (2013) acknowledges that there are differences in priorities, tastes and preferences between the differing racial groupings. An additional significant finding was that due to the preferences and priorities expressed by the two groups in question, there was lower spending on important considerations such as health and housing. Authors such as Nieftagodien, S. and Van der Berg, S. (2007) raise an alternative explanation for the differences in the consumption patterns of individuals of different race groups. They name it, the issue of an 'asset deficit' that African and Coloured households fill in post-apartheid South Africa.

A major motivation for this study is that the researcher of this study belongs to this middle-class of Africans and therefore is keen to understand the financial behaviors of members of this class, with the aim of sharing the findings with fellow members in this psychographic group. The researcher believes that the study offers opportunities for introspection especially in the way this group relates to financial decisions and priorities. It is therefore expected that the findings of this study will be used to assist those who are most vulnerable to the financial mismanagement.

The following is a list of definitions of terms that were used in order to provide greater clarity to specific attributes of this demographic and psychographic grouping, namely the African Black middle-class person.

## **2.2 Definitions and Key Terms**

### **2.2.1 Class**

The Oxford Online English Dictionary definition of class is: "A system of ordering society whereby people are divided into sets based on perceived social or economic status"

### **2.2.2 Working-Class**

According to the Oxford Online Dictionary, this class constitutes the individuals employed for an income, especially in occupations that require unskilled and semi-skilled work. These occupations are “those that include blue-collar jobs, some white-collar jobs, and most service-work jobs. The working class only depend on their earnings from wage labour, thereby, the class includes most of the working population of industrialized economies, of the urban areas (cities, towns, villages) of non-industrialized economies, and of the rural workforce.”

### **2.2.3 Middle-Class**

This class is described as “a class of white-collar workers and a group of individuals in the middle of a social hierarchy. In Weberian socio-economic terms, the middle-class is the broad group of individuals in contemporary society who fall socio-economically between the working-class and upper-class.”

### **2.2.4 Upper-Class**

This is a group of the most privileged and most affluent members of any society. This status allows them the greatest political influence in most societies. According to this view, the upper-class is generally distinguished by immense wealth which is passed down from generation to generation.

## **2.3 Classification of the Racial Groups in South Africa**

For the purposes of this study, the definitions of the various race groups used have been those that are broadly used in the **Broad-Based Black Economic Empowerment** (BBBEE or B-BBEE as written by the South African government) racial definitions. “BBBEE is a form of economic empowerment initiated by the South African government in response to criticism against narrow-based empowerment instituted in the country during 2003/2004.”

As per the BBBEE definitions, **Black South Africans** are African, Coloured and Indian people or citizens of South Africa by birth or descent or those who became citizens of South Africa by naturalisation prior to 27 April 1994 or on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date but were precluded from doing so by Apartheid laws of the time. South African Chinese people are now included in the definition of Black people, based on a Pretoria High Court ruling on 18 June 2008.

### **2.3.1 African People in South Africa**

For the purpose of this study, we are referring to African Black people, not Africans from the rest of the African continent. African people in the South African context refers to “the Bantu-speaking people of South Africa. The largest part of the South African population can be classified as African or Black, but these African or Black groups have further sub-groupings comprising of ethnic groups that include the Zulu, Xhosa, Basotho (South Sotho), Bapedi (North Sotho), Venda, Tswana, Tsonga, Swazi and Ndebele. All of these ethnic groupings speak Bantu languages and have their own unique cultures and ways of life.”

### **2.3.2 Coloured South Africans**

In Southern Africa, the term Coloureds refers to a group of people of mixed ethnic origin. They are also known as Bruinmense or Kleurlinge. The coloured people of South Africa may have varying mix of or possess ancestry from Europe, Asia, and various Khoisan and Black ethnic groups.

**2.3.3 South African Indians:** This term refers to South Africans of Indian descent. Most live in and around the city of Durban, making it the largest Indian city outside of India.

### **2.3.3 South African Chinese**

In the year 2008 the Pretoria High Court handed down a ruling that South Africans of Chinese descent are included in the definition of Coloured people. However, based on the specific clauses (a) and (b) above, a Chinese person is only defined as Black if he/she was born in South Africa or became a South African citizen through naturalisation prior to 27th April 1994. It stands to reason that a Chinese national who arrived in South Africa in, for example 2001 would therefore not be considered to be Black as per that ruling.

### **2.3.4 “White” South Africans**

These are individuals who reside in or have South African citizenship, and who are of European descent and have European ancestry. They are generally comprised of Afrikaans-speaking who are descendants of the then Dutch East India Company's original settlers, known as Afrikaners, and the descendants of predominantly British colonists referred to as the Anglophones. Finally, there are small pockets of groupings such as the Portuguese, German and other European-language speaking individuals who fall in this category.

## **2.4 A Review of the Literature**

### **The Theoretical Framework: The Theory, its Key Elements and its Application to the Study**

According to Seekings, J. (2009), much of the initial research and writings about social class were the work of Karl Marx and Max Weber. In this section, we explore the theories of Marx and Weber.

#### **2.4.1 Theory 1: Karl Marx**

##### **Key Elements**

Marx believed classes to be the common structural positions within the social organisation of production. He believed that people were grouped in different classes based on shared interests and financial position. Marx wrote of a conflict he observed between the upper class (this is the group he referred to as the bourgeoisie) and the lower class (he referred to this group as the proletariat). According to Marx, the upper-class possess the means of production and the lower-class does not possess or control the means of production and therefore needs to sell their labour to the upper-class to survive. Marx also identified another class in between the upper and lower-class, this third class he called the middle-class or petty bourgeoisie. Those in this petty bourgeoisie class are typically managers, business owners of small businesses and shopkeepers who have in common with the upper class that they are able to control (even though they do not necessarily own) the means of production. A distinction between this petty bourgeoisie and the upper-class is that this petty bourgeoisie work alongside their staff.

### **Application to the Study**

The categories that Marx defined with regards to the lower, middle and upper-class help us to easily define our research group. According to Marx, the middle-class are typically managers and owners of small businesses. They share a similarity with the upper-class because they are able to control (even though they don't necessarily own) the means of production. Most of the Black African middle-class that we speak of in this research possess these characteristics. Most are typically managers, owners of small businesses and shopkeepers and they do not own the means of production. This definition is helpful to those in this group who are wishing to grow into the upper-class in knowing that the key differentiator between themselves and the upper-class is the ownership of the means of production. The ownership of the means of production is the key element if they seek to grow into the upper-class.

### **2.4.2 Theory 2: Max Weber**

#### **Key Elements**

Max Weber, on the other hand, offers a structural-functionalist perspective of class, namely, as a shared life of opportunities for generating income in the market. Like Marx, Weber finds differences between those who possess and those who do not possess access to land and property. Those who do not have land and property depend on their skills, knowledge and education as their value in the market. Their occupation and their compensation determines the lifestyle that they can afford. Thus, financial position translates to status and determines common interests and social groupings. Weber's outlook differs from Marx's in that although he recognizes that status, political and economic dominance are often related, Weber recognizes that status is a separate dimension from political dominance and that the two are not always associated with economic position and authority. As per Weber's outlook, differences in status can arise due to ownership of the means of production, but it can also arise due to other factors including skills and qualifications.

#### **Application to the Study:**

This theory is important because it highlights the point that one can attain a higher status in society based on skills and qualifications, even if they lack ownership of the means of

production. It is very important because most of the members of this new Black middle-class are trading their skills and qualifications while most lack the ownership of the means of production, due to the late entry of Black people into the property market, courtesy of Apartheid laws.

As stated by Burger, R et al (2014), the middle-class is a very important class in society because a growing middle-class has the potential to boost economic growth of a society and can help to correct many issues in society.

Beckett, A. (2010) refers to the South African middle-class as a class group that has been linked with qualities such as having domestic helpers, living in a decent rented or owned property, business ownership, doing professional work, how one speaks and how one utilizes cutlery.

The information available on social class has increased a great deal since the days of Karl Marx and Max Weber, yet the same conceptual elements of shared life perspectives, income, education, status and wealth are still central to the definition of class. Education and income, though, are the two factors that have been contested as factors in the definition of class. There is general consensus in recent studies that the middle-class in South Africa is growing and that a major part of that growth comprises of Black people.

Burgess, S. (2002) correctly points out that a discussion on classifying people by class would not be complete in South Africa, without a discussion of the Living Standards Measure (LSM) which is a method of classifying people. In South Africa, the LSM has been a widely used measure to define class without using race as a classifier. This measure is used mainly by advertisers. The World Bank created the LSM in the 80s, alongside other methods of indicating employment and compensation, to inform their policies. The LSM has ten categories covering various criteria such as income; type of dwelling, type of car owned and phone ownership. Marketing professionals in South Africa had been seeking a measure that would allow them to describe consumers without using race to classify them. The LSM was ideal because it focused on defining social categories without any mention of the race group in which that person

belonged. An income-based approach is often used when defining the middle-class, particularly in describing their consumption behavior.

In keeping with earlier studies, the work of Nieftagodien, S. and Van der Berg, S. (2007) shows that a high priority for individuals who are new to the middle-class is the acquisition of assets which are typically associated with proto-typical middle-class lifestyle possessions, such as large electric or *white* goods, for example, washing machines, dryers, fridges among others. The ownership of cars and property is assumed. This means that households that are established in the middle-class have accumulated a significant number of the kinds of goods that are generally found in middle-class *white* owned households, and ought to score higher on the asset index. New entrants into the middle-class will thus face an *asset deficit*. A discussion of the concept of asset deficit will follow in more detail later in this chapter.

## **2.5 The Black Middle-Class that Emerged Post-Apartheid**

Based on the analysis of Southall, R. (2004), the new post-Apartheid Black middle-class, typically employed in government departments or corporate South Africa, is similar to a low-class in the sense that it has no direct ownership of the means of production and is in a subordinate relationship to employers (those who own the capital). These salaried Black middle-class employees mostly enjoy a higher income compared to members of the old White middle-class, which is typically comprised of medium to small-scale owners of business enterprises who often employ others in production.

A significant majority of the current Black African middle-class in South Africa belongs to this category of the employed, and are not employers. The Black Economic Empowerment legislation has been responsible for supporting some Black business owners to a position where they are owners of capital, but this category remains very small indeed. This situation raises interesting concerns when the sustainability of the middle-class is considered. This, given that the status of those who are not owners of capital makes them vulnerable and dependent on their employers.

## **2.6 The Non-Property Owning Black Middle-Class of South Africa**

Southall, R. (2004) points out that when trying to define the middle-class in South Africa, it's important to understand what motivated and therefore the relevance of the neo-Marxist and neo-Weberian traditions. Southall, R. (2004) observes that the neo-Marxist theory has sought to explain why most people in advanced capitalist countries do not support working-class parties. Consequently, they have found it very important to define the distinction between the lower-class and this new middle-class, by assuming a conflict of interests between property-owning and non-property-owning classes. The neo-Weberian tradition, however, allots individuals to a variable number of classes based on their occupation, income, education, and other lifestyle choices, not expecting any inherent antagonism between them. Subsequently, in his writings, Southall, R. (2004) appears to ignore these latter philosophical approaches and opts to adopt a definition that characterizes the middle-class as drawing its essence from the fact that, its primary income is derived from non-manual employment, in keeping with the occupations of white-collar employees, managers, self-employed businesspersons, or professionals.

Analysts have attempted to calculate a figure for what they believe is the size of this growing South African Black middle-class. In his article entitled "Political change and the Black middle-class in Democratic South Africa," Southall, R. (2004) estimated that number to be 2.5 million, which is much lower than the 3.6 million, estimated by Rivero, du Toit, and Kotze in 2003, as cited in the article by Southall. The Black middle-class who own small and medium-sized businesses have businesses either in the hawking, informal sector with a maximum of five employees, in very small businesses (self-employed individuals or small enterprises operating in the formal sector, with up to nineteen employees), in small businesses (more complex operations with up to forty-nine employees), and medium (still owner / manager controlled, yet with up to two hundred employees in more advanced sectors such as manufacturing and mining). Due to various definitions and methods for measuring the number in this Black middle-class, it is hard to get to what the number is of individuals belonging to this demographic group.

## **2.7 The Emergent Black Middle-Class: The Black Diamonds**

A great part of the initial work on the burgeoning Black middle-class as presented by Krige et al (2009) depicted them as a consumer market to be targeted, portraying them as being extremely ambitious and aspirational in their spending choices. This belief emanated from the group's high investment in education, its high spending culture which is supported by the recent availability of credit from banks and retailers, as well as the increased incomes that have resulted from the implementation of policies such as BEE and the growth in the economy. Krige et al (2009, 2011) noted the observation by researchers, which shows that most of the studies conducted on the so-called "Black Diamonds" has the effect of propagating cultural stereotypes and are quite patronizing to the people in this demographic. Members of this group complain that they are erroneously portrayed as greedy and consumerist, resulting in what is seen as a patronising and false representation of their reality. The latter concludes that such a narrow view of Black middle-class consumers means that being a member of a specific subgroup is the most important reason for their consumer patterns, thus clouding the role of rational economic driven consumption expenditure.

Veblen, T. (1899) wrote that people exhibit their riches and gain more status in society by showing that they can afford to waste time and money. He also made note that amongst the more established individuals in the upper-class the need to show off wealth tends to decrease, mainly because they can flag their riches through other habits which they gained through their social upbringing of privilege. Each of the classes therefore aspires to copy the tastes and consumption patterns of those in the class above it. According to this viewpoint, the established upper-classes are less inclined to show wasteful spending habits, while it would be important for the middle class to distinguish themselves from the lower-class.

A standout amongst the most notable work on this topic analyses the relationship between class and conspicuous consumption. In studying this relationship, the belief is that individuals from a lower-class group who aspire to having the status in society of a higher class group will have a motivation to partake in more signaling, to compensate for the perception of low status associated with their class group. The belief is that more signaling may be required to show

positioning near the top of the reference group income distribution. It is therefore interesting to research whether conspicuous consumption increases with an increase in income.

## **2.8 The Asset Deficit of the Black Middle-Class**

With regards to the asset deficit, Burger, R et al (2015) wrote that households from the White race group with a monthly income of at least R8 000 are much more likely than households from the Black race group, with the same monthly income, to own white goods such as washing machines and tumble dryers. They are more likely to have recently bought a washing machine. Evidence shows that they are significantly more likely to buy microwaves and fridges. This shows that Black middle-class households experience an asset deficit compared with White middle-class households of similar income, and they are assigning a greater amount of their financial resources to eliminating this deficit. This asset deficit being filled by the Black middle-class is what many believe is the reason why many live above their means, in order to catch up with White peers in their income groups.

Even a small portion of spending on items exceeding functional levels can be viewed as a way to show-off one's riches. Certain purchases may be interpreted as conspicuous consumption when they are actually necessary spending on household assets and other goods. Established Black households as well as White middle-class households seem quite similar in terms of productive characteristics. Within most Black middle-class households, the heads of the families are young and thus less likely to have a tertiary education in comparison to their peers, suggesting lower human capital overall. These qualities are typically associated with low incomes. It is likely that members of the young, upcoming Black group living in urban areas will move into the Black established group in time as they advance in their careers.

Burger R, et al (2014) argue that the asset deficit experienced by the Black and Coloured groups is a legacy of Apartheid, which sought to create economic differences among the various racial groups in South Africa. Most White households have had goods inherited from previous generations, thus their young can spend their money on other things. Black middle-class households, however, still need to catch up as they do not have the benefit of such inheritances.

Much of what is seen as conspicuous consumption may just be consumption to bring this Black middle-class on par with others in the middle-class.

## **2.9 The Pre-1994 Black Middle-Class**

In her “Class in Soweto” study, and in her follow-up 2011 article, Phadi, A. (2010) questions how contemporary discussions about the Black middle-class have a tendency to imply that the Black middle-class only emerged after 1994. She also interrogates how these discussions give the impression that every single Black person who belongs in the middle-class participates in conspicuous consumption. In the 2011 review, Phadi, A. (2011) criticized the narrow conceptions of Black middle-classness that she had experienced throughout her life. Her account rejected the idea that every Black person’s middle-class experience was the same as the next person’s experience, and she emphasized that a Black middle-class existed before 1994 in South Africa. She questioned the perception that the middle-class experience of Black South Africans was different from that of other racial groups, and also challenges the idea that the role of lifestyle, as opposed to level of finances, was the criteria often used in classifying someone into a certain class. She questioned the definition of middle-class - if it was the resources, the lifestyle or the job one does for a living that determined if one belonged to the middle-class. She discussed the role of the various sorts of riches that were not classifiable by Western standards. Phadi, A. (2011) spoke of how Apartheid has shaped the way South Africans viewed the Black experience as homogeneous, and she pointed out that this was not true of her experience during Apartheid as well as now.

Conspicuous consumption amongst the Black middle-class in the USA had been there from as early as the 1950s. He also warned that we should not assume that the middle-class experience of Black people in the USA was the same as the middle-class experience of all Black people globally. The idea that assumed that all people in the Black middle-class engaged in conspicuous consumption had resulted from the stereotyping that Black South Africans have been subjected to in the past.

In her work, Phadi, A. (2011) told a story of how in the village where she grew up there was a trend of children being raised by their grandparents because their parents lived far away from home, staying near or where they were working, but in her home they had both parents living with them. That was a source of difference. They also had a car, whereas neighbours did not. They got into the car with their parents to buy groceries at the end of the month, while the other children in the neighbourhood did not. She had her own bedroom growing up, whereby most of the kids she went to school with did not. This clearly demonstrated that her middle-class experience was different from others. The food they had access to was also different from the food that the neighbouring families had. The Group Areas Act meant that Black people of different classes were forced to live alongside each other because those of a higher class were not allowed to live in areas that were in line with their higher class, as that would have meant living with other race groups. Managing these differences, dealing with racial exclusion, being middle-class in an environment that was not middle-class and not being openly middle-class in her community of origin was not easy to navigate. She and her family also felt out of place in White areas, so they were more similar to the Black lower classes than they could be to their White counterparts.

The endeavor of homogenising Black people was only but a continuation of racialising them. Phadi also experienced that Black people from outside South Africa were given more privileges as compared to Black South Africans, and so middle-class Blacks from outside South Africa had a very different experience from her, who belonged to the South African middle-class. Thus it was important to understand that being middle-class had been experienced differently by different Black individuals, based on various circumstances. Indeed, professionals such as teachers, nurses and others existed in the Black communities in the Apartheid era, but these middle-class individuals and families did not enjoy all the privileges that middle-class Whites were enjoying. It was only post-1994 that the Black middle-class could reap the rewards of their middle-classness.

## **2.10 The Black Middle-Class of the Yesteryears**

Southall, R. (2004) discussed yet another category of the Black middle-class in South Africa, one that existed many years ago dating back to the early 1900s. His work showed that the Black

middle-class was not just a new phenomenon, but it had existed for decades even though there were very few who fit into that category. The background of the Black middle-class as an elite class educated in missions and who were involved in early constitutional protest politics have been written about quite extensively. An important account was given by Odendaal, A. (1984) which highlighted that the likes of John Langalibalele Dube, the founder of the ANC, belonged to this educated, Christian and politically affiliated middle-class.

## **2.11 The Black Middle-Class in a Global Context**

Harvard-educated W.E.B. Du Bois wrote an essay over a century ago about what he termed the Talented Tenth, the wealthy and highly educated few in the Black community of his time. The term The Talented Tenth is not applicable or even relevant anymore since there are many more Black Americans who fit the middle-class criterion nowadays, many of them moving higher than many Whites in wealth and status. Having said this, there are many who have not achieved this upward mobility. To most African Americans, the middle-class is the class that many Blacks equate with success and the American dream, life accomplishment in America. Members of the African American lower class aspire to reach this class.

Although there is a large source of literature on the Black middle-class in the USA, there is a significant gap in the literature on the middle-class in other parts of the world such as the United Kingdom and African countries. Fortunately, the USA literature is the literature that is most relevant for this study because there are similarities in the history, composition, behaviours of the Black American middle-class to that of the South African Black middle-class.

### **2.11.1 Similarities and Contrasts in the Behavior of the Black Middle-Class in Different Countries**

#### **2.11.2 South Africa and other African Countries**

Among the differences between the Black middle-class in South Africa, and other African countries, is the institutional racism that the Black middle-class in South Africa has launched

itself from. Trade unions are also synonymous with the Black middle-class, since these workers had previously relied on union representation to represent them in the workplace during Apartheid. One of the characteristics that differentiated South Africa from other African countries was the institutional effort put into the upkeep of White privilege while suppressing the living standards of the Black citizens. In the times of colonialism as well as Apartheid, living space was allocated based on which race one belonged to. Each group of non-Whites (Africans, Indians and Coloured) was assigned their own areas and Africans in particular were confined to townships with inferior service provision. The Black workers were largely confined to unskilled and low-paid employment in agriculture, the mines and services. Indians and Coloureds assumed jobs in the sectors between those reserved for Whites and the low-paying sectors reserved for Blacks. Even though there was an introduction of BEE in 1996, the race and class basis of social inequality improved very gradually. In other African countries, economic divisions were not based on race like in South Africa, so the class differences have other determinants other than race.

### **2.11.3 South Africa (SA) and the United States of America (USA)**

There are numerous similarities between the Black middle-class in SA and that in the USA. Similar to SA, Blacks in the USA generally earn less than their White peers, even within groups of workers with equal education. They are employed more by the state than their White counterparts. This all means lower earnings for Black employees as opposed to their White peers and translates to a lower economic well-being of Black families.

Another similarity shared by the Black middle-class in SA and the Black middle-class in the USA lies in some social dynamics of both groups. Wilson, W. (1987), in his research on the Black lower-class in urban areas, brought forward the idea of marriageability to explain low rates of marriage among the Black poor. This factor was important to study because household income is affected by the marital status of the income earners in the household. A large number of young Black men in the American projects and the South African townships are not employed. This leads to fewer marriages in the Black communities because young Black women are not motivated to marry unemployed young Black men as they are not able to provide

financially for a family. Wilson's conclusion was that the low rates of marriage among poorer Blacks in the USA (as opposed to their White counterparts) was a result of this shortage of "eligible" young men. This phenomenon affects the household incomes in the Black communities in the USA as well as in SA.

A gender imbalance exists among Black Americans whereby there aren't as many Black males as there are Black females at higher levels of education. This means that there are less marriageable male partners and a low marriage rate among the Black middle-class compared to White middle-class. Due to the social constructs or beliefs in the USA and SA, ladies seek men with greater life and economic opportunities than their own. Thus, a ladies' increased income or education then leads to a smaller pool of potentially eligible husbands, decreasing their chances of getting married. Their rationale suggests that ladies who are highly educated and those with very high incomes have the biggest challenge in finding a marriage partner on the grounds that there are few potential spouses who earn more or have higher educational qualifications than these highly accomplished ladies. Goldscheider, F. and Waite, L. (1986) talk of a trend that they observed where both men and women seek partners who can earn as much or even more than themselves. Because of this, if there is an imbalance between the number of men and women in a given earnings bracket, one gender would face insufficient numbers of marriageable mates, and the marriage rates could fall.

Another similarity in the dynamics of the SA and the USA Black middle-class is the residential segregation that they still endure. Changes in the degree of residential segregation between Blacks and Whites in the middle-class were evaluated in a study, with data from between 1970 and 1990. The findings were that there was a decline in the segregation of middle-class Blacks from middle-class Whites between year 1970 and year 1990, but in many cities this segregation stayed at high levels. The study also showed that middle-class Blacks lived in neighborhoods with high rates of destitution, homes with more people living in them, and less educated individuals than neighborhoods where the middle-class Whites resided. This matter had received extensive attention in the USA, with research demonstrating that Black people in the USA, especially those in large metros, had been exceedingly segregated from White people in

the USA. Although there is a descending pattern in the general levels of residential segregation, it was still high.

The USA Black middle-class has continued to increase in numbers, similar to the SA Black middle-class. Landry, B. (1987) found that from year 1960 to year 1970, the number of Blacks in the middle-class doubled, in view of occupation. He contends that the improvements were a consequence of more jobs being available and the civil rights movement of the USA. He stressed the role that legislation has played in building up the new Black middle-class. He also pointed out that the class structure among the Black as well as the White groups were different because of the high proportion of Blacks in unskilled jobs as well as the slow growth of the African American middle-class. Although the Black middle-class may be increasing in size in both countries, they did not seem to have the same advantages socially, economically, and politically as middle-class Whites.

Massey, D. and Denton, NA. (1993), in *American Apartheid: Segregation and the making of the underclass*, asked the question whether what appeared to be segregation based on race wasn't actually segregation based on social class. When it came to residential segregation, race was clearly a predominant factor. The conclusions indicate that highly educated Black people stayed in areas with a much larger number of similarly educated Whites, as compared to other Black people. This shows that better socioeconomic characteristics for Blacks result in their moving to areas with more white people and greater wealth.

In SA and the USA, the government policies aimed at redressing the impacts of past racist government policies have helped in the upward mobility of a majority of those who now belong in the middle-class. Affirmative Action has played the greatest part in ensuring work in lucrative jobs for Blacks in SA. In the USA, the Civil Rights laws of the 1960s assisted Black people to move into the middle-class. There are various USA legislation similar to Affirmative Action and Black Economic Empowerment, such as Equal Employment Opportunity legislation, Office of Federal Contract Compliance Programs, effects from contract set-aside, and government expansion.

Since 1960, the USA government had increased endeavors to enhance the economic social position of Blacks through legislation and policies. Therefore, Blacks have moved a wider range of professions and higher levels of pay, creating a visible middle-class. While it is clear that a significant number of Blacks have benefited from national government endeavors to establish equality, how economically stable are the foundations upon which middle-class rests. Also, the opportunity for income for the Black middle-class depends more heavily on political and economic changes. The Black middle-class is employed more in positions heavily dependent on government support.

#### **2.11.4 Financial (Consumption and Spending) Behaviours of the South African Black**

##### **Middle-Class**

If consumption patterns were seen to be central to the formation of a Black middle-class, it was important to note one peculiarity of the South African situation. In Apartheid times, consumption in shopping malls was mostly reserved for White people. The shopping malls were just one of the few investment vehicles available only to White people in the SA, since there were restrictions on the export of capital imposed by the boycott on Apartheid by other countries in the world. When the ANC came into power in 1994, shopping malls began to open up all over including Black neighbourhoods. This democratisation of the shopping malls was highly supported by then-president Jacob Zuma, who had been quoted as having a dream of economic democracy that would mean that every village had its own shopping mall.

The new Black middle-class that has increased quite significantly in size with the end of the Apartheid regime has benefited from higher incomes and access to an extensive choice in goods and services, yet some still thought of themselves as consumers that were not seasoned, as shopping and access to services was fairly new to them. Unlike most White people, they had no capital, savings or inheritance to draw on and therefore end up venturing into debt when they wish to consume. That situation was similar to the introduction of mass consumption in the USA and Europe in the late 19th and early 20th centuries, when the middle and lower classes had to be taught how to consume Strasser, et al (1998) and Zelizer (1994). This writing emphasises the role of advertising and branding in directing consumer behaviour. The young generation, who

became grown-ups after the political and economic changes of the 90s, were often more prudent in their consumption choices.

Journalists and marketing specialists in South Africa from various race groups have researched and reported much on the emerging Black middle-class. These publications came across with a general hostility and a view of the Black middle-class only as a target market. Some headlines showed the prevailing feeling towards this group – articles like *Black middle-class growing and spending* (*Sunday Independent*, 16-03-2008), *Black middle-class growing strongly* (*Sunday Tribune News*, 16-03-2008), *Black middle-class drives sales* (*The Weekender*, 1-12-2007). Some articles did recognize the difficulty in identifying and defining this group, for instance, *Black middle-class defies easy definition* (*Sunday Independent*, 24-06-2007). Be that as it may, many journalists and marketing specialists still attempt to describe the behaviour of this new class or trying to point out specific tastes and consumption patterns that they identify with this social group.

## **2.12 Who are the Black Diamonds?**

Black Diamonds was a term name that was often used to label members of this new middle-class, the educated, professional and wealthy. The media played a very influential role in shaping how we viewed this group. In fact, social scientists often draw on labels created by professional specialists for their own particular investigations. Imagery of the Black Diamonds was tied mainly to descriptions of consumer behaviour, and were very rarely tied to space or to an age-group. They were either extremely positive or extremely disapproving (and even stigmatizing). Due to the economic inequality that Apartheid brought about, the consumption and financial behaviour of White people was seen to be the yardstick that all other race groups should try to emulate. Those that were positive celebrated the new middle-class, and did not concern themselves with how it emerged and other characteristics.

Most articles that had been written about the South African Black middle-class recognise the development of a middle-class as a condition of the move towards democracy and equality of South African citizens. They also recognised the importance of economic freedom towards this

equality. A key area of contention was the size of this class. On the one extreme, marketing agencies and financial institutions were particularly optimistic about the size, whereas official institutions were less optimistic. The size of the Black middle-class had significant ramifications politically.

The lifestyles of most in the Black middle-class looked like they subscribed to the conspicuous consumption that the Black Americans had been associated with. When it came to these consumers, status was the only consideration when making purchases. We were told that they shopped a lot, and had a taste for expensive cars, branded clothing, huge dwellings, private schooling for their children and the most posh accent possible (*Cape Times*, 11-04-2007).

An article in the Star newspaper in 2007 wrote of the changes that were observed, that less importance was being placed on clothes and food and more importance was being placed on gadgets and devices for their homes and the latest cell phone models. Some articles expressed reservations about that type of consumption, calling it an ostentatious show-off of wealth. It was seen as distasteful in a country where the majority of the people were poor. Diakanyo, S. (2010) spoke very strongly against the critics. He defended those accused of this conspicuous consumption. He argued that the pursuit of individual self-interest by citizens is the driver of economic development and that the excessive spending was a response to previous lack by people who wished to affirm their new social status.

The combination of low levels of financial literacy and high access to debt created a fertile ground for excessive consumption. The National Credit Act of 2007 was the legislation that the government put in place to discourage irresponsible lending by banks and other credit lenders. Even though such legislation was in place, the rate of consumption was extremely high. Because this Black middle-class did not have inheritances or savings, they ended up dipping into debt when purchasing items such as cars and property.

A particular behaviour that had been observed was that members of this Black middle-class will live flashy lives in mixed race suburbs, yet they still felt a strong tie and a need to go back to their roots, whether for connecting with their churches, going for a haircut or shopping for

certain supplies that cannot be found in the suburbs or are cheaper in the townships or rural areas.

A major difference between Black and White middle-class was that most Whites in their 30s got assistance with accommodation and other expenses from their parents, while Blacks in their 20s and 30s were the ones helping their parents financially and with advice on finances. There was no passing down of financial wisdom and actual money. This created a fertile ground for the financial mistakes of the Black Diamond.

Journalists have begun to utilize the expression with caution, since the majority of those in this demographic group do not appreciate being labelled as Black Diamonds. Most prefer to be called middle-class. There was sensitivity to the reference to race contained in the term, and the belief that affluence is associated with being White.

The general link of conspicuous consumption and the Black middle-class gave the impression that the Black middle-class consume for the sake of consumption. Krige, P. (2012) highlighted that people building and renovating their homes in Soweto were doing it more as a practice to signify the residences presence as habitants and their differentiating themselves in class from their neighbours. He reasoned that the labeling of such consumption among the Black middle-class as conspicuous consumption is a consequence of racialisation of the meaning of middle-classness.

### **2.13 The Black Lower-Class**

BEE and AA have made for the emergence of a new type of Black diamonds, whose main focus was quick gains and a flashy lifestyles. SA had some of the world's wealthiest people in the world. Even during the recession, luxury cars, gated communities and other luxuries were readily found in SA. It is saddening to know, though that behind all this glitz and glam the reality of the majority is that they still fit into the Black lower class that lives below the poverty line.

The researcher also observed that with this new middle-class came a rise in ethnic chauvinism and nativism, among the Zulus, Xhosas and other tribal groups. The sad part about these newly-emphasized divisions was that they were replicating some of the same dynamics observed during Apartheid. The lives of the majority of Black poor people were still plagued by unemployment, landlessness, inferior education, spatial exclusion and violence. There was a feeling amongst the Black lower class population that the new Black middle-class had been enriched and had then left behind other Black individuals in poverty. That left a suggestion that the Black people that have now advanced in class to the middle-class should be embarrassed or regretful that there are some Black people who are still belonging to the lower class. The researcher found that a very strong emotional contract existed between the new middle-class and the lower-class in the Black community. It was almost like the members of the new Black middle-class were being made to feel guilty for their success, by the Black lower-class, and therefore had to 'pay them back financially.

There was also a growing dislike for foreign Black people in SA. Mngxitama, A. (2008) contended that the term xenophobia was meant to refer to the hatred of foreigners, but here in South Africa White foreigners were not referred to as foreigners, instead they were referred to as tourists, investors and professionals and who lived in quite different spaces to the mass of people. He observed that in the new South Africa the racist attitudes formerly directed against all Black people had been redirected toward the Black poor. This narrative gave an idea of the bleak relationship that existed between the Black South Africans and the poor Black foreigners.

Spaull, N. (2012) depicted the plight of the Black poor in "Poverty & Privilege: Primary School Inequality in South Africa". Even though Apartheid had been abolished for a long time, the schools which had mostly White learners during Apartheid stayed functional, whereas schools which served the Black communities remained dysfunctional. There was still a huge gap in the rate of financial literacy taught at these schools, thus the cycle of financial illiteracy among Black people continued. Taylor, N C. Muller, J P. and Vinjevoid, P. (2003). wrote of the serious underperformance, dropout rate, high grade repetition and high teacher absenteeism in Black schools.

During Apartheid, the government of the time invested a huge amount in public education for the White learners, so we find that the children of poor White workers, which were mostly Afrikaans speaking, were well educated and were therefore able to secure well-paying work. One of the challenges that faced the ANC government was the creation of better opportunities for children from disadvantaged backgrounds, regardless of race, but at the same time doing so within the limited budget provided by the taxes.

Nattrass, N. and Seekings, J. (2001). wrote that the majority of the Black lower-class was poor and was being supported by the Black middle-class, who have ascended from poverty. Many of the Black poor depended on pensions and grants. The sad truth in South Africa was that the very same Black middle-class that is supporting their lower-class relatives were working off a base of salaries that were lower than their White counterparts who were in the same jobs. In 1976, the starting salary for Black nurses was much less than that of a White nurse with the same qualifications. These imbalances are still in existence. There are situations where jobs which had been earmarked for White workers were reclassified when they were being made available to Black workers, and the wage rate suddenly reduced.

It was shocking to witness that 23 years after Apartheid, the colour of one's skin was still the most distinguishing factor between the rich and the poor. According to Leibbrandt, et al., (2011), even with the growth in the Black middle-class, roughly 90% of the poor in South Africa were Black people. The quality of education that individuals received was a predictor of their chances in the labour-market. Therefore, availing a poor quality of education to the poor cemented their disadvantage in the labour-market.

#### **2.14 A New Trend in the Black Middle-Class**

Bevan-Dye, A., Garnett, A. and de Klerk, N. (2012) wrote about the new status brand market that had been created in South Africa in recent years. The findings showed that the target market demonstrated high levels of materialism, status buys, and consumer ethnocentrism. Globally, the development of the status brand market was on the increase. The rapid growth in the Black middle-class was attributed to a large extent as a major contributor to the growth of the status

brand market in South Africa. Richins, M. L. (2004) described materialism as the significance one puts to the ownership and obtaining of material goods in accomplishing major life goals or desired states. Cleveland et al (2009) put forward that the impact of advertising, especially through social media in recent times, together with the human tendency to aspire to higher material living standards, had made consumers the world over want to copy the consumer culture of western societies such as the USA.

### **2.15 Freedom or Unfreedom: The Debt Trap of the Black Middle-Class**

Freedom from Apartheid was attained by the Black people of South Africa in 1994. We hear of media reports that tell us that what is consumed by Black people is often glitzy and even kitsch merchandise and branded items, in an attempt to achieve status. Ofcourse it would be unfair to limit the Black people in partaking in the privileges that are available to all, especially after such a harsh deprivation during Apartheid. Unfortunately, this freedom has come with an unfreedom: the high levels of debt that is now haunting the Black South Africans.

It is important to qualify that the people who are the most in debt are the so-called 'Black Diamonds', Black middle-class who qualify for high amounts of credit, not the Black poor (as one would expect). It has been reported that they get into debt for branded clothes, expensive cars, and other flashy goods, but they also spend on items of more substance such as investment in life-course events like marriage and lobola (bride-price) and university.

The private nature of bride price or bride-wealth debt means it is not easy to investigate. In the past and less so in today's society, the transfer of wealth for bride-wealth was deferred and considered a long term debt. When paying lobola, grooms were not required to pay the whole amount, with some even being allowed to have children, and when their first daughter got married and lobola was paid for her, they would use those cattle to pay their fathers in-law. Nowadays, this social arrangement has become a more formal trade based, interest-bearing and impersonal relationship between the groom and his in-laws. The delay in payment that used to signify a relationship based on trust has now become a very formal debt, with most grooms seeking bank loans to finance the brideswealth.

This debt issue is set against a long history of exploitation of South African Black people by the forces of capitalism. In the past, the wages of Black people were kept at the lowest rates and they were sold low-quality products, such as furniture, on hire purchase at exorbitant interest rates. The National Credit Act was passed in 2007 with the aim to control supply of debt by curbing reckless lending. Ombudsmen, debt counsellors, and consumer columns in the media contribute by assisting individuals who have gotten into debt, however none serve to enable collective action and addressing this issue directly for this target market. The people who are most indebted post-Apartheid were those in the middle of the pay scale. This is most likely in light of the fact that this is where full-time employed workers enter the labour market. These workers qualify for credit, because they earn a regular salary, but binding expenditure constraints possibly places pressure on them to borrow at a level that is unsustainable.

Although inter-racial inequality is declining, intra-racial inequality continues to increase sharply. During Apartheid teachers of different race groups were paid on various different pay scales. Between 1996 and 1997 teachers of all races were put onto a single standardised pay scale, and the pay scale of the former White education department was used as a bases for this standardizing exercise. The move was initiated because the African leaders were putting pressure on the government to do so. More and more, we hear of sectors where salaries are being standardized. These are great strides for the Black population that was held back economically for so many years.

In recent years we have seen an increase in studies attempting to decipher the South African Black middle-class. Some are more retail oriented in their approach and conclusions tend to group and label everyone in the middle-class as group of conspicuous consumers. Some are more theoretically grounded and progressive in their contribution to the knowledge base. It is difficult to tell the size and composition of the Black middle-class, seeing that there are so many different conceptions of what constitutes a Black middle-class. It seems that researchers agree that the Black middle-class is growing.

## **2.16 The Future of the Black Middle-Class**

In South Africa, the middle-class is still dominated by White people. Within the Black portion of the middle-class, many now live in former White neighborhoods. Most are young and exhibit very particular consumer inclinations. They use cars, cellphones, and branded clothes to show status. They take their holidays at hotels and increasingly they travel abroad.

Whiteford, A. and van Seventer, D.E. (2000) acknowledged that the African middle-class was clearly growing rapidly, but questioned whether there was any evidence that the class structure as a whole was changing. He questioned whether the racial composition of different classes was changing. Whiteford and van Seventer's calculations showed that the number of households in the middle-class, defined simply in terms of income as households with an income (in 1996 prices) of over R72 000 per year, grew between 1991 and 1996, but not as fast as the population as a whole. The middle-class therefore actually shrank in relative terms.

The exodus of many skilled White South Africans to live in other countries has intensified the skills shortages. In the past, Black people could ascend as high as the semi-professional occupations such as nursing, teaching and police service, or be in white-collar work with little or no authority. Africans in business were a rare occurrence. Once Apartheid ended, vast opportunities began to be available to Black workers. The public sector began to take on mostly Black managers in senior positions. The Black middle-class grew rapidly with more and more graduates coming out of university.

## **2.17 No Emphasis on the Contribution of the Black Middle-Class to the Economy**

Very little has been said about the major boost in the economy that this new Black middle-class has brought about. Articles tend to focus on the excessive spending, and this approach continues on the roots planted during Apartheid of criticizing the behaviours of Black people without even exploring/seeking to understand them. In 2007, the research of Oliver, D. (2007) found that the Black middle-class, the educated, employed and upwardly mobile were in the regions of approximately two million consumers who were responsible for about US\$20bn – US\$25bn in annual spending. They were seen as representing the greatest opportunity for marketers in SA.

In a paper written for the household goods store Boardmans called “Retailing in Post-Apartheid South Africa: The Strategic Positioning of Boardmans”, De Bruyn, P. and Freathy, P. (2010). wrote of the increase in branded goods that had become evident among the Black middle-class. When SA was isolated during Apartheid, international brands declined in the SA consumer market. Limited attention was given to marketing to the Black market. This has changed drastically since the fall of Apartheid. Now major international brands have entered the SA market, including The Body Shop, Zara, Jeep and numerous others. With international travel on the rise, Black people have been exposed to and now purchase international brands The media is no longer limited to television and magazines. Social media has become the most effective way to reach the Black middle-class, who have a major footprint on the internet. Consumers are now proactive to communicate their demands instead of purchasing what is available.

In *Evolution of the South African Retail Sector*, Terblanche (1991) observed the upgrade from the grocery shopping at the local spaza shop in the township, to grocery shopping in major chain stores, with most of these chains locating in the townships. The division in the SA consumer market during Apartheid was racially biased. White consumers were exposed to high quality clothing, homeware and other goods and received high customer service levels. The White minority population focused, largely, on functional products that were inexpensive and they did not care too much for brand of the products.

Erasmus, A.C. and Lebani, K. (2008) observed that retailers had to rebrand themselves in order to be attractive to this new Black consumer group. As credit became available to this class, retailers started providing store credit cards. Boardmans had to start providing the store cards. This paper states that the consumption patterns are driven by economic vulnerability, meaning that they are uncertain of their continued class membership. Most are employed in government jobs which are dependent on the politics of the time.

## **2.18 Limitations of Previous Studies**

There are various limitations to the studies that exist in literature sources. Very few studies have set aside the time to investigate the reasons why the consumption style of the Black middle-class differ from other middle-class groups. The differences between the spending patterns of the Black and other middle-class groups still need to be studied. Most of the studies on this new middle-class have focused on labelling the consumption patterns as excessive and conspicuous consumption. In *Understanding Consumption Patterns of the Established and Emerging South African Black Middle-class*, this phenomenon is explained from the following perspective. Previous studies have focused on the signaling of new riches and labeling the Black middle-class by Apartheid standards, with little emphasis on the boost in the economy by this new Black middle-class. The reasons found for the consumption patterns so far are that there is an asset deficit that Black households are still addressing.

The criteria for who belongs to the Black middle-class is still unclear. Clearer, more accurate ways to measure the extent of the Black middle-class still need to be found. This will mean having a clear definition of who constitutes this group. Jackson, P. and Thomas, Q. (2003) presented a critical viewpoint about the lack of acceptance of this Black middle-class among Black people of lower-class is discussed. The premise is that upward mobility among racial minorities does not automatically result in full social acceptance by others. This is an area where there is a gap in literature.

We learn of another limitation presented by Marsh, K., Darity, W., Cohen, P., Casper, L. and Salters, D. (2007). The distinction in the affordability and middle-class household status of single-parent and married-parent families need to be studied. The effect of the extended family structure of the Black community needs to be studied, as with Black people, there exists a moral obligation to invest money and assets in extended family as soon as one achieves some level of success and achieves material affordability and educational attainment. There is even a social responsibility to the community at large.

## **2.19 Summary**

In looking at all the above literature sources about the Black middle-class, each source helps teach us something new and adds a new dynamic to the picture, some of the sources are bias based on the background of the author of the literature. Most of the studies on the Black middle-class have been conducted by marketers whose main objective was to extract information on the consumption and spending habits of this demographic group. In conclusion, there are still gaps in the literature about this demographic group.

## **CHAPTER THREE**

### **Research Design and Methodology**

#### **3.1 Introduction**

Upon doing the literature review, the researcher identified a gap in research on this topic of the financial priorities of the Black middle-class. The researcher then decided, in consultation with her supervisor, to administer a questionnaire that was focused on a specific population of the MBA students at the UKZN GSB&L. In this chapter, the research design and methodology were covered. This encompassed the research design, approach, information about the research site and participants, sampling strategy, size, data collection instruments, pretesting, validity and reliability, data analysis and ethical considerations.

It goes without saying that when conducting research, it is critical that the method of research is the method that is most likely to meet the aim/s of the research. The method that is used in the research will be determined by the information you are looking to uncover. According to Welman, Kruger and Mitchell (2007), research is “a process that involves obtaining scientific knowledge by means of various objective methods and procedures”. Kothari (2008) defined research as a systematic and scientific search for knowledge on a specific topic.

Research methodology, therefore, is about the procedures used for collation and analysis of the raw data that the researcher has utilized in his/her research. Bailey (2004) explained research methodology as the philosophy of the research process. It is important to find a research methodology that best answers the questions.

### **3.2 Research Site and Participants**

This questionnaire was handed directly to MBA students at the end of a lecture. This method was used because it was easy to reach the respondents through meeting them while they were a captive audience attending lectures. The respondents were requested to fill in the questionnaire within a specific time frame of 10 minutes and hand it back to the interviewer.

### **3.3 Sampling Strategy**

Rumsey (2011) defined sampling as the act of choosing a subset of subjects from the entire population, studying them, and then using the information from the study to make conclusions about the entire population. The researcher selected the sample size based on the objective of the research, the confidence level, the desired confidence interval, the amount of variability, the population size, cost and time constraints on account of time and costs.

Tredoux and Durrheim (2002) discussed some advantages of the quantitative approach in research. One of these advantages included the fact that with numbers, communicating information can be done more efficiently. The Quantitative Method, in the form of questionnaires, was used in the form of closed questions. The list of questions is attached. It consists of closed questions for ease of analysis.

### **3.4 Population**

Sekaran, U. (2003) defines a population as a group of people, events, or areas of interest that the researcher has decided to investigate. Terre Blanche et al (2006) defined it as the pool from which the sample is drawn. The research generalizes findings from the population. My target population consisted of all the MBA students registered at the UKZN GSB&L in the research period, second semester of 2016.

### **3.5 Sampling Design**

Rumsey (2011) described sampling as choosing a subset of subjects from the population, studying the subset, and then using the information from the research to come to certain conclusions about the whole population. This chosen subset is what we call a sample. Sekaran and Bougie (2010) wrote about the factors influencing the sample size as being the research objective, desired confidence interval, confidence level, amount of variability, cost limitations, time limitations and the size of the population. The students who are currently registered into the MBA programme, (the study population size) was 417, with a margin of error of 5%, and a confidence level of 95%, the required response size is 201. With an expected estimated response rate of 80%. The researcher could only get 98 MBA students to complete the questionnaire.

The process of sampling involves choosing a sufficient number of the right elements from a population, then using the sample to generalize to the population elements, including those not selected in the sample (Sekaran & Bougie 2010). Terre Blanche (2006) wrote that it is of critical that the sample best represent the characteristics of the population.

Kothari (2008) wrote about what a good sample design looks like. He wrote “It must result in a truly representative sample, it should minimize sampling error, it must minimize systematic bias and the results from the sample should be applied to the population from which it was drawn with a reasonable level of confidence”.

Sampling designs are divided into two types, namely probability and nonprobability sampling. With probability sampling, the elements in the population have a known chance of being chosen as a subject in the sample. This type of sampling can either be unrestricted or restricted. When it is unrestricted, this means that it is simple random sampling. When it is restricted, this means that it is complex probability sampling.

Probability (also known as random) sampling is the most preferred and is the best technique that helps with choosing a sample that is the most representative. With this type of sampling, all the

element have an equal chance to be included in the sample. It is for this reason that unrestricted probability sampling is one of the most used sampling methods. With complex random sampling, the element's chances of being selected are not equal. Systematic sampling, cluster sampling, stratified random sampling, area sampling and double sampling are some of the types of complex probability sampling. All the MBA students registered at the GSB&L had the same chance of being included in the sample, thus probability sampling was the chosen sampling method.

With non-probability sampling, the population elements do not have any probabilities to being selected as sample elements. Welman et al. (2007) concluded that in some cases, certain members of the population may not have a chance of being chosen into a sample. Sekaran and Bougie (2010) found that one cannot confidently generalize the findings from non-probability sampling to the entire population. As much as this disadvantage of lack of generalizability exists with non-probability sampling, it has the advantage of being less complex. It is also more quick and inexpensive.

Sekaran, U. (2003) distinguished that non-probability sampling fit into two categories, convenience sampling and purposive sampling. Convenience sampling (also referred to as haphazard sampling), is the collection of research information from members of the population who happen to be conveniently available to provide the information. Sekaran, U and Bougie (2010) wrote that of all sampling techniques, it is the least reliable in terms of generalizability. This is because it is prone to bias and influence which the researcher cannot control.

Sekaran, U. (2003) explains that purposive sampling is restricted to the selection of specific kinds of people who can provide the desired information either because they are the only ones who the required information can be sourced from, or they conform to criteria that the researcher has set. Judgment sampling, snowball sampling and quota sampling are just some of the kinds of purposive sampling designs. With snowball sampling, the researcher chooses a few elements from the population and these individuals identify other elements from the population for inclusion, hence a snowball effect.

The disadvantage of this method of sampling is that researchers do not obtain their sample in the same consistent way, therefore, it becomes difficult to judge the extent to which the sample represents the population in question.

Convenience sampling was used in this research because members of the population who happened to be present at the premises of the UKZN GSB&L were requested to fill in the questionnaires, for convenience.

### **3.6 Sample Size**

It is very rare that a researcher can consider all the factors that have potential relevance for the research problem. In most studies, it is uneconomical and not practical to have every member of the population participate. The sample size is as important as the sample design in achieving a representative sample. Welman et al. (2007) stated that one's choice of a sample size must be determined by the level of confidence that is required from the data, the margin of error that the research can tolerate, the type of analysis that is going to be done and the size of the total population from which the sample is being drawn.

The students who were registered into the MBA programme, (population size) is was 417, with a margin of error of 5%, and a confidence level of 95%, the required response rate was 201. With an estimated response rate of 80%, the researcher planned to invite 252 MBA students to fill in my questionnaire. Only 98 students actually filled in the questionnaire.

Cooper, DR. and Schindler, PS. (2006) wrote that a sample should be in proportion to the size of the population from which it is drawn. Hair, J., Money, A., Samouel, P. & Page, M. (2005) pointed out that no matter how the sample size is chosen, it is critical that it should be a sufficient size and quality to produce results that are accurate and consistent.

### **3.7 Data Collection Instruments**

#### **3.7.1 Data Collection in Descriptive Studies**

Data can be collected from primary and secondary sources. Primary data is information that the researcher has obtained first hand for the specific purpose of the study. Secondary data is information gathered from sources that already exist such as books or other literature. The type of data required determines the method used to collect data. Interviews, observations, questionnaires, or focus groups are all great sources of collecting data.

As indicated by Tredoux, C. & Durrheim, K. (2002), there are numerous benefits to using the quantitative approach. Using numerical information to communicate is considered to be efficient. The quantitative approach that was used in this thesis involved the use of questionnaires, with a list of closed questions. MBA students were found in class at the end of their lecture and asked to complete the questionnaire anonymously and voluntarily. This method was used because it was easy and convenient to reach the respondents after their class. The respondents were requested to fill in the questionnaires within a specific time frame and place it in a box located at the back of the classroom. This was done to ensure that the ethics of anonymity and voluntary participation were guaranteed. The list of questions was attached. The questionnaire consisted of closed questions for ease of analysis.

#### **3.7.2 Questionnaires: A Research Instrument**

As per Sekaran, U. and Bougie, R. (2010), for questionnaires to be an efficient mechanism to collect data, the researcher must know precisely what they are looking for. Questionnaires can be structured or unstructured. In this study, a structured questionnaire was used. When using a structured questionnaire, the questions and responses are specified and the respondent elects the relevant answer out of the ones provided, and their own words are kept to a minimum. Questionnaires can be administered in person, inserted in newspapers and magazines, mailed or emailed to respondents.

A questionnaire is a quantitative method for collecting data. Questionnaires were used to do a survey of men and women in the Black middle-class who were attending the MBA class as at 2017 at the UKZN GSB&L. The survey was undertaken at the GSB&L.

### **3.7.3 Questionnaire Design**

Sekaran, U. (2003) wrote that the three areas that a thorough questionnaire design typically focused on were the wording of the questions, the planning of how the questions will be categorized, scaled and coded and the appearance of the questionnaire. It is important to focus on these three areas of design in research because they can minimize biases. Sekaran, U. (2003) gave some insight on the quality of the questions that are posed on a questionnaire with reference to content and purpose of the question as well as language and wording of the questionnaire.

How the questions are sequenced in a study is very important. It is imperative that one uses the funnel approach in structuring questions. This approach is about moving from general questions to more specific and also from easy to more difficult questions. This approach ensures a smooth progress through the areas covered on the questionnaire. The researcher made sure to use this sequencing approach in designing the questionnaire for this study.

Questions fall into one of two types: open-ended or closed-ended. Welman et al. (2007) wrote that with open-ended questions, respondents can answer the questions in a way that they decide as they are given the opportunity to elaborate on their responses. Closed-ended questions, on the other hand, require the respondents to make a choice among a set of alternatives provided by the researcher. The main reason that researchers choose to use closed ended questions is because they are easier to convert to the numerical format that is required for statistical analysis. In this research, the researcher opted for all questions to be closed ended to ensure easier analysis and coding of answers.

The response format chosen (whether open-ended or closed-ended) should be considered carefully as it determines the statistical analysis method of the results of the questionnaire. When variables have to be measured, scales can be applied to measure them. The first step is defining the variables, followed by choosing the appropriate scaling techniques, then finally ensuring

that the research instrument used measures the concept accurately. Pretesting and validation can be used to achieve this. Sekaran, U. (2003) wrote that although questionnaires are an efficient data collection method, they are not useful if incorrectly targeted. For questionnaires to be useful, the data has to be sourced from the right people.

#### **3.7.4 Questionnaire Reliability**

According to Sekaran, U. (2003), how reliable a measuring instrument is speaks to the extent to which the measure is without error or bias. Reliability has to do with the credibility of the findings of the research. The consistency of the results is what tells us whether a measuring instrument is reliable or not. Stability is also a very critical aspect of reliability. Sekaran, U. (2003) points out that stability is a measure's ability to remain consistent over time even if there are uncontrollable testing conditions.

#### **3.7.5 Questionnaire Administration**

When dealing with large numbers of people, questionnaires are the data collection tool that are the easiest to administer, as they can be administered personally, inserted in magazines or newspapers, mailed to respondents or distributed through email. The researcher had initially planned to administer the questionnaire for this study online, to ensure prompt responses, but ended up administering manually, because she realized that she could actually physically go to the UKZN GSB&L and request students to fill in at one visit. Dornyei and Taguchi (2010) wrote that, compared to other methods of administration, online surveys can a variety of benefits. These include having reach to the population from vast geographical areas; time is saved because no personal administration of the questionnaire is required and that the cost for web-based surveys is about one-third the cost of a postal survey.

The researcher ended up meeting students physically and administering the questionnaire directly with the students at the GSB as they were in the middle of their exams and requesting them to go online would have taken more time from their exam preparation time, and they might have ended up not filling it in.

### **3.8 Pre-testing**

The two steps that are used to detect weaknesses in the design of the research instrument are pretesting and validation. This section covers the steps taken to ensure reliability and validity of the questionnaire used in this study.

Pre-testing of the questionnaire is used to ensure the accuracy and consistency of responses to a questionnaire. This involves administering the questionnaire to a small sample of respondents who have characteristics similar to that of the target population. The questionnaire used in this study was not pretested. Not pre-testing a questionnaire does open the researcher up to the risk of having a questionnaire that is not understood by the respondents and issues of validity and reliability.

### **3.9 Validity and Reliability**

According to Collis and Hussey (2003), the reliability and the validity of a measuring instrument are crucial factors of the study. How valid an instrument is actually the extent to which the instrument actually measures what it is supposed to measure. The validity of research can be assessed in various ways. Content and construct validity are just two ways to assess validity. Content validity ensures that the measure includes a representative set of items that tap into the concept, while construct validity involves the degree to which it measures the intended construct instead of irrelevant constructs. The researcher was confident that the tests of content and construct validity were met in this research.

### **3.10 Analysis**

The analysis of the data is the next step after data collection. Data is analyzed to test the hypothesis of the research. Before analysis, the researcher has to ensure that the data is accurate, complete and suitable for further analysis. The first step when analyzing the data is data coding. Coding involves the assigning of a number to the participants' responses so that they can be

entered into a database. As per Blaxter et al. (2010), the analysis of data usually involves reducing collected data to a manageable size, looking for patterns, and applying statistical techniques to it. The tool was used in analyzing the data was pie charts.

### **3.11 Summary**

The research methodology used in the study was covered extensively in this chapter. Various research methods as well as the reasons why the methods were chosen for this study were discussed. The administration of the questionnaire and data analysis were discussed. Chapter 4 will deal with the presentation and discussion of the results that were sourced from completed questionnaires.

## **CHAPTER FOUR**

### **Presentation and Discussion of Results**

#### **4.1 Introduction**

In this chapter, the focus was on the presentation of the data that had been obtained in the questionnaires, as well as the discussion of the findings. The data was analysed in the same sequence in which the questionnaire had been designed, namely, the demographic information, then the perceptions towards financial goals, then the perceptions towards saving and investing, then the spending patterns, followed by the understanding of wealth, and finally the influence of socio-demographic factors. The results as obtained from the questionnaires were linked to the literature review that had been presented in Chapter 2, to see if they confirmed or negated what had been found in the available literature.

The findings were presented in visual form by means of pie charts, in order to highlight the relationships between the compared variables. The chapter was divided into an introduction, a presentation and discussion (for each question in the questionnaire), and then a summary section. In presenting the results, pie charts were used because they are an easy-to-read display of data, information, and statistics. Other statistical graphic representations, such as graphs and plots, were considered but were found to be unsuitable for the type of information that was being presented. Pie charts (also known as circle charts) are circular statistical graphics which are divided into slices (as one would cut slices in an edible pie) to illustrate numerical proportions. With a pie chart, the arc length of each slice (and consequently its central angle and area), is proportional to the quantity it represents. The whole pie chart is equal to 100%, then each slice (or piece) of the pie represents a portion of the whole, for example 50% of the whole. Pie charts were used in this study because they aid the reader to see, at a glance, the percentage of MBA students that chose a certain response in that particular question.

The questionnaires were administered to 98 MBA students at the UKZN GSB&L. The researcher had intended to carry out more questionnaires, but the students who were available

to fill out the questionnaires were limited to the number 98, as it was exam time and students were not all coming to the GSB&L premises at that time. Respondents were found at various study and lecture rooms in the GSB&L, and the purpose and structure of the questionnaire was explained to them by the researcher. They were told about their right to participate or not to participate in the research. The respondents were assured of confidentiality and any questions that they had were answered by the researcher.

## **4.2 Presentation and Discussion of Responses to Questionnaire**

### **Section A: Demographic Information**

Demographic or biological questions were addressed in this section. It was essential to start with demographic information in the study in order to understand the background of the respondents. It is critical to record the demographic information when doing research because it is the demographic information that lets you know that the correct targeted respondents have administered the questionnaire. When looking at demographic information, you may start to observe certain response patterns of various genders, age groups and other demographic criteria.

The demographics section covered questions such as the gender, age and household income of the respondents. The household income question was particularly important because this was the criteria used to determine whether the respondents belonged in the middle-class or not. As discussed in chapter 2, there are various criteria used to classify if one belongs to the middle-class in South Africa. The researcher employed the household income criteria because she found it to be clear and easily understandable.

### 4.2.1 Gender of the Respondents

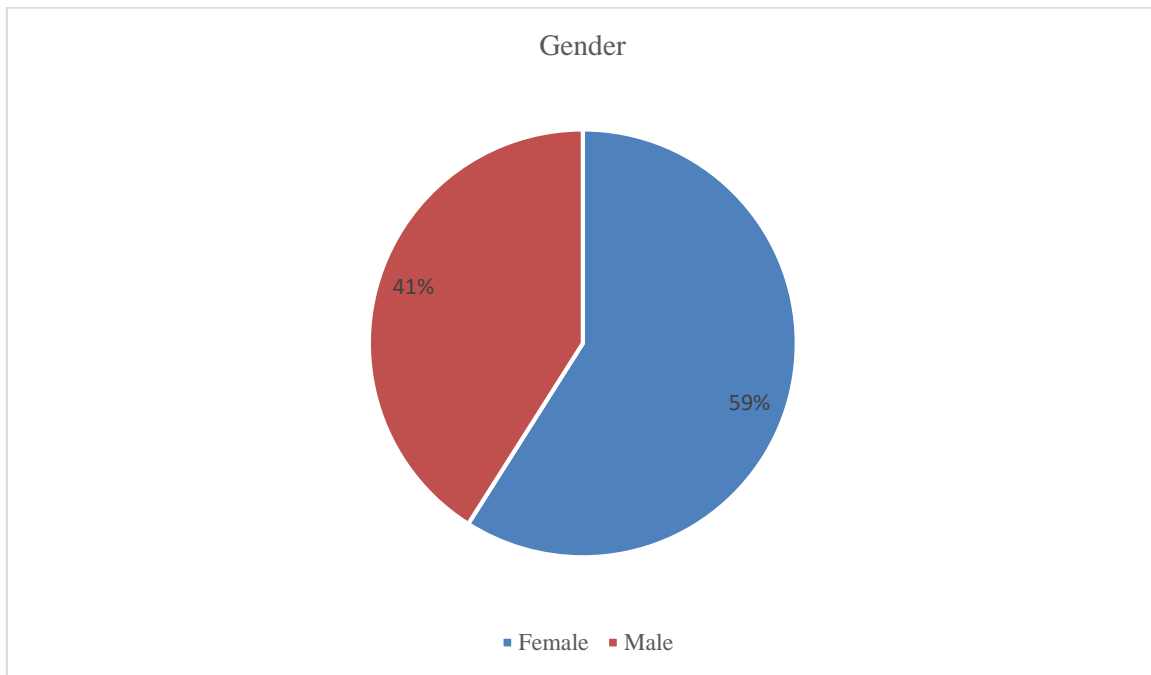


Figure 1: Gender of the respondents

The first question asked was if the respondent was a male or a female. The question about gender was asked to establish the composition of the group in terms of gender. More than half of the respondents (59%) were female and less than half (41%) were male. Based on the results of the sample, the researcher could conclude that most of the individuals in the Black middle-class were females. This was in line with the researcher's assumption that since the majority of individuals in the SA population were females, there would therefore be more females in the group. There could be another factor at play as to why there may be more females than men in the middle-class.

Wilson, W. (1987), observed in his research about the marriageability among the lower-class in the USA, that there was a gender imbalance that existed among African Americans, whereby there weren't as many Black males as there were Black females at higher levels of education. This trend ensured that, since education levels are a key entry into the middle-class, there would

then be more females who qualified to be in the middle-class, because of their higher education levels which translate to higher incomes. A large number of young Black men in the American projects were not employed. The trend is the same here in SA where many of the young men in the Black townships are unemployed. Affirmative Action and USA political redress policies such as Equal Employment Opportunity legislation fall more in favour of the Black female than the Black male, therefore more females would qualify for entry into the middle-class compared with their male counterparts.

### 4.2.2 Age Group

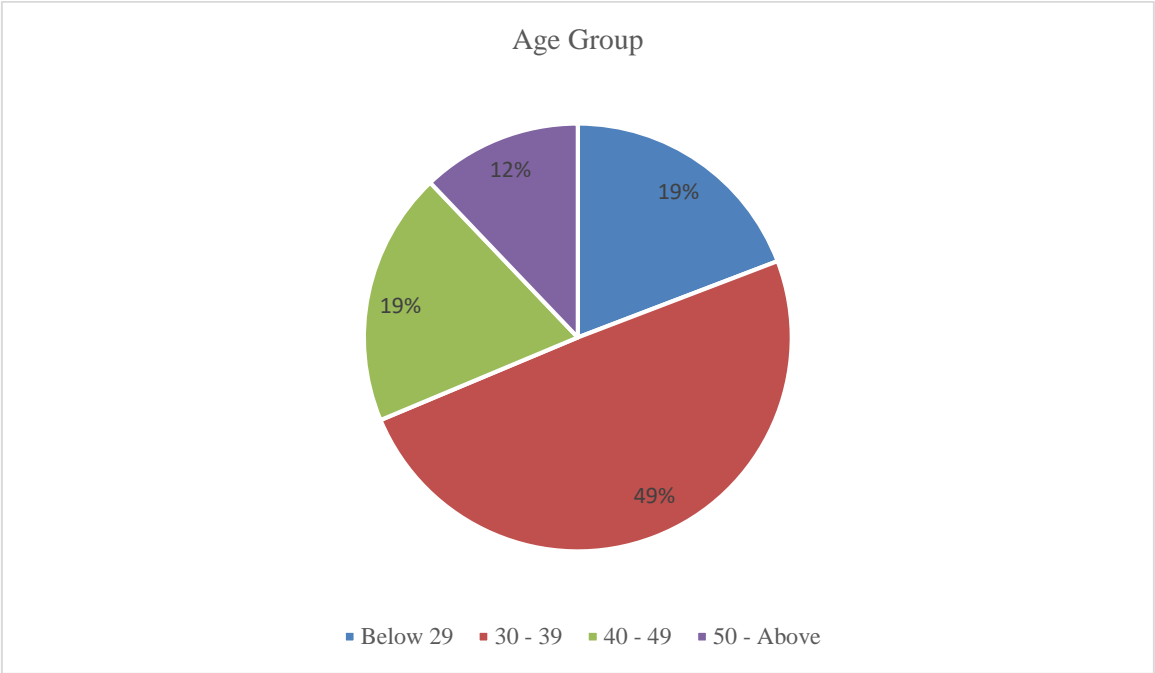


Figure 2: Age group

The respondents were requested to indicate which age group they belonged to. The objective was to determine whether age was a factor in one’s entry into the middle-class. Almost half of the respondents (49%) were in the 30 – 39 years category. 19.4% were below 29 years of age, 19.4% were 40 – 49 years old and 12.2% ticked that they were 50 years and above. The results in the survey indicated that most of the respondents (49%) were in the 30 – 39 years

category. 19.4% were below 29 years of age, 19.4% were 40 – 49 years old and 12.2% ticked that they were 50 years and above. This was read to indicate that most of the individuals who have managed to enter this Black middle-class are in their thirties. The researcher interpreted that individuals of various different age groups had been able to enter the Black middle-class.

Although not explicitly pointed out in current literature, the prevailing feeling towards this group, as depicted in articles such as *Black middle-class growing and spending* (*Sunday Independent*, 16-03-2008), *Black middle-class growing strongly* (*Sunday Tribune News*, 16-03-2008), *Black middle-class drives sales* (*The Weekender*, 1-12-2007), the imagery of the Black middle-class was tied mainly to descriptions of consumer behaviour, and were very rarely tied to an age group. This finding from current literature ties in with this study, as the Black middle-class was not limited to a specific age group.

#### 4.2.3 Household Income

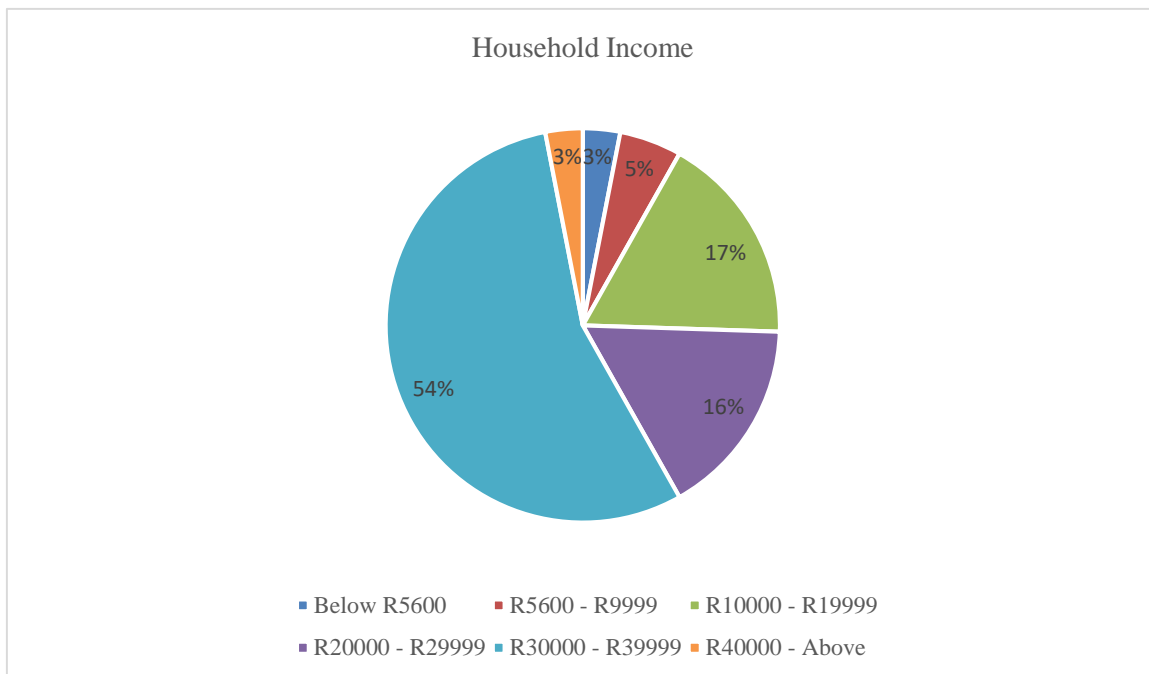


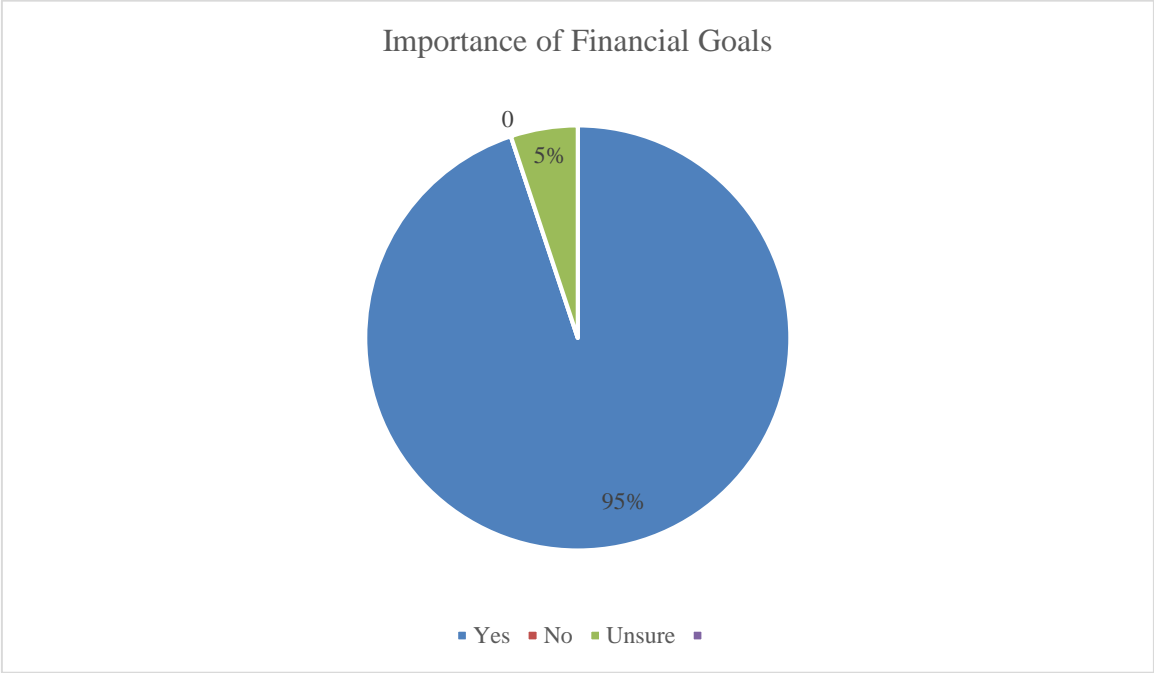
Figure 3: Household Income (per month after direct income tax)

In 2016, an economist by the name of Justin Visagie described the South African middle-class as “a household of four persons with a total household income of between R5 600 and R40 000 per month after direct income tax. This covers the range from lower to upper middle-class as in the US.” Jan 11, 2016. From his definition and others, we can deduce that household income is the main criteria for belonging to the middle-class. This exact household income criterion (of between R5 600 and R40 000 per month after direct income tax) was used in this study as it was the most recent (year 2016) income estimate available in literature sources. This household income criterion was explained to the respondents before they administered the questionnaire. It was important to the researcher that only respondents that fell within this household income criteria of R5600 – R40 000 per month after direct income tax fill in the questionnaire as this is the criteria used to determine if the respondent was middle-class, for the purpose of this research. Upon analyzing the data, the researcher discovered that 3 of the respondents (3.1%) fell below (Below R5600) and 3 respondents (3.1%) fell above the required middle-class household income criteria of R40 000 per month. The respondents that did not belong to this income criteria of the Black middle-class were removed from this survey. Most (55.1%) had a household income of R30 000 – R39 999, 17.3% had a household income of R10 000 – R19 999, 16.3% had a household income of R20 000 – R29 999 and 5.1% had a household income of R5 600 – R9 999 per month.

As referenced in the literature review, Kaus, W. (2013) concluded in his study, that Black and households spent at least 35% to 50% more on visible goods than White households in the same income groups. Kaus also found that conspicuous consumption gets higher when reference group income becomes lower. Based on this extant research, we may deduce that the 5.1% that had the lowest income in this research group (R5 600 – R9 999 per month) may be the group that would engage more in conspicuous consumption.

**Section B: Perceptions towards Financial Goals**

**4.2.4 Importance of Financial Goals**

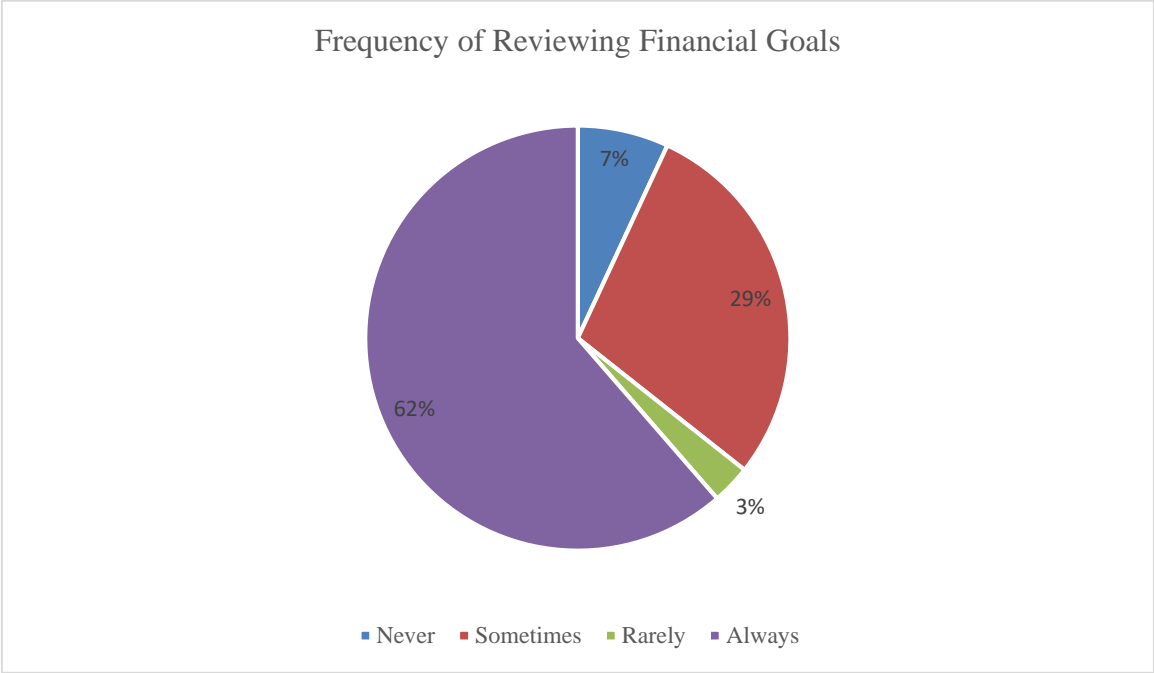


**Figure 4: Importance of Financial Goals**

The respondents were asked if setting financial goals was something that was important to them. 95% responded yes (setting financial goals was something that was important to them), 0% said they were unsure (whether setting financial goals was something that was important to them) and 5% responded with a no (setting financial goals was something that was not important to them).

Financial goals can be in the areas of education (for one’s self and family), health, future consumption, to name a few. Blackwell et al (2001) described conspicuous consumption as an “ostentatious display of wealth for the purpose of acquiring or maintaining status or prestige. When one is focused on displaying wealth, they can be distracted from pursuing and achieving their financial goals, even if they had set clearly defined financial goals.

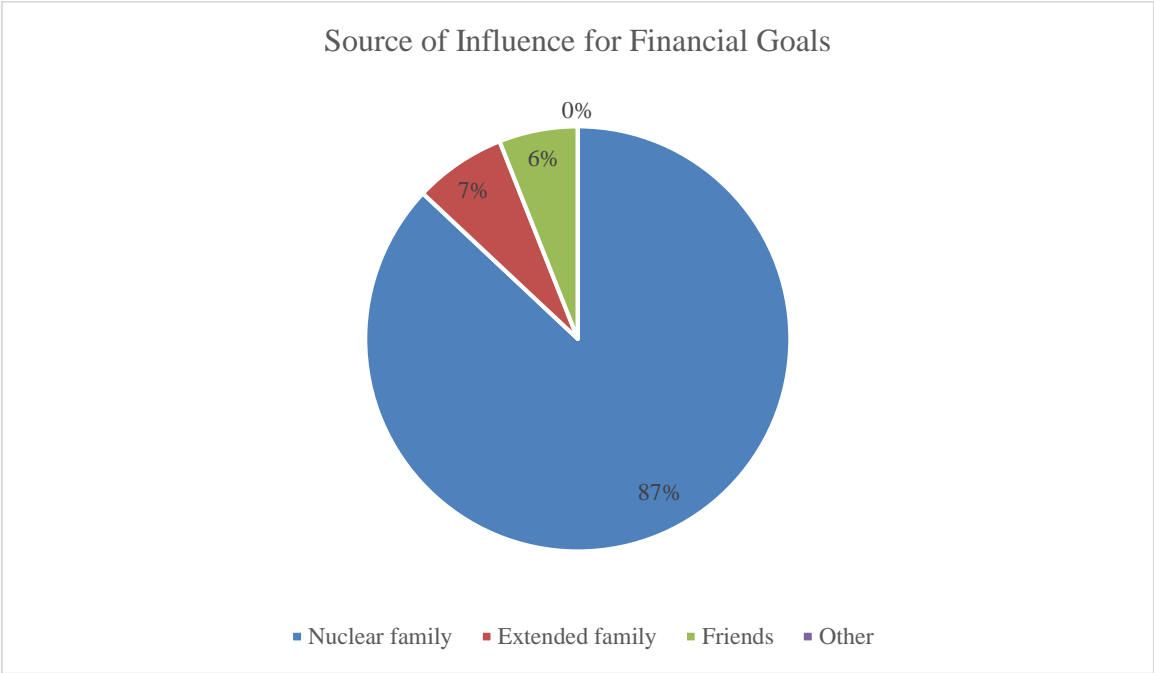
**4.2.5 Frequency of Reviewing Financial Goals**



**Figure 5: Frequency of Reviewing Financial Goals**

When asked about the frequency of reviewing their financial goals, most (62%) of the respondents said that they frequently reviewed their financial goals. Very few (7%) admitted to never reviewing their financial goals. 29% reported that they sometimes reviewed their financial goals. This question was asked in order to ascertain the level of attention they paid to their financial goals. The results suggest that most in this demographic are intimately aware of what is happening as far as their financial goals are concerned.

**4.2.6 Source of Influence for Financial Goals**



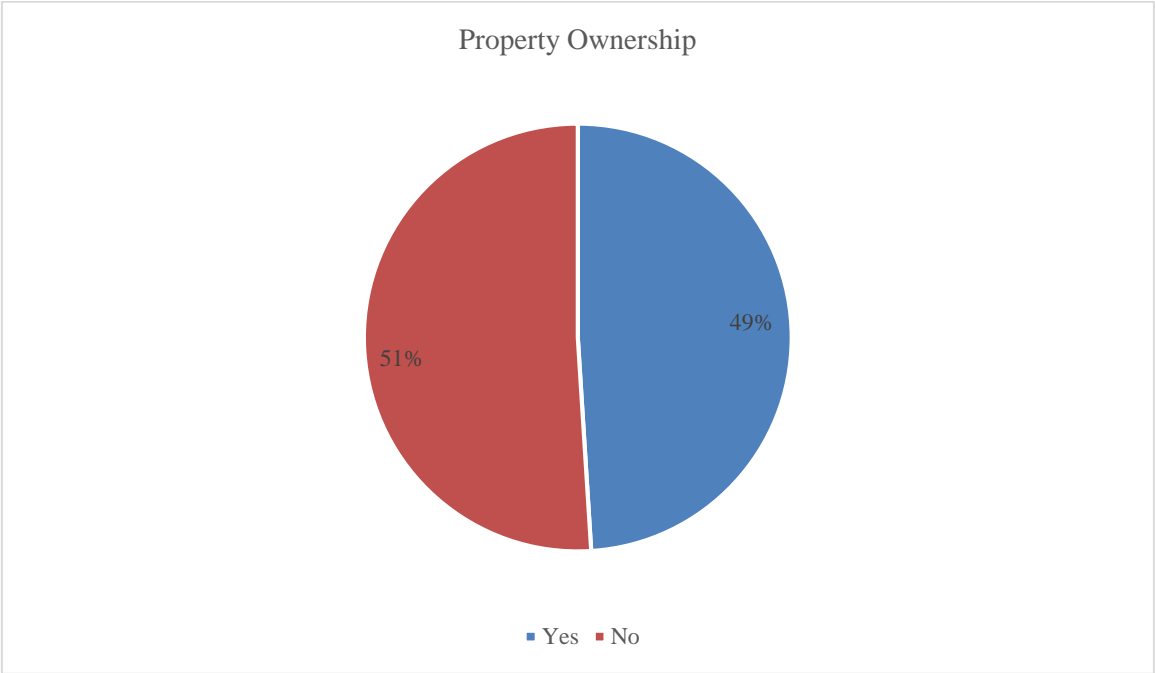
**Figure 6: Source of Influence for Financial Goals**

The respondents were asked who was the biggest influence on them for the financial goals that they set. This question on the source of influence with regards to financial goals was asked in order to ascertain who was the greatest influence on the way the Black middle-class interacts with their financial goals. Much of the literature on the Black middle-class said that the Black middle-class are very externally influenced. The results broke down the various sources, which all happened to be external influences. The respondents were not shy to express this external influence of their financial goals. 87% said that they were influenced by their nuclear family, 7% said that they were influenced by extended family, 6% reported that they were influenced by friends and 0% said that they were reported by other influences (but did not mention what or who those external influences were).

In current literature, we read in Blackwell et al (2001) that the Black middle-class engage in conspicuous consumption, an “ostentatious display of wealth for the purpose of acquiring or maintaining status or prestige”.

**Section D: Perceptions towards Saving and Investing**

**4.2.7 Property Ownership**

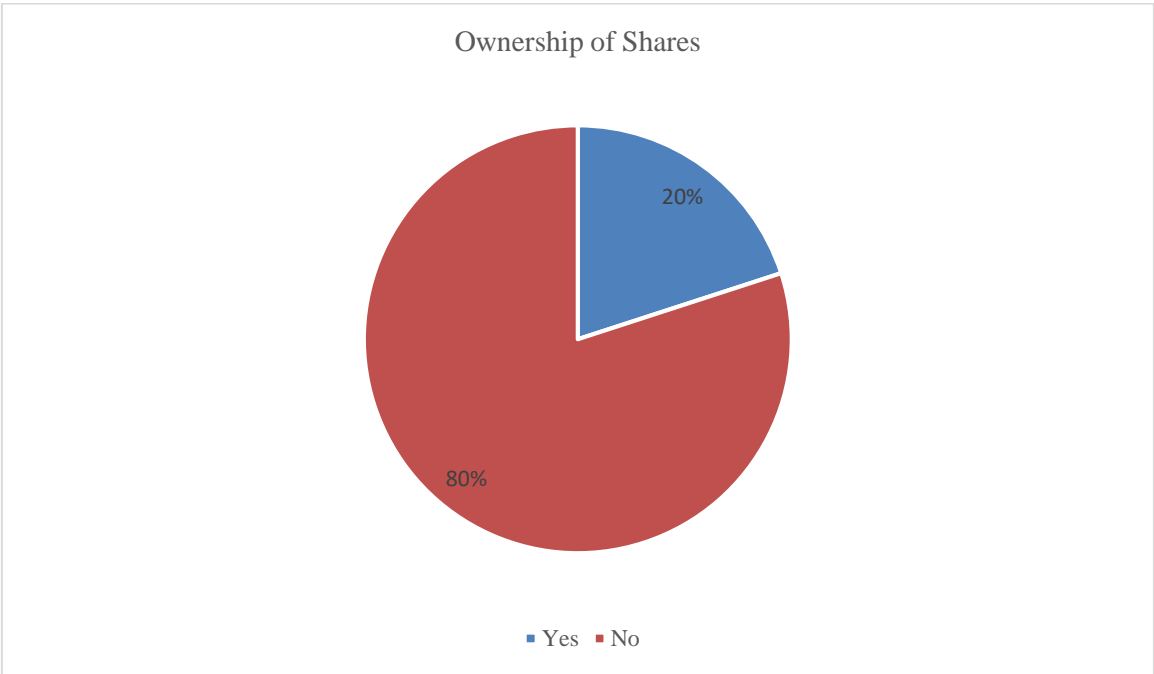


**Figure 7: Property Ownership**

The respondents were asked if they owned property. The question on property ownership was asked to determine the extent to which the Black middle-class prioritized this asset class. Just more than half (51%) said they did not own property while just less than half (49%) said that they did own property. This showed that maybe the often bleak picture of property ownership among the black middle class is untrue.

In the work of Nieftagodien, S. and Van der Berg, S. (2007) that was discussed in the review of currently existing knowledge, we found out that a high priority for individuals who are entering the middle-class is the acquisition of assets which are typically associated with proto-typical middle-class lifestyle possessions, such as large electric or *white* goods, for example, washing machines, dryers, fridges among others. This includes the ownership of cars and property. This means that households that are established in the middle-class have accumulated a significant number of the kinds of goods that are generally found in middle-class White owned households. New entrants into the middle-class will thus face an asset deficit. The above demonstrates that 49% have bought their dwellings, confirming that this ‘asset deficit’ is being addressed by the Black middle-class.

**4.2.8 Ownership of Shares**



**Figure 8: Share Ownership**

The respondents were asked if they owned any shares. Most of the respondents responded that they did not own shares (80%) and the balance (20%) indicated that they did own shares. The ownership of shares was another question asked to ascertain the priority that the Black middle-

class placed on an asset class, namely shares in this case. This is an asset class that seems to not be much of a focus for the Black middle-class. This confirms what was found in most literature that there is less investment in most assets.

Burger R, et al (2014) argued that the asset deficit experienced by the Black and Coloured groups is a legacy of Apartheid, which sought to create economic differences among the various racial groups in South Africa. Most White households have had physical assets (goods) as well as financial assets inherited from previous generations, thus their young can spend their money on other things. Black middle-class households, however, still need to catch up as they do not have the benefit of such inheritances. The low subscription to shares as found in this study confirms what the researcher found in the literature, that the Black middle-class still have an asset deficit to address.

**4.2.9 Unit Trust Investments**

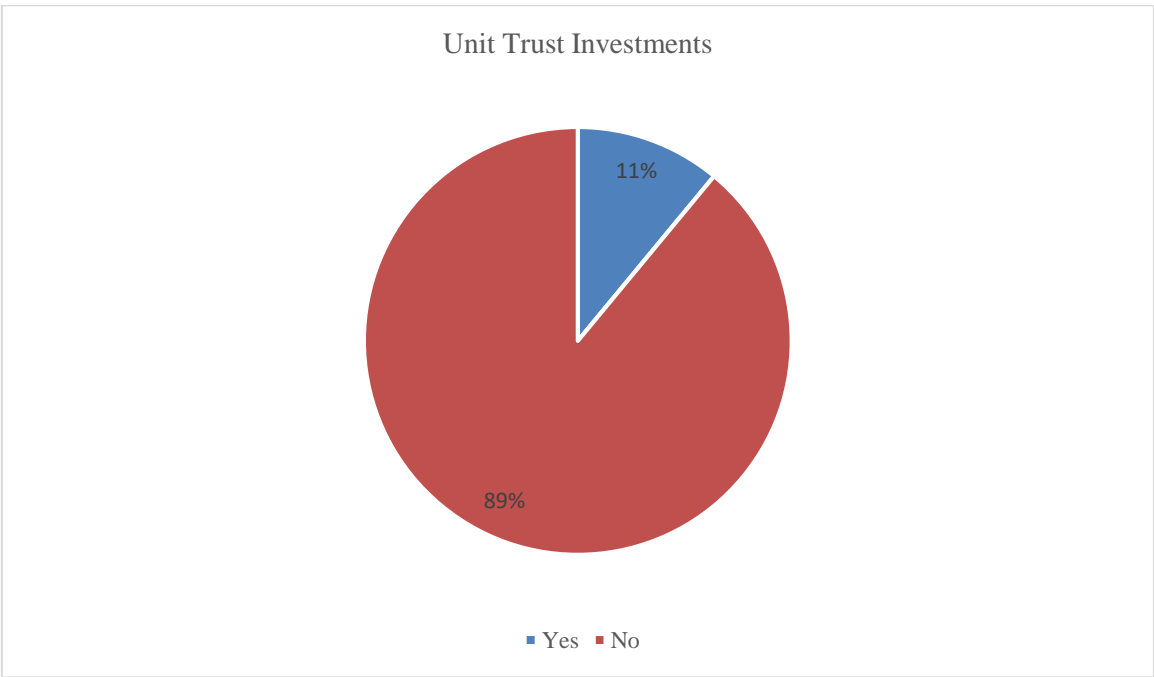


Figure 9: Unit Trust Investments

The respondents were asked whether they invested in Unit Trusts or not. This asset class was also undersubscribed as most (89%) of the respondents indicated that they did not, while only 11% indicated that they did invest in Unit Trusts. The low subscription to Unit Trusts as found in this study confirms what the researcher found in the literature, that the Black middle-class still has an asset deficit to address.

It is the seasoned investor that attempts to invest in Unit Trusts. According to du Preez, L. (2016), there are many questions that the investor needs to ask themselves before investing in Unit Trusts. The investor may want to know if it is better to invest in unit trusts or directly in shares. Many in the Black middle-class do not yet have the financial literacy to successfully invest in Unit Trust. This may be the reason why Unit Trust investments are so under-subscribed in this demographic.

**4.2.10 Cash Savings**

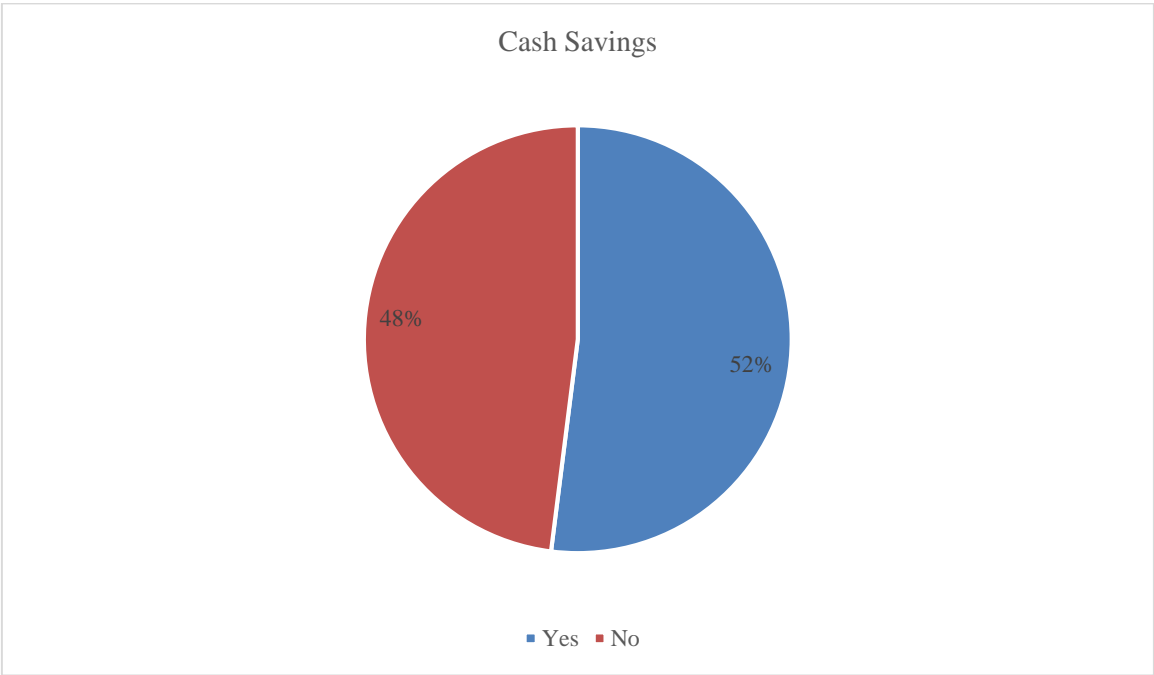


Figure 10: Cash Savings

The respondents were asked if they saved cash in the bank. Cash savings as an asset class was generally more subscribed than the other asset classes, with slightly more than half (52%) answering yes to this question and the rest (48%) responding with a no to this question. Historically, even during Apartheid times, this was the one asset class that was available to the Black middle-class, although back then there was a general fear of banking institutions because many believed the financial institution could be a way to monitor the lives of Black people by the government of the time, hence a motivation to save in groups by way of Stokvels in the Apartheid era.

According to Krige, P. (2011), cash is considered king in terms of asset accumulation is concerned in the Black middle-class, although members of this group also actively pursue property ownership and increasing the value of their properties.

**4.2.11 Offshore Investments**

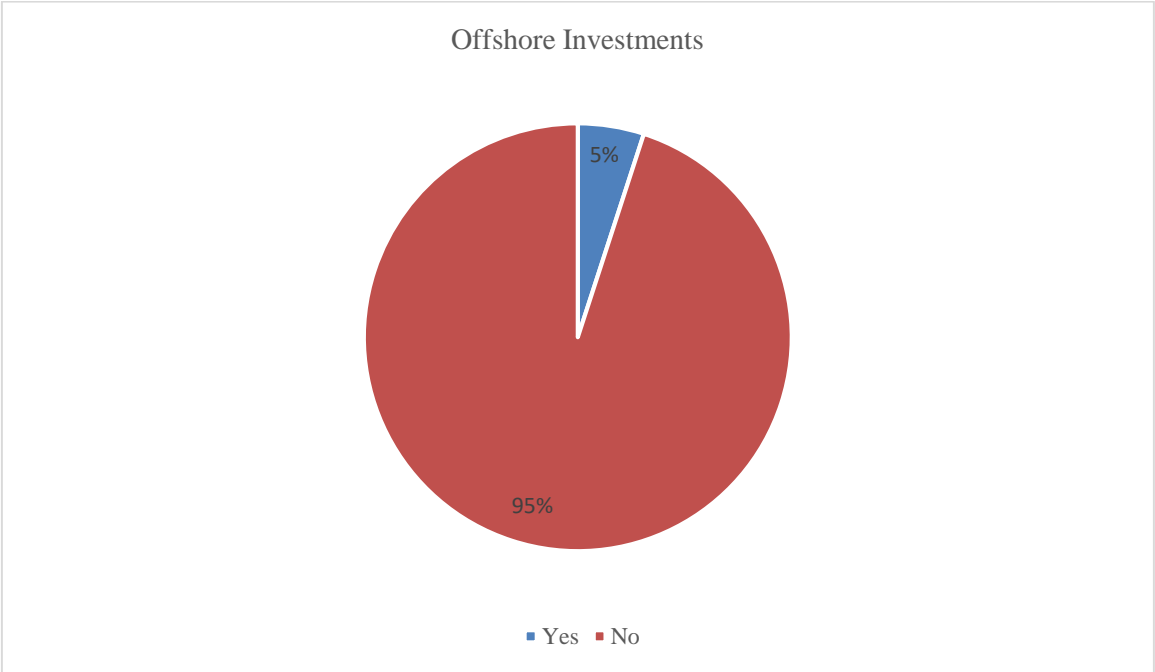


Figure 11: Offshore Investments

Offshore Investments as an asset class are fairly new and unsubscribed in the Black middle-class, with 95% saying they did not own any. Only 5% of the respondents said that they invested in offshore investments. This was in line with the literature particularly that most in the Black middle-class were still filling the asset deficit and catching up with their white counterparts. The low subscription to Offshore Investments as found in this study confirms what the researcher found in the literature, that the Black middle-class still have an asset deficit to address.

Gedye, L. (2018) wrote in his article “How do I start investing offshore?” that investing offshore can be a very daunting exercise. Because of its complexity as an investment vehicle, offshore investing is not attractive to the Black middle-class, who are still in the process of upskilling on their financial literacy.

**4.2.12 Funeral Plan Insurance**

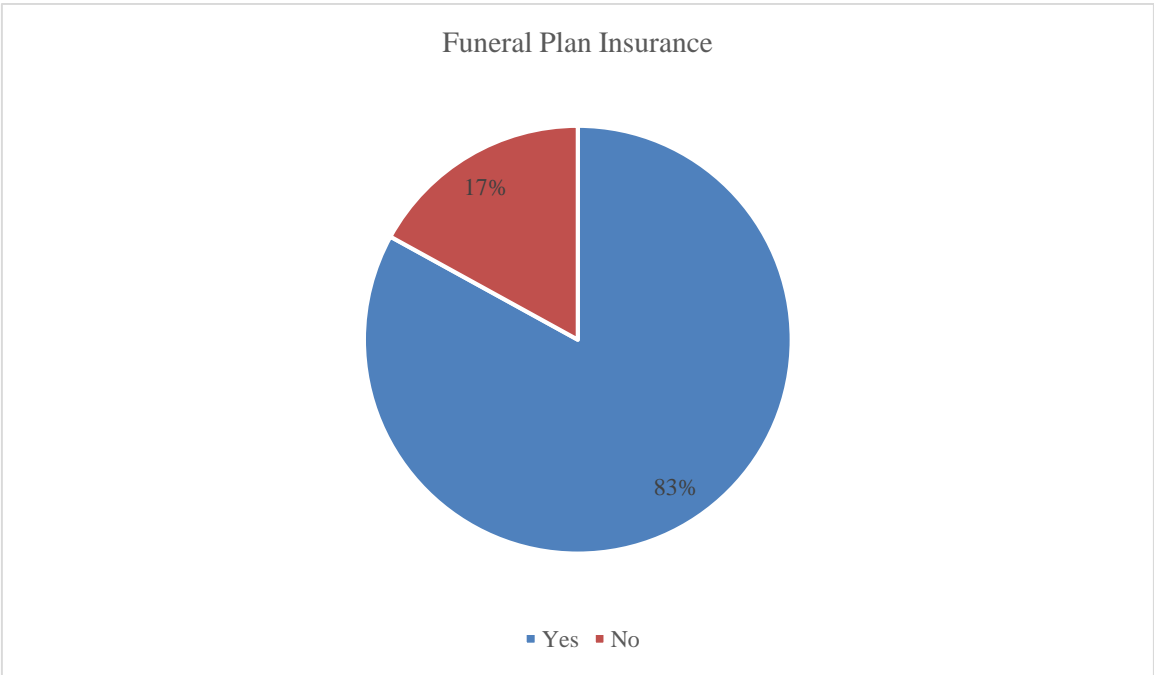


Figure 12: Funeral Plan

The respondents were asked if they have a funeral plan insurance. As has been a trend in the Black (African) culture, provision for a descent funeral for loved ones has been a high priority, hence Funeral Plan Insurance was very much subscribed. Funerals have always held an important place socially in the Black community as it is a common place where relatives and friends would convene to bury their dead. The more glamorous the funeral the more status it bestows on the family of the deceased, hence the researcher was not surprised at the finding that 83% responded that they were paying for this insurance and 17% did not have a funeral plan.

In “When a death leads to debt”, an online article by West, E. (2015)., we learn that in spite of a relatively high penetration of funeral polices, the cost of death in families is plunging many middle to lower-income earners into debt spirals from which they cannot escape. The cost of funerals is getting excessively expensive, so even if one does have a funeral plan insurance, it is good for them to ensure that the cover is sufficient.

#### 4.2.13 Retirement Savings

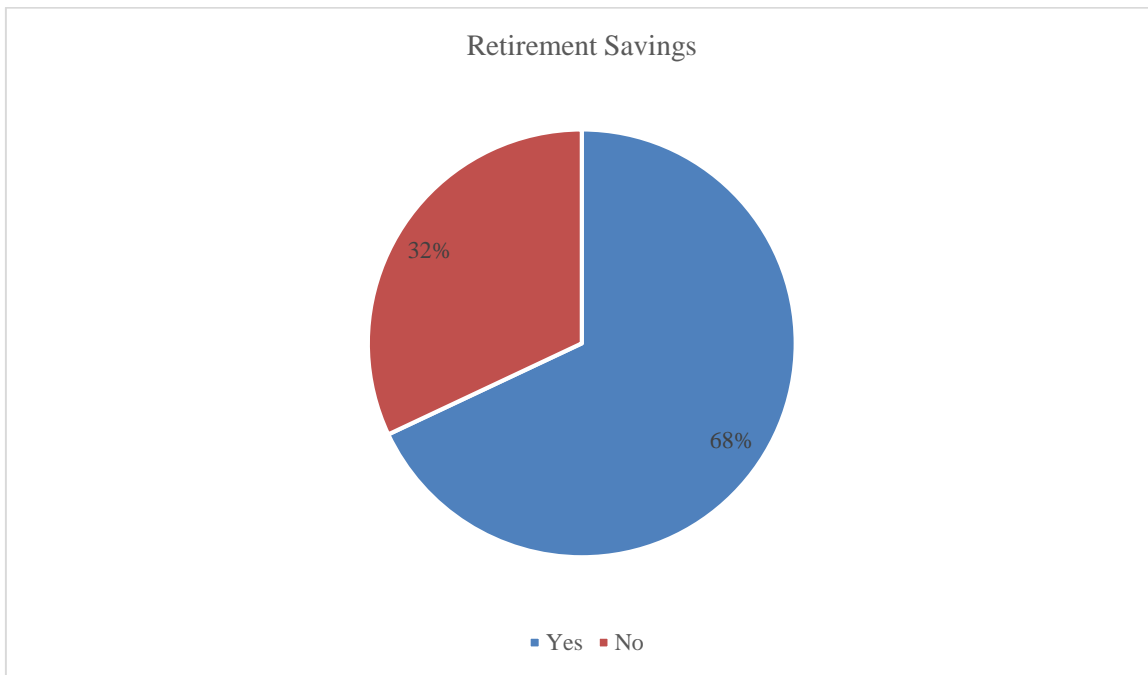


Figure 13: Retirement Savings

The respondents were asked if they have any retirement savings. 68% of the respondents answered yes to having Retirement Savings while 32% said they did not have this investment class. Retirement savings have historically been part of the benefits that an employee enjoys (in the form of a pension fund) as part of their employment contract. It could be the reason why this asset class is well subscribed. A recent trend is for the employer not to provide this benefit. In such cases, the employee would then have to take personal responsibility to enlist in a retirement saving plan in their personal capacity with a financial institution.

According to Holmes, T. (2017). The 2017 Sanlam Benchmark symposium interviewed more than 1 500 South Africans, the majority of whom were considered middle class. Of those, 29% said they were not on track to retire. The results of this study show that more than half of the respondents are subscribed to Retirement Saving, while the current literature presents a bleak picture. It should be the responsibility of every member of the middle-class to access if they are adequately covered for retirement.

#### 4.2.14 Other Savings and Investments

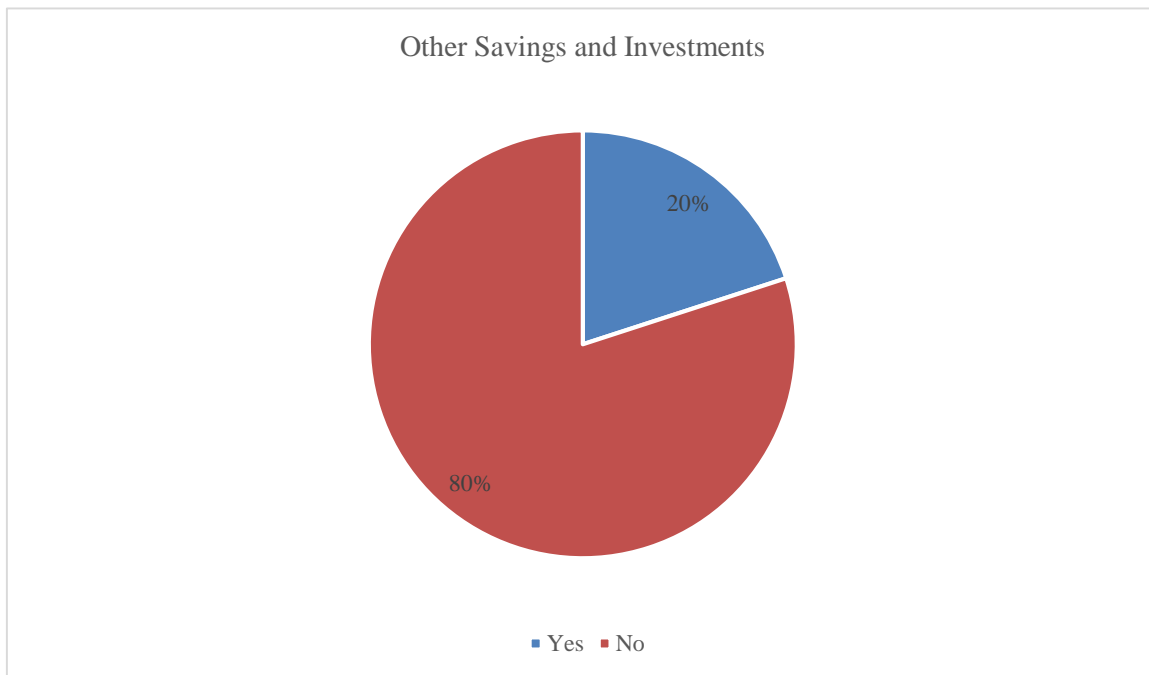


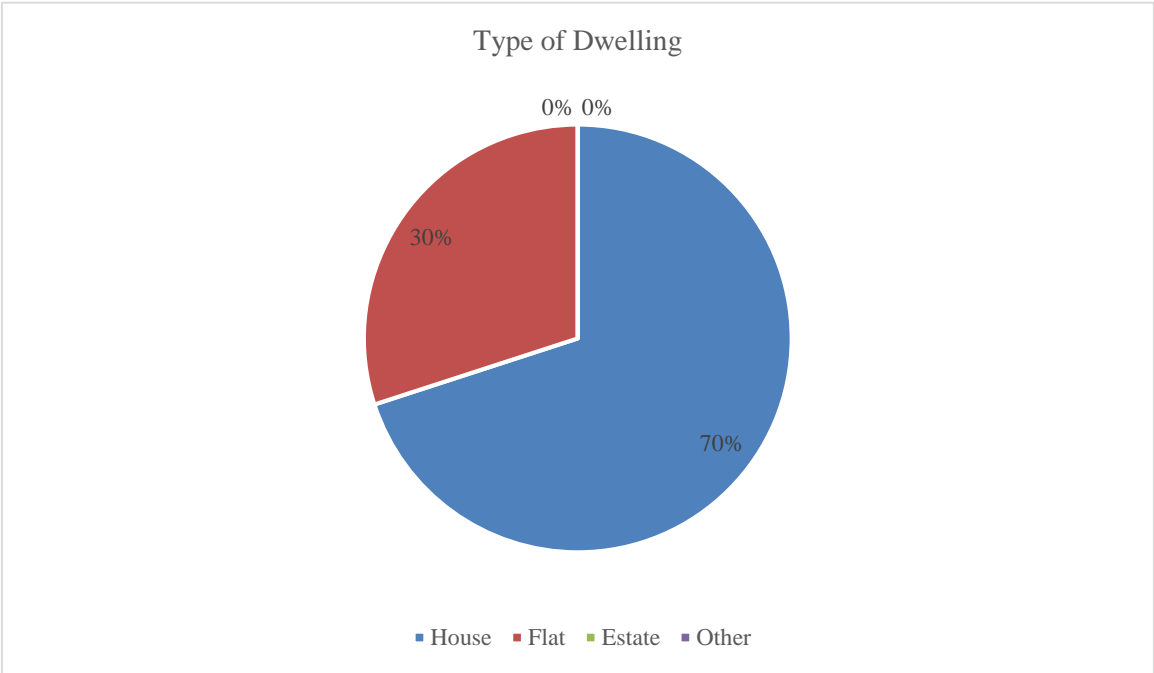
Figure 14: Other Savings and Investments

The respondents were asked if they subscribed to other asset classes that were not listed above. 80% responded that they did not have any other, while the 20% that said they did have them, but did not name which asset classes they were referring to. The low subscription to other savings and investments as found in this study confirms what the researcher found in the literature, that the Black middle-class are still more pre-occupied with spending money addressing their asset deficit instead of saving and investing.

Kaus, W. (2013) undertook a South African study whereby he interrogating a series of 1995, 2000 and 2005 Income and Expenditure Surveys. He found that Black and Coloured households spent at least 35% to 50% more on visible goods than White households in the same income groups. This means that while their White counterparts have the capacity to save, the Black and Coloured group is using their money to consume visible goods.

**Section E: Spending Patterns**

**4.2.15 Type of Dwelling**



**Figure 15: Type of Dwelling**

The respondents were asked what type of dwelling they resided in. 70% reported that they lived in houses, 30% said they lived in flats. None said that they lived in estates and none ticked the option of other. It is important to understand the dwelling type as part of the profile of the Black middle-class as the more information available about their choices the better for the filling of the literature gap on this demographic group.

Present literature tells us that the “Black Diamonds” shop a lot, and have a taste for expensive cars, branded clothing and huge dwellings. (*Cape Times*, 11-04-2007). The response to this question tells us that the majority (70%) of the respondents dwell in houses (which are generally bigger properties than flats). This is in line with what literature tells us about the huge dwellings that the Black middle-class live in. It is important to keep in mind though, that the response to

question 4.2.16, mentions that only about half (49%) of the respondents have actually bought their properties.

#### 4.2.16 Source of Dwelling

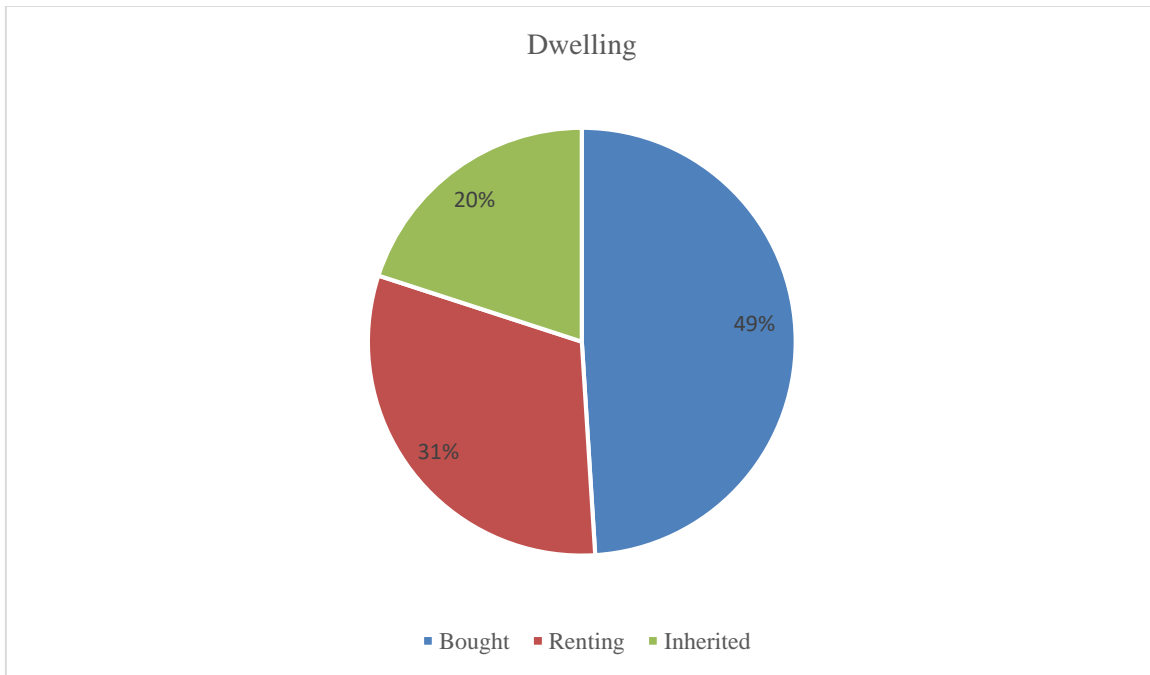


Figure 16: Source of Dwelling

It is also important for filling the gap in literature to understand where the target group get their dwellings from, as in how they acquired (if they own them) the properties they reside in. Most of the respondent's dwellings were bought (49%), 31% were rented and 20% were inherited.

We see above that only 20% of the respondents have inherited their dwellings. This is a low percentage compared to the White South African group where there are valuable assets in the form of properties and other assets that are being passed down from generation to generation. As per Burger R, et al (2014), this is a legacy of Apartheid.

#### 4.2.17 Value of Dwelling

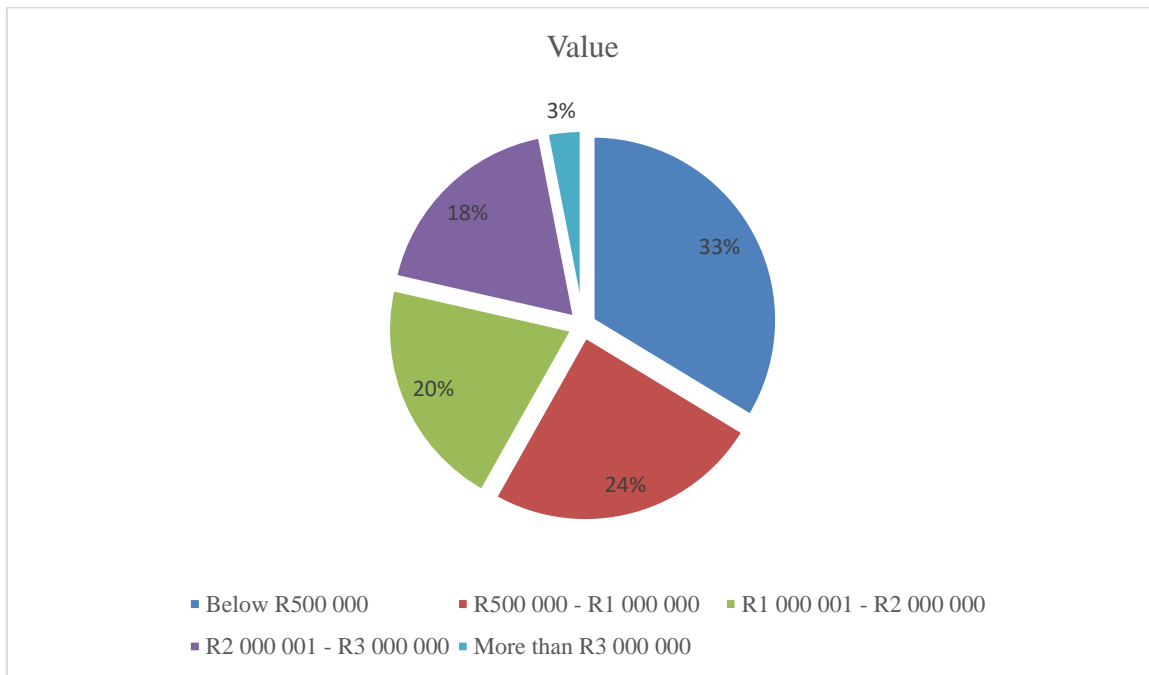


Figure 17: Value of Dwelling

The respondents were required to respond on the value of the dwelling in which they lived. This question on the value of their dwellings was asked to ascertain how heavily invested the Black middle-class is in property. 33% said that they lived in dwellings with a value of below R500 000, 24% said that they lived in a dwelling with a value of R500 000 - R1 000 000, 20% said that they lived in a dwelling with a value of R1 000 001 - R2 000 000, 18% said that they lived in a dwelling with a value of R2 000 001 - R3 000 000 and only 3% said that they lived in a dwelling with a value of more than R3 000 000. This confirmed that true wealth is still few and far between among this demographic. They are yet to own properties of a high value similar to levels of their White counterparts.

Burger R, et al (2014) argued that the asset deficit experienced by the Black and Coloured groups was a legacy of Apartheid, which sought to create economic differences among the

various racial groups in South Africa. Most White households have had goods inherited from previous generations, thus their young can spend their money on other things. Black middle-class households, however, still need to catch up as they do not have the benefit of such inheritances. Much of what is seen as conspicuous consumption may just be consumption to bring this Black middle-class on par with others in the middle-class.

In this study, the researcher found that an extremely low percentage, 3%, owned property that was above the value of R3 000 000. The category of the lowest value of properties (R500 000 and below) had 33% of the respondents subscribe to it. This shows us that although some in the Black middle-class are filling the property-ownership asset deficit, the values of their properties are low. It will take some time and more redress policies on the part of government before they can own properties of a high value similar to levels of their White counterparts.

**4.2.18 Private or Public Transport**

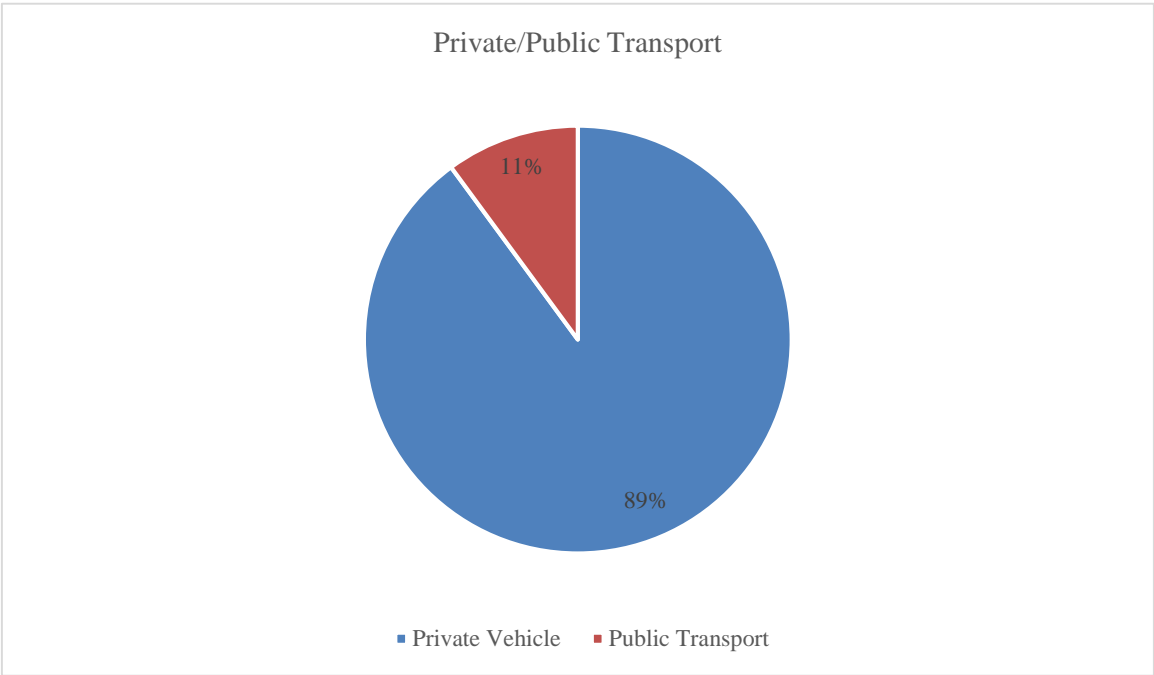


Figure 18: Private or Public Transport

The respondents were asked if they use their own private vehicles or public transport. It is a positive report that 89% used their own private vehicles for transportation, while 11% used public transport. It speaks to the level of affordability of this demographic. This is in line with the literature that vast increases in vehicle ownership have happened among this demographic.

Literature sources identify that ownership of at least one family vehicle is synonymous with belonging to the middle-class in SA. In her “Classifying Soweto” study, and in her follow-up 2011 article, Phadi (2010) discusses her pre-1994 Black middle-class experience. Her family had a car, whereas neighbours did not. They got into the car with their parents to buy groceries at the end of the month, while the other children in the neighbourhood did not. This passage of literature shows that ownership of a private vehicle is something that is important and affordable in the middle-class experience.

**4.2.19 Value of Car**

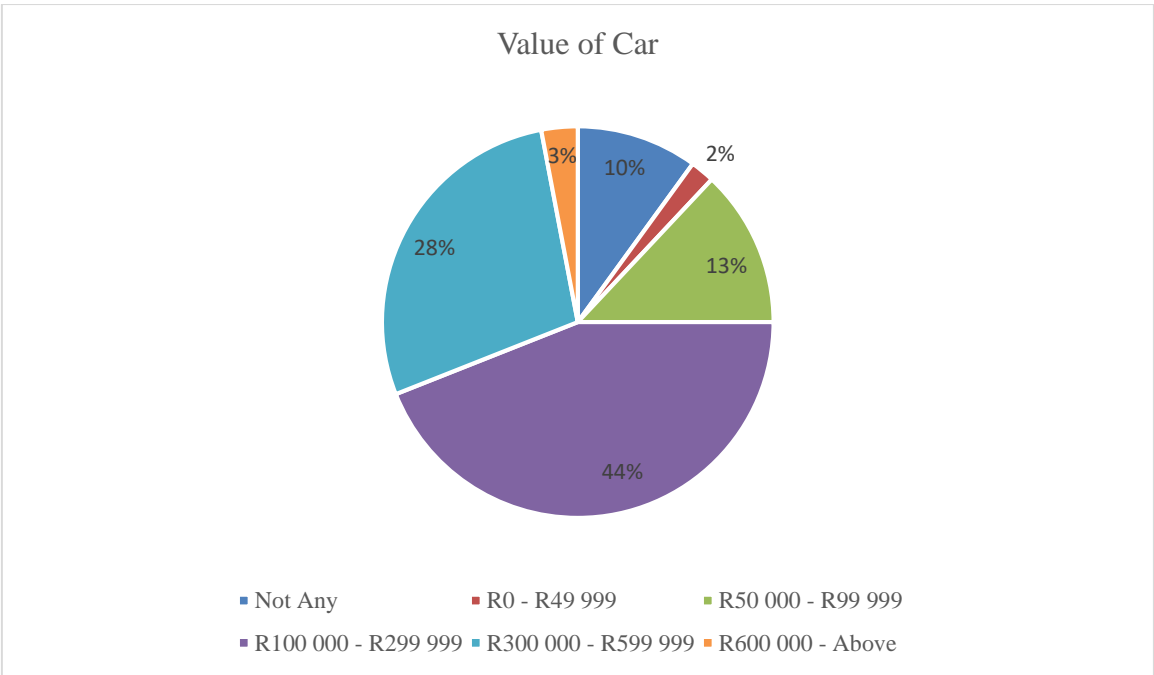


Figure 19: Car Value

The respondents were asked what the value of the car they drove was. 43.9%, indicated R100 000 - R299 999, 27.6% indicated R300 000 - R599 999, 13.3% indicated R50 000 - R99 999, 2% indicated R0 - R49 999 and 3.1% indicated that the value of the cars they drove was worth R600 000 – above. 10.2% indicated Not Applicable as they did not own a vehicle.

It has been written extensively in literature including Nieftagodien, S. and Van der Berg, S. (2007) that this demographic group invest heavily in expensive vehicles and other external symbols of wealth. The results of this study confirms this as there was a large percentage that reported that they owned vehicles in the expensive or above-average bracket.

**4.2.20 Number of Children**

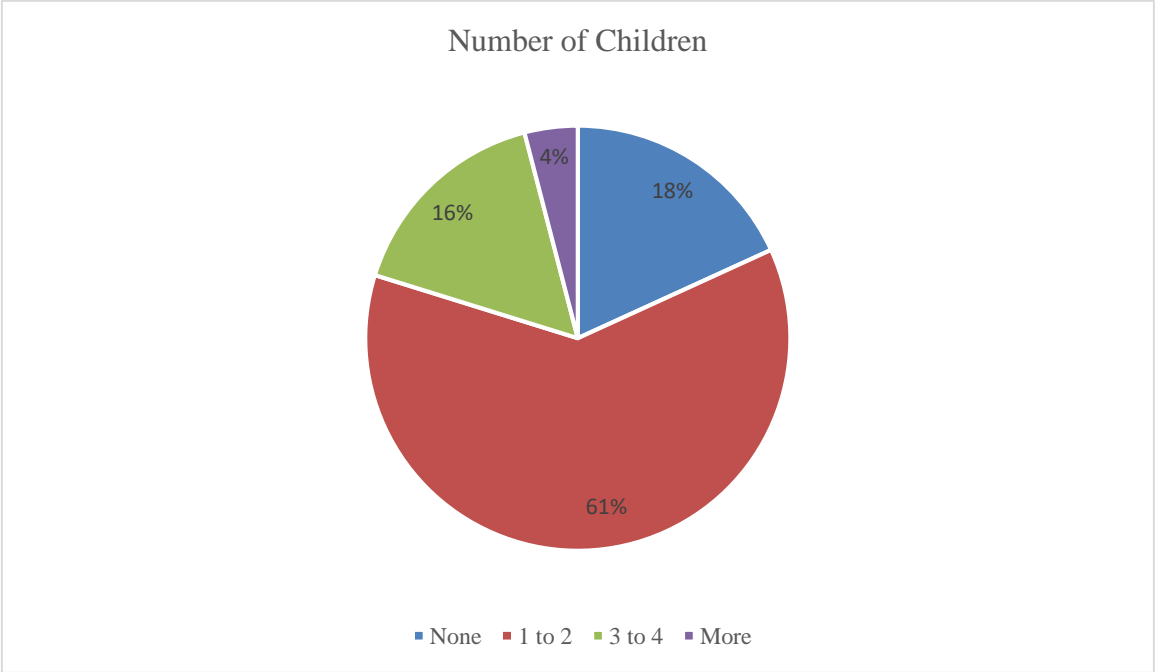


Figure 20: Number of Children

The researcher was interested to find out as far as their children were concerned, how much this demographic were spending on the children’s education, as it has been reported that this group prioritise expensive cars and clothing at the expense of good quality education for their children.

In order to get to the values on school fees, it was important to first find out if they had children, and how many children they had if they had any. The respondents were asked the number of children they each had. 18% reported they had none, 61% said that they had 1 or 2, 16% said that they had 3 or 4 and 4% reported that they had more than 4 children.

Historically, Black people had big families, with most families boasting a number of children of 5 and above. A trend as they move into the middle-class is that they have fewer children. One of the reasons for this is that the middle-class lifestyle is expensive translating to it not making financial sense to have large families. In her work, Phadi, A. (2011) told a story of how in the village where she grew up there was a trend of children being raised by their grandparents because their parents lived far away from home, staying near or where they were working, but in her home they had both parents living with them. They were a small family that could fit inside their private vehicle. That was a source of difference between her middle-class family and the lower-class families that lived around them in the village. The literature depicting this trend to have smaller families as individuals move into the middleclass is in line with the findings in this study.

#### 4.2.21 Type of School

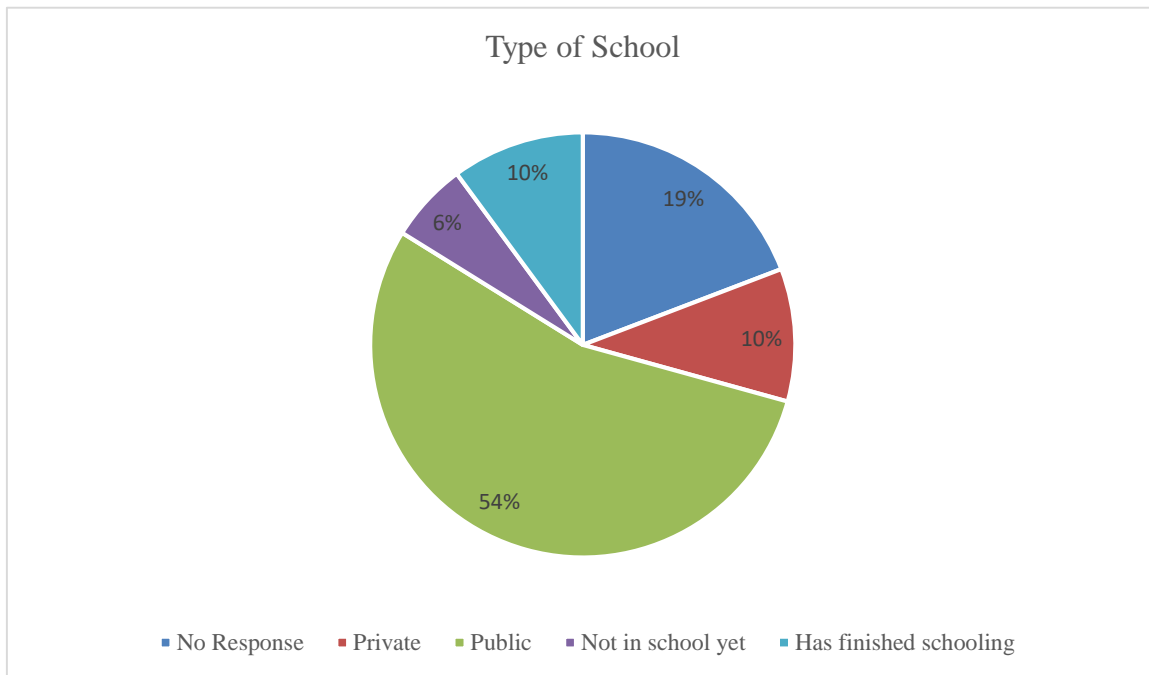


Figure 21: Type of School

The respondents were asked what type of school their children went to. 54% said they went to public schools, 10% said their children went to private schools, 6% said their children were not in school yet, 10% said their children had finished school and 19% did not respond to this question.

In the literature review in chapter 2, the researcher presented a quote extracted from the (*Cape Times*, 11-04-2007), which said that the ‘Black Diamonds’ had a taste for private schooling for their children, among other things” In the study, the results pointed out that only 10% of the children of this Black middle-class were in private schools. 10% said their children had finished school and 19% did not respond to this question, these could account for children who had enjoyed/were still enjoying private schooling in their schooling year. 6% said their children were not in school yet. This could account for children who are yet to attend private schooling. Due to the high aspirations of members of the Black middle-class, some may wish to give their children Private school education but may not be able to because of the asset deficit they are

filing, the financial mistakes they are making because of the lack of financial literacy, and other limitations.

#### 4.2.22 Cost of School Fees

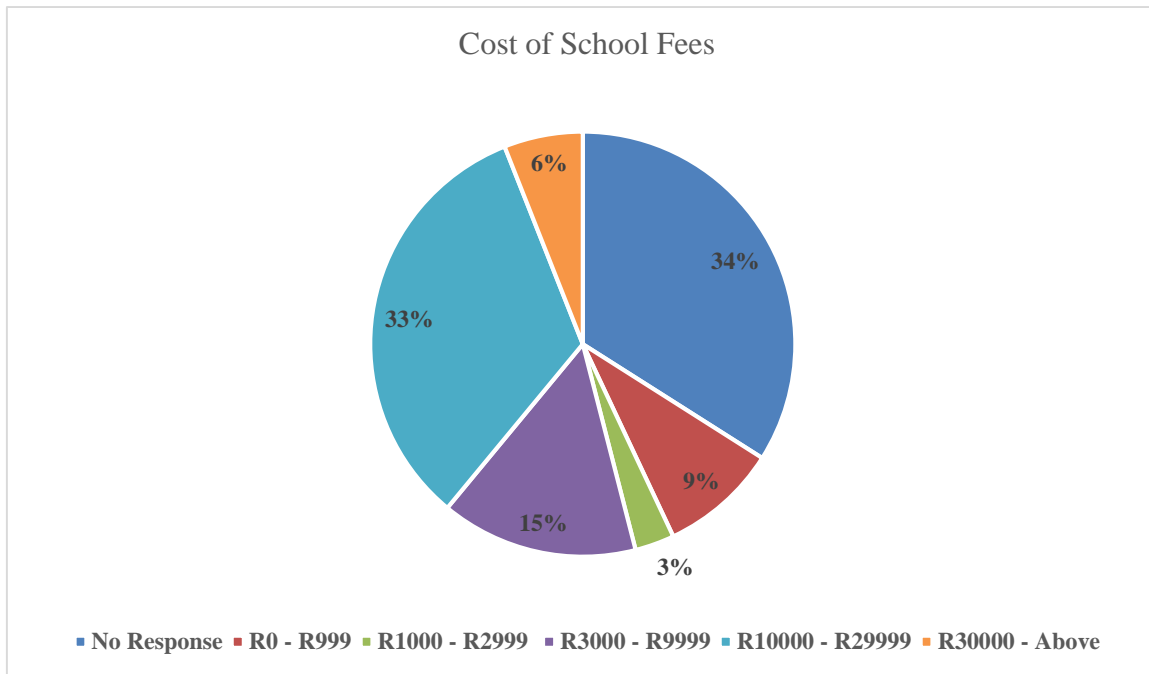
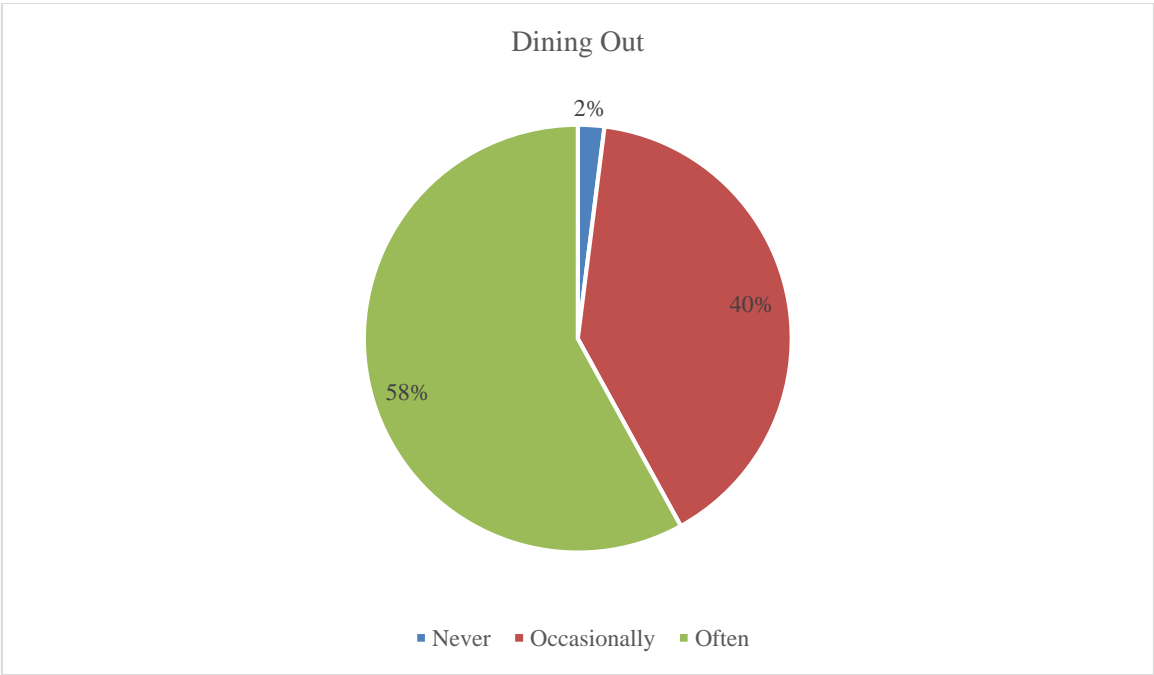


Figure 22: Cost of School Fees

The respondents were asked how much they were paying towards school fees per year. 34% did not respond to this question, 33% said that their children's annual school fees per child cost them R10 000 – R29 999, 15% said that the cost was R3 000 – R9 999, 6% said that the cost was R30 000 and above, while 3% selected R1 000 – R2 999. From this response, I would say the fees for children's education was spread along a broad spectrum. It is a possibility that the 34% that chose not to respond to this question belong to the members of this demographic that we often hear about, those that spend heavily on external symbols of wealth but then invest less in their children's education. They may have been embarrassed to express this in fear of judgement.

In my literature review in chapter 2, I have referred to a phenomenon that was coined in the USA, called conspicuous consumption. In the USA, many Black and Hispanic people spend much more on such conspicuous consumption in an effort to seek status recognition. The problem with this kind of consumption is that it is usually undertaken at the expense of other categories of consumption, such as education, health and future consumption. This is the real and most damaging cost of this conspicuous consumption. To bring this home to this question about the cost of education, it is important to recognize that there are members of the target group who may be foregoing sending their children to a higher quality school because there is little money left for education once luxury items have been purchased.

**4.2.23 Frequency of Dining Out**



**Figure 23: Frequency of Dining Out**

In most of the available literature on the Black middle-class, they were called Black Diamonds who spent much of their income dining out in expensive restaurants. The purpose of this question was to test if this was true. When asked how often they ate out (takeaways, dining out in a restaurant) in a month, 58.2% responded that they ate out often, 39.8% responded that they

ate out occasionally, and only 2% responded that they never ate out. It seemed that dining out is a common lifestyle feature for this demographic, based on this study conducted.

The lifestyles of most in the South African Black middle-class had similarities to the conspicuous consumption that the Black Americans had been associated with. We are told that status was a dominant consideration for this market segment when making purchases (*Cape Times*, 11-04-2007).

#### 4.2.24 Monthly Spend on Clothes

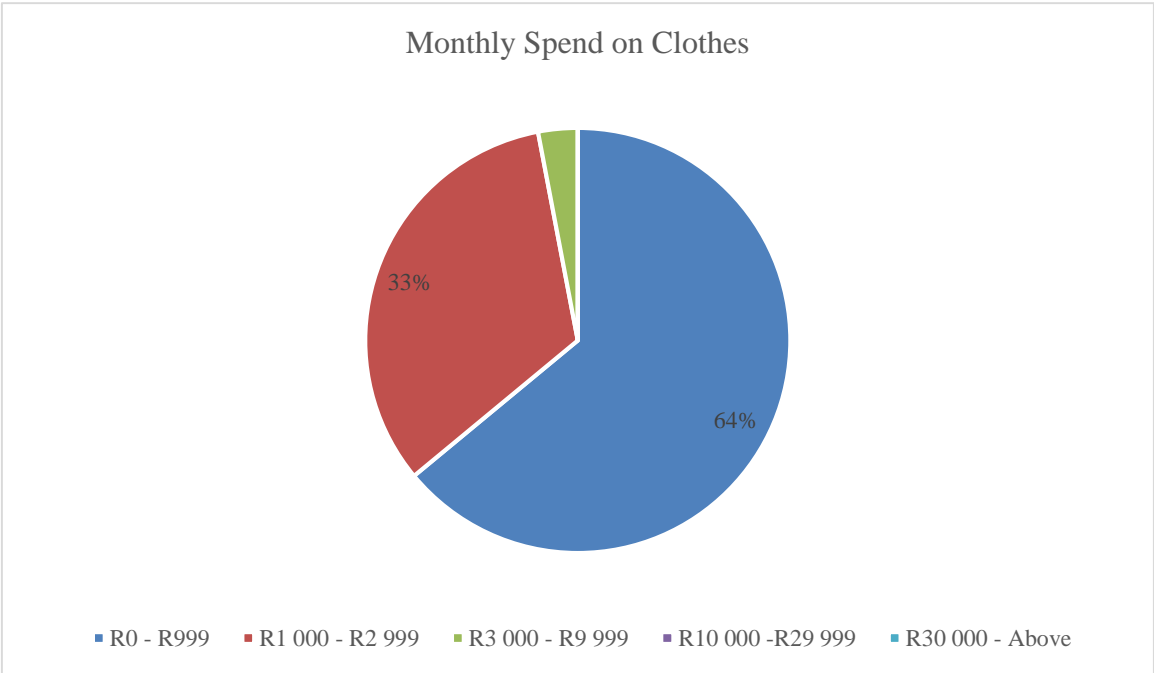


Figure 24: Monthly Spend on Clothes

This question was unintentionally asked twice (in 4.2.24 and 4.2.25), but with different response categories, hence the different responses. The respondents were asked how much they spent on clothing items in a month. 64% responded that they spent R0 – R999 on clothing per month, 33% reported that they spent R1 000 – R2 999 per month, 3% responded that they spent R3 000 – R9 999 and none chose the options higher than that. Based on these responses, this

demographic does spend on clothing shopping monthly, at different price points. It looks like there is a very small percentage (3%) that spends at the higher end. An article in the *Star newspaper in 2007* wrote of an observation that less importance was being placed on clothes and food and more importance was being placed on gadgets and devices for their homes and the latest cellphone models. This is in line with this study as it also found that this demographic spends less on clothing than is often reported in the media.

**4.2.25 Spend on Clothing per Month**

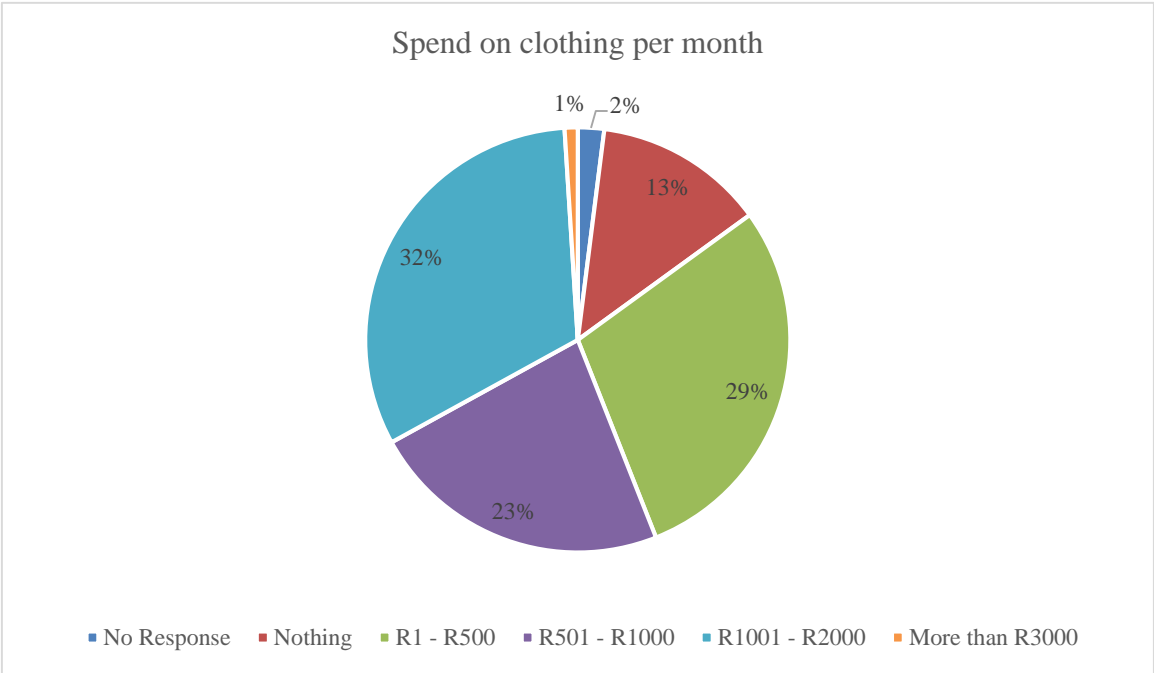


Figure 25: Spend on clothing per month

The respondents were asked again about their monthly spend on clothing. 32% said they spent R1 001 – R2 000. 29% responded that they spent R1 – R500, 23% responded that they spent R501 – R1000, 13% said they spent nothing on clothing monthly, 2% did not respond and 1% said they spend more than R3 000. The part that was aligned between this response (4.2.25) and the response to the previous question (4.2.24) was that 32/33% said they spent between R1000 – R2000 on clothing items per month.

Various international clothing brands, such as Gucci, Armani and Chanel have been introduced to the South African market since 1994. Black people have been quick to adopt these brands. According to this study, a very minor percentage (1% in this question 4.2.23 and 3% in question 4.2.24 above) spend more than R3000 on clothing every month. This does not correspond with the claims in literature that the Black middle-class spend excessively on clothing.

**4.2.26 Frequency of Visits to Clothing Stores**

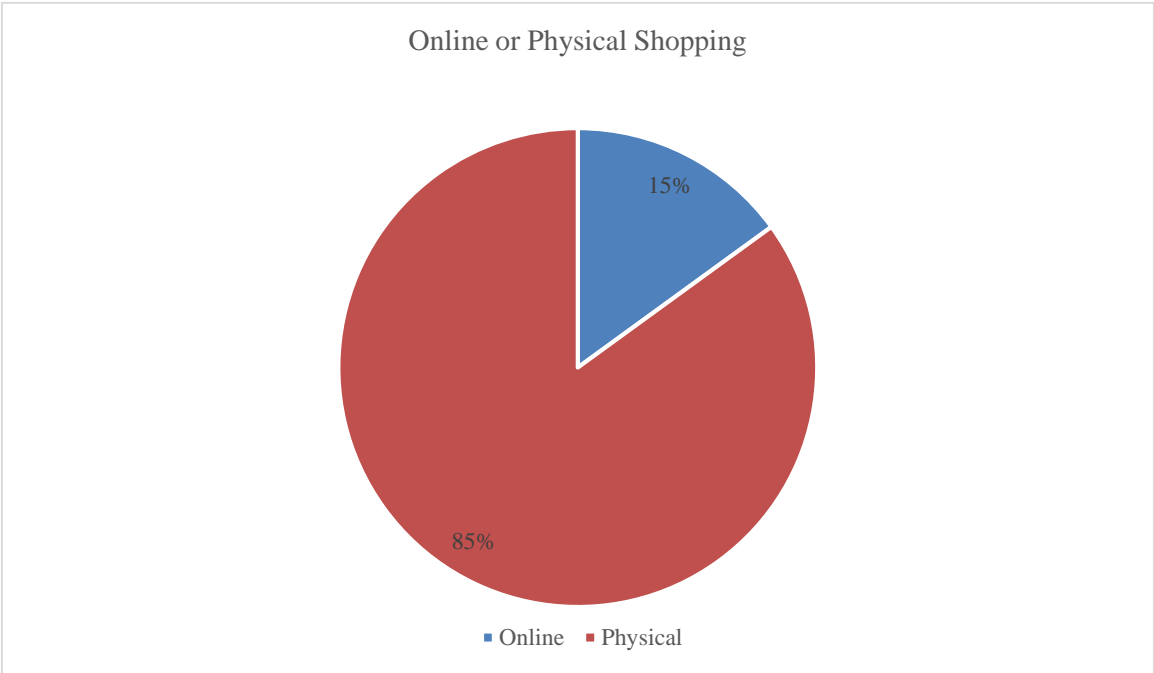


**Figure 26: Frequency of visits to clothing stores**

The respondents were asked how frequently they visited clothing stores in a month. 77% said 1 – 2 times, 12% said they never visited clothing shops. 2% provided no response, while 1.2% said they visited clothing shops about 3 or more times per month. It appears that most individuals in this demographic (77%) visited clothing shops at least 1 to 2 times a month.

According to an article (Cape Times, 11-04-2007), when it came to these consumers, status was the only consideration when making purchases. We were told that they shopped a lot, and had a taste for expensive cars, branded clothing, huge dwellings, private schooling for their children and the most posh accent possible. This result contradicts the current literature available, which suggests that conspicuous consumption of clothing items is one of the main characteristics of the Black middle-class in SA.

**4.2.27 Online or Physical Shopping**

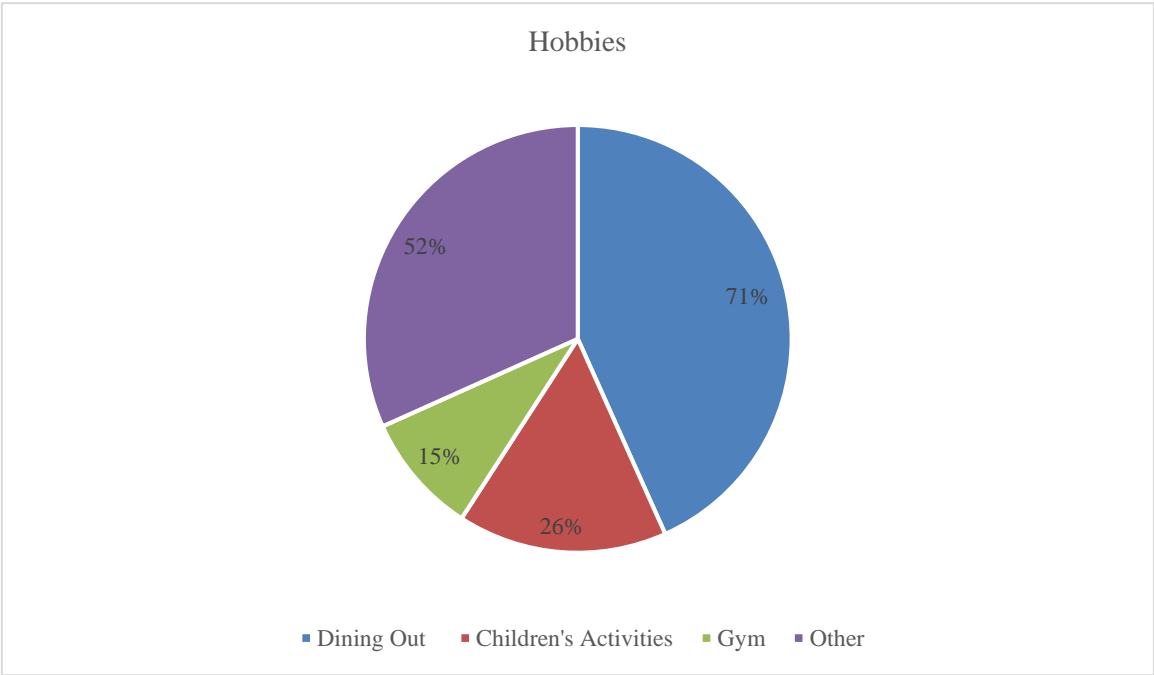


**Figure 27: Online or Physical Shopping**

The respondents were asked if they do most of their shopping online or physically in clothing shops. 85% of the respondents said they do their shopping physically and 15% reported that they do their shopping online. It appears that most of this demographic is not yet familiar with online shopping.

In the days of Apartheid, shopping malls were reserved for White people. Upon the end of the Apartheid regime, shopping malls began to open up all over South Africa, including Black neighbourhoods. The redressing of the deprivation of the physical shopping experience may be the reason why so many in the Black middle-class choose to forgo the convenience of online shopping in favour of physically going to shop at a shopping mall.

**4.2.28 Hobbies/Recreational Activities**

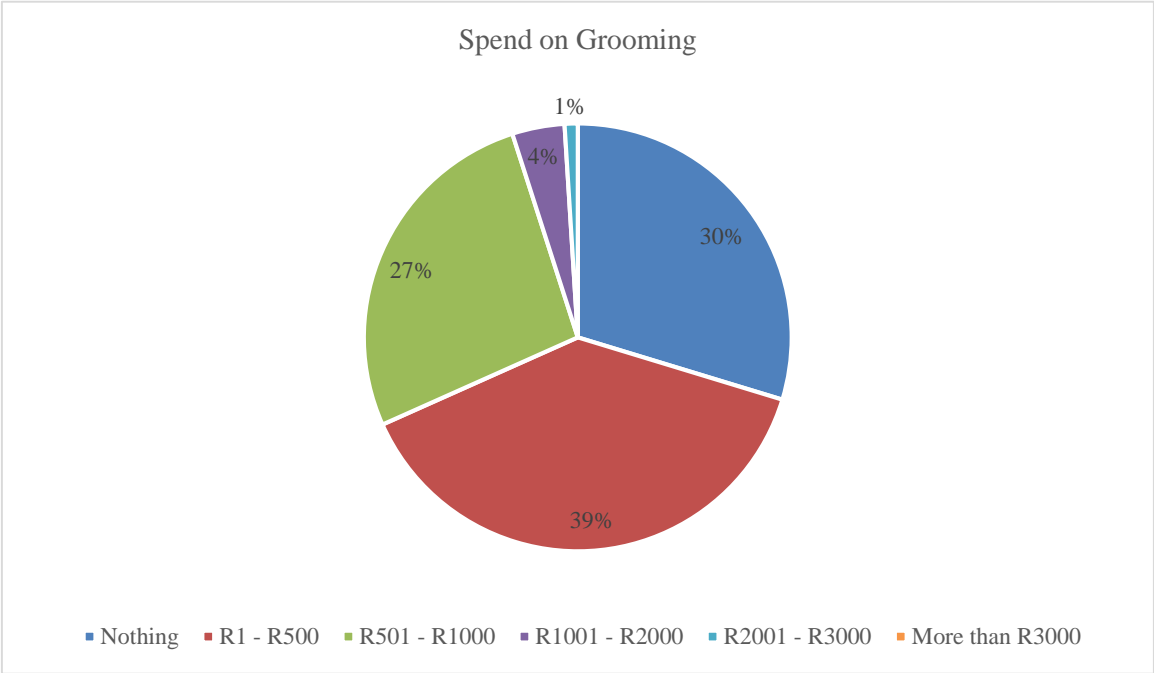


**Figure 28: Hobbies/Recreational Activities**

The respondents were asked what hobbies or recreational activities they partook in. 71% responded that they took part in dining out, 26% ticked children's activities, 15% chose gym and 52% ticked other activities.

Veblen, T. (1899) suggested that people flaunt their riches and gain more status in society by showing that they can afford to waste time and money. The Black middle-class increasingly take part in activities that are recreational as opposed to activities that are essential, which attests to their upward mobility in terms of class.

**4.2.29 Monthly Spend on Grooming Products and Services**



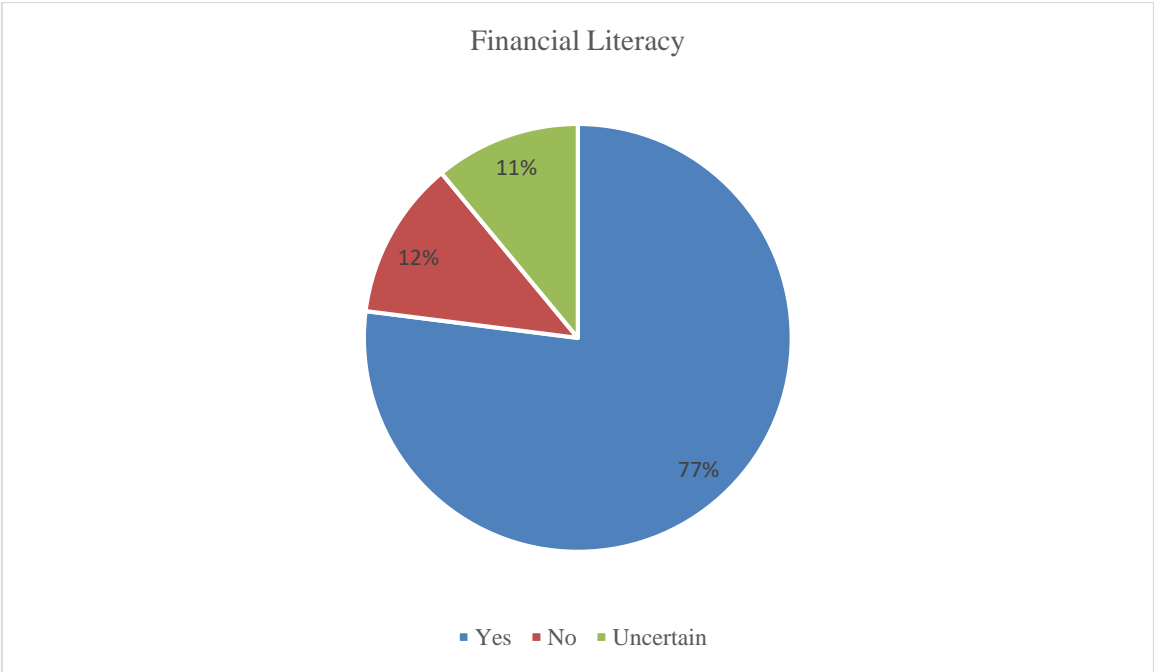
**Figure 29: Spend on Grooming**

The respondents were asked how much they spent on grooming products and services in a month. This question was asked to ascertain the validity of the claim that “Black Diamonds” spent a lot on grooming products and services. 39% said that they spend between R1 – R500, 30% said that they spent nothing, 27% said that they spent R501 – R1000, 4% said that they spent R1001 – R2000, and 1% said that they spent R2001 – R3000. It is indeed true that grooming seems to be a lifestyle priority for most in this demographic group, at different price points.

In extant literature, Diakanyo, S. (2010) wrote that the pursuit of individual self-interest by citizens is the driver of economic development and that the spending on lifestyle goods and services (including grooming) was a response to previous lack by people who wished to affirm their new social status.

**Section C: Understanding of Wealth**

**4.2.30 Level of Financial Literacy**



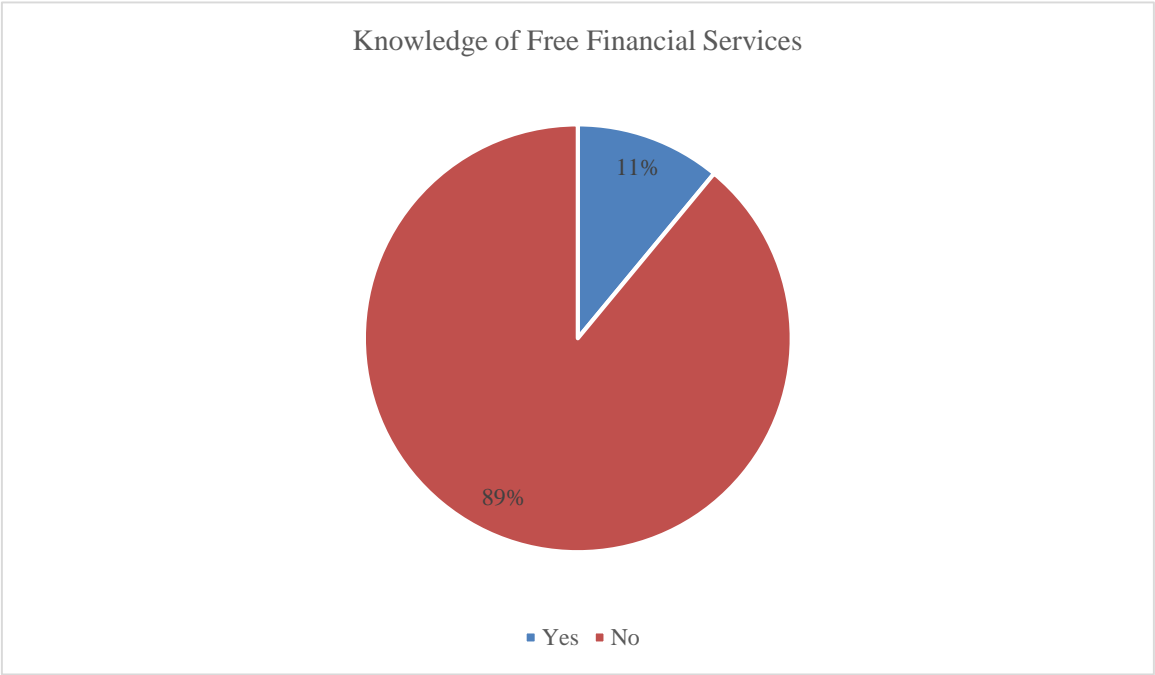
**Figure 30: Level of Financial Literacy**

It was important to ask this category of questions to gauge this demographic’s understanding of wealth. It was critical that this question about the level of financial literacy be asked as it had been said in literature that this demographic group was low on financial literacy. When asked if they would rate their level of financial literacy as adequate, most (76.5%) responded yes, 12.2% responded no and 11.2% were uncertain. Based on this information, most in this demographic rate themselves highly on financial literacy.

We learn from Spaul, N. (2012) in “Poverty & Privilege: Primary School Inequality in South Africa”, that even though Apartheid has been abolished for many years, the schools which had mostly White learners during Apartheid stayed functional, while the schools which served the Black communities remained dysfunctional. There was still a huge gap in the rate of financial literacy taught at the Black schools, thus the cycle of financial illiteracy among Black people continued. Most in this study (76.5%) rated their level of financial literacy as adequate. This is

not in line with the current knowledge base with points out that, for the most part, the levels of financial literacy among those in this group are very low.

**4.2.31 Knowledge of Free Financial Services**



**Figure 31: Knowledge of Free Financial Services**

The respondents were asked if they have knowledge of any free financial services in the market. 89% responded that they did not know any and 11% said yes they did. This question was asked to gauge the level of financial literacy among this group.

Spaull, N. (2012) explained that there was still a huge gap in the rate of financial literacy taught at schools that served the Black community, thus the cycle of financial illiteracy among Black people continued.

#### 4.2.32 Monthly Budget

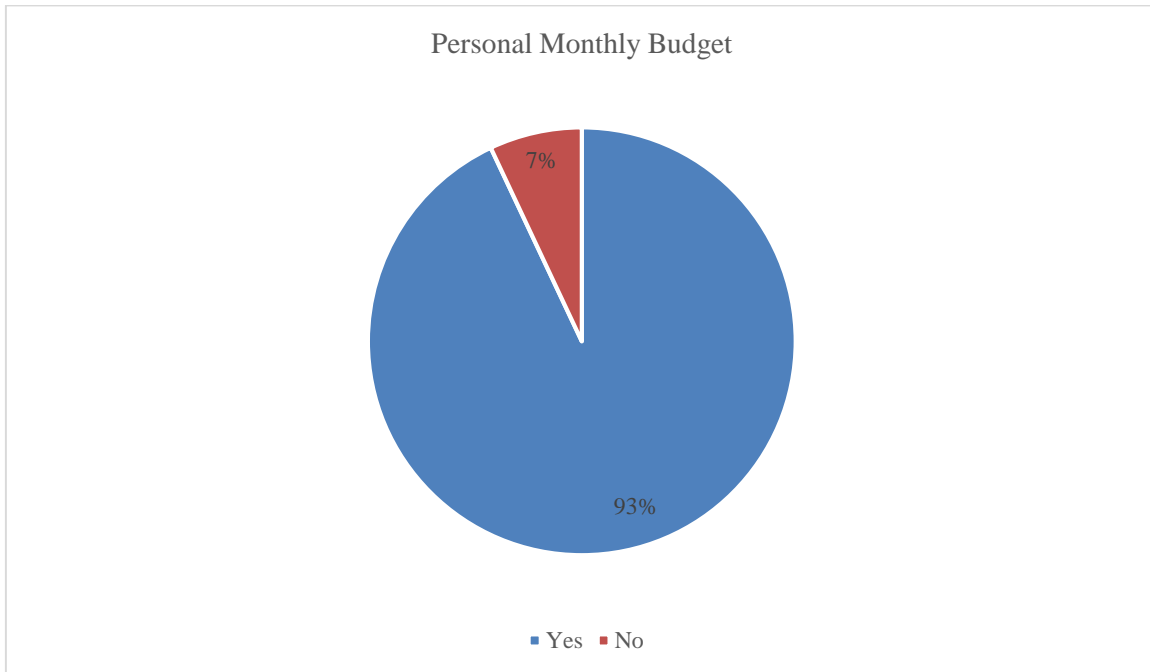


Figure 32: Personal Monthly Budget

The respondents were asked if they had a monthly budget that guided their use of their income. The general assumption in literature was that this group did not budget in their handling their finances. 93% responded with a yes, 7% said no they did not have a personal monthly budget. Most of the people in this demographic did use a budget to handle their finances.

Strasser, et al (1998) and Zelizer (1994) tell us that upon the introduction of mass consumption in the USA and Europe in the late 19th and early 20th centuries, the middle and lower classes had to be taught how to consume. Similarly, budgeting is one of the skills one has to polish up as one enters the middle-class, mainly because membership to the middle-class often comes with access to credit, which can create a debt trap if one can not budget the use of their money wisely.

#### 4.2.33 Degree of Indebtedness

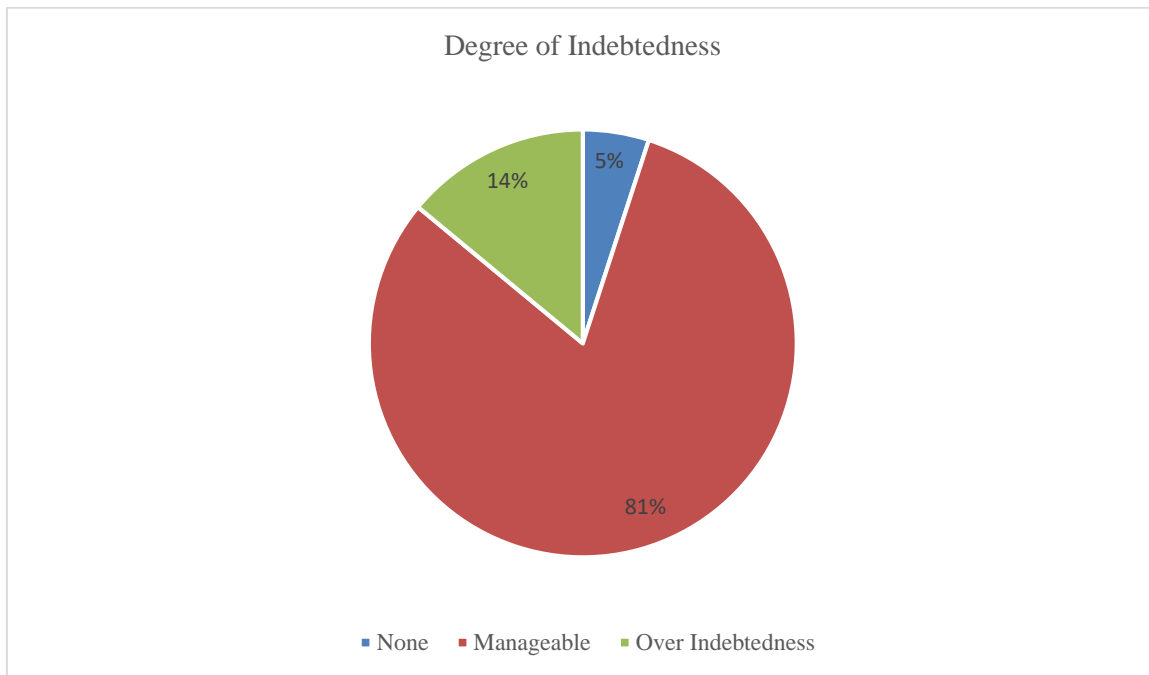
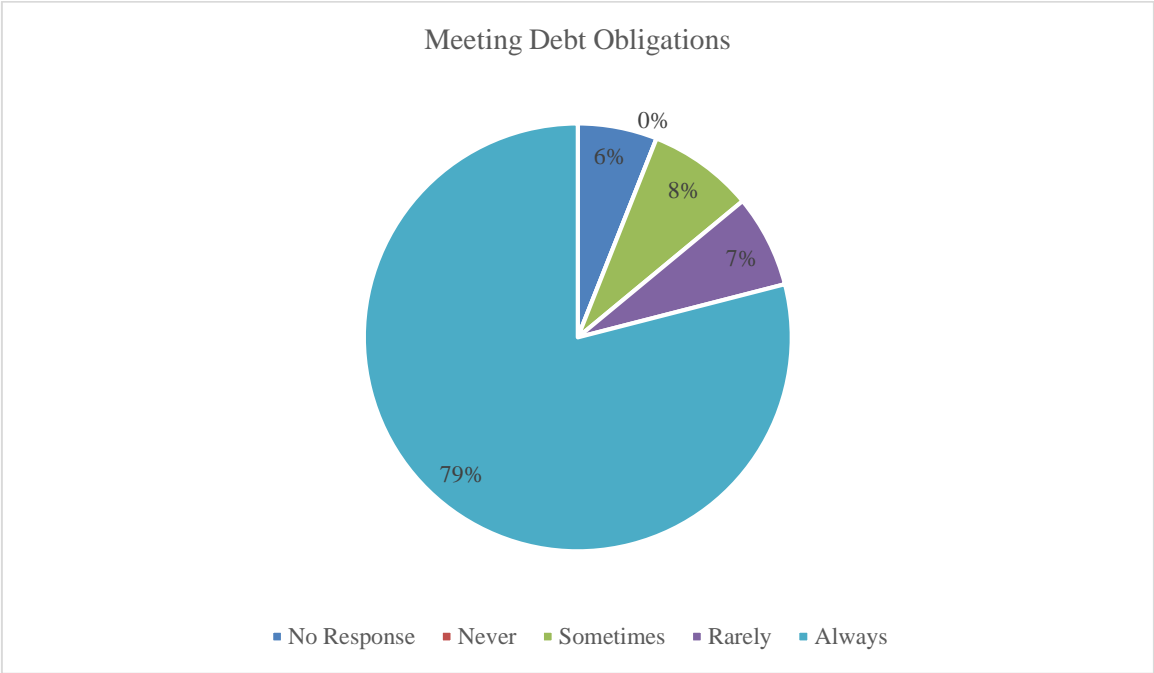


Figure 33: Degree of Indebtedness

According to the available literature, this group has got quite a reputation for being in debt. When asked what their level of debt was, 80.6% responded that yes they did have debt and it was manageable, 14.3% responded that they were over-indebted and 5.1% responded that they had no debt.

When addressing the issue of the asset deficit, Burger, R et all (2015) wrote that White households with a monthly income of at least R8 000 were much more likely than households from the Black race group, with the same monthly income, to own white goods such as washing machines and tumble dryers. This shows that Black middle-class households experience an asset deficit compared with White middle-class households of similar income, and they are assigning a greater amount of their financial resources to eliminating this deficit. The researcher in this study agrees with the literature sources that suggest that this asset deficit being filled by the Black middle-class is one of the reasons why many live above their means, in order to catch up with White peers in their income groups.

**4.2.34 Meeting Debt Obligations**



**Figure 34: Meeting Debt Obligations**

The respondents were asked if they were able to meet their monthly debt obligations. 79% said they always met their debt obligations, 8% said they sometimes met their debt obligations, 7% responded that they rarely met their debt obligations, 6% provided no response and 0% ticked the option of never meeting their debt obligations.

The new Black middle-class has had access to higher incomes due to AA and BEE, and with higher income came access to debt. Unlike most White people, they have no capital, savings or inheritance to draw on and therefore end up venturing into debt when they wish to consume goods and services. That situation was similar to the introduction of mass consumption in the USA and Europe in the late 19th and early 20th centuries Strasser, et al (1998) and Zelizer (1994). Because of low financial literacy, the Black middle-class may not even be aware that they are not adequately meeting their debt obligations.

According to Daniels, (2004) wrote that the people who are most indebted post-Apartheid were those in the middle of the pay scale. “This is most likely in light of the fact that this is where full-time employed workers enter the labour market. These workers qualify for credit, because they earn a regular salary, but binding expenditure constraints possibly places pressure on them to borrow at a level that is unsustainable.” The study revealed that 8% said they sometimes met their debt obligations, 7% responded that they rarely met their debt obligations, 6% provided no response. These could be, as per the literature above, the percentage of borrowers who qualify for credit, but are so bound by expenditure constraints that they end up borrowing above their means.

#### 4.2.35 Perceptions of Wealth

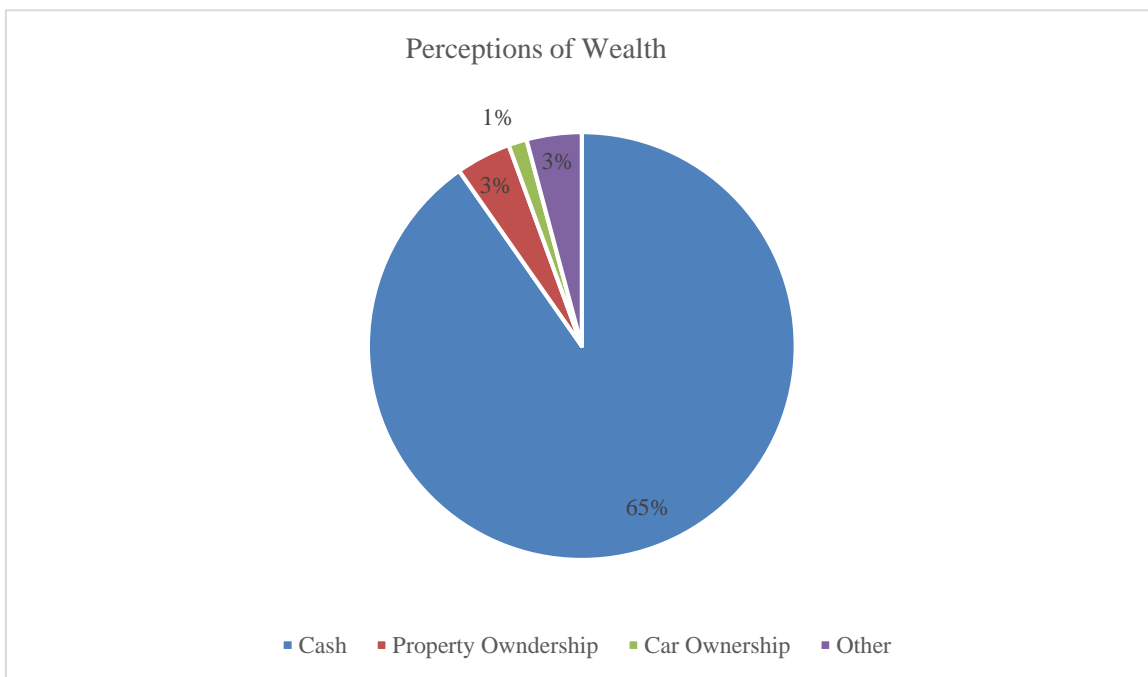


Figure 35: Perceptions of Wealth

The respondents were asked about their perceptions of wealth, what being wealthy meant to them. 65% said it was having cash, 3% said it meant property ownership, 1% ticked on car ownership and 3% ticked on other but did not specify what that other was.

Krige, P. (2011) highlighted that people building and renovating their homes in Soweto were doing it more as a practice to signify the residences presence as habitants and their differentiating themselves in class from their neighbours. Although cash is considered king as far as perception is concerned, members of this group actively persue property ownership and the increase in the value of their properties.

**Section F: Influence of Socio-Demographic Factors**

**4.2.36 Management of Finances**

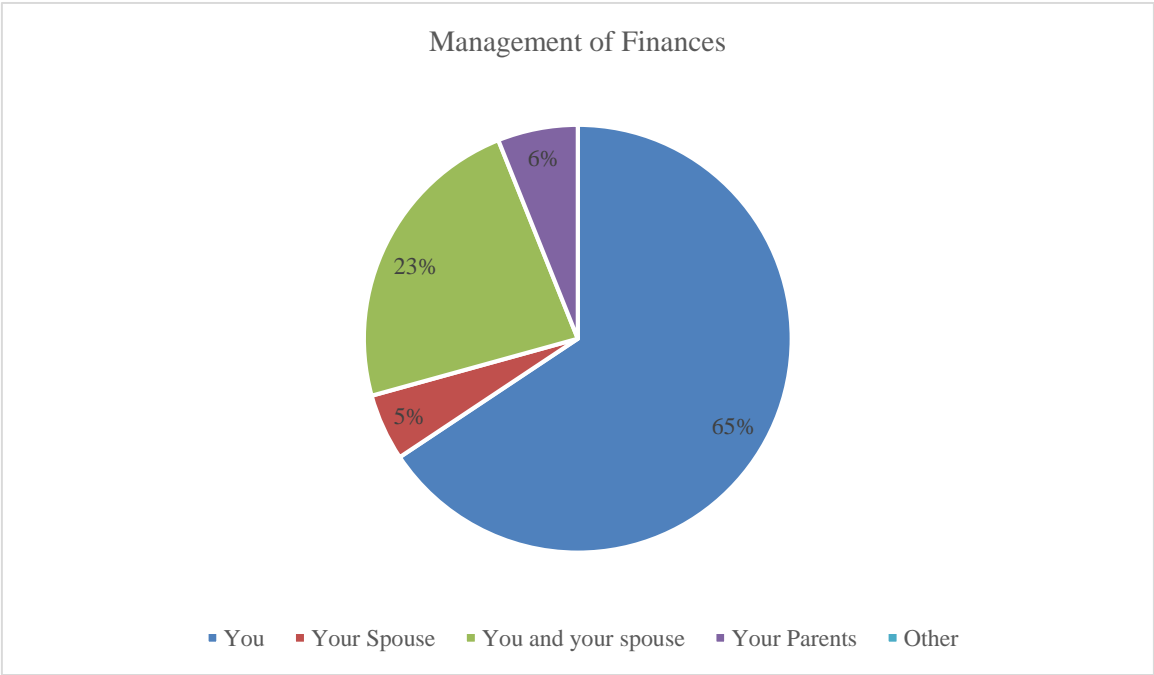


Figure 36: Management of Finances

The respondents were asked who managed the finances in their household. 65% said that they managed their own finances, 23% said that their spouses and themselves jointly managed the household finances, 6% said that their parents managed their finances for them and 5% said their spouses managed the family finances.

Goldscheider, F. and Waite, L. (1986) observed that both men and women seek partners who can earn as much or even more than themselves. Both men and women also seek partners who can manage the finances either with them or for them. We see the result above that a large percentage (65%) that despite seeking partners who can manage the finances either with them or for them, many managed their own finances.

### **4.3 Summary**

The questionnaire allowed the researcher an opportunity to make observations about the respondents and thus make generalisations about the Black middle-class. From the various responses, the researcher concluded that some of the information in the scarce literature that is available on the Black middle-class is in line with the results of the questionnaire, such as the statement that they did place value in clothing, vehicles and other external symbols of wealth. The researcher discovered through the questionnaire that the Black middle-class had not focused on investing in many asset classes such as Unit Trusts, Offshore Investments, Shares and other investments. The focus was on the presentation of the data that had been obtained in the questionnaires. These findings were presented in visual form. The chapter is divided into the introduction, breakdown of results to each question in the questionnaire, and then the summary sections.

## **CHAPTER FIVE**

### **Conclusion, Limitations and Recommendations**

#### **5.1 Introduction**

In the previous chapter, Chapter Four, the findings from the questionnaire were presented and discussed. In this chapter, Chapter Five, the conclusions made from the findings are discussed, with reference to the problem statement and the objectives stated in Chapter One. Recommendations that arose from the study are discussed. The limitations that challenged the study are covered and then finally, areas for further studies were recommended.

#### **5.2 Discussion**

In this section, the objectives in Chapter One are linked with the results in Chapter Four of this study. The objectives of the study were covered by analysing the responses from the questionnaires that had been administered with the MBA students.

##### **5.2.1 To establish existing perceptions towards financial goals amongst the African middle-class.**

The findings from the study show that there is an awareness of the importance of setting and achievement of financial goals within this group. When respondents were asked if setting financial goals was something that was important to them, most (95%) responded that setting financial goals was something that was important to them. When one is focused on displaying wealth (conspicuous consumption), they can be distracted from pursuing and achieving their financial goals, even if they had set clearly defined financial goals. It is therefore important that this group is aware that the need for displaying their wealth could actually distract them from achieving their financial goals.

The fact that 62% of the respondents reviewed their financial goals frequently and 29% sometimes reviewed their financial goals paints a positive picture. In the questionnaire, this question was asked in order to ascertain the level of attention they paid to their financial goals.

This suggests that most in this demographic are intimately aware of what is happening as far as their financial goals are concerned.

It is interesting to note that when asked who was the biggest influence on them for the financial goals, most (87%) said that they were influenced by their nuclear family, 7% said that they were influenced by extended family and 6% reported that they were influenced by friends. This confirms what was found in the literature, that the Black middle-class are very externally influenced.

### **5.2.2 To investigate the understanding of wealth amongst the African middle-class.**

Given the widely acknowledged fact that most in this demographic group have not yet attained a high level of financial literacy, it was important to ask questions in the questionnaire to gauge the group's understanding of wealth. Surprisingly, most (76.5%) in the group rated their level of financial literacy as adequate. This was not in line with current literature, Spaul, N. (2012), which emphasized that there was still a huge gap in the rate of financial literacy in the Black community. Most in this group (79%) believe that they adequately met their debt obligations, and that their debts were manageable. This was also not in line with the bulk of literature that suggest that this group is highly indebted.

It became evident in the analysis that, as per Burger, R et al (2015), most Black middle-class households experience an asset deficit compared with White middle-class households of similar income and that they are assigning a great amount of their financial resources to eliminating this deficit. Currently, most equate being wealthy with the level of cash one has, as opposed to property and other appreciating assets. In general, this group perceptions of wealth will improve as their level of financial literature increases.

### **5.2.3 To investigate the saving culture amongst the African middle-class.**

Cash savings was generally more subscribed than the other asset classes in this group. According to Krige, P. (2011), cash is considered king in terms of asset accumulation is concerned in the Black middle-class, although members of this group also actively pursue property ownership and increasing the value of their properties. Most in this group (87%) save for funerals, in the form of funeral plans. Unit trust investments, offshore investments and property are not as subscribed among this group.

### **5.2.4 To establish the spending patterns amongst the African middle-class.**

Although this group was educated and understands financial concepts, it was clear that financial literacy was an area where they needed to upskill themselves. It was the researcher's conclusion that the asset deficit was one of the factors, other than financial literacy, that kept this group behind when it came to finances. They started out their financial lives with 'catching up' to peers in other race groups in the acquisition of white goods and other necessities that they previously had not possessed. As established from the USA trends, it was only natural that there be a degree of 'conspicuous consumption' by a group of people who had previously been deprived. As it expected that, based on trends in other economies, that as they get entrenched in this middle-class, they will stabilize and focus on the consumption of other groups of spending such as long-term financial priorities in the form of adequate healthcare, quality education, savings, investments and other 'non-flashy' groups of spending.

### **5.2.5 To investigate the influence of socio-demographic factors on the financial behavior of the African middle-class.**

Finally, majority (65%) of the respondents indicated that they managed their own finances and external influence (in the form of their spouses, parents and other), was at a minimal extent. Extant literature paints a different picture, pointing out that this group is extremely externally influenced in the decisions they make with regards to their finances.

### **5.3 Limitations to the study**

In all studies, some or other limitations arise as challenges to the study. The following limitations were identified in this study:

- Time constraints necessitated that this research be completed in a period of six months. Hence the choice of the study sample of MBA students at the UKZN GSB&L. The sample was convenient as it was accessible to the researcher who was a fellow student at the institution.
- The findings of this study could not be generalized to all members of the Black middle-class due to the small sample size. Whilst the method of sampling used for this study was appropriate, the number of respondents who filled in the questionnaire is such a minute number in relation to the whole Black middle-class in SA, that the researcher was not sure that it represents the dynamics of this population accurately.
- There is limited literature of academic merit in this subject in SA.

#### **5.4 Recommendations for further research and for policy makers or practice**

The recommendations for further research are based on the findings and limitations identified in this study. Despite its limitations, the present study does provide a starting point for further research in this subject. The data was analyzed so as to make recommendations that could cover the gaps in literature and practices, but more importantly to identify gaps that could direct the efforts of policy makers or practice. The following recommendations were suggested:

- It is recommended that more research on the Black middle-class be conducted, with a sample of the target group in other settings, such as in corporate South Africa, in the music industry, in other provinces, in specific age groups. The more we understand about the Black middle-class in relation to their financial behavior, the better this body of knowledge and thus the more we can use such studies as a basis of information for decisions pertaining to this population.
- Time was a constraint in this study. It is recommended that a full scale study be conducted of the Black middle-class, where time can be spared to have more respondents respond to the questions of the study.
- A study on the consumption patterns of this group would be an important topic going forward, especially to marketers who look to them as a target market. This group represents great potential for the economy. Their fascination with international brands means that they will continue to impact the global footprint.

#### **5.5 Summary**

The objectives of the research had been to establish existing perceptions towards financial goals amongst the Black middle-class, to investigate the understanding of wealth amongst the Black middle-class, to investigate the saving culture amongst the Black middle-class, to establish the spending patterns amongst the Black middle-class and to investigate the influence of socio-demographic factors on the financial behavior of the Black middle-class. Despite the limitations identified in the study, the study objectives were met.

The researcher would say that the concept of wealth is yet to be understood in Black middle-class, or in the Black community in general. Because wealth has not been passed down from generation to generation like in the White community, there is a body of knowledge on wealth that is missing in everyday conversations among family and friends. With so many Black middle-class having achieved entry into the middle-class, the individuals in this demographic group are in a better financial position than they would have been in the Apartheid era. As demonstrated in the body of this dissertation, this is a complex topic. The Black middle-class is growing and is allowing for Black people in the lower-class (relatives and employees of the Black middle-class) to also enjoy better financial prospects. The findings in this study closes some of the gaps in the academic literature on the financial priorities of the Black middle-class in South African.

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