

## **The Causes and Consequences of Household Over-Indebtedness in South Africa**

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**ABSTRACT** The use of credit by households has expanded in South Africa. This has led many households to become over-indebted. The research analysed the causes and consequences of household indebtedness using both South African and international literature. The causes of household over-indebtedness include both demand and supply-side factors. In addition, there are internal and external factors that lead to over-indebtedness. Household over-indebtedness can have negative implications at household and macro-economic levels. There is a positive relationship between household over-indebtedness and an increase in insolvencies. One of the major risks associated with the rapid increase in household debt is the decrease in savings. Recommendations on how to reduce household over-indebtedness include preventive, alleviative and rehabilitative measures.