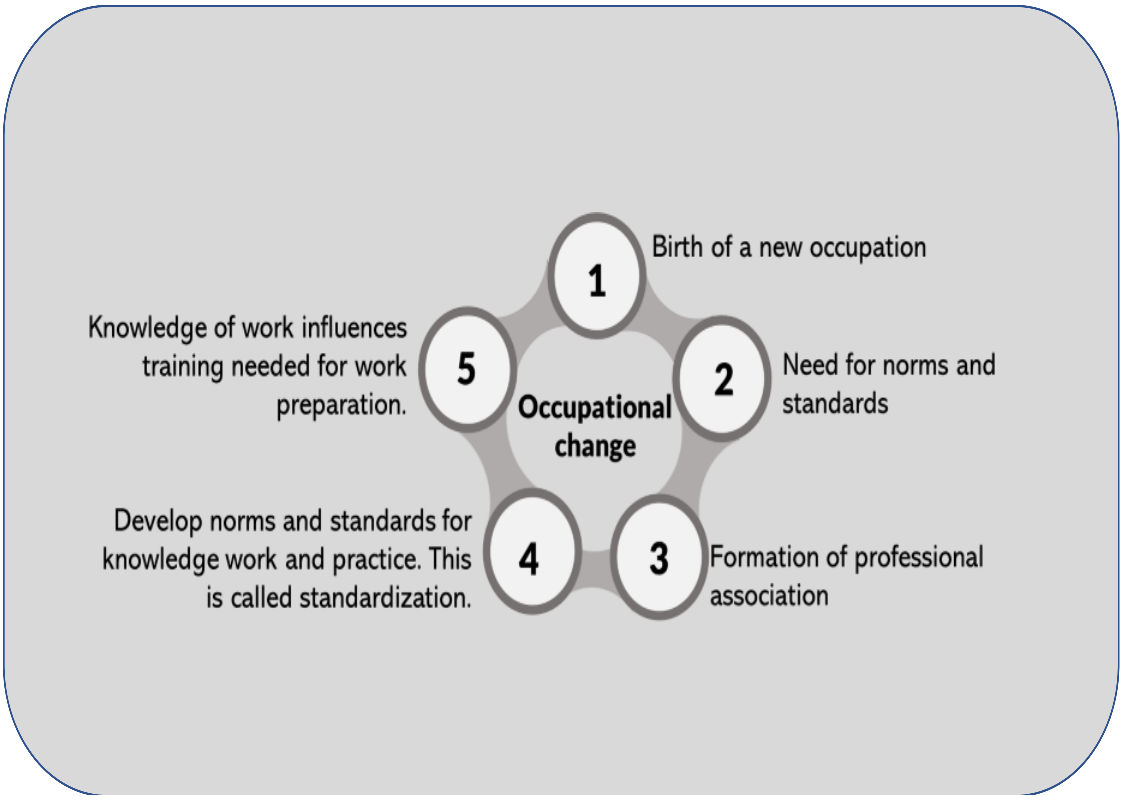
# Occupations and their relationship to education and training within the microfinance sector in South Africa: The case of loan officers





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**MEd by Coursework and Research Report**

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**Date: 30 March 2021**

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**ABSTRACT**

Few black South Africans had access to financial services before 1994. This was exacerbated by the legalisation of apartheid laws in 1954. Microfinance was introduced and positioned as a bridge to access financial services for poor and working-class people, and includes credit, deposit-taking facilities, money transfers or remittances and insurance products (Coetzee, 2010). This introduction of microfinance enabled the post-apartheid government to improve access to an assortment of financial products – not just credit – to a majority of poor black people. The interface between microfinance institutions and consumers is mainly through loan officers, who are tasked with marketing and selling microfinance products, the screening of clients, assessing clients for affordability and processing loan applications.

The microfinance industry has, however, changed over the past years, mainly as a result of legislative reforms and technological advances, which had a subsequent impact on loan provision and the industry's occupations. This research investigates how these changes have impacted on the traditional role of loan officers and how the change has influenced their education and training. Data was collected by administering questionnaires and conducted interviews with industry experts and loan officers, mainly to establish how occupational change occurred within the industry and how this change influenced the training to prepare loan officers for work and to upskill those already employed.

Occupational change goes hand in hand with an increase in skill and competency, and the research shows that the role of the occupation has developed from a simple role in the early 1990s to a complex one as a result of legislative and technological changes. This required a need for competency to provide quality, ethical and compliant loans within a highly regulated environment and has implications on prior training as an entry requirement for new loan officers, and the upskilling of those already employed.

**KEYWORDS:** Occupations, occupational change, standardisation, education and training

## DECLARATION

I declare that this research report is my own unaided work. It is being submitted for the degree of Master of Education at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at any other university.

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Mahlodi Pauline Sekati
30 March 2021

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| | |
|---|---|
| AEDO | Authenticated Early Debit Order |
| BANKSETA | Banking Sector Education and Training Authority |
| CBT | Computer Based Training |
| CGAP | Consulting Group to Assist the Poor |
| EAO | Emolument attachment orders |
| ECI | Emerge Centre for Innovation |
| FICA | Financial Intelligence Centre Act |
| ID | Identity document |
| IT | Information technology |
| MFI | Microfinance institutions |
| MFRC | Microfinance Regulatory Council |
| NAEDO | Non-authenticated early debit order |
| NCA | National Credit Act |
| NCAA | National Credit Amendment Act |
| NCR | National Credit Regulator |
| NGO | Non-governmental organisation |
| OFO | Organising Framework for Occupations |
| PERSAL | Government salary system |
| QTCO | Quality Council for Trades and Occupations |
| SAQA | South African Qualifications Authority |
| SETA | Sector Education and Training Authority |

# CHAPTER 1: INTRODUCTION

## 1.1 Introduction

This research is based on investigating occupational change and examines how occupations within the microfinance industry have evolved, with specific reference to the loan officer's occupation. Microfinance is positioned as a bridge to access financial services for poor and working-class people. It includes credit, deposit-taking facilities, money transfers or remittances and insurance products (Coetzee, 2010).

The sector is constituted, at the one end, by alternative or credit banks with state-of-the-art infrastructure and systems. Microlenders are in the middle, while small lenders, and financial and credit cooperatives, who mostly service lower-income and rural consumers, are at the other end. The interface between microfinance institutions and consumers is mainly through loan officers who are tasked with the marketing and selling of microfinance products, interviewing and assisting clients with the loan application process, and screening, capturing, assessing and processing loan applications (Coetzee, 2010).

The microfinance industry has, however, changed in the past years, mainly as a result of legislative requirements, the economy and technological advances (BANKSETA, 2015). These changes have impacted on product offerings, risk methodologies, loan disbursements and occupations within microfinance institutions. This research is aimed at investigating how these changes have impacted on the traditional role of loan officers and how the change has influenced their education and training. The research looked at how technology, legislative requirements and protocols have impacted on the articulation of the occupation in terms of tasks and job content, job entry requirements, pay scales, their perceptions of their occupational identity and the implications of these changes for education and training.

## 1.2 Background

As with the other sectors of the economy, the provision of financial services was historically influenced by apartheid, where credit laws systematically limited access to African people. In 1994, the ANC government prioritised transformation and equity through policies and legislation, chiefly focused on the financial sector.

Access to credit was improved through the Usury Exemption of 1992, which exempted fewer loans and resulted in the emergence of the microfinance industry in South Africa. The original mission of microfinance is to provide the poor, especially women, with financial products, mainly to set up small income-generating business enterprises that would take them out of poverty. However, in South Africa, the bulk of microfinance consists mainly of credit and loan products to people with employment.

The microfinance landscape consists of commercial banks, alternative banks, microlenders, developmental microfinance institutions and financial and credit co-operatives. Banks offer credit products, but the sector is mostly dominated by Capitec and alternative banks like African Bank, who tend to service the middle class in urban areas. The rural and peri-urban customers are mainly serviced by small microlenders (normally with only one branch) and developmental microfinance institutions, that offer developmental loans to sustain livelihoods, develop small businesses, purchase low-cost housing and for educational purposes (Coetzee, 2010). This service is mainly provided by loan officers, who act as the link and interface between microfinance institutions and their poor clients. They are central to credit provision. However, the credit market has become highly regulated. This impacted on the microfinance industry and the role of loan officers, who marketed, sold and generated loans.

So far, there has been little research on how the loan officer's role has changed and how loan officers have adapted to these changes (Dixon et al., 2007). The study will look at the occupational change of loan officers, examining how the loan officer's occupation was formed and maintained within the microfinance industry and how this change has impacted on their role and educational needs.

## 1.3 Rationale and purpose of the study

### *1.3.1 Problem statement*

The key research question for this study is how occupations, specifically the loan officer's occupation, are changing and evolving in the microfinance industry and what this means for education and training in the sector. Microfinance is mostly positioned at the fringe of the financial and banking industry, and is not regarded as a first-choice career for most learners – both new entrants and those already working as a loan officer. There is little scholarly work available regarding occupations within microfinance. Chua (1998) says that "the heart of microfinance lies with loan officers". However, regardless of its importance to the microfinance industry and the economy, little academic research has been conducted on the role of loan officers as an occupational group.

Research on occupations and the professionalisation of occupations mostly concentrates on traditional occupations like medicine and law (Evetts, 2003), while research on the role of development workers is mostly on areas like social work and nursing (Siwale & Ritchie, 2011). Limited attention is given to the loan officer's occupation and its changing nature (Siwale, 2006). Grey literature is available on loan officers within microfinance, but it is mainly from Asia. Very little literature is available from sub-Saharan Africa. Furthermore, there is no academic work on the tasks, activities, role and education of loan officers (Siwale, 2006). Globally, microfinance is perceived as a panacea to poverty, inequality and unemployment, and was therefore adopted as a developmental policy by most developing countries, including South Africa (Bateman, 2014). Locally, microfinance is central to the discussions about poverty, financial inclusion and the provision of finance as a means to establish income-generating micro enterprises to poor and marginalised communities. As result, local data is needed that will assist with detailed information about the occupation so as to start building a credible academic knowledge base for further enquiry into occupations and occupational change within this important and growing industry. Such a knowledge base will assist scholars to reflect on the industry's education and training practices (Scott & Morrison, 2005).

### *1.3.2 Purpose statement*

The main purpose of this study is to investigate and examine occupational change with specific reference to loan officers in the microfinance industry. This is to understand if and how the loan officer's occupation has changed over time, the driving forces behind this occupational change and the impact on the occupation in terms of tasks, pay scales and the kind of education and training needed to support the development of this occupation.

### *1.3.3 The research questions*

In order to address the purpose  of the study, the following questions were investigated:

- How has the loan officer's occupation changed over time?
- What forces influenced these changes?
- Has the occupation attempted to standardise its knowledge and practice?
- What training is needed to prepare loan officers for their work?
- What training is needed to develop those loans officers already working?

## 1.4 Research design and context

A key focus in answering the research questions was to understand microfinance, as much as possible, in terms of the clients, the products, the constantly changing regulatory environment, the new technologies and the impact this change had on the role of loan officers. Valuable input could be gained from qualitative engagements with credit providers and industry experts, but the question that needed to be considered was how issues being discussed extended throughout the sector as a whole and whether there were other large-scale factors that needed to be considered. The optimal approach, therefore, was to examine a number of data sources, as well as the results, holistically.

Based on the above, a qualitatively-driven mixed methods research approach was utilised to collect data. A key feature of a qualitative-driven mixed methods is that "a qualitative approach forms the core of the overall mixed methods research project with the quantitative approach and method taking on a secondary role in the mixed methods design" (Hesse-Biber et al., 2015: 07). "By mixed method design, we mean a procedure for collecting, analysing and reporting research such as that found in the time-honoured designs of quantitative experiments and surveys and in the qualitative approaches of ethnographies, grounded theory studies and case studies" (Creswell et al., 2003: 123). This research method was also referred to as a "concurrent triangulation method design", indicating the triangulation of data collection, separate data analysis and the integration of databases at the interpretation or discussion stage of the report (Creswell et al., 2003). This method provided for the robust collection of data and enabled the corroboration of data to ensure the validity of the research results.

A non-probability, purposive sampling method was utilised for this study. Purposive sampling techniques are utilised in mixed methods research as they creatively combine qualitative and quantitative techniques to answer research questions (Johnson et al, 2007). The sample consisted of microfinance practitioners, which included credit providers, representatives of industry bodies, training providers, microfinance experts and loan officers. The data collection included a literature review of secondary data, journals, reports and publications. The literature review was mainly utilised to refine the scope of the study, assist in developing data collection tools and build a conceptual framework. A document analysis of public documents was used to analyze occupational qualifications for loan officers. In the qualitative phase of the study, in-depth interviews were conducted with industry bodies, credit providers, training providers and microfinance experts using a semi-structured interview guide. Quantitative data was collected through a small survey among loan officers using a structured questionnaire.

## 1.5 Conceptual framework

The data collection, analysis and interpretation of the study were examined through the concepts of occupational change, standardisation and training. The theories of occupations and professions were used to understand occupational change and occupational standardisation as a tool to understand the articulation of the occupation over time and the education and training practices appropriate to supporting a changing occupation.

## 1.6 The importance of the research

The role of the loan officer is central to loan provision and is considered the bedrock of the microfinance industry (Chua, 1998; Siwale, 2016). An understanding of the evolution of this occupational group is important to inform appropriate training practices and tools to support the development of the occupation.

## 1.7 Overview of the chapters

This report has six chapters, including this introductory chapter, which provided the background to and context of the study.

Chapter 2, the literature review, provides a theoretical framework of occupational change and the notions of training to support a changing occupation. The chapter shows that occupational change depends on professional associations to assist in standardising practice in terms of streamlining tasks, processes and procedures, and the knowledge required to inform the development of qualifications and course content. It shows that, in the absence of a professional association, unions and regulatory or statutory bodies take on that responsibility. It shows the benefits of standardisation for an occupation, which result in the development of a shared identity and work jurisdiction, and standard qualifications that ensure standard entry requirements and career pathing.

Chapter 3 details the study's research methodology, which includes the sampling methods, research instruments, analysis approach and limitations.

Chapter 4 provides the much-needed background to the microfinance industry. The section starts with the genesis of global microfinance, then traces the origins of the South African microfinance industry and the challenges that came with it. This is to better understand the industry's contribution towards poverty alleviation and access to finance and also to provide a context of the evolution of the loan officer's occupation. The chapter shows an industry that originated at the dawn of democracy from a noble need to provide access to finance and to ease the burden of poverty to the previously disadvantaged, including black people, women, the poor and those living in rural areas. This was largely in the form of small loans intended to assist in the establishment of income-generating enterprises and to augment salaries for sustenance and accommodation for those working. This was a virgin market with little legislation to regulate credit provision, eager investors and a big demand for credit, which ended up with an overindebted clientele.

The chapter further shows that changes within the industry were triggered by legislative reforms and technology, which assisted with the challenges of reckless lending and over-indebtedness, with technology providing new tools and platforms to enable efficient loan provision. These reforms were largely driven by state institutions, which include the National Credit Regulator (NCR), which played a major role in the standardisation of the loan officers' occupation, with the Banking Sector Education and Training Authority (BANSKETA) and the Quality Council for Trades and Occupations (QTCO), on the conceptualisation, design and implementation of educational and training programmes. These changes and reforms heightened the need for competence in compliance and information technology (IT), and the continued use of discretion and judgement in making loan decisions. Irrespective of the increased responsibility, accountability and demands placed on this occupation, the research showed that the industry provided limited financial resources and time to invest in the education and training of loan officers. It also placed less significance on prior training as an entrance requirement and created the perception that the role of a loan officer is not a skilled job.

Chapter 5 presents the analysis and findings of the study. This chapter indicates that the loan officer's occupation became more complex as a result of legislative and technological changes. The impact was a loan provision process based on regulations and made efficient through automation, with a need for skilled loan officers to carry out the job. The chapter also indicates that education and training institutions, as well as regulatory authorities, were not maximally used by the industry to complement each other to ensure the development of quality training programmes for loan officers. The result, a fragmented approach towards the education and training of loan officers, does not assist in harnessing their potential and their ability to provide quality loans.

## 1.8 Conclusion

Overall, the research indicates that occupational change goes hand in hand with an increase in skill and therefore a need for education and training. The primary results were very difficult to interpret as, on one hand, the industry appreciated the importance of a skilled workforce to cope with the changes brought about by technology and legislation. On the other hand, there was an expressed reluctance to hire skilled people and upskill the existing workforce as there is always tension in high-profit, low-labour industries to invest in talent and the training of the workforce.

# CHAPTER 2: THEORISING OCCUPATIONAL CHANGE

This chapter details the literature that supported and guided the study. It outlines the conceptual framework and seeks to understand occupational change and the role of standardisation in occupational change. It also looks at the role of education and suitable training practices to support an evolving occupation.

The section is organised into three sections. In section 2.1, the concept of occupational change is defined. The work of Freidson (1989), Brown (2003) and Allais (2014), among others, have been used to understand occupational change and the nature of occupations. This provides a lens to understand occupations and their characteristics, occupational change and development, the drivers of occupational change and the role of education and training in building, growing and maintaining an evolving occupation. In section 2.2, the works of Nerland and Karseth (2015) and Canales (2014) were used to understand the concept of standardisation and its importance to occupational change. Section 2.3 considers the education and training needed to support an evolving occupation, mainly through Freidson's work on professionalism (Freidson, 1989; 1994; 2001) and Jessup's work on competency-based training (Jessup, 1989).

## 2.1 Occupations

It is important, firstly, to define occupations and understand their characteristics before attempting to analyse occupational change. The definitions provided suggest that an occupation is a group of people with a collective identity based on shared practice (tasks and activities), common knowledge and training, and shared norms and values. Allais (2014: 117) defines an occupation as "a formally recognised social category, with regulations in terms of aspects such as qualifications, range of knowledge required, both theoretical and practical, and promotion. The employment relationship is a long-term one. This makes it possible for it to be founded on broad abilities, such as an understanding of the entire work process and of the wider industry, and on an integration of manual and intellectual tasks, in order to be able to plan, execute and evaluate, and not just carry out narrowly specified tasks". In the case of Freidson (1994), occupations are practiced within labour markets, where occupations can be differentiated by specialised division of labour and occupational control in terms of influencing the work content and training requirements. All these authors seem to agree that knowledge can be acquired through formal education, and where expertise is required (Freidson, 1989), formal bodies of knowledge are fundamental (Allais, 2014). Practical knowledge can also be acquired via vocational training, on-the-job training and lifelong learning (Jessup, 1989).

There is some consensus that an occupation is a group of people with a collective identity, based on shared practice (tasks and activities), common knowledge and training, and shared norms and values. According to the definitions used in this research, at a structural level, all occupations are characterised by common tasks. The second characteristic is that occupations need knowledge and training to carry out the tasks (Shalem & Allais, 2018). There are competing views on training for occupations, with some scholars advocating for knowledge to be acquired through formal education, and where expertise is required (Freidson, 1989), scholars like Allais (2014) mention that formal bodies of knowledge are fundamental.

Knowledge can also be acquired through vocational training, on-the-job training and lifelong learning. Irrespective of the views on what type of training is required for occupational development, scholars like Abbot (1988) mention that "education appears as a control variable for occupations". The debate is about the roles of formal knowledge and knowledge derived from practice, and how they are balanced or privileged in education and training. The motivation for exploring these types of knowledge and the balance that is achieved is important for the training of loan officers, given the tension between the complexity of their role, their devalued status and the impact this has on investment in their training and development.

## 2.2 Occupational change

Occupations are not static. They are in constant flux of change and growth. Brown (2003: 3) defined occupational change as any change to the work structure, work content, increase in responsibility, added variety to tasks "which might even have been experienced as an increase in skill by the people involved". Other scholars, like Evetts (2003), associated occupational change with professionalisation, where people move to better jobs with increased responsibility and increased educational requirements, with the status that comes with such work. Although these definitions differ in terms of what changes in an occupation and their motivations, they both associate occupational change with increased responsibility, and therefore increased skill and educational requirements.

Change does not just happen, and it is important to understand the forces that drive occupational change and how they impact on the structure of work (Evetts, 2003; Oesch, 2013; Oesch & Rodriguez Menes, 2011), tasks (Evetts, 2003), job content (Brown, 2003), increased or decreased responsibility (Brown, 2003) and how the individual worker, the company and the economy are affected as a result. These forces of change can be external or internal, with technology (Bell, 1973; Braverman, 1974; Marx, 1906; Oesch, 2013; Oesch & Rodriguez

Menes, 2011), and legislation and compliance to international protocols (Canales, 2014; Nerland & Karseth, 2015) interconnecting as the biggest drivers. Occupational change can be positive, leading to improvements in processes, procedures and streamlined tasks, and upskilling (Oesch, 2013; Oesch & Rodriguez Menes, 2011). In some instances, it can ultimately lead to professionalisation, with associated benefits of status, better pay and career pathing (Evetts, 2003). Occupational change, however, can also lead to bad jobs, meritocracy, degradation of labour and deskilling (Braverman, 1974). Detailed division of labour, with smaller tasks leading to low need of discretion (Marx, 1906), can render some jobs obsolete, and to polarisation of the workforce (Oesch, 2013; Oesch & Rodriguez Menes, 2011).

### *2.2.1 Role of technology in occupational change*

Technology seems to be the biggest driver of occupational change, with new tools and platforms mainly changing how work is done. Directly or indirectly, it seems, the skills needed to execute work is also impacted on as a result of new technologies. Karl Marx observed that technology, in the form of mechanisation, resulted in skilled artisans being replaced by lower-skilled labourers (Oesch, 2013), while Braverman (1974) observed that automation deskilled workers (Oesch & Rodriguez Menes, 2011). In the 1970s, scholars like Bell (1973) mentioned that the post-industrial knowledge economy would lead to a rise in the need for professionals and an increase in technical jobs (Oesch & Rodriguez Menes, 2011). In the early 2000s, some labour economists found that technology, instead of leading to a need for a skilled workforce, resulted in the polarisation of the job market, resulting in growth within the high- and low-skilled job service industries, with the hollowing out of the mid-range jobs (Oesch & Rodriguez Menes, 2011). Although there is no agreement about how technology affects the worker, there is agreement that technology has affected the work structure in terms of the tasks performed, the job content, the responsibilities of individual workers and the tools used to execute the work (Oesch, 2013; Oesch & Rodriguez Menes, 2011), with a bias towards an increase in the skills and educational levels required.

### *2.2.2 Role of legislation in occupational change*

Occupational change is also driven by legislation, regulation and compliance to international protocols (Canales 2014; Nerland & Karseth, 2015). These regulations assist in creating standards of practice and knowledge that support the establishment of an occupational group (Abbot, 1988; Freidson, 1989; Nerland & Karseth, 2015).

Gleaning information from the literature, no pattern seems to emerge of how occupations change and evolve, but it seems that certain things must happen to ensure that change takes place (Brown, 2003). The literature indicates that technology mainly seems to introduce new tools, platforms and systems that necessitate a skilled (Brown, 2003) or deskilled workforce (Braverman, 1974). However, legislation appears to influence the change of the work structure by ensuring that tasks and knowledge are standardised, that there are regulations to ensure a work routine, that there are rules guiding processes and procedure, and that ethical standards are established to ensure consumer protection and safety (Nerland & Karseth, 2015).

## 2.3 Standardisation

While legislation and technology influence occupational change, it also important that emerging occupations forge a solid identity amidst these changes. This involves setting standards that will identify the tasks and activities to be carried out by the practitioners of the occupation, agreed-upon work content, developing a shared practice of carrying out work, and developing shared knowledge and the required qualifications for entrance into the occupation (Abbot, 1988; Freidson, 1989; Leicht & Fennel, 2008). The process of creating these standards is referred to as standardization (Nerland & Karseth, 2015).

However, someone has to perform the role of standardising tasks, practice and knowledge, and of persuading the state. Organised and recognised professional associations perform this task of setting standards. They represent members of the occupation and have the capacity to persuade the state that members of their occupation are qualified to practice (Abbot, 1988; Freidson, 1989) and are therefore worthy of the state's backing and protection (Freidson, 1989), i.e., they can be part of the professionalisation processes.

### *2.3.1 Role of professional associations*

A professional association refers to a collective of individuals in a learned occupation, assigned to set standards and oversee the legitimate knowledge, skills and qualifications, conduct and practice of an occupation (Kleiner, 2013; Nerland & Karseth, 2015). They also ensure that the knowledge and practice of an occupation is standardised and that there is regulation of practice and conduct (Nerland & Karseth, 2015).

Structurally, professional bodies are organised differently, and depend on the labour market set-up and the institutional logic in which they operate. In countries with strong state interventions like Norway, public structures and statutory bodies sometimes take up the role of professional bodies (Nerland & Karseth, 2015). In countries with a strong union influence like Germany, professional bodies are set up on the shadow of trade unions (Nerland & Karseth, 2015). In free market systems, professional bodies are usually set up as independent regulatory authorities with jurisdiction over the occupations and professions that they represent. However, the set-up of these professional bodies influences the way in which they negotiate with stakeholders, how they impact on discourse, their approaches towards legitimising knowledge and practice, and their approach towards legitimising occupations (Nerland & Karseth, 2015).

#### 2.3.1.1 Standardisation of knowledge

In standardisating knowledge, professional associations influence the standards related to knowledge by determining and setting standards for the development and dissemination of the specific knowledge, training and qualifications needed to support the execution of work in their respective fields (Freidson, 1989; Nerland & Karseth, 2015). They therefore influence the accreditation of degrees and qualifications for an occupation (Kleiner, 2013), and issue licenses and professional certificates to indicate that a person is qualified to carry out the work (Kleiner, 2013). Standardising this shared knowledge assists occupational development in two ways. Firstly, shared knowledge assists in determining jurisdictional work by defining and deciding on collective tasks and activities to be performed, work content, work processes and the competencies needed for the work (Freidson, 1989; Nerland & Karseth, 2015). In Freidson's work (Freidson, 1989), work jurisdiction is associated with the ability of the occupational group to control how specific tasks are performed and assessed. Secondly, it assists in regulating practice in terms of executing work (Kleiner, 2013; Nerland & Karseth, 2015) in that people who are not qualified or accredited by the professional association cannot practice (Freidson, 1989). Although this assists in ensuring performance, safer and fair work conditions, and ethical operations, the observed limitation to the detailed or strict regulation of standards has been on discretion and the use of judgement (Nerland & Karseth, 2015). According to Freidson (2001), Allais (2014), Canales (2014) and Shalem and Allais (2018), professional work requires its members to use discretionary judgement. The ability to make a judgement or choice is based on the information presented to an individual at a given time. A tightly regulated working environment, therefore, jeopardises the ability to use discretion and judgement.

Overall, professional associations have two main roles: standardisation of knowledge and professional regulation.

#### 2.3.1.2 Occupational regulation and control

Standardisation also assists with regulating a profession or occupation, mainly to ensure occupational control. Occupational control is the ability of the occupation group to control how specific tasks are performed and assessed instead of being controlled by consumer demands or by the state or firm (Abbot, 1988; Freidson, 1989; Nerland & Karseth, 2015). Occupational control can be driven externally by the state or internally by an occupation or profession.

In professional work, occupational control is driven internally by the occupation itself through professional associations. These professional bodies are responsible for influencing policies and regulations that impact on their occupations and protect the interests of their members. This ability is based on several claims. The first claim is that only members of that occupation are specialised to perform the tasks (Freidson, 1989; Kleiner, 2013). The second claim is that the bodies of knowledge and skills required to perform the work are complex and the man in the street will not understand or use them. The third claim is that the training and the manner in which the occupation is organised limit abuse of privilege and place a lot of emphasis on character and thus trust (Freidson, 1989).

Occupational control can also be driven externally by the state through occupational regulation. The state's agenda for driving occupational control normally takes place when occupational practitioners lack authority over their knowledge base, and where customer safety and consumer protection are at stake. This can take place through various methods of occupational regulation.

The first method is through licensing, which is based on setting entry requirements to an occupation (Kleiner, 2013). This includes educational requirements for entry, the experience of practitioners, and a set of competencies. In some recent cases, disqualification criteria are also set (Kleiner, 2013). For example, a person cannot be registered as a debt counsellor in South Africa, based on the National Credit Act (NCA), if they have not undergone the mandatory training with a licensed training provider. Occupational licensing ensures that only qualified people are allowed to practice, based on the entry requirements set. This is sometimes referred to as meritocracy as only people with proper and recognised qualifications can practice (Kleiner, 2013). The example is that of clinical psychologists, where only qualified and duly registered and licensed people can practice as clinical psychologists. This increases trust among the practitioners themselves and their patients, as the qualified practitioner is instinctively viewed as competent (Freidson, 1989; Kleiner, 2013).

The second method that the state can use to influence occupational control is providing exclusive rights for the use of the occupation title. In certain states in the USA, a Title Act was passed, which provided occupations exclusive rights to use titles (Kleiner, 2013). This assisted in ensuring the proper identification of the occupation, and the exclusive demarcation of tasks and competencies. This was especially beneficial in cases where there were overlaps of certain tasks within industries, and where certain occupations were seen to be encroaching on other occupations' scope (Kleiner, 2013). In South Africa, the titles and the subsequent tasks and required competencies are enforced through skills development statutes like the Organising Framework for Occupations (OFO). In this case, each occupation, either through the influence of professional associations or through sector education and training authorities (SETAs), are registered and provided with an OFO (occupational) title, core tasks and competencies. Loan officers have been duly titled as a result of this, with an OFO code of 2019 – 331201 (DHET, 2013).

However, occupational regulation and control have limitations and challenges. State regulation has mainly been criticised for gatekeeping through meritocracy (Kleiner, 2013; Nerland & Karseth, 2015), over-qualifications, which result in low levels of employment (Evetts, 2003; Kleiner, 2013), and increased compliance. Certification, accreditation and licensing are based mainly on educational requirements, with justified assumptions made by human capital theory. The theory suggests that prior acquisition and investments in education create access to better work opportunities and increase a person's productivity and earnings (Schultz, 1961). This results in an achievement culture that puts education at the centre of economic development, with the poor and minority groups perpetually marginalised (Kleiner, 2013).

Rules and regulations are also made to manage and address uncertainties, and are informed by certain assumptions and scenarios. In most cases, data-driven assumptions and scenarios will capture the situation being managed, but there will always be variants that are difficult to capture. Following rules in these cases might lead to wrong, unfair, discriminatory and unethical practices (Brown, 2003; Kleiner, 2013). Professionals, however, have the necessary education and training that inspires them to use their discretion and judgement in cases like these (Freidson, 2001; Kleiner, 2013; Nerland & Karseth, 2015; Shalem & Allais, 2018), but there are certain occupations, especially in the service industry, like microfinance, where people do not have the necessary education and training, but are still required to use judgement and discretion (Canales, 2014; Siwale, 2016). In microfinance, therefore, total dependence on rules and legislation limits the discretion and judgement of loan officers, which impacts on their output and performance (Canales, 2014; Siwale, 2016).

Overall, this literature has shown that occupational change can be driven internally by an occupation or profession, where practitioners have the authority and jurisdiction over their knowledge base. Occupational change can also be externally driven by the state through legislation, regulation and protocol. However, occupational regulation acts as a barrier to entry into occupations, with the poor and minority groups marginalised at the receiving end. The implications for the above findings seem to suggest that occupational change through standardisation goes hand in glove with an increased need for skills and education. The question is, what type of training and education is needed to support the occupational change of loan officers.

## 2.4 Education and training

As indicated above, the motivation for different types of training options for loan officers is important. Debates about the roles of formal knowledge and knowledge derived from practice, and how they are balanced in education and training, become important in this instance. Loan officers are in a unique position within the loan provision value chain, with a need to balance the tension between the complexity of their role, which requires the use of judgement and discretion, the responsibility to inform loan decisions and an increased accountability, brought about by legislative and technological changes. It is critical, therefore, to understand the types of knowledge that will support the changing work structure of loan officers. While issues of deskilling, upskilling and skills polarisation become important when one deals with occupational change (Brown, 2003), the data indicates that changes in the work structure, content and tasks of loan officers, in most cases, lead to an increase in skill.

This puts an interesting challenge to the training and development of loan officers, as although the new components of the tasks lead to a need for skill and competence, the low perception and status of the work affect the industry's investment in training. There are competing views on what type of training is needed to support occupational change, with some scholars advocating for competency-based training, while others advocate for in-service training and lifelong learning. Some scholars of professions advocate for specialised qualifications.

### *2.4.1 Professions and specialised knowledge*

Professional work is based on specialised and specific tasks and, unlike unskilled or semi-skilled work, requires its members to use discretionary judgement. The performance of professional work needs formal, specialised, abstract and theoretical knowledge, which is acquired formally through institutions of higher learning. The main differentiating factor of professional training is that there are members of the occupational group who are trained in specialised knowledge that is specific to the profession and are tasked to research and develop bodies of knowledge, and to train and teach new recruits in institutions of higher learning. Institutionalising research and scholarship enables professions to control and determine these specific qualifications and specialised knowledge that cannot be claimed and their innovations (Freidson, 1994).

The main criterion for accessing these occupational groups is for members to obtain the required specialised training and qualifications. Without achieving the mandatory training, one cannot be allowed to practice, offer services or solve problems. Thus, specialised training is a foundation for professions and provides members with the required credentials to access entrance into the labour market. This assists professions to maintain and legitimise the status quo of their jurisdictional work through the authority over a professional knowledge base (Abbot, 1988). This specialised professional knowledge shelters professionals within labour markets, as only qualified individuals are allowed by law to practice. Individuals who are not qualified or accredited by the occupational group cannot practice. This implies that professionals are responsible for who comes into the profession and, in some cases, might even control the number of people who are accredited (Freidson, 1994). The control extends to norms and standards, training and information that goes to the public – in essence, they control their own work (Canales, 2014; Freidson, 1994). This has brought criticism for professionals, mainly for abusing this power to control their work, education and the labour market.

Professional work lacks consistency and therefore needs people who can use discretionary judgement (Abbot, 1988; Canales, 2014; Freidson, 1994). That is why it is important for the professional's training to be based on special bodies of knowledge founded on abstract knowledge and theories. Although the work of a professional is based on routine, the professional will need to use discretionary judgement in cases where there are deviations in tasks. The use of discretion is based on trust that the professional has the necessary knowledge to solve problems and that this knowledge will also be utilised to the advantage of the clients (Canales, 2014; Freidson, 1994).

Training is therefore not only important to equip professionals with abstract specialised knowledge and theories to exercise judgement and discretion, but is also used as a basis to develop credentials that can be utilised to access the labour market. This training is conducted in independent institutions of higher education that assist professionals to formalise their knowledge, to provide a theoretical and an intellectual basis for developing professional jurisdiction and to conduct research that produces new bodies of knowledge. But most importantly, these institutions provide professions with the legitimacy to build status and reputation for their members. Freidson (1994) mentioned that, although professional training has some elements of a vocational background, the training is not necessarily practical. In fact, the bedrock of professionalism is theoretical and requires abstract training that enables professionals to exercise discretionary judgement.

Importantly, Freidson (1994) differentiated between the educational needs of craft workers, technicians and professions. He mentions that training for crafts has largely been on-the-job training, with less attention to abstract concepts and theories as craft workers are normally employed in semi-skilled occupations. Unlike craft workers, technicians mainly receive formal abstract training through technical colleges and gain practical training afterwards. The training is mostly practical, but abstract knowledge and theories are also taught. Freidson (1994) and Abbott (1988) do not recognise technicians as a strong occupational category as they do not have control over their own body of knowledge and are often not trained by members of their own occupation – as a result, they cannot control their work. On the other hand, he maintains that professionals are the only occupational group that have control over their qualifications and training.

This poses an interesting challenge for the training of loan officers, who are officially classified in the OFOs as technicians or associate professionals (DHET, 2013), and who – according to Freidson (1989) – should ideally receive formal training through technical colleges or universities of technology, where learners receive both abstract and theoretical training. However, the research indicates that the microfinance industry attaches little importance to prior training when recruiting loan officers (Canales, 2014; Siwale, 2016), with the industry mainly recruiting matriculants and providing them with in-house training to learn to perform their roles.

Overall, loan officers are not classified as professionals as they do not have control over their bodies of knowledge, but are instead classified as technicians or semi-professionals, with implications for technical training received through technical colleges or universities of technology. This is why loan officers may find competency-based approaches to training attractive.

### *2.4.2 Competency-based training*

Competency-based training is an alternative perspective to education, and is defined as "a way of approaching (vocational) training that places primary emphasis on what a person can do as a result of the training (the outcome), and as such represents a shift away from an emphasis on the process involved in the training (the inputs). It is concerned with training to industry-specific standards rather than an individual's achievement relative to others in the group". (ACCI, 1992, cited in Guthrie & NCVER, 2009: 7). Competency-based training approaches have been widely embraced by English-speaking countries like the Australia, South Africa and the United Kingdom, with an effort to address skills mismatches, and to close the disconnect between education and training, and employment (Jessup, 1989). These learning approaches have also been used as a response to persons who could not cope with the conventional approaches towards learning, and assessments in the form of sit-down examinations and essay-type tests (Jessup, 1989). As a result, competency-based training approaches have been more closely connected with vocational training than with disciplinary academic training.

The crux of competency-based training approaches is in the assessment methods (Jessup, 1989), based on evidence that an individual can perform the standards required for the workplace (Allais, 2014). Jansen & Christie (1999: 5) refer to the assessment methods as "assessment strategies which could give meaning to a system based on demonstrable competencies in adult learning". Consequently, competence-based training approaches are founded on the ability of an individual to produce or provide evidence that they can perform a task based on a set of provided standards.

Competency-based qualifications are developed based on employment requirements, not epistemological foundations. Therefore, the learning approach is employment-led, and the analysis is carried out by (or on behalf of) employers and employees, including the setting of standards and the process of identifying performance criteria (Jessup, 1989). It is vital to understand the purpose and outcomes of work that individuals perform daily. This understanding helps to find competencies and sub-competencies that are turned into units and deciphered into unit standards that can be assessed as evidence of competence (Jessup, 1989). There are different forms of assessing evidence for competence. This includes recognising tacit knowledge in the form of work experience and experiential learning as equal to classroom education (Jessup, 1989). Qualifications are developed based on numerous unit standards, each with a distinct area of competence and directly linked to a valuable function in the workplace. Individuals are provided with the option to be assessed on individual unit standards (Jessup, 1989), skills programmes or short courses (various unit standards within a qualification) or full qualifications (proof of competence in all the unit standards of a qualification). Competency-based training approaches are industry- and demand-driven, and act as a strong signal to employers regarding the prospective employees' competency profile.

Advocates of competency-based training, like the Dreyfus brothers, draw on constructivist ideas and assumptions (Dreyfus & Dreyfus, 1986). Schön (1987), likewise, argues that expertise is achieved by working in the expert field and not by theoretical study. Dreyfus and Dreyfus (1986) used the fluency account to back their argument, which is based on the idea that expertise is a collective result of doing and practicing tasks so skillfully that ultimately the expert performs the tasks in automation, without giving much thought to their actions, based on “intuition as a result of deep tacit knowledge” (Kotzee, 2014: 165).

However, competency-based training is regarded as anti-intellectual (Kotzee, 2014), running the risk of an instrumentalist approach to education if vocational training spills over into disciplinary academics (Jessup, 1989), and can lead to over-specification in complex qualifications and over-bureaucratisation as a result of burdensome compliance requirements (Allais, 2014). Furthermore, competency-based training approaches that focus on real-life work situations have been criticised for depriving individuals of the chance to learn and develop analytical and problem-solving skills beyond their daily experiences (Beck & Young, 2005), potentially weakening their opportunities to move beyond their current occupations. Although competency-based training is related to occupationally specific qualifications that might assist in finding work and a career path, these qualifications “are described as dead-ends” (Gamble, 2013: 208). Therefore, competency-based training qualifications, coupled with the negative effect poverty has on educational outcomes (Van der Berg et al., 2011), provide working class minorities with limited opportunities for work and further studies (Gamble, 2013).

Overall, competency-based training through short courses and qualifications mainly addresses industry-specific training, with little emphasis on theoretical knowledge, but more emphasis on job-specific practical knowledge. This type of training seems to be able to support occupational change, upskilling and reskilling employees through short courses, customised in-service training, lifelong learning programmes and qualifications. Those entering the occupation depend on learnerships to address prior educational requirements as short courses are mainly focused on those already working.

#### *2.4.3 Implication for the training of loan officers*

Research has shown how professional qualifications might not be the best fit to support occupational change for technicians and semi-professionals like loan officers. Professions depend on professional associations, where the emphasis is on ensuring that knowledge and qualifications are developed by academics who are experts in those fields in which the qualifications are used as entry requirements and for professional development. The bedrock of professionalism is theoretical and requires abstract training that enables professionals to exercise professional judgement.

These qualifications are usually provided by universities, with degrees as the output. Therefore, professionals have control over the content of their qualifications, the people who develop and deliver the qualifications, and the use of those qualifications in the recruitment of people into the profession.

Instead, scholars like Freidson (1989) and Abbott (1988) recommend technical training, which includes abstract and practical knowledge as being suitable to prepare technicians like loan officers for their work. The research has shown that technicians and semi-professional occupations like loan officers, who lack the authority and jurisdiction (Abbott, 1988; Freidson, 1989) to develop and control knowledge and qualifications, depend on statutory bodies to drive occupational change. Statutory bodies seem to emphasise and use legislation, policies and procedures to develop and standardise knowledge, and seem to depend on various institutions to develop and deliver their knowledge. These institutions include, among others, further education and training colleges, technical colleges, universities of technology and private providers. Thus, prior training as an entrance requirement is also important for technicians and semi-professionals like loan officers.

The research further shows that competency-based training, which emphasises competence and skill, can assist with the occupational change of already employed loan officers in terms of upskilling and reskilling them through short courses and qualifications. Computer-based training (CBT) has, however, been mainly criticised for its inability to develop the much-needed analytical and problem-solving skills, curtailing the agility of experienced loan officers to develop and grow beyond their current occupation. Learnerships represent low levels of employment entry.

## Conclusion

This chapter has outlined the conceptual framework of the study, drawing from the concepts of occupational change, standardisation and training. In this chapter, these three concepts are drawn together to provide a road map of how changing occupations attempt to standardise their knowledge and practice, and employ appropriate training practices to prepare and develop people for work.

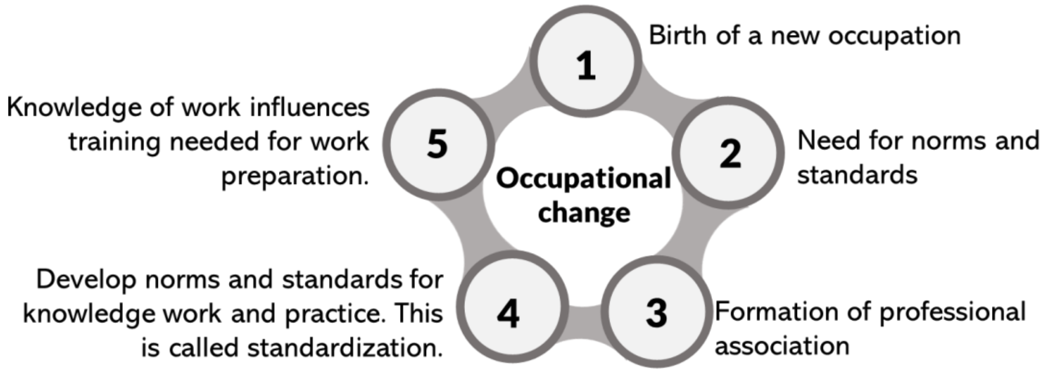


*Figure 1: A conceptual framework to describe how standardisation through a professional association influences occupational change and the type of training needed to support the change.*

Figure 1 tries to capture the process of how a changing occupation develops and stabilises. The model above is based on a new occupation, birthed from the emergence of a new industry, which, in the case of this study, is microfinance. This includes new tasks and procedures, titles that they need to be referred to, remuneration, procedures and protocols. Growing industries are subject to numerous influences, mainly legislation and technology, which constantly change and impact on the structure and content of these new occupations (Brown, 2003). Authors like Kleiner (2003), Canales (2014) and Nerland and Karseth (2015) show that it is important at this stage for an occupation to develop norms and standards that will determine the tasks performed, content of work, procedures and protocols, and define knowledge and qualifications that are needed to prepare practitioners for work. This process is referred to as standardisation of knowledge and practice. Standardisation, according to these authors, assists an occupation in carving its own identity in the labour market, with unique tasks and specific knowledge and qualifications (Canales, 2014; Kleiner, 2013; Nerland & Karseth, 2015), but it also anchors occupations that are in a constant flux (Brown, 2003). It does this by constantly reviewing and updating knowledge and practice.

This role of standardising an occupation is normally performed by professional associations that are a collective of practitioners who come together to streamline processes and to be the voice of the occupation. Occupations with strong disciplinary academic foundations, who have the authority and jurisdiction over their professional knowledge and can lobby both the state and industry, are able to form their own professional associations. Thus, to determine their own tasks and work content, procedures, regulations and influence, they influence their qualifications and entry requirements into the occupations. This is referred to as internal occupation control. However, there are instances where practitioners of the new occupation, like loan officers, lack the authority and jurisdiction over their knowledge to form a professional association.

In this case, the state establishes or mandates a regulatory authority to take the role of a professional association. Occupation control is external. Occupation change is therefore influenced externally. The ultimate role of a professional association seems to be to develop standards that will provide uniformity of the occupation's title, tasks, work content, regulations relating to procedures and conduct, training, qualifications and entry requirements for work.

These qualifications influence and regulate the kind of training that the occupation will need in terms of prior educational entry requirements, as well lifelong training once employed. Professionals have occupational control, and therefore influence knowledge and disciplinary academic qualifications. The aim is to ensure that only people with the relevant and required qualifications can practice. Their training, for example as doctors or accountants, is strongly regulated. However, professionals' training has been criticised for gate-keeping and meritocracy, among other things. However, these qualifications and regulations ensure constancy of practice and therefore quality, and thus trust. People normally trust professionals. Training for semi-professionals and technicians like loan officers, who do not have occupational control, is influenced by regulatory authorities. In the case of the microfinance industry, and loan officers specifically, there seems to be less regulation of training and thus a weak connection between training and what happens in the workplace.

# CHAPTER 3: RESEARCH METHODOLOGY

This chapter details the research methodology utilised to ensure that the objectives of the study are achieved. The key research question relates to how occupations are changing and evolving in the microfinance industry and what this means for education and training in this sector. It was therefore important to understand the microfinance industry in terms of the legislation driving the industry, as well as products, clients, systems and occupations within the industry, in order to answer this question.

## 3.1 Research methodology

A qualitatively-driven mixed methods research approach was used to collect data. A defining characteristic of a qualitative-driven mixed methods is that "a qualitative approach forms the core of the overall mixed methods research project with the quantitative approach and method taking on a secondary role in the mixed methods design" (Hesse-Biber et al., 2015: 07).

"By mixed method design, we mean a procedure for collecting, analysing and reporting research such as that found in the time-honored designs of quantitative experiments and surveys and in the qualitative approaches of ethnographies, grounded theory studies and case studies" (Creswell et al., 2003: 123). This research method is also referred to as a "concurrent triangulation method design", indicating a triangulation of data collection, separate data analysis and the integration of databases at the interpretation or discussion stage of the report (Creswell et al., 2003). This method assisted in providing for a robust collection of data and the ability to corroborate the different sources of data to enhance validity.

The manner in which data is corroborated is crucial and, through the qualitatively-driven mixed method research, data from different data sources is triangulated to either confirm or provide clarity of the results. Patton (cited in Johnson et al., 2007: 121), considers mixed methods "to be inquiring into a question using different data sources and design elements in such a way as to bring different perspectives to bear in the inquiry and therefore support triangulation of the findings".

Triangulation of data can lead to convergence, inconsistency or contradiction, and thus ensures a richer analysis of results as the researcher is required to provide an account of what the data is really saying (Denzin, 1978). Mixed methodologies, whether qualitatively or quantitatively-driven, are also able to address issues of methodological bias as "mixed methods research acknowledges that all methods have inherent biases and weaknesses; that using a mixed method approach increases the likelihood that the sum of the data collected will be richer, more meaningful and ultimately more useful in answering the research questions" (Preskill, cited in Johnson et al., 2007: 121). The optimal approach, therefore, was to examine a number of sources of data, as well as the results, holistically, by using the qualitatively-driven mixed method research methodology.

These data sources included a literature review, document analysis of public documents that included internal reports and publications, a qualitative study with microfinanciers, regulators and training providers and a qualitative survey amongst loan officers. The literature review was mainly utilized to refine the scope of the study, to inform the study's conceptual analysis and to assist in developing data collection tools. The literature review was also utilized to determine how legislation and technology impacted on the articulation of the loan officer's occupation.

A document analysis was used to analyze occupational qualifications for loan officers. This included analyzing and interpreting documents, mainly public documents, which included QTCO and BANKSETA external training assessment (Annexure 15), curriculum design (Annexure 16) and occupational qualification documents (Annexure 17).

Furthermore, the extensive qualitative engagements with the microfinance sector provided an important source of information to validate the findings from the quantitative survey, and provided depth to the results. The combination of examining all the above provided the best picture possible of the evolution of the loan officer's occupation and education- and training-related issues within the microfinance sector, as presented in this report. Therefore, it was important that, as far as it was possible, all available data sources were examined.

The predominance of qualitative research in the study did not only allow for the diversity of views to be heard (O'Leary, 2010), but also allowed the researcher's positionality and experience to be fully maximised in terms of data collection and interpretation (O'Leary, 2010). A researcher's positionality refers to where the research is situated within the study, based on their profession, position within the industry in which they are working (whether they are an insider or an outsider), class, race, gender, experience and knowledge (Walt et al., 2008). These factors impact on the researcher's perceived legitimacy and how the researcher is viewed within the study. The interplay between these factors creates situations that position a researcher differently during the study, and creates multifaceted subjectivities. It is critical, therefore, for the researcher to increase their reflexivity and to be cognizant of how these factors interplay to affect positive or negative data collection, its analysis and its use.

The researcher has been working within the banking and microfinance industry for over 20 years, and this benefited the study as she had access to information and some participants that would not have been possible had she been the outsider. However, to ensure some objectivity, most microfinance practitioners were referred to the researcher and were thus not known to her. Likewise, in the case of the loan officers, she did not know any of them and, as a result, participants were comfortable talking to her without the pressure of being judged.

### 3.2 Data collection

The data collection process commenced with a literature review, which included the examination of data from journals, reports and publications. At the initial stages of the research, the literature review was mainly utilised to refine the scope of the study, to determine the availability of data so as to avoid duplication during the primary research, and to develop the conceptual framework. Information from the initial literature review was also utilised as a foundation to develop questionnaires for data collection. During the study, the literature review was utilised to complement data collected from the qualitative and quantitative research. This included how legislative reforms and changes in technology impacted on the industry and, therefore, the articulation of the loan officer's occupation. At the micro level, the literature review concentrated on the work history of loan officers in terms of how these changes impacted on the occupation's tasks and occupational identity, pay scales and the required education and training.

The literature review was followed by the collection of primary data through document analysis, qualitative interviews, written submissions and a quantitative survey. The primary data collection process followed the concurrent triangulation approach, where qualitative data and the quantitative survey were conducted concurrently (Creswell, 2002). This approach enabled data to be collected timeously as it enabled the collection of qualitative and quantitative data separately, yet concurrently. Data for the qualitative interviews was collected using a semi-structured interview guide (Annexure 12) which consisted mostly of open-ended questions. Data for the quantitative survey was collected through a structured questionnaire. A specific structured questionnaire (Annexure 14) was developed for the qualitative sample. The qualitative interview guides consisted mostly of open-ended questions to allow respondents to dig deep into their knowledge and experience of the microfinance industry and the loan officer's occupation so as to provide rich and valuable data. The quantitative questionnaire was structured and constituted close-ended questions to allow for easy coding and data input. However, open-ended questions were included to provide a deeper insight into some aspects that needed further clarification.

Qualitative data was collected from microfinance practitioners through a combination of face-to-face interviews, telephonic interviews and written submissions, and a quantitative survey was conducted among loan officers. During the qualitative in-depth interviews, the interviewer took microfinance practitioners through a semi-structured interview guide and recorded the proceedings. Partial transcripts were developed to ensure a reliable analysis of the results. Interviews with the microfinance practitioners were quite in-depth and took rather long: from an hour and a half to over two hours. The main aim of the qualitative in-depth interviews was to gather insights on the evolution of microfinance, the drivers of change within the industry, how the changes had affected the loan officer's occupation, and education and training requirements.

The quantitative phase of the study included a survey among loan officers and a structured questionnaire was administered telephonically to collect information. The responses were captured directly into a computer system that stored the data. This method of data collection ensured data integrity and easy analysis of the results.

A structured questionnaire was designed for loan officers to provide insight into their actual jobs: what they do; and to report noticeable changes in their industry and workplace, as well as how these changes impacted on their roles, the scope of their job, their pay scales and their skills requirements. The structured questionnaire included demographic questions on their level of education and training. The nature of the questions required someone who had worked in the industry for some time to be able to notice the changes and their impact. One sampling criteria was that loan officers recruited into the study should have a minimum of four years' experience working as a loan officer in the industry.

## 3.3 The sample

Data for this study was collected using a non-probability purposive sampling method. Sampling, which is the process of selecting a representative portion of the population under study, is an important step in the research process because it helps to inform the quality of inferences made by the researcher that stem from the underlying findings (Welman et al., 2005) "In both quantitative and qualitative studies, researchers must decide the number of participants to select, i.e. sample size and how to select these sample members, i.e. sampling scheme" (Onwuegbuzie & Collins, 2007: 281).

Purposive sampling techniques are utilised in mixed methods research as they creatively combine qualitative and quantitative techniques to answer research questions. Purposive sampling techniques have also been referred to as non-probability sampling or purposeful sampling. They involve selecting certain units or cases “based on a specific purpose rather than randomly” (Tashakkori & Teddlie, 2003: 713). The sampling method for this study therefore relied on data collection from population members who were available and willing to participate in the study. Although purposive sampling techniques are used to achieve representativity, they are also utilised to produce contrasting cases (Teddlie & Yu, 2007). This assisted in the analysis as the main aim of the study was to investigate how the loan officer’s occupation had changed and evolved within the sector, comparing the prior situation to the current situation.

The sample consisted of two groups: microfinance practitioners and loan officers. Quantitative data was collected from 20 loan officers within the South African microfinance industry. These loan officers were contacted telephonically and a structured questionnaire was administered to collect data. Qualitative data was collected from 11 microfinance practitioners through face-to-face interviews. The respondents represented credit providers, industry bodies, industry experts and training providers.

### *3.3.1 The qualitative sample*

Qualitative information was collected with an interview guide from various microfinance practitioners across the microfinance industry. This provided greater insights into the study and provided context and depth to the loan officers’ responses. The researcher used her knowledge of the industry to invite some of the microfinance practitioners to participate in the study, and these respondents referred the researcher to other practitioners. All microfinance practitioners were sent an introductory email detailing the objectives of the study.

The main purpose of the qualitative questions was to obtain details on the evolution of the microfinance industry, the drivers of change within the industry, and the evolution of the loan officer’s occupation, together with their education and training requirements. Most of these practitioners had been at the frontier of the South African microfinance industry in the early 1990s, and had lots of insight and experience of the industry. The microfinance practitioners included representatives of credit providers, training providers, industry bodies and industry experts. Some of these respondents started microlending and development lending institutions, and had an in-depth understanding of the industry and the loan officer’s occupation. Some of these respondents were at the forefront of legislative and policy reviews, and the development of systems that had revolutionised the industry. Collectively, they were able to provide insight into changes within the industry and how these changes impacted on the loan officer’s occupation.

Credit providers were purposefully selected to include a large microlender, a small lender and a developmental microfinance institution. These lenders were mainly referred by industry bodies and microfinance experts. Credit providers were included in the sample because of their involvement in the recruitment, selection and management process, as well as in the educational planning of loan officers.

The small lender had one big branch and employed about 20 loan officers, managed by the owner and assisted by four family members as managers. The lender was based in Gauteng, where two respondents were interviewed (the owner and the operational manager). The owner was requested to participate in the study because he had started this company in the early 1990s and had witnessed the industry and its occupations evolve. The operational manager had worked for the company since then. The small lender's main product was the one-month loan, although the company also provided short-term loans of up to six months. The lenders operated from an open-plan office, where loan officers interacted with clients and processed loan applications, while the management, including the owner, oversaw engagements, approved loans and disbursed funds.

The customers were mainly low- to middle-income earners, although the owner and one of his managers mentioned that they had a small percentage of high-earning customers. In fact, during the interview, one of the customers came in to ask for more money because he wanted to buy a new Mercedes Benz. As he walked away, the owner said:

> This guy has a net salary of R50 000 and is always in need of credit. We cannot assist him right now because he won't be able to afford the loan – he has other loans with us and he is over-indebted. (Credit Provider A)

A large microlender with a national footprint of 67 branches across the country, serviced by 166 staff members, was also referred to the researcher. Two participants from this company were interviewed. This microlender had a professional setting, with head offices in Johannesburg, where the executive and management team were situated, and a nationwide branch network, each managed by a branch manager, who oversaw loan officers, clerks and receptionists. The organisation mainly provided credit products, which included short-term and long-term loans, and was in the process of introducing a credit card. Its customer base was low- to middle-income earners. The development microfinancier was based in one of the poorest areas of Cape Town, and mainly provided developmental credit in the form of small enterprise loans and low-cost housing finance. The main focus of development credit is to provide low-income consumers with access to credit for the main purpose of acquiring or refurbishing low-income housing, small business development and education. The operational director was interviewed.

Training providers were purposefully selected because of their involvement in the design and planning of the credit management and microfinance qualifications targeted at loan officers. Two training providers were interviewed. The one participant was from a global training company that provides bespoke microfinance training regionally and globally, and has been instrumental in developing most of the microfinance-specific qualifications and training programmes in South Africa. The other training company's specialisation is development microfinance, and it has designed and implemented training for most international development finance and microfinance institutions.

Two participants from a microfinance industry body were also interviewed. Industry bodies were selected because they are familiar with developments within the microfinance industry and the impact these changes have had on loan officers' scope of work and its relation to education and training. They interact with legislation, are involved in legislative reviews and some court cases, and lobby the industry and government.

The researcher also used her own networks to invite two industry experts to participate in the study. These respondents had worked in the industry for more than 20 years and provided a global picture of microfinance, which enriched the results, especially the history of microfinance.

Nine interviews were conducted with microfinance practitioners, and two written submissions were received. The microfinance practitioner sample group was made up as follows:

**Table 3.1: Sample of microfinance practitioners**

| **Sample group** | **Number of participants** |
|---|---|
| Credit providers | 5 |
| Training providers | 2 |
| Industry body | 2 |
| Industry experts | 2 |
| **Total** | **11** |

### *3.3.2 The quantitative sample*

A structured survey instrument was telephonically administered amongst twenty loan officers from microfinance and development microfinance institutions. These are the frontline loan provision practitioners and the questions needed them to provide insight into their actual job: what they do, if they have noticed any change in their industry and workplace, and how these changes have impacted on their roles, the tasks that they perform, their pay scales, and any impact – if any – this has had on their skills requirements. The questions also needed to gauge their level of education and training, and if this has adequately prepared them to work as loan officers. The loan officer's role within microfinance is also developmental in nature, and the questions posed needed to gauge if this role had been affected by the changes within the industry. The nature of the questions required someone who has worked in the industry for some time to be able to notice the changes and their impact. Therefore, the sample was designed to ensure that loan officers recruited into the study had a minimum of four years' work experience.

The sample was drawn from the training databases of loan officers of RUDO Consulting and a list was requested from BANKSETA. RUDO Consulting has been providing financial and credit-related training since 2003, and has databases of trained loan officers. These loan officers were randomly selected from these databases countrywide. They were randomly called, and appointments were made with those who agreed to an interview. Some of the contact details, especially from loan officers who had been trained long ago, were inaccurate, and numerous experienced loan officers could thus not be contacted. A new list of contactable loan officers was developed.

A few of the loan officers on this list who were approached were reluctant to participate, mainly because they needed permission to participate and were afraid to ask for that permission. A fair number of those who were approached were willing to participate and were interviewed using the structured questionnaire. The questionnaire included a demographic section to assist in understanding who the research participants were and their background so as to contextualise their responses. This information related to their gender, age, the type of organisation for which they worked, how long they had worked as a loan officer and their highest qualifications.

An analysis of the sample of loan officers indicated the following demographic information:

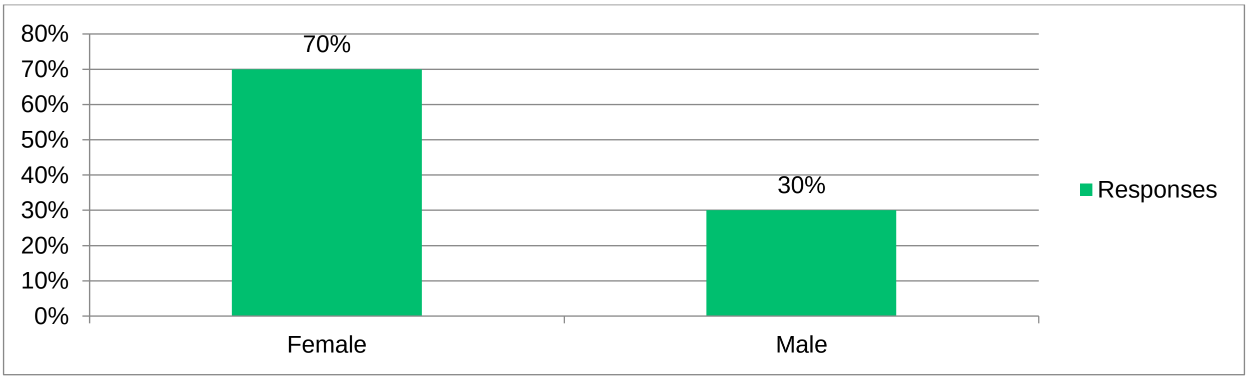


**Figure 3.1: Gender distribution of the sample**

The results indicated that the sample consisted of 70% female participants and 30% male participants. This mimicked the gender profile of the banking and microfinance industry, which employs more females (61%) than males (39%) (BANKSETA, 2020).

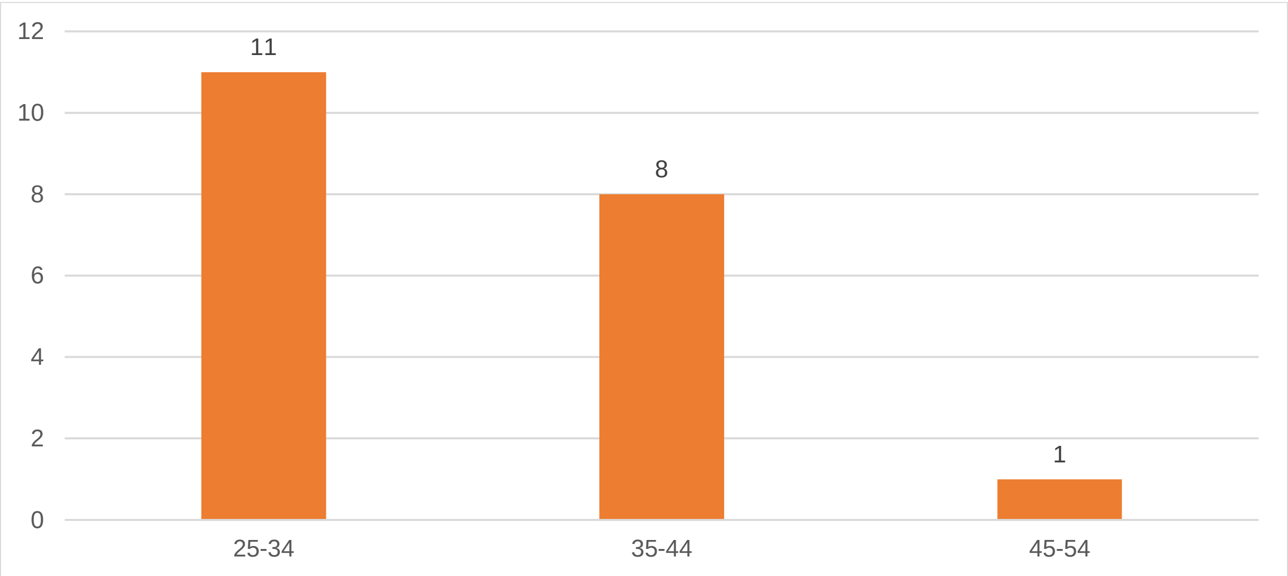


**Figure 3.2: Age distribution of the sample**

The majority (11) of the loan officers (55%) reported that they were between the ages of 25 and 34 years, followed by eight (40%) who were between 35 and 44 years. Only one loan officer (5%) reported being between 45 and 54 years of age.

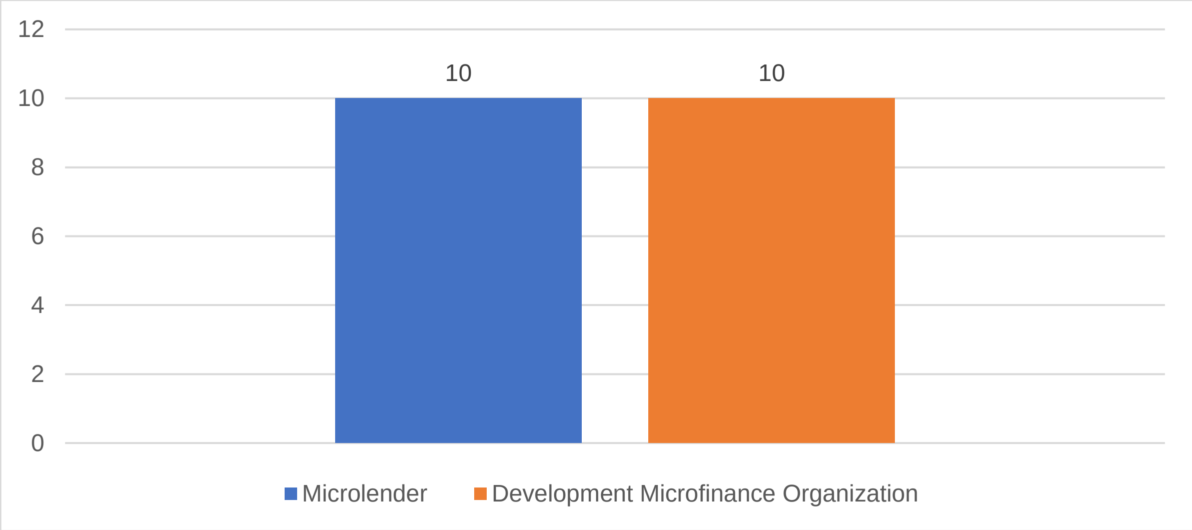


**Figure 3.3: Distribution of sample according to type of organisation**

There was an equal split of the sample (50%) between loan officers who worked for microlenders (10) and those who worked for development microfinance organisations (10).

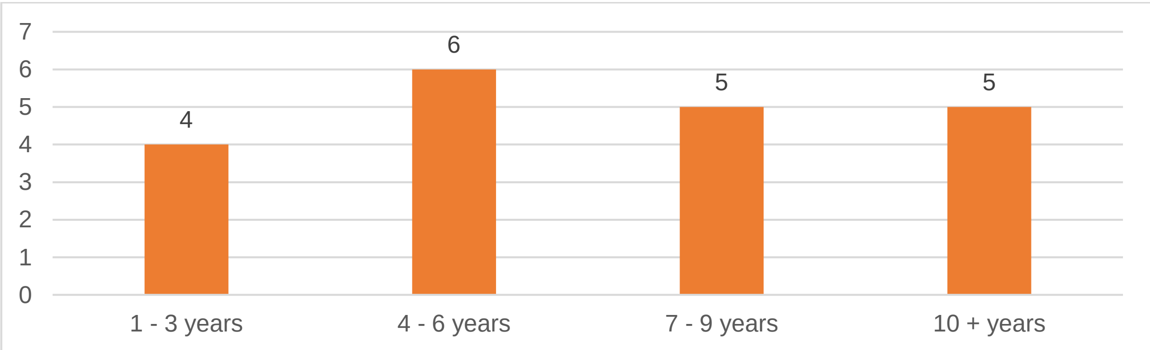


**Figure 3.4: Distribution of sample according to length of time as a loan officer**

The majority of participants had four and more years' experience working as loan officers within the microfinance industry. Actually, 10 (50%) had worked as a loan officer for at least seven and more years. This assisted the study as they could trace the evolution of their role as loan officers, identify the formation of their occupation and the changes in their scope of work, and establish how changes in the occupation had influenced its training and skills development needs. The other six participants (30%) reported having worked as loan officers for between four and six years. Only four (20%) had worked as loan officers for between one and three years.

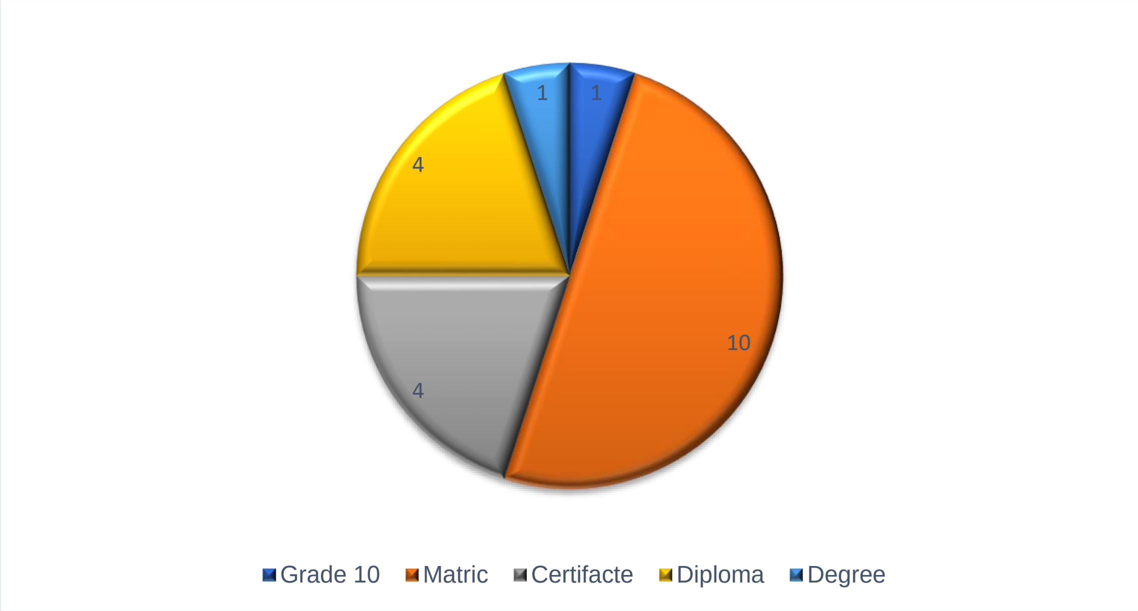


**Figure 3.5: Distribution of sample according to highest qualifications**

This question was aimed at gauging the loan officers' level of education and training, and how prior educational qualifications and training contributed to preparing loan officers for work. The results indicate that 10 of the 20 loan officers interviewed (50%) had matric, while four (20%) had a certificate or diploma. Only one loan officer reported having a Grade 10 qualification, and only one reported having a degree.

In conclusion, the results of the questionnaire indicate that the gender profile of the quantitative sample mimicked that of the industry, with more females participating in the study. They also indicated that microlending companies and development microfinance institutions were equally represented. The microfinance industry consists mostly of microlenders. However, there are numerous developmental microfinanciers who employ a sizeable number of loan officers. The results furthermore indicated that half (50%) of the sample were matriculants, and that nine (45%) had a post-matric qualification. The sample was slightly skewed towards developmental microfinanciers. Half of the sample (50%) had worked as loan officers for more than seven years. This assisted the study, as they could trace the evolution of their role as loan officers, identify the formation of their occupation and changes that had taken place in their scope of work, and establish how changes in the occupation had influenced its training and skills development needs.

## 3.4 Data analysis

A qualitative and quantitative analysis of the data was carried out. The quantitative data was captured in Survey Monkey and then coded. The coded data was then exported to SPSS for analysis. SPSS is a comprehensive data capture, analysis and reporting software system, and data is easily imported and exported to MS Excel. The analysed data was exported to MS Excel where it was presented in the form of graphs and tables. The generated graphs and tables were utilised to generate the quantitative analysis of this thesis. The analysed quantitative data was substantiated by the literature review and qualitative data. In some instances, verbatim responses from participants were utilised to support and put more life into the analysis.

The qualitative data was recorded and semi-transcripts were developed. A thematic approach was used to analyse the qualitative data, where the transcribed data was grouped into similar themes. These themes were presented in a tabular format for easy reference and to facilitate the copying of the verbatim quotations into the thesis.

## 3.5 Ethical considerations

Data for the research was collected from people and institutions, and all efforts were taken to ensure that the study was conducted ethically, that nobody was harmed and that none of the participants' and institutions' reputations and images were damaged. I obtained an ethics approval (approval number: 857858) and the following ethical consideration were taken into account:

- Honesty: The objectives of the study were truthfully disclosed to the participants and the researcher ensured that all participants took part willingly in the research. The researcher ensured that the results were documented and reported honestly, objectively and truthfully.
- Confidentiality: The research participants' personal information was utilised for the sole use of the research. Furthermore, participants' personal information would not be made public and would be kept confidential. There was a confidentiality clause in the consent form that was made available to participants who wished to be provided with such assurance.
- Transparency: The objectives of the study were clearly communicated and participants were provided with the option to check data collected from them to ensure that it was accurate and not misrepresented.
- Consent: Written consent was obtained from some participants and none of the participants were coerced to participate in the study.

## 3.6 Limitations of the study

The sample for this study was purposefully selected, and the results of the study are therefore not representative of the industry. The results can, however, be used as a foundation towards researching occupations within the microfinance industry.

Some of the databases to recruit loan officers for the study were developed in 2003, and contained outdated contact details, which rendered numerous loan officers uncontactable. These are loan officers who would have provided rich work histories. However, over 50% of the sample had over four years' experience and were able to provide lots of insight into the changes within the industry and the subsequent impact on the occupation.

Not being an actual microfinance practitioner was limiting at some point, as the researcher did not know how the actual loan systems functioned, but this provided the opportunity to ask targeted questions that provided greater insights into how these loan systems worked. However, as an experienced banking and microfinance researcher, the participants trusted her, which made data collection easier.

This chapter described the research methodology and data collection procedures. The next chapter provides a history of the South African microfinance industry and its occupations, with specific reference to loan officers.

# CHAPTER 4: THE MICROFINANCE INDUSTRY AND THE LOAN OFFICER OCCUPATION

This chapter traces the occupational change patterns of loan officers within this industry over time by chronicling the history of microfinance globally and locally. It covers the main events within the industry and the work history of loan officers since they were first recorded in the history of microfinance in terms of tasks performed, job title, remuneration, the workplace, and skills and training. The findings of the literature review “point to a trend of emergence” (Brown, 2003: 10) of the loan officer from a simple job into a complex one as a result of legislation and technology, with an expectation for a rise in skills.

## 4.1 Earlier times of microfinance

The essence of microfinance, with its aspirations to provide financial services to the poor (Coetzee, 2010; Siwale, 2016) dates back centuries across the globe. Evidence from literature places the first microfinance activities within Europe where poor people were provided with an alternative to money lenders who charged usurious interest (Helms, 2006). The literature does not provide the role played by loan officers at this stage, and their tasks, activities and preparation for work are not clear.

## 4.2 Microfinance during the 20$^{th}$ century (1900–1989)

The biggest achievement for financing the poor occurred during the 1970s with the birth of microcredit in countries like Bangladesh and Brazil, and in Asia. The most reported success case is that of the Grameen Bank in Bangladesh (Helms, 2006; Zeller, 2001). The bank was started by Dr Mohammad Yunus, who targeted poor female entrepreneurs and provided them with small loans to start and grow their small businesses. Other examples include a trade union-owned Self-Employed Women’s Association Bank in India, and ACCION International, which was pioneered in Latin America and later extended to Africa and the USA. All these banks for the poor targeted poor female entrepreneurs and provided them with small loans to start and grow their small businesses. The collection methodology was based on group- or peer-lending, where each member of the group guarantees and ensures that every other member repays their loans on time (Helms, 2006; Zeller, 2001).

It is only at this stage of the history of microfinance that the literature begins to reflect the role of loan officers, with a title and defined tasks. The tasks include recruiting clients, screening them, training them on the methodology of microlending, forming groups, assessing the ladies (clients) and collecting repayments (Helms, 2006; Zeller, 2001). Although a standardised task was set through the "Grameen lending model", these tasks were rather determined by individual microfinance institutions, although they were informed by the loan officers' experiences on the ground. The literature indicates that it did not take much to be a loan officer – there were no educational requirements, and no prior experience was necessary. Mostly, local women were recruited based on their ability to write and communicate in the local language, and they were mainly perceived as being trustworthy and good with clients (Helms, 2006).

During this time, microfinance companies developed credit policies and procedures to standardise lending practices, which were used to develop training courses for staff. There is no evidence of what informed the knowledge and terminology to produce the training material and inform procedures, but the literature suggests that some of the traditional credit management information, coupled with loan officers' real experiences in the field, was used. Training was conducted in-house, where loan officers were thoroughly trained and briefed on lending methodologies, screening practices and collection methods.

In conclusion, the available evidence indicates that microfinance only emerged as an industry in Asia and Latin America during the 1970s, and was largely based on the Grameen Group's lending methodology. The products were mainly microcredit, aimed at poor female entrepreneurs. This era saw the emergence of loan officers, which could be described as a simple job with a defined task, no educational entry requirements, with training provided in-house by microfinance institutions (MFIs). There were no rules or regulations, and it seems that the industry was largely under most governments' radar.

### 4.3 The emergence of microfinance in South Africa (1990–2004): The Informal Phase

Few black South Africans had access to financial services before 1994. This was exacerbated by the legalisation of apartheid laws in 1954. The Usury Act of 1968 was one of the laws that had stringent requirements for credit applications. Around 1991, it was quite evident to South African lawmakers that these exclusionary laws had devastating effects, not only on the economy, but also on black lives. Most black people could not access funds to build houses, take their children to school, purchase vehicles and – most sadly – buy necessities like food and clothing.

There were also other people who needed finance to start, grow or sustain small businesses. Access to credit was improved through the Usury Exemption of 1992, which exempted R6 000 from the Usury Act without going through the stringent Usury Act requirements. This exemption, together with willing international investors (Bateman, 2014), resulted in the emergence of the microfinance industry in South Africa (Coetzee, 2010; ECI Africa & IRIS Centre, 2005; Kirsten, 2006; University of Pretoria & BANKSETA, 2013).

Unfortunately, this opportunity came at a high price. There was a big demand, of course. For the first time in South African history, black people could access credit. The only requirements for the exempted loans were a salary slip, identify document (ID) and proof of residence. Many people took out more loans than they could repay, because lenders were not obliged to conduct affordability assessments to check if the client would be able to repay the loan. Two words were bandied around in the credit industry at that time: over-indebtedness and reckless lending (Coetzee, 2010; Kirsten, 2006; University of Pretoria & BANKSETA, 2013).

Issues of reckless lending and over-indebtedness were exacerbated by limited technology available to lenders at that time. In the early to mid-1990s, it was reported that the limited technology impacted on the loan process and most lenders used manual means to screen, assess, disburse and collect loans. As a result, defaults were high. Clients who could not afford to repay were exposed to cruel and humiliating collection methods, included beatings, the confiscation of bank cards, PIN codes and IDs (Coetzee, 2010; Kirsten, 2006; University of Pretoria & BANKSETA, 2013).

### *4.3.1 Occupations*

The microfinance occupations during this period consisted mainly of receptionists/clerks, loan officers, managers and owners. These people mostly worked for small lenders with only one branch, with the owner mostly working as the branch manager. There were few large lenders with a corporate structure (Coetzee, 2010). The literature indicates that the tasks of a loan officer emerged and the title of loan officer was starting to be used industry-wide. A typical loan officer’s tasks, irrespective of the lending methodology, included the marketing and selling of loan products, recruitment of clients, receiving loan applications, screening clients (ensuring that all required documents were collected) and making recommendations for loan approvals, repayments and collections (Canales, 2014; Coetzee, 2010; Siwale, 2006; Siwale, 2016; Siwale & Ritchie, 2011).

Loan approvals and disbursements were mainly done by the owner, branch manager or financial manager, but there are instances where loan officers were tasked with loan approvals. Loan officers depended on soft information to recommend loan approvals, which required them to use their own judgement and discretion (Canales, 2014; Siwale, 2016). This worked in small settings, where loan officers had an intimate knowledge of and relationships with consumers (Canales, 2014; Siwale, 2016). However, as a result of the mission change, greater emphasis was put on profit making than on poverty alleviation and the funding of small enterprises, and loan officers were required to provide loans at scale in order to achieve targets (Canales, 2014; Siwale, 2016). The result was high bad debt and an increase in cruel collection methods. The state's agenda was therefore to regulate the lending market by introducing norms and standards that would ensure consumers' safety, curb over-indebtedness and reckless lending, and improve consumer protection.

There were no standard entry requirements into the loan officer's occupation during this era. People were mainly recruited into the occupation based on their knowledge of the community and its culture, their ability to speak the local language (Coetzee, 2010; Siwale, 2006; Siwale & Ritchie, 2011) and their ability to speak English and Afrikaans. Although there were no educational requirements, basic numeracy and literacy were needed to ensure that application forms were completed properly. As in the 1970s and 1980s, most microfinance companies developed their own training programmes and trained their own staff, guided by the process of the loan cycle (Canales, 2014). The training was mostly basic and in-house, and concentrated on the company's loan methodologies and internal credit policies (Coetzee, 2010). No data is available on the remuneration of loan officers during this time, but irrespective of its importance to the industry, research indicates that the occupation was undervalued, and regarded as low-skilled and of low-status (Canales, 2014; Siwale, 2016). It can therefore be inferred that loan officers were poorly paid. During this early stage of the occupation, there were no professional associations, and there were few rules, norms and standards to guide the lending process.

### 4.4 Formalisation of the industry and occupations (2005 to date): The Regulated Phase

The literature indicates that occupational change within the microfinance industry was largely driven by the state through legislation and bureaucratic regulation. The government responded to issues of reckless lending, over-indebtedness and criminal collection methods through a legislative intervention in the form of the National Credit Act, 34 of 2005). The NCA brought about the biggest change in the microfinance industry, and its enactment sparked the beginning of the second era of microfinance in South Africa. The main objectives of the Act were the regulation of the credit market and consumer protection.

The NCA saw the establishment of two statutory bodies: the National Credit Regulator and the Consumer Tribunal. The main responsibilities of the NCR were the regulation of the credit market. All the entities providing credit in South Africa were required to register with the NCR from 1 June 2006. The NCR also set standards for lending and compliance. Section 3(a) of the National Credit Amendment Act (NCAA) provided a rigorous affordability assessment process to avoid reckless lending and over-indebtedness (Republic of South Africa, 2014). This ensured that even small MFIs had to standardise and formalise their loan provision process, develop policies and procedures to simplify and streamline the loan application process and be compliant. The loan provision process was not only standardised, it was now legally enforceable. For the first time since 1992, loan officers were legally expected to follow a set process when providing loans.

Conducting an affordability assessment according to the NCA required hard information to assist in making lending decisions. Hard information refers to quantifiable and tangible data like financial statements, bank statements and credit bureau profiles (Canales, 2014; Scott, 2006; Siwale, 2016). Loan officers captured the client's application on an automated loan management system. This loan management system provided automatic loan responses, and loan officers were spared the effort of making decisions themselves. Traditionally, loan officers used their discretion based on soft information or data to substantiate the loan-granting process (Canales, 2014; Siwale, 2016). Soft information refers to the assessment of the client's character and behaviour that cannot be quantified. But the algorithmised manner of loan provision limited loan officers' discretion, as deviation from the process was heavily penalised. Although the results improved loan portfolios, loan officers' performance was negatively affected as the rigorous assessment meant fewer clients and reduced profits (Canales, 2014). This put pressure on loan officers, who sometimes circumvented the process (Siwale, 2016) at the risk of being heavily penalised to ensure that they reached their targets, but to also honour the mission of microfinance, which is the delivery of financial solutions to the poor, marginalised and sometimes unbanked (Canales, 2014; Siwale, 2016).

These legislative requirements broadened the scope of loan officers' work, and, although the process of loan provision did not change that much, the scope, depth and knowledge requirements of the occupation increased. The literature suggests that the NCA's compliance requirements pushed and propelled the microfinance industry towards the use of technologies. These new technologies refer to the use of the internet, cashless electronic payments, loan management systems, access to credit bureau information, the use of payment distribution agents and mobile payments (Coetzee, 2010).

### *4.4.1 Training of loan officers*

The NCA stipulated basic standards of training for those in the credit industry in relation to their knowledge of compliance and regulations. The NCAA makes it mandatory for MFIs to ensure that their employees are trained on matters relating to the NCA and credit provision (Republic of South Africa, 2014). This legislation and bureaucratic regulation content (Nerland & Karseth, 2015) can be used as a standard to develop and design training courses and qualifications, and to produce lending procedures and credit policies. Loan officers are at the frontline of credit provision, and according to the NCA, it is mandatory that they receive training in the following areas:

- National Credit Act
- Governance and compliance
- Customer service
- Risk management
- Computer literacy
- Financial management
- Business management
- Economics

The NCAA is not specific on how this training should be delivered, and BANKSETA and the QTCO has taken the lead in terms of curricula and content development for credit provision and loan officer courses. With the shift to occupationally based qualifications, BANKSETA and QTCO developed a qualification for loan officers that, on closer inspection, seems to be entirely procedural and narrowly focuses on the occupation's needs only and is devoid of the above standards set by the NCR. Instead, the qualification emphasises practical credit knowledge, rules, protocols and procedures with little emphasis on knowledge required to use judgement and discretion that is critical to the loan officer's occupation.

These BANKSETA/QTCO courses are competency-based in the form of full qualifications, short courses, skills programmes, learnerships and internships (BANKSETA, 2012). The industry also depends on in-house training, which focuses on credit cycle, policies, procedures and sales (Siwale, 2016). The conceptual framework has indicated a need for technical qualifications for the training of semi-professionals like loan officers. However, there is no evidence from the literature of a South African university offering microfinance-specific degrees or diplomas, and the closest qualification is a generic BCom. The University of Venda previously offered a degree in Microfinance, but because of the low demand, the qualification was deregistered (BANKSETA, 2012). This is corroborated by Siwale (2016), whose study found that most graduates perceived the industry to be unattractive to work in.

### 4.5 Conclusion

This chapter traced the occupational change patterns of loan officers within this industry over time by briefly chronicling the history of microfinance globally and locally. The literature reviewed indicates two eras of microfinance in South Africa. The first era occurred from 1990 to the early 2000s, and the second era occurred from the early 2000s to the present.

The second era saw the introduction of legislative changes that required new technologies to be effectively implemented. These changes impacted on the microfinance industry, resulting in changes to the product offering, loan management systems, risk management methodologies and credit scoring systems. The second era demanded a sophisticated and skilled loan officer who could handle the complexities brought about by compliance requirements and technology, and exercise clinical judgement and discretion when making loan decisions. Although automation of the loan provision practice has limited the use of clinical judgement and discretion, it is still central to the loan officer's occupation.

The NCR, which acts as a professional association for loan officers, developed norms, standards and regulations relating to the practice of loan provision and the training of loan officers. This training contains disciplinary courses like economics. The current BANKSETA/QTCO qualification for loan officers ironically emphasises procedures and processes, and lacks the knowledge base mandated by the NCR. Overall, the literature review points to the transformation of the loan officer's occupation from a simple job with minimal skills required to a complex and skilled job with a standardised title, and standardized tasks and competencies as a result of legislation and technology.

# CHAPTER 5: DATA PRESENTATION AND ANALYSIS

This chapter records and details the results of the study based on the participants' responses gathered during data collection. The analysis of the study is presented thematically, with the quantitative results from loan officers reinforced by qualitative results from microfinance practitioners using illustrative quotes.

It is divided into five sections. Section 5.1 details the history and emergence of microfinance in South Africa, chronicled per era. Section 5.2 examines the work history of loan officers in terms of tasks, work content and pay scales, and how the work was learnt from the perspective of microfinance practitioners. Section 5.3 looks at legislation as an occupational change driver and its role in standardisation and the regulation of the loan officer's occupation. Section 5.4 deals with how technology influenced changes in the loan officer's occupation and how it impacted on the structure and delivery of work. Section 5.5 presents the work history of loan officers in terms of tasks, work content, pay scales and implications for training from the perspective of loan officers.

## 5.1 The evolution of the microfinance industry in South Africa

This section chronicles the history of the microfinance industry from the perspective of industry practitioners. These practitioners comprised credit providers (microfinanciers), industry bodies, industry experts and training providers. These respondents were requested to detail the history of microfinance in South Africa in terms of the period in which the industry emerged and the reasons that prompted the need for the industry, the purpose of the industry, the products offered, the clientele, legislation and regulations, and occupations that served the industry, with specific reference to loan officers.

### *5.1.1 The emergence of microfinance in South Africa*

Most microfinance practitioners placed the emergence of the South African microfinance industry in the early 1990s, coinciding with the birth of the country's democracy: "Microfinance in the country started around 1993/94." (Industry Body A). This is referred to in the literature review as the pioneer period of microfinance in South Africa. The purpose of microfinance was reported to mainly address past issues related to access to finance and credit to a majority of poor black consumers: "Before, when we just started in 1994, microfinance was about providing money for the poor." (Credit Provider A). It was reported that the ownership of the industry was mainly in the hands of white males "Ownership was predominantly white males." (Industry Body A). This had an impact on the culture and methods of credit provision, in terms of collection methodologies and reckless lending.

The industry was referred to as a "virgin market" (Industry Body A) as there was no precedence and it was the first time that access to credit for black South Africans was mandated by legislation. However, the literature indicates that South Africa was a late starter, as the industry had already developed in Asia and other parts of Africa and the Americas during the 1970s (Helms, 2006; Zeller, 2001).

Microfinance practitioners reported that the industry was described as "mainly underdeveloped" at that time, and although global microfinance's main agenda was to provide financial services to the poor, they reported that South African microfinance was mainly for consumption purposes, and consisted mainly of credit: "South Africa microfinance was for development consumption purposes, in the past it was a very informal market, very under-developed, no technology, no legislation, and uncapped interest." (Industry Body B).

Microfinance practitioners further reported that the South African microfinance industry was expressed and branded as microlending, a strain of microfinance that is mostly commercial in nature, a finding also reported by Helms (2006) and Coetzee (2010). In contrast, global microfinance was mainly non-governmental organisation (NGO)-based, and depended on funding from donors and investors, with the aim to provide access to finance for poor people (Helms, 2006): "In South Africa, we put it together with microlending. The international default is based on the Grameen Model of providing microcredit to low-income segments, irrespective of source of income." (Training Provider A).

This finding suggests that the diversion in South Africa occurred mainly because the local industry originated from the Usury Act, the main objective of which was to support banks in issuing commercial loans. The ownership of the industry was mainly by private companies, whose ultimate objective was profit making. As a result, the industry provided usurious credit products: "They were after interest, there was no sustainability." (Training Provider A). The local industry had few links to the developmental mission of microfinance, as was the case in other countries.

### *5.1.2 Legislation and the industry's operations*

The early period of microfinance was described by the majority of microfinance practitioners as being largely informal, with an inefficient legislation to guide products and delivery mechanisms: "…very informal market, no technology, no legislation, uncapped interest rates, worked under the Usury Act and the average high flat interest was charged" (Industry Body B).

The findings further indicate that an Exemption Notice was quite inefficient in regulating credit provision and the cost of credit, and most microfinance practitioners resorted to charging usurious rates as a result: “We were working according to the Exemption Notice of 1992 and it stipulated no interest rates.” (Credit Provider B).

These microfinance practitioners reported that there was little technology available to enable the issuing of loans, and the manual nature of the operations lengthened loan provision and exposed most microfinanciers to risks of bad debt, which made the microfinance business unsustainable: “There was no technology and technological systems, and therefore most MFIs were not sustainable.” (Industry Expert A). Microfinance operations during the early years were reportedly manual: “Our operations were very manual. It was books and writing down.” (Credit Provider A).

### *5.1.3 Lending methodology and collection methods*

Most microfinance practitioners mentioned that there were no risk and screening methodologies for consumers applying for loans during the pioneer years, and that credit providers depended on trust and knowledge of their consumers. These credit providers mentioned that they depended on hiring loan officers who knew the community well, and who understood the culture and language of the community in which they were operating to minimise their risk:

> Yes, we worked primarily on trust, and since it was a family business, it was the same with our consultants. We hired family members who came recommended by those who were already working for us. We had to work with trust, seeing that we were working with so much cash. (Credit Provider A)

Thus, as supported by findings from Canales (2014) and Siwale (2016), most loan officers depended on soft information and their discretion to make loan decisions. Siwale (2016) observed that this was why employing local people as loan officers was important, as they knew most of their clients personally. But, as indicated by Coetzee (2010), this exposed clients to a lot of danger, because, in cases where they defaulted, it was easy for microfinanciers to identify clients’ domiciles and use abusive collection methods.

Industry body respondents referred to the first-era collection methods as being abusive and that consumers’ rights were trampled on. These industry bodies accused the former administration of allowing government salary system (PERSAL) collections, where government departments gave credit providers permission to collect loan repayments directly from the employee’s salary: “The government was complicit – PERSAL.” (Industry Body A).

Other collections methods mentioned by microfinance practitioners included taking consumers' IDs, bank cards and PINs: "They did a lot of things. They took people's IDs, bank cards and PINs." (Industry Body B).

These callous collection methods, also reported by Coetzee (2010), had implications not only for consumer protection, but also dented the image of the industry, something that the industry is still struggling to change (Siwale, 2016). Most microfinance practitioners were referred to as loan sharks or *mashonisas,* as they were commonly known. This image resulted in the industry being frowned upon by most people in the South African financial industry, and thus being pushed to the fringes and making it difficult to find a good brand positioning. That is why careers within microfinance, reported by Canales (2014) and Siwale (2016), are not regarded as careers of choice, but of circumstance.

Most microfinance practitioners indicated that there was a shortage of credit bureaux servicing the microfinance industry, and that the profiling and screening of clients was done manually:

> There was no credit bureau and we had to ask other lenders, phone them so that we can have some credit profile of the customer. Sometimes we took our books to other owners just to check on the history of the customer. (Industry Body A)

This had a negative effect on MFIs during the pioneer period as most companies provided credit blindly without knowledge of the client's credit exposure. This is what mainly resulted in the reckless granting of credit and over-indebtedness. The issues of reckless lending and over-indebtedness were challenges that were mainly raised by industry bodies. They accused the new government of being complicit in allowing loans to be flooded into the economy, mainly geared towards black and low-income people without any legislation or policies to guide the provision of credit. The microfinance practitioners reported that credit was mostly granted recklessly with the main aim of making maximum profit at the expense of financially illiterate consumers:

> There was no best practice. The industry was not regulated and people did as they pleased. Access was dependent on the business owners' appetite for risk. There were no guidelines, no boundaries. They put our people in a trap with their contracts. People were naïve about the loans they were taking. The reckless lending resulted in over-indebtedness. (Industry Body A)

### 5.1.4 Conclusion

Data from microfinance practitioners provides a brief, but detailed account of the history of microfinance in South Africa. This data points to an industry ignited by legislation reforms as a result of the country's political transformation. The South African microfinance industry during its early years was largely informal with no legislation, no technology and basic risk assessment methodologies.

The South African brand of microfinance was commercialised and provided credit mainly for consumption purposes. The demand for credit was quite high, which, coupled with a culture of providing reckless credit, resulted in over-indebtedness for a lot of consumers. The data further points to inhumane, unethical and sometimes criminal collection methods, which gave the industry a bad reputation that is still a challenge today. The archaic and rudimentary risk methodologies posed a systematic risk to the entire banking industry, which is one of the reasons that prompted the massive legislative reforms.

Developments within the industry had an impact on its occupations. The following section looks at the development of the loan officer's occupation through the lens of the industry's evolution.

## 5.2 The work history of loan officers – microfinance practitioners' perspectives

Work history data assists in tracking the pattern of occupational change over time. "Work histories cover all major employment events since a person first entered the labour market, recording pay, size of the workplace, supervisory duties, job titles and tasks performed" (Brown, 2003: 10) . It was in this light that microfinance practitioners were asked questions relating to the work history of loan officers during the pioneer years of microfinance in South Africa in terms of their work structure, which included tasks, job title, pay scales, the implications and associations with the skills required for the job, and how the job was learnt. This data forms a baseline to track the pattern of change within this occupation over time.

### 5.2.1 Tasks and work content of loan officers

Most microfinance practitioners mentioned that the role of microlending loan officers consisted of two important parts. The first was mainly to market, advertise and sell the loan products. This was in the form of distributing pamphlets at taxi ranks, factory floors, at events and at union platforms, and through word of mouth: "Do some marketing at taxi ranks, factories, events and union platforms. They had to file applications, collect documents for proof of income and get references." (Industry Body A);  "Advertising was mainly through word of mouth – people knew what we were doing." (Credit Provider B).

The second part of their work was office-based and consisted of assessing, processing and pre-approving loan applications. Most microfinance practitioners report that the assessment and processing of loans was not standard and differed from one company to the next, but the main tasks included assisting clients to complete their loan applications, and collecting supporting documents, which included the clients' IDs and proof of income. "The activities can be broken into marketing, admin, getting the right documents, vetting and collection." (Industry Body A).

The applications were processed manually because of a lack of technology and systems: "There was no technology. We used books to record and created files for each customer and used that to track their records. There were no assessment tools and we used gut instincts. We got scammed a lot." (Credit Provider A).

The tasks also included collections in the form of ATM withdrawals using the clients' confiscated ATM cards: "Collection – we collected by going to the ATM to withdraw the cash. We took the customers' card and PIN." (Industry Body A).

The findings suggest that, in some companies, loan officers only pre-approved loans, with the owners or branch managers approving the loans, while in other companies, loan officers approved loans: "Loan officers did everything from filling in the application to processing and approving it." (Industry Body B). The data seems to suggest that some loan officers were not allowed to approve loans as they lacked the necessary education and training needed to exercise clinical judgement (Canales, 2014). "They had to pre-approve the clients' loans before the manager did so. They had to do some basic numeracy in order to see if the client could afford the loan or not." (Credit Provider B).

Some microfinance practitioners reported that most owners also acted as loan officers. These microfinance practitioners reported that some owners did not hire staff and did everything by themselves. This mostly happened where the owners worked alone and had no staff to support them: "Some business owners were also loan officers. They did everything – applications, collections, repayments. In a small business, you still find one-man-owned businesses and the owners did everything." (Industry Body A).

Credit providers further reported that loan officers were responsible for ensuring effective loan repayments by applying for stop orders from clients' banking institutions, filling in PERSAL applications for public servants and completing emolument attachment orders (EAOs) in cases where clients might default, and collecting IDs, bank cards and PINs: "During the application you would fill in the EMO for defaulting. Then a normal stop order, PERSAL for government employees, and then make follow-ups." (Industry Body A).

Credit providers reported that loan officers played an educational role and were responsible for the disclosure of loan requirements and expectations in terms of repayments and collections in the case of defaults. Therefore, loan officers had to have a full understanding of the loan process, how interest is charged, the total cost of credit and the instalments to be paid:

> The consultants had to teach the clients, but in a very polite manner, and have a great attitude and approach. They also had to explain the loan and what the repayment process and amount was, if they could afford it. They were the middleman. (Credit Provider B)

#### *5.2.2 Entry skills required for the job*

Most credit providers reported that there were no standard industry job entry requirements for loan officers during the pioneer period. The credit providers reported that there were no education or specific skills required to be hired as loan officers. The basic requirements reported by almost all microfinance practitioners were that a person had to be literate, numerate, fluent in the vernacular language spoken in that community, and able to speak and understand English and Afrikaans: “Most importantly, loan officers had to be able to speak the language of the client.” (Credit Provider B).

Credit providers also reported the importance of soft skills, i.e., knowing the culture of the community and the intricacies of engaging with local communities:

> The main purpose for the loan officer back then was just to speak the language and understand the client and their culture, but even now that is one of the main purposes of a loan officer. There are a lot of cultural differences, for example, the way you address an older African man should come with respect and in a certain manner, or you will lose him as a client. (Credit Provider A)

Therefore, the use of soft information, judgement and discretion has been embedded in loan provision. This data is confirmed by Canales (2014), who puts the use of judgement and discretion at the centre of a loan officer’s role. But use of discretion requires the backing of education and training (Canales, 2014; Siwale, 2016), and the data suggests that loan officers were given latitude to approve loans with little data to guide their decisions. There does not seem to be any study that has established a link between the level of education of loan officers and the default rate of the loans they approved (Canales, 2014). However, inferences from these interviews suggest a high level of default during this era, which highlights the pressurised environment in which loan officers operated, with little or no experience, training or hard data to guide their use of clinical judgement and discretion.

In terms of the recruitment of loan officers, some credit providers reported that recruitment for loan officers was done mainly through word of mouth and that the family members of those first employed were mostly preferred: “We hired family members that came recommended by those who were already working for us. We had to work with trust seeing that we were working with so much cash.” (Credit Provider A).

### *5.2.3 Remuneration*

Remuneration patterns are an important part of occupational change, as they are a measure of whether the development of occupations led to rewarding jobs within an industry (Brown, 2003). Microfinance practitioners were asked questions about loan officers’ remuneration, but all credit providers interviewed refused to answer this question. However, most microfinance practitioners agreed that the industry’s loan officers were paid less than their banking and retail counterparts, which made it easy for banks and retailers to poach the best talent. The data suggests that the occupation is regarded as low and undervalued, and this might be one of the reasons for the low pay: “Recruitment was done through word of mouth. These were regarded as soft jobs.” (Credit Provider A).

### *5.2.4 Conclusion*

The work history of loan officers seems to indicate an occupation operating within an unregulated industry, working on simple tasks, following a simple loan process and using simple and manual tools to inform loan decisions. Although the role seems to have demanded little skill at that time, a lot of discretion and judgement was needed to inform loan decisions.

Loan officers were given the responsibility of pre-approving and approving loans with little prior education and training. The role’s recruitment was based largely on knowledge of the culture, knowledge and trust, and little importance was given to prior education and training. There was little legislation and technology to streamline and guide the loan provision process and companies depended on in-house and on-the-job training to educate loan officers on their roles.

Interviews with the microfinance practitioners indicated that they perceived the loan officer’s role to be an unskilled job, and they put little effort or investment into the search, remuneration and training of loan officers. However, data from Canales (2014) and Siwale (2016) suggests that microfinance institutions did not prioritise education and training, mainly because they lacked the financial resources, infrastructure and time to skill loan officers.

Overall, the data points to the emergence of an occupation central to the microfinance industry that was not regulated, with tasks that were not standardised. Contrary to expectations of the loan officer's role, which needs discretion and the ability to do risk management, the low entry requirements seemed to have devalued the importance of the occupation (Canales, 2014; Siwale, 2016), resulting in little investment for training.

## 5.3 How legislation in the industry influenced changes in the loan officer's occupation

This section looks at the influence of legislation on occupation change, while section 5.4 looks at the influence of technology. Microfinance practitioners were therefore asked questions relating to the influence of legislation on the industry and loan officers within the South African microfinance industry.

### *5.3.1 The National Credit Act and the National Credit Regulator*

Industry practitioners pointed to the National Credit Act, which was enacted in 2006 as one of the major pieces of legislation that brought big changes to the microfinance industry, with a direct impact on occupations within the industry. They mentioned that the NCA saw the establishment of the NCR, which had a responsibility to regulate the entire credit market, enforce compliance of the NCA and ensure consumer protection. The microfinance practitioners mentioned that the NCA required credit providers to conduct affordability assessments so that loans granted were not reckless and did not result in over-indebted clients. The other important elements mentioned by microfinance practitioners were the introduction of affordability assessments, debt counselling and consumer protection measures. In terms of the history of the industry, this data indicates that the enactment and implementation of the NCA marked the beginning of the second era of microfinance in South Africa: "Then came the NCA. It was a game changer…." (Industry Body A).

The data seems to suggest that the enactment of the NCA was indeed the ultimate game changer for the entire credit market, including microfinance. The standards of compliance were elevated to a very high standard from the days of the Microfinance Regulatory Council (MFRC) in the late 1990s, and it ensured that most of the microfinance institutions complied with it and improved how they operated: "Legislation, which was created by the MFRC. There were reporting requirements we had to comply with." (Industry Body B).

Legislation also insisted on conducting affordability assessments in a standardised and legislated manner: “Affordability in the 1990s was based on trust and relationship. But affordability assessments became compulsory with the NCA. Real proof was required that the amount a consumer qualified for was affordable.” (Industry Body B).
Reckless lending and over-indebtedness were easy to deal with, with heavy penalties for those who were found non-compliant: “There could not be reckless lending that creates over-indebtedness and also how they treated their clients. They had to check affordability, and then there was also debt counselling. As the law became stringent, they had to comply.” (Industry Body B).

Nerland and Karseth (2015) highlighted the importance of industry associations in establishing standards of knowledge in their work, occupational practice and regulations. They mentioned that, in some countries, statutory bodies like the NCR took on the role and responsibility of professional associations. The data suggests that the state established the NCR to address industry regulation and consumer protection. These regulations seem to have had consequences for occupations, especially those of loan officers, and directly influenced the standardisation of the loan provision process.

Credit providers also mentioned that the NCA introduced standards and set rules regarding ceilings for charging interest. As a result, during the second era, microfinanciers could not charge usurious rates as they used to during the first era, and microfinanciers were provided with maximum rates to adhere to when charging interest. These standards eased the burden of costs for consumers, and increased the protection of consumers against reckless lending and over-indebtedness, as rules minimised bias, and the lack of judgement and discretion that some loan officers had become the victim of at some point in their careers (Canales, 2014; Kleiner, 2013):

> Regulations have been put into place so that we are all on the same standard and doing the same thing, because before there was no set interest amount and some companies were making more than others, but there was no one stopping us from charging 100% interest. (Credit Provider A)

Some microfinance practitioners mentioned that the NCA also introduced disclosure requirements when providing loans, as well as the cost of credit. The data indicates that, during the first era, there were no standardised disclosure requirements. Although loan officers had the responsibility of disclosing loans, there was no standard manner to disclose the cost of credit. This made it difficult for clients to shop around for credit, as they could not compare rates. But during the second era, the NCA ensured that there were standardised disclosure requirements, where credit providers were obliged by law to provide clients with industry-standardised quotations before they could provide loans: “Contractual agreements – these were not there in the 1990s. But now we have to disclose quotes and fees to be charged.” (Industry Body B). In essence, clients could now shop around for cheaper credit options, as standard quotations from different credit providers afforded them the opportunity to compare apples with apples. Loan officers are responsible for handling loan applications, and would therefore be the ones responsible for disclosing loan requirements and the costs of credit. The ability to disclose loan requirements demands an in-depth understanding of credit, mathematics and basic economics. This increase in responsibility points to a need for increased skills in the areas mentioned.

Although the NCA was heralded as a positive game-changer, some credit providers complained that the NCA brought about over-compliance, because of the burdensome reporting and registration requirements that were reported to make credit provision expensive and burdensome, especially for small microfinanciers*:* “1 June 2007 – NCA and NCR. This brought over-compliance and made the costs go high. There are diminishing returns, collections, tax, fraud. Smaller entities found it hard to survive.” (Credit Provider A).

As a result, the sustainability of microfinance companies continued to challenge the industry, something about which Kleiner (2013) and Canales (2014) also reported. The burden of over-compliance also impacted on loan officers, as the new legislation demanded an increase in knowledge and skill, so that they could provide compliant loans, but it also complicated their role as they now had to balance the need for compliance against that of generating profitable loans (Canales, 2014; Kleiner, 2013).

Most importantly, industry bodies mentioned that the NCA and its amendments stipulated mandatory training requirements for credit providers’ employees, including loan officers: “The NCA came and prescribed training requirements, affordability assessments, debt counselling and consumer protection.” (Industry Body B).

### *5.3.2 Conclusion*

The research indicates that the microfinance industry became a highly regulated industry due to legislation reforms, chief among them being the NCA. The Act was implemented by the NCR, which regulated the credit market. The NCR provided standards that streamlined credit provision practice and the knowledge needed to train credit practitioners.

The standards of the NCR seemed to have properly defined the boundaries or jurisdictional work of loan officers, streamlining their tasks and competencies (Nerland & Karseth, 2015). The data suggests that the standards also assisted in legitimising not only the loan officer's occupation (Nerland & Karseth, 2015), but also the image of the industry that had been riddled with activities that bordered on criminality at some point during the first era. The prescribed regulations seemed to force loan officers to provide quality loans and assisted the state's agenda of improving consumer safety and consumer protection.

The research indicates that the introduction of the NCA implicitly, however, lowered the levels of judgement and discretion of loan officers when providing loans, but at the same time, the need to understand compliance and disclosure requirements seemed to require increased knowledge of the NCA, as well as of credit, mathematics and basic economics. The NCA provided mandatory training for employees of credit providers, including loan officers, which somewhat standardised the training required, as well as how the job is learnt.

### 5.4 How technology in the industry influenced changes in the loan officer's occupation

Technology was identified by almost all the microfinanciers as being another driving force of change within the industry. Most microfinance practitioners reported that technology affected the loan provision cycle: "Technology affects the origination, assessment, evaluation, disbursement and collection of loans." (Industry Expert A).

Technology introduced loan management systems, which assisted in standardising practice as the loan provision process was built into software packages: "Now the whole loan system is technology driven. There are loan systems that do affordability checks and risk assessments. In the past, loan officers were forced to process, give and collect loans." (Industry Body B).

Mainly, the systems streamlined and standardised affordability assessments, which assisted in the intention to curb reckless lending and over-indebtedness. The loan management systems, developed on the need for compliance, seem to have assisted in cementing the loan provision process within the microfinance industry and the competencies required. As indicated by Nerland and Karseth (2015), standardisation assists in jurisdictional work, and assists to define competencies needed to execute the work.

Microfinance practitioners mentioned that the introduction of loan management systems automated loan provision. During the first era, loan provision was reported as being manual, with loan officers mainly using soft information and their gut instinct to assess risk. But microfinance practitioners indicate that the loan management system ensured that there was a scientific and standard manner in which clients could be assessed: “Now the whole loan system is technology driven. There are loan systems that do affordability checks and risk assessments. In the past, loan officers were forced to process, give and collect loans.” (Industry Body A).

There is a claim that automation, in some cases, leads to reduced skill (Brown, 2003), while, in other cases, an automised process lowers the levels of discretion and judgement, something that, according to Braverman (1974), might be viewed as deskilling. The first era data suggests that, with a manual loan process, loan officers are actively involved in making loan decisions and seem to have understood the process well enough to back up their decisions.

Data from the earlier years indicates that, with automation, loan officers were expected to know and use the systems, but it is not explicit whether they understood the logic of how these decisions were made. There is a lack of evidence on this point. The data further indicates that, although automation did not change the loan provision process, it required the use of technological tools and systems that loans officers had never used before, with an explicit requirement for new IT skills that include basic computer skills, data capturing, and the dissemination and storage of data: “For origination, there is recording using tablets, MS Excel spreadsheets and there are loan management systems that are available on site.” (Industry Expert A).

Systems are developed to solve problems based on certain assumptions and scenarios, but there are certain situations and scenarios that are out of the ordinary, and systems sometimes fail to address these variants (Kleiner, 2013). It is in cases like these that loan officers’ training, experience and required knowledge of legislation and technology intersect so that they can use their judgement and discretion in providing loans. However, the data has already indicated that the industry depends on loan officers with minimal training, which might affect how they use their discretion (Canales, 2014; Siwale, 2016).

Credit providers mentioned that the NCA introduced technology and safe collection methods in the industry: “New rules and regulations that came with the NCA brought technology, which brought safety to the industry.” (Industry Expert A).

The first era was marked by manual collections, which exposed microfinanciers to fraud and robbery. The electronic payment systems, in the form of the non-authenticated early debit order (NAEDO) and the authenticated early debit order (AEDO), not only increased efficiency in collections, but also introduced the much-needed safety: “There is safety in payment systems. Through MicroMax, we can collect in our branches, through debit order and Nupay.” (Credit Provider C).

The NAEDO and AEDO payment systems also ensured that electronic payments were authenticated. Electronic collections have reduced the risk of defaulting and increased safety: “Collection methods evolved from card and PIN to debit order, AEDO and NAEDO. Payments were authenticated.” (Industry Body A).

Most microfinance practitioners mentioned that technology formalised the use of credit bureaux in the industry. According to microfinance practitioners, credit bureaux enabled credit providers to have up-to-date information on customers’ payment information. This assisted in conducting credible affordability assessments, which helped to curb over-indebtedness from the client’s side, but improved the quality of loans provided and reduced bad debt:

> Credit bureaux had to have up-to-date information and that information had to be updated in 48 hours, not 30 days. The advantage is that, in a given 30 days, you can see where the person has been to get a loan. (Industry Body B)

An industry expert, however, felt that checking customers’ credit profiles excluded a lot of customers from the credit market: “… assessments – we can now assess by checking people’s profiles, although this excludes a lot of people in this market, those not having credit or addresses” (Industry Expert B).

This has a direct impact on the government’s financial inclusion agenda, as most vulnerable clients are excluded from accessing credit because of systematic and historical issues, which further exacerbates issues of inequality in the country. There were, however, small microlenders who felt that technological changes did not affect them, as most of their processes were still manual: “Yes, but not much. We still have the same process as we did before. Some processes are still manual and not computerised yet.” (Credit Provider B).

This was an interesting finding, which collates with the study conducted among 62 countries globally, which found that most small MFIs lacked the capacity in terms of skills and resources to introduce technology, but were also reluctant to use the new technologies. The impact is negative for most of these MFIs, as they struggle to provide quality, have poor collection records and face increasing bad debt. Most of these small MFIs are survivalists and not sustainable. However, low-income countries like Kenya introduced products like M-PESA, where rural and poor clients were able to access financial products through smartphone. Similar products and usage of smartphones to reach poor and rural clients have also been reported in India. These small microfinance practitioners felt that their market was not ready to use technology, because most of their clients lived in rural areas and townships, where data was expensive, many of the clients were illiterate, and there was a lack of infrastructure in terms of roads and electricity. Ironically, Capitec, one of the largest microfinance institutions that now has a full banking license, serves the majority of working class and low-income clients. It took the technology to the people, and not vice versa. The question then becomes, why are small South African microfinance institutions reluctant to embrace technology? As previously mentioned, issues of funding and financial resources are the biggest barriers to the use of technology in the industry:

> We are living in a third-world country, providing a service to a third-world consumer – yet we have very sophisticated rules. The industry is too regulated and too sophisticated for our market. We need different rules for different target markets. If we serve a third world with first-world technology, we are going to alienate our clients. We are talking about the Fourth Industrial Revolution – MFIs are not ready for the Fourth Industrial Revolution. (Industry Body B)

#### *5.4.1 Conclusion*

It is evident from the findings that technology, as a result of legislative reforms, also impacted on occupational change within the South African microfinance industry. These legislative changes introduced new technologies to enable the effective implementation and compliance of the NCA and the NCR's rules and regulations. These new technologies included the use of credit bureaux, loan management systems and electronic payment systems.

Although automation is sometimes linked to deskilling (Braverman, 1974), the data indicates that, in the case of loan officers, automation resulted in skilled components of tasks being included in their roles, which has implications for increased skills in using new technologies. However, technology challenged most small and medium MFIs, as introducing and implementing these new technologies proved costly. This was exacerbated by the clientele of these MFIs, which largely resided in rural areas and townships that lacked the physical infrastructure and were largely illiterate. Although the data suggests that most small MFIs still operate with first-era tools, change is inevitable, and most are confronted with the challenge of improving their systems and skilling their loan officers or facing closure.

## 5.5 The work history of loan officers – their perspectives

Twenty loan officers participated in the study. They were asked questions relating to the industry at occupation level: how the change in the industry affected the content and title of their occupation, if their highest qualifications were beneficial in executing their job, and the skills they required to cope with the changes. Their responses are supported by qualitative data collected from industry practitioners relating to the loan officer's occupation in terms of job content, changes to the job, the minimum educational entry requirements and recommendations on how to ensure that education and training equip loan officers to deal with these changes.

**Table 5.1: Loan officer's tasks and activities**

| Tasks | Number of times mentioned |
|---|---|
| Assess affordability | 19 |
| Collect documents | 11 |
| Authenticate documents | 11 |
| Create files | 10 |
| Capture documents | 9 |
| Help people in need of financial assistance | 9 |
| Explain instalments and repayments | 9 |
| Welcome clients | 6 |
| Check clients' needs | 6 |
| Pre-approve loans | 6 |
| Hand over for approval or decline | 6 |
| Update clients' repayment | 5 |
| Speak language/culture | 4 |
| Pay out loan | 4 |
| Approve or decline loans | 3 |
| Process loans | 3 |
| Advertise and sell | 3 |
| Act as the middleman | 3 |
| Do credit checks | 2 |

Firstly, loan officers were requested to explain the tasks and activities involved in implementing their jobs. This was a multi-response question, and loan officers mentioned several activities that they performed. As indicated in Table 5.1, most of the tasks that loan officers reported performing are recorded in the literature (Canales, 2014; Siwale, 2016), and are corroborated by data from industry practitioners. These tasks include the marketing and selling of loans, handling loan applications, screening clients, conducting assessments and the pre-approval of loans, loan approvals and repayments. While the pre-approval of loans was mentioned six times, some loan officers mentioned three times that they were provided with the latitude to approve loans.

Although the data indicates that loan officers are expected to use their judgement and discretion when granting loans, it seems that different levels of discretion are required. The data is not clear on what informed the different levels of discretion, and further investigation is clearly needed to understand the reasons behind this. Four of the 20 loan officers mentioned the importance of using their clients' language and respecting their culture, an issue that industry practitioners also emphasised. It seems that the industry depends on language and knowledge of culture to enhance the clients' experience.

### *5.5.1 Changes within the sector and industry*

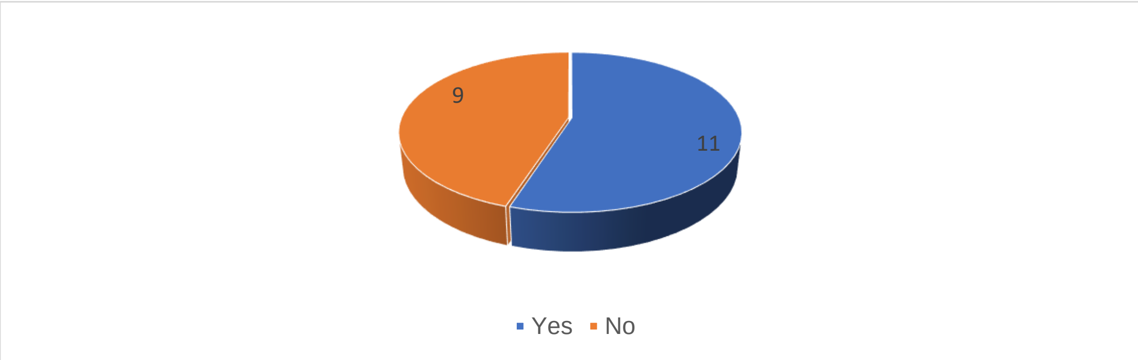


**Figure 5.1: Changes within the microfinance sector**

Of the 20 loan officers interviewed, 11 (55%) reported that there had been noticeable changes within the microfinance industry since they started working. This was supported by most microfinance practitioners who were interviewed.

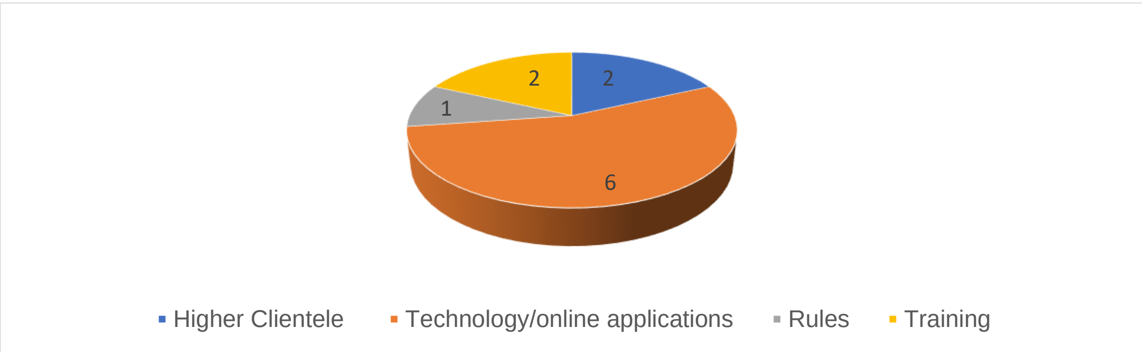


**Figure 5.2: What changed in the industry?**

The reported changes included the use of technology (6), change in clientele (2), increased levels of training (2) and regulation of the industry (1).

Of the 11 loan officers who mentioned that they had observed changes within the microfinance industry, six (55%) reported technological changes and online applications. These technological changes, according to most microfinance practitioners, automated the loan application process and the whole loan cycle through the use of the loan management system. The entire loan cycle is therefore automated, and loan officers have to be computer literate to use these systems, communicate and send loan data to their superiors, colleagues and clients, and record information: “Yes, loan officers are now technology-driven. They use new loan systems, calculate affordability, do risk assessments and process loans.” (Industry Body B). “Loan officers have to use computers, Excel and the loan management system.” (Industry Body B).

Because of technological changes, loan officers are required to know and understand technology, as indicated by industry practitioners. Although the common belief is that automation reduces skills (Brown, 2003), this data seems to suggest that there is a demand for increased skill from loan officers in the form of IT literacy, knowledge of how to operate the loan management system, and the dissemination and storage of loan information: “Yes, they now have to use more technology than they did before, it may be hard on them.” (Industry Expert A). “Loan officers currently must be much more upskilled; we need educated individuals.” (Industry Body B).

The third change reported by two loan officers (18%) was increased training, provided mainly to understand new technologies and compliance requirements: “Yes, they needed to be trained in order to apply the new rules and new systems.” (Industry Body A).

The last change reported by two loan officers (18%) was the clientele, as the middle class and professionals were now being serviced by the industry: “The context of the occupation has changed. It has become very complex, including the customers that we are serving.” (Credit Provider A). “Yes, the systems are more complex and the clients are more professional.” (Industry Body A).

This, according to industry practitioners, demanded an increase in the depth of engagement with customers, which required loan officers with increased communication and technical skills (Siwale, 2016). The last noticeable change reported by one loan officer was the introduction of rules, which microfinance practitioners attributed to legislation and its resultant compliance requirements., Microfinance practitioners reported that legislation changed the industry as it set standards for loan provision and penalised non-compliance: “The role has become bigger and bigger. They now have to know compliance and regulations.” (Industry Body A).

Legislation had the biggest effect on the industry, as indicated by the literature and practitioners, but it is interesting that it was mentioned by only one of the 20 loan officers. Does this mean that loan officers are not aware of the macro environment under which they operate, or does it mean they did not receive the mandatory NCA training? This is another point that needs further investigation.

### *5.5.2 Changes to the job*


**Figure 5.3: Impact of change on work**

Out of the 11 loan officers (55%) who noticed changes within the industry, nine (82%) reported that the change was for the better.

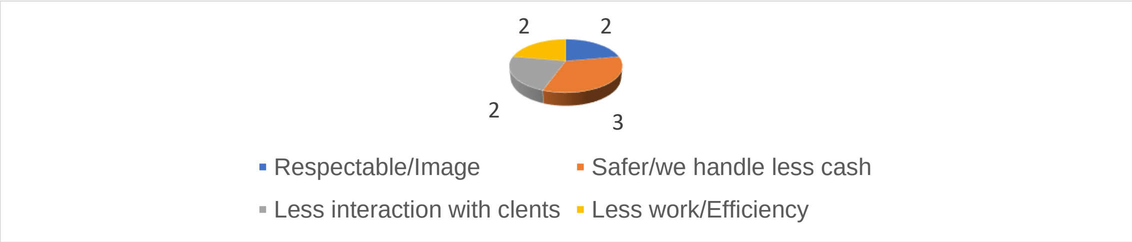


**Figure 5.4: How is your work better?**

Of the nine loan officers (82%) who mentioned that the change was positive, three (33%) reported that their work was much safer as they handled less cash, two (22%) said that the change made the image of their work respectable within the industry and the community, while two (22%) reported that they had less work as most of their tasks were automated. The last two (22%) reported that they interacted less with clients.

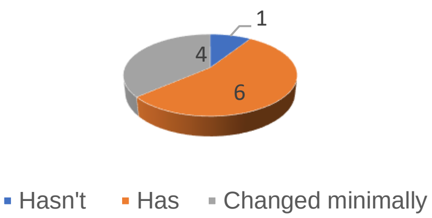


**Figure 5.5: Have these changes impacted on your job?**

Of the 11 loan officers (55%) who mentioned that they had observed a changed in the industry, four (36%) mentioned that their job had changed minimally and only one (9%) said their job was not impacted on by the change.

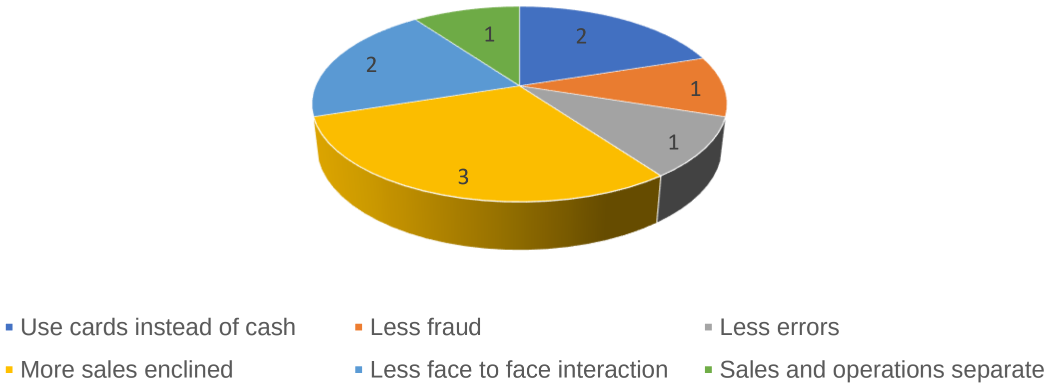


**Figure 5.6: How has your job changed as a result?**

Of the 10 loan officers (50%) who mentioned that the change had an impact on their job, three (30%) mentioned that their job was now more sales inclined. This was also supported by some microfinance practitioners: "The role is now more about sales." (Industry Body A).

Two loan officers (20%) mentioned that they had less face-to-face interaction with clients, a further two (20%) said cards were used instead of cash, one (10%) mentioned that there was less fraud and another one (10%) referred to less errors.

One loan officer (10%) mentioned that the sales roles were now separated from operations. This important finding is collaborated by data from Table 5.1, where none of the loan officers mentioned loan collection as part of their role. This finding is further collaborated by the microfinance practitioners: "Collection and filing have changed. They are now separate roles." (Industry Body B). "There are two types of roles now. There is a loan officer and a loan administrator. Loan officers have been elevated to an advisory and educational role." (Industry Body A).

This specialised division of labour is evident in big and medium-sized microfinanciers who use call centre agents to sell and provide loans, with the back office being manned by loan administrators who are responsible for filing and record keeping, and collections being done by collection agents. The data seems to suggest that the change in the division of labour favours those who remain loan officers, as advisory and educational tasks raise the possibility of upskilling. It will be interesting to hear from loan officers who end up in loan administration, to check how they express and experience the change in their work tasks.

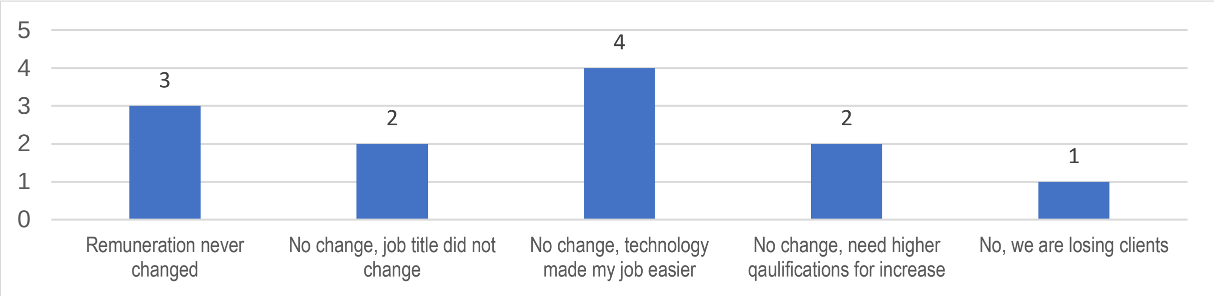


**Figure 5.7: How have the pay scales of loan officers been affected by the change in their job content?**

The 11 loan officers (55%) who mentioned that the changes affected their job were asked if the changes in their job affected their remuneration. All 11 loan officers (100%) mentioned that the change in their jobs had not affected their remuneration. The top reason (this question also had some loan officers provide multiple answers) mentioned four times (33%) was that new technologies made their job easier, and as a result, did not warrant a rise in pay. The fact that remunerations never changed was mentioned three times (25%). Loan officers also mentioned twice (17%) that their remunerations had not changed because their job titles had not changed, i.e., they were never promoted, and they were still loan officers. The other reason, mentioned twice (17%), was that loan officers needed a higher education for a pay increase. One loan officer (8%) mentioned that their remuneration did not change because their company was losing clients.

The industry experts were also asked how the change in the loan officer's job impacted on the salary scales of loan officers. All the credit providers refused to answer this question. The industry bodies mentioned that there were no major shifts in loan officers' remuneration.

However, it was reported that there were different remuneration scales between DMFI and microlending loan officers, with microlending officers earning more than their DMFI counterparts: "Finally, I suspect there will be differences in the pay scales of moneylenders vs. DMFI loan officers … and differences in experience also.…" (Industry Expert B).

However, microfinanciers complained that their best talent was poached by banks and retailers because microfinance institutions' salaries were lower than those of banks and retailers (Canales, 2014; Siwale, 2016): "Not much shift. The best talent always moves – these skills are in demand from banks and retailers as they can afford to pay more." (Industry Body A).

In conclusion, this research indicates that the tasks and activities of the second-era loan officer has not changed much from that of the first-era loan officer and includes marketing and sales, the screening of clients using documents and credit bureaux to assist with this process, conducting affordability assessments as prescribed by the NCA using loan management systems, pre-approving and sometimes approving loans, and disclosing the loan requirements and repayment expectations in accordance with the NCA.

The research indicates that changes took place in three ways. In the first instance, some of the tasks became differentiated, with collections now being a separate job, and mostly not done by loan officers anymore. Secondly, the loan process is automated, with loan applications mostly handled online. The third change related to the impact of legislation, which now requires loan officers to provide loans as dictated by the law and regulations. It seems that the interconnection of legislation and technology standardised and streamlined the tasks.

This research further shows the profile of a second-era loan officer as a person with an average of matric as a highest qualification. Overall, the research points to the transformation of the occupation of a loan officer from a simple job to a complex one (Brown, 2003), with the need to understand compliance requirements and the use of technology.

### *5.5.3 Entry skills required for the job*

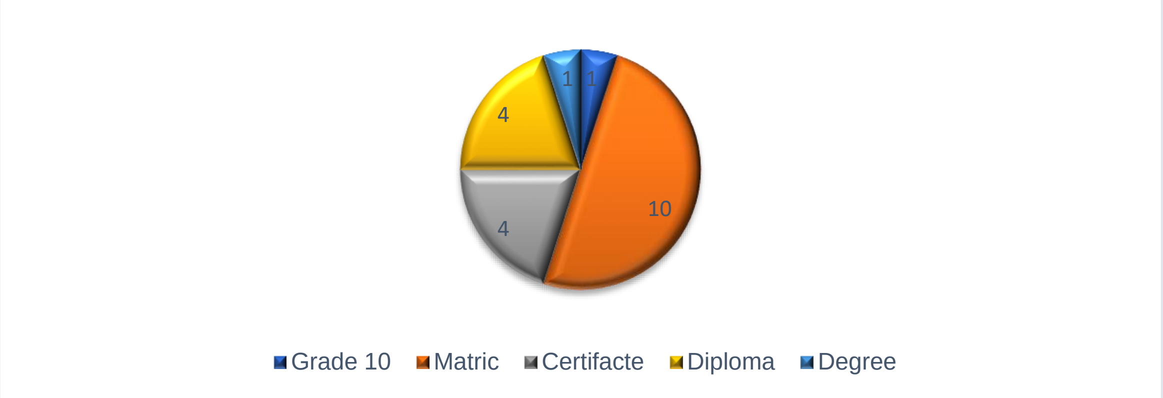


**Figure 5.8: Current education levels of loan officers**

When asked about their education levels, of the 20 loan officers interviewed, one (5%) reported that they had a Grade 10 qualification, 10 (50%) indicated that they had matric, four (20%) reported having a certificate, four (20%) reported having a diploma and only one (5%) loan officer reported having a degree. These results confirmed what credit providers reported in their interviews, that they mostly employed people with a minimum of matric.
Most microfinance practitioners agreed that the change within the industry had implications on skills requirements and minimum educational entry requirements to cope with the demands of the job because of changes brought about by legislation and the resulting technology:

> There are new skills requirements that need a person with some level of education. Loan officers should be able to deal with automation, archiving systems and filing. There is also consumer protection because of the NCA, the disclosure of quotations, verifying documents, doing affordability assessments as prescribed by the NCAA and understanding the debt counselling process. The context of this occupation has become very complex. Companies like Capitec grew out of our market, they have gone very professional. They are starting to recruit people with BCom degrees. (Industry Body A)

However, most microfinance practitioners indicated that there were no universal standards regarding education requirements, and that credit providers looked for candidates who were computer literate, and understood the culture and language of their clients: “No, they just need to be literate, have basic numeracy, people skills, and speak English and Afrikaans.” (Credit Provider B). “The process is currently a lot more informal where credit providers employ individuals with at least a minimum of a matric or Grade 12 or with some experience and background in a credit or financial services environment.” (Training Provider A).

Most credit and training providers mentioned that most microfinance institutions conduct a lot of in-house training to upskill people hired with matric:

> You apply and then management sees if you meet the minimum requirements, and if you do, we conduct interviews, and if you are successful, there is training before you start working. We train you on our systems and how to use them. (Credit Provider A)

There were some credit providers who reported that no educational requirements were needed: “No, if you are capable of doing the job for us, that is all that matters. Education doesn’t play a big role.” (Credit Provider B).

This issue was importantly addressed by industry, who reported: “Credit providers resisted skills development training. As a result, loan officers could not access professional training. Most loan officers were exploited.” (Industry Expert A).

Ironically, the NCAA, implemented through the NCR, has prescribed training standards and requirements for credit providers, including loan officers.

The NCA makes it mandatory for all people working with credit and new entrants into the market, including loan officers, to undergo this training. It is only respondents from industry bodies who mentioned these mandatory training requirements set by the NCA: “The current training is a regulatory and compliance requirement by the NCA, yet, in the 1990s, that was not the case.” (Industry Body B).

This might mean that microfinanciers have not sent their staff for this training, or they are not aware of the mandatory training requirements in accordance with the Act. Instead, microfinanciers put more emphasis on their internal training, which is systems and operations based, and void of the mandatory training content prescribed by the NCAA: “Most training then takes place in-house, which typically focuses more on compliance, products and systems. The industry, however, has qualifications and skills.” (Training Provider B).

This analysis points to the findings of Canales (2014) and Siwale (2016), who indicated that most microfinanciers do not prioritise training for their loan officer because of limited resources, lack of time to send people for training, and because the loan officer’s role was mostly devalued and therefore had a low status. This research seems to suggest the latter, as some microfinanciers did not see the need to train their loan officers, even if the realities observed by other respondents were that loan officers needed to be trained and upskilled, given the legislative reforms and new technologies.

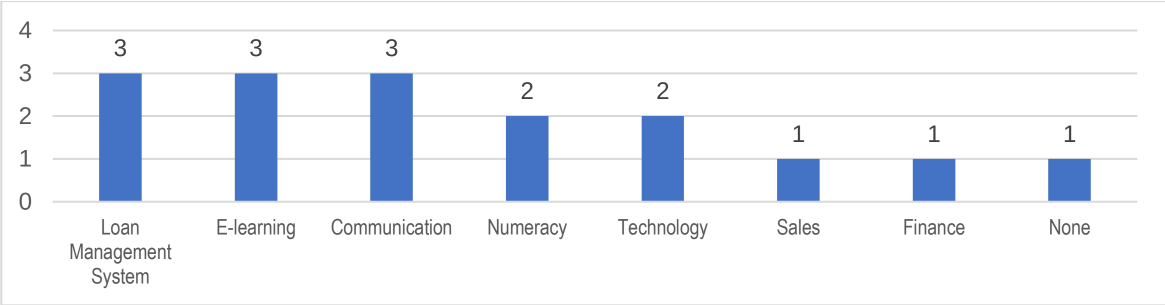


**Figure 5.9: What skills do you need to cope with the changes?**

This was a multiple-response question, where 10 loan officers (50%) who mentioned that industry changes had impacted on their jobs listed the skills requirements needed to cope with the changes within the industry. The need to operate with the loan management system was mentioned by three loan officers (19%), the need to be taught how to use e-learning platforms was mentioned by three loan officers (19%), while the need for communication skills was mentioned three times (19%). The need for numeracy skills and technology was mentioned twice (13%), respectively. The need for sales and finance skills was mentioned once (6%).

Most microfinance practitioners corroborated the skills requirements mentioned by loan officers. They reported the need for technology training and skills: "We need basic technology training – basic computer training, e.g., internet usage, MS Excel, PowerPoint, Word, etc." (Industry Body A).

Like some loan officers, microfinance practitioners also mentioned the need for basic mathematics and numeracy skills: "The need for math, e.g., percentages, etc." (Industry Body A).

The need for financial management was also mentioned by microfinanciers: "…basic financial management" (Industry Body B). Marketing and sales were also mentioned, as well as economics, as mandated by the NCA.

Industry bodies reported the need for compliance training as a result of the constantly changing regulatory environment: "There needs to be compliance training – and maybe a need for a compliance officer's occupation because compliance in this industry is constantly changing. And there needs to be lifelong learning for compliance officers." (Industry Body A).

In conclusion, the research indicates that, although the role of a loan officer has become more complex as a result of compliance requirements and technological changes, the industry still depends on loan officers with only matric. The literature (Brown, 2003; Nerland & Karseth, 2015) indicates that changes in the work structure, changes in the methods and tools and how various tasks are conducted seem to have an implicit and explicit link with changes in skills and training.

This research indicates that the NCR, through the NCA, has standardised knowledge work (Nerland & Karseth, 2015), and provided a standard training package aimed to assist people in the credit industry, including loan officers, learn their job and keep up with developments in the industry. But this research indicates that most credit providers interviewed for this research are not aware of this mandated training, and still depend on on-site training that is limited to policies, procedures and the loan process.

#### *5.5.4 The adequacy of the current education and training for loan officers to prepare them for the current requirements of their occupation*

The training providers interviewed mentioned that the current loan officer's training programmes are adequate as they address all aspects of the loan cycle, but they mentioned that the training needs to incorporate the changes and to be practical:

> I believe our courses prepare learners well for the role of credit loan officers in this regard. I cannot speak to other training providers' courses. However, some changes are required to provide for technological changes and advances in the sector in this aspect. (Training Provider B)

However, there was agreement among all respondents that the current South African Qualifications Authority (SAQA) training programmes and qualifications were outdated and thus did not address the technological and legislative reforms, the loan management systems currently utilised in the industry, and the digitisation of most of the loan provision processes:

> The current SAQA qualifications and their unit standards are hugely outdated and they don't provide for the changes that are evident in the industry. So, to some extent, the basic skills of credit risk assessment, collections, etc. are covered, but the importance of digitalisation and technology is not covered at all. (Training Provider B)

For example, it was pointed out that the only basic computer skills addressed in the available qualifications were basic computer training, including MS Word, Excel and PowerPoint: "You will see, for example, that, as part of the fundamental unit standards of the MFL3 certificate

(SAQA ID: 23453), the only computer skills that are covered are MS Word, Excel and PPT." (Training Provider B).

The knowledge, skills and experience of training providers were also raised as an issue, mentioning that most had little knowledge of the technologies and changes in the industry: "No, there is a lot of training, but it is irrelevant. Consultants are not trained in new technologies and changes. Do not provide training that is unusable. The question is why is the training required?" (Industry Body A).

#### *5.5.5 Recommendations regarding education and training for loan officers*

The main recommendation of almost all interviewed microfinanciers was the development of a new official loan officer qualification that will be recognised by the entire microfinance industry: "It would be perfect if there was an official qualification, even if it is a certificate to show some kind of official qualification. Maybe this will make people see this occupation differently and have more respect for it." (Credit Provider A).

This new qualification, that according to a training provider is currently being developed to be registered with the QCTO as an occupational qualification, should be relevant, address issues of legislation and compliance, new technologies used in the industry, data analytics, innovation, and should address the skills needs of the Fourth Industrial Revolution.

> Previously, no occupational qualification existed for the credit loan officer, but now we have the qualification currently in the process of registration with the QCTO. So, one would think that, in future, individuals would be able study towards becoming a qualified credit loan officer with a QCTO certification. (Training Provider B)

The need to address cyber-security was also raised as a skill need, mainly because of the sophisticated and digital nature of fraud and data theft: "What is huge, though, is cybersecurity – crime is changing its face. Fraud, identity theft, data theft, hacking…." (Industry Body B).

Training providers did not mention the NCA's mandated training requirements, or the role of the NCR in the development of the training. Interestingly, the NCA's mandated training covers all the recommended training by respondents.

For industry bodies and training providers, the legislative and technological changes also pushed for professionalisation and career-pathing within the microfinance industry:

> There should be career-pathing in the industry, and that is why it is important to have some minimum entry requirements. Employ a matriculant and then send them for training. Financial education is very important – basic budgeting skills, basic financial concepts like interest … in that way loan officers can also grow to be branch managers, regional officers, CFOs. That is why upskilling is important. (Industry Body A)

> It is important to professionalise the industry. Be able to career-path within the sector and company. Build sector-specific qualifications at three levels. Loan officer, which is very technical. Middle manager – branch and regional managers. Senior managers and executives, including board members and CEOs – there are a few peers to learn from in the industry. (Training Provider A)

## 5.6 Conclusion

This research indicates that the loan officer's occupation has become complex as a result of legislative and technological changes. This research further indicates that most of the new components of tasks are skilled (compliance, IT, sophisticated clientele), and that the new repackaging of this role can be referred to as skilled work (Brown, 2003). This has an impact on the training requirements for existing and potential loan officers learning on the job, with a need for financially literate and skilled loan officers who understand compliance requirements and can use new technologies like loan management systems. For employed loan officers, this has an implication on reskilling and the upskilling of learners, which the data suggests should be more in the form of in-house and SETA-funded training. For potential loan officers, the data indicates a need for prior training in areas of credit, compliance and IT.

The research further shows that the industry hopes that the industry and the occupation should be professionalised. However, the need seems to be geared towards a need for general education proficiency, i.e., language usage, literacy, numeracy and IT skills with specialisation geared towards compliance. The industry also expressed a need for qualifications that would mainly assist with skills and knowledge to undertake work, and would improve the status of the role and provide some level of entry requirements.

The data further shows that, irrespective of this hope to professionalize both the industry and the occupation, the reality expressed by microfinanciers is that the industry places little value on prior education as an entry requirement. Even though academic qualification pathways are being developed, the research indicates that they will not be utilised and will continue to depend on SETA-developed, accredited and funded training programmes.

In this regard, the industry registered occupational qualifications with the QTCO independent of the NCR's mandated training. These qualifications seem to emphasise accountability issues, i.e., procedures, rules, processes and protocols, and not knowledge. The emphasis is on training people to provide compliant loans rather than the theoretical knowledge based on economics and finance.

Overall, the research indicates that the loan officer's occupation developed from a simple one to become a complex, skilled occupation, with a need for training that will provide prior learning when entering the job and to upskill those already employed, with the training largely being occupationally based by SETAs and the QTCO, and concentrating on accountability issues that mostly include procedures, rules and protocols.

# CHAPTER 6: FINDINGS AND CONCLUSIONS

## 6.1 Introduction

Occupational change traces developments and changes of specific occupational groups in terms of the tasks, remuneration and training to see whether an occupation is growing or not. This study looked at the occupational change of loan officers within the microfinance sector, with the aim to trace developments, the reasons driving occupational change and the resulting training requirements. The study was conducted among loan officers and microfinance experts, who provided insights into how they saw the industry evolve and, in turn, the occupations within it.

## 6.2 Findings

### *6.2.1 The birth of the South African microfinance industry (1990 to 2005)*

The research shows that the success of the Grameen Group lending method was replicated globally, coinciding with reforms in South Africa that were driven by political change. The change drove legislative reforms by the new ANC government in the 1990s, which transformed credit provision in South Africa. This transformation was through a piece of legislation (the Usury Exemption of 1992), which gave rise to the microfinance industry in the country and created a platform for credit provision to the majority of black people. The South African product was mainly credit and was in alignment with the needs of the South African market at that time, with an appetite for credit mainly to sustain livelihoods (Coetzee, 2010; Helms, 2006). The research further shows that, in contrast to global microfinance practices, the South African microfinance industry was commercialised (Coetzee, 2010; Helms, 2006), and this influenced the culture of the industry, which left little investment in product development, risk assessment tools, ethical collection methodologies, the talent to service the industry and lending practices, which were devoid of ethics and bordered on criminality (Coetzee, 2010; Kirsten, 2006).

This study has also shown the effects of limited legislation and regulation on a growing industry, with no regulatory body to provide norms and standards of operation, or to monitor and enforce compliance (Kleiner, 2013). Loan provision was not standardised across the industry, with each company having its own credit assessment rules, protocols and procedures. The lack of rules and regulations was further evidenced in the non-standardised disclosures, reckless lending practices, which led to over-indebtedness, and the unsafe and sometimes criminal collection methods.

The usurious rates charged, the callous collection methods and the resultant over-indebtedness of microfinance clients gave the industry a bad image related to unethical practices and criminality, a challenge the industry is still struggling with today.

The microfinanciers who were interviewed confirmed the lack of technology at that time and the devastating consequences this had on the industry. The research shows that the lack of technology heightened risk and bad debt, and thus most microfinance institutions priced themselves for risk at the expense of clients and the entire banking and microfinance industry. The archaic and rudimentary risk methodologies as a result of limited technology, posed a systematic risk to the entire banking industry. This is one of the reasons that prompted the massive legislative reforms that followed in the later years. This research implicitly indicates that the industry was subsequently positioned at the fringes of the financial industry, making it difficult to attract talent and investors.

### *6.2.2 How legislation and technology influenced occupational change (2006 to date)*

The research shows that technology, as a result of legislative reforms, impacted on occupational change within the South African microfinance industry during the mid-2000s. These legislative changes introduced new technologies to enable the effective implementation and compliance of the National Credit Act and the National Credit Regulator's rules and regulations. These new technologies included the use of credit bureaux, loan management systems and electronic payment systems. Chief among these was the automation of the loan process, which resulted in streamlined and standardised tasks and activities. These new technologies made the loan application process easier and more effective for loan officers and their managers, risk managers and credit managers. Technology also brought about electronic recordkeeping and archiving systems, which standardised the storage, retrieval and dissemination of information. Importantly, technology provided a data-backed risk assessment system, which resulted in quality loans for microfinanciers and managed reckless lending and over-indebtedness for consumers.

Although automation is sometimes linked to deskilling (Braverman, 1974), the research shows that, in the case of loan officers, automation resulted in skilled components of tasks being included in their role, and thus have implications for increased skills in using new technologies. There is also evidence from the research of specialised division of labour, with the collections task being taken over by collection agents, and no longer being part of most loan officers' tasks. However, technology challenged most small and medium microfinance institutions, as the cost of introducing and implementing these new technologies proved costly.

This was exacerbated by these microfinance institutions'' clientele, which largely reside in rural areas and townships, lack the physical infrastructure and are largely illiterate. Most small MFIs still operate with outdated and manual tools and most are confronted with the challenge of improving their systems and skilling their loan officers, or facing closure.

In direct contrast to the deskilling thesis of Braverman (1974), automation elevated the occupation from one providing simple manual loans to a sophisticated occupation with increased responsibility and accountability, which led to the specialisation of some tasks.

*6.2.3 The role of the NCR in the standardisation of the loan officer's occupation (2006 to date)*

The research shows that occupational change within the microfinance industry and its occupations was influenced by external accountability and compliance requirements, driven largely by the state, instead of internally by the occupation itself. The data seems to suggest that the state had no trust in the industry to regulate itself amid its myriad challenges, with loan officers lacking the authority and jurisdiction to look after their interests. The occupational change was mainly through a series of legislative reforms that dated back to the late 1990s. These included a landmark piece of legislation in the National Credit Act, which brought major developments to the credit industry (Coetzee, 2010). The aim of the legislation was to promote access to the credit market and consumer protection.

As indicated by Kleiner (2013), and Nerland and Karseth (2015), an occupation needs a professional association to ensure that practice (tasks, protocols and procedures) is standardised across all practitioners and that standard knowledge is generated to inform and enable common practice. In certain instances, where practitioners lack the authority over their knowledge base, as in the case of loan officers in South Africa, the state takes on the responsibility of a professional association. In this instance, the National Credit Regulator took on the responsibility of a professional association for the credit industry and for loan officers, thereby standardising the loan provision cycle, based on the National Credit Act's compliance requirements. The National Credit Regulator was established as a statutory body with a mandate to implement the National Credit Act, regulate the credit industry and ensure compliance. The National Credit Regulator is also the registration authority of credit providers with set liquidity, educational, and fit and proper registration criteria.

The research shows that, based on the National Credit Regulator's compliance requirements, loan officers were obligated to provide loans based on set processes and procedures, with deviations penalised by the Act.

These compliance requirements demanded an increase in skill for most loan officers, as skilled tasks were added to the loan cycle. These tasks included, among others, the ability to conduct affordability assessments in a prescribed manner, mainly using hard data and automated loan management systems to inform loan decisions. This automated data-driven process assisted in developing a standardised and formalised loan provision practice in South Africa. However, this required loan officers to not only understand the assessment and interpretation of financial data, but also to balance these affordability results against compliance requirements. The research further shows that the National Credit Act included penalties for non-compliance, which assisted in adherence to the loan requirements and processes. The prescribed regulations and compliance requirements seemed to raise the responsibility and accountability of loan officers, forcing them to provide quality and ethical loans and assisting the state's agenda of improving consumer protection and curbing over-indebtedness.

The standards and regulations of the National Credit Regulator seemed to have properly defined the boundaries or the jurisdictional work of loan officers (Abbot, 1988; Freidson, 1989), provided loan officers with a common identity based on their common tasks – referred to as collective security (Freidson, 1989) – and streamlined these tasks and their competencies (Nerland & Karseth, 2015). This was reinforced by an occupation title provided by the Organization Framework of Occupations (OFO), which properly identified the occupation of loan officer with an assigned OFO code (2019 – 331301). The data also suggests that the standards assisted in legitimising not only the loan officer's occupation (Nerland & Karseth, 2015), but also the image of the industry that had been riddled with activities that bordered on criminality at some point during the 1990s.

A professional association's responsibility is not only to standardise practice in terms of processes, protocols and procedures (Kleiner, 2013; Nerland & Karseth, 2015), but also to standardise knowledge to inform practice. The National Credit Regulator provided the industry and the occupation with mandated training that all loan officers and those responsible for granting credit should undergo. This training covered all the core aspects of credit provision, including economics, business, finance and risk management, the National Credit Act, governance and compliance, and customer service. The research shows that new technologies demanded IT skills and the National Credit Regulator included computer skills in the training package. This training was mandated in 2015, based on the National Credit Amendment Act, but surprisingly, the research shows that microfinanciers were not aware of this training and still depended on in-house training and SETA courses to train loan officers. The research shows that training providers based their material and content development on the Quality Council for Trades and Occupations (QCTO) and SETA requirements, which did not take the National Credit Regulator's training guidelines into consideration.

In conclusion, the research indicates that occupational change for loan officers was externally driven by the state through the National Credit Regulator as a statutory authority and was instrumental in standardising the loan provision process, providing loan officers with a common identity, based on their common tasks – collective security (Freidson, 1989) and work jurisdiction (Abbot, 1988; Freidson, 1989), which provided the occupation with its much-needed legitimacy. The role of the NCR in standardising loan provision processes and procedures is acknowledged and complied with by the industry, while the National Credit Regulator's role in terms of guiding the education and training of loan officers and credit practitioners is largely ignored, even though it is mandatory, impacting on the manner in which loan officers are trained.

### *6.2.4 Implications for training*

The National Credit Act's requirements and new technologies steered the occupation towards competence, with expectations for entry requirements and training. However, the research shows that the industry places little importance on prior knowledge and education when entering the occupation and investing in internal or in-house learning for recruits, and short courses and competency-based qualifications to upskill existing staff. The research shows that, while the industry aspires to have academic qualifications and career pathing for loan officers, it places little importance on academic training, and instead depends on short courses, and the Quality Council for Trades and Occupations (QCTO) and SETA qualifications. As a result, BANKSETA, in conjunction with the Quality Council for Trades and Occupations, has developed occupationally based qualifications for loan officers that include a both a knowledge and a practical component (BANKSETA & QCTO, 2019). Closer analysis of the qualifications shows that the qualifications are entirely procedural and narrow. However, the qualifications were developed in conjunction with industry and might be a signal of competency on their part.

The research shows that the short courses, and the Quality Council for Trades and Occupations (QCTO) and SETA qualifications were mostly delivered by private training providers, with the credit providers interviewed complaining that the training was mostly generic and not always relevant to their needs. As a result, most firms invested in internal training and depended less on prior training as an entrance requirement. This is exacerbated by the fact that most MFIs lack the financial resources, human resources and time to invest in the training and development of their staff (Canales, 2014).

Paradoxically, the research shows that the industry aspires to professionalize the occupation, expressed in a need for a qualification pathway that will lead to career progression. However, professionalisation, in this instance, is not expressed in terms of controlling specialist knowledge (Freidson, 1989). Professionalising, in this context, seems to be about acquiring greater proficiency in general education, i.e., literacy, numeracy and IT skills, with specialist knowledge being largely about procedures, protocols and legislative requirements in the form of compliance protocols through competency-based training methods such as short courses, skills programmes and full qualifications. Competency-based training is based on an employer's requirements, with the aim to ensure that people understand and are able to carry out their work (Jessup, 1989).

This view seemed prevalent in the microfinance industry, with a need to understand processes and procedures. However, the focus of competency-based training in work situations has been criticised for limiting the development of analytical and problem-solving skills beyond daily working experience (Beck & Young, 2005), thereby potentially weakening their opportunities beyond current occupations.

The research further points to the use of discretion and judgement in making loan decisions, thereby giving loan officers a higher level of responsibility and accountability. This level of professional discretion and judgement requires experience and education (Brown, 2003; Freidson, 1989; Kleiner, 2013). The research, however, suggests that the industry overlooked this issue and continued to downplay prior training when recruiting loan officers and providing them with employer-based training that is ill-fitted for loan officers who need to exercise discretion and judgement in executing loan decisions. Although not explicit, the research implies that loan decisions taken by most semi-skilled loan officers and the culture of sales profit at all cost (Canales, 2014) are some of the causes of reckless lending and over-indebtedness plaguing the industry.

The research further shows that there was no professional association to assist, build and develop knowledge for the loan provision practice, as loan officers lacked the authority and jurisdiction to organise a mechanism to control the knowledge base of their occupation. The National Credit Regulator, a statutory body acting as a professional association for loan provision, was mainly concerned with bringing order and regulation to the industry, given the myriad problems the industry faced. The research shows that the state's agenda in regulating the credit industry was mainly to prevent systematic risk of the entire banking industry, and not a deliberate attempt to regulate occupations. However, the National Credit Regulator has assisted in the growth and stature of the loan officer's occupation, providing mandated training to guide the loan provision practice. The occupation is also OFO-titled, which further assists in the development of specific training that will ensure career-pathing and professionalisation.

The research shows that the industry is not aware of the National Credit Act-mandated training, and that the training requirements are sometimes ignored by the industry, resulting in the continued reliance on SETA/QCTO training. This seems to have led to fragmentation in content development as the research shows that there is no alignment of the National Credit Regulator's mandatory training requirements and the SETA/QCTO's content. The research has shown that the National Credit Regulator was instrumental and successful in standardising the practice of loan provision, thereby bringing order and legitimacy to the industry and to the loan officer's occupation.

However, the National Credit Regulator's efforts to standardise knowledge seem to be at odds with the training culture of the industry, which places little focus, investment and value on formal education (Canales, 2014). Instead, the industry continued to rely on in-house training, augmented by SETA/QTCO short courses and qualifications. These qualifications are mainly developed by private training providers, which microfinanciers have complained about being far removed from the realities of loan provision. This has resulted in courses and qualifications that are irrelevant and of little value to the industry and the occupation.

As previously indicated, the industry's idea of professionalising has less to do with controlling bodies of knowledge and practice, and more to do with providing education in numeracy, literacy and IT proficiency and specialised knowledge in compliance protocols and procedures. The research shows that, although the industry aspires for the occupation to be professionalised, it will still stick to the norm of recruiting matriculants and providing them with in-house training. Even though qualification pathways can be developed, they will not be used. In fact, the University of Venda developed and offered a degree in Microfinance, and it was deregistered due to lack of demand (BANKSETA, 2012). The expressed need for a qualification pathway is mainly to drive certification as a way of raising the status of and controlling entry into the occupation.

Overall, research shows that compliance requirements and new technologies steered the occupation towards competence, with high expectations for entry requirements and training. However, the National Credit Regulator had limited success in standardising knowledge to drive the development of training and qualifications for loan officers. The research shows that the industry places little importance on prior education and training when entering the occupation and investing in internal or in-house learning for recruits, and short courses and competency-based qualifications to upskill existing staff members.

## 6.3 Conclusions

This final section of the report presents the conclusions of the study and provides a brief summary of why the study was undertaken, how it was undertaken and the salient results that emerged. The study was undertaken mainly to investigate the relationship between occupations, specifically loan officers, and education and training within the microfinance industry in South Africa. Microfinance is a relatively new industry in South Africa, having emerged in the early 1990s out of a need for inclusivity and poverty alleviation in a growing industry. A historical approach was used to collect and analyse data to properly understand changes and developments that occurred in the industry and its occupations.

These changes were investigated through the concepts of occupational change, standardisation and training. While developing this conceptual framework, the researcher came to understand the critical role that professional associations played in occupational change by developing norms and standards for knowledge work and practice, and how these impacted on training to prepare people for work and the further development of those already employed.

The researcher used a qualitatively-driven mixed methods research approach to gather data. This included a literature review and extensive qualitative research, supported by quantitative research. This methodology enabled the study objectives to be considered from multiple viewpoints and provided a fuller picture and deeper understanding of occupational change within the microfinance industry. The qualitative research was conducted among industry bodies, training providers, microfinance experts and credit providers. Face-to-face and in-depth interviews were held with these respondents, with data collected using a semi-structured interview guide. Two respondents, due to their limited availability, sent through written submissions.

The quantitative phase of the study was in the form of a small survey, with a structured questionnaire administered telephonically among selected loan officers. The data was collected using a structured questionnaire. The primary data was supported by a literature review on occupational change and microfinance. The quantitative data was captured on Monkey Survey, exported to SPSS and analysed. A thematic approach was used to analyse qualitative data, where the transcribed data was grouped into similar themes.

The research results are summarised in Figure 7.1. These results are presented according to the four research questions.


**Figure 7.1: Summary of the research findings**

### *6.3.1 The history of the loan officer's occupation and how the occupation changed over time*

The results were so contradictory and conflicting that it was very difficult to draw substantive results and recommendations. The solution was to look back at the data to see what it said about the ethos and founding principles of the industry. The research shows that the South African microfinance industry was born out of a noble aim of promoting access of finance to black and poor people, and to also assist with poverty alleviation. However, the genesis of the South African industry coincided with a global shift to commercialise microfinance, with the main aim to maximise profit. Embracing this basic capitalist value from its inception coloured the values and principles of this industry.

The lack of legislation and regulation, the availability of international investors and the high demand for credit resulted in the formation of mostly small, one-branch microfinance institutions that were driven by high profits and low labour costs. The research shows that everything else became secondary. These microfinance institutions were too small and showed no interest to innovate, embrace technology and invest in hiring trained and capable people. Their main priority has always been profit.

### *6.3.2 The forces that influenced the change*

The research shows that change was mainly triggered by the state intervention of introducing legislation and regulatory bodies to regulate the industry. This triggered the need for new technologies to do loan provision. Most companies, especially small ones, only did enough to meet the minimum requirements for compliance.

The legislative reforms of 2006/07, which triggered major technological advances, were mainly influenced by the state's need to regulate the industry and protect borrowers against reckless lending. As a result of the reforms, the credit industry and loan provision became highly regulated, and the need to understand compliance and new technologies became of paramount importance for loan officers. These changes transformed the loan officer's occupation from a simple one with manual tasks, to a complex one with complex tasks. The role has become more specialised and differentiated, with collections now being a separate role with its own tasks, processes, skills and pay scale.

The occupations and occupational change, although influenced and impacted on by state legislation and the subsequent technologies, were also caged in by the ethos and principles of the industry, which pushed profit forward, and everything else, including innovation, embracing technology and investing in skilled people, becoming secondary. The central tasks of loan provision and loan officers, which included marketing and sales, risk assessment, recommending loan approval or rejection, and collections, were deliberately positioned as low skilled and of low status, and thus anybody who could speak the local language, understood the culture of the community and could read and write was eligible for the job. Less emphasis was given to prior educational requirements, although loan officers constantly needed to use their judgement and discretion when providing loans. As a result, the occupation was positioned at a low level, and poorly remunerated and skilled.

### *6.3.3 The attempts of the occupation to standardise its knowledge and practice*

This study indicates that the occupational change of the loan officer's occupation has been externally driven by the state, as opposed to being internally driven by the occupation itself. The research shows that the occupation lacked the authority and jurisdiction to standardise its knowledge and practice, and that occupational change was externally influenced by the state. The conceptual framework showed that professional associations played an important role in occupational change by setting norms and standards to ensure uniformity of tasks, procedures and knowledge that guide the development of training and qualifications.

In most cases, professionals like doctors and lawyers (people who have the authority and jurisdiction over their knowledge and practice) form their own professional associations. But, in the case of loan officers, who lack that authority and jurisdiction over the development of their knowledge and practice, the state normally takes on that role in the form of regulatory authorities or bodies. This research has shown the role that was played by the National Credit Regulator in developing norms and standards for loan provision. It played an important role in ensuring standardised loan provision across the industry, as well as developing rules and regulations that ensured compliant loans. The Quality Council for Trades and Occupations (QCTO) also played an important role in the standardisation of the occupation by profiling the job and assigning specific tasks, competencies and a title. The research therefore shows that the occupation has achieved a collective identity in the industry, and it would have been interesting to see if the microfinance clientele had the same recognition of the occupation.

But, the reverse is true regarding the National Credit Regulator's attempts to standardise knowledge work that regulates the training of credit practitioners, including loan officers. The statutory credit training package developed by the National Credit Regulator, which is mandatory for loan officers and anyone else dealing with credit, is largely ignored by the industry. Instead, training for loan officers is handled by BANKSETA and the Quality Council for Trades and Occupations. Their courses are largely competency based. This shows that there is less regulation of training for loan officers, mainly because the training ecosystem, which includes training institutions and the regulatory authority, is not maximally used. This lack of complementarities between the National Credit Regulator as the credit regulator, BANKSETA as the banking skills development authority, and Quality Council for Trades and Occupations as the qualification's quality assurance and training provider has resulted in the reliance on short courses and in-house training as a means to train new entrants in the occupation and to develop those already working. This has impacted on the training that is needed to prepare officers for work and to develop those already working, but the inability to use the institutions.

### *6.3.4 The training needed to prepare loan officers for their work and those already working*

The results indicate that loan officers are classified as semi-professional people or technicians, with a need for technical training through universities or colleges. This need has been magnified by the complexity of the role with an increased responsibility to inform loan decisions and an increased accountability brought about by legislative and technological changes. These needs are against the backdrop of an industry characterised by high profit and low labour costs with little capacity to innovate, embrace technology and invest in a trained and talented staff complement. This has implications on prior training as an entry requirement for new loan officers, and the upskilling of those already employed.

The industry aspires towards investment in training and the development of staff. However, irrespective of this aspiration, its culture has seen profit prioritised over innovation, technology and a talented staff corp. The reality of the industry, therefore, continues to place less importance on prior education when recruiting loan officers and continues to recruit mainly matriculants because they are a cheaper resource, creating a low perception and status of the job. For upskilling employed loan officers, there will be a continued dependence on in-house training and short courses, and SETA qualifications. This results in continued disinvestment in training and education, relying instead on training that is associated with acquiring occupationally required skills (Johnson, 1994) that potentially weaken opportunities of moving beyond loan officers' current occupations.

Overall, the research discovered that short courses, SETA and Quality Council for Trades and Occupations' qualifications will continue to be the industry norm: even if academic qualification pathways are built, these are unlikely to be used.

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## ANNEXURES: RESEARCH PROTOCOLS AND INSTRUMENTS

### Annexure 1: Information letter to industry bodies

[Date to be filled in]

President

Industry Body

(Address)

**RE: INFORMATION LETTER TO PROFESSIONAL BODY TO REQUEST PERMISSION TO CONDUCT RESEARCH**

My name is Portia Sekati, and I am a MEd student at the School of Education at the University of the Witwatersrand and currently work full time as a researcher at RUDO Consulting. As a requirement of this degree, I am conducting research on occupations and how they evolve within the inclusive banking environment with specific reference to the loan officer occupation. My research is entitled *"Occupations and their relationship to education and training within inclusive banking in South Africa*" and aims to analyse how recent technological and regulatory developments have affected professional boundaries and identity formation of the loan officer occupation in South Africa. I will endeavour to provide feedback to your organisation as well as participants on the outcomes of the research.

As this study focuses on the loan officer occupation and training thereof, the industry body ……. was selected to explore envisaged roles of loan officers, the professional development of loan officers and educational arrangements that support their development.

While the ………………… professional body involvement in this study is of importance, participation is completely voluntary and you may decline to participate at any stage of the research. While my interest in this research arose out of my past work as a trainer and researcher within the Inclusive Banking industry based at RUDO Consulting, my role as researcher for this study is in my personal capacity so as to undertake academic research to fulfil the requirements of a Masters Degree in Education at the University of Witwatersrand. The ………. professional body and its participants are under no obligation to participate in the research and may at any time during the research process refuse to continue their participation.

Should the ……………………. professional body consent to participate in this research of occupation within inclusive banking in South Africa, I would request details of all possible participants so that I can select and approach them for interviews. These participants should include trainers, supervisors, education and training specialists, talents managers and specialist, researchers, human resource managers and specialists. If these individuals are unavailable, may I request permission that any other professional body member be interviewed based on the objectives of this research project.

As part of the research, I will also be requesting documentation to assist in my analysis of how the professional body has dealt with scope of practice changes for the ………...……..occupation.

Once the information has been provided the participants will partake in one interview of approximately 40 – 60 minutes in December 2018 – January 2019, which will be audio-taped and transcribed. I will travel to your offices or a location convenient for this interview and I will cover all expenses incurred.

The data collected will be analysed and documented in a research report. The research findings will be used for academic purposes only, including books, journals and or conference proceedings.

All research data will be kept securely in a locked cabinet and will be completely destroyed 5 years after completion of the project.

Should you require any further information throughout the course of this research, please do not hesitate to contact me on 076 156 8366 or matlodi@rudocon.co.za. A summary of the research report and findings can be made available to you electronically upon finalisation in May 2019 should you wish to receive same.

A meeting with yourself can be set up to take you through the study and the information required from yourself for the purpose of the study. I look forward to your response at your earliest convenience.

Yours sincerely

***Mahlodi Portia Sekati***

MEd student at the University of Witwatersrand

**Supervisor:** Dr Lynn Hewlett (Email: Lynn.Hewlett@wits.ac.za)

## Annexure 2: Information Letter for Participants – Industry body

[Date to be filled in]
Dear [Participant's full name]

**<u>RE: REQUEST FOR PERMISSION TO PARTICIPANTS TO CONDUCT INTERVIEWS</u>**

My name is Portia Sekati, and I am a MEd student at the School of Education at the University of the Witwatersrand and currently work full time as a researcher at RUDO Consulting. As a requirement of this degree, I am conducting research on occupations and how they evolve within the inclusive banking environment with specific reference to the loan officer occupation. My research is entitled *"Occupations and their relationship to education and training within inclusive banking in South Africa*" and aims to analyse how recent technological and regulatory developments have affected professional boundaries and identity formation of the loan officer occupation in South Africa. I will endeavour to provide feedback to your organisation as well as participants on the outcomes of the research.

As a student at the University of Witwatersrand I am obligated to conduct research that is in line with the ethical protocols of the University of Witwatersrand as such it is important that the participants in this research should not feel obliged to participate in light of my role as a researcher and trainer at RUDO Consulting.

As the study focuses on the occupation loan officers and the changes in their scope of work you have been selected by the researcher to be interviewed. You are receiving this letter as you are familiar with the developments and changes to the loan officer occupations' scope of work and its relations to education and training. As such, I would like to invite you to participate in this research study. If you agree, participation will involve the following:

- You will be involved in an interview in December 2018 – January 2019 which will last approximately 40 – 60 minutes.
- This interview will take place at your convenience and in a venue of your determination.
- The interview, with your permission, will be audiotaped to ensure that accurate information is captured.
- You will not be forced to answer any questions you are not comfortable answering.

Your participation will not provide for any advantage, disadvantage or remuneration but will assist in establishing an understanding on how the changes in the loan officer occupation have influenced its training and identity formation. It is hoped this research will contribute to the professional and educational development of loan officers.

As part of the research, I will also be requesting participants to provide me with documentation to assist my analysis of how the …………………….. has encountered techonogical and regulatory changes and how the associated occupational training have been addressed.

The interviews conducted will be transcribed and will be available to you. The data collected will be analysed and documented in a research report. The research findings will be used for academic purposes only, including books, journals and or conference proceedings. Due to the nature of the research, I cannot assure complete anonymity, however, I will use pseudonyms such as industry body 1/2 to maintain the anonymity of the respondents. Further, it is hoped that the knowledge and insights gained will contribute to debates on professionalising the loan officer occupation and thereby strengthen credit management resource planning, education and training. All research data will be kept securely in a locked cabinet and will be completely destroyed 5 years after completion of the project.

Should you require further information throughout the course of the research, please do not hesitate to contact me on 076 156 8366 or matlodi@rudocon.co.za.

A summary of the research report and findings can be made available to you electronically upon finalisation in May 2018 should you wish to receive same. A meeting with yourself can be set up to take you through the study and the information required from yourself for the purpose of the study. I look forward to your response at your earliest convenience.

Yours sincerely,

***Mahlodi Portia Sekati***
MEd student at the University of Witwatersrand
**Supervisor:** Dr Lynn Hewlett (Email: Lynn.Hewlett@wits.ac.za)

## Annexure 3: Information letter to training companies

CEO/ Owner
(Training Company Name)
[Date to be filled in]

**RE: INFORMATION LETTER TO TRAINING COMPANIES TO REQUEST PERMISSION TO CONDUCT RESEARCH**

My name is Portia Sekati, and I am a MEd student at the School of Education at the University of the Witwatersrand and currently work full time as a researcher at RUDO Consulting. As a requirement of this degree, I am conducting research on occupations and how they evolve within the inclusive banking environment with specific reference to the loan officer occupation. My research is entitled *"Occupations and their relationship to education and training within inclusive banking in South Africa*" and aims to analyse how recent technological and regulatory developments have affected professional boundaries and identity formation of the loan officer occupation in South Africa. I will endeavour to provide feedback to your organisation as well as participants on the outcomes of the research.

As this study focuses on the loan officer occupation and training thereof, the training company ……. was selected to explore envisaged roles of loan officers, the professional development of loan officers and educational arrangements that support their development.

While the ………………… training company's involvement in this study is of importance, participation is completely voluntary and you may decline to participate at any stage of the research. While my interest in this research arose out of my past work as a trainer and researcher within the Inclusive Banking industry based at RUDO Consulting, my role as researcher for this study is in my personal capacity so as to undertake academic research to fulfil the requirements of a Masters Degree in Education at the University of Witwatersrand. The ………. training company and its participants are under no obligation to participate in the research and may at any time during the research process refuse to continue their participation.

Should the …………………….. Training company consent to participate in this research of occupation within inclusive banking in South Africa, I would request details of all possible participants based on the research objectives so that I can select and approach them for interviews.

As part of the research, I will also be requesting documentation to assist in my analysis of how the professional body has dealt with scope of practice changes for the …………..……..occupation.

Once the information has been provided the participants will partake in one interview of approximately 40 – 60 minutes in December 2018 – January 2019, which will be audio-taped and transcribed. I will travel to your offices or a location convenient for this interview and I will cover all expenses incurred.

Due to the nature of the research, I cannot assure complete anonymity. However, I will use pseudonyms such as training company 1/ 2 and will not mention any participant by their name, title or position.

The data collected will be analysed and documented in a research report. The research findings will be used for academic purposes only, including books, journals and or conference proceedings.

All research data will be kept securely in a locked cabinet and will be completely destroyed 5 years after completion of the project.

Should you require any further information throughout the course of this research, please do not hesitate to contact me on 076 156 8366 or matlodi@rudocon.co.za. A summary of the research report and findings can be made available to you electronically upon finalisation in May 2019 should you wish to receive same.

A meeting with yourself can be set up to take you through the study and the information required from yourself for the purpose of the study. I look forward to your response at your earliest convenience.

Yours sincerely

***Mahlodi Portia Sekati***
MEd student at the University of Witwatersrand
**Supervisor:** Dr Lynn Hewlett (Email: Lynn.Hewlett@wits.ac.za)

## Annexure 4: Information letter for participant – training company lecturers

[Date to be filled in]

Dear [Participant's full name]

**RE: INFORMATION LETTER TO SENIOR LECTURERS TO REQUEST PERMISSION TO CONDUCT RESEARCH**

My name is Portia Sekati, and I am a MEd student at the School of Education at the University of the Witwatersrand and currently work full time as a researcher at RUDO Consulting. As a requirement of this degree, I am conducting research on occupations and how they evolve within the inclusive banking environment with specific reference to the loan officer occupation. My research is entitled *"Occupations and their relationship to education and training within inclusive banking in South Africa*" and aims to analyse how recent technological and regulatory developments have affected professional boundaries and identity formation of the loan officer occupation in South Africa. I will endeavour to provide feedback to your organisation as well as participants on the outcomes of the research.

As a student at the University of Witwatersrand I am obligated to conduct research that is in line with the ethical protocols of the University of Witwatersrand as such it is important that the participants in this research should not feel obliged to participate in light of my role as a researcher and trainer at RUDO Consulting.

As the study focuses on the occupation loan officers and the changes in their scope of work you have been selected by the researcher to be interviewed. You are receiving this letter as you are familiar with the developments and changes to the loan officer occupations' scope of work and its relations to education and training. As such, I would like to invite you to participate in this research study. If you agree, participation will involve the following:

- You will be involved in an interview in December 2018 – January 2019 which will last approximately 40 – 60 minutes.
- This interview will take place at your convenience and in a venue of your determination.
- The interview, with your permission, will be audiotaped to ensure that accurate information is captured.
- You will not be forced to answer any questions you are not comfortable answering.

Your participation will not provide for any advantage, disadvantage or remuneration but will assist in establishing an understanding on how the changes in the loan officer occupation have influenced its training and identity formation. It is hoped this research will contribute to the professional and educational development of loan officers.

As part of the research, I will also be requesting participants to provide me with documentation to assist my analysis of how the …………………….. has encountered techonogical and regulatory changes and how the associated occupational training have been addressed.

The interviews conducted will be transcribed and will be available to you. The data collected will be analysed and documented in a research report. The research findings will be used for academic purposes only, including books, journals and or conference proceedings. Due to the nature of the research, I cannot assure complete anonymity, however, I will use pseudonyms such as training company 1/2 to maintain the anonymity of the respondents. Further, it is hoped that the knowledge and insights gained will contribute to debates on professionalising the loan officer occupation and thereby strengthen credit management resource planning, education and training.

All research data will be kept securely in a locked cabinet and will be completely destroyed 5 years after completion of the project.

Should you require further information throughout the course of the research, please do not hesitate to contact me on 076 156 8366 or matlodi@rudocon.co.za.

A summary of the research report and findings can be made available to you electronically upon finalisation in May 2018 should you wish to receive same. A meeting with yourself can be set up to take you through the study and the information required from yourself for the purpose of the study. I look forward to your response at your earliest convenience.

Yours sincerely

***Mahlodi Portia Sekati***
MEd student at the University of Witwatersrand
**Supervisor:** Dr Lynn Hewlett (Email: Lynn.Hewlett@wits.ac.za)

## Annexure 5: Information letter for participant – loan officers

[Date to be filled in]
Dear [Participant's full name]

**<u>RE: INFORMATION LETTER TO LOAN OFFICERS TO REQUEST PERMISSION TO CONDUCT RESEARCH</u>**

My name is Portia Sekati, and I am a MEd student at the School of Education at the University of the Witwatersrand and currently work full time as a researcher at RUDO Consulting. As a requirement of this degree, I am conducting research on occupations and how they evolve within the inclusive banking environment with specific reference to the loan officer occupation. My research is entitled *"Occupations and their relationship to education and training within inclusive banking in South Africa*" and aims to analyse how recent technological and regulatory developments have affected professional boundaries and identity formation of the loan officer occupation in South Africa. I will endeavour to provide feedback to your organisation as well as participants on the outcomes of the research.

As a student at the University of Witwatersrand I am obligated to conduct research that is in line with the ethical protocols of the University of Witwatersrand as such it is important that the participants in this research should not feel obliged to participate in light of my role as a researcher and trainer at RUDO Consulting.

As the study focuses on the occupation loan officers and the changes in their scope of work you have been randomly selected by the researcher to be interviewed. As such, I would like to invite you to participate in this research study. If you agree, participation will involve the following:

- You will be involved in an interview in December 2018 – January 2019 which will last approximately 40 – 60 minutes.
- This interview will take place at your convenience and in a venue of your determination.
- The interview, with your permission, will be audiotaped to ensure that accurate information is captured.
- You will not be forced to answer any questions you are not comfortable answering.

- Your participation will not provide for any advantage, disadvantage or remuneration but will assist in establishing an understanding on how the changes in the loan officer occupation have influenced its training and identity formation. It is hoped this research will contribute to the professional and educational development of loan officers.
- As part of the research, I will also be requesting participants to provide me with documentation to assist my analysis of how the …………………….. has encountered technological and regulatory changes and how the associated occupational training have been addressed.
- The interviews conducted will be transcribed and will be available to you. The data collected will be analysed and documented in a research report. The research findings will be used for academic purposes only, including books, journals and or conference proceedings. Due to the nature of the research, I cannot assure complete anonymity, however, I will use pseudonyms such as loan officer 1/2 to maintain the anonymity of the respondents. Further, it is hoped that the knowledge and insights gained will contribute to debates on professionalising the loan officer occupation and thereby strengthen credit management resource planning, education and training.
- All research data will be kept securely in a locked cabinet and will be completely destroyed 5 years after completion of the project.
- Should you require further information throughout the course of the research, please do not hesitate to contact me on 076 156 8366 or matlodi@rudocon.co.za.
- A summary of the research report and findings can be made available to you electronically upon finalisation in May 2019 should you wish to receive same.
- A meeting with yourself can be set up to take you through the study and the information required from yourself for the purpose of the study. I look forward to your response at your earliest convenience.

Yours sincerely

***Mahlodi Portia Sekati***
MEd student at the University of Witwatersrand

**Supervisor:** Dr Lynn Hewlett (Email: Lynn.Hewlett@wits.ac.za)

## Annexure 6: Industry body consent form

***Occupations and their relationship to education and training within inclusive banking in South Africa – the case of Loan Officers***

**INDUSTRY BODY CONSENT FORM**

It would be greatly appreciated if the industry body board could please acknowledge receipt of the letter requesting permission for me to conduct this research.

The industry body will be acknowledging that: **Yes / No**

- The information sheet has been read and understood and its contents acknowledged.
- Involvement is completely voluntary and nominated participants may choose not to participate or to withdraw their consent at any given time without any negative consequences.
- Interviews with nominated participants will be audio-recorded to ensure the accuracy of the transcription. Consent will be obtained separately and specifically for recording and all data and transcripts will be kept securely and destroyed after 5 years of completion of this project.
- The nominated participant's inputs will be treated confidentially.
- The nominate participant's individual consent will be obtained before data collection begins.
- The data collection process will not interfere with the day to day running of your organisation.

- The research findings will be used for academic purposes only, including books, journals and or conference proceedings and to inform policy debate. ☐

I, _______________________________________________________________ (*Head of Industry Body, full name*) acknowledge the information stated above and grant permission for Mahlodi Portia Sekati to conduct research within _________________________________________________ (Industry Body*'s name)* in 2018/19.

Please provide details should you wish to receive an electronic summary of the research findings.

E-mail address: ________________________________________________________________________

Signature: ___________________________________ Date: __________________________

## Annexure 7: Training company CEO consent form

***Occupations and their relationship to education and training within inclusive banking in South Africa***

**<u>INDUSTRY BODY CONSENT FORM</u>**

It would be greatly appreciated if your Training Company could please acknowledge receipt of the letter requesting permission for me to conduct this research.

The industry body will be acknowledging that: **Yes / No**

- The information sheet has been read and understood and its contents acknowledged.
- Involvement is completely voluntary and nominated participants may choose not to participate or to withdraw their consent at any given time without any negative consequences.
- Interviews with nominated participants will be audio-recorded to ensure the accuracy of the transcription. Consent will be obtained separately and specifically for recording and all data and transcripts will be kept securely and destroyed after 5 years of completion of this project.
- The nominated participant's inputs will be treated confidentially.
- The nominate participant's individual consent will be obtained before data collection begins.
- The data collection process will not interfere with the day to day running of your organisation.

- The research findings will be used for academic purposes only, including books, journals and or conference proceedings and to inform policy debate. ☐

I, ______________________________________________________________ (*CEO of the Training Company, full name*) acknowledge the information stated above and grant permission for Mahlodi Portia Sekati to conduct research within ________________________________________________ (Industry Body*'s name)* in 2018/19.

Please provide details should you wish to receive an electronic summary of the research findings.

E-mail address: ______________________________________________________________________

Signature: ___________________________________

Date: ______________________________

## Annexure 8: Senior Lecturer participant : Consent form

***Occupations and their relationship to education and training within inclusive banking in South Africa***

**PARTICIPANTS INFORMED CONSENT FOR INDIVIDUAL INTERVIEWS**

The participant, ____________________________________________________ (participant's full name)

Please circle either the **Yes/No** to show that you the participant understand what it will mean to consent and participate:

- As the participant I have read and I understand the information sheet.
  **Yes / No**
- My participation is completely voluntary and I understand that I may choose not to participate or to withdraw from the study at any time without any punishment or negative consequences. **Yes / No**
- As the participant I will also not be advantaged, disadvantaged or paid for participating. **Yes / No**
- As the participant I do not have to answer any questions I don't feel comfortable answering. **Yes / No**
- A pseudonym will be used to ensure anonymity in all academic writing including books, journal, conferences and debate. **Yes / No**

The participant has been informed before agreeing to participate that their identity will be anonymous. The report will not use your name but may refer to your title and organisation.

By signing below I, the participant give consent to participate in the research project and individual interviews.

**Signature:** _____________________________________

**Date:** ______________________________

## Annexure 9: Loan officer: consent form

***Occupations and their relationship to education and training within inclusive banking in South Africa***

**PARTICIPANTS INFORMED CONSENT FOR INDIVIDUAL INTERVIEWS**

The participant, ___________________________________________________
(*participant's full name*)

Please circle either the **Yes/No** to show that you the participant understand what it will mean to consent and participate:

- As the participant I have read and I understand the information sheet. **Yes / No**
- My participation is completely voluntary and I understand that I may choose not to participate or to withdraw from the study at any time without any punishment or negative consequences. **Yes / No**
- As the participant I will also not be advantaged, disadvantaged or paid for participating. **Yes / No**
- As the participant I do not have to answer any questions I don't feel comfortable answering. **Yes / No**
- A pseudonym will be used to ensure anonymity in all academic writing including books, journal, conferences and debate.
  **Yes / No**

The participant has been informed before agreeing to participate that their identity will be anonymous. The report will not use your name but may refer to your title and organisation.

By signing below, I, the participant give consent to participate in the research project and individual interviews.

**Signature:** ______________________________________

**Date:** ______________________________

## Annexure 10: Senior lecturer: Audi-recording

***Occupations and their relationship to education and training within inclusive banking in South Africa***

**PARTICIPANTS INFORMED CONSENT FOR AUDIO RECORDING AND TRANSCRIBING INTERVIEWS**

I, ___________________________________________________ (*participant's full name*)

Please circle either the **Yes/No** to show that you understand what it will mean to consent and participate:

- My participation is completely voluntary and I may choose not to participate or to withdraw from the study at any time without any punishment or negative consequences.
  **Yes / No**

- I will also not be advantaged, disadvantaged or paid for participating.
  **Yes / No**

- A pseudonym (e.g., participant 1) will be used to ensure anonymity in all academic writing including books, journal and conferences.
  **Yes / No**

- The audio recordings will be used to make sure the researcher uses exactly what I answered to the interview questions.
  **Yes / No**

- All audio-taped and transcribed responses will be safely kept in a locked cabinet and completely destroyed between 3 – 5 years after completion of the research project.
  **Yes / No**

By signing below I give consent for interviews to be audio- taped and transcribed.

**Signature:** _____________________________________

**Date:** ______________________________

## Annexure 11: Loan officers: Audi-recording

***Occupations and their relationship to education and training within inclusive banking in South Africa***

**<u>LOAN OFFICERS INFORMED CONSENT FOR AUDIO RECORDING AND TRANSCRIBING INTERVIEWS</u>**

I, ________________________________________________ (*participant's full name*)

<u>Please circle either the **Yes/No**</u> to show that you understand what it will mean to consent and participate:

- My participation is completely voluntary and I may choose not to participate or to withdraw from the study at any time without any punishment or negative consequences.
  **Yes / No**

- I will also not be advantaged, disadvantaged or paid for participating.
  **Yes / No**

- A pseudonym (e.g., participant 1) will be used to ensure anonymity in all academic writing including books, journal and conferences.
  **Yes / No**

- The audio recordings will be used to make sure the researcher uses exactly what I answered to the interview questions.
  **Yes / No**

- All audio-taped and transcribed responses will be safely kept in a locked cabinet and completely destroyed between 3 – 5 years after completion of the research project.
  **Yes / No**

By signing below, I give consent for interviews to be audio- taped and transcribed.

**Signature:** ___________________________________

**Date:** ____________________________

## Annexure 12: Industry bodies, intermediaries, credit providers, trade unions participant interview guide

The main purpose of this research is to investigate how the technological and regulatory changes within inclusive banking in South Africa have impacted on the traditional role of loan officers and how it has influenced their education and training. The information gathered will be utilized to understand if the loan officer occupation has changed overtime; the forces that have impacted on this occupation; and the impact on the occupation in terms of roles, pay-scales and the kind of education background they already have and how this may change.

The focus of the research questions is to investigate how the loan officer occupation evolved in the inclusive banking sector, and how this has impacted:

1. The traditional role of Loan Officers
2. Pay-scales and
3. Boundaries of the occupation
4. Influence on related education and training

The main purpose of the questions for this sample group will be to provide detail on the traditional role of loan officers, as most respondents were at the frontier of inclusive banking in the early 90s in South Africa. This includes respondents from the MFSA, AMFISA, NCR, Credit Providers and Trade Unions. Some of these respondents started micro-lending and developmental lending institutions, and they have an in-depth understanding of the industry and the loan officer occupation. They will also be able to provide insights into changes within the industry and how these changes impacted the loan officer occupation. Some of these respondents were at the forefront of legislative and policy reviews and development of systems that revolutionized the inclusive banking industry. They will therefore be able to provide the macro elements that necessitated and at times supported an evolution within inclusive banking. The proposed questions are as follows:

1. What do you understand by inclusive banking? Please elaborate
2. What was the role of a loan officer before the 90s?
3. And what is it now?
4. Has it changed and , if so , how?
5.What was the main purpose of the loan officer within inclusive banking at that time? Why do you say that?
6.What did the scope of their work include? Please specify
8. Were there job entry requirements for loan officers at that time? Yes/No

9. If yes, what were those entry job requirements for loan officers? Please specify them
10.Was there a minimum educational entry requirement for loan officers at that time? Yes/No
11.If yes, do you think they were adequate? Please indicate reasons for your answer……

12.What were their pay scales at that time?
13.Has inclusive banking changed since its development in the early 90s? Yes/No. Why do you say that?
14.If the response is yes to question 13 then ask……What caused the changes, what was behind these changes? (Probe for details on drivers of change within inclusive banking )
15.Has these changes affected the traditional role of loan officers? Yes/No
16.If yes to question 15 please ask…..how was the traditional role of loan officers affected?
17.Has these changes affected the scope of work of loan officers? Yes/No
18.If yes to question 17 please ask….. The resultant changes in the scope of work. Did they have any effect on the remuneration or pay-scales for the work performed by loan officers? Indicate reasons for your answer
19.How have these pay-scales of loan officers been affected? Please elaborate
2.Have the changes in inclusive banking impacted on the educational and skills requirements for loan officers? Why do you say that?
21. How do you become a loan officer?
22.Currently, is there a minimum educational entry requirement for loan officers? (yes or no)
23.If yes to question 22 then ask….. What are the current minimum educational entry requirements for loan officers?
24.If no to question 22 please ask… what do you think should be the minimum educational entry requirements? Please indicate reasons for your answer……
25.If yes to question 22 please ask….. do you think the current education and training for loan officers is adequate to prepare them for the current requirements of their occupation? Please indicate reasons for your answer

26.What would be your recommendation regarding education and training for loan officers?

## Annexure 13: Training Companies Participants

**Training Companies:** The main questions for training companies relate to the training and preparation of loan officers for work. Most senior lecturers have experience and knowledge of the industry and they will be able to provide us with details of available qualifications and training courses for loan officers, and recommendations on how they can be enhanced to ensure that loan officers are adequately prepared for changes in their occupation.

1. How does someone become a loan officer?
2. What training programs are available that prepares people for the loan officer role?
3. Is the current education and training for loan officers adequate to prepare them for the current requirements of their occupation? Indicate reasons for your answer
4. How is the available training preparing loan officers for the roles of:
    a. Selling and marketing loans?
    b. Screening customers?
    c. Assessing customers?
    d. Processing loan applications?

4.What would be your recommendation regarding the curriculum, scope and content of training for loan officers?

## Annexure 14: Loan officer interview schedule

**Loan officers**: These are the actual practitioners and the questions designed for them need to provide insight into their actual job, what they do, if they have noticed any change in their industry and workplace and how this have impacted their role, the scope of their job, their pay scales, and any impact if any on their skills requirements. The questions also need to gauge their level of education and training, and if this has adequately prepared them to work as loan officers. Loan officers' role within inclusive banking is developmental in nature, and the questions posed need to gauge if this role has been affected by the changes within the industry. The nature of the questions requires someone who has worked in the industry for some time to be able to notice the changes and their impact, and therefore I will be careful to ensure that loan officers I recruit into the study have at least a minimum of four years' experience.

1 How long have you been a loan officer?
2 What do you think is the main purpose of your occupation? (loan officer)
3 And what is the scope of your job, what does your job entail? (job description)
4 Do you have a good understanding of the inclusive banking industry? Yes/No
5 If yes, have there been any changes within the inclusive banking sector that you have noticed since you started working? Yes/No
6 If no, skip to question 12.
7 If yes to question 5 ask ….what are these changes? Please specify the changes.
8 When did these changes occur? Please specify the timeframes
9 And how have these changes affected your job as a loan officer?
10 In what way has the changes impacted on the scope of your job?
11 How do you keep abreast of changes in your occupation? How do you ensure that you are capacitated to cope with these changes to your job?
12 What is your highest qualification? Please specify.
13 Has this qualification adequately prepared you for your role as a loan officer? Indicate reasons for your answer………………………….
14 If the answer was yes to 5 please ask…. Has this qualification prepared you to cope with the changes within your job as a loan officer? Why do you say that?
15 If the answer was yes to 5 please ask …..What are the skills implications of these changes on the skills requirements of loan officers?
16 If the answer was yes to 5 please ask ………The resultant changes in the scope of work. Did they have any effect on the remuneration for the work you perform as a loan officer? Indicate reasons for your answer……………………………………..

17 What training programs are you aware of that prepare people for the loan officer occupation?

18 Does the available training for loan officers adequately prepare them for the role that they perform? Yes/No. Indicate reasons for your answer

19 If the answer is no to 17 please ask ….What needs to be done to enhance the available training? Indicate reasons for your answer………………………….

20 Which training programs did you attend since being employed as loan officer?

21 Which specific courses in the training you attended that assisted your performance as a loan officer?