

Debt, Poverty and Financial Exclusion

Michal Krumer-Nevo¹, Anastasia Gorodzeisky² and Yuval Saar-Heiman²

Over-indebtedness of impoverished households and its relevance to the social work profession have not received sufficient attention in the professional discourse. It is the intention of this article to put over-indebtedness on the professional agenda, to review the literature about it and to present initial data from a study on over-indebtedness in Israel carried out with special attention to debtors' coping with their debts. The research was conducted as a door-to-door survey in a neighborhood with low socio-economic characteristics, and included questions about the nature of the debts, the strategies people use to cope with debts and the obstacles they face while doing so.

The research findings indicate a severe debt problem among the participants. Out of 142 interviewees, 61% had debt that was overdue, and 27% did not have an active bank account – a parameter of financial exclusion. Moreover, the proliferation of debts per household and the high level of debt-to-income ratio also indicate high risk for financial exclusion. Notwithstanding, the findings indicate that most debtors made active efforts in order to close their debts, using two distinct strategies, namely: trying to reach a payment arrangement with the creditor or paying off the debt by increasing their financial resources. Most debtors used the first strategy, although it was found to be the less successful one.

The article discusses these findings in the framework of the concept of financial exclusion, and proposes policy and direct interventions as well as further research on the topic.

1 The Spitzer Department of Social Work and the Israeli Center for Qualitative Research of People and Societies, Ben-Gurion University of the Negev.

2 The Spitzer Department of Social Work, Ben-Gurion University of the Negev.