

From Consumers to Investors: an investigation into the character and nature of Stokvels in South Africa's urban, peri-urban and rural centres using a phenomenological approach

---

Dissertation to:  
Commerce Department - UCT



University of Cape Town – Graduate School of Business

By Rudzani Mulaudzi: MLDRUD010

Under supervision of UCT GSB Emeritus Professor **Martin Hall**

In fulfilment of the requirements for the course

MPHIL: INCLUSIVE INNOVATION

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

## THESIS TITLE AND ABSTRACT

### ***From Consumers to Investors: an investigation into the character and nature of Stokvels in South Africa's urban, peri-urban and rural centres using a phenomenological approach***

Stokvels are South Africa's version of Rotating Savings and Credit Associations (ROSCAs) or Accumulating Savings and Credit Associations (ACSAs). There are over 820 000 stokvels with a combined membership of 11.4 million people and handling over R44 billion per annum. It is well documented that the majority of the funds that stokvels handle are spent on consumables. This research sought to determine how to transition these stokvels from pure consumers to investors. In order to answer the research question, phenomenology was used as a research method. Focus groups and semi-structured interviews were used as the research instrument. After spending six months with 36 stokvels, the research findings show that there are six factors that influence the current consumption patterns of stokvels. These also provide key insight on how stokvels can be transitioned from consumers to investors. Of the six factors, two of them were identified as key inhibitors to this transition. One being financial institutions, specifically banks, which have built their entire product offering to stokvels based on a small aspect of their governance (constitution and key roles). Second is members' reliance on the stokvels funds for livelihoods. This makes them risk averse as they cannot afford to lose their money nor delay their expenditure. The research also shows that financial education is central to the transition from consumers to investors, specifically seeing, reading or hearing of the financial successes of other stokvels.

## Table of Contents

THESIS TITLE AND ABSTRACT .....	I
LIST OF FIGURES .....	3
LIST OF TABLES .....	4
CHAPTER 1: Introduction .....	5
1.1. Background .....	5
1.2. Problem Statement and Research Question .....	9
1.3. Purpose and Objectives of the Study.....	10
CHAPTER 2: Literature Review .....	11
2.1. Introduction .....	11
2.2. Financial Inclusion .....	11
a) Individuals .....	11
b) SMMEs.....	18
2.3. Rotating Savings and Credit Associations .....	23
2.4. Stokvels .....	28
2.5. Stokvels as financiers of SMMEs .....	32
2.6. Summary .....	33
CHAPTER 3: Research Methodology .....	35
3.1. Research Method and Strategy.....	35
3.1.1. Focus groups.....	36
3.2. Data Sources and Sampling.....	37
3.3. Data collection procedure.....	39
3.4. Data analysis .....	39
3.5. Qualitative drawbacks .....	42
3.6. Research Ethics .....	42
3.7. Summary .....	43
CHAPTER 4: Research Findings.....	44
4.1. Demographics of the research participants .....	44
4.2. Epoche .....	57
4.3. Significant statements .....	58
4.4. Meaning Units / Themes .....	59

Theme 1: The stokvel as a body is not static but an evolving body that changes as the needs of the members change .....	59
Theme 2: The risk tolerance is determined by the purpose of the stokvel. Currently, most stokvels are risk averse because of their purpose as a group and significant past experiences on an individual member level .....	67
Theme 3: Financial education changes the profile of a group from consumer to investor. The peer to peer interactions over money change the members themselves to investors .....	72
Theme 4: Financial institutions' products are designed based only on the governance activities of the stokvel and therefore there is a disconnect in the demand and supply of financial services .....	80
Theme 5: Credibility and transparency are directly proportional to the trust that stokvels have to institutions .....	90
Theme 6: Collaboration is only possible if there are shared value or vision, however, caution should be taken when it comes to money because it inevitably causes conflict .....	94
4.5. Summary .....	98
CHAPTER 5: Research Discussion .....	99
5.1. Imaginative variation.....	99
5.2. Synthesis of meaning .....	102
5.3. Implementation Plan .....	105
5.4. Previous research findings .....	110
5.5. Stokvels compared to other ROSCAs .....	114
CHAPTER 6: Research Conclusions.....	120
Recommendations to future researchers: .....	121
Recommendations to banks: .....	122
Recommendations to NASA: .....	123
Recommendations to stokvels: .....	124
General recommendations:.....	124
Future Research Directions.....	124
BIBLIOGRAPHY.....	126
APPENDIX A: Business Prototype and Plan .....	135
APPENDIX B: Implementation Plan Financial Details .....	136
APPENDIX C: Consent Form .....	141

## LIST OF FIGURES

FIGURE 1 POPULATION NUMBERS BY PROVINCE.....	30
FIGURE 2 VISUAL DEPICTION OF LOCATIONS WERE STOKVELS WHERE BASED.....	38
FIGURE 3 CONTEXT OF THE STOKVEL'S LOCATION ON SOUTH AFRICA MAP .....	45
FIGURE 4 LOCATION OF STOKVELS INTERVIEWED .....	46
FIGURE 5 VHILI.....	49
FIGURE 6 AVERAGE NUMBER OF MEMBERS PER TYPE OF STOKVEL .....	50
FIGURE 7 COMBINED MONTHLY CONTRIBUTION PER TYPE OF STOKVEL .....	51
FIGURE 8 GENDERS OF STOKVELS INTERVIEWED .....	52
FIGURE 9 GENDER OF STOKVEL PER TYPE OF STOKVEL .....	53
FIGURE 10 AVERAGE OF PARTICIPANTS PER TYPE OF STOKVEL .....	54
FIGURE 11 AVERAGE OF STOKVEL PER THE OF STOKVEL.....	54
FIGURE 12 LANGUAGE USED IN DISCUSSIONS WITH THE STOKVEL .....	55
FIGURE 13 QUALITATIVE RESEARCH METHOD USED .....	56
FIGURE 14 REASONS FOR NOT INVESTING .....	74
FIGURE 15 USAGE OF BANKS BY STOKVELS .....	81
FIGURE 16 USE OF BANK PER LOCATION .....	81
FIGURE 17 REASONS FOR NOT USING BANKS.....	84
FIGURE 18 NAME OF BANK USED PER LOCATION OF STOKVEL.....	86
FIGURE 19 BANKING INSTITUTIONS USED BY STOKVELS .....	86
FIGURE 20 RESPONSES TO WHAT THEY THINK OR FEEL ABOUT A COMBINED ANNUAL EXPENDITURE OF R44 BILLION BY STOKVELS .....	97
FIGURE 21 MODEL OF FACTORS THAT INFLUENCE STOKVELS' INVESTMENT DECISION .....	100
FIGURE 22 VISUALISATION OF THE SYNTHESIS OF MEANING.....	103
FIGURE 23 IMPLEMENTATION PLAN.....	109
FIGURE 24 LEAN CANVAS BUSINESS MODEL .....	135

## LIST OF TABLES

TABLE 1 TYPE OF STOKVEL PER LOCATION .....	47
TABLE 2 SOUTH AFRICAN CLUB ACCOUNT OFFERING COMPARISON.....	85
TABLE 3 RESEARCH CONTRIBUTION TO LITERATURE .....	114
TABLE 4 COMPARISON OF FACTORS THAT INFLUENCE STOKVEL'S FINANCIAL BEHAVIOURS WITH OTHER ROSCAs .....	118

## CHAPTER 1: Introduction

The aim of the research was to investigate how stokvels<sup>1</sup> can be transitioned from consumers to investors in the South African economy. In order to answer this question, desktop research was conducted to understand the existing body of knowledge on the topic. This is represented in the literature review chapter (chapter two). The literature revealed that most of the studies conducted to date on the topic of ROSCAs and stokvels focused on what these organisations are, why they exist as well as their membership composition. However, little to no work has been done to understand what factors influence their consumption patterns, as well as how they could potentially transition from consumers to investors in the economy. This is the research gap that this thesis intends to fulfil.

With the understanding of the existing body of literature on the topic, acquired through the literature review process that I engaged in, phenomenology qualitative research approach was adopted to engage with 36 stokvels across South Africa. This was done in order to understand stokvels from their lived experiences, investigating what the factors are that influence their current consumptive patterns, as well as how they could be transitioned from consumers to investors. Chapter three provides information on the research methodology used. The study was conducted over a 6-month period. From the research engagements, it emerged that there are six key factors that can be seen as levers to move stokvels from consumers to investors. The six factors are discussed with a model being proposed to transition these stokvels to investors in the research findings and research discussions section (chapter four and five).

In this chapter, a background is provided to the study, as well as the social problem that can be overcome through the study's findings. Furthermore, the purpose and objectives of the research are provided as well.

### 1.1. Background

In 1994, the first democratically elected government inherited an economy and society from the apartheid system that was in a serious crisis (Gumede, 2016). Not only was the society severely

---

<sup>1</sup> South African's version of Rotating Credit and Savings Associations (ROSCAs) or Accumulating Savings and Credit Associations (ACSAs)

divided but it was characterised by low economic growth and high unemployment rates, in particular amongst African blacks, who remained marginalised. The majority of the population, majority African blacks, were disproportionately bearing the brunt of poverty, marginalisation and underdevelopment. South Africa not only experienced the harsh reality of a significantly distorted income distribution but experienced consequent structural distortions in the demand for goods and services. The apartheid social systems did not only prejudice and disadvantage African blacks, but it also failed to meet the socio-economic needs of the country in general. That is why transformative legislation and policy interventions had to be put in place to redress the legacy of apartheid colonialism.

South Africa is now characterised by the deep-rooted social and economic inequalities, with more than half of the population not actively participating in the economy (Gumede, 2016). According to the income and expenditure survey, income inequality remains high, with only 10% of the population receiving over 50% of the household income from work and other income (Statistics South Africa, 2012).

South Africa is currently facing a job crisis, especially for South African youths (Mqolomba, 2016). According to Guchshina (2016), South Africa's unemployment rate is currently 26.6%, an improvement of 1.6% compared to the previous quarter. For the past 20 years, South Africa has been in the world's Top 15 countries with the highest unemployment rates (BusinessTech, 2015; Guchshina, 2016). The unemployment rate for the youth (younger than 34) is approximated at 52.4% (Mqolomba, 2016; Guchshina, 2016). This is a big problem bearing in mind that government's National Development Plan is targeting an unemployment rate of 14% by 2020 and 6% by 2030. The change in unemployment rates overshadows deeper changes in the labour market (Mqolomba, 2016). Firstly, it hides the increase in the number of "discouraged work seekers" who are individuals who have given up hope of even finding employment. Secondly, these numbers hide the increase in non-standard employment since the 1990s, which has eroded the quality of labour protection afforded to workers, as well as denied workers and the unemployed of the basic human right to a sustainable livelihood. "Informality, casualisation and externalisation" of labour in South Africa's labour market have all undoubtedly worsened South Africa's job crisis. Work has increasingly become insecure with limited benefits, denying workers of their right to sustainable livelihoods. A key driver of this high unemployment rate is the performance of the

economy. Currently, the South African GDP is growing at a rate of 0.6%, the lowest since the 2008/2009 economic recession (Statistics South Africa, 2015; Taborda, 2016). The majority of the unemployed are low-skilled or poorly educated workers, mostly women and youth in rural areas, for which demand has been shrinking due to changes in the domestic structure of production of the economy. The shift towards greater demand for skilled labour has been insufficient to absorb existing labour.

That is why the Government, since 1994, has undertaken extensive policy and institutional reforms in an effort to resolve contradictions brought about by the legacy of centuries of discrimination against the majority of the country (Gumede, 2016). The Government's main overarching goal was and remains being the creation of a united, non-racial, non-sexist and democratic society. The Government's strategic preoccupation has always been about uplifting the quality of life of all South Africans, Africans in particular and black people in general, especially the poor.

According to Gumede (2016), major efforts have been made by the South African state to accelerate job creation amongst previously disadvantaged citizens. Comprehensive employment strategies have been consolidated into integrated and coherent policy documents designed to facilitate the attainment of employment. These employment strategies have been underpinned by an integrated and interconnected set of employment promoting policy frameworks and projects for target groups expected to be the principal beneficiaries of the programme. Efforts have been made by the Government to transform the skewed and discriminatory character of the South African economy. The promotion of SMMEs is one of Government's major interventions.

The biggest contributor to the South African GDP is Small, Medium, and Micro-Enterprises (SMMEs). These SMMEs contribute 52-57% of the GDP figure and employ 61% of the South African labour force (Mahembe, 2011; Mutezo, 2009). It is currently estimated that 90% of all businesses in South Africa are SMMEs and as such government wants to grow SMMEs' contribution to GDP and increase the number of people employed by SMMEs to 90% (Mahembe, 2011; National Planning Commission, 2011).

As important as SMMEs are to the growth of the South African economy; Mutezo (2009), Abedian et al. (2004), Dallimore (2013) and Rogerson (2008) state that one of the key challenges that SMMEs face is access to finance. Currently, there are an estimated 6 million SMMEs in South Africa of which only 20% are registered with CIPC and the rest operate informally (Mahembe,

2011). The majority of these unregistered businesses are located in the townships and informal areas; being rural areas and informal settlements. Peberdy (2015 cited by Mahajan, 2014 and Singer, 2013) states that SMMEs in townships are less likely to receive finance from a bank as compared to their counterparts in urban areas. She states that the reasons for this lower access to finance are; proximity to finance providers, adequacy of documentation in finance application and bank determined risk profile methods. Access to finances remains a challenge in South Africa for SMMEs (DTI, 2007). The Department of Trade and Industry in 2007 reported that SMMEs experience problems with accessing finance in order to support business growth. The funding challenge is seen as the major hindrance to the development and success of SMMEs. Emerging SMMEs are seen as high risk by not only banks but by state-owned Development Finance Institutions (DFIs) as well. They are seen by these institutions as having a high risk of failure. Most SMMEs cannot offer collateral security. Many of these SMMEs have low bargaining power as most are also competing with well-established businesses. Most SMMEs are undercapitalised with a low asset base. One of the factors, amongst others that hinder SMMEs from growing and having the ability to get funding is the fact that many are unable to come up with viable proposals that persuade the finance institutions of their viability and sustainability. They are also characterised by a lack of accurate and reliable information, lack of business planning skills and management depth. That is a key reason for them having difficulty in accessing markets. Also, there are systemic hurdles imposed on them by business regulations and legislation.

The majority of financially excluded SMMEs exist in the same geographic locations as stokvels. Stokvels are the South African version of Rotating Savings and Credit Associations (ROSCAs) or Accumulating Savings and Credit Associations (ACSAs) (Dallimore, 2013; Hubbard, 2014). Typically, ROSCAs are made up of 5-20 people who contribute an agreed periodic amount to a central 'collective savings vehicle' known as the central pot. Each member gets to receive a lump sum of the combined contributions at least once during the lifetime of the ROSCA. ACSAs, on the other hand, have a similar membership as ROSCAs, however, members are allowed and allocated the collective savings only at the end of the year. Each month or week, members will contribute an agreed amount and only at the end of the year will the ACSA then share the savings with their members or collectively buy items that will be shared by the members. In South Africa, there are close to 820 000 stokvels handling over R44 billion each year and comprising of 11.4 million people (NASASA, 2016b). The majority of these stokvels are located in townships and informal

areas (Old Mutual, 2011). According to Old Mutual (2011) and Slade (2014), the lump sum that each stokvel member receives periodically is generally used on consumables and not investments.

ROSCAs are a global phenomenon, however, in different countries, they are used differently. In Ghana, Nigeria, and the Caribbeans, their stokvel equivalents are called susus. The difference between susus and stokvels is that susus, in addition to being a savings and credit associations, are also used as vehicles of financing SMMEs and individuals (Arko-achemfuor, 2012). Irrespective of their use in the different parts of the world, ROSCAs provide an alternative source of finance for the individuals that belong to them and their SMMEs. There is an opportunity, therefore, for stokvels in South Africa to reposition themselves from being economic consumers to investors. This research investigates whether there exist sufficient reasons for stokvels to maintain their current expenditure patterns and whether they have an appetite for investing part of their R44 billion annual financial cash flows. Lastly, the research also investigates whether the R44 billion economy can be utilised as an alternative community-based investment scheme for the financially excluded SMMEs in townships and rural areas.

## 1.2. Problem Statement and Research Question

There is little to no financing alternatives for financially excluded SMMEs in South Africa. The majority of SMMEs that are in townships and rural areas are financially excluded and therefore are unable to meet their financing requirements through formal means such as banks. As such, these SMMEs have to ‘climb a steeper hill’ with fewer resources to achieve business success. At the same time, there are examples of ROSCAs in other parts of the world that provide finance for financially excluded SMMEs. Arko-achemfuor (2012) suggests that stokvels can play a similar role (as other ROSCAs) in South Africa and therefore participating in closing the finance gap in the South African Market.

To this end, this study will explore the viability of stokvels to operate as an alternative source of financing to the currently financially excluded SMMEs in South Africa, within their own communities.

### 1.3. Purpose and Objectives of the Study

The purpose of this study is to understand the key factors that currently drive stokvels' current expenditure patterns as well as to explore the viability of stokvels to operate as an alternative source of financing to the currently financially excluded SMMEs.

The objectives of the research are to:

- Determine how stokvels can be transitioned from consumers in the economy to investors.
- Explore the motivations that keep these stokvel members choosing to save with stokvels groups over banking products.
- Understand the reasons why the model of ROSCAs members using their apportioned lump sum to fund their SMMEs is not common in South Africa, as well as.
- Explore the viability of using stokvel's funds to fund SMMEs in their communities

## CHAPTER 2: Literature Review

### 2.1. Introduction

This literature review chapter will explore the current literature on financial inclusion, Rotating Savings and Credit Associations (ROSCAs) and lastly Stokvels in South Africa. The discussion on financial inclusion will give a broad overview of financial exclusions that are prevalent throughout the world impacting both individuals and Small, Medium, and Micro-Enterprises (SMMEs). A number of alternative financial solutions exist but only serve a portion of those individuals who have the right documentation and SMMEs that operate under country-specific formal structures. Therefore, a large portion, over 69% of SMMEs, remain unserved by these solutions because of their so-called informal nature (Triki & Faye, 2013). ROSCAs provide a finance alternative for individuals and SMMEs in those informal settings in a number of countries (Adusei, 2012; Alabi, Alabi, & Ahiawodzi, 2007; Arko-achemfuor, 2012; Mashingo & Schoeman, 2012). Stokvels like other ROSCAs provide a financial solution to the excluded population but are largely focused on individuals who are stokvel members, and not SMMEs.

### 2.2. Financial Inclusion

#### a) Individuals

The topic of financial inclusion has taken centre stage over the past few years. Most of the attention afforded to it is due to the great success of financial inclusion models across the world. Most notable of these success stories is the Bangladesh Grameen Bank founded by Mohammad Yunus in 1976. Yunus was recognised for his continued efforts in financial inclusion work by being awarded the 2006 Nobel Peace Prize (Grameen Bank, 2016). Financial inclusion is defined as the process of making formal quality financial services available and accessible to poor people at affordable prices (Demirguc-Kunt, Klapper, Singer, & Van Oudheusden, 2015; Hannig & Jansen, 2010; Triki & Faye, 2013). Formal financial services being those that are offered by financial institutions such as banks or insurance companies.

According to European Commission (2008), there are four types of financial exclusion namely; banking, saving, credit and insurance exclusion. Banking refers to the inability of people to transact through the formal banking channels. Savings is related to retirement savings and it is about people not having channels to save. Credit, on the other hand, is about barriers that exist to prevent a

certain population of people from receiving formal credit. Lastly, insurance exclusion is when people are unable to access risk management services due to either price discrimination that prevents a particular demographic of people from accessing them or other factors that adversely prevent access to insurance.

Hanning and Jansen (2010) state that more broadly speaking there are two types of exclusions; voluntary and non-voluntary. Voluntary exclusion is self-imposed for a variety of reasons whilst non-voluntary are structural or systemic challenges that make it impossible for a certain demographic of people to access formal financial services. Non-voluntary exclusion is the big issue that financial inclusion tries to address. Whilst voluntary exclusion, on the other hand, is also seen as a problem, it is less of a priority as it is driven by the choices of individuals. However, understanding the reasons why people choose not to use financial services even though they are for their benefit, contributes to developing better financially inclusive products in future (Hannig & Jansen, 2010).

Demirguc-Kunt et al. (2015) from the World Bank, state that to measure financial inclusion, the World Bank have developed a measure called, Findex. Findex, which takes into account “how people save, borrow, make payments, and manage risk.”. To the World Bank, having a bank account is foundational to being included in the formal economy. They see the usage of a bank account as the first step in moving away from being cash based to digital channels and therefore participating in all the benefits that come with being digital. Through digital channels, access to savings, credit and payments facilities is made much easier and faster. Furthermore, Demirguc-Kunt et al. (2015) add that because financial inclusion also enables households to invest, it therefore, ensures that the economy grows. Both Triki and Faye (2013) and Demirguc-Kunt et al. (2015) agree that financial inclusion not only contributes to the economic growth of the country but it also promotes inclusive growth and reduction in income inequality. Their primary argument is that if people are able to access credit, then they are able to use the credit to improve their financial circumstance and therefore alleviate or reduce the extent of their poverty. For example, community vendors who use the credit access to finance their inventory are able to generate profit which they can use to improve their livelihoods.

In the year 2014, the World Banks’ Global Findex estimated that there is still over 2 billion people without access to financial services in the world (Demirguc-Kunt et al., 2015). The African

continent contributes significantly to the 2 billion, as 75% of the continent is unbanked (Triki & Faye, 2013). Demirgüç-Kant and Klapper (2012) argue that the two main reasons that people are financially excluded in Africa is distance and documentation. Older people in the African population often reside in locations that are far from where the services are offered and the younger people do not have the requisite documentation to access financial services (Demirgüç-Kant & Klapper, 2012). The documentation requirement is a consequence of the financial system being a highly-regulated environment. These regulation demands result in the financial institutions putting in place a number of initiatives as a means of compliance (World Bank, 2013). However, some of the 'red tape' that is introduced results in these institutions being financially exclusive because the poor cannot meet their banking risk and documentation demands. Hannig and Jansen (2010) states that the high risk of serving the poor compared to the returns was not seen as a profitable route for financial institutions and thus they did not and largely still do not serve the poor. The financial system was not built to accommodate the poor and their risk profiles. This mindset only began changing in the 1980s when the concept of microfinance was emerging (Hannig & Jansen, 2010). The change was as a result of a realisation that the poor have enough scale to actually create their own market that banks could profit from.

Bruhn and Gallego (2012) argue that another contributing factor to the current global economic conditions and financial exclusions is the legacy of colonial activities across the world. They add that in many countries the financial systems were designed for the wealthier part of the country which was historically areas where the majority of colonists would reside. Africa is a good example of what Bruhn and Gallego (2012) raise. For example, in South Africa, the apartheid system was designed so that black people would not be owners of assets and therefore, not be able to access credit as successfully as their white counterparts. During the segregation era of South Africa, the Natives Land Act of 1913 was introduced and enforced, the act stated how black people could only own land in approximately 7% of the country while the remaining 93% was owned by white people who amounted to less than 20% of the population (SAHistory, 2013). Not owning land or assets meant that black people did not have collateral to put up in loan requests, therefore, becoming excluded from formal credit (Ludwig, 2006; Mahajan, 2014). In addition to the lack of collateral, the location of financial institutions is normally city or town centres but the previously oppressed majority stay far from these city centres and thus cannot access formal financial services and end up being financially excluded.

A number of different initiatives have been taken across the world to decrease the number of those financially excluded. In Bangladesh, they started with microcredit solutions to increase the access and usage of financial services by the poor (Yunus, Moingeon, & Lehmann-Ortega, 2010). The microcredit route, as a means to include financially-excluded persons, was pioneered by Grameen Bank and it was celebrated and considered successful and a good example of financial inclusion in Bangladesh (Yunus et al., 2010). The efforts of the bank resulted in an increase in the number of people that were previously financially excluded being able to access credit. Hannig and Jansen (2010), however, argue that microcredit alone is not suitable for the financial institutions on the supply side because they subsidise significantly in order to make the services possible. They state that financial institutions need to use methods of financial repression in order to deliver these microloans. For example, banks need to keep interest below inflation in order to make microloans affordable. In other words, banks do not make the returns they are looking for in the provision of microloans. Therefore, banks do not participate in financially inclusive solutions because the risk-rewards for serving poor customers is not in the banks' favour (Appleyard, 2011; Hannig & Jansen, 2010).

Kruger and Whittaker (2015) investigated the current discourses regarding financial inclusion and they state that microcredit solutions were not achieving the desired results as initially hoped for. The recipients of these microcredit solutions would end up worse off than they were before. The lenders would end up in a 'never-ending debt cycle', where they get loans to pay off loans and thus end up in deeper debt. In order to overcome these effects, microfinance took centre stage over microcredit; the difference being that microfinance includes microcredit but also has a focus on asset building, insurance, and financial education (Hannig & Jansen, 2010).

The impact of microfinance on the poor is undeniable. The general trend observed is that poor people's lives get better (Sarma & Pais, 2008; Yunus et al., 2010). Governments across the world have noticed and have accepted the impact of microfinance as a tool to improve the lives of the poor (Aduda & Kalunda, 2012; Ardic, Heimann, & Mylenko, 2011; European Commission, 2008). In 2005, Kofi Annan, United Nations Secretary-General at the time stated that "*Microfinance has proved its value, in many countries, as a weapon against poverty and hunger. It really can change peoples' lives for the better, especially the lives of those who need it most*". The year 2005 was labelled the year of microfinance because global institutions such as the United Nations, were

encouraging countries to place greater emphasis on micro-finance and its benefits for the poor (UNCDF, 2006). Microfinance was viewed by the United Nations as a tool that can aid in the achievement of the Millennium Development Goals. To this end, Governments committed to the mission of financial inclusion (Ardic et al., 2011; Arun & Kamath, 2015; Bateman, 2011; Demirguc-Kunt et al., 2015; Triki & Faye, 2013). Some governments made policy decisions about how the money will flow from government to citizens, and those decisions alone increased the number of 'banked' people in the respective countries (Kruger & Whittaker, 2015). An example of this in a number of countries was the change in grant distributions from cash to deposits into bank accounts.

In India and South Africa, governments have on a number of occasions collaborated with the business sector to improve access to financial services by the poor (Ardic et al., 2011; Demirguc-Kunt et al., 2015; Kruger & Whittaker, 2015b). An example of this collaboration is the introduction of bank accounts that have zero fees and high-interest rates. Furthermore, government policy has given rise to a number of other inclusive financial solutions (Appleyard, 2011; Ardic et al., 2011; Hannig & Jansen, 2010).

Kruger and Whittaker (2015) give a good view of a number of different financially inclusive solutions that have been introduced in South Africa such as the Mzansi Account. They add that government was a key driving force behind the private sector making those decisions to introduce financially inclusive products especially banking products.

More recently creators of financially inclusive solutions across the African continent have greatly focused on the use of mobile technologies as a means to close the financial exclusion gap (Demirguc-Kunt et al., 2015; Triki & Faye, 2013). A notable success story is M-Pesa in Kenya which utilises cell phones to execute financial transactions. M-Pesa serves as an alternative to owning a bank account and gives users a greater degree of freedom to receive or transfer money to and from informal areas (Demirguc-Kunt et al., 2015). M-Pesa was originally designed by Vodafone to help people to repay their micro-loans, however, the users of the platform discovered that they could use it to send money to each other (Joseph, 2013). Vodafone embraced this user behaviour and made it a part of their service offering. M-Pesa usage grew quickly and Vodafone through Safaricom introduced 'agents' across Kenya to act as M-Pesa support; opening accounts and accepting deposits (Joseph, 2013).

The usage of agents by M-Pesa was not a new concept but had been working successfully for other companies, most notably Equity Bank. Equity Bank is a Kenyan bank that has been in operation since the 1980s. According to Duval (2014), Equity Bank started off as a building society in 1984, offering low-cost mortgages or house-bonds to low-income earners. However, the building society model proved to be unprofitable and the company was declared insolvent in 1993 by the Central Bank of Kenya. To keep from closing doors, Equity Bank came up with a turnaround strategy that the Central Bank approved. The strategy was to change the focus of Equity Bank from housing to banking solutions for the unbanked. The company's strategy was to remove typically barriers to banking such as having a deposit to open an account. For Equity Bank, a deposit is not required to open an account, therefore, removing a key barrier to the service. Furthermore, Equity Bank removed key cost structure from their operations, they started using agents as opposed to branches and ATMs (Duval, 2014).

The combination of no-deposit accounts with agents has proved successful and Equity Bank has increased the number of people that are banked in East Africa. Equity Bank has now changed their focus from making money through banking fees to making money from loans (to individuals and SMMEs) and higher-earning clients. The bank has been successful and celebrated in increasing the number of banked people in East Africa and has most recently been focusing on mobile banking as a solution for their customers called Equitel and M-KESHO (Equity Bank, 2016). M-KESHO is most notable because it was a collaboration between M-Pesa and Equity Bank by launching a saving account on M-Pesa that could allow users to earn interest on their M-Pesa accounts (Financial Access Initiative, 2010). Therefore, increasing Equity Bank's provision of financial services to the financially excluded. There are numerous more solutions that have been put in place to increase the number of those that are financially included, ranging from policy level changes to technology enabled on-the-ground initiatives and alternative banking models such as Grameen Banking models.

Allen et al (2016) cite Aportela (1999) who states that one of the benefits of financial inclusion for the poor is that their savings practices increases. Saving with financial institutions helps them to move away from putting cash in places that are a security threat as well as consumption threat for their own expenditure. Bateman (2011) cites Dupas and Robinson (2009) who state that another benefit of financial inclusion is that through micro-finance, entrepreneurs get access to finance that

they would not normally have access to. Furthermore, adding that the network of entrepreneurs and microfinance institutions is a well-aligned demand and supply vehicle for investment. In other words, there is enough need for money as there is supply of money because of micro-finance. Their view is that financial inclusion makes investment possible for those that would not have normally benefited from investment nor being able to invest. Furthermore, financially included individuals use bank accounts which have a benefit of enabling them to keep money in a bank account allowing one to build a credit report which can aid in getting short term credit or long term credit to acquire assets such as a house (Rhine, Greene, & Toussaint-Comeau, 2006).

Although it is worth noting that there is a lot of good things being said about financial inclusion, there is also a negative side that equally requires attention. The other side of financial inclusion is that a number of efforts to increase financial inclusion actually do not last. Kruger and Whittaker (2015) summarise the issues with financial inclusion as being two-fold. Firstly, the dormancy of accounts that were opened in the name of inclusion and secondly, an adverse inclusion which results in people being worse off than they were before. Noted by Kruger and Whittaker (2015) and Demirguc-Kunt et al. (2015) there is a high rate of dormancy in a number of countries. The highest regions are South Asia, India, Middle East and Sub-Saharan Africa. This dormancy rate shows that although the people in the region opened bank accounts they did not continue using the bank accounts. Kruger and Whittaker (2015) use the fact of dormancy as a case for their thesis that perhaps there is a disconnect between financial services providers, government and the intended recipients of financial inclusion. The second issue that Kruger and Whittaker (2015) raise is one that Fotabong (2011) also raises stating that in a number of cases people that are beneficiaries of financial inclusion end up in a worse off position than they were in before. They end up in debt cycles where they rely on debt to pay previous debt. Bateman (2011) adds that because many recipients of microfinance do not actually have a stable income, the loan they receive from micro-finance institutions ends up being used for consumption rather than investing and therefore their salaries end up being dedicated to paying off interest from the loans received.

Therefore, because financial inclusion initiatives address a historical social injustice, financial inclusion solutions should be evaluated on both usage and access as well as the impact of use (Aduda & Kalunda, 2012; Bruhn & Gallego, 2012). As already stated, a lot of effort has been made to increase access and usage. However, the usage does not always last, resulting in dormancy of

products. The impact can be negative often leaving people worse off than they were before. Although there is a general consensus that financial inclusion is a tool to alleviate poverty.

#### b) SMMEs

The issue of financial inclusion is not just a personal finance one but also impacts Small, Medium and Micro Enterprises (SMMEs). SMMEs are a classification of businesses who are small both in financial value and number of employees. The financial figures that warrant a business to be classified as an SMME differ per industry. Cited by Mahembe (2011), the National Business Amendments Act (2003) states that businesses that are categorised as SMMEs have 5 to 200 employees, R100 000 to R18 million in asset value, and R150 000 to R50 million annual turnover. Businesses that are classified as micro are on the low side of these figures and those that classified as a medium is on the higher side. He adds that these SMMEs are generally businesses that are owner managed. Furthermore, micro and small businesses are typically unregistered (also called informal) with the medium businesses operating formally.

Abedian et al. (2004) state that the definition provided by the National Business Amendments Act (2003) is the most widely accepted definition in South Africa. Therefore, for this literature review and research, National Business Amendments (2003) definition of SMMEs has been adopted. However, survivalist businesses will be excluded from the definition, because survivalist businesses are not businesses but a mechanism to avoid utter poverty. Abedian et al. (2004) define survivalists businesses as those that are barely meeting their business and personal financial obligations. They are run by poor and desperate people who would at 'a drop of a hat' switch to normal employment. These survivalist businesses are, for example, hawkers selling their services, street vendors selling products, and subsistence farms.

Arko-achemfuor (2012) and Mahembe (2011) refers to the inability of SMMEs to access finance through formal financial institutions as a 'finance gap'. A finance gap is a situation where there is a mismatch between demand and supply of financial services. Arko-achemfuor (2012) states that the finance gap exists when there is more financial services demand from SMMEs than there is supply from formal financial institutions. The concept of the financial gap is more than just SMMEs' financial exclusion. Appleyard (2011) defines SMME financial exclusion as SMMEs not being able to access finance because they do not have a bank account and are unable to access credit at affordable rates from banks. The finance gap includes instances where SMMEs have bank

accounts but for one reason or another are denied credit. Globally, including Africa, over 80% of SMMEs have bank accounts (Demirgüç-Kant & Klapper, 2012). Appleyard (2011) states that because of high-risk low-reward situation that banks find themselves in when attempting to serve SMMEs, banks in the US choose not to serve this market by increasing collateral requirements to get funding. This decision and mindset is not unique to North America only but is the default mindset for the majority of banks in the world (Appleyard, 2011; Hull, 2011).

Globally, more than 60% of SMMEs find themselves in the finance gap (Demirgüç-Kant & Klapper, 2012). This gap has given rise to a number of microfinance institutions (MFIs) across the world, serving over 200 million clients and managing a debt book worth over US\$73 billion (Cull, Navajas, Nishida, & Zeiler, 2015). In Africa, the finance gap is worse than the rest of world, as only 22% - 29% of formal Sub-Sahara African SMMEs have access to finance from banks (Demirgüç-Kant & Klapper, 2012; Triki & Faye, 2013). Triki and Faye (2013) add that only 31% of SMMEs in Africa are formally recognised as per country specific registration requirements, with the remaining 69% being informal or unregistered businesses. Therefore, of the 31% (formal SMMEs), only 22-29% have access to finance. Resulting in a finance gap in Africa being 80-90% for the continent (69% that is financially excluded plus those SMMEs that don't fall in the 22-29% that have access to finance).

Triki and Faye (2013) have estimated that the finance gap for formal SMMEs in Africa is worth over US\$100 billion compared to global figure of US\$73 billion stated by Cull et al. (2015). In order to close this gap, a number of financially inclusive solutions are needed for SMMEs. US\$100 billion in Africa alone is too big a figure for banks to be able to close the gap on their own. If the banking sector is the only solution, banks would need to increase their credit offerings by over 300% (Triki & Faye, 2013). This increase in services provision would still only address 31% of SMMEs which are formalised. At this realisation, a number of alternative finance solutions have been devised for SMMEs. Some from the political push of government and others from socially concerned individuals or communities or companies. In general, most of these solutions are labelled as micro-finance institutions (MFIs).

MFIs have become very popular and are often the only solution that the poor have to access credit (Serrano-Cinca & Gutiérrez-Nieto, 2014). Serrano-Cinca and Gutiérrez-Nieto (2014) discuss that although there are more MFIs now than ever, a number of MFIs actually stop serving the poor

once they reach profitability. They try to ‘move up’ the financial status ladder and serve wealthier customers. They argue that the reason for this behaviour is because there are lower risks with wealthier customers or that their intentions have shifted after their experiences with poor customers. They also add that another challenge is that MFIs actually abuse their position of power by charging poor people extremely high-interest rates.

Furthermore, because often MFIs are funded by donors, donors influence who should be funded based on their preconceived agendas, which contributes to MFIs shifting from their original intent. Nwigwe, Omonona, and Okoruwa (2012) found that in Nigeria, MFIs were not having the intended outcome because they do not lend to the very poor. They keep their offering to those that can, in a sense, still access other sources of finance. They add that often the very poor are unaware that there is an MFI service just for them. They have become accustomed to being financially excluded. Many of them are only starting to access information regarding available MFI services through the work of NPOs who have made it their mandate to alert them of the MFI offerings.

Gulani and Aisha (2013) did a comparison to show the challenges that SMMEs face when trying to access finance from formal financial institutions as compared to MFIs. Their findings are that it is not easier for these SMMEs to access finance from MFIs. Therefore, even though MFIs are on the rise however, because of the high risk of servicing the poor, they put in place strict measures that do not make accessing credit through them any easier. Despite the critiques there a number of solutions across the world that are delivering the ‘MFI promise’.

In the US and the UK, Community Development Finance Institutions (CDFIs) were created to aid in addressing the finance gap that exists in the respective markets (Appleyard, 2011). OFN (2016) states that CDFIs are financial institutions that provide loans to their members, who are often SMMEs, at reasonable rates. Appleyard (2011) and OFN (2016) add that members of the CDFIs are also investors in the organisation along with other philanthropic organisations. They also state that the philanthropic organisations are key sources of finances for CDFIs, with the government being another big contributor. Another example found primarily in India is Village Savings and Loan Associations (VSLA). These are formal and highly governed mechanisms where members contribute funds regularly to a central party and on a monthly basis, members can loan money from the central fund (Ksoll, Lilleør, Lønborg, & Rasmussen, 2013). Loans from VSLA are noted to be also used for agriculture SMMEs funding, in addition to normal day to day needs of

individuals. Members who contribute to the central fund benefit from the interest received from repaid loans and at the end of each year, they receive lump sum payouts. In East Asia, Self-Help Groups (SHG) is a popular mechanism to extend microfinance to the poor (Dash, 2013; Hamza, n.d.). Hamza (n.d) and (Dash, 2013) states that SHG works by creating groups of 10-20 poor who save regularly together. They add that there is always an intermediary party like an NGO or MFI that all these SHGs save with, and that party then negotiates loans with banks on behalf of the group.

Demirgüç-Kant and Klapper (2012) discusses the alternative of using mobile payment solutions such as M-Pesa to bridge the finance gap. They add that mobile technologies provide a platform to serve clients without the use of traditional banking infrastructure. Therefore, the 'cost to serve' dramatically decreases which is more financially suitable for providers of inclusive finance. ECONET, a leading telecoms provider in Zimbabwe, launched Ecocash to allow farmers to transact with each other, their suppliers and customers at a cheaper rate (Ndlovu & Ndlovu, 2013). Ecocash, similar to M-Pesa allows those that are on the peripheries of financial services to access quality financial services at affordable rates.

Yunus et al. (2010) state that the Grameen Bank business model is an example of alternative approaches to banking. They discuss that banking can be oriented towards the poor and build solutions specifically for them. The Grameen Bank offers short-term and low-value credit solutions to small and micro enterprises. The bank currently boasts of a year-on-year profitability since inception (apart from 3 years) and an over 90% repayment rate (Yunus et al., 2010). An additional interesting fact of the bank is that the majority (over 90%) of the bank is owned by the community with the remaining ownership being by the government (Yunus et al., 2010). According to Dash (2013), the Grameen Bank model works by putting loan applicants into groups of five people from the same village. The group of five holds each other accountable for paying their debts and share the consequences of one not paying; the entire group gets blacklisted for the non-payment of one member. The group also has a dedicated banker who will continually assess how they are doing on their repayments. If the banker determines that they are paying as required by the bank, then their credit line can be increased. The model has improved the livelihoods of many women in Bangladesh who previously could not access any credit.

Despite the success of the Grameen model, there has been numerous criticisms of the way it now operates. Fotabong (2011) states that borrowers in Grameen model often would end up in debt cycles, where they need to get loans to pay off older loans. Furthermore, adding that the interest rates of Grameen Bank are above normal, with weekly payment demands that ignore that the loan recipients do not have weekly income. Additionally, the bank is unforgiving of borrowers who default on their loan repayments as well as the lending group they belong to (Srivastava, Orr, Gajjala, & Fritsch, 2010). The non-payment by a borrower not only results in them being blacklisted but their entire group. Taking this criticism into account, Grameen Bank introduced Grameen Bank II, which was more forgiving of defaulters and created flexible means for repayment (Levin & Van Riemsdijk, 2012; Srivastava et al., 2010). Essentially, Grameen Bank II had two loan repayment methods; the core method and flexible one. In the core method, borrowers stick to the agreed repayment schedule, however, if they fail to make their weekly payments then they are moved to a flexible payment agreement without impacting their repayment credibility nor their groups (Srivastava et al., 2010). There is a general debate in academia regarding the impact and success of Grameen Bank and other microfinance institutions (MFIs). However, MFIs have provided a viable alternative to the financially excluded for decades. A consensus is yet to be reached whether the Grameen Bank model works or not.

The trend that emerges by exploring the alternatives to serve the excluded is: mechanisms to cut internal costs of institutions are required or to build new institutions to serve both informal and formal SMMEs that find themselves in the finance gap. As stated earlier, formal SMMEs only make up 31% of the number of SMMEs in existence with the remaining 69% being informal. This 69% are automatically excluded from accessing finance from formal institutions because of their informal nature (Mutezo, 2009). In a number of countries community members organize themselves into groups and from there make financial contributions that benefit each other (Anderson, Baland, The, Journal, & Aug, 2002; Benda, 2013; Besley, Coate, & Loury, 1993; Biggart, 2001; Hamza, n.d.; Huggins, 1997; J. Joseph, 2013; Klonner, 2008; Levenson & Besley, 1996). These setups are called Rotating Savings and Credit Associations (ROSCAs) and they could address the 69% of SMMEs who are currently labelled as informal. ROSCAs are the biggest informal financial system in the world (Anderson et al., 2002). Another option observed that could address this 69%, that has worked globally is crowd funding. According to InfoDev (2015), crowd funding is a fundraising method where the fund requester appeals to a crowd of people to give

small contributions towards the requester's big financial goal. The providers of funds often fund the requester out of kindness and received a 'thank you' or a gift in exchange for their contribution. Crowdfunding is very successful in North America and Europe, however, these solutions have not worked as well in Africa (InfoDev, 2015). Crowdfunding is a solution that works and is proven in developed markets where there are not as many informal businesses as the developing world. Crowdfunding campaigns are also generally conducted over the internet, which is a barrier for SMMEs in the developing world who don't have the infrastructure or technical know how to conduct such campaigns. Therefore, ROSCAs are a more suitable solution for the developing world as compared to crowd funding.

### 2.3. Rotating Savings and Credit Associations

Rotating Savings and Credit Associations (ROSCAs) are informal financial solutions most commonly used by the poor across a number of countries. ROSCAs are the biggest informal financial solution in the world (Anderson et al., 2002). ROSCAs are a global phenomenon, although the set up slightly differs in some countries. A number of people agree that the typical set up is that members of a community would organize themselves into a group of 5-20 people (Anderson et al., 2002; Benda, 2013; Callier, 1990; J. Joseph, 2013; Koike et al., 2015; Ksoll et al., 2013; Meredith, 1992; Oh, 2007; Smets, 2000; Stoffle, Stoffle, & Vlack, 2014; Stoffle et al., 2009; Townsend, S, Mosala, 2009). The group would then decide on the different roles to be played by each member of the ROSCA. For example, members would be allocated roles of chairperson, treasurer, secretariat, or normal member. Each member of the group is expected to contribute an agreed amount of money into a central and collective savings vehicle, known as the pot, each month or week. Non-contribution or missing a payment is not tolerated in ROSCAs and often results in expulsion of the member. The ROSCAs would meet regularly (monthly or weekly) and in these meetings, the ROSCAs allocate the pot to one of the members of the group. The rules of the allocation can vary depending on the setup, Callier (1990), Anderson et al. (2002), Yu (2013) and Smets (2000) discuss some of the set ups. The key setups discussed are that allocation can either be by bidding, with the highest bidder getting the pot or by random selection or by using a predetermined order. The allocation method of the pot differs from country to country, but the three alternatives mentioned are the three common options.

Benda (2013), Callier (1990) and Anderson et al. (2002) all add that ROSCAs are also social capital driven. In other words, ROSCAs are composed of members who know each other and it is that knowledge that allows members to gain access to the ROSCAs. Because ownership of the ROSCAs is by its members and the membership often grows by internal referral, ROSCAs are deeply driven by social capital that exists in the group. Trust is considered to be a core value for ROSCAs to function effectively. This trust is seen by members who no longer have an incentive to continue contributing to the central pot doing so because they agreed to be part of the ROSCAs, specifically those members who have already received a payout but are still contributing. The typical membership of ROSCAs is people that know each other or stay in the same geographic location (Ambec & Treich, 2007). Although many people in the group are individuals who don't have the financial collateral to get the credit they require for their livelihoods from banks. The ROSCAs allow them to gain membership to the group and access the funds, therefore, accessing credit based solely on social collateral; in other words, trust (Ardener, 2014). In ROSCAs, trust is crucial to the normal functioning of the association, hence the strictness with non-payments. Non-payments in ROSCAs is a betrayal of trust and therefore is not tolerated at all.

Furthermore, ROSCAs are deeply entrenched in the communities they belong to. A member who does not behave as per the rules is shamed by the community as a whole so there is social pressure for members to comply with ROSCAs rules. A quotation from Benda (2013) shows how this pressure plays out in ROSCAs, the quote states "I would rather not feed my children to contribute to ROSCA!" (Benda, 2013, p239). The quotation shows the commitment and pressure that exists on members to meet their obligations to the group. Despite personal sacrifice to meet ROSCAs obligation, Benda (2013) describes ROSCAs as being associated with positive feelings. Members enjoy being a part of the ROSCAs. They love their lump sum payouts as well as contributing their monthly dues to the pot. Although in some communities ROSCAs' usage is declining, those that are founded on friendship or other social structure remain popular and prevalent (Oh, 2007).

According to Stoffle et al. (2007) and Benda (2013), ROSCAs as social capital systems are also sources of identity for their members. Members find a sense of belonging and being in the ROSCAs. Stoffle et al. (2007) uses Bahamas and Barbados as case study examples of this identity. The Africans in these islands often struggle with their identities because there are so many labels applicable to them. In additions to labels such as African or former slave, ROSCAs are a big

construct in their identity. They cannot talk about their identity and not mention their membership in ROSCAs. In the Korean communities, ROSCAs provide a home away from home feeling allowing immigrants to find identity and acceptance in foreign countries (Oh, 2007). The Korean ROSCAs create a “sense of value” for their members. They feel loved and important to someone even though they are so far from home.

Anderson et al. (2002) state that ROSCAs are very beneficial for members who received the pot earliest because to those members, the pot represents a credit injection that they have to pay off. Those that get the pot last are essentially no better off than if they had saved their money alone or with a bank. To increase their credit benefit from the ROSCA, a member will elect to bid to receive the pot earlier instead of waiting for their turn. Calomiris and Rajaraman (1998) agrees with Anderson et al. (2002) adding that bidding allows members to determine when they will get the pot allocated to them, therefore, allowing them to receive the funds for the period they deem most appropriate. Although there are three key methods of allocating funds to members, bidding is often made available to disrupt the normal flow of events. Callier (1990) adds that members who receive the pot early are essentially debtors of the group whilst those who receive it towards the end are creditors for the group. Adding that one key reason why members participate in ROSCAs is to reduce the amount of time to receive a large amount of money coming into their pockets. He notes that the waiting time to receive the pot is a major deterrent for participation in ROSCAs. However, when considering the net impact of ROSCAs on people’s financial status there is no real change that occurs as a result of being a member of a ROSCAs, because ‘what you put in is what you get out’. Meaning that poor members who put in little each month, get a little out (Benda, 2013).

A difference that is noted in ROSCAs across countries is the life span of the ROSCAs; the frequency of member contribution or pot allocation and additional services offered by the ROSCAs. There are also other types of ROSCAs that do not necessarily fit the general descriptions of ROSCAs. These are lending ROSCAs (Anderson et al., 2002), burial ROSCAs (Dafuleya, 2015) or social ROSCAs. Lending ROSCAs being those that exist to give a loan to their members, with burial ROSCAs having an exclusive focus on providing financial support to members during the death of a loved one and social ROSCAs being those that exist solely for entertainment purposes.

An alternative ROSCAs is Accumulating Savings and Credit Associations (ACSAs) which are prevalent in a number of countries as well (Hubbard, 2014). The difference between the two is that

in ACSAs members receive the financial payment or benefit once a year, normally towards the end of the year. As opposed to ROSCAs where the pot is allocated to someone in each sitting. In principle, however, ROSCAs and ACSAs achieve the same thing. For this literature review and research ACSAs were treated as a type of ROSCA.

ROSCAs' have over the years continued to be a popular means by which groups informally save or borrow from each other. The reason for this continued popularity is that ROSCAs directly address the financial exclusion that exists amongst the poor. ROSCAs provide alternative means of finance for all. In addition to addressing the needs of the poor, the use of ROSCAs since their inception has always included middle and upper classes as well (Calomiris & Rajaraman, 1998; Meredith, 1992). ROSCAs provide a platform for people without financial collateral to save and borrow in a group. Anderson et al. (2002) state that another reason for participation is that women that earn money use ROSCAs as a means to protect their money from being spent by their husbands. They add that the funds that are received from ROSCAs are typically used for large cash purchases. ROSCAs provides a facility for members to force themselves to be disciplined in saving their money each month by contributing it to the ROSCA (Ambec & Treich, 2007; Anderson & Baland, 2002; Anderson et al., 2002).

Lensink, Servin, and van den Berg (2015) also found that ROSCAs are used as a tool for consumption smoothing. Consumption smoothing is a term that is used to describe a stable consumption pattern in the life of a consumer. In other words, through ROSCAs, those that are poor do not experience an interruption in their consumption patterns because even though they lack personally, the ROSCAs, through the lump sum contributions, allow them to continue to consume. Furthermore, ROSCAs act as risk management mechanism against a number of shocks that occur in life such as the loss of work (Anderson et al., 2002; Lensink et al., 2015). The money from the ROSCAs protect members from adverse impacts of random shocks because the periodic funds received can be used to cover unexpected costs (Lensink et al., 2015).

ROSCAs' continued use has made ROSCAs into a significant financial institution. In South Africa, ROSCAs' annual financial activities amount to about R44 billion (over US\$3.3 billion). In Cameroon, over half of the national savings is done through ROSCAs. In India, the savings contribution of ROSCAs is twice as high as the formal banking system and in Ethiopia, their financial activities are equivalent to 8-10% of the country's GDP (Anderson et al., 2002;

NASASA, 2016b). ROSCAs membership is made up of 50-95% of the adult population in several countries (Ambec & Treich, 2007). The unique thing about ROSCAs is that they act as an MFI and are completely owned by their members (Benda, 2013).

According to Meredith (1992), the history of ROSCAs dates as far back as the 10<sup>th</sup> century as part of the trade dynamics of the time. Meredith (1992) adds that at the time, men were responsible for long distance (cross-border) trades whilst women were responsible for short distance (local) trade. She explains that the women who would organise these trades were referred to as mothers and rest of the women traders; children. These mothers would ensure that local trades are operating effectively and at the same time acting as a link to the men in the long-distance trade. The mothers would organise regular meetings with the children to discuss trade issues or conduct trades. This historical fact adds a good anecdote as the majority of the currently observed ROSCAs are primarily made up of women and not men (Anderson et al., 2002; Biggart, 2001; Stoffle et al., 2014). Although the roots of the ROSCAs were not a financial distribution system, it started to take this shape as the world moved from the primitive financial systems to the modern ones we have now.

ROSCAs are a truly global phenomenon operating by differing names across the globe. Cited by Joseph (2013), Geertz (1962) lists a few of them; “*arisan*” (Indonesia), “*ko*” (Japan), “*hui*” (China), “*ho*” (Vietnam) and “*bulu*” (Cameroon). In other locations, ROSCAs are referred to as “*partner*” (Jamaica), “*pasanaku*” (Bolivia), “*tonitine*” (Mali), “*gamaivah*” (Egypt), “*tanda*” (Mexico) and “*chikola*” (Kenya) (Townsend, S, Mosala, 2009). Meredith (1992) adds “*esusu/osusu* in Nigeria, Liberia, Gambia, and Martinique; *shaloonga* in Somalia; *ajonou* in Benin; *njangis* in Cameroon; *temo* in Zaire (now the Democratic Republic of Congo); *paadners* in Jamaica; *sangue* in Haiti and *box* in Barbados” (p.25).

ROSCAs are used as a mechanism of financial distribution amongst its members who normally use the finances for day to day purchases such as the purchase of durable goods (Ambec & Treich, 2007; Anderson et al., 2002; J. Joseph, 2013; Meredith, 1992; Old Mutual, 2011). ROSCAs are also used by their member as a mechanism to instil a savings disciple (Dallimore, 2013; Gugerty, 2007). In addition to the use of the ROSCAs for consumptions purposes, they are also used as a funding vehicle for SMMEs. In this case, a member would use the funds they receive as start-up capital or working capital for their SMME. In the Jamaican Paadeners, for example, finances

received are typically used as business investments by the member receiving the lump sum (Meredith, 1992). Members of the Paadeners voluntary take the money they receive and invest in their own SMMEs. In Rwanda's version of ROSCAs over 50% of the funds received from ROSCAs is used for investment purposes either in land or livestock or agriculture inputs required to run agricultural SMMEs (Benda, 2013). Oh (2007) also discusses how Korean immigrants in the United States of America make use of ROSCAs to fund their working capital and their start-up funding requirement. This similar case is mentioned by Arko-achemfour (2012) who talks about Somalian immigrants in South Africa making use of the ROSCAs model to also fund their start-up and working capital. He talks about how these immigrants use ROSCAs to organise themselves into bargaining groups so that they can purchase their inventory at cheaper prices as well. Another example is cited by Arko-achemfuor (2012) and Ndwemi (2015) who state that susus (in Ghana, Nigeria, and Caribbeans) are used as a source of business finance by many business people belonging to the ROSCAs. According to Adusei (2012) susus have their origins in Nigeria but over time became part of the Ghanaian culture too. In Ghana, susus are an extremely successful MFI. They allow each member of the susu to access interest and collateral free loans for investment in their business. Across the world, we see that although ROSCAs are predominantly used for financing day to day needs, they are also used for financing their members' SMMEs (Adusei, 2012; Dallimore, 2013; Huggins, 1997).

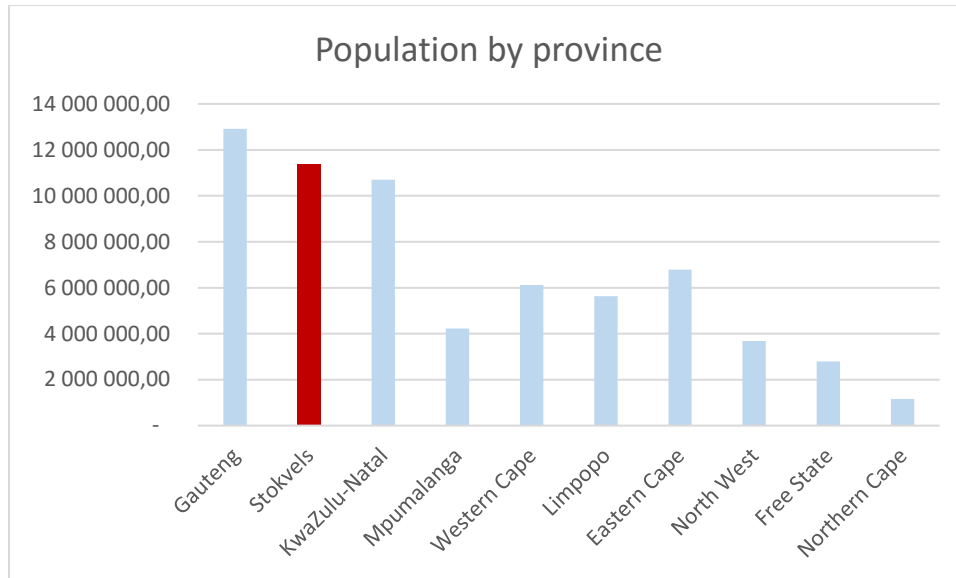
#### 2.4. Stokvels

In South Africa, the ROSCAs are referred to as stokvels. Stokvels have been in existence in South Africa since the 19<sup>th</sup> century (Kritzinger, 1996; Townsend, S, Mosala, 2009). As explained by Townsend & Mosala (2009), the name stokvel is from the term "stock affairs", which referred to cattle auctions that used to take place in the 19<sup>th</sup> century. The auctions are described to have been very entertaining to the black attendees, so much so that they took the idea back to the townships and rural areas with them. With apartheid being formalised and legislated, many black workers were forced by circumstances and by law to start working in places far from their families, for example, working in mines. However, when these migrant workers would pass away, it would become a big financial burden on the families that are left behind (Kritzinger, 1996; Townsend, S, Mosala, 2009). The families would not have the necessary finances to transport the bodies back to

their homes and to also conduct the funeral. As such, miners and their wives decided to organise themselves into groups where they would contribute monthly amounts and in the event of a death, the money collected through these groups would cover all the funeral, transport and other related costs (Kritzinger, 1996; Townsend, S, Mosala, 2009). Thus, the stokvel began in South Africa.

The first official stokvel is recorded to have begun in 1932 in line with the original intent of stokvels as a burial society (Hubbard, 2014; Kritzinger, 1996). As cited by Hubbard (2014), Mboweni (1990), states that as the oppression of black people continued in South Africa, stokvels became more than just burial societies but mutual benefit groups that helped members to survive and be less impacted by the oppressive government of the time. Through the stokvel, members were able to withstand major financial shocks caused by funerals, as well as providing a source of capital that all members could access for various needs in their lives such as education expenses for their children. From the early days, stokvels operated as ROSCAs but other versions of stokvels that emerged were Accumulating Savings and Credit Associations (ACSAs) (Hubbard, 2014; Old Mutual, 2011). However, as Mashigo (2006) pointed out the term stokvel can be thought of an umbrella term for ROSCAs and ACSAs in South Africa.

There are close to 820 000 stokvels handling over R44 billion each year and comprising of 11.4 million people (NASASA, 2016b). Comparatively speaking, if stokvels were a province they would be the second largest province in South Africa. Figure 1 shows this visually. A similar comparison was done by Hubbard (2014) in 2014 and at that time stokvels were only bigger than four provinces in numbers and now, four years later the numbers show them to be bigger than eight provinces. Another comparison is that if stokvels were a Johannesburg Stock Exchange (JSE) listed company, assuming their R44 billion annual financial activities were their market capitalization. Stokvels would be within the top 200 companies in South Africa. But if their R44 billion annual activities represented cash flow, then stokvels would be number two on the JSE surpassed only by Sasol (Ryan, 2015).



*Figure 1 Population numbers by province*

The majority of these stokvels are located in townships and rural areas (Old Mutual, 2011). These stokvels fall into one of the following categories; burial, savings, investment, birthday or groceries (Kritzinger, 1996; NASASA, 2016a; Slade, 2014). According to Old Mutual (2011), the lump sum that each member receives periodically is generally used on food, Christmas shopping, clothes, household goods, schools fees and debt. Slade (2014) adds that most stokvels that exist are burial societies that help members with funeral cost and funeral related needs. She also states that burial expenditure and general saving are the biggest areas where stokvel money is allocated by the members. Similar to Slade (2014), Hubbard (2014) found that the biggest stokvels are actually savings stokvels, closely followed by funeral societies.

The reason for their continued popularity is that stokvels enable poor people to access credit and savings facilities so that they can successfully fulfil their financial responsibilities (Mashigo, 2006). Furthermore, as pointed out by Ramagoshi (2013) cited in Landman (2013) the stokvel groups are there to help community members embrace *Ubuntu*. Because stokvel instils communal living in members and fosters a healthier way of existing in a community. They are more than just financial organisations but social organisations as well. Misselhorn (2009) asserts that stokvels are good for households and aid households to manage their finances as well as getting large capital flows for critical expenditure. He cautions, however, that Stokvels can also be exclusive because although they are social organisations they require a regular financial commitment to be a member.

Meaning that the very poor who might not have these minimum amounts are not only excluded from formal financial services but also from stokvels themselves.

Kritzinger (1996) adds that in the rotating income stokvels, often the poor will be disenfranchised the most because the richer members of the stokvel will manipulate the order of the rotating income to receive the pot first. This means that the poor don't benefit from credit but rather just receive back their savings as they are last on the order of recipients. He also adds that the rowdy social nature of stokvels has also created a very negative image of the body in many communities. Their activities are often indistinguishable from those of a tavern (typically a house where liquor is sold and consumed, generally accompanied by loud music) and religious members of the community would frown on them because of this and therefore discourage participation in the groups. Although, other religious people use stokvels as a mechanism to enable their members to learn about money and grow (Bompani, 2010). Bompani (2010) adds that church members who feel a lot of pressure during December to celebrate the birth of their Lord Jesus Christ, are now able to do so using stokvel money. He adds that the stokvel is not just for savings or investments but it is a vehicle for members to learn about money. To foster this learning, the stokvel holds financial education seminars for the benefit of their members. Interesting enough, because of the religious element, members feel greater pressure to pay their dues and follow the rules because doing otherwise would be a disappointing act towards fellow believers and God.

Compared to the rest of the world, South African stokvels are largely consumer focused as opposed to investment and wealth focused (Rakabe, 2013). According to Arko-achemfuor (2012), stokvels are not used for business investments at the moment. Cited by Mahajan (2014), Singer (2013) also affirms Arko-achemfuor (2012)'s finding and provides insight that one of the key underlying reason for this condition in South Africa is because of the apartheid legacy. She continues to state that under the apartheid regime black business ownership was illegal and as such many black people shied away from participating in business or at least in a formalised way. Sustainable Livelihoods Foundation (2012) affirms this view and adds that even businesses like Spaza Shops were classified as illegal in those days. Therefore, one reason for the low interest in business is actually the apartheid legacy that black people are still impacted by in South Africa.

## 2.5. Stokvels as financiers of SMMEs

There is currently little to no literature that supports the notion that stokvels can be financiers of SMMEs. Rakabe (2013), Arko-achemfuor (2012), Townsend and Mosala (2009) and Ndwemi (2015) state that there is an opportunity for stokvels to play a role of the investor in the economy. However, these are explored as good ideas without research to back the ideas up. Arko-achemfuor (2012)'s research only focused on changing the usage of money by the members. Researching whether members have an interest in switching from a consumer-based approach to an approach of investing in their own business initiatives using the lump sum payout they receive. He concludes by saying that the thought does not even seem to exist in the groups at all: they do not see stokvels as vehicles of anything more than consumption. Rakabe (2013) on the other hand states that there is an opportunity for stokvels to act as community investment institutions. However, there is a major reform that is required regarding how they spend their money. He recommends that one of the steps that could help stokvels is for them to convert to formal cooperative banks. However, Rakabe (2013) unfortunately makes multiple suggestions for how stokvels finances can be better used and therefore does not provide the necessary depth or focus on the issue of stokvels becoming financiers in communities. Rakabe (2013) also contradicts a number of people by stating that the key reason that stokvels are not investors is their informal nature, poor governance, poorly determined benefits and irregular monthly premiums. Both Hubbard (2014) and Kruger and Whittaker (2015) state that stokvels are highly governed institutions with rules and regulations that members must follow. The stokvel structure is highly formal and offers their members benefits, from accessing credit (Mashingo & Schoeman, 2012), group savings discipline (Gugerty, 2007), reducing personal debt (Arko-achemfuor, 2012) and a community to help during the good bad times of life (Landman, 2013). Furthermore, Rakabe (2013)'s vision for stokvels investing in the community is for them to be a channel to distribute financial services for their community. Both Arko-achemfour (2012) and Rakabe (2013) do not provide any factors that need to be in place for a stokvel to make this transition. Therefore, there is gap regarding how these transitions of stokvels could possibly occur. This is the gap that this research report intends to fill.

Cited in Njiro and Mazwai (2012), Skenjana (2012) discussed 3 case studies that show how stokvels are being used in South Africa to create wealth. The cases showcase investments in the JSE, investments in property and the formation of proper co-operative as an example of wealth creation through stokvels. The aim of these cases was to highlight that stokvels can do much more

than just the traditional approaches of just saving and consuming as the majority currently are doing. However, although these cases go a long way in introducing new and inspiring ideas for stokvels, none of these cases shows how stokvels could become financiers of SMMEs.

Therefore, there is a clear gap in the literature. This is a gap that this research contributes to. The research explores how stokvels can transition from just being economic consumers to become financiers in the economy. The gap is not only applicable to stokvels in South Africa but ROSCAs in general. The discussions around ROSCAs as financiers across the world is largely centred around a change in the individual's behaviour, from consuming the lump sum they receive to using it to fund their own businesses. However, this research will look beyond businesses of stokvel members alone to businesses in the townships and rural areas. In addition to contributing to this gap, the research will also draw insights regarding why the ROSCAs are used as a finance source in other countries but rarely so in South Africa.

## 2.6. Summary

There is a clear move globally for the financial sector to be more inclusive. A number of initiatives are underway to bring about this inclusion. ROSCAs globally are the largest non-formal financial institutions and they play a big part in increasing financial inclusion across the world. There is evidence that a number of individuals in ROSCAs use their lump sums to fund their own businesses. In South Africa, there are stokvels, as the country's version of ROSCAs.

The value of stokvels is R44 billion as highlighted already. A significant portion of the finances is spent by the members on consumables with little to no spending on long-term investments. There are a number of examples from other countries where ROSCAs are used as an alternative source of finance for member's businesses everywhere else in the world except South Africa. Therefore, there is an opportunity in South Africa for stokvels to transition from just being consumers of the economy to being financiers. There is already evidence that stokvels are good sources of credit for the individual members (Mashingo & Schoeman, 2012; Moliea, 2007). This research investigated how these credit lending activities can also extend to SMMEs.

The current body of literature on ROSCAs and stokvels is largely focused on understanding what ROSCAs /stokvels are, why they exist and how they operate in society today. The focus of the research thus far for ROSCAs (stokvels), as investors in the economy, is centred around 3 areas:

- Individual members getting loans from the stokvel.
- Members of the stokvels using their lump sum payouts to start businesses or funding their business's working capital.
- There is also a view that the stokvel as a collective could start a co-operative that creates economic value, for example, for stokvels that own property and lease it out to earn rental income.

Therefore, there is a gap that this research will close around how stokvels can become financiers of SMMEs in townships or informal areas. The focus is beyond just businesses that members own and run but is extended to all SMMEs requiring funding in their communities. Additionally, in ROSCAs trust is a critical component. The members of the ROSCA trust each other to contribute their required periodic contribution. The current body of literature does not explore why ROSCAs trust or mistrust institutions with their finances and financial decision. This gap will also be explored in the research to discover if stokvels can be financiers of SMMEs in South Africa. Therefore, through this research, a proposal will be made as to how to transition stokvels from consumers to investors in the economy.

## CHAPTER 3: Research Methodology

This section will give an overview of the research methodology that was utilised in order to answer the research question. First, the research method will be discussed, justifying the selection and usage of phenomenology. Focus groups were selected as the research instrument as they are more appropriate for interviewing a group of people. In order to identify the research participants, the snowballing sampling technique was used because the researcher had limited access to stokvels. Once the data was collected, the data was analysed using transcendental phenomenology.

### 3.1. Research Method and Strategy

The literature review revealed that there is currently a gap in the literature regarding how to transition stokvels from being consumers to investors in the economy. Therefore, this study's aim was to uncover insights required to close this literature gap by determining how stokvels can be transitioned from consumers to investors. To gain these insights involved researching stokvels and how they operate. A qualitative research approach was utilised because it allows researchers to gain an understanding of a phenomenon from the perspective of the research participants (Creswell, 2013, Hoepfl, 1997). Neuman (2014) and Hoepfl (1997) add that qualitative research allows researchers to gain thorough insights about a social phenomenon because of its descriptive nature. Researchers are able to gain an understanding of the research subject within the context it occurs, directly from the research participants (Miles & Huberman, 1994). Therefore, qualitative research approach was suitable for this study as the aim of the study was to gain an understanding of stokvels in the various locations they operate. Previous researchers of stokvels also made use of qualitative research as a research approach (Arko-achemfuor, 2012; Hubbard, 2014; Mashigo, 2006; Moliea, 2007). They favoured qualitative because qualitative research allowed them to explore and gain an understanding of what, how and why stokvels operate as they do without ignoring the local context they exist in. Therefore, this research uses a consistent approach with previous researchers. Also, there is no accessible database of different stokvel data that one could analyse statistically in order to answer the research question. Therefore, it is required that the researcher actually engage with stokvels in order to gain an understanding of their operations and motivations.

There are various approaches to qualitative research including grounded theory, phenomenology and ethnography. The researcher employed the phenomenology approach that Creswell (2013) and Groenewald (2004) describe. The approach allows the participants in focus groups or interviews to describe their “perceptions, perspectives, and understanding of a particular situation” or “lived experiences” without interference from the researcher. Phenomenology allows the researcher to search and find commonality across different experiences (Creswell, 2013). Therefore, this approach is suitable as the researcher wants to understand how stokvels currently operate and how they can be transitioned from consumer to investor in the economy. Arko-achemfuor (2012) also made use of phenomenology, stating that phenomenology was preferred because it allows the research participant to interpret their own experiences, therefore enabling the understanding of the phenomenon to be from the ‘horse’s mouth’.

Furthermore, qualitative research data sources are documents, interviews, observations and focus groups which are part of the data collection process (Myers, 1997; Creswell, 2013). For this study, focus groups and interviews were utilised.

#### 3.1.1. Focus groups

The study was conducted using a qualitative approach using focus groups as the research instrument because the study involved groups of people specifically stokvel members. According to Kitzinger (1995), focus groups are similar to interviews differing only because focus groups involve groups of people as opposed to one-on-one discussions and are semi-structured. She adds that focus groups allow the researcher to not only to “understand what people think but also how they think”. Focus groups enhance understanding of the subject because data is collected from answered questions and autonomous interactions (verbal and non-verbal) between participants.

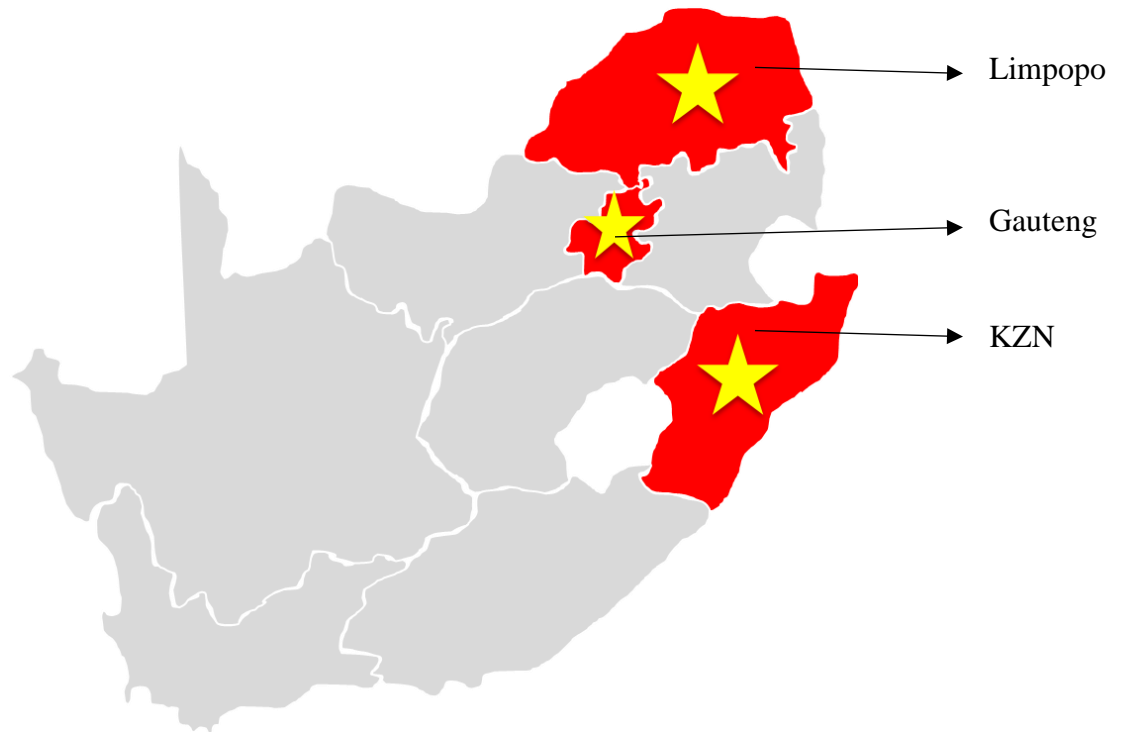
Conducting focus groups within a phenomenological qualitative research approach means that the researcher sets aside their preconceived ideas about how the focus groups will ‘play out’, what data will be discovered or even how the different participants will interact (Creswell, 2013; Kitzinger, 1995; Molia, 2007). Because of this provision, in a number of cases, focus groups were not possible and semi-structured interviews were better suited. For example, in some cases, only one person was available to be interviewed and in other cases, the stokvel group preferred that the chairperson (or other key figures in the group) answers all questions. Therefore, although the intent

was to use focus groups, the researcher was flexible to cater to different stokvel groups thus the research instrument evolved based on how each focus group meeting unfolded.

Researchers such as Arko-achemfuor (2012) and Moliea (2007) also used focus groups as a data collection method. Moliea (2007) commented in her dissertation, that she would be interested in using interviews as well. She notes using focus groups as her only data collecting method as a limitation in her research. Therefore, this research through the use both focus groups and interviews, although unintended, speaks to what Moliea (2007) suggested were the limitation in her research approach.

### 3.2. Data Sources and Sampling

Primary research was conducted as the data source was the subjects in the focus groups. The research was conducted in five townships (Turfloop, Seshego, Lebowakgomo, Alexander and Ulundi), two urban areas (Bendor Park in Polokwane and Midrand in Gauteng) and three villages (Nzehelele Village and Mashau Maibani Village which are both in Venda as well as Zebediela in Limpopo province). The image below gives a visual depiction of where the townships, villages and urban areas where.



*Figure 2 Visual depiction of locations where stokvels were based in South Africa*

The variation in locations ensured that the research is representative of stokvels in South Africa as a whole, although each of the stokvel's data represents only a single experience. The selection of the specific stokvels researched was driven by the ability of the researcher to be in a particular physical location as well as the snowball sampling approach. The snowball sampling approach was suitable for this research because the researcher did not easily have access to stokvels and their members. Goodman (1961) and Neuman (2014) states that the approach allows researchers to gain access to research participants by being referred by other participants. Therefore, in every meeting with stokvels the researcher would ask for referrals to other stokvels. Then stokvel groups that agreed to be part of the research were then requested to participate in the focus groups.

Each focus group comprised of stokvel members and the following criteria, as used by Arko-achemfuor (2012), was used to determine the validity of stokvel to participate in the focus group:

- The stokvel should be in existence for at least 2 years
- At least 4 members stokvel should be present in the focus group (or 25% of the member depending on the size of the stokvel)

The researcher had an awareness that often for a number of reasons, not all invited participants are able to show up for the focus groups meetings. In such cases, a smaller group was interviewed using the same questions. For example, if only two people show up then the interviews would continue with those two or even if it is just a single member.

### 3.3. Data collection procedure

The focus groups were centred around 8 questions as listed below. Discussions with participants were recorded using a recording device and notes were also taken to accompany the recording. The recorded discussions were stored in a Google Drive for usage in the data analysis phase. The names of each recording were written as <type of location>\_<name of stokvel>\_<type of research instrument used>, one such recording was called Urban\_Pono-Pele\_Focus Group. These same names were also used for the Microsoft word transcripts. The naming system helped identify and relate each recording with its word transcript.

Focus group questions or semi-structures interviews questions:

- Operating model – How the stokvel is conducted and operates?
- Motivation – What the main reasons for participation in the stokvel are?
- Trust – Why members trust each other and financial institutions?
- Financial education – What the source of the stokvel’s financial information or advice is?
- Collaboration – Is the stokvel willing to work with other stokvels, financially and otherwise?
- Risk tolerance – What is the risk/ reward appetite of the stokvel and its members?

### 3.4. Data analysis

The nature of the study was qualitative using focus groups following a phenomenological approach. According to Hycner (1985) and Moerer-urdahl and Creswell (2004), there are two possible approaches to the data analysis process for phenomenological research. The approaches are either using heuristics or transcendental phenomenology. Both of the methods achieve a similar outcome. The difference is the steps that are taken to achieve an outcome. Heuristics requires more time to conduct and less data, for this research transcendental was preferred because it allowed us

to understand the meaning as well as constructing a model that best explained the experiences of the stokvel members. For the Heuristics approach, Hycner (1985) recommends the following process:

- Bracket one's self, meaning not allowing preconceived ideas to taint the data but instead setting those aside.
- Going through each interview data to understand their experience, treating each statement as equal
- Grouping those statements into themes that explain the experience
- Writing summaries of the experience as per current interview data
- Therefore, repeating the process for each interview and updating what has changed from the previous round of analysis.

Hycner (1985)'s idea is that no part of the experience must be lost and therefore a careful analysis process is required. He even recommends not using the word analysis but instead using the term explication because analysis assumes that we are breaking apart something to get to understand it. Hycner (1985) argues against this breaking down and wants to preserve the whole. Hycner (1985)'s process is best in cases where there is not a large amount of data and hence for this research Moerer-urdahl and Creswell (2004)'s approach to transcendental phenomenology was preferred. They state the process to analyse the data is to:

- Similar to Hycner (1985), remove any pre-conceived ideas about the phenomenon. They call it achieving epoche. Epoche being a Greek word that literally means to 'take away'. Achieving epoche enables the researcher to set aside all biases and therefore allow the data inform their view of the phenomena;
- Identify significant statements that describe the phenomena across the entire research cohort. These statements should be unique and therefore any duplicate information is deleted. The removal of duplicating statements does not reduce the understanding of the phenomena but it allows the phenomena to be understood in full from all the available perspectives and not to get distracted by certain things being said more than others. The aim is to use the distinct experiences to define the phenomena, allowing each statement to be equally contributing to that understanding;

- Significant statements should then each be tested against the research question and those that don't contribute to nor are related to the research question should be deleted from the data. Although numerous significant statements will be found not all of them are relevant in answering the research question and therefore the research question should always be used as a guide in determining the relevancy of each statement;
- After reducing the list of significant statements to only those that are non-duplicating and relevant to the research question. Then a final list of significant statements is obtained. This final list then goes through another analysis process to determine how these statements can be groups together into key themes explain the phenomena;
- The emerging themes are then depicted visually to show how they related to each other, this is called the imaginative variation (Adu, 2016). This depiction provides a view of how each of the themes has influences on other themes; and
- Furthermore, the final step is to synthesise the meaning by showing how the themes and imaginative variation relate to each other in a logical view (Adu, 2016). This logical view provides a possible answer to the research question.

Therefore, because the intention of this research was to understand why the currently consumptive patterns of stokvels are as they are as well as defining how stokvels can transition from consumers to investors in the economy, transcendental phenomenology was adopted. The methodology allowed the researcher to understand a phenomenon from the research participant's point of view as well as defining an 'imaginative model' to explain the phenomena and a logical model that provided a model that answers the research question.

On each of the various steps of transcendental phenomenology, other supplementary and complementary techniques were used. These are described by Adu (2016), Saldana (2009), Creswell (2013), Hycner (1985) (as cited in Groenewald, 2004), O'Connor and Gibson (2003) who recommend that:

- Firstly, the audio recordings should be listened to repeatedly to bracket out any preconceived ideas that might prevent the researcher from achieving epoche;
- A full transcription of all audio recordings was done so that researcher's preconceived ideas and biases do not influence the data and so that epoche can be achieved;

- Usage of data analysis software, such as NVivo to manage the data analysis process. For this research, NVivo was selected as the software for data analysis because of the license free access through the University of Cape Town. Furthermore, it has a wide adoption in the qualitative research community;
- Saldana (2009) provides a complete guide to the coding process. This was used as guidance on the coding process so that near accurate reflection of the phenomena is achieved; and
- ‘In vivo’ statements were used as far as possible to ensure that findings reflect the phenomena as explained by the research participants as much as possible

### 3.5. Qualitative drawbacks

A key issue that is raised by Creswell (2013) regarding qualitative data analysis methods is that often the data collected and analysed is not as accurate as it should be. He mentions trustworthiness, authenticity and credibility are important in ensuring that there is accuracy in the description as well as in the analysis. In order to overcome this, the process of achieving epoche that Moustakas (1994) described as cited by Moerer-urdahl and Creswell (2004) aids in ensuring that the data is not influenced (or at least minimises the influence as much as possible) by the researchers’ pre-existing biases as are set aside ensuring that the data analysis is as true as can be. Furthermore, as part of the research process, the research findings are validated by a selected group of research participants. This process is unique to this particular academic program as a prototype from the synthesised meaning was developed and discussed with research participants. Lastly, care was taken to ensure that the phenomenon is well represented by the significant statements of meaning and that there is a ‘golden thread’ that links the statements to the themes and themes to imaginative variation and the imaginative variation to the synthesis of meaning (Moerer-urdahl & Creswell, 2004).

### 3.6. Research Ethics

The study only involved adults. Prior to each focus group, participants were informed of the intentions of the researcher. A consent form was given to each research participant to sign prior to each research engagement and their data will be protected and anonymised by the researcher

(recorded materials and notes will be destroyed 24 months after thesis publication). An example of the research forms that was used during the research can be seen in Appendix C. Furthermore, if a physical consent form was not usable for whatever reason, informed consent was utilised instead. This occurred in cases where some of the stokvel members could not write or if there were any other factors making signing impossible. In the research discussions section (chapter four) as well as the research findings section (chapter five), all research participants' names were changed to protect their identities as well as the identities of their stokvels.

### 3.7. Summary

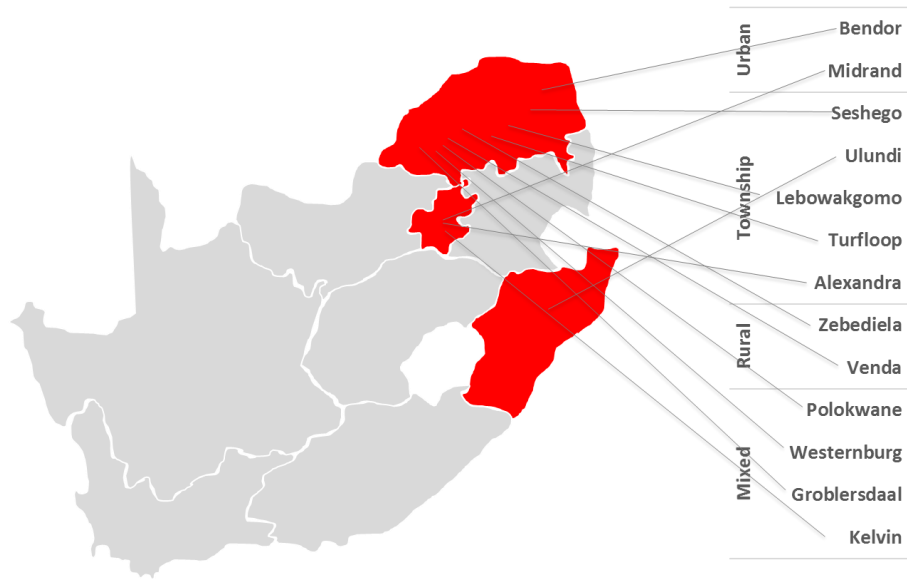
This chapter provided details of the research methodology used and why it was used. Specifically, phenomenology was used because the aim of the study was to understand the lived experiences of stokvel members. Furthermore, for data analysis, transcendental phenomenology was followed. The approach to transcendental phenomenology that was followed is as described by Moustakas (1994). He describes it as a process of viewing the experience as a whole and not reducing it into compartments. The method allowed the researcher to set aside all biases and allow the research participants to explain the phenomena. The researcher then identified key statements that are unique and describes the phenomena, thereafter grouping them into themes and textually describing them. To conclude the research, the researcher then developed a model that explains the essence of the phenomena. Phenomenology and transcendental phenomenology was appropriate for this research because the aim of the research was to understand why stokvels are consumptive and not investment focused, as well as providing a path to transition stokvels from consumers to investors in the economy. Chapter four presents the research findings that were found whilst engaging with the research participants.

## CHAPTER 4: Research Findings

The purpose of the study was to investigate the changes that are needed in order to make stokvels more investment oriented, to the extent that they can be mature enough to invest in SMMEs. To answer this question, the research focused on understanding why stokvels function the way they do as well as why they currently do not have an investment culture (Hubbard, 2014; Old Mutual, 2011; Slade, 2014). Furthermore, the research study tested their appetite for risk as a certain level of risk taking is required in investments. The approach taken to answer this question was a qualitative study using phenomenology as a research method and transcendental phenomenology in the research analysis process. Both the research method and data analysis method were explained in chapter four. This chapter will provide details about the demographics of the research participants as well as a detailed discussion of the research findings. The chapter will follow the order prescribed by transcendental phenomenology (noted in chapter four), after the demographics are provided, the process through which epoche was achieved is described, followed by an explanation of how the themes were uncovered and then lastly a discussion of each those themes. The imaginative variation and synthesis of meaning are then discussed in chapter five.

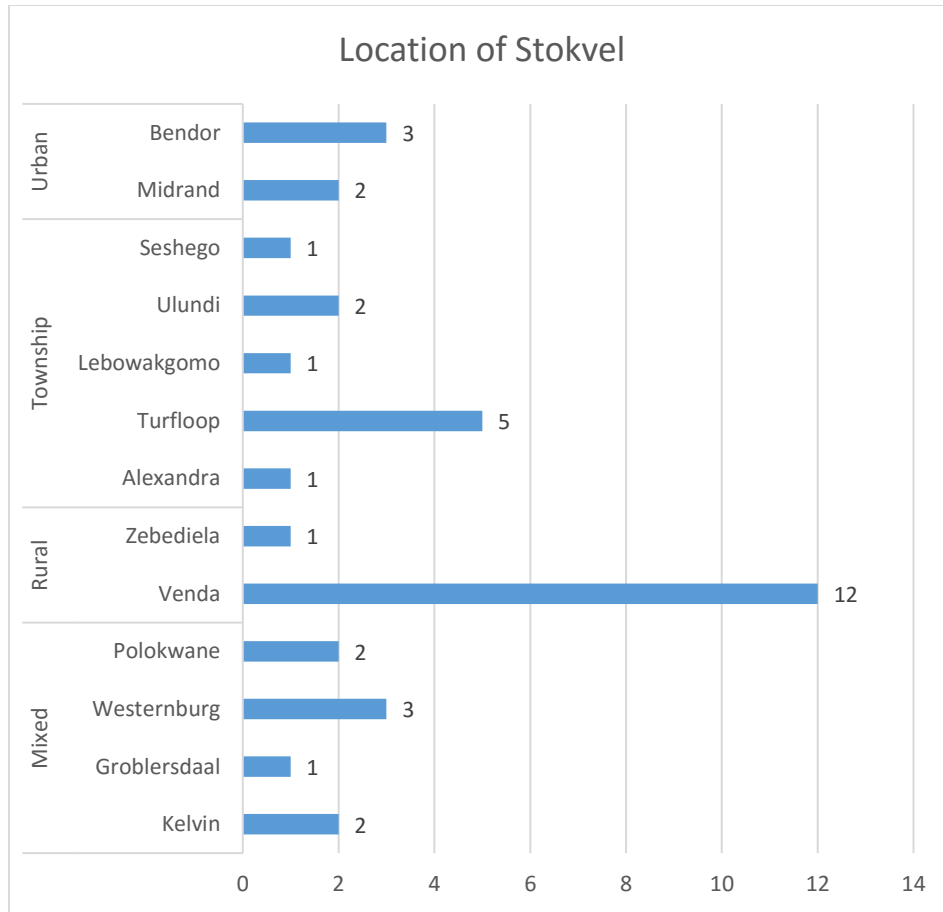
### 4.1. Demographics of the research participants

The research was conducted over a 6 months' period in rural areas, townships and urban areas in South Africa. In total, 36 stokvels were part of the research, most of which were sampled through the snowballing approach. Figure 3 shows the different locations that the research was conducted in. The mixture of rural, township and urban participants was used to ensure that this research encompasses a holistic view of what stokvels are and how their members experience them. Figure 3 furthermore gives context to the different locations where stokvels that participated in the research reside. Most of the stokvels are from the northern part of South Africa in the province called Limpopo, followed by Gauteng province and only one was in Kwa-Zulu Natal province.



*Figure 3 Context of the stokvel's location on South Africa map*

Figure 4 provides more details about the numbers of stokvels that were engaged in each of the locations mentioned in Figure 3. Most of the stokvels that were engaged are based in rural areas and townships with a smaller number in urban areas. The mixed stokvels were mostly those that had a membership that was a mixture of rural and township residents and others being a mixture of urban and township. Often these were stokvels whose genesis were at work where people from diverse locations work together or where the members originally lived in the same location and as the life circumstance of others changed they moved out of the common area into the township or even urban area.



*Figure 4 Location of stokvels interviewed*

All the rural stokvels that were part of the study were based in Limpopo province with the township ones being across Limpopo, Gauteng and Kwa-Zulu Natal. The urban ones, on the other hand, were in Limpopo and Gauteng, as was the mixed stokvels. The rural stokvels in this context were far removed from the city centre. For example, the stokvels that were engaged in Venda were on average 50-70 kilometres from the nearest town. The majority of people in those areas were people that worked in shops in the city centres and would rely on public transport to navigate to and from work. Agriculture was not the main means of livelihood for the research participants but in the area, that the research was conducted in, it was common to see cows, sheep, goats and donkeys around the houses of the residents of the area.

The township was developed during the apartheid days and have shopping centres and a 'mini commerce' within them. In Turfloop, the University of Limpopo (one the 25 public universities in South Africa) was within a 20-kilometre radius of where research was conducted. The Turfloop

township was interesting to drive around because depending on the distance from the shopping centre the area would either look urban or rural. The areas that were near the shopping centres felt and looked like an urban area, whilst those that were further away felt rural and would often have animals roaming around. Alexandra, Seshego and Ulundi, on the other hand, had a typical South Africa township feel, they were over populated with numerous shebeens around. A shebeen is a place that is typically looked down upon in the community, where locals buy and drink alcohol, often accompanied by music.

Table 1 additionally shows the type of stokvels that were engaged as well as the location of those stokvels. Most of the stokvels that were engaged were rotating income and saving-and-sharing stokvels. Whilst, location wise they were mostly from rural areas and townships.

<b>Location of Stokvel</b>					
	Mixed	Rural	Township	Urban	Grand Total
<b>Type of Stokvel</b>					
Funeral Society		2			<b>2</b>
Furniture		1			<b>1</b>
Groceries	1	2			<b>3</b>
Joint investment			1	2	<b>3</b>
Mixed			1		<b>1</b>
Other		1			<b>1</b>
Rotating income	4	3	2	1	<b>10</b>
Savings & sharing	3	2	3		<b>8</b>
Savings, credit & sharing		2			<b>2</b>
Social			3	2	<b>5</b>
<b>Grand Total</b>	<b>8</b>	<b>13</b>	<b>10</b>	<b>5</b>	<b>36</b>

*Table 1 Type of stokvel per location*

Across the diverse locations where the research engagements occurred, there was a common language that was used to describe stokvels by the research participants. The term stokvel is often used by researchers, financial institutions and the public as a general term for the ROSCAs found in South Africa such as rotating income, funeral society, groceries, are types of stokvels (Hubbard,

2014; Mashingo & Schoeman, 2012). However, to the research participants, a stokvel was just one type of ROSCAs. They did not use the term stokvel in a general sense. Stokvels to them were those ROSCAs that were either rotating income, saving-and-sharing or groceries. In the words of one of the research participants, “*a stokvel involves collecting and sharing of money or food*”. Everything else they did not refer to as a stokvel. In some cases, the rotating income was referred to as “*muholisano*”, “*mogodisano*” or “*umagalelo*”, which is rotating income in the respective South African languages (Tshivenda, Sepedi or Sesotho or Setswana and IsiXhosa). A family stokvel was referred to as a club and not a stokvel, the family clubs engaged where for example named Maphaha Family Club, Raselabi Family Club or Dagada Family Club.

The funeral clubs, on the other hand, were divided into three parts; ‘*matsogo*’, ‘*sosaiithi*’ and ‘*lebili*’ or ‘*vhili*’, which literally translated means ‘hands’, ‘society’ and ‘wheel’ respectively. The funeral clubs engaged were either a combination of ‘*matsogo*’, ‘*sosaiithi*’ and ‘*vhili*’ or just one of the three, however they would not call it a funeral society without the ‘*vhili*’ or ‘*sosaiithi*’ component. Vhili literally means wheel, and it represents the groceries that is given to a person in case of a bereavement. The wheel visual component captures the rotating essence of it, that everyone will lose someone and the ‘*vhili*’ will be there to support the person financially to bury their loved ones. The literal reason for calling it a ‘wheel’ is because at the beginning of the *vhili* each member is given a copy of a wheel with different grocery items on it. Members are then randomly allocated a starting item on the wheel and in the case of a passing of someone, the member will then buy the item that the wheel indicates and once they have done so they will move the wheel to point to the next item. The member is required to continue this process for the rest of their life or until each beneficiary of the wheel passes away. Figure 5 shows an example of what the *vhili* looks like.

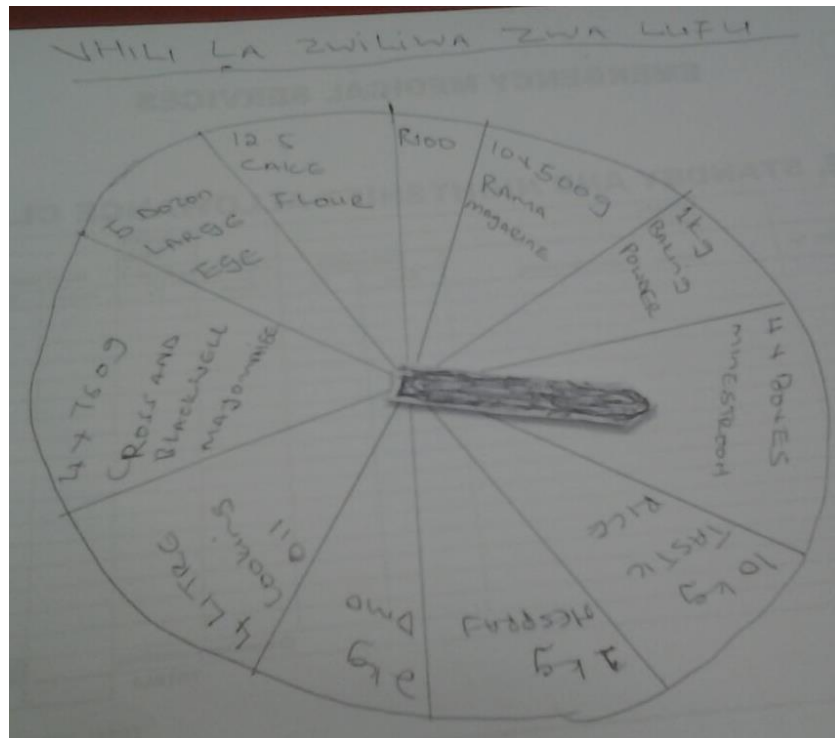


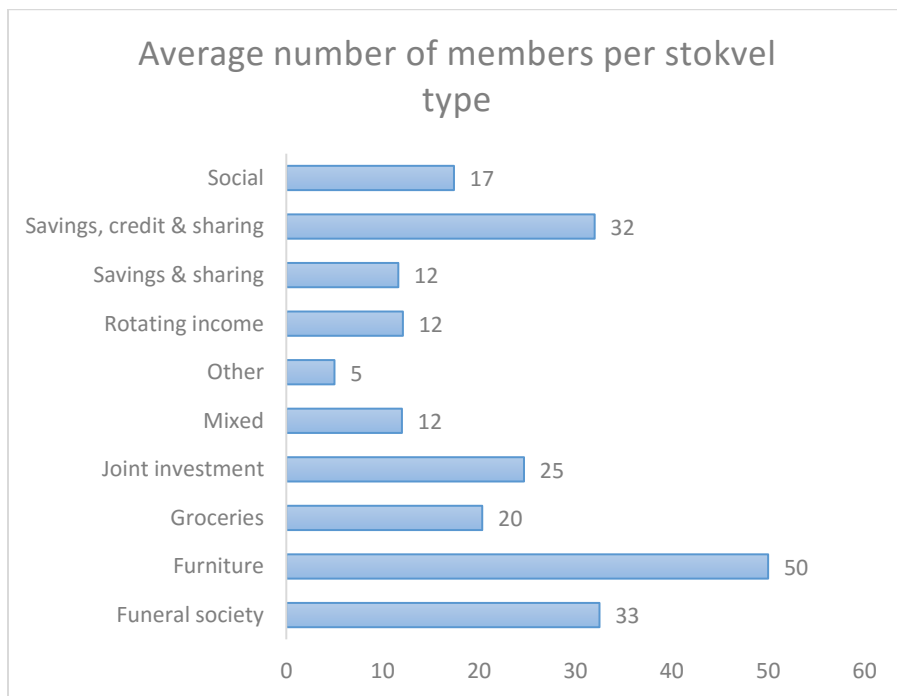
Figure 5 Vhili

‘*Sosaithi*’ on the other hand refers to clubs that give money in the event of death. *Sosaithi* was respected by participants and it was a goal that the other types of burial clubs would one day become a *sosaithi*. Lastly, ‘*matsogo*’ is the physical presence and support that is given to a person in case of death in the family. The services offered are typically cooking, cleaning and laundry. The research participants referred to this grouping of *matsogo* and *vhili* as a “*society*” or more accurately “*sosaithi*”, which was not interchangeable with the term *stokvel*, it is very distinct in their minds. Any other variation of the ROSCAs the members would refer to as a club.

To avoid confusion in this dissertation, I will continue using the term *stokvel* generically but the insight is useful in further engagements with *stokvel* groups. In one area in Polokwane, Ga-Mashashane, I was referred by another *stokvel* to interview members there, however, when I spoke to the community member I was referred to, she mentioned how they don’t have *stokvels* in the area. I was surprised by the response as I was referred to the area because there are *stokvels* in the area. When I later asked for more information it turned out that she meant they don’t have saving and sharing associations in the community but they have burial societies and rotating income groups. Therefore, showing that for her a *stokvel* meant something very specific. Although, I will

continue using the term generically for the purposes of this research, in future this insight should be taken into account.

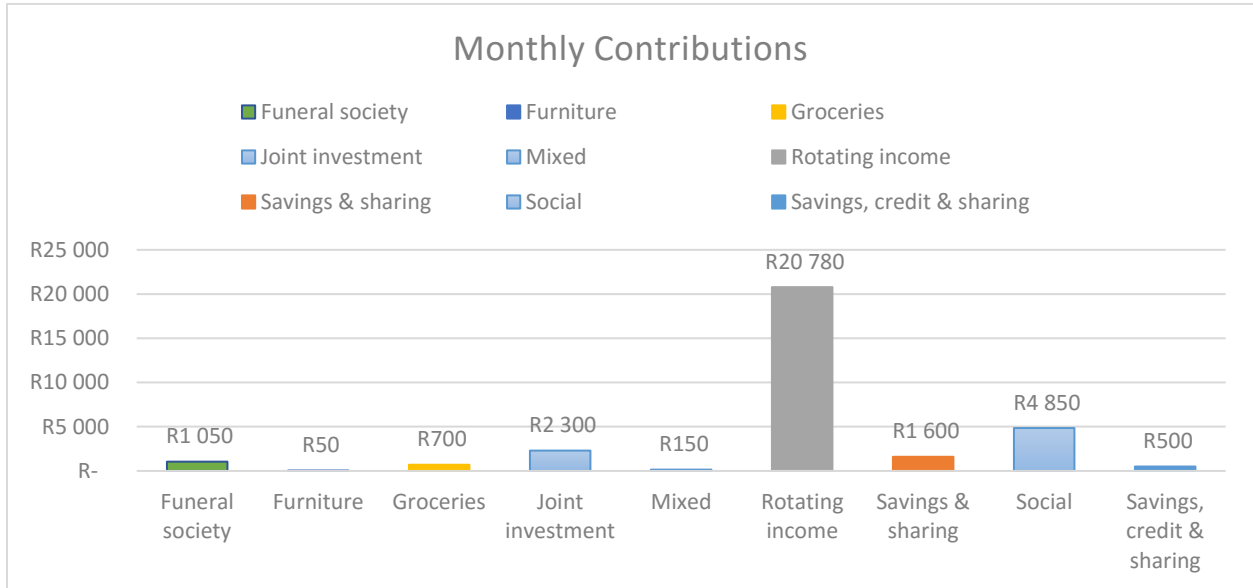
As mentioned 36 stokvels were engaged and the average membership of the stokvels that were engaged was 22 members and in the engagements where focus groups were held at least 25% of the members were in attendance. The average age of the stokvels engaged was 9.6 years. Figure 6 shows the average number of members per type of stokvel that was engaged. Funeral societies had the highest average number of members. Although the furniture stokvels seem to have the highest number of members shown in Figure 6, the number does not represent an average because only one stokvel with 50 members was engaged. Therefore, the furniture figure should be looked at as an outlier in this regard. The ‘other category’ in Figure 6 represents one stokvel that was peculiar, it was a group of ladies who are street vendors that have formed a stokvel to loan money as a group from the Small Enterprise Foundation (an organisation in South Africa that is a localised implementation of the Grameen Bank model).



*Figure 6 Average number of members per type of stokvel*

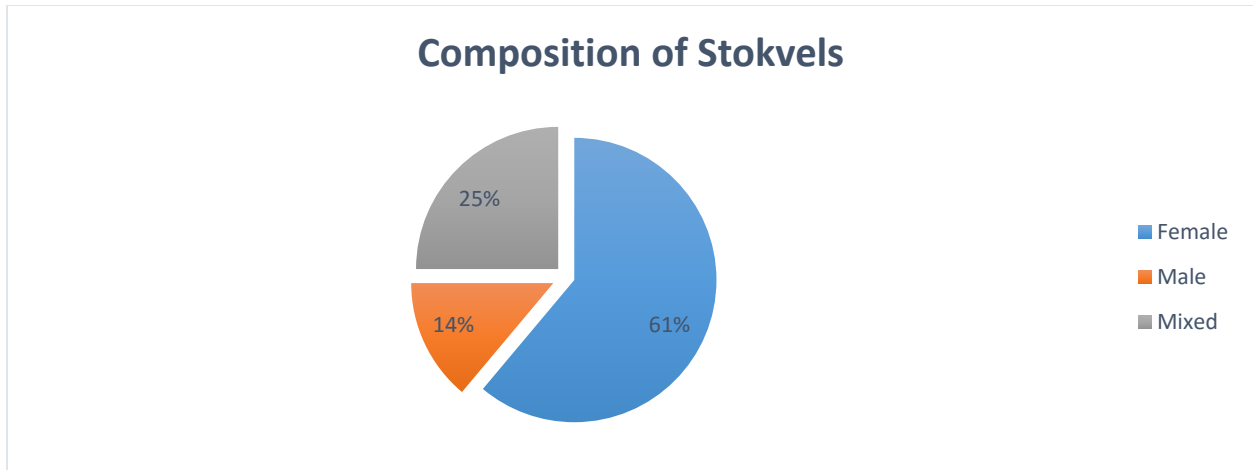
Although rotating income stokvels have one of the smallest average membership numbers. They have the highest amount of money being contributed. Figure 7 shows the combined amount of money that each stokvels type handles per month. Rotating income is so much larger than the

others because there was one stokvel made of taxi owners that had contributions of R15 000 per month. Even if the R15 000 is removed, rotating income stokvels still handles the most amount of money, although closely followed by social stokvels.



*Figure 7 Combined monthly contribution per type of stokvel*

The stokvel meetings were conducted with stokvels that were made up of both males and females and most of them being only females and some being only men. As Figure 8 shows, 61% of the stokvels that were engaged were female only stokvels with 14% being male only stokvels. This is consistent with previous findings that most stokvels are comprised of mostly women (Mashingo & Schoeman, 2012; Moliea, 2007).

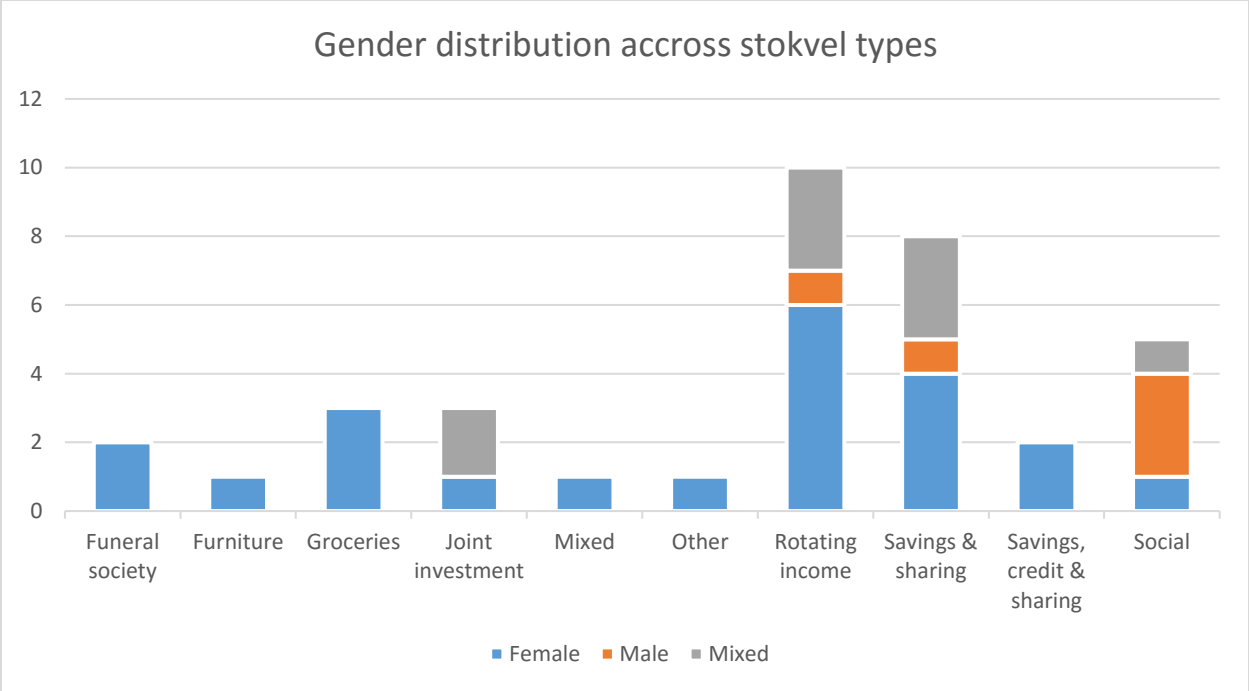


*Figure 8 Genders of stokvels interviewed*

Figure 9, on the other hand, shows how the different genders are distributed across the different types of stokvels. It's interesting to note that most of the male only groups are social clubs, all of which started at pubs and other drinking places. In all three cases of Banna Tia, Big 10 and Explore-Together Social Club, they mentioned how it was when drinking that the idea to start a social club came about. In the words of Big 10, they said

*“We met as men drinking but now we are close and our families know each other... This club came together from being in a relaxed setting, where we were drinking and talking among ourselves. There are many ideas that come and are discussed when we drink. When we drink, we don't just drink but we get to talk and we settled on this for the purposes of being together and wanting to do something that will keep us together.”*

The primary purpose of Big 10, Explore-Together Social Club and Banna Tia although sharing the same demographic details as their female counterparts, is just to get to know each and build friendship, unlike the female groups that are mostly 'help each other' groups. This finding is consistent with Anderson et al. (2002) who states that most men, unlike women, are likely to be selfish with money as compared to women who are more likely to be concerned about the wellbeing of the family. Men are likely to spend more money on themselves than women who are likely to spend more money on their families. Hence even with my research participants, the men participated in stokvels for fun whilst the women participated in stokvels for the financial welfare of their families.



*Figure 9 Gender of stokvel per type of stokvel*

Furthermore, most of the stokvel members in the research were in the 35-50 years old bracket. Most stokvels had members who were of similar age, Figure 10 shows the average age of research participants in stokvel groups. The age 10-18 years old group was a youth stokvel that used stokvel funds to finance the purchase of clothes and firecrackers in Christmas. The research was conducted in the presence of their parents but the data was not used in the data analysis process. Figure 11 on the other shows the average age per type of stokvel type, proving an additional lens through which to look at the average age of the members.

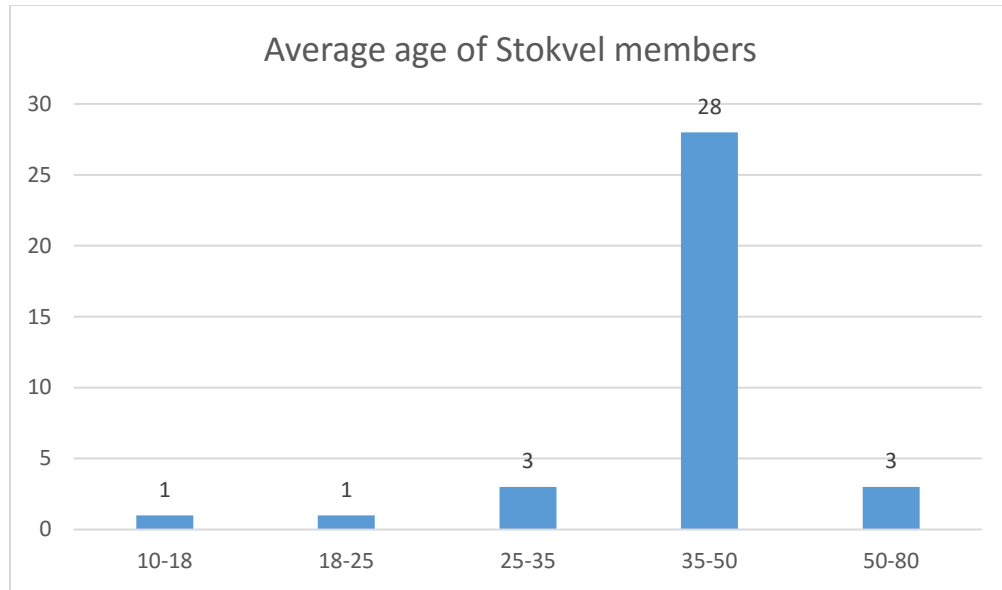


Figure 10 Average of participants per type of stokvel

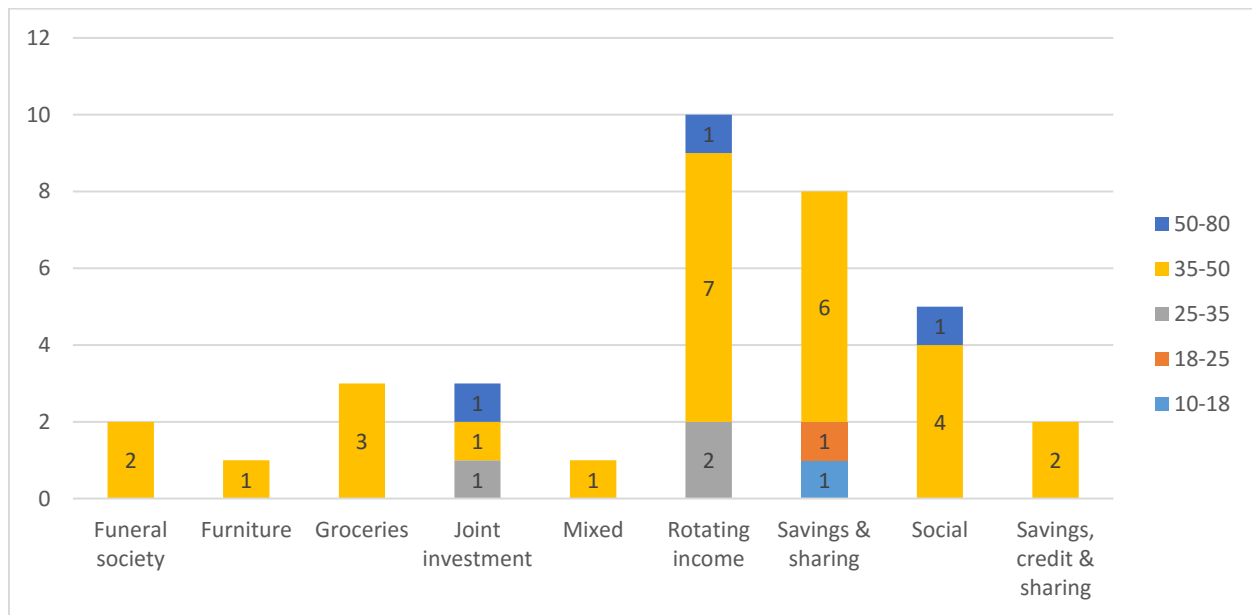
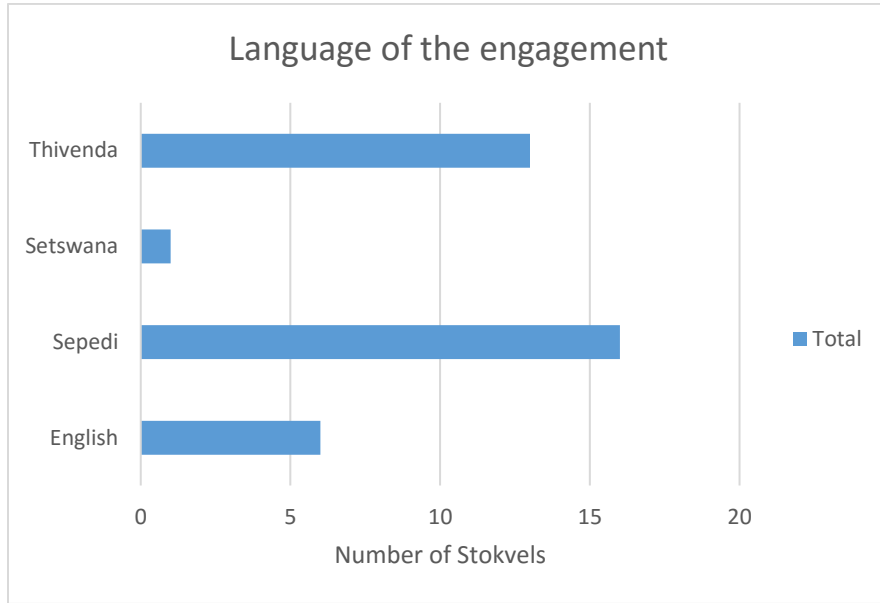


Figure 11 Average of stokvel per the of stokvel

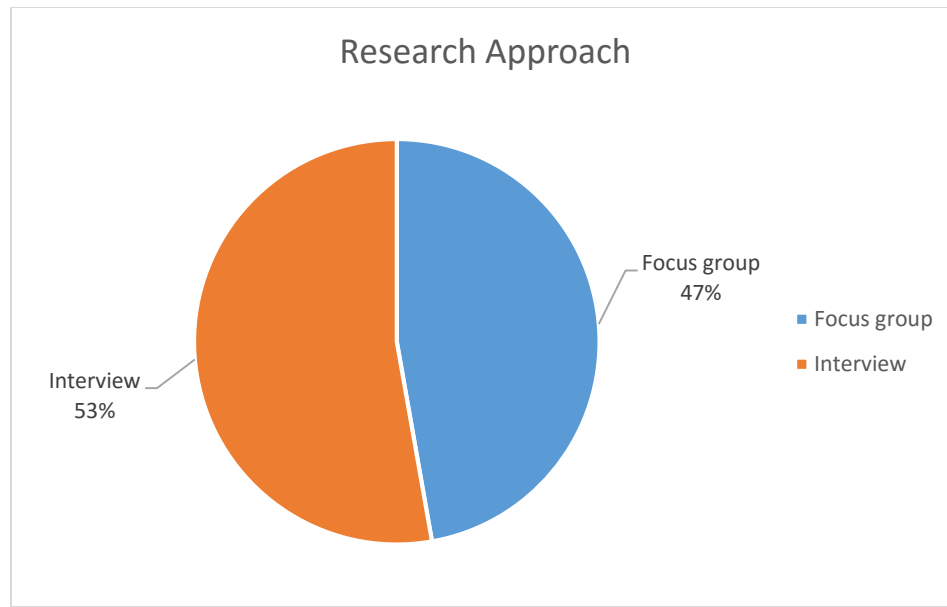
The research engagements were conducted in the home language (mother tongue) of the participants, specifically, Tshivenda, Xitsonga, Sepedi, Setswana and English. The researcher has a proficient understanding of the languages stated and was able to conduct the research himself. However, in transcribing the audio recordings, native speakers were used to ensure that the quality of the data gathered was maintained. Figure 12 shows the number of engagements that were

conducted in each of the specified languages. Some of the research participants in the Maibani groups in Venda, spoke Xitsonga, so the meetings were conducted primarily in Tshivenda but the responses wherein both Tshivenda and Xitsonga.



*Figure 12 Language used in discussions with the stokvel*

The research approach used was focus groups and semi-structured interviews. Although the intention was to only run focus groups with the stokvels, the model of focus groups proved challenging with stokvel groups because key role members of the stokvels where often the dominant voices that spoke for the group. There were no individual voices in the stokvel groups. Figure 13 shows the distribution of research method used.



*Figure 13 Qualitative research method used*

Although focus groups would have been preferable, there were power dynamics in the meeting that made focus groups impossible to use. I noticed this power dynamics in the second stokvel meeting with a group of ladies in Maibani, Venda. When the meeting began, I opened by asking them to just tell me something they enjoy about being in a stokvel. Only two women answered. I prompted the others to respond but only one additional lady responded. I paused to hear more opinions and at the realisation that no one else was going to contribute, I jokingly said “*I guess, no one else enjoys being in the stokvel*” they all laughed with one of the ladies stating and pointing to the chairperson said, “*she will speak for us, what she has said is why we are all here*”. The statement proved true throughout the engagement, although my ambition was to hear from the stokvel members as individuals belonging to a stokvel. It was the voice of the one that dominated the meeting that followed but that voice represented the voice of the whole. Whenever I would ask for other contributions, members would reiterate the previously mentioned statement, in fact, they would say “*ndi zwezwo.*”, a Venda term that emphasises that what was said is correct and complete. This experience was not unique to Maibani, it happened in most of the engagements with the stokvel groups. The individual responded for the group, not as an individual. There were few to no differing opinions or ideas and rarely were there any additional thoughts contributed. The focus group method as explained by Creswell (2013) and Kitzinger (1995) did not flow as per the textbook specification with these stokvels, which is worth noting for future researchers.

Another display of the power dynamics in the stokvels is an occasion where the engagement did not happen because the person through whom the request for the interview with the group was made did not hold the right power position in the group to convince the group to go through with the interview. One lady from Alexandra township agreed that we should come and have the focus group meeting with her group but on the day of the meeting, after relentlessly calling her, I decided to go home as it was clear the meeting would not occur. Later in the day she called and explained that the stokvel refused for me to come and conduct our focus group. This similar incident also happened with a Diepsloot stokvel. In both cases, the ladies that we requested the meetings were amongst the youngest in their respective stokvels. In Venda, some of the meetings were requested by a member who had power and therefore was able to assemble a number of members to come to the focus group within a relatively short amount of time. Therefore, there are power dynamics in stokvels that are influenced by position in the stokvel (chairperson, treasurer or secretary), the age of the member and even financial status of the person.

#### 4.2. Epoche

After collecting data from the 36 stokvels and prior to any analysis work, epoche was necessary to remove any biases that exist in me as a researcher. The Greek word 'epoche' literally means staying away or abstaining. As cited by Moerer-urdahl and Creswell (2004), Moustakas (1994) states that the first step in transcendental phenomenology is to set aside all biases that the researcher holds so that the phenomenon can be understood from the research participants' point of view. Hycner (1985) discusses a similar process but he calls it bracketing, which is to remove any preconceived ideas about the phenomenon. Narayan and Kafle (2013) recommend that the researcher should first go through a reflective meditation process locating him or herself in the research and explore any pre-existing biases that might impact the research.

In order to achieve epoche, I reflected on my experiences and ideas of the stokvel. An immediate thought that came to my mind was my earliest memory of the stokvel. I was a child, but I remember that ever so often my mother would have guests at our house where there would be tea and cookies for the guests and the meetings were lively and full of fun. I remember that when I was growing up, there would be non-perishable foods that were kept in the dining room cupboard that was bought in December through my mother's stokvel participation. We never ran out of mayonnaise,

tomato sauce and tin fish. I grew up to absolutely hate mayonnaise, tomato sauce and tin fish because the stokvel bought those items in bulk which meant I had to eat those items regularly.

The next memory that came to my mind is that my wife decided to become a stokvel member and through it, she is more financially savvy and interested in it as an investment vehicle. I was surprised that through the stokvel, she was able to gain so much knowledge. I immediately began to compare my experiences as a husband of a stokvel member to those of a son of a stokvel member. A bias that I noted as I reflected is that my experience as a son is made of thoughts of me seeing stokvels as a vehicle of wasteful expenditure that needs to be reformed so that it makes a difference in its communities. However, at the same time, I thought the ones in urban areas are the right version of stokvels that everyone should adopt, after all investing is better than groceries. These are my biases that I am setting aside and allowing the data to speak for itself.

As I approached the data analysis, I followed Moustakas (1994)'s guidance of achieving epoche. He says that one should stay away from the identified biases and allow the data to speak and give meaning to the experiences. To that end, to the best of my abilities, I tried to stay away and guard against the biases that I am aware of as much as possible.

#### 4.3. Significant statements

Under the guidance of the methodologies proposed by Groenewald (2004), Hycner (1985) and Moerer-urdahl and Creswell (2004) I went through a rigorous data analysis process. To prepare to analyse the data, I listened to each of the audio recordings repeatedly. Thereafter, translated and transcribed each audio recording into a word document transcript; making use of native speakers where necessary. Keeping the research questions in mind, I grouped the data from each transcript under the relevant sub-research question and removed any data that did not contribute to the research question. I then went through a process of starting to code the data to find significant statements that were unique in describing the phenomena. In total, I found 153 unique statements that described the phenomena in relation to my research question. These 153 were then grouped into meaning units or themes that describe the phenomena.

#### 4.4. Meaning Units / Themes

As described by Moerer-urdahl and Creswell (2004) each significant statement of meaning was considered equally important in describing the phenomenon. The statements of meaning were then clustered into themes or meaning units. In the data analysis process, six themes emerged that give a picture of the factors that prevent stokvels from transitioning from consumers to investors as well as those that would aid the transition process. In summary, those themes are:

- Theme 1: The stokvel as a body is not static but an evolving body that changes as the needs of the members change;
- Theme 2: The risk tolerance is determined by the purpose of the stokvel. Currently, most stokvels are risk averse because of their purpose as a group and significant past experiences on an individual member *level*;
- Theme 3: Financial education changes the profile of a group from consumer to investor. The peer to peer interactions over money change the members themselves to investors;
- Theme 4: Financial institutions' products are designed based only on the governance activities of the stokvel and therefore there is a disconnect in the demand and supply of financial services
- Theme 5: Credibility and transparency are directly proportional to the trust that stokvels have to institutions; and
- Theme 6: Collaboration is only possible if there are shared value or vision, however, caution should be taken when it comes to money because it inevitably causes conflict.

In reading through the themes identified, specifically, the quotations provided, the information in the brackets was inserted by the researcher to give context to the quotation in question.

*Theme 1: The stokvel as a body is not static but an evolving body that changes as the needs of the members change*

A number of people have offered definitions for a stokvel. Mashingo and Schoeman (2012) define a stokvel as an “informal savings organisation”. Townsend and Mosala (2009) cite Lukhele’s definition that a stokvel is “a type of credit union or communal buying group”. Slade (2014) defines them as “group savings schemes providing for both mutual financial assistance as well as

social and entertainment needs” and Arko-achemfuor (2012) defines them as “credit rotating schemes”. NASASA, a regulatory body of stokvels in South Africa defines them as “savings and credit cooperatives” or “clubs, associations or syndicates in which members contribute regularly and receive payouts in rotation” (South African Reserve Bank, 2010). Irrespective of how it is defined all the authors agree that stokvels are basically Rotating Credit and Savings Associations (ROSCAs) or Accumulating Savings and Credit Associations (ACSAs). With ROSCAs being an association where in each sitting, a member of the ROSCA receive the pot and ACSAs being characterised by members contributing to the pot each month and only sharing the pot at the end of the year.

These definitions provide a good foundation when starting to think about stokvels. However, they present a rather static picture of stokvels and what they do. In engaging with the 36 stokvels previously mentioned for this research. One idea that emerged from the research is that these stokvels are rather dynamic entities that are constantly evolving to reflect the changing needs of the members. Words like “Initially”, “we started because”, “when we first started”, “It was mainly about saving originally”, “We started with the burial society then...” and “We started the stokvel because we had children” were some of the key phrases that the research participants used when describing their stokvels. Although the average age of the stokvels that I interacted with is 9.6 years, the majority of them have not existed in their current form for the 9.6 years. Stokvels are financial and social entities that are ever evolving to meet the needs of the members.

There are numerous factors that impact the needs of the members. The factors that participants mentioned were growth in their families, change in their job or spouse’s job, prior experiences with stokvels (good and bad) or a change in their physical location. One stokvel started off as a saving and sharing stokvel, existing solely for the purposes of purchasing groceries in December for Christmas consumptions to a savings and cash sharing stokvel without the grocery component and it is now currently a savings, credit and cash sharing stokvel.

Humbulani of Khuliso Stokvel stated

*“We started the stokvel (speaking of the current one) because we had children who were now grown and going to university. And we realised that we were struggling financially with the fees and other expenses of a university student. The stokvel’s original intent was to buy Christmas groceries, but as we progressed and had other*

*needs, we changed. It changed and became what it is now. As women, we realised that as a team we can help each other to ensure that our children don't drop out of school because of money but we are able to help each other. We use this group to deal with the financial struggles we face. The group hides our financial struggles. So, if a person needs R10 000 for example, what we do is that we will collect that money each month and we don't take it to the bank until we have the full amount. Then we will give them the loan so that they can pay school fees. The person would tell us in advance that they need R10 000 and we all save towards that number. The person will then pay it back as loan each month."*

Humbulani stated with a sense of dignity about being able to take her children through school using the stokvel. Although the original intent for the stokvel was not for the ladies to take their children through school. Khuliso Stokvel demonstrates well that although the stokvel might start for one reason however in its 28-year existence, it changes its form multiple times during those 28 years. The trigger for Humbulani and her fellow stokvel members was that they were now all at the same life stage of having children studying in higher education institutions, which is relatively expensive in South Africa.

A younger stokvel called Braai Pack was originally a five-member 'help group'. The group existed as a channel through which the 5 friends could call on each other to help out with the feminine responsibilities at family events such as cooking and cleaning at parties, weddings and funerals. This is what is referred to as 'matsogo' which when literally translated means hands. However, when the friends started getting jobs in different locations across South Africa, they converted their group into a 'funeral contribution group'. What they would do is that in the event of a death in one of the friend's families, each of the friends would buy a braai pack (a packet of chicken pieces that typically comprises of at least twelve pieces of chicken) and cold drinks and deliver it to the family that is bereaved. However,

*"Initially we were supposed to buy a 5kg Braai pack...then we realised that there are things like Assupol and Avbob that provide such services for a rainy day so you don't need money for those things. So, we decided that lets rather take the R300 and it should no longer be a physical braai pack but actual cash. But we continue to call that money braai pack."*

Right now, the four-year-old stokvel is called Braai Pack and Beers because the group saw that the distance that was between them because of work was not conducive to building their friendship so they decided to add Beers to their operations to cater for mandatory parties that members should hold ever so often. Now the stokvel requires each member to throw a party once a year and members will attend the party and bring beers. However, they have kept the R300 contributions, which are now contributed as rotating income but the order can be disrupted if one of the members of the group has a financial emergency.

Another stokvel, Maphaha Family Club

*“...started as a burial society and when we were doing that we decided that we should do more than funerals. We decided that as women, we want to lift each other up through the stokvel model. So, that through the stokvel, we would be able to buy things that we normally lack throughout the year”.*

The basic need of the ladies when they started was burial assistance but as time went on and they grew as people and their stokvel evolved with them, they saw the need to now also use the stokvel as a mechanism to *“uplift each other”*. Right now, the stokvel is a rotating income stokvel that enables them to meet financial expenses in their own lives. One of the stokvel members, Mashudu, indicated that through it, she is able to build a shelter for her chickens as she is a chicken breeder.

The stokvel is a dynamic entity that keeps changing because its members are changing. A stokvel that does not change results in members leaving for other stokvels or leaving the stokvel system completely. Members of stokvels that are in these groups are there because there is a common vision and life impacting outcomes that they are seeking. Even if that outcome is just to connect with other people and build friendships.

Benda (2013) also noted this adaptive nature of stokvels, however, she noted it in terms of the stokvels being flexible and adaptive when it comes to the enforcement of their rules. She talks about how in some cases stokvels will change the allocation order to accommodate the needs of the stokvel members or how some members will not be kicked out of the group despite missing payments. The flexibility that Benda (2013) talks about is something that I observed as well. Stokvels are very accommodating of people who for good reason are unable to fulfil their obligations towards the stokvel. It is when stokvel members do not obey the rules of the stokvel

for no good reason, that stokvels become very strict in their rule enforcement. However, the adaptive nature that I speak about in this theme is not the same as the flexible nature of stokvels that Benda (2013) talks about, although she calls it adaptive. I think flexibility is more of an appropriate word for what Benda (2013) says. Benda (2013)'s view does not refer to the whole stokvel actually changing its form and function over time to suit the changing needs of their members.

Of all the stokvels that were included in this research, all of them have either changed function completely from their original function or have become a multi-function stokvel. In fact, the majority stokvels that were research participants indicated they had become a multi-function stokvel. They are not just a saving club or just a funeral assistance club but both. One rural stokvel called Shandukisa Stokvel stated:

*“Because different stokvels help us for different needs we have. Other stokvels help us in a time of mourning and others for daily food. It’s because we have problems and we don’t have money, so we use the stokvel to manage all the demands that are on us.”.*

The Maibaini Stokvel had

*“...started with the burial society then as time went on we added other things. It was as our needs changed. We don’t pay all of them on the same day, we pay on different days. Like for society we play in the streets under streets next to houses, we don’t play in a house. We sit under a tree and we pay out the money”.*

The Shandukisa Stokvel's evolution has been one of adding other functions to the stokvel as members have needs. Every stokvel member that was part of the research engagement was a multi-function stokvel, with members of stokvels in rural and township areas also belonging to more than one stokvel. That is because if one stokvel is unable to meet all their needs, they will often have more than one so that their needs are fully covered. Callier (1990) explained this membership in multiple stokvels differently saying it's because members want to reduce the amount time they wait to get large sums of money. Which might be the case as Callier (1990) says. However, the driver behind the behaviour is the member's current needs that they meet through stokvels.

It was from the observation of the changing nature of stokvels that this theme emerged. It helps in understanding that stokvels are not static clubs but dynamic entities that are ever changing to reflect their members' needs. Members join stokvels for different reasons but the key reason is that there is a need that is met through the stokvel. Therefore, the stokvel as an entity is reflective of the needs and thinking of the individuals in the group. A concise definition of stokvels from this research is that a *stokvel is a dynamic entity (a group of people) that changes regularly to reflect the changing social and financial needs or interests of its members or community.*

Understanding this changing nature of stokvels is important because if the current needs of the stokvel members are immediate then it is difficult for the stokvel to think long term. It is difficult for a stokvel that literally is the bread and butter of families to sacrifice short-term consumption spending for long-term returns. Tumi from Pono-Pele stokvel, which actively invests money stated that

*“I’m happy with risk. I think also because we are not putting, well hopefully people aren’t putting in bread and butter money, so no family is going to go out on the streets because we lost R500 000. We are putting in money that we can afford to invest, not because we’ve got money to waste, but because we want that money to grow...”*

The members of the Pono-Pele Stokvel are able to meet their financial expenses without the help of the stokvel. The stokvel for them is an entity where as a group of women they can better use their money to invest in various assets. In fact, that was a true reason why many of the urban stokvels existed. It was a channel to better manage and use their money whereas rural and township women need the stokvel to manage their financial demands. Lwazi, a member of Umgalelo stated that she joined the stokvel because in discussion with her friend she said *“I feel like I am not using my money efficiently. So, let’s use the stokvel to make it work.”* and Thandi whose stokvel comprised of medical doctors stated *“I don’t see where my money goes, the stokvels help me to make better use of my money. They want to know what I bought with the money”*. Both Thandi and Lwazi’s stokvels are urban stokvels which comprise of professionals from various fields. Their stokvels help them both use money in a way that makes them feel as though they are using their money the right way and not wasting it. Thandi’s stokvel takes it further by demanding that each member produces proof of purchase with the money. The members of Thandi’s stokvel are interested in seeing members buying tangible and meaningful things with their money. But in both

Lwazi's Stokvel, Thandi's Stokvel and Pono-Pele, the members don't need the money from the stokvels for any immediate expenditure. Although unlike Pono-Pele that uses their money for investments, Lwazi's Stokvel and Thandi's Stokvel members used the funds received for large purchases that make them feel like they have used their money effectively.

Explore-Together Social Club has members similar to Pono-Pele whose members "...can afford to do it (travelling – which is the point of the stokvel) on their own.". Because of their financial position, their use of stokvels is more leisure, they "...do not care about funerals and those kinds of things. We are not a burial society, we are a social club. Don't tell us about funerals tell us about parties.". Both Explore-Together Social Club and Pono-Pele own investments in various portfolios. However, the majority of the research participants do not belong to the same category as Explore-Together Social Club and Pono-Pele.

The majority needed the stokvels to help them meet their financial expenses. The majority of the stokvel members needed the money so that they can have their grocery expenses covered for most of the year. The stokvel money is used to finance January school fees, uniforms and stationery expenses (consistent with the findings by Old Mutual (2011)). Therefore, it is difficult for this kind of stokvels to participate in the investment economy because the members of the stokvel are made of people who have immediate needs that they need to be met through the stokvel group. At the same time, these groups are also intentionally consumptive in December, a number of them stated that

*"We saw that this way we could save up for December expenses like going on a trip or buying clothes for the children, or even buying groceries."*

*"We get soap, rice, chicken, and similar. We are focused on covering December needs. So, we get soaps and food. We get many things. Things that we only use in December for the festive season and things that have a longer shelf live as well, like rice."*

*"Stokvels helps us to buy for December wasteful expenditure (or playful) as well as January back to school needs and therefore avoid February debt."*

*"...as we are young if you want Carvelas (high-end Italian shoe that is a status symbol for youths in township and rural areas across South Africa) or some expensive clothes or similar"*

Fifty percent of the stokvels that were interviewed in rural areas that use stokvels as a mechanism to meet their financial needs all mentioned December expenditure as one of the motivations of being in the stokvel. Therefore, there is an opportunity for stokvels to divert some of these December expenditures to investments. However, because these stokvels operate independently they cannot leverage their collective spending power to get preferential rates on their expenditure in December. They are treated as any other customer by the big stores, they get same specials pamphlets that all customers get. A grocery stokvel in Maibani mentioned that *“When we get to the store we are given a paper that shows specials, so we know what items are on special when we buy. We buy the items on discount as listed on the papers.”*. This is not a special pamphlet for stokvels but one that is available to all customers. NASASA in 2016 celebrated being able to broker the relationship between stokvels and retailers so that they can get reduced prices. NASASA mentioned Pick ‘n Pay as a key partner who will be giving the stokvels a good discount going forward. The press release for the relationship stated that

*“Stokvel customers will now get 1% paid back in Smart Shopper points that can be converted into cash to pay for their groceries, as well as lower prices and ‘Just for Us’ discount vouchers based on each individual stokvel’s spending pattern. Members can also earn instant savings on certain products during specific periods of the year, such as Easter and Christmas.”* (Pick n Pay, 2016)

MASSMART (2011) also announced a similar offer to stokvels that Pick ‘n Pay announced in earlier years. The MASSMART deal also included a cash management option where stokvels could pay for goods beforehand to avoid stokvels coming to the store with large sums of money. A rough calculation shows that if 1% of stokvels take MASSMART’s cash management offer and only buy goods at least 24 hours after the deposit to MASSMART accounts, MASSMART could gain over R82 000 per day from that transaction by moving money to a market link account at 7% interest per annum. In my view, stokvels are still not getting a treatment that is fitting of a R44 billion ‘collective organisation’. There is a long way to go for stokvels to start getting red-carpet treatment across all retailers. I do not think getting a 1% back in retail purchases is even a drop in the ocean of what this treatment looks like. If stokvels were to successfully get good discounts from retailers, the preferential rates would make money available for stokvels that typically cannot afford to invest to start investing. As shown by a light calculation that MASSMART’s cash

management option could attract over R82 000 of free money every day. Therefore, retailers have plenty of options to make preferential treatments possible for stokvels. Otherwise, stokvels could also consider just purchasing from suppliers to cut down retail markup margins.

The stokvel is an ever-changing entity that changes in response to the needs of its members. If the current needs of the members are immediate, the stokvel's nature is consumptive and does not have a long-term goal. The opposite is also true when immediate needs are not covered by the stokvel; the stokvel tends to invest and have a longer-term outlook. Therefore, reducing wasteful expenditure that stokvel members participate in, in December particularly, and ensuring that stokvels get preferential treatment will positively contribute to stokvels transition from consumer to investor.

*Theme 2: The risk tolerance is determined by the purpose of the stokvel. Currently, most stokvels are risk averse because of their purpose as a group and significant past experiences on an individual member level*

The phrase “high-risk high rewards” has become commonplace when talking about investments. It has become common knowledge that investment requires an element of risk if one is to reap rewards. This knowledge was not foreign to the research participants who had various risk tolerance levels. The risk tolerance of the individual was determined by different factors than those of the stokvel. The stokvels in general were low-risk organisations. They did not want to lose any of the money put in because their members need that money. A Turfloop stokvel, called Big 10 stated it as follows:

*“...I don't know if that would be easy (to invest) and possible because our aim is to make an income and help each other. We don't really want to disadvantage ourselves because we rely on that money. People are budgeting based on that money, maybe someone has already calculated that from the club they will get R10 end of the year and they can buy bread, so we can't risk that”.*

With Motho ka Batho Stokvel agreeing that “*We are low risk because people need the R1 800 that they received, we can't risk it.* “. The reliance of members of stokvels on the money from the stokvel reduces the risk tolerance of the group. Groups that did not have immediate needs for the

money from the stokvel where more open to risk than those that needed it. Pono-Pele and Eagle's Group were more open to risk than many other stokvels because both Pono-Pele and Eagle's Group members do not need the money for immediate needs. Koni from Thusanani from Venda affirmed this view by stating:

*"I would try it if all my needs are already covered. But I would only do it as an individual, not with the stokvel. The challenge is that even if we agree as people when problems arise, you will still fight even though you agreed. But even for me as an individual, though, I would start slowly investing in that product and if I see the return I would contribute more."*

The stokvel body's risk profile is determined by its mandate. Big 10, Maria's Grandkids and Thusanani are all low risk because their mandate is to act as a financial help body for their members who depend on the money to meet their financial expenses. Pono-Pele and Eagle's Group are medium to high-risk groups because their mandate is to generate high returns for their members.

The risk profile of the stokvel, therefore, is not a result of the collective risk profiles of its members but is a result of the mandate of the stokvel itself. In the Turfloop Cash Management stokvel, they said

*"Yes, we could do it (take risks as a stokvel), we don't have a problem. Because the money could mature and we get more money, although there is a chance that we could lose it. We don't mind with the money allocated for the furniture but we can't agree on the funeral money being used. We can't agree. We will refuse \*emphasised\*. Because if there is a funeral or something, then the person is expecting that money. If it were to be lost, then where would we get it back?"*

Indicating that although for the one part of their stokvel that is focused on purchasing furniture they could take the risk, they would not take the same risk with money allocated for funeral expenditure. Taking a risk with furniture money could result in more money to purchase more furniture and losing the money just means waiting longer to get the furniture. However, in the event of death, there is no possibility of delaying the expenditure. Therefore, it does not align with the mandate of the funeral stokvel to take risks with the finances but it is more tolerable for the furniture stokvel.

Sizanani from Alexandra township stated that,

*“Yeah, I think so (we would take a risk and invest). I don’t think we would have a problem with that because we want money. To be honest, we want something that will help us in the future. We would like to stop having to take money out of our pockets every time.”*

Sizanani is burdened with expenditures of various kinds each month and they see investments as possibly helping them to not spend as much of their monthly contributions on their expenses but from returns on investments. Therefore, they see investment as aligned to their stokvel’s mandate and therefore are more willing to do it. The reason the stokvel exists directly impacts its risk tolerance levels.

There were two cases where some of the members had experienced scams and were badly impacted financially and as a result are very risk averse and cautious. In both these cases, the members in question were uncomfortable with the stokvel taking any kind of risk and they were strong voices on the topic of risk although fairly quiet throughout the focus group engagement.

*“...a number of us have been victims of scams like MMM and Kipi. So, we lack that trust. If a person were to bring a product here, we would have to investigate it first and come to a consensus among us first. We don’t trust what people promise in investments but buying food is more tangible.”*

Stated Sarah from the Sizanani group in Alexandra township. The group itself was open to risk for the sake of being able to buy more items for the members with the returns. However, Sarah was loud and passionate in making her point that the chairperson of the stokvel proposed a motion that the discussion on risk needs to be added to the agenda of the stokvel’s future meetings. Muofhe from the Dagada Family Club on the other hand said

*“No (I don’t want to invest in anything)! These things are often scary, discouraging and dodgy...in Thohoyandou there was this thing called Thanganani and it promised high returns. You give a little money and you get so much back, then you give a little more and you get a lot me back and a lot of people joined and did the same. Then you decide to put in a lot of money, say R30 000 and then your money doesn’t come back, it disappears. Although some people benefited but many of us were badly impacted by*

*that system. That is why we are scared and it makes us wary of putting money in the bank. The money I keep in the bank account is money to keep the account active but not serious money”.*

Muofhe’s rhetoric was one from a place of anger and hurt, as a result, she is now anti-banks or financial institutions. She continued angrily saying that members of the stokvel should not invest with banks because

*“...the bank will start off by taking some money off, money that goes into banks comes out less. Also, what we want here (in the stokvel) is that a person would take their money and use it for something we can all see. We want to see progress in everyone’s life through the Stokvel. If they want to put money in the bank, they would have to do so with their own other money, not money they get from the Stokvel”.*

Muofhe’s personal experiences blind her completely from any benefit that could come from investing and she has thus decided to not invest nor allow the stokvel to invest.

Therefore, the risk profile of the stokvel is determined by two key factors; firstly, the mandate of the stokvel and second any significant experiences that members have had. These two factors determine the capacity for the stokvel to transition from being a consumer to an investor. Stokvels whose mandate is solely consumption, for example, birthday stokvels, will find it difficult to become investors. Because the mandate of the stokvel is the reason people want to be part of the stokvel and changing the stokvel practices would result in loss of membership. Interesting enough, most stokvel members belong to burial societies and therefore have experience of putting away money regularly to realise long term benefit. There is an opportunity to use their current thinking about funerals as an access point to help them appreciate investment as a group. Kgothatso from Braai Pack and Beers put it well stating that

*“...I also hear so and so talk about education plans and as such. I think I should probably get one for my child, and such thoughts. But I can’t see the benefits of it. I am just doing it but I don’t see it. I don’t understand why I must have an education plan for my child because it seems to be the in thing now, it’s trending so I feel like I must also join it. But when it comes to death and retirement benefits, I understand those...”.*

Kgothatso is unable to connect to the long-term thinking required for everyday investing but is able to connect with death and retirement benefits. Therefore, using the current practices of saving with funeral clubs could be used as a stepping stone to teach her about other benefits of long-term views of money.

Furthermore, a lot of money that burial societies handle is not as effectively managed as it should be. Rabali Funeral Society keeps their money with their funeral services provider who will essentially provide all the essentials of the funerals on the day of the burial of a loved one for the Maibani funeral stokvel. How it works is that the members of the society choose their benefits beforehand and those benefits are applied to all their beneficiaries. The services are, for example, the type of coffin that the beneficiaries will be buried in, the type of cars that will be used to move the family around on the day of the funeral and similar. In order for the society to receive these benefits, on a monthly basis they contribute money to the funeral services provider. The members do not even know how much money they have with the service provider. In response to a question, they said:

*“Well at Rabali we already have a lot of money available that we have contributed so the non-payers don’t affect our work with them. All that happens is that when a person does not pay then the person does not benefit from Rababli. We just don’t contact Rabali when a death occurs in their family.”*

I do not know what the funeral services provider does with the large cash deposits of the stokvel. But what is clear is that the money does not even gain interest for the stokvels and therefore loses value with time and thus future contributions by the burial society are recovering lost value due to time. Other societies keep their money in the bank in club accounts, however, these club accounts are typically low-interest accounts if they offer any interest at all. Therefore, there is an opportunity to better manage the money that burial societies contribute so that money can create a return for the stokvel members. Takalani from Mabogo Society mentioned that their burial society was effectively seeking mechanisms to invest their money. Beneficiaries of the Mabogo Society have lived longer than expected, resulting in large amounts of cash earning very little interest in an ABSA bank account.

In summary, the risk tolerance of stokvels is determined by the mandate of the stokvel as well key experiences with members that impacted their view on investments. The members’ experiences

cannot be undone. However, new and positive experiences will help members move away from the negative to be more positive. The stokvel's risk tolerance is important because it determines what and how they will invest. Therefore, understanding how it is informed is pivotal for their transition to investors.

*Theme 3: Financial education changes the profile of a group from consumer to investor. The peer to peer interactions over money change the members themselves to investors*

One of the key reasons that stokvels provided for not investing was a lack of understanding, as Kgothatso from Braai Pack and Beers put it "...I am just doing it but I don't see it. I don't understand why I must have an education plan for my child...". Lwazi a professional in the financial services industry and a member of Umgalelo stated that:

*"I am just living in the moment now (not seeing the point of starting to invest now) because I have never had money so, if it's there, let me just spend it and do what I want with it. But I am gonna start saving like now, on a serious note. But it has just been something that I have been pushing out".*

Lwazi's case adds to the finding on understanding being a big factor for not investing but it also shows that academic education does not automatically translate to financial education. Thandi's Stokvel like Lwazi's is made up of professionals, specifically specialist doctors. However, their financial behaviour indicated a low level of financial education which they were trying to rectify by being in a stokvel. For example, Thandi's Stokvel members did not hold any long-term investment because they don't understand what is on offer. However, to rectify this they have started consulting a financial advisor. Sibongiseni from Pono-Pele makes this reality plain by stating:

*"I think one other eye-opening thing for me is: I work with money every day of my life. But I don't know much about money...I work with other people's money. But the thing is at the end of the day, you think you've seen it all. You know I have been in this industry for 10 years minimum, and more counting, and you think that you have come across a lot of things, but actually, once you start doing something about your own money, which is over and above the day to day living and, ok I'll have a savings policy*

*here and there and I'll just put R100 a month or whatever, you know, what you are doing but are being active so that you kind of like someone else being active with your money, but being active with your money, feels like 'wow, I don't know anything about finance'. And these are the things that you actually don't get taught."*

Therefore, showing that having an academic education does not necessarily imply that one is financially educated even if the person works in the finance industry and is aware of all the terms in the financial world.

Andani from Beef stew did not invest because she felt that she does not have enough disposable income, she said that

*"I do think about it and want to do it but it requires a person to have a lot of money, which I don't have. I do think about it, but I can't do anything now. I know for example that Old Mutual (one of the leading financial services firms in South Africa) has investment products"*.

Andani was aware of Old Mutual products because of the TV adverts that Old Mutual always runs but did not see herself as someone that can access the products they sell although she has never called and inquired from Old Mutual themselves. Nwigwe et al. (2012) argue that in most cases poor people that have been financially excluded will not acknowledge that a product is for them even if it is made specifically for them. They say that often people will exclude themselves from being able to access the product because they will just automatically assume it's not for them. That is what Andani was doing with the Old Mutual product. She just automatically assumed they were out of her reach. She assumed they were too expensive without even researching further because in her mind investments are only for rich people.

The stokvels that Kgothatso, Lwazi and Andani belong to do not invest because of the factors already stated. Interesting enough Andani's stokvel buys, slaughters and divides a cow each year. I asked her if they had ever thought of not slaughtering the cow one of the years and rather breed it and she stated that she had not. It was common amongst the research participants that did not invest as individuals or as a group that "*we have not thought about it*" was a common reason for not investing. Figure 14 shows other reasons that groups have for not investing, that emerged from the research. The biggest reason for not investing as a stokvel is just simply 'not having thought

about it', followed by a feeling that they don't yet have enough money to invest. Therefore, there is clearly a need for financial education so that the stokvels can move from the purely consumptive patterns to a combination of investment and consumption.

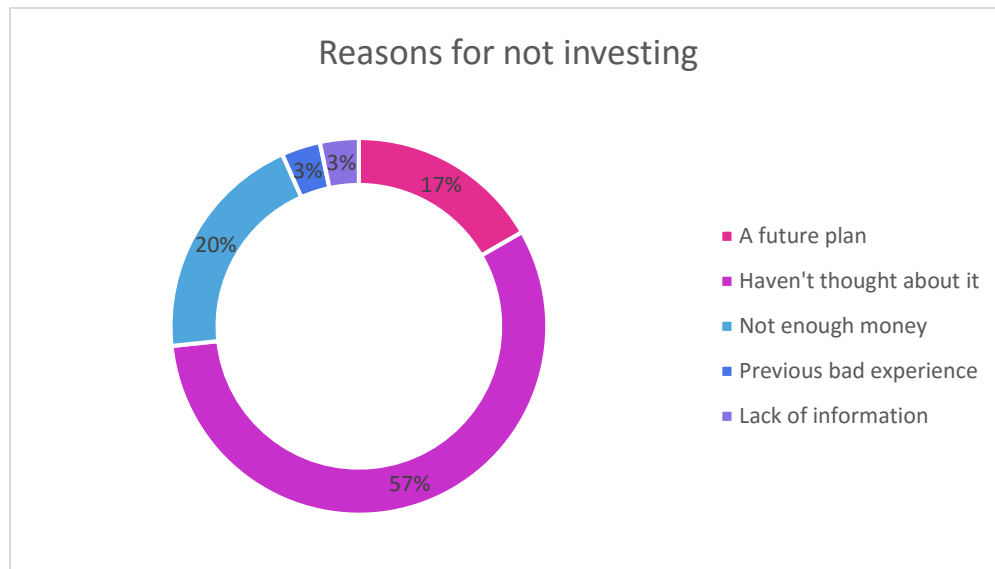


Figure 14 Reasons for not investing

Pono-Pele presents an interesting case study because although they started with a purely consumptive mindset, they are now purely an investment club owning various assets and equity investments. I spent a good amount of time with Pono-Pele trying to understand what caused the switch from being a consumer to an investor. In summary, Pono-Pele attributed the change to the financial education they were getting: the more they knew as a group the more they changed the mindset regarding what their group was about. Sibongiseni a member of the group stated that:

*“...if I may just highlight the stage where I picked up the change of mindset in the group, as a whole, uhm, there is a day where we started having a conversation around wealth creation and no longer were we looking at tomorrow as in the next 2 years or the next 5 years, but literally what people, are looking at now. What we are thinking about is leaving an inheritance for our children, you know, uhm, and we started talking about creating trusts for the children and we are not even talking about our immediate children, we are talking about our great-grandchildren. So, that was the turning point I think for a lot of us in the group...I think as we are finding where we can invest, you can see where you can play around with money. We can buy forex, you can invest in a*

*business, you can do those kinds of things and I think that's where we are at now. We are just no longer looking at short term goals”.*

The group dynamic started changing when they began reading more things about what other stokvels are doing and it moved them just purely being consumers to investors. Sibongiseni added that

*“Upon reading and following up on (other) stokvels, one thing that really opened up my eyes, even more, was the one that Nthabiseng Likotsi, and some woman in Ekurhuleni, have started where she is basically now running a bank, you know. She is loaning monies to people and so on. There are about 800 people in this and everyone pays R10 000 to join and from there you pay R550 per annum membership fees and that kind of stuff. But it's like the possibilities are endless. Endless!”.*

Lebokgang added the same sentiments,

*“I read up that article about...the stokvels that bought the holiday property...that was very interesting. Just thinking, it opened my mind to say that there is more that we can do and not just put money away in something small. I started thinking about how can we do this, also not just for investment, but also for our own personal use, instead of always just paying someone else to use their property for holiday. How about I have my own property and use it when I want to. It would also be nice to just go on holiday and just take a break, however, how often does that happen?”.*

The statements by Lebokgang and Sibongiseni show that financial education has a direct impact on the group's interest and activeness in investing. The financial education not only changes the stokvel but also its members. All the members of Pono-Pele mentioned how learning from each other and from outside had directly impacted how they spend their own money. They are more investment focused as individuals. Pono-Pele moved from using a normal stokvel account to a business account because they now see themselves as investors. They have also changed their constitution to align with their new-found vision and interest in investment to truly capture their new mandate. Individual members of Pono-Pele have themselves taken active steps to be investors in their own individual capacities through platforms such as Easy Equities (a South African investment platform that allows members to buy and sell shares). This idea of stokvels, which is

actually contributing to changing the financial behaviours of its members, is not unique to Pono-Pele. Two other stokvels in rural areas mentioned that stokvels create competition and peer pressure to spend right and save more. Andani from Dagada Youth Club stated that:

*“Being in a stokvel creates an environment where there is a savings competition, you want to keep up or save more than the others when you see how much they are saving. As such, sometimes all our allowance goes towards the stokvels instead of going towards immediate needs.”*

and Elisa from Maphaha Family Club echoed the same sentiments stating that

*“Sometimes we sit and people mention how they spend their money and when you start to compare to what you did with yours, you feel convicted because you realise that you are not serious like the other members and you are encouraged to do better in future.*  
“

The stokvel itself, therefore, is a source of financial education for its members: if the stokvel does not mature then members do not mature. Pono-Pele members matured in their financial thinking because the group matured through the reading of what other stokvels are doing.

Another example worth noting is the Shandukisa Stokvel. Although the stokvel does not display financial education in a traditional sense, the stokvel is fairly sophisticated in their financial practices. The stokvel is in deep rural Venda. But their practices display financial education in areas of diversification, risk management, debt leverage and distributed banking models. Although the stokvel members do not use those terms, their practices revealed their understanding of those financial education knowledge areas. The education level of the group is below matric level and most of its members are blue collar, seasonal workers. The stokvel has diversified its offering to its members based on their changing needs. Therefore, diversifying on the immediate needs of the members is essential to ensuring that they are covered from groceries to loans and furniture purchases. Diversification is a practice of reducing risk by investing in different assets and equities. In the case of the Shandukisa Stokvel, they manage their financial risks by ensuring that they buy enough groceries for consumption to be smoothed throughout the year. They give each other loans ensuring that any sudden shocks and needs that arise in members' lives are easily handled. Furthermore, purchasing key household items for members such as furniture. Therefore, through

the stokvel, the members cover most of their needs because the stokvel offers a diversified offering. To manage risk, they set a limit to how much each member borrows from the stokvel based on a fairly sophisticated but simple model. What they do is that the group allows its members in the savings and sharing club to contribute what they are able to. Whatever the amount, they commit to it for the year. The same saved funds are also accessible to each of the members as a loan but to manage the risk, the stokvel only allows the member to borrow ten times the amount they committed to contributing each month. A member who commits to contribute R100 each month can only borrow R1000. This protects the club against members borrowing more than they can pay and puts the member who wants to borrow money at risk to lose R1200 if they do not pay the full amount they borrowed in time. Their model is that member can borrow  $10 * C$  but defaulting means a member will lose  $12 * C$  (and any parts of the loan already repaid), where C is the member agreed contribution amount. Furthermore, the interest rates on their loans are determined by what the rates of the local loan sharks are and they always keep their rates below the loan shark rate. They keep track of the local rate to ensure that their loans are always below it. They do not compete with bank rates because for most of their members, bank loans are not an option as they do not work. Lastly, for the stokvel to buy furniture pieces for their members what they do is that:

*“...the stokvel will run for 10 months, each person will get a loan once during its lifetime. During each sitting, we will give one person a loan of R500, which is the full contributed amount. That person must pay back the money with interest. The money is not paid back until the term of the stokvel ends. Each person in the stokvel would have received a loan by the time it ends...then when we have enough money to buy furniture, we stop the stokvel”.*

The stokvel leverages debt to increase the amount of money it has to buy furniture. It forces each member to take a forced loan that must be returned within the year with interest. The combination of member contributions and interest enables the group to reach their financial goals much quicker. The Shandukisa Stokvel stood out because although they are not academically educated through financial education they are able to implement sophisticated financial models. The financial education came from seeing other stokvels, as stated:

*“...when we are sitting as a group. There are many thoughts because we are many. Or even as we travel to other places, we hear ideas of how other people do things. If*

*for example, I go on a trip somewhere, when I come back I have ideas of how other people do things. When I come back I then share those ideas that I heard with the group. Then as a group, we can agree to implement some of those ideas”.*

Similar to Pono-Pele, robust internal discussions about finances influenced by education from outside, results in the stokvel growing in what it does. The Shandukisa Stokvel makes one question: what is financial education? In discussions, with Andile Fulane, the CEO of Seed of Prosperity, an organisation that runs a stokvel academy, which provides financial education to stokvels. He recalled that:

*“When I was young, I remember my dad telling me how he started his Shebeen. He said to me that in the old days there used to be social stokvels across the township, where members would host parties. In each of these parties, members would attend, contributing R50 and buying alcohol. The key condition was that as long as the host kept the party fun, the member would keep buying more alcohol and they would not go home. My father told me that his parties use to be the best, they would last the longest and people would request for him to throw parties regularly. The parties became so regular that my dad decided to just start a shebeen. The shebeen was very popular in the township and he used the hosting knowledge he got from his time as a stokvel member to perfect his customer satisfaction skills.”*

The experience that Andile’s father received as a stokvel member might not be considered as financial education. However, when one looks at the fruit of it, there is no doubt that it is financial education. It is the same as the case of the Shandukisa Stokvel. Another stokvel that is rural like the Shandukisa Stokvel is Khuliso Stokvel. The stokvel lends out money at an interest rate of 20%, determined by the interest rate charged by loan sharks as well as what other stokvels’ interest rates are. They keep their rate low to attract people to loan money from their stokvel because they allow non-members to loan. Humbulani said:

*“We charge an interest rate of 20%... We just decided on it based on what people loan out in the community. A loan with other people in the community is 40% and we thought that it is very expensive so we decided to give a lower rate. We are trying to get people to loan from us and not from other people. If we charge 20% and other people charge 40% then people will want to loan money from us and not from other*

*people and we will get more money. The aim is to increase the amount of money that we have as a group”*

*“Yes, we do give loans to non-members but the person must be known by one of the members. That member vouches for the non-member and also takes responsibility for their repayments. If a non-member does not pay, we will make accountable the stokvel member who brought them to us.”*

Clearly, Humbulani’s stokvel, Khuliso Stokvel loans out money but also has a mechanism in place to manage the risk. They only lend based on stokvel member’s recommendation and that stokvel members take accountability for the loan. In the 28 years that they have been running the stokvel, they have only had 2 notable incidences where they could not recover the money. Moliea (2007) found that the repayment rate in the stokvels that she interviewed was 98%. This rate is likely to be so high because stokvels have innovative and unique risk management practices that ensure that money is repaid. This is on top of already existing pressure to pay because of the community shame that comes with not paying. Therefore, Shandukisa, Khuliso and Andile’s father’s experiences all show that there is financial education that stokvels possess that we can learn from. Their financial education does not fit all the OECD indicators as outlined by Atkinson and Messy (2012). To OECD financial education is being able understanding key financial concepts such as time value of money, compound interest, calculations of risk and rewards, calculations of interest and interest as a general concept. Shandukisa, Khuliso and Andile’s Father’s stokvel all show knowledge of financial education although not fitting the prescribed parameters of what financial education is defined to be.

It is worth noting that the type of financial education that transitioned Pono-Pele from consumer to investor, or that causes Shandukisa or Khuliso Stokvels’ to display sophistication in their financial practices is not reading up key financial terms and products. In all cases, it was either seeing or reading or hearing of what other stokvels are doing. The information about other stokvels being introduced into the stokvels stirred up discussion internally that result in the groups taking very different financial directions in responses to the information at hand. This point regarding the distinct financial education is important, because financial education alone, in its traditional form, does not always lead to financially educated decision making (Willis, 2011). Willis (2011) adds that there are numerous factors at play a role and impact financial decisions such as emotions or

previous experiences. Adding that there is no perfect financial education program and that there is a need to find one that works for a specific stakeholder group.

When stokvels lack financial education, it limits the financial activities that the stokvel does. The stokvels that do not have a lot of financial education are financially stagnant in the sense that they are unable to find a new way to increase the financial benefit to their members. However, those that have an education are often then able to find ways of increasing their members' benefits through investing, whether traditionally as Pono-Pele does or in a new way as Shandukisa Stokvel does. Financial education is a consequence of hearing, reading or seeing things outside one's own stokvel done by other stokvels and robust internal engagements about money resulting from that. Four of the stokvels asked me for financial education, showing that there is a hunger for such knowledge. However, sadly the stokvels also felt that there are few sources are considered trustworthy.

*Theme 4: Financial institutions' products are designed based only on the governance activities of the stokvel and therefore there is a disconnect in the demand and supply of financial services*

When stokvels are mentioned, it often does not take long for their strictness to be mentioned as well. They are one of the few bodies that are labelled as informal but considered sophisticated in their governance protocols. All the stokvels that were involved in the research mentioned their rules quite often. However, not all of them had their rules documented in the form of a constitution. In some cases, the rules are not even written down like in the case of Maphaha Family Club, Dagada Family Club and both Umgalelos all of which are rotating income stokvels. The rules were verbally communicated and non-compliance was equally frowned upon. Because of their use of constitutions or rather lack thereof, these stokvels would not be able to open a bank account for their needs and indeed they do not have bank accounts. In fact, all the rotating income stokvels that were interviewed did not have bank accounts for the group and would not even use their own personal banks when it's their turn to get money. One stokvel even has a role of collectors to avoid the use of banks, "...the collectors come to collect from me (and others members to give that money to the respective recipient)".

The only stokvels that mentioned their use of the constitution were those that were using banks to fulfil their mandate. Figure 15 shows the percentage of stokvels that used banks versus stokvels that did not, the majority used bank accounts with close to 40% not using accounts.

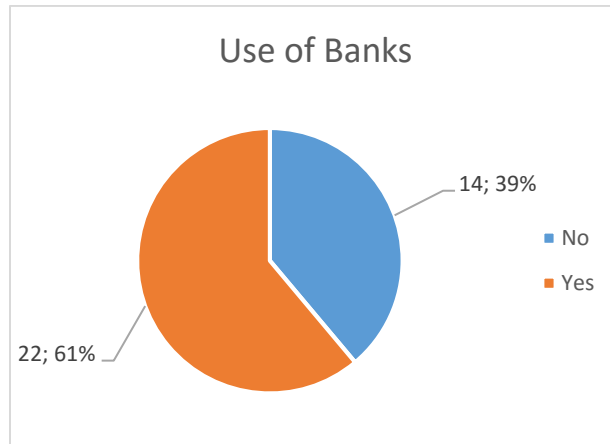


Figure 15 Usage of banks by stokvels

Figure 16 provides a deeper view of the bank usage split showing that the majority of stokvels that are in rural areas do not use bank accounts. We will look at the reason for why these stokvels do not use banks later on.

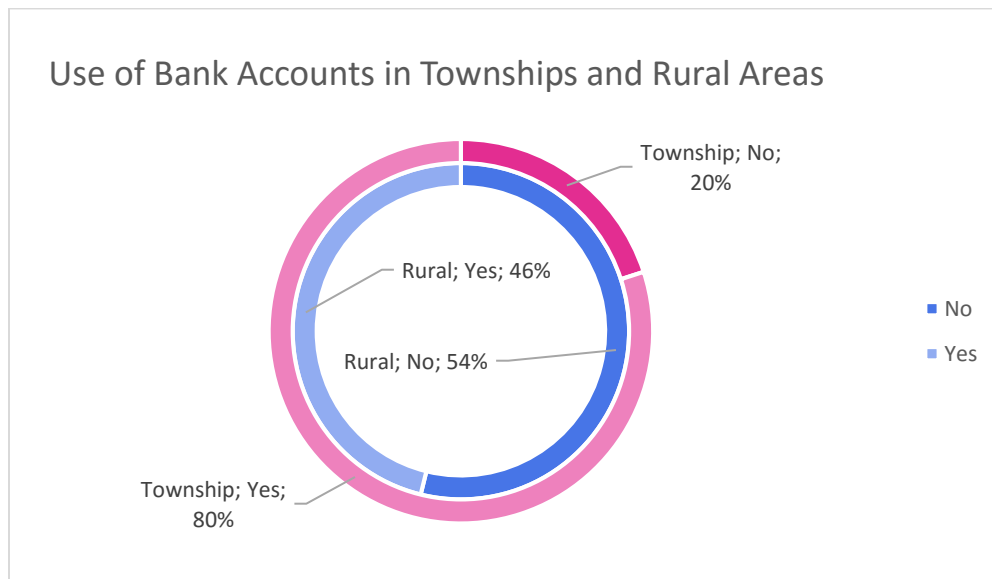


Figure 16 Use of bank per location

In the majority of cases where stokvels have bank accounts. The bank was instrumental in the stokvel taking the action to write up a constitution and elect three key governance members in their

stokvels. A township stokvel, called Raselabi Club, operated for close to two years without a constitution but as managing money with members being dispersed all over South Africa became difficult, it became necessary to use a bank to manage the finances. Maria from the stokvel stated that:

*“When we started, we didn’t really have a constitution. We needed a constitution to open a bank account so we put something together for the sake of that, without really putting down real detail about what happens with the money”.*

The constitution was a document that they did not abide by nor use beyond the act of opening a bank account. Similarly, Masala Stokvel

*“...went to FNB and found that their rules were too much. And saw that at ABSA they explained to us in a way that we could understand. They told us to write our policies (constitution) and we wrote them. We also saw that we liked their interest rates”.*

The bank has taken a role of ‘governance gatekeeper’ for stokvels that want to bank with them, however, stokvels are complying in writing but do not operate the way that the bank thinks they do as per their constitutional requirements.

Humbulani whose stokvel has evolved so much since first opening the bank account has never gone to the bank and updated her stokvel’s constitution. She says that they keep a small amount of money in the account each year so that

*“...we don’t (take all the money in the bank account) then next year have to start from scratch again. To open an account is very admin intensive. To open an account requires that we must have a constitution written down. So, to avoid that, we decided to leave money in the account. If we had to start from scratch each year, it would be too much work and we would need to change our name and constitution as well, every year”.*

Therefore, even if the constitution that Humbulani submitted to the bank originally, accurately reflected the stokvel, it currently does not because the stokvel is a dynamic entity that is always changing.

The stokvels from Maibani, Venda are very disciplined in completing the necessary paperwork before they start each stokvel year. They write down the rules on a piece of paper that is then taken to the traditional courts for stamping and approval by the village chief and traditional leaders. The piece of papers stamped by the chief and traditional leaders is then treated as law throughout the year and compliance to it is taken very seriously. However, when the Maibani Rotating Income Stokvel and Maibani Groceries Stokvel wanted to open their bank accounts, despite having this governance letters, they still had to write a bank specific constitution in English (despite not speaking English). They ended up choosing to bank with VBS because it understood their rural setting better,

*“Other banks have a lot of demands we can’t meet when we want to open accounts. VBS is easy and doesn’t require too much. A lot of stokvels in this area use VBS. VBS only requires a letter from the traditional courts. Other banks require documents and letters that are in English to accept you. VBS just requires 3 people to open the account and a letter from the traditional courts.”*

The fact that VBS is a popular bank in the area is an indication of their ability to ‘speak’ the language of the people although not having a better offering than any of the big banks. VBS is a small South Africa bank that started as a building society and is now a mutual bank (VBS, 2016). VBS started in Venda, under the name Venda Building Society. It now has its offices in Rivonia, South Africa and is trying to establish itself as a retail bank in the South African market (VBS, 2016).

The process of opening a bank account with the majority of the big banks shows a disconnect between the big banks and stokvels. Banks have built their entire offerings on one small part of the stokvel: constitution and key roles. But the stokvel is always changing and banks do not take that into account. According to Old Mutual (2011), the second biggest type of stokvel is the rotating income stokvel. In this research with 36 stokvels, across rural, township and urban, none of the rotating income stokvels actually use a bank for their services, not even their personal bank accounts. The banking sector’s service offering is disconnected to what stokvels actually are. Figure 17 showing the different reasons given by members for not using banks and the biggest reason is actually the type of stokvel not requiring a bank for their operations. I would argue that

if banks were not disconnected from stokvel they should have by now crafted a banking service offering for stokvels that think they do not need banks.

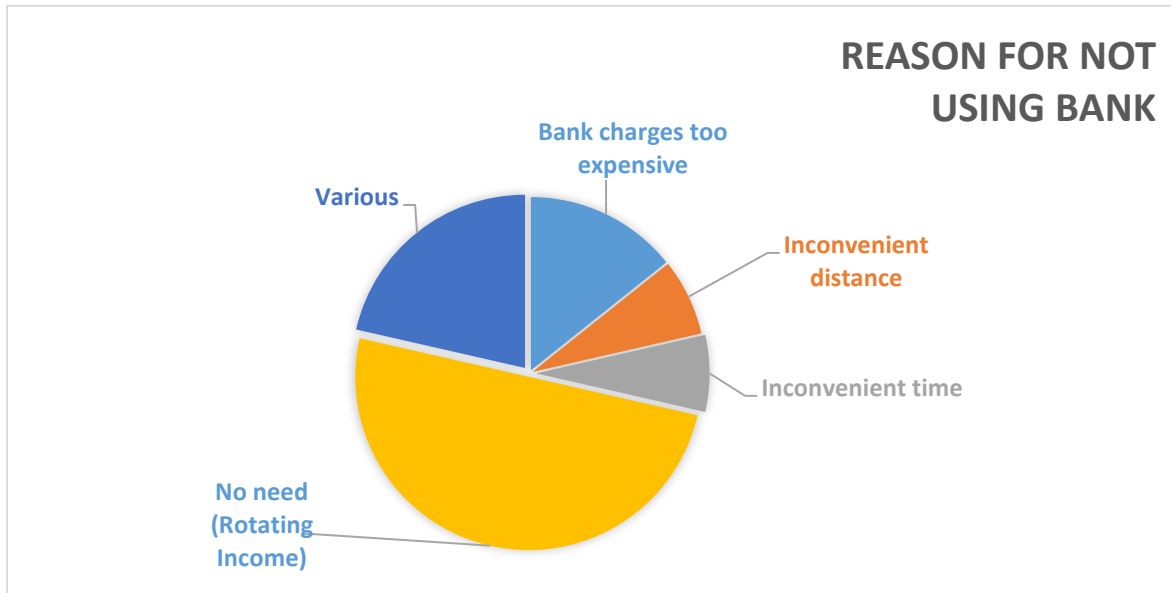


Figure 17 Reasons for not using banks

Table 2 shows a number of offerings by South Africa's banks. It is interesting how all of them require documentation that is not a natural part of the stokvel's life. Hearing the stokvels speak during the research and looking at the banking sector's service offering, it's clear that the banking sector has not kept up with the changing needs of stokvels. Three of the four big banks (ABSA, FNB, Standard Bank and Nedbank) require proof of residence to open a club account. The research participants mentioned that they do not have these documents and that is why they use Nedbank or VBS. It is notoriously difficult to get a proof of residence when staying in rural areas. Furthermore, a big motivation for stokvels to open a bank account is to earn interest on the money but none of the banks offers a competitive offering in that regard. Another observation that many stokvel members mentioned how after they deposit money they would take a picture and post it on the stokvel's WhatsApp group as proof of deposit for the other members. The usage of WhatsApp, although only mentioned by 4 stokvels, shows that stokvels use digital technologies to enhance or support their operations. Yet banks have not introduced a single compelling digital offering for this market. They have left their offering fairly basic as they are static (unchanged) over the years, showing that banks are not investing in their offering for stokvels as they should.

	Group Account - Name	Multiple signatories?	Ease of opening account	Digital channel	Interest rates	Bank charges (monthly)	Document requirements	Minimum amount	Other
Nedbank	Nedbank Club Account	Yes	only at the branch	possible	Market related and tiered	R 0		R100 opening deposit	Sms notifications
VBS	Stokvel Pool account	Yes	only at the branch	No		R 15	* constitution / founding document * ID documents of signatories	Minimum balance of R10	
ABSA	Club Account	yes	only at the branch	No	* group maintains a positive balance of R1 000 in the account each year, you will receive an annual bonus interest of 1%. * = 1.65% (R50) - 5.05% (>R100 000). R1000 = 3.00%	R 0	To open an account: * The IDs of 3 elected group members who will act as signatories * Proof of residence for 3 members (not older than 3 months) * Your initial R50 investment will open your account.	R50 monthly deposit	* Free welcome pack with tips, investment options, and other helpful group saving information. * group must be 3 or more people * this is not transactional account. It's a 32 day notice account
FNB	yes	Yes	only at the branch	No	*1.00% (R1) - 3.65% (R300 000). R1000 = 1.00%	* pay per transaction * no monthly fee if balance >R5 000	* ID * proof of residence	N/A	* book based account * only for South African citizens
Standard Bank	Society Scheme Account	Yes	only at the branch	No	1.75% - 3.65%	* no monthly fee if balance >R5 000	* ID * proof of residence	R100 opening deposit	* at least 5 members in the group * signatories must be South Africans >18yrs old
Capitec	No	No	No	No	No	No	No	No	

*Table 2 South African club account offering comparison*

Because of the better-aligned banking requirements of Nedbank, 30% of the research participants that use banks, use Nedbank. The other big banks are used evenly across the participants. VBS is worth noting because until recently, VBS only operated in Venda and in some parts of that market, it has a larger market share as the Shandukisa Stokvels have mentioned. Figure 18 depicts the different banks that stokvels use. The findings from the research participants depicted in Figure 18 are consistent with findings by Hubbard (2014) who also found that Nedbank was a market leader when it comes to the stokvel market. Figure 19 depicts Hubbard (2014)'s comparisons of banks used by stokvels. Although most of the stokvel members use ABSA for their personal banking, they still prefer Nedbank for their stokvel needs. Table 2 does show that Nedbank does offer a better offering than all the other banks. Nedbank requires fewer documents to open an account and gives stokvels a market-related interest rate and does not charge them a monthly usage fee.

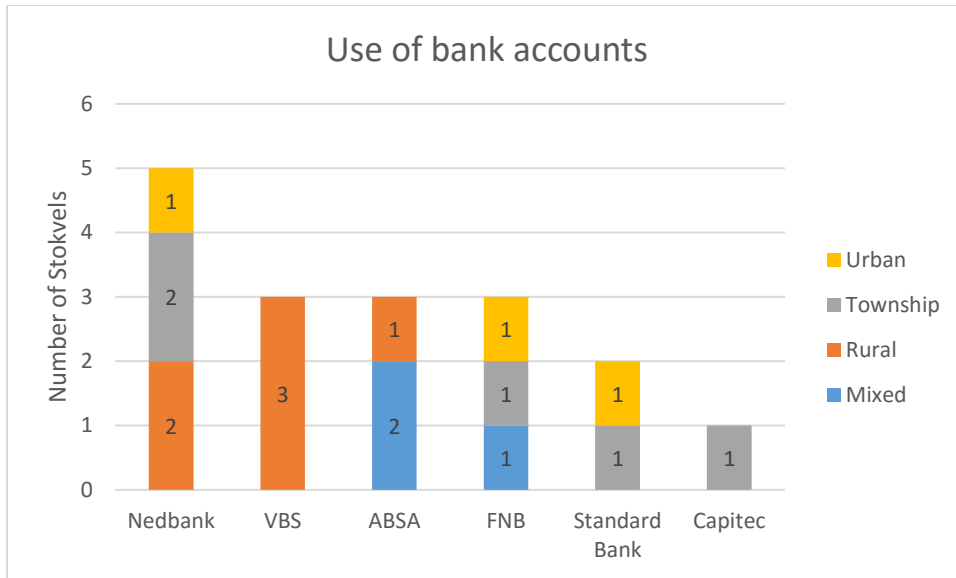


Figure 18 Name of bank used per location of stokvel

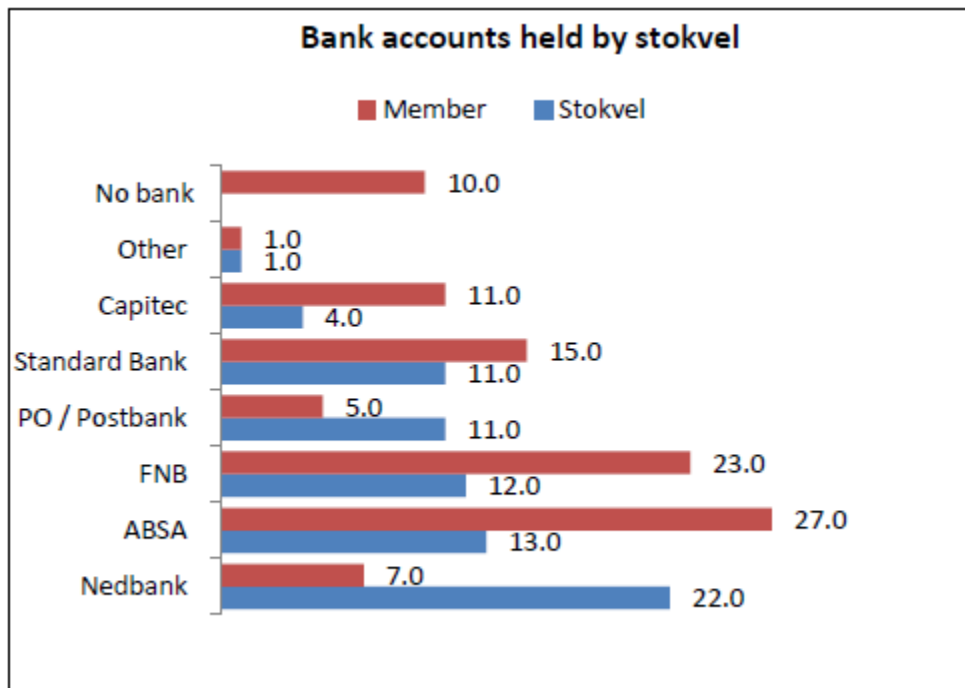


Figure 19 Banking institutions used by stokvels

One stokvel mentioned that the only reason they chose ABSA over FNB was because of key holders that ABSA gave them. They stated, “Also when we went to ABSA they gave us other little things like key holders and pens for each of us”.

Therefore, because there are no differentiated offerings, little things make a difference to the stokvel groups in choosing who to bank with.

One of the key themes in financial inclusion is access to credit by low-income earners. The idea is that access to credit improves the livelihoods of the poor. ABSA (2016) have taken the vision of financial inclusion head on by intentionally putting in place mechanisms to include the excluded. However, this is another case of disconnection between stokvels and financial institutions. During the research, debt was an interesting discussions area because to the stokvel members, the debt had two faces depending on its source. Debt from banks was seen as a bad thing that one should get out of but debt from stokvels was seen as a mechanism that actually helps them progress. When talking about bank debt and about how stokvels help them, stokvel members said that:

*“Well, this way you avoid debt. You avoid store accounts and credit cards. With lay-byes you would have to pay it over 3 months or 6 months. This way you get to buy your things cash without debt. Buying things on credit still means you have debt. This allows us to not have debt. I like the stokvel because you are able to buy what you want cash without a need to owe any store any money.”*

*“(Uses stokvel debt to pay off bank debt) ...but using cheaper debt. Because there is no interest.”*

*“Stokvels helps to buy for December...as well as January back to school needs and therefore avoid February debt. “*

*“If they came together and started a stokvel that would change their lives and they could loan each and avoid loans (from loan sharks and banks).”*

*“It helped us to get out of debt. We don't loan money from banks. We don't go to loan sharks. As a group, we loan each other money. We are not poor because of our stokvel”*

*“...having cash helps us not have debt but to buy things cash”*

*“You no longer loan out money because you have this cash coming”*

*“The stokvel helps us get out of debt“*

*“It helped to free people from debt. The stokvel itself gives members cash so there are no loans needed”*

*“We mostly want to buy things cash without using the bank's money (no debt), no applications and stuff like that”*

There is clarity that there is a disconnection between what banks are doing and what stokvels actually are. Having debt from a bank comes with shame, whereas having debt from a stokvel comes with excitement. To the members, you are really poor if you are knee deep in bank debt but you are not poor if it's exactly the same amount of debt but from stokvels. One of their big motivators for loaning from a stokvel is that at the end of the year they benefit from their interest payments unlike when they loan from a bank where they don't benefit from the interest. The stokvels that loan out money is typically saving, credit and sharing stokvels, meaning that each month members contribute to the year-end sharing and those with loans contribute the stokvel amount as well as their loan repayments, which they get to get a share of at the end of the year. Furthermore, with the stokvel, they are able to structure their loans accordingly to their month to month financial abilities. Stokvels do not dictate monthly amounts to be paid but rather the date of complete payment. Therefore, the payment terms are in the hands of the debtor. The excitement with which members take stokvel loans is genuine because they are empowered and given control over the repayment terms. The stokvel also gives a borrower a say in how much interest is charged each year.

The sense I got is that if there were other alternatives, people would not use banks at all. In fact, there are a few groups that don't use banks but use distributed 'banking' models, where different members have different portions of the money. Then when the money is needed those members who have portions of the money coordinate and get the amount required by the stokvel. One group made of students studying in universities across Limpopo and Gauteng use one of the member's mothers as a bank as opposed to a bank. The reason for the negative feelings towards banks across stokvels where that:

- when one puts money in the bank it does not come out the same because of bank charges  
*“No, we want it to be the complete R300 that we put in \*emphasised\*. With the bank, you put in R300 and what comes out isn't R300. It's less because of the charges.  
\*\*laughter\*\* Money that goes to banks reduces. You don't get out what you put in.”*

- stokvels in rural areas are far from banks, there is a distance from banks or ATMs that is a big demotivator because the costs of banking are too high. Banks do not feel accessible to them:

*“Banks have bank charges that we don’t want to pay. Another disadvantage is that for us here in this village, we only have 2 banks, FNB and Standard Bank. Our members use many different banks, so there would be many costs to deposit money. The biggest reason though is bank charges, the best bank from a cost perspective is Capitec. But it’s all the way in town, so there is a cost of transportation that we would need to pay. Which is just too much. A taxi to and from town would cost us R100”*

- and the administrative requirements are too much and often members do not have the required documentation.

*“The bank often has a lot of demands on a person to loan them money. At the stokvel, we don’t have hurdles and hoops to jump through. We are able to get that money seamlessly. The banks are very admin intensive, it is tiring from proof of residence and the like. What banks want is very tiring. We rather not go through that process. So, we choose stokvels, to not deal with the admin.”*

*“So, then we went to Nedbank and they wanted proof of residence and most of these ladies don’t work. So, then I told them that I use Capitec but Capitec does not have a club account.”*

*“Other banks have a lot of demands we can’t meet when we want to open accounts. VBS is easy and doesn’t require too much. A lot of stokvels in this area use VBS. VBS only requires a letter from the traditional courts (constitution). Other banks require documents and letters that are in English to accept you. VBS just requires 3 people to open the account and a letter from the traditional courts.”*

Therefore, this disconnect between financial institutions and stokvels negatively impacts stokvels’ ability to generate wealth through financial institutions. There is a need to bridge the gap between the two parties to help them speak the same language. Because unfortunately today’s financial wealth mechanisms are intricately intertwined with financial institutions. At the same time because of the exclusion that stokvels experience they have built their own multibillion-rand ‘financial institution’ and that ‘financial institutions’ can’t be ignored. Therefore, it is in the interest of the wealth of both parties for a common language to be spoken between the two entities.

Kruger and Whittaker (2015) compared literature, financial institutions and on-the-ground discussions on financial inclusion. They found that institutions do not speak the same language as their target markets or customers because they were interested in solving a problem that the target market does not have because their intention is to sell specific products, as well as missing a number of factors in the lives of their target market that influenced their decision to purchase or not. Therefore, agreeing with my finding that financial institutions are disconnected from stokvels and their offerings to them reflect this fact as well.

Unfortunately, banks so far have not shown any intention to change nor are they incentivized to change because they currently benefit from the money that stokvels contribute and keep in the banks. Banks call that money lazy deposits. It is essentially lazy because the money is just left in the account without being used for anything else by stokvels but just for safe keeping and therefore banks can use that money for lending or investment purposes. In the financial report presentation of Nedbank in 2009, the CEO celebrated that they had an increase in lazy deposits, he said that Nedbank must “maintain a strong position in deposits & increase lazy deposits” (Boardman, 2009). Therefore, increasing lazy deposit is a part of their strategy and a natural place to get that increase is through funds from stokvels. Therefore, they have no incentive to see stokvels become investors because that would decrease their lazy deposits balance. The current service offering of banks negatively impacts stokvel’s ability to transition to investors in the economy.

Financial institutions are currently not a value add in making stokvels less consumption orientated and more investment focused. Their offerings are very basic and are based on governance features of stokvels that are not as important anymore. Financial institutions are an inhibitor of stokvel transformations. Groups like Pono-Pele and Eagles needed to convert their groups to businesses in order to benefit from the service offerings of banks.

*Theme 5: Credibility and transparency are directly proportional to the trust that stokvels have to institutions*

Six of the stokvels that were engaged expressed that they don’t trust a lot of financial institutions because of their previous dealings with institutions that are not credible and reputable. The six were very cautious of ‘get rich quick’ schemes, which have gained popularity in South Africa over the past few years. Maria from Raselabi Stokvel in Turfloop stated that:

*“We don’t want to be taken advantage of by schemes. You don’t want to invest your money then when you go the offices of the company and the company does not exist anymore”.*

This incident that Maria painted happened to Humbulani from Khuliso Stokvel in Venda. Humbulani invested R15 000 over a three to five-year period in a company called WealthNet but when she wanted to withdraw the money she was given a run around until eventually travelling to their offices and did not find the company at the stated address. Experiences of people like Humbulani who are in stokvels have caused people to be on high alert when it comes to making investment decisions. Investment decisions are doubted first before they are adopted. However, if the investment demonstrates its legitimacy then people will begin to trust it. Even big brands are not automatically trusted. Therefore, demonstrating value is key to increasing the level of trust towards an institution by the stokvel.

Credibility is also a consequence of position and branding. Josephine from Sizanani was excited to tell the group how, although she is a tea lady at Standard Bank, she actually holds education investments through Investec. I asked them if any of them held personal investments, the room went quiet and Josephine just started smiling, she was acting like a school child who knew the answer to the question the teacher asked but was waiting for the right time to answer and impress the class. She then said with the wide smile still on her face; *“I have one with Investec”*. Josephine looked so proud of that investment, then proceeded to explain how she got it. She said:

*“I work at Standard Bank. So, I’m a tea lady at Standard Bank. I asked the white people at Standard Bank. I said to them that I have children. What can I do to be ready for when they go to university? The white man advised me on the best way forward. He advised me and told me they can get me a product whereby I put money in every month and even if my child does not go to university, they can still access that money”*

I then proceeded to ask if his race mattered and why she trusted him. To Josephine she trusted him because of his position, she said, *“Well I trusted him because he is a senior manager there at Standard Bank.”* There were, however, undertones that his race contributed to the trust as well. Because later in the discussions she said,

*“I can also go to work (Standard Bank) and ask people around to say such and such a person came and told us about this thing... people are really willing to help because they have realised that we tend to get cheated in such things. They can do research for us and let me know. They can see that we as black people keep falling for schemes so they check if the schemes we want to invest in are legit.”*

Unfortunately, because of the legacy of our country, Josephine sees a white person as a saviour and therefore she is likely to trust what a white person says without question. Which puts her in a vulnerable position to be taken advantage of and also at the same time putting her at a disadvantage because a black person led organisation that has good products that could benefit her are not easily trusted. Josephine was the only person to allude to race contributing to the trust, although stating that the reason for her trust is the position of the person in the bank.

Jack of Explore-Together Social Club held a similar view to Josephine regarding position being a reason for trust. He stated that the source of their stokvel’s financial decisions was a member of the group adding that *“We have blind trust on a member of our stokvel who is a financial account”*. Lastly, Andani from Beef Stew mentioned that *“It’s because banks deal with money. They have all my money so it makes sense for me to trust them. Besides that, it’s a big bank, that won’t run away with my money”*. Andani’s position was shared by many who trusted banks because they are big or deal with money and the fact that money is secure in the bank, nothing can happen to it. Therefore, who you are (including your race), what position you hold and awareness to your brand are key factors that influence stokvel members’ trust. A credible source is one who has a brand and position.

The reasons for the negative feelings that stokvels hold towards banks is because banks are not transparent with their processes. Stokvels that do not use banks prefer not to do so because they do not understand bank charges and why they are charged so much. They want to be able to retrieve from the bank what they put in. At the same time, they say of VBS *“Also when we go fetch our money at VBS we never feel like we have been robbed, everything goes smoothly”*. Simply because VBS speaks to them in their local language and explains to them everything. The offering of VBS is not on paper any better than that of the big banks but their openness has earned them trust. Even the openness of the stokvel itself increases the members’ trust for each other. In each stokvel meeting that I attended, there was a clear transparency about the finances of the club. That moment

was almost sacred with members listening intently regarding the financial performance of the stokvel.

Stokvel members who have displayed unfaithful behaviours are shunned by the group and treated with contempt. Some of these former members were members that came to the stokvel group with malicious intent and these members are the reason that stokvels constantly make their rules stricter to try and reduce the chances of people with bad intentions joining their group. Sizanani had an experience where:

*“The person joined thinking that their sick will pass away soon. Which they didn’t. So, then she stopped being a member of the stokvel, then the person passed on after that. We realised that this person just wanted to use us but we decided to be better than them so we still contributed money but didn’t buy groceries or go there. We just experienced this recently, the big thing in helping her was that we wanted to show her that we are not like her but we are faithful people and we know that she is the person that God has made so we will help her. It was really annoying because she put in a person thinking they are going to die soon but the person didn’t die so they stopped but then the person ended up dying.”*

The unfaithful member wanted to take advantage of Sizanani but fortunately, their plan failed. Therefore, openness is key in trying to earn the trust of the stokvels and one has to ‘tread slowly and carefully’ because the majority of them have had first-hand dealings with unfaithful people and are therefore on high alert. Benda (2013), Callier (1990), Anderson et al. (2002), Stoffle et al. (2007) and Ambec and Treich (2007) all talk about how the stokvel is a social capital system; where the members’ relationships and trust are key to the survival and success of the stokvel. They address the reasons for members trusting each other and do not address why they trust or do not trust external people or institutions. My findings are similar to theirs: that internal trust is largely driven by “*knowing*”. “*Knowing*” the persons in the stokvel or the person being known by someone that is known in the stokvel. The members achieve this “*knowing*” because they live in the same communities or have known each other a long time or are family or have worked together. Without this “*knowing*” there is distrust. The “*knowing*” also goes to knowing that each member is in the stokvel because they see that they benefit and therefore will not defraud the group because of this desired benefit. This was well demonstrated by the three stokvels that had members that did

not all know each other. One stokvel talking about using banks, said they would not want to use banks, stating that

*“...we discourage that (usage of banks) because since we are such a large number, including people that I don't know, I for one would have trust issues. Then we must pick 2 people that will sign on my behalf, making decisions for me and I just get told what is happening. We've never even had a meeting. Everything happens over the phone. So, no to banks.”*

The “*knowing*” both determines trust and distrust but can be extended to outsiders that are not “*known*” and therefore not trusted. These outsiders receive a trust proxy based on the trust that members have for each other. This was visible in all stokvels that had members that did not all know each other, the stokvels would say that they trust other members that they did not know because they know someone who knows them and is a member of the stokvel. Because of the person I know, “*...trusts them then, I will trust them because I trust her*”. Therefore, this theme adds to the already existing body of knowledge of why stokvels trust their internal members, corroborating previous finds but also adding to the narrative by showing what factors makes stokvels trust outsiders or those they do not know.

Stokvels have had enough dealings with unfaithful people and organisations, as a result, they have become hard and closed to outsiders. Demonstrating value to them is how trust can be earned as well as being open and transparent about ones' agenda.

*Theme 6: Collaboration is only possible if there are shared value or vision, however, caution should be taken when it comes to money because it inevitably causes conflict*

In order to leverage the strength of the stokvel institution, collaboration is key. However, stokvels are not very fond of collaborating with other stokvel bodies especially when the collaboration involves money. Of all the stokvels that were open to collaborating one key thing that they highlighted is that collaboration must be based on shared vision or values. The stokvels said:

*“No, we could not. That is a difficult one. Remember each group is different with its own needs. We can't work together because we are not all pulling in the same*

*direction. Each group must stand on its own feet. Each group has its own vision which is not like that of other groups.”*

*“We would, yes, because what I have observed is that we have the same values and vision in our group. The only challenge is that I don’t know whether the vision and values of the other stokvel are different, which might make it difficult to work together.”*

*“...we can work with anyone as long their intentions are similar to ours and we are willing to share with them, even if we comprise some of the things we do”*

*“...if that other stokvels is not Christian, we wouldn’t even consider that. If it was males, we wouldn’t even consider that”*

Most stokvels displayed their values in the way the meetings ran. For example, all stokvels in Maibani started by praying before the meeting started. Pono-Pele mentioned God and faith quite often through the discussions we had. Where values were not a strong foundation generally there was a negative consequence on the club. For example, Eagle’s Group lost R380 000 in one year because of the clash in vision within the group, some members wanted to get rich quickly whilst others saw wealth as a consequence of patient and long-term investing. Therefore, shared value or vision is a core foundation for collaboration amongst stokvels.

Even though there might be an agreement on values, financial collaborations were frowned upon because money was seen as a source and cause of fights. Josephine from Sizanani even went far as to say *“tshetele ke sibi”*, which literally translated means “money is evil or sin”. However, there were 3 groups that were interested in collaborating financially; Eagles Group, Explore-Together Social Club and Big 10. Interesting enough these were the men’s groups that were engaged during the interviews. Explore-Together Social Club did not mind a financial collaboration, however, the vision for the collaboration must be the same. Big 10 on the other hand, saw collaborating as a way to do more than what they can do as an individual group but the collaboration must be linked to their core mandate. And Eagles Group were driven by making more money as an organisation, however, their lack of agreed values as an organisation has caused them to lose a lot of money and it is now also causing them to lose members. Therefore, a collaboration that is not founded on shared value and vision is inevitably disastrous for stokvels.

Annually stokvels are noted to be spending R44 billion and mostly on consumables. However, because they spend the R44 billion as individual stokvel groups, they are unable to leverage their collective wealth to bargain with various suppliers. Only one stokvel during the course of the research was aware of the collective value of stokvels. Most stokvels were shocked that so much money is spent. Figure 20 provides a high-level summary of how stokvels felt about the R44 billion that is spent by stokvels annually. The majority of them were shocked stating that:

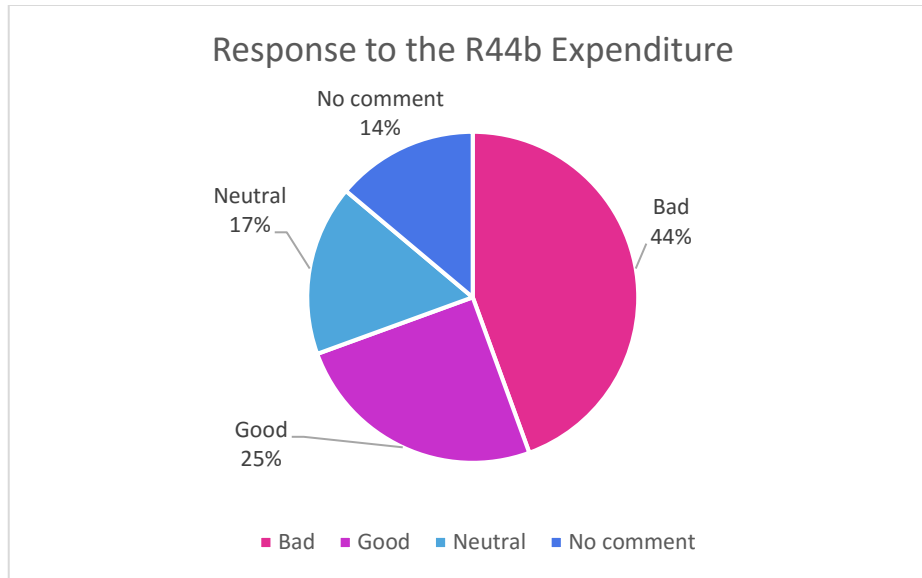
*“Wow, I have never really connected it that those stokvels could add up to so much money. But they are spending a lot of money. I need to think about it...Wow, that is a lot of money. I have never thought about it. They are just spending not thinking about it.”*

*“But honestly, it’s not visible when we spend that we have such an impact as stokvels. We are just spending a small amount each year and we never think that there are many stokvels doing the same. It’s a challenging report.”*

*“We are helping Bram G (name of the store that stokvels use for bulk purchases in Venda) to be rich, we are supporting him so that his business can grow.”*

*“Well, we don’t know that kind of information. We don’t have a global view of what is happening.”*

*“As mentioned, we hear this but we don’t know how else to spend our money. We don’t have to advise to say this is how this is what you can do with your money. No one has ever come like you have to open our eyes. You have given us a lot to think about.”*



*Figure 20 Responses to what they think or feel about a combined annual expenditure of R44 billion by stokvels*

Generally speaking, stokvels felt that they were spending too much money and saw that it would have been advantageous for them had they actually invested some of the money. Mashudu from Maphaha Family Club said

*“The challenge is that we dispersed across the country as stokvels and we don’t have a global view of what we are doing. We are just focused on ourselves and what we are up to. If it were possible, people of stokvels should start working together so that they can better (gain) advantage of the amount of money they control. Maybe that money should be invested, perhaps there should be a plan to put all our money together and invest it then it returns to all of us after some time”.*

On hearing the R44 billion expenditure Mashudu proposed that there is a need for collaborations amongst stokvels so that money can be spent and leveraged to add value to members’ lives. The revelation of the R44 billion economy that stokvels control or rather spend was a shocking revelation to most of the stokvels with very few thinking it as a good thing. To most of the stokvels, they realised that maybe their current expenditure is not the best way.

#### 4.5. Summary

The purpose of this study was to understand why stokvels use their money the way that they do as well as discovering insights that are key to transition stokvels from consumers to investors in the economy. In order to answer the research question, phenomenology was used as a research method with transcendental phenomenology being adopted for the data analysis. The choice of the method was to ensure that the phenomena under study could be understood from the research participants' experiences, perspectives and perceptions. 36 stokvels in rural, urban and township areas across South Africa participated in the study. The 36 stokvels were acquired through snowball sampling technique and their unique experiences were captured and analysed. From the analysis, six key themes emerged. The themes showed that stokvels' are designed to meet a specific need which is often an immediate need of the members and therefore the immediacy of the need makes them consumptive in nature and prevents them from investing. Meeting of needs of members through the stokvel makes the stokvel a risk-averse organisation and risk is an important component of investing. Even if the stokvel was to gain interest in investing, the banks are misaligned with the stokvel's needs providing them with a basic service offering. There is a big disconnect from financial services providers and stokvels. Banks have built their offering to these groups based on a small part of their governance practices namely, the constitution and different membership roles. However, as the stokvel increases in financial education, it morphs more and into an investor and less of a consumer. This transition of stokvels is re-enforced if the stokvel additionally also interacts with an organisation that give them a good return and does not leave them feeling cheated.

Continuing from the research findings is the research discussions chapter, the next chapter. The next chapter discusses what the study means and how it answers the research question by providing interpretation of the research findings.

## CHAPTER 5: Research Discussion

This chapter gives answers to the questions “what does the study mean” as well “what can be learnt from the study” (Creswell, 2013; Geletkanycz & Tepper, 2012; Glatthorn & Joyner, 2005). In the context of this study, six key themes were discovered that give insight into the reasons behind stokvel’s currently consumptive culture as well as insights to levers that can be leveraged to transition stokvels from consumers to investors. That was the very purpose of the study, to understand how stokvels could be transitioned from consumer to investors in the economy with the hope that they could mature into a legitimate community development micro-finance institution.

In order to answer this research question, transcendental phenomenology was employed as explained in chapter four. This chapter has five parts: imaginative variation, syntheses of meaning, previous research findings, an implementation plan to shift stokvels from consumers to investors as well as a comparison of South Africa stokvels to other ROSCAs from two countries. The imaginative variation provides a visual representation of the textual descriptions of the research findings as described in chapter four. It shows how each of the themes relate to each other. The synthesis of meaning, on the other hand, provides a logical diagram that is a possible explanation of the phenomena. The diagram is a combination of the themes that emerged as well as the imaginative variation. The implementation plan then provides a view of how one could practically transition stokvels from consumers to investors. The implementation plan is a twelve-month road map that shows how this transition could occur. The final part shows how this research contributed to the literature by comparing its findings to previous researchers’ findings.

### 5.1. Imaginative variation

Stokvels are mostly consumptive organisations by design. However, their role and function are ever-changing to suit the needs of the members. As members grow and desire more than just a consumption vehicle, the stokvel evolves through the financial education it receives. As it evolves its risk profile changes too and it starts changing from a purely consumptive stokvel to a combination of consumption and investment. Interacting with the credible organisation and seeing other stokvels succeed re-enforces the desire to invest. However, the current financial services

offering is not geared for its evolution. The stokvel must potentially find non-stokvel banking solutions, for example, moving to business banking solutions.

Figure 21 depicts how the different themes that were identified related to each other as well as how they contribute (positive or negatively) to making stokvels transition from consumer to an investor in the economy. It's clear from the model that financial institutions are the least value adding part of the puzzle. Financial institutions are not catering for stokvels' ever-changing needs and therefore only contribute if stokvels remain consumptive but do not cater for their change to investors. Stokvels that evolve and become investors often no longer continue using stokvel banking services offered by banks. Instead, they switch to bank accounts designed for private companies. This is the change that Pono-Pele, Eagles and Explore-Together Social Club had to do because they wanted to act as investors and not just consumers in the economy.

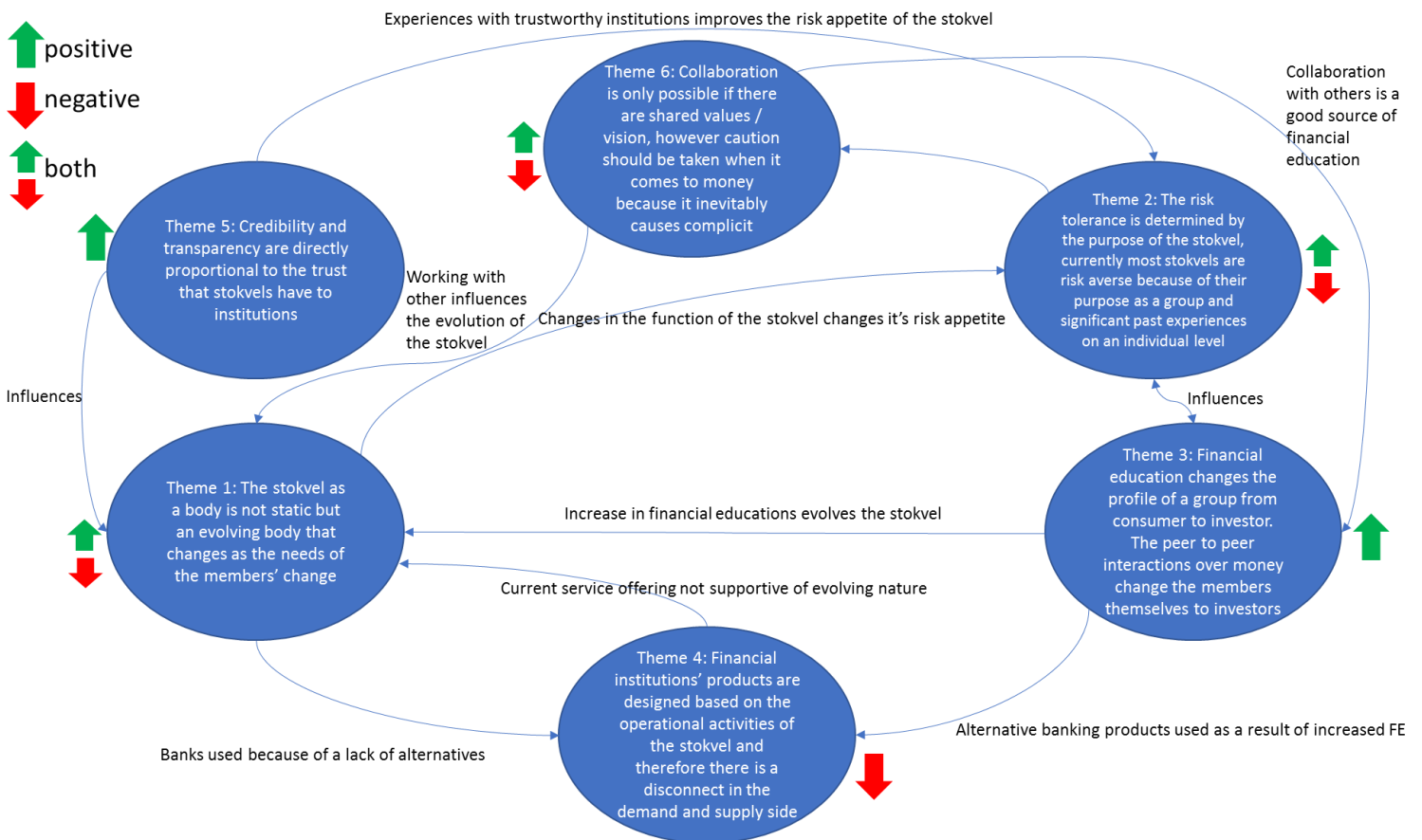


Figure 21 Model of factors that influence stokvels' investment decision

There is currently no incentive for financial institutions, especially banks, to behave any differently than they do right now. Banks benefit from stokvels' lazy deposits which they can put to use in a twelve-month cycle and see return. If banks are getting returns from money market accounts (which typically gives a 7% annual return) from the R44 billion that stokvels handle annually, that could easily be an annual return of R3 billion for these banks. Banks can get this R3 billion for providing a basic service to stokvels, therefore, they continue to benefit if the status quo remains the same. However, stokvels are ever changing and they need institutions that cater for their changing nature.

Financial education directly impacts stokvels' risk appetite, investment interest and action. The source of this financial education is reading, seeing or hearing what other stokvels are doing and then members actively engaging in discussion about how the new information they have received impacts them. Traditional financial education as described by Atkinson and Messy (2012), Willis (2011) and Brown (2009) is not what gets stokvels to start being interested in investing. Pono-Pele stokvel would have been considered financially educated from the get go, but as a group, they did not participate in investments until they read about how other stokvels were doing it. Therefore, stokvels interacting with other stokvels is very important to the transitioning of stokvels from consumers to investors.

However, once they decide to invest, it is important that stokvels encounter credible and trustworthy organisations. Because in doing so, the interaction re-enforces their decision to invest in the first place. Negative experiences inversely impact their decision to invest and it is much harder to get stokvels to invest again after having a bad experience. Stokvel with members who have experienced negative financial experiences will take longer to transition from consumer to investor because depending on how the individual was hurt they will stop and oppose the stokvel's desire and decision to invest.

Therefore, Figure 21 provides a visual summary of the themes as well as shows how the different themes influence each other. Furthermore, the imaginative variation also shows whether each of the themes has a positive or negative influence on stokvels transitioning from consumers to investors. The combination of the themes and the imaginative variation provides a foundation for determining a logical model that explains the phenomena and answers our research question.

## 5.2. Synthesis of meaning

A combination of the themes that emerged and imaginative variation map gives us a logical diagram that represents the phenomena (Moerer-urdahl & Creswell, 2004). Figure 21 provides a visual representation of the synthesis of the meaning. The research findings show that financial institution's misalignment in service offering to stokvels negatively impacts their ability to invest and build wealth through traditional financial institutions. Whilst the stokvel is dynamic, its consumptive nature negatively impacts its ability to be an investor. However, collaborating with other stokvels and receiving financial education positively impacts the desire and ability to be investors. Figure 22 provides a logical flow of how the themes and imaginative variation explain how stokvels can become investors. Becoming an investor is influenced by a number of factors, including the financial education levels, previous experiences, working with credible organisations and collaboration with other stokvels.

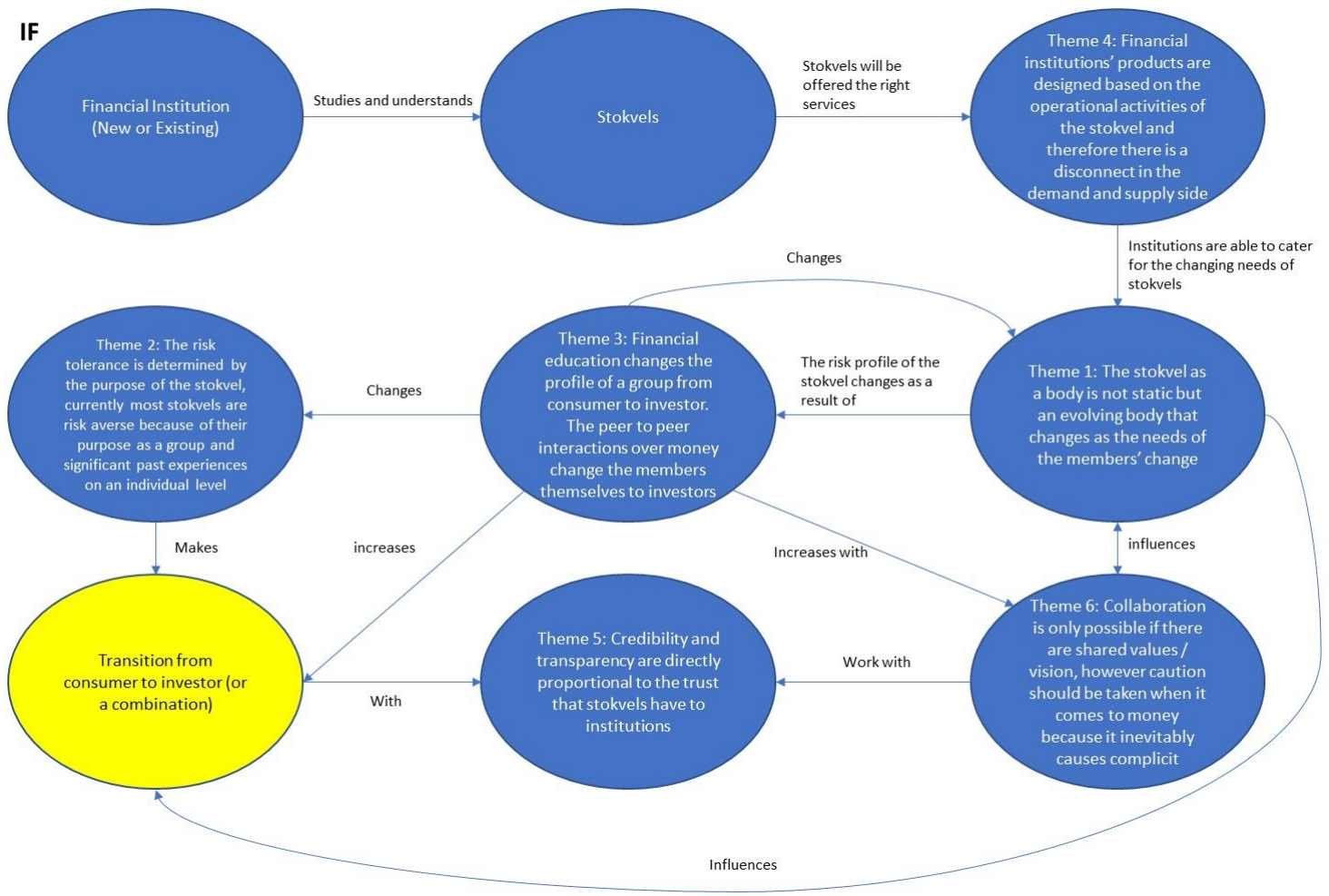


Figure 22 Visualisation of the synthesis of meaning

Figure 22 shows that there are factors that directly influence the stokvel’s investment activities or lack thereof. These factors are financial education (theme 3), changes in the stokvel (theme 1) and the risk profile of the stokvel (theme 2). These factors have a directly proportional relationship to stokvel’s investing or not investing decision. In other words, if the financial education increases the stokvel is likely to invest. If the needs of the members change such that they now desire to invest and not just consume then they are likely to start investing. Lastly, if the risk profile changes because of new experiences by members or by other reasons then they are also likely to invest. These are the three factors that directly influence stokvels’ investment behaviours and they also influence each other. Financial education is directly proportional to risk profile and changes of the stokvels. The more the stokvel has of financial education then the stokvel will change to

accommodate this new information. In order to action the new information, the stokvel will change its risk profile to a higher risk so that it can start investing.

The other three remaining factors are supporting factors that don't directly impact stokvel's transition from consumer to the investor. Financial institutions (theme 4) create an enabling environment for stokvels to be able to invest seamlessly, whilst credible organisations (theme 5) provides the requisite products or services that stokvels can invest in. Interaction with credible organisations is key to ensuring that stokvels continue investing. Lastly, collaboration (theme 6) creates a platform for learning from each other as stokvels as well as pulling together their collective strength to do more with their resources. Therefore, all six are needed to successfully transition stokvels from consumer to investor because, without the enabling themes, stokvels will not be able to act out their interests to invest.

Therefore, introducing a financial institution that understands stokvels and has a vested interest in their financial progression is key to the model shown in Figure 22. Existing financial institutions have no incentives to actually enable stokvels to become investors in the economy. They benefit from them by maintaining the status quo by leveraging the lazy deposits that stokvels make to make short-term returns. Nedbank, the biggest banker of stokvels celebrates increasing their lazy deposits annually (Boardman, 2009; Hubbard, 2014). A new financial institution is therefore required that provides an enabling environment for stokvels to transition from consumer to investor in the economy.

Secondly, the stokvels themselves do not understand how banks operate. They often feel robbed by the existence of bank charges; with their members often not taking up investments because they think they do not have enough money for those investment vehicles. There is a need to close this communication gap that exists between financial services providers in general and stokvels. To close this gap, either the new financial institution that I am proposing or another entity is required to broker the relationship between stokvels and financial service providers. Nwigwe et al. (2012) state clearly that people who have been financially excluded most of their lives are unable to relate to products even if they are directly targeted at them. They recommend that there is a need to not only directly target the previously financially excluded through marketing initiatives but also more intimate approaches are required such as 'on the ground' marketing activities. Therefore, a broker is required between stokvels and financial services to drive understanding of services and to ensure

that stokvels understand the services and how they can benefit from them. As well as ensuring that financial service providers understand stokvels and provide them with relevant and value adding services.

A key challenge that needs to be overcome to enable stokvels to transition from economic consumers to investors is that of transference of financial education. I say transference because the type of financial education that stokvels respond to is not traditional financial education that is focused on understanding key financial terms, knowing financial products or understanding how to calculate compound interest. Stokvels respond to seeing, hearing or reading about other stokvels' financial activities and successes. Therefore, there is a necessity to create an enabling environment where stokvels can transfer said financial education from one another. This transference will result in more and more stokvels becoming more interested in investments in addition or as an alternative operation to their normal consumptive patterns. The interest sparked from the financial education changes the dynamic of the conversations within the group from short term thinking to long term. However, if the groups make a decision to act on their interest by investing then investing with the right organisations is important. Credible organisations are critical for stokvels to maintain their new-found mindset. The right organisations which re-enforce the mindset to invest, with the wrong ones pushing them back to their old thinking. Having a financial institution that has vested interest in the financial progress of the stokvel will aid in brokering the relationships of stokvels and various financial services; ensuring that only credible and trustworthy financial services are considered by the groups. Repairing the damage that is caused by 'fly by nights', 'get rich quick schemes', 'pyramid schemes' and other similar organisation is very difficult to do, therefore, brokering the relationship with service providers will reduce the probability of this damage occurring again in future.

### 5.3. Implementation Plan

The synthesis of meaning shows that there is an opportunity for an institution that provides financial education, brokers the relationship between stokvels and financial services providers as well as linking up stokvels in mentoring relationships. It is this idea that encouraged this business model to emerge. The business model, in a nutshell, is a financial wellness and wealth management institution for stokvel. However, in order to successfully deliver this business model an

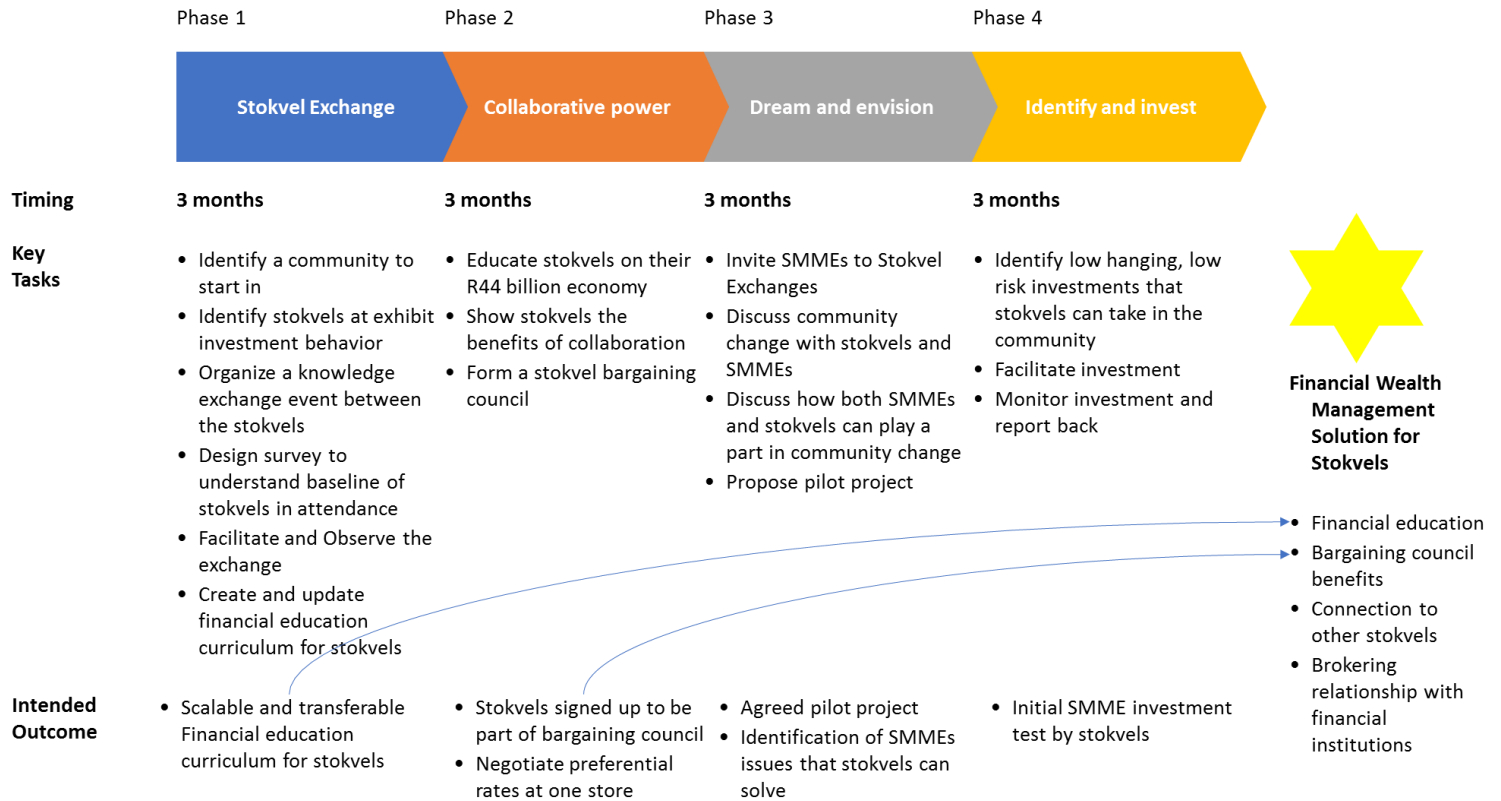
implementation plan is required in order to place all the different elements that are needed to make it effective. The following six steps are key in making this new institution successful.

1. **Create a financial education program** that will enable stokvels to progress, financially. The financial education that progresses stokvels forward is not one that prioritises knowledge of key finance terms as well financial products. It's actually seeing, reading or hearing about the financial activities and successes of other stokvels as explained in Theme 3 of the findings section in chapter four. Therefore, a peculiar and particular financial education program is required that is designed specifically for stokvels. To develop this, a Stokvel Exchange event will be organised that fosters information sharing between different types of stokvels. Through ethnographic research, those exchanges can then be captured into a format that is scalable for other stokvels. This Stokvel Exchange will be different from what NASASA organises because the event organised by NASASA is focused on NASASA educating stokvels about who and what NASASA is so that they can become members of NASASA. It is an event where NASASA gives stokvels information. This would be different because it will be designed around creating an enabling environment for stokvels to give other stokvels information. Therefore, an event is needed where stokvels educate other stokvels on investing.
2. According to the findings in Theme 6, there was a shift in thinking that occurred by just exposing stokvels to their R44 billion economic power. Therefore, as part of the knowledge exchange process, **educating stokvels about their collective power** is important to help them see that working together is a beneficial activity that they should strongly consider. From their place of seeing their collective power, that kind of thinking that can be leveraged to introduce them to **collective bargaining**. Forming a collective bargaining network with stokvels will allow stokvels to still spend as they require but through discounts, they spend less and get the same quantities they require. Capital can be freed up, which can then be invested in assets or other income generating vehicles. Therefore, similar to the American business, Groupon, that uses its membership base as a mechanism to get a high discount on certain products from various retailers. One could think of it as Groupon for stokvels. One of Groupon's challenges was that they are unable to guarantee that customers who use their discount network will be repeat customers. However, in this case, stokvels are already annual spenders, so they will by default be repeat customers and therefore increasing the likelihood of the business succeeding.

3. **Educate stokvels about SMMEs and their potential impact on the township economy.**  
Allowing stokvels to start to envision a community where local SMMEs are pivotal in changing the status quo of the community. Once they believe in the power of SMMEs, we will then start introducing them to cash investments that they can make, which are fairly low risk with good returns such as funding purchase orders of SMMEs. Cash investments are investments that are made in current assets or liabilities. These are, for example, short term loans that are repayable in the same financial year or longer-term loans that are sold off to another service provider in the same year. SMMEs' business models provide a number of avenues for low-risk cash investments to be made by stokvels. However, ensuring the risk taken by stokvels is as low as possible is important in this area.
4. **Build a repository of financial services providers and services** that will truly benefit stokvels and start educating stokvels about the benefits of financial service provider's offerings and how the stokvel benefits them as a group. Furthermore, showing them how the different product in the market compare, therefore, enabling them to make a better-informed decision. This will improve the probability of stokvels interacting with credible financial services providers and avoid them falling into scams. Theme 5 showed that working with credible organisations is important for reinforcing the stokvel group's mindset about investment. It's very difficult for a stokvel that has had bad financial dealings or has members who have had bad financial dealings to start or even think about investing again.
5. **Broker the relationship between financial institutions and stokvels** because the research shows that stokvels and financial institutions are disconnected and therefore 'don't speak the same language'. Having spent so much time with stokvels (and intending to spend more) and with my experience and knowledge of the financial services sector, I, through the proposed business model, can act as a broker between the two bodies to ensure that there is alignment and understand in thinking. Theme 4 discussed how there is currently a big disconnect between banks and stokvels. Banks offer a very basic service offering to stokvels. Most stokvels indicate frustration with the banking system and from my analysis, the frustration is also due to not fully understanding how banks work.
6. **Introduce stokvels to a sustainable solution** that allows them to invest in their communities, connect and learn from other stokvels as well getting discounted purchases for their consumption needs. That solution is the envisioned business model for working with stokvels

going forward; a Wealth Management Solution for stokvels by stokvels. My vision is that stokvels would start seeing themselves as fund managers whose aim is to feed their families as well as create a financial return for their organisations. The solution would tie together all the six themes, giving stokvels a platform to enjoy economic mobility through their participation in stokvels.

Figure 23 shows how the implementation plan could be facilitated over a twelve-month period. Although the steps are shown as linear, an iterative and agile approach and thinking should be utilised. The outcome of the twelve-month period would be a Stokvel Wealth Management Solution that is designed by stokvels for stokvels. Furthermore, the solution would take into account the motivation profile and risk profile of the stokvel. The motivation profile is important because the research shows that stokvels are ever changing entities that are reflective of the motivation and needs of their members (as discussed in chapter four, theme one). These motives, furthermore, inform how the groups perceive and tolerate risk. Therefore, the motivation and risk profile is key to the success of the system. In order to execute the implementation plan, an initial investment would be needed. Please see Appendix C for more details of the financials. Furthermore, the development of the Wealth Management Solution would be a consequence of key outcomes of a continuous engagement with stokvels over a twelve-month period.



*Figure 23 Implementation Plan*

Three tests were conducted to ensure that there is a market appetite and interest for a wealth management solution for stokvels. How this was done is that I went back to three of the stokvels that were research participants with a lean canvas business model shown in Appendix A. The idea was to understand from them if they would pay for such a service and if so how much. The three stokvels selected for this engagement were a township stokvel, rural stokvel and urban stokvel.

The aspects that the stokvels liked on the business models were:

- Recommendations from a neutral body regarding what products and services could be beneficial to them, especially relating to investments. The one group was made of professionals and they wanted to start investing but they were not sure what to invest in and what was best for them. This idea was very well received by the urban stokvel. The township stokvel saw the feature as opportunity to avoid scams through the advice given;
- A new portion that emerged was that the urban stokvel felt a need to give back to the community they are from so they were very excited that they could give back by mentoring

a stokvel from a township or rural area. In fact, one of the stokvels started contacting rural stokvels and making themselves available for such advice. This was something that I warned them against after I found out saying to them that it is probably best not to take that step because there might be challenges in future if something goes wrong. Furthermore, in South Africa, financial advice should only be given by a financial advisor, so the legalities of their actions might have legal and socio-economic consequences.

The negatives were:

- The idea of pulling money together was not liked by rural and township stokvels. They saw that this could cause fights and therefore ruin relationships
- Both rural and township stokvels did not see why they should pay for the service

Therefore, from those engagements, it was clear that more work is needed to come up with a solution to these challenges. The implementation plan will, therefore, give the time to craft a solution by stokvels for stokvels. Finally, the last discussion regarding this research that was held, was with Andile Fulane, CEO of Seeds of Prosperity. Seeds of Prosperity has been in the market of financial wellness for close to 10 years and they have been providing financial education to stokvels since 2009. His vision as CEO is for the company to become a premium and leading provider of financial education for stokvels. However, he did state that the current content that they use is not content that was created for stokvels but is general and good financial education content which is beneficial none the less. Discussions with him confirmed that an implementation plan as outlined is best with the business model coming thereafter.

#### 5.4. Previous research findings

The purpose of this research was to determine how stokvels could be transitioned from consumers to investors in the economy with the hope that a path is crafted that leads to them also becoming community investment organisms that invest in SMMEs. This research shows six themes that influence stokvel's current consumptive patterns that can also be seen as levers to move stokvels

from consumers to investors. The implementation plan section provides a road map to show how this transition process can be implemented.

Not many researchers have investigated this area. Most researchers in the past have largely focused on understanding what stokvels are, how they work and why people participate in them. My findings with regards to what stokvels are, how they work as well as why people join them are fairly consistent with previous researchers. However, this research goes a step further by asking how stokvels can be transitioned from consumer to investors in the economy. A few researchers are noted below as contributing to our understanding of factors that influence stokvel’s ability to transition from consumer to investor. Table 3 shows the key researchers who contributed to this area of research in the past as well how my research contributes.

	<b>Factors that influence consumption or investment behaviour by stokvels</b>						
<b>Researcher</b>	<b>Dynamic nature of stokvels</b>	<b>Risk tolerance or profile</b>	<b>Disconnected Financial Institutions</b>	<b>Financial education</b>	<b>Credibility and transparency</b>	<b>Collaboration</b>	<b>Researcher Contribution</b>
(Arko-achemfuor, 2012)				X			Education is required to get stokvels to invest in their own start-ups’ start-up capital and in order to get working capital for their businesses. The point of the research was to discover what stokvels spend their money on as well how they spend it so that

							policy makers can be advised as how to intervene to make stokvels interested in investing in SMMEs
(Kruger & Whittaker, 2015)			X				No comment on how stokvels can become investors but argue that there is a disconnect between how banks see stokvels, how academics see them and how they see themselves. The paper was an investigation on how institutions and academia makes people objects or subject so that they fit their own subject framework, in other words, a bank requires a person to be objectified as a borrower in order to sell their credit products
(Townsend, S, Mosala, 2009)						X	Indirectly talks about opportunities to organise as a

							cooperative that can invest in various assets. However, they only provide this as one possible idea in their thesis and do not provide deeper details regarding their point of view
(Rakabe, 2013)						X	Suggests that with improved governance and clear benefits, stokvels can organise to cooperatives that can invest in their communities as well reselling financial services products
Benda (2013), Callier (1990), Anderson et al. (2002), Stoffle et al. (2007) and Ambec and Treich (2007)					X		They don't address why stokvels trust outsiders but give insights regarding why stokvels trust insiders specifically their own members
<b>This Paper</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>This paper is the first paper to outline factors that influence stokvel's investment and</b>

							<b>consumption behaviours.</b>
--	--	--	--	--	--	--	--------------------------------

*Table 3 Research contribution to literature*

The table shows clearly that this research contributes new knowledge to the body of knowledge of financial inclusion and ROSCAs.

### 5.5. Stokvels compared to other ROSCAs

This research proposed six factors that were found to be influential in stokvels transitioning from consumers to investors in the economy (discussed in chapter four). These factors were discovered as part of this research’s key mandate which was to answer a question on transitioning stokvels from consumers to investors in the economy that could one day be matured enough to be community-based investors for SMMEs. As stated in the literature review chapter (chapter two), stokvels are not unique to South Africa but are a global phenomenon and in a number of countries, they are already used as vehicles to invest in SMMEs. Although those SMMEs are SMMEs of members, they display an investment mindset. To compare this with the South African findings, two countries were chosen that are of similar demographics to South Africa, either having a similar population numbers or GDP (Worldbank, 2017). These countries were compared using the factors that this research discovered as the factors influencing South African stokvels’ financial behaviour. Table 4 shows this comparison in detail.

<b>Factors that influence stokvel’s financial behaviour</b>	<b>Kenya ROSCAs</b>	<b>Ghana Susu or Esusu (same as Nigerian Susu)</b>
Theme 1: The stokvel as a body is not static but an evolving body that changes as the needs of the members change	The Kenyan market has numerous ROSCA models, each serving a different market segment. Some ROSCAs are there as a credit facility for SMMEs, whilst other	Susús provide an alternative finance vehicle for people are normally financial excluded. They provide short terms loans for all their members and most of the

	<p>act as a financial discipline tool for women and others a tool through which to reduce the effects of poverty on a person (Akoten, Sawada, &amp; Otsuka, 2006; Anderson &amp; Baland, 2002; Gugerty, 2007). Therefore, members will align themselves with the stokvels that are most aligned to their financial needs at that point in time. Instead of ROSCAs constantly changing as South African ones do, members themselves change groups based on their needs.</p>	<p>members are self-employed people that use the finance to invest in their businesses or improve their livelihoods (Adusei, 2012). Therefore, like South Africa, these susus currently represent the needs of their members who require credit in order to run their businesses and feed their families. There is a correlation between financial need and membership to the susu. However, the susu does not evolve as much as the South Africa stokvels do because stokvels are autonomous and susus are tightly linked to village banks.</p>
<p>Theme 2: The risk tolerance is determined by the purpose of the stokvel, currently most stokvels are risk averse because of their purpose as a group and significant past experiences on an individual level</p>	<p>Funds received from ROSCAs in Kenya is used based on the mandate of the stokvels, those that are savings focused generally save for major life expenses whilst those in SMMEs support ROSCAs use them to access start-up and working capital for their business (Akoten et al., 2006; Anderson &amp; Baland, 2002; Gugerty, 2007). Therefore, the only risk-taking behaviour that is mentioned is the risk that is taken by members by using their lump</p>	<p>Susus do not display any long-term investment behaviour besides investing in their own businesses. However, susus are used to manage personal risk by the members to ensure that day to day finances are not used on business expenses (Adusei, 2012). The funds received from susus are then exclusively used on the businesses and day to day finances on the welfare of the family.</p>

	sum amounts as start-up or working capital for SMMEs, which have high failure rates across the world.	
Theme 3: Financial education changes the profile of a group from consumer to investor. The peer to peer interactions over money change the members themselves to investors	Akoten et al. (2006), Gugerty (2007) and Anderson and Baland (2002) all don't mention financial education. I think the reason for this is because ROSCAs are fully disconnected from financial markets in Kenya and are seen as alternative credit vehicle. Therefore, these Kenyan ROSCAs are just seen as credit vehicles for individuals but not a collective investment vehicle.	Adusei (2012) and Alabi et al. (2007) both don't mention financial education in the papers, which are both the top referenced papers on susus in Ghana. The reality of Ghana is that susus are just survival mechanisms for their members in Ghana and investment being a long-term activity, does not align with their current needs and requirements. Similar to South Africa's stokvels whose members depend on the stokvel pay-out for their livelihood.
Theme 4: Financial institutions' products are designed based only on the governance activities of the stokvel and therefore there is a disconnect in the demand and supply of financial services	Akoten et al. (2006) talk about how Kenyan SMMEs prefer to actually take loans with MFIs or banks than they would with ROSCAs. The reason being that ROSCAs in Kenya are very stringent and strict when it comes to lending money to members. They don't have flexible repayment plans or grace periods, they expect a borrower to start paying as soon as they have lent money. However, the MFIs offer	Although major financial institutions do not provide finance to the poor, rural banks in Ghana do. The banks have created departments that are exclusively focused on assisting susus to perform their depositing and withdrawal activities (Adusei, 2012). The creation of this department ensures that the bank has a core group of people that are exclusively focused on helping susus grow and finance their

	<p>SMMEs grace periods that allows SMMEs to borrow and spend now and only payback later. Furthermore, the interest rates are acceptable to SMMEs with high-interest rates being 29%. The key method of managing risk by these institutions (MFIs) is through using a ROSCA model of financial management. What these institutions do is that each loan applicant is required to actually contribute periodic amounts of money as savings to the bank along with making any required weekly payments to the bank (Akoten et al., 2006). Therefore, although banks have not embraced ROSCAs in Kenya they have borrowed from their financial model in order to enhance their service offerings to SMMEs. Unlike South African banks who are generally only trying to increase deposits they receive from stokvels without trying to learn from stokvels as organisations.</p>	<p>SMMEs. Furthermore, susus also have a sophisticated collection service that is offered by the banks which ensure that members are able to easily make deposits as well as withdraw funds from the susus across the country with ease. Furthermore, through these collection services, the collectors are also responsible for the membership of susus thus increase the size of the pot for the members.</p> <p>Rural banks have been instrumental in susus being able to invest in their SMMEs, although the big banks have shown a disinterest in the market because of its size and risk profile. Therefore, like South Africa, big banks are not motivated to make the investment to build services for this market because of the market size as opposed to South Africa where banks are not motivated to help stokvel be investors because they benefit from lazy deposits.</p>
<p>Theme 5: Credibility and transparency are directly</p>	<p>ROSCAs in Kenya are not affiliated with the formal financial market in any way. They don't</p>	<p>Susus trust the institutions they work with namely, the banks because the banks are the ones that</p>

proportional to the trust that stokvels have to institutions	receive financial services from the formal market nor do they even use banks for their purposes. Therefore, they don't interact with other organisations in fulfilling their mandate.	make the susus network possible. They grow the membership and ensure that collection and depositing of cash are done as seamless as possible.
Theme 6: Collaboration is only possible if there are shared values or vision, however, caution should be taken when it comes to money because it inevitably causes conflict	There are no literature sources that talk about Kenya ROSCAs collaborating with other organisations.	The susu system in Ghana is fairly complex and therefore there is no need for collaborating with other susus. Most of the susu's activities are managed by the rural banks with member merely acting the role of regular contributor.
Other factors	SMMEs in Kenya use ROSCAs for financing their business because they don't have other options. Furthermore, early stage SMMEs would not even be considered by a formal institution, therefore, ROSCAs services as the 'friends, family and fools' who provide start-up capital (Akoten et al., 2006).	Susu membership in Ghana is driven by the poverty levels as well as a low number of people that actually have access to formal finance currently estimated to be 5-6% (Alabi et al., 2007). In South Africa, the formal banking system is fair accessible to the majority of the population, however, the stokvel offering is fairly archaic and has not evolved with the times compared to Ghana's susus that are well run by rural banks.

*Table 4 Comparison of factors that influence stokvel's financial behaviours with other ROSCAs*

Therefore, looking at how South Africa's findings compare with Kenya and Ghana. It is worth noting that in both the cases of Ghana and Kenya, like South Africa, big banks are fairly disengaged from working with ROSCAs. However, both Ghana and Kenya have village banks and MFIs, respectively, that are active utilising alternative financial models to ensure that ROSCA

member can gain financial services from the bank. In Ghana, rural banks have fully embraced susus and established susu departments that focus exclusively on that market. Whilst in Kenya, MFIs use financial models used by ROSCAs to manage risk; by only giving loans to people who regularly save with them. Therefore, there are opportunities for South Africa institutions to learn from Ghana and Kenya so that can increase the value they add to stokvels in South Africa. However, in Kenya and Ghana, ROSCAs are a matter of survival to their members unlike in South Africa, where there is a large cohort of ROSCA members who are employed in formal markets and use ROSCA for their social and entertainment needs. Therefore, this dynamic is important because, on that fact alone, the Ghanaian and Kenyan government have a greater incentive to put pressure on financial institutions to support ROSCAs.

## CHAPTER 6: Research Conclusions

ROSCAs are a global phenomenon, acting as the largest so-called non-formal financial ‘institution’ in the world. In South Africa, ROSCAs are called stokvels. These stokvels have a membership of 11.4 million people, which make up 800 000 stokvels and have an annual cash flow of at least R44 billion. The intention of this research was to find out how stokvels can be transitioned from consumers to investors in the economy so that they could invest in SMMEs and impact the communities they exist in. In order to answer this research question, 36 stokvels were engaged from Limpopo, Gauteng and Kwa-Zulu Natal. The stokvels were distributed across rural, township and urban areas. However, the majority of the research participants were in rural and township areas. Although the intention was to conduct focus groups with all the stokvels, the research instrument proved challenging as most groups preferred their chairperson to do the talking on their behalf. Therefore, most of the research meeting turned into interviews with silent stokvel members and a single voice speaking for the group. Across the three types of location, the stokvels had a fairly common language that they used. They did not use the word ‘stokvel’ in a general way that literature does, but they meant a very specific thing by the word. A stokvel to them was a ROSCA that is differentiated by the element of to the sharing of money or groceries. They did not think rotating income groups as stokvels but instead as “umgalelo” or “muholisano”. They did not refer to ROSCAs that were focused on funerals as stokvels but instead as types of societies.

In answering the question, ‘how to transition stokvels from consumers to investors’, six key themes were found as being important in explaining the current consumptive patterns of stokvels as well giving insights regarding levers that can be leveraged to transition stokvels from consumers to investors. The six themes that emerged in the research where:

- Theme 1: The stokvel as a body is not static but an evolving body that changes as the needs of the members change;
- Theme 2: The risk tolerance is determined by the purpose of the stokvel. Currently, most stokvels are risk averse because of their purpose as a group and significant past experiences on an individual member *level*;
- Theme 3: Financial education changes the profile of a group from consumer to investor. The peer to peer interactions over money change the members themselves to investors;

- Theme 4: Financial institutions' products are designed based only on the governance activities of the stokvel and therefore there is a disconnect in the demand and supply of financial services;
- Theme 5: Credibility and transparency are directly proportional to the trust that stokvels have to institutions; and
- Theme 6: Collaboration is only possible if there are shared value or vision, however, caution should be taken when it comes to money because it inevitably causes conflict

The research implications show that there is a need to actually educate stokvels on the power of investing as stokvels, the power of collaboration as a whole and the impact that SMMEs could have in their communities with their help. The education program will enable stokvels to transition in thinking from consumer to investor and therefore begin to exhibit investor attributes and behaviours. The education initiatives that worked with the research participants is that of reading, seeing or hearing of what other stokvels are doing. Therefore, a tailored approach to financial education is needed because the knowledge and understanding of key financial services and financial instruments do not turn them into investors. It is education from other stokvels that does the job. Furthermore, each stokvel that started exhibiting new behaviours from the said financial education also implemented this knowledge in their own unique way. Therefore, in implementing a 'stokvel transition from consumer to investor program', the key role is financial education to enable the stokvels to make decisions themselves. A key hindrance in the process of transition from being consumers to investors is that many of stokvels' members rely on stokvels to be able to meet their financial obligations; hindering them from long-term thinking and investment activities. Another key inhibitor is the banking sector. Banks are containers for the lazy deposits of stokvels offering stokvels a very basic service, through which they can transact; where they can only deposit and withdraw. Therefore, financial institutions need to either reform or new institutions should be created either than the existing ones so that value of stokvels can be seen.

***Recommendations to future researchers:***

When it comes to stokvels the discourse should not be about financial inclusion, which is to the benefit of banks but it should be about financial mobility. The World Bank's Findex measures financial inclusion in terms of bank accounts, which is a good measure but a challenging one

because it begs the questions ‘who really benefits from people having a bank account?’ From my time with stokvels, I don’t think what they need is a bank account, they need more than that, they need a platform that will enable them to financially benefit from their R44 billion economy. Having a bank account benefits banks because they are able to use the lazy deposits received from other short-term investments without benefiting stokvels. This is why I recommend for the narrative to change from financial inclusion to financial mobility when it comes to stokvels. Because, if the conversation changed to financial mobility, meaning a change in financial status in the positive, then banks would need to start playing a more active role in helping stokvels create returns from their R44 billion economy.

***Recommendations to banks:***

Banks have been working with stokvels for a longer period of time than any other organisation in the history of stokvels. By now, banks should be experts on stokvels as well as offering stokvels the right products. Therefore, banks, should either ‘step up or lose their place on the table’. What I mean by this is that banks need to evolve and start adding value to stokvels or other organisations will rise up and take their place. One key change is a mindset that they can put in place: that is, they need to stop targeting lazy deposits from stokvels. If their goal is to increase lazy deposits, then it means that they are currently incentivised to keep stokvels as they are because stokvels are probably their biggest contributor to the lazy deposits metric. Therefore, they need to change their metric, to one that will allow stokvels to actually change their tone about banks. Most stokvels that I engaged with just see a bank as a ‘necessary evil’ but if they had alternatives they would actually use those instead.

Furthermore, stokvels have developed very sophisticated financial and risk models that are worth investigating by banks. Banks often sponsor financial education programs that are focused on educating people about their products, ignoring what stokvels are actually doing right. Therefore, banks should approach stokvels with intention both to teach and to learn from stokvels. The current lending default rate of stokvels is 2%, which means stokvels have techniques of risk management and encouraging repayment that bank could leverage when extending credit to members of stokvels. Furthermore, extending credit to stokvels group themselves would allow banks to truly be financially inclusive by extending credit to those that don’t work and are poor.

### ***Recommendations to NASASA:***

NASASA needs to take a stronger stand for stokvels. Currently, NASASA is a contributor for the status quo of stokvels remaining the same. In other words, they contribute in stokvels continuing being consumptive and not investment minded, although it is supposed to be an organisation that represents stokvels. From the outside looking in, it looks very much like NASASA has lost their original intent and has become an organisation that represents corporations trying to gain access to the stokvel market. On their website advertising, they say “The stokvel economy is an estimated R44 billion in South Africa alone, what is your market share of this economy?” Clearly, showing that their intent is to get corporations to gain access to stokvel’s R44 billion economy. They partner with an organisation like Pick ‘n Pay, who gain access to NASASA’s database of stokvels and give stokvels relatively low discounts in return.

NASASA organises a number of events through the year and across different townships. As an immediate reform activity, I would recommend that NASASA changes the format of these engagements from NASASA giving stokvels information to NASASA listening to stokvels and defining their interventions based on that. Currently, they seem to just look at what stokvels spend their money on and then try and get corporate to sell those products to stokvels through them; leaving NASASA as a gateway to access stokvels. NASASA needs to question what value they add to the value chain and to whom? Right now, it looks like they are adding more value to corporate South Africa than to stokvels.

NASASA’s business model is fairly obvious. They engage with stokvels regularly with the hope of enticing them to join NASASA. Then they advertise selected products to the stokvels that join their network. I think this business model is problematic for a regulator of stokvels because their very success relies on them actually selling their database to corporations in South Africa and not the impact they have on stokvels. The current business model does not make them a trustworthy body because they can easily be seen as exploiting their position with stokvels to gain income. Their entire business model needs to change to focus on stokvels growing in financial mobility and not on maintaining the status quo of stokvels being consumers and helping organisations get value from this group of people. If they are truly intending to help improve stokvels and their members, then they should define an impact framework that defines what stokvels progressing

looks like for them. Right now, their metric is the number of stokvels registered and corporates signed up.

### ***Recommendations to stokvels:***

The current silo operating model of stokvels is not working in the favour of stokvels. Stokvels need to embrace working with other stokvels so that they can leverage their R44 billion economy in the market. Stokvel should make it a standard to always read about what other stokvels are doing because it is that information that brings financial education to the stokvel body. Furthermore, stokvels that are noted to have failed, fail because of two key reasons, one being a misalignment of values with members and two social fallouts amongst members. Stokvels should, therefore, always check that they have aligned values with their members and they should invest in creating a social bond between members.

### ***General recommendations:***

Lastly, in approaching stokvels, there is a lot that is there to be learnt. Stokvels are not the primitive organisation that we paint them to be. They are actually very dynamic and sophisticated organisations. They employ sophisticated financial models although they do not have the education to back their ideas up. There is much to learn and future researchers and institutions should approach them with that mindset.

### ***Future Research Directions***

My research contributes to the body of knowledge regarding how stokvels can become investors in the economy. Specifically, showing six key factors that need to be considered in helping transition stokvels to the investor. These factors can be seen as levers that can be leveraged to create change in the lives of stokvels. As future research work, I would suggest the following:

- The approach to this study is a first of its kind. There is an opportunity for researchers to replicate this exact same study for different geographies, therefore, allowing for future comparisons across different regions and countries;

- My research shows that the kind of financial education that gets stokvels investing is one that is peculiar to them. Stokvels are motivated by other stokvels. Therefore, there is research gap regarding what the financial education that stokvels respond to looks like and what factors make it effective;
- There are numerous opportunities for collaboration in townships and rural areas between stokvels and SMMEs or even with community leaders if such a community collaboration is possible. What characteristics make the collaboration successful in delivering social change?
- Given that stokvels are deeply rooted in South Africa's oppressive past, to what extent does South Africa's history contribute to stokvels risk aversion. Therefore, a study that juxtaposes South Africa's history and stokvel's practices;
- What I noticed in researching these groups is that most of them did not experience any significant financial mobility from being part of stokvels. However, many are now financially included. There is a need to really interrogate whether the current definition of financial inclusion will aid stokvels to come out poverty?

## BIBLIOGRAPHY

- Abedian, I., Von Blottnitz, M., Coovadia, C., Davel, G., Madungandaba, J., Masilela, E., & Rees, S. (2004). *SMES' access to finance in South Africa – a supply-side regulatory review*.
- ABSA. (2016). 2016 Interim Results. Retrieved January 7, 2017, from <https://www.absa.co.za/media-centre/press-statements/2016-interim-results/>
- Adu, P. (2016). Using NVivo to Conduct Transcendental Phenomenological Analysis Main Focus of this Presentation. Retrieved from <http://www.slideshare.net/kontorphilip/using-nvivo-to-conduct-transcendental-phenomenological-analysis>
- Aduda, J., & Kalunda, E. (2012). Financial Inclusion and Financial Sector Stability With Reference To Kenya: A Review of Literature. *Journal of Applied Finance & Banking*, 2(6), 95–120.
- Adusei, M. (2012). EVIDENCE ON THE IMPACT OF THE "SUSU"; SCHEME IN GHANA. *GLOBAL JOURNAL OF BUSINESS RESEARCH*, 6(2).
- Akoten, J., Sawada, Y., & Otsuka, K. (2006). The Determinants of Credit Access and Its Impacts on Micro and Small Enterprises: The Case of Garment Producers in Kenya. *University of Chicago Press*.
- Alabi, J., Alabi, G., & Ahiawodzi, A. (2007). Effects of susu -a traditional micro-finance mechanism on organized and unorganized micro and small enterprises (MSEs) in Ghana. *African Journal of Business Management*, 1(8), 201–208. Retrieved from <http://www.academicjournals.org/AJBM>
- Allen, F., Demirguc-Kunt, A., Klapper, L., Soledad, M., & Peria, M. (2016). The foundations of financial inclusion: Understanding ownership and use of formal accounts. *J. Finan. Intermediation*, 27, 1–30. <http://doi.org/http://dx.doi.org/10.1016/j.jfi.2015.12.003>
- Ambec, S., & Treich, N. (2007). Roscas as financial agreements to cope with self-control problems. *Journal of Development Economics*, 82(1), 120–137. <http://doi.org/10.1016/j.jdeveco.2005.09.005>
- Anderson, S., & Baland, J.-M. (2002). The Economics of Roscas and Intrahousehold Resource Allocation. *Source: The Quarterly Journal of Economics*, 117(3), 963–995. Retrieved from <http://www.jstor.org/stable/4132493>
- Anderson, S., Baland, J.-M., The, S., Journal, Q., & Aug, N. (2002). The Economics of Roscas and Intrahousehold Resource Allocation. *The Quarterly Journal of Economics*, 117(3), 963–995. <http://doi.org/10.1162/003355302760193931>
- Aportela, F. (1999). Effects of Financial Access on Savings by Low-Income People.
- Appleyard, L. (2011). Community Development Finance Institutions (CDFIs): Geographies of financial inclusion in the US and UK. *Geoforum*, 42(2), 250–258. <http://doi.org/10.1016/j.geoforum.2010.09.004>
- Ardener, S. (2014). Credit unions and money clubs ( ROSCAs ), 30(4).
- Ardic, O. P., Heimann, M., & Mylenko, N. (2011). Access to financial services and the financial

- inclusion agenda around the world: A cross-country analysis with a new data set, (January). Retrieved from <http://dx.doi.org/10.1596/1813-9450-5537>
- Arko-achemfuor, A. (2012). Financing Small, Medium and Micro-Enterprises (SMMEs) in Rural South Africa: An exploratory study of stokvels in the Naledi Local Municipality, North West Province. *Journal of Social Anthropology*, 3(2), 127–133.
- Arun, T., & Kamath, R. (2015). Financial inclusion: Policies and practices. *IIMB Management Review*, 27, 267–287. <http://doi.org/http://dx.doi.org/10.1016/j.iimb.2015.09.004>
- Atkinson, A., & Messy, F.-A. (2012). Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study. *OECD Publishing*, 15. <http://doi.org/10.1787/5k9csfs90fr4-en>
- Bateman, M. (2011). Microfinance as a development and poverty reduction policy: is it everything it's cracked up to be? *Overseas Development Institute*. Retrieved from <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6291.pdf>
- Benda, C. (2013). Community rotating savings and credit associations as an agent of well-being: A case study from Northern Rwanda. *Community Development Journal*, 48(2), 232–247. <http://doi.org/10.1093/cdj/bss039>
- Besley, T., Coate, S., & Loury, G. (1993). The Economics of Rotating Savings and Credit Association. *The American Economic Review*. [http://doi.org/10.1016/S0304-3878\(99\)00040-1](http://doi.org/10.1016/S0304-3878(99)00040-1)
- Biggart, N. W. (2001). Banking on Each Other: The Situational Logic of Rotating Savings and Credit Associations. *Advances in Qualitative Organization Research*.
- Boardman, T. (2009). NEDBANK GROUP INTERIM FINANCIAL RESULTS A new playing field what is the game plan for growth. In *SA Financial Services Conference Services Conference*. Johannesburg: Nedbank Group. Retrieved from [https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information Hub/Corporate Presentations/2009/UBS\\_12th\\_SA\\_Financial\\_Services\\_Conference\\_-\\_October\\_2009.pdf](https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information Hub/Corporate Presentations/2009/UBS_12th_SA_Financial_Services_Conference_-_October_2009.pdf)
- Bompani, B. (2010). Religion and Development from Below : Independent Christianity in South Africa, 40, 307–330. <http://doi.org/10.1163/157006610X525435>
- Brown, J. R. (2009). Financial Education and Annuities. *OECD Journal: General Papers*, 3. Retrieved from <http://dx.doi.org/10.1787/1995283x>
- Bruhn, M., & Gallego, F. a. (2012). Good, Bad, and Ugly Colonial Activities: Do They Matter for Economic Development? *Review of Economics and Statistics*, 94(May), 433–461. [http://doi.org/10.1162/REST\\_a\\_00218](http://doi.org/10.1162/REST_a_00218)
- BusinessTech. (2015). South Africa unemployment: 1994 – 2015. Retrieved October 18, 2016, from <http://businesstech.co.za/news/general/77737/south-africa-unemployment-1994-2015/>
- Callier, P. (1990). Informal Finance: The Rotating Saving and Credit Association - An Interpretation. *Kyklos*, 43(2), 273–276.

- Calomiris, C. W., & Rajaraman, I. (1998). The role of ROSCAs: lumpy durables or event insurance? *Journal of Development Economics*, 56(1), 207–216.  
[http://doi.org/10.1016/S0304-3878\(98\)00059-5](http://doi.org/10.1016/S0304-3878(98)00059-5)
- Creswell, J. W. (2013). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. *Research design Qualitative quantitative and mixed methods approaches*.  
<http://doi.org/10.1007/s13398-014-0173-7.2>
- Cull, R., Navajas, S., Nishida, I., & Zeiler, R. (2015). A New Index of the Business Environment for Microfinance. *World Development*, 70, 357–388.  
<http://doi.org/10.1016/j.worlddev.2014.11.023>
- Dafuleya, G. (2015). (Non)state and (in)formal social protection in Africa: Focusing on burial societies. *International Social Work*, 1–13. <http://doi.org/10.1177/0020872815611196>
- Dallimore, A. (2013). Banking on the Poor : savings , poverty, and access to financial services in rural South Africa. *Journal of Economics*, 1(323).
- Dash, A. K. (2013). Micro-finance: A Brief Review and Comparison of the Grameen and the Self Help Group Models. *International Journal of Application or Innovation in Engineering & Management*, 2(7), 2319–4847.
- Demirgüç-Kant, A., & Klapper, L. (2012). Financial Inclusion in Africa: An Overview. *The World Bank: Policy Research Working Paper 6088*, (June). Retrieved from <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6088>
- Demirguc-Kunt, A., Klapper, L., Singer, D., & Van Oudheusden, P. (2015). The Global Findex Database 2014: Measuring Financial Inclusion around the World. *World Bank Policy Research Working Paper*, 7255(April). <http://doi.org/10.1596/1813-9450-7255>
- Department of Trade and Industry (DTI)(2007). Annual Review of Small Business in South Africa 2004-2007. Government of South Africa. Pretoria. Sunnyside.
- Duval, A. (2014). *INCREASING FINANCIAL INCLUSION IN EAST AFRICA: Equity Bank's Agent-Driven Model*.
- Equity Bank. (2016). EQUITY BANK NAMED THE MOST INNOVATIVE BANK IN EAST AFRICA 2016. Retrieved July 21, 2016, from <http://ke.equitybankgroup.com/about-us/media-centre/101?view=mediacentreitem>
- European Commission. (2008). Financial Services Provision and Prevention of Financial Exclusion. *Group*, (1), 9. Retrieved from <http://www.bristol.ac.uk/media-library/sites/geography/migrated/documents/pfrc0807.pdf>
- Financial Access Initiative. (2010). M-KESHO in Kenya: A new step for M-PESA and mobile banking. Retrieved July 21, 2016, from <http://www.financialaccess.org/blog/2015/7/16/m-kesho-in-kenya-a-new-step-for-m-pesa-and-mobile-banking>
- Fotabong, L. A. (2011). *Comparing Microfinance Models MC2 Model versus other Microfinance Models*.
- Geletkanycz, M., & Tepper, B. J. (2012). PUBLISHING IN AMJ. *AMJ*, 55(2), 256–260.

<http://doi.org/10.5465/amj.2012.4002>

- Glatthorn, A., & Joyner, R. (2005). *Writing the Winning Thesis Or Dissertation: A Step-by-Step Guide*.
- Grameen Bank. (2016). FAQ. Retrieved April 1, 2016, from <http://www.grameen-info.org/faq/>
- Groenewald, T. (2004). A Phenomenological Research Design Illustrated. *International Journal of Qualitative Methods International Journal of Qualitative Methods Retrieved [INSERT DATE] from International Journal of Qualitative Methods, 3(31)*. Retrieved from [http://www.ualberta.ca/~iiqm/backissues/3\\_1/pdf/groenewald.pdf](http://www.ualberta.ca/~iiqm/backissues/3_1/pdf/groenewald.pdf)
- Guchshina, Y. (2016). South Africa Unemployment Rate 2000-2016. Retrieved from <http://www.tradingeconomics.com/south-africa/unemployment-rate>
- Gugerty, M. K. (2007). You Can't Save Alone: Commitment in Rotating Savings and Credit Associations in Kenya. *Economic Development and Cultural Change, 55(2)*, 251–282. <http://doi.org/10.1086/508716>
- Gulani, M. G., & Aisha, U. (2013). FINANCING SMALL AND MEDIUM SCALE ENTERPRISES (SMEs): A CHALLENGE FOR ENTREPRENEURIAL DEVELOPMENT IN GOMBE STATE. *Asian Journal of Business and Management Sciences, 2(9)*, 2047–252817. Retrieved from [www.ajbms.org](http://www.ajbms.org)
- Gumede, V. (2016). *Post-apartheid South Africa: Economic and Social Inclusion*. Cambria Press. New York.
- Hamza, A. (n.d.). SESSION THEME : Economic Challenges in making South Asia Free from Poverty and Deprivation “ Make Poverty History ” 3 . 1 Women ’ s Self-help groups in Andhra Pradesh : Participatory.
- Hannig, A., & Jansen, S. (2010). *Financial Inclusion and Financial Stability: Current Policy Issues*. Asian development Bank institute.
- Hoepfl, M. (1997). Choosing Qualitative Research: A Primer for Technology Education Researchers. *Journal of Technology Education, 9(1)*.
- Hubbard, B. Y. J. (2014). Growing SA's hidden economy, (August).
- Huggins, S. E. (1997, May). Pooling community dollars. *Black Enterprise, 32*. Retrieved from <http://search.ebscohost.com/login.aspx?direct=true&db=aph&AN=9705100256&site=ehost-live&scope=site>
- Hull, E. (2011). Investment, risk, and expectation in KwaZulu- Natal's rural economy, 1–7.
- Hycner, R. H. (1985). Some guidelines for the phenomenological analysis of interview data. *Human Studies, 8(3)*, 279–303. <http://doi.org/10.1007/BF00142995>
- InfoDev. (2015). *Crowdfunding in Emerging Markets: Lessons from East African Startups B Crowdfunding in Emerging Markets: Lessons from East African Startups*.
- Joseph, J. (2013). Rotating Savings and Credit Associations : A Case Study of “ Panampayattu .”
- Joseph, M. (2013). The Story of M-Pesa. Retrieved June 6, 2016, from

<https://www.techchange.org/work/the-story-of-m-pesa-2/>

- Kitzinger, J. (1995). Qualitative research : Introducing focus groups. *BMJ: British Medical Journal*, 311, 299–302. Retrieved from <http://www.jstor.org.ezproxy.uct.ac.za/stable/29728251>
- Klonner, S. (2008). Private information and altruism in bidding Roscas. *Economic Journal*, 118(528), 775–800. <http://doi.org/10.1111/j.1468-0297.2008.02142.x>
- Koike, S., Nakamaru, M., Otaka, T., Shima, H., Shimomura, K., & Yamato, T. (2015). Reciprocity and Exclusion in Informal Financial Institutions: An Experimental Study of Rotating Savings and Credit Associations, (March 2016). <http://doi.org/10.13140/RG.2.1.3986.1604>
- Kritzinger, J. N. . (1996). African cultural resources in the struggle against mammon. The Challenge of Stokvels to the Mission of the Church, 109–130.
- Kruger, G., & Whittaker, L. (2015a). Financial inclusion in South Africa : Small business owners ' discourses of self-determination, (April), 1–32.
- Kruger, G., & Whittaker, L. (2015b). Turning on the township : A comparative analysis of institutional, academic and local discourses of financial inclusion. *9th International Conference in Critical Management Studies*, (July), 8–10.
- Ksoll, C., Lilleør, H. B., Lønborg, J. H., & Rasmussen, O. D. (2013). The impact of Village Savings and Loans Associations: evidence from a cluster randomized trial. *Working Paper, No. 56(56)*, 70–85. <http://doi.org/10.1016/j.jdeveco.2015.12.003>
- Landman, C. (2013). *Oral history: Representing the hidden, the untold and the veiled*. Retrieved from <http://umkn-dsp01.unisa.ac.za/handle/10500/9789>
- Lensink, R., Servin, R., & van den Berg, M. (2015). Do Savings and Credit Institutions Reduce Vulnerability? New Evidence From Mexico. *Review of Income and Wealth*, n/a-n/a. <http://doi.org/10.1111/roiw.12213>
- Levenson, A. R., & Besley, T. (1996). The anatomy of an informal financial market: Rosca participation in Taiwan. *Journal of Development Economics*, 51(1), 45–68. [http://doi.org/10.1016/S0304-3878\(96\)00425-7](http://doi.org/10.1016/S0304-3878(96)00425-7)
- Levin, G., & Van Riemsdijk, M. (2012). Critique of Microcredit as a Development Model. *The Journal of Undergraduate Research at the University of Tennessee*. Retrieved from <http://trace.tennessee.edu/pursuit>
- Ludwig, C. (2006). *Trade Unions and Financial Inclusion The case of South Africa*. Geneva.
- Mahajan, S. (2014). *Economics of South African townships : special focus on Diepsloot*. Retrieved from <http://documents.worldbank.org/curated/en/2014/08/19925268/economics-south-african-townships-special-focus-diepsloot>
- Mahembe, E. (2011). Literature review on small and medium enterprises ' access to credit and support in South Africa. *NCR*, 1–92.
- Mashigo, P. (2006). The debt spiral in the poor households in South Africa. *The International*

*Indigenous Journal of Entrepreneurship, Advancement, Strategy and Education.*

- Mashingo, P., & Schoeman, C. (2012). Stokvels as an instrument and channel to extend credit to poor households in South Africa. *Journal of Economics*, 5(April), 49–61.
- MASSMART. (2011). Stokvels get more for their money at Massmart stores. Retrieved from [http://www.massmart.co.za/wp-content/uploads/2013/12/stokvels\\_get\\_more\\_for\\_their\\_money.pdf](http://www.massmart.co.za/wp-content/uploads/2013/12/stokvels_get_more_for_their_money.pdf)
- Meredith, V. (1992). ROSCAS, poverty alleviation, and economic development: A case study of Jamaican Paadner Groups.
- Misselhorn, A. (2009). Is a focus on social capital useful in considering food security interventions ? Insights from KwaZulu-Natal, 26(2). <http://doi.org/10.1080/03768350902899454>
- Moerer-urdahl, T., & Creswell, J. W. (2004). Using Transcendental Phenomenology to Explore the “ Ripple Effect ” in a Leadership Moerer-urdahl, T., & Creswell, J. W. (2004). Using Transcendental Phenomenology to Explore the “ Ripple Effect ” in a Leadership Mentoring Program, 19–35. Mentoring Program. *International Journal of Qualitative Studies*, 3(2), 19–35.
- Moliea, H. (2007). Stokvels as Alternative Microfinance Institutions: Conversations with Women from Venda.
- Mqolomba, Z. (2016). Two ways to curb South Africa's Job Crisis. Mail&Guardian's Thoughtleader. South Africa Found in [www.thoughtleader.co.za](http://www.thoughtleader.co.za)
- Mutezo, A. (2009). Obstacles in the access to SMME finance: an empirical perspective on Tshwane, (November). Retrieved from <http://uir.unisa.ac.za/handle/10500/1803%5Cnhttp://uir.unisa.ac.za/bitstream/10500/1803/1/dissertation.pdf>
- Narayan, -, & Kafle, P. (2013). Hermeneutic phenomenological research method simplified.
- NASASA. (2016a). Stokvel Toolkit. Retrieved from <http://www.nasasa.co.za/index.php/tool-kit>
- NASASA. (2016b). Stokvels Today. Retrieved from <http://www.nasasa.co.za/index.php/stokvels-today>
- National Planning Commission. (2011). *National Development Plan: Our future - make it work*. <http://doi.org/ISBN: 978-0-621-41180-5>
- Ndlovu, I., & Ndlovu, M. (2013). Mobile Banking the Future to Rural Financial Inclusion: Case Study of Zimbabwe. *IOSR Journal Of Humanities And Social Science (IOSR-JHSS)*, 9(4), 70–75.
- Ndwemi, B. (2015). Stokvels : Banks scramble to cash in on R25bn industry, (February), 50–52.
- Neuman, W. L. (2014). *Social Research Methods: Qualitative and Quantitative Approaches* (7th ed.). Edinburgh: Pearson Education Limited.
- Njiro, E., & Mazwai, T. (2012). *Growing Industries in Townships and Under-Developed*

*Neighbourhoods*. <http://doi.org/10.13140/2.1.3461.9842>

- Nwigwe, C. A., Omonona, B. T., & Okoruwa, V. O. (2012). MICROFINANCE AND POVERTY REDUCTION IN NIGERIA: A Critical Assessment. *Australian Journal of Business and Management Research*, 2(4), 33–40.
- O'Connor, H., & Gibson, N. (2003). A step-by-step guide to qualitative data analysis. *A Journal of Aboriginal and Indigenous Community Health*, 1(1), 64–90. Retrieved from <http://www.pimatisiwin.com/uploads/1289566991.pdf>
- OFN. (2016). What is a CDFI? Retrieved April 20, 2016, from <http://ofn.org/what-cdfi>
- Oh, J. H. (2007). Economic incentive, embeddedness, and social support: A study of Korean-owned nail salon workers' rotating credit associations. *International Migration Review*, 41(3), 623–655. <http://doi.org/10.1111/j.1747-7379.2007.00088.x>
- Old Mutual. (2011). Special Feature: Stokvels/savings & investment clubs.
- Peberdy, S. (2015). *GCRO Data Brief: No. 6 Information sector enterprise and employment in Gauteng*.
- Pick n Pay. (2016). New stokvel partnership for Pick n Pay. Retrieved January 17, 2017, from <http://www.corporateimage.co.za/new-stokvel-partnership-for-pick-n-pay/>
- Rakabe, E. (2013). Unlocking the growth and employment potential of business in the margins. *Econ3x3*. Retrieved from [http://www.econ3x3.org/sites/default/files/articles/Rakabe 2013 Unlocking businesses in the margins FINAL for PDF.pdf](http://www.econ3x3.org/sites/default/files/articles/Rakabe%2013%20Unlocking%20businesses%20in%20the%20margins%20FINAL%20for%20PDF.pdf)
- Rhine, S. L. W., Greene, W. H., & Toussaint-Comeau, M. (2006). The Importance of Check-Cashing Businesses to the Unbanked: Racial/Ethnic Differences. *Source: The Review of Economics and Statistics*, 88(1), 146–157. Retrieved from <http://www.jstor.org/stable/40042965>
- Rogerson, C. M. (2008). Tracking SMME Development in South Africa: issues of finance, training and the regulatory environment. *Urban Forum*, 19(1), 61–81. <http://doi.org/10.1007/s12132-008-9025-x>
- Ryan, C. (2015). Corporate cash mountain reaches record levels - Moneyweb. Retrieved January 17, 2017, from <http://www.moneyweb.co.za/news/markets/corporate-cash-mountain-reaches-record-levels/>
- SAHistory. (2013). The Natives Land Act of 1913. Retrieved February 3, 2017, from <http://www.sahistory.org.za/topic/natives-land-act-1913>
- Saldana, J. (2009). *The Coding Manual for Qualitative Researchers*. S. <http://doi.org/10.1017/CBO9781107415324.004>
- Sarma, M., & Pais, J. (2008). Financial Inclusion and Development: A Cross Country. *In Annual Conference of the Human Development and Capability Association, New Delhi*, (10–13), 1–30. <http://doi.org/10.1002/jid>
- Serrano-Cinca, C., & Gutiérrez-Nieto, B. (2014). Microfinance, the long tail and mission drift. *International Business Review*, 23(1), 181–194.

- <http://doi.org/10.1016/j.ibusrev.2013.03.006>
- Slade, K. (2014). Types of Stokvels, (4830210227).
- Smets, P. (2000). ROSCAs as a source of housing finance for the urban poor: An analysis of self-help practices from Hyderabad, India. *Community Development Journal*, 35(1), 16–30. <http://doi.org/10.1093/cdj/35.1.16>
- South African Reserve Bank. (2010). Combined Annual Report of the Supervisors of the Co-operative Banks Development Agency and the. Pretoria: National Treasury.
- Srivastava, T., Orr, S. K., Gajjala, R., & Fritsch, S. (2010). Microfinance: A Comparative Analysis of Varying Contexts, Current Needs, and Future Prospects between Developing and Developed Countries.
- Statistics South Africa. (2015). Statistical release: Gross Domestic Product, Second Quarter 2015, (June). Retrieved from <http://www.statssa.gov.za/publications/P0441/P04412ndQuarter2015.pdf>
- Statistics South Africa. (2012). *Income and Expenditure of Households 2010/2011*. Pretoria. Retrieved from <http://www.statssa.gov.za/publications/P0100/P01002011.pdf>
- Stoffle, B. W., Purcell, T., Stoffle, R. W., Van Vlack, K., Arnett, K., & Minnis, J. (2009). Credit, identity, and resilience in the Bahamas and Barbados. *Ethnology*, 48(1), 71–84. <http://doi.org/10.2307/20754010>
- Stoffle, B. W., Stoffle, R. W., & Vlack, K. Van. (2014). Women ' s Power and Community Resilience Rotating Savings and Credit Associations in Barbados and The Bahamas, 42(1), 45–69. <http://doi.org/10.1353/crb.2014.0020>
- Sustainable Livelihoods Foundation. (2012). The Informal Economy of Township Spaza Shops.
- Taborda, J. (2016). South Africa GDP Growth Rate 1993-2016. Retrieved October 18, 2016, from <http://www.tradingeconomics.com/south-africa/gdp-growth>
- Townsend, S, Mosala, T. (2009). *The Stokvel Sector: Opportunities and Challenges*. Johannesburg. Retrieved from <http://www.readbag.com/dgrvsa-za-publications-the-stokvel-sector-in-south-africa>
- Triki, T., & Faye, I. (2013). Financial inclusion in Africa: an overview. *African Development Bank*. Retrieved from [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2084599](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2084599)
- UNCDF. (2006). International Year of Microcredit 2005.
- VBS. (2016). *VBS Mutual Bank 2016 Annual Financial Statement*. Johannesburg. Retrieved from <https://www.vbsmutualbank.co.za/documents/VBS-2016-Annual-Report.pdf>
- Willis, L. E. (2011). The Financial Education Fallacy. *American Economic Review*, 101(3), 429–434. <http://doi.org/10.1257/aer.101.3.429>
- World Bank. (2013). *South Africa Economic Update - Focus on Financial Inclusion*.
- Worldbank. (2017). Data for South Africa, Kenya, Nigeria, Ghana | Data. Retrieved January 27, 2017, from <http://data.worldbank.org/?locations=ZA-KE-NG-GH>

Yu, N. N. (2013). On Designs of Rotating Savings and Credit Associations. *SSRN Electronic Journal*, 1–28. <http://doi.org/10.2139/ssrn.2201436>

Yunus, M., Moingeon, B., & Lehmann-Ortega, L. (2010). Building social business models: Lessons from the Grameen experience. *Long Range Planning*, 43(2–3), 308–325. <http://doi.org/10.1016/j.lrp.2009.12.005>

## APPENDIX A: Business Prototype and Plan

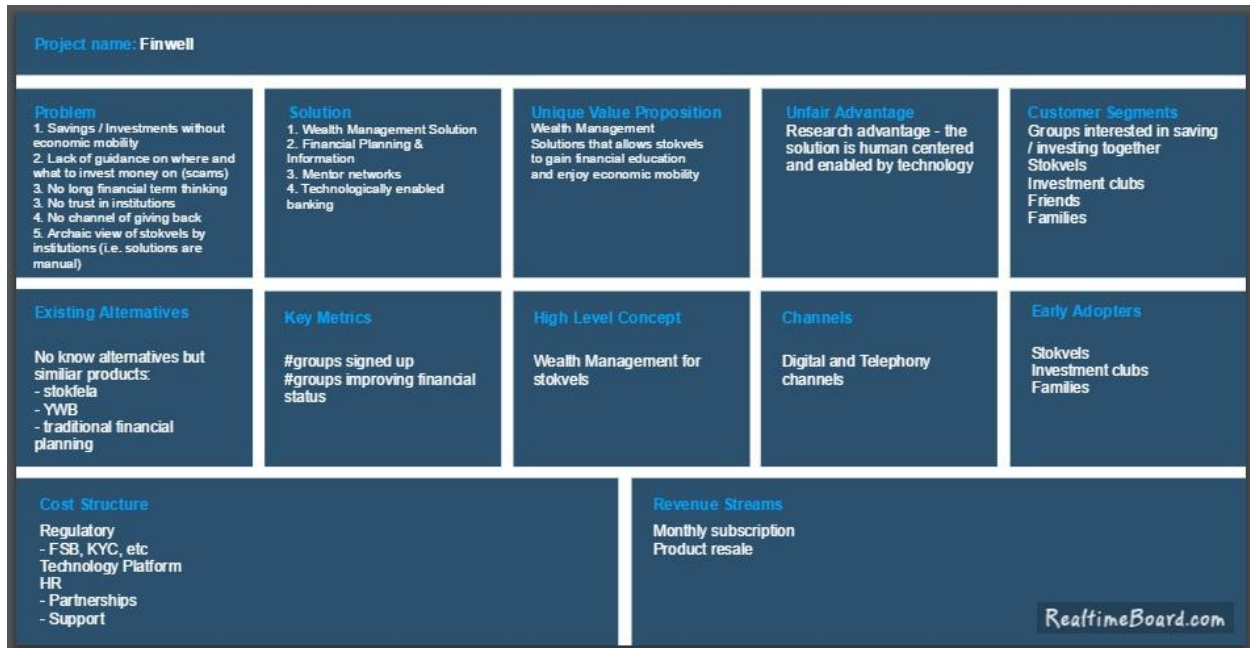


Figure 24 Lean canvas business model

APPENDIX B: Implementation Plan Financial Details

Implementation Plan financial requirements				
Activity	Resources	Time Requirement	Cost	Comments
Phase 1: Stokvel Exchange				
Identify a community to start in	• Project Officer	1 day	R500	One pilot community to be identified in Gauteng that is of fair distance from the researcher
Identify stokvels at exhibit investment behaviour	• Project Officer	1 week	R5 000	Including travel costs to meet with stokvels and discussion project
Organise a knowledge exchange event between the stokvels	• Project Officer • Project Administrator	1 week	R30 000	Including venue hire and organising transportation for stokvels as well as catering
Design survey to understand baseline of stokvels in attendance	• Project Officer	1 day	R500	
Facilitate and Observe the exchange	• Project Officer • Workshop Facilitators	3 months	R360 000	The outcome would be the codification of

	<ul style="list-style-type: none"> <li>• Ethnographic Researchers</li> <li>• Project Administrator</li> </ul>			the education process that stokvels respond to
Create and update financial education curriculum for stokvels	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Ethnographic Researchers</li> <li>• Project Administrator</li> </ul>	1 week	R60 000	Including testing the education materials with selected stokvels
Phase 2: Collaborative power				
Educate stokvels on their R44 billion economy	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Workshop Facilitators</li> <li>• Project Administrator</li> </ul>	-	-	The process is not linear so activity would happen in stokvel workshops
Show stokvels the benefits of collaboration	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Workshop Facilitators</li> <li>• Project Administrator</li> </ul>	-	-	The process is not linear so activity would happen in stokvel workshops
From a stokvel bargaining council	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Workshop Facilitators</li> <li>• Project Administrator</li> </ul>	-	-	Part of workshops with stokvels
Phase 3: Dream and envision				

Invite SMMEs to Stokvel Exchanges	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Project Administrator</li> </ul>	1 week	R5 000	Including phone calls and visits to stokvels
Discuss community change with stokvels and SMMEs	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Workshop Facilitators</li> <li>• Project Administrators</li> </ul>	-	-	Part of invitation to stokvels
Discuss how both SMMEs and stokvels can play a part in community change	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Workshop Facilitators</li> <li>• Project Administrator</li> </ul>	-	-	Part of workshop discussions
Propose pilot project	<ul style="list-style-type: none"> <li>• Project Officer</li> </ul>	-	-	Part of invitation to stokvels
<b>Phase 4: Identify and invest</b>				
Identify low hanging, low-risk investments that stokvels can take in the community	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Investment Support Team</li> </ul>	1 week	R5 000	Part of workshops with stokvels and compiled reports
Facilitate investment	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Investment Support Team</li> </ul>	3 months	R25 000	
Monitor investment and report back	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Investment Support Team</li> </ul>	3 months	R25 000	
<b>Financial Wealth Management Solution for stokvels by stokvels</b>				

Plan	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• Solution Architect</li> <li>• Business Analyst</li> </ul>	1 week	R7 500	
Analyse	<ul style="list-style-type: none"> <li>• Business Analyst</li> </ul>	3 months	R50 000	
Design	<ul style="list-style-type: none"> <li>• Software Designer</li> </ul>	3 months	R50 000	
Prototype	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• System Support</li> </ul>	3 months	R50 000	
Develop	<ul style="list-style-type: none"> <li>• Developers</li> </ul>	3 months	R150 000	
Test	<ul style="list-style-type: none"> <li>• Testers</li> </ul>	3 months	R50 000	
Deploy	<ul style="list-style-type: none"> <li>• Project Officer</li> <li>• System Support</li> </ul>	3 months	R50 000	
<b>Support Services</b>				
Marketing	<ul style="list-style-type: none"> <li>• Marketing Team</li> </ul>	3 months	R50 000	
Administrative Support	<ul style="list-style-type: none"> <li>• System Admin Team</li> </ul>	6 months	R30 000	
Technical support	<ul style="list-style-type: none"> <li>• Technical Support Team</li> </ul>	6 months	R30 000	
<b>Total Costs Estimated for Implementation Plan</b>				<b>R1 240 200</b>
<ul style="list-style-type: none"> <li>• <i>An initial investment of R1 240 200 is required for the project, this includes a 20% contingency that caters for any under budgets.</i></li> <li>• <i>The researcher (myself) will play the role of Project Officer.</i></li> </ul>				

- *The outcome of this process is that there will be a Wealth Management System and Technology that is designed by stokvels for Stokvels, which has been prototyped with the stokvel groups*
- *The project officer role will be played by the researcher*
- *Workshops will be conducted during weekends or any other day that stokvel members are available. A key challenge will coordinate availability as well incentivising stokvels to attend the workshops*

## APPENDIX C: Consent Form

### **Project Title:**

Exploration of the use of the funds handled by stokvels to finance SMMEs in townships and informal sectors to enable social change in the lives of the investors and their communities.

### **Researcher:** Rudzani Mulaudzi

I volunteer to participate in a research project conducted by **Rudzani Mulaudzi** from the University of Cape Town (GSB). I understand that this research project is designed to study Stokvels in South Africa.

As a stokvel member in (**location name**), I understand that I am being invited to take part in a focus group and I understand that in agreeing to participate, I am stating that:

- My participation is voluntary and I give my consent to participate. I understand that I will not be paid for my participation.
- The focus group will take approximately 45 minutes to complete.
- I understand that the researcher will not identify me by name in any reports using the information obtained from the focus group. My confidentiality as a participant will remain secure. Subsequent uses of data will be subject to standard data use policies which protect the anonymity of individuals and institutions.
- If I choose to be part of the focus group, I have the right to view and comment on the transcribed interview data before the findings are analysed.
- I have read and understood the participant information sheet provided to me. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate in this study.
- I have been given a copy of this consent form.

- I hereby agree or disagree (check the applicable option) to participate in the survey for this study.

---

Name & Surname

---

Date