



1. Introduction

There is a significant literature that exists within the South African context with regard to stokvels and their monetary value (Verhoef, 2001; Arko-Archemfour, 2012; Thomson and Posel, 2002; Irving, 2005; FinMark, 2013). However, more research is needed, especially qualitative research on reasons why low-income households prefer the use of the sometimes risky informal savings groups above formal financial services. As noted by Rutherford (2000), “Poor people can save and want to save and when they do not save it is because of lack of opportunity rather than lack of capacity”. In this policy brief we share the experiences and use of stokvels¹ in December by project participants in the Social Protection and Local Economic Development (LED): Graduation Pilot Project² through nine case studies.

Table 1: Typology of stokvel contributions and pay-out (s)

Case	TYPE OF BUSINESS	MONTHLY INSTALMENT	TOTAL PAY-OUT
Case study 1	Shebeen and snack shop	R1 000	R11 000
Case study 2	Hair salon	R1 260	R14 600
Case study 3	Dressmaking and catering business	R1 500	R16 500
Case study 4	School uniform trading	R5 000	R22 000
Case study 5	Cold-meat business	R2 350	R23 100
Case study 6	Shoe-repair business	R310	R3 360
Case study 7	Hair salon	R1 000	R11 000
Case study 8	Fast-food business	R1 780	R 15 500 and R4 000 worth of groceries

¹ Stockvels or informal savings groups are simply a means for the poor to mobilise financial resources in the absence of developed financial markets.

² Please visit www.spil.org.za for detailed pilot project information.

CASE STUDY 1

Participant no. 56 owns a shebeen³ and sells snacks and sweets in Small Farms, Evaton. She says that she has never been able to save money through a bank account because she is unable to travel to town every week to deposit the money into a savings account. She argues that being part of the stokvel is more convenient for her as in the stokvel there is an appointed administrator who is tasked with collecting all the contributions from the members on a weekly basis, and who is also tasked with the delivery of the pay-outs. At the end of last year, during December, it was her turn to receive the stokvel pay-out, which was worth R11 000. She had been contributing R1 000 per month for eleven months. Important for her was that she did not have to worry about going to the bank to deposit the money; this was because someone came to her house every month to collect her contribution.

The lump sum payout enabled her to provide her mother with money for school fees in January. Her mother takes care of her deceased sisters children.

She explained that most of the money was spent on the normal expenses during these holidays.⁴

She states that for her it is important to have money to spend during the December holidays as she closes her business and travels to the Eastern Cape to see her family.

Tjhelete ya stokvel, ya batlahala hobane, ka matsatsi a phomolo, batho hae ba lebelletse hore o tle le tjhelete ka ha o tswa Gauteng. **Translation:** 'The stokvel payout money is useful, because when it's holiday time and you go home, people always expect you to have money since you come from Gauteng.' (Participant no. 56)

³ A shebeen is an alternative township pub or club where alcoholic beverages are sold to the public.

⁴ The 2004 financial diaries report states that 'most of the spending of the pay-outs from stokvels is Christmas groceries or annual school fees paid in January'.

CASE STUDY 2

It would appear that a lot of people in peri-urban areas send money home during December holidays and stokvels play quite a significant role in this regard. Taking into account the repressive economic legacies of colonial phases and segregation of apartheid such as “deprivation, proletarianisation and repressive labour systems” (Terreblanche, 2002) internal remittances have come to be contributing to the lessening the burden of costs of living in areas that receive these remittances. Although there is little research on internal remittance in South Africa, it is reported that ‘migration generally improves household’s welfare as measured by the probability of being poor’ (Biyase, 2012; 9).

Participant no. 14 who runs a hair salon and a chicken business, also expressed that she sends a portion of her stokvel pay-out to her father in the Free State. She says when her stokvel pays out every year in December she has to send money home to her father so that he can buy animal feed and seed to plant crops. Her father has been relying on the land for his livelihood since his retrenchment a few years ago. She has been a member of two rotational-basis stokvels or rotating savings and credit associations⁵ and she received pay-out amounting to R9 100. Although the stokvels function on a rotational basis throughout the year, she says she made sure that her turn came in December.

She has been a member of two other stokvels for four years now, and for this stokvel she contributes R500 a month for eleven months per year which gave her a payout of R5 500. She has been a member of the second stokvel for a year only and received a payout of R3 300 after contributing R300 per month for 11 months.

Participant no. 14 states that the money serves her well as she always receives the money in the first week of December, and this allows her to buy school uniforms at a cheaper price before the calendar year closes and in so doing she beats the January price hikes in school uniforms.

⁵ The Rotating Savings and Credit Associations (ROSCAs), is a type of stokvel where members contribute on a monthly basis into a central ‘pot’ of money. In turn, each member takes the ‘pot’ home each month (Finscope, 2006).

CASE STUDY 3

In the third case we share the experiences of a dressmaker from Beverly Hills, Evaton. Participant no. 05 runs a catering business on the side and the money that she saves from the stokvels is used to assist in this business if needed. Her catering business becomes very busy over the festive season because of weddings, parties and other celebratory events. The demand is so high that she sometimes has to hire extra equipment on a temporary basis to fulfil her catering obligations.

With some events she is expected to provide waiters and waitresses who expect to be paid after the event, while she only gets paid after issuing an invoice post the event. In such instances, she says that it is important to have the stokvel pay-out as it proves to be handy. More importantly, the stokvel pay-outs are cash-based and this makes it easier to pay people who assisted during the event. In most instances these are young people who often don not have bank accounts and prefer to be paid in cash.

The remaining money from the stockvel she uses to buy clothes for her grandchildren in December because this is the time that they come to visit her. She states that her children send the grandchildren to her and she has to buy them clothes for Christmas⁶ as is the custom. Due to uncertainties about the income from the business it is a good idea to have stokvel money to enable her to buy the clothes.



⁶ It is often that the custom in the communities that children receive new clothes and dress up on Christmas day.

CASE STUDY 4

In the fourth case study we share the case of Participant no. 24. She expressed to her designated fieldworker that being part of a stokvel has enabled her to inject some cash into her business for a rainy day. The participant runs a school uniform stall outside a South African Social Security Agency (SASSA)⁷ pay-point in Evaton. She states that in December the recipients of the social grants receive a double amount for both December and January and as a result have more money to spend. Participant (24) says that because of this there is a higher demand for her merchandise and she often runs out of stock. She has a number of stokvels, and the payout from the one stokvel was used to take her car for service and the other was used to buy more stock as soon as the van returned from service.

Two of her employees are from Zimbabwe and because of the stokvel payouts she is able to give them a bonus which they can take back home with them for Christmas holidays. Participant (24) is part of two other stokvels that are on a rotational basis⁸ and receives the pay-outs to buy stamps or shopping coupons that are provided at Shoprite and Pick 'n Pay supermarkets for her December grocery shopping.



⁷ Many businesses, formal and informal, use the SASSA pay-points to sell their products and services due to the large number of people who gather to receive social grants.

⁸ See footnote 5.

CASE STUDY 5

Participant no. 138 in total received R13 200 from her stokvels. She purchased a new fridge for her cold-meat business, and used the rest to buy a washing machine for her house. Earlier last year she was diagnosed with arthritis⁹, the result of which prevents her from being able to hand wash her laundry and leading to the necessity of a washing machine. She says she used the Child Support Grant (CSG), to contribute to a local stokvel started by women from her church and this amount was supplemented with business profits to amount to R1 200 in total every month for eleven months.

Ka hobane ha ke sa kgona ho hlatswa ka matshoho, ke ne ke hloka mochini wa ho hlatswa diaparo ho fetisisa. Tjhelete ya stockvel e nthusitse hore ke kgone ho di reka di le pedi.

Translation: I really needed the washing machine more than the fridge, as I am now tired of handwashing my laundry. This money made possible for me to get both.” (Participant No.

138)

Participant no. 138 says that her primary goal was to obtain a new fridge for her business, as her household fridge was always overloaded with the meat for the business. Upon receiving the money, the ladies from the stokvel told her about a certain furniture store that sells household appliances and furniture for low prices. The result was that she was able to purchase both and still be left with some change. She says that she used the rest to buy December groceries. She stated that if she had been part of another stokvel with members from her burial society, she would have received December groceries and wouldn't have used her money for groceries. She is now part of a stokvel that is going to provide her with groceries instead of cash in December and she will contribute R250 every month towards it.

⁹ A condition that affects the musculoskeletal system, specifically the joints.

CASE STUDY 6

In our sixth case we share the experiences of participant no. 21 who owns a shoe repair store in Zone 3, also in Evaton. He offers a different scenario from the ones highlighted above in terms of using the money. In this case we see how the informal meets the formal. Participant no. 21 stated that he used his stokvel payout to open savings accounts for his four daughters. He says upon receiving R3 360 payout from a stokvel he divided the money among his four daughters and set up a savings account for each one of them under their names at Capitec Bank.¹⁰ In addition,, he says, with the two other stokvels that he is part of he will be able to deposit more money for them in the saving account every December. For participant no. 21 this is very important as he says that he knows that he doesn't have insurance that could provide for his children after his death. The stokvel enables him to offer them something.

*Tjhelete ena ya stokvel, e ntumella hore ke tseba ho etsesa baradi ba ka bokamoso. Ke kgona ho tseba hore selemo se seng le se seng ke ba bolokelle tjhelete bankeng ka lebaka la tjhelete ena.***Translation:** money from the stockvel allows me to be able to build a future for my daughters. With this money, I am able to make sure that at the end of every year, there is something that goes to the bank.' (Participant no. 21)



¹⁰ Each account was loaded with R840, equally dividing the pay-out among his four daughters.

CASE STUDY 7

Stokvels are used for different reasons by the different project participants, and in the seventh case we share the experience and use of stokvels by participant no. 114 who states that stockvels can be used to secure his children's future. In this case we share the experience of a hair salon owner who used his stokvel pay out to assist his son in opening his own hair salon. He says that his son has been sitting at home with no employment since he finished high school two years ago.

He says that from time to time his son would assist him at his hair salon, learning how the business works, and he was able to teach him the skills required to run such a business. He says just after eight months, his son was able to run the salon on days that he was not around and expressed that he would like to start his own business as well. The participant says the salary he was paying his son was not enough to support his new-born baby. Initially, he had planned to buy building material to build a brick house for his family since they had been living in a shack¹¹. The interest shown by his son in running a business has forced him to change his mind regarding the building material and he decided that the stokvel pay out should go towards assisting his son in starting a business.

In the absence of employment, especially in the formal sector, he is of the opinion that this hair salon could become a livelihood strategy for his son, since he cannot find a job and he has new-born baby to support. He says that although he would have loved to see a brick house in his yard in December, he is happy that he gave his son a future with the money.



¹¹ Tin-roofed structure commonly found in urban slums or peri-urban areas.

CASE STUDY 8

In the last case study, we share an unfortunate case of what can happen with informal savings platforms. As indicated in the cases above, for many people who belong to stokvels, there seems to be a plan in place with regards to how the money will be spent. For most people it is easier to make plans for the payouts that they will get from their stokvels as it is almost guaranteed that the money will be paid out. For participant no. 37, owner of a fast-food stall in Beverly Hills, misfortune came instead. She was set to receive R15 500 from a stokvel that she had been contributing to since last year January and she her payout was due in the second week of December 2014. She joined an all-male stokvel in Evaton. Although she would be the one who would make the contributions, she had joined using her nephew's name as this particular stokvel does not permit female membership. She would regularly make her monthly contributions through her male nephew. On the day of the payout, her nephew went to collect the money from the stokvel and never returned home to give her the money.

She states that her nephew was nowhere to be found through the December period and only returned in January claiming that he had lost the money gambling. She states that money was going to be used to pay registration fees for her son who is his first year of varsity. She has since borrowed money from African Bank to pay for her son's registration and her nephew has promised to pay her back the money in monthly instalments. She had hoped that the stokvel pay-out would assist her with her son's registration at college. Fortunately for her she was part of another stokvel that paid out in groceries, which assisted her as she was able to sell some of the R4 000 worth of groceries. However, she states that she does not want to be part of stokvels in the future and she has since asked her fieldworker/enterprise coach on information about the various savings platforms available from formal banking institutions.



CASE STUDY 9

Contribution and commitment of a member in the stokvel is not coerced by means of any legal or formal agreements, and thus can be highly unreliable. Participant no. 162 sells pickles to the locals in Mkhelele extension in Evaton, and says she can never trust stokvels after what happened to her in December 2014. The participant had been a member of a stokvel with other women residing in the same street for over a year. She had been making a contribution of R600 every month so that the sum of contributions could go to a member every month for the whole year. She says that she requested for her turn to be in the last month of the year so that she could use the pay-out to buy building materials in order to extend her one-roomed RDP house. Sadly she did not get the whole pay-out of R10 200 because a number of the members explained that they did not have the money. So far she hasn't been able to recover her money and this has led to her arguing with the members and the stokvel falling apart.



2. Conclusion and recommendations

In his essay titled *The poor and their money* Rutherford (1999: 56), states that 'creating better financial services for the poor starts with having a clear idea of just what constitutes good services'. This is a good departure point for the progressive realisation of better financial services for the poor taking into consideration the unreliable nature of stokvels.

- The design of programmes that promote financial inclusion should be built on existing practices and knowledge of stokvels as compared to low-income households being encouraged to use formal-sector products that do not take into account their needs.
- There is need for focused research that can build on current work and knowledge on stokvels with a focus on how the successes can be leveraged to drive local economic development activities such as entrepreneurship and other income-generating activities.
- In design of financial inclusion products, there is a need to be informed by the needs of people in low-income households and take into account their preference for flexibility in depositing and accessing money.
- There is a need to promote easily accessible information regarding financial products in local languages, refrain from unnecessary financial jargon, and provide more information on the financial implication of each account in terms of bank charges and service fees.
- Promotion of dialogue between the different Rotating Savings and Credit Association (ROSCAs) and the Accumulating Savings and Credit Association (ASCAs) could lead to viable solutions towards strengthening these traditional savings mechanisms.
- There is a need for a more comprehensive strategy for long-term savings within stokvels that takes into account the needs of those who prefer these savings platforms.

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