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FINANCE AND INDUSTRIAL DEVELOPMENT

THE ROLE OF *STOKVELS* IN THE ECONOMIC TRANSFORMATION OF ETHEKWINI MUNICIPALITY

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Abstract

The paper explores the role that *stokvels* in the economic transformation of eThekweni Municipality. *Stokvels* in South Africa have an estimated value of R49 billion and a membership of 11,5 million, in a country with a populace of 55 million and an informal economy valued at R160 billion - yet remain a hidden sector of the economy. Developing the *stokvel* industry could be key to poverty alleviation, reduction of unemployment and broadening equitable access to the ownership of the economy and capital accumulation; thus improving the livelihoods and raising the standard of living in eThekweni.

There was dearth in the consulted literature on the role of *stokvels* and a model for integrating *stokvels* into the economic policy framework of a municipality. The objectives of the research were to; determine the economic contribution factors of *stokvels*, investigate their role in the economic policy framework, explore the views of the *stokvel* groups and those of Municipality Council on the role of *stokvels* in the economic policy framework, and to develop a model for integrating *stokvels* into the economic framework of the municipality. The paper used a mixed methods design. 395 *stokvel* groups respondents for the quantitative research were selected for a simple random probability sampling method. For qualitative research, six policy-makers were selected for the purposive non-probability sampling method.

The triangulated thematic findings revealed converging themes as; money saving and investment, job creation, business opportunities, marginalisation and an unorganised industry, and exclusion from the policy framework. Maslow and Hayes & Wheelwright's theories were triangulated and layered to develop a new model. The paper recommended for policy-makers to adopt the development and integration models for *stokvels* into the economic policy framework in order to accelerate transformation, development and economic growth of the municipality.

Keywords: *Stokvels*, *Stokvel* groups, RoSCAs, Economy, Economic transformation, Economic development, Informal economy, Inclusive economy, Economic policy framework, eThekweni Municipality, Municipality Council members, Policy-makers, Maslow hierarchy of needs, Hayes & Wheelwright model, *Stokvel* model.

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Abbreviations

BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
EFT	Electronic Funds Transfer
FICA	Financial Intelligence Centre Act
GDP	Gross Domestic Product
IDP	Integrated Development Plan
ILO	International Labour Organisation
KZN	Province of KwaZulu-Natal in South Africa
LED	Local Economic Development
LSM	Living Standards Measure
MC	Municipality Council member
NASASA	National Stokvel Association of South Africa
NDP	National Development Plan
NGOs	Non-governmental Organisations
NGP	New Growth Plan
OECD	Organisation of Economic Co-operation & Development
QLFS	Quarterly Labour Force Survey
RoSCAs	Rotating Savings and Credit Associations
SA	Republic of South Africa
SALGA	South African Local Government Association
SARB	South African Reserve Bank
SMME	Small Medium & Micro Enterprises
STATSSA	Statistics South Africa
UK	United Kingdom

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1. Introduction

The informal economy of South Africa (SA) is valued at R160 billion and it comprises of a R49 billion *stokvels* industry amongst other sectors. The marginalisation and exclusion of the role of *stokvels* is undesirable in the economic transformation of municipalities in SA, as they are a means of addressing challenges of poverty, unemployment and income insecurity. On the 08 May 2018, when he appeared before parliaments' national assembly; the President of the Republic of SA Mr Cyril Ramaphosa expressed the need for banks in the South African economy and a *Stokvel* Bank was top of list. The aim of this paper was to, therefore, explore the role of *stokvels* in the economic transformation of the municipality of eThekweni and the develop a model for *stokvels* to be integrated into the economic policy framework of the municipality. Notwithstanding the different types of *stokvels* that can be found in SA as indicated by authors in the consulted literature, this paper takes an umbrella approach towards this industry within the informal economy regardless of their type. *Stokvels*, in a broad sense, may be expected to both lead to and to follow from effective and efficient economic transformation. However, it is less clear how important specific types of *stokvels* are the means, agents and catalysts for economic transformation in the municipalities across SA. A scientific approach to measure *stokvels* and to determine how their role impacts positively or otherwise the economic transformation of municipalities is also not well covered in the scholarship body of literature.

2. The Research Problem

Stokvels remain a hidden aspect of the South African economy. Research scholars, organisations and institutions cite the steady growth in both size and value of *stokvels* over the years from 680 000 members (valued at R684 million p.a.) in 1989, to a 11,5 million membership by 2011 (valued at R49 billion p.a.); yet there is limited theory on the role of *stokvels* and the need to improve the condition of this industry role in the economic development of the municipalities. On the basis of this statistics and the growth of the *stokvel* market; the South African Reserve Bank (SARB), in 2012, gazetted an exemption notice for *stokvels* to practice their trade under the *Banking Act 94 of 1990*.

Set out within the *IDP (2016/2017)* is the *Durban's Informal Economic Policy* adopted in 2001; which were the main official source documents for the paper, that spelt out the role of the informal economy in eThekweni Municipality. It was observed, however, that both the *IDP (2016/2017)* and the *Durban's Informal Economic Policy* excluded the role of *stokvels* in the economic transformation of the municipality, this despite the well documented attributes of *stokvels* of job creation, inherent money savings culture and social capital. In the *Durban's Informal Economic Policy*, the word '*stokvels*' is mentioned once - under clause 7.2.12. The clause introduces *stokvels* as an alternative innovative solution for SMMEs to access financial support in eThekweni Municipality. The absence (by omission or otherwise) of the role of *stokvels*, marginalisation and lack of recognition thereof, in the official economic plans and policies of the municipality was therefore the problem that this paper sought to explore. This absence could exacerbate the marginalisation of *stokvels* to the periphery of the economy of eThekweni Municipality and could further translate to minimal economic policy support from provincial and national government.

Further to the absence of the official recognition of *stokvels*, to date there exists neither research nor literature on the role of *stokvels* in the economic transformation of eThekweni Municipality. Authors like Arko-achemfuor (2012) go only so far as to conduct an exploratory research for *stokvels*' ability to finance small, medium and micro enterprises (SMME's) in rural SA. The research organisations like *African Response Research (2012)*; and the scholarship literature by writers Arko-achemfuor (2012); Mashingo & Schoeman (2012); Neves & du Toit (2012); Fourie (2013); Rakabe (2013); Beaman, Karlan & Thuysbaert (2014); Maluku & Kaseke (2014); Hossein (2017); Rasyid, Satriawan & Sugiyanto (2015); Wu, Xiaoyu & Hutchins (2015) have made contributions to the body of knowledge on RoSCAs like *stokvels* however, none have ventured into developing a model on how *stokvels* can be integrated into the economic policy framework of municipalities including eThekweni Municipality. This paper intends to develop a model for *stokvels* to be integrated into the eThekweni Municipality's economic policy framework. This model could be extended into a development model for *stokvels* in order to enable policy-makers in the public sector and captains of industry in the private sector to tailor-make programs for *stokvel* development to spur economic transformation and development.

3. Aim and Objectives of the Paper

3.1 Aim

The aim of this paper was to explore the role of *stokvels* in the economic transformation of eThekweni Municipality and to develop a model for the integration of *stokvels* into the economic policy framework of the municipality.

3.2 Objectives

- To determine the economic contribution factors of *stokvels* in the local economy of eThekweni Municipality;
- To investigate the role of *stokvels* in the current economic policy framework of eThekweni Municipality;
- To explore the views of the *stokvel* groups and those of the Municipality Council (MC) of eThekweni Municipality on the role of *stokvels* in the economic framework of eThekweni Municipality; and
- To develop a model for the integration of *stokvels* into the economic framework of eThekweni Municipality.

4. Literature Review and Conceptual Framework

4.1 Conceptual Framework

The American Educational Research Association (AERA) (2006) cited in Yamauchi, Ponte, Ratliffe & Traynor (2017:11) refers to a theoretical or conceptual framework as “an essential component of

research that shapes the quality and scope of investigations”. According to Arko-achemfuor (2012:129) “some of these theories have not been able to explain societal problems in the context of the developing world as well as providing ways of dealing with issues of poverty, inequality and transformation adequately”.

Whilst the paper aims to explore the role of *stokvels* in the economic transformation of eThekweni Municipality, it is however, not clear from the consulted literature as to what are the drivers, motivators and aspirations for individuals to form or be part of or even to be associated with a specific type of *stokvel*. The consulted literature on *stokvels* was lacking on the adopted and/or adapted frameworks (*albeit* theoretical or conceptual), with the exception of a research by Arko-achemfuor (2012) wherein the author elected a Wageningen Schools ‘actor-action oriented’ approach theoretical framework for the research. This paper, goes further than the ‘actor-action oriented’ approach of *stokvels* as outlined by Arko-achemfuor (2012) and adopt existing theories of individual motivation and owner-manager business motivation to that of *stokvel* groups and their members. *Stokvels* have the following elementary characteristics;

- Individuals form or take part or are associated with specific type of *stokvel* since they have a need that needs to be fulfilled, and
- A *stokvel* operates in the realm of an owner-manager business or a small business entity – by transacting the pooling of member funds for a common goal.

On the one hand, Maslow’s hierarchy of needs theory could explain the ambitions and/or motivational needs of *stokvel* members. Whilst on the other hand, the construct of the Hayes & Wheelwright theory could explain the owner-manager similarities of *stokvels* type – likened to a small business in a development continuum. Together these theories formed a conceptual framework for this paper.

4.1.1 MASLOW’S THEORY

Physiological (Physical) Needs

According to Adams *et al.*, (2015:29) “the first step in the hierarchy is physical needs, including food, water, and shelter. The basic argument is that until physical needs are well gratified, physical needs will dominate all other needs. For example, if someone is hungry, the person’s hunger will override the need for safety. As Maslow indicates, however, that once the individual’s physical needs are met, a new need arises, and thus the hierarchy of needs”.

Safety Needs

Maslow (1943) and Matterson & Ivancevich (1999) cited in Adams *et al.*, (2015:30) indicated that “after the physical needs are gratified, next in the hierarchy are safety needs. Individuals have an inherent need to be safe once their physical needs are met. If both the physical and safety needs of an individual are met, however, the individual can move to the next step in the hierarchy”.

Love (Social) Needs

In Maslow’s hierarchy, ‘social needs’ are designated as a third tier of needs in the middle of the pyramid. Maslow (1943) and Matterson & Ivancevich (1999) cited in Adams *et al.*, (2015:30) indicated that “once physical and safety needs are met, love needs are next in the hierarchy. This

need can be gratified by affection or belongingness. Maslow's argument in the realm of love needs is that if both the physical and safety needs are sufficiently satisfied, an individual will want friends. An individual will look to satisfy the need for love by belonging to a group. Once the love need is met, the need for esteem presents itself".

Esteem Needs

Maslow (1943) and Matterson & Ivancevich (1999) cited in Adams *et al.*, (2015:30) concluded that "once the individual's physical, safety, and love needs are met, esteem needs become the driver of behaviour. People who have gratified the three previous needs will have the need to feel good about themselves. Maslow (1943) breaks esteem needs into two subsidiary sets. The first subset is the need for independence, strength, and achievement. The second subset is the need for reputation, appreciation, and/or prestige. Not achieving esteem needs can lead to detrimental effects, such as weakness and feeling inferior to others. Once the esteem need is met, the final need of Maslow's hierarchy can be achieved".

Self-Actualisation

According to a research by Adams *et al.*, (2015:30) "Maslow's (1943) contention is that once all of the previous needs on the hierarchy (physical, safety, love, and esteem) are met, individuals can still find themselves striving for more. Self-actualisation occurs when individuals reach their potential".

4.1.2 HAYES & WHEELWRIGHT MODEL

- *Stage 1 (internal neutral)*: "This is the lowest stage in the model representing an 'internally neutral' orientation towards the business: the organisation is regarded as neutral – incapable of influencing competitive success. Managers in the business attach little meaning to infrastructure issues such as work force policies, planning and measurement systems, and incremental process improvements. Stage 1 is associated low-skilled workers and supervisors forced to use a reactive, inward-looking and mistake-avoiding approach, with no time to focus on a consistent set of objectives" Wheelwright & Hayes (1985:101).
- *Stage 2 (external neutral)*: The business seeks "competitive or 'external' neutrality – that is parity with major competitors" Wheelwright & Hayes (1985:102), the orientation is not inward-looking towards the business itself as in Stage 1. Businesses in Stage 2 seek to follow industry practices, in "establishing performance-monitoring systems, trying to emulate competitors" Adams *et al.*, (2015:31), and the use of benchmarking to seek to copy best practices in its industry. Stage 2 businesses suffer a lag in implementing best practices, and the best result is performance equal to that of competitors. "Practices are not directly linked to business strategies, and no competitive advantage is achieved" Adams *et al.*, (2015:31).
- *Stage 3 (internal supportive)*: The organisations view their business as 'internally supportive' in that "its contributions derive from and is dictated by overall strategy. That contribution includes:
 - Screening decisions to ensure they are consistent with the organisation's competitive strategy;
 - Translating that strategy into terms meaningful to business personnel;
 - Seeking consistency within the business through a carefully thought-out sequence of investments and system changes over time;

- Being on a lookout for longer term developments and trends” Wheelwright & Hayes (1985:102).

Stage 3 organisations arrive at this stage “as a natural consequence of their success in developing a successful strategy, based on formal planning processes” Wheelwright & Hayes (1985:102). Performance-monitoring systems are used as a basis for improvement industry best practices are implemented.

- *Stage 4 (external supportive)*: This stage is the “fourth and most progressive stage of the organisation. The role of the business functions in Stage 4 organisations “is ‘externally supportive’, in that the business functions are expected to make an important contribution to the competitive success of the organisation” Wheelwright & Hayes (1985:103). The outstanding attributes of Stage 4 organisations are that “they;
 - Anticipate the potential of new business practices and technologies and seek to acquire expertise in them long before their implications are fully apparent;
 - Place equal emphasis on structural (building and equipment) and infrastructural (management policies) activities as potential sources of continual improvement and competitive advantage;
 - Develop long-range business plans in which the business capabilities are expected to play a meaningful role in securing the organisation’s strategic objectives” Wheelwright & Hayes (1985:103).

4.2 Inclusive Economy at Local Government

A study by David *et al.* (2013) cites eThekweni Municipality’s “*Durban’s Informal Economy Policy*” adopted in 2001 as pioneering and the successful implementation of its various elements. This policy has been touted as a precursor that helped influence the development of similar policies in various other municipalities in SA (David *et al.*, 2013). The *Durban’s Informal Economy Policy* adopted in 2001 is one of a total seventy three (73) strategic policies and plans of eThekweni Municipality that make up the eight (8) point plan *IDP 2012/2016* policy framework. This policy was formulated for the purposes of economic inclusiveness of the informal economy of eThekweni Municipality. In its current form, this policy disregards and marginalises the *stokvels* industry in favour of informal traders and other informal economy activities. The word ‘*stokvels*’ is mentioned once under clause 7.2.12 in eThekweni Municipality’s *Durban’s Informal Economy Policy*. The clause introduces *stokvels* as an alternative innovative solution for SMMEs to access financial support in eThekweni Municipality. However, this potential remains marginalised and exploited for its contribution towards economic transformation and development as compared to other peer emerging economies to SA being; Ghana and Bangladesh.

According to David *et al.*, (2013:68) it has been suggested to SALGA’s 278 member municipalities in SA that “a set of guidelines around the informal economy need to be incorporated into the *IDP* assessment process. This would include issues such as:

- The presence of an informal economy policy, adopted and approved by council;
- Inclusion of the informal economy in the LED plan;
- Inclusion of the informal economy in infrastructure plans; and
- Inclusion of the informal economy in the monitoring and evaluation process”.

The SALGA's blueprint guidelines for municipalities towards an economy inclusive of informal economy and *IDP (2016/2017)* of eThekweni Municipality are worthwhile considerations on how innovative ideas at municipality level can assist national government in developing national policies to promote economic transformation. SALGA's (2012:15) guidelines were "designed to assist municipalities in meeting their mandated requirements of achieving an integrated and developmental approach across all sectors". This paper has however, noted that SALGA and invariably the eThekweni Municipality policies and plans exclude *stokvels* in the list of informal economy sectors. The exclusion of *stokvel* organisations, further promote their perpetual marginalisation and lack of recognition as players in the informal economy.

4.3 The Informal Economy

According to SALGA (2012:8) "there is no doubting the importance of the informal economy in SA". The informal sector (at times referred to as the informal economy) got its name from a British anthropologist Keith Hart in 1971 (Chen, 2012). A report by SALGA (2012:8) indicates that "by its very nature informal economic activity goes unrecorded and is therefore difficult to measure, but some estimates value the informal sector at around 28% of SA's GDP". Schneider (2002) cited in SALGA (2012:7) estimated "the size of the informal economy in SA to be around R160bn, making it 2.5 times as large as the entire agricultural sector, or 70% of size of the mining sector". The SALGA (2012) blueprint acknowledges that a very wide range of economic activities are included in the South African informal sector, hence government policy in SA needs to take as broad a view as possible, and be relevant to as large a portion of the informal sector as possible.

In the research by Neves & du Toit (2012:131) it is recorded that "... over four decades ago the informal economy has been a longstanding domain of interest across an array of disciplines, defying early predictions that it would be eclipsed or simply absorbed by the formal economy. Instead the informal economy has continued to grow globally". This is further corroborated by (Chen, 2012:3) that "there has been a realisation that the informal economy has become a crucial factor in economic development, particularly in developing and emerging countries, and that it offers significant job and income generation opportunities. This realisation has seen a big shift in conceptualising the informal economy as a traditional economy that will wither away and die with modern, industrial growth to an integrated part of the economy, which is expanding with modern, industrial growth". SALGA (2012) actively encouraged each municipality of the 278 affiliated to it; to make an attempt to understand and acknowledge the informal economy in its entirety. According to David *et al.* (2013:4) "policy frameworks and strategies aimed at the informal economy must be developed, without hampering the potential of the sector for economic growth. However, the main challenge is to develop innovative, inclusive and supportive policies that recognise the value of the informal economy and the people working in this field". Furthermore, David *et al.* (2013:4) observed that "municipalities and city councils across the African continent have started to recognise the importance of the informal economy and that its negation is often impeding economic growth and sustainable livelihoods".

4.4 The International Perspective of RoSCAs Phenomenon

Most authors including (Arko-achemfour, 2012; Maluku & Kaseke, 2014) concur that rotating savings and credit associations (RoSCAs) are found in both the developed and less developed countries alike. Examples of these are; the *biao huis* of India & China, *susu* of Ghana & the Caribbean, *tanomoshiko* or *mujin* of Japan, *arisan* of Indonesia, Kenya & Nigeria, *xitique* of Mozambique, *djanggis* of Cameroon, *gameiya* of Egypt, *pandeiros* of Brazil, *puluwagan* of Philipines, *kibati* or *upatu* of Tanzania, and many others (Hossein, 2017; Wu & Hutchins, 2015). The most common denominator amongst all RoSCAs is that they are used for both saving and borrowing and essentially serve as livelihood needs support systems and promote economic development for the community (Kabuya, 2015; Sulisty, 2015). Jones (2014) cited in Hossein (2017:30) indicates that “in the U.K., British citizens have created a network called ‘peer-to-peer lending’, and they are pushing for legislation to recognise non-bank lending”. Hossein (2017) argues that RoSCAs form a part of the social economy because they are focused on the social and financial lives of excluded communities.

4.5 The *Stokvels* Phenomenon in South Africa

The term ‘*stokvel*’ is unique to SA (Maluku & Kaseke, 2014). *Stokvels* can provide a platform for periodic collective savings for members, whereby the total amount collected during the course of a year is either reserved on behalf of the members or disbursed as a lump sum on an equal share rotational basis to members at each successive period or both (Neves & du Toit, 2012). The consulted literature for this paper revealed that the old practice of *stokvels* continues, on an upward trend, even in post-apartheid SA, with mostly black South Africans coming together to form *stokvels* in the cities, townships and villages (*African Response Research, 2012*; Mashingo & Schoeman, 2012; Maluku & Kaseke, 2014). To date there are about eight (8) types of *stokvels* in SA, being; savings *stokvels*, burial *stokvels*, investment *stokvels*, grocery *stokvels*, high-budget *stokvels*, birthday-party *stokvels*, lobola *stokvels* and others (*African Response Research, 2012*; Maluku & Kaseke, 2014). The research reports by *African Response Research (2012)*; *Old Mutual (2011)* revealed that *stokvels* have a membership of approximately 11 400 400 registered individuals; belonging to 811 830 *stokvels* and collectively saving R49 billion a year.

In 1996 the SARB published a green paper to indicate its overall stance on the *stokvel* industry in SA. Around 2006 the SARB gazetted an exemption notice for an amendment to the *Banks Act 94 of 1990*. This amendment was to cater for *stokvels* whereby they are seen as operating within the mandate of commercial banks “yet falling outside the very definition of a commercial bank. This meant that *stokvels* were now viewed as legal, self-governing entities, operating outside but within the regulations covering banks. They were, therefore, allowed to take deposits from their members only, but were not allowed to hold in excess of” R30 million at any one time (Calvin & Coetzee, 2010:1). “Any *stokvel* exceeding this amount would be required to register as a mutual bank and would then legally fall under the *Mutual Banks Amendment Act, 1994 (Act 25 of 1994)*” (Calvin & Coetzee, 2010:1). *Stokvels* also had therefore to affiliate themselves with NASASA, which was awarded a licence and a mandate to register all *stokvels* in SA in order that they legally benefit from the exemption(s) of the *Banks Act of 1990* (Calvin & Coetzee, 2010; *National Treasury, 2010b*). On the 08 May 2018, the President of the Republic of SA, Mr Cyril Ramaphosa, answered questions on

the order paper of parliament's national assembly. In his answer to a question about the formation of a 'State Owned Bank', the President emphasised a need for more banks in SA including a *Stokvel* Bank – in order to transform the South African economy.

4.6 Economic Contributing Factors of *Stokvels*

Social and economic benefit for participating in *stokvel* activity is directed at a wide range of objectives including: “generating income, bolstering food security, facilitating social connectedness, slowing the draw-down of a finite portfolio of assets” (Neves & du Toit, 2012:135). Vermaak (2000) cited in *African Response Research* (2012:2) indicated that *stokvel* organisations enable their “members to have insurance against adversity such as death, equipping them with the financial support to fund various other functions agreed upon by the *stokvel* group as a collective, extending loans to needy members (*inter alia* for education, towards physiological needs such as housing, grocery shopping and business endeavours)”. A number of scholarly findings from Arko-achemfuor (2012); Mashingo & Schoeman (2012); Maluku & Kaseke (2014), Hossein (2017) and reports from research organisations like *African Response Research* (2012) indicate the reasons for and benefits of participating in RoSCAs like *stokvels* as:

- The ability to save, invest and meet basic needs;
- Sustaining the existence of formal businesses thus creating employment;
- The financing/starting of small businesses;
- Women's empowerment;
- Easy access to credit & mini-loans; and
- The creation of social capital, moral support & mutual assistance.

These benefits are economic factors aligned with the national development plan (NDP) adopted in 2013 as authored by the South African national planning commission, the *SALGA* (2012) blueprint guidelines for municipalities in adopting a more developmental approach towards an economy inclusive of informal economy and the *IDP* (2016/2017) for eThekweni Municipality. Meanwhile most commentators' views are that *stokvels* are endowed with pro-social economic factors that are a good source for economic growth and development through job creation, savings and investment capabilities, extending of mini-loans and credit facilities, women empowerment and social capital (Josten, 2013; Li *et al.*, 2015; Osakwe & Ajayi, 2015; Chatterjee *et al.*, 2017).

5. Research Methodology

The paper approached the research with a convergent parallel mixed methods technique (figure 5.1); in line with the pragmatic philosophical worldview. Converging themes from the mixed method approach were established from participants using a methodological triangulation strategy. The research was located within the municipal boundaries of eThekweni in the province of KZN, in SA. All the 197 towns/cities of eThekweni Municipality were selected for data collection. EThekweni Municipality's gross domestic product (GDP) comprises 57,1% of KZN GDP and 9,1% nationally.

The population of this research was all *stokvel* groups in eThekweni Municipality. According to the *Community Survey* (2016) the population of eThekweni Municipality is 3,59 million people (*Statistics*

South Africa, 2016). The eThekweni Municipality populace of 3,59 million people makes 32% of the population of KZN (StatsSA, 2016). From the research findings by African Response Research (2012) there are 811,830 *stokvel* groups in SA, of these; KZN *stokvel* groups constitute 14%, which translates to 113,540 *stokvel* groups in KZN. On superimposing the statistics of KZN and eThekweni Municipality onto the *stokvel* groups' the scientifically extrapolated target population for the research yielded 36,333 *stokvel* groups found in eThekweni Municipality.

Two sampling methods were employed for this paper;

- a) the simple random method of probability sampling on the larger population being the *stokvel* group's members, with a unit of measurement being a *stokvel* group - represented by a Chairperson or Treasurer; and
- b) the purposive sampling method for the Municipality Council members (policy-makers) of eThekweni Municipality.

For the quantitative research, a statistically accepted sample size of respondents from a population of 36 333 *stokvel* groups was mathematically calculated to be 395 using the formula;

$$n = \frac{N}{1 + N(r)^2}$$

where: 'N' is a population size; 'n' is a sample size; and 'r' is a significance level of 0.05 from a confidence limit of 95%. A 95% confidence limit is a commonly acceptable statistical level in most research.

For the sample size to be statistically acceptable and representative of the population, a 95% confidence limit was applied. Whereas six participants (being Municipality Council members) in the qualitative research were chosen.

A questionnaire instrument was constructed and an interview schedule instrument was developed for data collection. The scales used included questions designed according to Likert-scale as it is the easiest to understand (e.g., with responses: Strongly Agree-Agree-Disagree-Strongly Disagree) and questions that required the ranking in order of importance (e.g., with responses: Very High(VH)-High(H)-Medium(M)-Low(L)-None(N)). All the scales were then transcribed and coded by first normalising the responses to all questions so that responses range from 1 to 2 (for a questions with yes/no responses) or 1 to 4 (for questions with Strongly Agree-Agree-Disagree-Strongly Disagree) or 1 to 5 (for a question with a response Very High(VH)-High(H)-Medium(M)-Low(L)-None(N)). During the in-depth interview sessions the interview schedule was used as a guide; comprising questions aligned with the aim, the research objectives and questions. All interviews were recorded on a audio-recorder. Observations during fieldwork were noted and saved.

To measure reliability, a Cronbach-alpha coefficient was employed as it indicates how well the items in a set are positively correlated to one another. In this paper, the Cronbach's alpha coefficient attained was 0.769 which is an indication that the construct of the instruments was reliable. Once all data was collected and collated it was thematically analysed. Qualitative data was analysed by transcribing interview responses from participants and identifying common themes using N-VIVO (version 11.0). The data was coded and classified accordingly. Quantitative data was analysed using; descriptive statistics (frequency tables, pie charts, bar charts and measures of centrality), inferential statistics (cross-tabulation of bivariate data, Pearson chi-square to measure correlation significance).

The coded and transcribed data was entered into the Statistical Package for Social Sciences (SPSS version 25.0). Triangulation strategies used were methodological, data and theoretical in order to establish convergence of themes of the convergent parallel mixed methods research design. The findings for the research were interpreted and generalisations made for the *stokvel* population of eThekweni Municipality. A theory triangulation technique was used to develop a new model for *stokvels* to be integrated into the policy framework of eThekweni Municipality. It was noted that the sample size (n = 395) for this research was equivalent to the sample size of the population of *stokvel* groups in SA. It can therefore be inferred that the findings of this research could be generalised nationally to the *stokvels* industry in SA.

6. Results and Discussion

Sources of secondary data on *stokvels* and economic transformation that were consulted for the purposes of this research were; textbooks, academic journals, newspapers, magazines, published statistics and internet websites. Qualitative data were transcribed and thematically analysed using N-VIVO (version 11.0) and the quantitative data was coded and analysed using the statistical software package SPSS (version 25.0). The chi-square test was generated by cross-tabulating the different data variables to test for the bivariate significance of relationship. Pearson chi-square test was premised on the generally accepted conventional level in scientific research of $p < 0.05$. Indicating that 95 times out 100 there is definite certainty that there is a significant correlation between two variables. The main findings for this paper were that the response rate was 98% from 395 (n = 395) respondents. The key findings of this research were as follows.

Table 6.1 shows that out of 388 respondents; 18.6% indicated the primary objective of their *stokvel* as a platform to socialise and network, 61.9% indicated the primary objective as saving money, 1.0% indicated the primary objective as jobs creation by financing small businesses, 14.7% indicated the primary objective as advancing loans to members and 3.9% indicated the primary objective as depositing funds in high-return investments.

Table 6.1 Primary objective of *stokvel* groups in eThekweni Municipality

	Frequency	Percent	Valid Percent	Cumulative Percent
To socialise and network	72	18.6	18.6	18.6
To save money	240	61.9	61.9	80.4
To create jobs by financing small business	4	1.0	1.0	81.4
To loan funds to members of your <i>stokvel</i>	57	14.7	14.7	96.1
To deposit our funds in high return investments	15	3.9	3.9	100.0
Total	388	100.0	100.0	

The overall finding is that the primary objectives of 96.1% *stokvel* groups are to save money, socialise & network and loan funds to members. ‘Money saving and investments’ emerged as a key thematic finding of this research. This is corroborated by Maluku & Kaseke (2014:509) who revealed that “membership in *stokvels* creates an opportunity to save. As a result, participants were able to

engage in huge projects such as extending their houses. Another key benefit that participants derived from participating in stokvels was the opportunity to invest in household property”.

Table 6.2 Responses on how *stokvels* contribute to the economy of eThekweni

	Very-High	High	Medium	Low	None	
Investing funds in big businesses	33	41	42	40	232	Frequency
	8,5	10,6	10,8	10,3	59,8	Percent
	8,5	10,6	10,8	10,3	59,8	Valid Percent
	8,5	19,1	29,9	40,2	100,0	Cumulative Percent
Financing small businesses	48	54	60	49	177	Frequency
	12,4	13,9	15,5	12,6	45,6	Percent
	12,4	13,9	15,5	12,6	45,6	Valid Percent
	12,4	26,3	41,8	54,4	100,0	Cumulative Percent
Advancing Loans	98	100	66	30	94	Frequency
	25,3	25,8	17,0	7,7	24,2	Percent
	25,3	25,8	17,0	7,7	24,2	Valid Percent
	25,3	51,1	68,1	75,8	100,0	Cumulative Percent
Savings opportunities for members	206	84	31	12	55	Frequency
	53,1	21,6	8,0	3,1	14,2	Percent
	53,1	21,6	8,0	3,1	14,2	Valid Percent
	53,1	74,7	82,7	85,8	100,0	Cumulative Percent
Buying listed shares	17	37	11	33	290	Frequency
	4,4	9,5	2,9	8,5	74,7	Percent
	4,4	9,5	2,9	8,5	74,7	Valid Percent
	4,4	13,9	16,8	25,3	100,0	Cumulative Percent

The 5-item Likert scale question was used wherein the respondents were asked to rank in order of importance to their *stokvel* group the contribution to the economy of eThekweni by investing funds in big business. The respondents were expected to indicate whether this matter was of importance to their *stokvel* groups by marking either; Very-High (VH), High (H), Medium (M), Low (L) and None (N).

Table 6.2 and Figure 6.1 reveal that out of 388 respondents 74.7% indicated that the creation of savings opportunities for their *stokvel* group members was a ‘high to very-high importance’ contribution to the economy of eThekweni, 68.1% indicated that advancing loans was a ‘medium to very-high importance’, 58.2% indicated that financing of small businesses was a ‘low to none importance’, 83.2% indicated that buying of listed shares in the stock exchange was a ‘low to none importance’ and 70.1% of indicated that investing funds in big businesses was a ‘low to none importance’ contribution to the economy of eThekweni Municipality.

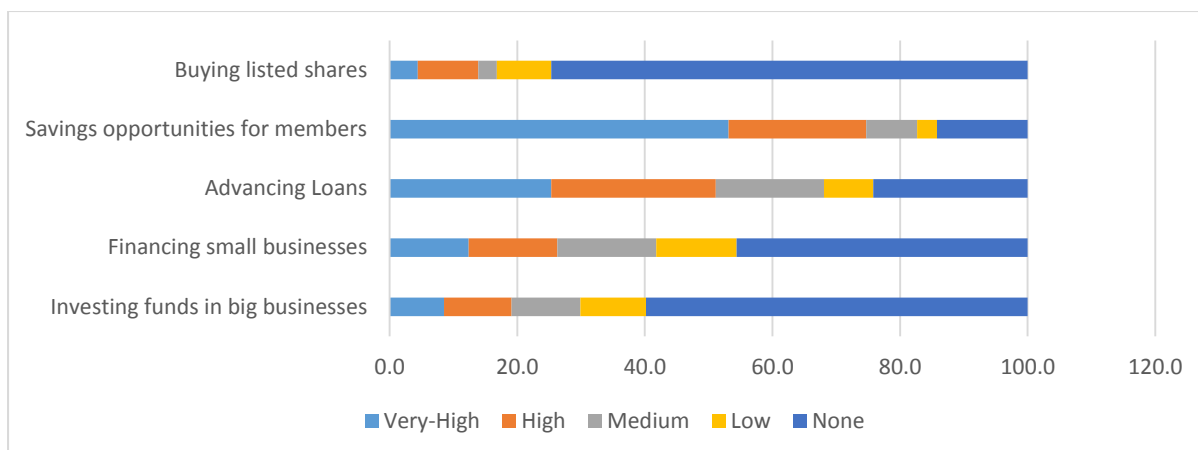


Figure 6.1 Stokvel contribution to the economy of the municipality

‘Business Opportunities’ emerged as a key thematic finding of this research. This finding is corroborated by finding from Arko-achemfuor (2012) which concluded that in general *stokvels* in SA do not consider themselves as possible vehicles for financing or subsidizing SMME’s. The author further argued that the *stokvel* system is a potential source of start-ups working capital for its members and further recommended to policy-makers how they can use *stokvels* as one of the funding models for SMMEs in SA. The findings in this paper revealed that 82.5% of *stokvel* group members are women (Annexure Table 10.2). This finding is corroborated by Hossein (2017:32) who concurs that, “counting RoSCAs as part of the social economy allows us to pay attention to these women-led informal cooperatives in the Canadian context”. This finding indicates that there is a gap in the policy-making since the absence of a municipal policy framework inclusive of *stokvels* is disempowering women emancipation in business. According to (Eckhart-Queenan, Allen & Behringer, 2013:33) “across the developing world, women own and operate an estimated eight to ten million SMEs”. Eckhart-Queenan, *et al.*, (2013) goes further to state that despite this, women continue to be under-represented and underserved as business owners by both banks and government policy-makers. Yet “the women-owned companies create much-needed jobs, raise people out of poverty, boost household income and contribute to overall economic prosperity” (Eckhart-Queenan, *et al.*, (2013:33). Baglaeva (2016:8) maintains that “the economic empowerment of women is a matter for all. Inclusiveness does not only ensure a fairer world for both men and women, it also leads to faster and more sustainable economic growth”.

Table 6.3 and Figure 6.2 show that out of 388 respondents 90.2% indicated a ‘medium to very high importance’ that the municipality presents investment opportunities to *stokvels*, 90.8% indicated it is of ‘medium to very high importance’ that the municipality develop a policy framework inclusive of *stokvel* industry, 85.3% indicated a ‘medium to very high importance’ that the municipality invite all stakeholders in the development of an inclusive economic policy framework of the municipality and 79.4% it is of ‘medium to very high importance’ that the municipality creates an enabling environment to co-invest in municipality projects. In summary these findings indicate that the municipality needs to formulate an economic policy framework inclusive of *stokvels*, promote investment opportunities to *stokvels* and create an environment for *stokvels* to co-invest in the municipality projects. This finding corroborates with a view by Rakabe (2013) that policy-makers

need to develop strategies to develop and boost *stokvels* in pursuit of self-generated growth and to become sources of economic growth. *African Response Research (2012:15)* is in agreement with this finding in that “players in the FMCG sector are already appreciating the value of *stokvels* with Massmart acknowledging the significant portion of sales associated with *stokvels*”. The research by *African Response Research (2012)* agrees with the findings under this theme further corroborates the argument raised by Arko-achemfuor (2012) in that, there exists an opportunity for businesses (big and small) to partner with *stokvels* for Corporate Social Investment (CSI) or Enterprise Development.

Table 6.3 Survey responses on what eThekweni needs to do to transform the economy

	Very-High	High	Medium	Low	None	
Develop a policy framework for <i>stokvel</i> industry only	162	129	38	17	41	Frequency
	41,8	33,3	9,8	4,4	10,6	Percent
	41,8	33,3	9,8	4,4	10,6	Valid Percent
	41,8	75,1	84,9	89,3	99,9	Cumulative Percent
Present investment opportunities for <i>stokvels</i>	209	108	33	21	17	Frequency
	53,9	27,8	8,5	5,4	4,4	Percent
	53,9	27,8	8,5	5,4	4,4	Valid Percent
	53,9	81,7	90,2	95,6	100,0	Cumulative Percent
Develop a policy framework inclusive of <i>stokvel</i> industry	152	135	65	18	18	Frequency
	39,2	34,8	16,8	4,6	4,6	Percent
	39,2	34,8	16,8	4,6	4,6	Valid Percent
	39,2	74,0	90,8	95,4	100,0	Cumulative Percent
Invite all stakeholders of municipality to develop a policy framework	142	134	55	33	24	Frequency
	36,6	34,5	14,2	8,5	6,2	Percent
	36,6	34,5	14,2	8,5	6,2	Valid Percent
	36,6	71,1	85,3	93,8	100,0	Cumulative Percent
Create an enabling environment for <i>stokvels</i> to co-invest in the municipality projects	150	103	55	38	42	Frequency
	38,7	26,5	14,2	9,8	10,8	Percent
	38,7	26,5	14,2	9,8	10,8	Valid Percent
	38,7	65,2	79,4	89,2	100,0	Cumulative Percent

A ‘Policy Framework Inclusive of *Stokvels*’ and ‘Job Creation’ emerged as key thematic findings of this research. This gap shows clearly that the MC of eThekweni Municipality need to revisit the Integrated Development Plan (IDP) and *Durban’s Informal Economy Policy* of 2001. The gap identified by this paper is supported by a writer Mpango (2013) cited in Wuyts & Kilama (2016) who maintained that, coupled with government policies aimed to review economic transformation for inclusivity and to promote a high savings culture as opposed to consumerism, a well-developed national plan will ensure that economic transformation will lead to enhanced growth and poverty reduction. A view that in order for the municipality to transform the economy all stakeholders in the economy of eThekweni Municipality including *stokvels* need to be invited to develop a policy framework is corroborated by *SALGA (2012)* guidelines, indicating that regular communication and discussion among the various stakeholders will contribute to both a better policy and better

implementation. This finding is corroborated by *African Response Research (2012:15)* in revealing that Massmart acknowledges the need to look after the *stokvel* industry by “providing concessions such as bulk discounts, pro-active collection of orders and arranging affordable transport” for the ease of *stokvels* to move their goods around.

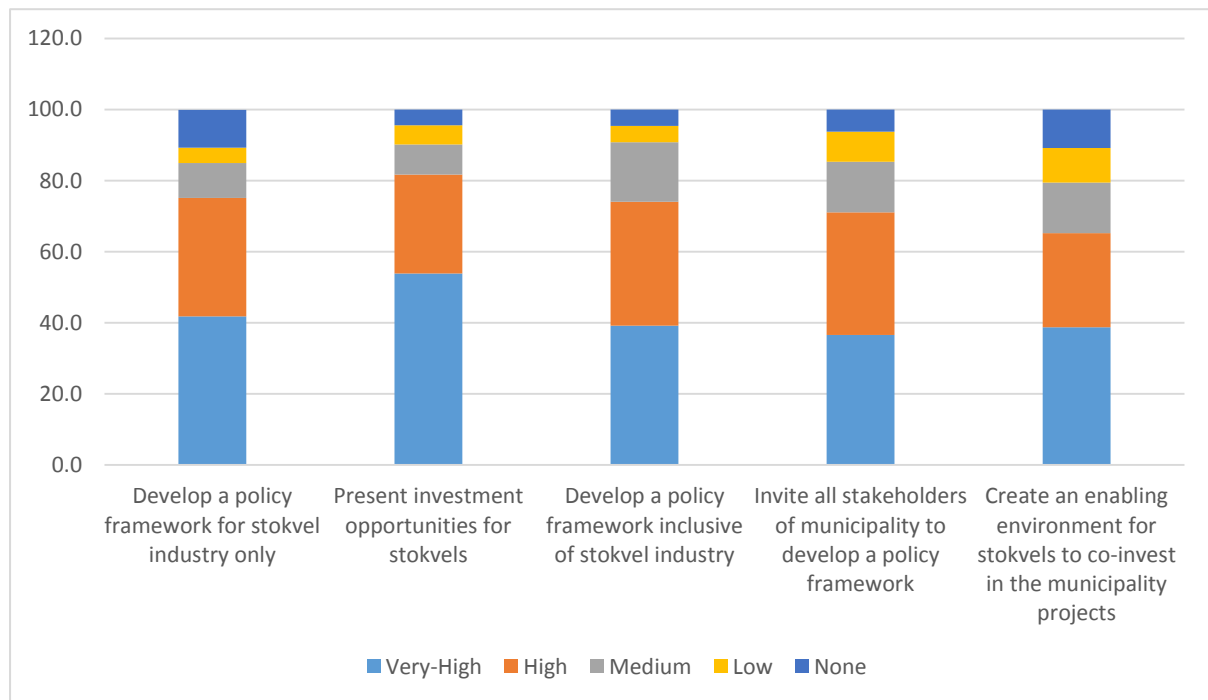


Figure 6.2 Survey responses rank how the economy of eThekweni can be transformed

Table 6.4 and Figure 6.3 reveal that out of 388 respondents 60.3% indicated that *stokvels* hold the view of ‘medium to very-high in importance’ that their *stokvel* group could be a better contributor to the economy of eThekweni if they co-invested with the municipality, 68.8% indicated a view of ‘medium to very-high in importance’ that their *stokvel* could be a better contributor to the economy by advancing finance to small businesses in the municipality, 86.1% indicated a view of ‘medium to very-high in importance’ that their *stokvel* could be a better contributor to the economy if the municipality could train this industry on how to invest money and earn good returns and 82.6% indicated a view of ‘medium to very-high in importance’ that their *stokvel* could be a better contributor to the economy by if the municipality had training and development programs for *stokvels*. In summary the findings reveal that *stokvels* are marginalised, unrecognised by policy-makers and that there is a gap as eThekweni Municipality does not assist *stokvels* with training and development programs. A ‘Lack of Development Programs’ for *stokvels* emerged as a key thematic finding of this research. Neither does the municipality assist *stokvels* to identify opportunities in the market including investment opportunities. Devey *et al.*, (2006) cited in Neves & du Toit (2012:140) corroborates this finding in that the “linkages between the formal and informal sector include not only the leveraging of resources derived from the formal sector into informal enterprises, but also an extensive interaction between formal and informal sector employment and an early acquisition of particularly favourable trading sites”.

Table 6.4 Responses on how *stokvels* could be better contributors to the economy of eThekweni

	Very-High	High	Medium	Low	None	
By co-investing in the same opportunities as eThekweni Municipality	104	93	37	31	123	Frequency
	26,8	24,0	9,5	8,0	31,7	Percent
	26,8	24,0	9,5	8,0	31,7	Valid Percent
	26,8	50,8	60,3	68,3	100,0	Cumulative Percent
By advancing finance to small businesses	127	86	54	28	93	Frequency
	32,7	22,2	13,9	7,2	24,0	Percent
	32,7	22,2	13,9	7,2	24,0	Valid Percent
	32,7	54,9	68,8	76,0	100,0	Cumulative Percent
By training <i>stokvels</i> on how to invest money and earn good returns	152	131	51	23	31	Frequency
	39,2	33,8	13,1	5,9	8,0	Percent
	39,2	33,8	13,1	5,9	8,0	Valid Percent
	39,2	73,0	86,1	92,0	100,0	Cumulative Percent
If eThekweni had training and development programs for <i>stokvels</i>	157	117	46	50	18	Frequency
	40,5	30,2	11,9	12,9	4,6	Percent
	40,5	30,2	11,9	12,9	4,6	Valid Percent
	40,5	70,7	82,6	95,5	100,1	Cumulative Percent
If eThekweni had a policy framework inclusive of <i>stokvels</i>	154	121	43	35	35	Frequency
	39,7	31,2	11,1	9,0	10,8	Percent
	39,7	31,2	11,1	9,0	10,8	Valid Percent
	39,7	70,9	82,0	91,0	101,8	Cumulative Percent

Writers Kongolo (2007); Arko-achemfuor (2012); Mashingo & Schoeman (2012); Neves & du Toit (2012); Fourie (2013); Rakabe (2013); Maluku & Kaseke (2014) agree with the findings that there are social and economic benefits of participating in *stokvel* organisations for the members. *Stokvel* activity was directed at a wide range of objectives including: “generating income, bolstering food security, facilitating social connectedness, slowing the draw-down of a finite portfolio of assets” (Neves & du Toit, 2012:135). These could form a basis for policy-makers in facilitating training and development programs for *stokvels*.

Another key thematic finding that emerges for this paper is a ‘Marginalisation of *Stokvels*’. The research by Maluku & Kaseke (2014) makes an observation that agrees with findings under this theme that, *stokvels* were not only marginalised, misunderstood and unrecognised but were also structurally disconnected from the core economy. Commentators Maluku & Kaseke (2014) agree with this finding and lament that; *stokvels* are very common in SA, yet no official recognition is given to them in official statistics, which contributes to an underestimation of their importance both as saving institutions and as mechanisms of poverty alleviation and social advancement. This finding is corroborated by the research findings of Mashingo & Schoeman (2012:2) who maintain that “savings and credit networks like *stokvels* have not received recognition or support from policy-makers commensurate with their current and potential contribution to improving the living standards of the economically marginalised majority”. Whilst *African Response Research (2012)* argues in agreement

that in SA, the informal economy inclusive of *stokvels* has the potential to be the key driver for employment and as such has a major role to play in addressing poverty, inequality and inclusive growth yet the informal economy in particular the *stokvels* are being marginalised.

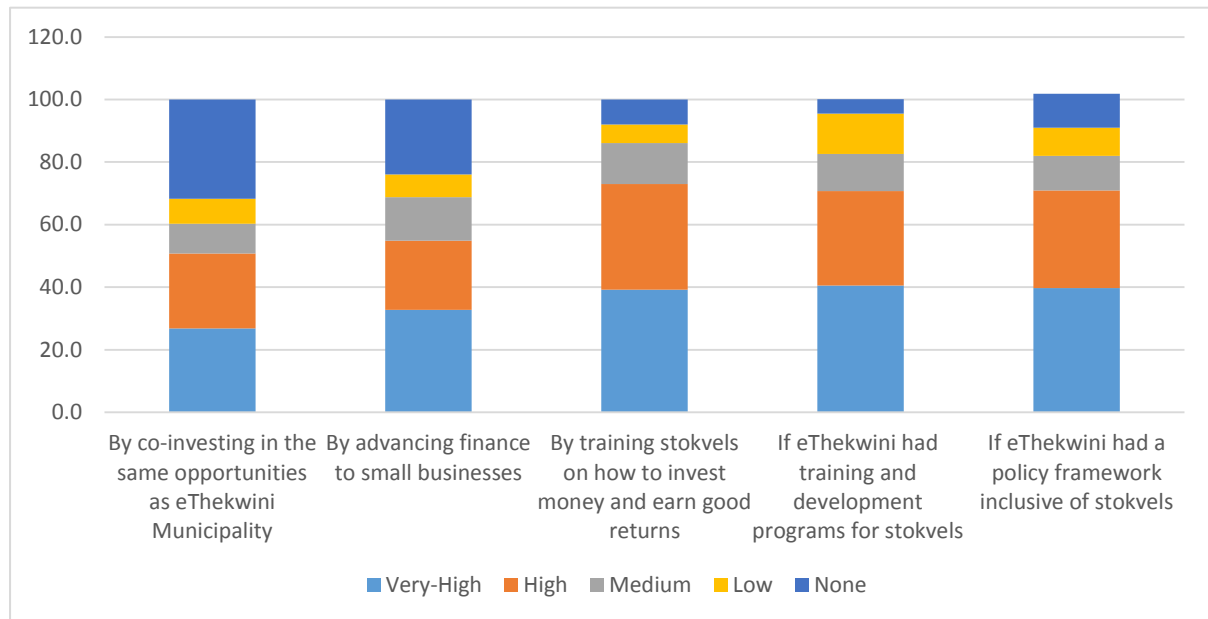


Figure 6.3 Responses on how *stokvels* could be better contributors to the economy of eThekweni Municipality

Table 6.5 reveals that out of 388 respondents; 67.5% belonged to Grocery type *stokvels*, 4.9% belonged to Investment type *stokvels*, 21.6% belonged to Savings type *stokvels*, 0.3% belonged to High-Budget *stokvels*, 2.1% belonged to Birthday *stokvels* and 0.5%, belonged to Burial *stokvels* and 3.1% belonged to ‘Other’ *stokvels*. In summary, the *stokvel* landscape in eThekweni Municipality is dominated by seven types of *stokvels* being; Grocery, Savings, Birthday, Investments, High-Budget and Other. Burial type *stokvels* are no longer as common due to incorporation of burial clauses in the agreements and mandates of most *stokvels*.

Table 6.5 Types of *stokvel* groups in eThekweni Municipality

	Frequency	Percent	Valid Percent	Cumulative Percent
Grocery <i>stokvels</i>	262	67.5	67.5	67.5
Investment <i>stokvels</i>	19	4.9	4.9	72.4
Savings <i>stokvels</i>	84	21.6	21.6	94.1
High budget <i>stokvels</i>	1	.3	.3	94.3
Birthday <i>stokvels</i>	8	2.1	2.1	96.4
Burial <i>stokvels</i>	2	.5	.5	96.9
Other <i>stokvels</i>	12	3.1	3.1	100.0
Total	388	100.0	100.0	

This observation is corroborated by Vermaak (2000) cited in *African Response Research (2012:2)* that *stokvel* organisations enabled their “members to have insurance against adversity such as death, equipping them with the financial support to fund various other functions agreed upon by the *stokvel* as a collective, extending loans to needy members”. The findings highlight the individual

needs of members of *stokvel* groups, illustrated in a pyramid like view (figure 6.4) of the typology of *stokvels* found in eThekweni Municipality thus corroborate Maslow's hierarchy of needs theory and the constructs of Hayes & Wheelwright model.

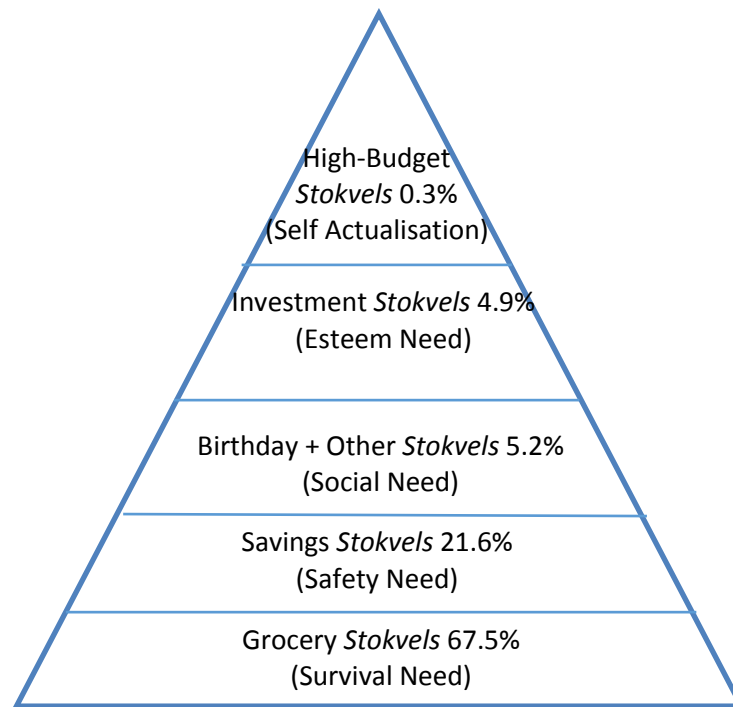


Figure 6.4 Stokvel Group Types by hierarchy of Needs

The exemption of *stokvels* under the Bank Act 94 of 1990 accords *stokvels* a business status, albeit informal, whose operations can be found in a banking establishment. This observation finds concurrence in the study by Neves & du Toit (2012) which posits that RoSCAs like *stokvels* are similar to mutual savings banks. This research, observed and discovered that less sophisticated *stokvel* groups like Grocery *stokvels* believe in handling cash at *stokvel* meetings. Whereas more sophisticated *stokvel* groups like; Savings, High-Budget, Investments *stokvels* conduct their pooling of funds using the EFT banking system. Another character of less sophisticated *stokvel* groups is that; at year end, when they distribute the funds they send a few members of their *stokvel* group to withdraw lump sums of cash over the counter at banks. Whereas the more sophisticated *stokvel* groups distribute the cash lump sums or dividends via EFT or similar - to members.

Another observation made during the research is that, the more sophisticated *stokvel* meet infrequently – either on a quarterly basis or once every two months. Whilst less sophisticated *stokvel* group tend to meet frequently in a single calendar month - once or twice a month. The more sophisticated *stokvels* communicate via email or WhatsApp groups – this makes them more nimble and adaptable in addressing urgent matters in-between meetings. Meetings venues for sophisticated *stokvels* are diverse and more affluent – they tend not to meet at one and the same venue. They tend to book private venues in; Bed and Breakfast (B&B) accommodations, lodges, hotels and restaurants. This contributes to the tourism industry growth in eThekweni Municipality. This implies that a professional treasurer or book-keeper is found amongst the members to file a record of activities of the *stokvel* group.

These observations are corroborated by findings of Adams, Martin and Harris (2015) who indicates that small businesses/owner-manager businesses as a phenomena are developed from the perceptions of the founder members. Furthermore the observations of the sophistication levels of *stokvels* by this research are corroborated by *African Response Research (2012)* who indicates that; from a governance point of view, *stokvels* were formal entities. However, the degree of formality varied according to the *stokvel* type; with the Birthday type *stokvels* on the one extreme end being far less formalised in structure and on the other extreme the Investment type *stokvel* having a formal constitution. Burial and Savings *stokvels* were found to be far more structured when compared to the other types of *stokvels* with at least a third of these having a constitution in place. The findings on this section of the paper reveal the intrinsic and unique characteristics that can be found within each *stokvel* group type - aligned with the four-stage constructs of the Hayes & Wheelwright theory constructs.

Table 6.6 indicates a finding of this paper revealed that 61.5% of the *stokvels'* group members saved between R251 and R750 per month, 68.3% of *stokvels'* group members saved between R251 and R2,500-00 per month. Inferential statistics indicates that on average *stokvels* in eThekweni contribute R500,00 per month. This set of findings is corroborated by a finding from a research conducted by *Old Mutual (2011)* cited in Arko-achemfuor (2012:130) which indicated "that 38% of black South Africans are members of *stokvels* who on the average save R520 per month towards the pool fund of their *stokvels*". Another finding of this paper revealed that the average size of a *stokvel* group in eThekweni Municipality is 15 members. Research reports by *Old Mutual (2011)* and *African Response Research (2012)* corroborate this finding when indicating that the size of *stokvel* membership in SA ranges between 12 and 19. Arko-archemfuor (2012) agrees with the finding of this paper by indicating a size range of between seven and fourteen per *stokvel* group in SA.

Since the population size for this research is 36 333 *stokvel* groups in eThekweni Municipality, the cash holdings for *stokvels* in eThekweni Municipality can therefore be calculated as follows:

- 36 333 *stokvel* groups x 15 members per *stokvel* = 544 995 individual *stokvel* members
- 544 995 *stokvel* members x R500 monthly contribution per member = R272,497,500.00
- R272,497,500.00 x 12 months = **R3,269,970,000.00** per annum.

This finding reveals that *stokvels* in eThekweni Municipality are valued at R3,2 billion. This finding is supported by a MC member who said; '*Stokvels in eThekweni Municipality pull together a total of R2billion per annum*'.

The findings revealed that the sample size of this paper was mathematically similar to that of the sample of all *stokvels* in SA and therefore; the findings could be generalised across the entire population of *stokvels* in SA. The secondary data from consulted literature formed the basis of the valuation of *stokvels* in SA, wherein:

- 811 830 *stokvel* groups x 15 members per *stokvel* = 12 177 450 individual *stokvel* members
- 12 177 450 *stokvel* members x R500 monthly contribution per member = R6,088,725,000.00
- R6,088,725,000.00 x 12 months = **R73,064,700,000.00** per annum.

The extrapolation and generalisation to the whole of SA the findings of this research, reveal that *stokvels* in SA have a value of R73,1 billion.

Table 6.6 Cross-tabulation of monthly contribution versus *stokvel* type

Type of <i>stokvel</i> a member belongs to		Monthly contribution per <i>stokvel</i> group member					Total
		Between R100 & R250	Between R251 & R750	Between R750 & R1 500	Between R1 500 & R2 500	More than R2 500	
Grocery <i>stokvel</i>	Count	91	161	1	4	1	262
	%	34.7%	61.5%	0.4%	1.5%	0.4%	100.0%
Investment <i>stokvel</i>	Count	6	3	2	5	2	19
	%	31.6%	15.8%	10.5%	26.3%	10.5%	100.0%
Savings <i>stokvel</i>	Count	17	30	1	16	1	84
	%	20.2%	35.7%	1.2%	19.0%	1.2%	100.0%
High budget <i>stokvel</i>	Count	0	0	1	0	1	1
	%	0.0%	0.0%	100.0%	0.0%	100.0%	100.0%
Birthday <i>stokvel</i>	Count	1	5	1	1	0	8
	%	12.5%	62.5%	12.5%	12.5%	0.0%	100.0%
Burial <i>stokvel</i>	Count	1	1	0	0	0	2
	%	50.0%	50.0%	0.0%	0.0%	0.0%	100.0%
Other	Count	2	0	10	0	0	12
	%	16.7%	0.0%	83.3%	0.0%	0.0%	100.0%
Total	Count	118	200	39	26	5	388
	%	30.4%	51.5%	10.1%	6.7%	1.3%	100.0%

The result from a Pearson Chi-square value of 257.528 with 24 degrees of freedom and a significance probability value is 0.000. Since $P = 0.000 < 0.05$, there is a statistically significant relationship between how much each member of a *stokvel* contributes per month and the type of *stokvel* they are a member of. This finding indicates that, how much each member of a *stokvel* contributes per month influences the type of *stokvel* an individual becomes a member of.

Table 6.7 shows that 388 respondents 153 said ‘Yes’ they are formally employed. 58.8% of the formally employed members of *stokvels* were members of Grocery *stokvels*, 30.1% were members of Savings *stokvels*, 4.6% were members of Investments *stokvels*, 3.3% were members of Other types of *stokvel*, 2.6% were members of Birthday *stokvels* and 0.7% were members of a High-Budget *stokvel*. 235 respondents said ‘No’ they are not formally employed. The majority 73.2% were members of Grocery *stokvels*, 16.2% were members of the Savings *stokvels*, 5.1% were members of the Investment *stokvels*, 1.7% were members of a Birthday *stokvel* and 0.9% were members of Burial *stokvels*. This finding corroborated with *African Response Research (2012)* and *Arko-achemfuor (2012)* observation that RoSCAs attracted membership for saving money from people of all walks of life including civil and public servants, house wives, SMME operators and more.

The result from a Pearson Chi-square value of 14.388 with 6 degrees of freedom and a significance probability value was 0.026. Because $P = 0.026 < 0.05$, therefore there is a statistically significant correlation between the employment status of a *stokvel* member and the type of *stokvel* they are a member of. This finding indicates that the employment status of a *stokvel* member influences the type of *stokvel* they belong to.

Table 6.7 Cross-tabulation of employment status versus stokvel type

	Grocery <i>stokvel</i>	Investment <i>stokvel</i>	Savings <i>stokvel</i>	High- Budget <i>stokvel</i>	Birthday <i>stokvel</i>	Burial <i>stokvel</i>	Other <i>stokvel</i>	
Formally Employed	90	7	46	1	4	0	5	Frequency
	58.7	4.6	30.1	0.7	2.6	0.0	3.3	Percent
	58.7	4.6	30.1	0.7	2.6	0.0	3.3	Valid Percent
	58.7	63.3	93.4	94.1	96.7	96.7	100.0	Cumulativ e Percent
Unemployed / Self- Employed	172	12	38	0	4	2	7	Frequency
	73.1	5.1	16.2	0.0	1.7	0.9	3	Percent
	73.1	5.1	16.2	0.0	1.7	0.9	3.0	Valid Percent
	73.1	78.2	94.4	94.4	95.3	97.0	100.0	Cumulativ e Percent

The findings corroborates Maslow’s hierarchy of needs as it reveals that a formally employed member of a *stokvel* group, is more likely to partake in a Savings or Birthday or Investments type *stokvels* since they would have graduated from the physiological need fulfilment stage of the pyramid of needs to the next stages. The findings on the unemployed and formally employed is corroborated by *African Response Research (2012:2)* who indicate that the “evolution and growth of stokvels post the stock fair era has been associated with the need for survival strategies to mobilize financial resources. This enabled members to have insurance against adversity such as death (burial societies), as well as equipping them with the financial muscle to fund various other functions agreed upon by the *stokvel* as a collective, for example loans to needy members, education and other physiological needs such as housing, grocery shopping and business endeavours”.

Table 6.8 reveals that out of 150 respondents who had matric as their highest level of education, 81% were members of Grocery *stokvels*, of the 122 respondents who had no schooling; 85% were also members of Grocery *stokvels*, from the 68 respondents who held a National Diploma qualification 47% were members of Savings *stokvels*, of the 35 respondents who were holders of Bachelor’s degrees 49% were members of Saving *stokvels* and of the 13 respondents who were holders of Masters/PhD qualifications 54% were members of Savings *stokvels*.

The results reveal a Pearson chi-square value of 141.213 with 24 degrees of freedom and a significance probability value is 0.000. Since $P = 0.000 < 0.05$, the finding therefore indicates there is a significant correlation between the level of education of a *stokvel* member and the type of *stokvel* that an individual becomes a member of. These findings indicate an presence of societal class stratification of members who partake in *stokvels*; for an example, the higher the level of education of an individual the more they are found in more affluent type *stokvels* like; Savings, High-Budget, Investments and Social type *stokvels* like (Birthday and ‘Other’ *stokvels*). The findings therefore indicate that the more affluent and sophisticated *stokvel* types appear more at the top of the pyramid and they are fewer in number in the total population of *stokvel* groups in eThekweni Municipality. The findings by *African Response Research (2012)* corroborate the findings of this

paper by revealing that LSM 5 and LSM 6 category *stokvel* group members make up about 32% and 27% of the *stokvel* groups respectively. The higher LSM categories (8 – 10) account for about of 20% of *stokvel* groups' membership.

Table 6.8 Cross-tabulation of education level of member versus *stokvel* type

Education qualification level		A type of <i>stokvel</i> member belongs to							Total
		Grocery <i>stokvel</i>	Investment <i>stokvel</i>	Savings <i>stokvel</i>	High budget <i>stokvel</i>	Birthday <i>stokvel</i>	Burial <i>stokvel</i>	Other	
Matric	Count	122	9	16	0	0	0	3	150
	%	81.3%	6.0%	10.7%	0.0%	0.0%	0.0%	2.0%	100.0%
Diploma	Count	18	5	32	0	7	1	5	68
	%	26.5%	7.4%	47.1%	0.0%	10.3%	1.5%	7.4%	100.0%
Bachelor's degree	Count	13	1	17	1	0	0	3	35
	%	37.1%	2.9%	48.6%	2.9%	0.0%	0.0%	8.6%	100.0%
Masters/PhD	Count	5	1	7	0	0	0	0	13
	%	38.5%	7.7%	53.8%	0.0%	0.0%	0.0%	0.0%	100.0%
No schooling	Count	104	3	12	0	1	1	1	122
	%	85.2%	2.5%	9.8%	0.0%	0.8%	0.8%	0.8%	100.0%
Total	Count	262	19	84	1	8	2	12	388
	%	67.5%	4.9%	21.6%	0.3%	2.1%	0.5%	3.1%	100.0%

Table 6.9 shows that there is a high concentration of Grocery *stokvels* in the 'R10 100 to R50 000' bracket, a high concentration of Savings *stokvels* in the 'more than R175 000' bracket, a high concentration of Investment *stokvels* in the 'R100 100 to R175 000' bracket, whilst all High-budget *stokvels* were found in the 'more than R175 000' bracket, a high concentration of Birthday *stokvels* in the 'R1 000 to R10 000' bracket. Lastly, Burial *stokvels* were in the majority concentrated in the 'R100 000 to R175 000' bracket and Other *stokvels* were all found to be in the 'more than R175 000' bracket.

Pearson chi-square value of 149.310 with 24 degrees of freedom and a significance probability value is 0.000. Because $P = 0.000 < 0.05$, therefore there was a statistically significant relationship between of saved/invested lump sum a *stokvel* group has in reserves and the type of *stokvel*. This finding indicates that the type of *stokvel* influences how much a *stokvel* group holds in reserves.

Table 6.9 Cross-tabulation of the reserved lump sum by *stokvel* group versus *stokvel* type

		A type of <i>stokvel</i> a member belongs to							Total	
		Grocery <i>stokvel</i>	Investment <i>stokvel</i>	Savings <i>stokvel</i>	High budget <i>stokvel</i>	Birthday <i>stokvel</i>	Burial <i>stokvel</i>	Other <i>stokvel</i>		
Lump sum amount a <i>stokvel</i> group holds in reserve	Between R1 000 and R10 000	Count	29	5	8	0	6	0	0	48
		%	60.4%	10.4%	16.7%	0.0%	12.5%	0.0%	0.0%	100.0%
	Between R10 100 and R50 000	Count	132	6	28	0	2	1	2	171
		%	77.2%	3.5%	16.4%	0.0%	1.2%	0.6%	1.2%	100.0%
	Between R50 100 and R100 000	Count	74	1	15	0	0	0	0	90
		%	82.2%	1.1%	16.7%	0.0%	0.0%	0.0%	0.0%	100.0%
	Between R100 100 and R175 000	Count	16	3	6	0	0	1	0	26
		%	61.5%	11.5%	23.1%	0.0%	0.0%	3.8%	0.0%	100.0%
	More than R175 000	Count	11	4	27	1	0	0	10	53
		%	20.8%	7.5%	50.9%	1.9%	0.0%	0.0%	18.9%	100.0%
	Total	Count	262	19	84	1	8	2	12	388
		%	67.5%	4.9%	21.6%	0.3%	2.1%	0.5%	3.1%	100.0%

A model to integrate *stokvels* into the framework of the municipality

This section of the paper aims to address the last objective of the research - being; **to develop a model for *stokvels* to be integrated into the economic framework of eThekweni Municipality**. The layering of Maslow's hierarchy of needs theory with Hayes & Wheelwright model holds true for *stokvels* of eThekweni Municipality and was considered the best fit and most relevant to this research, post theoretical triangulation. A triangulation strategy was applied to create validity, trustworthiness and confidence about the findings of this research. Each of the models, when applied alone do not provide *stokvel* industry and policy-makers with information needed to make rational decisions taking into account all the *stokvel* organisations and the economic policy framework of eThekweni Municipality. However, the layered approach as developed in this paper is a new model for the *stokvels* industry.

Figure 6.5 reveals the new model for *stokvels* to be integrated into the economic policy framework of eThekweni Municipality. As indicated in Figure 6.5, the five focus-type stages of *stokvels* are; Grocery Focus Type *Stokvels*, Savings Focus Type *Stokvels*, Social Focus Type *Stokvels*, Investment Focus Type *Stokvels* and High-Budget Focus Type *Stokvels*. The model reveals that these five focus-type stages can be identified in the form of a progression of increasing contribution to *stokvel* success or goal achievement.

Stage 1: Grocery Focus-Type *Stokvels* or Survival Focus

When a *stokvel* is at the lower focus-type stage of the hierarchy of needs and the Hayes & Wheelwrights model, it operates much the same as an individual who is at the initial stage; at this stage survival is key. From observations made by the researcher during the surveys and as indicated

in Figure 6.5, just like a small business/owner manager, a *stokvel* at this stage has a membership with a short-term view and a need for instant gratification. Members do only what is required to survive, without concern of continually improving or planning for the long-term. Long-term plans are outside of the realm of understanding for a Grocery Focus-type *stokvel* at the initial stage of the hierarchy because the need for survival has not yet been met. This is supported by Adams *et al.*, (2015:32) who argue that “a small business at this stage is constantly in crisis-management mode and managers are very reactionary. Managers spend their days reacting to constant problems, doing only what is required to survive, without concern of continually improving or planning for the long term”.

In a Grocery Focus-type *stokvel* the majority of members are less sophisticated with an education level below matric, either unemployed or self-employed and contributing between R251 and R750 per month. If a Grocery focus-type *stokvel* can gratify the initial stage of survival, however, it can move to the next step in the hierarchy of needs: the Savings focus-type level.

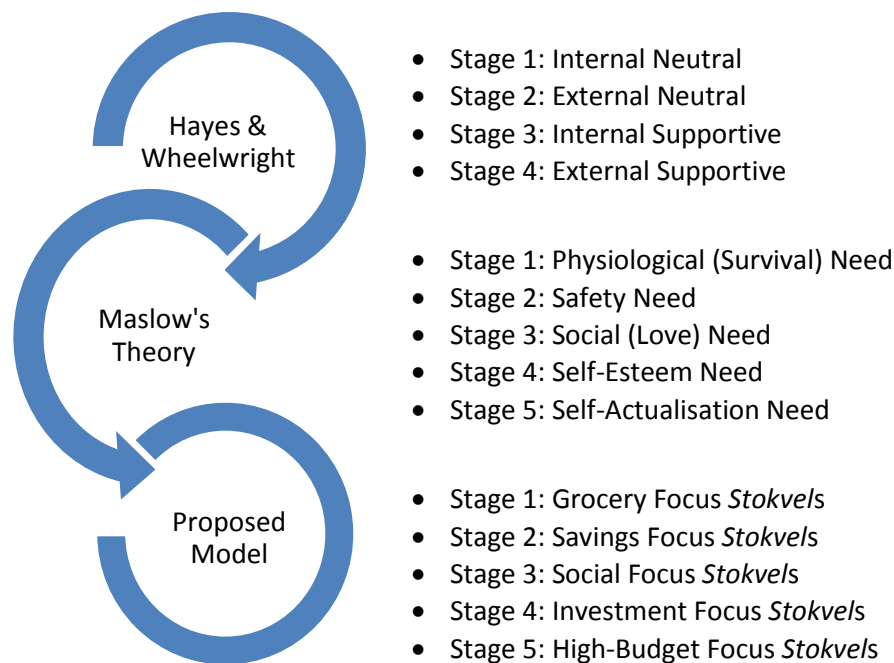


Figure 6.5 A Proposed Model for *Stokvels* Integration

Stage 2: Savings Focus-Type *Stokvels* or Safety Focus

The findings reveal that in a Savings Focus-type *stokvel* the majority of members are holders of a National Diploma up to a postgraduate degree qualification with a majority formally employed and contributing between R251 and R750 per month. From observations, the focus of a *stokvel* in the second stage is about monitoring performance and focus on a routine. This is congruent with the safety needs identified by Maslow and the second stage of Hayes & Wheelwright’s model.

For a Savings Focus-type *stokvel*; developing a spreadsheet, a record of bank statements or a transactions metric is a way to measure progress. These are all safety mechanisms for a Savings Focus-type *stokvel* to begin to focus on its performance to ensure the long-term viability of the

stokvel group, however, at this stage of the hierarchical process, these metrics are vague, lacking in detail and rigour to provide *stokvels* with a good view of the state of operational performance. This is further supported by Adams *et al.*, (2015:33) who maintain that “for a small business, developing metrics is a way to measure progress and to attempt to emulate competitors. It is also a safety mechanism for a small business to begin to focus on its performance to ensure the long-term viability of the business”. Once the safety need is met, the *stokvel* or its members can move to the next step in the hierarchy.

Stage 3: Birthday/Other Focus-Type Stokvels or Social Focus

Once the first two steps in the hierarchy have been gratified, *stokvels* can focus on performance, which parallels the love needs of the individual and stage three, internal supportive, of Hayes & Wheelwright’s model, as illustrated in Figure 6.5. The Social Focus stage of the hierarchy is when *stokvels* are driven to add other objectives to their founding mandate for an example to celebrate birthdays, travel, socialise and network thus improving the social capital standing of members.

Once the first two basic hierarchy needs are met, the driving motivation for behaviour in a small business/owner manager business is to improve, the same applies to a Social Focus-type *stokvel*. It is at this stage when a *stokvel* actively pursues improvement activities. This is supported by Adams *et al.*, (2015:33) who indicated that “operational excellence and business strategies become linked at this stage in the hierarchy. At this stage of development, a competitive advantage may begin to exist, but it is not fully mature”. Once the social stage has been gratified, the next stage of the hierarchy begins to drive the behaviour of *stokvels*. This next step in the hierarchy for the individual would be esteem needs, whilst for a small business it is the competitive-focus level and for a *stokvel* it is the Investment focus.

Stage 4: Investment Focus-Type Stokvels

The successful implementation of programmes that resulted in the gratification of the social-focus stage develops a competitive advantage in the Investment Focus stage. This is the fourth level (esteem needs) of Maslow’s model and the third stage (internal supportive) of Hayes & Wheelwright’s model. From observations during research, Investment Focus-Type *stokvels* showed keen interest in diversifying their savings by soliciting advice on how to create an investment portfolio. This plays a key role in the development of an investment strategy. The cross-tabulation results show that the majority of Investment Focus type *stokvels* hold in reserves no less than R100 000.00. In addition the chi-square test results infer that there is a significant correlation between the *stokvel* group reserves and the type of *stokvel*.

Stage 5: High-Budget Focus-Type Stokvels

From observations of this research, at this stage of the hierarchy *stokvels* or their members strive to become leaders in their respective industries, in alignment with the fifth level of Maslow’s hierarchy of needs (self-actualization) and with stage four (external supportive) of Hayes & Wheelwright’s model. The findings show that High-budget Focus type *stokvels* hold in reserves more than R175 000.00. In addition the chi-square test results infer that there is a significant correlation between the

stokvel group reserves and the type of *stokvel*. All High-budget Focus type *stokvels* in this paper hold a portfolio of shares in the stock-exchange. Since the successful satisfaction of the previous four hierarchical needs, the *stokvel* or its members have been empowered with the confidence and operational effectiveness to strive to be leaders in their respective industries. Adams *et al.*, (2015:35) agrees with the observation and finding and maintains that “at the leader focus stage, the small business becomes a positive influence in the community, and continually supports necessary community infrastructure, including police, fire departments, and schools”.

Similarly at the High-budget Focus stage, the *stokvel* becomes a positive influence in the community, venturing into capital intensive infrastructure programmes/projects thereby providing employment opportunities. This is corroborated by a participant who said; “*stokvels are job creators*”. Once *stokvels* or members in High-budget Focus stage reach their potential, this results in positive spin-offs for all involved. The higher up a Maslow’s hierarchy of needs an individual and the Hayes & Wheelwright’s model a small business/owner manager goes or the *stokvel*, the fewer the actors become.

7. Recommendations

Participants in this research indicated that there was lack or complete absence of development and training programs for *stokvels* by the municipality, this including the lack of forums for investments and development opportunities at the disposal of the municipality. These omissions are due to the;

1. Absence of policy on economic transformation in the municipality,
2. Lack of recognition and marginalisation of *stokvels* in the policy inclusive of informal economy, and the
3. Unstructured organisation of the *stokvel* industry of eThekweni Municipality.

Resulting from the integration model this paper recommends a *stokvel* development model that would be applied in conjunction with the integration model to enable policy-makers in the municipality to identify developmental programs for *stokvels* based on their focus type as elucidated by Figure 7.1. Policy-makers and big business alike could use Figure 7.1 to tailor-make their value proposition to the *stokvel* industry on the basis of the model herein depicted.

This paper recommends for National Treasury to enforce exemption notice no. 2173 amendment of the *Bank Act 94 of 1990* by making it a *FICA* requirement for Commercial banks to open banking accounts for *stokvels* that are registered with NASASA. Commercial banks should therefore only open banking accounts for *stokvels* that can provide proof of registration with NASASA, during *FICA* stage of opening an account.

Another recommendation is for eThekweni Municipality to promote the formation of a *Stokvel* Bank or an Informal Economy Bank by industrialist entrepreneurs of eThekweni in order to leverage this industry’s financial muscle. After a while the bank could be acquired as a ‘State Owned Bank’ by national government. Such initiative will go towards job creation, poverty alleviation and inequality redress.

The paper recommends High-budget type and/or Investment type *stokvels* to take advantage of the bulk-buying power for the *stokvel* group to acquire and own high capital value assets. The Municipal

Council needs to categorise and classify *stokvels* as per the models developed in this paper in order to align its economic programmes, activities and campaigns of eThekweni Municipality with the relevant *stokvel* group type. As a marginalised sector, *stokvels* hold opportunities for growing the economy and absorbing the unemployed through the exploitation of existing and new markets. It is for this reason that efforts to unlock these opportunities will require tailor-made and imaginative interventions by policy-makers on the one hand and, on the other hand, self-driven initiatives by the *stokvels*.



Figure 7.1 Stokvel Development Model Overview

8. Conclusion

It should be the objective of eThekweni Municipality to transform the economy of the Municipality by broadening the economy to be inclusive of the previously marginalised sectors of the economy including *stokvels*. A lack of understanding and knowledge of the importance of the *stokvel* industry has led to their marginalisation, and the continued lack of recognition may have negative impact in the alleviation of poverty, reduction of unemployment and inequity. Since the only clause in *Durban's Informal Economy Policy* that mentions *stokvels* has not been implemented, this paper provides grounds for the municipality to integrate *stokvels* into the economic policy framework. The adoption, understanding and application of the developed models can only add value to the integration of *stokvels* into the *Economic Policy Framework* of eThekweni Municipality. Applied together the models in this paper can facilitate the identification of training needs and development programs for the entire *stokvel* industry in eThekweni. It could also assist the Municipality to build

linkage platforms for formal businesses (publically listed on the stock exchange & private) and *stokvels*.

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10. ANNEXURES

Table 10.1 Frequency Table showing age of participants (N=388)

	Frequency	Percent	Valid Percent	Cumulative Percent
Between 18 and 25	26	6.7	6.7	6.7
Between 26 and 35	66	17.0	17.0	23.7
Between 36 and 50	156	40.2	40.2	63.9
Above 50	140	36.1	36.1	100.0
Total	388	100.0	100.0	

Table 10.2 Frequency Table showing gender of participants (N=388)

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	320	82.5	82.5	82.5
Male	68	17.5	17.5	100.0
Total	388	100.0	100.0	

Table 10.3 Frequency Table showing ethnic background of participants

	Frequency	Percent	Valid Percent	Cumulative Percent
African Black	380	97.9	97.9	97.9
Coloured	8	2.1	2.1	100.0
Total	388	100.0	100.0	

Table 10.4 Table showing *stokvel* group affiliation with NASASA in eThekweni Municipality

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	76	19.6	19.6	19.6
No	312	80.4	80.4	100.0
Total	388	100.0	100.0	

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