How to empower a country using informal financial systems
Stokvels, the South African economical saviour

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Abstract

This study is a Minor Field Study (MFS), which is a Sida funded scholarship who made this field study possible. With an institutionalist approach, this field study aims to outline the foundational reasons behind peoples’ participation in the South African informal financial stokvel system. In order to do that, interviews have been made trying to identify what roles normative, cultural and economic factors play in peoples’ decisions, why individuals’ find that the stokvel system is a better choice than other systems, and also to explore what individuals experience distinguish the informal and formal economic systems. The study has been conducted in South Africa, in the province KwaZulu-Natal, and twenty-five persons has been interviewed in order to get the people perspective. Results show that both normative, cultural and economic factors appear as important, but that the economic factors play the overall biggest role for joining a stokvel. Both the main differences between the formal and informal system, and the reasons why individuals find that the stokvel system is the best system of choice, can be traced back to trust and trust issues.

Key words: Informal finance, Stokvel, poverty reduction, South Africa
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1. Introduction

Ending poverty\(^1\) in all its forms everywhere is set as goal one in the first world Agenda targeting to reduce this complex challenge by 2030 (United Nations, 2015:19). Poverty is a complicated phenomenon which mainly occurs and is experienced by many parts of the African continent. It is caused by a myriad of multifaceted factor such as global economic systems, socioeconomic structures of developing countries, social inequalities and vulnerabilities that tends to perpetuate social injustice. The magnitude of its severity differs from country to country, however, its effects both directly and indirectly affects the well-being and the quality of life of human kind. Poverty can be a silent aggravator of conflict disposed to perpetuate inequalities and socioeconomic deprivations, consequently such circumstances can be a source of social tension (Ikeijaku, 2012).

Due to the legacy of the forty-six yearlong apartheid era, South Africa is still experiencing social and institutional tensions because of poverty, which is one of many remains of apartheid (Mattes, 2012:134). Although the country has commendably tried to enforce poverty alleviation interventions post 1994, but in this country the transformation of poverty into wealth creation and economic freedom is still a challenge. According to the World Bank, South Africa is still the most inegalitarian country in the world in terms of both income and wealth (The World Bank, 2018:42).

In 1994 the majority of the population of South Africa dismissed the norms of racial separation, racial hierarchy and white superiority. At that time there was a big wave of a new way of thinking hitting the country. The drastic changes brought new freedoms, rights and opportunities for political participation for black South Africans, and the Born Frees\(^2\) faced a society of no official rules of whom they are allowed to marry, where to walk or where to work. The 1997 governmental reforms brought millions of houses, access to water and health clinics to a large amount of poor people, which was some of the contributing factors to a fast-growing black middle class. Though, the democratization process also came with new issues to solve, since the new society needed to handle the issues linked to the former way of living. The generation that experienced the apartheid period are in many ways perceived as the “lost generation” due to the lack of education when being denied access to several schools, colleges and universities (Mattes, 2012:139-140).

\(^1\) When referring to poverty I use the definition stated in the report made by the United Nations about the Sustainable Development Goals, which means people who is living on less than 1,25 a day (United Nations, 2015:19).

\(^2\) When talking about the born free sit refers to those who were born into the world of democracy, when the fights for equal rights for blacks and whites already had resulted in a law change. It refers to the young people who have spent most of their high school years in a pro-democracy curriculum (Mattes, 2012:135).
(2011:iii) describes how the governmental water, household, health, and social security improvements might have improved the surrounding environment of poor households, but that it has not improved the rural poor households in a sense that they get empowered to rise their own living standards. The effects of poverty generally strikes the rural households the worst. In her study, Kirsten (2011:213) disclose for how microfinance together with the above mentioned governmental improvements rise the potential of severe improvements of rural households. Microfinance itself is not seen as a miracle on its own, though it has clearly shown a reduction of vulnerability by strengthening social security, food security and the ability to pay for basic goods.

In relation to the fall of apartheid and the rise of the idea of the microcredit model, the international development community wanted to establish the system in South Africa to empower the people. Due to the problem that the poor people are too poor to be able to get a loan from a regular bank, hopes spread that this system would bring jobs, reduce poverty and empower the people as whole, which was the result in both Bangladesh and India (The Economist, 2018). Though that does not seem to be the case in South Africa, since the problem with people having loans that they could not pay back grew, and the gaps between poor and rich (people who do not need to take loans for everyday needs) grew (Van Wyk, 2017). High levels of inequality and corruption among the leaders has enforced people to find ways to circumvent the formal institutions (Onishi and Gebrekidan, 2018). Hence, the use of alternative lending systems has increased in poorer regions of the country, for example systems like loan sharks, micro loans and different types of savings clubs. Though the concept has existed for centuries, there has been an uprise of the traditional Rotating Savings and Credit Associations (ROSCAs), which also is known as stokvels in South Africa. These associations consist of voluntary members who meet regularly where each person make an economic contribution to a common pot. Each and every one of the members benefit from the dividends, which often happens in the end of the year. It exists several different kinds of stokvels, each with a different purpose (Kok and Lebusa, 2018).

Stokvels are informal socio-economic institutions that have contributed to an opportunity to get access to credit and encouraged savings in a sense that poor people can afford, and it has a cultural importance for many. In South Africa, about twenty-three percent of the whole population are members of a stokvel, and there are about 811 830 different stokvels (Kok and Lebusa, 2018). Research shows that the existence of stokvels has played an important role in creating access to financial systems for poor households in a small-scale and sustainable way. Mashigo and Kabir (2016:8) argues that stokvels should gain national support since it is an important mechanism for financial inclusion of poor households. Stokvels might hold a potential to be like a community-based bank re-modelling The Grameen Bank from Bangladesh, however, one has to keep in mind that
stockvels are an informal or semi informal body with no intermediation. This bank is an example of a bank for the poor which made wonders in Bangladesh. After thirty-five years of active work the bank had reached 752 million poor households, and they estimate that they have managed to target all areas of the country (Mashigo and Kabir, 2016:10). The success of the Grameen Project (microcredit model) was internationally recognized as a success when it was rewarded with the Nobel Peace Prize in 2006 (The Nobel Peace Prize, 2006).

However, tension has arisen from the conflict between the operations of stockvels and the expectations of the government. There is work in progress from the government to limit and ban these informal financial networks since it is considered as retrogressive and contributes to open a window for money laundering. The attempts to remake these informal institutions to formal ones is also made by local entrepreneurs, which has resulted in organizations like the National Stokvel Association of South Africa (NASASA) and the Financial Services Cooperation (FSC). To exemplify, NASASA purports to be an organization that is a national attempt to organize and represent the stokvel sector in South African society. The founder Andrew Lukhele (2018:1) explains that one of the basic reasons for the organizations’ foundation was that the practice of stokvels was seen as illegal according to The Banks Act. To briefly explain this, all deposit-taking institutions need a banking license and act through it to act legally on the market, which most of all stockvels do not have. NASASA was thus founded to represent and legalize the existence of stokvels, and they are now approved as an association that stockvels do not need more than to register with in order to operate in the market. Registration is free of charge, and one of the main thoughts for NASASA is to represent the stockvel members on a corporate and governmental level to try creating better conditions for the operation of stockvels. Lukhele (2018:1) subsequently reports that NASASA aims to ensure that all of the country’s residents have the opportunity to reach financial services. Lukhele argues that the entire population is encouraged to be included in the formal economy, which is particularly important for those with low, or none, income. In that sense the government will have a better possibility to keep track of members, contributions and so on.

The uprise and growth of stockvels, and the uprise of these organizations, creates a hidden conflict of social ideas. The clash that happens is that people who is involved in stockvels need to face organizations that wants to earn money on their behalf, which comes in conflict with the foundational ideas of the existence of stockvels. Stokvels are all about cutting the middle man, to benefit the group of people who is engaged and not someone else. The attempt to formalize the informal systems might diminish the positive effects that stockvels have in an economic sense for poor households.
1.1. The aim and objectives of the study

This paper aims to examine what mechanisms of the informal stokvel system that the members consider are the most important ones for reducing poverty. This will contribute to the understanding of why people choose to join informal systems rather than formal ones. In order to examine this under-investigated research area, the following study objectives were developed:

• To identify what roles normative, cultural and economic factors play in influencing decisions to join the stokvel saving/loaning systems.
• To determine why individuals find the stockvel system to be a good saving and loaning mechanism.
• To explore the attributes that individuals experience is distinguishing the informal and formal saving and loaning systems.

1.2. Contribution to the field

Aiming towards bridging the gap between the formal and informal economic sector, and to understand the conflict that the informal stokvel system is facing, I will investigate what aspects that is decisive for people involved in the stokvel system to make the decision to join it. Outlining these factors will result in a broader understanding of what is important to the people in both a social and economic sense. Understanding this is a must to have good prerequisites for either expanding or maintaining what is keeping people away from poverty.

According to both the study made by Van Wyk (2017) and by Yusuf, Ijaiya and Ijaiya (2009) ROSCAs are shown to be an effective way of empowering poor households. Both the studies demonstrate how mobilizing some sort of savings can result in increased income, especially when it is used for activities that brings returns. Yusuf, Ijaiya and Ijaiya (2009:80) points out that some of the money that is spent on asset accumulation, insurance and education is highly related to poverty reduction. With the eyes and the knowledge from this earlier research, looking at the phenomenon of stokvels in South Africa to outline the experienced effects and meaning, one could highlight how the people themselves accumulate their assets. The result of the thesis will contribute to a broader understanding of crucial factors for understanding poverty reduction on a wider front.

2. Existing research on the field

In developing countries where people are dependent on borrowing money, Bose (1997) means that the poorest amongst the population, with the worst conditions for repaying a loan, are pushed to borrow from the informal sector. Bose states that the poor are generally not considered credit worthy or cannot be judged as that. Bose believes that the existence of micro loans (small loans to the poor with low interest rates) means that those with the best conditions for repayment are turning
to the more seriously established companies on the market. He argues that they are granted loans because they pass background checks and/or are seen as credit worthy, which in turn makes them reasonable to lend money to. This means that those who remain, those who do not go through that security/credit check, are forced to borrow from those who cannot do the same types of background/credit checks. Bose suggests that this has a negative effect on the informal sectors’ ability to lend money, since it reduces the likelihood that money that goes out will come back in, which in turn destroys the conditions for the informal sector. He refers to that this happens in line with the problem with asymmetric information, since those who lend money in the informal sector cannot be given the right information to assess the risk/likelihood of lending. Buckley (1997) explains that although micro-loans have not had the upswing that it hoped to have, it should not be overlooked that there are statistics that indicate that the loans have had a positive impact in the sense that the borrowers actually pay the money back. He believes that there has been a significant and sustained positive impact on those that the loans target. The fact that people repay their loans indicates that the borrowers are willing/able to repay.

In line with Bose, Bateman (2010) presents further conclusions that point to the inefficiency of micro-loans and the harm it has done to society. He believes that it has generated an anti-development policy, anti-sustainable poverty reduction, anti-social development that has undermined previous efforts on reducing poverty, unemployment, inequality and underdevelopment reductions. Bateman suggests that the focus has been on the few who succeeded with micro loans as aid, and that all the others who have not succeeded is falling into the shadows, or alternatively being accused of being the cause of their own poverty, when there in fact are systems that the poor ones could be using.

One could argue that Bose (1997) lacks an important perspective in his analysis: to look at the significance of the normative and cultural aspect, which is something that research shows is built up within the informal sector (Van Wyk, 2017). Research also shows that the informal sectors’ borrowing is being established and growing (The Economist, 2018). Hence, it is interesting to add a perspective regarding whether there are other things than direct economic factors that can assess a borrowers’ reliability.

The results of the study made by Mashigo and Kabir (2016:8) explains the crucialness of stokvels for the development and empowerment poor households. They explain that the formal financial institutions tend to come with high transactional costs, high interest rates and infrastructural limitations, which makes it inaccessible for poor households. Another paradigm that adds to it is that the formal institutions tend to deny loans to the poor due to inadequate information about the
borrower. Inadequate information can become a problem for both parts: the lender might not give away money if it is too hard to estimate the risk of lending, and if the borrower gets a loan it might come from someone with a hidden agenda. Though the case is mostly that the poor never gets the opportunity to take a loan. This dilemma makes it hard for these households to cover their daily needs, but especially to cover unforeseen expenditures (Mashigo and Kabir, 2016:11).

What these households need is to access loans with the exact opposite, and the authors explains how village banks, as a micro finance concept, highlight the potential and capacity that can be found in poor households to empower themselves (Mashigo and Kabir, 2016:10). Village banks is another word for stokvels, that is used in South Africa, and it works as a self-help institution as an alternative to formal banking. These systems are including, has low costs, is self-sustaining and gives the poor access to the most essential parts of banking services.

3. How institutions shape human behaviour

Colin Hay (2002:14) outlines some of the basic points of neo-institutionalism by stating that it is about the institutions shaping human behavior, and highlights the importance of the institutional context for explaining how politics shape society. Neo-institutionalism is developed as a criticism of behaviorism and rational choice theory and opposes two of the fundamental principles of these theories: rejecting the simplified assumptions that explain behavioral patterns and challenging the assumption that human behavior is based on logic and generalization (Hay, 2002:10-11). Instead, the theory focus on institutions and their actions in the institutional environment (in relation to other institutions) and how it is affected and shaped by small decisions. The focus of the institutions is on getting the legitimacy of the population, which they get by succeeding more than in a pure economic sense. In other words, they need to establish a legitimacy that is influenced by, among other things, human behavior based on rules and norms. Hay (2002:14-15) also believes that what has happened historically is of great importance for how the institutions are formed and how they can work in todays’ society. For example, according to the neo-institutional perspective is the state understood as an institution that consists of different systems based on trust. Nee and Ingram (1998:20) disclose for Coase’s (1984) reasoning that what distinguishes the new institutional order from the modern institutional thoughts on economics is that they do not talk about the institutions themselves, but that they use an economic standard theory to analyze how institutions behave in relation to what is important in the actions of the economy. Nee and Ingram argue that only an economic approach does not provide a good explanation for social norms, which is the important thing to ensure to understand the relationship between institutions and networks (Nee and Ingram, 1998:21).
Bicchieri (2006) discuss the strength of norms and how much they actually affect human interaction. She argues that much of the discussions about the behavioral effect of norms is caused by the fact that there often is a confusion about what norm means. According to Bicchieri (2006:1), a norm is “formal or informal, personal or collective, descriptive of what most people do, or prescriptive of behavior”. Though, accordance to these norms can originate from a mix of justifications, which can create different, and sometimes even disparate, behavior. When talking about norms one refers to widely different behaviors in different situations, which should not be clumped together. Social norms are mainly what will be covered in relation to stokvels and the behavior in relation to them. According to Bicchieri (2006:2), a social norm depends on a number of people getting together, believing that the given norm exists in a specific situation. In this situation the group of people will have a common understanding and expectation of behavior of the others in specific situations, which is what eventually will shape and result in an even stronger communal behavior, since the reactions of the followers of the norm is what acknowledges the it.

3.1. The relation between informal and formal institutions

Fafchamps (2018:2) describes a view of the relationship between informal and formal institutions, where the informal ones are understood to provide services which a formal institution can provide in a better way. He presents that the general view is that formal institutions are seen as more effectively and/or more including, and that they can provide what the informal institutions can, but in a more fulfilling way. Informal institutions are rather seen as something that there is no need of when a formal institution is founded to replace it. Fafchamps further argues that this view may have some truth in it, but that it fails to recognize that economic behavior takes place within a social context, which it is easier said than done to replace with a formal institution taking over. He exemplifies:

“Imagine for a moment a community that does not recognizes formal marriage ties. Of course, this does not stop couples from cohabitating. In such environment, we expect couples to stay together as long as they find their relationship beneficial. To this effect they may develop strong interpersonal ties as a form of enforcement mechanism to support their relationship. The logic of the earlier argument predicts that strong interpersonal ties between cohabiting couples should disappear once a formal marriage contract is introduced. After marriage, partners are expected to act towards each other in an impersonal manner affected only by the terms of their contract and the laws regulating married couples. Yet, as I hope is obvious to anyone, this is not what happens: the simple fact of cohabitation fosters interpersonal ties and triggers strong (good and bad) emotions that are not eliminated by marriage.” (Fafchamps, 2018:2).

With the stated example above, Fafchamps argues that formal institutions should be seen as a way for informal institutions to work better, and that there is a need of stop seeing the informal and the
formal sector as opposites. When there are no formal institutions setting rules or norms on how to act, some kind of exchange is most often built up relying on long term relationships and trust. An exchange of any kind is a part of some sort of social relationship, which is something that gets familiar with time. When a social process becomes familiar in that sense that you feel comfortable with it, it is not something that can be replaced overnight by a formal system. Fafchamps (2018:3) stresses that interpersonal relations will not be eliminated by the creation of formal institutions and/or contracts, and that the important role for formal institutions to play is to help the informal institutions to gain a more inclusive outcome and to discourage what makes them less efficient.

3.2. New Institutionalism in Sociology

Nee and Ingram (1998) intend to account for a theory that explains the relationship between institutions and networks. They believe that the key to understanding the relationship is on a face-to-face level through social interaction. They describe an institution as “a web of interrelated norms” which applies to both formal and informal institutions (Nee and Ingram, 1998:19). Regardless of whether they are formal or informal rules, they have to interact with each other. These norms are crucial for how social relationships occur. Through structured social interactions, groups’ joint behavior is created. Networks are thereafter created on the basis of its social relations, which is done in line with the groups’ perception of what generates the most benefits and what is most costly. Maintaining such standards is in general deeply rooted in the social behavior characterized by a high degree of consensus (Nee and Ingram, 1998:19).

Informal norms are a groups’ rules, which is something that can be shown in a behavior that does not necessarily have to be formally stated. However, this behavior is dependent on informal mechanisms such as the groups’ approval. A major difference between informal and formal groups is explicit rules based on formal mechanisms, such as the state or organizations (Nee and Ingram, 1998:20). Economic behavior is essentially always modified by personal relationships, and it is important to look at social relations to solve the problem with trust, which is what should be of importance according to Nee and Ingram (1998:20).

North (1990) believes that institutions are important since they reduce uncertainty amongst the human interaction and help solving coordination problems, especially in today’s complex economic systems. Nee and Ingram (1998:21) disclose for Ellickson’s (1991) reasoning and point out that informal systems derived from personal relationships tend to be critical to imposing formal rules. Ellickson exemplifies an incident involving trespassing over cattle areas in California, where they argue that transaction costs are high when formal institutions are used to resolve infringement disputes, i.e. what it costs with litigation and legal research. The most reasonable in this situation
will be to invest in an informal solution and turn to agreements between neighbors and a “live and let live” philosophy. They decide how to proceed informally “beyond the shadow of the law”. His important insight here was that people kept track of their debit and credit on many fronts, and as long as the main account is balanced, they saw quite small problems with it, if any at all. Tension is only created when the main account is out of balance. Why this works is due to a long-lived relationship within a society rather than resting on external authorities to solve the problem of collective action. He believes that norms are more likely to consist in a group where it is all about producing something for the collective where the members of the group depend on it. Such a success in solving long-lived collective problems allows individuals to capture profits from cooperation and escape from less-optimal states and its behavior (Nee and Ingram, 1989:20).

Granovetter (1974) points out that the ones you are close with and trust are in the best position to take advantage of you. He believes that there is a risk of having confidence in someone, because this means that both parties can increase their efforts/stocks they put in, which increases the risk of losing everything if one party fails/draws back. Therefore, it is important with third party involvement, in order to create a trust worthy situation with greater probability of success (Nee and Ingram, 1989:22).

In order to investigate my question from a Neo-Institutionalist perspective with sociological orientation, one should look at the institutions’ importance in society. In this case, it will be to outline the importance of what creates trust within both the informal and the formal system, and in what way that plays a role for the institutions, which in this case would be the stokvels. Is it about cultural importance? Is it about corruption? About apartheid and its aftermath? Thus, in what way do institutions play a role in allowing individuals to join a system. Individuals’ perception of institutions and their ability to influence can explain how they choose systems.

4. Method and material

The combination of the peculiar history of South Africa, the numbers from the World Bank (2018:42) about South Africa being the world’s most unequal country, and the fact that the South African government attempts to insert programs to improve the situation of poor rural households (Kirsten, 2011), makes an interesting mix to study. This, in combination with the rising numbers of stokvels (Kok and Lebusa, 2018), the establishment of organizations like NASASA, and the recommendations that stokvels need to gain national support since they could be seen as working more efficient towards eradicating poverty than the governments’ own programs (Mashigo and Kabir, 2016:8), makes South Africa an extraordinaire case to study.
In order to answer the objectives of the study, the answers to look for is about emotions, experiences and values. Ahrene and Svensson (2012:23) describe the method of gaining access to this type of information, and argue that linguistic statements can convey feelings, thoughts and knowledge in a good way. In order to access these linguistic statements, interviews will be a great approach since it is the only way to get closer to the peoples’ own perspective. Kvale (2001) expresses that individual interviews provide a unique access to the world of the interviewee, and it provides an understanding of how the person interprets the world as the foundation for their actions. Ahrene and Svensson (2012:24) highlight the importance of reflecting on which environments could be best suited to find relevant interviewees. This interview study will therefore be conducted in South Africa, with a starting point from KwaDlangezwa, with people who are taking part of the informal stokvel system.

4.1. Individual interviews

Interviews were made with one person at a time. Due to time and economic constraints as well as for logistical reasons, it was not possible to conduct a total examination of everyone whom is involved in stokvels. Hence as a representative sample size, twenty-five persons will be interviewed in order to provide an in-depth understanding of the significant factors why people choose to be involved in the stokvel system.

In order not to limit the interviewees to different types of answers, I chose to do semi-structured interviews in order to guide them in a desired direction, but not to put words in their mouths (Ahrene and Svensson, 2012:26). With using interviews as a method, the interviewee gets the opportunity to direct the study in the direction that he/she considers to be correct, instead of that the interviewer directs the possible answers in advance, which can be the case with surveys (Eriksson-Zetterquist and Ahrene, 2012:40).

4.1.1. Operationalization

The three objectives are planned to be answered through interviews. The first objective regarding what role normative, cultural and economic reasons play in the choice of participation in a stokvel, is planned to be answered through asking concretely about why they became members. The questions were asked if it was due to normative, cultural, economic or any other reasons, with a line of follow up questions to their answers.

To differentiate these categories, I have been looking for some key characteristics of each category. When talking about cultural characteristics I will refer to what is described as customs, beliefs, practices, etcetera, that a group of people share. A good description of what will be categorized as
cultural is made by Surbhi (2016), who refers to culture as something that “is described as the people’s way to live such as their learned behavior, values, morals, art, law, symbols, lifestyle which they accept completely without any second thought in mind. In general, culture is handed down through the generations, by communication, teaching and imitation. It is considered as the social heritage of the organized group”. When talking about economic characteristics I will refer to everything that has to do with money. This includes economic costs of any kind, interest rates, investments, savings, wages, etcetera. Lastly, when referring to normative characteristics they will have its origin in expressions about how things should be, how people should act. It is what the interviewees has described as according to a norm, an unwritten and obeyed law, about correctness of behavior in different situations.

The second objective regarding why individuals find that the stokvel system is better than other economic systems plans to be answered through questions about how being a member has affected their wellbeing, but also about how long they are planning to be members. They were also asked about how the stokvels they are involved with work, about the principles, the membership recruitment and further details. These questions will help answering objective number two, but also the third one. Objective number three covers what individuals experience as the differences between the formal and informal systems for savings and loaning. I asked for their perception about different economic systems and their trust to them, but also how they were recruited to become a stokvel member, and about how well known the system is.

4.2. Selection of interview persons

Eriksson-Zetterquist and Ahrne (2012: 42-43) describe the importance of reflection on how the selection of interview subjects takes place. They describe two main approaches of choosing the interviewees, which are to either make a two-step selection or to make a snowball selection. Since my questions are directed to a specific group of people and there is no pre-available register of members (since stokvels are informal systems and that the system consists of many small groups in a big country), the snowball selection is the most suitable method. A local contact person in KwaDlangezwa was aware of some people who take part of stokvels, which led me to an initial interview, which later resulted in new contacts with additional members of other stokvels.

Through snowball selection, the risk increases that the result will be biased, which Eriksson-Zetterquist and Ahrne (2012:43) highlights. They point out the risk that the first person who refers further to the next person already has a relationship, and that they therefore can have a shared experience/perception of the area that the interview concerns. The alternative model of the snowball selection presented by the authors (Eriksson-Zetterquist and Ahrne, 2012:43) is to start interviewing
a person in a leading position of the relevant group, whose story later lead to people who is relevant to move on to interviewing. This approach was not possible in this case since these groups do not seem to be hierarchically structured. With this said, I have put great emphasis in trying to get in touch with people from different stokvels to get as widespread selection as possible, in order to get as diverse picture as possible.

Since I was interested in interviewing people in the stokvel system to get their perspective, factors like age, gender or where the person originates from were not of importance for the selection of interviewees. However, these details were noted to investigate whether they are of significance for comparative purposes in the analysis.

4.3. Critical evaluation of sources

When having an approach where one tries to reproduce the reality and the way of thinking of the interviewees, Anne Ryen (2004:105) stress on the importance of evaluating if one has managed to interpret and captured their opinions in a representative way. The language barrier was a fact in some interview cases. All the interviewees were told that the interview will be held in English, and I made sure to have a short conversation with them before the interview so that we understood each other. Despite this, some persons turned out to have a harder time than expected to understand the questions later during the interview, which made it necessary to rephrase the questions several times in a quite descriptive way. At these times I noticed that the interviewee reused the exemplifications I stated. Though I made sure to ask follow-up questions in these cases to make sure that the interviewee motivated what they answered.

When asking the interviewees about their perception of different financial systems I learned quite quick that people did not understand what I meant when I asked about their perception of micro loans. Therefore, I learned the translation of some words in the local language isiZulu to have a better conversation with the interviewees. The concept of micro loans is translated to “mashonisa”, which was commonly used throughout most of the interviews.

4.3.1. Influencing factors

One of the interviews was held with two persons at the same time, since both wanted to participate in the interview, but none of them felt comfortable enough to do it by themselves. They seemed to be quite close friends, and sometimes it was like one of them explained something and the other one just nodded and agreed, like that both of them had the same thoughts and experiences. Though to make sure that they both answered for themselves, follow up questions were frequently asked. Even though these two persons agreed a lot with each other’s opinions, my assessment of the
situation was that it made them more comfortable to talk freely. When one of the did not fully understand the question the other one explained it in isiZulu, and then both of them answered the question separately. Since I do not speak isiZulu I cannot be fully sure that the explanation of the question was explained in a correct way, though it seemed like they both understood the questions when all of us worked together.

Due to lack of empty and quiet rooms many interviews were held in corridors, sitting outside or in the end of a room with people in the other end. In these cases, the interviewees were the ones who suggested the places, which were the best ones available. Two interviews were held at such loud places that they needed to be paused in order to find another place to sit. The environment did possibly quicken up some answers, though the interviewees seemed to be quite used to these circumstances, which I think made them ok with the noise around us. Since they did not seem to mind the people around, and the people passing by did not seem to mind us, the experience was not that the environment obstructed the feeling of the interviewees to speak out.

A couple of weeks after one of the individual interviews was held, it came to my knowledge that one person only agreed to do the interview because she did not want to disappoint me. The fact that I was a white person had made her uncomfortable with saying no. This came to my knowledge when we met during another occasion where we started talking in a more relaxed situation. I do not assess that this knowledge makes her answers less representative, though they might have come along with more fully described and motivated answers if she would have been comfortable in the situation.

Regarding the language barrier, my first assessment was that I would not need an interpreter. English is a well-known and widely spread language in South Africa. Though, since the interviews were conducted in a rural Zulu dominated area, one could not assume that the knowledge of English is as widespread as isiZulu. In hindsight it might have been a good idea to have had a local person who mastered both English and isiZulu during the interviews. In that case I would have had a better possibility to control the translations, because I would have had the opportunity to give that person proper knowledge about the subject beforehand. With this said, I fully believe that all of the interviewees had a correct understanding of what I was asking and what they answered. Whatever questions marks that popped up there were supplementary questions asked from both sides, which is why I am confident in the reliability of the answers.

4.4. Method of analysis

When conducting the interviews, they were recorded, and once completed they were transcribed in order to have a good basis for analysis. Eriksson-Zetterqvist and Ahrne (2012: 52) express the
Importance of recording interviews due to that the reliability of the analysis can be strengthened by the fact that you can show the recording if someone questions the findings. The type of analysis that has been done is a conversation analysis where the entire interview has been printed in order not to miss important details, and later the text has been analyzed in a thematic way where the different views and values of all interviewees was thematically distinguished by coding (Eriksson-Zetterqvist and Ahrne, 2012: 54).

4.5. The strengths and weaknesses of the qualitative method

Svensson and Ahrne (2012: 26) outline that there is no statistical model that makes it possible to generalize on the basis of a sample of the population, as an interview study that this is, in order to then assess the probability that the result would be consistent with the remaining part of the population. Rather, the focus is on whether the results of the interviews can be transmitted in other social environments that are similar to the one examined. They point out, however, that generalizability is not impossible to achieve through a qualitative method, for example, if one makes comparative studies and studies more than one environment, it can be achieved. This difficulty, or what some describe as lack of, should not detract focus from the opportunities that open up with a qualitative approach. By not focusing on numbers, but on words and descriptions, this method provides an opportunity for a deeper understanding of a phenomenon that can easily fall between the chairs by only looking at results from quantitative methods (Svensson and Ahrne, 2012: 27-28).

When talking about the specific method of interviewing, one strength is to be able to capture experiences at a deep level. In a question about how someone feels, an interview with the person gives a much deeper level of response than what a five says on a one to five scale. Eriksson-Zetterqvist and Ahrne (2012:56) point out the importance of transcribing and processing interview material shortly after the interview was made so that no important details should be forgotten because the result is dependent on words, perceptions, opinions, impressions and more that prevailed just now at the interview. In contrast to this, a quantitative questionnaire study is not as urgent to process shortly after the answers have been filled in (Eriksson-Zetterqvist and Ahrne, 2012:56).

4.6. Delimitations

Since a snowball selection was used to get in contact with the interview persons, every interview started with telling the background of the study and what the questions will aim to cover. A short text about the ethics of the study was also red to assure that the interviewee knew that participating is completely voluntarily, that dropping out will not have any negative consequences, and also about personal anonymity (see attachments).
This thesis aims to outline the reasons why people choose to take part in the informal stokvel system rather than in any other economic system. To outline this, I aim to explore what roles normative, economic and cultural factors play for each individuals' choice, and what aspects the individuals find the stokvel system as better than others. I also aim to explore in what sense individuals experience that the informal and the formal system differs from each other. The sample consists of twenty-three women and two men between the ages twenty to seventy-seven, the ages are widely scattered and was at most two persons with the same age. The respondents originate from different socioeconomic backgrounds and consist of a mix of occupations, which is: full-time employees, students, unemployed people and one pensioner. The interviewees have their residential area in Empangeni, Ngwelezane, Richards Bay, eSikhawini, Pietermaritzburg, Mtubatuba, Port Dunford, KwaDlangezwa and Sherwood. All the residential areas are located in the province of KwaZulu-Natal. Since the focus of this thesis will be on the population as whole, there will not be any sectioning or specific emphasis on the ages, sexes or professions.

All interviewees were asked questions from the same questionnaire (see attachments). Some answered some of the later questions while answering the first parts of the questions, which resulted in a certain flexibility regarding in which order the questions came. Records were kept during the interviews in order to be sure that all the questions got answered by each person, to make sure that there would be good and well represented foundation for analysis.

4.6.1. A method to get the people perspective

The choice of having a qualitative approach to this area is to really get the people perspective, which I believe is captured in the best way when talking to the people. Due to the fact that these people operate in an informal environment, the snowball sampling method is a great way to get in contact with locals who can refer you further. Another strength with getting interviewees to help me come in contact with new interviewees is that I as a researcher will not come with a pre-decided
thought of where to look for people. Since it is an informal market the locals will be the experts, which is something that is important to make use of. There is no pre-made register for these stokvels, and according to most of the interviewees there is no ambition or need of having a list, which makes a random sampling impossible.

According to earlier research (See Van Wyk, 2017) stokvels are proven to be of good help for alleviating poverty. Due to the fact that the founders of each individual stokvel is the people without governmental or other institutional involvement, getting the information from their own words will be the best way to actually capture the mechanisms that makes the system so valuable.

4.7. Definitions of key concepts

To make the following segments easier to understand, I will define some of the key concepts which is important to know the implication of. When referring to the “formal banking system”, it refers to a financial system that is licensed by the Central Bank, which is for example commercial and developmental banks, rural banks, savings and loaning companies (Kumar, 2015). It also refers to the general public banking system which is a group or network of institutions that provide financial services. These institutions are responsible for operating a payment system, providing loans, taking deposits, and helping with investments (Whiting, 2019).

When talking about the “informal stokvel system” a description from Aryeetey (2008) will be used. He describes informal sector as “less formalized, smaller-scale group arrangements such as savings groups, mutual aid associations, non-rotating savings and credit associations (SCAs), rotating savings and credit associations (ROSCAs), and business associates among whom transactions take place on a non-commercial basis.” (Aryeetey, 2008:11).

When referring to “loan sharks” it is referred to a person who often is connected to organized crime and who give loans to people without background checks and who charges very high unfixed interest rates. The repayment periods are usually very short and physical harm is often made to people who does not pay back on time (Urban Dictionary, 2004).

When using the term “micro loans” the meaning refers to the definition that can be found in the Merriam Webster Dictionary, which describes a micro loan as a “small loan typically for financing entrepreneurial projects by impoverished individuals and groups especially in poor or developing regions” (Merriam Webster, 2019). When talking about micro finance in a broader meaning Bassem (2012:92) describe the phenomenon as that it is used to “finance self-employment activities for low-income people and urban and rural micro-entrepreneurs who have limited or no access to formal financial services”.

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5. Stokvels: for savings, loaning and every day needs?

To introduce the reader better to the area, and also to clarify the context of the stokvels that the interviewees are participating in, there will be a brief presentation of the different stokvels below. The interviewees have shared that they are a member of between zero and three stokvels each. Why I say zero is because some people have been members but have decided to drop out due to different reasons. Of the twenty-five interviewees, there were eighteen people that are actively participating in one or several stokvels, and these stokvels are categorized into the following seven categories with different functions. These categories are empirically founded and based on the interview material.

5.1. Distinguished types of stokvels

A stokvel can be seen as an institution which acts independent of other stokvels. Taking part of a stokvel is expressed by the interviewees as “playing stokvel”, and the stokvel members are playing according to rules and norms which is set by each individual group. The way of acting is usually set in the beginning of the year, and is something that everyone must agree on to be able to join the group. The fact that everyone must be aware of all the principles in the stokvel is something that all interviewees emphasize on, though how they document and communicate the rules differ. About a third of the interviewees expressed that the rules are communicated by word from mouth to mouth, which they feel is enough since the stokvel consists of only family and friends. Interviewee twenty-four expresses that “It is mostly friends and family in my stokvel, so we do not write anything down. We just discuss and have an agreement, then it is fine”. Despite the fact that everyone is familiar with each other within the stokvel groups, some express the importance of having every little detail written down in order to prevent disagreements and conflicts that can risk damaging the relationship. Interviewee six expressed the following about the rules of his stokvel:

“\textit{We have a constitution and we have updated it over the years. I think it is even stricter and more detailed than what most banks use. That is the benefit of actually having professionals in the group, because they contribute to the rules and the constitution. When we drafted this, it started with that one guy came with a draft. If we look back at the draft that he originally came with it is a lot different now since we expand and develop it after evaluating the recent year.}”

The rules that is set for each stokvel is set for a period of about a year. The average cycle time for the stokvels among the interviewees is with starting in January and ending in November or December. Although some people have joined small short term stokvels with specific purposes that lasts for only three months. If the same people decide to go for another year with the stokvel, they
usually decide for the same rules. Whenever a new person is added to the group they make sure to

go through the rules and terms again.

5.1.1. The stokvel for saving and borrowing

Eight of the respondents disclose that they belong to a stokvel for both saving and borrowing
money. These stokvels are normally lasting twelve months with start in the beginning of the year.
The groups gather for a physical meeting and decide for the rules and principles for the upcoming
year. At that point they decide on how much each person is contributing every month, how many
times one can and/or have to borrow money, the interest rates, and the dividends. The interest from
the loans is what makes the stokvel grow from year to year. In these stokvels each member is
usually forced to borrow at least once per year to make sure that they contribute with a minimum
amount. Though the members are not the only ones that can access a loan from these stokvels,
friends of theirs can access them if they are judged to be trustworthy. The stokvel member that
knows the outside borrower need to vouch for that one and be aware of that they need to cover up
the loan of the outsider does not return the money. The money that is divided in the end of the year
does not have a fixed purpose, it is just a large sum of money that goes into each persons' account.
The majority of the stokvel members disclose that they attend the stokvel meetings, though some
are excused from it because of distance, and some simply does not meet regularly. Interviewee two
is a member of two stokvels and describes her way of participating in them:

“My mother is managing the one back home for me, so I just send money to her and she
manages it. She attends the meetings on my behalf, and then she gives me feedback. Last year I managed
to go and attend one meeting there. They have a book, so everything that happens every meeting is
documented. So that is what my mother does, she goes and documents everything on every meeting. Each
person brings their own book, and you write whatever feedback in that book. Then in the other one I have
joined here where I stay we use more of WhatsApp, but we do meet face to face every now and then to give
overall feedback, and maybe ask questions if we need to. However, the information is sent immediately via
WhatsApp, so that one is much more efficient.”

Most of these members motivate their choice of stokvel for savings purposes, but also to learn more
about financial awareness and planning. The money usually goes to paying school fees in the
beginning of each year, but also for making household investments.

5.1.2. The stokvel for savings only

The stokvel for savings has a similar foundation as the above mentioned, and five of the
interviewees disclose for participating in this type. The main difference between this and the first
mentioned one is that there is no possibility of loaning money. Some has expressed that lending
money to other people only causes arguments, or that lending money and expecting an interest is something that they do not believe in supporting. These people are mainly interested in having a savings account that is not managed only by themselves. Interviewee five disclose that this type of stokvel is the only one she ever can think of joining:

“Both the stokvels that I am involved with do not lend out money, it is just for savings. It is too much of admin, too much of a headache, and if someone runs away with the money what do you do? So, it is a gamble, and it is something that we are not willing to tangle with. I am too much of a softie, if you brought back the interest to me I would probably just say ‘keep it’. It is not in me, it goes against everything that I believe in. (...) I think borrowing should be against the law. If you do not have, just try to live without. It is just not worth the pain.”

5.1.3. The rotating stokvel

Eleven of the interviewees disclose that they are members of a rotating stokvel, which is built upon that each member contributes a fixed amount of money each month and all of the money goes to one person at a time. These stokvels has between six and twelve members, so that each person can get the whole pot at least once during a year. It is possible to borrow money from about half of them, and the other half has no borrowing, except the total amount that is given each month.

This stokvel is chosen by many who have had a bad experience from money disappearing in other types of stokvels. Interviewee fourteen motivated her choice with:

“I do not like the stokvels that take the whole year. Like, when you put money to get it in the end of the year, I do not like those ones. (...) I hate it when the money stays with a certain person, because that person may be tempted to use the money and then it is just gone.”

Though some of the members from this type of stokvel disclose for meeting monthly to give the money in cash, and some handle it through Economic Fast Transactions (EFTs).

5.1.4. The stokvel for groceries

Six of the interviewees participates in stokvels for groceries only. Some of them contribute each month to a supermarket store which gives them gift cards to shop for in the end of the year, and some just contribute an amount of money to one person in the group who buys big bulks of food in the end of the year. Those bulks of food are bought to a cheaper price and is divided among the members and lasts between three to eight months. Interviewee ten gave a brief explanation of how her stokvel works and about the positive effects she feels comes out of the membership:

“We save money at Makro, then in November we meet and then we buy groceries that we share. (...) I saw how this stokvel was helping my colleagues at my previous job, since the food would last
them maybe until mid-year (...) I think stokvels, especially this one, has a positive effect on peoples’ lives. It helps a lot for the mamas at home who saves in the stokvels. If you buy staple food it helps a lot, because at times you get two times ten kg rice, sugar, and other, so that is something that can help them for so many months since many live far away from places to buy food. They do not need to worry about food for so many months.”

5.1.5. The meat stokvel
Three of the interviewees reports that they take part of a meat stokvel. Although there is food involved, this one differs quite a lot from the stokvel for groceries. The concept of this stokvel is to contribute a fixed amount of money for a few months, and then the whole pot goes to buying a full cow. Later on, they slaughter the cow and share it among the members. These types of stokvels can be quite short compared to the others, some only last for about three months. Interviewee eleven describes her stokvel in the following way:

“When we have bought a cow at least I know that I have meat that I can use for up to four months. That means that whatever money I was going to use for meat I can use it for something else. When it [the meat] is finished, I can buy in the store if the time for the stokvel has not come yet. Since it is many of us it sometimes finishes yearly, and then I have to wait for it to start again. (...) The contribution to the meat one is 3500, but not every month. We do it maybe once or twice a year, so you pay at that particular time. It all depends on the cow we want to buy, if it is big one or not. So, whatever the cow costs then its divided in the amount of people plus the labor cost. The money is not constant. Maybe sometimes you might want to add chicken, horse, or buy a sheep on the side.”

5.1.6. The stokvel for functions
Two of the interviewees belongs to a stokvel for functions, which is for whenever a member of the group has a wedding, funeral, or any other big occasion/celebration. When that happens all the other members contribute with cooking food, drinks, general preparations and an amount of money. These members always know that their functions will be organized with help from others. The money that is contributed comes from a common pot where the members are contributing monthly. Interviewee nine describes the function of her stokvel like:

“Whenever you have a function, if there is a funeral among one of our family members, then we do this. If one of our family members is getting married or has any kind of traditional function, then we also do it. (...) All 25 of us will come to you and bring food and cook for you. We all are compelled to bring food. So, food-wise my family it is covered, like with catering, it is taken care of so that you who have the function can focus on other things.”
5.1.7. The stokvel for social constraints and family

To keep the family bond is another reason to join a stokvel. Three of the interviewees participate in stokvels either to contribute with money that is set aside for family members in the village where they originally come, not to lose contact with friends and family from home, and also because it is a family tradition inherited from a parent. Interviewee two motivates her choice of participation with:

“It keeps the bond between me and my mother. That is something that we talk about, and it is something that really keep us together. It also keeps that link with the people in my hometown. Also, since I do not stay with my mother, if anything would happen to her I know that there is some social security, that there will be people that will be coming by because we are a part of that stokvel.”

Interviewee eight describes a different function of her family stokvel than the one described above. Hers is not mainly to keep the bond, it is to make sure that everyone in the family can enjoy and feast during the holiday season in December. She describes the function of her family stokvel like:

“In my family we plan to have holidays at the end of each year, so we know that we are going to use that money as a spending money. When we go away we know that we have money to pay for activities for the children and whatever we want for the holidays. (...) It is not necessarily for the whole family to use, I spend my dividends on myself with my children, and my mother spends hers on whatever activity she wants. But with this money we know that we have that kept aside for activities during the holiday.”

5.1.8. Former stokvel members who decided to quit

Seven members were glad to share their stories about their stokvel participation, but also shared that they all found reasons to leave the stokvel. One could simply not afford it anymore since the majority of the group decided to double the amount of monthly contribution. Interviewee seven gladly describes how the stokvel membership affected her life situation positively, and also how not being a member had some negative effects:

“The effects were positively, because when I get home [to the town she originates from] I know I have got sufficient things that actually can be used when I go home for Christmas. So, the sufficient money is available to spend on food, or movies or whatever, it is set aside just for that season. One time I actually used that money to pay for my bond, so that the interest could quickly go down. The negative effects were not really much, except that when the time came and the premium was going up to 2000 Rand a month I withdrew because I could not afford it. I were more careful on how much I spent later. It is quite difficult these days to save, things are expensive.”

Two of them participated in food stokvels, where one of them were in a big stokvel with fifty persons. They all contributed monthly and ended up on a list that was sent to a grocery store where they divided a big amount of food in the end of the year. Since she was in the end of the list she usually
suffered and took the fall if some groceries were out when the list reached her name. Due to not getting the same things that the others got, she decided to leave. Interviewee twenty-one describes her stokvel participation like:

“We were 50 at that time and everyone contributed. There was a list that were sent to the store, they would pack all of the things, and then it comes to one person that all of us goes to and everything till be shared. I do not know where they count the groceries when they get it from the store but sometimes I did not get what I should have gotten, so I left it. They give according to the list, and if I am the last one, whenever there is a shortage it obviously falls on to me. I told them that I was just leaving. When we started it was a small stokvel, and everyone was contributing, and everyone got their share. it was nicer then.”

The other one only stayed with her son, which simply was not enough people to manage to eat everything they got from the stokvel, so the food turned old and was wasted. Last but not least interviewee fifteen decided to drop out because of religious reasons, and motivated it with:

“As a Christian I must not borrow you money and then earn profit from you, I should not get some interest, and a stokvel is about that. When you borrow money from the stokvel you must pay the interest, and I do not like it. (...) You borrowed from me because you have got a problem. How can you borrow from me if you have more money? Why should I ask for more money? This means you have got some financial problem, so how can I say pay more? Where will you get it from? If you borrowed 100 Rand from me, and then you need to go to another one to borrow to pay back to me. Then you still owe someone, and I was supposed to help you.”

5.2. The role of normative, cultural and economic factors

The interviewees have shared one to three reasons why they chose to become a stokvel member. Seventeen people express that it is economic reasons, and eleven people explicitly said that the it is for savings reasons and also to learn how to be more financially aware. The savings reasons could be added together within the economic factors since the savings they refer to is money savings. Most of these interviewees agree with how interviewee ten motivates her participation:

“I think it was for economic reasons. For me, it is difficult to save enough money. We pay 350 Rand per month, so we are putting away that for December when we know that we will need it. This works better for me, unlike when the month finally come, and I just put 5000 Rand away, or whatever money I need, to buy food. Saving with members works out better for me.”

Five persons said that it is of cultural reasons, in terms of that they have learned from their parents and inherited the role of being a stokvel member, or that they put money aside to make sure that their parents and/or grandparents have what they need for the festive holiday season. Some of them also expressed that it is cultural in terms of that the members in their stokvel is contributing
with food, money and work aid to functions and celebrations, which is a big part of keeping the
culture and cultural traditions alive. One of these persons disclosed that she initially looked for a
stokvel to join because she is not from this province, and therefore she wanted to get to know
people and learn about the culture:

“I am not from here, I am from another province, so I am not Zulu. So, there are some
cultural differences between my people and the Zulu people, and since I moved into a Zulu rural area it thro-
wes you in the culture quickly. By being a stokvel member I managed to learn more about the culture here.”

Nearly everyone expressed they joined because of economic or savings reasons said that it is to
save for the holiday season in December. Although they reported it as of economic reasons, the
economic and the cultural reasons merge together here. The holiday season that the interviewees
referred to can be seen as highly cultural since the meaning seems to be common sense of what
that holiday season means amongst them. People get together for celebrations, for Christmas and
New Years’, the family members travel back home to where they have their origins and cook, have
braais (South African way of barbecuing), eat and just spend time together. Due to the fact that
many people travel around to manage to meet as many friends and family members as possible, the
families keep their kitchens well equipped with food and drinks to offer everyone who comes by.
Except than the edible things, travelling is a pricy thing that many save to afford during this period.
Interviewee twenty-two described that her main purpose of being a stokvel member was to feel that
she is sorted for the festive season:

“When December comes there is a busy time, and you must cook things that you know
people will be happy for. You braai, you make nice food, and you set your table. People like to come for a
visit during this time of year since it is a time for celebrations. Since I only have my children I want us to meet
and eat what we have together, in order to try to make the life situation a little bit better.”

Five persons expressed that they joined either because of their friends wanted them to join, or
because they wanted to keep the bond with their friends and family. The ones who joined because
of their friends participating is the closest given explanation to categorize as a normative reason.
Interviewee thirteen said she joined “Because my friends were doing it and they needed somebody
else to join, so then I joined”. The others who aimed to keep the bond with friends and family are
people who joined a stokvel in their home town that they usually do not visit. Having the stokvel
keeps the conversations and the relationships going for the ones living far away from each other,
even though their meetings rarely take place physically.
5.2.1. “A way to keep money away from myself”

The idea of stokvels does not necessarily lean on a complicated system, nor lean on a complicated idea. Many of the stokvel users express that there is no culture of saving money in their communities, since people generally do not afford to put money aside. According to them, growing up in poor households has recreated this mentality about money, which has resulted in that many young ones never learned to start saving in an early age from home. To limit oneself from spending many people engage in a stokvel just to keep the money away from themselves. Interviewee fourteen explains that:

“The money does not grow in our stokvel because we do not save it in a bank. It does not have an interest or something like that, you just directly deposit to a persons’ account. (...) It is just a way of keeping your money safe by giving it to other people, then then they give it back to you when you need it.”

Interviewee six explains that he is saving beside his stokvel and that it is an obvious thing for him to do. Though he also addresses the issue of the non-saving culture in the country, and explain what he believes is the reason behind his own acting in the following way:

“For me it is differently, because I grew up in a household where everything was done through the bank. And also, with being an educated person, you know that the bank is the best system. You understand why all those terms and regulations are there. I think that the biggest current problem in South Africa is people not saving, and they are spending more.”

As well low paid and unemployed people use this for savings, just to assure that they will get some kind of payback during the year. Some of the unemployed disclose that that they get a monthly grant from the government, and even though it is a small amount of money they put some on the side for the stokvel. That sometime causes that they have to borrow to get food during the month, or to lean on relatives. Interviewee twenty-one has been unemployed for nineteen years and recently joined her first stokvel. She describes her current situation like:

“Here in South Africa we got a grant for the children from birth to eighteen years. My second daughter just turned nineteen, so the grant just ended, and my last born is going with a transport to school, and for that I am paying 450 Rand. At times when the month end come, and I know that I have to pay the stokvel money, my mind just goes wooho… I know I have to pay that money, and maybe also with an interest. It is because if you fixed someone to borrow money to help the stokvel money to grow, and that person says he or she cannot pay in the end of the month, the you have to pay. You have to pay that interest for that person, so sometimes it gives us problems. But on the other side the stokvel is mostly helping.”
5.3. Is the stokvel a better system than other economic systems?

Looking at the South African society one could outline that there is some commonly used economic systems for savings and loaning that are available for the public, which are: the formal banking system, the informal stokvel system, loan sharks, and micro loans (mashonisa\(^3\)). The interviewees were asked about their perception of these different systems, and also if they think that there is some economic system that we have not covered.

All of the interviewees spoke positively about the general effects of the stokvel system, although it has not been a personal success for some of the individuals. The interviewees disclose that the stokvel system, especially compared to any other system, has empowered the people and been a great way to gather people for achieving success together within different areas. It has especially empowered women in rural households, since many stays at home when their partner is at work, which sometimes means that they are alone far away from food stores all weekdays. The stokvel for groceries has therefore helped many women to budget and plan so that they can fill a storage, which has put them in a less vulnerable situation. Stokvels has also helped rural women to grow their money in general in terms of savings. Many households have small scale farming that they get some money from selling, which is money that they can put aside in a stokvel since the partner who works usually comes back home with groceries.

When you borrow from a stokvel, the interviewees disclose that you know that you borrow your own money, and that the interest you pay enriches your own pocket. Many also shared that being a stokvel member also makes people more financially aware due to the fact that you get a clearer view of what you do with your money. Interviewee nine expressed how the stokvel membership has taught her to plan economically:

"If you save money in a stokvel you don’t pay a lot of interest for it. If you deposit your money from it the interest is very low, and in contrast the bank charges are very high if you would do it from there. It is easier to plan ahead with the stokvel members. Let us say that you know you want to buy something, and you also know that you will get a certain amount of money on a specific month, so at that time you can just buy it. (...) Sometimes you just save money, and later on you realize that you might not need the money at that particular time, but then it just trains you to save and to be responsible. You are not forced, but you know you should have a responsibility to do such. It gives you a sense of being responsible and it teaches you how to plan. (...) I would not say that we [the stokvel group] are a loan shark or something, but we borrow people money when we need to accumulate. It can be in a certain time that someone says ‘ok, we have this amount

\(^3\) Mashonisa is a translation of micro loan in isiZulu, which hereby will be used collaterally.
now, but we need to accumulate’, so that is when we borrow other people money with some interest. Then whatever interest that returns goes directly back to you.”

Though some stokvels are only for supporting savings and financial awareness, and some groups have actually set their interest rates very high by purpose so that people will not be tempted to borrow during the year. According to the interviewees, the stokvels that most of the them are involved with have the same interest rates for borrowing money that the banks they are registered with have.

Just to make sure that they do not enrich people who is making a business out of them saving money, many of the interviewees prefer the rotating stokvels. In them, they generally do not feel the need to register a bank account and can be fine with just using EFT directly to the person who is getting the money.

Despite the positive effects, many describe the stokvel system as a risky business since it totally leans on other people and trust. Some expressed that they value the banking system more, both in terms of trust, security and effectiveness, since it is kept away from the unpredictability of people. Although they still reported that they used the stokvel system prior to the banks, just because you can choose your own people. Interviewee two express that:

“If you plan you can just survive on the stokvel. With the bank the interest is not put on your wellbeing, it is about making money for themselves since they are in the moneymaking business. So, with the stokvel it is about making money for myself. But it carries a high risk. If you are a high risk with the bank they will deal with you, but with us you can lose it all.”

The ones who is generally positive to the banking system, but still use the stokvel system frequently, express that they rather would keep on saving through the stokvel and only would be interested in using a loan from the bank in terms of big investments, like buying a house or a car.

5.3.1. The formal banking system

Less than half of the interviewees disclose that they have a good or quite positive perception of the banking system, though everyone says they have a bank account. Interviewee nineteen expresses his opinion about the banking system, and addresses the issue of needing to have an account whether he wants it or not:

“In this country you must have a bank account in order for you to have any sort of employment or to get any sort of income. You just must have a bank account. (...) The formal banking system is very censored, and it has a lot of both negatives and positives. Maybe if you borrow money from a bank you pay maybe hundred percent or fifty percent of the usual amount that you took. So, with a stokvel you
don’t have to go around and borrowing money all the time. The formal banking system has more negative sides to it. (...) If you cannot pay in time you get a bad name when it comes to your credit. Unlike the informal stuff, there you take money from someone and you pay them whenever you can, and they don no need your identity document and that kind of stuff. It is easy to understand each other, it is no law or something like that.”

One of the greatest fears among the interviewees about taking a loan from the bank, is to get yourself a bad name if you cannot repay the loan in time. If you accept a loan from the bank in a desperate time, the chances of having enough money anytime soon might not be that high. If that happens, that would lower your chances of ever getting a loan again. They describe the stokvel as more flexible, and that a bad name/reputation is not written in stone in the same sense that it is with the bank.

The most reported perks are the fact that a bank account gives you privacy and that the banks always have fixed interest rates and charges. If you take a loan, you know what to expect. Though attitudes towards having a bank account is two folded, since they report that if you want to get money from some kind of formal institution you have to have a bank account. Some does not like the fact that they do not have a choice and would rather completely stay away from the bank if they could choose. Interviewee fifteen describes her perception of the bank, which is described as both positive and negative:

“I don’t like mashonisas or loan sharks. And they [mashonisas and loan sharks] are like the bank as well, though the bank is a bit better. Because if I die, then the government will pay for me. But with mashonisa and the loan sharks, the will come to my children and say that your mother owes us, so now we want this and that amount of money...”

One of the most frequent reported problems is that others are making money out of people in need of money. Due to the interest rates and the overall charges few would recommend anyone to go to the bank for savings reasons. Though many express that they feel that their money are safe in the bank, but that it surely has its price. The general understanding seems to be that the bank is more reliable than the stokvel since desperate and/or poor people can do whatever that pops up in their mind when there is an emergency. The general perception is that the banking system is good, but that it is suitable for people with well-paid jobs that can afford to save and borrow from the bank. Some people do not see the charges as a problem at all, though everyone that expresses that has a stable income which belongs to the upper ones reported among the interviewees. Interviewee twenty-five addresses the issue of not affording to have savings at the bank:

“The problem with the banks are charges. As I told you, sometimes we decide for one lady to just keep the money, in that sense we avoid the charges from the bank. I think it is the charges that we all are
worried about. But otherwise of you are working I think the charges are reasonable, but us stokvel ladies do not want the money to go out from the group. We want money in, not out. When you are working it might be fine, but when you are trying to save for other things you do not want your money to go away to the bank in terms of charge fees. When you choose a bank you really need to choose the bank with less charges."

Many mention the fact that you need to decide if you are going to have a seven-day account or a thirty-two-day account, which means that you either need to give seven- or thirty-two-days' notice to access your money from the account. Some express the positive effects of choosing a thirty-two-day account since you cannot access the money whatsoever, which makes it easier to save. Though some reports that they have not gotten the information about that principle, which have made the money inaccessible in emergencies.

5.3.2. Loan sharks and micro loans

There are mixed feelings about the loan sharks and the way they handle their business. The overall perception of them is very negative, and many describe them as ruthless, scary, cruel, thieves, unpredictable, devils, they are scared of them and that they cross every limit they can to get what they want. The interest rates set by the loan sharks, and also for the micro loans, are usually the same as the banks and stokvels, or higher. Although a number of interviewees express that the loan sharks might be dangerous, at times they are the only alternative they are left with. Even though they do not feel that they can trust them, since they have the power to always change their mind about anything, they would go for them. Though, some people express that they would rather go to a loan shark than to a formal bank in terms of trust issues. Interviewee three exemplifies her view of the loan sharks:

"The system is good, if you want the money you can get the money. But sometimes it is not good. It is exactly the same as mashonisas. If you have a problem with money, then you go to mashonisa and say please give me 5000 Rand and then I will pay you at the end of the month. If you go to the bank they might only give 3000 Rand and not 5000 Rand. They look at the scale to see how much money. Like, how many years have you worked, they have soooo many questions. Loan sharks and mashonisa do not ask and do not care."

Many did not perceive loan sharks and micro loans in any different ways and reported that from what they know they operate the same and can actually be commingled with each other. Both of them can set their own terms, their own interest rates, they can extend their loans and in that current moment they can decide on a flexible solution. Despite the fact that the ones giving out micro loans should operate according to law, they rarely do. Interviewee twenty express the following about the micro loans and loan sharks:
“Micro loans are the same thing as loan sharks. They all are the ones that take your cards, so that when the money comes to the bank they take it for themselves, and you have nothing left in there. Maybe they take fifty percent more than what you borrowed, and they always keep your card with them. (...) Loan shark and micro loans, I do not trust those ones.”

About a third of the interviewees reported that they have some experience of loan sharks and/or micro loans, either by taking a loan in person or by having friends, family or neighbours that they have observed being involved with them. Interviewee ten describes her feelings and experience of the loan sharks, which goes well in line with most of the other interviewees experiences:

“Loan sharks are very bad. I have never gone to a loan shark, but I know they are very bad. They take peoples IDs and it feels like you will never get rid of them, they will always go back because now they control your finances since they take your ID and your card when you borrow from them at the first time. There is a woman in my street, an old mama, and they now have her cards and she cannot get out. When it is time for any payment she has to go to the loan shark for the card, and then this person takes what you owe him, and he just give you some money. Now it is actually like he is paying her. I wish it was there was a way to get rid of them.”

Interviewee sixteen shared a similar story about her experience of loan sharks:

“I have heard many stories about them, they are not good, they are abusive and sometimes they take everything from you. Where I lived it was once a loan shark called Oskhomba. If you had borrowed money from Oskhomba, even just 5000 Rand, it was hard to pay it back. You could ask for a small amount money, like 3000 Rand, but this 3000 Rand always became 10 000, 30 000, 80 000 Rand…. And then after that he will go to your home and take your furniture, your car, and everything from you. So, when I grew up I saw that loan sharks are not good, and you end up having nothing because of them. It was like this up until he died, and then people were free. People were happy because of his death, they all were so tired of him. So, I learned a lesson of a life time there, that loan sharks are not very good. The stokvel is a good thing.”

The common perception from the interviewees that has been involved with loan sharks and/or micro loans is that when you are completely out of options, the loan shark is the only way to go. Choosing the loan shark can be the result of: the bank does not see you as credit worthy, it is not your turn to get the money in the stokvel, you are not involved in a stokvel that give out loans, and your friends cannot lend you money. It is either going to a loan shark or robbing a shop, as interviewee twenty-four jokingly expressed. The interviewees that have made the choice of borrowing from a loan shark has mainly done it to pay school fees for their kids.

Some that has bad experiences of stokvels, for example the ones that have had members who has run away with the money express that they do not have any faith in the stokvel, even though some of them still are members of one. Though the ones that has bad experiences and still is involved
have changed to other types of stokvels. Interviewee seventeen describes her preference for mashonisas like:

“I am just not trusting the stokvel. I think the mashonisas are good, because you borrow some money from one person only. I think it is good because every time you need to borrow some money you can borrow some money from mashonisa. But the only thing with them is when you are not paying back. I am scared of mashonisa. If you say to mashonisa that you have no money, then they sometimes come and say that they want to kill you.”

The consequences for not being able to pay back the loan is described as being set by the loan shark, which can be everything between paying back a fixed interest or losing your identity card, bank card, belongings or property. Some have observed neighbours that will be stuck with them forever, since the loan shark have their bank card they need to ask to access money every time they need it. Though some of the interviewees that personally have been borrowing from loan sharks discloses that they are not involved with them anymore, and that they are perceived as not owing them anymore. Even the ones who despise both loan sharks and micro loans confess that they do have some perks, like the fact that they do not ask a lot of private questions that makes you uncomfortable (which the banks do) and that they are easy to access loans from. Some also put some value in the fact that they always will be an accessible alternative when no one else is, even for the blacklisted people.

5.3.3. The value of trust and the problem of trust issues

The word trust is something that is frequently used by all the interviewees as a key concept in what they define as a successful stokvel group. Many express the importance of the possibility to set their own rules together with the other participants that will suit their specific needs. There is an overall negative attitude among the interviewees about the interest rates and the fees that is set by the formal banks. Many express the lack of information from the banks, and that they suddenly see their money disappear. Eventually they have understood that the disappeared money most often is regular bank fees, but that the as bank customers are not properly informed about it. Interviewee two express the following when talking about the formal banking system and loaning money from them:

“They will give you terms that you think is fair, but those terms are only fair to them. So as a client you will realize that after sometime that ‘oh, I have made the wrong decision’. It sounds good when you still are vulnerable, but later you will regret it.”

Many perceive the banks as a system that gain a lot of money from its customers, which poor people cannot afford to be a part of. Paying interest is therefore more attractive to do to a stokvel,
since that interest is growing your own money and is benefiting all the parties of the group. This overall view has contributed to a general negative view of the formal banking system. Below there is an interview extract where interviewee six describes his understanding of the general problem of trust issues to the formal banking system:

“People will in general trust the stokvel more, because in my case it is my friends, its people I know, people I work with, people who I have known for more than ten years of my working life. So that is why I will trust them more. Like I said with mafhonisas it is something similar, it can be someone from home that you know, so it is just an element of trust. And with the bank, who do you know from the bank? Nobody. So that is where the problem starts, that is the perception. You cannot negotiate with the bank as well; the bank will come with its own terms. With the other systems you can actually negotiate, in your stokvel you can negotiate with fellow members, and you can also negotiate with mafhona and say ‘I thought I was going to make it, but I cant. Can I get an extension?’; and then they give you the new terms. (...) Why people are also losing faith in the bank is due to the past before we had the credit act. Before they would give you a loan that you would not even afford to pay back. I think that it is somewhere there it all went wrong, and people started losing faith in the system. (...) Big banks will work with big cooperations and the bigger companies will work with the bigger banks. The small banks will be lucky if they just get the heads of some money from the big corporations, so their only source of income the general public. Therefore, they will do everything to get the interest from the general public, even to offer them money that they cannot pay back. If I go to such a bank they are going to give me a loan, and if I go to a bigger bank they are not going to give me a loan. So, everyone will just go to a small bank if you need a loan. Why go to a big bank when you know they are going to turn you down?”

The issue of the lack of proper regulations in the formal system is an issue that several of the interviewees refers to. Amongst others another interviewee expresses her trust issues to the formal banking system in terms of a new discovery reported at the news:

“It came out that black people that have got a home loan pay more than the white ones. That is not something that is fixed, and no one is even talking about how that is going to be fixed, so I am not going anywhere near a home loan or a loan at all. I think it comes from the old regime, and it was never corrected. So until they fix that there is no more loans for me (...) I know people who are good with accounting and with money, like my sister who is an accountant, so when she looked at that she was like ‘oh hell no’. I trust her with my life, so I am not going there anymore.”

Even though there only is about one fifth of the interviewees who brings up the issue of how skin color seems to matter within this question, the ones that mentions it strongly stress on the issues of it. It is a fact that apartheid officially is an ended episode of the history, though the regulations, norms and behavior that linger from the period has not been dealt with on all levels of society.
According to Granovetter (1974) the ones that is closest to you are the ones in best position of taking advantage of you, due to that when trust is built up for a person, its valued higher than most other things. About one third of the interviewees expresses that they are worried about getting robbed or that people in the stokvel group will disappear with all the money. Though the groups who have gone from handling the money with cash to handle it on the bank, express that the money is safer in terms of two things: the fact that there is no physical money they are safe from being carried away, burned up or to just disappear, and also because of the three signatures that is needed to withdraw money from a stokvel account at the bank. Interviewee fifteen expresses that:

“What happened to some others is that in the end of the year when they are coming to distribute their stokvel, then they just talk to their children and tell them what is going to happen today. And maybe one of the children might be naughty, because you can never say that you really know your children. Then they go to others and say that our mothers are going to get together, and they got a lot of money, so let us go and rob them. When they are still counting then they are coming with their revolvers and the mothers are losing everything. It happens. But in these years the stokvels are now distributed at the banks because of that. That was once a problem that the people faced. Then, they talked to the bank people and they decided to put on their accounts instead.”

Interviewee twenty-two share her experience about how her stokvel is structured in terms of keeping the money safe, she explains that: “If you want the money the three of the signatories go to the bank and sign to pick out that money. You never go alone”. Interviewee eleven describes a similar system and explains that:

“You will have a committee in the stokvel, and three members of the committee will go to the bank and register the stokvel. So whenever, at the end of the year before the money is distributed, all the three signatures are needed from those people. It is about the trust issues, so it is not all the members that just can register and sign for the bank.”

There is no one of the interviews who have finished the interview without saying some bad words about micro loan agencies and loan sharks. As was written in an earlier paragraph, many perceive them as synonym with evil thieves with no other intentions than earning money for themselves. Despite this, the trust for them is still existing for some of the interviewees. Since loan sharks tend to be more accessible and more flexible for unforeseen circumstances than what the bank is, they gain some trust from the people since they give the impression of being more humane. The meaning of humane in this sense is that they can adjust according to personal needs and understand that things do not go as planned sometimes, and the banks are perceived as a more or less non-negotiable body where individuals has no power to affect individual terms whatsoever.
5.4. Differences between the formal and informal economic system

Many of the interviewees express that if the stokvel system would be formalized, they believe that it would lose the whole foundational idea with the concept. Stokvels is all about cutting the benefitting part, and even though stokvels might be improved with being more formalized, it would lose its purpose.

Interest rates is a common subject to bring up when it comes to differences, since you set your own interest rates within the group that you are comfortable with, and then you decide what to do with the money together. Interviewee one describes how the interest rates and fees work in her stokvel:

“We pay a subscription fee of 500 Rand per month. But for the first month in January you pay a thousand Rand, so it is like a joining fee plus the subscription. And then each member is entitled to borrowing twice, so when you return you pay ten percent interest. But then the ten percent interest must be payed within two months, and if you fail to do that the interest increases to twelve percent. So, then you need to pay twelve percent of what you owe. The repayment is also accompanied by the subscription fee. At the end of the year we share the interest. But we also set a target of the interest amount that must be generated by each member. Like that each member must have contributed in the end of the year with an interest of 5000 Rand. How you get there is up to you.”

Each individual sign up for a limited period of time, and if one does not succeed with the repayment part or the contributions, there are often bi-laws set in the group for those situations. These bi-laws also covers how to handle if someone decides to, or has to, leave the stokvel in the middle of the year. Though these things rarely happen because of the strong sense of trust within the members. Although people sometimes take other loans to be able to pay the monthly amount to the stokvel, they make sure to keep their promise and also to not give the other members a reason to doubt them.

Interviewee seven describes how they grow their money in the stokvel, and she likens their way of acting with how the loan sharks act, though her stokvel acts through a fair play, which the loan sharks does not:

“It can be in a certain time that someone says ‘ok, we have this amount of money, but we need to accumulate’, so that is when we borrow to other people with some interest. Then whatever interest that returns it goes directly to you. You take half of what you have been saving throughout the year, and it becomes more like investing it when you borrow it to someone. Whatever interest you come back with, whatever interest you accumulate, it goes back to you. (...) You are not allowed to take the whole amount of your money that you got because life is not predictable, and people are not predictable. It is up to you whether you borrow it out or if you keep it, at the end of the day when everybody is returning the money it
has to come back with an interest. If you have not accumulated the interest from someone else’s pocket it has to come from your own pocket.”

The formal banking system is described as too inflexible, and since one does not know who sits behind the desk you will not know whether that person has bad intentions or not. Trust in the formal system has been damaged throughout years of corruption in the government, and due to different laws and rules existing for people of different skin colours. The trust has been so damaged, and the bureaucracy has been too inefficient and made the system slow, that people rather lean on systems that they feel that they can affect.

Another difference between the systems is that the interviewees express that it is hard to get credit from the banks due to the fact that they give no second chances whatsoever. If you have gotten a bad name once it is basically impossible to bring your name into the daylight again. The interviewees experience that there is easier to prove yourself trustworthy within the stokvel system, because it is all about the social relations you build your stokvel upon. Most of the stokvels has a demand that you need to assure that you have some sort of income each month so that you can assure the others that you have the prerequisites of carry out the whole period. This promise is possible to renew every period.

5.4.1. The importance of social norms

When talking about social norms, Bicchieri (2006:8) describes them as being something that we feel strongly obligated to, and that it becomes a part of our values. She also emphasizes that these norms become something that one finds motivation to obey independently of their consequences. Bicchieri (2016:11) disclose for two conditions for the existence of a social norm, which is: that a sufficient number of individuals needs to be aware of the existence of the norm and what situation it applies to, and secondly that these individuals must be willing to follow the norm as long as they feel that the expectations of the situation are fulfilled. The expectations she refers to is what expectations one think others have for oneself in that situation or environment, and also about what one has observed others doing in similar situations.

The interviewees describe that due to the set rules in the stokvels, the creation of social norms is what determines the actions of members within the group. These rules are set in line with the common goal of the group and how the members think they will achieve it in the best way. Most of the time there is no one who questions the decided way of acting, since they all agreed on it in the beginning of the year.
The earlier mentioned bi-laws are not something that all the interviewees have for their stokvels, so all of them does not have a structured way of handling a person who does not behave according to rules. Though most of the interviewees express that they never have felt a need of such bi-laws, since the members are headhunted and everyone in the group had a saying about each newly recruited member. In that way the group keep consisting of people who will stick to the rules.

One of the interviewees founded his stokvel with the aim of spending more reasonable amounts of money in their group of friends. He pitched the idea to the friends, and together they designed a constitution. One of the arrangements they made to spend less money was to set high interest rates to make sure the members are not tempted to borrow and use the money. He describes the motivation for starting the stokvel like:

“I saw the way that my friends were spending money and it is rootless most of the time. So we decided to save some money that we actually use to spend on weekends while hanging out. I said would not it be better to save the money and the in the end of the year we could reclaim it, which would be better than spending and not getting anything out of it.”

Nee and Ingram (1998:21) describes how informal systems derived from human interaction tends to be critical of introducing formal rules, which is something that the main part of the interviewees confirm. They express that they would rather solve the problem between themselves and expresses a deep value in the possibility to be able to discuss and come up with a flexible solution that suits the situation.

6. Analysis and discussion
To reconnect to the initial aim and objectives of the study, the objectives and interview data will be discussed and analysed in the following section.

6.1. Formalizing the informal?
Bose (1997) argues that poor people who need accessing money is pushed towards the informal sector due to the fact that they rarely are seen as being credit worthy to access a loan from a bank. This is something that many of the interviewees confirm, that it is not even worth going to a bank since they know that they will not be seen as suitable to borrow. That will be the case either because they have taken many small loans before, which is seen as a sign of not being able to survive without loaning money, that they do not have any assets, or due to the fact that they do not have any records at all. Whether the person gets payed, or gets access to money in some other way, the money is not always transferred through the bank, which makes the bank record blank. If there is no record of neither money coming in nor money going out, it is hard to prove yourself as
credit worthy to the bank. Bose (1997) claims that small loans with low interest rates exist for the people who cannot go through these background checks of creditworthiness, which makes the informal sector like a bin to pick up the ones that could not manage to find a place in the formal sector. This is, according to Bose, something that reduces the possibility to see that the money that is being borrowed also is coming back in (to the informal sector). Though the interviewees do not express that they ended up in the informal sector because their chances are too low in the formal one. All of them have in one way or another expressed that participating was their own choice, and about two thirds of the current stokvel members express that they are planning on staying in at least one stokvel for as long as they can/afford to.

Hay (2002) described how institutions creates legitimacy among the people through succeeding in more than an economic sense, which is exactly what the interviewees describe the stokvels as doing. Many stresses on how much they value that they can find a feeling of affinity, social security, financial security and education, trust, a feeling of being able to influence decisions, and also a feeling of common understanding amongst the group, in the same system. This can also be traced back to what Nee and Ingram (1998) disclosed for regarding that these institutions and/or their success cannot be understood only looking at it with an economic perspective. Though much of the foundational function of the system is centered around economy, the system has gained recognition and has grown partly because of non-economic reasons.

From what is stated above in the theory section from Bose (see under headline 4), one could expect that the interviewees were to express that they wanted to borrow from the formal sector, but that they were forced to borrow from the informal one against their will. Though, the interviewees express that the problem is not really about that, the people choose to distance themselves from the banks and to fully engage in the informal economic life. The fact that people are not seen as credit worthy from the banks, is perceived as the banks being narrow-minded. The people would rather choose the possibility to set their own terms, their own interest rates, and get the possibility to negotiate, instead of engaging with an economic body that only looks in one pre-determined direction. This finding goes very much in line with what Nee and Ingram (1998:19) argue regarding that social relations is created within networks, and that they get strengthened when the group get to set their own rules and goals towards what generates the most benefits for them. The set standards are often deep rooted and maintained within the group, which the members feel strongly committed to because of the common decided social behaviour among the members.

A potential problem that might be causing a clash of ideas is one of the foundational reasons why NASASA was created. Lukhele (2018:1) motivates the existence of the organization with that
nowadays, according to the Banks Act, it is illegal to operate as a stokvel without being a member of this particular organization. This way of forcing the informal systems in to be a part of the formal system can be a dangerous step from the governmental side. Since many of the interviewees express a strong scepticism against formalizing the stokvel systems (in more ways than already has been done with their involvement with banks), is a possibility that this can ruin the whole empowering purpose that NASASA purports itself to have.

6.2. Conclusion

The overall attitude amongst the interviewees is that the issue of poverty needs to be solved through a bottom-up strategy, which they do not feel that the formal institutions is working towards. It might not come as a surprise when saying that there is a must to involve the local people to work towards the goal of ending poverty. Due to the skepticism expressed by the respondents regarding the formal institutions and the mistreatment of black people as a remnant of apartheid, the informal systems have changed the prerequisites of living for poor households in an effective way on a grass-root level.

All the interviewees are not in the same line regarding the evolvement of the stokvel system. Since the system is all about cutting the outside benefitting party so that the people themselves can be the beneficiaries, it will be hard for an organization like NASASA to try to cover the whole group. As long as someone from outside the group is benefitting from people getting together for a common purpose, there will be a clash of ideas. Though as some interviewees noted, in a way there has been a slight formalization of the system throughout the years, since nowadays it is over all accepted to register the stokvel with the bank in terms of security reasons. Some still handle their stokvel transactions through cash, although it is quite few of them. The ones that do not use a specific bank account for the stokvels most frequently are users of EFT and transfer the money directly to the receiving part.

The overall reason behind joining a stokvel is shown to be derived from both normative, cultural and economic reasons, though economic reasons in terms of growing one’s own money seem to be the biggest reason. The feeling of affinity, and the possibility to set terms and rules together with a small group of one’s own choice, is what the interviewees experience lays the foundation for trust. This feeling of trust is much stronger than trust to any formal economical institutions, since they don’t experience it transparent enough. The formal institutions have gotten a bad name due to inequity rules and terms for people of different colors, which has derived from the apartheid period and left deep marks and trust issues. As a result of this study, trust issues are a foundational problem that needs to be dealt with before there can be a good cooperation between the formal and informal
economical institutions. Trust is something that is built up over time and the issue cannot be dealt with overnight. The United Nations global goal to end all forms of poverty is an issue who needs to start with building trust on a grass-root level and make use of structures practiced by the people. Organizations who originates from ideas made by policy makers, and who is created to facilitate and fortify informal institutions, will not give the prospective effect if it is not derived from conversations with the people themselves.

6.3. Suggestions for further research
KwaZulu-Natal is a Zulu dominated area, and in terms of differences in cultural preferences among the different provinces, it might indicate that the culture creates a certain way of viewing stokvels. This study has been conducted within the KwaZulu-Natal area only. For further research it might be interesting to do a similar study as this one but in the different provinces. It would be interesting to make a comparative study amongst the provinces to get an understanding of how the peoples perspective of stokvels looks and possibly differs.

Another interesting angle to dig into would be to attack the issue of illegalizing the stokvels to operate in their traditional sense. The fact that no one of these twenty-five interviewees seem to have had an understanding of that their stokvel engagement is an illegal thing, and that NASASA is founded on the basis of that stokvels operating as deposit taking institutions is illegal, is a very interesting clash.

It would also be interesting to investigate NASASA as an organization in relation to the stokvels that is registered with them. It would be informative but also important to get an understanding of why they registered, if they have gained something from registering, positive and negative outcomes of the membership. That information would keep on bridging the gap between the formal and informal sector, and it also might teach us more about mechanisms that alleviating poverty in terms of evolving already existing structures instead of just creating new ones.
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8. Attachments: interview questions

Information about ethics of the study

Participation in this study is completely voluntarily. If you decide not to participate, there will not be any negative consequences. Please be aware that if you decide to participate, you may stop participating at any time and you may decide not to answer any specific question.

Interview questions - Demographic profile

Age:
Gender:
Marital status:
Residential area:
Education level:
Total income:
Family size:

What do you do for a living:

The main interview questions

1. How long have you been a member of a stokvel?
2. Are you a member of more than one stokvel?
   2.1. If yes, why?
   2.2. What purpose do they all have?
3. How were you recruited to become a stokvel member?
4. Why did you become a stokvel member, explain in terms of the following:
   4.1. Normative or cultural reasons?
   4.2. Economic reasons?
   4.3. Other?
5. Briefly describe how the stokvels have positively or negatively affected your wellbeing?
6. How long are you planning on being a member?
7. What is your perception of the following financing (saving and loaning) systems:
   7.1. The formal banking system
   7.2. The stokvel systems
   7.3. The loan sharks
   7.4. Micro loans (Mashonisa)
   7.5. Other?
   7.5.1. Do you trust these systems equally?
8. Do you know about any institution or organization that register stokvels?
9. What is the model of operation for your stokvel?
   9.1. The principles
   9.2. Membership recruitment
   9.3. Monthly contribution
   9.4. Loaning system
   9.5. Payback system
   9.6. Dividends
10. Would you say that the concept of stokvels is a well-known phenomenon?