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**STOKVELS AS VEHICLES OF WEALTH ACCUMULATION
AMONGST MIGRANTS IN JOHANNESBURG**

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DECLARATION

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TITLE OF PROJECT: STOKVELS AS VEHICLES OF WEALTH ACCUMULATION
AMONGST MIGRANTS IN JOHANNESBURG.

In accordance with Rule G4.6.3, I hereby declare that this research report is entirely my own work and has not been previously submitted as a research project, dissertation, or thesis, at any other University or for another qualification.

March 2016

Nelson Mandela Metropolitan University

DEDICATION

This research is dedicated to the memories of
Louis Katende Wa Mpiana and Ikome Mbambe David.

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ABSTRACT

Saving clubs or stokvels have been around in many parts of the World, under different names, for many years and they have been instrumental in teaching people how to save. This research sets to investigate the possible use of stokvels as vehicles, channels or conduits for wealth accumulation among migrant population living in the inner city of Johannesburg. Participants' contributions and the extent this translates into wealth accumulation among members were critically examined. Furthermore, the study explored whether gender plays any role in terms of stokvels membership and the reasons thereof. The hypothesis of this research was that incomes from stokvels contribute to wealth accumulation of migrants in the inner city of Johannesburg.

This study used both quantitative and qualitative research methods to address the research questions and gather relevant data. The use of a mixed approach was adopted as it allows a deeper exploration of the different research objectives and questions of the study. Thematic content analysis was used to analyse the data.

The findings of this study have revealed that there is a positive relationship between membership to stokvels and wealth accumulation. Moreover, trust and social capital were found to be pivotal in ensuring success of these groups in terms of who should be accepted into the group. However, many other factors, such as the level of education, the length of stay in South Africa and the marital status of participants could have an impact on wealth status of participants.

LIST OF ABBREVIATIONS

ASCRA:	Accumulating Savings and Credit Association
MFI:	Microfinance Institution
NMMU:	Nelson Mandela Metropolitan University
ODA:	Official Development Assistance
ROSCA:	Rotating Savings and Credit Association
SA ID:	South African Identity Document
UNESCO:	The United Nations Educational, Scientific and Cultural Organisation

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CHAPTER 1

INTRODUCTION AND CONTEXT

1.1 INTRODUCTION

The informal economy is a powerful engine for economic growth, development and poverty alleviation – and immigrants to new countries often have to rely on this economy for their livelihood. Part of this economy are stokvels, which are informal means for saving money, accumulating relative wealth, and for becoming part of a community, particularly for people from different African countries living in South Africa.

The goal of this study was to analyse the role played by stokvels in wealth accumulation of migrant population in the inner city of Johannesburg. Through this study, we wanted to draw a picture about the way members of these groups use their income from stokvels to build their wealth. In addition, we investigated whether there are other elements that could have contributed to the wealth accumulation such as, the level of education or the legal status. After data analysis we can conclude that the major part of the formulated hypothesis was confirmed as the results have revealed that stokvels are being used by migrants, who participated to the present study, as vehicles for wealth accumulation. Furthermore, the results also show that stokvels serve as microfinance institutions for its members.

A 'stokvel'¹ can, in general terms, be defined as an umbrella term used to describe informal savings organisations in the African community in South Africa (Mashigo and Schoeman 2010, p.1). The phenomenon of stokvels² has been in existence around the

¹Stokvels are credit and savings associations operating in disadvantaged communities in South Africa, it is based on an Afrikaans terms for cooperative savings groups.

²According to Calvin and Coetzee (2010), stokvels, also known as tontines in other parts of Africa, began in the early 19th century in South Africa as a spin-off of "stock fairs" whereby English settlers had rotating cattle auctions in the Eastern Cape during the early 19th century. Van der Merwe (1996), further states that during these auctions a head of cattle would be purchased by a group of people and later divided among them. When gold was discovered on the Witwatersrand, many of the settlers flocked to the goldfields, taking the concept with them. It is also important to mention that stokvels constitute a wide range of organisational forms. Some are only rotating savings organisations and some burial societies to provide for death.

world for many years under different names and guises both in developing and developed countries (Anku-Tsede 2013, p.150). They are popular in most Black³ communities and most of them provide a range of services, starting from the traditional pure savings stokvels to the more contemporary profit-driven clubs. They are often a catalyst for and an organisation of people that pushes members to save. Stokvels, known as *Tontine* in Francophone and *Esusu* in Anglophone West Africa, belong to the most versatile and intriguing financial self-help associations in the world (Anku-Tsede 2013, p.150). Stokvels constitute a savings buffer for many people, particularly migrants when faced with moral, emotional and financial difficulties – often all factors present when migrating to another country.

There are different types of stokvels, rotating and accumulating savings (ROSCA and ASCRA). In the first instance, members undertake to pay a predetermined amount at a particular frequency, and for each round of payment, one of the participants is designated to be the recipient of the funds of other participants. In the accumulative version, the premiums are not redistributed to one of the members but accumulated in a fund, before to be redistributed to the members, when they decide, in proportion to what they have contributed (Anku-Tsede 2013, p.149).

Many migrants from different parts of Africa come to South Africa every year in search of a better life. Migration to South Africa from African countries has been described as a well-established household poverty-reduction strategy (Bloch 2008, p.8). However, getting to South Africa alone is difficult and is compounded by the many challenges and associated with having the status of ‘immigrant’ in South Africa. These include, among others, job access, livelihoods, education. In order to overcome these challenges, many migrants join different associations that range from cultural groups, burial societies, and stokvels. The following study looks at stokvels as vehicles of wealth accumulation among migrants in the inner city of Johannesburg, South Africa.

³ In the South African context, a black person is any person of colour.

1.2 SCOPE OF THE STUDY

The aim of this research is to investigate the use of stokvels as vehicles, channels or conduits for wealth accumulation among migrants in the inner city of Johannesburg. Participants' contributions and the extent this translates into wealth accumulation among members were critically examined. The study explores the operation of stokvels among migrants in the inner city of Johannesburg, South Africa, in order to identify the key characteristics of the stokvels as well as the reasons for their success among the migrant population. The focus in particular is on the extent stokvel proceeds contribute to wealth accumulation among this group and the extent of their popularity. Coetzee and Cross (2002, p.48) suggest that stokvels, in South Africa, seem to be dominated by women members. Thus, the study also considered the gender dynamics of stokvels in relation to membership; and draw linkages between gendered membership and wealth accumulation. In other words, the study explores whether to be a male or a female has any impact at all on membership criterion, and the success of the group or on wealth accumulation.

1.3 RESEARCH OBJECTIVE

The main objective of the study is to examine the role played by stokvel incomes in the lives of migrants, based in the inner city of Johannesburg, particularly with regard to wealth accumulation. In so doing, the study seeks to:

- a) Investigate the extent to which stokvels proceeds contribute to the wealth accumulation of migrants in South Africa;
- b) Investigate where the migrants invest their stokvel proceeds in order to determine whether these proceeds play any role in their wealth;
- c) Critically analyse investment patterns of participants;
- d) Examine the reasons why people join stokvels;
- e) Interrogate the value of stokvel membership;
- f) Analyse where the micro-finance gained through stokvels goes;
- g) Understand the dynamics of stokvels as organisations;

- h) Ascertain factors that contribute to and impede the wellbeing of migrants in the inner city of Johannesburg;
- i) Understand whether there are other factors that play an important role in the lives of migrants in the process of accumulating their wealth; and
- j) Highlight any other findings that are of interest and contribute towards the subject of microfinance among migrants.

1.4 RESEARCH QUESTIONS AND HYPOTHESES

1.4.1 Research question:

The main research question of this study is as follows:

To what extent do stokvel incomes contribute towards wealth accumulation among migrant population in the inner city of Johannesburg?

The study seeks to explore this question by understanding what migrants, as members of stokvels, use the money for. It asks why migrants, who have access to formal financial institutions, join stokvels? Also, to ascertain whether there is any relationship between gender, nationality, ethnic group and membership, the study looks at what the relationship is and why is it relevant. Finally, the study seeks to understand whether migrants, members of these groups can access a loan from stokvels and what they use the loan/s for.

1.4.2 Hypotheses

The research attempts to test the hypothesis that stokvel membership by migrants, in the inner city of Johannesburg, plays a crucial role to their wealth accumulation. Further, the hypothesis includes the assumption that their membership puts them in a better position to accumulate wealth than those who are not affiliated with a stokvel. Therefore, the following assumptions were made:

- Stokvel incomes contribute to wealth accumulation of migrants in the inner city of Johannesburg.

- Migrants who are members of stokvels are in a better position to acquire wealth than those who do not belong to any.
- Many other factors contribute to the wealth accumulation of migrants in the inner city of Johannesburg.
- There is no relation whatsoever between wealth accumulation and stokvels membership.

1.5 DISCUSSION OF KEY CONCEPTS

This section discusses some of the key concepts in the present study. Firstly, the concept 'stokvel' is defined, because of its centrality to the research. The concepts 'migrant' and 'wealth' are also defined to add depth of meaning to their use in the research process.

1.5.1 Stokvels

According to Mashigo and Schoeman (2010, p.1) stokvel is an umbrella term used to describe informal savings organisations in the African community in South Africa. However, Smets (1996, p. 175) defined Stokvels as "Self-help groups of individuals/families who join forces together to initiate and develop the activities necessary to secure their survival". On the other hand, Lukhele (1990, p.1) states that a stokvel is a "type of credit union in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool weekly, fortnightly or monthly". Due to the nature, focus and objectives of stokvels in South Africa, this research defines stokvels as a socio-economic and cultural group saving schemes providing for the mutual and financial well-being of its members.

1.5.2 Migrants

International migration flows have increased substantially over the past years. Today, an estimated 214 million migrants, nearly three percent of the world population, live outside their country of birth (Abramovich, Cernadas, and Morlachetti, 2010, p.4). According to UNESCO, a migrant is "any person who lives temporarily or permanently in a country where he or she was not born, and has acquired some significant social ties to this country". However, this is a narrow definition considering the fact that some countries'

policies consider a person to be a migrant even when he/she is born in the country⁴. For instance, the Botswana Constitution and the Citizenship Act of Botswana dated December 31, 1982 state that birth within the Republic of Botswana does not automatically confer citizenship. In the context of the present study, the term migrant will apply to both voluntary and forced migrants, because some of the participants in this study were both refugees and asylum seekers.

1.5.3 Wealth

According to Cobb-Clark and Hildebrand (2003, p.4), wealth is an important measure of overall economic well-being which has the potential to influence the ability of migrant population to successfully integrate into the host community. In other words, to assess the degree of integration of migrants in local communities, one needs to look at how poor or wealthy they are. Wealth provides the resources necessary to maintain consumption levels in the face of economic hardship, to access better housing, educational, and health facilities. Wealth is also a stable and permanent measure of economic situation than income, because it allows the financing of both current and future consumption (Belkar 2005, p.2).

The successful participation of migrants in the economic, social, and political life of the host country is an increasingly important issue due to the number of people living outside their countries of birth continues to grow (Cobb-Clark and Hildebrand, 2006, p.17). Economic integration of immigrants is a key issue, especially in South Africa, where a large proportion of the population is living in poverty and migrants can add additional strain to the already weak economy.

For most migrants living in the inner city of Johannesburg, participating in economic activities, formally or informally, is important. However, access to finance presents a big challenge for most of them, as it will be shown below. Hence, many of them join stokvels to boost their income for both survival and as part of the process of wealth accumulation.

1.6 MIGRANT COMMUNITY IN THE INNER CITY OF JOHANNESBURG

Since the end of Apartheid, South Africa has been a target destination of an increasing number of migrants from the rest of the continent, with many settling in the inner city of Johannesburg. According to Pursell (2007, p.7), this migration trend has been attributed to perceptions that South Africa offers many economic opportunities and is a new and evolving democratic society.

The City of Johannesburg is the biggest city in Gauteng province. According to Chiloane-Tsoka, and Mmako (2014, p.377), it is also the largest economy of any metropolitan region in Sub-Saharan Africa. Johannesburg, as most of the big cities around the world, is a cosmopolitan city with associated economic, social and human dynamics. As an urban centre and an economic hub in the region, Johannesburg has always attracted migrants from within its borders and further afield (Jinnah 2010, p.91). In other words, Johannesburg is attractive to many people from different parts of Africa due to many socio-economic opportunities that it offers.

Johannesburg's population was estimated by Statistics South Africa's 2011 to be approximately 4,400,000. As far as the migrant population is concerned, Vertovec (2011, pp.18-19) argues that the actual demographics of immigration to South Africa are extremely difficult to know. However, he states that estimates suggest that currently up to 40% of Johannesburg's population is of migrant origin. In other words, out of 10 people living in Johannesburg, 4 are migrants.

1.7 LIMITATIONS OF THE STUDY

As is the case with any research, readers of this research report need to consider its results within the context of its limitations. The interview process, particularly the research questions might generate more questions that may need to be explored through further research. Most importantly, with respect to the current research, readers need to remember that this research will consider only clearly determined population and sampling settings; reference to other settings may produce different results. The extent

to which the findings may be generalised is limited certainly will require further investigation, as suggested in the recommendations section.

1.8 OUTLINE OF THE RESEARCH REPORT

This study is made of five chapters. Chapter one has introduced the research theme, topic and the background to the study. Chapter two provides a review of the literature of the key concepts of this research. The research methodology is discussed in chapter three. Chapter four presents the results and the findings as analysed within the context of the literature explored in chapter two. Chapter five ties together the main findings and draws conclusions as well as making recommendations for further avenues for research.

1.9 CONCLUSION

This study explored the possible use of stokvel incomes, by migrant population in the inner city of Johannesburg, as a vehicles, channels or conduits for wealth accumulation. The extent stokvel membership translates into wealth is examined. The report now considers the literature on the topic.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter highlights key literature and theory surrounding stokvels, microfinance, wealth-building and urban migration. It also highlights the importance of social networks and remittances, which play a crucial role in the lives of migrant populations globally (De Haas 2005, P.9). This review demonstrates that while much research has been conducted on these three core issues, it has been done with little focus on the overlaps between them among migrants in an urban environment, and particularly in the inner city of Johannesburg. The aim of this study is thus to further research on the convergence of these factors.

2.2 ROTATING CREDIT AND SAVINGS ASSOCIATIONS (ROSCAS) AND STOKVELS

ROSCAs are described as an association formed upon a core of members who agree to make regular contributions to a fund which, when collected, is given in whole or in part to a particular participant in rotation (Ardener 1964, p. 201; Irving 2005, p.11; Mashuku and Mayisa 2014, p.120). Dupas and Robinson (2013, p. 1142) define ROSCAs as a group of people who come together and make regular cyclical contributions to a mutual fund which is then given as a lump sum to one member in each cycle. Those monthly contributions are a form of loans makes by a member to other participants. After having received the lump sum, when it is their turn, participants who received earlier, depending on the cycle in which a member receives, then pay back the amount in further monthly contributions, thus the name ROSCAs.

According to Mashigo and Schoeman (2010, p.1) a stokvel can broadly be defined or described as informal savings organisations found in many African communities in South Africa. However, it is important to mention the fact that stokvels are also known in other parts of Africa under different names such as *Njangi*, *Likelemba*, or *Kitemo*. Furthermore,

stokvel can also be defined as a type of credit union in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool weekly, fortnightly or monthly (Lukhele 1990, p.1). Due to the nature, focus and objectives of these institutions, the working definition adopted by the researcher is as follows: Stokvels are socio-cultural saving structures associations providing both emotional and financial supports for the wellbeing and the needs of its members.

People who settle in African cities today are faced with great challenges ranging from poor housing environment, deterioration of basic services, insufficient income, and lack of access to secure jobs (Lindell 2002, Eric 2010, Morakinyo 2012). Olajide (2010, P.829) goes on to say that in many developing countries, lack of employment opportunities in the rural areas contributes to urbanization. As a consequence, many cities around the world are characterised by a high incidence of informal employment opportunities, which are unstable and yield only low incomes. Hove, Ngwerume and Muchemwa (2013, p.4) further suggest that urbanisation in Africa is occurring amid increasing levels of urban poverty which is manifested through the proliferation of slums – a specific spatial manifestation of urban poverty. In other words, African cities are becoming more challenging places to secure income, employment, food security, health, education and accommodation and many other social services that the migrant population, due to exclusion, are victims of. Furthermore, due to the nature and economic structures of most African countries, it is argued here that these issues not only affect migrants but locals as well, which, in some cases, may contribute to conflicts between migrants and host communities. The recent xenophobic attacks in parts of Kwa Zulu Natal, Gauteng and other parts of South Africa is a good example of such tensions. In view of the above, Smith (2015) suggests in the [guardian.com](http://www.theguardian.com/world/2015/apr/17/xenophobia-south-africa-brothers-violence-foreigners)⁵ of the 17th of April 2015 that xenophobic attacks may be as a result of the fact that South Africa is one of the most unequal societies in the world compounded by a high unemployment rate as well as the violent legacy of racial apartheid. Therefore, as the economy gets worse, poor blacks and African immigrants compete for scarce resources particularly in townships (Laher 2008, p.3).

⁵ <http://www.theguardian.com/world/2015/apr/17/xenophobia-south-africa-brothers-violence-foreigners>

Beyond socio-economic challenges, migrants face legal status trials, often making it very difficult for them to access loans from formal financial institutions such as banks to start businesses. Furthermore, they face restrictions and difficulty in taking on formal employment. In order to overcome these challenges, migrants come up with different strategies as mechanisms to support themselves materially, emotionally and financially. These include but are not limited to social networks, cultural/ tribal associations and stokvels. In line with the objectives of this research, it becomes important to understand what a stokvel is and how it contributes to wealth accumulation of migrants.

The following section discusses the role played by gender in the success or failure of stokvels, the use of incomes by participants after collection, the challenges faced by these institutions with regards to contributions will also be discussed as well as the different forms of stokvels.

2.2.1 Stokvels and gender

In general, notwithstanding the fact that both genders participate in a number of social groups presenting some similarities, Irving (2005, p.8) suggests that men are more likely to be part of large organisations with economic links, whereas women are likely to be involved in smaller organisations focused on local and community activities. As far as stokvels are concerned, gender plays an important role in the creation, sustenance and membership of these organisations.

Research has shown that stokvels made of women are more likely to be more successful than the ones made exclusively of male or mixed gender members. This also suggests that women have played, and continue to play, a crucial role in the establishment and preservation of stokvels particularly in urban settings. According to Odera (2014, p.134) there are stokvels with exclusively male membership, those with exclusively female membership, and stokvels that are mixed. However, Barr and Kinsey (2002, p.23) suggest that women have a greater level of respect for other members and are more efficient in the application of social sanctions to encourage cooperation of members. It is predictable that women generally function better in groups than men (Irving 2005).

According to Brownie (2013, p. 2) women have less access to financial services than men, particularly in Sub-Saharan Africa. In other words, African women face more barriers and difficulties in accessing financial services. In light with the above, it can be said that there is a positive relationship between gender and access to finances in Sub-Saharan Africa. However, Verhoef (2001, p.261), suggests that Stokvels represent one mechanism that Black urban women manipulated to generate funds for subsistence needs. In view of the above, Moliea (2007, p.25) concurs with Rose (1992) who argues that microfinance has often been argued to be female-orientated because women are more responsible and have a greater awareness than men of the needs of family and are thought to be less likely to waste loans on unproductive consumption. Therefore, it is argued here that women members of different stokvels are likely to accumulate wealth by using their stokvel incomes meaningfully.

2.2.2 Uses of Stokvel Proceeds

The use of stokvels proceeds varies depending on the characteristics of the group and on individual preferences. For example, Achemfuor (2012, p.127), based on research conducted in the North West Province of South Africa, suggests that the money collected by members through the stokvel is used to finance end of year activities, ceremonies, payment of children's school fees. He further suggests that some members of these groups who are entrepreneurs or potential entrepreneurs do not see the use of funds from stokvels as a possible source of start-up and working capital for their businesses (2012, p128).

Conversely, Miracle *et al.* (1980, p.714) found that in large urban centres, stokvel proceeds are used to finance a major consumer goods such as an automobile, a house, or a house appliance. However, they also found that the use of the income members collected through a ROSCA was mainly for personal needs, most often normal immediate expenditures such as food, clothing, payment of school fees, and shelter (1980, p.714). Moliea (2007, pp. 59-60) found that the uses of stokvel funds by members were for non-consumption purposes, the most widely cited use was children's education, building of houses, buying of items such as furniture and also buying of products for resale or use in

the generation of income activities. The payment of school fees and daily expenditures appear to be the most popular use for the funding generated by members of stokvels. Although investing in education has a positive impact in terms of future wellbeing of members, little or none of these funds are being used for investment and production purposes that can translate into wealth.

Thus, in line with some of these findings, general goals of this study include understanding whether stokvel income use by migrants in the inner city of Johannesburg follows the same pattern or whether it is different; and if different, on what items do they spend their incomes? It also seeks to understand to what extent their strategy is different and how it contributes towards wealth accumulation.

2.2.3 Challenges faced by ROSCAS

Trust is the most important element for the success of ROSCAS. The continued participation and timely contribution of members determine the success or the failure of these groups. One of the greatest risks is when people stop contributing, those who have contributed before and are yet to collect their proceeds, risk losing their money since countries with poor rule of law might have weak contract enforcement (Leff, Frieden, and Grossman 2011, p.3)

One of the challenges is late payment or delinquency regarding contributions. For example, the findings of a study conducted in Jamaica, show that 10% of the respondents encountered difficulties in their ROSCA organisations and these were primarily delinquency (25%) or late payment (50%) of the contributions (Johnson, Malkamäki and Niño-Zarazua 2010, p.5). These statistics imply that at least half of the members were not able to contribute their dues on time which will affect those who were expecting to receive at a later stage.

Another challenge faced by ROSCAS is financial irregularity. In such case, according to Johnson, Malkamäki and Niño-Zarazua (2010, p.5) there is a level of inconsistency from members of stokvels regarding their commitment towards the group in terms of their contribution to the pot. Additionally, there are cases where members leave the group

early, and challenges around whether they have collected other members' contributions or not, and are no longer willing or able to continue paying their dues to the organisations. In some extreme cases, organisers disappear with members' contributions. These kinds of challenges can make it difficult for stokvel members to accumulate wealth.

Furthermore, the rigidity of fixed monthly contributions is another challenge as excess money over and above the agreed amount is not accepted. In light of the above, Moliea (2007, p. 42) concurs with Seibel (1999) who suggests that if a member has excess incomes that they would like to save, the group does not offer such opportunities or services, and the excess income ends up being consumed without it being converted into savings, and therefore not contributing to wealth accumulation.

Gender is also considered as a challenge for many ROSCAs, although gender did not play any major role in stokvel membership of the study population. For example, Johnson, Malkamäki and Niño-Zarazua (2010, p.6) referring to the findings of Burman and Lambete (1995), suggest that in the South African context, the mobility of men makes them to be high risk members, due to relocation opportunities and the potential of them leaving debts behind is much higher than women. They further suggest that there is an inclination for men to default with higher amounts. As far as women are concerned, the factors leading them to not default include shame and disgrace, and the value they place on solidarity offered by ROSCAs. However, it is important to mention that the gender analysis should not be simplistic when one wants to understand the successes and failures of stokvels. With regards to the above, if members don't comply with their obligations, the process of wealth accumulation for a better living becomes difficult for members.

The power of local authorities is also a big challenge for ROSCAs. For instance, in Nigeria it was discovered that the traditional system of the Ogba puts power in the hands of a few leaders who sometimes ended up abusing it, and were therefore able to manipulate *esusu*⁶ (ROSCAs) as a speedy way to gain wealth. (Johnson, Malkamäki, and Niño-Zarazua, 2010: P.5).

⁶ Esusu is another appellation of ROSCAs in West Africa

As far as the structure of ROSCAS is concerned, Anderson, Baland, and Moene (2004, p.2) suggest that the structures and functions of these organisations may differ significantly in terms of savings, mutual credits, but they share common traits such as voluntary participation and internal enforcement mechanisms. They further suggest that the structure of ROSCAs is different based on the trustworthiness of members. According to Johnson, Malkamäki, and Niño-Zarazua (2010: P.7), stokvels with less trustworthy members are more formalised. In other words, people who are in position of leadership in such organisations are elected and these groups tend to have written rules than those with more trustworthy members. Membership in organisations with trustworthy members is based on criteria such as having a proper job, higher revenues, possessing a residence and previous ROSCA involvement.

With regards to the objective of this study, for migrant members of stokvels to be able to accumulate wealth, these challenges must be dealt with and measures put in place to enforce the cornerstone of these organisations, which is trust and the respect of others.

2.2.4 Forms of Stokvels

Stokvels have two basic forms namely, rotating and accumulating savings and credit associations ⁷(ROSCAs/ ASCRAs). There is one striking difference between these two types. ROSCAs are the most simple and direct form of financial intervention, although there is an increase in number of sophisticated variations on the original scheme. ASCRAs, on the other hand, look like a Credit Union⁸, where the joint savings are put away for safekeeping and accumulated for a specified period, at the end of which the savings are redistributed among the members (Srniec and Hejkrлік 2005, p.31). Furthermore, Verhoef (2002, p. 2) distinguishes between savings, credit, and capital-generating clubs, and funeral associations. In the process of wealth accumulation by

⁷ ROSCAs are a voluntary grouping of individuals who agree to contribute financially at each of a set of uniformly-spaced dates towards the creation of a fund, which will then be allotted in accordance with some prearranged principle to each member of the group in turn.

⁸ A credit union is non-profit-making money cooperative whose members can borrow from pooled deposits at low interest rates.

migrants, it will be interesting to assess what type of stokvels they engage in and what are the implications.

In this section, different aspects of stokvels have been discussed. The amount of attention given to the research field of microfinance and poverty alleviation clearly suggests that stokvels can provide an alternative and reliable source of finances for many people and in the process fight poverty. It is therefore, in the view of the researcher, important to look at the same phenomenon with different lenses to assert whether stokvels incomes among migrants will have the same results or impacts on wealth accumulation and poverty alleviation.

2.3 URBAN MIGRATION

Bilsborrow and Henry (2012, pp. 3-4) define international migration as a movement across a country border, while internal migration within a country is distinct according to the nation's specification of administrative borders, such as provinces or states, districts. A person who crosses the boundary of their own country or place of origin is called an out-migrant (Gautam 2005, p.1). There are several schools of thought that aim to explain why people migrate (push-pull factors). Gautam (2005, p.11) suggests that the main reasons for migration are, among others: lack of employment, food shortage, increased expenditure and the will for migrants to be economically prosperous. Population pressure and conflict in many parts of the world constitute the other causes.

According to the Organisation International for Migration, Approximately one in seven people today are migrants: 232 million people are international migrants, or 3.2% of the world population⁹. International migrants represented 3.1 per cent of the total world population, 10.3 per cent of the population in the more developed regions and 1.5 per cent of the population in the less developed regions. In this regard, Bodvarsson and Van den Berg (2013, p.2) suggest that if this trend continues, it will result in the number of immigrants approaching 4-5% of the world's population within a generation.

⁹ Global Migration Trends: An Overview by the Organisation for International Migration 2014

For many years, international migration has been at the heart of discussion within the international community. However, forty years ago, there was no single, unified theory of why people migrate. Today, there is still no such convergence to a single model of immigration. Sociologists and economists have very different views about why people emigrate, and politicians and policymakers have yet another set of views (Bodvarsson and Van den Berg 2013, p.27). This situation points to the fact that migration is very complex and cannot be understood by relying on the tools of one discipline. Rather, their complex, multifaceted nature requires a sophisticated theory that incorporates a variety of perspectives, levels, and assumptions (Massey *et al* 1993, p.432).

Over the years, migration has served as a strategy for people to improve their wellbeing. According to Crush (1999, p.126) many Africans consider South Africa as “a haven of freedom, peace and prosperity for the continent’s destitute masses” which has justified the flow of migrants in the country. In the same vein, Landau and Segatti (2009, p.1) state that with the country’s first democratic elections in 1994, most South Africa’s cities became primary destinations for migrants from around the country and important nodes for migrants from around the continent and beyond seeking profit, protection, and the possibility of onward passage. Due to different conflicts that erupted in many African countries in the early 1990s, South Africa became a safe haven for many Africans. As a result, most South African cities experience a flow of both legal and illegal migrants, some coming to seek protection and others a better life.

In view of the above, it becomes interesting to understand the role migration plays in wealth accumulation of migrants in a particular context and how it affects their general wellbeing. Furthermore, in the context of migrant population settled in the inner city of Johannesburg, it becomes interesting to examine whether other aspects of their lives such as social networks play a crucial role in their wealth accumulation process.

2.4 SOCIAL NETWORKS

Migrant networks can be defined as frequent sets of interpersonal ties that bind migrants and non-migrants together within a web of reciprocal obligations that can be drawn upon to facilitate entry, adjustment, and employment at points of destination (Massey, 1987;

Boyd, 1989; Portes, 1995). Networks also play an important role as they reduce the costs related to the acquisition of information for prospective migrants, and hence promote efficiency (Irving 2005, p.4). A social linkage to someone who has already migrated to a particular destination has the potential to be a crucial resource that can be used by newcomers to facilitate movement, access to jobs, or credit.

Many researchers have demonstrated the critical role played by networks in determining migration patterns and the extent they tend to increase the likelihood of migration, also the probability of attracting migrating members to the same geographic area (Dolfin and Genicot 2006, p.4). They further state that social networks can affect migration process in three different ways. Firstly, migrant networks can be a valuable source of information regarding means of crossing borders and living conditions at the destination. They can also provide information that assists migrants to find employment and integrate into the society at the destination. Lastly, social networks can operate as a source of credit, providing potential migrants with necessary funds needed to cover the cost of migration. Once at the destination, through these networks, newcomers can join *stokvels* in order to access finance, credits and other social assistances in the process of building their wealth.

On the other hand, while social networks are viewed to play a pivotal role in the lives of migrants, they have 'drawbacks' (Zhang 2006, p.119). Dasgupta (2009, p.26) argues that social networks can be of help or a hindrance, depending on how they are used. While networks can provide an informal framework for greater economic efficiency, they can also operate as mechanisms of parochialism or collusion that disrupt economic development. In other words, wherever networks fail to operate as social capital, they can become social liabilities. Social capital is understood here as institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development (Grootaert and van Bastelaer 2001, p.17). In other words, social capital enables members to act together more efficiently to pursue shared objectives.

This study also explores the role that social networks play among migrants, in the inner city of Johannesburg, both in the process of joining stokvels and in the way they invest their stokvel proceeds; asking whether social networks play any role in this process.

2.5 SOCIAL CAPITAL AND MIGRATION

Capital is considered to be any asset susceptible to producing income (Bannock, Baxter and Davis 1992, p.56). Even though this description is suitable in traditional microeconomic thinking, which considers income as a useful substitution for wellbeing, it is limiting in a context that regards the maximisation of wellbeing rather than simply revenue or wealth as its critical objective (Irving 2005, p.2). For the World Bank (2002), “Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together” or “it is not what you know but who you know”¹⁰.

According to Bourdieu (1986, p. 51), social capital can be considered as actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition. He further suggests that social capital can be exclusionary. In other words, social capital can be unhelpful since it can exclude some members. Coleman (1990, p.300) defines social capital as “the set of resources that are inherent in family relations and in community social organisations”. He regards social capital as the resources and benefits of cooperation available in good relations or networks. Furthermore, he suggests that social capital can be a source of useful everyday information, and of norms and sanctions, which can make certain kinds of actions easy, but at the same time being restrictive.

In light of the above, the present study also investigates the extent to which social capital is associated with wealth accumulation of migrant members of stokvels in the inner city of Johannesburg, asking whether social capital has a positive or negative effect on wealth accumulation of migrant who participate to the present study. Coetzee & Cross (2002, p.8) state that the first requirement for any group to operate successfully appears to be social capital or the webbing of interpersonal connectivity that allows group members to

¹⁰ The World Bank Group on social capital, 2002

trust each other and to predict each other's' behaviour. In other words, for social capital to play a positive effect on the lives of members of stokvels, trust must constitute the cornerstone without which members of these groups will not get any benefits. With regards to the present study, while the link between social capital and poverty has been investigated empirically, the link between migration and social capital is relatively under-researched (Cattaneo 2008, p.2). Therefore, it became interesting to examine the extent social capital contribute to wealth accumulation of migrants who participated to the present study. In neoclassical economic perspective, it is alleged that migrants move with the idea of maximising financial returns for their education, training, skills, and abilities by transferring from a low-wage to a high wage environment in the context of labour market. With this in mind, the research assesses through the data the level of veracity of this assertion. Living in an environment where they are likely to be excluded to opportunities such as access to finances, the present study investigates how migrant members of stokvels use social capital as a strategy to reduce the barriers that deter their access to credit and finances.

Having established the importance of social capital, the study considers why the interaction between stokvel membership and social capital is perceived as valuable by migrants in the inner city of Johannesburg.

2.6 REMITTANCES

International remittances are personal flows of money by migrant workers to family and friends in their country of origin (Sharma 2009, Salomone 2006, Maphosa 2005). However, it is important to mention that remittances are not made only of money, but also of other goods. Thus, Adams Jr. and Cuecuecha (2010, P. 1) define remittances as "money and goods" that are transmitted to the households back home by people working away from their origin communities. It is estimated that more than US\$325-billion was sent in 2010 by migrants to their countries of origin, excluding unrecorded flows. These flows far exceed the official development assistance (ODA) received by these countries (Imai *et al*, 2012, p.8). The sources of these flows vary; they come from wages, businesses and other income producing activities that migrants are involved in.

Amjad (2013, P.3) suggests that depending on the type of channel through which money and goods are transferred, remittances can be formal or informal. Remittances sent through official means such as bank transfers and money transfer organisations are considered formal. Whereas those that are sent through unofficial channels such as private money couriers, through relatives and friends or carried home by the migrants themselves are considered informal.

Hagen-Zanker and Siegel (2007, p. 5) suggest that Lucas and Stark pioneered the debate regarding the main determinants for remittances. According to them, the determining factors to remit are “pure altruism”, “pure self-interest” and “tempered altruism or enlightened self-interest. Altruism is considered to be a family decision and remitting resources is part of fulfilling family obligations (Maphosa 2005, P.5). Furthermore, besides altruism, self-interest is also a motivation to remit. In this case a migrant sends remittances with the aspiration to inherit, to demonstrate laudable behaviour as an investment for the future or with the intent to return home (Hagen-Zanker and Siegel 2007, p. 6). It is important to mention the fact that it will be difficult to determine to what extent altruism and self-interest will contribute to wealth building. However, the income or proceeds from stokvels can be used by some migrants to either invest in businesses or buy properties back in their countries/communities of origin. Migrants also remit for insurance (Piracha and Saraogi 2011, p.9). According to them migrants who face greater risks and uncertainties in the destination countries are likely to remit larger sums back home to either purchase insurance or self-insure through the accumulation of precautionary savings. It is therefore, important to assess the motives behind remittances made by migrant who participated to the present study. Remittances are likely to alleviate credit constraints. Earlier studies have revealed that many remittance receiving families use those transfers for investment purposes: to purchase farm machinery, to start or sustain existing small businesses and to invest in goods such as real estate (Adams 2005, Amuedo-Dorantes and Pozo 2006).

In view of the above, the study also investigates the trend among migrant members of stokvels whether they remit and if they do so, what their remittances get spent on in order to assess the impact that they may have of their wealth accumulation.

2.7 MICROFINANCE

Microfinance is defined as “the attempt to improve access to small deposits and small loans for poor households neglected by banks” (Schreiner and Colombet 2001, p.339). Robinson (2001, p.4) defines microfinance as small-scale financial services, primarily credit and savings provided to individuals and groups at the local levels of developing countries, both rural and urban. Over 5 million households are said to be beneficiaries of microfinance institutions (MFIs) in developing countries (Moliea 2007, p.11). Therefore, microfinance can be viewed as the provision of different financial services including savings, loans and insurance to people living in both urban and rural areas who cannot obtain such services from formal financial institutions. Faced with the challenge of accessing finances through formal institutions, many migrants resort to using stokvels to access finances in order to improve their general wellbeing. In line with the above, it is argued here that stokvels play a very important role in the lives of migrants in the process of wealth-building.

As shown, many studies have focused on the way people use stokvels as saving mechanisms for members to either invest, or to share the proceeds at the end of the year for members to celebrate (Arko-Achemfuor 2012, p.127). Yet many have not investigated how migrants use stokvels incomes to build their wealth both in their countries of residence and their countries of origin. The present study aims to contribute towards filling this gap through analysis of a limited population.

2.7.1 Microfinance and poverty alleviation

The last decades, coupled with the rapid development of microfinance in developing countries around the world, have seen a big debate on its effect in reducing poverty, particularly among the poor of the poorest.

Schreiner and Colombet (2001, p.339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks”. Furthermore, microfinance can also be defined as “the provision of financial services to low-income poor and very poor self-employed people” (Otero 1999, p.8). However,

Ledgerwood (1999, p.1) suggests that there are more to these financial services since in most cases, beyond savings and credit, they can also include other financial services such as insurance and payment services. In light with the above, microfinance implies the provision of financial services that may include savings, loans and insurance to poor people living in both urban and rural setting who cannot access such services from the formal financial institutions.

Yunus (2007) argues in *Banker to the Poor*, that access to credit is extremely critical for breaking the vicious cycle of poverty not only in developing countries, but also developed countries. In the same vein, Shukran and Rahman (2011, p. 47) suggest that micro-credit – being a small amount of loan given to the poor to develop their standard of living – has the capacity to help people to come out the cycle of poverty by generating income. In light with the above, in order to reduce poverty and underdevelopment in developing countries, increasing and improving microfinance programmes should be considered as a priority in order to help the poor and the marginalised to access finance. Migrants – being part of the portion of the population that is marginalised around the world, as far as access to credits and finances is concerned – rely on other mechanism to overcome these challenges; stokvels being one of them.

As far as the field of development is concerned, microcredit and microfinance are relatively new terms, first coming to prominence in the 1970s (Robinson 2001, Otero (1999). However, prior to this period, from the 1950s through to the 1970s, financial services were provided by governments or donors mainly in the form of subsidised rural credit programmes which did not have much impact on poverty alleviation. The 1980s represented a turning point in the history of microfinance and poverty alleviation in that MFIs such as Grameen Bank¹¹ and BRI¹² began to prove that they could offer small loans and savings services to the poor profitably on a large scale (Robinson 2001, p.10).

¹¹ Grameen Bank provides Bangladesh's poor an alternative to formal banking institutions by offering landless villagers small loans collateralised by group accountability rather than tangible assets.

¹² BRI was the first bank in the world to provide commercial financial services—savings and loans, as well as other products—to millions of economically active poor and lower middle-income households

Many factors may affect household credit access such as education, household head's age, household size, landholding area as well as the availability of formal funds and informal funds in communities (Quach, Mullineux, and Murinde 2005, p. 3). In other words, initial endowment plays an important role in determining the amount of loan one household can borrow or the ability to access credit is determined by what they possess. With regards to migrants who were parts of the present study, the study aimed to uncover the extent their memberships to stokvels make it easy for them to access loans; and beyond accessing loans/credits, to what extent it contributes to their wealth accumulation. However, if the positive relationship between the availability of funds and poverty alleviation/ wealth accumulation is established, there will be a need for financial institutions, particularly the formal banking system to consider ways to expand to the migrant community in South Africa access to institutional credit and loans.

Therefore, the process of developing new financial services of microfinance institutions need to be looked into and adjusted holistically by both the government and the banking sector in order to put in place policies and strategy that will help migrants to access finances that can allow them to start businesses that can contribute to poverty alleviation.

2.8 CONCLUSION

A number of people use migration as way out of poverty to take advantage of job opportunities elsewhere, to use their skills better, or most of the times, because there are no or few income producing opportunities to make a living where they are. However, wherever they decide to settle, if they cannot access finance, it is very difficult for most of them to break the cycle of poverty, thus many join groups such as stokvels as one of the ways to alleviate the effects of poverty and financial exclusion.

In this review of the literature, different aspects of stokvels, microfinance, and social capital have been discussed and have contributed to informing the research. The amount of attention given to the research field of microfinance and poverty alleviation clearly suggests that stokvels can provide an alternative and reliable source of finances for many people and in the process fight poverty. It is therefore, in the view of the researcher, important to look at the importance of stokvels with different lenses to assert whether their

proceeds among migrants will have the same results or impacts on wealth accumulation and poverty alleviation.

This study serves as an evaluation of different findings as far as stokvels are concerned. Several issues addressed in this literature review will be discussed throughout the below treatise. The numerous references cited in this literature review also indicate that field of microfinance and poverty alleviation possesses untapped potential that still needs to be researched, particularly the stokvel phenomenon among migrant populations. This study appears to be the first of its kind in evaluating the role of stokvel income in the process of wealth accumulation by migrants living in the inner city of Johannesburg. It is hoped that this study will serve as a step further in the understanding of livelihoods strategies of migrants in urban setting.

The next chapter will focus on the philosophical and methodological considerations at the base of the present study. The research and analysis approaches will be described as well as the ethical considerations will be looked into in detail below.

CHAPTER 3

METHODOLOGY AND RESEARCH METHODS

3.1 INTRODUCTION

This chapter outlines the research methods adopted to tackle the research questions of this study. It includes the approach taken to identify the appropriate population of study, the area of study, the data collection process as well as the approach that was taken to the data analysis. Limitations, ethical considerations of the study are also discussed. This research uses both quantitative and qualitative research methods to address the research questions and objectives. The use of a mixed methodology is justified by the fact that it allows for deeper exploration of the different research objectives and questions.

In order to show the connections between the methodology used in this research and the research questions, the researcher thought it was important to highlight, once more, in this chapter the research questions of the study.

Main research question:

To what extent does stokvel income contribute to wealth accumulation among the migrant population based in the inner city of Johannesburg?

Sub-questions:

- What do migrants use their stokvel proceeds for?
- Why do migrants, who have access to formal financial institutions, join stokvels?
- Is there any relationship between gender, nationality, ethnic group and membership? What is the relationship and why is it relevant?
- Can migrants access a loan from stokvels? If yes, what do they use the loan/s for?

3.2 RESEARCH DESIGN

According to Creswell (2003, p.16), research design is concomitant procedures in which the researcher converges quantitative and qualitative data to provide a comprehensive

analysis of the research problem. He further states that in this design, the investigator collects both forms of data at the same time during the study and then integrates the information in the interpretation of the overall results. Zikmund (2003, p.65) suggests that a research design is a master plan specifying the methods and procedures for collecting and analysing the needed information. The researcher's choice of a research design is influenced by the objectives of the research and the tools needed to be able to answer the research questions. The following research focused primarily on qualitative methods, but has also integrated some quantitative elements.

To determine the extent of the impact that stokvel income has on the process of wealth accumulation among migrant population living in the inner city of Johannesburg, the researcher adopted a threefold design in this study.

- Firstly, a focus on drawing comparisons between the migrants' current status, in terms of material possession, and their situation prior to joining any stokvels was considered;
- Secondly, determining whether their age, legal status, length of stay and education play any role in their wealth acquisition;
- Lastly, drawing out explanations of the impact of stokvels income on migrants 'wealth' in terms of material possession by respondents.

This strategy was used to measure the impact of stokvels proceeds on wealth building by migrants; the following questions helped the researcher in this regard:

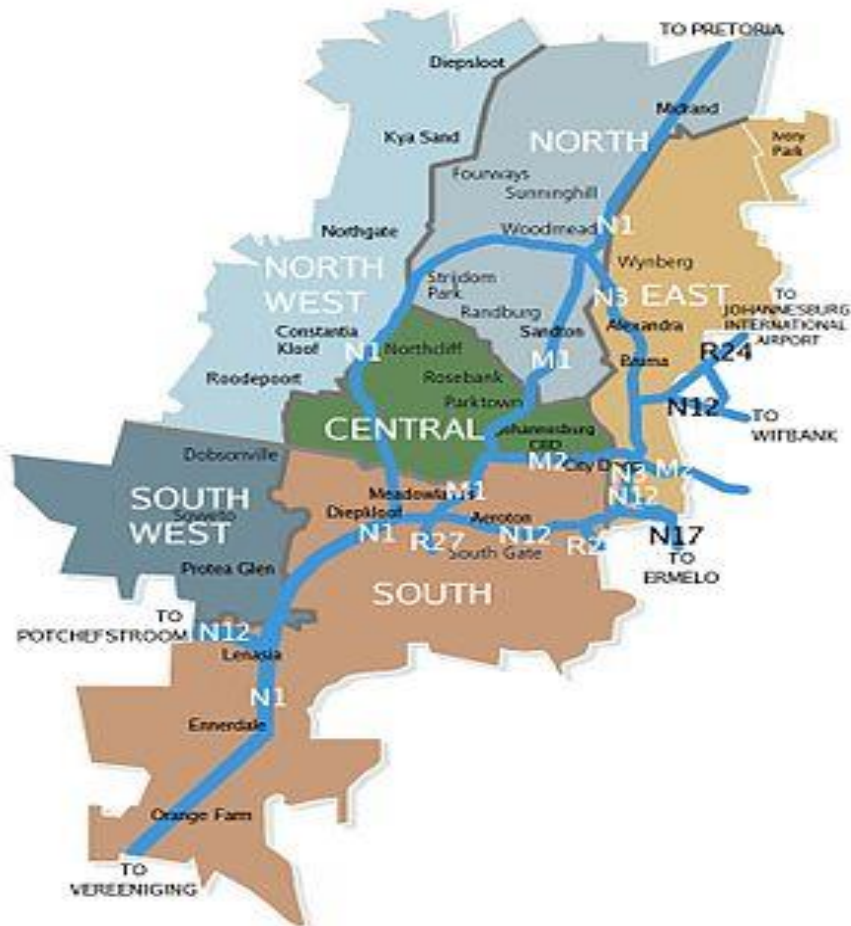
- The researcher asked participants to explain what they do with their income after collection;
- In line with the above, the researcher analyzed whether the legal status, the level of education, age, as well as the length of stay of migrants determine how they invest their proceeds.
- The researcher engaged the respondents in in-depth discussions in order to gather information that cannot be obtained by the questionnaire.

3.3 POPULATION AND AREA OF STUDY

According to Chiswick and Miller (2004, p.15) immigrants choose to live where they do because of the economic, social and cultural factors of their lives. This research was conducted in the inner city of Johannesburg. Johannesburg is regarded as the only 'world city' on the continent (Simone 2001, Mboweni 2007, pp. 2-3). The city has been transformed by both the continental and global movement of people, (cultural) products, images and ideas (Bembe 2004, p.378). Also, the migrant population makes up approximately 40% of Johannesburg's population (Vertovec (2011, p.19).

Over the last decades the city of Johannesburg has been growing. A key contributor to this is that the city continues to attract people from other parts of the country, and far afield, who are looking for better economic opportunities and a better quality of life (Landau 2008, Jinnah 2010, p.91). For administrative purposes the city of Johannesburg is divided into seven regions lettered from A to G. Each region is operationally responsible for the delivery of health, housing, sports and recreation, libraries, social development and other local community based services (Mears 2011, p.16).

Administrative map of the city of Johannesburg



- Region A: Diepsloot, Kya Sand
- Region B: Randburg, Rosebank, Emmerentia, Greenside, Melville, Northcliff, Parktown, Parktown North
- Region C: Roodepoort, Constantia Kloof, Northgate
- Region D: Doomkop, Soweto, Dobsonville, Protea Glen
- Region E: Alexandra, Wynberg, Sandton
- Region F: Inner city
- Region G: Orange Farm, Ennerdale, Lenasia

The inner city of Johannesburg is located within the city's Region F. The inner city is an extremely diverse region consisting of the City Centre, or what is also referred to as the Central Business District, the lower density predominately residential areas to the east of

the City Centre consisting of Yeoville, Bertrams, Troyeville, Braamfontein, Jeppestown, the higher density suburbs of Berea and Hillbrow, and the areas of Newtown, Fordsburg and Pageview/Vredorp to the west of Newtown. The inner city lies at the heart of Gauteng, the economic hub of Southern Africa.

The population sample of this study was drawn from the migrant population living in the inner city of Johannesburg. The rationale for choosing this location as the site for identifying the population is justified by the fact that there are a large number of migrants living in the inner city of Johannesburg. Further, the city provides economic opportunities for many migrants since it is the largest single metropolitan contributor to national economic product. Furthermore, Johannesburg accounts for 40 per cent of the economy of Gauteng and enjoys the unchallenged status of being the economic capital of the country and the subcontinent (Mboweni 2007, p. 2). Also, Johannesburg is a major travel gateway city on the African continent and therefore an ideal port of entry for immigrants.

Secondly, the focus on migrant populations is motivated by the fact that, as far as stokvels is concerned, little is known about the existence of such activities among migrants in the inner city of Johannesburg. There is a perception that stokvels are an exclusively South African tool for managing savings, accessing finance as well as improving people's livelihoods; not necessarily a tool migrants use.

3.4 QUALITATIVE RESEARCH

The research design for this study used a mixed methodology approach involving both qualitative and quantitative components. According to Shao (1999, p.151) data is either quantitative or qualitative. He also suggests that quantitative research uses mathematical measures and statistical techniques to determine the relationships and differences among large samples of target population. Furthermore, he states that quantitative research is highly structured, it involves designing questions with a choice of specific responses so that the responses can be measured and analysed mathematically. On the other hand, qualitative research is less formally structured than quantitative research and it uses smaller samples. The data gather, using qualitative techniques, is subjective and non-

quantifiable (Shao 1999, p.151).

In view of the above, the primary data collection technique that was used in this study is of a qualitative nature because they allowed the researcher to have a better understanding of the subject of study and also allowed the researcher to get sensitive information that might have been difficult to obtain through other methods. The qualitative method used in this study was in-depth interviews. The interviews were conducted face to face with respondents on individual basis, where the subject matter of the interview was explored in details.

Many scholars argue that human learning is best explored by using qualitative data (Domegan, and Fleming, 2007; Denzin and Lincoln, 2003; Richardson, 1995). When selecting a research methodology, Guba (1981, p.76) suggests that “it is good to choose a paradigm whose assumptions are best met by phenomenon being studied”. It is also generally documented that qualitative researchers mostly are concerned with processes rather than simply the outcomes or products. According to Denzin & Lincoln (2003, p.3), qualitative researchers investigate things in their natural settings and endeavour to make sense of or to interpret phenomena in terms of the meanings people give them. Therefore, qualitative research was considered appropriate for this research because the aim of the present study was to have a depth understanding of the subject of study. Moreover, qualitative method was used because it allows the respondents to describe and construe their experiences as being lived.

3.5 SAMPLING METHOD

The sample method involves taking a representative selection of the population and using the data collected as research information (Latham 2007, p.2). He further states that a sample is a subgroup of the population and a relatively true representative of the unit of analysis. In this case, due to the sensitive nature of this study and time constraints for data gathering, 11 migrants of different nationalities members of stokvels living in the inner city of Johannesburg were interviewed.

This study used the snowballing technique, which is a method that has been widely used in qualitative sociological research (Blernackl and Waldorf 1981, p.141). According to them, the method yields a study sample through referrals made among people who share or know of others who possess some characteristics that are of research interest. Snowball sampling starts with one or more individuals who are known to meet a given criteria. Those interviewed are requested to nominate and facilitate introductions to other people whom they know and who meet the qualifications. Katz (2006, p.4) suggests that the snowballing sampling technique is most of the times used in hidden populations which are difficult for researchers to access (such as drug users or commercial sex workers), or in cases where a sampling frame is hard to establish and it is assumed that cases are affiliated through links that can be exploited to locate other respondents based on existing ones. Furthermore, while some may seek to characterise the topics for which snowball strategies have been used as being trivial or obscure, the main value of snowball sampling is as a method for obtaining respondents where they are few in number or where some degree of trust is required to initiate contact (Atkinson and Flint 2001, p. 2). The researcher thought that the use of the snowball technique was the most appropriate for this study because it was a very sensitive topic involving money and people who might be illegal in the country. However, snowball sampling suffers from some deficits such as problems of representativeness and sampling principles. Moreover, the quality of the data as well as a selection bias that limits the validity of the sample is the primary concerns of snowball sampling (Meter, 1990; Kaplan et al, 1987). In order to manage this deficiency, the researcher made sure that no more than three people from the same country were included into the sample. Also, the researcher reached a very diverse group of migrant population from all sectors, members of stokvels living in different areas of Johannesburg and belonging to different groups before including them in the sample.

This technique was important because it allowed the researcher to request, after interviewing the first set of participants, to nominate and facilitate introductions to other people whom they know and who meet the criteria.

3.6 DATA COLLECTION TECHNIQUES

The data was collected using two main research techniques: interviews and documentary sources (such as books, journals and research reports). All these methods were combined in order to collect the necessary data to answer the research question of this study. These approaches will be used in order to see things from different angles.

Data collection of this research was done through face-to-face interviews with the respondents. According to Mathers, Fox and Hunn (1998, p.8), face-to-face or personal interviews are very labour intensive, but can be the best way of collecting high quality data. According to these authors, face-to-face interviews are to be considered when the subject matter is very sensitive, but not personal, if the questions to be coded are very complex or if the interview is likely to be lengthy. Zikmund (2003, p.130) also suggests that an in-depth interview is a fairly unstructured, far-reaching interview used in the primary stages of the research process. In depth interviews, also known as one-on-one interviews, reveals people's primary motivations and attitudes beyond basic answers to structured questions (Dillon, Madden and Firtle 1993, pp. 141-142). In order to validate the data, the researcher conducted one focus discussion with a set of participants.

Each interview lasted between 40 and 55 minutes and took place at the respondent's place of choice. Due to the high level of suspicion among migrants, the researcher needed to take time to familiarise with the respondents before the investigation begins. The data collection process involved the use of interview schedules with open-ended questions and a loosely structured interview guide. The researcher recorded the information on a prepared data sheet and in some cases, with the consent of the interviewee, the interviews were tape recorded.

According to Legard, Keegan and Ward (2003, p.141), the key features of the in-depth interview is that it is intended to combine structure with flexibility, it is interactive in nature, the researcher used a range of probes, and other techniques to achieve depth of answer in terms of penetration, exploration and explanation, the interview is generative in the sense that new knowledge or thoughts are likely, at some stage, to be created. The in-

depth interview is a technique designed to elicit a vivid picture of the participant's perspective on the research topic (Mack et al. 2011, p.29).

Given the objective of the present study, the researcher used face-to-face interviews it helped with: Exploring the boundaries of a problem; obtaining evidence for a problem or issue; evaluating potential solutions; and managing the research process. The researcher developed questions (see annexure I) which are relevant to the research topic. Further, the researcher chose questions from studies previously done in the same field. The interview guide provided questions which helped to access information from the key participants to the present study.

3.7 DATA ANALYSIS

Qualitative data consists of words and observations, not numbers (Taylor-Powell and Renner 2003, p.1). Although the main method of investigation of the present study was qualitative, a level of quantitative method was also used due to the nature of this study. As with all data, analysis and interpretation are required to bring order and understanding (Taylor-Powell and Renner 2003, p.1). Streubert and Carpenter (1999, p.60) suggest that data analysis starts with listening to participants' verbal descriptions, and is followed by reading and re-reading the verbatim transcriptions or written responses. According to Lacey and Luff (2001, p.16) almost all qualitative research studies involve some degree of transcription – some data may be tape recorded interviews, focus groups, video recordings, or handwritten field notes. In view of the above, this research data analysis was done using Tesch's method of analysis of qualitative data which involves the following steps:

- a) The researcher listened to audiotapes and also read and re-read all the transcriptions. This was done in order to get a sense of the whole data, and some ideas were written down as they emerged.
- b) One transcript of the interview was picked at a time and re-read. The underlying meaning of the data was sought, and was written in the margin. Themes which represented positive experiences were highlighted in blue colour, and those that

represented negative experiences were recorded using a red colour. This exercise was applied to all transcripts.

- c) A list of emerging themes was made, and then similar themes were grouped together. Afterwards, columns were drawn to form major themes, unique topics and leftovers (i.e. those that did not fit into major themes/groupings and those that did not fit into either of the groupings).
- d) The compiled list was then used to compare the data, and themes were curtailed as codes. These codes were written next to the sections of the text, while checking whether new categories and codes were emerging. These codes were colour-coded (i.e. red for negative experiences, and blue for positive experiences).
- e) The most descriptive words for the themes were assigned and turned into groupings. Themes that related to each other were grouped together, in order to reduce the list of categories and to make the analysis of the data easy.
- f) Each category was checked and alphabetised.
- g) Data was analysed and systematically explored to generate meanings, and existing data was recorded, participants were asked to validate analysed data, and recoding was done where necessary (Creswell 2003, Tesch 1992).

3.8 SIGNIFICANCE OF THE STUDY

In each of the main areas of interest (stokvels, wealth, migration), there is relatively extensive literature. However, the knowledge of the relationship between these areas is disproportionate. In other words, the literature on stokvels, migrant population and wealth have been gaining ground, but the correlation between stokvels membership, migrants and wealth accumulation is not spoken of to any large degree in the literature. Therefore, this research seeks to fill that gap.

3.9 ETHICAL CONSIDERATIONS

According to Kour (2014, p.133) ethics has become a corner stone for conducting effective and meaningful research. Myers and Barnes (2005, p.3) argue that the use of qualitative methods highlights the importance of ethical concerns. Furthermore, qualitative designs bring with them unique ethical considerations, involving informed

consent, anonymity and confidentiality, data generation and treatment, and participant-researcher relationships.

A major ethical challenge in research is that it necessitates researchers to strike a balance between the demand placed on them as professional scientists in pursuit of truth, and their subjects' rights and values potentially threatened by the research (Cohen *et al.* 2007, p.51). Therefore, this study complied with the NMMU ethical standards in Social Science research, as well as those of the Development Studies Programme. In that perspective, all participants (respondents) were to be above the age of eighteen in order to be included in the population of study and to this end the following measures were taken into consideration:

- Respondents were made aware of the purpose of the study which is purely academic. Respondents were made aware of the nature of questions, and the approximate duration of interviews before the beginning. They were also informed that the decision to participate was their free choice, they will not be forced to participate without their approval and that if they decide to participate, they could decide to stop the interview at any time.
- Respondents were assured that their identities and information that the researcher collected from them will be kept in strict confidentiality. To do so, code numbers were given to respondents and areas of investigation instead of names.
- During the interviews the researcher avoided questions that respondents considered as violating their privacy. In addition, respondents were advised of their right to withhold information relating to questions that they were uncomfortable with, which could potentially affect the quality of the data.
- As for the issue concerning discovery of illegal income generating activities, before each interview starts, respondents were advised that disclosure of such information will be at their own risk. Secondly, the researcher made sure that the interviews are voluntary and anyone who does not wish to participate was free to do so or at least quit even during the course of the interview. However, the researcher assured them that their lives would not be deliberately put at risk by revealing those activities to the authorities.

- As for the issue concerning legal implication regarding staying illegally in the Republic of South Africa, the researcher made sure the names of respondents on the questionnaire were not revealed and instead codes were used to prevent a situation where respondents could be identified.
- Respondents were informed that if they agreed to participate to the interview it should be free and no compensation should be expected apart from my appreciation.
- Participation in the research was voluntary and consent implied when the participants chose to respond to the questions.

3.10 LIMITATIONS OF THE STUDY

There were potential limitations to the present study such might be a number of structural and methodological limitations. Others were the sample size which was not representative of the entire migrant community living in the inner city of Johannesburg and the sample technique that the researcher used made it difficult to generalise the findings. However, the research is still valuable in the sense that, it has revealed some insights into the questions that the researcher was examining as well as the general trends, which may be further investigated. Time and financial constraints, represented other challenges that made it difficult to have a bigger and representative sample.

3.11 CONCLUSION

This chapter describes the research methodology that this study followed, inter alia, data gathering instruments to be utilised, appropriate sampling sizes, the procedure for the study in order to give credibility to the study. It explained and justified the processes that were employed to gather data used to answer the research questions of this study. Ethical issues taken into account in this thesis were described. Data was collected by means of interviewing. The findings of the study and a detailed discussion of results are presented in the next chapter.

CHAPTER 4

FINDINGS AND ANALYSIS

4.1 INTRODUCTION

This chapter explores the information gathered from the research and analyses the findings of this study. The findings relate to the research questions that guided the study. The data was collected and then processed in response to the problems posed in chapter 1 of this study. The study sought to assess the extent to which stokvel membership contributes towards the wealth accumulation of a sample of the migrant population in the inner city of Johannesburg.

The study generates information on why people join these groups; their savings patterns, what they use their proceeds for and how these savings contribute to their wealth. It is argued that stokvel income contributes greatly to wealth accumulation of migrants in the inner city of Johannesburg, as revealed by participants. However, the level of wealth generated depends on many other factors, such as the amount contributed by participants and the size of the group. All participants in this study acknowledged that being members of a stokvel made them financially stable. It is also argued that social networks played a key role in the lives of migrant population, in terms of providing them with livelihoods support and access or acceptance in these groups.

Data for this study was collected through in-depth interviews with participants. The questionnaire was developed by the researcher using related literature and previous research as a base. The questionnaire was divided into five parts. Part 1 dealt with biographical data, part 2 with the employment details of respondents, part 3 provided information on the nature of social networks of respondents, part 4 focused on stokvels membership and wealth accumulation and part 5 looked at income issues.

The data collected was analysed to prove or disapprove the hypothesis of the present study. Data was analysed to identify, describe and explore the relationship between stokvel membership and wealth accumulation. It is important to note that the results of

this research draw more from information provided by the people who participated in this study and reflects their opinions.

4.2 SAMPLE DESCRIPTION

The sample of this study comprised of migrants from 5 different countries living in the inner city of Johannesburg. Some of the stokvels they belong to have been in existence for a period ranging between 3 and 10 years. Face-to-face interviews were conducted by the researcher with all the participants to the study.

All participants to this study were based in the in the inner city of Johannesburg. The majority of the interviews were conducted in English as most of the participants had an acceptable level of English (they could read and write English, also they could understand the questions). Some of these interviews were tape recorded, with the permission of the participants.

The majority of participants were women as will be shown below. However, in all the groups that were part to this study, gender was not a membership criterion as all groups are open to both men and women.

4.3 BIOGRAPHICAL CHARACTERISTICS OF RESPONDENTS

Biographical data was collected in order to give depth to the composition of the sample. Table 4.3.1 depicts the biographical profile of migrant members of stokvels who participated in this research.

Ledimo, O. and Martins, N. (2015, p.156) argue that biographical features refers to personal characteristics that make people unique and often differentiate them from one another, even though they may present some similarities amongst them. These may include gender, age, marital status, legal status and level of education. Although not central to the present study, the biographical data helped contextualise the findings. Tables below reveal the results of that information.

4.3.1 Gender distribution

Gender has been described as an important element in stokvel composition in South Africa based on criteria such as size (Irvin 2005, p.8), and the level of respect for other members (Barr and Kinsey 2002, p.3). Although females represented a larger percentage of the sample (63%) than males (37%) in the present study, this percentage does not reflect the composition of all stokvels to which participants to this study belong to; nor of stokvels in general in Johannesburg/ South Africa. In other words, this imbalance in the sample says little about the composition of these stokvels as there were many that had the majority made of male members. However, it is important to mention that the large percentage of females in the sample was as a result of their willingness to participate to the present study.

Table 4.1: Sample gender distribution

Characteristics	Choices	Number	%
Gender	Male	4	37
	Female	7	63
	Total	11	100

Table 1 shows that the majority of participants to the present study were female. The majority of informants in this study were females because of their willingness to participate and share their experiences whereas men were reluctant to do so. Additionally, women were easily accessible and had a receptive attitude. However, the percentages shown in table 1 do not reflect the composition of stokvels membership among migrant population. It reflects the percentage of respondents who participated to this study. After gender, the age of participants follows below.

4.3.2 Age distribution

As shown in Table 2 below, the majority (45.45%) of participants to this study were in the 35 - 45 age group. This group was followed by the 25 - 35 and 18 - 25 age group, which represent 27.27% and 18.18% respectively. There was only one participant in the 45 - 55 age group which represents 9.09% of participants to this study. This age distribution may

be justified by the life-cycle hypothesis, which suggests that in deciding how much to consume in any given period, individuals consider their long-term resources, not just their current income (Pistaferri 2009, p.36). In the same vein, Murphy (2013, p.27) suggests that people save for their own retirement and that they accumulate savings during their active years in order to consume those savings during their retirement. In other words, when people are young they tend to save in the process of accumulating wealth. This can explain why most respondents were below the age of 55 and none of the respondents were older than 55 years old. However, as it will be shown later, many other aspects may play a key role in the process of saving and wealth accumulation.

Table 4.2: Sample age distribution

Characteristics	Choices	Number	%
Age	18-25	2	18.18
	25-35	3	27.27
	35-45	5	45.45
	45-55	1	9.09
	55-65	0	00
	65-up	0	00
	Total	11	99.99^{*13}

It can be deduced from the above information that the most active members of stokvels in migrant population are made of young adults (ages 18-35 years, 46% of the sample) and middle-aged adults (ages 36-55 years, 45% of the sample). However, this should only be taken in the context of the present study since these findings cannot be generalized due to the small size of the sample. The marital status of respondents to the present study was also analysed as shown in the table below.

¹³ *Totals do not equal 100 due to rounding procedures

4.3.3 Marital status of participants

Almost two-thirds 63.63% of the participants were married, 27.27% were single, and 9.09% were widowed. Table 3 depicts the marital status of migrant members of stokvels who participated to this study. These statistics reflect a mixture of membership that is from all walks of life, with married people constituting the majority of participants. The fact that the majority of respondents were married may be justified by their responsibilities. For example one of the respondents had this to say:

“If we don’t discipline ourselves, it will be impossible to meet all our obligations. See, I have a wife and children that I need to take care of. This stokvel pushes me not to be reckless with my money.”

Table 4.3: Sample Marital status distribution

Characteristics	Choices	Number	%
Marriage status	Married	7	63.63
	Single	3	27.27
	Widow	1	9.09
	Total	11	99.99*

4.3.4 Educational attainment of informants

A total of 27.27% of the respondents reported that Matric¹⁴ was the highest level of schooling completed and the same percentage prevailed for those who have postgraduate degrees. Only 9.9% reported to have a diploma, whereas 18.18% of respondents indicated that they had first degrees and certificates for each category. These statistics shown in the table 4 below suggest that the majority of respondents to this study were well-educated. Furthermore, most respondents indicated that it was important to study in South Africa, because a Certificate, Diploma or Degree obtained in South Africa opens up opportunities to get a well-paid job.

¹⁴ In South Africa, matriculation (or matric) is a term commonly used to refer to the final year of high school and the qualification received on graduating from high school, although strictly speaking, it refers to the minimum university entrance requirements.

Table 4.4: Sample qualifications distribution

Characteristics	Choices	Number	%
Education	Matric	3	27.27
	Certificate	2	18.18
	Diploma	1	9.09
	Degree	2	18.18
	Postgraduate	3	27.27
	Total	11	99.99*

The data show that the majority of respondents to the present study were educated on one hand. On the other hand, it revealed that respondents to this study consider education to be important for their general wellbeing as it can influence the way they manage their finances, therefore, impacting on their wealth accumulation.

It has been always said that legal status of immigrants affects how they access opportunities (Derose, Escarce and Lurie 2007, p.4). Thus, this study analyses the legal status of migrants in order to see to what extent it affects their livelihoods whilst residing in the inner city of Johannesburg.

4.3.5 Legal Status

Legal status plays a very important role in the life of migrants in terms of access to opportunities, protection and livelihoods in general. However, as Landau (2006, p.6) suggests, documentation cannot prevent discrimination or ensure social inclusion. The collected data suggests that participants to this study had different kinds of permits ranging from SA IDs, asylum seeker permits and work or study permits. As shown in the table below, 27.27% of participants were in possession of a SA ID. It is important to mention that those with South African IDs reported to be permanently employed by a diverse range of organisations. Some of those with asylum seeker permits complained of difficulties they encounter in accessing job opportunities even if one was well qualified for the job. With regards to stokvel membership and legal status, one respondent had this to say:

“At least I don’t need a green ID to be member of my stokvel. In fact, even when I need a loan from my group, I am not requested to present an ID for me to be assisted.”

The table below gives the characteristics of legal status of respondents to this study.

Table 4.5: Sample legal status distribution

Characteristics	Choices	Number	%
Legal status	SA ID	3	27.27
	Work/Study permit	5	45.45
	Other	3	27.27
	Total	11	99.99*

In line with the above, it was established that joining a stokvel was not linked to the production of a green ID. Nevertheless, all respondents were aware of the importance of being legal in the country. In other words, all the participants to this study acknowledge that being legal in the country is very important as it will not impede the possibility of getting job or running your own business legally. However, regardless of their status, stokvels represent a safety net for most migrants in that they allow them access to finance; provided they earn income and can make contribution to their respective stokvels.

4.3.6 Language

Language did not constitute a big challenge for most migrants who participated to this study. All participants were able to speak English and all the interviews were conducted in English. However, all respondents indicated that they were able to speak at least one or two other languages. Furthermore, participants to this study from Southern African countries also indicated that they were able to speak one of the local languages, thus making it easy to interact with other Black South Africans. It is important to mention that language was not an important criterion to be member of a stokvel since English was the medium of communication among members. In line with the above, some participants

indicated they were members of stokvels made of Zimbabweans, Congolese and
Zambians for instance.

Table 4.6: Sample language distribution

Characteristics	Choices	Number	%
Language ¹⁵	English	11	100
	French	0	0
	Other	0	0
	Total	11	100

4.3.7 Dependents

When asked the number of dependents living with respondents, 54.54% reported that they had two or more dependents, 27.27% of respondents indicated that they had one dependents, while 18.18% had none. This data suggests that the overwhelming majority of participants to the present study had at least one other person relying on them for foods, shelter, or education.

Table 4.7: Sample dependents distribution

Characteristics	Choices	Number	%
	None	2	18.18
	one	3	27.27
	Two or more	6	54.54
	Total	11	99.99*

4.3.8 Property ownership

As far as property ownership is concerned, most respondents (72.72%) to this study indicated that they were tenants and they live in flats/apartments. Further, only 27.27% of respondents indicated that they own properties here in South Africa, most of which were flats.

¹⁵ English represents 100% reason being that all respondents could speak English and all the interviews were conducted in English. However, most respondents indicated that they were able to speak at least another language besides English.

Table 4.8: Sample data property ownership distribution

Characteristics	Choices	Number	%
Property ownership	Owner	3	27.27
	Tenant	8	72.72
	Total	11	99.99*

As far as property ownership is concerned, the data revealed that the big majority of respondents to the present study don't own properties here in South Africa. When asked further as to why they rent, most of respondents said that they have bought or built in their countries of origin. However, those who have neither bought nor built indicated that they would also prefer to build or to buy in their countries of origin. As a result, the data suggests that there is a preference to invest in properties in their countries of origin by remitting their incomes in general as well as their stokvel proceeds.

4.3.9 Length of stay

When asked how long they have been living in South Africa, participants to this study indicated that they have lived in the inner city of Johannesburg for at least 3 years. However, the majority of migrants who participated in this study, representing close to three quarters of the sample (72.72%) indicated that they have lived in Johannesburg from 5 to 10 years and beyond as shown in table below. Furthermore, the data also revealed that, the length of stay in the country plays a significant role in the livelihoods of migrants who participated to this study as they have established stronger and better social networks through which stokvel members are recruited. As a result, these networks become important sources of information about business opportunities and other information that can lead to wealth generation.

Table 4.9: Sample length of stay distribution

Characteristics	Choices	Number	%
Length of stay	1-5	3	27.27
	5-10	4	36.36
	10-up	4	36.36
	Total	11	99.99*

The data also revealed that the level of independence of respondents to the present study was determined by their length of stay in the country. In other words, those who have been living for long time in Johannesburg no longer depend on their relatives or friends for their livelihoods. However, regardless of their length of stay, the majority of the participants to this study indicated that stokvels are their major source of accessing finance.

4.4 MIGRANTS AND EMPLOYMENT STATUS

In order to assess the extent of the role played by stokvels in the wealth accumulation of migrants, the study sought to test whether other elements such as employment status could explain the acquisition of wealth, thus mitigating the impact of stokvels incomes on wealth accumulation by respondents.

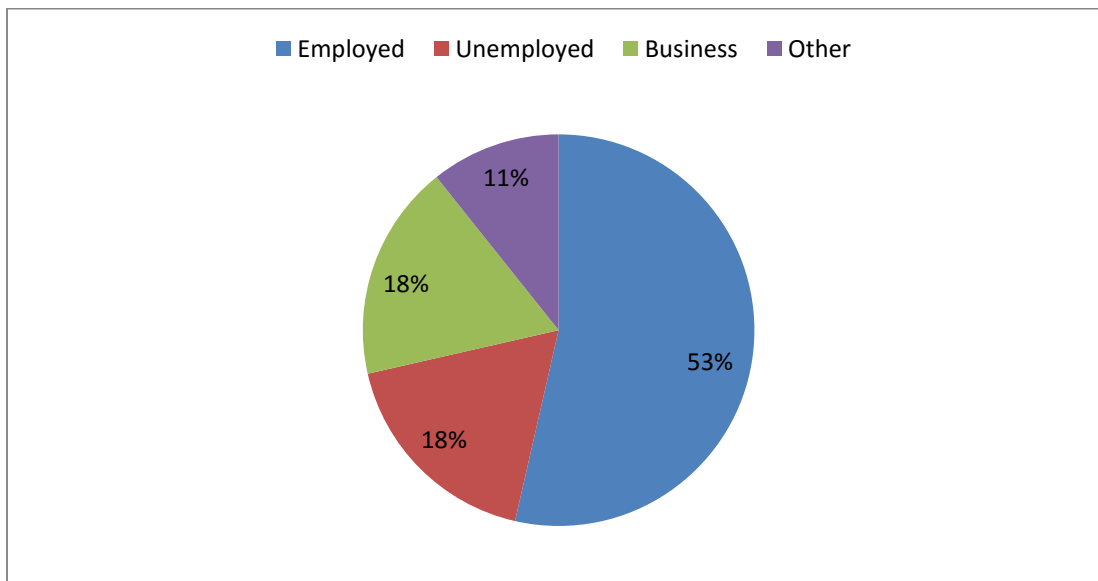


Figure 4.1: Current employment status of respondents

Over 70% of respondents reported that they were either employed or ran their own businesses prior to leaving their countries of origin. In other words, the majority of respondents to this study had a source of income before leaving their countries of origin. Of those who reported that they were working, some worked in the public sector; others in the private sector.

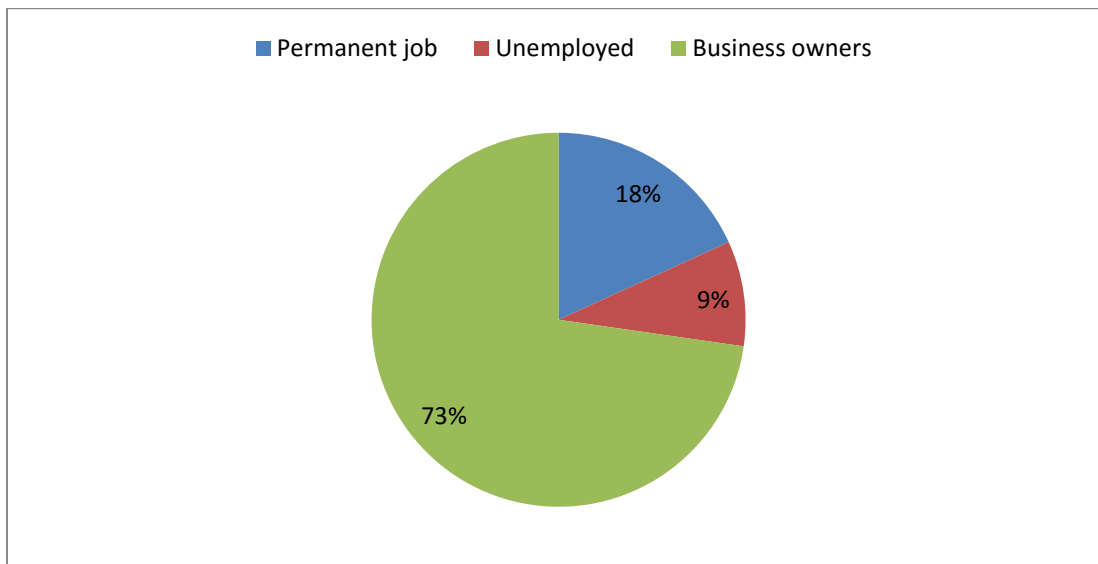


Figure 4.2: Current employment status of respondents

When compared, the employment status of respondents before and after coming to Johannesburg, the data overwhelming shows that being employed (by others or being self-employed) has a big impact on stokvel participation – everyone except the 9% has access to income and can therefore participate in stokvels. It is important to mention that employment is still very important for stokvel membership. However those that are unemployed still find the means to participate in the stokvel. Therefore the stokvel becomes a means to managing tenuous or inconsistent employment for those that are unemployed. Nevertheless those who are employed use their income from employment to further grow their income by investing in the stokvels. It is important to mention that the unemployed respondents in this study were housewives. Despite being unemployed, these respondents were members of stokvels. One of the unemployed respondents had this to say on joining a stokvel:

“The nature of my husband’s job is that he does not have a salary at the end of the month. He gets tips on a daily basis, so we misuse the money. The only way to discipline ourselves with regards to our finances was to join a stokvel. Since we joined this group our financial situation has greatly improved.”

The data revealed that members of stokvels who were permanently employed allocate a big portion of their earnings towards stokvels contributions. Most participants to this study who had permanent employment indicated that when establish their monthly budgets, stokvel contributions is the first item on their lists. When asked in terms of percentage the portion of their salaries that is allocated to stokvel contributions, the data show that between 30% and 40% of their monthly earnings are kept aside for their contributions. Furthermore, some respondents who were employed indicated that they would have loved to their salaries paid in cash so they could keep their earnings with their stokvels. In line with the above, one respondent states:

“I wish it was possible for my employer to pay my salary cash rather through my bank account, if this was the case, I would have saved it with my stokvel because when I am in need my stokvel listens to me. Contrary to the objectives of banks, the only objective of stokvel is for me to grow”.

It can be said that, based on the data of this study, having a permanent job alone does not have a big impact on wealth accumulation of respondents for two main reasons. The first one is that those with permanent employment indicated that they were not satisfied with their salaries and went as far as saying that without their membership to stokvels, they would have been in a bad financial situation. However, it was not clear from the data whether they would have been able to invest in stokvels if they did not have jobs. Secondly, they indicated that they will never access a lump sum of money from their employers that they receive from stokvels once they have collected their pot which has contributed greatly to their wellbeing. However, being employed plays a key role when it comes to be accepted in these groups even increases the chances of accessing loans from the group.

4.5 SOCIAL NETWORK AND GROUP ORGANISATIONS

Social networks play a crucial role in migration. They affect immigrants' decisions to migrate, their choice of destination and their opportunities and integration in the host country on arrival (Sumption 2009, p.6). Moreover, Gelderblom and Whyntie (2006, p. 233) suggest that migrants are more likely to go where they have contacts, that is, family members and friends who can help them settle down. The present section explores the role played by social networks in the process of migration of respondents as well as in their choice of Johannesburg as final destination.

When asked whether they already had relatives or close friends living in Johannesburg when thinking about leaving their countries of origin. Most participants in the present study reported to have been in contact with or knew of someone in Johannesburg. Only two of the respondents said that they did not have any point or person of contact when they arrived. Of the two, one indicated that she booked herself in a hotel since she did not know anybody and the other one did not elaborate much on how he managed his early days in Johannesburg. It is important to mention that these acquaintances were not necessary direct family members, in most cases they were friends or other relatives such as cousins, uncles and aunties.

Social networks are of great assistance to the majority of participants in the present study with regards to support that respondents to this study received from their acquaintances. When asked whether these contacts helped them in any way to come to Johannesburg and what kind of help they received, responses varied. For instance respondents who were coming to join their spouses indicated that they received different forms of support, ranging from finance to information about the process of visa applications, and which means of transport to use. The rest of the respondents to this study stated that they received both financial and moral supports particularly when they got to Johannesburg.

This data shows the important role played by social networks in the lives of respondents to this study. The nature of the assistance was determined by the type of the relationship between the prospective migrants and their acquaintances who were living in the inner city of Johannesburg. The data shows that all the participants in this study decided to

establish themselves in Johannesburg because the people they were coming to join were living in the inner city of Johannesburg and that these people have been of great support when they first arrived. Moreover, the data showed that once established, most participants to this study expanded their social network beyond people from their country of origin to migrants of different nationalities as well as to South Africans. These networks have played an important role in them joining different stokvels they belong to.

4.6 STOKVEL MEMBERSHIP AND WEALTH ACCUMULATION

This section looks at reasons why people join stokvels, their financial situation before and after joining stokvel, the use of funds in the process of wealth accumulation, as well as what the word wealth means to respondents.

4.6.1 Stokvel membership

According to Nagel (2006, p.4), people join groups for the following reasons: security, status, self-esteem, affiliation, power and goal achievement. When asked why they joined stokvels, respondents to this study gave diverse reasons. Reasons range from ability to save for investment, to cope with unexpected emergencies, access to interest free loans, social benefits, acquisition of assets, sending children to school and a sense of belonging to a group. The following sub-sections will emphasise on some of the above mentioned reasons. However, financial discipline and interest free loans access were, by far, the most important reasons put forward by respondents to the present study as to why they joined these groups.

4.6.2 Stokvel as a saving mechanism

One of the most frequently reported reasons for membership offered by participants to this study was the fact that a *stokvel* is a forced saving mechanism to help accomplish a particular outcome, project or goal. This reason is consistent with the view of Prinsloo (2002, p.73) who states that saving by the household sector is defined as that part of current income, after the payment of direct taxes that is not consumed or transferred as part of household current expenditure. In other words, saving is a sacrifice of current

consumption in order to preserve income for future use. One of the participants has this to say in this regards:

“I used to be reckless with money which put me often into financial difficulties but since I joined this group I have learned how to save.”

Another respondent said:

“This group has helped me a lot, most of the times it is very difficult to keep money yourself. As a business person, if you sell, you might eat the money and at the end of the day you will not have money for your business, that why being member of this group has helped me a lot I can keep my money and buy more stocks at a later stage”.

These findings are consistent with the view of Gugerty (2005, p.5) who suggests that Roscas can provide a commitment mechanism that ties participants' hands and commits them to savings patterns.

4.6.3 Membership and Social Capital

Social capital appeared to be one of the reasons respondents to the present study mentioned to justify why they join stokvel. In line with the above, Irving (2005, p.6) suggests that mutual insurance or informal risk-pooling provides a degree of protection against unexpected contingencies. The study revealed that, besides the advantage of saving, many respondents to this study reported that they join stokvels because of social benefits that derive from their membership. Respondents to this study reported they consider other members as family. Whenever there is a social event taking place in their families, the other members always stand by them. As far as social benefits are concerned, one of the respondents to this study stated that:

“Our group offers benefits such as if a member had to pass away, his/her family will receive a guaranteed lump sum of R30000¹⁶. As far as I am concerned no funeral policy in South Africa pays such huge amount. This amount will not be deducted from your contribution, but it is as a result of your membership to the group.”

Another participant added:

“When a child is born into a family of a member; such family receives contribution from every member. However, for a member to receive this contribution he/she must be in right standing the organisation.”

Social benefits become one of the reasons why people want to belong to a group, thus contributing to social cohesion of its members. It must be noted that for a member to take advantage of all these benefits, they must be in good standing with the stokvel. In other words, if they are in arrears with their contributions, they forfeit their benefits. The only option that is left to them is what some participants called ‘freewill donation’. One participants to this study alluded to this point by saying:

“If you are a member of our stokvel and you default or you are not up to date with your registration requirements, other members are not obliged to contribute when events such as death or birth happen to you. Because we know each other as friends, the only thing that member can do for such a member is to make a freewill donation.”

In line with the above, membership alone is not enough to access social benefits that most of participants to this study alluded to. In other words, in order to be full beneficiary, one must be up to date with registration and other requirements, depending on the stokvel they belong to.

¹⁶ At the current rate this amount equals \$2317.88

4.6.4 Access loans and coping with unexpected emergencies

Respondents to this study reported that one of the reasons they joined their stokvels was to cope when faced with emergencies. When asked where they would go if they want to borrow money, more than half of the respondents said they would go to their stokvels. In line with the above, one respondent states:

“When I am faced with an emergency I go to my stokvel to borrow money. The banks will not even give me; they will remind me that I am a foreigner”

Another one said that:

“If I want to borrow money I will go to my stokvel because there is no interest unlike with banks where sometimes you pay more than you borrowed”

These are strong statements that might reflect the way banks are viewed by migrants, particularly those who participated to this study. Nevertheless, other respondents acknowledged that they would also approach both their banks and stokvels, in case they need to borrow money. From these responses, it was clear that participants to this study put a lot of trust in stokvel for their financial wellbeing, particularly in case of emergency, an indication of the value attributed to membership and its vested social capital.

The data also shows that social networks played a crucial role from the process of establishment of these groups to the recruitment of members. Most members are recruited or accepted into these groups through their acquaintances. When asked who invited them to join these groups, all the participants to this study reported that they were invited by their friends or families.

4.6.5 Wealth accumulation

According to Belkar (2005, p.2) wealth accumulation is an important gauge of the success of immigrants' economic assimilation. This section explores the extent to which membership of a stokvel, by migrants who participated to this study, contributes to their wealth accumulation. To uncover this, a number of questions were asked to respondents to approve or disapprove the hypothesis of this research. Questions such what the word

wealth means for them, how they use their proceeds and their attitudes towards formal financial institutions, among others, were posed.

4.6.5.1 Meaning of wealth

Belkar (2005, p.2) suggests that wealth is a more permanent and stable measure of economic situation than income, as it allows the financing of both current and future consumption. In alignment with this thinking, and to assess the extent to which stokvel membership contributes to the wealth accumulation of migrants by respondents to the present study, the researcher thought it was important to provide qualitative insight into the meaning participants attribute to the word 'wealth'. However, their understanding of the word does not directly reflect the meaning of this word in mainstream economic usage.

When asked to explain in few words the word wealth and what it means to them, the data showed that the word wealth means different things to different people. For example one of the respondents states that:

“The word wealth means to have enough money to support your life and that of loved ones, including health.”

Another one said:

“Wealth means property ownership, not borrowing from the bank, being able to manage my family, being in good health. Being wealthy does not mean necessarily having a plane or a private jet.”

Another one said:

“Wealth is actual possession that comes as a result of your working effort. The reality of wealth is not cash, it is what is visible. Most importantly for me is your health, you cannot be wealthy when you are not healthy.”

From the above statement, it can be deduced that the understanding of the word wealth includes an element of ownership of assets. More importantly, a strongly emerging trend from the interaction with different respondents is the health factor. Around 90% of

participants to this study indicated that good health is very important to wealth accumulation. Therefore, these findings agree with Scholz and Seshadri (2013, p.7) who state that health is positively related to socio-economic status, whether measured by lifetime income, net worth, or related measures.

4.6.6 Uses of stokvel funds

The most important reason for belonging to stokvels, as reported by most participants, was to access to a lump sum of money, without associated interest. The question relating to the use of stokvel funds was asked to enable the researcher to assess whether the way respondents affect their proceeds contributes to their wealth accumulation. When asked, what they do with their income after collection, the majority of respondents (over 90% of respondents) indicated that they have used their income to accumulate assets they did not possess before joining the stokvels. When they collect their proceeds, respondents to the present study said they bought assets such as land, property, cars and some started or expanded their businesses. One respondent said:

“From my stokvel income, I just bought a piece of land in a very strategic place in the area where I am coming from. By the time I collect next time I am planning to build some studios that I will put for rent to make more money.”

Another respondent added that:

“The money is so huge that I am able to buy something which people take a long time to budget for. For example some people will take 20 years to pay for their property, but me I can pay it off in less than 5 years.”

Another respondent stated that:

“With the way the Rand is losing its value, as soon as I get my income, I invest in my business. I buy more stock and I will be repaying slowly, without any pressure because there is no interest attached to it.”

Some respondents indicated that they use their proceeds to pay school fees. Those in this category reported that being able to send your loved ones to school is the best way to come out of poverty, therefore increasing your wealth. In line with the above, one respondent had this to say:

“I can manage to pay my bills on time, particularly for my daughter and my sister’s school fees. I am able to buy their stationery and pay their school fees in advance without struggling like before.”

There was some a sense of pride and accomplishment from all the participants when they explained to the researcher what they have been able to achieve with their stokvel proceeds since joining. Most respondents, if not all, indicated that stokvels have contributed hugely to their wellbeing. Furthermore, the data showed that the majority of respondents use stokvel funds for non-consumption purposes. These findings are in line with Jamesa (2015, p.5) who suggests there are variety of uses of funds by members and many of them using payouts for expenditures normally beyond their reach.

4.6.7 Financial situation before and after joining stokvel

When asked whether they are better off financially since joining their respective groups, respondents indicated that their membership to stokvels has made them better off financially. Some even indicated that their membership has boosted them. In line with the above, one respondent said:

“Since I joined my stokvel, I have managed to buy two fridges that I am using to keep my stock as I sell fresh fish. Honestly, it was difficult before because I was paying other people to use their fridges which affected my business. Now the money that I used to pay is part of my profits.”

All respondents indicated that their membership to stokvels has contributed to their wealth to a great extent. When asked to what extent their membership to this group has contributed to their wealth, one respondent stated that:

“Of course, my membership to the stokvel has contributed a great deal to my wealth. The property that we own, part of the money that was used for our deposit came from the stokvel. Without that money, it would have been difficult to secure the bond from the bank.”

When asked whether they would have been able to afford whatever they have acquired if they were not members of these stokvels, answers varied. Some respondents indicated that it would have been difficult, some others said it would have been stressful, some even said it would have taken them long time. One respondent noted that:

“It would have taken me more time to acquire my car and my property without my membership. Also a project that would have taken me 4 years, I was able to achieve it in 1 year. As a result I live a better life and do not live in poverty.”

Respondents indicated that they would have been poorer if they were not members of their respective stokvels. When asked whether they would have been poorer than they are, had they not been member of these groups, all the respondents answered positively although with some nuances. From the data it was clear that membership to stokvels has a positive effect on the wellbeing of members. In line with the above one respondent said:

“Yes, holding that amount at a go makes me better off financially. With R 106000¹⁷ cash in my hands it’s a game changer. I can put it towards a deposit of a flat and pay it off after 2 years. This flat can take someone else 20 years to pay off; I can pay it in 2 to 3 years if the bank allows it.”

This statement shows that there is positive correlation between stokvel membership and wealth accumulation, particularly for respondents to the present study. However, access to these funds does not guarantee wealth. Many other elements can influence this process such as the nature of the investment and the risks associated with it, as well as the place of investment.

¹⁷ At the current rate, R 106 000 equal \$ 8217.05

4.7 PROCEEDS INVESTMENT AND PLACE OF INVESTMENT

Schüller and Schüler-Zhou (2013, p.7) argue that research on the linkages between migration, investment and trade has focused on both the host and home countries of migrants. Further, Osili (2004, p.1) states that migrants often maintain economic and social ties to their origin communities. In line with the above, in order to ascertain whether membership to stokvel has contributed to wealth accumulation of respondents to the present study, in terms of assets acquisition, the researcher thought that it was important to ask how and where respondents invest their proceeds. Hence, the following questions were asked: How much have you invested from your proceeds? Did you invest here in South Africa or at home? It is important to indicate that the question related to how much they have invested was in terms of percentages not the amount in order to avoid sensitive issues.

The majority of respondents to the present study indicated that they have invested over 70% of their stokvel incomes. As far as the place of investment is concerned, the overwhelming majority of respondents stated that they have invested both here in South Africa (mostly those running businesses) and in their countries of origin. However, the overwhelming majority (over 95% of respondents) indicated that it was preferable to invest in their countries of origin. Furthermore, even those who indicated that they have not invested yet expressed their wishes to invest in their countries of origin. When asked further in terms of percentage, again the majority said they have remitted at least 70% of their proceeds to their countries of origin as shown by the graph below.

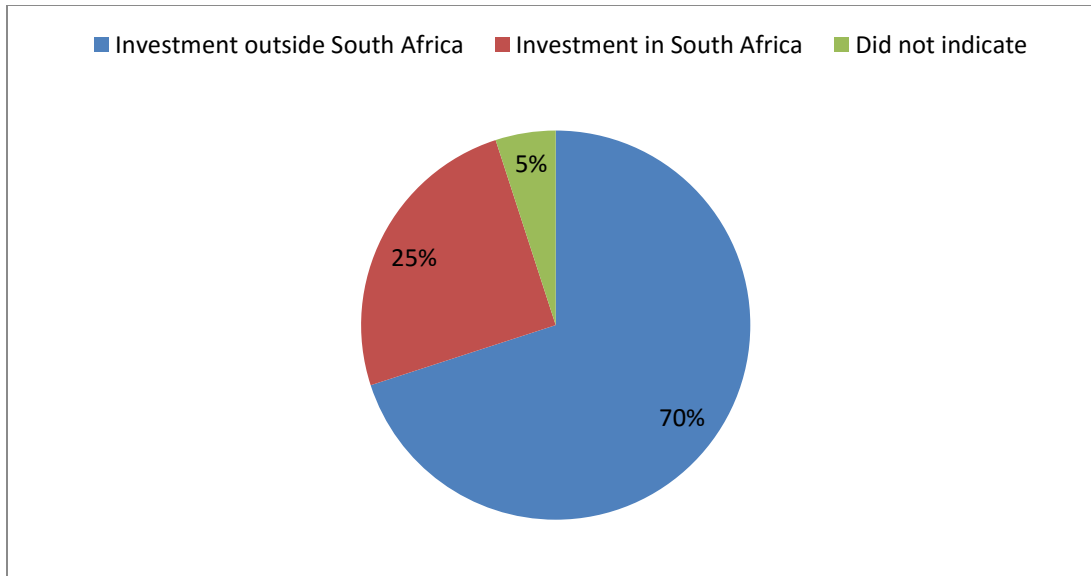


Figure 4.3: Investment patterns of migrants

The overwhelming bias towards investing the majority of their income in their countries of origin is intimately linked to feelings of security and trust. This is an indicative of people who are not settled or of people living in fear. This attitude might have been compounded by the recent xenophobic attacks that took place in some parts of South Africa. According to Haffejee (2015), tensions between South African nationals and foreign nationals have escalated in recent years. And this was not the first time, the xenophobic attacks of 2008 left more than 60 people, mostly foreign nationals, dead. In addition, the data shows that most respondents to this study did not show any willingness to settle permanently in South Africa, thus explaining migrants' investment patterns. In view of the above, it can be said that there are still serious challenges of integration, discrimination, and acceptance for migrant population in South Africa which can impact on their general wellbeing.

As far as their saving patterns is concerned, most respondents indicated, that since joining their respective stokvels, their saving patterns have improved drastically. All the respondents said that because of the commitment towards their respective groups, they have been pushed to be disciplined with their finances. In live with the above one respondent states that:

“My saving is much better now since I joined this group. Every single cent is allocated ahead of time; I don’t just spend my money any how because I cannot fail to make my contribution. I am no longer reckless with my finances.”

‘Discipline’, ‘commitment’, and ‘positive’ are some of the words that emerge throughout when asked about their habit of saving since joining stokvels. In other words, without discipline and commitment, it will be difficult to be a successful member of a stokvel. From the data, there was a clear indication of the importance role play by stokvel membership in teaching participants to be responsible regarding their finances. Most participants indicated that since they joined their respective groups they have learned to save or have become more careful with the way they spend their money.

4.8 TRUST ISSUE

There is substantial literature that exists within the South African context with regard to stokvels and the issue of trust. de Souza Junior (2012, p.143) argues that trust is central to social capital theory, and has been described as the glue and lubricant that holds networks together. For stokvels to be successful there must be a level of trust among all its members.

Trust is enforced by the way members to these groups are recruited. Thus, when asked whether they trust all the members of their groups, respondents to the present study indicated that they trust other members since they were recruited within the social circle of existing members, colleagues, business partners, even family members supporting the view expressed early regarding the importance of social networks. One of the respondents described this recruitment process as a “snowball”. However, in many cases a screening process takes place before being accepted into the group. With regards to recruitment of new members on respondent states that:

“You cannot always trust all the members because there are new members that join the group. Before being accepted into our group a screening process takes place. By our constitution, we reserve the rights to accept or reject new members. A background check would have taken place and your financial character

discussed. In most cases, newcomers will not be allowed to collect early and that is made known to them before they join.”

For all the respondents to this study, the data showed that mutual trustworthiness was seen as very important to the success of their respective groups, even though some members expressed some reservations, particularly towards new members. When asked about how they deal with defaulters, answers differed depending on the group to which participants belonged. In most groups there is a fine system in place that is imposed on the defaulters, in some others defaulters were threatened with the police. The most likely outcome, shown by the data, was the imposition of a fine. Furthermore, the data shows that defaulting was mentioned as the biggest challenge faced by most stokvels although all the groups that were part of this study indicated that they have not experienced it yet.

4.9 ATTITUDES TOWARDS FORMAL FINANCIAL INSTITUTIONS

Paulson *at al.* (2006, p.12) argue that immigrants avoid banks and patronize alternative financial services for check-cashing and remittances for three main reasons. The first reason is socioeconomic that includes elements such as age, education, ethnicity, and income. The second reason is related to migration characteristics such as the amount of time spent in the host country, language barriers, intentions of returning to their native country, an orientation toward country of origin institutional norms, legal status. The third reason is the products and services offered by banks compared with those offered by the alternative financial services sector such as cost, anonymity, documentation requirements, minimum balance requirements, and convenience. In view of the above, the attitude of migrants, who participated to this study, towards formal financial institutions, in most cases, was negative.

Immediately after the fall of apartheid, the South Africa Reserve Bank (SARB) published a green paper targeting stokvels in 1996 showing its position regarding these institutions. The Banks Act of 1990 was modified in order to cater for stokvels since they fell outside the definition of commercial banks, as a result, the SARB introduced legislation pertaining to stokvels in 2006 (Calvin and Coetzee 2010, p.1). In other words, stokvels were viewed as institutions that were not covered by regulations regulating banks in South Africa.

According to Calvin and Coetzee (2010, p.2) the Permanent Building Society (Perm) was the first commercial bank to be involved in the stokvel arena. Perm, which was later incorporated into the Nedbank group, developed a customised account in 1988 called the Club Account, which catered for the needs of stokvels. However, by 2009, all the major South African banks were offering a customised savings product to stokvels. These included the Absa Club Account, the Society Scheme of Standard Bank, the First National Bank Stokvel Account, the Nedbank Club Account, Bakgotsi of Postbank, and Club Save of Ithala Bank.

Despite the fact that the banking sector has jumped into the stokvel sphere, by offering bank accounts that cater for such activities, there was no single group, among those members who were part of this study that had a bank account. Money exchanges hands mostly on the meeting days. These stokvels still operate traditionally where beneficiaries collect their proceeds in cash, not through bank accounts. This obviously raises the issue of safety among members. When asked about this, most respondents indicated that they would rather take the risk of carrying the cash than putting into a bank account in order to avoid bank charges since payments were made in cash on the day of meetings. This was clearly articulated by one respondent who boldly stated that:

“There is no difference between banks and criminals. When you put your money into your bank account they charge you. When you take it out, they charge you. Now you tell me why should I keep my money into a bank account?”

When asked further about their physical safety and that of their loved ones when carrying around such amounts, most respondents, including those with bank accounts, indicated that they would rather take that risk than putting their money into a bank account. However, those with properties in South Africa differ in that approach. They indicated that they would put part of their proceeds into their bank accounts in order to boost their credit profiles. Yet, they expressed their distrust towards formal financial institutions.

Many migrants have a sceptical view of banks and other formal financial institutions. For the majority, these views are based on what they have heard from others, rather on their own experiences. When asked if they have enquired about the possibility of getting a loan from a bank, most of respondents indicated they have not, except those who said they had properties here in South Africa. One respondent states that:

“No I am not interested at all. Just to open my bank account it was a problem, what about getting a loan. People always say that there are many conditions for a bank to give a loan to people, so I don’t want to waste my time.”

Another one states that:

“My bank has called me several times for an unsolicited loan. When it is unsolicited it means there is an agenda behind the loan.”

Generally, the data shows the negative attitude of migrants towards formal financial institutions. The level of distrust of banks by most migrants who participated to this study is particularly high. It is important to mention that the data did not show any reason why the level of distrust is high other than them mentioning bank charges. The level of distrust might be explained by past experiences. For example, Giese and Snyder (2009, p. 8) suggest that many Hispanics, in the US, choose not to keep all of their finances with a bank because in many of their homelands the banking systems are corrupt. In other words, because of bad experiences that migrants have of the banking system in their countries of origin may affect their attitude towards financial institutions and banks in the host countries. However, the data showed that most participants to the present study were educated, speak English and had legal status. Thus, it cannot be construed that the level of distrust is based on their level of education, their legal status or language barrier as suggested by some authors.

4.10 CONCLUSION

The purpose of the research was to explore to what extent stokvel membership contributes to wealth accumulation of migrant population in the inner city of

Johannesburg. The results of this research have revealed that stokvels are being used by migrants as vehicles for wealth accumulation. Moreover, stokvels serve as microfinance institutions for their members. The success nature of stokvels is linked to the level of commitment of its members. All the respondents demonstrated their willingness to grow financially and move to higher standards of living; an integral part of which is their membership of stokvels.

The data also revealed that, most migrants who participated in this study, have different reasons for joining stokvels. However, the most critical reason put forward by respondents was to improve their overall wellbeing. Stokvels, for migrants in the inner city of Johannesburg who participated to this study, fulfil many functions in their members' lives, some of them social and others financial, resulting in dynamic socio-economic implications. As far as the social function is concerned, respondents indicated that there are social benefits that are derived from being a member, such as financial assistance in case of death of a member or a birth in the family of a member. As for the financial function, access to lump sum of money as well as to interest free loans appeared to be very prominent.

Gender did not play any important role in membership criterion as all respondents to the present study indicated that their stokvels were made of both male and female members. Although the data show a large number of women among the respondents, gender does not reflect the composition of these groups. It is important to mention that some stokvels were dominated by one gender. Therefore, it can be said that gender did not have any influence in making these stokvels successful and did not play any role in wealth accumulation of those who participated to this study.

As for many other organisations, the data showed that trust played a very important role in the success of stokvels to which respondents to this study belong to. In line with above, most members are recruited through other members within their social networks.

This study has shown that stokvels incomes are being used as vehicles for wealth accumulation and poverty alleviation and are considered by their members as a

guaranteed source of finance. Furthermore, the study revealed that social benefits and/or mutual insurance deriving from being members of stokvels were important factors for them joining these groups. One of the reasons that make stokvels successful is that they are simple and put the interests of each member at the centre of their activities.

The next chapter brings together the results and put forward some recommendations to different stakeholders.

CHAPTER 5

CONCLUSION

5.1 INTRODUCTION

The study explored the role played by stokvels – and the associated income gained through stokvel membership – as vehicles for wealth accumulation for the migrant population in the inner city of Johannesburg. It also highlighted the reasons behind the success and popularity of stokvels. The findings of this research have revealed that stokvel incomes have been used as vehicles for wealth accumulation among migrants population living in the inner city of Johannesburg. Furthermore, the study has shown that stokvel is an institution that is well entrenched in migrant communities in South Africa. Moreover, the study has revealed that stokvels serve as microfinance institutions for its members even those who have the possibility of accessing finances from formal institutions. Commitment, trust and the willingness to improve the standard of living have served as anchors to the success of stokvels among the migrant population. The research also investigated whether gender play any role for stokvel membership and the reasons thereof.

This study provides insights, albeit on the basis of a small sample, into the lives and living conditions of migrants in the inner city of Johannesburg. Included in this chapter is a review of the purpose and objectives of the study, a restatement of the research questions, the research methodology used, as well as the summary of the study results, conclusions, discussion and possible recommendations for further research areas.

The purpose of the research was to explore the impact that stokvels income has on the wealth accumulation of migrant population living in the inner city of Johannesburg. Specifically the study sets out to look at the extent to which stokvel membership contributes to the wealth of participants to the present study. It is important to state that wealth, in the context of this study, is understood to be assets ownership and good health as indicated by the majority of participants to the present study.

5.2 RESTATEMENT OF RESEARCH QUESTIONS

The study sought to understand the extent to which stokvel incomes contribute towards wealth accumulation among migrant population in the inner city of Johannesburg. It did so by asking the migrants:

- What the use the money for?
- Why do migrants who have access to formal financial institutions join stokvels?
- Whether there is any relationship between gender, nationality, ethnic group and membership? What is the relationship and why is it relevant?
- Whether they can access a loan from stokvels? If yes, what do they use the loan/s for?

5.3 RESEARCH METHODOLOGY

The researcher used both quantitative and qualitative research methods to collect data from participants to the present study and to address its research questions and objectives. The use of a mixed methodological approach allowed for deeper exploration of the different research objectives and questions.

Data collected from the interviews represented respondents' perceptions regarding the impact that membership of stokvels has on their wealth accumulation and how it has improved their life standards. This project used the snowballing technique, which is a method that has been widely used in qualitative sociological research (Biernacki and Waldorf 1981, p.141). The method yields a study sample through referrals made among people who share or know of others who possess some characteristics that are of research interest.

Respondents answered a questionnaire that covered a range of questions including social network, employment status, legal status in order to assess if there is any other elements that might have played an important role in their wealth accumulation besides their stokvel membership. The sample in this study included respondents from at least 5 different African countries to address the fact that there is wide variance in the way

stokvels are viewed. Also it has allowed the researcher to have a broad perspective as to how stokvels incomes have been used by people from different parts of Africa.

5.4 MAJOR FINDINGS

Stokvels play certain functions in the lives of its members, some of them social and others financial. The results of this research have revealed that stokvels are being used by migrants, who participated to the present study, as vehicles for wealth accumulation. Moreover, stokvels serve as microfinance institutions for its members. The success nature of stokvels is justified by the level of commitment of its members.

Respondents to the present study, while acknowledging some challenges, reported that they are better off financially since joining these organisations. Additionally, their membership to these groups has contributed a great deal to their wealth accumulation. Furthermore, they indicated that their membership to stokvel has increased their wealth and has helped them to acquire property and other assets they would not have been able to acquire have they not been members.

As far as gender is concerned, this study is not in par with many other studies that have indicated the important role played by gender as a membership criterion. However, from the sample drawn, the data showed that a large number of respondents to the present study were women.

Stokvels in large part are built on trust, highlighting an element of social capital, which appeared to be a key to their success. Networks, an associated offshoot of social capital, are also critical with respondents informing the researcher that members are recruited by recommendation of existing members – an illustration of the power of networks and trust in the stokvel economy. The type of person who is allowed to join as a member of a particular stokvel should be somebody that is trustworthy. Furthermore, social networks played an important role regarding the choice of settlement and the first assistance received by most respondents on arrival. The choice of Johannesburg as a destination was largely determined by economic opportunity and existence of networks whether ethnic or kinship as was revealed by the majority of respondents.

Reasons for participation in stokvels by respondents are varied, the most important being forced savings as well as the sheer will to improve the standard of life. Also, respondents informed the researcher that they are attracted to stokvels because it makes available funds that would not otherwise be available to them through the formal economy. Another major finding was the mistrust of formal financial institutions. Most respondents to the present study, both those with bank accounts and those without, said that they do not trust banks. When asked where they would go if they need to borrow money, the vast majority said that they would go to their stokvels. Some of the reasons for this choice are the absence of interests on the loans, legal status, but also lack of information from many respondents on how formal institutions operate.

5.5 RECOMMENDATIONS

5.5.1 Recommendations to Financial Institutions

This research has revealed that stokvels are being used as vehicles for wealth accumulation by the respondents to the present study. The success story behind most stokvels is that they are simple and are people-focused. In other words, most respondents consider stokvels as a reliable method to accumulate wealth, access funds easily and achieve their objectives of ensuring the wellbeing of their members. Furthermore, most of these groups do not have bank accounts for their transactions, mostly cash changes hands on the day of their meetings.

The flexibility of stokvels is a lesson for more formal institutions, trying to tap into the informal economy. Therefore, based on these findings, formal financial institutions should:

- Look into ways of getting involved in a manner that creates trust between their institutions and stokvels members.
- Formal financial institutions should also engage these groups through their administrative personnel in order to provide some important information on issues such as investment, the benefits of doing financial transactions through a bank to members of these different groups.

- Formal institutions could establish specialised informal economy-orientated bank accounts, which operate in a similar way or mimic stokvel systems, to start engendering trust and accessing the informal economy.

5.5.2 Recommendations for Future Research

- The migrant community in South Africa is heterogeneous. Therefore, a larger sample study on stokvels among migrant population can provide an in-depth understanding of this phenomenon in order to determine its extent among foreign communities established in South Africa.
- For the majority of respondents to the present study, stokvels play a very important role for their general wellbeing. It will be important to investigate whether there are cases where members of stokvels have had a bad experience and what were the causes and how they copped with the situation.
- How much information formal financial institutions have about stokvels run by foreigners. This can be another area that would need to be investigated.

5.6 CONCLUSION

This research is on par with the literature on stokvels and ROSCAs, in that it has revealed that there are characteristics that are very important for the success of stokvels. The research also has shown that besides financial and social benefits of stokvel membership that is so prevalent in the literature, many other factors such as the structure and the purpose of stokvels have played a key role in their successes.

The purpose of most stokvel is the general wellbeing of members, therefore with this understanding members were committed to that purpose, in that they make sure that they respect the rules of the group. The main purpose of stokvels is to help members grow and develop both financially and materially. In order to achieve the above, trustworthiness becomes a critical ingredient in the recruitment process of members because that trust is central to social capital theory, and has been described as the glue and lubricant that holds networks together.

The findings of this study on stokvels have demonstrated that there is a gap that can be exploited by formal financial institutions in servicing migrant population. This relationship has the potential to benefit both sides (migrant members of stokvels and formal financial institutions).

The main conclusion of this research is that there is a positive relationship between membership to stokvels and wealth accumulation as stated by all the respondents to the present study. However, many other factors, such as the level of education, the length of stay in South Africa and the marital status of participants could have an impact on wealth accumulation.

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ANNEXURE: QUESTIONNAIRE

Questionnaire

Interview number: _____

To be read to all before the beginning of the interview

My name is _____ from the Department of Development Studies at Nelson Mandela Metropolitan University, Port Elizabeth. I am conducting a study that seeks to understand and to analyze the role played by stockvel income in wealth building of migrants living in the inner city of Johannesburg.

I don't work for the government or any aid organization; this study is mainly for academic purposes. Please note that, apart from my appreciation, I don't promise any form of compensation for you participating. It is your free choice to participate in this study and you are free not to answer questions you don't feel comfortable with or to stop the interview at any time. The information that you will give me and your identity will be kept in strict confidentiality. The interview will take between 30 and 45 minutes.

Would you like to continue?

Yes _____

No _____

(Mark where applicable)

If the answer to the question above is yes, the interviewer should complete the following questions:

Questions 1-5 to be filled by the researcher

1. Date of Interview _____
2. Neighbourhood/Interview area _____
3. Start Time _____
4. Finish Time _____
5. Total Minutes spent on the interview _____

BIOGRAPHICAL DATA

Gender	Male			Female		
Age	18 - 25	25- 35	35 - 45	45- 55	55 - 65	65 - up
Housing type	House		Flat	Room	Other (specify)	
Country of origin						
Language spoken	English		French		Other (Specify)	
Length of stay in SA	1 – 5		5 – 10		10 - up	
Legal status in SA	SA ID		Passport		Other (specify)	
Marital status	Married			Single		
Residential Area						
Property ownership	Owner			Tenant		
Who do you stay with	Wife and children		Friends		Other (specify)	
Do you have any dependents? If yes how many?	Yes			No		
What is your highest level of education	Matric	Certificate	Diploma	Degree	Postgraduate	
What is the highest level of education of your spouse	Matric	Certificate	Diploma	Degree	Postgraduate	
Are you currently studying?	Yes			No		

1. Employment Detail

400. Were you working before you come to South Africa?

401. If yes, what kind of job did you have?

402. Are you currently working?

403. Have ever worked as a volunteer since you settle in Johannesburg?

404. If yes, did that job help you to get a paid employment?

405. How long did it take you to get your current job?

406. How would you define your current employment status?

407. Does your spouse work?

5 Social Network and Group Organizations

500. When you were thinking about leaving your country of origin, did you already have relatives or close friends living in Johannesburg?

501. Who were they?

502. Were you in contact with them before you left?

503. Did they encourage or help you to come to South Africa?

504. What kind of help did they give you?

505. Do you have friends that you meet here in Johannesburg?

506. Where are they from?

507. Which language do they speak?

508. If you have one, what is your religion?

509. Once you were in South Africa, who did you first make contact with?

6 Stokvels membership and wealth accumulation

600. Do you belong to any organization or clubs to which you make a financial contribution (e.g. membership fees or dues? If so, can you tell me what kind of organization?

601. Why did you join this group?

602. Who invited you?

603. What is your relationship with this person?

604. Do you have any benefit from your stokvel? If yes, in what way.

605. What do you do with your income after collection?

606. Do you think you are better off financially since you joined this group?

607. To what extent your membership to this group has contributed to your wealth?

608. Will you have been poorer than you are had you not been member of this group?

609. Do you have a bank account?

610. I am interested in knowing where you would go if you want to borrow money

611. Can you access a loan from your bank?

612. Have ever enquired about the possibility of getting a loan from your bank?

613. How much have you invested from your proceeds?

614. Did you invest here in South Africa or at home?

615. In few words can explain the word wealth and what it means to you?

616. How long do you intend to be member of this stokvel and why?

617. Can you access a loan from your stokvel?

618. If you get a loan from your stokvel, what do you do with it?

619. Do you think that your membership to this group has increased your wealth?

620. What have you acquired since joining this group?

621. Could you have afforded this if you were not member of this group? Why?

622. What are your savings patterns like are since joining this group?

623. In your opinion, what makes this stokvel successful? What are the challenges?

624. Do you trust all the members of this group?

625. How do you deal with defaulters?

626. How often do you meet?

627. How do you decide on who gets the pot?

Thank you for your time and your cooperation. If you have any further questions about this research or its results, you should feel free to ask me now.