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THE ROLE OF STOKVELS IN IMPROVING PEOPLE'S LIVES: THE CASE IN ORANGE FARM, JOHANNESBURG, SOUTH AFRICA

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Abstract

Stokvels are self-help initiatives designed to respond to the problems of poverty and income insecurity in communities. Stokvels are thus a form of informal social security. Based on a study of members of stokvels in the Orange Farm community in Johannesburg, South Africa, the article examines the role of stokvels in improving the lives of their members. The results of the study showed that stokvels enable members to meet their basic needs. Stokvels also provide opportunities for members to save and invest and ultimately to accumulate assets. The results also show that stokvels promote the empowerment of women.

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INTRODUCTION

This article, based on a study that was conducted in Orange Farm community in Johannesburg, South Africa, examines the social and economic benefits of participating in stokvels. Contemporary South Africa is characterised by extreme poverty, high levels of inequality and unemployment. This forces the poor to rely on self-help community-based initiatives as part of their survival strategies. Stokvels are amongst the key poverty-alleviation strategies which have been practised for many years by the majority of black South Africans. Worldwide, stokvels are commonly known as “rotating savings and credit associations” (ROSCAs). The term stokvel is unique to the South African context. Lukhele (1990) observes that a stokvel is an informal group savings scheme in which members voluntarily agree to contribute a fixed amount to a common pool on a regular basis. This could be on a weekly, fortnightly or monthly basis. Although stokvels are very common in South Africa, “no official recognition is given to this vital savings mechanism in official statistics, which contributes to an underestimation of the importance of these organisations both as saving institutions and as mechanisms of poverty alleviation and social advancement” (Verhoef, 2001:262). Nevertheless, despite the lack of official recognition, stokvels continue to function in post-apartheid South Africa as they provide tremendous socio-economic benefits to society.

South Africa continues to face severe poverty and high rates of inequality, with half of the country's population surviving below the poverty line (Statistics South Africa, 2014). A poverty profile survey conducted in 2008/2009 estimated that South Africa's gini coefficient was approximately 0.64 (Statistics South Africa, 2013). The majority of poor people struggle to meet their basic needs, such as food, shelter, housing, clothing and education. A major source of poverty in South Africa is unemployment. Unemployment precludes people from meeting their basic needs. It is for this reason that the government has adopted strategies to create employment. For instance, the government introduced public works as one of its employment creation strategies. However, despite these efforts, unemployment still remains high, as 24.1 per cent of the country's labour force is unemployed (Statistics South Africa, 2014). Consequently, poverty still persists and the poor are forced to engage in self-help initiatives in order to address poverty. Stokvels are an example of such self-help initiatives. South Africa also uses the provision of social grants as one of its key strategies for mitigating poverty. These grants are categorical and means-tested. Thus, not everyone is eligible for the social grants. Some of the recipients of these grants, particularly older persons, have formed informal self-help groups such as stokvels in order to supplement their incomes from the social grants (Kaseke, 2010). There was therefore a need to explore the social and economic benefits of participating in stokvels.

Poverty is a global political problem and results from particular political contexts (Alcock, 2006). Patel (2005:51) argues that “poverty is one of the greatest challenges facing Southern African countries”, with approximately 70 per cent of these populations living below the international poverty line of US\$2 per day. Carter and May (1999) postulate that although South Africa is ranked as an upper-middle-income country, many South Africans continue to live in extreme poverty. The poverty head count in South Africa is 58.6 per cent (Statistics South Africa, 2014).

The poverty and inequalities which continue to persist in South Africa today are embedded in the country’s historical context, which was characterised by racial segregation and discrimination. This resulted in disparities in the distribution of wealth in the country between the rich white minority and the poor black majority. Schulze (1997) argues that during apartheid black South Africans were inevitably excluded from and deprived of opportunities to participate meaningfully in the mainstream economy. Furthermore, many black people were very unfamiliar with formal institutions such as banking and most of those who were illiterate found the formal institutions intimidating therefore; they resorted to accumulating credit through stokvels (Schulze, 1997).

HISTORY AND TYPOLOGY OF STOKVELS

As pointed out earlier on, stokvels fall under the realm of informal social security and constitute an important form of social security. Triegaardt (2005:7) explains that “Stokvels, burial societies and other forms of communal savings are all components of the rich fabric of social security”. Stokvels are an example of mutual aid arrangements designed to provide mutual assistance to the members. The establishment of mutual aid arrangements is an attempt to respond to gaps in social protection. Those who join mutual aid schemes do so either because they are not covered by any social protection scheme, or are covered but the level of protection is not adequate (Kaseke & Olivier, 2008). Dekker and Olivier (2003) observe that unlike formal social security systems, informal social security systems are not regulated by the state. There is no agreement as to when exactly stokvels emerged, but it is generally accepted that the term “stokvel” originated from English-speaking settler farmers’ “stock fairs” of the early 19th century in Eastern Cape, South Africa (Lukhele, 1990). Irving (2005) explains that it was at these “stock fairs” that the English settlers auctioned off their cattle and it was also an occasion when black farmers and labourers, socialized, exchanged ideas and gambled whatever resources that they had to purchase livestock. Upon the discovery of gold in Johannesburg in 1886 several people, particularly men, migrated to Johannesburg. The majority of these migrants were many Cape Blacks who brought with them the concept of stokvels, particularly the burial stokvel, as there was a great need to ensure that one had a decent burial back in their rural homes (Lukhele, 1990). Around the 1930s there was an influx of rural-urban migration particularly amongst women as they arrived in the cities and towns to join their husbands who were working in the mines (Lukhele, 1990). According to Buijs (2002), the reason why many black women participated and still participate in stokvels is because most of them are poor and unemployed. Many of those who are employed in the informal economy have low incomes, hence the need to supplement their incomes through other means such as stokvels. Stokvels have become

a common female-dominated self-help initiative and these stokvels have expanded from the burial stokvels to other types.

Types of stokvels

There are different types of stokvels in South Africa as the following discussion shows. Verhoef (2001) identifies four types of stokvels, namely savings, burial, investment and high budget stokvels. Stokvels have both economic and social functions. The economic function relates to the use of stokvels to promote income security whilst the social function speaks to social capital, which manifests itself through friendships and social networks.

Savings stokvels

Savings clubs or contribution stokvels promote savings. Members contribute a fixed amount of money into a common pool and they mutually agree upon the order or cycle of receiving the pooled funds. Smallhorne (2013) observes that savings stokvels have the largest membership.

Burial stokvels

Burial stokvels provide material and non-material support to members and their families in the event of death. Burial stokvels emerged following the migration of black workers to the gold mines. The prohibitive costs of funerals, particularly transporting the body to rural areas as per African tradition or custom, forced black workers to form burial stokvels. Members make fixed contributions to cover funeral expenses. The specific benefits are defined in the constitution of the relevant stokvel and usually include purchase of a coffin and transporting the body.

Investment stokvels

The common goal of investment stokvels is to accumulate capital by investing in business ventures. Investment stokvels also promote savings through bulk purchases of goods. Such investment stokvels are also referred to as cooperative buying societies (Irving, 2005). Members of investment stokvels contribute a fixed amount of money usually on a monthly basis. The funds are saved and allowed to accumulate before investment in business ventures.

High-budget stokvels

High-budget stokvels operate as financial institutions and are established for the purpose of promoting savings and investments. By their nature, high-budget stokvels are not for the poor or persons of limited means. Members of high-budget stokvels contribute substantial amounts in keeping with their high standing in society. These substantial contributions enable members to receive large lump-sum payments which they can use to purchase household goods or meet other needs that require an outlay of considerable resources. High-budget stokvels are dominated by men and very few women are members of these schemes (Schulze, 1997). This is a reflection of the fact that women are under-represented among high-income earners.

THE AIM AND OBJECTIVES OF THE STUDY

The aim of the study was to explore the role of stokvels in improving the wellbeing of their members. The study had three specific objectives. Firstly, the study sought to establish the reasons why people participate in stokvels. Secondly, the study sought to establish how stokvels were beneficial to the membership. And finally the study sought to explore the perceptions of members of stokvels about factors that enhance the success of stokvels.

RESEARCH METHODOLOGY

A qualitative research approach was used in this study. The study was also exploratory and descriptive in nature. The study population consisted of female adults (aged 30 years and above) who were members of stokvels and living in Orange Farm in Johannesburg. A sample of eight participants was selected using the snowball sampling technique. According to Padgett (2008), snowball sampling technique is used in circumstances where the study population is unknown, forcing the researcher to rely on referrals.

A semi-structured interview schedule was used to guide the face-to-face interviews that were conducted to collect data. All interviews were tape-recorded with the participants' consent in order to obtain a fuller record of the interview. Data were analysed using the thematic content analysis and various themes that emerged were identified, organised and interpreted to establish meaning.

Results and discussion

The results of the study are discussed according to the objectives of the study.

REASONS FOR PARTICIPATION IN STOKVELS

The first objective of the study sought to establish the reasons why women participate in stokvels. The following were identified as reasons for participating in stokvels.

Unemployment

Unemployment was identified by participants as one of the reasons why they participate in stokvels. This is essentially because unemployment is a source of poverty. In the absence of adequate formal social protection, the poor are forced to rely on informal forms of social protection (Kaseke & Olivier, 2008). Thus unemployment forces women to explore alternative strategies for achieving income security. How then are unemployed women able to pay the contributions? Participants revealed that money for the contributions (particularly initial contributions) was provided by their spouses or partners, since they did not have their own sources of income. Participating in stokvels is thus one of their innovative strategies for addressing income security. Improved income security widens the choices of the poor and in particular enables them to access goods and services that ordinarily they would not be able to access.

One participant had this to say:

“Because I am unemployed, I always found it hard to have enough money to buy food since only my husband is working and gets a little income so we were

always running short of money. In December it was even worse because we could not buy enough food and could not buy my children new clothes for Christmas."

Participants also considered stokvels as initiatives for supplementing their husbands' incomes so that they could meet their household needs. One of the participants alluded to this point by saying:

"I wanted to join the stokvel because it helps me in December because I am not working. So when my husband comes with his back pay or bonus we cannot afford to buy all those things that you want because you must buy children clothes and then groceries, and in January when they go to school we must spend. Now that's why the stokvel is good for us because we use the money to buy groceries and when we get the back pay, we know that we can spend the money on the children's clothes and on the school fees."

This finding supports the argument by Buijs (2002) that women participate in stokvels because the majority of them are poor and unemployed. The women thus receive assistance from their spouses or partners to enable them to pay the required contributions. Women receiving a social grant, particularly the old age grant, are able to use part of the grant to pay their contributions.

Influence of social networks

Another factor that drives women to participate in stokvels is the influence from social networks. The majority of the participants indicated that women in their social networks influenced them to join stokvels. They indicated that they had close relationships with some of the women who were already members of stokvels and these were mainly people from their local church or their friends. Thus women from their social networks motivated them to participate in stokvels. The influence from their social networks was more intense, given that they lived in close proximity. One participant noted that:

"There were some people that I knew there. I would see them in their uniforms and then I asked where their societies were and how to join them and they told me that if I want to join them I would have to pay the joining fee."

It was apparent that the motivation to join stokvels was that some of their neighbours spoke glowingly about the benefits of being a member of a stokvel. Thus stokvel membership is drawn from people who live in the same geographical space. Theime (2003) supports this when he postulates that membership is primarily based on the personal relationships and trust which exists amongst the members.

The need for mutual support

The study revealed that the need for mutual support also motivated participants to join stokvels. This point was highlighted particularly by those who were part of the burial stokvels. One participant from a burial stokvel remarked that:

"We used to see people suffer when they experienced death at their homes, so we decided to start a group where we could save money to help each other."

Thus for this participant the need for mutual support in times of social and economic crises motivated her to join the burial stokvel. One can therefore conclude that the need for mutual support when exposed to unavoidable shocks motivated participants to join stokvels. This is in line with the argument by Mashigo and Schoeman (2010:5) that savings from stokvels cater for “unpredictable and expensive events such as illness and funerals”.

THE BENEFITS OF PARTICIPATING IN STOKVELS

The second objective of the study was to establish how stokvels were beneficial to the membership. The participants identified the following benefits.

Ability to meet basic needs

Participants revealed that participation in stokvels enabled them to meet their basic needs. Participants indicated that they were able to buy groceries and to access lump-sum cash which they can use to meet their basic needs. This was clearly articulated by one participant who boldly declared that:

“It has benefited me a lot, I do not have that headache when it comes to food, I don’t want to lie, and even now I am still eating food that I bought in December, they are still here in my place so it helps me a lot, soaps, toothpaste are still there even the washing powder I still have them so it helps me a lot.”

Participants explained that they have not experienced hunger or food insecurity ever since they joined stokvels. Another participant added:

“I benefit a lot because when the money comes I can buy something bigger like furniture and that one from the Mahodisana I used it even when my child was going to college when the round came on me I used to pay the school fees.”

These responses confirm the observation by Chikadzi and Lusenga (2013) that stokvels enable women to achieve what they would not be able to achieve on their own.

Ability to save and invest

The study revealed that membership in stokvels creates an opportunity to save. As a result, participants were able to engage in huge projects such as extending their houses. One participant who had been a member of a stokvel for a long period of time had this to say:

“Oh my savings help me a lot, because I’ve bought windows with that money, because I was budgeting it and putting it in the bank, but I decided let me do something aside, so I went and bought windows and frames with that money. I want to build, I bought those things and put aside, I bought tiling with that money I saved, because I saw that this money was supposed to buy food, but now because we are doing the stokvel it helps us to save a lot.”

Another key benefit that participants derived from participating in stokvels was the opportunity to invest in household property. One participant responded as follows:

“Yes it has benefited me; I bought curtains for my house, a new pot, a slow cooker.”

Another participant explained that:

“There is an amount that we collect and we decide on what we want to buy that month. For example, people can contribute say a 100 rands and then if the total amount buys three pots, we will buy the three pots; then in the following month we will buy more until every member has her own.”

Participants were thus able to accumulate assets. Although these were modest investments, participants pointed out that they were looking at investing in bigger projects such as buying land. This is in line with the finding by Chikadzi and Lusenga (2013) that participation in stokvels enables women to break the cycle of poverty.

Easy access to credit and mini-loans

Access to credit and mini-loans was another key benefit that participants derived from participating in stokvels. Stokvels charged interest to borrowers and this helps to augment the savings. When the contributions and the interest charges are pooled together, they enable the stokvel to have a considerable amount of money which can be lent at reasonable interest rates to both members and non-members of the stokvel. One participant remarked that:

“It operates very well, because when we contribute R200 every month, we borrow and then other people come and borrow from us and then they bring it with 30% interest.”

This shows that many stokvels operate as credit associations where people can borrow money at affordable interest rates. This enables members to meet their basic needs and thereby improve the quality of life.

Women empowerment

The participants viewed their involvement in stokvels as contributing towards the empowerment of women. They viewed the role of stokvels in promoting savings as being instrumental to the empowerment of women. The participants explained that they depended on their husbands or spouses for the initial contributions, but their participation in the stokvels had empowered them to the extent that they had broken away from this culture of dependence on men. As one participant put it:

“You must stand up for yourself and save money every month.”

Another participant supported this by saying:

“I see more benefits, because you will gain knowledge and you will know how to save money.”

The sense of empowerment was manifested through their confidence and capabilities as women who significantly contribute to the wellbeing of their families and through their ability to take up the caring role without having to depend heavily on their husbands or spouses. This is consistent with the point made by Mashigo and Schoeman (2010) that

stokvels contribute to social empowerment, as they promote income generation, responsible behaviour and economic independence.

Moral support/mutual assistance

The study revealed that moral support and/or mutual assistance were important benefits that the participants derived from stokvels. The participants pointed out that members of stokvels were there for each other and were supportive of one another when faced with hardships such as the death of a loved one. The moral support during bereavement was not confined to burial stokvels, but this was also the case with the other types of stokvels. Participants indicated that they had received support from their fellow members and this support is also evident when members host other events such as parties. Thus there is mutual assistance amongst stokvel members. One participant explained:

“So if someone dies we phone our members and inform them about the death and then if, for example, it’s a member’s mother, we have to go on Friday, but if it’s one of the family members, we go early Saturday morning so that we can cook for the people who would have come to attend the funeral.”

Another participant added:

“So now we started something so if someone passes on we come together and help each other; each one of us has two pots, big pots and a big basin dish, table, chairs, everything we have it, gas stoves, we have all that. So if, for example, my child passes on they would come with those things, prepare everything, cook and dish out for the people who would have come to the funeral.”

Stokvels therefore, embody the notion of *ubuntu*, which engenders a sense of togetherness (Verhoef, 2001).

Creation of social capital

The development of social capital is one of the benefits of participating in a stokvel. As members participate in stokvels, they establish social networks and friendships, which provide a forum for discussing their personal lives and other issues and thus learn from each other’s experiences. One participant remarked that:

“We also talk about our problems together and we have fun, so we are always happy together when we meet.”

The participants indicated that some stokvels provide refreshments after meetings and this provides an opportunity for members to engage in various conversations. One of the participants elaborated as follows:

“When we finish discussing, we have cold drinks, we do jokes like women when we are together, you see, and if there is something that we want to start, we share the ideas; for example, we also want to start a cooperative and we are still looking for information on how to do it.”

Friendships are established or strengthened from these conversations and younger members are able to acquire wisdom from the older members. It is therefore through this networking that they establish other innovative ideas to improve the quality of their lives. This finding reinforces Irving's (2005) argument that one's humanity is realised through relationships with other people.

FACTORS THAT ENHANCE THE SUCCESS OF STOKVELS

The third objective of the study was to explore the perceptions of members of stokvels about factors that enhance the success of stokvels. The participants identified the following factors.

Trust and honesty

Trust and honesty were identified as being amongst the key factors that enhance the success of stokvels. The participants argued that their stokvels had survived and were successful because of mutual trust and honesty. They pointed out that they only lend money to non-members whom they know and trust. One participant explained:

“Outside we borrow people we trust, not everyone, only people we trust and know, because you can't just give people money, yet you do not even know where they live.”

Within the stokvel trustworthiness amongst the members themselves was vital, as one participant explained:

“The thing that has kept us to survive is honesty and understanding each other. If you are honest and sit down and talk, everything will be alright.”

Similarly another participant noted that:

“There is no cheating, there are no tsotsis, and people in our stokvel are very honest.”

In this vein, abuse of funds by dishonest management and fellow members were found to be the barriers to the success of the stokvels. Thus, lack of trust and dishonesty hindered the success and optimal functioning of stokvels. Some members even dropped out and joined other stokvels as a result of mistrust within the stokvel. This was captured in the following response from one of the participants:

“In stokvels, each and every month we contribute a fixed amount and in December we take the whole money and we buy groceries which will fit our families. But that money which each person contributed and the groceries did not match; there was no balance as the groceries were less than the amount that we had contributed from January to December, so we decided to quit.”

Harmonious relationships

The study revealed that participants found teamwork, a sense of belonging and collective responsibility critical to ensure that borrowers repay their loans in a timely fashion and also to ensure the safety of their contributions. One of the participants said:

“It’s because we understand each other and normally when we borrow we always bring back the money on time. So we understand each other and we always make sure that we work together and not fight.”

This was reinforced by another participant:

“We are women; we must stick together even if sometimes when we talk, some might not like what you say. But we know how to sit down, talk and rectify any problems.”

Harmonious relationships were therefore seen as enhancing the success of stokvels.

Constitution for the stokvel

The participants felt that having a constitution for the stokvel was critical for the success of the stokvel. The participants indicated that their constitution is endorsed by the police and that when outside borrowers refuse to bring back the money, they invite the police to intervene. One participant explained:

“We are the ones who write down the Constitution, take it to the police and ask them to sign it and stamp it.”

Another participant elaborated as follows:

“When you refuse to pay, we come to your house; we write down how you agree to pay us, then you will sign and we will take it to the police who will put a stamp on the agreement. If you fail to pay, then we will come and get something from your house like a fridge or anything, and we will sell it to get our money back and the police will know about this.”

Non-repayment of loans undermines the viability of stokvels. The involvement of the police in enforcing the constitution of the stokvel therefore puts pressure on borrowers to repay their loans and ultimately this enhances the success of the stokvels. A stokvel’s constitution provides a buffer against practices that undermine the viability or success of the stokvel. Thus the constitution of a stokvel provides checks and balances, and this also makes it easier for the police to intervene in case of infringements.

CONCLUSION

The study revealed that stokvels draw their membership largely from unemployed women or low-income earners. In view of this, stokvels are an important source of income security for persons of limited means. Some of the participants used stokvels to supplement the incomes of their spouses. The study revealed that stokvels enable the participants to meet their basic needs, including enhancing their capacity to provide care to their households. In the process, stokvels empowered the participants to the extent that there were no longer dependent on their spouses. One can therefore conclude that stokvels play an important role in improving the lives of their members and their families.

It is apparent from the study that stokvels represent a self-help approach to social security. The rationale for stokvels is that they extend social protection to persons who

either fall through the cracks of the country's social security system, or who are not adequately protected by the social security system. The strength of using stokvels as a strategy of social protection is that they enable the participants to save and invest, and thereby enable them to accumulate assets.

In view of the country's high unemployment rate, gaps in the coverage of social assistance and inadequate social assistance benefits, it is recommended that social workers should encourage communities to participate in stokvels in order to promote income security. This would complement the other efforts of the state in reducing poverty. Secondly, participation in stokvels could be promoted as one of the exit strategies for the recipients of social grants, particularly recipients of the child support grant. This would enable the recipients to accumulate assets and make the leap out of poverty.

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