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

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College of Law and Management Studies**

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DECLARATION

I hereby declare that this thesis is a product of my own personal research work. All materials, sources and data used during the course of the study have been duly acknowledged by of citation of references and bibliography.

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DEDICATION

This thesis is dedicated to my late father Mr. Cyril Mzwamadoda Bophela who would be so proud of this additional achievement. *Lala ngokuthula Mazinga, Bhadama, DlokolweNdlovu!*

To my lovely wife Sane – this work is symbol of your love, commitment and belief in my abilities. Thank you for being patient with me throughout all the challenges I faced until this work was completed. The aim of this thesis is to pose a life challenge to my children Sisanda, Khanyisa and Nkanyiso to always strive to be the best. May you also never forget to pray our family prayer through it all;

*“Yelula amaphiko, ulonde umtan’ akho, Jesu Nkosi yami,
isitha nxa sithini, izingelosi zithi: ingalimali lengane. Amen”.*

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ABSTRACT

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

There was dearth in the consulted literature on the role of *stokvels* and a model for integrating *stokvels* into the economic policy framework of a municipality. The objectives of the study were to; determine the economic contribution factors of *stokvels*, investigate their role in the economic policy framework, explore the views of the *stokvel* groups and those of Municipality Council (as policy-makers) on the role of *stokvels* in the economic policy framework, and lastly, to develop a model for integrating *stokvels* into the economic framework of the municipality.

The study used a mixed methods design. 395 *stokvel* groups' respondents for the quantitative research were selected for a simple random probability sampling method. For qualitative research, six policy-makers members were selected for the purposive non-probability sampling method.

The triangulated thematic findings of the study revealed converging recurring themes of *stokvels* in eThekweni as; money saving and investment, job creation, business opportunities, marginalisation, an unorganised *stokvel* industry, lack of inclusion in the policy framework and a municipality lacking development and training initiatives for *stokvels*. Findings also revealed a market value of *stokvel* industry of eThekweni of R3,2 billion per annum. The findings also revealed that 82.5% of *stokvel* group members were women thus presenting an opportunity for the municipality to empower women through *stokvels*. Findings revealed that 80.4% of *stokvels* in the municipality are not registered with NASASA despite the gazetted exemption notice by SARB authorising *stokvels* to practice their trade under the *Banking Act 94 of 1990*. Existing theory from Maslow's hierarchy of needs layered with the

Hayes and Wheelwright's four-stage model were theoretically triangulated to develop a new model for the integration of *stokvels* into the economic framework of eThekweni Municipality. The study recommended that the policy-makers of eThekweni adopt the integration of *stokvels* into the economic policy framework of the municipality, and recommended a development model for *stokvels*. Combined these model would use as enablers to tailor-make the training and development programs for *stokvels* and increase access for *stokvels* to municipality support services to promote their development and alignment with private sector; for the economic transformation, development and growth of the municipality.

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

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GLOSSARY

AA	Affirmative Action
ANC	African National Congress
ASGISA	Accelerated Shared Growth Initiative of South Africa
ATM	Automated Teller Machine
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
CSI	Corporate Social Investment
EFT	Electronic Funds Transfer
EMIEF	eThekweni Municipality Informal Economy Forum
EPWP	Expanded Public Works Programme
ETA	eThekweni Transport Authority
FICA	Financial Intelligence Centre Act
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution plan
GVA	Gross Value Added - is a measure of net economic output of an area
ICT	Information and Communications Technology
IDP	Integrated Development Plan
ILO	International Labour Organisation
IMF	International Monetary Fund
IPP	Independent Power Producer
KZN	Province of KwaZulu-Natal in South Africa
LED	Local Economic Development
LSM	Living Standards Measure
MILE	EThekweni Municipality Institute of Learning
NASASA	National Stokvel Association of South Africa

NCOP	National Council of Provinces
NDP	National Development Plan
NGOs	Non-governmental Organisations
NGP	New Growth Plan
NIBUS	National Information Business Upliftment Strategy
NMBM	Nelson Mandela Bay Municipality
OECD	Organisation of Economic Co-operation & Development
QE	Quantitative Easing
QLFS	Quarterly Labour Force Survey
RDP	Reconstruction and Development Plan
ROI	Return-on-Investment
RoSCAs	Rotating Savings and Credit Associations
SA	Republic of South Africa
SADC	South African Development Community
SALGA	South African Local Government Association
SANIEF	South African National Informal Economy Forum
SARB	South African Reserve Bank
SDF	Spatial Development Framework
SFA	Strategic Focus Area
SME	Small and Medium Enterprise
SMME	Small Medium and Micro Enterprises
SOE	State Owned Enterprise
SONA	State of the Nation Address
STATSSA	Statistics South Africa
UK	United Kingdom
USD	United States Dollar (currency of the United State of America)
ZAR	South African Rand (currency of South Africa)

DEFINITION OF TERMS

Brexit

Brexit is a term used for the United Kingdom's withdrawal from the European Union (EU). At the UK referendum of 23 June 2016, the people of UK voted in favour of that country leaving the EU by a majority of 51,9%.

Census

There is a ten (10) year gap between each Census survey in SA, held under the auspices of *StatsSA*. The last survey was conducted in 2011 with the next one due in 2021. Each census is conducted on the tenth day of a tenth month after every ten years in SA. In between the censuses, other surveys are conducted, for example:

- Community Surveys (CS) are conducted in between the Census surveys, with the last one conducted in 2016; and
- eThekweni Transport Authority (ETA) of 2014 commissioned by eThekweni Demographic Projections and other different types of quarterly reviews commissioned by *StatsSA*.

Economic Transformation

Economic transformation is an economic policy of government designed to achieve an economy inclusive of, amongst others, the informal sector and the marginalised in order to alleviate unemployment, poverty and inequality. It is about broadening the equitable ownership of the economy and raising the standard of living. A country needs to have in place sound and stable macro-economics for economic transformation to be successfully implemented.

Emerging economies

This is the name given by international investors to middle-income economies.

Food Poverty Line

Food Poverty Line is defined as the inability to purchase sufficient food to sustain oneself.

Gross domestic product (GDP)

This is a measure of the total national output, income and expenditure in the economy.

Informal Economy

The informal economy is the sector of the economy that is made up of unregistered businesses and people who operate outside of the formal domain as opposed to the formal economy which is made up of formally registered businesses and/or people who work for a regular wage, have employment contracts, and enjoy the protection of labour legislation.

Municipality

A Municipality is a unit of government responsible wards/towns/cities and suburbs in a geographically demarcated area. It consists of a Municipal Council, whose executive committee is chaired by the Mayor – all of whom are politically elected representatives. The composition of the Municipality also include administration officials.

National Development Plan

A planning framework prepared by the National Planning Commission that aims to reduce poverty and inequality by 2030.

National *Stokvel* Association of South Africa (NASASA)

NASASA is a self-regulatory body with a mandate to formally register and develop all the *stokvel* organisations in SA. This mandate is an exemption granted by the South African Reserve Bank (SARB) for *stokvels*, through NASASA, to practice their trade under the *Banking Act 94 of 1990*.

OECD

The Organisation for Economic Co-operation and Development (OECD) is a group of thirty five (35) industrialised member countries that discuss and develop economic and social policy. *OECD* members are democratic countries that support free market economies. South Africa is not a member.

Quantitative Easing

A measure used by central banks to stimulate economic growth when interest rates are near zero by increasing money supply. It is also called monetary easing.

Rotating Credit and Savings Associations (RoCSAs)

The name ‘rotating credit and savings associations’ is a term used worldwide indicating a group of people who are bound together by a common vision of saving money towards a common objective.

RoCSAs members meet weekly or monthly to pool funds for redistribution or disbursement in equal shares after a period of twelve months.

South African Local Government Association (SALGA)

This “is an autonomous association of municipalities with its mandate derived from the *South African Constitution of 1996*. This mandate defines *SALGA* as the voice and sole representative of local government. *SALGA* interfaces with parliament, the National Council of Provinces (NCOP), cabinet, as well as provincial legislatures. *SALGA* is a unitary body with a membership of 278 municipalities in SA, with a national office in Pretoria and offices in all provinces” (David *et al.*, 2013).

The Southern African Development Community (SADC)

SADC was established in 1992 with strong political commitments to integration. SADC initially prioritised trade and after long negotiations a free trade area was completed in 2008 with tariffs eliminated on 85% of traded goods among 13 of the 15 member countries.

Stokvels

Stokvels is a RoSCAs term unique to South Africa. *Stokvels* refers to a group of people who are bound together by a common vision of saving money towards a common objective. A *stokvel's* group members meet weekly or monthly to pool these funds for redistribution or disbursement in proportionate shares after a period of twelve months. For the purposes of this study the terms *stokvels*, *stokvel* groups or organisations shall be used interchangeably.

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CHAPTER ONE

OVERVIEW OF THE RESEARCH STUDY

1.1 INTRODUCTION

The informal economy of South Africa (SA) is valued at R160 billion and it comprises of a R49 billion *stokvels* industry amongst other sectors. The marginalisation and exclusion of the role of *stokvels* is undesirable in the economic transformation of municipalities in SA, as they are a means of addressing challenges of poverty, unemployment and income insecurity. On the 08 May 2018, when he appeared before parliaments' national assembly; the President of the Republic of SA Mr Cyril Ramaphosa expressed the need for more banks; including a 'State Owned Bank', in the South African economy and a *Stokvel* Bank was top of the list. The aim of this study was to, therefore, explore the role of *stokvels* in the economic transformation of the municipality of eThekweni and develop a model for *stokvels* to be integrated into the economic policy framework of the municipality. Notwithstanding the different types of *stokvels* that can be found in SA as indicated by authors in the consulted literature, this study takes an umbrella approach towards this industry within the informal economy regardless of their type.

It was anticipated that the data collection stages of the research, the study will reveal the type of *stokvels* that exist in eThekweni Municipality. *Stokvels*, in a broad sense, may be expected to both lead to and to follow from effective and efficient economic transformation. However, it is less clear how important specific types of *stokvels* are the means, agents and catalysts for economic transformation in the municipalities across SA. A scientific approach to measure *stokvels* and to determine whether or not and how their role impacts positively (or otherwise) on the economic transformation of municipalities is also not well covered in the scholarship body of literature.

This chapter covers the background of the study, the research problem, the aim of the study, the research objectives and questions of the study, the significance and contributions of the study to the body of literature, the research methodology, the scope of the study, the limitations of the study, the structure of the study and finally a concluding summary of the chapter.

1.2 BACKGROUND OF THE STUDY

SA is battling two systemic problems, low economic growth rate (or GDP) of less than 2% and the high and rising unemployment rate cited at 26.7% as at the fourth of quarter of 2017 by Statistics South Africa. It is for these reasons amongst many others, that SA's 2013 social and economic blueprint, the National Development Plan (NDP) policy, was adopted as a roadmap for a future economic and socio-economic development strategy. The NDP was formulated as "a policy for eliminating poverty and reducing inequality in SA by 2030" (ILO, 2016:8). Previously, this government focused mainly on small medium and micro-enterprise (SMME) development, Broad Based Black Economic Empowerment (BBBEE) initiatives, Affirmative Action (AA) and other initiatives as the most viable means by which most of the black majority who were previously marginalised and excluded from economic activity can participate meaningfully (Neves & du Toit, 2012). In the midst of all these activities by the post-apartheid SA government to redress the injustices of the Apartheid regime including economic exclusion, the 19th century old practice of *stokvels* continues to increase in trend among, mostly blacks South Africans, who often come together to form these rotating saving and credit associations (RoSCAs) commonly known as *stokvels* in the South African municipalities, cities, townships and villages (African Response Research, 2012; Mashingo & Schoeman, 2012; Maluku & Kaseke, 2014).

According to the census conducted by Statistics South Africa (*StatsSA*) in 2011 as cited in the Integrated Development Plan (*IDP*) 2016/2017 "eThekweni Municipality is the largest port and city on the east coast of Africa in the Province of KZN with a population of 3,5 million people. eThekweni Municipality had a population growth rate of 1.08% between 2001 to 2011" (*eThekweni Municipality*, 2016:31). Though eThekweni Municipality is a third (3,5 million people) of the total population of the province of KwaZulu-Natal (KZN), boasting 60% of the economic activity in the province. In 2011 "eThekweni Municipality had a Gross Value Added (GVA) of R182.2 billion with an average GVA growth rate of 3.5%. In 2009 eThekweni Municipality contributed a total of 9% to the national GVA of SA only ranking third after Johannesburg (14%) and Cape Town (11%)" (David *et al.*, 2013:67). In 2011 eThekweni Municipality "had an unemployment rate of 20.4% and 31.3% of its population lived in poverty" (David *et al.*, 2013:69).

With this economic background of the municipality of eThekweni it should be borne in mind that “today, the informal economy is a field of study in its own right, drawing an increasing number of authors from multiple disciplines ranging from economics, anthropology, and industrial relations to gender studies, political science, sociology, and urban planning. Recent scholarship on informality focuses variously on the size and composition of the informal economy, what drives or causes informality, what the consequences of informality are in terms of welfare or productivity, and what linkages exist between informality and formality, growth, poverty and inequality. This resurgence of interest in the informal economy has generated significant rethinking of the concept and improvements in official measurement of the phenomenon” (Chen, 2012:4).

This study came about after noting that, in both the South African Local Government Association’s (2012) guidelines and the *IDP (2016/2017)* of eThekweni Municipality, the *stokvel* organisations were not cited as an entity in the informal economy, neither are they quoted anywhere in the mainstream official economic data and statistics figures. In the late 1990’s the South African Presidency recognised “stokvels as a critical component for a cohesive society” and a safety net provided by civil participation, based on their ability to provide for both financial and social capital yet they remain marginalised (*African Response Research, 2012:4*). This unfortunate exclusion and marginalisation of *stokvel* organisations is further corroborated by authors Maluku & Kaseke (2014:504) who point out that “although stokvels are very common in SA, 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. Nevertheless, despite the lack of official recognition, stokvels continue to function in post-apartheid SA as they provide tremendous socio-economic benefits to society”. *Stokvel* organisations provide a number of economic benefits through which they contribute towards societal development. Vermaak (2000) cited in *African Response Research (2012:4)* lists these as “... employment creation, support for micro-entrepreneurs and enabling beneficiaries in a variety of ways e.g. funding education, provision of homes and so forth”.

This study was therefore, premised on the fact that the current South African government inherited an ailing economy from the pre-1994 Apartheid government, which they needed to reconstruct to cater for the new democracy. Amongst the priorities are:

- Transformation of the economy inclusive of the informal economy;
- Gross domestic product (GDP) growth of 5% or more;
- Orientation towards creation of employment; and
- A focus on poverty alleviation and the reduction of inequality (*National Planning Commission South Africa, 2013*).

Economic growth through economic transformation aims to bring about an inclusive economy for the majority of the impoverished communities in SA as per the South African Local Governments Association's *SALGA (2012)* blue-print of guidelines for local governments. This blue-print was adopted as a guideline for municipalities to develop an approach towards an economy inclusive of the informal economy (*SALGA, 2012*; David, Ulrich, Zelezeck & Majoe, 2013). Different levels of government (national, local, municipal and city council) have a growing recognition of the informal economy's ability to reduce poverty, unemployment and meet livelihood needs of communities. However, only a few of local governments and municipalities like eThekweni have thus far documented and "implemented specific policies aimed at creating an enabling environment for the informal economy so far" (David *et al.*, 2013:4).

It was therefore a most welcome initiative in 2012 for *SALGA* to develop a blueprint of guidelines for an economy inclusive of the informal economy. A further encouraging sign was evidenced when the eThekweni Municipality reported in the annual *IDP (2016/2017)* the initiatives and projects of the municipality inclusive of the informal economy. In SA, the informal economy inclusive of *stokvels* has the potential to be the key driver of employment and as such it plays a major role in addressing poverty, inequality and inclusive growth yet the informal economy; in particular the *stokvels* are being marginalised (*African Response Research, 2012*).

Around the world, *stokvels* are commonly known as RoSCAs, with the term ‘*stokvel*’ being unique to SA. A number of authors like Maluku & Kaseke (2014) extol the attributes of the informal economy, inclusive of RoSCAs like *stokvels* for their ability to create employment, saving cash and building social capital. Despite these attributes it has also been noted that the body of scholarly literature worldwide has not, as yet, ventured into developing a model for *stokvels* to be integrated into the economic policy framework of municipalities including eThekweni Municipality. The history of *stokvels* in SA dates back as far as the early 19th century, emanating from ‘stock fairs’ practice whereby the English settlers held rotating livestock auctions in the Eastern Cape (Calvin & Coetzee, 2010; *African Response Research*, 2012). Stock fairs used to be a vibrant meeting place for networking, entertainment, and gambling. These stock fairs later spilled over into black communities and thereafter evolved into burial societies with the increase in mortality rates of mine migrant workers. Added to that was the financial exclusion by banks of a majority of South Africans from the black indigenous population during the Apartheid era. This exclusion of blacks prompted the concept of burial societies and the existence of informal savings clubs, with members sharing in the profits (Calvin & Coetzee, 2010).

“The evolution, growth and transformation of *stokvels* post the stock fair era has been associated with the basic human needs for survival to mobilize financial resources” (*African Response Research*, 2012:2). The ability to mobilise financial resources has enabled *stokvel* members to have insurance against unforeseen and unplanned eventualities such as sudden death in the family, providing financial support, extending credit and granting loans to fund various other household needs (*African Response Research*, 2012). These facilities are agreed upon collectively at the initial stages of creating a *stokvel* and are made available to members under strict rules and conditions, for example loans to needy members, education for children and other physiological needs such as housing, grocery shopping and business endeavours (*African Response Research*, 2012; Arko-achemfuor, 2012; Chatterjee, Fan, Jacobs & Haas, 2017).

According to Maluku & Kaseke (2014) *stokvels* are an informal self-help union of people with a common goal of pooling funds together on a weekly or monthly basis to address a common need due to poverty, unemployment and income security. Arko-achemfuor (2012:129) points out that *stokvels* remain a section

of the informal economy “through which millions of rands are transacted in the informal markets and are the biggest generator of informal funds in SA”. The research by *African Response Research (2012)* indicates that four provinces in SA dominate the *stokvel* landscape namely; Gauteng (24%), Limpopo (20%), KwaZulu-Natal (14%) and North West (11%). Combined these provinces account for 70% of all *stokvel* groups and 69% of all the *stokvel* population in SA. Provinces with the lowest number of *stokvel* groups in SA include Western Cape with 6%, Mpumalanga at 7%, Eastern Cape at 8% and Free State at 8%. The research results from *African Response Research (2012)* further reveal that the urban/rural split of *stokvel* groups within some provinces for an example Gauteng, KwaZulu-Natal (KZN) are predominantly concentrated in urban areas with at least 88% or above of individuals belonging to *stokvels* located in those areas. It is well documented by some scholars Arko-achemfuor (2012); le Roux (2012); Mashingo & Schoeman (2012); Fourie (2013) and experts in finance *Old Mutual (2011)* that the contributions from the *stokvels* run into billions of rands. The research by *African Response Research (2012:6)* revealed that:

- “There are eight (8) types of *stokvel* organisations in SA;
- With a membership of approximately 11 400 400 registered individuals;
- Belonging to 811 830 *stokvels*; and
- Collectively saving R44 billion a year”.

The most popular *stokvel* types in SA are; savings *stokvels*, burial *stokvels*, investment *stokvels*, grocery *stokvels*, high-budget *stokvels*, birthday-party *stokvels*, lobola *stokvels* and others (*African Response Research, 2012*; Maluku & Kaseke, 2014). The motivational needs of *stokvel* members and the type of *stokvel* they belong, have an alignment with Maslow’s hierarchy of needs theory of motivation of individuals developed in 1943 and the construct of the Hayes & Wheelwright four-stage model for owner-manager businesses in a development continuum – respectively.

The steady growth in both size and value of *stokvels* over the years from 680 000 member (valued at R684 million p.a.) in 1989, to a 10,5 million membership (valued at R12 billion p.a.) in 2003, to 12 million members (valued at R38, 6 billion p.a.) in 2005 and by 2011 they boasted 11,5 million members (at R49 billion p.a.) has necessitated the South African Reserve Bank (SARB) to gazette, in 2012, an exemption notice authorising NASASA (a self-regulatory organisation for *stokvels*) to register *stokvels* thereby

exempting them from practicing their trade under the *Banking Act 94 of 1990*. This followed the *Presidential Growth and Development Summit* of July 2003 (*National Treasury, 2010a*). This Summit spurred the formal sector in SA into action with the banks competing to bank the country's fast-growing *stokvel* industry thereby meeting the growing financial needs of the poor and unbanked (Ndweni, 2015). It is this growth that raises interest and questions about; what is it that motivates communities to form *stokvels* yet the post 1994 economy in SA has become more open.

According to Arko-achemfuor (2012:130) the “financing of poor rural women in the informal sector through microfinance has been a huge success in Bangladesh”. In 1976 Professor Muhammad Yunus at the University of Chittagon started an initiative for “granting of \$30 loan to poor women who could not access credit extension facilities from financial institutions like banks. The initiative led to the establishment of the Grameen Bank that has pulled millions of poor rural women out of poverty” (Arko-achemfuor, 2012:130). These women own shares in the Bank, which now has a cell phone subsidiary. In Ghana, to quote another example, a RoSCAs system that operates in that country is called the *susu* - through which people from all walks of life including civil and public servants, house wives and Small Medium and Micro Enterprises (SMME) operators save money. The “savings and micro credit that most rural women in *susu* clubs and credit union members get are invested in micro enterprises activities such as brewing pito, buying and processing Shea butter, preparing cooked food for selling and petty trading” (Arko-achemfuor (2012:130). Alabi (2007) cited in Arko-achemfuor (2012) alluded to the fact that the practice of the *susu* system has been in existence in the West African sub-region for over 300 years.

It is encouraging to note that the SARB (through National Treasury), banking and retail sectors in SA, have come to recognise the role and impact of the *stokvels* industry. However, national government and local municipalities including eThekweni Municipality have marginalised *stokvels* despite the developed blue-print guidelines and integrated development plans for an economy inclusive of the informal economy. Even the guidelines, do not recognise *stokvels*, yet they were set up as an attempt to redress the marginalisation of the informal economy inclusive of *stokvels* (*African Response Research, 2012*; David et

al., 2013; Rakabe, 2013). Some authors like Rakabe (2013) and the survey by *African Response Research (2012)* attribute the marginalisation of *stokvels* and the informal economy due to “government’s overemphasis on the oligopolistic mainstream economy as the main source of job creation which tends to overlook the unexplored growth and employment potential of the informal economy inclusive of *stokvels*; yet these are important platforms from which to develop enterprises, create employment and enable empowerment and inclusive growth” (Rakabe, 2013:2).

1.3 THE RESEARCH PROBLEM

In 2012, the informal economy in SA was estimated to be around R160 billion of which *stokvel* industry (being a sector thereof) has a market value of R49 billion and a membership of 11,5 million individuals, in a country with a populace of 55 million. However, *stokvels* remain a hidden aspect of the South African economy (*African Response Research, 2012*). Research scholars, organisations and institutions cite the steady growth in both size and value of *stokvels* over the years from 680 000 members (valued at R684 million p.a.) in 1989, to a 11,5 million membership by 2011 (valued at R49 billion p.a.); yet there is limited theory on the role of *stokvels* and the need to improve the condition of *stokvels*’ role in the economic development of the municipalities. On the basis of this statistics and the growth of the *stokvel* market; the South African Reserve Bank (SARB), in 2012, gazetted an exemption notice for *stokvels* to practice their trade under the *Banking Act 94 of 1990 (National Treasury, 2010a)*. The President of SA pronounced in parliament on 08 May 2018, agitating for a need for more banks in the South African economy in order to grow and transform the economy; citing as an example a need for a *Stokvel Bank*, *Agri-Bank* and a ‘state owned bank’.

Set out within the *IDP (2016/2017)* is the *Durban’s Informal Economic Policy* adopted in 2001; which were the main official source documents for the study, that spelt out the role of the informal economy in eThekweni Municipality. It was observed, however, that both the *IDP (2016/2017)* and the *Durban’s Informal Economic Policy* excluded the role of *stokvels* in the economic transformation of eThekweni Municipality, this despite the well documented attributes of *stokvels* of job creation, ardent disciplined

savings culture and social capital. In the *Durban's Informal Economic Policy*, the word 'stokvels' is mentioned once - under clause 7.2.12. The clause introduces *stokvels* as an alternative innovative solution for SMMEs to access financial support in eThekweni Municipality. The absence (by omission or otherwise) of the role of *stokvels*, marginalisation and lack of recognition thereof, in the official economic plans and policies of the municipality was therefore the problem that this study sought to explore. This absence could exacerbate the marginalisation of *stokvels* to the periphery of the economy of eThekweni Municipality and could further translate to minimal economic policy support for this industry from the municipality, provincial and national government – hampering economic transformation and development in the process.

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

1.4 THE AIM OF THE STUDY

The aim of this study was to explore the role of *stokvels* in the economic transformation of eThekweni Municipality. The municipality's *IDP (2015/2016)* document and local economic development plans are commendable in recognising the informal economy that was long marginalised. However, the eThekweni Municipality's *IDP (2016/2017)*, *Durban's Informal Economic Policy* of 2001 as well as *SALGA's (2012)* documents recognise mostly the street-traders and to a lesser degree other sectors within the informal economy with the exception and exclusion of the *stokvel* industry. Further to exploring the role of *stokvels* in the economic transformation of eThekweni Municipality the study will undertake to develop a model for *stokvels* to be integrated into the economic policy framework of the municipality.

1.5 THE OBJECTIVES OF THE STUDY

Based on the aim of the study, the specific research objectives were:

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

1.6 THE RESEARCH QUESTIONS

In this section the researcher constructed the list of research questions to be answered during the study.

These questions were in alignment with research objectives of the study:

- How do the economic factors of *stokvels* contribute to the economy of eThekweni Municipality?
- What is the role of *stokvels* in the current economic policy framework of eThekweni Municipality?

- What are the views of the *stokvel* groups and those of the Municipality Council (MC) of eThekweni regarding the role of *stokvels* in the economic framework of eThekweni Municipality; and
- How will this study develop a model for *stokvels* to be integrated into the economic framework of eThekweni Municipality?

1.7 THE SIGNIFICANCE AND CONTRIBUTIONS OF THE STUDY

The significances and contributions of the study are that; the thematic findings revealed the economic contributing factors of this three billion rand (R3 billion) *stokvel* industry in the economy of eThekweni Municipality, as being: money saving and investments, job creation, business opportunities, marginalisation of *stokvels*, unorganised *stokvel* industry, exclusion of *stokvels* from economic policy framework, lack of training and development for *stokvels* and indirect initiatives for *stokvels* in the municipality. Invariably these factors form the basic building blocks of economic transformation and it is for this reason that the Municipal Council as a policy-making body should fast-track the inclusion of *stokvels* into the *Economic Policy Framework* of eThekweni Municipality.

The study revealed that 82.5 per cent of *stokvel* group members were women. The Municipal Council could take advantage of this to promote women's emancipation in business through the development of women in *stokvels* thus propelling women to be astute money savers and investors, job inventors and business creators. The findings also highlighted the gaps in the lack of inclusion of *stokvels* in the policy framework of eThekweni Municipality.

Another significant contribution to the body of knowledge by this study are the findings that; the membership attracted by a specific *stokvel* typology is motivated by an unfulfilled deficiency in the hierarchy of needs and the *stokvel* group types are owner-manager entities that exhibit characteristics of small businesses in the development continuum. The application of a theoretical triangulation technique validated these findings. The theories of Maslow's hierarchy of needs and the Hayes & Wheelwright four-stage model were layered and a resultant new model for *stokvel* integration into the economic policy

framework of eThekweni Municipality was revealed. The developed *stokvel* integration model facilitated the study to recommend a ‘*stokvel* development model’ construct.

The developed models once integrated into the *Economic Policy Framework* should assist the Municipality to design programmes, initiatives and forums for the entire *stokvel* industry. The new models could also be an enabler for the Municipality to build linkage platforms between formal businesses (publically listed on the stock exchange and privately held) and *stokvels*. The developed and recommended models of this study, could be used as an enabling tool in speeding up economic transformation in the eThekweni Municipality.

This study therefore has an added value for the municipality and the eThekweni Municipality Institute of Learning’s (MILE) objectives in the following manner:

- As eThekweni Municipality’s MILE is a platform for innovating, learning and sharing with other municipalities, associations and networks, both locally and internationally, the findings, recommendations and the development of a model for *stokvels* to be integrated into the policy framework of eThekweni from this study will be a shared learning exercise that could contribute to the economic transformation of the economy of municipalities worldwide; and
- In eThekweni Municipality’s endeavour to provide a municipal technical support service to other municipalities in an empowering and innovative manner this study will equip eThekweni and the other 297 peer municipalities affiliated with *SALGA* by harnessing the economic contributing factors of *stokvels* in the development of policy frameworks for the economic transformation of these municipalities. This study will assist *SALGA* and the municipalities to amend the current blueprint guidelines and policy frameworks respectively, to include *stokvels* in their respective inclusive economy strategies.

Further to that the study will:

- Fill the existing gap in the body of knowledge and scholarly literature on the role of *stokvels* in the economic transformation of eThekweni Municipality and other municipalities since there is nothing currently available both nationally and internationally in this regard;

- Fill the gap that existed prior to the study where no literature existed with a model for the integration of *stokvels* or RoSCAs into the economic framework of any municipality in the world, including the policy framework of eThekweni Municipality;
- Fill the gap in eThekweni Municipality policy as the integration model for *stokvels* will be invaluable to the MC of eThekweni Municipality since this body (including LED) is the sole custodian of policy formulation in eThekweni; and
- Further elucidate the potency that *stokvels* have in transforming the economy by reducing poverty, creating jobs, promoting a savings culture in areas and regions where they operate.

1.8 THE RESEARCH METHODOLOGY

Research Method Design

The study approached the research with a convergent parallel mixed methods technique and a pragmatic philosophical worldview. Converging themes from the mixed method approach emerged from the thematically analysed quantitative and qualitative research. The methodological triangulation technique uses multiple methods of data collection and analysis, and was applied to the study to reveal the common recurring themes. The benefits of methodological triangulation technique in this study increased the researcher's confidence in achieving the aim of the study, research objectives and research questions.

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

Location of the Study

The study was located within the municipal boundaries of eThekweni in the province of KZN, in SA. All the 197 towns/cities of eThekweni Municipality were selected for data collection of the study. The eThekweni Municipality's gross domestic product (GDP) comprises 57,1% of KZN GDP and 9,1% nationally.

Population of the Study

The population of this research was the *stokvel* groups in eThekweni Municipality in KZN. The *Community Survey (2016)* by *StatsSA* put the 2016 population of eThekweni Municipality at 3,59 million people (*Statistics South Africa, 2016*). The eThekweni Municipality populace of 3,59 million people makes 32% of the population of KZN (*StatsSA, 2016*). From the research findings by *African Response Research (2012)* there are 811 830 *stokvel* groups in SA, of these; KZN *stokvel* groups constitute 14%, which translates to 113 540 *stokvel* groups in KZN. Based on the statistical information sourced from *StatsSA (2016)* the researcher formulated the target population of the study by superimposing the *StatsSA* figures of KZN and eThekweni Municipality onto the *stokvel* groups' population of KZN, as obtained from *African Response Research (2012)* and *StatsSA Community Survey (2016)*. The researcher scientifically extrapolated the official statistics in yielding a population figure of 36 333 *stokvel* groups found in eThekweni Municipality.

Sampling Technique

For this study two sampling methods were employed;

- a) the simple random method of probability sampling on the larger population being the *stokvel* group's members; and
- b) the purposive sampling method for the Municipality Council members (policy-makers) of eThekweni Municipality.

For this study, the population size was 36 333 *stokvel* groups in eThekweni Municipality, with each *stokvel* group unit represented by a Chairperson. The statistically accepted sample of respondents, in the quantitative research of the study, from a population of 36 333 *stokvel* groups (or Chairpersons of *stokvel*

groups) in eThekweni Municipality was mathematically calculated to be 395. For the sample size to be statistically acceptable and representative of the population a 95% confidence limit was applied. Whereas the number of participants (being Municipality Council members) in the qualitative research of the study for was chosen to be six. All MC members were from the eThekweni Municipality. The MC members of eThekweni Municipality are the custodians of the formulation of all policies in the municipality, including matters related but not limited to; Local Economic Development and Planning, Economic Transformation, Integrated Development Planning, and Informal Economy. It was therefore appropriate and relevant to include them as participants in this study.

Data Collection

For this study, a questionnaire instrument was constructed and an interview schedule instrument was developed for data collection. Observations during fieldwork were noted and saved. The questionnaire was constructed with 23 questions and administered personally by the researcher and the research assistant's team. The questionnaire for this study contained questions carefully chosen to address the aim of the study, research objectives and the defined research questions. The scales used included questions designed according to Likert-scale as it is the easiest to understand (e.g., with responses: Strongly Agree-Agree-Disagree-Strongly Disagree) and questions that required the ranking in order of importance (e.g., with responses: Very High(VH)-High(H)-Medium(M)-Low(L)-None(N)). All the scales were then transcribed and coded by first normalising the responses to all questions so that responses range from 1 to 2 (for a questions with yes/no responses) or 1 to 4 (for questions with Strongly Agree-Agree-Disagree-Strongly Disagree) or 1 to 5 (for a question with a response Very High(VH)-High(H)-Medium(M)-Low(L)-None(N)). During the in-depth interview sessions the interview schedule was used as a guide; comprising questions aligned with the aims of the study, the research objectives and the research questions. All interviews were recorded on an audio recorder. All data was safely stored and the records will be kept for a minimum of five years after the completion of the study.

Reliability and Validity Issues

To ensure reliability this study was structured in such a way that the questionnaire, interview schedule and observations, if repeated under similar conditions, would be likely to yield the same results. This study was also constructed such that the questionnaire and interview schedule questions were strictly related to the role of *stokvels* in the economic transformation of eThekweni Municipality to ensure validity. To measure the reliability of the study a Cronbach-alpha coefficient was employed as it indicates how well the items in a set are positively correlated to one another. In this study, the Cronbach's alpha coefficient attained was 0.769 which is an indication that the construct of the instruments was reliable. The questionnaire was pre-tested for appropriateness, ease of comprehension and to eliminate bias before it was subjected to a pilot study. Once the pre-test was complete the instrument was subjected to a pilot (dry run) on a smaller group of five *stokvel* groups in eThekweni Municipality, this was to check for the length of time it took to complete the questionnaire and for comprehension of the questions.

Data Analysis

Once all data for this study was collected and collated it was thematically analysed. Qualitative data was analysed by transcribing interview responses from participants and identifying common themes using NVIVO (version 11.0). The data was coded and classified accordingly. Quantitative data was analysed using; descriptive statistics (frequency tables, pie charts, bar charts and measures of centrality), inferential statistics (cross-tabulation of bivariate data, Pearson chi-square to measure correlation significance). Descriptive statistics were used to analyse the demographics of the respondents and the inferential statistics were used to make inferences and extrapolations with regard to the collected data. The coded and transcribed data was entered into the Statistical Package for Social Sciences (SPSS version 25.0).

Developing a New Model

On the one hand, Maslow's hierarchy of needs theory can explain the ambitions and/or motivational needs of *stokvel* members. Whilst on the other hand, the construct of the Hayes & Wheelwright theory can explain the owner-manager similarities of *stokvels* type – likened to a small business in a development

continuum. However upon layering the theories, the models complimented one another in constructing the motivation of *stokvel* members and owner-manager *stokvel* types as, respectively, depicted by Maslow's hierarchy of needs and Hayes & Wheelwright four-stage model, in line with the aim and research objectives of this study. These theories, combined formed a conceptual framework for the study and a basis;

- To provide a structure for this study,
- To construct the data collection instruments for the quantitative and qualitative research – aligned with the aim of this study, research objective and research questions,
- To apply the theory triangulation technique to establish if there is convergence or divergence of theories in the thematic findings of the study. Any convergence or divergence revealed would be validated by the triangulation strategy; thus creating confidence and trustworthiness around the findings of the study,
- To use a theory triangulation technique in order to make sense of the findings and observations informed by the behavioural traits of individuals who form or are part of or are associated with *stokvels* in eThekweni Municipality and to align the owner-manager traits of the different types of *stokvels* found in eThekweni Municipality in the development continuum,
- To develop a model for the integration of *stokvels* into the economic policy framework of eThekweni Municipality, and
- To recommend a model for developing *stokvels*, directly linked to the integration model. The combined models will enable policy-makers in the public sector and captains of industry in the private sector to tailor-make programs for *stokvel* development.

1.9 THE SCOPE OF THE STUDY

The population of the study are all *stokvel* groups Chairpersons and MC members of eThekweni Municipality. The size of both populations was estimated at 36 333 *stokvel* groups and six (6) Municipality Council members. The sample size for *stokvels* Chairpersons surveyed was scientifically and empirically arrived at on the basis of a 95% confidence limit. The sample size was therefore 395 *stokvel* groups

Chairpersons surveyed within the geographical boundaries of eThekweni Municipality. However, for the qualitative part of the study the researcher chose six (6) MC members. Aligned with the aim, research objectives and research questions; a simple random sampling method for the quantitative part of the study was selected in order to give all *stokvel* groups of eThekweni Municipality an equal opportunity to be selected to participate in the study.

1.10 LIMITATIONS OF THE STUDY

Limitations of the study or research are defined as unanticipated inhibiting external environmental conditions, influences, and shortcomings that the researcher cannot control. They are factors that are outside of the locus of control of the researcher that place restrictions on the conclusions of the study (Price & Murnan, 2004). During this study the limitation encountered was the following:

There was a three months delay in obtaining a gate-keeper's letter from eThekweni Municipality, granting permission for the study to be conducted within the jurisdiction of the municipality and for the municipal members to be the participants in the survey. Once permission had been granted two further limitations emerged:

LIMITATION 1 - GATE-KEEPER'S LETTER

The gatekeepers letter was formally requested in mid-May 2017, however, it was only issued in the first week of August 2017 see appendices A and B. This delay impacted negatively on the study work plan and on the start of the fieldwork in the following manner - considering that the:

- i). The year 2017 was a politically charged year due to the ruling party convening an elective conference in December 2017 to elect a new President.
- ii). The governing party's elective conference posed some challenge for the study since MC members are political appointees, hence their availability due to their involvement in the Presidential campaigns in their constituencies from September 2017 up to the conclusion of the December 2017 elective conference was always going to prove to be insurmountable.
- iii). A week or a month's delay after the first half of the year in obtaining a gatekeeper's letter risked extended delays in conducting interviews with the MC members. Such delays also meant more

expenses in assembling a large research team of assistants in order to shorten the time of administration and collection of questionnaires from participants.

- iv). Due to size of the study population the sample size of the study was invariably large, with 395 *stokvel* groups dispersed across the 197 towns/cities of eThekweni Municipality. It would have been ideal for the gatekeepers letter to be obtained sooner so as to allow for the efficient and effective administration of the questionnaire and collection of the data in the elective conference year.
- v). Criminal activity tends to spike from the end of the third quarter in SA. So conducting surveys with *stokvels* posed delays due to fear of being held hostage or mugged since most *stokvels* still handle cash at their meetings.
- vi). *Stokvels* are on high-alert as from the beginning of the fourth quarter of the year due to the high crime, the escalation of cash-in-transit heists and the bombing of automated teller machines (ATMs) across SA makes it difficult to approach *stokvels* for data collection of sensitive information - everyone is treated with suspicion, including researchers. People fear for their lives.

Had the gate-keepers' letter been secured before the end of the second quarter of the year much of this could have been avoided or alleviated.

LIMITATION 2 – ACCESS TO STOKVELS

Stokvels only meet once or twice a month – on weekends. The project team would spread out to collect data from Friday through to Sunday for six (6) months. By the end of the a month each team member would have visited on average eight (8) *stokvel* groups, administering and collected the questionnaires. The other reason why the survey took a period of six (6) months was that most *stokvel* Chairpersons had to first seek permission from their members to complete the survey. Upon receipt of the request to conduct a survey the Chairperson of the *stokvel* group would place the item on the agenda of the next meeting of the *stokvel* group. Once approved the permission would then be communicated to the research team. The survey would only then be conducted the following month. Some *stokvel* groups would not be quorate at their next meeting, making it impossible to make a final decision and the matter would then be delayed for another month.

A number of respondents were sceptical and suspicious for two main reasons:

- i). They thought that the research team was out to commit a crime and to steal their funds since the survey was conducted around the period close to the festive season when most *stokvel* groups liquefy their assets and distribute cash dividends from savings / reserves to their members; and
- ii). That the eThekweni Municipality was after their money and would now legislate new laws to collect taxes from *stokvels*.

LIMITATION 3 – ABSENCE OF ECONOMIC TRANSFORMATION FRAMEWORK

In the absence of an economic transformation policy framework for eThekweni Municipality, the *IDP (2016/2017)* and the *Durban's Informal Economic Policy* adopted in 2001 became the main source documents from the municipality during the study.

LIMITATION 4 – NON-ENGLISH LITERATURE

The study could have been richer if the pool of the consulted literature on RoSCAs like *stokvels* was written in English. The non-English literature from other writers became a limitation for the study as their input could not be cited and/or used to support or contrast other authors in the subjects of RoSCAs like *stokvels* and economic transformation.

1.11 THE STRUCTURE OF THE STUDY

The contents of this thesis are outlined as follows;

Chapter 1 - Overview of the study

In this chapter, the researcher outlines the purpose of the study such that the reader can get an overall understanding of the research. The researcher takes the reader through the aim of the study, the research problem, the research objectives and the research methodology in order to have a clear orientation to the study.

Chapter 2 - Literature Review on Economic Transformation

In this chapter, the researcher explores and reviews literature from different, but credible sources and acknowledges the professional work done by authors in the field of economic transformation. Furthermore, the researcher reviews the literature on the role of the informal economy in economic transformation in developed and developing countries worldwide.

Chapter 3 - Literature Review on *Stokvels* and the Conceptual Framework of the Study

Similar in approach to chapter 2, this chapter explores and reviews the literature from different but credible sources and acknowledges professional work done by authors in the field of rotating savings credit associations (RoSCAs) like *stokvels* and provides the conceptual framework for the study.

Chapter 4 - Research Methodology

The chapter takes the reader through the types of appropriate research method at a researcher's disposal and finally elaborates on the choice of methodology for this study and the suitability thereof. The study further explains the data collection method, instruments used to collect data, triangulation strategies adopted, define the location, identify the population and how the sample size of the study was arrived at, the method of analysing of data and the tools employed in analysing the data.

Chapter 5 - Data Presentation and Interpretation

In this chapter, the researcher categorises and classifies the data into themes, and presents them in tabular and graphical format. The data is then interpreted in order to draw conclusions.

Chapter 6 – Discussion of Results

The chapter presents findings and explains how the aim of the study and research objectives was attained.

Chapter 7 - Conclusion and Recommendations

This chapter draws conclusions from the key findings and makes specific recommendations for eThekweni Municipality to be taken into account in order to transform its economy thereby reducing poverty and unemployment.

1.12 CONCLUSION

This study explores the role of *stokvels* in the economic transformation of eThekweni municipality. This is achieved by determining the economic contribution factors of *stokvels*, investigating the role of *stokvels* in the current economic policy framework, exploring the views of the *stokvel* groups and those of the

Municipality Council and lastly, by developing a model to integrate *stokvels* into the economic policy framework of the municipality. This chapter presented an overview of the study by covering; the background to the study, research problem, aim of the study, objectives and research questions, significance and contributions of the study, research methodology, scope of the study, limitations of the study, and the structure of the study. This chapter also presented a brief account of the research approach used in the study, limitations of the study, definition of terms, and the chapter organisation of the thesis.

The thematic findings revealed *stokvels* of eThekweni to be a R3 billion industry and the economic contributing factors, as being: money saving and investments, job creation, business opportunities, marginalisation of *stokvels*, unorganised *stokvel* industry, exclusion of *stokvels* from economic policy framework, lack of training and development for *stokvels* and indirect initiatives for *stokvels* in the municipality.

The next two chapters present the literature review on economic transformation, and *stokvels* supported by a conceptual framework respectively. The methodology of the research and analysis based on the data collection from the quantitative and qualitative research were then interpreted, respectively, in chapters 4 and 5. The thematic findings were based on an analysis of primary and secondary data collected during the research and from literature by authors, national and international journals, together with the findings of surveys from professional bodies, government institutions and departments. The trustworthiness of the thematic findings validated by applying a triangulation strategy in the penultimate chapter. A new model for the integration of *stokvels* into the economic policy framework of eThekweni was developed in the penultimate chapter. The construct of a *stokvel* development model was a recommendation as a result of a new model for *stokvel* integration model into the economic policy framework of the municipality. The overall conclusion and recommendations of the study are discussed in the final chapter.

CHAPTER TWO

LITERATURE REVIEW ON ECONOMIC TRANSFORMATION

2.1 INTRODUCTION

This chapter will review the current academic research and literature (books, journals and other reviewed articles) on the phenomenon of economic transformation. Transformation of the economy involves a process of change encompassing both, formal and informal sectors. Organisations like the World Bank, International Monetary Fund (IMF), European Bank for Reconstruction and Development and many other economic centres tend to focus mainly on the formal institutions when it comes to issues of sovereign economic transformation. Likewise, the economic instruments and indexes they apply in measuring the variables linked to investment risk taxonomy of a country (Markiewicz, 2015). Limited focus, including from the academic world, has been placed on the role of the informal sector. The literature review in this chapter will shed light on the conceptual background of economic transformation in the global economy.

As the chapter progresses the study will draw on the effects of other socio-economic transformation policies of other emerging market economies like SA worldwide and how they have impacted on the levels of unemployment, poverty and inequality. In line with the aim of the study, research objectives and research questions, focus on the role of the informal economy inclusive of RoSCAs like *stokvels* in the economic transformation of some economies in selected countries of the world. will be highlighted. In the next chapter the literature specifically on the role of *stokvels* shall be the main focus. The vision of national government as encapsulated in different documents including the national planning commission's NPD (2013), *SALGA's (2012)* blueprint of guidelines for municipalities for an economy inclusive of informal economy, *IDP (2016/2017)* for eThekweni Municipality and others shall be reviewed. These will be reviewed with the sole purpose of exploring the economic transformation role of the informal economy inclusive of *stokvels* in municipalities. The issues and challenges that are faced by authorities in transforming the economy at municipality level, especially the eThekweni Municipality will also be brought to the fore.

2.2 HISTORICAL BACKGROUND OF THE POST-APARTHEID SOUTH AFRICAN ECONOMY

According to Lauridsen (2014:429) “economic transformation alludes to processes of diversification, deepening and upgrading” of structural economy. This definition by Lauridsen (2014) is aligned to Ulriksen (2012) assertion that economic transformation in the global economy is driven primarily by the structural changes in the patterns of production which bring about equity and broad-based transformation of the economy. These authors further indicate that one of the consequential and indicative outcomes of positive economic transformation of any economy is income inequality decline in the Gini-coefficient (Ulriksen, 2012). The NDP (2013:138) corroborates this when they claim that “economic transformation is about raising employment, reducing poverty and inequality, and raising standards of living and education including broadening ownership and control of capital accumulation”. Besley & Cord (2007) cited in Ulriksen (2012:4) argue that “the dominant approach to economic and human development since the mid-1990s has been the pro-poor growth strategy promoted by the World Bank. The main aim of this strategy is to achieve sustained and rapid economic growth benefiting the poor through sound economic policies, political stability and investments in physical and human capital. Social safety nets supplement this strategy by supporting poor and vulnerable groups unable to benefit from the economic growth”.

More than two decades since the dismantling of Apartheid in SA, transformation in the economic arena has however, proven far less profound than that in the political sphere, to the extent that the political settlement deferred any fundamental economic transformation (*National Planning Commission South Africa, 2013; ILO, 2016*). For a period of just over two decades, between 1994 to date, the post-apartheid economic order has provided new growth opportunities for established capital, with very few to no new opportunities for the majority black and poor communities (Davies, 2012). As government’s efforts at transformation have expanded to include the NDP 2030, the transformation of key sectors of the economy and indigenisation of the economy, a new set of challenges is apparent (Davies, 2012). For despite certain interventionist measures, the government’s economic policy continues to function within the constraints of the structural legacy of the Apartheid era and globalised neo-liberal restructuring policies (Davies, 2012).

“The neo-liberal framework that post-apartheid capital cultivated largely on its own terms today lacks durability given that it has not offered benefits to the majority of South Africans” (Davies, 2012:394). After 23 years of democracy since 1994, the acceptance of the globalised neo-liberal project in SA has undermined efforts of socio-economic transformation and broad-based economic empowerment, with inequality, poverty and unemployment persisting. The post-apartheid distributional regime has continued to reproduce class advantage at the expense of the poor and disadvantaged almost as emphatically as its predecessors, thus further stratifying society on the basis of racial discrimination and segregation of class (Davies, 2012).

According to Phillip (2009) cited in Neves & du Toit (2012:133) economic opportunities in contemporary SA have been patterned and shaped by three key legacies:

- “Firstly; the centralisation, vertically integrated monopoly structure of the core economy, with its highly skewed distribution of assets and capital;
- Secondly, the racially skewed spatial legacy of townships and homelands located far from economic opportunity; and
- Thirdly, the enduring legacy of inequality in the acquisition of skills and education”.

Seekings & Natrass (2006) cited in Neves & du Toit (2012:133) argue that “all of these legacy factors contribute to a post-apartheid distributional regime marked by perpetual poverty and some of the highest levels of income inequality in the world”. It is for these reasons amongst many others that the period between 1994 and 2004, marked as the first decade of democracy in SA, national government was infatuated with the agenda of correctness of macroeconomic fundamentals. As such it saw the emergence of a litany of initiatives that handed capital considerable sway over post-apartheid economic strategies (Neves & du Toit, 2012).

In a study conducted by Davies (2012:398) it is indicated that “regular meetings with business leaders within forums including President Mbeki’s Big Business Working Group are testimony to the enduring relationship between government and capital in an era when business had declared itself to be broadly satisfied with the government’s fiscal and monetary policies”, as well as its macroeconomic policy and

micro-economic programmes. “Indeed, the government’s development priorities had expanded considerably in the form of the Accelerated and Shared Growth Initiative for South Africa (ASGISA), launched in 2005 to address infrastructure, skills and job creation targets in order to integrate the country’s first and second economies” Davies (2012:398).

Seekings & Natrass (2011) cited in Davies (2012) observed that in the aftermath of SA’s fourth democratic elections of 2009, there was a resurgence of sporadic violent protests premised on the lack of broad-based development and pro-poor growth. It was clear then as to how the new leadership will overcome mounting tensions between the state, markets and a resurgent civil society in concert with this increasingly prominent developmental discourse.

According to the analysis by Ponte & Van Sittert (2007) cited in Davies (2012) an observation is proffered that, despite its redistributive intentions; Black Economic Empowerment (BEE) had proved doubly conducive and convenient to the interests of large-scale (white) capital and entrenched economic interests in key sectors. Rather than initiating broad-based economic transformation Andreasson (2006) cited in Davies (2012) observed that the narrow BEE policy promoted a new form of oligarchic power which combined entrenched economic interests with those of a new black bourgeoisie. That BEE, as has been implemented, is unsustainable is obvious. Alongside growing unemployment, the Black Economic Empowerment (BEE) model of the past has produced a few black millionaires who have set up no businesses of scale to employ ordinary South Africans (*The Daily Maverick*, 2017).

The post-apartheid consensus that old capital was instrumental in levelling the economic landscape lacks credence given that the majority of SA’s citizens have and remain excluded from the narrow enrichment schemes and redistribution of wealth that have taken place thus far (Davies, 2012). Chabane, Goldstein & Roberts (2006) cited in Davies (2012) claim that the South African government has pursued a policy path marked by selective interventions as opposed to industrial policy including the liberalisation of trade. These reforms have shaped three main changes, namely:

- The “unbundling of traditional conglomerates;

- The transfer of primary listings to overseas stock exchanges; and
- The slow emergence of black-owned economic groups” (Davies, 2012:400).

Due to de-industrialization SA is therefore “a highly monetized society where formal employment opportunities have dissipated, and where millions have been adversely incorporated into the broader political economy. In this context, key to survival are state cash grants, practices of social mutuality and reciprocity (or informal social protection) and informal economic activity” (Neves & du Toit, 2012:134). “SA still has one of the most unequal distributions of income in the world – a clear reflection of the extremely low levels of black participation in the economy and the continuation of this situation threatens to undermine the stability of [the country’s] young democracy” (Pakiso, 2016:7407).

Though it is public knowledge; however, research organisations like *ILO (2016:4)* indicate that “in 2013, the South African government adopted the NDP as SA’s long-term socio-economic development roadmap, which is a policy aimed at accelerating economic transformation and inclusivity. The NDP’s vision and priorities outline two key goals: to grow the SA’s GDP by 5% per annum and to reduce the high levels of inequality. The NDP replaces previous economic policies introduced since 1994 including the Reconstruction and Development Plan (RDP); the Growth, Employment and Redistribution plan (GEAR); the ASGISA, and the National Growth Path (NGP)”.

2.3 VISION OF GOVERNMENT TOWARDS AN INCLUSIVE ECONOMY

Deacon (2010) cited by Ulriksen (2012:3) observed that “the World Bank, the IMF and much of the aid industry, using the UN’s Millennium Development Goals approach, have focused only on the poorest of the poor, and erroneously assumed that the problem of poverty can be solved without dealing with related problems of inequity, social exclusion and the state’s failure to support developmental projects that will benefit all social groups”. The South African government’s NDP 2013 aims to address the gap observed by some authors like Deacon (2010) and Ulriksen (2012); this by adopting a plan to diminish poverty and to reduce inequality by 2030.

By their very nature “governments are primarily responsible for employment and they make every effort to create and manage a conducive environment for employment and unemployment reduction. Thus a high rate of unemployment is a sign of a not so well-functioning government” (Doh, 2014:113). In as much as the *National Planning Commission South Africa (2013:27)* is focused primarily on the critical capabilities needed to transform the economy and society, the following priorities however, need utmost attention:

- “Creation of employment through faster economic growth;
- Improving the quality of education, skills development and innovation; and
- Capacity building for the state to play a developmental and transformative role”.

Though the NDP 2030 is a well-documented vision and plan, some authors have criticised its lack of emphasis on the informal economy including *stokvels* yet these could be the providers of alternative employment, poverty alleviation and inequality reduction. SA has a high potential to develop “an economy that is more inclusive, more dynamic and in which the fruits of growth are shared equitably” (*National Planning Commission South Africa, 2013:38*).

The NDP 2013 proposes that “in 2030, the economy should be close to full employment, equip people with the skills they need, ensure that ownership of production is more diverse and able to grow rapidly, and provide the resources to pay for investment in human and physical capital” (*National Planning Commission South Africa, 2013:38*). It can be inferred that the vision 2030 is mainly focused on the mainstream economy of SA. Some authors like Rakabe (2013:2) attribute the marginalisation of *stokvels* and the informal economy due to “government’s overemphasis on the oligopolistic mainstream economy as the main source of job creation which tends to overlook the unexplored growth and employment potential of the informal economy inclusive of *stokvels*; yet these are important platforms from which to develop enterprises, create employment and enable empowerment and inclusive growth”. Meanwhile most authors are of the view that *stokvels* are endowed with pro-social economic factors that are a good source for economic growth and development through job creation, savings and investment capabilities, extending of mini-loans and credit facilities, women empowerment and social capital (Josten, 2013; Li *et al.*, 2015; Osakwe, Ajayi, 2015; Chatterjee *et al.*, 2017). The net effect of the marginalisation of *stokvels* and the

informal economy is perpetual poverty, unemployment and inequality. To that effect transforming the South African economy will be a challenging, long-term project (*National Planning Commission South Africa, 2013*).

The *National Planning Commission South Africa (2013:39)* indicative projections are that “most new jobs are likely to be sourced in domestic-orientated businesses and in growing small and medium-sized firms. While most jobs are not created directly in exporting firms, the sectors that are globally traded tend to have more potential to stimulate domestic spin-offs”. SA’s trade profile has not fulfilled some of the objectives it set out over the past 23 years since 1994 thus inhibiting economic transformation. Making progress will mean intensifying and accelerating economic growth in a more inclusive manner while building the necessary infrastructure and skills.

Millions	2010	2015	2020	2030
Non-working age population	18	18.2	18.8	20.6
Working-age population (15-65)	32.4	35.1	36.5	38.8
Labour force participation rate, percentage	54%	57%	60%	65%
Labour force (million)	17.5	19.8	21.9	25.3
Age dependency, ratio	1.6	1.5	1.5	1.5
Employment target				
Unemployment rate, percentage	25%	20%	14%	6%
Employment (million)	13	15.8	18.9	23.8
Net new employment needed (million)	0	2.8	3	4.9
Dependency ratio	3.9	3.4	2.9	2.5

Figure 2.1 The NDP Employment targets 2010-2030

Source: (National Planning Commission South Africa, 2013:118)

According to the National Planning Commission, government's NGP seeks to promote a more labour-absorbing economy thereby introducing five million new jobs into the economy between 2010 and 2020 .

Whilst the NPD’s *National Planning Commission South Africa (2013:24:39)* is of the view that the country can create 11 million jobs by 2030 (Figure 2.1) – this by:

- “Improving economic policy coordination and implementation;
- Building partnerships between the public sector, business and labour to facilitate, direct and promote investment in labour-intensive areas,
- Raising competitiveness and export earnings through better infrastructure and public services, lowering the costs of doing business, improving skills and innovation, and targeting state support to specific sectors; and
- Strengthening the functioning of the labour market to improve skills acquisition, match job seekers and job openings, and reduce conflict”.

Rakabe (2013) observed that the current economic policy programs, as stipulated in the NGP and NDP tend to overlook the informal economy inclusive of *stokvels* contribution towards job creation. The study goes further to agitate for policy-makers to develop strategies to develop and boost the marginalised informal sectors of the economy, like *stokvels*, in pursuit of self-generated growth and to become sources of economic growth. The governments’ overemphasis on the mainstream economy as the main source of job creation tends to overlook the unexplored growth and employment potential of marginalised businesses like *stokvels*; yet these are important platforms from which to develop enterprises, create employment and enable empowerment and inclusive growth (Fourie, 2013).

Ulriksen, (2012:6) argues that it “is for the state to consider whether the marginalised, unrecognised and underdeveloped sectors like *stokvels* become integrated parts of the economy rather than remain isolated from it”. Fourie (2013) concludes that economic policy-makers need not rely exclusively on the formal sector to create unemployment, at the expense of the informal economy to reduce unemployment, improve livelihoods and raise living standards of millions of poor people. Fourie (2013) agitates for a balanced economic strategy that targets the business linkages between both the informal and formal economies.

2.4 LOCAL GOVERNMENT'S GUIDELINES FOR AN INCLUSIVE ECONOMY

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

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

The SALGA's (2012) blueprint guidelines for municipalities towards an economy inclusive of informal economy and IDP 2016/17 of eThekweni Municipality are worthwhile considerations on how innovative ideas at municipality level can assist national government in developing national policies to promote economic transformation. It is noteworthy that David *et al.* (2013) was full of praises for eThekweni Municipality in pioneering a policy inclusive of the informal economy called the "*Durban's Informal Economy Policy*" adopted in 2001 and the successful implementation of its various elements. This policy has been touted as a precursor that helped influence the development of similar policies in various other municipalities in SA (David *et al.*, 2013).

The eThekweni Municipality case is a good reference for municipalities in SA on how to effectively influence National policies about economic transformation issues that directly affect their communities. Municipalities should be encouraged to collaborate and share best practices so as to transform the local economy. A study by Spicer (2015) observed that there are four main factors that foster cooperation among municipalities in regard to economic development. The study lists these as; reduction in duplication, increasing international visibility, filling service gaps and allowing for greater access to federal and provincial grants". Spicer (2015:550) cites vast literature from authors like (Arganoff & McGuire, 2003; Blakely & Leigh, 2010; Gordon, 2009; Jansen, 1994) who contend that "despite concerns over competition, municipalities occasionally cooperated on economic development initiatives".

SALGA (2012:15) guidelines were “designed to assist municipalities in meeting their mandated requirements of achieving an integrated and developmental approach across all sectors and communities within their specific jurisdictions. This requires that the entire informal economy be included into the overall planning structure, rather than the adoption of a piecemeal or fragmented approach that deals with only one part of the informal economy, or only one aspect of its development”. This study has however, noted that *SALGA* and invariably the eThekweni Municipality policies and plans exclude *stokvels* in the list of informal economy sectors. This observation is also affirmed by David *et al.*, (2013:70) who lists the informal economy trade activities of eThekweni Municipality as;

- “eThekweni Car guides Street or curb side traders;
- Home renovators ;
- Barbers / Hairdressers
- Livestock traders;
- Restaurants /Food outlets;
- Traditional wear, décor and beadwork;
- Sewers Panel beaters;
- Payphones;
- Mobile traders;
- Shoes and shoe repairs;
- Taxi drivers;
- Cardboard collectors;
- Beach traders Markets (flea, craft and special markets);
- Car wash;
- Photographers; and
- Tuck-shop operators”.

The exclusion of *stokvel* organisations, further promote their perpetual marginalisation and lack of recognition as players in the informal economy.

Some authors like Lubell *et al.* (2002) cited in Spicer (2015:551) assert that “cooperation between local governments increases when the potential benefits are high and the transaction costs of coordinating, negotiation, monitoring and enforcing arrangements are low”.

The adopted *SALGA (2012:18)* guidelines are commendable in emphasising that “location of the process of developing a policy for the informal economy was designed to be overseen and managed by the municipal department responsible for local economic development, since such a process was an area where the issues of alignment would be most critical, and where existing policy and strategies were most relevant”. This is supported by Fourie (2013) who agitates for the economic policy-makers to refrain from only prioritising formal sector interests, in the process pre-occupying and absorbing the economic policy thinking space and policy resources of government or municipality.

2.5 THE POLICY FRAMEWORK OF ETHEKWINI MUNICIPALITY

According to Wuyts & Kilama (2016:318) there has been a shift in policy in some emerging market economies since the global crisis of 2008 and there may be many “reasons that may account for this shift in policy. First, there has been the rapidly growing influence of China in Africa since the early 2000s. Second, in the aftermath of the 2008 financial crisis, the attractiveness of Western remedies for development policies began to wane. Finally, the sustained high economic growth rates witnessed in some emerging economies like Tanzania from the mid-1990s onwards meant that the Tanzanian economy became less dependent on foreign aid, thus providing more room for manoeuvre or, alternatively, more degrees of freedom at the policy level. As a consequence of these three factors at play, many African countries, including Tanzania, turned East rather than West to look for new ideas about economic development”. The study went further and maintained that “this shift in policy emphasis went hand in hand with a renewed interest in economic development and planning as a policy instrument to influence the direction of change within the economy. This new variant of planning was largely modelled on the East Asian experiences” (Wuyts & Kilama, 2016:319).

A paper written by Ulriksen (2012:3) examines “questions of how social and economic policies could together strengthen developmental efforts towards broad-based economic transformation deserve more scrutiny than they currently receive”. The paper reveals “how social and economic policies have affected poverty and inequality levels in developing countries” like SA Ulriksen (2012:3). This goes to the heart of

this study's aim, research objectives and research questions in order to promote an economic policy framework inclusive of *stokvels* for the benefit of the communities in eThekweni Municipality. The theoretical discussion considers how policies of economic development can ensure that the informal economy inclusive of RoSCAs like *stokvels* can be part of the developmental effort rather than being isolated. Spicer (2015:553) adds to debate on the developmental efforts of social and economic policies in that “a robust economy is desirable from a municipal standpoint for two main reasons. The first is that more jobs can attract more residents, leading to further population growth and perhaps even an enhanced reputation amongst nearby municipalities. The second relates to taxation. More businesses can increase the fiscal health of a municipality”.

The paper by Spicer (2015:549) goes further to add a different dimension that support *SALGA's* (2012) approach to an inclusive economy in that “municipalities cooperate on a host of policy areas” since there is a benefit (real or perceived) that flows from such cooperation. It is for these reasons amongst other that *SALGA* developed the guidelines for municipalities for an economy inclusive of the informal economy in order to:

- Take the lead in the development of policy
- Identify key stakeholders and set up and manage stakeholder forums
- Take the lead in the implementation of policies and strategic plans
- Assume responsibility for resource allocation, and
- The development and implementation of regulation.

There are a total of seventy three (73) strategic policies and plans of eThekweni Municipality that make up the eight (8) point plan *IDP 2012/2016* policy framework (Appendix F). Plan 2 has thirteen policies and one of these is *Durban's Informal Economy Policy* adopted in 2001, as it was formulated for the purposes of economic inclusiveness of the informal economy of eThekweni Municipality. In its current form it disregards and marginalises the *stokvels* industry in favour of informal traders and other informal economy activities. The word ‘*stokvels*’ is mentioned once under section 7.2.12 in eThekweni Municipality's

Durban's Informal Economy Policy. The clause introduces *stokvels* as an alternative innovative solution for SMMEs to access financial support in eThekweni Municipality. This study views the introduction of this clause in the policy as an admission and acknowledgement that the *stokvel* industry in eThekweni Municipality has a recognisable yet underdeveloped and untapped economic contributing factor of being a financial resource. However, this potential remains marginalised and exploited for its contribution towards economic transformation and development as compared to other peer emerging economies to SA being; Ghana and Bangladesh. In that clause the policy states as follows;

“Facilitating access to financial services: Durban Metro has given serious attention to the problem, faced by many emerging entrepreneurs, of accessing finance. For example, once individuals have been awarded tenders through Affirmable Procurement Procedures, they have problems accessing bridging finance. Research has been commissioned to provide recommendations to improve access to finance for SMMEs, and to provide insights into the challenges faced by institutions in servicing this sector. Further attention should be given to financial support for smaller enterprises, learning from experience gained by other financial institutions. This should include learning from innovative institutions internationally, such as the cultural artefacts banks in West Africa (where people use highly valued cultural items as collateral against small loans) and indigenous institutions such as rotating savings and credit associations (*‘stokvels’*). Local government should also explore ways of encouraging an emphasis on savings” (*eThekweni Unicity Municipality, 2001:19*).

The key relevant developmental local and national government policies that inform the eight (8) point plan *IDP* policy framework are outlined in Figure 2.2.

2.5.1 THE EIGHT POINT PLAN

The eThekweni’s “delivery plan is organised into eight separate but related plans and they are;

1. Develop and Sustain our Spatial, Natural and Built Environment
2. Developing a Prosperous, Diverse Economy and Employment Creation

3. Creating a Quality Living Environment
4. Fostering a Socially Equitable Environment
5. Creating a Platform for Growth, Empowerment and Skills Development
6. Embracing our Cultural Diversity, Arts and Heritage
7. Good Governance and Responsive Local Government
8. Financially Accountable and Sustainable City” (*eThekweni Municipality, 2016:169*)

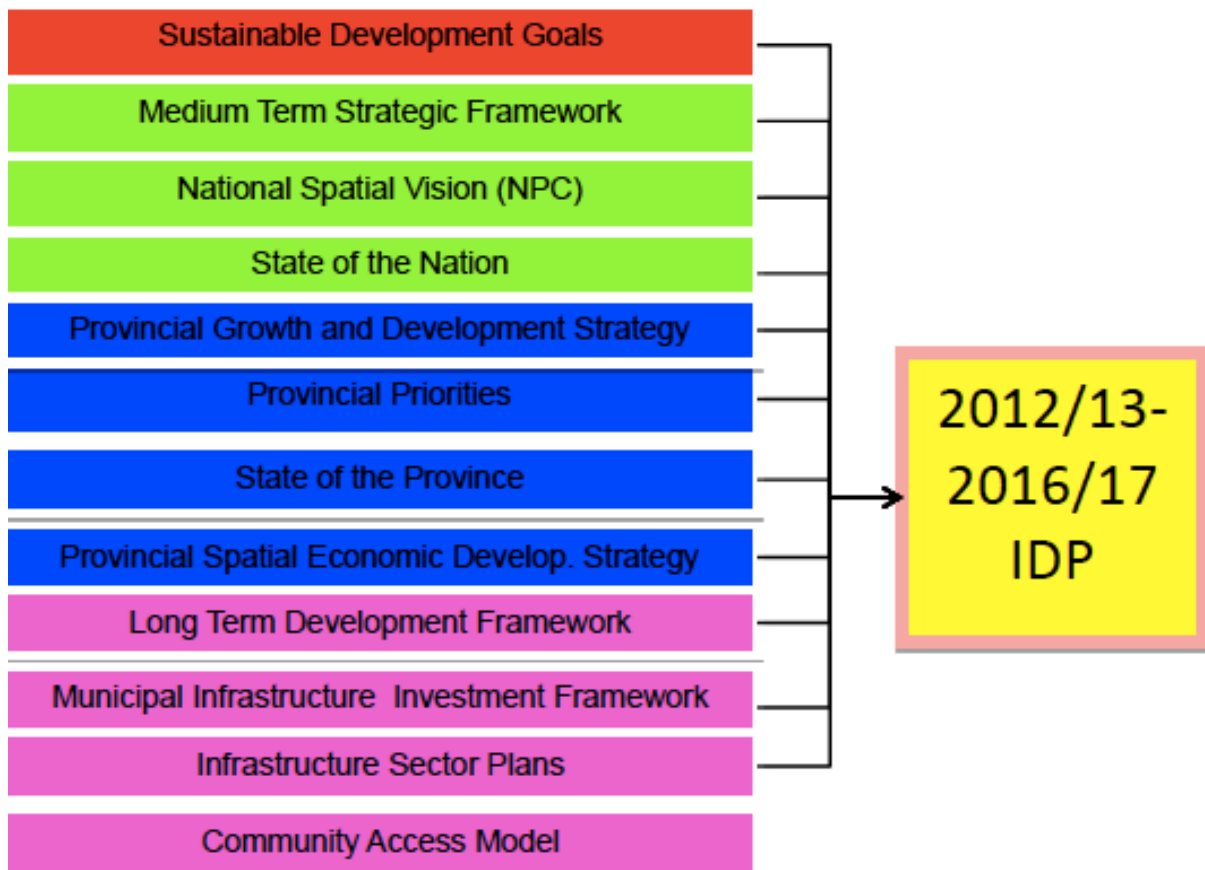


Figure 2.2 Local and National government strategic policies
Source: (eThekweni Municipality, 2016:144)

The deliverables of eThekweni Municipality are based on the 8 point plan that is measured against the *IDP* performance management matrix (Table 2.1)

Table 2.1 IDP Performance management matrix

Key Performance Area	8 point plan	Strategic Focus Area
Municipal Institutional Development and Transformation	Creating a Platform for Growth, Empowerment and Skills Development	Human Capital Development
		Develop City as a learning City
		Healthy and productive employees
Basic Service Delivery	Develop and Sustain our Spatial, Natural and Built Environment	Develop, manage and regulate the Built and Natural Environment
		Climate protection planning
	Creating a Quality Living Environment	Meet infrastructure and household service needs and backlogs
		Address community service backlogs
	Good Governance and Responsive Local Government	ABM
	Fostering a Socially Equitable Environment	Promoting the safety of citizens
		Promoting the health of citizens
Financially Accountable and Sustainable City	Durban Energy Office	
Local Economic Development (LED)	Developing a Prosperous, Diverse Economy and Employment Creation	Providing Economic Leadership and Intelligence
		Facilitating Private Sector Investment and Partnerships
		Leverage, Influence and Facilitate Key

Table 2.1 IDP Performance management matrix (continued)

Key Performance Area	8 point plan	Strategic Focus Area
		Infrastructure Development and Maximise the Local Benefit
		Facilitating Development in Priority Nodes and Corridors
		Enterprise and Sector Development
		Developing a Competitive Tourism Sector
		Facilitating Sustainable Livelihoods
	Embracing our Cultural Diversity, Arts and Heritage	Access and Inclusivity
	An enabling environment for gainful economic participation through socio-cultural empowerment	
Municipal Financial Viability and Management	Financially Accountable and Sustainable City	Strategic and sustainable budgeting
Grow and diversify our revenues		
Value for money expenditure		
Sound financial management & reporting		

Table 2.1 IDP Performance management matrix (continued)

Key Performance Area	8 point plan	Strategic Focus Area
Cross Cutting	Develop and Sustain our Spatial, Natural and Built Environment	Develop, manage and regulate the Built and Natural Environment
Good Governance and Public participation	Good Governance and Responsive Local Government	Ensure accessibility and promote governance
		Create an efficient , effective and accountable administration

Source: (eThekweni Municipality, 2016:170)

To recover from the global crisis of 2008 and other economic crises of globalisation, the eThekweni Municipality had to strive to reach its share of the job targets as set out in the NDP’s *National Planning Commission South Africa, 2013; ILO, 2016*). The NDP 2013 aims to reduce unemployment from 25% to 15% by creating an additional 6 million jobs by 2030. “Some of the key initiatives of the NDP are already being implemented such as the major infrastructure development programme, as well as the state-led industrial policy. The ambitious targets set by national government to be realized by 2030 require bold leadership and well-coordinated planning at a local government level in order to contribute towards this vision” (*eThekweni Municipality, 2016:248*).

Plan 2 of eThekweni Municipality’s *IDP (2016/2017)* sets out “a new economic policy framework with a suite of programs and projects for which the eThekweni Municipality region may realise specific gains in the short to medium term. Plan 2 has seven Strategic Focus Areas (SFAs) and each SFA has its list of implementation programs. Of interest to the aim of this study, to the research problem and to the research questions of this study is the *SFA: Enterprise and Sector Development*. Within the enterprise and sector

development in SFA there is a programme that is focused on Managing The Informal Economy” (*eThekwini Municipality, 2016:249*).

2.5.2 STRATEGIC FOCUS AREA: ENTERPRISE AND SECTOR DEVELOPMENT

The Strategic Focus Area (SFA) *Enterprise and Sector Development* comprises of the following core programmes; “facilitating industry skills and economic inclusion, enterprise development, trade and sector development, managing the bulk fresh produce market, and managing the informal economy. As such, this is a critical focus area and the eThekwini Municipality must ensure that the key projects relevant to each programme are sufficiently budgeted for, implemented effectively, and monitored and maintained to review successes and failures” (*eThekwini Municipality, 2016:252*). There were several plans that, together, make up the *Enterprise and Sector Development* strategic focus area. However, of particular interest to this study were *Plan2 Program 2.6: Managing the Informal Economy* and *Plan2 Program 2.7: Managing the Bulk Fresh Produce Market* . It was anticipated during the research these programs of the *SFA: Enterprise and Sector Development* from the *IDP 2016/17* would attend to the aspects of the informal economy that the *SALGA (2012)* failed to address.

2.5.2.1 Plan2 Program 2.6: Managing the Informal Economy

This plan was limited in its scope and only recognised street trading in so far as the informal economy is concerned in that “the management of the informal economy, especially street trading is a programme involving demarcation of trading areas, issuing of permits, organising traders into area committees that feed into a citywide forum, and on-going collection of rentals” (*eThekwini Municipality, 2016:253*). This assertion amplifies and supports the justification for this study to be undertaken since the policy-makers have demonstrated their disregard and marginalisation of the *stokvel* industry in the economic policy formulation. It was also noted that some of the aspects of support and development programs articulated in the plan, though designed for street traders could be applied to other informal economy sectors including the *stokvel* industry; for an example,

- supporting the informal economy;
- providing infrastructure support and
- providing advisory and information services (*eThekwini Municipality, 2016*).

2.5.2.2 Plan2 Program 2.7: Managing the Bulk Fresh Produce Market

According to (*eThekwini Municipality, 2016:253*) “The role of the Durban Fresh Produce Market is to facilitate the distribution of Fresh Produce. Commercial farmers, small and emerging farmers are dependent on the Bulk Fresh Produce Market in order to sell their fresh produce. This platform creates business opportunities for big, small and emerging businesses, inclusive of informal traders from where they can purchase their Fresh Produce”. The *IDP 2016/17* recognised the bulk fresh produce market as key to the creation of jobs in eThekwini Municipality as it cuts across formal and informal businesses. *Stokvels*, in particular grocery *stokvels*, could take advantage of the bulk fresh produce markets thus promoting the creation of sustainable employment, though indirectly.

2.6 TRANSFORMATION OF THE ECONOMY

The study on economic transformation in Tanzania by Wuyts & Kilama (2016:319) states that “planning – a word that was shunned from policy debates beforehand suddenly became fashionable again; not a return to old-style planning, but a new variant of planning that was largely modelled on the East Asian experiences”. Academics Wuyts & Kilama (2016:322) indicate that “the question of economic transformation is as old as development economics”. Whilst citing Martin (1991), Wuyts & Kilama (2016:322) argue that economic transformation is as old as development economics and the thinking of the pioneers of the concept was myopic in that it viewed economic transformation as “changes in the social and economic structure of mostly poor, agrarian, colonial or ex-colonial societies”. These changes were “bound to have a particular direction, namely industrialization, and should lead to continuing domestic growth in the productivity of these economies in terms of rising income per head”.

According to Mpango (2013) cited in Wuyts & Kilama (2016:320) the concept of economic transformation is “defined as a process in which an increasing proportion of economic output and employment are generated by sectors other than agriculture. This process of transformation connotes the shift from agriculture-based societies to urban, industrial and/or service-based economies with sustained high GDP growth rates”. Whereas the NDP (2013:138) describes economic transformation as “broadening opportunities for all South Africans, but particularly for the historically disadvantaged. It is about raising

employment, reducing poverty and inequality, and raising standards of living and education. It includes broadening ownership and control of capital accumulation”. It is about encompassing an ethos of economic redress and inclusiveness, equitable “ownership of assets, income distribution and access to management, professions and skilled jobs” Across all spheres of its economy “SA needs transformation that opens a path to inclusive economic growth and development. Transformation should promote growth, mobilise investment, create jobs and empower citizens. It must create new resources to support social change, including assets and livelihoods for the majority” (*National Treasury, 2017:1*).

At the lecture delivered at the University of Witwatersrand on 17 August 2017, it was mentioned that “the South African economic situation is dire, more than 9 million people are without jobs. About half of our young people are not working. The gap between the rich and the poor continues to widen. The growth in the number of citizens who receive social grants cannot be sustained by an economy that is in decline. The truth is simple: if we cannot manufacture things, we will have nothing to sell to others in the world. Sustainable jobs in SA can be created only if our economy produces value-added products for both domestic and international consumption. Economic transformation in SA will be most effectively achieved by multiplying poor black people's access to income- generating activities that can provide routes out of poverty and into the middle class. A wealth redistribution model that is not accompanied by interventions to grow the economy is bound to fail” (*The Daily Maverick, 2017*). In a paper by Wuyts & Kilama (2016:323) similar view was held that “the key to understanding the difference between successful and failed economic transformation lies in what happens to these respective shares in output and employment between the agricultural versus the industry and services (including informality) sectors during the process of transformation”.

2.6.1 THE RATIONALE FOR ECONOMIC TRANSFORMATION

The South African “government has made progress in transforming the economy since 1994, though the majority of the citizens are of a different view altogether. Despite significant transformation efforts since 1994, the structure of the economy has remained largely unchanged. The pace of transformation has been too slow and the benefits have been distributed unequally. Earlier in this chapter, it was mentioned that

BEE legislation, AA policies, other empowerment programmes of the South African government and the redistributive spending through the budget were aimed at expanding:

- employment and business opportunities primarily for black South Africans; and
- addressing high levels of poverty and inequality.

This is reflected in significant growth in the black middle class since 1994, the provision of housing to millions of South Africans and a vast expansion of access to basic services by all citizens. Transformation that creates more jobs, increases wealth for all citizens and reduces inequality. It also requires faster growth and more equitable distribution of resources and benefits. Addressing this challenge requires a deliberate programme based on:

- Creating more jobs, reducing poverty and narrowing inequality;
- Transforming patterns of asset ownership and production, promoting competition and diversifying product markets;
- Mobilising private and public capital investment to help modernise and diversify the economy;
- Providing workers and the poor with access to markets, and social and economic infrastructure;
- Strengthening transparent government and the rule of law;
- Investing in research and development, and innovation; and
- Improving the quality of education and training to meet the needs of a modern economy”.

(National Treasury, 2017:22).

National Treasury (2017:22) cites the NDP 2013 by pointing out that “transforming the economy will require reforms that lead to more competitive product markets and stronger growth in labour-absorbing sectors such as agriculture and tourism”. Coupled with government policies aimed at broadening the equitable ownership of an inclusive economy and the promotion of a saving society as opposed to consumerism, economic transformation has a pivotal role in growth enhancement and poverty reduction (Wuyts & Kilama, 2016). Authors Wuyts & Kilama (2016) also hold an opposing view to the example of the agriculture sector being a driver of economic transformation as presented in the NDP 2013. An academic paper by McMillan *et al.*, (2014:11) argue that “one of the earliest and most central insights of

the literature on economic development is that development entails structural change. The countries that manage to pull out of poverty and get richer are those that are able to diversify away from agriculture and other traditional products. As labour and other resources move from agriculture into modern economic activities, overall productivity rises and incomes expand. The speed with which this structural transformation takes place is the key factor that differentiates successful countries from unsuccessful ones”.

2.6.2 SOVEREIGN MACRO-ECONOMIC STABILITY IS KEY TO ECONOMIC TRANSFORMATION

The NDP’s *National Planning Commission South Africa (2013:137)* points out that “a stable and enabling macroeconomic platform will underpin sustainable growth and employment creation. Macroeconomic policy serves as a foundation for growth and development. It must support the country's overall development strategy and contribute towards higher growth and employment”. The *National Treasury* claims that “SA’s flexible exchange rate policy, inflation targeting regime through the SARB and prudent fiscal policies encourage investment and provide a buffer against fiscal, financial and balance of payment crises that could reverse transformational gains” *National Treasury (2017:22)*. A report by the *World Bank (2014)* cited by *National Treasury (2017:22)* shows that “redistribution of income through the budget lifted more than 3.5 million South Africans out of poverty, reduced the Gini coefficient from 0.77 to 0.59”.

Authors like Lauridsen (2014) advocate for the stability of macroeconomics fundamentals of a country in order to drive economic transformation policy. In a study of the role of politics in Taiwan’s governance and economics transformation, he concluded that “macroeconomic prudence and implementation of industrial policies were shaped by the institutional arrangements. Macroeconomic stability was guaranteed by a strong and independent central bank and by a budgeting system leaving no space for popular demands on expenditure. Industrial policy-making was to a large extent left to the Industrial Development Bureau (IDB) of the Ministry of Economic Affairs (MoEA)” (Lauridsen, 2014:435). According to *National Treasury (2017:22)* the “potential to

accelerate transformation and to lift GDP growth by more than 1.5 percentage points”

will be premised on the following;

2.6.2.1 Increasing employment

“Increasing employment requires greater business confidence to attract investment, attention to education and skills development, and support for employment-intensive sectors. Technological innovation across a range of industries means that most new jobs are for skilled and semi-skilled workers. As SA builds its skills base, there is also scope to increase employment in sectors that have historically absorbed large numbers of less skilled workers. Government policy certainty is required to support growth and employment in all sectors of the economy. Partnerships between the private and public sector can help boost employment. Tourism is an important contributor to inclusive growth and transformation, accounting for 4.5 per cent of total employment. Research and Development can play a catalytic role in the economy”
(*National Treasury, 2017:23*).

2.6.2.2 Accessible, affordable financial services

According to National Treasury “government is increasing access to financial services for poor households and providing a supportive regulatory environment for the on-going implementation of the *Financial Sector Code*. *The Insurance Bill* aims to establish a clear regulatory framework that will encourage the provision of quality, low-cost insurance products for low-income consumers. The Cooperative Banks Development Agency is working to create new opportunities in the financial sector, particularly new banks. Postbank’s transition to a bank will enable it to provide increased access to financial services for poor South Africans” (*National Treasury, 2017:24*).

2.6.2.3 Economic transformation through lowering barriers to entry

National Treasury argues that the “South African industries tend to be highly concentrated and as such new firms face barriers to entry, including impediments to access to inputs and limited market access to:

- long-term capital;
- integrated value chains; and
- distribution networks” (*National Treasury, 2017:24*).

Research by the National Treasury and the *Centre for Competition, Regulation and Economic Development* found examples of “existing interventions to help lower entry barriers:

- Well-channelled competition penalties and supplier development funds can provide long-term capital and market access. For example, the Soweto Gold brewery accessed finance through an Industrial Development Corporation (IDC) fund established through the penalties imposed on Pioneer Foods for anti-competitive behaviour in the bread market. Lethabo Milling benefited from a fund established as part of the Walmart/Massmart merger to develop new black-owned suppliers in their supply chain;
- Partnerships with established firms can be effective. Pick ‘n Pay, working with the Gauteng Department of Economic Development, opened its distribution centres to township informal spaza shops;
- Introducing effective competition can lead to a wide range of benefits. Capitec’s entry into the banking sector has helped to lower costs and extended services to the previously unbanked; and
- Improved regulation can drive down consumer and business costs. The reduction of mobile call termination rates enabled Cell C to compete, and encouraged MTN and Vodacom to reduce rates” (*National Treasury, 2017:25*).

2.6.2.4 Support for township economies

National Treasury estimates that “about 31 per cent of working-age South Africans, and almost half of the unemployed, live in townships. Deliberately developing township economies that create jobs and greater scope for entrepreneurship is a policy objective and imperative of the South African government. Townships have an in-built geographic disadvantage as they were built to keep blacks and black workers away from the central business districts (CBDs), making it difficult for township businesses to compete in anything that requires high-quality infrastructure, a wide range of inputs, a broad customer base and a diverse skills set. The South African government is working on reforms to promote township economies, these include encouraging the property sector to develop infrastructure such as shops, offices, housing, schools and hospitals. Government is also considering ways to accelerate targeted investment, strengthen municipal borrowing and establish partnerships with local businesses” (*National Treasury, 2017:26*).

2.6.2.5 A supportive environment for business development

Through the *Department of Small Business Development* which was formed in 2014, the South African government aims “to assist small businesses by providing funding and targeted support for firms with high growth potential. By the end of financial year 2017, the private sector had invested R1.5 billion in a small-business mentorship fund. Government’s procurement reforms, which aim to strengthen financial management and save costs, are also focused on expanding access for small businesses through the current reforms led by the Office of the Chief Procurement Officer. New procurement rules will increase opportunities for black women, youth, people with disabilities, cooperatives, military veterans and suppliers from rural communities” (*National Treasury, 2017:26*).

2.7 ECONOMIC OVERVIEW

Developing economies are prone to fall into a trap “that the adoption of certain core macroeconomic policies (the so-called fundamentals of low inflation, trade openness, market liberalization, sound financial policies and good governance) would induce economic growth, which, in turn, would lead to poverty reduction. Whereas in other countries like Tanzania a greater shift in preoccupation with the challenge of economic transformation, which focuses attention on the dynamics of production and employment, and on their respective distributions across key sectors of the economy induces realignment back into the centre of the policy arena” (Wuyts & Kilama, 2016:318).

2.7.1 THE GLOBAL ECONOMY

The world economy order has been navigating through a litany of uncertainties since the global recession of 2008 which was as a result of the sub-prime lending in the United States of America (USA); Quantitative Easing (QE) 2009 to stimulate economic growth in the USA, European Union Debt Crisis of 2011, the structural reforms of the Chinese economy from an investment-based to a consumption-based economy, the President of the United States Donald J. Trump’s not yet realised economic policies, the Brexit vote outcome in the United Kingdom (UK), tensions arising from North Korea’s perpetual nuclear missiles testing programme, to geopolitical developments around Europe, and more frequent terrorist

attacks in London, to name but a few (Steinbock, 2013; Mann & Klachkin, 2015; *OECD*, 2017; Thakor, 2015; Jones & Ragothaman, 2016; Smith, 2016).

The reality is that since the Trump/Brexit shakeup, the world has become obsessed with geopolitical developments (*Stanlib*, 2017). The rate of unemployment in the USA fell to 4.9% by the end of the fourth quarter in 2015 paving the way for real wage increases, healthy consumer spending and possible higher inflation (Schwartz, 2016; *Trading Economics*, 2017). Economic analysts like *Citadel Asset Management (2017:16)* have a view that “a healthy consumer base would to keep growth above 2% and any fiscal stimulus passed by Congress might push it closer to 3%”. The Federal Reserve of the USA was, however, expected to continue tightening monetary policy by increasing interest rates further into 2018. Absolute debt levels in USA have rebounded to pre-2008 levels on the back of low interest rates (*Citadel Asset Management*, 2017).

The analysis from economists predicts “Europe was getting stronger in 2017” (*Citadel Asset Management*, 2017:16). Politically the region emerged unscathed by the populist revolt after 2016/2017 election outcomes in many countries, especially France. A rebound in consumer and business confidence, combined with a solid recovery in labour markets across the region, suggested that the Eurozone economy should experience its best years since the global financial crisis of 2007/2008 and its contagion effects due to sub-prime lending. In 2017 the economic growth in the Eurozone was projected north of 2.5%, possibly outpacing the USA for the first time in many years (*Citadel Asset Management*, 2017). Further analysis from economists view China as slowing somewhat as the government stimulus from 2016 was fading (*Citadel Asset Management*, 2017).

However, the economists informs us that the central bank of China restarted its medium-term lending facility in 2017 and made the largest one-day cash injection into the financial system. As a result, the slowdown was expected to be marginal, with economic growth settling around 6.5% (*Citadel Asset Management*, 2017). Analysts and economists *Citadel Asset Management (2017)* are of the view that the economic transformation towards a consumer-based economy in China was making good progress and the

2017 numbers suggest that consumption was contributing more than 60% to China’s economic growth. While China has been slowing down since 2010, other emerging markets were picking up. Brazil and Russia’s economies are recovering from deep recessions, and growth in Emerging Asia remains robust (Schwartz, 2016).

2.7.2 SOUTH AFRICA’S ECONOMY

According to the report by *National Treasury (2017:2)* “Between 2000 and 2008, SA’s economic fortunes rose on the strength of a commodity boom and robust domestic investment (Figure 2.3). The economy expanded rapidly and created jobs”. It was further stated that “When the global financial crisis broke in 2008, the healthy state of the public finances enabled government to intervene decisively to support the economy, while sustaining social programmes and continuing to invest in infrastructure. However, by 2011 the decade-long upswing in commodity prices had begun to turn, signalling deeper shifts in the



Figure 2.3 South African commodity export price index

Source: (Jacks (2013) cited in National Treasury (2017:2))

global economy. The Chinese government began the acceleration of the de-industrialisation programme of its economy, world trade began to slow down, debt crisis broke out in the Eurozone and the geopolitical

tensions began to rise. Imbalances in globalisation took centre stage in the global discourse” (*National Treasury, 2017:2*).

According to the *Organisation of Economic Co-operation and Development (OECD)*, SA is the largest member of the Southern African Development Community’s (SADC) fifteen (15) member states. “SADC is the largest export market and a major investment destination for SA. Intra-regional trade is dominated by South Africa, the largest member, which exports more to the region than it imports from it (Figure 2.4).

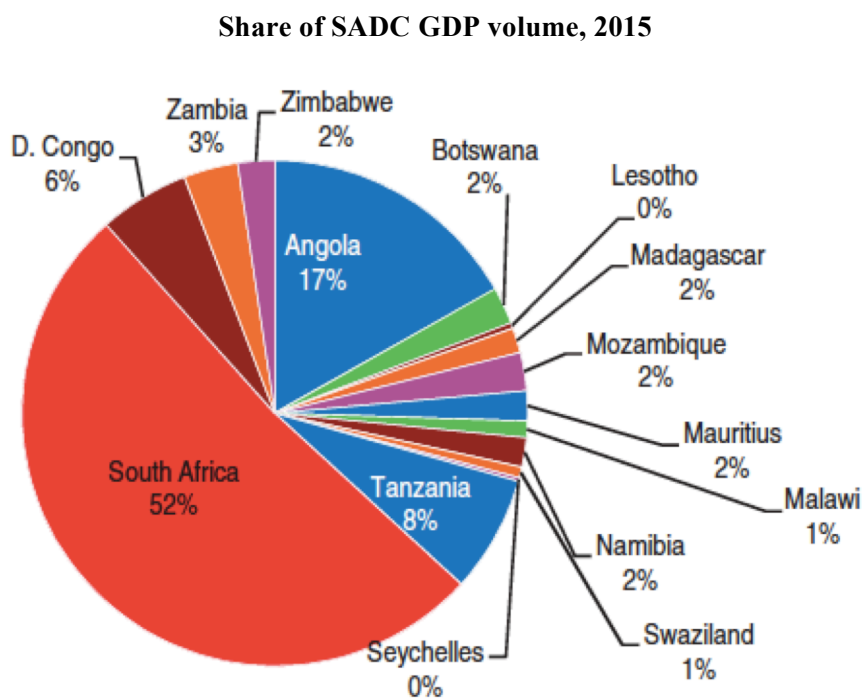


Figure 2.4 Size of SADC countries in terms of GDP
Source: (OECD, 2017:33)

This makes SADC trade dependent on SA’s economy and interest in fostering regional integration” (*OECD, 2017:32*). The *International Labour Organisation ILO (2016:11)* points out that “deeper regional trade could help ignite export-led growth for SA goods and services allowing for greater competition among firms in SA; boosting productivity and efficiency, enabling entry for new and more productive firms especially small and medium enterprises, and create jobs to make the export sector a major direct contributor to employment growth and poverty reduction by tapping into SA’s large pool of low-skilled labour”.

Since the global financial market crisis of 2008 due to the contagion effects of the sub-prime lending rates in the USA, the rate of economic growth in SA has averaged a mere 1.6% and as such has not spurred the proverbial job creation (*Stanlib, 2017*). SARB (2015) cited in (*ILO, 2016*). SA's savings rates rank poorly compared with the rest of the world at 15.4% of GDP in 2015. Household debt as a percentage of household income stood at 78.4% by end of 2015, this includes loans, overdrafts, credit card debt, home loans, retail accounts (*SARB, 2015*).

According to *National Treasury (2017:14)* "unemployment stood at 26.5 per cent in the fourth quarter of 2016" with only 5 000 jobs added to the economy since the beginning of 2016. The "high rate of unemployment explains most of the social tension and anguish experienced in SA on a daily basis, especially among the youth" (*Stanlib, 2017:8*). Economists at *Stanlib (2017)* view this lack of economic growth as a combination of factors including poor education and skills level, "a sluggish global economic backdrop, low business and consumer confidence, rising social tensions and a dearth of private sector fixed investment activity that has been aggravated by significant policy uncertainty and political turmoil. Despite these constraints, SA's economic growth rate was still expected to improve modestly in 2017 to around 1.2%, which is up from an estimated 0.3% in 2016". Official figures from *Citadel Asset Management (2017:17)* point out that "the South African economy contracted by 0.7% (quarter-on-quarter, seasonally adjusted) during the first quarter of 2017. This follows the 0.3% contraction during the last quarter of 2016 thus pushed the country officially into a technical recession".

The SA government has introduced amongst many other initiatives "the public works program as one of its employment creation strategies and the provision of social grants as one of its key strategies for mitigating poverty. However, despite these efforts, unemployment still remains high at 27.7 per cent of the country's labour force is unemployed" (*Statistics South Africa, 2017b:1*). The reality is that SA's growth has trended down markedly since 2011 (Figure 2.5), when compared to its global peers in the basket of emerging economies. With its population growth over the period outpacing "economic growth which implies that, on a per person basis, the country actually was getting poorer, despite having positive economic growth" (*Citadel, 2017:17*).



Figure 2.5 SA’s rate of unemployment and the stagnating GDP growth
Source: (OECD, 2017:14)

The economic analysts’ report from *Citadel* maintained that the “persistent low growth has led to the stagnation of GDP per capita compared to other fast-growing emerging market economies” (*OECD*, 2017:14). The “weak growth environment meant less economic activity, less tax collection and further pressure on government revenue and finance” (*Citadel Asset Management, 2017:17*). Economists at *Citadel Asset Management (2017:17)* hold a view that “these economic figures suggest that consensus growth assumption for 2017 of around 1% was probably not achievable and economic growth of 0.5% was likely to be more realistic”. In order to achieve the outcomes of the NDP 2030, SA needs to consistently grow at 5% annually.

The weak economic growth, and declining inflation, suggested that the SARB was likely to continue with moderate interest rate cuts going into the last quarter of 2017 and into 2018. *Stanlib (2017)* economists remained of the view that the declining economic environment in SA suggested that the strength in the South African Rand (ZAR) was not sustainable and a sharp depreciation was becoming more likely in

order to reflect the country’s true, underlying economic fundamentals. The *OECD (2017:19)* points out that “the South African economy faces many structural challenges, amongst these are:

- High inflation which limits room for monetary policy support;
- High public debt that constrains public spending;
- High costs of doing business from weak competition; and
- Political uncertainty which is affecting investment and business confidence”.

SA needs structural reforms that would boost and broaden the competitiveness potential of the economy and improve the quality of the education system (*OECD, 2017*).

According to the (*OECD, 2017:15*) “low growth and high unemployment adversely affect the well-being of South Africans. SA lags the *OECD* emerging market average in the *Better Life Index*, in particular, in income and wealth, subjective well-being and jobs” (Figure 2.6).

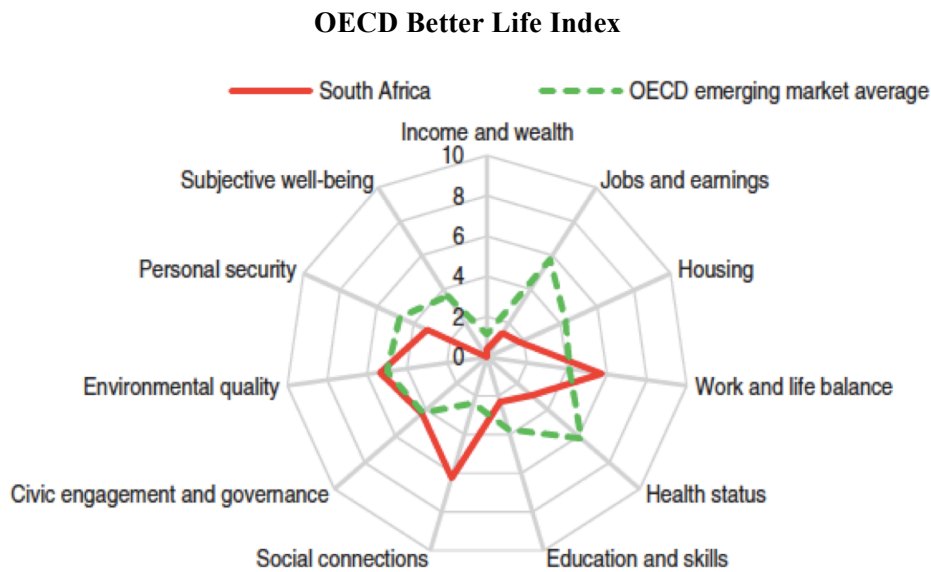


Figure 2.6 Better life index

(Each well-being dimension is measured using one to three indications from the *OECD* Better Life Indicator set with equal weights. Indicators are normalised by re-scaling to be from 0 (worst) to 10 (best)).

Source: (OECD, 2017:15)

The *OECD (2017:15)* indicates that “despite increased spending to broaden access to education, low quality in career education and skills training was limiting access to jobs. High crime rates and health problems are also weighing on well-being”. Lilenstein, Woolard, & Leibbrandt (2016) cited in *OECD (2017:15)* claims that “social connections rank high and illustrate the robustness of social institutions and family ties in a difficult economic context”. This argument of social connection importance is supported and well-documented by other authors (Arko-achemfuor, 2012; Wu, Xiaoyu & Hutchins, 2015; Hossein, 2017) where they enlist social capital as one of the benefits a member enjoys by joining a RoSCAs like a *stokvel*.

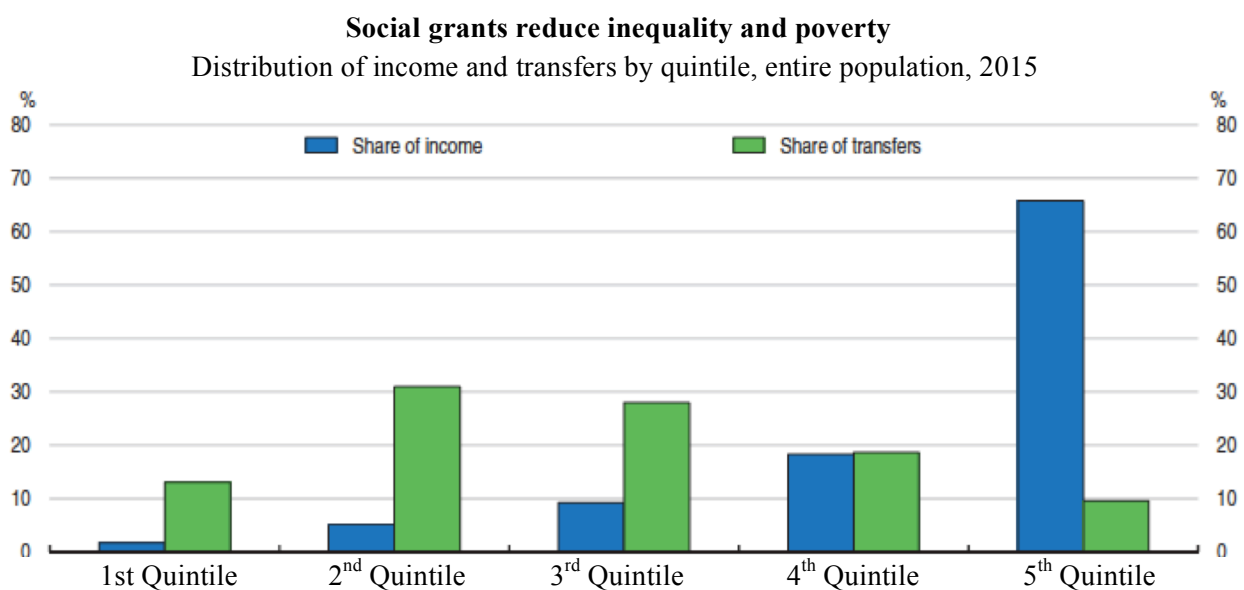


Figure 2.7 Level of income inequality in SA remains high despite the social grants

Source: (OECD, 2017:16)

The *OECD (2017:15)* report makes mention of the “level of income inequality in SA remaining high despite the social grants programme which constituted 16% of total government spending in 2016. Social grants are the main source of household income for the bottom three quintiles and represent a sizeable share of household income for the fourth quintile in 2015” (Figure 2.7). Whereas “the top quintile earns 40 times more than the lowest, which is four times more than other emerging economies like Chile and Mexico” (Figure 2.8) (*OECD, 2017:15*).

Poverty and Inequality in SA
 Disposable income quintile share, 2015

(Russia [RUS], Turkey [TUR], Chile [CHL], Mexico [MEX], South Africa [ZAF])

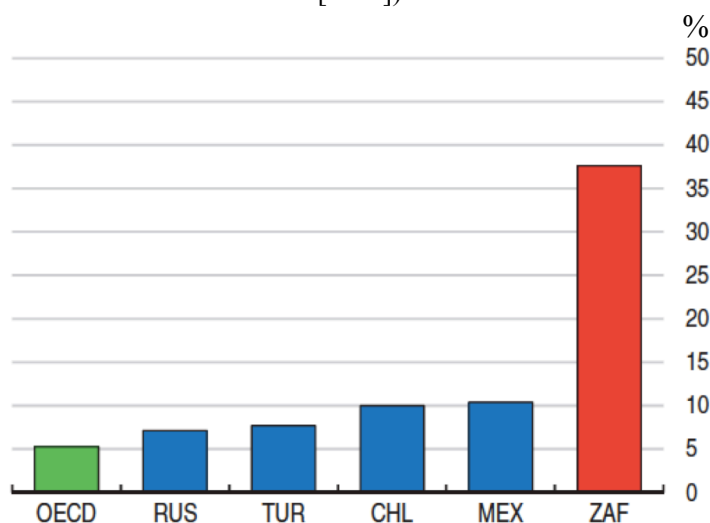


Figure 2.8 SA’s top quintile earns four times more than the rest of the emerging economies

Source: (OECD, 2017:16)

According to the *OECD (2017) report* in 2015, SA had an inequality Gini coefficient of 0.62, which decreased between 2008 and 2010, but has since stagnated. This concurs with the “World Bank report cited in *ILO (2016:55)* which found that when tax policy and government spending programmes were accounted for, SA’s Gini coefficient fell from its 0.77 in 2010/2011 down to 0.59 in 2013/2014, achieving the largest reductions in poverty and inequality of 12 peer middle-income countries, including Brazil”. The “high Gini coefficient of SA illustrates the difficulty of reducing inequalities in a slowing economy” (Bhorat, Tseng & Stanwix, 2014:225). The situation is exacerbated by the “continued low economic growth with rising population growth thus posing a serious challenge for government finances” (*OECD, 2017:15*).

The view of a high Gini coefficient as an illustration of slowing economy is also affirmed in a study by Ulriksen (2012:11) wherein conclusions were drawn from comparing the economic transformation strategies of Mauritius and Botswana indicating that “a consequence of the economic transformation was that income inequality declined during the 1980s in both economies from a Gini coefficient of 0.5 to about 0.37”.

The *OECD (2017:14) report* posits that “perceived government corruption and “widespread unmet needs in education, health, service delivery and infrastructure are also feeding citizens’ frustration”. The *ILO report* links the ills observed by the *OECD (2016:13)* as contributory factors towards the decline in “Foreign Direct Investment (FDI) flows into SA, dropping by 31.2% to USD5.8-billion in 2014, down from USD8.3-billion in 2013”. In addition, a number of factors including the power shortages, labour unrest and citizen uprisings due to lack of service delivery have also contributed to declines in FDI flows into SA (*ILO, 2016*). The *OECD (2017:18) report* reaffirms the well documented argument by most academics that “employment remains the most effective way to reduce poverty and inequality, and increase inclusiveness”. Without employment people are precluded from meeting their basic needs as outlined in Maslow’s theory of needs (Taujanskaitė, Milčius & Rutkauskas, 2015). “SA suffers from a low employment rate which is an important obstacle to inclusion” (Figure 2.9) (*OECD, 2017:18*). A more inclusive economic environment that promotes the informal economy, higher rates of entrepreneurship and small business growth, could play an important role in creating much-needed jobs and investment in SA (*OECD, 2017*).

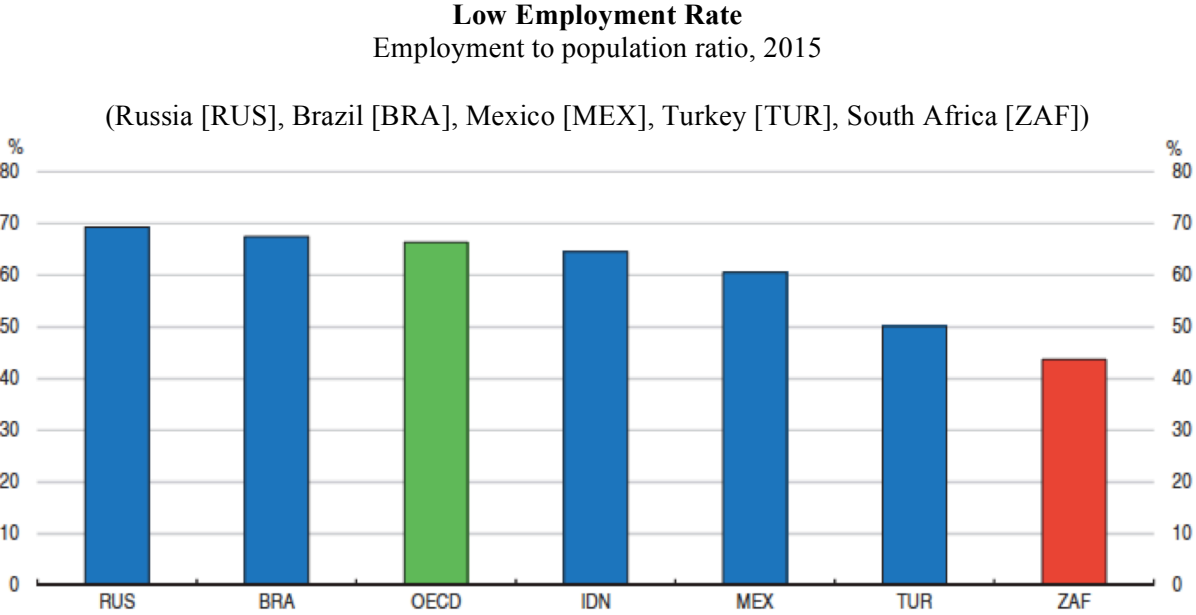


Figure 2.9 SA’s low rate of employment when compared to other emerging economies
Source: (OECD, 2017:18)

Some writers Arko-achemfuor (2012); Neves & du Toit (2012); Maluku & Kaseke (2014) concur with the view advanced by the *OECD (2017)* that SA would grow if its economy was inclusive. These authors further argue for a South African economy inclusive of RoSCAs like *stokvels* and SMME's. *SALGA (2012)* and the *IDP 2015/16 of eThekweni Municipality (2015)* also favour a developmental approach by municipalities of an economy inclusive of the informal economy. The downside of *SALGA (2012)* and the *IDP 2015/16* documents is that they ostracise *stokvels* from such an inclusive economy. *OECD (2017:41)* further indicates that “large and old firms continue to dominate the economy and employment”.

The increasing trend during the early 2000s of starting a business has since tapered off (Figure 2.10). The *OECD (2017:41)* report reveals that the “self-employment rate and the share of the population engaged in informal employment are also comparatively low, especially given high unemployment”. The *OECD (2017:51)* report also indicates that the “start-ups and small businesses often face financing constraints due to their lack of credit history and lack of collateral”.

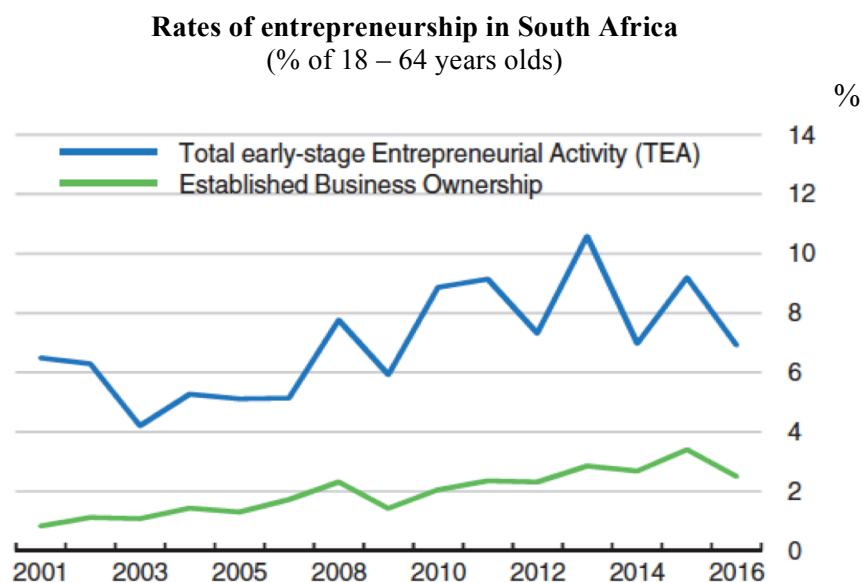


Figure 2.10 SA’s start-up business activity

Source: (OECD, 2017:42)

It furthermore indicates that “in SA the high unequal distribution of wealth and low employment rate make informal finance - which is the usual form of start-up capital - less accessible if not completely inaccessible” (*OECD, 2017:51*). This assertion by *OECD (2017)* report is further emphasised by Arko-

achemfuor (2012:127) with view that “entrepreneurship and SMME development have been touted as one of the viable means by which most of the people who are not participating in the economy can enter it. Some people in the rural areas of SA engage in SMMEs activities to make a living but getting start-up capital and working capital is a major problem for the emerging and potential entrepreneurs”. The *OECD (2017:51)* report point out that “bank lending to SMME’s appears low, accounting for 26% of business lending” (Figure 2.11).

SME Lending in SA

As a percentage of total business lending

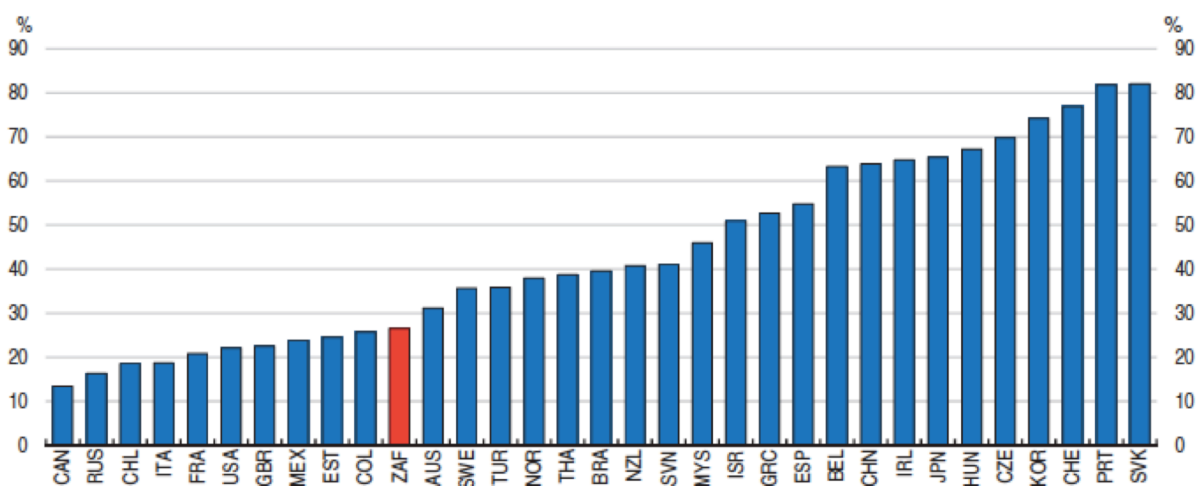


Figure 2.11 Comparison of SME lending rate in SA vs. other world economies

Source: (OECD, 2017:51)

According to the *OECD (2016:52)* report “barriers to entry in the banking sector are reducing competition from foreign international banks to enter the South African market and financial innovation. Among these barriers are;

- High minimum capital requirements,
- Difficulties accessing clearance and payment systems,
- Limitations on exit and
- Additional barriers to foreign banks”.

The South African government “provides financial and non-financial support programmes for micro and small businesses, some of which target sub-groups, such as youth or previously disadvantaged groups.

Local governments have also been increasingly active in running support programmes for entrepreneurs and small businesses, including informal businesses and those in townships. There is also a range of non-governmental programmes, including those run by the private sector associated with their spending targets under BBBEE policies” (OECD, 2017:52).

“Regulation could be adapted to foster the use of financial innovations such as crowd-funding, and regulatory sandboxes could be used to encourage their development” (OECD, 2017:52). The view of crowd-funding is shared by the study from writers Wu, Xiaoyu & Hutchins (2015) in that the funds from the traditional RoSCAs like stokvels (which are a form of crowd-funding) in countries like Ghana and China are “used as a major source for low income earners and small entrepreneurs as working and start-up capital” (Arko-achemfuor, 2012:127).

Regulatory barriers to entrepreneurship
OECD product market regulation indicators, 2013

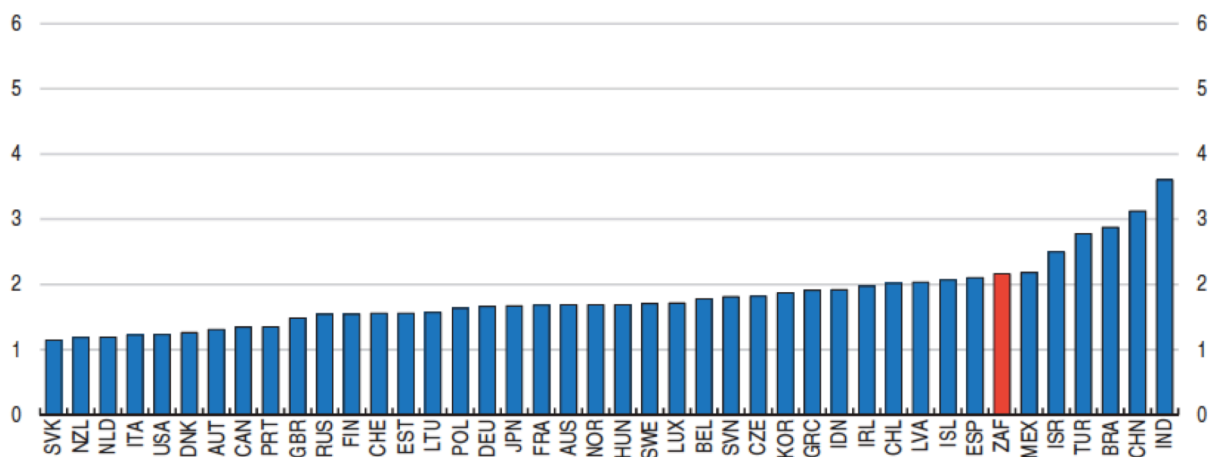


Figure 2.12 Economy-wide regulation
(Scores range from zero to 6 and increase with restrictiveness)

Source: (OECD, 2017:43)

According to OECD (2017) it has been found that a contributor to reduced rates of entrepreneurial activity and business ownership is a burdensome regulatory environment. Regulation is deemed to be disproportionately more costly for small and young firms and as thus discourages informal businesses from formalising. “SA ranks 74th in the World Bank’s Ease of Doing Business index and has a high regulatory

burden. The complexity of regulatory procedures such as licensing and the communication of regulation contribute to the barriers to entrepreneurship” (Figure 2.12) (*OECD, 2017:42*).

Local governments in SA do add to the burden of frustrating entrepreneurship activity through licence and permit systems, by requiring multiple inspections to obtain a licence. The *OECD (2017:42)* report posits that “the South African government has however, taken steps to make it easier to register a business, notably by automating business registration. In spite of this progress, other processes to start a business remain more time-consuming and bureaucratic than in other countries. In practice, delays in registration, often associated with value-added tax, can mean that starting a business takes six months”.

The report by World Bank (2017) cited in the *OECD (2017)* report adds that in SA the employee registration process for injuries on duty through the occupational compensation fund can take 30 days. Greater use of technology could speed up processes including the electronic registration for the compensation fund. The *OECD (2016)* points to the implementation of E-signatures in Mexico and Chile that have helped to improve the process of starting a business to no more than one (1) day. “The South African government will open one-stop shops – primarily targeted at attracting foreign investment – in four provinces in 2017. Each province will have a one-stop shop in the next three years. Expanding the physical and virtual reach of these one-stop shops is important to ensure that new and small businesses can access the service. The one-stop shops should allow entrepreneurs to register a new business and apply for local and national government permits. Co-locating these with local governments or other government offices and creating a virtual one-stop shop would improve access to this service” (*OECD, 2017:42*).

According to *ILO (2016)* there are estimated 2.4 million people that are reported working in the South African informal economy, representing some 16% of SA’s employed labour force. *StatsSA (2014)* survey cited in *ILO (2016:42)* found that “the number of informal businesses declined from 2.3 million in 2001 to 1.1 million in 2009, with a slight uptick to 1.5million in 2013”. The *ILO (2016:42)* report concluded that “this slight uptick was due to an increase in commercial lending to the informal economy between 2001 and 2013 (4% loans in 2001 to 17% loans reported in 2013)”. The *StatsSA (2014)* study cited in the *ILO*

(2016:42) report also found that “most of the informal enterprises have a turnover of between R1 000 to R10 000 per month and are predominately owned by black South Africans of age group 35-44 years old”. The major reason for starting their enterprise was unemployment. Cumulatively the informal economy activities contribute up to 7% to SA’s GDP (ILO, 2016). “Despite the important role played by the informal economy, many challenges and constraints threaten its sustained ability to mediate the impact of poverty and unemployment. These have been cited to include legal and regulatory constraints, lack of access by enterprises in the informal economy to finance and financial services, access to markets, skills development and technology support, business infrastructure; poor stakeholder management systems; and lack of access to knowledge management and capacity building opportunities” (ILO, 2016:43).

According to ILO (2016:43) there are two initiatives by government that have the potential to shift the policy environment for the informal economy in SA:

1. The Draft Licensing of Businesses Bill.

“The March 2013 draft version required any person involved in business activities, no matter how small, to have a licence. The major criticism of the draft bill in its 2013 form is that it provides no incentive to obtain a licence, but instead recommends punitive and draconian measures being; confiscation of goods, fines and imprisonment for up to 10 years”. These provisions may be a deterrent to an informal economy that already feels marginalised.

2. The National Informal Business ‘Upliftment’ Strategy (NIBUS).

ILO (2016:43) reveals that the strategy was announced in 2014 by the *National Department for Small Business Development*. The strategy policy is an attempt at a nationally co-ordinated approach towards the economy inclusive of the informal economy. Amongst other things the NIBUS policy proposes to tackle critical issues that relate to informal businesses by:

- facilitating the creation of an enabling regulatory environment that will enhance enterprise development support; and
- co-ordinating intergovernmental and stakeholder relations to broaden participation of SA’s informal business sector in the economy. “Commentators have noted that policy at both the

national and local level needs to recognise the diverse nature of informal activity, and that these activities require support that is specific and targeted”.

2.7.2.1 The Informal Economy

The *SALGA (2012)* blueprint acknowledges that a very wide range of economic activities are included in the informal sector, making it almost as diverse as the formal sector. Therefore the implication of that is that government policy in SA needs to take as broad a view as possible, and be relevant to as large a portion of the informal sector as possible. Contrary to the well-documented findings by authors Maluku & Kaseke (2014) and research organisation *African Response Research (2012)* that the *stokvels* command an industry size of R49 billion with a membership of over 11 million, *SALGA (2012)* and eThekweni Municipality’s *IDP (2016/2017)* have prioritised trade as the most important sub-sector of the informal sector. *StatsSA (2011)* cited in *SALGA (2012:8)* supported this view in that “trade is the most important sub-sector of the informal sector, by a considerable margin. Just over 1 million people are engaged in this activity, and another 300,000 in community and social services. Together, these sub-sectors constitute around 60% of all employment in the informal sector”.

According to some researchers *African Response Research (2012)*; and academics le Roux (2012); Neves & du Toit (2012); Fourie (2013); Rakabe (2013) RoSCAs like *stokvels* are synonymous with the term informal economy. The informal sector (at times referred to as the informal economy) got its name from a British anthropologist Keith Hart in 1971 (Chen, 2012). *SALGA (2012:4)* describes the term “informal economy as a wide range of economic activities and participants, from home-based activities to street trading; from waste collectors to small service businesses, each with its spatial specificities and linked into the formal economy in different ways”. As opposed to “the formal economy is made up of formally registered businesses and/or people who work for a regular wage, have employment contracts and enjoy the protection of labour legislation, while the informal economy is made up of unregistered businesses and people who operate outside of the formal domain” (*SALGA, 2012:4*). From the above definitions including those by authors it is safe to add RoSCAs like *stokvels* into the list that makes up the informal economy activities and participants. The view held by Chen (2012) and *SALGA (2012)* was further advanced by Rizzo, Kilama & Wuyts (2014) cited in Wuyts & Kilama (2016:326) in that the “concept of the informal

sector is a case of ‘misplaced aggregation’, since it lumps together a variety of activities; some involving a variety of small and medium-scale productive enterprises that operate outside formal arrangements, along with what could properly be called activities characterized by disguised unemployment”.

SALGA (2012:8) affirms “there is no doubting the importance of the informal economy in SA. By its very nature informal economic activity goes unrecorded and is therefore difficult to measure, but some estimates value the informal sector at around 28% of SA’s GDP”. Schneider (2002) cited in *SALGA* (2012:7) estimated “the size of the informal economy in SA to be around R160bn, making it 2.5 times as large as the entire agricultural sector, or 70% of size of the mining sector”.

In the study by Neves & du Toit (2012:131) it is recorded that “... over four decades ago the informal economy has been a longstanding domain of interest across an array of disciplines, defying early predictions that it would be eclipsed or simply absorbed by the formal economy. Instead the informal economy has continued to grow globally”. This is further corroborated by (Chen, 2012:3) that “there has been a realisation that the informal economy has become a crucial factor in economic development, particularly in developing and emerging countries, and that it offers significant job and income generation opportunities. This realisation has seen a big shift in conceptualising the informal economy as a traditional economy that will wither away and die with modern, industrial growth to an integrated part of the economy, which is expanding with modern, industrial growth”. *SALGA* (2012) actively encouraged each municipality of the 278 affiliated to it in SA to make an attempt to understand and acknowledge the informal economy in its entirety.

Chen (2012:3) asked: “why does employment in the informal economy often expand during periods of economic adjustment or transition? When enterprises are downsized or shut down, the workers who are laid-off and cannot find alternative formal jobs often end up working in the informal economy. This is particularly true of those who cannot afford to be unemployed, more so in countries without unemployment insurance or compensation. If hard economic times are accompanied by rising inflation or

cutbacks in public services, households often need to supplement formal sector incomes with informal earnings”.

According to David *et al.* (2013:4) “policy frameworks and strategies aimed at the informal economy must be developed, without hampering the potential of the sector for economic growth. However, the main challenge is to develop innovative, inclusive and supportive policies that recognise the value of the informal economy and the people working in this field”. Furthermore, David *et al.* (2013:4) observed that “municipalities and city councils across the African continent have started to recognise the importance of the informal economy and that its negation is often impeding economic growth and sustainable livelihoods”. In most developing countries, the informal economy is the default option for workers unable to secure formal employment. Neves & du Toit (2012:131) argued that “economic informality therefore appears to be less a residue of underdevelopment than a means by which a growing number of markets, economic activities and working lives are organised”.

The study by Neves & du Toit (2012:132) posits that “informal economy workers are prone to not keeping written business records and extracting seemingly unsustainably high levels of resources from their enterprises. They are not motivated by business plans but by various social needs”. Hence, Mass & Herrington (2006) cited in Neves & du Toit, (2012:132) point out “in an influential comparative study within the business and management sciences literature that SA’s impoverished informal sector workers are deemed to be innately lacking in entrepreneurial sophistication and acumen”.

Devey, Skinner and Valodia (2005) cited by *SALGA* (2012:8) argue in favour of a “symbiotic relations between the formal and informal economies since most often the informal economy is presented as something completely separate from the formal economy, and in a negative light, yet reality suggests differently. The formal economy is supported by the informal economy, since the former is the most important source of goods to be sold on by the latter”. In addition and “moreover, informality is everywhere and should not automatically be seen as a problem. Informal institutional arrangements and personalised relationships may in the short and medium term contribute to productive developmental

outcomes in emerging countries, just as informal and formal institutions must be seen not as an either/or choice but understood in their constant and complex interaction” (Lauridsen, 2014:427). This point is further supported by Davies & Thurlow (2009) cited in *SALGA (2012:9)* wherein the authors “emphasise that the diverse nature of the informal economy and its complex interactions with the formal sector reinforces the need for policymakers to adopt a cautious approach towards understanding the informal economy implications of formal sector policies and strategies at the earliest stage of decision making”.

2.7.3 THE ECONOMY OF eTHEKWINI MUNICIPALITY

The *IDP (2016/2017)* report indicated that “the eThekwini Municipality region is the economic powerhouse of KZN and also makes a significant contribution to the South African economy. eThekwini Municipality ranks as the second largest economic centre and is the second most significant industrial region in SA. eThekwini is home to Africa’s first multimodal logistics platform and international passenger airport, Africa’s busiest port, and a global conferencing, sporting and tourist destination. It is also a substantial administrative centre, providing key public services within the Metropolitan area as well as to the wider region. It is both a centre for low cost production, as well as a key logistics hub in the national economy. eThekwini Municipality is home to 10% of all employment opportunities in SA” (*eThekwini Municipality, 2016:48*). The *IDP (2016/2017)* report pointed out that the “key Issues relating to the economy in eThekwini include:

1. Persistently high unemployment;
2. 41,8% of population subject to conditions associated with poverty;
3. Need for greater diversity in the economy;
4. Declining resource base and the impacts of climate change;
5. Unreliable electricity supply through Eskom;
6. Urbanisation; and
7. Low FDI and business expansion” (*eThekwini Municipality, 2016:49*).

According to the *IDP (2016/2017)* report “imports in eThekweni Municipality during 2014 were recorded at R91,4 billion while exports were much lower R68,1 billion. In the same year eThekweni’s contribution to SA’s imports was 8.5% while exports was 6.8%. In eThekweni, imports have grown at a faster rate than exports during 2008-2014 (4.2% and 3.6% respectively). The observed decline in imports between 2013 and 2014 in (Figure 2.13) was due to the drop in crude oil products of approximately R38 billion” (*eThekweni Municipality, 2016:57*).

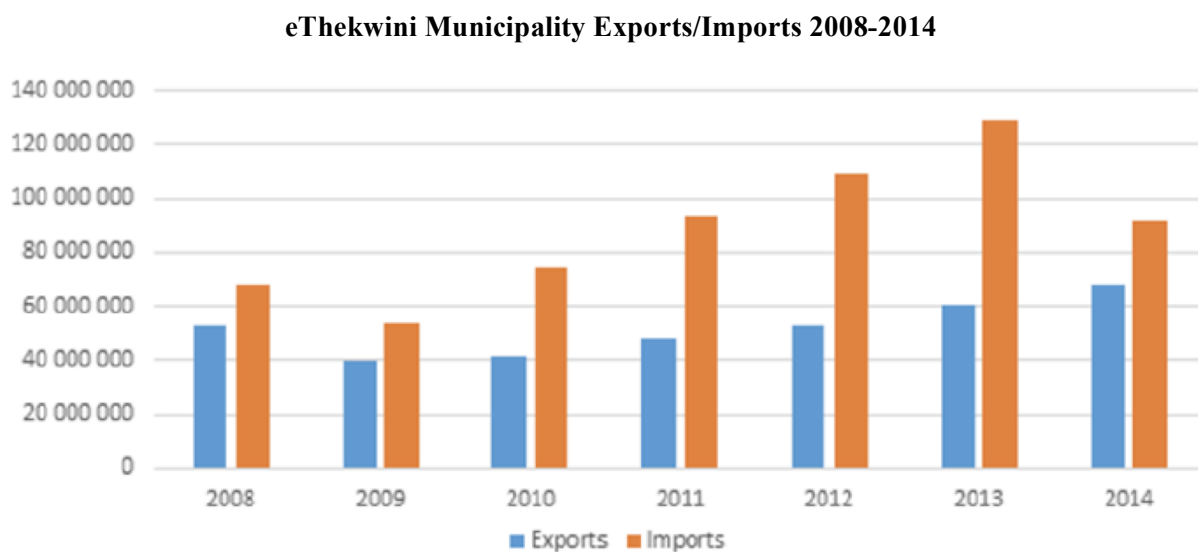


Figure 2.13 eThekweni Municipality Exports and Imports
Source: (eThekweni Municipality, 2016:58)

The *IDP (2016/2017)* report further pointed out that “over 60% of all exports during 2014 were motor vehicles, parts and accessories and basic iron and steel. Almost 50% of imports are motor vehicles, parts and accessories, and basic chemicals. The majority of exports from eThekweni Municipality are destined for African countries (approx. 37%) whereas 51% of imports come from China and Japan” (*eThekweni Municipality, 2016:57*). From the Eurozone, “the UK was eThekweni Municipality’s number one export partner in 2014. eThekweni Municipality’s other trading partners include Germany, the United States, China, and Spain. EThekweni’s exports included corn, diamonds, fruits, gold, metals and minerals, sugar, and wool (*eThekweni Municipality, 2016:58*).

According to the Quarterly Labour Force Survey (QLFS) (2017) report documented by *StatsSA* the eThekweni Municipality region recorded an unemployment rate of 28.7% during the first quarter of 2017 (*Statistics South Africa, 2017b*). Census 2011 by *StatsSA (2012)* revealed that 38% of the eThekweni Municipality population was economically active, decreasing by 2.0% from the economically active population in 2006. The municipality employed approximately 7.4% (approximately 1.2 million people) of the national total of 16.2 million people and is currently growing at a rate of 1.7% (*Statistics South Africa, 2017b*). Although the unemployment rate was the second lowest in SA after the City of Cape Town the eThekweni Municipality's challenge was to grow employment by more than 4% p.a. in order to meet its share of the NDP 2030.

The eThekweni Municipality's "gross domestic product (GDP) comprises 57,1% of KZN GDP and 9,1% nationally. eThekweni Municipality's GDP was recorded at R272,9 billion in 2014 with growth forecast by 1,9% during 2015. GDP growth in the eThekweni Municipality region increased by 1,2% between 2013 and 2014 while KZN and SA grew by 1,7% and 1,5% respectively" (*eThekweni Municipality, 2016:51*). The Community Survey 2016 by *StatsSA* put the 2011 population of eThekweni Municipality at 3.44 million and that figure has grown in 2016 to 3,59 million people "at an average annual percentage of 1.13% per annum. The eThekweni Demographic Projections for the period 2012 to 2021 were as follows" (Table 2.2) (*eThekweni Municipality, 2016:31*).

According to the *IDP (2016/2017)* report the "census 2011 and community census 2016 statistics of eThekweni Municipality reveal that the population group of individuals below the age of 35 years makes up 71% of the population. The 35 to 59 age group comprises 21% and those individuals who are over 60 years make up the final balance 8%. The economically active age group from 15 to 59 years makes up 67% of the population" (*eThekweni Municipality, 2016:32*). In terms of the *IDP (2016/2017)* report "the African (black) community was the majority of the in 2011 representing (73.8%) of the population followed by the Indian community (16.7%), White community (6.6%), Coloured community (2.5%) and other (0.4%)" (*eThekweni Municipality, 2016:33*).

Table 2.2 eThekwini Demographic Projections

YEAR	ESTIMATE
2012	3 446 447
2013	3 480 726
2014	3 517 157
2015	3 555 868
2016	3 596 543
2017	3 638 918
2018	3 682 524
2019	3 727 032
2020	3 772 097
2021	3 818 499

Source: (eThekwini Municipality, 2016:31)

According to *IDP (2016/2017)* report the executive council of eThekwini Municipality adopted a strategy called the “*Economic Development and Job-Creation Strategy 2013-2018*” which mapped out a growth scenario up to the year 2030 in pockets of year five (5) years (*eThekwini Municipality, 2016:48*). The growth strategy opportunities over the period from 2013 to 2030 would “focus on capitalizing on the role of the port of Durban, international airport, modern rail and road infrastructure, information and communication technologies, promoting the municipality as a hub for trade between Africa and the world” (*eThekwini Municipality, 2016:48*). The strategy also promoted eThekwini Municipality as the manufacturing hub for the SADC region. *Global Insight (2014)* cited in *eThekwini Municipality (2016)* recorded that the big employment sectors in eThekwini were community services (at 19%), finance, trade (at 18%) and manufacturing (at 17%). Total employment in 2014 was 1,045,553 (1,3 million including informal employment). Real disposable income grew by 3.8% between 2013 and 2014 (Figure 2.14). The *IDP (2016/2017)* report pointed out that “there was a decrease in the number of households earnings in the

Number of households per income category 2013-2014

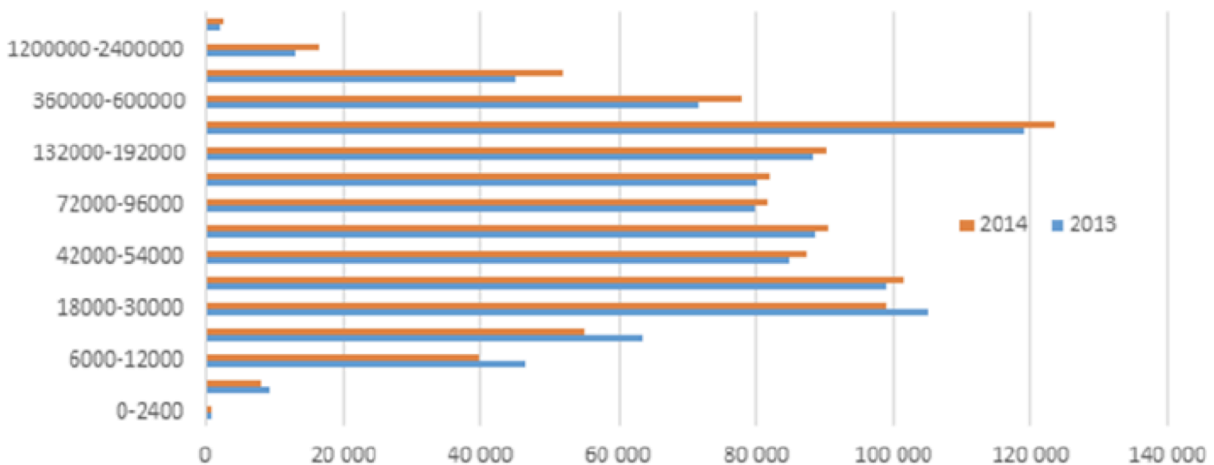


Figure 2.14 Number of households per income category

Source: (eThekweni Municipality, 2016:54)

lower income categories. In 2014 the per capita income for eThekweni was R55,727.00 p.a. (increased by 8.6% from 2013). EThekweni Municipality has the 6th highest per capita income when compared with other major municipalities; the highest of which is Tshwane with R71,710.00. The overall Gini coefficient in eThekweni Municipality was 0.64 in 2014 which shows a change of 0.01 percentage points from 2013. Total household expenditure in eThekweni Municipality in 2014 amounted to R202,2 billion, up from R184,1 billion in 2013” (*eThekweni Municipality, 2016:54*).

The report from the *IDP (2016/2017)* went further to indicate that “the majority of household expenditure was on accommodation (14.2%), taxes (12.4%), finance (7.2%), transport (6.8%) and medical schemes (6.0%)” (*eThekweni Municipality, 2016:54*).

“Stokvels play an important role as economic and social instruments in smoothing consumption and in improving the living standards and increasing the utility of poor households” (Mashingo & Schoeman, 2012:6).

According to the *IDP (2016/2017)* report the “total retail sales amounted to R57,5 billion in 2014, up from R53,3 billion in 2013. The most retail sales were in perishable and processed products (34.9%), women and children clothing (9.5%), household goods (7.5%) and pharmaceuticals (6.7%)” (*eThekweni Municipality, 2016:54*). This statistic cited from *IDP (2016/2017)* is supportive of the findings by *African*

Response Research (2012) wherein the data depicts the grocery *stokvels* as the second highest *stokvel* type in KZN after the savings *stokvel* type. eThekwini Municipality “accounts for 57% of KZNs total retail sales. In 2014, of the total buying power of the country (100), eThekwini’s share (index of buying power) amounted to 9%” (*eThekwini Municipality, 2016:54*).

“When reviewing results on purchases made by Grocery *stokvels*, the top three categories of groceries bought are staples (83%), cooking products (79%) and washing powders 78%). The Grocery *stokvel* purchase is made in bulk and done mainly once a year (64.1%), as the aim is to provide a reserve of groceries for a significant amount of time hence items purchased tend to be non-perishables” (*African Response Research, 2012:11*).

Stokvel groups or members that “make purchases on a more regular basis e.g. those shopping monthly (19%) or as and when the need arises, perishable goods feature more in the list of items bought. Shoprite (69.9%), Pick ‘n Pay (49.2%) and Spar (32.9%) are the three main retail outlets used by individuals for their grocery purchases, however, when it comes to shopping from the proceeds of the Grocery *stokvel*, this varies slightly with the top 3 outlets being independent wholesalers (23.3%), Shoprite (20.7%) and Spar (10.6%)” (*African Response Research, 2012:11*). The paper by Ulriksen (2012) maintains that “poverty, and more so inequality, has most efficiently been reduced in countries where social welfare has been a national project that cuts across income groups rather than focusing on the poor alone, and where social and economic policies are aimed at transforming the economy and creating employment” (Ulriksen, 2012:5).

IDP (2016/2017) of *eThekwini Municipality (2016:55)* indicated “the percentage of people living below the food poverty line in eThekwini Municipality has reduced by 30.1% between 2004 and 2013 and by 0,12% between 2012 and 2013; however, eThekwini Municipality has the highest number of people living below the food poverty line compared to the other 4 major municipalities in SA” (see figure 2.15).

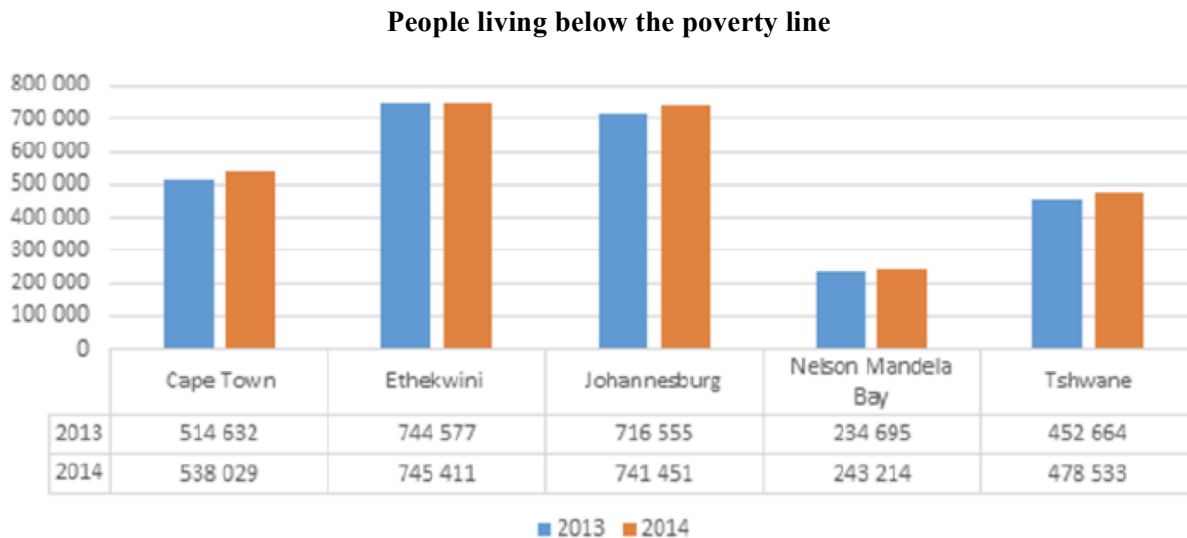


Figure 2.15 People living below the poverty line in eThekweni Municipality compared to other municipalities in SA

Source: (eThekweni Municipality, 2016:56)

The make-up of eThekweni Municipality’s “744,577 people living below the poverty line in 2013, 98,8% were African, while 0,3% were Asian, 0,8% were Coloured and 0,1% White” (*eThekweni Municipality, 2016:56*). This meant therefore that from the total eThekweni Municipality population of 3,44 million individuals as recorded by Consensus 2011; “28% of the African, 7,5% of the Coloured, 0,43% of the Asian and 0.05% of the White population are living below the food poverty line” (*eThekweni Municipality, 2016:56*). The Gini-coefficient of 0.64 for eThekweni Municipality ranked second lowest in 2014 with Nelson Mandela Bay Municipality (NMBM) while Johannesburg was the highest (at 0.65 each) and Cape Town the lowest at 0.62 during 2014. According to the *IDP (2016/2017)* it is reported that the food security in eThekweni Municipality needs improving as 21% of households live on or below the food poverty line. This staggering statistics of people living below the poverty line in eThekweni Municipality bears centrality to the theory of Maslow’s hierarchy of needs for the role of *stokvels* in the economic transformation of eThekweni Municipality.

“The actual rationale for the existence of *stokvels* why people join *stokvels* is the element of social securitisation by pooling social capital assets in order to smooth income and consumption. *Stokvels*’ current ability to meet the financial needs of poor households can be considered an opportunity to help to

bridge the irreducibly uncertain economic environment which limits access to credit by the poor. Stokvels provide the opportunity for government and banks to develop mutually beneficial relationships or linkages with such informal associations to make them more effective and efficient in mobilising premiums (savings) and advancing credit in poor communities. In dealing with an irreducibly uncertain economic environment, stokvels have assured the liable and predictable behaviour needed to supply credit. Forming groups is a means not only of delivering savings and credit services, but of building group skills as part of a wider strategy of financial empowerment". (Mashingo & Schoeman, 2012:8).

FinScope (2014) indicates that SA's savings rate is one of the lowest in the world and that more than 57% of consumers own debt that is more than 30 days overdue. A greater awareness and action plan is required to encourage people of SA to save, even small amounts. The lack of savings culture throughout SA including at municipality level has a very negative affect on SA's balance of payments and ability to borrow.

2.8 CONCLUSION

There are in total seventy three (73) strategic policies and plans of eThekweni Municipality that make up the eight (8) point plan *IDP 2012/2016 policy framework* (Appendix F). Of these there is only one policy namely; *Durban's Informal Economy Policy*, adopted in 2001, that was formulated for the purposes of economic inclusiveness of the informal economy in eThekweni. Even then the *Durban's Informal Economy Policy* is skewed in favour of informal street traders whilst other informal economy activities like *stokvels* have been marginalised.

"Noting the high levels of poverty and unemployment the challenge for the eThekweni Municipality is to find ways to reduce the increasing gap between rich and poor and to identify sustainable livelihoods and economic opportunities that will act as a catalyst for economic growth and job creation and ultimately, greater sustainability and urban resilience" (*eThekweni Municipality, 2016:106*). "There is increased recognition that much of the informal economy today is integrally linked to the formal economy and contributes to the overall economy; and that supporting the working poor in the informal economy is a key pathway to reducing poverty and inequality" (Chen, 2012:3). A study by Ulriksen (2012:13) asserts that

“in its attempts to reduce poverty and inequality SA has tended to focus on economic growth and, as a secondary strategy, social security policies targeted at the poor and vulnerable who do not benefit from such growth”. Ulriksen (2012:12) claimed that “broad-based social policies and economic transformation decrease poverty and inequality”. In spite of all the policies and plans by governments and municipalities poverty, unemployment and inequity still persists and the poor are forced to engage in self-help initiatives like *stokvels* in order to address these societal ills.

The informal economy inclusive of *stokvels* could be a missing piece of a puzzle of how to advance economic transformation, and thus increase employment opportunities, without hampering economic growth. “To effectively reduce poverty and inequality, economic strategies need to support economic transformation and decent employment creation and be supplemented by generous and broad-based social security policies” (Ulriksen, 2012:13). “Unfortunately, so far, economic transformation has not begun to benefit the majority of those who even in the pre-1994 South Africa have always been poor and hungry” (Pakiso, 2016:7407).

In next chapter of this study a greater focus will be placed on the literature review on *stokvels* and RoSCAs as they are known worldwide. The next chapter will elucidate the intrinsic attributes of *stokvels*, their significant role in economic transformation and in the economy inclusive of the informal sector. In chapter 3 the literature review on *stokvels* will unravel the conceptual framework that informs the study.

CHAPTER THREE

LITERATURE REVIEW ON *STOKVELS* AND CONCEPTUAL FRAMEWORK

3.1 INTRODUCTION

This chapter will examine some fundamental concepts and theories in order to introduce the conceptual framework for the study. This section explores and evaluates the current literature: books, journals and other reviewed literature on *stokvels*, RoSCAs, and the informal economy. The economic contribution of *stokvels* in SA and RoSCAs worldwide will be explored. Additionally, the linkages between *stokvels* and big business will be highlighted. This chapter contains the following topics; reviewed literature on the global view of RoSCAs, *stokvels* as a South African concept, economic contribution factors of *stokvels* and the conceptual framework for the study and finally a concluding summary of the chapter.

3.2 REVIEWED LITERATURE ON *STOKVELS*

The *stokvel* industry is an informal entity that operates under a legal exemption notice granted by the SARB in 2010 under the *Banks Act 94 of 1990* (Calvin & Coetzee, 2010; *African Response Research, 2012*; Maluku & Kaseke, 2014). *Stokvel* organisations, under different names, can be found in both developed and underdeveloped countries. Worldwide they are a global phenomenon commonly known as RoSCAs, with the term *stokvel* unique, only, to SA (Maluku & Kaseke, 2014).

3.2.1 THE INTERNATIONAL PERSPECTIVE OF ROTATING SAVINGS AND CREDIT ASSOCIATIONS

Hossein (2017:30) defined RoSCAs as mutual aid groups where “members make the rules and regular contributions to a fund that is given in whole or in part to each member in turn”. RoSCAs are long-standing traditions of pooling resources that have historically helped excluded groups engage in alternative financial services. Hossein (2016) cited in Hossein (2017:33) argued that RoSCAs form a part of the social economy because they are focused on the social and financial lives of excluded communities, yet “the social economy literature has often relegated the important work of such self-help banks in both developed

and developing countries to the side-lines”. This argument by Hossein (2017) is reflected in the aim, research problem and research questions of this study; and furthermore, it bolsters the narrative of the marginalisation of *stokvels* in SA as advanced by institutions like *African Response Research (2012)*, and authors (Rakabe, 2013; Maluku & Kaseke, 2014). The author further argues that the marginalisation of RoSCAs in Canada stems from the negative perception that they are illicit or illegal, are typecast as gambling, money laundering, and pyramid schemes. Some community members view RoSCAs as sponsoring terrorist groups, whereas some stakeholders (e.g., bankers, finance experts, policy-makers) admittedly know very little about them (Hossein, 2017).

In the consulted literature many academics from various disciplines have written about RoSCAs. Sociologists have analysed the complex social dynamics associated with the lending and borrowing aspects of these institutions, whilst the economists have examined the efficiency of the operation of RoSCAs (Wu & Hutchins, 2015). Authors Wu & Hutchins (2015); Arko-achemfour (2012); Maluku & Kaseke (2014); Hossein (2017) concur that RoSCAs are found in developed and less developed countries alike (see examples in Table 3.1). As people migrate they bring their version of RoSCAs to their new countries.

Based on a case study of Chinese-Americans in Queens, New York in the USA, Wu & Hutchins (2015:21) cite Ardener (1964) in reporting that RoSCAs are defined as “an association formed upon a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation”. This definition is identical to the definition and observation of *stokvel* organisations in SA by the founder and Chairman of *NASASA* Mr Lukhele. The most common denominator amongst all RoSCAs, albeit from developed or developing countries, is that they are used for both saving and borrowing and essentially serve as the financial system for the community. Just like with the exclusion of blacks in SA pre-1994 and the increase of *stokvels*, the many cases of bias of banks in countries like Canada are but one example of the many forms of economic discrimination faced by communities with racist tendencies which explains why people eventually form RoSCAs.

Table 3.1 Examples of RoCSAs around the world

<u>Country of Origin</u>	<u>Names of RoSCAs</u>
India, China	<i>Biao Huis</i>
Ethiopia	<i>Ekub</i>
Ghana, the Caribbean Islands	<i>Susu</i>
Sri Lanka	<i>Seettuva</i>
West Africa	<i>Tontines</i>
Japan	<i>Tanomoshiko or Mujin</i>
Korea	<i>Wichin gye</i>
Indonesia, Kenya, Nigeria	<i>Arisan</i>
Democratic Republic of Congo	<i>Ikelembas</i>
Mozambique	<i>Xitique</i>
Cameroon	<i>Djanggis</i>
Egypt	<i>Gamiya</i>
Somalia	<i>Hagbad</i>
South Africa	<i>Stokvel</i>
Brazil	<i>Pandeiros</i>
Philippines	<i>Puluwagan</i>
Tanzania	<i>Kibati or Upatu</i>

Source: (Hossein, 2017; Wu, Xiaoyu & Hutchins, 2015)

The fact that RoSCAs, as an alternative financial system in Canada and elsewhere are meeting the needs of hundreds of people is seldom a point of discussion (Hossein, 2017). Jones (2014) cited in Hossein (2017:30) indicated that “in the U.K., British citizens have created a network called ‘peer-to-peer lending,’ and they are pushing for legislation to recognize non-bank lending”. Other reasons for borrowing included big purchases such as consumer durables and real estate as well as launching small businesses. RoSCAs

were similar to mutual savings banks (Neves & du Toit, 2012), but with a fixed life expectancy (Wu & Hutchins, 2015). There was a view advanced by Wu & Hutchins (2015) that although never explicitly stated, tax evasion could be a motive for some individuals in joining the RoSCAs; this being to hide their wealth or seeking a tax-free investment.

According to Shan & Zan (2002) cited in Wu & Hutchins (2015:24) “RoSCAs have a long tradition in China with historical data going back at least to the Tang Dynasty starting in 618AD. In modern China, RoSCAs have also been active primarily due to limited access to the mainstream banking system and the unmet demand for loans in rural areas. RoSCAs are especially prevalent in East and South East China such as the Province of Zhejiang and Fujian, where small businesses flourish with a need to raise capital. Wenzhou is a port city in Zhejiang Province and has been an entrepreneurial community with household industries”. Tsai (2000) cited in Wu & Hutchins (2015) found that 85 per cent of respondents in a survey, from Wenzhou had taken part in using ROSCAs called “*Biao Huis*”. In the period between late 1970s and early 1980s, as mainland China opened up its economy, people from Wenzhou managed legally and illegally to immigrate into the USA. Just as they did in their hometown, these immigrants establish and strengthen their traditional social affinity through their financial linkages through RoSCAs (Wu, Xiaoyu & Hutchins, 2015).

The social affinity of people from Wenzhou is an element of social capital that generally facilitates the “sharing of knowledge, the creation of value, competitive advantage, better performance, organizational development” (Sulistyo, 2015:140) and the “collective action leading to the development of communities where people are able to cooperate with each other” (Dziątek, 2014:180). “Thus, social capital is an organizational network that builds on shared norms with the system of values and a shared understanding that can strengthen co-operation” and cohesion in the long term (Sulistyo, 2015:141). Whilst RoSCAs are not necessarily illegal in the USA’s legal system, the RoSCAs membership contract was, however, not protected by the law. This aspect of the operation of RoSCAs means that the associations run on the principle of social trust (Wu, Xiaoyu & Hutchins, 2015). Just like in SA, the trust element was an age-old and historic cornerstone in the

formation and existence of *stokvels* (Maluku & Kaseke, 2014). Authors Putnam (1993) cited in Doh (2014:108) observed “that areas with social relationships based on trust, shared values, mutual support, and solidarity tend to have higher participation in social organizations and, thus, higher levels of social capital”.

Trust as collectively defined by Fukuyama (1995) and Putnam (2000) cited in Doh (2014:108) was “the basis for reciprocity acting to lubricate the inevitable frictions of social life, increase efficiency and reduce transaction costs”. It had been indicated by authors Doh (2014), Holland, da Silva & Kitts, (2015) that generalised and institutional trust together promoted co-operation and the sharing of resources, such as information, skills, and knowledge, and reduced the need for intervention to prevent dishonesty. There are a number of features common to all RoSCAs like *stokvels*. These credit associations have a finite life span dependent upon the number of payment cycles (Wu & Hutchins, 2015). For example, if participants who are registered members make twelve monthly payments, the RoSCAs would exist for twelve months. In South African *stokvels* the cycle is usually extended, at times in perpetuity, with the leadership positions of Chairman and Treasurer subject to rotation amongst members for set terms or agreed upon periods (*African Response Research, 2012*).

Every RoSCAs had a leader or a founder (Wu, Xiaoyu & Hutchins, 2015). In the South African context this individual usually assumed a role of either Chairperson or Treasurer (*African Response Research, 2012*). The Chairperson of a RoSCAs originated the association, and facilitated the transactions. In a RoSCA set-up the leader generally takes more risk than the other members take and is granted certain privileges above those of other participating members. Members held a single membership share or multiple shares, and there was a payment and a pay-out element for each share. A contribution amount was decided at the outset of the association. The key variables universal to all RoSCAs like *stokvels* were: the number of registered members, the cycle of payments, the role of the leader/founder, the contribution amount, and the one time pay-out (Wu & Hutchins, 2015; Maluku & Kaseke, 2014).

There were generally two types of RoSCAs, it was either a random or a bidding RoSCAs. In the random the total contribution payments and the pay-out were equal for any membership share. For an example, in a twelve membership RoCSAs with a monthly contribution of 100 US Dollars each member would contribute one hundred dollars per month for a period of twelve months. Each month, one random member of the twelve members would receive 1200 US Dollars. In this system each member contributes and received twelve hundred dollars. This arrangement could be thought of as a means of forced savings (Hosseini, 2017). As a result, the random RoSCAs were sometimes referred to as peer lending groups or savings groups (Wu & Hutchins, 2015). The random RoSCAs were similar to the SA *stokvel* organisations, however, there were slight differences depending on the type of *stokvel*. These differences would be observed in the grocery *stokvel* type where by the members used their lump sum annual pool of savings to buy non-perishable groceries. On the day of pay-out each contributing member would receive a similar package of grocery goods (e.g. 20 kg of rice, 20 kg of mealies, 15 litres of cooking oil, 5 kg of tea bags, etc.) to last their respective families for the better part of a calendar year (*African Response Research, 2012*).

“In the second type of RoSCAs, contributing members have to bid to get the pay-out. The bid is often defined as a discount one is willing to accept for receiving the pay-out. In this case, there is also a before and after element. Before an individual receives the pay-out, he can make a discounted contribution, but after receiving the pay-out he contributes the full amount in all remaining cycles. For example, if there are five members who agree to contribute one hundred dollars each month, and in the first month one participant wins the pay-out by offering a bid of twenty dollars, then this winner receives only eighty dollars from each of the other members in exchange for obtaining the funds immediately. The winner has to pay one hundred dollars in full in all later months. Suppose in the second round, the bid is fifteen dollars, then the winner this month gets one hundred dollars from the previous winner and eighty-five dollars from everyone else. A winning bid of ten dollars in the third round means that the winners in months one and two pay one hundred dollars and the other remaining members who have not yet won pay 90 dollars. There is no need to bid in the final round since the member who receives the pay-out in the last month gets one hundred dollars from all previous winners. Over the course of the association some

members pay in more than their pay-out for the right to obtain the funds early in the life of the RoSCA while others who bid late may receive a pay-out greater than the total amount they paid in. This type of RoSCA contains elements of borrowing and lending” (Wu, Xiaoyu & Hutchins, 2015:22).

3.2.2 THE STOKVELS PHENOMENON IN SOUTH AFRICAN

The national treasury of SA describes a *stokvels* as “clubs, associations or syndicates in which members contributed regularly and received pay-outs in rotation” (*National Treasury, 2010b:2*). *Stokvels* can provide a platform for periodic collective savings for members, whereby the total amount collected during the course of a year was either reserved on behalf of the members or disbursed as a lump sum on an equal share rotational basis to members at each successive period or both (*African Response Research, 2012; Neves & du Toit, 2012; Maluku & Kaseke, 2014*).

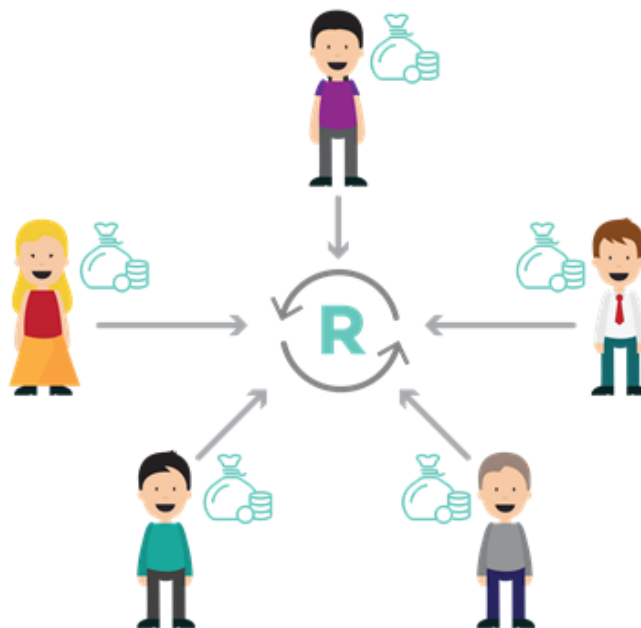


Figure 3.1 Typical *stokvels*' savings pool of funds model

“Other *stokvels* retain part of the savings to extend as refundable loans or credit to members at a given interest rate. There are also *stokvels* that keep the reserves or savings to be used in special purpose investment vehicle to purchase an asset which is meant to generate income for the members” (Calvin & Coetzee, 2010:1).

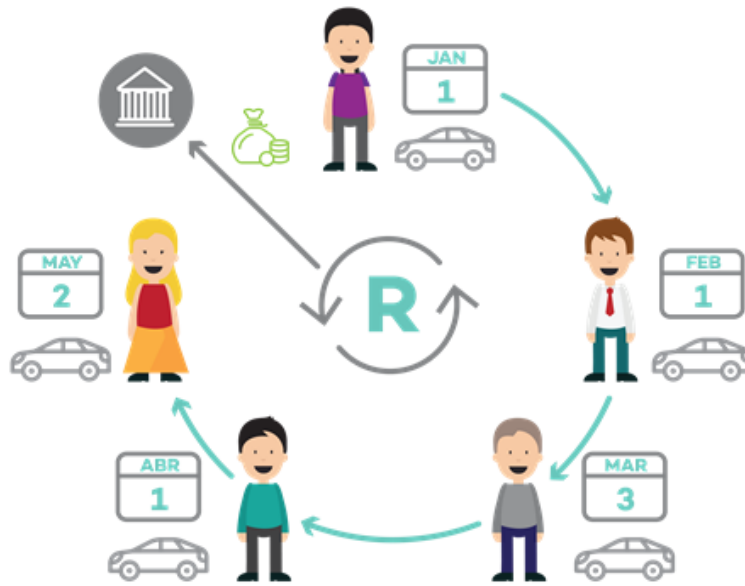


Figure 3.2 Typical *stokvels*' pooling funds for a common goal model

There were different types of *stokvels* in SA however, their widely accepted definition adopted from Andrew K. Lukhele in early 1900s was that *stokvel* organisations are an informal group savings scheme in which members voluntarily agreed to contribute a fixed amount to a common pool on a regular basis (Maluku & Kaseke, 2014). This pooling together of funds was practiced on a weekly, fortnightly or monthly basis at a formal meeting depending on the internal arrangements agreed upon by the *stokvel* members. During the course of this study, Mr. Andrew K. Lukhele, was the Chairman and founder of the NASASA which was formed in 1988 as a national, self-regulating organisation for all *stokvels* in SA. “NASASA was registered as a Section 21 (non-profit) organisation authorised by the South African Reserve Bank in terms of *Government notice 404 in Gazette 35368 of 25 May 2012* and served by appointment at the behest of the Minister of Finance on the Standing Committee for the *Revision of the Banks Act*” 94 of 1990 (Calvin & Coetzee, 2010:1).

In 1996 the SARB published a green paper to indicate its overall stance on the *stokvel* industry in SA. Around 2006 the SARB introduced legislation pertaining particularly to the *stokvel* and banking industries via an amendment to the *Banks Act 94 of 1990*. This amendment was to cater for *stokvels* whereby they are seen as operating within the mandate of commercial banks “yet falling outside the very definition of a commercial bank. This meant that *stokvels* were now viewed as legal, self-governing entities, operating

outside but within the regulations covering banks. They were, therefore, allowed to take deposits from their members only, but were not allowed to hold in excess of” R30 million at any one time (Calvin & Coetzee, 2010:1). “Any stokvel exceeding this amount would be required to register as a mutual bank and would then legally fall under the *Mutual Banks Amendment Act, 1994 (Act 25 of 1994)*” (Calvin & Coetzee, 2010:1). *Stokvels* also had therefore to affiliate themselves with NASASA, which was awarded a licence and a mandate to register all *stokvels* in SA in order that they legally benefit from the exemption(s) of the *Banks Act 94 of 1990* (Calvin & Coetzee, 2010; *National Treasury, 2010b*).

“Exemption Notice No. 2173 allows informal member-based groups to pool funds and utilise the funds for the benefit of their members on condition that a common bond exists between members within the group, relying on self-imposed regulation to protect the interests of their members. The focus of this exemption notice is on *stokvels*, savings and credit operatives (SACCOs), and employee savings clubs. Such deposit-taking institutions must be affiliated with the Savings and Credit Co-operative League of SA (SACCOL) or the NASASA, being the self-regulating bodies of the deposit-taking financial institutions operating under this exemption notice. NASASA represents the interests of the *stokvel* movement in SA, and SACCOL is a registered co-operative that regulates and monitors the activities of SACCOs in SA. SACCOL also provides capacity-building services to affiliated members. The limit for holding member subscriptions (savings) was increased to R30 million with the issuance of Exemption Notice No. 1176” (*National Treasury, 2010:2*).

Rakabe (2013) observed that the relationship between South African banks and *stokvels* was skewed in favour of the banks. The same applied to their relationship with the insurance companies. *Stokvels* were unable to leverage their considerable financial muscle to develop into viable community-based financial and investment enterprises through which banking and insurance products could be distributed. The reasons for this were marginalisation and underdevelopment which manifest in various ways;

- First, the informal nature of their membership meant that *stokvels* were poorly governed;

- Secondly, the cash reserves and financial asset base of *stokvels* were generally low because of poorly determined benefits and irregular monthly premiums;
- Thirdly, the appetite among members to venture into formal business or banking activities was poor; and
- Lastly, members of *stokvels* were prone to use their savings mainly to finance household consumables and durables – as opposed to using the funds for investment.

Around “1988 the Permanent Building Society Bank (Perm) was the first big business in the private sector to become involved in the stokvel business. Perm was to be later incorporated into Nedbank group in 1995 and rebranded as Permanent Bank. Perm developed an innovative account in 1988 called the Club Account, tailored for the needs of stokvels. The Club Account was tailored with following features:

- as the balance grew, the rate of interest grew;
- interest was capitalised monthly;
- there was no minimum balance – members could draw every cent out of the account without closing it, and could then start saving afresh from a zero balance;
- there were no service charges;
- every stokvel club was given a savings book, so that members could keep track of their stokvel group and individual balance;
- there was no limit on the number of withdrawals; and
- the stokvel itself stipulated which members were authorised to sign for withdrawals” (Calvin & Coetzee, 2010:1).

“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, Postbank, and Club Save of Ithala Bank” (Calvin & Coetzee, 2010:2).

A number of authors Kongolo (2007); Arko-achemfuor (2012); Mashingo & Schoeman (2012); Neves & du Toit (2012); Fourie (2013); Rakabe (2013); Maluku & Kaseke (2014) have written extensively about the social and economic benefits of participating in *stokvel* organisations for the members. *Stokvel* activity was directed at a wide range of objectives including: “generating income, bolstering food security, facilitating social connectedness, slowing the draw-down of a finite portfolio of assets” (Neves & du Toit, 2012:135). However, their basic operating principle (*modus operandi*) “involves a number of individuals voluntarily joining the stokvel group, then meeting at intervals to socialize and contribute membership fees that are saved, invested and used as per agreed upon objectives” (*African Response Research*, 2012:3). Participating in *stokvels* forced the members to be disciplined in handling their finances and “to rely on these self-help community-based initiatives as part of their survival strategies” (Maluku & Kaseke, 2014:504).

Amongst many other authors Maluku & Kaseke (2014:504) pointed out that “stokvels fall under the realm of informal social security and constitute an important form of social security”. Verhoef (2001) cited in Maluku & Kaseke (2014:504) maintained that “although stokvels are very common in SA, 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”. *Stokvels* “tend to be viewed in homogeneous and undifferentiated terms, misrecognized and misunderstood because of normative notions of economic ‘rationality’, or found wanting when measured with the currency of entrepreneurship predicated on rational, self-interested, utility-maximising individuals” (Neves & du Toit, 2012:131). “Nevertheless, despite the lack of official recognition, stokvels continue to function in post-apartheid SA as they provide tremendous socio-economic benefits to society” (Maluku & Kaseke, 2014:504). Other research by organisation like *African Response Research* (2012) and writers Neves & du Toit (2012); Fourie (2013); Rakabe (2013) concurred with the observation by Maluku & Kaseke (2014) that *stokvels* were not only marginalised, misunderstood and unrecognised but were also structurally disconnected from the core economy.

Further to that the oligopolistic structure of SA's mainstream economy and operational inefficiencies of the informal economy sectors like *stokvels* also adds to the gravity and aggravation of their marginalisation and this erodes opportunities for their economic development and capital growth (Rakabe, 2013). The study by Rakabe (2013) further proposes for policy-makers to develop strategies to develop and boost the marginalised informal sectors of the economy, like *stokvels*, in pursuit of self-generated growth and to become sources of economic growth.

Just like the *susus* of Ghana, South African *stokvels* could play a pivotal role in increasing access to finance and save money for the unbanked, civil servants, public servants, housewives, SMME entrepreneurs (Arko-achemfuor, 2012; Rakabe, 2013). The research findings by *African Response Research (2012)* indicated that the number of *stokvel* groups in SA is estimated at 811 830. Combined, the *stokvel* groups have approximately 11.5 million members. The pooled total savings revenue generated and banked by the South African *stokvel* groups is estimated at R49 billion per annum (*African Response Research, 2012*). Vermaak (2000) cited in *African Response Research (2012:2)* indicated that *stokvel* organisations enabled their “members to have insurance against adversity such as death, equipping them with the financial support to fund various other functions agreed upon by the *stokvel* as a collective, extending loans to needy members (*inter alia* for education, towards physiological needs such as housing, grocery shopping and business endeavours)”. An *Old Mutual (2011) report* concurred with the research by *African Response (2012)* that the amount of money *stokvels* in SA held in 2011 was estimated to be around R49 billion.

The study conducted by Arko-achemfour (2012) concluded that very little of the pool of funds from the *stokvels* are invested in SMME activities. In that study Arko-achemfour (2012:127) further argued that “the reason could be that a lot of the savers apparently do not see the *stokvel* savings as a source or means by which they can start and run their small business. Instead the pool funds collected and saved throughout the calendar year by members through their respective *stokvels* are instead usually used to finance end of year activities, ceremonies, school fees, payment of debt, furniture, appliances, and more”.

According to *African Response Research (2012)* demographic findings of *stokvel* groups survey revealed that 78.2% of the population of their members fell between the age range of 25 to 49 years with a gender mix of males and females at 42.6% and 57.4% - respectively. When the average number of members per *stokvel* was examined, the types that tend to have a large membership base are Burial type *stokvels* (averaging 33 members), Investment *stokvels* (averaging 15 members), Birthday *stokvels* (averaging 12 members), Grocery *stokvels* (averaging 19 members) and Saving *stokvels* (averaging 17 members) (*African Response Research, 2012*). Further findings by *African Response Research (2012:7)* also revealed that “*stokvel* members are generally economically active members of society”. Also the results of the study showed that members are found across the spectrum of the living standards measure (LSM). Of particular interest were the results which revealed that LSM 5 and LSM 6 category *stokvel* group members make up about 32% and 27% of the *stokvel* groups respectively. The higher LSM categories (8 – 10) account for about of 20% of *stokvel* groups’ membership. These findings by *African Response Research (2012)* concurred with the Arko-achemfuor (2012) observation that the *susu* RoSCAs in Ghana attracted membership for saving money from people of all walks of life including civil and public servants, house wives, SMME operators and more.

The conclusion from the research by *African Response Research (2012)* ascribed the significant presence of high LSM individuals (at 20%) to be a myth that needs to be demystified as *stokvels* attract participation not only from the poor and economically inactive, but the formally employed as well at 83% of memberships. The study from *African Response Research (2012)* revealed that, from a governance point of view, *stokvels* were formal entities. However, the degree of formality varied according to the *stokvel* type; with the Birthday type *stokvels* on the one extreme end being far less formalised in structure and on the other extreme the Investment type *stokvel* having a formal constitution. Burial and Savings *stokvels* were found to be far more structured when compared to the other types of *stokvels* with at least a third of these having a constitution in place. However, this view “cannot be generalised without supporting research” (*African Response Research, 2012:9*). Accordingly the scholarly view was that “a *stokvel* is in its nature and character a homogeneous, decentralised utility that caters for (insures) the specific motives and needs of its members by insuring specific prospects that would otherwise directly affect their consumption. The

members formulate their own informal rules or constitutions through their stokvels, which are flexible and simple and which improve access to both savings and credit to satisfy the goal function” (Mashingo & Schoeman, 2012:5). The conclusion from *African Response Research (2012)* implored all *stokvels* to utilise the existence of NASASA in order to formalise their existence and to enjoy the protection of the exemption notice of the *Bank Act 94 of 1990* granted to *stokvels* through NASASA from National Treasury and SARB.

According to Maluku & Kaseke (2014:504) “SA continues to face severe poverty and high rates of inequality” with 55,5% of South Africans surviving below the poverty line in 2015. This translates to 30.4 million individuals (*Statistics South Africa, 2017a*). “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. SA 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” (Maluku & Kaseke, 2014:504).

“Stokvels, burial societies and other forms of communal savings are all components of the rich fabric of social security” Maluku & Kaseke (2014:505). This rich fabric and social cohesion found in *stokvels* is classified by authors such as Putman (1993); Fukuyama (1995); and Coleman (1988, 1990) cited in Bousrih, (2013) as social capital. Wherein social capital “features of social life such as networks, norms, and trust that enable participants to act together more effectively to pursue shared objectives” (Bousrih, 2013:46). Social capital improves communication between individual and community, and as such

“...generates co-operation that can be a later stage benefit for the social fabric of the community. It is in that approach that the relationship between or within a group at different levels in society shapes the prospect of the social environment that will impact positively on economic development” (Bousrih, 2013:51).

The study by Maluku & Kaseke (2014:505) claimed that RoSCAs like “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 schemes, or are covered however, the level of protection is inadequate”.

3.2.3 TYPES OF STOKVELS

Stokvel organisations have both economic and social aspects to them as “some stokvels are set up as burial societies and others are used to save funds towards a particular holiday or year-end event such as Christmas” party (Arko-achemfuor, 2012:128). “The economic function relates to the use of stokvels to promote income security whilst the social function” addresses the social capital, which manifests itself through friendships and social networks (Maluku & Kaseke, 2014:506). In SA, there are about eight (8) types of *stokvel* with the most popular being the; savings *stokvels*, burial *stokvels*, investment *stokvels*, grocery *stokvels*, high-budget *stokvels*, birthday-party *stokvels* and others (Maluku & Kaseke, 2014).

Grocery *stokvels*

Grocery *stokvels* focused exclusively on grocery shopping. In the research findings by *African Response Research (2012:12)* it was found that “the majority of bulk shopping is done at the end of the year during the festive period while other religious holidays such as Easter and Christmas bring about various types of spending, from gifts through to transportation”. Purchases made by grocery *stokvels* were in three categories of groceries namely: “staples (83%), cooking products (79%) and washing powders (78%). Once the purchases are made, a large proportion (61.2%) of *stokvel* members grocery allocation is then further distributed to extended family; either completely (13.8%) or in part (48.0%)” (*African Response Research, 2012:11*).

Savings *stokvels*

The focus of savings clubs or contribution *stokvels* is on promoting 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” (Maluku & Kaseke, 2014:506). Smallhorne (2013) cited in Maluku & Kaseke (2014:506)

observed that “savings *stokvels* have the largest membership”. By their nature the savings *stokvels* forced members into a habit and discipline of saving money they would otherwise have squandered on non-essentials. Savings disbursements are usually used by members to pay school fees, buy school uniforms, settling of debts or loans, buying of high-purchase goods like (e.g. TV sets, microwaves, fridges).

Burial *stokvels*

“Burial *stokvels* provide material and emotional 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, transporting the corpse of the deceased, hiring of buses and catering for the mourners” (Maluku & Kaseke, 2014:506).

Investment *stokvels*

According to Maluku & Kaseke (2014:506) “the common goal of investment *stokvels* is to accumulate capital by investing in business ventures”. The study by Irving (2005) cited in (Maluku & Kaseke, 2014:506) concluded that “investment *stokvels* also promote savings through bulk purchases of goods”. “Such investment *stokvels* are also referred to as cooperative buying societies. 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” (Maluku & Kaseke, 2014:506).

High-budget *stokvels*

According to Maluku & Kaseke (2014:506) “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 high-end luxury goods, invest in holiday villas or meet other needs that require an outlay of considerable resources”. The study Schulze, (1997)

cited in Maluku & Kaseke (2014:506) concluded that “high-budget stokvels are dominated by men and very few women are members of these schemes. This is a reflection of the fact that women are under-represented among high-income earners”.

3.3 ECONOMIC CONTRIBUTING FACTORS OF *STOKVELS*

A number of scholarly research findings from Arko-achemfuor (2012); Mashingo & Schoeman (2012); Maluku & Kaseke (2014) and research organisation *African Response Research (2012)* indicated the reasons for and benefits of participating in RoSCAs like *stokvels* were:

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

All the benefits listed above are very much aligned with the South African national planning commissions NDP (2013), *SALGA (2012)* blueprint guidelines for municipalities in adopting a more developmental approach towards an economy inclusive of informal economy and the *IDP (2016/2017)* for eThekweni Municipality.

3.3.1 ABILITY TO SAVE AND INVEST

In macroeconomics and according to Wiesław & Bartosz (2016:124) “household savings are defined as the difference between a household’s available personal income and its expenditure on ongoing consumption. These are the ongoing savings of the population, which represent an increase in the total personal savings in a given year and are a resource because they are the sum of both the ongoing savings and the aggregated savings from the past. The total household savings may be composed of tangible assets in which the household has invested, such as real estate, art, gold, and jewellery, and the household’s financial assets, such as cash, bank deposits, securities, and shares in mutual funds”. The writer maintained that the

“allocation and *de facto* investment of household savings in the economy may occur through the banking sector (indirect investment) or the financial market (direct investment)” Wiesław & Bartosz (2016:123). Government in turn allocated these household savings to those sectors of the economy that, based on the savings investor’s evaluation, are capable of showing the highest rates of return on the investment, i.e., they are the most profitable. Such sectors are frequently also the most innovative in the economy and, in turn, exert the most profound influence on economic growth, thus also determining its development.

“Saving is vital to attain higher level of investment, which in turn is a key driver of higher economic growth” (Khan, Khalid & Shahnaz, 2016:171). A report by *ILO (2016:8)* pointed out that “SA’s savings rates rank poorly compared with the rest of the world at 15.4% of GDP in 2015. Household debt as a percentage of household income now stands at 78.4% (this includes loans, overdrafts, credit card debt, home loans, accounts)”. Other writers Apergis, Simo-Kengne & Gupta, (2014:83) acknowledged the point made by *ILO (2016)* that “the low savings rate driven by high levels of consumption spending and the strong housing cycle over the last decades are two economic facts that spark new interest on the wealth effect in South Africa”. Whilst Josten (2013:2) posed questions on the issue of sovereign savings and household debt wherein the paper stated that “one of the most important issues in economics is the problem of economic growth, development and transformation”. What sustains economic growth over long periods of time? Why do some countries grow rapidly while other countries stagnate? Where do the huge differences in income per capita and worker productivity which can be observed across countries in the world come from? If for example, differences in savings rates across countries determine cross-country income or growth-rate differences, then why do some societies save more than others?”

These were some of the most pertinent questions which bear relevance to this study, as posed by the writer (Josten, 2013). More satisfactory answers will only emerge after delving more into the fundamental social structures and characteristics of societies that determine the economic growth, development and/or economic transformation outcomes. Josten (2013:2) reiterated the economic historians emphasis on the “importance of a large middle class for economic development” by citing a German sociologist Max Weber (2003). From an economic transformation perspective the growth “of middle class is a source of

social norms and values that emphasize foregoing present consumption to save and invest, thus promoting capital accumulation and economic growth” (Josten, 2013:2).

Due to its exclusionary nature against the black population, the pre-1994 Apartheid system forced a lot of blacks to join *stokvels* which acted as “a major source of saving” (Arko-achemfuor, 2012:129). *Old Mutual (2011)* cited in Arko-achemfuor (2012:130) indicated “that 38% of black South Africans are members of stokvels who on the average save R520 per month towards the pool fund of their stokvels”. As an economic asset class “households savings are very important in every country because they determine investments in the national economy, thereby influencing a country’s further economic growth and development” (Wiesław & Bartosz, 2016:124). The literature suggested that “sustained high levels of savings will lead to sustained economic growth” since personal savings had a direct impact on the economy of a country (Dave & Aye, 2015:285).

Since 2006 SA has “had a problem in terms of not having enough savings for growth, whereas savings and investments are necessary for growth in a country” (Dave & Aye, 2015:285). On their own savings and investments will not grow the economy but they will make a significant contribution towards the course of sustained economic growth (Dave & Aye, 2015). Mpango (2013) cited in Wuyts & Kilama (2016) maintained that coupled with government policies aimed to review economic transformation for inclusivity and to promote a high savings culture as opposed to consumerism, a well-developed national plan will ensure that economic transformation will lead to enhanced growth and poverty reduction.

A study by Athukorala & Tsai (2003) cited in Khan *et al.*, (2016:175) revealed that “saving increases with the increase in household disposable income and real deposits. Similarly, provision of credit and social security also results in higher saving”. Domestic or household savings “finance higher rates of investment” (Khan *et al.*, 2016:171). This view is held by other authors Wiesław & Bartosz (2016:123) that household savings “as an economic category, are very important in every country because they determine investments in the national economy, thereby influencing a country’s further economic growth and development”. This view further supports the argument by Khan *et al.* (2016:171) that “in the absence of or diminished household savings developing countries find it difficult to finance local investment needs and are forced to

depend on inflows of foreign savings in the form of capital or international borrowing”. Vincelette (2006) cited in Khan *et al.* (2016:172) commented that “international borrowing is associated with considerable volatility, due to unpredictable movements in the currency exchange rates, external shocks and a range of other factors beyond the control of the borrowing country”. The study by Khan *et al.* (2016:171) indicated that “Long term reliance on foreign savings tends to destabilize the economy. In fact, international liabilities narrows the national income base, serves to limit the fiscal space available to governments and leads to build-up of external debt”.

Just like the already adopted *South African vision 2030* documented in the NDP (2013) by the national planning commission, Pakistan adopted a “Vision 2025 which set a target growth rate of 8 per cent between 2018 and 2025 to transform Pakistan from a lower middle income country to an upper middle income nation” (Khan *et al.*, 2016:174). The Pakistanian *Vision 2025* planned to generate “an additional 1.5 million jobs annually during this period. Achieving these high rates of sustained economic growth require high investment rates, that is impossible without raising domestic savings” (Khan *et al.*, 2016:174). Vincelette (2006) cited in Khan *et al.*, (2016:174) affirms the “ important role in achieving high rates of domestic investment in the fast growing economies of East Asia. Therefore, an analysis of recent household saving behaviour would help in designing policies and programs to increase saving rates to finance the higher rates of investment required for a higher growth” economic trajectory.

According to Ting & Kollamparambil (2015:675) “the household savings rate in South Africa is one of the lowest among the developing countries. While the household savings rate in 2010 stood at 25% and 28% for India and China respectively, South Africa had a rate of 20.8%”. At a micro-economics level Browning & Lusardi (1996) cited in Ting & Kollamparambil (2015:676) “suggest a variety of motives for household saving most of which can be grouped into five broad categories:

- to smooth consumption over the lifetime (life-cycle motive);
- to benefit from interest and asset appreciation (inter-temporal substitution motive);
- to bequeath an inheritance (bequest motive);

- to finance large expenditure such as a house or education (down-payment motive); and
- to finance unexpected losses of income (precautionary saving)”.

The theory of economics supported by numerous empirical studies argued that the fundamental factor determining the amount of a household’s on-going savings was the household’s propensity to save. Such an individual’s (or household’s) propensity to save results, predominantly from the willingness to defer current consumption, until a later date. As mentioned in the list above, interest rates were thought to be another important factor that influences the increase in household savings. The interest rate was generally expressed as the real interest rate of bank deposit. When this rate increases, more funds were placed in various types of bank accounts, in turn, a decrease in this rate causes the reverse effect.

Another factor that stimulated an increase in household savings was the precautionary motive (also listed above). In precautionary saving the consequence of this motive was intentional saving, whether for the purpose of buying a house or a flat, securing retirement funds, educating children, or otherwise. The study by Maluku & Kaseke (2014) indicated that *stokvels* afford their members an opportunity to save and, as a consequence of savings, members were able to undertake relatively large projects such as extending their houses. Participants in the study also pointed out that “they were looking at investing in bigger projects such as buying land” from the proceeds of their savings from the *stokvel* funds (Maluku & Kaseke, 2014:510). Whereas Rakabe (2013) indicated that pooling *stokvel* savings and redirecting them towards the financing of productive business activities could transform them into viable community-based investment and financial services enterprises. Other authors Apergis, *et al.* (2014:83) have also observed that “the stock market is the second major source of South African household wealth, accounting for 49.95% of a household's total assets and 61.59% of a household's net worth”.

An additional factor stimulating household savings was the monetary policy of the central bank wherein an expansionary programme that leads to the intensification of commercial bank lending will result in greater investments, which will result in an increase in personal incomes and household savings. However, if the

central bank pursues a restrictive monetary policy, this will become a disincentive to household savings (Wiesław & Bartosz, 2016).

3.3.2 CREATING EMPLOYMENT

According to (Ulriksen, 2012:6) “Undoubtedly one of the best ways out of poverty is to get employment and to be a productive part of the economy thereby contribute directly to economic development”. A report by the *ILO (2016:60)* indicated that “the informal economy provides employment opportunities and livelihoods for the unemployed and marginalised who are unable to enter the formal economy in SA. Estimated at representing up to 7% of GDP, approximately 2.4 million people are employed in roughly 1.5 million informal enterprises”. A study by Rakabe (2013) concurred with the report by the *ILO (2016)* and further pointed out that in order for SA to realise its employment goals, particularly with regard to low-skilled job seekers, both the mainstream economy and marginalised informal economy must be developed in an integrated fashion. Fourie (2013) cited in Rakabe (2013) criticises ‘the governments’ overemphasis on the mainstream economy as the main source of job creation” which “tends to overlook the unexplored growth and employment potential of marginalised businesses” like *stokvels*; yet “these are important platforms from which to develop enterprises, create employment and enable empowerment and inclusive growth” (Rakabe, 2013). By their very nature “governments are primarily responsible for employment and they make every effort to create and manage a conducive environment for employment and unemployment reduction. Thus a high rate of unemployment was a sign of a not so well-functioning government” (Doh, 2014:113). One approach proposed by Ulriksen, (2012:6) “is for the state to consider whether the marginalised, unrecognised and underdeveloped sectors like *stokvels* become integrated parts of the economy rather than remain isolated from it”.

3.3.2.1 SMALL BUSINESSES AS A SOURCE OF EMPLOYMENT

According to Osakwe & Ajayi (2015:243) “SME’s are widely acknowledged by authors and policy makers as the main engine of economic transformation, entrepreneurship and job creation in various economies of the world”. Authors Noseleit (2012); Khoase & Govender (2013); Peters & Naicker (2013); Kaousar Nassr & Wehinger (2014) are fully agreeable that a growing body of empirical literature has analysed the role

that entrepreneurial activity plays in economic development. The study by Arko-achemfuor (2012:127) discovered that “very little of the funds from the *stokvels* are invested in SMME activities. The reason could be that a lot of the savers apparently do not see this saving as a source or means by which they can start and run their small business”.

In SA unemployment is blamed for poverty, inequality and lack of economic transformation. Yet a lot of people in SA do not possess the requisite skills and level of education to enable them to be absorbed in the knowledge economy. Employment creation is a critical challenge for the country. The government of SA acknowledged the significant contribution of entrepreneurial activity to employment and to the GDP (*ILO, 2016*). According to SA’s NDP (2013) economic transformation blueprint “targets for job creation in the SME sector depend on the creation of a business environment that enables the growth and sustainability of existing small businesses and the formation and formalisation of new sustainable enterprises to prosper. The NDP (2013) sets out several goals for SMEs, including a target for 90% of new employment opportunities to be created by SMEs by 2030” (*ILO, 2016:1*). In fact, SMEs occupied the “missing middle” in economic development in the developing world (Eckhart-Queenan, Allen & Behringer, 2013).

Despite the country’s robust formal financial sector, small and informal businesses struggled to access finance and when they do, they appeared to either access savings or borrow mostly from friends and family (DeLuca, Meehan & Lloyd, 2014; *ILO, 2016*). The study by Rakabe (2013) argued for the *stokvel* industry to be considered for a small-scale capital market through which small businesses (SMME’s and SME’s) with demonstrable growth potential could raise finance with other potential investment areas for *stokvels* being the financing of low-cost housing and underwriting low-cost insurance. Arko-achemfuor (2012) made an example of the *susu* in Ghana which has been in existence for over 300 years. This academic indicated that the *susu* was a common operating system through which people from all walks of life including civil servants, public servants, house wives and SMME entrepreneurs save money.

Moreover in Ghana the funds from the *susu* were used as a major source for low income earners and small entrepreneurs (Arko-achemfuor, 2012; Karlan *et al.*, 2014). These funds, as sourced from the *susús*, were usually used as working and start-up capital by small businesses.

Ansolenang (2006) cited in Arko-achemfuor (2012:130) stated that savings and micro-credit received from *susus* are invested “in micro-enterprises activities such as brewing pito, buying and processing Shea butter, preparing cooked food for selling and petty trading”. Arko-achemfuor (2012) further affirmed the popularity of using the *susu* system for short-term finance as based on their low cost of capital as well as the manageable quantum of repayment at regular intervals. On the other hand commercial banks in SA were known to have stringent requirements which include the requirement of collateral security for loans which most SMMEs owners did not have, resulting in only 2% of new SMMEs in SA being able to access bank loans. Arko-achemfuor (2012) believed that the *stokvel* system was a potential source of start-up, working capital for its members and further recommended to policy-makers how they can use *stokvels* as one of the funding models for SMMEs in SA.

According to Arko-achemfuor (2012:130) “financing SMMEs is seen as one viable way by which people who cannot find employment in the formal sector and those who choose entrepreneurship can establish their businesses as well as contribute to the economic growth of the country”. Other authors including Robinson (2001); Moliea (2007); Arko-achemfuor (2012) argued that the constraints on government fiscus as well as the diminishing pool of donor funds, foreign direct investment (FDI) and private sector capital resources called for a paradigm shift in funding SMMEs in the developing world. “It is important for developing countries to look for alternative sources of funding for SMMEs. The funds that are realised from *stokvels*, through intensive education of the general population, can help potential entrepreneurs to start and operate their businesses with some of the proceeds from this source” (Arko-achemfuor, 2012:131). A study by Hossein (2017) concurred with the observation by Arko-Achenfour (2012) of *stokvels* financing SMMEs. The study by Hossein (2017:32) indicated that “African Canadians using RoSCAs show that racialised people create business options for themselves as a way to adjust to their new countries and to deal with exclusion”. The findings by Arko-achemfour (2012) indicated that the South African *stokvel* members needed to find a way to invest part of the proceeds in entrepreneurial activities which can gainfully boost the *stokvel* groups’ returns on investments (ROI) as well as policy-makers developing this source as one of the alternative resources for SMME finance. “Investment in entrepreneurial ventures can contribute immensely to economic growth and job creation” (Arko-

achemfuor, 2012:133). The study by Fourie (2013) maintained that the South African economy needed to promote productive activity, increase skills and productivity in the informal economy as this could transform the informal economy inclusive of *stokvels* into becoming a source of economic growth. Low cost government policy interventions may have a major impact on employment, thereby producing economic growth (Fourie, 2013).

3.3.2.2 LINKAGES OF *STOKVELS* WITH THE FORMAL ECONOMY

The *ILO (2016:1)* report indicated that “better linkages between the formal economy and the informal economy could potentially generate new economic opportunities”. This was further corroborated by Skinner (2006), cited in Neves & du Toit (2012:140), who reminded us that the “informal sector in SA is tightly intertwined with formal sector value and commodity chains. With the single exception of traditional medicinal herbs, virtually all products retailed or manufactured in the informal sector derive directly from suppliers of products or raw materials in the formal economy”. Further to that Devey *et al.*, (2006) cited in Neves & du Toit (2012:140) had observed that the “linkages between the formal and informal sector include not only the leveraging of resources derived from the formal sector into informal enterprises, but also an extensive interaction between formal and informal sector employment” and an early acquisition of particularly favourable trading sites”.

According to *African Response Research (2012:15)* “players in the FMCG sector are already appreciating the value of *stokvels* with Massmart acknowledging the significant portion of sales associated with *stokvels*”. Massmart acknowledges the need to look after the *stokvel* industry by “providing concessions such as bulk discounts, pro-active collection of orders and arranging affordable transport” *African Response Research (2012:15)* for the ease of *stokvels* to move their goods around. Yet “when it comes to shopping for the *stokvel*, this varies slightly with the top 3 outlets being independent wholesalers (23.3%), Shoprite (20.7%) and Spar (10.6%)” (*African Response Research, 2012:12*). The same study also proposed that there exists “an opportunity for businesses to partner with *stokvels* for Corporate Social Investment (CSI) or Enterprises development”.

3.3.2.3 STOKVELS AS A BOOST FOR WOMEN'S EMANCIPATION

According to (Eckhart-Queenan, Allen & Behringer, 2013:33) “across the developing world, women own and operate an estimated eight to ten million SMEs”. In percentage form that represented about 33% of all such businesses in the emerging markets. Eckhart-Queenam *et al.* (2013:33) went further to state that despite women continuing to be under-represented and underserved as business owners by both banks and government policy-makers yet the “women-owned companies created much-needed jobs, raise people out of poverty, boost household income and contribute to overall economic prosperity”. (Baglaeva, 2016:8) pointed out that “the economic empowerment of women is a matter for all. Inclusiveness does not only ensure a fairer world for both men and women, it also leads to faster and more sustainable economic growth”. But, added to their struggles as women entrepreneurs, the burden for women is exacerbated further by limited access to finance, education, business networks and markets (Eckhart-Queenan, *et al.*, 2013; Seltier, 2014).

3.3.3 SOCIAL CAPITAL

According to Fukuyama (1995) cited in Bousrih (2013:46) the definition of social capital “is the existence of a certain set of informal rules or norms shared among members of a group that permits co-operation among them”. All combined, these shared resources were what was referred to as capital. The common thread that acts as a glue of functional social capital substantively included meeting of obligations, and reciprocity. Social capital cannot be defined and characterised exactly in a single universally accepted context but rather various approaches to the concept exist (Josten, 2013). It is indicated by Bousrih (2013:46) that the “OECD affirms the notion of social capital as networks together with shared norms, values and understandings that facilitate co-operation within or among groups”. Whereas the “World Bank suggested that social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society’s social interactions. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together” Bousrih (2013:46). Early notions of social capital reflected the idea that resources can be linked to networks of people thence if a person has social capital, such person has the capability to access important resources by virtue of being part of a particular network or social structure (Barrios & Blocker, 2015).

Doh (2014:107) tabled an argument that “public involvement, participation, and networking in governing have been regarded as indispensable requisites to improve the quality of government in terms of its importance in the shift to the governance paradigm. These characteristics are closely related to various aspects of social capital representing trust, social cohesion, engagement, and networking. Thus, the concept of social capital has been widely used in the study of the quality of government”. A number of academics Bjornskov & Méon (2013); Schaltegger & Torgler (2007); Nannicini *et al.*, (2013); Heinemann & Tanz (2008) cited in Leibrecht & Scharler (2013) concurred that social capital shapes a country’s institutional environment, improves governmental performance and facilitates institutional reforms by enhancing co-ordination and cooperation between societal groups, which, in turn, reduces free-rider problems, rent-seeking and opportunistic behaviour. Doh (2014:109) also cited a number of scholarly studies by Brehm & Rahn (1997); Rice & Sumberg (1997); Putnam (2000); Rice (2001) & Knack (2002) in firming up that “social capital is associated with better quality of government, although the multidimensional aspects of social capital may have potentially negative impacts, such as the risk of segregation into exclusive associations, clubs or cartels”.

According to Doh (2014:107) “Social capital also entails the positive engagement of government in networks of relationships with associations and other voluntary bodies”. This therefore resulted in social capital being “linked to the kind of governance that promotes broad-based participation and on-going evaluation of government effectiveness by a variety of inside and outside actors” (Doh, 2014:107). Hence Knack (2002) cited in Doh (2014:108) claimed that the “indicators of generalised reciprocity (including trust and cooperative norms) should be positively associated with a high quality of government”. Other writers Mahmood (2015); Rice (2001) cited by Doh (2014:107) argued that “if social capital is considered more in terms of values, then better quality of government may result from citizens’ compliance with rules and laws through interpersonal (generalised) trust, which is one of the core components of social capital. Interpersonal trust should reduce transaction costs between a government and its citizens. Additionally, people should be better at articulating their community’s needs and potentially broaden government

responsiveness and accountability if they commit to the public good and to paying attention to public affairs”.

There was agreement amongst academics Josten (2013:5); Li *et al.* (2015); Sulistyono (2015) that the fundamental cause of economic growth and development, venture capital investments, and entrepreneurship was social capital “resources embedded in social networks of mutual trust and co-operation that, among other things, provide an informal governance structure against opportunistic behaviour and, thus, help to reduce transaction costs”.

For the purposes of this study, an implied definition of social capital from the perspective of RoSCAs like *stokvels* is closely related to Coleman's (1988, 1990) original concept cited in Josten (2013:6) where social capital was defined as “the set of socio-structural (symbolic) resources - like values, norms, roles and moral obligations that inhere in systems of social relations and that facilitate co-operative behaviour within or between these social aggregates”. This definition implies several characteristics of social capital, two of which are of particular relevance for the issues discussed in this study – these being:

(i) *Social capital exhibits public good characteristics*

Coleman (1988, 1990) cited in Josten (2013:6) proposed that “the public good characteristics of socio-relational features that are useful to individuals for specific actions. As an attribute of the social structure in which a person is embedded, social capital is not the private property of any of the persons who benefit from it. Once provided, these collective assets and features can be utilized in a non-rival manner and are available to all members of the community, regardless of which members actually promote, sustain, or contribute to such resources”. Accordingly, certain benefits of social capital were not consumed only by those who created them; sometimes it was impossible to exclude others from such ‘consumption’. Many of the benefits of actions that bring social capital into being were experienced by persons other than the person so acting, i.e., there were positive externalities, and, thus, individual incentives to invest in social capital were systematically depressed and invariably the collectivist, community-based benefits were emphasised to a greater extent (Brányi, 2015).

- (ii) *Social capital is built as a by-product of various social activities typically sustained by individual investment of time and effort*

“Even though social capital exhibits public good characteristics, many forms of social interactions and networks also either have intrinsic value or are inextricably intertwined with private, instrumental benefits for single agents. As a result, most forms of social capital are built as a by-product of various social activities not necessarily undertaken with a view to strengthen social capital” (Josten, 2013:6). Putnam (1993) cited in Josten (2013:6) gave the example that "members of Florentine choral societies participate because they like to sing, not because their participation strengthens the Tuscan social fabric".

According to Josten (2013:20) “Social capital amounts to the sum of symbolic resources each individual member of society voluntarily contributes to the overall social structure. It is assumed that each individual rationally chooses whether or not they want to become an active part of the society's networks of trust and mutual co-operation, thus making a positive contribution to overall social capital. Alternatively, the individual can socially dissociate, participate in the society's economic transactions, but not contribute to the community's social capital”. In a study by Josten (2013:21) a conclusion was arrived at that “the existence of a broad middle class the members of which share with each other a fairly homogenous set of social orientations and the social capital built by social interactions and informal relationships are important determinants of economic growth and development”.

A study by Gylfason (2015:327) indicates that “frayed social capital can be a precursor as well as a consequence of slow or uneven economic growth and of financial crises. Increased inequality (generally measured in Gini-coefficient) is a sign of deteriorating social capital due to gross disparities in the distribution of income and wealth undermining social cohesion”. The findings from a study by Peiro-Palomino & Tortosa-Ausina (2015:121) supported “the importance of social capital as an additional factor to control for when analysing the differences observed across Spanish provinces in terms of GDP per capita. Where social capital was found to be one of the mechanisms to achieve higher economic

performance and local government policies proposed to be designed to generate greater endowments of social capital in those provinces where this asset is relatively scarcer”. Results from Peiro-Palomino & Tortosa-Ausina (2015:121) also indicated that social capital was an important factor to foster investment for economic growth.

Academic writers Maluku & Kaseke (2014:505) pointed out that “stokvels fall under the realm of informal social security and constitute an important form of social security”. Others like Triegaardt (2005) cited in Maluku & Kaseke (2014:505) explained that “stokvels, burial societies and other forms of communal savings are all components of the rich fabric of social security”. Some participants in a study by Maluku & Kaseke (2014:505) stated that a factor amongst others “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”. Another writer, Theime (2003) cited in Maluku & Kaseke (2014:505), corroborated this when he remarked “that membership is primarily based on the personal relationships and trust which exists amongst the members”.

3.3.4 LOANS AND CREDIT EXTENSION

Research findings by Mashingo & Schoeman (2012:2) indicate that “stokvels can be used in their existing form, without adjustment, as a special purpose vehicle (SPV) and conduit to extend credit to the poor”. Whereas “access to cash and credit is central to economic life, moreover cash and credit play an indispensable role in smoothing consumption when assets are illiquid”. The paper continued to elaborate that mostly, the assets of the poor are known to be illiquid and of irreversible nature, hence “their vulnerability to random events or shocks and their uncertainty about future prospects” (Mashingo & Schoeman, 2012:2). It is for these reasons that the poor need “cash or access to credit in order to smooth consumption. Access to credit is instrumental for development through the social empowerment role it plays by motivating income-generating activity, responsible behaviour and economic independence” (Mashingo & Schoeman, 2012:2).

A research by Khan & Kazi (2016:174) acknowledged that “bank loans, also known as conventional or traditional loans, have been the main source of financing economic activities in most developing countries”. Scholarly studies by Baumann (2001); Johnson & Rogaly (1997); Mjoli-Mncube (2003); and research by World Bank (2002) all cited in the study by Mashingo & Schoeman (2012:2) indicated that access to credit by the poor household through the “formal financial sector, i.e. banks and other non-bank suppliers of credit, does not accommodate the need for credit by poor households because of the problem of imperfect information or informational uncertainty about them and the irreducible uncertainty of the economic environment of the poor”. The formal sector generally cited the difficulty in the quantification of risk under the aforementioned circumstances (Mashingo & Schoeman, 2012). This means that poor households suffer exclusion of access to cash and are without sufficient hedges against the severe impact of adverse and sometimes unplanned events like temporary illness, death in the family and more. They cannot rely on financial intermediation and therefore remain deprived of need-based credit.

Authors Khandker & Samad (2014) cited in Khan and Kazi (2016:174) indicated that “since the early 1990s, micro-credit has been expanding worldwide. Micro-finance analysts claim that micro-loans from micro-finance institutions, such as Grameen bank, have become successful because of their ability to provide loans without collateral to a large number of low and middle-income people”. Similarly on the other hand authors like Mashingo & Schoeman (2012:2) advocate that “the traditional informal financial sector exemplified by *stokvels* is, in these circumstances, very important in providing credit to poor households. *Stokvels* as traditional institutions and instruments have a history of success and have for some time made access to credit possible for even the poorest of the poor”. For this reason the informal sector is regarded by poor households as an important and primary source of credit provision. The ability of *stokvels* to mobilise savings and to channel small loans to small borrowers in an efficient and equitable way reduces transaction costs and effectively deals with the problem of uncertainty by insuring certain prospects. Unfortunately “savings and credit networks like *stokvels* have not received recognition or support from policy-makers commensurate with their current and potential contribution to improving the living standards of the economically marginalised majority” (Mashingo & Schoeman, 2012:2).

According to Hart (1973) and Roitman (2003) cited in Neves & du Toit (2012) the demands of managing money, debt and credit are key tasks in the context of economic informality. The Grameen Bank of Bangladesh founded in 1976 by Professor Muhammad Yunus (2006 Nobel Peace Prize laureate) is but an impressive example of innovative informal credit. In its approach to service the poor the Grameen Bank advanced “a \$30 loan to poor women who could not access credit from the financial institutions and private sector organisations” (Arko-achemfuor, 2012:130). The Grameen Bank credit model is based on reverse conventional banking practice by removing the need for collateral and creating a banking system based on mutual trust, accountability, participation and creativity. “It provides credit to the poorest of the poor in rural Bangladesh, without any collateral” (Kongolo, 2007:122). A finding from a study by (Khan & Kazi, 2016:180) concluded that “microloans should be a top priority, as they enable poor and lower-middle-class people to contribute to the economy by becoming small entrepreneurs”.

Whilst Professor Muhammad Yunus was recognised for the role in poverty reduction in 2006, the “Innovative Solutions to Global Poverty (UNITAS) was awarded the 2007 Social Capitalist Award for the second consecutive year in recognition for reducing poverty by accelerating growth of the informal credit industry” (Kongolo, 2007:122) . “At Grameen Bank, credit is a cost-effective weapon to fight poverty and it serves as a catalyst in the overall development of socio-economic conditions of the poor who have been excluded and marginalised by the formal banking system on the notion that they are ‘unbankable’. If financial resources can be made available to the poor people on terms and conditions that are appropriate and reasonable, these millions of small people with their financial capital muscle can add up to create the biggest development wonder” (Kongolo, 2007:122).

3.4 CONCEPTUAL FRAMEWORK

The American Educational Research Association (AERA) (2006) cited in Yamauchi, Ponte, Ratliffe & Traynor (2017:11) refers to a theoretical or conceptual framework as “an essential component of research that shapes the quality and scope of investigations”. A theorist Maxwell (2012) cited in Yamauchi *et al.* (2017:11) posits that through the use of a “theoretical framework, data that might initially seem

unimportant or unrelated may be identified, explained, or related to other data in meaningful ways”. Most of the theoretical frameworks and models have been based on modernisation theory, dependency theory, people centred development theories, process and content theories on the subject of socio-economic development. “Some of these theories have not been able to explain societal problems in the context of the developing world as well as providing ways of dealing with issues of poverty, inequality and transformation adequately” (Arko-achemfuor, 2012:129).

Whereas theorists (Miles & Huberman, 1994; Robson, 2011) cited in Yamauchi *et al.* (2017:11) refer to a conceptual framework as “a system of concepts, assumptions, expectations, beliefs, and theories that supports and informs research”. The theorists Miles & Huberman (1994) are further cited by Yamauchi *et al.* (2017:11) stating that “a conceptual framework explains, either graphically or in narrative form, the main things to be studied — the key factors, concepts, or variables — and the presumed relationships among them”. Another theorist Camp (2001) cited in Yamauchi *et al.* (2017:11) sums it up well; “theoretical and conceptual frameworks differ in that while a conceptual framework is a structure used to explain the natural progression of phenomena, a theoretical framework is based upon one or more theories that have already been tested”. Put it differently Maxwell (2012) cited in Yamauchi *et al.* (2017:12) states that a “theoretical framework provides an explanation about the phenomena, conceptual frameworks are a type of intermediate or tentative theory that attempts to connect various aspects of inquiry”. Fain (2004) cited in Green (2014:35) simply refers to “where a framework is based on concepts, the framework should be called a conceptual framework, and where it is based on theories it should be called a theoretical framework”.

This study aims to explore the role of *stokvels* in the economic transformation of eThekweni Municipality. However, what is not clear from the consulted literature are the drivers, motivators and aspirations for individuals to form or be part of or even to be associated with a specific type of *stokvel* - though it is evident from the literature that there are eight types of *stokvels* in SA. The consulted literature on *stokvels* was lacking on the adopted and/or adapted frameworks (*albeit* theoretical or conceptual), with the exception of a research by Arko-achemfuor (2012) wherein the author elected a Wageningen Schools

'actor-action oriented' approach theoretical framework for the study. Arko-achemfuor (2012:129) cites Ansoglenang (2006) when indicating that the 'actor-action oriented' approach emphasises the "importance of the individual in the face of structural constraint". The writer further asserts that the 'actor-action oriented' approach "sees individuals as actors who have the capacity to appreciate their circumstances and find ways and means of confronting the situation. It does not matter how difficult the situation may be, the actors have the knowledge and capacity as well as the power and resources to confront their situation". Long (2001) cited in Arko-achemfuor (2012:129) "argues that individual actors study the pattern of events around them in the environment in which they operate and in a way observe the reactions of others to their behaviours".

This study, intends to go further than the 'actor-action oriented' approach of *stokvels* as outlined by Arko-achemfuor (2012) and adopt existing theories of individual motivation and owner-manager business motivation to that of *stokvel* groups and their members. *Stokvels* have the following elementary characteristics;

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

In this study, the researcher aims to explore the role of *stokvels* in the economic transformation of eThekweni Municipality. On the one hand, *stokvels* are made up of individuals or members who have certain goals and ambitions that need to be fulfilled – and those are drivers for their individualistic motivation to be part of a *stokvel*. The Maslow's hierarchy of needs theory could explain the ambitions and/or motivational needs of *stokvel* members. Whilst on the other hand, as transacting entities governed by the *Bank Act 94 of 1990*, the motivations of the different types of *stokvels*, as owner-manager entities bear similarity to those small businesses in a development continuum construct could be explained by the Hayes & Wheelwright theory construct. Maslow's theory is insufficient on its own to explain the motivation of different *stokvel* types as owner-manager entities, of this study, in their development and

evolution continuum. Similarly, on its own, the Hayes & Wheelwright four-stage model would be insufficient to explain the motivation of individuals who form, are part of or associated with the different *stokvel* types. It is for this reason that a complimentary theory based on motivation of owner-manager entities as depicted by the Hayes & Wheelwright four-stage model was necessary to augment the shortcomings of Maslow's hierarchy of needs in relation to the aim and research objectives of this study. These theories, combined, would provide the study with a basis;

- To provide a structure for this study,
- To construct the data collection instruments for the quantitative and qualitative research – aligned with the aim of this study, research objective and research questions,
- To apply the theory triangulation technique to establish if there is convergence or divergence of theories in the findings of the study. Any convergence or divergence revealed would be validated by the triangulation strategy; thus creating confidence and trustworthiness around the findings of the study,
- To use a theory triangulation technique in order to make sense of the findings and observations informed by the behavioural traits of individuals who form or are part of or are associated with *stokvels* in eThekweni Municipality and to align the owner-manager traits of the different types of *stokvels* found in eThekweni Municipality in the development continuum,
- To develop a model for the integration of *stokvels* into the economic policy framework of eThekweni Municipality, and
- To recommend a model for developing *stokvels*, as an extension of an integration model.

Based on these, the Maslow's theory of needs for the motivation individuals and the Hayes & Wheelwright four-stage model were the theories chosen to form a conceptual framework for the study.

3.4.1 MASLOW'S HIERACHY OF NEEDS THEORY

Need theories revolve around the fulfilment of an internal state, that makes certain outcomes appear attractive. These theories form the basic foundations of motivation theories, and are the most

straightforward. There are three main needs theories: Maslow's Hierarchy of Needs, Alderfer's ERG Model and McClelland's Achievement Motivation Theory (Werner, 2016).

Psychologists, managers, marketers, policy-makers and educators have been trying to establish that which influences patterns of behaviour of individuals, groups of people and/or organisations from time immemorial. Maslow's hierarchy of needs model organises groups of human needs into levels within a pyramid-like hierarchical structure. While Maslow's hierarchy of needs theory was not designed to define pro-social factors or "behaviours, it does examine the motivational elements of social behaviours" (Hatfield, Turner & Spiller, 2013:162). A writer Rutledge (2011) found that the hierarchy of needs model "resonates across many disciplines, from business, technology and education to its field of origin, psychology". The model speaks to potential and to positive conceptualisations of human motivation. In *Motivation and Personality* by author Maslow (1987:139) it is maintained that the functions that human relationships serve, are diverse, namely "the giving of safety, love, belongingness, feeling of worth, and self-esteem". It is these "ultimate goals or desires or needs" that Maslow (1987:47) considers to be essential to the study of human motivation. Maslow's theory "also has implications for identity formation, moral development, and the emergence of values" (Winston, 2016:142).

One of the research objectives and questions of this study is to develop a model for *stokvels* to be integrated into the economic policy framework of eThekweni Municipality. It is intended that this study will make apparent the validity and utility of the hierarchy of needs in relation to,

- the motivation of individuals to be part or form part of a specific type of *stokvels*; and
- where one can placate a particular *stokvel* type in Maslow's hierarchy theory in the light of existing literature and researchers observations.

Most of the literature consulted for this study including Arko-achemfuor (2012:129) revealed that "stokvels have some cultural undertones as they are mainly practised by Black South Africans" who were unemployed and impoverished. Most of the societal problems in SA; like poverty, inequality, threat of

diseases and crime are blamed on “unemployment, yet a lot of people in the country do not have the skills and education to enable them to gain employment in the knowledge economy” (Maluku & Kaseke, 2014). Being part of a *stokvel* organisation is seen by many people as one of the ways in which some of their socio-economic problems can be addressed (Mashingo & Schoeman, 2012; Hossein, 2017). In that study Arko-achemfour (2012:127) it was revealed “the pool funds collected and saved throughout the calendar year by members through their respective stokvels are usually used to finance end of year activities, ceremonies, school fees, payment of debt, furniture, appliances, and more”. This bears testimony to the alignment of individualistic needs to a specific *stokvel* type; hence Maslow’s theory of needs forms the basis of this study.

Meanwhile most commentators are of the view that *stokvels* are endowed with pro-social economic factors that are a good source for economic growth and development through job creation, savings and investment capabilities, extending of mini-loans and credit facilities, women empowerment and social capital (Josten, 2013; Li *et al.*, 2015; Osakwe & Ajayi, 2015; Chatterjee *et al.*, 2017). A study by Arko-achemfuor (2012) maintains that *stokvel* organisations in SA have this huge source of funding which they can use to address the economic transformation-challenging issues in their communities.

A study by Adams, Martin & Harris (2015:29) reveals that “Abraham Maslow’s 1943 paper *A Theory of Human Motivation* presents a hierarchy of needs that is widely accepted by authors as a motivational theory and has been utilized for more than seven decades in business and many other multi-faceted disciplines”. Other writers (Chai & Moneta, 2012) who are in concurrence with Maslow’s theory have underscored the recurrence of needs as postulated in the hierarchy model. Yet another school of commentators Neher (1991); Wahba & Bridwell (1976) as cited in Winston (2016:142) have challenged, criticised and questioned Maslow’s theory purely “on the grounds that it is conceptually arbitrary and empirically untestable”.

In a study by Taujanskaitė, Milčius & Rutkauskas (2015:492) it is indicated that “Maslow (1943) has been analysing behaviour of individuals only from the prospective of psychology without involvement of economics”. “Maslow’s original hierarchy of needs was aimed at individual motivation” Adams *et al.*,

(2015:29) and comprised five motivational levels of needs, often depicted as hierarchical levels within a pyramid. This five stage model can be divided into basic (or deficiency) needs and the growth (or being needs) (Winston, 2016).

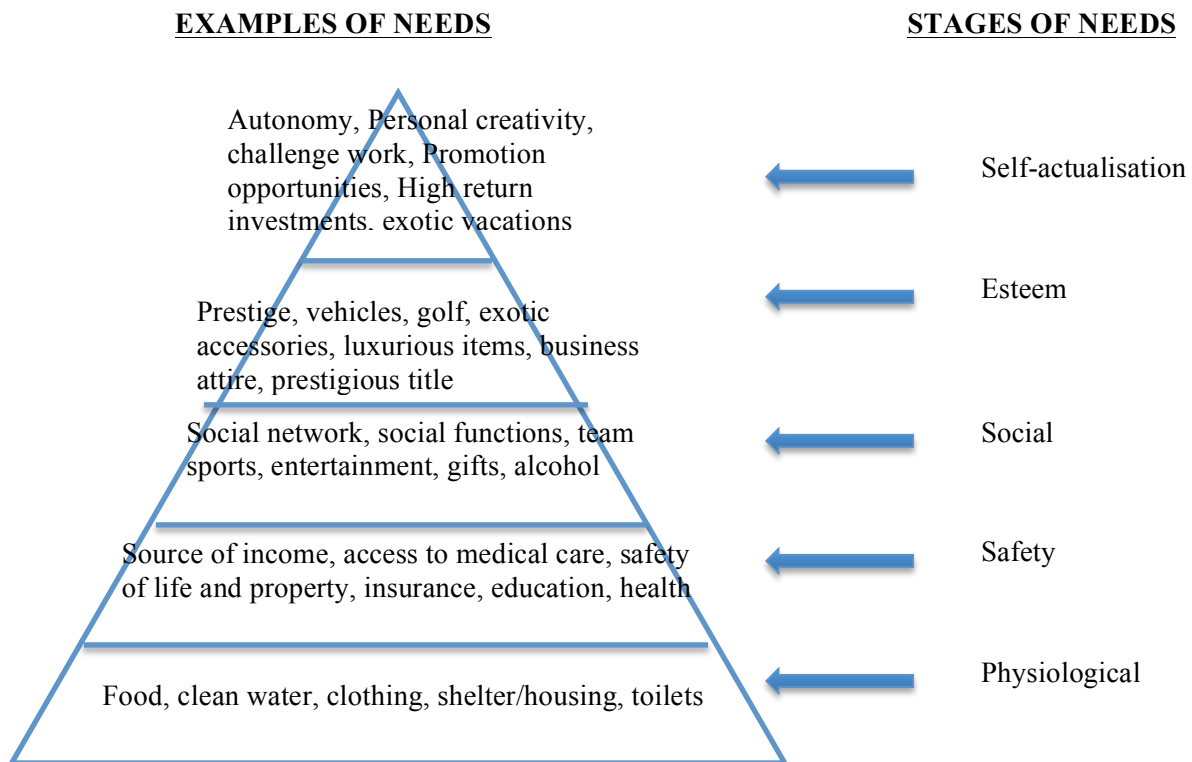


Figure 3.3 Application of Maslow’s hierarchy theory

Source: (Andersone & Gaile-Sarkane, 2012; Werner, 2016)

The deficiency needs are; physical, safety, social and esteem whereas the growth (or being need) is the need for self-actualization. “The deficiency, or basic needs are said to motivate people when they are unmet. Also, the need to fulfil such needs will become stronger the longer the duration they are denied” (Taujanskaitė, Milčius & Rutkauskas, 2015:492). The underlying theme of the dominant lower-order need gratification prior to the emergence of adjacent need is accepted across the scholarship. It therefore follows that according to Maslow’s theory; deficiency motivates behaviour. “On the other hand, engagement with growth needs fuels one’s desire to become a more self-actualizing individual. Adequate gratification of a need results in the emergence of a higher-order need, culminating in the pursuit for self-actualization. Conversely, higher-order needs do not emerge when an individual’s basic needs have not been adequately

gratified” (Winston, 2016:143). To better understand how to apply Maslow’s hierarchy of needs to *stokvel* organisations, it is important to understand each level in the model, (figure 3.3 above).

Challengers Agrawal & Sharma (1977); Neher (1991); Myers (2006); Rutledge (2011) of Maslow’s theory as cited in Winston (2016) have argued that; needs do not emerge in a sequential fashion nor is their emergence universal. In fact a study by Tang, Ibrahim & West (2002) cited in Winston (2016:144) revealed that the “emergence of needs is dependent on culture and socio-political climate. However, in a study conducted by Tay & Diener (2011:364) across 123 countries, it was found that “there are universal needs and that they are not substitutable for each other. The needs tend to be achieved in a certain order” as specified by Maslow. Winston (2016:144) argues that Maslow’s theory “has a developmental validity”. In that the “developmental pattern is based on the dominance of a need rather than the presence of a need”. By way of example the writer asserts that “the need for love and belongingness may dominate during adolescence, they are nevertheless present and recurrent throughout the life span” (Winston, 2016:144). This study may reveal the emergence of developmental patterns across *stokvels* types during data analysis. Maslow (1987) cited in Winston (2016:146) maintains that “it is not enough for needs to be gratified; they ought to be mastered”. Mastery of needs include, quality of past gratification (Winston, 2016).

Quality of past gratification; refers to the “consistency and abundance with which an individual’s needs have been met in the past. In other words, an individual who has been consistently gratified in the past and has witnessed adequate gratification in those around him is likely to have a sense of mastery over his needs” (Winston, 2016:147). Quality of gratification resonates with the philosophy of *Ubuntu* which is pillar that underscores the perpetual emergence of *stokvels*. Mbiti (1969) cited in Lutz (2009:316) refers to *Ubuntu* as a concept that is premised on a philosophy that says “I am, because we are; and since we are, therefore I am”. A study by Tay & Diener (2011:363) reveals that “need fulfilment needs to be achieved at the societal level, not simply at the individual level”. Although Maslow’s theory is focused on individuals, Tay & Diener (2011:363) found that “there are societal effects as well” that manifest from the hierarchy of needs. They postulate that “it helps one’s subjective well-being if others in one’s nation have their needs fulfilled”. That is “it is important to a person’s life evaluations if others in the society have their basic

needs met, beyond an individual's fulfilment of his or her own needs. The findings indicate that improving individual life must include improving societies". The question therefore begs; is this one of the motivators for individuals to be part or form part of *stokvel* organisation(s).

3.4.2 MASLOW'S LEVELS OF NEEDS

Physiological (Physical) Needs

According to Adams *et al.*, (2015:29) "the first step in the hierarchy is physical needs, including food, water, and shelter. The basic argument is that until physical needs are well gratified, physical needs will dominate all other needs. For example, if someone is hungry, the person's hunger will override the need for safety. As Maslow indicates, however, that once the individual's physical needs are met, a new need arises, and thus the hierarchy of needs". It is indicated by Maslow's theory that "basic needs (food, dwelling, clothing, etc.) cannot be substituted by neither comfort components (safety, social, esteem) nor prestige components (self-actualization and partly esteem), the same with other needs" (Taujanskaitė *et al.*, 2015:494).

"The evolution and growth of stokvels post the stock fair era has been associated with the need for survival strategies to mobilize financial resources which former South African Reserve Bank Governor Tito Mboweni argues were initiated by the disadvantaged black community during South Africa's previous political dispensation in a bid to cope with economic oppression grounded in race and class exploitation (Mboweni 1990). This enabled members to have insurance against adversity such as death (burial societies), as well as equipping them with the financial muscle to fund various other functions agreed upon by the *stokvel* as a collective, for example loans to needy members, education and other physiological needs such as housing, grocery shopping and business endeavours (Townsen & Mosala 2009)" (*African Response Research*, 2012:2).

Safety Needs

Maslow (1943) and Matterson & Ivancevich (1999) cited in Adams *et al.*, (2015:30) indicated that "after the physical needs are gratified, next in the hierarchy are safety needs. Individuals have an inherent need to

be safe once their physical needs are met. Maslow's description of the safety needs also indicates that if the individual's safety needs are not met, the individual may utilize the safety need to organize behaviour because once the physical needs are met, safety needs can become underestimated. Maslow also states that in a well-run, peaceful society, members can normally feel safe and thus gratify their need for safety, but crime, disease outbreak, and similar issues can bring the need for safety to the forefront in an individual's behaviour. If both the physical and safety needs of an individual are met, however, the individual can move to the next step in the hierarchy".

Kaseke & Olivier (2008) cited in Maluku & Kaseke (2014:507) observed that "in the absence of adequate formal social protection, the poor are forced to rely on informal forms of social protection. Thus unemployment forces women to explore alternative strategies for achieving income security. Participating in stokvels is thus one of their innovative strategies for addressing income security".

Love (Social) Needs

In Maslow's hierarchy, 'social needs' are designated as a third tier of needs in the middle of the pyramid. Maslow (1943) and Matterson & Ivancevich (1999) cited in Adams *et al.*, (2015:30) indicated that "once physical and safety needs are met, love needs are next in the hierarchy. This need can be gratified by affection or belongingness. Maslow's argument in the realm of love needs is that if both the physical and safety needs are sufficiently satisfied, an individual will want friends. An individual will look to satisfy the need for love by belonging to a group. Once again, if both the physical and safety needs are gratified, the need for love can almost exclusively drive behaviour. Maslow (1943) states that a person who once, when hungry, sneered at love may later find that the need for love is a very pressing need driving behaviour. Once the love need is met, the need for esteem presents itself".

A study by Maluku & Kaseke (2014:508) revealed that "another factor that drives women to participate in stokvels is the influence from social networks. The influence from their social networks was more intense, given that they lived in close proximity". One respondent in a study by Maluku & Kaseke

(2014:508) 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*”.

Esteem Needs

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

Self-Actualisation

According to a research by Adams *et al.*, (2015:30) “Maslow’s (1943) contention is that once all of the previous needs on the hierarchy (physical, safety, love, and esteem) are met, individuals can still find themselves striving for more. Self-actualisation occurs when individuals reach their potential”. Another writer (Matterson & Ivancevich 1999) cited in Adams *et al.*, (2015:30) revealed that “As an example of self-actualization, Maslow describes a musician who must make music. In Maslow’s own words, to achieve self-actualization, “what a man can be, he must be”. Adams *et al.*, (2015:31) also summarised it well “once a person has met all of the previous needs in the hierarchy, the person will therefore then strive to achieve full potential”.

3.4.3 THE HAYES & WHEELWRIGHT FOUR-STAGE MODEL

There are a number of studies that were developed on the basis of Maslow’s hierarchy of needs theory model, one of them is the Hayes & Wheelwright four stage model. “The Hayes & Wheelwright model depicts four stages in the contribution of operations to the performance of the business” organisation in its

development and evolution (Adams *et al.*, 2015:31). The writers Adams *et al.* (2015:27) asserts that the preoccupation of “management in small business is survival in a highly competitive environment. Small business organisations are driven by day-to-day operational requirements, as opposed to long-term strategic focuses as is the case with large businesses. Small businesses have flexible organisations that allow them to respond quickly to market changes, and they tend to have informal management structures that are built around small management teams”.

Chapman (1999) cited in Adams *et al.*, (2015:27) substantiates that what results in the absence or neglect of long-term strategy in small businesses / owner-manager businesses is that “with small businesses, what exists instead of strategy are common patterns of behaviour in relation to the organization size and the industry sector” and the owner has “minimal time, resources, and skills to engage in sophisticated forecasting”. Whilst the author Robinson (1995) cited in Adams *et al.*, (2015:27) indicates that “the owner has moulded his (or her) decision-making activity through repeated crisis management, focusing on day-to-day decisions with relatively short time spans”. As it can be seen in this chapter, that one can draw similarities between small businesses / owner-manager businesses and *stokvels*; these entities are lauded for their intrinsic attributes of create employment, saving cash and building social capital (Maluku & Kaseke, 2014; Adams *et al.*, 2015). Yet *stokvels* and “small businesses do not have the advantages of size and resources that larger organisations possess; therefore, strategies that capitalise on applying greater size and resources are often ineffective when implemented by small businesses” (Adams *et al.*, 2015:28).

According to Adams *et al.* (2015:29) “small business organisations are different from large organisations in that they are primarily run by owner-managers”. A study by Wu *et al.*, (2015:22) maintains that a leader of a RoSCAs is an individual who “originates the association and facilitates the transactions. The leader generally takes more risk than the other participants and is granted certain advantages”. The motivation of a leader (in the case of a RoSCAs) and an owner-manager (in the case of a small business) is an important factor in the performance of these organisations hence “Maslow’s hierarchy of needs offers a good way of understanding the outlook of a small business organisation” and a RoSCAs like *stokvels* (Adams *et al.*, 2015:29). The theorist Adams *et al.* (2015:31) observed “where Maslow’s hierarchy of needs provides a

framework for viewing motivation for individuals, Hayes and Wheelwright (1984) have developed a model for a manufacturer's development from an organisation that is struggling into an organisation that is thriving". The Hayes and Wheelwright model can be viewed as "stages of development along a continuum" (Wheelwright & Hayes, 1985:99). The theorists Wheelwright & Hayes (1985:100) indicate that the owner-manager needs to understand the possibilities along the stages continuum so as to identify "both their business's current position, the transformation in attitudes and approach that will be necessary if it is to advance to a higher stage of competitive effectiveness".

According to Wheelwright & Hayes (1985:100) the stages in the model "are not mutually exclusive". The authors also maintain "it is difficult, if not impossible, for a company to skip stage". Whilst a new organisation can "attempt to begin operations at any level it chooses" in the continuum however, an organisation "that is already up and running has far less freedom of choice" Wheelwright & Hayes (1985:100). The theorists find that "attitudes and established modes of doing things are well entrenched, and it takes a tremendous effort just to move things along from one level to the next". Just like in Maslow's hierarchy of needs model; it is the "mastery of activities at one stage that usually provides the underpinnings for a successful transition to the next". To better understand how to apply Hayes & Wheelwright four-stage model to *stokvel* organisations, it is important to understand each level in the original framework, below;

- *Stage 1 (internal neutral)*: "This is the lowest stage in the model representing an 'internally neutral' orientation towards the business: the organisation is regarded as neutral – incapable of influencing competitive success. Managers in the business attach little meaning to infrastructure issues such as work force policies, planning and measurement systems, and incremental process improvements. Stage 1 is associated low-skilled workers and supervisors forced to use a reactive, inward-looking and mistake-avoiding approach, with no time to focus on a consistent set of objectives" Wheelwright & Hayes (1985:101).
- *Stage 2 (external neutral)*: The business seeks "competitive or 'external' neutrality – that is parity with major competitors" Wheelwright & Hayes (1985:102), the orientation is not inward-looking

towards the business itself as in Stage 1. Businesses in Stage 2 seek to follow industry practices, in “establishing performance-monitoring systems, trying to emulate competitors” Adams *et al.*, (2015:31), and the use of benchmarking to seek to copy best practices in its industry. Stage 2 businesses suffer a lag in implementing best practices, and the best result is performance equal to that of competitors. “Practices are not directly linked to business strategies, and no competitive advantage is achieved” Adams *et al.*, (2015:31).

- *Stage 3 (internal supportive)*: The organisations view their business as ‘internally supportive’ in that “its contributions derive from and is dictated by overall strategy. That contribution includes:
 - Screening decisions to ensure they are consistent with the organisation’s competitive strategy;
 - Translating that strategy into terms meaningful to business personnel;
 - Seeking consistency within the business through a carefully thought-out sequence of investments and system changes over time;
 - Being on a lookout for longer term developments and trends” Wheelwright & Hayes (1985:102).Stage 3 organisations arrive at this stage “as a natural consequence of their success in developing a successful strategy, based on formal planning processes” Wheelwright & Hayes (1985:102). Performance-monitoring systems are used as a basis for improvement industry best practices are implemented.
- *Stage 4 (external supportive)*: This stage is the “fourth and most progressive stage of the organisation. The role of the business functions in Stage 4 organisations “is ‘externally supportive’, in that the business functions are expected to make an important contribution to the competitive success of the organisation” Wheelwright & Hayes (1985:103). The outstanding attributes of Stage 4 organisations are that “they;
 - Anticipate the potential of new business practices and technologies and seek to acquire expertise in them long before their implications are fully apparent;
 - Place equal emphasis on structural (building and equipment) and infrastructural (management policies) activities as potential sources of continual improvement and competitive advantage;

- Develop long-range business plans in which the business capabilities are expected to play a meaningful role in securing the organisation's strategic objectives" Wheelwright & Hayes (1985:103).

3.5 CONCLUSION

Parallels between RoSCAs like *stokvels* and owner-manager business organisations can be drawn as the motivation to form these entities could be similar. Extensive literature has been written about the economic contributions of small or owner-managed businesses. From the observations of these and traits of *stokvels* a conceptual framework was formulated by the researcher, also drawing from the theories of both Maslow's hierarchy of needs and the Hayes & Wheelwright four-stage model. With such a sizeable portion of the economy in SA tied to small businesses / owner-manager businesses and *stokvels*, it is important to understand the development and evolution of these organisations. Because *stokvels* by their nature are informal entities, founded on implicit strategies developed by the founders, different types of strategy models need to be developed for the different types of *stokvels* in SA. This study has been premised on the layering of theory of Maslow's hierarchy of needs and the Hayes & Wheelwright four-stage model. The question begs; are *stokvel* members' motivation to form or be part of a particular type *stokvel* pre-determined by the membership's primary needs.

In the next chapter the study will focus on the approaches adopted in developing a research methodology, the paradigms considered in line with the aims of the study, research objectives and research questions.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter presents the research methodology underpinning the study. The purpose of this chapter, therefore, is to define the research methodology, location of the study, population of the study, sample size, sampling techniques, data collection procedures, the construction of the research instruments including the pre-testing instrument used prior to administering the questionnaire to the participants of the study, outline issues pertaining to aspects of validity, reliability, outline the triangulation strategy of the converging themes, data analysis techniques, hallmarks of scientific research, ethics taken into consideration and the summary of the chapter.

4.2 WHAT IS RESEARCH?

In *Research Methods for Business: A Skill-Building Approach*, authors (Sekaran & Bougie, 2013:2) defined research as “the process of discovering a new solution to an existing problem after a thorough study and analysis of the situational factors”. It is a search for the truth “where a series of well-thought out and carefully executed activities enable the researcher to know how existing problems can be resolved or minimised considerably. Research therefore includes the processes of inquiry, investigation, examination and experimentation which have to be carried out systematically, diligently, critically, objectively and logically”.

The widely consulted literature indicated the research typologies as; basic, applied and experimental development research. A writer Blaikie (2010:49) maintained that “basic research produces knowledge for understanding. It is concerned with advancing fundamental knowledge about the social world, in particular, with the development and testing of theories”. Applied research attempts to produce knowledge for corrective action with an orientation towards accomplishing tasks, development and implementation of policy (Sekaran & Bougie, 2013). A definition of experimental development research was found in the

OECD's Frascati Manual (2002) cited in (Coryn, 2006:127) where it was indicated as a “systematic work, drawing on existing knowledge gained from research and/or practical experience, which is directed to producing new materials, products or devices, to installing new processes, systems and services, or to improving substantially those already produced or installed”. This study is based on applied research because it seeks to solve practical problems with regards to the role of *stokvels* in the economic transformation of eThekweni Municipality and to develop a model that will be recommended for implementation by the municipality. Therefore, the study will play an important role in solving the problem of provision of alternative employment, poverty alleviation and inequality reduction that have an impact on the economic transformation of eThekweni Municipality. In short, the knowledge generated in this study will be used for economic transformation of the municipality.

4.3 THE SIGNIFICANCE OF RESEARCH

In *Research Methodology: Methods and Techniques*, written by (Kothari, 2005), the importance of research were listed as:

- i) to inculcate scientific and inductive thinking;
- ii) to promote the development of logical habits of thinking and organisation;
- iii) to provide the basis for nearly all government policies in our economic system;
- iv) to provide planning for the future of the organisation so as to achieve short, medium and long-term goals;
- v) to facilitate the decision-making processes of the policy makers and the allocation of resources;
- vi) to identify problems, which dictates the collection of information and the finding of solutions to remedy the situation;
- vii) to provide the evidence for the source of the problem and the resolution thereof;
- viii) to test theoretical assumptions and observations about user needs and services and create pools of the new knowledge that can be used to improve on services;
- ix) to contribute to knowledge through inquiry, investigation and examination aimed at the discovery of facts, theories or law; and

- x) to provide a theoretical framework needed for the problem to be solved.

4.4 RESEARCH METHODOLOGY

According to Rubin & Babbie (2011:4) “methodology” is a science of finding out. In *Research Design: Qualitative, Quantitative, & Mixed Methods Approaches* authored by Creswell (2014) a research methodology was indicated as plans and procedures that comprise broad assumptions of the study, detailed methods of data collection, analysis of data and interpretation of data. Rajasekar, Philominathan & Chinnathambi (2006) concur that the research methodology considers and explains the logic behind methods and techniques to carry out research. It involves all the techniques such as the procedures and methods adopted in the collection of the data, the source of data, organising and analysing of data, determination and identification of the population, sample size, sampling procedures, and validity and reliability of data collected during the study. The study is also concerned with which approach should be used to study the topic of the research. Informing this decision should be the philosophical worldview assumptions (or paradigms) the “researcher brings to the study; procedures of the inquiry, specific research methods of data collection, analysis of data and interpretation” of the results Creswell (2014:3).

This study, was intent to collect data aligned with the objectives and research questions of the study from the active members of *stokvels* and the policy-makers (being MC members) of eThekweni Municipality in the economic development department of eThekweni Municipality. The mixed method design was therefore the chosen technique for study. The philosophical worldview that was aligned with the mixed method technique was the pragmatic paradigm view. The data collected from the quantitative and qualitative research was thematically analysed and subjected to methodological triangulation technique. From the methodological triangulation technique, converging themes from the quantitative and qualitative research of the study emerged and findings were discussed. The methodological triangulation technique uses multiple methods of data collection and analysis. Triangulation is a technique that is often associated with using mixed methods. The benefits of methodological triangulation technique in this study increased the researcher’s confidence in achieving the aim of the study, research objectives and research questions.

4.4.1 RESEARCH APPROACHES

The first element in the research methodology framework is research approaches. Creswell (2014:3) indicates that “the selection of a research approach should be based on the nature of the research problem, the researcher’s personal experiences and the audience of the study”. There are three types of approaches to research, however this section outlines the chosen mixed methods research that influenced the approach of this study. The three types of research approaches are;

- a) quantitative research;
- b) qualitative research; and
- c) mixed methods research.

MIXED METHOD RESEARCH

The mixed method approach to a study involves collecting both qualitative and quantitative data, and mixing both sets of data. Creswell (2013) posits that the core assumption of mixed methods research is that the combination of both quantitative and qualitative approaches provide for a holistic aggregate understanding of a research problem that the isolated individual approaches are unable to provide.

These research approaches are not discrete; neither should they be viewed in isolation nor as being in competition with one another. It is however, possible that a particular study can tend to be either more quantitative or qualitative than another, whereas the mixed methods research approach tends to take the middle road as it is a mixture of both the quantitative and qualitative methods (Creswell, 2013). For this study, a mixed method technique was chosen in order to obtain data from respondents of the quantitative research, who are active members of *stokvels* and participants of the qualitative research, who are municipality council members (policy-makers) in eThekweni.

4.4.2 PHILOSOPHICAL VIEWS

The belief system and philosophical views of a researcher have an influence and bearing on the approach to the study. The espoused philosophical views of a researcher can explain choices of either a quantitative, qualitative or mixed methods research approach to their study (Sekaran & Bougie, 2014; Creswell, 2013). Since the study had chosen a mixed method approach, this informed the pragmatic philosophical view

being adopted for the study. There are four paradigm views of a research, however this section will outline and highlight the pragmatic paradigm view that influenced the approach to this study. The four philosophical worldviews are: positivism, constructivism, a transformative approach and pragmatism.

PRAGMATIC VIEW PARADIGM

The pragmatists view is that, there is no one specific approach to a research process (Sekaran & Bougie, 2014). The view of the pragmatists is that research should be practical and informed by differing viewpoints regarding the topic under study and on how to resolve the problem (Sekaran & Bougie, 2014).

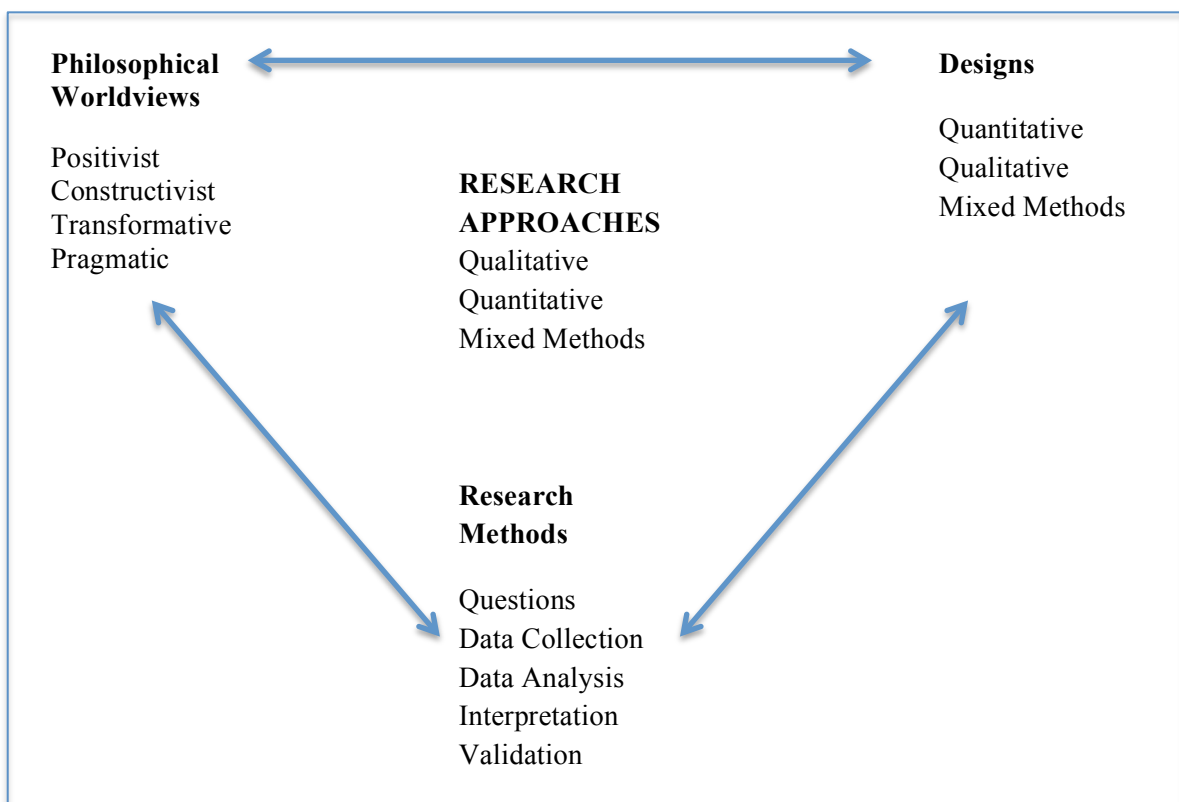


Figure 4.1 Framework of Research – The Interconnection of Paradigms, Design and Research Methods

Source: (Creswell, 2013:5)

These characteristics make the pragmatic view paradigm more amenable to a mixed methods research approach in that the researcher draws freely from quantitative and qualitative assumptions when they engage in their study (Sekaran & Bougie, 2013; Creswell, 2014).

The framework of research as depicted above (figure 4.1) is determined by three components which form the basis of an approach to research and planning of a study;

- Firstly, the researcher needs to think through the philosophical worldview assumptions (*or paradigms*) that he or she brings to the study;
- Secondly, there is the research design that is born out of the paradigms; and
- Thirdly, the specific methods and procedures of the research that translate the approach into practices.

For this study, the pragmatic paradigm view matched the personal experiences of the researcher, the variables of the study and the aim of the study to explore the role of *stokvels* in the economic transformation of eThekweni Municipality. The pragmatic view paradigm was aligned with researcher's objectives to:

- establish the truth about the role of *stokvels* in the economic transformation of eThekweni Municipality;
- understand the cause and effect of the role of *stokvels* in the economic policy framework of eThekweni Municipality;
- obtain the objective views of the *stokvel* groups and MC members (since they are policy formulators) on the role of *stokvels* in the economic framework of eThekweni Municipality; and
- formulate a model (or theory) for *stokvels* to be integrated into the economic policy framework of eThekweni Municipality.

4.4.3 MIXED METHODS STRATEGIES

The second element in the research methodology framework is the research design. Sekaran & Bougie (2013:95) maintain that “a research design is a blueprint for the collection, measurement, and analysis of data, based on the research questions of the study in providing specific direction of procedures (or strategies of inquiry) in a research design”. “Research designs are types of strategies of inquiry within the

quantitative, qualitative and mixed methods approaches that give birth to procedures in a research design” (Creswell, 2013:12).

If the researcher is to adopt a mixed methods approach it is important to understand the strategic approach to the study since there are three types of mixed method design strategies. There are three basic mixed method strategies, however this section will highlight the chosen convergent parallel mixed method strategy that influenced the approach of this study. The three basic strategies are:

- a) convergent mixed parallel method;
- b) explanatory sequential mixed method; and
- c) exploratory sequential mixed method.

4.4.3.1 CONVERGENT PARALLEL MIXED METHOD DESIGN

The convergent parallel mixed methods design is the most commonly used mixed method of all (Creswell, 2013:219). In the convergent parallel mixed methods approach, the researcher collects the data from quantitative research and qualitative research separately. The collected data is then analysed separately and the results from the in-depth qualitative method interviews and the scored responses from the participants of the quantitative method are compared (see figure 4.2). It is critical that the construct of both the quantitative and qualitative data survey the same concept to enable the analysis to draw parallels during the interpretation of results.

The research objectives and research questions of the study were such that it would be desirable to obtain independent data from the participants on the economic contribution factors of *stokvels* in the policy framework of eThekweni, the role of *stokvels* in the policy framework of the municipality, the views of *stokvel* groups and municipality members of eThekweni on the role of *stokvels* in the municipality and to develop a model for integrating the *stokvels* into the economic policy framework of the municipality. In order to achieve this a convergent parallel mixed method strategy was chosen wherein data (both qualitative and quantitative) was independently collected during fieldwork and analysed separately. The emerging thematic findings from the analysis of data were converged and interpreted.

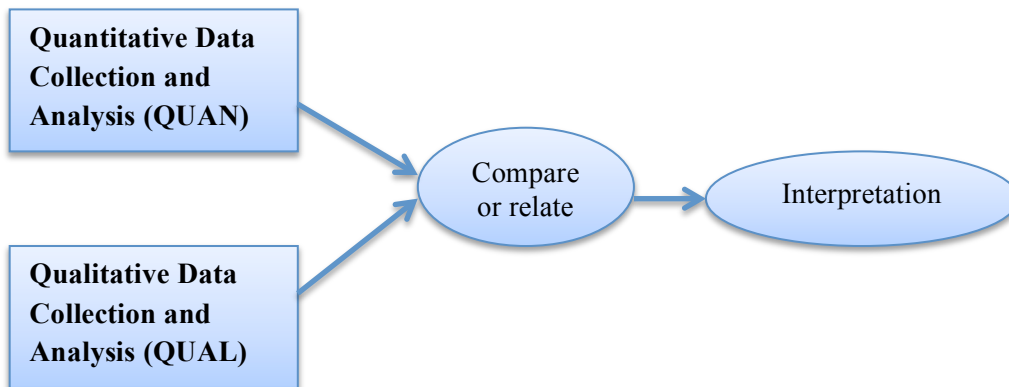


Figure 4.2 Convergent Parallel Mixed Method

Source: (Creswell, 2013:220)

4.4.3.2 TRIANGULATION

Triangulation “is a technique that is closely associated with the mixed methods research” (Sekaran & Bougie, 2013:104). The application thereof as part of the research is to build more confidence in the results to ascertain if the results obtained have a strong congruency even though the data was collected from different samples and different instruments were used (Sekaran & Bougie, 2013).

According to Sekaran & Bougie (2013) “triangulation is a technique that is often associated with using mixed methods. Whilst according to Creswell (2014), triangulation is a strategy to “triangulate different data sources of information by examining evidence from the sources and using it to build a coherent justification for themes. If the themes are established based on several converging sources of data or perspectives from participants, then this process can be claimed as adding to the validity of the study”. The idea behind triangulation strategy is that a researcher can be more confident of the results and can be more convincing to the reader if the use of different methods leads to the same result. A study by Graham (2005) cited (Denzin, 1989) revealed that “between-method triangulation involves the use of qualitative and quantitative data collection approaches within one study to investigate the same unit” (Graham, 2005:9). The writer continued to maintain “this as having the potential to overcome the inadequacies of each paradigm”. Sekaran & Bougie (2013:104) list the types of triangulation techniques possible as:

- “Methodological triangulation: using multiple methods of data collection and analysis
- Data triangulation: collecting data from several sources and/or at different time periods
- Research triangulation: multiple researchers collect and/or analyse data; and

- Theory triangulation: multiple theories and/or perspectives are used to interpret and explain the data”.

This study also applied “triangulation to give completeness and to enhance the trustworthiness of the work, deepen the analysis and overcome deficiencies inherent in data collection methods” (Graham, 2005:11).

For this study; methodological, data and theory triangulation techniques were applied.

METHODOLOGICAL TRIANGUALTION

The study used a range of research methods to collect data from each participants and respondents; including questionnaires, electronic surveys, literature review, interviews, observations journals, the internet, media bulletin and audiotapes to collect data in order to interpret results and the thematic findings in relation to the aim of the study, research objectives and research questions. The methodological triangulation technique was used to confirm, validate and bring about completeness in the use multiple methods of this study (Halcomb & Andrew, 2005).

DATA TRIANGUALTION

The data triangulation strategy was applied to the study wherein the transcribed data from the questionnaires that were collected from respondents, the coded interview recordings from participants and the results from secondary data sources were compared to confirm and validate any convergent or divergent themes (Halcomb & Andrew, 2005). Further to that data obtained from the questionnaires was cross-tabulated and tested against the data from the findings by other authors. This study also used multiple data analysis tools like; cross-tabulation of data, Pearson chi-square coefficient to test the variables, inferential and descriptive statistics.

THEORY TRIANGULATION

Another triangulation strategy that was applied for this study was theory triangulation. During theory triangulation, the conceptual framework of the study based Maslow’s hierarchy of needs and Hayes & Wheelwright four-stage models was used to confirm and validate the alignment of these theories to the previous authors research findings on the *stokvel* typology (Halcomb & Andrew, 2005). This study applied the theory triangulation in order to develop a new model for the integration of *stokvels* into the economic

policy framework of eThekweni Municipality and further recommended the construction of a *stokvel* development model.

4.5 LOCATION OF THE STUDY

This study was located within the municipal boundaries of eThekweni in the province of KZN, in SA (see figure 4.3). All the 197 towns/cities of eThekweni Municipality were selected for data collection of the study. The eThekweni Municipality's "gross domestic product (GDP) comprises 57,1% of KZN GDP and 9,1% nationally. eThekweni Municipality's GDP was recorded at R272,9 billion in 2014 with growth forecast by 1,9% during 2015. GDP growth in the eThekweni Municipality region increased by 1,2% between 2013 and 2014 while KZN and SA grew by 1,7% and 1,5% respectively" (*eThekweni Municipality, 2016:51*). The *Community Survey (2016)* by StatsSA put the 2011 population of eThekweni Municipality at 3.44 million and that figure has grown in 2016 to 3,59 million people "at an average annual percentage of 1.13% per annum.

EThekweni Municipality is the largest port and city on the east coast of Africa in the province of KZN with a population of 3,59 million people. eThekweni Municipality had a population growth rate of 1.08% between 2001 to 2011" (*eThekweni Municipality, 2016:31*). Though eThekweni Municipality is a third of the total population of KwaZulu-Natal (KZN) it, however, boasts 60% of its economic activity of the entire province. In 2011 "eThekweni Municipality had a Gross Value Added (GVA) of R182.2 billion with an average GVA growth rate of 3.5% (2004–2009). In 2009 eThekweni Municipality contributed a total of 9% to the national GVA of SA only ranking third after Johannesburg (14%) and Cape Town (11%)" (David *et al.*, 2013:67). In 2011 eThekweni Municipality "had an unemployment rate of 20.4% and 31.3% of its population lived in poverty" (David *et al.*, 2013:69).

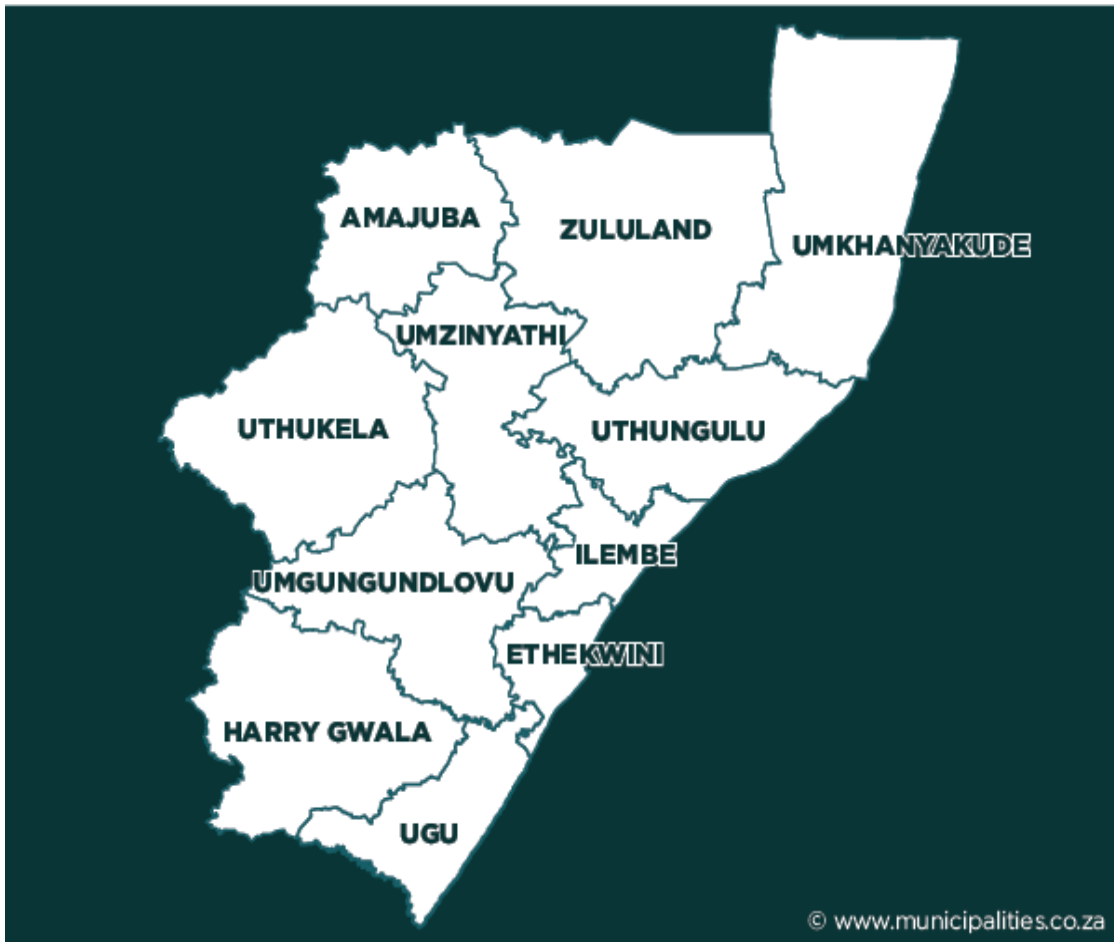


Figure 4.3 A map of KwaZulu-Natal and all its municipalities

Source: (The Local Government Handbook, 2017)

The *IDP (2016/2017)* report points out that “over 60% of all exports during 2014 were motor vehicles, parts and accessories and basic iron and steel. Almost 50% of imports are motor vehicles, parts and accessories, and basic chemicals. The majority of exports from eThekweni Municipality are destined for African countries (approx. 37%) whereas 51% of imports come from China and Japan” (*eThekweni Municipality, 2016:57*). From the Eurozone, “the UK was eThekweni Municipality’s number one export partner in 2014. eThekweni Municipality’s other trading partners include Germany, the United States, China, and Spain. EThekweni’s exports included corn, diamonds, fruits, gold, metals and minerals, sugar, and wool (*eThekweni Municipality, 2016:58*).

According to the Quarterly Labour Force Survey (QLFS) (2017) report documented by *StatsSA* the eThekweni Municipality region recorded an unemployment rate of 28.7% during the first quarter of 2017

(*Statistics South Africa, 2017b*). Census 2011 by *StatsSA (2012)* revealed that 38% of the eThekweni Municipality population was economically active, decreasing by 2.0% from the economically active population in 2006. The municipality employed approximately 7.4% (approximately 1.2 million people) of the national total of 16.2 million people and is currently growing at a rate of 1.7% (*Statistics South Africa, 2017b*). Although the unemployment rate was the second lowest in SA after the City of Cape Town the eThekweni Municipality's challenge was to grow employment by more than 4% p.a. in order to meet its share of the NDP 2030. From a demographic perspective "census 2011 and community census 2016 statistics of eThekweni Municipality reveal that the population group of individuals below the age of 35 years makes up 71% of the population. The 35 to 59 age group comprises 21% and those individuals who are over 60 years make up the final balance 8%. The economically active age group from 15 to 59 years makes up 67% of the population" (*eThekweni Municipality, 2016:32*). In terms of the *IDP (2016/2017)* report "the African (black) community was the majority of the in 2011 representing (73.8%) of the population followed by the Indian community (16.7%), White community (6.6%), Coloured community (2.5%) and other (0.4%)" (*eThekweni Municipality, 2016:33*).

EThekweni Municipality has the 6th highest per capita income when compared with other major municipalities; the highest of which is Tshwane with R71,710.00. The overall Gini coefficient in eThekweni Municipality was 0.64 in 2014 which shows a change of 0.01 percentage points from 2013. Total household expenditure in eThekweni Municipality in 2014 amounted to R202,2 billion, up from R184,1 billion in 2013" (*eThekweni Municipality, 2016:54*). *IDP (2016/2017)* of *eThekweni Municipality (2016:55)* indicated "the percentage of people living below the food poverty line in eThekweni Municipality has reduced by 30.1% between 2004 and 2013 and by 0,12% between 2012 and 2013; however, eThekweni Municipality has the highest number of people living below the food poverty line compared to the other 4 major municipalities in SA". The make-up of *eThekweni Municipality (2016:56)* comprises "744,577 people living below the poverty line in 2013, 98,8% were African, while 0,3% were Asian, 0,8% were Coloured and 0,1% White.

This meant therefore that from the total *eThekwini Municipality (2016:56)* population of 3,44 million individuals as recorded by Consensus 2011; “28% of the African, 7,5% of the Coloured, 0,43% of the Asian and 0.05% of the White population are living below the food poverty line”.

The Gini-coefficient of 0.64 for eThekwini Municipality ranked second lowest in 2014 with Nelson Mandela Bay Municipality (NMBM) while Johannesburg was the highest (at 0.65 each) and Cape Town the lowest at 0.62 during 2014. According to the *IDP (2016/2017)* it is reported that the food security in eThekwini Municipality needs improving as 21% of households live on or below the food poverty line. This statistics of people living below the poverty line, Gini-coefficient, household income/debt and demographics in eThekwini Municipality bears centrality to the conceptual framework of this study. The Maslow’s hierarchy of needs layered with the Hayes & Wheelwright four-stage has alignment with the motivation of *stokvel* membership and association with a specific type of *stokvel*.

4.6 POPULATION OF THE STUDY

The population of a study is a group (of people, events, or things of interest) about whom the inferences, generalisations and findings of a study are to be drawn (Sekaran & Bougie, 2013). In this study, the population was the *stokvel* groups in eThekwini Municipality in the province of KwaZulu-Natal (KZN). *The Community Survey (2016)* by *StatsSA* put the 2016 population of eThekwini Municipality at 3,59 million people (*Statistics South Africa, 2016*). This makes KZN the second largest province by population at 20% the population of SA. The eThekwini Municipality populace of 3,59 million people is thus 32% of the population of KZN (*StatsSA, 2016*).

According to Sekaran & Bougie (2013:245) “the target population must be defined in terms of the elements, geographical boundaries and time”. From the research findings by *African Response Research (2012)* there are 811 830 *stokvel* groups in SA, of these; KZN *stokvel* groups constitute 14%, which translates to 113 540 *stokvel* groups in KZN. Based on the statistical information from *StatsSA (2016)* concerning the eThekwini Municipality population, the researcher formulated the target population of the

study by superimposing the *StatsSA* figures of KZN and eThekweni Municipality onto the *stokvel* groups' population of KZN, as obtained from *African Response Research (2012)*. From these data sources the population of *stokvel* groups in KZN is 113 540. Since 32% was the KZN's population size of residents in eThekweni Municipality, the researcher scientifically extrapolated from the official statistics to yield a *stokvel* group population size of 36 333 in eThekweni Municipality. The population of *stokvel* groups in eThekweni Municipality for this study was therefore 36 333.

In this study, *stokvels* were defined as an informal self-help union of people with a common goal of pooling funds together on a weekly or monthly basis to address a common need due to poverty, unemployment and income insecurity (Maluku & Kaseke, 2014). The membership number of people per *stokvel* group is between 12 and 52. All *stokvel* groups have a governance structure of which the Chairperson is a democratically elected convener and an accounting officer. Also, in this study, the researcher elected to make the Chairpersons of *stokvel* groups to be the representatives of their respective *stokvel* groups. All 36 333 Chairpersons of *stokvel* groups had an equal chance of being selected to participate in the quantitative section of the mixed methods survey and pre-test exercise of this study. The *stokvel* groups population of 36 333 was too large to handle for the purposes of this study in terms of time, funds and other resources at the disposal of the researcher; it was therefore concluded that a statistically acceptable sample size of *stokvel* groups would be surveyed instead. The sample size justification for this study is provided in the following sections of this chapter.

4.6.1 SAMPLE FRAME

The sampling frame is a database or register of the population from which the sample of the study is drawn. The databases and registers are a work-in-progress type of document that require frequent updating with current information. If not maintained these databases and registers become redundant and obsolete (Sekaran & Bougie, 2013). Although the sample frame register is a useful tool in providing the details of each element in the population, it may not be either current or correct. The sampling frame for this study will be the 395 *stokvels* from across the 197 towns/cities as depicted in *StatsSA (2017)*. To formulate a sample frame the researcher sourced the list of all towns/cities/suburbs of eThekweni from the official website of the eThekweni Municipality official.

4.6.2 SAMPLE SIZE

According to Sekaran & Bougie (2013) a sample is a statistically acceptable subset or subgroup of the population. By studying the sample the researcher should be able to draw inferences and conclusions that can be generalised to the population of interest. For this study, the population size was 36 333 *stokvel* groups in eThekweni Municipality, with each *stokvel* group unit represented by a Chairperson or a Treasurer. The statistically accepted sample from a population of 36 333 *stokvel* groups (or Chairpersons of *stokvel* groups) in eThekweni Municipality was scientifically extrapolated to be 395. For the sample size to be statistically acceptable and representative of the population, it should give the researcher a certain level of confidence that all its characteristics can truly be generalised throughout the entire population. It is at this point where the 95% confidence limit is applied.

For this study the sample of 395 *stokvel* groups (or Chairpersons) were calculated and found to fall within the confidence limit of 95% using the mathematical formula:

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

where: 'n' is a sample size

'N' is a population size

'r' is a significance level of 0.05 from a confidence limit of 95%

A 95% confidence limit is a commonly acceptable statistical level in most research.

However, there exists an alternative scientific guideline model to the above mathematical formula at arriving at an acceptable sample size for a business research. Table 4.1 depicted below, adopted from Sekaran & Bougie (2013:268) provides a generalised scientific guideline for sample size model. If this model were applied to this study the sample size would have been a little lower at 379 as opposed to 395. The difference in sample size between the mathematical formula and the generalised scientific model is sixteen (16) units. If the location of this study was KZN, with a *stokvel* group population of 113 540 the sample size would have been 399 (using a mathematical formula). Whereas the sample size would be 384 when using a scientific guideline model. This means therefore a fifteen (15) units difference between the two applications.

Table 4.1 Sample size for a given population size of the quantitative survey

Number Population = N	Sample = n at 95%
20 000	377
30 000	379
40 000	380
50 000	381
75 000	382
1 000 000	384

Source: (Sekaran & Bougie, 2013:268)

The difference in value of about 15 units between sample size could be deemed too small and immaterial for population sizes of provincial (KZN), municipal (eThekweni Municipality) and national (SA) populations could mean that the results and findings from this study could be generalised and replicated to all *stokvels* across SA.

4.6.3 SAMPLE DESIGN

During a research, the sample of the population of a study should be given an equal chance to be selected to participate in such study. This approach introduces a phenomenon of probability and randomness in a study called probability sampling, thus eliminating elements of bias, preference and predictability in a research (Sekaran & Bougie, 2013). Sampling distinguishes between two major types of sampling designs; probability and non-probability sampling techniques. Sekaran & Bougie (2013) state that within each type of sampling design there are different subsets wherein probability sampling has a subset of sampling methods and non-probability sampling has its own subset of sampling methods. We have highlighted these subsets hereunder. However it should be mentioned that none of the consulted literature for this study had employed a mixed method as an approach. Arko-archemfour (2012) chose a convenience non-probability sampling technique. Participants in that study were from different *stokvel* groups and had agreed to be interviewed in a focus group set-up, whilst Maluku and Kaseke (2014) employed a snowballing sampling technique in their qualitative data collection approach. In another study by *African Response (2012)* a

questionnaire was used to collect quantitative data from a sample of two thousand individual *stokvel* members.

4.6.3.1 TYPES OF PROBABILITY SAMPLING

In probability sampling “the elements in the population have some known, nonzero chance or probability of being selected as sample subjects” (Sekaran & Bougie, 2013:245). Whereas in non-probability sampling technique “the elements do not have a known or predetermined chance of being selected as subjects” (Sekaran & Bougie, 2013:245). Probability sampling design is the most preferred in determining whether or not the results can be generalised. However; when time and other factors rather than the capacity to generalise become predominant in a research, only then can the researcher resort to a non-probability design. This study used the simple random sampling technique due to the large size of the sample size and the spread of *stokvels* across the municipality of eThekweni. That afforded an equal chance for all *stokvel* to be chosen to partake in the study. Other types of probability sampling techniques are; Systematic random sampling, Stratified random sampling and Cluster random sampling. This section outlines the chosen simple random sampling method that influenced the study.

Simple random sampling

A simple random sample is a subset of individuals or sample chosen from a large set (a population). In a simple random sampling design, all the elements of a population have an known equal chance or probability of being selected in a sample as subjects of the study. Simple random sampling has the least likelihood of bias and preference in the selection of sample participants, it is also the most amenable of sampling designs to generalizability (Sekaran & Bougie, 2013).

4.6.3.2 TYPES OF NON-PROBABILITY SAMPLING

In non-probability sampling, “the elements in the population do not have any probabilities attached to their being chosen as sample subjects” from a population of a study (Sekaran & Bougie, 2013:252). The findings and results cannot therefore confidently be generalised to the entire population. “As a sampling technique, qualitative research generally uses non-probability sampling” design, since qualitative research is thematic in its orientation and therefore “does not aim to draw statistical inference” (Sekaran & Bougie, 2013:270). For this study, a purposive sampling method was chosen for the researcher to draw from a sample of six

(6) participants that are experts from the Department of Local Economic Development and Planning in eThekweni Municipality. The participants were randomly selected from a group of policy-makers in the Municipality Council of the municipality and proportionately across political party lines. A qualitative methodology perspective of this mixed method research would be borne out of the purposive sampling during this research. Other types of non-probability sampling techniques are; Convenience sampling, Judgement sampling and Quota sampling.

This section outlines the chosen purposive sampling method that influenced this study.

Purposive sampling

Purposive sampling involves selecting a target sample of the population of participants that are subject experts who are knowledgeable about the research topic. As in convenience sampling, the chosen sample of subject matter experts may not readily or conveniently be available for the study (Sekaran & Bougie, 2013). Purposive sampling is one technique that is usually employed in qualitative method research as sample participants are chosen based on their expertise in the research subject.

4.7 DATA COLLECTION INSTRUMENTS

The third element in the methodology framework is the research methods and it involves data collection, analysis of data and interpretation of the findings of the research under study (Creswell, 2014). During a study it is important to collect data using an instrument, to visit a research site and to observe behaviour of participants without predetermined questions or by conducting an interview. The type of data collected may be in numerical form or verbal recordings of information from the participants. Once all the information has been collected the researchers then interpret and analyse the statistically presented results, interpret the themes from the text data and the patterns that emerge from the data. When the researcher elects to use both quantitative and qualitative methods during the research study that study can be regarded as a mixed methods research (Creswell, 2014).

According to Sekaran & Bougie (2013:116) data collection methods include interviews (face-to-face interviews, telephonic interviews, computer-assisted interviews, and interviews through electronic media);

observation of individuals and events, with or without videotaping, or audio recording; questionnaires, which can be personally administered, sent through the mail, or electronically administered; and a variety of motivational techniques such as projective tests”.

For this study a questionnaire instrument was chosen as a more appropriate tool since it has the advantage of obtaining data more efficiently in terms of research time, energy and cost, and the interviewing method has the advantage of flexibility in terms of adapting, adopting and changing the questions as the researcher proceeds with the interviews. The findings obtained from the multiple sources of this study being; material sourced from the consulted literature and the data collections instruments were triangulated using a data triangulation technique for validation purposes. The benefits of data triangulation technique in this study increased confidence in research data, creating innovative ways of understanding a phenomenon, revealing unique findings, challenging or integrating theories,

4.7.1 CONSTRUCTION OF THE RESEARCH INSTRUMENTS FOR THIS STUDY

According to Sekaran & Bougie (2013:112) “interviews, observing elements, and administering questionnaires are the three main data collection methods in survey research”. The authors added that data can be obtained from primary and secondary data sources where primary data is referred to as information obtained first-hand by the researcher on the variable of interest; for example through interviews, focus groups, panels of participants, etc. Secondary data is referred to as information gathered from sources that already exist; for example, from archives, publications, journals, records, etc.

During this mixed methods study, the researcher developed two instruments for collecting primary data; namely a questionnaire (hard copy and online) and an interview schedule. The questionnaire was administered by the researcher to the larger sample of 395 *stokvel* Chairpersons whilst the interview schedule was developed as a guide for the researcher when conducting face-to-face in-depth interviews with the small sample group six (6) MC of eThekweni Municipality. Due to the mixed methods research approach of this study as described earlier in this chapter, the questionnaire was constructed with closed-ended questions for purposes of the quantitative data collection section of the study, however, a few open-ended qualitative type questions were included in order to obtain the views of the participants.

The interview schedule was constructed with open-ended questions only, this for the qualitative data collection section of the study.

4.7.2 CONSTRUCTION OF QUESTIONNAIRE

A questionnaire is a tool using pre-formulated written questions to which a sample of participants in the research respond with their most relevant answers from a list of alternatives provided (Sekaran & Bougie, 2013). Questionnaires take more time to construct compared to conducting interviews and they can be mailed to the target sample, electronically distributed or administered personally. Sekaran & Bougie (2013) state that the self-administration of questionnaires is a good way to collect data when the survey is confined to a local area. Amongst the advantages of personal administration of questionnaires is that the researcher can, on the spot, clarify for the respondents any doubts that may have arisen regarding any question.

For the quantitative data collection section of the study a single questionnaire was constructed and replicated in two versions, namely the hard copy and the online versions. The questionnaire for the study contained a total of 23 questions. The questionnaire consisted of two sections wherein section A was the introduction and it was biographic in nature, and sections B containing question for gathering the balance of information required for the study. The questionnaire included survey questions that were designed and formulated in such a way that they were in alignment with the aims of the study and the research objectives. The questions were closed-ended. The scales used in the questionnaire for this study included questions with a binary yes/no response, Likert-scale questions as it is the easiest to understand (e.g., with responses: Strongly Agree-Agree-Disagree-Strongly Disagree), questions requiring a numerical response (e.g., How many people are members of your *stokvel* group?) and questions that required the ranking in order of importance (e.g., with responses: Very High(VH)-High(H)-Medium(M)-Low(L)-None(N)). All the scales were then transcribed and coded by first normalising the responses to all questions so that responses range from 1 to 2 (for a questions with yes/no responses) or 1 to 4 (for questions with Strongly Agree-Agree-Disagree-Strongly Disagree) or 1 to 5 (for a question with a response Very High(VH)-High(H)-Medium(M)-Low(L)-None(N)) (Holland, da Silva & W. Kitts, 2015).

All questionnaires that were collected from the respondents were marked with using the next number method, this helped to ensure that no duplication could arise once the data from the questionnaire was keyed-in on the excel spreadsheet. After the questionnaires were marked with the next numbers, all the responses on the questionnaire were transferred and transcribed on to a coded excel spreadsheet. For an example, if a question from the questionnaire required a 'Yes' or 'No' response from the participants the coding was such that 'Yes = 1' and 'No = 2'. The transcribed data for this study was entered into the Statistical Package for Social Sciences (SPSS version 25.0) software where it was plotted on graphs (pie charts, bar charts, scatter diagrams, etc.) for interrogation.

The questionnaire was designed in such a way that anonymity of respondents was guaranteed. The questionnaire and the interview schedule was administered in English as it is an acceptable medium of communication in eThekweni Municipality. A total of 395 questionnaires were administered to the Chairpersons of *stokvel* groups and the returned responses were 388 which represented a little over 98% response rate. A sample of the questionnaire instrument is attached in annexure E.

4.7.3 PRE-TESTING AND PILOT TESTING THE QUESTIONNAIRE

The instrument was pre-tested prior to piloting in order to test for appropriateness. Once the appropriateness of the instrument was established a pilot test was administered to a smaller group of five randomly picked *stokvel* groups in eThekweni Municipality. This was conducted, using both versions - the hard copy and the electronic online version. The pilot study was aimed at ease of comprehension of the questions in the questionnaire and at measuring the actual time it takes to complete the survey. The pre-test and the pilot testing were included in order to establish content validity of an instrument, to improve questions, format the instructions where necessary, in order to eliminate bias and scale (Creswell, 2014). For this study, the pilot testing was conducted using five randomly selected Chairpersons of *stokvel* groups in eThekweni Municipality. The comments from the pilot study participants were noted, documented and the necessary adjustments to the questionnaire were made prior to administering the same to the sample of 395 participants. The pre-testing study was helpful to the researcher in addressing deficiencies and discrepancies in the instrument thus improving the questions and eliminating bias. It took participants in

the pilot study twelve (12) minutes to complete the hard copy questionnaire and seven (7) minutes to complete the online version.

4.7.4 ADMINISTRATION AND COLLECTION OF THE QUESTIONNAIRE

According to Sekaran & Bougie (2013) when the survey is confined to a local area a good way to collect data is to personally administer the questionnaires. The main advantage for this is that the researcher is in control and can collect all the completed responses within a short period of time. For this study, all the questionnaires were self-administered by the researcher with the assistance of a research assistant and five (5) field workers (in total 6 field workers excluding the researcher) due to the large size of sample size of 395 *stokvel* groups in eThekweni Municipality. The research assistant together with field workers attended a one day training session conducted by the researcher. As part of the training the research assistant and the field workers completed the hard copy questionnaire instrument.

The training sessions were useful in:

- i. Equipping and familiarising the research assistant and field workers with the instrument;
- ii. Building confidence in administering the instrument; and to
- iii. Give clarity on any areas which could cause ambiguity and confusion.

During the self-administration of questionnaires the researcher took the opportunity to introduce the topic of the study and to motivate the participants to respond with their most honest answers to the questions. All clarity and confidentiality issues were addressed during the self-administration process. Each participant was able to complete the questionnaire within 12 minutes, the similar time period it took the participants of the pilot study.

4.7.5 CONSTRUCTION OF THE INTERVIEWS

Interviews can be conducted by either telephone or face-to-face and may be computer assisted. Face-to-face in-depth interviews allow for exchange, dialogue and debate about the subject matter (Sekaran & Bougie, 2013). For the qualitative section of this mixed methods research, the researcher constructed an interview schedule as a framework and guide during the open-ended questions posed in the face-to-face interview sessions with the targeted sample of six (6) MC member of eThekweni Municipality.

The questions in the interview schedule instrument were structured and twelve (12) open-ended questions were generated which were aligned with the aim of the study, research objective and research questions. Some of the questions that were probed in the questionnaire (the quantitative data collection section) were repeated in the interview schedule for face-to-face interviews. This allowed the researcher to establish if there was any convergence of themes in this study's mixed methods approach between quantitative and qualitative data collected from the respective sample audiences. The researcher requested permission to use the tape-recorder during the face-to-face interviews with the MC members of eThekweni Municipality, and this was granted. As in the questionnaire data collection, the MC members were given assurance and a guarantee of anonymity by the researcher prior to the interviews.

4.7.6 ADMINISTRATION OF THE INTERVIEWS

For this qualitative section of the mixed methods study, the researcher secured appointments with all six MC members of eThekweni Municipality. The researcher visited the MC members of eThekweni Municipality at their places of work to conduct the face-to-face interviews. A tape-recorder was brought by the researcher into the interview sessions and with the permission of the MC members all proceedings were recorded. With the guidance of the twelve (12) questions of the interview schedule the researcher was able to complete the face-to-face interview sessions with each MC member within 45 minutes. All the questions in the interview schedule were unstructured, yet aligned with the aims of the study, the research objectives and the research questions of the study. The researcher guaranteed anonymity of individual MC members who participated in the recorded face-to-face interviews.

A sample of the interview schedule is attached in annexure E.

4.8 RELIABILITY AND VALIDITY ISSUES

Reliability and validity measures are usually associated with quantitative research (Nowell, Morris, White & Moules, 2017). Babbie & Mouton (2003:119) state that "reliability is a matter of whether a particular technique, applied repeatedly to the same object, would yield the same result each time". Whereas Sekaran & Bougie (2013:225) refer to reliability as "a test of how consistently a measuring instrument measures whatever concept it is measuring". The reliability of a measure is therefore concerned with the stability

and consistency with which the instrument measures the right concept without bias. Reliability is thus key to a researcher in a study as it points to the reproducible nature of the measures on a retest and considers the accuracy of the measuring instrument. Without reliability, the researcher would be unable to generalise the results confidently to the population of the study, nor draw conclusions and findings about the research. Validity is “the extent to which an empirical instrument adequately reflects the real meaning of the concept under consideration” (Rubin & Babbie, 2011:198). Whilst Sekaran & Bougie (2013:225) described validity as “a test of how well an instrument that is developed measures the particular”. Validity is therefore concerned with whether or not we measure the right concept. Thus, a researcher could claim the research as being valid if the right concept was successfully measured.

Questions on the instruments were constructed by the researcher and were formulated in such a way that if the same study were to be repeated again, and conducted under the similar conditions, the results yielded would be the same. The questions were also strictly related to the research topic: the role of *stokvels* in the economic transformation of eThekweni Municipality. A questionnaire was constructed to ensure internal validity and external validity. O’Connor (2006:2) says that external validity “refers to the extent to which the results of a study are generalisable or transferable while internal validity refers to a study’s ability to determine if a causal relationship exists between one or more independent variables and one or more dependent variable or is there a relationship between the program and the outcome”. In this study’s quantitative section, a Cronbach alpha coefficient was used to measure internal validity. Sekaran & Bougie (2013:292) state that the “Cronbach alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another”. In the qualitative section of this study, the interview schedule contained questions which were aligned to the aim of the study and to the research objectives. The alignment of the interview schedule with the aims of the study and research objectives ensured that the researcher was able to determine whether or not the MC members of eThekweni Municipality were providing reliable and valid information.

Studies by Nowell, et al. (2017); Golafshani (2003); Johnson, O’Hara, Hirst, Weyman, Turner, Mason, Quinn, Shewan, Siriwardena, Niroshan (2017) indicate that credibility, transferability, dependability, conformability and consistency are the data control measures used for qualitative research since reliability

and validity are essentially associated with quantitative research. Lincoln & Guba (1985) cited in Nowell et al. (2017:2) “refined the concept of trustworthiness by introducing the criteria of credibility, transferability, dependability, and confirmability to parallel the conventional quantitative assessment criteria of validity and reliability”.

Credibility

The researcher ensures the credibility of the study by employing qualitative research methods that have been applied in previous studies. Further to that, all approached participants should be given the right not to participate in the study. Data is therefore, only from those participants who are willing to take part and prepared to give information freely - according Lincoln & Guba (1985) cited in Nowell et al. (2017).

This study approached the qualitative data control measure by ensuring credibility as the researcher applied the quantitative research methods that were similar to the ones used in previous studies on RoSCAs like *stokvels*. Further to that all participants from the municipality council of eThekweni were approached telephonically and appointments were confirmed via email and SMS. Participants were also furnished with the interview schedule (annexure E), a gate-keepers letter from eThekweni Municipality authorising the study to be conducted (annexure B), an ethical clearance document from the research department of the University of KwaZulu-Natal confirming that the study was approved by the institution (annexure G), the informed consent letter signed by the participant – indicating willingness to partake in the study (annexure C) and the consent and declaration to participate – signed by the researcher (annexure D).

Transferability

The researcher ensures transferability by making sure that the study is guided by the research objectives. The researcher uses the conceptual framework as a guide to construct interview guide and to develop the research questions that in return inform the research objectives underpinning the study - according Lincoln & Guba (1985) cited in Nowell et al. (2017). Issues of transferability as a qualitative data control measure for this study were addressed by ensuring that the research was at all times guided by the aim of the study, research objective and research questions. The interview schedule (annexure E) was developed from the aim of the study, the research objective and research questions. The conceptual framework adopted from

Maslow's hierarchy of needs and the Hayes & Wheelwright four-stage models for this study, was used as a guide to develop the interview schedule and the research questions underpinning the study.

Dependability

The researcher ensures that dependability is upheld by ensuring that research questions for both in-depth interviews and focus groups are designed in a manner that permits future studies to produce similar results when applied more than once - according Lincoln & Guba (1985) cited in Nowell et al. (2017). For the purposes of this study the researcher ensured dependability was upheld by designing the interview schedule in a manner that future studies would reproduce similar results when applied more than once within the to the participants of eThekweni municipality council.

Conformability

The researcher uses audio recording for the interview sessions to ensure that findings emerging from the interviews are not bias to own belief or interests, but true reflection of the views of the participants. Participants and literature confirms the findings - according Lincoln & Guba (1985) cited in Nowell et al. (2017). This study, adhered to conformability as a qualitative research measure of data control by using audio-recording during the in-depth interviews with the participants. Permission to record the audio of the interview proceedings was sought from the participants prior to the start of the interviews. Participants recordings and consulted literature corroborated the findings, thus confirming that the aim of the study, research objectives and research questions were addressed.

Consistency

The researcher uses pre-determined questions. This provides consistency between the interviews which is critical in understanding a research problem - according Lincoln & Guba (1985) cited in Nowell et al. (2017). All six (6) participants of the qualitative research were furnished with the same, pre-determined interview schedule (annexure E) of questions prior to and during the interviews.

4.9 DATA ANALYSIS

Once the researcher had collected all the data from the sample population, the next phase of the study was to analyse it (Sekaran & Bougie, 2013). The research for this study was designed as a convergent parallel mixed methods approach, such required all data collected to be presented in a qualitative and in a

quantitative form. Since the convergent parallel mixed method approach gives the freedom to the researcher to independently collect data from any of the quantitative respondent and qualitative participants – the data in Chapter 5 was also presented irrespective of any particular order. The researcher however chose to present the quantitative data first and thereafter the qualitative data, however this is not how the research instruments were constructed nor the field work was approached. Each was approached independent of the other.

4.9.1 QUANTITATIVE DATA ANALYSIS

The basic data analysis methods employed for the quantitative data of this study was inferential and descriptive statistics. Descriptive statistics were used to analyse univariate data of the respondents and the inferential statistics method was used to make inferences or extrapolations about the bivariate data.

Descriptive statistics describe what is going on in a population or data set. Whereas inferential statistics, by contrast, allow researchers to make findings from a sample group and generalise them to a larger population (Crossman, 2014). The two types of statistics have some important differences.

DESCRIPTIVE STATISTICS

Descriptive statistics is the type of statistics that numerically measures all the features of a set of data.

There are a number of measure techniques that belong in this portion of statistics, such as:

- The measure of central tendency – these being average or measure of the centre of a data set, consisting of the mean, median and mode;
- The measure of dispersion of a data set, which can be measured with the range, standard deviation, the variance and interquartile range;
- The exploration of relationships and correlation between paired variables; and
- The graphical presentation of statistical results.

These measures are important and useful because they allow the researcher to see patterns among data, and thus to make sense of that data. Descriptive statistics can only be used to describe the population or data set under study (Crossman, 2014; Sekaran & Bougie, 2016).

Types of Descriptive Statistics

There are two kinds of descriptive statistics that researchers use:

The first one relates to measures of central tendency capture general trends within the data and are calculated and expressed as the mean, median, and mode. A mean tells the researcher the mathematical average of all of a data set, whilst the median represents the middle of the data distribution and the mode represents the most frequently occurring phenomenon of a data set (Crossman, 2014; Sekaran & Bougie, 2016).

The second kind of descriptive statistics involves measures of spread (or dispersion) which describe how the data are distributed and relate to each other, including:

- The range, the entire range of values present in a data set,
- The frequency distribution, which defines how many times a particular value or phenomenon occurs within a data set,
- Quartiles, subgroups formed within a data set when all values are divided into four equal parts across the range,
- Mean absolute deviation - the average of how much each value deviates from the mean,
- Variance, which illustrates how much of a spread exists in the data and
- Standard deviation, which illustrates the spread of data relative to the mean (Crossman, 2014).

Measures of spread are often visually represented in tables, pie and bar charts, and histograms to aid in the understanding of the trends within the data (Crossman, 2014; Sekaran & Bougie, 2016).

For this study, the researcher elected to analyse the quantitative data set by using the measure of dispersion type of descriptive statistics test. This allowed for the data to be presented in tables, pie and bar charts which made it easier to identify the trends depicted by the data. The tabulated results were presented to indicate the frequency of distribution of a phenomenon occurred within a single variable. The frequencies were then calculated in percentage and cumulative percentage of their occurrence. Frequencies were then visually displayed as either bar charts or pie charts to help in understanding the research data.

INFERENCEAL STATISTICS

Inferential statistics are produced through complex mathematical calculations that allow researchers to infer trends about a larger population based on a study of a sample taken from it. Researchers use

inferential statistics to examine the bivariate relationships between two variables within a sample and then make generalisations or predictions about how those variables will relate to a larger population (Crossman, 2014). There are two major divisions of inferential statistics:

- A confidence interval gives a range of values for an unknown parameter of the population by measuring a statistical sample. This is expressed in terms of an interval and the degree of confidence that the parameter is within the interval.
- Tests of significance or hypothesis testing where researchers make a claim about the population by analysing a statistical sample. By design, there is some uncertainty in this process. This can be expressed in terms of a level of significance (Crossman, 2014).

Techniques that researchers use to examine the relationships between variables, and thereby to create inferential statistics, include linear regression analysis, logistic regression analysis, ANOVA, correlation analysis, structural equation modelling, and survival analysis (Crossman, 2014). When conducting research using inferential statistics, researchers conduct a test of significance to determine whether they can generalise their results to a larger population. Common tests of significance include the chi-square test and t-test (Sekaran & Bougie, 2016). Other tests of significance are *Fisher exact probability test* and *Cronbach Q test*, used in determining the relationship between two nominally scaled variables (Sekaran & Bougie, 2013). These tell researchers the probability that the results of their analysis of the sample are representative of the population as a whole.

For this study, the inferential statistics that was used Pearson chi-square test to determine the level of significance of a relationship between two variables. The values of significance of a relationship between two variables was obtained when the two variable were tested for correlational significance – this by cross-tabulating the variables of interest. The variables of interests for this research had to be tested for purposes of generalising the findings to the entire *stokvel* population in eThekweni Municipality and to ascertain for convergence or divergence with the study's aim and research objectives. Further to significance test between variables, a data triangulation strategy was applied to the multiple data sources of the study; inclusive of inferences from the bivariate Pearson chi-square test, qualitative data from the municipality

council participants and the findings sourced from the secondary data consulted during research. The data triangulation strategy validated the results, provided confidence and completeness about the findings. The Pearson chi-square test was premised on the generally accepted conventional level in scientific research of $p = 0.05$. Indicating that 95 times out 100 there is definite certainty that there is a significant correlation between two variables, and there is only a 5% chance that the relationship does not truly exist (Sekaran & Bougie, 2013).

4.9.2 QUALITATIVE DATA ANALYSIS

According to Nowell, Morris, White, Moules (2017:1) qualitative research is a “valued paradigm of results. As the qualitative research method continues to gain popularity, there is a need for more sophisticated tools to facilitate researchers in conducting qualitative research that aims to create sensitive, insightful, rich, and trustworthy research findings”. Qualitative researchers can demonstrate “how data analysis has been conducted through recording, systematising, and disclosing the methods of analysis with enough detail to enable the reader to determine whether the process is credible”. Some authors Braun & Clarke (2006); Nowell *et al.* (2017:2) argue that thematic analysis is a qualitative research method “that can be widely used across a range of epistemologies and research questions. It is a method for identifying, analysing, organising, describing, and reporting themes found within a data set”. For the purposes of this study a thematic analysis was a chosen tool that is a “relevant qualitative research method that should be a foundational method for qualitative analysis, as it provides core skills for conducting many other forms of qualitative analysis” (Nowell *et al.*, 2017:2).

According to Nowell *et al.* (2017:2) the “disadvantages of thematic analysis become more apparent when considered in relation to other qualitative research methods. The lack of substantial literature on thematic analysis compared to that of grounded theory, ethnography, and phenomenology; may cause novice researchers to feel unsure of how to conduct a rigorous thematic analysis”. A study by Nowell *et al.* (2017) reveals that the approach to thematic analysis involves a six-phase process – which were applied during this study;

1. **Familiarisation with the data:** This phase involves reading and re-reading the data, to become immersed and intimately familiar with its content Nowell *et al.* (2017). For this study; subsequent to each interview session held with each participants, the researcher listened to the recorded audio multiple times. Each recorded audio session held with each participant was transferred, verbatim by the research into a spreadsheet.
2. **Coding:** This phase involves generating succinct labels (codes) that identify important features of the data that might be relevant to answering the research question. It involves coding the entire data set, and after that, collating all the codes and all relevant data extracts, together for later stages of analysis Nowell *et al.* (2017). For this study, each recorded audio was replayed multiple times and compared many times in order to transfer the original, verbatim, responses of participants onto a spreadsheet transcript. The transcribed responses from participants were grouped, and coded according to the aim of study, research objectives and research questions of the research.
3. **Searching for themes:** This phase involves examining the codes and collating data to identify significant broader patterns of meaning (potential themes). It then involves collating data relevant to each candidate theme, so that you can work with the data and review the viability of each candidate theme Nowell *et al.* (2017). For this study the coded responses from each participant were grouped and classified according to common recurring themes on the spreadsheet.
4. **Reviewing themes:** This phase involves checking the candidate themes against the dataset, to determine that they tell a convincing story of the data, and one that answers the research question. In this phase, themes are typically refined, which sometimes involves them being split, combined, or discarded. For this study, the researcher discovered that some participants were less expressive than others. In some cases, the researcher refined the transcript as some participants mixed the terminology. In cases where there was of clarity of meaning the data was discarded from the spreadsheet, however left intact on the audio recorder. Some of the responses from other participants were too long – whereby one long sentence would carry more than one theme of the study’s aim, research objective and research questions.

5. **Defining and naming themes:** This phase involves developing a detailed analysis of each theme, working out the scope and focus of each theme, determining the ‘story’ of each. It also involves deciding on an informative name for each theme. For this study, the services of a professional assistance were sought in order to develop a detailed analysis of the refined spreadsheet information. The statistician used N-VIVO (version 11.0) software programme for further analysis and defining and naming the themes.
6. **Writing up:** This final phase involves weaving together the analytic narrative and data extracts, and contextualising the analysis in relation to existing literature. For this study, the coded themes are tabulated and discussed in chapter 5 under the subheading ‘Presentation of qualitative data’. The common themes of the research, between the quantitative data and qualitative data are triangulated using a data triangulation technique and corroborated with the consulted secondary data – to prove significance of convergence or divergence. The data triangulation provided validity, completeness and confidence about the trustworthiness of findings.

Finally, the results from both the qualitative data and quantitative data were interpreted and the findings generalised for the population of eThekweni Municipality.

4.10 HALLMARKS OF SCIENTIFIC RESEARCH OBSERVED

According to Sekaran & Bougie (2016) the hallmarks of a scientific research can be listed as follows; Purposiveness, Rigor, Testability, Replicability, Precision & Confidence, Objectivity, Generalisability, and Parsimony. During the course of this study the researcher was guided by these characteristics from the beginning of the study up until its finalisation. The researcher will elaborate how each of these hallmarks were fulfilled. **Purposiveness**, was achieved at the very outset when the researcher specified the aim of the study, the research objectives and research questions.

This study has incorporated elements of **rigor** in terms of the theoretical base of Maslow’s theory and the Hayes & Wheelwright model adaptable to the *stokvel* population of eThekweni Municipality. Further rigor was added to the study by consulting current literature from authors, newspaper articles and websites. Also

the methodological design processes of the samples of the study has added to the rigor of the research. Rigour was added to the study by clearly identifying the population and sample of the study, the different research designs and methods used, including the sampling techniques chosen. The validity of the answers to the questions of both instruments can be tested without much difficulty. This study can also be repeated in any other organisations at different times in the country. From the confidence limits obtained from statistical information it appears to be reliable. This study proves that the results obtained are from the study participants and are not the view or opinion of the researcher. **Testability** as a hallmark for this study was incorporated when the study's Chi-square test and coefficient results were defined and logically developed to test whether or not the data collected supported the educated assumptions of the research problem. **Replication** of the study was made possible by the researcher when the detailed description of the design details such as sampling method and data collections were placed on public record. The transparent sharing of such information enhances the replication of the research anywhere in the world. Due to the 95% confidence interval that the researcher used to define the sample of the study the findings were close to reality in the entire population, this ensured the **precision and confidence** in the study. **Objectivity** of the study was based on the facts of the findings derived from actual data, and not on the researcher's subjective and emotional values. **Generalisability** as a hallmark for scientific research was one of the main characteristics of the results and findings of this study on the sample of the entire population of *stokvels* in eThekweni Municipality. **Parsimony** being the simplicity in explaining the problem and generating the solution for the problem under study was a hallmark for this study. In this study, the following elements were clearly defined; variables and problem statement. Parsimony was therefore introduced with a good understanding of the problem and the important factors influencing it.

4.11 ETHICAL CONSIDERATIONS

In this research, the researcher undertook to abide by the Ethics policy of the University of KwaZulu-Natal (UKZN), without waiver. The questionnaires and interview questions were neither derogatory nor dehumanising. All procedures followed during in his study were neither distressing nor harmful to the participants. The welfare and well-being of the participants was of paramount concern to the researcher

such that no participants was coerced or deceived at any stage of the research. All participants were made fully aware that their participation was of a voluntary nature and that at any time they could withdraw from participating in the surveys and interviews. The researcher guaranteed anonymity and confidentiality of the participants at all times during and after the surveys and interviews. The storage and disposal process of questionnaires and recorded material was explained by the researcher to the participants. The researcher conducted the research only after having secured permission from the appropriated authorities of the eThekweni Municipality. Before administering the questionnaires, the researcher informed the participants of their obligation to participate faithfully, without fear or favour.

4.12 CONCLUSION

The researcher's choice of the research methodology for this study was a convergent parallel mixed method approach informed by the aim of the study to explore the role of *stokvels* in eThekweni Municipality. This involved collecting data from the active members of *stokvels* and municipality council members as policy-makers participants of the municipality. The chosen mixed method converged into a pragmatic philosophical worldview paradigm for this study. As part of a mixed method research, triangulation strategy techniques including; methodological triangulation, data triangulation and theory triangulation were chosen in order to validate and create confidence about the findings of the study. Comprehensive details of the location, population and sample size were of the study were outlined.

The sampling types for this study, were the simple random sampling method of probability sampling for the larger sample of 395 from the population of 36 333 *stokvel* groups (or Chairpersons of *stokvel* groups) found in eThekweni Municipality; and the purposive sampling method for the smaller sample of six (6) MC members of eThekweni Municipality.

Data collection instruments chosen and constructed were a questionnaire for quantitative data collection and an interview schedule for qualitative data collection. A Cronbach alpha coefficient, pre-testing, and pilot testing were used to test viability and reliability for the quantitative part of the study and data control measures like; credibility, transferability, conformability, dependability and consistency were chosen for qualitative research to address issues of reliability and validity.

Data analysis of quantitative data using descriptive and inferential statistics was detailed and the qualitative data analysis using thematic analysis were specified.

The next chapter will discuss in detail the data analysis, and presentation of the results based on the data collected from participants. Since the approach for this study is a convergent parallel mixed method and the collection of data was done in parallel, it would be ideal to present the qualitative and quantitative results in a similar fashion however such is not possible. The researcher will therefore present the results starting with the quantitative data followed by qualitative results.

CHAPTER FIVE

DATA PRESENTATION AND INTERPRETATION

5.1 INTRODUCTION

This chapter presents findings generated in this study. Data presentation in this chapter refers to how the researcher summarised and presented the findings generated in this study. In order to present findings, various research techniques and instruments were used to condense and summarise the key findings. The tools used include the use of tables to provide an overview of the calculations of the findings and data collected. The section below is a recapitulation of the key set of activities carried out in this research. Thereafter the chapter starts by presenting a summary of the research process underpinning the study, followed by the demographics of the respondents and the key findings thereof. Since the data collection in this convergent parallel mixed method was collected independent of each other – the sequence in the presentation and interpretation of quantitative and qualitative data in this section is inconsequential and of no significance to the research method approach to the study. The chapter begins with attending to the quantitative data presentation and interpretation, thereafter the thematic qualitative data is presented and interpreted. The chapter ends with a brief summary of the key themes.

5.2 RESPONSE RATE

According to Saunders, Lewis & Thornhill (2009:219) “the most important aspect of a probability sample is that it represents the population. A perfect representative sample is one that exactly represents the population from which it is taken. You, therefore, need to obtain as high a response rate as possible to ensure that your sample is representative”. A study by Baruch (1999) cited in Saunders, *et al.*, (2009:222) argued that “a response rate of approximately 35 per cent is reasonable for most academic studies involving top management or organisations’ representatives”. Mouton (2001:261), however, stated that “a response rate of 50% is adequate for analysing and reporting, while 60% is good and 70% is very good”. For this study the response rate was 98% as 388 questionnaires were returned from a total distribution of 395 questionnaires.

5.3 RECAPITULATION OF THE RESEARCH METHOD

A convergent parallel mixed method approach was chosen for this study, this supported by the pragmatic philosophical worldview. For the data collection instruments chosen for the study were questionnaire and the interview schedule. The quantitative research part of the study, the analysis tools used were; Cronbach's alpha coefficient for a measuring reliability and validity of the questionnaire instrument construct, the descriptive (frequency tables, bar and pie charts), inferential statistics (the mean and average as measures of centrality). The qualitative research part of the study used, thematic analysis, cross-tabulation and Pearson's chi-square test (being the test of significance). Since the study used a mixed methods approach, a triangulation strategy was used in interpreting the findings;

- To validate the methodology – by applying methodological triangulation, hence the convergent parallel mixed method approach,
- To validate the data – by applying data triangulation technique, and
- To validate the theory – by applying a theory triangulation technique.

5.3.1 DATA COLLECTION

For this study, 395 questionnaires were administered to Chairpersons of *stokvel* groups over a period starting from August 2017 and up to January 2018. The questionnaires were completed and collected during *stokvel* meetings, with the exception of the online questionnaires which were received sporadically over the duration of the six (6) months period of data collection. Due to the large sample size the researcher appointed and trained a research assistant and a research team of five (5). In total the research team was made up of seven (7) members including the researcher.

Stokvels only meet once or twice a month – on weekends. The project team would spread out to collect data from Friday through to Sunday for six (6) months. By the end of the a month, each research team member would have visited on average eight (8) *stokvel* groups, and would have administered and collected the questionnaires. The other reason why the survey took a period of six (6) months was that most *stokvel* Chairpersons had to first seek permission from their members to complete the survey. Upon

receipt of the request to conduct a survey the Chairperson of the *stokvel* group would place the item on the agenda of the *stokvel* meeting. Once approved, the permission would then be communicated to the research team after the *stokvel* group meeting. The survey would only then be conducted the following month. Some *stokvel* groups meetings would not quorate in order to pass a resolution or make a final and binding decision; that would in essence further delay the data collection by an additional two weeks or a month.

In total, 388 questionnaires were returned out of 395 distributed. The total returned questionnaires were made up of 345 physically received from Chairpersons of *stokvel* groups visited and 43 were received online. A number of respondents were sceptical and hesitant to complete the survey for two main reasons:

1. They suspected that the research team was out to commit a crime and steal their funds since the survey was conducted around the period close to the festive season when most *stokvel* groups are about to disburse the cash from reserves to their members; or
2. that the eThekweni Municipality was after their money and would now legislate the laws for collecting taxes from *stokvels*.

Despite all the negativity, the *stokvel* groups' Chairpersons were co-operative when it came to answering the survey. As soon as the questionnaires were collected, they were sequentially coded and physically captured onto an Excel spreadsheet. The data compiled on the Excel spreadsheet was then analysed using SPSS (version 25.0), and presented in charts and tables.

The targeted participants for the qualitative research of the survey were six (6) MC members. The chosen type of sampling method for the qualitative data collection was a purposive sampling technique. In total, nine (9) MC members were approached telephonically with a follow up via email with the request to participate in the study. Only six (6) agreed. From the time of requesting an interview to actually conducting it, that took on average two (2) months. The six (6) MC members were interviewed individually, ideally a focus group approach would have been the best approach but this proved to be an impossible task due to the clash of diarised pre-commitments on the part of the participants. It was however, observed and noted that all six (6) participants were enthusiastic, fascinated and keen to receive

the final conclusion, findings and recommendations of the study. A common comment was well articulated by one MC member who said “we welcome a study of this nature which is not superficial but focuses on bread and butter issues that affect our people directly on a daily basis”. The interview responses from the six (6) MC members that participated in the study were captured on the excel spread sheet, and thereafter transcribed and combined into themes using N-VIVO (version 11.0).

5.3.2 CRONBACH’S ALPHA TEST

In Chapter 4, it is mentioned that Sekaran & Bougie (2013) define the Cronbach’s alpha coefficient as a measure of reliability pertaining to bias and how well the questionnaire items have been constructed. Manerikar & Manerikar (2015) remind us that “in statistics Cronbach's alpha is a coefficient of internal consistency”. A Cronbach’s alpha coefficient of 0.7 is considered reliable by authors such as Nunnally (1978); Nunnally & Bernstein (1994) cited in Diedenhofen & Musch (2016), Bonett & Wright (2015) and many others. In this study, the Cronbach’s alpha coefficient attained was 0.769 (see Tables 5.2 below), which indicates that the construct of the instruments was reliable.

Table 5.1 Cronbach’s Reliability Test

CASE PROCESSING SUMMARY			
		N	%
Cases	Valid	387	99.7
	Excluded	1	00.3
	Total	388	100.0

Table 5.2 Reliability Statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
0.769	388

Some scholars such as Sijtsma (2009) cited in Bonett & Wright (2015) have argued against “the widespread use of Cronbach’s alpha because it understates the reliability of the sum or average of the

measurements”. On the other hand, scholars such as Manerikar and Manerikar (2015) depict a Cronbach alpha score ranking according to the Table 5.3 below – where alpha “ α ” equal to 0.9 is rated as excellent, with an “ α ” less than 0.9 but greater than or equal to 0.7 is rated as good. An alpha less than 0.7 but greater than or equal to 0.6 is rated as acceptable, whilst an alpha less than 0.6 but greater than or equal to 0.5 is rated as poor. Lastly, a Cronbach’s alpha less than 0.5 is rated as unacceptable.

Table 5.3 Ranking of Cronbach’s Measure

Cronbach's alpha = α	Internal Consistency
$\alpha = 0.9$	Excellent
$0.7 \leq \alpha < 0.9$	Good
$0.6 \leq \alpha < 0.7$	Acceptable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

Source: (Manerikar and Manerikar, 2015:118)

5.3.3 DATA PRESENTATION AND INTERPRETATION

The design of this study involved a mixed methodology research using both quantitative and qualitative methods. This approach was aimed at cross-validating findings using a concurrent triangulation research design strategy. Triangulation should improve the ability to obtain a more robust and generalizable set of findings (higher external validity) and conclusions (Scandura, 2009). Data collected from the quantitative survey and the qualitative interviews were coded, examined, classified and grouped for similarities and differences across *stokvel* groups as defined by participants’ biographic data.

5.4 PRESENTATION OF QUANTITATIVE DATA

The quantitative data collected during the administering of questionnaire instrument to *stokvel* groups Chairpersons. This subsection presents the data results collected from the responses, which was then transcribed on to a excel spreadsheet and coded. The questionnaire for this study was structured in such a way that it had two sections. In section A of the questionnaire the participants were requested to give their demographic information regarding – age, gender, race, home language, employment and level of

education. Section B was related to the research aim, research objectives and research questions. The following subsection afterwards is the presentation and interpretation of the cross-tabulation of data to test for correlation between variables.

5.4.1 Demographic Descriptive Analysis

SECTION A

Question 1: What is your age?

The frequency table (Table 5.4) and bar chart (Figure 5.1) below show that out of 388 participants who responded to the question, 26 (6.7%) were between 18 and 25 years of age, 66 (17%) were between 26 and 35, 156 (40%) were between 36 and 50, and 140 (36.1%) were above 50. In summary, table 5.4 and the corresponding bar chart 5.1 show that the highest percentage of *stokvel* groups Chairpersons in this study, were 36 years and older. These findings indicate that *stokvel* groups in eThekweni Municipality are led by older and more mature individuals since their combined age group of these individuals makes up to 76% of the *stokvel* Chairpersons.

Table 5.4 Frequency Table showing age of participants (N=388)

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

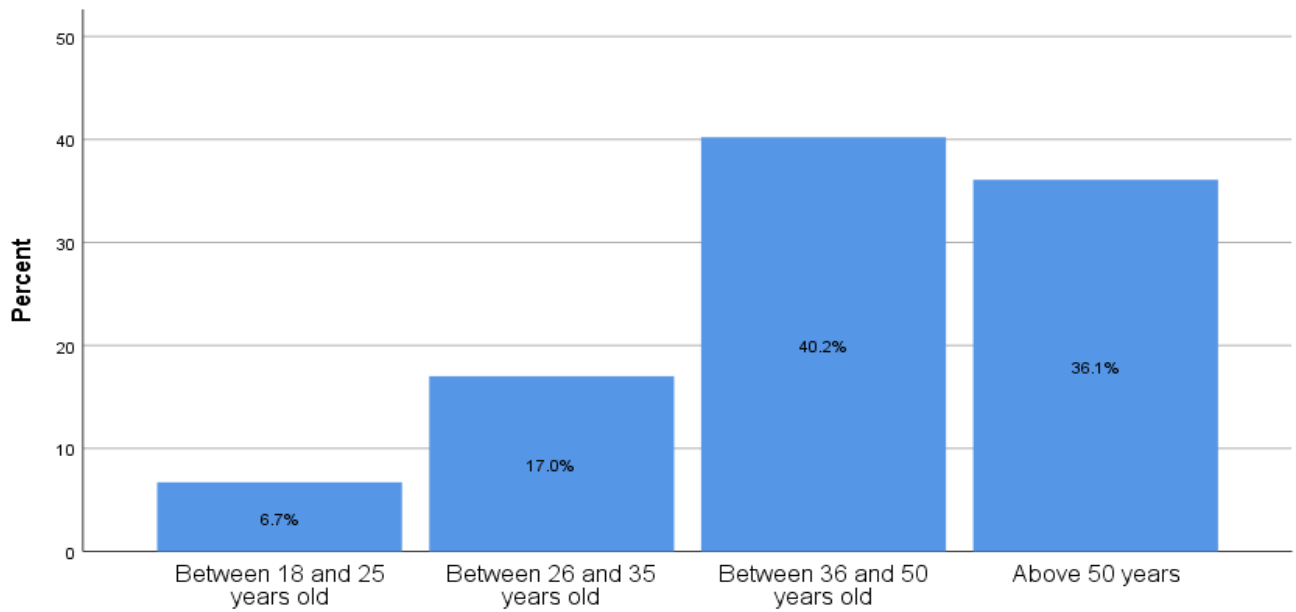


Figure 5.1 Bar Chart showing age of participants

Question 2: What is your gender?

The frequency table (Table 5.5) below show the response of participants to question 2 wherein out of 388 participants who responded to the questionnaire, 320 (82.5%) were females and 68 (17.5%) were males. In summary, table 5.5 shows that the highest percentage of *stokvel* groups' Chairpersons in this study, were females. This finding indicates that *stokvel* groups in eThekweni Municipality are dominated by women.

Table 5.5 Frequency Table showing gender of participants (N=388)

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

Question 3: What is your race?

The frequency table (Table 5.6) below show the participants response to the question of race, wherein out of 388 participants who responded to the questionnaire, 380 (97.9%) were African Blacks and 8 (2.1%) were from the Coloured community. In summary, there are four main ethnic groups found in eThekweni Municipality; these being African Blacks, Coloureds, Whites and Indians. However, the survey findings indicate that mainly African Blacks and Coloureds are active participants in *stokvels* across eThekweni Municipality. African Blacks tend to be the most dominant ethnic group that participate in *stokvels* in eThekweni Municipality.

Table 5.6 Frequency Table showing ethnic background of participants

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

Question 4: What is your home language?

The frequency table (Table 5.7) and bar chart (Figure 5.2) below indicate the response of participants to question 4 in relation to the home language of participants. Out of 388 participants who responded to the questionnaire, 3 (0.8%) registered Afrikaans as their home language, with 25 (6.4%) having English as their home language, whilst 358 (92.3%) indicated that their home language as isiZulu and finally 2 (0.5%) indicated 'Other' as home language.

In summary, isiZulu is the majority home language of most *stokvel* groups in eThekweni Municipality. The closest home language after isiZulu is English, followed by Afrikaans and thereafter other languages. If this finding were to be generalised across the population of *stokvels* in SA; isiZulu emerges therefore as the dominant language across SA more so in the KZN province and eThekweni Municipality.

Table 5.7 Frequency Table showing home language of participants

	Frequency	Percent	Valid Percent	Cumulative Percent
Afrikaans	3	0.8	0.8	0.8
English	25	6.4	6.4	7.2
isiZulu	358	92.3	92.3	99.5
Other	2	0.5	0.5	100.0
Total	388	100.0	100.0	

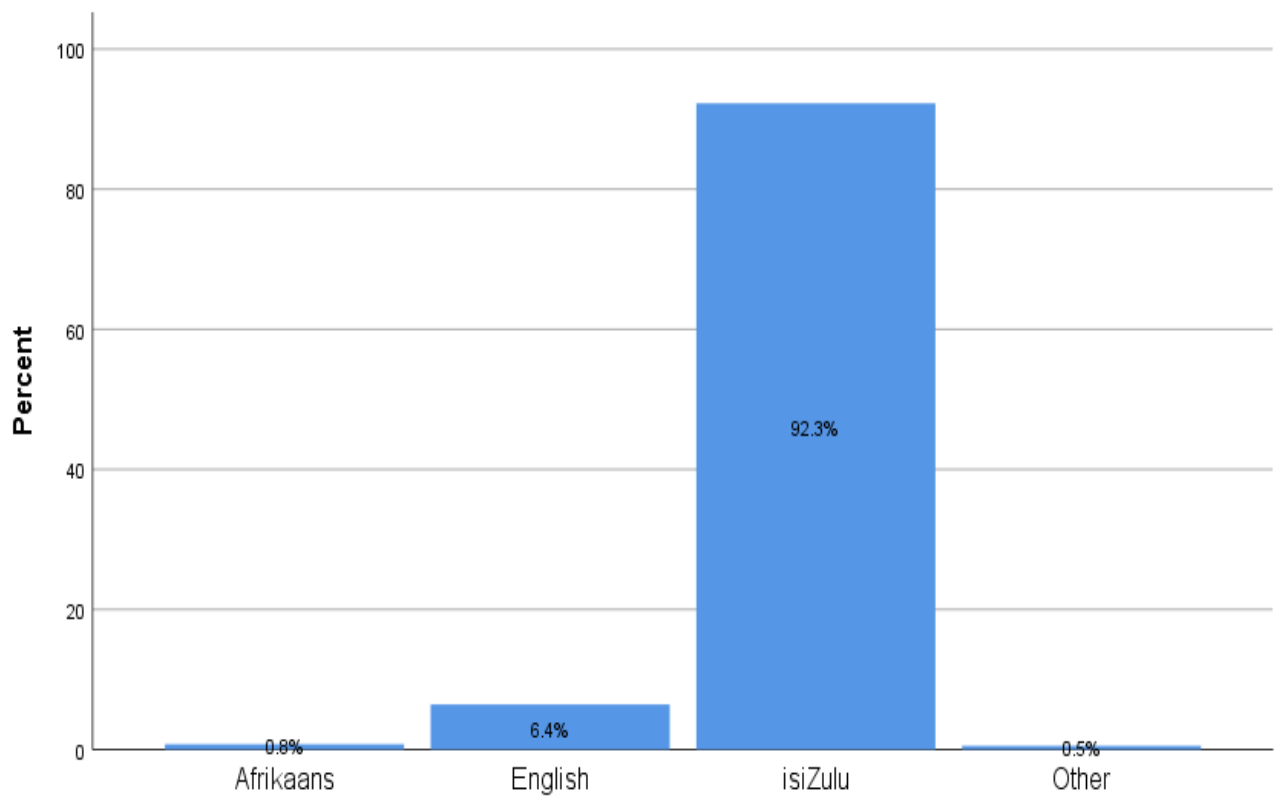


Figure 5.2 Bar Chart shows home language of participants

Question 5: Are you formally employed?

The frequency table (Table 5.8) below indicate the response of participants to question 5 in relation to the employment status of the participants. Out of 388 participants who responded to the questionnaire, 153 (39.4%) were formally employed whilst 235 (60.6%) of the participants were self-employed or unemployed. The data illustrates that the vast majority of *stokvel* groups' participants are either self-employed and/or unemployed.

Table 5.8 Frequency Table showing whether participants are formally employed

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	153	39.4	39.4	39.4
No	235	60.6	60.6	100.0
Total	388	100.0	100.0	

Question 6: What is your educational qualification level?

The frequency table (Table 5.9) and the bar chart (Figure 5.3) below indicate the response by participants to question 6 in relation to the level of education attained.

Table 5.9 Frequency Table showing educational level of participants

	Frequency	Percent	Valid Percent	Cumulative Percent
Matric	150	38.7	38.7	38.7
Diploma	68	17.5	17.5	56.2
Bachelor's degree	35	9.0	9.0	65.2
Masters/PhD	13	3.4	3.4	68.6
No schooling	122	31.4	31.4	100.0
Total	388	100.0	100.0	

Out of 388 participants who responded to the questionnaire, 150 (38.7%) had schooling up to matric level, 68 (17.5%) were educated up to a National Diploma level, 35 (9.0%) were holders of Bachelor's Degree, 13 (3.4%) were holders of Master's/PhD Degrees and 122 (31.4%) had no schooling.

The data presentation for the question on education level of participants indicates that individuals with qualifications below tertiary level are in the majority in *stokvels* around eThekweni Municipality. Another finding from this study is that the highly educated members of society are fewer in number within *stokvel* groups compared to their contemporaries who are less educated in eThekweni Municipality. It can be surmised that the participation in *stokvels* appears to be hierarchical depending on the level of education. The results also indicate that participating in *stokvels* is an activity that is indiscriminate and is taken up by individuals across the educational level spectrum.

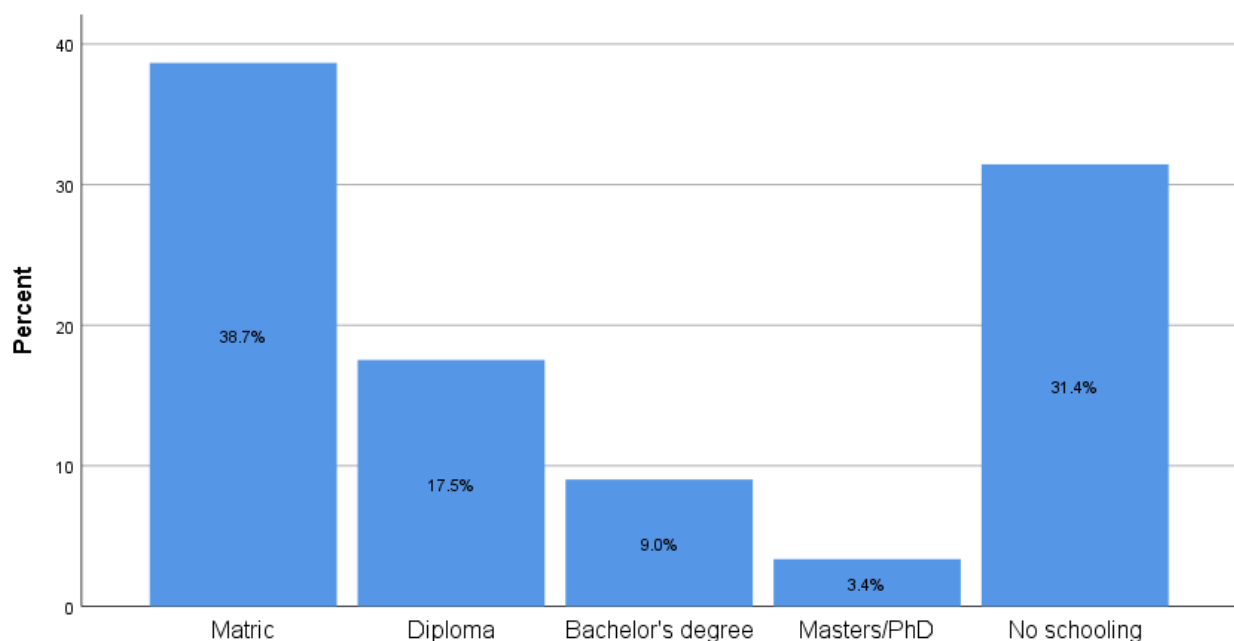


Figure 5.3: Bar Chart shows the educational level of participants

5.4.2 Analysis Aligned with the Aim of the Study

This section of the study is based on the responses from the participants when they completed section B of the questionnaire. Section B was aligned with the research aim and research objectives. The responses from this section will provide the basis for an in-depth discussion and for developing the model for *stokvel* incorporation into the economic policy framework of eThekweni Municipality, and conclusions in the penultimate Chapter 6 of this study.

SECTION B

Question 7: For how long has your *stokvel* group been in existence?

The frequency table (5.10) and bar chart (5.4) below show that out of the 388 participants 41 (10.6%) *stokvel* groups have been in existence for less than one (1) year, 102 (26.3%) *stokvel* groups have been in existence for a period of more than 2 years but less than 5 years and 96 (24.7%) *stokvel* groups have been in existence for no less than 5 years but no more than 10 years. Out of 388 participants 71 (18.3%) *stokvel* groups have been in existence for more than 10 years but less than 15 years. Lastly, 78 (20.1%) of the *stokvel* groups have been in existence for no less than 15 years.

Table 5.10 Frequency Table showing how long the *stokvel* group have been in existence

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than a year	41	10.6	10.6	10.6
Between 2 and 5 years	102	26.3	26.3	36.9
Between 5 and 10 years	96	24.7	24.7	61.6
Between 10 and 15 years	71	18.3	18.3	79.9
More than 15 years	78	20.1	20.1	100.0
Total	388	100.0	100.0	

In summary, when combined, the three latter *stokvel* groups with a medium to long-term view of no less than five years in existence make up 63.1% of the participants.

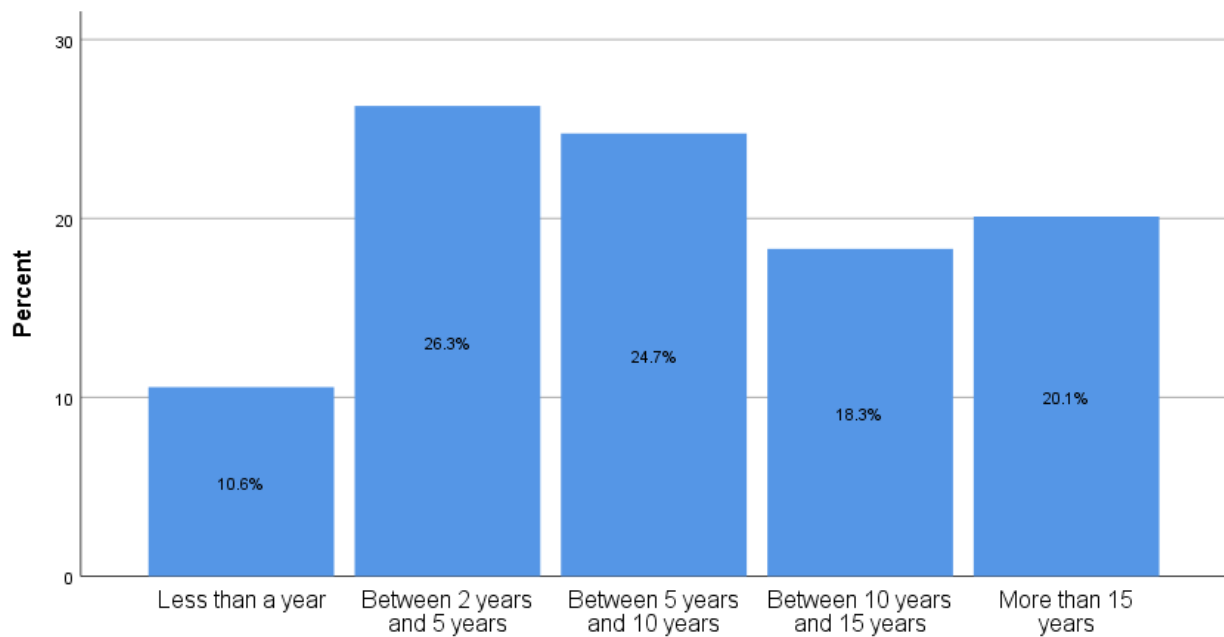


Figure 5.4 Bar Chart shows how long the *stokvel* group have been in existence

Question 8: What type of *stokvel* are you a member of?

The frequency table (5.11) and bar chart (5.5) below show that out of the 388 participants 262 (67.5%) belonged to Grocery type *stokvels*, 19 (4.9%) respondents belonged to Investment type *stokvels*, and 84 (21.6%) respondents belonged to Savings type *stokvels*. Out of the 388 participants only 1 (0.3%) respondent belonged to a High-Budget *stokvel* group, 8 (2.1%) respondents belonged to Birthday type *stokvels* and 2 (0.5%) belonged to Burial type *stokvels*. Lastly, 12 (3.1%) respondents belonged to ‘Other’ type of *stokvels*.

Overall, this result indicates that the *stokvel* landscape in eThekweni Municipality is dominated by five types of *stokvels* being; Grocery, Savings, Investments, Birthday and Other. Another finding from this study is that Burial type *stokvels* are no longer as common as they once used to be. All *stokvel* group types have a burial arrangement incorporated in their constitution / agreement mandate, hence the decline in burial type *stokvels*. The standard constitution designed for all *stokvel* types in SA can be downloaded from the NASASA website or obtained from their offices – this further supports the finding.

Table 5.11 Frequency Table showing type of *stokvel* to which participants belong

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

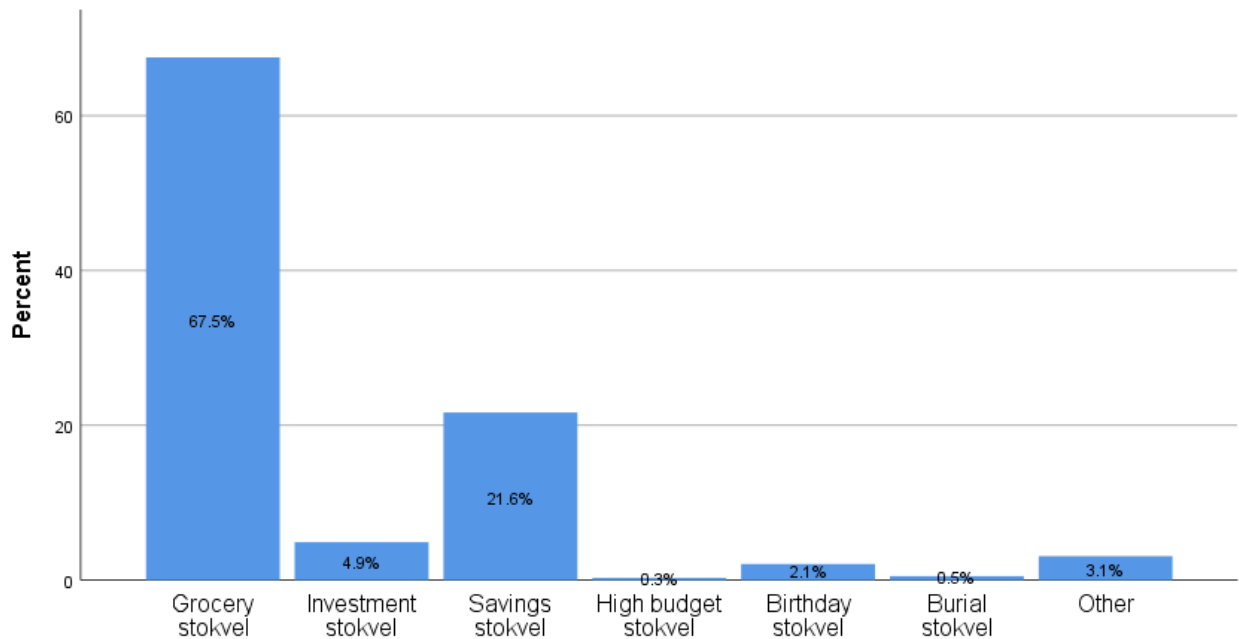


Figure 5.5 Bar Chart shows type of *stokvel* to which participants belong

Question 9: What is the primary objective of your *stokvel* group?

The frequency table (5.12) and bar chart (5.6) below show that out of the 388 participants 72 (18.6%) listed the primary objective of their *stokvel* as a platform to socialise and network, 240 (61.9%) respondents stated that their *stokvels*' primary objective was to save money. Out of the 388 participants 4 (1.0%) of the participants indicated their primary objective was to create jobs by financing small businesses, whilst 57 (14.7%) *stokvel* groups listed their primary objective to be a platform that was created to advance loans to members of the *stokvel*. Lastly, 15 (3.9%) indicated that the primary objective of their *stokvel* as a platform to deposit funds in high-return investments.

In summary, the overall result of this finding is that the primary objective of 369 (95.1%) *stokvel* groups in eThekweni municipality is to save money, socialise and network and to loan funds to members.

Table 5.12 Frequency Table showing primary objective of participants *stokvel* group

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

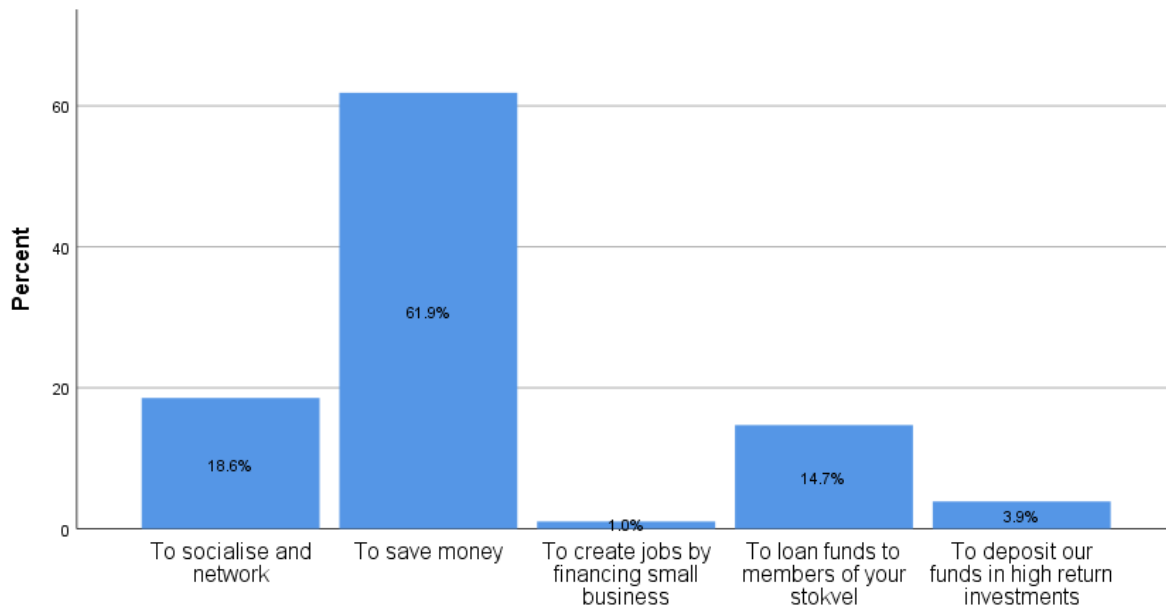


Figure 5.6 Bar Chart showing primary objective of participants *stokvel* group

Question 10: Is your *stokvel* group registered with NASASA?

The frequency table (5.13) below show that out of the 388 participants, 312 (80.4%) indicated that their *stokvel* is not affiliated with NASASA and 76 (19.6%) indicated that they are registered with NASASA. In summary, a large majority of *stokvels* in eThekweni Municipality are not registered members of NASASA. This finding raises a concern in that it could mean that *stokvels* in eThekweni Municipality may be operating illegally.

Table 5.13 Frequency Table showing whether participants *stokvel* group are affiliated with NASASA

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

Question 11: How many people are members of your *stokvel* group?

The frequency table (5.14) and bar chart (5.7) below show that out of the 388 participants 209 (53.9%) responses stated that their *stokvels* had no more than fifteen members, 127 (32.7%) had more than 15 but less than 25 members. Thirty nine (10.1%) *stokvels* had a membership of more than 25 individuals but less than 35 and the final set of *stokvels* scored a frequency of 13 (3.4%) for a membership of more than 35 members.

In summary, 179 (46%) *stokvels* have a minimum of 15 members per *stokvel* group. The findings of this study show that a membership of 15 is an acceptable size of *stokvels* in eThekweni Municipality.

Table 5.14 Frequency Table showing a total number of registered members in the participants *stokvel* group

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 15 members	209	53.9	53.9	53.9
Above 15 but less 25 members	127	32.7	32.7	86.6
Above 25 but less than 35 members	39	10.1	10.1	96.6
More than 35 members	13	3.4	3.4	100.0
Total	388	100.0	100.0	

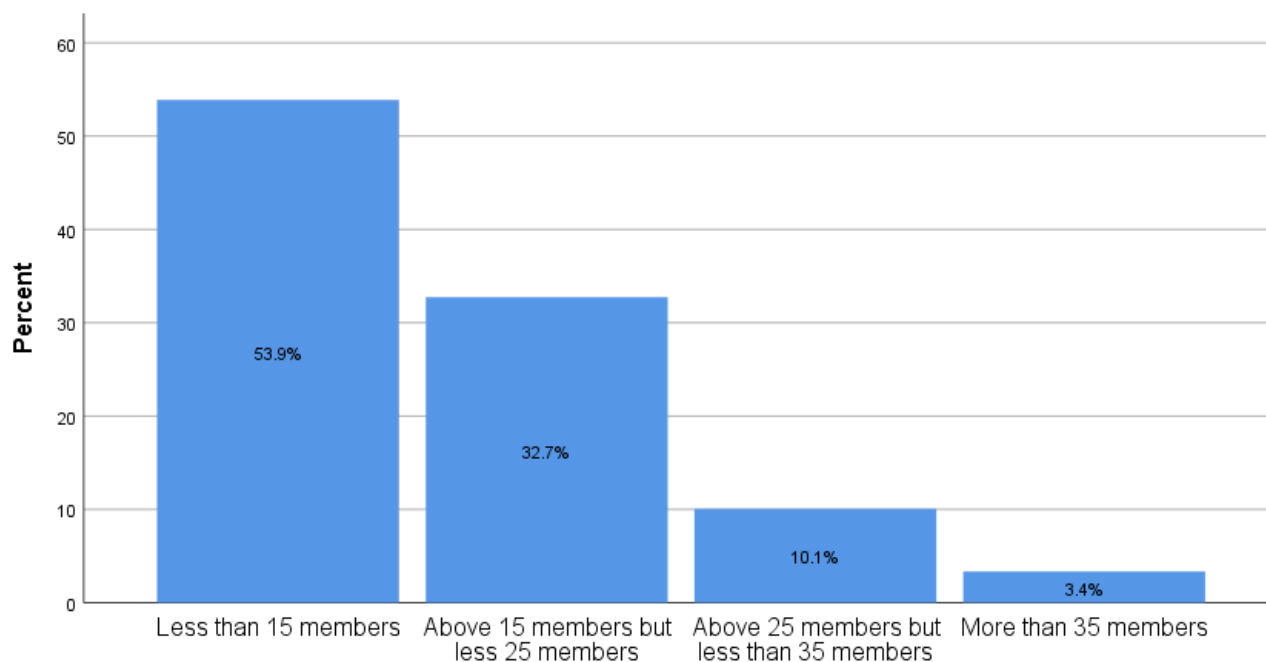


Figure 5.7 Bar Chart shows a total number of registered members in the participant's *stokvel* group

Question 12: How much does each member of your *stokvel* group contribute per month?

The frequency table (5.15) and bar chart (5.8) below show that out of the 388 participants, 118 (30.4%) stated that their *stokvel* members contributed between R100.00 and R250.00 monthly, 200 (51.5%) responses stated that their *stokvel* members contributed between R250.00 and R750.00 per month. Fewer *stokvel* groups collect more than R750.00 per month from each member in their *stokvel*. The results indicate that out of the 388 participants 39 (10.1%) of *stokvel* groups collect between R750.00 and R1,500.00 per month from each registered member of their *stokvel*, 26 (6.7%) of *stokvel* groups collect between R1,500.00 and R2,500.00 per month from each registered member of their *stokvel*. Lastly, only 5 (1.3%) of *stokvel* group members contribute more than R2,500.00 per month.

In summary, the majority of *stokvel* group members 318 (82%) each contribute no more than R750.00 per month towards their *stokvel* pool of funds in eThekweni Municipality, with 70 (18%) of them contributing more than R750 per month. It can be inferred from the statistical data presented in table 5.9 and figure 5.12 that on average *stokvel* groups in eThekweni Municipality contribute R500.00 per month.

Table 5.15 Frequency Table showing monthly contributions per member of participant's *stokvel* group

	Frequency	Percent	Valid Percent	Cumulative Percent
Between R100 and R250	118	30.4	30.4	30.4
Between R250 and R750	200	51.5	51.5	82.0
Between R750 and R1 500	39	10.1	10.1	92.0
Between R1 500 and R2 500	26	6.7	6.7	98.7
More than R2 500	5	1.3	1.3	100.0
Total	388	100.0	100.0	

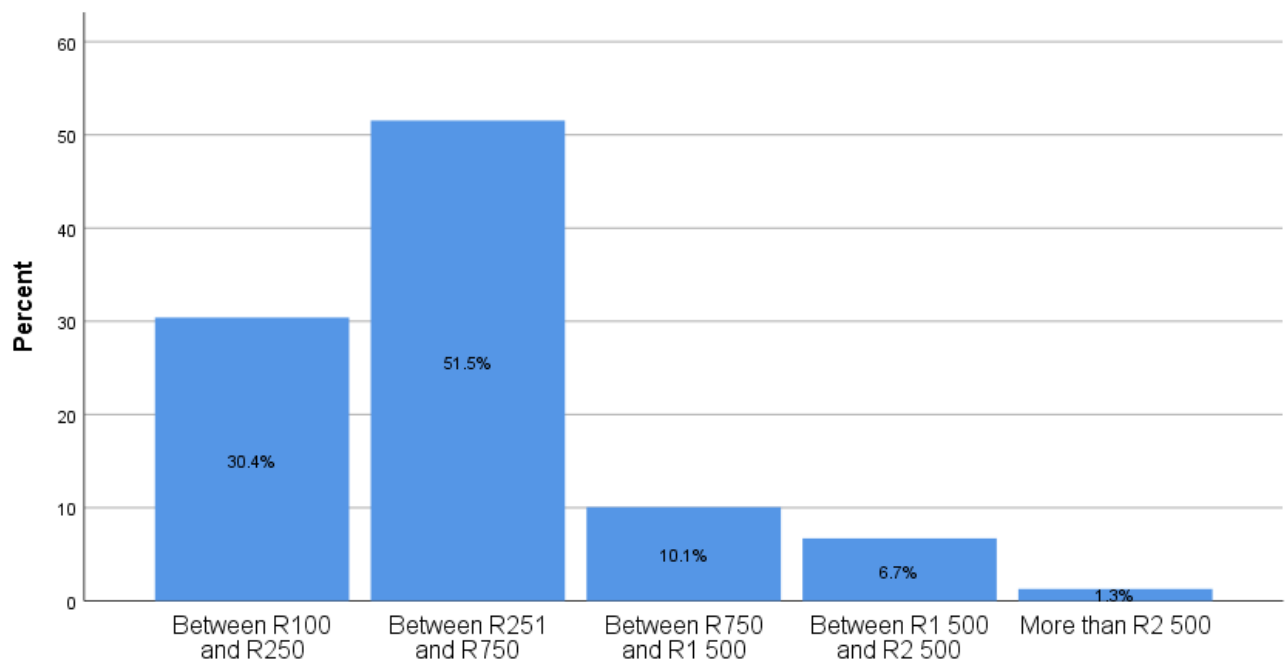


Figure 5.8 Bar Chart shows monthly contributions per member of participants *stokvel* group

The population size of *stokvel* groups for this study is 36 333 *stokvel* groups found in eThekweni Municipality. The annual cash contributions for *stokvels* in eThekweni Municipality can be estimated as follows:

- 36 333 *stokvel* groups x 15 members per *stokvel* = 544 995 individual *stokvel* members
- 544 995 *stokvel* members x R500 monthly contribution per member = R255,465, 000.00
- R272,497,500.00 x 12 months = **R3,269,970,000.00**

This finding indicates that eThekweni Municipality *stokvels* are a R3,2 billion industry.

Question 13: How much of the saved/invested lump sum of funds does your *stokvel* group have in reserves?

The frequency table (5.16) and bar chart (5.9) below show that out of the 388 participants 48 (12.4%) held in reserves funds between R1,000.00 and R10,000.00, 171 (44.1%) responses stated that their *stokvel* groups have a lump sum saved or invested of cash between R10,100.00 and R50,000.00 and 90 (23.2%) stated that their *stokvel* groups have a lump sum saved or invested between R50,100.00 and R100,000.00 monthly. Out of 388 participants only 26 (6.7%) of *stokvel* groups held in reserve savings or investment between R100,000.00 and R175,000.00, whilst 53 (13.7%) *stokvel* groups held in reserve sums of cash of more than R175,000.00. In summary, on average *stokvel* groups in this study held R50,000.00 as a lump sum of savings or investments in their bank accounts. The population size of *stokvel* groups for this study is 36 333 *stokvel* groups found in eThekweni Municipality. The reserves of cash held by *stokvels* in eThekweni Municipality after distributions at year end, advancing of loans and other disbursements amount to;

- 36 333 *stokvel* groups x R50,000.00 = **R1,816,650,000.00**.

This finding indicates that eThekweni Municipality *stokvels* on average held cash in reserves amounting to R1,7 billion. This is supported by an observation of a MC member who was interviewed during the data collection of this study who estimated the value of the eThekweni Municipality market at R2 billion.

Table 5.16 Frequency Table showing reserve funds held by the participants' *stokvel* group

	Frequency	Percent	Valid Percent	Cumulative Percent
Between R1 000 and R10 000	48	12.4	12.4	12.4
Between R10 100 and R50 000	171	44.1	44.1	56.4
Between R50 100 and R100 000	90	23.2	23.2	79.6
Between R100 100 and R175 000	26	6.7	6.7	86.3
More than R175 000	53	13.7	13.7	100.0
Total	388	100.0	100.0	

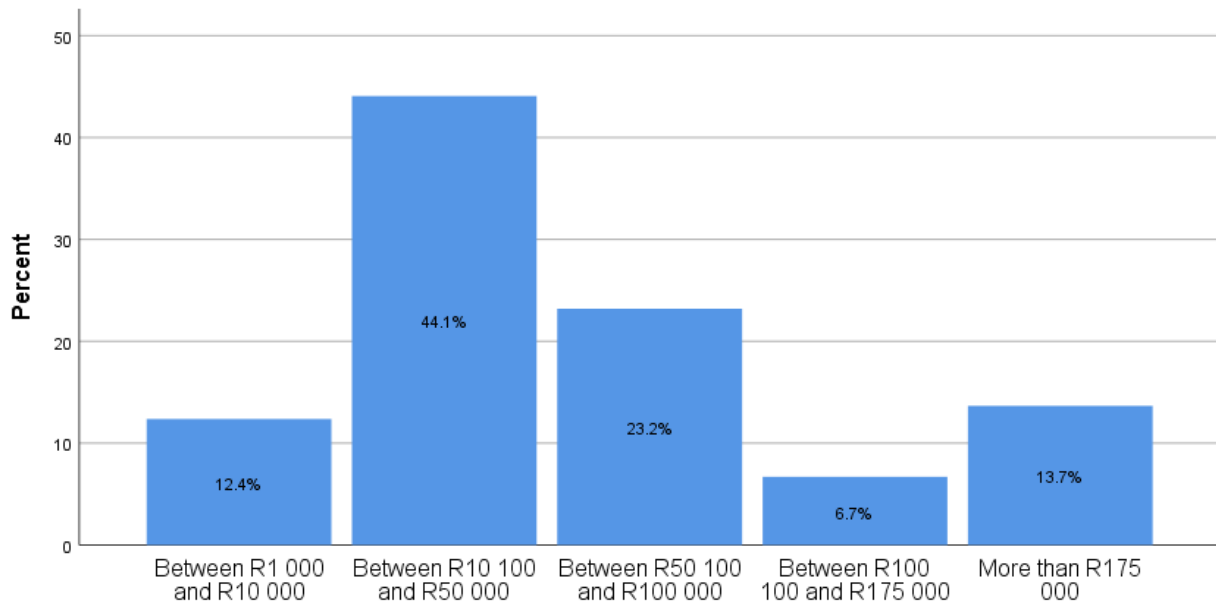


Figure 5.9 Bar Chart shows reserve funds held by the participants' *stokvel* group

Question 14: How does your *stokvel* use its reserve lump sum of funds?

The frequency table (5.17) and bar chart (5.10) below show that out of the 388 participants 23 (5.9%) placing it as a matter of 'very high importance' that they co-invest their lump sums of funds in reserves with eThekweni Municipality, 27 (7.0%) *stokvel* groups indicated that it was of 'high importance' that they

co-invest their funds in reserves with eThekweni Municipality and only 20 (5.2%) of *stokvel* groups regarded it as being of ‘medium importance’ to co-invest their lump sums of funds in reserves with eThekweni Municipality. Out of 388 participants 54 (13,9%) of participants found it of ‘low importance’ to co-invest their lump sum in reserves with eThekweni Municipality, and lastly 264 (68.0%) responses stated that for their *stokvel* groups it was ‘not important’ to co-invest their lump sum of reserves with eThekweni Municipality. In summary, a majority of 318 (72%) *stokvel* groups ranked it as being of ‘low to no importance’ to co-invest their cash reserves with eThekweni Municipality.

Table 5.17 Frequency Table showing how participants’ *stokvel* use its reserve lump sum of funds

	Very-High	High	Medium	Low	None	
Co-investing with the municipality	23	27	20	54	264	Frequency
	5,9	7,0	5,2	13,9	68,0	Percent
	5,9	7,0	5,2	13,9	68,0	Valid Percent
	5,9	12,9	18,1	32,0	100,0	Cumulative Percent
Depositing funds in savings account at bank	215	104	33	16	20	Frequency
	55,4	26,8	8,5	4,1	5,2	Percent
	55,4	26,8	8,5	4,1	5,2	Valid Percent
	55,4	82,2	90,7	94,8	100,0	Cumulative Percent
Investing funds in high return opportunities	107	138	56	54	33	Frequency
	27,6	35,6	14,4	13,9	8,5	Percent
	27,6	35,6	14,4	13,9	8,5	Valid Percent
	27,6	63,2	77,6	91,5	100,0	Cumulative Percent
Financing small businesses	47	52	62	52	175	Frequency
	12,1	13,4	16,0	13,4	45,1	Percent
	12,1	13,4	16,0	13,4	45,1	Valid Percent
	12,1	25,5	41,5	54,9	100,0	Cumulative Percent
Advancing loans to <i>stokvel</i> group members	129	96	57	24	82	Frequency
	33,2	24,7	14,7	6,2	21,1	Percent
	33,2	24,7	14,7	6,2	21,1	Valid Percent
	33,2	57,9	72,6	78,8	99,9	Cumulative Percent

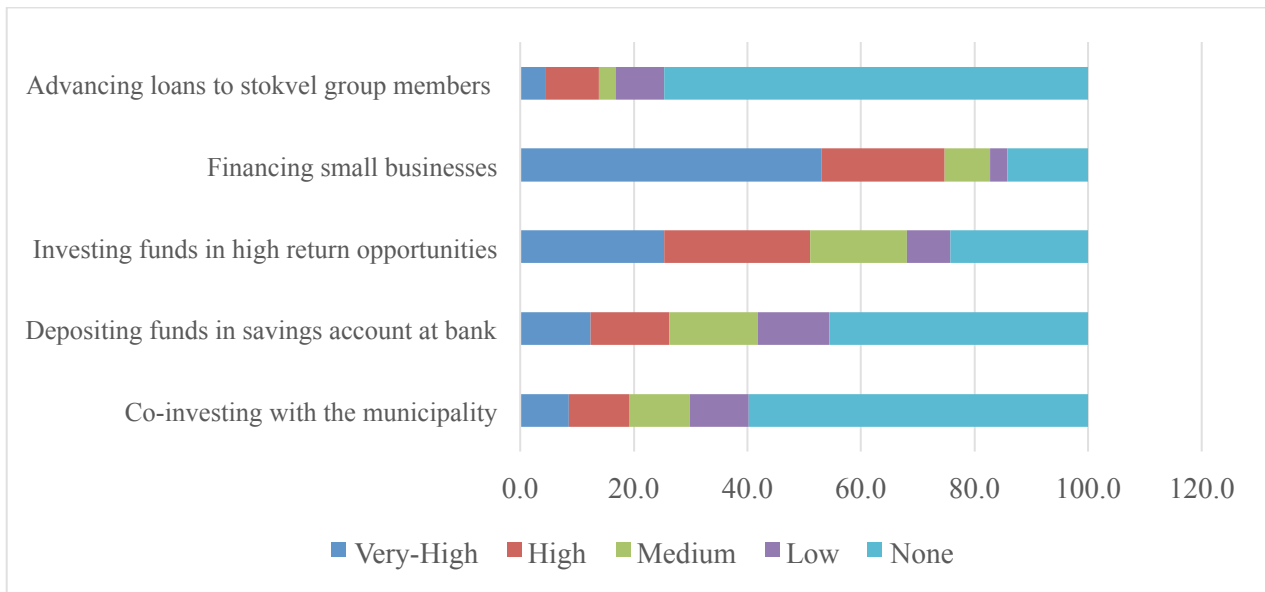


Figure 5.10 Bar Chart shows how participants' *stokvel* use its reserve lump sum funds

Out of the 388 participants 215 (55.4%) responses ranked as 'very-high in importance' the depositing of reserve funds in a bank savings account, 104 (26.8%) of participants ranked it as being of 'high in importance' to deposit reserve funds in a bank savings account. Out of 388 participants 33 (8.5%) of participants ranked the depositing of reserve funds in a savings account as a matter of 'medium importance', whilst only 16 (4.1%) of the *stokvel* groups in eThekweni Municipality ranked the depositing of reserve funds in a savings account as a matter of 'low importance'. Lastly, 20 (5.2%) *stokvel* groups ranked the depositing of reserve funds in a savings account as a matter of 'no importance'. In summary, a majority of 319 (82%) *stokvel* groups ranked the depositing of reserve funds in a savings account as an overall matter of 'high importance'. This finding supports the participants response to question 9 of this study wherein the majority 240 (62%) of participants listed saving money as their primary objective.

Out of the 388 participants 107 (27.6%) of the participants ranked as of 'very-high in importance' the investment of reserve funds in high return opportunities, 138 (35.6%) *stokvels* ranked as 'high in importance' the investment of reserve funds in high return opportunities and 56 (14.4%) of participants ranked the investment of reserve funds in high return opportunities as being of 'medium importance'. Out of 388 participants 54 (13.9%) of the *stokvel* groups ranked as 'low in importance' the investment of

reserve funds in high return opportunities. Lastly, only 33 (8.5%) *stokvel* groups ranked the investment of reserve funds in high return opportunities in eThekweni Municipality as being of ‘no importance’. In summary, a majority of 245 (63.1%) *stokvel* groups ranked the investment of reserve funds in high return opportunities as an overall matter of ‘high importance’.

Out of the 388 participants 47 (12.1%) *stokvels* ranked as a matter of ‘very-high importance’ the financing of small businesses with their funds that were held in reserve, 52 (13.4%) *stokvels* ranked as a matter of ‘high importance’ the financing of small businesses with their funds that were held in reserve and 62 (16%) of participants ranked as a matter of ‘medium in importance’ the financing of small businesses with their funds that were held in reserve. Out of 388 participants 52 (13.4%) *stokvels* ranked as a matter of ‘low importance’ the financing of small businesses with their funds that were held in reserve and lastly, 175 (45.1%) *stokvels* ranked as a matter of ‘no importance’ the financing of small businesses with their funds that were held in reserve. In summary, a majority of 227 (58.5%) *stokvel* groups in eThekweni Municipality ranked the financing of small businesses with their funds held in reserves as a matter of ‘low to no importance’, with only 41.5% *stokvel* groups in eThekweni Municipality ranking the financing of small businesses with their funds held in reserves as a matter of ‘medium to very-high importance’.

Out of the 388 participants 129 (33.2%) *stokvels* ranked the advancing of loans to *stokvel* group members as ‘very-high in importance’, yet 96 (24.7%) of participants ranked it as just ‘high in importance’. Out of 388 participants 57 (14.7%) of the *stokvel* groups ranked it as a matter of ‘medium importance’, whilst only 24 (6.2%) of the *stokvel* groups ranked the advancing of loans from reserve funds to *stokvel* group members as a matter of ‘low in importance’. Lastly, 82 (21.1%) of participants ranked the advancing of loans from reserve funds to *stokvel* group members as a matter of ‘no importance’ for their *stokvel*. In summary, a majority of 282 (72.7%) *stokvel* groups ranked the advancing of loans from reserve funds to *stokvel* group members as an overall matter of ‘medium to very-high importance’. Whilst 27.3% of *stokvel* groups ranked the advancing of loans from reserve funds to *stokvel* group members as an overall matter of ‘low to no importance’.

Question 15: How could your *stokvel* organisation be a better contributor to the economy of eThekweni Municipality?

The frequency table (5.18) and bar chart (5.11) below show that out of the 388 participants 104 (26.8%) of the participants held the view that it was of ‘very-high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they co-invested with the municipality, 93 (24%) held the view that it was of ‘high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they co-invested with the municipality and 37 (9.5%) participants held the view that it was of ‘medium importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they co-invested with the municipality. Out of 388 participants only 31 (8%) of participants held the view that it was of ‘low importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they co-invested with the municipality. Lastly, 123 (31.7%) *stokvel* groups held the view that it was of ‘no importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they co-invested with the municipality. In summary, a majority of 234 (60.3%) of *stokvel* groups hold the view that it was of ‘medium to very-high in importance’ that their *stokvel* group could be a better contributor to the economy of eThekweni Municipality if they co-invested with the municipality. About 154 (39.7%) participants held the view that it was of ‘low to no importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they co-invested with the municipality. This finding indicates that participants are of the view that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they co-invested with the municipality.

Out of the 388 participants 127 (32.7%) held a view that it was of ‘very-high importance’ that their *stokvel* group could be a better contributor to the economy of eThekweni Municipality if they were to advance finance small businesses whilst 86 (22.2%) held the view that it was of ‘high importance’ that *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they were to advance finance small businesses. Out of 388 participants 54 (13.9%) *stokvel* groups held the view that it was of ‘medium importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni

Municipality if they were to advance finance small businesses whilst 28 (7.2%) participants held the view that it was of ‘low importance’ that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if they were to finance to small businesses in eThekwini Municipality. Lastly, 93 (24.0%) of the participants held the view that it was of ‘no importance’ that their *stokvel* group could be a better contributor to the economy of eThekwini Municipality if they were to advance finance small businesses in eThekwini Municipality. In summary, a majority of 267 (68.8%) of participants held the view that it was of ‘medium to very-high importance’ that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if they were to advance finance to small businesses in eThekwini Municipality. Only 121 (31.2%) participants held the view that it was of ‘low to no importance’ that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if they were to advance finance small businesses in eThekwini Municipality.

Table 5.18 Frequency Table showing how the participant’s *stokvel* organisation could be a better contributor to the economy of eThekwini Municipality

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

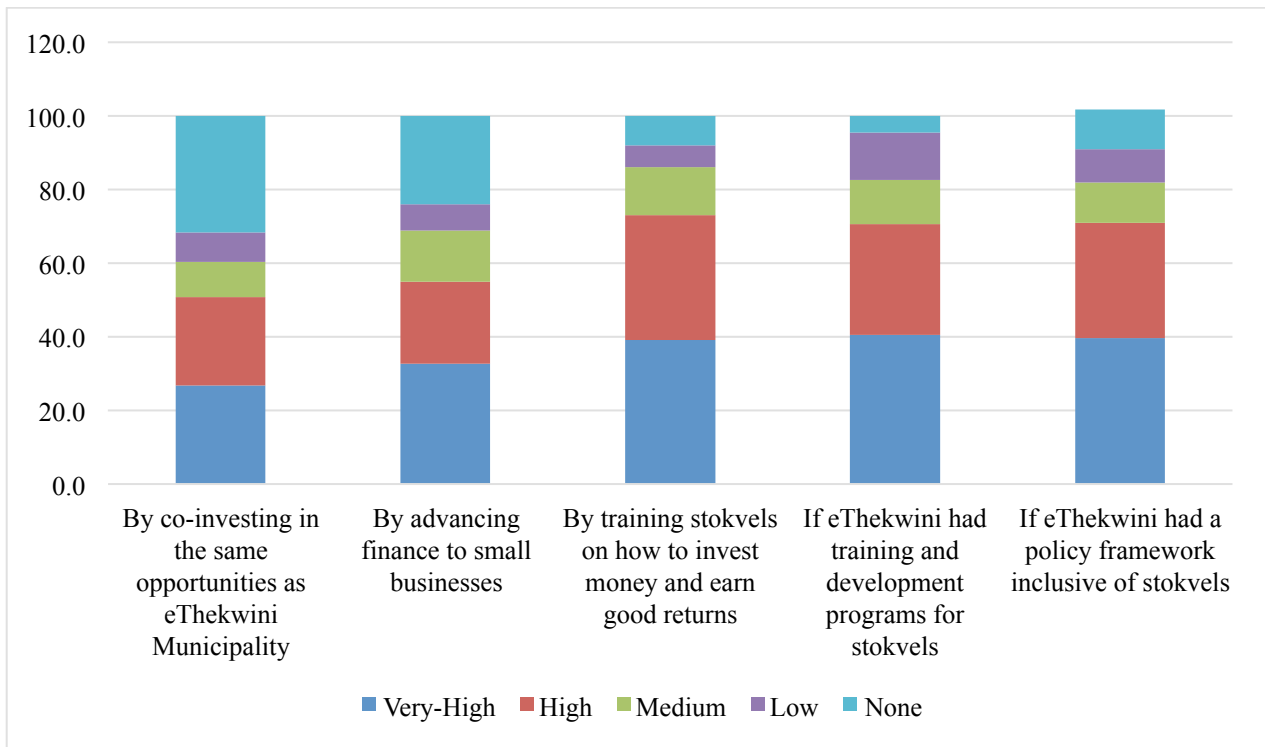


Figure 5.11 Bar Chart shows how participant’s *stokvel* organisation could be a better contributor to the economy of eThekweni Municipality

Out of the 388 participants 152 (39.2%) *stokvels* held the view that it was of ‘very-high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they were to know how to invest money and earn good returns whilst 131 (33.8%) of the participants held the view that it was of ‘no importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they were to know how to invest money and earn good returns. Out of 388 participants 51 (13.1%) held the view that it was of ‘high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they were to know how to invest money and earn good returns. Out of 388 participants 23 (5.9%) of participants held the view that it was of ‘low importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they were to know how to invest money and earn good returns. Lastly, 31 (8%) *stokvel* groups held the view that it was of ‘medium importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if they were to know how to invest money and earn good returns. In summary, a majority of 334 (86.1%) of participants held the view that it was of ‘medium to very-high importance’ that their *stokvel* groups could be better contributors to the economy of

eThekwini Municipality if they were to know how to invest money and earn good returns. Only 54 (13.9%) of the participants held the view that it was of 'low to no importance' that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if they were to know how to invest money and earn good returns. This finding indicates that participants held the view that *stokvel* groups could be better contributors to the economy of eThekwini Municipality if they were to be introduced to investment opportunities where they could earn good returns and grow their capital.

Out of the 388 participants 157 (40.5%) held a view that it was of 'very-high importance' that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if the municipality were to have training and development programmes for *stokvels*, whilst 117 (30.2%) of participants held the view that it was of 'high importance' that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if the municipality were to have training and development programmes for *stokvels*. Out of 388 participants 46 (11.9%) participants held the view that it was of 'medium importance' that their *stokvel* group could be better contributors to the economy of eThekwini Municipality if the municipality were to have training and development programmes for *stokvels* whilst 50 (12.9%) held the view that it was of 'high importance' that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if the municipality were to have training and development programmes for *stokvels*. Lastly, only 18 (4.6%) of participants held the view that it was of 'no importance' that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if the municipality were to have training and development programmes for *stokvels*. In summary, a majority of 320 (82.5%) of participants held the view that it was of 'medium to very-high importance' that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if the municipality were to have training and development programmes for *stokvels*. Only 68 (17.5%) of the participants held the view that it was of 'low to no importance' that their *stokvel* groups could be better contributors to the economy of eThekwini Municipality if the municipality were to have training and development programmes for *stokvels*. This finding indicates that participants held the view that *stokvel* groups could be better economic contributors if eThekwini Municipality could train and develop *stokvels*.

Out of the 388 participants 154 (39.7%) held the view that it was of ‘very-high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if the municipality had a policy framework inclusive of *stokvels*. 121 (31.2%) of participants held the view that it was of ‘high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if the municipality had a policy framework inclusive of *stokvels*. Out of 388 participants 43 (11.1%) held the view that it was of ‘high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if the municipality had a policy framework inclusive of *stokvels*. 70 (18%) of participants were divided equally between a view of ‘low importance’ and ‘no importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if the municipality had a policy framework inclusive of *stokvels*. Out of 388 participants 43 (11.1%) held the view that it was of ‘high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if the municipality had a policy framework inclusive of *stokvels*. 70 (18%) of participants were divided equally between a view of ‘low importance’ and ‘no importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if the municipality had a policy framework inclusive of *stokvels*. In summary, a majority of 318 (82%) of participants held the view that it was of ‘medium to very-high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if the municipality had a policy framework inclusive of *stokvels*. This finding indicates that participants held a view that eThekweni Municipality does not have an economic policy framework inclusive of *stokvels*.

Question 16: What does eThekweni Municipality need to do in order to transform the economy of the municipality through *stokvels*?

The frequency table (5.19) and bar chart (5.11) below show that out of the 387 participants 162 (41.8%) held the view that it was of ‘very-high importance’ that eThekweni Municipality needed to develop a policy framework for the *stokvel* industry in order that the municipality can transform the economy through *stokvels*. 129 (33.2%) of the participants held the view that it was of ‘high importance’ that eThekweni Municipality needed to develop a policy framework for the *stokvel* industry in order that the municipality can attempt to transform the economy through *stokvels*.

Table 5.19 Frequency Table shows how participant’s *stokvels* rank what the municipality should do in order to transform the economy of the municipality through *stokvels*

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

Out of 387 participants 38 (9.8%) of the participants held the view that it was of ‘medium importance’ that eThekweni Municipality develops a policy framework for the *stokvel* industry in order that the municipality can transform the economy through *stokvels*, whilst 17 (4.4%) of participants held the view of that it was of ‘low importance’ that eThekweni Municipality develops a policy framework for the *stokvel* industry in order that the municipality could transform the economy through *stokvels*. Lastly, 41 (10.6%) held the view that it was of ‘no importance’ that eThekweni Municipality develops a policy framework for the *stokvel* industry in order that the municipality can attempt to transform the economy through *stokvels*. In summary, a majority of 291 (75.2%) of participants held the view that it was of ‘high to very-high importance’ that eThekweni Municipality needed to develop a policy framework for the *stokvel* industry only, in order that the municipality can transform the economy through *stokvels*. A balance of 97 (24.8%) participants held the view that it was of ‘medium to no importance’ that eThekweni Municipality needed to develop a policy framework for the *stokvel* industry only, in order that the municipality can transform the

economy through *stokvels*. This finding indicates that a majority of participants held the view that eThekweni Municipality needed to develop a policy framework for the *stokvel* industry only in order to transform the economy of the municipality through *stokvels*.

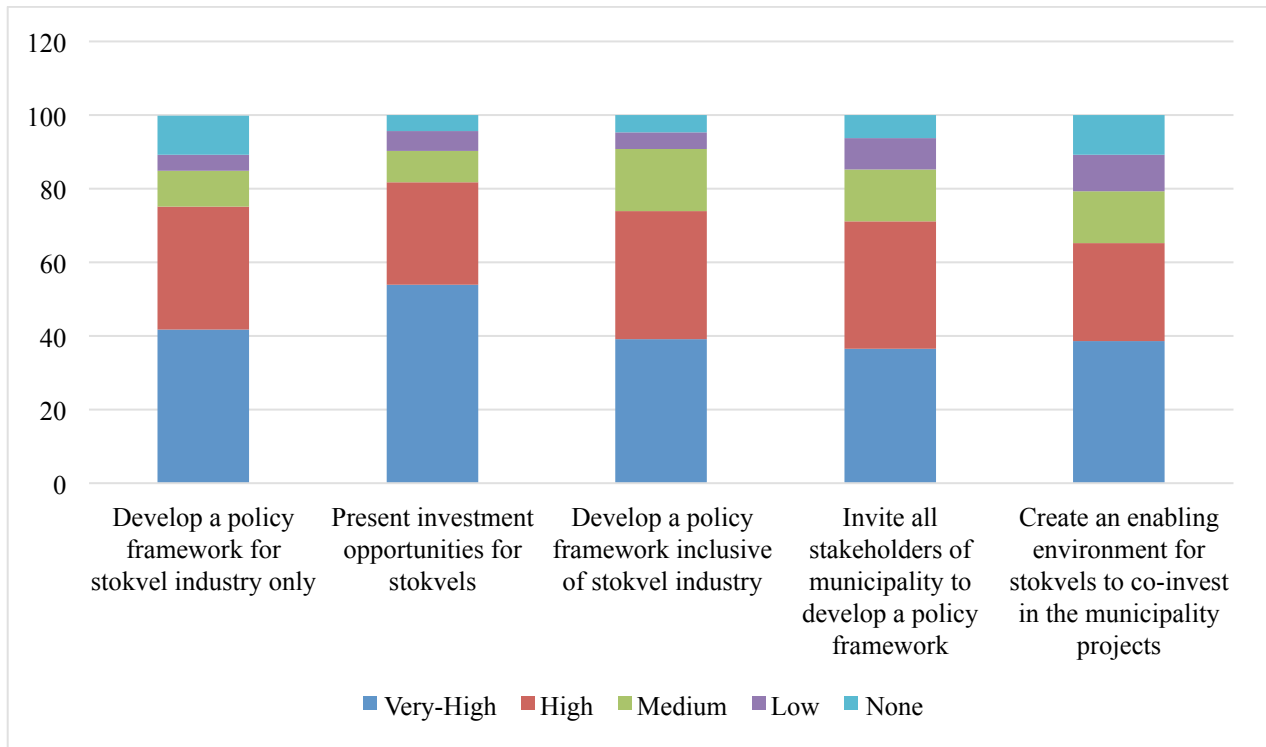


Figure 5.12 Bar Chart shows how participant’s *stokvels* rank what the municipality should do in order to transform the economy of the municipality through *stokvels*

Out of the 388 participants 209 (53.9%) held the view that it was of ‘very-high importance’ that eThekweni Municipality presents investment opportunities for *stokvels* in order for the municipality to transform the economy through *stokvels*. 108 (27.8%) of participants held the view that it was of ‘high importance’ that eThekweni Municipality presents investment opportunities for *stokvels* in order for the municipality to transform the economy through *stokvels*. Out of 388 participants 33 (8.5%) held the view that it was of ‘medium importance’ that eThekweni Municipality presents investment opportunities for proposals in order for the municipality to transform the economy through *stokvels*. 21 (5.4%) of participants held the view that it was of ‘low importance’ that eThekweni Municipality presents investment opportunities for *stokvels* in order for the municipality to transform the economy through *stokvels*. Lastly, 17 (4.4%) of participants held the view that it was of ‘no importance’ that eThekweni Municipality presents investment

opportunities for *stokvels* in order for the municipality to transform the economy through *stokvels*. In summary, a majority of 317 (81.7%) of participants held the view that it was of ‘high to very-high importance’ that eThekweni Municipality presents investment opportunities for *stokvels* in order for the municipality to transform the economy through *stokvels*. A balance of participants 71 (18.3%) held the view that it was of ‘medium to no importance’ that eThekweni Municipality presents investment opportunities for *stokvels* in order for the municipality to transform the economy through *stokvels*. This finding indicates that a majority of participants held the view that eThekweni Municipality needed to present investment opportunities for *stokvels* in order for the municipality to transform the economy of this municipality through *stokvels*.

Out of the 388 participants 152 (39.2%) held the view that it was of ‘very-high importance’ that eThekweni Municipality needed to develop a policy framework inclusive of the *stokvel* industry in order that the municipality could transform the economy through *stokvels*. 135 (34.8%) of participants held the view that it was of ‘high importance’ that eThekweni Municipality needed to develop a policy framework inclusive of the *stokvel* industry in order that the municipality could transform the economy through *stokvels*. Out of 388 participants 65 (16.8%) of participants held the view that it was of ‘medium importance’ that eThekweni Municipality developed a policy framework inclusive of the *stokvel* industry in order that the municipality could transform the economy through *stokvels*. Lastly, 36 (9.2%) of participants were divided equally between the views that it was of ‘no importance’ and ‘low importance’ that eThekweni Municipality developed a policy framework inclusive of the *stokvel* industry in order that the municipality could transform the economy through *stokvels*. In summary, a majority of 287 (74%) of participants held the view that it was of ‘high to very-high importance’ that eThekweni Municipality needed to develop a policy framework inclusive of the *stokvel* industry in order that the municipality could transform the economy through *stokvels*. A balance of participants 101 (26%) held the view that it was of ‘medium to no importance’ that eThekweni Municipality needed to develop a policy framework inclusive of the *stokvel* industry in order that the municipality could transform the economy through *stokvels*. This finding indicates that a majority of participants held the view that eThekweni Municipality needed to develop a

policy framework inclusive of the *stokvel* industry in order to transform the economy of the municipality through *stokvels*.

Out of the 388 participants 142 (36.6%) held the view that it was of ‘very-high importance’ for eThekweni Municipality to invite all contributors to the economy of the municipality including *stokvels* to meet to draft a policy framework in order that the municipality could transform the economy through *stokvels*. 134 (34.5%) of participants held the view that it was of ‘high importance’ for eThekweni Municipality to invite to this meeting all contributors to the economy of the municipality including *stokvels* to develop a policy framework in order that the municipality could transform the economy through *stokvels*. Out of 388 participants 55 (14.2%) held the view that it was of ‘medium importance’ that eThekweni Municipality should invite all contributors to the economy of the municipality including *stokvels* to develop a policy framework in order that the municipality could transform the economy through *stokvels*. 33 (8.5%) of participants held the view that it was of ‘low importance’ that eThekweni Municipality should invite all contributors to the economy of the municipality including *stokvels* to develop a policy framework in order that the municipality could transform the economy through *stokvels*. Lastly, 24 (6.2%) held the view that it was of ‘no importance’ that eThekweni Municipality should invite all contributors to the economy of the municipality including *stokvels* to develop a policy framework in order that the municipality could transform the economy through *stokvels*. In summary, 276 (71.1%) of participants held the view that it was of ‘high to very-high importance’ that eThekweni Municipality should invite all contributors to the economy of the municipality including *stokvels* to develop a policy framework in order that the municipality could transform the economy through *stokvels*. An even balance of 112 (28.9%) participants held the view that it was of ‘medium to no importance’ that eThekweni Municipality should invite all contributors to the economy of the municipality including *stokvels* to develop a policy framework in order that the municipality could transform the economy through *stokvels*. This finding indicates that a majority of participants held the view that eThekweni Municipality should invite all contributors to the economy of the municipality including *stokvels* to develop a policy framework in order that the municipality could transform the economy through *stokvels*.

Out of the 388 participants 150 (38.7%) held the view that it was of ‘very-high importance’ for eThekweni Municipality to create an enabling environment for *stokvels* to co-invest in the municipality projects in order to transform the economy of the municipality through *stokvels*. 103 (26.5%) of the participants held the view that it was of ‘high importance’ for eThekweni Municipality to create an enabling environment for *stokvels* to co-invest in the municipality projects in order to transform the economy of the municipality through *stokvels*. Out of 388 participants 55 (14.2%) held the view that it was of ‘medium importance’ that eThekweni Municipality creates an enabling environment for *stokvels* to co-invest in the municipality projects in order to transform the economy of the municipality through *stokvels*. 38 (9.8%) held the view that it was of ‘low importance’ that eThekweni Municipality should create an enabling environment for *stokvels* to co-invest in the municipal projects in order to transform the economy of the municipality through *stokvels*. Lastly, 42 (10.8%) of the participants held the view that it was of ‘no importance’ that eThekweni Municipality should create an enabling environment for *stokvels* to co-invest in the municipality projects in order to transform the economy of the municipality through *stokvels*. In summary, 253 (65.2%) of the participants held the view that it was of ‘high to very-high importance’ that eThekweni Municipality should create an enabling environment for *stokvels* to co-invest in the municipality projects in order to transform the economy of the municipality through *stokvels*. An even balance of participants 135 (34.8%) held the view that it was of ‘medium to no importance’ that eThekweni Municipality should create an enabling environment for *stokvels* to co-invest in the municipality projects in order to transform the economy of the municipality through *stokvels*. This finding indicates that a majority of participants held the view that eThekweni Municipality should create an enabling environment for *stokvels* to co-invest in municipal projects in order to transform the economy of the municipality through *stokvels*.

Question 17: How does your *stokvel* contribute to the economy of eThekweni Municipality?

The frequency table (5.20) and bar chart (5.13) below show that out of the 388 participants 33 (8.5%) stated that; for their *stokvel* group, investing in big businesses is a ‘very-high importance’ contribution to the economy of eThekweni Municipality, whilst 41 (10.6%) stated that; for their *stokvel* group, investing in big businesses is a ‘high importance’ contribution to the economy of eThekweni. Out of 388 participants

42 (10.8%) stated that; for their *stokvel* group, investing in big businesses is a ‘medium importance’ contribution to the economy of the municipality, whilst 40 (10.3%) of participants stated that; for their *stokvel* group, investing in big businesses is a ‘low importance’ contribution to the economy of eThekwini Municipality. Lastly, 232 (59.8%) stated that; for their *stokvel* group, investing in big businesses is a ‘none importance’ contribution to the economy of eThekwini Municipality.

Table 5.20 Frequency Table showing how participants’ *stokvel* investing their funds in big businesses

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

In summary, a majority of 314 (80.9%) participants stated that; for their *stokvel* group, investing in big businesses is a ‘medium to no importance’ contribution to the economy of eThekwini Municipality. An even balance of the remainder of participants 74 (19.1%) stated that; for their *stokvel* group, investing in big businesses is a ‘high to very-high importance’ contribution to the economy of eThekwini Municipality. This finding indicates that a majority of *stokvel* groups do not believe that for them to be contributors to the economy of eThekwini Municipality they need to invest in big businesses.

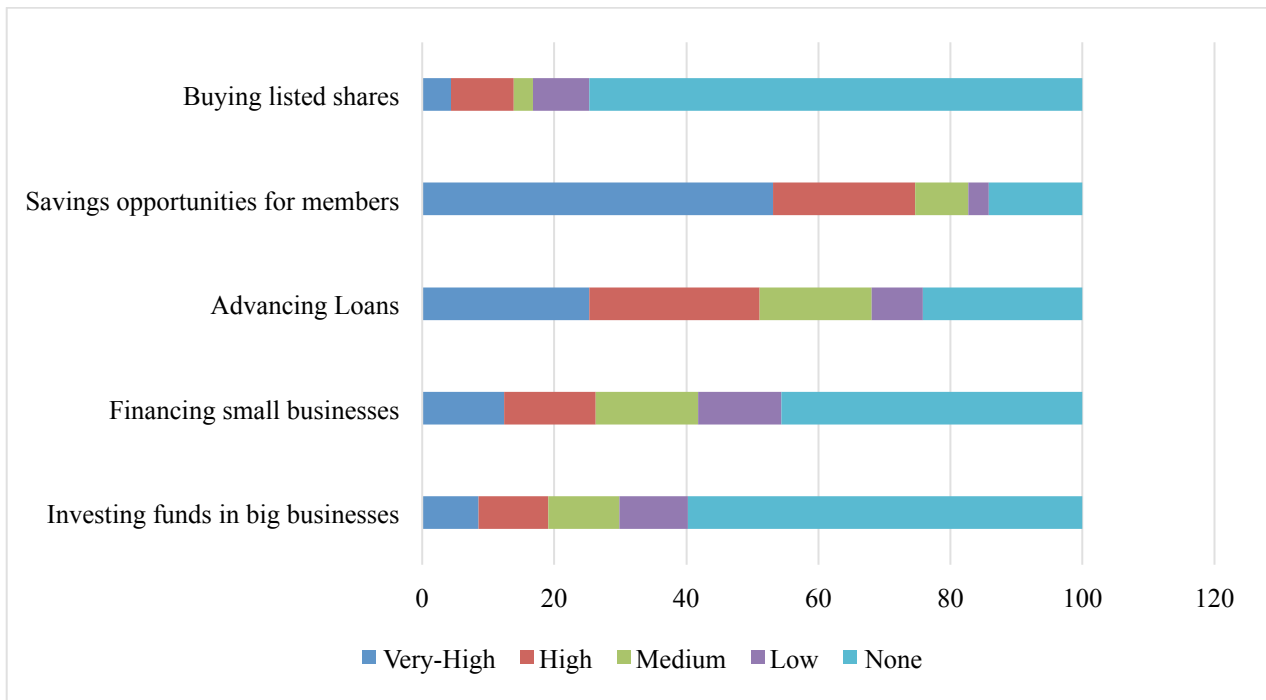


Figure 5.13 Bar Chart shows how participants' *stokvel* contribute to the economy of eThekweni Municipality

Out of the 388 participants only 48 (12.4%) stated that it was of 'very-high importance' for their *stokvel* group to contribute to the economy of eThekweni Municipality by financing small businesses, whilst 54 (13.9%) stated that it was of 'high importance' for their *stokvel* group to contribute to the economy of eThekweni Municipality by financing small businesses. Out of 388 participants 60 (15.5%) of the participants stated that it was of 'medium importance' for their *stokvel* group to contribute to the economy of eThekweni Municipality by financing small businesses, whilst 49 (12.6%) of the participants stated that it was of 'low importance' for their *stokvel* group to contribute to the economy of eThekweni Municipality by financing small businesses. Lastly, 177 (45.6%) stated that it was of 'no importance' for their *stokvel* group to contribute to the economy of eThekweni Municipality by financing small businesses. In summary, a majority of participants 286 (73.7%) stated that it was of 'medium to no importance' for their *stokvel* group to contribute to the economy of eThekweni Municipality by financing small businesses. 102 (26.3%) of the participants stated that it was of 'high to very-high importance' for their *stokvel* group to contribute to the economy of eThekweni Municipality by financing small businesses. This finding indicates that a majority of participants 286 (73.7%) do not finance small businesses in eThekweni Municipality and this was not how their *stokvel* groups contributed to the economy of the municipality. This finding is supported

by the results in Table 5.12 and Figure 5.6 wherein the financing of small businesses was their least important objective.

Out of the 388 participants 98 (25.3%) participants stated that it was of ‘very-high importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by advancing loans to their *stokvel* members, whilst 100 (25.8%) stated that it was of ‘high importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by advancing loans to their *stokvel* members. Out of 388 participants 66 (17.0%) participants stated that it was of ‘medium importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by advancing loans to their *stokvel* members, whilst only 30 (7.7%) stated that it was of ‘low importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by advancing loans to their *stokvel* members. Lastly, 94 (24.2%) stated that it was of ‘no importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by advancing loans to their *stokvel* members. In summary, a majority of 264 participants (68%) stated that it was of ‘medium to very-high importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by advancing loans to their *stokvel* members. The balance of participants 124 (32%) stated that it was of ‘low to no importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by advancing loans to their *stokvel* members. This finding indicates that a majority of participants 286 (74%) in eThekweni Municipality advance loans to their members and this is how their *stokvel* contributes to the economy of the municipality. This finding is supported by the results in Table 5.12 and Figure 5.6 wherein the advancing of loans to *stokvel* members was amongst the top primary objectives.

Out of the 388 participants 206 (53.1%) stated that it was of ‘very-high importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by creating savings opportunities for their members whilst 84 (21.7%) of participants stated that it was of ‘high importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by creating savings opportunities for their members. Out of 388 participants 31 (8.0%) of the participants stated that it was of ‘medium importance’

for their *stokvel* group to contribute to the economy of eThekweni Municipality by creating savings opportunities for their members, whilst only 12 (3.1%) stated that it was of ‘low importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by creating savings opportunities for their members. Lastly 55 (14.2%) stated that it was of ‘no importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by creating savings opportunities for their members. In summary, a majority of more than two-thirds of the participants, 321 (82.7%), stated that it was of ‘medium to very-high importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality by creating savings opportunities for their members. 67 participants (17.3%) stated that it was of ‘low to no importance’ for their *stokvel* groups to contribute to the economy of eThekweni Municipality by creating savings opportunities for their members. This finding indicates that a majority of participants 321 (82.7%) in eThekweni Municipality create savings opportunities for their members and this is how their *stokvel* groups contribute to the economy of the municipality.

Out of the 388 participants 17 (4.4%) of the participants stated that it was of ‘very-high importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality through buying listed shares on the stock exchange, whilst 37 (9.5%) of the participants stated that it was of ‘high importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality through buying listed shares on the stock exchange. Out of 388 participants only 11 (2.8%) stated that it was of ‘medium importance’ for their *stokvel* groups to contribute to the economy of eThekweni Municipality through buying listed shares on the stock exchange, whilst 33 (8.5%) stated that it was of ‘low importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality through buying listed shares on the stock exchange. Lastly, 290 (74.7%) stated that it was of ‘no importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality through buying listed shares on the stock exchange. In summary, a majority of participants, 323 (83.2%), stated that it was of ‘low to no importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality through buying listed shares on the stock exchange. 67 (16.8%) of the participants stated that it was of ‘high to very-high importance’ for their *stokvel* group to contribute to the economy of eThekweni Municipality through buying listed shares on the stock exchange.

This finding indicates that a majority of participants 323 (83%) in eThekweni Municipality do not invest in listed shares on the stock exchange.

Question 18: eThekweni Municipality has development programmes for *stokvels*?

The frequency table (5.21) and bar chart (5.14) below show that out of the 388 participants 63 (16.2%) strongly agreed with the view that eThekweni Municipality has development programmes for *stokvels*, whilst 104 (26.8%) participants agreed with the view that eThekweni Municipality has development programmes for *stokvels*. Out of 388 participants 129 (33.2%) disagreed with the view that eThekweni Municipality has development programmes for *stokvels*, whilst 92 (23.7%) strongly disagreed with the view that eThekweni Municipality has development programmes for *stokvels*.

Table 5.21 Frequency Table showing whether or not eThekweni Municipality has development programmes for *stokvels*

	Frequency	Percent	Valid Percent	Cumulative Percent
I strongly agree	63	16.2	16.2	16.2
I agree	104	26.8	26.8	43.0
I disagree	129	33.2	33.2	76.3
I strongly disagree	92	23.7	23.7	100.0
Total	388	100.0	100.0	

In summary, 221 (57%) of participants indicated that they ‘disagreed to strongly disagree’ with the view that eThekweni Municipality has development programmes for *stokvels*, whilst 167 (43%) of participants indicated that they ‘agreed to strongly disagreed’ with the view that eThekweni Municipality has development programmes for *stokvels*. This finding is supported by the responses of participants to question 16 of this study wherein *stokvels* in the majority held the view that the economic policy framework inclusive of *stokvels* does not exist in eThekweni Municipality.

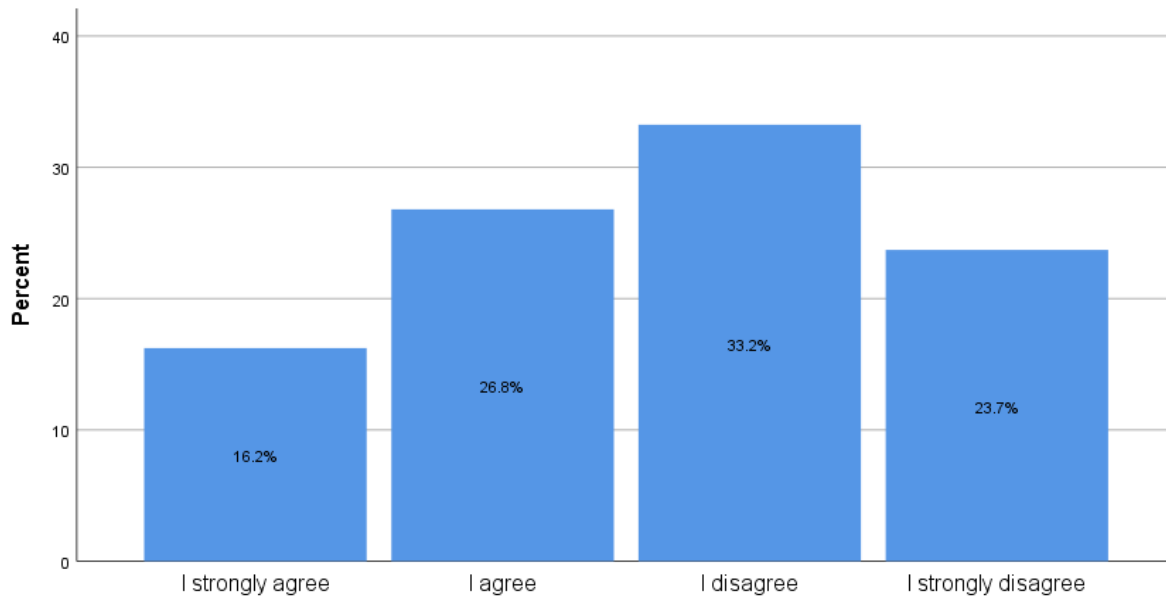


Figure 5.14 Bar Chart shows whether or not eThekweni Municipality has development programs for *stokvels*

Question 19: Can the economy of eThekweni Municipality be transformed if *stokvels* are included in the policy framework of the municipality?

The frequency table (5.22) and bar chart (5.15) below show that out of the 388 participants 125 (32.2%) of the participants ‘strongly agreed’ with the view that the economy of eThekweni Municipality can be transformed if *stokvels* were to be included in the economic policy framework of the municipality, whilst 190 (49%) ‘agree’ with the view that the economy of eThekweni Municipality can be transformed if *stokvels* were to be included in the economic policy framework of the municipality. Out of 388 participants 62 (16%) ‘disagreed’ with the view that the economy of eThekweni Municipality can be transformed if *stokvels* were to be included in the economic policy framework of the municipality. Lastly, 11 (2.8%) of the participants ‘strongly disagreed’ with the view that the economy of eThekweni Municipality can be transformed if *stokvels* were to be included in the economic policy framework of the municipality. In summary, 315 (81.2%) of the participants indicated they ‘agree to strongly agree’ with the view that the economy of eThekweni Municipality can be transformed if *stokvels* were to be included in the economic policy framework of the municipality, whilst 73 (18.8%) of participants indicated that they ‘disagree to strongly disagree’ with the view that the economy of eThekweni Municipality can be transformed if

stokvels were to be included in the economic policy framework of the municipality. This finding suggests that eThekweni Municipality can be transformed if *stokvels* are to be included in the economic policy framework of the municipality.

Table 5.22 Frequency Table showing whether or not the economy of eThekweni Municipality can be transformed if *stokvels* are included in the policy framework of the municipality

	Frequency	Percent	Valid Percent	Cumulative Percent
I strongly agree	125	32.2	32.2	32.2
I agree	190	49.0	49.0	81.2
I disagree	62	16.0	16.0	97.2
I strongly disagree	11	2.8	2.8	100.0
Total	388	100.0	100.0	

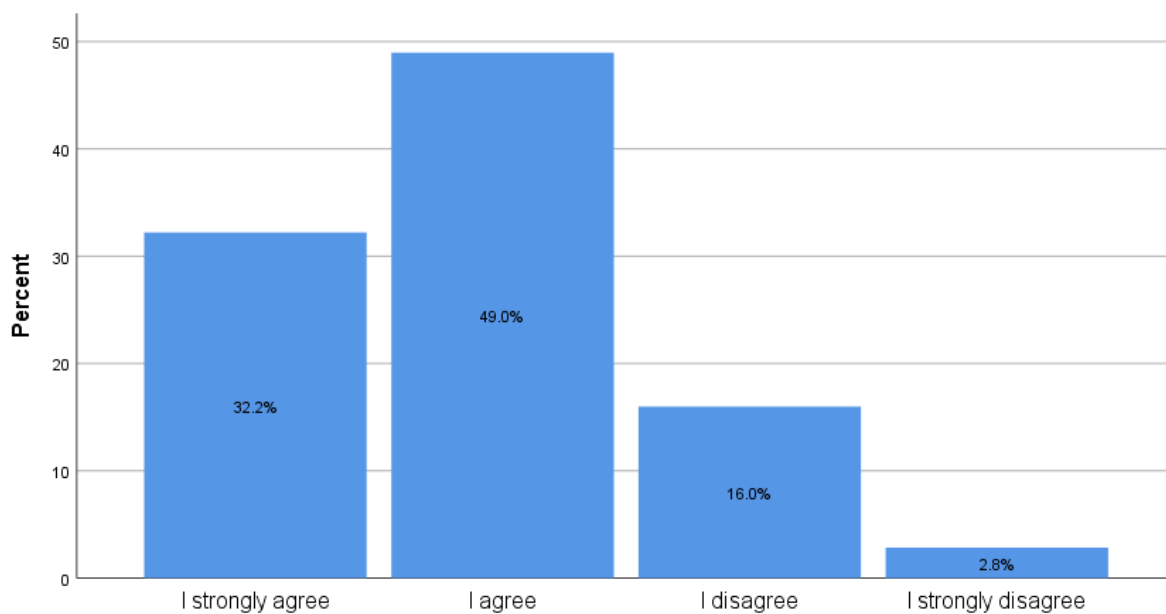


Figure 5.15 Bar Chart shows whether or not the economy of eThekweni Municipality can be transformed if *stokvels* are included in the policy framework of the municipality

Question 20: What opportunities does eThekwini Municipality provide to assist participants' *stokvel*?

The frequency table (5.23) and bar chart (5.16) below show that out of the 388 participants 30 (7.7%) stated that their *stokvel* has been assisted by eThekwini Municipality to take advantage of investment opportunities, whilst 22 (5.7%) stated that their *stokvel* has been assisted by eThekwini Municipality to start small businesses. Out of 388 participants 41 (10.6%) of participants stated that the eThekwini Municipality has assisted their *stokvel* with opportunities to invest money and earn good returns, whilst 15 (3.9%) stated that their *stokvels* have been assisted by eThekwini Municipality to participate in commercial projects.

About 10 (2.6%) stated that their *stokvels* have been assisted by eThekwini Municipality through training and development programmes for *stokvels*. Lastly, 270 (69.6%) stated that the eThekwini Municipality has never invited their *stokvel* to take advantage of any opportunity within the municipality.

Table 5.23 Frequency Table showing what opportunities eThekwini Municipality assists participants' *stokvel* to take advantage of

	Frequency	Percent	Valid Percent	Cumulative Percent
Investment opportunities	30	7.7	7.7	7.7
Opportunities to starting small business only	22	5.7	5.7	13.4
Opportunities to invest money and earn good returns	41	10.6	10.6	24.0
Opportunities to participate in all commercial projects	15	3.9	3.9	27.8
Training and development opportunities for <i>stokvels</i>	10	2.6	2.6	30.4
eThekwini Municipality has never invited our <i>stokvel</i> to any opportunities	270	69.6	69.6	100.0
Total	388	100.0	100.0	

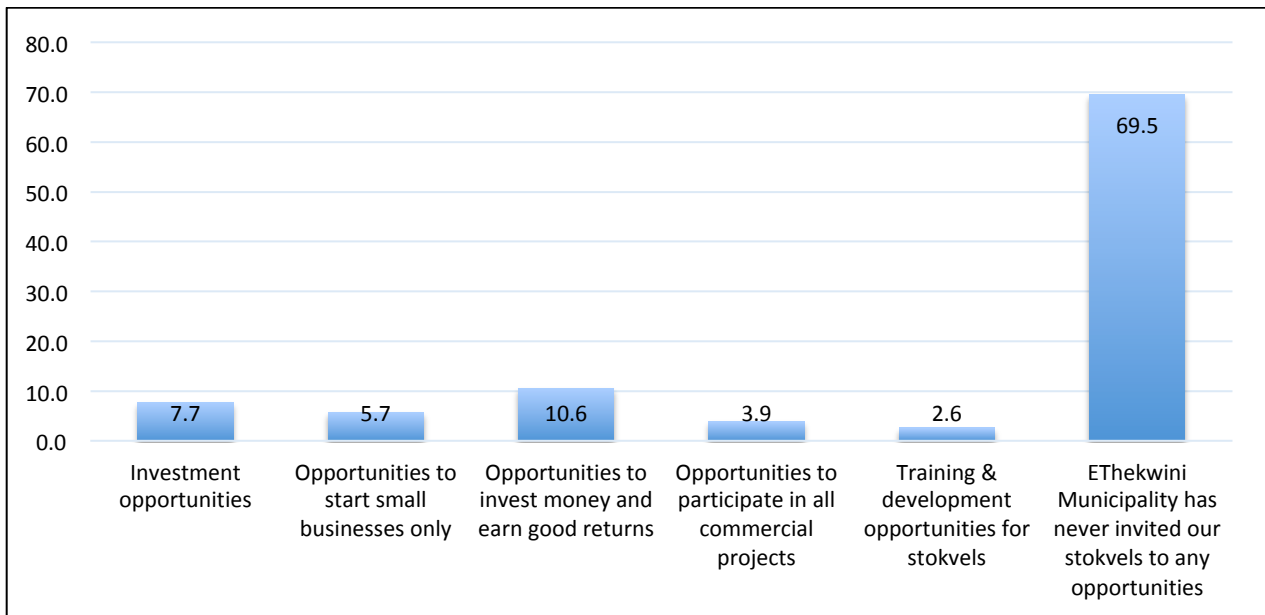


Figure 5.16 Bar Chart shows what opportunities eThekweni Municipality assists participants' stokvel to take advantage of

In summary, 270 (69.6%) of the participants indicated that eThekweni Municipality has never invited their *stokvels* to take advantage of any opportunities within eThekweni Municipality. This finding reinforces the view that *stokvels* in eThekweni Municipality are marginalised and unrecognised.

Question 21: How would you rate the relevance of the assistance you received from eThekweni Municipality in developing *stokvels*?

The frequency table (5.24) and bar chart (5.17) below show that out of the 388 participants 45 (11.6%) stated as 'excellent' the relevance of the assistance they received from eThekweni Municipality in developing their *stokvels*, whilst 34 (8.8%) stated as 'good' the relevance of the assistance they received from eThekweni Municipality in developing their *stokvels*. Out of 388 participants 43 (11.1%) stated as 'average' the relevance of the assistance they received from eThekweni Municipality in developing their *stokvels*, whilst 62 (16%) of participants stated as 'poor' the relevance of the assistance they received from eThekweni Municipality in developing their *stokvels*. Lastly, 204 (52.6%) stated 'no relevance to the assistance they received from eThekweni Municipality in developing their *stokvels*. In summary, 266 (68.6%) of the participants indicated as 'poor to non-existent' the relevance of the assistance they received

from eThekwini Municipality in developing their *stokvels*. This finding reinforces the view that *stokvels* are marginalised and unrecognised by policy-makers in eThekwini Municipality.

Table 5.24 Frequency Table showing how participants rate the relevance of the assistance they receive from eThekwini Municipality in developing *stokvels*

	Frequency	Percent	Valid Percent	Cumulative Percent
Excellent	45	11.6	11.6	11.6
Good	34	8.8	8.8	20.4
Average	43	11.1	11.1	31.4
Poor	62	16.0	16.0	47.4
None	204	52.6	52.6	100.0
Total	388	100.0	100.0	

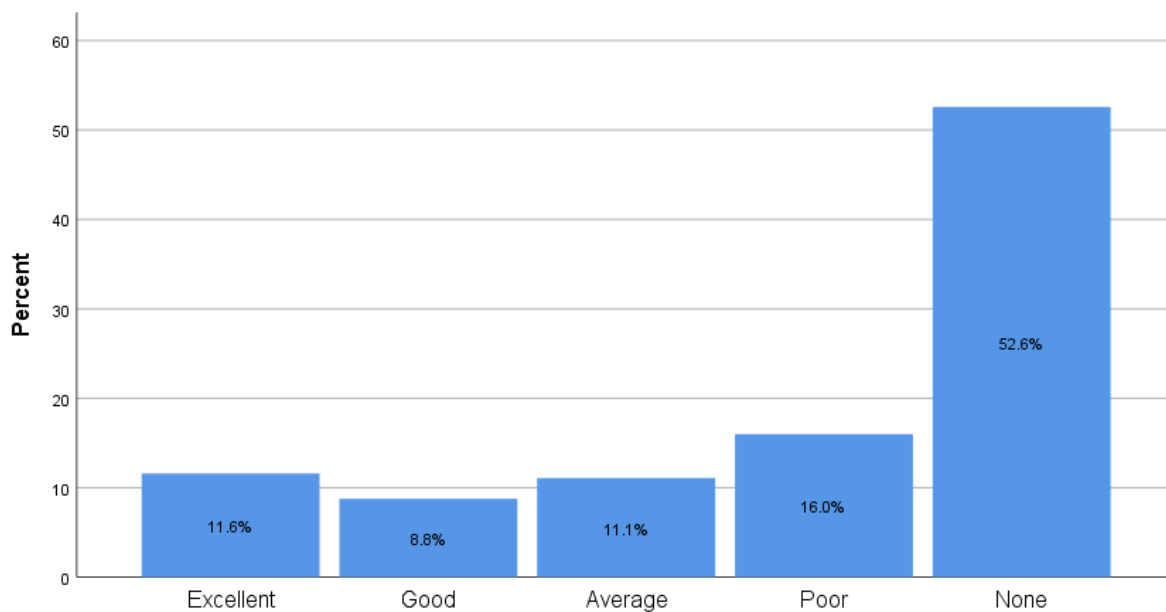


Figure 5.17 Bar Chart shows how participants rate the relevance of the assistance they receive from eThekwini Municipality in developing *stokvels*

Question 22: What do *stokvels* contribute to the economy of eThekweni Municipality?

The frequency table (5.25) and bar chart (5.18) below show that out of the 388 participants 31 (8%) indicated that their *stokvels*' contribution to the economy of eThekweni Municipality was that of 'creation of jobs', whilst 221 (57%) indicated their *stokvels*' contribution to the economy of eThekweni Municipality was that of 'promoting a saving culture'. Out of 388 participants 23 (5.9%) indicated that their *stokvels*' contribution to the economy of eThekweni Municipality was that of 'starting small businesses', whilst 106 (27.3%) of the participants indicated that their *stokvels*' contribution to the economy of eThekweni Municipality was that of 'reducing poverty'. Lastly, 7 (1.8%) indicated their *stokvels*' contribution to the economy of eThekweni Municipality was that of 'co-investing with the municipality in its projects'.

Table 5.25 Frequency Table showing participants' *stokvels* contributions to the economy of eThekweni Municipality

	Frequency	Percent	Valid Percent	Cumulative Percent
Creating jobs	31	8.0	8.0	8.0
Promoting a saving culture	221	57.0	57.0	64.9
Starting small businesses	23	5.9	5.9	70.9
Reducing poverty	106	27.3	27.3	98.2
Co-investing with the municipality in its projects	7	1.8	1.8	100.0
Total	388	100.0	100.0	

In summary, the majority of 221 (57%) of the participants regarded highly the 'promotion of a savings culture' for their *stokvels* as a contribution to the economy of eThekweni Municipality. Second in importance was the 'reduction of poverty' with 27.3% of the responses from 106 participants out of 388. This finding reinforces the view that among *stokvels*' economic contribution factors are savings culture and reduction of poverty.

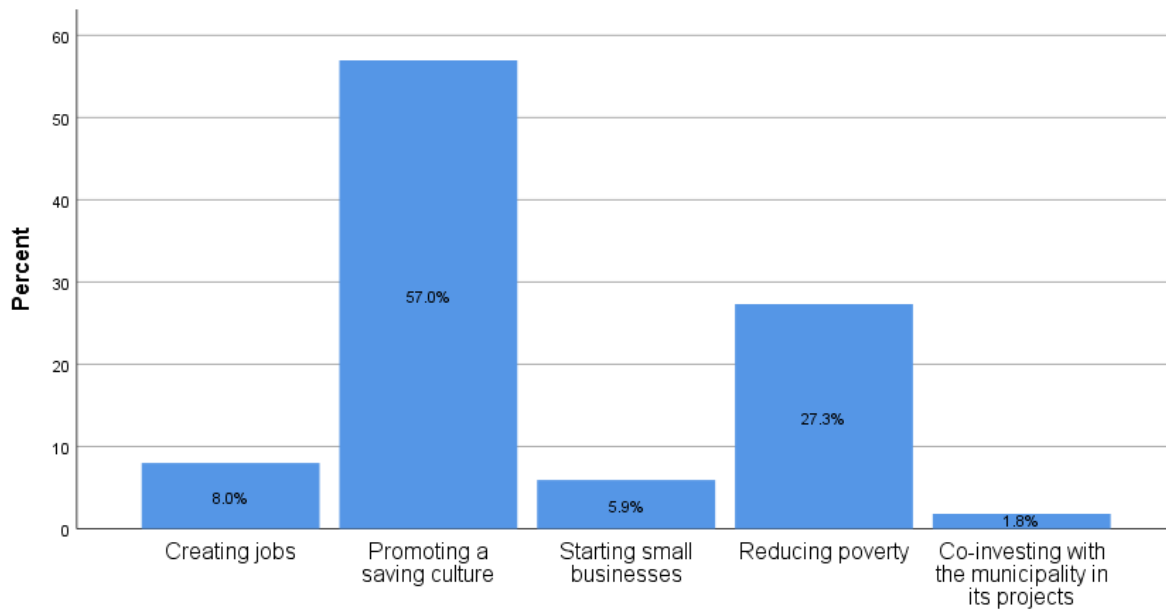


Figure 5.18 Bar Chart shows participants' *stokvels* contributions to the economy of eThekweni Municipality

Question 23: EThekweni Municipality has developed programmes for *stokvel* organisation?

The frequency table (5.26) and bar chart (5.19) below show that out of the 388 participants 26 (6.7%) indicated that eThekweni Municipality has 'creation of jobs' development programmes for *stokvels*, whilst 72 (18.6%) of participants indicated that eThekweni Municipality has a 'promotion of savings culture' development programmes for *stokvels*. Out of 388 participants 23 (5.9%) participants indicated that eThekweni Municipality has a 'starting of small businesses' development programme whilst 51 (13.1%) indicated that eThekweni Municipality has 'reduction of poverty' development programmes for *stokvels*. Out of 388 participants 23 (5.9%) participants indicated that eThekweni Municipality has a 'starting of small businesses' development programme whilst 51 (13.1%) indicated that eThekweni Municipality has 'reduction of poverty' development programmes for *stokvels*. Lastly, 6 (1.5%) participants indicated that eThekweni Municipality has a development programme for 'co-investing with the municipality in its projects' and 210 (54.1%) indicated that eThekweni Municipality has 'no' development programmes for *stokvels*. In summary, a majority of participants indicated that there are no development programmes for

stokvels in eThekweni Municipality. This finding reveals that there are no development programmes for *stokvels* in eThekweni Municipality.

Table 5.26 Frequency Table showing eThekweni Municipality has developed programmes for *stokvel* organizations

	Frequency	Percent	Valid Percent	Cumulative Percent
To create jobs	26	6.7	6.7	6.7
To promote a savings culture	72	18.6	18.6	25.3
To start a small business	23	5.9	5.9	31.2
To reduce poverty	51	13.1	13.1	44.3
To co-invest with the municipality in its projects	6	1.5	1.5	45.9
None of the above	210	54.1	54.1	100.0
Total	388	100.0	100.0	

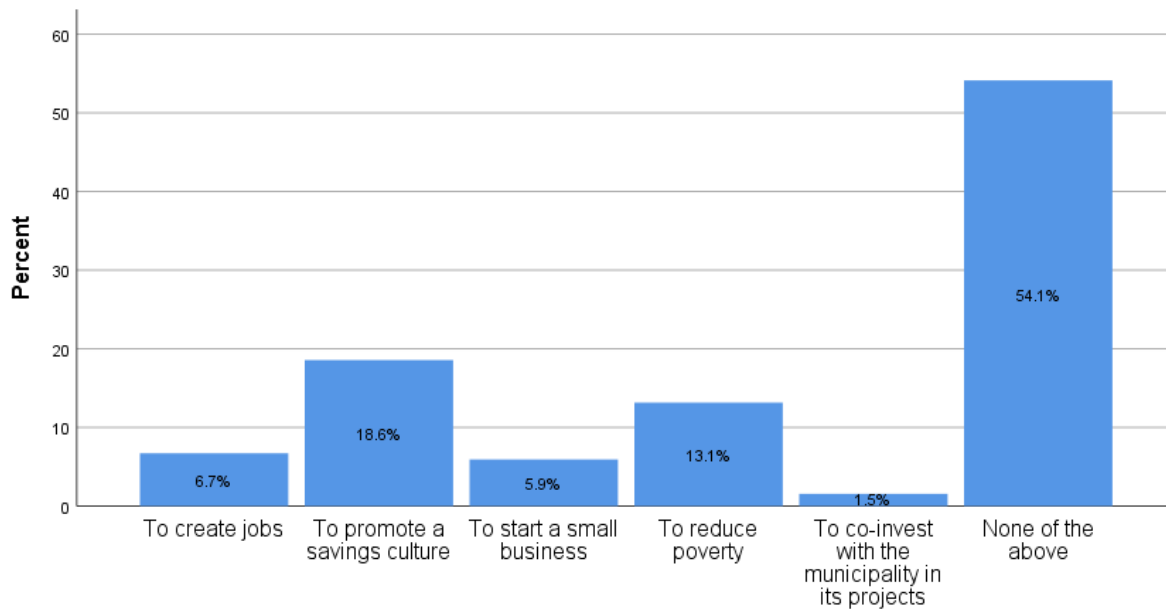


Figure 5.19 Bar Chart shows eThekweni Municipality has developed programs for *stokvel* organizations

5.4.3 CROSS-TABULATION

The actual interpretation from cross-tabulation of data in this study was that if $p < 0.05$ then we have a Chi-square value which is the generally acceptable conventional level of significance. This signals that there is a significant correlation between the sample data of the two variables in 95 cases out of 100.

Question 6: What is your educational qualification level? vs

Question 8: What type of *stokvel* are you a member of?

The frequency table (5.27) below shows that 388 participants responded to these questions. Out of 150 participants who had matric as their highest level of education, the majority 122 (81%) were members of Grocery *stokvels*, whilst of the 122 participants who had no schooling the majority 104 (85%) were also members of Grocery *stokvels*.

Table 5.27 Frequency Table showing the cross-tabulation of the educational of participants versus the type of *stokvel* a participant is a member of

Question 6. What is your educational qualification level?		Question 8. What type of <i>stokvel</i> are you a member of?							Total
		Grocery <i>stokvel</i>	Investment <i>stokvel</i>	Savings <i>stokvel</i>	High budget <i>stokvel</i>	Birthday <i>stokvel</i>	Burial <i>stokvel</i>	Other	
Matric	Count	122	9	16	0	0	0	3	150
	%	81.3%	6.0%	10.7%	0.0%	0.0%	0.0%	2.0%	100.0%
Diploma	Count	18	5	32	0	7	1	5	68
	%	26.5%	7.4%	47.1%	0.0%	10.3%	1.5%	7.4%	100.0%
Bachelor's degree	Count	13	1	17	1	0	0	3	35
	%	37.1%	2.9%	48.6%	2.9%	0.0%	0.0%	8.6%	100.0%
Masters/PhD	Count	5	1	7	0	0	0	0	13
	%	38.5%	7.7%	53.8%	0.0%	0.0%	0.0%	0.0%	100.0%
No schooling	Count	104	3	12	0	1	1	1	122
	%	85.2%	2.5%	9.8%	0.0%	0.8%	0.8%	0.8%	100.0%
Total	Count	262	19	84	1	8	2	12	388
	%	67.5%	4.9%	21.6%	0.3%	2.1%	0.5%	3.1%	100.0%

Table 5.28 Chi-square test results showing the relationship between the educational level of participants versus the type of *stokvel* a participant is a member of

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	141.213 ^a	24	.000
Likelihood Ratio	128.740	24	.000
N of Valid Cases	388		

From the 68 participants who held a National Diploma qualification the majority 32 (47%) were members of Savings *stokvels*. Of the 35 participants who were holders of Bachelor’s degrees 17 (49%) were members of Saving *stokvels*. Lastly, of the 13 participants who were holders of Masters/PhD qualifications, 7 (54%) were members of Savings *stokvels*. The results in table (5.28) below further show that a Pearson Chi-square value of 141.213 with 24 degrees of freedom and a significance probability value is 0.000. Because $P = 0.000 < 0.05$, therefore there was a statistically significant relationship between the educational level of participants and the type of *stokvel* they are members of. This finding indicates that the level of education influences the type of *stokvel* an individual becomes a member of.

Question 5: Are you formally employed? vs Question 8: What type of *stokvel* are you a member of?

The frequency table (5.29) below shows that 388 participants responded to this question. Out of 153 participants who said ‘Yes’ they are formally employed. The majority 90 (58.8%) of the formally employed members of *stokvels* were members of Grocery *stokvels*, whilst 46 (30.1%) were members of Savings *stokvels*. Of the balance of the respondents who said ‘Yes’ they are formally employed 7 (5%) were members of Investments *stokvels*, 5 (3.3%) respondents being members of Other types of *stokvel*, 4 (3%) were members of Birthday *stokvels* and 1 (1%) was a member of a High-budget *stokvel*. 235 participants said ‘No’ they are not formally employed. The majority 172 (73%) were members of Grocery *stokvels*, whilst 38 (16%) were members of the Savings *stokvels* and 12 (5%) were members of the Investment *stokvels*. Of the balance of participants who said ‘No’ 4 (2%) were members of a Birthday *stokvel* and lastly, 2 (1%) were members of Burial *stokvels*.

Table 5.29 Frequency Table showing the cross-tabulation of the employment status of a participant versus the type of *stokvel* a participant is a member of

Question 5. Are you formally employed?		Question 8. What type of <i>stokvel</i> are you a member of?						Total	
		Grocery <i>stokvel</i>	Investment <i>stokvel</i>	Savings <i>stokvel</i>	High-budget <i>stokvel</i>	Birthday <i>stokvel</i>	Burial <i>stokvel</i>		
Yes	Count	90	7	46	1	4	0	5	153
	%	58.8%	4.6%	30.1%	0.7%	2.6%	0.0%	3.3%	100.0%
No	Count	172	12	38	0	4	2	7	235
	%	73.2%	5.1%	16.2%	0.0%	1.7%	0.9%	3.0%	100.0%
Total	Count	262	19	84	1	8	2	12	388
	%	67.5%	4.9%	21.6%	0.3%	2.1%	0.5%	3.1%	100.0%

The results in table (5.30) below further show that a Pearson Chi-square value of 14.388 with 6 degrees of freedom and a significance probability value is 0.026. Because $P = 0.026 < 0.05$, therefore there is a statistically significant correlation between the employment status of a *stokvel* member and the type of *stokvel* they are a member of. This finding indicates that the employment status of a *stokvel* member influences the type of *stokvel* they belong to.

Table 5.30 Chi-square test results showing the relationship between the employment status of a participant versus the type of *stokvel* a participant is a member

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	14.388a	6	.026
Likelihood Ratio	15.227	6	.019
N of Valid Cases	388		

Question 8: What type of *stokvel* are you a member? Vs.

Question 12: How much does each member of your *stokvel* group contribute per month?

Table 5.31 below indicates that 61.5% of Grocery *stokvels* group respondents contributed between ‘R251 and R750’ per month, whilst 47.3% respondents who belonged to the Investment *stokvels* group stated that their members made monthly contributions of between ‘R100 to R750’ and the other 47.4% contributed between ‘R750 to more than R2,500’, with 55.9% of Savings *stokvels* group respondents indicating monthly contributions of between ‘R100 to R750’. All respondents from the High-budget *stokvel* type

Table 5.31 Frequency Table showing the cross-tabulation of the monthly contributions of a participant versus the type of *stokvel* a participant is a member of

Question 8. What type of <i>stokvel</i> are you a member?		Question 12. How much does each member of your <i>stokvel</i> group contribute per month?					
		Between R100 and R250	Between R251 and R750	Between R750 and R1 500	Between R1 500 and R2 500	More than R2 500	Total
Grocery <i>stokvel</i>	Count	91	161	1	4	1	262
	%	34.7%	61.5%	0.4%	1.5%	0.4%	100.0%
Investment <i>stokvel</i>	Count	6	3	2	5	2	19
	%	31.6%	15.8%	10.5%	26.3%	10.5%	100.0%
Savings <i>stokvel</i>	Count	17	30	1	16	1	84
	%	20.2%	35.7%	1.2%	19.0%	1.2%	100.0%
High budget <i>stokvel</i>	Count	0	0	1	0	1	1
	%	0.0%	0.0%	100.0%	0.0%	100.0%	100.0%
Birthday <i>stokvel</i>	Count	1	5	1	1	0	8
	%	12.5%	62.5%	12.5%	12.5%	0.0%	100.0%
Burial <i>stokvel</i>	Count	1	1	0	0	0	2
	%	50.0%	50.0%	0.0%	0.0%	0.0%	100.0%
Other	Count	2	0	10	0	0	12
	%	16.7%	0.0%	83.3%	0.0%	0.0%	100.0%
Total	Count	118	200	39	26	5	388
	%	30.4%	51.5%	10.1%	6.7%	1.3%	100.0%

indicated that their members contributed a minimum of ‘R750 up to more than R2,500’ per month. From the Birthday *stokvel* 63% of respondents stated that their *stokvel* group members contributed between ‘R251 and R750’. All respondents from the Burial *stokvel* type indicated that their *stokvel* group members contributed monthly in the range ‘R100 to R750’. Lastly, 83% of the respondents from the “Other” *stokvel* type indicated that their members contributed between ‘R750 and R1,500’ per month.

The results in table (5.32) below further show that a Pearson Chi-square value of 257.528 with 24 degrees of freedom and a significance probability value is 0.000. Because $P = 0.000 < 0.05$, therefore there was a statistically significant relationship between how much each members of a *stokvel* contribute per month and the type of *stokvel* they are members of. This finding indicates that how much each member of a *stokvel* contributes per month influences the type of *stokvel* an individual becomes a member of.

Table 5.32 Chi-square test results showing the relationship between the monthly contributions of a participant versus the type of *stokvel* a participant is a member

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	257.528 ^a	24	.000
Likelihood Ratio	151.295	24	.000
N of Valid Cases	388		

Question 13: How much of saved/invested lump sum does *stokvel* group have in reserve? vs.

Question 8: What type of *stokvel* are you a member?

The frequency table (5.33) below shows that 388 participants responded to these questions. The results indicate that there is a high concentration of grocery *stokvels* in the ‘R10 100 to R50 000’ bracket, a high concentration of savings *stokvels* in the ‘more than R175 000’ bracket and a high concentration of investment *stokvels* in the ‘R100 100 to R175 000’ bracket. All high-budget *stokvels* were found in the ‘more than R175 000’ bracket, whilst the high concentration of birthday *stokvels* was found in the ‘R1 000 to R10 000’ bracket. Lastly, burial *stokvels* were in the majority concentrated in the ‘R100 000 to R175 000’ bracket and other *stokvels* were all found to be in the ‘more than R175 000’ bracket. The results in

table (5.34) above further show that a Pearson Chi-square value of 149.310 with 24 degrees of freedom and a significance probability value is 0.000. Because $P = 0.000 < 0.05$, therefore there was a statistically significant relationship between of saved/invested lump sum a *stokvel* group has in reserves and the type of *stokvel*. This finding indicates that the type of *stokvel* influences how much a *stokvel* group holds in reserves.

Table 5.33 Frequency Table showing the cross-tabulation of the reserved lump sum saved/invested by *stokvel* group of a participant versus the type of *stokvel*

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

Table 5.34 Chi-square test results showing the relationship between the *stokvel* groups lump sums in reserve versus the type of *stokvel*

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	149.310 ^a	24	.000
Likelihood Ratio	117.467	24	.000
N of Valid Cases	388		

Question 8: Type of *stokvel* vs.

Question 17A: Contributor to eThekweni Municipality economy (By investing *stokvel* funds in big businesses)

The frequency table (5.35) below shows that 388 participants responded to these questions. The results indicate that for 76% of grocery *stokvels* investing funds in big businesses is of ‘low to no importance’ as an economic contribution matter for their *stokvel* group. 58%, 57% and 63% of investment, savings and birthday *stokvels*, respectively, investing funds in big businesses is of ‘low to no importance’ as an economic contribution matter for their *stokvel* group.

Table 5.35 Frequency Table showing the cross-tabulation of the view of investing *stokvel* funds in big businesses versus the type of *stokvel* a participant is a member of

			By investing <i>stokvel</i> funds in big businesses					Total
			Very High	High	Medium	Low	None	
What type of <i>stokvel</i> are you a member?	Grocery <i>stokvel</i>	Count	25	24	15	29	169	262
		%	9.5%	9.2%	5.7%	11.1%	64.5%	100.0%
	Investment <i>stokvel</i>	Count	1	4	3	2	9	19
		%	5.3%	21.1%	15.8%	10.5%	47.4%	100.0%
	Savings <i>stokvel</i>	Count	7	6	23	5	43	84
		%	8.3%	7.1%	27.4%	6.0%	51.2%	100.0%
	High budget <i>stokvel</i>	Count	0	1	0	0	0	1
		%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
	Birthday <i>stokvel</i>	Count	0	2	1	0	5	8
		%	0.0%	25.0%	12.5%	0.0%	62.5%	100.0%
	Burial <i>stokvel</i>	Count	0	1	0	0	1	2
		%	0.0%	50.0%	0.0%	0.0%	50.0%	100.0%
	Other	Count	0	3	0	4	5	12
		%	0.0%	25.0%	0.0%	33.3%	41.7%	100.0%
Total		Count	33	41	42	40	232	388
		%	8.5%	10.6%	10.8%	10.3%	59.8%	100.0%

For all high-budget *stokvels* investing funds in big businesses is a ‘high importance’ economic contribution matter for their *stokvel* group. Lastly, burial *stokvels* are evenly split between investing funds in big

businesses being of ‘high importance’ and it being of ‘no importance’ as an economic contribution matter for their *stokvel* group.

The results in table (5.36) below further show that a Pearson Chi-square value of 62.822 with 24 degrees of freedom and a significance probability value is 0.000. Because $P = 0.000 < 0.05$, therefore there was a statistically significant relationship between investing in big businesses and the type of *stokvel* involved. This finding indicates that the type of *stokvel* has an influence on the *stokvel* group that invests in big businesses.

Table 5.36 Chi-square test results showing the relationship between the view of investing *stokvel* funds in big businesses versus the type of *stokvel* a participant is a member of

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	62.822 ^a	24	.000
Likelihood Ratio	53.460	24	.001
N of Valid Cases	388		

Question 8: Type of *stokvel* vs.

Question 17B: *Stokvels* as contributors to eThekweni Municipality economy (By financing small businesses)

The frequency table (5.37) below shows that 388 participants responded to these questions. The results indicate that for 63% of grocery *stokvels*, investing funds in small businesses is of ‘low to no importance’ as an economic contribution matter for their *stokvel* group.

For 53% of investment *stokvels*, investing funds in small businesses is of ‘low to no importance’ as an economic contribution matter for their *stokvel* group. For 58% of savings *stokvels* investing funds in small businesses is of ‘medium to very-high importance’ as an economic contribution matter for their *stokvel* group, whilst for all high-budget *stokvels* investing funds in small businesses is of ‘high importance’ as an economic contribution matter for their *stokvel* group. Lastly, 63% of birthday *stokvels* investing funds in small businesses is of ‘no importance’ as an economic contribution matter for their *stokvel* group and for

burial *stokvels*, investing funds in small businesses is evenly split between being of ‘high importance’ and of ‘no importance’ as an economic contribution matter for their *stokvel* group.

The results in table (5.38) below further show that a Pearson Chi-square value of 72.661 with 24 degrees of freedom and a significance probability value is 0.000. Because $P = 0.000 < 0.05$, therefore there was a statistically significant relationship between investing in small businesses and the type of *stokvel*. This finding indicates that the type of *stokvel* involved has an influence on the *stokvel* group investing in small businesses.

Table 5.37 Frequency Table showing the cross-tabulation of the view of investing *stokvel* funds in big businesses versus the type of *stokvel* a participant is a member of

			Financing small businesses with <i>stokvel</i> funds					Total	
			Very High	High	Medium	Low	None		
What type of <i>stokvel</i> are you a member?	Grocery <i>stokvel</i>	Count	27	41	28	34	132	262	
		%	10.3%	15.6%	10.7%	13.0%	50.4%	100.0%	
	Investment <i>stokvel</i>	Count	5	4	0	2	8	19	
		%	26.3%	21.1%	0.0%	10.5%	42.1%	100.0%	
	Savings <i>stokvel</i>	Count	12	5	32	8	27	84	
		%	14.3%	6.0%	38.1%	9.5%	32.1%	100.0%	
	High budget <i>stokvel</i>	Count	0	1	0	0	0	1	
		%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	
	Birthday <i>stokvel</i>	Count	2	1	0	0	5	8	
		%	25.0%	12.5%	0.0%	0.0%	62.5%	100.0%	
	Burial <i>stokvel</i>	Count	0	1	0	0	1	2	
		%	0.0%	50.0%	0.0%	0.0%	50.0%	100.0%	
	Other	Count	2	1	0	5	4	12	
		%	16.7%	8.3%	0.0%	41.7%	33.3%	100.0%	
	Total		Count	48	54	60	49	177	388
			%	12.4%	13.9%	15.5%	12.6%	45.6%	100.0%

Table 5.38 Chi-square test results showing the relationship between investing funds in small businesses versus the type of *stokvel*

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	72.661 ^a	24	.000
Likelihood Ratio	67.240	24	.000
N of Valid Cases	388		

Question 8: Type of *stokvel* vs.

Question 17E: *Stokvels* as contributors to eThekweni Municipality economy (By buying listed shares on the stock exchange)

The frequency table (5.39) below shows that 388 participants responded to these questions. The results indicate that 93%, 79% and 55% of grocery, investment and savings *stokvels*, respectively, buying listed shares on the stock exchange is of ‘low to no importance’ as an economic contribution matter for their *stokvel* group. For all high-budget and burial *stokvels* buying listed shares on the stock exchange is of ‘high importance’ and ‘no importance’ respectively as an economic contribution matter for their *stokvel* groups. For 75% of the birthday *stokvels* buying listed shares on the stock exchange is of ‘no importance’ as an economic contribution matter for their *stokvel* groups, whilst for 92% of other *stokvels* buying listed shares on the stock exchange is of ‘no importance’ as an economic contribution matter for their *stokvel* group.

The results in table (5.40) below further show that a Pearson Chi-square value of 121.324 with 24 degrees of freedom and a significance probability value is 0.000. Because $P = 0.000 < 0.05$, therefore there was a statistically significant relationship between buying listed shares on the stock exchange and the type of *stokvel*. This finding indicates that the type of *stokvel* has an influence on the *stokvel* group buying listed shares on the stock exchange.

Table 5.39 Frequency Table showing the cross-tabulation of *stokvels* buying listed shares in the stock exchange versus the type of *stokvel*

			<i>Stokvels</i> buying listed shares on the stock exchange						
			Very high	High	Medium	Low	None	Total	
What type of <i>stokvel</i> are you a member?	Grocery <i>stokvel</i>	Count	4	11	4	15	228	262	
		%	1.5%	4.2%	1.5%	5.7%	87.0%	100.0%	
	Investment <i>stokvel</i>	Count	0	2	2	1	14	19	
		%	0.0%	10.5%	10.5%	5.3%	73.7%	100.0%	
	Savings <i>stokvel</i>	Count	11	23	4	17	29	84	
		%	13.1%	27.4%	4.8%	20.2%	34.5%	100.0%	
	High budget <i>stokvel</i>	Count	0	1	0	0	0	1	
		%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	
	Birthday <i>stokvel</i>	Count	1	0	1	0	6	8	
		%	12.5%	0.0%	12.5%	0.0%	75.0%	100.0%	
	Burial <i>stokvel</i>	Count	0	0	0	0	2	2	
		%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	
	Other	Count	1	0	0	0	11	12	
		%	8.3%	0.0%	0.0%	0.0%	91.7%	100.0%	
	Total		Count	17	37	11	33	290	388
			%	4.4%	9.5%	2.8%	8.5%	74.7%	100.0%

Table 5.40 Chi-square test results showing the relationship between *stokvels* buying listed shares on the stock exchange versus the type of *stokvel*

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	121.324 ^a	24	.000
Likelihood Ratio	108.522	24	.000
N of Valid Cases	388		

5.5 PRESENTATION OF QUALITATIVE DATA

The qualitative data collected during face-to-face interviews with participants with the aid of an interview schedule. All responses were voice recorded on a smartphone device, transcribed on to a excel spreadsheet and coded. This subsection presents the data results from the interviews conducted with each of the six municipality council members. At the end of qualitative analysis a concluding summary for the chapter will follow.

5.5.1 Number of years serving as MC member

Out of nine (9) MC members that were approached for the qualitative data collection part of this study, six (6) responded positively and participated in the in-depth interviews. From six participants that were interviewed, three have been members of the eThekweni Municipality Council for one year, two have been members for six years and one has been a member for 21 years.

Table 5.41 below is a summary of responses from all six participants.

Table 5.41 Shows how many years each participant MC member has served the eThekweni Municipal Council

Participant	Response	Coding
1	<i>"I have been an MC member for 6 years"</i>	Six Years
2	<i>"I have been a member of MC for one year"</i>	One Year
3	<i>"I have been a member of MC for one year"</i>	One Year
4	<i>"I have been in MC for 21 years".</i>	21 Years
5	<i>"I have been a member of MC six (6) years".</i>	Six Years
6	<i>"I have been a member for one year, before that I was small business owner"</i>	One Year

5.5.2 Addressing Poverty, Unemployment and Inequity Through Development of *Stokvels*

When asked whether or not they believed that poverty, unemployment and inequality could be addressed through the development of *stokvels*, all six participants were positive that *stokvels* could contribute towards addressing poverty, unemployment and inequality. For an example Participant 3 said:

“...*stokvels* are seen as the platform for blacks to partake in the economy”. . . . Should *stokvels* be well organised and be supported by government they can play a huge role in addressing those three social ills”.

Some participants are adamant that *stokvels* contribute towards addressing poverty, unemployment and inequality, for an example Participant 2 said:

“*Stokvels in eThekweni Municipality pull together a total of R2 billion per annum*”.

Others feel that even though *stokvels* do contribute towards addressing the three social ills, certain issues like government/municipal support and vision behind the *stokvel*'s existence need to be addressed.

Below (Table 5.42) is a summary of responses from all six participants. This finding reveals that there is a gap and the development of *stokvels* could be part of the solution to resolving the issues of poverty, unemployment and income inequity for the eThekweni Municipality.

Table 5.42 Shows responses from MC members in relation to *stokvels* development being a solution poverty, unemployment and inequality

Participant	Response	Coding
1	“ <i>Best way of saving money</i> ”	Definitely Yes
2	“ <i>Stokvels in eThekweni Municipality pull together a total of R2billion per annum</i> ”	Definitely Yes
3	“ <i>Stokvels are seen as the platform for blacks to partake in the economy</i> ”	Definitely Yes
	“ <i>Should stokvels be well organised and be supported by government they can play a huge role in addressing those three social ills</i> ”	Yes
4	“ <i>Provided that they are line with the issue of business, and the issues of economy</i> ”	Yes
5	“ <i>If founders have a vision</i> ”	Yes
6	“ <i>If their thinking is long-term and not short-term like we would take them seriously. But if their thinking is collecting a big cheque in December or burials, that is too short-term thinking and unsustainable</i> ”	Yes

5.5.3 The Economic Policy Framework of eThekweni Municipality Recognises *Stokvels*

When asked whether eThekweni Municipality’s economic transformation policy framework recognises *stokvels* as contributors to the economy of eThekweni or not, most of the participants (except one) were of the view that eThekweni Municipality’s economic transformation policy framework does not recognise

stokvels - period. Participant 4 said; “the municipality needs to look at that particular area and see how they are going to fit in their programs”, whilst Participant 5 said; “as far as I can tell the economic transformation framework of eThekweni Municipality does not recognise *stokvels* or their economic contribution to the municipality”. On the contrary Participant 1 said; “I truly believe that the policy does accommodate *stokvels* based on the manner in which it promotes small businesses and the informal businesses as well”.

Below (Table 5.43) is a summary of responses from all six participants. This finding is an indicator that there is a gap that needs to be addressed by the eThekweni Municipality since this study has discovered that the municipality’s economic policy framework does not recognise *stokvels*.

Table 5.43 Shows responses from MC members regarding the Economic Policy Framework of eThekweni Municipality in relation to *stokvels*

Participant	Responses	Coding
1	<i>“I truly believe that the policy does accommodate <i>stokvels</i> based on the manner in which it promotes small businesses and the informal businesses as well”</i>	Yes
2	<i>“They are unorganized”</i>	No
3	<i>“There is no role that the eThekweni Municipality is playing there”</i>	No
4	<i>“The municipality needs to look at that particular area and see how are they going to fit in their programs”</i>	No
5	<i>“As far as I can tell the economic transformation framework of eThekweni Municipality does not recognise <i>stokvels</i> or their economic contribution to the municipality”</i>	No
6	<i>“In a very minimal way. MC are more focused on the street traders who happen to be part of the <i>stokvel</i> sector”</i>	Limited

5.5.4 Understanding the Economic Contributing Factors of *Stokvels*

When asked what they understood to be the economic contributing factors of *stokvels* to the economy of eThekweni Municipality, all six participants indicated the economic contributing factors of *stokvels* as being saving and investing money. For an example Participant 3 said; “they lend money to members when they need money, invests in formal banking sector, give opportunities to people to learn how to start

investing, teach people how to put money aside for a certain purpose”, whilst Participant 6 said; *“stokvels are job creators, savings vehicles”*. Some participants further added job creation and bulk buying as other economic contributors of *stokvels*. For an example Participant 1 said *“savings, creation of employment and starting of informal businesses”*. Below (Table 5.44) is a summary of responses from all six participants.

Table 5.44 Shows responses from MC members about their understanding of the economic contributing factors of *stokvels*

Participant	Responses	Coding
1	<i>“Savings, creation of employment and starting of informal businesses”</i>	Save/Invest Money Job Creation Business Opportunity
2	<i>“Put money together with their neighbours and keep it somewhere they can . . .” Join "unit trusts" for instance</i>	Save/Invest Money
3	<i>“They lend money to members when they need money, invests in formal banking sector, give opportunities to people to learn how to start investing, teach people how to put money aside for a certain purpose”</i>	Save/Invest Money
4	<i>“We have stokvels that are doing buying together as a group in term of goods, there are stokvels that have savings so that at the end of the year they will then withdraw the money from their account divide it according to percentages or divide it equally to each other”</i>	Bulk Buying Save/Invest Money
5	<i>“Some stokvels make monthly contributions and invest that money Another contributing factor is the creation of employment”</i>	Save/Invest Money Job Creation
6	<i>“Stokvels are job creators, savings vehicle”</i>	Save/Invest Money Job Creation

5.5.5 eThekweni Municipality Leveraging of *Stokvel* Economic Contributing Factors

When asked how eThekweni Municipality takes advantage of the *stokvel*’s economic contributing factors in transforming the economy of eThekweni, 50% of the participants indicated that eThekweni Municipality has not leveraged the economic contributing factors of *stokvels*. For an example Participant 2 said, *“we have not taken advantage of the economic contributing factors of stokvels, due to their unorganised nature”*, whilst Participant 5 said; *“I’m not aware of any initiative that the municipality has taken in taking*

advantage of the economic characteristics of stokvels”. Two participants stated that in an indirect way eThekwini Municipality does leverage the economic contributing factors of *stokvels*. For an example Participant 4 said the following *“not necessarily, because people who are involved in stokvels have got reasons which are not related to the programs of the municipality”*.

Below (Table 5.45) is a summary of responses from all six participants. This finding indicates that there is a gap in that once eThekwini Municipality has identified the economic contributing factors of *stokvels* the municipality thereafter fails to leverage these for both the benefit of *stokvels* and the economic transformation agenda of eThekwini Municipality.

Table 5.45 Shows responses from MC members in relation to the municipality leveraging the economic contributing factors of *stokvels*

Participant	Response	Coding
1	<i>“The municipality revenue system, expect payment of revenue services, and people are able to pay because of savings, creation and promotion of stokvels”</i>	Yes, Through payment of Revenue Services
2	<i>“We have not taken advantage of the economic contributing factors of stokvels, due to their unorganised nature”</i>	No, eThekwini Municipality does not take advantage
3	<i>“eThekwini Municipality does not take advantage of the stokvels economic contributing factors”</i>	No, eThekwini Municipality does not take advantage
4	<i>“Not necessarily, because people who are involved in stokvels have got reasons which are not related to the programs of the municipality”</i>	Indirect
5	<i>“I’m not aware of any initiative that the municipality has taken in taking advantage of the economic characteristics of stokvels”</i>	No, eThekwini Municipality does not take advantage
6	<i>“In the sense that we provide support for informal businesses in many ways”</i>	Indirect

5.5.6 *Stokvels* Hold the View that eThekwini Municipality Does Not Recognise Them

When asked whether *stokvels* are justified in saying that the eThekwini Municipality council does not recognise the *stokvel* industry as a contributor to the economy of eThekwini, 67% of the participants agreed with this view as advanced by *stokvel* groups. For an example Participant 5 said; “*we lack visionary leadership as the municipality, there are many sectors of the economy that we are not tapping into*”, whilst Participant 6 said; “*currently there is no policy in place that directly looks into stokvels, as a municipality we do not provide support for stokvels as we do informal businesses in many ways*”.

The other 2 (33%) of participants were opposed to the view held by *stokvels* that eThekwini Municipality does recognise them, this was substantiated by Participant 2 who said “*the municipality recognises stokvels but that recognition has not gone far enough as yet*”, whilst Participant 4 said “*stokvels are not justified in saying that. Whatever stokvels are doing is not related or linked to what the eThekwini Municipality is doing, hence the municipality cannot see the benefit of stokvels*”.

Below (Table 5.46) is a summary of responses from all six participants. This finding indicates that the majority of MC members are in agreement with the view held by *stokvels* that they are not recognised by the municipality of eThekwini.

Table 5.46 Shows responses from MC members about the view held by *stokvels* of being unrecognised by the eThekwini Municipality

Participant	Responses	Coding
1	“ <i>They are justified, because there are different departments and those departments have got different policies as well</i> ”	Yes. They’re Justified
2	“ <i>The municipality recognises stokvels but that recognition has not gone far enough as yet</i> ”	No. Not Justified
3	“ <i>MC does not recognise the stokvels. We are not doing anything</i> ”	Yes. They’re Justified
4	“ <i>Stokvels are not justified in saying that. Whatever stokvels are doing is not related or linked to what the eThekwini Municipality is doing, hence the municipality cannot see the benefit of stokvels</i> ”	No. Not Justified
5	“ <i>We lack visionary leadership as the municipality. There are many sectors of the economy that we are not tapping into</i> ”	Yes. They’re Justified
6	“ <i>Currently there is no policy in place that directly looks into stokvels. As a municipality we do not provide support for stokvels as we do informal businesses in many ways</i> ”	Yes. They’re Justified

5.5.7 Correcting the View that *Stokvels* are Marginalised

When asked how they would go about correcting the view that *stokvels* are marginalised, 50% of the participants indicated that there is a need for eThekweni Municipality to recognise and include *stokvels* in the policy framework of the municipality. For an example Participant 2 said; “*the new administration of eThekweni Municipality is taking strides to addressing the inclusion of stokvels in the economic policy framework of eThekweni Municipality*”, whilst Participant 5 said; “*the municipality might need[s] to put together a framework and see how best we can look at developing stokvels*”. The other participants had a

Table 5.47 Shows responses from MC members about the views that *stokvels* are marginalised by the eThekweni Municipality

Participant	Responses	Coding
1	<i>“The municipality is hosting event. Stokvels are encouraged to form cooperatives, that way they can get work within municipality”</i>	By hosting events and encouraging them to form cooperatives
2	<i>“The new administration of eThekweni Municipality is taking strides to addressing the inclusion of stokvels in the economic policy framework of eThekweni Municipality”</i>	By recognising and including <i>stokvels</i> in the policy framework
3	<i>“It should start with political parties. We need to start to recognise them where they are. By the time stokvels come to claim a space at municipality level we should by then have played a role as community leaders”</i>	By recognising and including <i>stokvels</i> in the policy framework
4	<i>“We are currently working with businesses ‘the tuck shops’. Through the ITHALA BANK we are organising an app for them so that they can do bulk buying”</i>	By working with businesses
5	<i>“The municipality might need to put together a framework and see how best we can look at developing stokvels”</i>	By recognising and including <i>stokvels</i> in the policy framework
6	<i>“Stokvels would need to be better organised, registered and classified so that the municipality would be able to identify who is who”</i>	<i>Stokvels</i> need to be organized

different solution to addressing the view of *stokvels* being marginalised, for an example Participant 6 said; “*stokvels would need to be better organised, registered and classified so that the municipality would be able to identify who is who*”. Participant 4 spotted possible synergies between *stokvels* and informal traders in that; “*we are currently working with businesses ‘the tuck shops’. Through the ITHALA BANK we are*

organising an app for them so that they can do bulk buying”. Above, Table 5.47 is a summary of responses from all six participants. This finding indicates that there is a gap and policy-makers have a number of practical proposals and solutions on offer in order to correct the lack of recognition and marginalisation of *stokvels* in eThekweni Municipality.

5.5.8 The Role of *Stokvels* in the Policy Framework of eThekweni Municipality

When asked of their understanding of what the role of *stokvels* in the policy framework of eThekweni Municipality, all six participants indicated that the role of *stokvels* is not included in the current policy framework of eThekweni Municipality. For an example Participant 2 said “*there hasn’t been any effort by eThekweni Municipality in looking into the role of stokvel industry and as far as the current policy is concerned - it’s very thin on stokvels*”, whilst Participant 4 said; “*the policy framework may need to be revisited in terms of the role of stokvels in the municipality*”. Participant 5 said; “*the role of stokvels is not recognise in the policy framework of eThekweni Municipality*”, whereas Participant 6 said; “*currently there is no policy in place that directly looks into stokvels*”.

Table 5.48 Shows responses from MC members about the role of *stokvels* in the Economic Policy Framework of eThekweni Municipality

Participant	Responses	Coding
1	<i>“The current eThekweni Municipality economic policy framework does not recognise the role of stokvels as yet”</i>	Not in the policy
2	<i>“There hasn’t been any effort by eThekweni Municipality in looking into the role of stokvel industry and as far as the current policy is concerned - it’s very thin on stokvels”</i>	Not in the policy
3	<i>“Stokvels cannot be found in the policy framework of the eThekweni Municipality”</i>	Not in the policy
4	<i>“The policy framework may need to be revisited in terms of the role of stokvels in the municipality”</i>	Policy needs revision
5	<i>“The role of stokvels is not recognise in the policy framework of eThekweni Municipality”</i>	Not in the policy
6	<i>“Currently there is no policy in place that directly looks into stokvels”</i>	Not in the policy

Above, Table 5.48 is a summary of responses from all six participants. This finding indicates that there is a gap, which this study has made policy-makers realise the shortcomings of the current policy, and as such the absence of the role of *stokvels* in the current economic policy framework of eThekweni Municipality needs to be addressed.

5.5.9 EThekweni Municipality’s Policy Framework Geared Towards Supporting *Stokvels*

When asked what if the municipality policy framework is properly geared to supporting *stokvels* in advancing economic transformation in eThekweni, all six participants indicated that the current policy framework of eThekweni Municipality does not include *stokvels* and therefore is not geared towards their support. For an example Participant 5 said; *“due to a lack of visionary leadership, we have excluded stokvels in the economic policy framework of eThekweni Municipality. This is something that the municipality needs to pay a closer to addressing”*, whilst Participant 4 said; *“it is something being looked into if they are in line with the programmes of eThekweni Municipality”*.

Table 5.49 Shows responses from MC members about their understanding of the economic contributing factors of *stokvels*

Participant	Response	Coding
1	<i>“The current policy framework is leaning more towards the informal street traders in the informal economy. Stokvels not included as yet”</i>	Not included in policy
2	<i>“No”</i>	None
3	<i>“No”</i>	None
4	<i>“It is something being looked into if they are in line with the programs of eThekweni Municipality”</i>	None
5	<i>“Due to a lack of visionary leadership, we have excluded stokvels in the economic policy framework of eThekweni Municipality. This is something that the municipality needs to pay a closer attention to”</i>	Not included in policy
6	<i>“In a very minimal way. MC are more focused on the street traders who happen to be part of the stokvel sector. Indirectly the policy framework does recognise stokvels, we are involved and we do support the participants in the stokvel industry”</i>	Indirectly. We are involved and we do support the participants in the <i>stokvel</i> industry

Further to that Participant 1 said, *“the current policy framework is leaning more towards the informal street traders in the informal economy. Stokvels not included as yet”*.

Above, Table 5.49 is a summary of responses from all six participants. This finding further indicates that there is a gap in the current economic policy framework of eThekweni Municipality and this study has made policy-makers realise that the policy framework of eThekweni Municipality has shortcomings with regards the *stokvel* industry.

5.5.10 EThekweni Municipality’s Current Economic Transformation Initiatives to Develop *Stokvels*

When asked what are the current economic transformation initiatives that have been rolled out by the municipality to develop *stokvels* in eThekweni Municipality, five (83%) out of six participants indicated that there are no initiatives that are currently planned for roll out towards the development of *stokvels*.

Table 5.50 Shows responses from MC members about the eThekweni Municipality’s initiatives to develop *stokvels*

Participant	Response	Coding
1	<i>“There is very little to none support for stokvels in the current policy framework of eThekweni Municipality”</i>	There’s little to none
2	<i>“There are no initiatives at the moment as that the municipality is work on however there is work being done in the background”</i>	There are NO eThekweni Municipality <i>stokvel</i> initiatives
3	<i>“There are none”</i>	There are NO eThekweni Municipality <i>stokvel</i> initiatives
4	<i>“NOBA initiative for tuck-shops. Development of the app for accessing loans”</i>	NOBA
5	<i>“None”</i>	There are NO eThekweni Municipality <i>stokvel</i> initiatives
6	<i>“No direct initiatives, only indirectly”</i>	Indirect

For an example Participant 2 said; *“there are no initiatives at the moment as that the municipality is work on however, there is work being done in the background”*. Participant 4 was the only participant that indicated that there is an initiative being rolled though not directed a *stokvels* but tuck-shops.

The following was said by Participant 4; *“NOBA initiative for tuck-shops. Development of the app for accessing loans”*.

Above, Table 5.50 is a summary of responses from all six participants. This finding further indicates that there is a gap in the current economic policy framework of eThekweni Municipality and this study has made policy-makers realise that there is a need for development of *stokvels* in eThekweni Municipality.

5.5.11 Integrating *Stokvels* into the eThekweni Municipality’s Economic Development Initiatives

When asked if there is a desire from the MC to adopt strategies for integrating *stokvels* into the eThekweni Municipality’s economic development initiatives in the near future. Five (83%) out of six participants indicated that there is no desire to adopt strategies to integrate *stokvels* into the eThekweni Municipality’s economic development initiatives in the near future. For an example Participant 4 said; *“it can be considered, especially if stokvels are to form businesses”*, whilst Participant 5 said; *“there will need to be a lot persuasion since the MC leadership which I am a part of, at an Executive level, lacks visionary leadership”*. Participant 6 said; *“it would require the organisations like NASASA to establish themselves well enough and market themselves beyond being just a marketing vehicle for stokvels”*. On the contrary one participant indicated that there was a desire to adopt strategies of integrating *stokvels* to the eThekweni Municipality’s economic development initiatives of eThekweni Municipality in the near future. It was Participant 1 who argued in the contrary to other MC members and said; *“I think there is a desire by the municipality to adopt integration strategies for including stokvels in the policy framework but these just need to be communicated more”*.

Below (Table 5.51) is a summary of responses from all six participants. This finding further indicates that policy-makers lack the will to adopt strategies that will manifest the adoption of strategies for integrating *stokvels* into the eThekweni Municipality’s economic development initiatives in the near future.

Table 5.51 Shows responses from MC members about the initiatives to integrate *stokvels* into the Economic Policy Framework of eThekweni Municipality

Participant	Response	Coding
1	<i>"I think there is a desire by the municipality to adopt integration strategies for including stokvels in the policy framework but these just need to be communicated more"</i>	Yes, there's desire
2	<i>"There's a process to follow"</i>	No desire
3	<i>"Not that I know off"</i>	No desire
4	<i>"It can be considered, especially if stokvels are to form businesses"</i>	No desire
5	<i>"There will need to be a lot persuasion since the MC leadership which I am a part of, at an Executive level, lacks visionary leadership"</i>	No desire
6	<i>"It would require the organisations like NASASA to establish themselves well enough and market themselves beyond being just a marketing vehicle for stokvels"</i>	No desire

5.5.12 Considerations for *Stokvels* to be integrated into the Economic Transformation Framework of eThekweni Municipality

When asked what considerations *stokvels* and eThekweni Municipality need to take into account in order for *stokvels* to be integrated into the economic transformation framework of the municipality, 50% of the participants indicated a need for *stokvels* to be organised in order for them to be considered for integration into the economic transformation framework of the municipality. For an example Participant 2 said; *"stokvels would need to structure themselves into an organised body, have a registry, have representatives, etc."*, whilst Participant 3 said; *"stokvels should get better organised. Also, if we able to conduct a thorough research we could persuade MC and propose to the eThekweni Municipality the economy contributing factors of stokvels"*. Participant 6 said; *"considerations and initiatives to be taken by stokvels could be things like licensing issues, compliance, research, registry body, developing a model for the integration, categorise stokvels and then finally align the programs of the municipality with the stokvels"*.

Table 5.52 Shows responses from MC members about a model for *stokvels* to be integrated into the Economic Policy Framework of eThekwini Municipality

Participant	Responses	Coding
1	<i>"The municipality needs to develop a policy framework that is inclusive of stokvels in order to address the social ills of poverty, unemployment and income inequality in eThekwini Municipality"</i>	Municipality policy framework needs to include <i>Stokvels</i>
2	<i>"Stokvels would need to structure themselves into an organised body, have a registry, have representatives, etc."</i>	<i>Stokvels</i> must get organized
3	<i>"Stokvels should get better organised. Also, if we able to conduct a thorough research we could persuade MC and propose to the eThekwini Municipality the economy contributing factors of stokvels"</i>	<i>Stokvels</i> must get organized
4	<i>"The municipality would consider looking at research that comes up with models of integrating stokvels into the policy framework of the municipality"</i>	Municipality policy framework needs to include <i>Stokvels</i>
5	<i>"Innovation could play a role in integrating stokvels in the economic policy framework of eThekwini Municipality. Research can help us identify initiatives that we as a municipality need to consider for a seamless integration of stokvels into our policy framework"</i>	The Municipality need to include <i>Stokvels</i> in the policy framework
6	<i>"Considerations and initiatives to be taken by stokvels could be things like licensing issues, compliance, research, registry body, developing a model for the integration, categorise stokvels and then finally align the programs of the municipality with the stokvels"</i>	<i>Stokvels</i> must get organized

The other 50% of participants indicated a need for *stokvels* to be included in the economic policy framework of eThekwini Municipality in order for them to be considered for integration in the processes of the municipality. For an example Participant 1 said; *"the municipality needs to develop a policy framework that is inclusive of stokvels in order to address the social ills of poverty, unemployment and inequality in eThekwini Municipality"*, whilst Participant 4 said; *"the municipality would consider looking at research that comes up with models of integrating stokvels into the policy framework of the municipality"*. Lastly, Participant 5 said; *"innovation could play a role in integrating stokvels in the economic policy framework of eThekwini Municipality"*.

Research can help us identify initiatives that we as a municipality need to consider for a seamless integration of *stokvels* into our policy framework”. Above (Table 5.52) is a summary of responses from all six participants. This finding indicates that there is a gap in that *stokvels* in the eThekweni Municipality need to be better organised in order to get co-operation from policy-makers. Another gap is that policy-makers have realised a need to develop a policy framework that is inclusive of *stokvels*.

5.6 CONCLUSION

The presentation and interpretation of data collection in this chapter revealed that the questionnaire instrument had validity and credibility as it yielded a Cronbach alpha coefficient 0.769. The finding also revealed a 98% response rate. Which is an excellent return of questionnaires from the 395 sample respondents of the study. Quantitative data was presented in frequency tables, pie and bar charts, interpreted and the key findings highlighted. Some variables were cross-tabulated and the key findings of correlational significance results, using a Pearson chi-square test outlined. The study derived themes which will be discussed in detail in chapter 6.

The findings in this chapter, have identified the gaps that the municipal council as policy-makers of eThekweni Municipality would need to address in order to formulate an inclusive economic policy framework for the municipality. The role of *stokvels* in the economic transformation of eThekweni Municipality has clearly been revealed by the findings of this study. Furthermore, the findings of this study have successfully addressed the aim of the study, research objectives and research questions. The next chapter will be discussing the prevailing themes of this study - proving or disproving their convergence. It will also summarise all the chapters and provide answers to the research questions including the development of the model.

CHAPTER SIX

DATA ANALYSIS AND DISCUSSION

6.1 INTRODUCTION

The chapter presents the recurring themes of findings as revealed by the thematic analysis of data collected for the study. Themes that emerged were; money savings and investments, business opportunities, job creation, marginalisation of *stokvels*, lack of organisation of the *stokvel* industry, policy framework inclusive of *stokvels* (or lack thereof), lack of training and development of *stokvels* and indirect initiatives from the municipality. The common recurring themes were triangulated with the secondary data using the methodological and data triangulation techniques, in order to ascertain convergence and/or divergence. This chapter highlights the thematic findings across the research objectives of the study, as they emerged. Finally, a theory triangulation technique was applied to develop a new model for *stokvels* to be integrated into the economic policy framework of the municipality.

6.2 COMMON RECURRING THEMES OF THE STUDY

Figure 6.1 below shows a summary of common and recurring themes drawn from the thematic analysis of the results in this research – in line with the aim of the study; to explore the role *stokvels* in the economic transformation of the municipality. Figure 6.1 is therefore, a diagrammatic presentation of the overlapping themes of the study. The diagram highlights the themes as;

Positive themes

- money saving and investments,
- business opportunities and
- job creation.

Negative themes

- marginalisation of *stokvels*,
- unorganised *stokvels* industry, and the

- policy framework of eThekweni Municipality inclusive of *stokvels*

Neutral themes

- Indirect initiatives and
- No development programs

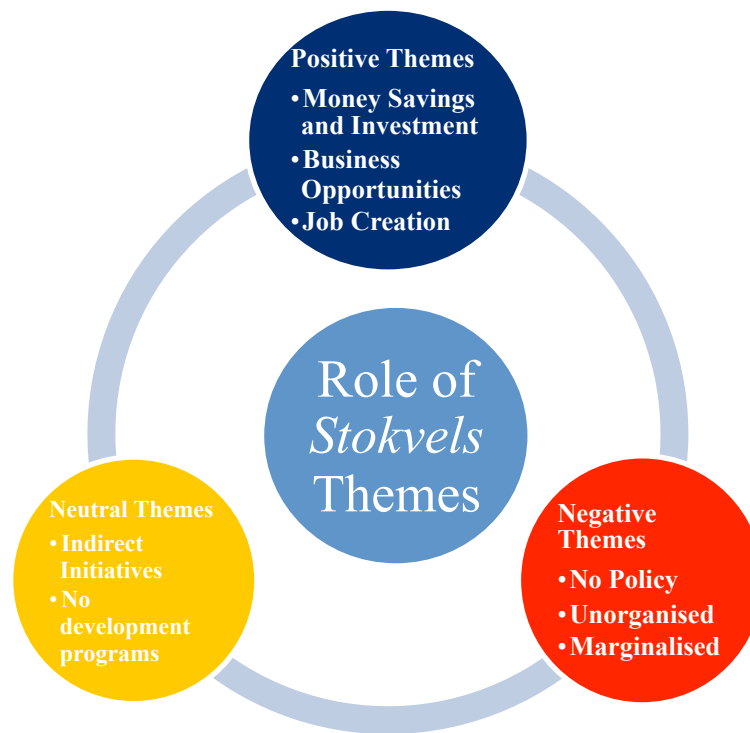


Figure 6.1 Common Themes on Role of *Stokvel* in eThekweni Municipality

Common themes from the findings as shown in figure 6.1 above were grouped into three spheres; positive themes, negative themes and neutral themes. Wherein positive and negative themes were the common findings that were viewed in either a progressive or a regressive lens, respectively. Whereas, the neutral themes were the common recurring findings that were viewed by the participants, as less of a priority in comparison to the positive and negative themes of this study.

Positive themes were; *stokvels* are money saving and investment entities, having the potential to create jobs and business opportunities. The positive thematic findings can be summarised as; contributing economic factors to the economy of eThekweni, since they address social ills of poverty, unemployment and inequality.

Negative themes were revealed as; the eThekweni Municipality policy framework does not recognise *stokvels*, marginalised and unorganised nature of *stokvels*. In summary, the negative thematic findings reveal that the municipality's economic policy framework does not recognise *stokvels*. They also reveal that participants hold a view that *stokvels* are marginalised by the municipality. Participants of the study agree that *stokvels* in the municipality of eThekweni are unorganised, therefore, there is a need to formalise the industry into a cohesive and formidable structure / body.

The neutral themes were revealed as; *stokvels* are recipients through indirect initiatives of eThekweni Municipality and that there are no development programs for *stokvels* in the municipality. In summary, participants are of the common view that, the municipality of eThekweni does not have training and development forums for *stokvels*. It also emerged that *stokvels* are not direct recipients of initiatives by the municipality – instead they are indirect recipients.

6.2.1 MONEY SAVING AND INVESTMENT

The thematic finding that *stokvels* are vehicles for money saving and investments support the finding that 82.2% of participants of this study ranked depositing funds in a savings account at a bank to be of 'high to very-high importance', whilst 63.1% of participants ranked investing in high return opportunities to be of 'high to very-high importance' in eThekweni Municipality. Another finding of this study revealed that *stokvel* membership is open to people from all walks of life; the unemployed, public and private sector employees, self-employed, undergraduates and postgraduates – who all join *stokvels* in order to take advantage of its ability to help members save money. The findings under this theme are corroborated by Calvin & Coetzee (2010:1) who indicated that "there are *stokvels* that keep the reserves or savings to be used in special purpose investment vehicle to purchase an asset which is meant to generate income for the members". Other writers Wiesław & Bartosz (2016:123) support the findings with the view that household savings "as an economic category, are very important in every country because they determine investments in the national economy, thereby influencing a country's further economic growth and development".

Authors Khan, Khalid & Shahnaz (2016:171) also corroborate with the findings by arguing that "saving is vital to attain higher level of investments, which in turn is a key driver of higher economic growth".

Another writer (Wiesław & Bartosz, 2016:124) is in agreement with this finding, however from a broader perspective; in that “savings are very important in every country because they determine investments in the national economy, thereby influencing a country’s further economic growth and development”.

Further findings of this study, within this theme reveal that 61.9% of the participants stated ‘saving money’ as their *stokvel*’s primary objective. This was further supported by a MC member who said; “*stokvels are seen as the platform for black to partake in the economy*”, whereas another MC member said; “*stokvels are a best way of saving money*”. This is corroborated by Maluku & Kaseke (2014:509) who revealed that “membership in stokvels creates an opportunity to save. As a result, participants were able to engage in huge projects such as extending their houses. Another key benefit that participants derived from participating in stokvels was the opportunity to invest in household property”. A writer Arko-achemfuor (2012) corroborates the finding with the view that due to the exclusionary nature of the pre-1994 Apartheid system that discriminated against the black population, forced a lot of blacks to join *stokvels* which acted as a critical source of saving.

There are research reports and studies that paint a grim view of the culture of saving money and lack of investments in South Africa – as drivers of economic growth. One of those reports is by *ILO (2016:8)* which indicates that “SA’s savings rates rank poorly compared with the rest of the world at 15.4% of GDP in 2015. Household debt as a percentage of household income now stands at 78.4% (this includes loans, overdrafts, credit card debt, home loans, accounts)”. Another study is by authors Apergis, Simo-Kengne & Gupta, (2014:83) who acknowledge the point made by *ILO (2016)* that “the low savings rate driven by high levels of consumption spending and the strong housing cycle over the last decades are two economic facts that spark new interest in the wealth effect in SA”.

The major gap in the findings underlying this theme, is a need for the policy-makers at eThekweni Municipality to promote an inclusive economy that integrates *stokvels* in the economic policy framework as a means to promote money saving and investments thereby influencing the municipality’s economic growth and development prospects.

6.2.1.1 MONETARY SIZE OF STOKVEL INDUSTRY IN ETHEKWINI

A finding of this study under the theme ‘money savings and investments’ revealed that 61.5% of the *stokvels*’ group members saved between R250 and R750 per month. According to a measures of spread 68.3% of *stokvels*’ group members saved between R251 and R2,500-00 per month. This set of findings is corroborated by a finding from a research conducted by *Old Mutual* (2011) cited in Arko-achemfuor (2012:130) which indicated “that 38% of black South Africans are members of *stokvels* who on the average save R520 per month towards the pool fund of their *stokvels*”. The findings show that the average *stokvel* group in eThekwini Municipality contributes R500.00 per month.

Another finding of this study under the theme ‘money savings and investments’ revealed that the average size of a *stokvel* group in eThekwini Municipality is 15 members. Research reports by *Old Mutual* (2011) and *African Response Research* (2012) corroborate this finding when indicating that the size of *stokvel* membership in SA ranges between 12 and 19. Arko-archemfuor (2012) agrees with the finding of this study by indicating a size range of between seven and fourteen per *stokvel* group in SA.

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

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

A finding of this study under the theme ‘money saving and investments’ is that *stokvels* in eThekwini Municipality are valued at R3,2 billion. This finding is supported by a MC members who said; ‘*Stokvels in eThekwini Municipality pull together a total of R2billion per annum*’ .

The findings revealed that the sample size of this study was mathematically similar to that of the sample of all *stokvels* in SA and therefore; the findings could be generalised across the entire population of *stokvels* in SA. The research findings by *African Response Research* (2012); *Old Mutual* (2011); Arko-achemfuor (2012) and secondary data sourced from consulted literature for this study estimates the number of *stokvel*

groups in SA to be 811 830. Combined the *stokvel* groups in SA have approximately 11.4 million individual members. The pooled total savings revenue generated and banked by the South African *stokvel* groups is estimated at R49 billion per annum (*African Response Research*, 2012). By inference, therefore, the size of *stokvel* group members in eThekweni would be similar to other *stokvel* groups in SA – thus revealing the size of *stokvels* in SA as:

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

The extrapolation and generalisation of the findings of the study to the whole of SA, indicate that under the theme ‘money saving and investments’, *stokvels* in SA are valued at R73,2 billion.

6.2.1.2 LOANS AND CREDIT EXTENSION

The pool of funds that are saved by *stokvels* are also used to extend loans and credit to members. The findings of this study revealed that 58% of participants ranked advancing loans to their members to be of high to very high-importance’. A study by Athukorala & Tsai (2003) cited in Khan *et al.*, (2016:175) corroborates this finding as it revealed that “provision of credit and social security results in higher saving”. This finding is further corroborated by the scholarly studies by Baumann (2001); Johnson & Rogaly (1997); Mjoli-Mncube (2003); and research by World Bank (2002) all cited in the study by Mashingo & Schoeman (2012:2) which indicated that access to credit by the poor household through the “formal financial sector, i.e. banks and other non-bank suppliers of credit, does not accommodate the need for credit by poor households because of the problem of imperfect information or informational uncertainty about them and the irreducible uncertainty of the economic environment of the poor”. This means that poor households suffer exclusion of access to cash and are without sufficient hedges against the severe impact of adverse and sometimes unplanned events like temporary illness, death in the family and more. They cannot rely on financial intermediation and therefore remain deprived of need-based credit.

This finding is supported by Arko-achemfuor (2012:130) who list the example of the Grameen Bank in its approach to servicing the poor by advancing “loans of \$30 to poor women who could not access credit

from the financial institutions and private sector organisations”. Authors Hart (1973); Roitman (2003) cited in Neves & du Toit (2012) argue that, the demands of managing money, debt and credit are key tasks in the context of economic informality. Other writers Khan & Kazi (2016:180) in agreement with the findings from this study concluded that “microloans should be a top priority, as they enable poor and lower-middle-class people to contribute to the economy by becoming small entrepreneurs”.

6.2.2 BUSINESS OPPORTUNITIES

The findings of this study under the theme ‘business opportunities’ revealed that 70.1% of *stokvel* groups do not consider investing in big businesses as a contribution to the economy of eThekweni Municipality. Also, 58.2% of *stokvel* groups do not consider financing small businesses as a contribution to the economy of eThekweni Municipality. This finding is supported by another finding in a study by Arko-achemfuor (2012) which concluded that in general *stokvels* in SA do not consider themselves as possible vehicles for financing or subsidising SMME’s. The author further argued that the *stokvel* system is a potential source of start-ups working capital for its members and further recommended to policy-makers how they can use *stokvels* as one of the funding models for SMMEs in SA. The research by *African Response Research (2012)* agrees with the findings in under this theme and further corroborates the argument raised by Arko-achemfuor (2012) in that, there exists an opportunity for businesses (big and small) to partner with *stokvels* for Corporate Social Investment (CSI) or Enterprise Development.

African Response Research (2012:15) is in agreement with this finding in that, “players in the FMCG sector are already appreciating the value of *stokvels* with Massmart acknowledging the significant portion of sales associated with *stokvels*”. Massmart acknowledges the need to look after the *stokvel* industry by “providing concessions such as bulk discounts, pro-active collection of orders and arranging affordable transport” for the ease of *stokvels* to move their goods around (*African Response Research, 2012:15*).

The findings in this study, revealed that 29.9% of the *stokvels* indicate that they invest in big businesses as a contribution to the economy of eThekweni Municipality, however, on further investigation it is not investment in the true sense of the word. The study discovered, on observation, that *stokvel* groups have an

arrangement with wholesalers wherein each has a single account at the wholesaler for all its group members. It was also confirmed by conducting a further inquiry with the Business Development Manager of MAKRO in Amanzimtoti. This finding is supported by the research of *African Response Research (2012)* where Massmart is cited as acknowledging the impact *stokvels* are making in the value chain of the ‘fast moving consumable goods’ FMCG sector of the economy in SA. Skinner (2006) cited in Neves & du Toit (2012:140) that the “informal sector in SA is tightly intertwined with formal sector value and commodity chains”. Devey *et al.*, (2006) cited in Neves & du Toit (2012:140) has observed that the “linkages between the formal and informal sector include not only the leveraging of resources derived from the formal sector into informal enterprises, but also an extensive interaction between formal and informal sector employment and an early acquisition of particularly favourable trading sites”.

The findings in the study reveal that 82.5% of *stokvel* group members are women. This finding of this study is critical in the creating business opportunities to empower women through *stokvels*, in eThekweni Municipality. This finding is corroborated by Hossein (2017:32) who concurs that, “counting RoSCAs as part of the social economy allows us to pay attention to these women-led informal cooperatives in the Canadian context”. This finding indicates that there is a gap in the policy-making since the absence of a municipal policy framework inclusive of *stokvels* is disempowering women and is discouraging the struggle of women emancipation in business. According to (Eckhart-Queenan, Allen & Behringer, 2013:33) “across the developing world, women own and operate an estimated eight to ten million SMEs”. In percentage form that represents about 33% of all such businesses in the emerging markets. Eckhart-Queenan, *et al.*, (2013) goes further to state that despite this, women continue to be under-represented and underserved as business owners by both banks and government policy-makers. Yet “the women-owned companies create much-needed jobs, raise people out of poverty, boost household income and contribute to overall economic prosperity” (Eckhart-Queenan, *et al.*, (2013:33). Baglaeva (2016:8) maintains that “the economic empowerment of women is a matter for all. Inclusiveness does not only ensure a fairer world for both men and women, it also leads to faster and more sustainable economic growth”.

6.2.3 JOB CREATION

The findings in this study, revealed that only 8% of *stokvel* groups in eThekweni Municipality contributed to the economy by creating jobs. Further to that 6.7% of *stokvel* groups were aware of eThekweni Municipality's development programmes for *stokvels* to be job creators. An observation made by the researcher during fieldwork was that wholesalers like MAKRO of Massmart have created a division or department with a full complement of staff members called 'Business Development - Emerging Markets' to cater for *stokvels*. This observation is corroborated by Ulriksen (2012) who states that, one of the best ways out of poverty is through job creation. The rationale from MAKRO in establishing this department as told by the Business Development Manager of the MAKRO Amanzimtoti wholesalers during the survey – was; *“we were tired of requests to exchange goods that had been handling more than once. Because stokvels would, for an example, buy each of their 15 members standard groceries which include ‘20kg of Aunty Caroline Rice’. Only to find that in their individual household members do not eat ‘Aunty Caroline’ but ‘Tastic Rice or Basmati Rice’.*

Another matter raised by the Business Development Manager was that they are educating and empowering *stokvels* on how to handle their money. MAKRO wholesalers in the eThekweni Municipality are on a campaign to dissuade *stokvel* members from buying food stuffs in bulk for storage at home since households are not designed to hold bulk food for periods of 6 to 12 months. After such lengthy periods food items tend to go stale, spoil and lose their nutritional value. *Stokvels* are thereby encouraged that on distribution of funds to members that they instead load/transfer the proportional funds into the voucher accounts/cards of each of their members. This facility allows *stokvel* members to make purchases and/or draw cash from their voucher cards/accounts at their convenience.

This observation is proof that MAKRO across SA has created jobs and careers – this being an indirect spin-off from the *stokvel* industry. This corroborates the view that *stokvels* are a hidden industry and the official government statistics do not attribute the contribution of *stokvels* to the transformation of the South African economy. This is a clear indication that there is an unfulfilled gap by the municipality in developing a policy framework for creation of employment through *stokvels*. The identification of this gap in this study is corroborated by Doh (2014:113) in stating that, by their very nature “governments are

primarily responsible for employment and they make every effort to create and manage a conducive environment for employment and unemployment reduction. Thus a high rate of unemployment is a sign of a not so well-functioning government". In corroborating with this observation Ulriksen, (2012:6) proposes in favour of this study and the identified gap that, it "is for the state to consider whether the marginalised, unrecognised and underdeveloped sectors like *stokvels* become integrated parts of the economy rather than remain isolated from it".

6.2.4 MARGINALISATION OF *STOKVELS*

The findings of this study revealed that 81.2% of *stokvels* indicated that they 'agree' or 'strongly agree' that the economy of eThekweni Municipality could be transformed if *stokvels* were included in the policy framework of the Municipality. Another finding of the study revealed that 69.6% of *stokvels* have never been assisted by eThekweni Municipality to take advantage of any opportunities within the Municipality. This finding is corroborated by the research findings of Mashingo & Schoeman (2012:2) who posits that "savings and credit networks like *stokvels* have not received recognition or support from policy-makers commensurate with their current and potential contribution to improving the living standards of the economically marginalised majority". Whilst *African Response Research (2012)* argues in agreement that in SA, the informal economy inclusive of *stokvels* has the potential to be the key driver for employment and as such has a major role to play in addressing poverty, inequality and inclusive growth yet the informal economy in particular the *stokvels* are being marginalised. The research by Maluku & Kaseke (2014) makes an observation that agrees with findings under this theme that, *stokvels* were not only marginalised, misunderstood and unrecognised but were also structurally disconnected from the core economy. Other authors Maluku & Kaseke (2014) agree with this finding and lament that; *stokvels* are very common in SA, yet no official recognition is given to them in official statistics, which contributes to an underestimation of their importance both as saving institutions and as mechanisms of poverty alleviation and social advancement. Economic transformation in eThekweni Municipality could be fast-tracked if the Municipality had development programmes for *stokvels*.

This finding is corroborated by Rakabe (2013) who argues that, the marginalisation of *stokvels* is due to the oligopolistic structure of the South African economy as the main source of job creation thus overlooking the unexplored growth and employment potential of the *stokvels*; yet they are an important sector of the economy from which to develop enterprises, create employment, enable empowerment and inclusive growth. The study by Rakabe (2013) indicated a need for policy-makers to develop strategies to develop and boost *stokvels* in pursuit of self-generated growth and to become sources of economic growth.

This is a gap revealed by this study and shows that *stokvels* are marginalised and unrecognised by the policy-makers as contributors to the economic transformation of eThekweni Municipality.

6.2.5 STOKVELS ARE UNORGANISED

The findings of this study revealed that 80.4% of *stokvels* are not affiliated to NASASA. The SARB gazetted, in 2012, an exemption notice authorising NASASA (a self-regulatory organisation for *stokvels*) to register *stokvels* thereby exempting them to practice their trade under the *Banking Act 94 of 1990*. *African Response Research* (2012) urges *stokvels* to utilise the existence of NASASA in order to formalise their existence and to enjoy the protection by the exemption notice of the *Bank Act 94 of 1990* granted to *stokvels* through NASASA from National Treasury and SARB.

It is important for policy-makers in the Municipal council of eThekweni Municipality to liaise, work and co-operate with a structured body. An unstructured and unorganised *stokvel* body with no registry or known representative body is a gap that *stokvel* groups need to attend to in eThekweni Municipality. Such a body or representation would have a number of advantages for *stokvels* as it will be amongst others a liaison structure with the Municipality, a mouth-piece and a first port-of-call for access to *stokvels* by both public and private sectors.

6.2.6 A POLICY FRAMEWORK INCLUSIVE OF STOKVELS

The findings in this study, revealed that 74% of participants held the view that it was of ‘high to very-high importance’ that eThekweni Municipality needed to develop a policy framework inclusive of the *stokvel*

industry in order that the municipality could transform the economy through *stokvels*. Whilst 82% of participants held the view that it was of ‘medium to very-high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if the municipality had a policy framework inclusive of *stokvels*. This findings is corroborated by the research of scholar Arko-achemfuor (2012:131) who advanced a view that “it is important for developing countries to look for alternative sources of funding for SMMEs. The funds that are realised from *stokvels*, through intensive education of the general population, can help potential entrepreneurs to start and operate their businesses with some of the proceeds from this source”. The *Durban’s Informal Economy Policy of 2001* refers to *stokvels* as an innovative alternative source of funding that the Municipality should consider for purposes of raising finance for small businesses in eThekweni Municipality.

This gap shows clearly that the MC of eThekweni Municipality need to revisit the *Durban’s Informal Economy Policy* that was adopted in 2001. The gap identified by this study is supported by a writer Mpango (2013) cited in Wuyts & Kilama (2016) who maintained that, coupled with government policies aimed to review economic transformation for inclusivity and to promote a high savings culture as opposed to consumerism, a well-developed national plan will ensure that economic transformation will lead to enhanced growth and poverty reduction. Moreover, a *stokvel* integration model coupled with a recommended *stokvel* development model could add value in the integration of *stokvels* in the *Durban’s Informal Economy Policy* and the *IDP*. The MC of eThekweni Municipality could, thereafter, pioneer the revision of *SALGA’s* blueprint guidelines for all 278 municipalities of SA towards an economy inclusive of the informal economy – to include *stokvels*. The South African government’s economic policies continue to function within the constraints of the structural legacy of the Apartheid era and globalised neo-liberal restructuring policies (Davies, 2012). In 2013, the South African government adopted the NDP as SA’s long-term socio-economic development roadmap, which is a policy aimed at accelerating economic transformation and inclusivity. The current economic policy discourse as articulated in the NDP pays little attention to the marginalised informal economy inclusive of *stokvels*.

It is a view of 71.1% of *stokvels* that in order for the municipality to transform the economy all stakeholders in the economy of eThekweni Municipality including *stokvels* need to be invited to develop a policy framework. This finding is corroborated by *SALGA (2012)* guidelines, indicating that regular communication and discussion among the various stakeholders will contribute to both a better policy and better implementation.

6.2.7 LACK OF DEVELOPMENT PROGRAMS

A finding of this study under this theme revealed that 68.6% of participants rated as ‘poor’ or ‘non-existent’ the assistance they have received from eThekweni Municipality in developing *stokvels*. Whereas 54.1% of the participants indicated that eThekweni Municipality has no development programmes for *stokvels*. The findings of this study further revealed that 82.5% of participants held the view that it was of ‘medium to very-high importance’ that their *stokvel* groups could be better contributors to the economy of eThekweni Municipality if the municipality were to have training and development programmes for *stokvels*. This finding is corroborated by Apergis, *et al.* (2014:83) who observed that “the stock market is the second major source of South African household wealth, accounting for 49.95% of a household's total assets and 61.59% of a household's net worth”.

This gap is an indication that eThekweni Municipality does not assist *stokvels* with training and development programs. Neither does the municipality assist *stokvels* to identify opportunities in the market including investment opportunities. Kongolo (2007); Arko-achemfuor (2012); Mashingo & Schoeman (2012); Neves & du Toit (2012); Fourie (2013); Rakabe (2013); Maluku & Kaseke (2014) have written about the social and economic benefits of participating in *stokvel* organisations for the members. *Stokvel* activity was directed at a wide range of objectives including: “generating income, bolstering food security, facilitating social connectedness, slowing the draw-down of a finite portfolio of assets” (Neves & du Toit, 2012:135). These could form a basis for policy-makers in facilitating training and development programs for *stokvels*.

6.3 A NEW PROPOSED MODEL FOR *STOKVELS* INTEGRATION

This section of this chapter aims to address the last objective of this study - being; **to develop a model for *stokvels* to be integrated into the economic framework of eThekweni Municipality**. In this study the theories of Maslow's hierarchy of needs and Hayes & Wheelwright four-stage model were applied using a theory triangulation technique approach. The triangulation strategy created validity, trustworthiness and confidence about the findings.

On one hand - Abraham Maslow's original hierarchy of needs theory was aimed at an individual's motivation and comprised five motivational levels of needs, often depicted as hierarchical levels within a pyramid. The five stage model can be divided into basic (or deficiency) needs; these being: Physiological (Physical) Needs, Safety Needs, Social Needs, Esteem Needs, and Self-actualization Needs. The deficiency, or basic needs are said to motivate people when they are unmet. Maslow's theory posits that the individual is motivated in very different ways in each level of need.

Whereas on the other hand - Hayes & Wheelwright (1984) developed a model for a manufacturer's development from an organisation that is struggling into an organisation that is thriving. The Hayes & Wheelwright model can be viewed as stages of development along a continuum. Wheelwright & Hayes indicate that the owner-manager needs to understand the possibilities along the stages continuum so as to identify both their business's current position, the transformation in attitudes and approach that will be necessary if it is to advance to a higher stage of competitive effectiveness. The stages in the model are not mutually exclusive. It is difficult, if not impossible, for a company to skip stage. Whilst a new organisation can attempt to begin operations at any level it chooses in the continuum however, an organisation that is already up and running has far less freedom of choice. The theorists find that "attitudes and established modes of doing things are well entrenched, and it takes a tremendous effort just to move things along from one level to the next. Just like in Maslow's hierarchy of needs model; it is the mastery of activities at one stage that usually provides the underpinnings for a successful transition to the next.

The findings of the study indicate that there are different type of *stokvels* in eThekweni Municipality, namely: Grocery (67.5 percent), Savings (21.6 percent), Investment (4.9% percent), Birthday (2.1 percent),

Burial (0.5 percent), High-Budget (0.3 percent) and Other (3.1 percent). This finding was corroborated by the research findings of Maluku & Kaseke (2014) and *African Research Response (2012)* who indicated that there are eight types of *stokvel* organisations in SA and these include; Savings *stokvels*, Burial *stokvels*, Investment *stokvels*, Grocery *stokvels*, High-budget *stokvels*, Birthday-party *stokvels*, Lobola *stokvels* and Other *stokvels*. Further to the typology nature of *stokvels* found in eThekweni Municipality, the finding from the bivariate cross-tabulation of data indicate a statistically acceptable Pearson chi-square test confidence level of no less than 95%. These findings on the typology of *stokvel* groups found in eThekweni Municipality revealed a Pearson chi-square test results as follows;

- That there was a statistically significant relationship between the educational level of participants and the type of *stokvel* they are members of. This finding indicates that the level of education influences the type of *stokvel* that an individual becomes a member of;
- That there was a statistically significant correlation between the employment status of a participant and the type of *stokvel* the participant was a member of. This finding indicates that the employment status of participant influences the type of *stokvel* the participant was a member of; and
- That there was a statistically significant relationship between how much each member of a *stokvel* contributes per month and the type of *stokvel* they are members of. This finding indicates that how much each member of a *stokvel* contributes per month influences the type of *stokvel* that an individual becomes a member of.

These findings were corroborated research from *African Response Research (2012)* who revealed that *stokvel* members are found across the spectrum of the living standards measure (LSM). Another author Arko-achemfuor (2012) concurred with the findings of this study; in that the *susu* RoSCAs in Ghana attracted membership for saving money from people of all walks of life including civil and public servants, house wives, SMME operators and more.

CORROBORATING MASLOW'S THEORY

It is evident from the Pearson chi-square test results and findings of this study that; individuals who form or become part of or associate with a certain type of *stokvel*, do so in order to fulfil certain needs. For an example; The findings of this study reveal that 73.2% of the unemployed respondents were found in a

Grocery type *stokvel* when compared to their formally employed colleagues. This finding indicates therefore, that the immediate need for the unemployed individual is to participate in Grocery type *stokvels* as their mandate is physiological in nature; therefore the primary basic need of food and shelter will be fulfilled. This finding is corroborated by *African Response Research (2012:2)* who indicate that the “evolution and growth of *stokvels* post the stock fair era has been associated with the need for survival strategies to mobilize financial resources which former South African Reserve Bank Governor Tito Mboweni argues were initiated by the disadvantaged black community during South Africa’s previous political dispensation in a bid to cope with economic oppression grounded in race and class exploitation. This enabled members to have insurance against adversity such as death (burial societies), as well as equipping them with the financial muscle to fund various other functions agreed upon by the *stokvel* as a collective, for example loans to needy members, education and other physiological needs such as housing, grocery shopping and business endeavours”.

The findings of this study, reveal that a formally employed member of a *stokvel* group, is more likely, to partake in a Savings or Birthday or Investments type *stokvels* since they would have graduated from the physiological need fulfilment stage of the pyramid of needs to the next stages. The findings reveal that 16.2% of the unemployed respondents of the study were found to be members of Savings type *stokvels* when compared to 30.1% of their formally employed compatriots. These findings indicate an presence of societal class stratification of members who partake in *stokvels*; for an example, the higher the level of education of an individual the more they are found in more affluent type *stokvels* like; Savings, High-Budget, Investments and Social type *stokvels* like (Birthday or Travel *stokvels*). This finding is in agreement with a study by Maluku & Kaseke (2014:508) which revealed that “another factor that drives women to participate in *stokvels* is the influence from social networks. The influence from their social networks was more intense, given that they lived in close proximity”. One respondent in a study by Maluku & Kaseke (2014:508) noted that: “*There were some people that I knew there. I would see them in their uniforms and then I asked where their societies where and how to join them and they told me that if I want to join them I would have to pay the joining fee*”.

The findings as elucidated in this section of the study, highlight the individual needs of members of *stokvel* groups and are aligned with the five constructs of Maslow’s hierarchy of needs theory. The findings also indicate a pyramid like view of the *stokvels* typology in eThekweni Municipality. The findings of this study reveal that *stokvel* groups in eThekweni are grouped in a pyramid like structure (Figure 6.2) as follows; out of 388 respondents 266 (67.5%) were from Grocery type *stokvel* groups, followed by 84 (21.6%) Savings type *stokvels*, 19 (4.9%) Investments *stokvels*, 12 (3.1%) Other *stokvels*, 8 (2.1%) Social (Birthday) type *stokvels*, 2 (0.5%) Burial *stokvels* and lastly, 1 (0.3%) High-Budget *stokvels*.

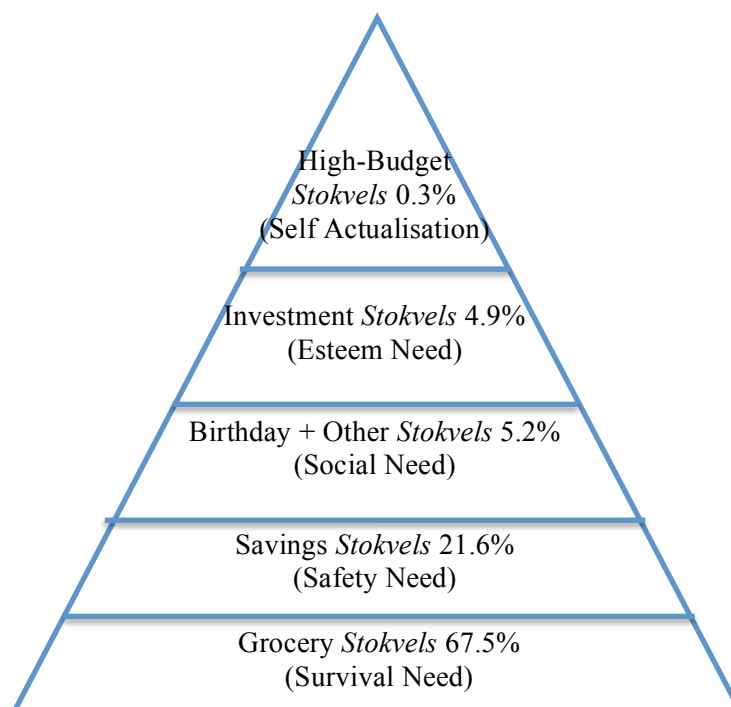


Figure 6.2 Stokvel Group Types by Hierarchy of Needs

Burial *stokvel* disappearing in the radar of *stokvel* types is due to incorporation and accommodation of burial clauses in the agreements and mandates of most *stokvels*. This observation is corroborated by Vermaak (2000) cited in *African Response Research (2012:2)* that *stokvel* organisations enabled their “members to have insurance against adversity such as death, equipping them with the financial support to fund various other functions agreed upon by the *stokvel* as a collective, extending loans to needy members”. The findings therefore indicate that the more affluent and sophisticated *stokvel* types appear more at the top of the pyramid and they are fewer in number in the total population of *stokvel* groups in eThekweni Municipality. The findings by *African Response Research (2012)* corroborate the findings of

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

CORROBORATING HAYES & WHEELWRIGHT THEORY

While Maslow's hierarchy of needs theory was not designed to define pro-social factors or "behaviours (sic.), it does examine the motivational elements of social behaviours (sic.)" (Hatfield, Turner & Spiller, 2013:162). Authors Hatfield, *et al.*, (2013:162) argue that "the hierarchy can be understood as a series of needs that start fully focused upon oneself and then go outward; toward others". This point leads us to the adoption of the Hayes & Wheelwright model construct by the study to explain the developmental motivations of an owner-manager organisation like a *stokvel*, which Maslow's theory could not explain.

The extension of the Bank Act 94 of 1990 to *stokvels* is an indication that *stokvels* are viewed and treated as institutions whose operations can be found in a bank establishment. This observation finds concurrence in the study by Neves & du Toit (2012) which posits that RoSCAs like *stokvels* are similar to mutual savings banks. *Stokvels* are business entities – though informal in their operations.

The study, observed and discovered that less sophisticated *stokvel* groups like Grocery *stokvels* believe in bringing cash to *stokvel* meetings. Whereas more sophisticated *stokvel* groups like; Savings, High-Budget, Investments *stokvels* conduct their pooling of fund via electronic-funds-transfer (EFT) banking system. Another character of less sophisticated *stokvel* groups is that; at year end, when they distribute the funds they send a few members of their *stokvel* group to withdraw lump sums of cash over the counter at banks. Whereas the more sophisticated *stokvel* groups distribute the cash lump sums or dividends via EFT or similar to individual members. Another observation made during the research is that, the more sophisticated *stokvel* meet infrequently – either on a quarterly basis or once every two months. Whilst less sophisticated *stokvel* group tend to meet frequently in a single calendar month - once or twice a month. The more sophisticated *stokvels* communicate via email or WhatsApp groups – this makes them more nimble and adaptable in addressing urgent matters in-between meetings. Meetings venues for sophisticated *stokvels* are diverse and more affluent – they tend not to meet at one and the same venue. They tend to

book private venues in; Bed and Breakfast (B&B) accommodations, lodges, hotels and restaurants. This contributes to the tourism industry growth in eThekweni Municipality. This implies that a professional treasurer or book-keeper is found amongst the members to keep a clear file or log-book of the activities of the *stokvel* group.

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

The findings as elucidated in this section of the study, highlight the intrinsic and unique characteristics that can be found within each *stokvel* group type - aligned with the four-stage constructs of the Hayes & Wheelwright theory constructs. The layering of Maslow's hierarchy of needs theory with Hayes & Wheelwright model hold true for *stokvels* of eThekweni Municipality and was considered as the best fit and most relevant to this study. Maslow's hierarchy of needs theory approach when applied alone does not provide *stokvels* and policy-makers with information needed to make rational decisions taking into account all the *stokvel* organisations and the economic policy framework of eThekweni Municipality circumstances. Similarly the Hayes & Wheelwright's four-stage model approach when applied alone does not provide *stokvels* and policy-makers with information needed to make rational decisions taking into account the above mentioned findings and observations of this study. However, the combined application of both of them together as recommended in this study is a new development to be provided by this study.

In the final analysis, the findings of this study make a compelling case for the layering of these two theories of Maslow's hierarchy of needs and Hayes & Wheelwright four-stage construct, in developing a new model for *stokvel* integration into economic policy framework of eThekweni Municipality. Some participants of this study said; *"Considerations and initiatives to be taken by stokvels could be things like licensing issues, compliance, research, registry body, developing a model for the integration, categorise stokvels and then finally align the programs of the municipality with the stokvels"*, another participant said; *"The municipality needs to develop a policy framework that is inclusive of stokvels in order to address the social ills of poverty, unemployment and income inequality in eThekweni Municipality"*, whilst another participant said: *"Stokvels should get better organised. Also, if we able to conduct a thorough research we could persuade Municipal Council and propose to the eThekweni Municipality the economy contributing factors of stokvels"*.

As there are eight types of *stokvel* found in eThekweni Municipality based on their founding objectives, each type of *stokvel*'s objectives can be mirrored against both the Maslow's hierarchy of needs model and the Hayes & Wheelwright four-stage model. This study, has achieved the research objective to develop a new model by layering constructs of the Hayes & Wheelwright's four-stage model with Maslow's theory of needs for the purposes of the *stokvel* industry integration into the economic policy framework of eThekweni Municipality. A by-product of the new model for *stokvel* integration is a model for developing *stokvels* in the municipality. The newly developed model will be proposed as a model for *stokvel* integration into the economic policy framework of eThekweni Municipality.

Figure 6.3 below reveals the new *stokvels*' model to be integrated into the economic policy framework of eThekweni Municipality. As indicated in Figure 6.3, the five focus-type stages of *stokvels* are; Grocery Focus Type *Stokvels*, Savings Focus Type *Stokvels*, Birthday/Other Focus Type *Stokvels*, Investment Focus Type *Stokvels* and High-Budget Focus Type *Stokvels*. The model reveals that these five focus-type stages can be identified in the form of a progression of increasing contribution to *stokvel* success or goal achievement.

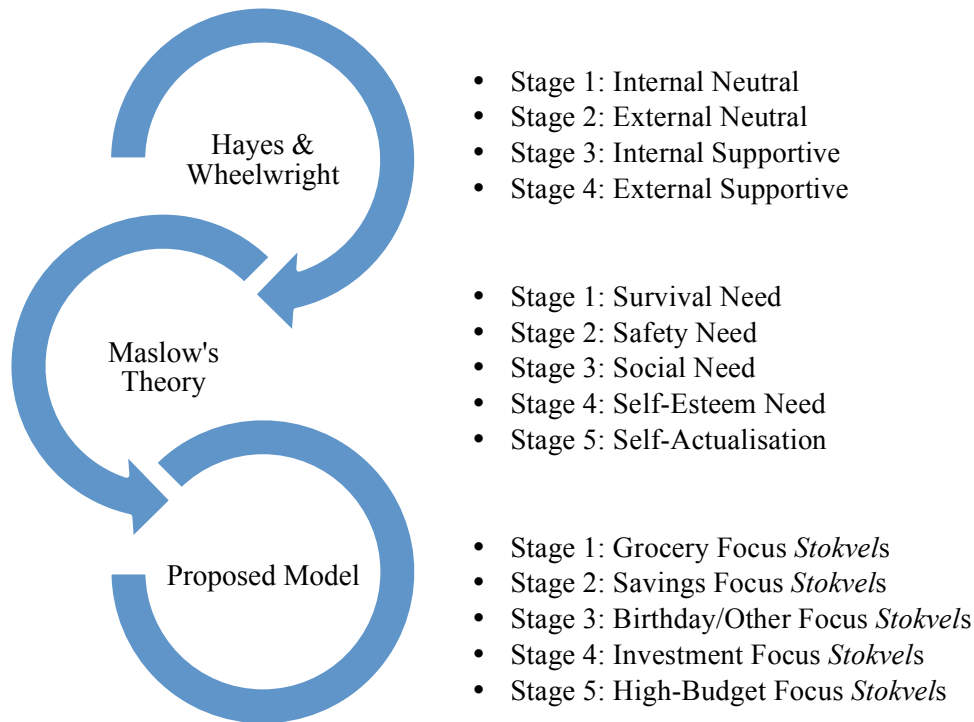


Figure 6.3 A New Proposed Model for *Stokvels*

Stage 1: Grocery Focus-Type Stokvels or Survival Focus (Survival Need/Internal Neutral)

When a *stokvel* is at the lower focus-type stage of the hierarchy of needs and the Hayes & Wheelwrights model, it operates much the same as an individual who is at the initial stage; at this stage survival is key. From observations made by the researcher during the surveys and as indicated in Figure 6.3, just like a small business / owner manager a *stokvel* at this stage its members have a short-term view horizon and a need for instant gratification. Members do only what is required to survive, without concern of continually improving or planning for the long-term. Long-term plans are outside of the realm of understanding for a grocery focus-type *stokvel* at the initial stage of the hierarchy because the need for survival has not yet been met. This is further supported by Adams *et al.*, (2015:32) who claim that “a small business at this stage is constantly in crisis-management mode and managers are very reactionary. Managers spend their days reacting to constant problems, doing only what is required to survive, without concern of continually improving or planning for the long term”.

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

Stage 2: Savings Focus-Type Stokvels or Safety Focus (Safety Need/External Neutral) and

Birthday/Other Focus-Type Stokvels or Social Focus (Social Need/External Neutral)

The findings reveal that in a savings focus-type *stokvel* the majority of members are holders of a National Diploma up to a postgraduate degree qualification with a majority formally employed and contributing between R251 and R750 per month. From observations made by the researcher during the surveys, the focus of a *stokvel* in the second stage is about monitoring performance and focus on a routine. This is congruent with the safety needs identified by Maslow and the second stage of Hayes & Wheelwright's model. For a Savings focus-type *stokvel*; developing a spread-sheet, a record of bank statements or a transactions metric is a way to measure progress. These are all safety mechanisms for a Savings focus-type *stokvel* to begin to focus on its performance to ensure the long-term viability of the *stokvel* group, as indicated in Figure 6.3; however, at this stage of the hierarchical process, these metrics are vague, lacking in detail and rigour to provide *stokvels* with a good view of the state of operational performance. This is further supported by Adams *et al.*, (2015:33) who claim that "for a small business, developing metrics is a way to measure progress and to attempt to emulate competitors. It is also a safety mechanism for a small business to begin to focus on its performance to ensure the long-term viability of the business". Once the safety need is met, the *stokvel* or its members can move to the next step in the hierarchy.

The social focus stage of the hierarchy is when *stokvels* are driven to add other objectives to their founding mandate for an example to celebrate birthdays, travel around the globe, socialise and network thus improving the social capital standing of their *stokvel*. Once the survival needs are met, the driving motivation for behaviour in a small business/owner manager business is to improve, the same applies to a *stokvel*. It is at this stage when a *stokvel* actively pursues benchmarking against set industry standards and formulating strategies based major competitors. There is no competitive advantage. At this stage the

stokvel group is not interested in matters like starting an investment portfolio. For an example a Chi-square test result infers that a significant correlation between the type of *stokvel* and a ‘no importance’ that their *stokvel* group become contributor to the economy of eThekweni Municipality by investing in listed shares on the stock exchange. Once the social stage has been gratified, the next stage of the hierarchy begins to drive the behaviour of *stokvels*. This next step in the hierarchy for the individual would be esteem needs, for a small business it is the competitive-focus level and for a *stokvel* it is the Investment focus.

Stage 3: Investment Focus-Type Stokvels (Esteem Need/Internal Supportive)

The successful implementation of programmes that resulted in the gratification of the social-focus stage develops a competitive advantage in the investment-focus stage. This is the fourth level (esteem needs) of Maslow’s hierarchy of needs and the third stage (internal supportive) of Hayes & Wheelwright’s model. From an observation made by the researcher during the survey of this study the investment focus type *stokvels* showed keen interest in diversifying their savings by soliciting advice on how to create an investment portfolio. This plays a key role in the development of an investment strategy. The findings of this study reveal that 21 per cent of *stokvels* indicated a ‘medium to high-importance’ view that their investment *stokvels* contributed to the economy of eThekweni Municipality by investing in shares on the stock-exchange.

The cross-tabulation results show that the majority of investment focus type *stokvels* hold in reserves no less than R100 000.00. In addition the Chi-Square test results infer that there is a significant correlation between the *stokvel* group reserves and the type of *stokvel*. Another set of Chi-square test results infer that a significant correlation between the type of *stokvel* and a ‘medium to very-high importance’ view held by the participants that their *stokvel* group is a contributor to the economy of eThekweni Municipality by investing in big businesses. This view is supported by the participants of the interviews, when asked what they understand to be the economic contributing factors of *stokvels* in the economy of eThekweni Municipality. One participant said; “*stokvels are job creators, savings vehicle*”, whereas another participant said; “*some stokvels make monthly contributions and invest that money. Another contributing*

factor is the creation of employment". Once the investment-focus stage has been gratified, the next step and final stage of the hierarchy for *stokvels* is the high-budget focus.

Stage 4: High-Budget Focus-Type Stokvels (Self-Actualisation/External Supportive)

From an observation made by the researcher during the survey, at this stage of the hierarchy *stokvels* or their members strive to become leaders in their respective industries, in alignment with the fifth level of Maslow's hierarchy of needs (self-actualization) and with stage four (external supportive) of Hayes & Wheelwright's model. The findings show that all high-budget focus type *stokvels* hold in reserves more than R175 000.00. In addition the Chi-square test results infer that there is a significant correlation between the *stokvel* group reserves and the type of *stokvel*. Another set of Chi-square test results infer a significant correlation between the type of *stokvel* and a 'high-importance' view held by the participants that their *stokvel* group is a contributor to the economy of eThekweni Municipality by investing in big businesses.

All the high-budget focus type *stokvels* in this study hold a portfolio of shares in the stock-exchange. Since the successful satisfaction of the previous four hierarchical needs the *stokvel* or its members have been empowered with the confidence and operational effectiveness to strive to be leaders in their respective industries. The Chi-square test results infer a significant correlation between the type of *stokvel* and the 'high-importance' view held by the participants that their *stokvel* group is a contributor to the economy of eThekweni Municipality by investing in small businesses, thus creating jobs. This correlation is supported by Adams *et al.*, (2015:35) who propose that "at the leader focus stage, the small business becomes a positive influence in the community, and continually supports necessary community infrastructure, including police, fire departments, and schools".

Similarly at the high-budget focus stage, the *stokvel* becomes a positive influence in the community, venturing into capital intensive infrastructure programmes/projects thereby providing employment opportunities. This is supported by the interview participants where one said; "*stokvels are job creators*". Once *stokvels* or members in high-budget focus stage reach their potential, this results in positive spin-offs

for all involved. The higher up a Maslow's hierarchy of needs an individual and the Hayes & Wheelwright's model a small business / owner manager goes or the *stokvel* in the case of proposed model in this study – the fewer the actors become. Policy-makers in eThekweni Municipality can refer to the proposed model in this study to integrate *stokvels* into the policy framework of eThekweni for developmental support and efficient allocation of resources of the Municipality to this industry.

6.4 CONCLUSION

In this chapter the themes of the study were revealed; indicating an alignment with the aim of the study and research objectives. A data triangulation technique was applied in order to validate the themes, the with the findings of the study and secondary data. The thematic findings of this study were grouped into positive themes, negative themes and neutral themes. The positive themes were; *stokvels* are money-saving and investment entities, having the potential to create jobs and business opportunities; whilst the negative themes were revealed as; the eThekweni Municipality policy framework does not recognise *stokvels*, *stokvels* marginalisation and their unorganised nature; and lastly, the neutral themes were revealed as; *stokvels* are recipients through indirect initiatives of eThekweni Municipality and no development programs exist for *stokvels* in the municipality.

Finally, a new model layering Maslow's theory with the Hayes & Wheelwright four-stage model was develop using a theory triangulation technique to validate the theories with the findings of the study. This model answered the fourth research objective of the study; which was to develop a model for *stokvels* to be integrated in to the economic policy framework of eThekweni Municipality. As a by-product to the *stokvel* integration model - a model for developing *stokvels* in eThekweni Municipality was formulated.

The next chapter will concluded the study by discussing how each research objective was achieved by the study and will also discuss the recommendations for the study.

CHAPTER SEVEN

CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

The previous chapter discussed in detail the recurring themes from the results of various data collection sources of quantitative and qualitative research methods employed in this study. This chapter is aligned with the aim, research objectives and research questions of the study. This research is premised on the following objectives; 1) to determine the economic contributing factors of *stokvels* in the local economy of eThekweni Municipality, 2) to investigate the role of *stokvels* in the current economic policy framework of eThekweni Municipality, 3) to explore the views of the *stokvel* groups and those of the Municipal council members of eThekweni Municipality and 4) to develop a model for *stokvels* to be integrated into the economic policy framework of eThekweni Municipality. From these objectives research questions were formulated. The rationale of this chapter is to establish if the aim and objectives of the study have been addressed, highlight the contributions of the study, to make recommendations based on the key findings of study and highlight the gaps that have been identified in order for these to be addressed by the Municipal council of eThekweni.

7.2 HOW THE STUDY ADDRESSED THE RESEARCH OBJECTIVES

The overarching aim of this study was to explore the role of *stokvels* in the economic transformation of eThekweni Municipality, with the purpose of developing a model which would assist the Municipality in the integration of *stokvels* into the current *Economic Policy Framework*. The study had four research objectives which were answered on the basis of the data collected from the mixed methodology instruments employed during the research.

7.2.1 The economic factors of *stokvels* that contribute to the economy of eThekweni Municipality

The thematic findings of the study indicate that money saving and investment, job creation and promoting business opportunities are the most dominant of the economic contribution factors of *stokvels* within eThekweni Municipality. These factors are also deemed to have a positive potential impact on the

economic transformation of eThekweni Municipality particularly if the policy-makers in the Municipal Council could develop economic policies inclusive of *stokvels*. These themes are corroborated the secondary data, wherein these factors are universal to addressing social ills in eThekweni by reducing unemployment, alleviating poverty and inequality, growing an economy and raising the standard of living of the communities. Thematic analysis of this study revealed that the Municipal Council members of eThekweni Municipality were aware of the *stokvel* economic contributing factors, however, these have not crystallised into factors that could advance the economic transformation agenda of the municipality. *Stokvels* provide capital accumulation, employment opportunities and livelihood needs for the unemployed and marginalised who are unable to enter the formal economy in eThekweni Municipality.

Invariably these themes form the basic building blocks of economic transformation and it is for this reason that the Municipal Council as a policy-making body should fast-track the inclusion of *stokvels* into the *Economic Policy Framework* of eThekweni Municipality. From a business opportunities perspective, there is room for improvement as 71.1 per cent and 58.2 per cent of *stokvels*, respectively, do not consider investing in big and small businesses as a contributor to the economy of eThekweni Municipality; this as an alternative viable investment vehicle for their *stokvels*. The study revealed that 82.5 per cent of *stokvel* group members were women. The Municipal Council could take advantage of this to promote women's emancipation in business through the development of women in *stokvels* thus propelling women to be astute money savers and investors, job inventors and business creators.

The study further established the cash holding of *stokvel* groups in eThekweni Municipality and value of this industry to be an estimated at three billion rands per annum; this is based on an average membership of 15 members per *stokvel* group and a monthly contribution average of R500.00. Though not as popular as it is in other emerging markets like the *susu* of Ghana; *stokvels* groups in eThekweni Municipality could improve their attitude towards investing in SMME's. It should be noted that the Municipal Council of eThekweni Municipality has adopted, in 2001, a *Durban's Informal Economy* policy wherein *stokvels* have been identified as a potential alternative source that the Municipality should consider for purposes of

raising funds for SMME's. The study discovered that MC members were not aware of this clause in the *Durban Informal Policy of 2001*, however, were receptive to the idea of it being implemented in the near future.

A number of jobs, though indirect, flow from the existence of the *stokvel* sector. This study discovered that wholesalers like MAKRO of Massmart have a department solely dedicated to *stokvels*. This study also discovered that street traders who have *stokvel* membership tend use the rotating system of their *stokvel* groups to take advantage of bulk-buying power. In the retail business value chain, other opportunities flow from the existence of *stokvels*, for an example; taxis or private car owners provide chargeable delivery services during bulk-buying especially for street-traders. Similarly banks have transactional and savings products that are tailor-made for *stokvels* only. The study discovered that the Municipal Council is cognisant of the fact that the road infrastructure should be maintained in good order so as to facilitate the efficient transfer and trading of goods between *stokvels* and big business. Further to that the Municipality is also aware that there should be improved public-order policing especially during the December dividend distribution period so as to protect *stokvel* members from criminal elements.

7.2.2 The role of *stokvels* in the current economic policy framework of eThekweni Municipality

The thematic findings revealed that the role of *stokvels* has been excluded from the current economic policy framework of eThekweni Municipality. The current policy framework of eThekweni Municipality only recognises the role of *stokvels* as an 'innovative alternative source' for funding that the Municipality should consider for purposes of raising finance for SMME's and other informal economy industries within eThekweni. Beyond that there is nothing further that the current policy/plan makes reference to in relation *stokvels* in eThekweni Municipality. This is a gap for the Municipal Council as policy-makers in eThekweni Municipality to review in such a way that the *Economic Policy Framework* is inclusive of *stokvels* and recognises their economic contributing factors. The findings of the study indicate that some of the Municipal council members of eThekweni Municipality are cognisant of the fact that there is a need to develop an *Economic Policy Framework* inclusive of *stokvels* but no action has been taken to date, however there is willingness to ensure that this matter is addressed. The study revealed that there is work-

in-progress in the background to address the marginalisation and lack of recognition of *stokvels* within the Municipality.

The eThekweni Municipality needs to take a deliberate strategic decision to include *stokvels* in its *IDP* going forward. Furthermore, the current eThekweni Municipality policies may need to be amended for the inclusion and integration of the *stokvel* industry into a transformed eThekweni Municipality economy. By so doing the local government of eThekweni Municipality will be promoting reduction in unemployment, alleviating poverty and inequality. Doh (2014:113) asserts that “governments are primarily responsible for employment and they make every effort to create and manage a conducive environment for employment and unemployment reduction. Thus a high rate of unemployment is a sign of a not so well-functioning government”. The study show a 71.1% ‘high’ to ‘very high importance’ view that eThekweni Municipality invites all stakeholders in the economy of the Municipality, including *stokvels*, to develop an inclusive *Economic Policy Framework* for the Municipality.

7.2.3 The views of *stokvel* groups and those of the municipality council on the role of *stokvels* in the policy framework of eThekweni Municipality

The findings show that the participants are in agreement with the view that *stokvels* are marginalised and unrecognised and unorganised in eThekweni. That view is bolstered by their exclusion from the *Economic Policy Framework* of eThekweni Municipality and lack of programs for training and development for *stokvels*. This view is supported by 68.6 per cent of the *stokvels* who rated the services for developing *stokvels* in eThekweni Municipality as non-existent and the 54.1 per cent who said eThekweni Municipality has no development programmes for *stokvels*. The findings of the study indicated that 70.9 per cent of the *stokvels* held the view that they could be better contributors to the economy if eThekweni Municipality had a policy framework inclusive of *stokvels*.

The thematic findings reveal that *stokvels* are unorganised. To this effect the study shows that 80.4 per cent of *stokvels* in eThekweni Municipality are not affiliated with an officially registered body like NASASA. The Municipal Council members acknowledged that the non-existence of a representative body for *stokvels* in eThekweni Municipality requires immediate attention by the industry players, as this gives an

impression that *stokvels* are unorganised. The Municipal Council members concur with the views held by *stokvels* however, and they also strongly emphasise the need for *stokvels* to be better organised. In the absence of a well-structured and an organised representative body for *stokvels* the Municipal Council may not hasten to prioritise the inclusion of *stokvels* in the current *Economic Policy Framework*.

7.3 RECOMMENDED MODEL FOR DEVELOPING STOKVELS

Participants of the study indicated that there was lack or complete absence of development and training programs for *stokvels* by the municipality, this including the lack of invitations to presentations for investment and development opportunities at the disposal of the municipality. These omissions are due to,

1. The absence of policy on economic transformation in the municipality,
2. Lack of recognition and marginalisation of *stokvels* in the policy inclusive of informal economy, and
3. The unstructured organisation of *stokvels* of eThekweni Municipality into a formal body.

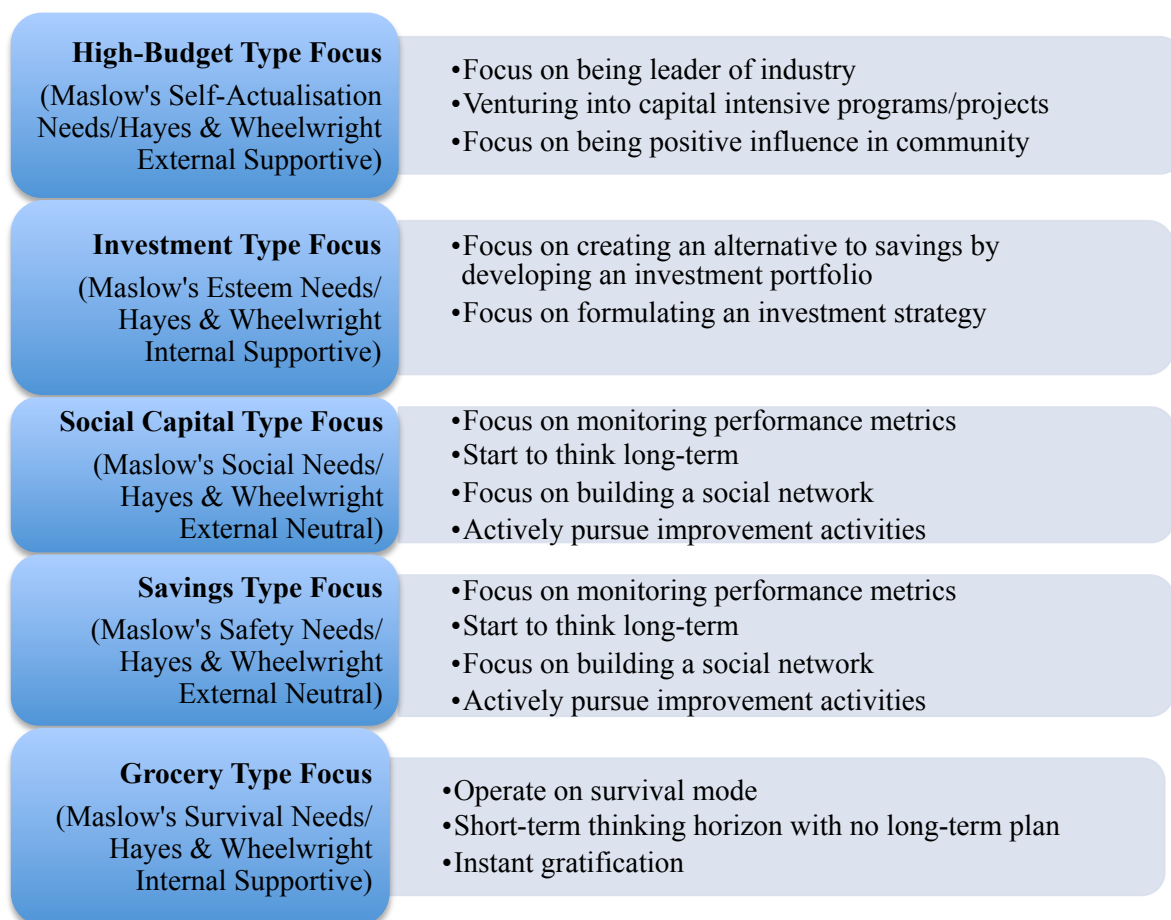


Figure 7.1 *Stokvel* Development Model Overview

Emanating from the common themes of the mixed method approach and the model developed for this study Figure 7.1 above is a recommended development model that could help the policy-makers in the municipality to identify developmental programs for *stokvels* based on their focus type as elucidated hereunder. This model would assist the policy-makers to avoid the trap of placing all *stokvels* in one basket; this due to lack of understanding their strengths/weaknesses and threats/opportunities that are intrinsically embedded in the evolving DNA of this industry. Policy-makers and big business alike could use Figure 7.1 to tailor-make their value proposition to the *stokvel* industry on the basis of the model herein depicted.

7.4 CONTRIBUTIONS OF THE STUDY

The last objective of the study was addressed by developing a new model for *stokvels* to be integrated into the economic policy framework of eThekweni Municipality. The new model, combined with the recommended model for developing *stokvels* will enable the Municipality to build linkage platforms for formal businesses (publically listed on the stock exchange and private) and *stokvels*. These models, as developed in this study, should be used as a tool to speed up economic transformation in the eThekweni Municipality if implemented correctly. As emphasised by the President of SA; Mr Cyril Ramaphosa on 08 May 2018 when answering questions on the order paper in parliament's national assembly about a need for a state owned bank in SA, the President of the Republic indicated that SA needs more banks, and top of the list; he emphasised a need for a *Stokvel* Bank. This study will be an enabling platform for the establishment of a state owned or privately held *Stokvel* Bank.

The findings of the study that informed the new model for integrating *stokvels* into the economic framework of eThekweni Municipality were the typology revealed by the study as depicted in Figure 6.2. The results, findings and recommendations of this study will contribute to the *stokvel* industry, the body of knowledge and the economic transformation landscape in the municipality of eThekweni. Furthermore, the results, findings and recommendations of this study could be extended to all *stokvels* in SA and municipalities alike – and to the national government bodies like *SALGA*.

The study will fill the existing gap in the body of knowledge and scholarly literature on the role of *stokvels* in the economic transformation of eThekweni Municipality since there is nothing currently available in the body literature to that effect, both nationally and internationally.

This study will fill the gap that existed prior to this research, wherein none of the existing consulted literature, prior the year 2018, had developed a model for the integration of *stokvels* in a municipality. As depicted in figure 6.3 a new model for RoSCAs like *stokvels* to be integrated into the economic policy framework of eThekweni Municipality has been revealed. As an extension to the new model, a recommended development model specific to the *stokvel* industry (as illustrated in figure 7.1) has also been revealed in this study.

This results and findings of this study will fill the existing gap in eThekweni Municipality policy framework as the *stokvel* integration and a recommended development models will be invaluable to the Municipal Council as policy-makers of the municipality, since this body (including LED) is the sole custodian of policy formulation in eThekweni.

7.5 RECOMMENDATIONS FROM THE STUDY

The following recommendations are based on the findings of the study as discussed in the former chapters and they are aligned with the research aim, research objectives and research questions.

It is recommended that;

- The two models be integrated into the *Economic Policy Framework* of the municipality. Together, the models should become enablers for the Municipality to design programmes, initiatives and development forums for the entire *stokvel* industry,
- The eThekweni Municipality needs to take a deliberate strategic decision to include *stokvels* in its *IDP* going forward. Furthermore, the current eThekweni Municipality policies may need to be amended for the inclusion and integration of the *stokvel* industry into a transformed eThekweni Municipality economy. By so doing the local government of eThekweni Municipality will be promoting reduction in unemployment, alleviating poverty and inequality.

- EThekwini Municipality needs to pioneer the amendment of the current policy inclusive of the informal economy to take into account the broad economic contribution factors of *stokvels*. It is expected that 287 other municipalities of *SALGA* shall follow suit.
- EThekwini Municipality assists *stokvels* by organising a variety of financial management seminars and training and development programmes in order that they can leverage better their money-saving capacity, since the finding revealed that it is a sector valued, on average, at three billion rand per annum.
- EThekwini Municipality should encourage formal businesses, especially listed companies to promote equitable ownership of the economy and capital accumulation for *stokvels*. This can be done in the form of discounted share offers for *stokvels*. Banks, Pick ‘n Pay, Shoprite, Massmart and other listed retailers are the direct beneficiaries of *stokvels*, and they could offer discounted share ownership for *stokvels*. The study revealed that 82.2 per cent of *stokvels* ranked depositing their funds in savings account as at bank. This translates to a two and a half billion rand in bank savings accounts from a three billion rand per annum industry in eThekwini Municipality alone.
- EThekwini Municipality to promote the formation of a *Stokvel Bank* in order to leverage this industry’s financial muscle through the black industrialists program, as such an initiative will go towards job creation, poverty alleviation and inequality reduction. After a while national government can acquire the bank as a ‘State Owned Bank’.
- Commercial banks with the assistance of National Treasury should ensure compliance by *stokvels* with the exemption notice no. 2173 amendment of the *Bank Act 94 of 1990*, thereby encouraging *stokvels* to be registered with NASASA. Commercial bank should therefore only open banking accounts for *stokvels* that can provide proof of registration with NASASA, during *FICA* stage of opening an account.
- High-budget type and/or Investment type *stokvels* should also take advantage of the bulk-buying power for the *stokvel* group to acquire and own high capital value assets. The Municipal Council needs to categorise and classify *stokvels* as per the models developed by this study in order to align its economic programs, activities and campaigns of eThekwini Municipality with the relevant *stokvel*

group type. As a marginalised sector, *stokvels* hold opportunities for growing the economy and absorbing the unemployed through the exploitation of existing and new markets. It is for this reason that efforts to unlock these opportunities will require tailor-made and imaginative interventions by policy-makers on the one hand and, on the other hand, self-driven initiatives by the *stokvels*.

- NASASA splits its national licence into periodically renewable licences at provincial and/or municipal levels. This study revealed that the Municipal Council is aware of the economic transformation capabilities of *stokvels* however, the absence of an organised registered body is, amongst other things, a disincentive to their inclusion in the *Economic Policy Framework* of eThekweni Municipality. The study revealed that there was a theme across Municipality Council members in that the Municipality would welcome a localised and formal structure for *stokvels*.

7.6 RECOMMENDATIONS FOR FUTURE STUDIES

This study could not explore all aspects of the *stokvel* sector, of which there are many. However, future study recommendations have been listed for the purposes of advancing the *stokvel* sector and to further contribute to the literature on this body of knowledge.

It is recommended that:

- An analysis of the formal employment created as a direct results of the *stokvel* industry in South Africa;
- A study be conducted on the impact of NASASA on the *stokvel* industry in the municipalities within South Africa;
- A study be conducted on the influence of the South African model of *stokvels* in the neighbouring SADC countries; and
- A study be carried out to analyse the training and development programmes suitable for *stokvels* in the eThekweni Municipality.

7.7 CONCLUSION

The issue of the development of entrepreneurial ventures and SMMEs has been explored in both developed and developing countries as a means to improving livelihoods and living standards, inequality reduction and poverty alleviation. This solution has managed to resolve these issues however, it has its own inherent limitations. The next frontier is for governments, municipalities and private businesses to extend the SMME model to the informal economy with more focus on RoCSAs like *stokvels*. The problems of poverty, inequality and crime just to name a few which confront many South Africans are blamed on unemployment. Yet a lot of people in SA do not have the skills and education to enable them to gain employment in the oligopolistic knowledge economy. Creating *stokvel* organisations and other informal sector businesses and venturing into entrepreneurship especially in the SMME sector is seen by many as one of the ways in which some of the socio-economic problems of the country can be addressed. Similarly *stokvel* groups with their huge source of funds can make investments that would create a network infrastructure that can service their members and communities, thereby addressing wide-spread socio-economic problems in eThekweni Municipality and nationally.

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

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ANNEXURE A

Request For Information Letter to eThekweni Municipality's



17 May 2017

Mr Collin Pillay
The Official Executive
EThekwini Municipality
Durban
4001
e-mail: Collin.Pillay3@durban.gov.za

Dear Mr Pillay,

Request for information to proceed with a research study

The above matter refers.

This letter serves to request for assistance from your office – this regarding information that would be of paramount importance for a PhD/DBA proposed study conducted by a UKZN's Graduate School of Business & Leadership research student.

A research study has been proposed to be conducted with the Municipality Council members of eThekwini Municipality. The research will involve interviews with and data collection from the Municipality Council members. The information we humbly request from your office is as follows:

- the total number of Municipality Council members of eThekwini Municipality
- the organogram (or hierarchical structure) of eThekwini Municipality inclusive of the Municipality Council

This information will enable Mr MJK Bophela (“the research student”) to complete the requirements for the degree of Doctor of Business Administration.

All the information received from your office will be kept confidential and will not be revealed to anyone. For more information please do not hesitate to contact the Supervisor of the student – Dr. Njabulo Khumalo by email “khumalon6@ukzn.ac.za” or telephonically on 072 258-0006 – or the student directly on email mdu@mazingacapital.co.za or 082 336-4730.

We hope our request shall be met with your undivided attention. Thanking you in advance.

Yours sincerely,

Mr MJK Bophela



UNIVERSITY OF TM
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

The Program Manager
Municipal Institute of Learning
Intuthuko Junction
750 Mary Thips Street
Cato Manor
Durban
4001

e-mail: collin.pillay3@durban.gov.za

30 June 2017

Dear Mr Pillay,

PhD/DBA Research Feedback Commitment

I, the undersigned, am currently supervising a research student Mr Mduduzi J.K. Bophela (student No. 217076590) who is a full-time registered DBA student with the University Kwa-Zulu Natal (UKZN).

His research topic is entitled *"The role of stokvels in the economic transformation of eThekweni Municipality"*.

This letter serves to inform and commit to the eThekweni Municipality that a formal feedback session to present the results and findings of the study will be conducted by the research student in the presence of myself and the relevant authorities/officials from eThekweni municipality – this as per MILE's requirements.

All the information received from your office will be kept confidential and will not be revealed to anyone. For more information please do not hesitate to contact the Supervisor of the DBA student - Njabulo Khumalo by email "khumalon6@ukzn.ac.za" or telephonically on 072 258-0006 – or the DBA candidate directly on email "mdu@mazingacapital.co.za" or 082 336-4730.

We hope our request shall be met with your honourable attention. Thanking you in advance.

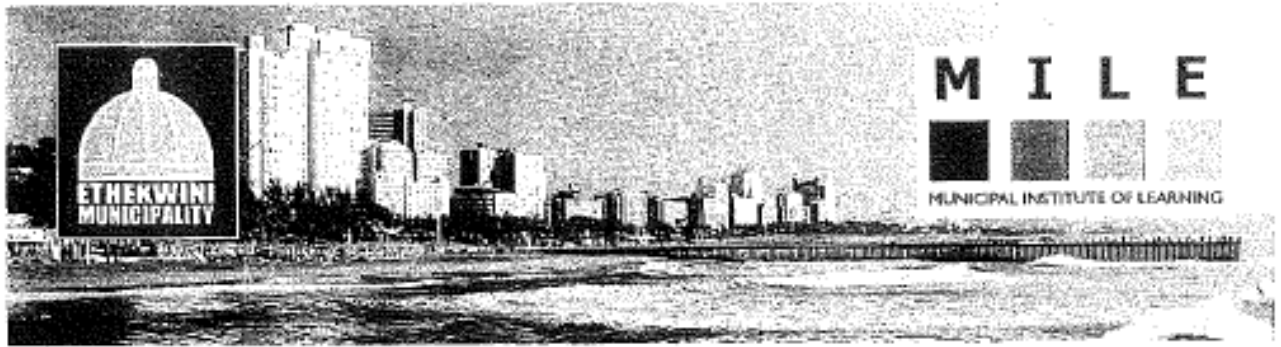
Yours sincerely,

N. Khumalo
Supervisor and Lecturer
Graduate School of Business
UKZN

Mduduzi Bophela
DBA Student (No.217076590)

ANNEXURE B

Gatekeepers Letter and permission to conduct the study



Pod 1, Second Floor, Intuthuko Junction, 750 Mary Thiphe Street, Umkhumbane, Cato Manor, Durban 4001.
Tel: 031 322 4513, Fax: 031 261 3405, Fax to email: 086 265 7160, Email: mile@durban.gov.za, Website:
www.mile.org.za

For attention:
Chair: Research Ethics Committee
College of Law and Management Studies
Graduate School of Business and Leadership
University of Kwazulu Natal
Westville Campus
Durban
4001

3 August 2017

RE: LETTER OF SUPPORT TO MDLUDUZI JK BOPHELA, REGISTRATION NUMBER 217076590 - GRANTING PERMISSION TO USE ETHEKWINI MUNICIPALITY AS A CASE STUDY

TITLE: *"The Role of Stokvels in the Economic Transformation of eThekweni Municipality"*

Please be informed the Acting Head: Business Support Unit and the Head: eThekweni Municipal Academy (EMA), have considered the request by Mr. MJK Bophela to use eThekweni Municipality as a research study site leading to the awarding of a Doctoral degree in Business Administration (DBA) .

We wish to inform you of the acceptance of his request and hereby assure him of our utmost co-operation towards achieving his academic goals; the outcome which we believe will help our municipality in its service delivery mandate.

In return, we stipulate as conditional, that Mr Bophela accompanied by his academic supervisor presents the results and recommendations of this study to the related unit/s on completion.

Wishing the student all the best in his studies.

.....
Act. Head: Business Support Unit
eThekweni Municipality

04/08/2017
Date

.....
Head: EMA

eThekweni Municipal Academy

ANNEXURE C

Informed Consent for participants



UNIVERSITY OF TM
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

DBA/PhD research Project

Researcher: Mr. Mduduzi Bophela (217076590) (217076590@ukzn.ac.za)

Supervisors: Dr. N. Khumalo (031-260 8768)

Research Officer: Ms P Ximba (031-260 3587)

CONSENT

I hereby confirm that I have read and understand the contents of this letter and the nature of the research project has been clearly defined prior to participating in this research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Participant's Signature.....

Date.....

This page is to be retained by the researcher

ANNEXURE D

Consent and Declaration to participate



UNIVERSITY OF TM
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

Dear Respondents

DBA/PhD research Project

Researcher: Mr. Mduduzi Bophela (217076590) (217076590@ukzn.ac.za)

Supervisors: Dr. N. Khumalo (khumalon6@ukzn.ac.za)

Research Officer: Ms P Ximba 031-2603587

I, the undersigned, Mduduzi Bophela, student no. 217076590 a PhD student at the Graduate School of Business and Leadership at the University of KwaZulu-Natal in South Africa, hereby invite you to participate in a research project entitled: ***The Role of Stokvels in the Economic Transformation eThekwini Municipality***. The aim of the study is to explore the role of stokvels in the economic transformation of eThekwini Municipality in order to promote their inclusion and integration in the economic policy framework of eThekwini Municipality.

Through your approval to participate in this study, the researcher hopes to determine the economic contribution factors of stokvels in the local economy of eThekwini Municipality, investigate the role of stokvels in the current economic policy framework of eThekwini Municipality; explore the views of the stokvel groups and those of the Municipality Council members of eThekwini Municipality on the role of stokvels in the economic framework of eThekwini Municipality; and eventually develop an integration model for stokvels into the economic framework of eThekwini Municipality.

I guarantee that your responses will not be identified with you personally. Your participation is voluntary and there is no penalty if you do not participate in the study. Please sign on the dotted line below to indicate that you have read and understood the contents of this letter. The questionnaire will take approximately 10 minutes to complete.

Yours Sincerely

Investigator's Signature

Date.....2017

This page is to be retained by the participant

ANNEXURE E

Research tools (Questionnaire and Interview Schedule)

APPENDIX A

OVERVIEW OF WHAT EACH SECTION OF THE SURVEY INTENDS TO EXPLORE

SECTION A - Introduction (Biographical)

SECTION B – Aligned with the aim and research objectives of the study

APPENDIX A1 (Questionnaire)



UNIVERSITY OFTM
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

Questionnaire Instrument

Please tick only one box

SECTION A

1. What is your age?

- Between 18 and 25 years old
- Between 26 years and 35 years old
- Between 36 years and 50 years old
- Above 50 years

2. What is your gender?

- Female
- Male

3. What is your race?

- African Black
- Indian
- Coloured
- White

4. What is your home language?

- Afrikaans
- English
- isiZulu
- Other

5. Are you formally employed?

- Yes,
- No, please give reasons _____

6. What is your educational qualification level?

- Matric
- Diploma
- Bachelor's degree
- Masters/PhD
- No schooling

SECTION B

7. How long has your stokvel group been in existence?

- Less than 2 years

- Between 2 years and 5 years

- Between 5 years and 10 years

- Between 10 years and 15 years

- More than 15 years

8. What type of stokvel are you a member?

- Grocery stokvel

- Investment stokvel

- Savings stokvel

- High Budget stokvel

- Birthday stokvel

- Burial stokvel

- Lobola stokvel

- Other

9. What is the primary objective of your stokvel group?

- To socialise and network

- To save money

- To create jobs by financing small businesses

- To loan funds to members of your stokvel

- To deposit our funds in high return investments

10. Is your stokvel group a registered member of the National Stokvel Association of South Africa (NASASA)?

- Yes No

11. How many people are members in your stokvel group?

- Less than 15 members
- Above 15 members but less than 25 members
- Above 25 members but less than 35 members
- More than 35 members

12. How much does each member of your stokvel group contribute per month?

- Between R100-00 and R250-00
- Between R251-00 and R750-00
- Between R750-00 and 1,500-00
- Between R1,500-00 and 2,500-00
- More than R2,500-00, please state how much R_____

13. How much of saved/invested lump sum does your stokvel group have in reserves?

- Between R1,000-00 and R10,000-00
- Between R10,100-00 and R50,000-00
- Between R50,100-00 and R100,000-00
- Between R100,100-00 and R175,000.00
- More than R175, 000-00, please state how much R_____

From question 14 to 17 please use the scale of importance below. Choose a letter in each line to rank the relevance of each statement to your stokvel objectives.

Very-high (VH) High (H) Medium (M) Low (L) None (N)

14. How does your stokvel use its reserve lump sum of funds?

By co-investing with the eThekweni Municipality	VH	H	M	L	N
By depositing funds in savings account at the bank	VH	H	M	L	N
By investing funds in high return opportunities	VH	H	M	L	N
By financing small businesses thus creating jobs	VH	H	M	L	N
By advancing loans to stokvel group members	VH	H	M	L	N

15. How could your stokvel organisation be a better contributor to the economy of eThekweni Municipality?

By co-investing in the same opportunities as eThekweni Municipality	VH	H	M	L	N
By advancing finance to small businesses	VH	H	M	L	N
If it were to know how to invest money and earn good returns	VH	H	M	L	N
If eThekweni had training and development programs for stokvels	VH	H	M	L	N
If eThekweni had a policy framework inclusive of stokvels	VH	H	M	L	N

16. What does eThekweni need to do in order to transform the economy of the municipality through stokvels?

To develop a policy framework for stokvel industry only	VH	H	M	L	N
To present investment opportunities for stokvels	VH	H	M	L	N
To develop policy framework inclusive of stokvel industry	VH	H	M	L	N
To invite all contributors to the economy of the municipality including stokvels to develop a policy framework	VH	H	M	L	N
To create an enabling environment for stokvels to co-invest in the municipality projects	VH	H	M	L	N

17. How does your stokvel contribute in the economy of eThekweni Municipality?

By investing our funds in big businesses	VH	H	M	L	N
By financing small businesses	VH	H	M	L	N
By advancing loans	VH	H	M	L	N
By creating savings opportunities for our members	VH	H	M	L	N
By buying listed shares on the stock exchange	VH	H	M	L	N

From item 18 onwards please tick only one box

18. eThekweni Municipality has development programmes for stokvel organisation?

- I Strongly agree
 I Agree
 I Disagree
 I Strongly Disagree

19. Can the economy of eThekweni be transformed if stokvels are included the policy framework of the municipality?

- I Strongly Agree
 I Agree
 I Disagree
 I Strongly Disagree

20. What opportunities does eThekweni Municipality assist your stokvel to take advantage of?

- investments opportunities
- opportunities to starting small business only
- opportunities to invest money and earn good returns
- opportunities to participate in all commercial projects
- training and development opportunities for stokvels
- eThekweni Municipality has never invited our stokvel to any opportunities

21. How would you rate the relevance of the assistance you received from eThekweni Municipality in developing stokvels?

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Excellent | Good | Average | Poor | None |

22. What are your stokvel's contributions to the economy of eThekweni Municipality?

- Creating Jobs
- Promoting a Savings Culture
- Starting small businesses
- Reducing poverty
- Co-investing with the municipality in its projects

23. eThekweni Municipality has development programmes for stokvel organisation?

- To create jobs
- To promote a savings culture
- To start a small businesses
- To reduce poverty
- To co-investing with the municipality in its projects
- None of the above

APPENDIX A2 (Interview schedule)

- 1. How long have you been a member of the eThekweni Municipality Council committee?**

- 2. Do you believe poverty, unemployment and inequality can be addressed through development of stokvels?**
 Yes
 No,
Please provide, _____

- 3. Does the eThekweni Municipality's (eThekweni Municipality) economic transformation policy framework recognise stokvels as economic contributors to the economy of eThekweni?**
 Yes
 No, Please provide, _____

- 4. What do you understand to be the economic contributing factors of stokvels in the economy of eThekweni Municipality?**

- 5. How does eThekweni Municipality take advantage of the stokvel contributing factors you have mentioned in transforming the economy of eThekweni**

- 6. Are stokvels justified in saying that eThekweni Municipality leadership does not recognise the stokvel industry as a contributor to the economy of eThekweni?**

- 7. How would you go about correcting that view of stokvels being marginalised?**

- 8. What is the role of stokvels in the policy framework of eThekweni?**

9. **Is the eThekweni Municipality policy framework properly geared to supporting stokvels in advancing economic transformation in eThekweni? How?**

10. **What are the current eThekweni Municipality's economic transformation initiatives that have been rolled out to develop stokvels in eThekweni? Why?**

11. **Is there a desire by the Municipality Council leadership to adopt strategies of integrating stokvels in to the eThekweni Municipality's economic development initiatives for eThekweni in the near future?**

12. **What initiatives or considerations should stokvel organisations and eThekweni Municipality need take into account in order for stokvels to be integrated into the economic transformation framework of the municipality? Please outline**

ANNEXURE F

EThekweni Municipality's Eight (8) Point Plan List of Policies

Sector Plans/Policies	Date Adopted/Reviewed
PLAN ONE	
eThekwini Municipality Generic EMP for Construction Activities	2002
Spatial Development Framework	2014
LTDF – “Imagine Durban”	2010
eThekwini Industrial Spatial Strategy	2009
Durban Environmental Services Management Plan	
Environmental Management Policy	2005
Spatial Development Plans	2014
Land Use Scheme	
eThekwini City Densification Policy	2013
Built Environment Performance Plan	2014
Durban Metropolitan Open Space System	2010
Invasive Species Framework Strategy and Action Plan	2014
PLAN TWO	
eThekwini Agricultural Status Guidelines	
Agricultural Policy for eThekwini	2004
Economic Development and Job Creation Strategy	2013
INK Economic Development Profile	2005
Markets Policy for eThekwini Municipality	2011
Allocations Policy Governing Trading Opportunities and Permits to Informal Traders on Council Owned Properties	
Durban’s Informal Economy Policy	2001
A strategy for Development of Community Tourism organizations within the eThekwini Municipal Area	2011
Business Support and Markets Unit Improvement of SMME access to Finance Strategy	2010
A Strategy for the Improved Management and Development of Container and Itinerant Traders within the eThekwini Municipal Area	2004
A Consistent Rental Policy for Informal Trading in eThekwini Unicity	2004
Rural Economic Development Strategy	2011
Durban Tourism Visitor Marketing Strategy 2013-2020	2013

Sector Plans/Policies	Date Adopted/Reviewed
PLAN THREE	
EPWP Policy Framework	2007
Housing Sector Plan	2012
Transport Plan	2010
Waste Management Plan	2004
Water Services Development Plan	2012
Policies and Practices of the eThekweni Municipality Water and Sanitation Unit	
Guidelines and Policy for the Design of Stormwater Drainage and Stormwater Management System	2008
Integrated Freight and Logistics Strategic Framework and Action Plan	2015
PLAN FOUR	
Vulnerable Groups Policy	2007
eThekweni Disaster Management Framework	2009
Disaster Management Advisory Forum	2013
Municipal Disaster Management Plan	2013
Crime Prevention through Environmental Design (CPTED)	2010
Safe drums Policy	
Towards an HIV free generation – Response 2012/16 and Beyond	2012
eThekweni Safer City Strategy	2013
Ward Safety Plans	2014
Draft Social Development Strategy	In progress
PLAN FIVE	
Youth Development Policy	2007
Employment Equity Plan	2014
Workplace Skills Plan	
Employee Practices Policy	2004
Scarce Skills Policy	
Talent Management Strategy	2010
Assisted Education Policy	2007
Travel Policy	2008
Incapacity Management Policy and Procedure: Ill Health/Injury	2006
Guidelines for the Prevention and Management of Posttraumatic Disorder	2002
Employee Assistance Programme and Policy	
Policy on Sexual Harassment	
HIV/AIDS Workplace Policy	2002
Wellness Policy and Programmes	2008
Code of Conduct for Employees	2001

Sector Plans/Policies	Date Adopted/Reviewed
Policy on the Control of Firearms, Dangerous Objects and Weapons at the Workplace	2007
Driver training and License Verification Policy	2002
eThekwini Municipality Policy on Acceleration of Salary	2007
Municipal Organogram	2012
City Stars Recognition and Rewards Policy	2010
Cooperative Education Policy	2013
Draft HR Strategy	In progress
PLAN SEVEN	
Service Delivery and Budget Implementation Plan	2014
Community Participation Policy	2006
Anti-Fraud and Anti-Corruption Policy	2007
Communications Policy	2009
Communications Strategy	2011
Fraud and Corruption Prevention Strategy	2011
Performance Management Policy and Procedure	2009
Batho Pele Policy	
Information Security Policy for eThekwini Municipality	2011
Customer Care Policy	2007
Green ICT Policy	
eThekwini Municipality ICT Governance Framework	2015
Corporate Governance of ICT Charter	2015
ICT Strategy	2015
PLAN EIGHT	
Budget: Medium Term Budget	2016
Credit Control	2014
Rates Policy	2014
Tariff Policy	2014
Enterprise Risk Management Framework	2011
eThekwini Municipality Internal Energy Management Policy	2012
Asset Management Policy Guidelines	2011
Borrowing Framework Policy and Guidelines	2014
Budget Policy	2014
Investment Framework Policy and Guidelines	2014
Targeted Procurement Policy	2014
Supply Chain Management Policy	2013
Energy Strategy	2008
eThekwini Municipality Internal Energy Management Policy	2011

ANNEXURE G

Ethical Clearance



19 April 2018

Mr Mduduzi Justice Kennedy Bophela (217076590)
Graduate School of Business & Leadership
Westville Campus

Dear Mr Bophela,

Protocol reference number: HSS/1445/017D

Project title: The role of Stokvels in the economic transformation of eThekweni Municipality

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 30 January 2018 has now been approved as follows:

- Change in Supervisor

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for period of 3 years from the date of original issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol.

Yours faithfully

Professor Shenuka Singh (Chair)

/ms

cc Supervisor: Dr Njabulo Khumalo
cc Academic leader Research: Professor Muhammad Hoque
cc School administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

Professor Shenuka Singh (Chair)
Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3587/3260/4557 Facsimile: +27 (0) 31 280 4809 Email: ximbapo@ukzn.ac.za / skymann@ukzn.ac.za / mohunp@ukzn.ac.za

Website: www.ukzn.ac.za



100 YEARS OF ACADEMIC EXCELLENCE

Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville



28 August 2017

Mr Mduzi Justice Kennedy Bophela (217076590)
School of Management, IT & Governance
Westville Campus

Dear Mr Bophela,

Protocol reference number: HSS/1445/017D

Project title: The role of Stokvels in the economic transformation of eThekweni Municipality

Approval Notification – Expedited Application

In response to your application received on 11 August 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shamila Naidoo (Deputy Chair)

/ms

Cc Supervisor: Dr MG Ntuli and Dr N Khumalo
Cc Academic Leader Research: Professor Brian McArthur
Cc School Administrator: Ms Angela Pearce

Humanities & Social Sciences Research Ethics Committee

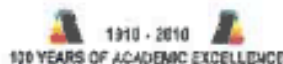
Dr Shenuka Singh (Chair)

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Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville

ANNEXURE H

Turnitin Report

The Role of Stokvels in the Economic Transformation of eThekweni Municipality

ORIGINALITY REPORT

8%	7%	1%	4%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to University of KwaZulu-Natal Student Paper	1%
2	Submitted to North Lake College Student Paper	1%
3	www.thoughtco.com Internet Source	1%
4	econ3x3.org Internet Source	<1%
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