

TRADITIONAL SAVINGS ASSOCIATION FOR ENTREPRENEURIAL SUCCESS IN AFRICA: A CASE STUDY OF ROTATING STOKVEL ENTERPRISE

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ABSTRACT

Traditional saving associations are important to the growth of the informal economy. In Africa, the potential of these savings associations has not been sufficiently harnessed by enterprises in the informal economy, despite providing opportunities for investment, social cohesion and livelihood to the members of the savings groups. Among the successful traditional savings associations in Africa is the Rotating Stokvel Enterprise in South Africa. Often, researchers focus on the impacts, practices, and challenges of the enterprise with little or no attention paid to how each group is formed and operated. In this study, we argued that examining the processes involved in setting up a successful traditional stokvel will significantly contribute to its standardisation and increase the opportunities available, through their operations, for entrepreneurs in the informal economy. This will also provide a foundation for its integration into the contemporary space for adoption and practice, regardless of the society. A qualitative research method was utilised for the enquiry. The use of snowball sampling technique enabled the selection of 47 stokvel leaders from seven villages in South Africa for in-depth interviews anchored on their lived experiences. The data collection was guided by semi-structured questions administered during face-to-face interviews, while the analysis was performed using the thematic method. The enquiry provided insight into the typology of traditional rotating stokvels commonly practiced in the study area, the formation process, operational plan, financial management, and disciplinary measures. The study recommended that the steps should be examined to inform a traditional African-based informal rotating Stokvel model that will provide finance, reduce poverty and enhance sustainable entrepreneurial growth in Africa.

Keyword: African Stokvel Model, Cohesive Society, Financial Independence, Indigenous Enterprise, Informal Credit.

INTRODUCTION

Stokvel is South Africa's version of Rotating Savings and Credit Associations (ROSCAs) or/and Accumulating Savings and Credit Associations (ACSAs) - an initiative wherein group of individuals who share the same vision contribute to informal savings and credit associations for their mutual benefit (Hosseini, 2017; Van Wyk, 2017; Kok & Lebusa, 2018). This initiative is not unique to South Africa as the practice is ongoing in many other African countries and beyond. In Nigeria, for instance, there are several versions of these informal credit initiatives like stokvel, however, *Esusu* is the most commonly known (Moses et al., 2015). The same initiative is termed

Susu in Ghana (Dare & Okeya, 2017) and Chama in Kenya (Sile & Bett, 2015). Even though the names differ, the practices, norms and objectives are similar across African societies.

To date, there is no generally agreed period when the term ‘stokvel’ emerged in South Africa, likewise the practices, however, scholars have contested that it is the equivalent to “stock fairs” – a concept coined by South Africa English-speaking settler farmers in the early 19th century (Lukhele, 1990). In that era, “stock fairs” were platforms through which the settlers auctioned off their cattle (Irving, 2005). While income generation was the key, individuals, especially the black farmers and labourers often meet through these “stock fairs” to socialise, interact, exchanged ideas and gambled as part of the livestock business affairs. This practice started in the Eastern Cape, a province in South Africa, however, the advent and surge in gold activities in Johannesburg which attracted people into the city escalated stokvel practices to the area and beyond (Lukhele, 1990).

Stokvel practices in rural areas of South Africa originate from the grassroots bottom-up demand of the marginalised and the low income earners for alternative financial services (Dare & Okeya, 2017). Matuku and Kaseke (2014) maintain that “Contemporary South Africa is characterised by extreme poverty, high levels of inequality and unemployment”- forcing many to rely on self-help community-based initiatives, such as stokvel as part of survival strategies. In addition to these socio-economic challenges, access to formal banking services remains a huge constraint in most rural areas of the country. These services are relatively expensive and considered inaccessible to the vulnerable when compared to stokvel (Mungiru & Njeru, 2015; Sile & Bett, 2015). In the urban areas where formal credit services are dominant, many individuals do not meet the access criteria nor can they afford the cost (Hosseini, 2017), yet, there is a need to save and invest as this is essential for a living, especially, for entrepreneurs and business owners in the informal economy. Research shows that one of the challenges of entrepreneurs in the informal economy is access to finance, and with practices such as stokvel, finance can be available to entrepreneurs in the informal economy (Herrington & Coduras, 2019). Against this background, the marginalised often opt for stokvel for financial freedom and to meet their informal economy engagement. This explains the reasons there are high stokvel involvements of low-income groups, especially in the rural areas.

Traditional stokvel practices are often anchored on income generation, however, its environments promote kinship ties amongst individuals, helping towards a cohesive society (Mungiru & Njeru, 2015). According to van Wyk (2017) stokvel is a “lived experience and an identity” toward economic empowerment and social cohesion. It is recognised as a platform where people feel part of a community, thus, getting involved in a stokvel enables individuals, especially, rural women to be identified with a specific social group and provide them with the opportunity to have financial resources for trade. The initiative helps them meet in physical spaces, interact, socialise and celebrate their identities; this is reiterated by Thabethe, Magezi and Nyuswa (2012) that stokvel creates platforms that lead to social interaction and increases leisure times for individuals. In Africa, this koinonia is pivotal to social networking, trust-building and solidarity in times of economic and social crises (Moodley, 2008; Mwangi, 2013; Sile & Bett, 2015). The socialisation that comes with stokvel brings a sense of belonging and enable individuals to bond organically to their groups through social identities (Arko-Achemfuor, 2012); it is regarded as a “DNA of township” that helps African people to construct a cohesive society (Mabovula, 2011). In accordance with these facts, the role of stokvel in the socio-economic development of African communities cannot be overemphasised.

This supportive role of providing a socially networked environment and measures for collective economic growth are justifications for the significant surge of stokvel practices in South Africa, despite, its lack of recognition (NASASA, 2016; Mulaudzi, 2017; Kok & Lebusa, 2018). Even though the narrative underpinning stokvel participation is anchored on marginalised women in rural areas, its practices have been widely embraced by both genders, different age and income groups, as well as individuals in urban societies. There exist over 820, 000 registered stokvels in the country with a combined membership of about 11.4 million people, handling over R44 billion annually (Mulaudzi, 2017). About 23% of the country's population are involved in one or more stokvel enterprise, with women being predominant (Kok & Lebusa, 2018); about 67% of rural households in the country are involved in at least one stokvel (Matuku & Kaseke, 2014). It is speculated that these numbers could be under-representing the picture.

With stokvel being transformed from rural-based, women-oriented initiative to a common practice by many individuals across societies in South Africa and beyond, a proper model that can ensure successful replication and practices are required; this is the missing link in the literature, even though a lot has been researched about the initiative. It can be contested that this gap is among the reasons stokvel lacks standardisation and global recognition. This study aims to provide a step-by-step process to establish a successful traditional rotating stokvel enterprise, thereby, creating an international model for traditional saving associations in South Africa. A rotational stokvel is an ancient indigenous African informal practice that describes traditional means of cooperation in its societies, in which individuals regularly contribute an agreed premium from which they receive a lump sum payment at a time (Luthuli, 2017; Mulaudzi, 2017; Bophela, 2018).

The key proposition in this study is that traditional savings associations, like stokvel, can be a source of financial strength for entrepreneurial growth and performance. While the study is anchored on traditional stokvels in South Africa, the findings can be tested in other African countries to develop an African-based model for a traditional informal rotating saving/investment system for entrepreneurial growth. The next section explains the methods adopted for the study. It also contains a brief description of the study area. Lastly, the result and discussion of findings are presented before the conclusion and key recommendations of the study.

METHODOLOGY

This study was conducted in Thulamela, a local municipality in the Vhembe District of Limpopo Province in South Africa. This is in the northern part of the country and shares a boundary with Botswana, Mozambique and Zimbabwe. Thulamela has a considerable number of learning institutions, government establishments, shopping malls, tourist attraction sites, however, some of its areas are still marginalised and deficient in basic infrastructure (Chauke et al., 2013). In this Municipality, people still struggle to access basic services such as banks, and hospitals. Poverty and unemployment are other burning challenges observed in these rural communities, not only in this area but also in the country (Statistics South Africa, 2014; van Wyk, 2017; Sulla & Zikhali, 2018). Often, a significant proportion of the poor and vulnerable people struggle to access and/or afford safe and convenient financial services in the country. As a result of these challenges, people explore stokvel opportunities as a resource for financial freedom and forming a cohesive society (James, 2015). This narrative is consistent with Storchi's (2018) picture of South Africa's present economic situation, especially, of severe unemployment,

rising inequality and high levels of indebtedness in the world; these are forcing many people to rely on the informal economy for survival.

Seven villages, namely, Dididi, Dumasi, Ha-Lambani, Maraxwe, Muledane, Shayandima and Sibasa were purposefully sampled for this study. The choice was based on the presence of stokvel activities in these villages, their distribution in the local municipality and level of development. Some of the participating villages are rural, while others are extremely rural. In these areas, the majority of the households receive social government support, like child and pension grants. Many people, in these communities, are involved in various forms of economic survival activities, such as farming, selling and other forms of small businesses to generate income. From these, people can engage in stokvel activities without having to rely on other means of income.

A snowball sampling technique was followed to identify 47 traditional rotative stokvel leaders across the sampled villages for in-depth interviews which were performed using a semi-structured questionnaire shows in Table 1. Snowball sampling was ideal because it is an informed instrument which picks participants and revolves to pick others identified by the previous participant (Newman, 2018). Given that participants were not known, it enabled one to pick a sample by collecting data from one participant to another until the point where data saturation was reached. Thematic analysis was then harnessed for data analysis.

Village	Sample	Gender		Employment Status					Marital status		
		F	M	Emp	Ent	Frm	Stn	Un	Md	Sg	Oth
Dididi	4	4			1	2		1	2	1	1
Dumasi	5	4	1		1	1		3	1	1	3
Ha-Lambani	7	5	2	1	1	2	1	2	1	2	4
Maraxwe	7	7		1	2	3		1	2	2	3
Muledane	9	7	2	2	1	2	1	2	3	2	4
Shayandima	6	5	1	1	2	1	1	1	1	2	3
Sibasa	9	6	3	3	3	1	2	1	4	2	3
Total	47	38	9	8	11	12	5	11	14	12	21

Key: Male = M; Female = F; Employed = Emp; Entrepreneur = Ent; Farmer = Frm; Student = Stn; Unemployed = Un; Married = Md; Single = Sg; Other = Oth

As depicted in Table 1, various groups initiate traditional rotating stokvel in the villages, although, it is predominant amongst female, farmers and entrepreneurs. This is consistent with studies earlier performed, which proves that women are more involved in stokvel as compare to men (Donalson et al., 2013). Lukhele (1990) justifies the high involvement of women in stokvel activities to rural-urban migration during the apartheid regime in the 1930s. A vast majority of women migrated to join their husbands working in the mines in cities and towns. Many could not secure a job, hence, some got involved in piece jobs with little earnings. This challenge resulted in a high level of poverty and unemployment amongst the women in the country (Buijs, 2002). Recent research has shown that most women employed in the informal economy earn low incomes, relatively lower than what is expected to maintain a family (Matuku & Kaseke, 2014). These challenges, coupled with a household burden and black tax issues, meant that many

women supplement their income through other means, like stokvels. This is one justification why stokvel is predominantly practised by women.

A considerable involvement of farmers and entrepreneurs is because majority of this category of individuals earn daily income and have no access to formal banking services; in this situation, stokvels become an ideal means of saving money. As mentioned earlier, most of the unemployed individuals in the study area benefit from child or pension grants; a proportion of which is saved. The cost of travelling to areas where the banks are and charges associated with formal banking, as well as other logistics required, however, make them resort to stokvels. According to Buijs (2008); Matuku and Kaseke (2014) stokvel is a means of promoting the informal banking system to provide the same functions that commercial banks offer in a more convenient and cost-effective means.

Brief Description of Types of Traditional Rotating Stokvels in the Study Area

Through in-depth interviews with participants, it was revealed that there are several traditional rotating stokvel packages in the area (shown in Table 2). These include - budget stokvels, farming stokvel, building stokvel, property stokvel, grocery stokvel and funeral stokvel. All these traditional rotating stokvel structures are of interest in this study.

Type	Comment
Budget stokvel	A group of individuals with common goals agree on an amount of money to be paid at a time and that makes up a lump sum for one member.
Farming stokvel	A group of farmers agree to take turns and collectively work on each other's farm at a time.
Building stokvel	In this context, except for building materials that are bought, the committee of friends with different building skills join efforts to build each other's house, one at a time.
Property stokvel	People take turns, contribute a certain amount each month to buy house appliances like electronics, kitchen utensils and furniture for each other.
Grocery stokvel	This form is strictly for food items. A little portion of income is contributed which is given to one member to get a large stock of items for the family. It rotates until every member is covered.
Funeral stokvel	People in society contribute a certain amount to a pool that helps them cover part of the funeral expenses of their relatives. Wedding and birthday stokvels also take a similar dimension, however, they are not as common as funeral stokvels.

Scholars have also alluded to the existence of various stokvel practices. Buijjs (2008) sees stokvels as typically community-based self-help associations that help people generate income and attend to other needs, like burial needs. "The group is always there for each member during times of trouble, such as when a family member passes away or money is needed for emergencies such as children's school fees" (van Wyk, 2017). Verhoef (2002) explained the concept of monthly contributions made to sort out family issues and buy "bulk groceries from wholesalers" which is distributed among members. This is closely related to the point of Matuku and Kaseke (2014) who identify high-budget stokvels established to promote savings and investments. People involved in high-budget stokvels contribute substantially to a pool with hopes of getting a lump sum to maintain a high standing in society. Often, the lump sum is used

for household demands, although the authors argued that “high-budget stokvels are not for the poor or persons of limited means”; it is contestable whether people with very little income also get involved. Stokvels, generally, regardless of nature can be operated amongst the wealthy class, likewise among the poor, however, with different targets.

Van Stel et al. (2005) highlighted investment stokvels wherein members contribute a proportion for a business to generate income and share the profit. Verhoef (2001) mentioned that jazz or party stokvels often staged to generate business start-up capital for a member. This form of stokvel may not be very common in rural areas.

RESULTS

Through in-depth interviews, four re-occurring themes were arrived at - the formation process of the stokvels, operational plan, financial management, and disciplinary measures put in place to maintain order. These themes and their related steps are presented in Table 3 and discussed below.

Steps	Attributes
Formation Process	Traditional rotating stokvel ideas start with an individual who then shares with one or two close people to develop the idea.
	Enrolment of people into the group is based on the recommendation from those who developed the idea.
	More people can be involved using networks of the enrolled members.
	Involvement is based on trust, as well as social and economic class.
	Each member is known to at least another.
	Entry into a traditional stokvel is free, so also is exit.
Setting Operation Standards	A meeting is organised with all members to map out an operational plan.
	The venue of the first meeting (usually a physical platform) is based on the discretion of the initiator of the idea.
	Subsequent meetings are rotated amongst members' residences or place of choice.
	Group administrators, like chairperson, secretary and treasurer are elected based on a person's trustworthiness and social standing in society.
	Members' biographical information and contacts are documented for use in case of any eventuality.
Financial Management	All financial transactions are recorded in a ledger.
	Amount to be contributed is collected by members.
	Group Chairperson is responsible for the administration of finances.
	A balloting system is used to determine the pay-out of a lump sum.
	Exceptions are made for people with pressing need to get the lump sum first.
	Income generation benefits both the initiator of the group and contributors.
Dealing with Defaulters	Lateness to meetings, absenteeism, fights and theft are offences and attracts fines.
	Failure to contribute an agreed amount for others after receiving a lump sum is an offence.
	Refusal to comply with fines and other payment terms is dealt with using traditional leaders.
	Defaulters are frowned at, shamed and discriminated against in society.

Formation Process of Traditional Rotating Stokvel Enterprise

A traditional rotating stokvel group begins with a sole idea of a need for development. The conceiver involves another, usually a close friend, relative or colleague to plan the process of materialising the idea. A well-developed plan based on the idea is then disclosed to close networks to get them to join. The composition of the group is through the recruitment of more members through existing members.

“We only involve known people in our group to avoid problems. Each member picks someone close to them to join rather than opening the group for everyone to come. It makes things easier for us”(Male; Student; Single).

This narrative is consistent with Dare and Okeya (2017), who stressed that the enrolment of new members is based on personal recognition and recommendation of an existing member. This is an ideal way of enrolling known and trusted people, such that the possibility of involving problematic individuals is minimised. The formation of a rotating stokvel takes the form of a pyramid wherein the sole initiator involves close individuals, then continue to pick more individuals from their networks, such as from their churches, friends, colleagues, family members and secret societies. According to Mungiru and Njeru (2015), trust, cultural lines, shared norms, social ties, as well as bond, are pivotal attributes often harnessed to sustain the ideology of informal savings/investment enterprises. Moodley (2008) asserts that trustworthiness is the key in minimising defaults on contributions and maintaining the secrets behind stokvel success stories.

“...me and my husband are the founders of the stokvel. We spoke about it and felt the need that we wanted to help each other, and then I shared the idea with some of my colleagues who were very interested to be part of it.”
“...We then scheduled a meeting, met, discuss and agreed on terms to roll out. We started with a five-man committee and saw the need to expand. So, each member was obliged to introduce five trusted people through their network who can meet our financial terms. Membership is completely free; we only agree on the amount each member should contribute...” (Female; Employed; Married).

The composition of a traditional rotating stokvel and group size is determined by the goal. Each group, according to van Wyk (2017) “is characterised by a constitution which directs members’ roles and responsibilities in relation to the size of the monetary contributions made.” It is influenced by people’s lived experiences and in trying to make a living in an area. Opinions of members are deliberated to decide the appropriate class and nature of individuals to involve, as well as the dimension of the stokvel.

“...it is a group of thirty, it can be less or more, but it is always preferable to have a considerable number for administrative purposes. The lesser the number, the easier it is to manage. Sometimes, large numbers can be problematic...” *“Many people were interested to join our group, so we created subgroups of 10 members each to avoid chaos. However, these groups are still in the same stokvel umbrella, govern by the same regulations and operational plan but have different meeting periods.”* *“All the groups join efforts when events such as funeral and marriage occur. “We all celebrate our end of year party together...”* (Male; Entrepreneur; Married).

As explained earlier, other than income generation, there are other reasons for a traditional rotating stokvel. A female head of household narrates:

“...we are a group of five people; rather than money we use labour approach to assist each other. All of us are farmers, so we schedule to assist each other with farm work. Aside from the fact that it makes work easier and faster, we enjoy good company. We are friends. It was this same method we used to build our houses. The only thing we bought was building materials. The entire building was erected using our hands...” (Female; Farmer; Single).

“...I belong to stokvel group in my street, we contribute a certain amount monthly to buy home appliances for our members...” *“...we have a village stokvel wherein every household contribute R20 every first Sunday of the month. When a village member dies, the family is supported with a certain amount...”* (Male; Unemployed; Married).

Based on the participants’ narrative, a traditional rotating stokvel is a voluntary funding society of individuals with informal business practice. Income generation initiatives benefit both the contributors and initiator of a particular stokvel.

Setting Operation Standards of Traditional Rotating Stokvel Enterprise

Traditional rotating stokvel operations differ from group to group. Terms of operations are defined by members during their first group meetings. Having agreed on the membership size, once-off premium, meeting cycles, time, venue, and other logistics will also be agreed upon. Often, meetings are rotated amongst members. The group may decide either to cater for logistics like refreshments, rent chairs and tables for the meeting; otherwise, it is the responsibility of the host.

“As the initiator, I scheduled the first meeting in my compound. It is sort of induction to roll out the stokvel. Both the people I shared the idea with and the contacts they recommended through their networks attended. It is more or less meet-and-greet setting to familiarise. I bought soft drinks and snack; we share, having met briefly to explain what the idea is all about to everyone. ...you know, people are eager to hear from the horse’s mouth...” (Female; Entrepreneur; Single).

Stokvel groups have their own rules and purposes, but the common denominator is trust between all the parties involved and a deep sense of mutual responsibility (Luthuli, 2017; Koenane, 2019). Members meet to agree on norms and regulations that should govern their operations, such as a penalty for lateness and disciplinary measures for other forms of disorderliness.

“...after the introduction and a warm welcome to everyone, we then engage in the mandate of the idea and the plan we have designed. Everyone’s opinion at this stage is welcome to improve the plan. At this point, anyone not interested in the idea may exit; we can always get a replacement immediately from our contacts, otherwise, continue with the active members...” (Female; Entrepreneur; Single).

*“The moment our intentions are clear and jointly supported by all members, we are set for elections at the same time to nominate group representatives such as chairperson, the treasurer, secretary and provosts. Although, this is only necessary for larger groups like *** (a group of 22 members) that require serious checks and balances...”. There may not be a need for a cabinet. For instance, there is another stokvel group (***) I am investing with, we are on six friends. We know each other well from the inside. So, the protocol is less, only one of us volunteered to keep our records...”* (Male; Farmer; Married).

“...In a large group where not everyone is known by all members, a document may be prepared to take into account names, addresses, contact details and, in some cases the guarantor. We also outline our terms of operation in the document as agreed by all members of the group. It serves as our working tool and at the same time, a contract that binds all members into the group...” (Female; Employed; Single).

In a rotating stokvel, balloting is used to determine those that should access lump sum before others. It enables the group to overcome any rift that might arise as members contest to be on top of the list to receive the money; however, sometimes exceptions are made for people in serious financial crises.

“...In my group, immediately after the first meeting to roll out the stokvel, members are allowed to propose when it will be most appropriate to get a lump sum or even borrow from the group. Should there be a conflict of interest, we then go for balloting where members pick a number where they can be placed...” “It is allowed to exchange positions with other group members, as one may decide to be the last in the payroll based on their financial need or plan to invest their money...” (Female; Entrepreneur; Married).

Contributions in each stokvel group vary. People consent to contribute agreed efforts or sum of money regularly into a pool, for a reason (Matuku & Kaseke, 2014; Sile & Bett, 2015). There is an instance where group members meet to contribute an agreed amount that makes a lump sum for one individual. Another example is that a certain per cent is deducted from the lump sum for investment purposes to generate income for the group. Some groups prefer an additional fixed amount (fee) for investments and logistics.

“We meet once in two weeks to contribute a premium of R1000 each. Out of which, 90% of it is given to one person as a lump sum. The remaining 10% coupled with other money we generate from defaulters is reserved for borrowing to generate income. The profit is shared amongst us...” (Female; Entrepreneur; Single).

“...each will contribute R3000 at a time to make a lump sum for one member, and R200 for refreshment...” Then we contribute an additional R2000 monthly for investments. So, I pop out R5200 every month for the stokvel. It pays a lot because the one-off lump sum is huge enough to secure a property. Besides, we make a lot of profit from our investments. It is also helping us to generate extra cash from our basic salary...” (Male; Employed; Married).

“My sister-in-law introduced me to a group wherein every member pays R600 a month. It is for a year, and we are 12 members. So, each gets about R7200. However, the R200 is a contribution to the end of year party for the group. We use it to cook and buy drinks. Then invite our friends and family to enjoy with us” (Female; Employed; Married).

We have two standards in my group. Firstly, the one we contribute as a lump sum which is taken by one of use. The second one is a fixed amount we just pay monthly to borrow and raise interest which we all share at the end of the year. The one for borrowing is in two forms: borrowing at a 20% interest rate as an outsider and that of 10% for members of the group. A member is only allowed to borrow once in a year, except in situations where other members are not interested...” (Male; Farmer; Single).

Financial Management in Traditional Rotating Stokvel Enterprise

Traditional rotating stokvel groups keep records of activities, especially a ledger that enables the recording of day-to-day transactions. The group treasurer and financial secretary are responsible for collecting money and recording transactions while the group chairperson (usually the initiator of the idea or prominent/trusted individual in the group) saves, manages, and disburses the money, however, under the close watch of other members.

“...the first thing we do is to constitute a cabinet that will pilot the affairs of the group. It is important to elect a decent person otherwise suffer lootings and misappropriation of funds. We do a background check on the people we should entrust our money to. Firstly, they must have a stable means of income, sometimes we recommend someone with a family and physical properties. This helps us in getting hold of them should they misbehave and

disappear. We also consider their creditworthiness and their good standing in the society...” “a leader of any stokvel group should be a reliable, responsible and trusted fellow...” (Female; Employed; Single).

These views have been reiterated by Matuku and Kaseke (2014) and van Wyk (2017) that a successful stokvel is anchored on trustworthiness. This can be achieved by enrolling known people and electing a trusted chairperson, secretary, and treasurer who run the day-to-day affairs of the group. Reliable records of each transaction should be maintained by the secretary and treasurer.

The chairpersons are responsible for the administration of funds and held accountable for any losses, thus, precautionary measures, such as safe places are often used to secure contributions handed over to them.

“...for security reasons, I always deposit remnants of contributions made, soon after the meeting. “...our form of stokvel deals with a large sum of amount. Sometimes, investment premium put together could sum up R46,000. It is a large sum to be kept in the house...” (Female; Entrepreneur; Single).

“...only R6,000 is generated after the lump sum. This money for borrowing and other logistics associated with the group. I can easily throw that in my box and lock or ask my husband to hide that in the storeroom...” (Female; Entrepreneur; Married).

People in charge of money administration are security conscious and mindful of possible organise attacks that may result in loss of money. Concerns were raised about people arranging with thieves to visit and ransack Chairpersons’ houses soon after a meeting is held. This leaves suspicions that some group members may be involved in planning the thefts.

“...We are about 25 people in my group and our stokvel premium is in two places – that which is paid as a lump sum and the other which is the contribution for investments to share in the long run. The size of the group was too large for me to manage at the same time. So, I created five subgroups and appointed deputies to oversee the collection of money. In this, only five people can meet at a time in a different location to contribute the money. The deputies then arrange to meet with me to consolidate records and hand over the money to me which is taken to the bank. However, we (the 25 members) meet periodically to discuss general issues and a way forward for the group...”(Female; Employed; Married).

Dealing with Defaulters in Traditional Rotating Stokvel Enterprise

As earlier mentioned, group members collectively make laws that govern their stokvel operation. There are fines for offences, such as lateness, absenteeism, theft, fight and other forms of misbehaviour. Apart from the fact that this helps in maintain discipline and orderliness amongst members, it is also a means for income generation as the money collected from defaulters is invested to generate profit, which is shared amongst members.

“...We agreed that lateness to a meeting is R20 and failure to attend without a valid excuse will be R50. In a situation where there is an event of a member like a wedding or funeral, we normally contribute R200 each to support. Aside from the financial commitments, we also assist the family with the arrangements and organising process of the event. We support each other in times of need. It can happen to anyone, anytime; no one knows. If any member fails to be part of the organising process or attend the event, he/she will pay additional R100 find...” (Male; Farmer; Married).

“Only group members who do not have a questionable record will be considered in the dividends we share at the end of the year which is generated from our investments. Those members that have met the target will calculate

the interest you have generated plus your subscriptions and pay them back. Contributions of people who have attempted to rub the group will be ceased. That's how it works..." (Female; Unemployed; Single).

Dialogues are a common means of resolution rift. Defaulters, especially those who have breached payment terms and group regulations, are engaged in discourse. In this context, the group sends a delegation to the defaulter to enquire what had caused the breach in the compliance. In a genuine case, defaulters may be given a period of grace to comply.

"...Sometimes people default due to reason beyond their control. People commit and run away without paying the funds, borrow money from the stokvel or get a lump sum and fail to make subsequent contributions to other members. We solve such issues amicably by engaging with the person through the guarantor and agree on when they can redeem the debt..." (Male; Student; Single).

"...To avoid problems in the community, it is best to comply with the terms of the group. If you are owing, explain your issues to the group and beg for a period of grace. They will understand and take things easy with you pending when you can raise the money and pay. If you are stubborn, then you will be forced to pay..." (Male; Farmer; Married).

The defaulter's close relatives may be involved in subsequent efforts to recover a debt. This narrative is consistent with van Wyk (2017) that breaching a stokvel agreement on contributions and/or loan repayments is managed through social pressure. Such measures are explored when several attempts to make things right with the defaulter had proved unsuccessful. As a last resort, they are threatened to be mishandled by traditional societies where there is a group in the community that disciplines people. A group may also attempt to make a public pronouncement about the act which may earn the defaulter a societal stigma and social exclusion. This comes with abuses, shaming and discrimination. The traditional council of a community is the last resort, hence, a defaulter who has proved stubborn can be summoned to a chief's palace. In many instances, they are given conditions under which to pay, otherwise, some of their properties will be confiscated by the group.

"...should they misbehave, they will be shamed and stigmatised in the community society..." *"...we even take them to our chief. No one escapes this..."* *"...having been shamed and summoned to the traditional council for default, no one will ever accept to involve in stokvel activities with you again. It depends on trust and how you treat your case.* (Female; Farmer; Single).

Some stokvel groups, especially, those with a large number of members, mostly those practised amongst colleagues in government establishments are registered as a cooperative and each member has to consent to certain obligations. This enables the use of legal measures such as the police and courts to resolve disputes. This is an ideal measure, given that this form of stokvel groups are diverse; most colleagues are from different cultural backgrounds and reside in different locations which makes the application of customary laws impossible.

"...no one would dent his/her image in a place of work over stokvel money. It will be made known to everyone around you, it is a big slap to your face. To avoid drama [breach of terms], we register our group. Every member has to complete membership and agrees to legal terms for any form of default..." (Female; Employed; Married).

Thomas (2015) mentioned that even though terms and regulations in a typical traditional informal credit system are often unwritten, the defaulter is usually frowned upon and receives penalties. Traditional measures such as social sanctions that may result in shame and relying on

the influences of kinsmen are often harnessed to force compliance (Mwangi, 2013; Thomas, 2015). People involved in a traditional stokvel do not want to deviate from the norm since the nature of punishment often used would damage their reputation and social standing (van Wyk, 2017). As a result, stokvel members tend to keep in mind the rules of engagement. This argument is consistent with Moodley (2008) who reiterated that good reputations earned by remitting due contributions and keeping reliable financial records are key secrets behind stokvel successes.

DISCUSSION OF FINDINGS

Traditional practices have been discovered to drive social and economic development and while Africa has an abundance of indigenous practices which have been ignored to embrace western ideologies, the continent struggles for entrepreneurial success and establishing her own identity. Key among indigenous practices in Africa is the stokvel rotating saving and credit associations. The formation is based on shared goals which members want to achieve. It has contributed immensely to social cohesion and improvement in the livelihood of rural dwellers in the country. The success of the associations has attracted numerous studies which have focused on the impacts, practices and challenges with little or no attention to the processes involved in setting up a successful traditional stokvel. This study fills this gap of previous research. Which would provide the process of setting up similar enterprises in South Africa, Africa and beyond. We posit in this study that traditional credit and savings associations like stokvel will contribute to entrepreneurship development and performance in Africa.

The formation process was the first theme identified in this study; we discovered that rotating savings ideas start with an individual who shares it with one or two close friends for development, after which other trusted friends and relatives are enrolled. Enrolment in the savings association is usually based on trust and recommendation. The first point of action for setting up a standard rotating savings association is, therefore, the formation process and these findings were supported by Mungiru and Njeru (2015) who assert that trust, cultural lines, shared norms, social ties, as well as bond, are pivotal attributes often harnessed to sustain the ideology of informal savings/investment enterprises. Also, Moodley (2008) contends that trustworthiness is key in minimising defaults on contributions and is the secret behind stokvel success stories.

The second theme identified in this study that must be put in place to have standard rotating savings associations is putting in place operational standards. After the associations have been formed, a meeting is organised with all members to create an operational plan and the venue of the meeting usually depends on the originator of the idea. The meeting would usually be held in a physical location where all members can be present. Elections are held for operational positions, such as treasurer, secretary and chairpersons who are chosen based on trust and their social standing in the society. Key among the activities done to set up operational standards is to have contacts and biographical details of members which will be fully documented. A decision will be taken on when meetings will be held, while the locations will be constantly rotated among members. This process is sacrosanct to the success of the association because it will determine the mode of operations; rules guiding members and agreements are reached on the amount to be contributed and the process of disbursement. These findings support the assertions by Luthuli (2017); Koenane (2019) that stokvel groups have their own rules and purposes, but the common denominator is trust between amongst all the parties involved and a strong sense of mutual responsibility.

The third theme identified as an important factor for the success and standardisation of the association is financial management. Agreements and rules are made on managing the finance contributed for investment or specific needs for which they were contributed. The financial transactions are mainly recorded in a ledger; the group chairperson is responsible for the administration of finances, and exceptions are made for people with pressing need to get lump sum first, while a balloting system is used to determine the pay out of a lump sum. This finding corroborates the assumptions of Matuku and Kaseke (2014) that contributions are made and pooled together for a reason and are effectively managed towards achieving that goal.

Lastly, a measure of dealing with financial defaulters is also an important factor outlined to ensure the success and standardisation of the association to achieve the desired goals. Rules are put in place to manage and control negative occurrences, such as lateness to meetings, absenteeism, fights and thefts which will attract fines; failure to contribute an agreed amount for others after receiving a lump sum and refusal to comply with fines and other payment terms are all liable for fines. The association ensures defaulting is frowned upon and traditional strategies are put in place through traditional leaders to bring social pressure and shame to the individual who defaults or is planning to default. This is consistent with the findings of Wyk (2017) who assert that breaching stokvel agreement on contributions and/or loan repayments is managed through social pressure; Thomas (2015) also mentioned that a defaulter in a traditional credit savings and loan association is usually frowned at and faces penalties. In many instances, traditional leaders serve as the middle men between a stokvel group and a defaulting member, hence, they play an important role in dispute and conflict resolution in traditional stokvel systems. Our findings in this study show that traditional savings associations have a process of formation and operations; other similar associations in Africa may likely perform better too if they follow the processes - formation, setting of operations standards, financial management and dealing with financial defaulters - as identified in this study,

Furthermore, with an understanding of how a traditional savings association such as stokvel can be formed, financial freedom and funds for entrepreneurial endeavours in the informal economy can be pooled. This strategy can provide sources of livelihood, economic engagement, ameliorate poverty in rural Africa, and also sustain traditional institutions. If the opportunities in traditional savings associations are properly harnessed, the challenges of financing for enterprise formation and development in the informal economy would be resolved in Africa.

CONCLUSION

There are a number of similar practices to stokvels, in Africa. The successes of these stokvels in providing funds for investment and as means of livelihood for the members while also fostering social cohesion has attracted scholarly attention. We assessed the factors that are essential for setting up a successful traditional rotating stokvel group in Africa with a focus on South Africa. Process of formation standards of operations, financial management and dealing with defaulters were factors identified for the success and standardisation of traditional savings associations in the country. The argument of this study is anchored on the social and economic benefits an association such as stokvels provide for Africans, especially as the continent struggles with the sustainable development goals of the 2030s (SDGs 1-No poverty, SDGs 2-Zero hunger) agenda in the face of a global pandemic. Adopting principles and practices of operations, peculiar to stokvel can reduce poverty, sustain livelihood and provide resources for investment among low-income earners and the most vulnerable.

In addition, traditional savings and credit associations in Africa can become financial strength for indigenous businesses and entrepreneurs on the continent. By pooling resources of each other to invest, entrepreneurial success can be enhanced through this platform. The operations in commercial banks do not encourage the financial inclusion of those living in rural areas, the less privileged and illiterates in some societies. The adoption of traditional practices such as stokvel will alleviate rural challenges associated with finance. The model could achieve more success in rural areas where the most vulnerable and informal economy that operates mostly in this area would benefit. This will have social and economic implications on the drive for development and growth in Africa. Stokvel is a practice in the informal economy, its strategies will add value and successes to indigenous entrepreneurs and businesses if adopted. Furthermore, it can be deduced that it is inspirational to non-participants if the existing group members show signs of success. This can have significant effects and initiate change in entrepreneurship development and sustainable livelihood.

RECOMMENDATION

This study has provided knowledge on how traditional savings associations can be established, therefore, it is recommended that entrepreneurs in the informal economy adopt the stokvel model for their business growth, hence putting an end to the challenges associated with finance. Also, the steps identified in this study (shown in Table 3) should be examined in a broader context to inform a holistic traditional African-based informal rotating stokvel model. Entrepreneurship development practitioners, agencies and institutions of higher learning should incorporate stokvel in their capacity building framework as this will enable training of individuals on traditional and informal methods of mobilising resources for businesses.

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