

STOKVELS AND ECONOMIC EMPOWERMENT: THE CASE OF AFRICAN WOMEN IN SOUTH AFRICA, CA.1930-1998

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Opsomming

Verwantskapverhoudings in tradisionele gemeenskappe het vroue onderwerp aan die gesag van mans en ouer vroue. Vroue behoort aan hulle mans en hulle reg om in die kraal te woon het afgehang van haar verwantskap tot een of ander man, lewend of afgestorwe. Ingevolge die kommunale grondbesitstelsel kon vroue nie grond erf nie, maar dit het vererf na haar kinders. Vroue het vruggebruik van hul afgestorwe eggenotes se grond behou. Wanneer vroue uit die tradisionele sektor uitbeweeg het, het die moontlikheid ontstaan om vry en onafhanklik van die man te word. Swart vroue wat stedelike gebiede toe getrek het, het self 'n inkome begin verdien. Dikwels het weduwees deur verstedeliking begin om 'n onafhanklike lewe te skep. In hierdie stedelike omgewing het vroue ondernemend oorgegaan tot informele sektor aktiwiteite, maar hulle het toegang tot kontant ontwikkel waarvoor hulle dan stokvelle gestig het. Stokvelle was sosio-ekonomiese ondersteuningstelsels om daaglikse bestaansbehoefes asook later langtermyn aan krediet aan te spreek. In hierdie artikel word die stokvel as tipiese ROSCA-organisasie ontleed. Die verskillende verskyningsvorme van stokvelle word bespreek asook die funksies daarvan in die Swart gemeenskappe. Ten slotte word verwys na die pogings tot integrasie van stokvelle in die formele finansiële stelsel. Die artikel is krities ten aansien van die mate waartoe formele finansiële instellings die bewese spaargeneigdheid van hierdie organisasies erken en op grond daarvan toegang tot krediet verleen.

Summary

Women tend to be 'invisible' in society. In African communities women's participation in production and relative control over the means and fruits of production is often underestimated, leading to inadequate incorporation of women in macro-economic planning.¹ In the South African context particular attention is currently given to gender equality and specifically to women as the predominant financial managers of rural households in the informal sector.² Women have been creative in devising life strategies for survival in changing environments, e.g. through socio-economic innovation. This paper addresses the transition of African women into the urban environment and investigates how informal savings organisations have been utilised to enhance economic survival and independence. The last part of the paper focuses on strategies towards the incorporation of women in the formal financial structure.

¹ E.A. Baerends, "Changing kinship, family and gender relations", in C. Riseeuw and K. Ganesh (eds), *Negotiation and social space. A gendered analysis of changing kin and security networks in South Asia and Sub-Saharan Africa* (New Delhi, 1998), p. 51.

² See e.g., RP 38/1996: *Interim Report of the Commission of Inquiry into the provision of rural financial services*, 7 March 1996, p. 4.

1. Women in the traditional economies

A basic understanding of the role of a woman in the traditional economy explains the entrepreneurial and managerial abilities illustrated by her adjustment into the urban environment. In traditional African societies monogamous and polygamous marriages existed. Women were not allowed to have more than one husband. In the traditional household women performed important economic roles. The household evolved around the woman. Households with more than one wife would take on a compound nature. The marriage establishes a 'house' of the woman concerned, which centred around one wife and her children, rather than around the husband. The so-called 'house' (Nguni = indlu, Sotho = lapa) formed the centre of social and domestic arrangements.³ The husband had specific responsibilities towards the woman and her children, e.g. he must provide dwellings and a means to maintain a livelihood, i.e. fields, kitchen, granary.⁴ Livestock was usually attached to the 'house' and it remained a 'house' property - it was inviolable and was employed to benefit the children of that 'house'. The wife and her children worked the fields and cultivated the land. The 'house' thus revolved around her, but she was subordinate to the mother of the husband and the husband. She did not own property privately - it belonged to her 'house'. The woman's right to live in a homestead thus depended on her relationship to some man, alive or dead.⁵ The woman's independence increased with the birth of children, but the subordination to the mother-in-law remained until the latter's death. This follows the passing of rights over the woman from her father to her husband and his family. These rights include control over her activities, productive and reproductive. Her traditional household duties depended on her relationship to her husband. Should her husband die, she could not inherit the land - it was communal land. The property of the 'house' and the land was inherited by the children of that house.⁶ The widow might retain the use of a deceased man's fields. On quitrents theoretically nothing could prohibit a woman from acquiring land by purchase, but it was official policy to prevent such acquisition.⁷

Urbanisation was often the only strategy towards full economic independence. Men often disapproved, but the town environment was attractive to women. There they could earn an income independently from the 'house' and dispose of it according to need. She could conceal it from the 'house' and her husband and live an independent

³ E. Preston-Whyte, "Kinship and marriage", in W.D. Hammond-Tooke, *The Bantu-speaking peoples of Southern Africa* (London, 1974), pp. 179-180; W.A. Hoernlé, "Social organisation", in I. Schapera, *The Bantu-speaking tribes of South Africa. An ethnographical survey* (Cape Town, 1950), pp. 69-70; B. Bozzoli, *Women of Phokeng. Consciousness, life strategy and migrancy in South Africa, 1900-1983* (Johannesburg, 1991), pp. 40-42.

⁴ Preston-Whyte, "Kinship and marriage", p. 180; Baerends, "Changing kinship, family and gender relations", p. 52.

⁵ P. Mayer, *Townsmen or tribesmen* (Cape Town, 1971), pp. 233-234; Preston-Whyte, "Kinship and marriage", p. 182-183.

⁶ B. Sansom, "Traditional economic systems", in Hammond-Tooke, *Bantu-speaking peoples*, pp. 160-162; Mayer, *Townsmen or tribesmen*, pp. 233-234.

⁷ Mayer, *Townsmen or tribesmen*, p. 234.

life. Rapid urbanisation occurred during the 1920s and 1930s in South Africa when severe droughts and the impact of the depression reduced rural self sufficiency. Industrialisation in South Africa provided opportunities for men and women from rural African and white Afrikaner communities to earn a 'cash' income or to supplement rural subsistence with wage labour.⁸ A 'dual economy' as a life strategy for women (*inter alia*) to extend earnings beyond the traditional rural sector, emerged.

Women were not ill-equipped for economic independence in urban centres. In the traditional environment they organised the 'house', thus developing managerial abilities. They also showed wilfulness and independence from patriarchal control by moving to towns. Urbanisation did not change the legal position of women but created an environment where life skills could be utilised towards self empowerment. The choice exercised by African women, to live in townships and to construct and maintain a household there, indicated a change in the nature and purpose of earning an income. To unmarried women economic activity in urban areas meant breaking free, accumulating dowry and supplementing parental support. To married women it meant supplementing 'house' income as well as constructing and supporting her own household.⁹

African women in towns engaged in a variety of informal sector activities to generate cash income. This paper will not explore all these activities, but it is important to note that such activities were inadequate to maintain families. Women pioneered 'stokvels' into their urban social environment to supplement income, social needs and future needs.

2. Stokvels as savings institutions

Stokvels are typical informal rotating savings and credit associations, ROSCA's, as they are known in third world countries. These are community based self-help organisations such as savings clubs and friendly societies that have emerged in economically deprived societies where formal means towards the alleviation of financial needs were either inaccessible or did not exist.¹⁰ The name "stokvel" was derived from the nineteenth century Eastern Cape "stock fairs" of the English speaking settler stock farmers. The black farmers and labourers who attended these fairs, engaged in a lively interaction of ideas, socialising and gambling. Gatherings became regular meetings of

⁸ Sansom, "Traditional economic systems", pp. 163-167; Mayer, *Townsmen or tribesmen*, p. 234; Bozzoli, *Women of Phokeng*, pp. 4, 129.

⁹ Bozzoli, *Women of Phokeng*, pp. 122, 134; Mayer, *Tribesmen or townsmen*, p. 234; E. Hellman, "The Native in the towns", in Shaper, *Bantu speaking tribes*, pp. 406, 409-410; Mayer, *Tribesmen or townsmen*, p. 93.

¹⁰ T. Besley, S. Coate and G. Loury, "The economics of rotating savings and credit associations", *American Economic Review*, 83, 4 (1993), pp. 792-793; C.W. Calomiris and I. Rajoraman, "The role of ROSCA's. Lumpy durables or event insurance?", *Journal of Development Economics*, 56 (1998), pp. 210-211; P. Smets, "Community-based finance systems and their potential for urban self-help in a new South Africa", *Development Southern Africa*, 13, 2 (1996), p. 175.

people in black communities, no longer exclusively associated with the stock fairs.¹¹ A small group met regularly at the house of one member. The host would then be the recipient of the "stock fair" of that particular meeting.¹² This social and economic organisation spread into urban areas as black people entered wage labour in the South African mining and industrial sectors. By 1920 stokvels were operating in the Western and Eastern Cape, the Witwatersrand, as well as in Natal and the Orange Free State. Generally a stokvel can be defined as a type of credit union in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool on a regular basis. Depending on the rules of that particular stokvel, the pool or a portion thereof, is withdrawn by members either in rotation, by bidding or in time of need.¹³ Black people mobilised savings through stokvels in order to provide loans to members. Changing social and economic relations in urban areas resulted in changes in the organisation and functionality of stokvels. People's funeral, consumption and credit needs paved the way for the emergence of dynamic informal organisations, such as micro-credit organisations, savings clubs, buying aids and burial societies.

Stokvels is the umbrella term for a wide range of informal financial and social organisations that developed in South African black communities. In different regions these organisations have different names. In early days limited differences existed between the different types of stokvels, but today stokvels display substantial differences. Stokvels are also known as "mahodisanas" derived from the Sotho word "hoda", which means "pay" - "mahodisana" would thus refer to the act "to make pay back to each other".¹⁴ Reference to stokvels is sometimes corrupted by names as "estokini" or "stokies". In the Western Cape stokvels are called "umgalelos", which means "to pour". These groups had a strong religious inclination, commencing meetings with prayer. The more general term for stokvels in the Western Cape currently is "gooi-gooi's", which is derived from the Afrikaans word "oorgooi" (to throw over), which in the context of stokvels mean to lump money together.¹⁵ In the Eastern

¹¹ A.K. Lukhele, *Stokvels in South Africa. Informal savings schemes by Blacks for the Black community* (Johannesburg, 1990), p. 4; E. Thomas, "Rotating credit associations in Cape Town", in E. Preston-Whyte and C. Rogerson (eds), *South Africa's informal economy* (Cape Town, 1991), p. 291; W.G. Schulze, "The origin and legal nature of the stokvel, part 1", *South African Mercantile Law Journal*, 9 (1997), pp. 20-21.

¹² Thomas, "Rotating credit associations", p. 293.

¹³ Lukhele, *Stokvels*, p. 1; *Black Enterprise*, Dec/Jan. 1990, p. 45; *Enterprise*, Feb. 1991, p. 47; S. Burman and N. Lembete, "Building new realities: African women and ROSCAs in urban South Africa", in S. Ardener and S. Burman (eds), *Money-go-rounds. The importance of rotating savings and credit associations for women* (Oxford, 1996), pp. 23-24; L. Moodley, "Three stokvel clubs in the urban black township of KwaNdangezi, Natal", *Development Southern Africa*, 12, 3 (1996), p. 362.

¹⁴ H. Kuper and S. Kaplan, "Voluntary associations in townships", p. 179; Schulze, "Origin and legal nature of stokvel, 1", p. 21.

¹⁵ Thomas, "Rotating credit associations", pp. 291-292; Schulze, "Origin and legal nature of stokvel, 1", p. 21.

Cape speakers often refer to "amafella", which refers to a number of stokvel groups.¹⁶ Amongst Sotho-speaking Africans in the Transvaal stokvels are called "mogodisô", from the Sotho word "gogodisô", which means "to grow."¹⁷ In Natal informal rotating savings and credit associations are also found in the Indian community. The Hindi-speaking Indians refer to "chita" and the Tamil-speaking Indians speak of "chitu", similar to informal savings organisations in India.¹⁸ Stokvels is used as an umbrella term. It refers to different types of savings and credit organisations.

The savings propensity has always been high in the black communities.¹⁹ Initially savings took the form of hoarded cash, but the security risk of such strategy, as well as the desire for social interaction, gave rise to ROSCA-type of savings through stokvels. Women were responsible for establishing stokvels on a regular basis in the urban environment and integrating it into modern African society.²⁰ Women met and drank tea together. Members of the stokvel would contribute their regular agreed upon contribution, which was allocated to the host member. Some of these stokvel meetings were described as "Christian tea parties",²¹ while others were exclusively towards selling home brewed African beer.²² Although traditional African beer played an important role in stokvels since the beginning, it is not exclusively the case. Stokvels performed an important income generating and supplementing function through the mobilisation of savings, providing women with income they could dispose of independently.

Four categories of stokvels emerged in South African society:

1) Savings clubs: They consist of a relatively small membership meeting on regular intervals and making regular fixed contributions. The total contribution to a meeting can be paid out to the host after the meeting or is saved, in a savings account at the post office or a bank. This is a more recent development and was not practice initially.²³ Members receive the pool on rotation basis. The "gooi-goois", "mahodisanas", "umgalelos" and "mogodisô's" are all examples of savings club stokvels, characterised

¹⁶ P. Franks and S. Shane, "Building commerce through co-operatives", *Indicator SA*, 6 (1989), pp. 111-112; Lukhele, *Stokvels*, p. 21.

¹⁷ Schulze, "Origin and legal nature of stokvel, 1", p. 21; Burman and Lembete, "Building new realities", p. 23.

¹⁸ A. Ardener, "The comparative study of rotating credit associations", *Journal of the Royal Anthropological Institute*, 94 (1964), p. 207; T.A. Timbery and C.V. Aiyar, "Informal credit markets in India", *Economic Development and Cultural Change*, 33 (1984), p. 51; Thomas, "Rotating credit associations", p. 292.

¹⁹ Mayer, *Townsmen or tribesmen*, p. 249.

²⁰ *Black Enterprise*, 9 (Dec/Jan. 1990), p. 45; Lukhele, *Stokvels*, pp. 6-7.

²¹ Lukhele, *Stokvels*, p. 7.

²² Hellman, "Native in towns", p. 411.

²³ Lukhele, *Stokvels*, p. 20; Kuper and Kaplan, "Voluntary Associations", p.179; W.G. Schulze, "Stokvels, part 2: People's Banking", *Journal of Business Law*, 4, 3 (1997), p. 105.

by regularity of meeting, compulsory contributions and rotation of benefit to members.²⁴

Punctuality of attendance is non-negotiable and only well-known and trusted friends, family or neighbours of long standing are invited to become members. People often belong to more than one stokvel.

2) Investment clubs/syndicates: These stokvels resemble co-operative societies. They do not pay out the total pool to members at the end of meetings. It is saved with a specific common goal of carrying out capital projects, purchasing an expensive large commodity in future, or to invest in a business venture, equity or property.²⁵ These stokvels are also known as accumulating savings and credit associations, since the accumulated fund is often utilised for lending to members and non-members.²⁶ These stokvels usually dissolve after loans have been repaid and capital plus interest is divided amongst members.²⁷ Capital mobilised via investment stokvels can be seen as "seed capital" which is often supplemented by bank loans for larger investments, e.g. to buy vehicles or property. The growth in affluence amongst urban black people facilitated the emergence of investment stokvels, where regular contributions are relatively high. These investment stokvels have become increasingly popular with young upper income black people. These stokvels resemble the Taiwanese 'hui' ROSCA's, where participation by professional and technical workers, especially in the public sector, is above average. Participation in ROSCA's in Taiwan also increases as income brackets move upwards.²⁸ Investment stokvels move beyond the savings scheme towards investment in capital goods, property and financial instruments.²⁹

3) High-budget stokvels: These associations consist of 100 members or more, of high social standing and credibility in the community. Members require high monthly contributions of between R200 and R2 000. Pay-outs vary between R7 000 and R15000 per month. Regular pay-outs do not take place on a rotational basis, but depends on the allocation of pay-out dates by the 'board'. The 'board' is the highest decision making body in a high-budget stokvel. It consists of ten to twenty founder members and has an elevated status. The board determines pay-outs, based on credit worthiness

²⁴ C. Cross, "Informal lending. Do-it-yourself credit for black rural areas", *Indicator SA*, 4, 3 (1987), p. 87; Burman and Lembete, "Building new realities", p. 25; Moodley, "Three stokvel clubs", p. 361.

²⁵ Franks and Shane, "Building commerce through co-operatives", p. 110; Thomas, "Rotating credit associations", pp. 277-299; W.G. Schulze, "Stokvel, part 1: People's Insurance", *Journal of Business Law*, 4, 2 (1997), p. 79.

²⁶ Smets, "Community-based finance systems", pp. 179-180; Burman and Lembete, "Building new realities", pp. 36-37.

²⁷ Lukhele, *Stokvels*, pp. 20-21.

²⁸ A.R. Levenson and T. Besley, "The anatomy of an informal financial market: ROSCA participation in Taiwan", *Journal of Development Economics*, 51 (1996), pp. 53-54.

²⁹ *The Sowetan*, 12 September 1991; Schulze, "Origin and nature of stokvel, 1", p. 26.

or personal 'use' of the recipient to members of the 'board'.³⁰ A definite opportunity for corruption and the misuse of power exists in this category of stokvels, but profitability is high. Interest rates on loans are high. Pay-outs are always during expensive parties, hosted by the recipient, who charges an entrance fee to defray expenses.

4) Burial societies: These are the most significant stokvels and women are exceptionally prominent here. Burial societies or "makgotlas" evolved from the African custom to bring gifts of food and drink to the family of a deceased at a funeral. In the traditional societies the best ox was slaughtered for its skin to wrap the body and to feed the funeral guests, because the deceased had to be buried in the most dignified manner possible.³¹ Exceptional value is attached to being buried where one's forefathers were buried, but urbanisation made it more expensive. Stokvels were formed to assist members with increasing funeral costs. Burial societies ensured that the traditional practise of a dignified funeral was not eroded by the social and economic changes brought about by urbanisation and industrialisation. Burial societies consist of small groups of between five and twelve people, or in a few cases of up to eighty people. Two types of burial societies have developed. The first has no written agreement or constitution, but functions on trust and loyalty. Members pay a fixed amount upon death of a member or anyone in his immediate family. The total amount contributed is paid to the family of the deceased. This type of funeral provision does not provide for regular savings or deposits in bank accounts.³² The second type represent a more formal organisation with a written agreement or constitution stipulating the functioning of the society. At regular meetings members contribute an agreed amount. These contributions are kept in bank accounts, or currently, invested in endowment policies with insurance companies.³³

Burial societies started in the Orange Free State in the 1930s, and were formed on the basis of tribal or ethnic loyalty, but this is no longer exclusively the case. Members often wear a distinctive uniform or badges and name their societies to identify a common heritage, e.g. the Great North Burial Society, which is a society of North Sothos of Lebowa, or the Bopanang Bakgotla, which is a forcenity society for Batswana people from the Rustenburg area.³⁴ Membership is not restricted to one burial society alone. The high costs of funerals (between R250 and R20 000) have in practise

³⁰ Schulze, "Origin and legal nature of stokvel, 1", p. 26; Burman and Lembete, "Building new realities", p. 25; Thomas, "Rotating credit associations", pp. 299-300.

³¹ "Key role for Burial societies" in *Black Enterprise*, 21 (1989), p. 54; "Burial Societies have a role to play in economic empowerment" in *Black Enterprise*, 27 (1989), p. 12; Kuper and Kaplan, "Voluntary Associations", p. 185; E. Bähre, "Wij zullen onze beenderen in waardigheid begraven", *CAhier*, 4, 1 (1995), pp. 26-28.

³² Schulze, "People's Insurance", pp. 79-80; Bähre, "Onze beenderen", p. 24; Lukhele, *Stokvels*, p. 17.

³³ Schulze, "Origin and legal nature of stokvel, 1", p. 29; Kuper and Kaplan, "Voluntary Associations", p. 185; Bähre, "Onze beenderen", p. 24.

³⁴ Lukhele, *Stokvels*, p. 18.

resulted in multiple membership to ensure sufficient coverage on death.³⁵ Burial societies insurance policies have been taken out with burial society funds. In these matters, insurance and burial societies, women were conversant. In the traditional society those matters were regarded as the "affairs of women".³⁶ In urban areas women were the conscientious savers, *inter alia* for funerals. The woman paid insurance premiums and stokvel/burial society contributions from her own earnings.³⁷

3. Stokvels: ROSCA's for African communities

Stokvels closely resemble the international ROSCA phenomenon. Stokvels are formed on the basis of voluntary association of mutually trusted parties. The regular cash contributions are non-negotiable and allocation of the lump sum can be in part, in total, on rotational basis or by bidding, as by prior mutual agreement. Stokvels have become savings mechanisms to meet life-cycle needs and non-compliance with mutually agreed arrangements, is harshly punished. Default control is exercised through social collateral and the demand for credit. These are general characteristics of ROSCA's which also apply to the South African stokvels.³⁸

The reasons for black South Africans' participation in stokvels closely correlate with the experience in developing countries. People with low and irregular income find it difficult to establish creditworthiness and thus access to credit. Therefore they participate in ROSCA's as a mechanism of mobilising savings that would otherwise lie idle under autarkic saving, to take advantage of the gains of intertemporal trade.³⁹ Stokvels were formed to augment meagre incomes and relieve poverty and as such are typical

³⁵ "Funeral Policies: What to buy?" in *Drum*, August 1995; "It's a Living" in *Tribute*, January 1995

³⁶ Kuper and Kaplan, "Voluntary Associations", p. 185

³⁷ Mayer, *Townsmen or tribesmen*, pp. 248-249.

³⁸ T. Besley, S. Coate, G. Loury, "The economics of rotating savings and credit associations", *American Economic Review*, 83, 4 (1993), pp. 792-794; T. Besley, S. Coate, G. Loury, "Rotating savings and credit associations, credit markets and efficiency", *Review of Economic Studies*, 61 (1994), pp. 701-702; A. Ardener, "The comparative study of rotating credit associations", *Journal of the Royal Anthropological Institute*, 94 (1964), pp. 201-202; World Bank, *World Development Report*, (1989), pp. 112-113; B.J. Moore and G.A. Schoombee, "Bank credit to the informal sector: Challenge and reward", *Development Southern Africa*, 12, 3 (June 1995), pp. 350-351; A. E. Loots "Die belangrikheid van die informele sektor in die Suid-Afrikaanse ekonomie" (M. Com. dissertation, Rand Afrikaans University, 1991), p. 100; K. Memani, "Practical issues regarding informal financing". Paper presented at South African Reserve Bank seminar on informal financing, 7 August 1996, p. 4.

³⁹ Besley, Coate and Loury, "Rotating savings and credit associations", p. 702; T. Besley, "Savings, credit and insurance", in J. Behrman and T.N. Srinivasan, *Handbook of Development Economics*, 3A, Part 9 (Amsterdam, 1995), pp. 2126, 2129; H. Srinivas and Y. Hignuchi, "A continuum of informality of credit: What can informal lenders teach us?", *Savings and Development*, 20, 2 (1996), pp. 207-208; Smets, "Community-based finance systems", pp. 178-179; Ardener and Burman (eds), *Money-go-rounds*, pp.4-5, 7-10.

savings mechanisms aiming at the gains of intertemporal trade.⁴⁰ They have also developed into guarantees of access to credit.⁴¹

Stokvels emerged as savings organisations, first to supplement limited or no income in urban areas, and later to mobilise income towards more substantial purchases or investments. In the traditional sector women could not own property, but in urban areas they could, and stokvel activities were directed at the mobilisation of savings to provide shelter.⁴² Stokvels also played a supportive role when black people entered the cash economies of the towns. Women could make ends meet by pooling savings and selling beer at stokvel parties.

An important aspect of stokvel mutual support, was moral support, resembling the close knit tribal support structures in rural areas. Stokvels generated a strong sense of solidarity amongst members, taking on the functions of a provident society providing support to members in trouble, as well as their families. Stokvels provided a safety net for families of women arrested.⁴³ Although African women traditionally brewed for their husbands, in urban areas women brewed beer to supplement cash income. Police often arrested women for not having licences to sell liquor, as required by the Liquor Act. When women were in jail, stokvels provided moral and material support for families affected.⁴⁴ Stokvels acted as an agent towards bridging tribal and ethnic divisions amongst Africans in urban areas, and as such performed economic and social functions irrespective of traditional differences.⁴⁵

Stokvels soon transcended subsistence needs to facilitate purchases of durable commodities or bulk-buying, to improve living standards. Stokvels correlate with the Besley, *et al* thesis that ROSCA's are primarily used to save up for the purchase of indivisible durable goods.⁴⁶ The accumulated stokvel savings enabled members to buy durable consumer goods or to purchase bulk goods with cash whereby discounts could

⁴⁰ A.R. Dubb, "The impact of the City", in Hammond-Tooke, *Bantu-speaking peoples*, pp. 466-467.

⁴¹ Cross, "Informal lending", pp. 88-90; Franks and Shane, "Building commerce through Cooperatives", pp. 110-112; Moore and Schoombee, "Bank credit to the informal sector", p. 350; Smets, "Community-based finance", p. 178.

⁴² Mayer, *Townsmen or tribesmen*, pp. 248-249; Dubb, "Impact of the City", p. 446.

⁴³ Hellman, "Native in the towns", p. 411; Burman and Lembete, "Building new realities", pp. 27, 39, 40; Thomas, "Rotating credit associations" p. 292; "Stokvels gain momentum as millions are mobilised" in *Black Enterprise*, 14 (1988), p. 31; "Formation of NASASA" in *Black Enterprise*, 28 (Dec/Jan 1990), p. 45.

⁴⁴ Lukhele, *Stokvels*, pp. 7-13; Schulze, "Origin and legal nature of stokvel, 1", p. 23; L. Tager, "Legal aspects of Stokvels". Paper presented to the Centre for Business Law, University of the Orange Free State, 1994.

⁴⁵ Hellman, "Native in the towns", p. 431.

⁴⁶ Besley, *et al*, "Economics of rotating savings".

be negotiated - "One can afford things that one normally cannot afford," one stokvel member remarked.⁴⁷ There are examples of stokvel savings used to buy fridges, television sets, minibus vehicles used for taxi transport, etc. Accumulated savings are also used for special future events, e.g. weddings or Christmas parties and recently housing stokvels have gained in prominence following rapid urbanisation during the 1990s.⁴⁸

Stokvels played an important role as credit provider. Black people's access to credit had been compromised for different reasons, *inter alia* a low and irregular income stream, a lack of collateral in the form of fixed property. Township dwellings were inappropriate as security to financial institutions. Until 1994 blacks were prohibited from owning fixed property outside townships. Furthermore, as a rule few black people maintained bank accounts or savings accounts at the post office or building societies.⁴⁹

The majority of black people were unfamiliar with Western banking procedures, requirements and the whole concept of banking. Consequently they were also unfamiliar to the bank officials. Banks regarded lending to black people as placing their fiduciary responsibility at risk. The relatively small loans blacks wanted, were too small for the banks. The cost of administering micro-loans are too high and unprofitable, given the lack of security. To illiterate black people banks were intimidating and they could not help themselves. Stokvels or mahodisana's offered them a more congenial and better understood form of savings than western style banks.⁵⁰ As opposed to banks, stokvels provided security for a personal line of credit amongst trusted friends. Non-default on loan repayments and on regular contributions would ensure future credit. It was observed that "being too poor to borrow, can be worse than net indebtedness." Women would borrow, therefore go into debt, only not to default on stokvel commitments.⁵¹

Stokvels have thus emerged as "hidden banks" or people's banks generating savings for different purposes. Stokvels provided guaranteed access to credit.⁵² Borrowing from a stokvel removed the impersonal and intimidating experience of applying for bank credit. The use of stokvel credit feeds back into savings: borrowing means repaying and wanting to borrow follows from previous savings discipline. Defaults on repayments are

⁴⁷ Franks and Shane, "Building commerce through co-operatives", p. 111; Moodley, "Three stokvel clubs", pp. 363-364; Thomas, "Rotating credit associations", p. 296; "Stokvels gain momentum", in *Black Enterprise*, 14 (1988), p. 22.

⁴⁸ Bähre, "Onze beenderen", p. 23.

⁴⁹ Kuper and Kaplan, "Voluntary associations", p. 185.

⁵⁰ See e.g. Tager, "Legal aspects of Stokvels", p. 6; Moore and Schoombee, "Bank credit to the informal sector", pp. 347-348; Moodley, "Three stokvel clubs", p. 363; Thomas, "Rotating credit associations", pp. 292, 301.

⁵¹ Cross, "Informal lending", p. 88.

⁵² E. Preston-Whyte and S. Nene, "Black women and the rural informal sector", in Preston-Whyte and Rogerson, (eds), *South Africa's informal economy*, p. 240.

virtually non-existent, due to the sanction of non-access to future credit.⁵³ The secured access to stokvel credit has enabled women to start their own informal businesses and generate collective funds to promote their common interest.⁵⁴ This was undisputedly the case during the early years of African urbanisation. It is still the case in rapidly mushrooming informal settlements around metropolitan centres in South Africa, as well as in more affluent black urban townships. To women in informal settlements and rural areas access to small unsecured loans, in most cases via stokvels, is the only way to increase their income to improve their family's welfare significantly.⁵⁵ The cost of this form of credit may not be the cheapest, but cost is not the most important consideration - access to credit is. Small loans can be obtained from stokvels at various interest rates: some charge 20% per month,⁵⁶ others between 50% and 100% per week.⁵⁷ Interest rates of between 25% and 80% have been recorded.⁵⁸

Disregard in the black community for the relative high cost of informal lending highlights the vital insurance function of stokvels in the black community. On the one hand there is the guaranteed access to loan funds, and on the other hand there is the insurance for funeral needs. Despite the availability of numerous funeral policies, black people prefer to provide for funerals through burial societies. Burial societies are not formed for profit, but as mutual insurance to provide a financial and social support function to the bereaved family.⁵⁹ Recently the risks of burial societies have been reduced by links to insurance companies.

Although stokvels have a basic monetary value to black people, an equally important consideration for the formation of stokvels is the desire for social interaction, moral

⁵³ Evidence exists of women in informal business activities e.g. selling produce to passing motorists, or hand-made baskets etc., contributing a fixed amount from their earnings every week into a stokvel. Each woman took turns to receive the pool, but one woman initiated daily savings into their "bank" to set some money aside for communal use. The daily savings were recorded in writing and at the end of the week each woman got back in a lump sum, what they have put in, minus a small amount for the "kitty". The common pool is saved for future use, e.g. to improve their informal stalls, acquisition of their own business property or perhaps their own transport. Stokvels perform a vital function as guaranteed providers of "credit" to members. Thomas, "Rotating credit associations", p. 203; Cross, "Informal lending", p. 89; Kuper and Kaplan, "Voluntary associations", p. 183.

⁵⁴ Burman and Lembete, "Building new realities", pp. 37-38; Mayer, *Townsmen or tribesmen*, p. 250.

⁵⁵ RP 38/1996: *Interim Report into provision of rural financial services*, p. 51; C. Höck, "The South African Micro finance industry. The state of play, the potential and the pitfalls". Paper presented at the South African Reserve Bank seminar on informal finance, 7 August 1996, p. 1.

⁵⁶ Lukhele, *Stokvels*, pp. 22, 36.

⁵⁷ Thomas, "Rotating credit associations", p. 302.

⁵⁸ Cross, "Informal lending", p. 90.

⁵⁹ Schulze, "Origin and nature of Stokvels, 1", p. 29; Lukhele, *Stokvels*, p. 19; Bähre, "Onsere beenderen", pp. 26-28.

support and leisure. Parties went hand in hand with meetings - be that Christian tea parties, parties serving traditional beer or parties consuming western alcoholic beverages. A whole sub-culture developed around stokvels: lavish parties, flamboyant names, rhythmic music and sometimes violent criminal behaviour.⁶⁰ The importance of these parties lie in their income generating properties. Non-members attending such events paid an entrance fee, food and drink was for sale at inflated prices - all accruing to the host. Unacceptable noisy, violent, criminal and immoral behaviour that surfaced contributed to a rejection of stokvels by certain members of the black community.⁶¹ Stokvels have nevertheless remained a powerful informal financial network for the mobilising and allocation of informal savings. The next section will explore the growth of the industry.

4. Stokvels in the modern economy

The growth of the South African economy generated a rising demand for access to finance by people with limited collateral to offer as security for loans. This development contributed to a dramatic growth in the retail lending industry, of which stokvels make up the oldest and best established associations. Since they operate in the informal sector, statistics on size and performance are not prolific. Stokvels are the biggest generator of informal funds.⁶² Stokvel activities have a multiplier effect in the economy by keeping money moving in the informal sector.

The first comprehensive market research into the size of the stokvel industry was done in 1989 by Markinor. The following was found:

- * ± 24,00 stokvels existed in metropolitan areas.
- * monthly contributions amounted to a turnover of ± R52 million.
- * 41% of stokvels were savings clubs, 29% were burial societies and the rest were a mixture of other stokvel varieties.
- * burial societies contributed 42% of the monthly turnover.
- * ± 25% of the adult Black population belonged to a stokvel or communal buying group.
- * 60% of stokvel members were female.⁶³

These statistics did not reflect stokvels in rural areas, where more than 50% of the black population lived. Other sources have estimated 800 000 active stokvels countrywide.⁶⁴ Another survey in November 1995 estimated that 29% of the adult black population

⁶⁰ Burnett, "'Stokvel' as rekreasiie-aktiwiteit in gedepriveerde gemeenskap", *South African Journal for Research in Sport, Physical Education and Recreation*, 19, 1+2 (1996), pp. 20-24; Thomas, "Rotating credit associations", p. 302; Lukhele, *Stokvels*, pp. 7-15.

⁶¹ Burnett, "'Stokvel' as rekreasiie-aktiwiteit", pp. 21-24; Burman and Lembete, "Building new realities", p. 35; Bozzoli, *Women of Phokeng*, pp. 142-145; Lukhele, *Stokvels*, p. 9.

⁶² "Buddy can you spare a dime?" in *Financial Mail*, 30 September 1998.

⁶³ Lukhele, *Stokvels*, pp. 2-3.

⁶⁴ Schulze, "Origin and legal nature of stokvels, 1", p. 23; Cross, "Informal lending", pp. 88-90.

participated in stokvels and that burial societies contributed 66% towards total turnover. More than 33% of the urban black population over the age of sixteen was estimated to participate in stokvels. The number of people involved in stokvels was approximately 8 million.⁶⁵ In 1996 it was estimated that the monthly cash flow through stokvels was R200 million, which represented roughly a 74% growth in turnover between 1989 and 1996.⁶⁶ NASASA, the umbrella body of stokvels (established in 1990) currently estimates monthly turnover at R1,3 billion, of which roughly 30% (R400 000) is saved, i.e. not rotated.⁶⁷

More current market research undertaken by the Integrated Marketing Information Group in 1996 and 1998 provides a more comprehensive observation. This Group compiled a consumer scope, reflecting a Living Standards Measure (LSM), based on living standards, income levels, employment and stokvel (referring to the umbrella term) participation. The LSM is an indicator compiled from twenty two candidate factors, including *inter alia* household size, ownership of durables, level of education, work status, occupation, household facilities and shopping habits. The 1996 survey is not identical to the 1998 survey, but provides useful categories for comparison.

Table 1
Living Standards Measure, 1996⁶⁸

	1	2	3	4	5	6	7	8	9
LSM1	99,8	4358	20	43/57	-	19	0,2	15	3
LSM2	98	2875	13	41/59	-	33	1,3	14	10
LSM3	93	2993	12	52/48	-	40	5	24	23
LSM4	89	3343	13	53/47	-	44	9	18	36
LSM5	81	3314	14	51/49	-	41	13	26	44
LSM6	55	3247	13	48/52	-	46	21	14	64
LSM7	12	2987	11	51/49	-	55	26	3	93
LSM8	2	1423	5	41/59	-	62	26	3	97

1 = % of blacks

2 = Number of adults (16+ years) ('000)

⁶⁵ J. Mills, "The People's Benefit Scheme - A generic financial instrument to enhance stokvel savings and provide access to geared loans", Development Bank of Southern Africa Report, 1993.

⁶⁶ "Formation of NASASA" in *Black Enterprise*, 28 (Dec/Jan. 1990), p. 45 - NASASA stands for the National Association of Stokvels of South Africa; Burman and Lembete, "Building new realities", p. 24; S. Japp, "The role of stokvels and representative bodies in the RSA". Paper presented at the South African Reserve Bank seminar on informal finance, 7 August 1996, p. 3.

⁶⁷ S. Jap, Interview, 30 May 1999.

⁶⁸ Source: Integrated Marketing Information (IMI); *Consumer Scope*, 1996.

3 = % of total population

4 = % men: % women

5 = % no personal income (not recorded in 1996)

6 = % working (full time, part time)

7 = % members of burial societies (or other funeral arrangements)

8 = % members of stokvels (collective term)

9 = % using any bank account

Income of people in LSM1 to LSM3 varied from nothing to a maximum of R1 500 per month; those in LSM3 and LSM4 up to a maximum of R3 900; LSM5 up to a maximum of R5 900; LSM6 up to R8 000 and LSM7 and LSM8 more than R8 000 per month. The important observation is the significant presence of people with relative low incomes (LSM1 - LSM3) in stokvels and burial societies: 15% of LSM1 belonged to stokvels and 0,2% to burial societies and 24% and 5% respectively in the case of LSM3. Participation in these informal associations rose to 18% and 9% respectively in the case of LSM4, and 26% and 13% respectively in the case of LSM5. From LSM6 to LSM8 participation in stokvels declined, but in burial societies increased. The 1996 statistics use stokvels as the collective term, referring to all the types of savings clubs, including burial societies. The figures in column 7 do not refer to the traditional African burial society membership, but to participation in any funeral arrangements, which reflect funeral insurance. The strong stokvel participation in LSM5 (26%), where 81% of the population is black, shows that stokvel participation is by no means restricted to poor people in rural areas. The drop to 14% stokvel participation in LSM6 can be explained by the drastic decline in black people as a portion of that LSM population.

It is also important to note that participation in stokvels is relatively high despite high levels of unemployment: in LSM1 only 19% of the population worked, but 15% were still involved in stokvels of some sort. In LSM3 24% stokvel participation, plus 5% burial society participation was noted despite the fact that only 40% of the population was engaged in formal employment; this ratio increased to 26% stokvel and 13% burial society participation in LSM5, despite only 41% in employment. Up to LSM5 participation in informal financial associations increased simultaneously with increased use of formal banking facilities.

Table 2
Living Standards Measure, 1998⁶⁹

	1	2	3	4	5	6	7	8	9
LSM1	99,7	2 808	13	39/61	32	22	21	1	0
LSM2	97	2 621	11	45/55	23	29	25	4	16
LSM3	96,3	3 208	13	44/56	25	40	25	5	18
LSM4	93	3 147	12	51/49	21	38	27	7	30
LSM5	88	3 831	15	51/49	19	41	33	4	34
LSM6	77	3 572	13	52/48	24	41	37	6	44
LSM7	35	3 274	11	49/51	17	54	31	3	74
LSM8	7	3 259	11	50/50	11	63,4	24	1	94

1 = Number of blacks %

2 = Number of adults, 16+, ('000)

3 = % of total population

4 = % men : % women

5 = % no personal income

6 = working (full time, part time, making and selling things)

7 = % member of burial society

8 = % member of stokvel

9 = % using any bank account

People in LSM1 to LSM3 earn between nothing and R2 000 per month; people in LSM3 between R200 and R3 000; LSM5 and LSM6 between R500 and R4000; LSM7 and LSM8 between R2 000 and R20 000 per month. The significant aspect of this study is that in 1998 about 25% of people earning less than R2 000 per month, belonged to burial societies and between 1% and 5% to stokvels as well. These statistics do not show whether people belong to more than one society, but it is general knowledge that that is the case. As income rises, between 27% and 37% of LSM4 and LSM6's representatives belong to burial societies and between 6% and 7% additionally to stokvels. Even amongst high income earners, membership of burial societies and stokvels remain at very much the same level as with lower income groups. Calculating column 7 as a percentage of the number of adults in 1998, approximately 5,2 million people belonged to burial societies. The membership of stokvels is approximately 721 593, totalling about 5,9 million people in stokvels. Out of a total South African population of 25,8 million, 23,1% belong to stokvels, and 31,54% out of a total of 18,9 million black people. It is problematic to do the same calculation for Table 1, due to the inclusion of other funeral arrangements in the statistics reflected in column 7. Should the calculation nevertheless be made, ± 6,3 million people participated in stokvels in 1996. Providing for the inclusion of non-burial society funeral arrangements in the 1996 statistics, there is no dramatic declining trend observable in stokvel participation in South Africa in recent years. It remains important to note that there is a high correlation

⁶⁹ Source: Integrated Marketing Information (IMI); *Consumer Scope*, 1998.

between people with no personal income in 1998 and "stokvel" participation. This reflects the importance of stokvels in black communities. Even where blacks make up only 35% of LSM7, more than 34% of the people belong to "stokvels".

The 1998 statistics underline the significance of stokvels in South Africa. In 1990 only 5% of formal bank credit and hire purchase advances went to blacks, whereas their income accounted for 36% of total income and they made up 70% of the total population.⁷⁰ This explains why approximately 40% of the total credit advanced to blacks, was provided by stokvels.⁷¹ The 1998 Consumer Scope shows that a larger percentage of the population belong to stokvels than those using bank accounts. Only on the LSM7 and LSM8 levels did the use of bank accounts exceed the participation in stokvels. For the black community stokvels still perform a vital financial intermediary role, despite the existence of a sophisticated financial structure. Especially to black women the socio-cultural dimension of stokvels provide security and support no bank can provide.

5. Women and stokvels in the mainstream economy

African women have adopted remarkably rapidly and successfully to urbanisation and altered kinship relations. Bearends expressed concern about the fact that women maintained their responsibilities towards the maintenance of their children without adequate means remaining accessible. Despite women's inferior legal position, they had managed substantial social and economic functions in traditional economies. In urban areas women continued to have responsibilities to provide in the subsistence needs of their families without adequate access to the means of production. There is a concern that women are left out of the commercial sector and its benefits. Women need more and better opportunities that would enable them to cope independently.⁷² This paper illustrates how women have used stokvels to manipulate material and social factors at their disposal to sustain their managerial functions and achieve increased economic independence. The 1998 statistics prove substantial stokvel activities in all socio-economic strata, especially where black people are prominent. Women's stokvel activities empowered women, both in rural and urban areas, by providing funds to start small informal businesses or simply to supplement limited earnings. The persistence of stokvels illustrate the transfer of women's traditional managerial skills and savings propensity into the non-traditional economic sector.⁷³

⁷⁰ L. Lipschitz, A. Jaeger, J. Gordon, P. Doyled and A. Farah, *South Africa: Selected economic issues*. IMF Staff Country Report, No. 95/21, p. 129.

⁷¹ P.G du Plessis, "The micro lending industry in South Africa, 1997". Report compiled for the Micro Lending Association of South Africa, University of Stellenbosch, July 1998, p. 39.

⁷² Baerends, "Changing kinship," pp. 74-76; A.C. Myburg, "Law and justice", in Hammond-Tooke, *Bantu-speaking peoples*, pp. 303-304.

⁷³ RP 108/1996, *Final report of the Commission of Inquiry into the provision of rural financial services* (1996), p. 25; Burman and Lembete, "Building new realities", p. 43; Mayer, "Tribesmen or townsmen", pp. 248-249.

The volume of stokvel funds made them a target market for savings strapped modern financial institutions. The growth of the stokvel industry prompted the establishment of an umbrella body in 1988, the National Stokvel Association of South Africa (NASASA). NASASA was established to mobilise stokvel savings towards black economic empowerment and penetration into the mainstream economy. It would provide education and training to members to improve operational efficiency and consolidate stokvel muscle to negotiate bulk consumer concessions and services from financial institutions.⁷⁴ NASASA engineered two strategies towards increased penetration of its members into the mainstream economy. At first it co-founded the Federation of African Business and Consumer Services (FABCOS), which immediately gave stokvel members access to FABCOS shopping and service discounts. The second level of penetration was the negotiation of investment opportunities for stokvels in the formal banking sector. Several savings products were jointly developed by banks and building societies to encourage savings in formal financial institutions in return for interest earnings, privileged access to funds and low cost structures. Financial institutions hoped to tap into the vast stokvel savings pool and NASASA envisioned privileged access to credit and consumer goods. Not much of these visions materialised.

The first joint venture was the Perm Club Account, launched in 1988 by the Permanent Building Society. The Club Account provided for increased earnings on rising savings balances, no minimum balance requirements, no service charges, limitless withdrawals and a savings book to enable immediate knowledge of the account status.⁷⁵ A positive response to this new savings account resulted in the mobilisation of more than R96 million in 44 500 accounts within two years, but there is no proof that those deposits came from stokvels exclusively, since other clubs and associations could likewise utilise the facility. Since NASASA negotiated the product and marketed it as a stokvel benefit, it can be assumed that the bulk of the savings were of stokvel origin. The Club Account though, made no provision for loans.

Similar products were developed by other financial institutions. The Natal Building Society developed the Lifesaver Plan, Standard Bank the Society Scheme and First National Bank the People's Benefit Scheme.⁷⁶ All these products targeted the vast stokvel savings pool, without easy access to loans. The People's Benefit Scheme was a complex arrangement of savings, fixed deposits and participation in unit trusts on a group basis. Profits from the unit trust investments would provide collateral for loans to individuals and groups. In case of loans to individuals, the group would provide

⁷⁴ Lukhele, *Stokvels*, pp. 52-53; Japp, "Stokvels and representative bodies", p. 4; "Stokvels gain momentum as millions are mobilised" in *Black Enterprise*, 14 (1988), p. 22; "Stokvels have a role to play" in *Black Enterprise*, 15 (1988), p. 30.

⁷⁵ Lukhele, *Stokvels*, pp. 56-57; "Marriage of Convenience" in *Financial Mail*, 26 September 1990, p. 74; "Formation of NASASA" in *Black Enterprise*, 28 (Dec./Jan. 1990), p. 46.

⁷⁶ *Financial Mail*, 26 October 1990; "Getting the most out of savings" in *Enterprise*, 88 (1995), pp. 38-39; Lukhele, *Stokvels*, pp. 27-29.

surety.⁷⁷ No specific figures can be given for the use of this product by stokvel members, for the same reasons as stated above, but the product is currently mothballed due to insufficient returns. None of the attempts towards increased access to credit via stokvel savings accounts have notably increased women's access to credit. Banking institutions are caught up in traditional Western banking perceptions of what constitutes surety for loans. Stokvels have proven savings records and offer that as guarantee, but banks require conventional guarantees. These the stokvel members do not always have.

A more successful link between stokvels and the formal sector was the design of funeral schemes or policies for burial societies by insurance companies. In 1990 NASASA negotiated a funeral insurance scheme with African Life, a subsidiary of Southern Life Assurance Company. This policy provided for the payment of a small monthly premium up to the age of 65 years. On death a guaranteed amount is paid to the policy holder or his/her family. This policy provided for the member and his/her spouse and children.⁷⁸ Similar funeral policies were subsequently developed to provide for the whole family of the policy holder, for multiple spouse benefits, with additional reduced premiums for children, excluding in-laws. Some policies also provided for disability and an educational trust for children. Special provision was also made for benefits to families of stillborn babies.⁷⁹ These funeral policies operate via the existing burial societies thus maintaining the common bond and mutual trust. Regular payments are made to the burial society, that pays premiums. Without such provisions the risk of numerous simultaneous deaths exhausting a burial society's funds, could render burial societies incapable of providing assistance to its members.

The disappointing access to small loans via bank savings accounts, led NASASA to negotiate a stokvel loan scheme with the Get Ahead Foundation, a Section 21 company (not for gain) funded by overseas agencies and local banks, established in 1987, primarily to address the high unemployment levels in black townships. Micro-loans, in terms of the stokvel loan scheme, are provided to black entrepreneurs who have been in business for at least six months and who belong to a stokvel of at least five members. The scheme was tailored along the lines of the loan facilities provided by the Grameen Bank in Bangladesh, to improve Get Ahead's bad debt ratio. Stokvel savings would thus provide collateral for the loan. This scheme has been extremely successful. Since its inception more than R33million has been disbursed to more than 50 000 clients with an annual recovery rate of 95%. The programme operates in more than twenty three townships around the country with more than 90% of stokvel borrowers being women. Women entrepreneurs in urban areas have utilised the stokvel infrastructure to access

⁷⁷ "Getting the most out of savings" in *Enterprise*, 88 (1995), p. 39; C. Maheter: First National Bank interview, 20 May 1999; Lukhele, "Stokvels milestone"; NASASA report, 1999, p. 29.

⁷⁸ Lukhele, *Stokvels*, pp.57-58.

⁷⁹ Lukhele, "Stokvels milestone", p. 30; "Stokvels and societies. Sophisticated savings options" in *Drum*, 1992.

loan capital.⁸⁰ The Get Ahead concept of micro-loans based on stokvel allegiance has proven more successful than formal banking loans since it maintains the communal mutual trust relationship.

Many micro-lending organisations have entered the South African micro-lending industry because of the need for unsecured micro-loans, especially in the informal sector.⁸¹ Women frequently utilise micro-loans, but interest rates are excessively high, because those organisations are not regulated in terms of the banking legislation.⁸² One example of this is the Womens Development Banking, also a Section 21 company. It was established in 1991 with the aim of providing poor rural women with the necessary skills and resources to become financially independent. The average interest rate on loans is 40% per annum.⁸³ A strong awareness exists with the government and development agencies that special attention needs to be given to women in rural areas, who head households and are the financial managers of those households, since they have the greatest problems to access finance.⁸⁴ This has not yet translated into effective mechanisms to utilise the stokvel infrastructure towards that end.

NASASA set out to facilitate stokvel members' entrance into the mainstream economy, thus in Black Economic Empowerment (BEE) ventures.⁸⁵ In 1994 when Southern Life sold its subsidiary African Life to BEE partners, NASASA, in collaboration with REAL (Real African Investment Company) took up 51% of Aflife equity.⁸⁶ NASASA established the NASASA Investment Finance Company, (Pty) Ltd. in 1995 as a vehicle for participation in BEE initiatives. In March 1995 REAL was listed on the Johannesburg Stock Exchange, NASASA co-funded the listing and acquired 6% of the issued share capital, but subsequently sold its equity to pursue more targeted business

⁸⁰ "Buddy can you spare a dime?" in *Financial Mail*, 30 September 1988, p. 33; *Enterprise*, "Other People's Money", 100 (July 1996), pp. 84-85; "The New Broederbond" in *Finance Week*, March 9-15, 1995, p. 20.

⁸¹ See Du Plessis, "Micro lending industry".

⁸² Cross, "Informal lending", p. 88; Höck, "South African Micro finance industry", pp. 1, 3.

⁸³ *Women's Development Banking*, Financial Report, April 1998, p. 5.

⁸⁴ RP 38/199, *Interim Report, provision of rural financial services*, p. 4; RP 108/1996: *Final Report, provision of rural financial services*, p. 25; D. Porteous: "Tears for the unbanked/Triers for the unbanked". Paper presented to the South African Reserve bank Seminar on Informal Financing, 7 August 1996, p. 2.

⁸⁵ BEE refers to the initiatives since the early 1990s to give black people more direct participation in the corporate sector of the South African economy through acquisitions of controlling shareholdings in large corporations. Various strategies towards black control over corporations were implemented.

⁸⁶ Lukhele, *Stokvel milestone*, p. 30; "The New Broederbond" in *Finance Week*, March 9-15, 1995, p. 20; "Other people's money" in *Enterprise*, 100, July 1996, p. 22.

opportunities where "on-the-ground" benefits could be achieved for members.⁸⁷ NASASA experienced participation in growing BEE corporate entities as an indirect and diluted avenue towards tangible practical benefits to stokvel members. NASASA utilised its investments in BEE corporations to negotiate discounts for members on consumer level. NASASA's prefer stokvel members to be the owners of equity. The pyramid structure from stokvels up to NASASA is not satisfactory. Listing on the JSE later in 1999 is currently being prepared in order to place share certificates directly with stokvel members. That would place stokvels directly into the mainstream economy.

In the course of BEE, several so-called Black Women's Economic Empowerment groups have emerged. All of them have raised capital from corporate and financial institutions internationally or domestically, to set up investment companies. Proceeds from investments, like dividends, were then used towards micro-finance for women in rural and urban areas. Only one such black women's empowerment group, Women Investment Portfolio Holdings (Whiphold), has actively involved stokvels in their capital raising and investment strategies. The stokvels were approached to invest in Whiphold. Whiphold convinced participating stokvels to change their savings pattern from a twelve month cycle after which funds would be withdrawn, to an investment action. Savings are invested in long term investments via Whiphold. At the same time the stokvel had to be transformed into a registered company in order to create transparent legal mechanisms through which problems could be addressed. These new "stokvel companies" then invested in Whiphold with the aim of long term capital growth. In June 1997 Whiphold was listed on the JSE and raised R25 million. Whiphold was established in 1994 with loan capital of R500 000. By 1998 the value of Whiphold's investment portfolio was in excess of R1 billion, with the first dividends payable early in 1999.⁸⁸ Whiphold has provided an effective vehicle for women savers to become investors and make their savings grow in long term higher risk instruments, rather than in savings pools. Many women's church savings groups (mahodisanas) have participated. One member from a Baptist church women's group, now a Whiphold shareholder, remarked: "We cannot talk about St. Matthew or Luke on an empty stomach. We must preach the gospel of economic empowerment as well. One day we will be billionaires."⁸⁹

Conclusion

Stokvels are the biggest industry in the informal sector. They are vital in black women's survival strategies in urban and rural areas. Although not exclusively a women's phenomenon, stokvels were introduced to black urban life by women. Women utilised them skilfully to overcome the loss of means of production when moving into the urban environment. It is true that women lost their access to means of production from the traditional household, but they maintained the responsibility for the subsistence of the family. Women have, however, not lost their managerial and planning skills when

⁸⁷ Lukhele, *Stokvel milestone*, p.30.

⁸⁸ "Turning the tables" in *Financial Mail*, 5 September 1998, pp.46-49.

⁸⁹ "Turning the tables" in *Financial Mail*, 5 September 1998, pp. 46-49.

urbanising. Kinship relations changed fundamentally, leaving women to seek alternative survival strategies. Stokvels represent one mechanism that evolved through black urbanisation, which women manipulated to generate funds for subsistence needs. Stokvels have developed into a network of highly diversified savings organisations to suit the needs of low income groups, middle income groups as well as high income groups. Stokvels have emerged as such a strong intermediary in the informal financial sector, that the South African Reserve Bank included them in the regulatory framework of financial institutions in 1994, by describing their activities as that of "savings schemes" and as such excluded from the Banks Act (94 of 1990). Exclusion was on two grounds, i.e. the nature of the association and the type of activities performed. The SARB stated that "the activities of a group of persons between the members of which exists a common bond, do not fall within the meaning of 'the business of a bank'."⁹⁰ For stokvels to be exempted from the Banks Act, they had to be affiliated to NASASA or any representative body approved in writing by the SARB, and subscriptions from members may not exceed R9,9 million. Should that be the case, stokvels have to register as commercial or community banks. The regulation of stokvels have acknowledged their powerful informal financial intermediary role without including them in formal financial regulation.

Stokvels are key informal financial intermediaries. They have become so integral to women's lives, that more serious attention should be given to the savings discipline and managerial skills conveyed by women through these structures. The inclusion of stokvel savings in long term higher risk investments can not be pursued by all stokvels, since some of them are formed to serve specific day to day needs. This paper calls for acknowledgement of the thrift of stokvels towards improved access to credit. The high interest rates of micro-loans to the poorest of poor people, needs to be addressed. Gender awareness in South Africa, must translate into actions to enhance the status of women, especially in financial matters. The prominence of women in stokvels, justifies the utilisation of stokvels towards improved access to credit.

⁹⁰ W.G. Schulze, "The origin and legal nature of stokvels, part 2", *South African Mercantile Law Journal*, 9 (1997), p. 159; Tager, "Legal aspects of stokvels", pp. 9-10.