

Savings and survival in a modern African economy: informal savings organisations and poor people in South Africa

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The history of informal savings organisations in South Africa is an excellent example of survival strategies of poor and displaced people. Although no comprehensive history has yet been written on these organisations, case studies reflect on their vital supportive role for people who have left the rural areas to settle in urban townships in South Africa since the early 1930's.¹ When African people moved to the growing urban centers in South Africa in the course of the last quarter of the nineteenth century and especially the first quarter of the twentieth century, traditional patterns of economic subsistence were disrupted and alternative forms of social and economic organisations emerged. Urbanisation fundamentally changed economic, power and gender relationships in African communities. In traditional African communities economic activity was based on a division of labour, rights and responsibilities according to gender, age and position in the kinship system. Access, control and transfer of productive resources were based on social relationships and gender division of labour. Urbanisation of African people changed these: although land was not necessarily lost, urbanized people no longer sustained themselves solely by means thereof. Simultaneously, traditional forms of social security disappeared. Informal social security systems emerged in the urban environment.

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 - 1. E. Hellman, "The Importance of Beer-Brewing in an Urban Native Slum Yard." *Bantu Studies*, 8 (1934); H. Kuper and S. Kaplan, "Voluntary Associations in an Urban Township." *African Studies*, 3 (1944); I. Schapera (ed.), *The Bantu-speaking Tribes of South Africa*. London, 1959.

The international literature widely acknowledges the existence of informal mechanisms of social security.² The literature recognises the vital role of informal credit and saving associations for people who are otherwise excluded from financial services due to a lack of usable collateral in securing protection against a variety of risks, loan default, illness or death.

This paper deals with the *stokvels*,³ the umbrella term used for informal savings organisations in the African community in South Africa. These organisations emerged as a conscious strategy for survival in the displaced urban environment of South Africa. At first the article deals with the historical development of those organizations. Then the focus shifts to the case studies undertaken in the Gauteng province of South Africa in February March and April 2002. *Stokvels* are of equal importance in the rural areas of South Africa, but this paper focuses on the current urban phenomenon as identified through the case studies. It is assumed that these organisations are also integrated in the survival strategies of people in rural South Africa,⁴ but no comprehensive research has yet been undertaken to identify the exact extent of their existence. In this article it will be shown how *stokvels* were utilized in the earlier part of the twentieth century to provide customised informal social security, while the same form of organisation prevails in the modern South African society, amongst poor and not so poor people. Specific attention is given to the reasons why and how these poor people save, with special emphasis on the communal nature of these relationships. This specific aspect of informal savings

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2. E. Baerends, "Changing Kinship, Family and Gender Relations in Sub-Saharan Africa," 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. 70; W. van Ginneken, "Promoting Productivity and Social protection in the Urban Informal Sector" in *The Interdepartmental Project on the Urban Informal Sector(1994.95)*, International Labour Office, Geneva, 1996, p. 14; W. van Ginneken (Ed.), *Social Security for the Excluded Majority. Case Studies of developing countries*. (ILO, Genève 1999), pp. 21 – 22; I. Stalpers, *Can Women buy their way out of Poverty? The Impact of Savings societies on the Empowerment of poor Women in rural Gakpé*. Katholieke Universiteit Nijmegen, Occasional Paper 88, 1999; J. Jütting, "Strengthening Social Security Systems in Rural Areas of Developing Countires" *Zentrum für Entwicklungsforschung, Univesität Bonn*, Discussion Paper on Development Policy, June 1999, pp. 21 – 23.
 3. The name *stokvels* was derived from the nineteenth century Eastern Cape "stock fairs" of the English speaking settler stock farmers. The African farmers and labourers who attended these fairs, engaged in social interaction and gambling. Gathering became regular meetings of Africans in their new urban townships, no longer directly associated with the stock fairs. See A. Lukhele, *Stokvels in South Africa. Informal Savings schemes by Blacks for the Black community*. Johannesburg, 1990, p. 4.
 4. RP 108/1996:*Final Report of the Commission of Enquiry into the Provision of Rural Financial Services*, Pretoria, 1996, pp. 25 – 26.

organisations in modern South Africa addresses the issue of social security for Africans in the modern economy, despite the existence of a sophisticated financial structure.

A brief history of *stokvels*.

Urbanisation fundamentally changed economic, power and gender relationships in the traditional African communities. African women held powerful positions in the social organisation of production, where economic activity was to a large extent based on a division of labour, rights and responsibilities according to gender, age and position in the kinship system. Access, control and transfer of productive resources was based on social relationships and gender divisions of labour. Women's property rights and access to resources derived from her marital status and the husband had the responsibility to provide for her and her children. After the death of the husband, the family of the deceased husband maintained responsibilities towards the woman and her children.

Upon resettling in the urban environment, women no longer had these rights of access to property and means of production, nor the social power associated with her productive responsibilities. When capitalist economic relations penetrated traditional societies as a result of labour migration and urbanisation, as well as cash crop production for markets, women's access to land declined and the burden of labour responsibilities became exceptionally unequal. The production of cash crops became the exclusive domain of men. Women remained responsible for food production and were excluded from the mainstream economic process of the capitalist economy. Women then sought wage employment rather than to work full-time for their husbands. Traditional forms of social security thus disappeared almost completely. Informal social security nevertheless remained of vital importance to the population.

People from traditional societies who were resettled within predominantly westernised urban areas realised that they needed to create and maintain their own support networks. This could only be done on the basis of familiar traditional mechanisms of providing social security, mainly involving the support of kin or closely trusted acquaintances. In urban communities African women applied their economic skills towards survival strategies under circumstances of unemployment and poverty. Urbanised African women engaged in a variety of informal economic activities to ensure the survival of themselves and their dependent children. In the absence of guaranteed access to the traditional means of production, poverty was prevalent amongst urbanised African communities. They then resorted to intra-community structures to overcome problems with inter alia, access to money or cash, which became the means of payment.

In the traditional African communities activities were usually organized on a communal basis, for example work parties were organized to undertake the preparation of land for sowing, or for weeding etc., while tribal ceremonies provided the opportunity for social interaction. In the urban environment these communal working arrangements became obsolete and those born in the townships, never experienced it. It was then and is presently, characteristic of the African people to meet as groups. Kuper and Kaplan declare: "Yet the African is strongly interested in meeting as a member of a group."⁵ This observation refers to the centrality of the African values of communality, or "*ubuntu*". *Ubuntu* literally means that a man can only be a man through others.⁶ *Ubuntu* is the humanistic African cultural ethic, based on the human being and connections between people. It is a collective consciousness, a shared experience of, for example, deprivation or poverty, which leads people to provide mutual support. It is perceived under the collective consciousness that no single person can satisfy individual needs, but under such circumstances of, for example, deprivation, the single person is a member of a collection of persons. The concept places strong emphasis on the significance of the group, especially in survival issues. In its most fundamental sense it stands for intense caring and sharing.⁷ The concept "*ubuntu*" has been explained by reference to the use of a cow's milk: if one had two cows providing milk and the milk of one cow is sufficient for that person's own consumption, *ubuntu* expects that person to donate the milk of the second cow to underprivileged brothers or sisters. This comparison highlights the essential underlying values of "*ubuntu*":

- * collective solidarity
- * conformity
- * compassion
- * respect
- * human dignity
- * collective unity.

During the late nineteenth century English speaking stock farmers in the Eastern Cape met regularly to buy and sell stock. At such stock fairs the white farmers and their African workers engaged in lively social interaction and gambling. The stock fair meetings soon developed into regular meetings of small groups of people, which became a loosely structured organisation. These meetings were held at the

5. H. Kuper and S. Kaplan, "Voluntary Associations an Urban Township," p. 178.

6. L. Mbigi and J. Maree, *Ubuntu: the African spirit of transformation management*. Johannesburg, 1995, p. 2.

7. G. Verhoef, "Gemeinsin schaft Sicherheit." *Der Uberblick*, 37(1), March 2001, p. 39.

house of one member. The host would then be the recipient of the “stock fair”(contributions) of that particular meeting. On rotation all members thus benefited from the association. These organizations rapidly spread through the country. By the early 1930’s *stokvel* meetings were regular occurrences in African townships in the western and eastern Cape, on the Witwatersrand, in Natal and in the Orange Free State. The desire for social interaction in the urban areas became linked to strategies to deal with poverty and thus the need to save. There was always a high savings propensity amongst Africans in the urban areas, partly because of the responsibility of the man to build up his “house” in the traditional area, and partly because of the poverty they experienced in the urban areas. Subsequently *stokvel* meetings developed into savings organisations. These were basically social structures formed on mutual agreement by groups of trusted friends, meeting regularly to make prior agreed contributions of a fixed amount of money to a common pool, which would then rotate to each member of the group at subsequent meetings, either in strict rotation, by bidding or in time of need.⁸ These organisations developed as a support mechanism to supplement daily subsistence needs or to assist with unforeseen expenditure. In this respect there seems to be a very close correlation between the South African *stokvels* and the English Friendly Societies of the early nineteenth century. Martin Gorsky found that “... friendly societies not only secured the individual member, but also supported the family economy in times of crisis – death, childbirth, and particularly sickness of the main breadwinner.” These friendly societies were seen as mutual aid and were as such utilised as an alternative to reliance on the poor law.⁹

The process of urbanisation of African people was hastened by the severe droughts of the 1920’s and 1930’s, the impact of the 1929 great depression on agriculture in general and the pressure on access to land caused by segregation legislature in South Africa since 1913. In urban areas African people, especially women, seldom found employment in the formal sector. They became involved in informal economic employment as a means to maintain their families. African women no longer had access to the traditional means of production and thus engaged in new subsistence strategies. Informal financial organisations were one of such strategies to supplement income and provide a network of social security amongst trusted

8. A. Lukhele, *Stokvels in South Africa*, 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, *Development Southern Africa*,12(3),1996,p. 362.

9. M. Gorsky, “The Growth and Distribution of English friendly societies in the early nineteenth century” in *Economic History Review*, 51(3), 1998, pp. 492, 502.

Historia, 46(2), November 2001, pp. 519-42.

friends.¹⁰ The English experience of the early nineteenth century again strongly corresponds with the South African experience of almost a century later: statistical evidence of the prevalence of friendly societies in England shows that upon urbanisation the number and size of such societies increased rapidly. The growth of those societies were less associated with the higher wages that went hand in hand with new forms of work and remuneration, than with the social and insurance needs of the migrant labour force. Strong links have been found between immigration and the need for mutuality. This phenomenon was specifically apparent amongst ethnic friendly societies – the French Huguenot clubs in London, and orange lodges in Liverpool.¹¹ Voluntary associations functioned as institutions of adaptation, both under circumstances of adaptation to a new country (for example, the *Landmanschaften* of the New York Jews) or to the urban environment (eg. as with the voluntary associations in West and East Africa and South Africa).¹² These voluntary organisations represented a response to the needs of a mobile displaced population.

Different types of *stokvels* have emerged over time. The first category was the ROSCA-type of savings organisations. (ROSCAs are rotating savings and credit associations) These were relatively small groups of people, mostly women, meeting at regular intervals to make regular fixed contributions. At the end of such a meeting the total pool was given to one of the members. Attending members also paid a small “entrance fee”, which accrued to the host, thus adding to the income generating function of such gatherings for *stokvel* members. Naomi Setshedi explained in an interview: “I used to sell apples anyway and the profit I made out of that enabled me to be able to contribute to something whenever we had a *stokvel*. ... A *stokvel* was usually formed by more than two people. I was very often involved in a *stokvel* having eight to ten members. Each member was expected to give a specified amount of money, for instance four or five rand, to a member in whose house the *stokvel* happened to be held. We used to make sure that each member of the *stokvel* had a chance of having the *stokvel* in her house before we could start the round all over again.”¹³ *Stokvel* meetings thus presented poor

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10. G. Verhoef, “Informal financial service institutions for survival: African women and *stokvels* in urban South Africa, 1930 – 1998” in *Enterprise and Society*, 2(2), 2001.
 11. M. Gorsky, “The Growth and Distribution of English friendly societies in the early nineteenth century” in *Economic History Review*, 51(3), 1998, pp. 499 – 500.
 12. *Ibid.*, p. 500 ; Also see G. Verhoef, “Informal financial service institutions for survival: African women and *stokvels* in urban South Africa, 1930 – 1998” in *Enterprise and Society*, 2(2), 2001.
 13. B. Bozzoli (ed.), *Women of Phokeng: consciousness, life strategy and migrancy in South Africa, 1900 – 1983*. Ravan Press, 1991, pp. 141 – 142.

people, especially women, with a revenue-generating opportunity, whereby they could augment low incomes and relieve poverty, thus reducing risk factors.¹⁴

African women urbanised rapidly since the 1920's and 1930's and from then on *stokvels* came to be associated with women, who took *stokvels* into their homes and "made them part and parcel of black life."¹⁵ In the mid-1930's women made up almost the exclusive membership of the *stokvels* in Rooiyard, a slum area in Doornfontein, Johannesburg.¹⁶ Tswana women were most active in establishing *stokvels* in accordance with the Tswana lifestyle which was characterised by *Manyano* Christian sisterhood organisations. *Stokvels* epitomised the growing independence of African women in the urban areas where they applied their management skills to plan the sustaining of their families. These *stokvel* funds provided members with a lump sum of money (cash) which could be used for the purchase of means of subsistence (such as food, clothing for the family, housing) or expensive durable goods, which members would not be able to afford unless they could pay for it on a cash basis. Urbanised African women worked in the informal sector, thus earning low and irregular incomes. They could not provide any form of acceptable guarantee to ensure access to credit from financial institutions, thus making the access to *stokvel* money the only avenue towards the affordability of more expensive goods. It must though be remembered that this form of "income" was not in the first instance aimed at the acquisition of expensive durable goods, but initially at basic subsistence supplementation.

Participation in *stokvels* also provided the only source of credit to poor urbanised African people. Low and irregular income streams as well as a lack of collateral in the form of fixed property, made access to credit in the formal financial sector impossible. Furthermore the majority of African people were unfamiliar with western banking practice and procedures, and due to a high degree of illiteracy, unable to utilise banking facilities with confidence. Few Africans kept savings accounts at banks, building societies or the Post Office.¹⁷ The demand by these people for credit was usually so small that banks were not interested in their

14. A. D. Dubb, "The Impact of the City" in W.D. Hammond-Tooke (Ed.): *The Bantu-speaking Peoples of Southern Africa*. 2nd edition, London, 1974, pp. 466-467 ; E. Koch, "Without Visible Means of Subsistence: Slumyard Culture in Johannesburg, 1918 – 1940" in B. Bozzoli (ed.), *Town and Countryside in the Transvaal*, Ravan Press, Johannesburg, 1983, p. 163.

15. A. Lukhele, *Stokvels in South Africa*, p. 6.

16. E. Hellman, "The Importance of Beer-brewing in an Urban Native Slum Yard," *Bantu Studies*, 8, 1934, pp. 39 – 60 ; E. Hellman, *Rooiyard, a Sociological Survey of an Urban African Slumyard*, Oxford, 1948, p. 37 ; E. Koch: "Without Visible Means of Subsistence: Slumyard Culture in Johannesburg, 1918 – 1940," pp. 162 – 164.

17. H. Kuper and S. Kaplan, "Voluntary Associations in an Urban Township," p. 185.

Historia, 46(2), November 2001, pp. 519-42.

business. Africans found the *stokvels* a more congenial and better understood form of saving than western-style banks, which provided them with a personal line of credit amongst trusted friends. *Stokvel* members rarely defaulted on contributions to *stokvel* meetings or repayments of loans, thus ensuring access to future credit. Members of a *stokvel* would go into debt to make the required contribution to the *stokvel*, since thereby they would be seen as reliable, trustworthy and creditworthy.¹⁸ *Stokvels* thus provided a vital form of financial and social security to poor, displaced urbanised Africans.

The second category of *stokvels* is the burial societies. Similar membership requirements existed as for the savings *stokvel*, but the purpose of participation was solely to provide for funerals. By far the majority of *stokvels* had been (and currently still are) burial societies. Women made up the majority of the membership as well. In the African communities burials constituted an important part of traditional culture. Great emphasis was placed on how the deceased was laid to rest. It had to be performed with dignity, preferably near the ancestors at the place of birth. The best ox would be slaughtered, the skin used to wrap the deceased and afterwards funeral guests would be entertained with food. Family and friends would bring gifts of food and drink, but the responsibility remained that of the deceased next of kin to provide for the meal.¹⁹ In urban areas oxen were not always available or could not be afforded. Contributions went towards the purchase of foodstuffs, sewing machines to sew black clothing for the deceased's family and to provide transport to the funeral. People belonged to several burial societies in the firm belief that it would guarantee them the dignified burial they so strongly believed in: Mmamatlakala Moje belonged to several societies, saying :” All my hope lies in Societies.”²⁰

Two factors complicated the honoring of these funeral obligations for urbanised Africans : they were far from their ancestral lands, which meant that it would be expensive to take the deceased back to their place of birth. Secondly the relative poverty of urbanised Africans made the affordability of what the community perceived as dignified burials, problematic. Membership of burial societies became imperative to ensure that the traditional practice of a dignified burial was not eroded by the social and economic changes brought about by African urbanisation.

18. *Ibid.* , pp. 183 – 184: G. Verhoef : “Informal financial service institutions for survival: African women and stokvels in urban South Africa, 1930 – 1998” in *Enterprise and Society*, 2(2), 2001.

19. “Key Role for Burial Societies” in *Black Enterprise*, 21(1989), p. 54 ; H. Kuper and S. Kaplan: “Voluntary Associations in an Urban Township”, p. 185 ; E. Bähre: “Wij zullen onze beendered in waardigheid begraven,” *CAhier*, 4 (1), 1995, pp. 26 – 28 ; B. Bozzoli (ed.), *Women of Phokeng* , pp. 231 – 232, 274 footnote 61.

20. *Ibid.*, p. 19.

In the different ethnic communities (Zulu, Tsonga, Xhosa, Tswana or Sotho) caring for the dead was of exceptional traditional and spiritual importance, especially in the displaced urban environment. This practice remains strongly observed even amongst the modern day urban African, who had been born in the urban area and converted to the Christian faith.²¹ Burial societies were soon established, first along ethnic affiliation, but later on the basis of trusted friends in township communities.

Two types of burial societies emerged. The first comprised of a small group of people who would agree to pay to the family of the deceased a fixed amount of money upon death. This type of burial society relied on the principle of reciprocity amongst members, usually living in close proximity in the township, for example, in the same street or area of a township. No regular payments were made to a pool, therefore there was no savings account or source of contributions when death occurred. Upon the incidence of death of a member, or a member of his/her family, the members of the burial society would contribute towards funeral expenses and arrangements.²² The second type of burial society functioned on a formal basis with a constitution. A committee was elected to administer the burial society's funds. These societies met regularly and members made regular contributions, which was then deposited in a place of safety. No loans were made from these contributions. Women controlled these burial societies almost exclusively, since in the traditional society funeral matters were seen as the "affairs of women". Contributions to the burial societies were deposited in savings accounts, or in some cases women took up insurance (life and endowment), for a fixed number of years or for life. Upon death payment was made to the family of the deceased. Conscientious bookkeeping was done in such burial contributions and office bearers of the burial society's committee, were highly respected members of the community.²³ These burial societies functioned as vital social security networks for the urbanised African community through the protection of their spiritual connection to the tradition of performing death rituals, but also by bringing displaced people together in groups on the basis of ethnicity or trust. Trust and member-based communal organisations thus performed a key function in urban survival. African people did not engage in

21. B.A. Pauw: "The Influence of Christianity," in Hammond-Tooke : *The Bantu-speaking People of Southern Africa*, pp. 415 – 440 ; P. Mayer: *Townsmen or Tribesmen, Conservatism and the Process of Urbanisation in a South African City*. Oxford University Press, Cape Town, 1971, pp. 81, 126, 151 – 152.

22. P. Smets, "Community-based Finance Systems and their Potential for Urban Self-help in a new South Africa" in *Development Southern Africa*, 13(2), 1996, pp. 179 – 180 ; E. Bähre: "Wij zullen onze beenderen..." pp. 36 – 37.

23. H. Kuper and S. Kaplan, "Voluntary Associations..." pp. 185 – 186 ; E. Bähre: "Wij zullen onze beenderen..." , p. 24 ; E. Hellman, *Rooiyard, a Sociological Survey of an Urban African Slumyard*, p. 25.

individual savings in insurance policies to provide for funeral needs, but they established communal informal structures of social security.

The third type of *stokvel* is the investment clubs or accumulating savings and credit associations. These investment clubs have become a more frequent phenomenon amongst educated people with more stable and higher incomes in the urban areas. These organizations strongly resemble co-operative societies where the pool of a meeting, or part thereof, was not paid out to members, but accumulated with a specific common purpose. This could entail the purchase of an expensive commodity, or investment in a business venture, equity or property.²⁴ The accumulated fund could also be utilised to provide loans to members or non-members.²⁵ The investment club would pool their contributions to make loans, with interest, available to members or non-members in order to accumulate funds through interest revenue. Members could make larger contributions than the required amount and members could borrow from the fund more than once in a cycle. Such investment clubs were often dissolved at the end of a year or, when loans have been repaid with interest. The pool was then divided amongst members. Interest payments on loans (which are usually substantially higher than interest charged by formal financial institutions), as well as fines for the late payment of contributions and non-attendance of meetings without prior arrangement, all contributed to the pool which was invested on behalf of the members. These investment clubs acted as a vital source of credit to people who would otherwise find it difficult to obtain credit from formal financial institutions. Access to credit is the important concern here, not the efficiency of the organisation or the cost of credit. Members of for example, the *stokvel* “Helping Hand” in Soweto, make loans available to members from the pooled contributions of members at regular meetings. Members must make fixed contributions and must take loans, which are then repayable with interest. Interest is reinvested in the *stokvel* account and the total pool is divided amongst members at the end of a year. The following year a

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24. P. Franks and S. Shane, “Building Commerce through co-operatives” in *Indicator SA*, 6, 1989, p. 110 ; E. Thomas : “Rotating Credit Associations in Cape Twon” in E. Preston-Whyte and C. Rogerson (Eds.) : *South Africa’s Informal Economy*. Cape Town, 1991, pp. 277 – 299 ; P. Smets, “Community-based Finance Systems and their Potential for Urban Self-help in a new South Africa” in *Development Southern Africa*, 13(2), 1996, pp. 179 – 180.
25. 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*. Berg Publishers, Oxford, 1995, pp. 36 – 37; P. Smets, “Community-based Finance Systems and their Potential for Urban Self-help in a new South Africa” in *Development Southern Africa*, 13(2), 1996, pp. 179 –180.

next cycle commences.²⁶ This form of *stokvels* has become a key source of credit to people employed outside the formal sector.

The last category of *stokvels* is a recent phenomenon. The so-called high-budget *stokvels* are relatively large groups of people with a regular high income and high social standing and credibility in the community. Members are required to make substantial monthly contributions of R200-00 up to R20 000-00 per week and pay-outs can run into thousands of rands on a regular basis. These high-budget *stokvels* are run by a “board”, which consists of ten to twenty founder members with an elevated status in the *stokvel*. This “board” determines pay-outs depending on the relationship of the member to the “board” member. Extravagant parties always accompany such high-budget *stokvel* meetings. High entrance fees are charged. The power of the “board” results in favouritism and opens the opportunity for corruption.²⁷ These high-budget *stokvels* have become the vehicle for the acquisition of expensive consumer commodities for people operating outside the formal sector, eg the taxi industry in South Africa. One of the case studies researched, contributes R20 000-00 per week to their *stokvel* and utilises the pool to expand the taxi fleet, to pay fines, to purchase expensive consumer goods for a comfortable lifestyle and ensure privilege for their families.

Historically *stokvels* originated amongst the poor urbanised African population in South Africa as a source of social and financial security. In this respect these informal financial organisations can be compared with the *tontines* in Benin²⁸, the *chita* and *chitu* amongst Indians²⁹, the various forms of *esusu* in West Africa³⁰ and

26. A. Lukhele, *Stokvels in South Africa*, pp. 20–21; also compare P. Smets, “Community-based Finance Systems and their Potential for Urban Self-help in a new South Africa” in *Development Southern Africa*, 13(2), 1996, p. 180.

27. W.G. Schulze, “The Origin and Legal nature of the Stokvel. Part 1” in *South African Mercantile Law Journal*, 9 (1), 1997, p. 26 ; S. Burman and N. Lembete, “Building new Realities...”, p. 25 ; E. Thomas, “Rotating Credit Associations...”, pp. 299 – 300.

28. I. Stalpers, *Can Women buy their way out of Poverty?*, Katholieke Universiteit Nijmegen, Nijmegen, 1999; B. Gauthé : “Social Security for the Informal Sector in Benin,” pp. 167 178 in W. van Ginneken (ed.) : *Social Security for the excluded majority*.

29. L. Moodley, “Three *stokvels* in the Urban black Township of Kwa-Ndangezi, Natal” in *Development Southern Africa*, 12, 1996 ; S. Ardener, “The Comparative Study of Rotating Credit Associations” in *Journal of the Royal Anthropological Institute*, 94,1964 , p. 207.

30. J. Howard M. Jones, O. Saky-Dawson, Nicola Harford and A. Sey, *Improving Financial Services for the Renewable Natural Resource Development in Ghana : Establishing Policy Guidelines for the Informal Financial Sector*. Final Report submitted to the Policy Research Programme, Natural Resources Policy and Advisory Department, Department for International Development. (Project R6471CA). August 1999; J. Jütting, “Social *Historia*, 46(2), November 2001, pp. 519-42.

the *upatu* in Tanzania.³¹ The South African *stokvels* differ fundamentally from the English friendly societies in terms of a key determinant of their formation : members of friendly societies were people who had been absorbed successfully into the urban labour market. Unskilled, transitory and casual labour usually mitigated against the formation of friendly societies in England,³² whereas in the historical development of informal financial organisations in South Africa, participants were almost exclusively unskilled and casual labourers and definitely not absorbed in the formal labour market. The more recent case studies also reflect the persistent strong presence of people in the informal sector within informal financial organisations. This strongly corresponds with Jüttings findings that the larger the informal sector, the less able is the organised formal social security system to provide for the informal sector and thus the higher the prevalence of informal structures to perform such functions.³³ In terms of the functioning of the friendly societies and *stokvels*, there seems to be strong similarities : “The friendly societies therefore operated as ‘fictive kin’, meeting the needs which arose through the provision of social network conviviality, and personal and financial support at times of life crisis.”³⁴ *Stokvels* have survived the early years of African urbanisation and are in the modern day South Africa a powerful source of social and financial security to a substantial proportion of the South African community. Recent research has shown that these informal financial organizations still provide a powerful vehicle towards successful survival strategies of the African people in South Africa.

Stokvels in the modern South African society : case studies in the Gauteng Province.

In the literature it has been argued that these ROSCA-type of organisations exist particularly in developing countries,³⁵ or constitute “an important source of access

Security in low Income countries : Concepts, constraints and the need for cooperation,” *International Social Security Review*, 53(4), pp. 3 – 25.

31. P. Kamuzora, “Extension of Formal Social Security Schemes in the United Republic of Tanzania” in W. van Ginneken (Ed.), *Social Security for the excluded majority*. ILO, Genève, 1999, pp. 95 – 116.
32. M. Gorsky, “The Growth and Distribution of English friendly societies in the early nineteenth century” in *Economic History Review*, 51(3), 1998, pp. 501, 503.
33. J. Jütting, “Social security systems in low income countries : Concepts, constraints and the need for co-operation.” *International Social Security Review*, vol.4 (53), 2000.
34. Ibid. , p. 507.
35. T. Besley ,S. Coate and G. Loury: ”Rotating Savings and Credit Associations, Credit Markets and Efficiency,” *Review of Economic Studies*, 61,1994, p. 201 ; C.W. Calomiris and I. Rajaraman: “The Role of ROSCAs : lumpy durables or event insurance? in *Journal of Development Economics*,56(1998), p. 207.

to credit and savings opportunities in low-income countries.”³⁶ Van Ginneken³⁷ has shifted the emphasis more towards the urban based informal sector, which reflects more on the prevailing situation in South Africa. This does not imply that the informal financial organisations are exclusive to the South African urban environment, but the literature on such organisations in South African history underlines their urban origin and location.³⁸ The literature also initially argued that participation in ROSCAs was primarily to purchase indivisible durable goods,³⁹ but it has increasingly been identified as a powerful vehicle for the provision of social security.⁴⁰ The perception emerged that such informal organisations developed where formal financial institutions were not well developed, eg in Taiwan, where the financial structure was underdeveloped but the personal savings ratio was high (20% over a prolonged period),⁴¹ or in Sub-Saharan Africa “where financial and insurance markets are still underdeveloped.”⁴² It is also generally accepted that such credit and savings associations play a very important role for people otherwise excluded from formal financial institutions,⁴³ which could be valid in the South African case.

The South African case presents a deviation from some of the general trends, while in other there is a strong correlation. Informal savings and credit associations have emerged amongst the urban poor and not only in rural areas. Furthermore such informal organisations persist despite the existence of a highly sophisticated financial structure in a relatively modern industrialised economy and despite those people’s participation in some formal banking facilities, such as savings accounts. The case studies undertaken in Gauteng show that poor people still make up the bulk of the participants in such informal structures, but that relatively wealthy

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36. A.R. Levenson and T. Besley: “The Anatomy of an informal financial market : Rosca participation in Taiwan,” *Journal of Development Economics*, 51(1), 1996, p. 45.
 37. W.van Ginneken :”Promoting Productivity and Social Protection in the Urban Informal Sector,” The International Project on the Urban informal Sector (1994/95),ILO, Geneva,1996.
 38. See E. Hellman and H. Kuper and S. Kaplan’s work – footnote 1 above.
 39. See Besley et al (1993); Besley and Levenson (1996).
 40. See Calomiris and Rajaraman (1998).
 41. T. Besley and A.R. Levenson : “ The Role of Informal Finance in Household Capital Accumulation : Evidence from Taiwan” in *The Economic Journal*, 106, January 1996, p. 40.
 42. W. van Ginneken (ed.) : *Social Security for the Excluded majority*, ILO, Genève, 1999, p. 21.
 43. J. Jütting, *Strengthening Social Security Systems in Rural Areas of Developing Countries*. Zentrum für Entwicklungsforschung, Universität Bonn, Discussion Paper 9, June 1999 ; E. Thorbecke, “Impact of State and Civil Institutions on the operation of Rural Markets and Non-market Configurations” in *World Development*, 21(4),1993, pp. 591 – 605.

people with stable incomes also participate actively. This clearly deviates from the English friendly society experience where workers in the formal labour market joined such organisations. It is not the focus of this article to explain the reason for the participation of relatively wealthy people in *stokvels*, but to explain how the urban poor still utilise the informal mechanisms for survival. Of the respondents interviewed for this research, 97% joined their first *stokvel* in the urban areas. The Gauteng case studies underline the prevalence of such informal organisations amongst people without a regular income stream as opposed to the Levenson and Besley thesis in the Taiwan case study, that people with more stable incomes are more likely to join ROSCAs.⁴⁴

During the first quarter of 2001 field work was undertaken in the Gauteng Province of South Africa. Questionnaires were distributed by researchers working on the role of *stokvels* in survival strategies of the urban African population. A total of 115 questionnaires were distributed and supervised by the research team. These questionnaires were distributed in Daveyton, a Black township on the East Rand, established in 1956 where residents in the formal residential areas as well as residents in Etwatwa, an informal residential area on the outskirts of Daveyton, were consulted. The next set of questionnaires was distributed in Soweto (including areas such as Meadowlands, Zondi, Dube, Protea, Orlando, Pimville, Naledi, Zola, Jabulani, Mndeni and Diepkloof) the well established Black township south west of Johannesburg. Another set of questionnaires was distributed to residents of Kathlehong (with Spruitview as an adjacent township), another Black township on the East Rand, where people stay in formal as well as informal housing. In the oldest African township on the Witwatersrand, Alexandra, some questionnaires were also distributed amongst people living in both formal and informal housing. The last set of questionnaires were distributed amongst residents of the inner city flat areas of Johannesburg such as Hillbrow, Berea, Bellevue East and Yeoville, where people of different race groups have moved in after the scrapping of legal residential segregation in South Africa in the late 1980's. In these areas all the respondents were either African people or people of the Coloured community.

The profile of the 115 respondents is the following :

58,9% of respondents earn less than R1000-00 per month

- 38% of respondent do not have a regular income
- 25,2% of respondents earn between R3000-00 and R10 000-00 per month (1,9% of the respondents earn in excess of R10 000-00 per month.)
- 57% of respondents belong to *stokvels* to survive economically and for a social support network

44. Besley and Levenson, *The Economic Journal* (1996) and Levenson and Besley (1996) *Journal of Development Economics*.

- 60% of respondents can not survive without participation in a *stokvel*
- 97% of respondents joined *stokvels* for the first time while in urban areas
- 90,7% of the respondents have participated in some form of *stokvel* for more than 3 years and 78,3% of their families have a history of participation in *stokvels*
- 57,7% of respondents do not own the dwelling in which they stay

This sample of respondents reflects the poverty (as well as the relative affluence) that exists in the urban African community in Gauteng. Individual monthly income amongst the employed in Gauteng is 28,1% of the total of individual monthly income of employed people in South Africa, the highest of individual monthly income of the nine provinces of South Africa. (The next is the Western Cape with 15,1%.) In South Africa 43,7% of employed people earn less than R1 000-00 per month; in Gauteng 32% of employed people earn less than R1 000-00 per month,⁴⁵ while in this *stokvel* sample 58,9% of respondents earn less than R1 000-00 per month. Furthermore, more than 73% of respondents belong to more than one *stokvel*, which emphasises the reliance on this form of informal organisations to meet a variety of life-cycle needs.

The *stokvels* are relatively closely knit organisations with 21,2% of the respondents belonging to *stokvels* consisting of up to 10 members; 32,6% belonged to *stokvels* of 11 to 20 members and 23,2% of the respondents were between 22 and 50 members in the *stokvel*. This means that a total of 76% of *stokvels* in these case studies consisted of no more than 50 members. Only 5,7% of respondents belonged to *stokvels* of between 51 and 100 members, while 17,3% of the respondents belonged to *stokvels* of between 101 and 1000 members. Most of these very large *stokvels* are burial societies, eg. **Job Scope** in Orange Farm, or **St. Joseph's** which has members in Orlando. Diepkloof and Meadowlands or the **Vukazendzele**⁴⁶ burial society in Kathlehong on the East Rand. Members also belong to more than one such burial society, which illustrates the prevailing importance to the African people of appropriate provision for funerals.

Due to the mutual trust nature of ROSCAs, qualifications exist for membership : 40,8% of respondents require members to reside in a specific locality (area), 23,4% base membership on occupation and 21,7% determine membership according to gender. Ethnicity and religious affiliation are no longer vital membership criteria (in both cases less than 1% of the respondents required such qualifications.) More than 96% of respondents belong to more than one *stokvel*, which shows that people join different *stokvels* within different contexts and for different purposes. The

45. <http://www.statssa.gov.za/census96/HTML/CIB.Population/236>: Statistics South Africa Census 1996. (The 2000 census statistics are only due in October 2001.)

46. "Vukazendzele" means : wake up and do something.

Historia, 46(2), November 2001, pp. 519-42.

stokvels are usually formally organised : 67% have a chairman, 66% a secretary and 55,6% a treasurer. Minutes are kept at 90% of the respondents' *stokvel* meeting and 92% of these *stokvels* have a written constitution. Members sign a contract when joining (70% of respondents). Members also receive receipts for contributions made and more than 82% of respondents acknowledge receipt of the pool in written form. The use of paraphernalia is no longer as dominant as during the early years – only 37% of the respondents' *stokvels* still use distinctive clothing or badges. Despite the formality of meetings, refreshments are served at more than 70% of the respondents' meetings. The formal structure enhances the mutual commitment of members towards each other.

Functioning of the *stokvels*.

As discussed above, different types of *stokvels* exist. In the Gauteng case studies, 25,8% of respondents belong to savings organisations, 10,5 % to savings and loan funds, thus an accumulative 35,9% belong to savings and credit organisations. The majority of the respondents, 46,8%, belong to burial societies and 17,2% to investment funds. In 97,4% of the *stokvels* contributions are made in cash. The few *stokvels* which receive contributions in kind, are very specific. One example is the music *stokvel* in Daveyton, established because of the members' love for jazz and African music. Members contribute cash and CD's to the fund, while the meetings are aimed at fostering social interaction and listening to the music.⁴⁷ Another *stokvel* in the same area is a so-called "grocery" *stokvel*, where members contribute cash as well as groceries to the common pool.⁴⁸

Members make equal contributions (in 93,9% of the respondents' cases) as per prior mutual agreement. In only 2% of respondents' cases was the contribution determined by the constitution and in 3% by the *stokvel* committee. In 33,3% of responses it was indicated that a form of "doubling"⁴⁹ occurs and 42,7% of *stokvels* allow members to make more than one contribution. In most *stokvels* (71,8%) members are not permitted to skip any contribution. In more than 70% of the *stokvels* the order of rotation is predetermined by *stokvel* members. That specific order remained unaltered in 80% of the *stokvels*. This means that members have a high degree of certainty of when they will have access to the *stokvel* pool.

47. This is the *stokvel* of which Mr Mpho Matlala is a member.

48. This *stokvel* is a women's organisation of which Mrs Busi Motake is a member.

49. "Doubling" means that a member contributes double the agreed upon contribution. When it is the turn of the person who "doubled up" to receive the pool, then it is expected that other members would also contribute double their normal contribution to the pool. This can lead to substantial amounts of cash being contributed to the pool, but low income streams usually limits this practice to few *stokvels*. See H. Kuper and S. Kaplan, "Voluntary Associations in an Urban Township," pp. 180 - 181.

Considering the low income of the majority of the *stokvel* members in these case studies, and their reliance on these organisations for “survival”, it is to be expected that members would not be able to afford non-contribution by any member. Members thus know well in advance what is expected from them at *stokvel* meetings, since they share a common plight.

The contributions of *stokvel* members vary: 45% of respondents contribute less than R100-00 to their *stokvel*, another 29,7% contributes between R100-00 and R200-00, (this gives an accumulated percentage of 74,8 of respondents contributing up to R200-00 to *stokvels*), while 18,9% contributes between R200-00 and R500-00. This constitutes 93,7% of respondents who contribute up to R500-00 to *stokvel* savings. The significance of this figure lies in the proportion of income allocated to such savings: 91,4% of respondents allocated 10% of their income to *stokvel* savings. Furthermore 85,8% of the respondents indicated that they save “in other ways” as well. Given the fact that almost 75% of the respondents earn less than R2000-00 per month, the research substantiated the earlier perception that the savings propensity amongst *stokvel* members is high.⁵⁰ This is even more significant when considering that private household saving as a percentage of GDP in South Africa between 1960 and 1969 was 8,36% and declined to 5,15% by the mid-1990s.⁵¹

In more than 87% of the *stokvels* a fund is accumulated, of which the target amount is mutually agreed upon. (This is the case in 93% of the *stokvels*, while in 7,6% of the cases the target is determined by the *stokvel* committee). When taken into account that rotating pay-outs of such funds in the savings and credit *stokvels* take place either weekly (9,8%), or fortnightly (3,9%) or mostly monthly (82,4%), then it is clear that these urban *stokvel* members rely heavily on those informal structures for regular subsistence and can thus not afford non-contributions by members.

Since *stokvel* meetings also provide an income generating opportunity for the host member, strong action is taken when members do not attend meetings. In 76% of the *stokvels* in the Gauteng case studies, members are fined when not attending, 5% are expelled and 5% are reprimanded. When members do not make their mutually agreed upon contributions, 56% of *stokvels* fine members, 32,4% expel non-contributors and 10% issue warnings. These sanctions are mutually agreed, since participants depend heavily on *stokvels* as a social security network. Ninety-two percent of respondents in these Gauteng case studies have stated unequivocally that *stokvels* were necessary for their survival.

50. P. Mayer, *Townsmen or Tribesmen*, pp. 139, 249.

51. J.W. Prinsloo, “Private Sector Saving in South Africa” in *South African Reserve Bank Quarterly Bulletin*, December 1994, pp. 25 – 35.

Historia, 46(2), November 2001, pp. 519-42.

What are *stokvels* used for?

A strong relationship exists between the social security and economic survival functions of the *stokvels* in South Africa. Recent case studies undertaken in the Eastern Cape,⁵² in the Western Cape⁵³ and in Natal⁵⁴ have indicated that *stokvels* were the instruments of Africans' adaptive communal response to conditions of poverty and relative deprivation. *Stokvels* provided support to women struggling to uphold their subsistence responsibilities and assisted with family care when prevented from doing so in the urban areas. Simultaneously those organisations were the vehicles for the accumulation of cash and a source of credit in the absence of full participation in the formal banking sector. These organisations helped members to save for special events (for example weddings, Christmas parties, initiation, burials); they saved to buy goods in bulk or to pool buying power to bargain for discount prices; or saving was directed at basic consumption, for example it assisted members with the purchase of ordinary daily subsistence goods such as groceries. These actions were performed in the communal environment, that is saving as groups and not as individuals, despite the divorce from the traditional sector where factors of production had been owned communally. The important dynamic to observe here is that the action of saving empowered *stokvel* members to borrow from the *stokvel*, that is to receive the pool at a stage when other members still had to wait until later in the *stokvel* cycle to obtain access to the pool. Receiving the pool (i.e. borrowing) meant reciprocal saving in order to remain part of the saving cycle and thus have the "guarantee" that future credit will be accessible through the *stokvel*. One observer explained: "being too poor to borrow, can be worse than net indebtedness" – people would borrow to meet *stokvel* commitments only to ensure that via the *stokvel* they would have the security of a personal line of credit. The use of *stokvel* credit thus fed back into savings, because borrowing meant repaying and wanting to borrow followed from a history of saving.⁵⁵

The case studies undertaken in the townships of Gauteng indicated that 35% of respondents joined the particular *stokvel(s)*, to provide for burial needs, 39%,

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52. See G. Buijs and G. Atherfold, *Savings and money-lending schemes: how rotating credit associations help poor families*, (Co-operative research programme on marriage and family life, Human Sciences Research Council, Pretoria, 1995).
53. See E. Thomas, "Rotating Credit Associations in Cape Town," in E. Preston-Whyte and C. Rogerson (Eds.), *South Africa's Informal Economy*. Cape Town 1991 ; E. Bähre, "Wij zullen onze beenderen in waardigheid begraven." *CAhier*, 4(1), 1995.
54. See L. Moodley, "Three Stokvels in the Urban Black Township of Kwa-Ndangezi, Natal," *Development Southern Africa*, 12, 1996.
55. G. Buijs and G. Atherfold, "Savings and money-lending Schemes..." p. 11 ; C. Cross, "Informal Lending," *Indicator SA*, 4, 1987, pp. 88-90.

joined for social support, 14% to save for specific purposes and 12% for investment purposes. The following question asked the respondents in which way that particular *stokvel* had assisted them “with survival in the urban areas.” The responses substantiated the above:

- 22,9% indicated that the *stokvel* served as a source of credit
- 5,7% indicated that it assisted them to save for important events
- 17,1% described the assistance as a source of social support
- 25,7% indicated that the *stokvel* provided protection to their children / family
- 28,6% indicated that it provided support with funerals.

The first two categories can be interpreted as referring to the savings function of *stokvels*, or the mobilisation of funds for current and future consumption. The last three categories refer to the social security function of *stokvels*. When asked why they joined more than one *stokvel*, 59% did so for savings purposes, and 35% for an extended social support network. To low income African urban dwellers in modern day South Africa the *stokvels* still perform the support functions they had during the early years of urbanisation, that is to replace the traditional communal support network which had assured access to the means of production and food, and to supplement low and irregular income streams with mobilised group savings.

The question that remains is: why do these *stokvel* members not save in the formal banking system? Extensive research on this aspect remains to be undertaken, but the case studies undertaken in Gauteng indicated the following:

- 20,6% of respondents belonged to *stokvels* which had existed for less than two years; 26,5% belonged to *stokvels* which existed between 3 and 5 years and 52,9% belonged to *stokvels* which existed for longer than 5 years. Respondents thus have a long term association with *stokvels* : 90,7% of respondents have participated in *stokvels* for longer than 3 years (of which 67% were active for more than 5 years).
- 88,8% of respondents also have a personal bank account, but do not use it regularly
- 60,5% of respondents use their bank accounts for the purpose of saving, 20% to deposit their earnings, 16,3% for security considerations and only 2,3% to earn interest
- 93% of respondents’ *stokvels* keep their accumulated pool in a bank account.

Although no reliable official statistics are available to substantiate the claim, an official of the National Association of Stokvels of South Africa (NASASA) said in *Historia*, 46(2), November 2001, pp. 519-42.

an interview that the monthly turnover in *stokvels* was an estimated R1,3 million, of which only about R400 000 was saved, that is not rotated.⁵⁶ The link between the formal banking sector in South Africa and *stokvels* was substantiated by the recent Gauteng case studies (as had been done by Kuper and Kaplan in the 1940's), but it is impossible to say what percentage of funds circulated in *stokvels* do in fact enter the formal banking system. This is an area of concern and needs further comprehensive research. In an IMF Staff Country Report of 1995 the authors estimated that only 5% of formal bank credit and hire purchase advances in 1990 in South Africa went to Blacks.⁵⁷ In another study of the micro-lending industry in South Africa, it was estimated that by 1997 almost 40% of credit advanced to Blacks had been channeled through the *stokvels*.⁵⁸ Despite the inconclusive nature of these statistics, the research shows that there are serious inefficiencies in the linkages between the *stokvel* system and the formal banking system in South Africa. Substantial amounts of money remain outside the financial intermediary function of the banking system, which inhibits the optimal functioning of the financial intermediary role of the financial system.

The poor urban community still gives preference to informal savings organisations as a vehicle for saving as opposed to the sophisticated financial structure. Respondents without savings accounts at the banks indicated:

- that they could not obtain loans from a bank and would therefore not save with a bank
- that bank charges were “frustrating” and too high
- that banks have too many restrictions on withdrawals which means that they would not be able to get access to their funds in a crisis
- that bank procedures were too long and complicated compared to the quick access to *stokvel* credit.

For many respondents the aspect of communality and “ubuntu” is clearly also absent from the western-style financial system in South Africa. One respondent stated that:” *Stokvels* are for social needs. Banks are for individuals.”⁵⁹ Another respondent said: “ Saving with banks is not motivational.”⁶⁰ It was also stated that

56. Interview with S. Japp, 30 May 1999.

57. L. Lipschitz, A. Jaeger, J. Gordon, P. Doyle and A. Farah, *South Africa : Selected Economic Issues*. IMF Staff Country Report, 95/21, p. 129. No similar statistics could be obtained from the South African Reserve Bank for any subsequent period.

58. 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.

59. Member of a *stokvel* in Daveyton, mr Thabo Matlala.

60. Member of a *stokvel* in Daveyton, mr Eric Dlamini.

savings were not placed with banks, because “ I want to co-operate with other people.”⁶¹ There was also the opinion that “ a *stokvel* is more exciting and there are no charges to pay.”⁶² One respondent aptly captured the African spirit when stating that he did not save in a bank account, because “there is no *ubuntu*. I am what I am because of some(members)”⁶³ One respondent said : “ Joint savings create responsibility, commitment and a sense of belonging to our communities.”⁶⁴ Many respondents indicated that savings through *stokvels* disciplined them to save, whereas a savings account at a bank would tempt them to withdraw funds in time of need, for example “ I would simply go and withdraw the money even when not needed the most,”⁶⁵ or “ ...because I will withdraw it when I am broke, in a *stokvel* I invest,”⁶⁶ and “ ... because it is easy to withdraw money but a *stokvel* disciplines me.”⁶⁷

Despite modernisation and industrialisation of the urban environment of the respondents in these case studies, *stokvels* have persisted as informal financial intermediaries for the modern South African urban poor. The needs of these communities are not addressed through the formal financial structures, but through the member-based informal structures because of the social security dimension thereof. Respondents have all referred to their participation in *stokvels* as an expression of two needs, namely firstly to socialise, to be with friends and share ideas, to “double up my money and to plan and save together with friends,”⁶⁸ and secondly to provide for their families. One respondent declared: “ If something happens to my family, we have a shoulder to lean on.”⁶⁹ It was stated: “ The most important function (of this *stokvel*) is the banking together to uplift one another. It means my children wont suffer.”⁷⁰ Even an educated man responded: “ I grew up and studied using *stokvel* money. The system of banking with friends has disciplined me a lot. It means I am always covered.”⁷¹ Then the provision for funerals constitute a substantial part of the provision for their families: when they

61. Member of *stokvel* in Hillbrow.

62. Member of *stokvel* in Alexandra, mrs Lydia Moloi.

63. Member of *stokvel* in Hillbrow.

64. Member of a *stokvel* in Yeoville, “Magents Social Club” mr Monde Jwaai.

65. Member of a *stokvel* Berea.

66. Member of a *stokvel* in Diepkloof Zone 4 and 5, “Penny Lane”, Ernest. Similar responses were received from mrs Busi Motake, a member of a *stokvel* in Daveyton, and from mr Nkele Selepe, a member of a *stokvel* in Spruitview, “Tlhomphanang”.

67. Member of a *stokvel* in Hillbrow, “Mum’s Kitchen Party.”

68. Member of a *stokvel* in Yeoville-Bellevue East, mr Willie du Plessis.

69. Member of a *stokvel* “Ditlogolo Burial Society”, in Diepkloof, Mamas.

70. Member of a *stokvel* “Kaufelo Mens Club”, in Meadowlands, Enoch.

71. Member of a *stokvel* “Meredale Mens and Boys Club” in Meredale, Tshepo.

pass away, their families will not be destitute in having to take care of their funerals. The formal banking sector does not address these social security needs. Trust amongst friends, economic survival, access to credit, community survival and mutual upliftment of the community are vital motivating factors in the persistence of *stokvels* in modern day South Africa.

Conclusion

The historic phenomenon of *stokvels* in urban South Africa communities since the 1920's and 1930's maintained a strong presence in the modern South African environment. It manifests itself amongst the very poor, but also amongst more wealthy people. This study has shown that people with relatively low and irregular incomes are highly active in but also dependent on the informal savings organisations. Many of these people work in the informal sector as self-employed workers, with limited or no access to formal social security. They contribute substantial portions of their earnings to informal savings organisations with the expectation to "make more money" and to provide for an insecure future. Participants in *stokvels* rely almost exclusively on those organisations for secured or guaranteed access to credit. The lack of access to formal bank credit by people in the growing informal sector of the South African economy, has become a politicised issue in South Africa. This research has shown that in Gauteng townships, informal settlements and cosmopolitan flat areas, people still make extensive use of informal financial organisations to meet basic subsistence needs, to provide for future social needs and to improve their standard of living. These structures are not integrated into the sophisticated financial structure of this country, thereby excluding them from contributing to the flow of personal savings funds into the banking system. Insufficient recognition is given to the proven savings propensity of *stokvel* members as justification for the provision of formal bank credit to members of those organisations. The low domestic personal savings rate in South Africa contributes to increased dependence on foreign investment flows, which have declined substantially to Africa in general and to South Africa in particular.

This article highlights the substantial personal savings of people operating in the informal financial sector. It also emphasises the extensive use of these mechanisms for social security purposes by participants. These case studies have confirmed the prevalence of this phenomenon in Gauteng. It confirmed the important subsistence role of these structures in this modern economy. It is thus not valid to argue that such organisations have limited applicability in the modern South African environment. The most important aspect is that women increasingly rely on these structures to fulfill their responsibilities towards their families. The number of female headed households is increasing, both in urban and rural areas. Women have less access to credit and financing through the formal financial structures due

to the informal nature of their economic activity and the irregular nature of earnings. It is under these circumstances that mechanisms should be devised to render stronger recognition of the savings discipline associated with the informal financial organisations as a form of collateral for credit.

Comprehensive national research is needed to establish the extent of the functioning of these organisations and the degree of dependence on such structures for social security and economic survival in both urban and rural communities. Here it is important to establish to which degree people involved in the informal sector rely solely on such organisations to finance their enterprises. Such research will assist the government in assessing methods of linking informal financial organisations more effectively with the formal financial structure in order to enhance the financial intermediary function of that system. Simultaneously more effective policies towards the provision of comprehensive social security protection to people outside the formal social security system can be assessed. This study has shown that many participants feel themselves completely dependent upon community support for their survival needs, for example, one woman responded : “ (participation in *stokvels*) means that I am not alone to meet the challenges of this earth. I am with my neighbours helping one another to live a good life and secure the future of our children.”⁷² Community-driven member-based organisations constitute a vital survival strategy of poor people in South African urban African townships. These informal financial organisations are not restricted to low income developing countries, but make a substantial contribution to the empowerment of the people outside the formal structures in South Africa. This needs to be recognised not merely as a historical phenomenon, but also as a development challenge of the present.

Opsomming

Besparing en oorlewing in ‘n moderne Afrika-ekonomie; informele spaarorganisasies en arm mense in Suid-Afrika.

Die voorkoms van informele spaarorganisasies in moderne ontwikkelde ekonomieë word nie beskou as die normale toedrag van sake nie, omdat dit as ‘n verskynsel van

72. Member of a *stokvel*, “Masibambisane Society” in Zondi, Soweto, Mrs. Noli Majazi.

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ontwikkelende ekonomieë gesien word. Hierdie studie toon aan dat daar enkele opvattinge in die internasionale literatuur oor informele spaarorganisasies is wat nie ooreenstem met die voorkoms van sodanige organisasies tans in Suid-Afrika nie. Dit is ook nie uitsluitlik organisasies onder arm mense nie, hoewel die grootste persentasie wel funksioneer onder mense met 'n ongereelde en lae inkome. In hierdie studie word die bestaande opvattinge oor informele spaarorganisasies gemeet aan resente navorsing onder stokvels in die Gauteng provinsie. Dit dui op 'n meer omvattende spaargedrag as wat die owerheid tans erken en regverdig verdere navorsing ten einde ekonomiese bemagtiging te fasiliteer.