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A study to investigate if stokvels can be used to finance property transactions

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A Study to Investigate If Stokvels Can Be Used to Finance Property Transactions

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A research report submitted to the Faculty of Engineering and the Built Environment, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of MSc. Building in the subject area of Property Development and Management

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Contents

Contents ii

List of Tables v

List of Figures v

Abstract vi

Declaration vii

Acknowledgements viii

Dedication ix

List of Abbreviations x

1. Introduction 1

1.1. Background to the Study 1

1.2. Substantiation of the Problem 2

1.3. Problem Statement 3

1.4. Primary Research Question 4

1.5. Secondary Research Question 4

1.6. Research Aim 4

1.7. Research objectives 4

1.8. Contributions of the Study 5

1.9. Delimitations 5

1.10. Assumptions 6

2. Literature Review 7

2.1. Introduction 7

2.2. Theoretical Framework 7

2.3.1 Definition and Overview of Stokvels 7

2.3.2 Stokvels as Means for Purchasing Property 8

2.3. Stokvels Worldwide 8

2.4. Membership 10

a. Reasons Why People Join Stokvels 10
b. Success Factors for Stokvels 11
2.5. Governance in Stokvels 12
a. Regulations Governing Stokvels 13
2.6. Types of Stokvels 14
2.7. Current Stokvel Investments 15
2.8. Some Problems of Stokvels 15
2.9. Previous Studies on ROSCAs 16
3. Research Design 18
3.1. Introduction 18
3.2. Research Methods Used in this Problem Area 18
3.3. Research Philosophy and Approach 18
3.4. Population and Sampling 19
3.5. Sample Size 19
3.6. Sampling 20
3.7. Data Collection Method (Questionnaire Administration) 20
3.8. Data Collection Instrument 21
3.9. Data Analysis 22
3.10. Validity and Reliability 22
3.11. Ethical Risks and Mitigation Strategy 23
3.12. Chapter Summary 24
4. Data Analysis and Results 25
4.1. Introduction 25
4.2. Presentation of Results 25
4.3. Number of Years in Operation for Stokvel Groups 27
4.4. Types of Stokvels in Existence 28
4.5. Primary Objective of the Stokvel Groups 29
4.6. Number of Registered Stokvels 30
4.7. Number of Members in Stokvel Groups 30
4.8. Contributions in Stokvel Groups 31
4.9. Stokvel Savings and Reserves 32
4.10. Uses of Stokvel Reserves and Savings 33

4.11. The Impact of Property Savings in Reducing the Housing Backlog 34
4.12. How Can the Stokvel Organization Be Enhanced to Contribute to Property Purchases? 35
4.13. Policies That Need to Be Put in Place to Promote Property Stokvels 37
4.14. Can Stokvels Be Used to Finance Property Transactions? 38
4.15. Chapter Summary 39
5. Discussion of Results, Conclusion and Recommendation for Future Research 40
5.1. Introduction 40
5.2. Purpose of the study 40
5.3. Summary of Research Findings 40
5.4. Limitations of the study 42
5.5. Managerial implications of findings 42
5.6. Recommendations 44
5.7. Summary of Research Findings and Recommendations 46
5.8. Future areas of Research 47
5.9. Chapter Summary 48
References 49

List of Tables

Table 1: Sample size *Source: (Taderhost, 2017)* 20

Table 2: The distribution of respondents by race 27

Table 3: The number of years in existence for the stokvel groups. 27

Table 4: Types of stokvels in existence 28

Table 5: The Primary Objective of Stokvel Groups 29

Table 6: Number of registered stokvels 30

Table 7: The number of people in a stokvel group 30

Table 8: Uses of stokvel reserve lump sum funds 33

Table 9: The potential impact of property stokvels on addressing the housing backlog ... 34

Table 10: Summary of Findings and Recommendations 47

List of Figures

Figure 1: Bar chart showing the distribution of respondents by age 25

Figure 2: Pie chart showing the distribution of respondents by gender 26

Figure 3: Stokvel monthly contributions per member 31

Figure 4: Lump sum reserves in stokvel groups 32

Abstract

The purpose of the study was to investigate the viability of stokvels as a financing option for the purchase of property in South Africa, thus promoting stokvels as another vehicle to reduce the housing backlog. Previous studies have not investigated stokvels as a property finance instrument, neither have they investigated their structure and operations with a view to document best practice and investigate if the concept can be considered as a sustainable housing finance option in South Africa.

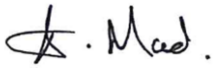
Findings were reached through a mixed methods approach, combining primary data obtained from interviews and questionnaires, as well as secondary data from available literature.

The findings of the study affirm that there is an opportunity for stokvels to participate with meaningful impact in the property development sector, be it through the home ownership model, building supplies or property investment/wealth creation model. This would require stokvels to formalize their operations, increase member subscriptions, and also for government to develop policies to protect investors from fraud through the regulation of stokvels. As stokvels in the country continue to innovate, participation in the property development sector is desirable for members, but it would require a significant shift in how stokvels currently operate.

Declaration

I declare that this MSc. Research Report is my own, unaided work. It is submitted in partial fulfilment of the degree of MSc. Building in the subject area of Property Development and Management at the University of the Witwatersrand, Johannesburg, South Africa. It has not been submitted before for any degree or examination in any other university.

Signature of Candidate:



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To my lovely wife, Prim, your constant encouragement is appreciated, and I am grateful for your unwavering support. Ndinotenda.

Lastly, to the almighty God, you are God Ebenezer.

Dedication

To my sons, Asher and Owethu.

List of Abbreviations

NASASA: National Association of Stokvels in South Africa

NCA: National Credit Act

ROSCA: Rotating Savings and Credit Association

SARB: South African Reserve Bank

1. Introduction

1.1. Background to the Study

Post-1994, the government in South Africa had a campaign promising “houses for all.” This programme was delivered through the Reconstruction and Development Programme (RDP), which provided fully subsidized housing based on the suburban model of a single house positioned in the center of the property. Despite the significant number of subsidized housing units produced in South Africa, the waiting list remains long (Tissington, 2013). As housing backlogs continue to grow, there is mounting consensus that the government cannot provide adequate housing for all those who need it (Gardner, 2010).

Much of the population attach considerable “emotional and economic well-being to the attainment of a formal house; tensions around housing delivery processes are almost inevitable” (Seekings, 2010 pg. 44). Home grown solutions utilizing private-public partnerships are required to alleviate the housing delivery backlog.
Stokvels are an age-old tradition in South Africa, in which members collectively save by contributing a set amount of money monthly for a fixed period. In this way, members can save and buy goods in bulk, normally at wholesale prices. According to Lukhele (1990) stokvels are important alleviation organisations present in the black South African communities.

Research shows that stokvels have the ability to contribute to community development in various ways. Bophelo (2018) identified some of the benefits to stokvel members such as funding education, provision of homes and easy access to finance, which unlocks micro-entrepreneurial activities and uplifts livelihoods. Stokvels have evolved over the years in a way that economic objectives have taken precedence over social purposes, of which stokvels were originally set out for.

While the traditional “burial societies” and “groceries buying” stokvels remain popular, a rise in a new form of stokvels has seen the mushrooming of car buying and property purchasing stokvels.

This study seeks to investigate stokvels in the property sector. It seeks to determine if stokvels are the silver bullet to reducing the housing backlog that haunts the nation. It further seeks to investigate if stokvels are an option to financing purchasing of property in South Africa. The study further seeks to investigate if stokvels can be considered a sustainable form of housing finance in South Africa.

1.2. Substantiation of the Problem

One of South Africa's most pressing needs is the provision of low-income housing units for the majority of its citizens, with the current backlog estimated at over three million units. One of the major causes of this is the inability by commercial banks to extend loans to this market despite supporting initiatives by the government (Pillay, 2006). In recent years, the affordability problem has become more and more important in many housing markets in South Africa, especially in the City of Johannesburg where the cost of living is considerably higher in comparison to other cities in South Africa (Ijasan, 2019). Not only does housing provide shelter for the users, a good investment and also provides a social space for the households and a platform where social interactions as well as relations with the society are continuously reproduced (Ijasan, 2019).

According to Ijasan (2019), in Johannesburg, an average household's income can afford a home worth R280 000, yet the average sale price is about R825 000, with fewer properties below R500 000. The income-housing gap created by the municipality reveals that it takes 3 times the average household income to afford an average house. It is further estimated that only about 1,6 million households or 13% of the South African population can afford to buy a new home in the current market. The lack of affordable housing in South Africa is a well-documented problem. The housing problem is reportedly growing at 178 000 houses a year, as reported at the end of 2018 (City of Johanesburg, 2019).

Access to mortgage financing remains largely restricted to high-income earners, despite well-developed credit markets. Consumer debt remains a concern as well (Kariuki, 2017). Housing affordability remains a critical challenge. Under prevailing mortgage terms, only 20.4% of urban households would afford a house. A lack of affordable, well-located land for human settlements development is a challenge made worse by a combination of low household income, poor credit histories that limit access to financing, and rising building costs (Koos, 2018).

Government's approach to addressing the housing backlog is premised on the provision of houses to low-income households where government is the delivery agent (Pillay, 2006). Their interventions would entail social rental housing and a finance-linked subsidy, targeted at the 'gap' market which have, to date, delivered over 4 million housing opportunities since 1994. Government interventions remain extremely inadequate as the housing backlog remains at an estimated two to four million housing units.

Stokvels have long provided a safety net for millions of South Africans, providing financial security, and enhancing social well-being. It is universally acknowledged that stokvels, traditional community-based savings groups, have collectively built up an exceptionally large pool of funds. The stokvel concept, mostly viewed as an old-fashioned way of

investing and borrowing, has survived modernity and continues to flourish in South Africa (Schulze, 1997).

The rise in popularity of stokvels as a financing model for purchasing property in South Africa is an interesting phenomenon. While there are a lot of success stories of stokvels purchasing properties, they are a lot more cases where people have lost their hard-earned money in these stokvels.

Whilst stokvels have largely been informal, they are now being progressively designed to participate in the mainstream economy. The challenge with these stokvels is that they are not regulated, and their success rate is unknown. Typically, litigation for or against stokvels must be carried out by or against an individual member of the stokvel.

A stokvel does not have lawful disposition like other legal entities. This therefore means a stokvel cannot be sued in its own name unless it is registered as a company, closed corporation, or such other entity (Townsend, 2009). Typically, legal action on behalf of or against a stokvel must be done in the name of an individual stokvel member.

If stokvels are going to grow and be considered as a property financing model, their legal status needs to be confirmed and regulated. Their modus operandi needs to be known. At this point in time, these facts are unknown and that is a huge problem.

The consequences of not knowing the status and operations of property stokvels are:

- The potential of a “home-grown” housing financial instrument may be lost as no investigation into them has been done.
- Lack of a body of knowledge about property stokvels so that there can be recognized as a potential alternative in solving the housing dilemma amongst black communities.
- Great risk of people being fleeced of their money by unscrupulous individuals who advertise and market this instrument.

Thus, it is important to understand how stokvels operate so that potential clients can derive value from joining such a scheme.

1.3. Problem Statement

Previous studies have acknowledged and expounded the existence of informal financial institutions in South Africa (Verhoef, 2001). Moyo (2002), revealed the existence of high budget stokvels in Gauteng province, but never fully explored the rationale behind their existence as this was not the focus of her study.

Stokvels have long been believed to be financial institutions for the unemployed and poor, as echoed by several writers among them Geertz (1962) and Lukhele (1990). The structure and character of stokvels has evolved as economic objectives have overcome social purposes for which stokvels were originally set.

The research problem is that stokvels have not been used to finance property transactions. There is a need to investigate whether property stokvels are effective and sustainable as a finance option for many of their current and future members. This is to enable the promotion and upscaling of these stokvels so that people may have more options of purchasing houses.

1.4. Primary Research Question

In trying to grapple with the housing backlog, this research sought to find solutions in housing finance by asking what contributions stokvels can make in easing the housing backlog?

1.5. Secondary Research Question

The research sought to further answer the following questions:

- What policy proposals can be developed to enhance the capacity of stokvels in order for them to be used as a viable property purchase option?
- How can stokvels be strengthened for them to be considered a viable property finance option?
- What are the linkages that exist between stokvels and formal financial systems and can they be developed to cover property transaction deals?
- What asset classes do property stokvels finance?

1.6. Research Aim

The aim of this research was to explore the possibility and viability of stokvels in financing property transactions in order to ease the national housing backlog.

1.7. Research objectives

The objectives of the research were to:

- To explore the contributions stokvels can make in financing property transactions which will ease the housing backlog.
- To elicit the views of members of stokvels on how stokvels can be strengthened in order to be considered a viable property finance option.

- To explore the linkages that exist between stokvels and the formal financial system and explore how these may be developed/enhanced to develop property transaction options.
- Identify the structure, composition, and workings of stokvels in South Africa, as well as the success factors of these stokvels.

1.8. Contributions of the Study

Whilst the government has made significant progress in addressing housing challenges, the proliferation of informal settlements shows that the problem of housing is still far from being overcome. The recurring violent protests in informal settlements are, to a large extent, a reflection of government's failure to effectively address adverse living conditions in informal settlements and are a huge cause of concern (Akinboade, 2014).

In assessing whether stokvels can be used to finance property stokvels, this study seeks to inform government and policy makers on how to leverage stokvels to improve and add to the options of property financing for lower and medium income earners. This will eventually help in clearing the national housing backlog. The results of the study could also contribute to the development of investment products that are relevant to certain individuals.

The research findings will also empower current and future stokvel members on how to improve their stokvels in order to maximise on their savings and investments.

1.9. Delimitations

The following delimitations were identified for this study:

- Lack of journals with relevant topics involving existing government incentives for promoting stokvels as a housing finance tool.
- Lack of professionals in the industry willing to assist (Participate in the survey and answer questionnaires).
- Time constraints on conducting interviews and in-depth research.
- Inadequate information which focuses on stokvels as a housing finance tool.
- Stokvels are predominantly a South African tradition hence not much literature internationally.

1.10. Assumptions

The following assumptions were made for this study:

- Stokvel groupings will be willing to participate in the study.
- Stokvel members will be willing to participate in the study.
- Professionals will be willing to participate in the study.
- People are willing to join property stokvels if they have adequate information on their workings and conduct.

2. Literature Review

2.1. Introduction

In this chapter, the researcher reviews academic research and literature on the subject of stokvels. The structure of the chapter entails defining stokvels, a discussion on evolution of stokvels and a review of other practices that are equivalent to stokvels worldwide.

This review will trace the evolution of stokvels and look at the different typology of stokvels that have developed, particularly in South Africa. The chapter then explores the current investments that stokvels are funding and enabling. Savings stokvels are found to be the most popular type of stokvel in South Africa; the rise and shift of stokvels from serving social functions to becoming economic enablers was also explored. The chapter also discusses some of the challenges that stokvels encounter and ends by looking at the methodologies used in previous research to study stokvels.

2.2. Theoretical Framework

2.3.1 Definition and Overview of Stokvels

The definition of the term stokvel is subject to contestation, and several scholars have put varied conceptions forward (Bophela, 2018). Consequently, there are varied definitions of the term. However, a closer analysis of the current definitions put forward by scholars such as Lukhele (1990), Mashigo (2006) and Mashigo and Schoeman (2010), indicates that while there may be differences among the definitions, they are only subtle variations. Mashigo (1990), argues that a stokvel is “a type of credit union in which a group of people, by voluntary mutual agreement, regularly contribute money to a common pool and circulate the pool among its group”. Chikadzi and Lusenga (2013) observe that while the definition does capture the behaviours and characteristics associated with stokvels, it is rather narrow since some stokvels do not engage in the circulation of pooled money among members. Rather than circulating among the members, money is invested to benefit the entire group. The common universal denominator in these definitions is the fact that members contribute money. However, how the money is spent varies from one stokvel to the next. It is this spending of the contributions that differentiate the stokvels. A much more comprehensive definition of stokvels is given by the National Stokvel Association of South Africa (NASASA). According to NASASA, a stokvel is a voluntary association premised on trust, friendship, and a robust feeling of reciprocal accountability. The members of the stokvel group also agree on their purpose, rules, and desired outcomes.

The key features that are clear in this definition are that stokvel membership is voluntary in nature and is composed of several people who trust one another (Chikadzi and Lusenga, 2013). In addition, stokvels are governed by rules and are designed for a specific purpose.

Worldwide, stokvels are known as “rotating savings and credit associations (ROSCAs)”. ROSCAs have always been popular in developing countries and, according to Geertz (2006), ROSCAs are “groups of individuals who agree to meet for a defined period of time in order to save and borrow together.” In addition, Geertz (2006 pg. xx) states that, "ROSCAs are the poor man's bank, where money is not idle for long but changes hands rapidly, satisfying both consumption and production needs." Frequency of meetings varies and can depend on seasonal cash flow cycles in rural communities or can be quite regular. Members contribute a set amount at each meeting, and on a rotational basis, one member takes the whole sum once or twice depending on the number of members. As a result, each member can access a larger sum of money during the life of the ROSCA and use it to achieve set personal objectives. This method of saving is less risky than saving at home where savings are at risk of unforeseen emergencies or demanding family members.

Developing the stokvel industry could increase participation in the formal economy of previously marginalized sections of the society, and contribute towards mitigating unemployment and poverty, leading to improved livelihoods and standard of living. In South Africa, the stokvel clubs have “an estimated value of R49 billion and a membership of 11,5 million, in a country with a populace of 57 million and an informal economy with a total value of R160 billion – yet remain a hidden sector of the economy”.

2.3.2 Stokvels as Means for Purchasing Property

Stokvels are fast becoming a way for the new generation to build wealth and invest in property. According to Nedbank, South Africa has more than 820 000 stokvels holding annual savings of over R44 billion. The most common use of Property Stokvel is buying and leasing. This is where members contribute money to buy a property, rent out, maintain and manage it with each member benefitting from the rental income. Another is home purchasing, where members contribute money to secure homes for every member of the Property Stokvel. Investing in vacant land is where the members buy a vacant plot, pay it off and then use the stokvel as a means to fund prospective build on the plot. Another use which is popular among members who do not want to deal with the management of the property, is purchasing shares in a property investment portfolio. This is where the Property Stokvel creates annuity income for members.

2.3. Stokvels Worldwide

Stokvels can be found all over the world and not just in South Africa. “In Indonesia they are called arisan, and in Ethiopia they are called ikub. In Japan, they are called tanomoshi, in

West Africa they are referred to as esusu, djanggi in Cameroon and cheetu in Sri Lanka. In Africa, they can be found in Swaziland, Zimbabwe, Malawi, Equatorial Guinea, Ivory Coast, Kenya, Egypt, and Rwanda. They are also in Europe and in America" (Adams & De Sahonero, 1989 pg. 220). ROSCAs have been found among bank employees in Bolivia, and Ghana (Brotei-Doku and Aryeetey, 1995). A study carried out in Harare, Zimbabwe, by Chamlee-Wright (2002) found that 76% of informal traders participate in ROSCAs. Even in countries with advanced credit markets, ROSCAs exist.

While stokvels are more prevalent in countries with non-existent credit markets, they are also operative in advanced economies, particularly amongst previously disadvantaged people who do not have easy access to mainstream financial services (Verhoef, 2001). ROSCAs are notable for their many forms and functions and for their long life. They persist both in times of severe financial insecurity as well as in prosperous economic cycles; additionally, they also flourish among a few generally well-off financial strata (Ardener, 1995). Bouman (1995) argues that membership to a ROSCAs is amongst the oldest most widespread and popular savings method globally and serve a considerable role in promoting a savings culture in different communities.

Verhoef (2001) avers that ROSCAs evolved from voluntary associations with a savings mandate that advanced members' contributions on a rotational basis according to pre-agreed rules. Membership of these early stokvels ranged from small groups of six (6) to larger groups of around twenty-five (25) people. Ardener (1995) found that despite there being a functional banking system, use of ROSCA was not deterred. Tsai (2000) agrees and argues that ROSCA participation is viewed as a better indicator of a country's level of economic development than its unequal access to formal funding. ROSCAs are perceived as adaptive and responsive to the poor sectors of the population in metropolitan settings in industrialized societies like South Africa. Whilst stokvels are seen as an alternative to the mainstream, the two can co-exist even though members of ROSCAs often do not have access to these institutions and perceive them as exclusionary and ROSCAs as accessible (Buijs, 1998).

In Ethiopia, the majority participate in ROSCAs to access credit for purchasing items such as vehicles, home furniture, machinery, and equipment, which are sometimes income generating. One example is a fixed-fund association in Liberia, which was designed to collect enough funds to purchase vehicles (taxis) for members annually. The collection of these funds was done until all members of the ROSCA owned a vehicle (Miracle et al, 1980). Thomas (1991) also reported comparable returns from similarly modeled ROSCAs in Cape Town, which purchased varying items such as household furniture, land, or embarked on start-ups such as a shebeen or a local commuter taxi.

2.4. Membership

Membership of stokvels may be organised based on family ties, although this is no longer common in urban areas (Kaseke, 2014). Thomas (1991) states that shared credibility and private camaraderie are usually amongst the most critical membership selection criteria. A member usually knows all the others, or they are assured of each other by a recognized member. The common factor amongst the members may be work, neighbourhood, church or other professional or social grouping.

Returns on investment vary among the membership of a stokvel, depending on a few variables. The variations in consideration may be that those members who receive their lump sum at the initial stages of the rotation are effectively cushioned from inflation and are in fact getting a zero-interest loan, whilst those at the end of the rotation may lose out as the lump sum in real value terms may have been, to some extent, eroded by inflation. The opportunity of receiving extra interest on their money through lending may be considered an enticement for members to join stokvels. Several stokvels generate income by lending a part of their savings to known and trusted non-members who are usually guaranteed for by a stokvel participant.

Lukhele (1990) and Kerri (1976) concur that stokvels have proven to be successful because of their voluntary nature as an establishing rule to membership. Other writers on the subject also acknowledge that ROSCAs are an essential societal safety net and are not solely a financial institution (Thomas, 1991).

In terms of demographics, Dube (2019), found that in South Africa, almost 83% of stokvel members were women. Further afield, a study conducted in Kenyan slums (informal settlements) by Mwangi, and Kimani (2015) also established that women members formed the greater part of accumulating savings and credit associations (ROSCAs). The age range for members of stokvels is 20-70 years, with the majority between 40 and 69 years (Dube, 2019). Research on the education levels of stokvel members show that up to 52% completed their matric, while 61% are employed (Kaseke, 2014).

a. Reasons Why People Join Stokvels

According to Lukhele (1990), stokvels emerge to fulfil a specific function. Stokvels are also seen as agents for bridging tribal and ethnic divisions amongst Africans in urban areas and perform economic and social roles irrespective of traditional differences (Verhoef, 1999). According to Matuku and Kaseke (2014), stokvels contribute to the wellbeing of people by providing its members, especially black people, with guaranteed access to credit. Individuals join stokvels to improve and safeguard their financial and societal status within the community (Kaseke, 2014). Stokvels have proven to have a benefit intention rather than trust as a reason for their starting and survival. In other words, the economic goal supersedes the social goal in the creation and survival of a stokvel (Burman, 1995).

Furthermore, stokvels provide an option for those that cannot participate in the formal banking sector (Krige, 1998).

Members join ROSCAs for different reasons like accessing working capital, raising reserve cash and potential savings. Burman and Lembethe (1995) stress that the possibility of loans from a stokvel give confidence of getting financial help in an emergency. Verhoef (2001) argues that to some people, conventional financial institutions are unapproachable and stokvels offer a more pleasant and healthier recognized form of savings than these financial institutions. Furtheron, stokvels offer guaranteed finances among trusted acquaintances. Participation in stokvels therefore represents an adaptive response by members to conditions of poverty and deprivation.

In some instances, the importance of easy access to credit is greater than the cost of credit because it suits member needs and convenience. Furthermore, when members have accumulated substantial savings, they can buy goods in bulk and negotiate better discounts on those goods which provides them with greater bargaining power, and this leads to improved living standards for the members (Verhoef, 2001).

According to Buijs, (1998) membership to a stokvel enables access to funds, which can be drawn in an emergency, and which may not have been available elsewhere. Stokvels therefore enable members to derive maximum value and protect their funds. Lukhele (1990), therefore concludes that stokvels can act as informal insurance and a savings method which helps members save faster and consistently compared to if they had done so by themselves; since they cannot draw and use money on compulsion, as the rules of withdrawal dictate.

b. Success Factors for Stokvels

While the microfinance industry has substantially grown, there are still at least half of all adults without a bank account in the world (Cull, Demirgüç-Kunt, and Morduch, 2013). In addition, a key aspect of poverty is the lack of adequate methods for managing low or irregular income (Collins et al., 2009). Most poor households need informal financial products and services, such as stokvels, to meet their needs for credit, savings, and risk management. One of the main reasons why stokvels are successful is their ease of operation.

Stokvels usually involve small loans which commonly function with no collateral. Their activities typically deal with short term operations and are often conducted without legally binding documentation or other tedious processes or paperwork. Most stokvel members are women who are poor, people running small businesses, small farmers and landless people who lack access to financial services. A transaction in the informal financial system usually happens at the doorstep of the client, in their place of employment, or in a popular market, unlike in the formal financial system (Addison, 2006).

According to Allen (2007) varied economic market breakdowns, which remain widespread in emerging and industrialised markets, have encouraged the demand for new savings and investment options. Market failures have resulted in an increase of stokvels around the world since they limit poor people's access to credit markets and formal savings vehicles like bank accounts (Kedir, 2014).

For many, stokvels are an obvious choice because they make the collateral and information regarding borrowers easier to resolve by allowing registering members with reciprocal trust in each other or guarantee the performance of individuals they sign up. In stokvels, loan recovery is relatively easier since a non-paying member is stripped of his membership and also risks being shunned and losing the social and business links that come with participation (Nyandoro, 2018).

Default is a problem that is always there, even if it is not deliberate. Contributors' death, illness, or loss of work may result in defaulting. There is little to no deliberate defaulting in many cases. Several interventions have been initiated to reduce defaulting by members. During the rotation cycle, new members may be enrolled; parties may be thrown to strengthen bonds between members; putting trusted members at the beginning of the rotation cycle, as well as issuing receipts. The formation of legal contracts is now commonplace in other parts of the world in stokvel arrangements (Ardener, 1964). This, however, is an exception in South Africa, where members depend on trust to prevent defaulting.

The low default rate is a major reason to the success of stokvels. According to Rhini (2014), members of stokvels have more likelihood of defaulting on their consumer and commercial accounts than on their association contributions. In general, other accounts are private deals between the company and the consumer, so friends and neighbours cannot see them. A person's social standing is brought to light and compromised when a member defaults on their stokvel payments. In a small town, the risk of defaulting is also reduced because the defaulter diminishes their chance to be accepted as a member of another stokvel.

2.5. Governance in Stokvels

As discussed above, joining a stokvel is voluntary. However, the constitution of certain stokvels requires that a new member's reliability, trust, and loyalty be established before he or she may be allowed into the stokvel. For example, if a person is known to suffer from substance abuse or has a poor payment history, he or she will not be approved since there is a risk that they will be unable to keep up with contributions or comply by the rules (Mashigo, 2007). When a member joins or leaves the stokvel, there is usually no written contract as long as the individual is up to date with their contributions before leaving. Mashigo (2007) found that members can easily exit a stokvel, though it comes at a penalty in terms of renunciation and the loss of all associated privileges. Violations of the rules are rarely committed due to the loss of privileges, trust, loyalty, and reputation among members.

Hubbard (2014) and Kruger and Whittaker (2015) state that stokvels are tightly regulated organizations with strict rules and regulations that all members must adhere to. The stokvel association is very formal and provides members with a variety of benefits, including credit, group savings discipline, debt reduction, and a community to support them through good or difficult times (Landman, 2013).

Most stokvels have constitutions. When a stokvel applies for a bank account, a written version of this constitution is required. The constitution lays forth the regulations for how meetings are conducted, how office bearers are elected, as well as stokvel rules and debt collection methods. A contract between a member and the group is formed by this constitution. There are elaborate procedures for obtaining consent to a constitution. This is sometimes done through oral ceremonies or even through formalising written consent through an affidavit at the local police station. Importantly, the constitution's processes are considered as binding on members. An obligation is made by agreement, just like any other contract, and it binds the parties.

Unlike collateral-based loans, stokvels rely on social pressure and monitoring to guarantee loans (Jones, 2000). The members are aware of their reliance on the stokvels, especially in cases of financial hardships and therefore are compelled to comply with the rules or constitution. Failure to pay subscriptions or contributions for a period may result in a member's removal from the stokvel. The removed member may be re-admitted on condition that they re-pay the outstanding amount and members may have to vote to allow the expelled member to re-join (Landman, 2013). This peer pressure exerted on each member becomes a strategy to maintain financial discipline, responsibility, and commitment among the members (Landman, 2010).

a. Regulations Governing Stokvels

The National Stokvel Association of South Africa (NASASA) grew into a monitoring umbrella organization for all stokvels, burial societies and other informal savings groups. It was registered as a Section 21 (non-profit) company and its directors are appointed by the Minister of Finance as per the provision of the Banks Act. NASASA currently represents 150 000 individual members from 11 000 groups nationwide. NASASA defines stokvels to have the following characteristics:

- Voluntary membership.
- Informal groups: there are no explicit regulations, but trust is used as a mechanism to ensure that funds are kept safe.
- Functioning of these groups is exclusively the obligation of participants.

Stokvels are also regulated by the South African Reserve Bank (SARB) as per current legislation. The Banks Act of 1990 was amended to ensure that oversight was extended to

stokvels, which ordinarily are not classified as financial institutions. Thus, stokvels are now recognised as legal, self-governing entities which are governed separately from commercial banks. Whilst there are allowed to accept deposits from their members, they cannot exceed R9.99 million in their account at any one time. If they wish to breach that cap, the law requires that they register as a mutual bank.

2.6. Types of Stokvels

Savings stokvels

Savings clubs, also known as contribution stokvels, encourage people to save. Members each contribute a set amount of money to a common pool, and they agree on the order or cycle in which the pooled funds are distributed. Matuku (2014) observes that these savings stokvels have the biggest participation.

Burial stokvels

In the event of death, burial stokvels provide material and non-material help to members and their relatives. Following the influx of black workers to the gold mines, burial stokvels arose. Because of the high cost of funerals, especially transporting the dead to rural areas in line with norms and traditions of the African cultures, black workers were obliged to form burial stokvels (Lukhele, 1990). Funeral expenses are covered by set donations from members. The specific advantages are established in the appropriate stokvel's constitution and typically involve the purchase of a coffin and transportation of the deceased.

Investment stokvels

Investment stokvels have a common purpose of accumulating cash by investing in business projects. Investment cooperatives also encourage savings by purchasing commodities in bulk. Cooperative buying societies are another name for such investing stokvels (Irving, 2005). Investment stokvels require members to pay a set amount of money regularly, usually once a month. Prior to investing in business initiatives, cash is saved up in reserves.

High-budget stokvels

High budget stokvels function as micro-finance societies and are formed with the objective of encouraging investments and savings. By their nature, high budget stokvels are not for the poor or persons with limited finances. Members of high budget stokvels contribute considerable amounts, maintaining their high eminence in society. These considerable contributions enable members to receive large lump-sum payments which they can use to buy household goods or meet other needs that require high capital financing. While both men and women are members of these stokvels, the number of men far outweigh that of women in these schemes (Schulze, 1997).

2.7. Current Stokvel Investments

Stokvels have evolved from consumption motivated groceries to investment focused stokvels. Traditionally, the most common stokvels were grocery stokvels, money lending stokvels and burial society. A shift in these has been noted in the last few years, with a popularity rise of stokvels for purchasing cars and property.

A report by Old Mutual Savings and Investment Monitor (Old Mutual, 2011), which tracks shifts in the financial attitudes and behaviours of South Africa's working metropolitan population, suggested that there are three types of property stokvels: the home ownership property stokvel, the building supplies stokvel, and the property investment/wealth creation stokvel. This report noted that of the property stokvels that focus on home ownership and building homes for its members, members are predominantly female (89%), with 52% aged between 35 and 49. Those over 50 constituted 31% and members younger than 35 made up 16% of membership.

The same report describes the home ownership stokvel as less sophisticated and made up of predominantly women who pool money together until they can buy land or housing for themselves or to rent out. This home ownership stokvel is usually a closed group and does not need a loan to buy property. The building material stokvel pools funds to buy bulk building material at a better rate than if members were to buy individually. The wealth-creation property stokvel is the most sophisticated, in that members' money is used to build a property portfolio or to buy land to develop.

2.8. Some Problems of Stokvels

The main strength of a stokvel, which inversely is also its biggest weakness, is its members. Where there is a high level of commitment by members and strong leadership stokvels success and satisfaction is almost guaranteed. However, where there is a lack of commitment and generally poor leadership, the stokvel can disintegrate when faced by adversity, or be hampered in its decision-making, or office bearers may not be effectively held accountable by the members. The success of a stokvel therefore, depends on the members' continued participation.

Another issue with stokvels is the rigidity of predetermined monthly contributions, which do not take extra funds over the agreed-upon amount. If a member has extra money to save, they will not be able to do so with the group, and the money will be spent instead of saved (Seibel and Shresta, 1999).

Another drawback for members is the order of rotation in stokvels, as money may not always be available when it is required. According to Buijs (1998), stokvels function more as

providers of personal credit as opposed to dispensing a lump sum because rotational payments seldom coincide with members' cash needs.

Stokvels typically have high credit costs which may be prohibitive and unappealing as they may have similar charges to micro-lenders in the market. These schemes can inadvertently promote debt and dependency, as evidence suggests that people may borrow from one source to pay off another lender. This may result in people being caught up in an intricate web of debt and rising interest payments leading to credit dependency (Thieme, 2003).

The other common criticism of stokvels is that when they collapse, the profit motive overwhelms the social element and members succumb to capitalist greed. This is a downside of a practice that is perceived as collective communal aid.

2.9. Previous Studies on ROSCAs

ROSCAs are used in the United States for a variety of purposes, such as regular consumer spending, big life events like a major celebration, and capital expenses for small businesses. In reality, ROSCAs can provide seed capital for enterprises, and this may have contributed to the success of Asian and West Indian small family-oriented businesses. According to Hevener (2006), the Chinese ROSCA (hui) is mostly used for capital expenses for micro-business and has grown in America to become more commercially driven than meeting social objectives.

Studies indicate that the Korean ROSCA (kye) and Japanese ROSCA (tanomoshi) in Los Angeles, and West Indian ROSCA (susu) in New York are still used in some spheres for commercial enterprises and for social purposes (Schulze, 1997). Even though no verified data exists on the number of ROSCAs in America, or the number of participating members, informal estimates suggest “at least 1,000” kyes in Los Angeles (Light, 2001). Two participants in a survey conducted by Edward Chang in 1983 estimated that 80% of their close family and acquaintances participated in kyes (Light, 2001).

Anecdotal information suggests that ROSCAs are used for commercial or consumer purchases in practically every minority group. The overall idea of pooling together resources and issuing funds to individual members may be found in each case. Previous studies have come across no evidence to suggest that ROSCAs were used by the African American community. It is not clear if this practice existed in the African American community at all if it was just undocumented or was lost due to the very unique experiences of African Americans in the United States. Much research, on the other hand, points to the use of ROSCAs by West Indians as evidence that they were once a part of African-American culture before falling out of favour. The use of ROSCAs by West Indian Africans is noteworthy because African-Americans and West Indian Africans are both from West Africa (Light, 2001). Light (2001) theorises that West Indian Africans were able to continue their

practice of consistently rotating their funds because of the system of landlord absenteeism that characterized life on the islands. Much of the earlier research on stokvels focused on black people's personal experiences, history, culture, and communal traditions. It acknowledged their value as saving institutions and the factors influencing savings behaviour, but did not fully assess them (Townsend, 2009).

Internationally, considerable studies have been done on ROSCAs. Research by Addison, (2006) in Brazil, suggests that the workings and efficacy of a “Consorcios”, which is a particular group of commercial clients (stokvel members) making regular contributions over time to acquire specific products such as vehicles. The Consorcio guarantees each member a lump sum payment, equal to the inflation-adjusted worth of the selected good and supported by the members' average regular contributions, at some point during the Consorcio's operating period, which is normally five years. This once-off pay-out is to be used buy desired goods. Vehicles, industrial equipment, and residential real estate account up a large portion of purchases funded by a Consorcio. The study concentrated on the members and structure of Consorcios for the purchase of a high-ticket consumer commodities. New consumer financial products represent the ongoing integration of external economic influences and improvements.

3. Research Design

3.1. Introduction

The purpose of this chapter is to provide an overview of the methodological approach and research design of the study. The research design, research philosophy, population, sample size and sampling method will be described. That chapter will also discuss data collection methods, the data collection instrument, data analysis and research ethics, before closing with a summary of the chapter.

To find possible answers to the research questions, it was necessary to design a research strategy containing methods and tools that were relevant to accomplish the research. The research strategy for this research report commenced with gathering and studying background information on the topic. This informed the research questions and the design of the methodology. The results from the interviews and literature review were analysed and discussed to identify the most important themes.

3.2. Research Methods Used in this Problem Area

Most research papers use a mixed approach (qualitative and quantitative) when discussing stokvel issues. Most of the studies on the stokvel subject area are exploratory and descriptive in nature. Structured and semi-structured interviews are also used to guide the face-to-face interviews that are conducted to collect data. These interviews are audio recorded with the participants' consent. Data is then analysed using thematic content analysis and various themes that emerge from the interviews are identified, organized, and interpreted to establish meaning.

Further on, surveys using questionnaires are also deployed to tackle this problem

3.3. Research Philosophy and Approach

Primary data is material that the researcher gathers on their own, while secondary data refers to the data such as literature, documents and articles that are collected by other researchers and institutions (Bryman and Bell, 2007). In this research, both primary and secondary data was collected. Secondary data was collected from academic journals, books, scientific articles, company reports and internet sources, to obtain insight into stokvels and to help identify respondents and frame research questions.

Mixed methods approaches have the advantage that they allow researchers to gain an in depth understanding of participants' points of views (Leech and Onwuegbuzie, 2007). The qualitative dimension of the mixed methods approach allows a researcher to gain insights into the area under study as it is largely descriptive. The philosophical underpinnings

guiding the mixed methods approach allow it to successfully integrate both quantitative and qualitative methods during the course of the research process (Johnson and Onwuegbuzie, (2007). The pragmatism philosophical paradigm best suits a mixed methods approach. The pragmatic paradigm is based on the premise that the results are more important than the processes through which they were obtained. In essence, the end justifies the means. Pragmatism calls for a contingency or needs based approach to the research process, which gives researchers freedom to choose the methods which best address the research questions (Johnson and Onwuegbuzie, 2007). This philosophical perspective operates on the belief that the complexities of the research process cannot be limited to a single data exclusive, or theory driven process, rather a flexible approach is needed which allows for the inquiry to alternate between deductive and inductive methods (Leech and Onwuegbuzie, 2007). For this study, both deductive and inductive methods were used as the respondents were given the opportunity to answer both closed-ended and open-ended questions.

3.4. Population and Sampling

A research population is the entire collection of objects or individuals who are the focus of an investigation (Taderhost, 2017). As there was no accessible stokvel database to analyse statistically, it was imperative to gather estimates on the numbers of stokvels operating around the study area, mainly from the National Stokvel Association of South Africa (NASASA). The authorities at NASASA were cooperative in that aspect. From the information that was gathered, it was stated that there were roughly 90 to 150 stokvels operating around the area of study. Due to the lack of documented information on stokvels in Gauteng, coupled with the challenge of some stokvels operating without registration, the study had to work with these numbers when determining the population for the study.

The study population consisted of members of stokvels (both male and female), residing in Gauteng.

3.5. Sample Size

The sample size is the number of subjects to be included in the sample (Sekaran, 2016). For any empirical study, the sample size is essential for making inferences about a population using a sample (Taderhost, 2017). So as to prevent sampling bias or error, a random sample has to be of adequate size. It is critical to obtain a sample that is not only proportional to the population under research, but that which is truly representative of the complexities of the population, based on the purpose of the research and the methods of statistical analysis to be used (Bartlett, et al., 2018). While it is assumed that the larger the sample the less the chances of bias, this assumption is challenged when a researcher has to deal with larger populations. In such cases, a statistical formula will be required to determine a more accurate sample size. Table 1 below shows methods of determining

sample size, developed by Gill & Johnson Clark (2010), basing on the desired accuracy and a confidence level of 95%.

	Variance of the Population P= 50%		
	Confidence level= 95% Margin of error		
Population size	5	3	1
50	44	48	50
75	63	70	74
100	79	91	99
150	108	132	148

Table 1: Sample size *Source: (Taderhost, 2017)*

There is an estimated population of between 90 and 150 stokvel groups around the study area therefore, based on calculations in the table above, the researcher selected a sample of 85 respondents which falls within the range of acceptable sample size for the study.

3.6. Sampling

Sampling is the selection of units from a defined population so that the selected sample will be a true representation of the population from which it was chosen (Taderhost, 2017). Sampling can either be probability (for quantitative studies) or non- probability sampling (for qualitative studies). For this study, probability sampling was used. Simple random sampling was done to select stokvel groups around the study area to be included in the sample for the study (Graziano and Raulin, 2017). Simple random sampling is sampling in which every element within the population has a known chance (greater than 1) of being selected. Members of the sample were therefore, randomly selected from stokvel groups around Gauteng province.

3.7. Data Collection Method (Questionnaire Administration)

Questionnaires were used to collect primary data. The administration of a questionnaire was made up of two important steps: permission sought from respondents and the administration phase using the appropriate method. There are several ways of administering a questionnaire, it can be administered by post, electronically, telephonically or face-to-face (Golafshani, 2003). The questionnaire for this study were administered

electronically and via Zoom meetings with stokvel members. The following steps were taken during the administration process in their sequential order:

a. The researcher would introduce himself, state the name of the research institution and give a brief explanation of the issue under investigation (i.e., the use of stokvels to finance property transactions).
b. The respondents would then be told the expected times required to complete the questionnaire and were also given directions on how they had to do it.
c. The researcher then presented the questionnaire to the respondents.
d. The questions designed were clear and unambiguous, but in cases where there was need for further clarification or difficulties, the researcher was available to provide such clarifications.
e. Respondents were encouraged to answer questions as they interpreted them.
f. Soon after completing the questionnaire, the researcher collected them for analysis and expressed gratitude to the respondents for their participation.

3.8. Data Collection Instrument

According to Sekaran and Bougie (2016), the three main data collection methods are by observations, conducting interviews and using questionnaires. They further explained that collection of data may be from primary and secondary sources, of which primary sources include, but are not limited to, interviews, focus groups and panel discussions. Secondary data refers to data from readily available sources of such as archives, publications, journals, records, etc.

The research instrument selected for the study was the questionnaire. A questionnaire is a pre-drafted transcription of questions to which identified research participants give the most suitable responses from the given options (Sekaran, 2016). Questionnaires are more time consuming to develop as opposed to conducting interviews, as these can be distributed and administered electronically to the targeted participants. Sekaran and Bougie (2013) state that the self-administration of questionnaires is a preferred way to collect data in a specific locality. One of the advantages of the personal management questionnaire is that the researcher always has an option to seek clarity where need be.

In this study, the researcher developed a questionnaire that also included open-ended questions for the respondents to write their responses. The questionnaire was distributed to stokvel members and officials from NASASA, the body that regulates stokvels.

The questionnaire was developed using closed-ended questions for the quantitative data collecting component of the study due to the mixed methods research methodology, but some open-ended qualitative type questions were added to gain the viewpoints of the participants.

The questionnaire was structured in a way that the aims of the study and the objectives of the research were addressed. Questions on the instrument were administered in English (Sekaran, 2016).

3.9. Data Analysis

After all the data has been collected from the sample population, the study moves to the analysis phase (Sekaran, 2016). This research used both qualitative and quantitative methods. Quantitative data was analysed using the Statistical Package for the Social Sciences (SPSS) software. Questionnaires produced descriptive statistics and data was analysed through frequencies and percentages. Textual analysis was made on all data gathered from various documents. Nowell (2017) argues that thematic analysis is a qualitative research method that can mostly be used across a variety of epistemologies and research questions. It is a method for examining systematic documentation and reporting themes found within a data set. In this study, a thematic analysis approach was adopted.

The 6 phases of thematic analysis as identified by Nowell (2017) were used to analyse the data from the three open-ended questions in the questionnaire. According to Nowell (2017) the six steps to thematic analysis are:

1. **Familiarisation with the data:** Involves understanding the data and becoming familiar with it.
2. **Coding:** This process entails developing concise descriptions (codes) that distinguish crucial aspects of the data that may be pertinent to responding to the research question.
3. **Searching for themes:** This phase involves examining the codes and collating data to identify significant broader patterns of meaning (potential themes).
4. **Reviewing themes:** This process entails verifying the themes against the dataset, to ascertain if they tell a credible story of the data, and one that responds to the research question.
5. **Defining and naming themes:** This process entails developing a thorough assessment of each theme, working out the scope and focus of each theme, determining the ‘story’ of each.
6. **Writing up:** Involves intertwining the emergent critical narrative and data extracts and framing the assessment in the context of current literature.

3.10. Validity and Reliability

Validity and reliability are the criteria used to establish the credibility of quantitative research (Golafshani, 2003). Validity determines whether the research truly measures that which it

was intended to measure, or how truthful the research results are (Bashir, 2008). In order to ensure validity, the following measures were taken:

- Expert opinion - the researcher was assisted by the university-allocated to create a questionnaire with questions that captured the right information for the study.
- Pre-test - the researcher tested the questionnaire on a miniature version of the study before conducting the actual study. According to Babbie and Mouton (2018) pre-testing the questionnaire helps a researcher pick out ambiguous questions, unnecessary or misunderstood questions, and those questions that miss the objective. It also helps the researcher to judge the respondents' general perceptions of the whole questionnaire. Adjustments and corrections were then made to the questionnaire before using it for the actual study.

Bashir (2008) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. Reliability for this study was tested through test-retest reliability. This is whereby reliability is determined by repeating the same measure twice to obtain a coefficient of reliability Graziano and Raulin, (2017). The objective is to find out the external consistency of the measurement tool. Correlations are then calculated so as to evaluate the stability of the test over that period. Both tests were closely correlated.

The credibility of quantitative research depends on instrument construction. However, in qualitative research there is no instrument construction as the researcher is the instrument (Golafshani, 2003). The credibility of a qualitative research, therefore, depends on the ability and effort of the researcher. Terms such as reliability and validity must be reconceptualised in the qualitative paradigm and can be substituted with terms such as trustworthiness, rigor and quality, credibility, neutrality or confirmability, consistency or dependability and applicability or transferability (Golafshani, 2003).

A major potential threat to trustworthiness in this research, as identified in previous research, is respondents' biases. Respondents may be inclined to give answers that they think the researcher wants to hear and present certain situations more positively or negatively than the manner in which the interviewee actual perceives them (Bowen, 2005).

3.11. Ethical Risks and Mitigation Strategy

To render the study ethical, an ethics clearance was obtained from the University of the Witwatersrand Ethics Committee before commencing the study. The study abided by the Ethics Policy of the University without waiver. Also, the rights to self-determination, privacy, confidentiality, and informed consent were observed. The respondents were informed of the purpose of the survey. An introductory statement on the questionnaire assured the confidentiality of any data obtained and anonymity of the respondents. The questionnaire

also did not need respondents to enter their personal identification details. Subjects were treated as autonomous agents and were informed before choosing to participate.

3.12. Chapter Summary

This chapter provided a discussion of the research methodology guiding the study. The chapter began with a discussion of the research design, then provided insights on the chosen research philosophy, the population for the study, sample size, sampling method, data collection method, data collection instrument and data analysis methods used. The latter sections of the chapter included discussions on validity and reliability and the ethical considerations observed during the study. The next chapter will present the results and data analysis.

4. Data Analysis and Results

4.1. Introduction

This chapter presents the results and provides analysis thereof. The results were collected from a sample of 73 respondents from different parts of Gauteng. The initial targeted number of respondents was 85, but only 73 returned questionnaires were usable for analysis, which gives a response rate of 85.9%. The response rate was considered adequate to proceed with data analysis, basing on methods of determining sample size developed by Gill and Johnson Clark (2010). The aim of the study was to explore the possibility and viability of stokvels in financing property transactions to ease the housing backlog. The study was guided by the following objectives: to identify through literature review the structure, composition and workings of stokvels in South Africa as well as the success factors of these stokvels to explore the possibility of using stokvels to finance/procure houses and other fixed properties (housing stands) and: to canvass the views of stokvel groups and NASASA (policymakers), on the role of property stokvels in their adoption as a possible alternative to financing property purchases. The first objective was achieved in the literature review chapter. Data is presented through tables, graphs and pie charts.

4.2. Presentation of Results

4.2.1 Demographics

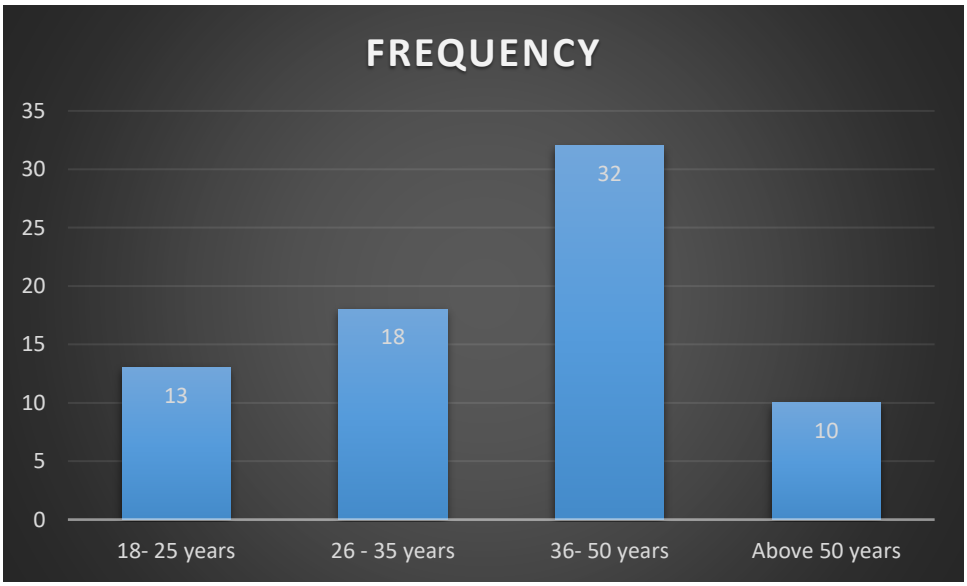

Figure 1: Bar chart showing the distribution of respondents by age

Figure 1 above shows the distribution of respondents by age. The graph shows that 13

(17.8%) of the respondents were aged between 18 and 25 years, while 18 (24.7%) were aged between 26 and 35 years. The graph also shows that 32 (43.8%) of the respondents were aged between 36 and 50 years, while 10 (13.7%) were aged above 50 years. This shows that the majority of the respondents who took part in the study were aged between 35 and 50 years. According to Dube (2018), the age range for members of stokvels is 20-70 years, with the majority between 40 and 69 years. The claim by Dube (2018) seems to corroborate with the current research findings, as indeed the majority of stokvel members fall within that age range. Research on the education levels of stokvel members show that up to 52% stokvel members completed their matric while 61% are employed (Kaseke, 2014).

4.2.2 Distribution of Respondents by Gender

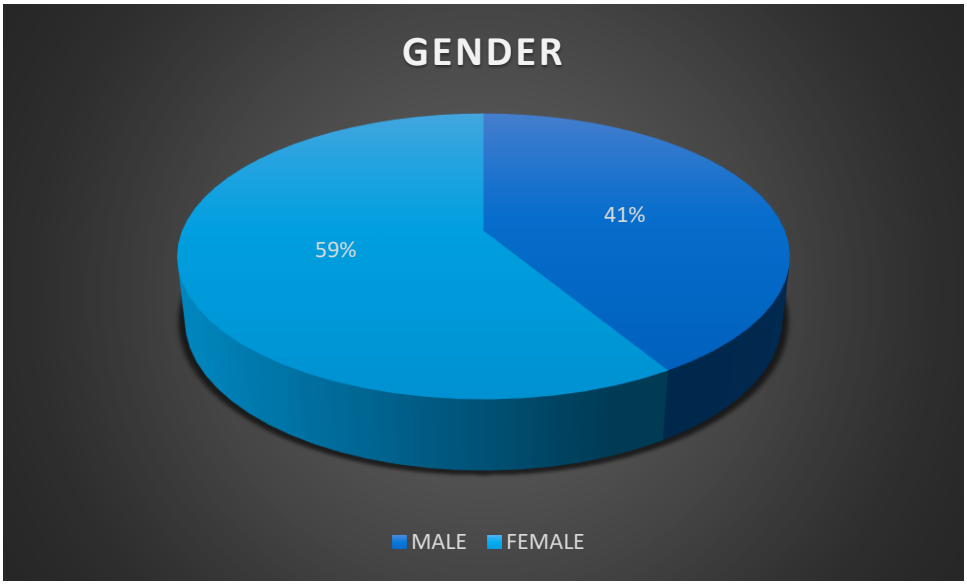

Figure 2: Pie chart showing the distribution of respondents by gender

Figure 2 above shows the number of male and female respondents who participated in the study. From the 73 participants who took part in the study, 59% were female while 41% were male. This means that most of the respondents who participated in the study were female. This gives the impression that the majority of people who participate in stokvels are female. According to literature research, this appears to be a true assessment as Dube (2018) observed that in terms of South African demographics, almost 83% of stokvel members were women. Further afield, a study conducted in Kenyan slums (informal settlements) by Mwangi (2015) also established that women members formed the greater

part of accumulating savings and credit associations (ROSCAs). Arde (2020) also claimed that the majority of stokvels are female- led and female dominated.

4.2.3 Distribution of respondents by race

Race	Frequency	Percentage
Black African	51	69.9%
Indian	4	5.5%
Coloured	16	21.9%
White	2	2.7%
Total	73	100

Table 2: The distribution of respondents by race

Table 2 above presents the distribution of respondents by race. The table shows that 69.9% (n=51) of the respondents were Black Africans; 5.5% (n=4) were Indian; 21.9% (n=16) were Coloured and 2.7% (n=2) were White. This shows that most respondents who took part in the study were Black Africans. This gives the impression that the majority of people involved in stokvel groups are Black Africans. According to Matuku and Kaseke (2014) stokvels contribute to the well-being of people by providing its members, especially black people, with guaranteed access to credit. Verhoef (1999) also notes that stokvels are seen as agents for bridging tribal and ethnic divisions amongst Africans in urban areas and perform economic and social roles irrespective of traditional differences. According to Lukhele (1990) stokvels emerge to fulfil a specific function. These sources indicate that stokvels are mostly popular amongst the black communities, thereby lending validity to the results of the study.

4.3. Number of Years in Operation for Stokvel Groups

Number of years in existence	Frequency	Percentage
Between 2 and 5 years	12	16.4%
Between 5 and 10 years	17	23.3%
Between 10 and 15 years	39	53.4%
More than 15 years	5	6.8%
Total	**73**	**100%**

Table 3: The number of years in existence for the stokvel groups.

The table above shows the number of years in existence for stokvel groups. From the table, 16.4% (n= 12) indicated that their stokvel groups had been in existence for between 2 and 5 years, 23.3% (n=17) have been in existence for between 5 and 10 years, 53.4% (n=39) for between 10 and 15 years, whilst only 6.8% (n=5) indicated that they have been in operation for more than 15 years. This shows that most stokvels have been in existence for between 10 and 15 years. This reinforces the notion that stokvels have been in existence for long periods in South Africa.

4.4. Types of Stokvels in Existence

Type of Stokvel	Frequency	Percentage%
Savings stokvel	23	31.5%
Investment stokvel	7	9.6%
Burial stokvel	8	10.9%
Birthday stokvel	0	0%
Grocery stokvel	19	26%
Lobola stokvel	2	2.7%
Property stokvel	11	15.1%
Other	3	4.1%
TOTAL	**73**	**100%**

Table 4: Types of stokvels in existence

Table 4 above shows the types of stokvels in existence. From the table, 31.5% (n=23) of respondents indicated that they were involved in savings stokvels; 9.6% (n=7) were part of investment stokvels; 10.9% (n=8) were involved in burial stokvels; none were part of birthday stokvels; 26% (n=19) participated in grocery stokvels; 2.7% (n=2) were involved in lobola stokvels; 15.1% (n=11) participated in property stokvels, whilst 4.1% (n=3) were involved in other stokvels not listed on the questionnaire. This shows that the most popular type of stokvels are the grocery stokvels, followed closely by burial stokvels. This coincides with the observation made by Koos (2018) who stated that savings stokvels followed by burial and groceries stokvels remain popular. However, Kariuki (2017) also made an important observation that property and car buying stokvels are steadily increasing. This is supported by the results of this study which show that 15% of the respondents were involved in property stokvels. According to Arde (2020) burial societies, savings stokvels and grocery stokvels remain the three most popular types of stokvels due to their important role in the day-to-day survival of their member's, and this is unlikely to change soon. Savings stokvels followed by burial and groceries stokvels remain popular but there is a steady rise in property and car buying stokvels (Bophelo, 2018).

Majoko (2018) has however, noted a shift in the purpose of stokvels as a new breed of entrepreneurs has emerged seeking to leverage the numbers involved in stokvels to form a capital base for savings intended for purposes other than just buying groceries. One Johannesburg based stokvel, named Africa Growth Fund, was created with the purpose of using savings to invest into student accommodation (Majoko, 2018).

4.5. Primary Objective of the Stokvel Groups

Objective	Frequency	Percentage
To socialize and network	11	15.1%
To save money	35	47.9%
To create jobs by financing small businesses	7	9.6%
To loan funds to members of your stokvel	11	15.2%
To deposit funds in high return investments	9	12.2%
Total	**73**	**100%**

Table 5: The Primary Objective of Stokvel Groups

Table 5 above shows the most common objectives of different stokvel groups. The table shows that 15% (n=11) of the stokvels were created to socialize and network; 47% (n=35) were created to save money; 11% (n=7) to create jobs by financing small businesses; 15% (n=11) of the stokvels have the primary objective of loaning out funds to members; whilst 12% (n=9) were created to deposit funds in high invest-yield investments. This shows that the majority of stokvels serve the function of saving money for its members. This agrees with studies done by Burman and Lembethe (1995) who found that people participated in ROSCAs with various objectives such as raising start-up funds, emergency funds and future savings. In support of that, Burman and Lembethe (1995) further stressed that the possibility of loans from a stokvel give additional security in cases of unforeseen and urgent financial needs. Verhoef (2001) posits that some banks are impersonal, while stokvels are more collegial. Stokvels also guarantee easily accessible finances during hard times. Participation in stokvels therefore represents an adaptive response by members to conditions of poverty and deprivation.

Buijs (1998) says that membership to a stokvel enables access to funds, funds which can be drawn in an emergency, and which may not have been available elsewhere. Stokvels therefore enable members to make the most out of their otherwise limited resources. Lukhele (1990) argues that stokvels can act as informal insurance and that there could expedite the realisation of savings goals. The fact that one cannot withdraw money on impulse, as can be done from a bank account, is another reason that people join stokvels.

4.6. Number of Registered Stokvels

	Yes		No	
Is your stokvel group registered by the National Stokvel Association of South Africa	Frequency	Percentage	Frequency	Percentage
	16	21.9%	57	78.1%

Table 6: Number of registered stokvels

The respondents were asked to indicate whether their stokvels were registered under NASASA or not. From the 73 respondents who took part in the study, 78.1% (n=57) indicated that their stokvels were not registered by NASASA, whilst only 21.9% (n=16) indicated that their stokvels were registered. This shows that most stokvels are not registered by NASASA. According to Bophelo and Khumalo (2019) policy makers in South Africa are failing to enforce the terms of the Bank Act 94 of 1990 as most stokvels operate outside the terms of the Bank Act which is the governing legal framework. The current study's findings agree with observations made by Bophelo and Khumalo (2019), as the majority of stokvels operate under the radar.

According to Mulaudzi (2020) there are approximately over 820 000 stokvels in South Africa at the moment, with approximately 11.4 million members generating around R44 billion per year. The funds generated are usually paid out to members on a monthly basis, who in turn spend it on groceries, food and other consumables. Mulaudzi (2020), however, stressed the need for NASASA to advocate more for stokvels, saying it needs to do more in terms of ensuring that more stokvels are registered and empower those already registered, whose members come from the most vulnerable and poorest sections of the community.

4.7. Number of Members in Stokvel Groups

Range	Frequency	Percentage
Less than 15 members	23	31.5%
Above 15 but less than 25 members	37	50.7%
Above 25 but less than 35 members	13	17.8%
More than 35 members	0	0%
Total	73	100

Table 7: The number of people in a stokvel group

Table 7 above shows the number of people in stokvels. It shows that 31.5% (n=23) of the stokvels have less than 15 members; 50.7% (n=37) have above 15 members but less than

25 members; 17.8% (n=13) have above 25 members but less than 35 members, whilst there were no stokvels recorded with more than 35 members. This shows that the majority of stokvels are made up of 15 to 25 members. According to Mulaudzi (2020) most stokvels, also known as Rotating Savings and Credit Associations (ROSCAs), are usually comprised of 5 to 20 people contributing an agreed amount to a central pot.

4.8. Contributions in Stokvel Groups

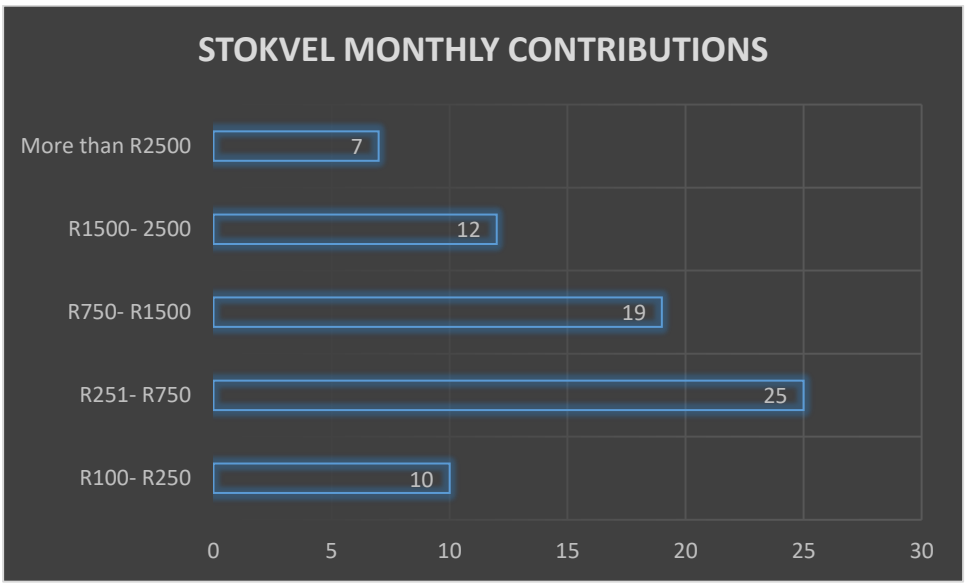

Figure 3: Stokvel monthly contributions per member

Figure 3 above shows the monthly contributions per member for stokvels. The chart shows that 13.7% (n=10) respondents contribute between R100 to R250 per month; 34.2% (n=25) respondents contribute between R251 to R750 per month; 26% (n=19) contribute between R750 to R1500; 16.4% (n=12) contribute between R1500 to R2500, whilst 9.6% (n=7) contribute more than R2500 per month. This shows that the majority of the respondents contribute between R251 to R750 per member every month towards the stokvel. These figures are not far off from those found in other studies done on the topic. According to Arde (2020) the average monthly contribution for stokvels in 2020 was R893 for those who earn between R5000 and R19000 per month, whilst for those earning R20000 and above, the average contributions per member was R1639. These figures represented an increase from 2019 contributions which stood at R823 per month for those earning between R5000 and 19000 per month, and R1651 for those earning R20000 and above. A survey conducted by Old Mutual in 2020 revealed that more than 56% of stokvel members either borrowed funds from their stokvel or fell behind in their monthly contributions because of the COVID-19 pandemic. Other stokvels also allowed their members to reduce their contributions or take a break from contributing as they adjusted to the impact of the global pandemic. However,

stokvels have remained resilient regardless of the impact of the Covid- 19 pandemic and continue to function, despite the economic challenges (Arde, 2020).

4.9. Stokvel Savings and Reserves

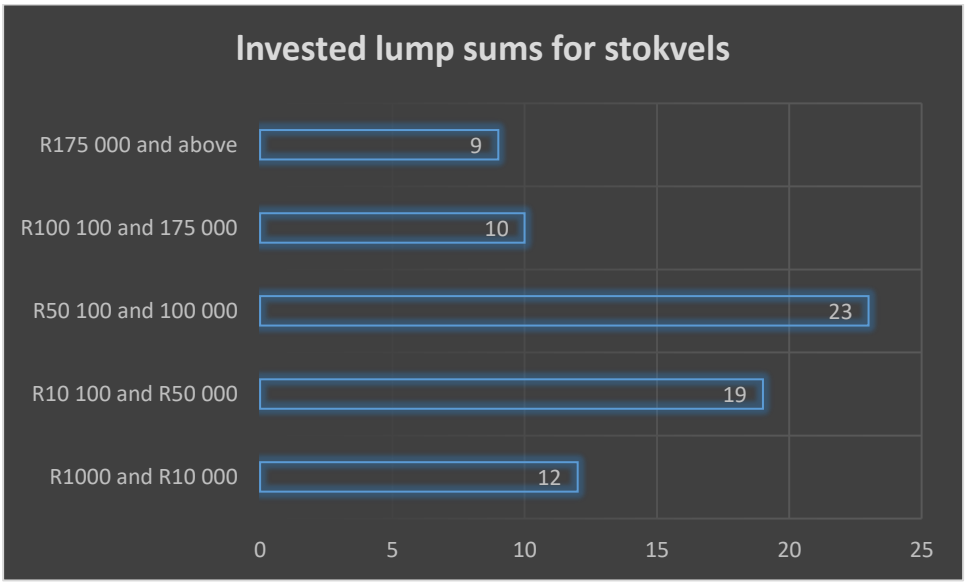

Figure 4: Lump sum reserves in stokvel groups

Figure 4 above shows lump sum reserves for different stokvel groups. It shows that 16.4% (n= 12) of the stokvel groups have between R1 000 and R10 000 in reserves, while 26% (n=19) of the respondents indicated that their stokvel group had between R10 000 and R50 000 in reserves. The chart also shows that 31.5% (n=23) of the respondents have between R50 100 and R100 000 in reserves; 13.7% (n=10) indicated that their stokvel had invested a lump sum between 100 100 and R175 000, whilst 12.3% (n=9) respondents indicated that their stokvel had lump sum reserves of over R175 000. From these results, it can be seen that the majority of stokvels have lump sum reserves of between R50 000 and R100 000. Overall, stokvel lump sums or reserves differ based on member contributions and other factors. For instance, a Johannesburg based stokvel, the Africa Growth Fund, which is made up of 68 entrepreneurs was able to raise R500 000 in 2017 to invest into student accommodation (Majoko, 2018).

4.10. Uses of Stokvel Reserves and Savings

	RELEVANCE				
	Very High (VH)	**High (H)**	**Medium (M)**	**Low (L)**	**None (N)**
Financing property purchases for members	2	8	33	21	9
Depositing funds in a savings account at the bank	45	11	10	7	-
Investing funds in high return opportunities	-	9	39	9	16
Financing small businesses thus creating jobs	13	23	19	15	3
Advancing loans to stokvel group members	24	17	12	11	9

Table 8: Uses of stokvel reserve lump sum funds

Table 8 shows the common uses of stokvel reserve lump sum funds. The respondents were asked to rank the uses according to relevance i.e., Very High (VH), High (H), Medium (M), Low (L) and None (N). For financing property purchases the table shows that presently this has a medium relevance as this option was selected by 33 (45%) of the respondents. Only 2 (2.7%) respondents listed it as having a very high (VH) relevance while 8 (10.9% identified property purchases as having a high relevance. The table also shows that 45 (61.6%) respondents stated that depositing money in a bank account has very high (VH) relevance, with medium relevance for investing funds in high yielding interest indicated by 39 (53%) responses. Funding micro enterprises and job creation has a high relevance as shown by 23 (31.5%) responses, while advancing loans to stokvel group members has a very high relevance as indicated by 24 (32.9%) responses. Overall, the results indicate that stokvel reserve lump sum are mostly kept as savings for future use. This is supported by a study done by Matuku and Kaseke (2014) who observed that stokvels provided a good opportunity for members to save money, which enabled participants to undertake big projects such as extending houses.

According to Holmes (2017), 60% of stokvels in South Africa are focused on investments and some of the reserves are used to lend money to stokvel members at an agreed interest rate. Stokvels have been able to address the issue of financial exclusion faced by people

living in deep rural parts of the country by providing them with much needed access to short-term loans which they are unable to get from banks.

A study by Mulaudzi (2020) revealed that most stokvel members lacked knowledge about how the money they saved could be put to better use. He noted that usually, at the end of a year, the lump sum would be used to purchase groceries in bulk for the stokvel members and up to R200 000 could be spent for this purpose alone.

The results also prove that part of the savings is used to finance property purchases for members. These results are corroborated by Arko-Achemfuor (2019) who argued that due to the marginalized nature of the apartheid system before 1994 which disadvantaged the black population, black people were forced to join stokvels to save money. These savings were intended to be used for investing into household property.

Bophelo and Khumalo (2019) argued that stokvels are an effective instrument that can be used to empower women as they have the potential to create business opportunities for them. They further stated that these female-led cooperatives need to be supported by a policy framework geared at empowering women and encouraging the emancipation of women in business. A study by Eckhart-Queenan, et al., (2013) revealed that there are approximately 8 to 10 million women-owned and operated SMEs across developing countries, which makes up to 38% of all businesses in developing countries, and yet women are still excluded and marginalised despite their role in creating employment, boosting household income and moving people out of poverty. Through their arrangements with wholesale companies to purchase goods in bulk for their members, stokvels also contribute towards boosting businesses. Bophelo and Khumalo (2019) acknowledged the potential impact of stokvels in creating a value chain for fast moving consumable products, by creating a link between the informal and formal sectors in South Africa.

4.11. The Impact of Property Savings in Reducing the Housing Backlog

	Strongly Agree	Agree	Disagree	Strongly Disagree
Can the housing backlog be reduced if property stokvels are promoted?	17 (23.3%)	37 (50.7%)	13 (17.8%)	6 (8.2%)

Table 9: The potential impact of property stokvels on addressing the housing backlog

The respondents were asked, using a ‘Lickert scale format question’, the extent to which they think stokvels can address the housing backlog problem. The results presented in Table 9 above show that 23.3% (n=17) of the respondents strongly agree with the assertion that the housing backlog can be reduced if property stokvels are promoted. A further 50.7% (n=37) also agree with that statement. However, 17.8% (n=13) disagreed and 8.2% (n=6)

strongly disagreed with that assertion. Overall, the results indicate that most people believe that property stokvels, if promoted, have the ability to address the housing backlog problem.

Delport (2020) noted how property stokvels have been on the rise and are increasingly becoming a trend, not only in South Africa, but globally. She further argued that the majority of South Africans are not financially equipped to invest in property, therefore property stokvels offer a chance for a group of individuals to put their money together with the potential of attracting higher interest rates. Through these initiatives, individuals will be able to invest in properties and make profits from such investments (Delport, 2020). For the Rustenburg Property Stokvel, for instance, each new member is allowed to buy shares by contributing R3 300 per month for a 5-year period (Delport, 2020). Typically, a property stokvel functions in one of two ways: firstly, it can buy a property/properties and rent them out and have members receive a share of the income generated per month or alternatively, they can buy a property for each member based on a rotational manner (Delport, 2020).

In support of the claims made by Delport (2020), Khumalo (2020) noted that property stokvels provides a solution to entrepreneurs interested in venturing into the property world without the required capital. Property stokvels are thus developed to serve as means of raising the required capital and financing business activities. Khumalo (2020) notes that property stokvels can be used for many purposes, among them to buy and lease properties, to purchase houses, investing in vacant land or to buy property shares in an investment portfolio. For home purchasing, members of the stokvel contribute a certain amount to buy a home for every member of the stokvel, while investing in vacant land involves buying a piece of land, paying it off and then using stokvel money to fund construction processes on the land. However, Khumalo (2020) warned that caution needs to be exercised before joining these property stokvel projects as they are currently not regulated by a legislative framework governing their establishment or conduct.

4.12. How Can the Stokvel Organization Be Enhanced to Contribute to Property Purchases?

4.12.1 Formalize ways of operating

The respondents suggested several ways in which stokvels could be a better contributor to purchasing property. One of the common themes which emerged was that there was a need for more formality in the ways by which stokvels operate. With the current state of stokvels and how they operate, the responses indicate that it could be quite difficult for stokvels to venture into property purchasing as the majority of stokvel groups in operation work on smaller budgets and aim to achieve smaller targets as compared to property purchases. One respondent wrote:

"First things first, the stokvel has to identify a target market. They need to have people who are employed and can produce a pay slip then we can go to a bank. For example, they do have a property stokvel group at ABSA and Old Mutual. You can approach a bank as a team and open an account for a property stokvel, that's how it works. It cannot work without involving a bank. Then you set the rules and polices of the stokvel as there will be terms and conditions on the account you are opening at the bank. A property stokvel should only target those who are working."

From this response, it can be seen that stokvel groups have to change their way of operation completely if they decide to venture into property purchasing for its members. This is a difficult objective to achieve because, presently, most stokvels are made up of people without formal employment. In support of this claim, Bophelo and Khumalo (2019) noted that stokvels normally issue small, unsecured loans. Transactions are normally short-term and often operate outside of the financial legal framework. Stokvel membership is typically drawn from people on the economic fringes: women running informal enterprises, subsistence farmers, and others whose livelihoods are not recognized by financial institutions. Stokvels have the added convenience of having transactions take place on members' doorsteps, public places, or places of work (Addison, 2006). Operational expenses for stokvels are very low and quite negligible. Like the aeronautical engineers who have analysed bees and concluded that they should not be able to fly, stokvel finances defy the law of financial gravity.

4.12.2 Increasing member contributions

In agreement with the need to enlarge the functions of stokvels, another recurring theme which emerged from the responses written was the need to increase member contributions. One respondent stated that:

"Member contributions must increase because property purchases require more savings as compared to groceries and burial stokvels."

Another respondent also stated:

"With continuous contributions among members and commitment and transparency among the leaders, I believe that my stokvel organisation can buy properties for its people."

The original purpose of stokvels was to provide alternative ways of saving for the poor, marginalized communities. Allen (2007) noted that various short comings in the financial markets that normally occur in emerging markets and among expatriate groups in more developed economies have also led to a rise in informal and parallel savings alternatives. These flawed financial markets inadvertently led to a proliferation of stokvels. Flawed markets in economically challenged countries or collapsed economies further push away

poor people from formal credit and savings instruments such as bank accounts (Kedir, 2014).

4.13. Policies That Need to Be Put in Place to Promote Property Stokvels

4.12.3 Develop policies to protect investors from fraud

The respondents were asked to indicate policies which they felt need to be put in place to promote property stokvels. The most popular response was that more needs to be done to protect people from being scammed. This was made in reference to the proliferation of WhatsApp stokvels all over the country in 2019. One respondent wrote:

"In 2019 there were WhatsApp stokvels all over the country, people made money and others were scammed."

The informal way in which stokvels are run exposes members to risks. Typically, members are not asked to sign any documents, they are governed by informal rules and non-compliance to rules is punishable by self- imposed and arbitrary penalties (Holmes, 2017). Holmes (2017) further notes that misappropriation of funds and maladministration often occur in stokvel arrangements and at times people can get duped out of their funds. With these occurrences in mind, people highlighted that there is a need for policies to protect investors from being scammed of their hard-earned savings. When this has been done, property stokvels can then be protected.

4.12.4 Regulate the operation of stokvels

Another common theme gathered from the responses was the need to regulate stokvel operations. One respondent stated:

"With better policies in place and increased contributions from members, I believe stokvels can purchase property for its members."

The issue of proper regulations in place is critical as it instils member confidence in their stokvel's ability to venture into property purchasing. According to Holmes (2017) stokvels need to be overseen and regulated. However, Ferreira (2017) noted that caution needs to be exercised when it comes to the regulation of stokvels as high-level regulation can do more harm than good as it can create red-tape which acts as an entry barrier. In that case, it would be imperative that a new set of regulations be developed to govern stokvels, and these should be different from those governing formal banks.

4.12.5 Property Stokvels Must Be Registered

The issue of registration was another common theme emerging, as respondents stressed the importance of registering a stokvel under a recognized body. A respondent stated:

"I think the stokvel needs to be properly registered before it can be allowed to purchase property on behalf of its members. Right now, it's not. I am not sure if it can be allowed to buy properties without being registered."

The South African government through the Bank Act of 1990 made concrete efforts to regulate stokvels by making it a requirement that all of them be registered by NASASA or any other relevant governing body recognized by the Registrar of Banks (Holmes, 2017). Stokvels registered by NASASA are typically given a constitution which guides their operations.

4.14. Can Stokvels Be Used to Finance Property Transactions?

There were mixed responses with regards to this question as there is still some scepticism on whether stokvels can be used to finance property transactions. The scepticism may be due to the fact that the area of property stokvels is still relatively a new phenomenon and most people are still uncertain whether they are capable of financing property purchases. Some responses indicated a lack of knowledge on how this can be accomplished, hence the scepticism. One respondent noted:

"Stokvels cannot pay for a home loan because they deal with cash only transactions."

The most popular stokvels remain those to do with savings, groceries and even alcohol in townships. This is highlighted by one response:

"A lot of people are not in those kinds of stokvels here in most townships maybe that's because it's more formal than the ones with groceries, money etc."

This could indicate that property stokvels are yet ready to proliferate into most townships and people tend to shy away from them due to their formalized nature. However, some respondents indicated that under some circumstances, property stokvels can work as indicated by one respondent who wrote:

"A stokvel can arrange to buy a piece of land for its members by engaging an estate agent. When the land has been purchased each stand should be registered to individual members of the stokvel even though payments will be made through the stokvel account. This could be done to avoid confusion and corruption in the near future. Money from the stokvel can also be used to purchase building materials according to the needs of the members and these costs must be the same for all members."

A report by Old Mutual Savings and Investment Monitor, which tracks shifts in the financial attitudes and behaviour of South Africa's working metropolitan population, suggested that there are three types of property stokvels: the home ownership property stokvel, the building supplies stokvel and the property investment /wealth creation stokvel. This report argued that, of the property stokvels that focus on home ownership and building homes for its members, members are predominantly female (89%), with 52% aged between 35 and 49. Those over 50 constituted 31% and members younger than 35 made up 16% of membership. The report describes the home ownership stokvel as less sophisticated and made up of predominantly women who pool money until they can buy land or housing for themselves or to rent out. The stokvel is usually a closed group and does not need a loan to buy property. The building material stokvel pools funds to bulk buy building material at a better rate than if members were to buy individually. The wealth-creation property stokvel is the most sophisticated in that members' money is used to build a property portfolio or to buy land to develop.

4.15. Chapter Summary

The chapter has provided a presentation and analysis of the results of the study. The results were collected from a sample of 73 respondents from different parts of Gauteng, which constituted a response rate of 85.9%. The first sections of the chapter presented the demographic characteristics of the sample showing the age, gender and race of the respondents. After that, the results of the questionnaire questions were presented, analysed, and discussed for the rest of the chapter. Some of the issues covered include: the number of years in operation for stokvel groups, types of stokvels in existence, primary objectives of stokvel groups, number of registered stokvels, number of members in a group, contributions per member, stokvel reserves (lump sums), and the uses of stokvel reserves and savings.

The latter section of the chapter focused on qualitative sections where the respondents were required to write their responses for three open-ended questions on the questionnaire. This section discussed responses provided for the questions to do with: how stokvels could become better contributors to purchasing property; policies that should be put in place to promote property stokvels; and whether stokvels could be used to finance property transactions.

5. Discussion of Results, Conclusion and Recommendation for Future Research

5.1. Introduction

The chapter will provide a discussion of the research findings from the previous chapter and then give conclusions and recommendations for future research. The study was guided by the following objectives: to identify through literature review the structure, composition and workings of stokvels in South Africa, as well as the success factors of these stokvels to explore the possibility of using Stokvels to finance/procure houses and other fixed properties (housing stands), and to canvass the views of stokvel groups and NASASA (policymakers) on the role of property stokvels in their adoption as a possible alternative to financing property purchases. In the literature review chapter, the first objective was achieved.

5.2. Purpose of the study

The purpose of this study was to explore the possibility and viability of stokvels in financing property transactions to ease the housing backlog in South Africa.

5.3. Summary of Research Findings

Analysis of results began with a look at the demographic profile of the respondents who participated in the study. In terms of age most of the respondents who participated in the study were aged between 36 and 50 years, with 43.8% of the total respondents falling within this age group. Regarding the gender of the respondents, there were more females (59%) than males (41%) in the study. This coincides with reality as various pieces of literature reviewed suggest that most people who participate in stokvels are female. In terms of race, Black Africans were the dominant race, making up to 69.9% of the total respondents. This is a true representation of reality as stokvels are popular among townships and black communities, which is where they are believed to have emerged from.

The study sought to find out the number of years in existence for stokvel groups. Stokvels have been operating for several years in South Africa, tracing some as far back as during the apartheid period. The results revealed that for most of the respondents who took part in the study, their stokvel groups were formed at least 10 to 15 years ago. The findings also revealed that savings stokvels were the most popular types of stokvels, with 31.5% of the respondents indicating that they were part of savings stokvels. This was followed by grocery stokvels (26%) and burial stokvels (10.9%) which were also common among respondents. Overall, there are many types of stokvels for a variety of purposes, including investment,

lobola and property stokvels. Property stokvels are currently on the rise even though presently, burial, grocery, and savings stokvels remain highly popular.

The study also sought to find out the primary objectives of stokvels. The most common objective identified for stokvels was to save money (47.9% of the total respondents). The other identified purpose of stokvels was to loan funds to members of the stokvel (15.1% of the total respondents) and to socialize and network. The results indicated that stokvels are also created for the purpose of depositing funds in high return investments (12.3%) and, to a lesser extent, to create jobs and to finance small businesses (9.6%). The results showed that most of the stokvels are unregistered (78.1%). From the study done, only 21.9% of the stokvels were registered by NASASA, while the rest operate outside the terms of the governing legal framework. In terms of the numbers of members per stokvel, the study found out that most stokvels have above 15 members, but less than 25 members. This was confirmed by 50.7% of the respondents. Based on this study, stokvels rarely exceed 35 members. For monthly contributions, most contributions per member range between R251 and R750, as indicated by 34.2% of the respondents. Very few people can afford to contribute R2500 per month for a stokvel.

The study also sought to find out how much lump sum reserves the stokvels have. The results indicated that most stokvels have lump sum reserves of between R50 100 and R100 000. Lump sum reserves differ due to several factors, among the member contributions, type and purpose of the stokvel. These lump sum reserves are in turn used for a variety of reasons; commonly they are deposited into a savings account at a bank. The findings also revealed that the reserves can be invested in high return opportunities, can be used to finance small businesses thus creating jobs, or they can be committed towards financing property purchases for property stokvels.

The respondents were asked if they believed that the housing backlog can be reduced if property stokvels are promoted. The results showed that 50.7% of the respondents were in agreement with this, while a further 23.3% strongly agreed with that proposition. However, the responses to the follow-up question proved that for property stokvels to be successful in that regard, a number of changes had to be effected in the way the current stokvels operate. The respondents were asked to suggest ways by which stokvels could better contribute towards purchasing property. One of the common themes which emerged was that they had to formalize their operations if they were to venture into the property market. Another major theme which emerged was that member contributions had to increase as property stokvels would require more savings as compared to grocery and burial stokvels. Respondents were also required to suggest policies that needed to be put in place to promote property stokvels. One common theme which emerged was that there was a need to introduce policies that protected investors from fraud. It was mentioned that a lot of people have been scammed of their monies by these stokvels before, due to the nature in which the stokvels are operated (often informally). The informal nature of most stokvels

makes them vulnerable to maladministration and misappropriation of funds which exposes members to risk of losing their investments. Thus, the respondents suggested that there was need for policies to protect members from fraud. Related to this was the need for stokvels be regulated in a way that instilled confidence in members about the stokvels' ability to venture into property purchasing. Respondents also suggested that stokvels must be registered by NASASA or any other recognized body.

The final question posed to respondents was if stokvels can be used to finance property transactions. There were mixed responses with regard to this question, as there is still some scepticism regarding whether stokvels can be used to finance property transactions. Those without the knowledge and experience of property stokvels were sceptical about their ability to finance property and did not think that it was possible, while others believed that under certain conditions, it could be possible.

5.4. Limitations of the study

The following limitations have been identified in this study:

- Lack of journals with regard to topics involving existing government incentives for promoting stokvels as a housing finance tool.
- Lack of professionals in the industry willing to assist i.e., take the survey and answer questionnaires.
- Time constraints on distributing many questionnaires and in-depth research.
- There is not a lot of information that focuses on stokvels as a housing finance tool.
- Stokvels are predominantly a South African tradition hence limited literature internationally.

5.5. Managerial implications of findings

Stokvels in South Africa are composed of a group of individuals who voluntarily come together for a defined purpose, usually to save money. The group agrees on the governing rules and expected outcomes based on trust, friendship, and mutual responsibility. Stokvels function in the same manner as Rotating Savings and Credit Associations (ROSCAs) where individuals meet for an agreed period to save and lend each other money. Membership is mostly based on kinship affiliation, personal friendship, and mutual trustworthiness. The purpose of a stokvel is to enhance one's social and economic position in a community by providing a guaranteed access to credit, emergency funds or a source of start-up capital for a small business. The success factors of stokvels lie in that they provide an informal access to the financial market for those people who are unable to get access to formal financial products and services offered by banks and other recognized financial institutions. Small loans are offered to stokvel members without any collateral, which is an advantage for poor, landless people, small farmers, and women operating SMEs who often are not able to get

these funds from the bank. Recovering a loan without collateral is easy because a person who defaults loses much more than just a platform to continue saving but can also experience damaged business and social relations with fellow kin associated with membership. However, even though defaulting from a stokvel is inevitable at some point, one of the successes of stokvels lie in the low rate of default. Members would rather default payment with clothing and furniture companies rather than default on their association contributions and risk severing ties with their neighbours and friends.

To a large degree, stokvels can be used as another avenue to finance property transactions. Stokvels have currently been on the rise and have been progressively contributing into the mainstream economy. Presently, stokvels in South Africa have an estimated value of R49 billion and participation by 11.5 million from a population of 57 million people. They can no longer remain an untapped resource in a repressed economy. The structure and character of stokvels have undergone an evolution as they now target much more than just social objectives which they were originally founded on. They have a large target market and enormous potential to be recognised as a possible game changer in property acquisition for the majority of black South Africans. While the government of South Africa has made attempts to address the housing backlog challenge with varying degrees of success, much more needs to be done to provide affordable housing solutions to the people. The continued spreading of informal settlements provides evidence of the lingering housing problems, coupled with incessant protests in those settlements led by disgruntled residents demanding that the government address their living conditions. Any other avenue which can be used to address the housing challenge would, therefore, be welcomed and stokvels could be an avenue worth pursuing.

Presently, burial societies, saving stokvels and grocery stokvels remain the three most popular types of stokvels due to their important role in the day-to-day survival of their member's. However, there is now a shift in the purpose of stokvels as a new breed of entrepreneurs has emerged, seeking to leverage the numbers involved in stokvels to form a capital base for savings intended for other purposes other than just buying groceries. Of particular importance is the fact that stokvels provide an alternative to the conventional, which usually ignores the poor. They are an adaptive reaction to hardship or relative deprivation among both rural and urban populations in South Africa. Usually, members of stokvels are poor women and other small entrepreneurs who remain on the economic fringes and have no access to financial services. Many South Africans are not financially equipped to invest in property, therefore, property stokvels offer a chance for a group of individuals to put their money together with the potential of attracting higher interest rates. Through these initiatives individuals will be able to invest in properties and make profits from such investments. Property stokvels provide a solution to entrepreneurs interested in venturing into the property world without the required capital. Property stokvels are thus developed to serve as means of raising the required capital and financing business

activities. Property stokvels can be used for many purposes, among them to buy and lease properties, to purchase houses, investing in vacant land or to buy property shares in an investment portfolio. For home purchasing, members of the stokvel contribute a certain amount to buy a home for every member of the stokvels, while investing in vacant land involves buying a piece of land, paying it off and then use stokvel money to fund construction processes on the land.

However, if stokvels are to successfully venture into the property market, there is need to make some changes in the way they operate. Stokvels are currently blighted by a series of problems which need to be addressed before they can be involved in property transactions. There is presently a challenge of regulation as most stokvels operate anonymously. In these scenarios, there is huge risk that members might be fleeced of their hard-earned money by fraudulent individuals advertising and marketing property stokvels. Most stokvels are operated informally and are vulnerable to misappropriation of funds and maladministration, which exposes members to risk. There is, therefore, need for a degree of oversight and regulation into the ways property stokvels and all stokvels in general, operate.

Policy makers are of the belief that property stokvels have the potential to address the housing backlog. Property stokvels have been on the increase in South Africa, although they are still a relatively new phenomenon. Due to the limited knowledge and lack of experience, some members of other stokvel groups are sceptical about the possibility of having property stokvels to finance property purchases.

5.6. Recommendations

a) Property Stokvels Should Be Regulated

There is need to oversee and regulate stokvel operations. This should be done to prevent people from being scammed or fleeced of their hard-earned savings. Currently, property stokvels are not legally protected and there appears to be no legal support for members. A new set of regulations should be developed to govern stokvels, and these should be different from those governing formal banks. Caution should be exercised when it comes to regulation, as high-level regulation could do more harm than good for stokvels as it can create red tape which acts as an entry barrier. Proper regulation will instil member confidence in their stokvel's ability to venture into property purchasing.

b) NASASA Has to Increase Visibility and Registration

The challenge of stokvel registration was a common problem for this study. It has been noted that policy makers in South Africa are failing to enforce the terms of the Bank Act 94 of 1990 as most stokvels operate outside the terms of the Bank Act, which is the governing

legal framework. NASASA, as the governing body for stokvels, needs to advocate more for stokvels, raise awareness and ensure their visibility. They need to ensure that more stokvels are registered and also empower already registered stokvels whose members come from the most vulnerable and poorest sections of the community.

c) Government and NASASA Must Promote Property Stokvels

There is need for the promotion and up-scaling of property stokvels so that people have many property purchasing options available to them. It has been noted how some stokvels have allowed their members to default on their contributions, or to take a break from contributing as a result of the challenges brought by the Covid- 19 pandemic. In that regard, government, through NASASA, should allocate a certain percentage of funds towards assisting registered property stokvels to help them stay afloat in times of economic challenges.

d) Every Property Stokvel Must Develop Its Own Constitution

Members of a property stokvel must, as a starting point, develop their own constitution that stipulates the rules and regulations to be adhered to, as well as outline roles, member responsibilities and the overall goals of the property stokvel. The constitution should explicitly state what should be done when a member decides to leave, loses his/her source of income or is not able to continue with his/her contributions. Having a governing document can be an effective way of managing expectations and ensuring legal enforceability of the agreements between members of the property stokvel.

e) Invest in Financial Education for Stokvel Members

The study showed that most stokvel members lacked knowledge about how the money they saved could be put into better use. Financial education of stokvel members is important to raise more awareness of how they can make better investments and manage funds for their benefit. Members need to be aware that stokvels can do much more than buying groceries in bulk for members. The targeted financial education should aim to change the mind-set of stokvel members from being consumers to becoming investors of assets and properties. With a new mind-set, members will consider themselves investors and start to display investor behaviours and attributes. Successful property stokvels, such as the Bantu Fund Saving Stokvel, which has grown to more than 700 members contributing R100 per month, can be used as reference points for other stokvels to transform themselves by learning from how the successful ones are operating. Their success stories act as inspiration for those willing to venture into the property purchasing market.

5.7. Summary of Research Findings and Recommendations

Objective	Finding	Recommendation
In trying to grapple with the housing backlog, this research sought to find solutions in housing finance by asking what contributions stokvels can make in easing the housing backlog?	The results indicate that most people believe that property stokvels, if promoted, have the ability to address the housing backlog problem.	A legal status of Stokvel needs to be established. There is need for more formality in the ways by which stokvels operate. There is need to oversee and regulate stokvel operations. This should be done to prevent people from being scammed or fleeced of their hard-earned savings. A new set of regulations should be developed to govern stokvels, and these should be different from those governing formal banks.
To explore the contributions stokvels can make in financing property transactions which will ease the housing backlog.	There were mixed responses with regard to this question, as there is still some scepticism regarding whether stokvels can be used to finance property transactions. Those without the knowledge and experience of property stokvels were sceptical about stokvel ability to finance property and did not think that it was possible, while others believed that under certain conditions, it could be possible.	Invest in financial education for stokvel members. Financial education of stokvel members is important to raise more awareness of how they can make better investments and manage funds for their benefit. Members need to be aware that stokvels can do much more than buying groceries in bulk for members. The targeted financial education should aim to change the mind-set of stokvel members from being consumers to becoming investors of assets and properties
To elicit the views of members of stokvels on how stokvels can be strengthened in order to be considered a viable property finance option.	One of the common themes which emerged was that they had to formalize their operations if they were to venture into the property market. The informal way in which stokvels are run exposes members to risks.	Government and NASASA to regulate stokvels. The issue of proper regulations in place is critical as it instils member confidence in their stokvel's ability to venture into property purchasing
To explore the linkages that exist between stokvels and the formal financial system	The purpose of stokvels was to provide alternative ways of saving for the poor, marginalized communities.	Invest in financial education for stokvel members. Most poor households need informal financial products and services, such as

and explore how these may be developed/enhanced to develop property transaction options.	The short comings and barriers to formal markets have led to a rise in informal and parallel savings alternatives. The flawed financial markets inadvertently lead to a proliferation of stokvels.	stokvels, to meet their needs for credit, savings, and risk management. One of the main reasons why stokvels are successful is their ease of operation.
Identify the structure, composition, and workings of stokvels in South Africa, as well as the success factors of these stokvels.	In terms of age most of the respondents who participated in the study were aged between 36 and 50 years, with 43.8% of the total respondents falling within this age group. Regarding the gender of the respondents, there were more females (59%) than males (41%) in the study. The education level of the respondents could not be ascertained.	NASASA Has to Increase Visibility and Registration Increased visibility and education by regulating body will help infuse confidence and help attract members across the spectrum of society.

Table 10: Summary of Findings and Recommendations

5.8. Future areas of Research

In terms of future areas of research, the area of property stokvels is still a new phenomenon which needs more in-depth studies to explore their strengths and weaknesses. Further research can be done on:

- How property stokvels can be regulated to make them more effective, but at the same time without creating an entry barrier. As has been revealed in the current study, property stokvels need their own set of regulations different from those governing the banks and other financial institutions due to the fear that too much regulation might create red tape.

- Since the current study could not access the professionals in the industry. A qualitative study could be launched on professionals in the industry and policy makers to elicit their views, perspectives and plans on the success of property stokvels in the country, what could be done to improve them and the programmes in the pipeline with regards to supporting property stokvels.

5.9. Chapter Summary

The chapter has provided a discussion of results, managerial implications, recommendations, and future areas of research. The purpose of the study was outlined before a summary of research findings was provided. After the summary of the whole study, the limitations of the study were outlined, these provided a basis for some areas of future research. After that, the managerial implications or conclusions were given, based on the research objectives and the research topic. After the conclusions, recommendations were then tabled, based on the study results and conclusions. The chapter then ended with an outline of proposed future areas of research.

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