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‘STOKVELS’ AS AN ALTERNATIVE HOUSING FINANCE MECHANISM: A CASE STUDY OF ‘MASAKHE’ LADIES IN GUGULETHU



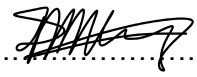
Dikeledi Motupa

A research report submitted to the Faculty of Engineering and the Built Environment, School of Architecture and Planning at the University of Witwatersrand, Johannesburg, in partial fulfilment of the requirements of the degree of Master of Built Environment in Housing.

Johannesburg 2024

DECLARATION

I, Dikeledi Motupa, declare that this dissertation is my own unaided work and all sources have been acknowledged by means of complete references. It is being submitted for the degree of Masters of Built Environment in Housing at the University of Witwatersrand, Johannesburg (Republic of South Africa), and it has not been submitted before for any other degree or examination at any other university.



Dikeledi Motupa

12 September 2024

ABSTRACT

Stokvels have been a longstanding financial mechanism in South Africa, historically providing savings and credit avenues, particularly for marginalised communities excluded from formal banking systems. Despite improved access to banking for black South Africans, the formal mortgage market remains largely inaccessible to the poor owing to constraints in the affordable housing market. With government housing initiatives constrained by overwhelming demand, many continue to lack housing assistance. This study explores stokvels as an alternative housing finance mechanism, focusing on the Masakhe Ladies stokvel group in Gugulethu through qualitative case study research approach. The study employs semi-structured interviews and evaluation research to explore how stokvels, as an alternative housing finance mechanism, offer a way for low-income households to gain access to adequate housing. A theoretical framework is constructed from literature on stokvels, adequate housing, self-help housing, enablement, inequality livelihoods and poverty, and enablement. Findings indicate that stokvels, through collaboration with government, private and governmental entities, can facilitate access to adequate housing. While acknowledging that this is a single case study the recommendation emphasises focusing efforts not on universal applicability but on adapting the collaborative model to meet the specific needs of diverse communities, ensuring tailored and effective outcomes.

DEDICATION

I dedicate this research report to my children Marumo, Mafedile, Mosa and Kganya.

I also dedicate this report to the memory of the late founder of Masakhe Ladies, whose legacy endures through her impactful work.

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LIST OF ACRONYMS

BNG - Breaking New Ground

CoCT - City of Cape Town

CSI - Community Social Investment

DHS - Department of Human Settlements

EPHP - Enhanced People's Housing Process

FFC - Financial Fiscal Commission

FLISP – Finance Linked Individual Subsidy Programme

FSC – Financial Sector Charter

HDA – Housing Development Agency

IRDP – Integrated Residential Development Programme

ML – Masakhe Ladies

NASASA – National Stokvel Association

NGO – Non-governmental Organisation

NHFC – National Housing Finance Corporation

RHLF – Rural Housing Loan fund

ROSCA – Rotating Savings and Credit Associations

SAHIF – South Africa Housing Infrastructure Fund

UISP – Upgrading of Informal Settlements Programme

CHAPTER ONE: INTRODUCTION TO THE STUDY

1.1. Introduction

Numerous South Africans aspire to own homes, but the high cost of property acquisition poses a challenge. The primary conventional avenue for property purchase, a mortgage bond, is beyond the financial reach and accessibility of a significant portion of the South African population.

Despite numerous policy interventions, the backlog in housing remains, leading to a significant number of urban households residing in informal settlements and utilising backyard rentals (CAHF, 2015). The urban population continues to grow, placing increased demand on urban housing and the government struggles to keep pace with the expanding urban population. On the other hand, the affordable housing market fails to meet the demand for low-cost housing, indicating a shortage of available stock for low-income households to engage in the market (Kajimo-Shakantu & Evans, 2006). Herein, the affordable housing market refers to residential properties that are priced within the financial means of households in the low-income band. This market encompasses housing options that do not exceed 30% of a household's gross income, ensuring that sufficient resources remain for other essential needs such as food, healthcare, and transportation

Unconventional approaches to property acquisition are frequently required, and one of the methods employed by South Africans is engaging in community-based savings schemes like stokvels. This initiative, despite its informal nature, address the requirements of destitute households that lack alternatives when government and private sector initiatives fall short of meeting their needs.

Stokvels uplift communities in various ways and offer access to finance, eliminating barriers for households (Lengolo, 2019). These stokvels have been advanced as financial tools, serving as vehicles for community members to address financial challenges and pursue the acquisition of assets and other endeavours (*ibid*.).

Based on the case study of Masakhe Ladies in Gugulethu, this research report explores stokvels as a housing finance mechanism.

1.2. Background

In Gugulethu, a township outside City of Cape Town city centre (CoCT), a group of 24 women formed a stokvel group Masakhe Ladies (ML), to finance their housing situations. The stokvel enabled the women to build and renovate their homes and to create livelihood through backyard rentals. The Masakhe Ladies (translated as “let’s build ladies”), resorted to a finance mechanism that is based on the concept of a community self-help initiative.

Gugulethu, along with its informal settlement areas, stands out as a focal point for the CoCT, given its status as the most densely populated and with the highest unemployment area in the Cape Flats District (City of Cape Town, 2022). According to Statistics South Africa (Stats SA) (2022), Gugulethu faces an unemployment rate of 19.3%. Considering the low-income group estimated at 5.3% (Stats SA, 2022), the profound impact of this reality on the housing backlog becomes evident, given that these households face significant challenges in meeting basic necessities, securing adequate housing becomes increasingly difficult.

CoCT has witnessed a significant increase in urbanisation since 1996, with the population increasing by 56% between 1996 and 2006 (CoCT, 2021). During this period, 60 to 65% of residents of Gugulethu resided in informal dwellings (*ibid*.), a trend partly attributed to the influx of foreign migrants from neighbouring countries such as Zimbabwe, Malawi, and Uganda (Kalule, 2016). These migrants, seeking better opportunities, have migrated to South Africa, particularly to Gugulethu, between 2000 and 2013 (*ibid.*). Overall, the influx of foreign migrants underscores the challenging conditions in their home countries, motivating their migration to South Africa but contributing to the dynamics of urbanisation and housing demands in Gugulethu.

CoCT (2021) recognises that the escalating demand for housing, coupled with constraints in its provision, has given rise to informality to address the housing gap. This informality takes the form of backyard rentals and the prevalence of informal settlements, serving as tangible indications of the persistent housing needs (CoCT, 2021). The uncontrolled expansion of informal settlements is further fuelled by rapid urbanisation, high unemployment rates, and the continual misalignment between the demand and supply of low-income housing in the South African housing market (Mhlongo et al, 2022).

Despite these challenges, the CoCT attempted to address housing concerns, providing 9 218 housing opportunities for the Cape Flats District between the financial years 2013 and 2017. However, the staggering demand for housing during this period amounted to 28 960, illustrating that the City has managed to fulfil only 32% of the housing demand within that timeframe (CoCT, 2022).

To navigate these housing challenges, the CoCT has implemented several programmes such as the Upgrading of Informal Settlements Programme (UISP), the fully subsidised low-cost housing programme (IRDP), the First Home Finance/Finance Linked Individual Subsidy Programme (FLISP), and the Enhanced People Housing Process (EPHP) (CoCT, 2022). Developed by the National Department of Human Settlements (NDHS), these programmes are designed to address the diverse needs of the urban poor (*ibid*.), reflecting a comprehensive approach to tackle housing issues in Gugulethu and similar areas.

The founder of the Masakhe Ladies stokvel group found herself was excluded from various housing programmes, because she was a previous beneficiary of the then People's Housing Programme (PHP), now replaced by EPHP. The EPHP project at the time encountered setbacks and failed before ML's chairperson's house could be built. The upside is that she had received a designated site. The exclusion from housing programmes encouraged her to start the stokvel group.

1.3. Research site

The research is based in Gugulethu, which is situated approximately 18km outside Cape Town's city center. It is a township established in the 1950s with a total population of 98,468 residents (Statistics South Africa, 2023). The enactment of the Group Areas Act (1950) had profound consequences on the formation of the township. It forced the displacement of African, Colored, and Indian communities from the inner city to outskirt locations (Legassick, n.d.). This policy initiated the forceful relocation of Africans to Nyanga and Langa, with Langa specifically designated for African bachelors and Nyanga for African families (*ibid*.).

This mass removal, affecting over 60,000 black families, transformed various areas in the city center into 'whites only' zones (Sara, 2017). As Athlone, Wind mere, and Retreat experienced further evictions, Langa became overcrowded and naturally expanded into

what is now known as Gugulethu (Legassick, n.d.). The establishment of Gugulethu in 1958 aimed to alleviate the strain on Nyanga caused by overcrowding (*ibid*.).

Rural migrants, primarily from rural homelands like the Transkei, were carefully managed in the 1950s (*ibid*.). Those who worked in the city were accommodated in Nyanga, the sole black urban residential area closer to the city center of Cape Town during that era (South African History Online-SAHO, n.d.). However, the government at the time prohibited households from owning their homes in Gugulethu, resulting in families making do with 'barrack-like' dwellings (*ibid*.). This restriction led to cramped living conditions, with many families resorting to single beds due to the limited space available (*ibid*.).

This historical context underscores the formation of Gugulethu and highlights that despite government efforts, some of the housing challenges such as overcrowding inherited from the apartheid system persist, a sentiment echoed by various scholars (Gardner, 2017; Rust, 2015; Nyapokoto, 2010).

Notably, Gugulethu holds the distinction of being the township with the largest area covered by informal settlements in the Cape Flats District (CoCT, 2022). This diverse composition highlights the complex nature of Gugulethu, reflecting both its historical roots and its contemporary challenges, especially in terms of informal settlements.

1.4. Problem statement and rationale

According to a study by the Financial Fiscal Commission (FFC) (2013), 80% of mortgages are approved for households earning over R15,000 monthly, while only 20% are granted to those with a monthly income between R7,500 and R15,000. Consequently, households with a combined monthly income below R7,500 are ineligible for commercial bank mortgages (FFC, 2013). Kajimo-Shakantu and Evans (2006) attribute the lack of housing finance for the low-income households to a limited supply of affordable housing, irregular income, and over indebtedness among South African households. Moreover, banks generally display a reluctance to invest in housing for the poor or adapt their systems to accommodate households with informal incomes (Kajimo-Shakantu and Evans, 2006). On the other hand, the demand for government assistance for housing is synonymous with long waiting lists, slow turnaround times for service delivery due to the housing delivery backlog (Chakwizira, 2019).

Ebrahim (2009) noted that the consequence of imperfect markets, limited access to formal housing finance, and high fixed costs of mortgage bonds forces households to resort to informal finance mechanisms. Households are therefore permanently reliant on rentals, living in backyards or informal areas, they are caught in what Lemanski (2017) terms permanent temporaries. Driven by the aspiration to become homeowners, these households adopt incremental building strategies, relying on funds obtained through informal borrowing from relatives and friends (Fan, Wu, and Yang, 2017), as well as micro-finance (Mills, 2007).

Stokvels are gaining popularity in South Africa and there is potential for stokvel groups to adopt this model to meet their financial needs (Lengolo, 2019). Existing research primarily delves into how stokvel groups can optimise savings for various investments (Kibuuka, 2006; Moliea, 2007; Lukhele, 1990; Mulaudzi, 2017) or focuses on understanding the broader practice of stokvels (Naong, 2009; Schulze, 1997; Finmark Trust, 2018; and Verhoef, 1999). There is not much literature that focuses on stokvels as a housing finance mechanism, it is therefore worth exploring the ways in which stokvels offer a way for low-income households to contribute towards the purchase or building of a home.

1.5. Aim

The overall aim of the research is to contribute towards housing finance scholarship by investigating how stokvels are offering a way for low-income households to have access to adequate housing.

The objectives of this research project are,

- To examine how stokvels have operated in South Africa,
- To explore how Masakhe Ladies use stokvels as a housing finance tool.
- To explore the role of governments, government institutions the private sector, and the community in fostering access to adequate housing for low-income households.

1.6. Research question.

How has Masakhe Ladies utilised stokvels as an alternative housing finance mechanism to gain access to adequate housing?

1.6.1. Sub-research questions

- How do alternative, non-conventional financial mechanisms, such as stokvels provide access to adequate housing for low-income households?
- How do formal institutions (public sector, banking sector) relate to stokvels?
- What have been the experiences of members of the Masakhe Ladies group in securing access to adequate housing?
- How have other stakeholders/actors engaged with the Masakhe Ladies group?

1.7. Assumed Findings

It was assumed from the onset that the Masakhe Ladies group is a diverse get-together of women residing in different housing typologies, from low-income households. It is also assumed that these women have utilised the funds generated from their stokvel contributions to incrementally build their homes over successive cycles. Furthermore, the study assumes that the group has actively engaged with formal institutions as the group has such a high media presence which potentially enhances their visibility and connections with various organisations. The study also assumed that the ladies did not receive any government assistance or mortgage finance before the formation of the stokvel group.

1.8. Research Methodology

This section offers an outline of the research methodology used to investigate how Masakhe Ladies (ML) utilise stokvels as a housing finance mechanism and how this provides a way for low-income households to attain access to adequate housing. The study embraces a qualitative approach, specifically an exploratory single case study. Following an explanation of the research design and approach, the chapter delves into the sampling procedures. Subsequently, an overview of the data collection process and the analysis approach is provided. Lastly, the section addresses the limitations and ethical considerations guiding the study.

1.8.1. Research Design and Approach.

The research advocates for a qualitative methodology aligned with the study's objectives and research inquiries. The researcher opted for a qualitative approach because it enables participants to express their perspectives on the studied issue and clarify how their system functions according to Cresswell (2014). Through open-ended questions, the researcher gained insights and understanding into how the ML stokvel group utilises their pooled funds and how their established connections with supporting organisations assisted in securing adequate housing.

The chosen investigative approach is an exploratory single case study, centred on the MLs' stokvel group. According to Yin (2003), a case study is suitable for addressing the 'how' question, particularly when the case's context is pertinent to the research inquiry (Baxter & Jack, 2008). Within the ML stokvel group, three essential elements are central to the research inquiry: a) the group uses pooled funds from member contributions to address their housing needs, b) the group has received direct interventions from both government, governmental and private entities, and c) the group encompasses women from diverse housing situations and income brackets including low-income bracket. These integral components form the basis of the research inquiry, positioning the ML group as a relevant case for exploration.

To mitigate reliance on a singular approach, evaluation research was conducted to assess the purpose and wherever possible the impact of policies, housing programmes, and strategies in meeting the needs of the targeted group. This involved scrutinising policy documents like the White Paper on Housing, Comprehensive Plan for the Development of Integrated Human Settlements known as Breaking New Ground (BNG) policy framework and housing finance programmes, as well as literature pertaining to the affordable housing market. Additionally, an examination of housing finance sources was undertaken to comprehend the various options available in the affordable housing market.

1.8.2. Sampling

Given that this study is centred on a single case, the primary focus is on the ML group. Before selecting the ML case, several stokvel groups that utilised stokvels for home purchases and construction were approached. However, the ML group stood out due to

various elements demonstrated in the previous section which align well with the research inquiry. This group was identified from multiple social media platforms and a speech delivered by the Minister of the Human Settlements Department, Sisulu, in 2019.

The ML case serves as a testing ground to ascertain whether stokvels can effectively facilitate access to adequate housing for poor, low-income households.

Initially, the researcher engaged with a project manager from the Housing Development Agency (HDA), responsible for collaborating with ML to secure land for housing construction. The project manager facilitated my connection with the chairperson of ML. Although the chairperson agreed to an interview, the research could not proceed at that point due to the absence of ethics clearance. After obtaining clearance five months later, the project manager resigned from HDA, however, the interview continued despite her resignation. Contact was also made with National Task Team officials. These officials work under the EPHP programme, at the National Department of Human Settlements (NDHS), and therefore ML was established as a pilot project of the EPHP under the NDHS. The interview with ML chairperson, and an official of the task team took place online, however, some details on how the group operates were withheld.

Additionally, information obtained from social media indicates that the ML group received assistance from various private institutions in achieving their goals, prompting further engagement with these institutions to determine the roles they played for the ML stokvel group. Furthermore, interviews were held with the representatives from the PPC group and Corobrik.

A purposive sampling strategy was employed to select experts in the fields of housing finance and stokvels, aiming to gather diverse perspectives on the study's inquiry.

To address the initial objective of understanding the functioning of stokvels in South Africa, interviews were conducted with the National Stokvel Academy and a Financial Management Expert who also advocates for the stokvel movement. The two experts were approached to ensure varied viewpoints. In pursuit of the third objective, which involves exploring the roles of government, non-governmental organisations (NGOs), the private sector in stokvels, interviews were conducted with the Center for Affordable Housing

Finance Africa (CAHF), the Financial Expert, the National Stokvel Academy, as well as representatives from the PPC group and Corobrik.

Table 1: Interviewed Research participant's

Participants	Institution	Date interviewed
Masakhe Ladies chairperson	Masakhe Ladies	09 December 2023
2 Masakhe Ladies members	Masakhe Ladies	09 December 2023
Former HDA Project manager	Housing Development Agency (HDA)	03 November 2023
Corobrik representative	Corobrik	14 December 2023
PPC group representative	PPC group	24 January 2024
Stokvel Expert	National Stokvel Academy	08 November 2023
Finance Expert	SC Wealth	08 November 2023
Housing Finance Expert	Centre for Affordable Housing Finance, Africa	08 November 2023

Source: (developed by researcher, 2024)

1.8.3. Data collection instruments

To reinforce the credibility of a single case study, diverse data sources were employed, including semi-structured interviews and evaluation research. Interviews with the ML's chairperson and two members were conducted online, aimed to capture varied perspectives and supplement information on operations and challenges. Insights into the stokvel's interactions with private institutions and government were gathered through interviews with both members and private entities. Engagements with experts further enriched the study by exploring potential contributions and support roles of government and private institutions. Document analysis of major banks' products and relevant policies was also undertaken.

Unstructured Qualitative interviews process

In line with qualitative research, empirical data were primarily gathered through extensive interviews with the participants. The interviews lasted from one to two hours and adopted a relatively semi-structured approach, guided by an interview outline. Encompassing various pertinent themes, the interviews allowed flexibility for both the respondents and the researcher to deviate from the schedule, so that additional questions can emerge as the conversation unfolded.

Upon obtaining participants' consent, interviews were recorded using a voice recorder and subsequently transcribed. The interviews, structured around various themes, predominantly featured open-ended questions framed to stimulate conversational interpretation by the individuals. In instances where respondents, appeared to misunderstand questions, the questions were rephrased or a more direct question was posed, and this was frequent with ML.

Notes were taken down during interviews and both electronic and hard copy formats were used to save and organise written documents, categorised by major research themes. The data collection process necessitated a thorough and explorative approach to cover all possible angles. Continuously organising, reflecting, interpreting, and revising of gathered data were essential.

1.8.4. Data analysis

The rationale for approaching the chairperson and two members of the stokvel, and to interview three experts, and also the supporting organisations is to enhance the validity of the data acquired from participants. The use of triangulation, following Creswell's (2014) guidance, allows for a comprehensive validation of themes that surface from diverse sources of information. Triangulation stands out as a widely employed method in qualitative research, serving as a robust tool for data analysis and ensuring validity (Carter, Bryant-Lukosius, Blythe, & Neville, 2014). The obtained data was thoroughly interpreted to distinguish themes, systematically organise them, and translate them to establish meaning. Thematic analysis was employed to categorise, review, and code the collected data. The resultant list will record major ideas emerging from the analysis and the following process was followed: -

The interview structure was already categorised into themes but required further sorting of responses to disclose details from each interview because it is important to extract key themes during the transcription and analysis of interviews (Leedy and Ormrod, 2005). My task was therefore to sort relevant from irrelevant information, capturing important details into concise sentences or phrases. Grouping sentences based on specific meanings became necessary for effective alignment with the research objectives.

Throughout the analysis, efforts were made to identify both different and similar viewpoints of respondents. Further classification of responses was undertaken to reveal distinctions from each interview. The goal was to develop an overall description of stokvels as an alternative financial mechanism, aligning with Leedy and Ormrod's (2005) emphasis on concluding and generalising findings.

1.9. Ethical considerations

This research project centres on adults, specifically in ML group, which consists of women whom some are from economically disadvantaged backgrounds and can be considered a vulnerable group. It was crucial to convey to the women that the study is solely for academic purposes, and there are no incentives provided for their participation in the research.

Due to the collaborative nature of the interviews involving multiple participants, complete anonymity and protection of identities was not achievable. Given the sensitivity of information related to the financial position and income sources of the group, as well as individual monthly incomes, participants found this intrusive. To address this, income data was categorised into brackets, e.g. (R0-R3500), to make the questioning more comfortable and less intrusive. The members chose to remain anonymous; and assurance was given to them that their contributions will be presented anonymously in the report. However, experts providing insights on the topic were willing to be identified and gave me their permission before proceeding with interviews. The representatives from the supporting organisations are not identified as requested and only the names of the organisations are referred to herein.

It was crucial for the researcher to acknowledge the role as a professional within the Limpopo Department of Human Settlements, recognising the potential influence this might have on the research. Maintaining a neutral perspective, particularly considering

the distinct structural and geographical differences between the Department of Human Settlements in Limpopo and in the Western Cape.

The researcher is involved in various stokvels in her personal capacity, and the manifold benefits associated with such participation are recognised. It's important to acknowledge that the researcher's engagement in stokvels might influence her perspectives on the research objectives, potentially introducing bias in favour of stokvels as an effective tool for housing finance. To mitigate this, the researcher remained vigilant that her involvement did not unduly impact the research outcomes or the interpretation of views expressed by participants. The researcher aimed to avoid selectively presenting only positive results or withholding pertinent information to favourably portray the outcomes, and consistently referred back to the primary aim of the research.

1.10. Limitations

The case study focuses on a specific stokvel group, and it's crucial to recognise that the findings cannot be generalised, as each case is unique. Insights derived from a single case study lack applicability to other contexts, and drawing general conclusions from a single case is not feasible (Yin, 2003). However, the study offers valuable lessons that can guide government, non-government agencies, and private sector institutions regarding alternative community-based housing finance mechanisms.

The stokvel group is situated in Gugulethu, where 90% of the residents primarily speak Xhosa (Statistics South Africa, 2022). Given that Sepedi is the researchers first language, a language barrier arose during the interviews. To overcome this challenge, the researcher conducted the interviews in English, and the participants responded in English, using Xhosa when needed to convey their thoughts. To ensure effective communication, a task team official, fluent in both Xhosa and English, provided translations during and after the interviews.

1.11. Overview of chapters

Chapter One: An Introduction to the Research Project.

The introductory section of the research project sets the stage by presenting the background, identified problem, specifying the research's aims and objectives, and

detailing the main research question along with sub-questions. Additionally, this chapter incorporates a description of the field study area, providing context to the location of the ML stokvel group. The methodology section outlines the chosen research methods, ensuring the validity of findings aligned with the research objectives. It further explains the approach to conducting the research, addressing ethical considerations, and acknowledging the study's limitations.

Chapter Two: Literature Review

This chapter initiates the exploration of the theoretical framework, aiming to comprehend theories related to stokvels and access to adequate housing, integral to the study's objective. The conceptual framework concepts are elucidated in the literature review chapter, where arguments and perspectives from scholars are analysed across various thematic areas such as stokvels, self-help housing, enablement, gender dynamics, employment patterns, exclusion mechanisms, and socioeconomic inequalities. The conclusion of this chapter features a diagram that visually captures the theoretical framework guiding this study.

Chapter Three: Housing Finance Arrangements in South Africa

This chapter centres on a comprehensive exploration of the financial governance landscape in South Africa, specifically exploring their interactions with stokvels. A detailed assessment of housing finance provisioning is undertaken, with an examination of housing policies and finance structures prevalent in South Africa. The insights presented in this section are derived from an extensive desktop study encompassing literature reviews and policy documents.

Chapter Four: The Findings and Analysis

This chapter unveils the outcomes derived from the interview data collected during the research. Commencing with an overview of ML's profile, the chapter systematically dissects the data, categorising it into essential themes relevant to the research. A thorough analysis of the data is conducted, explaining the research findings in a comprehensive manner.

Chapter Five: Conclusion and Recommendations.

In this concluding chapter, a comprehensive summary of the research project is presented, encapsulating the key findings, drawing insightful conclusions, and offering recommendations for potential future research endeavours in the realm of alternative housing finance mechanisms tailored for low-income households.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter introduces the theoretical framework, which delves into theories surrounding stokvels and access to adequate housing, both central to the study's aim of examining how stokvels can facilitate access to adequate housing for low-income households. Initially, adequate housing is looked into and what it signifies for women. Stokvels will be defined, their origins outlined, looking into their characteristics and their relationship with formal financial institutions. Constructs such as self-help, enablement, livelihood and poverty, and socioeconomic inequalities will be examined in the context of access to adequate housing for low-income households. Subsequently, a conceptual framework will be presented, showcasing the interrelationships and connections among these various constructs.

2.2. Adequate housing

In the Constitution, the Bill of Rights guarantees everyone the 'right to access adequate housing,' and the state is required to adopt reasonable measures to provide resources for the “gradual achievement of this right” (Republic of South Africa, 1996: 1255). However, the Constitution doesn't explicitly define the term "adequate housing". Courts and legal interpretations further refined and elaborated on the concept of adequate housing in the case of the Government of the Republic of South Africa and Others v. Grootboom and Others (2000). The South African Constitutional Court defined "adequate housing" as extending beyond shelter, encompassing legal security of tenure, access to basic services, affordability, favorable location, and structural integrity (Government of South Africa & others v. Grootboom & others, 2000). The court emphasised that the right to adequate housing is substantive, guaranteeing individuals not only a place to live but also legal protection, essential services, affordability, suitable location for opportunities, and structurally sound homes (*ibid*.). In the Grootboom case, the Constitutional Court acknowledged the UN-Habitat definition of adequate shelter but did not explicitly adopt it as a binding definition for South African law (*ibid*.). Instead, the court emphasised the need for a context-specific understanding of "adequate housing" within the South African constitutional framework (*ibid*.).

The United Nations Habitat Agenda established a definition for adequate shelter in 1997 which was accepted and endorsed by 171 countries worldwide (Tipple & Speak, 2009). South Africa, as a signatory to the United Nations Habitat Agenda, acknowledged and adopted the definition of adequate shelter proposed by UN-Habitat. This recognition was part of the country's commitment to global goals and standards for ensuring appropriate housing or shelter provision (Tipple & Speak, 2009). Determining if housing is adequate, as per UN-Habitat, should involve the affected people, considering the potential for gradual improvement. The criteria for adequate housing can vary between countries due to cultural, social, environmental, and economic factors. The definition also emphasises the importance of considering gender and age-specific factors, such as the exposure of children and women to harmful substances.

The attributes of adequate housing hold significant importance for women and children in society (Kajimo-Shakantu and Evans, 2007). This essential factor is a focal point in this study and will be further deliberated in the upcoming section.

2.3. Women in Housing

Adequate housing, as mentioned earlier, encompasses various elements such as habitability and structurally sound homes which lack thereof shows in health-related problems and promotes gender-based violence.

Housing not only promotes dignity and self-worth but also promotes stability and a sense of pride. It's noteworthy that a significant proportion of black individuals in Africa reside in precarious conditions that compromise their privacy and dignity (Sobantu, 2008). Specifically, women are at increased vulnerability, given the intimate link between their housing rights and their well-being, notably their health and security (Gomez and Thiele, 2011). For this reason, women place more emphasis on enhancing their housing conditions and assume the responsibility of managing household finances than men, ensuring the future livelihoods of the household, whether there is income or not (Kajimo-Shakantu and Evans, 2007; Chenwi and McLean, 2009). It is crucial to highlight that a majority of households in Africa are headed by women (Kajimo-Shakantu and Evans, 2007). Therefore, in discussions of inadequate housing, it is primarily women who are confronted by these issues, and advancing gender equality in housing rights yields numerous advantages for women (Gomez and Thiele, 2011). On the other hand, women

bear the responsibility of caring for children, and providing suitable housing for women directly benefits their children (*ibid*.).

According to a study by Sobantu (2008), women express that their perception of housing is shaped by the functions they anticipate it to fulfil, primarily as a secure place for both the woman and children. Notably, women often intertwine their identity with that of their children; discussions about themselves always encompass their children (Sobantu, 2008). Consequently, housing plays a pivotal role in not only augmenting security but also enhancing the overall quality of life for women and their entire families (Sibiya, 2002). Notably, within the framework of offering subsidies to low-income households, women are given priority, acknowledging their perceived vulnerability (DHS, 2009).

Despite facing long waiting lists for government assistance and exclusion from mortgage finance due to engaging in self-employed or informal work, women consistently prioritise and tend to their household responsibilities (Kajimo-Shakantu and Evans, 2007). Notably, a substantial portion of their earnings is dedicated to meeting the diverse needs of their households and on the well-being of their children (*ibid.*). They do this to gain access to suitable housing for themselves and their families through various alternative community-based initiatives (Masondo, 2006). Kongolo's (2007) study reveals that in community-based savings groups, women consistently demonstrate higher loan repayment rates compared to men. Their reliability in contributing to such initiatives is underscored by Masondo's (2006) findings, emphasising the trustworthiness of women in terms of financial commitments.

The dynamics of societal structure undergo a transformation when women begin to challenge their living conditions and inquire about potential improvements. They question what aspects are within their power to change (Newton, 2012). Women are therefore actively engaging in community-based initiatives aimed at improving their living conditions, demonstrating a notable presence in savings programmes, as revealed by Kongolo's (2007) study. The community-based initiatives referred to in this context take the form of stokvels, and an in-depth discussion on stokvels will follow in the subsequent section.

2.4. Stokvels

This section aims to offer an understanding of the functioning of stokvels in South Africa, exploring their origins and the guiding principles derived from studies and institutions endorsing the establishment of informal savings and credit unions within impoverished communities. A stokvel is "…a type of credit union in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool weekly, fortnightly, or monthly. Then, depending on the rules governing a particular stokvel, this money or a portion of it may be drawn by members either in rotation or in a time of need." Lukhele (1990:1).

The term stokvel has its roots in the practice of rotating cattle auctions during the 1900s, initially referred to as stock fairs by English settlers in the Eastern Cape, later adopted by locals as stokvels (Lukhele, 2018). During these auctions, farmers and labourers formed groups, pooling funds to collectively purchase cattle (*ibid*.). Globally, similar practices are known as rotating savings and credit associations (ROSCAS).

Stokvels operate on the fundamental principle where a group of individuals convene regularly to contribute money, allocated to one member based on the group's constitution (Lukhele, 2018). Established on trust and existing relationships, stokvel members typically share a close connection with one another (Lengolo, 2019). With over 810,000 stokvel groups and an estimated annual contribution value of R49 billion, these associations, particularly in black communities, have empowered members to access insurance, savings, and credit for purposes such as education, housing, and various business ventures (*ibid.*).

While similarities exist between stokvels and ROSCAs, Lukhele (1990) emphasises that a stokvel, per its definition, allows for funds to be both allocated to a member and saved for future needs. Additionally, Bouman (1995) argues that a stokvel encompass both ROSCAs and Accumulated Savings and Credit Associations (ASCrA), the latter involving regular savings with accumulated funds available for loans and eventual distribution among members.

A ROSCA/ASCrA is recognised globally by various names. In South Korea, it's called a *kye*, *susu* in Jamaica, and *isusu* in Nigeria (Lukhele, 1990). India has *chit* funds and *bishi*, while Cameroon refers to it as a *tontine* (Bouman, 1995). In Bolivia it is called a *pasanaku*, and in the Philippines calls it *paluwagan* (Mokoena et al., 2021). In South

Africa, different racial and ethnic groups use diverse names for stokvels, such as *umgalelo, mogodisana, tshomisano, muholo, makgotla*/burial societies, investment clubs, and youth stokvels (Lukhele, 1990; Schoeman, 2018; Kibuuka, 2006).

2.4.1. Characteristics of a stokvel

Clearly outlining the features of a stokvel is vital to differentiate it from similar practices. The significant characteristics include trust, forced commitment fostering social capital, goal orientation, and informality. Next, the research delves into each of these characteristics and conclude by outlining the advantages and disadvantages of stokvels.

Trust

Since gaining popularity in the 1930s, stokvels have sustained operation for decades with minimal formal control, relying on trust among members (Porteous and Hazelhurst, 2004). Trust is the cornerstone of every stokvel, and serves as mitigation for risks associated with informal associations (Moliea, 2007; Kibuuka, 2006; Mulaudzi, 2014). Stokvels predominantly comprise individuals who work together, reside in the same neighbourhood, or share a common religion (Adams and Canaveside Sahonero, 1989; Bouman, 1995; Merret and Russell, 1994; Naong, 2009; Smets, 2018). This has been emphasised by *Cheeky Media* (2018), saying that the essence of a stokvel revolves around "people who know each other, trust each other, and build together". Nevertheless, not all members are familiar with one another. Occasionally, an individual aspiring to become part of a stokvel is introduced by an existing member, and the existing members make a discretionary decision. In instances where the recommended member fails to meet obligations, both the recommended member and the existing member share the responsibility (Cheeky Media, 2018). Therefore, members opt to save or loan money with colleagues, friends, or neighbours without substantial collateral, relying on trustworthiness to create a secure environment for credit and savings through stokvels (Kibuuka, 2006).

Coerced commitment.

While joining and remaining in a stokvel is a voluntary choice, there exists an element of peer pressure linked to membership (Mulaudzi, 2014). The pressure exerted within the group motivates members to fulfil their monthly commitments (Smets, 2018). In a study conducted by Kibuuka (2006), a woman expressed a strong preference for facing

hunger over missing her stokvel credit payments and monthly contributions. Members assert that individual savings prove challenging, and it's the peer pressure that ensures commitment, instilling a sense of responsibility and helping them avoid embarrassment within the group (Kibuuka, 2006). This compelled commitment contributes to the sustained longevity of stokvels over many years (Boumann, 1995). A study by Moliea (2006) found the average lifespan of a stokvel to be ten years, with Mulaudzi (2014) identifying a group that had successfully operated for over 15 years.

Goal orientated.

The formation of every stokvel group has an objective attached to it upon its establishment, and hence there are many types of stokvels depending on the goals and needs of those members (Bouman, 1995). The most famous stokvel type that has been in existence since the 1930s in urban South Africa is the burial societies (Lukhele, 1990), established amongst friends, families, church congregants, neighbours, and work colleagues to assist each other when one has been affected by a funeral in the family (*ibid.).*

Informal association

A notable attribute of a stokvel is that a stokvel functions as an informal financial association without recognition from legal frameworks (Schoeman-Louw, 2018). Stokvel rules are flexible, allowing for variations such as the allowance of a member to charge interest rates of loans to non-members (*ibid*.). In Bolivia, a *pasanaku* (stokvels) serves as informal savings and credit services for the majority rather than formal credit institutions (Adams and Canaveside Sahonero, 1989). India sees around 50% of adults participating in a ROSCA/ASCrA due to its informal and low default rate appeal (Bouman, 1995). In South Africa, stokvel dominance is seen in black communities, especially among women with low education levels, providing security and support absent in formal banking (Naong, 2009).

As an advantage of its informal nature, stokvels leverage the collective power of a group to achieve goals that might be challenging for individuals alone (Cheeky Media, 2018). Women are found to be more prevalent in stokvels (Finmark Trust, 2018; Naong, 2009). Studies indicate that they empower women, helping them meet basic needs, save, invest, and accumulate assets (Matuku & Kaseke, 2014).

Stokvels drive communities toward self-help initiatives to combat poverty, unemployment-related challenges, and inequality, fostering self-reliance and empowerment (Matuku & Kaseke, 2014). As a community-based savings model, stokvels promote the culture of *Ubuntu*, and operate on a non-profit basis, focusing primarily on mutual assistance rather than profit maximisation (Hazelhurst and Porteous, 2004). Furthermore, stokvels instil discipline, commitment, and sacrifice among members, fostering a culture of savings (Cheeky Media, 2018; Schoeman-Louw, 2018).

On the downside, stokvels lack legal protection for both the group and its members, as they operate outside the formal business sector (Schoeman-Louw, 2018). The informal nature of stokvels makes individuals susceptible to being lured into pyramid schemes masquerading as stokvels (ibid). In the absence of specific agreements, there is no recourse for defaulting and inflation can diminish the value of accumulated savings (Merret and Russell, 1994).

2.4.2. Stokvels and formal financial institutions

Nedbank's Perm introduced the first stokvel savings account in 1988, sparking interest from other major banks in South Africa, each offering tailored savings accounts for stokvel groups (Lengolo, 2019). The relationship has evolved, with stokvels, led by organisations like the National Stokvel Association of South Africa (NASASA), advocating for improved financial products and contesting for better terms (Mulaudzi, 2017). Presently, all major banks in South Africa offer tailored savings products for stokvel groups (Lukhele, 2018) since the financial sector has committed to expanding retail financial services (Moliea, 2007). While stokvels traditionally operate independently, the banking sector has become complementary to the process (Lengolo, 2019). However, there is a contention that the interest rates provided in these accounts are disproportionately low.

Additional benefits associated with the account are outlined in the table below. These benefits should be considered within the context of a prime lending rate of 11.75%, a Consumer Price Index (CPI) of 4.6%, and a bank repo rate of 8.25% at the time of the research. (South African Reserve Bank, 2023).

Table 2: Benefits of stokvel accounts from the major banks in South Africa.

Bank	Benefits
Nedbank stokvel account	• Nedbank offers between 5 - 6.75% interest rate depending on the account balance, • R10 000 burial cover for each member for R15 per month, per member, • 10% discount in groceries from selected partner stores, • Can open additional investment accounts linked to the savings account, • Stokvel members get a free pay-as-you-use account, • Free cash deposits (Nedbank, 2023).
Standard Bank's Society Scheme savings account	• Standard Bank offers a 3.2 – 4.30% interest rate depending on the account balance, • Cash prizes in regular draws for accounts with a minimum balance of R5 000 and above, each R5 000 extra gains the account an extra entry into the draw, • First five branch and ATM deposits are free, • Can transfer balance into other investment accounts, • No account fee charged for balances over R5 000 (Standard Bank, 2023).
First National Bank (FNB) stokvel account	• FNB offering 7.05 - 8.08 % in interest depending on account balance, • No monthly fee for account balance exceeding R5 000, • Free notification for account transactions (FNB, 2023)
Absa Bank	• Absa offers a 4.80 – 6.30% interest rate depending on the account balance, • Zero transaction fees, • Account members get tips on investment options and savings information, • Free R2 000 accidental cover for 10 nominated members of the stokvel, • R500 grocery voucher when a stokvel spends R30 000 at a selected partner retail outlet (Absa, 2023)

Source: (developed by researcher, 2023)

The Grameen Bank of Bangladesh pioneered the concept of social collateral (Sibiya, 2002). Originating as a pilot project in Jobra village, Bangladesh, in 1976, the Grameen Bank evolved into a formal institution in 1983, aiming to combat poverty and empower the marginalised through micro-credit. What distinguishes this institution is the absence of collateral requirements, a characteristic that sets it apart from mainstream banks, as

its operations are not driven by profit maximisation (Grameen Bank, 2022). Grameen Bank also innovatively delivers services directly to clients' doorsteps, enhancing accessibility. (Sibiya, 2002). Notably, it prioritises women's empowerment, engaging them in economic endeavours, and has established a formidable presence in remote areas, demonstrating its commitment to grassroots impact (Sibiya, 2002).

Grameen Bank's successful microcredit model, recognised with the 2006 Nobel Peace Prize, extends beyond poverty alleviation. In addition to empowering borrower members economically, it supports their children's education, and provides interest-free loans to beggars for financial independence, with over 21,000 beggars transitioning to self-sufficiency (Grameen Bank, 2022).

The case of Grameen Bank underscores the adaptability of banks to tailor products suitable for stokvels or savings groups, leveraging the same operational framework, fostering a functional market given banks' capital capacity to optimise systems.

In the subsequent segment of this chapter, an exploration into constructs of self-help, enablement, inequality, livelihood, and poverty, is undertaken through a review of relevant literature.

2.5. Self-help housing

Self-help housing refers to an approach where individuals or communities actively participate in the construction, improvement, or renovation of their homes (Turner, 1976). Self-help housing comes in three forms a) self-help, b) mutual self-help, and c) assisted self-help where one gets help from external agencies for advice, support, and training to build (Masondo, 2006). In the 1900s, especially following World War I, it was a common practice for households to seek assistance from family, neighbors, and extended family members in the construction of a house (Nientied and van der Linden, 1988). This emphasised the importance of communal effort and solidarity during a historical period marked by reconstruction and housing needs (*ibid*.). Self-help is important as it empowers individuals and communities to take an active role in improving their living conditions, fostering a sense of ownership and community engagement, because they know their own housing needs (Turner, 1976).

The government, the private sector, and NGOs can play crucial supportive roles in self-help housing initiatives. The government can develop and implement policies that

encourage and facilitate self-help housing projects, providing a regulatory framework that supports community initiatives (Nientied and van der Linden, 1988). It can do so by allocating funds or providing subsidies to self-help housing projects, making financial resources accessible to low-income communities (*ibid*.).

Self-help housing presents a cost-effective alternative for the state, as highlighted by Masondo (2006), especially when compared to government-provided housing, as noted by Turner (1979). The government can therefore strategically leverage self-help housing initiatives as a preferred alternative to providing free housing. This shift can be facilitated through enablement, a concept that will be further explored in the upcoming section of the discussion. By promoting and supporting self-help, the government can encourage a more sustainable and cost-effective approach to housing, aligning with the principles of empowerment and community-driven development. In the context of this study, the community can create a mechanism for self-funding through stokvels, which are specifically utilised for self-help housing initiatives, including mutual self-help or assisted self-help housing, with the primary objective of the stokvel being to provide housing.

2.6. Enablement

The concept of enablement, which has its roots in the Habitat II conference, gained prominence in the 1980s through UN documents and was further developed by the World Bank in the 1990s (Jenkins, Smith, Wang, 2007; Choguill, 2007). Defined by Choguill (2007), enablement involves creating an economic, financial, legal, and institutional environment crucial for supporting the housing sector. This necessitates the active involvement of various stakeholders. Pugh (1994) underscores that while enablement provides the necessary framework, it is through community engagement, entrepreneurship, and household initiatives that urban housing sectors are developed.

As international institutions like the World Bank have been involved in development projects in developing nations for an extended period, the housing objectives, including enablement, reflect insights gained from past experiences (Pugh, 1994). With constraints on government funds, the housing discourse revolves around the government's role – whether it should directly provide houses or act as a welfare state. The government is in a more favorable position when it functions as a welfare state and facilitate the involvement of the private sector.

In practice, enablement is demonstrated as collaborative partnerships involving government policymakers, companies, government agencies, non-governmental organisations (NGOs), households, and community-based organisations, aligning with the principles outlined in the World Bank's policy documents (Pugh, 1994). Informally described as a strategy aimed at "removing bottlenecks from the quest for housing solutions" (Choguill, 2007:146), enablement emphasises the need to address obstacles hindering the exploration of effective housing solutions through coordinated efforts and cooperation among diverse stakeholders.

As emphasised, the government plays a crucial role, however as noted by Pugh (1995) public expenditure is essential for anti-poverty strategies and development efforts but the government has limitations, and therefore it should focus on specific functions and contributions. Therefore, fostering partnerships becomes integral to the solution.

Inequality, livelihood, and poverty stand out as pivotal elements significantly influencing the majority of these urban households. The following section looks into the intricate interplay of these factors.

2.7. Inequality

Inequality refers to the disparities or uneven distribution of resources, opportunities, wealth, and privileges among individuals or groups within a society (Beteille, 1978). It encompasses various dimensions such as economic, social, and political differences, highlighting differences in income, education, employment opportunities, and healthcare (Beteille, 1978). Inequality can manifest at both individual and systemic levels, contributing to a difference in living standards and quality of life (Katiyaya, 2020). Addressing and understanding inequality involves analysing and addressing the root causes and systemic factors that cause inequality (*ibid*.).

Conflict theory, originating from the work of Karl Marx, suggests that societal conflicts arise from the unequal distribution of resources and power (Beteille, 1978). It highlights the role of social institutions in perpetuating this inequality, with the dominant class controlling economic and political structures to exploit subordinate classes (ibid). Inequalities in wealth, education, and resource access are not coincidental but intentional efforts to maintain the status quo (Terreblanche, 2002). Understanding power dynamics and social struggles is essential in addressing social inequality.

Countries with greater income inequality tend to perpetuate economic advantages and disadvantages across generations, limiting social mobility (Katiyaya, 2020). Economic factors like wealth, income, and education determine one's social position, influencing social mobility (Seekings and Natrass, 2006).

2.8. Livelihood and Poverty

This section focuses on the concept of livelihood from the perspective of policymakers and the lived experiences of the poor. Professionals tend to have a narrow perspective when defining livelihood, often concentrating solely on employment (Chambers, 1995). Livelihood encompass various means of making a living, including livelihood capabilities and tangible and intangible assets (Amis, 1995). Even though employment can be a component of livelihood, the livelihoods of the poor are typically built on diverse activities and sources, providing sustenance, income, and security (Chambers, 1995).

Poverty is defined by economists as a lack of income or low consumption (Pieterse, 2008). However, while definitions are often imposed by those with research and policy-making power (ibid), Chambers (1995) argues that the true essence of poverty can only be articulated by the poor themselves. This is evident in findings from the 'Jodha's Paradox,' where farmers and villagers, despite facing a decline in per capita real income, considered themselves better off. The participatory analyses further revealed the disparity in priorities between the poor and the wealthy, emphasising the subjective nature of poverty assessment (Amis, 1995). Chambers' argument aligns with Turner's (1972) assertion that social concepts are differently defined by the poor and wealthy.

On the other hand, Wratten (1995) and Amis (1995) attribute poverty to urbanisation and capitalism, contending that capitalists play a significant role in perpetuating urban poverty. They argue that policy formulation tends to prioritise capitalist interests, contributing to the exacerbation of poverty. This perspective aligns with broader discussions on how economic systems can shape and perpetuate socio-economic differences in urban areas. The concentration of wealth and power in the hands of capitalists may result in policies that prioritise profit over the well-being of marginalised urban populations, further deepening the roots of poverty.

Beall and Fox (2009) are of the view that urbanisation does not result in poverty, however, poverty resulted from rapid urbanisation exceeding the job opportunities in the

labour market. In the 1950s and 60s it was thought that the urban poor would be absorbed into the formal labour market, however as urbanisation had increased in 1970's, it was evident that this will not happen as the informal economies and informal settlements increased (Beall and Fox, 2009).

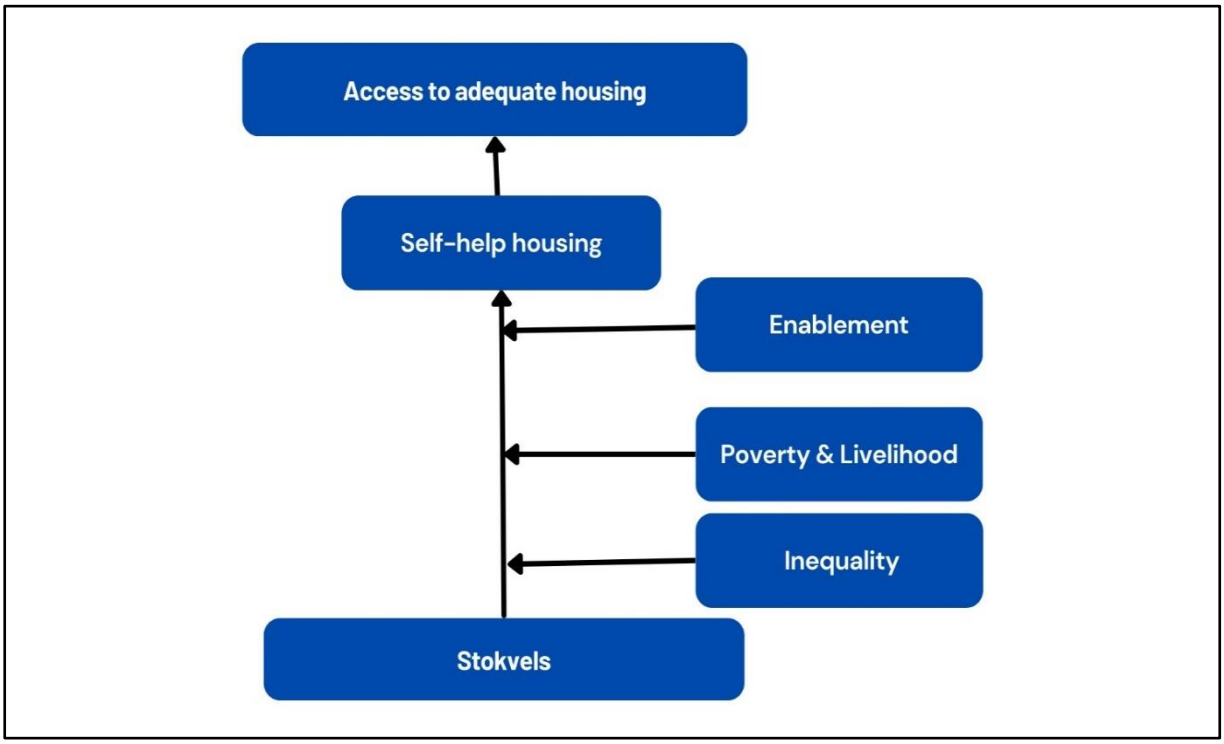
It becomes evident that poverty is not solely a consequence of an overall scarcity of goods and services within a society. Rather, as Barnett (1988) suggests, it stems from the unfair distribution of these resources, ultimately resulting in inequality as shown above. This perspective underscores the importance of considering not only the basic material needs but also the social and cultural dimensions of poverty. In developed societies, the inability to participate in commonplace activities can be a stark manifestation of relative poverty, highlighting the significance of addressing disparities in the distribution of both material and social resources.

Combining the perspectives of Amis and Wratten (1995) regarding urban poverty with Terreblanche's (2002) emphasis on the role of social institutions, a comprehensive understanding emerges. It suggests that the interests of the urban poor are not necessarily advanced by capitalists, and urbanisation itself may contribute significantly to urban poverty. Therefore, a detailed approach to addressing urban poverty would involve addressing economic inequalities and reforming the social institutions that contribute to the perpetuation of inequalities. It requires a comprehensive understanding of how urbanisation and capitalist pursuits intersect with social structures, and policy interventions should aim at creating a more equitable urban environment that empowers and uplifts the urban poor.

2.9. The conceptual framework

The provided diagram illustrates the theoretical framework of the study, depicting the connections between key theoretical concepts. The framework demonstrates that key constructs such as inequality, poverty, and livelihood strategies create a void where basic needs are unmet, prompting communities to reshape societal structures to fill this gap with meaningful solutions. Consequently, stokvels emerge in societies characterised by inequality, poverty, and unconventional livelihood strategies, serving as a foundation for self-help housing initiatives that facilitate access to adequate housing.

Figure 1.1: Conceptual framework



Source: (developed by Motupa, 2023)

2.10. Conclusion

The significance of adequate housing attributes, especially for women and children, underscores the complexities and challenges in ensuring equitable living conditions in South Africa. Adequate housing is fundamental for dignity, stability, and pride, but many individuals face unsafe conditions affecting privacy and well-being. Women bear the brunt of inadequate housing, therefore there is a need for gender equality in housing rights. Prioritising women in low-income household subsidies recognises their perceived vulnerability, exclusion and long waiting lists, leads discouraged and excluded individuals to devise their housing solutions. They engage in community-based initiatives such as stokvels to challenge their living conditions.

Stokvels, rooted in community trust and informal associations, play a crucial role in empowering marginalised groups, particularly women. These voluntary collective savings groups enable access to financial resources for diverse needs like education,

housing, and business ventures. While fostering self-reliance, discipline, and a sense of community, stokvels face challenges, such as lacking legal protection and vulnerability to fraudulent schemes. Despite risks, their informal and flexible nature, stokvels contributes positively to community development. Stokvels have the potential to play a major role in self-help housing, because self-help housing, encompasses mutual self-help and assisted self-help, and emphasises community involvement and empowerment in home construction. Government, private sectors, and NGOs can enhance these initiatives by providing regulatory support, funds, and subsidies. This is embracing the concept of enablement, rooted in international development discourse. The government's role shifts from sole provider to enabler, focusing on specific functions.

Finally, the literature has shown that interconnected dynamics of inequality, livelihood, and poverty reveal complex challenges. The conflict theory underscores the intentional nature of differences perpetuated by social institutions. Livelihood, often narrowly perceived by officials, encompasses diverse activities for the poor, challenging conventional employment-centric views. As indicated by the conceptual framework, it can be concluded that inequality, poverty, and livelihood strategies create a void where basic needs are unmet, prompting communities to reshape societal structures to fill this gap with meaningful solutions. Consequently, stokvels emerge serving as a foundation for self-help housing initiatives that facilitate access to adequate housing.

CHAPTER THREE: HOUSING FINANCE ARRANGEMENTS IN SOUTH AFRICA

3.1. Introduction

This chapter provides an overview of housing finance literature in South Africa, focusing on how financial mechanisms and policies are associated with providing housing in the affordable housing market. The objective is to assess whether existing policies acknowledge the presence of alternative housing finance mechanisms and explore how South Africa's housing policy integrates these alternatives into housing programmes. Additionally, the chapter seeks to investigate whether government and private sector interventions effectively incorporate and enhance alternative housing finance mechanisms, such as stokvels, to facilitate access to adequate housing for medium to low-income households.

3.2. Overview of South Africa's Housing finance

South Africa's housing model is described as government aided with a private sector approach, however it is dominated by an approach of the state as the main housing provider for lower income households to address the 2.5 million housing backlog (Department of Human Settlements, DHS, 2015). The private sector on the other hand is intended to supply middle-to higher income households on a demand meets supply basis (Gardner, 2017). Due to irregularities in the market the lower segment of the middle-income households is inadequately accommodated in the housing market (Centre for Affordable Housing Finance Africa- CAHF, 2015).

A well-operating housing sector, as outlined by the Financial and Fiscal Commission (FFC) in 2013, is characterised by a framework that encompasses rules and regulations implemented by the government through policies and legislation. This regulatory structure is vital for the effective functioning of the housing sector (Wood, 2019). Crucially, the involvement of private sector entities, alongside financial and facilitative interventions, plays a pivotal role in shaping the landscape of housing (South African Housing Infrastructure Fund, SAHIF, 2020).

The financial dimension of this sector is underscored by three key housing finance instruments, state finance, private sector investments and household savings as outlined by the FFC (2013). These instruments serve as critical components in facilitating and sustaining the dynamics of housing (FFC, 2013). In the following section focus is given to financing sources from the viewpoint of investors involved in housing development projects. This overview will highlight the investments into the affordable housing market as it is relevant to this study.

3.3. Wholesale and construction finance demand and supply

Public sector entities and various financial institutions such as banks, guarantors, developers, and rental housing institutions, secure investments for housing finance through government investments, private equity, pension funds, and both foreign and local institutional investors (South African Housing and Infrastructure Fund, SAHIF, 2020). These entities play pivotal roles in providing financing and debt for housing developments to developers, as well as extending financial support to end-users for construction, repair, or expansion of residences (Rust, 2011).

Foreign institutional investors, despite limited involvement due to government dominance, saw a substantial investment from the European Investment Bank (IEB), supporting affordable and social housing projects (Wood, 2019). In 2013, EIB provided a US$178 million loan to several financial intermediaries, including the Development Bank of Southern Africa, NHFC (National Housing Finance Corporation), Nedbank, and Standard Bank (ibid). Pension funds, led by the Government Employees Pension Fund (GEPF), allocate funds to housing projects, but there's room for increased utilisation of their substantial capital (SAHIF, 2020). GEPF supported 646 housing projects, allocating R10.5 billion to SA home loans (Woods, 2019). Private equity, demonstrated by the South African Workforce Housing Fund, actively invests in affordable housing, with collaboration between public and private entities, such as the NHFC, addressing housing challenges (*ibid.*). Overall, a comprehensive approach involving various stakeholders is essential for fostering growth in the housing sector.

Rust (2015), Gardner (2017), SAHIF (2020) and FFC (2013) concur that developers face difficulties when operating in the affordable housing sector, particularly in constructing entry-level houses below R400,000. This predicament is predominantly

attributed to delays in the regulatory and administrative steps of the housing delivery process, impacting funding availability and overall cost (SAHIF, 2020).

A study by CAHF (2015) revealed that the various stages from inception to mortgage bond application took nearly double the time stipulated in regulations. Township application processes, from application, survey, general plan approval, services agreement conclusion, and council consideration, extended to 157 months, exceeding the guideline duration by 69 months (FFC, 2013; CAHF, 2015).

These delays affect the entire housing delivery process in extending the timeline to over five years for a new housing development from initiation to sale (SAHIF, 2020). This prolonged duration not only diminishes delivery rates but also escalates housing prices due to a limited housing supply relative to potential buyers (*ibid*.). It significantly influences the cost and scale of delivery (CAHF, 2015). Heightened costs contribute to increased unit selling prices, compromising affordability and limiting funds available for additional units, thereby impeding delivery scale and exerting upward pressure on prices (*ibid*.).

To address the challenges in South Africa's housing market, there's a need for long-term perspective. Supply-side challenges, call for a focused effort to tackle delays in regulatory approvals and township application processes (FFC, 2013). There is also a need for a focus on bulk services and internal reticulation as there are heightened concerns over costs, availability, and efficiency during implementation (*ibid*.).

3.4. End-user housing finance

End-user finance primarily comprises of mortgage loans, pension backed loans and microfinance. Initially, this section will firstly explore mortgage loans, then delve into microfinance and subsequently look into pension backed loans.

3.4.1. Mortgage Finance

The mortgage market in South Africa is regulated by the Banks Act (No. 94 of 1990) (Drummond, 2022). Despite possessing well-established credit markets, accessibility to mortgage finance remains constrained, primarily favouring individuals with higher incomes (*ibid*.). The determination of mortgage eligibility centres on factors such as household income and existing credit commitments (CAHF, 2015). Financial institutions

typically extend interest rates, either above or below the prime rate, depending on the borrower's credit history and other relevant considerations (*ibid*.). In the affordable housing sector, it is customary for banks to apply a margin of around 2% above the prime rate, serving as a benchmark for evaluating loan affordability (*ibid*.). In South Africa, mortgages are commonly structured over twenty years, with the monthly instalment typically capped at approximately 25% of the household income.

According to the FFC (2013) 80% of mortgages went to households earning over R15,000 monthly, whereas 20% of mortgages were for households with R7,500 to R15,000 monthly income; those below R7,500 received no mortgage finance. This highlights a low engagement with lower- middle-income households by commercial banks, and that there is no finance for housing for low-income households. Drummond (2022) found that 88% of mortgages exceeded R700,000. Given that a minimum gross monthly income required to qualify to purchase a R700, 000 worth of property is a little over R25,000.00. This highlights limited allocations to the affordable housing market. According to CAHF (2015) the availability of mortgage finance is constrained for the lower-middle class due to the lack of supply of housing stock undermining the demand for finance.

In 2002, the drafting of the Community Re-investment (Housing) Bill was initiated, aiming to compel banks to extend loans to areas previously redlined areas (Lemanski, 2017). Had the Community Re-investment (Housing) Bill been implemented, financial institutions would have had to achieve particular targets concerning both income levels and geographical locations (CAHF, 2015). Banks expressed dissatisfaction with the proposed bill, arguing that the government was compelling them to accept risky loans (*ibid*.). Nonetheless, the banks swiftly presented an alternative proposal centred on mortgage lending, known as the Financial Sector Charter (*ibid*.).

The Financial Sector Charter (FSC), initiated in 2005 by major banks, committing to lend R42 billion to low-income households (FFC, 2013). While it targeted households earning R1,500-R7,500, concerns arose. Challenges included the housing market's inability to meet the low-end income bracket, forcing lending at higher levels, and a shortage of affordable housing stock (CAHF, 2015). Despite claims of success, doubts persist about the FSC's impact on low-income households (*ibid*.).

3.4.2. Microfinance

Microfinance, viewed as a solution beyond the reach of mortgage finance, garners support not only from the private sector but also from government bodies such as the NHFC. A key approach involves providing wholesale finance to specific housing Microfinance Institutions (MFIs) (Wood, 2019). MFI's that specialise in housing finance in South Africa are Lendcor, Real People and Kuyasa Fund, with the latter recently making a transition from non-profit organisation to a for-profit entity (*ibid.*).

As per the NCR (2012), low-income groups account for a significant proportion of total unsecured lending, as found by the FFC (2013), constituting 60 per cent of the value of unsecured credit in 2007, declining to 40 per cent in 2012 (*ibid.*). However, the extent to which low-income households, especially those not eligible for fully subsidised houses, use unsecured lending to contribute to their housing needs is unclear (*ibid.*). The prevailing view is that households falling in the gap between those eligible for a subsidy and those who qualify for a mortgage (the gap market) are inadequately catered for, and the microfinance market provides them with an option for housing finance on an incremental basis (Rust, 2011).

Incremental housing, a long-standing practice in South Africa, has traditionally been funded by pension-backed loans, microfinance, and other sources (CAHF, 2015). Due to the perceived risk of small loans, microfinance lenders often impose high-interest rates (ibid). The typical interest rate for MFI's are 21% ranging up to 30% (Wood, 2019).

Informal lenders in South Africa commonly engage in microfinance (Drummond, 2022). The micro-lending industry witnessed a rise in unregulated lending before the National Credit Regulator was introduced (*ibid.*). This expansion gave rise to unscrupulous money lenders, often known as 'loan sharks.' Addressing public concerns over the exploitation of low-income earners and the rising over-indebtedness of borrowers due to exorbitant interest rates, the government stepped in for regulation through the National Credit Regulator (NCR) (Di Lollo & Drummond, 2019). The NCR aims to regulate for a fair and non-discriminatory consumer credit marketplace. Its mission includes overseeing responsible credit granting and usage while ensuring effective redress mechanisms (*ibid.*).

All loans from formal institutions necessitate some form of security. For instance, mortgage finance involves registering a bond using the house as the asset. However,

individuals without assets, commonly the poor, are compelled to resort to microfinance, touted as an unsecured lending form. Yet, most microfinance providers still require a payslip as proof of salary, indicating that security is essential even in microfinance. A salary functions as a precarious security measure, even though job loss can leave individuals in a worse position if they have taken out a loan, particularly when compared to those who didn't qualify for any form of finance initially (CAHF, 2015).

3.4.3. Pension-backed home loans

Pension-backed home loans (PBHL) in South Africa are a financing arrangement where individuals can use a portion of their pension fund as security when applying for a home loan (Wood, 2019). This innovative approach allows employees to leverage their retirement fund credits as security for mortgages for housing construction, renovations/upgrading, and home purchases, in accordance with the Pension Funds Act of 2007 (Di Lollo & Drummond, 2019). Pension fund members can secure favourable loan terms, including potentially lower interest rates or more accessible credit (Wood, 2019). The pension fund serves as a form of guarantee for the loan, providing added security for the lender. It is essential for individuals considering PBHL to carefully assess the terms and implications, as it involves tapping into retirement savings for property-related financing (*ibid.*).

In summary, South Africa's mortgage market contends with ongoing challenges in providing accessible options, particularly for lower-income households. The persisting affordability issues, especially in affordable housing, highlight the need for effective solutions. While approaches like microfinance and pension-backed home loans are an alternative solution to those alienated from mortgage finance, careful consideration is essential. The upcoming sections focuses on government interventions designed in response to the context presented.

3.5. Government Interventions

The examination of government investment in housing finance becomes imperative considering the comprehensive overview presented above, illustrating the involvement of the private sector in the housing finance sector.

Legislative, policy and regulatory framework

Housing falls under the jurisdiction of national and provincial departments of human settlements, with legislative frameworks for its implementation derived from section 26 of the South African Constitution (1996) (Tshanga, 2014). According to the constitution “Everyone has the right to have access to adequate housing. The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right." (Republic of South Africa, 1996:1255). The government is constitutionally bound to guarantee every citizen's right to suitable housing and to gradually fulfil this right. Its roles vary based on the specific situations of different households, serving as a facilitator for those capable of independently affording housing and adopting a more involved role for households experiencing financial limitations (Department of Human Settlements- DHS, 2015). The government assists, such as complete or partial subsidies, to households facing challenges in fulfilling their housing requirements (Gardner, 2017). This is per the provisions of the Housing Act (No. 107 of 1997), which outlines the national policy framework for human settlements, assigns distinct responsibilities to various levels of government, and introduces the National Housing Code (2009), detailing the approach to public funding (Tshanga, 2014). Additionally, the provision of human settlements is regulated by the Rental Housing Act (1999) and the Social Housing Act (2008) (Gardner, 2017). The Social Housing Act outlines the rights of landlords and tenants, and it governs the Social Housing Regulatory Authority's establishment and functions, particularly in regulating and investing public funds in social housing (DHS, 2015). It is important to note that these Acts, along with their resultant programmes, are beyond the scope of this research paper and will not be analysed below.

The Housing Development Agency Act (2008) outlines the goals, organisational structure, and authority of the Housing Development Agency (HDA) concerning its responsibilities in identifying and facilitating land for human settlements development, as well as establishing priority development areas (DHS, 2015).

Supporting the initial housing policy, 1994 Housing White paper, are three key strategies, including 1) national housing subsidy initiatives targeting households with a monthly income of R3,500 or less, 2) ensuring stability in the housing environment, and 3) generating additional housing finance through the establishment of the NHFC and the RHLF (Department of Housing, DOH, 1994). These strategies were implemented to tackle housing challenges as per the Botshabelo Accord (Gardner, 2017). Within this

accord, financial institutions committed to discontinuing redlining practices, and in turn, the government made concessions to facilitate a conducive lending environment (CAHF, 2015). However, persistent discriminatory lending practices prompted the government to retract its guarantees, resulting in a deadlock (*ibid.*). In response, the government sought to establish partnerships and instil confidence in the housing sector, formalising two agreements with the Association of Mortgage Lenders, now known as the Banking Association of South Africa (*ibid.*). The initial accord, the Record of Understanding, was later succeeded by the New Deal (*ibid.*).

In its reformed approach to housing delivery, the government introduced the Comprehensive Plan for Development (2004), also referred to as Breaking New Ground (BNG), as a policy framework in 2004, marking a shift in housing strategy (Joseph & Karuri-Sebina, 2014). Following the implementation of the Breaking New Ground (BNG) initiative, the government shifted its focus from mere housing provision to the establishment of sustainable human settlements (*ibid.*). This shift prioritised 1) sustainable human settlements, 2) integration and spatial restructuring, 3) viewing housing as an asset, 4) informal settlement upgrading, and 5) expanding the social housing program (DHS, 2015). These strategies were reinforced by the adoption of Outcome 8 in Annexure 8 of the Medium-Term Strategic Framework and the National Spatial Framework for Human Settlements (Gardner, 2017). These frameworks outline a delivery structure for 4-5-year periods, specifying essential targets for achieving sustainable human settlements across the provinces of South Africa (FFC, 2013).

The government's adoption of Outcome 8 further highlights its commitment to improving the quality of life for households and creating sustainable human settlements (DHS, 2015). Outcome 8 concentrates on upgrading up to 400,000 units within informal settlements, improving access to essential services, delivering 600,000 units for households in the gap market, and mobilising strategically located public land for low-income and affordable housing with increased densities (FFC, 2013).

3.5.1. Housing programmes and subsidies

To realise the aforementioned objectives, funding for Human Settlements programmes comes from three channels. Initially, the Division of Revenue Act (DoRA) designates funds generated by the government through tax collections and income derived from the equitable share formula (Gardner, 2017). These funds are unconditionally transferred to

provincial departments of human settlements by DHS (FFC, 2013). Every provincial department distributes the funds to different programmes in accordance with NDHS's framework (ibid). Secondly, DHS issues Conditional Grants, directing funds to municipalities for specific purposes (Gardner, 2017). Thirdly, municipalities generate revenue internally and spend from their own sources of income (ibid).

The main source of capital for subsidised housing programmes is the Human Settlement Development Grant (HSDG). The grant is assigned to provincial human settlements departments through a formula that considers different socio-economic characteristics (FFC, 2013). Gauteng, Western Cape and KwaZulu-Natal, because of their large urban populations, received 50% of the HSDG allocations (*ibid.*).

Subsidised housing programmes that are funded from the HSDG include Financial Intervention programmes, Social and rental programmes, Incremental interventions, Rural interventions, National Spatial programmes (Gardner, 2017). For this research, only financial and incremental intervention programmes will be outlined, with a specific focus on programmes relevant to the case study.

Here are descriptions of six Financial Interventions programmes:

1. **Individual Housing Subsidies Programme**. This programme has been replaced by the integrated residential programme (IRDP), which will be discussed below, even though there are other provinces still using this programme (DHS, 2004). It allows qualified individuals with a monthly income of R3 500 or below to receive subsidies for buying homes on the secondary market or purchasing a serviced site linked to a construction contract when they cannot access housing finance (*ibid.*). This is a credit-linked or non-credit linked project subsidy, that can be applied to infill developments in existing suburbs or development in transport corridors (*ibid.*). Gardner (2017) notes that the management of this subsidy is more burdensome compared to other subsidies, leading to its limited utilisation at present.
2. **First Home Finance/Finance Linked-Individual Subsidy Programme** currently administered by the NHFC offers a decreasing scale of capital subsidy to households purchasing their first bonded houses, proportionate to their income (NHFC, 2023). Households earning a monthly income of R3 501 receive a one-time subsidy of R169 265, while those with a monthly income of R22 000 receive a one-time subsidy of R38 911 (*ibid.*). This demonstrates an effort to target and

prioritise assistance for those with limited financial means in pursuit of affordable housing solutions as noted by Gardner (2017).

Qualification criteria for First Home Finance/FLISP (NHFC, 2023):

- South African citizen with a valid ID or a permanent resident with a valid permit
- Age over 18 and legally competent to enter into contracts.
- No prior benefit from a Government Housing Subsidy Scheme
- No previous homeownership verified through the Deeds Register
- Approval or in-principal approval of a home loan from an NCR registered bank, non-bank lenders, or approved partners like community-based organisations
- Total household income falling within the range of R3,501 to R22,000 per month.

First Home Finance can be combined with various housing loan products as outlined by the NHFC (2023), including mortgage loans and unsecured housing loans from National Credit Regulator-registered lenders. It is also compatible with Pension Backed Housing loans from Pension or Provident Funds, loans from community-based savings schemes like stokvels, and housing loans supported by employer-based housing schemes, such as the Government Employees Housing Scheme (NHFC, 2023). Other options include instalment sale agreements, rent-to-buy agreements, and housing loans supported by government-recognised traditional authorities' Permission-to-Occupy (PTOs) for subsidy delivery in rural areas (*ibid.*). The NHFC's recognition of stokvels as a form of housing finance is reassuring, as it acknowledges and promotes the idea that contributions made from stokvels can be utilised alongside the subsidy for access to housing.

3. **Inclusionary Housing Programme,** including the Gauteng Inclusionary Housing Programme, aims to support inclusionary housing projects where various tenures and housing types are developed within a single development.
4. **Provision of Social and Economic Facilities Programme** provides capital for developing essential amenities within human settlements projects, especially in cases where municipalities cannot fund such facilities.

5. **OpsCap Programme** is utilised to facilitate project delivery through other programs but does not directly deliver housing units.
6. **Land Procurement Programme** is designed to assist in acquiring land for subsidised housing programs, but this function is now mainly handled by the HDA.

Here are descriptions of five main Incremental Interventions:

1. **Serviced Site Programme** provides titled land and services to beneficiaries.
2. **Upgrading of Informal Settlements Programme** is a growing initiative focused on improving services and providing homes for households within existing informal settlements.
3. **Emergency Housing Programme** offers temporary assistance, including secure access to land, basic municipal engineering services, and shelter in various emergency situations, such as the relocation of informal settlements posing health risks to inhabitants.
4. **Integrated Residential Development Programme (IRDP)** is the primary delivery programme for subsidised housing projects in South Africa (Gardner, 2017). The IRDP is a pivotal programme, providing subsidies for integrated projects involving land acquisition, stand servicing, and diverse housing construction (DHS, 2004). It plays a crucial role in catalytic projects facilitated through private-public partnerships (*ibid.*). The programme adheres to specific planning guidelines, covering commercial, recreational, educational, and residential stands for low to higher-income households (ibid). With a phased development approach, and municipal engineering services, the IRDP ensures a comprehensive approach to housing development, supporting various beneficiaries, and fostering collaboration between private and public entities in the implementation of key projects (*ibid.*). Gardner (2017) found that securing intergovernmental cooperation to achieve integration of housing with other urban functions such as social amenities and engineering services is a key challenge in the implementation of the IRDP.

5. **Enhanced People's Housing Process Programme** mobilises the efforts of the state, communities, and households in building houses through managed projects (DHS, 2015). The programme acknowledges a community as individuals residing in the same area or a group united by the shared goal of constructing their homes. Beneficiaries actively participate in decision-making regarding housing processes

and contribute to building their homes, with contributions extending beyond physical effort to include financial support (*ibid.*). The programme recognises the community as the initiator and driver of the process, necessitating technical, financial, logistical, and administrative backing (ibid). Non-governmental Organisations (NGOs) and Faith Based Organisations (FBOs) can offer support by partnering with the community, leveraging additional resources, and introducing value-added elements (Gardner, 2017). Effective social and project management skills, obtainable through NGO and FBO partnerships, are crucial (ibid). EPHP is applicable only in provinces where approved Community Resource Organisations (CROs) exist (*ibid.*). These CROs, which can be NGOs, FBOs, or a specifically assembled development consortium, must possess a set of skills provided by the National Department to implement EPHP projects with communities (DHS, 2015). After screening against these skills, approved CROs are listed and issued to provinces. However, it is the community's prerogative to choose which CRO to collaborate with in the province (Gardner, 2017).

The EPHP programme holds significance in the research, showcasing that collaboration among the community, government, and other entities facilitates housing access. Notably, it emphasises the value of joint efforts and personal savings for housing accessibility. It should also be noted that the EPHP is a revised programme developed in response to the shortcomings in the implementation of the original People's Housing Process (PHP).

3.5.2. Challenges in government interventions

Even with the remarkable changes in the delivery of housing, there is still demand for 2.5 million housing units due to the backlog which is growing at 178 000 units annually (Drummond, 2022). By the year 2017, public housing stock constituted 29.4 percent of the housing stock in South Africa (Wood, 2019; SAHIF, 2020). This shows the impact which the government made from 1994 through the Reconstruction and Development Programme (RDP) in delivering the 2.8 million housing units and created housing opportunities for 1.2 million households in serviced sites (Wood, 2019).

Government interventions are however undermined by the consistent housing backlog due to ongoing urban migration and natural population growth, the elevated

unemployment rate resulting in a larger percentage of households depending on government assistance (FFC, 2013). Some of the challenges includes the expanding gap market, the inefficiency of the First home finance/FLISP in encouraging private entities to provide housing finance, insufficient well-located land, bulk infrastructure, and shortcomings in the housing delivery chain (SAHIF, 2020). Another noted challenge is that subsidy programmes are focused on a capital grant for top structure construction, but this proves inadequate for costs associated with building in well-located areas and higher-density developments (Gardner, 2017). Government has a critical role to play in increasing access to affordable housing.

3.6. Non-conventional financing

Stokvels have played a significant role in empowering low-income households that face challenges accessing loans from traditional financial institutions to enhance their housing situations (Lengolo, 2019). NGOs, including Utshani and Kuyasa Fund emerging from the South African Homeless People's Federation, have acknowledged the crucial contribution of stokvels towards housing finance for low-income households (Bartlett, Mitlin and Satterthwaite, 2011). This recognition is evident in the trends observed during the 1990s, highlighting the collaborative efforts between stokvels and NGOs in addressing housing needs for economically disadvantaged communities (Bolnick, 1996).

This was demonstrated in a study by Newton (2012) which showed that grassroots movements employ influence over governments and societal structures. Patricia Matolengwe, a local leader in Vitoria Mxenge, Western Cape, exposed to self-help housing workshops in the early 90s, applied the knowledge by organising 12 single mothers into a stokvel for housing (Newton, 2012). Initially contributing as little as two Rands, the group eventually built quality homes (*ibid.*). Their success attracted international attention, leading to partnerships with NGOs and the inception of the People's Housing Process (PHP) was inspired by their initiative (*ibid.*).

NGOs partnered with various other stokvel groups and utilised their savings supplemented by additional funding to provide small emergency loans and support income-generating endeavours (Bolnick, 1996). Individuals or groups interested in accessing microcredit from Kuyasa Fund would become members of the organisation (Mitlin, 2007). Members form small groups amongst themselves, and these groups act

as a support network, providing mutual encouragement and sharing collective responsibility for loan repayments (ibid). Loans are disbursed to individual members or groups based on their business or personal development plans (*ibid.*). The amounts are typically small, and the use of funds is monitored to ensure alignment with the proposed objectives (*ibid.*).

Through this initiative members were able to construct larger homes, spanning 40-60 square meters, exceeding the standard RDP house size of 28 square meters at the time (Bartlett, et al., 2011). However, the Kuyasa fund's reliance on direct government subsidies proved precarious, leading to its collapse in the absence of consistent funding (Bolnick, 1996). Despite the fund's eventual failure, the initiative demonstrates that organisations can employ funding models tailored to the needs of the poor, leveraging approaches familiar to them such as stokvels. Both Kuyasa and Utshani Fund assisted communities interested in self-help housing, empowering members to take charge of their housing circumstances.

3.7. Conclusion

This chapter explored South Africa's housing finance dynamics, focusing on investments in housing. The chapter demonstrated that South Africa's housing model centres on government support for lower-income households because the private sector is more involved in middle-to higher-income households. Despite the private sector's interest in the affordable housing market, challenges faced by developers impede housing delivery, necessitating a holistic, enduring strategy engaging diverse stakeholders. In the mortgage market, ongoing challenges in effectively engaging end-users prompt the adoption of alternative avenues like microfinance and non-conventional finance, proving pivotal for household solutions. Though the RDP significantly expanded the public housing stock, urbanisation, population growth, and unemployment pose ongoing challenges. Inefficiencies in housing finance programmes and limitations in subsidy approaches add to the complexity.

The EPHP emphasises the effectiveness of community-driven initiatives, highlighting the importance of collaboration and financial contributions in expanding access to housing. The EPHP facilitates opportunities for community-based organisations, such as Masakhe Ladies, to partner with government agencies and non-governmental organisations (NGOs) to mobilise resources for financing and construction efforts.

Innovative financing mechanisms, such as stokvels, illustrate community-led approaches, while partnerships between NGOs and stokvels demonstrate the flexibility of alternative funding models. Addressing these challenges requires ongoing innovation and the adoption of diverse strategies to achieve sustainable and inclusive housing solutions.

CHAPTER FOUR: FINDINGS AND ANALYSIS

4.1. Introduction

For the Masakhe Ladies, residing in substandard housing in urban South Africa was not the end but the commencement of an empowerment journey and relationship-building. Living in inadequate conditions, a challenge highlighted by Kajimo-shakantu and Evans (2007) for women and children, prompted the Masakhe Ladies to initiate change rather than passively wait for government intervention.

Despite enduring years on the waiting list and lacking awareness of government-provided resources, the Ladies, in line with Newton's (2012) observation that societal structures transform when women challenge their living conditions, chose to challenge their status quo. Through a community-based initiative, specifically a stokvel, these women collaboratively work towards improving their living conditions, setting an example for others to instigate similar changes. The upcoming section of the chapter delves into the empirical data by presenting the group's profile.

4.2. Research Participants

Table 3: Interviewed Research participant's

Participants	Institution	Date interviewed
Masakhe Ladies chairperson	Masakhe Ladies	09 December 2023
2 Masakhe Ladies members	Masakhe Ladies	09 December 2023
Former HDA Project manager	Housing Development Agency (HDA)	03 November 2023
Corobrik representative	Corobrik	14 December 2023
PPC group representative	PPC group	24 January 2024
Stokvel Expert	National Stokvel Academy	08 November 2023
Finance Expert	SC Wealth	08 November 2023
Housing Finance Expert	Centre for Affordable Housing Finance, Africa	08 November 2023

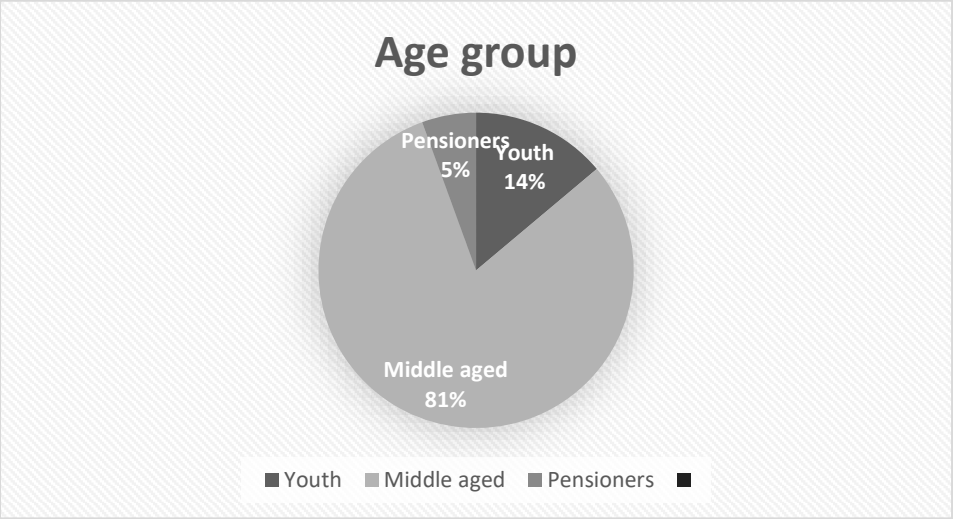
Source: (developed by researcher, 2024)

4.3. Profiling the group

The ML stokvel group operates in the Gugulethu township, New Rest, Phillipi, Cross roads and Khayelitsha. ML was established in 2019 by a local social activist, Ntombekhaya Nyam-Plati, committed to women's empowerment and alleviating urban poverty. Members of the ML stokvel group hail from Gugulethu and surrounding areas, (personal communication, ML chairperson, 2023). Among the members of the ML stokvel group, five (5) reside in the informal settlements of Gugulethu (*ibid.*).

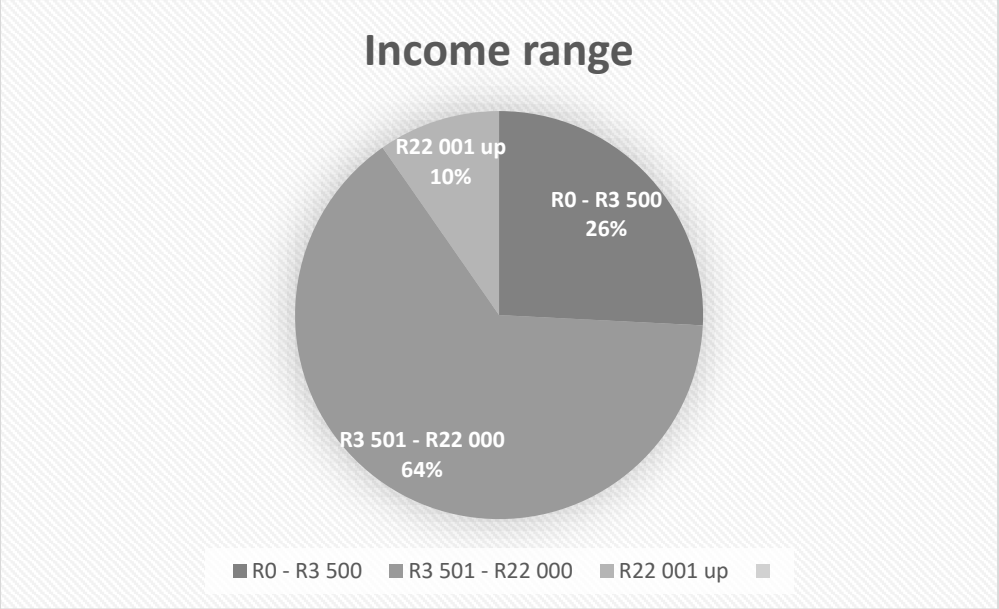
The group initially comprised 51 members when it commenced in February 2019 however only 36 remained when the stokvel started. Some members departed, citing reasons such as a lack of commitment and challenges with monthly contributions.

Figure 4. 1: Categorisation of the group based on age.



The group, exclusively composed of women, currently includes 5 individuals below the age of 35 (considered youth), 2 women over the age of 60 (classified as pensioners), and 29 members falling between the ages of 36 and 59 (categorised as middle-aged).

Figure 4. 2: Categorisation according to income



Eight (8) women in the group are either unemployed or earn less than R3,500 per month, while 20 women earn between R3,501 and R22,000 per month. Additionally, eight(8) women in the group earn more than R22,000 per month. The eight (8) women that are earning more than R22 000, are in the profession of Education and Health care, whereas the 20 women are either self-employed or working for retail outlets. This indicates that 64% of the participants are eligible for the First Home Finance/FLISP. However, during the interview, the women mentioned that they were unaware of this programme when they initially joined the stokvel. It was only through the national task team that they learned about the programme.

4.4. Reasons for joining the stokvel

Among the subgroup of eight women earning less than R3,500 per month, three have already benefited from the government's full subsidy programme and have homes built for them. However, these women expressed dissatisfaction with the size of their houses, which were constructed in the 90s and measure 28 square meters. They joined the group intending to expand their existing 28 square meter RDP houses.

> “they extended their RDP houses, it’s very small, and the house inside they are even cracking…because once you are in the house, your foot must be outside,

that's why we call them '**vezi'nyao**[1] " – (personal communication, ML chairperson, 2023)

This highlights that while the government furnished the three households with a basic dwelling, the quality and size fell short of expectations. Consequently, they opted to join the stokvel to upgrade the houses and enhance their living conditions.

> "RDP house is worth about R300 000, it's a lot of money, with Masakhe, we wanted to show that with the little money, about R100 000, it wasn't much but we built a reasonable, spacious space, dignified place for a person to live in"- (personal communication ML chairperson, 2023).

The women placed greater value on the homes they constructed themselves, as opposed to the standardised, fully subsidised houses provided by the government. This preference was due to their ability to customise their homes according to their aesthetic preferences and spatial requirements, thereby defining for themselves what constitutes a dignified home.

For most of the women earning between R3,500 and R22,000, who are eligible for the First Home Finance/FLISP became members of the stokvel due to frustration over not qualifying for the government's free housing subsidy.

> "The founder, the visionary of Masakhe, she was also living in a shack herself…but she had a plot because she was not qualifying either this side or that side, she was in the gap but unable to access that because we knew nothing about FLISP"- (personal communication, ML chairperson, 2023).

The group's objectives extended beyond the construction and renovation of houses. One of the key visions for the ML stokvel group was to uplift and empower each other as women. They aimed to achieve this by not only building and renovating homes but also by constructing rental properties for those who already owned houses. Consequently, the eight women earning more than R22,000 joined the group with the dual purpose of renovating their own homes and creating additional backyard rentals.

[1] **Vezi'nyao-** loosely translated as 'legs protruding out the door when one is seated in the house,' metaphorically conveys the idea of extremely limited space within a dwelling. This concept is akin to the English metaphor 'you can't swing a cat,' which similarly highlights the lack of sufficient room to move or function comfortably."

> “so, the other part of Masakhe was, we wanted to be financially independent as well, so for those who had houses, they get the money and extend or built flats so they can generate income, flats are going to be rented and that is going to be for a lifetime”- (personal communication, ML member 1, 2023).

4.5. Securing access to adequate housing.

From the conversation with ML chairperson and two members (personal communication, 2023) It was discovered that the recruitment of group members commenced through a social media platform, Facebook, in January 2019. Over the following two months, the women dedicated time to plan and formulate their group's constitution, establishing rules and regulations. The initial project kicked off in April 2019, with monthly contributions set at R2,500, totaling R90,000 allocated to the first member on the list. The list prioritised members on a first-come, first-served basis, a process explicitly outlined in the stokvels constitution, collectively agreed upon by all members. Funds are transferred into the benefiting member's bank account in the initial week of each month. In the second week, the recipient invites the stokvel group to her home, sharing building plans and ideas while celebrating the achievement with cooking and drinks. This gathering serves to ensure that the allocated funds align with the group's objectives, allowing the benefiting member to demonstrate progress. As expressed by one member,

> "we want to see action outside your yard, it speaks to your neighbors" (personal communication, ML member 2, 2023).

This highlights the expectation that the benefiting member should have purchased materials and begun the construction process, aligning with the group's goals. The benefiting member is also responsible for reserving some funds to compensate the contractor or builder engaged in constructing the house.

The initial project undertaken by ML in April 2019 focused on assisting a pensioner who had joined the group and was initially positioned in the 10th spot, following the group's first-come, first-served policy. Considering her living conditions, she was prioritised to be the first beneficiary. The pensioner resided with her eight children in a fully subsidised 28-square-meter house. Unfortunately, her daughter, who was overseeing the extension of the house, passed away before completing the construction project. This left the

pensioner with an unfinished foundation and several grandchildren to care for. Given her challenging circumstances, ML deemed it fitting for her to be the first recipient of the group's support.

> “But when we saw her condition, we decided to consider to put her first, so that she can be number one, [so that when winter comes she can be safe with the kids], so now at least [she’s staying in a four room house], a nice built house by Masakhe….that was our first project”(personal communication, ML chairperson, 2023).

The founder resided in the shack situated in front of the house alongside her family. Registering herself twice, she contributed R5,000 each month. Upon her turn, she received R180,000 (personal communication, ML chairperson, 2023). Upon receiving her accumulated contributions, she utilised the funds to construct a double-storey house. Subsequently, she opted to rent out the rooms on the ground floor while occupying the first floor herself (*ibid.*). She augmented her income sources, deriving revenue from both the spaza shop and the rented rooms.

Using this approach, the group successfully constructed 15 houses, 14 backyard rentals, and completed renovations on 7 houses between April 2019 and July 2022. However, their operations faced disruption due to the national lockdown imposed following the outbreak of COVID-19 in March 2020, leading to months of interruption in their projects. The group's achievement in constructing and upgrading the 36 houses can be credited to diverse factors, including the support of various stakeholders which will be discussed next.

4.6. Supporting stakeholders

4.6.1. Local media

The initial contributor to ML's progress, exposure, and growing popularity was the support received from the local media.

> “..the local media was also our mouthpiece, and they come to the township every Thursday, ..because they saw us on Facebook, but [to update them on our developments] we always invited them, so media was good” (personal communication, ML chairperson, 2023).

The women actively engaged with the local newspaper Vukani by inviting them to their monthly meetings whenever a beneficiary celebrated completing a building project. The newspaper covered the story, leading to increased interest from other media houses that requested interviews with the group. Several media outlets reached out to inquire about the success of the stokvel, serving as a motivating factor for the women. The dynamics of compelled commitment and social capital played a crucial role, extending the exposure beyond the immediate community.

> “Facebook is a global platform, so people were always wanting to know, those people in Masakhe, Is it viable? Is it trustworthy …so everybody wanted to get feedback, then all the media houses wanted to know are they having the integrity, when they want to do something, they really do” (personal communication, ML member 1, 2023)

> “I think that also helped us to expand and to be known because everybody was looking at [this] either positively or negatively. Our track record was proven, if they [women] say they will do things, nobody can stop them” (personal communication, ML member 2, 2023).

The housing construction model of ML was therefore subjected to scrutiny, not just from the local community but also from the broader community covered by the media. The narrative gained visibility through television coverage on Newzroom Africa (2022) and was featured in publications such as IOL news (Ludidi, 2019), News24 (Kalipa, 2019), Vukuzenzele (Nyanda, 2019), and SA Cities NetworkTV (2022) and many more.

4.6.2. Government and subsidiaries

The activities of the group drew the interest of the former Minister of the Department of Human Settlements, Water and Sanitation, Lindiwe Sisulu, who publicly recognised and acknowledged the group.

> “I was pleasantly surprised to read in the media that there was at least one such stokvel in the country, although there could be more. The one I read about is the Masakhe Ladies of Phillippi, Crossroads, Khayelitsha and Strand, who have established a stokvel to build houses. To encourage others to find a way to build houses themselves, we will meet the Masakhe Ladies and fund them”. (Sisulu, 2019:10)

A task team from the National Department of Human Settlements (NDHS) was formed to engage with the group on various aspects. Through various interviews (personal communication, HDA Project Manager, 2023; ML chairperson, 2023) the researcher learnt that ML was adopted as an EPHP project, and the officials of the task team were from the EPHP of the NDHS. Hence the interview with ML had to be coordinated through the task team.

Initially, the task team urged the Housing Development Agency (HDA) to secure government-owned land for ML to expand their initiatives (personal communication, former HDA Project Manager, 2023). The stipulation was that the land acquisition should incur no costs for the NDHS or the HDA (*ibid.*). The former HDA Project Manager, assigned with fulfilling one of the objectives set by the task team, elaborated further on the mandate and said:

> "So Masakhe Ladies were actually brought into HDA by a task team that's set by the National Department of Human Settlements, and the national task team then approached the Western Cape HDA because of the base of the organisers of the stokvel…. [and the mandate] was for HDA to identify land" (personal communication, former HDA Project Manager, 2023).

During the time of this interview, the HDA had not carried out its mandate of acquiring land for the group. The parcels of land near Gugulethu, which the group had expressed interest in, were either not government-owned or were designated for future projects. The acquisition of this land was crucial for facilitating the expansion of the group's operations. Both the former project manager of HDA and ML acknowledged that land was a significant issue affecting their development.

When questioned about whether there were alternative land spaces that HDA had successfully secured for the ladies, the former project manager of HDA (2023) emphasised during the interview that the available parcels of land were not situated in the desired locations and further said:

> "…there were ones that were assessed, but they [ML] were not happy with them. I remember we drove around with them and showed them different available land spaces, then they were like, no, no, no. That one particular one was the one that

they were interested in. That's why we didn't pursue further" (personal communication, former HDA project Manager, 2023).

"We subsequently communicated that to the stokvel that this ideal piece of land that is state owned is not available and this is what the owner is saying. Okay. So we reached a deadlock in that, in that space" (personal communication, former HDA project Manager, 2023).

"We don't have land, we don't have space where we can say this is Masakhe, HDA failed, up to date we've been visiting numerous areas to see if this is the land, you can get this, how do you see this? we've been all over, but nothing really came out of it, even now. But there is vacant land, there is other land. I remember we went to a farm and then the owner of that land, I think he was selling for R52 million, it was good land even to rezone as much as it was a farm, so nothing of funding or any sort according to what the minister said came through" (personal communication, Masakhe Ladies chairperson, 2023).

Based on the statements above, it appears that ML believes there is funding for the land from DHS. This leads to the conclusion that either the HDA or the DHS task team did not adequately communicate with ML about the land matter, explicitly outlining the necessity for the land to be government-owned to prevent incurring any costs.

4.6.3. Private entities

The media presence not only instilled discipline and compelled commitment within the group but also heightened the exposure of the ML stokvel group to various interested stakeholders, including the PPC group. PPC came across ML on television, and their activities drew the attention of officials in the marketing division.

"When all of my colleagues saw them on TV, there was an insert done about them,… I think it might have been ENCA or one of these news channels… we obviously did some digging in terms of getting in touch with the people" (personal communication, PPC group, 2023).

The PPC group recognised ML as an initiative they could participate in for Corporate Social Investment (CSI) purposes and actively engaged with them. As per the Finance Expert's (personal communication, 2023), all private companies are mandated by law

to have Corporate Social Investment programmes. Stokvels, in particular, have an advantage and can approach private organisations to seek support for their community-based initiatives aligned with CSI programmes. This rationale prompted the task team to advocate for collaborations with Corobrik on behalf of Masakhe Ladies, as well as for other similar groups.

> “it was actually through the Department of Human Settlements that the that the connection sort of happened if I could call it that” (personal communication, Corobrik, 2023).

Both Corobrik and the PPC group assumed the role of stakeholders and provided support to ML by offering training and assistance. Recognising that ML lacked construction knowledge, both entities conducted training sessions for the women on basic construction site management and understanding the quality of construction materials (personal communication, PPC group, 2023).

> “so we have thought that good as Corobrik to invest in an accredited training program that taught the ladies how to build with a brick from the foundation up and I must say all the ladies that participated in this program successfully completed the training at the time we we've offered” (personal communication, Corobrik, 2023).

In addition, PPC went a step further by teaching the women how to make building blocks. They donated a block-making machine and a container to ML, enabling them to produce bricks for internal use and sale within their community, thereby generating income (personal communication, PPC group, 2023). To enhance ML's capabilities, the task team also enlisted experts in financial management, business, and project management (personal communication, Corobrik, 2023). ML confirmed, and said,

> “PPC helped us with training, and PPC offered us container and block making machine, which we haven't been able to date to use because of the very same land issue” (personal communication, ML chairperson, 2023).

Figure 4. 3: The block making machine and the container donated by PPC group





Source: PPC group (2023)

The motivation behind seeking land space for their operations is to enable the women to initiate their block-making project, utilising machinery donated by the PPC group. The training provided by both the PPC group and Corobrik was designed to ensure that the ladies received comprehensive training in housing construction, covering aspects from the foundation to the roof and incorporating the use of diverse building materials. This training instilled confidence in the ladies, empowering them to approach their building projects with confidence.

The challenge of land availability is preventing Masakhe from exploring the brick-making business. This sentiment was reiterated by the PPC group (2023) in the interview.

> “at the moment we still have the container and the brick machine with us because there was a site that initially identified, but I think within themselves there was a bit of a quarrel because the site was on one of the members yard, some members started feeling like what if this member tomorrow turns around and says, well, it's my container, it's my brick machine this and that. That's where even provincial government is trying to assist with a piece of land which is they can give as a communal space which is owned by Masakhe or it's rented by Masakhe and not by [an individual] or whatever it is part of the community” (personal communication, PPC group, 2023).

DHS signed a memorandum of understanding with Corobrik to cultivate collaboration, extending beyond Masakhe Ladies to encompass other akin groups throughout South Africa. The relationship forged by DHS with the two entities is highly promising, as it has created avenues through which groups like ML can leverage the established stakeholder connections of DHS for their benefit.

> "..their [Masakhe Ladies] thinking instigated a memorandum of understanding between the Department of Human Settlements and Corobrik, where we [Corobrik] pledged to donate the bricks for one house per province" (personal communication, Corobrik, 2023).

The PPC group do not provide monetary support to the ML, instead, they furnish the group with essential tools needed to achieve their objectives. This approach diminishes community reliance on the government, fostering improved financial management within the group since they have ownership over the resources. In a personal communication with CAHF (2023), she expressed appreciation for NDHS's commitment to training the women. When questioned about the reasons for the failure of the People's Housing Process (PHP) in the 90s, which is model that is closely related to ML case study, she said

> "Part of it had to do with the fact that it's very hard to organise a group and that it's actually technically difficult to build a house. And our policy sort of assumed that just because you're poor you should be able to build the house yourself. So when it says if you can't afford money put in your labour, yes, well it's actually skilled labour. It's difficult. Um, we have developers for a reason" (personal communication, CAHF, 2023).

From the comments above, it can be deduced that DHS may have acquired lessons from the shortcomings of the PHP before engaging with the ML, hence the revision of PHP to EPHP. They approached the group because it was already self-organised, rather than requesting individuals to form groups. Additionally, DHS aimed to empower the group with technical skills for constructing houses, instead of simply providing financial assistance. This strategic shift suggests a proactive approach aimed at addressing the root causes of past failures and fostering sustainable empowerment within the community. CAHF (personal communication, 2023) reiterates this sentiment in saying,

> “the PHP projects that were well managed, so if they were supported for instance by the Development Action Group, they were given technical support to enable a good building process. And my understanding is that those were more successful” (personal communication, CAHF, 2023).

This illustrates that partnering with organisations, whether they are non-governmental organisations (NGOs), government entities, or private companies, offers a chance for empowerment for the less privileged. However, the group did not have any formal interactions with banks or NGOs at a stakeholder level. Their engagement with banks was similar to that of any regular South African citizen with a bank account, but it did not extend to a project-specific level.

4.7. Formalisation and recognition of stokvels as a legal entity

The central topic of conversation during interviews with the experts revolved around the theme of formalising and legally recognising stokvels as an entity. As part of the collaborative efforts between the task teams and ML, they facilitated the group's registration as a cooperative to enhance interactions with other stakeholders. Currently, in South Africa, stokvels lack recognition by law as entities with juristic personality (Finance Expert, personal communication, 2023). According to the Finance Expert (personal communication, 2023), this is attributed to the historical informality of stokvels in South Africa since their inception. However, the Finance Expert (personal communication, 2023) expresses the viewpoint that stokvels are often undervalued and not taken seriously, despite their significant contribution to the economy. This perspective may stem from the fact that stokvels are a movement primarily involving black South Africans *(ibid.).* The Finance Expert (personal communication, 2023) calls for efforts to lobby for formally recognising stokvels as entities.

> “…when they [stokvels] are informal, they have no legal identity, which means that it's difficult to form a contract between the bank and the stokvel for whatever purpose. So banks prefer organised groups and structures simply for contract. Because the bank itself is a juristic person**.** So in a way, by being informal stokvels actually exclude themselves from a lot of financial services” (personal communication, Finance Expert, 2023),

This sentiment was equally echoed by CAHF (2023), in that it becomes difficult for lenders to engage with informally structured organisations not because the organisations are not trustworthy but “because institutions trust through legal channels” (personal communication, CAHF, 2023). There is however a need for banks to adjust their rigid systems and look into the context of the South African customer, and allow group to gain access to housing finance (*ibid*).

> “… for a bank to be able to lend money, they need to trust that that person or institution can give the money back, right? So they have to be able to do that. And banking systems, historically, in South Africa and in most countries, are designed around a fairly narrow understanding of who their customer is. And they prefer a customer who has a payslip, who gets paid every single month, whose income goes up every month, so that they can rely on that, and so on. And of course, the majority of people don't have that” *(*personal communication*,* CAHF, 2023).

Nevertheless, First National Bank (FNB) stands out by offering a product tailored for a group known as collective buying (FNB, 2023). However, one stipulation is that all members within the group must provide evidence of consistent income and undergo the standard credit screening procedures (*ibid*). This condition might pose challenges for individuals who are self-employed and experience irregular income streams, potentially excluding them from the eligibility criteria.

The National Stokvel Academy (2023) conveyed the challenges and disappointments faced while being part of a stokvel that struggled to raise funds for group ventures into property. In response, the group decided to formalise their stokvel by registering it as a company in 1998. This strategic move enabled them to secure funding through a bond, ultimately leading to the successful acquisition of a holiday home in a resort.

> “The loan was given to an entity because the bank will never ever give a loan to a stokvel that is not a legal entity. The fact that there are three people who are signing a stokvel bank account that doesn't mean you cannot get a loan.”

The mortgage is settled via contributions from the stokvel group. Presently, the group continues to generate profits from their property and has expanded their portfolio through the same collective.

> "….how are we going to raise funds to buy this piece of land and we said, Okay, we need to now register an entity, we registered ourselves as a company. That's next step, we looked for the bank that would fund us, we went through the normal screening process, like any other bank would do affordability [test], credit worthiness and all that stuff…. Our loan application was approved. And the purchase was done. We bought the property" (personal communication, National Stokvel Academy, 2023).

Due to the diverse nature of stokvels, those with short-term objectives, like grocery stokvels that operate for 12 months, value the informal nature of stokvels and find the registration process burdensome (personal communication, Finance Expert, 2023). On the other hand, stokvels with long-term goals, such as burial societies and property stokvels, are the ones most likely to gain advantages from the formalisation of stokvels as registered entities.

> "…for certain activities, you can remain informal as you like. But for certain activities, you do need to take up a structure which is recognised by law and because we've already said the stokvels by its nature is informal, and is never going to be recognised by law…. when stokvels want to engage in activities, which require recognition, they need to choose a juristic person, be it a partnership, or cooperative, or a company, then it can work and then all the members have rights, and they can be protected. You can't be protected. If you remain informal, the informal nature means that no one is protected. That's why Treasurers run away with money. And no one can do anything about it" (personal communication, Finance Expert, 2023)

During the interview, the researcher inquired with the PPC group whether the informality of the ML posed any challenges for PPC, and in response, he said,

> "It definitely does, because the one thing you must know when a business spends money, whether it's CSI or in formal business, there needs to be some form of financial reason…. It will always be better to engage with people who are registered. With any business, if you take money out of a business whether its five grand or 500,000 doesn't matter, you need to account for it and that's why if it's a registered stokvel or NGO you would be able to get what we call a Section 18 a certificate. So, a Section 18A certificate basically will say I [X] NPO registration

number [1234] acknowledges that I've received a brick making machine and the container from PPC registration number [X] to the value of [X]. So as a result, we, we would take that Section 18A as a business and when we submit all our tax stuff, we can actually get that also sort of like a tax rebate on that because we are investing some money in the community" (PPC group, personal communication, 2023).

Based on the information presented, it can be deduced that all the interviewed experts are in consensus regarding the necessity for stokvels to undergo registration. This is seen as a crucial step for enhancing their interaction and establishing business partnerships with private entities such as banks and suppliers. The key emphasis lies in capacitating stokvel groups and imparting business knowledge, particularly in cases where such expertise may be lacking among the group members.

4.8. Conclusion

To achieve holistic development for the Masakhe Ladies, the task team engaged various stakeholders. Corobrik provided comprehensive training in housing construction, basic financial literacy, and project management skills, empowering the Masakhe Ladies not only as homeowners but as individuals equipped to navigate housing development projects. Collaborating with the PPC group and Corobrik, construction material suppliers, the task team further enhanced the Masakhe Ladies' livelihood strategies. The PPC group offered tailored training and essential equipment, fostering economic empowerment. This partnership not only improved the capabilities of the Masakhe Ladies but also created employment opportunities for both the group and the broader Gugulethu community.

In essence, the collaboration among the Department of Human Settlements, the Masakhe Ladies, and their partners under EPHP is a dynamic initiative. It addresses immediate housing needs while recognising the transformative potential of entrepreneurship. This ensures that the Masakhe Ladies actively contribute to their economic well-being and that of their community, moving beyond being mere recipients of housing solutions.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This research investigates how stokvels can serve as a way for low-income households to access adequate housing. Their housing stokvels arise due to the exclusion of many households from government assistance programs, compounded by the strain on government housing delivery caused by factors such as increasing urban populations, high unemployment rates, and elevated production costs. The growing middle-income group further intensifies pressure on government programmes designed for different income brackets, exacerbated by the scarcity of affordable housing stock and the government's inadequate management of housing processes. Confronted with these challenges, households are compelled to explore alternative avenues for housing finance. In this chapter, the major findings of the research are summarised and insights into recommendations and potential areas for further exploration in addressing the intricate dynamics of housing accessibility for low-income households are further provided.

5.2. Synthesis and key findings

The Masakhe Ladies (ML) have exemplified a remarkable journey towards securing adequate housing through a proactive approach that involves challenging the existing status quo. Their initiative begins with a critical examination of their living conditions, prompting them to question what can be done to bring about positive change in their housing situations.

To tackle these challenges, the ML group has strategically used community-based initiatives like stokvels and self-help efforts. This multifaceted approach has allowed them to forge collaborative partnerships with key entities, including the government entity through EPHP, Housing Development Agency (HDA), private corporations such as PPC Group and Corobrik, and the National Department of Human Settlements (DHS) through EPHP.

Through the concerted efforts of these collaborations, the Masakhe Ladies have achieved significant milestones. They have successfully constructed 15 houses, established 14 backyard rentals, and undertaken renovations on 7 existing houses. This

tangible progress speaks to the effectiveness of their approach and the impact they have made on their immediate community.

While it is essential to acknowledge that findings from this single case study cannot be universally generalised, the model developed by the Masakhe Ladies offers an exemplar for low-income households. The potential for adopting a similar collaborative approach within their communities, uniting like-minded individuals in a group, is a notable avenue for replication. The pivotal takeaway from this study lies not in seeking broad generalisations but in recognising the adaptability of such a model to diverse low-income households. The success of the Masakhe Ladies serves as an inspiration for other communities to form groups, leveraging collective strengths and resources to address housing challenges and foster economic empowerment.

In light of the study's findings on how formal institutions relate to stokvels the literature review highlights a pervasive issue of inadequate engagement. Despite stokvels having existed for decades, their interactions with banks have consistently yielded unsatisfactory outcomes. Personal communications with the Finance Expert, CAHF, and the National Stokvel Academy (2023) further reinforce the notion that stokvels have historically saved money in bank accounts with minimal returns. The case study itself reveals a lack of direct collaboration with banks. It's important to note that the funds collected from members were given directly to individual members when it was their turn to receive them, instead of being kept in a stokvel group bank account for long-term savings. This distinction is crucial as the ML stokvel operates as a rotating savings and credit association (ROSCA), not an accumulating savings and credit association (ASCA). This means that funds are not left to accumulate before distribution.

Conversations with PPC Group and Corobrik shed light on the broader construction sector's insufficient efforts in community engagement. Both companies acknowledged the untapped economic potential in townships and expressed a commitment to doing more. However, it was noted that some private entities engage with stokvels primarily for their own financial gain, rather than fostering mutual benefits. The Finance Expert (personal communication, 2023) highlights that stokvels hold considerable economic value, yet formal institutions often fail to take them seriously. Although their potential is clear, these resources are not being effectively utilized.

Contrasting with the private sector, the government's Enhanced People's Housing Process (EPHP), as exemplified in the case study, showcases potential for meaningful community engagement. However, questions arise regarding the contribution of provincial departments, given that the programme is mainly overseen by officials from the national department. The extent of involvement by provincial departments and local municipalities remains unclear, highlighting a potential area for further exploration.

The literature review indicates that NGOs have played a role in supporting stokvel groups. CAHF (personal communication, 2023) highlights successful projects administered by NGOs, such as Kuyasa and Utshani Fund. This suggests that NGOs have been instrumental in bridging gaps and facilitating impactful initiatives within communities.

It is crucial to highlight some of the experiences of the Masakhe Ladies in their journey. Notably, the study findings reveal that while the ML members expressed satisfaction with the involvement of various stakeholders in helping them pursue their aspirations, there remains a sense of discontent. Specifically, the group is not entirely pleased with the fact that they have yet to be allocated land, a critical component for achieving their broader goals. The Minister's initial promise to provide land to the group holds significant importance in the ML stokvels expectations. The absence of this crucial resource has become a point of concern, as it hampers the group's ability to realise some of their overarching objectives. Despite expressing contentment with stakeholder involvement, the unfulfilled promise regarding land allocation has left the ML stokvel group in a state of anticipation and, to some extent, dissatisfaction.

5.3. Conclusion

The relationships created between ML, DHS and private entities opens up possibilities for exploring collaborations with other entities in the housing construction sector. A crucial consideration in extending this model to other provinces is the recognition of contextual differences. Each region may present unique challenges and opportunities, necessitating tailored approaches. The commitment of Corobrik to collaborate with the Department of Human Settlements (DHS) by entering into a memorandum of understanding to provide bricks for one house per province for groups similar to the

ML, is a promising step. This commitment highlights the potential for scalability and encourages the replication of successful models in diverse contexts. Additionally, the positive impact of NGOs on similar projects underscores the importance of multi-sectoral partnerships in fostering community development.

In essence, the success of the Masakhe Ladies shows that stokvels as a housing finance mechanism can provide a way for low- to middle-income households to gain access to adequate income.

5.4. Recommendations

The study's findings highlight that collaborations significantly enhance community-based initiatives by empowering and reinforcing the efforts of communities striving to develop themselves and challenge the status quo. In particular, empowering women is crucial, as they are often the nurturers, caregivers, and home builders, even in the face of societal challenges, a norm in many African communities. The success of the Grameen Bank in empowering women-based savings groups underscores this point. Consequently, the study recommends establishing an engineering and construction technical clinic modeled after the successful framework of law clinics.

The clinic should be a collaborative effort involving:

1. The government, through the Enhanced People's Housing Process (EPHP)
    - Through the EPHP programme, the government could provide a grant for the clinic to operate under the administration of the University. The EPHP's policy stipulates that it partners with community groups aligned with community resource centres such as the clinic in the proposal.
2. A government agency, such as the Housing Development Agency (HDA)
    - The main function would be to unlock land-related challenges which are beyond student's abilities.
3. The university's engineering and built environment faculty.
    - Similar to a law clinic, this clinic would be affiliated with a university's engineering, architecture, and construction management departments. This approach ensures that people are guided in the process of building their own homes by providing the necessary support by all role players. It also allows individual homebuilding projects to fit within a broader community framework if the need arises.

The clinic would collaborate with community leaders to specifically target and prioritise women's savings groups, particularly those willing to contribute financially through stokvels to meet their housing needs. These groups would be supported in several key areas, including:-

- The construction of top structures,
- Incremental housing that allows for future development,
- The establishment of income-generating projects such as backyard rental rooms and other construction-related ventures.
- Assist groups seeking land and engineering infrastructure services, while already having secured funding for top structure construction.
- Offer technical training, guidance on sustainable building practices,
- Assistance with navigating land tenure and zoning regulations, and support in accessing government housing subsidies and incentives.

This comprehensive approach would ensure that these women's groups are empowered not only to build their homes but also to create long-term economic opportunities within their communities.

Students functions in the clinic

Students would work under the supervision of experienced faculty members and possibly professional engineers, architects, and construction managers who volunteer their time. This ensures that the advice and services provided are accurate, safe, and effective. The main highlight is that students could research and introduce innovative building techniques that are both economical and suitable for the local environment.

Table 4: Student functions in the clinic

Students	Services under offer
Architectural students	- Drafting innovate house plans
Civil and structural engineering students	- Sustainable and innovative housing construction designs and solutions. - Supervision of construction and engineering related on-site processes - Innovative alternative building materials and solutions

Construction management students	- Offer construction project management practices that enhances the projects. - Monitor the progress of construction projects - Negotiating with building material suppliers - Providing ongoing support and troubleshooting as needed
Urban design, and planning students	- Design holistic community development plans - Focus on understanding local land use and zoning laws - Identify available land and assess its suitability for development
Additional student (optional)	
Marketing students	- Utilise the use of social media and online presence to market the clinic for sponsorships and funding
Students from commerce and accountancy departments	- Workshops on business and financial management education to groups - Personal finance solutions to clear groups of debt
Law students	- Hold workshops on complying with local building regulations, and zoning laws, and obtain the necessary permits - Registration of stokvel groups as entities

Source: (developed by researcher, 2024)

Advantages:

- Serves as a practical training ground for students while providing much-needed technical assistance to community members. Students possess a wealth of innovative ideas, often generated through research and projects, which can be effectively implemented with guidance from professionals, whether within the department or in private practice.
- The clinic would empower low-income groups to build their homes more effectively and affordably.

- Could serve as a capacitating and training centres for artisans from townships and rural communities should the scope of the clinic be expanded.

On-Site and Off-Site Clinics

- **On-Site Clinics**: Students and faculty can establish on-site clinics within the community, possibly in collaboration with local community centres or municipal offices. Here, students could work directly with community members, offering design advice, technical training, and construction supervision.
- **Off-Site Clinics**: The clinic could also operate from the university campus, where students can work on designs, planning, and consultations remotely, supplemented by site visits.

Funding model

The recommended funding model of the clinics would have to be through a combination of sources, including:

1. **A combination of engineering, architecture and planning schools**: The funding from schools which the clinic is affiliated to would cover administrative costs, salaries for supervising civil engineers, architectures and planners, and operational expenses.
2. **Grants**: Grants from human settlements provincial and national departments. This can be an initiative that the Enhanced People's Housing Process Programme can leverage and offer support and partner with universities to make the clinics make an impact in the community. Some grants may be offered by government agencies, non-profit organisations, or foundations dedicated to supporting affordable housing finance, low-income housing, or specific issues like civil rights for informal settlement dwellers.
3. **Donations**: Private donations from alumni, the private sector [construction, materials supplier companies], and other benefactors can also play a significant role in funding the clinic.
4. **Client Fees**: In some cases, the clinic may charge nominal fees to clients who approach the clinic to get professional opinions on projects in their home

renovation/architectural design or plan. These are clients who can afford to pay, and any fees collected go directly back into the clinic's operational expenses.

Pilot Projects

- Start with a few pilot projects to refine the approach, demonstrate success, and build trust within the community. These initial projects can serve as models for expanding the clinic’s services to other communities.
- Develop a sustainability plan for the clinic, including funding sources, long-term partnerships, and possibly even creating a model that can be replicated in other communities. Scaling could involve training local community members to take over some of the roles, thus building local capacity.

Once the model is refined, work on replicating it in other communities facing similar challenges. This could involve creating a network of clinics across different universities and regions, each adapting the model to their local context.

This expanded model not only addresses the technical aspects of building homes but also tackles the crucial issue of land access and community planning, making it a comprehensive approach to improving housing for low-income groups in South Africa.

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ANNEXURE A1:

SEMI-STRUCTURED EXPERT INTERVIEW PROTOCOL

Date: _____

Interviewee: _____ (Code name)

Instructions:

Remind the interviewee of the following conditions:

The interviewee's identity remains anonymous unless they wish to be identified.

The process will be audio recorded, if the participants grants permission.

Questions

1. What is your opinion on the banks approach towards stokvel groups such Masakhe Ladies, that save to finance their housing situations?

   _____

   _____

   _____

   _____

2. Do you think that such groups can be successful in putting funds together to purchase a home for each member?_____

   _____

   _____

   _____

3. In your opinion, what probable risks do such groups face, and how can they be mitigated?

   _____

   _____

   _____

   _____

4. What is your advice to stokvel groups who come together to finance and improve their housing situations?

   _____
   _____
   _____

5. In what ways can government, NGOs, financial institutions collaborate and support stokvels?

   _____
   _____
   _____
   _____

6. Is the current legislation adequate in dealing with the lack of housing finance options for poor households?

   _____
   _____
   _____

7. What more can be done? By who?

   _____
   _____
   _____
   _____

8. Any suggestions about innovations that can be added to the stokvel practice to increase its sustainability and effectiveness?

   _____
   _____
   _____

ANNEXURE A2:

SEMI-STRUCTURED SUPPORTING ORGANISATIONS INTERVIEW PROTOCOL

Date: _____

Interviewee: _____ (Code name)

Instructions:

Remind the interviewee of the following conditions:

The interviewee's identity remains anonymous unless they wish to be identified.

The process will be audio recorded, if the participants grants permission.

Questions

9. What is your role in the Masakhe Ladies stokvel group? and how have you come to know about the group?

   _____

   _____

   _____

   _____

10. How have you assisted the group in realising their objective?

    _____

    _____

    _____

    _____

11. In your opinion, what other organisations can be helpful to self-help initiatives such as these, what more can be done?

    _____

    _____

    _____

    _____

12. Does your organisation have any other similar endeavours, or are there any future plans for any collaborations with other stokvel groups?

_____
_____
_____
_____
_____
_____
_____

13. Do other branches of your organisations have similar collaborations or is it only limited to this branch? If not, what prompted the collaboration in this branch?

_____
_____
_____
_____

14. In what ways can government, NGOs, financial institutions collaborate and support stokvels?

_____
_____
_____

15. What more can be done? By who?

_____
_____
_____
_____

16. Any suggestions about innovations that can be added to the stokvel practice to increase its sustainability and effectiveness?

_____
_____
_____

ANNEXURE A3:

SEMI-STRUCTURED MASAKHE LADIES INTERVIEW PROTOCOL

Date: _____

Interviewee: __Masakhe Ladies stokvel group (Code name)

Instructions:

Remind the interviewees of the following conditions:

- The interviewee's identity remains anonymous.
- The interview will be audio recorded at the permission of participants.
- Whenever you feel uncomfortable, stop the interview, and only proceed if you're feeling fine.

Questions

1. When was the stokvel group formed? and what is the main goal of the stokvel?

   _____

   _____

   _____

2. How was the group formed? And how many members are in the group?

   _____

   _____

   _____

3. Please describe the members of the group, age range, employment status, family structure,

   _____

   _____

   _____

4. How much do the stokvel members contribute on a monthly basis?

   _____

   _____

   _____

5. Are there any members who have benefitted from the free subsidy, and what are the challenges for those that have not benefited?

_____

_____

_____

6. What are some of the risks which the group identified, before going into the stokvel, and how have they been dealt with?

_____

_____

_____

7. Has there been any unforeseen risks which the group encountered? and how where they resolved?

_____

_____

_____

8. Any other challenges encountered amongst the members?

_____

_____

_____

9. How are the funds handled from thereon?

_____

_____

_____

10. Will the funds allocated to each member be monitored by the stokvel to ensure that it is used for the purpose it's intended to?

_____

_____

_____

11. Which private organisations has the group collaborated with? and how was the relationship established?

_____

_____

_____

12. Has there been any engagements with government? if so, is there any positive or negative impact this had on the groups' success?

_____

_____

_____

13. Any other interventions that the government might have in ensuring success for women in housing?

    _____

    _____

    _____

14. How has the group managed the element of trust amongst its members?

    _____

    _____

    _____

15. What has assisted the sustenance of the group, and made the group a success?

    _____

    _____

    _____

    _____

ANNEXURE B:

INTERVIEWS WITH PARTICIPANTS

Corobrik Representative, 2023. Interview with researcher, [online] 14 December 2023.

HDA Project Manager (former), 2023. Interview with researcher, [online] 03 November 2023.

Masakhe Ladies Chairperson, 2023. Interview with researcher, [online] 09 December 2023.

Masakhe Ladies Member 1, 2023. Interview with researcher, [online] 09 December 2023.

Masakhe Ladies Member 2, 2023. Interview with researcher, [online] 09 December 2023.

Finance Expert, 2023. Interview with researcher, [online] 08 November 2023.

PPC Group Representative, 2024. Interview with researcher, [online] 24 January 2024.

Centre for Affordable Housing Finance Africa, 2023. Interview with researcher, [online] 08 November 2023.

National Stokvel Academy, 2023. Interview with researcher, [online] 08 November 2023.

ANNEXURE C:

ETHICS CLEARANCE CERTIFICATE

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG | SCHOOL OF ARCHITECTURE PLANNING

23 October 2023

Dear Dikeledi Motupa (717978)

This letter confirms that your clearance/waiver application has been approved. Your protocol/clearance number is: SOAP074/07/2023

Yours sincerely

Lerato Nkosi

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