

Impact Evaluation of Savings Groups and Stokvels in South Africa

The economic and social value of group-based financial inclusion

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ABBREVIATIONS

ASCA	Accumulating Saving and Credit Association
BEE	Black Economic Empowerment
CMO	Context + Mechanism = Outcome
CWP	Community Works Programme
HH	Household
HIV/AIDS	Human immunodeficiency virus infection and acquired immune deficiency syndrome
IGA	Income Generating Activity
NASASA	National Stokvel Association of South Africa
RCT	Randomised Control Trial
RE	Realist Evaluation
ROSCA	Rotating Saving and Credit Association
SG	Savings Group
ToC	Theory of Change

EXECUTIVE SUMMARY

Introduction

The emphasis of financial inclusion is now on how more competitive financial markets can work better for poor people (Porteous, 2004)¹. It acknowledges that increasing financial inclusion requires a better understanding of how services, formal and informal, can meet people's needs (Ledgerwood and Jethani, 2013)². The current economic situation in South Africa presents a large number of people relying on the informal economy, severe unemployment, especially among the youth, rising inequality and one of the highest levels of indebtedness in the world. In this context, the most poor and vulnerable people often struggle to make ends meet, cope with shocks and access and afford safe and convenient financial services. FinScope 2017³ found that the percentage of adults with a bank account has remained unchanged at 77% since 2016, while the percentage of adults using some form of informal financial service has slightly increased to 56%.

Seeking to better understand such trends and the underlying motivation to use financial services, FinMark Trust commissioned a qualitative impact study of SaveAct savings groups and stokvels in rural South Africa. This study has used a Realist Evaluation (RE) approach to explore impact not as a direct result of an intervention or input, but in relation to the context in which a programme intervention takes place and the reasoning of its beneficiaries. In this way, realist evaluation breaks down pathways of change into a series of outcomes and triggering mechanisms, allowing the identification of those factors that drive the use of financial services and trigger their impacts. This summary presents the main findings on impact and drivers of change for SaveAct savings groups and indigenous stokvels.

Context of the study

The study took place in two rural areas around Matatiele. In these areas, most of the research respondents considered food to be their biggest household expense and had several income sources. The majority were recipients of multiple social grants, the most frequent being child and pension grants. In addition to these, the majority of respondents were engaged in some form of small enterprise, such as selling vegetables and chicken or running a spaza shop. These businesses were often seasonal and occasional. A few respondents were employed by government or NGOs and a few received remittances from their husband or adult children. Overall, savings group members had more income sources than stokvel members.

¹ Porteous, D., 2004. Making Financial Markets Work for the Poor. FinMark Trust.

² Ledgerwood, J. and Jethani, A., 2013. Savings groups and financial inclusion. In C. Nelson, ed. *Savings Groups at the Frontier*. Rugby: Practical Action Publishing.

³ FinScope South Africa 2017. Consumer Survey Highlight. South African Financial Inclusion Workshop, Johannesburg, 22 November 2017 [unpublished presentation]

Respondents had access and used a variety of formal and informal financial services available in the area. Most respondents had a bank account that they used to receive payments (e.g. remittances, social grants and payments from employer) and occasionally to save. The majority of respondents had some form of funeral insurance and many used multiple services such as community burial societies, burial societies located in Matatiele, bank funeral plans and formal insurance against death. Respondents appreciated the quick process of accessing funds from local burial societies, compared to banks and insurance companies, and the complementary services offered by burial societies based in town, such as a coffin and a place at the mortuary. Most respondents said they were now using multiple services because the cost of funerals had increased over the years.

Most female respondents were part of one or more stokvels. Beside burial societies, the most common stokvels in the area are food stokvels. These groups save together during the year with the goal of buying food in bulk for their members at the end of the year. During the year, the money saved is loaned to members and people outside of the group. The interest rates on these loans range from 10% for members to 20-50% for external people. Loan sharks are another local source of credit, also charging between 30 to 50% on loans. SG members said that loan sharks in the area have decreased since the creation of SGs and that they are now taking loans only from their SGs at the lower interest rate of 10%. Respondents had mixed views about their ability to access financial support from family members, friends and neighbours: for some it was hard to ask for support from neighbours and this often came with a high interest rate, while others had relationships of mutual support with friends and neighbours that did not require the payment of any interest rate. Overall, SG members had bigger portfolios of financial services compared to stokvel members.



Figure 1: SG members huddled over a tablet

Findings on impact and drivers of change

The study found strong evidence that the SaveAct model delivers a strong value proposition for a range of population segments, particularly rural women. Some of the mechanisms for joining SGs and stokvels are similar, such as the desire to be part of groups and do things together, as well as the motivation that groups give people the opportunities to put money aside regularly and for a particular purpose. However, while stokvels are focused on a particular expense or goal (e.g. food or death insurance), **SGs appear to be more suited for savings and investments.**

The research identifies five main areas in which SG members use their loans and share-out money, namely for house construction and renovation, school fees and other education-related expenses, to start and run small income-generating activities and to cope with emergencies. Overall, SG loans and share-out monies are considered an additional source of income and members use SGs to stretch the value of their money and juggle money between different services. These uses cut across a variety of SG members and the model is highly inclusive. Research with non-SG members revealed minimal signs of risks of exclusion for **younger and more vulnerable households**. These younger women lived with young children and unemployed or casually employed husbands, and they mainly relied on child grants. They felt that they were not financially stable enough to join SGs.

The SG members interviewed were, instead, in a less vulnerable position, with more income sources, among which were remittances from their husband and adult children. It is hard to say whether this socio-economic situation is a result of their long-term membership with SGs. Most probably it is a result of both their membership and their initial socio-economic position. As a result of both the different socio-economic position of SG members and the higher suitability of the SG model for savings and investments, impact data shows that there is greater learning and improvement for SG members than stokvel members. Below, the main areas of impact for both SG members and stokvel members are presented, before looking at the main drivers of change.

Impact for SG members

Financial management and education: SG members said that they have learnt how to save money, budget and plan for expenses. They have now learnt to budget their expenses, SG contribution and loan repayment every month, whereas before they spent all the money at once without a plan. They have a new purpose to **save regularly** and they have learnt that **it is better to buy with cash** than in instalments or through store credit. They have learnt to **spend money wisely** and they are **no longer taking loans from loan sharks**. Being part of a SG also gives members an opportunity to access credit that is felt to be more legitimate and safer because it happens within clear group guidelines. Some members have stopped their membership of other groups, while quite a few respondents have joined other informal groups such as food stokvels and burial societies, once reaching greater financial stability. This is a way for them to meet other needs that are not specifically covered by their membership to a SG, for two reasons. First, they are not always able to take a loan to deal with an emergency like a funeral. Second,

SG members want to do something tangible with their SG money and this normally does not include buying food. By **adding informal services to their financial portfolio**, SG members increase their financial stability and ability to meet a variety of needs.

Economic impact: This mainly covers three aspects of improvements: home improvements, business improvements and community development. Members feel that their lives have changed substantially. They now have a **comfortable life**. They said that they are now living **“like whites”** and they are not struggling anymore. They have everything they need in their household. Some have been able to **start and improve their businesses** and they now feel better able to manage them. They know how to check their stock and calculate their profits. Members talked about the changes that they have seen in their community and how people have improved. They are **not as poor as they used to be**, because they can all afford electricity, tiles in their houses and some do not depend on grant money as much as they used to.

Social impact: This aspect of impact covers things like respect and social status in the community, as well as the ability to create and nurture social relationships. SG members feel they have become **more respected** in their communities. This shows that there is a social meaning and importance related to economic advancement. For instance, being able to host a good initiation ceremony and afford livestock and food for the community can be seen as a sign of power and people are respected for that. In addition, many respondents felt that they had **learnt how to work with other people**. They know the other members better and being in the same group has increased the opportunities for them to share ideas, advice and support each other. Respondents said that they are united and **“like a family”**.

Women’s empowerment and household wellbeing: Female respondents said that they feel **happy and confident**. They are now living a **stress-free** life and they feel that they can achieve what they want. This gives them a **new sense of agency** and control over decisions. They feel that they are contributing to their households rather than just waiting to receive money from their husband. They do not need to ask for money as much as they used to. These changes are also reflected in household relationships. Both women and men said that they are now able to **support each other in the household** and that they can sit and plan together for expenses. In addition, women said that **arguments in the household have decreased** because they now “have money”.

Impact for stokvel members

Financial management: Members of food stokvels said that it is not possible to save alone and that by being in a group they have learnt that **they can save money**. Peer pressure also makes them more responsible about their money since they want to avoid embarrassment in the group. Members also felt that they are now **more able to control their money** and to focus their efforts on **additional investments**.

Economic impact: The majority of members no longer stress **about food and avoiding over-indebtedness for funerals**. Most are also able to cope with death in the family without having to change

their consumption patterns or sell household assets. However, some stokvel members were still quite vulnerable and the poorest household visited was able to contribute only R20 monthly for a burial society that would pay R1,000 in case of death.

Social impact: Members have learnt to **work together** and that it is important to know each other well when dealing with money. Stokvel meetings are an opportunity for members to share ideas and advice and develop trust in each other. Members talked about **being happy and united**.

Drivers of use and impact

This study has focused on three main outcome stages for SaveAct's SG programme, namely joining, achieving increased access to savings and credit, and the use of SG loans and share-outs. This research argues that before impact can happen, there are several mechanisms that must take place in order to trigger these outcome stages. These mechanisms can be summarised in four higher-level mechanisms that are key to the success of the programme. They show how and why SGs are working or not working in rural South Africa. Below the four main drivers of use and change are presented.

- SGs members are motivated to join, stay in and use the services of their SGs because they want to **make their money grow**. SGs allow their members to regularly put aside money for a 12-month cycle, save and borrow at the same time, take loans at a low-interest rate and accumulate money over time by earning an interest on their savings. This reciprocal relationship of saving and borrowing is key for members to be able to deposit their money in the group, knowing that they cannot access it for a year. These features are unique to SGs and respondents mentioned that they cannot access other services that allow them to fulfil all these functions.

Making money grow:

- Regular saving over 12 months
- Saving and borrowing at the same time
- Low interest rate on loans
- Accumulation by earning interest on savings

- **Group support and motivation** is the second key mechanism that allows SGs to work well in the rural areas of this research. SG members said that the group motivates them to save. Sharing advice, spending time together, assisting each other and contributing to group development are all important features that make members develop a sense of trust towards each other and the methodology, and a sense of ownership and belonging. SGs are self-managed, members borrow their own money and contribute to each other's development, thus developing a sense of responsibility towards money and each other. The group setting also makes borrowing more legitimate and safer compared to other sources such as loan sharks, because SGs can be more flexible and understanding with loan repayment.

Group support and motivation:

- Easier to save together – peer pressure and commitment
- Sharing advice, supporting each other and spending time together
- Contributing to the group development
- Sense of ownership, belonging and responsibility
- Legitimate and safe to borrow because the group is more flexible and understanding

- Once members have joined, they remain and use the SG's services because they can **stretch the value of their money**. They can now plan and budget for their expenses and investments in advance, they can take out frequent loans ensuring short-term liquidity and buy items for cash rather than in instalments. Also, by being part of multiple SGs, they can smooth their income through the year by choosing to be in groups that share out at different times and they can juggle their money through multiple loans and services. These practices can support individuals with little or irregular income sources to maximise the value of their money.

Stretching the value of money:

- Planning and budgeting for investments
- Taking frequent and multiple loans
- Juggling money in multiple groups
- Buying with cash rather than credit

- Lastly, this research finds an underlying mechanism that influences all the others. People said that they want to improve their life while also contributing to the development of their group. This shows an underlying moral norm according to which there is no individual advancement if the community does not advance at the same time. One respondent said that **Ubuntu** means that *"we are holding each other's hand and we are working together, we are one"* (333, male). People do not want to be poor or perceived as such, while at the same time they want to develop with others. They often mentioned how their communities had improved with SGs and people were now respected. They know that advancing alone creates jealousy, while developing through groups is more acceptable, as it allows people to contribute to other people's development.

Conclusions

This analysis has shown that there are economic and social mechanisms for people to join and use SGs and other informal groups. **People want their money to grow** while they both save and borrow. This establishes a **two-way relationship** where they are supporting the group and they are supported by the group. This is hardly possible with formal financial institutions, where it is more difficult to access loans and people are charged to save while earning little interest. Based on this, vulnerable and poorer people feel that they cannot afford to leave their money in a bank account where their money is not growing.

Instead, they choose to keep money moving in order to juggle expenses and stretch its value over time, thereby maximising what they can do with the little they have. This holds true in rural South Africa where most respondents did have a bank account. Nevertheless, when more financially stable, respondents joined a variety of other informal financial services beyond their SGs in order to meet their needs, rather than changing their relationship with the formal sector. This is a clear indication that unless forced into the formal sector by either employment or a serious economic improvement, people keep using formal services only marginally. Ultimately, there needs to be a conversation about how the formal sector can move towards the more vulnerable, poorer segment of the population and represent better the social and economic values that drive their selection and use of financial services.

1. INTRODUCTION

1.1 Background to the study

The emphasis of financial inclusion has, over time, moved from a focus on microcredit and microfinance for business investment to a broader focus on how more competitive financial markets can work better for poor people (Porteous, 2004). This perspective acknowledges that there are several players operating in a complex system and that increasing financial inclusion requires a better understanding of how services, formal and informal, can meet people's needs (Ledgerwood and Jethani, 2013). Within this view, there is an increasing consensus that informal services, including savings groups (SGs), play a very important role in meeting a variety of needs, while potentially representing a stepping stone towards more formal services (Ibid.). Research has also shown that people living under \$2 a day have very sophisticated financial lives, and use a variety of services to manage their small, irregular and unpredictable income (Collins, Morduch, Rutherford, & Ruthven, 2009). SGs and other indigenous groups are some of these services.

For over two decades, SGs have been promoted all over the world as a new model for improving access to financial services by poor people. Their promotion is driven by the short-term goals of improving people's level of savings and ability to access credit, and long-term goals of increased well-being, financial choices, household income and assets (BARA and IPA, 2013). Notwithstanding the current popularity of SG programmes, it is important not to forget that indigenous self-formed and self-managed groups still probably represent the vast majority of financial groups. These groups are almost universal and about two hundred names have been found to describe such groups (Wilson et al., 2010). Most of these groups rely on memory, rather than written records, and take the simplest form of rotating savings and credit associations (ROSCAs), where members' contributions are paid out in total at every meeting. Research shows that these groups can be very different and that for centuries people have developed and passed on their own local systems without external advice (Ibid.). This reminds us that current SG programmes are, in fact, built on local customary traditions of groups that had been in operation since long before.

Having said that, SGs are mostly created with external support and do need external advice, at least for some time. Indeed, the systems and money management rules adopted by SGs are different from those used by ROSCAs and usually better (Wilson et al., 2010). SG procedures have been developed and improved over the years in order to ensure transparency and accountability among members, as well as the safety of funds and participation of the poorest and most marginalised people. Not only do these improvements present a good case for promoting such groups, but ample evidence also shows that, at various degrees, SG members are able to develop better livelihoods and improve their wellbeing. Nevertheless, while research generally agrees on the short-term benefits of increased savings and credit, findings of long-term economic impact are not always significant (BARA and IPA, 2013, Annan et al., 2013, Ksoll et al., 2013, IPA, 2012, Anyango et al., 2007). This shows us that, while

there is a general consensus on the benefits of SG programmes, each programme can produce a different set of intended and unintended consequence, that are specific to their members and for a certain context that is geographical, cultural, political, and social. People and places are different and, thus, programmes, when replicated, can impact their beneficiaries in different ways.



Figure 2: Members of a SG counting contributions

The current economic situation in South Africa presents a large number of people relying on the informal economy, severe unemployment, especially among the youth, rising inequality and one of the highest levels of indebtedness in the world. In this context, the poorest and vulnerable people often struggle to make ends meet, cope with shocks and access and afford safe and convenient financial services. According to FinScope 2017⁴, 77% of adults have a bank account, a figure that is unchanged from FinScope 2016. However, the majority of South Africans still save and take credit through other formal institutions (non-bank) and informal institutions. This shows that behind the high level of financial inclusion in South Africa⁵, the formal sector is far away from meeting the needs of the majority of the population, especially those living on low-incomes. Meanwhile, the sector of informal financial services in South Africa sees people mobilizing their savings together through various types of informal groups, such as stokvels, and trained SGs. FinScope 2017 found that 56% of

⁴FinScope South Africa 2017. Consumer Survey Highlight. South African Financial Inclusion Workshop, Johannesburg, 22 November 2017 [unpublished presentation]

⁵ 89% of the adult population are formally served (bank and non-bank) (FinScope 2017)

the adult population use some form of informal financial service, a slightly higher value compared to FinScope 2016. Indigenous groups and promoted SGs exist and, often, co-exist in the same geographical area where their members use them simultaneously. Research conducted by AfricanResponse (2014⁶) shows that 23,4% (8.6 million) of the South African adult population is a member of at least one stokvel. Meanwhile, a few organisations have been promoting SGs in South Africa for over a decade. SaveAct, the biggest organisation promoting SGs in several provinces of South Africa, has reached over 70 thousand members in both rural and urban areas.

This research is intended to explore more deeply the impact of such informal services on their members' lives and their role for financial inclusion in South Africa. In particular, it aims to explore the long-term impact of SGs and stokvels on their members and their households, while at the same time exploring the deeper mechanisms that lead to the success or not of these models. This will allow an exploration of those underpinning values that influence the adoption and use of these services, whether economic or otherwise. Ultimately, this research aims to explore the value that SGs and stokvels have for users and for financial inclusion in South Africa in more depth.

1.2 The SG methodology of SaveAct's programme

SaveAct has been developing its model since 2005. The methodology is adapted from the VSLA savings group model developed by CARE in Niger during the nineties and is now used by 14 million savers in Africa. The method was adapted to the South African context when SaveAct was initially piloting its methodology. Savings groups are trained and mentored in: savings, lending, social fund management (for household emergencies), record keeping, adopting a constitution and sharing out capital. Share-outs occur on an annual basis. This is the anchor of the programme. A group follows an 18-month cycle to independence.

The relationship begins with an introduction to financial services. This is followed by three half-day training sessions, where a group forms, develops rules and a constitution and elects office bearers. Groups typically meet monthly—saving, building up a social fund to support members in distress, pooling their capital and offering loans to members. In the first 18 months, groups are visited, mentored and assessed according to a schedule. After 18 months they are assessed for readiness to operate independently. Once a year the capital is shared out to members according to the proportion of shares (savings contributions) bought by each member. This is typically around 20-25% more than what is saved, due to the repayment of interest on loans. This is when members can access a large lump sum that may be used to invest in an enterprise, pay for tertiary education, etc.

⁶ <https://www.africanresponse.co.za/assets/press/2014LatestStatsStokvelStokvelStokvelsReleased.doc>
[Retrieved on 01/08/2018]

From the start of engagement with potential members, the importance of financial literacy is emphasised. SaveAct has embedded several financial education modules shown in figure 3 into the engagement with SGs over the 18-month training relationship. FE makes savings group members aware of the importance of managing their money, including household budgets. It equips them to anticipate and plan for bumps in expenditure, including unanticipated shocks. It emphasises the importance of saving and investing, planning for life cycle events and managing debt. FE lays a foundation, alongside the financial services of the group, for members to enter into the enterprise. SaveAct follows a stepwise logic in its work to assist the poor to find pathways out of poverty (see Figure 1 below).

Pillars of Operation

A stepped-approach towards sustainable livelihoods

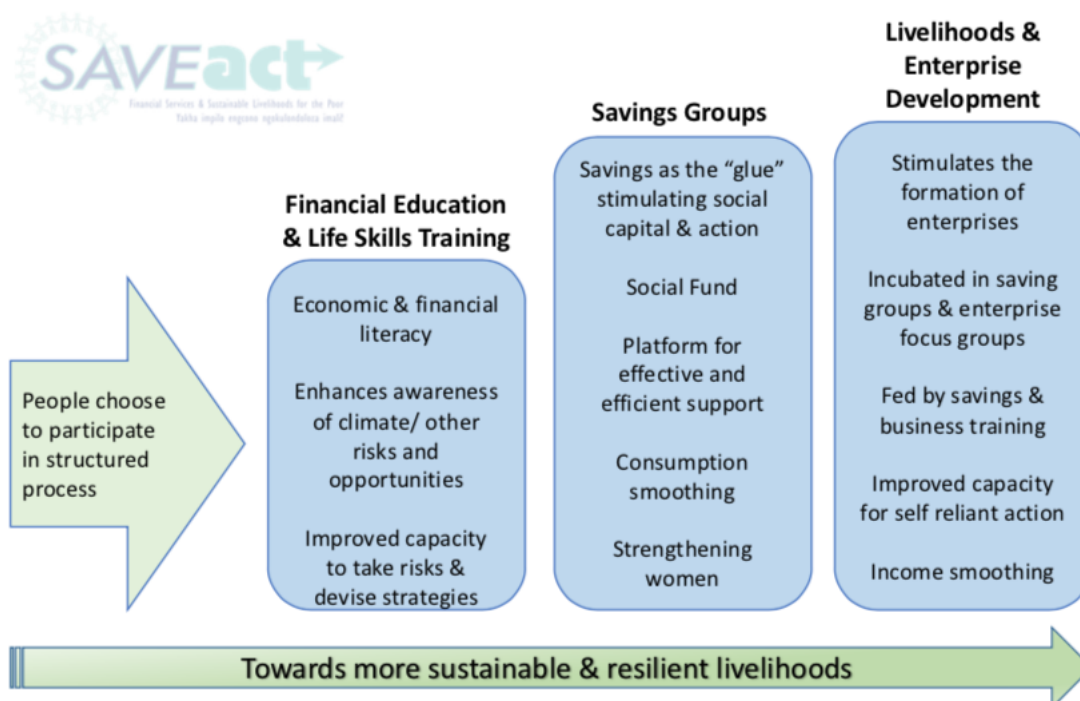


Figure 3. SaveAct's Phased Approach

1.3 Study objectives and questions

This study proposes to conduct an in-depth qualitative impact assessment of the value that SGs and other informal groups such as stokvels, deliver to their members. This evaluation is, mainly, based on self-reported attribution. The overarching aim of this study is 1) to evaluate the long-term impact (intended and unintended) of SGs and stokvels on mature members and their households, and 2) to explore and explain the ways in which impact arises.

This study aims to explore the impact of both models, SGs and stokvels, for members who live in the same geographical area. In particular, the study proposes to explore the impact of these models for the following situations: 1) for SG members, the majority of whom are also part of stokvels, and 2) for stokvel members only. This is intended to explore the value of both models, both individually and when used simultaneously.

The study explores the following questions:

- How do savings groups and stokvels assist households to manage their household and livelihood activities?
 - To what extent and how have SGs and stokvel members reduced their vulnerability to shocks and increased their resilience?
 - To what extent and how have SGs and stokvels promoted financial knowledge and skills among their members?
 - To what extent and how have SGs and stokvel members increased their social networks and relationships?
- Overall, how have the above changes improved households' sense of wellbeing for SGs and stokvel members?

It is not the aim of this study to focus on how these models function and their sustainability. Therefore, this research focused on groups that have been operating for several years, in order to explore their impact on their members and households. However, we understand that this focus may have a bias towards positive findings and this has been taken into account during the implementation and analysis of data.

1.4 Structure of the report

This report presents the findings of the qualitative impact assessment of a sample of mature savings groups trained by SaveAct and of a sample of stokvels operating in the same geographical area. This study uses a Realist Evaluation approach. The chapters of the report are presented as follows:

- Chapter 2 presents the evaluation methodology. It explains the main steps of its implementation and the sampling approach.
- Chapter 3 presents the main findings from the literature review covering studies of both SGs and stokvels. This chapter also presents the reconstructed programme theories for SaveAct's SG programme and a potential programme theory for stokvels, based on the literature review.
- Chapters 4 to 11 present the findings in the following order: findings on context, characteristics of SGs members and internal dynamics, findings on outcomes for SGs and stokvels, findings on impact and discussion on how and for whom SGs and stokvels work.

- Chapter 12 presents the conclusion of the report in relation to the state of financial inclusion in South Africa.

2. METHODOLOGY

2.1 Realist Evaluation

The Realist Evaluation (RE) method originates from the work of Pawson and Tilley, *Realist Evaluation* (1997). This approach focuses on the causal mechanisms that enable a programme to work. According to this view, programme interventions do not produce outcomes. Instead, they provide resources that will trigger causal processes. Outcomes are caused by the interaction between what is provided by the programme and how participants respond and reason about the intervention. This interaction constitutes and is called a “mechanism”. According to RE, one intervention is likely to trigger several different mechanisms, depending on the particular context in which it takes place, creating patterns of mechanisms and outcomes in the same place (Wong et al., 2013).

In fact, a major assumption of RE is that no intervention works everywhere or for everyone, and that context really does make a difference. Therefore, it asks the questions, “how and why does this work and/or not work, for whom, to what extent, in what respects, in what circumstances and over what duration?” (Westthorp, 2014, p. 4). Context in RE can refer to the geographical and social context in which an intervention takes place. Thus, RE considers the role of social structure and norms in triggering a particular type of reasoning and response to a programme intervention. For instance, a person may decide to borrow from a specific place because it feels private and anonymous in a context where borrowing might become the object of gossip and shame. In this case, the social norm of shame might be the specific “trigger” that leads the person to choose a particular service. In this way, RE does not just focus on the final change (i.e. the decision of a particular service) but also on the causal pathways (mechanisms) that have led to such an outcome.

In doing so, RE focuses on CMOs configurations where Context + Mechanisms = Outcomes. This shows that Outcomes (O) happen only when the Context (C) is right to trigger in the beneficiaries the response and reasoning (M) assumed by a programme theory. This type of evaluation shows not only the final change or impact but also the causal links that have brought such change (Whestorp, 2014). Figure 4 shows that the interaction between context and programme activities triggers a certain type of causal mechanisms, in the form of deeper reasoning and beliefs, which then create the final outcomes with observable patterns.

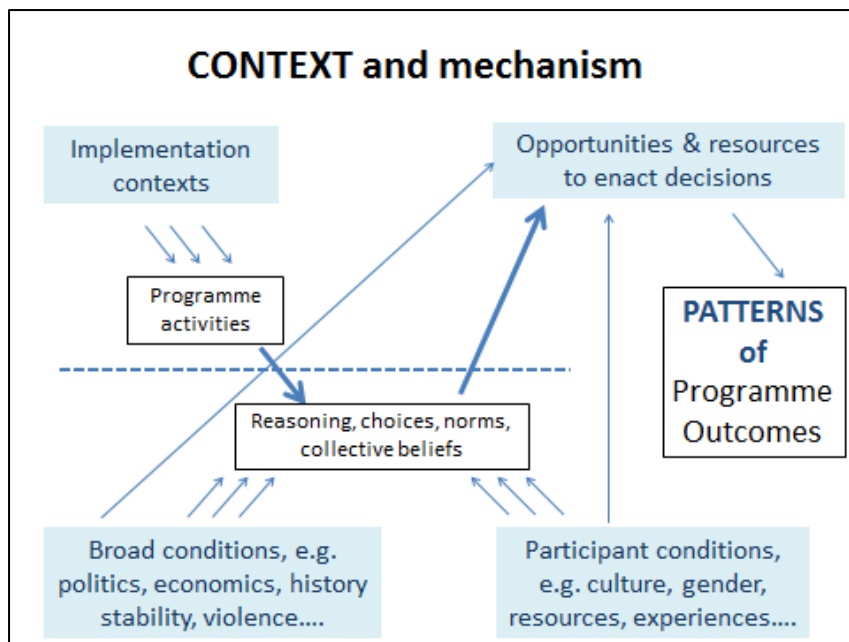


Figure 4. The interplay between Context and Mechanism

2.2 Steps for the implementation of Realist Evaluation

2.2.1 Review of evidence about SGs and stokvels

The first step for the implementation of RE was to conduct a review of existing literature about the impact of SGs and stokvels on their members. This looked at:

- 1) how Theories of Change (ToC) for SGs programmes have been developed and what they entail;
- 2) the impact achieved by SG programmes in South Africa and other countries;
- 3) the impact of stokvels in South Africa and more widely ROSCAs on their members and the traditions around these groups, and
- 4) how existing literature can be understood through a realist view, looking for studies that have considered the influence of the context on final outcomes.

2.2.2 Reconstructing and developing programme theories and CMOs

The second step of RE is that of creating hypothetical configurations of CMOs, based on programme theories and existing literature. This followed two different routes because this study entails the evaluation of a programme intervention (SaveAct SGs) and self-formed groups (stokvels). For SaveAct SGs, the existing ToC was used as a base for the formulation of hypothetical CMO configurations. This was complemented with the existing literature on SGs reviewed. For stokvels, hypothetical CMO configurations will be based on existing literature reporting on the aims, goals and

impact of such groups. In fact, since they are self-created and managed, we do not have a pre-existing ToC on which to create the hypothetical outcomes that this study will evaluate.

2.2.3 Purpose of semi-structured interview

This study uses a qualitative impact assessment approach and its main instrument for data collection is semi-structured interviews. Participants were informed that the aim of this study was to understand the main changes that had happened to their lives since they joined a SG, a stokvel or both of them. Data is based on self-reported attribution and participants' answers have been probed in several ways:

- By investigating events in members' lives over the last 1-2 years and how these were financed;
- By investigating the extent these events were financed through the use of SG and/or stokvel services;
- By investigating in detail the use of SG and stokvel funds: how these have been used and what they have enabled members to achieve;
- By investigating members' assessment of the importance of their SG and/or stokvel for their livelihoods; and
- By investigating participants' sense of change in their lives, by comparing their situation before joining groups with their current situation.

Asking about life changes and use of funds and services in different ways within the interview enabled the interviewer to cross-check stories and create a better sense of participants' narratives. The guideline of the semi-structured interview (SSI) can be found in Annex 1.

2.2.4 Data Quality

A series of procedures have been followed during fieldwork in order to ensure the quality of the data and the ethics of the research. The team comprised an international researcher and a local assistant. It debriefed at the end of every day and collectively produced:

- A descriptive account of the locality (gathered from personal observation and data gathered through interviews), the study participants and their groups;
- A joint account of the interview notes taken during the interviews. These were discussed at the end of the day, in order to start sketching CMO configurations and identify patterns of behaviour.

By working together at the end of each day, it is ensured that personal bias was minimised and interpretations were compared and discussed. The research followed ethical standards as part of a rigorous research and asked participants for their verbal consent in taking part in the research and

being recorded. The anonymity of the data was guaranteed and the participants were made aware that they could at any time stop the interview. The team worked in order to minimise the discomfort that sensitive and personal questions might have caused respondents.

2.2.5 Sampling of research site, groups and respondents

This research aims to explore those mechanisms and outcomes that lead to a positive impact. In order to explore this, the research purposely targeted well established and functioning groups. This decision was based on the assumption that it would have been hard to uncover a positive impact if groups had collapsed or were not able to offer good services⁷. The study, therefore, focused on those members who had been part of sustainable and mature groups, already graduated and operating independently from the training provided by SaveAct. This research also focused on a different category of respondents, namely those individuals, living in the same area, who were not part of savings groups but only of other indigenous self-created and self-managed local groups. This selection intended to broaden the perspective of the research, by also taking into consideration the experiences and opinions of those who had decided not to be part of savings groups or had been excluded by them, while also exploring the impact of these indigenous groups.

Sampling design for SG respondents

The selection of SG respondents was done in three steps. The area of Matatiele, where SaveAct has been operating for several years, was purposely selected for this research because of the continuity of field staff in the area and the presence of several graduated groups. SGs were subsequently selected from a list of graduated groups that was produced from the records of SaveAct's Management Information System (MIS). Considering that these groups had not been visited and supervised for a long time, it was necessary to seek support from local field staff in locating some of them. Groups were selected based on their successful operation and the geographical area. Groups were considered successful when they had been in operation for five or more years and did not have issues during their latest share-out. Two geographical areas were selected based on their distance to the main town of Matatiele. This aimed to take into consideration the travelling distance and associated costs for members to reach other formal and informal financial services. Selected groups are located within the area of Khaoue, about 17 km and a 25 minutes' drive from Matatiele, and Hebron, located about 45 minutes' drive from Matatiele (20 km). The conditions of the roads make Hebron more challenging to reach, although public transport costs R30 for a return trip from both sites. Three SGs were selected from each area.

Unfortunately, data on SGs' levels of savings and share-out amounts were quite dated and not always reliable. Therefore, it was challenging to use additional criteria for the selection based on the level of

⁷ A programme evaluation, on the other hand, could randomly select groups and focus on their functioning and sustainability.

wealth of these groups. In order to overcome this, a few general considerations about the level of savings of current groups were discussed with field staff. From these, it appears that the majority of SGs save R100 per share, while only a minority save R50 or R200. New SGs mainly save R50 per share and a few wealthier SGs save R200 per share. However, it was noted that saving R200 can prove to be limiting as it prevents members who have, for instance, R300, to save all of their amounts. Groups, therefore, prefer to save R100 per share and increase the number of shares that can be bought at each meeting, in case they wish to increase their level of savings. All groups selected were within this category, as they saved R100 per share.

In each of the selected SG, three members were randomly selected using their membership number and three additional members were randomly selected as substitutes. During the pre-field visit, contact details of these members were collected together with information about their participation in other local groups. The initial design intended to have two categories of SG respondents: those members who are only part of SGs, and those members who are part of both SGs and stokvels. However, from initial conversation with field staff, it appeared difficult to find SG members who are not part of other stokvels, especially considering the role of local burial societies and food stokvels. This means that, unlike the initial design, there was not a category of respondents who were only part of SGs.

An additional SG was purposely selected in a third area for piloting the interview questions. Two members were randomly selected, and this data was also considered in the final analysis. In total, 20 SG members were selected.

Sampling design for stokvel members

Based on the fact that there is no record data on stokvel groups, the selection of stokvels and their members happened through snowballing. This technique is normally used when the study population is unknown to the researcher, who therefore needs to rely on referrals (Padgett, 2008). Criteria for the selection of stokvel members was their geographical residence in the same area where SGs were present and that they should not be a member of any SG at the time of the research. The research team asked SG respondents to direct them towards people they knew with these characteristics. While we were not expecting to encounter resistance and mistrust from SG members, given their long relationship of trust with SaveAct field staff who have acted as gatekeepers for the research team, we took into consideration the possibility that stokvel members, who do not have such relationships, would present some resistance towards the research team. However, by selecting them through referrals, it was possible to overcome some of the initial mistrust towards the research team and respondents, on the whole, were very collaborative and generous with their time. Based on this sampling methodology, it was not possible to purposely select stokvels based on the duration of their operations and their sustainability. However, this was a way to start exploring the variety of stokvels in each area and their members' motivations for not taking part in SGs as well. In total, 13 stokvel members were selected.

Sampling of respondents

Area	Stokvel only	SG + stokvel	Total
Khaoue	6	9	15
Hebron	7	9	16
Malubaluba		2	2
Total	13	20	33

Table 1. Categories of respondents

2.2.6 Data analysis

Data was coded and analysed according to Cs, Ms and Os following these steps:

1. All transcriptions were coded according to Cs, Ms and Os. This means reading through each transcription a few times to locate extracts about context, mechanisms and outcomes.
2. All these extracts were organised on an Excel spreadsheet in order to create initial configurations of CMO for each individual.
3. Using the filtering option in Excel, the analysis was done according to outcomes. For each O, the purpose was to first individuate individual mechanisms and, secondly, patterns of mechanisms across respondents, also called higher-level mechanisms.
4. This analysis concluded with the identification of the main themes of mechanisms and impact that could be checked against the initial programme logic.
5. The analysis concluded with the identification of higher-level mechanisms to answer the question of how SGs work and a comparison of SGs and stokvel respondents to explore the question of who SGs do or do not work for.

3. LITERATURE REVIEW

In the sections below, the literature on the impact of SGs and stokvels on their members and households is reviewed. While there is a great amount of evidence about SG programmes, impact assessment of stokvels and ROSCAs in general, are not common and, usually, of a smaller scale, such as case studies. This is related to the fact that SGs have been promoted all over the developing world for over twenty years, and, as with the microcredit industry, there is a need in the development sector to show that such programmes are working for very poor people. This is one way of supporting and justifying the direction of the sector. At the same time, studies on ROSCAs and stokvels are logistically more complicated as there are no tracked records of such groups and their members. Rigorous studies would encounter more challenges in terms of sampling. Moreover, these studies would be more explorative in nature as indigenous stokvels are not part of programmes based on a Theory of Change (ToC). After reviewing the literature on both SGs and stokvels, the sections below present ToCs for both SaveAct's SGs and indigenous stokvels. These have been designed according to RE perspective and are based on, for the latter, available literature on stokvels, and for the former both SaveAct's existing ToC and available literature on SGs. These ToCs will guide the rest of the evaluation.



Figure 5: A SG member looking through a member share record book

3.1 Evaluation ToC for SaveAct's SGs programme

Most SG programmes work on the hypothesis that by carrying out a certain intervention, a specific set of outcomes, which normally take the name of the project's objectives, will arise. As a result, most evaluation of SG programmes focuses on what kinds of benefits SGs members experience from taking part in their groups and what kind of impact the intervention has had on their life. However, these evaluations rarely pay attention to the specificities of the context in which the intervention takes place, as well as the way in which SGs members (the target population) react to the different intervention activities. This RE focuses on the combination of context specificities, reasoning and actions that the intervention activities have triggered and both intended and unintended outcomes, before looking at impact. While programmatic ToC jumps straight to the consideration of impact, RE approaches to try to unlock the pathways of impact, by examining the combination of Cs, Ms and Os that have ultimately led to the final impact. According to this perspective, what is considered impact by some ToC and randomized control trial (RCT) studies can become an outcome as seen in figure 6 in an RE approach (Storchi and Rasulovala, 2017).

For instance, the ToC of the SGs programme carried out by Oxfam America and Freedom from Hunger in Mali predicts a series of short-term and long-term impacts. In the short-term, within 6 months from the start of the programme, SGs members will increase their level of savings and their access to loans, and overall, they will improve their access to financial services. This will improve members' ability to withstand shocks, such as illnesses and livestock diseases, and their investment ability. Simultaneously, social relationships will also improve, because of group solidarity and shared management tasks (BARA and IPA, 2013). It is only in the longer term, beyond 6 months, that members are expected to be more food secure, increase their income, and be better able to pay for education and health expenses. After only three years, SGs members are expected to have increased their level of wellbeing, be more resilient to shocks and emergencies, have a wider range of financial services and own more assets and livestock (*Ibid.*). RCT studies in Malawi, Uganda and Ghana are based on this type of ToC (IPA, 2012; Ksoll et al., 2013) and fail to look at pathways of change, focusing only on whether impact has arisen or not. Moreover, most studies conducted so far have focused on SG programmes within their first three years of life (Gash, 2017), thus missing a longer-term perspective that is needed to detect when changes are sustainable and positive over time.

Figure 6 below shows how SaveAct's ToC has been revisited through an RE lens. The fact that members use the SGs services and therefore increase their level of savings and credit, as well as the fact that members use their loan and share-out money for various expenses (e.g. health, education, business and so on) are considered as intermediary outcomes. In fact, all of these decisions and actions do require members to reason about their situation, thus a mechanism that triggers a certain outcome. SaveAct provides SG training in rural communities and to interested people, however, those trainees might still decide not to join a group after the training or not to save a lot of money with the group. These steps are not automatic and simply by providing the training, SaveAct, as well

as other SGs programmes, are not necessarily leading to the desired impact. For this to happen, members need to continuously reason for their resources and context and, based on this, decide to use such new resources in a certain way. For instance, members might have to feel safe enough in order to save, and trust is not organically in existence in rural areas, as is often taken for granted by development programmes. Rather, groups need to create it and nourish it over time. Similarly, members might need to feel that such training and new activities are not putting in danger their household dynamics and reputation within the village and that they are indeed the best economic option that is available to them. It is only when SG members have decided to stay and use the services offered by their group, and the group is functioning well, that positive impact can arise.

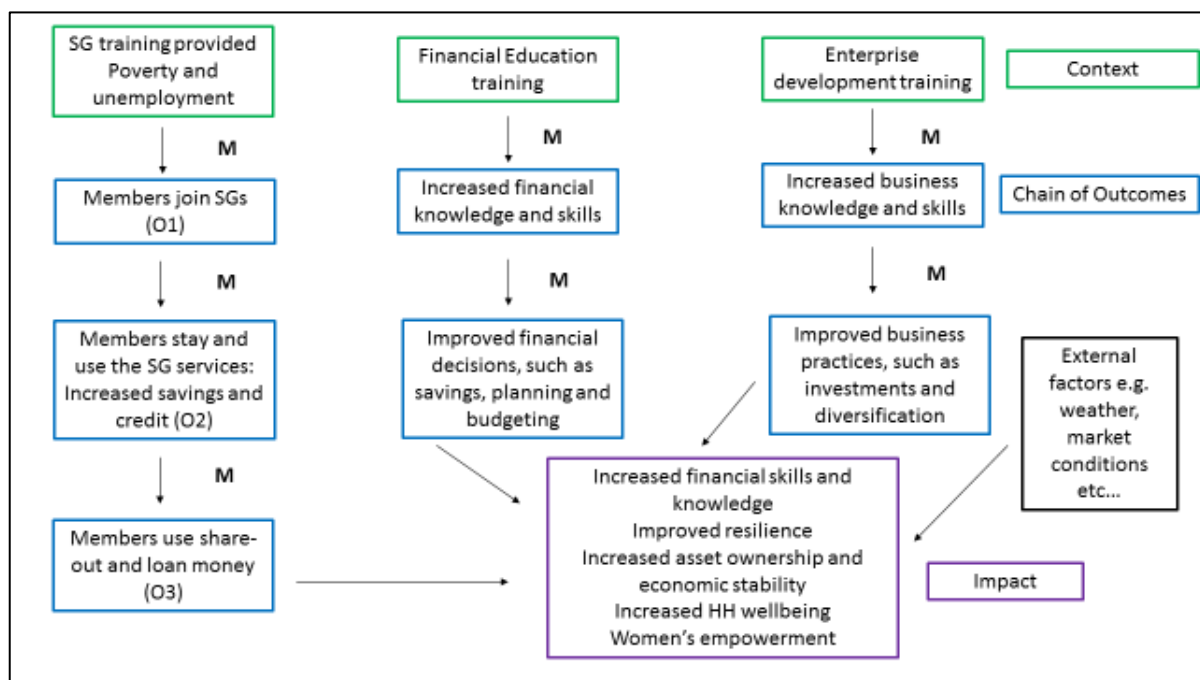


Figure 6. SaveAct's ToC from an RE perspective

Figure 6 shows that not only is there a whole set of decisions that SG members have to take before impact happens, but also that external circumstances affect the final impact. Indeed, an agricultural entrepreneur might have saved for a whole saving cycle and decided to use his share-out money to invest in his agricultural business. However, this might still fail because of adverse weather conditions. If we were just to focus on the final impact, we would say that participation in SGs does not improve income from agriculture. By looking at it from an RE perspective, however, we can develop quite a different picture of the role of the SG in the life of this farmer and his/her investment is here considered as an outcome rather than impact. Based on these considerations, the section below reviews the literature on SG from an RE perspective, looking at what current studies can tell us about context, mechanisms and outcomes that lead to impact.

3.2 Impact evidence of SGs programmes

The most recent review of studies about the impact of SGs (Gash, 2017) examines 53 studies, most of which have been conducted in Africa between 2008 and 2013. They include a variety of research methods, from qualitative methodologies and case studies to RCTs, with the majority using mixed methods. The SEEP review (Gash, 2017) shows that the majority of the studies agree on the following impact: increased level of savings and credit, increased investments in income generating activities (IGAs), improved food consumption and nutrition, improved resilience, self-confidence and solidarity among members. On the other hand, the likelihood that SG membership can have a positive effect on income level, business profits, health and education expenditures, poverty level and other social and political effects, such as collective action and female empowerment, ranges from medium to low. This overview already highlights how difficult it can be to draw universal conclusions when talking about specific interventions (SGs programmes) that are being replicated in different settings. Therefore, instead of focusing our attention on how likely a programme is to produce a certain impact, we might focus our attention to what, how and why a specific intervention works or does not work in a specific context, in order to understand the conditions that trigger a specific impact pathway, which can then be replicated. The sections below are summarising some of the evidence about the main areas of impact of SGs programmes and discussing them from an RE perspective.

3.2.1 Economic impact

Usually, one of the first economic changes evaluated is the variation in the level of savings and access to credit. Gash (2017) highlights that almost all studies reviewed focused on the level of savings and found an increase in members' level of saving. Also, the review finds that there is wide evidence of an increase in access to credit and therefore in credit needs met through the services provided by SGs. In fact, many RCT studies found that there was a higher level of savings and loans in the treatment areas, compared to control areas. This was found in several African countries, such as Mali, Burundi, Malawi, Uganda and Ghana (BARA and IPA, 2013; Annan et al., 2013; Ksoll et al., 2013; IPA, 2012). A small qualitative study conducted in Zambia (Taneja, undated) also found an increase in savings because of participation in SGs. A previous study conducted on SaveAct SGs found that the level of savings increases over time, especially after the first share-out, as members become more familiar with the SG methodology and experience its effects in their life (Delany and Storchi, 2012). Increased levels of savings and loans are usually considered to be an impact within programme ToC. In this study from an RE perspective, this is considered to be an outcome (O₂ in figure 3). Once members have decided to remain in their groups and use their services, they are able to deposit their money as savings and take out loans, which is something that they might have found more difficult to do without SGs. However, in order for this to happen, SGs need to be functioning well or at least members need to think that to be the case. If members do not trust that their groups will be fair and well-functioning, they will find it difficult to deposit their money in them.

Following the modified ToC drafted in figure 6, after members have decided to stay in SGs and have started using the saving and credit services of their groups, they will then be in a position to decide how to best use such funds. There are plenty of studies that have reported how money from SG loans and share-outs are used for a variety of purposes, such as agricultural inputs and business investments, education and health expenditures, food and other household items, as well as construction and renovation of houses (Anyango et al., 2007; BARA and IPA, 2013; Boyle, 2009; Cameron and Ananga, 2015; Taneja, undated; Ksoll et al., 2013; IPA, 2012). In South Africa, research conducted with SaveAct in 2012 found that both loans and share-out money were primarily used for household investments, such as education expenses, groceries, house renovation and construction (Delany and Storchi, 2012). Overall, the evidence shows that SG members are better able to manage their expenses. However, it is not clear whether this translates into an increase in the level of expenditures (Gash, 2017).

While there is agreement on the increased level of savings and loans and on the fact that SG members are using loans and share-out money in a variety of ways, findings are less conclusive on medium- and longer-term economic impact. These changes are considered either a last stage outcome before impact or impact by the approach adopted by this research, as shown in figure 6. So far, we have considered a chain of outcomes where SG members decide to join a group, remain in it, use their services and ultimately spend the money received through loans and share-outs. All these decisions require a certain degree of reasoning by SG members who react to and interact with the new resources available. However, after these pathways of outcomes, RE approaches consider a level of impact that might or might not happen irrespective of the decisions and reasoning of SG members (Storchi and Rasulova, 2017). In fact, as shown in figure 6, the impact is also dependent on external circumstances and other people's decisions. The previous example of the agricultural entrepreneur, for instance, shows that irrespective of all of his decisions and actions, his enterprise might still fail and therefore do not produce an increase in income and improved livelihood, because of adverse weather conditions or a difficult market.



Figure 7: SG members adding contributions to the group

RCT studies have focused on many of these long-term impact changes. For instance, about half of the studies reviewed by Gash (2017), show an increase in asset ownership. Both the RCT in Mali and Burundi found an increase in asset ownership (BARA and IPA, 2013; Annan et al., 2013). However, an RCT conducted in Ghana, Uganda and Malawi found no changes in asset ownership (IPA, 2012). According to Gash (2017) no study found a negative impact in terms of asset ownership, thus suggesting that overall SGs membership seems to lead to an increase in asset ownership. There is a small amount of evidence that participating in SGs leads to an increase in income and a reduction in poverty. Anyango et al. (2007) found that participation in SGs in Zambia improved income from businesses and members' ability to buy more inputs. This is also in line with the evidence that shows that participation in SGs often leads to an increased amount of investment in IGAs (Gash, 2017). Twenty percent of the SaveAct members interviewed during the previous research used money from their SGs to start a new enterprise. In particular, they had used SG loans to buy stock for retail, and inputs for agriculture, such as seeds, seedlings and fertilizer. However, the research was inconclusive on whether such new enterprises had led to a higher household income (Delany and Storchi, 2012). Overall, these findings suggest that while participating in SGs may contribute to investments in small businesses, this does not automatically translate into higher income or expenditure levels (Storchi and Rasulova, 2017). However, qualitative research shows that the contained contribution from SGs may still support women to stabilise their activities (BARA and IPA, 2013), thus increasing the economic stability of the household.

3.2.2 Social and political impact

The categories of social and political impact can be very vast, including the impact on health, education, women's empowerment and political participation. Evidence of these aspects of impact is less available and more mixed, leaving space for additional research. SEEP review (Gash, 2017) shows that increasingly SG programmes are integrated with other activities, rather than standalone programmes. An integrated strategy can use SGs as platforms for training on, for instance, health, empowerment, business and financial literacy, thus implementing a synergistic strategy towards change. Evidence shows that SG members are using their SGs loans and share-outs to finance health expenses. By using SG loans, members do not need to fund such expenses through savings and assets as frequently as before. However, the evidence is less clear on whether there is an increase in health expenditure (Gash, 2017). Gash (2017) also reviews a series of integrated SG programmes that include activities on health prevention, showing that when members are provided with training on infectious diseases, maternal health services and how to better cope with HIV/AIDS, there is evidence of positive impact. A study conducted in South Africa by Barber (2011) also shows that SG members affected by HIV/AIDS had improved their diet and nutrition and had improved their coping strategies and reduced their vulnerability to shocks.

Research shows that SG members use loans and share-out money to buy food. There is evidence of improved food security (Bermudez and Matuszeski, 2010; Boyle, 2009; Ksoll et al., 2013). However, in some instances, additional activities related to nutrition are needed in order to improve the nutritional intake of SG members and their families (Gash, 2017). Research also shows that SG members use their loans and share-out to pay for education expenses. Nevertheless, findings on the level of education expenditures are mixed: some studies find an increase in the expenditure on education, while others find no changes or a decrease in the level of investment for child education (Gash, 2017; Annan et al., 2013; IPA, 2012). However, both RCT studies and other types of studies find less absenteeism (Cameron and Ananga, 2015; Boyle, 2009; IPA, 2012). A study conducted in Kenya also found that the quality of education can improve, as in some cases SG members were able to move their children from public to private schools when they were able to save and plan for loans and share-out distribution (Storchi and Rasulova, 2017).

Overall, these findings paint a picture where we know more or less what can happen when people join SGs but still do not fully understand why it happens. While we know that loans and share-out monies are used for health and education expenses, there is still uncertainty as to why then the investment in these two areas of wellbeing has not increased. Storchi and Rasulova (2017) argue that members' reasoning can lead to outcomes that may not always be intended or predicted by a programme. However, if the focus of research remains on impact only, it would be difficult to understand the different mechanisms that have led to such change. One example is the way in which members might become more resilient and less vulnerable to shocks. This is something that most programmes include in their ToC. Studies conducted in Kenya (Elliot, 2014) and Ghana (Cameron and

Ananga, 2015) both found that participating in SGs gave women more time to deal with emergencies. Because women could now access quick credit from their SGs, they had more time to manage their coping strategies, whether that was selling animals or looking for extra work. This shows that while there is a change in coping strategies in the short-term, coping strategies remain the same in the long term. RCT studies in Ghana, Uganda and Malawi confirmed this evidence, as they did not find changes in coping strategies (IPA, 2012). This is interesting to note, because often programmes aim to improve people's coping strategies. If we only look at the final impact, as these RCT studies show, we will find no difference and improvement in long-term coping strategies. On the other hand, if we look at pathways of mechanisms and outcomes, we will notice that there is an unintended way in which SGs change coping strategies and that is by giving women more time so that for instance they are not forced to sell their animals at throwaway prices. Through this new perspective, we are able to see that SG programmes do indeed change the ways in which members cope with emergencies, although this might not be what was intended by the programme.

Finally, an area of social impact that was critically evaluated for microcredit programmes and still remains debated in relation to SGs programmes, is that of women's empowerment. From the latest SEEP review (Gash, 2017) the likelihood of seeing an increase in female decision-making power as well as leadership is medium to low. This shows the limitations of standalone SG programmes to impact this area of women's lives. Waller (2014 in Gash 2017) argues that women feel safe in their SGs because they are in control of limited economic resources that do not challenge their husband's power in the household. In fact, while in some areas women might have earned some decision-making power, this remains limited to smaller assets and household decisions. Another study on the Ivory Coast (Gupta et al., 2013 in Gash, 2017) also notes the limitations of SG programmes for economic empowerment when they are not set in a broader attempt to challenge and change gendered views and power gaps. An RCT study conducted in Mali also did not find changes in female-decision making (BARA and IPA, 2013). However, qualitative studies do find more nuanced evidence of changes with regard to female empowerment. For instance, the qualitative part of the study conducted in Mali found that women felt more in control and less dependent on men, they had more confidence and skills (BARA and IPA, 2013). Another study conducted in Mali also found that women felt they had learnt more skills and gained more control over their finances (Bermudez and Matuszeski, 2010). In addition, a study in Zambia also showed evidence that women felt more confident and independent and that they had a more prominent role in household decision-making (Taneja, undated).

Lastly, a recent study conducted in Kenya reported that women felt more independent from their husband and neighbours, as they no longer needed to turn to them to borrow. Women also reported a change in status within their communities as they were now considered to be "busy" women because they were now more entrepreneurial and had less time to sit around (Storchi and Rasulova, 2017). While this might have had a negative impact in terms of hours of work for women, they felt that because of this they were now more respected by their husbands (Ibid.). Overall, this evidence

on women's empowerment shows that there can be several layers of women's empowerment and that some, such as economic impact, may be more directly impacted by standalone SG programmes. This evidence also shows that rigorous qualitative research approaches may be more useful in noting nuanced changes in women's perceptions, roles and felt experiences.

3.2.3 SGs and negative impact

Rather less frequently, studies report signs of negative impact that SGs might have on their members and communities. One pre-requisite of positive impact is to have well-functioning groups, with healthy intra-group dynamics and sustainable over time (Rippey and FSD Kenya, 2015; DAI, 2010; Malkamaki, 2015). This does not only depend on how groups follow rules and exercise power, but also on their past experiences, as well as the historical and cultural influences in which they operate (Johnson and Boulton, 2014). In addition, the way in which the initial training and supervision have been carried out by implementing organisations will also affect how members react and respond to the new programme and resources available. SGs members stay and save in their groups because they trust each other and are confident that other group members understand them (Storchi and Rasulova, 2017). However, trust is not always something pre-existent in rural communities, and the ideal of having harmonious and peaceful rural communities is often closer to a Western ideal than to reality. Storchi and Rasulova show that trust is not something pre-existing in rural Kenya. Some members might have had previous bad experiences in other groups and might be quite sceptical when starting new groups. It is through good practices, regular meetings and seeing each other handling money that women build trust over time (Ibid.).

However, this also means that bad behaviours by SG members can create a lack of trust and cause groups to fail. For instance, Malkamaki (2015) shows how internal power dynamics, kinship and the role of SG leaders within their community can often be at the origin of fund mismanagement and fraud, leading to group failure. These situations are often difficult to detect by members who are not always aware of how much they should be receiving at the end of their savings cycle (Rippey and FSD Kenya, 2015; Anyango et al., 2007). When trust is broken within a group, there can be further consequences where women are excluded from groups or even from the village and church, thus having a serious negative impact on their social and safety networks. These sides of SGs are often more difficult to document as SG members interviewed are more likely to narrate positive stories, whereas those members who have been excluded are more difficult to reach and be heard. In this particular study, the outlook is rather positive as we are looking for well-functioning mature groups in order to explore positive impact pathways that can arise from participating in SGs. At the same time, since this study is also focusing on non-SG members, there will be a good opportunity to hear external perspectives from individuals who have either decided not to be part of a SG or have been excluded by them.

3.3 Conclusion

This literature review has shown that there is general agreement about the increase in savings and loan levels and the widespread use of SG services by their members (i.e. outcomes from an RE perspective). However, the longer-term outcomes and impact of SGs, as shown in Fig. 6, are less clear. There is little evidence of an increase in asset ownership and no strong evidence about the effects of SGs on income levels and poverty reduction. Generally, SG funds are used for investment in small businesses however. There is evidence of improved food security and a reduction in school absenteeism, although the impact on nutrition and on health and education expenditures is inconclusive. Qualitative research also agrees on women's improved social status and control over resources and household decision-making. However, as already argued, these studies do not explore the mechanisms behind the use of SG services and the reasoning behind their success in a context where they are competing with other formal and informal financial services. In this evaluation of SGs, a realist approach is used to explore the mechanisms that trigger outcomes and lead to the final impact, and also for whom, where and under what circumstances SGs are producing such changes, as shown in Figure 6.

3.4 The history and typologies of stokvels

Studies on stokvels and their impact are not as widespread and rigorous as those on SGs. There are no RCT studies on the impact of stokvels, and literature normally involves case studies and small-scale non-experimental studies. Impact evidence is therefore quite limited. However, evidence shows that "customary groups" created without the support of an external organisation are present everywhere in the developing world (Ardener and Burman, 1995) and have been there before the advent of promoted SGs (Wilson, et al., 2010). They fall under different names and most commonly they are known as ROSCAs (rotating savings and credit associations) and ASCAs (accumulating savings and credit associations). There are many different types of ROSCAs, which can cover different purposes such as burial societies, non-rotating savings groups, grocery and investment groups. In South Africa ROSCAs go under different names such as *stokvels*, *gooi-gooi*, *umgalelo*, *mahodisana* and *umshayelwano* (Burman and Lembete, 1995). These names are often used interchangeably and in the rest of this review, I will use the term stokvel to indicate all the different types of indigenous groups.

In narrating the history of urban stokvels from 1930 to 1998, Verhoef (2001) claims that although both women and men participated in stokvels, it was women who carried them in urban areas "as mechanisms for access to the credit and social and financial support that were otherwise unavailable to them from the formal sector" (Verhoef, 2001, p. 262). Verhoef adopts the following definition of such groups:

“Community-based self-help organisations, they typically emerge in economically deprived societies where formal means of meeting financial needs are either inaccessible or do not exist. A stokvel is a type of credit union in which a group of people, by voluntary mutual agreement, regularly contribute money to a common pool and circulate the pool among the group” (p.263).

In his historical review, the author describes four types of stokvels: savings clubs, burial societies, investment groups, and high-budget stokvels. Savings clubs appear to be the earliest type of stokvels and the simplest. A small group of women ranging from 5 to 25 would regularly meet to pool funds together. There is evidence about this since the 1930s and, although not statistically accurate, case studies show that savings were high and frequent. Some groups had a formal constitution, always decided the order of rotation for the pay-outs before starting a cycle and a new stokvel was normally created at the end of a cycle (Ibid.). Burial societies were the second type of stokvel created in urban areas because of the high mortality rates of labourers and the higher funeral costs to transport the body of the deceased back to the original land. The purpose of these groups was to provide assistance with funeral costs, in order to maintain a dignified and traditional funeral practice. In some of these groups, members agreed to pay a fixed amount when a member of the group died, or a close family member, while others were much bigger organisations with more formal structures and a constitution. Verhoef (2001) states that women used to be in control of this type of stokvel as funerals have traditionally been considered “affairs of women”.

The third category of stokvels described by Verhoef (2001) is that of investment stokvels. According to the author, these stokvels emerged with the increasing affluence of Africans in urban communities. These groups can resemble cooperatives where members pool together their savings towards a common goal (e.g. the purchase of a good) or credit cooperatives thus also providing loans for their members. Verhoef says that they can carry on indefinitely or they can dissolve by mutual consent once the goal has been achieved or the loans repaid. From this description, it seems as if ASCAs could be considered under the third category of Verhoef. The last stokvel category in Verhoef’s list is that of high-budget stokvels, groups that normally had a vast membership and were managed by a set of board members who also decided the dates of pay-outs. These stokvels appeared to be based on the high social standing and credibility of a few families within a community and could represent a risk for corruption based on the lack of a constitution and the arbitrary selection of the recipients by the board. Men were more frequently members of these stokvels. Similarly to the investment stokvels, high-budget stokvels are a more recent development within the category of informal groups.

Based on the increasing role of stokvels in the informal sector, NASASA (the National Stokvel Association of South Africa) was created in 1988 to mobilise stokvel savings for BEE (Black Economic Empowerment) and promote an increased participation in the mainstream economy. NASASA actively engaged with the formal financial sector for the creation of services that could better serve stokvels, specifically in meeting the need for credit of stokvel members, with the intention of increasing their participation in the mainstream economy and the creation of jobs. Additionally,

NASASA worked with banks to create savings products specifically for stokvels. However, these services had mixed success (Verhoef, 2001). Naong (2009) also argues that even more recent attempts to direct individual savings into stokvels and towards the formal sector, such as the Mzansi account, have had a minimal success and that there are millions of smaller savings in South Africa that go unaccounted for as the majority of stokvels are not formally registered.

Mashigo and Schoeman (2001a; 2011b) use the evidence that there is an unmet demand for credit from poor people to argue for the development of new financial services that can replicate the underlying values of stokvels. They explore the conditions that should be taken into consideration for the development of new services for the poor, especially in order to extend credit to poorer communities. The authors claim that, in order to make stokvels productive, sustainable and economically viable institutions in the South African financial system, the conditions of mutuality, trust and solidarity among members need to be maintained. They argue that lending and borrowing relationships are based on trust, reputation and loyalty that are maintained through socialisation. The development of new credit instruments should take this into consideration, leveraging on the existing social foundation to be found in rural communities, the decentralised nature of these informal groups and the social capital that can be used as collateral. These indications are somehow in line with the work of SaveAct, that has taken a step towards making these types of groups more formalised through training and supervision, but without changing the social nature of the groups. Although the evidence of the effects of these groups on their members is quite limited, the next section will review some of the reasons for participation and its benefits.

3.5 Economic and social impact of stokvels

Verhoef (2001) narrates that women in South Africa brought stokvels to urban areas in order to answer their own needs and the lack of opportunities for them to access formal financial services. They were often supporting their households on very unstable and informal incomes, and stokvels helped them to supplement their earnings and were also a means to socialise. Initially, these groups used to be created on the basis of kinship. This is no longer common and often new members are introduced by a relative or friend. Normally all members know each other or at least have been vouched for by someone in their group (Bujis, 1998). These groups work on the principles of solidarity and Ubuntu, where members care for each other materially and morally in the spirit of mutual support (Verhoef, 2001). Social and economic motivations and benefits seem to be strongly connected in these local groups. Members often work together to make sure that money is well spent. This does not mean that all groups prescribe how to spend the group money but that there is an ethos and an intention to support each other for improving their families' wellbeing (Bujis, 1998). However, it is important to note that although mutual trustworthiness, solidarity and cooperation are key for the functioning of these groups, it is also vital to discuss their dark side, as rejection and mistrust are also at play in social dynamics. In fact, everyone in the group is affected by the quality of the trust among them (Douglas, 1986 in Bujis, 1998). For example, research in Johannesburg found

that stokvel members felt that the factors that were needed to improve the performance of groups were trust and honesty among members and in the management of the stokvel. Harmonious relationships were also considered important so that members could work as a team and experience a sense of belonging, as was a strict endorsement of a constitution (Matuku and Kaseke, 2014).

Stokvels also give members an opportunity for social interaction and leisure (Verhoef, 2001). One respondent in Grahamstown reported that during one year when she decided to leave her groups she felt completely lost, with nothing to do and no responsibility towards her family and friends (Bujis, 1998). Ardener argues that “the ‘social’ element ‘sugars the pill’ of crude economic materialism; moreover it has practical functions. The money, time and energy spent on socializing, far from being ‘wasteful’ or ‘uneconomic’ may be an essential requirement for justifying membership and thus the financial viability of the ROSCA” (Ardener, 1995, p.8). Economic and social always go hand in hand. For instance, in Grahamstown and Rihini, participating in a stokvel gave poor women, often without formal employment, the opportunity to maximise and safeguard their few resources. At the same time, their membership also assisted them in maintaining social relationships, that could provide support in difficult times (Bujis, 1998) thus really taking on a role of social security.



Figure 8: SG member sewing

Another incentive for stokvel participation is the role of insurance provided by the group. In fact, being part of a group guarantees access to credit in the future in case of emergencies, and it gives members the willpower to save that they would not otherwise have if they were on their own. Burial societies are the most important example of such insurance for a future event and they are created

not as much for profit but rather as mutual insurance to provide both material and moral support (Verhoef, 2001). According to the self-completed questionnaire in Naong's research (2009), 37% of respondents were part of stokvels as a way of dealing with future unforeseen events (especially through burial societies), 21% of respondents joined because it helped them to save and 19% of respondents participated because of companionship and socialisation. Interestingly, 17% of respondents reported that they were part of stokvels because they represented the cultural practice of Ubuntu and because of shared trust and interest among members. Other respondents reported that they were part of stokvels because they did not have knowledge of other saving alternatives, it helped them manage their finances and make more money than if they were using the bank. These responses show how the cultural grounding of these group is still very strong, along with economic and social motives.

A case study in Orange Farm, Johannesburg shows three main reasons for participation in stokvels. Respondents reported that they take part in stokvels as a way of dealing with income insecurity and for women often as a way of supplementing their husband's income. Other respondents reported that they were influenced to join by people in their networks, such as friends and other church members. Lastly, members reported that they joined to deal with the need for mutual support in hard times (Matuku and Kaseke, 2014). Based on these reasons for participation in stokvels in South Africa, it is no surprise that SG programmes like SaveAct have become successful and are finding it difficult to meet the ever-increasing demand in both rural and urban areas. SGs have maintained intact what Naong (2009) calls the cultural heartbeat and backbone on which stokvels are operating. Indeed, Naong argues that every attempt to channel stokvel savings into the mainstream financial sector will need to take into consideration this cultural grounding.

The participation in stokvels used to be and still is a source of respect and a sign of trustworthiness for their members, who would benefit from prestige and improved status also outside of their group (Verhoef, 2001; Mashigo and Schoeman, 2011b). However, such benefits can never be divorced from the economic reasons of being part of a stokvel, as this was the only way for poor Africans living in suburban areas to mobilise their savings that, otherwise, would have been left idle because of the impossibility of access to more formal options. This also means that adherence to the rules was very strict since a bad reputation would have meant no lines of credit in the future (Verhoef, 2001). Respondents in Rihini, for instance, reported that they were more inclined to default on their hire-purchase, furniture or clothing accounts than in their groups. This is because the former were private accounts not visible to relatives, neighbours and friends. On the other hand, defaulting in the group would have affected the individual's reputation and also the future possibility of being accepted in another group (Bujis, 1998).

In an environment where formal banks find it difficult to meet the credit needs of the poor, stokvels would normally represent a better option to access credit than formal options. In particular, borrowing from stokvels could overcome the "intimidating and impersonal experience of applying for bank credit" (Verhoef, 2001, p.276). Naong (2009) also reports the element of fear and mistrust

towards banks, which makes most people prefer to use stokvels. This is also the case when the reality shows that there is a high demand for longer-term saving. One respondent in his research, for instance, claims that “if banks can stop stealing our money, we might think of investing for a longer time, they charge us exorbitant amounts, you deposit they charge you, you withdraw they also charge you, so what must we do, stokvels is the way to go” (Naong, 2009, p.261). The importance of stokvels for both social and economic reasons explains why people are so careful about their membership. Defaulting could, in fact, have both economic and social negative consequences.

A large majority of respondents in Naong’s study (2009) feel that the money accumulated through stokvels benefits the local economy as it is invested back through consumer spending, additional investments, the creation of small businesses and education. One respondent argues that “there is no way people will refrain from playing stokvels, the government will have to come up with some drastic changes to stop them from playing. People, especially women, build houses, pay school fees, with such monies, for example, one lady bought a site for R29 000 through stokvel” (Naong, 2009, p.260). A study conducted at Orange Farm in Johannesburg found the following benefits to participation in stokvels: members’ ability to meet their basic needs such as groceries, their ability to save and invest, for instance in their houses, and the easy access to credit. In addition, female respondents reported that they felt empowered and that they were no longer dependent on men, now they felt they could take better care of their families. Lastly, respondents reported the support they receive from other members at times of need, such as the death of a loved one, and their ability to establish new friendships and learn from each other (Matuku and Kaseke, 2014). This evidence again reaffirms how the economic and social benefits of these groups cannot be separated and are strongly connected to the cultural background of mutual support and Ubuntu.



Figure 9: SG provide members with opportunities for social interaction

3.6 Conclusion and Evaluation ToC for Stokvels

The literature on stokvels does not have any ToC of reference. Stokvels are not created from external organisations and their objectives have not been formalised through a ToC. However, the literature presented has told us that there were both economic and social reasons that prompted their creation. On the one hand, people were looking for economic support and a way of maximising their little income, while on the other they wanted to create opportunities for socialisation and moral support. The literature has also stressed the importance of trust, solidarity, social capital and the cultural background of Ubuntu for the formation and sustainability of these groups. Interestingly, the literature has shown quite a positive and perhaps naïve perspective about the existence of social capital and trust in both urban and rural communities, often taking them for granted and rarely offering a more nuanced view of the social and power dynamics that characterise these groups. This report aims to dig deeper into these aspects of stokvels, as well as the other social and economic benefits.

In order to establish a few focus areas for this study, Figure 10 shows an attempt to draw stages of outcomes leading to impact from participation in stokvels. From the literature available, two key outcomes can be listed: first, people need to create and join stokvels and, second, they need to decide to use the stokvel services in a certain way. Based on this and conducive outside characteristics, the literature shows that stokvels can improve members' ability to save, access credit and cope with emergencies. Literature also shows the importance of these groups for members' socialisation, levels

of respect, social status and prestige, women’s empowerment and the development of the local economy. Figure 10 shows that these elements can appear as the impact from participation in stokvels and this study will explore such areas of impact together with the main mechanisms that lead people to create, join and use the services of stokvels.

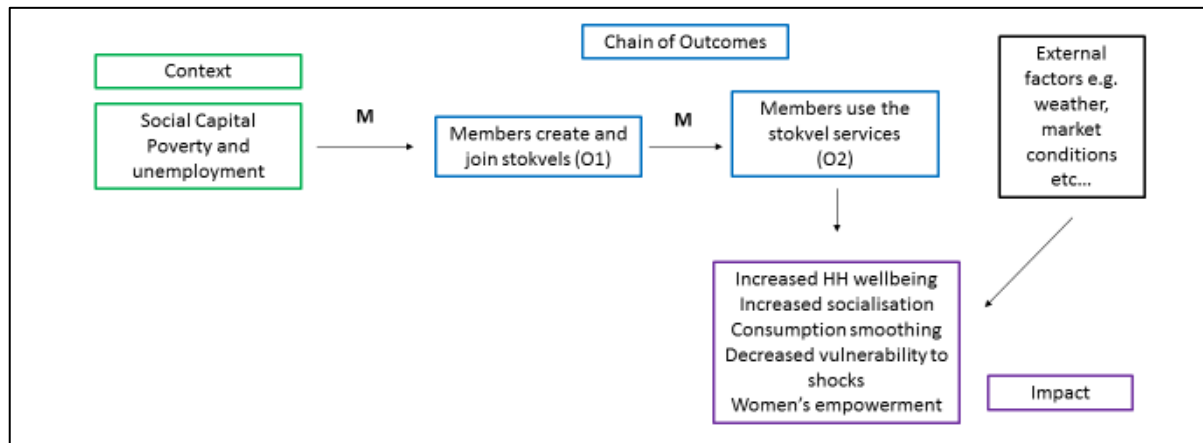


Figure 10. ToC for stokvels from a RE perspective

4. FINDINGS ON CONTEXT

4.1 Respondents' characteristics, main income sources and household expenses

The two tables below show the main characteristics of the respondents of this study. Overall, more women participate in both SGs and other types of informal financial services, compared to men, and the average age for both SGs and stokvel members is around 50 years old. Sources of income are also similar to small rural businesses, social grants, formal employment, and remittances. Most households have multiple sources of income and the households of SG members had generally more income sources compared to the households of stokvel members. However, this was not always the case. Among stokvel members, only one received remittances from her children and three households were mainly relying on casual work. None of the SG households was relying on casual work as their main income source.

SG members' characteristics (20)	
Gender	4 Men, 16 Women
Age	Avg 52, Youngest 33, Eldest 71
Livelihoods activities	Small enterprises (e.g. spaza shop, selling chickens and piglets, selling vegetables), social grants, remittances, formal employment (e.g. teacher, CWP). Households have between 2 and 4 different sources of income, excluding SG money that is also considered income by some respondents.
Use of financial services	60% take part in a burial society in the community 60% take part in a burial society, a bank funeral plan or an insurance against death in town from formal providers About 25% use 3 different services to cover death, 60% have 1 service, 2 respondents did not have any insurance, burial or plan 70% have a bank account 75% belong to least one food stokvel 30% are part of 2 SGs

Table 2. SGs respondents' characteristics

Stokvel members' characteristics (13)	
Gender	2 Men, 11 Women
Age	Avg 48, Youngest 30, Eldest 73
Livelihoods activities	Small enterprises (e.g. fixing cars, selling chickens, piglets and vegetables), informal employment (e.g. spaza shop), formal employment (e.g. Lima, Red Cross), social grants and casual work

	(e.g. construction for men), remittances. They have between 1 to 3 sources of income.
Use of financial services	<p>About 60% take part in a burial society in the community</p> <p>About 30% take part in a burial society or bank funeral plan in town from formal providers</p> <p>About 70% have 1 service, 15% have 2 services and 2 respondents did not have any insurance against death</p> <p>About 60% have a bank account</p> <p>About 40% take part in a food stokvel, 2 respondents use food stamps</p> <p>2 respondents were part of money stokvels (1 ROSCA and 1 ASCA)</p>

Table 3. Stokvel members' characteristics

Respondents had different perceptions about what constituted the main income for their households. For some, government grants were the main source of income because they are regular and stable. This is, especially, the case for those families who would otherwise have to live only on the irregularity of casual work. One respondent said: *"It is the one from the social grant because if it stops then I would suffer because with the other ones [income from the sale of chickens], people take on credit and pay me when they get their social grant"* (319, female).

However, for others, the income from their enterprises was considered more important because it was somehow perceived as an extra source of income. When respondents receive their grants, these are often already budgeted for with regular expenses such as food, groups' contributions and loan repayments. This means that there is often nothing left to do anything else. On the other hand, the income from enterprises may be irregular and small but it comes as something extra. One respondent said: *"Between the money I make, I see that the money I get from the handwork and SaveAct is the one that helps me a lot... This is the problem, when you receive the pension money you already have debts that you need to pay"* (223, male).

For those families where one partner is employed, salaries are normally the main source of income. Households that are raising their grandchildren and young wives with husbands working away also receive remittances from their children and husband respectively. These are mainly received through bank accounts, Spar and Shoprite. Interestingly, some respondents consider the money they receive from SaveAct as loans and share-out to be one of their main sources of income. This shows that the money received from SaveAct is actually considered as an extra source of income rather than as savings and loans. One respondent said regarding her most important source of money: *"It's the money I receive from SaveAct and the money from the garden"* (207, female).

Overall, respondents regarded the main household expense to be food. One stokvel member said that her husband's income from casual work changes a lot from month to month and that she

changes the way she buys groceries depending on that. In a bad month, she would only buy maize meal with vegetables from street vendors, while in good months she would purchase groceries at the supermarket, including tinned food. Other expenses that were mentioned were transport and school expenses, such as fees and school uniforms. In addition, some respondents mentioned that the feed for chicks and piglets was expensive and this prevented them from keeping livestock for sale.



Figure 11: A SG member who uses the money from the group for their enterprise

4.2 Access and use of other financial services

The majority of SG members use three to four types of services, including bank accounts, SGs, food stokvels and some form of insurance against death. Considering that at times they use multiple forms of such services such as two or three burial societies or multiple SGs, members have up to nine different financial services. Stokvel members use a maximum of three types of services, and considering multiple forms of such services they use up to four services. Table 2 and 3 above show that stokvel members are less protected against death and fewer of them access food stokvels and

bank accounts. The sections below will present the types of financial services available in the rural areas of this study and how these are being used.

4.2.1. Bank accounts

In Matatiele town, respondents can access bank services through branches and ATMs. Most respondents had had bank accounts for a while by the time of the interview and several had also changed their bank providers a few times over the years. Respondents mentioned the number of bank charges and the possibility of accessing the services quickly through ATMs, without queuing, as two factors that they took into consideration when deciding where to open a bank account. Some respondents used multiple bank accounts to keep money from different sources separated and the majority of respondents opened a bank account in order to receive payments of some sort. These could be payments from employment, government jobs and grants or remittances from children and husband. Meanwhile, saving was not one of the main reasons to open a bank account, and respondents often withdrew all the money from their bank account monthly. SGs members said that banks had not taught them how to save, that they could not earn any interest from bank accounts and that their money decreased while in the account because of the charges. However, some SG members said that they put their share-out money in the bank account for safe-keeping until they need it. Banks do not seem to offer any value addition to poorer people, beyond the role of safe-keeper, for money that cannot be used otherwise, and as a means to receive payments.

4.2.2 Insurance against death: informal and formal burial societies, insurance cover and bank funeral plans

"At Absa you only save but with SaveAct you save and also borrow" (206, female)

"I need the bank account to keep my money safe especially from the share outs since it's not safe to keep it in the house...[however] I can access it anytime during the year but with SaveAct I was taught how to save" (211, female)

Most respondents had at least one form of insurance against death, covering themselves and members of their family. Overall SG members use more formal financial services, in combination with community-based burial societies. These services offer different benefits to their members and clients. Generally, community-based burial societies provide their members with a sum of money, and at times chairs and tents for the funeral ceremony. Money is disbursed quickly before the funeral. One respondent said that the process of providing members with money is very straightforward: *"We save and go and take the money, we make a notice to the bank to come and fetch the money, if it happened while we were going to meet then we just take that money and give it to the person and deposit the balance in the bank"* (108, female). However, some respondents expressed concerns about the practices of community-based burial societies and some respondents avoided them because they said members in these groups *"talk a lot"*. This might be perceived as gossip and lack of privacy. One respondent expressed her scepticism saying that: *"Their things are questionable, they just end in thin*

air. Maybe the burial society will pay for four and they would say there is no money” (213, female). These local burial societies can be of very different sizes, going from small groups among neighbours to big societies with few hundred members across the village.

Men are less involved in community-based burial societies and generally opt for registered services provided in town. Burial societies in town generally provide a coffin, access to the closest mortuary, chairs and tents and a sum of money. This is normally smaller than the one offered by community-based burial societies. Bank funeral plans and formal insurances provide a sum of money. This however, might take a long time to be claimed and the money might arrive after the funeral had already been done. In addition, this is often not enough to cover all the funeral expenses. Both material and financial assistance are very valuable, and this is why when possible, respondents have more than one service to complement the different benefits offered. In addition to these services, women in the local communities support each other with small food items (e.g. milk), candles, matches, soap and help each other with the cooking, often sleeping over at the place of the funeral to give material and emotional support. One respondent recalled her mother’s funeral with these words: *“My neighbours yes, they were there for me since the day she died, they slept at my place, cooked and did everything else to do at home. They were all here, even the chief was here. Church members were also here, we had seven pastors present at her funeral because she loved going to church, and we are a church-going family” (105, female).*

4.2.3 Stokvels (ROSCA and ASCA) for food and money

Food stokvels were the main type of stokvel used by women in the rural areas of this study. They operate a common fund where money is put on a monthly basis and used at the end of the year to buy food in bulk for the members. These are normally grocery stokvels and meat stokvels, specifically to buy meat and cheese. During the year, stokvels lend to members and people from outside the group. Members can normally borrow at 10%, while outsiders can receive a loan with an interest rate of between 20% and 50%, with the most common interest rate being 30%. When money is lent outside, one member has to act as guarantor for the loan. Therefore, groups generally prefer to loan money to people they know in order to be able to gauge their financial situation and their ability to repay the loan. However, this arrangement is risky and some respondents had mentioned negative experiences where they had to repay the loan they had guaranteed for someone outside the group.

A couple of respondents, who were not part of food stokvels, used food stamps from the supermarkets in town. These can be bought and used at any time and represent a way of putting money away for future expenses. However, unlike food stokvels, food stamps are more flexible as they can be used at any time, not only in December, and people are not committed to buying them at a specific time. Thus, they can also skip some months if their budget is tight, unlike in the food stokvel where contribution is fixed and at regular intervals and therefore not always the best option for the most vulnerable people. A couple of respondents were part of money stokvels, which operated either as a ROSCA or an ASCA where members got back the interest they had paid during the year. Only a few respondents mentioned not trusting stokvels and being afraid of losing their money.

4.2.4 Mutual support: family, community and the role of loan sharks

Respondents had different perspectives about accessing support in the community, from friends and neighbours. Some said that people do not help each other as much as they used to and it is a lot more difficult to borrow food from a neighbour. One respondent even mentioned that people nowadays might practice witchcraft and put poison in the food they give you. People prefer to get food on credit from local spaza shops or borrow money from neighbours, when possible, and buy food at the shop. One respondent had a more positive view about these dynamics and said that people are not as poor as they used to be and so now there are fewer people who would not have enough food to last to the end of the month. Nevertheless, it seems that people are generally finding it more difficult to get support within their communities in terms of food. One respondent said: *"No, they are not helping each other. We used to help each other in the old days, if you don't have mielie meal, people would give you mielie meal. Now it's hard to go and ask. We no longer help each other. In sickness, they still help each other...[Ubuntu] means we are holding each other's hand and we are working together, we are one. Ubuntu ended when democracy came"* (333, male).

Some respondents also expressed the difficulty in accessing informal credit from neighbours. Partly this is because most of them would not be financially able to assist and partly because neighbours lend with interest. However, some respondents said that they were able to access credit from their neighbours without interest, showing that these dynamics might depend on the extent and type of supportive relationships that people are able to establish and nurture, and this might need more exploration. Someone said that it is still common that neighbours borrow from each other but they must trust in each other in order to do that. Loan sharks are another form of informal credit in rural areas, as well as stokvels. Respondents explained that loan sharks would take their bank or SASSA card and their television or other assets in case they cannot repay the loan. Instead, stokvels and neighbours, even when they charge a similar interest rate to that of loan sharks, are more understanding. They will try to understand why a person has not been able to repay a loan and will not take people's assets. This is because they ultimately trust that people would repay their loans, unlike loan sharks. In addition, some respondents also mentioned receiving help from family members and adult children. This type of support was not frequently mentioned and it might be a sign that people are struggling and therefore unable to help relatives, rather than a sign of selfishness. In fact, some elderly women said that they try not to ask for help from their adult children because they have casual jobs and would not be able to support them.



SG group members gathered

5. FINDINGS ON SGs DYNAMICS AND CHALLENGES

SGs in the areas of this study were promoted by SaveAct's field staff. Field officers held meetings and workshops where they explained the methodology and invited people to form groups of 20 to be trained. In the areas of this study, this happened between 10 and 5 years ago and the groups selected for the study were all mature groups. Several respondents mentioned that after the presentation done at the workshop they went back to their friends and neighbours, or to their other groups, to inform people about this new project and invite them to join and create a group for the training. The majority of the rules and procedures that were introduced during the training are still followed. Members can save up to 5 shares per month, where one share is R100. Respondents said that they started saving between R100 and R200 and now they try to save R400 or R500, whenever they can afford it.

In all groups, members can access loans at 10% interest rate. Some groups have slightly modified the rules on borrowing and over the years have experimented with adaptations and changes. For instance, in some groups, they have now decided that members must have a loan at all times, and every three months members take a new loan. Most groups contribute to a social fund that is used to support members in case of death of a family member. Members contribute R10 each month to this fund and in case of a loss, members are given a sum between R150-250 for candles or other small things. In one group in this study, they have decided to use the social fund to buy something for every member at the end of the year rather than contribute when someone loses a family member. They decided to use the money in this way so that everyone could benefit from the social fund in a fair way.

"Yes, there are challenges. You found that everyone was borrowing a huge amount of money and we saw that it will cause problem and we went back to do things according to the constitution, where a person does not borrow more than their share" (01, female)

"Nothing major, I think there has only been one incident where a member could not pay in time but we were able to rectify that quickly... We cancelled some of her shares and the remaining balance was paid month end" (211, female)

The key feature of these groups is that members now know each other because they have been together for a long time. This is also why mature SGs do not always accept new members, who are seen as a potential threat to the equilibrium of the group. In some cases, people who would like to join are instead advised to start their own groups, while in other cases a person must be a resident in order to join an existing SG. Most of these groups have been through challenges and they all have had members who did not repay their loans and quit or disappeared with their loans without repaying. However, these are the groups that managed to spread the risk of such events, survived the challenges and then managed to find a way of working together that is sustainable.

The majority of respondents of this research were women and this is representative of the SG membership. Respondents had different ideas about this. A male respondent said that men create problems in groups because they are more likely to steal the money or spend it on alcohol. According to him, they are risky because they can easily share the details of the group and where the money is kept when they are out in the evening drinking with other men. He explained that: *“Even the king said you men, we do not want to see you in the middle of women, we know you. You will see this wife putting money and one day you will rob her. For example, in Nothobile’s house, they did that last year...They took the trunk. And they got the person who took it and he already ate people’s money”* (223, male). This is why when men join SGs, they often join through their wife who will contribute for two books in the same group. Another male respondent explained that he would only join groups with other women if his wife was no longer alive, otherwise, he thought it was better if a married man did not associate with other married women. This shows that there are also social connotations in how groups are created, although these social norms can change over time and across places.

Men are also generally more sceptical about new groups. Some women said that men might be more hesitant because they think SGs are some sort of scheme and they are afraid to lose their money. Some women said that men are hard headed and it takes time to convince them. Many female members initially joined SGs without telling their husband and at times they also started contributing for their husbands without them knowing it. Once they had something to show their husband, such as the cash from the share-out or perhaps an asset that they had been able to buy for the household, men changed their perspective on SGs. In some cases, husbands were convinced to join by other men in the area.

"That one [the husband] is hard headed...I told him it is from my Save Act money and my meat stokvel so he started seeing it, after five years...He could not believe that I bought those [tv and bed]. He thought I took from his money and I told him that it is Save Act money and counted the money right in front of him" (114, female)

"He also joined the group. Before he was very hesitant saying that I am gambling with my money, these people are going to take my money. Then he joined and realised it is something beautiful, before I was paying for me the next time I introduced him but I did not tell him. When I went home, I saw him sitting then I gave him money and told him to count it. The amount was R9 000 and something, and said that is your surprise, then I showed him mine too ... I would ask for food money and then put that money away for my husband. He didn't know but was so happy when he found out" (108, female)

"He did not like it because he thought it would not work but I played behind his back up until I had something positive to show him" (211, female)

5.1. Leaving SGs

Respondents in this study mentioned several reasons for leaving their SGs and while some have since then decided to join a new SG, others have preferred not to do so. Some SGs respondents in this research mentioned that the first group they joined had problems: people did not respect each other and in some cases did not repay their loans. These issues led some groups to disband and to the subsequent creation of new groups that excluded the problematic individuals from the previous group. One respondent, for instance, said that they disbanded and then created a new and smaller group with only 10 members. In other cases, members experienced misunderstanding and disagreements about loan repayments and decided to leave their SGs. One respondent said that she felt cheated by the younger members who were continuously asking for small contributions of R10 without entirely explaining the use for this money. She also noticed that her share-out money was smaller than what she thought it should have been. This caused her to leave her SG. At the time of this study she had not joined another SG and said that she might join another one in the future but without young people and possibly with men who she feels can be trusted more. Another member had an issue when her SG accused her niece of taking a loan without repaying it and so she decided to leave her SG at the end of the cycle, even when the mistake was later rectified and the money was found. Lastly, one member left because she could not repay her loan and while she would like to join another SG, she felt that she would not be accepted by any group because of her bad reputation in the area.

These examples show exceptional cases rather than the majority of the situations. They illustrate the difficulty at times to manage financial and social relationships at the same time. One member said that money brings arguments and this is why when people know each other they tend to stick together and so **mature groups become less open to new members**. Power relationships, jealousy

in the community and dynamics between people of various ages and kin are all factors at play in these groups, although at times they are not explicitly so. At the same time, people generally prefer to live in harmony and avoid conflicts. One member said that she is thinking of leaving because she is not a talkative person and she does not like it when they have to follow up after members who have not repaid their loans. Similarly, another respondent who is not part of a SG said that she is scared of joining because she does not like arguments when people do not repay loans. Although SGs are sharing the risk of default among members, they are also the ones responsible for chasing after loan repayments, since they are self-managed, and this can be a source of pressure and stress for some members.

Lastly, members might leave their SGs temporarily with the intention of joining again in the future. One respondent said that she had to go to Cape Town and so left her SG at the end of the cycle. Now that she is back in the community, she is waiting for a free space in another SG so that she will be able to join for their next cycle. In the meantime, she has joined a food stokvel. This also shows that **spaces in SGs are not always readily available** and people might have to wait for a few cycles to join.

6. FINDINGS ON OUTPUTS AND MECHANISMS FOR SGs MEMBERS

In the following sections, CMO configurations according to the outputs shown in Figure 13 are presented. The configurations are a result of the data across the two areas of the research, as main mechanisms (reasoning about the intervention) for people to join, stay and use services offered by their SGs are very much alike in the two areas. When necessary, important differences in between areas or individuals will be pointed out. I will first present CMO configurations for SG members and then for stokvel members only (sections 7 and 8). This will be followed by an exploration of impact for both SGs and stokvel members (sections 9 and 10). Subsequently, I will discuss differences and similarities between the mechanisms, outputs and impact observed in the two groups, exploring how and for whom these informal services work or do not work (section 11). The CMO configurations are presented in a different order as COMs, in order to make reading more intuitive (Storchi and Rasulova, 2017): COM configurations say that within a certain context (section 4), individuals join/stay/use SGs (Os) because of certain Ms that will be explained in more detail.

6.1 O 1 – People join SGs

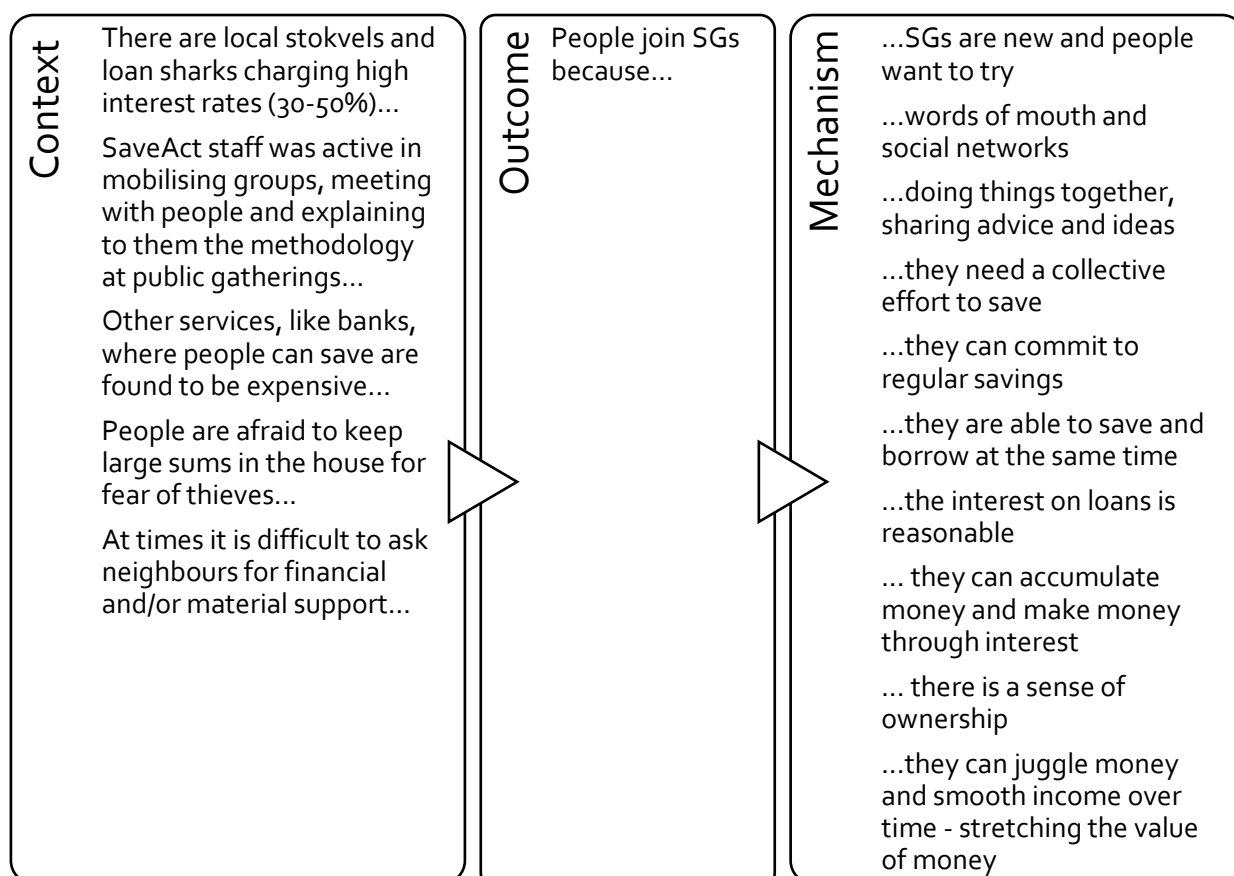


Figure 1: Why people join SGs

SGs in the two research areas were trained by SaveAct staff five to ten years ago. They have been regularly supervised until graduation and currently receive support during share-outs. They can contact the SaveAct office in Matatiele in case they need saving books or other supplies for their groups. The SG members interviewed had all been members for several years and at times had joined multiple groups over time. Their reasoning in deciding to join one or multiple groups was mainly based around social reasons and financial motives, especially in relation to how to best manage their money for both short-term liquidity needs and longer-term investment and savings needs. However, at the time of the research members had been in SGs for several years, so this data needs to be taken cautiously as people might have been a lot more suspicious of SGs when they started and were unknown in the area. Indeed, this was mentioned by some members who said they had decided to join almost like a trial, in order to test this new service and understand it better. Testing out a new project requires some level of hope and trust in groups' activities. Other types of groups (stokvels) are not unknown in the area of the research and, while some people mentioned having had bad experiences with them, they remain a very important social and financial tool, especially for women. This means that it was likely that when SaveAct trained people in these areas, some were already part of other types of groups, mainly food stokvels and burial societies. Their familiarity with group activities might have compensated for the initial scepticism.

Besides joining SGs as a trial, there are several mechanisms behind members' decision to join. These were often triggered by the new resources available. For instance, the fact that SaveAct staff went out to talk to people and promote these groups is a significant change in the context (a programme activity) that led to a series of mechanisms. An elderly female respondent said: *"We joined SaveAct after Simbongile and others that she was going with came. They told others they should recruit others and should form a group. And after she did the training"*. Partly, these mechanisms are social and reflect the way in which people live in rural areas and the tradition around organised groups for mutual and economic support (stokvel) that were mainly developed and used by women. Thus respondents mentioned several social reasons for joining, going from word of mouth through their social networks, to being explicitly invited at a time of need. One respondent mentioned she wanted to join in order to be with other women. Beyond social reasoning, people saw economic potential in how the model was being explained to them. They understood that they could save and loan at the same time, they appreciated the lower interest compared to other local informal services, such as loans sharks, and were convinced by the opportunity of earning money at the end of a 12-month cycle. Although this might have not been entirely clear at the beginning, people were open to try and once they saw that the methodology was working for them they decided to join additional groups. In the sections below, I will explain different categories of mechanisms in more detail.

6.1.1 Social mechanisms and the novelty of SGs

One of the most common mechanisms for people to join SGs was through **word of mouth**. In some instances, people saw the SGs in other areas and then spread the novelty in their geographical area. Word of mouth happens when something important is at stake and in those cases, people saw the positive impact of SGs in other areas and therefore thought it would be a good opportunity for their villages as well. There was the expectation that this new model would work for them, as they had seen it working for other people, even if its terms and rules were not yet clearly understood.

This aspect relates to the fact that joining represented some sort of experiment for most people. A male respondent said that he was not convinced by the group, but joined anyway. Another male respondent said he joined because he was convinced by another man, although he did not know the other group's members, nor did he understand how the group operated. A female respondent also shared her doubts about the methodology and the fact that she was convinced by someone. Even if people were sceptical about the new programme, **peer pressure and social networks** were key to gaining momentum and getting people to join. However, in all these cases members said that they had not felt forced to join, rather they just needed that extra push to be convinced. There was only one respondent who shared that her mother-in-law signed her up without her knowing about it.

Three respondents also highlighted the importance of **doing things together**. A male respondent shared that he was going through a very difficult time and at his request to help a neighbour invited him to join her SG. While on the one hand, this could signal a lack or decrease of direct mutual support between neighbours, this is also an indication that people are willing and happy to share projects that are working for them with those that are most in need. Mutual support might therefore change form from a more individualised form of reciprocity to one that is a bit more structured and works through groups. In addition, one respondent said that people in rural communities are jealous when they see someone developing and doing far better than them. It is therefore key to be able to develop together through groups so that both individuals and groups are developing at the same time. One female respondent said that she wanted to both save and do something with "mothers", showing the overlap of the economic and social aspects of these groups. This respondent said that the group opened her mind, pointing out a very important aspect of **sharing advice and information** among group members. Lastly, another female respondent pointed out the connection between social and economic, saying that groups are a **collective effort towards saving**. Being in a group is, therefore, an important social mechanism to achieve the economic goal of saving.

"We didn't have SaveAct in this area, but I have heard about it in other areas. Nosakhele came back talking about SaveAct and she explained how it works. She spread the word, we came together and called Simbo and she taught us. That's how it started." (02, female)

"I saw people joining. When I saw people joining it, I did not feel alright with it. Someone convinced me and explained everything. When I had joined it opened my eyes and it was nice and the interest is little." (212, female)

"Obviously I was scared because you never know what might happen, but now I'm no longer worried" (211, female)

"I was sick for a very long time...and when I came back at home, I saw that I didn't have money. Then I went to this mother, when I came to this mother and I asked her to borrow me money that is R500. She borrowed me. She told me that I should join, saying that if I join when I need money I will be able to borrow it. I joined and I saw that this is working." (223, male)

"When I looked [at] it, I thought it would be a great way to save money because if you try and save on your own you lack self-discipline, whereas when you save as a group you discipline yourself because it is a collective effort, so it encourages you" (105, female)

6.1.2 Economic mechanisms: commitment saving and making money work

Once people were explained the SG methodology, economic reasoning also guided their decisions to join. As previously indicated, this type of reasoning might have been less articulate at the time of joining compared to the time of this study. However, these types of mechanisms show what kind of material expectations people had when they joined their first group, even if they were not entirely sure of whether the methodology was really going to deliver such results. Members talked about being motivated by the possibility of improving their money management strategies and also by the possibility of using their money to their advantage.

In terms of money management, members recalled finding attractive the **possibility to save**. This perspective had quite a few different nuances. For instance, a female respondent said that she wanted to save and later she could see that this method was working, once she could afford to buy things with her first share-out. Another female respondent talked about the difficulty of saving and how the SG methodology helped her to commit to regular savings, even if small. This is something that comes from being part of a group with regularly scheduled meetings. Once there is a **commitment to save**, members also become more responsible with their money, instead of spending everything at once. It is important here to underline that often the SaveAct training and support from its field staff were mentioned as specific triggers in changing people's perception of what they could do and of their possibilities.

In this sense, we could say that the programme training does achieve the first level of outcomes (O₁) in motivating people to join, and it does this by triggering a change in people's reasoning: from a pattern of impulsive spending without a particular attitude towards saving to seeing a possibility to save and accumulate money. One male respondent said that he was convinced and given hope by SaveAct's presentation. The training and support were highly valued and at times compared to the lack of such support and motivation from banks that did not go out to rural areas to train people. While the training is an input that changes the context and not *per se* a mechanism, it is relevant here to see how people's reasoning could relevantly change because of it.

"I used to spend all my money when I received it, but with this system I was forced to save a bit each month" (211, female)

"It was the presentation made by the Save Act people who came to us. That presentation was wonderful and we could see that we could go somewhere because of that presentation". (115, male)

"Tebogo came and informed us. People came and educated us about saving at Save Act, how you can save even if it is R100, whatever amount you can afford then at the end of the year you get your money to do things that you want to do like taking your kids to school and stuff like that" (103, female)

People felt that the other attractive feature of the model was the possibility of making their money grow. This concept also took on several connotations. As the quote in the previous paragraph shows, people highly valued the idea of **accumulating money and earning while saving**. In particular, people were attracted by the potential of gaining interest that they would have not been able to earn from other services like commercial banks. Accumulation of funds is achieved through the possibility of saving and borrowing at the same time. This is another feature that people found attractive and that is rarely available from formal financial providers, especially for those who are not formally employed. Being able to support each other by pooling savings and taking loans from the common pool represents a mindset of "give and take" based on values of reciprocity and mutual support (Johnson, 2015). These values are part of a "relational repertoire" that are normally far away from the values that are put forward by the formal financial sector (Johnson, 2016).

In addition, the SG loans seemed extremely attractive to people because of the **low interest rate** of 10% that was often compared to that of other informal financial services. Also, considering that often people were resorting to loans anyway, the possibility of cheaper loans and accumulating money at the same time must have seemed like a win-win situation for all the members of SGs. The perspective of being able to borrow at a reasonable interest rate also contributed to changing people's mindset. For some, this meant the possibility of solving their financial problems. A respondent said that she was sinking in debt and she was hoping to get out of external debt with loans sharks. For others, the possibility of taking cheap loans meant a change in how they were managing their expenses. One respondent saw the big potential of buying items in cash rather than instalments. The story from this

female respondent shows that through SG loans people could shift from a type of credit (i.e. buying things in instalment) to another that had better terms for them.

Lastly, one respondent underlined the importance of **ownership**, since in the SG they could now borrow their own money. She compared how they used to borrow from a company in town where they did not receive anything in return with the SG where they were making interest for themselves when they borrowed money. The SGs methodology motivated people to find ways to make money work for themselves, rather than for others.

"I don't remember well the presentation but more on the idea of how we could make money. The interest it accumulates after a year, comparing those interests with the interest of the bank, we realized that here we can make more than what the bank gives us at the end of the year. Like if you invest with the bank for a year, you cannot get the percentage that you get here." (115, male)

"I joined the group because of the low interest rates because I was sinking in debt. There was a huge difference between R10 and R50 interest so I thought here at Save Act I would manage." (114, female)

"We would take things from them (the people who were selling goods around) on credit, we take the things and don't have money to pay them, so we would pay them in small portions, we couldn't pay them fully on cash, Save Act made things easy for us." (108, female)

"We started in 2012 if I am not mistaken. There was something that borrowed people money called Marralle, it used to borrow people money and they would not receive anything in return. That means that I am working for them. It's better to do our own Marralle. So we decided to join SaveAct, what I love about SaveAct is that you are borrowing your own money and you are making interest for yourself. There you don't get anything in return." (01, female)

"I was hoping to resolve all my financial problems and get interest on my money at the end of the year." (206, female)

"Yes, there are places in town but it's a loan shark. In town it's 30% interest and you can go and borrow R500 and you pay R150. And when you pay this R650, you don't get anything in return. But here at SaveAct, I can borrow R500 and the interest rate is 10%. I will have to pay back R550. When you return it you can bring it step by step. Maybe next month I got R150 and I am owing R550 to the group, so I pay the interest and halve my loan with R100. The loan is decreasing and also the interest. At the end of the year, I am going to get something. So in town you don't get anything." (207, female)

6.1.3 Juggling money and smoothing income sources

SG members interviewed for this research had been part of SGs for five to ten years. Some of them have joined a second or more groups over time. For these people, three main mechanisms stood out. First, having seen the benefits from their initial group, members saw the **accumulation potential of joining multiple groups**. Clearly, in order to do this, members also need to be able to afford to save in multiple groups. In other cases, members can also decide to add names within their own group if this is allowed. One male respondent, a successful entrepreneur, owned three names in the same group and said he did not see the point in taking his money to the bank since there is nothing that he can earn from it. He preferred saving R1500 per month in his SG and earning interest on a bigger amount than when he saved R500 during his first year. Secondly, having multiple SGs is at times a strategy to **smooth income throughout the year**. Several respondents mentioned that they joined a second group with a different share-out month. In this way, they know that they will be getting a share-out twice in a year and they can plan for expenses accordingly. For instance, members can ensure that they have income coming in December which would be very useful for Christmas expenses and for the beginning of the school year, as well as in April when some celebrate Easter festivities and the children are on school holiday.

Third, being part of multiple groups also allows members to **juggle money in between groups**. For instance, they might take a loan from one group to repay the one in another group, especially when their share-out time is approaching, in order to ensure that they receive their share-out money. Being in multiple groups can operate as extra insurance against emergencies, giving members more options to access credit. While there is a general perception that juggling money signals struggling and over-indebtedness, research has shown that in some contexts, especially rural, it can actually be a sound strategy for households to manage money and uncertainty, either by accessing products from different financial institutions or a variety of products from the same institution (Wampfler, Bouquet, & Ralison, 2013). Using more products can help with planning the best timing for credit and repayment. This is the case with SGs as well. Members can plan for their expenses better by knowing

"I started by joining the first group and then I joined the second group the following year... I wanted to get more interest after recognizing the first group was helping me." (206, female)

"It's because in April you would receive money. We know that we are going to do a share-out in April and in September. You can borrow money from September group because you know that you have another group, and borrow from another group to repay in another." (207, female)

"I needed money at different times since the groups have different share-out months but now I dropped one group and I am only part of two ... if I have an outstanding loan in group one and the share-out is very close I can borrow from group two so I can get my full share-out and afterwards pay back what I borrowed from group two and continue saving." (211, female)

that they will receive a lump-sum at multiple times along the year. As already seen, being part of SGs motivates people to save, so the more groups they are part of, the more people will be able to save.

6.2 O 2 - Members stay: increased savings and access to credit

Once people have become members of SGs, their next decision would be to remain in their groups and use the services. This can at times automatically increase the level of savings and access to credit for members (O2), especially if they were not used to regularly saving money before and were accessing loans from formal or informal providers. There might also be more conscious reasoning about increasing contributions and levels of borrowing. One way in which SG members save more is by joining additional groups or adding names in their current groups, as shown in the previous section in O1. Another way is to simply buy more shares at the monthly meetings. These decisions are driven by several motivations. Some are similar to those highlighted for the decision to join a group and are a realisation and confirmation of people’s initial hopes. For instance, members might decide to increase their contribution because they have now seen that the methodology is working for them. In addition, there are new ways of reasoning that arise once the methodology is better understood and members learn how to best make use of this service.

6.2.1 Members increase their SG savings over time

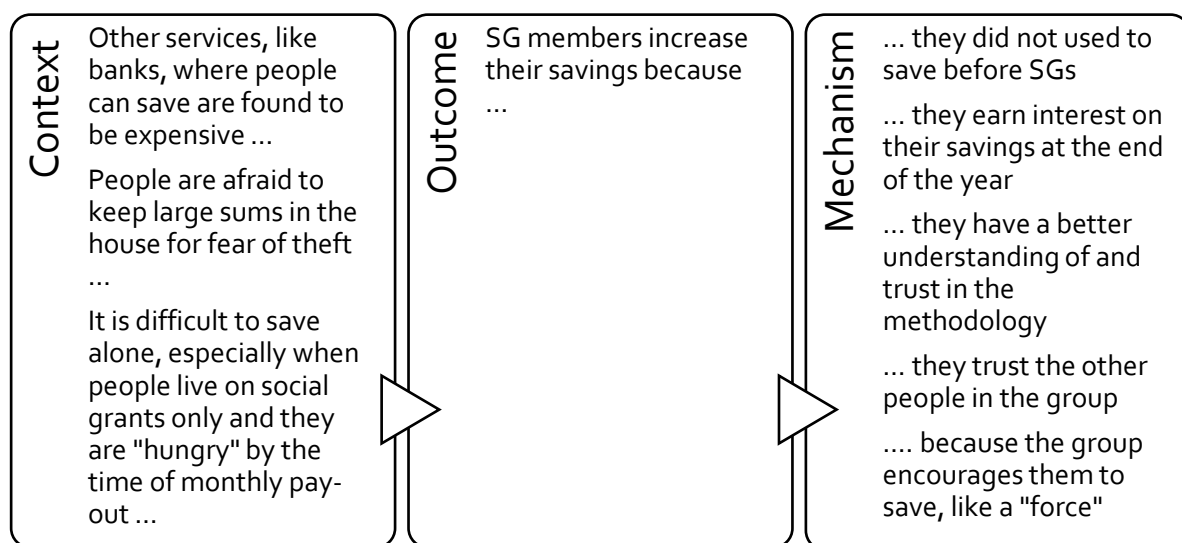


Figure 2: How members increase their SGs over time

6.2.1.1 Interest on savings, increased trust and motivation to save

A big shift in the way in which members participate in their SGs happens at the beginning of the second cycle. If the first cycle has ended positively and without problems for the group, members receive their end of year share-out that comprises the money they have deposited in their SG over a year and a proportion of the interest that the group has accumulated through loans. This normally leads them to renew their membership with even more commitment to save. This moment is key for two reasons. First, members experience that the model is working for them as they earn interest at the end of the year. Section O1 showed that people joined SGs with the hope of making their money grow. The share-out is the evidence and realisation of that hope. Members mention **the interest that they gain on their savings** with SaveAct and how they do not earn any interest by putting money in a bank account. This renews their commitment to save in their group and increase their monthly goal, something that does not happen in relation to their bank account. They view their SGs as a way to invest their money, rather than just putting money in a safe place. On the other hand, the bank account might be seen as safe but also unproductive, thus leading people to save in the bank either nothing or whatever is “left over” and that can be withdrawn in case of emergencies. In addition, the decision to save more in their SG also comes from the high bank charges that discourage people from putting their money in the bank. Rather than a reciprocal relationship of giving and taking, the one with the bank is often a hierarchical relationship based on giving only (Johnson, 2016). People often do not experience any reciprocation in the form of a loan, and, in addition, they see their money reduced by charges.

Secondly, experiencing that the methodology is working increases members’ **trust in their group**. A couple of respondents discussed very clearly the importance of gaining **trust in the methodology** and in the group itself in order for this to happen. Members said that the fears and scepticism that they had at the beginning disappeared. This shows that when people joined with some scepticism, they needed time to develop trust in their groups and SaveAct. This is especially the case when people have been victims of frauds or have heard about them. Once members feel safer and see that they get a return on their money at the end of the cycle, they are ready to start with renewed aspirations and goals. These often take the form of an increased level of savings and several respondents mentioned that they started saving more than the R100 they saved in their first cycle. One male respondent said at first he was participating in his group “for the sake of doing it”, without exactly knowing how it was going to work out, but at the end of the first cycle, he started to believe in it. Trust is built by positive experiences and an increased understanding of the methodology.

In addition, members mentioned that they decided to increase their levels of saving with their SGs because **groups work like “a force”**. This meant that groups forced them to save and in doing so helped them. One respondent clearly stated that it is not possible to save alone, confirming one of the reasons that lead people to join SGs in the first place. This finding is not specific of rural South Africa. In Western Kenya, many ROSCAs’ users simply said that “you can’t save alone” (Gugerty,

2007). Moreover, some members said that **they did not save before** being part of a SG as they did not know how to save and where to save. Thus, starting regular monthly contributions automatically increased their level of savings.

This analysis shows that often what pushes people to increase their level of savings is the actualisation of their initial hopes and expectations. However, the increased level of savings that members show in subsequent years can also be a result of members now being more financially stable and secure. For instance, one respondent who increased his level of savings from R500 to R1500 over 5 years had been investing in enterprise development since the beginning of his journey with SaveAct SGs. By the time of this research, he owned four grass cutting machines and two kiosks. These were businesses that he gradually started, built up and was managing through the loans and share-outs from his group.

"Instead of keeping the money in the bank, I would rather keep it here ... because of the interest. I have noticed that the bank does not have the interest SaveAct has ... The way we run it, with SaveAct, if after every three months you take money you must pay it back in three months. It is a force but a force that helps you at the end of the day because it comes back to you. The percentage increases also at the end of the year. So if you get seventy nine percent of R6 000 you get a lot back."
(115, male)

"It is hard to save on your own." (116, female)

"The person who taught us, we understood the person, even when he stated "start this thing so we can see it". We started it and saw that this is going to be right, and that these people are trustworthy, then we started taking out money, and we always walked out with something and we made savings. Then we saw that this is going to be better." (108, female)

"Save Act helps a lot, as there is a lot of interest ... what annoys me about the bank is that it has high bank charges and they are a lot, this one is better. That one is just to save when I don't need the money ... At the bank I save money in case there are problems, at Save Act it's for me to grow my money to accumulate interest." (108, female)

"I was anxious about being part of it but Tebogo explained everything to us and we eased a little bit. Regardless we proceeded in the first year and had our share-out, still uncertain of what it may yield, it is only in the second year that we started feeling comfortable and started to believe and see it work ... When you start something from the beginning that no one has knowledge of or knows anything about, you are in the dark. So it is hard because you just do it for the sake of doing it. That's why I say it started feeling comfortable in the following year." (109, male)

"After we did the share-out, I saw this was truthful and the nervousness ended. And also people from SaveAct they would come gradually. And I saw that this is legit." (213, female)

6.2.2 Members have increased access to credit

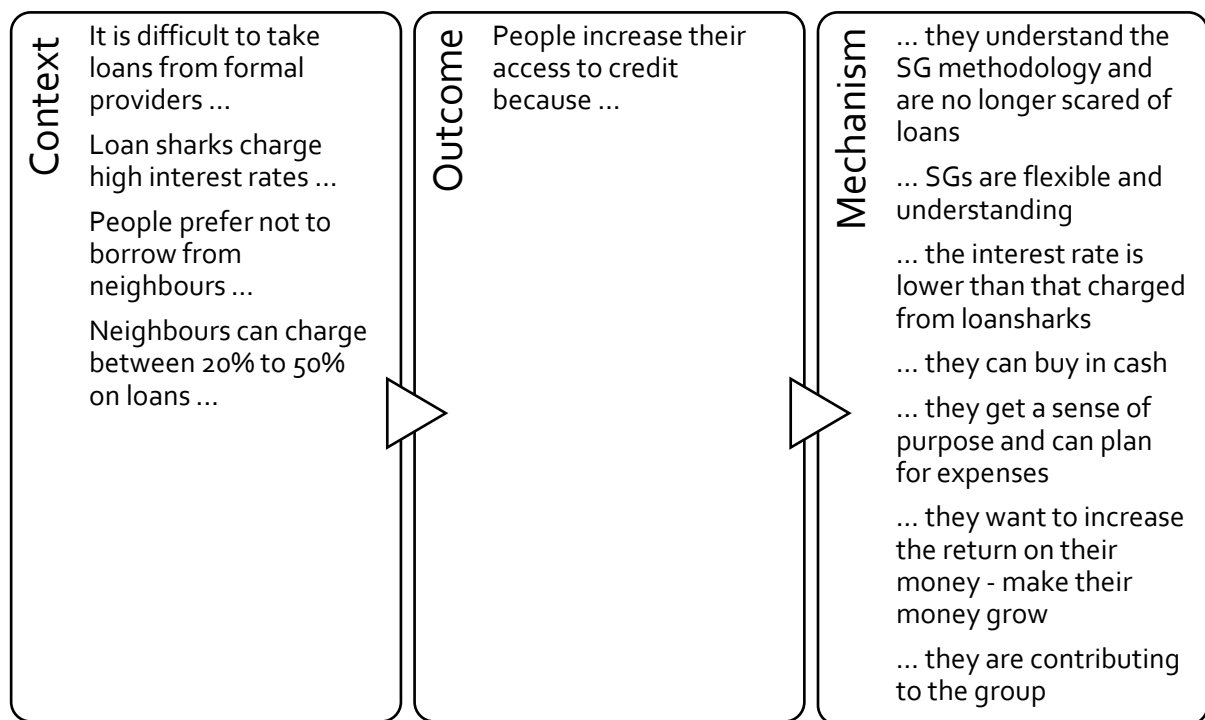


Figure 3: How members access credit

6.2.2.1 Make money grow and group development

Data show three main mechanisms that lead members to have increased access to credit. First, there is a category of SG members who did not take loans before joining a SG. For example, one person said that she was scared of loans before joining her group. Many respondents are familiar with the ways loan sharks operate and most of them have either had a bad experience themselves or heard of someone else's bad experience. A fear of loans is therefore not surprising. However, their stories also show that when the rules of borrowing are explained during the training and they are transparent and within a safe place, borrowing becomes possible. **Learning, understanding the methodology and safety** are therefore key for people to expand their financial strategies and increase their financial portfolios. Members said that their SGs can be more understanding towards members than loan sharks. If someone is late with their repayment, the group will try to understand the problem and accommodate a different repayment agreement. **SGs show more flexibility and understanding** compared to other informal or formal credit options and this can increase people's access to credit.

Nevertheless, this is not to say that borrowing should be promoted at the expense of saving. In fact, as another respondent clearly stated, the strength of the SG methodology is that she can both save and borrow at the same time. In this way she is benefitting from the process. She is no longer borrowing from loan sharks and she is only using her group. It is also important to note here that

some SG members have expressed that they prefer to not borrow from neighbours. Some said that borrowing from neighbours is difficult because they are at the same level, while others mentioned that loans from neighbours come with very high interest rates.

Secondly, a very attractive feature of SGs loans is the **low interest rate** when compared with other informal sources of borrowing. This triggers two consequences. First, SG members start seeing the value in **buying assets in cash** rather than instalments. Based on the availability of credit through their SGs, members prefer taking a loan and pay for the items in cash, thus saving on the interest rate that they would have had to pay if they bought on lay-by. This would have been a type of credit without return for them, unlike the credit that they establish with their groups, where the interest rate that they pay comes back to them at the end of the cycle. Second, SGs members said that taking loans gives them **purpose**. They tend to **plan for a loan** so that the money they borrow is aimed at a specific expense. This tends to be **something tangible** as SG members want to see where their money goes. One respondent mentioned that she prefers planning for an expense and taking a loan, rather than withdrawing from the bank in order to buy the same item. Although she did not explain further about the different types of strategies, we can assume that while withdrawing from the bank can be seen as a loss as it reduces the level of savings, taking a loan can be seen as a motivation to “work harder” in order to repay the loan and add interest to the group and to their end-of-year share-out (Storchi and Rasulova, 2017), thus ultimately being an investment. The low interest rate, and the safety of the group setting, can create a new culture of investment in a context where people previously took loans more cautiously and mainly for emergencies, rather than for investment.

Lastly, as seen previously, making money grow is a key trigger for SG members to take loans. Members talk about wanting to **increase the interest and make money grow**, thus confirming the idea that SGs are seen as a place to invest money, rather than just putting some money aside. Some groups have now included in their constitutions, or so they have said, the rule that loans must be taken every three months in order to increase the accumulation of interest. This could result in a controversial and unintended result of the SG methodology as members end up taking loans without having any need for it. A respondent said that she takes a loan even without needing it, repaying the interest for two months and then taking back the capital in the third month. I have not heard any complaint about this practice by the SG members involved and they all seemed quite clear that this was the rule and that they did not feel forced to take loans. It was simply seen as the best way for them and the group to accumulate money. Meanwhile, it must be said that such a practice could prevent poorer people from joining such groups, as they might not be able to afford to pay the interest for loans that they do not actually need. At the same time, it was noted that although there was a lot of focus on individual gains, one respondent mentioned that by paying the interest on loans she felt as if she was **contributing to the group**, thus suggesting that there is also a perspective on collective improvement.

6.3 O 3 – Use of loans and share-out money

This study broke down outcomes in different stages (Figure 6). It argued that before looking at impact, it is important to understand the underlying mechanisms that make a programme work or not, for whom and under what circumstances. With SGs programmes, it is therefore key to understand why people would join such groups and use their services for savings and borrowing. The last stage of outputs looks at how SG members decide to use their share-out money and loans. Data analysis has revealed that SG members in both the locations of this study use their funds in similar ways. The main use of both loans and share-out money is for home renovation or construction. Beyond this, SG members also use their funds to pay for school fees and other education expenses and to start or run small businesses. Data also shows that SG funds are important in case of emergencies and they are used as an additional source of income that can be juggled and stretched through time. In addition, there is a general understanding that share-out money is a lump-sum free of interest that can be used for bigger investments but also enjoyed. For instance, grandmothers often use some of it to buy treats, clothes and Christmas gifts for their grandchildren. More rarely, share-out money is used for bigger expenses such as initiation ceremonies for boys and personal development courses (e.g. driver's licence). The sections below show the five main uses of loans and share-out money and the underlying mechanisms that trigger such usage.

"In certain cases some come and explain that they are facing a problem and try and gather the money and pay it in small amounts. With some people we can see that they are not doing it on purpose, there are just some problems that they are facing than we leave them in the group and then they pay bit by bit." (108, female).

"I take loans from Save Act. I no longer use loan sharks since Save Act started in 2013. We joined in 2013 as group two. It has been better since then because now you can both borrow and save so that you can also benefit. I no longer need to borrow from loan sharks, I use my group and repay that." (114, female)

"Yes, they say take the money, if you don't take it who is going to help you accumulate interest, if you don't make money ... I am happy because it's going to make me money ... I don't feel forced, it's my will, because we want our money to have interest." (108, female)

"We have made it something like a constitution. They know it, even when you join they know that this is how we work, take it or leave it. Because you cannot not take out money while we take out money and when we share you get the same percentage at the end of year, it is not fair." (115, male)

"You have to take out loans so that we will get interest. You wouldn't just save and not borrow any money." (207, female)

"I like to borrow from SaveAct because I know, when I am taking a loan here I can buy something that I can point. When I am returning the money, I know that there is something I did with the money." (207, female)

6.3.1 Members mainly invest their share-out money in renovating and constructing their houses

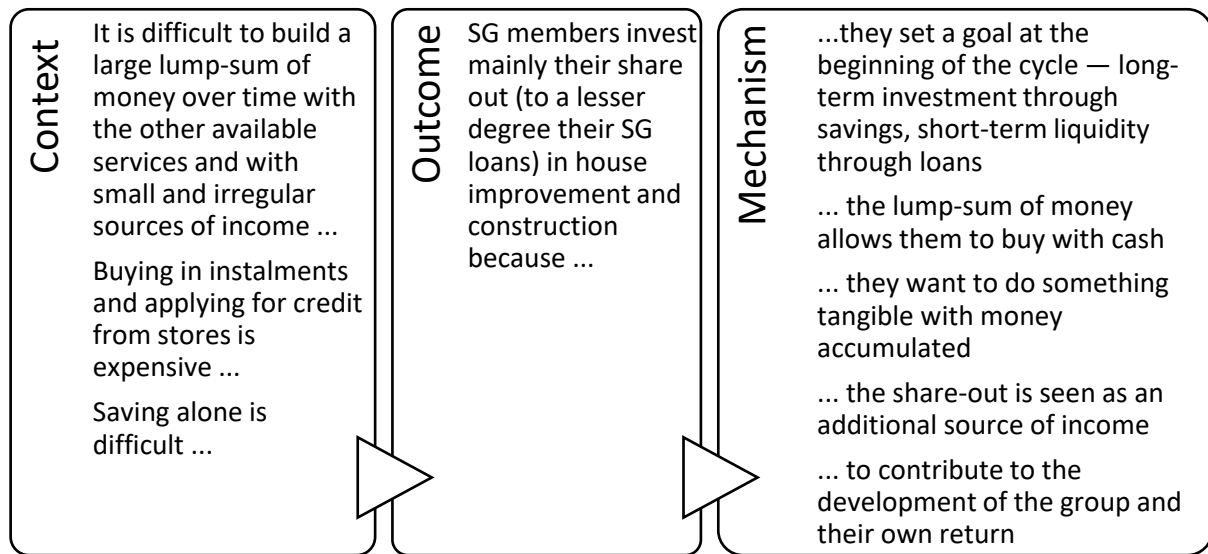


Figure 4: Members invest processes

Members mainly used their share-out money for household investments. These went from construction of new houses or additional rooms to renovation of existing houses. SG members talked about fixing their roofs, adding tiles, building outside pavements, fencing and buying water tanks and furniture for the house. Over the years, SG members bought beds, couches, wardrobes, doors and windows, TVs, fridges, microwaves and washing machines. While some SG members said that they did not save seriously during their first cycle as they were testing the methodology, once they understood it better they also started setting yearly goals for their savings and investments. This mechanism requires particular attention because for many SG members it was something new. They are now setting goals because they know they will be able to save in a regular and committed way, while also being covered in case of emergencies. With small and often irregular income sources, **setting yearly goals** is difficult to even conceive, let alone put into practice when there are no suitable services for people to put money aside in a regular way. Moreover, the key difference between SGs and other saving instruments that require a commitment is that SGs also meet the need for **short-term liquidity through loans** without touching the saved capital. The availability of meeting both needs— longer-term investment and short-term liquidity—shifts people’s reasoning, from seeing credit as the main source for bigger investments (e.g. through instalments and lay-by), when possible, to now seeing **savings as the main way to finance bigger, longer-term investment**. This is particularly important in a society where levels of debt are strikingly high.

The possibility of simultaneous committed savings and availability of credit leads SGs members to **plan ahead and budget for big household investments** that they might need. This creates two further mechanisms: first, SG members switch **from credit to cash**. They see the value of buying in

cash, thus reducing the costs of their purchase. SG members said that before they used to apply for credit at stores and buy items in instalments. Now they are able to plan, budget and wait. This shows that poorer people are not financially irresponsible or uneducated. When given the right services, they are able to make appropriate financial choices. Second, saving throughout the year with a goal makes members seriously committed to improving their household situation through **something tangible**. They feel that they want to see where their money goes so that it is not “eaten”. It is not rare for SG members to point out items in their household and say that they bought them with SaveAct money. In this regard, one respondent said *“We used to meet there [someone else’s house] but now, we meet here. This is my house but I did it with SaveAct”* (207, female).

In these narratives, SaveAct becomes a synonym for support and joint effort, as if SG members were supported by a bigger, separate entity (that in fact is their group) throughout their process of saving, borrowing and investing. There is a sense that SG members and their households are improving on an individual basis but that this improvement could not have been achieved alone. In order to explain this sense of **collective effort and external support**, members point out how such investments would have not been possible by saving at the bank, because the bank would not support them in case of an emergency and they would need to withdraw from their savings instead. At the same time, once they buy something with their share-out money, this becomes something that they bought with “SaveAct money” rather than with the money that they have saved in their group. This makes the **share-out money as an additional category of income** that is perceived as something collectively created. It is a lump-sum that is spoken of as a separate and additional source of income, even if it is in practice created through their monthly efforts.

Lastly, and to a smaller extent, respondents use SG loans for home improvements and construction. For instance, they use loans to buy building materials and pay for labour. This can be a strategy to buy building material cheaply with cash and then repay the loans in instalments and with a small interest rate over time. In some cases, SG members take loans for improving their houses also in order to contribute to their **group’s development and their own return** at the end of the year. However, as discussed in the previous section, continuous loans are not encouraged by SaveAct methodology, nor are they part of it. This is an organic development of the original methodology. Since the interest rate is low, and members know that the higher the interest paid during the year the higher their end-of-year return, they take loans for smaller household investments that they could finance through other sources of money. This, however, is rather an unintended development of the methodology and, as previously suggested, might prevent poorer people from joining well-established groups.

"It is important because we joined SaveAct with homes that needed to be renovated, so when you receive a significant amount of money that you can use to buy for cash it only makes sense to buy things for building/renovating instead of paying in instalments." (103, female)

"We then decided that we were going to budget for the whole year, he [her son] is going to save and myself. We did not do any credit in stores like we always do. We paid in cash for our things. We bought 42 zinc sheets for the roof, each cost R256." (212, female)

"Because you already knew about these things, and when you receive a share-out you must do something with the money." (207, female)

"No, it was going to be difficult because I knew if I was saving at the bank, I would have used the money if I encounter problems requiring money along the way." (206, female)

"Q: Why don't you use the grant money to buy the fridge instead of going through the savings group?
A: R1600 from the grant will not be enough, it is impossible. Q: R1600 saved at Capitec for 3 months should cover the cost. A: Then what will we eat during that time?" (104, female)

"At SaveAct they encourage loans right, so I loaned then would repay it with my CWP salary so that I do not rob others of their full amounts ... I am also human and I saw the need to do this" (105, female)

6.3.2 Members use loans and share-out money to pay for school fees and other school-related expenses

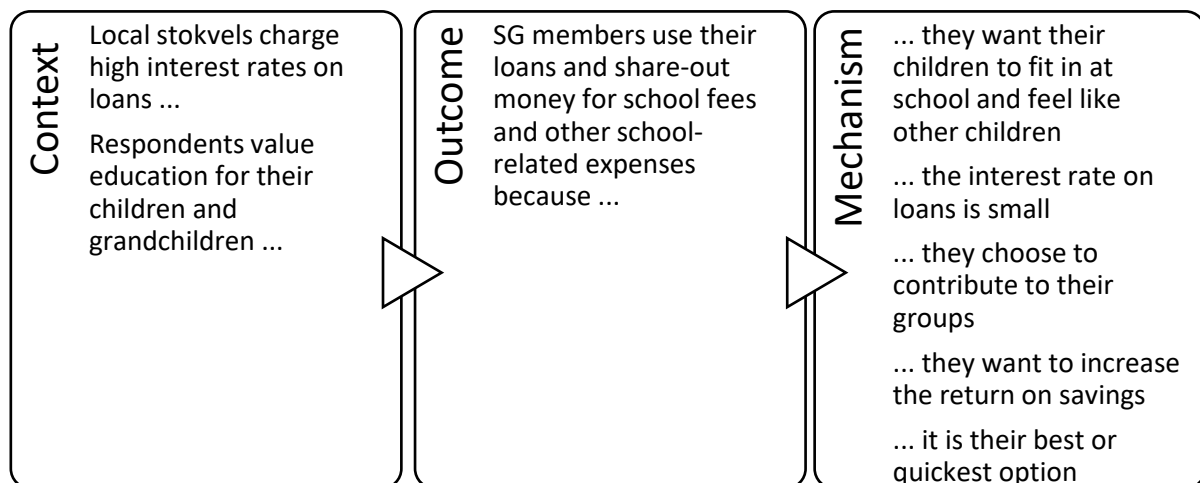


Figure 5: How members use loans and share-outs

Several SG respondents use part of their SG funds, either in the form of loans or share-out money, to pay for school-related expenses. These range from fees, uniforms, transport and school tours to rent and food for those children at university living far away. For some respondents, school expenses are a big part of household expenses. This is particularly the case in January, when children are going

back to school and there are school fees to be paid, and uniforms and other materials to be bought. One female respondent with five grandchildren said that she uses her January share-out to settle the school fees of the previous year and buy school materials for the new academic year. Similarly, some female respondents take loans from their SG to pay for monthly transportation at the beginning of each month. In some of these cases, the funds from their SGs are their best option to pay for school-related expenses. In fact, the January share-out is particularly suited for school fees, while loans from their SGs are cheaper than stokvel loans repaid at higher interest rates.

For other members, their decision to use SG funds for school-related expenses is based on the comparison with other possible sources of money. For instance, one respondent said that she could have asked her husband for the money but she preferred taking a loan from the group because she wanted to **bring interest to the group**. Another respondent said that she could have used the money from her spaza shop to buy her children's uniforms and stationery but she preferred to buy the items with a loan in order to **increase the return on her savings**. The mechanisms of making money work for themselves and for the group therefore also leads some members to take loans in situations where they could have found other money elsewhere. This is again connected to the fact that SG loans are cheaper than other loans and that the interest paid on loans goes back to the members.

Another respondent said that she took a loan from her SG because her children needed new school uniforms and she was still waiting for her husband to send her money. She had to make a quick plan and borrowed from her group to buy the uniforms. This was her **quickest and best option** in managing her flow of expenses and income sources. However, it is important to note here that the underlying mechanism was that of belonging and community. Her children were changing schools and they did not want to feel like "outcasts" by starting the new school with different uniforms. Another female respondent said that she could not even pay for transport for her daughter before SaveAct, but now she can save her share-out money and pay for transport, groceries and clothes for her daughter when she goes back to university. The underlying motives are often social mechanisms, and they are often universal. Parents and grandparents want their children and grandchildren to fit in, in the same way that they want to be accepted and have a good reputation in the communities where they live. Often these social and hidden mechanisms also guide people in their decisions of financial services, so that they present a combination of the most adequate economic and social features.

"I was waiting for the money from my husband but the children were crying for a new uniform. So I had to make a quick plan ... in January and they were changing the uniform. So they didn't want to feel like an outcast." (221, female)

"I could not even afford transport money to send her off but now at least I do not have to lend money from anyone. We have our share-out in December so I save that money and use it in January to send my child back to school. In January that is when you need money the most, so it helps me pay rent while waiting for NSFAS to assist. She gets transport money and grocery money so she also gets to feel like other children. I make her happy and buy her clothes." (105, female)

"A: I would have used other ways to get the money such as my spaza shop and selling vegetables but it is better to borrow at SaveAct. Q: Why did you decide to use loans whereas you can use other ways with no interest to be paid? A: It is because this little interest I am paying to SaveAct will come back to me at the end of the year." (206, female)

6.3.3 Members use loans to start and run their businesses

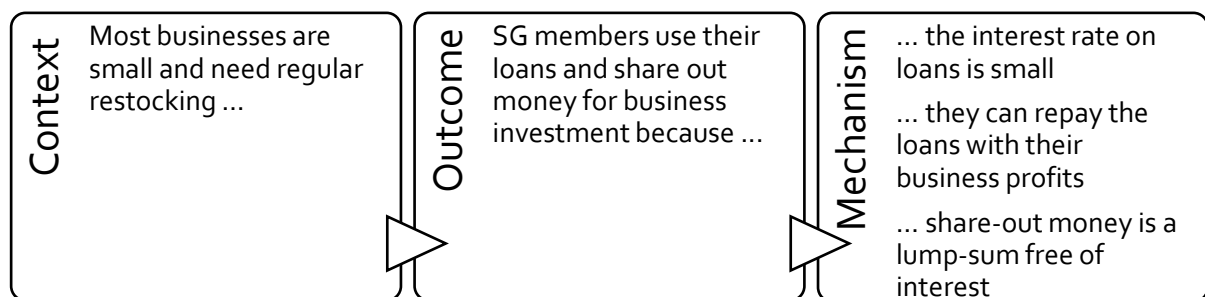


Figure 6: Use of loans to start and run businesses

Members use their SG loans and share-out money to run existing businesses and start new ones. These are mainly small spaza shops, growing chickens for sale or growing vegetables partly for sale. A male respondent clearly explains the reasoning behind his decision to use loans for restocking his business. He says that taking money from SaveAct needs to be with **a specific purpose** as it needs to be repaid and that by investing his loans in his productive activities, he was then able to use his **profits to repay the loans**. The option of taking loans for productive activities is also facilitated by the **low interest rate**, compared to other informal options. In fact, I have not heard of the option of taking loans from loan-sharks for investment in small businesses. Using SGs in this way is clearly a virtuous circle that can be used to make money grow: members can increase their business profits, repay their loans and save more money in their SGs thus increasing their end-of-year share-out. This was observed in previous research with SaveAct (Delany and Storchi, 2012).

There was only one case where a male respondent was said to have used his share-out money to start new businesses for a few consecutive years. He started two kiosks and bought four grass-cutting machines. However, among female respondents many said that they were selling chickens,

vegetables, piglets and other items such as Tupperware. These are ongoing businesses that can be seasonal, temporary and taken up at any time again. Perhaps because of the volatile nature of business, the majority of respondents did not mention using their SGs loans and share-out for running their businesses. However, some respondents mentioned that chicken and piglet feed was one of their main expenses and the reason why they temporarily stopped their businesses. It is therefore possible that more respondents make use of part of their loans and share-out money for small business investments that might have gone unnoticed because of their size.

Another explanation for the low rate of investment in business is that although both loans and share-out money can result in productive investments, such strategies have not flourished in South Africa when compared with other African countries, where the development of SGs has turned women into busy entrepreneurs (Storchi and Rasulova, 2017). In the areas of this research, most women have indeed continued to rely on social grants, income from their husbands and small gardens for household consumption. These differences are of course to be put into perspective, taking into account the scarce market opportunities, as well as the social security systems implemented by different governments.

"Yes I always plan for the money I take from SaveAct, I don't just take money for fun. For example, today we were here at this office, we had a meeting. I took some money that I need to take somewhere and use for that thing that will generate more money ... The profit that I make is the one that repays the loan, because I take money to buy stock so the profit I make repays my loan at Save Act." (115, male)

6.3.4 Members use loans and share-out money to deal with emergencies

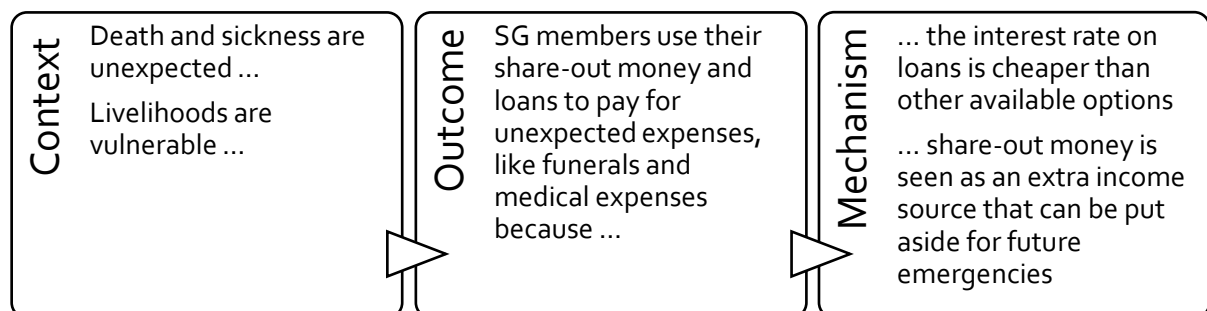


Figure 7: Use of loans and share-outs for emergencies

For SG members, loans and share-out money are important sources of cash at times of emergency. SG members mentioned funerals and sickness as the main unexpected expenses. One female respondent used her share-out money to buy food at a time when her husband was hospitalised and the household did not receive his income for three months. She had previously put her share-out money in the bank to be used in case of emergencies. Another female respondent had planned to use

her share-out money to fix the ceiling of her house but then ended up using the money for medication that she needed for herself. The **share-out money is considered to be an extra source of income**, it is a lump sum **that comes without interest**, unlike loans. At times SG members have not planned on how to use their share-out money and prefer to save all or part of it either in the house or in their bank account, to be used for unexpected expenses. For instance, one respondent said that she had kept some money from her share-out in her house and that she had to use it a few months later to pay for her daughter's funeral. Another respondent lost his uncle just after Christmas and decided to use some of the money left from his share-out to buy the livestock needed for the funeral. When SG members have money aside from their share-out, they will use this source of money to deal with emergencies without getting into debt.

However, there are cases where emergencies happen throughout the SG cycle and a member may not have access to a lump sum of money, like the share-out. In such cases, members prefer to take loans from their SG rather than outside sources because of the **smaller interest rate** charged by the SG. For instance, one respondent took a loan to contribute to his mother's funeral and a smaller loan to do a cleansing ceremony for her. Another respondent took a loan to participate in a funeral, as this often requires transport money and some sort of contribution in cash or food. In one case, a respondent mentioned taking a loan from her SG to repay a loan that she had previously taken from a neighbour when her brother passed away. Her brother was not covered by any burial societies and at the time she needed money quickly. Since her SG meeting was still far away, she decided to ask for a loan from a neighbour and then repay it with a SG loan. In her situation, the relationship she had with her neighbours was one of mutual support. She said that they often support each other and they do not repay the loan with interest. This was therefore her cheapest and quickest source of money, and it helped her to gain time so that she could then borrow from her SG at the time of their meeting.

This shows that it is not always possible to deal with emergencies with SG loans. However, at times, by being part of a SG, members can access support and loans outside their SG more easily. Research in Kenya has shown for example that SG members gain a good reputation and so it is easier for them to access credit from outside their group. In fact, having access to loans in their groups makes them safer clients for their external lenders (Storchi and Rasulova, 2017). Although respondents in this research did not elaborate it was quite evident how being part of a SG was seen positively with regard to accessing credit. Nevertheless, respondents expressed their difficulty in accessing credit outside their SGs at no interest rate. Loans from neighbours, friends and family often came with an interest rate that was higher than that of their SG and, at times, similar to that charged by a loan shark.

"I had planned to fix the ceilings in the other rooms but since I was sickly I decided to keep this money so it can help me with transport and medications." (220, female)

6.3.5 Members use loans and share-out money to juggle and stretch their money across several needs and services

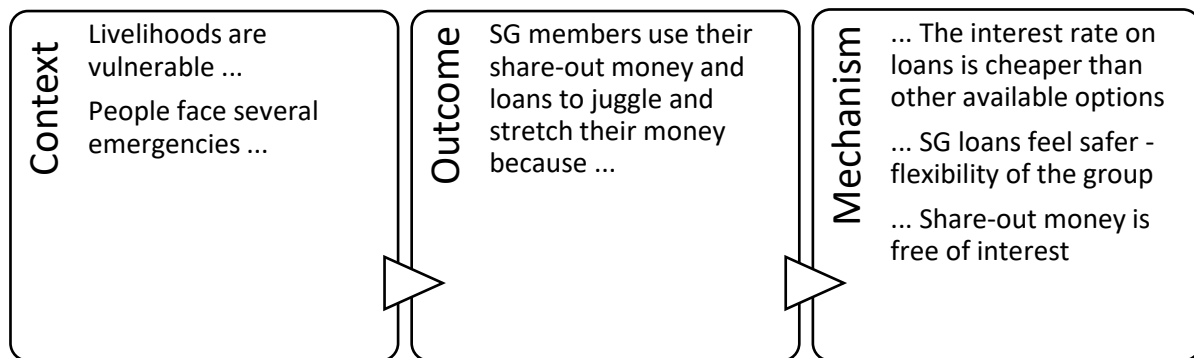


Figure 8: Use of loans and share-outs to meet needs

SG members take loans to juggle money in between groups, stretching the value of their money and at times buying time. They also use their share-out money to repay debts that they have accumulated in other SGs or in the community, and they help other family members repay their debts. One respondent used a loan from one SG to settle her debts in her other SG before share-out. Another respondent took a loan from her SG to pay for a church tour for three of her grandchildren. This event came unexpectedly and she decided to take a loan, despite it being close to share-out month. She then had to take a loan from a neighbour to settle her loan with the SG so that her group could share out on time. Finally, she used her share-out money to repay her neighbour without interest and also to settle debts that her daughter had accumulated. She felt that she had done nothing with her share-out money. However, she was able to send her grandchildren to the church tour and buy time by juggling her money in different informal services.

Although these practices might at first look like people are over-indebted and misusing their money, the vulnerability of their livelihoods often requires them to take risks and use multiple informal services to juggle and stretch their money over time. SG members know that at the end of the cycle they will receive a **lump sum of money that is free of interest** and can be used either for investments or emergencies, such as settling debts. At the same time, they feel safer taking loans from their SGs because the **interest rate is lower** than that charged from other sources and the **group dynamics are more flexible and safer** than other formal or informal sources of credit, such as loan sharks and, at times, neighbours. SGs can take their defaulting members to the local court but none of the respondents mentioned taking ID cards or assets from a member who was not able to repay a loan.

"I took from there [one of her SGs] to pay a loan so that I can replace the other loan. So that I don't go outside of the savings group to borrow money" (207, female)

"I took R3000 from September group to pay on this group that we are going to do a share-out next month" (207, female)

However, these experiences are also rare. Every mature group has had some negative experiences with one or two members who did not repay their loans and left the group. Nevertheless, with a committed group of members, SGs survive and improve over the years.

7. FINDINGS ON MECHANISMS FOR JOINING FOOD STOKVELS

Both SG members and non-SG members are part of food stokvels. These add to the informal financial services that people use to manage their money and expenses. Before exploring the mechanisms that underlie people's decision to join and create these groups, I will briefly describe how they generally operate. In this research, I have encountered two different types of food stokvels: one targets general groceries, such as flour, tinned food, rice and so on, while the other focuses specifically on meat and cheese. These food items are more expensive compared to staple food and people highly value not running out on them, especially during special occasions such as Christmas holidays. The majority of these groups save once a month between R100 and R200 for the grocery stokvel and between R60 and R100 for the meat and cheese stokvel. The majority of these groups buy groceries once a year in December before the Christmas holidays. Only one group chose to buy twice a year in December and in June. During these months, children come back home for school holidays and households need more food. One respondent said that in this way they prevent food from going rotten and being wasted as they buy in smaller quantities: *"When you buy many flours, they will get rotten. Ever since you have been saving for grocery, it is better to buy when the schools are closed in June because children are coming back and they have to eat. And when they come back in December and there is food."* (207, female). Most women are part of food stokvels and only women with small households think that a food stokvel is not useful as they do not need much food.

During the year, most food stokvels lend the money that they have been saving either to their members or to people outside of their group. Group rules vary quite a bit. Some groups charge 10% interest rate to their members and 30% to people from outside. Other groups charge 30% to both members and outsiders. On one occasion, a respondent said that their stokvel charges 50% interest on loans. Members say that it is through loans that they increase the money that they use at the end of the year to buy food. Most groups do not put their money in a bank account as it is mostly loaned out throughout the year, showing that there is a need for small loans in rural communities. Interestingly, there is a mixed view in terms of loan sharks and groups as explained in the Context section above. Even if the interest rate charged is the same, groups are not considered to be loan sharks. Stokvel members also said that they mostly lend money to people in the community that they know and trust that they will repay. In most groups, a member needs to guarantee for external loans and if these are not repaid, then it is up to the guarantor to repay the loan by December.

Some members have had bad experiences with external loans and they are no longer willing to lend to outsiders. One member said she struggled to repay a loan on behalf of the person who borrowed and therefore delayed the whole group: *"I was very hurt because I delayed others and they were very patient with me and they didn't buy on time."* (02, female). In this research, only one unmarried male respondent was part of a food stokvel. This shows that the responsibility for putting food on the table is a woman's responsibility even if in doing so she might be using her husband's income. In the next section, I will present in more detail the underlying mechanisms that lead people to join.

7.1 Community members join food stokvels

In this section, I will describe the main mechanisms that lead people to join food stokvels. These were similar for SG members and non-SG members, with the exception of non-members wanting to join specifically for their children to be like and eat like others within the community. Mechanisms for joining food stokvels, similarly to those for joining SGs, are both economic and social.

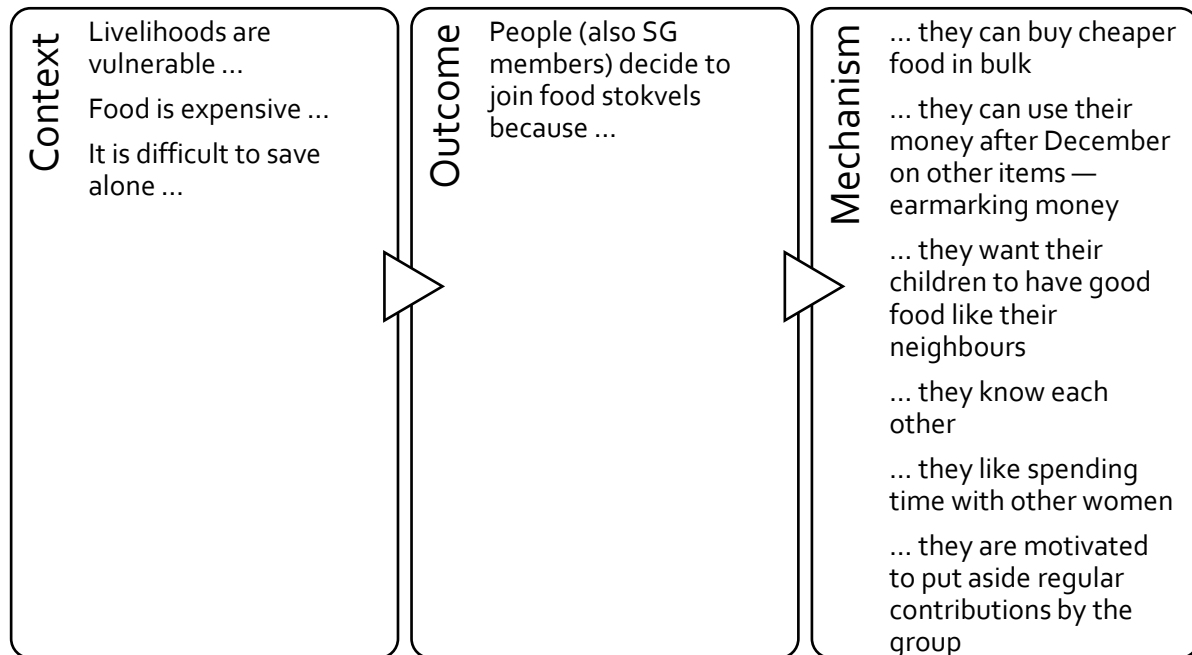


Figure 9: Mechanisms for joining food stokvels

7.1.1 Economic mechanisms: bulk buying and freeing up money for other expenses

The main mechanism respondents mentioned was related to their ability to **buy food in bulk** with the group and **at cheaper prices**. During the Christmas holidays, families come together and there is often a shortage of food. Similarly, respondents said that food at times ran out before the end of the month. The advantage of buying in bulk is that food is cheaper and can last for several months, thus taking away the pressure from their monthly budget and expenditures. Of course in order to achieve this, members commit themselves to save a fixed amount of money every month, thus adding an expense to their monthly budgets. This however does not seem to add pressure to their financial strategies and they see it as beneficial in the long term.

In fact, once they have enough food to last for a few months, respondents said they can **focus on other expenses**. In January, families can better sustain educational expenses for their children going back to school or simply divert the freed-up monthly income into a different expense. One

respondent said she needed to change her phone and she did that once she knew she had enough food for her family and some additional money became available. Respondents across sites mentioned food as the main household expense, especially during Christmas time and other school holidays when children and grandchildren are back home. By committing some money for food every month through a group, many felt that they had managed the issue of having enough food for Christmas and at the same time they could use the money that would normally be allocated to food for different investments in the first few months of the year.

7.1.2 Social mechanisms: social networks, group motivation and shame

Respondents (non-SG members) mentioned that they joined because they wanted their children to be like others in the community and to eat nice things like their neighbours. Ultimately, this is triggered by the desire of **belonging and fitting into a community**, rather than being considered poor and looked down upon. This mechanism also triggers women to take SG loans and use their share-out money for their children's school expenses. The needs of belonging and fitting into a community are very important and global social mechanisms, taking different features based on the context, and highly connected with avoiding the shame of being seen and considered poor. It is important to note in this research that none of the SG members felt they needed to join a food stokvel to improve their nutrition or eat like their neighbours. The social mechanism of wanting children to be like others in the community and the stories of poverty related to that might indicate a lower socio-economic status of non-SG members compared to the SG members in this research. On the other hand, SG members appreciated the fact that they could buy in bulk and at cheaper prices, thus freeing up other sources of money. In addition, SG members were very clear in wanting to do something tangible with their share-out money and buying food is not something they like to do with that money.

Similar to mechanisms for joining SGs, people mentioned their **social networks** as being very important in their decision to join. In some cases, respondents went to ask a particular group if they could join or they were recruited directly from groups that knew they were struggling financially. In all these cases, respondents said that they knew each other in the group as they were either family members or neighbours. Some women joined because **they value the time they spend with other women** from the community, thus showing the importance of friendships and advice that can develop in these settings. This also confirms that food stokvels are specifically a place for women, even when money for contributions comes from their husbands. Lastly, and similar to other group settings like SGs, women join food stokvels because of the **motivation that comes from being part of a group**. Regular meetings, peer pressure and reputation are enough to make women commit to putting aside a specific amount of money for a future purchase.

"I was poverty stricken, so I wanted my children to be the same as other children. I used to make blocks for people, [and do] ploughing in people's gardens and clean for them. So that my children can have a nice home in December.... In the village, when you are poor, they look down on you. So when they are busy with their stokvels and savings you cannot join because you are broke. When they go buy they show off and you cannot ask for anything because they have saved for a year, so I decided to do small jobs here so that I can also join these groups for my children. Come December my children are also pushing a wheelbarrow full of groceries." (431, female)

"I saw it as a better way of budgeting for food, when you buy Christmas food, come month end maize meal is already finished, rice is finished so with this one you are sorted. You can close the gaps in between." (319, female)

"When you are saving as a group it gives that courage, forces you. When you save on your own, you can maybe take that R200 for something else." (425, female)

There was one respondent who was particularly disciplined and, after leaving her food stokvel, has been saving with her husband. They were new in the area and she did not feel she knew local groups enough to join one. In addition, since they were focusing their efforts on finishing their house, she did not feel it was a good time to join a new group. However, she would buy food stamps every month at the grocery store in town, as a way of putting aside money for future purchases, thus showing discipline and commitment even outside a group setting. This shows that saving alone or within the family is not impossible, although it remains a lot more difficult.

"The group started in 2012, I joined it in 2013 or 2014 while it was already established. I saw that it was helping out on grocery as you get a lot of grocery and it lasts for months for example the tinned food. You can then quickly consume those that do not last. In January we focus on uniform and schools fees ... We saw that we should join together as women and do this thing" (108, female)

"In December, everyone comes back and we have a big family. Sometimes you find that you were not able to save money. So you find that the food helps a lot in December and in January you do not spend a lot of money on food, you know you spend money on school stuff." (332, female)

"What I am going to say. I would say it takes 2-3 months without buying food after December and you can focus on other things." (425, female)

"I joined because I knew people from this stokvel, they came to me because they were aware of my struggles." (318, female)

"I was tired of struggling and not having food in December because my husband was unable to give me money ... I joined mainly for my children, they see from other households how they eat nice things like ice cream and meat. So I also wanted the same for my children." (318, female)

8. FINDINGS ON MECHANISMS FOR JOINING BURIAL SOCIETIES

The majority of respondents were part of one or multiple burial societies. This was the case for both SG members and non-SG members. The length of membership varied: some respondents had recently joined while others had been in burial societies for over ten years. This really depended on family circumstances, the age of respondents and availability of services. Respondents were part of burial societies in their local area, burial societies with offices in Matatiele town, insurance schemes and funeral plans from banks. Women were more often members of local burial societies, while their husbands, especially those with formal employment or pension grants, tended to have funeral schemes at formal financial institutions. However, this was not always the case. Thus, although there is a gender pattern in the use of burial societies and funeral schemes, this is not a fixed rule. Respondents contribute from R20 up to R250 per month and receive a variety of benefits from their societies to cover funeral costs (see Context section). This research shows that more people are entering some form of funeral scheme and that even the poorest and most vulnerable try to create some form of insurance against death. Those who can afford more than one scheme are now part of two local burial societies and either a formal scheme or a burial society in town. This is because costs for funerals have increased over time and often one scheme is not enough to cover all the funeral expenses including food and refreshments.

8.1 Community members join burial societies and funeral schemes

In this section, I will describe the main mechanisms that lead people to join local burial societies and other funeral schemes. These were similar for SG members and non-SG members. Mechanisms for joining burial societies are also both economic and social.

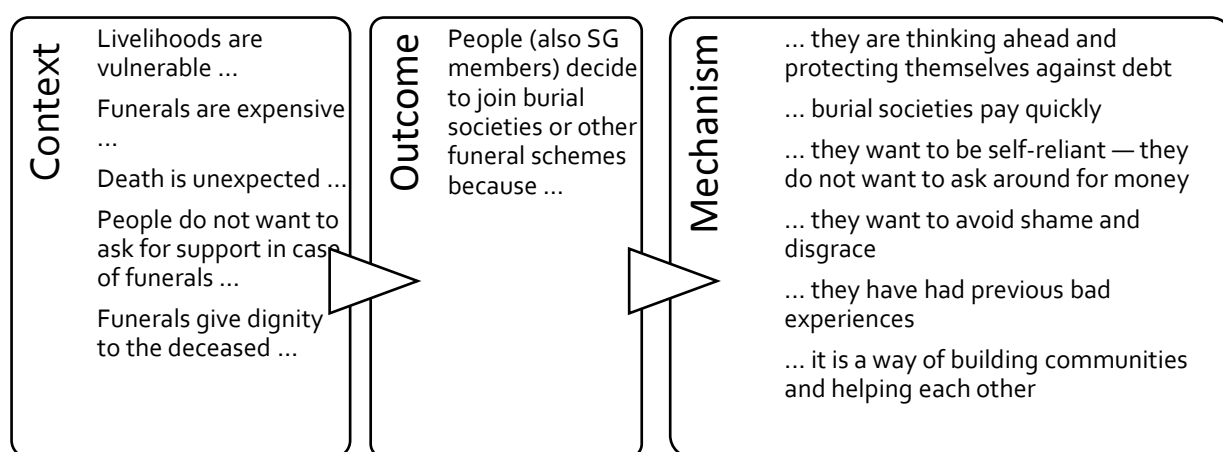


Figure 10: Mechanisms for joining burial societies and funeral schemes

8.1.1 Economic mechanisms: avoiding debt and being self-reliant

One of the main reasons for joining a funeral scheme is that death is unexpected. People are aware of this and also that funerals are expensive and they are not able to afford them on their own, without getting into serious debt. The only way to deal with such a sudden and unexpected event is through insurance. This can take the form of formal insurance or burial societies. Women said that they join burial societies and cover all their family members because, unlike men, they **“think ahead”**. Because of this, they prefer **local burial societies that can disburse money quickly**. On the other hand, funeral schemes from formal financial service providers take time to disburse the money and this might not happen before the funeral. Local burial societies are the most commonly used by women, who can afford them and be more easily part of them, compared to other burial societies in town. Thinking ahead also means that women prefer **to earmark their money based on their household needs**. One female respondent, who was also part of a SG, clearly said that SaveAct money was for SaveAct and not for funerals. She explained that loans from SaveAct were not to be used for funerals, beside the fact that SGs only meet once a month while one cannot plan for death. Her SG would give R500 to members who have experienced a loss to express their sorrow, but otherwise funerals were not within the scope of the group. This shows clearly how money acquires social and economic features that go beyond its economic value, and that women therefore use different types of groups to meet different household needs.

In addition, people join burial societies and funeral schemes because they value **being self-reliant** and would prefer not to ask for support from neighbours. There seem to be a few different trends in terms of community support. On the one hand, funeral costs have increased over time. People mention that now the cost for a casket and mortuary are much higher. On the other hand, according to some respondents people are not so generous and do not contribute to funerals in the same way as they used to do. In trying to find an explanation for these trends, data showed that women still contributed to funerals by bringing food and assisting at the household of the deceased with cooking and emotional support. However, this help is probably now not enough to cover funeral costs and people would prefer not to ask for financial assistance from neighbours and friends who might be in a similar situation. In fact, one respondent said that people from the community would still happily contribute to funerals, especially if they knew that the deceased was not able to afford a burial society. However, funerals might happen at a time of a month when people were not able to contribute, thus making it difficult to rely on community support in time of death. Respondents also said that they did not want to be a burden on other people and that they really valued being self-reliant and ensuring themselves against death.

8.1.2 Social mechanisms: avoiding shame and building communities

One respondent explained her change of mind about burial societies. She used to think that it would be her family's responsibility to bury her. However, after her sister in law convinced her to join she

understood that she might have passed away at a time when her family members were out of work and she would have left them in trouble, bringing shame and disgrace to herself and her family. This is the main underlying mechanism. **People are given dignity through their funerals** and thus the way in which this is done becomes extremely important. People do not want to trouble others because of their death and they want to be covered in case anything happens to them. Some respondents changed their mind after negative experiences where they had to pay for other family members' funerals by taking loans. One respondent said that after such an experience her family only had maize meal to eat for six months because they were repaying debts to local loan sharks. Because of these experiences, they now see the value of setting up insurance against death.

One respondent said she motivated her community to start a burial society in order to help the poorest members of the community, who are unable to join burial societies in town and often without legal documents. She said since they were part of SaveAct she trusted they could develop a burial society. This respondent defined herself as a community builder and indeed she saw groups of various types as a possibility **to build community and help each other at difficult times**. Burial societies are an additional service that increases people's portfolio: they help them to deal with the unexpected and avoid shame and over-indebtedness, while also being an opportunity to meet and share ideas. One of the poorest respondents said her husband saved R20 in a burial society, and they would receive R1,000 in case of death of a family member. This is very little compared to the cost of an actual funeral that might cost more than R10,000, but it shows people's commitment to insure themselves and avoid over-indebtedness.

"They help me when I have a problem. I do not have to wait for someone to assist me, I can afford to buy cattle, a sheep and tents. The village burial society provides two tents and hundred chairs and groceries so they cover every funeral cost." (105, female)

"We think ahead, unlike our husbands, because the husbands work they usually have the well-established funeral plans that are situated in town, whereas we pay our local ones in our village that help us out with things ... It is a long process for you to get the insurance benefits and money while you have to bury someone soon. Ours offer us benefits and money immediately ... Because it becomes difficult when someone passes away and you have nothing, you have to gather money for the funeral by asking from other people to lend a hand, so we try to avoid that." (108, female)

"Because we saw that people were living in poverty and it is not like the people who start a burial society in town have money. So we said why do we not start our thing, we talked about it as people in the community. Because we are doing savings in SaveAct we will be able to do a burial society with other people who are not part of the savings group for someone who passed away. We first started with paying out R8000 and it took 6 months to become a member ... People have burial societies in town, we only did it for people who have nothing. You see, my husband and I are not working and if we die, the money from SaveAct is for SaveAct, it is not for burying. My children will be amazed that I was saving and there is no money for the funeral. So I encouraged others to join. I am a community builder. We are staying with people from Lesotho, some do not have legal documents, and they are unable to join the burial society in town. So this one in the community, we do see that someone has passed away and we do not want documents." (207, female)

"Last year my mother passed on and my brother shortly followed her and since I am the eldest child I had to contribute more. After these two funerals, I suffered too much. My mother was covered by a funeral policy but my brother was not covered so I had to take out loans." (211, female)

"I struggled a lot when I had to bury people because I did not had any burial society." (222, female)

"I joined because now I am no longer employed also. When I die, I do not want my kids to struggle with burying me or people to contribute in my funeral." (317, female)

"I could never manage, a burial is expensive, it is better to save. I lost my first-born son; he was twenty years old when he committed suicide. I was in deep trouble." (318, female)

"It's important so that you do not trouble anyone and you know that everything is sorted ... It becomes really difficult, because now the community has to contribute money or even the chief ... It is really difficult because sometimes a funeral would come and you find that we do not have money. How are you going to contribute when you do not have money? It is really important to have a burial society." (332, female)

"My sister convinced me to join. I did not like the burial societies but she told me to join ... She told me that I should have a burial society because you do not know what will happen tomorrow ... I saw that what she said was helpful. Because it will happen that my family will not have money, it will be a disgrace. I saw that it might be true that maybe I would pass away when they are not working." (425, female)

"I joined because I want when someone pass away, the burial society to bury them. No one knows when the problem will rise, that is why I joined. So that it will help me bury." (426, female)

"I wanted to do something also in the community so that I can meet with people and share ideas. And that when someone pass away, we can help that family." (01, female)

8.2 Summary of findings for outcomes and main mechanisms

Outcomes for SaveAct programme	Main mechanisms
O1 – People join SGs because ...	<p>Social networks and novelty (belonging and experimentation):</p> <ul style="list-style-type: none"> • SGs were new in the area and people wanted to try them • Friends and neighbours invited people to join • Word of mouth about SGs, people saw it working well in other communities <p>Collective effort and mutual support</p> <ul style="list-style-type: none"> • It is important to do things together and share advice and ideas • It is easier to commit to regular savings in a group <p>Making their money grow:</p> <ul style="list-style-type: none"> • They can regularly save • They can save and borrow at the same time • They can accumulate money over time and earn an interest while saving • The interest on loans is lower than other available options <p>Sense of ownership:</p> <ul style="list-style-type: none"> • They can borrow from their own money • They can contribute to their own development through loans, rather than repaying interest to a formal provider <p>Stretching the value of money:</p>

	<ul style="list-style-type: none"> • They can smooth income throughout the year – by having multiple share-out • They can use loans from one group to repay other loans – juggling money
<p>O2 – Members stay, and they increase their savings and access to credit because...</p>	<p>Making their money grow:</p> <ul style="list-style-type: none"> • They earn interest on their savings • The interest rate on loans is lower than other available options • They want to increase the return on their savings • Taking loans gives them a purpose <p>Increased sense of trust:</p> <ul style="list-style-type: none"> • They are no longer scared of loans • They know the methodology better and trust that it works • They trust the people in their group and work well together <p>They can plan for expenses</p> <p>Being in a group motivates them to save: it is not possible to save alone</p> <p>Group’s dynamics forces members to take loans every three months</p> <p>Some members did not save before joining their SG</p> <p>Collective development: by taking loans they contribute to the group</p> <p>SGs are more flexible and understanding about loan repayment</p>
<p>O3 – SG members use loans and share-outs for the following main uses:</p> <ul style="list-style-type: none"> - Household improvement and construction - Education expenses (e.g. fees, uniforms etc) 	<p>Planning for expenses and investments:</p> <ul style="list-style-type: none"> • Long-term investment through savings and short-term liquidity through loans, without touching the saved capital • SG loans and share-outs allow members to buy in cash • Share-outs are interest-free lump-sums <p>Flexible and safe group dynamics:</p>

<ul style="list-style-type: none"> - Starting and running small businesses - Repaying debts and saving - Emergencies, such as funeral and medical expenses 	<ul style="list-style-type: none"> • SGs loans are safer and legit, preferred to asking neighbours • Repayment can be flexible and in instalments <p>Making their money grow:</p> <ul style="list-style-type: none"> • They want to increase their return on savings and to the group’s development • The interest on loans is lower than other options <p>Belonging and social status:</p> <ul style="list-style-type: none"> • Poor people are looked down upon • Members want their children to fit in at school and be like other students <p>Share-outs are considered to be an extra source of income</p>
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Outcomes for stokvels	Main mechanisms
<p>O6 – People join food stokvels because ...</p>	<p>Making their money go further:</p> <ul style="list-style-type: none"> • They can buy food in bulk • They can buy food at cheaper prices • They can channel the money they do not spend on food towards something else <p>Belonging and social status:</p> <ul style="list-style-type: none"> • They want their children to eat well like other children – not wanting to be or be seen as poor <p>Social networks and group dynamics:</p> <ul style="list-style-type: none"> • People tend to join groups where they know the members • People are invited to join or ask to join • They are motivated to save in a group – it is not possible to save on your own • Women share advice and ideas
<p>O7 – People join burial societies because ...</p>	<p>Dealing with the unexpected:</p> <ul style="list-style-type: none"> • Women “think ahead” • They need money quickly • They have had previous bad experiences

	<p>Social status:</p> <ul style="list-style-type: none">• They want to be self-reliant and not a burden: they do not want to ask around for support• They want to avoid shame and disgrace <p>It is a way to build communities through mutual support</p>
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9. FINDINGS ON IMPACT FOR SG MEMBERS

Based both on the initial research questions and the data gathered, the impact section will be divided into four sections, according to financial management and education, economic and social impact, and women's empowerment and household wellbeing. It is important to note that this distinction is useful for the aims of this report but that in reality and from respondents' narratives it is at times hard to distinguish and separate these different spheres of impact, as this is not the actual way in which they are experienced and narrated.

9.1 Financial management and education

One of the main changes experienced by the respondents of this research is their **newly acquired ability to save**. Respondents said that before joining a SG they spent all their money and often spent it in a careless way. Being part of a SG has given them a new purpose to save. As previously seen, people join because they want to make money through the interest rate on loans and because they can save and loan at the same time, without touching their savings in case of an emergency. This creates a new level of commitment towards putting money aside. When people do not have clear intentions or understanding of how they can put and keep money aside, it becomes more difficult to manage it wisely. Being part of a SG gives them an intention to save regularly and the group dynamic creates further motivation to save. Respondents are now planning for their monthly savings and loan repayments and accordingly for their monthly expenses. Before joining a SG, some respondents used to put money aside in the bank or keep it in the house, but this money is not seen in the same way as SG savings, because it can easily be withdrawn at times of emergencies. Saving is better associated with putting money aside for a specific purpose and amount of time, knowing that if emergencies come they can be dealt with through cheap loans.

"I have learned to save money and use it at specific times." (02, female)

"There is huge a difference. Before meeting and saving with the group, I would go to town and spend aimlessly knowing that I would have money by month end. But when I started saving, I knew I had to first put aside money for the savings group and put money aside for the loan if I had one, then only go to town and buy things, so I use money wisely now. There is a huge difference." (103, female)

"I have learned how to save money and how to use money wisely." (116, female)

"It is like I am banking the money but here." (212, female)

"Before joining SaveAct, we used to spend all our money and now we are able to budget." (221, female)

Respondents also felt that overall they could manage their money better as they were now **able to plan for their expenses and budget**. In this way, SG members have changed their spending patterns and have been able to avoid over-indebtedness with loan sharks. Respondents said that they now prefer to plan and budget for their expenses and buy items for cash rather than in instalments. They can now save money and at the same time take a loan to buy things in cash. This does not mean that people are living without credit as they are actually still buying things with credit but **they have changed the source of credit to one that feels safer, and cheaper**. SG members know that the interest rate on SG loans is lower than the credit they could afford from loan sharks and they also know that buying things with cash is cheaper than in instalments. Some felt that they got ripped off when they bought items in instalments, as it seemed that they paid a lot more than what was agreed. Repaying a SG loan, on the other hand, feels safer because people understand the methodology and repayments are transparent and written down. Through their SGs, members can still access loans and buy things on credit, but this becomes manageable rather than scary. Overall, this provides SG members with **higher financial stability**, as they have more control and understanding of their financial transactions and strategies.

SG members also prefer to take loans from their groups rather than asking for help from neighbours. This finding might require more exploration and there may even be several explanations. In some cases, respondents said that neighbours charge up to 30% interest on loans, although there were also cases where neighbours would help each other financially without charging any interest. Some respondents mentioned that it is difficult to ask for help in the community because most people are in a similar position, while others said that poor people are looked down on so asking for help might acquire social stigma. On the other hand, **taking a loan in SGs is legitimate and not stigmatised**, since the purpose of the group is to save and borrow money. In addition, the use of SGs might have created **a culture of group lending** and people might feel more resistant to giving individual loans and taking on the risk of default. This is difficult to ascertain as in these areas SGs have been present for many years and the culture of borrowing and mutual support might have changed over the years from a more one-on-one form to one that is group-based and where risk of default is shared among members. Nevertheless, the data shows a diffused preference for borrowing within a group, rather than asking around for help.

"You will find out that people are misusing money in an improper way. Now if you are the member of Save Act you cannot just do this. You plan what needs to be done, you do one, two and three, then if I fail to do four, I will do four next month and you don't think of going to somebody and borrowing money, knowing you still owe SaveAct this side ... your mind-set must be up to date, with how to pay the loan on time and saving money at the same time for your own things and making sure that you do not use money carelessly ... I have learned to budget." (115, male)

"I do not see myself suffering the way I used to. There are big changes to an extent that I don't think I will ever leave this place and go to Johannesburg to look for a job. I don't see myself doing that." (115, male)

"I saw that when you play, saving money you have something that you come back with and that makes you enthusiastic because everything is alright. Why would I go and borrow money outside or take something in instalments? I buy things in cash." (211, female)

"I also noticed how difficult it is to buy things at the end of the year, it becomes difficult to repay the loan. I do not want to borrow from my neighbours again. I want to take the loan, then make sure that by June or July I am done repaying it. Last year was just a mess, I was swamped with debt." (114, female)

"Everyone's life has changed, they no longer go to the loan shark to borrow money. And since today it's the 1st of April, next week on the 7th is the pay-out for the grants. We are going to have our meetings, people already know for example even if someone go to town, they already know that they have an outstanding loan in the group and they have to save. I can save R300 and I know I borrowed R1500 and I can pay R150. So when they go, they already know that R450 is for SaveAct." (207, female)

Respondents in this research also mentioned how they decide on how to manage their finances and the ways in which they manage their portfolio of financial services. One respondent said that when she joined SaveAct she decided to leave other informal groups in order to focus her efforts in her SG. Meanwhile, several respondents have joined other informal groups like food stokvels and burial societies in addition to their SGs. Increasing the portfolio of financial services and being more financially stable is one of the intended long-term goals of SGs programmes. However, while often SG programmes have been regarded as a step towards formal financial inclusion, this research shows that **when people are more financially stable they increase and diversify their financial services, opting for additional informal financial services**. SG members in this study showed that they choose the services that are better able to meet their needs, such as food for Christmas and insurance against death. This is an indication that formal financial service providers are not yet fully able to meet the needs of this section of the population.

9.2 Economic impact

Economic changes were evident in two ways: on the one hand, SG members are now able to improve their material life substantially and feel that they are living comfortable lives. On the other hand, for some this has materialised through new business activities and knowledge of how to run a business. SG members feel that their quality of life has changed: before they were poor, while now **they can buy assets and make investments for their households**. This feeling reflects the type of investments previously shown: SG members mainly invest their loans and share-out in household improvements and constructions and other items for their families, such as items for school and school fees, food and treats for their children and grandchildren. Now SG members feel that they have everything they need in their households: they have furniture, kitchen appliances, and food. People are **more self-reliant** and do not need to ask their neighbours as much as they used to. Again, this does not mean that they are living without taking loans or needing help, but with their SGs they are now accessing credit from a place where loans are legitimate. There is a sense of improvement and investment in taking a loan from their SG rather than a sense of begging or asking for help to their neighbours.

Respondents, even when they are not working, feel that **they live like white people**. This is because they feel that **they are living a comfortable life**, one in which they can achieve what they want and **they are not struggling anymore**. These changes are being seen at the community level as well. One respondent said that now they are able to afford electricity and they have more trees in their community, compared with the past. Also, they are now able to have tiles in their houses and do not need to smear dung on their floors. Moreover, some respondents said that they no longer feel the need or desire to move away from the village to look for work as they are now living well. While this can be seen as a positive result, the issue of unemployment and lack of markets and opportunities for small businesses in rural areas remains. This means that only a few are actively investing in small businesses and income-generating activities, while the majority still rely on social grants and remittances.

"I was very poor...When you receive the money, you spend all your money on food. And at the end of the year you don't have money. A lot has changed, I am able to buy big things now...Things like a tank. When I receive this money, I am able to buy big things." (222, female)

"My life is nice now. I do not even wish to go and work because everything I need, I get it... Before joining SaveAct, there were things that I was not able to do. It was 2008 when I had my last born. I was working and I had to come back with my husband. And we did not know what we were going to do. Now, it feels like we are whites. We are able to manage everything in the household ever since we started saving. Now we do see the money and we are not working. So there are a lot of changes." (207, female)

"I could not save money in the bank, I could not buy things when I felt like it at the store ... There are a lot of changes. I do not borrow much from the neighbours anymore or ask for salt or maize meal. I eat nice food now. The fridge has meat, before it was difficult for my fridge to have things ... I am really happy, it is like we are white people now, we are living a comfortable life." (108, female)

"Before there were no trees because we used to chop trees for wood to cook outside, even if it's raining it did not matter. Now people are at their homes because there is electricity ... We used to smear dung on our floor and we would walk into houses that have tiles and wish to have them; now we have them...We are really living a comfortable life." (108, female)

However, for some SG members, being part of the group and having received training in both financial education and rural enterprises had been very effective. Some respondents shared that they are now **more confident in how they run their businesses** as they are able to check their stock and calculate their profits. This has helped them in developing and running their businesses. One respondent even felt that SaveAct had really woken people up: people are more motivated to start businesses and to save regularly, even when their income is small. This definitely shows how the motivation to save and the availability of a safe place to save can push people to become more entrepreneurial and start small activities that can be both for sale and for home consumption.

"Even if I don't trust them [the employees] because of the training I received here I know how to check my stock, I will know when something is short. I keep my records so I will know." (115, male)

"It has helped a lot. My business is growing, I know when I am selling the broilers, if I got R500 I would take R200 to restock broilers and I take R100 to buy feed. And I know that this is my profit. So it helped a lot." (207, female)

"Some have businesses, there is a lot of other things ... Most can live without depending on grant money now ... SaveAct really woke people up ... Even if you earn little or next to nothing you must save a little bit and budget more." (211, female)

9.3 Social impact

Beside economic achievements, respondents mentioned the importance of social status in the community, being respected and having learnt to get on with people in a better way. SG members feel that their lives have improved economically, and this is now a source of more respect in the community. One member was able to buy a cow for her son's initiation ceremony and she feels that people perceive her as someone powerful because of what she was able to do. There is a **social status attached to economic achievements**. In particular, the SG members who are more involved in the community, either because they have brought SGs to their community in the past or because they are involved in the Zis'Ukhanyo⁸ project, feel that they are now **well known and more respected** by people because they are helping their community through their work. There have been situations where SG members have not repaid their loans and they have left their group. This research shows that these people can still live in the community and they are not banished. However, people have changed their perspective on them and will not help them again or accept them in a group. This shows that it is not just by being a member of a SG that people get recognition and respect. It is only through respecting the rules of the group without creating problems that people can develop a **positive reputation** and gain **respect in the community**.

"My position has changed because I am the one who brought SaveAct into this community. Now people love and respect me because they are saying I have helped them by bringing something that is helping them. And now I am well known ... I feel comfortable." (01, female)

"I have seen so many changes towards the group because our lives, they live normal lives now. They are being respected by people ... Yes, you know when you have got money people respect you. That is what happens." (115, male)

"I was able to get people to know that I am in this [Zis'ukhanyo] business not only in Hebron but in about 5 other villages, even when I am just walking around not selling stuff, people would ask me about my products." (110, male)

"I am going to say my views, they see you as a powerful person and they respect you because others are unable." (01, female)

In addition, many respondents felt that being a member of a SG helped them in **understanding and working with other people better**. SGs are social spaces where members can also meet to share

⁸ Zis'Ukhanyo is a social business enabling access to health and hygiene products, energy products and farming inputs. It is a pilot initiative being run by SaveAct.

ideas and help each other. They are spaces where people can **develop and practise a sense of community by working together and advising each other**. This creates **trust over time and a sense of unity**, which one respondent defined as being like "a family". There is an increased sense of support and SGs are seen as a legitimate space where support can be given and received. SGs have become a vehicle for community support and building, as members recognise that saving together builds them up while also being able to assist each other. Individual and community perspectives and interests are therefore both at play and can be achieved simultaneously because as people develop individually the whole community is also developing and *vice versa*.

"I learned that being part of a group you learn how to work with people. You are able to work with people and meet and share ideas. It is not the same as staying by yourself. You become a people's person." (01, female)

"In our group we are united, do you understand that word? We are good, we happy." (104, female)

"That you have to be humble. And listen to other people's opinion." (221, female)

"So they [stokvels and SGs] are all working. Because as we are saving it is important because it is building us. There is no service that is unimportant with these things that we are doing in the community." (207, female)

"When you come together with mothers, we advise each other and share ideas ... We work very well together, there is no one robbing others. It's like we are a family." (222, female)

"Sometimes we would sit down and make ourselves a cup of coffee and talk about SaveAct." (221, female)

9.4 Women's empowerment and household wellbeing

The last area of impact presented here is that of women's empowerment and household well-being. Female respondents said that they feel happy and confident since joining their SGs. They are no longer stressing about their households and they live a "**stress-free life**". They feel that they can accomplish things, they can pursue their goals because they have the tools to make things happen. They feel that they are no longer sitting and waiting for things to happen, for their husbands to give them money and make decisions for the households. Mainly female respondents feel that they can now take decisions without always waiting for their husband's consent or money. **They are more independent, feel an increased sense of agency, and that they have control over decisions**. One respondent shared that her children complimented her for her ability to save as they could see the improvements she had made to her house. Another respondent, a single mum, expressed her improved situation by saying that she feels as if she has a husband. This is because husbands are considered as the heads of the households and main providers. However, since she is now not

struggling any longer she feels like she has a husband to support her household. One male respondent also said that his participation in the Zis'Ukhanyo project had turned him into a very busy businessman and that he needs to keep up with his new responsibilities and role.

"It has changed because I am also trying. I am able to do things. I am not like a person who is waiting to be given all the time. I am also able to try I started [selling things] after joining SaveAct ... [Before] I was not busy, there was nothing I was doing." (01, female)

"People still see me the same way ... [but] my children notice the change. They notice to such an extent that they compliment me and say 'mom you can really save money'." (103, female)

"I feel like I do not struggle anymore ... I am very happy, I no longer stress when I go to bed about my life and my kids. I live a stress-free life." (105, female)

"There is a huge difference, at first I used to borrow money with 30 % interest for her [her daughter] to leave in January and I would struggle with repayments, because I would never have enough money for her to send her off. Now I can manage money with low interest at SaveAct. Also, in case of emergencies at home now I can take care of them freely. I feel like I have a husband here at home ... People with husbands always say my husband helped me out here and there to buy this and that." (105, female)

"I like SaveAct and the work of SaveAct. My neighbour works as a domestic worker in town and doesn't have a husband but her home looks like she has a husband." (431)

"It has changed a lot, turned[me] into a busy business man ... My lifestyle has changed so I need to keep up with the demand, I cannot live the same life as I was last year." (110, male)

"I used to struggle like any other people but now it has changed because if problems come I rush to borrow from SaveAct and deal with the problem ... It has drastically changed because previously I did not have anything to worry about since I knew I spent every money I get, but now I am saving every cent because I now have debt to pay." (206, female)

"Good and happy, I'm really grateful to SaveAct, they really uplifted me." (211, female)

"It has changed because now, if I want to do something I can borrow money and do it ... [Before SaveAct] I felt, I do not know how to explain that feeling but wanting something that you cannot get." (116, female)

"My life has changed a lot, what can I say? Whatever I want at the end of the month I can get, because when I pay my loans from SaveAct I can take another immediately." (104, female)

From the women's narratives, it was evident that being part of SGs gave them **increased control over money** and that using the share-out money for their household improvement gave them **a sense of achievement and accomplishment**. Some of them managed to convince their husband to support

them in the group or they changed their husbands' perceptions of SGs by showing them concrete improvements to their household that they had managed to carry out with their first share-out money. For some women, the share-out money also represented an opportunity to carry investments that otherwise would have not been approved by their husband. For instance, one female respondent said that she bought a washing machine because she got tired of waiting for her husband to give her the money to buy it. This has improved her life quite considerably since now she does not have to wash all her family's clothes by hand. There is a sense of being independent and self-reliant in these stories, even when in reality these women's participation in their SGs is supported by other family members. For instance, one female respondent borrowed money to buy a microwave because she was tired of waiting for her husband to pay for it. However, she knew that once she took a loan for it her husband would support her in repaying it. Similarly, another female respondent said that she built a rondavel with SaveAct money because she did not want to rely on her children's money. However, they are supporting her in making contributions to SaveAct.

While generally, SG members felt that they were living without stress and had fewer worries, one respondent offered a different perspective. She feels that she can more easily deal with problems as she can reach for loans from her SG. However, she also feels that she now has worries because she has loans to repay, whereas before she used to spend all her money and did not have any loan to worry about. This view is important to note because it shows that SG loans can also be stressful, especially when members are pushed to take loans every three months, even when there is no pressing need for a loan. Not performing well within their SG is linked to reputation, friendships, social status and of course one's ability to remain within a group. This creates a high level of commitment and pressure to perform and repay loans on time. Other research has shown that often people feel a lot less commitment to repay formal loans that come from an institution with which they have no relationship, beside that of debt (Shipton, 2007; 2010). On the other hand, repaying loans in a group with friends, neighbours and family can create a much higher sense of commitment and pressure.

Lastly, both women and men felt that since becoming part of a SG their household relationships have improved. They said that there is now more **household collaboration** as both partners can contribute to expenses and support each other during difficult times. They can support each other in contributing to the SG and also in repaying loans. Some women said that they **no longer fight with their husband over money** or because there is no money. Instead, they can now sit and discuss together how to better use the money they have. This shows that although at first husbands might be difficult to convince about SGs, once they see the benefits in their households they are happy to support their wives' participation in their SGs, by helping them with their contributions and loan repayments. In return, women are now able to assist their husband financially and also to contribute more to their household expenses and investments.



Figure 23: SGs are shown to have a positive social impact in communities

"It has changed a lot because at first we used to fight over money but now we can sit and discuss what to do with the money and what goes to Save Act." (116, female)

"He [her husband] is very happy since I am able to assist him financially." (206, female)

"We do not fight as often because we have money." (220, female)

"We no longer fight in the household... He used to tell me to wait for next month and next month he would suggest something else. Since I joined SaveAct, we are so happy. I know if I want something, I will get it." (221, female)

"A lot has changed [at home], we support each other through difficulties like loans." (110, male)

10. FINDINGS ON IMPACT FOR STOKVEL MEMBERS

Impact from participating in stokvels is presented according to financial, economic and social areas of impact. Overall, participating in stokvels produces effects to a lesser degree. This may be related to the fact that stokvels are less flexible and more focused on a specific purpose, i.e. insurance against death or purchase of food. Therefore, there is less ability and scope for making and diversifying investments, compared to SGs.

10.1 Financial impact: saving together and targeting expenses

Members of stokvels said that they have **learnt how to save**, by making regular contributions to their groups. This is similar to the learning of SGs members: groups are positively forcing and motivating their members to save while saving alone proves to be difficult. A member of a burial society explained very well that when saving together, people feel responsible for their money and they do everything to avoid embarrassment. On the other hand, when saving alone, people can easily use some money for something that was unplanned without having the motivation to then replace that money. This is why at the moment she is saving together with her husband towards their common goal of building a bigger house. Members also felt that they are now **more able to control their money** and to focus their efforts towards **additional investments**. In fact, in the months after the share-out, they can now use the money that they would normally use for groceries for other

"I have learned that you could keep money to buy food but you cannot save on your own. It is better if you are in a group because it will always remind you that you have to make contribution ... I think it would be difficult unless I make something like a fixed account in a bank but if I save it in the house a problem may arise anytime." (332, female)

"If you save as an individual, it is easier to use your money without worrying about replacing money. If you save collectively as a group you are then liable to respond to people that you owe so you do not use the money because you want to avoid embarrassment. I saved with my husband and he would ask me so I did not take it" (431, female)

"I have learnt how to work with people, how to save and how to control my money" (427, female)

"A lot has changed. Because now I can use that money for something else. For example, if I see that I do not have a bed I can buy one ... [In the last two months] I put tiles." (425, female)

expenses.

10.2 Economic impact: food security and avoiding debt

Economic impact for stokvel members is mainly related to **food security and avoiding debt**. Respondents who were struggling with providing food for their families, now feel less stressed about this. They know that they can provide food over the Christmas holidays and for several months after that. Being part of a burial society allows people not to get into debt with loan sharks and does not disrupt the household economy. One respondent explained that in the past she had to sell her last cow to repay loans with loan sharks and this is something that she would like to avoid. This was the only case of assets being sold to repay debt in this study. Otherwise, respondents seem to be financially secure enough to avoid having to sell assets to repay debts. Being part of a burial society or having another form of insurance against death protects people from such occurrences.

"I no longer have to stress about what my children eat because now I can afford food, during the year I can buy food from what I make from selling what I plough and plant." (318, female)

"The insurance gave us money and we claimed that money. The burial society kept his body in the mortuary and they brought him back. They came with their things, coffin, and tombstone. The money we claimed, since he was a church-going person, we used that money to buy grocery because people came to pay their respect. It helped a lot and we didn't have any difficulties." (01, female)

10.3 Social impact: unity and advice

In a similar vein to being part of a SG, being part of stokvels teaches members **to be united and share ideas** with each other. It teaches them how to **work with each other** and it is an opportunity to **develop and nurture trust among people** who get to know each other better. Neighbours and friends find these groups to be new opportunities to sit down together and discuss things as a community. One respondent also said she learnt the importance of knowing each other well when dealing with money. This shows that such trust and sense of community are not always present *a priori*, as is often assumed by development programmes; rather, it needs to be developed and maintained over time.

"I learnt unity, we were solid ... We were happy, had no quarrels and advised each other, sharing ideas" (431, female)

"We join these groups as neighbours mostly so now we can sit and discuss other things." (427, female)

"I learned that when you do something as a group it is important to know each other. And not take people at face value." (318, female)



Figure 24: SG members are able to save together, uniting together to target expenses and avoid debt

11. DISCUSSION: HOW AND FOR WHOM DO SGs WORK?

Figure 6 identified the main outcome stages for a SGs programme. These are: joining, staying and increasing access to savings and credit, and how the SGs money through loans and share-out distribution are being used. The report has highlighted several mechanisms for all these outcomes and that some of them work at multiple outcome levels. These mechanisms can be summarised in four higher-level mechanisms that seem to be key for the success of SaveAct's SG programme. This answers the question of how SGs are working or not working. In the second part of this section, I will then offer a comparison of SG and stokvel members to explore deeper the topic of for whom SGs work or do not work. The four main mechanisms can be summarised as follows:

- SGs members are motivated to join, stay and use the services of their SGs because they want to **make their money grow**. SGs allow their members to regularly put aside money for a 12-month cycle, save and borrow at the same time, take loans at low interest rates and accumulate money over time by earning interest on their savings. These features are unique to SGs and respondents mentioned that they cannot access other services that allow them to fulfil all these functions. Respondents said that banks have high charges on their savings and that it is difficult to save with a bank since they can easily access their funds whenever an emergency arises. The key to make their money grow is that members can put money aside while having potential emergencies covered by the possibility of taking loans. This reciprocal relationship of giving and taking is key for members to safely be able to deposit their money into the group, knowing that they cannot access it for a year.
- **Group support and motivation** is the second key mechanism that allows SGs to work well in the rural areas of this research. SGs members said that it is much easier to save together because the group motivates them to save. Sharing advice, spending time together, assisting each other and contributing to group development are all important features that make members develop a sense of trust towards each other and the methodology, and a sense of ownership. SGs are self-managed, members borrow their own money and contribute to each other's development. In doing so, borrowing from the group is regarded as legitimate and safer compared to other sources, such as loan sharks, because SGs can be more flexible and understanding with loan repayment. This mechanism highlights the importance of social relationships and the moral norm of mutual support for people not only to join these groups but also to stay in them and develop a sense of belonging to and responsibility towards them.
- Once members have joined, they remain and use the SGs services because they can **stretch the value of their money**. Members have discussed several changes in their financial practices. They can now plan and budget for their expenses and investments in advance, they can take up frequent loans, ensuring short-term liquidity, and buy items with cash rather than in instalments. Also, by being part of multiple SGs members can smooth their income throughout the year, by choosing to be in groups that share out at different times of the year and can juggle their money through multiple loans and services. These practices can support

individuals with little or irregular income sources to maximise the value of their money, by moving it around and through time. Of course, this mechanism only works because it is supported by the group's support and motivation. In fact, members need to feel safe in their groups in order to take and use loans to plan and budget for their expenses and investments. Without trust in the methodology, SGs members would not be able to do this.

- Lastly, this research finds an underlying mechanism that influences all the others. People said that they want to improve while also contributing to their group's development. There is no individual advancement if the community does not advance at the same time. One respondent said that **Ubuntu** means that "*we are holding each other's hand and we are working together, we are one*" (333, male). People do not want to be or perceived to be as poor, but at the same time they want to develop with others. They often mentioned how their communities have improved with SGs and people are now being respected. People want to avoid shame and disgrace, cultivate a positive reputation and social status. However, they know that advancing alone creates jealousy. On the other hand, developing through groups is more acceptable as it allows people to contribute to everyone else's development at the same time, while also being supported by the group. This mechanism shows a higher cultural and moral norm that allows all the other mechanisms to work.

Based on the profiles of the respondents interviewed in this research, SGs appear to be quite inclusive groups and there was very little evidence of exclusion. There was only one respondent who said that she would like to join a SG but because she had previously defaulted on a loan with her previous group, she knew that with her bad reputation SGs would now not accept her again. More than exclusion, this looks like a healthy mechanism that SGs independently adopt in order to survive and work well. There were other stories where SG members had problems with repayment, but as long as members are willing to repay and they make an effort to repay they will not be excluded by their groups. Other stokvel members were not part of SGs for different reasons, such as their children did not want them to be part of them, or because they were sceptical, had had a previous bad experience with a SG or needed to be away from the community for some time.

Overall, however, there seems to be a possible category of people for whom SGs might work better and a possible category of people for whom SGs might not work. The latter refers to **younger and more vulnerable households** where women find it more difficult to join SGs. Younger respondents in very vulnerable households (i.e. with young children, and unemployed or casually employed husband) felt that they were not in a position to join SGs, because their incomes were very unstable and small. These households mainly rely on child grants and try to put aside some money either in a burial society or food stokvel. Probably the poorest respondent interviewed in this research said that her husband is only able to put aside R20 every month in a burial society. These respondents do not feel they would be able to join a SG and afford loans, even if in the past they had been forced to access credit through loan sharks. Their level of vulnerability makes them doubt that they would be able to cope with loan repayments, given the high level of uncertainty of their small household incomes. The

evolution of the SG model, where in some cases mature groups force their members to have active loans throughout the year, would of course diminish even more the possibility for these people to join a SG, also considering that mature groups are more sceptical about younger members, unless they are introduced by an existing member.

The SG members interviewed were, instead, in a less vulnerable position. Generally, they were a bit older (40 plus) and with older children. Some were living on pension grants, and others either had small jobs in the community or their partner had an occupation. Of course, it would not be completely fair to compare current SG members with non-members since SG members might have improved their situation over the 5-10 years of their membership. However, current SG members were overall less vulnerable, with multiple sources of income, including remittances from their husband and children. It is hard to say whether this socio-economic situation is a result of their long-term membership with SGs. Most probably it is a result of both their membership and their initial socio-economic position. This finding confirms that however, services, even when informal, might be more or less accessible, based on where people are in their **life cycle**, and their **socio-economic status**.

12. CONCLUSIONS: IMPLICATIONS FOR FINANCIAL INCLUSION

This analysis has shown that there are economic and social mechanisms for people to join and use SGs and other informal groups. **People want their money to grow** while they can both save and borrow. This allows them to plan for medium-to-long-term investment by saving for a year while also being able to borrow at a low interest rate for emergencies and other expenses. In addition, the group setting and the fact that money cannot be withdrawn for a year motivates people to save. However, this only works because people know that they can access credit in case of need and then push themselves to repay their loans while they keep saving. This establishes a **two-way relationship** where they are supporting the group and are supported by the group. This is hardly possible with formal financial institutions where it is more difficult to access loans, people's savings are charged, and they earn very little interest. Vulnerable people feel that they cannot afford to leave their money in a bank account where it does nothing. They need to keep money moving in order to juggle expenses, buy time and stretch it to maximise options.

Social mechanisms are also very important as people tend to join and use services because they have heard of them from neighbours and friends and they have been invited. Groups are seen as a way to **build communities** and for people to come together to **support each other**. SaveAct's training and follow-up visits were often mentioned as being very important because they established a **relationship of trust** and support with groups. On the other hand, banks are not known for being interested in community development or reaching out to clients, and people generally have a bad perception of formal services. Thus, they are not seen as services close to the people.

There is an economic threshold above which people will need to put their money into bank accounts because informal groups will not be able to accommodate their savings and investment goals. However, until then, rural and more vulnerable people will voluntarily seek to meet their needs through informal services. This research has shown that many SG members have a bank account that they have often opened in order to receive payments and some have had this account since before joining SaveAct. Nevertheless, they feel that they have learnt to save with their SGs and they prefer to save within them. When they are more financially stable, they tend to join additional informal groups in order to meet their other needs (e.g. food and insurance against death), rather than change or increase their relationship with the formal sector. This is a clear indication that unless forced into the formal sector by either employment or a serious economic improvement, people will keep using formal services only marginally. There needs to be a conversation on how the formal sector can move towards people and represent better the social and economic values that drive their decisions about financial services.

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ANNEX 1. SEMI-STRUCTURED INTERVIEW GUIDE

Aim of interview

- to establish key events in members' lives and how they have managed them financially over the last 1-2 years; to investigate whether SGs and stokvels played a role in financing and coping with these events;
- to explore in detail the use of SG and stokvel funds to establish what these funds have enabled them to achieve; to investigate members' perception of the importance of SGs and stokvels for their livelihoods;
- to explore more broadly (beyond the economic impact) the importance of SGs and stokvels for members' lives, according to members' perception; to explore members' reasons for and experiences of participating in SGs and stokvels;
- to evaluate participants' sense of change in their life and its attribution by comparing their life before and after their participation in SGs and stokvels;
- to explore the context of participants, considering their HH, SG and/or stokvel, broader community and other financial services available in the area and of which members are aware; to explore broader local cultural and moral norms and their role for managing money.

Interview guideline

Introduction

Hello. Our names are and we are conducting an evaluation on the use of informal financial groups in South Africa. We are aiming to find out what people think works well and not so well, in order to improve the financial sector and services in this country. The evaluation is independent and it will not affect your membership in your groups.

The interview usually takes about one to one and a half hour to complete. All of the answers you give are treated confidentially and participation in the survey is completely voluntary. Your willingness to answer or not answer questions will not, in any way, affect your membership.

If we come to any question you don't want to answer, just let me know and I will go on to the next question; or you can stop the interview at any time. However, we hope you will participate in the survey since your views are important and could help us to do our work better in the future.

The interview will be recorded so that we can more easily remember what has been said during it. We would like to know if you are comfortable with this? The recording will also be treated confidentially.

At this time, do you have any questions about the interview that you'd like to ask before we start?

1. Household and livelihoods profile

- Ask them to introduce themselves and their family, starting from who they live with (e.g. number of children, adults, extended family living together, age etc)
- Ask about their livelihoods and assets – what activities they do to support the family (e.g. income generating activities, formal employment, keeping livestock, farming land, government grants – old age pension, child support grant, foster care grant, disability grant, etc)

2. Main household events and financing sources

Ask about the main events that have happened in their family over the last one to two years; Ask them about the main expenses they have had in the last one to two years – the two can coincide, probe about any additional event/expense. Below events to probe for:

- Probe for weddings, births, burial ceremonies or any other special events (e.g. visitors, traditional ceremonies) and how these were funded;
- Probe about school fees and other education expenses of children, and how they have financed them – *schools start in January, get schedule of fees;*
- Ask about health expenses – medical emergencies and/or treatment that was needed and how they were paid for; any medical treatment that was needed but could not be afforded;
- Ask about household food security – check whether there have been any times where there has not been enough food and what was done;
- Ask about livelihood changes – changes that have happened in the last two years and how they have affected the household; whether HH funds reduced or improved as a result of these changes;
- Ask about household/enterprise assets – acquired/disposed; why and how? Effects on the household?;
- Ask about any other shock/unexpected event e.g. weather calamities, livestock diseases;
- Ask about any help that was needed by other members of the family (extended) or community.

Always explore how these events have been financed. Keep in mind if the respondents mention SG and/or stokvel as a financing source, in order to probe again later on.

How have they financed the events? Which sources of money have they used? E.g. savings, loan, share out, income, help from family/friends. What savings have they used if they had any? Otherwise, where did they get their money from? Share out? Remittances?

- SAVINGS: If they used savings, ask where these were first saved up and for what purpose. Also ask how they chose the place for their savings in the first place. Potential comparison of savings methods.
- LOANS: From where? How did they gain access? Why borrow from there? What are the terms and conditions of the loan? How have they got on with repaying? Potential comparison of borrowing sources.
- For comparisons: Was this/Were these the only sources of financing? If not why not? Did they think of/had any alternative sources?

3. Financial inclusion

What financial services are you currently using? *We will already know whether they are part of SGs and/or stokvels. We need to prompt for formal banks, postal services, cooperatives, MFI, mobile money, formal insurances, borrowing/assistance from friends, borrowing from shopkeepers/employer, saving at home etc.*

For each main service, probe:

- When they first started using that service/putting money in that place/joining a particular group
- Ask what drew them/attracted them to open the account/join the group/approach the organisation/approach friends or other person (e.g. advertisement, someone introduced them to the service, peer pressure, etc)
- Additional questions: any services that they have stopped using, why? e.g. they might have stopped using a service because of the SG or they might have stopped using a stokvel or SG.
- Main benefits of using the service, why do they like it? Any drawback, what would they like to change if they could?

Remember the different services to ask for comparison when talking about their SGs/stokvels.

4. SG functioning and use (only for SG members)

SG functioning – we would like to ask you a few more questions about your SG

- When did you join your SG? (Check whether member from the beginning). How and why did you decide to join in the first place? Did someone introduce you to the SG? (e.g. peer pressure, seen a neighbour, heard about SaveAct etc) Did you know the other members? Who are they?
- How and why has your role in the SG changed over time?
- Have you joined/left other groups since you joined this? Why?
- What are the main activities of your SG? (e.g. savings, borrowing, financial education, share-out...)

- How have you dealt with difficulties and disagreements within the group? (Probe for challenging episodes and how these have impacted on them).

Use and experience of SG (savings and credits, share outs). *Here we want to: a) Identify outcomes (use of SG services, and how), b) Identify mechanisms (why members have decided to use them in the way they did) and (c) Identify context at SG and household/individual level*

Share out:

- When did you receive your last share-out? How did that happen (e.g. check for any delays and loss of money)?
- How did you use the money from your last share-out?
- How did you use the money from your last share-out? How did you decide/plan how to use the money from the share-out? Did the way you used the money coincide with what you had planned to do with it? If they were different, what happened?
- What were the specific circumstances that allowed you to use the money in the way you did?
- What other funding sources did you consider which could have helped achieve the same result? Why did you opt for share-out money rather than the alternative source of money?
- Same questions can be repeated for previous share-out. Based on available time.

Loans:

- Can you please tell us when you borrowed during the last cycle? Why did you borrow at each specific time? Was the way you used your money the reason why you decided to take the loan?
- How did you decide the time and the reason to take each loan?
- What other sources of money did you consider using? Why did you decide to use the loan from the SG? [Check whether the purpose was co-funded, with SG loan and other sources]
- How are SG loans different from other types of loans?

Social fund:

- I would like to know whether your SG has a social fund, if yes how does it work?
- How is the social fund used by your group? Have you ever benefitted from the social fund? If yes, in which ways? How did you decide to apply/ask for support from the social fund? Have other people benefitted from the social fund? If yes, in which ways?
- How is this support fund different from other support groups such as stokvels (e.g. church groups, burial societies etc)?

5. Stokvel functioning and use (only for stokvels' members)

Stokvel functioning – We would like to ask a few more questions about your stokvels

- When did you join your stokvel? (Check whether member from the beginning). How and why did you decide to join in the first place? Did someone introduce you to it? (e.g. peer pressure, seen a neighbour, etc) Did you know the other members? Who are they?
- What are the main activities of your stokvel? (e.g. categorise the stokvel, burial, grocery, ROSCA/ASCA etc. and their activities)
- What is your role in this group? How and why has it changed over time?
- Have you joined/left other groups since you joined this? Why?
- How have you dealt with difficulties and disagreements within the group? (Probe for challenging episodes and how these have impacted on them).

Use and experience of stokvel. *Here we want to: a) Identify outcomes (use of stokvel services, and how), b) Identify mechanisms (why members have decided to use them in the way they did) and (c) Identify context at group and household/individual level. [We do not know which services are offered by specific stokvels so we will need to start with general questions].*

- When was the last time you benefitted (financially) from your stokvel? How did that happen? [Find out whether it was a planned contribution e.g. ROSCA, or a loan, or an emergency support] What were the circumstances of this support? How have you been able to plan for the use of this money, if at all?
- Were you able to consider other financing sources at that specific time? How did you decide that the support from your stokvel was the best way to deal with that event?

Stokvels members who are not part of SGs

Opinions about SGs. *We want to find out why they have not joined a SG e.g. issues of exclusion, whether they are aware of them.*

- We know that there are SGs in this area (explain them what they are), could you tell us if you know any of them and whether you have ever been part of one?
- If yes, ask them why they have left the group, what happened and how. Explore the consequences of what happened. Negative impact – e.g. the relationships with the other members, people in the community, issues with money, loss of trust and respect, status in the community
- If no, ask them why they have never joined one? Explore whether they did not want to join or any issue of exclusion, from their peers or because of pressure in the household etc...

6. Reflections on SG/stokvel's role in participant's life

This helps us to explore impact changes in member's and their household's life.

- Thinking back before you joined the SG/stokvel, which changes have you experienced in your life? Why? (e.g. before the group, how would you have paid/coped with a specific event?, also probe for other aspects of life, e.g. relationships in the household)
- How has your participation in the SG/stokvel changed your relationships and position within your household/family and community? How has the relationship with your partner changed, if at all? How has your ability to take decisions within the household changed, if at all? How has these changes impacted on your life? How has the perception about local groups and their members changed over time?
- Overall, what do you think you have learned from your experience with this group? How do you think your membership has affected the way you manage your money? Take care of your household and do business? And relate with your partner/family/friends/community?
- What is the most important aspect of being a member of this group (SG and stokvel)?
- How has this particular group made a difference in your life compared to the other groups that you are part of? And the other financial services that you are using?

Before wrapping up the conversation, make sure you have a few personal details such as **Education; Age; Marital status** of respondent.

Thank the respondent for their time and useful information. Ask them whether they would like to ask us any questions, or clarify or add anything to what has been said before.

Evening debrief (Silvia and Londiwe): Based on what was heard and the notes taken during the interview, the research team collaborates in writing up short summaries for each respondent. This will need to contain some contextual characteristics, also from observation, such as type of household and so on and the main findings about the role of SG/stokvel in the life of each respondent. The aim here is to summarise some CMO configurations, and identify some main mechanisms and context characteristic. The purpose is also to start drafting dimensions of SG/stokvel impact (both positive and negative).

