

# Strengthening informal social security to provide meaningful social protection: The case of stokvels in Soweto.

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## Abstract

*Informal social security, particularly Rotating Savings and Credit Associations (ROSCAs), popularly known as stokvels in South Africa, are widely used within the developing world, especially in sub-Saharan Africa due to the weak and/or non-existence of formal social security. These stokvels remain a major form of social protection for the poor, and their continued existence is a reflection of the absence of a comprehensive formal social security. The study explored the views of stokvel members on how stokvels, as a form of informal social security, can be strengthened to provide meaningful social protection. The study adopted a case study research design, located within a qualitative paradigm. The study population consisted of women members of stokvels with a minimum of five years in the stokvel. All participants were South African citizens residing in Johannesburg's Soweto Township, and were drawn from two different categories of stokvels, namely burial and accumulating savings and grocery stokvels. A key informant holding a strategic position in the National Stokvels Association of South Africa (NASASA) was recruited to be part of the study. Regulation and integration of stokvels with formal institutions, provision of financial support to stokvels through subsidies, and training of stokvel members on financial management skills emerged as part of strategies to be considered in order to strengthen the social protection provisioning of stokvels. It was clear that formalizing stokvels might be one of the possible avenues that could be explored in order to strengthen their social protection provision.*

**Key words:** informal social security, social protection, strengthening, stokvels, Soweto, Johannesburg – South Africa

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## **Introduction**

This article examines how informal social security can be strengthened to provide meaningful social protection. It begins with the conceptualisation of the concept of informal social security and investigates the strategies that could be employed in order to strengthen informal social security systems, such as stokvels. Informal social security is conceptually part and parcel of social security, and it plays an important role as a social protection instrument. Mohanty (2011) states that the phenomenon of informal social security is more frequently found in developed countries and that the form it takes in developed countries is different from that found in developing countries. Dekker and Olivier (2003) state that the concept mainly refers to social security protection for informal sector workers in developed countries. However, in developing countries, the concept of informal social security encompasses more than social security for informal sector workers, because it also addresses informal or kinship-based forms of social security, for example support that is granted by family and community members (Dekker and Olivier, 2003). In addition, informal mechanisms work on the basis of “collective action or community, family, neighbourhood or traditional solidarity networks, but might have neither legal identity nor formal governance or management structures” (Muhanguzi, 2016: 5). It is important to note that both these forms of informal social security in developed and developing countries have in common the fact that they are characterised by a support network, based on solidarity and reciprocity (Kaseke, 2001). In addition, they may be guided by religious and cultural principles, together with family and community values (Amdissa, 2013). Moreover, Dekker and Olivier (2003: 560), argue that “the development of informal social security is largely linked to the problem of poverty and to the vast number of people excluded in terms of the present formal social security framework”. Therefore, in order to address social exclusion, informal social security was, and still is, looked upon as a means of overcoming the problem of marginalisation of the poor. Kaseke, (2013: 2) defines informal social security as:

the provision of support (in the form of monetary transfers, benefits in kind, services and facilities) to members of society, households and individuals through collective means (including non-governmental, semi-formal, community and traditional arrangements) with or without public intervention to maintain a living standard of human dignity by meeting basic means and to protect against low or declining living standards arising from a number of basic risks, contingencies and needs.

The phenomenon of informal social security “originated from the family context where support was given to family members”, and this expanded owing to the increased need in poor communities (Dekker and Olivier, 2003:123); the family is also seen as the first line of protection and the main source of support against basic risks and contingencies (Muhanguzi, 2016; Oduro, 2010). However, it has been argued that, even though traditional support systems remain an important form of social security, the weakening of the extended family system is undermining its effectiveness (Kaseke and Olivier, 2008). This can be attributed to the effects of urbanisation and westernisation, which have introduced a new value system that undermines traditional values and beliefs that underpin the extended family system (Kaseke and Olivier, 2008). In addition, Dekker and Olivier (2003) also argue that due to urbanisation and industrialisation, the family structure has been eroded because of rural - urban migration. In turn, this migration has led to the emergence of new forms of informal support such as urban reciprocal social networks and market associations (Mohanty, 2011). This system of informal support was almost a counter to these new family values, which tended to encourage individualism as opposed to cooperation and collective responsibility, which characterised traditional African societies.

In many African countries, traditional and semi-formal systems of social protection continue to exist and provide a much-needed support system to families and households in both rural and urban

areas (Patel, 2015). In the absence of formal state social protection systems, non-state and/or informal social provision safeguards people against risks and other contingencies. Lack of access to adequate formal social security has forced the poor to resort to informal social security, particularly mutual aid schemes. Thus, according to Mashigo (2006), mutual aid schemes are mainly for the poor, or for those who operate at the periphery of the mainstream economy. Therefore, the importance of informal social security cannot be ignored, especially when bearing in mind that one-third of the world's population is not covered by any type of formal social security measure (Dekker and Olivier, 2003). In developing countries, particularly in most African countries, the majority of the population is still not covered by formal social security, and those excluded from the scope of formal social security are usually the poorest of the poor, who then rely on informal social security as their only source of social security (Dekker and Olivier, 2003; Olivier, Kaseke and Mpedi, 2008). Furthermore, this argument is supported by Dekker and Olivier (2003), who assert that about 20% of the population in developed countries is said to be without any form of formal social security, and yet, in Africa, about 90% of the population is not covered by formal social security, mainly because a large part of the population is not in formal employment. Therefore, informal social security systems are very important within the African context, South Africa included. However, these systems have a tendency of exploiting women for the benefit of other extended family members and the community, with no guarantee of women's own social protection (Muhanguzi, 2016; Patel, 2015).

### **Informal social security**

Even though it is widely accepted that informal social security is not the answer to the problem of income insecurity among the poor, Kaseke and Olivier (2008:179), argue “it nonetheless plays a pivotal role in extending social protection to the poor and marginalized groups in society”. This is because of the absence or inadequacy of formal social security systems, (Olivier, Kaseke and Mpedi, 2008), in most countries, especially within the SADC

region. As a result, some contingencies are not being covered due to the lack of comprehensive social security system, forcing people to turn to mutual aid arrangements in order to fill this gap. In addition, without formal employment, one gets automatically excluded from some of the formal systems, especially contributory systems. Informal social security promotes togetherness at family and community levels, which leads to the development of a strong 'we' feeling (Kaseke and Olivier, 2008). It is therefore, this 'we' feeling that weaves the people together and enables them to take collective responsibility to meet the needs of others in the family or community (Kaseke and Olivier, 2008).

It is through informal social security that solidarity is enhanced and strengthened within different communities. According to Olivier, Kaseke and Mpedi, (2008), in Africa, traditional values such as *ubuntu*, *botho* and *harambee* are the fundamental basis of informal social security and they are also enforced by the system as it promotes the spirit of togetherness and sharing. Informal social security also has a positive impact on poverty alleviation and development. This is emphasised by Mchomvu et al, (2002), who observe that, cooperatives have had a positive impact on food security in Tanzania. Moreover, Mukuku, Kalikiti and Musenge (2002) also argue that in Zambia, market associations are enabling members to start and expand their businesses. In addition, Kaseke and Olivier (2008) also observed that Rotating Savings and Credit Associations (ROSCAs), perform a similar function, which is contributing immensely towards poverty alleviation. This is also the case within the South African context, where Patel (2015:175) states that the “indigenous and informal modes of reciprocity have been the bulwark against social and economic insecurity” for many people in South Africa.

However, it is noted that the effectiveness of informal social security on poverty alleviation is hindered by low incomes amongst members, which further leads to very low benefits. Despite the benefits being low, they go a long way in enabling the

poor to meet their day to day basic needs (Kaseke and Olivier, 2008). Within the South African context, families who are not able to benefit from employment based social security schemes, rely exclusively on informal social security arrangements. It is observed by Kaseke and Olivier (2008:180), that there is “danger of romanticizing the importance of informal social security systems given the fact that they are unreliable, particularly now due to the growing levels of poverty”. This then result in little and/or in no guarantee at all that one can draw support from this form of social security when faced with different life adversities. However, it should be noted that the continued existence of informal social security, mirrors failure by the state to provide a comprehensive formal social security that will benefit all those in need of it. Therefore, it is of paramount importance that when arguing for the importance of informal social security, one has to take into cognisance that it is not therefore an abdication for the state not to take responsibility in protecting the poor and vulnerable groups (Kaseke and Olivier, 2008).

The other contribution is that informal social security systems are performing some of the social protection functions that are traditionally supposed to be performed by formal social security systems. These social protection functions, according to Devereux and Sabates-Wheeler (2004), include protective, preventive, promotive and transformative functions. This is further elucidated by Kaseke (2013:4), who asserts that “informal social security, particularly the extended family system serves as an instrument for the propagation of and protection of traditional values that promote solidarity and reciprocity”. Such an assertion affirms the protective function of social protection played by informal social security arrangements at both household and community levels, by providing means of managing the risks associated with disability, death and sickness (Kaseke, 2013). In Tanzania, a study that was done by Mchomvu et al. (2002), reported that in the Maasai clan, when heads of households lose their livestock due to natural and environmental hazards, the expectation is that members of the

extended family will replace the lost livestock.

This further reinforces the idea that informal social security supports individuals and households who do not have the capacity to deal with the burden of exposure to risks on their own thereby enhancing its protective function (Kaseke, 2013). In addition, it is noted that self-organised mutual aid arrangements also bear the characteristics of a protective function. This is through different initiatives that are designed to curb food insecurities in different rural communities. An example of this contribution is revealed through a study that was conducted in Zimbabwe by Dhemba et al. (2002), where it was found that rural communities come together and contribute to the *Zunde raMambo* or *Isiphala seNkosi* (Chief's Granary), which is a traditional practice that is meant to aid the elderly, widows and orphans during drought. This practice is therefore meant to provide the much-needed protection against food insecurity, thereby exhibiting the characteristics of a social assistance scheme.

The widespread ROSCAs and burial societies (stokvels), which are also a form of informal social security, assist in the reduction of possible risks amongst different communities, thereby contributing to the preventive function of social protection. The benefits derived from ROSCAs, are used for multipurposes, for example to enable members of a family to access health care or to pay school fees for children to remain in school (Kaseke, 2013). This also applies to burial societies because when death occurs in a family, they immediately chip in to soften the blow on the bereaved family. Muhanguzi, Muhumuza and Okello, (2014: 5), posits that preventive social protection “averts deprivation through social insurance interventions such as pensions and maternity benefits, health insurance, unemployment benefits, informal savings arrangements, funeral support and services such as advice on crop or income diversification”. Kaseke (2013: 4) also state that if a programme seeks to “avert deprivation or to mitigate the impact of an adverse shock”, it will be regarded as preventive.

Informal social security also contributes to the promotive function of social protection. According to Muhanguzi et al, (2014), promotive social protection creates opportunities to fight poverty through the raising of incomes and capabilities, and this can be through different initiatives, that include schools feeding and microfinance programmes. According to Kaseke, (2013:5), promotive programmes are those that “enhance assets, human capital and income earning capacity of the poor”. It is therefore observed that ROSCAs, as microfinance programmes, have a strengthening effect on their members' income earning capacity, as members use benefits from these associations to build their assets base, thereby improving the wellbeing of individuals together with their families, and subsequently their communities. For example mutual aid schemes in Tanzania and Zambia are reflective of the promotive role of social security. These schemes, promote both agricultural production and income capacity of members. Kaseke (2013) points out that the *Chilimba* scheme; a form of a ROSCA in Zambia is a good indicator for the promotive function of informal social security. This is because it enables members to meet both their immediate and future needs, and to become self-reliant when adversities strike in future. This is all through the collective principle of mutual aid associations.

According to Devereux and Sabates-Wheeler (2004), social protection has a transformative function that aims at operationalising economic, social and cultural rights of those excluded from the mainstream economic activities. Muhanguzi, Muhumuza and Okello, (2016:5) also state that transformative social protection “addresses concerns of social equity and exclusion, through social empowerment”. Informal social security mechanisms assist the poor and vulnerable from social discrimination and livelihood risks (Muhanguzi, 2016). Regrettably, formal systems have been widely criticised for failing to acknowledge diverse range of informal social security mechanisms, yet these have been in place and providing security for many years (Muiruri, 2013; Devereux and Getu, 2013). It



should however, be noted that even though these informal mechanisms have a transformative function, their focus is on a limited number of community needs and not on the broader transformative measures (Muhanguzi, 2016).

### **Challenges confronting informal social security**

It has been noted that informal social security plays a significant role in poor people's lives. However, the system is also confronted with a number of drawbacks. According to Dekker and Olivier (2003), sustainability, reach and effectiveness of informal social security arrangements are limited. The authors further observe that informal social security arrangements rarely provide a sufficient and all-encompassing solution to the risks with which poor people are confronted. In addition, Holzmann (2002:56) states that, "while informal or market-based risk management instruments can often handle idiosyncratic risks; they tend to breakdown when facing highly covariant, macro-type risks". For example, in Africa, the main sources of covariant risks that affect poor people are HIV and AIDS, wars and conflict, seasonal volatility in prices, drought and macroeconomic shocks, while the idiosyncratic risks that affect Africa include widowhood and break-up of the family and illness. Therefore, since many of the risks faced by poor people are covariant in nature, informal arrangements at family and/or community level are typically not very effective in dealing with these risks (Holzmann, 2002).

It is noted by Dekker and Olivier (2003) that due to urbanisation and industrialisation, the traditional family system has been eroded and disintegrated. In turn this affects the effectiveness of traditional systems of informal social security, as they are based mainly on the family or kinship relationships. Kasente (1996) also states that because of informal networks' over reliance on the principle of reciprocity, this constitutes a risk of sustainability, as members who cannot manage to contribute are excluded. Therefore, it should be noted that even though informal social security continues to provide a backbone of social security, the

provided security and protection are very limited, and owing to ever increasing rates of poverty, these informal arrangements have also come under immense pressure (Kasente, 1996). In addition, the lack of contributing capacity on the part of the poor has a corresponding impact on the ability of any particular informal social security instrument to provide sufficient coverage (Dekker and Olivier, 2003). The authors further observed that most informal social security schemes or arrangements are often small, poorly managed and weakly developed, as a result they do not last long and are also unsustainable. However, when developing a comprehensive social security model within the African context, with South Africa included, the importance of social solidarity in traditional societies must not be underscored as these are vital components of informal social security.

### **Stokvels: an overview**

Stokvels fall under the broad concept of informal social security and represent an important form of social security. The term 'stokvel' is widely used in South Africa and refers to informal savings schemes which are globally known as Rotating Savings and Credit Associations (ROSCAs). Informal saving schemes exist in different countries across the world, and a significant number of people rely on these schemes for strengthening their livelihoods. In South Africa, ROSCAs and/or stokvels form a sizeable part of the informal saving schemes due to the growing trend of under-employment, low paying jobs and the growing number of people working in the informal sector. According to Matuku and Kaseke (2014), there is no agreement as to when stokvels emerged in South Africa. However, there is a general consensus and understanding among different scholars that the term “stokvel” originated from the rotating cattle auctions or “stock fairs” of English-speaking settler farmers of the early 19<sup>th</sup> century in the Eastern Cape Province of South Africa (Lukhele, 1990). Stock-fairs became a platform for black farmers to exchange ideas and also to gamble whatever resources they had (Irving, 2005). Thousands of Afrikaners left the Cape during the

Great Trek of 1838 and settled in the Transvaal, where gold was later discovered (Lukhele, 1990). The discovery of gold brought people from all over the world, including black people, to the Witwatersrand to work in the mines, and some of the black people from the Cape brought the concept of stokvel with them. The rapid urban migration into the new mining towns of the Rand brought about serious challenges in accommodation, and people lived in overcrowded environments with poor sanitation, which resulted in the outbreak of numerous diseases and in increased number of deaths (Lukhele, 1990; Matuku and Kaseke, 2014). This resulted in severe financial challenges, as many immigrant workers could not meet the high costs of funerals. In addition, many of the migrant workers preferred to be buried in their rural villages of origin, and this meant more costs for transporting the body. Therefore, to meet these problems, the colleagues of the deceased contributed money to help cover the costs of transporting the body, and this resulted in the birth of burial related stokvels.

Burial stokvels became more popular in the 1930s. In addition, some leaders of these schemes also became leaders of political organisations in South Africa (Lukhele, 1990). It was at this time that the Black people began establishing burial societies as a form of stokvel, in order to help them meet the high costs of funerals, and the first “Bantu Burial society” was founded in Johannesburg in 1932 (Lukhele, 1990). Verhoef (1999) indicates that in the Western and Eastern Cape, the Witwatersrand, Orange Free State and Natal, stokvels started operating as early as 1920, when black women started arriving in the towns and cities. Women were marginalised and restricted from participating actively in the labour market, and spearheaded the stokvels within the urban context in South Africa which became a key livelihood strategy for them (Chikadzi and Lusenga, 2013). During this period, stokvels became associated with women and became part and parcel of black people's lives (Lukhele, 1990).

In addition, among the Ndebele and Sepedi speakers, men from the

same village who worked in mines formed the rotating credit clubs and/or informally collected money from one another in order to help in returning migrants' bodies to their rural homes for burial (James, 2015). During these years black mine workers and their families were living below the poverty datum line and this forced them to supplement their income by getting involved in informal sector activities, such as peddling (Lukhele, 1990). Buijs (2002), and Matuku and Kaseke (2014) add that unemployment and poverty forced most black women to participate in stokvels as a means of sustaining their livelihoods. Moreover, Verhoef (1999) also notes that some women were encouraged to join and/or to form stokvels in order to supplement household income. Also, the impact of severe droughts in South Africa, together with the Great Depression, affected the agricultural sector resulting in more and more people migrating from rural to urban areas in the 1920s and 1930s (Lukhele, 1990). This therefore forced people, especially those who relied heavily on agriculture, to find alternative means of survival.

Patel (2015) observes that stokvels became survival strategies for many people during hard times. Verhoef (2001:261) argues that:

moving to a city meant the loss of traditional sources such as land and cattle, but women did not lose their managerial and planning skills. Over time, kinship relations changed fundamentally, leaving women to seek alternative survival strategies. Stokvels represent one mechanism that Black urban women manipulated to generate funds for subsistence needs.

This then led to the emergence of different kinds of stokvels, which had different functions and/or purposes. To date it is estimated that there are about “800 000 stokvels, in the form of burial societies, rotating savings and credit associations in South Africa, with about 8.25 million members, and an estimated R400 million a month in savings” (African Response 2014:6). Other estimates have put “stokvels savings rates at over R13 billion per year” (ILO, 2014:2). The stokvel phenomenon grew from groupings initiated with the aim of saving, and was driven by

different needs such as poverty and the necessity for social advancement. The stokvels were initially about community members and relatives who were looking for ways to make ends meet, and be able to achieve specified goals; they grew from there to schemes applicable to anyone, anywhere, as a means to use a collective pool to advance one's hopes and dreams. It is observed that due to the growth and the perceived illegality of the stokvel industry in South Africa, there was a need to have it regulated and/or to have stokvels registered. This therefore prompted the need to have an association and/or a regulatory body that would oversee the operations of stokvels, and this resulted in the launch of the first stokvel association in Soweto, Gauteng (Lukhele, 1990).

### **Challenges experienced by stokvels**

The informality of activities that happen in stokvels poses a number of challenges for the stokvels. A study by Mwangi and Kimani (2015b) in Kenya, on the challenges experienced by members of informal finance groups in Gachagi informal settlement in Thika Sub-County, highlights six challenges that affect the smooth running of informal savings groups such as stokvels. These include poor governance and leadership, low attendance of meetings, defaulting members, poor record keeping, conflict amongst members and the lack of clear operational structures. In relation to poor governance and the lack of proper governing structures, Siwan, Baland and Karl Ove (2003) observe that stokvel systems and procedures are loose and subject to negotiability and some members may experience challenges related to the element of negotiability, as it might enable powerful individuals in the group to manipulate members to their own advantage. Furthermore, Mwangi and Kimani (2015b:31) state:

a few powerful community members can take advantage of the weak systems where they can quickly set up a group, collect funds from other members, take a big loan for themselves and default to pay and probably vacate from the neighborhood.

Stokvel members might also fail to pay their dues in time, and some might intentionally defraud the scheme and steal from it, resulting in the scheme running out of funds and being unable to meet the demand when too many beneficiaries claim at the same time (Porteous and Hazelhurst, 2004). Similarly, Anderson, Jean-Marie and Karl Ove, (2004) note that in informal savings groups, problems relating to member contributions are particularly common and often associated with those members who receive the pool last, and also relate to those who are first in the line and are often the ones who fail to pay their dues. It is observed that stokvels are still not officially recognised as vital savings mechanisms in official statistics, and this contributes to an underestimation of the importance of these organisations, both as savings institutions and as mechanisms of poverty alleviation and social advancement (Verhoef, 2001). People who believe in savings and fixed deposit accounts offered by formal financial institutions view stokvels as a waste of time and money, and so stokvels get evaluated against the background of the interest earned at building societies and banks (Lukhele, 1990). Again, financial illiteracy is a challenge and this is most prominent in Black communities (Ardener, 2010).

## **Methodology**

The study used a qualitative approach located within an interpretivist paradigm. Smith, (2015) and Silverman, (2013) argue that qualitative research primarily focuses on making sense of human experience within specific contexts rather than concentrating on predicting behaviours. Within the qualitative paradigm employed by the researcher, a multiple- case design was adopted and two different types of stokvels were studied. The goal of most case studies is to have an in-depth understanding of a particular case (Stake, 2013). A snowballing sampling technique was utilised to sample stokvels, within Soweto, which participated in the study. Purposive sampling, a type of non-probability sampling was used to select participants for the

interviews, focus group discussions and the key informants who participated in the study. A semi-structured interview schedule and a focus group guide were used as research instruments. In-depth, individual, face-to-face interviews were used to gather data from the interviewed stokvel members and the key informant, while focus groups discussions were used to collect data from members of stokvels. Applied thematic analysis was then employed as a data analysis strategy. Ethical considerations were paramount in the study, and steps were taken to ensure that the study abide by the required ethical standards. Before commencing the study, an ethics clearance certificate was obtained from the University of the Witwatersrand's Non-medical Ethics Committee, and a permission letter was also obtained from authorities in Soweto. In addition, participants were asked to sign formal consent forms for participation, audio-recording of the interviews and focus group discussions during data collection.

### **Presentation and discussion of findings**

The following section presents and discusses the themes that emerged from the data collected.

#### ***Stokvels to be recognised as poverty reduction mechanisms***

The study findings highlighted that stokvels could also be strengthened by being formally recognised as poverty alleviation strategies and as forms of social protection against risks for the poor. It was indicated that by recognising stokvels as a form of social protection for the poor, government could then allocate stokvels with much needed finance in order for them to strengthen their social protection provision. Participant 15 from the second FGD supported this finding:

*"I think our stokvel needs to be recognised for its contribution in our community as a poverty reduction measure and to be allocated funds just like small to medium scale businesses. We save lives and boost livelihoods through this stokvel and we need monetary support from the government to boost our stokvel and to be able to*

*support more people. If the government used to recognise and fund cooperatives, why is it difficult to fund stokvels? I think the first step towards improving this stokvel is recognition and funding from the government”.*

In a similar vein, participant 10 from the second FGD also commented and said:

*”I think first the Minister of Finance must recognise stokvels and allocate funds for stokvels from the budget, so that we boost our finances. It is really sad to see people drop out of the stokvel because they cannot afford to pay monthly contributions yet government has money. They should offer support to stokvels for us to grow and improve our services”.*

The above comments show that participants agreed that there was a need to recognise the contributions that were made by stokvels in improving the livelihoods of the poor. The key informant also highlighted the need to acknowledge stokvels as a poverty alleviation strategy and also as an opportunity and strategy that can be used to reduce different pathologies amongst the poor. Anderson and Alexander (2016:174) state that failure to recognise stokvels as a poverty alleviation strategy, there is “a danger that an opportunity to reduce deprivation and tackle poverty and associated pathologies in being missed”. Thus, it is important to recognise stokvels as poverty reduction mechanisms.

### ***Stokvels to be regulated and integrated with formal institutions***

Findings from the study showed that integrating the informal and the formal social security systems might strengthen the level of social protection provided by stokvels. It was highlighted that stokvels worked together with formal institutions at different levels and for different services, and this partnering applied to both burial and accumulating savings and grocery stokvels. Burial stokvels partnered with formal funeral undertakers, and sought the services of these formal institutions when a member died. The partnership was found to be a useful strategy to strengthen their level of social protection. This was highlighted by participant 1



from the individual interviews, who noted:

*"We have partnered with undertakers... so that when we experience death in the group, they will help us with all the burial related services at reasonable costs. I can confess that this partnership have helped us a lot because nowadays we experience too many deaths within a very short space of time, but with this collaboration we do not struggle that much and it has boosted our stokvel"*.

Similarly, and supporting the above response, participant 4 from the individual interviews mentioned:

*"When the group decided that we join Old Mutual, I was not sure if it was a right decision to do but when my husband died, the money that we received was quite good and it covered all the expenses we incurred and over and above that we had a very decent funeral. This was an unforgettable benefit to us as a family, because the support from Old Mutual was significant"*.

According to Ngwenya (2001), obligatory linkages are common only in Botswana, within the Southern African region. It is stated that Botswana made it mandatory for burial societies to be registered with the Ministry of Labour and Home Affairs. It is presumed that when regulated, stokvels, especially burial stokvels may be able to provide meaningful social protection against death related risks, as they might benefit profoundly from the expertise of the formal sector institutions, especially on financial management skills. It should be noted that, because of the large number of burial stokvels in South Africa, the process to regulate them may focus on larger societies and not the smaller ones, as it is argued that regulation might lead to the collapse of small burial societies. Again, it might be a tedious process to ensure compliance of each and every society, large and small. Olivier, et al. (2008) state that most burial societies that operate in South Africa are not regulated, thus there is a need to establish a regulatory framework that will monitor their operations and strengthen the level of protection that they provide. Also, the authors state that there is a need for the establishment of a proper regulatory framework for burial societies through the government

regulator, the Financial Services Board (FSB) of South Africa. Additionally, it is stated that as much as regulation might be needed for the future, burial stokvels that provide benefits that are less than R5000 may be excluded from the regulation in order to avoid the tediousness of the linking process (Oliver et al., 2008).

### ***Provision of financial support through subsidies***

Findings from the study show that the provision of subsidies and financial support to stokvels can strengthen their social protection provision to their members. It was revealed that government financial support in the form of government subsidies may strengthen stokvels to provide meaningful social protection. Participant 12 from the second FGD commented:

*"We need to be given subsidies through government because we are doing a great job in putting food on many people's houses. Also the government can give us subsidies to complement what we do. Surely, if the government used to fund cooperatives, why are they not funding us as stokvels?"*

Similarly, participant 3 from the individual interviews said:

*"For our stokvel to provide better benefits, the government can provide us with money to grow our coffin making business so that we are able to assist our members who cannot afford fancy coffins from undertakers. This will also allow us to assist members who struggle along the way. Also the government can meet us halfway, for example, say the total cost of the funeral is R10000, we pay R5000 from our stokvel money and then the other R5000 be paid by the government".*

The above responses show that there is a need for financial support from the government for the stokvels to be strengthened to provide better social security for their members. Participants indicated that the government may provide subsidies to the stokvels through different channels. It was highlighted that another way of subsidising stokvels might be through subsidised funeral or burial related costs, whereby half of the total costs would be met by the stokvel and the other half by the government. The key informant

also indicated that some stokvels have great potential of providing meaningful and/or better protection to their members but mentioned that most of the stokvels lacked financial strength. It was therefore suggested that the government had to provide subsidies to stokvels in order to boost their financial capacity and social protection provisioning. However, what was of particular importance regarding this subsidisation process was that neither the participants nor the key informant could provide a model and/or a framework for how this subsidisation process was to be executed. This therefore poses a challenge as most stokvels, especially burial stokvels, are not registered with NASASA or other financial bodies in South Africa. However, according to Olivier et al. (2008), in Botswana, informal arrangements, especially burial societies, are required by law to register with the Register of Societies within the Ministry of Labour and Home Affairs. A similar model could be employed in the South African context. In addition, Mwangi & Kimani (2015b) state that in Kenya, the government has made it mandatory for all societies to be registered with the Department of Social Services and to be issued with a certificate that they use to open a bank account. This shows that there are models that could be employed in a bid to have informal organisations registered.

### ***Training stokvel members in financial management skills***

Findings from the study revealed that creating awareness and educating or training members of stokvels in financial management skills, might equip them with the necessary knowledge and skills to grow their stokvels. It was highlighted that with proper knowledge and skills, members of stokvels might have a better understanding of different ways of doing business with the commercial insurers and investment companies which could help them to grow their savings for better returns, thereby strengthening their stokvels' social protection provision. Participant 1 from the first FGD said the following:

*"We need to be assisted or trained through workshops on how to*

*grow our money. As much as our stokvel has family like characteristics, it is also a business and we wish that one day we can provide better services to the members. Therefore, for this stokvel to continue surviving it needs proper management and there should be procedures, regulations and rules governing the members. Furthermore, there should also be terms and conditions which are always adhered to, and I think we need training on these”.*

The above responses highlight participants' views that for stokvels to be strengthened to provide meaningful social protection, there was a need to train and educate members on financial management skills and also on different types of investments that they can sign up for in order to grow their capital base, with an ultimate goal of providing better social protection to their members. This finding is in line with the assertion by Olivier et al., (2008) that in order for informal social security schemes to participate effectively in social security provisioning, there is a need for the promotion of government intervention through different mechanisms, such as training, with an aim of improving the managerial skills and investment abilities of stokvel members. In addition, Anderson and Alexander (2016:174) also state that “development is not about the delivery of goods to a passive citizenry, however, it is about the active involvement and growing empowerment of people”. Thus, participants acknowledged that it was important to train and educate stokvel members about different financial management skills so that they become actively involved in the running of their stokvels and in choosing the investment packages for their stokvels. Mwangi and Kimani (2015b:33) also state that members of stokvels need to be trained in order to improve capacity, and that training should focus on “resource mobilization, empowerment, leadership, financial management and simple book keeping skills”. It was envisaged that having proper skills might enhance and improve the informal finance groups' levels of social protection as members would be well equipped to effectively manage their stokvels (Mwangi and

Kimani, 2015b).

## **Conclusion**

The findings from the study show that recognising stokvels as poverty reduction mechanisms might be one of the possible avenues that could be explored in order to strengthen their social protection provision. It was revealed that by this kind of recognition, stokvels might be taken seriously and get the support that they need from different stakeholders, both public and private. It was also noted that there is a need to regulate and have stokvels integrated with formal institutions. This is regarded as one mechanism that will allow stokvels to learn from well established institutions and be able to make sound decisions when it comes to growing their stokvel capital. Over and above the regulation and integration of stokvels with formal institutions, it also emerged that there is a need to provide stokvels with financial support through subsidies. Finally, it the other strategy that could be used to strengthen the social protection provisioning of stokvels was through training stokvel members on financial management skills. The study findings clearly indicate that this is a pivotal need given that equipping stokvel members with knowledge and skills on financial management could help them to make well informed decisions on how to grow their stokvel capital.

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