

**Gordon Institute
of Business Science**
University of Pretoria

**Investment-Stokvels: Using co-operative finance for bridging the
credit gap to micro-finance start-ups and SMEs in South Africa**

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ABSTRACT

The purpose of this study is to learn more about how 'investing-stokvels' are emerging as a new player in the microfinance sector, seeking to fulfill the same goals as Co-operative Financial Institutions (CFIs) in terms of servicing entrepreneurs and other socioeconomic demands.

While the savings culture of South African stokvels as a whole has received a lot of academic attention, the goal of this study is to focus on a subset of investment-stokvels and their behavioral patterns in terms of economic development. The method used is to match the existing behavior of a similar but formalized structure of CFIs and extract best practices in order to enable and demonstrate investment stokvels' willingness and ability to change and accept microfinance goals.

The opinions, experiences, and attitudes of ten investment stokvels, three CFIs, and two regulatory authorities are captured in this study. This was accomplished through a qualitative study approach in which data was obtained from the participants via semi-structured interviews done at their convenience.

The study's three key findings were: first, willingness to transform is a result of understanding the transformation process, as well as being flexible to work and partner towards a clear objective and keeping a high value system. Second, investment stokvel risk tolerance must be in line with the company's strategy and leadership skills. Third, the adoption of systems and tools improves a company's operational credibility and attracts capital investment prospects.

The study contributes to the field of micro-finance and economic behavioral patterns.

KEYWORDS

- Co-operative financial institution
- Investment risk
- Investment stokvel
- Systems and tools
- Willingness to transform

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science (GIBS), University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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2 November 2021

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Chapter 1: Introduction to the Research Problem

1.1. Title

Investment-Stokvels: Using co-operative finance for bridging the credit gap to micro-finance start-ups and SMEs in South Africa

1.2 Research Problem

South Africa's economic performance indicators have been drastically declining since the global financial crisis (Canning, Raja & Yazbeck, 2015). This negative trend was further worsened by the economic shock brought of the COVID-19 pandemic which put global socio-economic driver under hard restrictions since of March 2020 (Harrison & Kristensen, 2021)

According to the data, GDP plummeted by 51% in the second quarter of 2020, while unemployment reached new highs of from 30,1% to 42% in Q2, according to the extended definition (Statistics SA, 2020a)(Statistics SA, 2020b). The poor performance has harmed financial flows between credit providers and borrowers in both formal and informal markets, further limiting the SME sector's long-term viability and expansionary prospects. The SME sector has been credited as having the direct ability to boost economic growth while producing the jobs required to support an expanding economy all over the world (Ayyagari, Demirguc-Kunt & Maksimovic, 2017).

This impairment has largely created a gap for start-ups to access financial assistance to launch, maintain or expand their businesses. According to the FinScope (2020) study, approximately 10 million people were saving through informal mechanisms such as Rotating Savings and Credit Associations (ROSCAs), Accumulating Savings and Credit Associations (ASCAs), also known as 'stokvels,' and their more developed version known as the 'corporative financial institutions' in the South African context (FinMark Trust, 2019). The National Stokvel Association of South Africa (NASASA) also reported in 2020 that there were roughly 810 000 active stokvel groups of varying sizes collecting an estimated R50 billion in savings and deposits to meet their respective objectives, goals and motives. While South Africa may brag about the ASCA sector's pool of financial reserves, there has been little substantial work done to stimulate the stokvels' potential as alternative micro-

lenders to SMEs, especially when compared to what international ASCAs are doing to leverage their efforts to assist local businesses (Baumann, 2004).

The Johannesburg Stock Exchange (JSE) reported in December 2020 that it had 1003 public companies listed on its various trading boards, totaling R18 trillion in market value. The main category, according to the South African National Treasury, is made up of 361 companies worth R2,2 trillion that offer a wide range of direct investment/risk capital products.(Gqubule, 2021). According to the Prime Lending Rate (PLR), the interest rate for borrowing from Capital Markets is 7%, while the interest rate for a 5-year term debt-borrowing is 7,31%. (South African Reserve Bank, 2021). (SARB, 2021). Even with an abundance of available funds and low cost of borrowing, getting access to credit for establishing a new business venture and/or sustaining and existing one remains a difficult challenge for entrepreneurs and SMEs. Fatoki and Odeyemi (2010) surveyed that 72,4% of entrepreneurs were denied risk capital funding by the formal markets due to collateral constraints while fast-forward to 2020 the experience is seemingly persisting with 74% of SMEs being denied funding (Herrington, Kew & Mwanga, 2017)(OECD, 2020). The literature on 'collateral constraints' in the context of micro-finance refers to borrowers having a borrowing limit in relation to the valuation of a borrower's accumulated tangible assets [i.e. house, cars & equipment, collectible] that, when leveraged against the required loan amount, has the potential to reduce the capital risk of lending and afford the borrower (SME) the opportunity to negotiate favourable interest rates in relation to the PLR.

The research problem might thus be summarized as three major issues confronting the microfinance sector.

1. **The formal markets issue** - because SMEs (applicants) struggle to meet the required order-qualifiers set out by commercial banks, demand for funding does not equal supply.
2. **The semi-formal market issue** - although venture capital and cooperative banking appear to be efficient methods of funding, their capital resources are offered mainly to established affiliated individuals/SMEs of the venture capital scheme, excluding non-member SMEs and star-ups whose growth can add value to the lender's viability and, more importantly, assist CFIs in achieving their inherent founding goals of "*alleviating poverty and being profitable*" (Garrity & Martin, 2018).

3. **The informal market issue** – This sector demonstrates that it has a large pool of capital savings that is not being optimally utilized to benefit individual investment-focused stokvels. Stokvel groups' structure, motives, and goals are either temporary or short-term (12 months), which is incompatible with the fundamental nature of value creation through micro-financing, which is naturally a long-term game (Kshetri, 2018).

1.3 Purpose Statements

The goal of this research is to gain more about the phenomena of 'investing-stokvels' becoming an alternative role-player within the micro-finance sector which also aims to achieve the same goals as Co-operative Financial Institutions (CFIs) in terms of serving entrepreneurs and SMEs for growth.

1.4 Research Scope

The focus of this research is the difference between the resource curse, which really is a huge pool of funds generated by investment-stokvels through informal means with the potential to promote micro-funding activity, and the insufficiency of the formal capital markets to meet demand for required capital by entrepreneurs and SMEs.

This mismatch is a problem that, if not addressed, could lead to the stagnation of the South African economy.

As a result, the focus of this study will be on investment-stokvels as role actors in closing the lending gap in South Africa.

1.5 Credit gap in the formal market (Commercial Banks)

Traditional and developing banks continue to underserve SMMEs with commercial loan services. Only R86 billion (5.1%) of loans are issued by these established institutions, despite a demand for lending of less than R350 billion (FinFind, 2017). The credit gap is exacerbated by the onerous prequalifying standards, which demand applicants to have some form of collateral and/or seed funds in order to be considered for such a loan. On the one hand, micro-finance institutions (MFIs) aim to bridge the credit gap by providing services to low-income individuals and organizations who are typically denied access to lending facilities the established commercial banks. (Liñares-Zegarra & Wilson, 2018).

1.6 Credit gap in the semi-formal market (Private Equity & MFIs)

Angel investors and venture capitalists dominate the alternative risk capital funding market globally (SAVCA, 2020a). They represent a number of private equity funders who have a discretionary lending policy in place. According to the South African Venture Capital and Private Equity Association (SAVCA) there was a total of R184,4 billion in private equity available, of which only 18 percent had been allocated to borrowers as 'Funds Under Management FUM),' with an average transaction value of R2,7 million (SAVCA, 2020). The South African Reserve Bank (SARB), the Financial Sector Conduct Authority (FSCA), and the Co-Operative Banks Development Agency collectively regulate CFIs in South Africa (CBDA). The South African Reserve Bank (SARB), the Financial Sector Conduct Authority (FSCA), and the Co-Operative Banks Development Agency collectively regulate MFIs in South Africa (CBDA) (Banks Act, 1990). CFIs are typically substantially smaller in terms of clientele and assets, with far less transactional activity compared to conventional players within the commercial and mutual banking sector.

The World Council of Credit Unions (WOCCU) reported R253 million in loan disbursements to 30191 members, accounting for 68 percent of total assets. MFI and CFIs' strength is respectively their ability to provide both back-office and front-office services to clients while avoiding the onerous regulatory framework that commercial banks face. The back-office services refer to non-financial assistance to clients (such as purchasing equipment, covering skills training, and locating ancillary inputs), whereas the front-office services are similar to those of a commercial bank and include, among other things, servicing a client's current account, accepting deposits, and issuing loans (WOCCU, 2019) (Armstrong, Ahsan & Sundaramurthy, 2018a).

1.7 Credit gap the informal market (Stokvels)

The National Association of Stokvels (NASASA) and the National Stokvel Body of South Africa (NSBSA) have respectively has recorded a staggering 810000 active stokvels by end of 2020 (NASASA, 2020) (Mahadea & Kaseeram, 2018). These organizations primarily assist with compliance needs, allowing them to become fully recognized bodies within the self-regulatory sector.

The stokvel organizations' foundation objective is to include at least one of the following common goals for service: 1) collecting savings; 2) providing their union significance; and

3) serving their individual members. 2) establishing burial societies 3) grocery shopping in bulk; 4) high-budget pooling; 5) Lobola payments; 6) birthday-party groupings 7) Investment stokvels and 8) social clubs (Hutchison, 2020).

These common goals are aligned to Keynes (1936) eight motives that drive individuals and households to save or cut spending (Fisher & Anong, 2012).



Figure 1-1: Keynes eight drivers that motivate people to save

Chapter 2: Literature Review

2.1 Introduction

In terms of describing the issues that Sub-Saharan countries face, the literature focused on micro-finance models in the context of developing countries is lacking. Poor healthcare, illiteracy, and low skill levels all contribute to significant unemployment in developing countries, particularly in the Sub-Saharan region (Garrity & Martin, 2018). This concoction of societal tragedies for emerging countries exacerbates citizens' inability to break free from abysmal poverty. The micro-finance institutions (MFIs) have an intrinsic design to perform a two-fold mission for their bottom line, according to the literature: primarily become profitable while assisting in the alleviation of poverty (Tchuigoua, 2015). Micro-finance institutions' ability to be viable is dependent on their willingness to adapt to changing macroeconomic environment, despite the fact that they are constantly faced with insufficient capital resources.

Bayai and Ikhide (2018) have attributed the success of MFIs to their adequate capitalization which attains the said MFIs financial sustainability (Bayai & Ikhide, 2018). Furthermore, thematic studies on the philosophy of micro-finance institutions have revealed an increase in high-profit oriented micro-finance institutions that are focusing on the same market categories as benevolent and angel investors. This type of new-age microfinance institution runs the risk of drifting away from its basic missions, which are defined by a concentration on providing loan assistance to start-ups and expanding SMEs, and unwittingly getting closer to functioning in the space occupied by traditional banks. This transformation of the micro-finance sector has created a void that may be filled strategically by ROSCAs or 'stokvels' using their pool of resources to join the 'for-profit' crusade alongside micro-financiers (De Quidt & Ghatak, 2018). While the nature of business venture sustainability is determined by long-term profitability and the ability to achieve desired goals, the literature uses the concept of '*value creation*' to explain the impact a sustainable business venture has on the ecosystem surrounding a microfinance institution (Armstrong, Ahsan & Sundaramurthy, 2018b). This ecosystem is concentrated on microfinance institutions, small businesses, and the local economy as a whole, all of which benefit from it (Liñares-Zegarra & Wilson, 2018).

2.2 Micro-finance Phenomenon in South Africa

The typical micro-finance institutions in South Africa is known as a Co-operative Financial Institutions (CFIs) and these are governed by the Co-operative Banks Act of 2007 under the auspices of the SARB, FSCA, and CBDA, with a total active registered membership of 23 CFIs as of September 2021. This study will henceforth refer to all 'micro-finance institutions' as CFIs to align with South African policy framework and research literature, and to focus attention on the subject at hand rather than the semantics of the terms (CBDA, 2020). Because the CFI population in South Africa is so small, the study's discussions will treat these institutions as representatives of the whole sector.

2.2.1 Capital Structure of Co-operative in South Africa

The basic goal of CFIs is to achieve a two-fold goal: to be profitable while also relieving poverty. Since they strive to serve an informal client within a formal or semi-formal market economy, the CFI's intrinsic nature is predicated on altruistic and benign behaviors.(Siwale & Okoye, 2017). The CFI's mainly service people who have been excluded from the financial banking industry for various reasons. The theory discussion on the capital structure of micro-finance institutions, which is anchored on long-term- (a) deposits/savings; (b) debt; (c) equity; and (d) donations, corroborates the importance of an investor's values and attributes in discovering the distinctive capital structure of CFIs (Tchuigoua, 2015)(Bayai & Ikhida, 2018).

The literature is consistently revealing that 'for-profit' CFIs are emerging as an important source of entrepreneurial finance as lenders seek new income streams and equity to invest in SMEs (De Quidt & Ghatak, 2018). This emergence is further enthused by the rise of Equity-Based Crowdfunding (ECF), the category of 'business and entrepreneurship' on the Internet-based ECF (IECF) market was estimated at US\$400 million worldwide in 2013, almost trebled to US\$1,1 billion in 2014 (Kshetri, 2018).

2.2.2 The Leadership Resilience of CFIs

Despite the fact that Bayai and Ikhida's research is limited to the SADC region, the researchers strongly advise against relying on deposits/savings as a key source of capital funding for CFIs because deposits are primarily generated from the poor and marginalized.

Donations are discretionary in how they are allocated, which raises a red flag because donors frequently attach "strings" and restrictions that could lead to a conflict of interest between the donor's goals and aims and the CFI's, thus undermining the CFI's independence and autonomy.

Above and beyond the financial structure of CFIs, it is the leadership and organizational structure of the micro-lender that propels it to success. The sheer size, competence, and pool of assets or resources, as well as regulations, often enhances this critical resilience.(Bayai & Ikhida, 2018)(Liñares-Zegarra & Wilson, 2018)

The following is a list of common questions used to assess the accomplishment of CFIs around the world.: (Buchenau, 2021)

- 1) How big is the CFI in terms of membership and the number of borrowers?
- 2) How long has the CFI been in existence?
- 3) What is the assets base and reserves of the CFI?
- 4) How resilient and adaptable is the CFI's leadership to a changing environment?

While this research supports previously held beliefs about the structural characteristics of CFIs, it has also revealed a critical leadership competency gap that must be addressed in order for these CFIs to succeed. The ability of a CFI to respond to a variety of developing macroeconomic difficulties is attributed to a leader's resilience and flexibility (Thomas, 2008). The final attribute of resilience recognizes that any entity has to be cognizant of the macroeconomic conditions in order to survive and thrive with its own sector against other competing interests and stakeholders (Thomas, 2008). Generally, the micro-finance sector is both volatile and cyclical depending on economic performance. Most funders and members of CFIs are willing to advance capital injections and deposits into the CFI's coffers while the economy is thriving, as opposed to when there is a downturn or a socio-economic bottleneck that may infuse doubts about future prospects.

2.2.3 Microfinance success stories

In 2004 a researcher and micro-finance expert, Nimal Fernando, uncovered a series of success stories in a survey of 39 international microfinance cases, finding that these CFIs' strong resilience and adaptation to challenging situations was attributable to their success stories. He commends those groups for their willingness to transform from non-profits into businesses with a clear long-term value proposition for shareholders, borrowers, and other

stakeholders(Fernando, 2004). New sources of finance, such as private equity and commercial loans, are attracted to this organic and symbiotic change (Armstrong, Ahsan & Sundaramurthy, 2018). The combination of these '3+1' attributes [adaptability, resilience, willingness and agility] boosts the capacity of all micro-lending organizations [formal, semi-formal and informal] to meet the bottom-line goal of poverty alleviation and profitability.(Bayai & Ikhida, 2018)(Tchuigoua, 2015)(Thomas, 2008).

2.3 The Stokvel Phenomenon

The deprivation, poverty, and post-apartheid struggles that characterize South Africa's economic environment have driven a wedge between formal and informal financial institutions (Moliea, 2007). In South Africa, around 34% of the adult population is unable to access conventional banking services (The Finmark Trust, 2020). While the majority of the adult population is financially engaged, as evidenced by high number of subscriptions 10 million bank accounts, credit facilities, insurance policy, and all the secured and efficient services offered by the vast majority of accredited Financial Services Providers (FSPs) for a population of 60 million (Whittaker & Kruger, 2019). The FinScope reports claims that this does not even equate to moderate utilization, implying that South Africans are not getting the full benefit from the recognized FSP facilities (FinMark Trust, 2019)(Whittaker & Kruger, 2019). The manner in which money is created, held, or exchanged is an intrinsic part of the development of households, communities, and organizations and has always defined the flow of money and capital in modern society. The Rotating Savings and Credit Associations (ROSCAs), or 'stokvels' as they are known in South Africa, are an important lower-income and relatively informal market collective that leverages its money management along the same prescripts of creating [collecting], retaining [saving], and exchanging [rotating] available resources to its membership in line with the group's goals and understanding.(Lappeman, Litkie, Bramdaw & Quibell, 2019). According to NASASA and NSBSA, there were over 810 000 active stokvel groups of various sizes in 2020, collecting an estimated R50 billion in savings and deposits to satisfy their unique purposes, goals, and motive (NASASA, 2020).

In the adoption and adaption of modern financial processes, there is an inherent indigenous culture, as evidenced by stokvels and other examples that are neither western nor conventional (Hutchison, 2020). The stokvel group is a collective of individuals with a common goal of 1) saving money, 2) joining burial societies, 3) bulk grocery shopping, 4)

high-budget pooling, 5) birthday-party groups, and 6) lobola payments. 7) Investment stokvels and 8) forming social clubs. Hutchison states in his research on the Khayelitsha stokvels that, despite the fact that this union exists in an informal domain, there is a shared understanding that certifies the union of members in the same way as a codified contract does. This certification is demonstrated by (a) the practice of collecting payments from members; (b) adhering to the constitution, whether verbal or written (typically less than a page); and (c) enforcing the payment of contributions.

2.3.1 Investment Stokvels with CFI characteristics

The 'precautionary and improvement' motives for saving are a more convincing arguments for stokvels in South Africa to join a collective savings agreement. The exploration for 'investment stokvels' to be willing to adopt Keynes' (1936) 'intertemporal substitution; improvement; and enterprise' motives of saving in addition to their existing core objective and common goals, and thus transitioning into a CFI, is very quiet in the literature on investment-focused stokvels (Fisher & Anong, 2012).

1. **The intertemporal substitution motive** – to profit from interest and capital gains
2. **The improvement motive** – to enjoy accumulation of assets
3. **The enterprise motive** – encouraged by the ability to participate in business projects

In the general sense, most stokvels exist for a period longer than 5 years, however, their goals are typically short-term in nature and the mission of the stokvels is often to satisfy an immediate need for gratification as per their founding objectives of these group. As a result these kinds of stokvels will not be categorized under the three motives for investment focused people/organizations as adapted from Keynes model, [Figure 1-1](#). Hence, the study will distinguish between consumer-focused stokvels and investment-focused stokvels, with the latter's investment purpose typically dictating the stokvel's lifecycle and hence the union of its members. To characterize this unusual subject, the term 'stokvel' shall henceforth refer to -investment-focused stokvels; -investment stokvels; and/or -investing stokvels (Sohl, Vroom & McCann., 2020)(Garrity & Martin, 2018).

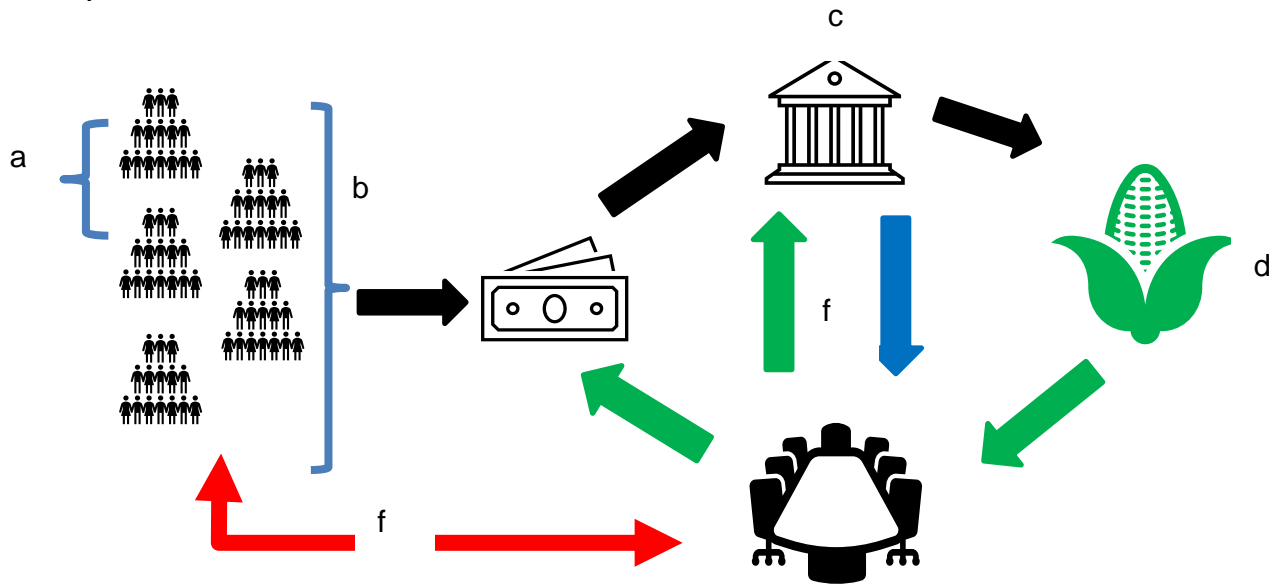


Figure 2-1 The typical functional model of a CFIs & Investment Stokvels

- a) A group of members form an Investment stokvel
- b) Several Investment Stokvels collect member contribution and bank into an MFI to achieve the above 3 motives for saving.
- c) The MFI holds the deposits and awaits instructions from the investment stokvel (IS)
- d) The IS instructs the MFI to invest, fund or loan to their preferred SMEs (start-up, growth and expansion)
- e) The MFI creates a supervisory board representative of all represented Investment stokvels.
- f) The Supervisory Board provides oversight to the MFI

2.3.2 The informal sector [Stokvels] aiding a formal sector (SMEs) applying semi-formal sector (CFI) mechanisms.

The microfinance institution blurs the lines between the formal and informal sectors, allowing it to function without having to change regulations or protocols. As a result, this study will advocate for the investigation of ordinary investment stokvel transforming into a CFI. In this context, the research will gather and analyze data in order to explain the steps involved in developing a model that would achieve the intended effect for investment stokvels and CFIs. In a study conducted in Taiwan to analyze and create microfinance

services from the standpoint of managing a ROSCA (in this case, an Investment Stokvel), researchers discovered that a model design similar to [Figure 2-1](#), here above maximized the ROSCAS's excess revenues and minimized the borrowers cost of debt, allowing entrepreneurs to avoid paying extremely high interest rates when establishing enterprises (Ahn, Kang, Ki & Shin, 2017).

2.3.3 Does the size of an Investment Stokvel determine its growth?

Linares-Zegarra and Wilson (2018) conducted a qualitative study to look into the relationship between CFI size and growth. The size is determined by total assets and active borrowers, while growth is determined by the primary "*double-bottom line*" of profitability and poverty reduction. This study is grounded on Gibrat's Law of 1931, which proposes a set of hypotheses that have primarily been tested on manufacturing and financial services firms over the years (Liñares-Zegarra & Wilson, 2018):

H1: a CFIs' growth is not related to its size

H2: a CFI's is not persistent

H3: a CFI's growth variability is independent of its size

CFI management, according to Zegarra and Wilson, should not be fixated on increasing their 'size' in the pursuit of growth, because size, when measured in terms of the number of borrowers and total assets, can be stymied by bad debts, defaulters, economic volatility, and even legislation. Instead, if the CFI leadership is focused on short-term growth, they should focus on improving the 'design components' of technology, structure, human resource systems, and management processes (Cummings, Worley & Donovan, 2020). However, this attempt fails to address the question of what drives a CFI's growth, therefore this study will propose that Stokvels must have an investing arm or function in order to meet the emerging demand of borrowers and be viable in the future.

Table 2-1, which depicts a 10-year outlook for the South African CFI sector between 2009 to 2019, attests to Wilson's principled findings in the context of South Africa (Liñares-Zegarra & Wilson, 2018)

Table 1-1: 10 year-period summary of data for CFIs in SA

South Africa Co-operative Financial Institutions 2009 to 2019						
Year	No. of MFIs	Membership	Reserves (m)		Total Assets (m)	
2009	131	20 012	R	14,2	R	227,6
2014	26	33 400	R	19,7	R	316,0
2019	27	30 191	R	33,4	R	410,9

There were 131 CFIs in 2009, with a total asset value of R227,6 million. Despite a 66 percent increase in core membership over five years, the number of CFIs decreased to 26. By 2019, and the number of members has shown a decline, while cash reserves and overall assets had increased. This supports Gilbrat's theory that MFI increase is largely attributable to chance.

2.4 Summary

While the concept of CFIs is a relatively complicated phenomenon, research shows that it remains a critical engine for social upliftment by bridging the gap between official and informal risk capital markets. CFIs are in close proximity to economically disadvantaged groups in the locations where they operate due to their inherent inclination to objectify profit and social upliftment. As a result, investment-stokvels should model themselves after the excellent CFI model and/or join forces alongside them to become formidable sector and change agents by providing much-needed microfinance to SMEs and entrepreneurs.

Chapter 3: Introduction to the Research Problem

3.1 Research Objectives

The 'precautionary and improvement' motives to save poses as a more compelling reason for South African stokvels to enter into a collective savings agreement as per Fisher and Anong's (2012) common goals categories in [Section:1.7](#). The objective of this research is to gain knowledge more about stokvels' willingness to save, which is driven by their 'intertemporal substitution motive; assess the appetite to take risks and invest, which is driven by the improvement motive; and finally, gauge the enterprise' motives, which are driven by their distinct and current primary goals to remain sustainable for the future (Kolstad & Wiig, 2015).

- **Research Objective 1:** To determine if members of an investment-focused stokvel would be willing to transition into a CFI in order to lend to small businesses.
- **Research Objective 2:** To determine stokvels' investment risk appetite towards SMEs for short-term or long-term goals.
- **Research Objective 3:** To determine the systems and tools required for investment stokvels to perform micro-lending services to SMEs

Chapter 4: Research Methodology and Design

4.1 Introduction

The literature evaluation has already attempted to answer the research topic of financial and economic exclusion as a contributing element in the SADC region's weak economic growth. This section will describe the techniques utilized to gather, analyze, and evaluate data in order to effectively address the research issues about investment-stokvel models and the benefits that emergent borrowers and lenders can receive as a result of their ecdysis.

4.2 Choice of Research Methodology and Design

The applied philosophy used an interpretative qualitative research technique to examine the main roles played by social actors, investment-stokvels, CFIs, and their regulators. According to Gephart, this technique has a big influence in providing robust descriptions of real-life organizations as entities, derived from typical behavioral patterns, which includes understanding the core notion of social science behavior within these economic organizations (Gephart, 2018). This methodology enabled the use of an interpretive paradigm in qualitative research and afforded the researcher the freedom to use a variety of data collection methods, including interviews, observations, action research, and secondary data. The goal was to analyze the data from the participants' original subjective perspective as well as the meaning of their lived experiences in relation to their willingness to accept financial risks in order to ensure their long-term viability (Flick, 2020).

The deliberate focus is on how investment stokvels may transition into the position of micro-lender while remaining successful and relevant in the same way that the CFI sector has thrived (Bayai & Ikhide, 2018). This comparison will serve as the foundation for achieving parity or differentiation between the two groups in order to improve the functionality of investment stokvels.

The substance of the grounded theory developed for the study is derived through an inductive research method of collecting and evaluating datasets from all three pre-defined categories of social actors: Investment-stokvels, cooperative financial institutions, and regulatory organizations (Holton, 2018). This method also provides the researcher with a comprehensive understanding of the relationships between the existing sectoral regulatory framework and the micro-lending business landscape. The regulatory inquiry

was included to acquire a better understanding of key stakeholders' views and their role in assisting the sector in preventing non-compliance, sectoral misconduct, and irregular operating practices (Siwale & Okoye, 2017).

In order to gain a deeper understanding of the social norms and organizational intricacies of the companies under study, the researcher took part in an action research process by acting as a passive observer within an active investment-stokvel during the research period. When referring to the researcher as a passive-observer in action research, Coghlan uses the phrase "being that first-person" as a way to explain the researcher immersion into the research (Coghlan & Shani, 2020a). However, being attentive to the facts and being reasonable with your conclusions are two of the most important predicated factors that assist the researcher to avoid developing unconscious biases in the process of data collection (Coghlan & Shani, 2020b). The immersion experience from the action study does not form part of the overall data obtained from participants in order to establish critical distance and comply with the set standards of objectivity and quality control within research (Hayward & Cassell, 2018).

The data collection approach to fulfill these research objectives is consistent with the framework of an exploratory research process because the research objectives in Chapter:3 are designed to explore for patterns. Semi-structured interviews with nine leaders of investment-stokvels, three cooperative banks, and two regulatory bodies were used to obtain primary data (Saunders & Lewis, 2016). Although, for the regulatory bodies, the researcher conducted comparative semi-structured interviews in order to gain a better understanding of the models that the NSBSA and CBDA use when interpreting the relationship of variables studied between the organs under their authority in the form of investment-stokvels and CFIs, respectively (Lee & Aslam, 2018).

The use of a trustworthy data gathering process allowed investment-stokvel participants and CFIs to offer their own experiences and insights about what they saw as a phenomenon in their industry. The rigorous collection of data and observation necessitated the use of a phenomenological research approach, with the only goal of allowing participants to fully express themselves in the context of the research questions (Whittle, 2018).

Given the time constraints, a cross-sectional study was more appropriate, in which interview participants were each interviewed once during the months of September/October 2021, providing a 'polaroid-snapshot' of their perspectives (Saunders & Lewis, 2016)(Duesbery & Twyman, 2020). The second constraint was the researcher's inability to physically meet participants for follow-up and clarifications due to the stringent restrictions set by the COVID19 regulations restricting physical contact and movement.

4.3 Target Population

4.3.1 Level 1 group: Investment-stokvels

According to African Response's recent survey, there are 552 046 active stokvels with over 11 million members and an average monthly contribution of R357 per person (African Response Research, 2021). NASASA and the NSBSA agree that there are around 810000 active stokvels with typical formation as 1) collecting savings; 2) forming burial societies; 3) bulk grocery buying; 4) high-budget pooling; 5) birthday-party groups; 6) lobola payments 7) social clubs and **8) investment-stokvels** (Hutchison, 2020). The investment-stokvels were the target population for this study, and the NSBSA acknowledged that there are 2200 on their database registration. Because this figure does not include the number of investment-focused stokvels registered with NASASA, the study was unable to determine the size of the overall population of investment-focused stokvels in South Africa.

4.3.2 Level 2 group: Co-operative financial institutions.

According to the SARB registry for MFIs, MFIs in South Africa are known as Co-operative Financial Institutions (CFIs) and are regulated by the SARB, FSCA, and CBDA, with a total active membership of 23 CFIs as of September 2021. To align with the worldwide policy and research context, and to focus attention on the concept rather than the semantics of the terminology, this study will refer to MFIs as CFIs from now on. The directors, managers, and key decision makers of these institutions who have the authority and obligation to represent their respective organizations were the target group within this demographic.

4.3.3 Level 3 group: Regulatory authorities.

Regulator	Acronym	Regulation
South African Reserve Bank	SARB	SARB Act 90 of 1989
Co-operative Body of Development Agency	CBDA	Pre-Financial Sector Regulation Act, 2017 Co-operatives Bank Act No40, 2007
Financial Sector Conduct Authority	FSCA	Financial Sector Regulation Act No9, 2017
National Stokvels Association of SA	NASASA	Banks Act No94, 1990
National Body of Stokvel Associations	NSBSA	Banks Act No94, 1990

Table 4-1: Regulatory Authorities

4.4 Unit of Analysis

The unit of analysis for this study is primarily the investment-stokvels operating within the Gauteng Province under Level 1 group; Although there are many role players for the interest of this exploratory study, the aim remains to provide insights into the phenomenon of ‘investment-focused stokvels’ as an alternative role-player within the micro-lending sector. This focus is in line with Bhattacharjee’s concept for selecting a unit of analysis “based on identifying a target of the investigation” - (Bhattacharjee, 2012).

4.5 Sampling Method and Size

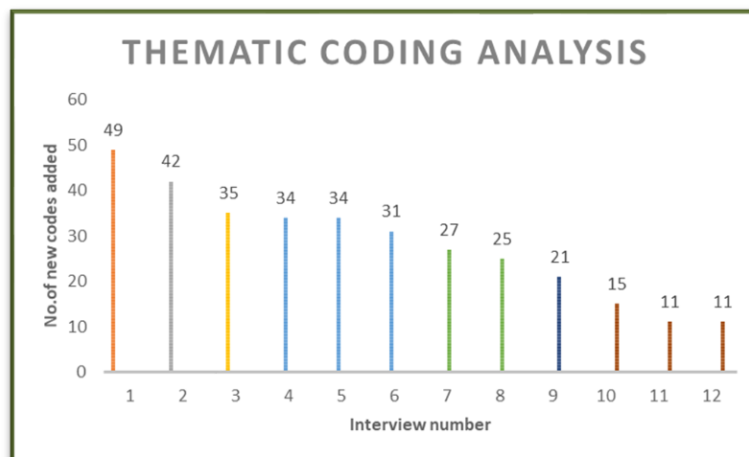


Figure 4-1: Data saturation

To attract, select, and pursue a defined framed of participants to form part of the research sample, the researcher used a verification technique of a non-probability sampling method. Participants who are representative of the groups described in Chapter 4.4 have

been narrowly sampled in order to enrich the research with a diverse set of responses produced from a similar interview guideline instrument.

Level 1 Participants: Investment-stokvels

While acquiring access to the participants in this group category was difficult in the beginning of the data collecting period, once the requested time-investment was ranged to "30-45 minutes" from the initial "45 minutes per interview" stated on the participation request forms, the participants became more responsive (Saunders & Townsend, 2018).

To draw the attention of the first four (4) investment-stokvels, a non-probability sampling technique of self-selection was applied. The volunteers participated because they were passionate about the concept of investment-stokvels and were willing to go above and beyond the specified time commitment of 30-45 minutes (Andres Ph.D, 2015). A snowballing strategy of non-probability sampling was used to obtain the second sample frame of five (5) participants in this group. Within the tight-knit cycles of the investment-stokvel fraternity, the referring participants are looked upon by peers as respected and knowledgeable professionals, making the process simpler.

The NSBSA confirmed that out of the estimated 30000 stokvels registered with them, about 2200 were classified as investment-stokvels from a list of categories found in Sections 2.3 and 4.3.1. The study was unable to estimate the size of the general population of investment-focused stokvels in South Africa because these figures do not include the number of investment-focused stokvels registered with NASASA. Given the size of the estimated population, time and resources were insufficient to conduct a thorough investigation of a compatible sample frame.

The interviews were analysed using a saturation thematic coding technique to ensure that new insights from the data were captured with each additional participant until saturation was reached, at which point no new insights were being supplied by succeeding participants (Given, 2012).

Level 2 Participants: Co-operative financial institutions

The researcher chose three CFIs from a population of twenty-three (23) registered CFIs in South Africa using the purposive sample approach of convenience by geographic location. This method enables the study to reveal and illuminate the key issues being

studied (Mark; Saunders & Lewis, 2016)(Saunders & Townsend, 2018). Although the size of a CFI is determined by its membership complement, which plays a significant role in the viability and revenue generation capacity of CFIs, the size of a CFI was irrelevant characteristic to the method of selecting participants within this category because the minimum legislated composition is 200 members.

Level 3 Participants: Regulatory authorities

The two bodies CBDA and NSBSA were selected using a heterogeneous non-probability sampling technique because of the diverse characteristics and mandatory roles these have as identified in [Section 4.3.3](#) and [Table: 4.1](#). The close proximity to the work of investment-stokvels and CFIs dealing justified the researcher's discretionary judgment to select these participants (Saunders & Townsend, 2018). The final round of interviews was with a representative of the CBDA, which is a member agency of the National Treasury charged with overseeing and building capacity in the pre-financial sector for agribusiness, taxis, and religious groups, as well as CFIs, which are more pertinent to this study. The NSBSA, as one of only two regulating bodies for the broader stokvel sector, was represented by one of the organization's founding members, who has served in senior roles for the regulatory body for over 12 years.

4.6 Data Gathering Process

The data collection process was carried out under unusual conditions of limited contact and restrictive movement; rather, all interviews were performed under the stringent COVID-19 regulations, which were largely restrictive, making it even more difficult to gain access to participants.

Because the targeted sample groups were all in the Gauteng Province, the study permitted all consented respondents to choose between the following types of interviews:

- a) Face-to-face interview at the convenience of the participant
- b) Telephonic interview: a real time conversation at the convenience of the participant and/or
- c) Synchronous online interview: a live online-video conferencing, using a preferred platform for their convenience.

Although all of the approaches had certain drawbacks, such as the possibility of technical glitches, a lack of voice clarity due to poor sound during the interviews, the participants agreed to be recorded throughout the interview so that the interviews could be reviewed and transcribed to accurately capture the sentiments as intended (O'Connor & Madge, 2016).

One of the CFI participants insisted on meeting face-to-face with the research for the interview, thus all eleven (11) participants chose to have their interview sessions conducted via a live online video conferencing platform.

The steps followed to gather the data (Cassell et al., 2018):

- I. Request for an interview by way of sending an interview consent form.
- II. Schedule, conduct and record the interview on a preferred platform.
- III. Transcribe and analyse the content and observations of from the interview

The researcher created two sets of interview guides to bring clarity to the research objectives in Chapter 3 prior to the interview. While Appendix 3A was used during interviews with investment-stokvels and CFIs, Appendix3B was found to be more suitable for regulatory agencies.

4.7 Analysis Approach

Following the transcription of the interview, the data was analysed and themes extrapolated using a thematic coding technique of analysis. and assigned to a coding system. The coding of raw data was divided into five main aspects, guided by the inductive approach to theory development (Kshetri, 2018),

- a. Category label: can be a word or phrase that refers to the category
- b. Category description
- c. Texts that are associated with the category
- d. Links: how each category is related to other categories
- e. Modelling: modelling of embedded categories

These categories represented thematic systems whose codes were clustered into subtopics and super-ordinate categories to distinguish the level of similarity in meanings, in those precepts that are directly addressing RO1, RO2, and RO3, which were classified as super-ordinates, and those precepts that are directly addressing groups 1, 2, and 3 which were classified as sub-topics.

Table 4-2: Thematic Coding System

THEMATIC CODING SYSTEM		
SECTION IN RESEARCH ANALYSIS	SUPER-ORDINATE GROUP	SUB-TOPICS
Demographics and Sample Data	Demographics and Background	6
	Willingness to transform & develop (into CFI)	8
Research Objective 1	Process of Transforming	7
	Collaboration & Partnerships	4
	Values and attributes	9
	Risk : appetite to invest	6
Research Objective 2	Leadership and Competence	5
	Strategic Vision: Planning & Goals	13
	Organisational challenges	12
	Sustainability of Investment Stokvels and CFIs	6
Research Objective 3	Financial Education and Skills Development	8
	Communication Systems, & Management Tools	3
	Success factors	5
	Society & Culture	3
Unexpected Findings	Crowdfunding and Intermmediaries	1
	Impact of COVID19	4
	Solution and Proposals	11
	Solution or New Model	

4.8 Quality control and data analysis

It will be critical to analyse the data without compromising the main elements or diluting the thematic notions with researcher biases in order to validate the quality and validity of the data received from the data gathering process. To avoid a qualitative data analysis blunder, the data will be validated and analysed using three primary methodologies that are appropriate for the design (Creswell, 2007).

- a) Thematic Analysis strategy will help to extract the themes and common experiences from the data. This method can be time consuming but because the data will be drawn from mainly three groups of protagonist (investment-stokvels,

CFIs and regulators) it is crucial to be able to validate the themes in order to proceed with the next data analysis methods (Kshetri, 2018)(Schreier, 2014) .

- b) Narrative Analysis strategy will be applied to ensure that the data is reflective of the the intention and sentiments of the participants (Gabriel, 2018). The model to be applied is a six (6) step process designed by William Lobov (1995) aimed at “recapitulating the told in the telling” (Kim, 2019). This is an effective method to extrapolate the important facts that allows the narrative to be validated without compromising the ‘*told story*’.

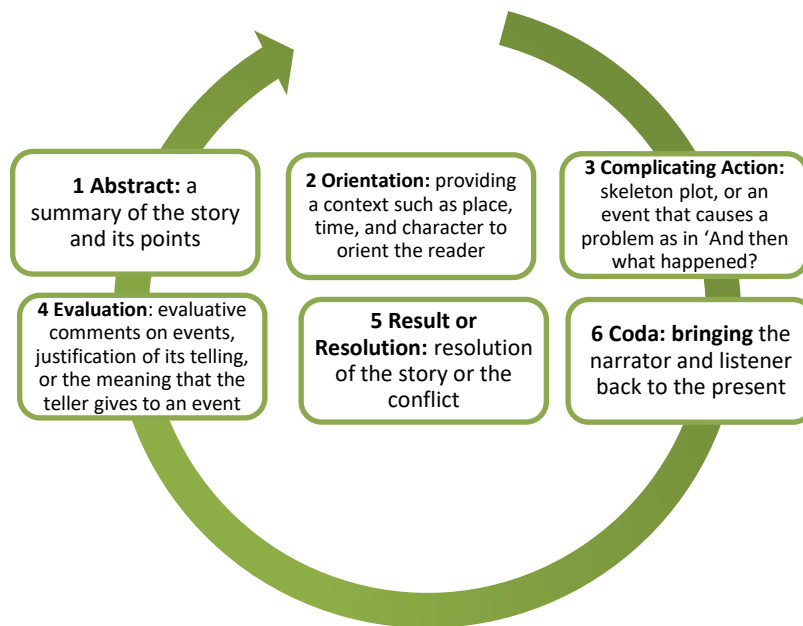


Figure 4-2: Narrative Analysis Process

4.9 Limitations

4.9.1 Legislative protection of investment-stokvels

Investment-stokvels are assumed to operate under a legal framework that governs all stokvels in this study. This is not the case because the Stokvel sector is self-regulated and the stokvels themselves are not considered legal entities. As a result, there may be fundamental barriers for investment-stokvels to participate effectively within a formal economic setting characterized by a legislative framework that is too disassociated with the stokvel sector as an informal role-player (Chatterjee et al., 2017a).

4.9.2 Researcher Bias

After seeing and observing one successful model stokvel, the researcher as an interested party who participated in action research may have some bias towards investment stokvels, CFIs, and even regulating agencies. The bias and assumption could be that the model used, during the immersion experience, can be duplicated and befitting for all groups, resulting towards the researcher imposing a position on data selection and therefore failing to attain the requisite critical distance from the research (Hayward & Cassell, 2018).

4.9.3 Access to investment-stokvels

A huge part of investment stokvel groups, as well as key sentiments from regular members of these groups, were left out of the interview process. Members' direct input would have provided much-needed insight into the relationship between the leader representative and the beneficiaries, whose perspective is as valuable as any shareholder within the context of a formal organizational structure.

4.9.4 COVID-19 pandemic restrictions

The data collecting process took place in atypical circumstances, with limited interaction and restricted movement; rather, all interviews were conducted under the severe COVID-19 regulations, which were primarily restrictive, making access to participants even more difficult.

4.10 Ethical Clearance

The Gordon Institute of Business Science established a requirement for researchers to submit an application to its Ethics Committee as part of the conditional requirements that must be met before beginning the data collection process. This study conforms with the necessary ethics requirements for conducting qualitative research on this topic. On a consent form that they were asked to fill out, all 12 participants were assured of their anonymity. "Participants #" is the only name given to the interviewees as representative of the groups under study. The names of the Regulatory Bodies, as public and statutory organs, are disclosed by their legal titles (CBDA and NSBSA), but the identities of the interviewees have not been revealed, See Appendix 5.

complete a Consent Form after the proceedings had been explained and they had been assured of their confidentiality. Anonymity was maintained through the reporting of the findings, with names of all participants being changed to Participants numbers.

4.11 Conclusion:

This exploratory study, according to the researcher, will provide more insight into the phenomenon of investment stokvels and the potential they hold as 'for-profit' micro-lenders that can help dismantle poverty's strongholds and contribute to South Africa's economic growth by financing start-ups and SMEs.

Chapter 5: Results

5.1 Introduction

According to the research methodologies and aims from Chapter 4, this chapter is a depiction of the sentiments of 12 interviewed participants. All participants chose to conduct the interviews via an online video streaming platform, with the exception of one, which was held face-to-face, to reduce the danger of direct contact with the COVID-19 epidemic and for sheer convenience.

Participants are divided into three levels, which primarily represent nine(9) investment stokvels, (three)3 CFIs, and two(2) regulatory authorities, in accordance with the research objectives indicated in Chapter 3. It's worth noting that two (2) of the participants represented both the investment-stokvel and the CFI.

5.2 Demographics and Sample Context

5.2.1 Level One: Investment Stokvels

The participants are all key members and/or leaders of their respective investment-stokvels, with the authority to speak on behalf of their respective investment-stokvels, and they are the only candidates to be questioned. In the instance of investment stokvel Participants 4 and 5, however, the representatives were only willing to engage after consulting with the general membership for approval. The entire interview was conducted using an online video streaming platform.

Table 5-1: summary of demographics - investment stokvels

Level 1 Group: Investment Stokvels							
Participant	Pseudonym	Year of existence	Period of existence	Purpose	Region of operation	No. of Members*	Stated Assets**
1	SAKHISIZWE	2019	2 years	Property Investments	National & International	300	R15 000 000
2	PALENGO	2014	7 years	Equity, Property and Assets Investments	Gauteng, Soweto	150	R6 000 000
3	SIYAVUNA	2015	6 years	Equity Investments	Gauteng, Mamelodi	9	R250 000
4	KOPANO	2019	2 years	Property & Lending	Gauteng, Online	1000	R1 100 000
5	SIYAKHULISA	2019	2 years	Property Investments	Gauteng, Springs	6	R170 000
6	VHOFHU	2020	1+ years	Equity & Property Investments	Gauteng, Centurion	3	R600 000
7	LETHLABILE	2020	1+ years	Poultry Farming & Agriculture	Gauteng, Pretoria	20	R500 000
8	THEPEOPLE S	2017	4 years	Lending and Equity Investments	Online/National	500	R3 000 000
9	UMNOTHO	2019	2 years	Land Acquisition and Property Development	Gauteng, Krugersdorp	309	R451 710

Unless explicitly mentioned as being exact values, the 'Number Of Members' and 'Stated Assets' as declared by the participants are both rounded off to the closest 10 and R1000 respectively.

“...we have about 33000 individual members belonging to 2000 registered stokvels....10% of those stokvel registrations are investment-focused stokvels...Although the majority of them invest in property...” – Participant 11 (NSBSA) see table 3

5.2.2 Level Two: Co-operative Financial Institutions

The prudential body, the South African Reserve Bank, has registered and granted operating licenses to twenty-three (23) institutions in order to validate their position as CFIs in South Africa.

This group's participants consists of Executive Directors who are mandated to represent the CFI as a leader and/or spokesperson. All three individuals are involved in their organization's day-to-day operations and are also founders or co-founders. Participants 8 and 9 see tables 1 & 2 also stated that they joined the CFI as part of their transition and growth from being members of an investment stokvel, therefore they are represented in both Level 1 and Level 2 groups. While the gender mix in the CFIs is slightly skewed towards females, the age grouping is also extremely diverse, ranging from 25 to 50 with Participants 8 & 9 CFIs and reflecting more age maturity with Participant 10's CFI. The Prudential Authority of these institutions, in accordance with the Co-operative Banks Act of 2007, compels them to file a "common bond," hence the following have been submitted:

Table 5-2: Summary of demographics for CFIs

Level 2 Group: Co-operative Financial Institutions							
Participant	Pseudonym	Year of existence	Duration	Purpose	Region of operation	No. of Members	Stated Assets**
8	THEPEOPLE F	2018	3 years	Lending and Equity Investments	Online/National	2169	R250 000 000
9	UMNOTHO	2019	2 years	Community Banking Services	Gauteng, Krugersdorp	309	R451 710
10	ORANJEKAS	2009	12 years	Banking Services	National & International	1177	R50 000 000

Common Bond Statements:

Participant 8 CFI : ...all members of the CFI* will have to be members of the Investment stokvel before they can be considered for any product to be offered by the CFI.

Participant 9 CFI :all members of the Exclusive-economy club

Participant 10 CFI : ...all members of the CFI's Non-profit organization and their families

The 'common bond' statement, according to the participants, acts as a filter to recruit suitable members without the perception of discriminating against any potential member of society based on race, age, gender, or creed, thereby making the CFIs exclusive clubs with a common purpose.

“The top four CFIs in SA make up for 94% of the assets of CFIs” – [Participant 12 – CBDA]

5.2.3 Level Three: Regulatory Bodies

The names of the Regulatory Bodies that are relevant to this report will be identified because they are first and foremost statutory public organs of state that are well-known to all; however, the identities of the interviewed representatives will not be revealed and will only be referred to as Participant.

The South African Reserve Bank (SARB) has policy and prudential control over all CFIs in South Africa, and it collaborates on this with the National Treasury's Co-operative Banking Development Agency (CBDA). The Financial Services Conduct Authority (FSCA) oversees market conduct and supervises financial service providers besides the investment stokvels. The stokvel sector is self-regulatory, and with National Stokvel Association of South Africa (NASASA) and the National Stokvel Body of South Africa (NSBSA) mandated as overseers by the Banks Act 1990. (Act No. 94 of 1990).

Table 5-3: summary of regulatory bodies

Level 3 Group: Regulatory Authority							
Participant	Regulating Body	Period of existence		Legislative Mandate	Region of operation	No. of Members	Stated Assets**
11	NSBSA	2014	7 years	Registration and Regulation	National	3300	Not Applicable
12	CBDA	2008	13 years	Regulation, Compliance and Training	National	23	Not Applicable

List of Regulatory Bodies specific for the sector

- SARB – oversight and policy framework for level 2 & 3 groups
- CBDA – compliance and training for level 2 group
- FSCA – oversight and regulation for level 2 group
- NASASA & NSBSA– compliance and regulation of level 1 group

5.3 Results for Research Objective 1

To determine if members of an investment-focused stokvel would be willing to transition into a CFI in order to lend to small businesses.

The goal of this section was to determine the circumstances under which members of an investment stokvel would be willing to expand or augment their primary vision and make the necessary adjustments in order to transform into a CFI with similar goals with greater capacity to effect economic development and welfare. Participants were asked if they had ever considered becoming more than a stokvel, as well as to describe their intentions with regard to those ambitions. The primary focus of attention for this research objective was on the experiences and attitudes of investment stokvels as the key subjects.

5.3.1 Willingness To Transform And Develop

The participants expressed significant enthusiasm during the interviews when discussing their mutual goals and purpose as investing stokvels. The excitement was centred on the future prospects and the hope for a better life that they presented, and this is what primarily drove each investment stokvel to develop a desire to transform, develop, and thrive.

“We want to alleviate poverty and better the lives of our people. We are also doing it for ourselves. While it is a known fact that it is hard for SMEs to access capital

especially for small black owned companies, so we've found a way to use our stokvel as the vehicle to fund whatever it is that we want to do, right. So the money that we are contributing and earning from investments should be enough to propel us to get what we want to get. However, the end goal is not just having capital rather owning revenue making assets. So we want access that would be revenue making, and we want to create employment, we want to empower our people, you know.” - [Participant 4]

The road of self-discovery required members to become nimble and create a desire to want to go even farther beyond just achieving their defined goals as and when their living conditions improved as a result of the stokvels' profitable investment decisions taken. The satisfaction of obtaining a passive income is viewed as a motivator for the collective to achieve full financial freedom:

“And now that we are engaged in investments that earns us a consistent passive-income, we have since realized that there are more opportunities out there that we can venture into, rather than just focusing on contributing money [for monthly savings]. We are constantly in search for new opportunities as a stokvel, we are not just limited to contributions, we want to grow into something that is much bigger than us.” – [Participant 5]

5.3.2 The Process Of Transformation and Sustainability

Most Participants see the transformation into something bigger and more permanent as a legitimate facet of any organization's growth. While participating investment stokvel are still on their way to a prospective transformation, which comes with its own set of obstacles, the data confirms that these challenges are a natural part of the change process as experienced by (CFIs) participants.



Figure 5-1: Process of transformation and sustainability

During the transition, all participants acknowledge that they realized the significance of establishing a business arm with a separate bank account to support the investment stokvel's commercial aims soon after obtaining a stable income or revenue from investing activities. Participant 7 describes their unique and fascinating process from starting up as an investment stokvel to becoming a "co-operative"¹ entity:

“Our stokvel started with raising 100 chickens, and then when we reach 1200 chickens we could see a more sustainable income, so there was a need to formalize our commercial business, so we formed a co-op. So the reason we transitioned to a co-op it is a more appropriate business model for the farming and agricultural spaces. Most of the businesses are corps and not private companies. Also the co-op route places us to qualify for the many government grants and specialised funding that is made available to the sector ” –
[Participants 7]

The frequent turnover of members within a given period is a common challenge for the long-term sustainability of investment stokvels. For various reasons, stokvel members shift around and switch between other stokvels. While the investing stokvel has a long-term purpose in mind, the rapid turnover of members can jeopardize its survival and efficiency.

¹ A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs co-operative society is defined as a business owned and controlled equally by the people who uses its services or work for it (SAIPA, 2018)

“We do belong to other stokvels...We are not executives members of that stokvel but we do belong to that stokvel” – [Participant 4]

“I belong to three stokvels the first we invest into property, the second stokvel I got into it through my broker and the aim is to invest in the stock market...and the third is only recent and also into investing..” – [Participant 6]

The last component that poses a threat to the stokvel's survival is the very real chance of death, loss of income, migration, or disputes within the group, as experienced by some members.

5.3.3 Collaboration & Partnerships

The NSBSA and NASASA conduct a variety of road shows and networking events for all types of stokvels across the country. These events, as well as regular gatherings, provide participants with essential platforms for gaining expertise and reading the pulse of the industry. Another outstanding feature is the ability of the investment stokvels to share information. Even within the semi-formal sector, the research found that some iconic persons, such as Participants 1, 2 & 8, are well known and accepted by the stokvels and CFI community as experts and leaders of influence.

“So it was quite easy at first to reach the 1000 membership ,I won't lie because [Participant 1] has a huge following on social media, right. And she's famous for being the stokvel guru. She helped us a lot by using her platforms, resources and knowledge to attract new members during our recruitment drive” – [Participant 4]

Because the concept of value creation through stokvels is still a relatively new concept to most, the participants discussed the importance of affirmation and collaboration amongst other groups and leaders. As a result, they believe it is critical to obtain first-hand knowledge-based training via gatherings, evets, seminars, and community Indabas² because there is very little formal/academic training and written experiences particularly regarding the sector.

² <https://en.wikipedia.org/wiki/Indaba> : The term "Indaba" comes from the Zulu language. It means "business" or "matter"

“...We value partnerships because, I'd say from beside the benefiting from pool of information, having to gather together you get more knowledge in how to go about doing this thing, because the obviously, other people have been in this journey more and more than us, and we can learn from them” – [Participant 8]

The data in [Table:5.1](#) distinguishes between collaborative stokvels and those that operate in isolation. This is obvious in the number of members inside each stokvel, which shows that Participants 1,2,4,8, and 9 have a minimum of 150 members due to their partnership and collaborative attitude, but Participants 3,5,6, and 7 have a combined membership of less than 50.

When asked if they had ever cooperated with any other stokvels and/or SMEs for mutually beneficial prospects, non-collaborators responded as follows:

“And not at this stage, we haven't really partnered with any other, but me personally because I'm involved in different stokvels” - [Participant 3]

“So our stokvel never did that ever? And I mean, it's hard enough managing your own members. Now imagine you've got 1000 members...” – [Participant 5]

“No, we haven't reached that point....I wanted to do some homework personally, not with a group” - [Participant 6]

“I'll be just frank with you and say No. Not yet. It might have been part of our discussions at some point but it never gained any ground, because we are a closed group of friends” - [Participant 7]

5.3.4 Organizational Values & Attributes

The topic of organizational value is discussed a lot in the study's findings. The bulk of the participants alluded to these ideals as the X-factor for their success and endurance while operating in tumultuous conditions brought on by the COVID19 pandemic's imminence since March 2020. When asked to comment on their X-factor, the participants said that a combination of the five(5) key organizational values depicted in [Figure 5-2](#) contributed to their organization's success and sturdiness.

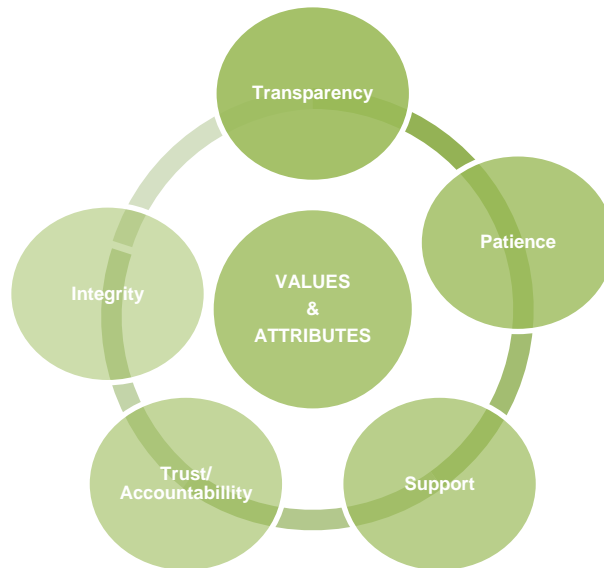


Figure 5-2: organizational values

- a) **Transparency** is a value that refers to how the investment stokvel manages the group's resources and funds. As a result of the stokvel sector's history of susceptible administrative and booking-keeping systems, certain stokvel leaders may sense an opportunity to alter the records and siphon some funds. As a result, leaders, particularly Treasurers of investment stokvels, developed a culture of distrust.

“So it's all about transparency. You know, everything should just be transparent for everybody leaders and ordinary members alike. A new member should be able to request for financial statements, bank statement and receive them without many questions asked” – [Participant 6]

b) **Patience a value** is aligned to the adherence to the common goals and purpose of the investment stokvel. When asked about their 3 to 5 year goals, the participants unanimously shared that “...ours is playing the long game”- [Participant 3] and that generally their intentions are that they are- “...building a legacy”- [Participant 4] and “...creating generational wealth” – [Participant 5]

c) Within the stokvel fraternity, the context of **support as a value** means that every member is recognized and acknowledged as an equal by virtue of sharing a common aim with everyone else. Individual members of stokvels become more willing to exhibit their gained talents and experience when such an open environment for support is formed, regardless of their degree of education, status, or class. In this context, support refers to members contributing more than just money by demonstrating dedication and investing their time to support the investment stokvel's initiatives and programs:

“We need to create a culture of getting people involved as well. That's why when you asked me what is the criteria, I said, everybody told me what are they good at ,so if you are good at writing minutes then you will be our secretary, making sure that those needed skills are not idle. As a founder you do not have to run with everything. So I got everybody in there. And that's how we got support and build trust...”- [Participant 7]

d) In general, **trust and accountability** are non-negotiable attributes for stokvels. Participants 1,2,4,8, and 9 place a different importance on trust within the groups than Participants 3,5 and 6. The latter groupings are often smaller in size, with all members having known and interacted with one other for many years as group friends[P3], work colleagues[P5], and alma-maters[P6]. As a result, trust is inherent in the structure of the relationship; nevertheless, the value of trust is established for the former groups, which are characterized by a wide membership, by establishing credible systems of reporting, monitoring, and access.

e) **Integrity as a value** emerges as a result of leaders' attempts to establish confidence within the organization. Participant 2 is now a powerful leader in the stokvel and CFI sectors, with over seven years of expertise. She admits that during her first three years working with consumer-based stokvels in Soweto, she had to take on the role of financial literacy educator as a method to win trust. She now works as an investment advisor for a prominent asset management firm in Sandton, Johannesburg. She was subsequently welcomed by those stokvels as a facilitator and accountant for several stokvels in the area; it was only afterwards that she acquired the trust of the groups to present her own financial services.

“So I had earned trust and credibility because at that time I had been working with stokvels for at least three years...the relationship was at a point where they were saying amongst themselves that I was not there to exploit them like some of my colleagues who had been with them before me,...” – [Participant 2]

5.3.5 Conclusion for Research Objective 1

The vision and common goals of the group are the most basic form of expression for displaying the aim and readiness to influence change inside an investment stokvel. The evidence shows that a group that sets its goals along the lines of aspiring to achieve capital gains and profit; and to accumulate assets; for these types of stokvels are already on the path of transformation to impact their own economic welfare as well as that of others by virtue of working as a collective; for these types of stokvels are already on the path of transformation.

The way the investment stokvel moves forward with seemingly modest leaps and bounds, such as establishing a new business wing or commercial product/service as an extension of the stokvel's responsibilities, demonstrates the process and willingness to evolve. In other cases, like in the case of Participant 11, a stokvel expressed this willingness to alter and achieve change by establishing a regulating body (NSBSA).

If collaboration and partnership are used as a litmus test to determine whether investment stokvels are willing and ready to transform, the results show that a more collaborative and engaging investment stokvel is more willing to transform into a CFI, which requires a minimum membership of 200 people.

The credibility of investing stokvels is enhanced by a strong moral and ethical value system. Such stokvels are then able to recruit a large number of members; pool resources with ease; and achieve their objectives. This organizational value system demonstrates the company's willingness to make the move to a CFI.

5.4 Results for Research Objective 2

To determine stokvels' investment risk appetite towards SMEs for short-term or long-term goals.

In this section the research aimed to determine the extent and scale to which the investment stokvels are investing in the economic welfare and development of SMEs. The scope of the enquiry further assesses the duration of these investment and the nature of returns thereof. The CFI bodies have also been included to allow the Participant to submit their experiences to assess the worst and/or best practices for investment stokvels to avoid and/or follow.

“And the intent of it was when we started providing start-up capital to small businesses, most people said that there was no gains in the market to finance small business. Now with a little bit of a financial background and experience of 3 years, we can confidently say that there’s an abundance of gains. It’s just that the money being redirected wrongly” – [Participant 8]

5.4.1 Risk: Appetite to invest

After establishing that the purpose and goal of formations is to jointly save, invest, and expand in order to enhance members' financial well-being. Participants were pushed to clarify on the nature of their investing activities, specifically the type of investment risk they might have taken with SMEs in particular to meet the objectives of investment stokvel or CFI.

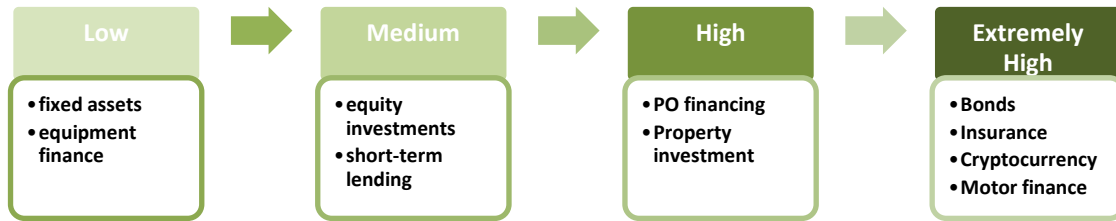


Figure 5-3: Level of risk in investing

Low Risk – investing in tangible assets that grow in value over time.

“We invested in livestock. So what happens is that you can buy different things, you can buy either seeds, a calf and a tree that grows macademian nuts. We bought a pregnant cow for R18,730 so you buy your investment product of choice through a mobile app³ then you are able to see how it grows and you can even make an appointment and go in and see it if you want. The interest you earn is about 10 to 14% at the end of the year plus you now own a two cows after gestation.” – [Participant 5]

Medium Risk – investing into a struggling SME for a share of the profits

“We invested in a catering business. The owner was struggling and needed new equipment. The nice thing was he was well known and had a lot of clients still enquiring about his services. We agreed to buy 100 plastic chairs, a tent, wamers, and other accessories, all in total we spent about R30k in exchange for a 25% share of the profits. The business was good but there was no one from our stokvel members to monitor the day-to-day activitites and income, and he was also not open about the weekly/monthly bookings with us so we could not not determine just how much was due to us, eventually we claimed back our full investment and parted aways with that business” – [Participant 3]

High Risk – purchase order funding (PO financing)

³ Crowdfarming™ is a simple way to help anyone buy & own real profit-earning assets, helping farmers grow and maintain assets until ready for market: <https://livestockwealth.com/>

“We fund business people when they have been awarded procurement order contracts, mostly with government. Our interest charges are 25% of the profits from the PO. To date we have provided business funding to the tune of R3 million to small businesses through the stokvel, while even more because the money rotates multiple times” – [Participant 8]

Participant 8 notably related that his CFI use the same model to offer micro-finance services to SMEs:

“The CFI, on the other hand, has done funding of shoo.. I think, R250 million from donations and contributions of all amounts of money, which in 3 years we used to reached about R400 million in turnover from 700 small businesses, if I'm not mistaken...through something close to 1500 transactions.” - [Participant 8]

Extremely High Risk – investing in the Stock Market, Cryptocurrency and Multiple Lending Products.

“We're like a bank. We're doing we're doing bonds, farm bonds, house bonds. We're doing motor finance, we doing equipment finance personal loans from R20 000 to R250 000 per transaction at 15% interest per annum. That's more on the one side. On the other side, we've got savings & fixed deposit products, which when done, and we must stay in the limits of the PA this is that authority of the SARB in South African.” – [Participant 10]

5.4.2 Leadership and Competence

in this segment, participants were allowed to offer an honest self-assessment on what they consider to be the characteristics of an investment stokvel/CFI that takes risks and realizes returns. Surprisingly, the findings demonstrate that there is widespread agreement that the leaders of these entities are the catalysts for success or failure when taking risks to achieve desired outcomes.

The skill, experience, and qualification of investment stokvel leaders influence the kind of investments they make. [Table 5-4](#) shows the relationship between a leader's level of education and the risk patterns exhibited by 10-participants⁴ ranging from P1 to P10.

		Leadership Qualification/Competence			
		Matric	Post Matric	Diploma/Degree	Post-Graduate
Investment Risk Patterns	Low	P-5			
	Medium		P-6	P-4; P-7	
	High	P-8		P-2; P-9	P-1; P-3
	Extremely Risk				P-10

Table 5-4: Risk patterns vs level of education

High Risk investor/Degree: A leader with a diploma or degree describes his move from a medium-risk to a high-risk investing strategy as follows:

“Initially we had an aggressive approach towards investments, after four years we decided to start investing in JSE equity shares following a successful tenure of saving, lending to small businesses and individuals. We had a lot of cash that was just sitting around and not doing anything, but we saw it fit that we can actually benefit by tapping into high risk investments for high gains over time.”
– [Participant 3]

Extremely High Risk investor/Post-Graduate: CFI leader with a Post-Graduate qualification expressing the need and advantage of having professional individuals with the necessary competence and knowledge:

*“We've got three advocates. We've got a doctor, not a medical doctor. And then we've got *Chris Maynard who is also a shareholder in the Reserve Bank. You know, you must have expertise on your board.”* – [Participant 10]

⁴ The Regulatory Bodies[P11 & P12] are not included in the dataset because they do not engage in investing activity.

High-Risk investor/Basic Formal education: Although the result do not suggest that the only measure of competence is having a formal qualification. Participant 8 is testament that for leaders to adopt a high risk strategy of investing, the element of experience and caution can guide the process. As a leader and co-founder of both his investment stokvel and CFI, he acclaims his success to having a good support system of skilled and intelligent people. Furthermore, he compensates his shortfalls by ensuring that a through due diligence process is in place before committing into a high risk prospect for investment.

“...you can't mitigate the risk completely. So we do a thorough vetting and due diligence on an entrepreneur/SME and tag them with a rating for eligibility. You know, so our risk mitigation is learned in the street[though experience]. I mean, the first five contracts we started with people we knew. And so that worked out quite nicely. Then. As we opened it up, the thing we always try to control for is the risk. I mean, if you look at our default rates, it's at 3.7% of all capital, we've deployed, we've lost about 3.7% and we're trying to keep that down as much as possible...” – [Participant 8]

Although the NSBSA offers basic compliance training, dealing with an educated, literate, and committed leader is typically a pleasant experience. The NSBSA, as an authoritative group in the sector, has highlighted three key characteristics of successful investment stokvels: **Leadership, Vision, And Resilience.**

“Its leadership. And you I guess you could say, generally in any group set up, when you have a good leader or good leaders within that group, then we are almost guaranteed of success. A good leader must have passion; knowledge and the love for learning. You must appreciate that there are going to be issues, but still press on ahead. With investment stokvels it is very helpful when a leader comes from a financial or business background, someone who has a long term vision on where they want to take the platform or the group....and even during trying times...when you lead with a vision and passion, focused on that long term goal, it will help you as a leader and therefore in return, the stokvel will also benefit” – [Participant 11, NSBSA]

5.4.3 Strategic Vision: Planning and Goals

Strategic vision is the compass of any organization. In this section the research aimed to explore if leaders of the stokvels/CFI were agitated by taking risks with a long-term outlook of 3 to 5 years. The results show that for most investment stokvels the strategic vision is merely a statement of desire, while for the CFI there are clearly outlined program of action for how the vision will be achieved.

Table:5 shows responses of some investment stokvels/CFIs concerning the strategic vision leading to a 5-year period.

Table 5-5: strategic vision of investment stokvels/CFIs

Participant	Strategic Vision (3 to 5 year horizon)
Participant 1	"We want to create more entrepreneurs from within our ranks"
Participant 3	"Our long-term goal is to grow the business arm of our stokvel. We see that it can create a lot of value for us, if we are focused..."
Participant 4	"We want to grow our property portfolio and partner with farmers and producers in agricultural produce, and hopefully succeed in increasing our livestock"
Participant 5	"We are looking at passive income by investing in few small businesses, but beyond that the plan is have a certain amount of money and then buy property to let out. We want to own buildings."
Participant 6	"We want to assist other stokvels, especially those burial societies that are sitting on large reserves of money in the bank, and help them to get more value out of their saving...by teaching them to invest in shares on the stock exchange"
Participant 8	"Also remember, that the intent [from the investment stokvel] was to start a bank [CFI], and now that we have one who knows maybe we can even have a commercial bank and play with the big boys"
Participant 10	"the goal is to become a self-sustaining financial hub to cater for the transactional needs of members. We want to create a community bank...much like what Saambou ⁵ , and Volkskas ⁶ were at some point in time.

⁵ **Saambou Bank** was a South African bank that was founded in 1942 and was liquidated in 2006: <https://en.wikipedia.org/wiki/Saambou>

⁶ **Volkskas Beperk** (English: Peoples' Bank) was a South African bank founded in 1934 as a cooperative loan bank, becoming a commercial bank in 1941. In 1991, Volkskas merged with United Building Society, Allied Building Society and Trust Bank to form Amalgamated Banks of South Africa (ABSA): <https://en.wikipedia.org/wiki/Volkskas>

A strategic vision for the investment stokvel is not only limited to growing the financial assets of the group, as envisaged by Participant 7. Their aim is “*not in bloating the numbers*”, rather they want to build a quality organization which is equipped with the right operational resources and skills for its members. Through their investment stokvel they want to empower people to be self-sustainable and ruin their own separate poultry holdings for the long-term survival and well-being of their families.

“Okay, so at the moment since we started our co-op in August 2020. We are re-investing in the business. So we are not sharing any income for individual gain, we managed to partner with a local community built a chicken house to produce 1200 per month. So the money that we made, we reinvest it into the business and building. So yeah, at the moment, we are reinvesting the money, then hopefully in the next two, three years, we will start talking about sharing. Depending on the profits we are doing.” – [Participant 7]

5.4.4 Organizational Challenges

While the participants demonstrate the resilience, ambition, and visionary leadership needed to succeed, they do identify a range of organizational challenges that are stifling development. The following are some of the internal and external issues that are addressed in this section:



Figure 5-4: organizational challenges

Lack of commitment: This dilemma was frequently encountered in investing stokvels. It's an internal issue caused by the fact that the majority of investment stokvels are run and managed by persons who are normally employed full-time elsewhere. Investment stokvel leaders volunteer for the position, making the activities and responsibilities secondary to

the many other personal and professional tasks they hold. As a result, while the investment stokvel may embark on progressive investment efforts, those good intentions may be jeopardized if leaders do not demonstrate sufficient dedication in their roles to head-up the investment stokvels.

The following direct question was asked of investment stokvel leaders to measure their commitment:

Would you ever contemplate doing this kind of work full-time if everything goes your way and you fulfill all of your goals as a stokvel?

P1 – “Most certainly, in fact I’m at a point of considering it now”

P2 – “Oh yes, there were I’m going”

P3 – “No, but I will put more effort”

P4 – “Why not, I love this”

P5 – “Yes, I would” said the Chairperson but the Treasurer declined with “No, my work as a nurse is way too important”

P6 – “No. I rather start my own company”

P7 – “Yes, our work at the co-op will require someone to be full time in the long run”

P8, P9 and P10 are all full-time employees of the CFIs.

Misconception: The self-regulatory structure of investment stokvels has led to a societal impression that investment stokvels and CFIs are, as a result, informal economic entities. Even among the SME sector, which may invariably gain from their collaboration, this is a common misunderstanding.

The popular misconception is that CFIs are just for the impoverished in South Africa. When Participant 10 recalls a time when his CFI was working with a specific taxi association in Gauteng, he vehemently condemns this misconception:

“Can you guess how much that taxi association has in cash reserves?...Well they had R450 million in cash, in this a poor industry...I say no, there is money and there is value to be realized here” – [Participant 10]

Distrust and Doubt: The body of investment stokvels is solely based on the element of trust and accountability mentioned in [Section 5.3.4](#) as one of the key organizational values. As a result, trust is eroding due to suspicions of external agencies targeting investment stokvels illegally or otherwise in order to gain access to their savings and cash reserves. Many stokvels have been victims of frauds, pyramid schemes, and faulty advice, resulting in financial losses for the groups. Members have since developed a lot of doubts towards the leaders of investing stokvels because of the distrust.

“We have been undermined by corporate and other institutions too much. As a result even when they approach us with a product or investment opportunity, we don’t just jump on to it” – [Participant 2]

Knowledge and Skill gap: This challenge is somewhat addressed by the findings in [Section 5.4.2](#), which relate a leader's skills, experience, and qualifications to their risk-taking attitude. The study in this segment looked into whether a lack of required competence within an investment stokvel's general membership would contribute to the list of challenges. The knowledge and skills gap is a constant difficulty, according to the participants, because while the leaders realize that all members are valued equally, it is sometimes difficult to propose ideas to the investing stokvel and find that everyone understands and comprehends with those ideas as presented. Because they didn't understand the essential concepts of the proposition, some members reject change and oppose the acceptance of some extremely good projects.

Regulatory Framework: The Co-operative Banks Act No.40 of 2007 governs and regulates all CFIs in South Africa. In 2011 there were 121 registered CFI and when the new amendment was enacted in 2014 which increased the minimum number of members of a CFI to 200; only 30 CFIs complied with this new regulation. All operating CFIs interviewed, P8, P9 & P10 do confirm that the regulatory conditions with which they operate under was too cumbersome for organizations of their size and nature. However, they all appreciated the support of the SARB, CBDA and the FSCA.

“In my view the reason the regulation are so cumbersome is because when you start collecting people’s monies you need proper accountability, so you cannot bring people together without the proper structures in place and a clearly outline plan as to how are you going to manage the money and be responsible for the

money and all that. So I think largely that's the main reason why it's so highly regulated to avoid the very real risk of being tempted to use it. You[CFIs] need the to comply with those guidelines, many audits, everything needs to be up to scratch” - [Participant 9]

Other causes of organizational challenges which were raised in the research are:

- **Personal challenges:** Divorce, death and loss of income.
- **Conflict within the organization:** Leadership battles and factions
- **Resistance to change:** Complacency, entitlement of long-serving members

5.4.5 Conclusion for Research Objective 2

Investment stokvels and CFIs are characterized by their willingness to take risks. However, the level of risk is determined by the amount of cash in the organization's financial reserves. Low, medium, high, and extremely high risk appetites are all possible investing options. Investing in SMEs and entrepreneurs in particular is seen as a medium-to high-risk proposition by participants.

One of the features of a functional and successful stokvel is leadership, and having a leader with the appropriate financial understanding, business management abilities, and experience is the formula for a solid investment stokvel and CFI. A CFI's performance is mostly determined by its management and leadership. Leaders with a strong educational background are also more likely to direct their investment portfolios toward earning high returns on their assets.

Many investing stokvels, unsurprisingly, misunderstand the concept of strategic leadership. While the Participants in the research expressed great excitement for the topic and expressed optimism for the future, there was little substance in place as to what plans, processes, and resources will be implemented in order to achieve their long-term objectives.

The fact that the organizations are aware of these problems and are prepared to comply and thrive in the face of them demonstrates the maturity and resilience of both the investment stokvels and CFI. This set of skills and characteristics will prepare and enable investment stokvels to manage the transition to becoming a CFI in order to improve the economic welfare of their members and SMEs.

5.5 Results for Research Objective 3

To determine the systems and tools required for investment stokvels to perform micro-lending services to SMEs

This segment went further to analyze best practices in an environment where the willingness to help SMEs was assessed, and in the same spirit, organizational challenges were presented by all three groups of participants in the research under the results of the previous research objectives. The participants are questioned about their experiences and suggestions for finding missing items that could potentially improve the way their organization operates.

5.5.1 Sustainability of Investment Stokvels and CFIs

There is a growing awareness and understanding that investment stokvels and CFIs are part of a larger ecosystem with enormous potential for generating value in the socio-economic context. This ecosystem comprises market platforms where people can purchase and sell goods and services for profit and gain; and where organizations can borrow and lend money for capital gains.

The participants recognize that in order for an investment stokvel to remain relevant and achieve its objectives, it must seek out investments that will improve its long-term viability.

5.5.1.1 Sustainability through economic development

Participants were asked to evaluate the business model's long-term viability and give input into which parts would need to be enhanced:

“Ours is not a new concept, we are not the first people to do this. We look up to the experience of Afrikaner farming communities who have been in agriculture co-operatives for years. So they've been using this model for a very, very long time. I'm involved in one of their organizations where I get a lot of knowledge and information to benefit my own co-op...and unfortunately if we don't partner with such, we are losing out on good knowledge and the will be the end of us..” – [Participant 7]

Participant 7 continued with a market analysis to demonstrate her awareness of what it takes to keep their investment stokvel and cooperative afloat:

“And then the other recently demand went down a bit. Our main customers are shisa-nyamas⁷ or carwashes who also sell food on site. We also sell chickens to people street hawkers, but because of COVID a lot of their customers have become sceptical to buying chickens on the street.” – [Participant 7]

Participant 8's commitment to assisting small businesses is optimistic for the study's goals. As both a stokvel and a CFI, the desire to lead this economic development is a powerful motivating force behind his organization.

“ For us to become sustainable is to continue doing what we have been doing for the past 3 years and only now with a great effort and efficiency. I think we have a big impact of the SMEs that we are assisting. for example, we fund people who are un-fundable, right? So they'd go to the bank, they go to alternative lenders, and they can't get funding for their orders, right? So we enable people who want to participate in the economy, but don't have capital to participate in the economy, you know, we remove one of the headaches and hurdles for their participation. So it is quite significant what we are doing. And we'd want the impact to be even more significant, you know, if, in five years' time we reach a milestone to fund R1 billion in contracts a year, then we've won” - [Participant 8]

5.5.1.2 Sustainability through membership

Depending on the aim and goals of the stokvel or CFI, the topic of quantity against quality in the membership of these organizations creates a division. The investment stokvels whose ambitions necessitated the accumulation of huge reserves of funds to finance their

⁷ Shisa-nyama is a Zulu word - literally meaning 'burn meat' - used to describe a 'buy-and-braai' of venue found particularly in townships around South Africa.

objectives have discovered that membership expansion is critical to their long-term viability. Greater members equals more monetary contributions for such groups.

“We still want more members, we are aiming at having 2000 members actually. As time went by, obviously, some people fell through the cracks...we've lost a few members on the way. And now we are obviously stable, and we are now garnering for more members to help us archive the goals of building a property portfolio for student accommodation” – [Participant 4]

5.5.1.3 Sustainability through diversity

The concept of 'diversity' is highlighted throughout the topic and is a critical component to include in a model investment stokvel's makeup. The implications of 'diversity' in the results, on the other hand, appear to have varied meanings for different groups:

The following is a list of the several connotations of the concept "diversity":

Diversity means.....

P1 ...having a good mix of income streams: property, equity, loans, etc.

P2 ...embracing people you would not ordinarily meet within your immediate environment.

P3 ...don't put your eggs in one basket. Invest in shares, buy physical assets...

P4 ...you will work with strangers from all over SA, whatever it takes to achieve...

P5 ...having separate interests but focused on one goal.

P6 ...working with strangers

P7 ...not judging one another and seeing everyone as a valuable contributor to the cause.

P8 ...(topic was not addressed)

P9 ... having a wide variety of skills sets and professional to benefit the group.

P10 ...self-determination while assisting others who are different to you to achieve their goals.

P11 ...realizing the power of many. Our investment stokvel harness diversity when they cluster to achieve a common goal.

P12 ...(topic was not addressed)

5.5.2 Financial Education and Skills Development

The topic of education and skills appears in many different facets of this research, including [Section 5.4.2](#), which specifically discussed the competence of leaders, and [Section 5.4.4](#), which identified organizational challenges related to the knowledge and skills gap of ordinary members within the investment stokvel.

According to participants, financial literacy is quite low in most investment stokvels. The participants linked this cause to South Africa's political legacy of disadvantage, which includes providing poor-quality of basic education to their members, who are primarily black Africans. Others argue that most black-African households lack a culture of discussing money, and that as a result, the subject of money has become taboo in the home.

The Academy of financial literacy for Stokvels:

There is a common denominator across large investment stokvels, and that is that they have had to embark on numerous teaching and learning activities to gain buy-in to the group and also to persuade members about their value proposition.

“Back in the day to get people to understand me, I had to teach them simple concepts like compound interest, capital gains, basic book-keeping etc. Soon it became like an academy, a school for stokvels where people came to learn basic financial literacy and business principles...” – [Participant 2]

The CBDA's mandate also includes providing training for CFIs and stokvels that are applying to become CFIs. The Authoritative body is discouraged by the fact that the current curriculum on offer is ineffective mostly for stokvel/CFIs trainees with lower levels of comprehension.

“The programs that offered by the CBDA are aimed at members of the CFIs, their boards of directors, management, staff, and committees of the Cfis. Then there is mentorship and coaching as well as technical assistance... but also we

need to have trainable people attending our programs. As the CBDA we do a lot of work but for the people who are just not getting the benefit, its wrong people according to me. For example, when we're hosting a financial management training course to somebody who went as far as grade eight [high-school entry level] that person cannot comprehend at that level". – [Participant 12]

Participant 10, an experienced figure with 40 years in banking and co-operative management, criticized the CBDA's all-encompassing training programs, emphasizing that people's advocacy differs; some are skilled in numbers, others in literature, and others in people skills, as evidenced by the diverse composition of members of both stokvels and CFIs.

"...to increase financial literacy from ordinary members the authority [CBDA, NASASA & NSBSA] must have a training programs ranging from basic proficiency, intermediary, and advanced course to cater for this diversity that is inherent within our organizations" – [Participant 10]

The findings also show that ordinary members become financially competent and articulate as a result of the services provided by the authority bodies NASASA and NSBSA. The sessions cover a wide range of topics and provide a wealth of information, expertise, and training.

Skills Development:

Participant 7 emphasized the necessity of skills development as a critical component of the new approach. Many more respondents said their mission goals were to "alleviate poverty" - [P4] - and "reduce the high unemployment" rate by creating jobs for people [P5].

"Our stokvels must create practical training programs to empower people with skills 'to catch a fish'. We want to create a learning initiative to teach them...how to raise chickens? How do you make money into this? How can one get involved [capital requirement]. Also teach them the administration of the entire business and value chain, because t's not only about raising chickens, it's about the writing a business plan and all...and training will focus on all that." – [Participant 7]

5.5.3 Communication systems and Management Tools

Some of the participants attributed their achievements to their capacity to use systems and management tools. The systems are intended to establish a link between stokvel members and their leaders. Leaders employ management tools to improve group operations. The types of communication systems and management tools utilized by investment stokvels and CFIs are shown in Table X.

Communication Systems:

Participants volunteered to share about the processes and mechanisms that make their jobs simpler when leading groups in investment stokvels and/or CFIs in this area. The most fundamental of which was discovered is the usage of social media platforms such as Facebook and Instagram, as well as the group's website. Members can also communicate and exchange information in real time by using instant messaging apps like WhatsApp and Telegram.

The participants recognize that today's economic conditions are extremely fast-paced, necessitating businesses' agility in order to respond to this changing environment. These platforms provide not only a means of quickly disseminating information, but also, in the case of Facebook, a means of strengthening the group's brand image..

“we use WhatsApp to communicate and share information. We like that its easier to refer to old conversations on WhatsApp about past discussions and resolutions to those discussions” - [Participant 3]

Management tools:

In this age of digital transformation, stokvels and CFIs are concerned by keeping up with trends. The CFIs, in particular, have noticed an uptick in enthusiasm for management system installation and use, as their enterprises develop in size, number, and assets. Controlling and managing these companies without the use of these tools is proving to be a futile endeavor.

These systems are deemed essential by Participant 9 in order to achieve the stringent compliance requirements:

“We have been going through an external audit as required by PA[prudential authority]. The auditors have cited various things like advising us to switch from ACCPAC to Pastel, refining our strategic planning mechanism....you have to have the right infrastructure” – Participant 9

Some groups value these tools because of the reliability of the data they provide.

*“imagine with over 2000 members in our CFI, manual filing will not work. Everything has to be digital...because our borrowers are screened and vetted, we have to rely on the available tools like ITC data [for credit profile verification]”
– Participant 8*

Others warn against putting too much faith in these management tools. The user and the leader are still responsible for interpreting the data generated and putting it to good use for the organization. As a precautionary measure, they advise to use applications and tools that are appropriate for the organization's structure and mission.

“There are many fancy tools out there that we feel will not work for us. IT software, CRMs all of that is not necessary because we understand our operations and internal control, so we just go with Pastel. Its really great [because] you can build on it, and things and clean data...until you get to a stage you're a bank” - [Participant 10]

5.5.4 Conclusion for Research Objective 3

The findings revealed that the long-term viability of investments is dependent on a component of their own internal efficiencies. Participants discovered that having a knowledge of market conditions, as well as understanding the proper growth measures between membership growth and/or asset growth, will help an organization achieve its economic development goals. Furthermore, an investment stokvel must grasp and describe its 'diversity' setting.

By contributing value to the group's objectives, financial literacy helps members to make educated decisions and engage stakeholders with confidence. The findings also show that regular members benefit financially and become more articulate as a result of attending NASASA and NSBSA presentations and workshops. The sessions cover a wide range of topics and give a wealth of information, expertise, and training.

The authorities underlined the necessity of personal growth for individual members of the group within the sector. While the authorities provide ample skills training opportunities, the data reveal that the majority of attendees do not benefit from this training because of the mismatch between their level of comprehension and the complexity of the content delivered.

Finally, the groups have identified a number of communication and management methods that are both available and usable. There is an understanding, however, that each group must carefully examine and choose an application that will help them achieve their desired objectives and missions.

Chapter 6: Discussion of Results

6.1 Discussion for Research Objective 1

To determine if members of an investment-focused stokvel would be willing to transition into a CFI in order to lend to small businesses.

6.1.1 Willingness To Transform And Develop

All investing stokvels stated that going into investments is an assurance that they want to be more than just a regular stokvel. Level 1 Group participants all appear to share the same goals and motivations for becoming an investment-focused stokvel as defined in Chapter 2.3.1 to outline some primary characteristic of a CFI (Fisher & Anong, 2012).

The intertemporal substitution motive

The ambition to become more influential businesses is fueled by intent profitability. While this is indicative of a willingness to transform, most leaders are still fixated on maintaining control of the investment stokvel. A faint tone of resistance can be detected with investment stokvels that have a smaller number of members.

The improvement motive

Investment stokvels are all geared towards a growth mentality for their group. The desire to acquire assets for the group is inherent with group that are investing in property or agriculture as intended by their founding common goals This stems from the discipline of realizing value in tangible and long-term investment (Hutchison, 2020).

The enterprise motive

Despite the fact that this was not a desire in the early phases of the investment-focused stokvels' formation, the entrepreneurial motivation charges as a result of engaging in more profitable investment opportunities. This investment responds to this compelling incentive and desire by forming an investment arm of the company in the form of a company or co-operative that is legally recognized under the Companies Act 71 of 2008. Despite the fact that this was not a desire in the early phases of the investment-focused stokvels' formation, the entrepreneurial motivation charges as a result of engaging in more profitable investment opportunities. These investment stokvels have responded to this

compelling purpose and desire by forming an investment arm in the form of a business or industry co-operative that is legally recognized under the Companies Act 71 of 2008. While this is not the preferred path to becoming a CFI, it does demonstrate the willingness on the part of an investment stokvel to reform and promote the concept of participating in the SMEs sphere (De Quidt & Ghatak, 2018).

6.1.2 The Process Of Transformation

The literature defines the context of transformation as an informal entity, such as an NGO, a social club, or a stokvel, that has gathered together to establish a financial service provider that is regulated by an appropriate Authoritative Body. When this concept was devised for and implemented by NGOs in Taiwan, it was a huge success.(Fernando, 2004). Within the context of the Taiwanese model, it is possible for investment stokvels to offer co-operative finance and lending services under the investment-stokvel modality even after the establishment of the CFI.

The unique observation of investment stokvels that invest in the agricultural sector has led to the discovery of an alternate road to becoming a cooperative entity rather than a private company or even a CFI. This method is prevalent and preferred in the agricultural sector since it is considered as a good model for attracting donors, investors, and developmental funds, with the latter serving as the primary motivator for the adoption of the transformative modality.

6.1.3 Collaboration & Partnerships

Stokvels of all kinds are defined first and foremost by members' efforts to collaborate and socialize in order to achieve common goals. The model makes use of the collective power of many to pool resources and support in order to meet the diverse demands of borrowers and/or investment opportunities. All of the investing stokvels in the study revealed that these collaboration efforts are shifting away from the prevailing rapid satisfaction relationships and toward more long-term collaborative ties (Lappeman et al., 2019a).

The investment stokvel's size and membership add a new dimension to the transformation debate. The regulatory framework for CFIs specifies a minimum number of members required for such a group. On the one hand, in contrast to the group with fewer members, the investment stokvels that are more collaborative have become the ones that are ready

to transcend. There also appears to be a correlation between active collaboration/partnership and the growth of an investment stokvel, according to the evidence. The reference to growth in the context of investment stokvel transformation is indicative of a sincere desire to become a CFI.

6.1.4 Organizational Values & Attributes

The topic of organizational value and attributes draws the attention of investment stokvels' leaders. Prior to presenting a grand concept to the group, it is critical for the leaders to establish credibility with the group. The industry is suffering from deep wounds that underlie their scepticism of any new venture or idea. According to Maak and Pless, in these stakeholder society settings, it is advantageous for a leader to be honest and lead with trained morals, which serves as a showcase for integrity (Maak & Pless, 2006)

When people are only in indirect contact with one another, an organization's internal procedures bring it closer to creating emotional trust. Since the members of the investment stokvels are an informal economic group, they are unable to monitor the group's transitional activities. As a result, it is only at the AGM and periodic meetings that members are sufficiently informed about the group's funds and interests. As a consequence, it is incumbent on leaders to establish a systematic culture of transparency and to achieve this level of unconditional emotional trust. People, clients, and patrons of an organization are prone to displaying emotional trust within an organization that has an intrinsic design to be transparent at all times, according to the applied literature (Armstrong et al., 2018b).

The literature on the organizational value of patience is a hazy issue. While the investment stokvels demonstrate willingness to embrace a long-term approach on the group's activities and investments, it is not evident from the results or the literature how these traits can boost a stokvel's desire to transform.

6.1.5 Summary: Discussion for Research Objective 1

Research Objective 1: To determine if members of an investment-focused stokvel would be willing to transition into a CFI in order to lend to small businesses.			
SUPPORTS LITERATURE	EXTENTION TO LITERATURE	COTRADICTS LITERATURE	TO BE CONSIDERED FOR FUTURE RESEARCH
<p>Willingness To Transform & Develop</p> <p>The intertemporal substitution motive - willingness to profit from interest and capital gains</p> <p>The improvement motive - willingness to accumulate assets</p> <p>The enterprise motive - willingness to participate in business ventures</p> <p>Collaboration & Partnerships - collaboration leads to growth, non-collaboration deters growth</p> <p>Organizational Values & Attributes - transparency > support > trust & accountability > integrity</p>	<p>The Process Of Transformation - the agribusiness alternative of of transitioning into an industry cooperative</p>	<p>Organizational Values & Attributes - patience (results show this as a lacking attribute)</p>	

Figure 6-1: Summary of findings compared to literature for RO1

6.2 Discussion for Research Objective 2

To determine stokvels' investment risk appetite towards SMEs for short-term or long-term goals.

6.2.1 Risk: Appetite to invest

The findings from the participants' sentiment and individual risk orientation are well documented in the literature. Beaulieu identifies five operational options for cooperative funding, all of which include at least three risk categories: Models with high-risk return ratios; models with low risk return ratios; and models with no risk (Beaulieu et al., 2015).

The findings also indicate that there are primarily four categories for defining risk among investment stokvels and CFIs, with the common attribute of evaluating the investment goal being employed to assess the degree of risk. When compared to the available funds in

their reserve pool, the most risk-averse groups tend to invest in low-value fixed and tangible assets, whereas high-risk groups' investment goals include lending to SMEs, providing bonds, and a variety of debt-financing options to demonstrate the extent of their appetite for risk.

The findings appear to be in conflict with the literature, which suggests that the lowest level of risk is a "no risk return ratio"; the findings provide persuasive evidence that risk is a constant component in microlending. As an outcome, Participant 10 withdrew service of "student loans," which was classed as "no risk," but the CFI deemed this service to have an unquantifiable degree of risk because there was no mechanism to prevent future defaults.

6.2.2 Leadership and Competence

When Nigeria's CFIs were performing poorly in the mid-2000s, Siwale & Okoye conducted an in-depth examination of the quasi sector and found that over 1000 CFIs had failed due to a lack of financial and management competence (Siwale & Okoye, 2017). This type of chronic weakness has the potential to bring down a sector that serves as the backbone of informal microfinance for SMEs, entrepreneurs, and everyday people.

The association between risk and leadership competency was established during the discussion of the findings. The findings show that there is universal agreement that the leaders of these organizations are the drivers of success or failure when it comes to taking risks in order to accomplish desired objectives. While formal educational qualifications do not guarantee success, the level of competence and expertise, together with the available support systems, create a combination of a good investment stokvel that is ready to transcend. The CFI sector's structural support systems, which include an advisory board, aid in its oversight mechanism, and participants from both the CFI and Regulatory levels agree that these leadership structures need to be staffed with knowledgeable, experienced, and competent individuals to ensure the organization's long-term viability.

In the absence of an oversight authority, the risk appetite of the groups' leaders was aligned to their respective knowledge exposure to the industry, capital goal, or opportunity they decided to invest in.

6.2.3 Strategic Vision: Planning and Goals

Investment stokvels repeatedly emphasized the need of *"expanding ourselves"* and *"helping others"*. This goal stems from Schwartz's research into self-transcendent organizations, which is centred on the idea of assisting society: Universalism while assisting one's own group: Benevolence (Hueso et al., 2020).

Unsurprisingly, many investment stokvels misunderstand the concept of strategic leadership. While the research participants were enthusiastic about the topic and optimistic about the future, there was little concrete information about what strategies, methods, and resources will be implemented to meet their long-term goals. The development of critical abilities, including as decision-making and understanding stakeholder demands, is currently the emphasis of the process of creating strategic leadership. While these capabilities are important, Detjen & Webber (2017) discovered that transitioning from one level of leadership to another necessitates five essential shifts in perspective, which involve a combination of competencies and these much-needed perspective shifts (Detjen & Webber, 2017b):

- a. Leaders must shift perspective of themselves – *expand of their influence to effect change*
- b. Leaders must shift the perspective of others – *gain a deeper understanding of other stakeholders' s role to support your goals*
- c. Leaders must shift responsibility – *be resourceful and delegate*
- d. Leaders must shift leverage – *take decisions for profitable gains*
- e. Leaders must shift the organization – *have the pulse to discerns strategic opportunities for change*

The fact that the leaders of investment-stokvels are aware of these significant shifts and are prepared to prosper in the face of them displays their maturity and resilience. This set of strategic shifts for leaders will prepare and empower investment stokvels to manage the transition to becoming a CFI in order to promote the economic well-being of their members and SMEs.

6.2.4 Organizational Challenges

The backdrop of these organizational issues, as well as the manner in which the outcomes communicated the challenges, revealed a phenomenon not previously documented. While all five fundamental organizational challenges are similar among various socioeconomic groups, the increased importance of these challenges, as well as the lack of information about them, reveals this gap in the reaserch literature.

In the instance of Zambia, the central bank licensed 36 CFIs in 2015, 11 of which were deposit-taking CFIs which included a mix of developmental and consumer lending CFIs. Following the re-structuring of the legal framework that aimed to legitimize the ROSCA and allow the microfinance sector to access into their available co-operative financial reserves, the Zambian government was able to sustain and succeed with this program (Siwale & Okoye, 2017).

6.2.5 Summary: Discussion for Research Objective 2

Research Objective 2: To determine stokvels' investment risk appetite towards SMEs for short-term or long-term goals			
SUPPORTS LITERATURE	EXTENTION TO LITERATURE	COTRADICTS LITERATURE	TO BE CONSIDERED FOR FUTURE RESEARCH
<p>Risk: Appetite to invest - 3 categories: no risk return; low risk return & high risk returns</p> <p>Leadership and Competence - leadership competence is curcial to viability > the role of an efficient advisory body is pertinent</p> <p>Strategic Vision: Planning and Goals - aim to achive self trascendancy through benevolence and univesalisim</p>	<p>Risk: Appetite to invest - 4 categories: low-risk; medium-risk; high-risk; extremely high-risk</p> <p>Leadership and Competence - self-regulated organs ,ust compesate lack of oversight mechanism with high skills demand from leaders</p>	<p>Risk: Appetite to invest -the is ALWAYS a degree of risk present in micro-finance, the findings contradicts the discussion of "no-risk"</p>	<p>Strategic Vision: Planning and Goals - Behavioural drivers of Strategic leadership of Co-operative Financial Institutions</p> <p>Organizational Challenges - the influence of organizational challenges to micro-finance institutions</p>

Figure 6-2: Summary of finding compared to literature for RO2

6.3 Discussion for Research Objective 3

To determine the systems and tools required for investment stokvels to perform micro-lending services to SMEs

6.3.1 Sustainability of Investment Stokvels and CFIs

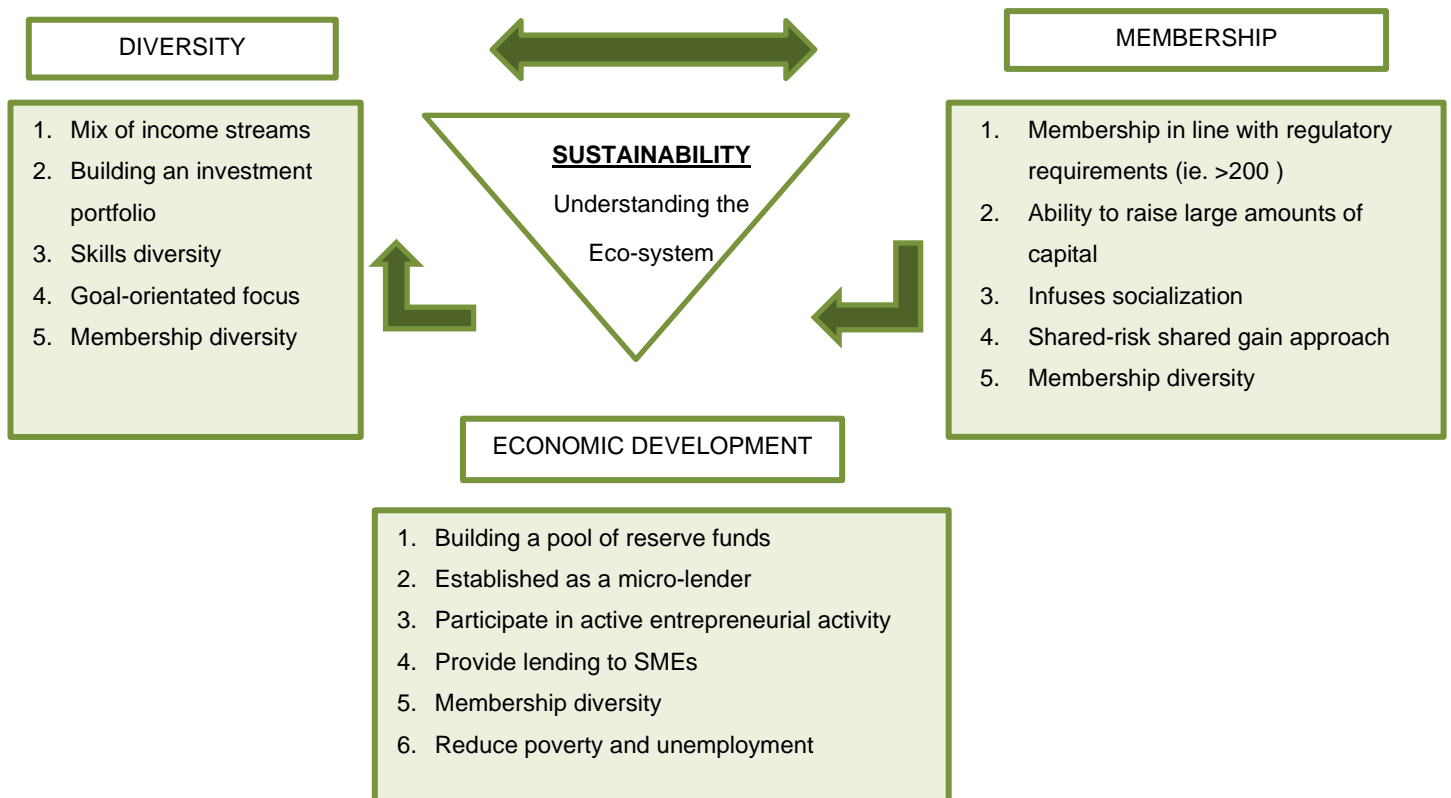


Figure 6-3: Sustainability elements of Investment stokvels and CFIs

Financial sustainability is achieved when the group's efficiency features are adhered to holistically, according to the literature (Bayai & Ikhide, 2018). Table 6-1 illustrates a model derived from the thematic data for the subtopic: 'Sustainability.' Overall economic development of the groups will be determined by the relationship between the size/membership of investment stokvels and their ability to embrace diverse considerations.

6.3.2 Financial Education and Skills Development

Goal-based savings behavior is linked to financial literacy and risk tolerance. Financial literacy is defined as an individual's capacity to apply knowledge to properly manage financial resources (Chatterjee, Fan, Jacobs & Haas, 2017)

The research suggests a void in basic financial literacy instruction in the curriculum. The investing stokvel sector is made up of leaders from various walks of life. With the purposeful intent of not excluding anyone from participation, the self-regulating quasi-sector does not set minimum requirements for members to take on leadership roles. This broad-church incorporates both the literate and the illiterate with equality. The unfettered eligibility for leadership tasks, on the other hand, welcomes persons who have a lack of financial education.

Financial literacy and educational attainment improve individuals' capacity to better estimate their risks and comprehend information regarding the financial markets in which they participate (Van Rooij & Lusardi, 2012). As described in the prior literature and as evidenced by [Table 5-4](#), greater knowledge has also been positively associated with risk tolerance. As a result, the primary finding of this study is that investment stokvels should be concerned about the selection of their leaders in order to ensure their own existence.

6.3.3 Communication systems and Management Tools

The groups have identified a variety of communication and management techniques that are both available and usable as a result of their results. However, it is understood that each group must evaluate and select an application that will assist them best in achieving their desired objectives and missions.

The goal of the Regulatory Framework is to prevent financial crises by limiting administrative blunders, safeguarding depositors, maintaining payment systems, and promoting viability. The CFI is regulated through both prudential and non-prudential means in South Africa. The advantages of adherence and acclimatization to regulations include the cooperative financier's ability to utilize and apply directed methods and procedures, which can increase stakeholder confidence and therefore professionalize investment-stokvel or CFI (Siwale & Okoye, 2017). The findings of the study reveal that an entity that makes use of communication systems and management tools fosters

transparency, which in turn opens doors to new sources of funding, allowing them to bridge the microfinance gap with their own cooperative finance to promote economic development.

6.3.4 Summary: Discussion for Research Objective 3

Research Objective 3: To determine the systems and tools required for investment stokvels to perform micro-lending services to SMEs			
SUPPORTS LITERATURE	EXTENTION TO LITERATURE	COTRADICTS LITERATURE	TO BE CONSIDERED FOR FUTURE RESEARCH
<p>Sustainability of Investment Stokvels and CFIs - sustainability through economic development factors</p> <p>Financial Education and Skills Development - financial literacy aligns with risk tolerance</p>	<p>Sustainability of Investment Stokvels and CFIs - sustainability through diversity of the group > sustainability through quality membership growth</p> <p>Leadership and Competence - self-regulated organs ,ust compesate lack of oversight mechanism with high skills demand from leaders</p> <p>Communication systems and Management Tools - the use of tools adds credibility and profitability for the group > tools and system must be appropriatly link to the set goals.</p>		

Figure 6-4: Summary of findings compared to literature for RO3

6.4 Unexpected Findings

6.4.1 The input of crowdfunding platforms and intermediaries

Many investment stokvels used and subscribed to crowdfunding and intermediary platforms, which was an unanticipated general finding in keeping with the systems and tools that impact progress within the sector.]

Crowdfunding and intermediary service providers are considered as a valuable addition to the group's offering to its members. The following services are provided by crowdfunding platforms to investment stokvels:

- Create a stokvel.
- Members can create an online Club Account
- FICA compliance

- Members have access to their club accounts 24 hours a day, 7 days a week.

The results suggest that transparency and peace of mind are the most valuable services provided by these crowdfunding sites. Stokvels who utilize these platforms are less bothered about some leaders' shady activities.

The overreliance of investment stokvels on internet-based and online crowdfunding platforms was an unexpected finding in the investigation. The usage of this intermediary was exciting to the participants, and it helped them achieve their objectives. The findings suggest that 6 of the 10 investment stokvels sampled used the crowdfunding platform to promote their common goals and attract sympathizers and new members with the goal of pooling resources together to achieve their common goals.

As lenders seek new income streams and equity to invest in SMEs, the research repeatedly shows that 'for-profit' CFIs are emerging as a key source of entrepreneurial funding (De Quidt & Ghatak, 2018). The development of Equity-Based Crowdfunding (ECF), the category of 'enterprise and entrepreneurship' on the Internet-based ECF (IECF) market, which was estimated to be worth US\$400 million in 2013, almost trebled to US\$1,1 billion in 2014 (Kshetri, 2018) and as the results show, the trend is increasing in South Africa. It could be beneficial to investigate the rise of crowdfunding platforms in relation to the value they add to socioeconomic imperatives in future quantitative and qualitative studies.

The leaders of investment stokvels established control over access to information during the research by being accessible and transparent. Property investing stokvels used the crowdfunding mechanism to test market sentiment before investing in property, in addition to obtaining funds (Beaulieu et al., 2015).

6.4.2 The influence of Society and Culture

The leaders of the investment stokvels have the difficulties of gaining acceptance within a stokvel whose composition is made up of strangers. Their difficulty is trying to understand the nuances, norms and standards within the group, which can manifest in a form of people orientation of cultural and social background.

Leaders just endeavor to read the pulse of the organization. Members are extremely sensitive and vocal to societies controversial topics of race, sexual orientation, gender-

based-violence, religion, politics and even sports. Even though that these topics have no bearing on the unifying goals and vision of the group, they have the potential to create disharmony and render the main purpose of the organization inefficient.

6.4.3 The impact of the COVID19 Pandemic

The global impact of the COVID19 epidemic sent shockwaves through industries all over the world, and the stokvels and CFI sectors were no exception. The participants had varied reactions to the epidemic since, while it produced a slew of unsolvable issues for some, it also provided fresh chances for the 8 out of 10 investment stokvels, while all the CFIs have been impacted by reduced capital contributions and donations from members and sympathizers due to the loss of members through death; loss of income or distress.

Chapter 7: Conclusion

7.1 Introduction

The study follows the guidelines of an in-depth qualitative research process, which entails investigating and drawing conclusions on a topic that adds to the body of knowledge in the field of microfinance. The theme and study aims were sparked by the concerns highlighted in Chapter 1 as obstacles to the investigation of this section within the broader microfinance business.

1. **The formal markets issue** - because SMEs (applicants) struggle to meet the required order-qualifiers set out by commercial banks, demand for funding does not equal supply.
2. **The semi-formal market issue** - although venture capital and cooperative banking appear to be efficient methods of funding, their capital resources are offered mainly to established affiliated individuals/SMEs of the venture capital scheme, excluding non-member SMEs and star-ups whose growth can add value to the lender's viability and, more importantly, assist CFIs in achieving their inherent founding goals of "*alleviating poverty and being profitable*" (Garrity & Martin, 2018).
3. **The informal market issue** – This sector demonstrates that it has a large pool of capital savings that is not being optimally utilized to benefit individual investment-focused stokvels. Stokvel groups' structure, motives, and goals are either temporary or short-term (12 months), which is incompatible with the fundamental nature of value creation through micro-financing, which is naturally a long-term game (Kshetri, 2018).

In the process of defining the parameters of the research, it became apparent to determine this range by outlining a set of definitive research objectives or proposals to address the identified problem. The following are the research objectives of this study:

- **Research Objective 1:** To determine if members of an investment-focused stokvel would be willing to transition into a CFI in order to lend to small businesses.
- **Research Objective 2:** To determine stokvels' investment risk appetite towards SMEs for short-term or long-term goals

- **Research Objective 3:** To determine the systems and tools required for investment stokvels to perform micro-lending services to SMEs

7.2 Conclusion on the Research Objectives

The research findings' scope gives information on the research objectives that were posed. The findings exhibit a high level of agreement with previous research and provide fresh insights to add to the body of knowledge. The most intriguing value derived is when the study contradicts previous research, so opening up new avenues for future research. The important findings from the research are outlined in the sub-sections that follow.

7.2.1 Research Objective 1

Key Findings:

- The most fundamental form of expression for demonstrating the goal and readiness to impact change inside an investment stokvel is the group's vision and common goals. The research proves that a group which establishes its aims along the lines of striving to achieve capital gains and profit; and to acquire assets; is already showing willingness to transform. (Fisher & Anong, 2012) .
- The way the investment stokvel progresses in seemingly small steps, such as establishing a new business wing or commercially entering the marketplace to supply goods and services as a way to supplement its income streams for the sake of its viability.
- Collaboration and developing partnerships have a beneficial influence on demonstrating readiness to evolve; an investment stokvel that is more collaborative and engaging is more willing to transform and grow its operations, much like a CFI (Lappeman et al., 2019a).
- A strong moral and ethical value system enhances the legitimacy of investing in stokvels. The group's willingness to transition to a CFI is demonstrated by this organizational value system (Armstrong et al., 2018b).

7.2.2 Research Objective 2

Key Findings:

- The tolerance to accept risks distinguishes investment stokvels from CFIs. However, in both entities their liquidity, on the other hand, determines their amount of risk. The many risk categories enable an investment stokvel to assess risk appropriately, ranging from minimal risk to extremely high risk/return initiatives (Beaulieu et al., 2015).
- The importance of having skilled leaders cannot be emphasized. The investment stokvel's performance is dependent on the skills of key decision makers (Siwale & Okoye, 2017).
- Although the noble goal and objectives for future expansion are well recognized, the manifestation of strategic implementation agency could not be discovered inside investment stokvels (Hueso et al., 2020). In order to accomplish behavioral change and organizational shifts toward the intended goals, the comprehensive notion of strategic leadership is absent inside the industry (Detjen & Webber, 2017a).

7.2.3 Research Objective 3

Key Findings:

- The long-term viability of an investment is dependent on its own internal efficiencies. In order to achieve efficiency, an investment stokvel must also understand and characterize its unique membership and diversity makeup (Bayai & Ikhide, 2018).
- Financial literacy supports stokvel groups in making informed decisions about how to respond to market demands. Understanding the scope of the regulatory framework also improves the investing stokvel and empowers its members (Chatterjee et al., 2017b).
- The importance of regulatory action is well acknowledged in the industry. The regulators' training curricula and programs, on the other hand, are insufficiently complex in their knowledge design (Siwale & Okoye, 2017).
- The use of applicable tools and systems has a direct bearing on growth and success of investment stokvels.

7.1 Proposed Framework

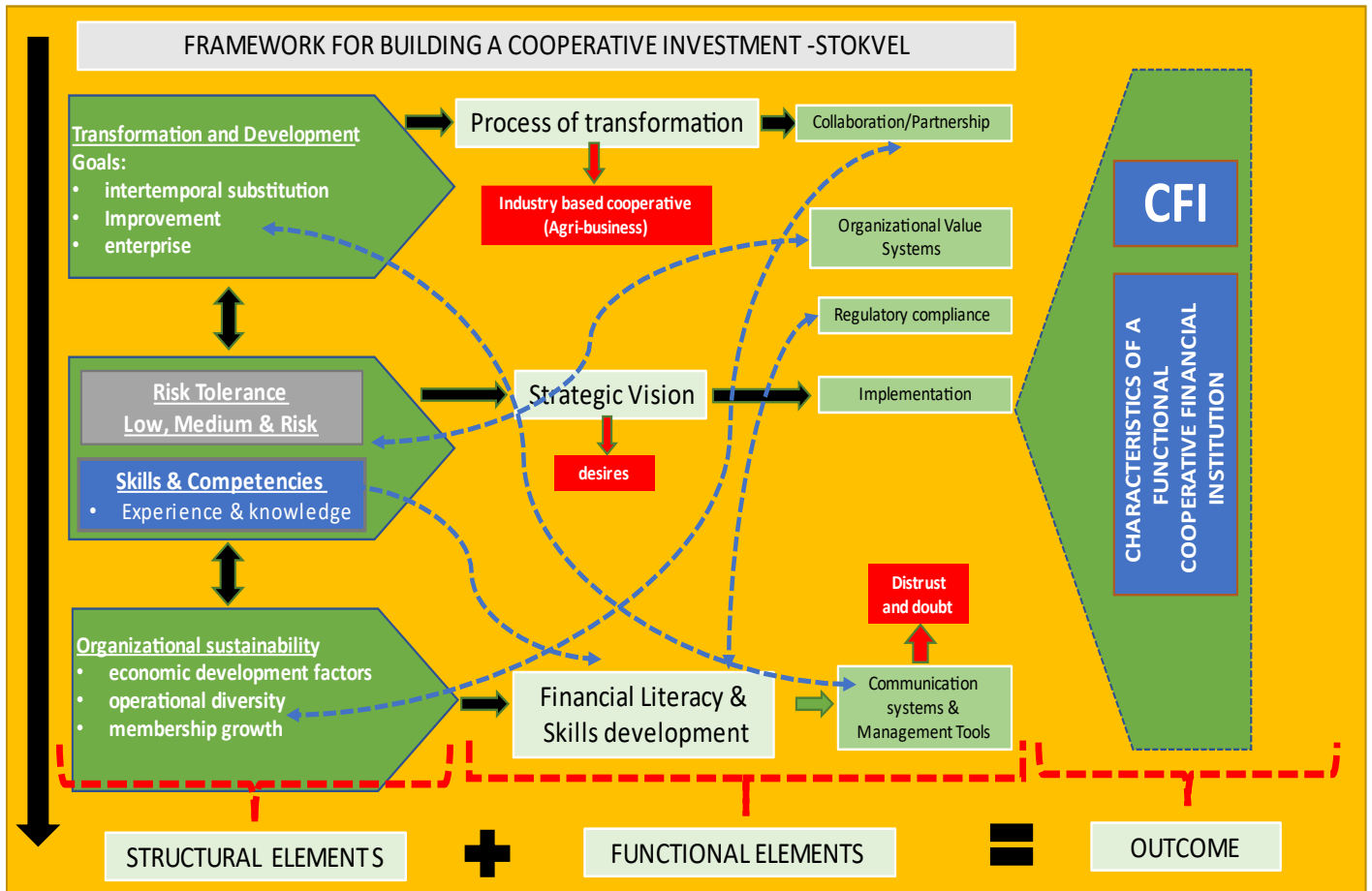


Figure 7-1: Framework for building a sustainable cooperative investment stokvel

The research's practical goal is to chart a strategic path for investment stokvels to reform and become sustainable. The purpose of this study is to extract essential learnings and use the model illustrated in Figure 7-1 to achieve universalism and collectivist ideals in informal groupings working under a social compact.

The structural elements, functional elements, and outcome all make up the design for investment stokvels in the model, which is characterized by three primary vertically linked segments.

The Structural Elements

The non-negotiable pillars that describe the social contract between affiliated group members are the structural features of investment stokvels. The common aims have been

recognized as the founding manifestos of the investment stokvel, and without them, there can be no basis for cohesiveness and collaboration. Risk tolerance is a separate factor in the structural soundness of an investment stokvel. This component acts as a radar, providing a sense of direction and magnitude of performance to the primary decision maker. As a result, the same leaders must rely on their intuition, experience, and talents to recognize possibilities that must be pursued. The realm's final fundamental component is organizational sustainability. An organization in perpetual decline with no prospects for expansion lacks the characteristics found in this design.

Functional Elements

The acquired tools that enable an investment stokvel to work at its best are known as functional elements. The functions are intertwined with the above-mentioned systemic basic parts, however some of them have a binary relationship which determines progression to the next developmental phase. The binary option for groups that advance beyond the 'process of transformation' is the *"desire of becoming versus the needs to being"* Organisation which acts to form an additional structure by way of starting a new business readies itself for to embrace greater economic responsibilities.

Furthermore, the binary distinction between strategic vision is that visionary leaders work towards the implementation of goals while the contrary simple desires to achieve goals.

The emphasis on skills development is another component of functional elements. Experience, skilled and competent leaders look to build their organisations or groups using quality control mechanisms here discussed as communication and management tools.

Interlinking elements: Cross-sectional integration

- Goals linked to Communication Tools and Management Systems

In terms of links between structural and functional aspects, the model is neither rigid nor static. For example, according to the research, a functional organization's ability is derived from the application and usage of internal processes and tools that are relevant to achieving the intended goals (Siwale & Okoye, 2017).

- Risk, Leadership skills linked to organizational values

The risk tolerance and roundedness of leaders, are often inspired by their own value system which becomes adopted by the group as the standard and norm for approaching investment opportunities.

Interlinking components: Horizontal integration

- Financial literacy linked to Regulatory compliance

Inter-functional links between components originating from a different order of structural elements are possible with this paradigm. The CFIs underlined the necessity for a thorough regulatory compliance approach in the research. This is largely the domain of professionals and specialists who ensure that the CFI's operating license is not revoked. In order for this to happen in the context of an investment stokvel, financial literacy and experience must be petitioned into the mix of skills sets by leaders at the very least.

The Outcome

The outcome represents that envisaged functionality for investment stokvels to acquired the capability to operate muck like a CFI.

7.2 Limitations to the Research

- *Researcher bias*

During the research period, the researcher participated in an action research process by acting as a passive observer within an active investment-stokvel in order to obtain a better grasp of the social norms and organizational complexity of the enterprises under consideration.

- Restrictions of contact and movement due to COVID19 regulations

Due to the strong constraints imposed by the COVID19 laws preventing physical contact and movement, the researcher was unable to physically meet participants for follow-up and clarifications. Participants were hesitant to discuss the depth of

the pandemic's influence on their lives because it was an emotional subject that brought up sadness and suffering for both affected and infected individuals.

- Time and Resource Constraints

The data collecting window was 8 weeks long, which limited the number of people who could be added to the sample mix to boost data validation. Additional resources would have been necessary for this activity. However, the information gathered was sufficient to make inferences about the study's objectives.

- Sample inadequacies

It would be premature to suggest that the sample employed in this study is representative of the sector or body of investment stokvels until the population size of 'investment-focused stokvels' has been determined.

7.3 Suggestions and Consideration for Future Research

Topic 1: Behavioural drivers of Strategic leadership of Co-operative Financial Institutions

Subject: Strategic Vision: Planning and setting Goals

Research Method: Qualitative Research

Topic 2: The influence of organizational challenges in micro-finance institutions

Subject: Organizational Challenges

Research Method: Qualitative Research

Topic 3: Investigate the value economic contribution of investment-stokvels to the advantage of SMEs

Subject: Economic Development

Research Method: Quantitative Research

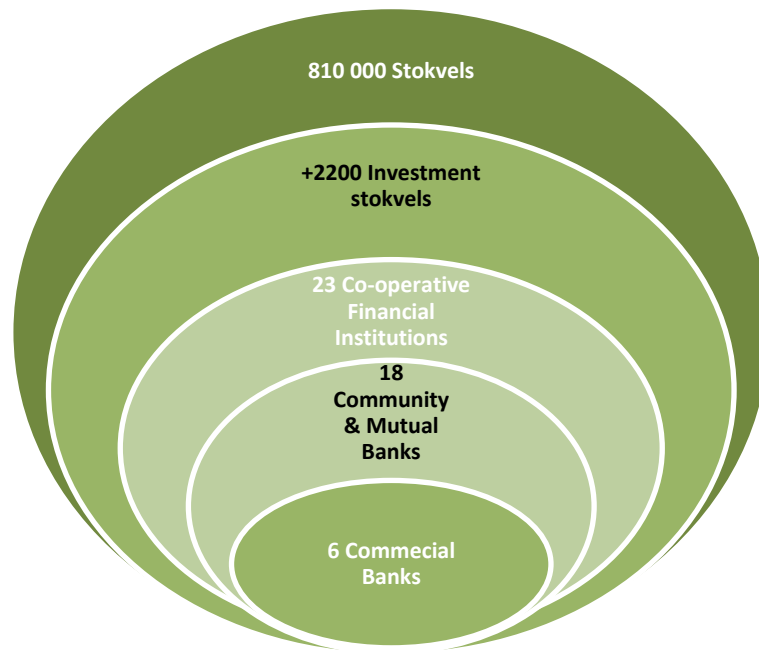


Figure 7-2: Scope of future research

7.4 Conclusion

As a complement to microfinance studies, the research provided a clear and in-depth explanation of the purpose to comprehend the area of cooperative financing. Thematic analysis of the data obtained from ten stokvels, three CFIs, and two regulatory organizations was used to capture the core attitudes that provided this study its structure and form.

The framework's design approach is in line with the significant findings presented in Chapters 6 and 7. 2. The researchers intend to make this methodology public so that investment stokvels, CFIs, and regulatory agencies may use it to help progress the microfinance sector and overall economic development.

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APPENDIX 1: Consistency Matrix

Research Questions	Section in Literature	Literature Citation	Data Collection Tools	Analysis Technique
To determine if members of an investment-focused stokvel would be willing to transition into a CFI in order to lend to small businesses.	2.2.1 - Capital structure of CFIs (as borrowers, lender and investors)	(Tchuigoua, 2015) (Ahn et al., 2017) (Sivale & Okoye, 2017)	Semi-structured interviews	Thematic Content Analysis Methods
	2.2.2 - Leadership resilience of CFIs	(Bayal & Ikhide, 2018) (Linares-Zegarra & Wilson, 2018)	Semi-structured interviews	Thematic Content Analysis Methods
	2.2.3 - Success stories	(Thomas, 2008)	Case studies and stories of change	Thematic Content Analysis Methods
	2.3.1 - Matching investment stokvels with CFI characteristics	(Figure 2-1)	Semi-structured interviews	Thematic Content Analysis Methods
	2.3.1 - Investment Stokvels goals	(Fisher & Arong, 2012)(Hutchison, 2020)	Semi-structured interviews & Secondary data	Thematic Content Analysis Methods
	2.3.1 - CF Investment Stokvel Model	(Figure 2-1)	Semi-structured interviews	Thematic Content Analysis Methods
	2.3.2 - Stokvels servicing SMEs via CFIs	(Ahn et al., 2017)(Detjen & Webber, 2017b)	Semi-structured interviews	Thematic Content Analysis Methods
	2.2 - The CFI Phenomenon in SA	(National Treasury, 2018) (CBDA)(Detjen & Webber, 2017b)	Semi-structured interviews	Thematic Content Analysis Methods
	2.2.1 - Capital structure of CFIs (as borrowers, lender and investors)	(Tchuigoua, 2015) (Ahn et al., 2017)	Semi-structured interviews & secondary data	Thematic Content Analysis Methods
	To determine the systems and tools required for investment stokvels to perform micro-lending services to SMEs	2.3 - The Stokvel phenomenon	(Lappeman et al., 2019a) (The Finnmark Trust, 2020) (Hutchison, 2020)(Molea, 2007) (Whitaker & Kruger, 2019)	Semi-structured interviews
2.3.3 - Does size determine growth (provide/disprove Gibrat's law)		(Linares-Zegarra & Wilson, 2018)(Cummings et al., 2020)(WOCCU, 2009-2019)(CBDA)	Semi-structured interviews & secondary data	Thematic Content Analysis Methods
2.3.1 - Investment Stokvels with CFI characteristics		(Fisher & Arong, 2012)(Hutchison, 2020)	Semi-structured interviews & secondary data	Thematic Content Analysis Methods

GIBS. (2019). *Applied Business Analysis And Research Report Regulations - 2019*. Illovo, South Africa: Gordon Institute of Business Science. (with an adaptation of the Literature Citation section - Phatlane, 2021)

APPENDIX 2: Thematic Table

THEMATIC CODING SYSTEM		
SECTION IN RESEARCH ANALYSIS	Code Groups (Themes)	Codes
Demographics and Sample Data	Demographics and Background	6
Research Objective 1	Willingness to transform & develop (into CFI)	8
	Process of Transforming	7
	Collaboration & Partnerships	4
	Values and attributes	9
Research Objective 2	Risk : appetite to invest	6
	Leadership and Competence	5
	Strategic Vision: Planning & Goals	13
Research Objective 3	Organisational challenges	12
	Sustainability of Investment Stokvels and CFIs	6
	Financial Education and Skills Development	8
	Communication Systems, & Management Tools	3
Unexpected Findings	Success factors	5
	Society & Culture	3
	Crowdfunding and Intermediaries	1
Solution and Proposals	Impact of COVID19	4
	Solution or New Model	11
Total No of Codes		111

APPENDIX 3: Interview Guides

Research Topic: Investment-Stokvels: Using co-operative finance for bridging the credit gap to micro-finance start-ups and SMEs in South Africa

Interview guide:

Semi-structured interviews for representatives of Investment Stokvels & CFIs

GENERAL QUESTIONS

1. Kindly outline for me the role and primary purpose of your organization
2. How is your organization structured in terms of:
 - a. Membership
 - b. Management
 - c. Operations
 - d. Capitalization
3. What are the 3 most important objectives you want to achieve as an organization in the next 3 to 5 years
4. Given your experience, what would you say will be the 3 most challenging aspects to tackle when in pursuit of your goals; *(with particular focus on Regulatory framework, raising capital, operations, allow the participant to elaborate on specific examples)*
 - a. Was there any notable challenges during the registration process of becoming a CFIs
5. How would you measure the success of CFIs in South Africa
6. How has COVID19 impacted you group

OPERATIONAL QUESTIONS

7. Have there ever been any opportunities for your organization to work with other CFIs or even Stokvels for a common goal?
 - a. If so, please elaborate on the nature of the collaboration
 - b. If not, why not.
8. Where does your organization typically invest its funds
 - a. Would you please outline what are the mechanics of a typical deal
 - b. What is the average loan provided to members *(in relation to the percentage of total assets)*
9. Under what circumstances would you decline and request funding from an applicant *(member or non-member)*
10. Have you ever assisted any SMEs, Stokvels or any other kind of informal savings group:
 - a. If so, what kind of assistance funding or in-kind?
11. In your experience, do you think that CFIs must have full-time managers? *(allow the participant to elaborate)*
 - a. What is the key experience of the management team in your organization *(in relation to general management & financial management competencies)*

Research Topic: Investment-Stokvels: Using co-operative finance for bridging the credit gap to micro-finance start-ups and SMEs in South Africa

Interview guide:

Semi-structured interviews for representatives of Regulatory Bodies

GENERAL QUESTIONS

1. Kindly outline for me the role and primary purpose of your organization
2. What is link between your organization and investment stokvel/CFI:
 - a. Membership (*under your supervision*)
 - b. Operations (*meetings or gatherings*)
3. What are the 3 most important objectives you want to achieve for your constituents in the next 3 to 5 years
4. As a regulator, do you ever talk about investments to constituents?
 - a. If so what kind of investments
 - b. If not, why?
5. Do you believe that investment stokvels/CFIs have a role to play in economic development?
 - a. If so, in what way?

OPERATIONAL QUESTIONS

6. Beyond being a regulator, what other support do you provide to investing stokvels/CFIs
7. What are their common success factors
8. What do you understand regarding the process of decision making within the constituent bodies?
9. Have you ever assisted any SMEs, Stokvels or any other kind of informal savings group:
 - a. If so, what was the nature of the assistance.
10. In your experience, do you think that Stokvels must have full-time managers? (*allow the participant to elaborate*)
 - a. What is the key experience of the leadership team in your organization (*in relation to financial management competencies*)
11. In your view how has COVID19 impacted your work with investment stokvels/CFI

APPENDIX 4: Informed Consent Form

**Gordon Institute
of Business Science**
University of Pretoria

Research Topic:
**Stokvels: Bridging the credit gap in micro-financing of
start-ups and SMEs in South Africa**

I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research on Microfinance Institutions and Stokvels and I am trying to find out more about how these operate and might have an appetite to fund SMEs. Our interview is expected to last about 30 - 45 minutes and will help us understand how these institutions can act as a bridge to provide much-needed funding for Small and Micro Enterprises (SMEs) in South Africa.

Your participation is voluntary, and you can withdraw at any time without penalty. All data will be reported without identifiers. If you have any concerns, please contact my Supervisor or me. Our details are provided below:

Researcher Name: **Kgakgamatso Phatlane**

Researcher Email: 20810602@mygibs.co.za

Supervisor Name: **Sureka Asbury**

Supervisor Email: sureka.asbury@gmail.com

I agree/do not agree to the interview being audio recorded. (All data will be reported without identifiers)

Signature of Participant: _____ Date: ____/____/2021

Signature of Researcher: _____ Date: ____/____/2021

APPENDIX 5: Summary of Demographics and Sample

Level 1 Group: Investment Stokvels					
Participant	Period of existence	Purpose	Region of operation	No. of Members*	Stated Assets**
1	2019	Property Investments	National & International	300	R15 000 000
2	2014	Equity, Property and Assets Investments	Gauteng, Soweto	150	R6 000 000
3	2015	Equity Investments	Gauteng, Mamelodi	9	R250 000
4	2019	Property & Lending	Gauteng, Online	1000	R1 100 000
5	2019	Property Investments	Gauteng, Springs	6	R170 000
6	2020	Equity & Property Investments	Gauteng, Centurion	3	R600 000
7	2020	Poultry Farming & Agriculture	Gauteng, Pretoria	20	R500 000
8	2017	Lending and Equity Investments	Online/National	500	R3 000 000
9	2019	Land Acquisition and Property Development	Gauteng, Krugersdorp	309	R451 710
Level 2 Group: Co-operative Financial Institutions					
Participant	Period of existence	Purpose	Region of operation	No. of Members	Stated Assets**
8	2018	Lending and Equity Investments	Online/National	2169	R250 000 000
9	2019	Community Banking Services	Gauteng, Krugersdorp	309	R451 710
10	2009	Banking Services	National & International	1177	R50 000 000
Level 3 Group: Regulatory Authority					
Participant	Period of existence	Legislative Mandate	Region of operation	No. of Members	Stated Assets**
11	2014	Registration and Regulation	National	3300	Not Applicable
12	2008	Regulation, Compliance and Training	National	23	Not Applicable