Three Decades of Stokvel Banking

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[1]The National Stokvel Association of South Africa (NASASA), is a self-regulatory organisation authorised by the South African Reserve Bank in terms of Government Notice 404 in Gazette 35368 25 May 2012. Under The Banks Act 1990 (Act No. 94 of 1990), Stokvel groups, as well as other community-based deposit-taking groups, are exempt of the banks act provided they are members or affiliates of NASASA.

[2]Established in 1988 by Andrew Lukhele, the organization undertook to represent the interests of the Stokvel sector, whose practices were seen to be in contravention of the Banks Act. Stokvels, who had been seen to be illegal on the basis that they were deposit-taking institutions operating without a banking license, were successful represented by NASASA between 1988 and 1990. Today there are an estimated 800 000 active Stokvel groups in South Africa, representing over 11 000 000 South Africans. Of this, NASASA has collected a database of 125 000 Stokvel groups nationally, which it maintains contact with through its communications platform.

This paper serves to summarize the participation of Stokvels in the mainstream economy, as well as the role that has been played by NASASA in this inclusion. The paper touches on the organization's successful amendment of the Banks Act, the formation of the first Stokvel bank account, as well as the future of banking in relation to the Stokvel sector.

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A. Introduction

PARLIAMENT (TUESDAY 8 MAY 2018) - *President Cyril Ramaphosa expresses support for a legislative amendment to create a state-owned bank and breaking the monopoly of the big four commercial banks in South Africa.*

Ramaphosa said the banking sector in South Africa was well regulated, but needed to be "properly transformed". He used the example of stokvels to illustrate this transformation.

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*"I have often said with so much money that one finds in our economy through our stokvels. In our rural areas, there is a need for something that will amount to a **stokvel bank**. There is a need for an agri-bank that will be focussing on financing small, medium and emerging farmers," he said.*

Achieving sustainable and inclusive development in the financial sector goes hand-in-hand with improving access to financial services, particularly for the poor and vulnerable. In 2010, 37% of 33 million South African adults did not have a bank account and only 40% had a formal long-term insurance product. To increase access to affordable, convenient and appropriate financial services, financial inclusion interventions are essential.

Financial inclusion is about ensuring that all South Africans have access to financial services that encourage them to manage their money, save for the future, obtain credit and insure against unforeseen events. This is especially important for low-income households who live in or close to poverty.

"In a developing country like South Africa, savings are of the upmost importance", said Trevor Manuel, former Minister of Finance (The Star, 3 October 2001).

A stokvel is one of the types of rotating savings and credit associations (ROSCAS), credit union or communal group, in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool weekly, fortnightly or monthly, to be drawn in rotation according to the rules of the particular stokvel.

Saving is a matter of national interest. Efforts to promote the culture of saving should encompass all stakeholders not just from the financial sector. So, the involvement of stokvels, burial societies and other community savings vehicles is crucial. Their presence indicates that this sector of the population is willing to save.

Focusing on the unbanked, or customers who previously did not have traditional bank accounts, would help South African banks generate more revenue from fees, credit ratings agency Moody's senior analyst Constantinos Kypreos said in June 2011 (The Star, Business Report, 6 July 2011).

"There is scope for banks to generate greater volume on transactions and get more customers. Obviously, if they broaden their customer scope they will get more customers into banking", Kypreos said.

With about a quarter of the population unemployed, analysts say the rate of household savings is low. However, such estimates do not take stokvels into account, says Coenrad Jonker, the director of inclusive banking at Standard Bank.

"The issue is not that they do not save, it is that we do not see it in the bank. People invest in stokvels, put money under the bed and invest in their homes", he said.

We are often told that the products offered by the financial institutions such as banks and life assurance companies are designed to create wealth. By taking out these products stokvels, burial societies and other community savings vehicles are contributing to the National Culture of Saving.

The stokvel market is regarded as a prime area of focus for the major banks in South Africa. The stokvel market represents a potential opportunity for savings, investments and for the cross-sell of insurance, transactions and saving solutions.

B. THE FIRST STOKVEL BANK ACCOUNT IN SOUTH AFRICA

"Saving" in the black communities used to be a matter of hoarding and hiding cash. This, through the lack of securing (and the black person's natural love of social interaction), evolved into the "safer" group saving schemes that today involve hundreds of millions of rands changing hands monthly.

Nedbank through Perm (Previously the South African Permanent Building Society, a division of the Nedcor-Group, currently the Nedbank Group) was the first financial institution in South Africa to recognise the potential to do business in the informal savings sector.

Why then did Perm end up with a large black client base? And what prepared Perm for the opportunities that arose in the stokvel market?

Apart from NASASA's role, the story goes back to the 1960s. Already in those days building societies did not have segregated banking halls. They actively encouraged their clients to use their savings as an alternative to bank cheque accounts, by offering unlimited free cheque withdrawals. And they fought for market share by offering to act as paymaster for companies paying their staff via transmission accounts.

In this massive drive for accounts, Perm was also the last of the building societies to introduce charges on client transactions. This was well known in the community, and resulted in even more accounts being opened, earning for Perm the name of being the poor man's bank – among white and black customers alike.

There is a second part to the story. This is Perm's belief in the fundamental rights of all people of South Africa. When black home-ownership became a reality in 1978 the advent of the 99-year leasehold legislation that afforded blacks the right to own property in urban areas, Perm took the lead in promoting home loans to blacks.

Perm imposed no limitations on minimum loans, was the first to recognise total household income as a qualification to service the loan (as opposed to the breadwinner's income), and was the first to lend to single black women. Through its policy and actions Perm earned the respect and support of many black people throughout the country.

In 1984 Perm's Eastern Cape region conducted a study on customers' savings habits. The survey showed that accumulatively, branches in their region had more than 2 500 savings accounts from stokvel groups, with combined balances exceeding R5 million.

That meant that the average balance on each account was around R2000, a figure that exceeded the average balance op -all other transmission or savings-accounts.

Based on this information, Perm commissioned research into the stokvel market in 1986. When asked to design the ideal product; respondents listed these six requirements:

• The account was to be book-based, in other words, no plastic cards. A savings book can be taken to meetings and all the members shown how much money was in the account.

• The club decided how many, and who, should be authorised to sign for withdrawals.

• There were to be no charges debited against the account.

• A better- than - average rate of interest was to be paid, and the rate was to rise as the balance on the account increased.

• No minimum balance was to be imposed.

• And, after distribution of the savings among members at the end of the year, the account was to remain open so that the club could start saving again in the new year without having to open a new account.

The Perm's Club Account was first launched in KwaZulu-Natal in March 1988 as a controlled test. This was to see whether the advertising would work, and whether Perm branches could deliver the service promised in the advertising.

The results were staggering, particularly when one considers that because of its localised nature advertising was restricted to print material in local newspapers such as Ilanga (published in isiZulu) and The Natal Witness.

The lesson Perm learned was that by having identified what the community was already doing and by packaging a service as designed by the consumer, advertising was enough to attract a gratifying amount of business into its banking halls.

C. THE ROLE OF THE NATIONAL STOKVEL ASSOCIATION OF SOUTH AFRICA (NASASA)

There was a glimmer of hope that the birth of NASASA would provide a platform through which stokvel members' problems would be addressed. One of them was the stokvel banking dilemma.

It came to NASASA's attention that before 1988, stokvel members were using the bank system by accident. In the absence of stokvel-type bank account in South Africa, a trusted individual within the group would be asked to provide permission to make his or her bank account available to house the group's savings. This trend led to all sorts of problems for stokvels, including mismanagement of funds. Thus the need for some kind of intervention, including the introduction of stokvel-type bank accounts as we know them today.

The relationship between NASASA and the Perm started early in 1988 as a result of a series of meetings Andrew Lukhele had with Perm officials. Perm wasted no time in deciding to enter into a working relationship with a credible, community-based organisation, namely, the National Stokvel Association of South Africa (NASASA).

The 1980s: The deadliest decade. It was very brave of NASASA to have embarked on this project in conjunction with a white-owned establishment, at a very politically volatile period in our country's history.

It was at a dreadful time, at the height of repression during the state of emergency. Remember that the 1980's were the period of "black power" which began with the start of a movement of black pride under the aegis of black consciousness in the 1970's.

1988 was one of the gloomiest years in the history of South African struggle for liberation. It was in 1988 when the apartheid government banned political activity of 18 organisations, including the United Democratic Front (UDF) and the Azanian People's Organisation (AZAPO). It was also in 1988 that the apartheid government imposed a one- year ban on all outdoor meetings except sport meetings and funeral gatherings in cemeteries.

Ironically, it was in 1988 that Andrew Lukhele and his friends had realized that the black community was sick and tired of people who sat back and cried "Freedom". They had to find a way to show that there are many ways of beating the system."Green Power" is one of them. They did not follow the easy path. Instead, they decided to go where there was no path and left a trail.

All successful people have one thing in common …COURAGE. Courage to walk where others fear to tread. Courage to forget themselves while struggling for their ideas.

NASASA's credibility was acknowledged by Markinor, the research company, which found that the stokvel movement has developed a significant presence since the formation of the National Stokvel Association of South Africa in 1988. (The Citizen, 20 March,1990, p17).

The Club Account was officially launched as a national product in conjunction with NASASA at the A-Train Night Club in Soweto on 25 August 1988 by Andrew Lukhele and Bob Tucker, former Managing Director at Perm, who were the guest speakers. The well-known saxophonist Teaspoon Ndelu and the band Ozila performed at the function. Teaspoon composed and played the jingle for the Perm's Club Account television commercial). The Perm was one of the clients of Ogilvy and Mather South Africa, an advertising agency which dominated the local creative scene under the leadership of Robyn Putter. Fortunately, Ogilvy & Mather was blessed to have in their staff people such as Peter Vundla who had passion for the stokvel project.

There is no doubt that the Club Account has been well received by the black community.

By the end of 1988, 13 000 accounts had been opened, with a total balance of R19 million. By the end of 1989 the number had grown to 36 000 accounts with a total balance of R96 million. By the end of February 1990, 44 500 groups had opened accounts with Perm. By July 1991, Perm claimed to have about 10% of the stokvel business. "We have 75 000 stokvel groups in our books," said Richard Ford, former Manager (Quickcash Marketing) at Perm.

The average balance in each account was R2,500. This is understandable given that stokvel members at that time were “testing the waters”. If you test the water or “test the waters”, you try to find out what reaction an action or idea will get before you do it or tell it to people. You should be cautious when getting involved and test the water before committing yourself (Collins English Dictionary).

Remember that because of the perception of illegality then, most stokvel members showed a marked reluctance to even divulge turnover figures, margins and so on. This is typical of the attitude of chief actors in the informal sector generally. The current average balance in each account is much higher today than that of the late 1980s.

This can be attributed to the banks’ decision to offer incentives to groups that save more money. For example, every month, the Standard Bank’s Society Schemes Savers Draw competition selects a stokvel, burial society or savings club’s account which is awarded R5 000. Once a group, one account is awarded R50 000 for maintaining a healthy account balance over the 12 months.

But what made Club Account work? It was the total commitment to the chosen market segment. Perm was experienced in serving masses of customers in its banking halls. It could cope with eight or 10 or 12 walking in at a time to open a new account. It could cope with the entire club walking in at the end of the year, and handling the division off funds in cash.

Perm was prepared to make secure offices available to club members to handle the distribution of the money themselves. And Perm was prepared to operate over weekends, if that suited the customer.

And that was the difference between Perm and its competitors. Other financial institutions were tempted to enter this market, but they didn’t seem to be prepared to make a total commitment to service this chosen market segment.

It is important to note that during the 1980s, one of the most advanced reasons for the banks for shunning the low-income earners was that the cost of serving a person depositing R50 was equal to one depositing R50 000. Banks seemed to prefer the latter customers. So, the stokvel-type group accounts were preferred by banks to individual bank accounts with small amounts. Group accounts are for groups which save together for a future objective or risk.

D. PROMOTING THE FIRST STOKVEL BANKING PRODUCT IN THE 1980S

How do current banks market and advertise in this uncertain environment? It’s a turbulent and uncertain time for the SA economy, and this is having a knock-on effect on financial services companies. In recent times alone, SA’s top five banks have been slapped with a credit ratings downgrade from ratings agency Moody’s. The country is in recession and a poor economic outlook means investor confidence is at a record low.

Remember, the Club Account achieved its public profile in the black community, among other things as a result of the Perm’s sponsorship of NASASA’s “Stokvel Corner” in the Sowetan newspaper. The Perm first sponsored the column in June 1988, at first for fortnightly and later weekly. The NASASA’s “Stokvel Corner” has been partly instrumental in increasing The Sowetan’s readership from about 1 million in 1988 to 1.6 million in mid-1990.

How did the ‘Stokvel Corner’ concept develop? Andrew Lukhele, the chairperson and founder member of NASASA writes: “One day, as I perused the invitation cards which stokvel members use to invite patrons to their parties, it occurred to me that the Association should try to get some publicity-free, if possible, given our financial position-for its members’ activities. So in March 1988, I wrote to the editor of City Press, Mr Khulu Sibiya, asking him to give us a column in the newspaper, preferably to be known as ‘ The Stokvel Corner’, in which announcements concerning stokvel parties could be published. In my letter I argued that such a column would boost sales of his paper, because stokvels commanded such broad support in the community.

“Mr Sibiya turned down my request for a separate column, but he did agree to let us advertise stokvel meetings in the column known as ‘People’s Diary’ which appears every Sunday. This column is a free service to readers who have important announcements to make, so the green light to use it was highly appreciated by our committee members. We started collecting lists of stokvel parties for the weekly column, and after a few weeks most stokvel members cultivated a marked interest in the newspaper and wanted to know more about NASASA.

"However, our excitement was short-lived, as the management of City Press informed us soon afterwards that the paper couldn't continue to publish our notices free of charge. The message was loud and clear-the honeymoon was over. Mr Sibiya recommended that we buy advertising space in the paper so that our listings could be featured without interfering with the column set aside for community activities.

"We never viewed the City Press decision negatively. Instead, we decided to approach companies whose products were strongly consumed by stokvel members to see if they would be willing to sponsor a regular stokvel column. Our appeal to these companies was based not on charity but on sound business principles: they could attach their logo to the bottom of the advertisement, and that way we would both get publicity. Amalgamated Beverage Industries agreed to sponsor our first 'Stokvel Corner', which appeared in the Sowetan accompanied by the logo of their most popular product Coca Cola. The second 'stokvel Corner' was sponsored by the Soweto Division of South African Breweries, and the third by the record division of Cash and Carry, The Tusk Connection" (quote from the book 'Stokvels in South Africa').

The Club Account, a group savings account achieved its high public profile in the black community largely as a result of the Perm's first sponsorship of NASASA's 'Stokvel Corner' in the Sowetan. The Perm first sponsored the column in June 1988 and has continued to sponsor for few years, at first fortnightly and later weekly.

NASASA's 'Stokvel Corner' has been partly instrumental in increasing the Sowetan's readership from ± 1 million in 1988 to 1.6 million by mid-1990. The Sowetan was as famous as New York Times or the Washington Post. The same concept was extended by the Sunday Times and was known as the 'Stokvel Diary.'

The 'Stokvel Corner' played a major role in my decision to leave my employer NIPR to take up full-time leadership of NASASA. Because each column carried my name and NIPR's telephone number, where I could be contacted during working hours, my telephone extension soon became one of the busiest at NIPR. This came as a great surprise to the women at NIPR's reception desk, who could not understand how a junior staff member like yours truly could have so many calls in an organisation which boasted highly esteemed academics with impressive university credentials.

As predicted in Andrew Lukhele's book 'Stokvels in South Africa', published in 1990, Perm had indeed faced vigorous competition from other financial institutions for the stokvel market in the past years as formal business learnt more and more about the stokvel movement. Other banks followed in Perm's footsteps by branding various products to attract stokvel funds. Standard Bank launched their stokvel-type product known as the Society Scheme, amid protest from the informal sector. It is a fact that all major banks have some form of dealing with the stokvel market today, including the Post /Bank and Ithala Bank.

Since the first forays of Perm into the stokvel arena, South African banks had become increasingly interested in having a share of this market. Today all the major banks have a customised savings product for stokvels. 11.5 people participate in South Africa's 800 000 stokvels, saving about R45 -49 billion a year.

E. STOKVELS AND THE SOUTH AFRICAN RESERVE BANK (SARB)

A friend once told me that one Law Professor used to say this about the apartheid government: "Thank heavens South Africans are notoriously-over-legislators. It keeps us in work. The rule is - If it moves regulate it. If it doesn't move, regulate it anyway, just in case it moves".

One of the oldest journalists Mr Obed Musi once said this about the apartheid government - "...knowing this government as I do, sooner or later, they will find some legal obstacle to all this (stokvel activities). I can imagine a law titled - "Prevention of Informal Investment Act". And it will apply to darkies (blacks) only" (Drum magazine, February 1991).

Successive apartheid governments have used guns, expropriation, and taxes to take land and wealth from blacks in South Africa. Blacks have been rounded up like cattle and prevented from entering businesses and owning land. Constant government harassment has made their lives a misery.

As NASASA was busy rallying stokvel members to participate in the culture of saving by opening the first Club Account in South Africa, disturbing developments were continuing behind the scenes - the police harassment of stokvel members during their contribution meetings.

The NASASA conference held in November 1991 at the Holiday Inn Hotel in the Johannesburg's central business district (CBD), had on its agenda the legal status of stokvels. Two Acts were at the centre of discussion during the conference, namely, the Liquor Act and the Banks Act.

Guest speakers included Mr Jan Hennie van Greuning, Registrar of Banks at South African Reserve Bank (SARB) as well as Professor Louise Tager, the Executive Director of the Law Review Project, an independent legal resource established in 1984.

The South African Reserve Bank is the central bank of South Africa with various functions ranging from supervising the banking system to acting as lender of last resort in exceptional circumstances.

The issues affecting stokvel members were public knowledge long before the 1991 NASASA conference. Dr Jappie Jacobs, the then special economic advisor to the Minister of Finance, Barend du Plessis, said: "Government can assist by encouraging blacks to gain entry and by creating an equal environment. Subsidies and affirmative action are also perfectly acceptable".

In this regard Jacobs mentioned that legislation covering mutual societies "can be changed to include broader informal sector institutions such as stokvels. We are not looking at forcing formal sector requirements onto them, which will kill them, but rather at encouraging their growth through formal recognition and assistance" (Finance Week, 21 – 27, 1990, p 45).

Soon after this, NASASA received an invitation to the South African Reserve Bank about police harassment of stokvel gatherings. The meeting was attended by about thirty Reserve Bank officials, including the Registrar of Banks and Building Societies Dr Hennie van Greuning, his deputy Mr Chris Wiese, Professor Louise Tager (representing NASASA), two senior members of the South African Police Services and Dr Jacobs himself.

As a result of this successful meeting, NASASA officials had a subsequent meeting with Mr Tommy Vorster, chairman of the Liquor Board, which brought NASASA close to solving the decades-old problem of police harassment of stokvel members. More such meetings were planned going forward.

NASASA's officials, including Andrew Lukhele became members of the standing committee for the revision of the Bank's Act (previously known as Deposit-taking Institutions Act) at the South African Reserve Bank in the early1990s.

A process was set in motion to solve stokvels' legal woes when the SARB presented a proposal suggesting a multi-level approach to the prudential regulation of stokvels which was analysed by the leadership of the National Stokvel Association of South Africa (NASASA).

Dr Nicole F. Marais, a researcher from the Department of Bank Supervision at the SARB was the author of the proposal. In that proposal he argues that: "stokvels, as informal financial arrangements have a large potential to provide efficient financial services if they were to function within a proper statutory framework conductive to their particular environment and development. Such a statutory framework should take cognisance of the risks involved in these financial arrangements. This will in turn result in a multi-level approach to the regulation of stokvels, ranging from the most basic form of self-regulation to sophisticated regulatory intervention.

It is argued in Marais's proposal that "should informal financial arrangements be upgraded and treated in a proper fashion, there would, firstly be a significant improvement in the provision of financial services to the rapid growing informal sector. Secondly, the upgrading process would result in the establishment of a broad base of sound informal institutions with great potential to advance to more formal financial structures such as friendly societies, mutual building societies, and co-operative banks, thereby creating a strong link to the formal system".

In recognition of the social and economic upliftment role of stokvels, credit unions and employees' savings clubs in the South African environment, the Registrar of Banks, on 4 January 1994, with the approval of the Minister of Finance, issued a Government Notice whereby such schemes could henceforth lawfully conducted their respective operations within this country, provided that such "stokvel" schemes are operated within the scope and ambit of the contents of the relevant Government Notice.

Exemption Notice No. 2173 allows informal member-based groups to pool funds and utilise the funds for the benefit of their members on condition that a bond exists between members within the group, relying on self-imposed regulation to protect the interests of their members.

The idea to bring stokvels into the ambit of the financial services sector regulation helps in clarifying the stokvel role in the so-called "business of the bank".

"Business of the bank" means, among other things, "the acceptance of deposits from the general public as a regular feature of the business in question". A deposit may be described as an amount of money paid by one person to another, subject to an agreement that an equal amount, with or without interest, is subsequently to be repaid to the person making the payment.

Because of the nature of their business, schemes such as stokvels, credit unions and employees' savings clubs, accept deposits in a manner that is tantamount to conducting "the business of a bank". This makes it imperative for the Reserve Bank to know what is going on in the informal finance market, but also to ensure that it has a bird's-eye view of the overall soundness of the country's banking system.

The authorities' keep interest in the happenings in informal finance should not be seen as another example of overzealous bureaucrats, but as an example of their duty to ensure that the risks associated with the fast growing informal finance are minimized.

It is important to note that the Government Exemption Notice is subject to revision from time to time. For example, in December 2006, the common-bond exemption notice was revised to, among other things, prohibit stokvels from undertaking activities of pension fund organizations as defined in the Pension Funds Act.

It is safe to highlight that the relationship between NASASA and the South African Reserve Bank has seen a marked improvement over the years, due in part, to the early relationship cultivated between NASASA's founder and Chairman Andrew Lukhele and the former SARB's Governor Mr Tito Mboweni in the early 1990s.

In fact, Mr Mboweni wrote the foreword for the book written by Lukhele titled "Stokvels in Sourh Africa" published by Amagi Books in 1990.

In the content of the foreword, Mr Mboweni writes:

"Serious questions are being asked about the nature and extent of black people's involvement in the real economy of South Africa. These questions are being asked against the background of an economy which is heavily dominated by powerful conglomerates. These conglomerates reflect the race and class features of South African life. They are white owned, white managed and very powerful. The issues raised in this booklet are critical for those who want to understand how ordinary folks in the townships and villages respond to a situation of race domination and class exploitation. What should they do when confronted by these powerful economic and political forces? Should they give up and wait for the 'all powerful free markets' to free them or should they work out mechanisms of survival in a hostile world? This booklet has, in my view, brought out one of the most exciting survival strategies of the ordinary black folks, integrating cultural, political and social values into what must be an unknown activity amongst the dominant exploitative class culture of the formal sector. This booklet will make fascinating reading and also inspire many of those who are committed to community-based initiatives, instilling a spirit of humility in search of solutions to the tremendous difficulties faced by black people in South Africa".

In our world of gloom and doom, it was gratifying when the National Stokvel Association of South Africa (NASASA) was formed in 1988. It was not every day that stokvel members could use the words, coined by US Democrat Reverend Jesse Jackson, which have become the battle hymn of people of colour worldwide: "We are somebody".

Remember that part of the basic tenet of Black Consciousness is that the black man must reject all value systems that seek to reduce his basic dignity. In a humble way, NASASA played a crucial role in the restoration of self-respect and self-confidence of stokvel members countrywide.

NASASA's influence is not only limited to the activities that took place during the apartheid era. In 2012, NASASA and some stokvel leaders, including Mr Linda Madida and Mr Moses Moremi, held a series of meetings with the National Treasury, lobbying for the creation of tax-free, government-backed, Retail Bonds that would be made available in affordable amounts to stokvel groups, burial societies and other informal savings schemes, where monies raised are targeted to the communities of savers themselves. This will ensure that even the poor are able to invest.

During his National Treasury Budget speech 2014, former Finance Minister Pravin Gordan said: "Legislation to allow for tax-exempt savings accounts would proceed this year to encourage household savings. Complementing this tax reform, a new top-up retail savings bond would be introduced by the National Treasury this year, allowing for regular deposits into a government retail bond. It would also be accessible to community savings groups, such as stokvels.

This was a very important announcement, especially given that, for many years, retail savings bonds were specially created for individuals and could not be bought by group schemes, social clubs, trusts, investment organizations, companies, stokvels or any other juristic persons - only natural persons could purchase them.

This is one piece of legislation, which NASASA really applauded, except for the fine detail.

This is the encouragement of savings through the tax-free account. It allows individuals to enjoy the benefit. It doesn't allow for the pooling of that benefit, so that in my group, my stokvel we are six, we can't say we all have a R30 000 tax-free benefit. Let us then put it together and make it R180 000.

This is the piece of legislation, which if we were to change, it would make it much easier for stokvels to save the way they do.

In a democratic dispensation, the process should be participatory and full consultation with societal formations be made, with reactions taken seriously. The problem with the stokvel and burial society leadership's silence on financial questions is that it feeds into the idea that economics is for the experts and that stokvel members have nothing to contribute towards a nationally important matter. The involvement of stokvel members in the formulation of the Budget could help in reporting their needs and priorities. Most importantly, it could help the South African Revenue Service (SARS) by educating stokvel members about the importance of contributing to the taxes and duties as the taxpayers of South Africa.

F. INCENTIVES TO KEEP DEPOSITS IN THE BANK FOR LONGER

It is very important to note that, because some stokvels had a rather short lifespan, the banks had adopted different strategies to encourage stokvel members to keep their deposits in the bank for longer.

Following the demise of the Perm, Peoples Bank tried hard to promote the benefits of stokvel membership and communal buying through the Peoples Bank Club Account, and by issuing membership cards that could be used for group discounts at certain stores.

Standard Bank's Society Scheme, for example, waived the monthly management fee and bank charges on debit transactions, and entered the stokvel into a monthly "save and win" competition if the account balance remained above R5 000. In 2008, Absa's Club Account started offering free accidental death cover for 10 nominated stokvel members, to try to ensure that groups stayed with Absa. Moreover, Absa was the only bank that allowed a stokvel account to active for three months with a zero balance. Both Absa and Standard Bank offered a stokvel constitution for their account holders to use free of charge. The new Nedbank Stokvel Account promises additional benefits.

The banks all required stokvels to present their constitutions and to appoint a certain number of members as signatories. The signatories have to comply with the Financial Intelligence Centre Act (FICA), and thus have to present proof of identity and a fixed address, among other things.

G. FORCIBLY MOVING CLIENTS TO OTHER BANKS

Major restructuring within the Nedcor Group resulted in the business of the Perm being transferred to the NedPerm, and later to the Peoples Bank, a division of the Group.

Peoples Bank was established in 1995 when parent Nedcor Bank split the long-standing and familiar Perm brand into Permanent Bank and Peoples Bank.

The move also heralded the end of the Perm brand in South Africa, which has been in operation for over 100 years. Believe it or not, the Perm brand refused to die in a hurry. For example, in the 2004 Markinor/Sunday TimesTop Brands survey, Standard Bank kept the first place followed by ABSA and the FNB. But what’s this? Perm, Allied Bank and Trust Bank were still favourite brands for a lot of consumers – even though they were killed off years ago.

The Perm’s mission statement read as follows: “Our mission is to help ensure a more secure life for all South Africans. We will continue to expand and create new savings opportunities, while retaining the family as the cornerstone of our existence”. We believe that nothing is more important than keeping a promise.

It is a well-known fact that the Nedcor Group currently trades as the Nedbank Group.

The copy of the Sunday Times dated 16 October 2011 carried an article depicting Ingrid Johnson, Nedbank's group managing executive of retail and business banking as trying hard to change consumers' perceptions of the bank as being exclusively for the elite and well-to-do people.

The article exposed the bank's advertising as aimed to attract people in the low-income bracket - a far cry from yesteryear's "who are those people?" campaign.

Johnson reckoned it was a "mistake" to choose for customers which bank they belonged to and forcibly move them to other banks. "Don't put somebody in a box", she stressed.

Banks suffer from an image problem among the poor: they are seen as ruthless capitalists who only watch the bottom line. Though some firms are contributing to deepening this democracy, some are notorious for shifting goal posts.

The South African banking sector may well distinguish itself among the most stable in the developing world. But that hardly means the banking sector’s business practices are aligned with the country’s imperatives.

This is evident in the reluctance among major commercial banks to lend to the lower end of the market. Equally evident is their absence from the informal economic sector despite the fact that low-income earners, most in need of housing finances, invest millions in commercial banks through savings accounts.

According to research from Boston Consulting, South Africans are not fans of the formal banking sector because of mistrust, high prices and lack of relevant services.

In an interview in The Star dated 23 June 2006, Vusi Khanyile, founder and executive chairman of Thebe Investment Corporation was asked whether black-owned financial services firms are getting their fair share of the South African market.

He answered as follows: “The financial services sector is hardly penetrated by black firms. To a certain extent where we have black players is more on the distribution side and even there, if you take the total number of black distributors or brokers and you ask what market share they have of the broking business, it’s miniscule. Very rarely do you have black players who actually deliver products and services beyond the distribution channel.

“Frankly, our presence there is a tiny speck in an industry that is well developed. It is an industry that has tended to resist penetration by black players”.

H. Criticism Of The Stokvel Bank Account

Although there are commendable efforts by organizations such as NASASA to promote the culture of saving through the stokvel bank accounts, it is very important to note that there has been a series of criticisms levelled against these products.

For example, when Standard Bank launched its Society Scheme in 1991- a product that was very similar to other stokvel savings accounts - there was disappointment on the part of some black community leaders. While they were not unhappy with the new product, they wanted the banks to offer more investment products and services, at better interest rates.

They felt that the banks were using the substantial funds in the stokvel accounts to promote white business, while stokvel members battled to get home or business loans. They requested that, at the very least, these funds be invested in the development of black communities and that financial institutions educate stokvels in financial matters.

The reaction of NASASA to the launch of the Standard Bank’s Society Scheme in 1991 through its Chairman, Andrew Lukhele, was as follows: It is surprising that that banks are reluctant to give blacks loans, especially to build homes. There is an acute shortage in South Africa – yet thousands of them deposit their savings with the banks.

Rudzani Mulaudzi is an MTN Solution Space Scholar and an alumnus of the Mphil in Inclusive Innovation at the UCT Graduate School of Business. He reminds us that the World Bank's Findex measures financial inclusion in terms of the number of bank accounts held in a country, which is challenging as it begs the questions of who really benefits from people having a bank account?

Mulaudzi refers to the money received from stokvel members that usually goes into a savings club accounts at a bank as a "lazy deposit" as the amount gains little to no interest and banks are able to invest the money profitably, all with no benefit to the stokvel members.

As one of the first participants in the launch of the stokvel savings accounts, NASASA believes that it is very important to highlight that it was not their intention to limit stokvel members only to these products. The idea was to introduce new “comers” to the banking system, using the group phenomenon.

In other words, the stokvel savings accounts, first launched in 1988, were created to increase banking access for the unbanked market. But, like any other bank customer, a stokvel member(s) still need to shop around to ensure that they are getting the best value for their money.

Another advantage of stokvel accounts is that they provide a service to communities and give banks the ability to cross-sell products to the members of the group account.

There is nothing that stops a stokvel group from moving their group account from an inferior product to a more interest-yielding one. For example, Nedbank’s NedTerm looks like the best option. It has a high interest rate for relatively low amounts, no fees and provides for group savings. In terms of giving notice and withdrawing, it requires a minimum of three signatories. All signatories will require verification (ID) and proof of residence (in terms of Fica regulations). Any person can deposit money into the account.

NedTerm is a notice deposit that requires a minimum of R100 for additional deposits. There is no minimum withdrawal amount, but withdrawals are subject to one day’s notice. Interest rates start at 7,15% for R1 000 and 7,45% for amounts of more than R10 000.

Informal savings groups can act as a critical first step toward financial inclusion. Experience in Kenya, for example, shows that informal savings clubs linked to formal banking institutions tend to involve themselves in initiatives that lead to personal bank accounts. 13% of group members have also moved onto opening individual accounts. This is of social and developmental significance, but more significantly of interest to any bank wondering whether it’s worth targeting the informal savings clubs from a business point of view.

It is also very important to highlight that the issue of low interest rates is not a stokvel-specific problem. According to Michael Kransdorff, chief economist at investment service My Treasury, over 16 million South Africans have cash in savings accounts but, according to the latest SA Reserve Bank statistics, a large percentage (about 40% of this money sits in accounts that offer very low – if any – interest. While you may be enjoying the safety net that some of these accounts offer, the reality is that if you don’t switch, your money won’t grow above inflation.

All financial institutions offer different services to help stokvels, burial societies and other informal savings clubs open and maintain accounts.

However, while some banks do allow these groups to see a consultant who helps with stokvel accounts, in other institutions only prestige and business account holders can make appointments. Some banks do not have a department that is dedicated to stokvel accounts. A perfect service for stokvels is still a pipe-dream!

It is not all gloom and doom. There are solutions out there. “South Africans could be earning as much as 10% on their savings, if they switched to higher interest-paying accounts”, says Kransdorff. Go to mytreasury.co.za to compare options to ensure you get the highest interest based on your needs.

Bank customers are now also able to compare transaction fees between different banking products through Bankmonitor, an electronic data base that provides users with access to useful tools. These include a comparison between banks of their transaction fees and other banking charges.

Fee calculators make it possible for you to compare charges on different accounts, including savings, cheques, money market and credit cards. One is able to compare transactions such as internet payments with over-the-counter payments or debit orders against over-the-counter withdrawals.

Registration to use bankmonitor.co.za is free. And users get free opportunities to use the calculators each month.

The alternative to saving in a bank would be investing. This would channel the discipline the stokvel groups have for collecting money, and translate it into a meaningful method of gaining value for their money. The problem that many face when it comes to investing, is not having the knowledge where to begin. With the right information and education, savers can understand the long-term benefits of investing in the right products for their needs.

Through NASASA’s partnership with financial institutions such as Alexander Forbes, stokvel members can invest in a Unit Trust as a group. This makes the administration simple, and keeps the costs low.

Dinky Moropane, former Head of Sales and Marketing at one of the leading financial institutions, says unit trusts in many ways, are clubs for investors managed by professionals.

“This is why people who partake in traditional stokvels should find the unit trusts concept appealing and rewarding. The only difference lies in the place where the money is ‘stored’ for safekeeping and the potential for growth”.

NASASA’s relationship with Alexander Forbes is evidence of the organisation’s commitment to foster a culture of investing among stokvel members. It is through such efforts that financial inclusion can be enhanced.

“The stokvel movement should graduate from savings schemes to become investors. We must get out of the nursery and work hard”, the statement read.

During the early years of South Africa's democracy, NASASA began to plan the process of alleviating the black housing crisis by proposing the diversion of millions of savings from banks to unit trusts, which would serve as collateral for housing loans.

The thinking behind this idea was that the process would allow black savings to be ploughed back into the black communities rather than having the money loaned to affluent suburbs.

There was a realisation that the South African financial system had until now been catering for regular earners with assets, fixed abodes and a track record of payments. While that was a proven method of reducing the risk of non-payment, it excluded millions of blacks from formal financial assistance.

Through this plan, stokvel members could use their unit trust certificates as collateral for home loans from banks. Using the slogan that "good savers make good borrowers", NASASA, The Board of Executors (BOE) and the First National Bank (FNB), entered into a joint venture in 1993 which led to the development of a product called "The People's Benefit Scheme".

This product was developed to help groups of people to make the most of their joint savings ability and to provide such groups with track records and borrowing opportunities that the individual members could not achieve on their own. The products offered here were:

1. Savings accounts in the "group' name.

2. Fixed deposits on reasonable notice period.

3. Participation in unit trusts as a group.

4. The unit trusts were to gear for the benefit of the people.

5. Group loans at very good interest rate using savings for security.

6. Extra amount in-group loans as supplied by NASASA with the help of the Development Bank of South Africa (DBSA).

7. Certain profits of the unit trusts to be used for the people.

8. Fixed repayment amounts and flexible periods for easy affordability.

The user guide booklet was produced to help members deal with the practical applications of the "People's Benefit Scheme", explaining its workings and benefits.

This ambitious initiative triggered important debate in the various communities, including the business sector. Some people thought NASASA was too relevant too soon.

Due to certain factors and insufficient joint product awareness campaign, the "People's Benefit Scheme" led to more savings accounts being opened by stokvel members in the name of the FNB bank, instead of the "People's Benefit Scheme". It is not surprising that today the bank has a product called the FNB Stokvel Account.

Some of the NASASA officials doubt FNB's motive and commitment to the "People's Benefit Scheme". Not only that, the theory is that the bank got involved to enhance its chances of winning the movement's tender. The product design coincided with the public hearings leading to the awarding of contracts to banks to handle the finances of the national government.

The bank that scored the highest points would be charged with the responsibility of handling the revenue and spending accounts of the government.

They were judged by the following criterion: practical commitment to the government's RDP project, gender equality, racial balance, amongst other factors. These factors were crucial in influencing the decision. Banks were asked to detail and quantify their investment activities, like their support for small business, non-governmental organizations and other previously disadvantaged groups. No doubt, the "People's Benefit Scheme" came in handy for the FNB.

I. STOKVELS AND THE MZANSI ACCOUNT

The Mzansi Account is a low-income transactional banking account that was developed in line with the commitments of South Africa's Financial Sector Charter. The Financial Sector Charter requires banks to make banking more accessible to the national and, specifically, to increase banking reach to all communities.

Stokvel members who previously never had personal bank accounts and only relied on the group accounts as the only avenue to interface with banks are for the first time offered the dignity of being the customers of the bank.

One of the findings of the study Stokvels: Making Social Cents released in 2003 by the University of Cape Town's Unilever Institute of Strategic Marketing indicated that 41% of stokvel members have no personal bank account and 45% of burial society members have no personal bank account (called "the unbanked").

However, the advent of Mzansi Account did not drastically change the way stokvels and other savings clubs view their relationship with the banks (as group accountholders). Instead, the Mzansi Account most likely, did help individual members who have just received a lump sum of money from their groups to avoid the temptation of being robbed by carrying large cash around. They may consider saving with a bank instead of hiding it under the bed or squander it on consumables.

Despite of the limitations of the stokvel-based bank accounts, there is no evidence that stokvel members intend to abandon group savings accounts products any time soon. If anything, there are more calls for members to consider opening more bank accounts for safety reasons.

It is a fact that, come the festive season, thieves are always ready to pounce on unsuspecting consumers to swell their own coffers. Stokvel groups are the easiest targets because it is around this time when members will receive their dues for the money they saved during the year.

While this is commendable as it encourages saving, the event may end in sorrow and tears if people are not wise enough with their money. Many casualties have been reported, including deaths as a result of robberies targeting stokvel members.

The wide-spread reports on robberies at stokvel meetings, suggest that a lot still needs to be done to dribble thugs away from targeting this lucrative sector.

J. NEW BANKS IN SOUTH AFRICA

The number of savings books held by stokvels or other savings club cannot be established, because each bank treats the number of its savers as strategic information. Secondly, it is difficult to obtain South African cases because many business leaders do not want strategies made public or their perceived mistakes highlighted. What is clear is that the burial societies and stokvels are a sought-after market.

Currently there is an estimated R700 billion of formal savings in black hands – which include BEE share schemes, pension funds and direct shareholding. This does not even include the estimated R49 billion held in stokvels.

Community-based group savers, in the form of stokvels and burial societies are mostly unbanked and their savings "uncountable" because they are outside of formal savings platforms.

Commercial banks in South Africa have seen new banks come and go, with the exception of the Capitec Bank, which was recently reported to have been catapulted to position number four, namely, the largest lender by value to extend a market-beating rally that has made it the country's best performing stock.

Although the stokvel-type banking accounts are largely associated with the big banks, at the zenith of NASASA's existence, they came across alternative financial institutions, especially at the foundation stages.

It was during this environment that, buoyed up with new hope, a second black-owned bank - the Future Bank, was founded in the beginning of 1989 as a joint venture between FABCOS and FNB (First National Bank). Jabu Mabuza (Eskom's Chairman) became the youngest chairman of a bank in the country. Andrew Lukhele, the Chairman of the NASASA was one of the directors of this bank.

Since the details of the planned Future Bank were made known in July 1991, the financial media had given the matter massive publicity.

Business Day quoted NASASA Chairman Andrew Lukhele as saying blacks no longer see themselves as "mere savers" but as people whose money should be invested in projects for black developments.

Professor Muhammad Yunus, the founder and managing director of Grameen Bank first visited South Africa in 1993. Grameen Bank specializes in micro-loans of as little as a few dollars to the very poor, to help them start small businesses. As commercial banks seldom lend to the very poor, Grameen provides credit to those, arguably, who need it most.

At a time when many banks were scaling back operations, South Africa's first mutual bank - Community Bank South Africa (CBSA) was up and running in May 1994. Headquartered in Johannesburg, CBSA began opening branches in urban, high-density, low-income areas in different parts of the country, including Benoni, Athlone in Cape Town and downtown Johannesburg. Cas Coovadia (the current Managing Director of Banking Association of South Africa) was the bank's chief executive.

It is very important to note that Mr Bob Tucker, the former Managing Director of the Perm Building Society, was the leading force behind the Community Bank Project.

HOW THE COMMUNITY BANK WORKED

Before a branch opened, the Community Bank liaison officers, preferably based in the community, ran workshops to educate residents on the bank's services, often working through burial societies and stokvels. Each outlet was autonomous so that if one has problems, other branches are not affected.

The bank did not offer cheque accounts, which customers could, if they qualify, get from other banks. Over time, the Community Bank's network was envisaged to be linked to ATMs so that clients could access cash.

As a mutual bank, the Community Bank was owned by its customers. Any customer was invited to buy at least one R10 share in the Community Bank, and no matter how many shares he or she holds, each "owner" was entitled to one vote when major policy changes were proposed. Corporate investors were also invited to participate in the Community Bank Project.

Bob Tucker highlighted the underlying principles of the Community Bank:

"Firstly, a community bank is not going to work unless it is community specific and community initiated. Second, if you have community-specific institutions, none has the scale which justifies the management and capital expenditure which make them viable or competitive.

Of course, the African Bank was still a black-owned financial institution having being launched by NAFCOC in the early 1970s. Gaby Magomola, the former CEO of African Bank is credited for his role in helping in the rise of NASASA in 1988 by making the bank's facilities available to the association. In fact, Gaby Magomola was the guest speaker at the launch of NASASA on 14 February 1988.

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It is a fact that, come the festive season, thieves are always ready to pounce on unsuspecting consumers to swell their own coffers. Stokvel groups are the easiest targets because it is around this time when members will receive their dues for the money they saved during the year.

While this is commendable as it encourages saving, the event may end in sorrow and tears if people are not wise enough with their money. Many casualties have been reported, including deaths as a result of robberies targeting stokvel members.

In this world of growing technology, stokvel members are encouraged to:

- Arrange for members to deposit cash directly into the club's account instead of collecting cash contributions;

- Arrange for the payout to be electronically transferred into each club member's personal account.

This is a very important exercise because it has an indirect potential to introduce some of the unbanked members of our society to the banking system, albeit, using the fear factor.

The new African Bank is out to compete in the community banking space with the bank's My World cheque account. The account allows primary account holders to have as many pockets as they like attached to their accounts.

Each pocket may have an unlimited amount of members included, giving other members full sight of the activity in the pocket as well as access to the funds.

The African Bank's CEO Basani Maluleke said: "It will allow people that share a WhatsApp group to create an account and deposit money together. They can see who is depositing money and who is taking money out.

The African Bank's My World account will be "near free". The account's activity, along with the activity in all of its pockets, will be managed through the bank's app or online by the multiple members.

For groups of people in stokvels, where trust in management of funds has been an issue, the account allows limits on how much is drawn and what the money is used for.

30 years later, South African banks still do not give much attention to this problem in their product offerings. For example, the new Nedbank Stokvel Account only highlights the following features:

- R10 000 burial cover for each member of your stokvel for only R15 per member per month. This can be used to cover any costs associated with the burial. Plus, we'll arrange transport of the deceased person to anywhere in South Africa.

- Discounts of up to 10% on school supplies or groceries when you shop at our selected partner stores.

- Zero transaction fees on the stokvel Account.

- Great interest rates for savings so that your stokvel money can grow even faster.

- There's no limit on how many members can save together.

- All you need is a minimum off R100 to open the account and relevant documents.

The future of stokvel bank accounts will be determined by a number of factors. Developing countries in sub-Saharan Africa are often regarded as being behind the curve in developing Western-styled financial services.

The very reason for that lag has also spawned the leapfrogging of traditional financial services with new innovations. Africa leads the world in mobile money penetration. The stokvel sector will be major participants in the mobile money space in the near future as they seek answers to their savings dilemmas.

"The history of financial services in Africa illustrates the evolving context of formal banking", said Grietjie Verhoef, professor in business, economic and accounting history at the University of Johannesburg.

The solution to the banking challenges of the rotating savings and credit associations commonly known in South Africa as stokvels, include the participation of the private sector. Giant leaps in financial inclusion driven by private sector innovation and supportive legislation have made Kenya a case study in financial sector development.

In that country partnerships were established with the financial and telecoms sectors to combine their different types of expertise to explore models connecting savings groups with formal financial services.

From their partnerships with Orange and Equity Bank, for example, they've made specific changes to the way a formal group account works that village savings and loan association (VSLA) members will be able to relate to their informal savings practices, making the transition to formal banking for them easier.

It is evident that financial inclusion has risen up the international development agenda over the past decade. International experience shows that it is possible to upgrade informal arrangements and link them to formal institutions. And this implies building upon, not supplanting, the existing arrangements.

South Africa's black, "unbanked" community is struggling to come to terms with a banking system whose services are not equipped or geared to meet the community's special credit and banking needs – a banking system that it perceives as being exploitative and geared towards white interests.

However, new financial institutions and mutual banks are gearing up. Financial circles in South Africa are abuzz with the news of the formation of banks aimed at the black community.

The Commonwealth Bank of Australia has launched TymeDigital, in which Patrice Motsepe's African Rainbow Capital is an anchor investor. Insurer Discovery has received a commercial banking licence.

The South African Post Office's Postbank will also build on a strong existing footprint, with the plan to turn post offices throughout the country into bank branches.

A move has been launched to fast track the conversion of Postbank into the first retail bank wholly owned by the state. The big four retail banks, FNB, ABSA, Nedbank and Standard Bank, make a significant profit out of handling government funds, including workers' salaries and social grants, and a state bank is likely to change the game.

The Economic Freedom Fighters (EFF) on the beginning of May 2018 made public its draft text for a Banks Amendment Bill, submitted to Parliament as a private member's bill by MP Flyod Shivambu.

This is labelled the simple Bill with which the EFF wants to revolutionize the banking industry. Transformation of the country's banking and financial sector came under the spotlight recently when the SA Reserve Bank placed the only black-owned bank, VBS Mutual Bank, under curatorship because it unlawfully accepted short-term investments from municipalities - which is not allowed for mutual banks.

Stokvels, burial societies and other savings clubs faced uncertainty about their funds after the VBS Mutual Bank was placed under curatorship by the South African Reserve Bank.

Former FNB CEO Michael Jordaan and his former colleagues have announced their new “app-only” bank: Bank Zero. It will build its whole business around transactional and savings. That means no income from the interest on loans, no credit risk and, above all else, almost zero fixed costs.

Braze yourself for a war. For example, First National Bank (FNB) has launched a new mobile bank account named eWallet eXtra which is compatible with both feature phones and smartphones.

The application will allow unbanked South Africans to open a bank account without ever walking into a branch.

eWallet eXtra will have no monthly fees and consumers are not required to submit any paperwork to use the application. The service requires users to input only their name, surname and ID number on any mobile device.

Major existing banks will also be gearing to wage a major fight to retain part of the billions of rand in business from black trade and consumer organisations. “Research shows that there’s more than R44 billion in stokvels. If people are saving these billions informally, what does that say about our banks and financial institutions?. South African Savings Institute (SASI) chairperson, Prem Govender, questioned the image of South Africans as poor savers.

2. Stokvel Banks And Pyramid Schemes

The new democratic government ushered in a debate on what constitute black economic empowerment. It also proved to provide a platform for new ideas to take root. One of them was the mushrooming of pyramid schemes in the mid-1990s.
Thousands of people have lost millions of rand participating in pyramid schemes. Many of the victims know they were gambling (although they don’t know the odds were rigged against them).
Many others, however, thought they were paying for help on starting small businesses of their own. These people were fooled by pyramid schemes disguised to look like legitimate businesses and traditional stokvels.
Pyramid scheme promoters are masters of group psychology. At recruiting meetings they create a frenzied enthusiastic atmosphere where group pressure and promises of easy money play upon people’s greed and fear of missing a good deal.
Pyramids operate like this: a person invests X amount of money, and is promised at least a 300% yield on condition that he/she recruits at least three others to invest. When the three have invested, their money goes on to pay the first person, and the process goes on.
Danger lies on the fact that when the scheme runs out of new recruits, those who have not been paid lose everything. This is usually the moment the Directors or Management of the operation run away with the money.
A stokvel on the other hand is usually a small group of people who know one another and who contributed equal amounts of money on regular basis to a pool. Be it monthly, fortnightly or weekly, the members get together to give money to one beneficiary, on a rotation basis, in the presence of others.
During the mid-1990s several pyramid schemes claiming to be stokvels collapsed when the management absconded with the funds having promised returns of up to 300%.
These schemes typically made the payouts from members’ subscriptions, without having sufficient reserves. A case in point was the Sun Multiserve scheme. This scheme posed as a stokvel until the Reserve Bank froze its funds on discovering that it held R40 million in funds, which was above the limit R9.9 million that was stipulated by the Banks Act. Several other schemes collapsed around this time, costing unsuspecting “investors” R80 million during 1996 alone.
Simple pyramid schemes are similar to chain letters while disguised pyramids are like wolves in sheep’s clothing, hiding their true nature in order to fool potential investors and evade law enforcers.
Pyramid schemes are scams, often illegal in which large numbers of people at the bottom of the pyramid pay money for the chance to advance to the top and profit from payments of others that might join later.
To join one has to pay from a small investment to thousands of rand. There are several things one should be aware of about the pyramid schemes. They are losers. Pyramiding is based on simple mathematics-many losers pay few winners. They are fraudulent. Participants are consciously or unconsciously, deceiving those they recruit. Few would join if the diminishing odds were explained to them.
They may be illegal. There is a real risk that the pyramid may be closed down by state officials and the participants could be subjected to fines and possible arrest.
Thoughtful consideration and question are discouraged. Some pyramid promoters try to make their schemes look like multi-level marketing methods. Multi-level marketing is a lawful and legitimate business method that uses a network of independent distributors to sell consumer products.
To look like a multi-level marketing company, a pyramid scheme takes on a line of products and claim to be in the business of selling them to consumers. However little or no effort is made to actually market. Instead money is made from recruiting. The popular view is that all money- based pyramid schemes should be outlawed. The schemes could also be attacked under the Gambling Act and legislation surrounding illegal lotteries.
Pyramid schemes catch on well where investors are unsophisticated, have little access to information and are unfamiliar with the mechanics of capitalism. Similar schemes have flourished (briefly), in Bulgaria, Nigeria, Liberia, the Ivory Coast and Bophuthatswana (former homeland in South Africa). But even sophisticated people have been duped. And some pyramids are well disguised. In 1995, John Whitehead,

former co-chairman of United States investment bank Goldman Sachs donated almost 1 million US dollars to the foundation for New Era Philanthropy, allegedly a pyramid. “It’s hard to believe I was played for a sucker”, he was quoted as saying. He was not alone in that same year:

- Russian President, Boris Yeltsin established a fund to help 30 million depositors who lost money to 883 financial pyramids.

- One operator ran eight pyramids schemes, moving to different places in the United Kingdom.

- An action was brought against the “ Friends Network Gifting Programme” by the Bureau of Consumer Protection in the United States- 140 participants who had re-entered the scheme had to pay 700.000 US dollars in penalties;

- Bulgarian protestors set up ‘tent town’ and demanded the resignation of ministers and judges after the state had failed to stop schemes, which had collapsed and cost victims 22.7 million US dollars.

- China executed leaders of a 386 million US dollars pyramid.

- In 1997, the Albanian parliament passed legislation to regulate the pyramid investment schemes whose collapse pushed the Balkan nation to the brink of anarchy. Estimates of the sums attracted to the Albanian pyramids funds are as highly as 1 billion US dollars, equivalent to 30% of Albania’s dismally small gross domestic product and

- When Pyram Business Consulting Services in Ghana offered monthly returns of up to 30%, 50.000 people invested. Many closed accounts elsewhere, deposited their life savings or even sold their homes. Government argued 30% monthly returns could not be sustained. Pyram claimed its profit formula was a ‘special African secret’. The scheme was shut down and investors took to the streets declaring their distrust of the banking system and hatred for a government that “spoils everything” (Financial Mail, 2 February 1996).

PYRAMIDS VS STOKVELS IN SOUTH AFRICA

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Danger lies on the fact that when the scheme runs out of new recruits, those who have not been paid lose everything. This is usually the moment when the Directors and Management of the operation run away with the money, as happened with the scheme described below.

A stokvel, on the other hand is usually a small group of people who know one another and who contributed equal amounts of money on regular basis to pool.

Be it monthly, fortnightly or weekly, the members get together to give money to one beneficiary, on a rotation basis, in the presence of others.

Stokvels usually have defined objectives for example, to buy each other household appliances, CD’s, groceries, or to enable one another to raise capital so as to avoid going for hire purchase or a loan. Members of stokvel hold regular meetings to discuss their activities.

According to the present laws of South Africa stokvel is not allowed to exceed R9.9 million in its banks deposits.

I. SUN MULTISERVE IN SOUTH AFRICA: AN EXAMPLE OF A PYRAMID SCHEME

During the mid-1990s several pyramid schemes claiming to be stokvels collapsed when the management absconded with the funds having promised returns of up to 300%. In February 1996 Future Progress, based in Rustenburg (North West Province) South Africa, was closed and the fund managers vanished with investors’ money. In the same month the director of another pyramid scheme based in Sandton (Gauteng Province) and claiming to be a stokvel, The Mini Millionare, disappeared with investors’ money totalling about R21 million: In March 1996 Prolite Upliftment was closed and some R3.5 million invested with the fund disappeared.

In December 1995 Sun Multilserve, a saving fund was closed after a former Registrar of Banks, Mr Christo Wiese, obtained a court order to this effect. Mr Wiese said that Sun was not a stokvel as it has purported, but a pyramid scheme. Its assets (about R50m) were frozen and placed under Mr. Wiese’s control. Sun described itself a stokvel but was holding about five times the amount (9.99m) legally permitted stokvels in terms of the Banks Act 1990. Hundreds of Sun Members marched on the South African Reserve Bank to protest against the closure of the fund. Representatives of Sun, the Reserve Bank and the Department of Finance held talks in January 1996 to try and resolve the matter. In October investigations by the Office for Serious Economic Offences uncovered theft amounting to ‘millions of rands’ by some of Sun’s managers. A senior state advocate, Mr. Frank Naidoo, said that the office was investigating charges relating to the contravention of the Banks Act of 1996 as well as Harmful Business Practice. In October 1996 the Reserve Bank and the directors of Sun announced an agreement whereby the bank would return the R51 million (including interest) belonging to Sun. The cash would either be distributed among investors or retained in 28 new legal stokvels, which had been created by Sun, depending on the wishes of the investors. An adviser to Sun, Mr David Mogasoa said that only 65cents would be repaid for every rand invested. Investors lost about R28 million. In January

1997 the General Secretary of Sun, Mr Nicholas Neniels, denied charges by the press that Sun's directors had fled with millions of rands from the scheme's coffers. The Office of Serious Economic Offences said that possible charges of theft and contravention of Banks Act would be brought against directors if they were found to have stolen money. At the time of writing about 200 investors in Rustenburg (North West) were taking legal action to have the scheme liquidated so that they could recoup their money.
However, because Sun Multiserve represented itself as a stokvel and because banking legislation covers stokvels, Registrar of Banks Christo Wiese was the presiding authority.
There are certain "characteristics" which make the Sun Multiserve look like a typical pyramid scheme. The fact that Sun Multiserve was big does not prove it is a pyramid scheme. It just proves that, with R50 million, 29 branches and 53 000 members, it is a way too big for a stokvel. The fact that R50 million was sitting in a non-interest bearing account did not prove it was a pyramid. It just proved it mismanaged its investment
But Sun Multiserve had consistently contravened the Banks Act by soliciting investment from the public. Pamphlets announced 300% returns on investments, R100 reward for introducing another member, and bonuses for forming consortiums. Fliers advertised: "golden privileges and a better life".
All the advertising points to a pyramid structure: "A member in the scheme will be rewarded with R100 when introducing another member into the scheme". One-leaflet cautioned that you only qualify for a place in the pay line after 14 people have joined. A flier for Sun Multiserve's Hlanganani Marathon says: "NB. each group qualifies after the formation of the 8th group".
Sun Multiserve says it had no complaints. Investors have apparently been paid out as expected. This does not prove that Sun Multiserve is not a pyramid. It proves that Sun has not yet run out of investors.

BANKS WRONGFULLY ACCEPTED DEPOSITS FROM PYRAMID SCHEMES

Sun Multiserve, defending its 'secret formula' claimed the order to freeze its assets was an act of racism. There was a strong suggestion that the scheme's saving fund had a secret mechanism for obtaining dramatically better returns on money than those obtained by banks. 'The question is what those mechanism are', David Mogashoa, the company's technical adviser in a television panel discussion early in 1996. 'You will understand that we haven't patented our rights yet. If we reveal them to whoever, anyone can go and utilise them…if we can just divulge our secret everyone will open up his own Sun Multiserve,' he said (the Star, Business Report, 1996).
After the Reserve Bank was granted permission by the Supreme Court to freeze Sun Multiserve's accounts it became clear that their funds were now on the hands of the curator and can only be released by his order.
Victor Monamodi of the Sun Multiserve's investor committee said investors were angry at what they saw as a sinister campaign by white institutions that felt threatened by the scheme's success.
He claimed that United Bank (a division of the ABSA Group) had closed the fund's account "because it was a threat". "When Afrikaners took political power they changed bank laws to allow the formation of Afrikaans-controlled financial institutions and this should now be done for blacks".
ABSA Group general Manager, Alec Hogg countered this claim by saying: 'It is ridiculous that United Bank's R13 Billion in assets should be threatened by a stokvel' (Saturday Star, 6 January 1996).
Norman Axton, the senior General Manager of First National Bank said: 'Stokvels play a vital role in the economy of the country and could be a powerful mechanism for promoting economic empowerment. "Given their ability to collect very small amounts of money from their often low-income members to help them meet large financial commitments, stokvels compliment the country's formal financial sector".
Jopie van Honschooten, the Divisional Manager for small and medium enterprises at Standard Bank, said; "Stokvels are no threat…. And most banks have products that are tailored for their banking need" (The Star, Business Report, 12 January, 1996).
The following commercial banks were picketed by Sun Multiserve's investors following the freeze on the scheme's funds: United Bank (Welkom and North West Branches) and First National Bank (Welkom branch).
ABSA Bank expressed a wish to ask the Registrar of Banks seek an "alternative domicile" for R3.9 million it held on behalf of the Sun Multiserve stokvel.
"Sun Multiserve is no longer a client of ABSA and we are no longer willing to expose our business to the kind of risks presently being experienced", Nick Cairns said.
In response to these pickets the ABSA Commercial Banks Communications Division at ABSA Towers, Johannesburg issued the following statement directed to Sun Multiserve management and investors:

AN OPEN LETTER TO INVESTORS IN SUN MULTISERVE FROM ABSA BANK

WHO YOU SHOULD BE TALKING TO?

On the 18th January 1996, you the investors in Sun Multiserve, started a campaign of action and demonstration against our banks, and in particular United Bank. You have informed us that your demands are as follows:

> The immediate release of your monies you invested in Sun Multiserve.
> That Sun Multiserve be allowed to operate as it has in the past. You have further informed us that unless these demands are met, you will "take action against the banks".

We have tried to explain the facts to the demonstrators in Rustenburg, Mafikeng (North West province), Welkom, Bloemfontein (Free State province), and the others towns, and now present them to all Sun Multiserve investors as follows:

1) Sun Multiserve set up an investment company in 1995. It claimed to operate as a traditional ‘stokvel’. The management of Sun Multiserve accepted money from you, the investors, which it placed with various banks. Of that money, only R3.9 million remains of a total R50 million remains in the Sun Multiserve account opened at United Bank. The remainder is held at other banks.

2) United Bank was never informed about the names of the individual investors, nor the amounts invested. It was not the right of United Bank and neither did we interfere in the fairs of Sun Multiserve, which at that stage appeared to be operating as a legitimate stokvel.

3) Towards the end of 1995, the true nature of the operations of Sun Multiserve became known to the Registrar of Banks, Mr. Christo Wiese. It became clear to him that Sun Multiserve was not being operated fully within the law relating to stokvels which takes monies from members, and that consequently the monies of you, the investor, were at risk.

4) As a result, Mr. Wiese obtained a Supreme Court order to have all Sun Multiserve monies in whatever form frozen, so that it could not be wasted. A curator was appointed to manage the affairs of SUN Multiserve in the interest of you the investor.

5) ABSA, and United Bank specifically, were at no time given the option of paying back monies from the Sun Multiserve account to the individual investors. To do so would mean breaking the law, and possibly unfairly paying out some to the disadvantage of others, as the Registrar of Banks does not have details of which investors have invested how much at the branches of Sun Multiserve.

6) ABSA is now approaching the relevant authorities to request that the R3.9 million held at United Bank on behalf of Sun Multiserve be removed by the Registrar of Banks to the Reserve Bank.

7) We are not in a position to assist you, the investors, in any way in meeting your demands.

8) Mr Wiese and the curator of Sun Multiserve’s affairs have publicly requested full details from Sun Multiserve of all clients and the amounts invested by them, so that efforts to return monies to investors can begin. To the best of our knowledge by 26th January 1996 the management and directors of Sun Multiserve have not yet provided these lists.

9) When these lists have been received, the Registrar of Banks will ask for a court order, allowing him to repay your money to you. ABSA commercial banks will at no stage be involved in this process. You can be expected to be repaid directly by the Registrar.

10) ABSA remains extremely sympathetic to your position as investors in Sun Multiserve. We are fully aware that you need your money back as soon as possible. To help achieve this, we have done all we can to bring a delegation of Sun Multiserve investors into meeting the Minister of Finance and the Registrar of Banks. This meeting took place on Sunday 21st January 1996. We understand that the meeting was held in a constructive manner but unfortunately it would appear that no further progress has been made.

11) Your argument is not with ABSA in which Sun Multiserve maintained one of many bank accounts. ABSA has always, and continues to support the activities of legitimate stokvels and burial societies as important methods by which previously disadvantage communities mobilise their savings. These legitimate informal finance structures are not affected by the problems with Sun Multiserve, which did not run its business as a legitimate stokvel.

In conclusion, in the same way that Sun Multiserve has a duty to look after the interests of its clients, we at ABSA have a duty to look after our clients. We therefore ask you to stop the campaign of demonstrations and blockades against our branches, as none of these branches can assist you in any way in achieving you demands.

It is alleged that Sun Multiserve had been operating for 11 months by October 1995, when Standard Bank initiated an investigation into the society on suspicion it was an illegal pyramid scheme. When it came to light that more than R50 million had been invested in Sun Multiserve, the Registrar of Banks froze its account (Saturday Star 20th January 1996). As a result of this probe both United Bank and Standard Bank branches were targeted with demonstration threats in affected areas for starting “this whole mess” (Saturday Star, 6th January 1996).

Tim Store, who was appointed curator of Sun Multiserve, said he will placing advertisements urging investors to reclaim their money.

In another scam, potential Gold Dust investors at the corporation’s Soweto office said in 1997 that First National Bank was no longer recognising the savings accounts of the scheme operator.

First National Bank General Manager of Communications, Alec Grant said the bank disclaimed any association with financial backing of the Gold Dust Scheme.
“It has come to our attention that these schemes are claiming to be underwritten by, or operating in association with First National Bank. The bank has no such relation with these schemes and where possible will not conduct business with

persons running such schemes," Mr. Grant said (Sowetan 13th June 1997).

In a letter to the editor column, Muziwakhe M. Dubazana from Tsakane, near Springs (Gauteng province) responded to grant's statement: "Since when are white bank managers interested in advising Blacks about the safety of their investments?

"How many millions of rand were lost by blacks because of rip-offs in bonds, vehicles and furniture finance?
"Today black officials are suddenly telling blacks to be careful not to lose money to Gold Dust, especially those at the bottom of the scheme ladder. How many black people suffered at the hands of the banks?

"Finally, since when do we have whites in South Africa who undestand'umshayelwano, mogodisano and the stokvel concept?" (Sowetan,18th June 1997). There were many public opinions with strong political and racial overtone.
However, several organisations called for stricter measures to stamp out pyramid schemes, which have cost unwary investors more than R80 million over the 1996 period.

Thabo Masebe, a former spokesman for the ANC Youth League, said there was an obvious need for tougher legislation. "We agree with the stand point of business and plan to approach trade and industry, the ANC policy section and eventually parliament to propose stiffer legislation". He said: "Given this situation, I believe that government will welcome proposals for stiffer legislation, if it helps to protect the public' (The Star, Business Report, 9th April 1997).
Mashudu Ramano, the then president of NAFCOC's Gauteng region shot down Sun Multiserve's claims that it promoted black economic empowerment: "I think they use it to whip up support".

Ramano said the high returns promised by Sun Multiserve have suggested unsound business principles:" How do they justify the kind of interest they pay when they do not invest the money in high-return investments, but put it in the bank," asked Ramano.

He said, however, that the existence of Sun Multiserve and similar schemes pointed to an urgent need for the financial sector to improve access to credit to blacks.
FABCOS' then General Secretary, David Moshapalo said Sun Multiserve was a pyramid scheme, paying "astronomical" profit to investors during the initial stages.
"This cannot be sustained in the long run, leaving subsequent investors with huge losses", he said. Sam Muofhe, the then Chief Executive of Khutsong Funeral Services, which dealt mainly with stokvels alleged that Sun Multiserve had misrepresented the stokvel concept (The Star, Business, Report, 9th January 1996).

It is true that Sun Multiserve was an affiliate of NASASA but they did not declare to the association that their stokvel had a 'secret formula', which attracted thousands of members. Possibly they joined the association knowing very well about the Reserve Bank probe on their activities. During the fight to unlock R50 million in assets frozen by the Reserve Bank, some of Sun Multiserve directors promised to pump about R1.6 million in membership fees into NASASA. The latter adopted a strict position that Sun Multiserve was not a stokvel and condemned all dubious investments because they cause great indignation not only among those who are robbed, but among the rest of us who value such African structures.

1) CALL FOR POSSIBLE CHANGES TO THE LEGISLATION

In detailing the Reserve Bank 's effort to negotiate repayments on investors' funds in Sun Multiserve, Christo Wiese said the possible changes to the regulation of informal investments schemes included:

- Clear definitions to help investors' distinguish between acceptable and unacceptable practices.
- The creation of regulations regarding the reporting of financial information by informal schemes.
- Replacing the "common bond" principle that holds stokvel members together, with more transparent contractual loan arrangements, and
- Fully informing investors about the risks inherent in the products they are offered.

Although the Reserve Bank was trying to accommodate traditional financial practices, Wiese said that he would not tolerate any breaches of the law.

Sun Multiserve lawyer, Tiego Moseneke, said the possible regulatory changes outlined by Wiese would be ' a huge advance in the creation of room for traditional black saving schemes'. He said the proposed changes could results in the creation of numerous new financial institutions in this sector. Ignorance in dealing with pyramid schemes can be costly for both consumers and financial institutions.

It was reported on May 2001 that the ABSA Bank was facing criminal prosecution for not reporting to the police "suspicious transactions" on a client's account which, it was later discovered, were the proceeds of a pyramid scheme scam.
If a decision was to be taken to prosecute ABSA Bank under provisions of the Prevention of Organised Crime Act, it would be the first ever in South Africa, sending a stern message to business that they must comply with the anti-money-laundering laws.

The case under investigation by police involved several accounts operated in 2000 by alleged pyramid- scheme mastermind Carl Stander at an ABSA Bank branch in Margate on the KwaZulu-Natal South Coast.

Stander was on bail at the time, facing fraud charges of R64-million relating to a company, Care Financial Services, which offered investors deals in "second-hand insurance policies".

Police believed ABSA Bank was tardy in reporting the 'suspicious transactions' as it was obliged to do by the act (The Star, 29 May 2001).

It is clear that these and other financial irregularities later contributed towards the introduction of FICA regulation. The Financial Intelligence Centre Act (38 of 2001) (the FIC Act) came into effect on the 1st of July 2003. The FICA was introduced to fight financial crime, such as money laundering, tax evasion, and terrorist financing activities.

This explains the reason why the banks all required stokvels to present their constitution and to appoint a certain number of members as signatories when they opened accounts. The signatories had to comply with the Financial Intelligence Centre Act (FICA), and thus had to present proof of identity and a fixed address, among other things.

Once again the South African Reserve Bank warned the government that unless it acted decisively to stop these money-making rackets, South Africa could fast slide into a crisis similar to the one that tore apart the Europe country of Albania in the mid-1990s.

The Reserve Bank had embarked in a wide-scale public awareness campaign, warning members of the public through newspaper adverts to desist from investing their money in pyramid schemes. In recent times, the Reserve Bank has joined forces with the National Stokvel Association of South Africa (NASASA) to fight the scourge of pyramid schemes under the campaign "EASY COME. EASY GO".

They launched an **ANTI-PYRAMID SCHEMES HOTLINE 0800 333 437 TOLL FREE (to** check if you are being targeted or to report a scam).
Visit: www.easycomeeasygo.co.za to learn about scams and check if you are being targeted.
E-mail: report@easycomeeasygo.co.za to report a scam.
Alternatively, you can report the suspected scam to the South African Reserve Bank at www.resbank.co.za or on the Financial Services Board's fraud and ethics hotline at 0800 313 626. But be aware that reporting a fraudulent stokvel to the Reserve Bank doesn't mean you'll get your money back.
We tend to think of a crisis as something essentially bad.

Really it is neither good nor bad in itself. A crisis is really a challenge to one's intelligence and skill. Rightly handled, it is an opportunity. Mishandled it is a disaster.
In the present topsy-turvy climate, it must seem to many ordinary people easier to put blind faith in a game of chance than to trust that hard work, civic duty and piety on Sundays will ensure a better quality of life.

One has forgotten why people work. People work for several reasons. Whatever the reason for any particular individual, "working" seems to be the principal activity in modern society. People work not only for obvious reasons such as earning a salary, but because work plays an important role in the development of self-respect and a sense of identity. In modern society, people's jobs largely determine who and what they are. Their job determines their status in society, where they stay, with whom they associate and who is associated with them. Furthermore it is an important criterion by which people assess themselves and others.

A wide range of human needs is satisfied by working. The most important needs include a need for affiliation, a feeling of competence and success, authority, control, pride and status. Today, the upsurge in pyramid schemes and other get-rich-quick devices must be seen in relation to the unemployment accompanied by an ever-rising cost of living, making people desperate for quick returns.
What is making our people so eager to invest their hard – earned money, including retrenchment packages in get-rich-quick schemes, rather than in 'safe' financial institutions such as banks?
Have the masses become so disillusioned that they have lost faith in banks and would rather entrust their savings to people who promise them quick returns?
Why, after all these years, are we suddenly seeing a boom in pyramid schemes that even the custodians of law and order in this country seem to be flummoxed?

PROPERTY STOKVEL SCAMS

Scams targeting stokvels come in different sizes and shapes. For example, property stokvel scams are tricky to spot because, unlike pyramid schemes that claim to double your returns, they can appear to be legitimate and don't seem too good to be true. There are many reasons for this.

For many South Africans, the idea of owning property is a distant dream. In a country with such a big inequality gab, many people can't look forward to owning a home.

Some fraudsters have started taking advantage of this and are luring people into "property stokvels" that are nothing more than elaborate scams.

They are everywhere on social media, and all of them require you to attend some sort of presentation or join a WhatsApp group where registration fees are charged. Stokvel scams are nothing new to South Africans - scammers just keep presenting seemingly new concepts to impress unsuspecting investors.

According to Dineo Tsamela, founder of the piggiebanker.com, the property stokvel scams work this way:

Each member contributes an amount monthly and the pooled funds are used for the benefit of a single member who wants to buy property.

Once that member's property is bought, the next member in line is assisted to buy a property.

This continues until all members in the group have a property. Members are required to pay an "administration fee" that will either be a percentage of their contribution or a predefined monthly payment. Members are also required to pay a registration fee. The purpose of these fees is never disclosed. How do you know you're being taken for a ride?

If you're invited to join an elaborate property stokvel presentation and are presented with a complex business structure, go through all the information with a fine-tooth comb. Do not allow yourself to be pressured into signing or giving money until your questions are answered. Stokvels should have a leadership structure that outlines who the chairperson and treasurer are, as well as the purpose of the stokvel. The stokvel should also have a constitution that outlines, in clear, easy-to-understand language, where member funds go and how they're redistributed.

Contributions should go to a single bank account. Be careful when funds are channelled to individuals or separate accounts - for example, registration funds going to one account and monthly contributions to another.

Are there warning signs of a property stokvel scam? A legitimate business will set up a proper website and business e-mail.

If the stokvel operates under a formal business name but uses a Gmail, Yahoo or Hotmail, be careful.

Also look out for strange jargon. Sometimes scamsters use made-up concepts to make their investment case glamorous but can't explain these clearly.

The message is clear - even if there is what seem to be legitimate panel discussions and meetings, be cautious. Committing to a scheme that will only benefit you a couple of years down the line when there's no guarantee that your premiums are safe is folly.

Ask the person running the stokvel where your money will be invested and how the stokvel can prove to you that it is invested.

How can you keep track of your contributions? Do you get a monthly statement and is the contribution structure transparent - that is, are you able to see exactly where your money is going?

Ask what happens should a member fail to pay. Find out what recourse you have should the scheme collapse - how do members get their money back?

Despite these challenges, the future looks bright for the South African informal savings groups. For example, when answering questions in Parliament on 8 May 2018, President Cyril Ramaphosa called for an end to the four big banks' monopoly. Asked by the EFF's Floyd Shivambu what his position is on a state-owned bank, Ramaphosa says he's all for it. He has not ruled out the need to amend the Banks Act to accommodate one.

Ramaphosa says there's a lot of money in the economy through savings instruments such as stokvels and a stokvel bank could even be established. He says there's also a need for an agribank to support emerging farmers and even township banks would do well.

Although various studies exist on the savings groups in Africa, such as Gugerty (2007) on Chamas in Kenya and Alabi et al (2011) on Susu in Ghana, there's is no comprehensive systematic study examining the concept from a pan-African perspective. In other words, there are no facts, perspectives, and visions for the Pan-African phenomenon of savings groups.

However, the proposed research by Policy Experimentation & Evaluation Platform (PEEP) is such a pan-African initiative that aims to fill this gap, through implementing the research in up to 20 African countries, relying on local research teams.

The objective is to illuminate pan-African phenomenon of savings groups through different lenses, including:

- Financial inclusion and formal financial institutions

- Entrepreneurship and business outcomes for empowerment

- Female empowerment and women in business

- Urban and rural interventions

- Social capital and social outcomes

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