MICROFINANCE HANDBOOK FOR SMALLHOLDER FARMERS IN SOUTH AFRICA. February 2023

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Contents

Foreword

This handbook is meant for those individuals and organisations who are interested to understand how microfinance works for the rural poor in practise. The handbook provides short descriptions and analysis of services available to the poor and provides comment on best practise in these options.
It also provides a recent study on microfinance options for focus groups in 7 villages across KZN and Limpopo. In addition, guidance is provided in the implementation of village savings and loan associations (VSLAs) for those interested in implementation of such processes.

This handbook is the culmination of around 10 years' worth of implementation and is being published as one of a series of handbooks and case studies within a Water Research Commission study and dissemination process entitled "Dissemination and scaling of a decision support framework for CCA for smallholder farmers in South Africa" (Project number: C2022/2023-00746). As per project cycle requirements, this handbook in part fulfils the requirements for the deliverable entitled "Handbook on scenarios and options for successful smallholder financial services within the South Africa".

Acknowledgements

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List of Abbreviations

ASCA	Accumulating Savings and Credit Associations
CARE	Cooperative for Assistance and Relief Everywhere
CbCCA	Community-based Climate Change Adaptation
CBDA	Co-operatives Banks Development Agency
CRA	Climate Resilient Agriculture
CRS	Catholic Relief Services
DALRRD	Department of Agriculture, Land Reform and Rural Development
FGD	Focus Group Discussion
HCD	Human-Centred Design
IE	Informal Economy
ILO	International Labour Organisation
MFI	Micro-financial Institution
NGO	Non-Governmental Organisation
ROCSA	Rotating Savings and Credit Associations
SCG	Savings and Credit Group
SACCO	Savings and Credit Co-operative
SEF	Small Enterprise Foundation
SMME	Small Micro and Medium Enterprise
VSLA	Village Savings and Loans Association
WIEGO	Women in Informal Employment: Globalising and Organizing
WRC	Water Research Commission

Executive Summary

In this qualitative study we examined microfinance options which are available for smallholder farmers participating in the Community-based Climate Change Adaptation (CbCCA) programme and to draw lessons for broader applications. Microfinance is the provision of financial services such as savings, loans and insurance to people who are too poor to qualify for financial services from formal financial institutions (Wrenn, 2007). We explored experiences of members participating in Village Savings and Loans Associations (VSLAs) in the villages where Mahlathini Development Foundation implements community based climate change adaptation. Human-Centred Design (HCD) was used in the study to examine different group-based financial services, identify challenges and dissect microfinance options that savings groups present to smallholder farmers. Data was generated through in-depth interviews followed by seven focus group discussions in selected rural communities in KwaZulu Natal and Limpopo provinces.

The study found that group-based savings provide opportunities for integrating VSLAs into smallholder farming and the rural enterprise development agenda. This is because VSLAs provide an alternative and structured system for providing accountable and transparent financial services that is backed by decades of practice and has a good track record for the attainment of tangible livelihood outcomes. However, this study concludes that further research is still required to use the wealth of experiences of group-based savings in designing additional responsive financial services for smallholder farmers.

1. Background

The financial services landscape in developing countries such as South Africa is a complex one. There are formal and informal financial services offered by different institutions or entities to different income levels. Generally, underserved populations are serviced primarily by community-based informal financial institutions, unregulated money lenders and non-governmental organisations (NGOs). South African government have a basket of financial services available to qualifying smallholder farmers. These financial services are provided mainly by the Department of Agriculture, Land Reform and Rural Development (DALRRD), Development Bank of South Africa (DBSA), Land Bank and Small Enterprise Finance Agency (SEFA). Our interest in VSLAs was triggered by the unsung role of these groups in generating financial and entrepreneurship education and practice that is fit-for-purpose despite the brutal economic realities of the poor.

Financial inclusion aims to contribute to long-term sustainable human development impacts. Given the uncertainties faced by smallholder farmers participating in climate change adaptation programmes, adaptive planning approaches hold promise to connect planning, implementation and evaluation of community-based informal financial institutions operated by smallholder farmers within this process. Therefore, in this study we set out to examine microfinance options which are available for smallholder farmers participating in the Community-based Climate Change Adaptation (CbCCA) and to draw lessons for broader applications. The study aimed to understand practices happening in VSLAs and similar community-based informal financial institutions for the purposes of suggesting best practise options in microfinance for smallholder farmers in South Africa.

There are two broad categories of community-based informal microfinance institutions. These categories are Rotating Savings and Credit Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCAs). Members of a ROSCA contribute an equal amount of money on a regular basis, typically on a monthly basis. In each meeting, a different member picks up the pre-determined lump sum. This practice continues until every member of a group has received his or her payout. ROCSAs are also known as “merry-go-rounds”. ASCAs use members’ regular savings to build a group fund that is used to provide short-term micro-loans to the members of the group. At the end of a savings cycle, which is usually a year; the group dissolves and distributes group funds proportionally to the deposits of individual members. Community-based financial services and institutions are discussed later in this report.

The main problem is that many development programmes that seek to improve incomes of vulnerable households and their livelihoods are struggling to mainstream the microfinance aspects of their interventions, especially for rural low-income earners. Worse, smallholder farmers remain with the stigma of low productivity. The South African smallholder farmer support programmes fail smallholder farmers on multiple levels, but mostly on access to financial services, information, education, technology and markets.

Microfinance institutions are not widely promoted and used for broad-based SMME development objectives and appear to be marginalised. Besides short-term project based funding sourced mainly by NGOs, there is no evidence of support provided by the South African government. This means that the practice and wealth of experience of community-based informal financial institutions such as the VSLAs is devalued, and as a consequence, learning opportunities that promise to improve and facilitate broader financial inclusion objectives are missed.

The inspiration of this study is drawn mainly from the role these groups play specifically in the rural development space in South Africa. This research study argues that VSLAs can help smallholder farmers with some financial services which support financing of their operations and meaningful interaction with local markets. Such groups have proved helpful to millions of under-banked households in developing countries worldwide, allowing them to save and borrow money outside the formal banking system (CARE, 2017; FAO, 2016; Alkire et al., 2013).

1.1. Community-based microfinance services

The role and the importance of community-based financial institutions such as VSLAs and Stokvels in national economies across the globe have been recorded by many development institutions and researchers in the field of community economic development (Entz et al., 2016; Custers, 2016; Dallimore, 2013; Allen, 2018). However, the interest of this section is to describe the relationship that these institutions have with the informal economy (IE). Drawing from the International Labour Organisation (ILO) (2002), Women in Informal Employment: Globalising and Organizing (WIEGO) provides the most practical description of the informal economy. WIEGO sees informal economy as constituted largely by unincorporated small enterprises that may also be unregistered, however, the informal economy is not just the bottom of the pyramid but it is the broad base of the economy (WIEGO, in IIED, 2016).

According to Clause 3 of the 2002 Resolution of the ILO on Decent Work and the Informal Economy (IE), informal economy refers to:

> "... all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs" (ILO, 2002).

Box 1: Definition of informal economy

Community-based financial institutions remain a lifeline for many poor and vulnerable households which are essentially marginalised and excluded. Based on this lifeline narrative, these groups are purported as safety nets which mitigate the negative consequences of spatial dislocation of rural settlement to urban centres. Common bonds, be it occupational or geographical (community) are known for binding members of these groups together (CBDA, 2016). The significance of common bonds is that it determines the level of participation and discipline as well as mitigating risks stemming from group dynamics.

These groups are specifically known for cushioning vulnerable households against food insecurity, constrained access to productive land, lack of collateral and low levels of potential profit. The ugly consequence of spatial dislocation is that it imposes higher transactional costs on rural households when compared to their urban counterparts. Each month, millions of South Africans meet in their respective groups to save and to grant micro-loans that borrowers then use primarily for consumption smoothing, but also to manage their informal businesses.

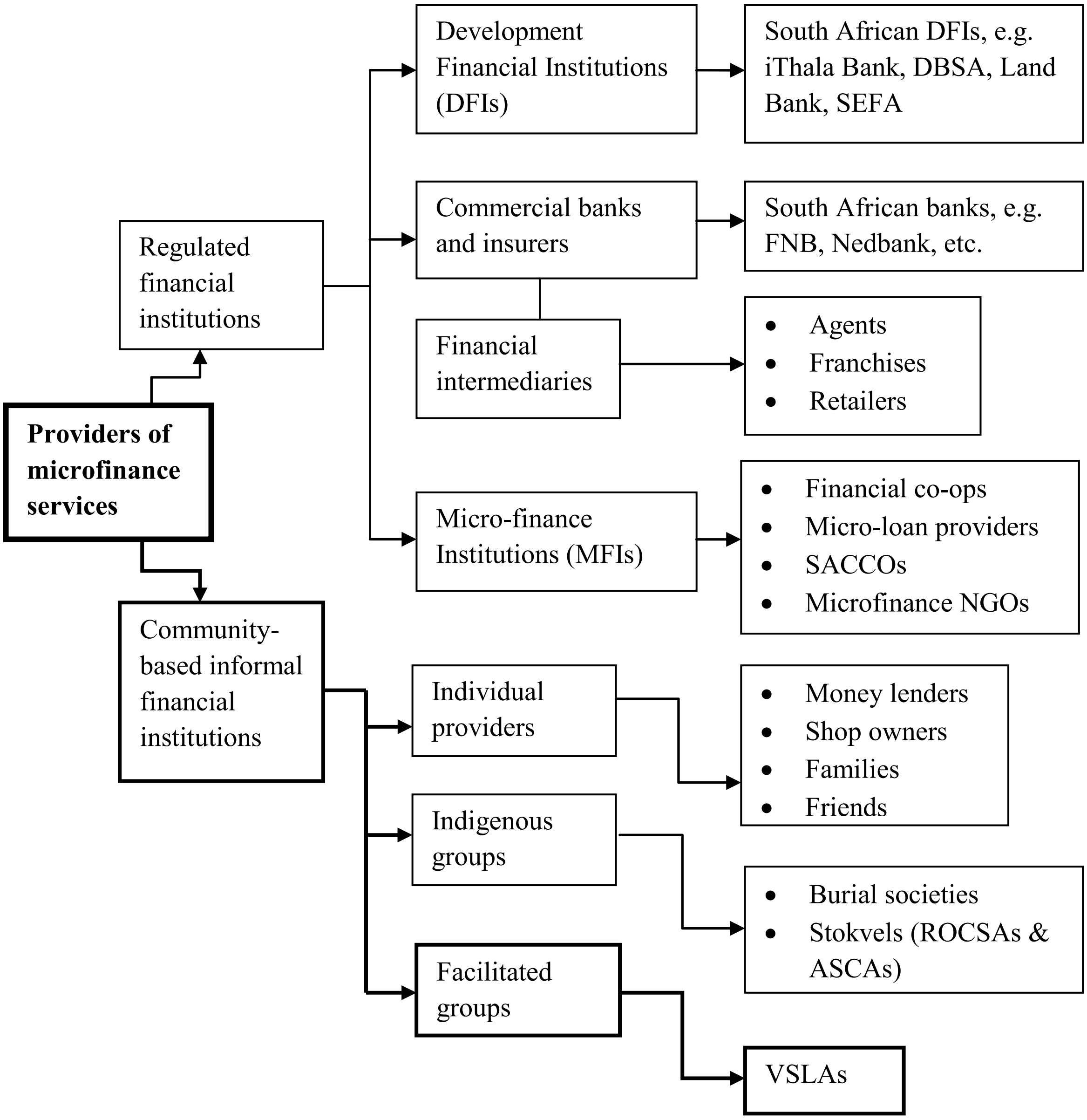


Figure 1 showing providers of microfinance services, adapted from Ledgerwood (2013)

As shown in figure 1 above, today the term microfinance describes a basket of financial services which include micro-loans, micro-savings and micro-insurance designed to serve not only microenterprises but the unbanked and under-banked populations (Collins et al., 2009). However, Kirsten and van Zyl (1998) point out that access to insurance is almost non-existent for smallholder farmers as it is either unaffordable and/or insurance providers do not have appetite to service small premium payers. Outside of the formal financial sector, community-based financial institutions have been operating for decades. The 1990s were characterised by rapid growth of microfinance financial institutions providing a basket of services to the poor (Ryne, 2014). Description of community-based financial institutions and mainly ROCSAs, ASCAs, traditional stokvels and VSLAs are discussed later in the report.

Rutherford (2000) echoes that poor people use community-based financial institutions as livelihood strategies for saving money for life-cycle events such as childbirth, burials, traditional ceremonies, marriages, construction of dwellings; and to mitigate disruptive shocks that risk depleting the financial resource base of vulnerable households. Similarly, Storchi (2018) and Ngcobo (2018) confirm the positive impact of these groups with regards to betterment of dwellings and income generating initiatives.

Internationally, VSLAs are praised for contributing immensely to informal economy and to livelihoods of the poor and vulnerable populations (Delany & Storchi, 2012; Högman, 2009; Hulme, 2009).

The significance for adopting the concept of the informal economy as described by ILO (2002) is that the "economic units" referred to in the description above include social enterprises, social and solidarity institutions such as cooperatives, member organisations, and other informal entities providing products and/or services. Community-based financial institutions fit squarely into this description of economic units.

The South African experience demonstrates a strong bond between the informal economy and informal financial services. The continued growth of these informal financial institutions demonstrates its popularity amongst low-income earners (FinMark Trust, 2020). FinScope 2019 survey shows that informal savings have grown from 18% in 2018 to 24% in 2019 despite high levels of financial inclusion interventions by the South African banks (*ibid*). In addition, Lukhele (2018) the President of the National Stokvel Association of South Africa (NASASA) confirmed that there are over 11 million members in over 800 000 Stokvels circulating over R49 Billion per annum in the South African economy. NASASA is a self-regulatory organisation that represents the interest of Stokvels as legislated by the South African Reserve Bank.

Financial Advisory and Intermediary Services Act (FAIS), Act Number 37 of 2002 requires that all financial institutions register in order to provide financial services and Section 7(1) in particular requires all advisors to be fully compliant in order to render financial services to the members of the public. However, Section 7(1) and Section 44(4) of FAIS Act exempt community-based informal financial institutions, and specifically, stokvels or savings groups and burial societies from licensing to be able to render financial services to, or on behalf of its members in respect of its members (Government Gazette Number 36316 of 2 April 2013, and Financial Services Board (FSB) Notice Number 43 of 2013). Again, the Government Gazette Number 35368 of 25 May 2012, and subsequently Government Gazette Number 37903 of 15 August 2014 of the South African Reserve Bank, confirms that activities of Stokvels and Savings Groups do not fall within the meaning of "the business of a bank" as pronounced in the Bank Act number 94 of 1990.

Box 2: Exemption of community-based informal financial institutions by South African legislation

Community-based informal financial institutions thrive through meaningful participation of creators of the groups. Dlamini (2016) draws on Arnstein's (1969) and Freire's (1970) description of participation – where members should have total control and continuously core-create usable knowledge during participation. This is very important for the study because it recognises that participation is learning and transformative.

In South Africa, community-based informal microfinance institutions take many forms such as burial societies, year-end grocery stokvels, savings and credit groups, rotational groups, investment groups and multi-function groups. These groups either take ROCSA or ASCA methodology depending on the goal of each individual group. The purpose of this section is to describe the most used community-based microfinance service vehicles in South Africa.

1.1.1. Burial societies

Burial societies are group-based micro-insurance funeral providers based on the notion that neighbours, friends, family members and relatives will experience the tragedy of death. A burial society is a local institution and usually composed of people who know each other very well and who agree to build a social relief fund that is used to support a bereaved family. A burial society is established by a constitution which regulates its governance and operation. A constitution specifies rules of participation, premium amount and benefits policies. In the event of death, benefits are paid to the member's family to cover some funeral costs, in some cases, all funeral costs (Dube, 2016). Despite high risk of simultaneous claims that may substantially reduce individual payments, or worse, deplete the group's fund, burial societies remain the most common micro-insurance service found in rural communities.

1.1.2. Stokvels

Product-specific groups like year-end grocery stokvels are known for consumption smoothing. Members of the group contribute a fixed amount of money towards purchasing of specific consumer goods and products at the end of each savings cycle. Besides bulk buying of groceries, it is now common to find groups that are established to buy specific consumer products such as blankets, furniture, appliances, house building material, etc. Looked at differently, the aim of such groups has nothing to do with investments, but has to do with accumulation of household assets and lowering costs of buying consumer goods.

1.1.3. Savings and credit groups

Savings and credit groups provide financial services to members and non-members of the groups. Members of these groups contribute either fixed or varying amounts of money into a common pool which is used to give short-term credit to members and non-members of the group. In some cases, these groups are referred to as borrowing stokvels and are known for charging high interest rates especially to non-members. At the end of the saving cycle, members receive back their contributions with interest earned from providing loans. There are three basic approaches that are used to divide and share interest in this category. Firstly, interest is divided equally only where members have contributed equal investments. Secondly, where investment amounts differ, interest is distributed proportional to the individual's investment. Lastly, whether members have made equal or varying investments, the interest generated becomes the property of the borrower. This means that members who do not take out loans during they cycle are given back their investments without interest.

1.1.4. Investment groups

Investment groups are becoming very common amongst the working population and in particular, the black middle class. Members pool their regular contribution to meet a specific investment purpose, for example, to earn high interest from financial institutions or to undertake business ventures. Basically, investment groups are established purely for investment goal that is decided by each individual group at its establishment.

1.1.5. Multi-function groups

Multi-function groups usually emerge from strengthened social bonds and sustained operation of any type of a group. For instance, a savings and credit group may include a funeral insurance, bulk buying service and any other financial service in support of the founding goal.

In summary, user-operated financial institutions provide at least three financial services. Firstly, they mobilise regular micro-savings that they use to build jointly owned loan funds or capital. Secondly, they then use loan funds to provide micro-loans to borrowers, who in many instances are either creators of a group or trusted borrowers in the village. Lastly, they dissolve group funds in order to pay lump sums proportionally to shares owned by each creator of the group.

1.2. Provision methodologies of community-based microfinance services

The purpose of this section is to describe three main methodologies that are used to provide community-based financial services in South Africa.

1.2.1. Microfinance NGOs

Microfinance NGOs, popularly known as Non-Governmental Organisation Microfinance Institutions (NGO MFIs) are not-for-profit financial institutions. Examples of microfinance NGOs in South Africa that provide micro-loans are Small Enterprise Foundation (SEF), Marang Financial Services and Women's Development Businesses Group (WDB). There are other South African microfinance NGOs such as SaveAct that promote VSLA methodology. International microfinance NGOs include Cooperative for Assistance and Relief Everywhere (CARE) International, Opportunity International, ACCION International, World Vision International, Catholic Relief Services (CRS), Save the Children, Freedom from Hunger and Oxfam. The significance of microfinance NGOs is that they have extensive experience in terms of structuring financial services and reaching excluded populations.

Funding for microfinance NGOs come from different sources and mainly from international donors and in some cases, central governments. However, they are not supervised by the central banks, but are governed by boards that are regulated by country laws (Ledgerwood, 2013). A key feature of microfinance NGOs is their ability to generate interest from loans that they re-invest and use to finance their operational costs and to extend their reach. Generally, microfinance NGOs use solidarity groups to grant business loans.

The pioneer of the solidarity group model is the Grameen Bank. A solidarity group model is when members of a savings group guarantee a loan granted to a borrower by an external lender (microfinance NGO). In other words, the legal obligation to repay the loan becomes the responsibility of the group. In the event that a borrower defaults on a loan, group members must settle the loan as no further loans will be extended to the group members without settling the group loan. In this way, savings groups are used as collateral security.

Methodological approaches and services offered by South African microfinance NGOs are summarised below.

Small Enterprise Foundation (SEF)

Founded in 1992 and headquartered in Tzaneen in Limpopo, SEF operates in seven provinces in South Africa. SEF provides small microenterprise loans, mainly to rural women (www.sef.co.za). By the end of 2022, the average loan size was just over R4 300 from over 175 000 active borrowers. Most funded microenterprises are in the trading space which includes fruit and vegetable vendors, second-hand clothing hawkers, dressmakers and convenience shops. SEF uses the Grameen Bank solidarity group model as collateral to loans. SEF does not provide savings groups; however, applicants for micro-loans are required to build a group fund by operating a SA Post Office savings account where they put their regular savings.

Phakamani Foundation

Phakamani Foundation is microfinance NGO that provides small loans to rural women to start and operate microenterprise operations. Phakamani Foundation operates mainly in Mpumalanga, Limpopo and KwaZulu Natal. It uses the solidarity group approach where six women undergo selection and training before they could access a business loan (www.phakamanifoundation.org).

Marang Financial Services

The collapse of the Get-Ahead Foundation and Rural Finance Facility in 2000 saw the establishment of Marang Financial Services. Marang Financial Services took over the infrastructure, clients and the staff from Get-Ahead Foundation and Rural Finance Facility. With over 23 branches, Marang Financial Services operates in Eastern Cape, Gauteng, KwaZulu Natal, Limpopo and Mpumalanga. It also employs the Grameen Bank solidarity group model to grant microenterprise loans of up to R10 000 to borrowers who do not have the required collateral required by formal banks.

Women's Development Businesses Group (WDB)

Women's Development Businesses Group (WDB) was established in 1991 and operates in the Eastern Cape, KwaZulu Natal, Limpopo and Mpumalanga. The core business of WDB is provision of microcredit to rural women in order to improve their livelihoods through economic empowerment.

There are two main categories of borrowers. WDB offers basic financial skills and credit management training for entry-level income microenterprises. Borrowers in the category qualify for loans of between R300 to R4 000. The second category is made up of entrepreneurs who receive more substantive business skills training and who are assigned business mentors. This category receives loans of between R5 000 to R10 000.

Common features of microfinance NGOs

The purpose of this section to discuss the most common features of microfinance and criticism levelled against them by some dissenting voices. The following are common features of microfinance NGOs.

- Microfinance NGOs are largely registered as not-for-profit companies or trusts. They have no shareholder capital which makes it difficult to finance growth through commercial loans.
- They are caught between social welfare and economic development objectives. Many microfinance NGOs target rural women with the aim of helping them to claw their way out of poverty.
- They use donor funds to provide loans and to finance their operations. Although they may provide financial education and some technical development support, their principal product is credit.
- They do not provide savings products; however, they do promote group savings accounts with a reputable bank.
- They use the Grameen Bank solidarity approach to guarantee individual loans.

Shipton (1990) notes:

> "Farmers need not just credit, but more and better opportunities for savings, partly to reduce their dependency on borrowing. A financial policy based on only credit without savings is not only ethically dubious, but also impractical; it is like walking on one leg" (pg.2).

The impact of microfinance NGOs on the poor and vulnerable populations has been under scrutiny for a while. While microfinance services are often seen as a positive move toward improving access to financially excluded populations, Shipton (1990), Hulme (2003), Bond (2006), Ditcher and Happer (2007), Harper (2010), Bateman (2011), Duvendack et. al., (2011) and Mader (2015) have been very critical of the usefulness of microfinance programmes. These researchers make the following arguments against these microfinance programmes:

- The dominant financial regime is predatory in that it traps low-income earners into consumption and debt thereby reinforcing poverty (Bateman, 2010; Duvendack et al., 2011; Mader, 2015). Mader (2015) argues that interest generated from microloans is living proof that the formal financial institutions have commercialised poverty. Poor and vulnerable households participating in savings groups across the globe saved about US$ 86.5 Billion, and were issued about US$ 100 Billion microloans mainly by microfinance NGOs and about US$ 21.6 Billion interest was generated from the poor Mader (2015).
- Stuart Rutherford worked with poor people in the slums of Dhaka for over 20 years. He documented their experiences with regards to their sources of income, their relationship with money and what their expenses were. He also conducted his research in selected settlements in South Africa, Bangladesh and India and collected household financial transactions on a fortnightly basis for nearly a decade. He subsequently published an essay in 2000 entitled 'The Poor and their Money'. Rutherford argues that poor people are risk averse, fear credit but need greater than their usual sums of money from multiple income streams in order to meet life-cycle events (Rutherford, 2000).

- Bond (2006) and Gleason (2013) argue that microfinance institutions tend to extend small loans to the poor at very high interest rates, in an attempt to recover costs of lending and to achieve profitability.
- Poor people qualify for small loans for businesses. Poor people do not take loans that risk their livelihoods hence they tend to take conservative loans that they are able to repay (Karnani, 2006). As a direct consequence, small loans flood the local market, create competition and make it impossible for borrowers to make any substantial profits from their enterprises and in particular, from agriculture (Bond, 2006; Karnani, 2006).

However, there are few NGOs that have provided intermediary financial services. Lima Rural Development Foundation (www.lima.org.za) is non-profit organisation that has piloted a revolving credit facility for smallholder farmers though the Jobs Fund (www.jobsfund.org.za). The Jobs is the South African Treasury initiative that co-finances projects that significantly contribute to job creation. This funding is open to NGOs, businesses and government organisations. Farmers apply for the loan which is needed, through a formal application process. The loan is then assessed by a credit committee. A repayment plan is created and issued to the farmers. The approved loans are then granted, through the purchasing of actual inputs required by that farmer. There is no handing-over of cash. Average loan size is R10 000 and all loans are interest free.

Payments are made according to repayment schedule and usually soon after a farmer has sold his or her produce. Although the revolving credit fund has been successful, some challenges associated with crop failure and market complications. The main weakness regarding the provision of financial services by an NGO that is not a MFI is that it does not have the instruments and capacity to manage its revolving credit facility. It can be argued that the true cost of providing a loan is not known. The cost of providing these loans is likely to be very high. This is because loan application processes through to approval and recovery is hidden the salaries of the field staff.

1.2.2. ROSCAs

ROSCAs are also known as “merry-go-rounds” or “self-help groups (Samer, 2015; Wrenn, 2007). These are arguably the oldest and most common practice for mobilising money. Basically, members of the group agree to make regular cyclical contributions to a group, which is then given as a lump sum to one member of the group in a given meeting. Once all members have had a turn to receive their lump sums, the group closes the cycle and starts afresh with old members or a combination of new and old (Duvendack et al., 2011). This method is simple. Safe keeping of the group fund is not required. All members’ contributions go straight to borrowers. There is no interest involved on loan repayments. Record keeping is minimal.

1.2.3. ASCAs

Generally, in ASCAs members save regularly and usually on monthly basis in the case of South Africa. Members of the group pool their savings in order to build a group fund that is used to provide microloans to members. Borrowing is not compulsory. Loans are issued to members who need the loans. The rest of the members must be confident that borrowers will repay the loans in accordance to the rules of the group. The VSLAs fall into this category and is discussed in details in the next section.

1.2.4. VSLAs

Members of VSLAs pool regular savings that build what is known as group funds. Members of the group establish a share price and interest rate at the start of a savings cycle. A savings cycle is a measure of time (usually weeks or months), which a group takes to execute and complete its business.

A share price is the amount of money that members agree to pay each time they meet. A share price and maximum number of shares that a member can buy in a meeting are decided at the establishment of the group. Generally, the VSLA model allows members to purchase between 1 and 5 shares in a meeting. There are groups that allow members to purchase up to 10 shares in a meeting.

The share price is set low enough to ensure that every member can purchase at least a share in every meeting. For example, if a share price is R100, a member can save between R100 and R500 in a meeting. Group funds are used to give micro-loans to internal borrowers. All interest payments are added to the group fund. Borrowing by non-members of the group is not allowed. At the end of the cycle all the money in the group fund which is made of savings, interest and fines are paid out the members proportional to the deposits (savings) of individual members. Further operating procedures are presented as annexure of this report.

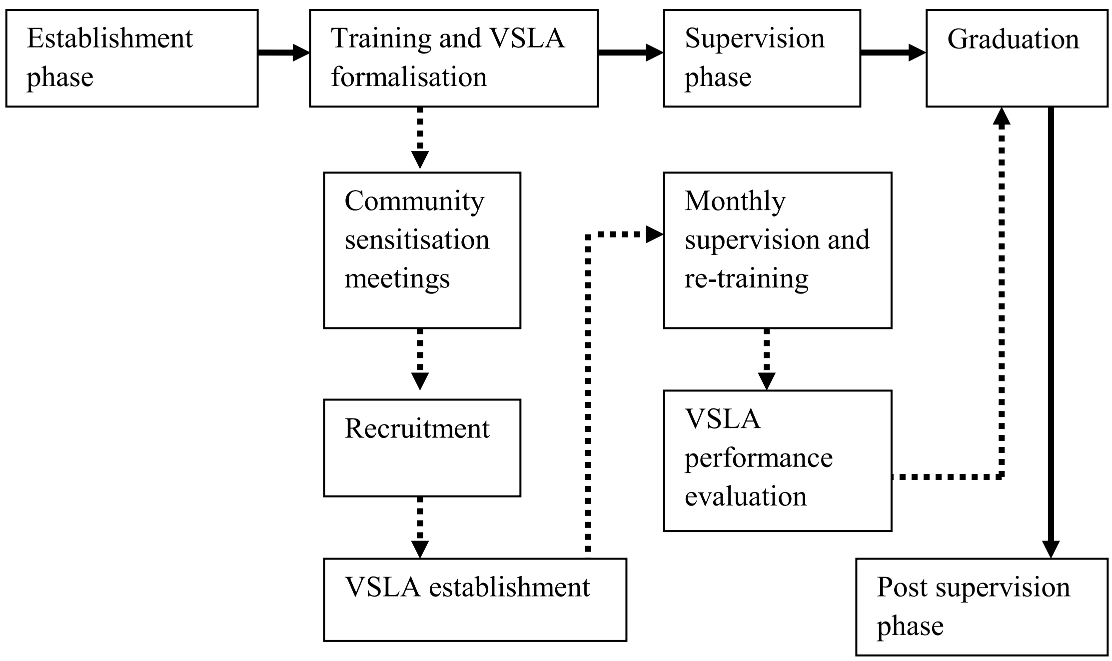


Figure 2 showing the structured approach to VSLA development, adapted from Hugh Allen (2021)

MDF uses the VSLA model. The model is savings-led and is designed to empower poor households to build up assets and to achieve levels of financial stability better than credit-led programmes (Dlamini, 2016 citing Delany & Storchi, 2012). There is an organised and accountable system or structure of conducting group meetings and recording of transactions that is largely trusted by every member (*ibid*). MDF chose the VSLA model because groups save and then lend out the accumulated savings (group fund) to others without seeking externally provided micro-loans. Interest generated stays with the group and is not siphoned out by an external loan provider. In this way, members of the groups are not exposed to the risks and complexities associated with external loans.

VSLAs can be established anytime during the year but set a firm time period after which they will distribute the group fund. Figure 2 shows the 4 main phases in the first year of a VSLA. At the start of the programme, VLSAs are trained by field staff, that is, programme facilitators who are employed by MDF. Programme facilitators usually dedicate between 3 and 4 weeks for recruitment, establishment, and initial training of VSLAs. Programme facilitators are not allowed to manage VSLAs on behalf of its members. This includes writing and keeping records, counting money and safe-keeping money box. These functions are always carried out by the members of the VSLA.

1.3. Making connections

The purpose of this section is to show the connections between smallholder farmer-focused VLSAs and the CbCCA that is implemented by MDF as well as African cultural practices in the context of community development. CbCCA is inclusive of CRA, community-based water management to improve access, food systems, environmental rehabilitation and conservation management, livestock management, community infrastructure enhancement and local economic development. MDF operates in the pro-poor agricultural innovation space. Since its inception in 2003 and focussing on agro-ecological approaches, MDF has worked in the field of integrated agricultural development in selected communities in KwaZulu-Natal, Eastern Cape and Limpopo provinces of South Africa. Its head office is located in Pietermaritzburg in the province of KwaZulu-Natal.

MDF collaborates with other non-profit organisations to design and implement food and nutrition security programmes that are aligned to sustainable livelihoods and an agricultural innovation agenda that is underpinned by strong community partnerships, participatory research and learning.

The vision is to support the harmonious living of people in their natural, social and economic environments in ways that support and strengthen the rural poor to better their lives, to diversify their livelihoods and to face their challenges with resilience. MDF believes that in this way vulnerable rural populations will be able to live harmoniously with their immediate environment while improving their sources of income and consequently their quality of life. This vision aligns perfectly with MDF's mission that seeks to keep MDF at the cutting edge of development methodology and processes by integrating social learning, participatory action research, on-the ground training and supervision of implementation solutions with participating communities.

Broadly, MDF's development programmes integrate sustainable natural resource management, intensive homestead food production that is informed by Climate Resilient Agriculture (CRA), low external input farming systems, rain water harvesting, and integration of VSLAs and entrepreneurship education in food production. The significance of VSLAs is two-fold. Firstly, they provide for consumption smoothing and secondly, they provide access to finances for agricultural production and small businesses. Community-based farmer centres allow for the timely availability of agricultural inputs in smaller quantities at affordable prices at a village or across neighbouring villages.

MDF has adapted VSLAs to help achieve the objectives of CbCCA. CRA aims to improve yields while rehabilitating and conserving the environment, i.e. soil and water resources. VSLAs improve access to flexible financial services in a village through short-term loans and group fund share-out lump sums which farmers use for: consumption smoothing, production of nutritious food, investment in farming; establishment of micro-enterprises and other income generating activities.

This methodology presents incentives and tangible rewards which encourage participation of the farmers in the CRA programme. In other words, it presents a structured process to help the members of the VSLA to achieve tangible rewards which includes achieving group goals of providing a financial services vehicle to take deposits and to provide short-term loans to members for production purposes.

In the context of African traditional practices, culture would refer to the totality of the pattern of behaviour and the primacy of philosophical beliefs, taboos, social norms and practices of a distinct group of people (Aziza, 2001). A value has something to do with a very strong conviction or worldview that permeates every aspect of human life (Idang, 2015). Igboin (2011) maintains that certain cultural values consistently define the African personality despite damage caused by colonialism. In the context of development, Idang (2015) argues that cultural and economic values of traditional African societies promoted cooperation, for example, friends, relatives, neighbours would help one another in performing laborious production chores like farming and house construction. The practice of savings groups is a microcosm of the African way of life because it provides support to members of the groups (Oduyoye 1997) and strengthens communal living which disallows the vulnerable to perpetually struggle in poverty (Moyo 1999). The significance of Zulu cultural and economic values for this study is the tradition of ukwenana, ukusisa and ilimo.

- Ukwenana is a form of exchange of property where the recipient would reciprocate
- Ukusisa is another form of exchange of property. In many instances, the property would be livestock and in particular heifers. The giver presents the gift knowing that the recipient would keep the offspring as his property when returning the cow. In other words, the recipient takes the gift knowing that he will eventually return the exact cows to the giver.
- With regards to ilimo, the initiator is the recipient. She or he will prepare food and drink and invite people to help with planting preparations and/or harvesting. On top of food and drinks, the helpers would receive a small portion of what was harvested and the saying in isiZulu goes: "umvunisi ubuya nenjobo". The recipient would reciprocate the same to others.

In all instances, the givers and recipients are equals during and post the transaction. All three practices are mechanism of building reciprocating social economy on the foundations of reciprocity and social justice.

1.3.1. International best practice

From Niger in 1991, CARE-Int has promoted the VSLA model in 54 countries across the globe with 13.7 million (www.care.org). Many international NGOs such as CARE, World Vision, Oxfam and Catholic Relief Services (CRS) mainstream VSLAs to support their development programmes in areas of education, reproductive health, water, sanitation, food security and nutrition, smallholder farmer development, woman economic empowerment, gender-based violence and enterprise development.

A VSLA is described as a community-based informal financial institution, whose founders (members) are self-selected and agree to save regular amounts of money to build a Group Fund. VSLAs are self-managed groups of people who meet regularly to save their money in a safe space, access small loans, and obtain emergency insurance known as a Social Fund. VSLAs allow members to save flexibly, access small loans for investment and build a Social Fund in order to strengthen their resilience to external shocks such as illness, crop failure, droughts, disasters and so forth. VSLAs have been used to address a number of challenges communities face. They have been used to;

- help household deal with irregular household incomes
- improve cash circulation in villages
- improve access to financial services
- promote income generation projects
- build resilient to economic shocks and emergencies

Groups meet on regular basis which can be weekly, bi-weekly or monthly for the duration of a savings cycle. Basically, an association builds a Group Fund, provides interest-bearing short-term micro-loans and distributes Group Funds proportionally to individual members' savings at the end a saving cycle. At the end of the cycle all the money in the Group Fund (savings, interest and fines) are paid out the members proportional to their savings. A Group Fund is also known as a Loan Fund.

Well-functioning and successful associations must demonstrate shared goals, democratic governance principles, full and inclusive participation, transparency, and accurate record keeping. This means that each association must develop its constitution which makes clear pronouncements in terms of governance and operations. VSLAs are often supported by external development agencies especially in their first year of operation. Development agencies employ Field Officers who mobilize communities, recruit members, train and supervise associations from establishment through to maturity.

1.3.2. South African practice

In South Africa the informal savings and credit groups are popularly known as stokvels which is inclusive of supervised and unsupervised groups. According to FinMark Trust (FMT), there are limited organisations that have adopted VSLA model (www.finmark.org.za). FMT is an independent Southern African financial services research and policy advocacy group that is focused on financial inclusion. Founded in 2005, SaveAct Trust is one of the key promoters of VSLA model. Besides MDF, other organisations that implement VSLAs include Farmer Support Group (FSG) at the University of KwaZulu-Natal (UKZN), Africa Co-operative Action Trust (ACAT), and Zimele Developing Community Self-Reliance (Zimele).

Pictures showing members of savings groups conducting their meetings

The common goal of all these organisations is supporting communities to improve their sources of income and ultimately their livelihoods by mainstreaming VSLAs in their development programmes. Through partnering with other NGOs, SaveAct has reached just over 105 000 members in VSLAs across 6 provinces in South Africa (www.saveact.org.za).

The South African version of VSLA involves the promotion of savings clubs, along similar lines to those of stokvels. Members save and deposit on monthly basis, and then on-lend to members of their groups according to agreed terms for a defined purpose. Interest on the loans is charged, and so members are able to grow their savings. Members the groups are provided with VSLA training when they start and followed by life skills, enterprise development and technical skills such as cropping and broiler production.

The reasons for opting for the VSLA by South African NGOs are as follows:

- VSLA model builds on stokvel experience, indigenous knowledge and culture and is widely accepted by communities.
- VSLA is savings-led. No money is lent by the development agency to the participating groups. There is little financial risk involved.
- Capital growth is structured so that funds circulate amongst the members and within the communities, rather than being absorbed by microfinance NGOs and credit providers.
- Lastly, the VSLA model readily accommodates and catalyses a wide range of livelihoods strategies. VSLAs transform into platforms of community action. They become 'the glue' that moulds and holds these groups together, and provides the platform for addressing a range of issues., including: food and nutrition security, access to communal resources such as water, natural resources and pastures, income generation, asset accumulation, purchasing agricultural inputs, etc.

2. Study Aims and Objectives

This study aimed to examine microfinance options which are available for smallholder farmers participating in the Community-based Climate Change Adaptation (CbCCA) and to draw lessons for broader applications. The practices of VSLAs and other similar community-based informal financial institutions were examined for the purposes of suggesting best practise options in microfinance for smallholder farmers in South Africa. The study had the following objectives and key research questions.

Objectives

- To understand learnings and practices of rural communities resulting from participating in VSLAs.
- To examine the impact of VSLAs on participants' financial behaviours and livelihoods compared to stokvels or other microfinance services available in rural communities.
- To explore microfinance options VSLAs provide to smallholder farmers.

Key research questions

- How internal and external perceptions influence the operation of VSLAs?
- To what extent do practices in VSLAs contribute to better livelihoods?
- Which collaborative learning competencies describe VSLAs as agents of learning, practice and change?
- What is the significance of VSLAs, and what microfinance options do VSLAs provide to smallholder farmers?

2.1. Research methodology

This study was located within the interpretivist paradigm. It sought a deeper understanding of the significance of community-based informal financial services as one of the microfinance options available to smallholder farmers and related village-based microenterprises. The purpose of this interpretive research was to develop a deep understanding and insights members of community-based informal financial institutions have to make sense of the context in which they live and work (Bertram and Christiansen, 2010); and to discover the problems and opportunities that exist within these groups.

The study employed Human-Centred Design (HCD). As an adaptive planning tool, HCD was used in the study to examine different group-based financial services, identify challenges and dissect microfinance options that are available to smallholder farmers. The significance of HCD is its ability to transform participants into active designers of solutions for problems they face.

Essentially, HCD provides an alternative lens to understand the relationship between people and their development. The founder of HCD, Don Norman (2022), presents the hierarchy of at least four principles that should guide adaptive planning and community-based planning tools like HCD.

People — **Principle 1:** Total focus on people who are looking for solutions to their problems

↓

Problem — **Principle 2:** Always finding the right problem and not the symptoms of the problem

↓

System — **Principle 3:** Think of everything as a system because everything is connected

↓

Iterating — **Principle 4:** Iterating and continuous improvement of solutions designed and used by people

Figure 3 showing four principles of HCD adapted from Norman (2022)

Based on the above four principles of HCD, it is clear that microfinance institutions are working within complex socio-economic systems with problems that go beyond the scarcity of cash in rural villages. For instance, communities are isolated from areas of employment and development. Households resort to unhealthy behaviours like alcohol and substance abuse, gender-based violence and eating inappropriate food hence many households are unable to afford nutritious food.

There are at least five stages that are involved in the application of HCD as shown by figure 3 below.

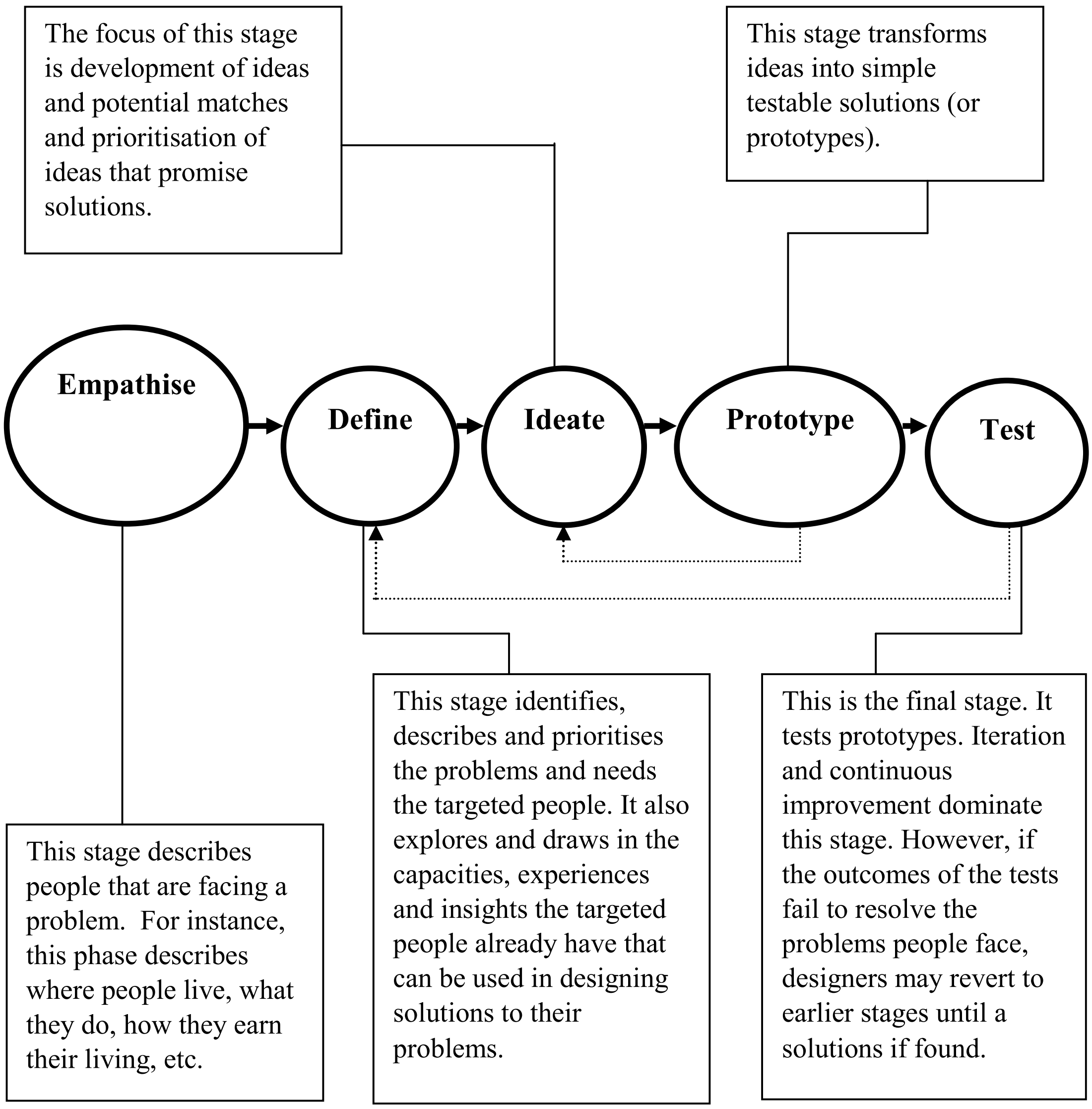


Figure 4 showing five stages of the application of HCD, adapted from Norman (2022)

2.2. Sampling

Purposive sampling was applied in this study. The decision to employ purposive sampling was influenced by the aim of the study, the anticipated role of the respondents and having prior insights (Leedy and Ormrod, 2010) about the VSLA programme. The sample was made up of people who participate in development programmes that are implemented by MDF, and in particular, farmer learning groups and VSLAs. Stokvel participants were interviewed as a control as they were not members of the VSLAs. Participants in the study live in rural KwaZulu-Natal (Bergville, Appelsbosch and Ixopo) and Limpopo (Worcester, Turkey and Santeng).

2.3. Data generation methods

Six months of intensive engagement with participants ensured quality and rigour of the study through collaborative research (Maree, 2012). Data was generated through four main steps.

The first step involved collecting from secondary data sources which included financial records of VSLAs and MDF's reports. The second step involved observations of groups during their meetings. An observations schedule was used to understand meeting procedures, recording of transactions and other processes involved in a VSLA meeting. The third step involved in-depth interviews and the final step involved seven focus group discussions with participants from VSLAs and traditional stokvels. The size of focus groups ranged between 8 and 15 participants. A focus group discussion schedule was used to guide the engagements.

2.4. Data analysis

Finally, thematic content analysis was used. Data analysis in an interpretivist study begins as soon as data collection starts. Thematic analysis is a procedure for identifying, analysing, and reporting patterns within data (Braun & Clarke, 2013). According to Maguire and Delahunt (2017), the significance of thematic content analysis is that it helps the researcher to interpret and make sense of data generated as well as analysing findings across a number of cases, drawing categories and common thematic elements (Riessman, 2008). Similarly, Braun and Clark (2006), thematic analysis is a useful research tool that provides flexibility in identifying, analysing, and reporting patterns. Thematic analysis is used in this study for two main reasons associated with overcoming the challenge of cluttering the reader with disconnected data. Firstly, thematic analysis allows the researcher to present perspectives for the participants and especially in capturing unanticipated insights from the participants. Secondly, thematic analysis helps the researcher to adopt a structured approach in synthesising data and consequently producing a clear and organised report that is friendly to read. All interviews were conducted in IsiZulu and translated back to English. The following three major stages of analysing data were used:

- Coding and searching for themes: In this phase, significant patterns in the data were identified. Related codes were groups in relation to their significance in the study and how they responded to the research questions.
- Reviewing themes: The interest of this phase was to identify overlapping themes in relation to empirical data and HCD theoretical framework.
- Defining themes: This stage involved further refinement of themes and generating sub-themes. The main focus of this stage was to see how the themes relate to each other resulting in a thematic map that provided the narratives of community-based informal financial services as told by the participants.

2.5. Results and analysis

Study Area

Participants for the study were drawn from rural KwaZulu Natal (Bergville, Appelsbosch and Ixopo) and Limpopo (Worcester, Turkey and Santeng). These rural villages are challenged by land degradation that is slowly eating away arable land and frustrating the interaction of facets of smallholder farming systems and livelihoods. Like most rural communities in South Africa in general, women and the youth are the bearers of social and economic marginalisation. The study areas are characterised by high levels of poverty, inequality and unemployment making it most relevant for the research. High levels of poverty, inequality and unemployment are persistent despite the provision of electricity, access roads, schools and a regional hospital by government agencies.

The vulnerability among rural households is exacerbated by inability of decision-makers to identify and accommodate the specific needs of those who are most vulnerable and certainly not represented by the loudest voices in their communities. VSLA members participate in food security and small scale farming, producing largely maize and other field crops, vegetables and fruit as well as rearing livestock (mainly chickens, goats, pigs and cattle).

The study area bears the following significance. First, people from these villages must make provisions for travel and associated opportunity costs to commute to nearest urban centres in order to access goods and public services. Secondly, female-headed households and smallholder farmers struggle to produce enough food to meet their needs and consequently miss the opportunity of supplying the local markets. In other words, they grow food to eat first and sell small quantities of surplus irregularly. Although they have some access to land, however, high levels of competition suppress profitability because farmers tend to produce similar crops to other villages.

Profile of participants

Participants of the study were drawn from smallholder farmers participating in MDF programme. Smallholder farmers are members of village level CRA learning groups and work with a basket of CRA practices to improve production and productivity across the whole farming system - vegetables, fruit, field crops and livestock. Further committees and structures emanate for the learning groups such as the VSLAs, local marketing groups, livestock associations, farmer centres, water committees etc. These learning groups link with traditional councils, local municipalities and other external role players.

Gender, marital status and age

44 (88%) respondents were drawn from MDF supported VSLAs, 3 (6%) participated in stokvels that are not supported by MDF and 3 (6%) did not participate in any VSLAs or stokvels.

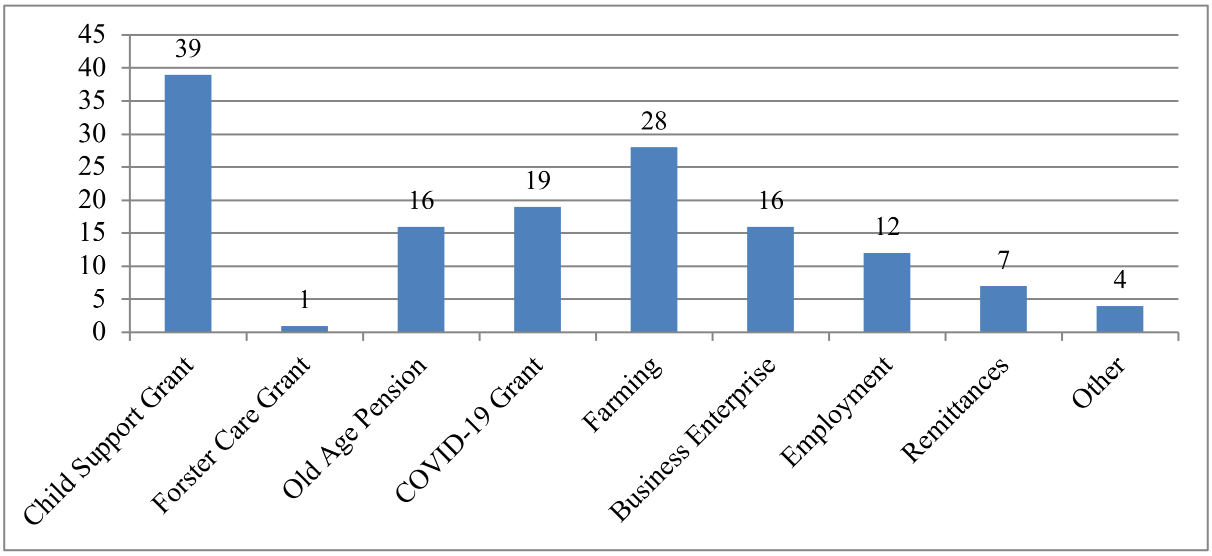
Gender		**Marital Status**		**Age**		
Women	Men	Single	Married	18 – 35	26 – 55	55+
44	6	23	27	11	20	19

Table 1 showing gender and age of participants

The above table shows that 88% of the participants were women. 11 were women aged 35 years and younger. All men were older than 55 years. These participants lived with 172 adults and 181 children. However, only 165 children received child support grants from the government. Only 12 participants have senior certificates (grade 12).

Sources of income

Participants receive an average of R4 787 from state and non-state sources on monthly basis as shown below.



Graph 1 showing sources of income of the respondents

About 78% of the participants had households with children that receive government's child support of R480 per child per month followed by 38% recipients of old age pension grant. About 19.4% of income (R46 450) comes from 28 farming enterprises and 16 mixed enterprises such as buying and selling clothing, house wares and making dresses.

The biggest monthly expense is food at 46.4% of their disposable income. Other major monthly expenses are transport (10.6%), education for children (9.7%), electricity (8.7%), medical (2.4%) and miscellaneous (3.6%). The remainder of 18.6% is spent on financial services as shown in table 3 below.

Participation in financial services

Members of community-based informal financial institutions spend an average of R946 which is about 18.6% of their monthly income on financial services as shown in the table below.

Type of Financial Service	%
MDF supported VSLAs	52.5
Other groups, e.g. stokvels	25.6
Funeral parlour policies and burial Societies	13.2

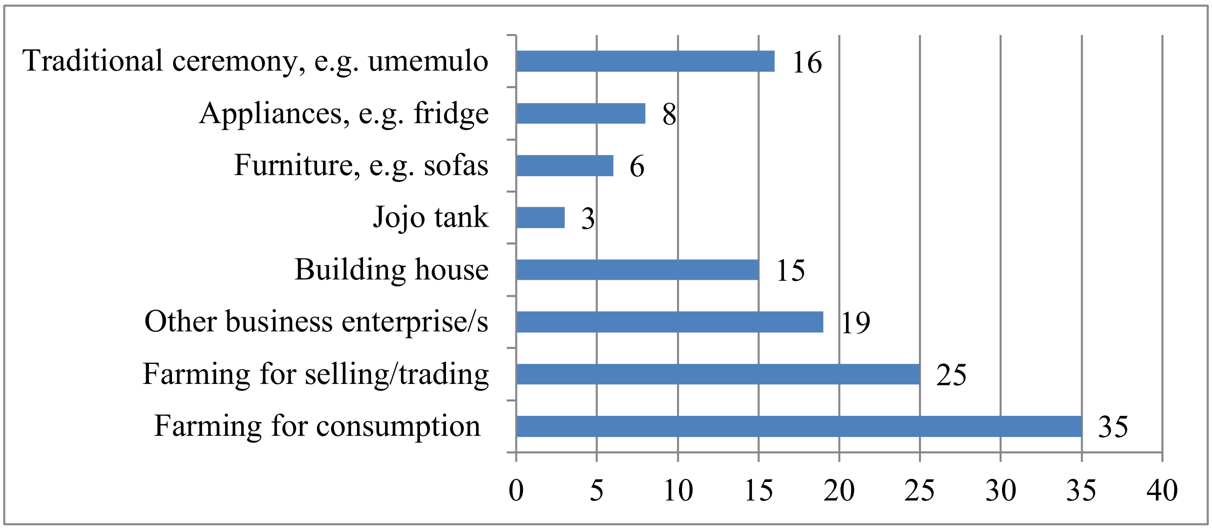
Type of Financial Service	%
Life insurance with a formal insurer	2.9
Savings accounts with banks	5.8

Table 2 showing financial services that are used by participants use

This means that an individual member of a VSLA has a capacity of spending about R11 352 per annum where about R1 800 is spent on insurance products and the rest is invested in VSLAs', stokvels and savings accounts with banks.

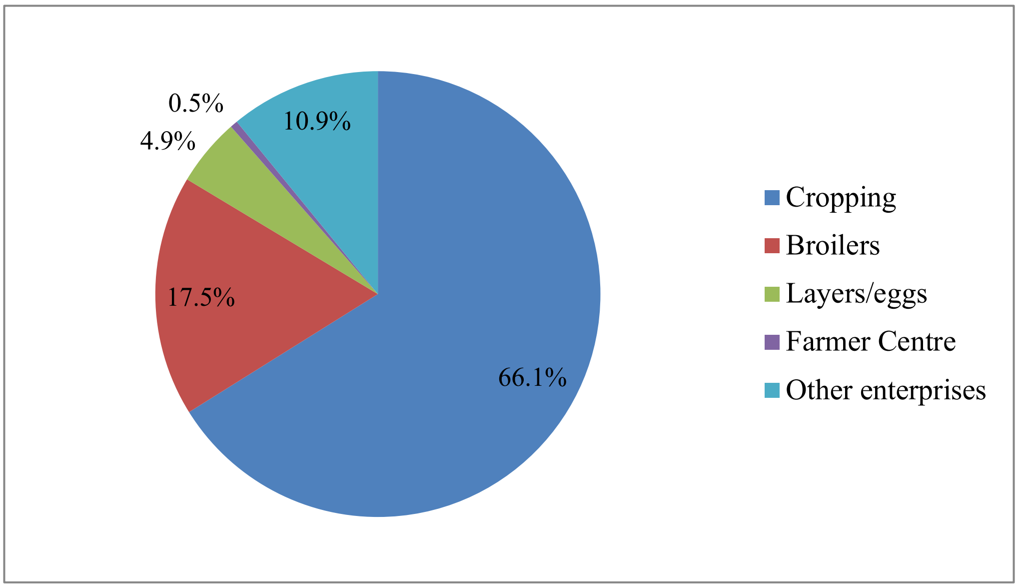
Annual expenses

Participants shared stories that their income sources are highly constrained. This is demonstrated by their dependency on state welfare grants and income generating activities. This is one motivation for participating in community-based informal financial institutions. Respondents specifically use VSLAs to finance mainly their farming enterprises, traditional ceremonies, house construction and/or renovations, furniture and appliances. Short-term loans and savings that would have earned interest at the end of a savings groups are generally used for the following annual expenses.



Graph 2 showing total spend of share-out lump sums on different annual activities

Graph 1 shows that participants use more money for non-productive purposes. The biggest expenses relate to traditional ceremonies (35.1%), followed by house construction and/or renovations (21.2%) and last by food production for consumption (15.9%). It was noted even during FGDs that participants prioritize food security over enterprise development. However, 20.3% was used for enterprise development activities split between farming (12.9%) and non-farming enterprises (7.4%). Over the last 5 years participants have used loans and share-out lump sums for enterprise development activities as listed below.



Graph 3 showing the use of loans for enterprise development

The tables and graphs above showed the socio-economic information of the participants in the study. These are gender and age distribution, marital status, income sources and monthly and annual expenses. These graphs demonstrate that the significance not only lies on their sources of income, but also on the use of loans and lump sums of money they receive at the end of saving cycles. The top three uses of money are traditional ceremonies, house building and/or renovations and farming. It was found that farming was dominated by cropping which was split between consumption and farming enterprise.

2.6. Financial Services in the Villages

The study confirmed that all the villagers have access to the following group-based financial services.

	Description	**Challenges and Risks**
Traditional burial societies	The main purpose is to provide social relief and support during the bereavement of a member. Membership, rules of participation, premiums, policies for pay-outs, etc. are governed by the constitution. Some group pay cash, some provide a service and some do both. Premiums can be paid weekly of monthly as determined by a constitution.	Simultaneous claims can reduce individual payments or worse, deplete the group fund. Members who do not experience death tragedies in their families tend to withdraw after few years. Lesser death claims grow the group fund and can lead to fraudulent behaviours by the leadership of the group.

	Description	Challenges and Risks
Traditional stokvels	Traditional stokvels take many shapes. However, the most common feature is that these groups have a clear target goal, for example, bulk buying of groceries at the end of the year, house construction, buying furniture and appliances, etc. A fixed contribution is decided at the start of the savings cycle and monthly contributions are usually deposited at the bank. These groups are built on the concept of delayed gratification. The most obvious benefit of these groups is that they help their members to buy household assets and to afford expensive goods.	Many of these groups are constrained by the fixed mentality that their cycles must run alongside the calendar – in that their goals must be achieved at least by end of the year. While it is good to keep the money in the bank, inflation, low interest rates and bank charges tend to depreciate the group funds. Silent voices, that is, the most poor are usually disadvantaged by louder voices in these groups.
Investment clubs	The purpose of investment clubs is to run a lending business in the village. Members pool their contributions on monthly basis. The total fund is forcefully given to few members of the group as loans for them to extend these loans to non-members of the group. These groups charge anything between 30% and 40% interest per month. Interest earned accrues to individual members who are successful in settling their loans.	These groups have complex record keeping systems to capture interest due to borrowers (who are members of the group). Interest does not accrue to the group. This means that members who do not take out loans do not receive interest. Obviously, these groups risk their funds by lending to external borrowers. Lastly, these groups are infamous for high levels of fraud by their leaders.
Merry go rounds	Members of these groups take turns to receive total contributions made by all members in a month. The group dissolves when all members have received their lump sums. Record keeping is very simple as there are no loans issued and interest calculation.	The biggest risk is carried by members at the tail-end of the cycle because they remain unsure if they will be paid as the first few members were. Similarly, those who receive pay-outs at the start of the cycle are likely to miss making contributions due.
Saving up and saving down	Members agree to start with small amounts which grow by an agreed percentage rate. This is referred to as "saving up". The most common saving up model starts with R50 in the first month, R100 in the second month, R150 in the third month and growing to R600 by the 12th month. Saving down is the direct opposite, for example, members will start saving R600 in the first month down to R50 by the 12th month. All contributions are deposited in the bank.	This approach attracts similar weaknesses and challenges faced by traditional stokvels. However, members tend to face additional stresses stemming from changing contributions – and especially, the "saving up" method.

	Description	Challenges and Risks
VSLAs	This model is described in detail in sub-section 3.5 above. VSLAs draw good and progressing practices from traditional groups as well as from formal financial institutions when it comes to developing loan terms. This helps to curb the appetite for charging exorbitant interests and extending loans to non-members.	Most groups cap loan amounts as a risk management strategy to mitigate delinquency. The largest majority of VSLAs cap loans to R5 000. There are two limitations stemming from this. Farmers need more than R5 000 and more than three to four months to settle the loan.
Bulk Loan Fund	Bulk Loan Fund (BLF) is established by members of existing VSLAs for the purpose of bulking of loan fund. VSLAs must operate in the same community. Members agree on a once-off annual lump sum contribution at the establishment meeting. The minimum duration of the cycle is 5 years. There are no monthly contributions. Loans specifically ring-fenced for productive activities. A flat interest rate of 15% is charged on loans which are payable over 6 months. Interest is shared-out at the end of the third year.	Members of this group struggle to invest larger once-off lumps that they require to meet financial expectations of the farmers in the first year. However, this is circumvented by additional contributions made at the start of each year.

Table 3 summarising financial services in the villages

The study found that borrowers can access loans up to R5 000 at 10% per month and repayable in 3 to 4 months. There were few instances where loans exceeding R5 000 were issued mainly to members who operate business enterprises. Loan delinquency was raised as a common stress for investment clubs and VSLAs.

Participants in the study shared additional financial services that are available to the villagers. Besides formal banks and regulated insurance providers, participants listed the following financial services.

	Description	Challenges and Risks
Unregulated money lenders	These providers mainly operate in villages but may be found in urban centres. They are accessible. It is very easy to get credit.	Village-based and unregulated money lenders charge exorbitant interest and are infamous for using atrocious debt collecting tactics. These providers are also infamous for creating dependency by burdening borrowers with loans that are not easy to settle.

	Description	Challenges and Risks
Regulated money lenders	These providers are mainly found in urban centres and operate from fixed addresses.	Borrowers are required to qualify for unsecured loan by meeting the minimum requirements set by the National Credit Regulator (NCR). Borrowers must submit proof of income such as salary advice, 3 months bank statement and financials of a business if the applicant is self-employed.
Funeral parlors	A funeral parlour provides funeral services based on the service package chosen by the premium payer. Packages usually include coffin, tent, mortuary services and transportation of the deceased.	Not all funeral parlours provide genuine service according to the regulations governing them. Many people sign up for services without checking the credibility and reputation of funeral parlours of their choice. Older insured tend to pay expensive premiums.
Cash withdrawal and deposit facilities	These facilities are mainly provided by shops. They are essentially agents of the banks. In most cases, these services are limited to cash withdrawals in villages. Urban retailers tend to offer both deposit making and cash withdrawal services. The agent agreement between retailers and banks allows retailers to charge customers transaction fees for services rendered. The greatest benefit offered by these facilities is that they bring financial services closer to the people and in particular recipients of state welfare grants.	Few complaints have been raised by users of these facilities especially for retailers that operate in villages. Firstly, users are forced by retailers to buy something before they can withdraw some cash. Secondly, some retailers are known for charging higher transactional fees. Lastly, load shedding compromises internet connectivity which makes it impossible for customers to benefit from these facilities especially in rural towns.
Microfinance NGOs	In the case of South African, these are not-for-profit microfinance companies. These companies are run by independent boards but are exempted from few regulations of Treasury (central bank). Their mandate is to offer micro-loans to borrowers who would not qualify to secure credit products from formal banks. However, microfinance NGOs use solidarity groups as collateral security for individual loans.	In communities where microfinance NGOs operate, the two main challenges have been recorded: (i) establishment of a solidarity group, and (ii) "forced" savings account with a reputable bank before individual members of the group can qualify for a loan. Loan sizes are no different from loans offered by VSLAs and traditional groups.

Table 4 summarising financial services available outside the villages

2.7. Discussion

There were 7 focus group discussions were attended by 83 members from VLSAs. 84.3% were women and 15.7% were men across two provinces, namely, KwaZulu-Natal and Limpopo.

The purpose of this section is two-fold. Firstly, this section aims to summarise different group-based financial services found in the study communities. Three themes are discussed. These are common social intelligence competency, cultural competency and collaborative learning competency. Secondly, this section wants to dissect microfinance options available to smallholder farmers.

Three themes that respond to all research questions have been drawn from the field research data as shown in table 5 below. These themes flow from categories of learning and practice as reflected by perceptions and experiences of the participants regarding their groups. Quotes from the participants were categorized into 23 categories and ultimately into 7 themes via an inductive approach. I iterated several times during the coding process looking for similarities and differences before coming up with the final categories and themes using relevant concepts from the literature. The final coding resulted in 10 categories and 3 themes as presented in table 5 below.

Focus	Category	Theme
• Evaluation past and present challenges • Prediction of the future • Defining success indicators	• Conundrum of financial inclusion • Design for use • Perspectives in financial education	**Social intelligence competency**
• Critical understanding of complexity of development • Emancipatory knowledge • Exploration of new possibilities • Building relationships and partnerships	• Liberatory perceptions about community-based financial institutions • Reciprocity and social currency • Partnerships • Drivers for participating in community-based financial institutions	**Cultural competency**
• Transformative interventions • Problem-solving frameworks • Respond to change • Socio-economic values • Controlled money channel • Personal and business loans	• Social learning spaces • Selective non-formal learning • Scaffolding and knowledge transferability	**Collaborative learning competency**

Table 5 showing focus, categories and themes deducted from data

Besides theorising how community-based financial institutions as agents of financial education and practice, the significance of these themes is that they:

- Identify users' perspectives in financial education that empower community-based financial institutions to build cash reserves and how it empowers participants to moderate their cash;
- Demonstrate how financial education happening in these community-based financial institutions are perceived by participants and by formations outside them, and how external perceptions influence how savings groups operate their business; and

- Demonstrate the role of social and cultural practices with regards to the operation of community-based financial institutions.

2.7.1. Introduction of themes

Social intelligence competency: This is the first theme of the study. This theme responds to the first key research questions: how users perceive their groups; and how village perceptions influence financial education in community-based financial institutions?
In this study, social intelligence competency refers to the ability of participants to work with one another as a unit in managing personal relations in order to achieve shared goals and associated rewards. This means that participants collectively share the responsibility of operating a well-functioning group. They analyse and evaluate past and present challenges, build rich pictures and define leading indicators of success of their savings group. They are able to predict a better future for the collective.

The purpose of this theme is to identify and dissect specific social intelligence competencies that present users' lens to make meaning of the practice found in community-based financial institutions. This section argues that the practice found in community-based financial institutions is responsible for empowerment, which is, helping groups to build cash reserves and helping participants to moderate their cash.

Cultural competency: This is the second theme of the study. This theme respond to the second key research question: to what extent do practices in community-based financial institutions contribute to better livelihoods? The purpose of this theme is therefore to demonstrate how practices in community-based financial institutions influence perceptions within the groups and how external perceptions influence their operation. This theme does this by exploring how participants build portfolios of reciprocating social investments in their communities. In this study, emancipatory competency encompasses the ability of groups to facilitate collaborative culture and appreciation of different perspectives in taking a common path. This competency is associated with the dynamics of collaboration and in particular governance, justice, fairness, adherence to rules and resolving conflicts amicably. Further to this, this competency extends to include strengthening social networks, building relationships and partnerships with external development agencies and harmonisation of stakeholder interests.

Collaborative learning competency: This is the final theme of this study. It responds to the last key research questions: which collaborative learning competencies describe community-based financial institutions as agents of learning, practice and change; and what is the significance of VSLAs, and what microfinance options do VSLAs provide to smallholder farmers? In this study, collaborative learning competency refers to the ability of participants to support learning from each other within their groups. Collaborative learning is informed by constructivist theory which asserts active construction of knowledge by learners – and in this instance, participants stimulate active involvement and provide multiple opportunities of engagement. Given the hostilities imposed by financial and economic exclusion, the dependence of community-based financial institutions on social networks play a particularly important role in reconciling conflicting views and experiences that come along with members of the groups. Participants develop problem-solving frameworks that deal with uncertainty and risk. In this context, collaborative competencies are related to identification and pursuance of products and services that meet the needs of participants in groups. This competency reflects the need to think about scalability of solutions beyond participants in groups but to their networks as well. The significance of this competency is that it promotes knowledge generation and specifically, governance and operation of the groups.

2.7.2. Discussion of theme 1: social intelligence competency

The purpose of this section is to discuss social intelligence competency that is considered as the main pillar of success of savings groups. Using users' compass, social intelligence competency dissects collective actions that empower the groups to build cash reserves and ultimately participants to moderate their cash. This section does this by identifying and dissecting perceptions participants hold about financial inclusion; how village perceptions influence financial education in the groups; and key drivers of legitimacy for participating in savings groups.

In most basic terms this section is interested in relationship management and the ability of participants in promoting and sustaining positive influence that positively impact others. Participants interpret their local environment and build savings groups as their financial institutions in anticipation of financial services that participants would access in order to resolve their financial challenges. Lastly, this competency is interested on the ability of participants to work towards shared goal and sharing both responsibilities and rewards in their groups.

Perceptions about financial inclusion

Picture showing a savings group share-out meeting

The purpose of this section is to describe and apply the concept of financial inclusion as perceived by the participants and to identify the conundrum of financial inclusion. Thrown together by adversity, participants believe that groups help them survive crises resulting from strategic exclusion from the mainstream financial services. Participants perceive their groups as responsive financial instruments that help participants to withstand difficulties associated with scarcity of cash in their villages.

Participants identified community-based financial institutions, government's social grant programme and burial societies as key platforms of financial inclusion.

> *"I am only happy when I receive money when I need it. Who can do that for us other than our groups?"*

> *"We operate burial societies. We also have bank cards to receive our government grants and to buy groceries from town."*

The above quotes confirm the state welfare grant card as the most used financial service. Participants also confirmed stokvels, savings groups, burial societies, small funeral undertakers and co-operative buying of groceries usually towards the end of each year as priority financial services. Basically, participants need to have access to productive banking services and protective financial products in order to reduce their vulnerability.

Arguments presented by participants highlight growing challenges regarding the financial inclusion agenda as defined by the regulated financial sector. This is because if participants are to draw meaningful benefits from financial inclusion as defined by the regulated sector, formal financial institutions would need to design products that satisfy the needs of the participants. Participants believe that financial institutions are very aware of their needs, but over the years they have only chosen to develop products that push them to the periphery. It is for this reason that participants see financial institutions and specifically banks as exploiters of the inability of the poor to access formal financial services (Mader & Sherratt; 2020). The perception of regulated financial institutions was found to be very negative in the minds of the participants.

> *"I don't understand this thing of these businesses helping us. How exactly? Banks do not give use credit. Ask them, many people have paid for years but got their furniture re-pocessed instead."*

> *"This thing of these businesses helping us with financial services is planned dishonesty and betrayal."*

In very raw terms, participants perceive formal financial institutions as only interested in making money and not helping them. There is an outcry that people have lost their money from dealing with formal financial institutions.

> *"I bet you, banks eat our money. If you deposit R1000 into the bank, a month later you cannot get the entire thousand rand. We don't make the rules, but we take the rules banks make about our deposits."*

> *"We transact with shops in town. We buy building materials, groceries and many things. Many groups save to buy groceries at the end of the year. But who makes money at the end of the day?"*

The above perceptions corroborate with Sykes et al. (2016) and Mader (2016). According to Sykes et al. (2016), financial inclusion simply coerce the underserved populations to use financial instruments provided by regulated financial institutions at unaffordable premiums for the poor. In the process, the poor lose their money. Mader (2016) argues that through government policies banks make huge profits from the poor. According to Mader and Sherratt (2020), formal financial institutions manipulate public policy to shape future markets that favours scrupulous capital accumulation agenda and structural causes of inequality. As direct response to exploitation, community-based financial institutions employ alternative platforms outside the mainstream financial services regime to provide for their families.

Financial inclusion means financial services and specifically cash when participants need them. Broadly, participants perceive the goal of community-based financial institutions as building cash buffers that help participants to moderate their cash. Participants prefer not to approach financial services from formal institutions but to rely on their groups to provide financial services.
Schwittay (2011) sees financial inclusion as a distraction tool that the powerful uses to avoid executing radical structural changes (Schwittay, 2011). Instead, financial inclusion tends to facilitate a "feel good effect" for the excluded populations so that they can feel included (Taylor, 2012) and at the same time made to believe that they are responsible for their exclusions by the system. Based on this it is concluded that financial inclusion imperatives do not concern the participants because;

- A savings group is only established to meet the immediate needs of the participation and mainly resolving scarcity of cash in villages. Community-based financial institutions are established to meet a number objectives including helping participants to meeting the consumption needs, to buy household expensive items, to construct and renovate houses, to finance micro-business enterprises and so forth.
- Essentially the groups help participants with cash-flow management. Participants confirmed that financial planning that hinges around delayed gratification has been key to their success in term of meeting their financial objectives.
- According to the participants, reciprocity is one of the key bonds in the groups. Reciprocity is discussed in detail later in this chapter.

Generally, financial inclusion is described as availability and access to financial services such as deposits, credit, payments, and money transfers, leasing or insurance to both individuals and enterprises (Sykes et al., 2016). However, this description of financial inclusion presents a particular dilemma for the excluded populations and in particular community-based financial institutions. Financial inclusion conundrum is that financial education programmes and curricula are predominantly written from the perspectives that embrace economics, capital markets and business administration (Ayhan, 2017), and do not reflect anthropological, sociological and political disciplines. In other words, poor consumers are essentially excluded by the very same the mainstream financial institutions that promote financial inclusion. Instead, regulated financial institutions are blamed for focusing on profit making rather than building mutually benefiting platforms with the poor. According to Mader and Sherratt (2020) financial inclusion is problematic because it has proved to create investment opportunities for formal financial service providers to accumulate capital by exploiting the poor.

Village perceptions that influence the practice in community-based financial institutions

A community-based financial institution is one of the instruments that financially vulnerable populations employ to improve access to much needed cash in their villages. The purpose of this section is to discuss users' perspectives that influence learning and practice in the groups. These village perceptions appear to drive groups to build cash reserves and participants to moderate their cash in ways that support consumption smoothing and accumulation of assets. These village perceptions are presented under the following sub-headings:

- Village African intellectualism
- Collective identity
- Circuits of savings groups' hegemony
- Adherence to simple routines

Village African intellectualism

Community-based financial institutions represent village African intellectualism that represents a quality of thought and practice of Africans (Hill, 1995) in resolving development challenges African communities face.

Picture showing a record keeper coached by the money box keeper during a savings meeting

> *"Savings groups define us, our expectations and what we do. A savings group is our way of life. It makes things to happen in our families."*

> *"What brings us all here is willingness to collaborate, and nothing else."*

According to the participants, community-based financial institutions are established for one purpose only, that is, to work together in improving access to financial services for the membership base. Participants maintain that improved access to cash empower them to meet their diverse living expenses and other financial needs. However, it was noted that participants do not have identical incomes hence the idea of saving varying amounts and granting different loan amounts remains a fundamental principle.

Despite the diverse character of participants, but which is dominated by women, community-based financial institutions have proved to be inclusive and accommodating. In this instance, it was found that the largest membership of the groups in the research sites was constituted by state welfare grant recipients in the form of old age and child support grants.

The significance of localised African intellectualism is that participants do not promote the replacement of Eurocentric financial system, but argue for inclusion of African point of view in the generation of global knowledge (Hlela, 2016) and specifically financial knowledge and practice. Participants were critical about the exploitative behaviour of Eurocentric financial instruments mainly because;

- the interest of banks is perceived as making money from their groups;
- groups have no voice in shaping the products and services that regulated financial institutions provide to them; and
- policy makers are perceived to retain the status quo which serves to marginalize community-based financial institutions to spectators of the capital they mobilize

The views of the participants above corroborate with Bophela and Khumalo (2019) in arguing that the groups will ever be marginalised despite injecting billions of dollars into the economy. However, participants noted that exclusion by regulated financial and economic sectors is not their primary concern. Despite these ongoing debates about financial inclusion, there remains some broad agreement about the main concern and goal of the groups that set the boundaries of reciprocity. According to the participants, their primary concern is strengthening reciprocating mechanisms in the groups.

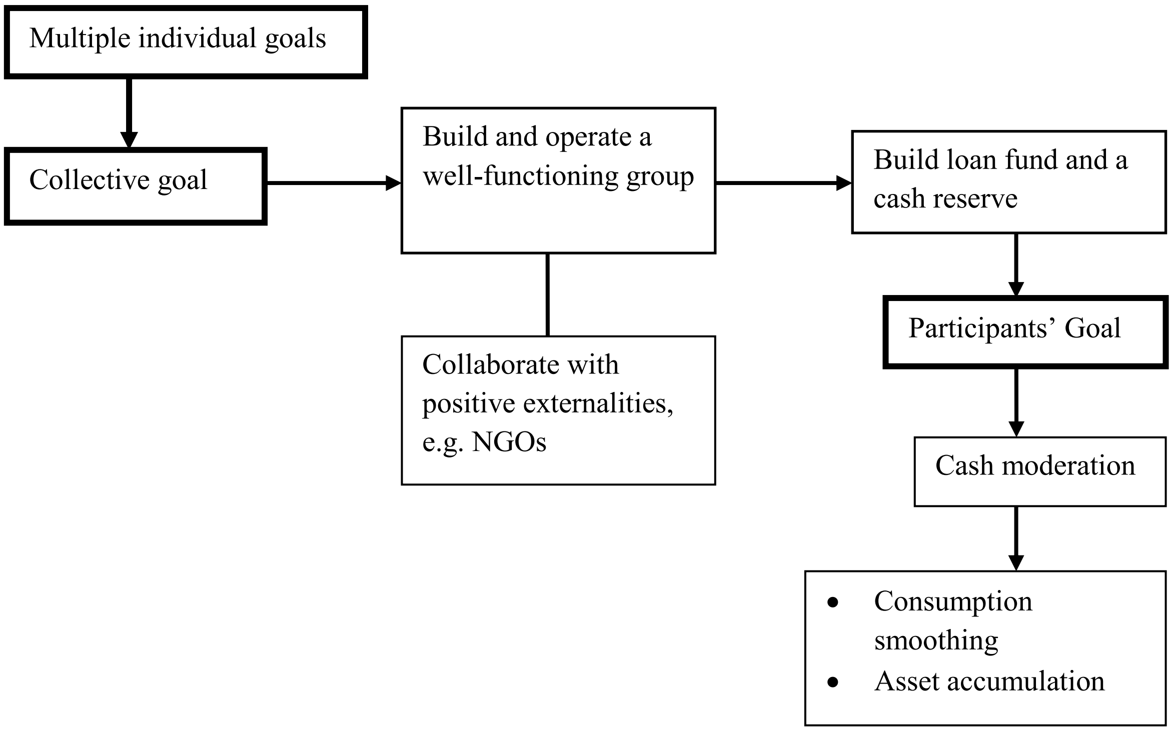


Figure 5 showing infusion of individual goals in a community-based financial institution

Another defining feature of community-based financial institutions is responding to the needs of their founders. Such response is pursued through careful selected organisational models and framing solutions financial challenges participants face. Finally, community-based financial institutions diffuse organisational models and solutions via positive externalities and market oriented action so that groups are able to deliver on individual member goals. I therefore argue that community-based financial institutions are perceived by participants to represent a model of social transformation and empowerment. As a social enterprise project, these groups are providing solutions where government has failed to deliver services.

Collective identity

Clearly, community-based financial institutions are built on historic and cultural practices such as *ilima, ukusisa and ukwenana* which strengthen social bonds, promote unity and collaboration amongst the participants. *Ilima, ukusisa and ukwenana* are Zulu traditions resonate with community-based financial institutions practice.

> *"Everything is a collective act. Rules are binding. By joining our group, all members agree to sing from the same hymn book, and there are no exceptions whether one is a new or an old member, young or old, a man or a women."*

The main operational goal of community-based financial institutions is to ensure maximum participation of the entire membership with regards to decisions taken and strategies adopted. Community-based financial institutions are established, owned and operated by their members. These groups are built on principles of trust, transparency and equitable access to financial resources and maximum compliance to rules of the groups. This is very significant because member-operated financial institutions are empowering in the sense that they give members more control over their own financial resources and ultimately better their livelihoods. However, what is quite unique is that rules that govern the operation of many groups in this village are mostly not documented but memorised. Meeting schedules and procedures are memorised including business records of the groups. Specifically, participants memorise the closing balances of every savings meeting with regards to money received, money disbursed as loans and money remaining in the money box.

Collective identity allows groups to express a coherent unity of purpose in the face of marginalisation and moral complexity. The fundamental significance of collective identity is that it serves as a social compact that gives meaning to many forms of exchange of property and help, and these are reciprocated beyond the main business of a group. This observation is a confirmation that the groups are able to mobilise financial and non-financial resources to catalyse social change that meets the needs of the participants. This confirms with Moyo (1999) who maintains that African cultural practices aim to strengthen communal living and promote liberation of vulnerable form perpetual poverty.

Circuits of groups' hegemony

Participants identified emerging circuits of groups' hegemony manifesting themselves as success indicators. For instance, the goal of a savings group is to take deposits, build a loan fund, issue small loans, grow savings and give lump sum payouts at the end of a savings cycle was the main success indicator of a well-function group. However, the most unique success indicators were found to be; (i) understanding, willingness and commitment of participants to give each other a chance to receive larger loans; (ii) access to emergency loans; and (iii) supporting vendors that are members of the groups. These success indicators are discussed in the section below that deals with the outcome of learning and practice happening in the groups.

"Members make their contributions and take out loans at the same time. Usually there is no money left in the money box. Anyway, there is no money kept in the money box during the year. We only start to seeing cash in the box towards the end of the year and by then there is no need to take our money to the bank when we are about to distribute our fund."

It was found participants are mostly concerned with planning ahead, keeping track of their finances (Nanzir and Leibbrandt, 2018) as well as delaying gratification. Participants would make larger and consistent deposits and corresponding loans that they use to buy household assets and/or investing in a micro-enterprise. Participants also confirmed that their financial planning and budgeting have a direct bearing on the cash-flow projections and management of a group. Cash-flow management specifically relate to the four activities during a savings meeting which are;

- Making deposits (savings). Participants emphasized that each members of a group must be able to plan to make deposits for the entire duration of a savings cycle.
- Repayment of loans by borrowers. Loan terms include settling debt in four months or less. Participants emphasized the significance of knowing exactly when one would need a loan and where additional income would come from to service a loan while making regular deposits.
- Issuing of new loans. New loans are not issued to indebted participants.
- Calculation of closing balances. Closing balances are announced towards the end of a savings meeting. The significance of announcing balances helps to encourage borrowers to service their debts so that the group is able to issue new loans in the next meeting. In other words, closing balances helps participants to predict the amount of cash that may be available for issuing of future loans. Lastly, booking loans gives a clear signal to the borrowers that there will be new borrowers in the next meeting.

Besides participants receiving a number of financial skills that specifically respond to their needs, group practice reinforces reciprocating values such as;

- Aligning individual goals to a collective goal of a group. Participants use their groups as a platform for financial planning and executing individual household financial projects. In this instance, participants develop financial behaviours that balance both organisational and individual goals.
- Using a group as reciprocating agents. Social bonds help participants self-select themselves to establish and to operate community-based financial institutions. This may explain reasons for participants to help one another beyond the business of their groups.
- Bearing transactional costs for operating a community-based financial institution. These groups are largely operated on voluntary and pro-bono basis where services to operate the groups are executed collectively by participants.

It was also found copying other participants with regards to what they do with drawings from groups was central to managing their income resources. In other words, participants carry with them pictures of success of others to their group meetings. At the centre of these pictures of success are tangible transformative items such as productive assets. Accumulation of both household and productive assets was the most common push for transformative financial behaviours.

The significance of community-based financial institutions is that they are laying strong foundations financial hegemony that aids to mobilize and circulate financial resources in villages where people live.

In other words, groups are becoming the foundations of new circuits of learning and practice that is responding to the needs of the participants. These groups are uniting and are in harmony with social practices that are observed by participants beyond the business of their savings groups.

Adherence to simplest routines

Participants confirmed that success of their groups is direct manifestation of adherence to routine of operations. The perception of adherence to rules and procedures by participants is heavily influenced by years of respecting authority of community institutions, of which savings groups are regarded as community institutions.

> *"When the programme was introduced in this village sometime in 2009, it was first discussed with the local headmen who introduced it to the iNkosi and his council. Everybody knows something about savings groups in this village."*

The operations of groups are linear and they are contained in four mandatory meetings. These meetings are group establishment, regular savings meeting, pre-fund dissolution meeting and final dissolution meeting. Dissolution meetings are also known as share-out meetings. These meeting are described in the table below.

Savings Group Formation	**Regular Business Meetings**	**Pre-fund Dissolution Meeting**	**Fund Dissolution Meeting**
This meeting establishes a group by setting up common goal and rules that govern its operation	The main concern of these meetings is to build and manage a group fund. The flow of each meeting is: • deposit taking, • repayment of loans, • issuing of new loans, and • calculations of closing balances	This meeting is concerned with preparing for the fund dissolution meeting by reconciling the books as follows: • Calculation of total savings of each individual member • Calculation of savings outstanding loan amount of all borrowers to settle • Calculation of net worth of a group	The purpose of this meeting is to distribute the fund of the group proportionally to the savings of individual members. All the activities of a pre-fund dissolution meeting are repeated in order to give borrowers with outstanding loans to settle them. After this, the group fund is distributed accordingly.

Table 6 presenting the most common routine of VSLAs

Generally, it is common for some borrowers to default on their loans when loans are received from external financial institutions. However, it was confirmed that participants repay their loans diligently for two reasons. Firstly, loan funds are established by regular saving amounts from the membership. This is their savings. Secondly, loans are issued to members proportionally to their savings. In other words, participants' savings are used to fund loans. Loans are not granted to non-members of the group. This practice guarantees repayment of loans. A borrower would use her or his contributions to off-set outstanding loan amount if not settled before or at the fund dissolution meeting.

It is clear that groups use the power of collective savings in building cash reservoirs that is used distributed proportionally to participants based on their deposits and their ability to settle debts. It is therefore conclude that learning and practice in groups is not concerned about what regulated financial institutions and state-driven financial inclusion agenda, but are concerned with operating a well-functioning financial institution that delivers on its foundational goal.

African cultural values are central to the groups as well as supremacy of collective identity which permeates every aspect of human life (Idang, 2015), including the supremacy of distinct African practices (Aziza, 2001) that participants embrace to secure their livelihoods.

Key drivers of legitimacy for participating in a savings group

The purpose of this section is to identify and describe key drivers participants believe sustain their continued participation in VSLAs. In this section, a*n* inductively-created typology of four developmental outcomes of a well-functioning savings group is discussed. These are (a) legitimacy of a VSLA, (b) legitimate coercion, (c) provision of services, and (d) learning by doing.

Legitimacy of a VSLA: A VSLAs groups is a key instrument that governs a participatory process. The creation of participatory process in a group implies consideration of the ways the objectives and outcomes are reached, as well as approaches and methods that are employed.

Governance and operations is a primary concern of groups. Groups adopt behaviours that promote transparency and give confidence to participants that they are able to achieve their goals. According to the participants, a well-functioning group recognise the possibility of a group swayed to favour interest of the few (Dallimore, 2013). Participants also recognised a possibility of a group being defrauded by few elites in the group. Development and application of rules helps to prevent and/or mitigate instances where few members dominate processes in a group.

VSLAs draw experiences from other community-based financial institutions, and mainly burial societies and grocery buying groups. The significance of these experiences is that participants use them to continuously improve self-supervision, peer-monitoring and to strengthen legitimacy of their group. Experienced participants are usually elected to serve in the management committee while the rest of the members serve to monitor the application of rules and procedures. This approach to governance and operations makes a group a self-managing entity.

Based in the perceptions of the participants it is therefore argued that legitimacy in groups as financial institutions should be conceived as a set of normative incentives that are able to encourage, and if not, compel participants to uphold their group to providing incentives for trust and delivery of services. The result is a legitimacy framework that allows participants to appreciate and better understand governance and operations of their group.

Legitimate coercion: The most contentious matter for many VSLAs is their establishment, self-selection and amendment of rules to deal with delinquency. A well-functioning group is judged by its ability to resolve disputes, deal with delinquency and enforce the rules. Specifically, self-selection is challenging because participants have to be vigilant to reject membership to applicants with perceived unpalatable reputations.

Participants asserted that groups are social constructs and subjective institutions that are sustained by imposition of specific behaviours and codes of conduct for the benefit of the majority. Participants also conceded that rules alone do not encourage and/or compel obedience, but obedience is achieved when shared beliefs drives conformity to established rules of the game.

> *"Break the rules and you will lose our money. We all know that delinquency has collapsed some groups in this village."*

VSLAs elect management committees to facilitate and enforce collectively biding decisions. Enforcement is achieved by consistent reminders that delinquency risks collapsing groups, something that participants do not want to see happening. Such reminders are no less legitimate forms of coercion to establish and retain moral duty of the membership. Moral duty to obey the rules is a collective expression of consent to the authority of the management committee which in turn guarantees attainment of the collective goal of a group. I argue that collective expression to the authority of the management committee is also an expression of shared understanding by the participants concerning what is required and not required to achieve the collective goal of their group.

Provision of services: The main purpose of groups is to provide financial services to their members. Understanding, willingness and commitment of participants to give each other a chance to access these financial services remain paramount to the success of a savings group. This practice translated into a unique way of managing a group's cash-flow collectively and it is informed by a social practice which promotes togetherness and concern for one another. It is common for participants to resolve to make larger savings and larger loan repayment in order to ensure that participants that book larger loans do get them. It is common that larger loans are used for hosting traditional ceremonies, renovation of houses, purchase of productive assets and operating income generating activities.

Learning by doing: Lastly, a VSLA is judged by its ability to manage procedures of all four meetings which are establishment meeting, regular monthly savings meetings, pre-fund dissolution meeting and fund dissolution meeting. At the centre of the operation of a group is maintenance of the integrity of financial records. Generally, the following were observed from the books during the observation meetings of a VSLA.

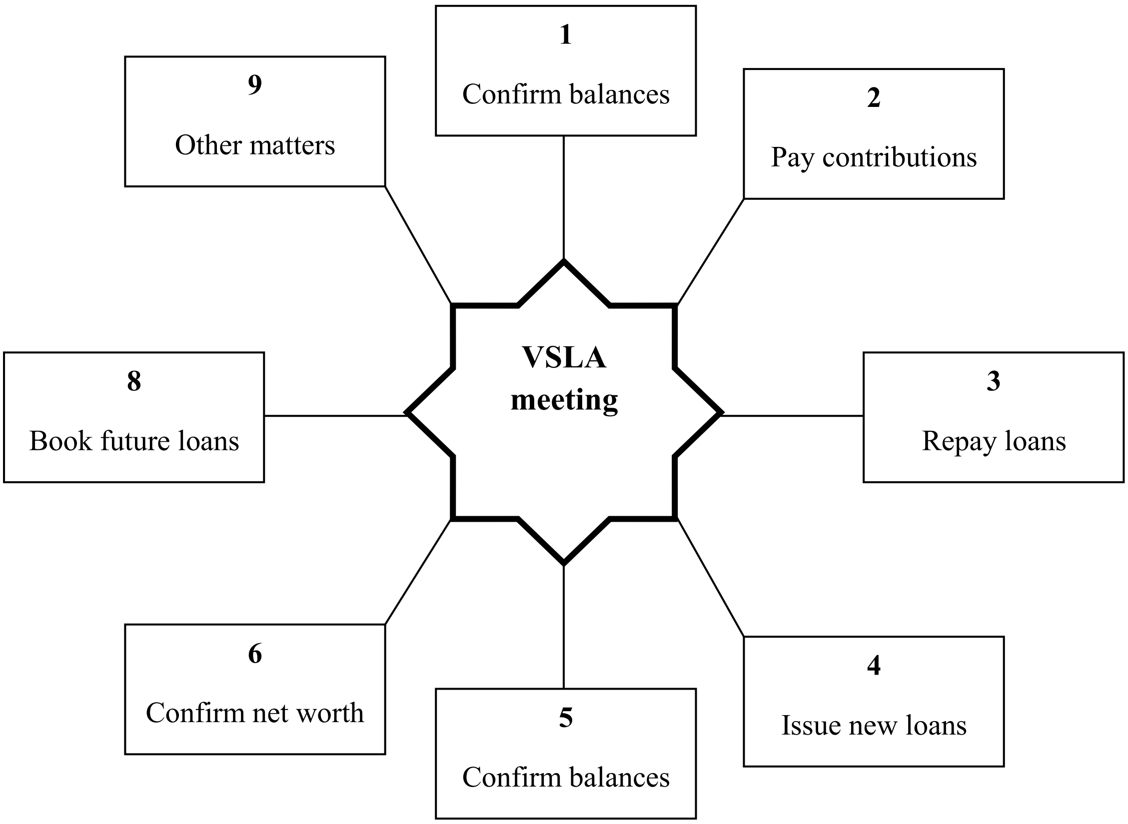


Figure 6 showing procedure of a savings meeting

Continued capacity development and learning in VSLAs is one of the key pillars of success. Learning in a group is embedded on the operation methodology which includes developing a qualifying criterion of members, developing a common goal, establishment of rules and procedures for governing and operating a group, minimum saving amount as well as the duration of a savings cycle. Legitimate coercion is at the centre of governance and operations of groups. It was also found that financial capability and financial knowledge (Nanzir and Leibbrandt, 2018) are most critical domains in contextualising learning and practice in VSLAs.

Concluding remarks

This section has demonstrated the ability of participants to analyse and evaluate their past and the present financial challenges, and use community-based financial institutions and in particular the VSLAs as their platforms to predict the future by establishing systems to achieve collective goals. It has shown that relationship management and teamwork are at the centre of a well-functioning group. When combined, relationship management and teamwork empower groups to build cash reserves and empower participants to moderate their cash in the context of marginalising realities. The key components of learning and practice happening in VSLAs mainly include the use of legitimate coercion and construction of shared financial knowledge that is used resolve scarcity of cash in the village. This section has shown how participants persuade, inspire and guide them towards the achievement of a shared goal, shared responsibilities and shared rewards. Essentially this section lays the basis for collaborative competency.

2.7.3. Discussion of theme 2: cultural competency

This section responds to the question: To what extent do practices in community-based financial institutions contribute to better livelihoods? Continued financial exclusion clearly points to remnants of marginalisation of African descent and manifest itself as structural inequalities and persistence of economic inequalities.

Impact of marginalising structures

The purpose of this section is to provide the basis for discussing cultural competency by briefly introducing the impact of marginalising structures. The significance of marginalising structures is their ability to reproduce inequalities and to sustain the status quo. Marginalisation stems from powerful public structures build on colonial ideology which continue to privilege the few and especially people of Western origin. Structural oppression permeates throughout private and public institutions creating a symphony of inequalities that complicate all efforts of the poor to claw their way out of poverty.
A specific reference is made to under-development of rural communities. Under-development in these villages makes it difficult to attract all forms of services. Consequently under-development leads to greater likelihood of experiencing culturally and racially biased community services and in particular financial services. Yet, policy makers, governments and development practitioners have explicitly and implicitly attributed unpalatable socio-economic outcomes in vulnerable settlements to business community retaining matrixes of oppressive systems. In other words, intersecting oppressive systems and poverty penalty impact most people living in marginalized settlements.
Structures of domination have infiltrated societal norms with a specific hegemony that justifies co-existence of privileged and dominated groups. For the purpose of this study, knowledge about institutions of dominations is inextricable linked with power and savings groups is not a movement void of power. In fact, savings groups have intelligence to acknowledge historical injustices, cultural competency and power to present necessary foundation on which to amass their power to improve financial education outcomes.

Perceptions about community-based financial institutions

The purpose of this section is to present perceptions that participants hold about how they are perceived by outside institutions. Participants identified non-governmental organisations, shops and banks as the main formal institutions that community-based financial institutions interact with for different reasons. In this study, these organisations are referred to as positive externalities because they support groups to achieve their goals.

> *"Sonke siyazidlala izitokofela." Women from all social classes, whether social grant dependents, vendors or high salary earners participate in different types of stokvels."*

> *"... but again, these shops benefit a lot from our efforts. They patiently wait for us to bring thousands and thousands to them, year in and year out!"*

The above simple confirms that community-based financial institutions are no longer a reserve for financially excluded individuals. Generally, community-based financial institutions are perceived as self-help platforms that are rooted in communities to provide alternative and/or additional financial services to their members and villagers. Historically these groups were established and operated mainly by low income earners, and largely by women for the purpose of providing alternative financial services. However, participants confirmed that the existence of multi-purpose the groups that are operated by formally employed people. The majority of participants belong to burial societies, end-year grocery groups and multi-purpose savings groups. In the main, multi-purpose savings groups that are operated by participants in this study are focused on household consumption, farming inputs, microenterprise development and home improvements. Reciprocating was found to be a major driver in defining the role of savings groups and learning that happens in savings groups. Participants confirmed that their social networks are enhanced by savings groups and therefore extend beyond saving groups. Obviously, groups are established to help participants to transact with business and in particular wholesalers and retailers found in nearby towns.

With regards to home improvements groups, participants buy household assets such as catering equipment (gas stoves, large pots, plates, cutlery, tables, etc.), appliances such as stoves and refrigerators, furniture, linen, blankets and many other dignity enhancement products. They also renovate and/or upgrade their homes, for example, adding on one extra room. Participants view their savings groups as providing financial resources for wholesalers and retailers to grow their businesses. For government, savings groups can be refined to provide solutions to state failures in local economic development and provision of social services.

> *"This is the second organisation that is helping us to run our groups. However, Mahlathini is doing more than the first one. We do broilers, we produce eggs, we do tunnels, we protect our springs and some operate farmer centres. At the centre of improving our farming skills, we mobilise savings."*

Participants also listed and discussed a number of non-governmental organisations that used to work in their villages and that are currently supporting them. Collaborative platforms that are facilitated by supporting NGOs help VSLAs to learn from one another. NGOs have been found to play an intrinsic role of facilitating community dialogues and development programmes. In addition, NGOs act as mouthpiece of underserved populations. The combined significance of these NGO-led community interventions is that they retain the moral conscience in communities and build bridges between community and state institutions. In other words, the relationship between NGOs and communities they serve deliver multiple channels of collaboration compacts especially in terms of NGO-led project being places of community learning. Through such projects, the voices of marginalised citizens become louder to the ears of the dominant social groups, in some instances are politically empowered to negotiate more favourably for their community institutions.

However, involvement of NGOs has not been without weaknesses. It was discovered that participants shy away from attending events that fall outside their socio-economic interests. It was also discovered that the pursuit of particular goals tends to overshadow goals that do not present immediate sources of sustenance. In other words, the sense of commitment only develops when participants can see immediate results that resolve their challenges. Without the necessary information and guidance on how to participate in economic development agenda and proper capacity building, it becomes nearly impossible for excluded populations to become financially relevant. Participants reported that NGOs that support savings groups refrain to pressure dominant institutions of power into fulfilling their side of the deal that impact directly to social change.

Community-based financial institutions in their own right

Basically, the dominant hegemony perceives community-based financial institutions as:

> Instruments used to reach poorer and more vulnerable populations where formal financial institutions could not reach. According to Floro and Seguino (2002), poor and unemployed households often employ savings groups to mitigate the impact of unexpected income shocks and emergencies.

The study confirms that the largest constituencies of savings groups are women as previously recorded in the introductory sections of this paper. There is at least one overarching perceptions pertaining to the dominant role played by women in groups: women are champions and the largest majority in groups because they use cash that they draw from their groups to run their households.
These findings are consistence with the observations of Ngcobo (2019), and that groups are used by participants to meet life-cycle events (Rutherford, 2000) and mainly household expenses which ordinarily individual women wouldn't afford. This observation corroborates with Triegaardt (2005) that savings groups are communal financial institutions that provide for a wide range of household needs, from focused savings, consumption smoothing and planning for burials. Further to this, Matuku and Kaseke (2014) see savings groups as providers of mutual aid arrangements; as enhancers of social fabric and strengtheners of social security protection endeavours.

In as much as participants admire that drawings and lump sums from VSLAs help them to afford household consumption expenses, there is a view is that these groups are marginalised and victims of the capital market.

> *"At the start of the year, we come together to save. We take small loans during the year to buy what we need. In this village alone, hundreds of thousands are spent in town to food, building materials, appliances, pots, and seeds and fertiliser. Our purpose is to live."*

Clearly, participants are not frustrated not by the fact that the majority of members of the groups use their drawings and lump sums for household consumption expenses, but are concerned that market players that exclude them benefits immensely from their efforts. This perception appears to perpetuate the idea that groups are conformists to the dominant narrative. However, this view fails to understand that the groups are not established to conform or to take part in the regulated financial system. VSLAs are designed for use, which is to provide financial services to financially excluded population so that they are empowered to better their livelihoods.

> *"We need to live. We need to feed our families. We need to build our homes and provide for our children. We agree, money is scarce, but savings groups have provided us with a web of alternatives to make life better for our families."*

The above quotation defies a Eurocentric view about savings groups. Eurocentric view suggests that the biggest dilemma facing savings groups is the huge amounts of savings do not benefit them beyond short-term household consumption. This dilemma aligns with the view of Bateman (2010), Duvendack et al., (2011) and Mader (2015) that some international investors have commercialised poverty and generated huge interest from savings groups either by pushing them into consumption or at worse, trapping them into debt.

However, participating in financial services vehicles that by design exclude the poor and the vulnerable populations were no of a concern for participants. Instead, the study found evidence in the form of multitude of groups that help them to survive challenges that they face. Instead, participants are so used in managing their cash-flows without the support of the state and capital markets. Capital markets and formal financial institutions is not their concern. Epstein (2005) argues that capital markets shifted the role of financial management from the state to individuals, and this has been the case with savings groups for more than a century in South Africa.
In this instance, the study confirmed the existence of different types of community-based financial institutions operating in the research sites. It was also found that participants take part to more than one group as a strategy of managing their cash-flows and building reciprocating social networks amongst them. In this instance, reciprocity is described as social insurance that promises the "premium payer" similar support from the recipients of the "premium".

> *"Women that shy away from participation in savings groups struggle to make ends meet. You see them suffering when there is a death in their families."*
>
> *"As for me, I can simply say, they lose out from not being part of us. Phela izandla ziyagezana. We help one another here."*

Izandla ziyagezana simple means one hand washes the other. The external environment and external perceptions influence groups to responds to challenges they face in many ways. The external perceptions about groups have influenced participants to establish and operate focused multi-purpose savings groups that cover a wide range of financial needs. These needs include cash for emergencies, burials, food, home improvements and enterprise development.

Perceptions influencing participation in community-based financial institutions

The purpose of this section is to demonstrate how external perceptions influence community-based financial institutions how they see themselves. This section starts by presenting reasons for participating in community-based financial institutions. It then proceeds to present savings groups as agents of different types of knowledge that is generated and circulated in savings groups and the village. Specifically, the section demonstrates how participants share and expand their knowledge base by constantly upgrading their capabilities to meet their collective financial goals.

Major reasons for participating in community-based financial institutions: The largest majority of participants are recruited into these groupings by observing and talking to their relatives, friends and church members. As Matuku and Kaseke (2014) have observed, participants believe that social networks, living in close proximity to one another and mutual support they receive motivated them to join the groups. Aligned to the observation of the power of social networks is the continuous strengthening of social bonds. Matuku and Kaseke (2014) observed that social networks in the form of friendships transform groups into community learning platforms where participants are free to revealing, discussing and learning from experiences of others and finding solutions for problems that they face. It is in this ways that participants in groups are empowered psychologically, socially and financially to face whatever challenge life throws to them. Therefore social networks and social bonds are the main drivers and shapers of the groups.

The second motivator for villagers to participate in community-based financial institutions is support participants receive in times of social and economic crises such as death and scarcity of cash. This is in accordance to the observation of Mashigo and Schoeman (2010) that the groups cater empower their members to budget and save for both predictable and unpredictable expensive events. A number of studies confirm that savings groups help members to meet their basic needs alongside saving for expensive projects such as building or renovating houses and buying expensive household assets (Matuku & Kaseke, 2014). Further to this, Matuku and Kaseke (2014) found that savings groups educate and promote teamwork and allow participants to practice trust, honesty and integrity by providing them sense of belonging and centrality of collective responsibility in all activities of community-based financial institutions.

How external perception influence how savings group see themselves

The diagram below serves two purposes. Firstly, it demonstrates the versatility of savings groups. Secondly, to demonstrates that savings groups are not only established for investment purposes but for maximising circulation of cash that help villages meet life-cycle and income generating priorities.

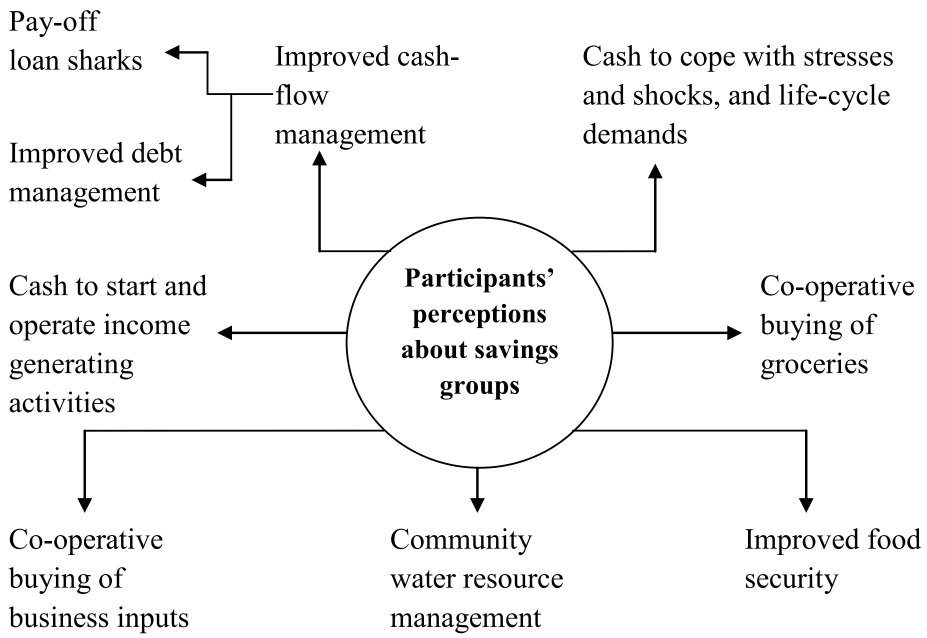


Figure 7 showing perceptions participants have about their savings groups

IsiZulu saying of *umuntu ngumuntu ngabantu* translated as I am because you are; and another similar saying: *izandla ziyagezana* translated as one hand washes the other simple reflect the interconnectedness and interdependence of people and their cultural practices. *Umuntu ngumuntu ngabantu* and *izandla ziyagezana* are practices found in community-based financial institutions. VSLAs in particulart provide a space for participants to learn good social practices and to unlearn bad participants. Similar reciprocating practices are observed by Hlela (2017) as well. *Isipheko* is where villagers make a contribution, be it food, liquor or livestock towards a household that has hosted a ceremony (Hlela, 2017). According to Hlela (2017) *isipheko* can extend to including helping a hosting household with fetching water and firewood. It was also found that buying from vendors that are members of VSLAs is borne from the cultural practices of *Umuntu ngumuntu ngabantu* and *izandla ziyagezana*.

In this instance, participants operate VSLAs because of common understanding that they need each other to solve challenges that they face and to navigate life in general. For instance, taking turns in taking microloans, sharing lessons and giving advice are all forms help enjoyed by participants being members of savings groups. Similarly, doing anything contrary to the common good is discouraged as bad practice. For instance, failure to settle micro-debt robs others opportunity in taking out loans they need to meet the demands of life-cycle events of their households.

In this community a VSLAs are defined as the 'womanhood coaches' because women, young and old get to share their experiences and ways to navigate life as proxy head of their households. Accumulation of household assets, for example, means better social status, the ability to live better and the ability to reciprocate help to others. It was found that access to women defining household assets such as pots, dishes, linen, blankets, water drums, planting implements and many other items is mostly learnt from VSLAs.

Concluding remarks

Establishing consensus regarding the ingredients of learning and practice happening in VSLAs has not been an easy task. The main difficulty is that activities happening in VSLAs are contextualised and are subjected to interpretive analysis and measurement by their operators and external organisations that discount the role of cultural competencies. However, the bottom line is that cultural competency dominates VSLAs' practice and makes it possible for participants to choreograph financial knowledge and validate perceptions they have created. As a collective entrepreneurship enterprise, cultural competency provides organisational momentum for participants to prototype and test ideas that promise to improve their operations. VSLAs exhibit a sense of accountability and sustained effort in achieving the collective goal of the group.

Support provided by non-governmental organisations and specifically MDF remains crucial for creating a space of "learning by doing" whereby participants find solutions to development problems. Besides improving knowledge and skills in working with non-governmental organisations, participants continuously develop principles, methods and useful tips to steer participatory processes in savings groups. This knowledge and skill is shared by villagers in their respective VSLAs.

2.7.4. Discussion of theme 3: collaborative learning competency

Given the hostilities imposed by underdevelopment and marginalization, this theme explores the ability of VSLAs to design and implement peer learning interventions regarding financial services. Drawing from emancipatory competency discussed above, collaborative competency promotes disruptive interventions that aligns and re-aligns VSLAs to transact with regulated businesses. The significance of this competency is that it promotes peer learning that is manifested by diversification of income streams, building of cash reserves, cash moderation and co-operative buying. The purpose of this section is therefore to dissect peer learning competencies that describe VSLAs as reservoirs of contextual and socially generated knowledge.

VSLAs meetings as social learning spaces

In the case of VSLAs, social learning is a story written and narrated by participants (membership) and their immediate households. Social learning is experienced and lived wisdom that is distributed through a web of social networks in communities. In VSLAs meetings, the participants bring their insights for moderation and for building collective intelligence. In other words, participants configure a savings group to be; (a) a transaction vehicle that builds and sustains a pool of cash; (b) a most responsive credit provider; and (c) a barometer of success regarding building and strengthening livelihoods. As a barometer of success, VSLAs, make it possible for participants to transact with their local market as a result of improved access to cash. The significance of such configuration is that it uses collective moral manipulation to buffer VSLAs from disruptions that may be presented by individual financial pressures. I therefore argue that VSLAs represent a growing field of hybrid action for wider recalibrations of the role of financial education curricular that is generated from practice. This is because VSLAs provide a social infrastructure for peer learning regarding provision of financial services to marginalised households. Three areas of learning that happens in VSLAs are discussed under the following sub-headings:

- Managing external influence
- Shared legitimacy

Managing external influence

This section describes how VSLAs manage influence coming from the banks and shops that they may transact with.

> *"If we were to take our monies to the bank, we wouldn't be able to provide ourselves with loans when we need them. We will starve to death waiting for a bank to give us our money back when we most need it."*

As a result of unpalatable experiences with the banks, many VSLAs opt to resist some products and services offered by formal financial institutions, and specifically, banks because of two reasons. First, participants fear ever-changing bank fees and other transactional expenses. Participants specifically singled out transport fares and risk of carrying large sums of cash by public transport to the banks. Secondly, participants perceive bank products and services as designed to benefit the banks rather than meeting the needs of VSLAs. The imposition of English as a business language has been singled out as a strategy used by the banks to bar meaningful participation of savings groups in banking products.
Participants maintained that many VSLAs continue to deflect influence of promoters of products and services that would require their groups to transact with a bank. The main reason participants resist bank services is experience of not getting their money when they most need it. They maintain that transacting with a bank risk deepening scarcity of cash and derailing savings groups from reaching their goals.

> *"The significance of buying groceries in bulk in December is that it relieves us pressures to have cash to feed our families while we face financial pressures associated with schools a the beginning of the year."*

> *"It is not our goal to buy food for the entire year but to have dry food stuff that would at least last for the first three to four months of the year. That is our goal, and nothing more."*

The above statements confirm that cash moderation is the main goal of VSLAs. Bulk buying of food items at the end of each year helps participants to moderate their cash. Interestingly, it was also discovered that all VSLAs that have participated in this research have either stopped or refused to deposit their money with wholesalers and national chain retailers for two main reasons. First, they acknowledge that loss of opportunity to building a loan fund which would have provided them with credit. Second, participants acknowledge that they immediately lose authority over their money and freedom of choice once the money is in the hands of retailers. Participants have learnt that they cannot change a retailer even if prices are inflated, and worse, if service deteriorates. There is consensus that participants should maintain VSLAs as sovereign organisations in their own right. Sovereignty of VSLAs essentially important because it gives total freedom to participants to implement decisions that make VSLAs work for them. In other words, participants continuously shift collective experiential learning into experience which is continuously moderated by their everyday realities and is replicated within and outside the business of VSLAs.

Shared legitimacy

The relationship between VSLAs, their founders and operators is built and sustained by continuous generation and dissemination of knowledge. VSLAs are deeply embedded in the institutional setting of their communities and neighbourhoods. The purpose of this section is to demonstrate how knowledge is generated is shared to build and strengthen legitimacy in VSLAs.

> *"I was not part of the establishment of my group. I think I joined them in their third year. I have learnt a lot since then."*

> *"Many of us participate in two or more groups. We do the same thing in all groups."*

The above quotations confirm that knowledge is acquired from savings groups through other participants. This act transforms a VSLA into a learning platform. Participants learn from each other, adapt and share experience with a sole purpose of enhancing capacities of their savings groups to cope with change.

Given resource and constraints VSLA are required to find ways of keeping a fair balance between exploration and experiential learning in dealing with the complexity of financial education and provision of financial services. Social bonds and social networks are readily available resources for generation and consumption of financial education which specifically respond to the financial needs VSLAs and their participants.

Knowledge transferability between and amongst participants of a VSLA is one the pillars of the organisational capacity to deliver the goals and objectives of VSLAs. Organisational capacity is dependent of social capital that exists amongst participants and how they strengthen the legitimacy of the group. It is the legitimacy of VSLAs that facilitates the exchange useful knowledge amongst the participants. The main channels of building legitimacy are meetings, joint activities as well as networks of social relationships and interpersonal ties that already exist.

Shared legitimacy through sharing of knowledge is required in different situations in terms of operating VSLAs and is connected to the success of savings groups. Savings groups need to transform experiential knowledge and general knowledge about managing money into collective legitimacy. Experiential knowledge of governance, rules, norms and values establish strong foundations for organisational framework. This is basic knowledge savings groups require to operate and to perform its core activities well. Basic knowledge is embodied in organisational routines and relates to efficiency of VSLAs. This combination of knowledge builds and sustains shared legitimacy. The significance of networks of social relationships and joint activities in VSLAs can be summarised as follows;

- VSLAs gain and sustain legitimacy. The purpose of existence is shared by all participants.
- Sharing of knowledge and the discussion of innovative ways for solving problems is enhanced. Experienced participants are able to share their experience openly.

Exploratory learning

VSLAs gain and deepen their knowledge base from the membership and other groups that their members had been to. As a community learning place, VSLAs consolidate knowledge and experience by experimenting with it before it institutionalised by a number VSLAs in the village. Institutionalisation of knowledge and practice over time tends to deepen learning and absorptive capacity on the part of the participants.

In the case of VSLAs and many other organisations, peer learning facilitated and reinforced by organisational routines and practice. Peer learning takes two forms which are experiential or exploitative and experimental or explorative learning. Historical experience is the biggest component of experiential learning while explorative learning is dependent on innovation and trying of new things in solving problems. However, explorative learning tends to attract a lot of resistance from nostalgic tendencies when it comes to adopting new practices. Learning in savings groups is explorative because;

- VSLAs are dependent of peer learning in the form of scaffolding and intra-organisational knowledge transfer.
- There is constant inclination of members of VSLAs to explore better ways of managing their group fund.
- The changing environment presents explorative learning as the only option to the VSLAs.

Establishment and operation of VSLAs involve a number of delicacies. For instance, at the centre of the formation of VSLAs is a self-selection process. Basically, self-selection is a partner choosing exercise and is dependent on common bonds and reputation of intent partners in the community. Participants confirmed their capacity to do the following activities:

- Build their financial institutions which help them to meet the demands of life-cycle events. Establishing and operating a VSLA demonstrate a number of skills and competencies such as an art of persuasion and negotiation as well as crafting common development goals and managing savings meetings.
- Participants were observed managing their monthly savings meetings which proved their capacity to observe rules, manage group fund, keep transparent records books and deliver to the goals of their groups.

- VSLAs were found skilled in terms of cash-flow management and in particular with regards to deposit taking, granting of loans, calculating interest and taking loan repayment. Cumulative loans in groups demonstrate the level of trust and commitment of participants. It was noted that most of the loans are settled at least two months before the group fund dissolution meeting. This also shows high levels of budgeting, delayed gratification on behalf of the participants as well as transparent and trusted records of savings groups.
- VSLAs were observed discussing social development priorities and income enhancement strategies. For instance, participants were able to organise their community to find ways of resolving water scarcity in the village. Other participants confirmed using micro-loans and lump sum payout for farming and selling consumer products in the village.

VSLAs have provided a platform for the participants to educate themselves about money and money management thereof. VSLAs have provided them with a formula that galvanise participation and commitment of participants – and in the process de-weaponising ill connotations about money. Money as a root of all evils, debt and greed are common connotations associated with it. However, participation in groups have empowered participants to appreciate money as an instrument of accumulating household assets, strengthening social bonds and participation in local trading activities. They see debt that VSLAs provide as a bridge to better livelihoods.

Participants also applauded their role in disseminating financial education to their neighbours, relatives and friends that are not members of VSLAs. Participants believe that they are responsible for educating themselves through VSLAs so that they are able to pass lessons for members of their households to make better financial decisions. It was very clear during the engagement with VSLAs that participants perceive their groups as platforms for discussing broader community challenges.

It was observed that the largest majority of participants in VSLAs are social security grant beneficiaries who use their groups to supplement their meagre incomes (Matuku and Kaseke, 2014). It was found that the main priority of participants that are dependent on state welfare grants general knowledge and skills for managing money that is tailored to meet both the goal of a VSLAs and individual participants. Experiential knowledge and general knowledge about managing money are inter-dependent, and when combined they generate value for VSLAs by facilitating healthy and well-functioning organisations. It is for this reason that experiential knowledge is routinely used by participants to complement general knowledge about managing money. When combined, both experiential knowledge and general knowledge increase opportunities for VSLAs to achieve collective and individual financial goals. As VSLAs develop, they accumulate experiential knowledge by changing or upgrading routines, governance and administrative structure that had been developed earlier.

Managing social risk

This section wants to demonstrate how participants have learnt to manage risk associated with operating their VSLAs.
The hegemonic view of financial inclusion is that every citizen has access to financial products, and citizens have adequate competence to select most appropriate financial products they require to manage risk. However, VSLAs have long time taken social risks from the state by helping participants to self-regulate their financial and economic affairs (Lemke, 2001).

> *“We sometimes struggle to settle our debts in good time for dissolution of group fund, but we always find ways to resolve this. As for me, participation in two or three groups is most*

beneficial in managing my monthly contributions, settling debts and maximising financial returns."

"I have found that being a member in two savings groups helps a lot in terms of managing your cash. I don't take out loans from both groups in the same month. Sometime I use part of my loan to make substantial contributions to another group."

"It is not bad thing to borrow from your group to buy items that you wouldn't have been able to buy them on cash basis."

The above expressions of the participants demonstrate the following:

- Participation in more than one VSLA is a cash-flow management strategy. However, it requires serious discipline for a participant to draw maximum benefits from doing. It is a risk participants are used to take. In the same vein, larger savings groups have a powerful ability to pool financial resources and leverage their larger size to reduce the risk of inability to issue larger loans when they are needs. Larger VSLAs benefit from economies of scale when compared to smaller savings groups. However, larger loans have exposed VSLAs to risk and specifically when members fault in managing their cash-flow resulting in delays in settling their loans in record time.
- Some participants provide detailed strategies to make cash-flow management decisions including avoiding deceptions and instant gratification resulting from anxiety to acquire household assets. Having peers watching over financial decisions in savings groups, it becomes habitual to separate needs and wants and to budget accordingly for expensive purchases. It was found that some participants use an "envelop system" for budgeting purposes and for ensuring discipline. For instance, they would put amounts of money in different envelops or cloth bags. For example, budgeted amount for groceries would be put into a different envelop or bag to money for appliance, house renovation or any other budgeted item.
- Participants confirmed that they had to reconfigure their spending patterns, "draw" mind map budgets and allocate money for savings and repayment of loans as well as other financial contributions to other groups such as burial societies. In the event of a death of neighbour, and irrespective whether she or he was a member of any group, participants contribute towards food expenses of a bereaved family. Participants do budget for such eventualities. This practice is resembles *ukwenana*. The same practice is done for traditional ceremonies where participants buy blankets and/or groceries for a hosting family.

The above demonstrate how VSLAs manage risk. What is clear is that the business of a VSLA does not when a meeting is adjourned. Participants continue engaging one another outside the meetings of their groups. For example, there are many instances where participants act as reference points for products they plan to buy with regards to quality, usability, price and other specifications that meet their expectations as prospective buyers. In other words, informal evaluation about the products is a common risk management practice amongst the participants. This practice helps participants to avoid falling prey of scrupulous sellers who sell them inferior products. When it comes to bulk buying of groceries and/or farming inputs, participants develop shopping list beforehand and walk to different shops to compare specifications, quality, variety and prices as well negotiating discounts. Between 3 and 4 participants will hire a local van or truck and divide the delivery costs amongst themselves.

Reciprocity anchors learning

This section demonstrates that reciprocity promotes financial education in VSLAs. Ordinarily, operating a VSLA attracts transactional costs, and in this instance, time invested by participants. However, social ties and social networks have proved to be the main assets for learning and reciprocity in a group. Networks and social bonds amongst participants provide endless reconfiguration possibilities for savings groups to explore new knowledge and capacity to adapt to changing circumstances using their meagre resources. In this instance, reciprocity is expressed by four main practices, namely;

- willingness and commitment of participants to invest their time in operating their savings group free of charge;
- participants sharing their experience;
- participants acting as proxies when other participants are unable to present themselves to meetings; and lastly
- participants helping one another outside the core business of savings groups; for example, buying of groceries and blankets for bereaved families or families hosting traditional ceremonies. These four experiences are regarded as leading indicators of a well-functioning savings group.

In the case of financial education happening in VSLAs, participants engage in a process of prioritising needs before wants; investigating product specifications, quality, usability and price; and breaking down the price so that affordable portions of money are put aside for few months before a product is bought. It was found that there are few vendors or sellers of household items including fresh produce after savings group meetings. In other words, participants are trading between and among themselves.

In the case of VSLAs, social learning typically involves a series of choreographing of learning during savings meetings and behind the scenes where experts share their experiences with amateurs. The most commonly mentioned way in which people work together is bulk buying of groceries and agricultural inputs such as seed, seedlings and fertilizer as well as collaborating in financing transporting what they buy back their respective villages. VSLAs are social learning communities because they help participants to;

- engage about the subject of money in safe environments of their choice;
- process and filter out useful and useless information about their core business. They present multiple opportunities for participants with comprehension of financial education that is useful;
- remain consistent with the practice and allow participants to choreograph their knowledge about practice education and VSLAs; and
- unknowingly create "tribes of trust" that are not sanctioned by parent VSLAs. There could be more than three tribes of trust in one savings groups. There are neighbours, friends and relatives that walk together to savings meetings or collaborate in household chores. The significance of these tribes of trust is their subtle ability to challenge redundant systems, ritual practices and stories that no longer add value to savings groups. It is in this way that the culture of social learning is created and nurtured.

Essentially, VSLAs create learning spaces where participants bring along their experiences to the learning spaces and run through unending loops of experience and sense making. Collectively, participants in savings groups guide one another through a series of reflections and sense making. Reflections and sense making bring in new vocabulary and common language but that is only meaningful to the participants in the activity, and is used to explain relevance and functionality of an organisations, and in this case, savings groups. The significance of unending reflections is that they allow story tellers or sharers of individualised experience to filter and to integrate pockets of new knowledge into existing frames of reference. This phenomenon of integrating pockets of new knowledge is supported by Weick and Westley (1996) with regards to the adoption of a more thorough-going process perspective of updating and re-punctuating of continuous experience. Further to this, in Colville et al., (2016), sense making requires paying attention on the part of the sense-maker and to the content that guides the unfolding of experience in order to accomplish sense making. This view that is shared by Colville et al., (2016) collaborate with Weick (1995), Chen, Irving and Syre (2013) and Odden and Russ (2018). According to Weick (1995), sense making is about a continuous construction of a relation between two moments, which are past moments of socialization and current moments of experience (Weick, 1995). According to Chen, Irving and Syre (2013), sense making includes making connections to lived experience and coordination of multiple representations in finding the most reasonable solution to a specific problem (Chen, Irving & Syre, 2013). Lastly, Odden and Russ (2018) summarise sense making as an iterative process of building usable explanations and coherent ideas out of a mix of everyday experiences (Odden & Russ, 2018). However, reflections and construction of new knowledge also raise serious challenges in terms of collaborative arrangements with other savings groups in other localities, and worse with external institutions such as banks, insurance providers and wholesalers. Relationships at this level are characterised by high levels of distrust.
In VSLAs, participants not only explore activities happening in their groups, but also how and why the mechanisms behind the phenomena of their groups work for the benefit of the collective. In this instance, participants observe the physical phenomena employing a combination of visible and invisible actions that are organised relative to one another and how these activities influence their savings groups as organisations to adapt to changes that are imposed by participants from time to time. The significance of this is that group-level sense making is built on individual frames of sense making and is facilitated by continuous collaboration and communication (Odden & Russ, 2018). Cited in Odden and Russ (2018), Schwarz et al., (2009) concludes that sense making is about specialised representations that embody aspects of predicting and explaining the phenomena and consequently constructing meaning making frameworks.

Clearly, reciprocity and non-formal learning are connected and are enhanced by skills development initiatives provided by non-governmental organisations. The significance of non-formal learning is its ability to blend organically to what savings groups do and plan to do. However, it was noted that savings groups do not use everything that they learn from providers of non-formal learning, and in this case, non-governmental organisations that support them. It was found that savings groups only consume what they value from financial education curriculum through subtle subversion of the expectations of hegemonic financial education. By consuming some aspects of formalities, savings groups have been able to achieve greater consistency in terms of governance and operations.

Concluding remarks

This section has shown inter-learning that happens amongst participants as a result of using VSLAs as a platform for resolving scarcity of cash in their villages. This section has also shown that VSLAs improve diversification of incomes through consumption and business loans.

Participants see themselves as owners of VSLAs who operate primarily for consumption smoothing and accumulation of household assets. They thus consider themselves as running a sovereign financial institution. About 50% of the participants could confirm their intention to use build-up of drawings from their groups to start and/or improve their enterprises. The remaining participants are still focused on household asset accumulation and consumption smoothing. Ownership of household productive assets is associated with net-worth, power and status of a particular household because over time some assets are used to generate income. Finally, this section has demonstrated the significance of inter-learning with regards to using of drawings in the form of short-term loans and lump sum cash payout at the end of each savings cycle. This is most significant because VSLAs facilitate positive inter-learning and financial behaviours and foster consistent accumulation of assets that participants employ to survive marginalisation.

2.8. Key lessons

The common denominator is that community-based informal financial institutions operate in the same geographic area and are usually established by people who trust and know each other very well people. Membership, rules of participation, beneficiation, operation, contributions, etc. are governed by a constitution. Common bonds were mainly geographical. The study confirmed that traditional groups are usually established by people of the same gender and of a similar social status. However, few men are found in VSLAs.

Participation

Three motivators for participating in community-based financial institutions were listed as follows:

- Participants wanted to engage in a collaborative scheme that establishes a usable and alternative vehicle for people to meet their individual financial goals
- To use peer pressure to motivate individual members to save regularly
- To build alternative member-operated institutions that provide key financial services which are short-term micro-loans, micro-funeral insurance and lump sum payouts at the end of a savings cycle

Based on the above three motivating factors, participation means that a group of people that are known to each other must share a common goal and remain committed in doing what they do best on regular basis. What is also central to participation is the primary focus on building and maintaining social relations on matters that concern the creators of a community-based financial institution. Participation is the bedrock of collective responsibility, co-learning and practice (Lave & Wenger, 1991).

Primary purpose of the VSLAs

The purpose of this section is to show that VSLAs are not established to resolve financial challenges beyond communities they operate. The key components that define learning in groups is access to, and careful application of shared financial knowledge regarding operation of a VSLA for the purposes of improving cash-flow management and resolving scarcity of cash. It has been argued that the pro-poor microfinance programming improves social capital and leads to economic empowerment. However, the reality on the ground somehow deviates from this pattern, especially in relation to economic empowerment as defined by hegemonic economic narratives. To suggest that VSLAs can have an economic impact as a result of financially empowered citizenry is a noble adventure, but VSLAs do not transform into collective action beyond their founding goals and most importantly, their localities.

> *"We are happy to be supported by non-governmental organisations and not by somebody else."*

Participants were only motivated to attend meetings and workshops that happen in their neighbourhoods making it difficult to deliberate on macro-economic issues even at a level of a community. Participants argued that their VSLAs have nothing to do with economic development agenda that is championed by state institutions since such programmes do not factor the priorities of the groups. Participants believed that risk of disharmony would be very high if VSLAs were to entertain economic development projects championed by the state. This finding collaborates with Taylor (2012) that financial education that is driven by international development agencies appears to be concerned with consumption smoothing and stabilisation of poverty. However, participants argued that remaining in their communities protects the sovereignty of VSLAs against possible capture by foreign elites which includes state-driven and donor-driven development agendas.

Support by NGOs

The absence of support systems in the face of failing development endeavours of the state, participants had abandoned activities that promote collective action beyond programmes supported by NGOs. This is a direct result that participants do not have the luxury of time to participate in any other venture that does not have external development champions that are sponsored by NGOs. The immediate consequence is that savings remain unable to gather the required momentum for alternative people-centred ideologies. NGOs operate in communities for specific purpose and prefer not to engage in ideological dialogues that seek to challenge and change the status quo. As an alternative, NGOs focus on sustainable livelihoods development priorities for the purpose of mitigating effects of poverty. VSLAs strive and prosper where they are mainstreamed to a community development programme such as CbCCA that is implemented by MDF.

General practice of VSLAs

The general practice of VSLAs can be summarised as follows. (a) VSLAs take deposits and use them to build loan fund that is used to provide short-term loans to borrowers. (b) Loans are issued at 10% interest per month on outstanding balances. Loans are settled in three to four months. (c) VSLAs dissolve and distribute their loan fund that has grown at the end of a savings cycle which is usually twelve months. Some VSLAs partly dissolve their group fund just before the planting season for the purpose of buying farming inputs.

Key findings describe VSLAs as; (a) empowering financial institutions; (b) as platforms of learning or places of learning; (c) promoters of financial discipline; and (d) reciprocity of support. VSLAs empower participants with cash-flow management skills. Participants use VSLAs to keep track of their finances by helping participants to keep a right balance between their income sources and expenses. This allows participants to make ends meet because they are empowered to used some drawings for consumption smoothing during the savings cycle and reserve lump sum cash pay-outs for larger expenses at the end of each savings cycle.

Collaborative learning was found central to empowerment. Collaborative learning promotes financial discipline and delayed gratification. Participants make regular deposits to the VSLA, take out short-term loans and repay them timeously. Basically, outcomes of financial discipline are mostly learnt from most disciplined participants. They cash-out usefully large drawings at the end of a saving cycle. They participate in a collective scheme, such as bulk buying of consumer goods and productive assets usually at the end of each savings cycle.
Clearly, the success of a VSLA as an agent of learning, practice and change is not only measured by its performance, but it is also measured by what participants do with money with regards to improving their quality of life. Regular savings meetings and participation in supervision sessions that are facilitated by NGOs support members of VSLAs to make informed financial decisions.

Unpalatable experiences

> *"Some savings groups have collapsed as a result of bad behaviours of few members. Some members believe that they are too knowledgeable to be guided by newcomers in groups."*

> *"The most disturbing experience is postponement of dissolution meeting because few members are unable to settle their loans."*

The above summarise some ugly experiences of the participants. Reputations of community-based financial institutions have been compromised by the unethical behaviour of some members and elites within them. Participants raised experiences regarding misrepresentation, collusion and defrauding of unsuspecting members. Some groups have failed and members would join or establish new groups every time members have been defrauded.

Relationships between members and their groups are contractual, formally establishing roles and responsibilities in relation to the task to be accomplished and the principles of beneficiation for each party as per collective agreement. However, these are tainted and strained by diversion of some members from the expected behaviours.

The dynamics of utilising VSLAs as agents of learning, practice and change aligns well with integration and alignment of group activities of cultural practices and reciprocity. The significance of this is that the relationship between participants their groups as their agent makes two crucial assumptions concerning their relationships.

Firstly, there is an assumption of uniformity and specifically that there will be no conflicting goals between the members and the savings group as their agent. Conflicts may be triggered by differences in desires and interests – resulting from powers given to the management committee to manage the affairs of the agent.

Secondly, the management committee may not always want to do the work they are assigned to do by some members, or they may not wish to do as the majority of members require. This is because the management committees have the privilege of better information, abilities and skills than the rest of the membership. In this instance, participants argued that savings groups collapse when other members relegate their responsibilities to observe whether management committees are truly fulfilling their responsibilities in relation to the task they are assigned to execute.

This assumption is valid in the context of the foundations of VSLAs and the relationship between management committees and the membership. First, the interests of the membership and management committees should remain aligned. Although there may be congruence of preferences among management committees regarding collective mission of their groups, most management committee members may be very concerned about the conflicting instructions and expectations they receive from the membership. It follows that the nature of the agent's operation may not always align directly with individual goals of members.

Moral hazard

Participants noted a possibility of opportunistic behaviours and moral hazard in VSLAs. A moral hazard is purposeful, unethical behaviour and intentional frustration of a group by the few. Unethical behaviours that have been observed include clear disregard of rules and reckless lending. According to the participants, reckless lending in particular has compromised the ability of some groups accomplishing their goals. However, external agencies like NGOs have helped VSLAs to establish systems for monitoring, preventing and reporting such ill practice.

2.9. Microfinance options available for smallholder farmers

This study revealed few ways rural people manage their income resources. It revealed how they stretch and manipulate group-based savings to meet consumption priorities, buy household assets, attend to traditional ceremonies and operate multiple income generating activities including farming. Based on the findings of this study, the purpose of this section is to present microfinance options for smallholder farmers and implications for the future.

	Microfinance Service			
	Traditional Stokvels	**Microfinance NGOs**	**Revolving credit provided by Non-financial institutions**	**VSLAs**
Advantages	This is the most understood and used group savings vehicle. It offers a number of options based on ASCA and ROCSA models. Interest earned benefits the members. There is appetite and experience to use transaction bank accounts. These groups have extensive build buying experience. Social capital and social bonds tend to harmonise the operation of these groups. Social capital also discourages loan delinquency.	Resource mobilisation is the sole responsibility of the NGO. Operating systems mimic formal banks. Loan term can be extended to 12 months. Collateral is not required for a loan, however, a must guarantee loans granted to individual members.	Resource mobilisation is the sole responsibility of the NGO. Proof of access to production land, size of the land, proven production capacity and commodity demand are used as criteria for loan approval. Collateral is not required for an applicant to qualify for a loan.	Social capital and social bonds tend to harmonise the operation of these groups. Social capital also discourages loan delinquency. Collateral is not a requirement for getting loans. Members have total control of their group fund. There are operating procedures and rules that are in place. This model can be adapted to make it possible for members to extend loan terms and savings cycles beyond a year. The VSLA model provides multiple options for bulking of loans and the use of some bank products.

	Microfinance Service			
	Traditional Stokvels	**Microfinance NGOs**	**Revolving credit provided by Non-financial institutions**	**VSLAs**
Risks	Fixed mentality such as annual cycles, consumption focus and some practices that disadvantage silent voices tend to weaken this model. There have been reports of fraudulent activities by leaders of some groups.	Establishment and operations are the highest cost drivers – which may translate to expensive microloans. There may be resistance to communities with long history of traditional stokvels and VSLAs. A microfinance NGO may run at a loss.	Provision of loans and recoveries appear to be very expensive as they are included in the salaries of field staff. Absence of capacity in the NGO impact the management of the revolving credit fund negatively. These NGOs may operate outside the provision of the National Credit Regulator (NRC) which may make it harder to deal with delinquent borrowers.	Group funds are kept in the village. This exposes VLSA to elements of criminality; however, this can be circumvented by depositing excess money into the bank account.
VSLA Limitations	Besides the fixed annual cycles, poor members tend to avoid taking out loans, and in few cases when they do, they only very small loans consumption loans.	Solidarity loan guarantee may be rejected by the VLSA. Externally provided loan may be incompatible with the VSLA.	Opportunities for integration are yet to be explored.	There could be misalignment between planting seasons and availability of sufficient loans for farmers. 12 months savings cycles and shorter loan terms limit VSLAs to grow their group funds and to provide larger loans.

Table 7 summarising microfinance options for smallholder farmers

The following options below are based on VSLA methodology.

- **Production focused VSLA:** The first option draws from traditional stokvels where members decide on the amount of money each member should contribute each month. There are no loans offered. This money is deposited in the bank after each monthly meeting. It may benefit farmers to ring-fence these savings for a specific commodity. Group fund dissolution can be aligned to a planting season.

- **Integration:** Promote integrated savings methodology. This means creating incentives for members of different groups to migrate some traditional stokvel products to VSLAs. Specifically, this means developing incentives that will attract monthly contributions from few stokvels such as those that are established for bulk groceries, furniture, appliances, house construction, and so forth – to be integrated as products of VSLAs. In this way, there will be more money that will be available to build substantial group funds.

- **Bulk Loan Fund (BLF):** VSLAs can be improved to accommodate financial needs of farmers and other village-based microenterprises. The immediate focus should include helping VSLAs to grow group funds to meet loan demand exceeding R10 000. This can be achieved in four ways. Firstly, to promote annual bulking of loan funds over a period longer than a year. This means promoting BLF groups and helping VSLAs to integrate this approach. The saving cycle should be stretched from 12 months up to 60 months (5 years) minimum. Secondly, to provide multiple opportunities for members make bulk contributions each year. Thirdly, to move away from charging monthly interest to levying annual interest rate of no more than 20% per annum. Lastly to extend loan term up to 12 months.

Implications for MDF and similar NGOs that promote and facilitate VSLA methodology are listed as follows;

- Further adaptive planning dialogues are recommended with a sample of VSLA community. The purpose of these dialogues will include testing and improving the three proposed options discussed above. The results of these planning dialogues will be an implementation manual for facilitators.
- Investigation and adoption of simple web-based record keeping tools as an option for groups with interest for using them. However, the greatest benefit is that this tool can be manipulated to support monitoring, evaluation and learning (MEL) objectives.
- Motivate the interest of bank to develop responsive products for group-based savings.
- MDF may consider taking interest on profit sharing model – but for the purpose of encouraging production on the part of farmers. MDF will be responsible for market facilitation. Farmer days are getting traction.

3. Governance and Operation of VSLAs

The purpose of this section is to present governance and operation of VSLAs. VSLAs are governed by their constitutions.

3.1. Users of VSLAs

In many cases groups are established by people with a common bond of association/trust such as friends, families and neighbors in a clearly defined community/geographical area. VSLAs are self-managed groups of people who meet regularly to save their money in a safe space, access small loans, and obtain emergency insurance. Experience shows that maximum group size should not exceed 30 members for smooth management. South African experience shows that VSLAs are established by homogenous group of people who know and trust each who agree to work together to achieve a common purpose. However, VSLAs are supported or facilitated by external development agencies and mainly the NGOs. Therefore, the main users of VSLAs include members of self-help groups (SHGs) and social enterprises such as water committees, farmer learning groups, smallholder farmer associations and marketing groups as well as livestock owners and informal traders.

3.2. Institutional, governance and management structure

Management committees are elected at the establishment phase and every time a group starts a new savings cycle. The main function of the management committee is to ensure all procedures are followed. This includes ensuring full participation of members, transparency and accurate record keeping. However, enforcement of rules is the responsibility of all members of the group. Generally, the constitution of a VSLA makes the following pronouncements:

- Goal and objectives, i.e. main reasons for establishing a VSLA
- The duration of a savings cycle
- Who is eligible to become a member of the VSLA
- Size of the group
- Rules of participation
- Procedures for electing a Management Committee
- Roles and functions of office bearers
- Share price and maximum shares a member can buy in a meeting
- Meeting procedures starting with share purchase (savings), loan issuing, loan repayment and share-out meeting procedure
- Loan qualification criteria and loan terms; and mainly, maximum loan amount, interest rate and repayment period
- Social Fund rules and qualification criteria
- Social Fund amount
- List of fines for violating the constitution
- Other operating policies
- Procedures for amending the constitution

Members of a VSLA elect a management committee to help with governance and operations of a VSLA. The management committee is constituted by the chairperson, records keeper, money box and 2 money counters. The roles of office bearers are presented as follows:

- The chairperson leads the VSLA and to ensure that there is harmony and collaboration amongst the members of the Group. S/he must chair all meetings. S/he ensures that the meeting agenda and all procedural processes are followed in all meetings. S/he also ensures that the constitution and the rules of the VSLA are followed and respected by all members.

- The records keeper is responsible to keep accurate records of the VSLA's activities namely, membership register, transaction books and closing balances for every meeting. S/he keeps accurate accounts of all VSLA's finances and presents copies of all bank transactions- where the VSLA has a bank account.
- The money box keeper ensures that the money box is properly locked at the close of the meeting before s/he takes it for safe keeping. S/he keeps the money box safe at her/his house and brings the money box to the VSLA meeting. Most importantly, s/he never tries to open the money box outside the VSLA meeting.
- Money counters count money during meetings and announce all totals at each stage of the meeting. Firstly, they count money when the money box is first opened at the start of the meeting. Secondly, they accept and count shares bought by each individual member and check if the money notes are not counterfeit or ink-tainted. Thirdly, they count total value of shares of purchased when all members have bought their shares. Fourthly, they accept and count loan repayment received from the individual borrower as well as counting of loans granted to borrowers. Finally, they count and confirm fines and closing balances at the end of the meeting.

3.3. Beneficiation protocols

Participants confirmed the contents of beneficiation framework. Members of the VSLAs are encouraged to attend and participate in all activities of the VSLA from establishment through to Group Fund dissolution meeting. The following framework was confirmed:

- Participation in the induction workshop that facilitates the establishment of a VSLA.
- Participation in all savings meeting. Participants who arrive late in the meeting are fined.
- A participant buys a minimum of a share in a meeting to qualify for loans. However, the borrower is allowed a loan that is two times the value of her/his share. Loans are only granted to borrowers who present themselves in the meeting. Loans are repaid between three and four months. A monthly interest of 10% is levied on loans.

3.4. VSLA operations

Members of a VSLA sit in semi-circle so that every member can participate and see all transactions activities carried out by the management committee. All members shall be given numbers – and shall sit in the "number" order as well. The chairperson shall be member *number 1* followed by the records keeper as *number 2*, the money box keeper as *number 3*, the first money counter as *number 4*, the second money counter as *number 5*, the first key holder as *number 6*, the second key holder as *number 7*, third key holder as *number 8*, and the numbering of other members shall follow from *number 9* up to the last member, e.g. member *number 19* if the VSLA has 19 members. In some instances, the money box keeper shall double as a shadow record keeper as well.

Each has a passbook. This is an individual member's transactional book which records the number of shares bought in every meeting, loans taken out and repaid and the share-out amount at the end of a savings cycle.

Group Fund is kept in a 3-way lock steel money box. Three elected members keep the keys of a box money box. The money box keeper does not keep the keys. However, the box needs is opened by four members only at the start of the meeting.

Members of the group can choose to contribute to a Social Fund, in order to help members in distress. A Social Fund is a small emergency grant that is given to members who encounter serious tragedies such as life-threatening accident, serious illness, death of a family member and serious damage to a house due to fire, storm, or floods. Members pay equal amounts each time they meet and usually less than a share price in order to build a Social Fund. A Social Fund is not repaid by the recipient.

The agenda of a savings meeting shall follow this structure:

- Opening a meeting
- Confirmation of quorum
- Taking of apologies and acknowledgment of proxies
- Payment of a Social Fund
- Buying of shares (savings)
- Repayment of loans by borrowers
- Confirmation of total money available for borrowing
- Issuing of new loans
- Confirmation of closing balances
- Closure of the meeting (setting the date, time and venue of the next meeting)

Members shall not be forced to take out loans. However, members are strongly encouraged to take loans. Loans are approved by the entire group and transactions are conducted in front of members. Loans are issued to registered members only and are limited to two times the value of shares of a borrower. No new loans are granted to borrowers who have outstanding loans.

At the end of the savings cycle the group prepares and holds a share-out meeting. No shares are bought at a share-out meeting. The Group Fund is dissolved in the following manner:

- Firstly, all members should have settled all their debts. In the event there is a member that still owes the Group Fund, s/he must sell her/his shares to the Group Fund in order to settle the debt.
- Secondly, the total Group Fund is counted. This includes savings, interest earned and fines.
- Thirdly, individual member's shares are counted and confirmed. This is the sum of all shares members have purchased over the savings cycle. Individual members' shares are added together to get total group/ VSLA shares.
- Fourthly, the total Group Fund is dived by the total number of group/VSLA shares in order to get the new value of a share.
- Lastly, each member's number of shares is multiplied by the new value of a share to get the total due to a member. Share-out funds are distributed to the members

The training curriculum has a minimum of three modules which are; VSLA establishment and formalization, development of rules of participation and the constitution and VSLA operations and group fund management. Social Fund development module is only provided to VSLAs that have chosen to operate Social Fund.

The most obvious motivator for people to engage in VSLAs is that VSLAs improve access to flexible financial services in villages through deposits, micro-loans and Group Fund share-out lump sums which members use for: consumption smoothing, production of nutritious food, investment in farming; establishment of micro-enterprises and other income generating activities.

3.5. Monitoring and evaluation

A database of all VSLAs is kept in the office and updated on monthly basis as part of information management system. Field personnel visit the VLSAs to observe and provide supervision during their monthly meetings. Monthly reports are generated from these supervision and financial records that VSLAs generate. Monthly supervision meetings provide field staff with opportunities to assess the performance of the VSLAs, identify learning and skills gaps of the members. Monthly supervisions also provide field staff with opportunity to re-train VSLAs and/or provide additional training which contributes towards overall goals of MDF.

3.6. Limitations of the study

Any research has its own limitations. The study had the following limitations.

- Data was collected during the busiest season of VSLAs when they conduct their share-out meetings. It was also a planting season for farmers. Some of the implications were that group discussions were to be postponed to the New Year.
- The study would have surveyed more than 50 participants and across all regions to make in-depth comparisons.
- The research team struggled to secure adequate sample (control) on stokvel members who do not participate in the MDF programme.

3.7. Conclusions and future considerations

Based on the findings of the study, and the following conclusions and recommendations are made.

VSLA programme design and execution should be done in an integrated manner. This means that NGOs should avoid introduction and promoting a VSLA programme as a standalone, but as a component of a bigger community development programme – and in the case of MDF, the CbCCA.

Building on what people know and want to do is a crucial feature of the VSLA programme. This means that the VSLA programme should build on the existing strengths of people involved in order to provide opportunities for participants to develop strategies to deal with their deficiencies at later stages.

VSLA programming should be integrated to, and linked with other institutions that are aligned to microfinance. This could be other NGOs, government institutions and formal financial institutions. This will provide VSLAs to engage with these organisations, and these organisations to consider developing financial products that are relevant for VSLA members – and in particular, smallholder farmers.

4. Good Practice and Success Factors

4.1. Adaptation

- **Recognise, appreciate and integrate local knowledge and peoples' experiences**

The study found that the adaptation and mainstreaming of VSLA methodology was the most significant activity in the MDF programme. Communities tend to embrace VSLA methodology because it builds on what people already know and want to do.

VSLA methodology provides a description of the basic principles of the VSLA system alongside with the traditional stokvels and other social enterprises in communities. The description of typical financial services and products that are embedded in VSLAs such as savings, loans and share-out lump sums at the end of a savings cycle aligns with the financial goals of rural households. Adherence to rules and close supervision and coaching tend to promote learning, deepen practice and strengthen confidence on the part of the members of the VSLAs. This is because over time members of the VSLAs unlearn bad practices found unsupervised community-based informal financial institutions.

- **Embrace phased approach**

There are at least three phases in VSLA development. These are establishment, supervision and maturity phases. These phases equip members of the VSLAs to manage their own savings, build Group Fund, manage loan portfolios and commit some of the drawing from their VSLAs to production activities. During these phases, mentors are able to identify skills gaps and what members want to learn.

- **Promote VSLAs as platforms of learning**

VSLAs provide multiple opportunities of co-learning, co-generation of knowledge and deepening of good practice between members of VSLAs and external support organisations. Learning extends beyond governance and operations of VSLA. Members of VSLAs tend to participate in all development activities offered by support organisations, be it food and nutrition security, access to water, income generation, conservation restoration, and so forth.

- **Scale up training**

Group learning and solidarity amongst members of VSLAs present opportunities for the NGOs to scale not only VSLA programme but other activities. This is because members of VSLAs demonstrate increased ownership and sense of responsibility while they operate their groups. This is also because VSLA methodology enables less literate members to understand the process and make meaningful contributions towards the functioning of their groups.

- **Promote and support self-replication**

VSLAs provide evidence of self-directed learning. VSLAs tend to self-replicate after each savings cycle. More people either join existing VSLAs or group themselves to establish their own. There have been many instances where members of the matured and experienced VSLA help with supervision of new groups. It is very critical for NGOs to keep track of self-replicating groups in order to provide training and mentorship to them.

4.2. Taking smallholder farmer-operated VSLAs to the next level

Options for helping smallholder farmers that have embraced the VSLA methodology should be explore in order to allow them to bulk and grow their loan funds. This is influenced by the experiences that farmers are struggling to save enough money for production inputs. For example, a farmer requires about R10 000 for produce a hectare of maize. Most loans are lower than R10 000 and borrowers are required to settle their loans in three to four months. The following should be considered going forward.

- Famers should be encouraged to inject lump sums as soon as they dissolve Group Funds from the existing VSLAs. In other words, a VSLA can set a target of the amount of lump sum each member should inject immediately after a share-out meeting.
- Loan terms can be extended to 12 months and at lower interest rate. This means that borrowers will be charged annual interest instead of the usual monthly interest of 10%.
- Savings cycles longer than a year should be encouraged. A cycle between 3 and 5 years is recommended. This will make it possible for members to defer share-outs/fund dissolutions.
- VSLAs should be encouraged to open and operate banks accounts. This is the safest ways for transacting large sums of money. All members of a VSLA should also have individual bank accounts.

This will make it possible for farmers to access larger loans they need at any given time for production. However, this approach would require extensive engagement with the farmers in their respective groups in order to explore newer and alternative financial services.

4.3. Implications for external supporters and donors

Major considerations should be made to provide long term funding and non-financial support to NGOs that mainstream VSLAs into their development programmes. This is because VSLAs require constant supervision and hand-holding for the members to participate meaningfully in programme activities. In addition, NGO require resources to co-develop solutions with formal financial institutions, and in particular, responsive financial products and services, technological solutions, access to markets, broad-based enterprise development, incentives for conservation restoration, climate change adaption and so forth.

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Annexure 1: Data Collection Instrument: Questionnaire

The main purpose of interviews will be to capture specifically the history, needs, problems, frustrations, fears, desires, opportunities, hopes and dreams of the participants. It will further be used to probe resources that participants use to make a living, and to understand the financial life of the participants. Respondents must be smallholder farmers participating in the VSLAs.

Date of Interview:		**Questionnaire Number:**	

Instructions to the interviewer

- Greet the respondent in IsiZulu and ask for permission to interview her/him. Interview must be conducted in IsiZulu but responses recorded in English will be about an hour or so.
- Explain that the information that the respondent will provide will be treated with the highest degree of confidentiality.
- **All questions must be answered**.

SECTION 1: Respondent's profile

1. Name of the village/area: ____
2. Name of the closest town you use: ______________________________________
3. Gender: ____________ Marital Status: ____________________ Age: ________
4. Are you a household head? ________ If not, who is? _______________________
5. If you are married, do you live with your spouse? _____________ If not, where does your spouse/partner live? _________________________ Is s/he working? _____
6. Highest educational certificate: ______________________________________
7. Number of people living with you: ________________ (household size)
8. Number of people dependent on you: _______________
9. Are you employed? ___________ If yes, by who? _________________________
10. What are **YOUR main** sources of income that are most useful in your household? _____

____

____

____

SECTION 2: Confirmation of participation in a user-operated financial institution, e.g. a VSLA/savings group or a stokvel

11. Type of a user-operated financial institution (tick appropriate): MDF VSLA/Savings Group _____ Other Savings Group ____ Grocery Stokvel _______ Burial Society _____ Other (specify) ____
12. Who is eligible to participate in your group? ____ ____
13. How many members are there in your group? _______________
14. When was the group established? (year) ___________________
15. When did you join the group? (year) ______________________
16. How much do members contribute per month? Min: ____________ Max: __________
17. Who is eligible to take a loan? ____
18. What is the largest loan a borrower is eligible to take? ___________________________
19. What is the interest rate per month? _____________
20. How many months a borrower is given to service and settle the loan? ______________

SECTION 3: Confirmation of assets

21. Based on question above 10, what is YOUR average income per month? ____________
22. Where does YOUR money go each month? What do you use your money for?

Description of Expenses	**Amount**	**Saving Groups**	**Amount**
Food, grocery		MDF VSLA	
Transport/travel		Grocery Stokvel	
Electricity		Other Savings Groups	
Airtime, data			
Other			
Other			
Total		**Total**	

23. Based on question 22 above, how much do you spend per month? __________________
24. Based on question 22 above, how much do you save using MDF VSLA, grocery stokvel and other Savings Groups per month? _______________________
25. How many times did you take a loan this year? (2022) ________________________

26. What was your biggest loan you took out from your group this year? (2022) _________

27. What did you use your loans for? ____

____

28. How much was your **share-out amount** this year? (2022) _____________________

29. What did you use your **share-out** for? ____

____

30. What items did you buy using money from your group in the last 3 years? ___________________

____

____

_____ ____

31. What assets (e.g. farming equipment and other income generating assets) do you have that you believe are improving the quality of life in your household? _____________________________

____

____

32. Is your income generating activity (IGA) still operational? _________________________

33. Have you used money from your group to operate an income generating activity? _____ If yes, what was your income generating activity? ____

____

______ ____

SECTION 4: Problems, hopes, aspirations and dreams

34. What are most pressing problems that you believe your group may solve for your household?

____

____

______ ____

35. What do you wish you're group should do better and why? ________________________________

____

____

36. Where do you want to see your group in the next 5 years? ________________________________

____

____

37. What are your top 5 financial skills that you have learnt participating in your group?

____

____

____

__________ ____

38. What are top 5 non-financial skills that you have learnt participating in your group?

____

____

____

________ ____

39. What “working together" skills that you have learnt from participating in your group?

____

____

_______ ____

38. What else have you learnt by participating in your group? _______________________________

____

____

39. If you were asked to improve the functioning of your group, what would you suggest? What would you improve and why? ____

____

____

____ ____

40. How can you improve learning and transfer of knowledge in your group? ________

____

________ ____

41. What can your group do in order to fund income generating activities including farming operations?

____

____

___ ____

42. What benefits do you think you can draw from your group if your fellow members improve learning and transfer of knowledge? ________________________________

____

_________ ____

43. Is there anything you would want to ask from me? ______________________________

____

Thank you

Annexure 2: Data Collection: Focus Group Discussion Schedule

Respondents will be purposively selected to participate in the Focus Group Discussion (FGD) interviews. Respondents will be members of Village Savings and Loans Associations (VSLAs) and stokvels from communities where Mahlathini Development Foundation implements its programmes. FGD interviews will be conducted in mother tongue of the respondents.

Purpose of the FGD Interview

The main purpose of the FGD interview will be to:

- Indentify and discuss types of financial services and products that are available and used in their communities.
- Understand, and specifically the structure, characteristics and purpose of alternative financial services institutions and products that they use (or likely) to finance their production activities and microenterprises.
- Discuss configuration of participation in their alternative financial institutions.
- Encourage participants to propose the contents of a handbook of microfinance option for farming communities.

Data Recording

Researchers will use flip charts, electronic voice recorder, camera and note book to record the discussions and observations. They will ask permission to use a voice recorder and camera before the start of each session.

Flow of activities for conducting FGD interviews

1. **Opening:** A volunteer from the participants will open the workshop and immediately hand over the session to the researchers.
2. **Introduction of the researchers:** The researchers will greet the participants and introduce themselves. It will be at this point that the purpose of the workshop will be presented. The content below will be shared during the introduction.

   We are extremely grateful for your time and effort accepting my presence here today. As you are aware, we are employed by Mahlathini Development Foundation. Promoting and supporting VSLAs is one of the services provided by Mahlathini.

   We have been lucky to receive small research funding from Water Research Commission (WRC) to develop and handbook of microfinance options that are available to smallholder communities like yours. Therefore, the purpose of this focus group discussion interview is to stimulate memories and ascertain experiences to elicit data to answer the research questions, in order to understand the your experiences in using different financial products; those that are provided by formal institutions and community-based financial institutions like yours.

   We believe that your input will enhance the value of our study. We commit to share the findings of this study with you before it is published. Kindly take heed that all your responses will be treated *with strict confidentiality. Your identity and your names will not be divulged under any circumstances.*

Once more, thank you very much for participating in this interview.

3. **The purpose of the study and the process:** The lead researchers will then explain the process to the participants. Participants will be given an opportunity to ask for clarifications before proceeding to the next activity, that is the actual FGD interview.
4. **Introduction of respondents:** Researchers will then request the participants to introduce themselves in a certain way: name, marital status and length of participation in informal financial institutions and specifically the VSLAs. Attendance registers with consent are circulated for signing by the respondents. A sample of an attendance registers with consent is presented separately from this FGD interview schedule.
5. **Conduct FGD interviews:** The FGD interview questions in the next page will guide the discussions.
6. **Next steps and clarifications:** Researchers will allow participants to ask questions before closing the FGD interview. The researchers will close the FGD interview once all questions from the respondents have been sufficiently attended to.
7. **Closure:** Researchers will thank the respondents for the participation in the FGD interview.

FGD Interview Questions

Introduction (General)

1. How does money come in this community? In other words, which institutions help residents of this community to access their money? Who provides financial services in this community? Are there financial services provided by government, NGOs and other private providers other than the banks? Provide a list and provide a short description of a service.

2. What types of financial services (and products) do residents of this community use? Can you categorise and describe financial services provided in this community?

3. What type of financial services that are not used by the majority of residents of this community? What are reasons for not using these financial services?

4. How do members of this community choose financial services and products that they use? How do they access these financial services? Do people go the nearest town? Do providers come to the community? Do providers operate in the community?

5. What do people use these financial services for? In other words, after receiving money, where does it go to? Clearly state what each financial product is for.

6. Which financial services are largely used by microenterprises and smallholder farmers in this community?

7. Amongst the financial services you have listed above, which services are most efficient and responsive to the residents of this community? In your view, why are these services deemed efficient and responsive?

Going into depths (VSLAs)

8. How did you start your VSLA? What pushed/motivated you to start a group?

9. What is the main goal for your group? In other words, why do save? What do you use loans and share-outs for?

10. What are most pressing problems that you believe your group is helping you to resolve for your farming enterprise? List problems resolved.

11. What should prospective members do in order to participate in your group activities? How do members decide on members of the group?

12. How does your group ensure that the most vulnerable members are not left behind? In other words, what does your group do in order to ensure that vulnerable members are not only limited to savings and not using all financial services provided by the group?

13. What sets your group apart from other groups in this community? In other words, how is your group unique from other groups not supported by Mahlathini?

14. What specific activities that ensure meaningful participation of members in the group activities?

15. How does your group deal with delinquency? That is, borrowers not paying-off their loans in time? How do you group deal with the risk of bad debts?

16. If you were asked to improve the functioning of your group, what would you suggest? What would you improve and why?

17. Based on your experience, what are main success factors of a group? In other words, what defines a well functioning group?

Comfort break

18. In 2022, how many times did you take a loan and how big was the loan? What did you use your loan(s) for?

19. How much was your most recent share-out amount this year? What did you use your share-out for?

20. Does your group give loans to farming and business enterprise activities? How many members in your group operate farming enterprises (and related enterprises)?

21. Related to farming and enterprises, what did you spend money on in the last 2 to 5 years?

22. Over the last 2 to 5 years, what other enterprise/income generating activities (IGAs) have you done – as a result of you participating in the VLSA programme?

23. What do you wish you're group should do better and why?

24. Do you think your group should interact/link with formal financial service providers? What are the reasons for this? What do you think the relationship should be?

25. If you were to speak directly to formal financial service providers (banks, FDIs, etc.), what services and support will you request from them?

26. Based on your experience, what should a group account look like? What should it offer? How should it conduct its business going forward? In other words, how would you design a group that is truly responsive to your farming and enterprise development activities?

27. Do you plan to use formal bank services in the near future? Which bank or financial service provider will you recommend for your group? Why?

28. VSLAs are known for struggling to provide bigger loans to microenterprises. Based on your experience, what ways can be explored to increase the loan fund (group fund) so that farming enterprises can access bigger loans when they require them?

29. Drawing from your experience, what financial education content should be included in the VSLA programme in future? What are the reasons for this inclusion?

30. What should be included in the handbook of microfinance options that will be produced from the results of this study?

Closing the gaps

31. Take questions from the respondents and provide clarifications.

32. Summarise, thank the participants and close the FDG interview.

Closure

Annexure 3: Contents of a VSLA Constitution and Rules

In this document, Savings Groups shall mean Village Savings and Loans Associations (VSLAs) that are supported by Mahlathini Development Foundation (MDF)

The Savings Groups Rule Book for MDF Facilitators

Introduction
This guide contains ninety (90) rules that MDF facilitators must share during training and supervision sessions/meeting of the groups. These rules should be reflected in the constitution of a VSLA.

Goal of a group

1. The goal of a Savings Group is not to "trade" money or run a "loan shark" scheme. Generally the goal of many Savings Groups is to provide financial services that they use to enhance their livelihood strategies. In this instance, MDF promotes Savings Groups amongst rural farming communities in order to help smallholder farmers to build collective funds that they can use to:
   a. buy farming inputs, e.g. seeds and seedlings, chicks, feeds, etc,
   b. buy or hire farming equipment, e.g. egg layer cages, micro grain millers, planters, sprayers, etc,
   c. buy farming infrastructure, e.g. fence, water tanks, water pumps, grain storage facilities, etc,
   d. operate a successful business enterprise/income generating activity in the villages
2. Value chain actors who are not directly involved in primary and/or secondary production are also allowed to participate in Savings Groups and CRA programme. These value chain actors will vary from village to village.
3. In order to help smallholder farmers to achieve their development goals, Savings Groups shall take deposits, issue short-term loans, charge interest on loans, collect loans with interest and distribute savings to members. However and in this instance, interest shall be capped at ten percent (10%) per month and all loans shall be settled in full within three (3) months. A borrower can be given an additional month to settle the debt.

Governance of a group

4. A Savings Group shall be governed and operated by its constitution. A constitution shall be discussed during induction training workshop – and shall be duly signed by the Management Committee once adopted/resolved by the entire membership of a Savings Group. The rules (terms and conditions) contained in this guide shall also apply.
5. The minimum saving cycle of a Savings Group shall be one (1) year or twelve (12) months. Savings Groups are allowed to extend savings cycles up to eighteen (18) months if members so with. We recommend that groups stay together at least for five (5) years together.
6. The size of a Savings Group shall be between nine (9) and nineteen (19) members. The minimum participation age in a Savings Group shall be twenty one (21) years. All members of a Savings Group are assumed to know each other very well and shall reside in the same community or neighbourhood.
7. A Savings Group shall elect a Management Committee. This Committee shall have a Chairperson Secretary (Record Keeper) and a Treasurer (Money Box Keeper). There shall be no deputies of Chairman, Secretary and Treasurer.

8. In addition to a Management Committee, a Savings Group shall appoint two (2) Money Counters and three (3) money box Key Holders. The role of a Management Committee, money counters and Key Holders shall be detailed in the constitution of a Savings Group.
9. All members shall be given numbers – and shall sit in the "number" order as well. The Chairman shall be member *number 1* followed by the Record Keeper as *number 2*, Money Box Keeper as *number 3*, first Money Counter as *number 4*, second Money Counter as *number 5*, first Key Holder as *number 6*, second Key Holder as *number 7*, third Key Holder as *number 8*, and the numbering of other members shall follow from *number 9* up to the last member, e.g. member *number 19* if the Group has 19 members. The Money Box Keeper shall double as a shadow Record Keeper as well.
10. A constitution shall be reviewed and/or amended before the commencement of a new savings cycle. This session shall be facilitated by the MDF facilitator. An amended constitution must be signed by the Management Committee.
11. The Management Committee shall be responsible for guiding a Savings Group to execute its constitution so that the goal of a Savings Group is achieved.

Group operations

12. A Savings Group shall meet once a month to conduct its business. All members of a Savings Group shall be present at the meeting. In an event that some members are unable to make it to the meeting, the quorum of the meeting shall not fall below 75% of the membership (attendance).
13. Members of a Savings Group shall sit in a circle or semi-circle so that every member can see and follow on what the Management Committee and especially the Record Keeper and Money Counters do. *COVID-19 and social distancing protocols shall be observed all the times*. All members must participate in the counting of money and confirmation of closing balances. It shall remain the duty of each member to read and confirm that correct transactions are recorded in her/her individual transaction book.
14. A Savings Group shall prioritise the business of providing financial services; however other non-financial matters shall be dealt with when savings have been concluded. The agenda of a savings meeting shall follow the structure – and this structure shall never be altered:
    a. Opening with prayer
    b. Confirmation of quorum (and acknowledgement of proxies)
    c. Matters to be discussed under social protection item
    d. Confirmation of balances (forgetful members are fined)
    e. Buying of shares (savings) – and confirmation of total savings
    f. Repayment of loans by borrowers – and confirmation of total loan repayments
    g. Issues of new loans to un-indebted members
    h. Closing balances – and confirmation of total money remaining in the Money Box
    i. Booking of loans to be issued in the next meeting
    j. Social protection discussion (matters)
    k. Closure of the meeting (setting the date, time and venue of the next meeting)
15. Savings Groups act safety nets (social protection) for members and their households. It is for this reason that other matters that are of social protection in nature shall be presented by members for discussion in Savings Group meetings.
16. There shall be dual recording of transactions. All transactions are recorded by a Record Keeper. Member' transactions are recorded in an individual's transaction book, while Group's transactions are recorded in the master record book of a Savings Group. Transactions are: shares, loans and closing balances.

17. All records and money are kept in a 3-way lock steel money box. The Money Box Keeper only safeguards the money box without keys. Keys are held by 3 Key Holders. Key Holders and Money Box Keeper shall not reside very close to one other. This money box is only opened at a monthly meeting of a Savings Group.
18. Monthly savings records shall be made available to MDF at the close of each savings meeting. In the event the MDF facilitator is not in attendance to the meeting, the Record Keeper and/or the Chairman shall take a picture of the records of the meeting and forward them to MDF facilitator using the WhatsApp.

Membership to a group

19. Only people that are known to one another should establish and operate a Savings Group. Besides knowing, trusting and respecting each other very well, members of a Savings Group should live in the same village/neighbourhood and ideally participate in MDF's CRA programme. However, individuals that do not participate in MDF's CRA programme are allowed to participate in the Savings Group programme as well.
20. Self-selection of members of Savings Groups is promoted. Self-selection simple means that people that know each other will decide on their own as to who qualifies for membership in a Group. However, prospective members of a Savings Group are encouraged to refrain to establish Groups with people who have dented reputation in a community.
21. Each member shall be given a transaction book that would last for one (1) saving cycle.
22. A member shall be allowed to register and introduce one (1) proxy to a Savings Group in a saving cycle or a year. A proxy shall not participate in the discussion of a Savings Group nor take loans on behalf of the absent member. Participation of a proxy shall only be limited to the purchasing of shares and repayment of loans.
23. Members shall commit to keep their proxies informed with regards to the number of share they have bought and loans they have taken out.
24. In an event where a member decides to withdraw (or is forced to withdraw) from a Savings Group, her/his shares shall be payable at least three (3) months after receipt of a letter of withdrawal (resignation). These shares shall bear zero interest.
25. In the case of death of a member, a Savings Group may pay the entire investment amount less outstanding loan amount but only if there is enough cash in the money box after issuing new loans. Depending on the proxy, a Savings Group may pay the deceased contribution with interest at a share-out meeting. And in the event where the deceased has an outstanding loan, a Savings Group may negotiate with a proxy to; (i) repay the balance of a loan, and/or (ii) continue with participation in a Group. Sadly, this is the risk a Savings Group takes when issuing out loans hence the rules regulating the issuing of loans.

The following is not allowed

26. Participation in multiple Savings Groups shall not be allowed. This is done to prevent members to using loans from another Savings Group to buy shares or repay loans of another Savings Group.
27. Setting a sideline "loan shark" operation by a Savings Group shall not be allowed. Members shall also be encouraged to desist from this practice.
28. A member shall not be allowed to hold more than one (1) account in a Savings Group. In other words, a member will only be allowed to have one (1) transactional book.
29. Registration of under-age children shall not be allowed. All members of a Savings Group shall present themselves physically in all events of the Savings Group.
30. A Savings Group shall never exceed nineteen (19) members or fall below nine (9) members.

31. Acceptance of new members after a share-out meeting and at a start of a new saving cycle is not allowed.
32. A proxy shall never be allowed to take a loan of an absent member.
33. Interest on loans shall never accrue to a borrower but to a Savings Group.
34. No borrower shall be granted a new loan when there is an outstanding loan.
35. No loans shall be issued two (2) months before a share-out meeting (fund dissolution).
36. No borrower shall be charged interest after servicing the debt and paying interest for four (4) months.
37. Money box shall never be opened outside a savings meeting.
38. No proxy shall be allowed to participate in the meeting preceding a share-out and at a share-out meeting.

Training of the groups

39. All members of a Savings Group shall attend a Savings Group induction training workshop facilitated by a MDF facilitator.
40. During the induction training workshop, a Savings Group must:
    a. Decide and agree on a value of a share and maximum a number of shares that can be bought in a meeting.
    b. Develop a list of members of no less than nine (9) and more than nineteen (19) members must be generated and signed by all members.
    c. Elect a Management Committee (as per items 6 to 8 above).
41. After the induction training workshop, Savings Groups shall use this framework of a constitution to draft their constitutions that would be hand-written and that would be adopted at least in the third savings meeting.
42. MDF facilitator and partner organisation that may be drawn in from time to time to facilitate learning events and to supervise Savings Groups during their monthly saving meetings. A scaffolding training techniques shall be used to coach and skill members of Savings Groups to execute their development goal by providing short and focused training sessions in group governance, financial and entrepreneurship education.
43. MDF facilitator shall further conduct training of chairmen and secretaries in order to improve the efficiency and performance of Savings Groups.
44. MDF facilitator shall conduct health diagnosis of a Savings Groups at least four (4) times a year for the purposes of improving the efficiency of the Savings Group – and to ensure that all transactions are recorded with accuracy.
45. MDF facilitator shall re-train a Savings Group on share-out procedures and calculations at least two (2) months before the share-out meeting.
46. MDF facilitator shall be present at share-out meetings to help Savings Groups to calculate and to allocate shares to members.

Savings meeting procedure

47. All COVID-19 protocols shall be observed in all meetings of a Savings Group. COVID-19 protocols for savings meetings are attached *as annexure 1* of this guide.
48. After prayer, the Chairman shall open the meeting. S/he shall ask the closing balances as per the last meeting. Forgetful members shall be fined on the spot!
49. Members shall buy shares. The total contribution of <u>shares</u> shall be counted and announced to the meeting.

50. Next will be the repayment of loans by borrowers. The total contribution of <u>loans</u> shall be counted and announced to the meeting.
51. Next will be issuing of new loans. The total value of <u>loans</u> issued shall be counted and announced to the meeting.
52. The total balance remaining in the money box shall be counted and announced by the Chairman as closing balance of a meeting.
53. Money box which contains money and transaction records is closed and locked properly and shall only be opened in the next meeting
54. Social protection matters are discussed next.
55. Finally, the date, time and venue of the next meeting is announced just before the meeting adjourns.
56. In summary, all members must buy shares (save). Borrowers must also service their debt. Transgressors must also pay fines. Borrowers must be aware that they must service their debts while buying shares as well. Therefore budgeting (and planning) is very crucial and shall not be ignored.

Buying of shares (saving)

57. This is a share-based savings and loans operation. Members purchase shares as a way of saving or depositing money.
58. A share value shall range from R100 to R500. Members shall be allowed to purchase between one (1) and ten (10) shares in a saving meeting. A share chart is attached as *annexure 2* of this guide.
59. There shall be one (1) savings meeting in a month.
60. Shares for past and future meetings cannot be bought.
61. No shares shall be bought during a share-out meeting.
62. Members shall be allowed to buy shares in eleven (11) meetings where a share-out is planned to take place by month/meeting twelve (12^{th}) or twelve (12) times if share-out meeting is planned to happen in thirteenth (13^{th}) month/meeting.

Taking and repaying loans

63. Members shall not be forced to take out loans.
64. Loans are only issued to registered members only. Loans shall be limited to two (2) times the value of shares of a borrower between the second (2^{nd}) and the fifth (5^{th}) months. For instance, if a borrower has R1 000 in shares, s/he shall be entitled to a loan of R2 000. Loan issuing tables 1 & 2 are provided as *annexure 3a and 3b* of this guide.
65. Loans shall be limited to the value of total shares member holds from the sixth (6^{th}) month of saving. This is done to prevent over-indebtedness that frustrates Savings Groups when members struggle to settle their debts in good time for a share-out meeting.
66. Maximum/large loans shall be capped at R5 000 and shall not be granted later then the fifth (5^{th}) month of saving. It is recommended that bigger loans are guaranteed by one or two members other than the borrower. It is hoped that this will put pressure on the borrower to service and settle the loan in record time.
67. No new loans shall be granted to members (borrowers) who have outstanding loans.
68. Loans are repayable over three (3) months. A fourth (4^{th}) month can be granted to a struggling borrower to settle her/his debt.
69. In the event where the borrower is unable to settle her/his debt within four (4) months, a Savings Group shall further allow the borrower to settle her/his debt within two (2) months where the total

debt is greater than the value of shares. Where the value of shares is greater than the debt, Savings Groups shall use borrower's shares to settle the debt but only at the share-out meeting.

70. In the event that the borrower fails to settle her/his debt, Savings Groups shall be allowed to use other forms of debt collection and ideally before a share-out meeting.
71. Interest on loans shall be ten percent (10%) per month. Interest shall be paid over four (4) months only and after this period, and if a loan is not settled, interest shall no longer be charged.
72. Interest accrues to the Savings Group and not to a borrower. In other words, interest generated through issuing of loans belongs to a Savings Group and not to a borrower.
73. Interest is charged only on outstanding amounts (balances) only.
74. No loan shall be granted to an absent member, even if an absent member has sent a proxy to the meeting.
75. All loans are settled at least a month or two before a dissolution/share-out meeting.
76. No loans are issued from the 10th month if the group plans to share-out by the twelve (12th) or thirteenth (13th) month.

Share-out/dissolution meeting procedures

77. Members shall decide to share-out or dissolve part of or the entire group fund at least after twelve (12) months. Thirteen (13) months is highly recommended. There shall be no shares bought at a share-out or dissolution meeting.
78. The Group Fund shall be dissolved in the following manner:
    a. **First:** All members should have settled all their debts. In the event there is a member that still owes a Savings Group, s/he must sell back shares to settle the debt.
    b. **Second:** Count all the Savings Group shares.
    c. **Third:** Count the total Group Fund.
    d. **Fourth:** Divide the total Group Fund by the total number of shares to get the new value of a Share.
    e. **Fifth:** Multiply each member's number of shares with the new value of a share.
79. Dissolution of Group Fund (share-out) shall at least coincide with preparations for a planting season. Savings Groups are discouraged to hold share-out meetings and/or dissolve their loan funds during any festive season and in particular during Easter and during December/January holidays. This is done to mitigate the risk of spending money on purely consumption items.
80. Granting of new loans at the first savings meeting that happen just after a share-out meeting is not allowed.

Co-operative buying

81. Co-operative buying of farming inputs shall be promoted in Savings Groups. By definition, co-operative buying (or bulk buying) is the purchase of much larger quantities than the usual, for a reduced price per unit than the usual. The purpose of bulk buying is to achieve mutual gains for the buyers. In this, the supplier, be it a manufacturer or wholesaler is willing to accept a slightly lower sales price for each unit and the buyers agree to buy a much greater quantity of units.
82. For bulk buying to benefit the group of buyers, they should take a lead role in the distribution channel. MDF facilitators will help the Group to develop bulk buying procedures. This shall include developing a register of buyers, handling of money, and interacting with suppliers. This also means that the Group of buyers must be;
    a. Proactive in securing quotations and negotiating good prices for their group members. MDF facilitators shall be available to support the process.
    b. Willing to pay upfront fees/deposit.

c. Prepared to set up a simple but accurate record keeping. This means that the group will have a register of members that reflects their contribution (month and total) and quantities of inputs (products) to be purchased.
d. Prepared to conclude a one-page agreement that mandates the bulk buying group representatives to place (and pay) orders on behalf of the group.
e. Set up the delivery logistics in collaboration with MDF and the suppliers.
f. Appoint/elect a 'runner' to ensure that those members who commit themselves into the programme comply with all the terms of bulk buying.

Fining transgressors

83. No member shall be fined for failing to buy shares and for struggling to repay her/his loan/debt.
84. The Chairman shall impose fines to transgressions such as arriving late to the meeting, talking and answering the phone during meeting and failure to remember closing balance of previous meeting. A list of transgressions shall be detailed in the constitution of a Savings Group.
85. Fines shall be limited to a maximum of 3 offences and not exceeding R20.00 in total. It is recommended to cap a fine at R10.00 per offence. However, R5.00 is highly recommended. Money raised from the fines is added to the Group Fund.

General matters

86. It is recommended that members pay administration fees into the Savings Group to be able to purchase operating kit (money box and transaction books). This must happen at the beginning of a new savings cycle.
87. MDF facilitator shall be available to train, re-train and coach the Savings Groups to conduct their business in a transparent and clean manner. MDF shall take no money from Savings Groups other than money given by individual members for the purposes of Enterprise Development.
88. A Chairman and Secretary shall be required to undergo additional training from time to time. This shall be arranged in good time with the MDF facilitator.
89. Savings Groups shall undergo Enterprise Development (ED) training from the 4th month after their establishment. Again, this shall be arranged in good time with the MDF facilitator.
90. Savings Groups shall have an option to open and operate bank accounts with a registered bank. MDF facilitator shall discuss transactional costs and bank charges with Savings Groups before a decision is made.

END OF RULES

Annexure 4: Example of Group and Individual Savings Books

Individual savings book: share buying page

Buy shares between 1 & 10 (**Example**)													**The share value is:**		R100.00
Date of meeting			**Number of Shares Bought**												**Total Amount**
			1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**No Shares**		
Meeting Number (12 months)	**1**	08/02/2022	X	X	X	X	X						5		R500
	2	07/03/2022	X	X									2		R200
	3	08/04/2022	X	X	X	X	X	X	X	X	X		9		R900
	4														
	5														
	6														
	7														
	8														
	9														
	10														
	11														
	12														
	Sub-totals														
			Total shares for the period												
			Total shares sold												
			Total shares remaining												
			New share value												
			Share-out amount (Total shares X new value of a share)												

Individual savings book: loan taking and repayment page

Repay loans, and take new loans (**Example**)				
Commitment by the Borrower: By appending my signature(s) here, I agree that this Savings Group may attach my personal items and/or sell them to repay any of my outstanding fees and loans.				
Guide	**Item**	**Loan**		**Signature**
Take a loan	**Loan Amount**	R1 000		
	Interest	R100		
	Due Next Meeting	R1 100		

Repay a loan **Month 1**	**Paid**	R100		
	Loan Amount	R1 000		
	Interest	R100		
	Due Next Meeting	R1 100		

Repay a loan **Month 2**	**Paid**	R600		
	Loan Amount	R500		
	Interest	R50		
	Due Next Meeting	R550		

Repay a loan **Month 3**	**Paid**	R350		
	Loan Amount	R200		
	Interest	R20		
	Due Next Meeting	R220		

Repay a loan (final month) **Month 4**	**Paid**	R220		
	Loan Amount	R0		
	Interest	R0		
	Due Next Meeting	R0		

Group Records: share purchase

Book Number & Surname		Initials	Records of shares bought in each meeting												Total Shares	Amount
			Meeting Number													
			1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*		
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
12																
13																
14																
15																
16																
17																
18																
19																
TOTAL SHARES BOUGHT PER MEETING																
VALUE OF TOTAL SHARES IN A MEETING																

Group Records: closing balances

MONEY IN		MONEY OUT	
Number of shares bought today		Number of loans issued today	
Rand Value of shares bought today	R	Value of loans issued today	R
Value of loans repaid today	R	Money remaining in the box	R
Total income received today	R	Money deposited in the bank	R

NOTES: All of these figures must add up to the collective figures contained in the individual member's transactional books	Total value of outstanding loans	R

Annexure 5: Training Outlines for Setting up VSLAs

Module 1: VSLA establishment and formalization

- What we know about stokvels and savings groups: significance, uses, challenges and opportunities
- Difference between a group and a gathering
- Difference between a traditional stokvel and VSLA
- Desired and undesired behaviors and personalities/habits
- Good qualities of a member of a VSLA
- Roles of office bearers
- Election of office bearers and establishment of a Management Committee

Module 2: Development of rules of participation and the constitution

- Characteristics of a well-functioning VSLA
- Rules of participation
- The constitution of a VSLA
- Non-negotiable rules

Module 3: VSLA operations and group fund management

- Savings procedure
- Loan issuing procedure
- Loan repayment procedure
- Fund share-out procedure

Annexure 6: Record Keeper Training Outline

- Review: the role of a record keeper
- Key learnings with regards to keeping records of a VSLA
- Challenges facing record keepers and by extension the VSLAs
    - Forced lending (or forced borrowing) leading to over-indebtedness and delinquency
    - Too much money towards sunset
    - Granting of loans to borrowers who do not qualify based on the total value of their shares
    - Borrowers do not want to declare what they use their loans for
    - Delinquency leading to delayed group fund dissolution meetings
    - Holding a first savings meeting immediately after a share-out meeting tend to plant seeds of delinquency
- Challenges VSLAs have been able to resolve
- Challenges requiring external intervention
- General areas of improvement
- Non-negotiable rules of the VSLAs