

RESOURCE BOOK FOR SAVINGS GROUPS

Mobilising solidarity through savings groups



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Participants enjoy watching the Savings Groups Play. Zwide Nelson Mandela Bay

1. USING THIS RESOURCE BOOK

1.1 The purpose of this resource book

This book is for the use of community educators and self-organised community groups that are interested in finding ways to help marginalised and economically excluded groups. It will help build their capacity to fight poverty, especially in areas where no formal financial support systems are available. Through shared accountability and democratic participation, the group will be able to build strong relationships in which people care for and rely on one another. This will help them challenge poverty.

This book provides basic information on how to form a savings group, maintain its membership and strengthen its activities. It includes the stories of successful savings groups, as well as basic tools for establishing and maintaining a savings group. It will also show how some communities have worked together to form community funds and use their own currencies.

1.2 The Community Education Programme

This resource book is a result of the work of the Community Education Programme (CEP).

The Programme is based at the Centre for Post-School Education and Training (CIPSET) at Nelson Mandela University. It is a collaborative programme with community members and organisations around the Missionvale campus of Nelson Mandela University. CEP uses community-based participatory action research to develop non-formal education programmes and support community members who wish to undertake collective work that builds self-reliance and a solidarity economy.



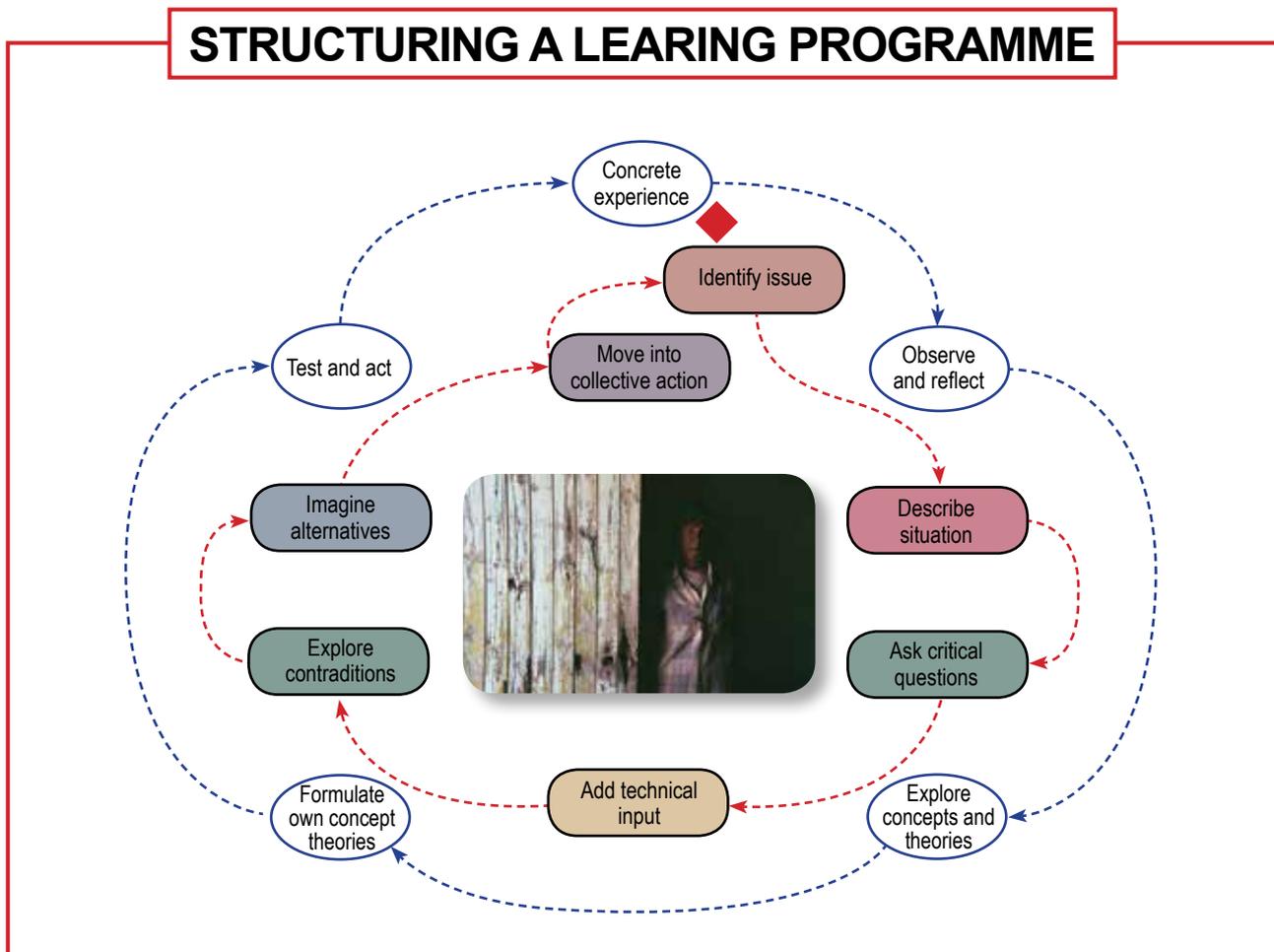
Workshop participants practise recording deposits. Missionvale, Nelson Mandela Bay.

1.3 Developing a curriculum

Our work has drawn from the tradition of critical pedagogy, particularly that of Paulo Freire. For Freireans, the purpose of education is to support transformative learning processes that enable learners and educators to become agents for social change. The curriculum that they develop together, should focus on issues that are important in the lives of participants. Educators and learners should identify and critically discuss such issues, expressing them as problems or questions that help to understand the world around them. Educators and learners should also question common assumptions and views, and imagining socially just alternatives.

In this resource book, we present a number of stories that present community experiences and ideas. We encourage groups to read them together, to organise vibrant discussions, ask tough questions and share stories of their own. Our work has benefited from the use of role-plays in which participants present their experiences and share the knowledge they have gained through membership of savings groups.

The book uses the female gender throughout. This does not mean that we believe all savings groups are female (although many are!). We have privileged women's voices because of the critical role women play in building new social relations that challenge the exploitative and oppressive market system that affects our lives.



2. WHAT IS A SAVINGS GROUP?

In this booklet we use the term “savings group” to refer to a group of community members who come together voluntarily to save the money that they each contribute. They collectively agree to use these savings for a shared purpose. For example, a group might pool their contributions to save, to provide credit to one another by paying out small loans to members of the group. The borrowers may, or may not pay interest to the group. The group may also decide to use their savings for their children’s education, or to invest in a small business, or to buy groceries in bulk, or to buy big household items that members otherwise might not be able to afford, or to pay for the funeral costs when a member dies.

Depending on the purpose of the group, there are basically two kinds of savings groups:

- Rotating savings and credit associations, and
- Accumulating savings and credit associations.

Rotating savings and credit associations save and borrow together. The group does not keep money. It pays out the total amount saved by the group to the members. Within an agreed period, everyone gets a turn to get all the shared savings. This simple method helps members save. It gives each member access to a larger sum of money that she can easily save on her own. Since no money is kept over in the group, no records need to be kept.

Accumulating savings and credit associations save together until they have a shared fund from which they can borrow. They democratically appoint a member to keep records of these loans. After an agreed period, the loans must be repaid and the total fund and interest on the loans are paid out to the members.

This booklet provides an approach to savings groups that combines strengths from both types of savings groups. Its focus is on savings and loan groups.



3.2 African women stripped of traditional roles

In *African History and the Struggle to Decolonise Africa*, Neville Alexander wrote that colonial rule damaged African agricultural systems and drove independent African agriculturalists into waged work. This process was equally true for men and women.

The example of the Luo people of Western Kenya explains how this happened:

Before colonialism both men and women did agricultural work. It was the women's responsibility to raise enough food to feed their families. Land was plentiful and the only limit to getting wealthy was the number of people in one family to help with the farm work.

In 1899 the British imposed their rule over Luo country. They appointed their own 'chiefs' to collect a hut tax. At first the Luo sold their livestock to get the cash for taxes. But when these were used up, the men had to leave their families to work for the Europeans as migrant labourers.

With so many men away working for the Europeans, the women had to do all the farming by themselves. Often the husbands or brothers were paid so little in wages that they could not send cash home. Often the women had to send food to them.

Besides having to do more work, it became harder for women to make any profits from farming. The British limited the amount of land that the Luo could use for farms and the soil became overused.

The British also abolished the local markets where women had previously done their trading. Only Indians were allowed to buy products from Africans or sell manufactured goods to them. And then, in the 1930's, Kenya suffered from severe drought and an invasion of locusts.

All this made farming very difficult. In order to make a living at all, the women had to make many changes. With whatever cash they could get, they bought iron hoes instead of wooden ones. They bought grinding mills and sometimes ox-drawn ploughs. The old crop of sorghum was replaced by maize so they could get two crops a year instead of one.

With all these changes women managed to increase the amount of food produced. But then they found that they could no longer simply trade food for other things. Cash was needed for most things.

Once the British had arrived, the missionaries influenced people to want things that could only be bought with money, not from trading. Besides hoes and ploughs, the Luo wanted more imported clothing, European type foods and household goods.

Education seemed the best way of being able to earn more money. But it required money to send children to school. Very few women were sent to mission schools and there were hardly any paying jobs for them. So, the goal in life for many women became saving money to send their sons to school.

Since farming produced so little cash, many women began developing crafts such as making baskets or pottery to sell to the Europeans. Women found that their traditional role as agriculturists no longer helped their families as much as it had before. In the new colonial society there was very little they could do to improve their lives.

3.3 The Bambatha Rebellion

Between 1850 and 1900, African farmers with centuries of knowledge of the land and climate were very successful at producing food for the diamond and gold mines. For example, in the old Boer Republics of the Transvaal and Free State, they were the most successful producers of sorghum and maize. After the South African War of 1899 - 1902, the growing need for waged labour on the mines and on farms prompted the British colonial rulers to pass new tax laws, aimed at forcing Africans into waged labour.

The Bambatha Rebellion is a local example of resistance by African people to their dispossession and integration into the emerging capitalist economy.

In 1887 Zululand was annexed by the colony of Natal and the Zulu were gradually stripped of most of their arable land. There was widespread poverty, made worse by a series of natural disasters. In 1903 an epidemic of East Coast fever killed many cattle, there were swarms of locusts and enormous damage was caused by a severe hailstorm in 1905. All these factors led to a serious economic depression.

Africans had to pay a Hut Tax and a Dog Tax, and were subjected to a system of forced labour called 'isibalo', which caused widespread hardship and resentment. White farmers occupied more and more land, establishing farms and sugar plantations, for which labour was needed. After the South African War there was a shortage of agricultural labour, but rather than work for the white farmers, the black workforce was attracted to the gold mines of the Witwatersrand, where they could earn better wages.

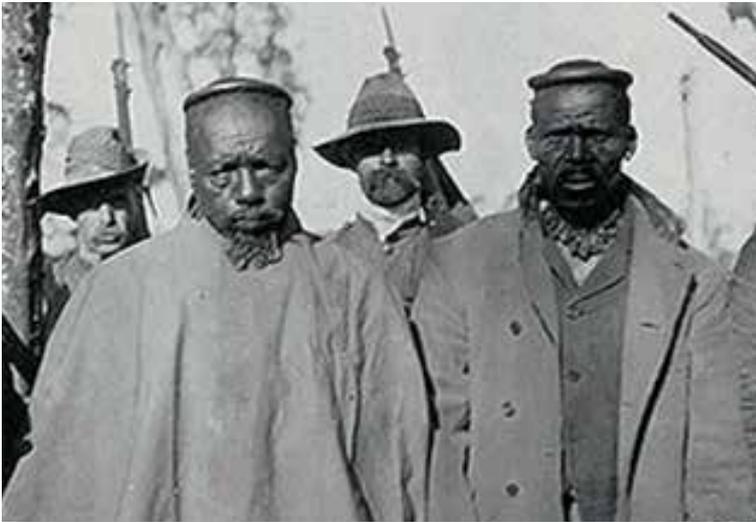
In 1905, the Natal government under Charles Smythe tried to force more black men to become agricultural labourers. The government imposed a Poll Tax of £1 on all men over the age of 18. To pay the tax, African men would have to work for cash. In his book, *Satyagraha*, Gandhi described the process of turning African farmers in South Africa into workers:

'In order to increase the Negro's wants or to teach him the value of labour, a hut tax have been imposed on him. If these imposts were not levied, this race of agriculturists living on their farms would not enter mines hundreds of feet deep in order to extract gold or diamonds, and if their labour were not available for the mines, gold as well as diamonds would remain in the bowels of the earth. Like, the Europeans would find it difficult to get any servants, if no such tax was imposed.'

Chiefs and their subjects were forced to report to the offices of their resident magistrates to pay the Poll Tax on 1 January, 1906. However, while some chiefs ordered their subjects to pay, many people opted for passive resistance and simply refused.

Chief Bambatha kaMancinza was one of the chiefs who rejected the new tax imposed by the colonial administration. He was head of the Zondi, a Zulu clan that lived in the Mpanza Valley in the Greytown district, and he was supported by other chiefs in the area. With a small group of supporters, Chief Bambatha launched a series of attacks on the colonial forces, using the Nkandla Forest as a base. The protest led to an armed rebellion, which is popularly known as the Bambatha Rebellion. It ended in a pitched battle against the colonial forces at Mome Gorge, where Bambatha and his followers were finally defeated.

Source: SA History Online. <http://www.sahistory.org.za/article/events-leading-bambatha-rebellion>



Source: SA History Online. http://www.sahistory.org.za/sites/default/files/oldsite_images/bambatha-chiefs.jpg

After the South African War, the former Boer Republics were incorporated into the Union of South Africa. Shortly after that the 1913 Land Act was passed. The Act intensified the process of dispossession: it reserved 13% of the land for Africans in areas called 'native reserves' and banned the purchase of land by Africans in 'white' South Africa. The law also made living on white-owned farms as labour tenants a crime.

Over the next decades, thousands of families were forced to leave land that they had farmed for generations, losing not only their land but also their livestock. Under

apartheid, the processes that began with colonial rule gained force as new laws were passed that dispossessed all black South Africans. Coloured and Indian families were confined to areas reserved for them and Africans were restricted to reserves or bantustans. A system of migrant work and cheap black labour was established all over South Africa.

There had always been resistance to the brutal oppression and exploitation of the colonial system, and of apartheid. African political organisations came into being, workers went on strike and began the process of organising trade unions. Community members joined together to perform acts of defiance: for example, Pondo villagers, who became known as 'Intaba' because they organised secretly on mountains, began an armed rebellion against the Bantu Authorities Act of 1951.

3.4 Savings groups emerge

Not all acts of resistance were open and conscious. Marginalised and excluded groups also used traditional practices to maintain self-reliance and dignity. Savings groups in South Africa are said to have started in the late 1800s, when farm-workers and Xhosa farmers attended 'stock-fairs' held by settlers. They sometimes pooled money to buy stock and socialised together. The name 'stokvel' is adapted from these 'stokveilings' or 'stock-fairs'.

The harshness of working for wages, prompted South African workers to form associations that helped protect their social and cultural lives. Workers on the early gold and diamond mines joined together to form burial societies, which helped to pay the costs of taking the body of a miner to his home for burial and for holding a funeral there. Burial societies were based on close relationships and trust and did not need lots of paperwork to pay funeral costs.

There had always been resistance to the brutal oppression and exploitation of the colonial system and of apartheid

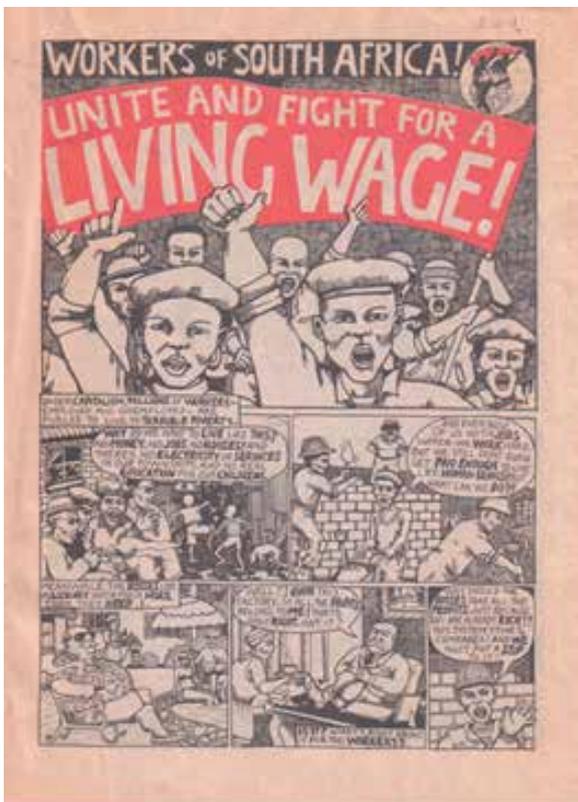
When women started migrating to the cities, a key source of income was brewing traditional beer. At this time, to cover the costs of housing for workers in the cities, municipalities built beer-halls and used the profits to build cheap housing. They passed by-laws that made it illegal for African women to sell beer, and the police frequently raided women's homes to enforce the law. Women's savings clubs helped to pay the fines for illicit beer brewing.

Es'kia Mphahlele's famous book *Down Second Avenue*, tells of the lives and struggles of working people in Marabastad, at that time:

Marabastad continued to brew beer. Police continued to raid as relentlessly and to destroy. There were Saturday and Sunday mornings when the streets literally flowed with beer. The Chinese and Indian shopkeepers were not prevented from selling corn malt either. Each yard had several holes in which tins of beer were hidden.

...Women brewed some of the most terrifying compounds. 'Its heathen!' grandmother said indignantly. 'My beer's pure and healthy food a man's stomach needs.' And we never had the fighting type of customer. 'But even with that, God will help me make money to send my children to college.'

Source: SA History Online. <http://www.sahistory.org.za/beer-monopoly>



Source: SA History Archives. http://www.saha.org.za/resources/images/CollectionItems/AL2956_A4.1_p1.jpg

Later, as the workers' movement grew, trade union members saved together to build union strike funds. These funds were sometimes collected by hand and managed by the strike committees. They were used to pay legal costs and provided members with a small income during the strike.

Today there are many other popular names for the ways in which people who use the power of their collective savings and a trusted social network to achieve a common goal, for example: 'umgalelo', 'gooi-gooi', 'mohodisana', 'makgotla' burial societies, and 'manyano' groups.

*Trade union members saved together
to build union strike funds*

3.5 The great transformation

Karl Polyani's account of the history of capitalism in England, *The Great Transformation*, helps us to see that the change from independent peasant farmers to workers in South Africa was part of the history of capitalism across the world.

Polyani explained the process of moving from an agricultural economy to an economy based on profit-making from surplus labour in factories and mines. This process required a *great transformation*, he argued. In England, peasant farmers were removed from areas of commonage through laws called the Enclosure Acts. These laws pushed peasant farmers into wage-labour by evicting them and turning commonly-owned land into private property. It also tied the new workers into an economy where they became consumers in a market society and had to buy whatever they needed instead of producing for themselves.

According to Polyani, the change in the structure of society (from peasants to workers) enabled a market-based economy to emerge. He argued that markets cannot exist without exploiting workers and tying their lives as consumers to a money-based economy. At the same time as people are being dispossessed and exploited, they also resist by building counter-movements that oppose and challenge the market-society.

The newly industrialised workers in England formed voluntary Friendly Societies to protect members. Since they did not own productive resources, the societies provided support in coping with debts as a result of death, old age or illness. Some Friendly Societies looked after widows and orphans, some were 'collecting' societies that were early forms of people's banks. Others were 'dividing' societies that shared out savings at Christmas time. The members of these societies were mainly men, but there were also a few societies for women. These societies provided a place for members to socialise and supported the development of early trade unions and consumer cooperatives.

In *The Making of the English Working Class*, EP Thompson writes:

Small tradesmen, artisans, labourers – all sought to insure themselves against sickness, unemployment, or funeral expenses through membership of 'box clubs' or friendly societies. But the discipline essential for the safe-keeping of funds, the orderly conduct of meetings, and the determination of disputed cases, involved an effort of self-rule as great as the new disciplines of [factory] work.



1750-1860: From common to private land – enclosing 7 million acres (or 21% of England) by means of over 5000 Parliamentary Acts

Source: *The Isles Project*. <https://islesproject.wordpress.com/2007/11/28>

3.6 Savings groups all over the world

The struggles of working people to survive and reproduce socially, took place across a number of societies. Early forms of social protection through savings were also found in slave and colonial economies.

The history of microfinance in Africa dates back to the 1500s. There is evidence of microfinance in the form of 'esusu' or 'susu'; a rotating savings and credit association among the Yoruba. During the slave trade, the 'esusu', a form of social capital, was transported to the Caribbean islands, where both the institution and the term still exist. They are now carried by a new wave of migrants to major American cities.

This system originated in rotating work associations, where labour (a scarce commodity) was accumulated and allocated to one of the members at a time. With the advent of money and commercialisation, these transactions were replaced with money such as cowries, pounds and 'naira'. In Nigeria, informal financial institutions continue to play their role, and there are few Nigerians who are not members of one or more of them. Both the name 'esusu' and the institution have spread as far as Liberia, Congo and Zaire.

Source: Manisha Karne. http://shodhganga.inflibnet.ac.in/bitstream/10603/18576/9/09_chapter%202.pdf

The traditions of cooperation amongst African communities also spread through the slave trade to other parts of the world, like Brazil, the United States and the Caribbean.

Mutual assistance and self-help have been cornerstones of African American community for generations. W E. B. Du Bois, writing in 1903, referred to these associations as "the first wavering step of a people toward organized social life." The earliest mutual assistance societies among free blacks provided a form of health and life insurance for their members - care of the sick, burials for the dead, and support for widows and orphans. Later societies sought to promote education and job training, especially for newly arrived African Americans, freemen and fugitive slaves.

Source: National Humanities Center. <http://nationalhumanitiescenter.org/pds/maai/community/text5/text5read.htm>



Knights of Pythias Lodge, Jacksonville, Florida, ca. 1919. The Knights of Pythias provided money for funerals.

Source: National Humanities Center <http://nationalhumanitiescenter.org/pds/maai3/community/text3/text3read.htm>

African-Americans began early to use the principles of mutual aid to achieve survival and empowerment. The history of such efforts is told by Professor Jessica Gordon Nembhard in her book *Collective Courage*. In it we learn that the first official African American mutual aid society was formed in 1780 in Newport Rhode Island, and that by 1830 there were more than 100 such societies.

There were many examples of mutual aid among farm-workers. The Colored Farmers National Alliance and Cooperative Union (CFNACU) existed from 1886 to 1896 and started a number of other organisations. By 1891 it had a membership of over one million.

The CFNACU was a mutual aid society focusing on self-help. It raised funds for black schools and colleges and introduced improved farming methods among its members. It helped African Americans to own land and to set up of cooperative stores.

In 1891, the leaders of the CFNACU called for a strike of cotton-pickers. There was a violent response from the white farmers. Eventually the movement was suppressed in a massacre in which African Americans were killed by local vigilantes in Leflore county.

An example of mutual aid in urban areas between 1930 and 1933 were the many African American consumer cooperative ventures that were started in New York, especially in Harlem, as a way for African-Americans to survive the Depression.

Many African-American cooperatives started with study groups and from small amounts of money. Groups studied the history and philosophy of the cooperative movement, as well as the organisation and management of cooperatives. Then groups of about 20 African American families with annual incomes ranging from \$500 to \$1000 started the process. In December 1932 a cooperative grocery and a meat market were opened, after which a five-year plan was published, outlining future projects.

Source: Adotey Bing-Pappoe. <https://www.pambazuka.org/printpdf/95309>



Source: Nation Swell. <http://nationswell.com/chicagos-moving-teach-african-american-history-year-round/>

4. SAVINGS GROUPS TODAY

4.1 Drowning in debt

Total consumer debt is now topping R1.44 trillion and the debt-to-income ratio is hovering around the 75% mark, which means that three-quarters of a family's income is already pledged to a variety of creditors," chief executive Neil Roets of Debt Rescue said in a statement in 2014.

Source: <https://businesstech.co.za/news/general/70445/sa-middle-class-forced-back-into-poverty/>

What started out as once-off thing quickly turned into a bad habit for Onke Klimbashe of Harare in Khayelitsha. He was a regular customer at a Khayelitsha moneylender - until the day he failed to pay back his debt. Klimbashe said he borrowed R200 and was supposed to pay the money by the end of the month with interest of R50, but he lost his job. He told the moneylender he could not repay yet, and he says they reached a verbal agreement that he would pay back the money, with interest, when he found another job.

"I was astonished when the 'mashonisa' and three guys who appeared to be her bodyguards paid me a surprise visit in the early hours of the morning, demanding her money. She knew that I was still unemployed as we are living in the same neighbourhood and it was two months after I had lost my job.

"Because I did not have her money at the time, they confiscated my contract cell-phone which I had been using for six months and they said I would get it when I have her money. And the interest rate kept increasing," he said.

By then Klimbashe was drowning in debt and failing to pay the monthly instalments of R300 for the phone. Next he received a letter from the cell-phone company stating that he was in arrears of R15,000, followed by a letter from its lawyers threatening legal action. But his phone was with the moneylender and he could not return the phone to pay off his debt. Now he has been blacklisted.

Klimbashe said he was lucky that the 'mashonisa' had not found his ID as the bodyguards would have taken it. He added that usually loan sharks beat you up if you don't pay the money and after the beating they still expect you to pay the money.

"I will never again borrow money from a loan shark. I was not even in need of the money at that time. I only borrowed it to have fun, and now I regret it," he said.

Source: *Siyavuya Khaya* https://www.groundup.org.za/article/i-would-never-borrow-again-loan-shark_3608/

Deborah James (2012), at the London School of Economics and Political Science, claims that the problem of debt in South Africa has been a worry to many groups for a long time. She says, social justice organisations emphasised the need for 'financial literacy' to ensure people understand their financial rights and have budgeting skills.

At the same time, the government has tried to control the debt market by passing the National Credit Act of 2007 to stop aggressive and unsecured lending by banks, furniture stores and a growing number of small lenders. Government offers free debt counselling to the victims of these lenders. This is not enough, says James.

She argues that we should see the problem of debt as part of neoliberal economics. Under neoliberalism, long-term, steadfast personal relationships based on shared values changed into cash-based relationships. In our neoliberal economy, the accumulation of wealth happens increasingly through financial networks rather than through trade and the production of goods.

While big corporations (and micro-lenders) offer new forms of credit, new technology makes the process easier and faster: virtual money flows unhindered through bank accounts. Banks are encouraging everyone (including savings groups) to open a bank account. For working-class people, as money comes into an account, it flows out again through mobile money transactions, instant payday loans, micro-insurance and low-cost mortgages. Even the 'secure' payment of social grants and the remittances of migrant workers through banks have fallen prey to such deductions.

New vulnerabilities attached to new forms of credit and financial products have come into being, James argues. At the same time that debt to the formal banking sector has intensified, borrowing through informal money-lending has also increased. People are finding themselves indebted across many fronts. This is not an individual problem - it is a collective problem of our society.

So, banks are extending new forms of credit, and profiting from the interest on debt - 'making money out of nothing'. At the same time, there are new debt collecting companies that profit out of debt.

Deborah James (2012) Money-Go-Round: Personal Economies of Wealth, Aspiration and Indebtedness. Africa 82 (1), pp 20–40.

Managing workers' debt has become a big business.

'One of our tasks as a company, one of the solutions we provide, is that companies outsource their garnishee deductions to us. And our role is twofold. One is to remove the administrative burden for employers to manage the calls from collectors and employees, etc. And the second and most important role is to make sure that accurate and affordable deductions take place...

...We take the employer's admin fee, so the more garnishee orders that are being deducted, the more money we would ordinarily make. However, that's not part of our DNA and [for] all our clients, including Angloplats and Lonmin, Sasol and Sappi, our work always resolves to reduce the number of garnishee deductions.' - Gardner, of Summit Garnishee Solutions.

'Garnishee orders are a favoured method for credit providers to get their money back because the process is time- and cost-effective and easy to implement.' - Manie van Schalkwyk, Credit Ombud

Source: Kahdija Patel. <https://www.dailymaverick.co.za/article/2013-11-19-fraudulent-garnishee-orders-sas-poorest-of-the-poor/# WnYAICOB06U>.



Under neoliberalism, long-term, steadfast personal relationships based on shared values changed into cash-based relationships

The company, Stokvelex, offers investment workshops to stokvel members.

Source: <https://cdn.24.co.za/files/Cms/General/d/6632/95b2a5d37a074a308839d1a2bc2c8721.jpg>

4.2 Banking on stokvel billions

The National Stokvel Association of South Africa (Nasasa) estimates that about 11.5-million South Africans participate in stokvels, which number about 800 000. And, says Nasasa, R49-billion in our economy is saved annually by these groups — that's roughly the City of Johannesburg's budget.

Source: Thalia Holmes. <https://mg.co.za/article/2017-01-06-00-stokvels-move-with-the-times/>

It is in the interest of banks to capture this money in the community system. Banks have developed new products, especially for savings groups, and have specialised investment products for savings groups. They finance research into how income-poor people survive financially and they also sponsor the publication of stokvel magazines.

'Stokvels represent a massive opportunity for the financial services industry', yet they continue to be left out in the cold, largely ignored as a legitimate form of saving.

'The upside for the institutions that find their way into this market is huge, not just in terms of access to a large pile of cash but also because of the breadth of the influence of these savings clubs. You would be amazed at the membership. Many prominent South African businessmen are still members of their original stokvels, which can include everyone from the tea-lady to the managing director.

We have met stokvels with millions of rands saved to advise them on how best to invest this money. With stokvels growing faster than the pension-fund industry, this crucial market cannot continue to be ignored by the financial services sector' - Alexander Forsyth-Thompson, project leader of the Investment Solutions' stokvel initiative

Source: Sioban Cassidy. <https://www.iol.co.za/business-report/companies/banking-on-billions-in-stokvels-1916408>

It is not only banks and financial services companies, who are interested in cashing in on the income of savings groups. Savings groups are also pursued by wholesalers and large supermarkets, who have developed special products for savings groups. They promote their services through special offers, 'free gifts' and promotional parties.

Devland Cash and Carry organises stokvel parties to attract stokvel members to spend their money with the wholesaler.

Source: <http://4.bp.blogspot.com/-KGTGVbUcUs0/VEEKz0EC0SI/AAAAAAACV0/xdp59GsnsJ0/s1600/A5%2Bstokvel%2Bflyer.jpg>



5. GOING BEYOND SAVINGS

In this section, we look at other ways in which communities have approached the issue of money and savings.

5.1 Bangla-Pesa

Bangla-Pesa is a community currency. It exists alongside the Kenyan shilling, which is the official currency of Kenya. It helps to keep value inside a community and supports small businesses. It started in an income-poor neighbourhood of Mombasa, called Bangladesh, where more than 200 small businesses, mainly owned by women, agreed to use it. The businesses include washing clothes, tailoring, manual labour, building houses, hairdressing, mechanical and electronic repairs and transport.

A Bangla-Pesa is a unit of credit that has a value that is agreed between members. It represents a promise (a credit) that users can claim the services of another member in the future. It is issued as paper vouchers in units of 5, 10 and 50. Participating businesses join the system of community money by paying a small membership fee to their organisation, Bangladesh Business Network. Their membership has to be supported by four other businesses.

A system like Bangla-Pesa works well in communities where the official currency is scarce. A participating member will 'buy' a service using the Bangla-Pesa from a small business, and with her accumulated Bangla-Pesa, will be able to 'buy' a service from another small business. For example, a woman who washes clothes as a business, is paid by a tailor in Bangla-Pesa. She can use her saved Bangla-Pesa to buy the services of a house builder to repair her windows and pay him in Bangla-Pesa. He can use his Bangla-Pesa to get his trousers repaired at the tailor, and the tailor can get her hair done at the hair salon using Bangla-Pesa and so on, in ongoing and increasing cycles.

A week after the launch, businesses reported using about 70 Bangla-Pesa each day for purchases at four other businesses on average. So, the Bangla-Pesa is a system that enables small businesses to fairly exchange the labour involved in their services.

When a member joins the Bangladesh Business Network, she is issued four hundred Bangla-Pesa. The Network keeps 200 Bangla-Pesa for social projects and members decide together what these projects will be.

The membership rules state that members cannot accumulate more than 400 Bangla-Pesa. When her business balance is close to 400, she has to spend her Bangla-Pesa. A community currency only works if people are exchanging services.

Shortly after it started being used, the Kenyan Government arrested six organisers of Bangladesh Business Network, charging them with forgery and for being in possession of illegal currency. Three months later, the Central Bank of Kenya dropped all charges and closed the case. Bangla-Pesa is now one of a group of Kenyan Community Currencies, that work together as a regional means of exchange. A network of businesses, schools, self-employed and informal sector workers have formed a regional a cooperative whose surplus and stock are issued as vouchers for social and environmental services, as well as interest-free credit to participating community members.



Source: Community Currency Knowledge Gateway. <http://community-currency.info/en/currencies/bangla-pesa/>

5.2 Urban Poor Funds

Urban Poor Funds work with federations of the savings groups formed by slum or shack dwellers, or by homeless people. These funds support the federation's members to get better-quality shelter with basic services. They do this by providing finance systems that serve their members' needs and help them to save.

In **Cambodia** the Urban Poor Development Fund has been operating for ten years and is supporting the work of 225 savings groups in the capital city of Phnom Penh and 42 outside it. More than 2 million US dollars has been provided in loans to members, supporting them in generating income and obtaining shelter. Some of these loans have helped to develop communities that were resettled on the land after central city evictions, providing secure tenure.

In **Kenya**, the Kenyan Homeless People's Federation set up an independent organisation, the Akiba Mashinani Trust (AMT), to manage its loan funds. The Trust has supported a number of developments: it has provided housing loans for about 100 members and, more recently, helped its members purchase land in four locations.

The Kenyans have also introduced another institutional tier, a community-managed Urban Poor Fund, much like those in Malawi, Zambia and Zimbabwe. This fund pools community savings in order to interface politically and financially with the formally managed AMT, and to side-step it for small transactions and direct development finance. Negotiations with the government have opened a number of possibilities for further developments, and the state has allocated land to some savings schemes.

The **Malawi** Homeless People's Federation has used the Mchenga Trust to finance the construction of just under 1,000 houses in the three largest cities of Malawi. Finance for further construction continues to be difficult as there is limited savings capacity and the state has not provided finance. The federation is supported by the Centre for Community Organisation and Development.

The **Namibia** Shack Dwellers Federation was established in 1998, after many years of work on savings schemes, and is supported by the Namibia Housing Action Group. The Federation has been working to secure land and reform regulations with Windhoek and other municipalities throughout the country. The Twahangana Fund helps to finance local investments with its own monies and acts as a conduit for low-cost loans provided by a government-run housing programme, Build Together.

The Philippines Homeless People's Federation has drawn on its earlier microfinance expertise to accumulate and manage savings. The Urban Poor Development Fund was established in 2000, and drew on the experience of lending between savings schemes to address tenure insecurity. The fund is gradually formalizing its processes in ways that enable local savings schemes to manage at city level. The fund is active in the three main regions of the Federation (Luzon, Visayas and Mindanao).

In **South Africa**, the Federation of the Urban Poor (FEDUP) has majority membership on the governance structure of a professionally managed fund known as uTshani Fund. Between 1994 and 2004, uTshani helped the federation by pre-financing state subsidies that helped build more than 15,000 houses. FEDUP also has its own community-managed Urban Poor Development Fund. This fund accumulates the savings of participating groups so that they can either access resources through uTshani Fund or fund projects directly. This Urban Poor Fund built more than 300 houses between 2004 and 2007, which was when uTshani ceased providing pre-finance. In 2008, uTshani resumed its function as a channel for subsidies. In six months, it processed 967 subsidies for FEDUP.

Source: Diana Mitlin. <http://pubs.iied.org/pdfs/10559IIED.pdf>

5.3 Building the commons

History shows us that 'commoning' is the principle according to which human beings have organised their existence for thousands of years. Even today, communal property systems exist in many parts of the world, especially in Africa and among the indigenous people of Latin America. Thus, when we speak of the principle of 'the common' or 'commons', as imagined or existing forms of wealth that we share, we are not only speaking about small-scale experiments, but of large-scale social formations that, in the past, were continent-wide, like the networks of communal societies that existed in pre-colonial America, which stretched from present-day Chile to Nicaragua and Texas, connected by a vast array of economic and cultural exchanges.

Not only have commons existed for thousands of years, but elements of a communally-based society are still around us, although they are under constant attack, as capitalist development requires the destruction of communal properties and relations.

We now live in a world in which everything, from the water we drink to our body's cells and genomes, has a price tag on it, and no effort is spared in ensuring that companies have the right to enclose the last open spaces on earth and force us to pay to gain access to them. Lands, forests and fisheries appropriated for commercial uses in what appears as a new 'land grab' of unprecedented proportions.

In spite of all the attacks on them, commons have not ceased to exist. As Massimo De Angelis has argued, there have always been commons 'outside' of capitalism that have played a key role in the class struggle, feeding the radical imagination as well as the bodies of many commoners. Nineteenth-century mutual-aid societies are examples of this.

More importantly, new commons are constantly created. From the 'free software' to the 'solidarity economy' movement, a whole world of new social relations is coming into existence, based on the principle of communal sharing and sustained by the realisation that capitalism has nothing to give us except more misery and division. Indeed, at a time of permanent crisis and constant assaults on jobs, wages, and social spaces, the construction of commons – 'time banks', urban gardens, community supported agriculture, food coops, local currencies, 'creative commons' licenses, bartering practices – represents a crucial means of survival.

In Greece, in the last two years, as wages and pensions have been cut on average by 30 percent and unemployment among youth has reached 50 percent, various forms of mutual aid have appeared, like free medical services, free distributions of produce by farmers in urban centres and the 'reparation' of the electrical wires disconnected because the bills were not paid.

Commoning initiatives are more than barriers against the neoliberal assault on our livelihood. They are the seeds, the embryonic form, of an alternative mode of production. This is how we should also view the squatters' movements that have emerged in many urban peripheries, seeing them as signs of a growing population of city dwellers who are 'disconnected' from the formal world economy and are now reproducing themselves outside of state and market control.

George Caffentzis and Silvia Federici (2014) Commons against and beyond capitalism. Community Development Journal, Vol 49 No S1, pp. i92–i105

6. HOW SAVINGS GROUPS WORK

This section starts by giving reasons for joining a savings group and the benefits it brings. It then sets out the basic steps involved in setting up a savings group, that can also give loans to its members.

6.1 Why join a savings group?

Many people who save together say that doing so helps to build the discipline to save. People also save together for other reasons:

- To afford big, important items that help to build a family's resources, like children's education or buying land and livestock
- To cope with future risks and the unexpected costs resulting from floods or droughts in farming communities, or illness, disability or death
- To cope with instability in family income, like irregular small incomes, seasonal work or retrenchment
- To avoid a debt trap with loan sharks or chain stores that offer goods at inflated lay-by prices
- To 'stretch' existing resources to cope with increasing prices
- To meet social duties like the costs involved in initiation, ancestral rituals, weddings or paying 'lobola'
- To have a social place of belonging, support and self-empowerment.

The stories that follow were told to researchers, Sally Matuku and Edwell Kaseke. They highlight some of these reasons for joining a savings club:

'I wanted to join the stokvel because it helps me in December, because I am not working. So, when my husband comes with his back pay or bonus we cannot afford to buy all those things that you want, because you must buy children clothes and then groceries, and in January when they go to school we must spend. Now, that's why the stokvel is good for us, because we use the money to buy groceries and when we get the back pay, we know that we can spend the money on the children's clothes and on the school fees.'

'There were some people that I knew there. I would see them in their uniforms and then I asked where their societies were and how to join them, and they told me that if I want to join them I would have to pay the joining fee.'



'We used to see people suffer when they experienced death at their homes, so we decided to start a group where we could save money to help each other.'

Sally Matuku and Edwell Kaseke (2014) The Role of Stokvels in Improving People's Lives: The Case in Orange Farm, Johannesburg, South Africa. Social Work/Maatskaplike Werk Vol 50(4)

https://www.capegallery.co.za/timothy_zantzi1.htm#

The NGO, SaveAct, reports that debt with loan sharks is a big reason for joining:

Bongiwe Dlamini thinks back to the financial crisis she faced a few years ago, a time when she was so deep in debt that she could not even buy groceries for her family.

'I got to a point where I would borrow money from loan sharks,' she said. "What could I do? It was for my children's education, for things like school uniforms and fees, even for the smallest things you can hardly do without, like salt.'

She reached a point where she found herself borrowing ever more cash, often in order to pay back the first loan she took from the original loan shark - and all at rates of interest as high as 60 percent.

Dlamini commiserated with a friend, Thandi Africa, who was also deep in debt. Thandi said she could no longer cope with the endless cycle of borrowing, nor with the demands from loan sharks to repay on time. Then Dlamini and Africa heard about the work of a local community group led by Fisani Zondi.

'We were in trouble, so we went to Reverend Zondi, who told us about SaveAct,' Thandi said. 'We joined and she told us how we could get a savings group together with our neighbours, who were also having money problems.'

Source: Julie Frederikse. <http://allafrica.com/stories/201108121139.html>

Some women join a savings group for the empowerment that results when they unite with other women:

Move magazine interviewed members of the Zakheni stokvel, who explained the reason for its existence: It's all about commitment and sisterhood. We don't just meet, we visit each other regularly. Trust, tolerance and perseverance are what brought us to where we are today."

Verhoef, G (2008). *Social capital in voluntary savings organisations in South Africa in historical perspective*. Available from: dspace.nwu.ac.za/handle/10394/5281

'When we finish discussing, we have cold drinks, we do jokes like women when we are together, you see, and if there is something that we want to start, we share the ideas; for example, we also want to start a cooperative and we are still looking for information on how to do it.'

Sally Matuku and Edwell Kaseke (2014) *The Role of Stokvels in Improving People's Lives: The Case in Orange Farm, Johannesburg, South Africa*. *Social Work/Maatskaplike Werk* Vol 50(4)



Women of a SaveAct Savings and Credit Group join in song.

Source: Annie Barber. http://www.mangotree.org/files/galleries/762_annie_barber_paper.pdf

6.2 How can a savings group help me?

Sally Matuku and Edward Kaseke say that savings groups benefit members by helping them meet basic needs, by maintaining discipline to save and invest, by giving easy access to small loans, by empowering members and providing moral support in difficult times, and by strengthening networks of trust and care. This is what savings group members told the two researchers:

'Oh, my savings help me a lot, because I've bought windows with that money, because I was budgeting it and putting it in the bank, but I decided let me do something besides that, so I went and bought windows and frames with that money. I wanted to build, I bought those things and put them aside, I bought tiling with the money I'd saved. I saw that this money was supposed to buy food, but now, because we are doing the stokvel, it helps us to save a lot.'

'There is an amount that we collect and we decide on what we want to buy that month. For example, people can contribute say, a hundred rands, and then, if the total amount buys three pots, we will buy the three pots; then in the following month we will buy more until every member has her own.'

'It operates very well, because when we contribute R200 every month, we borrow and then other people come and borrow from us and then they pay it back with 30% interest.'

'So now we started something: if someone passes on we come together and help each other; each one of us has two pots, big pots and a big basin dish, table, chairs, everything - we have it - gas stoves - we have all that. So if, for example, my child passes on they come with those things, prepare everything, cook and dish out for the people who come to the funeral.'

'We also talk about our problems together and we have fun, so we are always happy together when we meet.'

Sally Matuku and Edwell Kaseke (2014) The Role of Stokvels in Improving People's Lives: The Case in Orange Farm, Johannesburg, South Africa. Social Work/Maatskaplike Werk Vol 50(4)



Source: <http://cdn.24.co.za/files/Cms/General/d/2453/4d3bcc04f5ac417ba2016e782ad3965d.jpg>

6.3 How do savings groups work?

Members select one another, based on the existing links between them, such as living in the same neighbourhood or being members of the same church. These links provide the first level of trust and the belief that together they can achieve their goals. A savings goal itself (to pay their children's school expenses, to buy seeds, to buy sewing machines) is another element that unites the groups.

Groups differ in size. Usually, groups have a minimum of 6 to 10 members, but they can have as many as 20 members.

Savings group members might decide to educate themselves before starting to save together. They can invite members of a successful savings group to talk to them, or do their own research on the internet. They can practise using different methods to record their savings, until all the members have a good understanding of how their system will work.

At their first meeting, the group writes their constitution. They begin by setting out all the elements that it should cover. Many groups start off by looking at the constitution of another group. They make changes and add details to make a constitution that suits their needs. At first, a set of simple rules will help to build trust and self-discipline in savings among group members.

The members also agree on whether they want to use a bank and open a group savings account. If the group pays out the money accumulated every month to a different member, they may not need a bank account. Or if the group lends out all its collective savings, all the group's money will be distributed among the members, and there will be no money left to bank.



Savings group members count and document contributions, Siaya County, Kenya.

Source: <http://www.myclimate.org/fileadmin/myc/klimaschutzprojekte/kenia-7137/klimaschutzprojekt-kenia-7137-2.jpg>

6.4 The constitution

The group constitution usually has the following elements to it:

- The name of the savings group.
- The name, address, ID number (or age and gender) of each member.
- The roles and responsibilities of the savings group committee (usually chair, treasurer, secretary, organiser, and deputies for all the positions).
- The roles and responsibilities of the members.
- The procedure for choosing the committee.
- The minimum value of a monthly savings contribution.
- How often in a month the group will meet to save.
- The procedure if a member is absent.
- The procedure for agreeing on the sequence of saving and receiving funds, or of borrowing.
- The procedure for borrowing from the group loan fund, including the maximum amount allowed.
- The person or persons to whom the group will lend money.
- The interest to be paid to the group for a loan.
- The length of a savings cycle, before all loans must be returned and there is a share-out.



National Stokvel Association of South Africa members meet

Source: http://nasasa.co.za/site/wp-content/uploads/photo-gallery/imported_from_media_library/Nasasa_June2.jpg

6.5 The selection of leaders

Leadership in savings groups is selected democratically, according to the constitution of the group. When a new group starts, it can elect a temporary chair to help the group develop and implement their constitution. Once the constitution has been adopted, the group will use it to elect members.

Groups that are stable over a long time, share leadership roles. They educate new members to understand the constitution and support them in performing their roles. Some groups limit the number of cycles during which a member may occupy a specific leadership position.

6.5.1 The role of committee members

The chair of the savings group plays an important role in making sure that all the members participate, and that their voices are heard and respected in the meetings. She also has to know the constitution well, so she can make sure that meetings follow all the steps agreed on. Her deputy chairs meetings in her absence.

The treasurer is responsible for counting and checking members' contributions. She does this in front of the whole group, and counts out loud, so that all members can hear. Her deputy checks her counting.

The treasurer is also responsible for keeping the money-box, or for banking the group's money. If the group uses a money-box with a lock, the key is kept by the deputy or another member who is nominated to do so. The deputy treasurer will do the work of the treasurer in her absence.

The secretary keeps the written records of the savings group. This can be done in a school exercise book that is kept for this purpose. Sometimes groups have access to printed savings groups records, if they belong to a larger network of savings groups, or are organised through a not-for-profit organisation. The group keeps a separate book with its constitution and the minutes of its meetings.

Keeping the minutes and reading them out for adoption at the end of a meeting is also the work of the secretary. Sometimes this work is split between the secretary and her deputy: one records the savings and loans and the other records the minutes.

The organiser is responsible for monitoring members. If a member is not attending regularly, or falls behind in her payments, the organiser will visit her and talk to her privately to find out what problems she might be facing. The organiser can also identify and approach new members when instructed to do so by the group. She has to be fair and tactful, and someone that people can trust with their problems.

6.5.2 The role of ordinary members

It is easy to think that the committee members do all the work, but this is a false idea. Ordinary members have the most important role - oversight of all the work of the committee members. They must use the constitution to make sure that their committee serves the interests of the group and does not become a sub-organisation on its own. Without the active participation of all the members, a group can lose trust, and their direction. When members feel they have not been part of making decisions, the group can end up having strong disagreements and could even break up.

6.5.3 Meetings

Usually, a savings group holds a welcoming activity that draws the group together – they might sing or pray together.

The chair declares the meeting open and hears apologies. When the whereabouts of all the members have been confirmed, the meeting will adopt the agenda and then look at the minutes of the last meeting. There will be reports on tasks that were given to members, such as recruiting a new member, or opening a bank account, or finding information about cooperatives.

After the business of the savings group has been dealt with, the chair opens the meeting for the acceptance of contributions. Next, if the savings group allows its members to take out loans, it will deal with loans. (The details of these processes are discussed below.)

At the end of the meeting, the members often socialise together. Meetings can move from house to house over the course of a savings cycle. Usually, a savings group has an agreed procedure for hosting social events. Some groups contribute a small fixed amount for refreshments. In other groups, each member brings a contribution of food or drink, to be shared by the group.

To help group members support one another, some groups have a specific seating order that is determined by drawing a number. Group members always make their contributions in this order during a savings cycle, and members help to remember savings and loans by remembering their own record and that of the person to their left. In this way, members perform a double check on the savings and loan record that the secretary keeps.

6.6 Record-keeping

Good records are at the heart of savings groups and help them to continue and grow over a long time.

A savings group has the following records:

- The constitution.
- Minutes of the meetings.
- Savings and loan records.
 - The amount of money in the kitty or box at the end of the meeting.
 - Monthly bank statements if the group keeps savings in the bank.
 - Savings records for each member, which include:
 - The status of her savings contributions.
 - The status of her loans (if she has any). This includes how much she owes the group, plus the interest and the due date for payment of the loan.

If the group does not make loans and simply rotates paying the shared savings, there will be a record of the member's share-out date and the amount paid out to her.
 - Her fine record (if she has any).
 - The savings status of the person on her left and the status of her loans if she has any.
- A record of the fines imposed on members and the reasons for the fine.

Just as it is important that a meeting adopts the minutes as a true record of a previous meeting, it is also important that each member signs her individual record and that this is witnessed by another member.

Accurate and accepted savings histories are critical to the smooth functioning of a savings group. The group must agree where the secretary keeps the record book of members savings. Ideally, this should be in a place where the confidentiality of its contents can be upheld and records are not shown to people who are not part of the savings club. Also, savings club members who live in communities where fire can destroy homes, need to consider back-up plans for keeping records safely.

When a group develops a method of matching written records with oral records, it increases the ways in which all the members participate and share responsibility for savings and honesty in the group. Another way of doing this is to take a photo of the members' records at the end of each meeting.

Accurate and accepted savings histories are critical to the smooth functioning of a savings group



Documenting savings and loans, Siaya County, Kenya.

Source: <http://www.myclimate.org/carbon-offset-projects/projekt/kenya-efficient-cook-stoves-7137/>

6.7 Keeping money safe

All the members of savings groups will know stories of groups that were robbed of their funds when share-outs were made, of corrupt committee members who ran off with the money, or of savings that diminished because members did not pay their contributions.

Regular, frank reviews of the safety of the group's savings (if they retain money) should be held. In communities far away from banks, a group might keep their money in a metal savings box with a strong lock. They can give the box to the treasurer and the key to the secretary. They can also lock their savings records in the metal box.

Individual group members should also think through with whom they share information about the time and venue of making contributions or making loans and share-outs. Don't advertise your stokvel information on social media!

Members of stokvel savings clubs have been robbed of almost R1m over the December holiday season, according to police in Port Elizabeth. More than 20 cases related to the armed robbery of stokvel money were reported in December, and close to 1 million rand was taken.

Motherwell cluster commander Major General Dawie Rabie raised concerns following the spate of armed robberies. He believes that stokvel members were deliberately targeted. 'Organisers of these savings clubs need to seriously change their strategy and methods when these large amounts of cash are distributed to their members,' he said.

Rabie added that police were inviting the organisers of stokvels, security companies and banking institutions to join hands with them to come up with a working solution to ensure that such robberies are avoided in the future.

Source: Derrick Spies <https://m.news24.com/SouthAfrica/News/cops-raise-red-flag-after-stokvel-members-robbed-of-r1m-20180109>

Tips from banks for keeping money safe

- Arrange for members to be paid their money directly into their bank accounts.
- Ask your local branch to make payments directly to retailers, if possible.
- Arrange for your bank to provide you with a bank cheque (this is a bank-guaranteed cheque) that can be drawn for a specific beneficiary.
- Do not advertise your plans to visit the bank.
- Make sure you are not followed when you go to the bank, and be aware of suspicious people around you when you are in the branch. Be on the lookout for people following you when you leave.
- Avoid visiting the bank on high-risk days, which are Mondays, Fridays or pay-days, which are just after month-end.
- Stagger withdrawals, dividing them into smaller amounts that are withdrawn over different days. This way, you won't lose all your cash at once, should you be the victim of a crime.

Source: *The Citizen*. <https://citizen.co.za/news/south-africa/1353255/ssafety-tips-for-withdrawing-stokvel-savings/>

6.8 How groups save together

6.8.1 Minimum and maximum values

At the start of a savings cycle, the group decides on the minimum amount that each member will save, and whether saving this amount happens weekly, fortnightly or monthly. This means that, within a cycle, a member commits to saving a minimum amount of money. She can, however, save more than that if her circumstances allow. To ensure that members with relatively more income do not dominate, the group also sets a maximum value for contributions.

When household incomes are small and irregular, group members might find it easier to make very small contributions more regularly – for example, R2 every day or R5 per week – and to share out every two weeks. This means that there needs to be a strong system of collections and an agreed safe way to keep the contributions before it is shared.

Below is an example from two savings books, where savings happen monthly and where the value of a contribution is R50 and the maximum a member can save is R250 per month. The savings cycle is ten months. The group does not save in January and December.

In February, during the first month of the savings cycle, M. Siyongwana saved R100 (2 x the minimum value of R50) and P. Lallo saved R200 (4 x the minimum value of R50). It does not mean that either Ms Siyongwana or Ms Lallo has to save the same amount in March. Each person's savings reflects the amount she can contribute that month. (See records at the top of page 27.) By breaking savings up into a minimum and a maximum value, it is easier for members to save and cope with incomes and costs in the family, which will fluctuate during the year.

The main savings requirement is that a member saves R50 per month. Some savings groups may even allow flexibility here, too. They could make a rule in their constitution that a member can skip making a monthly contribution once a year. Clearly, skipping a contribution too often will mean that the savings group is not saving and its purpose is undermined.

Also, savings groups that rotate share-outs in a cycle, cannot have members missing a contribution. In such savings groups, the contribution will be a fixed amount and must be paid monthly.

Name of member: M. Siyongwana
 Minimum value: R50 Maximum value: R250

Month	1	Value				Signature Witness	
		50	50			M. Siyongwana	R. Mkhabela
February	1						
March	2						
April	3						
May	4						
June	5						
July	6						
August	7						
September	8						
October	9						
November	10						

Name of member: P. Lallo
 Minimum value: R50 Maximum value: R250

Month	1	Value				Signature Witness	
		50	50	50	50	P. Lallo	J.B.
February	1						
March	2						
April	3						
May	4						
June	5						
July	6						
August	7						
September	8						
October	9						
November	10						

The record of savings was created by the secretary. By drawing a line through the values that were not paid, the secretary ensures that an extra value is not added dishonestly. Note also that each member signed that her contribution was correctly captured and another member of her choice witnessed the transaction.

When everyone has contributed, the treasurer will count the money aloud in front of everyone and the secretary will record it in the savings and loan record for the group.

6.8.2 The loan fund

Granting a loan

Once the savings group members have all made their contributions and the records have been checked and signed off, the treasurer counts the total contributions aloud in front of the group. This money and any money brought over from the previous month forms the kitty for the loan fund.

The group will have made its own rules about the maximum amount that can be borrowed at one time. They will also have decided what interest they will ask on the amount borrowed. Many groups set the interest at 10%, because this makes calculations easier.

Higher interests make it difficult for members to repay their loans. When the burden of repayment becomes too big for individual members, they default. It is better to anticipate this before it happens and for the group to talk honestly and directly with one another about what would be realistic. Groups that succeed at saving together and repaying loans within the time when they are due, are more likely to continue together for a long time. The purpose of savings and loan groups is to stand up, not fall down!

It is good practice to read the constitution before the process of asking for and receiving loans begins. The chairperson will ask the secretary to read that part of the constitution, so that everyone is reminded of the importance of taking a loan, its procedures and the consequences if a member breaks the rules of repayment. It also makes the constitution a living document.

Next, the chairperson asks members if they want to borrow money. Following the same order as the group followed for making their contributions, members indicate if they want to borrow money. They say what amount they need and what they will use it for, and the period over which they will pay back the money. The group discusses and agrees what loans can be made. A strong constitution, high levels of trust and good leadership guides the group through this process.

The group needs to think through the process of giving and making loans. For some members, stating why they need money might be a sensitive issue and a member might worry that other neighbours will get to know too much information about her personal situation. Some groups fine members if they share the financial records of a member with non-members, or gossip in the group about another member's finances.

The treasurer then states aloud what the agreed loan amount is, what the interest is and when it is due. The secretary creates the record and the member making the loan will sign that the record is correct and that she accepts the terms of the loan. A witness counter-signs. Even if she does not take out a loan, her record for that month will show this. (See the example below.)

Repayment of a loan

This is usually done after the group has made their savings contributions for the cycle, and before the next round of loans.

Again, the treasurer counts the repaid money aloud in front of the group. She states clearly if the loan is now fully paid or if there is still an outstanding amount, what the outstanding amount is, and when final payment is due.

The secretary will record the information in the members' loan record. She will sign that it is correct and will ask a witness to counter sign.

After all the loans have been repaid, the treasurer counts the total loan repayments in front of the group. She states clearly what the total amount is that has been repaid. The secretary records this amount in the group's savings and loan record.

This amount, and the total savings contributions, become the new loan fund from which members can borrow. Members cannot borrow again until they have repaid a past loan.

Ms M Siyongwana's loans record

Loan Record: M Siyongwana 2017

Month	Loan	Interest	Due	Paid	Signature	
					Member	Witness
February					M Siyongwana	M Dube
March	200	20	220		M Siyongwana	M Dube
April				220	M Siyongwana	M Dube
May	300	30	330		M Siyongwana	M Dube

The loan record for Ms M Siyongwana shows that she did not borrow any money in February. She borrowed R200 in March. Her savings group charged 10% interest. She had to pay back R220 in total. In April she did not borrow further, and she repaid her loan in full. Note that she signed in February, when there was no loan, and in every other month, to indicate she was satisfied with the record. Her witness that the procedure and record was correct was Ms M Dube.

6.9 Reconciling contributions, loans and savings

Counting savings contributions and loan repayments in front of group members is important in helping members keep track of their savings as a collective. It also helps to address different understandings and literacies in the group.

Some groups strengthen this process by visually reinforcing what the written and oral records tell them. They use a system of four trays (or plates).

- The first tray is for any balance that remained in the savings box and was not issued as a loan in the previous month. (If the group banks this, the treasurer must produce the bank statement and place this in the tray.)
- The second tray is for receiving the contributions for that month.
- The third tray is for the repayment of money that was loaned.
- Once all savings contributions and loan repayments have been received, the treasurer places the total amount in the fourth tray. This is the new loan fund for that month.

The money remains visible throughout the meeting to the whole group. At each step in the procedure of the savings group, the treasurer counts the amount aloud so that everyone can hear.



Village savings group using plate system. Nyasa, Malawi.

Source: Nyasa Times. <https://www.nyasatimes.com/wp-content/uploads/Village-savings-group-600x400.jpg>

When all the loans have been issued and recorded, the treasurer counts the balance that remains into the fourth tray, in front of the group. This is the money that is kept in the savings box and which the treasurer must produce at the next meeting. Some groups bank the balance and do not touch this money until the share-out day at the end of the cycle. The treasurer also needs to bring a bank statement of that money to each meeting.

As the total monies are counted into each tray, the secretary completes the group's savings and loan record.

Some groups may involve members in the counting of money at each step. They check that the treasurer has counted correctly. All of these practices help to keep the group's decision-making and transactions known to all the group members.

At the end of every meeting the treasurer will complete the group records.

She will note the total contribution of each member in the savings record for the group. Her recording is witnessed by a savings group member. See the example below.

Group Savings Record 2017

Month	M Sijongwana	P Lallo	M Dube	B Swartbooi	N Mgoduka	A Duba	M Jamula	D Mafu	Total Group Savings	Signatures	
										Member	Witness
February	100	200	50	250	100	50	100	100	950	<i>[Signature]</i>	<i>[Signature]</i>
March	50	250	100	100	100	100	200	200	1100	<i>[Signature]</i>	<i>[Signature]</i>
April	50	150	150	150	150	150	100	150	1050	<i>[Signature]</i>	<i>[Signature]</i>

The treasurer also completes the loans record for the group. She starts by completing the individual loans' record for each member for that month. She shows what money was loaned out and what was paid back and writes down the total for each element, as shown in the example below.

Savings Group Loans Records 2017

Month	Loans & Interest									Loan Paid Back									Signatures Member Witness			
	M Sijongwana	P Lallo	M Dube	B Swartbooi	N Mgoduka	A Duba	M Jamula	D Mafu	Total Loans & Interest	M Sijongwana	P Lallo	M Dube	B Swartbooi	N Mgoduka	A Duba	M Jamula	D Mafu	Total Loans Paid Back				
February	220	55	220	55	165	110		220	1045											<i>[Signature]</i>	<i>[Signature]</i>	
March		330	110	220	440	660	550		2310	220	55	220	55	165	110		220	1045		<i>[Signature]</i>	<i>[Signature]</i>	
April		330	275	440	440	550	660	660	396	3751		330	110	220	440	660	550		2310		<i>[Signature]</i>	<i>[Signature]</i>
May		880			1650	1320	550		4400	330	275	440	440	550	660	660	396		3751		<i>[Signature]</i>	<i>[Signature]</i>



Next she completes the reconciliation to show what money will be left in the group kitty, after all the contributions have been paid in and the previous months' loans have been paid back. In the example below, note that she also records in the reconciliation the total interest that is due on the loans issued.

Savings Groups Reconciliation Record

Month	Total Savings	Total Loaned	Total Interest	Total Loans Paid Back	Total Money in Kitty	Treasurer	Witness
February	950,00	950,00	95,00			NMgoduka	MMafu
March	1 100,00	2 100,00	210,00	1 045,00	45,00	NMgoduka	ADube
April	1 050,00	3 360,00	336,00	2 310,00		NMgoduka	BSwartbooi
May	1 300,00	4 000,00	400,00	3 696,00	996,00	NMgoduka	MMafu
June	1 100,00	2 100,00	210,00	1 300,00		NMgoduka	ADube

6.10 Share-out in practice

A savings group will share out all the accumulated savings at the end of the cycle that they have agreed on in their constitution. At this time, the page with a member's contribution is completely filled in, showing all her savings contributions for the year and her total savings.

6.10.1 Calculating total savings

From the record above, we can see that Ms Siyongwana contributed the minimum value over the period of 10 months, 25 times. This means her total contribution was $R50 \times 25 = R1250$ for the cycle. Note that she signed that this was correct and it was witnessed by Ms Dube.

The same is done for all the members and the total number of contributions for the group as a whole is recorded. If the group has eight members who contribute in values of R50 every month, the total number of contributions for the group will be the sum of each member's contributions over the ten-month cycle.

Ms M Siyongwana's savings record

Name of member: M. Siyongwana
 Minimum value: R50 Maximum value: R250

Month	Contribution					Total	Member	Witness
	50	50	50	50	50			
February	50	50				100	MSiyongwana	NMgoduka
March	50					50	MSiyongwana	NMgoduka
April	50					50	MSiyongwana	NMgoduka
May	50	50	50			150	MSiyongwana	NMgoduka
June	50	50	50	50		200	MSiyongwana	ADube
July	50					50	MSiyongwana	NMgoduka
August	50	50				100	MSiyongwana	NMgoduka
September	50	50	50	50		200	MSiyongwana	NMgoduka
October	50	50	50	50		200	MSiyongwana	NMgoduka
November	50	50	50			150	MSiyongwana	NMgoduka

Total times a R50 unit was saved 25
 Total contribution $25 \times 50 = 1250$

Member MSiyongwana

Witness ADube

Date 29th November 2017

Next, the total value of all the contributions for the 10 months is calculated. This total is the total number of contributions multiplied by R50 (the value of a single contribution). The group contributed a total of 245 times. This means that the total savings for the group was $245 \times R50 = R12\ 250$. (See group savings document on page 39).

6.10.2 Calculating total interest

Next, the group calculates the total interest gained from lending its savings to members. If we look at the loan record for Ms Siyongwana, we see that there is an added R70 for Ms Siyongwana's contributions over the ten-month cycle. The interest paid by all members is totalled. (See reconciliation record on page 41).

Let's assume that the interest on the total borrowing for all the other members has amounted to an additional R1721. With Ms Siyongwana's contribution, the total interest comes to $R1721 + R70 = R1791$.

This means that the total savings of the group is the total of the contributions plus the total interest collected:

$R12\ 250 + \text{the interest of } R1791 = R14\ 041$.

6.10.3 Dividing the total savings

How does the group calculate the share-out in a way that is fair? One way of doing this is based on members' contributions. Obviously, members get back what they contributed. But, the savings of the members who contributed more frequently, 'worked harder' at creating the total interest. How the total savings and interest is shared-out has to reflect this difference. On the other hand, members who borrowed, gained the benefit of the loan at that time.

To accommodate this distinction between members, the money is distributed by giving each member a portion of the total that is equivalent to the number of times she contributed.

First, the value of one contribution is calculated. The total kitty over the savings cycle came to R14 041. There were 245 contributions.

The value of a single contribution at the end of the cycle has increased to $R14\ 041 \div 245 = R57,31$.

Since Ms Siyongwana contributed 25 times, the value of her share-out is $R57,31 \times 25 = R1\ 432,76$.

Some groups carry the interest over to a new cycle. They keep this as start-up funding for loans in the next cycle.

6.11 Fines and penalties

'We are the ones who write down the constitution, take it to the police and ask them to sign it and stamp it.'

'When you refuse to pay, we come to your house; we write down how you agreed to pay us, then you will sign and we will take it to the police who will put a stamp on the agreement. If you fail to pay, then we will come and get something from your house like a fridge or anything, and we will sell it to get our money back and the police will know about this.'

Sally Matuku and Edwell Kaseke (2014) The Role of Stokvels in Improving People's Lives: The Case in Orange Farm, Johannesburg, South Africa. Social Work/Maatskaplike Werk Vol 50(4)

Many groups issue fines or penalties for unconstitutional behaviour. In extreme cases, the group may attach property to get their money back. This is not good practice. A better way of doing this is to keep good records. The signed copies of members' records and the constitution (which should also be signed and verified by a Commissioner of Oaths at a police station), give a group the option of approaching the police and using legal process to get their savings back from a member who absconded with funds. Groups that function well and have achievable savings goals are unlikely to have to take such drastic steps.

7. UKUKHANYA GARDENING AND SAVINGS GROUP

Grandmothers of children attending the Zwide Ukukhanya Pre-Primary School come together on two days a week to make a school garden. The garden provides some food for the pre-schoolers and also benefits members of the gardening group.

Gardening is a good way to get to know one another and to learn about shared problems. 'Omakhulu' decide that they should sell what they produce after giving a contribution to the school. They agreed that the money from the sales would be their shared savings. Members of the gardening group can take out small loans from the savings and repay them with 10% interest. This will be better than paying 'loan sharks'. They keep a portion of their savings to buy seed and replace broken gardening tools.

This approach needed great self-discipline and group discipline in the beginning, when their total savings were still very small. Being gardeners, the members know how to wait for things to grow, and this helped them in the beginning. 'Omakhulu' joke and say that they are not only saving money: when they have extra seedlings from the school garden, they share this 'saving' with one another. This helps them to also grow their home gardens.

The group developed their ideas from visiting savings groups in other areas. They went by taxi to Jeffrey's Bay to see how groups are saving there, and brought new ideas home. They realised that they could organise other gardeners and savings groups in their area, so they arranged a harvest and savings day of gardening groups they knew about in the Zwide area of Nelson Mandela Bay.

The groups organised a play and talked about the strengths and challenges of savings groups. They agreed that saving can be helped by productive activities that bring extra household income. They agreed that it was easier and safer to borrow from one another than from 'loan sharks'.



Photo collage showing the work of different groups. Zwide, Nelson Mandela Bay

8. SAMPLE CONSTITUTION

Here is a sample of a constitution document used to start a savings group. New groups can use it as a basic document, changing it to suit their needs.

SAVINGS GROUP CONSTITUTION

1. BASIC INFORMATION

Name of the Group: _____

Address: _____

The Group was formed on: _____

Date of official registration: _____

2. OBJECTIVE OF THE GROUP

The purpose of the Group is to be an independent provider of financial services to its members. The services the Group provides to its members in order to achieve this objective are:

3 WHO MAY BE A MEMBER OF THE GROUP?

Lower age limit: _____

Gender: _____

Residence: _____

4. COMPOSITION OF THE COMMITTEE

Chairperson: _____

Treasurer: _____

Secretary: _____

Organiser: _____

Box-keeper: _____

Key holder: _____

5. ELECTION PROCEDURES

- Elections must be held at the beginning of each new cycle.
- The minimum number of people that must stand for each position is two.
- A member can only be re-elected to the same position once.
- The minimum number of members who must be present to hold an election is _____
- The election procedure will use a system that allows everyone's vote to be secret.
- A candidate for any position must be proposed by another member.

6. REMOVAL OF OFFICE BEARERS BETWEEN ELECTIONS

- Any member of the savings group may, at any time, request a vote of no confidence against a member of the Committee.
- The Committee member must resign if the majority of members decide to remove him/her.
- An election conducted according to the rules of the Constitution is required to fill the vacant position.

7. MEETINGS

- The Group will meet once a month on _____ at _____ (day and time)
- Meetings will be held on a rotational basis at the homes of members.
- Apologies for absence from the meeting will be accepted only if there is illness or death in the family.
- Members should apologise _____ days in advance.

8. CONTRIBUTIONS AND SHARE-OUT

- The minimum value of a contribution will be: _____
- The maximum value will be: _____
- The Group will conduct a share-out every year after 10 months: _____
- No contributions will be collected in January and December of any year.

9. MEMBERS LEAVING THE GROUP

If a member leaves before the cycle is finished, the money they have contributed will be returned to them, minus any loans or interest that they owe. Members who leave the group do not qualify for their share of the interest on loans.

10. EXPULSION FROM THE GROUP

The reasons for which a person should be expelled from the Group are:

Members who are expelled for theft or dishonesty will forfeit their contributions.

11. FINES

The following fines will be charged.

OFFENCE	AMOUNT
Failure to attend a meeting	
Late for a meeting	
Not remembering group rules	
Loss of membership card/membership record	
Forgetting the key to the box	
Chatting through the proceedings	
Showing disrespect to a fellow member	
Not remembering decisions or balances from the preceding meeting	
Failure of a member of the Committee to perform their duties	

12. AMENDMENTS TO THE CONSTITUTION

The constitution can be amended by two thirds (66%) of the members once a year when the share-out is held.

Any member can propose an amendment to the constitution.

13. SIGNED at _____

On this day _____

Members names and surnames

Addresses

9. SAMPLE SAVINGS RECORDS

Ms M Siyongwana's loans record

Loan Record: M Siyongwana 2017

Month	Loan	Interest	Due	Paid	Signature	
					Member	Witness
February					M Siyongwana	M Dube
March	200	20	220		M Siyongwana	M Dube
April				220	M Siyongwana	M Dube
May	300	30	330		M Siyongwana	M Dube
June				330	M Siyongwana	M Dube
July	100	10	110		M Siyongwana	M Dube
August				60	M Siyongwana	M Dube
September				50	M Siyongwana	M Dube
October	100	10	110		M Siyongwana	M Dube
November				110	M Siyongwana	M Dube

Total loaned 700

Total interest paid 70

Total paid back 770

Member M Mgoduka

Witness: M Dube

Date: 29th November 2017

Group Savings Record 2017

Month	M Siyongwana	PLallo	M Dube	B Swartboo	N Mgoduka	A Dube	M Jawula	D Mafu	Total Group Savings	Signatures	
										Member	Witness
February	100	200	50	250	100	50	100	100	950	<i>[Signature]</i>	<i>[Signature]</i>
March	50	250	100	100	100	100	200	200	1100	<i>[Signature]</i>	<i>[Signature]</i>
April	50	150	150	150	150	150	100	150	1050	<i>[Signature]</i>	<i>[Signature]</i>
May	150	100	200	200	200	100	150	200	1300	<i>[Signature]</i>	<i>[Signature]</i>
June	200	100	50	150	150	100	150	200	1100	<i>[Signature]</i>	<i>[Signature]</i>
July	50	150	100	100	100	150	200	150	1000	<i>[Signature]</i>	<i>[Signature]</i>
August	100	200	200	100	200	200	50	100	1150	<i>[Signature]</i>	<i>[Signature]</i>
September	200	250	250	150	200	100	100	100	1350	<i>[Signature]</i>	<i>[Signature]</i>
October	200	200	250	200	250	150	200	150	1600	<i>[Signature]</i>	<i>[Signature]</i>
November	150	250	250	200	200	200	200	200	1650	<i>[Signature]</i>	<i>[Signature]</i>
Total Member Savings	1250	1850	1600	1600	1650	1300	1450	1550	12250	<i>[Signature]</i>	<i>[Signature]</i>

Treasurer: *N Mgoduka*

Witness: *M Dube*

Date: 29th November 2017

Savings Group Loans Records 2017

Month	Loans & Interest								Loan Paid Back								Signatures Member Witness		
	M Siyongwana	P Lallo	M Dube	B Swartbooi	N Mgoduka	A Duba	M Jawula	D Mafu	Total Loans & Interest	M Siyongwana	P Lallo	M Dube	B Swartbooi	N Mgoduka	A Duba	M Jawula		D Mafu	Total Loans Paid Back
February	220	55	220	55	165	110	550	220	1045									1045	Mngoduka BPD
March		330	110	220	440	660	660	550	2310	220	55	220	55	165	110	550	220	1045	Mngoduka Mafu
April	330	275	440	440	550	660	660	396	3751		330	110	220	440	660	550		2310	Mngoduka Dube
May		880		1650	1320	550		4400	4400	330	275	440	440	550	660	660	396	3751	Mngoduka BPD
June			1650					990	2640	400	400			550	350			1300	Mngoduka BPD
July	110						2200	2310	2310	480	650	150	450	200	200	400		2930	Mngoduka BPD
August		1650				880		2530	2530	60	500	500	750	320	500	300		2290	Mngoduka BPD
September					660			660	660	50	500	500	750	300	200	600	290	2290	Mngoduka Dube
October	110							110	110	500				300	300	600		1700	Mngoduka BPD
November										110	650			360	380	500		2000	Mngoduka Mafu
Total	770	3190	2420	2365	3135	2860	3410	1606	19701	770	3190	2420	2365	3135	2860	3410	1606	19701	Mngoduka BPD

Treasurer: Mngoduka

Witness: Dube

Date: 29th November 2017

Savings Groups Reconciliation Record

Month	Total Savings	Total Loaned	Total Interest	Total Loans Paid Back	Total Money in Kitty	Treasurer	Witness
February	950,00	950,00	95,00			NMgoduka	MMafu
March	1 100,00	2 100,00	210,00	1 045,00	45,00	NMgoduka	ADuba
April	1 050,00	3 360,00	336,00	2 310,00		NMgoduka	BSwartbooi
May	1 300,00	4 000,00	400,00	3 696,00	996,00	NMgoduka	MMafu
June	1 100,00	2 400,00	240,00	1 300,00		NMgoduka	ADuba
July	1 000,00	2 100,00	210,00	2 930,00	1 830,00	NMgoduka	ADuba
August	1 150,00	2 300,00	230,00	2 430,00	1 280,00	NMgoduka	MMafu
September	1 350,00	600,00	60,00	2 290,00	3 040,00	NMgoduka	BSwartbooi
October	1 600,00	100,00	10,00	1 700,00	3 200,00	NMgoduka	ADuba
November	1 650,00			2 000,00	3 650,00	NMgoduka	BSwartbooi
Total	12 250,00	17 910,00	1 791,00	19 701,00	14 041,00	NMgoduka	ADuba

Treasurer: NMgoduka

Witness: ADuba

Date: 29th November 2017

NELSON MANDELA
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