MICROFINANCE HANDBOOK FOR SMALLHOLDER FARMERS IN SOUTH AFRICA
A CASE STUDY ON SMALL BUSINESSES

E Kruger and N Dlamini

WATER RESEARCH COMMISSION
Supporting Sustainable Water Futures
1971-2026

TT 967/5/26

MICROFINANCE HANDBOOK FOR SMALLHOLDER FARMERS IN SOUTH AFRICA

A case study on small businesses

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Report to the
Water Research Commission
by
Mahlathini Development Foundation
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WRC Report No. TT 967/5/26
ISBN 978-0-6392-0787-2
ISBN set number 978-0-6392-0784-1

April 2026

Obtainable from

Water Research Commission
Private Bag X03
Gezina, 0031

Download from www.wrc.org.za

The publication of this report emanates from a project entitled *Dissemination and scaling of a decision support framework for CCA for smallholder farmers in South Africa* (WRC Project No. C2022/2023-00746).

This publication is part of a series. The other publications in the series are:

- Dissemination and scaling of a decision support framework for climate change adaptation for smallholder farmers in South Africa (**WRC report no. TT 967/1/26**)
- Community-based climate change adaptation and local food systems: Handbook and case studies (**WRC report no. TT 967/2/26**)
- Climate resilience impact measurement for poor rural communities. A MERL (Monitoring, evaluation, reflection and learning) manual for community-based climate change adaptation (CbCCA) (**WRC report no. TT 967/3/26**)
- Community-owned water access: Guidelines and case studies (**WRC report no. TT 967/4/26**)
- Multistakeholder platform development manual: Guidelines for successful implementation (**WRC report no. TT 967/6/26**)
- Climate Resilient Agriculture: Practices for smallholder farmers. Farmer Handouts: English (**WRC report no. TT 967/7/26**)
- Climate Resilient Agriculture: Practices for smallholder farmers. Farmer Handouts: isiXhosa (**WRC report no. TT 967/8/26**)
- Climate Resilient Agriculture: Practices for smallholder farmers. Farmer Handouts: isiZulu (**WRC report no. TT 967/9/26**)
- Climate Resilient Agriculture: Practices for smallholder farmers. Farmer Handouts: sePedi (**WRC report no. TT 967/10/26**)

Published in the Republic of South Africa

EXECUTIVE SUMMARY

In this qualitative study, we examined microfinance options that are available for smallholder farmers participating in the Community-based Climate Change Adaptation (CbCCA) programme 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 were 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.

ACKNOWLEDGEMENTS

The MDF project team wishes to thank the following people for their contributions to the project.

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Co-funders	SODI-BMZ
Community members	All participants were involved in the process across five provinces.

This document used AI-assisted editing and summarisation (ChatGPT, OpenAI) to help condense, restructure, and rewrite draft chapter material provided by the authors. All factual content, case study data, and interpretations remain the responsibility of the authors. **OpenAI. (2025).** *ChatGPT (GPT-5.2) [Large language model].* https://chat.openai.com. All chapters in this report were also sent to a professional and independent language and grammar editor for review.

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ACRONYMS AND ABBREVIATIONS

ASCA	Accumulating Savings and Credit Associations
CARE	Cooperative for Assistance and Relief Everywhere
CbCCA	Community-based Climate Change Adaptation
CBDA	Co-operative 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
RBT	Resource-based theory
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

CHAPTER 1: BACKGROUND

This handbook is meant for those individuals and organisations who are interested in understanding how microfinance works in practice for the rural poor. The handbook provides short descriptions and analyses of services available to the poor and provides comments on best practice in these options.
It also provides a recent study on microfinance options for focus groups in seven villages across KZN and Limpopo. In addition, guidance is provided in the implementation of village savings and loan associations (VSLAs) for those interested in the implementation of such processes.
This handbook is the culmination of around ten 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 South Africa".

The financial services landscape in developing countries such as South Africa is complex. Formal and informal financial services are offered by different institutions or entities to people at different income levels. Generally, underserved populations are serviced primarily by community-based informal financial institutions, unregulated money lenders, and non-governmental organisations (NGOs). The South African government has 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), the Development Bank of South Africa (DBSA), the Land Bank, and the 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 for connecting 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 available for smallholder farmers participating in CbCCA and to draw lessons for broader applications. The study aimed to understand practices in VSLAs and similar community-based informal financial institutions for the purposes of suggesting best practice 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 regularly, 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 their 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 microloans 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 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 the 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, are 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 that 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 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 in describing the relationship that these institutions have with the informal economy (IE). The International Labour Organisation's WIEGO describes the informal economy as constituted largely of unincorporated small enterprises that may also be unregistered; however, the informal economy is not just the bottom of the pyramid, 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), the 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 that are essentially marginalised and excluded. Based on this lifeline narrative, these groups are purported to be safety nets that mitigate the negative consequences of the 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 they determine 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 microloans that borrowers then use primarily for consumption smoothing, but also to manage their informal businesses.

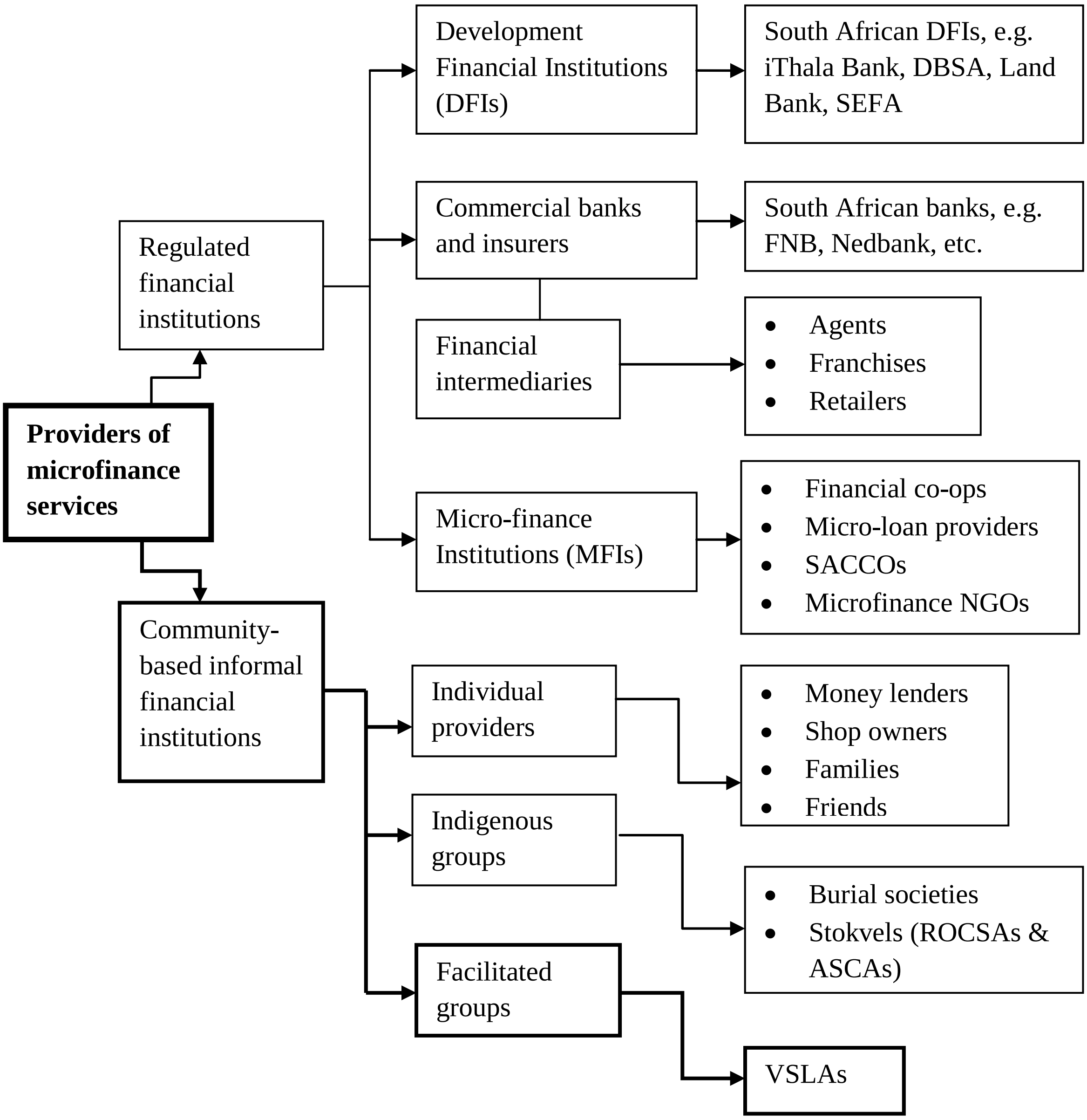

Figure 1: Providers of microfinance services, adapted from Ledgerwood (2013)

As shown in Figure 1, above, today the term microfinance describes a basket of financial services that 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 the 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 the rapid growth of microfinance financial institutions providing a basket of services to the poor (Ryne, 2014). We discuss community-based financial institutions and ROCSAs, ASCAs, traditional stokvels, and VSLAs later in the report.

Rutherford (2000) echoes that poor people use community-based financial institutions as livelihood strategies for saving money for lifecycle events such as childbirth, burials, traditional ceremonies, marriages, and construction of dwellings; and to mitigate disruptive shocks that risk depleting the financial resource base of their vulnerable households. Similarly, Storchi (2018) and Ngcobo (2018)

confirm the positive impact of these groups with regard to the betterment of dwellings and income-generating initiatives.
Internationally, VSLAs are praised for contributing immensely to the informal economy and to the livelihoods of the poor and vulnerable populations (Delany & Storchi, 2012; Högman, 2009; Hulme, 2009).

The significance of 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 their popularity among low-income earners (FinMark Trust, 2020). The 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 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 interests 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 the 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, Government Gazette Number 35368 of 25 May 2012 and subsequently Government Gazette Number 37903 of 15 August 2014 of the South African Reserve Bank confirm 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 the meaningful participation of the 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 co-create usable knowledge during participation. This is very important for the study because it recognises that participation is learning-focused 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 the 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 is usually composed of people who know each other 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 that 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, and in some cases, all funeral costs (Dube, 2016). Despite the 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 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 the accumulation of household assets and lowering the 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 to 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' contributions are returned to them with interest earned from providing loans. Three basic approaches are used to divide and share interest in this category. First, interest is divided equally only where members have contributed equal investments. Second, where investment amounts differ, interest is distributed proportionally to the individual's investment. Last, 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 the cycle have their investments returned without interest.

1.1.4 Investment groups

Investment groups are becoming very common among the working population and, in particular, the black middle class. Members pool their regular contributions 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 an investment goal that is decided by each individual group upon its establishment.

1.1.5 Multi-functional groups

Multi-functional groups usually emerge from strengthened social bonds and the sustained operation of any type of group. For instance, a savings and credit group may include a funeral insurance, a 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. First, they mobilise regular micro-savings that they use to build jointly owned loan funds or capital. Second, they then use loan funds to provide microloans to borrowers, who in many instances are either creators of a group or trusted borrowers in the village. Last, they dissolve group funds in order to pay lump sums proportionally to shares owned by each creator of the group.

1.2 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 microloans are the Small Enterprise Foundation (SEF), Marang Financial Services, and the 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 comes from different sources – mainly from international donors and, in some cases, central governments. However, they are not supervised by 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 reinvest 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.

1.2.2 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 for loans. SEF does not provide savings groups; however, applicants for microloans are required to build a group fund by operating a SA Post Office savings account where they put their regular savings.

1.2.3 Phakamani Foundation

The Phakamani Foundation is a microfinance NGO that provides small loans to rural women to start and operate microenterprise operations. The 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 can access a business loan (www.phakamanifoundation.org).

1.2.4 Marang Financial Services

The collapse of the Get-Ahead Foundation and Rural Finance Facility in the year 2000 saw the establishment of Marang Financial Services. Marang Financial Services took over the infrastructure, clients, and staff from the Get-Ahead Foundation and the Rural Finance Facility. With over 23 branches, Marang Financial Services operates in the 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.

1.2.5 Women's Development Businesses Group (WDB)

The 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 the 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 and 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 and R10 000.

1.2.6 Common features of microfinance NGOs

In this section, we discuss the most common features of microfinance institutions and criticisms 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'.

The impact of microfinance NGOs on poor and vulnerable populations has been under scrutiny for a while. While microfinance services are often seen as a positive move towards 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 such 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 USD86,5 billion, and were issued about USD100 billion in microloans mainly by microfinance NGOs, and about USD21,6 billion in 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 regard to their sources of income, their relationship with money, and their expenses. He also conducted his research in selected settlements in South Africa, Bangladesh, and India, and collected records of 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 lifecycle 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 the 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, so 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 a few NGOs that have provided intermediary financial services. Lima Rural Development Foundation (www.lima.org.za) is a non-profit organisation that has piloted a revolving credit facility for smallholder farmers through the Jobs Fund (www.jobsfund.org.za). The Jobs Fund is a 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 purchase 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 a repayment schedule and usually soon after a farmer has sold their produce. Although the revolving credit fund has been successful, some challenges are associated with crop failure and market complications. The main weakness regarding the provision of financial services by an NGO that is not an 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 the loan application process, through to approval and recovery, is hidden in the salaries of field staff.

1.2.7 ROSCAs

ROSCAs are also known as "merry-go-rounds" or "self-help groups" (Samer, 2015; Wrenn, 2007). These constitute 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 are 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. Safekeeping of the group fund is not required. All members' contributions go straight to the borrowers. There is no interest involved in loan repayments. Record keeping is minimal.

1.2.8 ASCAs

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

1.2.9 VSLAs

Members of VSLAs pool regular savings that build what is known as group funds. Group members 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) that 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. The 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 one and five shares in a meeting. Some groups allow members to purchase up to ten shares in a meeting.

The share price is set low enough to ensure that every member can purchase at least one 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 microloans 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 up of savings, interest, and fines, is paid out to the members proportionally to the deposits (savings) of individual members. Further operating procedures are presented as annexes to this report.

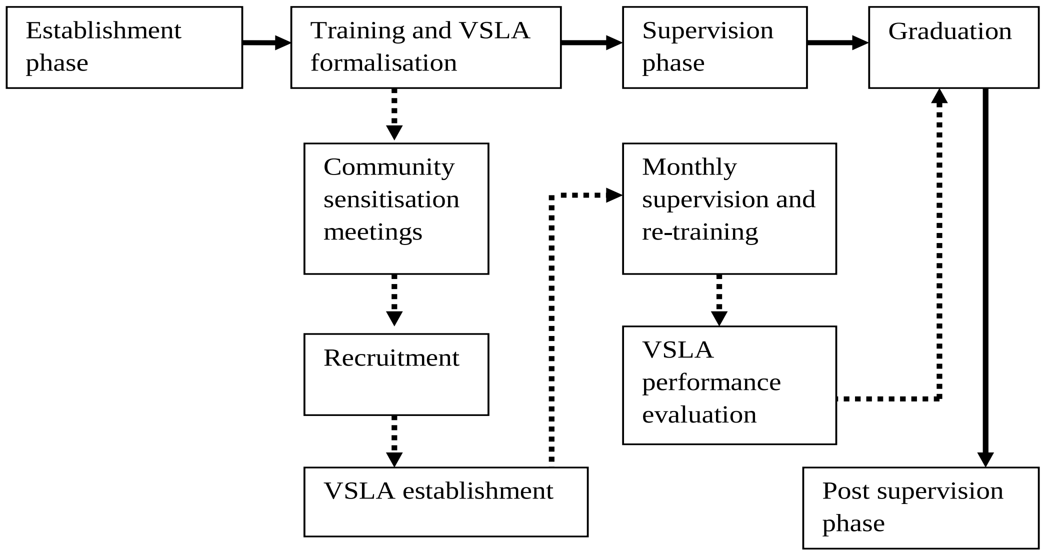

Figure 2: Showing the structured approach to VSLA development, adapted from Hugh Allen (2021)

MDF uses the VSLA model. The model is savings-led and is designed to empower poor households to build up assets and to achieve better levels of financial stability than credit-led programmes (Dlamini, 2016, citing Delany & Storchi, 2012). There is an organised and accountable system or structure for conducting group meetings and for recording 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 microloans. Interest generated stays within the group and is not siphoned off 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 at any time during the year, but they set a firm time period after which they will distribute the group fund. Figure 2 shows the four main phases in the first year of a VSLA. At the start of the programme, VSLAs are trained by field staff, that is, programme facilitators who are employed by MDF. Programme facilitators usually dedicate between three and four weeks to recruitment, establishment, and initial training of VSLAs. Programme facilitators are not allowed to manage VSLAs on behalf of their members. This includes writing and keeping records, counting money, and safekeeping of the money box. These functions are always carried out by the members of the VSLA.

1.3 MAKING CONNECTIONS

In this section, we show the connections between smallholder farmer-focused VSLAs and the CbCCA that MDF implements, as well as African cultural practices in the context of community development. CbCCA includes 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 focusing 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 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 with MDF's mission 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 implemented solutions with participating communities.

Broadly, MDF's development programmes integrate sustainable natural resource management, intensive homestead food production informed by Climate Resilient Agriculture (CRA), low external input farming systems, rainwater harvesting, and integration of VSLAs and entrepreneurship education in food production. The significance of VSLAs is twofold. First, they provide for consumption smoothing, and second, 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 microenterprises, and other income-generating activities.

This methodology presents incentives and tangible rewards that encourage farmers' participation in the CRA programme. In other words, it presents a structured process to help the members of the VSLA to achieve tangible rewards that include 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, the term culture refers 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 the cultural and economic values of traditional African societies promoted cooperation; for example, friends, relatives, and 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 prevents the vulnerable from perpetually struggling 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 reciprocates.
- *Ukusisa* is another form of exchange of property. In many instances, the property is livestock and, in particular, heifers. The giver presents the gift, knowing that the recipient will keep the offspring as their property when returning the cow. In other words, the recipient takes the gift knowing that they will eventually return the same cow/s to the giver.
- With regards to *ilimo*, the initiator is the recipient. They will prepare food and drink and invite people to help with planting preparations and/or harvesting. In addition to food and drink, the helpers receive a small portion of what was harvested, and the saying in isiZulu goes: "*umvunisi ubuya nenjobo*". The recipient reciprocates the same to others.

In all instances, the givers and recipients are equals during and after the transaction. All three practices are mechanisms of building a 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 participants (www.care.org). Many international NGOs such as CARE, World Vision, Oxfam, and CRS mainstream VSLAs to support their development programmes in areas of education, reproductive health, water, sanitation, food security and nutrition, smallholder farmer development, women's 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 to strengthen their resilience to external shocks such as illness, crop failure, droughts, disasters, and so forth. VSLAs have been used to address several challenges communities face. They have been used to:

- Help households deal with irregular household incomes.
- Improve cash circulation in villages.
- Improve access to financial services.
- Promote income generation projects.
- Build resilience to economic shocks and emergencies.

Groups meet regularly, 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 microloans, and distributes group funds proportionally to individual members' savings at the end of a saving cycle. At the end of the cycle, all the money in the group fund (savings, interest, and fines) is paid out to the members proportionally 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 a constitution that 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 mobilise communities, recruit members, and 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 include supervised and unsupervised groups. According to FinMark Trust (FMT), a limited number of organisations have adopted the VSLA model (www.finmark.org.za). FMT is an independent Southern African financial services research and policy advocacy group focused on financial inclusion. Founded in 2005, the SaveAct Trust is one of the key promoters of the 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).

The common goal of all these organisations is to support communities in their development programmes to improve their sources of income and ultimately their livelihoods by mainstreaming VSLAs. 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 every month 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 of the groups are provided with VSLA training when they start, which is then followed by life skills, enterprise development, and technical skills training in areas such as cropping and broiler production.

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

- The 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 among the members and within the communities rather than being absorbed by microfinance NGOs and credit providers.
- The VSLA model readily accommodates and catalyses a wide range of livelihood 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.

CHAPTER 2: COMMUNITY-BASED INFORMAL FINANCIAL SERVICES STUDY

This study aimed to examine the microfinance options available to 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 practice options in microfinance for smallholder farmers in South Africa. The study had the following objectives and key research questions.

2.1 OBJECTIVES

- To understand the 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 the microfinance options VSLAs provide to smallholder farmers.

2.2 KEY RESEARCH QUESTIONS

- How do 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 farme

2.3 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 research was to develop a deeper understanding of the insights that members of community-based informal financial institutions employ to make sense of the context in which they live and work (Bertram and Christiansen, 2010), and to discover the challenges and opportunities that these groups experience.

The study employed Human-Centred Design (HCD) as an adaptive planning tool to examine different group-based financial services, to identify challenges, and to 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 for understanding 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.

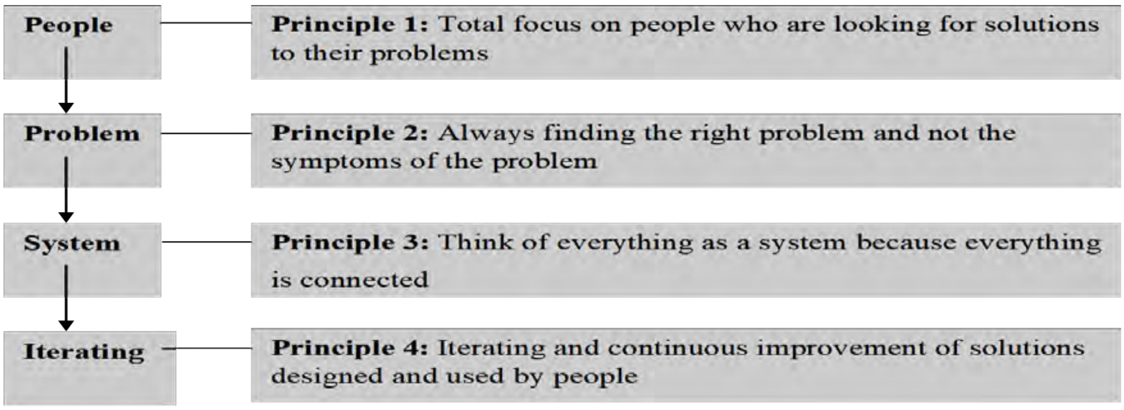

Figure 3: Showing four principles of HCD, adapted from Norman (2022)

Based on the above four principles of HCD, 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, so many households are unable to afford nutritious food. At least five stages are involved in the application of HCD, as shown in Figure 4, below.

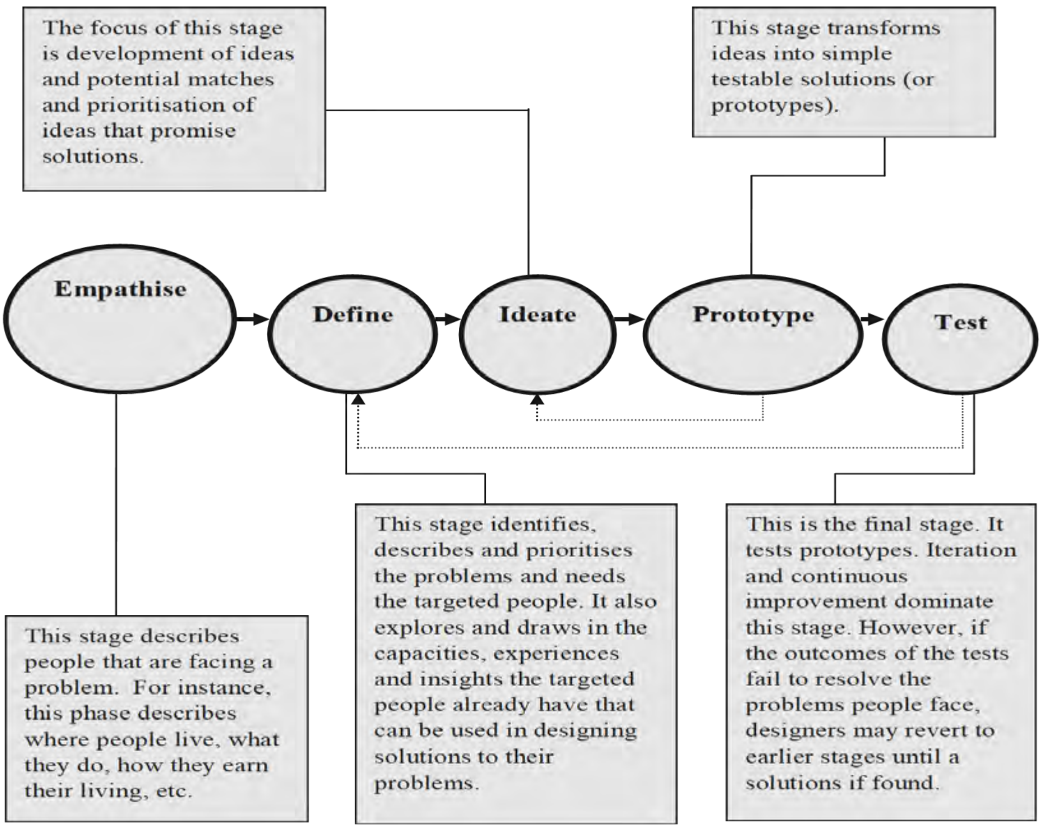

Figure 4: Showing five stages of the application of HCD, adapted from Norman (2022)

2.4 SAMPLING

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 participated in development programmes implemented by MDF, farmer learning groups, and VSLAs. Stokvel participants were interviewed as a control because 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).

2.5 DATA GENERATION METHODS

Six months of intensive engagement with participants ensured the 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 that included financial records of VSLAs and MDF's reports. The second step involved observations of groups during their meetings. An observation schedule was used to understand meeting procedures, the 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 eight and 15 participants. A focus group discussion schedule was used to guide the engagements.

2.6 DATA ANALYSIS

Data analysis in an interpretivist study begins as soon as data collection starts. We used thematic analysis – 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 to analyse findings across several cases, to create categories, and to identify common thematic elements (Riessman, 2008). Similarly, Braun and Clark (2006) maintain that 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. First, thematic analysis allows the researcher to present perspectives for the participants and is especially useful for capturing unanticipated insights from the participants. Second, thematic analysis helps the researcher to adopt a structured approach to synthesising data and consequently to produce a clear, well-organised, and reader-friendly report. 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 grouped 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 the HCD theoretical framework.
- Defining themes: This stage involved further refinement of themes and generation of sub-themes. The main focus here was to see how the themes related to each other, resulting in a thematic map that provided the narratives of community-based informal financial services as told by the participants.

2.7 RESULTS AND ANALYSIS

2.7.1 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 at arable land and frustrating the interaction of facets of smallholder farming systems and livelihoods. Like most rural communities in South Africa in general, it is women and the youth who bear the burden 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. These characteristics persist despite the provision of electricity, access roads, schools, and a regional hospital by government agencies.

The vulnerability among rural households is exacerbated by the 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 provision for travel and associated opportunity costs to commute to the nearest urban centres to access goods and public services. Second, female-headed households and smallholder farmers struggle to produce enough food to meet their needs and consequently miss the opportunity of supplying 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, high levels of competition suppress profitability because farmers tend to produce similar crops to those of other villages.

2.7.2 Profile of participants

Participants of the study were drawn from smallholder farmers participating in an MDF programme. The farmers were members of village-level CRA learning groups and worked 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 emanated from the learning groups, such as 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.

2.7.3 Gender, marital status, and age

Forty-four respondents (88%) were drawn from MDF-supported VSLAs, three (6%) participated in stokvels that were not supported by MDF, and three (6%) did not participate in any VSLAs or stokvels.

Table 1: Showing the gender and age of participants

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

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

2.7.4 Sources of income

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

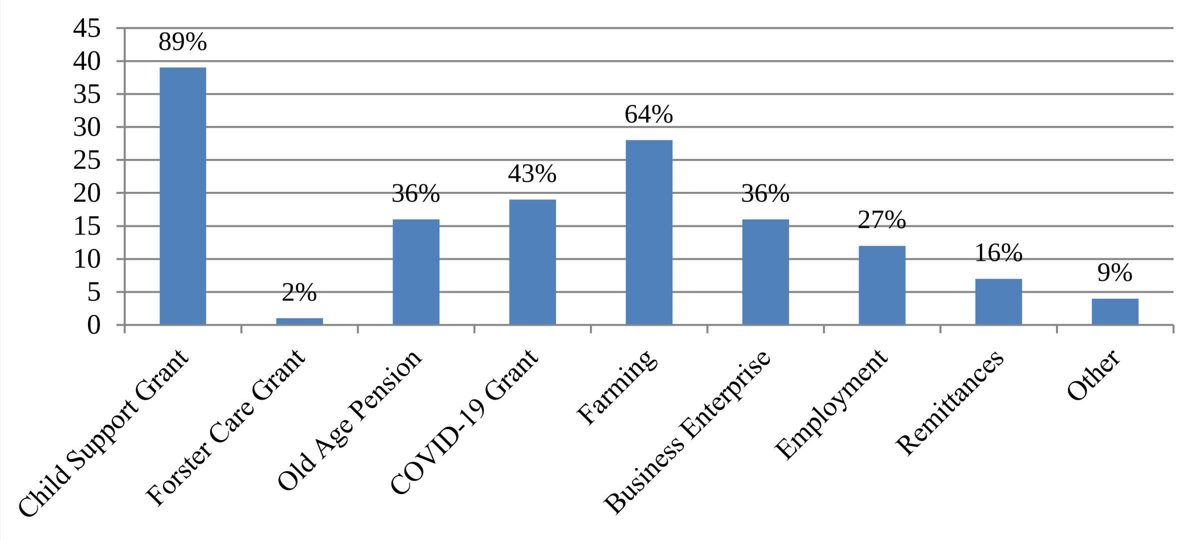

Figure 5: Showing sources of income of the respondents

About 78% of the participants had households with children that received the government's child support grant of R480 per child per month. Thirty-eight percent of recipients received the old-age pension grant. About 19,4% of income (R46 450) came from 28 farming enterprises and 16 mixed enterprises, such as buying and selling of clothing and housewares, and dressmaking.

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% was spent on financial services.

2.7.5 Participation in financial services

Members of community-based informal financial institutions spend an average of R946 a month, which is about 18,6% of their monthly income, on financial services as shown in the table below.

Table 2: Showing financial services used by participants

Type of Financial Service	%
MDF-supported VSLAs	52,5
Other groups, e.g., stokvels	25,6
Funeral parlour policies and burial societies	13,2
Life insurance with a formal insurer	2,9
Savings accounts with banks	5,8

This means that an individual member of a VSLA has the capacity to spend 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.

2.7.6 Annual expenses

Participants explained how their income sources were highly constrained. This is demonstrated by their dependency on state welfare grants and income-generating activities. This is one motivation for their participation in community-based informal financial institutions. Respondents specifically used 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 group were generally used for the following annual expenses.

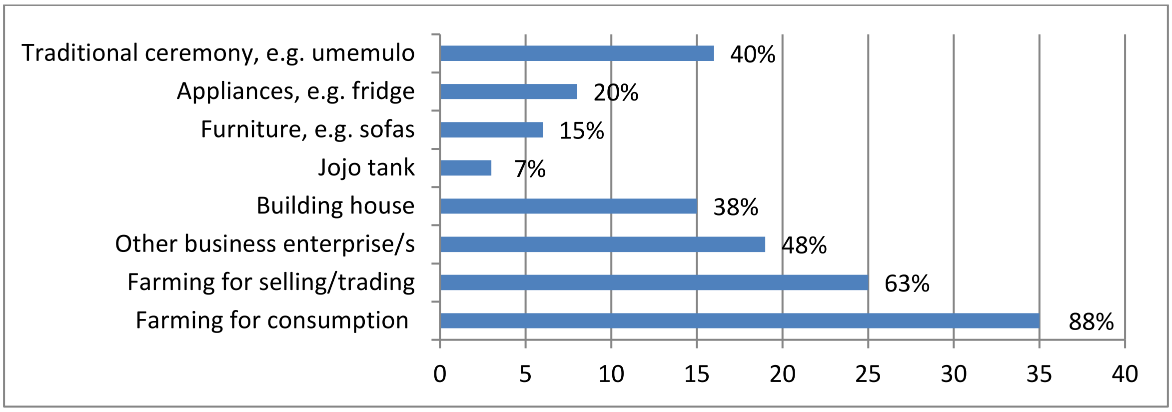

Figure 6: Showing total spend of share-out lump sums on different annual activities

The figure above shows that participants used 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 food production for consumption (15,9%). It was noted even during focus group discussions 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 previous five years, participants used loans and shared out lump sums for enterprise development activities as listed below.

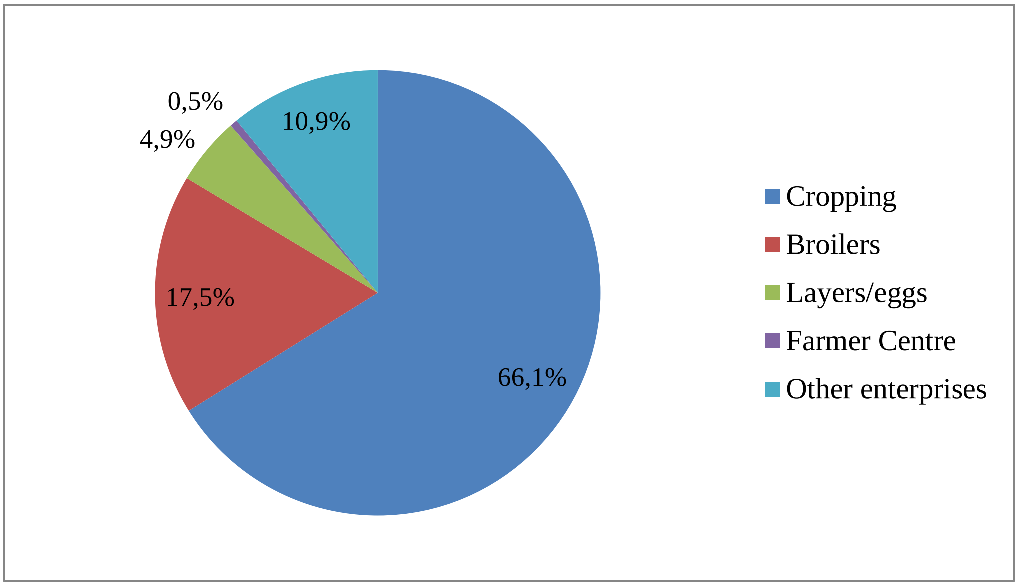

Figure 7: Showing the use of loans for enterprise development

The tables and figures above show the socio-economic information of the study participants. These are gender and age distribution, marital status, income sources, and monthly and annual expenses. These figures demonstrate that the significance not only lies in their sources of income, but also in 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. We found that farming was dominated by cropping, which was split between consumption and farming enterprises.

2.7.7 Financial Services in the Villages

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

Table 3: Summary of financial services in villages

	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 groups pay cash, some provide a service, and some do both. Premiums can be paid weekly or monthly as determined by the 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 a few years. Fewer death claims grow the group fund and can lead to fraudulent behaviours by the leadership of the group.
Traditional stokvels	Traditional stokvels take many shapes. However, the most common feature is that these groups have a clear 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 – their goals must be achieved at least by the end of the year. Although 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 poorest, 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 a monthly basis. The total fund is forcefully given to a 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 them to external borrowers. These groups are infamous for high levels of fraud by their leaders.
Merry go rounds	Members of these groups take turns to receive the 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 no 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 payouts 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 that 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 grows to R600 by the twelfth month. Saving down is the direct opposite; for example, members will start saving R600 in the first month, down to R50 by the twelfth 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 savings up method.

	Description	Challenges and Risks
VSLAs	This model is described in detail in sub-section 3.5, above. VSLAs draw on the sound and progressive practices found in 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 interest rates 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 at 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	A Bulk Loan Fund (BLF) is established by members of existing VSLAs for the purpose of bulking the 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 five years. There are no monthly contributions. Loans are specifically ring-fenced for productive activities. A flat interest rate of 15% is charged on loans that are payable over six months. Interest is shared out at the end of the third year.	Members of these groups struggle to invest in larger, once-off lump sums that they require to meet the financial expectations of the farmers in the first year. However, this is circumvented by additional contributions made at the start of each year.

The study found that borrowers can access loans of up to R5 000 at 10% per month and repayable in three to four months. There were a few instances where loans exceeding R5 000 were issued, mainly for 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 them. Besides formal banks and regulated insurance providers, participants listed the following financial services.

Table 4: Additional financial services available outside villages

	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.
Regulated money lenders	These providers are mainly found in urban centres and operate from fixed addresses.	Borrowers are required to qualify for unsecured loans by meeting the minimum requirements set by the National Credit Regulator (NCR). Borrowers must submit proof of income, such as a salary advice, a three-month bank statement, and the financials of a business if the applicant is self-employed.
Funeral parlours	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 the funeral parlour. Premiums for older policyholders are typically higher.
Cash withdrawal and deposit facilities	These facilities are mainly provided by shops that are essentially agents of the banks. In most cases, in villages, these services are limited to cash withdrawals. 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.	Several complaints have been raised by users of these facilities, especially against retailers that operate in villages. First, retailers force users to buy something before they can withdraw some cash. Second, some retailers are known for charging higher transactional fees. Last, load shedding compromises internet connectivity, which makes it impossible for customers to benefit from these facilities, especially in rural towns.

	Description	Challenges and Risks
Microfinance NGOs	In South Africa, these are not-for-profit microfinance companies. These companies are run by independent boards but are exempt from some Treasury (Central Bank) regulations. Their mandate is to offer microloans 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.	Two main challenges in communities where microfinance NGOs operate are: (1) a solidarity group has to be established, and (2) be "forced" to open a savings account with a reputable bank. Loan amounts are no different from those offered by VSLAs and traditional groups.

2.7.8 Discussion

Seven focus group discussions were attended by 83 members of VSLAs in two provinces, namely, KwaZulu-Natal and Limpopo. Women constituted 84,3% and men 15,7%.
This section accomplishes two purposes. First, we summarise different group-based financial services found in the study communities. Three themes are discussed. These are common social intelligence competencies, cultural competency, and collaborative learning competency. Second, we 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 the table below. These themes flow from categories of learning and practice as reflected by the perceptions and experiences of the participants regarding their groups. Verbatim quotes from the participants were categorised into 23 categories and ultimately into seven themes via an inductive approach. The coding process encompassed several iterations to identify similarities and differences before we constructed the final categories and themes using relevant concepts from the literature. The final coding resulted in 10 categories and three themes as presented in Table 5, below.

Table 5: Focus, categories, and themes were deduced from data

Focus	Category	Theme
• Evaluation of 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 the 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 • Responding to change • Socio-economic values • Controlled money channels • Personal and business loans	• Social learning spaces • Selective non-formal learning • Scaffolding and knowledge transferability	**Collaborative learning competency**

Besides theorising how community-based financial institutions work 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 identify how these perspectives empower participants to moderate their cash.

- Demonstrate how financial education in these community-based financial institutions is perceived by participants and by other external formations, and how external perceptions influence how savings groups operate their business.
- Demonstrate the role of social and cultural practices in the operation of community-based financial institutions.

2.7.9 Introduction of themes

Social intelligence competency: This is the first theme of the study and responds to the first key research questions about 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 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 the users' lens to make meaning of community-based financial institution practices. This section argues that these practices are responsible for empowerment, as they help groups to build cash reserves and help participants to moderate their cash.

Cultural competency: This is the second theme of the study and responds 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. It 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 a 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 third theme of the study and 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 that learners actively construct knowledge, and in this instance, participants stimulate active involvement and provide multiple opportunities for engagement. Given the hostilities imposed by financial and economic exclusion, the dependence of community-based financial institutions on social networks plays a particularly important role in reconciling conflicting views and experiences that members bring to the groups. Participants develop problem-solving frameworks that deal with uncertainty and risk. In this context, collaborative competencies are related to the identification and pursuance of products and services that meet the needs of participants in groups. This competency reflects the need to think about the scalability of solutions beyond the participants to include their networks. The significance of this competency is that it promotes knowledge generation and, specifically, governance and operation of the groups.

2.7.10 Discussion of theme 1: social intelligence competency

In this section, we discuss social intelligence competency, which is considered the main pillar of the success of savings groups. Below, we examine the collective actions that empower these groups to build their cash reserves and ultimately help participants to moderate their cash. We identify and dissect participants' perceptions about financial inclusion, we look at how village perceptions influence financial education in the groups, and we discuss 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 to promote and sustain the positive influences that positively impact on others. Participants interpret their local environment and build savings groups as their financial institutions in anticipation of the financial services that they access to resolve their financial challenges. Social intelligence competency is the ability of participants to work towards shared goals and to share both responsibilities and rewards in their groups.

Figure 8: Picture showing a savings group share-out meeting

2.7.10.1 Perceptions about financial inclusion

In this section, we describe and apply the concept of financial inclusion as perceived by the participants and identify the conundrum of financial inclusion. Thrown together by adversity, participants believe that groups help them survive crises resulting from strategic exclusion from mainstream financial services. Participants perceive their groups as responsive financial instruments that help them to withstand difficulties associated with the scarcity of cash in their villages. Participants identified community-based financial institutions, the 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 named 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 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 chosen to develop products that push them to the periphery. It is for this reason that participants believe financial institutions and specifically banks exploit the inability of the poor to access formal financial services (Mader & Sherratt, 2020). Participants generally had very negative perceptions about regulated financial institutions.

"I don't understand this thing of these businesses helping us. How exactly? Banks do not give us credit. Ask them, many people have paid for years but got their furniture repossessed 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 to be only interested in making money and not helping them. People claim to have lost money from dealing with formal financial institutions.

"I bet you, banks eat our money. If you deposit R1 000 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 findings by Sykes et al. (2016) and Mader (2016). According to Sykes et al. (2016), the financial inclusion products offered by regulated financial institutions simply coerce underserved populations to use financial instruments at unaffordable premiums. In the process, the poor lose their money. Mader (2016) argues that banks exploit government policies to make huge profits from the poor. According to Mader and Sherratt (2020), formal financial institutions manipulate public policy to shape future markets in ways that favour an unscrupulous capital accumulation agenda and perpetuate the structural causes of inequality. As a direct response to exploitation, community-based financial institutions employ alternative platforms outside the mainstream financial services regime to provide for their families.

Financial inclusion for the participants means having access to financial services and specifically, cash when they need it. Broadly, participants perceive the goal of community-based financial institutions as building cash buffers that help them to moderate their cash flow. They prefer not to approach financial services from formal institutions but to rely on their groups to provide financial services.

Schwittay (2011) regards the financial inclusion products of regulated financial institutions as a distraction tool that the powerful use to avoid executing radical structural changes. These products facilitate a "feel-good effect" among excluded populations, making them feel included (Taylor, 2012) while they are made to believe that they are responsible for their exclusion from the system. We thus conclude that formal financial inclusion imperatives do not concern the participants, and there are several reasons for this:

- A savings group is only established to meet the immediate needs of the participants and to resolve the challenge of cash scarcity in villages. Community-based financial institutions are established to meet several objectives, including helping participants to meet their consumption needs, to buy expensive household 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 on delayed gratification has been key to their success in terms of meeting their financial objectives.
- According to the participants, reciprocity is one of the key bonding values in the groups. Reciprocity is discussed in detail later in this chapter.

Generally, financial inclusion is described as the 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 excluded populations and, in particular, community-based financial institutions. The financial inclusion conundrum is that financial education programmes and curricula are predominantly written from 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 mainstream financial institutions that purport to promote financial inclusion. Participants, in fact, blame regulated financial institutions for focusing on making a profit instead of building mutually beneficial platforms with the poor. According to Mader and Sherratt (2020), regulated financial inclusion is problematic because it has proven to create investment opportunities for formal financial service providers to accumulate capital while exploiting the poor.

2.7.10.2 Village perceptions that influence the practice of 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. In this section, we 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 subheadings:

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

2.7.10.3 African village intellectualism

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

"Savings groups define us, our expectations, and what we do. A savings group is our way of life. It makes things happen in our families."
"What brings us all here is the 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 empowers them to meet their diverse living expenses and other financial needs. However, it was noted that participants do not have identical incomes; the idea of saving varying amounts and granting different loan amounts remains a fundamental principle.

Figure 9: Picture showing a record keeper coached by the money box keeper during a savings meeting.

Despite the diverse character of participants (although they are dominated by women), community-based financial institutions have proved to be inclusive and accommodating. We found that state welfare recipients of old age and child support grants constituted the largest membership base of the groups in the research sites.

The significance of localised African intellectualism for our study is that the participants are not necessarily advocating the replacement of Eurocentric financial systems but are arguing for the inclusion of an African point of view in the generation of knowledge (Hlela, 2016) and specifically, financial knowledge and practice. Participants were critical of the exploitative behaviour of Eurocentric financial instruments mainly because:

- They perceived banks as being interested in making money from their groups.
- groups have no voice in shaping the products and services that regulated financial institutions provide to them; and
- They see policymakers as agents of a status quo that serves to relegate community-based financial institutions to the position of mere spectators of the capital they mobilise.

The participants' views corroborate Bophela and Khumalo's (2019) argument that these informal groups will always be marginalised, even though they inject billions of dollars into the global 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.

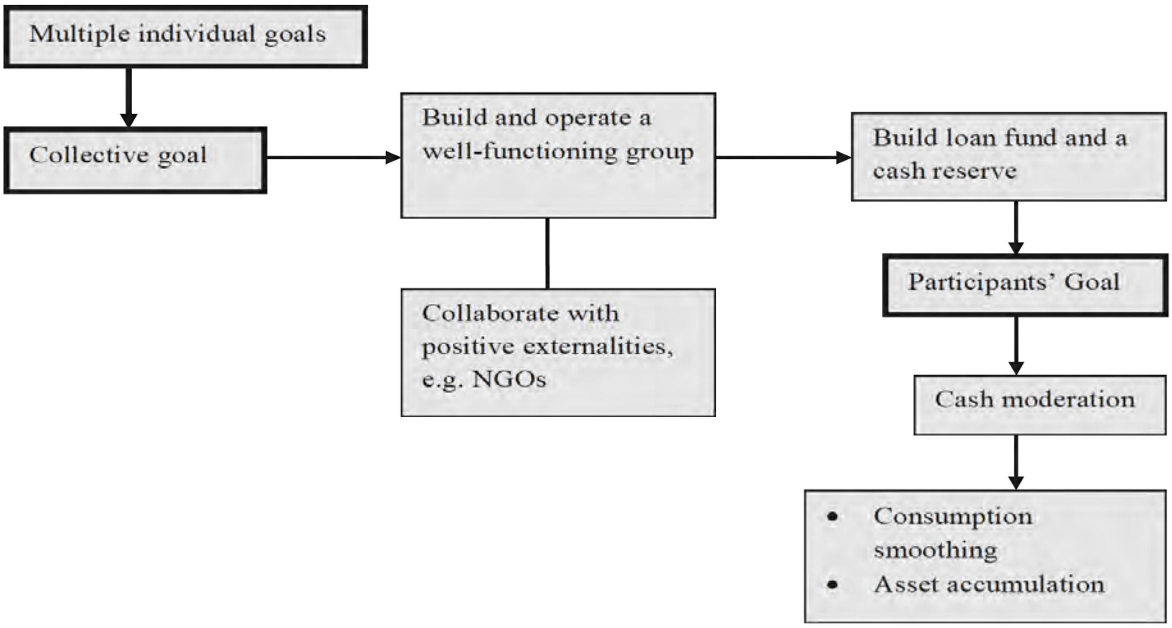

Figure 10: Showing infusion of individual goals in a community-based financial institution

Another defining feature of community-based financial institutions is that they respond to the needs of their founders through carefully selected organisational models and framing solutions to the financial challenges participants face. Finally, community-based financial institutions promote different organisational models and solutions via positive externalities and market-oriented action so that groups are able to deliver on individual members' goals. We therefore argue that participants perceive that community-based financial institutions represent a model of social transformation and empowerment. As a social enterprise project, these groups are providing solutions where the government has failed to deliver services.

2.7.10.4 Collective identity

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

The main operational goal of community-based financial institutions is to ensure maximum participation of the entire membership with regard to decisions taken and strategies adopted. They are established, owned, and operated by their members. They are built on principles of trust, transparency, equitable access to financial resources, and maximum compliance with group rules. 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 improve their livelihoods. However, what is quite unique is that the rules that govern the operation of many groups in this village are mostly not documented but memorised. Meeting schedules and procedures are memorised, including the group's business records. Specifically, participants memorise the closing balances of every savings meeting with regard 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 Moyo's (1999) claim that African cultural practices aim to strengthen communal living and promote liberation of the vulnerable from perpetual poverty.

2.7.10.5 Circuits of groups' hegemony

Participants identified emerging circuits of group hegemony manifesting as success indicators. For instance, achieving the savings group goal of taking in deposits, building a loan fund, issuing small loans, growing savings, and paying out lump sums at the end of a savings cycle was the main success indicator of a well-functioning 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 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 see 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."

We found that participants are mostly concerned with planning, keeping track of their finances (Nanzir and Leibbrandt, 2018), and delaying gratification. Participants made larger and consistent deposits and corresponding loans that they used to buy household assets and/or invest 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 relates to the four activities of a savings meeting listed below:

- Making deposits (savings). Participants emphasised that each member 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 emphasised 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 help participants to predict the amount of cash that may be available for issuing of future loans. Last, booking loans gives a clear signal to the borrowers that there will be new borrowers in the next meeting.

Besides participants gaining several financial skills that specifically respond to their needs, group practice reinforces the following reciprocal values.

- Aligning individual goals to a group's collective goal. 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 a reciprocating agent. Social bonds help participants self-select themselves to establish and to operate community-based financial institutions. This may explain the reasons for participants helping one another beyond the business of their groups.

- Bearing transactional costs for operating a community-based financial institution. These groups are largely conducted through the voluntary and pro-bono contributions of their members, where services are rendered collectively by participants.

Participants copied the activities of their peers through withdrawals – we found this to be central to the effective management of their income resources. In other words, participants carry with them to their group meetings pictures of others' success. 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 lay strong foundations for financial hegemony that help to mobilize and circulate financial resources in the participants' villages. In other words, groups become the foundations of new circuits of learning and practice that respond to the participants' needs. These groups serve to unite, and they harmonise with social practices that participants observe beyond the business of their savings groups.

2.7.10.6 Adherence to simplest routines

Participants confirmed that the success of their groups is a direct manifestation of their adherence to operational routines. The perception of adherence to rules and procedures by participants is heavily influenced by years of respecting the authority of community institutions, one of which is the savings groups themselves.

"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."

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

Table 6: The most common routines of VSLAs

Savings Group Formation	**Regular Business Meetings**	**Pre-fund Dissolution Meeting**	**Fund Dissolution Meeting**
This meeting establishes a group by setting up a 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 the total savings of each member • calculation of the group's outstanding loan amount of all borrowers to be settled • calculation of the net worth of a group	The purpose of this meeting is to distribute the group fund proportionally to the savings of individual members. All the activities of a pre-fund dissolution meeting are repeated to give borrowers with outstanding loans the opportunity to settle them. After this, the group fund is distributed accordingly.

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. First, loan funds are established by regular savings deposits from the membership. This is their savings. Second, 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 uses their contributions to offset the outstanding loan amount if not settled before or at the fund dissolution meeting.

Groups use the power of collective savings in building cash reservoirs that are distributed proportionally to participants based on their deposits and their ability to settle debts. We therefore conclude that learning and practice in groups do not conform to a regulated financial institution and state-driven financial inclusion agenda but rather relate to operating a well-functioning financial institution that delivers on its foundational goal.
African cultural values and the supremacy of collective identity are central to the groups' effective functioning and permeate every aspect of human life (Idang, 2015). Participants give primacy to distinct African practices (Aziza, 2001) to secure their livelihoods.

2.7.10.7 Key drivers of legitimacy for participating in a savings group

In this section, we identify and describe the key drivers that participants believe sustain their continued participation in VSLAs. An 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 VSLA group is characterised by a participatory process that governs how the objectives and outcomes are reached, as well as the approaches and methods employed.
Governance and operations are primary concerns for groups. Groups adopt behaviours that promote transparency and instil confidence in participants that they are able to achieve their goals. According to the participants, a well-functioning group recognises the possibility that the group can be swayed to favour the interests of the few (Dallimore, 2013). Participants also recognised the possibility of a group being defrauded by a few elites in the group. However, the development and application of rules help to prevent and/or mitigate instances where a few members dominate group processes.

VSLAs draw on experiences from other community-based financial institutions, mainly burial societies and grocery buying groups. The significance of these experiences is that participants use them to continuously improve self-supervision and peer-monitoring and to strengthen the 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 on the perceptions of the participants, it is therefore argued that the legitimacy of groups as financial institutions should be conceived of as a set of normative incentives that are able to encourage, and where necessary, compel participants to uphold their group by providing incentives for trust and delivery of services. The result is a legitimacy framework that allows participants to appreciate and better understand the governance and operations of their group.

Legitimate coercion: The most contentious matter for many VSLAs is their establishment, their self-selection, and the 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 in rejecting membership of applicants whom they perceive to have questionable credentials.

Participants asserted that groups are social constructs and subjective institutions that are sustained by the 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 drive conformity to the 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 binding decisions collectively. Enforcement is achieved by consistent reminders that delinquency risks collapsing groups, something that participants do not want to see happen. Such reminders are no less legitimate forms of coercion to establish and retain the 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. We argue that the collective expression of the authority of the management committee is also an expression of shared understanding by the participants concerning what is and is 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 is translated into a unique way of managing a group's cash flow collectively, and it is informed by a social practice that promotes togetherness and concern for one another. It is common for participants to resolve to make larger savings and larger loan repayments to ensure that participants who 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: Last, a VSLA is judged by its ability to manage procedures of all four meetings – the establishment meeting, regular monthly savings meetings, pre-fund dissolution meeting, and fund dissolution meeting. At the centre of a group's operation is the maintenance of reliable financial records. Generally, the following were observed from the books during the observation meetings of a VSLA.

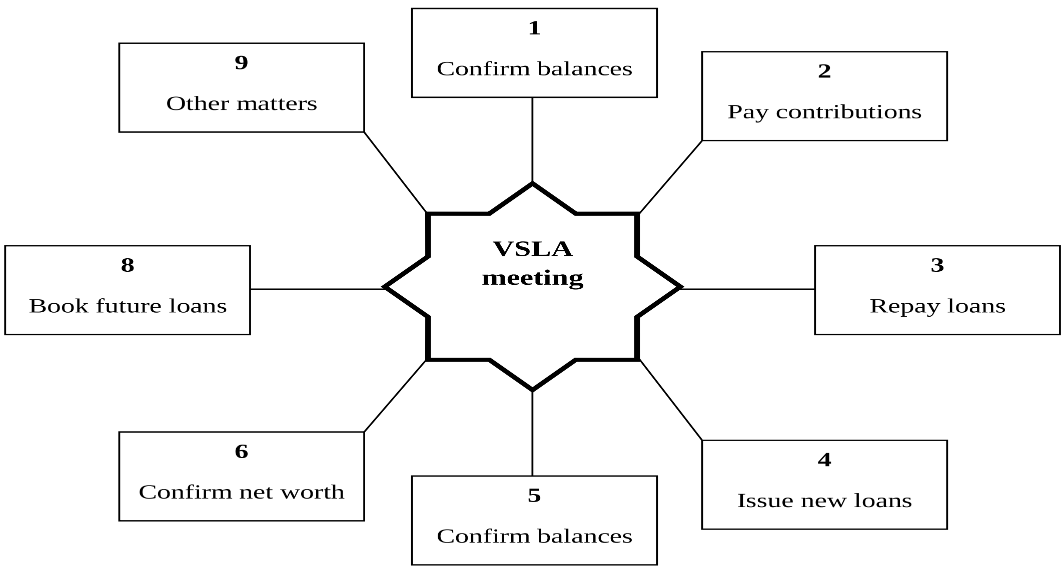

Figure 11: Showing procedures of a savings meeting

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

2.7.10.8 Concluding remarks

This section has demonstrated the ability of participants to analyse and evaluate their past and present financial challenges and to use community-based financial institutions, and in particular the VSLAs, as their platforms to predict the future by establishing systems to achieve collective goals. 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. Key components of learning and practice in VSLAs are the use of legitimate coercion and construction of shared financial knowledge that is used resolve cash scarcity in the village. This section has shown how participants persuade, inspire, and guide these groups towards the achievement of a shared goal, shared responsibilities, and shared rewards.

2.7.11 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? The continued financial exclusion of poor Africans clearly points to the history of their marginalisation, which today manifests as a persistence of structural and economic inequality.

2.7.11.1 Impact of marginalising structures

In this section, we provide the basis for discussing cultural competency by briefly covering the impact of marginalising structures. The significance of marginalising structures is their ability to reproduce inequality and to sustain the status quo. Marginalisation stems from powerful public structures built on colonial ideologies that continue to privilege the few – especially people of Western origin. Structural oppression permeates 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 the underdevelopment of rural communities. Under-development in these villages makes it difficult to attract all forms of services and consequently leads to a greater likelihood of their receiving culturally and racially biased community services, and in particular, financial services. Yet, policymakers, governments, and development practitioners have explicitly and implicitly attributed unpalatable socio-economic outcomes in vulnerable settlements to the oppressive regimes of the business community. In other words, the intersection of oppressive systems and poverty penalises the majority of people living in marginalized communities.

Structures of domination have infiltrated societal norms with a specific hegemony that justifies the co-existence of privileged and dominated groups. In this study, although institutions of domination are inextricably associated with power, we propose that savings groups also have access to power. Savings groups demonstrate that they can acknowledge historical injustices, recognise their cultural competency, and empower themselves to improve the financial and educational outcomes of their members.

2.7.11.2 Perceptions about community-based financial institutions

In this section, we 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 they 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 confirms that community-based financial institutions are no longer a reserve for financially excluded individuals. Generally, they are perceived as self-help platforms 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 the existence of multi-purpose groups operated by formally employed people. The majority of participants belong to burial societies, end-of-year grocery groups, and multi-purpose savings groups. In the main, multi-purpose savings groups operated by participants in this study were focused on household consumption, farming inputs, microenterprise development, and home improvements. Reciprocity was found to be a major driver in defining the role of savings groups and the learning that happens in the groups. Participants confirmed that their social networks were enhanced by savings groups and therefore extended beyond these groups. Obviously, groups are established to help participants transact with business, and in particular, wholesalers and retailers in nearby towns
.
Regarding home improvement 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 an extra room. Participants view their savings groups as providing financial resources for wholesalers and retailers to grow their businesses. For the government, the methodology of savings groups can be refined to provide solutions to state failures in local economic development and in the 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 several non-governmental organisations that used to work in their villages and that are currently supporting them. Collaborative platforms facilitated by supporting NGOs help VSLAs to learn from one another. NGOs have been found to play an intrinsic role in facilitating community dialogues and development programmes. In addition, NGOs act as mouthpieces for underserved populations. The combined significance of these NGO-led community interventions is that they maintain ethical awareness in communities and build bridges between the community and state institutions. In other words, the relationship between NGOs and the communities they serve delivers multiple channels of collaboration, especially where NGO-led projects become spaces for community learning. Through such projects, the voices of marginalised citizens are amplified for the ears of dominant social groups, who, in some instances, are politically empowered to negotiate more favourably for their community institutions.

However, the involvement of NGOs has not been without its weaknesses. Participants tend to avoid events that fall outside their socio-economic interests. And the pursuit of specific 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 an 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 from pressuring dominant institutions of power into fulfilling their side of the deal that impact on social change.

2.7.11.3 Community-based financial institutions in their own right

Basically, the dominant hegemony perceives community-based financial institutions as instruments to reach poorer and more vulnerable populations where formal financial institutions cannot reach. According to Floro and Seguino (2002), poor households with unemployed members often employ savings groups to mitigate the impact of unexpected income shocks and emergencies.

The study confirms that women constitute the largest proportion of savings groups, as previously stated in the introductory sections of this handbook. One overarching perception about women's domination in these groups is that it is because women use the cash that they draw to run their households.

These findings are consistent with Ngcobo's (2019) observations and that participants use such groups to meet life-cycle events (Rutherford, 2000) – mainly household expenses that individual women ordinarily couldn't afford. This observation corroborates Triegaardt's (2005) findings that savings groups are communal financial institutions that provide for a wide range of household needs, such as focused savings, consumption smoothing, and planning for burials. 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.

Since participants admire that withdrawals and lump-sum payouts from VSLAs help them to afford household consumption expenses, there is a view 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 on food, building materials, appliances, pots, seeds, and fertiliser. Our purpose is to live."

Clearly, although participants are not frustrated by the fact that the majority of members of the groups use their withdrawals and lump sums for household consumption expenses, they are concerned that market players who exclude them benefit immensely from their efforts. The above 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 to or to take part in the regulated financial system. VSLAs are designed to be used to provide financial services to financially excluded populations 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 the Eurocentric view of savings groups, which is that the biggest dilemma facing savings groups is the huge amount of savings that 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 worse, trapping them in debt. However, participating in financial services vehicles that by design exclude the poor and the vulnerable was not a concern for participants. Instead, the study found evidence of a multitude of groups that help them to survive the challenges that they face. Instead, participants are very used to managing their cash flows without the support of the state and capital markets. Capital markets and formal financial institutions do not concern them. 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 in South Africa for more than a century.

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 in more than one group as a strategy for managing their cash flows and building reciprocating social networks among them. In this instance, reciprocity is described as a social insurance that promises the “premium payer” similar support to the recipients of the “premium”.

“Women who 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 simply means one hand washes the other. The external environment and external perceptions influence groups to respond in many ways to challenges they face. 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.

2.7.11.4 Perceptions influencing participation in community-based financial institutions

In this section, we demonstrate how external perceptions influence the way community-based financial institutions see themselves. We start by presenting reasons for participating in community-based financial institutions, then discuss savings groups as agents of different types of knowledge that are 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 proximity to one another, and the mutual support they receive, motivated them to join the groups. Aligned with 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 reveal, discuss, and learn from the experiences of others and find solutions for problems that they face. It is in this way that

participants in groups are empowered psychologically, socially, and financially to face whatever challenges life throws at 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 the support participants receive in times of social and economic crises, such as death and scarcity of cash. This is in accordance with the observation of Mashigo and Schoeman (2010) that the groups empower their members to budget and save for both predictable and unpredictable expensive events. Several 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 and 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 with a sense of belonging and collective responsibility in all group activities.

2.7.11.5 How external perceptions influence how savings groups see themselves

The diagram below serves two purposes. It demonstrates first the versatility of savings groups and second that savings groups are not only established for investment purposes but for maximising circulation of the cash that helps villages meet life cycle and income-generating priorities
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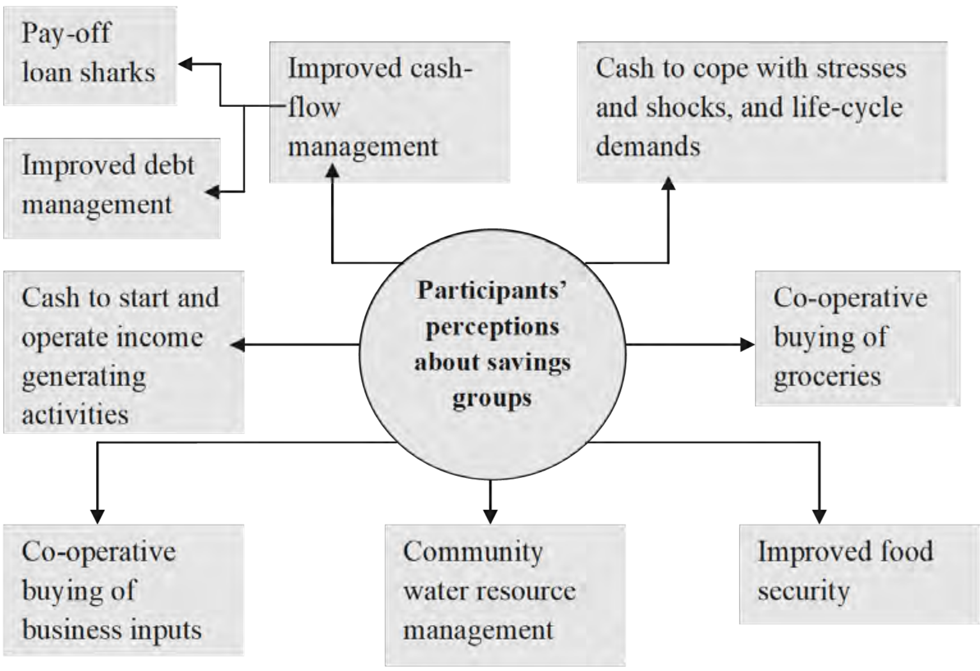

Figure 12: Showing perceptions participants have about their savings groups

The IsiZulu saying of *umuntu ngumuntu ngabantu*, translated as “I am because you are,” and a similar saying, *izandla ziyagezana*, translated as “one hand washes the other,” simply reflect the interconnectedness and interdependence of people and their cultural practices. *Umuntu ngumuntu ngabantu* and *izandla ziyagezana* manifest as practices in community-based financial institutions. VSLAs in particular provide a space for participants to learn good social practices and to unlearn bad social practices. Similar reciprocating practices are observed by Hlela (2016). *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 include helping a hosting household with fetching water and firewood. It was also found that buying from vendors who are also members of VSLAs is born from the cultural practices of *Umuntu ngumuntu ngabantu* and *izandla ziyagezana*.

In this instance, participants operate VSLAs because of a 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 of help enjoyed by participants as members of a savings group. Similarly, doing anything contrary to the common good is discouraged as bad practice. For instance, failure to settle micro-debt robs others of the opportunity to take out loans they need to meet the demands of household life-cycle events.

In this community, VSLAs are defined as the "womanhood coaches" because women, young and old, get to share their experiences and ways of navigating life as the proxy heads of their households. Accumulation of household assets, for example, means better social status, the ability to live better, and the ability to reciprocate and help 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.

2.7.11.6 Concluding remarks

Establishing consensus regarding the ingredients of learning and practice in VSLAs has not been an easy task. The main difficulty is that VSLA activities are contextualised and are subjected to interpretive analysis and measurement by those running the groups and external organisations that discount the role of cultural competencies. However, the bottom line is that cultural competency dominates VSLA practice and makes it possible for participants to choreograph financial knowledge and validate the 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 these skills are shared by villagers in their respective VSLAs.

2.7.12 Discussion of theme 3: collaborative learning competency

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

2.7.12.1 VSLAs meetings as social learning spaces

In the case of VSLAs, social learning is a story written and narrated by participants (the membership) and their immediate households. Social learning is the experienced and lived wisdom that is distributed through a web of social networks in communities. In VSLA meetings, 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 a configuration is that it uses collective moral manipulation to buffer VSLAs from disruptions that may be presented by individual financial pressures. We therefore argue that VSLAs represent a growing field of hybrid action for wider recalibrations of the role of financial education curricula that are generated from practice. This is because VSLAs provide a social infrastructure for peer learning regarding the provision of financial services to marginalised households. Three areas of learning in VSLAs are discussed under the following subheadings:

- Managing external influence
- Shared legitimacy.

2.7.12.2 Managing external influence

In this section, we describe how VSLAs manage the influence of banks and shops with which they may transact

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"If we were to take our money 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 banks, many VSLAs opt to resist some products and services offered by formal financial institutions, and specifically, banks, for two reasons. First, participants fear ever-changing bank fees and other transactional expenses. They specifically singled out transport costs and the risks associated with carrying large sums of cash to the banks on public transport. Second, participants perceive bank products and services to be designed to benefit the banks rather than to meet 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 from banking products.

Participants maintained that many VSLAs continue to deflect the 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 the experience of not getting their money when they most need it. They maintain that transacting with a bank risks entrenching the scarcity of cash and preventing savings groups from reaching their goals.

"The significance of buying groceries in bulk in December is that it relieves us of pressures to have cash to feed our families while we face financial pressures associated with schools at 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 participated in this research had either stopped or refused to deposit their money with wholesalers and national chain retailers for two main reasons. First, they acknowledge the lost opportunity for building a loan fund, which would have provided them with credit, because they have instead bought items on credit from shops. 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. Maintaining the sovereignty of VSLAs is important because it gives participants the freedom to implement decisions that make VSLAs work for them. In other words, participants continuously shift collective experiential learning into experience that is continuously moderated by their everyday realities and is replicated within and outside the business of VSLAs.

2.7.12.3 Shared legitimacy

The relationships between VSLAs, their founders, and operators are built on and sustained by the continuous generation and dissemination of knowledge. VSLAs are deeply embedded in the institutional setting of their communities and neighbourhoods. In this section, we demonstrate how knowledge is generated and 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 transforms a VSLA into a learning platform. Participants learn from each other, adapt, and share experiences with the sole purpose of enhancing the capacities of their savings groups to cope with change.

The various resources at VSLA's disposal and the constraints they face require them to find ways of balancing exploration with experiential learning as they deal with the complexity of financial education and provision of financial services. Social bonds and social networks are readily available resources for the generation and consumption of financial education that specifically responds to the financial needs of VSLAs and their participants.

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

Shared legitimacy through the sharing of knowledge is required in different situations for the effective operation of VSLAs and is closely connected to their success. Savings groups need to transform experiential knowledge and general knowledge about managing money into collective legitimacy. Experiential knowledge of governance, rules, norms, and values establishes a strong foundation for an organisational framework. This is basic knowledge that savings groups require to operate and to perform their core activities well. Basic knowledge is embodied in organisational routines and relates to the 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 of solving problems is enhanced. Experienced participants are able to share their experience openly.

2.7.12.4 Exploratory learning

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

In the case of VSLAs and many other organisations, peer learning is facilitated and reinforced by organisational routines and practices. Peer learning takes two forms: experiential or exploitative and experimental or explorative. Historical experience is the biggest component of experiential learning, whereas explorative learning is dependent on innovation and trying out new things when solving problems. However, people tend to resist explorative learning when it comes to adopting new practices because it conflicts with the ways they have learnt in the past. Learning in savings groups is explorative because:

- VSLAs are dependent on peer learning in the form of scaffolding and intra-organisational knowledge transfer.
- Members of VSLAs are always inclined to explore better ways of managing their group fund.
- The changing environment presents explorative learning as the only option to VSLAs.

The establishment and operation of VSLAs involve several delicate processes. 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 the reputations of prospective 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 demonstrates several skills and competencies, such as the 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 funds, keep transparent records, and deliver on group goals.
- VSLAs were found to be skilled in cash-flow management and, in particular, concerning taking deposits, granting loans, calculating interest, and receiving loan repayments. 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 great capacity to budget, delay gratification, and be transparent with financial record-keeping.
- 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 microloans and lump-sum payouts for farming and selling consumer products in the village.

VSLAs provide a platform for the participants to educate themselves about money and money management. VSLAs have provided them with a formula that galvanises participation and commitment – and in the process de-weaponises negative perceptions about money – for example, money is the root of all evil and is associated with debt and greed. However, participation in groups has empowered participants to appreciate money as an instrument for accumulating household assets, strengthening social bonds, and participating in local trading activities. They see the loans that VSLAs provide as a bridge to better livelihoods.

Participants also applauded their role in disseminating financial education to their neighbours, relatives, and friends who were not members of VSLAs. Participants believe that they are responsible for educating themselves through VSLAs so that they are able to pass on lessons to members of their households, enabling them 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 these participants is to acquire general knowledge and skills for managing money that is tailored to meet the goals of both the VSLA and individual participants. Experiential knowledge and general knowledge about managing money are interdependent, and when combined, generate value for VSLAs by facilitating healthy and well-functioning organisations. It is for this reason that participants routinely employ experiential knowledge 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 their routines and the governance and administrative structures that have been developed earlier.

2.7.12.5 Managing social risk

In this section, we demonstrate how participants have learnt to manage the 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 the most appropriate financial products they require for managing risk. However, VSLAs have long alleviated social risks that should be shouldered by the state by enabling participants to self-regulate their financial and economic affairs. (Lemke, 2001).

"We sometimes struggle to settle our debts in good time for the dissolution of the 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 of 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. Sometimes I use part of my loan to make substantial contributions to another group."

"It is not a bad thing to borrow from your group to buy items that you wouldn't have been able to buy on a 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 this. It is a risk that participants are used to taking. In the same vein, larger savings groups have a powerful ability to pool financial resources and leverage their larger size to reduce the risk that they will be unable to issue larger loans when they need to. Larger VSLAs benefit from economies of scale compared to smaller savings groups. However, larger loans have exposed VSLAs to risk, and specifically when members default in managing their cash flow, resulting in delays in settling their loans timeously.
- Some participants provide detailed strategies for making cash-flow management decisions, including avoiding self-deception and instant gratification resulting from eagerness to acquire household assets. With one's peers watching over financial decisions in savings groups,

separating needs and wants and budgeting for expensive purchases becomes habitual. It was found that some participants use an "envelop system" for budgeting and for ensuring discipline. For instance, they put specific amounts of money in different envelopes or cloth bags. For example, a budgeted amount for groceries would be placed in one bag, while money for an appliance, a house renovation, or any other budgeted item would be placed in another.

- 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 the death of a neighbour and irrespective of whether they were a member of any group, participants budget for and contribute towards the food expenses of a bereaved family. This practice resembles *ukwenana*. The same practice is done for traditional ceremonies, where participants buy blankets and/or groceries for a hosting family.

Clearly, VSLA members routinely manage risk. VSLA business does not end when a meeting is adjourned. Participants continue to engage one another outside group meetings. For example, there are many instances where participants act as reference points for products they plan to buy with regard to quality, usability, price, and other specifications that meet their expectations as prospective buyers. In other words, informal evaluation of products is a common risk management practice among the participants. This practice helps them to avoid falling prey to unscrupulous sellers who sell them inferior products. When it comes to bulk buying of groceries and/or farming inputs, participants develop a shopping list beforehand and walk to different shops to compare specifications, quality, variety, and prices, as well as negotiate discounts. Between three and four participants will hire a local van or truck and divide the delivery costs among them.

2.7.12.6 Reciprocity anchors learning

In this section, we show how 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 among participants provide endless reconfiguration possibilities for savings groups to explore new knowledge and the capacity to adapt to changing circumstances using their meager resources. In this instance, reciprocity is expressed in four main practices.

- 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.
- Participants helping one another outside the core business of savings groups; for example, buying 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 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 a few months before a product is bought. It was found that participants sell household items, including fresh produce, after savings group meetings. In other words, participants are trading among themselves.
In the case of VSLAs, social learning typically involves choreographing learning during savings meetings and behind the scenes. where old-timers share their experiences with newcomers. 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 to pay for transporting what they buy back to their respective villages. VSLAs are social learning communities because they help participants to:

- Raise the subject of money in safe environments of their choice.
- Process and filter out useful and useless information about their core business – They offer participants multiple opportunities to gain practical financial knowledge that is both relevant and useful.
- Remain consistent with the practice and allow participants to organise and apply their knowledge and VSLAs; and
- Unknowingly create "tribes of trust" that are not sanctioned by parent VSLAs – for example, there could be more than three tribes of trust in one savings groups such as neighbours, friends and relatives who walk together to savings meetings or collaborate in household chores; the significance of these tribes of trust lies in their subtle ability to challenge redundant systems, ritual practices and stories that no longer add value to savings groups and in this way create and nurture a culture of social learning.

Essentially, VSLAs create learning spaces to which participants bring their experiences and guide one another through a series of reflections and sense-making. Reflections and sense-making bring in new vocabulary and create a common language, but this is only meaningful to the participants in the activity and is used to explain the relevance and functionality of an organisation, in this case, savings groups. The significance of unending reflections is that they allow storytellers 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) concerning the adoption of a more thorough-going process perspective of updating and re-punctuating continuous experience. Colville et al. (2016) hold that sense-making requires the sense-maker to pay attention, especially to the content that guides the unfolding of experience (see also Weick, 1995; Chen, Irving, and Syre, 2013; and Odden and Russ, 2018). According to Weick (1995), sense-making is about the continuous construction of a relationship between two moments, which are past moments of socialisation and current moments of experience. According to Chen, Irving, and Syre (2013), sense making includes making connections to lived experience and coordinating multiple representations to find the most reasonable solution to a specific problem. 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. However, reflections and the construction of new knowledge also raise serious challenges in terms of collaborative arrangements with other savings groups in other localities, and it is even 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 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 by employing a combination of visible and invisible actions organised relative to one another, and how these activities influence the ability of their savings groups to adapt to changes that participants impose 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). Schwarz et al. (2009; cited in Odden and Russ, 2018) conclude that sense-making is about specialised representations that embody aspects of predicting and explaining the phenomena and consequently about 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 into 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, the non-governmental organisations that support them. It was found that savings groups only consume what they value from a financial education curriculum through the subtle subversion of the expectations of hegemonic financial education. By consuming some aspects of the formalities, savings groups have been able to achieve greater consistency in terms of governance and operations.

2.7.12.7 Concluding remarks

In this section, we discussed the inter-learning among participants who use VSLAs as a platform for resolving the scarcity of cash in their villages. We also demonstrated how VSLAs improve the 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 to be running a sovereign financial institution. About 50% of the participants could confirm their intention to use a build-up of withdrawals 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 the net worth, power, and status of a particular household because, over time, some assets are used to generate income. Lastly, we demonstrated the significance of inter-learning with regard to the use of withdrawals in the form of short-term loans and lump-sum cash payouts at the end of each savings cycle. This is most significant because VSLAs facilitate positive inter-learning and financial behaviours and foster a 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 well. Membership, rules of participation, benefits, 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. Few men are found in VSLAs.

2.8.1 Participation

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

- To engage in a collaborative scheme that establishes a functional 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, namely, short-term microloans, 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 to doing what they do best regularly. What is also central to participation is a 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).

2.8.2 Primary purpose of the VSLAs

In this section, we show that VSLAs are not established to resolve financial challenges beyond the communities in which they operate. The key components that define learning in groups are access to, and careful application of shared financial knowledge regarding the operation of a VSLA for the purposes of improving cash-flow management and resolving scarcity of cash. It has been argued that pro-poor microfinance programming improves social capital and leads to economic empowerment. However, the reality on the ground deviates somewhat 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 a financially empowered citizenry is a noble proposition, 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 happened in their neighbourhoods, making it difficult to deliberate on macro-economic issues even at the level of a community. Participants argued that their VSLAs have nothing to do with the economic development agenda championed by state institutions because such programmes do not factor in the priorities of their groups. Participants believed that the risk of disharmony would be very high if VSLAs were to entertain economic development projects championed by the state. This finding is corroborated by Taylor (2012), who argues that financial education driven by international development agencies appears to be concerned with consumption smoothing and the stabilisation of poverty. However, participants argued that remaining in their communities protects the sovereignty of VSLAs against possible capture by foreign elites – including state-driven and donor-driven development agendas.

2.8.3 Support by NGOs

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

2.8.4 General practice of VSLAs

The general practice of VSLAs can be summarised as follows: (a) VSLAs take deposits and use them to build a loan fund that is then 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) At the end of a savings cycle, which is usually twelve months, VSLAs dissolve and distribute their loan fund. 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) 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 fellow members to maintain the right balance between their income sources and expenses. This allows participants to make ends meet because they are empowered to use some withdrawals 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 to be central to empowerment. Collaborative learning promotes financial discipline and delayed gratification. Participants make regular deposits into the VSLA fund, take out short-term loans, and repay them timeously. Basically, the benefits of financial discipline are mostly learnt from the most disciplined participants. They withdraw usefully large sums at the end of a savings cycle, and they participate in collective schemes, 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 also by what participants do with money with regard to improving their quality of life. Regular savings meetings and participation in supervision sessions facilitated by NGOs support members of VSLAs to make informed financial decisions.

2.8.5 Unpalatable experiences

"Some savings groups have collapsed as a result of the bad behaviour of a few members. Some members believe that they are too knowledgeable to be guided by newcomers in groups."
"The most disturbing experience is the postponement of the dissolution meeting because a few members are unable to settle their loans."

The above summarises some participants' unfortunate experiences. The reputations of some community-based financial institutions have been compromised by the unethical behaviour of some members and elites within them. Participants shared experiences regarding misrepresentation, collusion, and defrauding of unsuspecting members. Some groups have failed, and members would join or establish new groups every time they were 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 the collective agreement. However, these are tainted and strained by some members' diversion from the expected behaviours.

The dynamics of utilising VSLAs as agents of learning, practice, and change resemble the integration, reciprocity, and alignment of group activities found in certain cultural practices. Two crucial assumptions underpin the relationship between participants and their group as their agent. First, there is an assumption of unity, and specifically that there will be no conflicting goals between the members and the savings group as their agent. However, conflicts may be triggered by differences in desires and interests, resulting from the powers given to the management committee to manage the affairs of the agent.
Second, the management committee may not always want to do the work they are assigned by some members, or they may not wish to do what the majority of members want. This is because 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 shirk their duty to hold management committees to account.

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 a congruence of preferences among management committee members regarding the collective mission of their group, most management committee members may be concerned about the conflicting instructions from and expectations of the membership. It follows that the nature of the agent's operation may not always align directly with the individual goals of members.

2.8.6 Moral hazard

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

2.9 MICROFINANCE OPTIONS AVAILABLE FOR SMALLHOLDER FARMERS

This study revealed several 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.

Table 7: Summary of financial options for smallholder farmers.

	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 several options based on ASCA and ROCSA models. Interest earned benefits the members. There is an appetite for and experience of using transaction bank accounts. These groups have extensive 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 terms can be extended to 12 months. Collateral is not required for a loan; however, a group 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. Operating procedures and rules 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 the 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 in communities with a long history of traditional stokvels and VSLAs. A microfinance NGO may run at a loss.	The provision of loans and recoveries appears to be very expensive because they are included in the salaries of field staff. Absence of capacity in the NGO impacts negatively on the management of the revolving credit fund. 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 VSLA 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 the few cases when they do, they are only very small consumption loans.	Solidarity loan guarantee may be rejected by the VSLA. An 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 the availability of sufficient loans for farmers. 12-month savings cycles and shorter loan terms limit VSLAs' ability to grow their group funds and to provide larger loans.

The following options are based on the 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. No loans are 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 with the 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 a 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 available to build substantial group funds.

- **Bulk Loan Fund (BLF):** VSLAs can be improved to accommodate the financial needs of farmers and other village-based microenterprises. The immediate focus should include helping VSLAs to grow group funds to meet loan demands exceeding R10 000. This can be achieved in four ways. First, 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 to 60 months (5 years) minimum. Second, to provide multiple opportunities for members to make bulk contributions each year. Third, to move away from charging monthly interest to levying an annual interest rate of no more than 20% per annum. Fourth, to extend loan terms 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 a 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 an interest in using them. However, the greatest benefit is that this tool can be manipulated to support monitoring, evaluation, and learning (MEL) objectives.
- Motivate banks to develop responsive products for group-based savings.
- MDF may consider taking an interest in the profit-sharing model, but for the purpose of encouraging farmers' production. MDF will be responsible for market facilitation. Farmer days are gaining traction.

CHAPTER 3: GOVERNANCE AND OPERATION OF VSLAS

In this section, we present the 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 neighbours, 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 the maximum group size should not exceed 30 members for smooth management. South African experience shows that VSLAs are established by homogenous groups of people who know and trust each other and who agree to work together to achieve a common purpose. However, VSLAs are supported or facilitated by external development agencies, and mainly 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 the governance and operations of a VSLA. The management committee is constituted by the chairperson, record keeper, the money-box keeper, and two money counters. The roles of office bearers are presented as follows:

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

- The record keeper is responsible for keeping accurate records of the VSLA's activities, namely membership registers, transaction books, and closing balances for every meeting. They keep accurate accounts of all VSLA finances and present 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 they take it for safekeeping. They keep the money box safe at their house and bring the money box to the VSLA meeting. Most importantly, they never open the money box outside the VSLA meeting.
- Money counters count money during meetings and announce all totals at each stage of the meeting. First, they count money when the money box is first opened at the start of the meeting. Second, they accept and count the shares bought by each member and check to ensure that there are no counterfeit or ink-tainted bills. Third, they count the total value of shares purchased when all members have bought their shares. Fourth, they accept and count loan repayments received from individual borrowers, and count the loans granted to borrowers. Last, they count and confirm fines and closing balances at the end of the meeting.

3.3 BENEFICIATION PROTOCOLS

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

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

3.4 VSLA OPERATIONS

Members of a VSLA sit in a semi-circle so that every member can participate and see all transaction activities carried out by the management committee. All members are given numbers and sit in the "number" order. The chairperson is member number 1, followed by the record 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 follows 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 doubles as a shadow record keeper as well.

Each has a savings book. This is an individual member's transactional book that 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.

The group's funds are kept in a three-way-lock steel money box. Three elected members keep the keys to a money box. The money-box keeper does not keep the keys. However, the box must be opened by four members at the start of the meeting.

Members of the group can choose to contribute to a social fund to help members in distress. A social fund is a small emergency grant given to members who encounter serious tragedies such as a life-threatening accident, serious illness, death of a family member, or 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 to build a social fund. Recipients are not expected to repay monies granted to them from the social fund.

The agenda of a savings meeting follows this structure:

- Opening a meeting.
- Confirmation of quorum.
- Taking apologies and acknowledgment of proxies.
- Payment to a social fund.
- Buying 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 are not 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 twice the value of a borrower's shares. 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:

- First, all members should have settled their debts. If there is a member who still owes the group fund, they must sell their shares to the group fund to settle their debt.
- Second, the total group fund is counted. This includes savings, interest earned, and fines.
- Third, individual members' shares are counted and confirmed. This is the sum of all shares that members have purchased over the savings cycle. Individual members' shares are added together to get the total group/VSLA shares.
- Fourth, the total group fund is divided by the total number of group/VSLA shares to get the new value of a share.
- Last, 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 formalisation, development of rules of participation and the constitution, and VSLA operations and group fund management. The social fund development module is only provided to VSLAs that have chosen to operate a 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 that members use for: consumption smoothing, production of nutritious food, investment in farming, establishment of microenterprises, and other income-generating activities.

3.5 MONITORING AND EVALUATION

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

3.6 LIMITATIONS OF THE STUDY

All research has limitations. Our study had the following limitations:

- Data were collected during the busiest season for 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 postponed to the New Year.
- . The study only included 50 participants across three regions and could have benefited from including more participants across all the regions. This could have allowed for a greater in-depth comparison across regions.
- The research team struggled to secure an adequate control sample of stokvel members who do not participate in the MDF programme.

3.7 CONCLUSIONS AND FUTURE CONSIDERATIONS

Based on the findings of the study, 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 introducing and promoting a VSLA programme as a standalone, but rather as a component of a bigger community development programme – and in the case of MDF, the CbCCA programme.

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

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

CHAPTER 4: GOOD PRACTICE AND SUCCESS FACTORS

4.1 ADAPTATION

4.1.1 Recognise, appreciate, and integrate local knowledge and people's 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 traditional stokvels and other social enterprises in communities. The typical financial services and products embedded in VSLAs, such as savings, loans, and share-out lump sums at the end of a savings cycle, align with the financial goals of rural households. Adherence to rules and close supervision and coaching tend to promote learning, deepen practice, and strengthen the confidence of VSLA members. This is because, over time, VSLA members unlearn the bad practices common among unsupervised, informal community-based financial institutions.

4.1.2 Embrace a phased approach

There are at least three phases in VSLA development. These are the establishment, supervision, and maturity phases. These phases equip VSLA members with skills to manage their own savings, build a group fund, manage loan portfolios, and commit some of the withdrawals from their VSLAs to production activities. During these phases, mentors are able to identify skills gaps and learning goals.

4.1.3 Promote VSLAs as platforms of learning

VSLAs provide multiple opportunities for co-learning, co-generation of knowledge, and deepening of good practice between members of VSLAs and external support organisations. Learning extends beyond the governance and operations of a VSLA. Members 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.

4.1.4 Scale-up training

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

4.1.5 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 mature and experienced VSLA help with the supervision of new groups. It is 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 who have embraced the VSLA methodology should be explored 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 to 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:

- Farmers should be encouraged to inject lump sums as soon as they dissolve group funds from the existing VSLA. In other words, a VSLA can set a lump sum amount target that each member should inject immediately after a share-out meeting.
- Loan terms can be extended to 12 months at a 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 of between three and five years is recommended. This will make it possible for members to defer share-outs/fund dissolutions.
- VSLAs should be encouraged to open and operate bank accounts. This is the safest way 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 the 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 handholding for the members to participate meaningfully in programme activities. In addition, NGOs 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.

CHAPTER 5: CASE STUDY: VILLAGE SAVING AND LOAN ASSOCIATIONS (VSLAS) AND LIVELIHOODS

5.1 INTRODUCTION

Globally, subsistence and smallholder farmers and in particular, women, contribute in diverse ways to agricultural production and food security. Despite this role of agriculture, subsistent and smallholder farmers face enormous challenges with regard to accessing production capital and especially production credit. In striving to enhance smallholder farmers’ access to production capital, several NGOs are integrating and institutionalising community-based and informal financial services institutions. Through the support of these rural development agencies, many of these farmers participate in Farmer Learning Groups (FLGs) and Village Savings and Loans Associations (VSLAs). VSLAs are essential in bringing some financial services to populations where access is scarce. Mahlathini Development Foundation (MDF) carried out an investigation to find out the usefulness and contribution of VSLAs to entrepreneurial support and average capital injection into farming business enterprises and related enterprises. Data were collected from 65 members of FLGs in KwaZulu-Natal and Limpopo provinces. This report dissects the extent to which members of the FLGs use VSLAs to improve household livelihoods – in terms of acquiring assets and operating income-generating activities.

5.2 THE AIM OF THE STUDY

The study explored the usefulness and contribution of VSLAs to entrepreneurial support and average capital injection into farming and related enterprises. The study employed the Sustainable Livelihoods Framework (Scoones, 1993; Chambers & Conway, 2002) to understand types of income-generating activities (IGAs) conducted by members of FLGs, and the extent to which members of the FLGs use their VSLAs to finance their production activities. The study also investigated the differences in income and expenses between members and non-members of VSLAs.

5.3 METHODOLOGY

The study was located within an interpretive paradigm. This is because the study sought a deeper understanding of how FLG members experienced the use of financial services provided by their VSLAs for productive purposes. Purposive sampling was used to identify participants. The sample was made up of 65 FLG members.

According to Morse and McNamara (2013), the Sustainable Livelihood Approach (SLA) accommodates data tools such as interviews, observation, and participatory methods to assess the vulnerability and impact of development initiatives. The study commenced with focus group discussions and was followed by semi-structured interviews. A focus group discussion is a qualitative data-collection tool – a structured and facilitated in-depth discussion usually led by an experienced moderator who is able to encourage participants to engage freely. It is typically conducted with a small group of between roughly six and ten people with similar backgrounds for the purpose of discussing a specific topic of interest and to provide useful insights on the topic.

Semi-structured interviews were used to supplement focus group discussions. These interviews allow the exploration of participants' experiences and perceptions; they promote natural conversations (Duranti, 2011) and the flexibility to use open-ended questions and craft on-the-spot follow-up questions (Neergaard & Leitch, 2015). Thematic content analysis, which is a descriptive analysis of data, was used. The significance of thematic content analysis is that it ensures that the experiences and voices of the research participants remain at the centre of the findings.

5.4 FINDINGS

In this section, we present our findings. The main objective of the study was to better understand the extent to which users of VSLAs use their withdrawals to support their productive activities, including financing their enterprises. The SLF was used as a tool of analysis to help understand how a VSLA as a livelihood strategy interacts with livelihood activities.

5.4.1 Participants

The study was conducted in Emmaus, Appelsbosch, Nokweja, and Centocow in KwaZulu-Natal province, and Worcester, Turkey-2, Madeira, and Sedawa in the Limpopo province.

Table 8: No of participants in the livelihoods survey, November 2023

Participants	KZN	Limpopo	Total
Total study participants	56	9	65
Women	50	7	57
Men	6	2	8
Total non-VSLA participants	14		14
Women	12		12
Men	2		2

The largest majority of participants in the FLGs are adult women at 87,7% and men 12,3%. However, 21,5% of FLG members did not participate in the VSLA programme. About 27,7% or 18 participants are above 60 years old.

The active participation of rural women in FLGs suggests that women are the key players in food production and food security. This finding aligns with the findings of IFAD (2019) that over 50% of the women across the globe are active food producers, and just over 60% of rural women in Africa depend on agriculture to generate household incomes. Despite this role in food production, women face enormous challenges that continue to constrain their development. One of the challenges is access to financial services and, in particular, production credit. The data reveal that VSLAs are increasingly becoming the most preferred alternative with regard to saving and borrowing.

5.4.1.1 Main Sources of Household Incomes

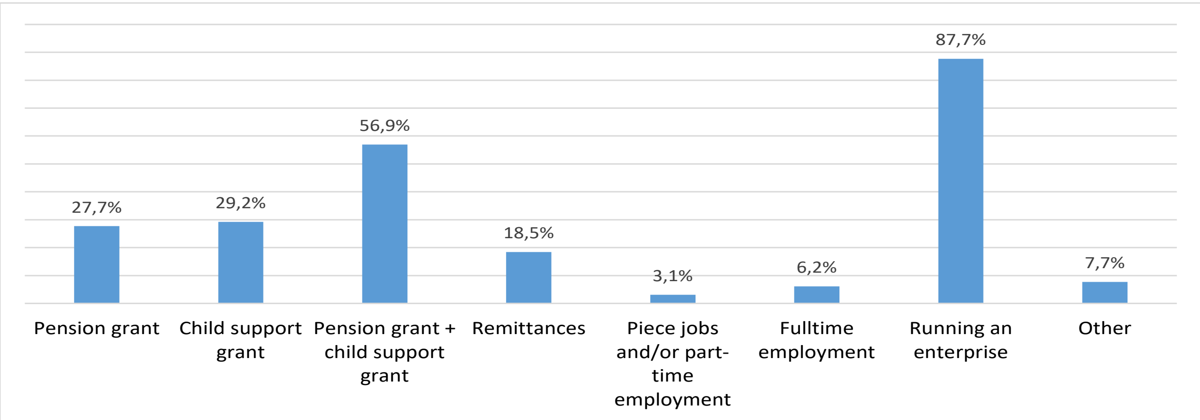


Figure 13: Main sources of household income, with the number of participants engaged shown as a percentage.

The data reveal that about 88% of participants are involved in business enterprises. The data also suggest that about 57% receive state welfare grants, of which around 30% receive pension grants. Below are the main income generation activities or village-based enterprises.

- 60% of the participants use farming to generate their household incomes. In the main, they produce vegetables, maize and other field crops, broilers and eggs.
- Just 12% of the participants manufacture grass mats, beads, garments, and scones and cakes.
- About 22% of the participants are involved in general trading that includes reselling of clothes, food vending, and operating small retail shops known as tuck shops in South Africa.

5.4.2 Comparison of Average Incomes between VSLA and Non-VSLA Members

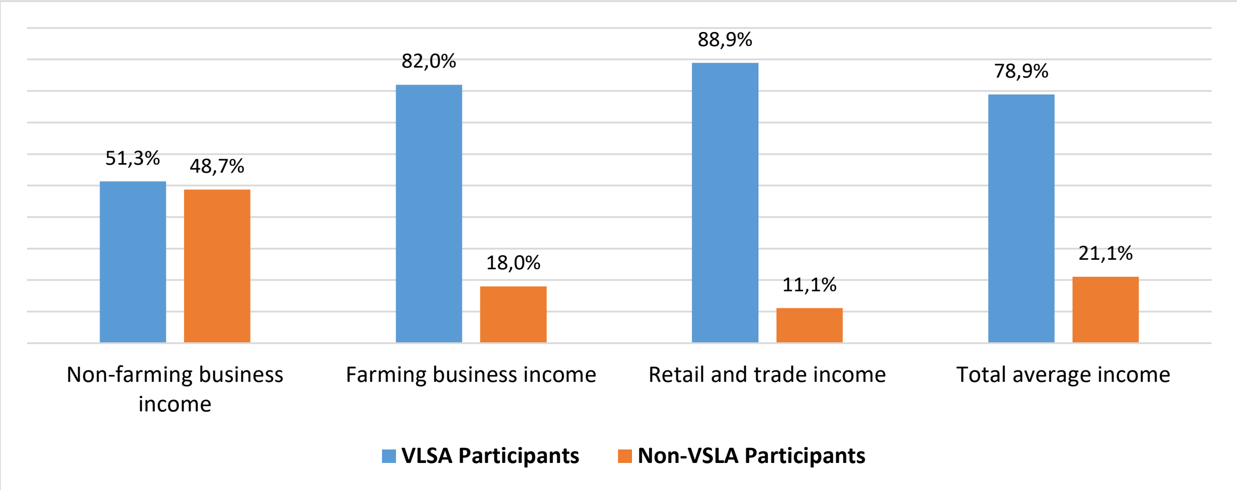


Figure 14: Comparison of incomes for participants in VSLAs and those who do not belong to these groups.

The data suggest that participants receive almost equal income, mainly from the state welfare grants and remittances. This source of income is referred to here as non-farming business income. However, VSLA members tend to use the strength of the VSLA to diversify and recycle their sources of income. This means that VSLA members use their state grants and other incomes to generate further income through farming, retail, and trade, which non-VSLA members do not. The data suggest that VSLA members have higher average incomes.

Table 9: Average incomes for VSLA and non-VSLA members

Participants	Non-farming business income	Farming business income	Retail and trade income	Manufacturing and services income	Total average income
Annual average non-VSLA participants (n=14)	R20 658.00	R8 598.00	R3 000.00	R142.86	R32 398.86
Annual average VSLA participants (n=16)	R19 042.50	R34 242.50	R21 000.00	R6 825.00	R81 110.00

Note that actual incomes have been provided here, averaged for 14 non-VSLA and 16 VSLA participants, respectively. This has been done to illustrate the large differences in income generation and potential for the participants involved in the VSLAs compared to those who are not.
Significantly, farming incomes for VSLA participants are 64% higher, retail and trade income is 77,8% higher, and the total average income is 57,8% higher for VSLA members, as shown in Table 10.

Table 10: Percentage difference in income for VSLA and non-VSLA participants.

Category	VSLA Members	Non-VSLA Members	Difference
• Farming business income	82,0%	18,0%	64,0%
• Retail and trade income	88,9%	11,1%	77,8%
• Total average income	78,9%	21,1%	57,8%

Some of this non-business income empowers the participants to pay their regular contributions to their respective VSLAs. Participation in VSLAs gives them access to short-term loans during a saving cycle and lump-sum share-outs at the close of a saving cycle. Some portions of non-business income and VSLA withdrawals are used to finance business enterprises. On average, an enterprise operator receives a quarterly income of R8 561, which adds up to R34 244 in annual income from a farming operation. In addition, some enterprise operators generate about R1 750 from non-farming activities such as trading, and about R1 706 from manufacturing and services, also quarterly.

5.4.3 Average Productive Use of Incomes

The data suggest that participants spend their business incomes and VSLA withdrawals mainly on farming enterprises, house construction and/or renovations, traditional ceremonies, and funeral insurance. House construction and traditional ceremonies are big-ticket expenses that participants have to save for over a period of a year or so. This means that, depending on the type and size of a traditional ceremony, participants may save for more than a year. Participants revealed that they use share-out lump sums for house construction and traditional ceremonies. The data also reflect that participants may combine loans and share out lump sums for enterprise development and house renovation activities.

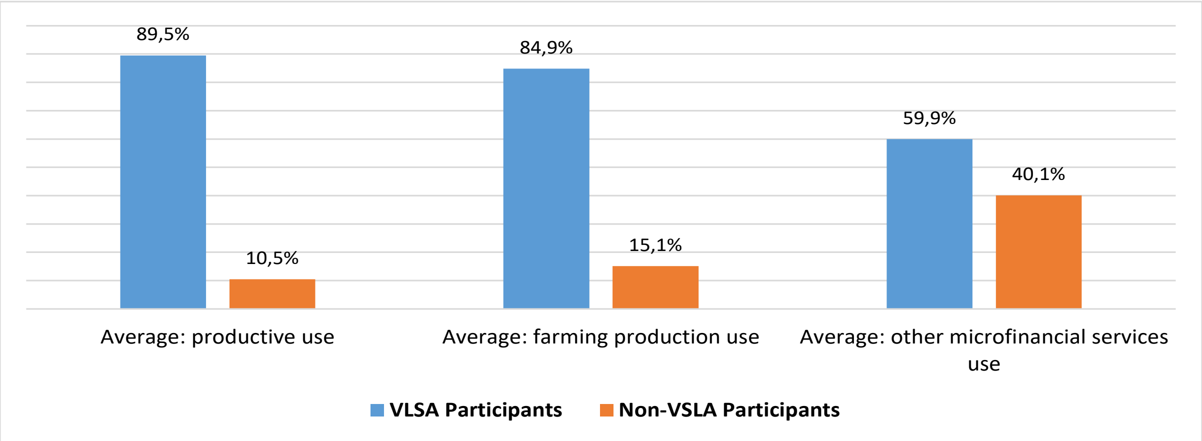


Figure 15: Productive use of incomes for VSLA and non-VSLA participants

The data show that VSLA members score higher than non-VSLA members in all three major categories, as reflected in Table 11.

Table 11: Percentage difference in productive use of incomes for VSLA and non-VSLA participants

Category	VSLA participants	Non-VSLA participants	Difference
• Average: non-productive use	93,7%	6,3%	87,4%
• Average: productive use	89,5%	10,5%	79,0%
• Average: farming production use	84,9%	15,1%	69,7%

Participants adopt multiple strategies to balance consumption smoothing and business enterprises. Some of the strategies include recycling of sources of income. This involves delayed gratification on the part of the participant. Participants may take short-term loans for trading activities that generate profits faster than farming operations. Participants may also use their non-productive incomes to purchase maximum shares in their VSLA so that they can take a larger loan for their enterprises and/or for substantial expenses. These substantial expenses are mostly non-productive and may include furniture and appliances.

5.5 DISCUSSION

The difficulty for the researchers in understanding the effects of VSLAs in terms of what members use their withdrawals for is noted. It is even more difficult to measure the productivity and income of smallholder farmers due to two main factors. First, researchers have to understand and quantify the overall welfare effects of VSLAs. Generally, VSLA users spent the bulk of their withdrawals on consumption smoothing. Second, farmers struggle to track their income from their agricultural activities. In most cases, smallholder farmers do not keep records of their yields and do not sell but consume their produce. Tracking the financial value of consumption is undertaken in other monitoring processes, but has not come through well in the present survey. However, the findings of this study do reveal the multifaceted benefits of VSLAs by exploring the extent to which participants use their withdrawals for productive purposes.

Participants' assets and their capabilities to diversify their sources of income were observed. Productive assets included broiler cages, egg-layer cages, fenced gardens, cattle and goat kraals, plastic water tanks, protected and piped water springs, tunnels, tuck shops, and farming implements. Other non-productive resources that reflect an improved quality of life and livelihoods included brick/block houses; furniture, like sofas, television sets, satellite television connections; appliances, like refrigerators and microwaves. The SLF describes the combined use of resources and productive assets as livelihood strategies that are employed to prevent or mitigate specific risks and to achieve desired livelihood outcomes (Knutsson & Ostwald, 2006).

Years of living in the same community, understanding of local market trends, and years of farming experience had a positive significance in learning group members' participation in VSLAs. This is because VSLA members may have a few years to sort out consumption pressures that directly compete with the early stages of enterprise development. The implication is that extended participation in VSLAs has a positive impact on the participants as regards household welfare pressures. However, such conclusions need further interrogation. It is therefore recommended that future studies examine whether participants with a longer history of participation in VSLAs are likely to invest more in their enterprises. The short duration of loans remains a serious concern for learning group members operating business enterprises because loan terms constrain extended investments in enterprises. Generally, NGOs promote annual saving cycles for several reasons. One of which is that VSLAs build on practices of non-VSLA schemes in communities, such as stokvels, which are established to guard against risks and meeting life-cycle events, hence the need for multiple income streams (Rutherford, 2000). Financing farming operations with VSLA withdrawals (short-term loans and lump-sum share-outs) is a very complicated affair because loans are usually serviced by income received from non-farming enterprises. In some cases, VSLA loans may not be aligned with production. As mentioned earlier, the loan fund may not be sufficient for all farmers to borrow in a given planting season. This provides an opportunity for NGOs to investigate options that would see VSLAs bulk loans and provision for extended loan repayment periods. This means NGOs investing time and resources to explain the benefits of loan bulking, charging affordable annual interest, and extending saving cycles to three years or more. It also means promoting diversification into trading activities to increase earnings and to enable borrowers to service VSLA loans while waiting for harvest time, eggs to be laid, or broilers to be sold. However, diversification into trading activities may risk shifting farmers' concentration from production activities and consequently decrease farm yields.

CHAPTER 6: EXPLORATION OF FACTORS THAT CONTRIBUTE TOWARDS GREATER SUCCESS AND SUSTAINABILITY OF FARMING BUSINESS ENTERPRISES PARTICIPATING IN MAHLATHINI DEVELOPMENT FOUNDATION PROGRAMMES: A CASE STUDY

6.1 ABSTRACT

Sustainable livelihoods, food security, climate-sensitive farming, financial services for small-scale farmers, and promotion of enterprise development interventions underpin strategic development interventions meant to address poverty, under-development, and ecosystem challenges in Africa. Savings groups and farm-based microenterprises are being widely promoted as crucial steps towards economic empowerment, sustainable livelihoods, and conservation restoration. This case study reports on factors that contribute towards greater success of farm-based enterprises conducted by 18 participants in the Climate Resilient Agriculture (CRA) programme implemented by Mahlathini Development Foundation (MDF). The study concludes that focused savings groups that employ Village Savings and Loans Association (VSLA) methodology provide a springboard for participants to improve their incomes through starting and operating farm-based microenterprises and income-generating activities. The study also concluded that participants engage in non-farming income-generating activities to supplement their farming incomes and better their livelihoods.

Key concepts: Sustainable livelihoods, resource-based view, resource-dependency theory

6.2 INTRODUCTION

This case study presents factors that contribute to the greater success of farm-based enterprises operated by small-scale farmers. Farm-based business enterprises play a significant role in most countries, and in particular on the African continent, as they contribute immensely to food security and improved household incomes. A growing body of literature and practical experience demonstrates huge potential for small-scale farmers not only for income generation, but also for advancing integrated rural development objectives and a sustainable livelihood agenda (Maican et al., 2021; Adobor, 2020; Mubanga & Umar, 2020).

Farm-based microenterprises specifically conducted by small-scale farmers are viewed as strategic accelerators for transitioning towards Climate Resilient Agricultural (CRA) practices. These microenterprises include survivalist enterprises not formally registered with government regulatory bodies. The challenges facing small-scale farmers are well known and, in the main, include lack of access to production infrastructure, financial resources, extension services, and sustainable markets. In response to these challenges, many farm-based microenterprises turn to informal financial services to support their production activities. MDF has given considerable attention to VSLAs. This is because VSLAs promise to provide alternative finance for people and microenterprises that are unable to secure operating credit and other related financial services from mainstream financial institutions such as Development Financial Institutions (DFIs) and commercial banks.

The study noted the complexity in defining business enterprises operated by small-scale farmers. There are three main reasons for this.

- First, the difference between a business enterprise and its owner-operator may be distorted. This is because the decisions and transactions that happen in a business enterprise tend to shift and favour the consumption priorities of a household. In many instances, activities that sustain a household and business operations are merged and treated as one.
- Second, although farm-based microenterprises are often seen as constrained by their small size and limited production resources—leading to the perception that they are confined to subsistence-level production—this is not necessarily the case.
- Third, the mainstream definition of a business enterprise is production and/or distribution for a specific market for the sole purpose of generating profit. It is based on the premise of the owner's ability to recover the cost of production and generate profit. However, microenterprises that are operated by small-scale farmers are too diverse and complex to be confined by profit-maximisation objectives. This complexity has been observed by Fairhead and Leach (2005) in Wale and Chipfupa (2021), who note that African agriculture is completely embedded in the diverse development priorities of rural people, hence the misfit between mainstream characteristics of a business enterprise and what farm-based microenterprises do.

The study acknowledges the difficulty in understanding the characteristics and traits of the owners of farm-based microenterprises. This is because farm-based microenterprises operate in complex environments that demand that owners attend to competing and, in some cases, conflicting priorities. Wale and Chipfupa (2021) argue that any analysis of farm-based microenterprises should acknowledge attributes such as prioritising food for the household, mixing household and farm operations, using family labour, and sometimes relying on indigenous knowledge systems. In many instances, they may not be too concerned with administrative duties such as record-keeping.

The study also noted that farm-based microenterprises operate whether they are formally registered or not (Sharrif & Peou, 2008). Informed by this reality, this study critically explored factors that contribute to the greater success and sustainability of microenterprises operated by small-scale farmers and that are supported by MDF. These factors were measured against the widely accepted assumptions and characteristics of a business enterprise. The significance of this study is that it can benefit research institutions, development agencies, practitioners, policy makers, financiers, and grant makers regarding resourcing non-governmental organisations that support small-scale farmers, microenterprises, and advancement of a CRA agenda.

6.3 MAIN FEATURES OF A BUSINESS ENTERPRISE

So far, this case study has referred to farm-based microenterprises and their operators (owners). In this section, we identify the main features and characteristics of a business enterprise, drawn from various researchers on the subject of Enterprise Development (ED). Four main features were found sufficient to describe the creators and owners of business enterprises, who are generally referred to as entrepreneurs. An entrepreneur has the ability and skills to:

- Create and operate a business activity where none existed before (Cunningham, 2014);
- Align vision to willpower and resourcefulness, tolerate and rise above failures (Díaz-Pichardo et al., 2012), while at the same time learn and earning profit (Gartner, 2008);
- Be a visionary, identify a new income-generating opportunity and take conscious decisions to act on it (Thompson, 2009), and use technical skills to produce, promote, and distribute products and/or services (Gartner, 2008); and
- Enjoy an internal locus of control, which includes independence and self-reliance (Karr et al., 2018).

Owners of business enterprises adopt certain indicators to measure the performance of their enterprises. Profitability of an enterprise is the most common indicator of measuring success (Mitton, 2009; Vesper, 2014). However, Liles (2014) observes that some entrepreneurs still consider themselves successful if their business enterprises help them achieve personal autonomy even if they earn lower incomes than their peers in employment. In addition, some researchers list business experience, business skills, technical skills, innovation, continuous education, and training as the critical success factors of a business enterprise (Rankhumise & Van Niekerk, 2010). The combination of these factors is important because they enable business owners to take informed decisions, manage cash flow, identify and mitigate risk, grow their customer base, and continuously afford to finance the operations of the business.

6.4 PROMOTION OF ENTERPRISE DEVELOPMENT IN SOUTH AFRICA

In this section, we present the South African historical context in relation to the enterprise development national agenda. Torppa (2006) shares the view that the promotion of microenterprises began in the 1970s as a response to a series of economic crises that affected national economies worldwide. Torppa (2006) further notes that in the 1970s, policy makers and economists perceived microenterprises to be quick job creators and disseminators of social benefits, and such smaller enterprises were easier to establish and required comparatively modest resources.

In South Africa, small businesses are categorised into groups such as survivalist, micro, small, and medium, hence the acronym SMME, which refers to small, medium, and micro enterprises (National Small Business Amendment Act, 2004). Post the first inclusive democratic elections in 1994, the South African government focused on promoting and supporting SMME programmes to foster inclusive economic participation that was hoped to bring about a more equitable distribution of wealth. Using its power, the government focused on policy changes and support interventions for survivalist, micro, and small enterprises that were dominated by previously disadvantaged black operators. This meant that all three spheres of government responsible for creating an enabling and regulatory environment were legislatively mandated to develop and support the SMME sector.

Informed by this legislative mandate, the development of SMME sector policies, promotion of entrepreneurship, strengthening enabling environments, and enhancing competitiveness were pillars of the SMME support agenda. These pillars of support rested on core thrusts such as expanding access to finance, improving market opportunities, localising support, and co-funding minimum business infrastructure facilities for targeted enterprises. The target enterprises included informal microenterprises that were specifically owned by previously disadvantaged individuals, women, and youth.

However, despite the government's noble intentions, the majority of stakeholders in the SMME sector complained that the public sector support services were failing to benefit survivalist and microenterprises. The dominant perception is that survivalists and microenterprises tend to rely far more upon informal than upon formal sources of support. It appeared that this category of enterprises lost faith in government institutions' ability to provide support services. Further to this, especially for survivalists and informal microenterprises operating in rural communities, the process of application for support through the definitions that were used to define SMMEs was too complicated.

Informal enterprises are mainly found in the informal economy, and their economic activities are insufficiently covered by formal regulation (ILO, 2015; ICLS, 2018). In most basic terms, informal enterprises include survivalist, small, and unregistered enterprises. The concept of the informal economy originates from an umbrella term for a multitude of informal urban enterprises, such as street traders, vendors, hairdressers, caterers, dressmakers, etc.

Historically, targeted enterprise development for survivalist and small-scale enterprises has been associated with philanthropy – where non-profit organisations help poor people to operate Income-Generating Activities (IGAs) and microenterprises as vehicles to help the poor and vulnerable claw their way out of poverty (Midgley, 2008, cited by Lateh et al., 2017). Lateh et al. (2017) affirm that enterprises in this category are largely owned and operated by individuals, who are often supported by their family members.

Microenterprises very often operate in local value chains by offering commodities and services specifically for local customers. Obviously, such microenterprises are known to provide fresh produce, food products, household goods, and any specialised service that would respond to the typical demands of a local market. In this way, such microenterprises add value to local economies by generating income for their owners and workers, and by extension, support the established urban enterprises. However, the failure rate of microenterprises in general is high because they often do not benefit from adequate business training and mentorship, production inputs, production infrastructure, sustainable markets, and operating capital. Such experience is significant for the study because it reflects the business hardships and failures of farm-based microenterprises and non-farming IGAs operated by small-scale farmers.

6.5 OVERVIEW OF FOCUSED SAVINGS GROUPS

In this section, we introduce the concept of focused savings groups that employ the VSLA methodology. We also explain why the VSLA methodology is adopted by many non-governmental organisations that recognise the potential of community-based and savings-led microfinance programmes. Some NGOs promote savings group programmes as a means of providing poor and vulnerable communities with basic financial services. In this context, savings groups are seen as a springboard to promoting financial education, savings, and income-generating activities.

There are two main types of savings groups – ROCSAs and ACSAs. VSLAs are essentially ASCAs. Generally, savings groups described as user-owned and operated informal financial institutions are also known as stokvels in South Africa. In all instances, the creators, founders, and members of savings groups agree to save regular amounts of money, and in the case of South Africa, meet on a monthly basis to conduct their business (which is to pool savings and build and re-purpose group funds to provide small loans to borrowers during a saving cycle). A saving cycle is a measure of time a savings group takes to execute and complete its business, and in the case of South Africa, a saving cycle is usually 12 months.

The difference between ROSCAs and ASCAs can be simplified thus. In a ROSCA, members make fixed contributions, and the entire group fund for a month is given as a lump sum to members on a rotational basis (Samer, 2015). For ASCAs, and specifically for VSLAs, members decide to make fixed or varying contributions at the start of a new saving cycle. There are two ways of distributing group funds to members at the end of each savings cycle. Group funds are either distributed proportionally to the individual savings in the case of varying savings or equally in the case of fixed savings (Allen & Staehle, 2009).

Many NGOs promote VSLAs as a strategy to address financial exclusion and the consequences of poverty and to strengthen their Sustainable Livelihoods (SL) programmes (Dallimore, 2013; Delany & Storchi, 2012; Hugh & Staehle, 2009; Hamadziripi, 2008). This is because VSLAs are unique in the sense that they use members' regular contributions to self-capitalise or to build group funds that are used to provide microloans to internal borrowers. In this instance, a VSLA builds a group fund, provides interest-bearing short-term microloans, and distributes a group fund proportionally to individual members' savings at the end of a saving cycle. This means that all the money in the group fund, which includes savings, interest, and fines, is paid out to the members proportionally to their savings at the end of the savings cycle.

Based on extensive implementation and evaluation studies of VSLA programmes by researchers such as Mahlalela-Dlamini (2022), Ncube (2020), Ngocbo (2019), Bophela and Khumalo (2019), Allen (2018), Frisancho and Valdivia (2017), Burlando and Canidio (2017), Entz et al. (2016), Custers (2016), Dlamini (2016), Banerjee, et al. (2015), Mader (2015), Waller (2014), Matuku and Kaseke (2014), Dallimore (2013), Delany and Storchi (2012), Duvendack et al. (2011), Högman (2009), Hamadziripi (2008), and Verhoef (2001) many NGOs have found innovative ways of integrating VSLAs into their strategic community development programmes including the promotion, training and support of rural microenterprises. A flexible curriculum and learning programme were pioneered in Niger by Cooperative for Assistance and Relief Everywhere (CARE) as early as 1991, and this curriculum has since been adapted and refined by many NGOs. This, however, does not mean that microfinance programmes have been free from criticism. Some challenges and failures have been researched and published. For example, Mahlalela-Dlamini (2022), Ncube (2020), Mader (2015), Bateman and Chang (2012), Duvendack et al. (2011), and Dichter (2006) raise concerns that the positive impacts of savings group programmes may be oversold. However, the critique of microfinance and savings group programmes was not the focus of this study.

6.6 THEORIES RELEVANT TO FORM-BASED MICRO ENTERPRISES

This study reviewed sustainable livelihoods (Chambers and Conway, 1992), resource-based view (Barney, 1986; Wernerfelt, 1984), and resource dependency theory (Pfeffer and Salancik, 1978) in order to understand factors that contribute to greater success and sustainability of farm-based microenterprises.

6.6.1 Sustainable Livelihoods

The concept of Sustainable Livelihoods (SL) dates back to 1987 when the advisory panel of the World Commission on Environment and Development (WCED) made a call for a revised and integrated approach to poverty, under-development analysis, and intervention programming (WCED in Ashley & Carney, 1999). Chambers and Conway (1992) assert that "a livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, and provide SL opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term."

Krantz (2001) and Rengasamy (2009) agree that SL is a significant development theory. They contend that SL theory:

- Goes beyond household incomes and takes into consideration all other signs and symptoms of poverty, which include vulnerability and social exclusion (Krantz, 2001).
- Recognises that poverty relates to other dimensions other than income.
- Promotes integrated and participatory rural development approaches; and
- Puts people at the centre of development and believes that poor people have solutions to development problems they face.

The SL theory gave rise to the SLA, which is now widely used by many development agencies, research institutions, policy makers, and grant makers. The significance of the SLA is that it provides a set of guiding principles, helps with crafting measurable development objectives, and provides an analytical framework for a development intervention, programme, or project. The elements of SLA are brought together in the Sustainable Livelihood Framework (SLF), which is an analysis tool that helps in understanding the complexities of poverty by showing how basic elements of SLA relate to each other (Rengasamy, 2009; Krantz, 2001; Carney, 1988).

6.6.2 Resource-dependency Theory

Chambers and Conway (1992) assert that the SLF is the foundation for resource-based theory (RBT), which is concerned with the interdependence of the business and the external environment. In other words, RBT is concerned with the influences that external resources have on the performance of a business enterprise. Tehseen and Ramayah (2015) maintain that the external environments provide the most critical resources that businesses require to survive and grow. Given the inherent dependency of farm-based microenterprises on external resources, RBT provides a lens for understanding how farming microenterprises (and related enterprises) navigate forces in the external environment and continue meeting market demands and improving the incomes of their owners.

By applying RBT, this study was able to identify areas where farm-based microenterprises were able to build relationships with external players, such as government and non-governmental agencies, extension officers, fellow small-scale farmers, and other stakeholders to secure access to critical production resources and markets. In this instance, small-scale producers and related farming microenterprises rely on networking, building, and nurturing mutually beneficial relationships with value chain actors and value chain supporters in the external environment to access quality and usable information. Quality and usable information may include market linkages, support institutions, commodity knowledge and trends, access to finance, and access to training and supervision services. Such networking is not different from the practice of established and large business organisations. Established businesses also depend on other external organisations for resource acquisition, and mainly capital, production inputs, road, water, and telecommunication infrastructure.

6.6.3 Resource-based View

The concept of resource-based view (RBV) is one of the most influential theories in small business research that is used to dissect and explain reasons behind the success and/or failure of small businesses (Xin et al., 2023). RBV is concerned with internal resources and was first used by Wernerfelt (1984) and later expanded by Barney (1986) to explain that the success of microenterprises is dependent on careful integration of internal capabilities and internal resources (Barney, 1986, 1990). In other words, RBV's focus is on business management in terms of allocation and control of internal tangible and intangible resources by business owners for them to continuously improve the performance of their enterprises (*ibid*). Intangible resources may include reputation, information, knowledge, skills, and competencies that business owners employ to improve business performance for tangible resources to yield profitability (*ibid*). Obviously, tangible resources are all income-generating assets that may include physical resources such as cash in hand, access to credit, skilled labour, and property. In this instance, property may include production inputs such as land and irrigation water, buildings, tools, and equipment (Radzi et al., 2017). The significance of RBV is that all the business resources remain within the control of each business operator in ensuring that the business is profitable and remains on a growth trajectory.

In conclusion, the presence of an enabling (or disempowering) environment either promotes or inhibits enterprise development activities and growth (Barney, 1991). SLF, RBV, and RBT have been found to complement each other in providing a coherent analysis of microenterprises operated by small-scale farmers and participants of FLGs and VSLAs.

- First, RBV provides a lens to analyse the relationship between the resources and capabilities deployed by operators to improve the performance and profitability of their microenterprises. Within the context of small-scale farming operators, RBV provides a useful framework that enables researchers to pinpoint the essential internal resources, both tangible and intangible, that are critical for the success of a business enterprise. In other words, RBV highlights the significance of each business owner to leverage tangible and intangible resources to achieve farm success and profitability.
- Second, RBT offers a valuable framework for understanding the dynamics of the external environment in terms of business operators accessing external resources that are critical for the success of small-scale farmers and their microenterprises. Access to land, access to capital and credit, and access to training and supervision services play a significant role in the success of farm-based microenterprises.
- Last, SLF provides researchers with an analytical tool to measure whether microenterprise operators can combine the assets and capabilities they need to maintain and/or improve quality of life; and to identify risks and opportunities, and internal and external forces that help them to cope with and recover from stresses and shocks they may experience.

6.6.4 Research design

This study adopted an exploratory qualitative research design using a case study approach (Alkarney & Albraithen, 2018; Yin, 1984, 2018). The exploratory approach aimed to provide the opportunity to dissect the nature of small-scale farmers' experiences and perspectives regarding operating small-scale enterprises. The goal was to obtain a richer understanding of the experiences of small-scale farmers relating to what they perceive as success factors in running their microenterprises.

Yin (1984) defines the case study research method as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used" (in Maree, 2012, p. 75). Specifically, an explanatory case study seeks to explain the presumed causal links in real-life situations (Yin, 2003). A case study strategy was found to be most suitable for obtaining an in-depth characterisation of business enterprises that contribute to the greater success and sustainability of microenterprises within the small-scale farming space. A case strategy was also found appropriate because it allowed for exploration of more than one case, leading to rich empirical descriptions (Saunders et al., 2019).

6.6.4.1 Sampling

The significance of a case study method is that it provides tools to study a specific phenomenon (Rule & John, 2011). The study was conducted in selected rural villages in KwaZulu-Natal and Limpopo provinces, and specifically in rural communities where MDF implements its CRA programme. The study was conducted among participants of FLGs found in these rural villages. These villages shared at least three common features. One, the economy of these villages is predominantly agrarian. This makes small-scale farming the lifeline for better livelihoods, local economic development, and rural development objectives. Two, these villages are dependent on small rural towns for public services and, in particular, for accessing production inputs. Three, these villages generally face landscape degradation, water scarcity, and harsh climatic changes.

A total of 18 respondents – 15 adult women (83,3%) and three adult men (16,7%) were purposively selected and considered appropriate for this study. Respondents were all members of FLGs, and the majority of them participated in VSLAs. However, three respondents were not part of the VSLA programme. Data saturation was reached when no new information emerged after 11 (42,3%) interviews. Respondents were purposively selected in consultation with MDF extension officers. Purposive sampling was used to identify cases that would best answer the research questions and meet the objectives of the study (Saunders et al., 2019). Involvement of the extension officers was important because they had in-depth knowledge of the FLG and VSLA participants. Selected respondents in the study had been part of the MDF development programme for more than five years.

6.6.4.2 Data Collection

Semi-structured interviews were used to obtain lived experiences and insights from the respondents. All interviews were conducted face-to-face at their homesteads and production facilities. The study was guided by the case study data collection principles that allow the use of multiple sources of evidence (Yin, 2018). A questionnaire was prepared to guide semi-structured interviews (Cresswell & Creswell, 2018). The interviews were conducted over a period of three months and ranged from 60 to 90 minutes. The interviews were recorded and then transcribed to enable data analysis. In addition to interviews, site visits were conducted to gather additional data. Pictures were also taken with the consent of the respondents. The combination of interviews and site visits of production facilities enabled the researcher to obtain a comprehensive understanding of the phenomenon under investigation (Yin, 2018).

Ethical considerations were observed in this study. The purpose and the approach of the study were presented to and discussed with the respondents before the interviews. This time was also used to secure their consent to participate in the study. This was also done to improve the credibility of the study and to help the respondents to prepare for the interviews (Saunders et al., 2019).
All the respondents were initially contacted by the extension officers to ask for their willingness to participate. Full details about the study were presented to them. It was explained that their participation was voluntary, and they had the right withdraw from the study at any point. The right to refuse to respond to questions that they deemed uncomfortable was also explained. Respondents were assured of their anonymity and confidentiality before consenting to participate. Thereafter, extension officers contacted respondents via their mobile phones to set up interview appointments based on their preferred time and day.

6.6.4.3 Analysis

Thematic analysis was used because it provided flexibility in identifying, analysing, and reporting data patterns (Braun & Clark, 2013). This meant going through interview and observation notes for the purposes of identifying categories and emerging themes (Rule & John, 2011). The following key steps were taken in analysing the data. First, data were coded to develop categories. Connections between the categories were identified. Second, common overarching themes from the responses of all respondents were identified. Last, a deeper analysis and focus on thick description of primary data was undertaken. Reading of data was iterated several times before coming up with categories and themes (Braun & Clark, 2006).

6.7 RESULTS AND DISCUSSION

The results revealed seven main themes as success factors for farm-based microenterprises, which are discussed below. These findings resonate with the SL, RBV, and RBT theories and frameworks. They demonstrate the significance of the internal resources and capabilities in encouraging the respondents and driving the success of their enterprises.

6.7.1 Stories of Change

The experiences of the two respondents below describe the type of participants in the MDF CRA programme. MaMkhize and Bab'Mlangeni (pseudonyms) volunteered to have their stories of change published. Pseudonyms have been used to protect their identities.

6.7.1.1 MaMkhize



Figure 16: Pictures showing production facilities in MaMkhize's homestead

MaMkhize is a middle-aged widow who earns her income from several activities. Her husband passed away about four years ago, and she was left to take care of the household alone. Her passion for agriculture dates back to when her migrant husband was still alive and working in Johannesburg. Her eldest son is about 18 years old, and her younger daughter is very active in farming activities and helps her a great deal.

As shown by the three pictures above, she has just over 1,5 ha of vegetables and over 2 ha of maize. She produces and sells mainly cabbage, spinach, green pepper, onions, and potatoes to her village. Currently, she has over 300 heads of cabbage that will be ready for harvesting in about two weeks. She also produces beans in her maize field. She produces other vegetables, but mainly to feed her family. She uses maize predominantly to feed her traditional chickens and goats. The bulk of the dry maize is consumed by her family. She was able to invest in a small, gravity-fed irrigation reticulation system and shares water from a protected spring with her neighbours. She has also drilled a private borehole in her vegetable production area for more secure water access for farming. The size of her vegetable garden, small irrigation, and a tunnel allow her to produce vegetables throughout the year. She also produces broilers and eggs that bring money into the household. She also operates a tuck shop where she sells farming inputs closer to the planting season.

She is an active member of a VSLA. In the past 12 months, she has accessed about R13 000 from her VSLA to finance her production activities. Although she struggles with record keeping, her records show an annual income of over R87 000 from farming enterprises and about R48 000 from her tuck shop. Together, these enterprises have generated over R43 000 profit in the last 12 months, giving her an average net profit of R3 600 per month. She is very grateful of the support that she constantly receives from MDF.

6.7.1.2 Bab'Mlangeni

Figure 17: Pictures showing production facilities in Bab'Mlangeni's homestead

Bab'Mlangeni is a middle-aged married man and a very active farmer. As a family, they have managed to fence the fields and vegetable garden. They were able to buy a small electric water pump. Bab'Mlangeni installed a small irrigation reticulation system on his own to extract water from the nearby river. Together with his wife, they produce a range of vegetables that he sells mainly in Winterton. They have vendors that they supply to in Bergville as well. His wife is responsible for going to Winterton at least three times a week to sell fresh produce. She makes just over R300 per day, or R3 600 per month. They produce maize as well, which they mainly use to feed pigs, goats, and cattle. Currently, they have 28 piglets that are ready for sale. Each piglet is sold for R200. They sell an average of six piglets per month in the villages.

They recently exchanged four cows for a bakkie. They use this bakkie to transport farming inputs and fresh produce to Winterton. They have made just over R62 000 in the last 12 months and achieved a net profit of about R42 000. They can make just over R3 500 average net profit a month from all enterprises. They are not members of any VSLA in the village.

They plan to save for a small abattoir to slaughter pigs, chickens, and perhaps beef in a few years. His biggest worry is regulatory compliance issues. He believes that MDF will hand-hold him through this journey. He is also worried that his children do not want to support them in all farming activities. He is also very thankful for the support he is receiving from MDF.

In total, respondents similar to MaMkhize and Bab'Mlangeni managed to change their livelihoods for the better by participating in the MDF's CRA programme. The table below shows capital outlays for both farming and non-farming enterprises.

Table 12: Showing the split between farm and non-farm business enterprises captured in the data

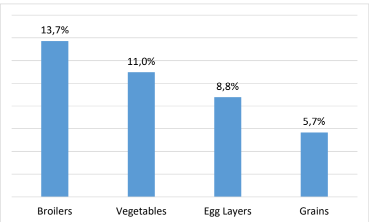
Farm Enterprises			Non-Farm Enterprises		
Vegetables	11.0%	65 050	Tuck shops	26.8%	158 880
Grains	5.7%	33 600	Selling household items	3.5%	21 000
Broilers	13.7%	81 400	Grass mat making	1.2%	7 000
Egg layers	8.8%	51 970	Baking	5.1%	30 000
Goats	1.6%	9 600	Garment making	9.2%	54 600
Cattle	0.2%	1 000	Miscellaneous businesses	13.3%	79 200
Sub-total	**40,9%**	**242 620**		**59,1%**	**350 680**
Total capital outlay for both farm and non-farm enterprises					**R593 300**

As shown in the table above, the study found that respondents collectively mobilised about R593 300 in a year to finance both farming and non-farming IGAs. The study found that 59,1% of capital was used for non-farming and 40,9% for farming enterprises. Non-farming IGAs were used to supplement income from farming enterprises and ultimately household livelihoods. The study also found that about 35% of the operating capital was received from the VSLAs in the form of microloans and lump-sum cash payouts. Further analysis of average earnings and profit is discussed in sub-sections 7.1 and 7.2, below.

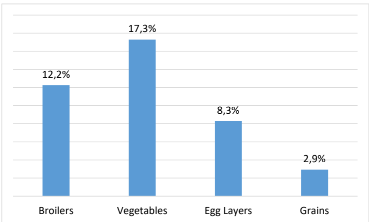
6.8 RESPONSIVE SMALL-SCALE FARMING ENTERPRISE

Although respondents clearly understood that the goal of any business enterprise was to make a profit, making a profit was not their main concern. Their primary incentive for operating farming microenterprises was to meet the consumption priorities of their individual households. Therefore, their main indicator of success was the ability of a farming microenterprise to generate adequate yields that satisfy a family's main consumption needs before generating additional income. The majority of respondents revealed that they spend substantial amounts of money growing maize to provide food for their families and supplementary feed for their livestock. They also revealed that they only sold small quantities of surplus dry maize when they were certain that they would have enough maize to take them to the next harvesting season. They used money earned from maize and added it to other savings to finance future production seasons.

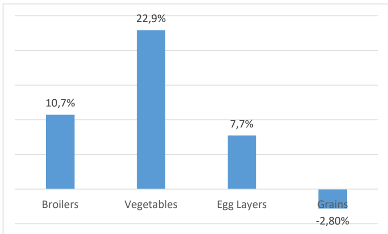
In addition, farming microenterprise owners were fully aware of opportunities in their agricultural value chains. They were also aware of some inherent institutional challenges in the small-scale farming space that were likely to drive them to extreme poverty if they chased opportunities in their local value chains that were perceived to be lucrative. It was not a failure on their part to act on lucrative opportunities, but the recognition of constraints such as a lack of resources and knowledge to take advantage of such opportunities. This finding suggests that the owners of farming microenterprises hold different views on business success. For them, food security, household survival (making ends meet), and the ability to mitigate perceived future risk were main indicators of success. Small-scale farmers do this by supplementing their incomes by running non-agricultural IGAs such as tuck shops, garment making, services, baking, and the selling of household products.



Graph 1: Capital outlay



Graph 2: Income earned



Graph 3: Profit earned

Figure 18: Graphs 1–3 showing the percentage of capital outlay, income, and profit earned from farming activities.

Graph 1 above shows that 39,2% of capital outlay was used to produce broilers, vegetables, eggs, and grains (mainly maize). These are the most popular commodities that the respondents produced. Vegetables had the highest returns in terms of revenue and profit compared to the other three commodities. The main reason for higher returns on vegetables that was cited by the respondents is that production costs for vegetables are usually one-off and lower compared to broilers and egg layers. Respondents also revealed that they do not record quantities of produce they consume or donate to needy neighbours and relatives. Interestingly, profit earned from grains is much lower than the capital outlay. In fact, farmers incurred losses. However, farmers increased their monthly earnings, as shown in Graph 4.

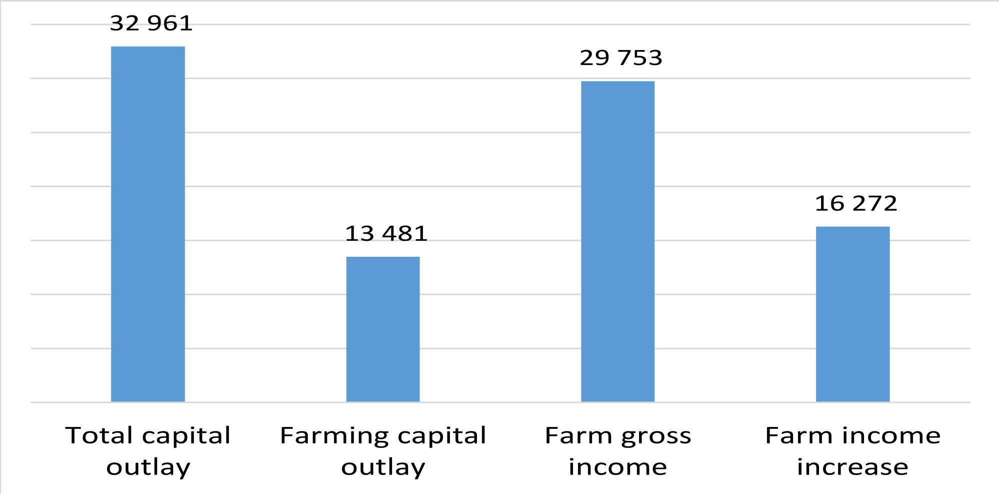


Figure 19: Graph 4: showing average capital outlay and earned income in Rands.

Graph 4 shows an average increase in farming income of around R16 000 per annum (or R1 300 per month) for an individual farmer. This is based on investing and recycling about R13 000 into more than one farming activity that generates income. Findings showed that farmers earn profits despite incurring losses on maize. The study found that all farmers produce maize, but not for direct commercial goals. Several reasons for this are explained below.

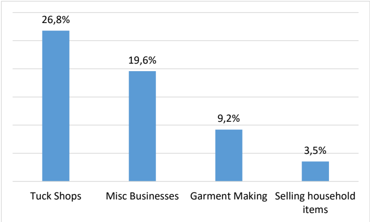
Respondents argued that producing maize was not a loss for them. They said that having enough maize was most beneficial for their households and livestock. This is because maize is used for human consumption. In all instances, having maize for human consumption meant reduced spending on monthly grocery items for the household. A small percentage of maize is used for animal feed (for traditional chickens and supplementing feed for goats, pigs, and cattle), which always keeps production costs at levels farmers can afford. In return, farmers were always ready to sell one or two cows and a few traditional chickens, but only when approached by buyers outside their villages. Further to this, there are intangible gains that respondents enjoy in non-commercial activities. But such gains are not easy to quantify in monetary terms. This practice clearly demonstrates that respondents involve themselves in a range of activities that are geared towards improving the well-being of their households. The SLA recognises the significance of mixing income- generating activities and non-commercial activities. This is because the SLA accepts that people take multiple paths to improve the well-being of their households.

In closing, the study found three defining features of successful farming microenterprises. First, the operators are willing to invest time, patience, and hard labour for intangible returns that in many cases exclude immediate profits. Farmers believe that commodities like maize are not produced for immediate financial returns, but for the psychological and emotional health of the head of the family – that is, knowing there is always enough food for the family and livestock. Second, their measure of success and sustainability is their ability to afford production inputs come the next season. In many instances, commodities that generate higher incomes would be used as a cash cow for the family. Third, owners of farming microenterprises constantly looked for additional income sources to supplement farming incomes.

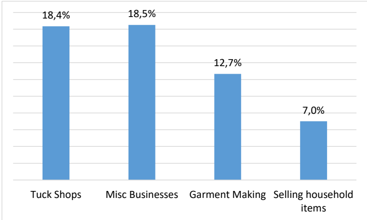
6.9 NON-FARMING IGAS

The study found that respondents used almost 60% of capital outlay to finance non-farming IGAs to supplement farming income. For many small-scale farmers, sticking to farming-only commodities was tantamount to income stagnation and exposing their household livelihoods to risk.

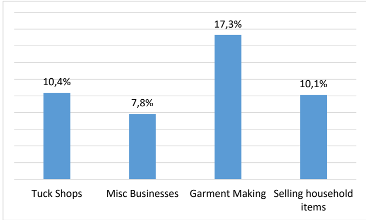
In this instance, IGAs refer to a set of activities that fall outside farm-based enterprises operated by FLG participants. In graphs 5–7, grass cutting, grass-mat making, operating local taxis, and baking are grouped as miscellaneous businesses. Other IGAs include small home-based retail outlets (tuck shops), garment making, and buying and selling of household products.



Graph 5: Capital outlay



Graph 6: Income earned



Graph 7: Profit earned

Figure 20: Graphs 5,6 and 7 showing the average capital outlay, income, and profit earned for non-farming IGAs

Respondents **often raised** the issue of non-farming IGAs. As shown in the graphs above, tuck shops, miscellaneous businesses, garment making, and buying and selling of household products were found to be the most popular income-supplementing activities. The findings reveal that retailing, which includes tuck shops and the selling of household products, accounts for 25,4% income and 20,5% profit from 30,3% capital outlay. However, garment making had the highest profit margin of 17,3% from 9,2% capital outlay. The findings also revealed that respondents engaged in non-farming IGAs for two reasons. First, to sustain household income while waiting for the harvest. Second, to strengthen relationships and build loyalty with their regular customers. Some respondents wanted more guidance and supervision on business management and marketing to enable them to invest more in farming activities. These respondents have noticed that vegetable production gives them high returns in the shortest space of time, which is usually three months. However, other respondents felt that because some non-farming IGAs provided them with substantial income, this took time away from their agricultural enterprises. This was the case with garment makers, buyers, and sellers of household products. Some IGAs continue to operate throughout the year, and in fact, three respondents made more income from non-farming IGAs than from their main farming activities.

Some key lessons relating to business management and financial planning can be drawn from this experience. Respondents who were successful in running multiple enterprises gained some experience regarding maintaining a balance between farming and non-farming enterprises. These respondents knew that should there be crop failures, prices would spike dramatically, and they would make huge profits. They were also aware that if supply outstripped demand, they were likely to make losses, hence their focus on non-farming IGAs. These respondents revealed that they would spend a percentage of their profits on things such as production infrastructure, equipment, and inputs they would likely need for several years. Some examples of equipment bought by farmers include electric water pumps, fencing materials, a small delivery van, baking stoves, sewing machines, and brush cutters.

Findings revealed a willingness to participate in learning events, with basic literacy and numeracy for small-scale farmers and their households being regarded as the most important assets. Assets, such as literacy, numeracy, harmonious relationships, and technical skills related to activities such as rearing chickens and cropping, have been used by farmers in several productive activities. Combining such assets, small-scale farmers have been successful in allocating their labour to different activities to produce outcomes such as food security, income, and profit that is shared between household consumption and income generation.

Findings also showed a clear relationship between farming and non-farming enterprises. The relationship between certain farming and non-farming enterprises was influenced by three realities:

- First, food security concerns for the households:
- second, the magnitude of financial returns based on supply and demand and general patterns of development in the village, and
- third, access to, and the ability to use, productive assets for consumption and profit.

This provided some insights into how the promotion of certain enterprises influenced the path that small-scale farmers took to improve the overall well-being of their households.

6.10 VSLAS AS ALTERNATIVE FINANCIAL RESOURCES

One of the key success factors pointed out by the respondents was access to the cash provided by the VSLAs. This is consistent with previous studies that suggest that access to finance determines the success of any business enterprise (Sroka et al., 2023; Lekhanya & Mason, 2014). However, access to useful financial services and especially credit remains the most frustrating impediment for microenterprises and small-scale farmers. Formal financial institutions, and mainly banks, do not have the appetite to service small-scale farmers and microenterprises. Qing et al. (2021) have also found that small-scale farmers struggle to access the financial resources they need to participate meaningfully in agricultural value chains in their local spaces.

This reality had forced owners of microenterprises to look for alternative financing mechanisms, that is, outside the banks, state grants, and DFIs. In this instance, the respondents topped up their personal savings with money they received from the VSLAs in the form of microloans and lump sums they received at the end of each savings cycle. This makes VSLAs important sources of start-up and operating capital for microenterprises. Graph 8 shows that about 35% of operating capital was sourced from the VSLAs. The significance of this can be summarised as follows:

- Operators of microenterprises in rural communities were very aware of the fact that they had to save to produce enough food to consume and to sell.
- VSLAs were the most functional and responsive platforms that savers used to build loan funds. These loan funds were used to give internal borrowers microloans, which they returned with interest. Non-entrepreneurial savers earned interest, while entrepreneurial savers earned both interest and profit from their individual enterprises.
- VSLAs helped savers to re-purpose and recycle the income that households earn for improving their quality of life. In this instance, respondents used a portion of pension grants, child support grants, or remittances to participate in their VSLAs.

These findings suggest that VSLAs are instrumental in reorienting and re-purposing savings groups for providing some production finance and for contributing towards sustaining livelihoods. By participating in the VSLA programme, owners of microenterprises joined hands with VSLAs and created collective schemes that provided them with operating capital outside formal banking institutions.

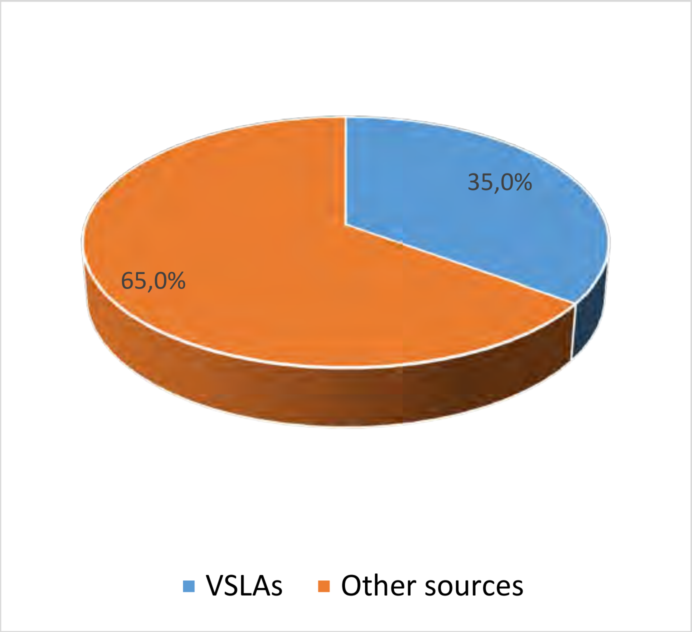


Figure 21: Sources of capital

The findings revealed that VSLAs could not solve all the challenges facing the respondents in terms of farm production and development of their microenterprises. This is because VSLAs have a few inherent limitations. Institutionally, VSLAs draw from a tradition of providing short-term consumption loans and lump-sum pay-outs at the end of saving cycles, usually 12 months. In most cases, both short-term loans and cash payouts struggle to align with the production schedules of many small-scale farming enterprises, hence the appetite for non-farming enterprises. Loan terms are very restrictive as borrowers are expected to begin servicing their loans from the first month and to settle loans in about three to four months. Besides this, generally, loans are too small to finance large enterprise production costs. The result is that risk-averse borrowers are discouraged from taking out business loans, fearing that their businesses may not generate sufficient profit to service loans. However, the study also found that owners of enterprises that had passed survivalist phases and had multiple sources of income tended to have more appetite to take substantial business loans. For example, respondents had used loans to buy large quantities of feed for broilers and egg layers. They were also bold enough to take out loans to buy large quantities of production inputs, tuck shop stock, and to buy equipment such as brush cutters.

In this study, we note that VSLAs play a significant role in participants' financial management. VSLAs, used mostly by financially excluded populations as alternative financial service providers, are largely under-recognised by the formal sector. Respondents saw VSLAs as enabling financial institutions that provided them with access to cash when they needed it. Respondents liked the fact that savings and interest earned stayed within the VSLAs. Informal financial institutions and VSLAs are a worldwide phenomenon, mainly in underserved communities, and are testimony to the resourcefulness of marginalised populations.

6.11 USEFUL KNOWLEDGE ACQUISITION

Respondents felt that they had gained valuable knowledge and skills from training workshops and supervision, mainly from MDF, and had gone on to apply these in their production facilities. All respondents confirmed their participation in various training events and information sessions organised by different stakeholders, and mainly MDF. Information sessions, training events and field supervision had exposed the participants to a range of skills that had enhanced their livelihoods. Respondents regarded knowledge acquisition and application as a key resource for strategic decision making, adoption of CRA practices, selection of profitable income-generation activities, financial literacy, production planning, and scheduling of production activities.

The fact that respondents reported using their acquired knowledge to better their livelihoods by engaging in specific production areas aligns well with RBV. Respondents said that new skills helped them to improve farm yields, understand their finances better, and identify profitable commodities and IGAs to supplement their farming income. Respondents also said that they saw value in acquiring knowledge that was accompanied by practical application. There was evidence that consistent supervision by MDF extension officers significantly improved key aspects of farm production, the strategic use of a VSLA for production, and the tactical integration of non-farming IGAs. This finding aligns with past studies that argue that small-scale farming enterprises that enjoy consistent support and supervision are more likely to succeed because of their enhanced abilities to prevent and/or mitigate risks associated with production and markets (Adeola & Gyimah, 2020). Last, the study also found that FLGs and VSLAs promoted peer learning beyond formally organised learning events.

6.12 ADOPTION OF CRA PRACTICES

Adoption of improved farming practices was cited as an important factor by all respondents. This finding aligns with past studies that confirm new agricultural practices add value to the performance of small farms by improving quality and yields. The findings indicated that respondents adopted the recommended CRA practices as a result of training interventions and constant supervision provided by MDF's extension teams.

Conversely, more women farmers observed that the adoption of CRA practices had made a fairly good contribution to household food security and income generation. The main benefits identified by women farmers included constant availability of food, small but regular incomes, and some livestock feed. Respondents revealed that production was enhanced by two additional factors – the availability of production resources (water, fencing, tunnels, etc.) and constant supervision by MDF's extension officers. MDF's supported spring protection and small reticulation not only provided potable water, but surplus water, which made it easy for farmers to irrigate their gardens and tunnels. In two instances, respondents had invested in small irrigation reticulation infrastructure and small electric water pumps.

6.13 SUCCESS FACTORS OF SMALL-SCALE FARMING ENTERPRISES

Production and farm management practices emerged as a crucial factor in the context of small-scale farming and income generation. Production and farm management practices encompassed several activities such as business planning, capital acquisition, financing, crop diversification, production scheduling, marketing planning, supplementary enterprises, financial management, and record keeping. These production and farm management practices underscore the importance of small-scale farmers' internal capabilities that determine the survival, success, competitiveness, and profitability of their enterprises. However, most respondents did not prioritise business planning and record keeping, but production planning (scheduling), financing, and operating IGAs that would supplement their farming income. For them, production planning meant early preparation of their fields and having enough capital to secure production inputs ahead of planting seasons

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Although most of the respondents acknowledged the importance of recordkeeping as a way to monitor the financial performance of their enterprises, we found that recordkeeping was not a significant component in the operation of microenterprises. It was found that many respondents measured the performance of their microenterprises by their ability to recover the cost of production, provide for the family, improve cash circulation, and their ability to buy production inputs for future production cycles.

All respondents had a background in their respective operations, such as subsistent farming, baking, and garment making, before they embarked on their own microenterprises. The findings reveal that some production background gave respondents an added advantage by way of motivation, discipline, focus, and eagerness to acquire and apply new knowledge. However, the findings also revealed that some respondents had been pushed into farming and business by the retrenchment and/or death of a spouse or a breadwinner.

Motivation, dedicated focus on sustaining household incomes for better livelihoods, patience, resilience, financial discipline, and willingness to participate and learn were common characteristics of successful small-scale farming enterprise operators. Generally, these shared characteristics demonstrate the importance of human capital resources in operating a successful business enterprise and ensuring sustainable livelihoods.

Possessing financial discipline and restraint, and specifically the ability to save money for production activities in the face of a household's financial pressures, is one of the key success factors respondents reported. Faced with scarce resources and competing consumption needs, respondents confirmed the significant role their VSLAs played in helping them to save money. They reported that saving money was not an easy task, and financial discipline was paramount in avoiding misappropriation of savings meant for farming and business activities

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Participants described resilience as the ability to survive the negative effects of climate change. Some participants had encountered stresses and shocks in their operations that could potentially have put them out of business, but they had managed to pull through. With financial discipline and resilience, respondents were able to achieve food security and have access to cash when they needed it.

The findings revealed that respondents who were involved in farming microenterprises could sustain their businesses over several years because they didn't have other alternatives for survival. The findings also showed that although there was a desire to make these businesses more sustainable, risk aversion by some operators discouraged their growth. Findings and field observations suggested that embracing entrepreneurial activities that promised high returns was tantamount to exposing their households to high risks and unmanageable stresses. This finding may explain the reluctance of respondents to venture into high-value entrepreneurial activities such as producing high-value crops, value-addition and supplying formal markets. Instead, they preferred supplying their produce to cash buyers like street vendors, bakkie traders, and caterers.

6.14 SOCIAL NETWORKS

Findings revealed that social networks that involved building and maintaining social relations and business partnerships were very popular among the respondents. There were two obvious reasons for this. First, good social networks promoted and sustained reciprocity among collaborating peers. Second, the ability to build and maintain social networks was a major contributor to building business relationships and collective action.

Findings also suggest that respondents were actively involved in networking activities, such as participating in FLGs, VSLAs, informal social interactions, joint marketing events, and participating in meetings and information events organised by public sector institutions. For instance, in the province of KwaZulu-Natal, respondents appreciated invitations from the Department of Agriculture and Rural Development (DARD), Okhahlamba Local Municipality, Dr Nkosazana Dlamini-Zuma Municipality, Ubuhlebezwe Municipality, Harry Gwala Development Agency, and uThukela Economic Development Agency to discuss LED and agricultural development initiatives. Besides MDF, the respondents had interacted with other non-state institutions on the subject of agricultural development. Through networking, respondents had improved access to information, knowledge, and support, and managed to establish and operate a market stall in rural towns.

The findings also showed that collaborative platforms – and specifically FLGs and VSLAs – enabled respondents to own and control financing, production, and marketing activities. Besides facilitating learning and development, such collaborative platforms also made it easy for respondents to procure farming inputs and sell their produce. Through consistent support from MDF, respondents voluntarily organised themselves rather than relying on government institutions. Such collaborative platforms had several benefits for the farmers.

- They helped small-scale farming enterprises to gain access to urban buyers and to set common prices for their fresh produce.
- Farmers with smaller quantities of produce were able to refer customers to other farmers with adequate quantities.
- In some ways, these platforms helped farmers to lower production costs through bulk buying and sharing transport costs.
- Supporting agencies like MDF were able to reach many farmers, share new information, and promote the adoption of new CRA technologies.
- VSLAs improved the availability of cash beyond among savers.

Evidence submitted by the respondents showed that, indeed, FLGs and VSLAs were the most useful knowledge-sharing and learning platforms for participating small-scale farmers and supporting institutions.

6.15 RECOMMENDATIONS

The following recommendations are based on empirical evidence from interviews and field observations.

6.15.1 Targeted beneficiaries

The ultimate beneficiaries were mainly women from very low-income households who generally depend on state welfare grants, have unstable income sources, and precarious finances. Institutionalised and coherent support is therefore key for farming microenterprises as established businesses. The key need is for intelligently designed, coherent, and well-managed training and mentoring programmes targeting the specific commodities, VSLAs, and green-friendly businesses. Interventions that empower participants to see their situation differently; that dispel the myths about what it takes to be a successful agri-business entrepreneur; to see that business success is not about fate, but rather, about hard work, self-confidence, and application of basic business principles; and to see that money-making opportunities in agriculture are everywhere and available for everyone.

6.15.2 Targeted financial education

Financial education is much more than learning financial concepts and how to manage money. Financial education includes enabling the learner to acquire and transform economic and financial knowledge into skills that enable them to make informed and responsible decisions in the areas of personal finance. Financial education also draws on psychology. Individuals must be able to manage their finances with confidence, understand and use financial concepts, and plan to achieve their financial goals. With a solid knowledge and skills base, one must be empowered to decide with greater confidence how to budget, earn, save, and spend money. This means financial education must help individuals to gain more control and security over their financial futures. Personal financial education establishes a solid foundation for starting and operating an IGA or a business enterprise. For this reason, the promotion of VSLAs must include an intensive component on financial education and the importance of spending time on budgeting, recording of income and expenses, creating emergency funds, and making income and expenditure projections. The reality is that everyone is bombarded with images of luxurious consumer goods and lifestyles. The media often drives an envy of those who can afford such luxuries, leading many to get caught in the trap of living beyond their means. The significance of personal financial education is that it prepares operators of microenterprises to appreciate financial planning, budgeting, record keeping, and delayed gratification.

6.15.3 Responsive financial services

Responsive financial services are about empowering microenterprises to put in place systems that help them respond better to opportunities and challenges. This makes access to production finance essential. At the same time, it is crucial to ensure that there is a good match between the financial and non-financial resources made available to the small-scale farmers.

The goal is to help microenterprises use informal financial services (savings groups) to provide for their operational expenses, and to improve cash flows and profitability. For this reason, promoting and supporting farm-based enterprises should commence with professionally conducted participatory value chain assessments to help programme participants understand the concept of supply and demand and use it to identify the most profitable commodities and/or services.

A database of targeted farming microenterprises, production resources (i.e., land, water, infrastructure, and equipment), suppliers of production inputs, and buyers of commodities should be developed and assessed at the beginning of all development interventions by external development agencies.

6.15.4 Promote networks and partnerships

Networks and even partnerships with larger, established operators or with seasoned entrepreneurs within the agricultural value chains must be promoted and established. This is because networks are likely to pay dividends in terms of access to production inputs, skills enhancement, market penetration, and familiarisation with the quality expectations of the market.

6.15.5 Promote social enterprises

There are two factors that must be considered here. The first is concerned with identifying the most profitable products/commodities that are likely to pay better dividends. This means emphasizing and encouraging participants to pursue products and services that will not easily be threatened by competition from imported products. However, at the same time, one would not want to get trapped in a niche market, and so it becomes important to diversify product offerings as a defence against changes in market conditions. The second is concerned with ensuring that the production of commodities advances the realisation of SL and CRA objectives. This means that farmers must take consistent actions and champion community-based social enterprises such as communal water management (including springs and wetlands protection), conservation restoration, prevention of soil erosion and dongas, rangeland management, and so forth.

6.16 CONCLUSION

In this study, we identified some characteristics of business enterprises that contribute to the success and sustainability of microenterprises within agricultural value chains. The study collected data from a sample of 18 operators of farm-based microenterprises that had been participating in MDF programmes over the last five years.

The study revealed seven themes that align with SLA, RBV, and RDT perspectives that are responsible for helping farm-based microenterprises to leverage internal and external resources. The findings provided several implications for development programmes geared towards supporting small-scale farmers as well as considerations for development agencies and stakeholders within the CRA space. The findings revealed three actions that development agencies must consider in packaging community-based intervention programmes.

First, consider investing time in social and stakeholder mobilisation processes, understanding value chains and operators, profiling microenterprises, and developing databases. Similarly, encourage owners of enterprises to network with other like-minded local and regional stakeholders by participating in sector events, such as field farmer days, information sessions, and agricultural shows.

Second, provide integrated and coherent training and supervision of operators of farm-based microenterprises. Providing production training, focused ED, and long-term on-site supervision and business mentoring to participating operators of farm-based microenterprises. Promote CRA and aligned conservation restoration practices. Encourage participating farm-based microenterprises to participate in all learning and development events and invest time in the application of the newly acquired knowledge. Encourage farm-based microenterprises to focus on new agricultural practices and technologies, business management, market penetration, and strict recordkeeping.

Last, access to useful financial services for farm-based microenterprises is key. This requires a collaborative effort from promoters of alternative financial services provision. This means promoting interventions that gradually move VSLAs to higher levels so that they are able to provide substantial production loans on affordable terms. This also means that development agencies must continue engaging with government institutions to partner with them and provide tactical subsidies to microenterprises that empower recipients to graduate to independence.

6.17 FUTURE RESEARCH

Suggestions for future research are based on the few limitations of the case study approach. It is important to note that the performance of operators of farm-based enterprises varies according to region, climatic conditions, crop type, type of land/farm, and proximity and access to production inputs and markets. Therefore, the results of this study can be used in many ways, including the following.

- Use the results of the study as an input in a qualitative study to understand the strength of the relationships between informal farm-based small-scale enterprises and their landscapes, with a focus on CRA and aligned practices.
- Focus on compiling financial diaries of farm-based enterprises in relation to their economic performance variables such as production costs, revenue generation, profitability, growth, environmental friendliness, and enterprise sustainability.
- Explore the future of VSLAs in financing productive activities and the role of supporting institutions. This kind of study could propose an analytical framework that could be used to package future interventions geared towards promoting production-focused VSLAs.
- Explore collaborative/partnership frameworks between farm-based enterprises and supporting non-governmental organisations such as MDF. The focus of such studies could include understanding the extent to which NGO support influences the overall success of farm-based enterprises in relation to CRA objectives.

Insights from such research assignments could inform policy interventions and strategic initiatives aimed at fostering strategic relationships between farm-based enterprises and supporting stakeholders.

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APPENDICES

APPENDIX 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. The 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 is a borrower given to service and settle the loan? _______________

SECTION 3: Confirmation of assets

21. Based on question 10 above, 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 the 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 the most pressing problems that you believe your group may solve for your household?
____
____

35. What do you wish your 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 the top 5 non-financial skills that you have learnt participating in your group?
____
____

39. What “working together" skills have you 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 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

APPENDIX 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 the mother tongue of the respondents.

Purpose of the FGD Interview

The main purpose of the FGD interview will be to:

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

Data Recording

Researchers will use flip charts, an electronic voice recorder, a camera, and a notebook 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 in 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 the Water Research Commission (WRC) to develop a 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 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 sharing 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, which 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 register with consent is presented separately from this FGD interview schedule.
5. **Conduct FGD interviews:** The FGD interview questions on 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 addressed.
7. **Closure:** Researchers will thank the respondents for their participation in the FGD interview.

FGD Interview Questions

Introduction (General)

1. How does money come into this community? In other words, which institutions help residents of this community access their money? Who provides financial services in this community? Are there financial services provided by the 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 the financial services provided in this community?
3. What type of financial services are not used by the majority of residents of this community? What are the 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 to 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. Among 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 depth (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 we save? What do you use loans and share-outs for?
10. What are the 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 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 to ensure that vulnerable members are not only limited to savings and not using all the 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 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 does your 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 the 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 your participation in the VSLA programme?
23. What do you wish your 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 on your experience, what financial education content should be included in the VSLA programme in the 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

APPENDIX 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 among rural farming communities to help smallholder farmers build collective funds that they can use to:
   a. buy farming inputs, e.g., seeds and seedlings, chicks, feed, 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 the CRA programme. These value chain actors will vary from village to village.
3. 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 the 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 wish. We recommend that groups stay together for at least five (5) years.
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 the Chairman, Secretary, or 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 the 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 the 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 the 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 what the Management Committee and especially the Record Keeper and Money Counters do. *COVID-19 and social distancing protocols shall be observed at all 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 the 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 as 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. Members' transactions are recorded in an individual's transaction book, while the 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 another. 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 at the meeting, the Record Keeper and/or the Chairman shall take a picture of the records of the meeting and forward them to the MDF facilitator using WhatsApp.

Membership in a group

19. Only people who 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 who 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 simply means that people who 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 from establishing Groups with people who have a dented reputation in a community.
21. Each member shall be given a transaction book that will 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 keeping their proxies informed concerning the number of shares they have bought and loans they have taken out.
24. If 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 the 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's 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 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 from using loans from one Savings Group to buy shares or repay loans with another Savings Group.
27. Setting up a sideline “loan shark” operation for 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 underage 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 the start of a new saving cycle is not allowed.
32. A proxy shall never be allowed to take out a loan on behalf 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 an MDF facilitator.
40. During the induction training workshop, a Savings Group must:
    a. Decide and agree on the value of a share and the maximum number of shares that can be bought in a meeting.
    b. Develop a list of members of no less than nine (9) and no more than nineteen (19) members, which 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 will be hand-written and will be adopted at least in the third savings meeting.
42. MDF facilitator and partner organisation 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 technique shall be used to coach and upskill 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 to improve the efficiency and performance of Savings Groups.
44. MDF facilitator shall conduct a health diagnosis of a Savings Group 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 for 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 at the meeting.
51. Next will be the 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 the 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 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 savings 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 a share-out meeting is planned to happen in the 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. 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 a 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 than 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 good 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. If 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 the borrower's shares to settle the debt, but only at the share-out meeting.
70. If the borrower fails to settle her/his debt, Savings Groups shall be allowed to use other forms of debt collection, 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, 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 the issuing of loans belongs to a Savings Group and not to a borrower.
73. Interest is charged only on outstanding amounts (balances).
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 10^{th} month if the group plans to share out by the 12^{th} or 13^{th} 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 who 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 by 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 from holding share-out meetings and/or dissolving 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 happens 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 usual, for a reduced price per unit than 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 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 to 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 for transgressions such as arriving late to the meeting, talking and answering the phone during a meeting, and failure to remember the closing balance of the 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 three (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 the 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 transparently and cleanly. 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.

APPENDIX 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 Share**	
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 Share**	**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																

Book Number & Surname		Initials	Records of shares bought in each meeting												Total Share	Amount
			Meeting Number													
			1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*		
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

APPENDIX 5: TRAINING OUTLINES FOR SETTING UP VSLAS

Module 1: VSLA establishment and formalisation

- 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

APPENDIX 6: RECORD KEEPER TRAINING OUTLINE

- Review: the role of a record keeper
- Key learnings concerning 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
    - 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 tends 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