



SaveAct Savings and Credit Groups and Small Enterprise Development

Understanding Strategies and Opportunities to Promote Livelihoods Strategies and Small Enterprise Development, including in Agriculture, through Savings Groups in a Rural Setting

A Report for FinMark Trust

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Foreword

The Relevance of SaveAct's Experience for Formal Sector Financial Institutions

A new wave of savings-led microfinance is sweeping through Africa and has found its way to South Africa. There are already over six million members in Africa actively working their way out of poverty by building up savings, and lending to each other. What does this new phenomenon mean for the banking sector?

Banks have tended to see lending as an autonomous activity that precedes savings. They have therefore been reluctant to lend to low-income rural households and enterprises, because both collateral and repayment ability have been seen to be lacking. Through its 'savings first' approach, SaveAct has shown that they are missing a great opportunity, on the one hand, to penetrate the substantially largely untapped rural loans market on a sustainable basis (through their own savings-led credit initiatives) and, on the other, to help develop the rural economy (which will lead to further profitable business for them in this market).

SaveAct uses a simple, transparent, readily replicable savings and credit model, in terms of which individual members may borrow up to 3x the amount that they have saved, generally at an interest rate of 10% per month. Since 2008, this approach has generated:

- 15 000 members in 650 groups
- a total savings book of about R15 million
- an average loans book of about R10 million
- an average return on savings for members of more than 30% p.a.
- default and membership attrition rates of less than 1%.

Fed mainly by social grants, remittances and earnings from self-owned SMEs, this demonstrates the capacity of poor rural communities to save, mobilize capital and use that capital to borrow sustainably, when a medium that they understand and trust and that does not entail significant costs becomes available.

There are:

- 3-4 million rural households in South Africa, only 46% of which are 'banked' (almost all have savings/transaction accounts, very few loan accounts) (FinScope Consumer Survey 2011)
- 2-2,5 million rural SMEs, only 35% of which are banked (also mostly for savings/transaction accounts) (FinScope Small Business Survey 2010)
- 30% of rural households, 10% of rural SMEs who use both formal and informal financial services (FinScope Consumer Survey 2011 and FinScope Small Business Survey 2010)

Most SaveAct members who have bank accounts appear to use them mainly to receive social grants/remittances, withdrawing most of the funds for consumption or to save through SaveAct-initiated savings and credit groups (SCGs). It can be inferred that the preference to save through SCGs follows from the easier access to credit relative to banks. Banks could and should be looking to retain a greater proportion of these 'through-flow' funds both to increase their own deposit-base for lending to clients at large and to use as collateral for lending to these specific clients. At the least, the record of inflow of funds could be used to establish the appropriateness of account-holders for unsecured credit and to market actively on that basis.

To retain a greater proportion of such funds, banks will need to compete favourably with SCGs in terms of cost (lending would have to be at much less than 10% per month), and in terms of the accessibility of loans. But SCGs also have seasonally-related needs both for secure cash-holding services – for which group accounts could be opened – and for liquidity. Banks could readily provide both, but would need to approach augmenting

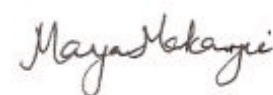
liquidity with considerable caution as experience elsewhere in Africa has shown that adding too much leads to the collapse of savings-led creditworthiness. Individual members of SCGs would also benefit from greater access to formal sector transaction, savings, insurance and credit facilities (as well as air-time/other purchases) through mobile phones/other branchless banking channels.

More than 50% of SCG members are involved in their own SME income generating activities and more than 50% borrow from their SCGs to provide start-up or working capital for their SMEs. Part of the income derived returns to SCGs as savings, which in turn provides the basis for further borrowing and own SME-generated income. The SCGs are therefore laying a 'virtuous circle' foundation for income-generating rural development and thereby for the growth of demand for financial services in what is probably the most underserved segment of the market.

The success of the SCGs has led to a situation where SaveAct no longer needs to market the model. The demand to help set up more such groups currently exceeds SaveAct's capacity to respond immediately. As a model-promoting (as opposed to a funds-handling) microfinance institution, SaveAct provides self-selecting groups (typically of 20-25 people, mostly women) with 12-18 months of training/operational support, after which they function largely independently. After 'graduation', technical support from SaveAct's community-based promoters (CBPs) is paid for largely by SCGs themselves. The training and subsequent operational experience help increase financial literacy levels. SaveAct also provides basic business development training and a central management information system that monitors individual SCG and the overall movement's performance. Savings group members are therefore banking clients in the making, with this model optimising intermediation opportunities for the formal financial sector.

SaveAct's need for capitalization is therefore not for loan capital but mainly for working capital for training and performance monitoring. While banks' interest in supporting the organization may initially be motivated mainly on corporate social investment grounds, commercial business motives should also be strong - and will grow stronger as the movement scales up and matures.

As SaveAct's Director, Anton Krone, has remarked, 'if there is no silver bullet for rural development (and for rural financial market development as an integral part of this), then SCGs are about as close as one is going to get'. The opportunity for formal financial services providers should not be missed.



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Abbreviations

ASCA	Accumulating Savings and Credit Associations
CBP	Community-based Promoter
CIG	Commodity Interest Group
FSG	Farmer Support Group
IDP	Integrated Development Plan
MFAC	Mount Fletcher Advice Centre
NGO	Non-Governmental Organisation
PPI	Progress out of Poverty Index
PRA	Participatory Rapid Appraisal
ROSCA	Rotating Savings and Credit Associations
SCG	Savings and Credit Group
VS&L	Village Savings and Loan

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Executive Summary

There is a perception that the poor do not save or require access to a range of financial services because they have little or no income. It has been argued, however, that in fact the reverse is true.¹ It is precisely because incomes are small, irregular and unpredictable that managing this money becomes a central concern for the poor as they try to meet basic daily expenses, cope with emergencies and raise lump sums for big expenses. This requires regularly engaging in multiple transactions, borrowing when incomes are low and saving to secure money for future expenses.

As in other parts of the world, the poor in South Africa often have limited access to reliable, safe and convenient financial services, although the widespread nature of informal arrangements such as stokvels is evidence of a demand for such services. Many continue to be excluded from the formal economy, particularly in rural areas. It is in this context that SaveAct, a local NGO, began working in rural communities in KwaZulu-Natal and the Eastern Cape in 2007 to promote a low-risk savings-led financial services model aimed at empowering communities to achieve greater financial security and self-reliance. Building on an existing culture of stokvels, this semi-formal model is based on the belief that savings-led (rather than credit-led) services assist poor households to build up assets and achieve a level of financial stability that then enables them to take the risk of entering into or expanding enterprise activities, and in turn makes those activities more likely to be successful.

SaveAct works with communities to establish self-selected savings and credit groups (SCGs), where members meet monthly to save and allocate loans from the capital fund of accumulated savings. At the end of a savings cycle members benefit from a substantial share-out of capital, with groups typically generating annual returns of more than 30% on savings through interest charged on internal lending. Many groups operate social funds to cater for emergencies. At present, approximately 15 000 members in 650 savings groups engage in structured monthly savings activities. This study explores the role these savings groups play in enabling enterprise activity, particularly in agriculture.

Methodology

Within this broader question the study had three key objectives, namely to:

1. Develop a profile of livelihood strategies and enterprise activities amongst SCG households;
2. Explore SCG membership and ways in which it contributes to enabling enterprise activities;
3. Explore the use of financial services and potential need for additional services amongst SCG members involved in small enterprise activities, particularly in agriculture.

¹ Collins, D, Morduch, J, Rutherford, S. and Ruthven, O. (2009) *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton: Princeton University Press.

The study took place in the vicinity of Bergville, KwaZulu-Natal and Matatiele, Eastern Cape. A combination of qualitative and quantitative methods of data collection was used as follows:

1. A survey conducted with approximately 150 SCG members in each of the two areas;
2. Nine group discussions using Participatory Rapid Appraisal (PRA) tools in each area;
3. Semi-structured interviews with key informants (3 in Bergville; 2 in Matatiele); and
4. Case studies with local agricultural entrepreneurs in SCGs (5 in Bergville; 8 in Matatiele).

A Profile of Savings Group Members

The study found that approximately 90% of SCG members in the two sites are women. The average age of members was late forties, and the majority of members are married or have a partner, but in many cases the spouses or partners did not live with them. A little under half of the SCG members' households are headed by women.

The level of education amongst SCG members is low, with only 19% in both sites having completed high school. The study used the Progress out of Poverty Index (developed by the Grameen Foundation in partnership with CGAP) as a measure of the socio-economic status of SCG members. According to this index, 50% of SCG members' households in both sites are likely to live below the poverty line.

Livelihood Strategies

SCG members' households rely on a range of different sources of income to make a living. The majority of SCG members' households receive at least one social grant. Also, more than half of SCG member households with a potentially economic active family member living elsewhere receive financial support from at least one of the members living elsewhere (62% in Bergville and 53% in Matatiele).

Low levels of formal employment were reported amongst SCG members but many were actively involved in informal micro and small enterprise activities, predominantly in agriculture and trading. When asked to rank the most important sources of income in supporting their households, SCG members in Bergville ranked earnings from enterprise as the most important, while in Matatiele SCG members ranked social grants and earnings from enterprise activities as being their most important sources of household income.

The study found that the flows of income and expenditure that SCG members experience throughout the year fluctuate in response to the seasonal nature of agricultural activities, life events and school terms. Particularly in Bergville, a seasonality analysis found that expenditure flows do not closely track income flows, thus suggesting the ability of SCG members to smooth their consumption by accessing financial services (savings and loans). The SCG members' ability to save and the need for credit is also affected by seasonality; however, in both sites the SCG members have learnt to save

each and every month through their SCG. This is particularly the case in Bergville, thus showing the commitment of SCG members to save even during hard months.

Involvement in Agriculture

The research explored SCG members' involvement in agricultural activities as well as the challenges that they experience in carrying them out. A particular focus was the way in which SCGs are supporting these activities. The study found that in both areas access to a homestead garden was common as well as cultivation of vegetables (and to some extent, crops). Approximately 80% of SCG member households are involved in growing vegetables or crops. However, most SCG members sell their produce when they need cash or have surplus and the market for their produce, with some exceptions, appeared to be mainly local. SCG members in both sites sell primarily to neighbours and community members.

Several challenges in carrying out agricultural activities were highlighted. Among these, weather events in the form of heat, flooding and drought were mentioned as one of the main challenges in both sites. Insects, worms and pests were mentioned in Matatiele, while lack of fencing seemed to be more of a concern in Bergville. In both areas lack of machinery, adequate training and information were also mentioned, as was access to water since farmers in both sites are reliant on rainfall. .

Three quarters of SCG members in Bergville and two thirds of SCG members in Matatiele also reported owning poultry or livestock, especially cattle and goats. In both sites chickens are mainly kept for consumption. In Bergville SCG members keep cattle mainly for consumption (or investment) while in Matatiele sale of cattle appeared to take preference. Again, the market appeared to be mainly local, with the majority of SCG members selling to neighbours and community members. The challenges faced in raising poultry and livestock were similar in the two sites and concerns included diseases, theft and cost of feeding.

The study noted several ways in which SCGs are acting as platforms to support agricultural activities. Loans and share out monies are often used for agricultural purposes (see section 9 on SCG membership). Some SCGs have planned the dates of their share-out meetings to coincide with the preparation for planting season in order to have a lump sum of money to use for inputs and fertilizer. Also, SCG members are saving collectively for specific agricultural purposes, such as the bulk buying of fertilizer or seeds.

Enterprise Activities and Links with Savings Groups

Almost two thirds (64%) of SCG members in Bergville and half in Matatiele (50%) reported being involved in some kind of enterprise activity.

The research found that 14% of SCG members in Bergville and 16% in Matatiele reported starting at least one of these activities *after* joining the SCG. In the majority of the cases, funds from the SCG were used to start the enterprise activity. Overall, 10% of the SCG members interviewed in Bergville and 12% of SCG members in Matatiele used money from their SCG to start an enterprise.

The majority of members who are involved in enterprise in both sites (78% in Bergville and 59% in Matatiele) used at least one SCG loan in the last 12 months to support their enterprise. These loans were primarily used to buy inputs and stock for retail, inputs for agriculture such as seeds, seedlings and fertilizer, and assets for enterprises, such as a fridge or Jojo (plastic water) tank.

When asked to elaborate on how being part of an SCG helped them in starting an enterprise, the main points raised were that they were able to buy the stock, inputs or assets required to start the enterprise, or because they became more financially stable. Members who were already involved in enterprise activities when they joined an SCG said that the membership helped them in improving their activities for several reasons, among which were being able to buy inputs and stock when they needed, to manage cash flows better and to increase their profits.

An analysis of involvement in enterprise activity by the length of time for which members have been part of a savings group shows that the proportion of those involved in enterprise increases as the duration of membership increases. The reasons for this and whether or not this relationship holds in other circumstances warrant further exploration.

The research found that there is a two way relationship between enterprise development and savings which lead SCG members to re-invest their profits into savings.

Knowledge of and Access to Financial Services

The research used group discussions to explore the availability of financial services in both areas and the changes in their use over time. It was found that in both sites the use of formal banks has slightly increased in the period from 2007 to 2011, although bank accounts are mostly used to receive and send money. SCG members reported being less reliant on ‘loan sharks’ in 2011 than in 2007, mainly because they were able to use the financial services offered by SCGs which were not available in 2007. In both sites the participation in informal savings groups (such as stokvels) decreased slightly over this period. In both sites formal microfinance institutions were mentioned as available in the area but were generally not used because of the high interest rates charged on loans. While in Bergville members mentioned the use of commercial banks, ‘loan sharks’, informal savings groups and SCGs, in Matatiele members mentioned a broader variety of financial services that are both available and accessible in the area, namely the post office, insurance products, burial societies and also saving at home.

Overall, women are more active in informal financial services, participating in SCGs, burial societies and stokvel. They are also reportedly more likely to make use of 'loan sharks' to meet household needs and to save money at home than men, while men make more use of banks and insurance services than women. These differences reflect the gender divisions in household responsibility for expenditure and saving. Women are more likely to be responsible for providing food, furniture and clothes for the household as well as for school expenses and cultural celebrations, while men are more likely to be responsible for saving for and making expenditures related to livestock and agricultural inputs. However, given the high prevalence of female-headed households, this is not always the case.

The difference in usage of financial services noted in the group discussions was confirmed in the survey: in Bergville, 77% of members said that they save through SCGs only while in Matatiele SCGs were more likely to use a combination of services to save. When asked how members used to save prior to joining an SCG, members in Matatiele mentioned the use of banks, burial societies and saving at home. In Bergville, 41% of members said that they did not save at all before joining SCG while only a minority used banks, post offices, informal savings groups and saved at home.

Exploring the ways in which SCG members tend to cope with emergencies, the study found that 28% of members in Bergville and 64% of members in Matatiele used an SCG loan in case of an emergency during the 12 months preceding the interview. In both sites in 2007 SCG members tended to access money in case of an emergency through family members and friends, loan sharks and burial societies.

Membership of Savings and Credit Groups

The length of membership of survey participants ranged between 1 and 4 years. When asked why they had joined savings groups, a little under half of SCG members in Bergville and Matatiele said that they joined because they wanted to save money; other common reasons included word of mouth, seeing others benefitting from the programme and having access to a source of credit for their needs. Membership of multiple groups was fairly common: 41% of members in Bergville and 26% in Matatiele reported being members of more than one SCG.

On average, members in Bergville bought 21 shares during the previous cycle (12 month) while members in Matatiele bought 26 shares. In most groups, the value of a share is set at R50 or R100. When comparing the number of shares bought during the previous two cycles, the study found that 63% of members who had participated in at least two cycles in Bergville and 89% of members in Matatiele increased their level of savings from one cycle to the next.

The research found that in both sites the primary sources of money for savings are social grants (66% in Bergville and 79% in Matatiele) and money from enterprise (57% in Bergville and 41% in Matatiele). This suggests that there is a circular relationship between savings and enterprise activities,

with each supporting the other. The channelling of social grants into savings groups also creates the opportunity to extend the ultimate value of such grants.

During the previous cycle, members took an average of three loans in Bergville and four in Matatiele. Loans were primarily used for household investments (34% in Bergville and 35% in Matatiele). Within this the scope of uses was broad, ranging from educational expenses to groceries to investment in enterprises. The pattern of use of the share-outs was similar, with household improvements being the most common use mentioned in both sites (32% in Bergville and 39% in Matatiele). Almost all members in Bergville and 80% of members in Matatiele (most of which are women) had control over deciding how the loans were to be used.

SCG members mentioned several benefits of being part of savings groups. These ranged from financially-related benefits, such as receiving financial training that enabled members to budget, plan for expenses and better manage their money; to socially-related benefits, like meeting with others in the community, working together and the friendships that have resulted from being members of SCGs. Increased financial security and the platform that savings groups provide for discussing and sharing problems and ideas, as well as getting advice from other members, were also mentioned as benefits.

In both sites several examples of collective actions within SCGs were mentioned. For instance, in Potshini in Bergville, members mentioned growing and selling vegetables together, helping each other to build houses and buying fertilizer in bulk. In Matatiele, through commodity interest groups, members reported being able to buy seeds in bulk while other members said that they come together to buy groceries at the end of the year.

Conclusions

SCG members rely on small and irregular incomes which are often unpredictable because of the seasonality of agricultural activities and life events. SCGs provide members with a safe way to save and access loans which enable them to smooth their consumption and better cope with emergencies, thus, providing them with the increased financial security needed to engage in enterprise activities. With this in mind, the study has identified the following pathways through which savings group membership enables enterprise activity:

- SCG members are able to access funds, in the form of loans and share out, to start and support their enterprise activities;
- There exists a ‘virtuous circle’ of savings and small enterprises that shows that, while small enterprise activities are supported by funds from SCGs, the profits generated through enterprise are reinvested into savings, thus providing funds for further enterprise development;

- SCG membership enables investment both into household assets, thus increasing household stability, and into enterprise activities. Also, SCG members tend to increase their level of investment in terms of savings over time;
- SCGs work as a platform for starting collective activities, especially in agriculture;
- SCG membership helps individuals increase their ability to manage their finances and gives them a new sense of confidence. Also, through SCGs members share ideas and challenges, both in terms of enterprise activities or financial management and more broadly. Thus social capital is being built alongside financial capital.

Points for further consideration

Based on the findings, the study recommends:

- To further explore links with formal financial institutions;
 - At a transactional level options could be explored to ensure the safety of the group capital;
 - At a product development level the possibility of a group account could be explored to allow groups to develop longer-term saving plans;
 - Another possibility is the linking of SCGs to external credit, but this should be considered with great caution given the concerns raised by SCG members themselves and the fact that international experience has shown mixed results at best.
- To provide further support to SCG members in terms of training;
- To plan for further research into savings groups.

1. Introduction

Since the transition to democracy in 1994, progress has been made in addressing poverty and social inequalities in South Africa. In particular the introduction of a more equitable social grants system has contributed to addressing extreme poverty. Yet it remains a country of contrasts, characterised by great wealth for the few on the one hand and persistent poverty on the other. These inequalities are exacerbated by a stubbornly high unemployment rate.

Many South Africans, particularly in rural areas, continue to be excluded from the formal economy. The National Planning Commission recently identified the need to combat the marginalisation of the poor in rural areas as the main challenge currently facing rural development in South Africa.² Agriculture is regarded as the primary economic activity in these areas but it is a ‘dualistic’ sector³ in which a highly capitalised, well-integrated commercial sector operates alongside a subsistence sector in which households are largely dependent on social grants, remittances and land-based livelihoods. In addition, with an estimated 5.6 million people living with HIV, South Africa has the largest HIV epidemic in the world and gender inequalities and levels of gender-based violence remain a concern.

It is in this context that SaveAct, a local NGO, began working in rural communities in KwaZulu-Natal and the Eastern Cape in 2007 to promote a low-risk savings-led financial services model aimed at empowering members to gain greater control over their financial situations. A feature of being poor is that incomes are small, irregular and unpredictable, making the management of this money a central concern for the poor.⁴ SaveAct works with communities to establish self-selected savings groups that provide access to financial services, enabling members to meet daily needs, deal with emergencies, plan for large expenses and take advantage of opportunities. In this way SaveAct aims to enable individuals and communities to achieve greater financial security and self-reliance.

At present, approximately 15 000 members in 650 savings groups in these two provinces engage in structured monthly savings activities.⁵ Groups also issue loans to members from a combined capital volume ranging from R15 - R20 million. At the end of a savings cycle members benefit from a substantial share-out of capital, with groups typically generating annual returns of more than 30% on savings through interest charged on internal lending. Many SCGs also operate social funds to cater for emergencies. The model appears to be both sustainable and conducive to being taken to scale.

² National Planning Commission (2011) *National Development Plan: Vision for 2030*. November 2011. Pretoria.

³ May, J & Carter, M (2009) *Agriculture: Analysis of the NIDS Wave 1 dataset. Discussion paper no. 6, National Income Dynamics Study*. Cape Town: University of Cape Town.

⁴ Collins, D, Morduch, J, Rutherford, S. and Ruthven, O. (2009) *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton: Princeton University Press.

⁵ Figures based on SaveAct MIS data for February 2012 (for more on SaveAct, go to www.saveact.co.za).

Although it builds on a long history of stokvels and other informal savings groups, this model is relatively new in South Africa and much of its potential has not yet been explored. This study addresses the need to understand more about the relationship between savings group membership and both livelihoods strategies and micro-enterprise development, especially in agriculture. Small and micro-enterprises act as an important source of income and economic development in marginalized communities. Since savings groups can serve as platforms for social and economic development, this study aims to explore the role they play in enabling economic activity, particularly in agriculture, and to provide a deeper understanding of the financial services that are available to and used by savings group members.

The report begins by providing some background on the need for financial services that cater to those living in poverty, with a focus on savings. It takes a closer look at the savings group model promoted by SaveAct, before outlining the key objectives of the study and the methodology used to undertake the research. The findings of the study are then presented in six sections. The report concludes with a discussion of key pathways through which savings groups enable and support micro-enterprise development and economic opportunity.

2. Understanding Savings and the Poor

2.1. The Importance of Financial Services for the Poor

The 1990 World Development report defined poverty as ‘the inability to attain a minimal standard of living’.⁶ This idea of a ‘standard of living’ goes beyond a consumption-based poverty measure to include other aspects such as nutrition, life expectancy and literacy rates which are not captured by a focus on income and expenditure. However, the report also adopted for the first time the very specific concept of a poverty line of \$1.25 a day, and measured world poverty according to the number of people in the world who were living below that poverty line.

This had the effect of focusing global attention on income poverty, but highlighted only one aspect of what it means to live in poverty. Collins and her colleagues argue that this approach overlooks the fact that poor people do not actually get \$1.25 a day.⁷ The \$1.25 and \$2 per day measures represent the average income on which poor people live and obscures the reality that on some days they will earn more than on others, while at other times they may go for long periods without earning anything at all. Collins et al. therefore argue that financial management is an essential skill for poor people relying on limited and irregular income as they try to:

⁶ World Bank (1990) *World Development Report 1990: Poverty*. New York: Oxford University Press.

⁷ Collins et al. (2009)

1. Manage basic day to day expenses;
2. Cope with risk (i.e. deal with emergencies), and;
3. Raise lump sums for the ‘big ticket’ expenses of life.

In their study of financial diaries, Collins et al. were struck by the importance of financial management for the poor when they found that most of the poor households participating in the study did not spend all of their income as soon as they received it; rather, they tried to manage it by engaging in multiple transactions, borrowing when their income failed to arrive and saving to secure money for future expenses.⁸ This involved using multiple financial tools at any one time, such as saving through banking institutions, saving groups, insurance clubs and burial societies, and taking loans from neighbours, friends, family members, moneylenders, shops and microfinance institutions. A further finding was that despite the great need for financial services, the poor also face a lack of reliable, safe and convenient financial tools to manage that income.

Thus, despite a perception that the poor have small incomes and therefore are unlikely to require access to a wide range of financial services, the reverse is in fact true. The widespread nature of informal arrangements such as stokvels in South Africa is evidence of this. Informal financial tools are especially widespread in rural areas where formal financial services rarely reach. Although the poor face risks in using financial tools (particularly in the case of ‘loans sharks’ or unscrupulous lenders), these tools are widely and regularly used among the poor because they are essential for managing small, irregular and unpredictable incomes. Access to safe and reliable financial services is therefore vital to enable the poor to gain greater control over the management of their finances and improve their situations.

2.2. Financial Inclusion in South Africa

The provision of reliable and safe *formal* financial services to the poor is limited in sub-Saharan Africa. Low population density, lack of infrastructure and vast distances make it difficult for formal financial institutions to reach poor populations, particularly in rural communities. Moreover, poor people are often seen as more of a risk as they have limited money and no collateral. While many communities have yet to be reached by the services offered by commercial banks, informal financial services in various forms have developed and spread all over the continent.⁹

In South Africa, several initiatives have been undertaken in the past decade to increase access to formal financial services for those not previously served.¹⁰ Porteous argues that is important to have a clear definition of ‘effective access’ to financial services in order to distinguish between a *lack* of access to a

⁸ *Ibid.*

⁹ Helmore, K, Chidiac, S & Hendricks, L. (undated) *Microfinance in Africa: State-of-the-sector Report. Bringing Financial Services to Africa’s Poor*. CARE.

¹⁰ CGAP (2010) *Update on Regulation of Branchless Banking in South Africa. January 2010*.

service and the *choice* not to use it.¹¹ In this regard, the FinMark Trust developed a definition of effective access along three dimensions, namely geographic access, affordability and product features affecting access.¹² The *Financial Sector Charter of South Africa*, signed in 2003 by the Government and financial organisations, takes this definition further. The Charter, which is the main text on the process of financial inclusion in South Africa, requested banks to provide effective access – in terms of transactions, savings and credit services – to 80% of the low-income population by 2008.¹³

The FinMark Trust's *FinScope South Africa 2011* is a nationally representative study of perceptions of financial services and provides some insight into the use of financial services in South Africa.¹⁴ It measures financial inclusion by considering three categories of financial services, namely commercial banks, other formal financial institutions and informal financial services. According to this study, 63% of the South African population is served by commercial banks. However, the rural population accounts for only 33% of the total served. About 50% of the urban population and 30% of the rural population are served by other formal financial institutions, such as microfinance institutions, insurance companies or retail credit providers. Informal services refer to informal savings groups, farmers associations and money lenders; about 30% of the rural population and 25% of the urban population make use of such services, either exclusively or in combination with other formal financial services. Almost 38% of the rural population and 21% of the urban population are excluded from any type of financial service.

As noted, there is a long tradition of stokvels and informal savings groups in South Africa, with 89% of adults using informal services belonging to one. Other common informal products are burial societies (56%) and credit/loan products (25%). Two thirds (66%) of South African adults do not use any products or services in order to save.

2.3. Microfinance: From Credit-Led To Savings-Led Finance

The worldwide spread of microcredit initiatives represents an attempt to address the limited access to formal services by providing the poor with an alternative safe and reliable source of credit. These initiatives are based on the assumption that access to such credit will provide the poor with the economic boost needed to start small businesses and work their way out of poverty.

The microcredit movement, of which Grameen Bank was one example, has brought about substantial changes in the financial services available to the poor and reached thousands of poor people who may not otherwise have had access to any other formal financial services. However, it has also come under criticism from various quarters. For example, microcredit has been charged with leading the poor into

¹¹ Porteous, D. (2004) *Making Financial Markets Work for the Poor*. Pretoria: FinMark Trust.

¹² *Ibid.*

¹³ CGAP (2010).

¹⁴ FinMark Trust. *FinScope South Africa 2011*. Available at <http://www.finscope.co.za/new/pages/default.aspx>.

debt rather than out of poverty.¹⁵ Rigorous quantitative evidence on the impact of microfinance is still scarce and inconclusive,¹⁶ and while several studies suggest that microfinance has a positive impact on micro-enterprise activities, its overall effect on the income and poverty levels of clients is more ambiguous.¹⁷

A growing recognition that poor people want and need reliable and safe financial services to save and insure (over and above the need to borrow) has led to a shift in focus from *microcredit* to *microfinance*, or from credit only to other forms of financial services. The poor need access to a range of financial services for multiple purposes, such as managing their cash flow, coping with risk and raising lump sums¹⁸ as well as smoothing their income, building assets and investing in productive activities.¹⁹ Moreover, it is generally acknowledged that loans (credit) are a liability that brings increased risk; it is argued therefore that it is preferable for the poor to first increase their assets (including savings) before taking out credit, in order to reduce the risk to their livelihood.²⁰ Furthermore, according to the SEEP Network's Global Savings Campaign, demand for reliable savings services worldwide is estimated to be five times greater than the demand for credit.²¹

In 1990, a methodology was piloted in Niger by CARE that had at its foundation the pooling of savings. As Maes notes, "CARE's Village Savings and Loan (VS&L) methodology is based on a belief that savings rather than lending services are more appropriate for and in higher demand by the rural poor. VS&L programs emphasize savings mobilization through unregulated and rather informal groups that depend on member savings for their loan fund capital rather than external loans."²²

2.4. Savings Groups: How Do They Work?

The savings group model is not necessarily a new concept to those it reaches as it builds on traditional informal saving groups, burial societies, rotating savings and credit associations (ROSCAs) and accumulating savings and credit associations (ASCAs).

¹⁵ Dichter, T. and Harper, M. (2007) (eds.) *What's wrong with Microfinance?* London: Practical Action Publishers.

¹⁶ Duvendack M, Palmer-Jones R, Copestake JG, Hooper L, Loke Y and Rao N (2011) *What is the evidence of the impact of microfinance on the well-being of poor people?* London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London.

¹⁷ Odell, K. (2010). *Measuring the impact of microfinance: Taking another look*. Washington, DC: Grameen Foundation.

¹⁸ Collins et al (2009).

¹⁹ Allen, H. and Panetta, D. (2010) *Savings Groups: What are They?* The SEEP Network.

²⁰ Allen, H. (2002) *CARE International's Village Savings & Loan Programmes in Africa. Micro Finance for the Rural Poor that Works*. CARE.

²¹ SEEP Network (2012) *Citi Foundation and SEEP Launch Planning Phase of Global Savings Campaign*. Available at <http://www.seepnetwork.org/>

²² Maes, J. (2007) *Linkages between CARE's Village Savings and Loan Associations with Financial Institutions in Rwanda. Case Study*. Commissioned by CARE USA, Economic Development Unit (EDU)

The core model has been adapted worldwide but is based on a methodology that involves a group of between five and 30 members meeting regularly (originally weekly) to save and borrow money from the loan fund. Each group is ruled by a constitution and elects a management committee. Loan terms are decided by the group. The group capital, formed by the amount saved and the interest paid on loans, is returned to members in the form of a share-out at the end of each cycle, which usually lasts 12 months. Thus the interest paid on loans represents the members' return on their savings. Records of savings and the loans taken are kept in simple ways using record books, central ledgers or oral recording. Groups can also decide to keep a social fund that members can access when faced with financial emergencies.²³

In this methodology, facilitating agencies or organisations are responsible for identifying groups and training and supervising them, but they do not disburse any capital to the group – they are thus involved in promotion rather than provision.²⁴ Groups are self-managed and sustainable in the long term. The training is delivered at a very low cost and is increasingly being provided by community-based trainers who are working on a service-fee basis paid by the savings group members instead of being delivered by field officers who are paid by the facilitating agency.²⁵ This makes the model accessible and sustainable, as it is based within communities and is ideal for reaching those who live in low income, rural areas. The model is able to provide high returns to members on their savings; is flexible as the rules are established by the groups themselves; is transparent because everything happens in front of the group members and is able to accommodate small amounts of saving and the taking of small loans. Furthermore, studies have documented the positive impact of savings groups in terms of an increase in social capital and women's levels of confidence.²⁶

Since the first pilot this methodology has gained considerable credibility and has been adopted by many international and local NGOs. It is this methodology that SaveAct adapted to rural South Africa.

2.5. The SaveAct Savings Methodology

SaveAct has adapted this savings methodology to the South African context and complements it with financial education and, for more mature groups, enterprise training (*Isiqalo*). The three activities form a stepped approach to assisting members to achieve more sustainable livelihoods. This approach is based on the assumption that basic household financial stability must be achieved before people are willing to risk engaging in enterprise activities, which are also more likely to be successful when the household is able to meet basic needs.

²³ Allen and Panetta (2010).

²⁴ Rutherford, S., (2001) *The Poor and their Money*. Oxford University Press.

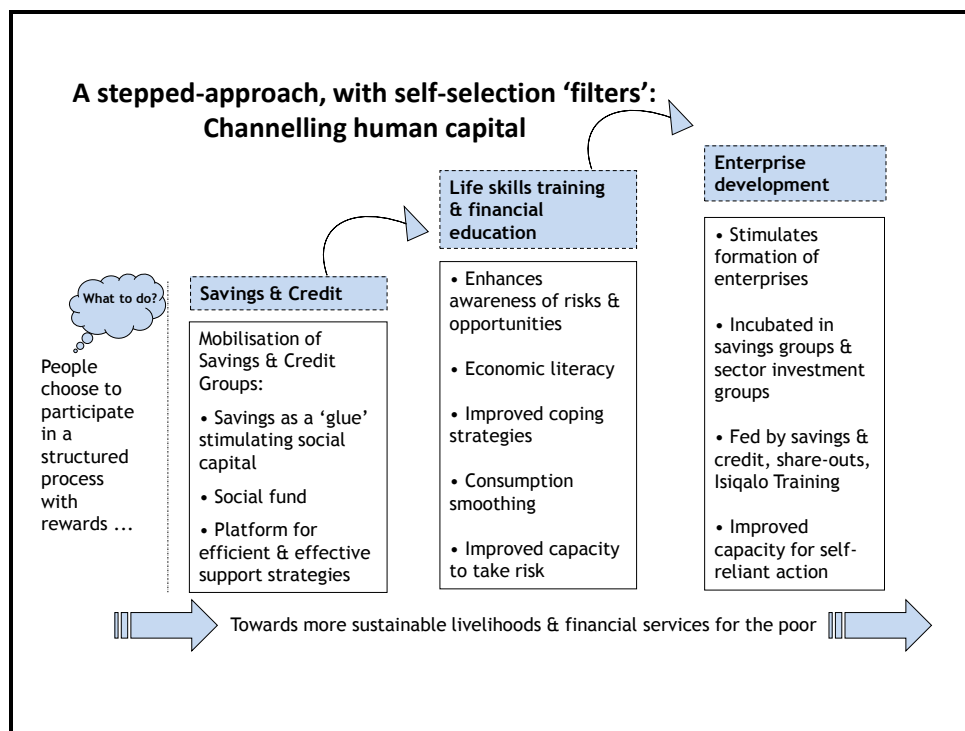
²⁵ *Ibid.*

²⁶ *Ibid.*

Although there are many similarities, this savings and credit (SCG) model differentiates itself from informal savings groups such as stokvels because it provides training to group members, each group has its own constitution and members gain an annual return on their savings.

In the first phase of this model, the members are trained in the formation of SCGs, how to manage savings and loans and how to write their own constitution. Only once the savings activities have started do the field officers or community-based promoters (CBPs) provide more in-depth training on financial education, ranging from managing daily expenses to planning for future expenses. *Isiqalo* enterprise training is offered at a later stage to more ‘mature’ members and is usually provided on request. In addition, SaveAct has been working in partnership with other organisations to meet the demand for savings groups and to provide training and support to group members in agriculture as well as training in social and gender issues.

Figure 1: SaveAct’s Phased Approach



The profile of groups is continuously monitored using a Management Information System (MIS) which includes information on the number of groups and members, the gender ratio, membership growth rates and retention rates. Data on financial performance are also included in the system, covering the amount of total assets owned by the groups, the loan fund utilisation rate and the annualised return on assets.

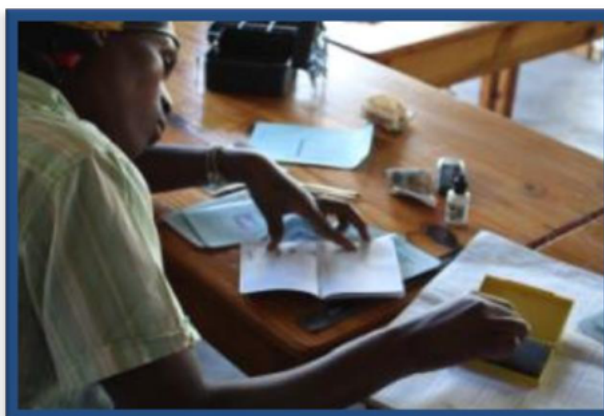
Research conducted with SCGs established through SaveAct has found that SCGs are associated with consumption smoothing (or the ability of people to smooth out demands on their income in relation to

routine expenditure and shocks); access to social insurance that has aided recovery from shocks and signs of profound transformation in the lives of people affected by HIV/AIDS.^{27,28,29}

2.5.1. How do the SaveAct SCGs work?

The savings model used stands out for its simplicity. An SCG consists of 15 to 30 members, most of whom are women. Groups are self-selected and follow the rules of their constitution in which the group defines the terms for borrowing and repayment of loans, as well as the use of the social fund.

- Each group elects a **management committee** consisting of a chairperson, record keeper, box keeper and two money counters. Three members, in addition to the box keeper, are elected as key keepers, meaning that four people would need to collude to open the box (which contains the record books and remaining capital) outside of a normal meeting. This creates an increased level of confidence amongst group members.
- The group meets monthly to **save**.³⁰ At the beginning of a cycle, members decide on the minimum amount that can be saved every month. This is referred to as a 'share' and is usually set at R50 or R100. Members are allowed to save up to five times that amount per month. Each member owns a record book in which the amount saved every month is recorded using a stamp (three stamps mean three shares were saved that month). Records are thus readily intelligible to semi-literate and non-literate members.



- During the monthly meeting, members can take out **loans** from the capital fund (made up of their combined savings and interest charged on lending within the group). An interest rate of 10% per month, a rate set by the group, is usually charged on these loans. Loans should not

²⁷ Barber, A. (2011) *Transforming Lives: Can Savings and Credit Group Membership Work for People Affected by HIV/AIDS? A South African Case Study*. Universitas Forum and FinMark Trust.

²⁸ Eriksen, K (2009). *An Assessment of the Role of Social Insurance Funds in Micro-savings: The Case of SaveAct*. University of KwaZulu Natal, Durban. [Unpublished]

²⁹ Högman, A (2009). *Microsavings Effects on Consumption Smoothing. A Case Study of South Africa*. Uppsala University. [Unpublished]

³⁰ Groups are offered the option of meeting at other intervals but all groups are currently meeting monthly, possible because social grants are paid on a monthly basis.

exceed three times the value of what has been previously saved and can be repaid over a period of between three and four months, and up to six months in case of mature groups. Loans are allocated after group discussion and members can take out one loan at a time. A record of loan allocations and loan repayments is kept in the personal record book.

- The monies that are left after the allocation of loans are kept in a box that is locked with three padlocks (with three key holders) and kept by the box keeper. Because the buying of shares, allocation of loans and repayment of loans and interest are carried out in front of all members of the group, there is a high level of **transparency** and sense of ownership of the process.
- At the end of a 12 month savings cycle members **share out** the group's capital, together with the profit made during the cycle. The share-out that each member receives is in proportion to the number of shares saved throughout the cycle. After sharing out, members can decide to start a new saving cycle.
- After initial training the savings groups operate **independently**, although SaveAct field officers and CBPs provide support to consolidate the groups. The groups' ability to follow their constitution, run their own savings meetings and deal with internal issues is observed and tracked and after about 18 months, groups should reach independence through **graduation**.



Experience in the field suggests that SCGs play a role in supporting small and micro-enterprise activities which form an essential part of the livelihoods in rural communities. This study aims to explore and document this further.

3. Methodology

This study aims to establish the role that these SCGs play in enabling small enterprise activity, with a particular focus on agriculture. Within this broader question there were three key objectives, namely to:

1. Develop a profile of livelihood strategies and enterprise activities amongst SCG households (including agricultural activities);
2. Explore SCG membership and the ways in which it contributes to enabling micro-enterprise activities; and
3. Explore the use of financial services and the need for additional financial services amongst SCG members involved in micro-enterprise activities, particularly in agriculture.

The study used a combination of qualitative and quantitative methods for the collection of data. Since SaveAct works in rural areas where populations are dispersed and travel is a challenge, the research was concentrated in two clearly defined geographical sites. After discussions with SaveAct staff, two areas were identified as places where SaveAct has been active for several years and where there appeared to be vibrant agricultural activity. These were the villages around Bergville in the Okhahlamba Local Municipality, KwaZulu-Natal and the villages around Matatiele in the Matatiele Local Municipality, Eastern Cape.

3.1. Methods of Data Collection

Four methods of data collection were used in this study:

1. A *survey* conducted with approximately 150 SCG members in each of the two areas;
2. Nine *group discussions* using Participatory Rapid Appraisal (PRA) tools in each area;
3. Semi-structured *interviews with key informants* (3 in Bergville; 2 in Matatiele); and
4. *Case studies* with local agricultural entrepreneurs in SCGs (5 in Bergville; 8 in Matatiele).

3.1.1. Survey of SCG Members

The survey consisted of face-to-face interviews with approximately 150 SCG members in each area, for a total of 300 interviews. The interviewees were randomly selected using a two-stage sampling approach. In the first stage, 25 groups in each site (half of the 54 groups in Bergville and 50 in Matatiele that had been through *at least one* cycle by January 2012) were randomly selected from the SaveAct MIS dataset of groups in the two areas.³¹ In the second stage, six members in each group (and

³¹ The random number generator function in Excel was used for the random selection of groups and respondents. The two stage sampling process was employed to reduce the costs and logistics involved in finding the selected respondents and conducting the fieldwork.

two substitutes) were randomly selected to provide a total of 150 respondents (25 groups x 6 members = 150 participants).³² In practice, a little under 150 interviews were conducted in each site.

Area	SCGs 1 year or older	No. of SG members	Intended sample size	Realised sample size
Bergville	54	1197	150	146
Matatiele	50	892	150	147

Each SCG member in a group is allocated an identifying number (e.g. from 1 to 20 if there are 20 members in the group) which is recorded on their record book. These numbers were used for the random selection and in some cases it was possible to then use SaveAct records to identify members by name and contact them in advance. However, in other cases names were not available and it was necessary to call the box keeper and key holders of the group together to open the group box (in which the record books are stored) so that the names of selected participants could be identified using the numbers on the record books. This was an unexpected challenge that was addressed with the help and perseverance of the field officers and CBPs.

The survey questionnaire was translated into Zulu and Xhosa and interviews took place in the member's preferred language (including Sotho). Interviewers explained the confidential and voluntary nature of the study and verbal consent was obtained prior to the interview. Interviews took place in homes and in other pre-arranged meeting venues.

3.1.2. Group Discussions (PRA)

Nine discussion groups were held with SCG members in each of the two areas. The discussions centred around three PRA tools (3 groups x 3 tools) as follows:

Type of Exercise	Participants
Seasonality analysis of income, expenditure, credit and savings (3 per site)	1 x male and female farmers (e.g. crops, vegetables in one area) 1 x male and female farmers (e.g. same but in another area/ poultry) 1 x male and female farmers (livestock)
Knowledge and use of financial services , currently and prior to joining an SCG (3 per site)	1 x female SCG members (one area) 1 x female SCG members (another area) 1 x male SCG members
Gender analysis of household expenditure and saving for expenditure (3 per site)	1 x female SCG members (one area) 1 x female SCG members (another area) 1 x male SCG members

In Matatiele, only two financial services analysis discussions were held (with women), and an additional gender analysis discussion was held with men (bringing the total to four).

³² This provides an estimated error at a 95% confidence interval of a little over 7% in both areas.

All group discussion participants were SCG members. The intention was for groups to consist of six to eight participants, but in practice some groups were larger than this. Discussions were facilitated in local languages and participants used beans for the ranking exercises. Charts were used to capture the outcome of the discussions (see 5.5 for more detail).

3.1.3. Key Informant Interviews

Semi-structured key informant interviews were conducted to obtain the insights of those working directly with the SCGs. In Bergville, interviews were conducted with the field officer, a CBP in the area and a representative of the Farmer Support Group (FSG). In Matatiele, the project coordinator and a field officer from the partner organisation Mount Fletcher Advice Centre (MFAC) were interviewed.

3.1.4. Case studies with Individual SCG Entrepreneurs

Lastly, five individual entrepreneurs in Bergville and another eight in Matatiele were interviewed and case studies were developed to describe the changes that they have initiated through participation in SCGs, particularly in the area of agriculture. Selected sections are included in the main report while the full case studies can be found in the appendix.

3.2. Data Collection

A pilot was carried out in January 2012 to test the effectiveness and general administration of the tools. A two-day training session for the research team took place in early February and the main data collection took place between 13th February and 29th February 2012.

3.3. Limitations

The study is intended to be descriptive and to document what is taking place with regards to links between SCGs and small enterprise development. While there are some attempts to explore changes over time by comparing the behaviours of ‘newer’ and ‘older’ SCG members, the study does not claim to assess impact as there is no baseline information or control groups with which to compare. The study provides insight into ways in which SCG membership supports enterprise activity, but several of the relationships highlighted here would benefit from further rigorous study in a longitudinal or impact study.

3.4. Overview of the Sites

3.4.1. Bergville

This area referred to here as ‘Bergville’ consists of rural areas surrounding the small town of Bergville in the foothills of the Northern Drakensberg, a tourist destination renowned for its scenic beauty. The area falls within the Okhahlamba Local Municipality on the western border of KwaZulu-Natal.

According to the municipality's Integrated Development Plan (IDP 2012/13), the area has a population of approximately 150 000 people, almost all of whom are Zulu-speaking. More than half are female (53%) and three-quarters of the population are below the age of 34 years. This is likely to reflect the migration of working age adults (males in particular) out of the area in search of work. Employment opportunities are scarce and poverty is prevalent. Levels of education in the area are low, with 38% of adults over the age of 20 years in 2007 having received no schooling.³³ There is a considerable service backlog and with the exception of the major arterial routes, the condition of the roads is poor.



The area consists of privately-owned commercial farmland and a number of smallholder settlements in which the inhabitants are dependent on subsistence agriculture. According to the municipality's IDP, smallholder farmers face a number of constraints, including the lack of effective farmer support services, uncontrolled grazing, the lack of a land market within communal areas and stock theft.³⁴ The KwaZulu-Natal Department of Agriculture and the Farmer Support Group (FSG), an NGO that aims to enhance rural livelihoods in the Okhahlamba region and partners with SaveAct, both provide agricultural support services to SCG members and the broader community.



Participants in this study came from several villages in the traditional authority areas, namely Okhombe, Busingatha, Obonjaneni, Potshini and Emmaus. SaveAct began working in the Bergville area in 2007 and there are currently approximately 90 savings groups in the area, supported by one SaveAct field officer and two CBPs.³⁵

³³ Okhahlamba Local Municipality (2012) *Integrated Development Plan 2012/13*.

³⁴ *Ibid.*, p23.

³⁵ In KwaZulu-Natal as a whole there are 271 current groups and 103 graduated groups; in the Eastern Cape, there are 249 current groups and 37 graduated groups.

3.4.2. Matatiele

The Local Municipality of Matatiele is located in the Alfred Nzo District of the Eastern Cape. It comprises the towns of Matatiele, Cedarville and the district town of Maluti. The town of Matatiele is situated in a valley 65 km from Kokstad and has the Drakensberg as its backdrop.

The 2010/11 Annual Report for the Matatiele Municipality estimates the current population to be approximately 260 000 inhabitants, 54% of which are women.³⁶ The majority of the population is under the age of 35 years. The same report indicates that the rate of unemployment in the area stands at 22%; only 13% of the population is formally employed while 65% of the population is economically inactive. The high levels of poverty are evident in the dependency on social grants – 31% of the population is registered for social grants. Furthermore, according to the IDP Review 2007/11 and 2009/2010, 41% of the population have no income and 38% earn between R1 and R9600 per annum.³⁷ The area lacks services and infrastructure and is largely rural with low economic potential.

SaveAct introduced the savings group methodology here in 2008. SCGs are currently located in several areas in the Elundini and Matatiele Local Municipalities. These areas are characterised by high levels of unemployment and few economic options, making self-employment the primary livelihood option for inhabitants. Small-scale agricultural and trading activities are the main activities carried out in the area. Thus many people's livelihoods are dependent on weather conditions and they are unable to reach bigger markets as they are dominated by a few large wholesalers.³⁸ This leaves the rural population of the area vulnerable to shocks which may be aggravated by the limited availability of financial services

to help them manage their scarce resources.



The participants in this study come from the villages of Xaxazana, Makhuoaseng and Zwelitsha in Mount Fletcher and Khoapa, Maluti, Ned, Jabulani, Malosong, Lunda, Mkhakaneng, Magadla and Coshert in Matatiele. At present there are 133 groups in these areas, supported by three field officers and two CBPs.

³⁶ Matatiele Local Municipality (2011). *Annual Report Draft 2010/2011*. Available at <http://matatiele.gov.za/>

³⁷ *Ibid.*

³⁸ Barber (2011).

4. Profile of Savings Group Members

With this context in mind, it is useful to obtain a picture of the SCG members in these sites before moving on to consider the first objective of the study, namely understanding the livelihood activities in which they are involved.

4.1. Demographic Profile

Based on the survey findings, the majority of SCG members in the rural areas surrounding Bergville and Matatiele are women (88% and 91% respectively). Informal savings groups are traditionally more a female domain and, as noted in a discussion group in Potshini “*most of men live in the cities where they are employed*” or searching for employment, rather than living in these rural areas.

Table 1: Profile of SCG Members

SCG Member Profile	Bergville (N=146)	Matatiele (N=147)
Gender	Female: 88%	Female: 91%
Average age³⁹	46 years old	49 years old
Married or have a partner	63%	76%
Household size	6 members	5 members
Main language	isiZulu: 100%	isiXhosa: 57%; SeSotho: 43%

The SCG members tend to be older, with an average age of 46 years in Bergville and 49 years in Matatiele. Again, this may in part be a reflection of the demographics of rural areas, where many of the younger, economically active inhabitants leave the area in search of work. The survey participants ranged from 19 to 80 years old in Bergville and 23 to 94 years in Matatiele. Children under the age of 18 years were not included in the survey but it was noted during the study that some SCGs have children as members, particularly in Matatiele (see box).

The majority of SCG members in both sites are either married or have a partner (63% in Bergville and 76% in Matatiele). This suggests that they have a partner living with them who can assist in supporting the household, but only 57% of SCG members with a spouse or partner in Bergville and 48% in Matatiele indicated that their spouse or partner lives in the household with them. Many SCG members considered themselves married even if they had been widowed or no longer live with their spouse.

A little under half of the SCG households in both areas reported being headed by females – 43% in Bergville and 46% in Matatiele.

³⁹ This is based on 145 responses in Bergville and 142 in Matatiele.

The average size of the households in the two sites was similar – six members in Bergville (ranging from 1 to 14 members) and five in Matatiele (from 1 to 12 members). The SCG members speak the dominant languages of their areas.

Table 2: Level of Education of SCG Members

Level of education	Bergville (N=146)	Matatiele (N=147)
No education	18%	3%
Some primary	23%	27%
Primary completed	8%	21%
Some secondary	32%	27%
Secondary completed	17%	14%
Some technical training or university	1%	4%
ABET	1%	1%
<i>Not indicated</i>	<i>1%</i>	<i>5%</i>
Total	100%	100%

Table 2 above shows that levels of education are relatively low in both areas. Many of the older SCG members in rural Bergville reported that they did not receive any formal education. Only 19% of SCG members in both areas completed high school, with a very small proportion going on to receive technical training or study at university.

Children as Members of SCGs

When the caregivers of child SCG members in Matatiele were asked about the reasons for their children's membership, most reported saving on behalf of their children to meet the child's needs (e.g. education) or to get around the limit of saving not more than five shares per month per group.

"I have my child in the group because it assists me to have a dedicated savings plan for what could be their school and other needs which I can be able to meet during the cycle [through loans] as well as after the share-out. It brings a lot of joy in my family when my kids realise that in the midst of all, you are able to make a plan to meet their needs." (Caregiver 1)

"Sometimes for us who also depend on the child support grant, it becomes a fair process to ensure that from the little that you get every month, you try as much as you can to put something aside to help out in your children's education needs." (Caregiver 2)

"...It also increases our chances as a household to save more when we can, because sometimes if you plan to save more than five shares, you are unable. That's when you think of registering another name [the child's name]...children even know that for something to happen they must wait for an SCG meeting or a share-out meeting." (Caregiver 3)

In Bergville, the CBP reported having had requests from learners currently enrolled in Grade 12 to start their own savings group. They hope this will help them to save money for school excursions and other educational expenses so that they do not have to rely on their parents.

4.2. Socio-Economic Status of SCG Members

To determine the socio-economic status of the SCG members, the study used a *Progress out of Poverty Index* (PPI™) developed by the Grameen Foundation, in partnership with the Consultative Group for the Alleviation of Poverty (CGAP). The South African PPI was adapted for use in rural areas in conjunction with the Small Enterprise Foundation.⁴⁰ Instead of measuring income and expenditure, which can be difficult to capture reliably and are subject to seasonal variations, the PPI uses simple, observable indicators as proxies to determine a person's poverty status.⁴¹

On this index, lower scores indicate higher levels of poverty. The average score for SCG members in Matatiele (46.3) was slightly lower than in Bergville (48.5), suggesting slightly higher levels of poverty in Matatiele.

These PPI scores can also be used to estimate how likely people are to be living below the national poverty line. South Africa does not have an official poverty line, but Statistics South Africa has proposed a national poverty line of R322 per person per month in 2000 prices, based on calculations which take into account the prices of a basket of food and other essential items.⁴² According to the National Planning Commission, an estimated 39% of the total population falls below this poverty level (estimated at R418 per person per month in 2009 prices).⁴³

Although the overall PPI scores differed slightly for SCG members in the two areas, they fall into the same category when interpreting how they relate to the national poverty line. It is estimated that 50% of SCG members in both areas are living below the national poverty line. As expected this is higher than the national figure, but it is not clear how this compares with poverty levels in rural areas in South Africa in general.

Another potential indicator of poverty is how often SCG members or members of their households have gone hungry in the past year.

⁴⁰ The PPI is a social performance measurement tool developed in the field of microfinance by Mark Schreiner for CGAP, the Grameen Foundation, and the Ford Foundation. For more information, go to <http://progressoutofpoverty.org/south-africa>.

⁴¹ Essentially, national PPIs are based on an analysis of national household-level survey data that identifies a small set of indicators that are best correlated with being below the poverty line. In the case of the South African rural PPI, the proxies include household size, number of people per bedroom, access to toilets, the main material used for the dwelling walls, source of fuel for cooking and ownership of household assets such as stoves, microwaves, fridges and televisions, as well as stokvel income over the last 12 months.

⁴² Statistics South Africa and National Treasury (2007) *A National Poverty Line for South Africa*. Pretoria.

⁴³ National Planning Commission (2011), pg15.

Table 3: Frequency with which someone in SCG members' households have gone hungry in past year

Frequency of hunger in household in previous year	Bergville (N=146)	Matatiele (N=147)
Often	3%	9%
Sometimes	34%	25%
Never	63%	67%
Total	100%	100%

Although there are some households that 'often' went hungry in the previous year due to insufficient food (3% of SCG households in Bergville and 9% in Matatiele), in both areas about two thirds of SCG member households 'never' go hungry. This reflects the importance of subsistence agriculture in supplementing household food supplies. Many SCG members in these areas have homestead gardens in which they grow vegetables and fruit to feed their families and therefore have a degree of food security despite their poverty.

5. Livelihood Strategies

Bearing in mind the profile of the SCG members, the first objective of the study was to better understand the livelihood strategies adopted by these members. Livelihood strategies can be defined as "the range and combination of activities and choices that people make/undertake in order to achieve their livelihood goals (including productive activities, investment strategies, reproductive choices, etc.)."⁴⁴ This section explores the livelihood strategies adopted by SCG members and considers sources of income from outside the immediate household such as grants and remittances; activities such as enterprise and employment through which SCG members earn an income; and non-financial means of putting food on the table (subsistence or production not for sale).

5.1. Social Grants and Remittances

A reflection of the levels of (income) poverty in these areas is the number of households receiving **social grants**. In South Africa, social grants are generally available only to those who are not expected to be economically active, such as children (under 18 years), older persons, those with disabilities and war veterans. They are also usually means-tested, which means that only those that fall below a specified income (and asset) threshold are eligible to receive them.

In both areas, a high proportion of households receive at least one social grant – in Bergville, 92% of the SCG members' household have at least one member receiving a social grant while in Matatiele, 83% of SCG members' households receive at least one grant. These high levels are likely to be in part a reflection of the migration of those who are potentially economically active to the towns or cities to look for work, leaving behind households with a higher proportion of non-economically active than

⁴⁴ DFID (1999) *Sustainable Livelihoods Guidance Sheet – Framework*, pg23.

would be found nationally.⁴⁵ Social grants therefore form an important steady source of income for these communities in an environment in which predictable sources of income are rare.

Amongst the SCG members themselves, almost a quarter overall (23%) receive the old age grant and 6% receive disability grants. Many also receive child support grants, foster care grants and sometimes care dependency grants to support the children in their care.

Remittances also play an important role in these communities. Almost two thirds of the SCG member households (64% in Bergville and 65% in Matatiele) indicated that they have at least one member of the household who currently lives elsewhere. Most of these households (97% in Bergville and 93% in Matatiele) had at least one potentially economically active adult (defined here as being between the ages of 15 and 65 years) living elsewhere who could possibly contribute to supporting the household.

Table 4: Contribution to the household by adult members (aged 15 to 65 years) living elsewhere

Type of Contribution to Household	Bergville (N=90)	Matatiele (N=80)
No contribution	33%	45%
Sends money back to the household	54%	50%
Buys groceries for the household	8%	3%
Not indicated	4%	1%
Total	100%	100%

The above table shows that the economically active household members (aged 15 to 65 years) who live elsewhere provide significant support to the SCG members' households – in more than half of households in Bergville and Matatiele that have a potentially economically active adult living elsewhere, at least one adult is sending money back to the household (54% in Bergville and 50% in Matatiele) or contributing to the household by buying groceries (8% in Bergville and 3% in Matatiele).

5.2. Sources of Earned Income

In addition to these external contributions, SCG members are involved in numerous activities to earn an income or bring cash into the household, most of which can be defined as small or micro-enterprises.

⁴⁵ KwaZulu-Natal Provincial Planning and Development Commission (2005) *Role of Women: Urban-Rural Linkages and Household Livelihoods*.

Figure 2: Sources of Income or Cash brought into the Household by the SCG Member

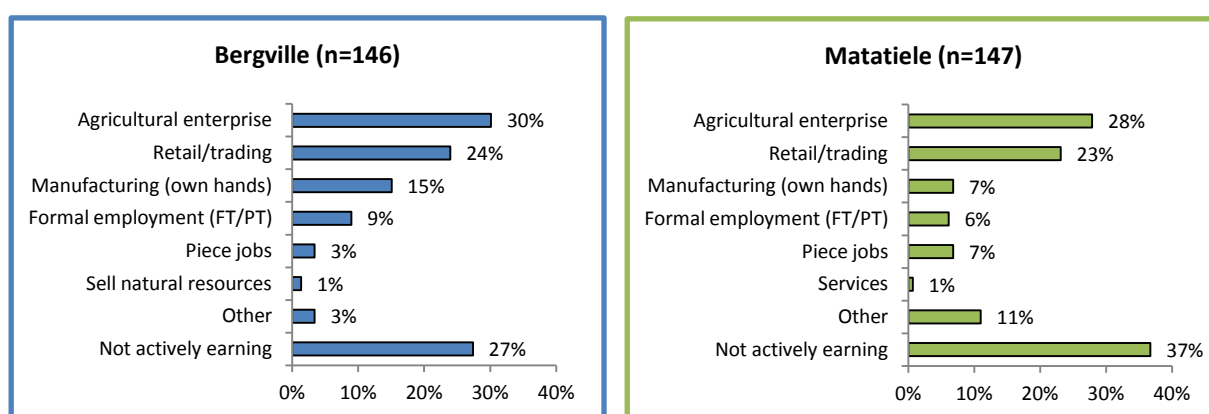


Figure 2 shows the different ways in which SCG members are actively earning an income or bringing cash into the household, either through employment or enterprise activities. This does not include the activities undertaken by other members of the household and members could mention more than one activity so the above percentages do not add up to 100%.

The most commonly mentioned category of activities for earning an income amongst SCG members was *agricultural activity* (30% in Bergville and 28% in Matatiele), either through selling vegetables and crops like maize from the garden or farm, or keeping and selling livestock or the output from livestock. This level of participation in agriculture is likely to be even higher when the activities of other household members are included.

Trading of various sorts was another common means for SCG members to bring income into the household (24% in Bergville and 23% in Matatiele). Trading activities consisted primarily of selling consumables such as food, drinks, sweets, paraffin and airtime amongst other items, often in the form of a spaza shop. However, selling of clothes, bags, curtains, cosmetics, medicines for animals and pesticides were also mentioned.

A number of SCG members indicated that they are not actively involved in activities to earn an income. This does not necessarily mean that they have no income – the above figures indicate the activities of the SCG members themselves, but those who are not earning an income may be supported by grants or remittances or the activities of others in their household.

Sources of Income

Most of the enterprises identified in this study are survivalist or micro-enterprise. In one example of the kinds of enterprise households are involved in, **Mrs Khumalo** is a 58 year old widow who lives in Obonjaneni with her four grandchildren. She has nine sheep, six goats and four cows. Together with two male business partners, she has started an enterprise selling goats. They have identified and fenced a camp for keeping goats and sheep.

She also sells clothing that she buys in Pietermaritzburg. This is her main enterprise activity and it supports the goat selling enterprise. In addition, she wants to start crop production and has recently completed testing the soil. She is now awaiting the results so that she will know what her options are. She also has a small 'doorstep' garden for household consumption.

Figure 2 shows that own enterprise activities are more commonly mentioned as a source of income by SCG members than full-time, part-time or seasonal employment in rural towns or on commercial farms. It is possible that this study slightly underestimates the level of formal employment amongst SCG members, as members who were living and working in other cities such as Johannesburg or Bloemfontein and sent money back to the group (and who may or may not come back to attend meetings) were not included in the survey for logistical reasons. However, it is also clear that employment opportunities for those living in these areas are scarce and micro-enterprise activities play an important role amongst their livelihood strategies.

5.3. Non-financial Means of Putting Food on the Table

Lastly, in addition to bringing in an income or cash, SCG members were asked to indicate what *else* they do to put food on the table. The large majority indicated that they grow vegetables and crops (and in some cases, grow their own fruit or collect fruit from neighbouring trees) for their own consumption. Overall, approximately 80% of the SCG members' households reported growing vegetables or crops and virtually all consume at least part of what they grow.

Several SCG members also mentioned owning livestock and poultry, which provide them with milk, eggs and sometimes meat. There was little mention of fishing or collecting natural resources as a means of putting food on the table in these areas.

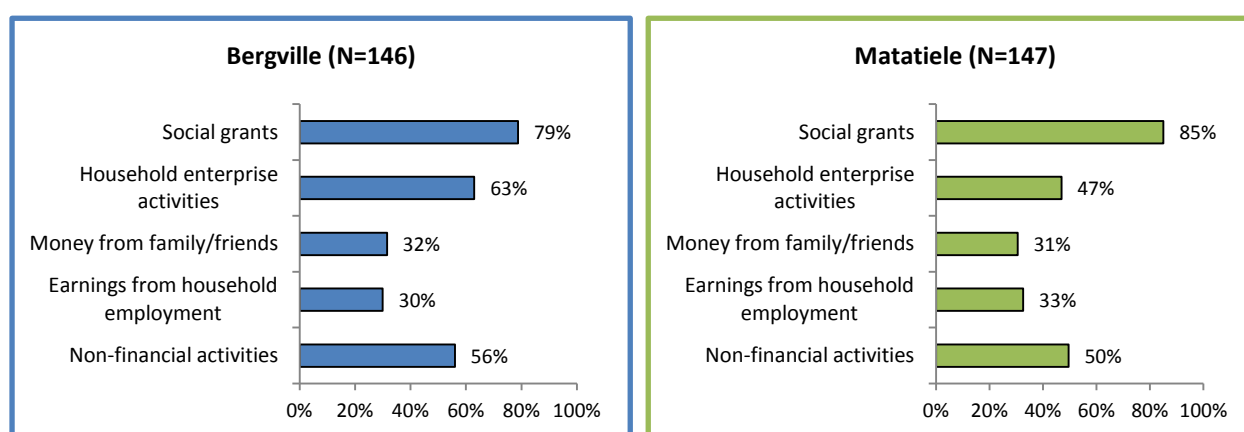
5.4. Overall Contribution to the Household

Bearing in mind these different livelihood strategies, SCG members were asked to think about their own households and rank the importance of the following five categories of contributions in supporting their households:

1. Earnings from employment of all household members
2. Income from enterprise activities carried out by all household members
3. Money from family or friends (remittances)
4. Social grants
5. Non-financial activities (e.g. growing vegetables or crops for consumption).

While the households were generally involved in a range of livelihood strategies, not all of the five categories listed above applied to all of the households.

Figure 3: Frequency with which different categories of livelihood strategies were mentioned by SCG Members



As shown in above, *social grants* were most commonly mentioned in both areas as a means of supporting SCG member households. *Earnings from enterprise activities* were more commonly mentioned by more SCG members in Bergville, but were fairly common in both areas. A third of SCG members mentioned *earnings from employment of household members*, reflecting the relatively low levels of access to employment in these communities.

At least half of the SCG members also mentioned *non-financial activities* (referring primarily to their gardens) but this is likely to be an underestimate as many did not think of this as a means of supporting the household.

To determine the relative importance of each in supporting the household, the SCG members were asked to rank the categories that apply to their household in order of importance, with a score of '1' being given to the most important category. The table below presents the average score for each category, with a lower score indicating that greater importance is attached to this category.

Table 5: Ranking of Contributions to Supporting the Household

Bergville	Matatiele
1. Household enterprise activities (1.62)	1. Social grants (1.50)
2. Earnings from household employment (1.69)	2. Household enterprise activities (1.74)
3. Social grants (1.78)	3. Earnings from household employment (1.94)
4. Money from family/friends (2.07)	4. Money from family/friends (2.13)
5. Non-financial activities (2.80)	5. Non-financial activities (2.89)

As shown in Table 5, different patterns emerge when considering the importance placed on the various contributions to the household in the two areas. In Bergville, household enterprise activities were most likely to be ranked as making the most important contribution to supporting the household (they have the lowest average score, indicating they were most likely to be ranked ‘1’ or most important), followed by earnings from employment and then social grants. In Matatiele, social grants were most likely to be ranked as the most important contribution, followed by household enterprise activities and earnings from employment.

5.5. Seasonality Analysis of Income, Expenditure, Credit and Savings

Furthermore, in rural areas such as these, much of the income and expenditure of the households is affected by seasonality – either directly, such as when households grow vegetables or crops or keep livestock; or indirectly, such as when households sell goods to others that are dependent on agriculture. Therefore rather than asking for ‘snapshot’ measures of income and expenditure in the survey, a *participatory rapid appraisal* (PRA) method was used to gain insight into income and expenditure flows over the course of the year.



This exercise was carried out with three groups in each site. Participants were presented with a chart showing the months of the year and asked to use beans (a minimum of 0 and a maximum of 5 per variable per month) to indicate the relative magnitude of the variable under consideration for that month, such as the level of income they received or the level of expenses faced. Participants began by placing four or five beans on those months with the highest income and then ranked

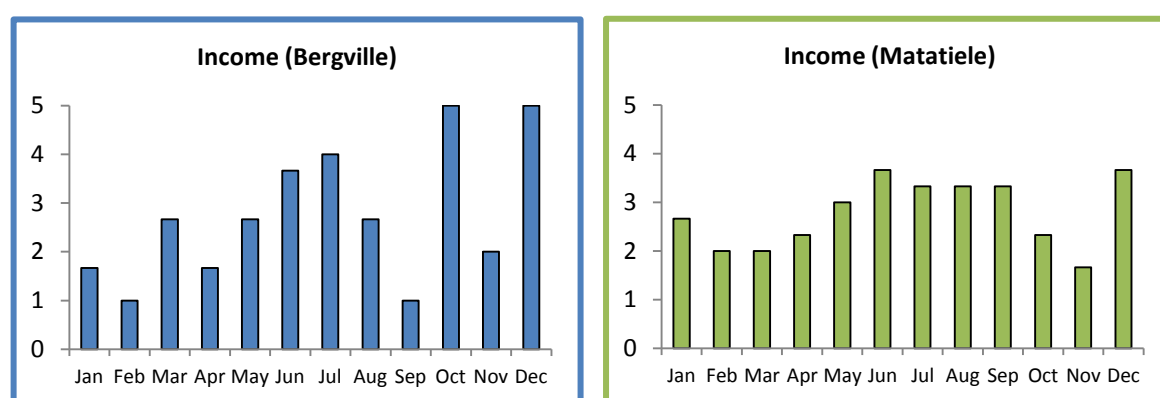
the level of income for all the other months relative to this. The same process was followed to determine the seasonal patterns in levels of expenditure, savings and credit. The purpose of the exercise

was not to gain exact figures regarding economic flows, as the ranking is based on the perceptions of group members. The beans therefore represent relative amounts of income or expenditure rather than fixed amounts, and should not be expected to ‘add up’ (e.g. 5 beans of income and 5 beans of spending in October does not mean that there will be no beans in the savings row for the same month. The five beans simply indicate that both income and expenditure are high in this month).

5.5.1. Seasonal Income Flows

This exercise began with the SCG member participants being asked to list their sources of income. These mirrored the sources of income mentioned in the survey and included growing and selling vegetables and crops, raising and selling chickens and livestock as well as their outputs (such as eggs, etc.), undertaking piece jobs and casual labour and receiving money in the form of social grants and remittances. SCG members then ranked the level of income received each month on a scale of 0 (no income) to 5 (high income), starting with the months in which levels of income are highest.

Figure 4: Seasonal Income Flows



The above graphs show the *average* scores given for each month across three groups in each site. The groups were formed based on specific agricultural activities (such as livestock or poultry farming or growing and harvesting vegetables) but most SCG households were involved in more than one of these activities.

With the only exception (being a group in Matatiele which sells vegetables) all reported selling more during the winter months. December was the month with the highest income overall across the groups. This was generally reported to be due to increased demand for food, vegetables and livestock as a result of the festive season, and thus is a good month for those who keep and sell livestock, poultry and produce from their gardens or farms. As this shows, the flows of income in rural areas depend in large part on the seasonality of growing vegetables or crops, the impact of the seasons on farming or raising poultry and livestock and on the occurrence of festivities and cultural celebrations. For instance, in Matatiele it was reported that January is a good month for selling livestock and poultry as there are initiation celebrations during this time, while both January and April are good months for selling

poultry as in January, people return to the urban areas to work or study and buy chickens to take with them, and in April chickens are bought in preparation for the Easter celebrations. For those keeping livestock, March is also a good month for income as auctions for livestock are held at this time, before the winter arrives.

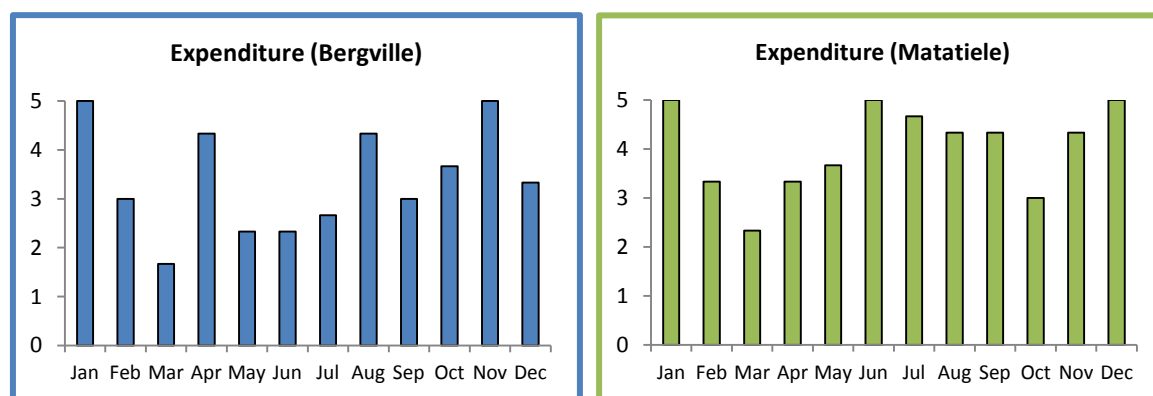
The winter months tend to be lower income months for people selling livestock, but this is not evident in the above graphs because this is a good period for farmers to sell their vegetables – especially spinach, sweet potatoes, cabbages, mealies and beans in Bergville and potatoes and beans in Matatiele. September and October are still relatively good months in terms of income for those selling vegetables in Matatiele, while in Bergville October was recorded as a high-income month because many SCGs have their share-outs at this time. The share-out meetings are often scheduled for this time of the year so that farmers will have lump sums available to buy seed and fertilizer and cover ploughing and planting costs for annual crops. Levels of income in November are relatively low for farmers selling vegetables (as it is spring and vegetables have just been planted) and those keeping livestock (as grazing or browsing animals are not yet in good condition after the winter).

The high level of fluctuations in the flow of income during a year time confirms the unpredictability of income and the need for people in these areas to have access to reliable financial instruments to save when income is high and borrow when income is low.

5.5.2. Seasonal Expenditure Flows

The participants then moved on to discuss expenditure. Likewise, it was found that expenditure follows seasonal trends that are influenced by agricultural activities as well as cultural celebrations and, in the case of spending on education for children, the school terms. Buying groceries and paying for school expenses, house improvements, agricultural inputs such as seeds and fertilizer, transport and cultural celebrations were mentioned as the main expenditures by participants in both areas.

Figure 5: Expenditure Flows



The figures above show the *average* score for the levels of expenditure given by the three groups in each site. The flows of expenditure in the two areas share some similarities. Overall, expenses tend to be high in January and at the end of the year. In January, households buy school uniforms and pay for transport and school fees to send their children to school, while in November and December they buy food, clothes and other items for Christmas celebrations (and initiation celebrations in Matatiele). In Matatiele, participants mentioned expenses for weddings which take place at this time of the year because of the good weather. Those involved in growing vegetables and crops such as maize have the expenses of ploughing and planting in November.

In both areas, participants reported that they spend a lot in April because of Easter celebrations and during winter months, when they buy warm clothes, heaters, electricity, coal and wood, blankets and medication for livestock. In both areas, June is also a month during which people hold cultural ceremonies such as ‘unveilings’ for their relatives.

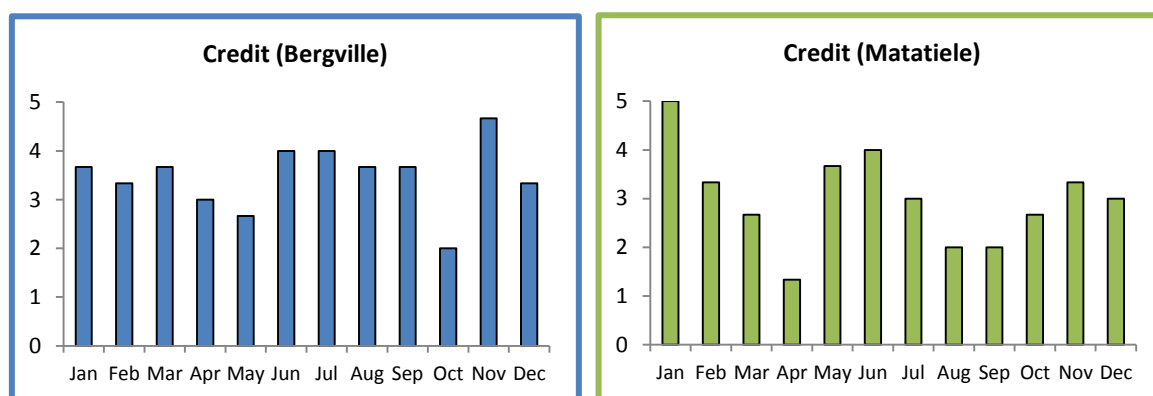
From August to October the expenditure is reportedly mainly on agricultural inputs such as seeds and fertilizer as well as hiring tractors for ploughing. Expenses are lower during February and March as households often still have food available from their gardens as the weather is usually good and water is available at this time of the year.

In order to meet the flow of expenditure which does not always track income (that is, there are times of the year when expenditures are high and income is low), households need to make use of financial services. In particular, they need to be able to borrow when needed and save in a reliable and safe manner whenever they can. The last two sections of the seasonality analysis explore the need for credit and the ability of SCG members to save.

5.5.3. Seasonal Credit Flows

The graphs below show the average need for credit over the year in the two areas. Participants need credit for the various events of their life: for example, they might need money to pay school fees at a particular time of the year; to buy food during a month when income is particularly low or to face an emergency such as a death or illness in the family. Thus participants noted that even if the savings groups are their primary source of credit, they need to diversify the sources of credit based on their needs and so they also use formal banks, shops and ‘loan sharks’, especially in emergencies.

Figure 6: Credit Flows



Again, the credit needs of the participants are linked to the seasonal nature of the agricultural activities they are involved in, the occurrence of life events such as a wedding or a death in the family and school terms. For instance, participants in both sites mentioned that they need to borrow in January in order to pay for school fees and uniforms for their children; in November to pay for inputs and preparations for the planting season (and initiation schools in Matatiele); and in December to pay for cultural and religious celebrations. In both areas, members borrow during the winter months to buy items such as clothes, food and medicines for their livestock and poultry. There is also a need for credit in June for cultural ceremonies such as unveilings. On the other hand, February and March were mentioned as months in which there is less need for credit, although this is not evident in the graph for Bergville.

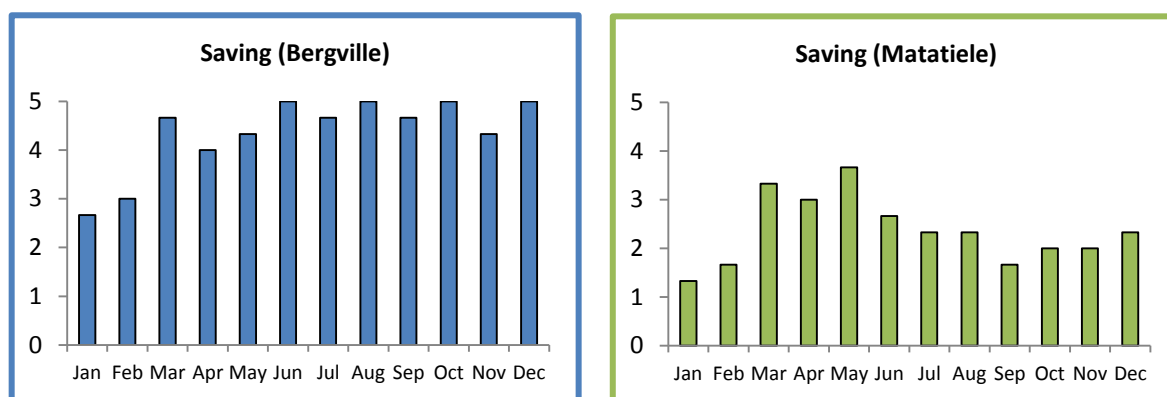
One of the main sources of credit mentioned was the SCG, whose structures and rules impact on the borrowing habits of members. For instance, a group in Bergville mentioned that they only start borrowing from May onwards because before then the group does not have enough capital with which to provide loans. Similarly, they indicated that from May or June onwards, groups have more liquidity and thus members can borrow more freely, such as if they want to make improvement on their houses. Furthermore, another participant reported that in August and September members tend not to borrow from the savings group because their share-out meeting is held in October and they do not want to be owing the group; some mentioned borrowing from 'loan sharks' in order to repay the SCG loan before the share-out. In October, when several groups in Bergville hold their share-out meetings to coincide with the preparations for planting season, borrowing is generally low as many SCG members view themselves as 'rich' at this time as a result of the share-out.

5.5.4. Seasonal Savings Flows

The graphs below show the average scores given by participants regarding their ability to save over the course of the year. One group in Matatiele said that since the SCG meeting takes place once a month, they also need other types of saving in order to cope with the different expenses and emergencies which they encounter during the year. For this purpose, they also use stokvels in particular to save for

groceries, burial societies to save for funerals and they save at home for smaller emergencies. This was less likely to be mentioned in Bergville.

Figure 7: Savings Flows



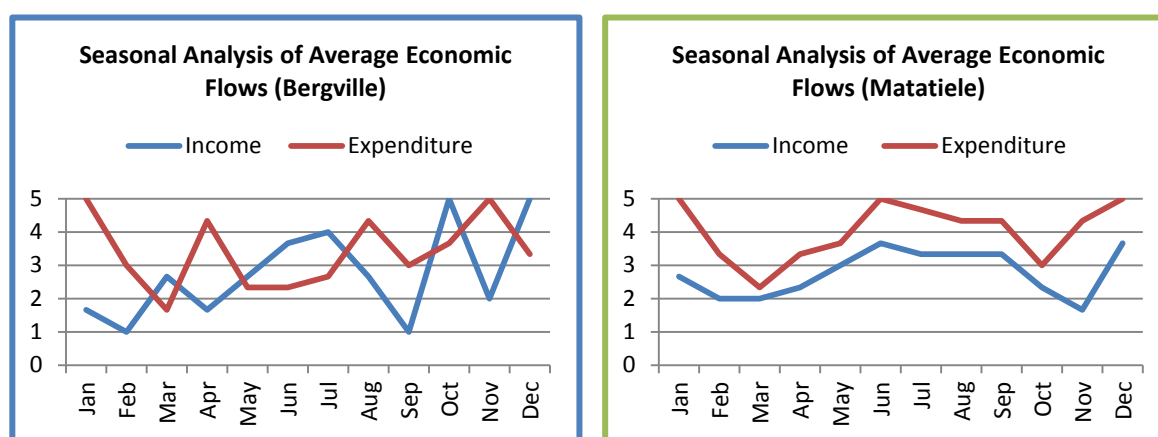
All the three groups in Bergville tended to score the level of saving for each month quite highly, saying that they try to maintain the discipline of saving with the SCG throughout the year, while in Matatiele the groups tended to provide lower scores. However in both sites members are saving throughout the year. Indeed, most of the groups said that being part of the savings groups had taught them the importance of saving each and every month; thus they make an effort to save even during months with particularly high expenses such as January, April and December. During the festive period, those who are selling vegetables, chickens and livestock are able to save more because their income is higher in this period. In Bergville the participants noted that they save as much as they can during winter in order to get a bigger share-out in October; they are also able to save a lot in October because of the share-out.

In Matatiele, March, April, May and August seemed to be the best months for saving because that is when they are able to sell more livestock and vegetables. It is more difficult to save in January because of school expenses and from September to December because of cultural celebrations and agricultural activities. However, overall and despite some seasonal fluctuations, the SCG members make an effort to save every month, even during the hardest months of the year.

5.5.5. Combined Seasonality Analysis

Another way of looking at the variations of the four aspects is to compare two or more of the variables discussed above. However, in doing so it must be remembered that the scores discussed here are relative and do not represent fixed amounts; thus the levels of the various items should not be expected to 'add up'. For instance, if the flows of expenditures are always higher than that of income (as in the Matatiele figure below), it should not be assumed that this is because SCG members' expenditures are always higher than their income. The flows represent personal perceptions and not real values.

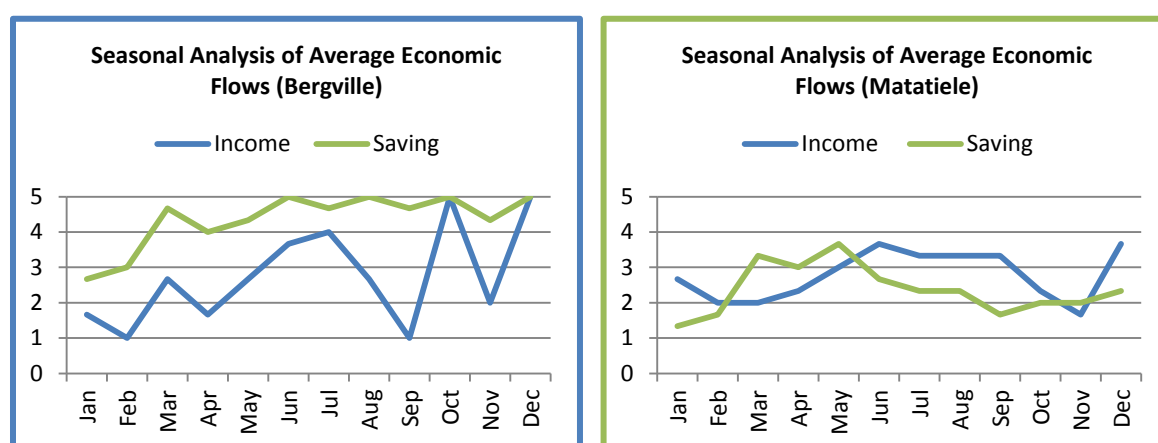
Figure 8: Seasonality Analysis – Income and Expenditure flows



When comparing average scores for income and expenditure, it can be seen in Bergville that expenditure does not track income – with expenditure tending to be high when income is low (for example in January, April, August and November) and at other times of the year, expenditure is low when income increases. This suggests that the SCG members have access to loans and savings that allow them to continue to spend even when there are variations in income. In Matatiele expenditure tends to track the flows of income more closely, although in October and November expenditure increases while income decreases.

A similar pattern of that observed in Bergville was noted in Barber’s work on the role of these savings groups in supporting people living with HIV in the Eastern Cape. Barber indicated that this pattern is “highly indicative of consumption smoothing, suggesting that participants are in some way protected from the volatility of income levels and strong financial pressures”.⁴⁶

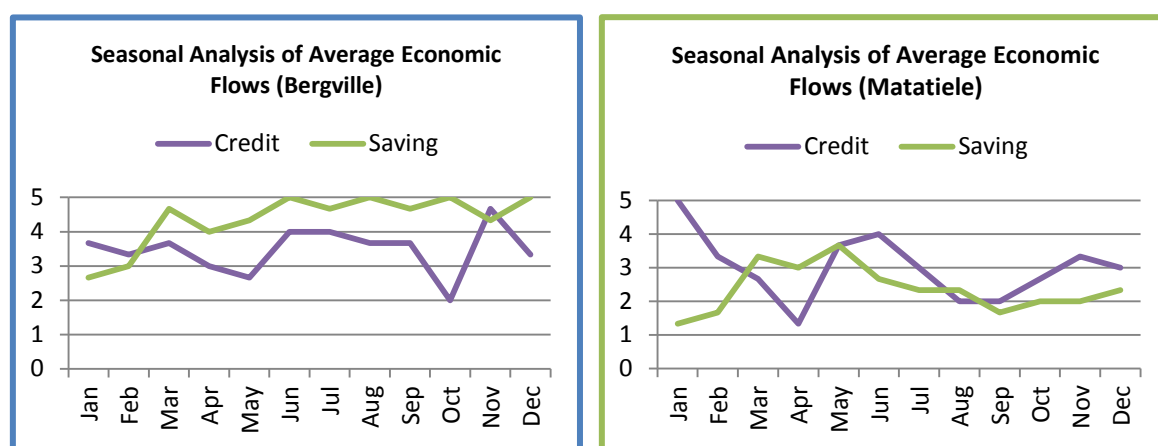
Figure 9: Seasonality Analysis – Income and Savings flows



⁴⁶ Barber (2011), pg22.

Another pattern identified in Barber's work was that the saving level appeared to be the most stable line of the four.⁴⁷ Similarly, comparing the flow of savings with that of income shows that the flow of savings is relatively stable in Bergville, and less so in Matatiele. In both areas savings does not directly track income levels, reflecting the discipline with which SCG members save throughout the year. This is more evident in Bergville, but even in Matatiele the level of savings does not drop off entirely when income is low. As an SCG member in Bergville commented, *"We contribute every month; there is no month we miss."*

Figure 10: Seasonality Analysis - Credit and Saving Flows



In the introduction to this report, it was argued that it is necessary for the poor to manage their irregular, unpredictable and little income well – even more important perhaps than for other groups.⁴⁸ Figure 10 shows the levels of credit need and savings flows of savings group members. They illustrate that SCG members are using financial services to save and borrow each and every month, thus entering into financial relationships and transactions continuously. In order for them to manage their finances well, it is important to ensure that poor people can access and use safe and reliable financial services.

Smoothing Seasonal Income

Mrs Besi Ngube lives in Xaxazana (Matatiele) and is in the process of taking over the farming activities left by her husband who recently passed away. Mrs Ngube owns a 15ha farm in Maclear where she has fruit trees and is raising livestock. Mrs Ngube also has a household garden, farmed following permaculture techniques, where she is growing a broad variety of vegetables and fruit trees.

Mrs Ngube employs two people who are living on the farm. She says that saving helps to smooth over the seasonality of farming and allows her to continue to pay their salaries even if there is no income from some months.

⁴⁷ *Ibid.*

⁴⁸ Collins et al (2009).

6. Involvement in Agriculture

Both the seasonal analysis of income flows described above and the analysis of the main sources of income (apart from grants and remittances) indicate that agricultural activities form an important contribution to supporting SCG member households. This section explores the involvement of SCG member households in agricultural activities in more detail.

6.1. Cultivation of Land and Gardens

The cultivation of vegetables was common in both areas, with the majority of SCG members having access to a homestead garden. Fields for growing crops (primarily maize, also referred to here as mealies) were more common in Bergville, particularly in the Obonjaneni, Potshini and Okhombe areas.

Table 6: Household Access to Land for Cultivation

Household has access to...	Bergville (N=146)	Matatiele (N=147)
A homestead garden	79%	90%
A field for growing crops	36%	18%

The majority of SCG member households in both areas reported growing vegetables or crops such as mealies (77% in Bergville and 84% in Matatiele). While almost all of these households use the vegetables and fruit that they grow for subsistence purposes, at least 26% of SCG member households in Bergville and 37% in Matatiele reported selling some of their produce.

Figure 11: Vegetables and Fruit Grown in Bergville by SCG Member Households

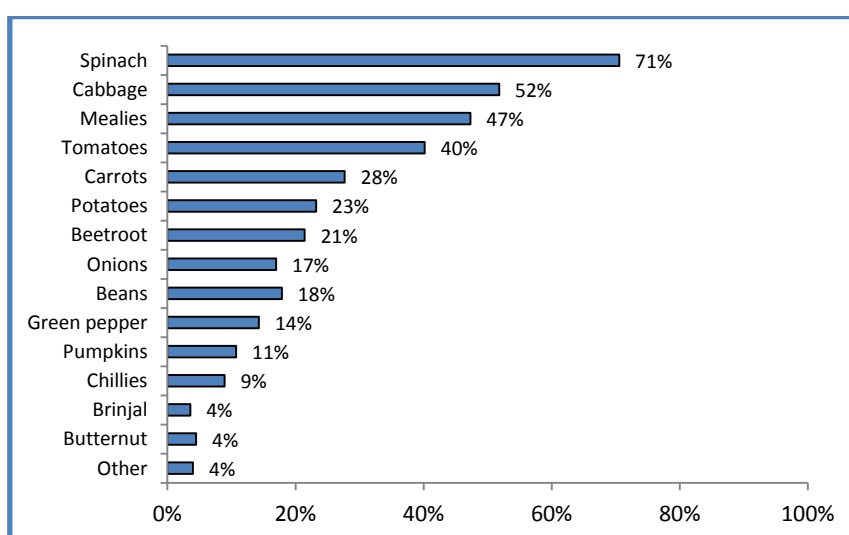
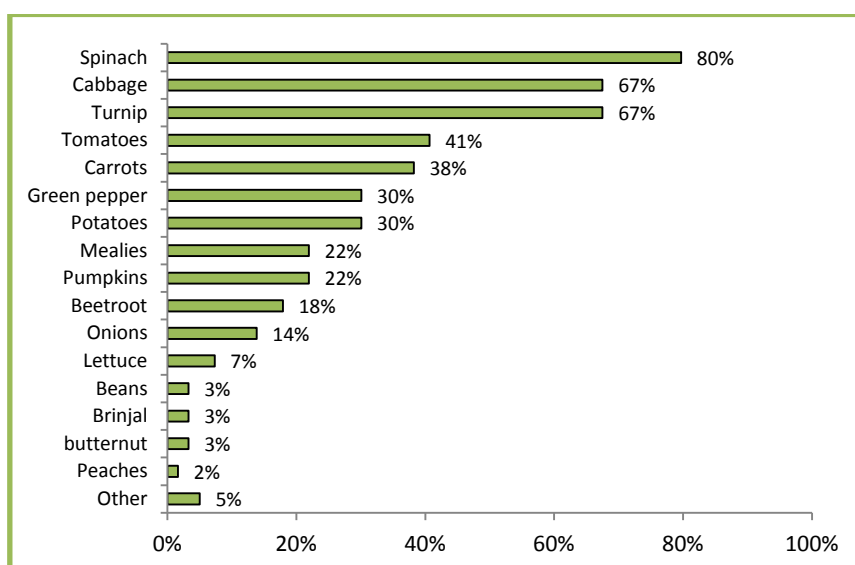


Figure 11 shows that by far the most common vegetables grown by SCG members in the Bergville area were spinach (71%), cabbage (52%) and mealies (47%). A third (32%) of those who grow spinach sell it; a similar higher proportion (36%) reported selling their cabbage, while a quarter (25%) of those who grow mealies reported selling them.

Figure 12: Vegetables and Fruit Grown in Matatiele by SCG Member Households



Spinach was also the most commonly grown vegetable in the Matatiele area (80%), followed by cabbage (67%) and turnips (67%). Here, 39% of SCG members who grow spinach indicated that they sell it; 41% indicated that they sell at least some of their cabbage and 37% of those who grow turnips also sell them. While turnips are popular in Matatiele, they were not mentioned at all in Bergville.

The market for these vegetables and fruit, however, appears to be primarily a *local* one. Most of the SCG members appear to sell vegetables when they have a surplus or when they require cash, although some are also growing field crops (see box).

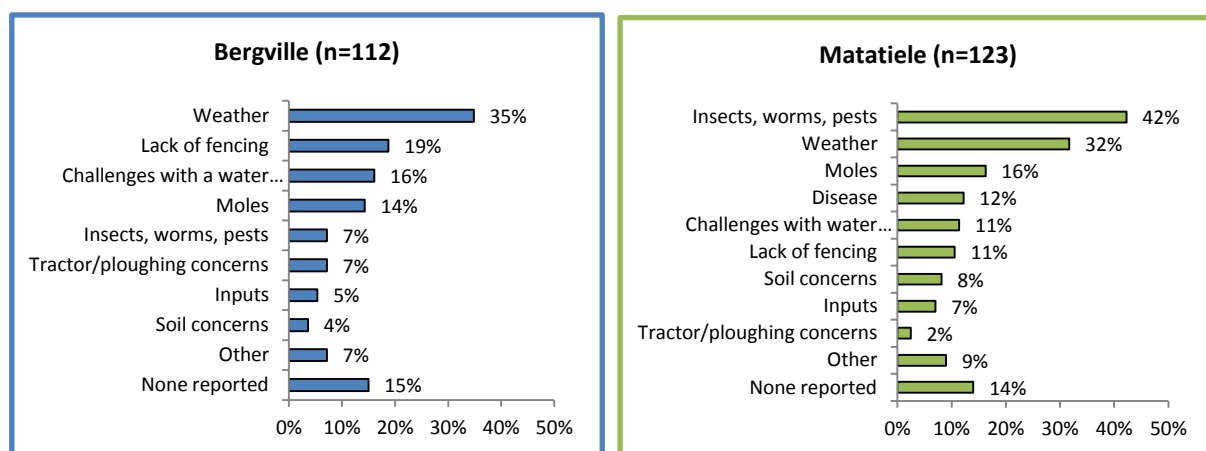
In both sites most of the households sell to their neighbours and other members of the community. In Bergville, selling at grant pay-out points was relatively common in survey responses and some mentioned selling to other savings group members. There was one mention each of selling vegetables at the Bergville market, the Farmers Forum (an FSG initiative) and “*maize is sold to the community; beans [are] sold to shops such as Farm Save*”. With regards to growing field crops, examples include community members in Potshini who have cultivated maize to supply a contract with South African Breweries (SAB), and a community member in the same area who sells beans in Ladysmith.

In the areas around Matatiele, selling in ‘town’ was more commonly mentioned, as was selling to local hawkers, spazas and shops. In a previous study of value chain and markets in Matatiele, it was also found that while local markets are easily available and accessible, there are logistical constraints in reaching markets that are located further afield.⁴⁹

⁴⁹ Kruger, E. (2011). *SaveAct, Progress with Agricultural Support, EC, 2011*. [Unpublished]

The following figures present the main challenges faced in growing vegetables, fruit and crops as reported by SCG members involved in cultivation.

Figure 13: Challenges Experienced in Growing Vegetables and Crops



The extent to which the SCG member households engaged in subsistence farming are at the mercy of the elements is evident when considering the main challenges reported in growing vegetables and crops. ‘Weather’ in the form of heat, flooding and drought was the most common challenge in Bergville, and the second most commonly mentioned in Matatiele.

Insects, worms and other pests appeared to be more of a concern in Matatiele than in Bergville, while in Bergville, a lack of fencing meant that vegetables were often eaten by chickens, goats and other livestock (as well as birds at times). Securing an easily accessible and reliable water source to support cultivation was mentioned as a challenge in both areas (16% in Bergville and 11% in Matatiele). A previous agricultural study conducted in the area of Matatiele found that accessing inputs which are reasonably priced represents a challenge in the area.⁵⁰ This concern was also raised in this study (5% in Bergville and 7% in Matatiele).

Several of these *challenges* were also raised in the key informant interviews with individuals working in these areas. A field officer spoke of the challenges faced by farmers in Bergville because tractors that are required for ploughing are expensive to hire, which limits the ability of farmers to plough the land they have available to them. The community of Potshini also owns only one planter which farmers take in turns to use, meaning that some crop farmers must simply wait their turn which impacts negatively on their output.

A further challenge raised was the need for more information and training in both areas. This was also found in the previous study conducted in the area of Matatiele.⁵¹ In practice, some farmers find it

⁵⁰ (*Ibid.*)

⁵¹ (*Ibid.*)

difficult to know which chemicals or fertiliser to use in cultivation or which medicines to use for their livestock. There was a feeling amongst the interviewees as well as the farmers themselves that it would be beneficial for farmers if they could benefit from more training on farming techniques and marketing options for their products. In particular, a frustration was raised with external organisations that introduce new techniques but do not provide sufficient training or follow up support for community members to make adequate or effective use of them. A further challenge mentioned in Bergville relates to being able to access the market opportunities that exist, since at present most of the farmers sell to community members.

Lastly, access to water was mentioned as a challenge in both areas as these communities rely on rainfall. An FSG representative indicated that the Bergville area is an area with a high rate of rainfall so after planting and weeding, they need only to wait for the rainfall. However, when the rains are late as happened the previous year, there is a negative impact on agricultural production and farmers must find alternative sources of water.

Figure 14: Sources of Water for Cultivation

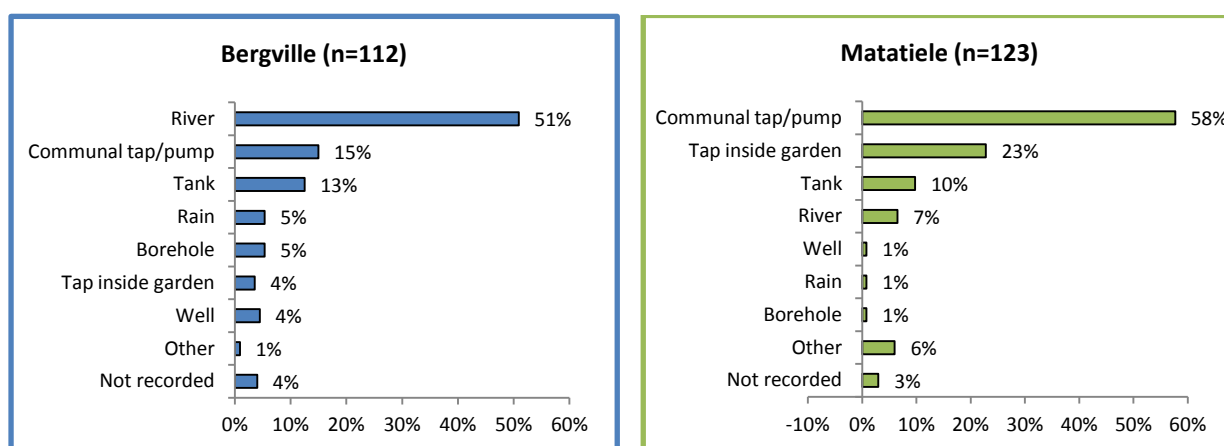


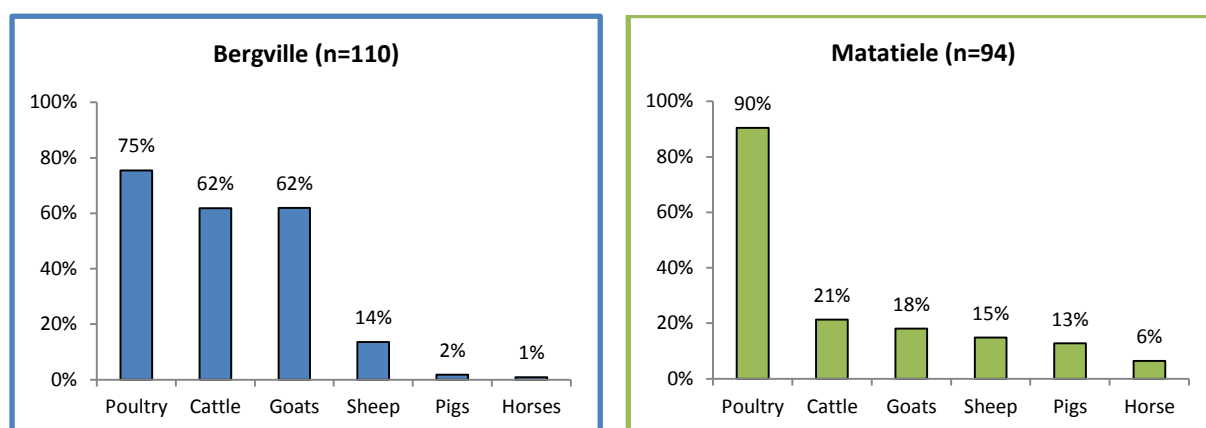
Figure 14 shows that quite different water sources are accessed in the two areas. The presence of several rivers or streams in the areas surrounding Bergville mean that at least half of the SCG member households (51%) access water for their vegetables and crops from these rivers or streams. There are also communal boreholes in some areas that can be used for watering their vegetables.

In Matatiele, communal taps or pumps (58%) or taps on the stand (23%) were far more commonly mentioned as a water source for watering vegetables and fruit, although several noted that this can be a challenge when *“the water is closed sometimes by those who are in charge”*, particularly during periods of drought.

6.2. Ownership of Livestock and Poultry

In addition to cultivation, savings group members were asked about their ownership of various types of livestock and poultry. Three quarters (75%) of SCG member households in Bergville and 64% in Matatiele reported owning livestock or poultry.

Figure 15: Ownership of Livestock and Poultry



In both areas, poultry and grazing livestock such as cattle and goats were the most common forms of livestock owned by members. Ownership of poultry (primarily chickens but also ducks and geese) was most common. In Bergville, levels of ownership of cattle (62%) and goats (62%) were higher than in Matatiele, where approximately a fifth of SCG members kept cattle (21%) or owned goats (18%). The reasons for the difference in levels of ownership across the sites are not clear. Ownership of horses was not common in either area.

Table 7: Average Number of Livestock Owned

Type of Livestock	Bergville	Matatiele
Poultry	26 (range: 1 to 60)	20 (range: 2 to 500)
Cattle	9 (range: 2 to 47)	12 (range: 1 to 65)
Goats	9 (range: 1 to 50)	13 (range: 2 to 90)
Sheep	5 (range: 1 to 9)	30 (range: 5 to 90)
Pigs	3 (range: 2 to 3)	2 (range: 1 to 5)
Horses	5 (only one household)	3 (range: 1 to 7)

Poultry was most likely to be owned in large numbers as they require fewer inputs (in a number of cases, members referred to keeping ‘indigenous’ chickens that did not require the buying of feed). The most notable difference between the two areas in terms of the numbers of livestock owned the number of sheep SCG members reported owning – five on average in Bergville compared to 30 on average in Matatiele.

An attempt was also made to understand the extent to which the poultry or livestock owned is used for household consumption or sale (see table below).

Table 8: Uses for Livestock

Type of Livestock	Bergville			Matatiele		
	Consumption	Sale	Other	Consumption	Sale	Other
Poultry	89%	34%	4%	89%	23%	16%
Cattle	67%	19%	42%	55%	65%	20%
Goats	78%	16%	28%	59%	41%	29%
Sheep	93%	20%	7%	43%	64%	36%
Pigs	50%	0%	50%	92%	33%	8%
Horses	0	0	1 horse	1 horse	1 horse	4 horses

In both areas, chickens (poultry) were primarily kept for consumption as a source of meat and eggs, although some reported selling chickens and eggs (this was mentioned as one of the enterprise activities in which SCG members are engaged). Approximately two thirds (67%) of SCG member households in Bergville reported using cattle for household consumption, but another 42% indicated that the cattle are used for feasts, cultural rituals or as a source of investment. By the latter, the respondents meant that the cattle are not sold regularly but might be sold in the future should there be an emergency or a need for cash. This was not included under ‘sale’ as this is not a regular occurrence. In Matatiele, sale took preference over consumption, with almost two thirds of SCG members reportedly selling cattle.

The majority of SCG households that owned goats in both areas reported doing so for consumption purposes. In Bergville, small numbers of sheep were kept for consumption purposes, while in Matatiele, SCG member households had larger herds and aimed mainly to sell them. Only one household in Bergville reported owning horses, which they used to “ride for a long journey”. Similarly, most of the households owning horses in Matatiele reported using them as a means of transportation.

Table 9: Average Amount Earned by Selling Livestock or Outputs in the last 12 Months

Type of Livestock	Bergville	Matatiele
Poultry	R2 244	R 1 895
Cattle	R 6 675	R 7 167
Goats	R 1 214	R 3 817
Sheep	R 1 200	R 4 980
Pigs	-	R 850

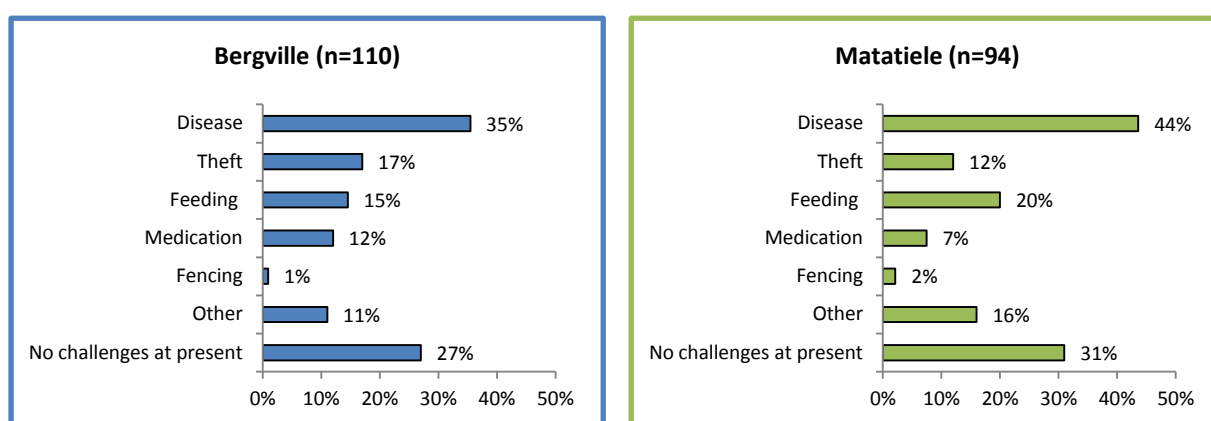
Respondents were asked to provide an indication of how much they earned from selling their livestock or poultry or output from these animals in the previous 12 months. Many were unable to provide this

information as they could not remember or calculate their earnings, and therefore the average amounts provided in the table above are based on a small number of cases and should be taken as a guide of earnings only. The higher earnings for the sale of sheep in Matatiele are likely to reflect the volume of sheep sold.

Again, in terms of markets, the large majority of SCG member households sold livestock to neighbours or other community members. In Bergville, pension pay-out points were mentioned twice and in four cases SCG members reporting selling livestock to ‘white farmers’. In Matatiele, almost all reported selling to the community or neighbours – one mention of town and another of a shop were the only exceptions. An annual livestock auction is held in Matatiele in March, providing farmers with another avenue for selling their livestock.

The kinds of challenges faced by SCG member households in keeping livestock and poultry were similar across the sites. Disease was the greatest concern, followed by theft and concerns about feeding (either problems with grazing or the cost of buying feed).

Figure 16: Challenges faced by Households Keeping Livestock and Poultry



6.3. Examples of SCG Support of Agriculture

In addition to this profile of participation in agriculture, several examples of ways in which SCG membership supports agriculture emerged from the key informant interviews and were confirmed by the responses of savings group members in the course of the survey. As shown later in a discussion on the use of loans, many loans are used for buying agricultural inputs or investing in agricultural assets. Similarly, share-outs are often used for agricultural purposes.

Furthermore, the field officer in Bergville noted that meeting dates for the SCGs are decided by the members and are often set for the day on which grants are paid. The share-out dates tend to be set to meet agricultural needs, with several groups having their share-out in October before planting season starts.

In another example, farmers in the Bergville area have started *saving collectively* to overcome the challenges faced by individual farmers who experienced challenges accessing sufficient capital to secure inputs and services, particularly for the planting season. Members in this area started saving collectively for fertiliser in 2010. These groups were assisted by FSG but no training was provided on this initiative before they started it. The role of the FSG was to obtain quotations from different sources, while the Department of Agriculture assisted with testing the soil to determine the type and amount of fertilizer required by each member. Once the order was placed, the producer of the fertilizer delivered it to the community. Four groups have since been established for the purpose of bulk buying of fertiliser – two in Obonjaneni, one in Potshini and one in Okhombe.

In addition to savings and loans, the SCGs provide a platform for further *collective action* to benefit agricultural production. In Matatiele, many SCG members reported in the survey that they are working with other SCG members to buy seeds in bulk. As one SCG member explained, *“We bought seeds together and we got a discount. [We] buy the seeds from town and [we] need to buy at least 200 seeds. Thus [we] combined [our] shopping and got a discount. Also [we] saved on transport because only one went to town”*. The bulk buying process was set up with the help of SaveAct and Lima Rural Development Foundation (Lima RDF) who agreed to assist with the order of the seeds and the distribution once delivered to Matatiele. Through this process, around 60 pockets of potato seeds were ordered in 2010 from Nkosana, Mpharane, Kubesoana and Khoapa representing around 20 SCGs.⁵² By 2012 that order has grown to more than 450 pockets.

The Project Coordinator for Matatiele and Mount Fletcher confirmed that this was a commodity interest group (CIG) initiative, in which members interested in a specific commodity come together to discuss ideas, receive training and buy seeds and other inputs jointly.⁵³ SaveAct and the Lima RDF supported the SCG members in doing this. In recalling the experience, the Project Coordinator said,

“In the communities, some SCG members showed [themselves] to be very capable. They are able to coordinate themselves; they were very proactive, provided lists [of names of those participating] and worked to consolidate them. They have taken initiative and recorded everything that was done very precisely”.

Based on this experience she argued that, *“Some of [the SCGs] could really be used to facilitate development activities. We need to facilitate and promote platforms where people talk about their challenges and think about solutions...this shows great potential and we need to use this potential.”*

⁵² Kruger, E. (2011). SaveAct, Progress with Agricultural Support, EC, 2011. [Unpublished]

⁵³ The initial impetus for the formation of CIGs was the facilitation of a participatory value chain analysis facilitated by SaveAct. This process of enquiry into local economic opportunities and constraints inspired participants to form these interest groups to work together to secure cheaper inputs and consider other strategies to strengthen their value chains.

This potential was illustrated by the joint order of vegetable and potato seeds that the Khaue and Jabulani villages asked SaveAct to place in 2011, even though no follow up had been carried out in the communities after the previous initiative in 2010.⁵⁴

More broadly, the field officer in Bergville suggested creating a network of SCGs to enable them to share and learn from one another on a range of issues.

Example of SCG support for Agricultural Activities

Mrs Dzindgwa lives in the village of Jabulani (Matatiele). She sells chickens to community members and grows crops and vegetables which she sells to school feeding schemes, Zondela supermarket and locally.

Mrs Dzindgwa says that together with the members of one of her SCGs, a plan has been developed to create a small business for Mrs Mtholo (a neighbour). Mrs Mtholo's son works in Pietermaritzburg and has been bringing day-old chicks and chicken feed home with him on weekends. This advantage of cheap inputs has now been turned into a business for Mrs Mtholo, who sells the chicks to other SCG members. Mrs Mtholo finances her business by having other SCG members pay her upfront. In this way she can raise the chickens for two weeks, after which SCG members take batches of 20 chickens at a time until they have used up what they paid up front. There are several advantages for the group: members can buy chickens at a cheaper price than it would cost them to buy individually, they can rear small numbers of chickens at a time as their chicken houses are small and at the same time have a continuous supply. Moreover, they get the chickens when they are 3 weeks old and thus hardier.

Mrs Dzindgwa has also plans for the future of her community and says that *"We want something that will be more sustainable; we want to say that through our savings we have built this or created something to help our businesses grow"*. She noted the challenges in accessing tractors in the community but suggested that there are many women living close to each other who could club together to buy a small second-hand tractor. She is prepared to use her share-out to pay for a deposit and then as a group they could pay for the tractor in instalments. The group could further use the tractor to generate an income, hiring it out or using it to transport vegetables to Saturday markets or pension points.

6.4. Consideration of the Need for Credit to Support Agriculture

A question raised during the course of the study concerned the issue of whether farmers in these areas need or would use additional external credit to increase agricultural production if such a source of external credit were available. This question was posed to a few of the discussion groups, most consistently in Bergville.

Although those who responded to this question generally indicated that they need and would use external credit for agricultural purposes, a number of qualifiers were attached to this. SCG members in Bergville indicated that the person or organisation lending them money must know them and *vice versa*, so that a relationship could be established that would allow for consultation and input from the farmers

⁵⁴ (*Ibid.*)

receiving the credit. In addition, they wanted all the terms and conditions of the loans to be written down and clearly explained so that they would fully understand how much interest would be charged. One group also suggested a system in which they could repay this external credit through their SCG. It was also highlighted that the interest rate and terms of repayment should be fair and that the overall process should be transparent and easy to understand, as in their experience of the SaveAct model. Furthermore, there was a suggestion that all group members be given small loans that could be pooled together for large expenses. This was to address the concern that the size of loans must not exceed what is within their reach to repay. Lastly, members wanted credit to be provided at a time of the year at which it would be useful to the group members, such as before planting season, so that the credit could be usefully used to improve production and so that the recipients are in a better position to repay it.

Moreover, other SCG members in Bergville said they would like to receive training first on how to use the money effectively and how to market their produce; only after this they would feel comfortable to take out external or larger loans. They would also like any potential credit provider to stay in the community to monitor and evaluate the activities that are financed through credit. Members said that they would use this external credit for tractors, fertilizer, spraying for insects and for testing and tilling the soil.

In Matatiele, most of those who responded to this question agreed that they would use additional credit to improve agricultural production if it was available. However, a participant in one group suggested that rather they should implement a long-term saving cycle in order for them to be able to increase their capital fund and gain access to bigger loans as well as receive bigger lump sums of monies at share-out times.

This suggestion of linking savings groups to external credit is not a new one, but in practice attempts to do so have shown *ambivalent results* at best, and may indeed cause more harm than good. A study on the impact of exterior loans on village savings and loan groups in Niger carried out for CARE Niger and its partners found that, “The [women’s village savings-led groups] that get external loans often change fundamentally, and often for the worse, even when the external loans are reimbursed easily. Their savings culture is diminished, they become less independent, they lose a feeling of solidarity, and ultimately they lose members.”⁵⁵ The author recognised that the groups are autonomous and there is therefore no way, and neither should there be, of barring them from taking external loans. However, it was argued that based on the experience of this programme to link groups with external credit, “CARE needs to put its finger firmly on the other side of the balance, and promote the value of savings.”

⁵⁵ Rippey, P. (2008) *Key Findings and Recommendations from the Study on the Impact of Exterior Loans on the MMD Groups and Networks And Measures to Minimize Risks*. Carried out for CARE Niger and its Partners, p5.

Moving from a specific experience to an overview of models more broadly, a study on what works with regards to community-managed loan funds compared three models and found that the likelihood of success of the model is strongly linked to the source of funding for the loans that group members receive.⁵⁶ It noted that while externally-funded groups “appear to fail so consistently that this model of microfinance support is never a prudent gamble”, the performance of “self-help groups” which start off with savings but subsequently receive large loans from a bank is mixed so far.⁵⁷ Most successful appears to be the savings-based groups where loans are financed by members’ own savings only, or where external credit is introduced in small amounts only once a group has a solid track record of lending and recovering its own savings. The authors explained the success of this model with the observation that when members rather than outsiders have provided the funds being lent, the incentives favour more careful management of the money and better repayment of loans.

7. Enterprise Activities and Links to Savings Groups

7.1. Enterprise Activities

After considering SCG member household involvement in agriculture, we now take a step back to consider the links between small enterprise activities (including agricultural enterprise) and savings groups. *Enterprise* can be defined as “an activity where money is exchanged for a service or goods/products. An enterprise is anything that generates an income.” In this study, formal employment, whether full-time or part-time, has been excluded from the definition of enterprise activities. Piece jobs or casual labour was included (as, for example, in the case of a plasterer having his own enterprise), but it was noted in the field that enterprise activities were often understood as involving informal business activities only, while self-employment was not regarded as falling under this definition. Much of the enterprise activities discussed here are small or micro-enterprises.

Drawing on the earlier discussion of how savings group members bring income or cash into the household, it is possible to identify those activities that are regarded as enterprise activities in this study.

Overall, almost two thirds (64%) of SCG members in Bergville indicated that they were involved in some form of enterprise activity. Fewer SCG members (50%) in Matatiele reported being involved in enterprise. If piece jobs are not included in the definition, 61% of SCG members in Bergville and 44% in Matatiele are involved in enterprise activities.

In addition to providing income for those involved in the enterprise activities, 17% of SCG members involved in enterprise activities in Bergville reported that they had paid someone else cash for piece

⁵⁶ Murray, J and Rosenberg, R (2006) *Community-Managed Loan Funds: Which Ones Work? Focus Note Draft 5*

⁵⁷ *Ibid*, p1.

work or assisting in some way with their enterprise activities; 13% of SCG members involved in enterprise activities in Matatiele indicated that this was the case.

To better understand the level of earnings generated by these enterprise activities, SCG members were asked to provide an indication of how much they earned through their *own* (not household) enterprise activities in the previous month. To account for seasonal variations (as the study took place in February, a period that tends to see a dip in income for most), SCG members were also asked to provide an estimate of their earnings in a good month in the previous year, and their earnings in a bad month in the same period.

Table 10: Earnings from Enterprise Activities

Earnings from Enterprise	Bergville	Matatiele
Last month ⁵⁸	R867 (range: R0 to R4 000)	R1 252 (range R0 to R10 000)
Good month ⁵⁹	R1 758 (range: R90 to R7 000)	R2 108 (range: R25 to R12 000)
Bad month ⁶⁰	R672 (range: R0 to R4 000)	R566 (range: R0 to R6500)

In Matatiele, the average earnings are somewhat inflated by the earnings of an SCG member that owns a farm and sells produce from the farm, employing two workers to assist. However, the influence is limited – if the earnings from this SCG member are excluded, the average for the last month's earnings is R1 248; the average in a good month is R1 944 and the average in a bad month is R466.

7.1.1. Trends in the Involvement of SCG Members in Small Enterprise Activities

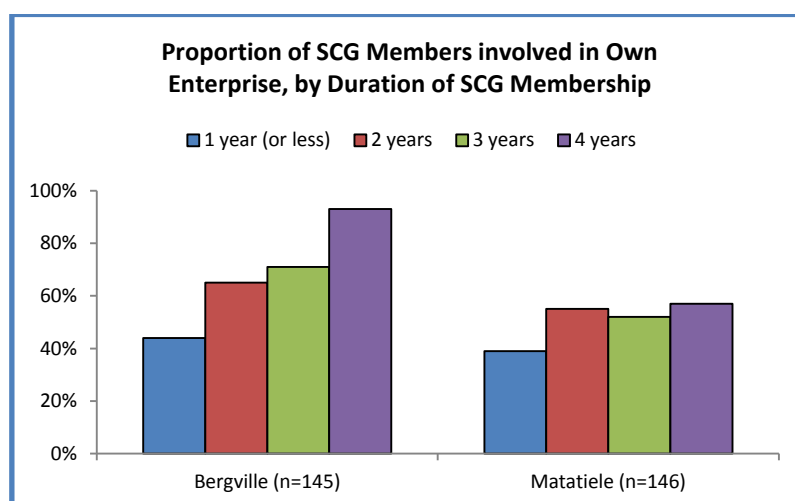
The phased approach of the SaveAct savings group methodology assumes that as members are able to meet their basic needs and gain a level of financial stability, they may be more likely to engage in small enterprise activities. One way to explore how SCG membership might influence the members' involvement in small enterprise activities is to consider how the level of involvement in enterprise activities varies with the duration of SCG membership. The figure below shows the proportion of SCG members involved in enterprise activities by the duration of their SCG membership.

⁵⁸ Despite the recent time period, a number were not able to provide this information. No income estimates were given or the SCG member did not know the amount in 23 of 94 cases in Bergville and 13 of 73 in Matatiele.

⁵⁹ No estimates were given in 19 of 94 cases in Bergville and 12 of 73 in Matatiele.

⁶⁰ No estimates were given in 22 of 94 cases and 13 of 73 in Matatiele.

Figure 17: Proportion of SCG Members Involved in Enterprise Activity, by Duration of SCG Membership



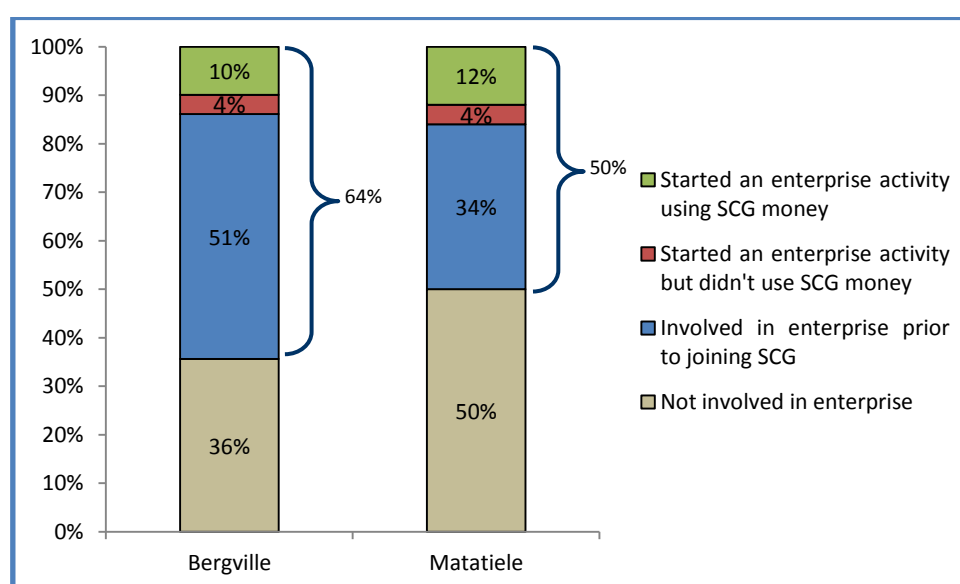
These effects would best be tested in a longitudinal or impact study, but it is possible to see from the graph above that in Bergville (where the savings group model appears to be more entrenched), there is an *upward trend* Figure 17 which suggests that the longer individuals are members of an SCG, the more likely they are to be involved in enterprise activities.⁶¹ An increase in involvement in enterprise after the first year of SCG membership appear to take place Matatiele, although this was not statistically significant. This analysis points to an important positive relationship between SCG membership and involvement in enterprise activity that should be explored further with a larger sample and in research design that allows for the testing of this relationship as well as exploring the potential reasons for it.

7.2. Use of Funds from the Savings Group to Support Enterprise Activities

Perhaps the most direct way in which SCG membership supports the development of small enterprise activities is through the availability of loans and share-outs (savings) from the SCG, which provide members with lump sums they may not otherwise have had access to and which can be used to buy stock or inputs to start an enterprise activity, or improve or support an existing enterprise. This section focuses on these two aspects.

⁶¹ The relationship in Bergville was found to be statistically significant using a Chi² test ($p > 0.05$).

Figure 18: Use of SCG Funds to Start Enterprise Activities



The above graph shows the extent to which SCG members are involved in enterprise activities – 64% in Bergville and 50% in Matatiele (the green, red and blue bars on the graph). Some 14% in Bergville and 16% in Matatiele reported starting at least one of these activities *after* joining the SCG (the red and green bars on the graph).

To determine whether or not these new enterprises were started as a result of SCG membership, the SCG members were asked to specify the source of the money used to start these new activities. The majority (70% in Bergville and 74% in Matatiele) of those who had started an enterprise activity *after* joining the SCG had used either SCG loans or the share-out to finance the start-up of the activities (the green bars on the graph). Overall, 10% of SCG members in Bergville and 12% in Matatiele used money from the SCG to start a new enterprise activity after joining the SCG.

More common than using money from the SCG to start up an enterprise was the use of funds from the SCG to support or improve *existing* enterprise activities. Figure 19 shows the proportion of SCG members involved in existing enterprise activities who had used at least one loan to support their enterprise activities in some way in the previous 12 months.

Figure 19: Use of Loans to Support Existing Enterprise Activities

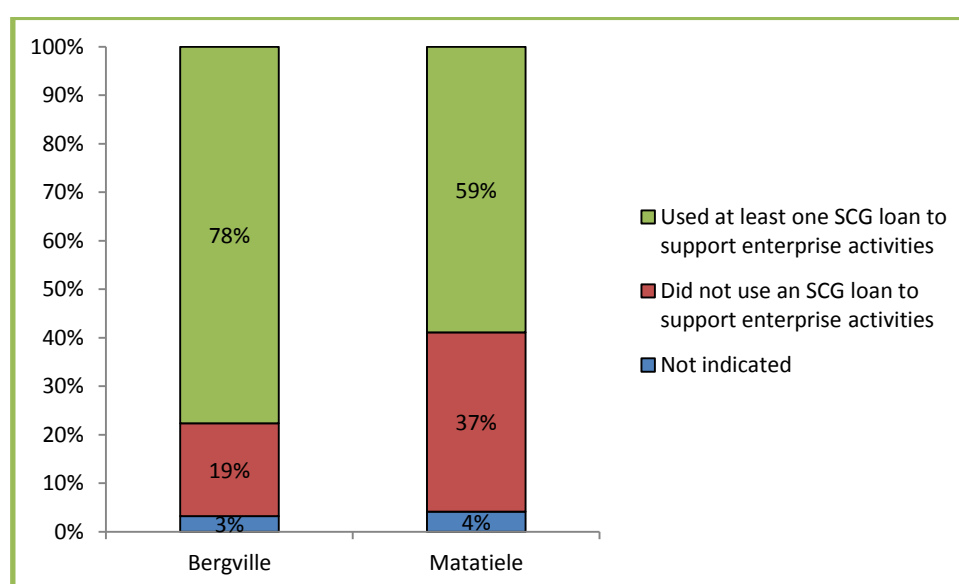
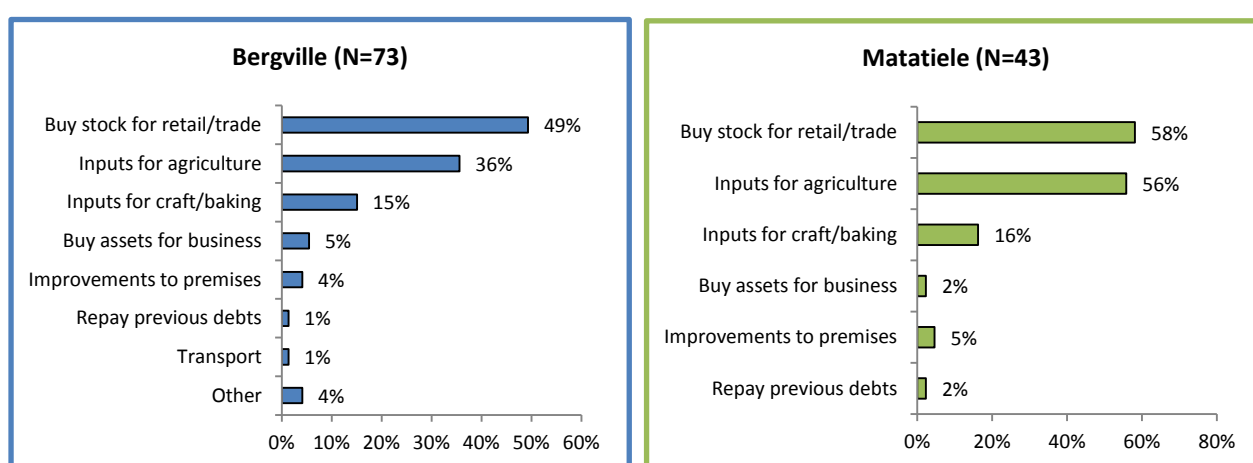


Figure 19 considers only those SCG members involved in enterprises and shows that the majority of these SCG members used an SCG loan in the previous 12 months to *support* their enterprise activities in some way – 78% of SCG members involved in enterprise activities in Bergville and 59% in Matatiele used an SCG loan for their enterprise activities in the previous year.

The loans were used to support enterprise activities in a variety of ways, but the most common use of a loan directly for enterprise was for buying inputs or stock (see figure below).

Figure 20: Purpose of Loans to Support Enterprise Activities in Previous 12 Months



Buying stock for retail or trade was commonly mentioned in both areas, followed by buying various inputs for agricultural enterprises. The latter included buying inputs such as seed, seedlings, fertiliser and feed as well as buying poultry or livestock and hiring services for ploughing.

Assets for business included a fridge for a spaza shop, a tent for hire, Jojo tanks for collecting rain water and a sewing machine for a sewing business, amongst others. ‘Improving premises’ generally related to buying fencing which is was often a form of agricultural investment, but also included plastering a spaza shop premises. Little mention was made of using loans to repay previous debts.

7.2.1. Perceptions of the Role of Savings Groups in Starting or Supporting Enterprise

To obtain a better understanding of the ways in which SCG membership supported the start up or development of enterprise activities, participants who had started at least one enterprise *after* joining the savings group where asked to review how this membership had helped them in starting a new enterprise.

The majority of SCG members said that being a member of the savings group had helped them to access money to buy the inputs or stock needed to start their enterprise. In Bergville, members also mentioned being able to buy assets for their enterprise activities, while in Matatiele, members said that they received advice on their enterprise activities from other group members. In both sites, some indicated that SCG membership had assisted because they are now more financially stable because of their membership. A small proportion of members indicated that being an SCG member did not contribute to the enterprise activities that they started after joining the SCG.

Similarly, members who started their enterprises before joining an SCG were asked about how being an SCG member had helped them to improve their enterprise. A large proportion of members in both sites indicated that the main reason for improvement in enterprise was their ability to buy inputs and stock when they needed it. Members also indicated that after joining SCG they were able to increase their profits. Members in Bergville in particular noted that they had become more financially stable, had stopped going to ‘loan sharks’, and were now able to buy new assets for their enterprise and sell to bigger markets. In Matatiele, a small number of members said that their enterprises improved thanks to the knowledge shared in the group. Again, a small proportion of SCG members said that their enterprises did not particularly improve after joining SCG.

7.3. Other Ways to Support Enterprise Development: Training and Social Capital

Accessing funds from the saving group in the form of loans or share-outs (savings) is not the only way in which SCG membership supports the start-up and development of enterprises. Financial education is provided to most groups while ‘mature’ SCG members can access enterprise training (*Isiqalo*) on request (although this depends on available resources).

No direct assessment of this *training* was included in this study, as it felt that one or two questions in the survey would not do it justice. However, in just two examples of the perceptions of the Isiqalo training that arose spontaneously, some male SCG members who participated in a group discussion on

financial services in Mount Fletcher indicated that they had found the training inspiring, but had not yet started new enterprise activities as planned because of a lack of capital. On the other hand, a young female SCG member in Bergville stated that she had started selling cold drinks and other items as a direct result of the training (she had not been involved in any enterprise activity previously).

Furthermore, partnership with other organisations working in these areas that have more of an agricultural focus has enabled members to access further agricultural training; however, in the focus groups discussion there were several requests for additional training particularly to support and expand agricultural enterprises.

Moreover, SCGs are platforms where social capital is built. Social capital refers to the social resources upon which people draw in pursuing their livelihood strategies, in the form of networks and connectedness to the community and relationships of mutual trust, reciprocity and exchange.⁶²

SCG members indicated that one of the benefits of being part of an SCG is the support that they receive from other group members. This helps them to become more confident in starting or running an enterprise because they are able to share their problems and knowledge. Where enterprise activities are concerned, according to the field officer from Bergville, *“It’s a matter of being motivated and innovative,”* and SCGs offer an ideal platform for this, not only in terms of financial services but also in terms of knowledge sharing and mutual support. Members discuss their enterprise ideas during meetings and encourage each other to consider such activities when asking about their plans for repaying the loans they are taking. As noted by the programme coordinator in the Eastern Cape, membership of the SCGs enables members to reactivate their dreams and enterprise ideas because it provides them with access to a capital fund as well as group support.

7.4. A Two-way Complementary Relationship

So far the multiple ways in which SCGs support enterprise development have been reviewed; however, the research also noted a two-way relationship between enterprises and savings. The circularity of this relationship was explained by the CBP in Potshini (Bergville) as follows:

“Members would borrow money to improve their businesses and they know that they can borrow money from the group if anything in their business is lacking...it is a two way process because [when] I have sold things, I take the profit and save it to the saving scheme”.

This complementarity was confirmed by the field officer in Bergville and a field officer and the programme coordinator in the Eastern Cape. All stated that members who have been able to improve their enterprises are now saving more, borrowing bigger sums from the capital funds and also

⁶² DFID (1999), p9.

supporting and motivating other members to start their own enterprise activities. More evidence for this circular relationship is discussed in the section on SCG membership below.

8. Knowledge of and Access to Financial Services

The section shifts the focus from the enterprise activities that SCG members are involved in to the financial services that they know of and use to support both their households and their enterprise activities.

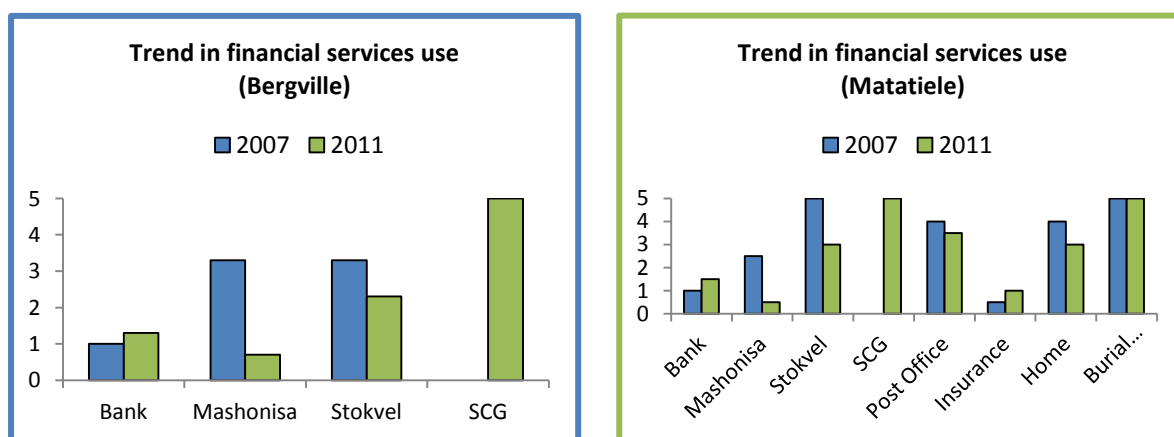
The section starts with an analysis of the presence and use of various financial services currently and prior to the introduction of savings groups. It considers gender differences in the use of financial services and the different responsibilities of men and women to save and spend in the household. It then considers the methods of saving, access to formal bank accounts and access to sources of money in emergencies amongst SCG members at an individual level, and concludes by considering the credit needs of farmers and possible linkages with the formal financial sector.

8.1. Availability and Use of Financial Services

This first section presents the results of the second PRA group discussion, in which participants were asked to list the financial services available in their area and then to rate them from 0 (no use at all) to 5 (highest level of use) in terms of the extent to which they use these services. The results of this qualitative exercise are subjective and intended to give an idea of both the availability of financial services and their usage and changes in their usage over time. The exercise referred to both 2011 (current) and 2007 (prior to the savings groups) in order to capture the changes in the availability and use of financial services over time. Participants were then also asked to indicate the degree to which there are gender differences in the use of financial services.

The graphs below provide a composite picture of the formal and informal financial services available in these areas.

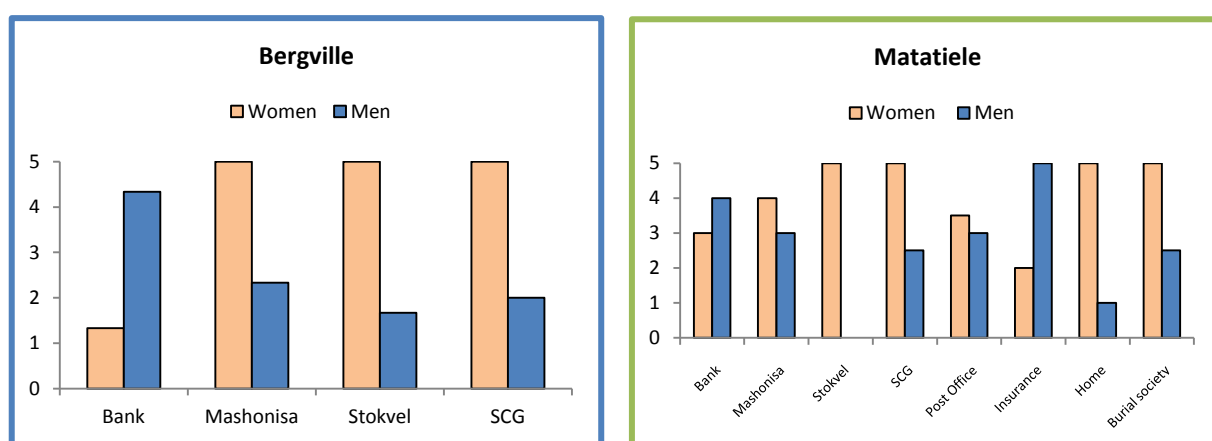
Figure 21: Trends in Use of Financial Services



In Bergville, the main financial services that are both available and used by SCG members are commercial banks, ‘loan sharks’ and stokvels, mainly in the form of rotational saving and credit groups (ROSCA). In Matatiele, participants mentioned the availability of Post Office services, insurance companies, burial society, friends and family and saving at home as informal financial services that are used in addition to the SCGs. It is likely that similar services or arrangements are also available in Bergville, but participants did not volunteer these when asked about available services. In both sites the availability of formal microfinance organisations (such as ‘SMA Loans’ in Matatiele) was mentioned but since they were not used by the participants, they do not appear in the graphs above.

Both the trends in the use of financial services (graphs above) and the use of financial services by gender (graphs below) are similar in the two sites.

Figure 22: Use of Financial Services by Gender



For instance, the use of *formal banking services* has increased slightly in the last five years. In both sites, banks are used primarily to receive social grants or payment from formal employment. Overall, it was reported that men make more use of banks than women as they are more likely to be formally employed (with more money to manage), while women use bank accounts to receive remittances and send money to others, such as their children at university. Banks are less likely to be used for saving or accessing credit, and several participants spoke of keeping in their bank accounts only the minimum amount required in order to keep them open, rather than using them for saving. Although safety was mentioned as a positive feature of formal banking services as compared to informal financial services, many members found using the services provided by banks a challenge as they are often not as convenient as local, often informal services. Participants mentioned bank charges (which are often not clear to them) and the documentation that is required to join and apply for credit at banks as aspects that lead them to prefer other financial services. In the rural area of Mount Fletcher in Matatiele, participants also mentioned that bank branches (including ATM points) are not easily accessible and transport to town is expensive.

During the same period, savings group members in both sites reported a decreased use of ‘loan sharks’ and stokvels. While in the rural area of Mount Fletcher, *loan sharks* were reportedly not available five years ago and people mainly took loans without interest from family members and friends, they were well known in other areas where they were used as a source of loans for emergencies, food and school expenses, among others. However, with the introduction of loans from the savings groups, members now tend to borrow from SCGs for most of their needs. As for disadvantages of using the services of loan sharks, participants noted that they keep the borrowers’ identity documents in case they are not able to repay their debts and often charge high interest rates. It was reported that now SCG members use loan sharks only in cases where they cannot access an SCG loan to cope with an emergency (for example, mid-month when they cannot wait for the next monthly meeting). It was also indicated that women are more likely to use loans sharks than men as they have less money available and are responsible for meeting household needs.

The use of *stokvels* has also reduced during the last five years, though to a lesser degree. Women frequently use stokvels, particularly for buying groceries at the end of the year. However, their use has decreased because members said that stokvels do not have the same clear terms and conditions as savings groups and do not provide any profit at the end of the year in the way that savings groups do. Men, on the other hand, are more sceptical about stokvels and do not participate in them as much as women.

Some of the participants said that they use **SCGs** exclusively, and this was particularly the case in Bergville. Some of the reasons for this included the low interest rate that is charged on loans compared to loan sharks, the lump sum share-out at the end of the year, the group ownership of the process and the transparency of transactions which are easily monitored by everyone. All transactions (i.e. saving, taking and repaying loans) happen in front of members during monthly meetings. Members run their own meetings, often with the help of a field officer or community-based promoter and members are also in charge of keeping their monies and record books safe and in order. Thus through participation in the savings groups they gain a great feeling of responsibility and a new sense of ‘working together’. These participants also reported feeling safer borrowing from the savings group as they know that they are borrowing money that they have previously saved. Participants also noted that these services are based in their communities and allow them to save according to their capacity. Overall, women are more active in SCGs, reportedly because men usually work far away in the cities and only pensioners live in the communities. Some participants also said that men are less open to trying ‘new things’.

Participants in Matatiele also mentioned the use of the *Post Office, insurance, burial societies and saving at home* or with friends and family. As the graph above shows, Post Offices were more commonly used than banks five years ago as they charged less. However, their use has also decreased since then. Overall, insurance services are not widespread or well-known. They are mainly used by men

because they are formally employed in the cities and mines far from home and these services are often accessed through their employers. As with five years ago, women tend to save at home for emergencies and church expenses, ask for loans from family members and friends and save through burial societies to prepare for the unexpected. Men do not usually contribute to burial societies, while women contribute to burial societies for both women and men.

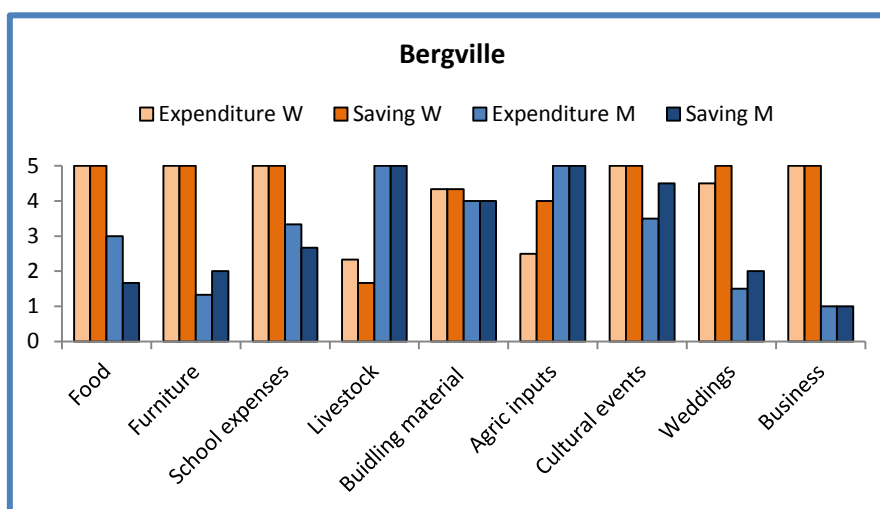
8.2. Household Responsibility to Make and Save for Expenditures

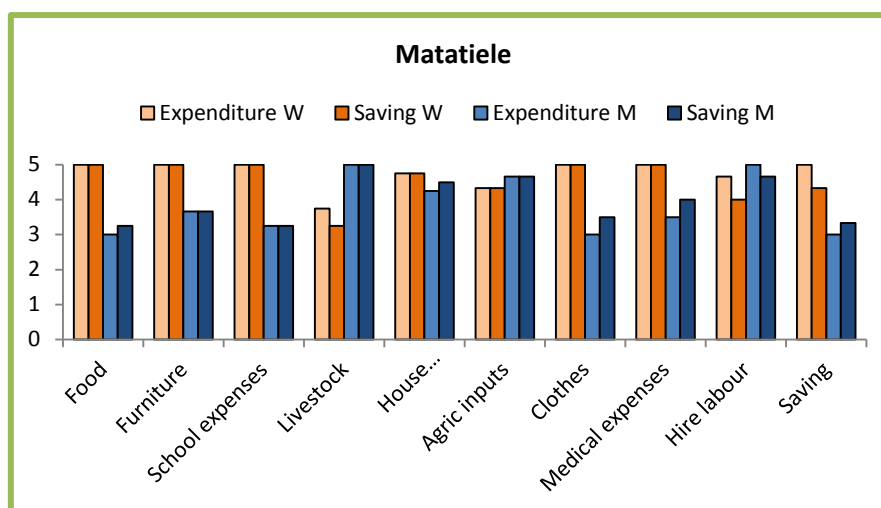
To build a picture of the gender roles and responsibilities regarding expenditure and saving in the household, a third and final gender analysis participatory exercise was carried out with female and male groups in each site. This analysis provides further insight into the different uses of financial services between men and women and confirms several of the findings of the previous exercise.

Participants were asked to list major household expenditures and again to use beans (0 to 5 beans) to indicate the extent to which males and females are responsible for making the expenditures and saving for them. The greater the responsibility, the higher the number of beans allocated to either women or men.

This analysis produced a similar picture of the gendered division of responsibilities for the two areas to that discussed earlier in the use of financial services. In both sites the main household expenditures mentioned involved food, house improvement and building material, furniture for the house, school expenses and expenditures related to agricultural activities such as livestock and farming inputs. In addition, in Bergville some groups mentioned cultural events and weddings as well as expenditures for starting or supporting an enterprise, while in Matatiele, expenditure on clothes, medical expenses, labour and contributions to savings were mentioned by both female and male participants.

Figure 23: Gendered Responsibility for Making and Saving for Expenditures





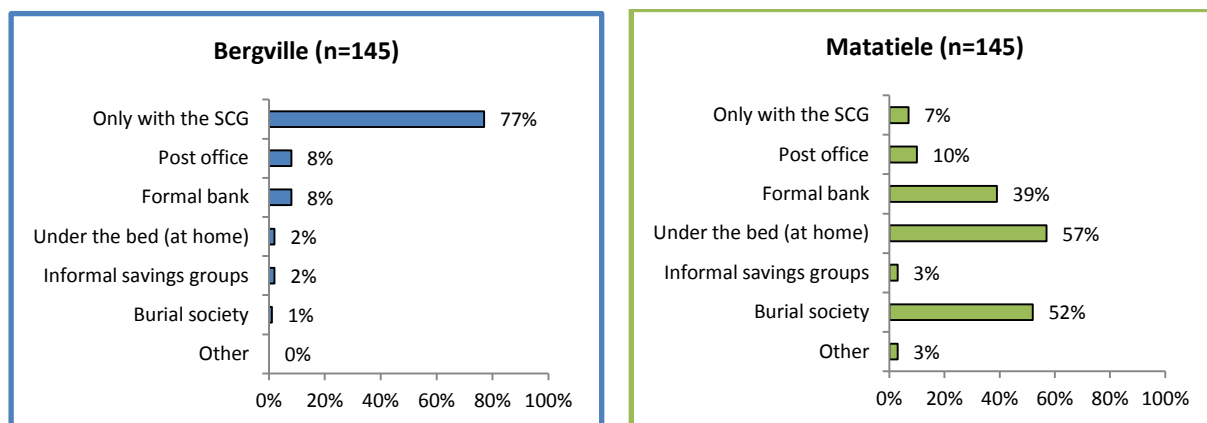
Responsibilities for household expenditures appeared to be mainly shared. However, there was some gender differentiation along similar lines to that mentioned previously. For instance, in both areas women are more likely to be responsible for providing **food** in the household, which as noted previously includes participating in stokvels for groceries. Although men also save for food and help women with their contributions to stokvels, women are responsible for making the actual expenditure. The same gender division of responsibilities was mentioned for expenditure on items such as clothes, furniture, educational expenses and medical expenses. Although men are helping with saving for these expenditures, women tend to be responsible for both saving and making these ‘household’ expenditures. Responsibilities for hiring labour, house improvement and building material are equally shared between women and men, although women are usually the ones to carry them out. On the other hand, it was reported that men are more likely to be responsible for saving to meet expenditures involving **livestock or buying farming inputs**. These differences are more marked in Bergville than in Matatiele but overall, men are commonly responsible for livestock and have the final word in terms of buying and selling, although women participate in such decisions. It was acknowledged in some discussions, however, that many households in these areas are female-headed or the partner is working in the cities and in these cases the responsibility for farming falls to the women. In one of the female discussion group in Matatiele, 10 of the 13 participants were the head of their households in the absence of males.

Women are more likely to be involved in **enterprise activities**. Some male participants indicated that women are more creative and can, for example, ‘easily’ buy fabric, sew clothes and sell them, while men rarely start a new enterprise. Women are also more involved in the overall organisation of weddings and cultural events, while men would be responsible for buying the livestock needed for the celebration. Therefore, for the most part women save for household needs as well as emergencies, while men tend to save and be responsible for spending on livestock and agricultural purposes.

8.3. Savings Group Members' Use of Financial Services

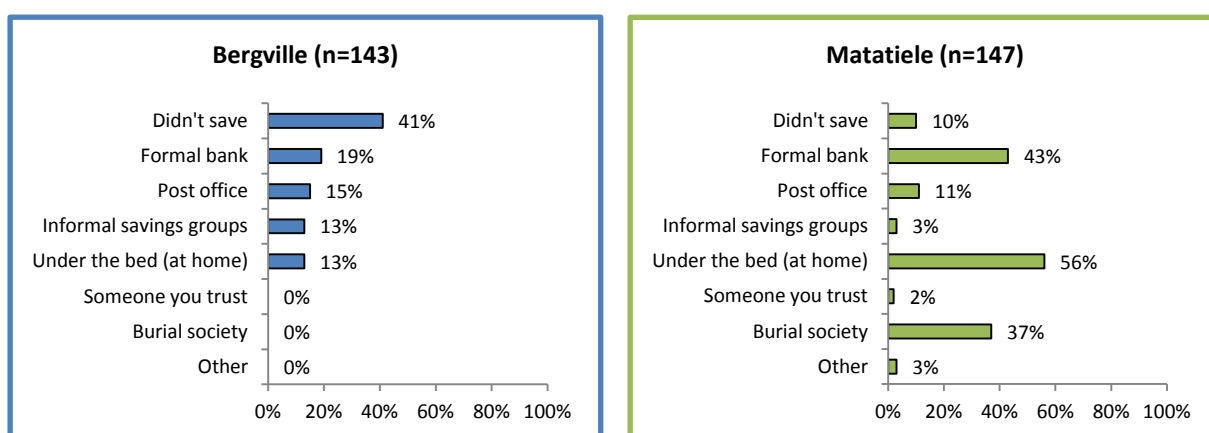
Several of the patterns noted at the community level are reflected in the behaviours of the individual savings group members. For example, SCG members were asked to indicate the 'other' ways in which they save, apart from the SCG, and the responses mirrored patterns observed in the group discussion.

Figure 24: Current Methods of Saving in Addition to the Savings Group



Savings group members were free to provide a range of responses, but in Bergville more than three quarters (77%) indicated that they only save with the savings groups, showing a great deal of trust and faith in this model. In Matatiele only 7% reported that they save only with the SCG, with a large proportion saving at home or contributing to a burial society. According to the field officer responsible for Bergville, the high number of members saving with SCG only in the area could be due to an affinity with the model once they have joined and seen it work, or because they have different perceptions of the additional means of saving than in Matatiele. According to the field officer, SCG members in Bergville might not consider the money kept in the house or that they contribute to burial societies as methods of saving.

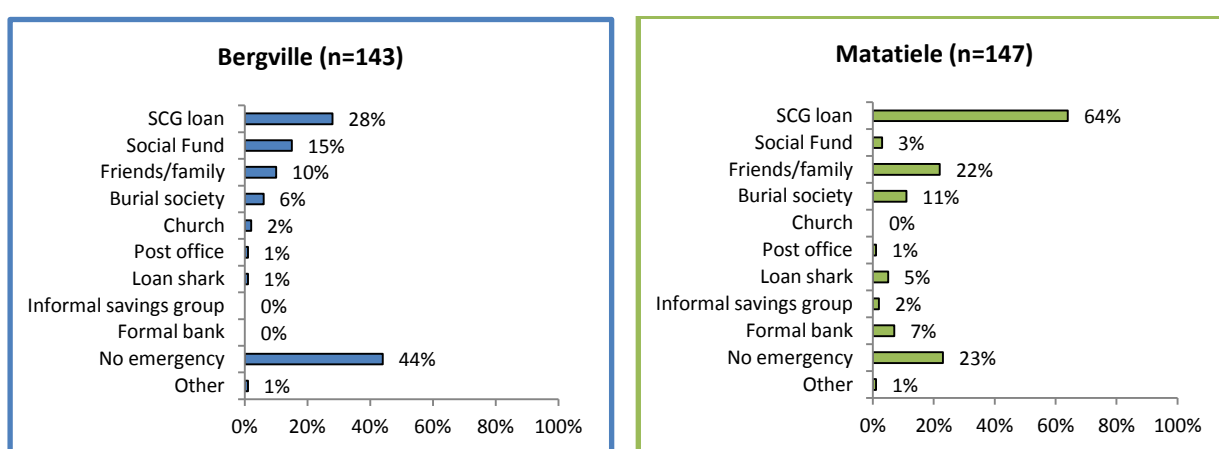
Figure 25: Methods of Saving Prior to Joining the Savings Group



Similarly, different patterns were noted between the two areas in the methods of saving employed prior to joining the savings group. In Bergville, 41% of SCG members had not used any means of saving prior to the SCG, while a relatively small number made use of formal banks (19%), the post office (19%), informal savings groups (13%) or saved at home (13%). In Matatiele, the methods used to save prior to joining the SCG are very similar to the methods currently used to save in addition to the SCG and only 10% of SCG in Matatiele did not save at all prior to joining an SCG group.

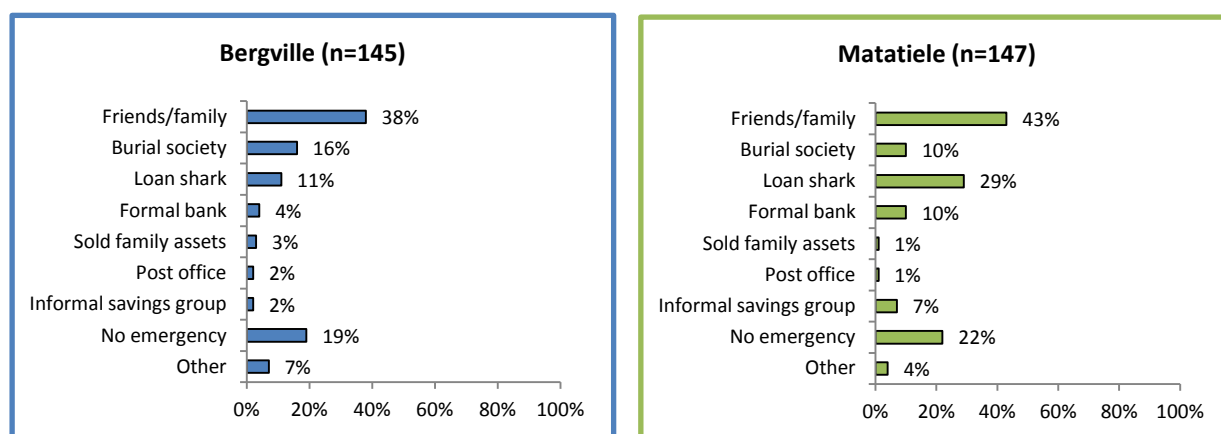
These findings are in line with the findings of the financial services group discussion. In Bergville, only a small portion of savings group members were using financial services to save prior to joining the savings group, while in Matatiele members were making use of a wider range of financial services.

Figure 26: Sources of Access to Money in an Emergency used in the Previous 12 Months



To get a better understanding of the financial services used by SCG members at the time of an emergency, SCG members were asked about the sources they turned to in the case of a financial emergency in the previous 12 months. While a substantial proportion of SCG members in Bergville (44%) indicated that they had not experienced any such emergency, those who had reported drawing primarily on SCG loans (28%) and the SCG social fund (15%, which in practice appears to be used primarily to assist when there has been a death in the family). In Matatiele, almost two thirds (64%) reported drawing on SCG loans in times of financial need.

Figure 27: Sources of Access to Money in an Emergency Five Years Previously



Five years ago (or before the SCGs were introduced) SCG members in both areas were most likely to call on friends and family if they needed financial assistance in an emergency. Drawing on burial societies and loans sharks were also mentioned in both areas.

Lastly, since savings group members in Matatiele seem more likely to make use of a range of financial services, it is perhaps not surprising that they are also more likely to have bank accounts. Half (50%) of SCG members in Bergville reporting having their own bank account, while 64% of SCG members in Matatiele have a bank account. In the group discussions on financial services in both sites it was noted that while SCG members have bank accounts for receiving their grants and sending to or receiving money from family members living elsewhere, it was commonly mentioned that they do not use the banks to save money or access credit. In Matatiele, however, some male SCG members indicated that they do use banks for saving and borrowing money, as they feel that they are a safe place to keep their monies.

8.4. Linking Savings Group Members with Formal Financial Services

The preceding analysis show that SCG members often already have some links with formal financial services but tend to view them with some caution. With regard to banking services, SCG members expressed concerns about bank charges, the documentation needed for using bank services and transport costs to reach the closest branch. However, there are also advantages to being able to access formal financial services and this section explores some possible linkages that may benefit the savings group members.

One such possibility at the *transactional level* is to explore ways of enabling SCGs to deposit their monies at the bank and ensure the security of their funds. However, for this to be successful it would be important to consider ways in which the level of ownership and transparency that is experienced by SCG members in the SCG model is somehow retained or replicated. Another possibility at this level is to explore a system of mobile banking that would overcome the logistical challenges that SCG members

face in accessing banking services in rural areas (such as the time and cost associated with travelling to branches in the towns). An example of a group account that includes mobile technology and which was developed in a similar situation was recently launched with savings groups in Kenya by CARE, Equity and Orange.⁶³

Safety concerns are not the only reason in support of the development of a group account and there are a number of possibilities for the development of *new products* to respond to other group needs. The project coordinator from Matatiele indicated that there are opportunities in terms of long-term saving plans which could be explored. As she points out, some SCG members “*have realised that now they know how to save for the basic needs and they are looking for something that could be a long term investment.*” A similar idea was also mentioned by an SCG member in Matatiele whose group had considered exploring the possibility of sharing out every two years instead of annually (see box).

Savings Groups and Long-term Savings Plans

When he was still working in 1998, **Simon** bought two plots where he is now growing crops for sale and fodder for his livestock. On the other side of the Jabulani village (Matatiele), he is also growing vegetables mainly for own consumption in his homestead garden. Simon owns a spaza shop where he sells part of the produce from his plots.

Simon and his wife have been savings group members for three years and their memberships have assisted them in their enterprise activities in several ways. Simon uses loans to stock the spaza shop and buy medicine for the livestock. He also participated in a commodity interest group with other SCG members: together they bought potato and vegetable seeds and his production increased.

Simon said that at one point, some members of his group considered sharing out every two years (instead of annually) to accumulate more capital. However, he said that it is difficult to do that since every member in the group is different and not everyone wants to do it. Also, in order to do that, they would need to deposit the money at the bank while at the same time being allowed to withdraw money from their account at any time and they are not sure whether that would be possible. Additionally, bank charges and transport costs are considered a challenge by Simon and his group.

A third potential area is the possibility of linking SCG members with *external sources of credit*. This possibility has been discussed earlier in this report, however, and it was noted that international experience thus far indicates that the introduction of large amounts of external credit to savings groups can be problematic and may do more harm than good.⁶⁴

SG members are aware of the risk of taking on large loans and generally view the possibility of taking external credit with caution. An SCG member living in Jabulani, Matatiele, expressed her concerns saying, “*If we are still struggling to manage our little money, how can we think of big loans?*”

⁶³ Savings Revolution website: <http://savings-revolution.org/blog/2012/4/2/care-equity-and-orange-launch-cell-phone-saving-group-projec.html>.

⁶⁴ Rippey, P, (2008).

9. Membership of Savings and Credit Groups

This final section explores some of the specifics of SCG membership and considers the uses of loans and share-outs more generally.

The dynamics of SCG formation have differed slightly across the two areas. Three or four groups were first established in Bergville in 2007, but since then there has been a great deal of growth and there are now approximately 90 groups in the Bergville areas visited for this study, and a number of others in other parts of KwaZulu-Natal. Matatiele has also seen a growth in the establishment of savings groups, but recently this has been slower than in Bergville area.

Figure 28: Duration of SCG Membership

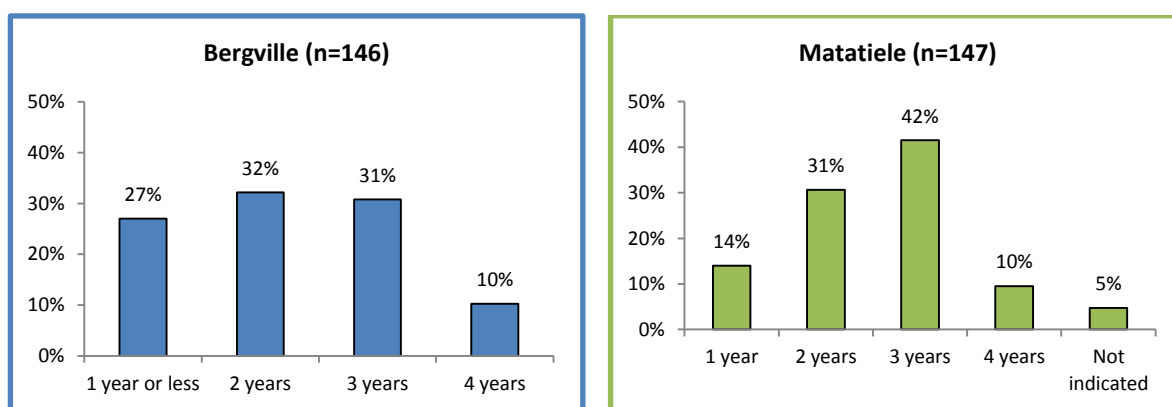
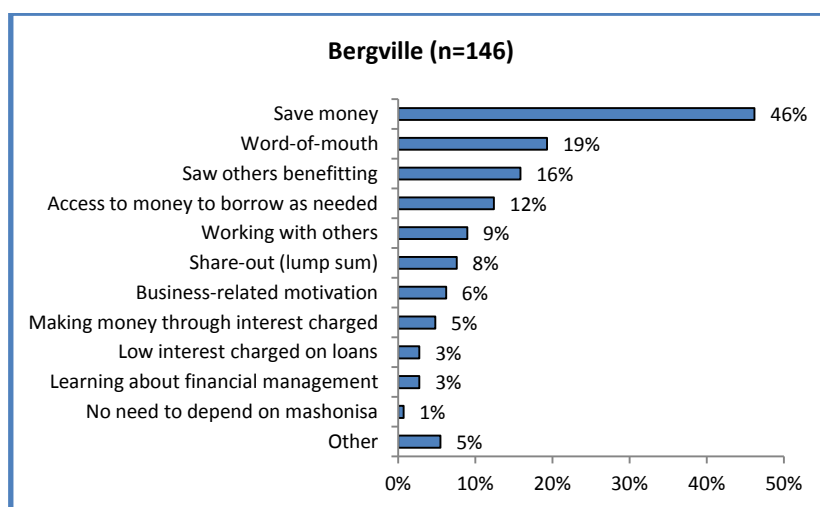


Figure 28 shows the duration of savings group membership of those involved in the survey. Although savings groups were established in Bergville **Error! Reference source not found.** before Matatiele, there appear to be more ‘new’ members (of approximately a year) in Bergville. This is mainly a reflection of the growth of savings groups in Bergville, but there has also been some attrition and movement of members in and out of groups, so that there are some new members in older groups.

Figure 29: Motivations for Joining the SCG



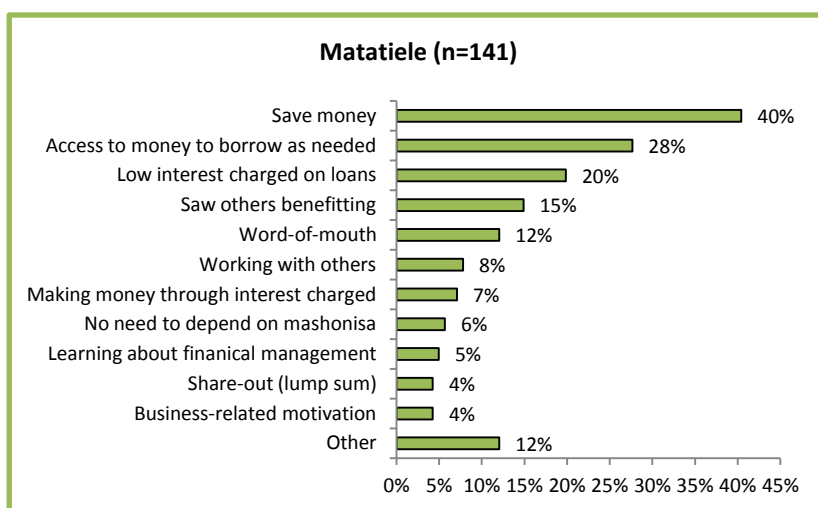
Participants provided a wide range of **reasons for joining** the SCGs (more than one reason was allowed and so the percentages in this graph do not add up to 100%). The most common (and most obvious) motivation given for joining a savings group was that they wanted to learn more about how to manage and save their money, and how to do so on small incomes. Several commented that the structured nature of the savings group methodology provides them with the discipline they need to save.

Word-of-mouth also played an important role, as many indicated that they were prompted to join after hearing about savings groups from existing members (often neighbours or relatives who recommended that they join, 19%) or after seeing the improvements that savings group membership had enabled members to make in their lives (16%), as described below:

“I heard people who save with SCG saying that it help[ed] them a lot; then I ask[ed] if I can join, they welcomed me.” (34 year old female)

“I saw many people in my community progress because of SaveAct. They were building their houses plus sending children to high learning education.” (28 year old female)

Figure 30: Motivations for Joining the SCG



Motivations for joining differed slightly in Matatiele. SCG members were again motivated to join primarily by the possibility of being able to save (40%), but also because the savings groups provide access to affordable borrowing facilities (28%). This reflects the demand for financial services as an alternative to loan sharks. A substantial number (20%) specifically mentioned that the interest charged by the SCG is reasonable compared to other sources of credit, and 7% further indicated that they liked the savings model because this interest was ‘returned’ to them at the time of the share-out. A further five per cent specified that they had joined so that they no longer had to use the services of loan sharks.

As in Bergville, seeing the benefits enjoyed by other SCG members (15%) and word of mouth (12%) also still featured as motivations. Some examples of the points made here are given below:

“I have seen other members’ lives changing for the better and asked them. They explained the SCG to me and I then decided to be a member.” (52 year old female)

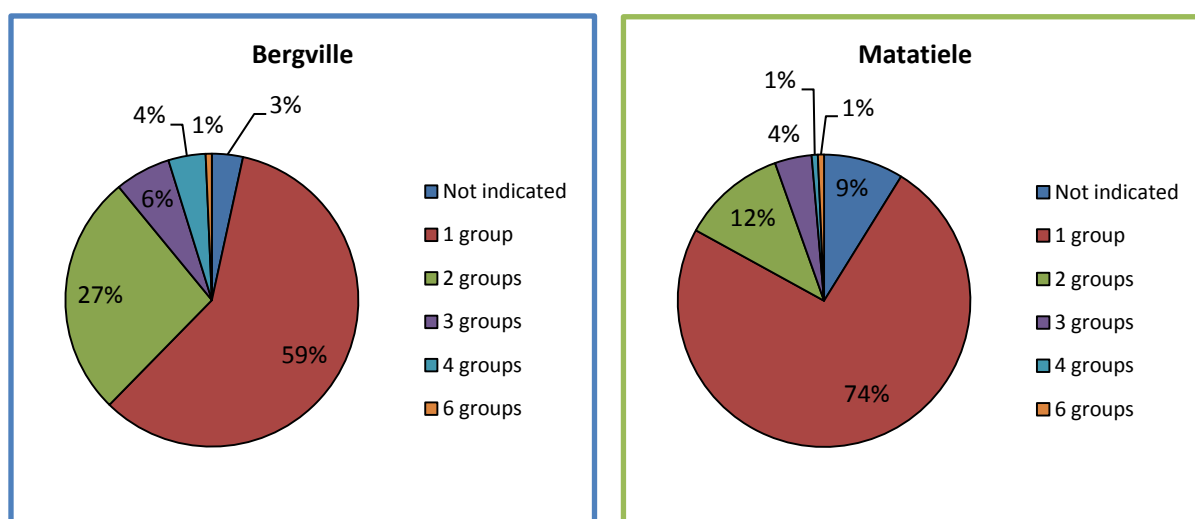
“When it was explained, I was impressed about it especially the prospect that I will not borrow money from the loan shark anymore. I liked that the interest we are paying...at the end of the year, I will get something out.” (52 year old female)

“I liked it as I could get help, like saving and taking a loan. I liked the fact that we save our own money, charge interest and at the end of the year get more money.” (51 year old female)

The role of word-of-mouth and seeing the effects of SCG membership in motivating people to join the savings groups is reinforced by the experience of field officers and CBPs in these areas. After a challenging start to the programme in both provinces as a result of some suspicion of a new model and the need to introduce it to leaders and communities alike, the savings group methodology has been accepted and is becoming trusted. The demand for training now comes from communities themselves and is often higher than SaveAct staff can meet with the current resources. A field officer from MFAC in the Matatiele area indicated that some community members had previously had a bad experience with other projects and thus showed some resistance when the programme was first introduced. In both areas, the field officers spent time visiting the local leadership to provide an accurate introduction to the savings methodology. As the field officer in the Bergville area remembers, *“It required perseverance, patience and being honest [with] the few groups that we had [at the beginning] and that built trust between the communities and SaveAct”*. Now, however, the process is much easier and more straightforward, especially in areas where SaveAct is already working. Existing members talk about the programme with family members and friends both in their own communities and in others, and this creates spontaneous demand for training without the need for mobilisation by the field officers and CBPs.

While there is a common perception that the poor live hand-to-mouth, the demand for establishing savings groups demonstrates the capacity of poor rural communities to save and mobilize capital, when a methodology that they understand and trust becomes available. Further evidence of this is the finding that a number of SCG members belong to more than one SCG, as shown in the following figures.

Figure 31: Membership of Multiple Groups



The above figures show that multiple memberships of SCGs occur in both sites, although it is more characteristic of SCG members in Bergville than Matatiele. In Bergville, two out of every five SCG members (41%) reported being part of more than one SCG; this was the case for a quarter of SCG members (26%) in Matatiele. One reason given for this is to enable members to save more than the five share limit per group per month. Other, perhaps more common, reasons are that members use groups to save for different purposes or to ensure that they receive a share out at an optimal time. Thus they might join one group that shares out in October to cover fertiliser and other agricultural inputs, and another that shares out in December to pay for school fees in January.

Multiple Memberships

Mrs Dzindgwa used to be a school teacher and is now a pensioner. She lives in Jabulani village (Matatiele) in a well developed homestead with a large house and good fencing. She is a widow and mother of one. Mrs Dzindgwa is a member of 8 SCGs. She saves small amounts and takes small loans from all groups. She says that being part of multiple SCGs helps to create confidence and trust in new groups as they recognise members from more mature groups. Also, she encourages new members to take small loans initially and use them for productive activities.

Makhesa Bhekaphezulu lives in Jabulani with her husband. They are both unemployed and started agricultural activities since they joined SCGs. Makhesa is a member of two SCGs and she says that being part of more than one group helps her in saving more. The two groups she is part of share out at different times of the year and Makhesa says this is also helpful.

9.1. Saving Behaviour in SCGs

Saving is the core feature of this methodology, and takes the form of buying 'shares'. Shares are the set amount that has been agreed to by the group (typically valued at R50 or R100) and members may buy up to five shares per month per group.

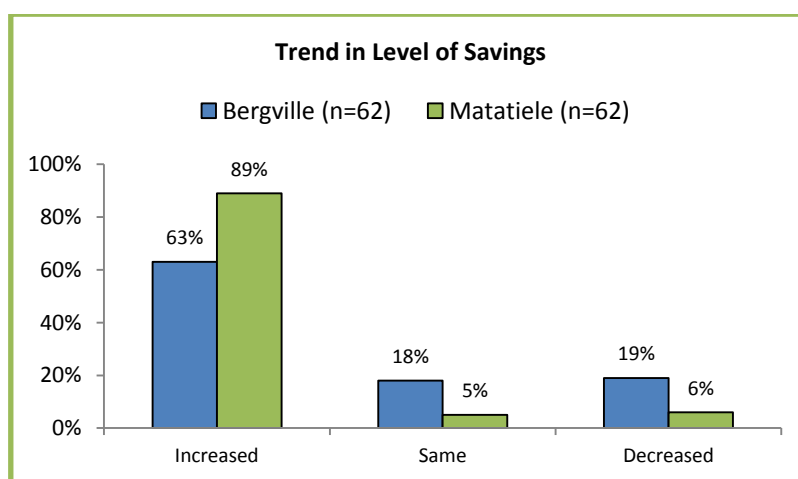
To gain some insight into the level of saving, SCG members were asked to estimate the number of shares they had bought in the previous cycle (2011). In Matatiele, many members were not able to estimate the number of shares bought or saved, but instead provided the share-out amount that they received (which is the total amount saved but also includes interest earned). The following analysis is therefore based on a limited number of responses in Matatiele. With this in mind and considering only those that were able to estimate the *number of shares* bought, it was found that an average of 21 shares in Bergville and 26 shares in Matatiele were bought in the previous cycle.⁶⁵ In both cases this is an average of approximately two shares per month, indicating that the SCG members are motivated to save more than the bare minimum.

9.1.1. Trends in Levels of Savings

To explore the existence of possible trends in the level of savings, members were also asked to indicate the number of shares they had bought the cycle prior to 2011. There were a number of SCG members who had only been part of the savings groups for a single cycle or simply could not remember the number of shares bought in 2010 and gave the share-out amounts instead. Again, therefore, it should be noted that this analysis is based on a limited number of responses. According to these data, an average of 19 shares in Bergville and 20 shares in Matatiele were bought per month in the 2010 cycles.⁶⁶

From this alone, it would appear that the average number of shares that SCG members bought increased from 2010 to 2011. When the analysis is broadened slightly to include comparisons of the share-out amounts, a similar pattern can be seen (see graph below).

Figure 32: Change in Levels of Savings between the 2010 and 2011 Cycles



The above figure shows that the large majority of SCG members have *increased* their level of savings during the last two cycles (63% in Bergville and 89% in Matatiele). When asked to explain what had

⁶⁵ This is based on responses for 131 of 146 SCG members in Bergville and only 67 of 147 in Matatiele.

⁶⁶ This is based on responses for 61 of 146 SG members in Bergville and 46 of 147 SG members in Matatiele.

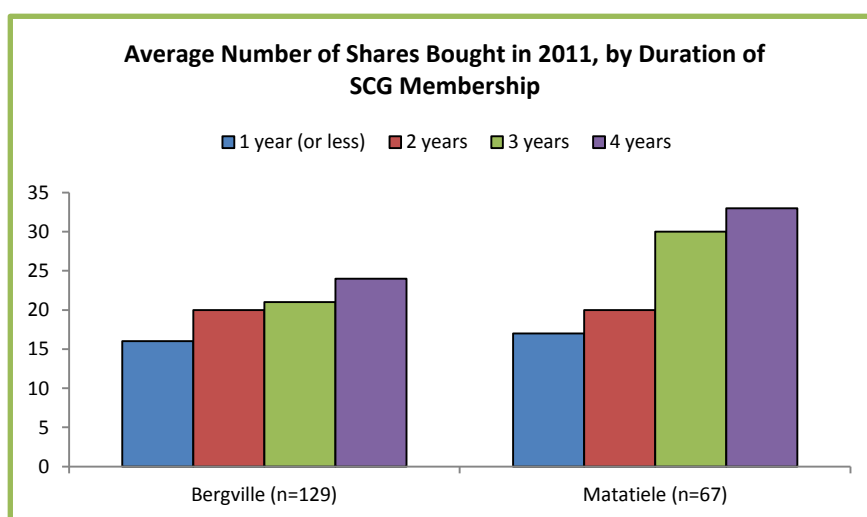
contributed to the change in the number of shares bought during the two cycles, one of the main reasons given for the change was that members wanted a bigger share out and during the previous cycle they came to understand that if they bought more shares in the course of the year (that is, if they saved more), then they would get a bigger share out at the end of the cycle.⁶⁷ This reason was most commonly given in Matatiele, but was also given by some SCG members in Bergville.

In both sites members also said that in 2010 they were new to the methodology and thus they first wanted to see how the group worked and did not save much. However, in the following cycle they increased their saving. For example, a 36 year old female SCG member reported, *“At the beginning I didn't know that the more you save the more you get at the end. This is why I bought more shares during the second cycle.”*

Some also mentioned that their enterprises were doing well in 2011, which is why they were able to save more. Another 36 year old female SCG member indicated that, *“My business is growing each day and that's why I bought more in 2011.”*

Another way to consider this is to compare the level of savings of ‘newer’ members in 2011 with the level of savings of ‘older’ members. While this cross-sectional study is not designed to measure impact (as this would require a longitudinal approach or some comparison with baseline data), it is possible to obtain an indication of trends that may exist by considering the duration of membership. The results of this analysis are shown in Figure 33.

Figure 33: Trends in Saving by Duration of SCG Membership



In both areas it appears that there is an *upward trend in the levels of savings the longer on is a member of the SCG*. This relationship is statistically significant in Matatiele, but as mentioned previously this is based on a limited number of responses from this site.

⁶⁷ This is based on 55 responses in Bergville and 65 responses in Matatiele.

Although it requires further testing, this entry-point analysis supports the previous finding that SCG members tend to save more as they become more familiar with the savings group methodology. Further evidence for this effect would need to be obtained through a longitudinal study or a study using an experimental design, which could also explore the extent to which increased participation in enterprise as a result of SCG membership feeds into this trend.

9.1.2. Source of Money for Saving

Another important question when discussing the links between savings groups and enterprise development relates to where SCG members get the money to buy the shares. If money from their enterprise activities is used to buy shares, this would show that not only can savings groups support enterprise activities, but enterprise activities can in turn support savings activities.

Figure 34: Source of Money for Buying Shares

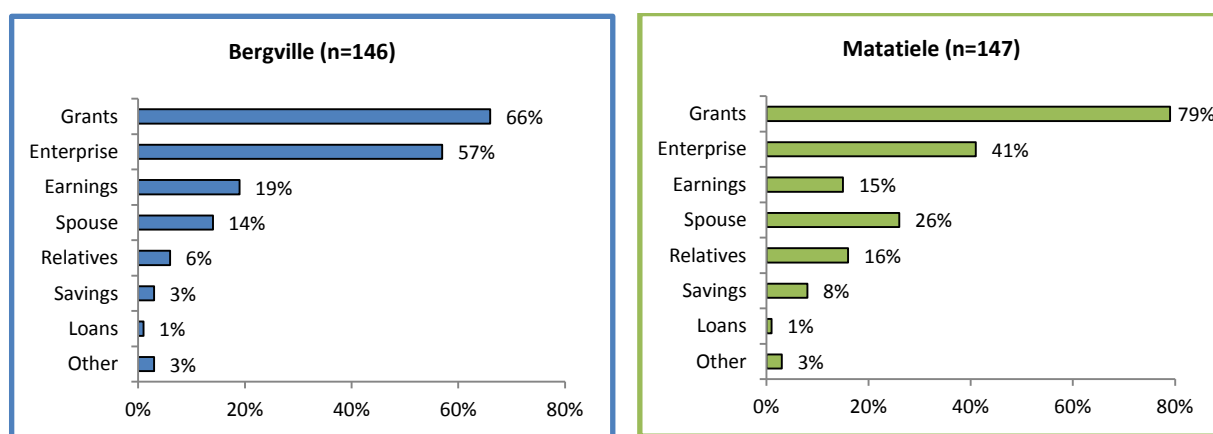


Figure 34 indicates how *often* each source was mentioned (with respondents being able to name more than one source). In both areas, grants were the most commonly mentioned source of money for buying shares (66% in Bergville and 79% in Matatiele). The regularity and predictability of the grants clearly contributes to the ability of SCG members to save regularly each month. It was noted in discussions that the date of the SCG meeting is often scheduled to take place just after the date on which grants are paid to allow for this.

Notably, earnings from enterprise activities were the second most commonly identified source of money for saving. This suggests that there is a two-way relationship at play, which can be described as a 'virtuous circle': as members build up larger lump sums and achieve greater economic stability, they are able to move into investment in enterprise. With income from their enterprise they are able to either expand their business or increase their saving activity, as shown here.

Furthermore, of the different sources of money for saving that were mentioned, SCG members were also asked to identify which they viewed as the *most important* for their saving.

Table 11: Most Important Source of Money for Saving

Most Important Source of Money for Buying Shares			
Bergville (N=146)		Matatiele (N=147)	
1. Enterprise	40%	1. Grants	44%
2. Grants	33%	2. Enterprise	22%
3. Earnings	18%	3. Spouse	13%
4. Spouse	4%	4. Earnings	9%
5. Relatives	1%	5. Relatives	4%
6. Other	1%	6. Other	1%
7. <i>Not indicated</i>	3%	7. <i>Not indicated</i>	7%
Total	100%	Total	100%

In Bergville, 40% of SCG members regarded earnings from enterprise activities as the most important source of money for buying shares, while in Matatiele, 44% of SCG members regarded grants as the most important source of money for buying shares, followed by earnings from enterprise. This underlines the significance of earnings from enterprise in supporting savings activities and contributing to the virtuous circle described above.

9.2. Use of Loans from the SCG

A previous section considered the way in which SCG loans have been used for enterprise, whether to start new enterprise activities or support existing ones. This section considers the use of SCG loans more broadly.

Savings group members reported taking an average of three loans in the last cycle (2011) in Bergville and an average of four loans in Matatiele.⁶⁸ In both sites the reported number of loans ranged from no loans to 12 loans in the cycle.

⁶⁸ This is based on 137 cases in Bergville and 136 cases in Matatiele. In both areas, 11 SCG members could remember the overall monetary value of the loans but not the number taken, or could not remember either.

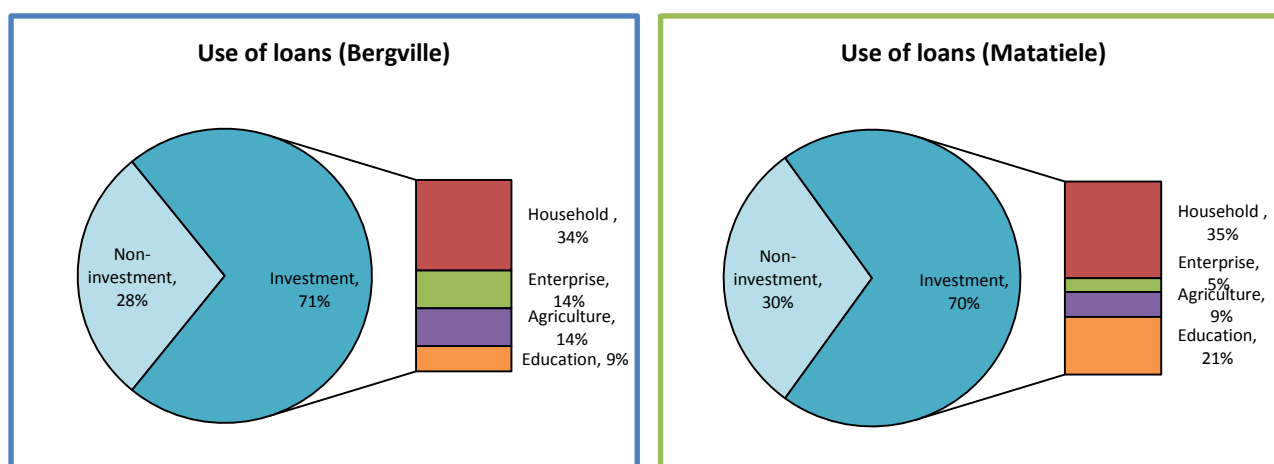
Table 12: Purpose of Loans Taken in Previous Cycle (2011)

Bergville	%	Matatiele	%
Household assets/improvements	33%	Household assets/improvements	35%
Support an existing business	14%	Educational expenses	21%
Buy inputs/assets for agriculture	9%	Buy food/groceries	17%
Educational expenses	9%	Buy inputs/assets for agriculture	7%
Buy food/groceries	8%	Support an existing business	5%
Social/cultural events	7%	Medical expenses	4%
Buy livestock/poultry	5%	Repay previous debts	2%
For emergencies	3%	Transport/tractors	1%
Transport/tractors	3%	Social/cultural events	1%
Medical expenses	2%	For emergencies	0%
Repay previous debts	2%	Other	6%
Other	6%	Total	100%
Total	100%		

The above table considers the range of purposes reported for the various loans taken out in the 2011 cycle. Of all of the purposes mentioned, approximately a third in both areas (33% in Bergville and 35% in Matatiele) referred to household improvements such as buying building materials to build, improve or renovate a house or purchasing households assets such as fridges and lounge suites. In Bergville the second most frequently mentioned purpose was to support an existing business, which referred primarily to buying stock; this was followed by covering school expenses. In Matatiele, the second most commonly mentioned reason for taking a loan was to cover educational expenses, followed by buying food or groceries.

It is worth noting that, with the exception of loans used for buying food or groceries or covering the costs of cultural events, emergencies, medical expenses and repaying debts, many of the purposes listed above can be regarded as *investment*. This is another way in which savings group membership can leverage economic opportunity, by increasing levels of investment.

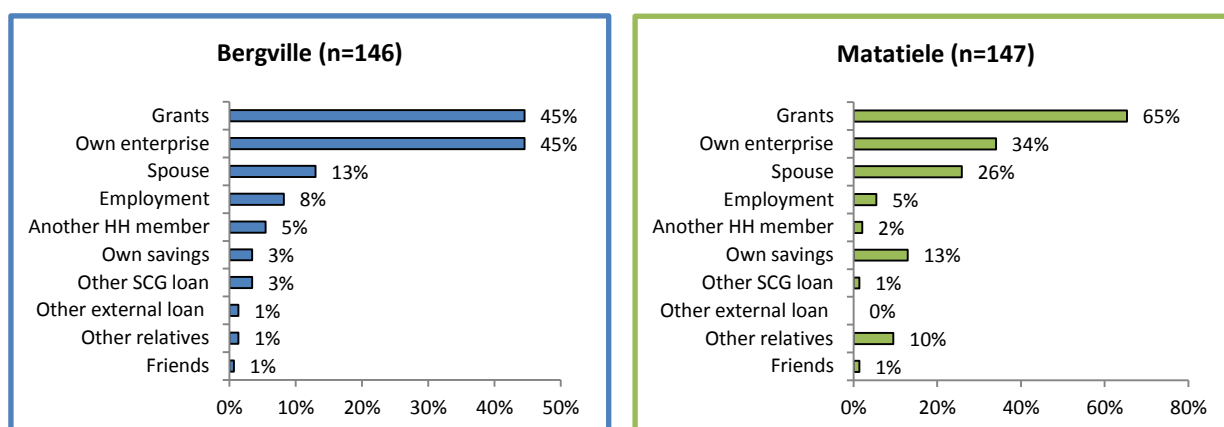
Figure 35: Use of Loans for Investment Purposes



Furthermore, while investment in household improvements and assets is relatively high (34% in Bergville and 35% in Matatiele), investment in enterprise is also evident. In the phased approach of SaveAct, it is argued that basic household stability and consumption smoothing needs to be secured before members feel ready to take a risk on enterprise. The above figures show that many members are investing in meeting their household needs; in doing so they are likely to be better able to focus on enterprise in the long run.

One concern that is often raised about providing loans to the poor is whether or not they are able to easily repay the loans that they take out, and whether or not they take out further loans to pay off their debt, thus trapping them in a cycle of debt. There is less risk of this in a savings-led rather than a credit-led approach, but with this in mind, participants were asked to indicate where they get the money to repay their last loan (see figures below).

Figure 36: Source of Money to Repay the Last Loan



In both cases, money from *grants* was most commonly used to pay back loans (45% in Bergville and 65% in Matatiele). As a regular and predictable source of income, the receipt of grants allows SCG members to plan the repayment of their loans. *Earnings from enterprise* were also mentioned as a

source, although these are less likely to be regular (45% in Bergville and 34% in Matatiele). This again underlines the importance of the two-way relationship between SCGs and enterprise – not only do savings and loans from the savings group support enterprise, but income from enterprise enables SCG members to pay back the loans they have taken.

Taking *other loans* from the savings group was mentioned as a source of money to repay the last loan taken (3% in Bergville and 1% in Matatiele) but it was not reported as a common practice. However, it was mentioned in group discussions on the seasonality of income, expenditure, savings and credit in both areas. In Bergville, a participant in Obonjaneni explained that August and September are difficult months because group members are expected to repay their loans before the share-out date. She indicated that “[you] continue to borrow even when it is closer to share-out to cover your loans”. Another participant in the same group agreed: “You have to prepare yourself to return the loans you have taken from the SCG as it is closer to share-out, and you are also required to borrow from outside of your savings club to cover your debts”. This group indicated that the SCGs do not lend money to anyone in the three months prior to the sharing-out to reduce the amount outstanding at the time of the share-out meeting. In a discussion in Matatiele, reference was made to a different example in which SCGs loans were used to pay off other loans: “we use the money from our SCG to repay in our grocery stokvel because the interest is a bit higher in the stokvel than our SCG.”

Lastly, SCG members were asked if they had taken loans from a *source other than the SCG* in last 12 months. In Bergville, only four SCG members (3%) reported having done so, supporting the assertion made in the group discussions that SCG members are much less likely to use loan sharks or *mashonisas* since joining the SCGs. One had taken a loan from a loan shark; another had taken a loan from her provident fund and the other two did not specify. The reasons for taking these loans involved paying for university fees, buying fabrics (for an enterprise activity), covering funeral costs and buying food for her daughter’s *lobola* feast.

In Matatiele, taking a loan from another source was more common: 28 SCG members (19%) said they had taken loans from a source other than an SCG in the last 12 months. This is consistent with the pattern noted earlier, that SCG members in Matatiele make more use of other financial services in addition to the SCGs. Sixteen had taken a loan from family or friends; nine had taken loans from ‘loan sharks’; four took loans from a burial society and one took a loan from a formal bank. The purpose of these loans ranged from meeting emergency expenses such as funerals or taking family members to the doctor to meeting daily basic needs such as buying groceries.

9.2.1. Decision-making around Loan Use

Given the high levels of gender inequality in South Africa and the large proportion of female SCG members, the question of how much control female SCG members have over the use of loans from the

SCGs is an important one. A key principle of the savings group methodology is building a sense of agency amongst members and enabling them to gain greater control over their finances. This includes empowering women who make up the majority of savings groups.

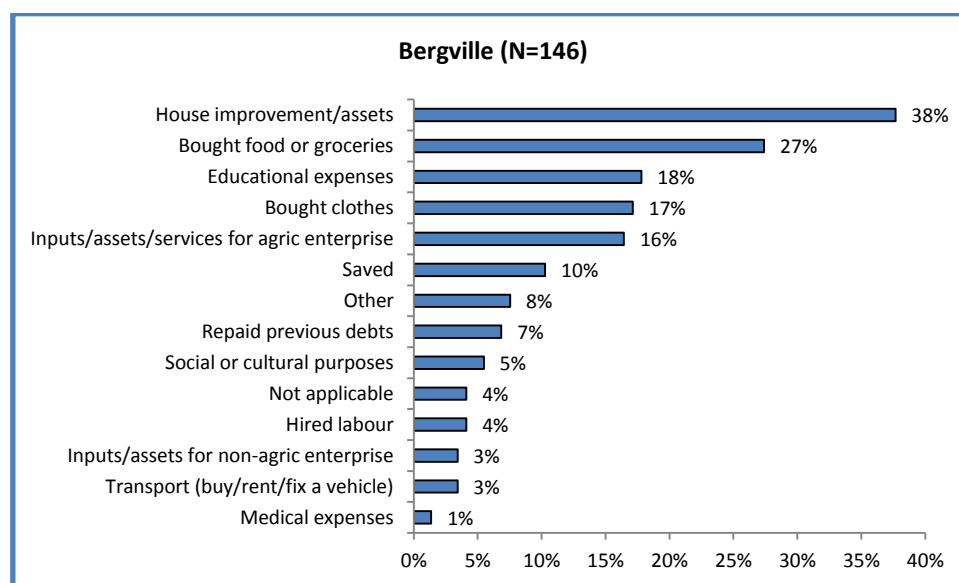
The large majority of SCG members in both areas indicated that *they* are usually the ones who decide how the loan should be used (97% of SCG members in Bergville and 80% in Matatiele). Three members in Bergville did not decide themselves; all three were women aged 20 to 35 years. Two indicated that the decision was made by ‘another member of the household’ while the third did not elaborate.

In Matatiele, all but three of the 29 SCG members who did not make the decision themselves were women. Most of these women (18) decided on the use of the loan jointly with their spouse, and only three said that their spouse or another member of the family decides, while five did not indicate. The three men who do not make the decision themselves all reported deciding jointly with their spouse.

9.3. Use of SCG Share-outs

This final section considers the use of the share-outs that SCG members receive at the end of a cycle.

Figure 37: Uses of Share-out (Bergville, 2011)

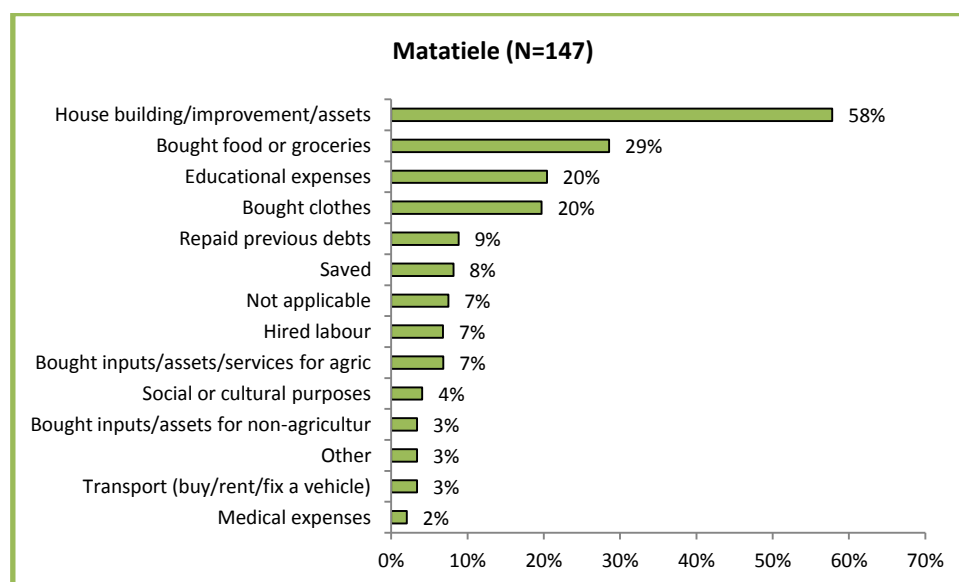


The graph above presents the wide range of uses to which share-outs were put in 2011 in Bergville. The most commonly mentioned use was, as with the loans, for household assets and improvements (mentioned by 38% of SCG members in Bergville). This covers a broad range of uses, from buying pots and pans or other larger assets such as fridges for the household, to extending the house or building a house from scratch. Seeing others being able to invest in household improvement or assets was noted by several SCG members as a factor that motivate them to join an SCG.

More than a quarter (27%) also mentioned using all or part of the shareout to buy groceries, particularly when share-outs occur at the end of the year near Christmas time. The lumps sums of the share-outs were also often used to cover or contribute towards educational expenses (18%) or buying clothes (often referred to as ‘Christmas clothes’, 17%) for the household.

Again, as with the loans, it is worth noting the extent to which members reported using their share-out to support *enterprise* activities (including agricultural activities); and how many of the purposes listed here may be defined as *investment*, whether in a child’s education or buying inputs and stock for various enterprises, including agriculture. This, together with the findings regarding the use of loans, suggests a strong relationship between savings group membership and investment that is another means of enabling economic opportunity.

Figure 38: Uses of Share-out (Matatiele, 2011)



A similarly wide range of purposes were reported for the use of share-outs in Matatiele. The top four purposes were the same as in Bergville – household improvements and assets were the top priority (58%), followed by buying food or groceries (29%) and then paying for educational expenses (20%) and the buying of clothes (20%).

Again, it is possible to see the extent to which SCG membership enables members to invest in ways they may not have done in the absence of the lump sums of the share-out.

9.4. Benefits of SCG Membership

In the survey, savings group members were asked to briefly mention the benefits (other than access to financial services) of being part of a savings group. This format did not provide much scope to explore

the benefits, but the case studies in the boxes below provide a more detailed picture. In general, the survey responses could be divided into financially-related benefits and socially-related benefits.

In Bergville, financially-related benefits were mentioned most often. This included members mentioning how they valued receiving training that enabled them to budget, plan for expenses and better manage their money, both generally and for enterprise. As a 39 year old female from Bergville put it, *“The savings group made me wiser when it comes to money and budgetting.”* The simple act of learning how to save from a “small amount of money” was also mentioned, as was the impact of learning to budget for enterprise activities. A 34 year old female who sells clothes said, *“It has help[ed] me a lot because now I know how to budget and see the profit in my business”*, while a 58 year old who currently sells surplus vegetables indicated that the main benefit for her was *“to be able to do the budget and to think forward about business”*. A few mentioned having started businesses as a result of being part of the savings groups – a 46 year old woman who sells vegetables said, *“It has helped me a lot because now I have my own business which I never thought I would”*, while another 36 year old woman who sews and sells clothes summed up the benefits by saying, *“I managed to start a business and share ideas and managed to budget for my children which I was not able to do before”*. Gaining greater financial security and reduced dependence on *mashonisas* or ‘loan sharks’ was also mentioned.

Benefits of Saving Group Membership

Thabani lives in Potshini (Bergville) with his wife, three children and three grandchildren. He belongs to three savings groups and says that they have been very helpful for the community in the following ways:

1. Savings groups have laid a strong foundation for farming practice. They have motivated members to plan and budget accordingly.
2. Most farmers have been able to increase their plots and therefore their harvest as they are able to save for and buy more inputs.
3. Savings groups provide a learning platform and reinforce acceptable behaviours.
4. Groups act as glue and are a good platform for innovation. Members are able to discuss other things beyond savings and are able to share knowledge, information and experiences of farming practice and general living tips.
5. Members are able to buy goods and pay for services on a cash basis.

Socially-related benefits were also important. These included meeting with others in the community, the resulting friendships, and having a platform from which to share ideas, discuss problems and get advice from others in a similar situation. A 43 year old woman who sells vegetables said, *“I gained that if we all come together as the [savings groups do], we can go a long way plus...each and every one shares some idea with each other”*, while a 70 year old who saves her pension money said, *“Now I’m able to know where I can go to if I need help”*.

Benefits of Saving Group Membership

Mrs Khumalo is a 58 year old widow who describes the savings programme as extremely helpful because:

- She was able to send two daughters to nursing college in Durban using her December share-out.
- She has also benefited from the bulk buying of fertilizer
- She has been able to renovate her concrete house and buy a large water tank and a small van (the latter by pooling together her savings and contributions from her two sons). She uses this van for transporting goats for her enterprise and hires it out to neighbours.
- She receives remittances but her savings group membership means she is not dependent on this money and is able to save it. Furthermore, the financial literacy training has convinced her to improve her insurance portfolio – she now has life cover and funeral cover for her family.

Mrs Khumalo has seen other broader changes as well:

- Firstly, the most visible achievement community members talk about is the bulk buying of farming inputs. This is a tangible success of the savings groups that can be seen by the community in general, including non-members.
- Secondly, they have achieved unity amongst themselves and help each other without expecting remuneration in areas such as renovating houses, providing general labour and supporting members when they have a traditional ceremony or funeral. Furthermore, where a member has taken out a loan, other members will visit the house to check whether the money has been use for its intended purpose. Anne believes this kind of peer pressure can maximize the benefits of the savings groups. In her words, *“The pillars of success are love and trustworthiness”*.
- Thirdly, Mrs Khumalo found that her confidence improved and she is happy to help others by promoting the savings programme. As she says, *“I am free, I have money”*; she leads by example and community members are able to see her achieving things for her household.

In Matatiele, the opportunity that SCGs provide for discussing and sharing problems and ideas was the most commonly mentioned benefit. A 37 year old female indicated, *“We now care what happens to one another as members. If you see something that you think will benefit your neighbour then you tell them”*, while a 36 year old who runs a spaza shop confirmed this by saying, *“The help I get is important. I am happy”*. Increased financial security was also raised as an important benefit by a number of members in Matatiele:

“The fact that you know you have a reliable source where you can get money in times of trouble.” (62 year old female)

“I was taken out of the depression of taking loans from ‘mashonisa’ which are having high interest.” (39 year old male, receives disability grant)

“I no more use loan sharks and I don’t confide in people about my problems so that they can [lend] me money. I now wait for the [savings] meeting to save and borrow.” (48 year old female)

“My financial stresses are not there now since I can borrow money from the SCG and we also help each other discussing general issues.” (23 year old female)

Being able to meet together, help one another and work together were also benefits that were valued. Several used words or phrases such as love, unity, friendship and advice in describing the benefits of SCG membership, and one referred to gaining a “spirit of working together”. A 23 year old hairdresser spoke of *“Togetherness and also getting along with other people; also learning from the elder members”*, while a 56 year old spaza shop owner summed up the benefits as *“Interacting with other people, getting advice from SaveAct...lots of things, [like] learning from the elders and being able to ‘de-stress’ with other members.”*

9.5. SCGs as a Platform for Collective Action

In addition to the financial benefits of joining an SCG, SCG members also benefit from the social aspects of being part of a group. SCGs can form a platform for collective action, and this study identified a number of examples of ways in which SCG members are working together to support their enterprise activities, especially in the area of agriculture.

Several informal activities were noted. Considering Bergville first, in the survey SCG members from different SCGs mainly in Okhombe and Obonjaneni but also in Potshini (Bergville) indicated that they grow vegetables together with other members – mention was made of growing chillies, potatoes, mealies and beans. In some cases the members sell these vegetables and split the proceeds. The representative from FSG indicated that they have provided support to some of these groups.



One SCG member in Potshini indicated that members in her group work together to sell chickens, while others spoke of the more formalised efforts of farmers groups to save collectively to buy fertiliser in bulk; their share-out meetings are timed to take place shortly before planting season. At least four groups have been established for the purpose of bulk buying fertiliser.

In another example in Bergville, SCG members reported helping each other to buy food or household assets *“such as plates, spoons and fencing”*. One specified that this assistance took the form of a stokvel. An SCG member in Potshini indicated that members in her group help each other to buy food for cultural events.

Furthermore, a Potshini SCG member indicated that SCG members are “*helping each other financially to build houses*”. The field officer confirmed this, explaining that five women in Potshini have come together on their own initiative in 2011 to help each other to buy building materials to build “*better and stronger houses...this is also benefitting their children because they live in a better environment*”.

Some groups in Bergville reported intending to undertake collective action in the near future. A group in Okhombe is apparently considering the feasibility of combining their savings to buy a tractor; another in Busingatha is looking at “*getting together to do some business*” as a result of receiving the Isiqalo enterprise training; and a third in Potshini is also “*still planning to start a business*”.

Turning now to Matatiele, SCG members in at least nine groups reported working with other SCG members to buy seeds in bulk (as described in the section on agriculture). This is a commodity interest group (CGI) initiative, in which members buy seeds and other agricultural inputs jointly. CGIs give members from different SCGs who are interested in the same commodity, such as potatoes, an opportunity to work together. Each SCG is represented in a commodity interest group by about three to four members and approximately 10 SCGs work together in the same commodity interest group. The commodity interest group focusing on potatoes has organised bulk buying of seeds since 2010, and there has been a substantial increase in the number of orders placed between 2010 and 2012. By buying in bulk, members are able to access discount for large orders and save on transport costs.

Other informal activities noted in the survey in Matatiele included small rotational stokvels, often for the purpose of buying groceries at the end of the year (for the festivities). In two groups, SCG members spoke of lending each other money, in one case so that SCG members can “*buy [in] cash from the credit shops*” and in the other to pay back debts. In a further case an SCG member reported that the group members help each other with burial services.

Example of Potential Collective Action

Simon and his wife live in the Jabulani village (Matatiele) and are both members of the Masibambane SCG. Simon farms two plots with crops for sale and fodder for his livestock and runs a spaza shop where he sells part of his produce.

Simon believes in using his SCG as a platform for collective initiatives and mentioned that his group would like to apply for a borehole in the area which they could pay for with their savings. But not all members are interested in the activity and some would not be able to take part in it. The borehole, Simon said, would help with water scarcity during winter months but only half of the village is affected by this issue. Moreover, there are technical questions, such as whether they would need a licence for the borehole, for which the group would like to have external assistance and training.

9.6. Sustainability and Adaptations of the Model

The final aspect to be dealt with here is the sustainability of the model and the adaptations that have been made to it to better suit the needs of members, particularly with regards to supporting enterprise activities. As with most development initiatives, it is important to ask whether these initiatives will last over time and whether they will be able to sustain themselves even without the support of the initiator of the project (SaveAct in this case).

9.6.1. Sustainability of SCGs

With savings groups, it is common to talk about sustainability in terms of the *graduation* of groups. Graduated groups are those that are able to conduct their meetings and share-outs on their own without support from the field officers or CBPs. A number of criteria must be met for a group to be considered to have graduated. The performance of groups is therefore tracked in terms of their ability to follow their constitution, deal with internal issues and run the savings meetings. After a certain period of training (which usually lasts between 12 and 18 months), and mentorship by a field officer or CBP, most of the groups are considered eligible to graduate. According to field officers and the programme manager in the Eastern Cape, some of the drivers for a group to be successful include: trust within the group, good leadership, proactive membership and the ability and motivation to follow the constitution. After graduation, groups are usually monitored only on specific request from the group, usually on the occasion of the share-out meeting where groups may wish an ‘independent’ third party to attend.

A second point on sustainability is that increasingly, groups that are supported by CBPs are paying a *contribution* to the CBP for the use of her services. This cost is therefore carried by the savings group and is independent of the initiating organisation (SaveAct).

In addition to being simple enough to be understood by non-literate members and being flexible enough to respond to different needs, the savings methodology is also well suited to be taken to scale and there is increasing demand for this. In interviews with the SaveAct field officers it was noted that while initially a great deal of work and liaising with community leaders was required to promote the model and mobilise communities, now the field officers find that in those communities where SaveAct is already working, the model is promoting itself and there is no need for further mobilisation. They indicated that now that SaveAct and the model have gained credibility and trust has been built with communities, the process is much easier. They also noted that there is increasing demand for training in the savings methodology, suggesting that there is already scope for scaling up.

9.6.2. Adaptations of the SCG model

Turning now to adaptations of the methodology, the study identified several initiatives to adapt the savings methodology to suit their needs, but most of these took place within the structured framework

of the model. In one example, interviewees in both sites noted that the SCG meeting date is often decided based on the day on which members receive their social grants. As the majority of the people rely on unstable incomes, grants form a predictable income that enables members to plan their saving and repay their loans.

The share-out date is also decided by members themselves and a few groups, after gaining confidence with the model, have started changing this date for specific purposes. For instance, in a further example of SCGs supporting enterprise, some groups in the area of Bergville are now sharing out in October, before the beginning of the planting season, in order to have enough capital to buy the inputs needed for ploughing and planting their fields. In Matatiele it was reported that some groups have started sharing out in January as this is the month in which educational expenses such as paying for school fees, uniforms and books are high.

10. Conclusions

SaveAct's mission is to respond to poverty in the region by promoting SCGs as "effective instruments for accessing financial services, building sustainable livelihoods and empowering women and other vulnerable groups".⁶⁹ Access to safe and reliable financial services is particularly important in rural areas such as Bergville and Matatiele because households in these areas are reliant on small incomes from sources such as social grants, remittances and often irregular earnings from small and micro-enterprise (which are often agricultural and therefore seasonal) for their livelihoods. As in previous studies, the seasonality analysis described here suggests that the SCG members are making use of financial services (such as savings and loans) to smooth consumption in the face of variations in income or emergencies, although this was more evident in Bergville than in Matatiele.⁷⁰

SCGs provide members with a safe and structured means of saving, access to loans and the social fund in the case of emergencies. Compared to other informal financial services present in rural areas, SCGs are a safer and convenient way to save and take loans. They build on the culture of informal savings arrangements such as stokvels, but differ from a standard stokvel because they are bound by a constitution, receive training and earn interest on loans. They also differ from the money lenders or loan sharks because they are savings-led and provide loans to members at lower rates of interest.

The SCG services – namely loans, share-outs and the social fund – enable SCG members to better manage their limited and varying incomes to meet day-to-day expenses and manage cash flows as well as cover 'big ticket' expenses (such as ploughing sufficient land or paying for a child's education) and cope with emergencies. These services essentially provide SCG members with choice and greater control over their financial situations, as indicated by a thirty-three year old female SCG member in Matatiele who summed up the benefits of SCG membership by saying, "*Life is better now, I do not struggle like before in terms of money issues.*"

An area that is less well understood and explored in this context is the extent to which SCG membership enables or supports micro-enterprise activity. The overall aim of this study was to document ways in which this occurs.

Indirectly, SCGs contribute to enterprise development by laying a more financially secure foundation for the household and the cash flow of any current or future enterprise. Once basic household economic stability has been achieved through access to savings and (relatively) low-cost loans, individuals are more likely to feel ready to take the risk of entering into enterprise activities.

⁶⁹ Taken from the SaveAct website: www.saveact.co.za.

⁷⁰ Högman (2009); Barber (2011)

Several more *direct* pathways through which SCG membership enables or supports enterprise activity emerged during the course of this study. SCGs help stabilise consumption and build assets, creating a platform to:

1. Provide access to savings and credit to start and support small enterprise activities
2. Develop an ‘upward spiral’ based on the two-way relationship between savings and enterprise activities
3. Enable and grow both household and enterprise investment
4. Build agency and further social capital
5. Undertake collective action and networking.

Each of these is discussed in more detail below. Before doing so, however, it is worth noting two points. Firstly, these self-selected groups build on existing *social capital*, which in turn is strengthened through the establishment of these groups. Community relationships and trust are therefore vital not only as a starting point for this methodology but also in supporting and building these groups over time. Secondly, it is recognised that these pathways are *not* ‘automatic’ and SCG members will experience them to varying degrees as not all SCG members will be entrepreneurial. However, in a context in which alternative sources of income are limited, many will engage in micro-enterprise activities and SCGs provide a platform that encourages and supports such enterprise development in important ways, as described below.

10.1. Accessing Savings and Credit to Start and Support Small Enterprise Activities

One of the benefits of SCG membership mentioned by members in this study is that they receive training on how to manage their money and have a structured way in which to save or build lump sums. This provides SCG members with access to the required funds (in the form of loans and their own savings) to start and maintain small enterprise activities.

- The study found that of all of the SCG members interviewed, 10% in Bergville and 12% in Matatiele had used loans or share-out money from the SCG in the previous year to finance the **start-up** of a new enterprise activity (this in a context where many of the SCG members are elderly and are not expected to be economically active). Most of those who started an enterprise activity *after* joining an SCG indicated that their membership had enabled them to buy the required stock and inputs to get started.
- Of those *already* involved in some form of enterprise activity, more than three quarters in Bergville (78%) and three out of five in Matatiele (59%) had used a loan from the SCG to **support** their enterprise activities in some way. Many of these members reported that access to loans and their own savings assisted with their cash flow and enabled them to buy the inputs and stock that they needed at the time they needed it. SCGs therefore play an important role in

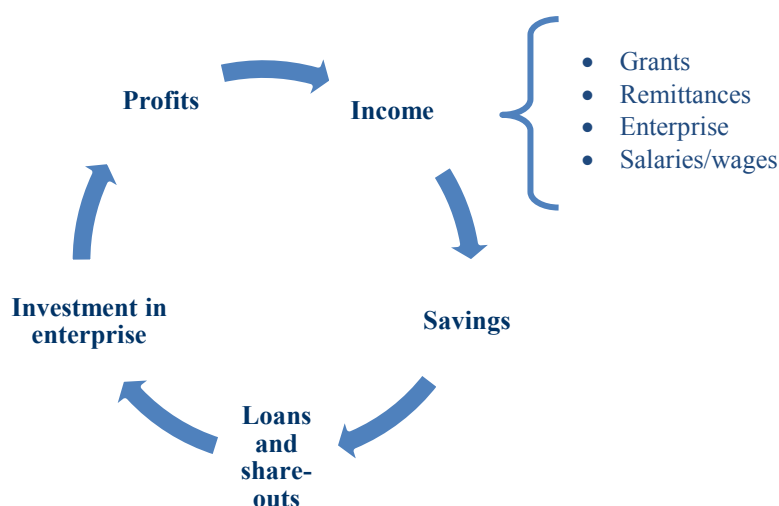
providing members with access to funds they may not otherwise have had to both initiate and maintain enterprise activities.

- The study also found indications of a positive relationship between involvement in enterprise activity and length of SCG membership – in Bergville, the longer individuals were members of an SCG, the more likely they are to be involved in enterprise activities. This relationship and the potential dynamics behind it warrant further investigation in a longitudinal study or impact assessment as it suggests an important role for SCGs in promoting and supporting economic opportunity.

10.2. Developing an Upward Spiral: the ‘Virtuous Circle’ of Savings and Enterprise

The role of SCGs in stimulating and supporting small enterprise activity is not only a one-way relationship, however; there is the potential for a multiplier effect as illustrated in the diagram below.

Figure 39: Virtuous Circle of Savings and Small Enterprise Activities



As shown in the diagram, income from a range of sources is used to support saving activities. Through the SCG, these savings become available to the group in the form of loans during the cycle and to individual members in the form of a share-out at the end of the cycle. As SCG members build up larger lump sums and achieve greater economic stability, they are able to invest more in enterprise. Through this investment, they are able to increase or improve their income and increase their saving activity, thus supporting their SCG membership. This also creates the opportunity for other members to secure loan capital for similar ventures.

Although idealised, this ‘**virtuous circle**’ also has the potential to develop into an **upward spiral**, as increased savings boost increased investment in enterprise activities, which in turn increases income available for savings activities. This suggests that savings, investment and enterprise activities may be mutually reinforcing and bodes well for the sustainability of the model.

- Some support for this two-way relationship comes from the finding that in both sites, the two most commonly mentioned **sources of money for saving** were money from social grants and earnings from enterprise activities. In Bergville, earnings from enterprise were most commonly identified as the *most important* source of money for saving; in Matatiele, earnings from enterprise activities were second only to social grants as the most important source for saving. This suggests that there is indeed a ‘virtuous circle’ at play, with earnings from small enterprise activities playing an important role in supporting savings activities.
- It is also worth noting here the role that **grants** play in supporting savings. Although intended primarily to support consumption, grants provide a regular and predictable amount each month that allow SCG members to save a portion each month, make regular repayments on loans and, at the end of the cycle, access a lump sum share-out that can be used for investments such as paying schools or tertiary fees for children. The study found that some SCGs schedule their meetings around the grant pay-out dates to enable this. In this way SCG membership promotes the investment of money from social grants and has the potential to increase the benefits of the grants. The capacity of grant recipients to withstand shocks and stresses will also have been extended, thus contributing to social protection.

10.3. Enabling and Growing Investment

As mentioned above, the capacity to invest is also important in supporting enterprise development. Over and above the safe and structured vehicle through which members can invest their savings that SCGs provide, the study found that members use both their share-outs and the SCG loans for investment purposes.

- Approximately 70% of the loan uses reported for 2011 could be defined as investment. Investments in household improvements and household assets were the most common. Investment in production such as agricultural and other enterprises was also mentioned, with members buying assets for enterprises (such as a fridge for a spaza shop or a grass-cutter) while others improved their premises. A similar pattern of investment was noted in the use of share-outs.
- The fact that investment in both household and enterprise improvements were reported suggests that members are meeting household needs by building assets and investing in education, while at the same time also investing in enterprise. Both kinds of investment are required to provide a stable foundation from which to grow and improve enterprise activities. As asset bases expand, so aversion to risk tends to decrease, thereby increasing the likelihood of members expanding enterprise activities, including starting new enterprises.

- In addition to enabling investment, the study also found indications that SCG members increase their levels of savings over time. Some indicated that they saved more as they became more familiar and comfortable with the model because they wanted to increase their share-outs. Members are therefore investing more of their income in the SCGs, and this money may in turn be used for other forms of investment such as buying inputs for enterprise activities.

10.4. Building Agency and Further Social Capital

Moving beyond the financial and economic role played by SCGs in enterprise development, the findings show that the group structure of SCGs also has an important role to play.

- For individuals to become involved in or maintain and improve enterprise activities they require a sense of **agency** and confidence in their ability to manage their finances. In describing their motivations for joining the SCG and the benefits of being members, several mentioned the training that helps them to better manage their finances and that SCG membership enables them to achieve a level of financial independence and reduce their reliance on loans sharks.
- SCGs also provide a platform for sharing new ideas as well as problems they experience, both in terms of enterprise activities or financial management and more broadly. In this way, **social capital** is built as trust in each other, as well as mutual support, are the building blocks of any group. This was an aspect that came through strongly when members were asked about the benefits of being part of an SCG: Members spoke of making new friends and gaining a new sense of community and collective power. Members reported feeling that they can rely on the support of other members in their group and are able to do things together that they would not be able to do as individuals. SCGs therefore form a basis for building self-reliance amongst group members, enabling them to work together and “*comfort each other when the days are dark*”. When social capital and financial capital are available in the same place, members are able to reactivate their dreams and do things that they thought would never happen. Because they are now able to access capital and find support in each other, members are able to change their lives for the better.
- The sense of agency is also supported by a feeling of **ownership** of the process. Members spoke of the fact that the money is kept by group members (rather than by an external party) and that any interest paid on loans is ‘returned’ to the members in the form of interest in the share-out. The self-selection amongst groups and transparency of the group process at savings group meetings further support the sense of accountability and ownership.
- Lastly, in terms of building agency, the research found that when asked about the use of loans, the majority of members (most of whom are women) indicated that they decided autonomously on how to use the loans from SCGs. When this was not the case, the decision was generally

taken jointly with the spouse or another family member. While this must be understood in the context of many of the female SCG members not having male partners living with them, it is important from a gender empowerment point of view to note that SCGs appear to provide women with a means to exercise greater control over their financial situations.

10.5. Engaging in Collective Action and Networking

Collective action builds on this social capital and allows SCG members to undertake activities they would not necessarily be able to undertake on their own. The study noted both informal collective actions that have developed spontaneously or organically as well as more formalised efforts in support of enterprise activities, particularly in the area of agriculture.

- The study noted several groups in Bergville that have been established by farmers with the purpose of saving collectively for the **bulk buying** of fertiliser prior to planting season. SCG membership also provided a basis for establishing commodity interest groups in Matatiele, which bring together members from different SCGs who are involved in enterprises focused on a particular agricultural commodity. These groups form the basis for further collective activities such as training or organising the bulk buying of seeds.
- The SCGs also provide a platform for other more **informal** collective activities. Activities identified in the study include growing vegetables together, buying food and households assets or helping each other with building houses or burial services.
- Furthermore, partnerships between SaveAct and other agriculturally focused NGOs in these areas such as the Farmer Support Group in Bergville and Lima Rural Development Foundation in Matatiele have also increased the access of SCG members to technical assistance in their agricultural activities.

10.6. The Role of SCGs in Supporting Agricultural Enterprise

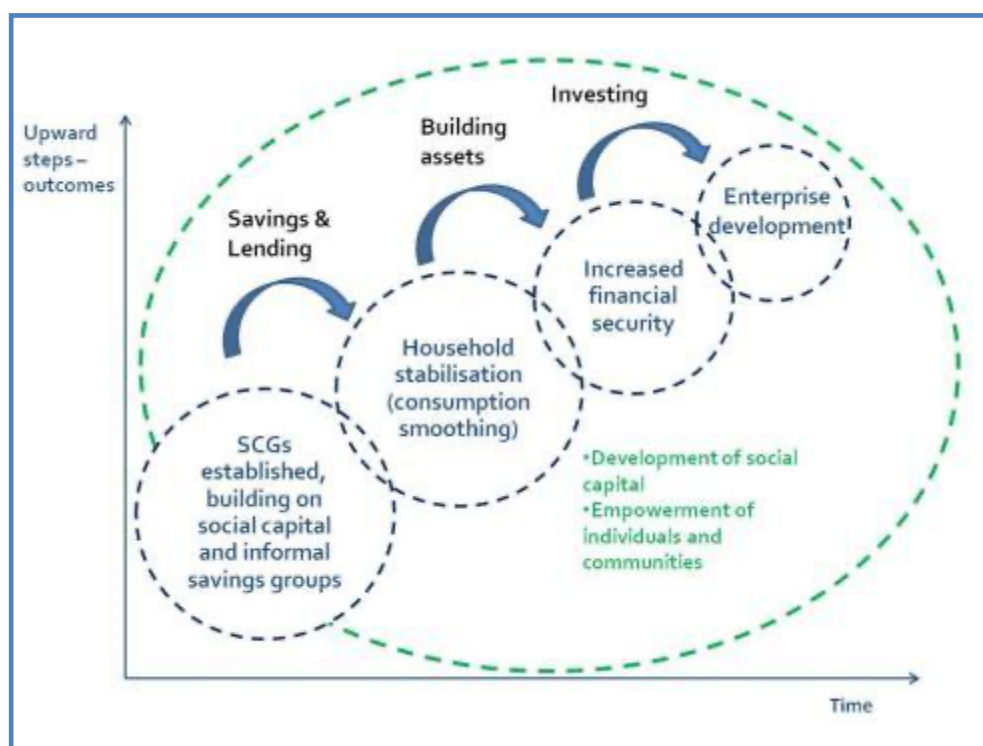
While all of the pathways identified above apply to agricultural enterprises, given the agricultural focus of the study it is useful to summarise the ways in which SCGs support agricultural enterprise in particular.

- In this context most households are involved in agricultural activities, whether for subsistence or sale. Agriculture is a risk prone activity and having a **cushion** to cope with the unexpected is critical to the smallholder farmer. As mentioned above, access to financial services such as SCG loans and a safe and structured means of building savings means that SCG members are able to invest in their agricultural enterprise. A review of the uses of loans taken out in 2011 and the way in which SCG members used their share-outs in the same year shows that a number were used for agricultural purposes, in particular to buy inputs and pay for services.

- As indicated above, SCGs represent platforms which can be used for **collective activities** in the field of agriculture. Savings meetings not only allow farmers to share their ideas and knowledge in terms of farming activities and techniques but also give them a space in which they can plan activities together.
- The considerable potential that SCG membership has for supporting agricultural activities is demonstrated by the ways in which several groups of active farmers have structured their SCG meetings to **leverage** their benefits for agriculture. Several groups, especially in the area of Bergville, set the date of their share-out meeting to coincide with the start of the planting season so that they have a lump sum available to invest in fertilizer and other agricultural inputs. Some farmers manage their seasonal capital requirements by belonging to more than one SCG and carefully plan their share-outs for maximum economic advantage.
- Furthermore, savings groups meetings are natural places for **local market exchange** for farmers. Often large numbers of SCG members gather in one village to do their saving and members bring their produce or other products to sell at meetings. The potential for further innovation also exists, especially when members have the opportunity to think collectively and create networks among themselves and with other organisations.

The ways in which SCGs support and leverage enterprise activity are therefore varied and dynamic, with elements building on each other. The diagram below illustrates this process as understood in this study.

Figure 40: Ways in which SCG Membership Enables Economic Activity



As noted, SCGs build on a culture of informal savings groups and social capital or community relationships and trust which are already present in rural communities. Participating in an SCG provides members with access to savings and lending services which assist with consumption smoothing and increased household economic stability. With increased capacity to meet day-to-day needs, members are able to build household assets and better cope with emergencies, thus achieving greater financial security. This provides a platform from which SCG members are able to take on more risk and invest in the development of enterprise activities. SCGs can act as an incubator for enterprise, although the decreasing circles in the figure above are in recognition of the fact that not all members are entrepreneurs. The entire process is conducive to the development of social capital, thus strengthening community relationships, building collective power and agency and increasing trust.

This study documents a range of ways in which SCGs support enterprise activities, and provides a snapshot of what is currently happening among SCG members in these areas. A longitudinal study would be useful to explore some of these relationships and pathways in more detail and to consider how SCG membership might support and build enterprise over time.

10.7. Recommendations

Bearing in mind the range of ways in which SCGs can support small enterprise activities amongst the poor as documented here, there are four main areas that are recommended for further consideration.

10.7.1. Continue work on sustainability

- The study has found that many are the ways in which SCG membership can change the lives of poor people living in rural areas. The demand for training in this savings methodology is high and therefore it is recommended that further consideration be given to exploring ways in which to scale up the model and continue the current work on promoting the sustainability of the groups.

10.7.2. Explore links to formal financial services

A second area for further exploration relates to the links that could be developed between SCGs and formal financial services.

- The first of these could be developed at a **transactional level**. Many SCG members have access to bank accounts which they use to receive grants or remittances, or to send money to relatives and friends, but they do not use them for savings or credit. Thus, the creation of a group bank account which could be used for these purposes could be explored. One way in which access to a group bank account would be useful for SCG members is when they have excess liquidity, as the large amounts of capital accumulated towards the end of a savings cycle can pose a security

risk. An example of an attempt in this direction has recently been tried with savings groups in Kenya by CARE in partnership with Equity and Orange.⁷¹

- A second area for consideration is the development of **new products or products tailored to this audience**, such as longer term investment products that would provide SCG members with access to larger lump sums of money to invest in their enterprises. Commitment savings is another potential means of increasing savings.⁷² When developing new products it would be important to keep in mind the reasons that members tend to prefer SCGs to other services, namely that they are convenient, transparent and there is accountability.
- A further area for consideration is access to **additional credit**, but it is recommended that this is approached with caution. Experience in other countries suggests that the results of linking savings groups with external sources of credit have been mixed at best and can potentially do more harm than good. Members themselves, when asked in group discussions, were extremely cautious about option, raising concerns about their ability to repay external loans due to the seasonality of their income, the timing of access to such credit and whether or not there would be consultation about the purposes for which such credit could be used.

10.7.3. Provide further training support

- The research has shown that **training** is highly valued by members and that there is demand for further training and support for enterprise development, particularly in agriculture. Thus it is recommended that SaveAct work together with partner organisations to explore ways in which to provide access to additional training and support to those involved in small and micro-enterprise, particularly in agriculture.

10.7.4. Further research

- This study has been able to provide a snapshot of what is the ways in which SCG membership supports enterprise development, but is not able to test the relationship between SCG membership and enterprise development over time. It is recommended that the effects of SCG membership on levels of participation in enterprise and the capacity to save over time should be explored further through a **longitudinal** study. Such a study would also assist in gaining a better understanding of the paths that SCG members might follow from achieving basic livelihood security through to enterprise development, casting light on how these change over time as groups evolve.

⁷¹ Savings Revolution website: <http://savings-revolution.org/blog/2012/4/2/care-equity-and-orange-launch-cell-phone-saving-group-projec.html>

⁷² Basu (2010) defines commitment savings as “a contract that makes savings balances illiquid until a specified set of deposits have been made”.

- With the potential of SCGs for promoting enterprise activities in mind, there is room for further research on new financial tools (such as the examples given above) as well as technology (such as cell-phone banking) that may assist SCGs member in improving their livelihoods and supporting their enterprise activities, particularly in agriculture.

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12. Appendix 2: Case Studies

12.1. Bergville Case Studies

12.1.1. Case study 1: Mrs Khumalo (4 SCGs)

Mrs Khumalo is a 58 year old widow living with her four grandchildren in Obonjaneni.

Current Membership of Savings Groups

She has been participating in savings groups since 2008 when SaveAct first started the programme in her area. Mrs Khumalo participates in four groups: three are for 'ordinary' savings and the fourth is for farmers saving for farming inputs. She does not hold positions in these groups but performs other duties as required to ensure transparency and conformity to the rules and procedures. She also mobilises other women to establish savings groups. *"They [community members] come running to me wanting to save. I help them; show them how savings are done."* She also lets community members use her house for savings-related meetings. In her opinion, for any member to succeed in the savings programme he or she needs to be trustworthy and to follow the rules and procedures: *"The most important thing in this journey is to be trustworthy."*



Participation in Agriculture

Mrs Khumalo keeps nine sheep, six goats and four cows. Together with two male business partners, she has started an enterprise selling goats. They have identified and fenced a camp for keeping goats and sheep. In addition, Mrs Khumalo sells clothing that she buys in Pietermaritzburg. This is her main enterprise activity and it supports the goat selling enterprise. In addition, she has started crop production and has recently completed testing the soil. She is now waiting for the results so that she will know her options. She also has a small 'doorstep' garden for household consumption.

Benefits of Saving Group Membership

Mrs Khumalo identified several benefits of participating in the savings groups. She describes the savings programme as extremely helpful to her family as she has been able to send two of her daughters to a nursing college in Durban. She has used her December share-out to pay for the tuition. She has also benefited from the bulk buying of fertilizer and has been able to renovate her concrete house, buy a large water tank, and buy a small van (by pooling together her savings and contributions from her two sons who are already employed). She uses this van for transporting goats and hires it out to neighbours. Mrs Khumalo receives remittances but her savings group membership means she is not dependent on this money and is able to save it. Furthermore, the financial literacy training has convinced her to improve her insurance portfolio – she now has life cover and funeral cover for her family.

Changes Noticed as a Result of Savings Group Membership

Mrs Khumalo believes that all members of the groups she participates in are able to show evidence of changes. Bearing in mind what she has been able to achieve, she identified four changes the savings programme has made as follows:

1. Firstly, the most visible achievement community members talk about is the bulk buying of farming inputs. This is a tangible success of the savings programme that can be seen by the community in general, including non-members.
2. Secondly, she has been able to buy a water harvesting tank and a van, and has used some of the money to renovate her house.
3. Thirdly, where she has paid the tuition fees for her daughters at the nursing college, other members have also used their share-out lump sums to pay for school fees.
4. Lastly and most important, they have achieved unity amongst themselves and help each other without any expectation of remuneration. This has been evident when it comes to renovating houses, providing general labour and providing support when a member has a traditional ceremony or a funeral. Furthermore, where a member has taken out a loan, some members will visit the house to check whether the money has been used for its intended purpose. Members who have paid school fees present invoices and receipts as proof of payment. Mrs Khumalo believes that in this way, peer pressure can be used to maximize the benefits of the savings programme. In her words, *“The pillars of success are love and trustworthiness.”*

Furthermore, Mrs Khumalo found that her confidence has improved and she is very happy to help others by promoting the savings programme. As she says, *“I am free, I have money... I worship God in the church.”* She leads by example and members of the community are able to see her achieving things for her household.



12.1.2. Case study 2: Mr Madondo (3 SCGs)

Mr Madondo lives in Potshini, south-west of Bergville. He is 42 years and lives with his wife, three children and three grandchildren. Although he did not complete his schooling because he was expected to work on the farms as a child, he later attended adult basic education classes and recently completed a two-year development diploma at the University of KwaZulu-Natal.

Current Membership of Savings Groups

Mr Madondo has played multiple roles in savings groups since they were introduced to his area four years ago. He has mobilised households in Potshini and beyond to participate in the programme and has provided supervision and mentorship. He is a member of three groups, one of which focuses on bulk buying of fertiliser.

He participates in the programme because firstly, membership of the group helps with smoothing household consumption and provides easily accessible lump sums that help with meeting daily financial pressures. Secondly, the share-outs allow for the payment of expensive services and goods; in his case, Mr Madondo was able to contribute towards the construction of his five-roomed concrete house. To do so he took out an SCG loan to buy cows which he later sold at a profit, and with this he was able to buy building materials for the house. Thirdly, the bulk buying of farming inputs was initiated through the savings groups.

Participation in Agriculture

Mr Madondo keeps two cows, five goats and more than 20 chickens. He produces a limited amount of vegetables for household consumption and grows maize and beans for both consumption and the local market. The maize harvest was good last year at approximately two tons, although his wife sold only half of that. They do not keep

records of sales and Mr Madondo says that the proceeds of those sales were instantly consumed by the family. His wife normally decides on the use of this money as she is the one who knows the financial pressures and needs of the household.

They use chemicals and fertilisers for farming, and Mr Madondo has access to a hired tractor and community-owned planter. He has also benefited from an irrigation project that was established a few years ago in which each community garden was provided with 5 kl water tank that was dug into the ground. A water pipe was laid to draw water from the source, and farmers then draw water from the tank by hand to irrigate their plants.

Mr Madondo identified several challenges faced by smallholder farmers. For example, the prices of inputs such as fertiliser keep rising, and this impacts on savings as members try to synchronise the amount they want to save with the number of bags of fertiliser they want to buy at the end of the cycle (beginning of planting season). Mr Madondo also described bulk buying as a very fluid exercise, as previously two or three members pulled out a few days before the purchase which decreased the tonnage and compromised the bargaining power of the group. In addition, bulk buying needs a dedicated driver. A further area of challenge relates to the impact of climate change, in that planting seasons are delayed. When the rains arrive late, there is increased demand for the tractor after the first rains, causing further delays. This was the case last year, when instead of planting maize in October they planted in December, compromising the harvest output. Lastly, Mr Madondo noted that markets remain the biggest challenge. The quality of the harvest is not yet attractive to the external market and each time farmers bring their harvest to these markets it is downgraded.

Mr Madondo has received training on farming practices from the Agricultural Research Council (ARC, including soil conservation and mushroom production) and training on project management was facilitated by Lusisi Holdings. The Farmer Support Group has provided training on water harvesting, organic farming and organisational development focusing on management of meetings, while SaveAct has provided training on the savings model and enterprise development (*Isiqalo*).

Besides savings, the Madondo family participate in other community initiatives such as helping other families during planting or harvesting seasons (for no remuneration). They do not get any external financial support to improve their farming practice, and he only borrows from other sources when there is an urgent need for money that cannot wait for the following group meeting.

Benefits of SCG Membership

Mr Madondo indicated that SCGs have been very helpful for the community in the following ways:

1. Savings groups have laid a strong foundation for farming practice. They have motivated members to plan and budget accordingly.
2. Most farmers have been able to increase their plots and therefore their harvest as they are able to save for and buy more inputs.
3. Savings groups provide a learning platform and reinforce acceptable behaviours.
4. Groups act as glue and are a good platform for innovation. Members are able to discuss other things beyond savings and are able to share knowledge, information and experiences of farming practice and general living tips.
5. Members are able to buy goods and pay for services on a cash basis.

Changes Noticed as a Result of Savings Group Membership

According to Mr Madondo, participation in these groups has brought harmony to his family, as before there were many conflicting priorities and a lack of trust. His wife did not participate in voluntary development initiatives or farming work, but this has changed and there has been more cooperation since the savings programme was started. He works together with his wife to stagger the taking of loans from the SCGs to pay for joint household projects such as building the new house and buying household items. Furthermore, Mr Madondo has won increased trust from his community and his confidence has grown. He is able to speak confidently about savings and farming programmes.

Future Plans

Mr Madondo's aim is to improve his skills in areas such as preparing the soil, the use of chemicals and improving soil fertility (using lime) as well as moving slowly towards mechanised farming. He is aiming to buy a man-drawn lime spreader and a two-wheeled chemical sprayer as he believes this will improve production while reducing input costs. He also wants to get into goat breeding and to sell to the local community.

12.1.3. Case study 3: Mrs Masengeni (1 SCG)

Mrs Masengeni lives in Newstand Farms. She is 72 years old and lives with her husband and their two grandchildren. She has a grade 5 level education.

Current Membership of Savings Groups

This is Mrs Masengeni's second year of participating in an SCG. She was chairperson of the group last year but decided to step down to give a younger person a chance. She became involved because she heard that the women from Obonjaneni (nearby) were doing 'wonders' as a result of the savings group, so she mobilised neighbours and friends to start their own group.

The main reason for this was to support their farming activities. They wanted to buy farming inputs, specifically fertilizer. They also wanted to replicate the benefits the Obonjaneni women had achieved, namely meeting daily needs (smoothing household consumption) and supporting their children's education. Mrs Masengeni pays the school fees and accommodation costs for her grandchild who studies away from home. She says that her husband fully supports her decisions in the household, which gives her all the confidence she needs to prosper.



Participation in Agriculture

Mrs Masengeni's household owns 10 cows, 13 sheep and six goats. They participated in a Pepperdew growing programme at one time but the output was poor; unfortunately, a yellow maize harvest intended for sale to South African Breweries (SAB) was also not good. The low quantity and quality discouraged SAB from buying their harvest, with SAB indicating that production was too low to warrant sending a truck to fetch the harvest, which was disappointing.

In terms of farming practice, they hire a tractor to prepare the soil and last year they used an ox span for planting. When planting maize they use a maize planter on the same day that they plough the land. They keep their own seeds for the following planting season and as a savings group member, Mrs Masenengi aims to buy pesticides

and other chemicals to improve the yields. However, access to water is a problem as it is very scarce. Although they have piped water, they are not able to use it for farming purposes. They are planning to develop a small irrigation network in the fields and intend to ask for government support on this.

Mrs Masengeni feels that smallholder farming is fraught with logistical problems and ‘synchronising plans with reality’ can be very daunting. For example, there is only one tractor that services the entire community and when one’s turn comes it may be too late for planting. This is exacerbated by the effects of climate change, with rainfall becoming unpredictable. The costs of hiring a tractor are also quite high (at rates of R300 for 1 ha), especially when one still has to buy other inputs and pay for a span of oxen for planting. Another frustration is the interaction with land owners who rent the land to farmers.

Mrs Masengeni sees many development opportunities but feels that she is too old to grab them and run with them. Despite this, however, she has participated in a number of training programmes, including some on farming practices. She describes the SCG programme as the most ‘visible and practical’ training she has received.

Changes Noticed as a Result of Savings Group Membership

Since her involvement in the SCG, Mrs Masengeni has noted several changes. For example, she and her husband are now better able to support their grandchildren in their education. She wants to focus on the children’s education so that when she is gone they are able to stand on their own. The savings programme has also enabled the household to participate more fully in farming as they are able to buy farming inputs such as pesticides. Mrs Masengeni says that being part of the savings group has revived her love of community development, which proves that savings has no age limitations.

12.1.4. Case study 4: Mr Dubazane (1 SCG)

Mr Dubazane lives in Okhombe with his wife. He is 64 years old and reached grade 7. He spent most of his life working in Johannesburg, and returned only a few years ago to take up farming. He gained his love for farming from his parents when he was a teenager.



Current Membership of Savings Groups

He has been a member of one savings group for four years. The group saves for farming inputs (fertiliser) and is largely formed by men. Due to the ever increasing price of fertiliser, they save jointly so that they can buy

fertiliser in bulk and reduce costs. He has played different roles in this group, including being an efficient recorder.

The group are planning an even larger process of bulk buying that will involve engaging with other farmer groups in Obonjaneni, Busingatha, Newstand and Potshini to discuss ways to buy fertiliser from the manufacturer, Sasol. Mr Dubazane believes that this will allow them to meet the tonnage target required by Sasol and consequently reduce the cost of inputs.

Participation in Agriculture

According to Mr Dubazane, members of this group are all farmers with a passion for livestock (mainly cattle) and maize production. He himself has 16 cows, 10 goats, some chickens and a racing horse. He still trains his racing horse and hopes to participate in the annual Dundee Horse Racing competition this year.

Mr Dubazane also grows maize and beans for (limited) consumption and for the market. He had a good maize harvest last year but this was not the case for the bean harvest. The bean production was heavily affected by delayed heavy rains. He uses a tractor and a span of oxen to prepare the soil and for planting. The tractor costs about R400 per ha to hire; he has his own ox-drawn equipment that he hires to neighbours.

Although farmers in the area have access to piped water, they cannot use it for agriculture. They have good springs that can be used to water their fields, but this has to be done manually as there is not yet an irrigation network. They have decided to start digging tunnels for irrigation that will draw water from these two springs.

Water is also a concern with regards to livestock, as during the dry season when water in the mountains is limited, the livestock are forced to drink from the nearby springs. This leads to competing uses – human consumption, irrigation of crops and drinking water for livestock. Their presence at the springs also causes a problem for cultivation as the fields are not fenced. Therefore farmers have to hire others to look after the livestock to prevent damage to their fields. This has financial implications and can lead to delays and reduced production.

Mr Dubazane feels well skilled in farming practice, including in taking soil samples for testing from appropriate spots in the field, liming the field, doing crop rotation and taking care of the livestock. He has also participated in training on keeping livestock and pasturing. The livestock farmers in the area guard the cattle in the mountains on a rotational basis, as theft from neighbouring Lesotho is a continuing frustration. This initiative has been successful in mitigating and, in some cases, preventing livestock theft.

Both he and his wife are involved in agriculture in different ways. Mr Dubazane takes care of the livestock and does the manual labour required for maize and bean production, while his wife plays an important role during the harvesting and in the selling of the harvest. They use the income from sales to finance their household consumption needs.

Changes Noticed as a Result of Savings Group Membership

Mr Dubazane notes that *“Things have changed. We are now selling cattle in the stock market, something that never happened in the past.”* The livestock farmers were able to sell 26 cows to one buyer and anticipate doing better next time. One of the effects of this is that they have worked with the traditional leadership to undertake better settlement planning so as to have dedicated areas for cropping, camps and land for settlement. Secondly, the money received from the cattle sales has been reinvested in group savings and other farming activities.

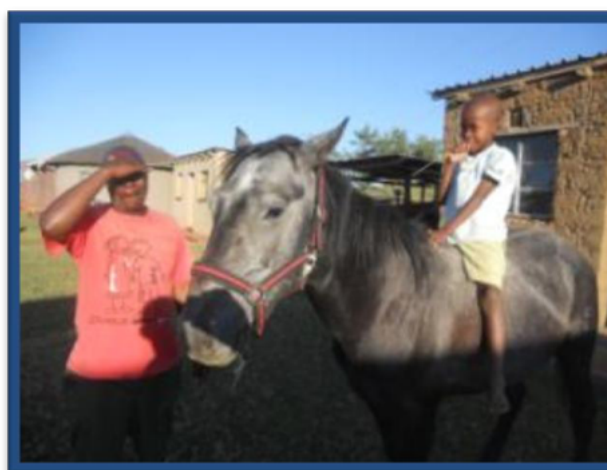
Savings groups also provide a good platform for emerging farmers to discuss a range of issues beyond basic farming. According to Mr Dubazane *“This has opened our eyes”* as a few years ago no-one ever thought about bulk buying or that they could bargain for better prices; nor did anyone think they could sell their produce and cattle to outside markets. He explains that where they used to pay R20 per 50kg bag of fertiliser in transport costs, last year in the bulk buying exercise they only paid R21 per farmer for the entire load.

Mr Dubazane indicated that business management remains one of the biggest challenges, especially after harvest. He feels the *Isiqalo* training empowered them to identify the difference between enterprise theory and what happens in practice, as after the harvest they do not record sales and much of the money goes straight into household consumption. In this context, savings groups have become the only instrument to save them against ‘bankruptcy’, especially when the planting season approaches. On the issue of accessing external credit, Mr Dubazane feels that they are not ready to take on external loans, as failure to manage their small enterprises could be disastrous for servicing the loans.

Lastly, he said that decision-making within his family has improved. His relationship with his wife has improved since she is a member of another savings group; discussions in the house are largely constructive and both want to succeed in their farming enterprise.

12.1.5. Case study 5: Mr Ntuli (2 SCGs)

David Ntuli is 60 years old and lives in Potshini with his wife and four grandchildren. He went up to grade 7 in school and worked on the local farms for a long time.



Current Membership of Savings Groups

For the last three years he has been a member of a savings group for which he was the box keeper, and a second group that saves for fertiliser. He was motivated to join the latter by the frustrations that he and other farmers used to experience when buying fertiliser just before the planting season. Nobody had enough money at this time and the transportation costs made this worse.

Participation in Agriculture

Mr Ntuli is heavily engaged in small-scale farming. He owns 16 cows, 11 sheep, five goats, four pigs and some chickens. The KwaZulu-Natal Department of Agriculture provides subsidies that assist in taking care of the livestock. He also has large fields where he grows maize and beans. Last year he harvested 50 bags of beans (50 kgs) and 150 bags of maize (150 kgs), most of which he sold. He uses his own tractor and a community-owned planter for ploughing and planting and plans to produce more this year, although this depends on the weather conditions. He also aims to start goat farming as he believes that there is a demand for goats in the local market. Also, Mr Ntuli loves horses and is training a horse for a Dundee Horse Racing competition this year with his youngest child as the jockey.

In reflecting on challenges, he noted that weather conditions affect land preparation. Tractors cannot be used in wet conditions and while a span of oxen can, their use delays the process. Last year the rains were late and this

affected farmers badly. Another challenge he faces is providing tractor services to other farmers on credit. This has resulted in unnecessary conflict when they fail to pay their debt and tends to frustrate collaborative efforts and team work.

Mr Ntuli indicated that the Farmer Support Group has offered a number of trainings to local farmers, including cropping practice, water harvesting, tower gardens and caring for livestock. They also offered training on soil conservation in collaboration with ARC. Mr Ntuli also pointed out that the Department of Agriculture has benefited from these stable and committed groups as the groups are easy to work with. He receives no external financial aid beyond the savings groups but would love to get more funds in order to grow his farming enterprise.

Changes Noticed as a Result of Savings Group Membership

Mr Ntuli feels that savings groups have been very helpful as he is able to take small loans to maintain his car and a tractor. Some of this money is used to pay for his youngest son's tuition at the University of Johannesburg.

Savings groups give members access to money when they need it and he has learnt to budget. His four sons, who live in Gauteng, are not good savers and used to spend every penny they earned. Last year they were invited to join the savings groups and now they send their contributions monthly. Mr Ntuli says they are very happy that they joined the groups as they are assured to have savings every year.

Furthermore, Mr Ntuli says that guaranteed access to credit and share-out lump sums contributed substantially to him being able to buy a tractor. Without the savings group he would not have been able to produce the yields he did, which he sold and then used the proceeds to buy a tractor. He hires the tractor out to other small farmers.

Lastly, he notes that relationships have changed. He is respected both at home and in the community and is able to motivate others to work the soil. He has been able to mobilise and encourage people to support each other in many respects, and his confidence to do more and to take decisions has increased drastically. He attributes this to the access to money provided by the savings group and his growing enterprise.

12.2. Matatiele Case Studies



12.2.1. Case study 1: Mrs Dzindgwa (8 SCGs)

Mrs Dzindgwa (in the picture with a neighbour Mrs Bhekaphezulu) lives in the village of Kahue in a well-developed homestead with a large house and good fencing. Her husband passed away when her only daughter was born so she has raised her by herself. She used to be a school teacher and is now a pensioner.

Current Membership of Savings Groups

Mrs Dzindgwa has been a member of savings groups for three years and she is now a member of eight different SCGs. She saves and takes small loans in each group. Mrs Dzindgwa believes that having mature members in new groups helps create confidence in new members and instils discipline within new groups. She says it is important to have a trustworthy person in new groups and she encourages new members to initially take small loans frequently and for productive activities; in this way new members will learn how to manage their loans in a way that they can pay them back.

Mrs Dzindgwa has received financial training and enterprise training (*Isiqalo*) and uses her membership of SCGs to support her agricultural activities and household investments. She takes loans to buy feed and one-day-old chicks and used her share outs to buy households assets, such as a fridge and a stove. She is interested in using her

share out money for investment in assets that could benefit the agricultural activities in the community. Mrs Dzindgwa uses part of the income from her agricultural activities to buy shares in her SCGs.

Participation in Agriculture

Mrs Dzindgwa has converted one of the rooms in her dwelling into a chicken house. She uses it to raise poultry which gives her extra income. Between October 2011 and January 2012 she sold 130 chickens and says she has no problems doing so as she is quite well-known in the community and her prices are reasonable.

She owns a large plot (about 1.5ha) adjacent to her house where she grows a large variety of vegetables and crops, such as cabbage, spinach, green pepper, tomatoes, carrots, turnip, potatoes, maize and beans. She usually sells her produce locally and when there is an abundant produce she sells in bulk to Zondela supermarket (especially green peppers) and to a school feeding schemes (especially cabbage). The demand for different types of vegetables varies. For instance, Mrs Dzindgwa says that people do not know how to cook carrots; thus only old people buy them because they know that they are good for their eyes. Cabbage, on the other hand, is much easier to sell.

Cultivation is carried out both by hand and using a tractor. Mrs Dzindgwa hires a tractor that belongs to another project, although the tractor is not always available. She gets manure from her neighbours which she uses for the vegetables, but she buys fertilizer for cultivating potatoes. Mrs Dzindgwa does not buy any other chemicals or inputs.

Challenges in Carrying Out Agricultural Activities

Mrs Dzindgwa says that labour is a challenge and so is ensuring sufficient produce to sell with continuity. She employs youth on an *ad hoc* basis but paying for this labour regularly is a challenge and as a consequence it is difficult to increase the production and keep it stable. Most of her garden is still not planted, but she has enough land to cultivate to supply Shoprite and other supermarkets which are willing to buy vegetables, given that a continuous supply is ensured. At the moment, she sells to shops only when she has produce in excess. Shops collect vegetables from her house on Fridays.

Water is another challenge. Mrs Dzindgwa accesses water from a municipal tap in her yard and water is free. She uses hosepipes and sprinklers). However, water is not always available during winter, which poses a challenge for cultivation. Mrs Dzindgwa also thinks that a portion of her garden is infertile as spinach tends not to grow well there.

SCGs and Collective Action

Mrs Dzindgwa says that together with the members of one of her SCGs, a plan has been developed to create a small business for Mrs Mtholo (a neighbour). Mrs Mtholo's son works in Pietermaritzburg and has been bringing day-old chicks and chicken feed home with him on weekends. This advantage of cheap inputs has now been turned into a business for Mrs Mtholo, who sells the chicks to other SCG members. Mrs Mtholo finances her business by having other SCG members pay her upfront. In this way she can raise the chickens for two weeks, after which SCG members take batches of 20 chickens at a time until they have used up what they paid up front. There are several advantages for the group: members can buy chickens at a cheaper price than it would cost them to buy individually, they can rear small numbers of chickens at a time as their chicken houses are small and at the same time have a continuous supply. Moreover, they get the chickens when they are 3 weeks old and they are thus hardier.

Mrs Dzindgwa has also plans for the future of her community and says that *"We want something that will be more sustainable, we want to say that through our savings we have built this or created something to help our businesses grow"*. She noted the challenges in accessing tractors in the community but suggested that there are many women living close to each other who could club together to buy a small second-hand tractor. She is

prepared to use her share-out to pay for a deposit and then as a group they could pay for the tractor in instalments. The group could further use the tractor to generate an income, hiring it out or using it to transport vegetables to Saturday markets or pension points.

Benefits of Savings Groups Membership

Mrs Dzindgwa says that her enterprises have grown since she joined the SCG. Thanks to the commodity interest groups (CIGs) which were formed with other SCGs members, she was able to participate in the bulk buying of seeds and to increase her production of vegetables and potatoes. The marketing of chicken pieces (as opposed to whole birds), also promoted through CIGs, helped Mrs Dzindgwa to increase the profitability of her broilers. In addition it is now possible for her to buy big items in cash, without taking credit from shops, and this has made an enormous difference in her life. Mrs Dzindgwa has a bank account but does not take loans from formal financial institutions. She says that those loans are difficult to access as the interest rate is too high for people to repay it. Also, she is quite sceptical about taking external loans as she saw people getting loans from the government in the past and feels that they were spoilt with these loans and now do not want to work. She does not want to be in a similar situation.

Beyond the financial benefits, Mrs Dzindgwa believes that, *“Being part of SCGs gives us back our dignity – (‘ubuyisa ubuntu’), – We are no longer waiting for our grants in a dispirited way”*. It has also given Mrs Dzindgwa a new feeling of strength and now she wants to bring this feeling to her neighbours, by sharing ideas with them and encouraging one another.

In particular, she believes that the savings model could help their children who are also unemployed or with an income that is too small to support their large families. The child grants that they receive are not sufficient and this puts a burden on the elderly. She also feels that the model could be used with children with past alcohol and drug dependencies and that including them in savings groups and productive activities would help their rehabilitation.

Future Plans

Mrs Dzindgwa would like to start a consolidated production in her community to supply school feeding schemes. She is also aiming to teach people about the various types of vegetables and the nutritional benefits that they can



get from them. Since part of the soil in her plot is coarse she has been thinking about digging a dam and keeping fish – as this could be a good activity for the young boys. She was also wondering about stocking some of the larger dams in the area with fish.

12.2.2. Case study 2: Mrs Bhekaphezulu (2 SCGs)

Mrs Bhekaphezulu lives in Khaue (Matatiele) with her husband, Watson (in picture). They are both unemployed and now engaged in farming activities.

Current membership of Savings Groups

About three years ago People in the community heard of the SCG that was set up in Jabulani and requested to start a group themselves. At that time, Mrs Bhekaphezulu was encouraged by Mrs Dzindgwa (a friend and neighbour) to join an SCG. Both Mrs Bhekaphezulu and her husband are now members of SCGs. She belongs to two SCGs, which helps her to save more and access lump sums of money at different times of the year (her SCGs share out in April and October).

Mrs Bhikaphezulu usually takes loans every three months to support her gardening activities. She uses the loans to buy seeds, seedlings and fertilizer. She invests the share-out monies in household assets and with the last two share-outs she was able to buy a microwave oven and a stove.

Participation in Agriculture

Mrs Bhikaphezulu and her husband started farming activities after joining the SCGs. Discussion with other members and mentoring within the savings groups motivated them to start agricultural activities. They own a plot (about 1.5ha) adjacent to their home where they grow potatoes, beans, maize, spinach, turnips, cabbage, green peppers (in the picture), brinjals and tomatoes. Beans and vegetables are mostly used for consumption and only the surplus is sold, when available. Maize is usually dried and used as maize meal and for feeding chickens and pigs. Tomatoes have yielded really well but people in the community grow their own vegetables and thus they are not easy to sell. Mrs Bhikaphezulu is happy with the extent of the production so far as more produce would require more labour.



Cultivation is carried out mostly by hand, and once a year by tractor. The tractor is hired from another project and is not always available. Manure obtained from the neighbours is used for the garden while a small quantity of fertilizer is bought for potatoes and maize. Mrs Bhikaphezulu uses sprinklers and hosepipes for irrigation and accesses water through a municipal tap located in her yard but in winter she says that there is no production as availability of water is unreliable. The produce is sold locally with few challenges.

Mrs Bhikaphezulu and her husband have built a small chicken house, using scrap material. The chickens are fed with maize and Mrs Bhikaphezulu says that selling them at the right time is sometimes difficult. When the right time has passed, feed becomes more expensive and so does the sale price for the chickens and people become more reluctant to buy. After joining a commodity interest group, Mrs Bhikaphezulu has started slaughtering the chickens and processing them into chicken pieces that are kept in the fridge and then sold, which works well. Mrs Bhikaphezulu also owns a pig which is fattened and impregnated so that piglets can then be sold. Later on the pig is slaughtered and another piglet is bought.

Benefits of Savings Groups Membership

Mrs Bhikaphezulu has participated in the bulk buying of potato seeds which was organised by the commodity interest group (CIG). Through this process she was able to access seeds at a lower cost and also saved on transport to town to buy them.

Mrs Bhikaphezulu says that being part of the SCGs has given her something that she did not have before. She feels more confident because now she owns things and taking loans give her a new purpose and goal to pursue. Mrs Bhikaphezulu says that it would be possible to take loans with other financial institutions but she says there is no money to repay these loans. They are struggling repaying their little money so they are not thinking of bigger loans.

Future Plans

Mrs Bhikaphezulu would like to move towards keeping indigenous chickens which can be fed off greens and crops and do not require commercial feed. She intends to sell the chickens both live and in pieces. She would like to receive more training on farming techniques in order to learn how to keep her production of vegetables going all year round.

12.2.3. Case study 3: Mr Mapheelle (1 SCG)

Mr Mapheelle lives in Jabulani (Matatiele) with his wife. He bought two agricultural plots (about 1.2ha) when he was still working in 1998 and owns a third plot adjacent to his homestead on the other side of the village. He also owns a spaza shop which is located on one of the two plots.

Current membership of Savings Groups

Mr Mapheelle and his wife have been members of SCGs for three years and have both received financial education training through their savings group. Mr Mapheelle saves R200 per month with his SCG, using part of the income that he makes through farming, and takes on average three loans of R1 000 per year. He uses the loans to restock the spaza and to buy medicine for the livestock. The share-outs have been used to buy fencing and a kitchen unit. Now Mr Mapheelle wants to save towards buying a light delivery vehicle to help with transport for the spaza shop and collecting livestock feed. He is planning to use the share-out money and proceeds from the sale of an ox and some sheep to finance this.



Participation in Agriculture

Mr Mapheelle is growing vegetables and crops in the three plots that he owns. On his homestead plot he grows cabbage, spinach and potatoes mainly for household consumption. One of the other two plots is partly cultivated with turnips which are sold to hawkers who collect the produce directly from the plot. The remainder of the produce is sold through the spaza shop. The rest of the plot is planted with maize (in the picture) and sunflowers which are used for livestock feed. Mr Mapheelle uses the third plot for the winter season (April). Last year, for instance, he planted oats for the sheep to graze during the cold months.

Mr Mapheelle owns two oxen that he uses for ploughing his plots. Initially he did not use any fertilizer because he could not afford it. Now both manure from sheep and cattle and fertilizer are used in the plots and the yields are slightly better, though the soil is partly sandy and infertile. Mr Mapheelle says that transport for manure is expensive as it has to be transported from his home across the village to the other two plots. Water is accessed through municipal taps located on the plots but is often unavailable for long periods during winter.

Mr Mapheelle raises and sells livestock. He owns a herd of 50 sheep which are sold to the community when they are 6 or 7 years old. The sheep graze in the veld in summer while in winter fodder is needed as the area gets burnt and dry. Now that the sheep are in good shape and the wool is of good quality, Mr Mapheelle would like to sell the wool. There are people who can shear the sheep but sorting and grading the wool is still a problem as there are no sheds in the village or people to do this. Thus, for the time being Mr Mapheelle sells ungraded wool to people from Lesotho for a low price.

Mr Mapheelle owns 12 cattle which can be sold to the community in the case of an emergency or exchanged for younger ones. He stopped selling his cattle at auctions because he can sell them at a higher price in the village. Cows are sprayed for ticks with a knapsack that Mr Mapheelle borrows every two weeks during summer. He also

owns two pigs and two horses which are used for transport and to gather the sheep and cattle and bring them to the kraal at night. Theft is a problem in the area: Mr Mapheelle has recently lost three horses and a herder is employed at all times to help him with the livestock.

Savings Groups and Collective Action

Mr Mapheelle believes in using his SCG as a platform for collective initiative and mentioned that his group would like to apply for a borehole in the area which they could pay for with their savings. Unfortunately not all members are interested in the activity and some would not be able to take part in it. The borehole would help with water scarcity during winter months but only half of the village is affected by this issue. Moreover, there are technical questions, such as whether they would need a licence for the borehole, for which the group would like to have external assistance and training.

Mr Mapheelle said that at one point, some members of his group (Masibambane) considered sharing out every two years, instead of annually to accumulate more capital. However, it is difficult to do that since every member in the group is different and not everyone wants to do it – 12 members are interested while other six would not benefit from this. Also, in order to do that, they would need to deposit the money at the bank while at the same time being allowed to withdraw money from their account at any time and they are not sure whether that would be possible. Additionally, bank charges and transport costs are considered a challenge by Mr Mapheelle and his group.

Benefits of Savings Groups Membership

Through the commodity interest groups, Mr Mapheelle participates in the bulk buying of vegetable and potato seeds. This helped him increase his production. He says that now he can afford to buy with cash which is cheaper than other options he was using before. He now knows how to save and take loans from his SCG and does not rely on loan sharks anymore. He does not use formal institutions as he is scared of taking out formal loans.

Future Plans

Mr Mapheelle would like to buy two milking cows and aims to have a big farm in the future so that he can making a better living with it. In the short term he would like to improve the soil of the two commercial plots, maybe using a better fertilizer. He would also like people in his community to receive more agricultural training, follow up and monitoring in order to acquire farming skills and knowledge. *“Agriculture must come from within [and] people must not just wait for hand-outs.”*

12.2.4. Case study 4: Mr Jackson Ndzeke (1 SCG)

Mr Jackson Ndzeke’s family lives in Nkosana off two pensions and three child support grants. He has nine children, all of whom are adults. Eight of them still live at home and only four of them earn an income doing ‘piece jobs’. Mr Ndzeke has five grandchildren and there is a lot of pressure on him to look after the family. He used to work in Gauteng and only recently started farming, after retirement.

Current Membership of Savings Groups

Mr Ndzeke is member of one savings group where he also acts as the chairperson. He started saving R100 per month and is now able to save up to R500 per month. He uses the loans from his SCG to buy food, cement, droppers and pay school fees. He used his last share out monies to improve his house; he bought cement, fixed the ceiling and made a veranda.

Participation in Agriculture

Mr Ndezu grows potatoes and vegetables (especially cabbage) for sale on a household plot (1.2ha). He has fenced part of the plot as a garden where he grows vegetables, such as tomatoes and spinach, for household consumption. Mr Ndezu says that through the garden he is able to save on food expenses and use the money saved for buying other things, like oil.

Mr Ndezu farms with his children and cultivation is carried out mostly by hand. He hires a tractor for ploughing the plot, still labour is an issue. Hiring tractors more often would help but it is expensive and it is cheaper to hire a team of oxen to plough the plot. He owns hand tools only and uses kraal manure for his plot since he cannot afford to buy fertilizer. He can access water through communal stand pipes, though they are not close to his home and water needs to be collected with buckets. Mr Ndezu can only farm during summer due to lack of water during winter months.

Mr Ndezu also owns 11 goats, 12 chickens (in the picture), 2 head of cattle and 1 pig. He keeps the livestock for household uses and ritual purposes. Only the piglets will be sold once they are ready. Both the piglets and the produce from the garden are sold to local individuals and hawkers.



Mr Ndezu enjoys farming and would like to do more. He is getting older and he needs his children to work in the garden but he says it is difficult to persuade them to help. He wishes he could plant the whole garden and the family could be self-supporting and buy commodities like sugar, oil and tea.

12.2.5. Case study 5: The Nonegmanes (1 SCG)

Mr and Mrs Nonegmane live with their four children in the village of Nkosana. They are both unemployed and live off a disability grant and child grants. They need to farm to make a living.

Current membership of Savings Groups

Mr and Mrs Nonegmane have been with SCGs for two years. They have received financial education and attended enterprise training (*Isiqalo*). They are members of the same savings group. Mrs Nonegmane is the record keeper for the group. They both take loans up to R 3,000. Loans are used for taxi fares, school fees and buying seeds. Mrs Nonegmane used her last share out to buy a lounge suite and proper fencing material.

Participation in Agriculture

They own a fenced garden (75mx50m) and grow and sell vegetables, such as cabbage, turnips, tomatoes, green pepper, spinach, carrots and spring onions. They are also growing potatoes and in October 2011 they participated in the bulk buying of potatoes seeds. Part of their plot is used to grow maize. The market for their products is local and Mr and Mrs Nonegmane sell to local individuals and hawkers.

Cultivation is mainly carried out by hand but they hire a tractor to plough their plots. Kraal manure is used to improve the fertility of the soil, while fertilizer is bought only in small quantity because they cannot afford more. Mr and Mrs Nonegmane say that eating vegetables from their garden helps them to saving a little money that they can then use to buy other things. The family uses communal stand pipes to access water. These are usually not close to the houses but Mr and Mrs Nonegmane are lucky ones as they are able to fix a hose to a standpipe which is located just across the road.

Mr and Mrs Nonegmane also keep and sell livestock. They have 35 indigenous chickens (which they sell both as chicks and grown fowls), 4 goats and 10 cattle which they use for rituals and milk for household consumption. To keep their livestock and chickens healthy, Mr and Mrs Nonegmane buy medicine and specific feed.

Mr and Mrs Nonegmane are interested in finding red potatoes and sweet potatoes to try out. This will increase the range of their produce. They also would like to build tanks for storing rainwater as the drums that they currently own (200l) are too small. Tanks for storing rainwater would help to overcome the problem of lack of water that they experience for long periods during winter.

12.2.6. Case study 6: Mr Valinthuba Ndzekus (1 SCG)

Mr Valinthuba Ndzeku lives in the village of Nkosana. His household consists of 8 family members, including three grandchildren. They are dependent on the child support grants they receive and so they farm to make ends meet.

Current membership of Savings Groups

Mr Ndezu has been a member of a savings group for two years. Through his membership he received financial education and enterprise training (*Isiqalo*).

Participation in Agriculture

He has a large plot next to his home, part of which is fenced as a garden. He owns hand tools and grows cabbage, spinach, turnip and green peppers for sale. Vegetables are sold locally to neighbours, friends and hawkers. Maize is also grown but only for household consumption. Cultivation is mainly carried out by hand but tractors are hired to plough the plot. Labour is a challenge and the increased availability of tractors at cheaper prices would help Mr Ndezu to carry out agricultural activities. At present, hiring a team of oxen for ploughing is cheaper than hiring tractors. Mr Ndezu uses a mix of kraal manure and fertilizer, although he cannot afford a lot of the latter.

Mr Ndezu can access water through communal stand pipes. These pipes are located far away and this requires Mr Ndezu to walk for 30 minutes to reach the closest stand pipe. Once there, water needs to be collected in buckets.

Mr Ndezu owns 4 goats and 6 chickens. These are for sale only. He also owns one pig which he uses to sell piglets. Mr Ndezu buys feed for his livestock.



Savings Groups and Collective Action

Jackson Ndzeku, Mr and Mrs Nonegmane and Valinthuba Ndzeku participated in the bulk buying of seedlings that was organised by the commodity interest groups (CIGs). They say that being a member of a CIG will help people as they would be able to meet to discuss issues; however, they feel they still need some direction and that members should take more initiative on their own.

One challenge is that members of the CIGs have different interests. However, it is quite easy to organize agricultural activities together as many are interested in farming.

They also say that in the community there are many sick people, thus they would like to learn how to cook nutritious meals without having to pay too much.

Benefits of Savings Groups Membership

The three feel that being part of an SCG alleviates some of the challenges of looking after a big family and say that they now feel less stressed. Social grants are their only other source of income.

Also, they are now in a better position to taking decisions over their finances. For instance, they are more careful and understand better how to take decisions regarding pricing and budgeting. They are more aware of money management and they are now able to prioritize what they need. They mentioned that they no longer rely on loan sharks. At the same time, they say that they do not use formal financial institutions as the interest for their loans is much higher and they cannot afford to repay it.



12.2.7. Case study 7: Mrs Ngube (1 SCG)

Mrs Besi Ngube (in the picture) lives in Xaxazana. She is a retired teacher and there are three members in the family. Her husband died recently and she is in the process of taking over the farming operations.

Current membership of Savings Groups

Mrs Ngube joined an SCG four years ago. She started by saving R100 per month but she can now save up to R500 per month. She attended a financial education training provided through her SCG. She takes loans mainly to pay the fees for tertiary education. She used her share out last year to put new flooring into her house.



She first heard of SaveAct when the model was introduced to the community at a workshop in the village. Since that first workshop there are now quite a few groups in the village. Mrs Ngube says the savings model was introduced to help with farming and to show that the money they get does not all have to be spent on food.

Participation in Agriculture

Mrs Ngube owns a household garden plot in Xaxazana village and a 15ha farm outside Maclear. Her family bought the farm in 2000 and they are still paying it off on a monthly basis. She has about 20 sheep and she sells about 5 sheep a year to keep the size of the herd down. She has 35 cattle that are kept in camps and milked every day for household consumption and other uses on the farm. Some of the cattle were used when her husband died. Mrs Ngube is planning to sell cattle and also keeps goats for sale. On the farm Mrs Ngube grows fruit such as peaches, apples, pears, lemons and grapes. Unfortunately, this year the fruit was destroyed due to a thunderstorm and they cannot make canned or bottled fruit as they usually do. Mrs Ngube and her family are also cutting and selling firewood.

In addition, Mrs Ngube has a permaculture household garden (250m²) in which she grows a wide range of vegetables and fruits so that she can be self-sufficient. She grows a lot of spinach, mostly from seed she keeps

herself. She also grows carrots, tomatoes, cabbage, onion, butternut, pumpkin, brinjal, potatoes, tomatoes, leeks and strawberries. As well as vegetables, she grows herbs (fennel, comfrey, yarrow, mint and nasturtium) and more fruit (figs, grapes, apricots, apples, pears and peaches). This garden requires virtually no inputs as she uses manure from the livestock and produces her own seed for the most part. Some of the vegetables are also sold to local individuals and hawkers.

Last year, she participated in an ASGISA initiative in which maize was planted in a field in the village. Each person who helped to harvest was given 2 bags of maize. As she had four people from her household helping she received quite a lot of maize which she partly sold to avoid it being affected by weevils.

Mrs Ngube hires two people to help her on the farm. They also live on the farm. She hires a tractor for ploughing, planting, weeding and harvesting. She also hires people to help with spraying weeds using a knapsack. When it is harvest time, Mrs Ngube employs between 25 and 30 people to help with the harvest.

To access water at the farm in Maclear, they use a borehole (in the picture) but the electricity bill is very high. Mrs Ngube wants to get tanks instead to collect rainwater. At her homestead the household garden is watered using a tap, but the water supply is very unreliable. They drilled a borehole on their plot and have a header tank that now provides water for household use and the garden. This they share with other households when they have special occasions such as funerals and need water.



In reflecting on the future, Mrs Ngube noted that it is better to live in the rural areas and to try to be self-sufficient than to live in town. There is a lot of home processing that can be done to ensure that there is food throughout the year. Also there are many “herbs and tricks” that can be used to avoid buying medicines.

Benefits of Savings Groups Membership

Mrs Ngube found that the SCG helped after she retired and before her pension came through. Now the SCG helps her to pay for the tertiary education of her daughter (a nurse at Marianhill) and her son who is doing an Agricultural diploma at UNISA so that he can come back and run the farm.

Her SCG membership also helps to smooth over the seasonality of farming and allows her to continue to pay her employees their salaries even if there is no income from some months. Most of the money that is made through the farm is saved. Also, Mrs Ngube says that now there is less stress and that savings groups provide a place to socialize and speak with other adults.

Mrs Ngube noted that, *“Some of the older people think they cannot do anything and come and buy vegetables from me. It is better for them to also do their own gardens. They have land, they have water. People are motivated to save; they now need to be motivated to be self-sufficient. People with TB already have their gardens as they were told they need to produce fresh food for themselves to get healthy.”*